

The Indian Labour Market : An Overview

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1. Introduction

- **The concept of pro-poor growth envisages acceleration in economic growth with concomitant growth in employment opportunities for the poor.**
- **India's economic growth over the last two decades has been quite robust – expanding at over 5 percent per annum. In recent years, growth rate has reached 7 – 8 percent. Employment, on the other hand has not grown so fast.**
- **In this backdrop of 'jobless growth' in the Indian economy in the last few years, creating an environment of 'pro poor' growth becomes even greater a challenge**

- It is in this context that the present paper focuses on economic growth, employment and poverty scenario in last two decades or so.
- Section 2 deals with the worker-population ratio, section 3 focuses on sectoral shifts and growth in value added and employment
- section 4 examines the trend in unemployment rate.
- the composition of employment in terms of formal-informal sector is examined in section 5
- and employment elasticity and labour productivity are analysed in section 6
- section 7 focuses on work and poverty
- and main findings are summarized in section 8.

Usual Status Work Participation Rate

	1983		1987-88		1993-94		1999-00		2004-05	
	PS	SS	PS	SS	PS	SS	PS	SS	PS	SS
Rural Male	52.8	1.9	51.7	2.2	53.8	1.5	52.2	0.9	53.5	1.1
Rural Female	24.8	9.2	24.5	7.8	23.4	9.4	23.1	6.8	24.2	8.5
Rural Persons	39.1	5.4	38.5	4.9	39	5.4	38	3.7	39.1	4.8
Urban Male	50	1.2	49.6	1	51.3	0.8	51.3	0.5	54.1	0.8
Urban Female	12	3.1	11.8	3.4	12.1	3.4	11.7	2.2	13.5	3.1
Urban Persons	32	2	31.5	2.2	32.7	2	32.4	1.3	34.6	1.9
All Areas Male	52.1	1.7	51.2	1.9	53.2	1.3	52	0.7	53.6	1.1
All Areas F	21.8	7.8	21.7	6.8	20.6	8	20.3	5.6	21.5	7.2
All Areas P	37.4	4.6	36.9	4.3	37.5	4.5	36.5	3.2	38	4

- Among the rural males the principal status work participation rate showed an increase of around 1 percentage point between 1983 and 1993-94 (ignoring 1987-88) and thereafter a marginal fall of around 0.6 percentage point in 1999-2000 (Table 1). In 2004-5 the rate has improved perceptibly, though.
- Among the rural females on the other hand, the principal status work participation rate fell by slightly more than one percentage point between 1983 and 1993-94, and remained more or less constant in 1999-2000. However, the rate improved in 2004-05.

- In the urban areas, the principal status work participation rate remained more or less unchanged among females all through eighties and nineties (ignoring a marginal fall in 1999-2000) whereas among males it improved in 1993-94 compared to 1987-88, and remained stable till 1999-2000.
- Thereafter both the male and female specific rates shot up in 2004-05.
- The subsidiary status work participation rate has been negligible both among the rural and urban males, particularly during the nineties. On the other hand, among the females it dropped in both rural and urban areas in 1999-2000, and seems to be reviving in 2004-05.

- The share of agriculture and allied activities in total GDP dropped from 42 per cent to around 26 per cent over the twenty-year period: 1981-2001, and it decelerated further to around 23 per cent in 2004-05.
- Surprisingly the share of manufacturing, which was only one fourth of the GDP in the nineties declined further to around 24 per cent in 2004-05 (Table 4).
- On the other hand, the share of trade, hotels and transport storage and communication increased by almost 7 percentage points over the last twenty five years.
- In terms of growth rate also these activities along with financing, real estate and business services have been increasing very rapidly over the years.

Percentage Share of Sectors in Value Added (1993-94 Prices)

Years	Agriculture and Allied Activities and Mining	Manufacturing, Utilities, and Construction	Trade, Transport, Storage and Communication	Financing, Insurance, Real Estate etc.	Public Administration, Defence and Other Services
1980-81 (% share)	41.8	21.6	18.4	6.5	11.65
1985-86 (% share)	38.6	22.5	18.98	8	11.9
1990-91 (% share)	34.9	24.5	18.73	9.67	12.18
1995-96 (% share)	30.6	25.5	20.9	11.4	11.6
2000-01 (% share)	26.55	25	22.35	12.57	13.54
2004-05	22.97	23.81	25.49	13.39	14.34

Annual Rate of Growth of Value Added

1980/81- 1985/86	3.35	5.79	5.57	9.05	5.41
rog p.a.					
1985/86- 1990/91	3.98	7.66	5.71	9.76	6.4
rog p.a.					
1990/1- 1995/96	2.57	6	7.43	8.57	4.24
rog p.a.					
1995/96- 2000-01	2.83	5.29	6.98	7.55	8.76
rog p.a.					
2000/01- 2004/05	2.55	6.37	9.73	7	5.41

- The shift in employment from agriculture over the period has been marginal from 68 percent in 1983 to 60 percent in 1999-2000.
- It decelerated further in 2004-05 to around 56 per cent (Table 5).
- The shift away from agriculture has however, not led to significant increases in the manufacturing share of employment: 12.20 % in 2004-05
- Instead, even at low levels of per capita income, the share of services in employment and value addition has increased in India.

Percentage Distribution of All Workers (UPSS)

Activity	1983	1993-94	1999-00	2004-05
	Agriculture and Allied Activities	68.45	63.45	59.84
Mining and quarrying	0.58	0.72	0.57	0.57
Manufacturing	11.24	11.35	12.09	12.2
Electricity, Gas etc.	0.28	0.36	0.32	0.27
Construction	2.24	3.12	4.44	5.66
Trade, hotel, etc.	6.35	7.42	9.4	10.79
Transport etc.	2.44	2.76	3.7	4.02
Financial Services	0.56	0.94	1.27	1.68
Community, Social and Personal Services	7.86	9.37	8.36	8.13
Total	302.76	374.45	397	460.43
	million	million	million	million

- The employment growth in terms of usual principal-cum-subsidary status workers decelerated to 0.98 per cent per annum during 1993-94 through 1999-2000 compared to 2.04 per cent per annum between 1983 and 1993-94 (Table 6).
- Activities such as construction, trade and transport registered an increase in the growth rate of employment in the nineties compared to the eighties.
- In the case of manufacturing, on the other hand, the growth rate fell, marginally though, in the second sub-period compared to the first.

Rate of Growth of Workers (UPSS): 1983 to 1993-94, 1993-94 to 1999-2000 and 1999-2000 to 2004-05 (per cent per annum)

Activity	1983 to 1993/94	1993/94 to 1999/2000	1999/2000 to 2004/05
Agriculture	1.38	-0.15	1.892
Mining and	4.16	-2.85	2.857
Manufactur	2.14	2.05	3.157
Electricity, C	4.5	-0.88	-0.544
Constructio	5.32	7.09	7.836
Trade, hote	3.57	5.04	5.734
Transport e	3.24	6.04	4.629
Financial Se	7.18	6.2	8.594
Community	2.9	0.55	2.426
Total Work	2.04	0.98	2.964

- The total employment growth picked up to a level of 2.96 per cent per annum between 1999-2000 and 2004-05.
- It is evident that some of the activities, which grew rapidly during the first five years of the twenty first century, are construction, trade, hotels etc. transport, storage and communication, and financing, real estate and business services etc.
- The employment growth in agriculture picked up and this seems to have raised the overall growth in employment in the recent years.

Table 8: Employment Status: Composition of Workers (UPSS) by Sex and Rural-Urban Residence: NSS Data 1972-73/2004-05

		Year	Self-Employed	Regular employee	Casual Labor
Rural	Male	1972-73	65.9	12.1	22
		1977-78	62.8	10.6	26.6
		1983	60.5	10.3	29.2
		1987-88	58.6	10	31.4
		1993-94	57.9	8.3	33.8
		1999-00	55	8.8	36.2
		2004-05	58.1	9	32.9
Rural	Female	1972-73	64.5	4.1	31.4
		1977-78	62.1	2.8	35.1
		1983	61.9	2.8	35.3
		1987-88	60.8	3.7	35.5
		1993-94	58.5	2.8	38.7
		1999-00	57.3	3.1	39.6
		2004-05	63.7	3.7	32.6
Urban	Male	1972-73	39.2	50.7	10.1
		1977-78	40.4	46.4	13.2
		1983	40.9	43.7	15.4
		1987-88	41.7	43.7	14.6
		1993-94	41.7	42.1	16.2
		1999-00	41.5	41.7	16.8
		2004-05	44.8	40.6	14.6
Urban	Female	1972-73	48.4	27.9	23.7
		1977-78	49.5	24.9	25.6
		1983	45.8	25.8	28.4
		1987-88	47.1	27.5	25.4
		1993-94	45.4	28.6	26
		1999-00	45.3	33.3	21.4
		2004-05	47.7	35.6	16.7

- As we observe from Table 8 employment in casual labour category increased over time, particularly in the rural areas. It was as high as 36.2 per cent in the case of rural males and 39.6 per cent among the rural females in 1999-00.
- Surprisingly the composition of work force as per the status of employment shows a major shift in favour of self-employment in 2004-05 with a decline in casual employment in relative sense.
- This pattern is evident among all the four categories of rural males, rural females, urban males and urban females.

- On the other hand, the proportion of work force engaged as regular employees declined somewhat among the urban males while it increased perceptibly among the urban females.
- Though it does not seem to be justified to conclude that reforms initiated casualisation on a large scale, the phenomenon of long term contractual employment is unlikely to get captured in the category of casual employment.
- Needless to add that the contractual employees are deprived from several benefits relating to health, leave and retirement, even in the organized sector.

Table 9: Unemployment Rates during 1977-78 to 2004-04 in Different NSS Rounds

	Round/ Year	Male US	Male CWS	Male CDS	Female US	Female CWS	Female CDS
Rural	2004-05	2.1	3.8	8	3.1	4.2	8.7
Rural	1999/00	2.1	3.9	7.2	1.5	3.7	7
Rural	1993/94	2	3.1	5.6	1.3	2.9	5.6
Rural	1987/88	2.8	4.2	4.6	3.5	4.4	6.7
Rural	1983	2.1	3.7	7.5	1.4	4.3	9
Rural	1977/78	2.2	3.6	7.1	5.5	4.1	9.2
Urban	2004-05	4.4	5.2	7.5	9.1	9	11.6
Urban	1999/00	4.8	5.6	7.3	7.1	7.3	9.4
Urban	1993/94	5.4	5.2	6.7	8.3	7.9	10.4
Urban	1987/88	6.1	6.6	8.8	8.5	9.2	12
Urban	1983	5.9	6.7	9.2	6.9	7.5	11
Urban	1977/78	6.5	7.1	9.4	17.8	10.9	14.5

- With respect to unemployment there have been some changes in the 1990s.
- The open unemployment rate (defined as those not working but seeking or available for work on UPSS basis, as a percentage of labour force) has neither been generally high on an average for all sections of the population nor has it increased considerably over the years
- Rather in the nineties it shows a declining tendency both in the rural and urban areas corresponding to both the sexes (Table 9).

- In 2004-05 the relative size of self-employment has increased among males and females in both rural and urban areas,
- which is accompanied by a rise in the current daily status unemployment rate among the females in both rural and urban areas and among the males in rural areas.
- In the face of these changes it is difficult to conclude that the employment scenario for the poor is actually improving over the years.



Relative Size and Composition of Informal Sector: States & All India

(1999-2000)

State	Rural		Urban	
	Inf. Enterpr	Inf. HH	Inf. Enterpr	Inf. HH
	Workers	Workers	Workers	Workers
	as a % of	as a % of	as a % of	as a % of
	Total Work	Total Work	Total Work	Total Work
Andhra Pra	59.81	68.15	53.96	71.36
Assam	34.64	51.19	35.2	40.32
Bihar	57.21	53.12	44.37	48.3
Gujarat	40.14	61.4	53.03	52.25
Haryana	30.85	54.47	48.59	56.82
Karnatka	69.6	68.56	45.15	48.84
Kerala	37.96	64.42	41.88	54.03
Madhya P	58.37	59.46	39.37	53.91
Maharash	51.71	56.05	44.43	54.46
Orissa	87.58	67.41	41.18	62.22
Punjan	37.64	61.44	54.28	59.87
Rajasthan	36.89	58.28	39.02	52.97
Tamilnadu	51.69	74.94	44.12	55.64
Uttar Prade	68.91	70.64	57.23	69.3
West Beng	69.49	82.05	40.12	44.58
All India	55.2	64.74	46.84	55.27

- The estimated number of workers in the informal non-agricultural enterprises are given based on the enterprise survey (Schedule 2.0) and the household survey (Schedule 10) in both rural and urban areas.
- Interestingly, both the schedules differ substantially from each other in terms of the number of workers.
- On an average at the all India level, as seen from Table 11, around 55 and 47 per cent of the workers are found in the informal sector in the rural and urban areas respectively (obtained from the enterprise survey).
- On the basis of the household survey the estimates are 65 and 55 per cent for rural and urban areas respectively.

Rate of Growth of GDP (% p.a.)- -----Employment Elasticity----

Activity	1983 to	1993-94 to	1999-	1983 to	1993-94 to	1999-
	1993-94	1999-	2000 to	1993-94	1999-	2000 to
		2000	2004-05		2000	2004-05
Agriculture and Allied Activities	2.82	2.84	1.82	0.49	-0.05	1.04
Mining and Quarrying	6.02	5.09	4.69	0.69	-0.56	0.61
Manufacturing	5.79	7.08	6.24	0.37	0.29	0.51
Electricity, Gas etc.	8.07	6.71	3.43	0.56	-0.13	-0.16
Construction	4.76	6.16	7.88	1.12	1.15	0.99
Trade, hotel, etc.	5.43	8.77	7.59	0.66	0.57	0.76
Transport etc.	5.91	8.97	11.89	0.55	0.67	0.39
Financial Services	9.63	8.03	6.4	0.75	0.77	1.34
Community, Social and Personal Services	5.17	8.22	5.25	0.56	0.07	0.46
Total	5.05	6.42	5.79	0.4	0.15	0.51

- The employment elasticity defined as the annual rate of growth of employment (UPSS) relative to the annual rate of growth of gross value added (at factor cost) turns out to be extremely low at the aggregate level, (Table 14). In fact it declined from 0.40 in the first period to 0.15 in the second period.
- In the third period (1999-2000 through 2004-05) considerable improvements in the employment elasticity are evident across several activities.

- Trade hotels etc. and financing and business services registered an increase in the employment elasticity.
- However, transport, storage and communication experienced a marked decline in the employment elasticity.
- Does this tends to suggest that the IT sector boom seen in terms of value added and employment in the initial stages has now reached a saturation point in employment terms though it continues to generate value added growth with the help of manpower already existing in this sector?

- Since employment growth decelerated in agriculture, mining and utilities in the nineties compared to the eighties, the rapid productivity growth in these activities in the second period is obvious.
- Labour productivity in the third period (1999-2000 through 2004-05) decelerated considerably across several activities. At the aggregate level it almost halved. Only transport, storage and communication registered a significant increase.

- The concept of pro-poor growth in a developing country context with large supplies of labour is indeed important, as it would ensure rapid growth and employment generation (for the poor) with decent wages simultaneously.
- Though economic growth picked up during the nineties, employment grew only sluggishly during this period.
- In fact, the employment growth decelerated during 1993 through 1999/00 compared to what was experienced between 1983 and 1993-94.
- There was a missing link between the rise in economic growth and the reduction in poverty that took place during this period.

- The recent survey (61st round) of the NSS shows that employment growth has picked up considerably (to nearly 3 per cent per annum) over the period from 1999-00 to 2004-05 but the extent of decline in poverty has been much slower after 1993 compared to what was experienced over 1983 to 1993-94.
- In fact the Planning Commission's approach paper (2006) to the 11th Five Year Plan estimated the incidence of poverty at 27.8 per cent for the year 2004-05, which is comparable to the estimate for 1993-94.
- This tends to indicate that in the recent years economic growth and employment generation both have been more beneficial to those located at the upper income strata than the poor.

- In other words, in the present situation of economic growth employment is generated more for the educated labour force than for the poor with lower levels of human capital.
- All this is likely to have resulted in increasing inequality.

Thank You