

ECONOMIC DEVELOPMENT AND EMPLOYMENT CREATION IN ORGANISED SECTOR OF INDIA

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Abstract

Employment has featured as an important item in the development agenda in India. Approaches to the subject have, however, varied in different periods during the last over 50 years. In the initial years of development planning, unemployment was not expected to emerge as a major problem. Yet care was taken to see that employment of a reasonable magnitude is generated in the development process to productively employ the growing labour force. A reasonably high rate of economic growth combined with an emphasis on labour intensive sectors like the small scale industry was envisaged to achieve this goal. The rate and structure of growth rather than technology were seen as the instruments of employment generation. Thus while granting that in an economy with relative abundance of labour, a bias in favour of comparatively labour intensive techniques is both natural and desirable, it was clearly recognised that 'considerations of size and technology should not be set aside to emphasise employment' (Planning Commission, 1956, pp. 112-113).

Keywords: *Unemployment, small scale industry, Planning Commission, GDP, Reserve Bank of India, social and personal services*

If the Employment - GDP is taken one of the indicators to measure the growth of employment in organized sector in general, employment in different organized sector - GDP ratio may be taken as a measure to indicate the economic growth in the organized sector employment. An examination of trend of employment in the organized sector will help to measure the economic growth of India. Hence, in this paper, the economic growth and employment generation in organized sector in India is mainly analysed.

Main Objectives of the Study

1. To find out the growth of employment in different organized sectors of India during 1990-91 to 2009-10.
2. To investigate the relationship between the GDP and employment in different organized sectors of India.
3. To give some policy suggestions from the analysis of data.

Data and Methodology

To study the employment in different organized sectors and the contribution of economic growth, macro economic data on GDP, various sectors employments have been used. To analyse the present position of economic growth, time series data for a period of 20 years, from 1990- 91 to 2009 -10 have been used.

Employment in Different Organized Sectors of India

Employment in different organized sectors of India may be classified either on the basis of time period maturity or on the basis of the sectors in India. In this paper, an attempt is made to study the employment generation in different components of organized sector, during the period 1990-91 to 2009-10. For this purpose the employment in organized sectors of India is classified into agriculture & hunting, mining and quarrying, manufacturing, Electricity, gas and water, construction, trade, Transport, storage and communications, Finance, Insurance Real estates and community, Social and personal Services. This type of classification is followed by the Reserve Bank of India, Economic survey and the data on employment in different organized sectors are available in this type of classification. This type of classification is followed for the following two reasons i) availability of data and ii) facilitate easy comparison.

Table 1: Employment in Different Organised Sectors of India (lakhs in persons)

Year	Agricultur, Hunting etc.,	Mining and quarrying	Manufacturing	Electricity Gas and Water	Construction	Trade	Transport, storage & Communications	Finance, Insurance, Real estates	Community, Social & personal services
1990-91	14.47	10.99	63.33	9.45	12.22	4.50	30.79	14.48	107.12
1991-92	14.85	10.94	64.27	9.56	12.29	4.53	31.18	14.80	108.14
1992-93	14.78	10.93	63.96	9.69	12.27	4.49	31.10	15.29	109.27
1993-94	14.28	11.16	64.14	9.78	12.18	4.63	31.40	15.55	110.63
1994-95	14.33	11.19	64.62	9.75	12.17	4.7	31.64	15.76	111.07
1995-96	14.59	11.00	67.87	9.88	12.12	4.79	31.52	15.86	111.78
1996-97	14.45	10.70	69.00	9.97	11.88	4.81	31.55	16.16	113.91
1997-98	14.34	10.28	68.49	9.96	11.83	4.85	31.49	16.29	114.14
1998-99	13.86	10.13	67.47	10.03	11.78	4.86	31.53	16.53	114.94
1999-2000	14.18	10.05	66.16	9.87	11.49	4.93	31.17	16.54	114.98
2000-01	14.33	9.54	64.43	9.86	11.38	5.02	31.18	16.51	115.64
2001-02	13.38	9.29	62.17	9.65	10.82	4.92	30.85	16.21	114.77
2002-03	14.01	9.13	60.04	9.63	9.92	5.12	30.18	18.03	113.65
2003-04	14.10	10.95	56.78	9.21	9.77	5.32	28.96	18.66	110.68
2004-05	14.79	10.93	56.19	9.09	9.60	5.59	28.36	19.31	110.72
2005-06	14.97	12.41	56.41	8.89	9.49	5.69	27.62	20.42	110.54
2006-07	14.25	12.37	58.37	8.99	9.36	5.88	27.37	22.49	110.4
2007-08	14.63	12.32	60.14	8.47	9.21	4.37	27.38	24.43	110.27
2008-09	13.73	12.27	62.58	9.03	9.25	6.46	27.33	26.67	110.34
2009-10	14.01	12.64	62.50	8.99	9.50	6.77	26.95	29.65	111.91

Source: Economic survey of India, 2011-12

Table 2
Estimation of Regression co-efficient of Employment in Different Organized Sectors of India

Variable	Model	a	b	SE _b	t	R ²	R ²	Durbin Watson	CGR
Agriculture, Hunting etc.,	Linear	14.529	-.020	0.015	-1.33	0.34	0.32	1.515	2.32
	Semi-log	2.676	0.023*	0.010	-1.33	0.36	0.35	1.526	
Mining and Quarrying	Linear	10.201	0.072	0.038	1.905	0.42	0.40	0.361	1.61
	Semi-log	2.326	0.016*	0.014	1.710	0.43	0.41	0.372	
Manufacturing	Linear	67.033	0.389	0.128	-3.04	0.45	0.44	0.281	1.61
	Semi-log	4.206	0.016*	0.012	-3.05	0.47	0.46	0.284	
Electricity, Gas and Water	Linear	10.048	0.053*	0.013	-4.26	0.50	0.48	0.517	1.40
	Semi-log	2.309	0.014*	0.001	-4.29	0.51	0.47	0.558	
Construction	Linear	13.022	0.200**	0.015	-13.03	0.90	0.89	0.405	1.91
	Semi-log	2.580	0.019*	0.001	-12.55	0.90	0.89	0.397	
Trade	Linear	4.214	0.085**	0.017	5.09	0.591	0.568	2.009	1.61
	Semi-log	1.458	0.016*	0.003	5.15	0.60	0.57	2.169	
Transport, storage and communications	Linear	32.709	0.260**	0.36	-7.27	0.75	0.73	0.190	0.90
	Semi-log	3.49	0.009*	0.001	-7.28	0.74	0.73	0.187	
Finance, Insurance, Real Estates	Linear	11.970	0.620**	0.083	7.57	0.76	0.74	0.203	3.14
	Semi-log	2.568	0.031*	0.003	9.079	0.82	0.81	0.202	
Community, Social and Personal Service	Linear	110.954	0.175**	0.095	0.796	0.53	0.51	0.217	1.11
	Semi-log	4.709	0.011*	0.001	0.821	0.55	0.54	0.207	

Note. * - Significant at 1% per cent level, ** - significant at 10% level

Trend Analysis of the Employment in Different Organized Sectors of India

To analyze the trend and to estimate the growth rates of the employment in different organized sectors of India, simple linear regression model and semi- log linear regression model have been fitted respectively to the data on the organized sector for the periods 1990-91 to 2009-10. The estimated value of the regression co-efficient, their standard error and other important results are given in Table 2.

For the period from 1990-91 to 2009-10

The regression co-efficient of the regression model for the period 1990-91 to 2009-10 revealed that employment in agriculture, employment in hunting sector employment decreased by -0.020 lakh persons per year. Employment in mining and quarrying sector increased by 0.072 lakh persons per year. The manufacturing sector's employment increased by 0.389 lakh persons annually.

Employment in electricity, gas and water sector increased by 0.053 lakh persons annually and that of construction increased by 0.200 lakh persons per year, followed by employment in trade sector increased by 0.085 lakh of persons per year.

Employment in transport storage and communications sector increased by 0.260 lakh persons, Finance, insurance, real estate's sector employment increased by 0.620 lakh persons and community, social and personal service increased by 0.175 lakh persons per year.

The compound growth rates worked out from the regression co-efficient of the semi-log linear reveal that the growth rate of agriculture, hunting sector was 2.32 per cent, mining and quarrying, manufacturing and trade grew at the compound growth rate of 1.61 per cent. The Electricity, gas and water sector employment grew by 1.40 per cent. For the Transport, storage and communications sector the growth rate of employment was 0.90 per cent. The compound growth rate of employment in Finance, insurance and real estates sector was 3.14 per cent. The community, social and personal services sector employment has grown by 1.11 per cent.

In terms of growth rate, Finance, insurance and real estates sector employment were placed first, and agriculture, hunting sector employment was in the second place. The construction sector employment stood in the third place, followed by mining & quarrying, manufacturing and trade sectors in the fourth place. The electricity, gas and water sector employment come in the fifth place. However, the community social & personal service sector's grew at a lesser rate. The transport, storage and communications sector employment has been placed in the last place.

Contribution of Organized Sector Employment to the GDP

Employment in different organized sectors of India may contribute, on the basis of the sectors in India. For this reason the employment in organized sectors of India is classified into the following nine sectors. Agriculture & hunting, mining and quarrying, manufacturing, Electricity, gas and water, construction, trade, Transport, storage and communications, Finance, Insurance Real estates and community, Social and personal Services.

Table 3: Gross Domestic Product in Different Sectors of India

(Rs. in crores)

Year	Agriculture, Hunting etc.,	Mining and quarrying	Manufacturing	Electricity Gas and Water	Construction	Trade	Transport, storage & Communications	Finance, Insurance, Real estates	Community, Social & personal services
1990-91	339893	29014	161979	23559	56330	121048	68090	114670	149357
1991-92	333256	29988	158094	25843	67696	121716	72474	127079	153219
1992-93	355421	30264	162979	27636	70053	129005	75935	133999	162400
1993-94	367231	30685	176982	29710	70452	137929	81024	148962	169654
1994-95	384549	33535	196133	32495	74243	152890	88344	154751	172493
1995-96	381875	35502	226458	34704	78683	174307	97322	167276	186244
1996-97	419759	35699	247975	36593	80158	187775	105075	177627	201241
1997-98	409039	39201	248101	39417	88553	202106	112669	198423	217948
1998-99	434892	40309	255872	42819	94109	216663	121059	213902	239123
1999-2000	446515	41594	264114	44526	102007	231878	133372	233549	266707

2000-01	445403	42539	284571	45439	108362	243505	148324	243048	279239
2001-02	473248	43335	291803	46228	112692	267382	160772	260737	290715
2002-03	438966	47168	311685	48423	121650	286060	183471	281550	302153
2003-04	482677	48626	332363	50735	136224	315240	211627	297250	318514
2004-05	482910	52591	361115	54745	158212	338283	244694	323080	340266
2005-06	511114	55164	393842	57513	183868	371568	281144	359888	364313
2006-07	531315	60038	440193	60544	205543	408235	326985	409472	385118
2007-08	557122	61999	476303	63730	226325	449001	377713	457584	411256
2008-09	566045	64244	487739	65899	242577	478563	429233	493356	464926
2009-10	656975	103999	713428	88654	355918	671396	456654	771763	609724

Source: Economic survey of India, 2011-12

Table 4: Estimation of Regression co-efficient of GDP in Different Sectors of India

Variable	Model	a	b	SE _b	t	R ²	R ²	Durbin Watson	CGR
Agriculture, Hunting etc.,	Linear	307651.4	13643.70	934.84	14.595	0.927	0.912	1.176	3.04
	Semi-log	12.688	0.030*	0.002	19.297	0.954	0.951	1.631	
Mining and Quarrying	Linear	19458.26	2553.94	349.51	4.647	0.748	0.734	0.973	5.33
	Semi-log	10.143	0.052*	.004	13.27	0.907	0.902	1.097	
Manufacturing	Linear	83586.21	21523.83	2219.13	9.699	0.839	0.830	0.761	7.03
	Semi-log	11.842	0.068*	.003	20.527	0.959	0.957	0.973	
Electricity, Gas and Water	Linear	18560.02	2609.57	186.22	13.983	0.916	0.911	1.003	5.97
	Semi-log	10.072	0.058*	.002	25.390	0.973	0.971	1.054	
Construction	Linear	10837.23	11509.09	1403.96	8.196	0.789	0.717	0.486	8.65
	Semi-log	10.785	0.083**	.005	17.494	0.944	0.941	0.478	
Trade	Linear	36853.97	22702.24	2054.80	11.051	0.872	0.804	0.615	8.65
	Semi-log	11.535	0.083*	.002	3350.3	0.984	0.983	1.063	
Transport, storage and communications	Linear	-153028	19438.26	1806.82	10.756	0.865	0.858	0.123	10.96
	Semi-log	10.871	0.104**	.004	29.548	0.980	0.979	0.148	
Finance, Insurance, Real Estates	Linear	25659.16	24070.39	2916.91	8.25	0.791	0.779	0.666	8.76
	Semi-log	11.522	0.084*	.004	22.35	0.965	0.963	0.845	
Community, Social and Personal Service	Linear	83030.55	19161.89	1606.38	11.929	0.888	0.881	0.586	6.92
	Semi-log	11.774	0.067*	.002	27.838	0.977	0.976	0.785	

Note. * - Significant at 1% per cent level, ** - significant at 10% level

Economic Growth and Employment in the Organized Sector

In terms of Economic growth transport, storage and communications sector is 10.96 per cent, but the employment growth was 0.90 per cent only. The finance, insurance, real estate's sector's growth was 8.76 per cent, but the contribution of same sector in the growth of employment was 3.14 per cent. The growth in construction and trade sector was at the same level i.e., 8.65 per cent. But the employment growth level was 1.91 per cent and 1.61 per cent respectively.

For the manufacturing sector growth was 7.03 per cent, the contribution of employment level was 1.61 per cent only. The community, social and personal service sector's growth was 6.92 per cent, at same time the employment level was 1.11 per cent. The electricity, gas and water sector's growth was 5.97 per cent, the share of employment growth was 1.40 per cent. The agriculture, hunting sector growth was 3.12 per cent, employment growth in this sector level is 2.62 per cent.

For the whole period, GDP growth rate, for different sectors in India ranges from 2 to 10 per cent level, but the employment growth rate of different organized sector ranges between 0.90 and 3 per cent only.

Conclusion

The above results indicate that the aggregate employment in the organised sector has fallen in absolute terms since 1997. Organized employment had been falling since the early 1990s. There are reasons to believe that the pattern of economic growth under an open economic regime tends to be such that the responsiveness of employment growth to the growth in output declines. It is worth noting that the combination of high output growth and low employment growth is a feature that has characterized in India during the years when the economy underwent a change in the global policy.

This new trend therefore suggests that greater employment generation is not a necessary result of more growth in organized sector - indeed, it could even be associated with falling employment in future as well. This is an extremely important fact that policy makers must take on board, if there is to be an even pretence of "more inclusive" economic growth in the country.

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