

EMPLOYMENT AND UNEMPLOYMENT SCENARIO IN INDIA

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ABSTRACT

Planning in India focused at realizing a high rate of growth of output in the long term. A basic assumption was that shortage of capital goods in relation to employable persons constituted a fundamental constraint on growth in the economy. Therefore the planning process made no attempt to define an independent employment strategy; the focus on economic growth was viewed as essential for improving the employment situation. Initially, labour force expansion was not seen as a problem to be contented with. Thus, in the Five Year Plans, the generation of employment was viewed as part of the process of development and not as a goal in conflict with, or to be pursued independently of economic development.

KEYWORDS: *Capital Goods, Growth in the Economy, Employment Strategy, Economic Development.*

Introduction

The approaches to tackling the task of unemployment have varied from time to time. In the initial years of planning reliance was placed primarily on the expectations of a rapid industrial development and control of population. While employment levels expanded steadily during the seventies and eighties, the rate of growth of employment continued to lag behind that of the labour force. Unemployment among the educated showed a rising trend. Another feature of the employment situation is the sizeable proportion of the employed working at low levels of the productivity and income. The eighties exposed the weakness in the then ongoing strategies of expanding public sector irrespective of competition.

Poverty Alleviation and Employment Generation Programmes

Anti-poverty strategy comprises of a wide range of poverty alleviation and employment generation programmes, many of which have been in operation for several years and have been strengthened to generate more employment, create productive assets, impart technical and entrepreneurial skills and raise the income level of the poor. Under these schemes, both wage employment and self-employment are provided to the people below the poverty line.

Global Employment Scenario

The global employment and unemployment situation according to the World Employment Report 1998-99, was as follows:

- Out of an estimated 6 billion population in the year 1997 around 3 billion was in the labour force.
- 160 million persons have been estimated to be fully unemployed.
- 25 to 30 percent of the employed labour force is under employed.
- A large number of young people in the age group of 15 and 24 (around 60 million in 1997) are continuously in search of work ie. unemployed.

A few important conclusions which emerges from the above report are:

- Limited demand for unskilled and less skilled labour.

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- Increase in demand for skilled labour on account of technological development and up gradation and changes in the organization of work
- Problems in maintaining the continued employability of labour force
- Demand for multi skilling.

Some of the important strategies recommended in the World Employment Report are:

- Timely Investment in skill development and training at enhanced level.
- Enhancement of education and skill level of workers
- Responsive training system.
- Need for effective partnership of all stake holders.

Employment & Unemployment Scenario in India

In India, due to the agrarian sector with seasonal operations time disposition and availability for work have been the criteria for measuring employment. The accepted method of measuring employment is the usual status. Reliable estimates of employment/unemployment are generated through National Sample Surveys conducted once in five years by National Sample Survey Organization (NSSO). The concept recognizes time utilization only. Quality of work or income does not get reflected in the approach.

As per the results of the National Sample Survey conducted in 1999-2000, total work force as on 1.1.2000, as per Usual Status approach (considering both principal and subsidiary activities) was of the order of 406 million. About 7 % of the total work force is employed in the formal or organised sector (all public sector establishments and all non-agricultural establishments in private sector with 10 or more workers) while remaining 93% work in the informal or unorganised sector. The size of the Organised Sector employment is estimated through the Employment Market Information Programme of DGE&T, Ministry of Labour.

The employment and unemployment scenario as per this approach depict the following picture:

Table 1: Estimates of Population, Labour Force, Employment and Unemployment (in millions)

	2003	2004	2009	2009- 2012
Estimated population	718.21	790.00	895.05	1004.10
Labour Force	308.64	333.49	391.94	406.05
Employed	302.75	324.29	374.45	397.00
Unemployed	5.89	9.2	7.49	9.05
Unemployment rate (as percentage of labour force)	1.91	2.76	1.96	2.23
Employment in organized sector	24.01	25.71	27.37	28.11
Employment in unorganized sector	278.74	298.58	347.08	368.89
GDP growth	7.7	3.8	5.9	6.4

Notes:

- *Employment , Unemployment , Unemployment rate and Labour force are on Usual Status basis and are based on estimates given in various rounds of NSSO*
- *Population estimates are as per projection made by Expert Committee on Population projection.*
- *Organized sector employment are on the basis of data collected by DGE & T.*
- *GDP growth rates are from Central Statistical Organisation.*

Growth of labour force, employment & unemployment during 2003-2008 observed were as under:

Note:

Table 2: Growth of Population, Labour Force, Employment and Unemployment

	Growth rate (%)	2003-04	2004-2008
(i)	Population	2.12	1.93
(ii)	Labour Force	2.05	1.03
(iii)	Employment	2.04	0.98
(iv)	Organized sector employment	1.20	0.53
	Public	1.52	-0.03
	Private	0.45	1.87

Employment, Unemployment, Unemployment rate and Labour Force are on usual Status basis and are based on estimates given in various rounds of NSSO. Population estimates are as per projection made by Expert Committee on Population Projection. Organized sector employment is on the basis of data collected by DGE&T. GDP growth rates are from Central Statistical Organization.

The rates of growth of labour force, employment, population and organized sector employment are compound rates of growth. Special Group headed by Dr.S.P.Gupta has adopted Current Daily Status Approach and projected employment, unemployment and labour force. According to this approach the unemployment during 1999-2000 was of the order of 27 million. The number of persons who could have got full employment with the work available in the economy is estimated as employment as per this approach. The difference between labour force and employed gives estimates of unemployment.

Employment Generation in India

- 7% of the total employed are in the organized sector i.e., unorganized sector dominates in the employment scenario.
- Additional employment generation in the organized sector is not significant i.e., scope for additional wage employment in the organized sector continued to be less.
- Significant employment generation took place in the tertiary sector particularly in services industries.
- Substantial employment growth was observed in the small and unorganized sector, i.e., in small and tiny enterprises.
- Self-employment and casual labour continued to play a pivotal role in rehabilitation of the unemployed.

Skill level of Labour Force in India

- The overwhelming majority of the work force, not only in rural areas but also in urban areas, does not possess any identifiable marketable skill. In urban, only about 19.6% of male and 11.2% of female workers possessed marketable skills. Whereas, in rural areas only about 10% of male and 6.3% of female workers possessed marketable skills.
- Most of the job seekers (about 80%) in employment exchange are without any professional skill.

International Comparison

- The levels of vocational skills in the labour force in India compare poorly with the position in other countries.
- Only 5% of the Indian labour force in the age category 20-24 has vocational skills obtained through formal training whereas the percentage in industrialized countries is much higher, varying between 60% and 80%, except for Italy, which is about 44%. The percentage for Korea, which has recently been categorized as an industrialized country, is exceptionally high at 96%. The developing countries have percentages which are significantly lower than the developed countries, but they are still much higher than India e.g. Mexico at 28% and Botswana at 22%. Differences in definition may make inter-country comparison somewhat unreliable, but the level in India is clearly far too low.

Employment vis-a-vis Training Needs.

- A part of the unemployment problem emanates from the mismatch between the skill requirements of employment opportunities and the skill base of the job-seekers.
- Rapid expansion of education, particularly of higher education, has also contributed to the mismatch in the labour market. High private rates of return on higher education, to a large extent resulting from low private cost, is an important reason for the rush for higher education despite high incidence of educated unemployment.
- The mismatch is likely to become more acute in the process of rapid structural changes in the economy.
- It is, therefore, necessary to reorient the educational and training systems towards improving its capability to supply the requisite skills in the medium and long term, and introduce greater flexibility in the training system so as to enable it to quickly respond to labour market changes in the short run.

- The system should also be in a position to impart suitable training to the large mass of workers engaged as self-employed and wage earners in the unorganized sector for up gradation of their skills, as an effective means for raising their productivity and income levels.
- The existing training institutions like the ITIs / ITCs (Industrial Training Institutes/Industrial Training Centres. There are 4700 Institutes/Centres imparting training to 6.9 lakh trainees.) have no doubt, been meeting a significant part of the requirements of the skilled manpower of organised industry. It, however, seems necessary that the processes of restructuring and reorientation of their courses are made more expeditious with a view to quickly respond to the labour market.
- As the responsibility for imparting training devolves on a number of agencies - in central and state governments, NGOs and private bodies there is need for clearly identifying and strengthening coordination at various levels.
- A greater involvement of industry in planning and running the training system would also be necessary for this purpose.

Recent Policy Recommendations

Considering the problems of employment and unemployment situation in the country Planning Commission set up a Task Force under the chairmanship of Dr. M.S. Ahluwalia to go into the details of the employment generation taking place in the economy and suggest measures for creation of 100 million jobs (10 million per year) in a period of 10 years.

The Task Force has recommended intervention in five major areas as under:

- Accelerating the rate of growth of GDP, with a particular emphasis on sectors likely to ensure the spread of income to the lower income segments of the labour force.
- Implementing focused special programmes for creating additional employment of enhancing income generation from existing activities aimed at helping vulnerable groups that may not be sufficiently benefited by the more general growth promoting policies.
- Pursuing suitable policies for education and skill development would upgrade the quality of the labour force and make it capable of supporting a growth process which generates high quality jobs.
- Ensuring that the policy and legal environment governing the labour market encourages labour absorption, especially in the organized sector.

Various agencies like McKinsey & Company have also studied the details and have come out with some policy recommendations. The Policy recommendations suggested in the report of McKinsey & Company are as follows:

- Remove product reservation for small-scale industry.
- Equalize sales tax and excise duties for all companies within a sector and strengthen enforcement.
- Establish an effective regulatory framework and strong regulatory bodies in the telecom and power sectors.
- Remove all licensing and quasi-licensing restrictions that limit the number of players in an industry.
- Reduce import duties to ASEAN levels (10 per cent) over next 5 years
- Remove ban on FDI in the retail sector and allow 100 per cent FDI in all sectors
- Resolve unclear real estate titles.
- Reform tenancy laws to bring rents in line with market value.
- Privatize all state and central public sector units (PSUs).
- Reform labour laws by repealing Section-5B of the Industrial Disputes Act and allowing flexibility in the use of contract labour.
- Transfer management of existing transport infrastructure to private players, and contract out construction and management of new infrastructure to private sector.
- Strengthen agricultural extension services.
- Rationalize property taxes, stamp duties, user charges

According to them if these policy recommendations are implemented 75 million jobs will be created and this will be enough to absorb the expected surge in the work force.

- While the policy recommendations of the McKinsey & Company are interesting, it appears from the analysis of the report that this may lead to opening the economy to all multinational companies in each and every sector. Under such situation, the local industries may find it difficult to exist in the labour market and the entire economy will be driven by the outside agencies.
- The report does not analyze the job losses which may be occurring due to implementation of the policies recommended. The job losses may outsmart the additional employment generation. Further study is, therefore required before such drastic steps as recommended are considered.
- The special group has also suggested restructuring in the following sectors in favour of labour intensive activity for generating additional gainful job opportunities for the Tenth Plan.
 - Agriculture & allied sectors.
 - Greening the country through Agro Forestry
 - .Energy Plantation for Biomass power Generation.
 - Rural Sectors and Small and medium enterprises (SMEs).
 - Education and Literacy.
 - Employment through ICT Development.
 - Health, Family and Child Welfare.

According to the Special Group report, out of the proposed 5 crore job opportunities to be generated over the Tenth Plan Period, nearly 2 crore should come from specific employment generation programme and 3 crore from growth buoyancy.

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