

Working population means all the population between 15 to 64 age.

Economics Class 40

Labour Force Participation Rate: (1:05 PM)

- **Labour Force Participation Rate = (Labour Force/Working Population) x 100**
- It is known as that section of the population in the age group of 15-64 who are currently employed or seeking employment.
- **Worker Population Ratio:**
- WPR is defined as the percentage of employed persons in the population.

Employment Elasticity:

- Proportionate change in employment/Proportionate change in GDP.
- For every **one percent change in GDP**.
- Because of the structural shift in the economy, if labor productivity is higher, **ICOR will be lower**.

How globalization has led to the ruralization of the Indian economy? (1:20 PM)

- Due to LPG, structural changes occurred.
- Some shifted to the **informal, services sector**.
- Most of the jobs were created in the construction sector (mostly casual/informal jobs).
- Globalization has led to the predominance of MNCs, which are responsible for informal jobs (**cost cutting**).
- Collapse of **organized MSMEs**.
- The service sector contributes majorly to GDP but employs fewer people.
- Labor-intensive sectors like tourism are not focused on.

Usual Status:

Measurement of Unemployment

- With a reference **period of 365 days** preceding the date of survey, a person is considered employed, if he is engaged in economic activity for **a long period (183 days)**.
- This methodology indicates chronic or long-term unemployment in the country.
- Usual subsidiary status is an extension of principal status, and it considers **an additional 30 days** as criteria for allotting employment status.

It considers activity status of a person for each day prior to the date of survey(7 days reference period)



Current Weekly Status:

- It determines the activity status of a person with reference to a **period of preceding 7 days**.
- A person having worked for **1 hr or more** ~~for days~~, during the reference period, gets the employed status.

on one or more days

Current Daily Status:

- The current daily status approach to measuring unemployment seeks to ascertain the activity status of an individual for each day of the reference week.
- A person who works for **1 hour, but less than 4 hours**, is considered to have worked for half a day.
- If he works for **4 hours or more** during the day, is considered employed for the whole day.
- The daily status flow rate is evidently more inclusive, covering open as well as partial unemployment.

Periodic Labour Force Survey: (1:54 PM)

- It is conducted annually, to generate estimates of labor statistics, along with unemployment indicators.
- **EUS (Employment Unemployment Survey)** was conducted once every 5 years.
- PLFS was conducted by **NSO under MoSPI**. → Ministry of Statistics and Program Implementation.
- First PLFS was conducted for the period of 2017-18 using education level as the criterion for stratification.
- Use of technology for the survey, i.e. World Bank's Computer-Assisted Personal Interview Solution
- **PLFS generated 2 types of Data:**
 - 1) On a quarterly basis in urban areas using CWS methods.
 - 2) Annual data to measure labor force estimate on key parameters in both Usual Status and CWS, for both rural and urban areas.

PLFS Data:

- **Labour Force Participation Rate** in urban areas exhibited growth rising from **47.5% in April to June 2022, to 48.8%** in the corresponding months of 2023 for individuals aged 15 years and above.
- While the labor participation rate remains stable at a rate of **73.5% for males**, it has increased for females from **20.9% to 23.2%**.

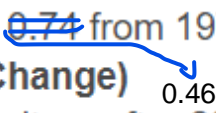
Worker Population Ratio: (2:05 PM)

- In urban areas, Worker Population Ratio increased from 43.9% in April-June 2022 to 45.5% during the same period in 2023.
- **Decrease in unemployment rate:**
- The PLFS reported a diminishing trend in the unemployment rate for individuals aged 15 years and above in urban areas.
- It decreased from 7.6% in April-June 2022, to 6.6% during the same period in 2023.
- For males, the unemployment rate dropped from 7.1% to 5.9%, while for females it decreased from 9.5% to 9.1% during this period.
- **Comparative analysis:**
- The report highlights improvements in key labor market indicators, in urban areas, when compared to the pre-pandemic period.
- **Labour force Participation** ranged from 46.2% to 47.8% during the pre-pandemic period and has now reached 48.8%.
- Worker Population Ratio ranges from 41.8% to 44.1%
- While the current WPR stands at 45.5%.
- Unemployment rates during the **pre-pandemic period fluctuated between 7.8% and 9.7%**.
- The latest survey reported **a lower unemployment rate of 6.6%**.

Questions:

- The nature of growth in India in the recent past is often described as jobless growth. Do you agree with this view? Give arguments in favor of your answer. (10 marks / 150 words).
- Comment on the challenges for Inclusive Growth, which includes careless and useless manpower in the Indian context. Suggest measures to be taken to face these challenges. (10 marks / 150 words)
- Define informal employment, and what type of vulnerabilities are faced by workers in the informal sector in India? Point out the required policy measures to reduce social and economic hardships, of Indian informal sector workers. (10 marks / 150 words).

Employment trends in India: (2:19 PM)

- The overall employment elasticity ratio which was 0.52 from 1973 to 83 declined to 0.41 in the next 10 years period, and further to 0.29 from 1994 to 2004.
- **From 2004 to 2011-12**, it again declined to 0.04 percent (almost zero).
- Employment Elasticity in agriculture which was ~~0.74~~ from 1970 to 83, turned negative **-0.42% (2004-2011-12). (Structural Change)**  0.46
- This absolute decline of workers in Indian agriculture after 2004-05 occurred for the first time in the Indian post-independent history.
- And it is indicative of structural transformation.
- The sector which has registered the fastest growth of employment in the recent past is the construction sector.
- This structural shift can be accounted for by new **economic reforms in 1991**.
- Increased share of industry in total employment is mainly the result of the massive expansion of the construction sector.
- However, the quality of employment is not good, as most of the workers have casual jobs.
- The backbone of industrial and economic progress, i.e. manufacturing, continues to face stagnation in terms of employment.
- **According to 2011-12 data**, this sector could **employ 12.3%** of the total workforce.
- Without rapid growth of the manufacturing sector, the country will not be able to push economic growth to any significant height.

Casualization and informalization of the workforce: (2:32 PM)

Casual vs. Regular workers:

- Hired workers are categorized as casual workers and regular workers.
- Casual workers work on daily wages and are not given all **social security benefits like pension**, however, they may be entitled to regular working hours and overtime payment.
- Regular workers are on the permanent payroll of the company and are entitled to all social security benefits.

Formal Worker vs. Informal Worker:

- As per the National Commission for Enterprises in Unorganized Sector, workers in the organized sector include:
- Government departments,
- Public enterprises,
- Private establishments hiring 10 or more workers are termed formal workers.
- However, workers working in unorganized sector, i.e. enterprises hiring less than 10 workers, are called informal workers.

Reasons for increased casualization: (2:37 PM)

- Rural to Urban migration.
- Migration of disguised employed rural workers, to urban areas, in search of non-farm employment, where they get employed as casual workers due to lack of proper skills and training.
- Informalization of the Indian economy, leading to casualization.
- Due to rapid growth of **real estate in urban areas, and MGNREGA in rural areas.**

Data related to casualization: (2:44 PM)

- The percentage of **casual workers** increased from 23% in 1972-73 to 33% in 1999-2000, and further to 39.3% in 2009-10, to 24% by 2018.
- The percentage of **self-employed workers** in the workforce has declined from 62% in 1973 to 51.9% in 2018.
- The percentage of **regular workers** has increased from **15% in 1973 to 24.1% in 2018.**

i.e. 8th five year plan



Employment Strategy during the post-reform period: (2:48 PM)

- It is often rightly argued that economic growth is necessary but not a sufficient condition to solve unemployment problems in India.
- In India, where employment elasticity is quite low, an annual growth rate of **8-9 percent** can only provide a partial solution to the unemployment problem.
- Therefore, under the **Eighth Five-Year Plan**, there was an emphasis on both growth and restructuring of output composition of growth.
- The plan sets a target of **2.6 to 2.8 % annual growth** in employment, with a view to achieving near full employment situation in a period of 10 years.
- Hence, government started focusing on sectors and sub-sectors with high employment elasticity.
- Rural Non-farm sectors, small and medium enterprises, faster growth of services sector, etc.
- The Ninth FYP emphasized the need for providing productive work, as it is the basic source of dignity and self-respect.
- The importance of public intervention was recognized to not only ensure adequate work opportunities but also enable the labor force to assess these opportunities.
- The **11th FYP aimed at creating 58 million** job opportunities.
- Most of the observers agree that the post-economic reform period in India has witnessed jobless growth.
- The largest sector of the economy, i.e. agriculture started declining, and government programs on poverty reduction were ineffective due to leakages.
- The jobless in rural areas entered the informal sector characterized by unprotected jobs without regular salaries and social security.
- The workers migrated to big cities, and ended up in **slums, living in subhuman conditions.**
- The 12th FYP decided to make the manufacturing sector a genuine engine of growth, which would generate **100 million work opportunities by 2022.**
- The 12th FYP also focused on food processing industries, and textile industries, along with a skill development program.

The term "subhuman conditions" refers to living or working environments that are so poor and degrading that they are considered unfit for human beings. These conditions are typically characterized by extreme poverty, lack of basic necessities, and severe violations of human rights.

Poverty: (3:23 PM)

- What is poverty?
- Measurement of poverty.
- Uniform / Mixed/ Modified Mixed Recall Period.
- Different Committees for Poverty.
- Poverty Gap Indices,
- MPI,
- Poverty vs. Growth.
- **Sixth FYP:** Food and calorie method (2400 cal/day Rural and 2100 cal/day urban).
- **World Bank:** 1.9 USD/day (based on the PPP exchange rate).

Reasons for poverty: (3:55 PM)

- British exploitation, caste, etc. divide.
- **Matthew Effect:** Tendency of individuals to accrue social and economic benefits.
- **Inefficiency of government schemes:** failure with respect to trickle-down.
- The **trickle-down effect** is absent. If education and healthcare are not provided properly, it results in poverty, e.g. less than 2% of spending on healthcare.
- **Situation of war and genocide:** e.g. Sri Lanka, Pakistan, etc.

Absolute Poverty: (4:05 PM)

- To estimate absolute poverty, essential items like **cereals, milk, and pulses**, are determined for a subsistence level of living, and the price quotation of these commodities is obtained from the market to convert this commodity requirement into monetary terms by aggregating all the quantities included and its money value.
- A figure expressing consumer per-capita expenditure is determined.
- The population whose level of income or expenditure is below this **figure is considered to be BPL**.
- It is expressed as the Number of Poor People as a percentage of the total Population.
- This is also called the **Head Count Ratio**.
- The reason to determine poverty on the basis of consumption expenditure instead of income is that dependent people like children and senior citizens also consume, even though they are not earning.
- Another reason is even though the **income is less**, people may consume more with the backup of assets or borrowings.

Topic for the next class: Poverty, measurement, etc. continued.