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The economic scene in the country to-day is full of paradoxes. While, as a result of thirty years of planned development, the improvement recorded in economic growth appears to be impressive, a closer examination of the various facets of this progress reveals several noteworthy inadequacies. The country has so far carried out five "Five Year Plans", three "Annual Plans" and two "Rolling Plans". The thirty years of planning has resulted in some quantitative achievements in several spheres of the Indian economy. Foodgrains production went up from 55 million tonnes in 1950-51 to a record level of 131.9 million tonnes in 1978-79 and is estimated to have gone up to 134 million tonnes during 1981-82. The per capita availability of foodgrains increased to 459.5 grammes per day in 1980-81. India is now the fourth largest grain producer in the world. But, even after three decades of planning, our agricultural production is inversely correlated to monsoons. Monsoons continue to be the major determinant of our rate of growth, inspite of the so-called green revolution, by which nearly 23 percent more land was brought under cultivation, and the facilities for improved methods of agricultural practices were provided.

The GNP at 1970-71 prices increased from Rs.17,469 crore in 1950-51 to Rs.25,424 crore in 1960-61 and further to Rs.36,452 crore in 1970-71, Rs.48,607 crore in 1978-79 and Rs.50,509 crore in 1980-81. This increase comes to 189.1 percent, implying
an average annual growth rate of 6.3 per cent. During the same period, the NNP increased from Rs.16,731 crore to Rs.47,431 crore implying an annual growth rate of 6.1 per cent. But, all this increase helped NNP per capita going up to only Rs.696 in 1980-81 from Rs.466 in 1950-51 at 1970-71 prices, showing an increase of barely 49.4 per cent in twenty years.

Skewed distribution of assets and gross inequalities in the distribution of income can be seen everywhere in the country. The draft Sixth Five Year Plan (1978-83) has stated that the concentration ratio of assets, mainly agricultural land owned by rural households, was 0.65 in 1961-62, but it increased to 0.66 in 1971-72. The NDP generated in agriculture during the year 1978-79, according to the National Accounts Statistics, was Rs.31,023 crore and in that year population dependent on agriculture was 448.7 million. Thus, the average annual income per capita of those who were dependent on agriculture was only Rs.691.4. If agriculturists in India are considered as one nation, as in the World Bank Atlas, India would be at the lowest among the 125 nations, for which per capita income has been recorded. A study by the National Council of Applied Economic Research on household incomes and their disposition for the agricultural year 1975-76 shows that 95.8 per cent of the households in the lowest income
groups up to Rs.1200 per annum, who can rightly be called destitute, were in the rural areas. The average income per annum of an urban household was Rs.7,074 or 1.8 times that of an average rural household of only Rs.3,390. The most alarming feature of income distribution is that the disparity between rural and urban incomes is not only wide but is also further widening. According to CSO data (1973-74 to 1978-79), per capita income (at current prices) of agriculturists rose by only 10.8 per cent during the reference period, whereas the per capita income of non-agriculturists rose by 75 per cent. This happened inspite of an increase of 22.8 per cent in agricultural production during the same period.

Industrial scene is no exception to the paradoxical situation in which the general economy is. The Industrial Policy Resolution of 1956, hailed by some as the "Economic Constitution of India", was based on the premise that the economic progress of a country ultimately depends on industrialisation, as indeed shown by the economic histories of the new developed countries. A major transformation has taken place in the Indian economy since 1956 and the country is now in a position to produce a vast variety of industrial goods, some of which are highly sophisticated. The proportion of industrial output to total output at 13.5 per cent in 1950-51 improved to 15.15 per cent in the early 1960-61 and
again to 18.0 per cent in 1965-66. But it has remained static since then. Industrial production during the first decade of planning (1951-61) increased on an average by 7 per cent per annum. The increase during the next four years, i.e., from 1961-62 to 1964-65 was around 9 per cent per annum. Thereafter, there was a period of deceleration in industrial growth, with the annual growth coming down to 5.3 per cent in 1965-66 and virtually stagnating during the next two years. Industrial production showed a sharp recovery in 1969-70 by registering a growth of 7.4 per cent. During the subsequent five years, the growth rate was around 3.4 per cent. The general index of industrial production rose by 7.2 per cent in 1975-76, 9.5 per cent in 1976-77, 3.3 per cent in 1977-78 and 7.6 per cent in 1978-79, yielding an average annual growth rate of 6.9 per cent. Industrial production in 1980-81 recorded a growth rate of 3.6 per cent compared to a decline of 1.4 per cent in 1979-80, as per the provisional CSO indices. Despite these vicissitudes, India has now become the tenth industrially developed country in the world. But it is a sad commentary on the country's planning process that this development has made little change in the fate of a large mass of people, which continues to be below the poverty line and also unemployed.


The Planning Commission's estimate of population below poverty line in 1977-78 was 48 per cent for rural areas, and 41 per cent for urban areas, the average for the country being 46 per cent\(^2\). According to the World Development Report, 1981, India with per capita GNP of $190 is the 15th poorest country of the world. This per capita GNP is 1/53rd of the per capita GNP of $9590 for U.S.A. The average annual growth (per cent) in GNP per capita between 1960 and 1978 has been merely 1.4.

So far as unemployment is concerned, according to a recent estimate\(^3\), the unemployed in India number about 26 million, which comes to about 12 per cent of the total labour force. This ratio is 5.2 per cent in the U.S., 3.3 per cent in the U.K. and 1.3 per cent in Japan. The number of job seekers on the live register of the employment exchanges, which gives an idea about urban unemployment, rose from 0.33 million in 1950 to 14.44 million in 1980. The situation in rural areas is worse. Although there is precisely no workable estimate of rural unemployment, basically due to the weak data base (the only available source being the National Sample Survey rounds), roughly the rural and semi-rural joblessness, taking into account the incidence of seasonal and disguised unemployment.


is three times the unemployment recorded at different employment exchanges all over the country taken together.

From the above review of the Indian economic scene, it is clear that the three decades of planning in India have proved to be an era without stable economic development. The Draft Sixth Plan (1978-83) summarized the position with this rather sad admission, "We must face the fact that the most important objectives of planning have not been achieved. The most cherished goals seem to be almost as distant to-day, as when we set out on the road to planned development. These aims ... universally accepted by the Indian people ... are the achievement of full employment ... eradication of poverty, and the creation of a more equal society." There is no doubt that the country has skidded into an unemployment trap inspite of positive income growth. But why?

SYMPTOMS OF AN AILING ECONOMY:

Colin Clark⁴ and Simon Kuznets⁵ have marshalled impressive empirical evidence to establish a negative correlation

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between (a) the level of national income and the share of agriculture in national product, and (b) also between the level of national income and the share of labour force in agriculture. Kuznets observes: (a) as we move from countries with the highest per capita incomes to countries with the lowest per capita incomes, the average share of agriculture in national product rises steadily; and (b) the lower the product per capita, the larger the share of agricultural sector in the labour force. This means that a country, whose industrial distribution of national product and labour force indicates a heavy dependence on the agricultural sector, is likely to have a low per capita national income. These observations have also been confirmed analytically in Indian context.

Reverting to the Indian economic scene, it is seen that there has hardly been any marked diminution in the population engaged in agriculture, or increase in those engaged in trade, transport and industry. Looking at the Indian census figures over 70 years, it can be said that the position has in fact, deteriorated. The working force engaged in secondary occupations was 12.6 per cent in 1901 and 11.2 per cent in 1971 and in the tertiary occupations 15.6 per cent in 1901 and

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16.7 per cent in 1971. According to the World Development Report 1981, 71 per cent of India's labour force is still engaged in agriculture and significantly enough there has been very little change in this percentage since 1960, when it was 74. The percentage of labour force in industry continues to be 11 from 1960 to 1979, although that in services has increased from 15 to 18. There has been only marginal improvement in share of gross domestic product in industry (from 20 per cent in 1960 to 27 per cent in 1979), and in services (from 30 per cent in 1960 to 35 per cent in 1979), resulting in corresponding marginal decline in agriculture (from 50 per cent to 38 per cent). Thus, the nation's efforts at economic development have not, so far, produced any impact on the livelihood pattern of the people. This is also confirmed by Krishnamurty's study of the trends in the industrial distribution of labour force (males only) in the country as a whole. The study shows that the percentage share of agriculture declined from 73.6 in 1911 to 71.7 in 1961 and in fact, between 1951 and 1961, the first decade of planning in the country, there was no decline at all in the labour force.

The removal of excessive dependence of labour force on agriculture is a long-term process. It took Japan 65 years to

reduce the share of agriculture in its labour force from 85 (in 1872) to 45 per cent (in 1936). In the U.S.A., the share of agriculture in the labour force in 1870 was 50 per cent. It took 40 years to reduce it to 31 per cent. Now the percentage of working population in agriculture is only 4 in U.S.A. and 21 in Japan. By any standards, India's performance in this direction has been dismal in the last thirty years and this could well be the reason of the economic stagnation of the country. Where does the blame lie for this dismal performance? On failure to implement the right policy, or failure to frame the right policy?

EMPLOYMENT POLICY THAT NEVER WAS:

If it is agreed that economic development of a country is associated with a shift away from agriculture, the country has to devise a policy for expansion of employment opportunities in secondary and tertiary sectors. In the earlier years of planning in India, maximisation of employment opportunities was not considered to be an important objective in itself. Employment generation was looked upon as a by-product of economic growth. It was clearly stated in the First Five Year Plan that full employment was not an end in itself and should be regarded as a corollary of development, rather than as a direct objective. This strategy was based on the faith in what is known as the "spread effect" of overall growth.
This approach suggests that only through a rapid overall growth of the economy can a sure and lasting impact be made on the living standards of the poorer sections of the population. To achieve this end, the limited investible resources of the economy should be channelled into the most profitable and productive enterprises, the profitability being judged by the quantum of surplus generated in the process for further investment and accelerated growth. Any deviation from this path, it is argued, will only delay the realization of the objective of improving the living standards of the poor. Investments in any, but the most profitable enterprises, will slow down the growth rate of the economy, and hence its capacity to sustain the ameliorative or welfare programme in the transitional stage.

In the Second Five Year Plan, which placed relatively more emphasis on the creation of gainful employment opportunities, it was reiterated that the problem of unemployment, especially in an underdeveloped country like India, could be solved after a period of intensive development. The same viewpoint of treating employment as a by-product of development persisted among the planning elite of the country even during the Third Five Year Plan period, when the problem of open unemployment had become acute.
It cannot be denied that development will generate employment opportunities and that there is a correlation between the increase in the growth of industrial production and expansion of employment opportunities. During the year 1954-1964, industrial production expanded at the rate of 7.7 per cent per annum. Consequently, employment also rose, although at a lower rate of 4.1 per cent per annum. But, thereafter during the years 1965-70, industrial production itself increased at a very low rate of 3.3 per cent per annum, and the creation of job opportunities in the industrial sector, lagged far behind the increase in production. The employment thus generated has not been adequate enough to absorb the past, the present and the growing number of unemployed and under-employed in the economy. The position was accentuated because of large increments in the labour force due to the acceleration of the rate of population growth in the post-Independence period. Consequently the number of unemployed and under-employed persons has been rising significantly over the last Five Year Plan periods, as can be seen from Table I and Table II.

The economic growth in India has certainly been slow but this need not necessarily be the cause of growing unemployment. Several instances from different countries can be cited, which show increase in unemployment inspite of rapid economic growth. In Venezuela, for example, a World Bank study
# TABLE I

## PLAN-WISE MAGNITUDE OF UNEMPLOYMENT

<table>
<thead>
<tr>
<th>Plan</th>
<th>Backlog of unemployment</th>
<th>New Entrants</th>
<th>Additional employment provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>3.3</td>
<td>9.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>5.3</td>
<td>11.8</td>
<td>10.0</td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>7.1</td>
<td>17.0</td>
<td>14.5</td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>13.6*</td>
<td>27.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Fifth Plan (1974-78)</td>
<td>22.9*</td>
<td>29.7**</td>
<td>32.0</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>20.6</td>
<td>29.5</td>
<td>49.2</td>
</tr>
</tbody>
</table>

* Including the backlog of 4 million at the end of 1968-69.

** Estimated by Varughese.

Source: Joshi

indicated that, notwithstanding a growth rate of 8 per cent between 1950 and 1960, there was more unemployment at the end of the decade than at the beginning. It may, not, therefore, be very correct to regard unemployment in less developed

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TABLE II
ESTIMATED UNEMPLOYMENT

(In Million person years)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chronic unemployment</td>
<td>3.61</td>
<td>4.37</td>
<td>12.02*</td>
</tr>
<tr>
<td>Weekly status unemployment</td>
<td>9.45</td>
<td>11.19</td>
<td>12.18</td>
</tr>
<tr>
<td>Daily status unemployment</td>
<td>17.45</td>
<td>20.56</td>
<td>20.74</td>
</tr>
</tbody>
</table>

* Including 4.19 million who have gainful subsidiary work.

Sources: Draft Five Year Plan 1978-83 - Tables 4.1 and 4.2
       Sixth Five Year Plan (1980-85) - Table 13.2

countries as a symptom of underdevelopment, which would disappear as development proceeds.

A review of the investment pattern in industries indicates that in India investments in industries were not specifically slanted in favour of employment creation. This is evident from the fact that on an average an investment of Rs. 76,000 was required to create one job under the investment programmes in industries during 1965-70. Table III which summarises the relation between additional investment and additional employment during the period 1965-69, indicates
### TABLE III

**IMPACT OF INVESTMENT ON EMPLOYMENT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase in employment (in '000)</th>
<th>Increase in investment (Rs. million)</th>
<th>Jobs for each one million rupees of investment</th>
<th>E/K</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965-66</td>
<td>280</td>
<td>19145</td>
<td>14.6</td>
<td></td>
</tr>
<tr>
<td>1966-67</td>
<td>182</td>
<td>18656</td>
<td>9.9</td>
<td></td>
</tr>
<tr>
<td>1967-68</td>
<td>206</td>
<td>18950</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>1968-69</td>
<td>243</td>
<td>19000</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>1914</td>
<td>74951</td>
<td>13.5</td>
<td></td>
</tr>
<tr>
<td>1965-69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Jitendra Dholakia.11

that one million rupees of investment in industries created on an average only 13.5 jobs in industries. It is well known that there are important linkages between the organised industrial sector and the service sector of the economy. Usually two jobs in the industrial sector generate three jobs in the service sector. The result of having only a small increase in employment opportunities in the industrial sector has been a matching sluggish growth of employment opportunities.

in the service sector of the Indian economy, thus making the whole economic scene murkier.

The Draft Sixth Five Year Plan (1980-85) framework, while dealing with the programme thrusts, declared in unmistakable terms that "the most challenging task facing the country today is the generation of adequate opportunities for gainful employment for all the sections of the population." It is, therefore, necessary to work out a pattern of industrial development so as to secure an optimum sectoral allocation which could achieve high growth rate with minimum of unemployment. Absence of an employment policy and neglect of employment as a primary goal of development in the past thirty years on the presumption that employment could be treated as a by-product of overall growth have belied the expectations. The time has now come to reverse the earlier trend of relegating employment to the back seat and to put on trial a more direct approach by making employment as the aim of the target and considering overall growth as its by-product. This study proposes examining, formulating and evaluating such an alternative strategy of industrialisation.

OBJECTIVES OF THE STUDY:

Probably the best way that one arrives at a generalised answer to generalised issues is by looking at the problem in one situation in one part of the country. The problem of economic stagnation, poverty and unemployment, with which every one is concerned can be seen in an extreme form in
Eastern U.P., with high pressure of population, frequent recurrence of floods and droughts and low productivity of agriculture. The eastern districts of Uttar Pradesh are a low income area requiring special attention in planned economic and social development. A study of U.P.'s economy, made by Dr. Ajit Kumar Singh for the period 1951-75, the first twenty-five years of planned economic development, has revealed that the seven districts of Eastern U.P. constitute the poorest spatial cluster in the State. Jaunpur is one of the seven districts, having per capita income of less than Rs. 225 per month. Dr. Singh has observed that "Eastern U.P. .... seems to be experiencing economic retrogression inspite of two decades of planning." Eastern region has for long been known for extreme poverty, whereas by comparison, western region is more developed. The broad objective of this study is to indicate a strategy of industrialisation by which this region of Uttar Pradesh could be extricated from the morass of poverty and unemployment. That is why, one of the most backward districts of U.P. has been selected for study. Here again there are two aspects of the problem—rural and urban. The latter presents a special problem with which the study will not be concerned.

except only incidently. It will, on the other hand, concentrate on the rural sector. As every one knows, 80 per cent of the population living in the rural areas have access to only about one-fifth of assured and secured jobs. There is a pressing need of evolving a national policy to effectively tackle the menace of rural joblessness, as recommended by the United Nations Conference on Human Settlements, held at Vancouver in 1976.

Accordingly in order to make the study not only of academic interest, but also of practical utility, the following objectives have been set:

(i) to formulate a concept of unemployment and under-employment;
(ii) to study the extent of unemployment and under-employment in the area;
(iii) to study the extent of disguised unemployment in the agricultural sector;
(iv) to study the characteristics and the attitude of the unemployed and the under-employed, with a view to judge their suitability and inclination to move to more productive sectors of economy;
(v) to study and specify the determinants of industrialisation in the area;
(vi) to identify specific project ideas which could be taken up for implementation; and
(vii) to study the employment opportunities offered by the industrialisation strategy, so formulated.

HYPOTHESES:

To meet the objectives of the study, following hypotheses have been formulated:

(i) The area suffers from excessive and acute unemployment and under-employment;

(ii) There is severe disguised unemployment in the agricultural sector;

(iii) Persons suffering from under-employment are interested in taking up additional employment to alleviate their position;

(iv) There is lack of entrepreneurship in the area;

(v) Additional employment opportunities can be generated in the industrial sector by utilising the idle capacity in existing industries;

(vi) Additional employment can be created in the existing industries by reducing their capital intensity through appropriate modification in technology;

(vii) Small plants use more of labour and less of capital, and hence are labour-intensive and capital-saving;

(viii) Labour intensive industries do not use capital efficiently; and

(ix) Industrialisation reduces unemployment considerably.