

Trends in the Indian Labour Market : From Jobless to Job Loss Growth

- Khyati Choksi¹, Adarsha Chattopadhyay² &
Shilpita Chakravorty³

Introduction

In the years immediately following independence, unemployment was not expected to emerge as a major problem and was thus neglected in consequent Five Year Plans during the 1950s and '60s. This overlooking of an ever-present issue, along with a slow economic growth rate led to the growth of the Unemployment Rate from 3.1% in 1952 to 8.2% in 1975.

In 2004-05, 58% of the population, who reached working age in the last two decades, was absorbed into the workforce. This fell to 15% in 2011-12. This figure further plummeted, going below zero (-5%) in 2017-18, implying that several working-age individuals exit the employed labour force. It must be understood that these changes occurred while India recorded positive aggregate GDP growth.

Inspection and thorough analysis of data from the NSS survey and the report of the Periodic Labour Force Survey (PLFS) suggest that social barriers, the role of higher education, and government policies are factors contributing to the current situation.

The onset of the COVID-19 pandemic has worsened the employment situation in India and the world. It is estimated that approximately 2.1 crore jobs have been lost between April and August 2020. It is suspected that the upcoming recession and economic contraction will lead to further losses of jobs and wage cuts. However, effective government policies, effective economic practices, and foreign

relations will help mitigate these challenges.

Literature Review

The technique of detecting Job Loss Growth in India, as a recent trend, with the help of time-series data and later backed by panel cross-section data was initiated by K.P. Kannan and G Ravendran (2019). Their work measured the job loss in India and how much of it got dispersed among the different sections of the Indian Community.

Santosh Mehrotra's (2019) working paper 'Informal Employment Trends in the Indian Economy: Persistent informality, but growing positive development' considers the effect of informal employment as a hindrance towards inclusive growth. The paper pointed out how a large section of the Indian communities' dependence on the informal sector for income is helping job loss growth. A part of the study also put a theoretical framework behind the phenomenon of why backward communities in larger proportions are leaving the formal employment structure.

Furthermore, Kris Punia's 'Future of unemployment and the informal sector of India' (2020) work showed how India's informal sector can be further left out from getting benefits provided by the government because of the pandemic. His paper analyzed and created a framework to predict India's employment situation based on recent trends.

Finally, mention must be made about the work of Friedrich Schneider and Kausik Chaudhuri 'Size and Development of the Indian Shadow Economy and a Comparison with other 18 Asian Countries' which provided much-needed insights into the background of the 'unreported' Indian Economy which is playing an important role in the formation of the recent trends of the Indian employment.

Objectives

The objectives of our research were:

1. To analyze the increase in the number of unemployed, that is 'jobless growth', in the post-independence scenario while highlighting the political, social, and economic dimensions,
2. To evaluate the impact of COVID-19 on the Indian labour market by analyzing the pre-covid and post-covid labour market trends, and
3. To provide an insight into what lies ahead.

Methodology

To meet the above objectives, we have compared and analyzed the unemployment and population figures between 1947 and 2020, and the pre and post covid-19 job-loss numbers. We have obtained our information from the NSS data, the PLFS(2017-2018) data, and data from the Ministry of Labour and Employment, all of which are credible and reliable sources.

In India's initial years of Development Planning, unemployment was not expected to emerge as a major problem. This expectation continued from one Five-year Plan to another (the 1950s and 60s), during which the economic growth rate remained low (around 3.5%).

Two key factors affected the labour demand in this period. The first was India's growth pattern, an outcome of adopting a growth strategy i.e. ISI or import-substituting industrialization. It was state-led capitalism, substituting for the absence of large corporates, who in any case could not be expected to invest in long gestation projects. This resulted in surplus workers migrating from the agriculture sector to the non-agriculture sector and getting absorbed in either traditional services in both rural and urban areas

or unorganized manufacturing in micro-enterprises.

The second factor was the plethora of central and state government labour laws. While hardly any laws applied to the small enterprises, the large enterprises became gradually subject to several laws passed by state or central governments, which protected the workers in the organized sector. With barely 6000 labour inspectors to regulate these laws, corruption seeped deep into the system and the reaction of the employers was to hire fewer workers. Hence, by the 1970s, the number of unemployed had doubled from 5 million to 10 million, even though the growth rate had been positive. This was the jobless-growth regime that was becoming increasingly evident. Thus by the mid-1970s, it was realized that economic growth alone could not be relied upon to tackle unemployment anymore.

Starting with 1983, we find the rate of growth of employment taking a declining trend since 2004-05, but this has been happening during a period of high and unprecedented aggregate economic growth regime in India. This indicates a significant decline in the national employment elasticity concerning growth. That is to say, every 1% growth is generating not only less than 1% employment growth but a declining one that came close to zero in 2011-12, and to a negative in 2017-18. The negative elasticity implies a displacement of labour from the existing labour force. Previously, we had defined the jobless regime as one where there was no growth in employment even when the output growth in the economy was positive. Following this logic, a 'job-loss regime' is defined here where there is a net decrease in employment corresponding to a change in the economy. As shown in the graph below, the employment elasticity has steadily declined and is expected to decline further.

Period	GDP growth (%)	Employment growth (%)	Productivity growth (%)	Elasticity of employment with respect to GDP
1972-1973 to 1983	4.66	2.44	2.22	0.52
1983 to 1993-1994	4.98	2.02	2.96	0.41
1993-1994 to 2004-2005	6.27	1.84	4.43	0.29
1999-2000 to 2009-2010	7.52	1.50	6.02	0.20
2004-2005 to 2009-2010	9.08	0.22	8.86	0.02

After the deregulation of the Indian economy in the early 1990s, four years saw a boom in informal sector employment. Total employment increased by 25.5 million between 1993-4 and 1999-2000, of which 5.1 million was in agriculture. However, around the early 2000s (2004-5) the ability of India's economy to absorb the incremental working-age population started declining with the last 7 years showing a negative trend. There has been a parallel but positive trend of increase in enrollment in the education of those in the working-age population but these numbers only account for a smaller share of the decline in the labour force. During the first two decades (1983 and 2005), only 12%-13% of the addition to the working-age population found themselves in the educational force that jumped to 30% by 2012. However, during the last period of 2012-2018, there has been some deceleration and the share has been 22%.

Period	GDP growth (%)	Employment growth (%)	Productivity growth (%)	Elasticity of employment with respect to GDP
1972-1973 to 1983	4.66	2.44	2.22	0.52
1983 to 1993-1994	4.98	2.02	2.96	0.41
1993-1994 to 2004-2005	6.27	1.84	4.43	0.29
1999-2000 to 2009-2010	7.52	1.50	6.02	0.20
2004-2005 to 2009-2010	9.08	0.22	8.86	0.02

It is to be noted that the gender dimension in this process of declining absorption of the additional working-age population. From 2005 to 2012 and 2012 to 2018, there has been a net loss of women's labour force as well as the workforce. The process seems to have accelerated during the last period compared to the earlier one. Despite a higher share of young women from the additional working-age population taking to education, the share of those outside the workforce and educational force has been increasing so alarmingly that it has now reached 113% of the addition to their working-age population.

During 2011-12, the underemployment rate was about 3 per cent for rural males, 1 per cent for urban males, 17 per cent for rural females, and 6 per cent for urban females at the all-India level. Thus, the problem of underemployment was more severe among usually employed females than among usually employed males, and more in rural than in urban areas. Between 2009-10 and 2011-12, the underemployment rate had been stable for rural males, urban males, and urban females

but it increased by 2 percentage points for rural females. This indicates a prevalence of underemployment in rural areas, particularly among female workers who had some employment in a week.

Sectors	Absolute Numbers (in million)					
	Overall Population			Youths (15 to 29 years)		
	2004-05	2011-12	2017-18	2004-05	2011-12	2017-18
Agriculture	268.7	231.9	205.3	85.7	60.7	41.8
Manufacturing	53.9	59.8	56.4	22.4	22.1	18.5
Non-manufacturing	29.4	55.3	58.9	11.6	19.4	17.8
Service	107.3	127.3	144.4	34.5	35.7	37.6
Total employment	459.4	474.2	465.1	154.2	138.0	115.7
Unemployed	10.8	10.6	30.1	8.9	9.0	25.1
Labour force	470.2	484.8	495.1	163.1	147.0	140.7
NLET population	---	---	---	69.4	83.6	100.2
Participating in Education	---	---	---	56.8	99.0	127.0
	Share of workers (in %)					
Agriculture	58.5	48.9	44.1	55.6	44.0	36.1
Manufacturing	11.7	12.6	12.1	14.5	16.1	16.0
Non-manufacturing	6.4	11.7	12.7	7.5	14.0	15.4
Service	23.4	26.8	31.1	22.4	25.9	32.5
WPR (%)	42.0	38.6	34.7	53.3	41.9	31.4
UR (%)	2.3	2.2	6.1	5.4	6.1	17.8
LFPR (%)	43.0	39.5	36.9	56.4	44.6	38.3

Source: Authors' estimation based on NSS Quinquennial rounds (2004-05 and 2011-12) and PLFS (2017-18) unit level data.

But even though gender is found to be a strong divider, education is emerging as a much stronger differentiator in the Indian labour market. A very strong differentiation was found between those with less than the secondary level of education (less than 10 years) and those with a secondary or higher level of education. It would appear that the Indian labour market is evolving along the lines of education more strongly than before.

When education was factored along with employment status, it was found that out of the eight categories of workers among the less

educated, seven categories experienced a net decline (displacement from labour force) in 2017-2018 compared to 2011-2012. These include all four categories of women (self-employed and wage labour in both rural and urban areas) and three categories of men (wage labour in both rural and urban areas and self-employed men in urban areas). The only category that experienced a net increase happens to be male workers in self-employment in rural areas.

Table 1: Addition to Working Age Population 15 Years and Above and Its Distribution

Period	Addition to WAP (mn)	Additions to LF, WF and EF as Percentages to Additions in WAP			
		LF	WF	EF	Out of WF and EF
Men and women					
1983–94	140.68	58.2	56.9	13.0	30.1
1994–2005	152.05	60.2	57.9	12.4	29.7
2005–12	137.63	14.5	14.7	30.3	55.0
2012–18	128.34	10.3	-4.8	22.1	82.7
Only men					
1983–94	72.82	80.8	79.4	15.2	5.4
1994–2005	78.65	77.7	75.7	12.2	12.1
2005–12	65.66	56.3	55.7	35.5	8.8
2012–18	64.97	48.8	24.1	23.0	52.9
Only women					
1983–94	67.85	34.0	32.8	10.6	56.6
1994–2005	73.40	41.4	38.8	12.6	48.6
2005–12	71.96	-23.7	-22.7	25.7	97.0
2012–18	63.36	-29.1	-34.4	21.2	113.2

WAP = working age population, LF = labour force, WF = workforce, EF = educational force.

Source: Computed from unit-level data from the respective rounds of NSS.

Table 3: Job Gain/Loss in 2017–18 Compared to 2011–12

Educational Status	Gender	Labour Status	Location	Job Gain/Loss (%)	Job Gain/Loss (million)
Below secondary	Women	Self-employed	Rural	-29.1	-15.56
		Wage labour	Rural	-29.0	-10.45
		Self-employed	Urban	-15.9	-1.30
		Wage labour	Urban	-1.7	-0.16
		Self-employed	R+U	-27.3	-16.87
		Wage labour	R+U	-23.1	-10.62
	Men	Wage labour	Rural	-17.4	-14.49
		Wage labour	Urban	-2.1	-0.71
		Self-employed	Urban	-0.3	-0.06
		Self-employed	Rural	4.2	3.93
		Wage labour	R+U	-12.9	-15.21
		Self-employed	R+U	3.3	3.87
Secondary and above	Women	Self-employed	Rural	-11.6	-0.71
		Self-employed	Urban	5.2	0.17
		Wage labour	Rural	51.5	2.02
		Wage labour	Urban	75.0	4.20
		Self-employed	R+U	-5.8	-0.54
		Wage labour	R+U	65.6	6.22
	Men	Self-employed	Urban	9.9	2.13
		Self-employed	Rural	15.7	5.44
		Wage labour	Urban	37.1	10.61
		Wage labour	Rural	40.3	8.78
		Self-employed	R+U	13.4	7.58
		Wage labour	R+U	38.5	19.39

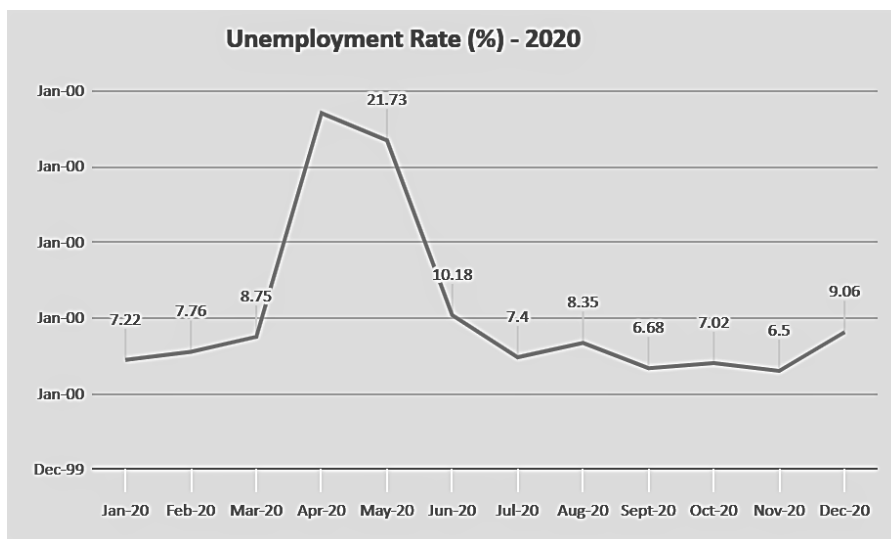
Shaded area represents the groups with net job loss.

In the case of those with higher education (secondary level and above), only one among the eight groups experienced a net decline in jobs, that is, self-employed women in rural areas. The table here presents the job gain and loss in terms of percentages as well as in absolute terms. Among the less educated category, men as a group gained in net terms both in self-employment and wage labour. But women lost heavily. This, we would argue, has also implications for interpreting the data on unemployment. When the unemployment rate is higher among the educated than among the less educated, the employment problem is posed as a more serious one for the former than the latter. The higher unemployment rate could be simply a reflection of the higher share of the educated willing to wait and seek employment, raising their unemployment rate. For the less educated, as we have seen in these numbers, the situation could be

one of getting trapped outside the workforce and education. Hence we can conclude that the worst affected are women in rural areas with less education. Even here, rural women in self-employment with higher education have also experienced a net decline in employment.

The impact of the Covid-19 crisis on workers was varied and was different for various sectors of the economy. More educated workers are engaged in work arrangements that offer a steady source of income and some degree of social security and who can shift their work to online platforms. Then some have low levels of education and are engaged in precarious and low-paying work of the kind that does not offer them the luxury of working from home.

According to CMEI, 122 million jobs were lost due to the COVID-19 lockdown in April. This loss decreased by 22 million in May, 70 million in June, and 19 million in July. Out of the total jobs lost in April, 75% were from the urban informal sector. This bracket of employment makes for about 32 per cent of the total employment which was worst hit by the lockdown. As for salaried jobs, only 21% of India's employment is in the form of salaried employees who are buoyant to economic shocks. There was a shortage of approximately 19 million salaried jobs.



CMIE estimated a recent trend of decline in unemployment. Despite this trend, the employment situation in India remains bleak. It was observed that in the pre-Covid-19 scenario, most labourers were employed in unsecured jobs with no financial or social security. Thus any economic shock would drastically deteriorate their earning potential. The pandemic and lockdown have worsened the situation by pushing even more people below the poverty line.

Empirical evidence shows a surge in self-employment in the short-run (mainly a period of 3 to 5 years) following a pandemic. There is still uncertainty about the fact whether the educated laid-off formal workers also opt for self-employment or informal work. There is a possibility that they have withdrawn from the labour force in the short run and will start returning once new job prospects and expansion of the economy started.

Conclusion

In conclusion, addressing the deteriorating conditions of employment and the widening disparities in behaviour, the job market requires strengthening and rebuilding the labour market from the bottom up. In the immediate term, this calls for an expansion of social assistance and public workfare programs to provide relief and protection to the most vulnerable and disadvantaged. However, this alone is not enough. It is the need of the hour, to increase the sources and volume of income in the country. Furthermore, people who are at a disadvantage for the skill and education ladder need to be given more safeguards in all forms of employment by increasing job opportunities. To achieve this a path of strategic growth and development is required.

References

[1] Kannan, Raveendran (2019), From Jobless Growth to Job-Loss Growth: India's Employment Performance during 2012-18

[2] Santosh Mehrotra(2019), Informal Employment Trends in the Indian Economy: Persistent informality, but growing positive development

[3] Ministry of Labour & Employment, annual reports, <https://labour.gov.in/annual-reports>

[4] Live Mint, COVID-19 lockdown impact, <https://www.livemint.com/news/india/covid-19-five-million-salaried-people-lost-their-jobs-in-july-shows-cmie-data-11597752797552.html>

[5] Economic Times, Indian job-market, <https://economictimes.indiatimes.com/topic/Indian-job-market>

[6] National Herald India, India's unemployment rate sees a sharp spike, rises to 6.98% in October: CMIE,

<https://www.nationalheraldindia.com/india/indias-unemployment-rate-sees-sharp-spike-rises-to-698-in-october-cmie>

[7] India Today, Around 12.2 crore people lost their jobs, <https://www.indiatoday.in/education-today/jobs-and-careers/story/around-12-2-crore-people-lost-their-jobs-how-covid-19-will-change-job-prospects-and-hiring-in-india-1713616-2020-08-21>

[8] Kris Punia (2020), 'Future of unemployment and the informal sector of India'

[9] Friedrich Schneider, Kausik Chaudhuri (2003), The Size and Development of the Indian Shadow Economy and a Comparison with other 18 Asian Countries: An Empirical Investigation