

## **Some Aspects of Labour Market in India**

작성자 : Chiranjib Neogi (Indian Statistical Institute, Kolkata)

작성일 : 2013년 8월 12일

As in any other market the role of demand for and supply of labour is no less important in the labour market also. However, it is very difficult to quantify or to assess the demand for or supply of labour in macro sense due to diverse nature of the labour market. The segmentation of labour market between rural and urban, skill and unskilled and formal and informal sectors makes it difficult to draw any general conclusion regarding equilibrium in labour market. Also, the linkage of growth with labour demand and supply is not very straight forward due to linkage demand in different sectors with uneven growth. Indian labour market is basically divided into two parts. First is the rural sector where the main source of employment is agriculture and related activities. Second is the urban sector where the main source of employment is related to industry and service. However, this separation of rural and urban employment is less rigid now a days due to better connectivity between rural and urban regions.

It is argued that access to quality employment and the labour market in general depend on the variation across social groups, gender, and skill levels. So it is also necessary to get the information regarding the employment scenarios of each of those groups for better monitoring of the employment opportunity and to reduce these barriers in order to promote inclusive growth. The growth rate of GDP of Indian economy is about eight percent per year during last five years. However, the sluggish growth of world economy during the recent years put pressure on the employment growth of Indian economy. Any lopsided growth of employment depriving a large section of rural poor should not be the goal of any government, and state policy intervention in some crucial areas for the maintenance of economic stability and social justice is necessary. Thus both qualitative and quantitative aspects of employment generation are necessary to maintain the social justice. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is one such scheme which mitigates the gap between demand for and supply of labour, as well as ensure the minimum income generation among the rural people.

During the passage of time the importance of agriculture in GDP in India has come down while those of industrial and service sector have gone up significantly. According to the recent statistics released by NSSO 48.9% of the total work force is employed in agriculture sector while 24.3% of the total work force is employed in industry and the

rest 26.8% is employed in service sector. In India the growth of service sector surpass the manufacturing sector even when the latter is not matured as in developed economies. The service sector has been the fastest growing sector of the Indian economy for the last ten years, except 2006-07 when the industrial sector grew at a slightly higher rate. The Economic Survey 2011-12 identifies the service sector as the 'potential growth engine'. It has been found that financing, insurance, real estate & business services together account for the highest growth rates in the services sector. Between 2005-06 and 2010-11, it grew by a compound annual growth rate of 11.5 per cent. It is interesting to note that the sub-sector comprising trade, hotels & transport & communication also exhibited a high growth where the demand for semi skilled and unskilled workers are high compared to other activities in non-agricultural sector. Since there is a decline in the workforce participation in agriculture the surplus labour from the sector are now engaged in informal sector – mostly in petty business and service sectors. On the other hand, most of the modern manufacturing units use capital intensive technology and the labour requirements in those industries are low compared to the huge surplus labour generated from the agricultural sector. The labour requirements in these industries are basically skilled workers including managerial staff while a moderately educated person can get jobs in some trading or business activities without any rigorous training.

The relation between labour demand and income generation is not always linear in service sector. This sector is dominated by low quality jobs, where employment is created mainly for the unskilled manual labourers. This anomaly presents a critical challenge to the economy as services have been identified as a potential sector for employment generation in future. The disproportionate growth of income and employment in service sector becomes a challenge of the policy makers in view to bring the labour market equity. This pattern of movement of income and employment in service sector, however, follow different trajectories in different regions of India. Some well-off states like Gujarat and Punjab show very low share of income, which indicate a high share of low productive jobs in this sector. On the other hand, states like Maharashtra, Kerala and West Bengal show a high share of income in service sector indicating a different pattern of development in service sector in regards to employment generation. It is observed that there is no definite direct relationship between income generation and employment generation in service sector in India as we observe in other developed and developing countries. This requires a policy to improve labour productivity in services and also emphasizes the need to extend coverage of social security benefits to workers in low productive services.

It is mentioned earlier that there is sharp division in the pattern of employment

scenarios between rural and urban sector of Indian economy. During the period 2004-05 to 2009-10 the growth rate of employment in the urban sector was 2.36% per annum while that of in the rural sector was only 0.61% per annum. In terms of employment intensity it has been found that there is an increase in the proportion of regular wage-paid workers during the period from 1993-94 to 2009-10 both in rural and urban sector. Regular wage-paid workers normally have better quality employment and income security compared to the workers who engage themselves in labour markets on a casual or self-employed basis. The increase in the proportion of the regular workforce essentially indicates increased employment intensity among workers through relatively secure job markets (Report on Employment, GOI, 2011).

Technology used by small scale industries is basically labour intensive and these industries are promoted mainly for generation of employment. Recent studies on small scale industries indicate that Food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1%). The next two industry groups were Non-metallic mineral products with employment of 0.45 million persons (12.2%) and Metal products with 0.37 million persons (10.2%). In Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, Paper products & printing, Hosiery & garments, Repair services and Rubber & plastic products, the contribution ranged from 9% to 5%, the total contribution by these eight industry groups being 49%. Thus these groups of industries in small scale sector show high potential of employment in recent period.

The pattern of internal migration of work force is an interesting phenomenon in India due to sharp division of rural and urban areas in terms of employment generation and in terms of the quality of life. Also, in the well-off states like Gujarat, Maharashtra, Karnataka etc. are in a better position in respect of creation of employment opportunity, both for skilled and unskilled workers, that attracts the workers of the other backward states to migrate into those states for any suitable job and/or for a better quality job. In a country like India where regional imbalances exists and some areas are crippled with shortage of skilled and/or unskilled labour, internal migration is an essential and inevitable and safe migration should be promoted to maximize its benefits. However, in the absence of a coherent policy framework and strategy, migration imposes heavy costs on human development through poor labour arrangements and working conditions of migrants. The pressure of migrant people concentrated in any particular region may jeopardize the standard living condition and quality of life of the region.

The new foreign investors and MNC's also give importance to the quality of labour. So, the availability and cost of skilled professionals in any regions are also in consideration that influence the decision of MNC's to invest in India. Since higher wage

rate reflects high productivity and efficiency of labourers or high quality of human capital, the investing firm will search for those regions where high wage rate prevails in the labour market. Thus it is expected that MNC's will invest for their advance technology intensive units in those areas where the concentration of skilled professionals or quality human capital is available.

On the whole, it is observed that over the last few years, there was a definite increase in the share of service sector in total employment creation. However, the employment created in those sectors does not always bring equity in labour market in terms of quality of life in the society. In order to meet the challenges relating to generation of good quality employment along with promoting equity in labour market requires a well-thought employment policy in India considering the recent changes in employment scenario.