Indian Journal of Labour Economics, Vol. 36, No. 4, 1993

STRUCTURE OF EMPLOYMENT IN INDIA

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INTRODUCTION

The generation of employment is crucial for an economy, as the same will result in an increase in the incomes of the people, savings, capital accumulation and finally economic development of the country. The capacity to generate employment depends on the level of economic development of the country and the type of investment programme. The greater the capacity of an economy to generate employment, the higher is its level of economic development and vice versa. In India, as in many developing countries, employment generation has become an important objective of planning. An attempt is being made in this paper to analyse the sectoral shifts in the employment pattern and to provide suggestions for an employment policy.

SECTORAL SHIFTS IN THE EMPLOYMENT PATTERN

Table 1 shows the percentage distribution of the total workforce by sectors. In the Table, we note that right from 1977-78 to 1987-88, the percentage share of agriculture in the total workforce in the economy is higher than that of the other sectors, though it has been on the decline. To be precise, the percentage share of agriculture in the total workforce has declined by 4.39 percentage points from 1977-78 to 1983 and by 2.41 percentage points from 1983 to 1987-88. From this, it is evident that though the percentage share of agriculture in the total workforce is declining, it has been declining at a decreasing rate. All the other sectors in the table show an increase in the percentage share of the workforce during these years. Of the remaining sectors, the share of Construction has increased comparatively more from 1977-78 to 1987-88. It has increased by 0.65 percentage points from 1977-78 to 1983 and by 1.49 percentage points from 1983 to 1987-88 and by 2.14 percentage points from 1977-78 to 1987-88. Thus, we can conclude that agriculture still continues to occupy the prime position with regard to the percentage distribution of the workforce, though its share is declining. The emerging sector for employment appears to be construction.

Table 2 shows that the growth rate of employment from 1977-78 to 1983 has been greater in the Construction Sector followed by Finance, Real Estate; Mining & Quarrying; Electricity, Gas & Water Supply, etc. During this period, the growth rate of employment has been the lowest in the Agricultural Sector. In 1983 to 1987-88, once again the Construction Sector shows a higher growth rate followed by Mining & Quarrying; Trade; Electricity, Gas, Water Supply, etc. Again, the growth rate of employment is low in Agriculture.

From 1977-78 to 1987-88, the growth rate of employment in the Construction Sector is the highest followed by Mining & Quarrying; Electricity, Gas & Water Supply; Finance, Real Estate, etc. Total growth rate of employment shows a decline in 1983 to 1987-88 period compared to the period 1977-78 which implies that employment opportunities did not expand during this period, but in fact, decreased.

When we compare the growth rates of employment in the period 1977-78 to 1983 and 1983 to 1987-88, we note that the growth rates of employment in almost all the sectors have fallen, with the exception of Construction, Agriculture and Trade. However, Agriculture and Trade show only a marginal increase in the growth rate of employment whereas Construction shows a significant increase, which implies a greater casualness in employment.

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Table 1: Percentage Distribution of the Total Workforce by Sectors (Usual Principal Status)

Sectors	1977-78	1983	1987-88
Agriculture	70.70	66.31	63.90
Mining & Quarrying	0.52	0.65	0.77
Manufacturing	10.00	10.93	11.13
Electricity, Gas & Water Supply	0.26	0.32	0.34
Construction	1.82	2.47	3.96
Trade	6.18	6.67	7.30
Transport	2.13	2.71	2.78
Finance, Real Estate, etc.	0.55	0.73	0.83
Comm. Soc. & Personal Services	7.82	8.78	8.80
Total	100.00	100.00	100.00

Source : Centre for Monitoring Indian Economy (1992).

Table 2: Growth Rates of Employment

Sectors	1977-78 to 1983	1983 to 1987-88	1977-78 to 1987-88
Agriculture	0.91	0.94	0.92
Mining & Quarrying	6.32	5.68	6.03
Manufacturing	3.76	2.18	3.05
Electricity, Gas & Water supply	6.01	3.15	4.71
Construction	7.93	13.05	10.19
Trade	3.52	3.83	3.66
Transport			
Finance, Real Estate, etc.	6.66	2.35	4.70
Comm, Soc. & Personal Services	4.49	2.06	3.39
Total	2.10	1.77	1.95

Source: Centre for Monitoring Indian Economy (1992).

PERCENTAGE SECTORAL SHARE IN THE TOTAL GDP

Table 3 shows the percentage share of the various sectors in the total GDP as compared to the percentage distribution of the workers in various sectors. We first look at the percentage share in total GDP. From the total we note that GDP share fell by 3.72 percentage points from 1977-78 to 1982-83 in Agriculture, Forestry, etc., whereas in the case of Manufacturing, Construction, Electricity, etc. there was a marginal increase of 0.97 percentage points; in Transport, Communications and Trade there was an increase of 1.25 percentage points whereas Banking, Insurance, etc. showed a marginal increase of 0.48 percentage points and Public Administration and Defence Services increased by 1.05 percentage points. We note that with the exception of the Agricultural sector all the other sectors showed an increase in their percentage share in the total GDP for this period, i.e. 1977-78 to 1982-83.

From 1982-83 to 1987-88, again the percentage share of only the Agricultural sector in the total GDP declined, whereas all the other sectors showed a rise in their percentage share of the total GDP. The decline of 4.94 percentage points in the share of the Agricultural sector was greater during this period (1982-83 to 1987-88) as compared to the earlier period (1977-78 to 1982-83). Thus, the contribution of the Agricultural sector to the total (GDP) is decreasing at an increasing rate. We also note that the percentage share of Manufacturing, Construction, etc. in the total GDP rose by 2.16 percentage points from 1982-83 to 1987-88, which was higher than the previous period, but in Table 2 we saw that the growth rate of employment of this sector in fact declined from 1983-88, with the exception of Construction. This implies that commensurate employment opportunities were not created. The percentage share in the total (GDP) of the remaining sectors also shows a rise during this period, though the rise is not significant.

EMPLOYMENT ELASTICITY WITH REFERENCE TO GROWTH IN THE MAJOR SECTORS

Table 4 shows the employment elasticity with reference to growth in the major sectors. From the table, we note that except for Mining and Quarrying and the Construction sector, the employment elasticity to output growth in the remaining sectors shows a fall. Employment opportunities in Agriculture and Manufacturing may be low due to the techniques used in production. This should be looked into, to enhance the employment generation capacity of these sectors.

From the foregoing discussions we can arrive at the following conclusions:

1) Although Agriculture continues to be the dominant sector with regard to its percentage share in the total workforce and percentage share in the total GDP, its employment generation capacity is very low.
2) Manufacture which should have played a more significant role in generating employment has failed to do so as shown by the low employment elasticity to output growth.
3) Construction, Mining & Quarrying are the main sources of employment thereby implying a greater casualness of employment.
4) The remaining sectors have played an insignificant role in employment generation during the priod under study.

POLICY IMPLICATIONS

Since agriculture continues to be the mainstay of the Indian economy, its employment generation capacity should be enhanced. Proper implementation of land reforms, multiple cropping, irrigation facilities, better agricultural techniques, etc. can go a long way in increasing employment. Countries like Japan, South Korea and Taiwan-China which have focussed

Table 3: Percentage Distribution of Workers and Their Percentage Share in Total G.D.P.

Sectors	% distribution of workers			% share in Total G.D.P.		
	1977-78	1982-83	1987-88	1977-78	1982-83	1987-88
Agric., Forestry & Logging, Fishing, Min. & Qua.	71.22	66.96	64.67	41.96	38.24	33.30
Manufacturing, Const., Elec., Gas & Water Supply	12.08	13.72	15.43	24.02	24.99	27.15
Transport, Comm. & Trade	8.31	9.38	10.08	15.79	17.04	18.24
Banking & Ins., Real Est., & Ownership of Dwellings & Business Ser.	0.55	0.73	0.83	8.57	9.05	9.98
Public Admns. & Defence & Other service	7.82	8.78	8.80	9.64	10.69	11.32

Source: *Government of India (1992).*

Table 4: Employment Elasticity with Reference to Growth in Major Sectors

Sectors	1977-78 to 1983	1983 to 1987-88
Agriculture	0.49	0.36*
Mining & Quarrying	0.67	0.85
Manufacturing	0.68	0.26
Construction	**	**
Elec., Gas & Water Supply	0.74	0.48
Transport, Storage & Comm.	0.92	0.35
Services	0.99	0.47
All Sectors	0.55	0.38

Notes: Elasticities with reference to GDP worked out on the basis of NSS data on employment growth and GDP growth taken from CSO.
* Elasticity normalised (by averaging agricultural output).
** Elasticity significantly greater than unity, and therefore assumed for present purposes to be unity
Source: The Indian Journal of Labour Economics, Vol. 36, No.1, Jan - March ,1993, p.26.

strongly on labour-intensive measures--be it in agriculture, I.S.I. (Import Substitution Industries) or the export-led phase of their growth, have attained near full employment without sacrificing overall growth. The Agricultural sector should be regarded as the 'engine of growth', which indeed it is. We know that industrialisation cannot proceed by neglecting agriculture. Agriculture can be diversified, commercialised and growth linkages can be established with non-farm activities and enterprises. "It is thus the dominance of agricultural commodities as wage goods and the large supply of labour available for mobilisation which combine to make creation of a modern, technologically dynamic agriculture so important to economic growth and to the participation of the poor in that growth" (Mellow, 1977, p.8).

The Industrial sector should be developed to a larger extent. As evident from the tables, its share of employment has hardly been impressive. Next to the agricultural sector, as a matter of fact, industry should have been generating more employment. It may not be easy to decide as to which industries hold the best prospects for income and employment growth. However, it is not impossible to examine labour absorption within industries as well as indirectly through linkages. As far as possible, these linkages should be strengthened to maximise productive employment creation for a given investment programme. Large scale industries should not be totally ruled out, as, although they have a low and falling rate of labour absorption per amount invested or produced, they may have large indirect effects through linkages with small industries, transport, construction and services. Agro-based industries which show good prospects of employment growth should be assisted in increasing linkages to other sectors, where such linkages are proved to be efficient. Small industries should be assisted in increasing productivity and incomes, as in the long run, employment growth cannot be sustained if based on low productivity.

The New Industrial Policy of July 1991 has removed various hurdles in the way of foreign investment. This is a welcome step, as, although foreign investment entails risks of dependence, its role in employment generation has been positive. However, "it is important for national independence and integration that capital and technology be gradually 'indigenised', so that local capital participates together with foreign, and so that research and development will be undertaken by indigenous managers and technicians" (ILO-ARTERP, 1990, pp.50-51).

In India, the informal sector has vast potential for employment. This should be tapp[ed]. Government should not interfere with the functioning of this sector, as past experience [has] shown that the interference of Government has proved to be negative rather than positi[ve]. [If] at all Government finds it necessary to interfere, it should make sure that it do[es not] unnecessarily dampen economic initiative and economic growth of this sector. In fact [the] most effective way in which Governments can help promoting economic growth in th[e so-]called informal sector is often through a policy of positive non-intervention" (ILO-AR[TERP,] There should be human resource development to turn the labour force into a productive asset. The employment in the Trade and Commerce sector depends on the productivity of the other sectors. So long as the other sectors remain productive, these two sectors can grow. The New Economic Policy has undertaken various measures to improve the productivity of different sectors. How far they succeed only time will tell.

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