

# ISAS Insights

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## Employment in India – Latest Data and Implications

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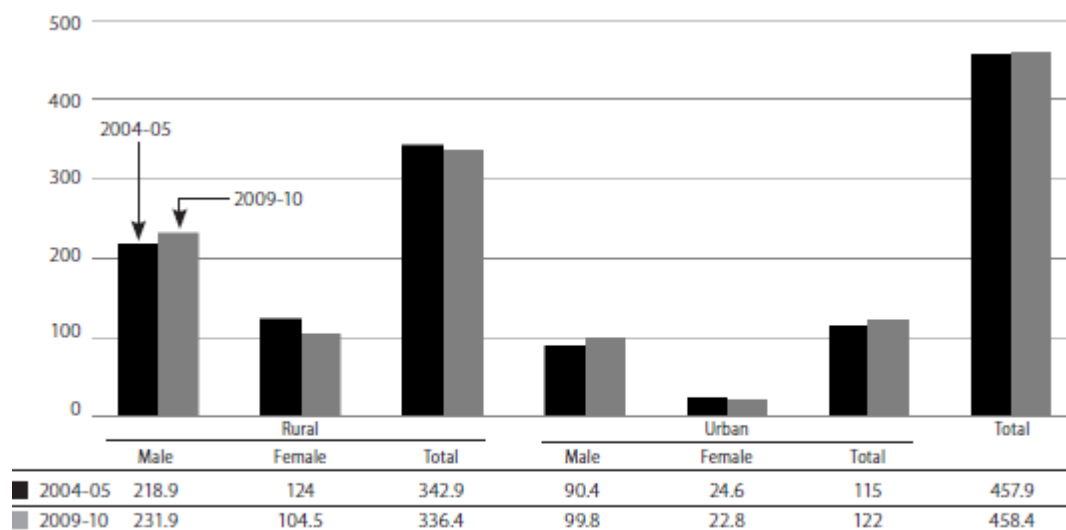
In 2013, the National Sample Survey Organization of India released key results of a large sample survey relating to employment and unemployment. These surveys are normally carried out once in five years, and the last survey was carried out for the years 2009-10. Normally, the next survey would be due in 2015-16. There are some interesting data that have been revealed<sup>2</sup> in the survey for 2009-10.

First, there has hardly been any change in the workforce between 2004-05 and 2009-10. The total number of those employed stood at 457.9 million in 2004-05, and was 458.4 million in 2009-10. There was a significant deceleration in employment growth measured on a usual principal status basis. (Chart showing figures in millions.)

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<sup>2</sup> Employment in India: What does the latest data show? By Subhanil Chowdhury, Economic and Political Weekly August 6, 2011



The workforce is given according to usual status.

Source: Table S1.1 in Key Indicators of Employment and Unemployment in India, 2009-10, NSSO Publication.

Even more significant has been the type and degree of deceleration. There has been a decline in employment in the rural areas, led by a sharp fall in the employment of rural females. The degree of deceleration was small in the case of rural males (1.7% to 1.2%), but much sharper in the case of all the other three categories: rural females (2.2 to 1.8 per cent), urban males (3.0 to 1.9 per cent) and urban females (4.7 to 0.1 per cent). In absolute numbers, while 50 million additional jobs were created between 1999 and 2005, only 17 million jobs were created between 2004 and 2010.

The decline in rural employment took place in spite of the National Rural Employment Guarantee Scheme, indicating that there is a steep fall in rural work. In particular, the steep fall in the employment of rural females is a significant development. The labour force participation rate (LFPR) for women shows a clear decline. This is quite surprising. It is unlikely that social conservatism has been the cause of this withdrawal from the labour market, for there has been a steady increase in female participation prior to this period. It is also difficult to argue that this is due to more women pursuing higher education, and hence not available to the labour force. The percentage of persons aged 15-19 years attending educational institutions as their usual status was 25.9% for rural females in 1999-2000, and went up to 47.1% in 2009-2010. For urban females, it went up from<sup>3</sup> 51.7% to 68.2% over the same period. In the age group 20-24 years, the change was from 2.9% in 1999-2000 to 7.5% in 2009-2010 and for rural females, from 15.8% to 23.4%. However, this does not

<sup>3</sup> “Key indicators of employment and unemployment in India, 2009-10” and other NSS reports on Employment and Unemployment.

appear to be a complete explanation, as the drop in participation is much higher than the percentage increases of those pursuing higher education. More importantly, the decline in LFPR for women has happened for all age groups above the age of 15 years.

This decline could well be because of a decline in overall employment opportunities. In 2004-05, there had been an increase in female LFPR, but subsequently, with a decline in employment opportunities overall, these women could not find employment and withdrew from the labour force. It is also possible that after the financial crisis of 2008, when exports suffered, there was a withdrawal of women from the work force as they have been working in the export industries in large numbers. With the export industries hit hard during the recession, these women lost their jobs and perhaps could not be absorbed into the labour market.

An interesting corollary is the fall in unemployment rate that is visible between 2004-05 and 2009-10. This decrease in unemployment is not necessarily because of an increase in employment, but because less women are joining the labour force.

	2004-05				2009-10			
	Rural Male	Rural Female	Urban Male	Urban Female	Rural Male	Rural Female	Urban Male	Urban Female
15-19	52.9	33.1	38.1	14.4	39.0	19.5	26.3	8.5
20-24	89.1	43.5	76.9	25.0	81.3	31.4	68.2	19.7
25-29	98.2	53.0	95.7	26.1	97.5	40.4	94.7	22.2
30-34	98.8	59.3	98.7	30.8	99.0	43.4	98.5	23.9
35-39	99.1	64.2	98.4	34.0	99.2	49.7	99.1	27.8
40-44	98.5	62.7	98.3	31.7	99.4	49.8	98.7	25.6
45-49	98.2	61.6	97.6	26.9	98.4	49.2	97.9	23.1
50-54	96.3	56.2	93.9	25.9	96.7	48.5	94.8	22.8
55-59	93.1	50.9	83.2	21.8	93.4	41.1	85.5	19.1
60 above	64.5	25.4	36.6	10.0	64.7	22.6	34.2	7.0
15-24	68.9	38.2	57.0	19.7	56.7	25.4	46.3	14.2
15 and above	85.9	49.4	79.2	24.4	82.5	37.8	76.2	19.4

Source: same as above (the figures are in millions).

The other interesting information is that while participation of those above 60 years in the labour force is more or less constant between 2004 and 2010, there has been a decline in the 15-24-year age groups. This is a little surprising, given the demographic profile of the population of India.

The data reveals yet another important issue with regard to the type of employment that is being generated. Between 2004 and 2010, the proportion of those in self-employment has

decreased, most notably among female workers. Casual workers have increased significantly in the rural areas compared to 2004, perhaps because of the impact of NREGA. There has only been a marginal increase in the size of regular salaried workers. There is also evidence of improvement in the real wages of all categories of workers, and perhaps indicates a move to high productive sectors from low productive sectors. There is clearly a decline in the proportion of people employed in agriculture, and a sharp increase in those employed in the service sectors, and in the number of casual workers.

There are several conclusions that emerge from these data. First, it is evident that there is a slowdown in rural employment, especially in agriculture. To the extent that this is matched by people seeking higher education, and subsequently, better-paid higher productive jobs, it is welcome. At the same time, the increasing urbanisation resulting in steep increases in land values is diverting land to real estate away from agriculture, and this may have some long-term effects on total agricultural production. The more interesting fact is that even though there has been little increase in employment in the years between 2004 and 2010, rates of unemployment are dropping, primarily because of the drop in LFPR for females. This would have long-term consequences for all those sectors, both service and manufacturing, that depend on female work force, there would be some constraints in finding adequate work force. The phenomenon of lower unemployment, given only small increases in employment rates, and a young population is somewhat paradoxical. The only explanation appears to be the large number of youth who are casually employed, or who are employed in the services industry.

There is little evidence of growth in manufacturing or that there is increased demand in the manufacturing sector. There is, on the contrary, considerable secondary evidence that the skills of those passing out of even tertiary institutions, in ever larger numbers, do not match the requirements of the work place.

The picture which emerges is of a young, educated, but not quite skilled population, with the male youth aspiring for more urban, service-oriented jobs, not really interested in the manufacturing sector. The demand for IT and other organised service-sector jobs remains very high, and even becomes an aspirational objective for this generation. On the flip side, the lack of these employment opportunities, the need to stay on in semi-permanent service-sector activities like insurance or mutual funds product sales, leads to a sense of anxiety and concern.

A survey of over 1,000 youth conducted in connection with an ISAS project in Tamil Nadu has revealed that the anxiety among the youth is primarily focused towards getting organised employment, and after getting into employment, retaining it. At the same time, government programmes, while addressing the rural wage labour, do not focus on the expectations of the urban youth, leading to alienation and frustration.

To a substantial extent, the phenomenon of urban youth seeking solutions to their livelihood problems could well be one of the reasons that they have sought political alternatives, or at least alternatives that attempt to address their concerns. It is heartening that the solutions are being sought through the ballot box and not through street fights—at the same time, it is clear that the established political parties have not recognised the groundswell of unhappiness with the business-as-before systems of governance. Even the regional parties do not appear to have solutions for this phenomenon. Their voter bases are region, caste or rural specific, and do not address the growing needs of the enlarging urban population that is young, educated, and inadequately skilled.

Significant social changes in the polity as well as in development paradigm are in the offing, and it is hoped that these are achieved through pragmatic policies rather than through violent agitations.

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