

GS FOUNDATION FOR CSE 2024

ECONOMY-19

EMPLOYMENT – BASIC TERMS TO UNDERSTAND

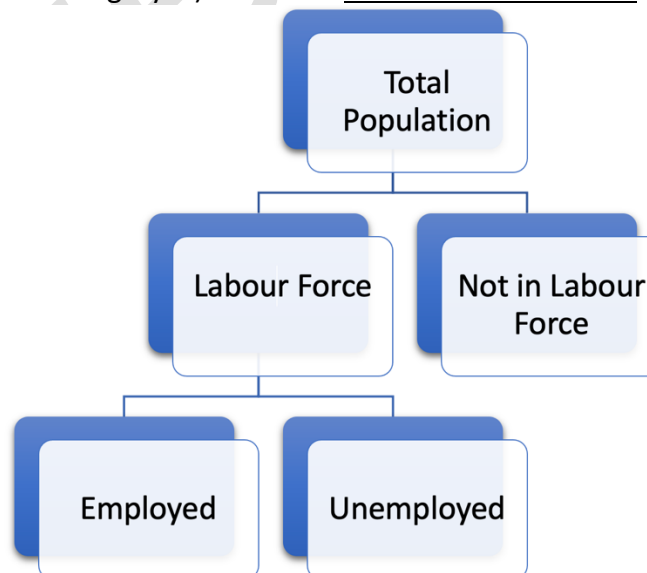
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2. EMPLOYMENT AND UNEMPLOYMENT ESTIMATES

- **Who measures employment and unemployment situation in the country:**
 - » **National Sample Survey Organization (NSSO)**, under Ministry of Statistics and Program Implementation is responsible for conduct of large-scale surveys in diverse fields on All India basis. It conducts employment and unemployment surveys along with Consumption Expenditure survey.
- As per the NSSO, concepts and definition of employment and unemployment are as follows:
 - » **Employment Indicators:** The key employment indicators are Labour Force Participation Rate, Worker Population Ratio, Proportion Unemployment and Unemployment Rate. Definition of these indicators are as follows:
 1. **Labour Force Participation Rate (LFPR):**
 - **LFPR** = (No of unemployed persons + Number of employed persons) / Total Population
 - Or LFPR** = Number of persons in Labor Force / Total Population
 2. **Worker Population Ratio (WPR)** is defined as:
 - **WPR** = Number of Employed persons / Total Population
 3. **Proportion Unemployed (PU)** = Number of Unemployed Persons / Total Population
 4. **Unemployment Rate (UR)** = Number of unemployed persons / Labor Force
 - **Or UR** = Number of unemployed person / (No of Employed Persons + No of unemployed persons)
 - » These indicators are determined on the basis of **activity status** of a person. The activity status is based on whether a person is engaged in any economic activity or not.
- **What is economic activity?**
 - If an activity results in production of goods and services that adds value to national production (National Income), it can be considered an economic activity. If not, it is not considered an economic activity.
 - Economic activities are further divided into Market activities and **non-market activities**.
 - **Market Activities** are those activities which involve remuneration in the form of wage or profit to those who perform the economic activity. (E.g. production of goods and services for the market by both private players and government). The government services done without price and purely for the welfare of the people also constitute market activities.
 - **Non-Market Activities:** Activities which don't involve remuneration and are done for own consumption are called non-market activities.

- E.g. Production of primary commodities for own consumption; Construction house with own labor or construction of common facilities like road, wells for community etc.
- **Note:** Illegal activities like smuggling are also considered as economic activity. But, as a convention, activities like prostitution and begging are not considered as economic activities.
- **Note:** Any person working without compensation voluntarily is considered unemployed. A laborer who is forced to work without compensation is considered employed.
- **Broad Activity Status:**
 - It is the activity situation in which a person is found during the reference period, which concerns the person's participation in economic and non-economic activities.
 - A person can be found in any of the following three statuses:
 - i. **Working** or being engaged in any economic activity (work)
 - ii. **Not working but seeking:** Not working or not being engaged in any economic activity and either making tangible efforts to seek 'work' or being available for work if the work is available.
 - iii. **Neither working nor seeking work**, i.e. not engaged in any economic activity (work) and also not available for work.
 - i) & ii) together are called labor force.
 - Person in category i) are called employed. They are termed as workforce.
 - Person in category ii) are called unemployed.
 - Person in category iii) are called not in the labour force.



- **Different Approaches for determining activity status:**
 - Activity status is determined with reference to three types of reference periods:

- They are:
 - One year
 - One week and
 - Each day of the reference week
- Based on these reference periods, three different measures of activity status are arrived at:
 - **The activity status**, determined on the basis of the reference period of **one year** is known as the **usual activity status/usual principal activity status**.
 - The activity status, determined on the basis of a reference period of **one week** is known as the **current weekly status (CWS)** of the person
 - The activity status, determined on the basis of each day of the reference week is known as the **current daily status (CDS) of the person**.
- These activity statuses help to classify the persons into categories of employed, unemployed, and not in labor force. It is **categorization**. It also helps to measure the extent of employment and unemployment of persons. It is a measure of **intensity**.
 - In the **Categorization** we measure number of persons employed or unemployed or not in labor force, say 30 million persons/year are employed.
 - In the **intensity measurement**, the **extent of employment and unemployment** is measured. It is measured in person days or person years, say 20-million-person days of employment.

– **Summary: Various Activity Status and Their Measures**

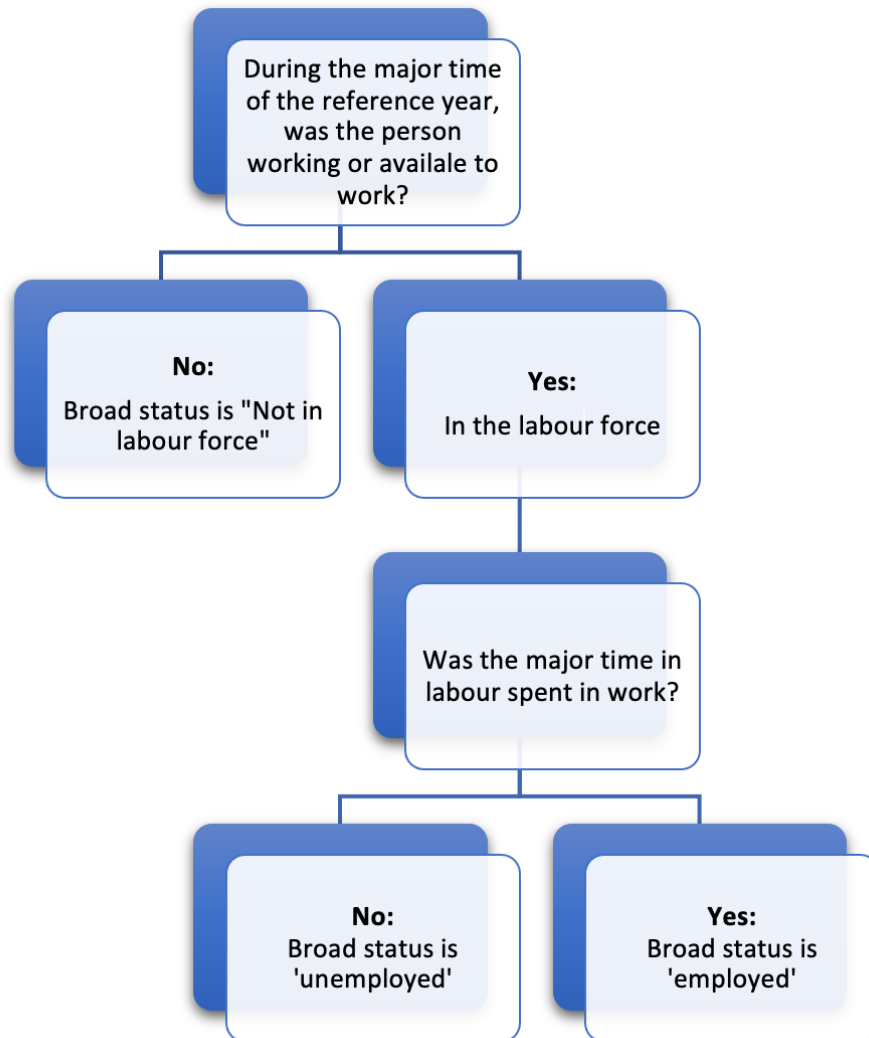
Reference Period	Activity Status	Unit of Measurement	Measure
One Year	Usual Activity Status	No. of persons	Categorization
One Week	Current Weekly Status (CWS)	No. of persons	Categorization
Each Day of the reference Week	Current Daily Status (CDS)	No. of person days	Intensity

- So, current daily status (CDS) is considered to be a comprehensive measure of unemployment, as it captures chronic unemployment, as well as under employment on a daily basis.
- At times a person may fall into more than one category of broad activity i.e., employed, unemployed and not in labor force.

- For e.g. If a person has worked only for half day -> he falls into the category of employed for half day and unemployed for remaining half day. To avoid overlap, **major time criteria and priority criteria** are used.

– **Usual Activity Status:**

- » It relates to activity status of a person during the reference period of 365 days preceding the date of survey. This activity status on which a person spent relatively long time (major time criterion) during the 365 days preceding the date of survey is considered **usual activity status**, of the person.



– **Subsidiary Status:**

- » A person is considered employed in subsidiary status if he has '**worked a minimum of 30 days in the last 365 days**'.
- The 30 days of working need not be continuous.
- A person may be engaged in both principal activity status as well as subsidiary status.
- E.g. self-employed for a major part of the year and worked as an employee in a company for 30 days.

- » **E.g. of classification of Principal and Subsidiary Status:**

Number of months or equivalent days					
In labour force			Not in Labour Force	Usual principal activity status	Subsidiary Status
Person	Employed	Unemployed			
A	5	4	3	Employed	
B	4	5	3	Unemployed	Employed in subsidiary status (ss)
C	1	0	11	Not in labour force	Employed in subsidiary status (ss)

– **Current Weekly Status:**

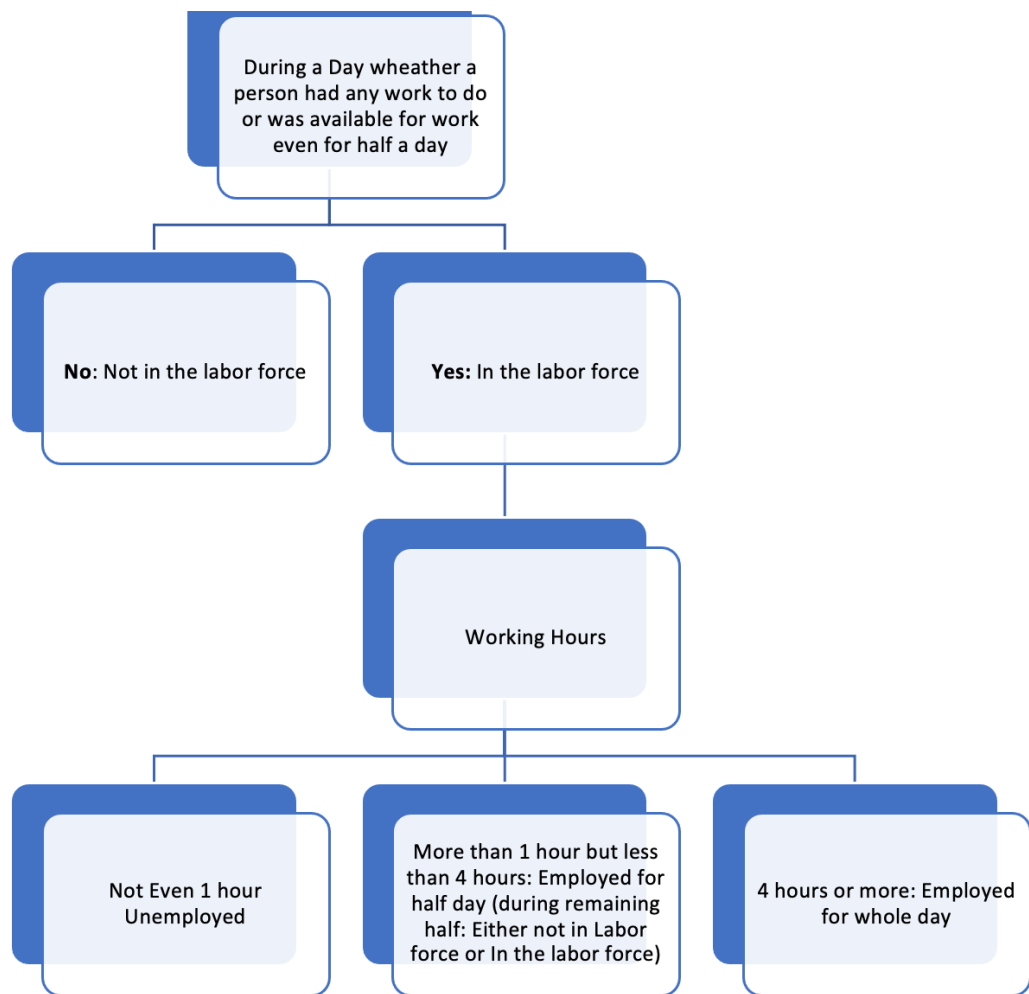
- » It refers to activity status of a person during the reference period of seven days preceding the date of survey. It is decided on the basis of a **certain priority cum major time criterion**.
 - According to the **priority criterion**, the status of 'working' gets priority over the status of 'not working but seeking or available for work', which in turn gets priority over the status of 'neither working nor available for work.'

Status: Working/Employed	A person is considered working (or employed) if she, while pursuing any economic activity, <u>had worked for at least one hour on at least one day during the seven days</u> preceding the date of survey.
Status: 'Seeking or available for work (i.e. Employed')'	If during the reference week <u>no economic activity was pursued by the person</u> , but she made efforts to get work or had been available for work any time during the reference week though not actively seeking work in the belief that no work was available.
Status: "Not in Labour force"	Person who <u>neither worked nor was available for work any time during the reference week</u> , is considered to be engaged in <u>non-economic activities</u> (or not in labor force)

- » Having decided the broad current weekly activity status of a person on the basis of 'priority' criterion, **the detailed currently weekly activity status** is again decided on the basis of '**major time**' criterion if a person is pursuing multiple economic activity.

– **Current Daily Activity Status:**

- » The current daily activity status relates to the activity status of a person during each day of the reference period of seven days preceding the date of survey.
- » It sees each day into two halves or in full and record activity status for each half separately. It is more suitable for unorganized sector where the availability of work/employment varies each day.



3. STATUS OF EMPLOYMENT IN INDIA (ESI 2022-23)

- Employment situation in India can be studied in two different ways.
 - i. **Supply Side of the Labour:**
 - Household surveys such as Periodic Labour Force Survey (PLFS) conducted by MoSPI.
 - ii. **Demand Side of the Labour**
 - Enterprise or establishment surveys - such as Annual Survey of Industries (ASI) by MoSPI, Quarterly Employment Survey (QES) by Labour Bureau etc.
- These two methods together present a complete view of the labour market.
- **ESI 2022-23** highlights a broad-based improvement in the Employment Situation both in the supply side and demand side data.
 - » **Unemployment rates** have fallen from 5.8% in 2018-19 to 4.2% in 2020-21, and there is a noticeable rise in rural FLFPR from 19.7% in 2018-19 to 27.7% in 2020-21.
 - » Recent urban unemployment data shows progress beyond pre-pandemic levels as the unemployment rate declined from 8.3% in July-Sep 2019 to 7.9% in July - Sep 2022.

- » The net EPFO payroll is steadily moving upward, with the majority share coming from the youth.
- » **As per QES data**, employment in major sectors has increased by 10 lakhs over the year 2021-22.
- » **As per ASI 2019-20 data**, employment in the organized manufacturing sector has also been rising over the years.

– **Supply Side of Employment:**

- **Annual Periodic Labour Force Survey:**

- As per usual status, the labour force participation rate (LFPR), Worker Population Ratio (WPR), and Unemployment Rate (UR) in **PLFS 2020-21** have **improved for both males and females in both rural and urban areas**.

Table VI.4: Employment trends as per usual status
(principal status + subsidiary status) for persons of all ages

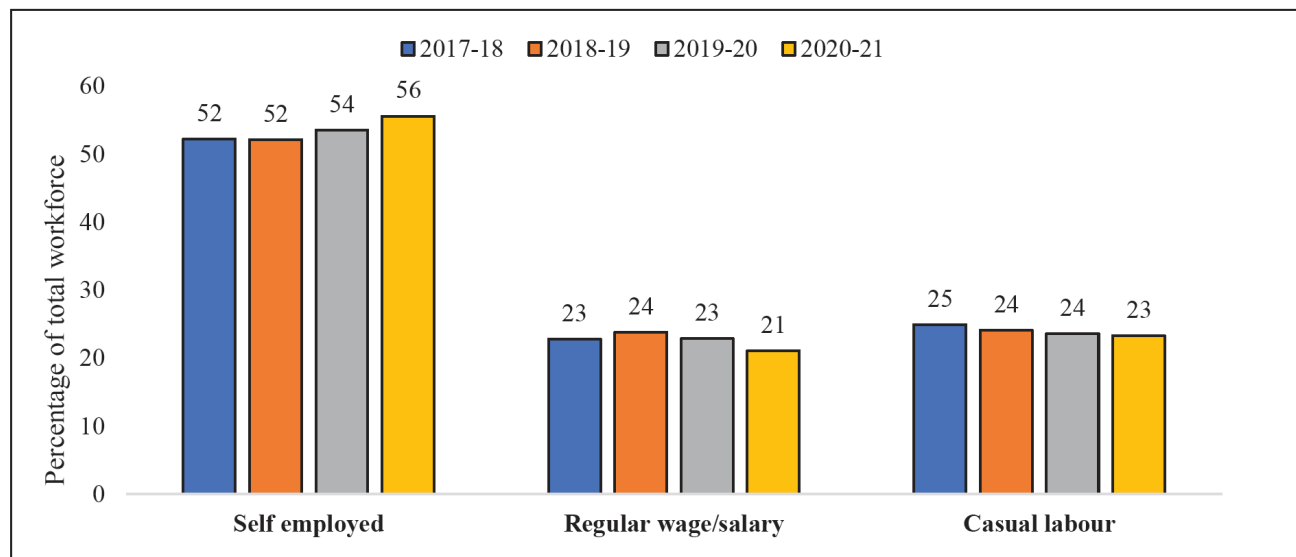
(per cent)

		Rural			Urban			Rural + Urban		
		2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Male	LFPR	55.1	56.3	57.1	56.7	57.8	58.4	55.6	56.8	57.5
	WPR	52.1	53.8	54.9	52.7	54.1	54.9	52.3	53.9	54.9
	UR	5.6	4.5	3.9	7.1	6.4	6.1	6.0	5.1	4.5
Female	LFPR	19.7	24.7	27.7	16.1	18.5	18.6	18.6	22.8	25.1
	WPR	19.0	24.0	27.1	14.5	16.8	17	17.6	21.8	24.2
	UR	3.5	2.6	2.1	9.9	8.9	8.6	5.2	4.2	3.5
Person	LFPR	37.7	40.8	42.7	36.9	38.6	38.9	37.5	40.1	41.6
	WPR	35.8	39.2	41.3	34.1	35.9	36.3	35.3	38.2	39.8
	UR	5.0	4.0	3.3	7.7	7.0	6.7	5.8	4.8	4.2

Source: Annual PLFS 2017-18 to 2020-21, MoSPI

– **Share of Self Employed is increasing.**

Figure VI.3: Trends in broad employment status (*Persons, rural+urban*)



Source: Annual PLFS, MoSDI

– Female Labour Force Participation Rate

» Measurement issue in Female Labor Force Participation Rate (FLFPR)

○ Three key Issues:

i. **Use of Overly broad categories clubbing productive work** (collection of firewood, poultry farming etc.) with **domestic duties**

ii. **No recovery questions in the PLFS questionnaire:** The survey design relies mainly on a single question for measuring the labor force status of individual, which eliminates the scope to rectify any error in self-reporting, considering the large rural population and literacy levels. This is contrary to ILO recommendations which provides for recovery question. ILO recommends using multiple probing or recovery questions.

iii. **Measurement of "work" alongside "Employment":** There is a need to broaden the horizon of measuring work, which constitutes the whole universe of productive activities alongside employment.

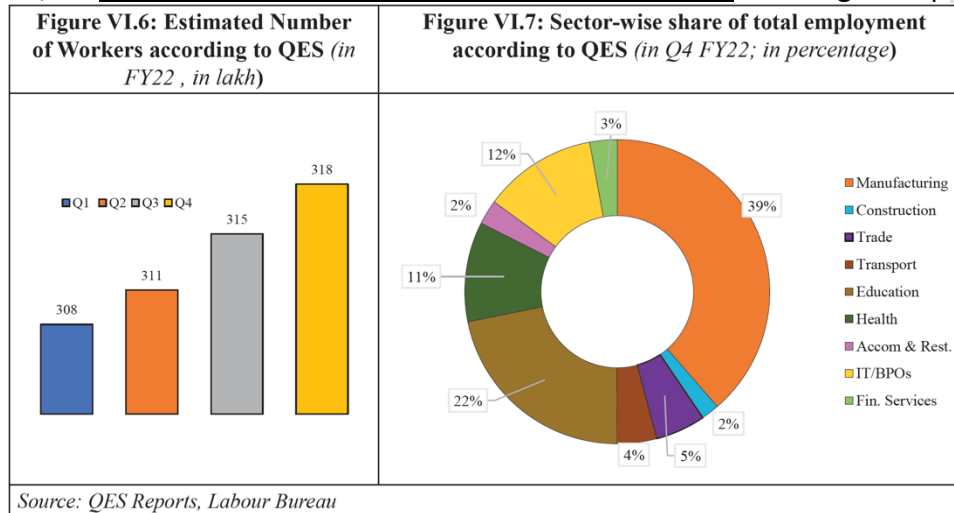
- According to latest ILO standards, limiting productive work to labor force participation is narrow and only measures work as a market product. It doesn't include value of women's unpaid domestic work, which can be expenditure saving work such as collecting firewood, cooking, tutoring children etc.
- **Thus,** a wholesome measurement of "work" may require improved quantification through redesigned surveys.

» It may be noted that 75% of rural female workers are employed in the agriculture sector. This implies a need to upskill and create employment for women in agriculture related sectors such as food processing. Here, **SHGs can pay a crucial role**.

» **Role of SHGs in Women's Empowerment** (Covered in GS1 - Women Organization)

– Demand Side Employment

- » The **Quarterly Employment Survey (QES)**, conducted by Labour Bureau, covers establishments with ten or more workers in **nine major sectors** viz. manufacturing, construction, trade, transport, education, health, accommodation, & restaurants, IT/BPPs, and financial services.
 - Note: These nine sectors account for around 83% of the total employment in establishments with ten or more workers.
- » So, far results of four rounds of QES have been released covering four quarters of FY22.



– Annual Survey of Industries (ASI) 2019-20

- » The ASI conducted by MoSPI, is an important source of industrial statistics of the registered organized manufacturing sector of the economy.
- » It covers all factories registered under Sections 2m(i) and 2m(ii) of the Factories Act, 1948, i.e., those factories employing ten or more workers using power; and those employing twenty or more workers without using power.
- » **Key Findings:**
 - As per ASI FY20, employment in the organized manufacturing sector has maintained a steady upward trend over time, with the employment per factory increasing gradually.
 - **In terms of share of employment** (total persons engaged), the food products industry (11.1%) remained the largest employer, followed by wearing apparel (7.6%), basic metal (7.3%) etc.

– Formal Employment

- » The organized sector job market conditions measured by payroll for Employees' Provident Fund Organization (EPFO) and ESIC reveal the benefits of the government initiatives towards improvement in the labor market.

– Demand for Work Under MGNREGS

- » The number of persons demanding work under MGNREGs was seen to be trending around pre-pandemic levels from July to Nov 2022. This could be attributed to the normalization of economy due to strong agricultural growth and a swift recovery from COVID induced slowdown, culminating in better employment opportunities.