

The Employment Bottleneck

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India's official National Sample Survey Organisation has, uncharacteristically, carried out, and released key results of, a large sample survey relating to employment and unemployment in 2011-12. 'Uncharacteristically', because in the past such surveys have been carried out once in five years, with eight such having been undertaken between 1972-73 and 2009-10. This would have meant that, if past practice had been continued, the next survey should have had 2015-16 as its reference year. However, as the NSS reports: "The current survey of [NSS 68th round](#) (relating to 2011-12) is similar to a quinquennial survey as far as subjects of enquiry, design, questionnaires and sample sizes are concerned."

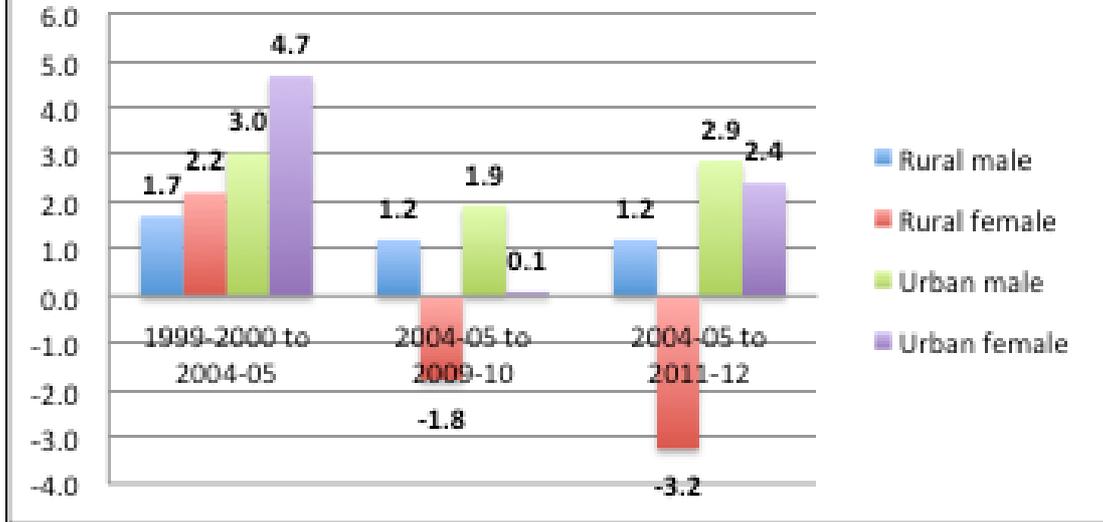
The collection and quick release of more regular information on an important issue like employment is indeed welcome. Hopefully the NSSO would be provided the support to continue with this practice of undertaking biennial large surveys, even though there is no clear indication that this would be the case. Rumour has it that the decision to conduct this survey towards the fag end of the UPA's second term was not unrelated to the poor performance highlighted by the 2004-05 survey.

Consider for example the usual principal activity definition of status, which is a person's status (working, seeking work or not available for work) during a relatively long and major time during the 365 days preceding the date of survey. As compared to the period 1999-00 to 2004-05, when employment growth rose significantly relative to the poor rates of the 1993-94 to 1999-2000 period and provided scope for optimistic projections that were belied, the period 2004-05 to 2009-10 was characterised by a significant deceleration in employment growth measured on a usual principal status basis (Chart 1). While the deceleration was small (1.7 per cent to 1.2 per cent) in the case of rural males, it was sharp in all the three other 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 terms of absolute figures (Chart 2), while 50 million additional jobs were created between 1999-2000 and 2004-05, the figure fell to just 17 million between 2004-05 and 2009-10.

The significance of this must be noted. When employment growth decelerated during the 1993-94 to 1999-2000 period, which included the immediate post-liberalisation mini-boom that lasted between 1994-95 and 1996-97, the argument that [growth under a neoliberal economic regime tends to be 'jobs poor'](#) gained ground. This dissociation between GDP and employment growth also implied that the benefits of growth are unequally and regressively distributed.

The employment growth revival of 1999-2000 to 2004-05 was used to counter this argument even though the pattern of employment left much to be desired. India had entered a truly high growth period after 2003-04, it was argued, and this was beginning to impact positively on employment, leading to a virtuous growth of both GDP and jobs. Unfortunately, for the votaries of neoliberalism and for the government, there occurred a dramatic reversal of the rate of growth of employment between 2004-05 and 2009-10. That required an explanation.

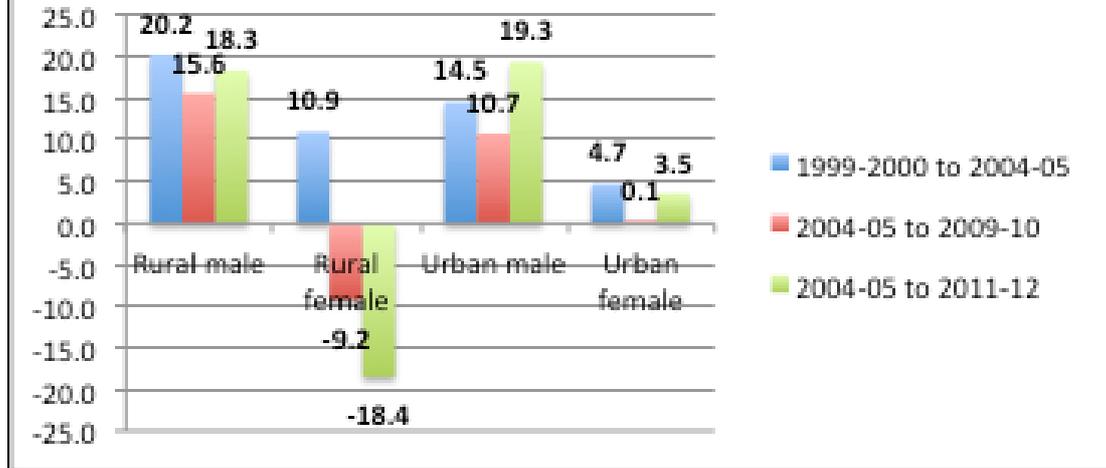
Chart 1: Low employment growth for those 15 and above (%)



There did seem to be an explanation at hand, and this was the fact that 2009-10 was a poor agricultural year. For example, food grains production that had fluctuated much between the mid-1990s and mid-2000s, fell significantly from 234 million tonnes to 218 million tonnes between 2008-09 and 2009-10 (Chart 3). A bad agricultural year, through multiple ways, adversely affects employment in both rural and urban areas. Hence, it could be argued that since employment estimates are available for individual points in time separated by around 5 years, the rates of growth of employment relating to particular ‘periods’ can be distorted by an exceptional terminal year, as in this case. What was not always emphasised was that the base year 2004-05 was a bad year as well. Food grains production fell from 213 million tonnes to 198 million tonnes between 2003-04 and 2004-05. So if the comparison is between employment levels in two bad years, the distortion of the rate of growth must be less since the bias in both base and terminal years is in the same direction. What should have been surprising was the performance between 1999-2000, which was a reasonably good agricultural year that followed an even better one, and the bad year 2004-05.

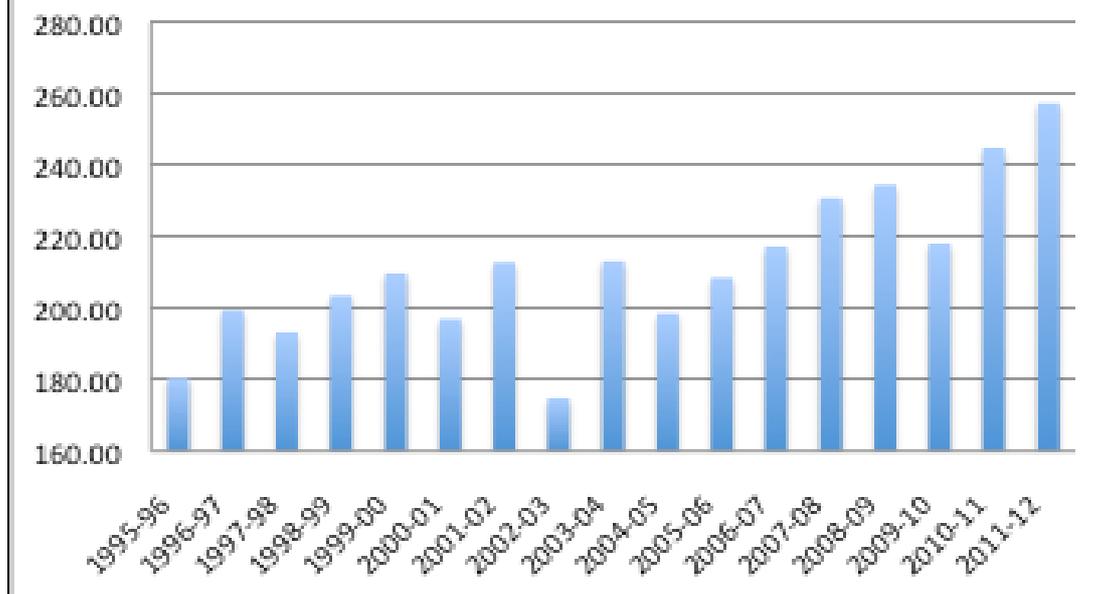
However, for the UPA the 2009-10 figures must have been particularly disappointing since it related to a year after the great neoliberal boom, which was seen as still in place despite the downward blip in 2008-09 induced by the global crisis. It is possibly for this reason, and the fact that waning growth required finding other indicators to place before the electorate in 2014, that the NSSO was encouraged to break from tradition and generate one more, large sample survey of employment relating to 2011-12. That did indeed turn out to be a reasonably good agricultural year, with reasonable food grains production growth on top of the sharp revival in output that was recorded in 2010-11.

**Chart 2: Increase in no of workers
(usual status in millions)**

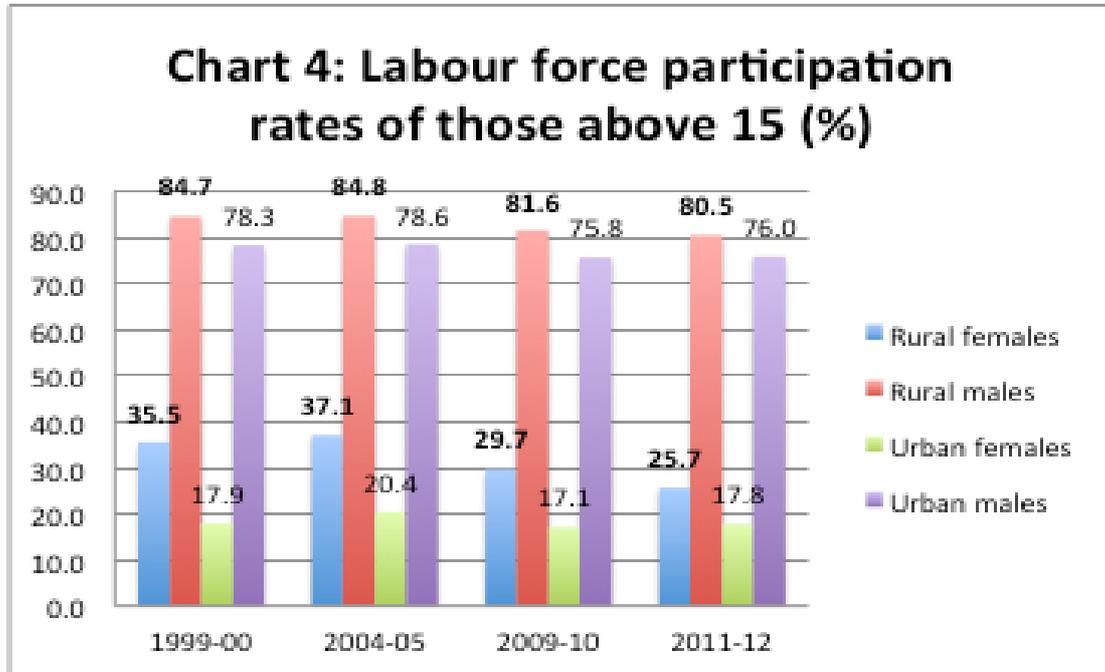


This makes the fact that the poor and even worse rate of growth of rural employment reflected in the 2011-12 figures, when compared with 2004-05, a matter for concern, even though urban male employment growth matches its pre-2004 rate and urban female employment growth is better than its pre-2009 rate. Moreover, the total number of principal usual status jobs created during the seven year period 2004-05 to 2011-12 amounts to just 23 million, as compared with 17 million over the five year period 2004-05 to 2009-10 and the 50 million during the six-year period 1999-2000 to 2004-05.

**Chart 3: Good and bad years for
foodgrains production (mn tonnes)**



Since this time around the government cannot attribute the poor employment record to a bad monsoon, it must turn elsewhere. The first piece of evidence that could receive attention is the fact that a stagnant or even declining level of participation in the workforce has accompanied the slow growth in employment. That is, while employment growth is low, the sum total of those who report themselves as employed or ‘seeking work but unemployed’ is also not growing too fast, implying that reported unemployment rate is not rising significantly.



Partly this is the result of using the usual, principal activity figures, since in a country with almost completely absent social security, individuals above 15 cannot stay out of work for most of the year. They would starve. But there is another trend thrown up by the data that needs noting. This is that an increasingly large number of young people among both males and females are reporting themselves as being occupied studying in an educational institution. As Table 1 indicates, the proportion of those reporting themselves as ‘in education’ has been rising, with the increase being dramatic in the case of those in the 15-24 age group. With India being a young nation, with a high proportion of the population in the younger age groups, this would indeed affect the aggregate figure of those reported as working.

Having a high proportion of the young in education is obviously a positive sign, since it is one requirement for reaping India’s so-called ‘demographic dividend’ in the form of a bulge in the younger age groups. A better-educated and skilled population is in today’s world an advantage, since it offers much greater scope for creating economic activities and diversifying into areas where demand and productivity are higher. That being said, the dramatic increase in the contribution of preoccupation with education to activity status gives cause for caution. For example, it could be that inadequate employment opportunity is forcing individuals to delay their entry into the work force, and encouraging them to invest in education in the hope of finding a suitable job. Since this occurs in a context where public provision of educational facilities is growing only slowly, it partly explains the proliferation of private educational institutions charging large sums and offering poor quality services. Since the aspiration for stable and better jobs is not easily met, the process may be bringing into

the labour force those burdened with a loss of saving or debt because of the costs of that education. The consequences of them remaining unemployed are even more damaging.

	1999-00	2004-05	2009-10	2011-12
15 & above: Rural females	4.2	5.2	7.5	8.7
15-24: Rural females	15.0	18.8	28.4	33.7
15 & above: Rural males	8.4	9.0	12.2	13.3
15-24: Rural males	28.8	31.1	42.5	46.8
15 & above: Urban females	10.2	10.3	12.4	12.3
15-24: Urban females	34.8	36.5	45.9	46.6
15 & above: Urban males	13.2	12.9	15.0	15.3
15-24: Urban males	42.1	41.9	51.6	53.7

It could also be that those discouraged by unsuccessful job search or by fear of not being able to find a job, just report themselves as being in education rather than as unemployed and idle. In sum, there are many possibilities here, but the main message is that the retake on employment in a good agricultural year has also not brought all good news.

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