




Employment in India

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**Theme 1: How have
employment conditions been
changing?**



The usual indicators - employment growth, unemployment growth or wage growth – do not help in assessing change in employment conditions

- **Employment growth is no different from labour force growth**
- **Unemployment reflects queuing for jobs in the organised sector by educated youth**
- **Wages do not reflect demand-supply equilibrium**




We need to focus on different indicators

- **Change in the structure of employment**
- **Change in the quality of each type of employment**

Six types of employment in India

	Wage per day (index)		Poverty incidence		Rank
	1999/00	2011/12	1999/00	2011/12	
<i>Organised sector</i>					
Regular-formal	100	100	8.8	3.2	6
Regular-informal	45.9	36.9	21.0	8.7	5
Casual	25.5	23.9	43.8	29.9	2
<i>Unorganised sector</i>					
Regular-informal	40.5	26.3	30.7	16.2	4
Casual	16.8	20.0	66.0	37.6	1
Self-employed			43.7	23.6	3



By structure of employment, we mean the distribution of total employment across the six types.

A simple single indicator: Employment Structure Index
[weighted average of ranks]

Quality of a type of employment: underemployment and level of labour income

Nature of change in employment conditions can be judged from: (a) the change in the structure of employment; and (b) the quality-change in each category

Change in structure of employment

	Percentage distribution	
	of workers	
Employment type	1999/00	2011/12
<i>Organised sector</i>	10.9	17.3
Regular-formal	6.9	8.4
Regular-informal	2.3	5.8
Casual	1.7	3.1
ESI	5.17	4.95
<i>Unorganised sector</i>	89.1	82.7
Regular-informal	7.8	7.2
Casual	33.3	27.1
Self-	48	48.4
ESI	2.34	2.43
Economy	100.0	100.0
Regular-formal	6.9	8.4
Regular-informal	10.1	13.0
Casual	35.0	30.2
Self-	48.0	48.4
ESI	2.65	2.87

Underemployment

	Rate (%) of underemployment	
	1999/00	2011/12
Regular-formal	2.5	0.9
Regular-informal	5.9	2.1
Casual	21.9	16.9
Self-	9.0	5.9
All	12.9	8.3

Average annual rate of growth (%)

	Real labour income	Real earning
	per day of work	per employed
Organised sector employees	1.8	2.3
Regular-formal employees	3.3	3.9
Regular-informal employees	1.0	1.2
Casual employees	2.7	3.6
Unorganised sector employed	3.9	4.2
Regular-informal employees	-0.6	-0.2
Casual employees	4.9	5.8
All employees	3.3	2.6
<i>Self-employed</i>	4.7	4.8
Economy, all wage employees	3.0	3.5
Economy, all employed	3.6	3.8



Overall

- Substantial favourable change in the employment structure**
- Substantial quality-improvement in each type of employment**
- Substantial improvement in employment conditions**
- But employment conditions still remain poor**



Theme 2: What is the nature of the employment challenge that confronts India?



The discussion above leaves out: subsidiary workers and persons out of labour force

- **The underemployed and the subsidiary workers need to move to full-time employment**

- **Around 50% of non-student working-age women would want full-time employment; currently only 28% of them are in the labour force; so 22% of the non-student working-age women, who currently are out of the labour force, in fact need to move to full-time employment**

- **Potential labour supply**

To get a true view of the employment challenge, we need to consider the stock of surplus labour

Surplus labour			
(millions)	1999/00	2011/12	2015/16
Of the UPS employed, surplus	42.0	32.3	28.6
Of the USS employed, surplus	17.9	22.4	23.8
<i>Currently surplus workers</i>	59.9	54.7	52.4
<i>Currently UPSS employed</i>	353.9	423.2	455.2
Currently out of labour force but potentially employable	18.9	45.9	51.8
Total surplus workers	78.8	100.6	104.2
Non-student population	514.6	642.5	693.4
(percentages)			
<i>Currently surplus workers as % of currently employed</i>	16.9	12.9	11.5
<i>Currently surplus workers as % of non-student population</i>	11.6	8.5	7.6
<i>Total surplus workers as % of non-student population</i>	15.3	15.7	15.0

The employment challenge


- To reach the Lewis Turning Point in 15 years, the stock of surplus labour must be exhausted and the currently unemployed as also all the fresh entrants into labour force must be absorbed
- Meaning of “new and better” jobs

Required "new and better" jobs per year:	(millions)	(%)
Low-skilled (up to primary)	4	26
Medium-skilled (above-primary, up-to-higher-secondary)	7	42
High-skilled (above-higher-secondary)	5	32
	16	100

Projection exercises to see the feasibility

One scenario:

- Overall growth: 8.2% p.a.; organised sector: 10% p.a.; 5.5% p.a.**
- Employment elasticity in the organised sector: 0.7 (i.e., high)**
- Employment growth in the organised sector: 6.7 million per year, of which 3.4 million required for the low-to-medium skilled**
- Employment growth in the unorganised sector: by 9.3 million or 0.5% p.a. so that productivity growth is 5% p.a.**




The exercise shows that the objective of reaching the Lewis Turning Point in 15 years is achievable provided that:

- **Economic growth of around 8 per cent can be sustained**
- **Growth is not confined to the organised sector; fairly high growth of the unorganised sector**
- **Growth of the organised sector is employment intensive (employment elasticity high)**
- **Around 50 per cent of the incremental jobs in the organised sector are for the low-to-medium-skilled**

Overall implication: manufacturing-led growth



Theme 3: Why India must achieve rapid manufacturing-led growth to meet the employment challenge?

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- **Rapid services-led growth is no longer feasible; to be rapid, growth has to be manufacturing-led [services mean organised services; manufacturing means organised manufacturing]**
 - **Manufacturing-led growth would be more employment intensive [manufacturing more employment intensive than services; indirect job creation in services; stimulating growth of construction; stimulating growth of labour intensive services]; in most countries, the share of services in **GDP** is equal to their share in employment, suggesting that services are more employment intensive when growth is manufacturing-led**
 - **Manufacturing-led growth would create higher proportion of jobs for low-skilled labour**

	Share (%)	Share (%) in	Employment
	in NDP	employment	elasticity
	2011/12	2011/12	2000-12
Organised manufacturing	10.9	4.8	0.647
Organised services	32.3	9.4	0.426
Organised services I	6.3	1.8	0.490
Organised services II	15.5	2.0	0.744
Organised services II.1	12.3	1.0	0.414
Organised services II.2	3.2	1.0	1.293
Organised services III	10.5	5.5	0.436

Organised services I: trade, hotels and restaurants; transport and storage

Organised services II: communication and financial services (II.1); real estate and business services (II.2)

Organised services III: community, social and personal services

		Percentage of all employed (2011/12)		
		High- skilled	Medium- skilled	Low- skilled
Organised manufacturing		31.6	49.4	19.0
Organised services		66.1	30.8	3.1
Organised services I		44.3	44.9	10.8
Organised services II		68.6	29.2	2.2
Organised services II.1		70.9	27.3	1.8
Organised services II.2		66.3	31.2	2.5
Organised services III		72.3	26.7	1.0



Organised manufacturing: growth experience 2000-2012

- **Growth of use of imported inputs in production for domestic market**
- **Growing trade deficit**
- **Peculiar structure of exports**
- **Growth of capital intensity without technological change**
- **Growth of employment of contract workers, increasing both output growth and employment elasticity**