



Employment picture in India

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(Mains GS 3 : Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.)

Context:

- The rates of growth and changes in the structural composition of output and the workforce are the two important indicators of structural transformation in any **economy**.
- India has experienced fairly consistent changes in the rates of growth but the trend in employment has not revealed any consistent or clear pattern.

Growth rate:

- The growth rate of the economy, measured by **gross value added (GVA)** at constant prices, accelerated from 4.27% in the 20 years before the economic reforms to 6.34% in the 20 years following the reforms and to 6.58% between 2010-11 and 2019-20 at 2011-12 prices.
- This growth trajectory was accompanied by a steady decline in the share of agriculture from 30% in 1990-91 to 18% in 2019-20 and a steady increase in the share of non-agriculture output in total economic output.

Data on Employment:

- Employment patterns in India show wide variations partly due to economical, sociological and technological factors that have brought about changes in the workforce and employment and partly due to gaps in data on various aspects of employment.

- Two major sources of data on workforce and employment have been the decennial population census and the nationwide quinquennial surveys on employment and unemployment by the **National Sample Survey Office (NSSO)**.
- The last available data from the Census refer to 2011 and the quinquennial NSSO data on employment and unemployment are available up to 2011-12.

The PLFS data:

- The quinquennial NSSO data on employment and unemployment was replaced by the Periodic Labour Force Survey (PLFS), started in 2017-18 on an annual basis.
- The PLFS data set is now available for three consecutive years i.e., 2017-18, 2018-19 and 2019-20.
- The PLFS is based on a different sampling framework and uses a different analytical approach vis-a-vis NSSO surveys on employment.
- As a result, the time series data on employment and unemployment available from NSSO surveys are not comparable with PLFS data and at best, the NSSO data can be used as a reference point.

Effect of policies:

- The PLFS data cannot be used to infer an underlying trend, as they are available only for three years, but they can be used to reveal the effect of various policies and developments as well as to understand and shape the employment scenario based on concrete statistics.
- PLFS data show an increase in the worker to population (WPR) ratio from 34.7% in 2017-18 to 38.2% in 2019-20 which is a reversal of the previous trend which showed a decline in WPR after 2004-05.
- The change also implies that employment has increased at a much faster rate than growth in population.
- The increase in WPR has been reported in the rural and urban population and in the male and female population thus this increase in WPR is even more significant as it has occurred in the midst of an increase in the labour force participation rate.

Women participation:

- The data from the PLFS surveys do not support the assertion that women are going out of the workforce as the Female WPR ratio increased from 17.5% to 24% between 2017-18 and 2019-20.
- When this ratio is multiplied by the female population, it shows an annual increase of 17% of women workers.

- Another positive indication from PLFS data is that the gap between the male and female worker participation rate is narrowing down as against 100 male workers, there were 32 female workers in the workforce in 2017-18 which further increased to 40 in 2019-20.
- Women constituted 24% of the workforce in the country in 2017-18 and 28.8% in 2019-20.

Less gender discrimination:

- The unemployment rate in the female labour force in rural areas is far lower than the male labour force, whereas the opposite holds true in urban areas.
- This is despite the fact that the female labour force participation rate in rural India is 33% higher than the rate in urban areas.
- The reason could be that there is less gender discrimination in informal jobs, which dominate rural areas, than in the formal sector which dominates urban areas.

Job seekers:

- PLFS data show that the unemployment rate based on principal status plus subsidiary status declined from 6.1% in 2017-18 to 4.8% in 2019-20.
- This shows that the number of jobs increased at a faster rate than the increase in the number of job seekers between 2017-18 and 2019-20.
- But despite this, the number of unemployed persons has increased by 2.3 million between 2017-18 and 2018-19, mainly because of an increase in the number of job seekers (52.8 million) in these two years.

Sectoral composition:

- The sectoral composition of the workforce shows that 45.6% of the workers in India are engaged in agriculture and allied activities, 30.8% in services and 23.7% in industry.
- According to PLFS data, there is no increase in the share of industry and services in total employment which means that the labour shift out of agriculture is not happening.
- Between 2019-20 and 2017-18, 56.4 million new jobs were created in which 57.4% were created in the agriculture and allied sectors, 28.5% in services and 14.5% in industry.
- Within the broad industry group, employment in the manufacturing sector showed a meagre increase of 1.8 million in two years; and construction activity added 6.4 million new jobs.

Serious implications:

- The majority of the new entrants to the labour force between 2017-18 and 2019-20 got absorbed in the agriculture sector which has serious implications.
- The young labour force, which is getting increasingly educated, sought more remunerative work outside agriculture but only a few succeeded.
- This is because the industry and services sectors have adopted capital-intensive and, in many cases, labour-displacing technologies and production strategies.
- This is getting further aggravated with the rising adoption of modern technologies like Artificial Intelligence and Internet of Things.

Increasing employment:

- Dichotomy between the rising share of industry and services in national income without a sizeable increase in employment share is a fairly well-established fact for post-liberalisation India.
- Thus stakeholders need to rethink the strategy of striving for an industry-led growth model and explore a more relevant agri-centric model of economic transformation to create more attractive, more remunerative and more satisfying employment in and around agriculture.
- Further increasing employment needs an inclusive strategy which should include (i) changes in labour laws which discourage industry to adopt labour-intensive production (ii) employment-linked production incentives and; (iii) special assistance for labour-intensive economic activities.

Conclusion:

There is an urgent need to generate much more employment in the manufacturing and services sector compared to the number of jobs they have offered in the recent past.