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EMPLOYMENT GROWTH
IN THE POST-REFORM PERIOD

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EMPLOYMENT GROWTH IN THE POST-REFORM PERIOD*

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[Abstract: There has been intense debate and controversy on the employment performance of the Indian economy in the high growth post-reforms period. Part of the problem has arisen from the highly fluctuating employment growth estimate from the three quinquennial periods for which data are available from NSSO: slow employment growth during 1993-94/1999-2000, high during 1999-2000/2004-05 and virtual stagnation during 2004-05/2009-10. Seen in a longer term perspective after accounting for some unusual features of data for 2004-05 resulting from depressed economic, especially, agricultural situation during 2000-2005. The paper concludes that the employment performance of the Indian economy has really not been as dismal and growth not exactly "jobless" as is often made out. These has, off course, been a deceleration in rate of employment growth and given the sharp acceleration registered in the growth of GDP, the employment content of economic growth has sharply declined.]

I. Introduction

Employment performance of the Indian economy in the high-growth post-reforms period has been a subject of intense debate and controversy. Research papers in the journals, articles in newspapers and popular magazines and public policy documents have come out with different and often conflicting findings, interpretations and opinions on employment growth during the past two decades. Several reasons account for the lack of agreement among different observers on what exactly has been happening on employment front while the economy has been on high growth trajectory. One, scholars, policy makers and other observers have not found the post-reforms employment performance of the Indian economy in line with their expectations, which, of course, have often been influenced by their own predilections about the reforms. Second, employment growth has sharply fluctuated in shorter periods, as well as among sectors and categories giving rise to various

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speculations and hypotheses for explaining these variations. Third, the official statistics specially from the NSSO, on which most of the observations are based, have often yielded some intriguing estimates from one round to another and about different categories and segments of workforce which has prompted some scholars to raise questions about the reliability and veracity of data and estimates based on them, while others have come out with different, often conflicting, explanation for the unusual features and trends revealed by statistics. The present paper attempts to look at various aspects of employment growth in the post-reform period in a longer term prospective and clarify the trends and advance some hypotheses, if not explanations, for understanding them. The paper also at the end, summarises the employment challenge and examines the prospects of meeting it with present pace and pattern of economic growth.

II. Expectations and Apprehensions: Initial Shock and Quick Recovery?

Introduction of major economic reforms in India in 1991 evoked diverse views on the employment implications of post-reform growth. To begin with, it was apprehended that the immediate impact of reforms may be felt in the form of a slowdown in the rate of economic growth which will also mean a slower growth of employment. This view was held commonly both by the proponents and critics of economic reforms. Consensus, however, ended there and sharply divergent prognoses were put forward by different groups with respect to growth and quality of employment in medium term. Advocates of reforms argued that reforms will soon result in higher economic growth which will also lead to faster expansion of employment opportunities. It will be further strengthened by increase in global trade, with the liberalised trade providing India an opportunity to increase labour-intensive exports. Critics of reforms, on the other hand, argued that internal and external competition ushered in by domestic policy changes and trade liberalisation will compel industry to adopt more and more capital intensive technologies and also necessitate more liberal labour policy to allow flexibility in the use of labour. As a result even if a higher growth rate is achieved it will not be accompanied by higher growth of employment. There may, in fact, be a decline, especially in the organised sector, as a result of retrenchment and downsizing both in private and public sector. Similarly divergent views were held in respect of the structure and quality of employment: Reformists projected more regular wage/salary jobs in the organised sector while the detractors of reforms predicted increasing casualisation and informalisation and declining social protection, with another middle view expecting increase both in formal and informal employment, after an initial bout of informalisation and casualisation.

Employment growth has shown a declining trend over a relatively longer period, but has sharply fluctuated in the shorter periods (*Table-1*). It was relatively high at 2.6 per cent

during 1972-73/1987-88, but declined to 2.2 and 1.5 per cent during the next two quinquennial periods. In the immediate post-reforms period (1993-94/1999-2000) it decelerated to about 1 per cent but jumped up to all time high of 2.8 per cent during 1999-2000/2004-05. During the ten year period, 1993-94/2004-05 it grew at 1.8 per cent as against 2.02 per cent in the preceding ten year period. During the period 2004-05/2009-10, employment growth, has been abysmally low, 0.22 per cent per annum. This deceleration in employment growth has taken place with acceleration in GDP which was about 5 per cent during 1983-84/1993-94, rose to about 6.3 per cent during 1993-94/2004-05 and accelerated to as high as 9 per cent during the period 2004-05/2009-10, when employment virtually stagnated.

Table-1
Growth of Employment (UPSS)

<i>Sector</i>	72- 73/77- 78	77- 78/83	83/87- 88	87- 88/93- 94	93- 94/99- 00	99- 00/04- 05	04- 05/09- 10	72-73/ 83	83/93- 94	93- 94/04- 05	99- 00/09- 10
Primary Sector	1.78	1.56	0.28	2.16	0.05	1.40	-1.63	1.70	1.35	0.67	-0.13
Mining & Quarrying	4.36	7.14	5.34	1.69	-2.11	2.41	3.00	5.92	3.24	-0.08	2.70
Manufacturing	5.43	3.08	4.66	0.05	1.62	5.06	-1.06	4.28	2.00	3.17	1.95
Utilities	2.78	12.39	7.21	4.37	-5.89	3.22	1.02	7.86	5.58	-1.86	2.11
Construction	1.67	6.84	13.91	-0.11	6.38	8.18	11.29	4.43	5.67	7.19	9.72
Secondary Sector	4.78	3.95	6.44	0.19	2.44	5.83	3.46	4.43	2.82	3.97	4.64
Trade, Hostelling etc.	6.40	2.87	3.96	3.62	6.28	4.01	1.10	4.62	3.77	5.24	2.54
Transport & Communication etc.	6.21	5.36	3.02	3.67	5.09	5.23	2.14	5.88	3.39	5.16	3.68
Financing, Insurance, Real estate & business services	6.84	7.68	1.41	5.24	5.28	9.62	5.77	7.43	3.58	7.23	7.68
Community, social and personal services	3.24	3.01	0.31	6.68	-1.48	2.71	0.99	3.18	3.91	0.40	1.85
Tertiary Sector	4.86	3.46	2.11	5.03	2.85	4.08	1.59	4.21	3.77	3.41	2.83
All Non-Agricultural	4.82	3.67	4.09	2.82	2.68	4.81	2.41	4.30	3.36	3.64	3.61
Total	2.61	2.19	1.53	2.39	1.04	2.81	0.22	2.44	2.02	1.84	1.50

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

Even if one disregards the 2004-05 estimates which seem “outliers” in several respects – a point to which we shall return later – growth rate of employment during the first decade of the 21st century, 1999-2000/2009-10, turns out to be only 1.50, showing a long term – deceleration, with the highest GDP growth of 7.5 per cent, the highest in any short or long period before.

Within a long-term declining trend, employment growth has shown a intriguingly fluctuating trend in the shorter periods. The 6-year period following the introduction of reforms for which point to point data are available, viz., 1993-94 to 1999-2000, showed a steep decline in the rate of employment growth (to 1.04%) over the preceding 6-year period, 1987-88/1993-94 (at 2.39%). Over the next five years (1999-2000/2004-05) employment growth was estimated to be high at 2.81 per cent and in the next five years no significant growth in employment is recorded. Among these four periods change in growth rate of employment has been in inverse relationship with the change in GDP growth rate. Employment elasticity- the ratio of employment growth to growth of GDP - sharply declined in the years following the reforms: it declined from 0.42 during 1987-88/1993-94, to 0.16 during 1993-94/1999-2000, increased to 0.47 per cent during 2000-2005, but declined to almost zero (0.02) during 2005-10.

III. Employment Growth in Different Sectors

Let us note some other features of employment growth during the post-reform period. First, as expected, fastest employment growth has taken place in the secondary sector, at an annual average rate of about 3.5 per cent over the entire period 1993-94/2009-10. Even during 2005-10, when there has hardly been any growth in employment in aggregate, secondary sector employment grew at 3.5 per cent per annum. Agriculture, as expected, did not experience significant increase in employment; during recent years it has, in fact, seen a decline in employment. Services sector registered relatively high employment growth, averaging at about 3 per cent per annum over the entire post-reform period, though not commensurate with its GDP growth which has been over 10 per cent per annum. As a result, employment elasticity in this sector has been relatively low and has sharply declined particularly since 2004-05. Most divisions of economic activities have registered a decline in the rate of their employment growth in the post-reform period, but construction has seen an acceleration in the rate of employment growth. Trade, transport and financial services also saw an acceleration in employment growth during 1993-94/2004-05 but the rate declined during 2004-05/2009-10.

It is also interesting to note that the deceleration in the rate of employment growth in the post-reform period can primarily be attributed to a decline in employment growth in rural areas where employment grew at 1.4 per cent during 1993-94/2004-05 and actually declined

during 2004-05/2009-10 (*Table-2*), against a growth of about 2 per cent in earlier 20 year period. In urban areas employment growth rate was higher in the first post-reform decade, 1993-94/2004-05 and declined during 2005-10, but was still positive and significant at 1.8 per cent per annum (*Table-3*). All divisions of activity in the secondary and tertiary sectors except, mining and community, social and personal services, recorded reasonably high employment growth in the post-reform period in urban areas. In rural areas, construction was the biggest contributor to employment growth, followed by transport.

Table-2
Growth of Rural Employment (UPSS)

<i>Sector</i>	72-73/77-78	77-78/83	83/87-88	87-88/93-94	93-94/99-00	99-00/04-05	04-05/09-10	72-73/83	83/93-94	93-94/04-05	99-00/09-10
Primary Sector	1.66	1.49	0.28	2.17	0.20	1.29	-1.65	1.60	1.35	0.69	-0.19
Mining & Quarrying	5.82	6.11	5.58	1.09	-1.25	2.11	5.21	6.09	2.99	0.26	3.65
Manufacturing	5.36	3.50	4.33	0.35	1.62	4.09	-2.74	4.47	2.04	2.74	0.62
Utilities	17.17	1.66	11.12	5.15	-8.29	1.83	1.19	8.95	7.66	-3.82	1.51
Construction	0.92	6.32	18.45	-3.50	6.44	10.50	13.61	3.79	5.36	8.27	12.04
Secondary Sector	4.71	4.08	7.57	-0.53	2.55	6.03	4.65	4.47	2.87	4.11	5.34
Trade, Hostelling etc.	7.62	3.19	4.06	3.37	3.76	6.23	0.66	5.38	3.67	4.88	3.41
Transport & Communication etc.	6.77	8.07	5.13	3.79	6.75	6.33	2.58	7.60	4.36	6.56	4.44
Financing, Insurance, Real estate & business services	10.62	15.32	-7.21	4.45	4.27	8.41	2.07	13.33	-0.72	6.13	5.20
Community, social and personal services	4.08	2.26	0.40	5.99	-0.99	1.38	0.16	3.19	3.56	0.08	0.77
Tertiary Sector	5.72	3.58	2.13	4.64	2.12	4.52	0.90	4.69	3.56	3.20	2.70
All Non-Agricultural	5.23	3.82	4.91	1.98	2.32	5.25	2.83	4.58	3.22	3.64	4.03
Total	2.21	1.89	1.19	2.12	0.67	2.29	-0.34	2.08	1.72	1.40	0.96

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

Table-3
Growth of Urban Employment (UPSS)

<i>Sector</i>	72- 73/77- 78	77- 78/83	83/87- 88	87- 88/93- 94	93- 94/99- 2000	99- 00/04- 05	04- 05/09- 10	72- 73/83	83/93- 94	93- 94/04- 05	99- 00/09- 10
Primary Sector	5.01	3.27	0.42	1.99	-3.48	4.47	-1.17	4.18	1.32	0.05	1.61
Mining & Quarrying	1.54	9.23	4.88	2.79	-3.69	3.00	-1.87	5.61	3.68	-0.70	0.53
Manufacturing	5.51	2.65	5.01	-0.26	1.63	6.05	0.45	4.08	1.97	3.61	3.21
Utilities	-8.86	24.12	4.73	3.77	-4.16	4.05	0.93	7.29	4.18	-0.51	2.47
Construction	2.90	7.62	5.91	6.26	6.29	4.68	6.60	5.45	6.11	5.56	5.64
Secondary Sector	4.86	3.80	5.13	1.04	2.32	5.60	2.01	4.39	2.77	3.80	3.79
Trade, Hostelling etc.	5.50	2.61	3.88	3.82	8.08	2.53	1.43	4.05	3.85	5.52	1.98
Transport & Communication etc.	5.96	4.02	1.78	3.59	3.94	4.36	1.77	5.04	2.81	4.13	3.06
Financing, Insurance, Real estate & business services	5.73	4.45	5.43	5.49	5.59	9.96	6.67	5.16	5.47	7.55	8.30
Community, social and personal services	2.52	3.66	0.24	7.24	-1.87	3.75	1.58	3.17	4.18	0.65	2.66
Tertiary Sector	4.23	3.38	2.10	5.32	3.37	3.78	2.06	3.86	3.93	3.56	2.92
All Non-Agricultural	4.47	3.54	3.33	3.61	2.99	4.44	2.04	4.06	3.49	3.65	3.23
Total	4.55	3.50	2.91	3.40	2.30	4.44	1.78	4.08	3.19	3.27	3.10

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

Overall employment growth has been low and declining in rural areas primarily because of the low and declining, and recently a negative, growth in employment in agriculture. Growth in non-agricultural sector has been quite high throughout 1972-73/2009-10, but has accelerated in the post-reform period. It was 3.2 per cent per annum during 1983/1993-94 but increased to 3.6 per cent during 1993-94/2004-09. Even during 2004-05/2009-10 when rural employment declined in aggregate, it grew at 2.8 per cent in the non-farm sector. This sector has increased its employment share from 21.6 per cent in 1993-94 to 32 per cent in 2009-10 (*Table-4*). The fact that its share in rural NDP has also increased sharply from 43 per cent in 1993-94 to 62 per cent in 2004-05, suggests that the employment in the rural non-

farm activities is not a distress driven phenomenon, but is induced by higher demand, as productivity per worker in them is not only higher than in agriculture, but has also been rising reasonably fast over the years. Sectorally, however, the trends are rather intriguing: practically all the increase in the share of non-farm sector in rural employment has been contributed by construction; its share increased from 18 per cent in 2004-05 to 29 per cent in 2009-10, presumably a reflection of the implementation of MGNREGA. Manufacturing, the largest non-farm activity in rural areas has seen a decline in its employment share, from 32.5 per cent in 1993-94 to 29.5 per cent in 2004-05 and further to 22.3 per cent in 2009-10. Community, social and personal services have also seen a decline in their share in rural employment.

Table-4
Composition of Rural Employment (UPSS)

<i>Sector</i>	93-94	99-00	04-05	09-10
Agriculture	78.43	76.23	72.58	67.93
Non-Agriculture	21.57	23.77	27.42	32.07
Distribution within non-agriculture				
Mining & Quarrying	2.58	2.09	1.79	2.01
Manufacturing	32.46	31.15	29.47	22.32
Utilities	1.06	0.55	0.47	0.43
Construction	11.02	13.96	17.81	29.32
Secondary Sector	47.12	47.74	49.53	54.08
Trade, Hostelling etc.	19.86	21.59	22.62	20.33
Transport & Communication etc.	6.71	8.66	9.11	9.00
Financing, Insurance, Real Estate & Business Services	1.36	1.52	1.76	1.70
Community, Social and Personal Services	24.96	20.49	16.98	14.89
Tertiary Sector	52.88	52.26	50.47	45.92

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

IV. Steep Decline in Employment Growth, 2005-10:

Result of a Positive Development – Increase in Enrolment?

A steep decline in the employment growth during 2004-05/2009-10, as estimated on the basis of the 61st and 66th rounds of NSSO surveys has not only led to dampening of the optimistic prospects projected earlier around the start of the Eleventh Five Year Plan (EAC, 2007, Planning Commission, 2008), but has also proved intriguing for those interested in the study of employment growth and also for policy makers. It seems particularly puzzling in the face of an unprecedentedly high economic growth during this period. Also several labour market developments during this period suggest an increase in demand for labour. For example, organised sector employment has shown an increase during this period for the first time since 1997. Real wage rates of worker in all sector and categories have

recorded a rapid increase. There has been a faster decline in poverty, during this period than during the earlier two quinquennia (Planning Commission, 2011). Also, as shown by NSSO figures, a highest ever increase occurred in the proportion of regular employee category in the total workforce.

The most obvious explanation for an insignificant increase in employment between 2004-05 and 2009-10 is seen in the decline in labour supply itself as indicated by sharp decline in Labour Force Participation Rates (LFPR), from 42.85 per cent in 2004-05 to 39.80 in 2009-10, (Table-5) resulting into an increase only of 11.7 million in labour force in a five year period as compared to over 12 million per year during 1999-2000/2004-05! As a result, in spite of a slow growth in employment, unemployment rates in 2009/10 are estimated to be significantly lower than in 2004-05. The unemployment rates by UPS, CWS and CDS criteria in 2009-10 are estimated to be 2.51, 3.61 and 6.52 per cent respectively as against 3.19, 4.49 and 8.23 per cent in 2004-05. Unemployment, in fact, declined, in absolute terms by 6.3 million (Planning Commission, 2011).

Table-5
Labour Force Participation Rate (% to Population)

	93-94	99-00	04-05	09-10
LFPR All age groups(UPSS)				
Male	55.62	54.06	55.94	55.69
Female	28.74	26.01	28.86	22.87
Total	42.68	40.52	42.85	39.80
LFPR for age groups 15-24				
Male	68.55	65.07	64.98	53.70
Female	35.45	30.33	32.55	22.20
Total	52.80	49.06	49.56	38.80

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

What has caused such a sharp decline in labour force participation rates? Looking at its different components, it may be noted that it is primarily a result of a decline in LFPR of women and of those in the age group 15 to 25 years (Table-5). LFPR among men of all ages changed very little (from 55.94 to 55.69), that among women declined from 29 to 23 per cent. Male LFPR declined much more, in the age group 15–24, from 65 to 54 per cent but female LFPR in this age-group declined still faster from 33 to 22 per cent. This decline has been attributed mainly to increase in enrolment in education system, more for women than men. The 12th Plan Approach Paper, in fact, highlights “the dramatic increase in the number of young people in education, and therefore, out of the workforce-causing a drop in the labour force participation rate as “one of the most remarkable things” brought out by the 66th round (2009-10) of NSSO survey on Employment”. (Planning Commission, 2011, pp. 9-10). Some other observers have also attributed the decline in LFPR during 2004-

05/2009-10 to increase in enrolment (see EPW, 2011, Chaudhuri, 2011, Rangarajan *et al*, 2011). It appears that not only many of the new entrants in the working age group did not join the labour force but there was also a large withdrawal from the labour force. According to one study (Rangarajan *et al*) 44 per cent of them did not join, or actually withdrew from the labour force due to the reasons of education and 31 per cent due to domestic work. A good number of them (15%) consisted of children withdrawing from child labour activities. Another study, while concluding that 45 per cent of decline in labour force was due to additional enrolment in education, points out that the entire decline in the case of men can be attributed to increase in enrolment, but 73 per cent of decline in the case of women was for other reasons, basically to go back to domestic work (Kannan and Raveendran, 2012)

There is no doubt however, that enrolment in education has vastly increased in recent years. The number of persons in the age-group 15–24 years who continued in education streams increased from 30 million in 2004-05 to 60 million in 2009-10 (Planning Commission, 2011, p. 10). As can be seen from the figures in *Table-6*, percentage of the

Table-6
Current Status Regarding Attendance in Educational Institutions(15-24 Age Group)

	93-94	99-00	04-05	09-10
Male				
Not Attending	68.57	66.91	65.47	54.59
UP to primary	1.47	1.16	0.68	0.45
Middle level	3.83	5.07	3.83	2.76
Secondary & above	26.13	26.85	30.02	42.20
Female				
Not Attending	82.76	79.32	76.03	66.60
UP to primary	0.95	0.88	0.57	0.50
Middle level	2.13	2.95	2.81	2.11
Secondary & above	14.16	16.86	20.59	30.79
Total				
Not Attending	75.37	72.82	70.53	60.25
UP to primary	1.17	1.05	0.63	0.48
Middle level	3.02	4.03	3.34	2.45
Secondary & above	20.44	22.11	25.50	36.83

Source: Own estimates based on various rounds of NSS data on employment and unemployment.

people in the age group 15–24 attending educational institutions increased from 29.5 in 2004-05 to 49 in 2009-10. Increase was much sharper, from 24 per cent to 32.5 per cent in the case of women, than of men, from 34.5 to 45.5 per cent. It must be noted that increase in enrolment was much slower in earlier years. 25 per cent of the 15–24 age group attended educational institutions in 1993-94, percentage increased only to 29.5 in 2004-05, but

jumped to 40 in 2009-10. It seems that a very high economic growth, resulting into unprecedented—about 7 per cent—annual increase in per capita income combined with a sustained campaign for “education for all” made a significant impact on enrolment in secondary and post-secondary education.

At the same time, it also needs to be noted that the labour force and employment situation in 2004-05 as revealed by 61st round of NSSO survey showed certain features which were unusual if seen in relation to the longer term trends. LFPR, particularly of women and in the age group of 15-24 years, which had shown a declining trend over the period since 1971-72 to 1999-2000, registered a sharp increase in 2004-05. The share of the self-employed has been declining and that of casual labour increasing from one NSS Round to another; the trend is reversed in 2004-05. Overall employment growth was the highest ever at around 3 per cent per annum taking the total workforce to a high of 464 million, up from 398 million in 1999-2000—an increase of 66 million. That GDP growth rate of less than 6 per cent, lower than 6.5 per cent attained in the previous quinquennial period, could have led to such a boom in employment generation sounds rather doubtful.

It is, in fact, a relatively slower growth, particularly in agriculture during 2000-05 that seems to explain the unusual features of labour force and employment situation in 2004-05. Agricultural growth averaged to 1.5 per cent during this period and was less than one per cent during 2004-05. It appears that food-grains production particularly suffered as the per capita availability of cereals and pulses declined from 462 grams per day in 2004 to 422 grams per day in 2005. With declining incomes, it appears that more and more women (who would otherwise have been in domestic work) and children (who would otherwise have been in schools) joined the labour force and participated in workforce, swelling the figures of employment. As a result, employment growth was fast but of poor quality, mostly in the self-employed category and was poorly remunerative as reflected in decline in real wages (Unni and Raveendran, 2007). In other words, the 2004-05 estimates of labour force and work force seem to have been significantly inflated as a good part of employment could be regarded as ‘spurious’. Even with a ‘high’ rate of employment growth, unemployment rates (by all status) in 2004-05 were higher than in 1999-2000.

It thus appears that the year 2004-05 was an aberration from the longer term trends and an outlier in so far as comparison between different NSSO rounds is concerned. The fact that the long term trends – decline in LFPR, decline in self-employed and increase in that of casual workers-have been restored during 2004-05/2009-10, supports the hypothesis regarding the unusual nature of 2004-05 situation. It can be argued that ‘distress’ led participation in labour force could have also taken place in 2009-10 as agricultural growth in that as also the previous year was very low. It should, however, be noted that the average growth in agriculture during 2004-05/2009-10 was quite high at over 3 per cent per

annum and even in the years of low agriculture growth, food grains production was high enough to prevent a decline in their per capita availability. In any case, overall economic growth was very high, between 8.5 and 9 per cent and could have provided good enough buffer to absorb sectoral stocks.

A very slow growth of employment as revealed by the data for 2009-10 over those for 2004-05 should, therefore, be viewed with reasonable caution. It may not necessarily be reflecting a worsening situation; it could even be interpreted, as the Planning Commission does, as a result of a positive development namely, a larger number of young persons particularly women, going through secondary and higher education. Taking only the persons in the working age (15-59) group and using Usual Principal Status (UPS) criterion, an analyst has estimated a reasonably high rate (1.71 per cent per annum) of employment growth during 2004-05/2009-10 (Ghose, 2011). He has also argued that employment quality has substantially improved during this period as indicated by a fast growth (7.24% pa) of employment in the organised sector than in the unorganised (0.95% pa) a reasonably high growth of formal employment (4.02% pa).

It may be advisable to disregard the estimates for 2004-05 for a longer term analysis and also an assessment of the post-reform growth in employment, for the reasons elaborated above. A low employment growth in the immediate post-reform period 1993-94/1999-2000 was expected as mentioned in the beginning of this paper. Has employment growth recovered since and got accelerated over the years? It seems to have slightly improved, but has been in line with the long term declining trend. Employment growth during 1999-2000 to 2009-10 has been 1.5 per cent per annum, lower than any ten-year period earlier and for the entire post-reform period it would still be lower, as employment growth during 1993-94/1999-2000 was only about one per cent per annum. So, the reforms, in spite of high growth of GDP do not seem to have delivered on employment front.

V. Impact of Global Financial Crisis, 2008

Let us briefly look at the impact of 2008 global financial crises on Indian economy and employment. The global crisis adversely affected the Indian economy, but impact was not as severe as felt globally. GDP growth slowed down from over 9 per cent during the three year period ending with 2007-08, to 6.8 per cent during 2008-09. What was the impact this slowdown on employment?

No comprehensive data are available for assessing impact of the slow down on employment. Limited surveys by Labour Bureau of the Ministry of Labour and Employment (MoLE), based on a sample of about 3000 units employing 10 or more workers, in mining, manufacturing sector and in IT/BPO segment of the services sector,

indicate some, though not very severe, impact. According to these surveys, there was a loss of 5 lakh jobs in the quarter October – December 2008, a gain of 2.8 lakhs jobs during the next quarter and again a loss of 1.3 lakh jobs during April-June 2009. The subsequent surveys for quarters June-September 2009 and September 2009-December 2009 revealed significant increase, the estimates for the two periods being 5.0 and 6.4 lakhs respectively. After initial decline of about 5 lakhs during October-December 2008, employment was estimated to have increased by 12.8 lakhs during the year 2009 (see *Table-7*). It is significant to note that initially export-oriented sectors and units had a setback and those focussing on domestic market, in fact, saw a positive growth in employment. Major part of increase in employment has been accounted for by only two sectors – textiles during first quarter and third quarter and IT/BPO during the last quarter of 2009.

Table-7
Changes in Estimated Employment following Global Financial Crisis 2008 (in Lakhs)

<i>Industry Group</i>	<i>Dec, 08 Over Oct, 08</i>	<i>Mar, 09 Over Dec, 08</i>	<i>Jun, 09 Over Mar, 09</i>	<i>Sep, 09 Over Jun, 09</i>	<i>Dec, 09 Over Sep, 09</i>	<i>Dec, 09 Over Dec, 08</i>	<i>Dec, 09 Over Oct, 08</i>
Textile including apparels	-1.07	2.08	-1.54	3.18	0.16	3.88	2.81
Leather	0.06	-0.33	0.07	-0.08	0.09	-0.25	-0.19
Metals	-1.00	-0.29	-0.01	0.65	0.23	0.58	-0.42
Automobile	-1.69	0.02	0.23	0.24	0.06	0.55	-1.14
Gems & Jewellery	-1.59	0.33	-0.20	0.58	0.07	0.78	-0.81
Transport	0.04	-0.04	-0.01	0.00	-0.02	-0.07	-0.03
IT-BPO	0.66	0.92	-0.34	0.26	5.70	6.54	7.20
Handloom-Powerloom	-0.16	0.07	0.49	0.15	0.09	0.80	0.64
Overall	-4.77	2.76	-1.31	4.97	6.38	12.80	8.03

Source: Labour Bureau, Report on Effects of Slowdown on Employment in India, various quarterly reports.

On the whole, it appears that adverse effect on growth and employment in India has not been as severe as elsewhere and also appears to have been of a relatively short-term nature. Growth rate of GDP which declined from an average of 9.5 per cent during 2005-06 to 2007-08 to 6.8 per cent in 2008-09, but recovered to 8 per cent in 2009-10 and increased to 8.6 per cent in 2010-11. The year 2011-12, which was again afflicted by another crisis in the developed world, specially Europe, also saw a slowdown in Indian economy. Growth of GDP was expected to be lower than in 2010-11 and is estimated to be around 6.5 per cent. The period of the Eleventh Plan (2007-12) which aimed at nine per cent growth rate and was earlier expected to end with an average growth of 8.2 per cent per annum (Ahluwalia, 2011) has in fact ended with an 8 per cent growth rate. Contribution of the adverse impact

of the European crisis has led to uncertainty about GDP growth in 2012-13, forecasts vary between a low of 5.5 to 6.5 per cent. Whether these trends in GDP growth will have similar impact on employment is rather uncertain, as even a high GDP growth during 2005-10 is found to have generated hardly any growth in employment. In so far as the slowdown in employment growth is caused by a slowdown in exports, the decline in employment growth, could be attributed to the global economic slowdown. But it must also be noted that the share of labour-intensive products has declined in Indian exports in the post-reforms period, from around 68 per cent in 1991 to 49 per cent in 2004-05 and further to 45 per cent in 2009-10. That, however, is only part of the story as the employment intensive exports contribute a small part to total employment whereas the decline in employment growth during 2005-10 has been common to all sectors of economic activity except construction.

VI. Conclusion

Economic growth during the post-reforms period, though not exactly 'jobless', has not been employment intensive either. Employment has grown at a slower rate in the post-reforms than in the pre-reforms period. It is in line with the declining trend of employment growth over the longer period, but it must be noted that the decline in the post-reforms period has been coterminous with an acceleration of the growth rate of GDP. Employment content of growth as measured in terms of employment, elasticity, which has been declining over the years, has shown a sharper decline in the post-reform period.

Unemployment rates may not necessarily rise in spite of a lower rate of employment growth, because the growth rate of labour force has declined, from over 2 per cent per annum in the pre-reform to about 1.7 per cent in recent years. Yet the quality of employment in terms productivity and earnings and social protection, that constitutes the core of the 'employment problem' is getting aggravated as a result of slow pace of rise in demand for labour. Trends in the post-reforms period such as increasing casualisation, and informalisation and use of contract labour suggest a general deterioration in the overall quality of employment. Some recent trends, such as the reversal of the direction of change in employment in the organised sector since 2004, an increase in share of 'regular' workers during 2004-05/2009-10 and a faster increase in real earnings of workers including these in the casual labour category and in the unorganised sector, on the other hand, give positive signs in the direction of an improvement in the overall quality of employment.

Improvements in the quality of employment, cannot, however, be sustained and strengthened without a quantitative increase in demand for labour and consequent tightening in the labour market. In other words, employment opportunities must expand at a faster rate especially in the organised sector. A faster growth of GDP is necessary, as

employment growth has to be at increasing levels of productivity and earnings, but it is not enough for faster employment growth. The composition of growth is also equally if not more important. It appears that a service-led and export-led growth is not likely to meet the objective of faster employment growth. A 'rebalancing' of economic growth towards manufacturing industry and greater domestic reorientation seems essential at the present stage, to make it more employment oriented and inclusive.

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