

Employment and unemployment

10.8 Like for poverty, the latest and seventh quinquennial NSS survey, namely the 61st round conducted during July 2004-June 2005, constitutes an important source of information on employment and unemployment. The 61st round of the NSSO survey reveals a faster increase in employment during 1999-2000 to 2004-05 as compared to 1993-94 to 1999-2000 (Table 10.4).

10.9 The Tenth Five Year Plan (2002-07) aimed at provision of gainful and high quality employment in excess of addition to the labour force to reduce the number of unemployed significantly by the end of the Plan. The Tenth Plan advocated the need to increase the employment content of growth by promoting sectors and activities, which employ more labour per unit of output. On the whole, the Tenth Plan aimed at the creation of approximately 50 million employment opportunities – 30 million from the normal

process of growth and additional 20 million from special initiatives – during a period of five years. The results of the 61st NSSO round show that above 47 million persons were provided employment during 2000 to 2005.

10.10 Net annual addition to employment on Usual Principal Status (UPS) basis went up from 5.47 million during 1993-94 to 1999-2000 to 9.58 million during 1999-2000 to 2004-05. Simultaneously, however, according to the 61st round estimates, during 1999-2000 to 2004-05, labour force grew even faster at an annual 2.54 per cent compared to annual employment growth of 2.48 per cent. As a result, despite the faster growth of employment, unemployment (on UPS basis) was higher at 3.06 per cent of the labour force in 2004-05 compared to 2.78 in 1999-2000. Incidence of unemployment had come down from 2.88 per cent in 1983 (38th round) to 2.62 per cent in 1993-94 (50th round).

	1983	1993-94	1999-2000	2004-05	1983 to 1993-94	1993-94 to 1999-2000	1999-2000 to 2004-05
	In million				Growth in per cent per annum		
Labour Force	277.34	343.56	377.88	428.37	2.06	1.60	2.54
Workforce	269.36	334.54	367.37	415.27	2.09	1.57	2.48
Number of unemployed	7.98	9.02	10.51	13.10
As a proportion of labour force in per cent							
Unemployment rate	2.88	2.62	2.78	3.06

Source : Various rounds of NSSO Survey on employment and unemployment.

Round	Rural					
	Males			Females		
	Usual	CWS	CDS	Usual	CWS	CDS
55th (1999-2000)	2.1	3.9	7.2	1.5	3.7	7.0
61st (2004-05)	2.1	3.8	8.0	3.1	4.2	8.7
Round	Urban					
	Males			Females		
	Usual	CWS	CDS	Usual	CWS	CDS
55th (1999-2000)	4.8	5.6	7.3	7.1	7.3	9.4
61st (2004-05)	4.4	5.2	7.5	9.1	9.0	11.6

Usual: Usual Principal Status, CWS: Current Weekly Status, CDS: Current Daily Status
Source: NSSO's 61st Round Survey on Employment and Unemployment conducted during July 2004 - June 2005.

10.11 It appears that the increase in unemployment between the 55th and 61st rounds of NSSO was primarily because of an increase in such unemployment incidence for females, both in the rural and urban areas (Table.10.5). Furthermore, while unemployment among males declined in terms of UPS and current weekly status (CWS), it increased by the current daily status (CDS) both in rural and urban areas. There are analytical differences (for example, chronic unemployment versus that of the intermittent and disguised variety) in the nature of unemployment according to the UPS, CWS and CDS status. More expert analysis of the recently released data from the 61st NSSO round will reveal the root causes as well as the probable remedies.

10.12 The reversal of the declining trend in employment growth – from an annual 2.1 per cent in the ten years ending in 1993-94 to 1.6 per cent in the five years ending in 1999-2000 to 2.5 per cent in the five years ending in 2004-05 is an encouraging development. Nevertheless, there is need for faster employment growth for not only absorbing the addition to the labour force, particularly with the ongoing demographic changes, but reducing the unemployment rate. The share of agriculture in total employment has come down from 61.67 per cent in 1993-94 to 58.54 per cent in 1999-2000, and further to 54.19 per cent in 2004-05. With the declining share of agriculture in GDP, the scope for absorbing substantial additional labour force in agriculture appears limited. While construction and services, particularly transport, storage & communication, contributed in maintaining employment growth in the economy, employment growth in manufacturing fell short of its potential.

Employment in Organized Sector

10.13 Employment growth in the organized sector, public and private combined, declined

Table 10.6 : Annual Growth of Employment in Organized Sector

(In per cent)

	1983-1994	1994-2004
Public Sector	1.53	-0.80
Private Sector	0.44	0.61
Total Organized	1.20	-0.38

Social Sectors

during the nineties. Annual employment growth in establishments covered by Employment Market Information System of Ministry of Labour decelerated from 1.20 per cent during 1983-1994 to -0.38 per cent per annum during 1994-2004 (Table 10.6).

10.14 This deceleration happened in spite of an acceleration in annual employment growth in the private sector from 0.44 per cent to 0.61 per cent during the reference periods, as this acceleration was not enough to make up for the corresponding decline of employment in the public sector. However, the latter decline was mainly due to a decrease in employment in public sector establishments, whereas the private sector showed acceleration in the pace of growth in employment from 0.44 per cent to 0.61 per cent per annum (Table 10.6). While the rightsizing of the public sector, whose primary objective is to deliver essential services such as education, health, roads and irrigation and not for providing direct employment, is a welcome development and should continue, there is an urgent need to step up employment growth in the organized private sector.

10.15 The Approach paper to the Eleventh Plan targets generation of additional employment opportunities in services and manufacturing, in particular, labour intensive manufacturing sectors such as food processing, leather products, footwear and textiles, and in service sectors such as tourism and construction. It calls for elimination of distorting fiscal incentives which foster capital intensity; infrastructure investment; removal of distortions that hinder competition, prevent entry and discourage graduation from unorganized to organized status; and greater emphasis on vocational training and skill development to improve employability of youth. As Village and Small Scale Enterprises (VSE) will have to provide most of the new employment during the Eleventh Plan, the Approach Paper also calls for redressing the problems faced by VSE units and home based workers, particularly women, such as non-availability of timely and adequate credit, unreliable or absence of power supply, requirement of permission from a number of government agencies and burden of multiple inspections. Some direct employment will also be available in the social sectors like health and education. Moreover, wage employment programmes like the NREGS will help.