



A Study Of Employment Intensity In India

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Abstract

Growth and employment are two crucial components of economic development that are interrelated. Growth leads to increased employment, which raises living standards and employment levels. The rise in employment is a topic of great research. In this study, we have examined the elasticity of employment, or the degree to which employment rises in tandem with GDP growth. The research is based on data collected over a 12-year span, from 2009–10 to 2020–21. The results of this study demonstrate that, with the exception of three years from 2009–10 to 2020–21, employment elasticity in India has been almost unit less.

Keywords: Employment intensity of growth, Employment rate, Gross domestic product, Growth.

Introduction

Growth and employment are two crucial components of economic development that are interrelated. Growth leads to increased employment, which raises living standards and employment levels. It also lowers the rate of poverty. Employment has always been an important element of India's Five Year Plans. The priority and attention it has received in development plans have however varied from time to time and so have the approaches and strategies as well as the policies and programmes for employment generation. In all the development plans, two things were specially focused in order to increase employment level-

- Creation of new jobs,
- Improvement in the quality of exiting jobs.

In this way, many problems arise to increase the growth rate of employment. And the employment related problem have both quantitative and qualitative dimensions. In quantitative terms, it is indicated by the magnitude of employment opportunities that need to be generated over a period of time so that everyone available and looking for work is able to secure it. It consists of two elements-

- Rate of unemployment,
- Labour force participation rate.

In qualitative terms, it is indicated by productivity, social protection, regularity, uncertain availability of work. Therefore, In the First Plan were started many programmes for addressing these problems and increasing the growth rate of employment.

But in the middle of 1970's special emphasis was given to the growth rate of employment. When it was realized that economic and demographic performance of the economy had fallen short of earlier expectations and as a result unemployment had been on an increase. So the special employment programmes were introduced to increase employment like Cash Scheme for Rural Employment (1972), Training Rural Youth for Self Employment (1979), Integrated Rural Development Programme (1980), National Rural Employment Programme (1980), Rural Landless Employment Guarantee Programme (1983), Self Employment to the Educated Unemployment Youth (1983), Self Employment Programme for

Urban Poor (1986), Jawahar Rojgar Yojana (1989), Scheme of Urban Wage Employment (1990). After the introduction of economic reforms in 1991 employment has become a matter of intense debate particularly due to a rather disappointing employment performance in the post – reform period.

Growth “Jobless growth of 1990’s
and “Zero employment growth”.

Even With the highest ever GDP growth during 2004-05/2009-10 employment growth declined in the government sector. Even in the private & unorganised sector, the wages were low and no social security was given. So that some special employment programmes went to increase employment like Employment Assurance Scheme (1993), Swarnajayanti Shahari Rozgar yojana (1997), Swarna Jayanti Gram Swarozgar Yojana (1999), sampoorna Grameen Rozgar Yojana (2001), Mahatma Gandhi National Rural Employment Guarantee Act (2005), National Rural Employment Guarantee (2006), Prime Minister’s Employment Generation Programme (20008), Skill India (2015).

Employment growth was much slower from 1950 to 1970 in the entire world. According to ILO, 2008, Employment growth was almost 1 per cent in developed countries whereas in the developing countries employment growth had been more than developed countries. India’s average annual employment growth was around 2 per cent from 1950 to 1972. According to NSS data, In India, during 1950 to 1994 the growth rate of employment was 2.2 per cent and In 1991 India adopted the economic reforms but the growth rate of employment declined. From 1990 to 2010 employment growth was mere 1.67 per cent. Due to economic reforms, not only employment growth declined but also the structure of employment changed.

Review of literature

This study is generally based on the secondary data because of this reason only maximum possible papers have been referred from the available literature for this study. Many studies have been conducted to find out employment situations and its determinants. These studies are based on both state level and central level data. In this section of the study we have presented a review of work in India with reference to employment situations and its determinants.

Diana SERB, Nicoleta CICIOC, Mania PAUN and constanta FUNIERU (2016), has analyzed the employment level from the determinant factors perspective. Based on this analysis, they pointed out that all European workers have minimum rights: limited working time, annual paid leave and no more than 48 hours of work per week. They have analyzed that the population number has a direct influence on employment level and the intensity of the relationship between the two is strong. An increase in the number of population automatically generates an increase in the level of employment and the number of permanent immigrants does not affect the level of employment.

Papola T.S., has analyzed the GDP growth and employment elasticity in different sectors. On the basis of this analysis he explained that we have two types of employment challenges in India as written below -

- A- Creation of new jobs,
- B- Improvement in the quality of existing jobs.

In order to face these challenges, it is necessary that economic growth should increase at a rapid pace. Therefore, to produce quality employment, the economic growth has to be diverse and faster. In an agrarian economy like India, such economic growth can be achieved by geographical and product diversity. In the analysis of this study he has stated that there is ample scope of employment in the manufacturing, transport and trade sector; and majority of the employment in the formal sector is proved with low income and lack of social protection. One of the important elements that can improve the quality and sustainability of employment is enhancing the role of the formal sector but the restrictive labor laws have remained an obstacle. The stringent labor laws in India had made the industries to restrict the employment and this expansion to avoid such regulations.

Tripathi Sabyasachi (2018) has analyzed the employment situation in cities of different sections of urban India. Their study is based on the latest unit level National Sample Survey data on employment and unemployment for the year of 2011-12. Tripathi discussed that while urban India is witnessing an increase in the number of total job opportunities, the WPR in big cities has declined over the years. The regression results of this study reported some indicators such as city-wise average land owned by a person, city-wise percentage of individuals receiving any vocational training, percentage of individuals currently registered with any placement agency, city-wise population and city output growth have a positive effect on city-wise WPR. This paper suggested that education of the worker, vocational training, and placement agencies are needed for successful job creation in the large agglomerations in India. He analyzed the current and past policies on employment in India. These policies explained how to improve employment situations in India while; improving productivity by providing skills, safety, and welfare to laborers.

S. Mahendra Dev and Vijay Mahajan (2003), stressed in his article on "Employment and Unemployment" studied the nature of the employment problem in Andhra Pradesh including quality of employment. Quality of employment parameters such as casualisation, labour productivity, real wages and, poverty. Employment in AP is largely unorganised, rural and non - industrial. Only around 6 per cent of the total work force is in the organised sector in AP. The growth of employment in the organised sector has declined over time. In the post - reform period, the growth rate of public sector employment declined drastically while that of private sector employment increased. And also the work force participation rates declined significantly in both rural and urban areas in the 1990's.

Kalyanlaksmi, Chitta (2013), in her study entitled "Employment Scenario in the Post Reform Period: Some Reflections" has revealed that after the reform period, employment elasticity of output has declined basically in agriculture and manufacturing sector. During 1972 to 1978 employment elasticity of output was 0.64 in the agriculture sector and 0.55 in the manufacturing sector. But after the 1991 economic reforms, employment elasticity of output decreased to 0.01 in the agriculture sector and 0.33 in the manufacturing sector. Thus, the economic reforms had negative impact on employment elasticity, where employment elasticity of output indicates "the percentage expected from one percent growth in GDP".

Objectives

- 1- To understand the relationship between GDP and employment in India.
- 2- To examine the employment intensity in India.
- 3- To identify the factors responsible for changes in employment intensity during 2009-10 to 2020-10.

Sources of data and methodology

1.1.Sources of data

This research is predicated on a secondary data. The elasticity of employment was measured for 12 years, from 2009–10 to 2020–21, as part of this study. We have gathered employment figures from the ILO and NSSO. The Handbook of Statistics on Indian Economy, Reserve Bank of India has been deprived of India's GDP.

1.2.Methodology

Employment elasticity, or the elasticity of employment with respect to production growth, can be used as a proxy for the employment intensity of growth. The sensitivity of employment growth to GDP growth is measured by employment elasticity. The percentage shift in employment that results from a one percent point change in economic growth is known as employment elasticity. The employment elasticity measures how much of an economy's growth process can be used to provide jobs for its citizens. Employment increases at the same pace as economic growth when the employment elasticity is 1. When the elasticity is zero, employment does not increase irrespective of economic development. When the employment-to-economic growth ratio is negative, it means that employment decreases.

The formula is-

$$E = \frac{\Delta L/L}{\Delta Y/Y}$$

L = stands for employment,

Y = stands for GDP,

E= stands for employment intensity of growth.

Data Analysis

1.1. Trends in Employment rate in India

We examined the employment rate in this study. We examined a 12-year span of time in our study, spanning from 2010 to 2021. In 2010, the employment rate was 53.4%. From 2010 to 2020, the employment rate fell steadily after that. The employment rate increased in 2021 as a result, reaching 46.3% of the workforce.

Table:1 Employment rate in India

Years	Employment Rate (in per cent)
2010	53.4
2011	52.5
2012	51.6
2013	51.1
2014	50.7
2015	50.4
2016	50.0
2017	49.7
2018	49.3
2019	49.3
2020	44.0
2021	46.3

Various round of NSSO and Annual Reports of PLFS

1.2. Trends in Gross Domestic Product in India

We examined India's Gross Domestic Product as part of this investigation. India's GDP was 8.60 percent in 2009–2010. India's GDP fell to 6.70 percent in 2011–12 as a result. India's GDP increased to 8.26% from 6.39% in 2016–17. The Gross Domestic Product (GDP) grew gradually during this time. Since 2017–18, India's GDP has been in decline. India's GDP growth rate decreased in 2020–21 from 6.80% in 2017–18 to - 5.83%. The global spread of the Covid epidemic was the cause of this negative GDP.

Table:2- Gross Domestic Product at Constant Prices

Years	GDP (in per cent)
2009-10	8.60
2010-11	8.90
2011-12	6.70
2012-13	5.46
2013-14	6.39
2014-15	7.41
2015-16	8.15
2016-17	8.26
2017-18	6.80
2018-19	6.45
2019-20	3.87
2020-21	-5.83

Handbook of Statistics on Indian Economy, Reserve Bank of India

1.3 Measuring Employment Intensity of Growth

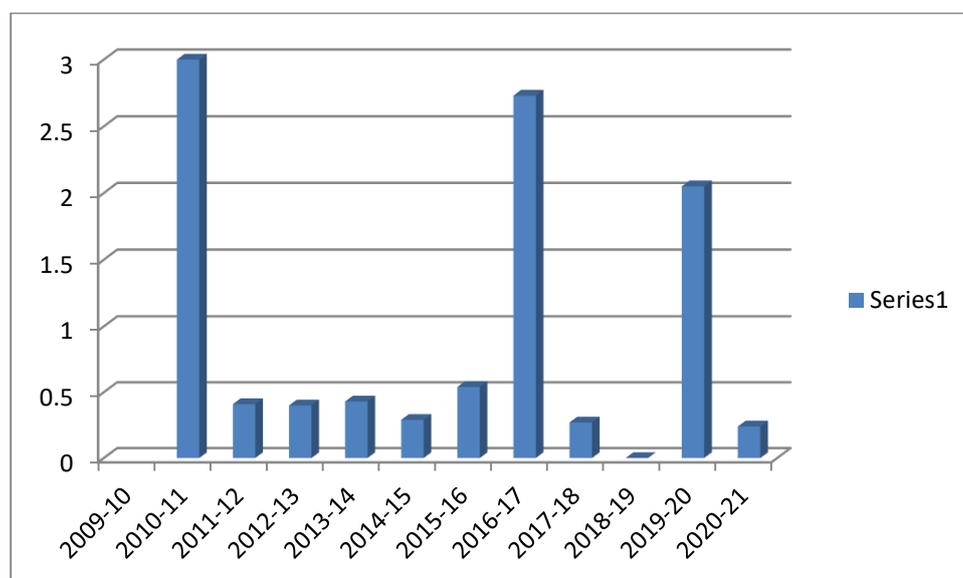
In this research, we have computed the employment intensity of growth and examined the employment intensity of growth. In year 2010–2011 saw a 3% employment intensity. This suggests that an increase in GDP of 1% has resulted in a rise in employment of 3%. Compared to the previous year, the employment elasticity in 2011–12 was much lower, at 0.41 percent. This decrease was brought about by the GDP's operation.

Table:3- Employment Intensity of growth

Years	Employment Intensity
2009-10	-
2010-11	3.00
2011-12	0.41
2012-13	0.40
2013-14	0.43
2014-15	0.29
2015-16	0.54
2016-17	2.73
2017-18	0.27
2018-19	0.00
2019-20	2.05
2020-21	0.24

In the years 2014 to 2015, the employment elasticity was a pitiful 0.29%. In 2018–19, there was no employment elasticity. This indicates that there has not been a rise in employment as a result of the GDP growth. In 2019 -20, there was a subsequent rise in employment elasticity. After that, the Covid epidemic caused India's GDP to decline.

Figure:1



Employment intensity of Growth in India

Conclusion

Based on the employment rate and GDP of India, we have examined the employment intensity of growth in this study. This study spans a total of 12 years, from 2020–21 to 2009–10. This result implies that employment elasticity has decreased over time by nearly one unit. However, in the three years (2010–11, 2016–17, and 2019–20), employment elasticity is higher than unit. This analysis demonstrates that the GDP growth has not significantly changed the rate at which jobs are being created.

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