

EMPLOYMENT

10.13 Last year, the Economic Survey had given estimates of employment and unemployment on Usual Principal Status (UPS) basis from various rounds of NSSO survey. In the meantime, the Eleventh Five year Plan has largely used the Current Daily Status (CDS) basis of estimation of employment and unemployment in the country. It has also been observed that the estimates based on daily status is the most inclusive rate of 'unemployment' giving the average level of unemployment on a day during the survey year. It captures the unemployed days of the chronically unemployed, the unemployed days of usually employed who become intermittently unemployed during the reference week and unemployed days of those classified as employed according to the criterion of current weekly status. The estimates presented earlier also need revisiting so as to be based on population projections released by National Commission on Population. Estimates on employment and unemployment on CDS basis (Table 10.9) indicate that employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1993-94 to 1999-2000. During 1999-2000 to 2004-05, about 47 million work opportunities were created compared to only 24 million in the period between 1993-94 and 1999-00. Employment growth accelerated from 1.25 per cent per annum to 2.62 per cent per annum. However, since the labour force grew at a faster rate of 2.84 per cent than the workforce, unemployment rate also rose. The incidence of unemployment on CDS basis increased from 7.31 per cent in 1999-00 to 8.28 per cent in 2004-05.

10.14 The decline in overall growth of employment during 1993-94 to 1999-00 was largely due to the lower absorption in agriculture. The

share of agriculture in total employment dropped from 61 per cent to 57 per cent. This trend continued and the share of agriculture in total employment further dropped to 52 per cent in 2004-05. While the manufacturing sector's share increased marginally during this period, trade, hotel and restaurant sector contributed significantly higher to the overall employment than in earlier years. The other important sectors whose shares in employment have increased are transport, storage and communications apart from financial, insurance, real estate, business and community, social and personal services (Table 10.10).

Labour Force and Workforce Participation Rates

10.15 Male participation remained higher both in labour and workforce, throughout the period between 1983 and 2004-05. Female participation per se in rural areas was much higher than in urban areas. Urban male participation rates (both labour force and workforce) were higher than rural male participation in 1999-2000 and 2004-05 (Table 10.11).

10.16 In urban India, in 2004-05, "trade, hotel and restaurant" sector had engaged about 28 per cent of the male workers while "manufacturing" and "other services" sectors accounted for nearly 24 and 21 per cent, respectively, of the usually employed males. On the other hand, for urban females, "services" sector accounted for the highest proportion (36 per cent) of the total usually employed, followed by "manufacturing" (28 per cent) and "agriculture" (18 per cent). Work opportunities for women in urban services and manufacturing sector probably exist but there is need for facilitating and improving their WPR through better education, skill development and removal of gender associated hurdles like lack of crèches, etc.

Table 10.9 Employment and Unemployment in million person years (by CDS basis)

| | million | million | million | Million | Growth p.a.(%) | | |
|------------------------------|---------|---------|---------|---------|-----------------|--------------------|--------------------|
| | 1983 | 1993-94 | 1999-00 | 2004-05 | 1983 to 1993-94 | 1993-94 to 1999-00 | 1999-00 to 2004-05 |
| Population | 718.10 | 893.68 | 1005.05 | 1092.83 | 2.11 | 1.98 | 1.69 |
| Labour Force | 263.82 | 334.20 | 364.88 | 419.65 | 2.28 | 1.47 | 2.84 |
| Workforce | 239.49 | 313.93 | 338.19 | 384.91 | 2.61 | 1.25 | 2.62 |
| Unemployment Rate (per cent) | 9.22 | 6.06 | 7.31 | 8.28 | | | |
| No. of unemployed | 24.34 | 20.27 | 26.68 | 34.74 | | | |

Source: Various rounds of NSSO survey on employment and unemployment/Planning Commission.

Table 10.10 Sectoral Employment shares by Current Daily Status (CDS Basis)

| Industry | 1983 | 1993-94 | 1999-00 | 2004-05 |
|---|--------------|--------------|--------------|--------------|
| Agriculture | 65.42 | 61.03 | 56.64 | 52.06 |
| Mining & Quarrying | 0.66 | 0.78 | 0.67 | 0.63 |
| Manufacturing | 11.27 | 11.10 | 12.13 | 12.90 |
| Electricity, water etc. | 0.34 | 0.41 | 0.34 | 0.35 |
| Construction | 2.56 | 3.63 | 4.44 | 5.57 |
| Trade, hotel & restaurant | 6.98 | 8.26 | 11.20 | 12.62 |
| Transport, storage & communication | 2.88 | 3.22 | 4.06 | 4.61 |
| Fin., Insur., Real est., & busi. Services | 0.78 | 1.08 | 1.36 | 2.00 |
| Comty., social & personal Services | 9.10 | 10.50 | 9.16 | 9.24 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Various rounds of NSSO survey on employment and unemployment/Planning Commission.

Unemployment Rates by level of education

10.17 NSSO data indicates that compared to 1993-94, unemployment rates for persons of higher education level has declined in rural areas both for males and females in 1999-2000 and it has further declined in 2004-05 compared to 1999-2000. Unemployment rate of graduate and above female population is much higher in rural areas than in urban areas which is indicative of lack of opportunities in rural India combined with lack of mobility of this population segment.

Table 10.11

Labour Force and Workforce Participation Rates (CDS basis)(percent)

| | 1983 | 1993-94 | 1999-00 | 2004-05 |
|---|------|---------|---------|---------|
| Labour force participation rates(LFPR) | | | | |
| Rural male | 52.7 | 53.4 | 51.5 | 53.1 |
| Rural female | 21.9 | 23.2 | 22.0 | 23.7 |
| Urban male | 52.7 | 53.2 | 52.8 | 56.1 |
| Urban female | 12.1 | 13.2 | 12.3 | 15.0 |
| Work force participation rates(WFPR) | | | | |
| Rural male | 48.2 | 50.4 | 47.8 | 48.8 |
| Rural female | 19.8 | 21.9 | 20.4 | 21.6 |
| Urban male | 47.3 | 49.6 | 49.0 | 51.9 |
| Urban female | 10.6 | 12.0 | 11.1 | 13.3 |

Source: Various rounds of NSSO survey on employment and unemployment/planning commission.

LFPR/WFPR represents No. of persons/person days in the labour force/work force per 1000 persons/person days.

NSS 62nd Round on Employment and Unemployment

10.18 Subsequent to the 61st round in 2004-05 which was a quinquennial round, NSSO conducted an All India Survey (62nd Round) of moderately large sample size on the situation of employment and unemployment in India during the period July, 2005 to June, 2006 as part of the annual series of rounds. The main findings of this survey are as follows:

- Overall unemployment rate for rural areas according to usual status approach was around 2 per cent (3 per cent for male and 2 per cent for females). Urban rates were higher than the rural rates except for the CDS approach in which unemployment rates for rural and urban areas were almost equal (nearly 8 per cent).
- The unemployment rate, obtained by any of the approaches, was higher for females than that for males in the urban areas, but it was lower than that for males in the rural areas.

Employment in Organized Sector

10.19 The employment growth in the organized sector, public and private combined, has declined during the period between 1994 and 2005. This has primarily happened due to decline of employment in public organized sector. Employment in establishments covered by Employment Market Information System of the Ministry of Labour grew at 1.20 per cent per annum during 1983-1994 but decelerated to -0.31 per cent per annum during 1994-2004. However, the latter decline was mainly due to a decrease in employment in public sector establishments, whereas the private sector had shown acceleration

Table 10.12**Rate of growth of employment in Organized Sector**

(% per annum)

| | 1983-1994 | 1994-2005 |
|------------------------|-------------|--------------|
| Public Sector | 1.53 | -0.70 |
| Private Sector | 0.44 | 0.58 |
| Total Organized | 1.20 | -0.31 |

Source: Eleventh Plan Document.

in the pace of growth in employment from 0.44 per cent to 0.58 per cent per annum (Table 10.12).

10.20 As per the National Commission for Enterprises in the Unorganized Sector (NCEUS), which uses different classification of organized/unorganized sector, the organized sector employment has increased from 54.12 million in 1999-00 to 62.57 million in 2004-05. However, the increase has been accounted for by increase in unorganized workers in organized enterprises from 20.46 million in 1999-00 to 29.14 million in 2004-05. Thus, increase in employment in organized sector has been on account of informal employment of workers.

Employment in the Eleventh Plan

10.21 The Eleventh Plan envisages rapid growth in employment opportunities while ensuring improvement in the quality of employment. It recognizes the need to increase the share of regular employees in total employment and a corresponding reduction in casual employment. The employment generation strategy of the Eleventh Plan is also predicated on the reduction of underemployment and the movement of surplus labour in agriculture sector to higher wage and more gainful employment in non-agricultural sector. Agriculture sector is projected to generate no increase in employment during the Eleventh Plan period. Employment in manufacturing is expected to grow at 4 per cent while construction and transport and communication are expected to grow at 8.2 per cent and 7.6 per cent, respectively. The projected increase in total labour force during the Eleventh Plan is 45 million. As against this, 58 million employment opportunities would be

created in the Eleventh Plan. This would be greater than the projected increase in labour force leading to a reduction in the unemployment rate to below 5 per cent.

Skill Development

10.22 The Eleventh Plan notes that the growth in various sectors of the economy can be achieved smoothly only if supported by appropriate skill development programmes at various levels. The Eleventh Plan document has spelt out certain deficiencies in the skill development scenario in the country as it exists presently.

10.23 The Eleventh Plan thrust will be on creating a pool of skilled personnel in appropriate numbers with adequate skills, in line with the requirements of the ultimate users such as the industry, trade and service sectors. Such an effort is necessary to support the employment expansion envisaged as a result of inclusive growth including in particular the shift of surplus labour from agriculture to non-agriculture.

Demographic Dividend

10.24 The well-known "demographic dividend" will manifest in the proportion of population in the working age group of 15-64 years increasing steadily from 62.9 per cent in 2006 to 68.4 per cent in 2026. For actual tapping of this demographic dividend, the Eleventh Plan relies upon not only ensuring proper health care but also a major emphasis on skill development and encouragement of labour intensive industries. The projected decline in the dependency ratio (ratio of dependent to working age population) from 0.8 in 1991 to 0.73 in 2001 is expected to further decline sharply to 0.59 by 2011. This decline sharply contrasts with the demographic trend in the industrialized countries and also in China, where the dependency ratio is rising. Low dependency ratio gives India a comparative cost advantage and a progressively lower dependency ratio will result in improving our competitiveness. The Eleventh Plan document rightly points out that if we get our skill development act right, we will be harnessing a "demographic dividend". However, if we fail to create skills we could be facing a "demographic nightmare".