

## APPENDIX 29

### UNEMPLOYMENT RATE IN INDIA

Finding out the rate of unemployment is a complicated task. Simple questions about the current status, without elaborating on the duration of unemployment or employment as in the decennial censuses, give misleading results. In India, the situation is particularly complicated because of the seasonal variations in the intensity of work and underemployment. In agriculture, for example, the demand for labor goes up during the harvesting season. Again, it is quite common specially in household enterprises for more people to work than is actually required leading to underemployment.

Information on the unemployment situation for the economy as a whole is obtained in India from surveys conducted by the National Sample Survey Organization (NSSO).<sup>1</sup> This organization uses different criteria to assess employment and unemployment and that takes care of some of the problems mentioned above.

The following are the alternative measures of unemployment provided by NSSO. Each of these measures involves two basic steps: (i) identify those who are in the labor force and (ii) identify from the labor force those who are not employed. The rate of unemployment is calculated as the number of persons unemployed as a percentage of the total number of persons in the labor force.<sup>2</sup>

<sup>1</sup> Other less comprehensive sources of unemployment data include Employment Exchange registers, Census, Economic Census by CSO.

<sup>2</sup> This discussion on the measures of employment rate relies on *The Challenge of Employment in India: An Informal Economy Perspective*, New Delhi: National Commission for Enterprises in the Organised Sector, Volume I, New Delhi, 2009, chapters 1 and 2, accessed from [www.nceus.gov.in](http://www.nceus.gov.in); *Report of the Task Force on Employment Opportunities*, New Delhi: Planning Commission, 2001, chapters 1 and 2, accessed from [www.planningcommission.nic.in](http://www.planningcommission.nic.in).

**Usual principal status (UPS):** A person is considered to be in the labor force if he/she had been working or looking for work for at least six months during the preceding 365 days.

Those working for majority of the days in labor force are treated as employed and the rest as unemployed.

**Usual principal and subsidiary status (UPSS):** The definition of labor force here is broader than that in UPS. Even those unemployed or out of labor force as per UPS definition but had worked for at least 30 days are treated as subsidiary status workers and hence included under labor force.

**Current weekly status (CWS):** A person is considered as employed if he/she had been working for at least one hour on any day during the 7 days preceding the survey (reference week). A person not working even for one hour is treated as unemployed.

**Current daily status (CDS):** This is based on employment intensity during 14 half days of the reference week.

Table 29A-1 shows the unemployment rates using the different concepts. CDS is considered to be the most comprehensive measure and it provides an unemployment rate of 8.2% in 2004-05. The rate is as low as 2.4% if the

TABLE 29A-1. Unemployment Rates in India, in Percent, 2004-05

	UPS	UPSS	CWS	CDS
Males	2.8	2.3	4.2	7.8
Females	4.3	2.6	5.0	9.2
Persons	3.2	2.4	4.4	8.2

Source: *The Challenge of Employment in India: An Informal Economy Perspective*, New Delhi: National Commission for Enterprises in the Organised Sector, Vol. I, New Delhi, 2009, p. 37, accessed from [www.nceus.gov.in](http://www.nceus.gov.in).

method of UPSS is considered. The unemployment rate among females is higher than that of males. This is independent of the measure used.

India is experiencing high rates of GDP growth (see the appendix to Chapter 19). But the employment situation in the country has not been improving. In fact, the situation has deteriorated in recent years. The overall unemployment rate (CDS) has increased from 6.1% in 1993-94 to 7.3% in 1999-2000 and to 8.2% in 2004-05. For rural agricultural households, the unemployment rate has increased from 9.5% (1993-94) to 12.3% (1999-2000) and to 15.3% (2004-05).<sup>3</sup>

## SECTORAL EMPLOYMENT

We have observed the sharp fall in the contribution of agriculture to GDP (Figure 19A-6. in the appendix to Chapter 19). As Table 29A-2 shows, the share of agriculture in employment too has been decreasing but it still accounts for about half the employment. Between 1993-94 and 2006-07, manufacturing share has increased but only marginally from 11.1% to 13.3%. The sectors where most of the growth of employment has taken place are construction, financial services, trade, hotels, and transport.

**TABLE 29A-2** Sectorwise Share of Employment (Percent)

	1993-94	1999-2000	2004-05	2006-07
Agriculture	61.03	56.64	52.06	50.19
Mining and Quarrying	0.78	0.67	0.63	0.61
Manufacturing	11.10	12.13	12.9	13.33
Electricity, water	0.41	0.34	0.35	0.33
Construction	3.63	4.44	5.57	6.10
Trade, hotel, restaurant	8.26	11.20	12.62	13.18
Transport, storage, communication	3.22	4.06	4.61	5.06
Financial, insurance, real estate, business services	1.08	1.36	2.0	2.22
Community, social, personal services	10.5	9.16	9.24	8.97
Total	100.0	100.0	100.0	100.0

Source: Planning Commission, *Eleventh Five Year Plan (2007-12)* Vol 1., p. 66. Employment status on Current Daily Status (CDS) basis.

<sup>3</sup> *Eleventh Five Year Plan* as cited in Table 29A-2, pp. 65, 71.

<sup>4</sup> For a comprehensive discussion of the employment situation in the informal sector in particular, see the report cited in Table 29A-3.

## QUALITY OF EMPLOYMENT

The figure of unemployment rate of 8.2% may appear to be quite low. But the problem in India is not that people do not get any job at all during the year. The problem is about the quality of employment. The work that most of the people do is not regular enough and the income is not high enough to afford a basic minimum consumption level. This is obvious from the fact that even the official estimate of people below poverty line (27.5% in 2004-05) (see Table 17A-2 in the appendix to Chapter 17) is much higher than the unemployment rate.

The quality of employment has many other dimensions including employment security (protection against dismissal), work security (protection against accidents and illness at work), and social security (provisions of health-care and retirement benefits). If we focus on the informal sector and on informal jobs, some striking features of the employment situation in India are revealed. Informal (or unorganized) sector consists of unincorporated private enterprises with less than ten workers. An informal (or unorganized) job is defined as one without any employment, work, or social security.<sup>4</sup>

As can be seen from Table 29A-3, almost the entire employment (99.6%) in the informal sector is of the informal type. What is significant is that the proportion of informal workers in the formal sector is also quite high (46%). In fact, a staggering 92.3% of the total number of workers in India are informal workers with very poor quality of work.

What has gone down is not only the quantity of employment. The quality of work too has deteriorated. The proportion of informal jobs in total has gone up from 91.5% in 1999-2000 to 92.3% in 2004-05.<sup>5</sup>

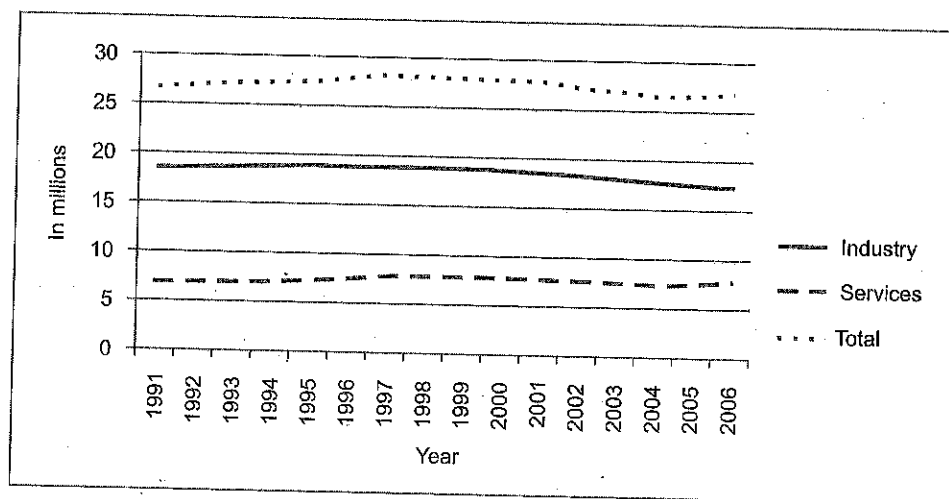
## GROWTH OF EMPLOYMENT IN THE FORMAL SECTOR

Employment in the formal sector, which provides higher wages and other benefits and hence preferred by most people, has actually stagnated. From 26.7 million in 1991, organized sector employment went up to 28.2 million in 1998. But since then it has come down and by 2006 had reached the same level as in the early 1990s. The decline in recent years is primarily caused by the decline in industrial employment with services employment remaining basically stagnant (Figure 29A-1).

**TABLE 29A-3.** *Informal and Formal Employment, India, 2004-05*

	(millions and percentages)		
	Informal worker	Formal worker	Total
Informal sector	391.8 (99.6)	1.4 (0.4)	393.2 (100.0)
Formal sector	28.9 (46.2)	33.7 (53.8)	62.6 (100.0)
Total	420.7 (92.3)	35.0 (7.7)	455.7 (100.0)

Source: Calculated from NSSO UPSS (usual principal and subsidiary status) data by *The Challenge of Employment in India: An Informal Economy Perspective*, New Delhi: National Commission for Enterprises in the Organised Sector, Vol. I, New Delhi, 2009, p. 13.



**FIGURE 29A-1** Employment in Organized Sector

Source: Ministry of Labour and Employment cited in Table 29A-1, p. 29.

<sup>5</sup> Report cited in Table 29A-3.