



An Analytical Study of Employment Generation in Agricultural Sector in India

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Abstract

Agriculture has been the dominant sector of labour concentration. Since 1991, the shares of the manufacturing and service sectors have grown faster with regard to GDP and much slower with regard to employment, as working methods became more capital-intensive. Despite accelerating economic growth, the structural transformation of the Indian economy has been slow, with a widening labor productivity differential between the non agricultural sectors and agriculture. Labor absorption in the urban economy, and especially in the manufacturing sector, has been low; formal sector jobs are few and declining as a share of employment; and labor contracts are increasingly informal.

Keywords: capital-intensive, productivity, development

Introduction

The experience of the evolution of the agricultural sector over centuries tells us that the sector has evolved from being a basic food gathering (hunting and fishing) activity to an intensive production system due to population growth, increase in income, urbanisation, technological revolution, and liberalisation of international trade. The long-term development process also tells that to begin with the agricultural sector accounts for the bulk of the country's economic output and a large share of the labour force. As countries develop, manufacturing and services sectors expand at a more rapid rate, and as a consequence the shares of these sectors in overall GDP expand. The labour force also starts moving out of agriculture to these sectors. These changes lead to a fall in the share of the agricultural sector in GDP and also the share of labour force employed in the agricultural sector.

The population of India as of March 2011 was 1.2 billion, 17.5 per cent of the global population. From 2001 to 2011, its population increased by 181 million. About 60 per cent of the population reside in rural areas. The Indian labour market is classified into three segments: (i) rural, which constitutes about 60 per cent of the workforce; (ii) the organised or formal segment, which accounts for about 7 per cent of the workforce; and (iii) the urban unorganised or informal sector, which accounts for 32 per cent of the workforce. This means that 93 per cent of workers are in the unorganised or informal sector, self-employed or employed as casual wage labourers, devoid of any effective legal protection. Two third of the workforce of India is employed in agriculture and rural industries. One-third of rural households are agricultural labour households subsisting on poor wage employment.

As a consequence, and combined with rapid population growth, the labor



force in the rural areas is still growing fast. Agricultural growth has not responded to the accelerating income growth, and agricultural employment is growing slowly. It is the rural non-farm sector that has emerged as the major source of rural and economy-wide employment growth, with rural non-farm self employment and incomes growing especially fast. As a consequence, despite the growing labor productivity differential between the agricultural and the non agricultural sector, urban and rural poverty rates have converged, and urban-rural per capita income and consumption differentials have not widened. Rapid economic growth is associated with a stunted structural transformation, in which the rural non-farm sector has picked up the slack in urban employment growth. As most of these macro employment trends are likely to continue, we can envision an agricultural sector in which household and farm sizes will continue to decline. Households will strive for income growth via technical change, increased irrigation, and continued diversification towards high valued agricultural commodities and towards the non-farm sector. With employment opportunities in the non-farm sector considerably better for young men than for young women, the current trend to feminization of agriculture will continue. Within these constraints, a positive vision for agriculture and rural development can nevertheless be achieved if government policy is supportive of the ways in which households will try to increase their incomes. Rapid policy and institutional change will be required to overcome poor performance of many government programs. The paper is divided into a first section on structural transformation, agriculture and the rural

non-farm economy from 1960 to 2010. The second section uses the results from the first section to develop a vision for agriculture and rural poverty reduction that takes account of the opportunities and constraints identified.

Objectives

This paper contains some objectives

1. To know the status of labour market in India.
2. To analyse the employment generation of agricultural sector in India.

Methodology

The study is based on secondary data. The data is collected through reports, research journals, books, working papers and internet sources. The data is time series data and data is analysed with the help of tables and diagrams.

Status of Indian Labour Market

India's labour force makes up about 39 per cent of the total population. According to the World Bank, the Indian labour market in the 1990s was better, despite acceleration in job growth in subsequent years. These conclusions are based on three main facts: (i) a comparison of job growth over two decades – that is, 1983–1994 and 1994–2005 – suggests that job growth was flat at 2 per cent over the long term; (ii) the spurt in employment since 2000 has been accompanied by a marked deceleration in real wage growth and even a decline for many workers, implying that the number of working poor has increased in the past five years; and (iii) low-paying, relatively unproductive, informal sector jobs

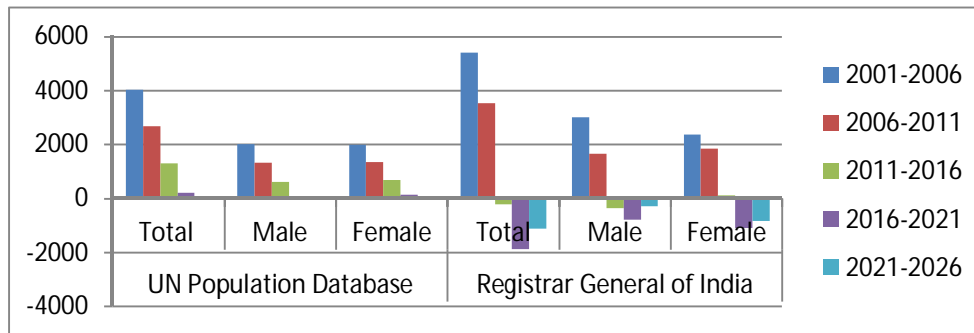


continue to dominate the labour market (World Bank 2010).

Average annual increments in the youth population ('000)

Year	UN Population Database			Registrar General of India		
	Total	Male	Female	Total	Male	Female
2001-2006	4028.8	2022.6	2006.2	5406.2	3025.2	2381.2
2006-2011	2680.8	1330.0	1350.4	3532.4	1670.4	1861.8
2011-2016	1312.6	0621.2	0691.8	-212.8	-343.6	0131.0
2016-2021	0226.4	0076.0	0150.5	-1857.4	-777.2	-1080.2
2021-2026	0045.2	-008.8	0054.0	-1112.0	-290.2	-821.6

Source: World Population Prospects:



However, according to the UN Population Division, the youth population in India will begin to decline from the year 2025, while the official projection based on the 2001 Census of India and the Sample Registration Scheme states that the decline may begin as early as 2015. With a declining dependent population, India has an immense opportunity to grow at a faster rate. This, however, would depend on how India equips its youth to transform them into assets.

Employment Growth

The dominant features of employment and unemployment in India reflect those in developing countries. There are low rates of unemployment but much higher levels of poverty. In the absence of formal social security protection, remaining unemployed is not

a choice for the majority. Consequently, nearly 33 per cent of those employed in 1993 were poor, whereas only 18 to 19 per cent of the unemployed were poor. This implies higher rates of underemployment and low levels of productivity and income. Therefore underemployment is a major challenge in India. Unemployment of educated youth is also a serious problem. The NSSO's 66th Round data showed that 51 per cent of Indian workers were self-employed: 54.2 per cent in rural areas; 41.1 per cent in urban areas. Although the figures reflect a decline since the last survey the industry and service sectors have not been able to absorb half of the potential workers. Among the employed, the share of casual workers was as high as 33.5 per cent, while that of regular wage/salaried employment was only 15.6 per cent. The

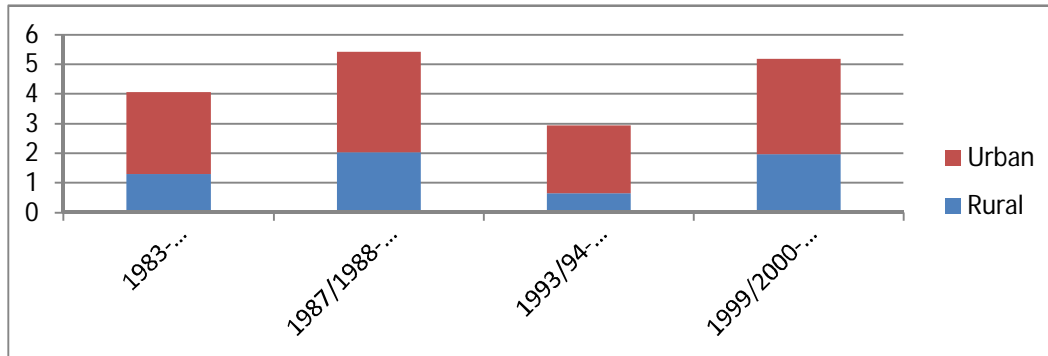


NSSO report also shows an increase of 21.9 million in the number of casual workers, while growth in the number of regular workers nearly halved between 2004–2005 and 2009–2010 compared with the previous five-year period.

Employment growth rates (percentage change per annum)

	Rural	Urban
1983-1987/1988	1.30	2.77
1987/1988-1993/1994	2.03	3.39
1993/94-1999/2000	0.66	2.27
1999/2000-2004/2005	1.97	3.22

Source: Based on NSS employment rates (NSS 38th, 43rd, 50th, 55th, and 61st rounds) and Census population figures and projections.



The Planning Commission of the Government of India (GOI), in its 11th Five Year Plan (2007–2012), also concludes that the Indian economy has failed to create sufficient volume of additional high-quality employment to absorb the new entrants into the labour market. It has also failed to facilitate the absorption of existing surplus labour into the agriculture sector, as also into higher wage or non-agriculture employment (Planning Commission 2008).

The trends in the youth labour market during the period 1980–2010 were as follows: The size of the youth population (15 to 24 age group) increased threefold. The literacy rate of the youth population went up from 56.4 per cent in 1983 to 80.3 per cent in 2007–2008; the percentage of young people attending

educational institutions increased from 17.4 per cent to 32.8 per cent during the same period; and regarding employability, only 4.9 per cent of young workers had a post secondary level of education in 2007–2008. The self-employed form the majority of youth workers (50 per cent). Casual labourers form the next biggest category (35 per cent). The share of youth in regular salaried/wage employment has increased over time. However, the proportion of youth employment in agriculture has declined faster than among adults. Combating Youth Unemployment in India 65.4 per cent for youth and 57 per cent for adults in 2007–2008. It is interesting to note that the share in the industrial sector increased more quickly for young people compared to services in 2004–2005, unlike for adults. Most young



people are in the unorganised/informal sector. The number of unemployed youth in India increased from 6.5 million in 1993–1994 to 9.5 million in 2004– 2005. Out of this, 61 per cent are based in rural areas, of which 70 per cent are males. Unemployed youth make up almost half (49 per cent) of the total unemployed despite the fact that the youth share of total adult workers was only 21 per cent. The rate of unemployed youth to unemployed adults declined from 52.2 per cent in 1993–1994 to 49.0 per cent in 2004–2005. Literacy and educational levels are increasing for Indian youth. However, about 89 per cent of young people do not have any kind of vocational training and among the rest about half have received it through hereditary

practices. This indicates a negligible level of formal vocational training among young people. Wage levels of the youth employed are lower than those of adults. 26 per cent of employed young people suffer from poverty (around 22 million). Around 40 per cent of the youth population live in a vulnerable situation. 11 per cent are working poor, 4 per cent are unemployed and 25 per cent are not actively seeking work. Youth unemployment is only one of the problems of the youth labour market. Since many young people are in the informal/unorganised sector, the income and productivity of workers, conditions of work and social security have to be improved (S. Mahendra Dev and M. Venkatanarayana).

Distribution of Workers by Type of Employment and Sector Organization
 (million)

Sector	1999–2000			2004–2005		
	Informal	Formal	Total	Informal	Formal	Total
Unorganized Sector	341.28 (99.60)	1.36 (0.40)	342.64 (100)	393.47 (99.64)	1.43 (0.36)	394.90 (100)
Organized Sector	20.46 (37.80)	33.67 (62.20)	54.12 (100)	29.14 (46.58)	33.42 (53.42)	62.57 (100)
Total:	361.74 (91.17)	35.02 (8.83)	396.76 (100)	422.61 (92.38)	34.85 (7.46)	457.46 (100)

Notes: 1. UPSS basis.
 2. Figures in bracket indicate percentages.
 Source: Estimates by NCEUS.

Source: Government of India 2008.

Employment in India in 2008 is very much concentrated in the informal sector. Between 1999-2000 and 2005-05 the proportions of workers in the formal sector declined from 8.8 to 7.5 percent. The National Commission for Employment in the Unorganized Sector (NCEUS) defines organized employment as employees who receive provident fund and social security benefits. Within the organized (formal) sector, the proportion of employees with informal contracts rose

from 37.8 percent to 46.7 percent. Clearly, the Indian labor market has shown a marked tendency to informalization of labor relationships, and only limited creation of high quality jobs for urban workers as well as for migrant from rural areas. Employment in the rural non-farm sector has followed the trend to informalization as well (World Bank, 2010)

Salient Feature and Key Points



One of the most salient features of India's labour market in the last two decades has been its relatively weak performance in terms of employment generation. The labour market experience of low and declining employment rates despite rapid GDP growth performance has been termed as the phenomenon of jobless growth. It is widely believed that jobless growth has been responsible for the disappointing results in achieving inclusive growth. However, there is an emerging economic thinking that the emphasis should be placed not on increasing employment levels per se but on increasing high-quality, productive employment that lies at the core of sustainable economic and social development.

Some Key Points

- India needs at least 55 million additional jobs by 2015—twice the job addition between 2005 and 2010—to maintain the current ratio of employed people to total population of 39 per cent. The estimate assumes that the number of self-employed persons will decline by nearly 25.5 million, as it had happened during 2005-2010.
- With millions of people employed today either retiring or losing their jobs, new job hiring will have to exceed 55 million by 2015.
- For growth to be inclusive, employment intensity of production will have to increase. Employment intensity— the number of employed persons per lakh of real GDP – declined to 1.05 in 2010 from 1.71 in 2005.
- Appropriate policies are needed to complement high growth for facilitating the required job creation. Easing demand constraints in manufacturing through labour reforms and supply

constraints in services through fast track reforms in higher education will be the key for future job growth.

- Between 2005 and 2010 the addition in jobs was 27.7 million but the number of self-employed people decreased by 25.5 million. This restricted the increase in number of employed people to 2.2 million.

Conclusion

The most important strategy for achieving inclusive growth in the Eleventh Plan has been to generate productive employment, accompanied by decent working conditions on quite a large scale to provide employment to the growing labour force. The economic survey in 2012 stresses that in order to achieve inclusive growth, India must create adequate employment opportunities: the number of unemployed is large and there are more youth entering the job market. In the absence of detailed data on youth and employment, it is very difficult to pinpoint factors that impede the availability of employment opportunities for them. However, as in other countries, unemployment among young people in India is the highest compared to other age groups. In an economy which is suffering from an unemployment rate of 6.6 per cent as per the Current Daily Status (CDS) definition (2009-10), an increase in employment may not always and simultaneously increase labour productivity. Increasing labour productivity almost necessitates a shift of employment from low-productivity agriculture to the secondary and tertiary sectors; and from the low-productivity unorganised to the organised sectors. There has been a shift in both types in employment (from agriculture to non-agriculture and from the unorganised to



organised sectors within non-agriculture) in terms of both the absolute level and the percentage share of non-agricultural employment in the 2000s. Most of the shift of labour in both types of employment has been due to a rise in informal employment, that is, employment without any social protection. What is notable is that the share of formal employment in the organised sector has been falling continuously, and this is matched by a corresponding increase in informal employment in the organised sector.

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