Academic Script

INTRODUCTION

People do a variety of work. Some work on farms, in factories, banks, shops and many other workplaces; yet a few others work at home. Work at home includes not only traditional work like weaving, lace making or variety of handicrafts but also modern jobs like programming work in the IT industry. Earlier factory work meant working in factories located in cities whereas now technology has enabled people to produce those factory-based goods at home in villages.

People work for 'earning' a living, every working person is actively contributing to national income and hence, the development of the country by engaging in various economic activities — that is the real meaning of 'earning' a living. Mahatma Gandhi insisted upon education and training through a variety of works including craft.

WORKERS AND EMPLOYMENT

The total money value of all goods and services produced in a country in a year is called its gross domestic product(GDP) for that year. When we also consider what we pay for our imports and get from our exports we find that there are some net earnings for the country which may be positive (if we have exported more in value terms than imported) or negative (if imports exceeded exports in value terms) or zero (if exports and imports were of the same value). When we add this earning (plus or minus) from foreign transactions, what we get is called the country's gross national product for that year.

Those activities which contribute to the gross national product are called economic activities. All those who are engaged in economic activities, in whatever capacity — high or low, are workers. Even if some of them temporarily abstain from work due to illness, injury or other physical disability, bad weather, festivals, social or religious functions, they are also workers. Workers also include all those who help the main workers in these activities. We generally think of only those who are paid by an employer for their work as workers. This is not so. Those who are self-employed are also workers.

The nature of employment in India is multifaceted. Some get employment throughout the year; some others get employed for only a few months in a year. Many workers do not get fair wages for their work. While estimating the number of workers, all those who are engaged in economic activities are included as employed.

You might be interested in knowing the number of people actively engaged in various economic activities. During 1999-2000, India had about a 400 million strong work force. Since majority of our people reside in rural areas, the proportion of workforce residing there is higher. The rural workers constitute about three-fourth of this 400 million. Men form the majority of workforce in India. About 70 per cent of the workers are men and the rest are women. Women workers account for one-third of the rural workforce whereas in urban areas, they are just one-fifth of the workforce. Women carry out works like cooking, fetching water and fuelwood and participate in farm labour. They are not paid wages in cash or in the form of grains; at times they are not paid at all. For this reason, these women are not categorised as workers.

PARTICIPATION OF PEOPLE IN EMPLOYMENT

Worker-population ratio is an indicator which is used for analysing the employment situation in the country. This ratio is useful in knowing the proportion of population that is actively contributing to the production of goods and services of a country. If the ratio is higher, it means that the engagement of people is greater; if the ratio for a country is medium, or low, it means that a very high proportion of its population is not involved directly in economic activities.

For every 100 persons, about 40 are workers in India. In urban areas, the proportion is about 34 whereas in rural India, the ratio is about 42. People in rural areas have limited resources to earn a higher income and participate more in the employment market. Many do not go to schools, colleges and other training institutions. Even if some go, they discontinue in the middle to join the workforce; whereas, in urban areas, a considerable section is able to study in various educational institutions. Urban people have a variety of employment opportunities. They look for the appropriate job to suit their qualifications and skills. In rural areas, people cannot stay at home as their economic condition may not allow them to do so.

Compared to females, more males are found to be working. The difference in participation rates is very large in urban areas: for every 100 urban females, only about 14 are engaged in some economic activities. In rural areas, for every 100 rural women about 30 participate in the employment market. It is common to find that where men are able to earn high incomes, families discourage female members from taking up jobs. Many activities for the household engaged in by women are not recognised as productive work. This narrow definition of work leads to non-recognition of women's work and, therefore, to the underestimation of the number of women workers in the country. Women actively engaged in many activities within the house and at family farms who are not paid for such work.

SELF-EMPLOYED AND HIRED WORKERS

By knowing the status with which a worker is placed in an enterprise, it may be possible to know one dimension — quality of employment in a country. It also enables us to know the attachment a worker has with his or her job and the authority she or he has over the enterprise and over other co-workers.

Workers who own and operate an enterprise to earn their livelihood are known as self- employed. More than half the work force in India belongs to this category.

Casual wage labourers are engaged in others' farms and, in return, get a remuneration for the work done. When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees.

Self- employment is a major source of livelihood for both men and women as this category accounts for more than 50 per cent of the workforce. Casual wage work is the second major source for both men and women, more so for the latter (37 per cent). When it comes to regular salaried employment, men are found to be engaged in greater proportion. They form 18 per cent whereas women form only 8 per cent. One of the reasons could be skill requirement. Since regular salaried jobs require skills and a higher level of literacy, women might not have been engaged to a great extent.

When we compare the distribution of workforce in rural and urban areas we will notice that the self- employed and casual wage labourers are found more in rural areas than in urban areas. In the latter, both self- employed and regular wage salaried jobs are greater. In the former, since majority of those depending on farming own plots of land and cultivate independently, the share of self- employed is greater. The nature of work in urban areas is different. Obviously everyone cannot run factories, shops and offices of various types. Moreover, enterprises in urban areas require workers on a regular basis.

EMPLOYMENT IN FIRMS, FACTORIES AND OFFICES

In the course of economic development of a country, labour flows from agriculture and other related activities to industry and services. In this process, workers migrate from rural to urban areas. Eventually, at a much later stage, the industrial sector begins to lose its share of total employment as the service sector enters a period of rapid expansion. This shift can be understood by looking at the distribution of workers by industry. Generally, we divide all economic activities into eight different industrial divisions. They are
(i) Agriculture
(ii) Mining and Quarrying
(iii) Manufacturing
(iv) Electricity, Gas and Water Supply
(v) Construction
(vi) Trade

(vii) Transport and Storage and
(viii) Services.

For simplicity, all the working persons engaged in these divisions can be clubbed into three major sectors viz.
(a) primary sector which includes (i) and (ii)
(b) secondary sector which includes (iii), (iv) and (v)
(c) service sector which includes divisions (vi), (vii) and (viii).

Primary sector is the main source of employment for majority of workers in India. Secondary sector provides employment to only about 16 per cent of workforce. About 24 per cent of workers are in the service sector. More than three- fourth of the workforce in rural India depends on agriculture and mining and quarrying. About 10 per cent of rural workers are working in manufacturing industries, construction and other divisions. Service sector provides employment to only about 13 per cent of rural workers. Agriculture and mining is not a major source of employment in urban areas where people are mainly engaged in the service sector. About 60 per cent of urban workers are in the service sector. The secondary sector gives employment to about 30 per cent of urban workforce.

Though both men and women workers are concentrated in the primary sector, women workers’ concentration is very high there. More than three-fourth of the female workforce is employed in the primary sector whereas only half of males work in that sector. Men get opportunities in both secondary and service sectors.

GROWTH AND CHANGING STRUCTURE OF EMPLOYMENT

Here we will look at two developmental indicators — growth of employment and GDP.Sixty years of planned development have been aimed at expansion of the economy through increase in national product and employment.

During the period 1960–2000, Gross Domestic Product (GDP) of India grew positively and was higher than the employment growth. However, there was always fluctuation in the growth of

GDP. During this period, employment grew at a stable rate of about 2 per cent.

Employment growth started declining and reached the level of growth that India had in the early stages of planning. During these years, we also find a widening gap between the growth of GDP and employment. This means that in the Indian economy, without generating employment, we have been able to produce more goods and services. Scholars refer to this phenomenon as jobless growth.

It is necessary to know how the growth pattern of employment and GDP affected different sections of workforce. From this we will also be able to understand what types of employment are generated in our country.

Let us look at two indicators that we have seen in the preceding sections — employment of people in various industries and their status. We know that India is an agrarian nation; a major section of population lives in rural areas and is dependent on agriculture as their main livelihood.

Developmental strategies in many countries, including India, have aimed at reducing the proportion of people depending on agriculture.

Distribution of workforce by industrial sectors shows substantial shift from farm work to non-farm work. In 1972-73, about 74 per cent of workforce was engaged in primary sector and in 1999-2000, this proportion has declined to 60 per cent. Secondary and service sectors are showing promising future for the Indian workforce. You may notice that the shares of these sectors have increased from 11 to 16 per cent and 15 to 24 per cent respectively.

The distribution of workforce in different status indicates that over the last three decades (1972-2000), people have moved from self- employment and regular salaried employment to casual wage work. Yet self-employment continues to be the major employment provider. Scholars call this process of moving from self-employment and regular salaried employment to casual wage work as **casualization of workforce**. This makes the workers highly vulnerable.

INFORMALISATION OF INDIAN WORKFORCE

One of the objectives of development planning in India, since India's independence, has been to provide decent livelihood to its people. It has been envisaged that the industrialisation strategy would bring surplus workers from agriculture to industry with better standard of living as in developed countries.

Economists argue that, over the years, the quality of employment has been deteriorating.

You may find that a small section of Indian workforce is getting regular income. The government, through its **labour laws**, protects them in various ways. This section of the workforce forms **trade unions**, bargains with employers for better wages and other **social security** measures. To know this, we classify workforce into two categories:

- workers in formal and which are also referred to as organised sectors.

- workers in informal sectors, which are also referred to as unorganised sectors.

All the **public sector establishments** and those **private sector establishments** which employ hired workers are called formal sector establishments and those who work in such establishments are formal sector workers. All other enterprises and workers working in those enterprises form the informal sector. Thus, informal sector includes millions of farmers, agricultural labourers, owners of small enterprises and people working in those enterprises as also the self-employed who do not have any hired workers.

Those who are working in the formal sector enjoy social security benefits.

They earn more than those in the informal sector. Developmental planning envisaged that as the economy grows, more and more workers would become formal sector workers and the proportion of workers engaged in the informal sector would reduce.

Since the late 1970s, many developing countries, including India, started paying attention to enterprises and workers in the informal sector as employment in the formal sector is not growing. Workers and enterprises in the informal sector do not get regular income; they do not have any protection or regulation from the government. Workers are dismissed without any compensation. Technology used in the informal sector enterprises is outdated; they also do not maintain any accounts. Workers of this sector live in slums . Of late, owing to the efforts of the International Labour Organisation (ILO), the Indian government has initiated the modernisation of informal sector enterprises and provision of social security measures to informal sector.

UNEMPLOYMENT

NSSO defines unemployment as a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations. There are a variety of ways by which an unemployed person is identified. Economists define unemployed person as one who is not able to get employment of even one hour in half a day.

There are three sources of data on unemployment:

1. Reports of Census of India.
2. National Sample Survey Organisation’s Reports of Employment and Unemployment Situation.
3. Directorate General of Employment and Training Data of Registration with Employment Exchanges.

Though they provide different estimates of unemployment, they do provide us with the attributes of the unemployed and the variety of unemployment prevailing in our country.

Economists call unemployment prevailing in Indian farms as disguised unemployment.

Disguised unemployment: Suppose a farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children, this situation is known as disguised unemployment. One study conducted in the late 1950s showed about one- third of agriculture workers in India as disguisedly unemployed.

You may have noticed that many people migrate to an urban area, pick up a job and stay there for some time, but come back to their home villages as soon as the rainy season begins. This is because work in agriculture is seasonal; there are no employment opportunities in the village for all months in the year. When there is no work to do on farms, men go to urban areas and look for jobs. This kind of unemployment is known as seasonal unemployment. This is also a common form of unemployment prevailing in India.

Though we have witnessed slow growth of employment, have you seen people being unemployed over a very long time? Scholars says that in India, people cannot remain completely unemployed for very long because their desperate economic condition would not allow them to be so. You will rather find them being forced to accept jobs that nobody else would do, unpleasant or even dangerous jobs in unclean, unhealthy surroundings. The government has taken many initiatives to generate acceptable employment, ensuring at least minimal safety and job satisfaction, through various measures.

GOVERNMENT AND EMPLOYMENT GENERATION

Recently the government passed an Act in Parliament known as the National Rural Employment Guarantee Act2005.Itpromises

100 days of guaranteed wage employment to all adult members of rural households who volunteer to do unskilled manual work. The families, which are living below poverty line, will be covered under the scheme. This scheme is one of the many measures that the government implements to generate employment for those who are in need of jobs in rural areas.
Since independence, the Union and state governments have played an important role in generating employment or creating opportunities for employment generation. Their efforts can be broadly categorised into two — direct and indirect. In the first category, government employs people in various departments for administrative purposes. It also runs industries, hotels and transport companies and hence provides employment directly to workers. When output of goods and services from government enterprises increases, then private enterprises that supply materials to government enterprises will also raise their output and hence increase the number of employment opportunities in the economy. For example, when a government owned steel company increases its output, it will result in direct increase in employment in that government company. Simultaneously, private companies, which supply inputs to the government steel company and purchase steel from it, will also increase their output and thus employment. This is the indirect generation of employment opportunities in the economy.

Many programmes that the government implements, aimed at alleviating poverty, are through employment generation. They are also known as employment generation programmes. All these programmes aim at providing not only employment but also services in areas such as primary health, primary education, rural shelter, rural drinking water, nutrition, assistance for people to buy income and employment generating assets, development of community assets by generating wage employment, construction of houses and sanitation, assistance for constructing houses, laying of rural roads, development of wastelands/degraded lands.

Regional disparities

Regional inequality has emerged as a key issue in recent discussions of development policy. States within India differ greatly in terms of economic growth and employment potential. The regional disparities in economic well-being are an unmistakable feature of economic growth and change in India.

The issue of regional disparities in employment in recent years of openness is important simply because labour markets are the key avenue through which international trade and investment openness affects the domestic economy.

Development is bound to be in egalitarian, as Nobel laureate Arthur Lewis pointed out long ago, because it does not start in every part of the economy at the same time. However, the diffusion of economic and social development across sub-national units once the economy growth process is initiated has important implications for future growth and well-being. The structure of employment growth and variation across states in India is a key outcome of this unfolding development process. GSDP growth in the high and medium income states grew faster relative to the low income states over the period 1993-94 to 2004-05. As a consequence, there is widening of regional disparities in the reform period.

At the national level, employment has picked up in the period 1999-2000 to 2004-05, with manufacturing, construction and services creating substantial number of jobs. At the sub-national level employment, growth is unevenly distributed across states.

The disquieting feature is the urban bias in the relative growth rates of employment. Urban employment has grown faster in states with higher initial levels of urbanisation. Across the states, employment has grown faster in urban areas in both the sub-periods of the post-liberalisation period (1993-94 to 1999- 2000 and 1999-2000 to 2004-05). The benefits of growth in terms of employment have gone largely to urbanised states in the years since liberalisation.

There has been increasing diversification across sectors on

Indian states, though the rate of diversification varies across states. Employment growth is faster in states that have had initially more diversified economies. It is important to note that low income states have more concentrated structures to begin with and it is changing at a much slower pace. Interstate disparities in the level and changes in diversification are obviously the cause of interstate income disparities. Slow diversification in some of the major states such as Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan is certainly a matter of concern for state policy. The slow rate of diversification of economic activity is a key factor of the slow growth of employment in low income states.

Spatial measures of concentration indicate varying changes across sectors. In the subgroup finance and business services, spatial concentration rises sharply in 1993-94 and shows some marginal decline in between but increases again in the year 2004-05. This supports the proposition that skilled labour-intensive activities are getting geographically concentrated over time, which may explain the higher regional income disparities. Across states, the un-organised/informal sector has absorbed the additions to the workforce in the period 1993-94 to 2004-05. More importantly, the private sector within the organised sector has created substantial absolute number of employment in three states, namely, Andhra Pradesh, Karnataka and Gujarat. At the same time, the low income states show a net contraction of employment in the private sector. This provides us with a clue that the low income states are likely to have proportionately more low productivity jobs created in recent years.

Manufacturing labour productivity is higher in the high income states. However, the unregistered manufacturing productivity falling is relative to registered manufacturing over time. This is consistent with the creation of informal low productivity jobs in recent years.

Educational attainment differs widely across states, with the low income states having much lower levels of young individuals in secondary and higher secondary education. Non-agricultural labour productivity has grown faster in states with initially higher educational attainment.

The structure of interstate disparities is defined by employment outcomes. States with better supply of secondary school educated workers are likely to attract more investment and jobs coming in their way. The creation of a labour force, employable and agreeable to skill training and up- grading, is an uphill task. States will have to find ways of meeting this challenge.

Monetary and Financial Trends

The secular uptrend in domestic growth is clearly associated with the consistent trends of increasing domestic savings and investment over the decades. Gross domestic savings have increased continuously from an average of 9.6 per cent of GDP during the 1950s to almost 35 per cent of GDP at present; over the same period, the domestic investment rate has also increased continuously from 10.8 per cent in the 1950s to close to 36 per cent by 2006-07. A very significant feature of these trends in savings and investment rates is that Indian economic growth has been financed predominantly by domestic savings. The recourse to foreign savings – equivalently, current account deficit – has been rather modest in the Indian growth process. We may also note that the two decades, 1960s and 1980s, when the current account deficit increased marginally towards 2 per cent of GDP, were followed by significant balance of payments and economic crisis. Fiscal consolidation constituted a major plank of the policy response to the macroeconomic crisis; however, public sector savings continued to deteriorate during the 1990s, and even turned negative over the 5-year period 1998-2003 owing to sharp deterioration in savings of the Government administration.

With the increase in the SLR being unable to meet fully the fiscal requirements, the burden of financing the Government had also to be borne by the Reserve Bank which led to high levels of monetized deficit. As Reserve Bank financing is inflationary beyond a limit, the increase in the Reserve Bank support to the Central Government was accompanied by an increase in cash reserve requirements (CRR). A major drag on public finances was the decline in the gross tax-GDP ratio of the Central Government.

The process of fiscal correction could also not be sustained due to the pressures from the Fifth Pay Commission award. As a result, by the year 2001-02, all the major fiscal parameters, viz., revenue deficit, fiscal deficit and public debt rose to levels higher than those prevalent at the beginning of the reform process. Capital outlays continued to bear the burden of fiscal adjustment, with the ratio of capital outlays to GDP reaching their lowest levels during the period 1997-98 to 2002-03, both at the Central and State levels. Reflecting the worsening of the fiscal situation, the public sector savings rate deteriorated in the second half of the 1990s, culminating into unprecedented dis-savings during the period 1998-99 to 2002-03. This also pulled down the aggregate saving and investment rates in the economy.

Financial sector reforms

The higher order of investment activity in the country over the past few years has also been mirrored in strong demand for credit from the banking sector since 2003-04 onwards. In this context, reforms in the financial sector have played a key role. Financial sector reforms, initiated in the early 1990s, encompassed introduction of auctions in Government securities, deregulation of interest rates and reduction in statutory pre- emption of institutional resources by the Government was carried forward with the phasing out of the system of automatic monetisation of fiscal deficits. Apart from making the interest rates largely market determined, reforms included a market-determined exchange rate (though accompanied by RBI forex intervention), current account convertibility, substantial capital account liberalisation and deregulation of the equity market. The financial sector reforms designed to improve cost efficiency through price signals, in turn, facilitated the conduct of monetary policy through indirect market-based instruments through improved fiscal-monetary coordination. This process was further strengthened through the implementation of the FRBM Act, 2003. Public investment has started increasing since 2003-04, reversing a long-period of declining trend that began in mid-1980s. Since 2003-04, private investment has also witnessed a large rise.

Improved agricultural performance is not only important for sustaining growth but also for maintaining low and stable inflation.

SUMMARY

In the last two decades, there has been rapid growth in the gross domestic product, but without simultaneous increase in employment opportunities. This has forced the government to take up initiatives in generating employment opportunities particularly in the rural areas. There has been a change in the structure of workforce in India. Newly emerging jobs are found mostly in the service sector. The expansion of the service sector and the advent of high technology now frequently permit a highly competitive existence for efficient small scale and often individual enterprises or specialist workers side by side with the multinationals. Outsourcing of work is becoming a common practice. It means that a big firm finds it profitable to close down some of its specialist departments and hand over a large number of small piecemeal jobs to very small enterprises or specialist individuals, sometimes situated even in other countries. The traditional notion of the modern factory or office, as a result, has been altering in such a manner that for many the home is becoming the workplace.

The long-term upward trends in savings and investment have, however, been interspersed with phases of stagnation.

Financial sector reforms have led to better price discovery in both interest rates and exchange rate, thereby contributing to overall efficiency in financial intermediation. The increase in financial deepening in recent years and the attainment of overall efficiency in the use of resources suggest that financial intermediation in India has been relatively efficient.