Chapter VI

Concluding Remarks
Services have emerged as the most prominent income generating activity in the Indian economy in the last two decades, generating optimism regarding the sector’s growth (Panagariya 2004; Nayyar 2006; Balakrishnan and Parameswaran 2007). However, the sustainability of services-led growth, defined in terms of the ability to combine high rates of income growth and generating adequate productive employment, is a point of debate (Mitra 1988; Mazumdar 1995; Nagaraj 2009). Although, the disproportionate relation between income and employment in services per se may not be unsustainable, such a growth pattern is not desirable in Indian economy, which still records high levels of unemployment, poverty and income inequality.

Discussions on the asymmetrical relationship between income and employment in Indian services have been mainly concerned with the sector’s low share in employment. The dual character of Indian services, a low share of high remunerative jobs and a high share of low income generating segment in the sector have been given as an explanation for this phenomenon. However, internal changes in the composition of services employment are often ignored in such explanations. It is noted here that apart from the low share of services employment, the emerging trends and patterns of employment in the sector are also a matter of concern. In this context, the study analysed the nature of services growth in India. Relying on the NSS quinquennial Employment and Unemployment Surveys (1983, 1987–88, 1993–94, 1999–2000 and 2004–05) changes in the structure of services employment associated with income growth were explored in the study. In order to examine the variations in services growth pattern in a regional economy of India, the state of Kerala (which exhibits a more symmetrical relationship between income and employment in services than the national average) was chosen for a detailed inquiry. While the high human development indicators and large inflow of remittances into Kerala suggest that the state is likely to have a large and increasing shares of services in both income and employment, it is found that Kerala has followed a pattern of services employment over time that is broadly similar to that of India as a whole. In order to capture the growth linkages with other sectors, intra-state variations in Kerala were also looked into in the study. Subsequently, the study explored how private players have influenced the growth process of two service sub sectors; health and education. This is significant in the context of the increasing prominence of private capital in the Indian economy in the post-1990s.
The changing structure of services employment was explored in Chapter 2 by analysing trends in the nature of work and remuneration in the sector at the disaggregated level. Apart from an increase noted in the employment share (from 19 per cent to 26.4 per cent during 1983 to 2004–05), no major structural changes occurred in the pattern of services employment at the broad level. For instance, at the sectoral level, trade and hotels continued to be the major employment provider, followed by transport. While total employment in services increased by 7.7 percentage points between 1983 to 2004-05, trade and hotels and transport accounted for the major share of the increase, 5.5 percentage points.

Data at the disaggregated level indicate that the majority of employment in services is in petty services. For instance, in 2004-05 within trade and hotels, retail trade in food, retail trade n.e.c, hotels and restaurants and retail trade in household appliances were the major employment generating sub sectors. Around 82 and 77 per cent of those involved in retail trade (the major employment generating segment within trade and hotels) in food in rural and urban areas respectively were engaged in the sale of basic foodstuff, fruits and vegetables, most likely to be operating within small establishments. Further evidence indicated that around 21.9 per cent of enterprises in retail trade segment operated without a fixed place (Economic Census 2005). The study also inferred that the majority of workers in the sub sector continue to be in low remunerative jobs and in 2004-05 a decline was also noted in wage rates of those involved in trade and hotels compared to 1999-2000. During the period 1999-2000 to 2004-05, the average daily wages of urban regular male workers in trade and hotels declined from Rs. 98.1 to Rs. 85.2, while the corresponding figures for urban casual male workers were Rs. 56.3 to Rs. 51 respectively. In comparison with those employed in trade and hotels, the earnings of workers in land transport (the major employment provider within transport sector) were relatively better. However, in both trade and hotels and transport, self employed constituted majority of the workforce. In the context of studies indicating the poor remuneration in self employment (Chandrasekhar and Ghosh 2006), it is probable that the case of these two sub sectors will not be different. Emerging patterns in services employment also indicate an increase in the share of finance, education and health. Such changes in the employment can be linked to the increasing role of the private sector in the economy beginning from the 1990s.
Changes are visible in the pattern of employment in each of the service sub sectors. For instance, within retail trade in food, a shift in employment share has occurred from trade in basic food stuff to trade in fresh fruits and vegetables, poultry, etc. Such a shift in employment pattern points towards possible changes in the demand pattern in the economy, associated with income growth. Within transport sector, post and communication recorded a high employment growth. For instance, employment growth in this sub sector improved from 2.2 per cent noted during 1983 to 1993-94, to 11.6 per cent during 1993-94 to 2004-05. Although female employment (UPS) recorded a higher growth rate in this sub sector, a steep increase was noted in the growth of females in UPSS, which is a matter of concern because it tend to be in subsidiary status which are often non regular job and therefore less remunerative. IT services (a sub sector of finance), have emerged as one of the highest remunerative employment within the service sector. Although IT services have immense potential in terms of income growth, their share in total employment was merely 0.1 per cent in 2004-05. Further, employment in the IT sector is biased towards workers with certain ‘qualifications’ which also limit its prospects. Within the finance sector, the share of banking almost stagnated around 0.5 per cent during 1993-04 to 2004-05, which is mainly attributed to computerisation of banking operations. Stagnant employment share of banking and decline noted in the share of public administration (from 2.9 per cent to 2.2 per cent during 1983 to 2004-05), is a matter of concern as these two sub sectors provide high remuneration. For instance, in 2004-05, urban regular male and female workers in banking received average daily wages of Rs. 322 and Rs. 268.2 respectively.

Wage data in banking sector also indicate significant gender gap in earnings. This is true even in other service sub sectors where education of workers matter. For instance, in 2004-05, when urban male regular workers in public administration received an average daily wage of Rs. 236.9, the corresponding figure for females was Rs. 202.5. An explanation for this phenomenon is the segregation of females in low-paying jobs within the sub sectors, which is clearly evident in the case of education, where the majority of females are concentrated at the primary level. Personal services which account for around one fourth of the female employment in services also display gender gap in earnings. Within personal services, private households with employed persons (which basically consist of domestic workers) engage around 12.7 per cent of total urban females in 2004-05, among whom around 82 per cent are regular workers. Although
such a high share of regular employment superficially seems to be positive, wage data conveys a different story. For instance, urban females in regular work in the sub sector received an average daily wage of Rs. 34, while the corresponding figure for regular urban males was Rs. 71.6. Apart from low female share in total service workers (which stagnated around 16 per cent during 1983 to 2004-05), significant gap exists in the male-female earnings, due to gender segregation in jobs. However, such gender differences are relatively less in higher remunerative jobs like banking and public administration, compared to personal services.

When emerging pattern of employment in services is interpreted in relation to the low employment growth in the economy, data support the argument that the bulk of services employment in India is distress-induced, since it offers easy entry to the unemployed, especially true in the case of trade and hotels and personal services. It is noted that the share of high remunerative services like public administration and banking continue to be low and shows a declining trend over the years. The dual character of Indian services employment noted earlier also implies that the explanation for the sector's growth need to be located in both the explanations provided for services growth in developed countries (like high income elasticity of demand for services, noted by Kuznets, 1972, and inadequate employment opportunities pushing labour into petty services (Udall, 1976; Bauer and Yamey, 1951) in the case of less developed countries.

Income and employment generation in Kerala's services present a more proportionate relationship, in contrast to the pattern of the sector's growth in India. As noted earlier, high human development and migration linkages were expected to result in a services growth pattern in Kerala that is distinct from the Indian case. This becomes especially important in the context of the poor performance noted in the primary and secondary sectors. However, the study points out that the differences in the growth trajectory of services in Kerala, compared with that of India as a whole, are not fundamental. On the contrary, the high share of services employment in the state merely results from the proliferation of low-paying jobs. This indicates the failure of the economy to adequately utilise its manpower, apparently presenting another critique of the Kerala development experience.

For instance, apart from a higher share noted in services employment in Kerala, the increase in the share of services income and employment move closely in the state and in the national economy. During 1970–71 to 2005–06, the share of services in
income improved by 30 percentage points in Kerala, while the corresponding figures for India was 29 percentage points. When the share of employment in the service sector increased by 7.4 percentage points in the state (during 1987-88 to 2004-05), for India it was 5.5 percentage points. Further, in both Kerala and Indian services, trade and hotels, followed by finance are the major income generating sectors, while the largest share of workers within the sector are engaged in trade and hotels and transport.

In 2004-05, trade and hotels engaged 14.3 per cent of workers in the state, which is higher than the sector’s share at all India level (10 per cent). However, as in the case of all India average, the majority of employment in the sub sector was concentrated in retail trade in food, retail trade n.e.c and hotels and restaurants and retail trade in household appliances. This would also imply, as noted in the case of India that majority of services employment in Kerala falls in the category of petty services. Moreover, a high share of workers in trade and hotels (around 61.8 per cent in 2004-05) in the state are also in the self-employed category. As in the case of all India average not only the average daily wages of workers are lower in trade and hotels, during 1999-2000 to 2004-05, a decline was also noted in the wage rate. For instance, the average wages of regular urban workers declined from Rs. 109.6 in 1999-2000 to Rs. 90.4 to 2004-05. Although wages in trade and hotels in the state is higher than all India average, wages need to be interpreted in Kerala’s context which has relatively high wages, essentially due to the organised nature of workforce in the state.

A higher share of workers are engaged in education and health sectors in the state (4.5 per cent and 1.7 per cent in 2004-05), compared to the all India average of 2.6 per cent and 0.8 per cent respectively. Such a significant difference in the share of workers in sub sectors arises because of greater role attributed to education and health in the state (UN and CDS 1975; Ramachandran 1997). Interestingly, females constitute a higher share of workers in these two sub sectors, compared with the all India average. Employment pattern of females in education sector indicate that majority of them are concentrated at the primary level, which are similar to the national picture. Such a pattern indicates the failure of higher educational qualification to transform into any qualitative difference in structure of employment and also critique the higher status of females in the state. A high share of total workforce in the state is involved in personal services (3.2 per cent), compared to the all India average of 2.4 per cent and the
relatively higher share of female among those involved in personal services (62.3 per cent in Kerala as against 45.1 per cent in India) also point towards this direction.

Significant variations are noted in services employment pattern at the district level. For instance, the share of service sector workers in Idukki and Wayanad districts are relatively low, 21 per cent and 27 per cent respectively in 2001 compared to the state average of 40 per cent. The predominant agrarian nature of districts could be a major reason for this. In the case of Malappuram, a steep increase was noted in the share of service workers from 31.4 per cent to 43.5 per cent during 1991 to 2001, while the corresponding figures for Kerala were 33.8 and 39.2 respectively. Remittances could be an important reason for the increase in the services employment in the district and such linkages become more obvious at the sub sectoral level. For instance, the share of post and communication in total employment generation in the state was 0.93 per cent in 2004-05, while the corresponding figure for India was 0.48 per cent. An important explanation given for the high share of post and communications is its linkage with migration (Pushpangadan 2003) which is corroborated by employment trends at the district level. For instance, Malappuram and Thrissur districts which received 17.1 per cent and 13.6 per cent of remittances to Kerala in 1999 recorded an employment growth of 4.9 per cent and 3.4 per cent in post and communications during 1991-2001. This is a much higher figure compared to Kottayam (3.2 per cent of remittances), which recorded an employment growth rate of 1.8 per cent in the sub sector. Migration also provides an important link in the growth of education sector in the state (Chakraborty 2005) and employment pattern at the district level also indicate such a possibility. During 1991 to 2001 the share of those engaged in education sector in Malappuram increased from 4 per cent to 6.1 per cent. However, increase in the share of employment in education also needs to be interpreted alongside relatively educational backwardness of the district in comparison with Kerala average.

The growth pattern of services in Kerala emphasizes the need to take into account the pattern of employment at the sub sectoral level. The state has human development indicators which are comparable with that of developed countries. Nevertheless, it displays a pattern of employment growth in services which is dominated by petty services as is the case of India. Further, the linkages of human development achievements resulting in the growth of high-end services are relatively weak in Kerala,
especially in the IT sector. This is a matter of serious concern given the context of high rates of educated unemployment in the state.

The influence of private capital in services growth process was analysed in Chapters 4 and 5, taking education and health sectors respectively. The selection was justified primarily due to the following reasons: the increasing shares of health and education in income and employment at national and state levels; the important role played by these sub sectors in shaping state’s high human development indicators; and migration linkages operating in these sub sectors’ growth in the case of Kerala. Further, health and education have become an attractive investment option (Jeromi 2005), especially in the context of the poor performance in commodity producing sectors in the state.

The growth pattern of educational institutions in private and public sector was traced to understand the growth process of education sector. The way private capital dominates and operates at all levels of education (schools, HSS, general and professional colleges), points to the profitability of investment in this sector, even though legally it is still not permissible to profit from education. For instance, the share of private unaided schools in the state increased from 2.1 per cent in 1990-91 to 6.8 per cent in 2006-07, while the share of private aided schools were around 60 per cent during the same period. Within the private unaided schools, there is an increasing preference for ICSE schools, whose number increased from 331 in 2001 to 587 in 2007. The growth of private sector in school education is linked to demand for ‘quality’ education, which private institutions claim to provide, while government schools are closing down due to lack of adequate number of students. For instance, in Malappuram the share of private schools increased from 2.2 per cent in 1980 to 16.7 per cent in 2006-07, at the same time 10 per cent of ‘uneconomic schools’ (without adequate number of students) are located in the district. Migration provides a crucial link in explaining change in preference towards education in the private sector.

The predominance of SRO’s is a distinguishing feature in the education sector in Kerala. For instance, SRO’s owned or managed 64.4 per cent of the schools (private and unaided) in Kerala in 2006. This is also applicable in the case of collegiate education, where private sector controls 80 per cent of aided colleges. Difference in the share of various communities in owning colleges also leads to regional disparities in the growth of higher education. For instance, 50 per cent of aided colleges are managed by
Christian denominations, and the majority of them are concentrated in southern and central region of the state. The share of aided colleges managed by the Muslim community is around 11.33 per cent. In a private sector dominated growth trajectory of education this would explain the poor development of college education in northern districts of Kerala, which have a relatively higher share of Muslim population.

Kerala recorded the highest educated unemployment rate in India (30 per cent in 2004-05). An important reason pointed out for this phenomenon is the lack of technically qualified job aspirants (Mathew 1997). At the same time, facilities for professional education in Kerala were minimal before the 90s. Following economic prosperity created by remittances, there was a flow of students to the self financing professional colleges in neighbouring southern states. However, due to high capitation fees charged by self financing colleges, professional education was unaffordable for the majority in the state. It was in this context that the government decided to open professional education in the state to private players in 2004. As education had already become an alternate investment option, the private sector responded positively to the situation and the number of self financing engineering colleges in Kerala increased from one in 1998 to 50 in 2006. Interestingly, the dominance of SRO's continued even in the professional education stream with Christian managements controlling 32 per cent of self-financing engineering colleges in the state. The (re) negotiations of private agents in the growth process of education sector, especially debates regarding the operation of self-financing colleges (traced though Court judgements) clearly indicate how even SRO's functions with implicit capitalist profit-oriented interests.

Such an unprecedented increase in the number of self financing colleges without adequate regulatory measures may have far reaching consequences in the quality of education and employability of the workforce. This is supported by anecdotal evidence which indicates an increase in the number of ‘finishing schools’ to further groom engineering graduates. Further, the quality of employment in such self-financing colleges is also a matter of concern as evidence indicates that most faculty members tend to be appointed on short term or casual contracts. NSS data also indicate high employment growth in technical education especially in subsidiary status. While urban principal status male and female workers (UPS) in technical education recorded an employment growth rate of 5.5 per cent and 14.2 per cent respectively during 1993-94 to 2004-05, the corresponding figures for UPSS workers were 11.6 per cent and 20.4 per
cent respectively. Such tendencies in the education sector, where the majority of workers are in regular employment, merit attention and need to be placed in the context of the debate regarding the low quality of services employment in India. Moreover, given the poor industrial performance of the state, the possibility of these technically qualified entrants getting employment in Kerala is limited.

The role of private capital in influencing the health sector growth process was also explored in this study. It was argued that regional variation in the provision of public health services is an important factor that has influenced private investment in the sector. To substantiate this point, inter-district variations in the growth pattern of private and public health institutions in the state under different systems of medicine were traced. Public health facilities are skewed towards districts of Thiruvananthapuram, Kottayam, Ernakulam and Kozhikode while Malappuram, Kasargod, Idukki, Kollam and Palakkad continue to be poor performing districts. In 2004, the bed-population ratio (per one lakh population) in the government health sector (Allopathic) varied from 218 in Thiruvananthapuram to 66 in Malappuram while the state average was 133. The growth pattern of public and private health institutions displays significant intra-state variations. Such a pattern is surprising in the state of Kerala, which is commended for human development with relatively less intra-state variation.

The growth of private Allopathic health care institutions also exhibits significant variation across districts. For instance in 2004, the bed per one lakh population varied from 434.3 in Idukki to 78.9 in Malappuram. Idukki was one of the districts with poor public health infrastructure (Allopathic) with 90 beds per one lakh population. Palakkad and Kasargod districts present a contrasting picture where the bed population ratio continues to be low in both public and private care. Such variation in the growth of private health care can be linked with the economic performance of districts. For instance, Idukki records a high per capita income while Palakkad and Kasargod are relatively poorer which probably explains variations in the penetration of private capital in the districts. By this logic, the higher per capita income of Pathanamthitta explains the higher private participation in health care, another district with limited public health facilities. Though evidence indicates that migrants prefer private care, variations also exist in the growth pattern of private health care even within high migration districts. In Kollam and Kannur, which receive 7.7 and 7.4 per cent of remittances (Planning Commission 2008), a sharp increase is noted in the bed population ratio, especially post
1986, while the improvement in bed population ratio in high migration districts like Malappuram and Kozhikode continues to be low. Such variations are explained by the difference in the health seeking behaviour among different migrant communities and dependence on private consultation not attached to hospitals (Zachariah et al., 2003; Planning Commission 2008). However anecdotal evidence indicates the continuing dependence of Malappuram on neighbouring districts. For instance, neighbouring districts of Malappuram viz. Kozhikode have better public health infrastructure, while Thrissur is one of the districts with better private and public infrastructure. Pattern of private health care indicates how their expansion is concentrated in economically well-off regions, intensifying inequality in health infrastructure. In comparison with Allopathic care, Malappuram has a better infrastructure with respect to Ayurvedic health care. Ayurveda based activities are among the 'high roads' identified for economic development in the state (CDS 2006). Although employment generation in health care sector has improved over the years, its share in total employment was around 1.7 per cent in 2004-05. However it is high compared to the all-India figure (0.8 per cent). The challenge lies in utilising better health infrastructure in the state to develop health care as a vibrant employment generating sector. Similar to education, the health sector also witnessed increased private participation in the post-1990s and private capital was to a large extent successful in transforming 'health' into a marketable commodity by manipulating notions of health and health care. As in the case of education, the quality of employment generated in the health sector in a private sector led growth process could be a matter of concern. The analysis shows that private capital investment in the health sector of Kerala is highly correlated with per capita income. Employment generation in such activities is concentrated in those regions.

Interweaving macro and micro evidence, the study attempted to understand the growth process of services growth in India. The results of the study indicate that the greater part of the sector's employment in India is in petty services (in trade and hotels, transport and personal services) as indicated by the pattern at the sub sectoral level and also supported by trends in the nature of employment and wage rates. The share of employment in highly remunerative jobs like public administration recorded a decline in share, while the employment potential of sub sectors like IT services, banking, insurance, etc continue to be low. Such an emerging pattern in services employment highlights the need to focus on the structure of employment generation in services, apart
from its low share. This point is emphasized by the case of Kerala, which displays a more symmetrical relationship between income and employment in services, although the pattern of employment in the sector is not fundamentally different from India. In certain service sub sectors like post and communication, education and health, a relatively higher share of workers are employed in the state and this is linked to the inflow of remittances and high human development. However, such linkages have failed to create a pattern of growth dominantly based on high end services. On the contrary, the higher share of services employment in the state merely results from the proliferation of low paying jobs. The case studies also show that a services growth process influenced by private agents can have negative impact on the quality of employment, as noted in the case of self-financing colleges. These trends could be interpreted in the context of overall low quality of employment in services. Although education and health sectors have played an important role in Kerala’s economy, how far the economy can capitalise on these sectors and generate a qualitative difference in services employment is debatable. This may be relevant even in the case of the Indian economy, which has relatively poor indicators of human development, if expansion of these sectors can be used to generate a virtuous growth pattern of high end services employment.