



## A hazy picture on employment in India

The trends in employment have not shown any clear and consistent patterns over the years.

### Structural transformation indicators:

1. The two important indicators of structural transformation in any economy are rates of growth and changes in the structural composition of output and the workforce.
2. India has experienced fairly consistent changes in the first indicator, especially after the 1991 reforms, but the trend in employment has not revealed any consistent or clear pattern.
3. The growth rate of the economy, measured by gross value added (GVA) at constant prices, accelerated from 4.27% in the 20 years before the economic reforms to 6.34% in the 20 years following the reforms and to 6.58% between 2010-11 and 2019-20 at 2011-12 prices.
4. This growth trajectory was accompanied by a steady decline in the share of agriculture from 30% in 1990-91 to 18% in 2019-20 and a steady increase in the share of non-agriculture output in total economic output.

### Understanding employment patterns:

1. PLFS data show an increase in the worker to population (WPR) ratio from 34.7% in 2017-18 to 38.2% in 2019-20. This is a reversal of the previous trend which showed a decline in WPR after 2004-05.
2. The change also implies that employment has increased at a much faster rate than the growth in population. The increase in WPR has been reported in the rural and urban populations and in the male and female populations.
3. This increase in WPR is even more significant as it has occurred in the midst of an increase in the labour force participation rate.
4. It is interesting to note that the data from the PLFS surveys do not support the assertion that women are going out of the workforce. The female WPR ratio increased from 17.5% to 24% between 2017-18 and 2019-20.
5. Another positive indication from PLFS data is that the gap between the male and female worker participation rate is narrowing down. As against 100 male



workers, there were 32 female workers in the workforce in 2017-18. This number increased to 40 in 2019-20. Women constituted 24% of the workforce in the country in 2017-18 and 28.8% in 2019-20.

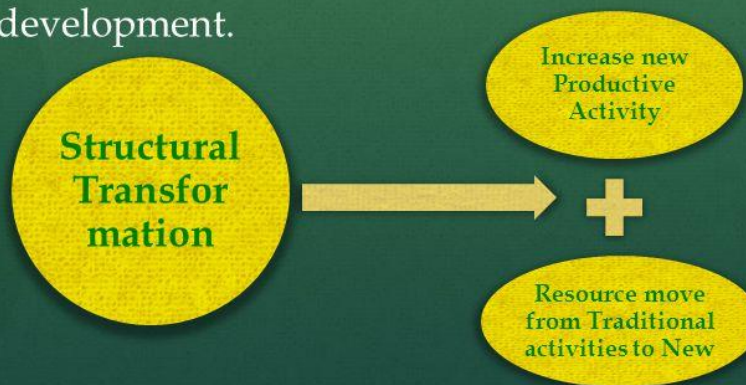
6. Also, the unemployment rate in the female labour force in rural areas is far lower than the male labour force, whereas the opposite holds true in urban areas. This is despite the fact that the female labour force participation rate in rural India is 33% higher than the rate in urban areas.
7. The reason could be that there is less gender discrimination in informal jobs, which dominate rural areas, than in the formal sector which dominates urban areas.

### **The unemployment scenario**

1. PLFS data show that the unemployment rate based on principal status plus subsidiary status declined from 6.1% in 2017-18 to 4.8% in 2019-20. This shows that the number of jobs increased at a faster rate than the increase in the number of job seekers between 2017-18 and 2019-20.
2. But despite this, the number of unemployed persons has increased by 2.3 million between 2017-18 and 2018-19, mainly because of an increase in the number of job seekers (52.8 million) in these two years.
3. The sectoral composition of the workforce shows that 45.6% of the workers in India are engaged in agriculture and allied activities, 30.8% in services and 23.7% in industry.
4. According to PLFS data, there is no increase in the share of industry and services in total employment. This means that the labour shift out of agriculture is not happening.
5. Between 2019-20 and 2017-18, 56.4 million new jobs were created. Out of this, 57.4% were created in the agriculture and allied sectors, 28.5% in services and 14.5% in industry.
6. Within the broad industry group, employment in the manufacturing sector showed a meagre increase of 1.8 million in two years; and construction activity added 6.4 million new jobs.

## Structural Transformation

- Structural transformation is the reallocation of economic activity away from the least productive sectors of the economy to more productive ones. It is one fundamental driver of economic development.



### The reasons for lack of transformation:

1. That a majority of the new entrants to the labour force between 2017-18 and 2019-20 got absorbed in the agriculture sector has serious implications.
2. The young labour force, which is getting increasingly educated, sought more remunerative work outside agriculture but only a few succeeded. This is because the industry and services sectors have adopted capital-intensive and, in many cases, labour-displacing technologies and production strategies.
3. This is getting further aggravated with the rising adoption of modern technologies like Artificial Intelligence and the Internet of Things. This raises a big question about the future of new entrants into the labour force.
4. That there is a dichotomy between the rising share of industry and services in national income without a sizeable increase in employment share is a fairly well-established fact for post-liberalisation India.



5. This puts a serious question mark on the relevance of conventional models of economic growth and development like the dual-sector model of Arthur Lewis centred on the large-scale shift of the labour force from agriculture to industry.
6. Perhaps it is pertinent to question the conventional economic development models and their applicability for emerging economies like India. Instead, we should rethink our strategy of striving for an industry-led growth model and explore a more relevant agri-centric model of economic transformation to create more attractive, more remunerative and more satisfying employment in and around agriculture.

Besides this, there is also an urgent need to generate much more employment in the manufacturing and services sector compared to the number of jobs they have offered in the recent past. This should include (i) changes in labour laws that discourage industry to adopt labour-intensive production (ii) employment-linked production incentives and; (iii) special assistance for labour-intensive economic activities.