

## AN ASSESSMENT ON STATUS OF EMPLOYMENT DURING PRE AND POST REFORMS

### ERA IN INDIA

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#### ABSTRACT

The present paper entitled “**An Assessment on Status of Employment during Pre and Post Reforms Era in India**” mainly focused on impact of reforms on GDP growth, employment in organized and unorganized sectors. The expansion and creation of employment opportunities have been the unstated objectives of economic reforms being followed since the early 1990s in India. As industrial controls and trade restrictions are lifted, it is argued that this would result in higher output growth leading to the creation of new employment opportunities and visible fall in poverty and inequality. But the emerging evidence in India in the 1990s on the employment front has been rather dismal. It clearly shows that, GDP growth during 1993-94 to 1997-98 has averaged to more than 7 per cent per annum during post reforms era. The rate of growth of employment was of the order of 2.04 per cent per annum during 1983 and 1993-94, which was just equal to the rate of growth of labour force during this period. But unfortunately the period of reforms (1993-94 to 1999-2000) reveals that the overall growth rate of employment was only of the order of 0.98 per cent per annum. Employment elasticities are typically expected to be less than unity because productivity per person employed is expected to increase over time, which implies that employment increase proportionally less than output. The growth rate of employment in the organized sector also decelerated to 0.53 per cent during 1993-94 to 1999-2000 as against 1.20 per cent per annum witnessed in pre-reform period of 1983-1993-94. The employment elasticity in agriculture has become virtually null. The employment elasticity in the secondary and tertiary sectors has also declined in the post-reforms period and witnessed a casualisation of labourers.

**KEYWORDS:** GDP, Casualisation, Elasticity, Output

#### INTRODUCTION

The expansion and creation of employment opportunities have been the unstated objectives of economic reforms being followed since the early 1990s in India. As industrial controls and trade restrictions are lifted, it is argued that this would result in higher output growth leading to the creation of new employment opportunities and visible fall in poverty and inequality. But the emerging evidence in India in the 1990s on the employment front has been rather dismal. The concern arising out of sharp deceleration, particularly in rural employment, has been well documented by now. The constitution of several committees on employment by the Indian Government is itself a proof of the concern arising out of declining employment growth in post-reforms period. The experience of the last decade in India shows that employment opportunities created is inadequate in spite of rapid growth. Although GDP growth has accelerated, it has not been accompanied by a commensurate increase in employment leading to a worsening in the employment situation on the post-reform period. These considerations have led to a demand for greater attention to the employment objective. There is also a concern on youth and educated unemployment as it increase which will lead to waste of human resources and create social tensions. The employment generation strategy cannot be distinguished from the broader policy thrust for growth and structural changes in the economy as a whole. Therefore, macro policies are equally or more important as compared to direct programmes for generating employment.

The impact of global integration of markets on the quantity and quality of jobs has been a contentious issue. The labour market is one of the main channels through which globalization affect a country's economy and workers. Globalization is widely perceived to result in negative labour market outcomes that are job losses and reduction in earnings. The three major areas of concern have been the loss of good jobs in industries losing competitiveness, biased technological change against unskilled workers and the in formalization of the workforce race to the bottom. Globalization could put labour markets under pressure and increase wage inequalities. In India accelerating output growth in recent years has not been accompanied by a faster rate of job growth. The slow growth of regular jobs and the intensification of duality in labour markets (formal versus informal) has become a serious problem.

## REVIEW OF LITERATURE

**Goldar (2000)** the employment growth in organized sector was stagnant during the 1980s, (0.53% percent per annum) but increased significantly (to 2.84% per annum) during the period of 1990-97. However, the recent studies have shown significant decline in employment growth in organized manufacturing since mid – 1990s. **Rani and Unni (2004)** organized manufacturing employment growth declined from 2.13 percent per annum during 1989-95 to 0.75 percent per annum during 1994-2000. **Nagaraj (2004)** about 15 percent of the workforce in the organized manufacturing sector lost their jobs between 1995-96 and 2000-01. **Ghose (2004)** the casual labourers showed the highest rate of under-employment. Females show higher rate of under-employment as compared to male labour force. **Vaidyanathan (2001)** the total employment in the economy is increased at an average growth rate close to 2 per cent per annum between 1977-78 and 1983, 1.5 percent between 1983 – 1988, 2.2 percent during 1987 – 1994 and less than 1 percent between 1993-94 and 1999-00.

## OBJECTIVES OF THE STUDY

The objectives of the present research study are as follows;

- To identify the macro and micro parameters in the employment under reforms period.
- To examine the correlation between the GDP Growth and the employment during the pre and post economic reforms period.
- To study the sectoral employment growth, Distribution of workers by employment status, labour force and work force participation rates.
- To analyze and evaluate the link between the government investment on rural employment, unemployment rate and economic reforms.

## METHODOLOGY

The secondary data has been used and it has gathered from books, government reports, World Bank reports, UNDP, CMIE reports, world employment reports, journals, magazines, news papers, economic survey of India and planning commission reports. The micro and macro parameters such as GDP growth, sectoral employment, organized and unorganized sector employment, investment on rural employment, employment elasticities are used to draw conclusions.

### Operational Definitions

**Employment Generation:** The activity /power /potentialities of a scheme /policy to create employment opportunities to accommodate the individuals looking for job.

**Self Employed:** Persons who operate their own farm or non- farm enterprises or engaged independently in a profession or trade on own-account or with one or a few partners are self-employed. The essential feature of self-employment is that the remuneration is determined wholly or mainly by sales or profits of the goods or services which, are being produced.

**Regular Salaried:** Persons working in others farm or non -farm enterprises both household and non-household, and getting in return salary or wages on a regular basis (and not on the basis of daily or periodic renewal of Work contract) the regular salaried / wage employees.

**Casual Labour:** A person casually engaged in other farm or non-farm enterprises both household and non-household and getting return wage according to the terms of the daily or periodic work contract is a casual work.

$$\text{Employment Elasticity} = \frac{\text{percentage change in Employment}}{\text{Change in the GDP}}$$

### Growth Rate of GDP during Pre and Post Reforms Period

There is no doubt that economic reforms have been able to promote a relatively higher growth. After the teething troubles of the first two years that is 1991-92 and 1992-93, the growth during 1993-94 to 1997-98 has averaged to more than 7 per cent per annum. After 1991-92, the momentum of growth has been maintained providing increasing evidence that the growth potential has improved as a result of the reforms initiated in 1991. There is no doubt that after 1992-93 the economy has picked up and the growth rate reached an average level of 7 per cent during the 3 year period (1994-95 to 1997-98). There after GDP growth rate showed signed of deceleration. Compare the annual average growth rate during the pre- reforms decade (1980-81 to 1990-91) which was order of 5.6 per cent, then the post-reform decade (1990-91 to 2000-01) also shows the same average annual growth rate of 5.6 per cent of GDP. It has been seen from the following table1

**Table 1: GDP Growth Rate at 1993 - 94 Prices**

Year	GDP (Rs. in Crores)	GDP Growth Rate
1980 - 81	641919	2.6
1990 - 91	1076694	5.1
1991 - 92	1082459	1.4
1992 - 93	1141240	5.4
1993 - 94	1208545	5.9
1994 - 95	1286594	6.5
1995 - 96	1380321	7.3
1996 - 97	1492406	8.1
1997 - 98	1560236	4.5
1998 - 99	1664570	6.7
1999 - 00	1771094	6.4
2000 - 01	1841755	4.1
2001 - 02	1951935	6.1
2002 - 03	2029482	4.1
2003 - 04	2204913	8.6
2004 - 05	2366886	7.3
2005 - 06	2593160	9.6
2006 - 07	2845155	9.7

**Source:** Compiled & computer from CSO, National Account Statistics Economic Survey (2007-08)

### Status of Employment

Although GDP growth rates have been very high during the period after 1993-94. But increased in the GDP was not increased the employment level. The table 2 reveals that, the total employment increased to 3, 028 lakhs in 1983 to about 3, 745 lakh in 1993-94 and then improved to about 3, 900 lakh in 1999-2000. The rate of growth of employment was of the order of 2.04 per cent per annum during 1983 and 1993-94, which was just equal to the rate of growth of labour force during this period. But unfortunately the period of reforms (1993-94 to 1999-2000) reveals that the overall growth rate of employment was only of the order of 0.98 per cent per annum. Much of the slowdown in total employment, which implies that elasticity of employment, is generally expected to be positive. However, employment elasticities are typically expected to be less than unity because productivity per person employed is expected to increase over time, which implies that employment increase proportionally less than output.

**Table 2: Movement of Employment in India (Annual Average)**

1983 to 1994	2.04	1.20	2.05
1994 to 1999-00	0.98	0.53	1.00

	Total	Organised	Unorganized
1983	3, 027.5	240.1	2787.4
1994	3, 744.5	273.7	3470.8
1990-00	3, 970.0	281.1	3688.9

**Source:** Computed from data provided by Planning Commission (2001), Report of Task Force on Employment Opportunities. P.2.25

The above table 2 reveals that, the growth rate of employment in the organized sector also decelerated to 0.53 per cent during 1993-94 to 1999-2000 as against 1.20 per cent per annum witnessed in pre-reform period of 1983-1993-94. This was less than half of the growth rate of the employment witnessed earlier. There was also substantial slow down in the employment growth rate of unorganized sector merely 1.0 per cent during 1994 to 1999-2000 as against employment growth rate of 2.04 per cent during the pre-reform period (1983 to 1994). Below table 2 shows the movement of employment in India.

**Table 3: Distribution of Workers by Employment Status Rural Urban Total**

Year	SE	RE	CL	SE	RE	CL	SE	RE	CL
1983 to 87-88	55.93	4.65	38.82	35.36	36.8	27.65	51.16	12.2	36.18
1993-94	55.9	4.8	39.3	41.3	36.9	21.8	52.4	12.78	34.82
1999-2000	50.2	5.3	44.5	38.8	39.6	21.6	47.03	14.83	38.14

**Source:** National Sample survey (2002) SE-Self employed, RE-Regular employment, CL-casual labour

The proportion of casual workers increased from 36.18 percent in 1987-88 to 38.14 percent in 1999-00. The corresponding percentages for self employed was 51.16 percent in 1987-88 and it has declined to 47.03 percent in 1999-00. It is seen from the table that there has been increase in regular and casual employment in both rural and urban areas. Increase in daily status unemployment partly reflects casualisation of labourers.

**Table 4: Labour Force and Work Force Participation Rate  
Labour Force Participation Rates. (CDS Basis)**

	1983	1993-94	1999-2000	2004-05
Rural Male	52.7	53.4	51.5	53.1
Rural Female	21.9	23.2	22.0	23.7
Urban Male	52.7	53.2	52.8	56.1
Urban Female	12.1	13.2	12.3	15.0

Work Force Participation Rates

Rural Male	48.2	50.4	47.8	48.8
Rural Female	19.8	21.9	20.4	21.6
Urban Male	47.3	49.6	49.0	51.9
Urban Female	10.6	12.0	11.1	13.3

**Source:** Various rounds of NSSO on employment and unemployment/Planning Commission.

**Note:** LFPR/WFPR represents No. of persons/person days in the labour force / work force per 1000 persons / person days.

Above table 4 represents that, Male participation rate remained higher both in labour and workforce, throughout the period between 1983 and 2004-05 that. But during the period 1993-94 and 1999-2000 labour participation and workforce participation rate was lower. Female participation in rural areas was much higher than in urban areas. Urban male participation rates (both labour force and work force) were higher than rural male participation in 1999-00 and 2004-05. It significantly shows that the employment opportunities created under reforms were insufficient. The urban male participation in India was higher in 2004-05 because trade, hotel and restaurant sector provide employment for about 28 percent of the male workers. While manufacturing and other services sectors accounted nearly 24 and 21 percent.

Table 5 shows the growth rate of population, labour force, work force and unemployment in India. Estimates on employment and unemployment on CDS basis indicate that employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1993-94 to 1999-2000. During 1999-2000 to 2004-05 about 47 million work opportunities were created. Only 24 million during the period between 1993-94 and 1999-00 that was during reforms period. So it evident from the table that during reforms the employment creation was not satisfied comparatively to the period 1983 to 1993-94. Employment growth was 2.61 percent per annum during the period 1983 to 1993-94. But it has been declined to 1.25 percent per annum during the period of 1993-94 to 1999-2000 that was in reforms period. The labour force grew at a faster rate of 2.84 percent than the workforce, so unemployment rate also rose. Even though the growth rate of labour force was 1.47 percent during the period 1993-94 to 1999-00) the employment was increased by only 1.25 percent per annum. Nearly 35 million of labour force was unemployed.

**Table 5: Employment and Unemployment in Million Person Years (By CDS Basis)**

Population/Labour Force	1983	1993-94	1999-00	2004-05	CAGR 1983 to 1993-94	CAGR 1993-94 to 1999-2000	CAGR 1999-00 to 2004-05
Population (Millions)	718.10	893.68	1005.05	1092.83	2.11	1.98	1.69
Labour Force (Millions)	263.82	334.20	364.88	419.65	2.28	1.47	2.84
Work Force (Millions)	239.49	313.93	338.19	384.91	2.61	1.25	2.62
Unemployment Rate (per cent)	9.22	6.06	7.31	8.28	NA	NA	NA
No. of Unemployed	24.34	20.27	26.68	34.74	NA	NA	NA

**Source:** Various rounds of NSSO Survey on Employment and Unemployment/planning Commission

The decline in overall growth of employment during 1993-94 to 1999-2000 was largely due to the lower absorption in agriculture. The share of agriculture in total employment dropped from 61 percent in 1993-94 to 57 percent in 1999-00. It was because of neglect of agriculture sector under reforms period. This trend continued and the share of agriculture in total employment further dropped to 52 percent in 2004-05. While the manufacturing sector's share increased marginally during this period. The trade, hotel and restaurant sector contributed significantly higher to the overall employment than in earlier years. The another important sectors whose shares in employment have increased are transport, storage and communications apart from financial, insurance, real estate, business and community, social and personal services Sectoral Employment Shares shown by Current Daily Status (in percentage) in the following table 6.

**Table 6: Sectoral Employment Shares by Current Daily Status (CDS Basis in Percentage)**

Industry	1983	1993-94	1999-00	2004-05
Agriculture	65.42	61.03	56.64	52.06
Mining & Quarrying	0.66	0.78	0.67	0.63
Manufacturing	11.27	11.10	12.13	12.90
Electricity, Water etc.	0.34	0.41	0.34	0.35
Construction	2.56	3.36	4.44	5.57
Trade, hotel & restaurant	6.98	8.26	11.20	12.62
Transport, Storage & Communication	2.88	3.22	4.06	4.61
Fin., Insur., Real est., & Busi. Services	0.78	1.08	1.36	2.00
Comty., Social & Personal Services	9.10	10.50	9.16	9.24
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Sources:** Various rounds of NSSO survey on Employment and Unemployment / Planning Commission

### Employment Elasticities

The relationship between growth of GDP and growth of employment is usually characterized by a summary parameter such as the elasticity of employment with respect to GDP, which can be calculated either for employment in the economy as a whole or for employment in individual sectors. The elasticity of employment indicates the percentage growth in total employment (or sectoral employment) to be expected from a one percentage growth in GDP (or GDP in individual sectors). But in terms of employment elasticity of output, it has gone down from 0.51 per cent over the years 1983 to 1993-94 to 0.15 over 1993-94 to 1999-2000. This means that over this period, there has been a reduction in the labour intensity of output. Overall decline in the employment elasticity is due to changes in the sector composition of output, intra-sectoral composition and technology impacts of labour capital substitution.

**Table 7: All India Employment Elasticities by Sectors (Current Daily Status)**

Years	Aggregate	Primary	Secondary	Tertiary
1983-93-94	0.51	0.85	0.36	0.50
1993/94-1999/00	0.15	0.00	0.26	0.36

**Note:** Obtained by Dividing Growth of Employment by Growth of GDP

It has seen from the above table 7 that, agriculture bore the brunt of the decline in employment. During pre-reforms the agriculture witnessed the elasticity of 0.85 percent but the liberalized era shows a virtual stagnation in the growth of employment in primary sector. The tertiary sector too displayed a decline in employment elasticity from 0.50 in 1983-93-94 to 0.36 for the period 1993/94-1999/00. Whereas industrial elasticity declined from 0.36 to 0.26 during post-reforms period.

**Table 8: Central Plan Outlay on Rural Employment and Unemployment**

Year	Rural Employment (Rs. in Crores)	Annual Growth Rate	Unemployment in Million	Annual Growth Rate
1983-84	1497.90	15.60	23.00	10.58
1984-85	2062.00	37.66	24.80	7.83
1985-86	2226.70	7.99	28.30	14.11
1986-87	2667.70	19.81	30.50	7.77
1987-88	3146.40	17.94	30.00	-1.64
1988-89	3982.30	26.57	37.70	25.67
1989-90	4224.00	6.07	34.60	-8.22
1990-91	4149.90	-1.75	36.30	4.91
1991-92	4141.60	-0.20	36.70	1.10
1992-93	5081.40	22.69	36.30	-1.09
1993-94	7033.30	38.41	36.70	1.10
1994-95	8717.10	23.94	36.70	0.00

**Table 8: Contd.,**

1995-96	9967.20	14.34	37.40	1.91
1996-97	9583.10	-3.85	39.10	4.55
1997-98	8290.00	-13.49	40.10	2.56
1998-99	10994.50	32.62	40.40	0.75
1999-00	9650.00	-12.23	41.30	2.23
2000-01	9270.00	-3.94	42.10	1.94
2001-02	11067.00	19.39	30.70	-27.08
2002-03	13531.00	22.26	34.85	13.52
2003-04	10270.00	-24.10	34.80	-0.16
2004-05	11437.40	11.37	34.74	-0.16
2005-06	18334.00	60.30	37.61	8.25
2006-07	24025.62	31.04	40.47	7.62
2007-08	32223.46	34.12	NA	NA

**Source:** Compiled from Economic Surveys of India

The table 8 presents the annual growth rate of investment on rural employment programmes and unemployment in India. In the absolute terms 18.60 million were unemployed in the period 1981- 82. It has increased to 37.70 millions in 1988-89. It could be seen from the table that there was a high level unemployment was found during the reforms era. That's why it can be proved that the economic reforms were not increased the employment level. The table shows that the unemployment in India was almost increasing trend with some fluctuations. It was minus 27.08 percent in 2001-02 and 7.62 percent in 2006-07, in absolute terms still 40.47 million were unemployed in India.

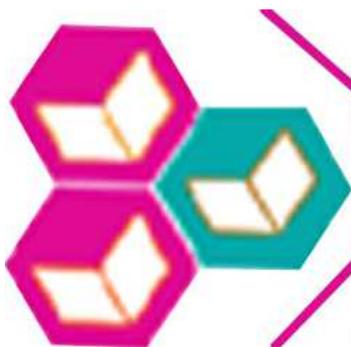
## SUMMARY AND CONCLUSIONS

The assessment of present paper clearly reflects that, GDP growth has been increased during post reforms era. There has been sharp deceleration in the employment growth rate during the same years. In the post-reforms years, however, the employment elasticity has become virtually nil. The employment elasticity in the secondary and tertiary sectors has also declined in the post-reforms period. Currently the tertiary sector registered the highest employment elasticity followed by secondary sector But finally it can be concluded that the given the current state of employment behavior, it appears that jobless growth has now become a serious problem in the Indian economy. Hence 11<sup>th</sup> five-year plan has been shifted to inclusive growth strategies.

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