II

ASPECTS OF THE EMPLOYMENT PROBLEM

1. Given the number of the population, the average living standard of a country at any given time depends upon the aggregate consumption; likewise, given the annual growth of population, the pace of economic development (i.e. of increase in labour productivity due to capital-intensification of the economy) depends upon the rate of aggregate investment. Given the size of national income, aggregate consumption and aggregate investment can be increased only at each other's expense; but an increase in national income makes possible a simultaneous increase in consumption and investment. An increase in national income occurs through an increase either in the volume of employment or in its income-content (i.e. its efficiency or productivity). Fuller and more efficient employment thus provides the way to larger national income, which makes possible a simultaneous increase in living standards and in the rate of economic progress.

2. In present-day India, actual employment is far below literal full employment as defined earlier**, and in income-content very much poorer than employment in advanced countries. One writer has estimated that, assuming standard working hours as 2500 hours per worker per year, in 1941, out of a total of 405,000 million working man-hours available in India, 204,400 (i.e. 50.5 %) were wasted**. The estimate, of course, has merely an illustrative value. But it does give some idea of the immense scope for increase in the volume of employment. The current position in respect of income-content of employment is even more unsatisfactory. In India, employment is at present far less productive than in the economically foremost country, the United States. This is brought out by the following table :-

* Provided, of course, national income is not supplemented by import of capital.
The very much lower output per person in India may partly be accounted for by the smaller average number of hours per person, but the basic cause of this wide disparity is lower productivity. Indeed this very fact makes India an underdeveloped country. Thus, in India, to increase the income-content of employment is even more important than to increase its volume. In other words, the basic employment problem in this country is to achieve not only fuller but also more efficient employment.

3. The goal of a policy aiming at fuller employment should be to narrow the gap between actual employment and literal full employment to the minimum practicable of frictional and seasonal unemployment. This requires, first of all, that actual employment should be raised to the level of Keynesian full employment. This entails the elimination of deflationary unemployment, i.e. unemployment due to insufficient demand.
Next, the level of Keynesian full employment should be raised by reducing voluntary, seasonal, frictional, and technological unemployment to the minimum practicable and by eliminating chronic under-employment due to lack of complementary resources. This will bring actual employment to very near literal full employment. The volume of literal full employment, and hence of practicable maximum actual employment, may also be raised through improvement in the age-structure of the population so that adults form a higher proportion of the total population and through improvement in standards of health and physique, so that the incidence of sickness and incapacity among adults is reduced. Full employment alone will not, however, do away with backwardness and poverty. The task will require, first, that the employment provided should be socially necessary and, second, that its productivity should be brought nearer the standards attained in advanced countries. The first will require the elimination of socially wasteful forms of employment, and the second will necessitate a marked rise in capital-intensity and improvement in labour-skill and organizational efficiency. The solution of the employment problem in India thus requires: (a) elimination of deflationary unemployment, (b) minimization of voluntary, seasonal, frictional, and technological unemployment, (c) eradication of unemployment due to lack of complementary resources and of socially unproductive employment, (d) improvement in the ratio of the economically active to the total population, and (e) marked rise in income-content of employment. These aspects of the employment problem in India are discussed below.

I. DEFLATIONARY UNEMPLOYMENT

4. Deflationary unemployment is that resulting from the failure of the system to generate the volume of effective demand required by full employment. Such unemployment may be cyclical or permanent. The first is associated with
the cyclical ebb of economic activity in a capitalist economy. The second denotes the hard core of unemployment, other than frictional unemployment, which, in the inter-war period, was found to persist in the advanced capitalist countries even at the height of the cyclical boom in economic activity, for even in such a period the system did not generate enough aggregate demand for full employment. In advanced capitalist countries deflationary unemployment presents the chief employment problem. Mass unemployment results from the failure of the economic apparatus to work at capacity due to inadequacy of effective demand. Whenever existing production capacity is fully utilized, as, for instance, during war-time, involuntary unemployment largely disappears. Unemployment is thus mainly the consequence of the failure of the economic system to make full use of the potential employment opportunities. The theory of employment, particularly as developed by Keynes, has in view this type of unemployment. Its main object is to discover how effective demand may be stepped up to a level consonant with the full capacity of the productive apparatus. For this would banish involuntary unemployment, other than frictional unemployment.

5. In India cyclical unemployment is not unknown. Though not an advanced capitalist country, she experiences cyclical unemployment in consequence of her intimate commercial relations with advanced capitalist and associated underdeveloped countries. A substantial proportion, and in a few cases even the larger proportion, of the output of certain goods is exported.
TABLE 12: INDIAN PRODUCTION AND EXPORT OF SELECTED COMMODITIES: 1951.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Unit</th>
<th>Production</th>
<th>Export</th>
<th>Percentage of Export to Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shellac</td>
<td>000 tons</td>
<td>21.9</td>
<td>21.5</td>
<td>98</td>
</tr>
<tr>
<td>Jute Manufactures</td>
<td>&quot;-&quot;</td>
<td>873.7</td>
<td>650.0</td>
<td>74</td>
</tr>
<tr>
<td>Tea</td>
<td>m. lbs.</td>
<td>600.0*</td>
<td>430.0</td>
<td>72</td>
</tr>
<tr>
<td>Black Pepper</td>
<td>000 tons</td>
<td>31.5</td>
<td>15.1</td>
<td>48</td>
</tr>
<tr>
<td>Cashew-nuts</td>
<td>&quot;-&quot;</td>
<td>60.0</td>
<td>25.2</td>
<td>42</td>
</tr>
<tr>
<td>Wool</td>
<td>m. lbs.</td>
<td>54.5</td>
<td>25.4</td>
<td>42</td>
</tr>
<tr>
<td>Hides and Skins</td>
<td>lakh pieces</td>
<td>584.0</td>
<td>205.0</td>
<td>35</td>
</tr>
<tr>
<td>Tobacco</td>
<td>m. lbs.</td>
<td>562.2</td>
<td>90.0</td>
<td>16</td>
</tr>
<tr>
<td>Coffee</td>
<td>&quot;-&quot;</td>
<td>22.0**</td>
<td>3.3</td>
<td>15</td>
</tr>
<tr>
<td>Oilseeds (major)</td>
<td>m. tons</td>
<td>5.06</td>
<td>0.51</td>
<td>10</td>
</tr>
</tbody>
</table>

* Relates to 1950
** Relates to 1949-50

2. Indian Jute Statistics, Commerce.

Among the minerals, the bulk of the output of mica and manganese is exported.

Since India's exports are almost entirely directed to advanced capitalist countries and associated underdeveloped countries—during 1951-52 India's exports and re-exports to China, the Soviet Union, and Eastern Europe were valued at only Rs. 15.53 crores against her total exports and re-exports of Rs. 715.33 crores***—a decline in economic

*** Calculated from the data on trade with individual countries provided in Govt. of India, Accounts Relating to the Foreign Sea and Air-borne Trade and Navigation of India for March, 1952. The data excluded India's overland trade. If that is also included, the relative share of the Sino-Soviet bloc in India's exports will be correspondingly reduced.
activity in these countries, and the consequent falling-off in their demand for India's export products may cause a substantial drop in output and employment in certain lines of production. The drop in employment in jute manufactures and coal, iron-ore, manganese and mica mining in the early thirties was mainly attributable to this factor.

The susceptibility of the Indian economy to cyclical fluctuations in demand and employment is not, however, entirely due to its intimate relationship with the economies of the advanced capitalist countries, especially the UK and the USA. India is one of the capitalistically more advanced under-developed countries. Her economy is, therefore, herself subject to cyclical fluctuations. But since India is capitalistically much less advanced than the Western countries, cyclical fluctuations of domestic origin are bound to be very much milder.

6. Cyclical unemployment, though not non-existent in India, is never so large, or so significant, as in the advanced capitalist countries. In India the volume of employment is relatively stable over years, because, firstly, aggregate demand is relatively less unstable, and, secondly, adjustments to short-run fluctuations in demand are affected more through change in prices and incomes than through variations in production and employment.

7. Demand is relatively less unstable in India than in the West, for the following reasons: (a) Investment demand, one of the most unstable components of aggregate demand in a relatively free private enterprise economy, forms a much smaller proportion of total demand. The Plan has estimated investment in 1950-51 at just 5% of the national income*. (b) Because of the relatively small amount of private investment, it is comparatively easy for the Government to counteract the depressive cyclical factors by providing appropriate stimuli to such investment, e.g.

* Appendix to Part I of the Plan.
a bigger quantum of protection to domestic industries, lower duty on imported machinery and raw materials and lower rate of the corporation tax, more liberal allowances for depreciation, exemption of new investment from taxation for a specified period, reduction in the employers' contribution under the social insurance schemes, a more sympathetic Stores Purchase Policy, and accelerated public investment of types which promote private investment*. (c) Since the potential scope for investment is very great, the Government can easily offset any decline in private investment by stepping up public investment. In the past the changes in government expenditure have been cyclical rather than counter-cyclical. Given a more appropriate fiscal policy, it should be easier to stabilize aggregate demand in India than in the advanced capitalist countries. (d) Consumption demand is relatively more stable in India than in the developed West because the major part of the consumption of the peasantry who form the bulk of the population consists of their own production, the consumption level in the case of the mass of the population, already being the minimum practicable, tends to be maintained in the face of decline in income through dissaving, and durable and luxury goods form a relatively insignificant part of total consumption. (e) A decline in consumption is more likely to reduce the demand for higher quality and costlier imported goods than for relatively cheaper and more essential domestic products. (f) The volume of foreign trade being a relatively small proportion of total national output, the destabilizing influence of changes in the export surplus on aggregate demand is very much weaker than, for instance, in the United Kingdom. Moreover, an appropriate commercial policy can prevent large changes in the export surplus.

8. In India adjustment to fluctuations in demand is effected differently from advanced capitalist countries.

* In an underdeveloped country where private enterprise is relatively shy and has limited resources, it (Contd)
There, since large-scale production and monopolization have advanced very far, control of production rests in a very limited number of hands. Those who control production react to decreased demand by cutting down production. A slump, therefore, manifests itself less in decline in prices than in decline in business activity and employment. In India the reaction to fall in demand is very different. Here agriculture is the predominant sector, accounting for 69.8% of the total population and 47.6% of the national income. It is carried on by some 198.98 million individual peasant cultivators (including their dependants). The bulk of the agricultural output is consumed by the peasant-producers themselves. The bulk of the demand for agricultural products thus remains unaffected by market fluctuations. This tends to stabilize agricultural production over the cycle. Moreover, in the absence of alternative sources of livelihood, the vast agricultural population carries on agriculture not so much as a business enterprise as a way of life. The present-day agriculture has two important characteristics. Firstly, the upkeep of the peasant family and of the draft cattle accounts for the bulk of the total cost. Since the family and the draft cattle have in any case to be maintained, the bulk of the cost is fixed. And the higher the ratio of fixed to total cost, the less willing it is to reduce production. Secondly, the agriculturist and his equipment have little transfer earnings. And the lower the transfer earnings of a factor, the more difficult it is for him to give up his present employment. The cultivator has little incentive to reduce output when most of his costs are fixed and when his own and his equipment's transfer earnings are about nil. Accordingly, it is unusual for him to effect cuts in output. And in view of the highly competitive character of this industry, planned

* First Report of the National Income Committee, 1951, p. 29
** Census of India, op. cit., p. 13-14.

(Cont'd from p. 88)

often fails to undertake types of development which are an indispensable pre-condition of private investment in other fields. If, therefore, public agencies undertake this type of development, it stimulates private investment in other fields. In India, as in other underdeveloped countries, there is as yet very great scope for socially useful public investment that will stimulate private investment.
reduction in output, unless enforced by Government, is unthinkable. On the contrary, the peasant may at times actually be impelled to produce more than he did before the price fall, in order to be able to meet his cash obligations, some of which are more or less fixed in amount, e.g. land revenue, water rates, interest on debt, etc. This, for instance, is precisely what happened during the Great Depression. Throughout this period acreage remained practically steady at a level slightly higher than in 1927-28, while the weighted index of agricultural output tended to rise. The latter indicates an increase in total employment afforded by agriculture, for there was no improvement in agricultural technique during this period. Clearly, in India, the depression manifests itself in a decline, not so much in employment as in prices and earnings, not so much in real income as in money income. The real income of the agricultural population has a high degree of stability over the cycle because the bulk of this consists of agricultural output retained for the producers' own consumption and because the simple manufactures bought by the peasantry, being for the most part the output of highly competitive cottage and small scale industries, are likely to experience almost as sharp a fall in prices as agricultural produce may do. Conversely, an increase in demand induces more a rise in prices and earnings than an expansion of employment.

In India farm output is 'notoriously inelastic to price and income changes'. And cc/agricultural employment.

Again, in India, farming at least in the case of the vast mass of the less substantial cultivators, is largely a family enterprise run by members of the family, with little hired labour. The 1951 Census has revealed that cultivators outnumber agricultural workers by more than 4 to 1. To the extent that this form of farm organisation prevails, unemployment in the sense of being 'out of a job' can hardly arise, even when output declines. That can, and does, occur is under-employment rather than unemployment.


* B. Datta, op. cit. p. 20.
The above applies in equal measure to the self-employed millions engaged in hand trades, money-lending, petty transport and distribution. In the case of all of them, a decline in business causes not outright unemployment but under-employment.

9. Even in the sector where production is carried on with hired labour, the depressive effect on production of fall in money demand is very much weaker than in the advanced countries. This is accounted for by the greater flexibility of money wages and the higher ratio of labour cost to total cost. The rigidity of money-wages in the advanced countries is due to the existence of powerful trade unions, the widespread practice of collective bargaining and minimum wage legislation. In India, trade unions are relatively weak, collective bargaining is uncommon, and minimum wage legislation dates not only as late as 1948, but covers as yet only a small proportion of the total wage-earning population. Social conventions are not only getting increasingly weaker but, since they relate to wage payments in kind, are a factor making for the rigidity not of money wages but real wages. The facts that the bulk of the wage workers are employed in the non-organized sector of the economy, that they are casual workers rather than regular employees, and that even in the case of the latter, wage contracts tend to be short rather than long-term, also tend to make money wages flexible. The ratio of labour cost to total cost in under-developed India is higher than in the advanced West because of the lower capital-intensity of the techniques employed here. Greater flexibility of money wages and a higher labour cost : total cost ratio mean that money costs are much more flexible in India than in the West. And the more flexible the money-costs, the weaker the depressive effect on production of a fall in prices. For when falling prices are largely compensated for by falling costs, production, and hence employment, tends to be maintained at about its old level. The maximum decline in employment in the organized sector (Factories, mines, railways and plantations) in India between 1929-33 was no more than 7-8%.
10. The industrial workers in India, unlike the proletariat in the advanced countries, are not wholly cut off from the village. A considerable section of them maintain contact with the villages from which they are drawn. The village nexus, though weaker than before, is still a living reality. And it is bound to remain so till adequate improvement in wage-levels, security of employment, availability of housing accommodation, and the provision for social insurance, obviates the need for continued contact with the village. Because of their contact with the village, industrial workers, thrown out of employment due to cyclical deficiency of demand or any other factor, tend to return to the village and engage themselves in agriculture, cottage industries and petty trades. Thus instead of outright unemployment, we have 'disguised unemployment' of the type mentioned by Joan Robinson.

11. Since the beginning of 1952 complaints of inadequacy of demand have been heard in several lines of production, mainly in the field of small-scale industry. Inadequate demand has resulted in curtailed production. Many have thus been thrown out of employment. The sugar industry is the first large-scale industry faced with the problem of inadequate demand. It would not be surprising if by 1953, the cotton textile industry, the most important of India's organized industries so far as the number of workers employed is concerned, is also faced with a similar situation. The current inadequacy of demand for several non-agricultural commodities reflects continued stagnation in the predominant agricultural sector rather than the onset of a cyclical downswing, for none in as yet (Sept. 1952) in progress in India or over rest of the capitalist world. The sugar industry is unable to market its produce, (even though output in the 1951-52 season comes to no more than about 9 lbs. per head of the population), because in the absence of agricultural progress the purchasing power of the agricultural population, (i.e. 69.8% of the total population), remains severely limited. Indeed, the
inadequate domestic production of foodgrains and industrial raw materials and inadequate domestic demand for industrial products both flow from the same circumstance, viz., stagnant agriculture. The problem is not new but of long standing. Reviewing the progress of the Indian economy since 1920, the Fiscal Commission (1949-50) remarked: 'On the debit side, the agricultural sector of the country's economy has remained practically stagnant throughout this period, with little increase in the total yield of crops or little change in the character of agriculture ......... Consequently, notwithstanding the increase of production in certain lines of manufacture, the market for industrial products has remained restricted'. Being different in nature, the current problem of inadequacy of demand for industrial products does not admit of the treatment customarily applied in the West for inadequacies in demand. In India the solution must be sought, not in the devices commonly employed in advanced capitalist countries to stimulate demand, but in imparting health and vigour to agriculture. Increase in agricultural output will simultaneously solve the problem of foodgrain and raw material supplies on the one hand, and of adequate demand for industrial products on the other. The expansive devices customarily employed in the West - deficit financing, cheap and easy credit, etc. - may to some extent stimulate demand for industrial products, but will also most certainly generate powerful inflationary pressures. Revitalization of agriculture provides a non-inflationary, hence a lasting, solution of the problem.

12. Industrialization and the measures which must precede it - the liquidation of feudalism being the most important of them - provide an effective solution to the problem of unemployment resulting from inadequacy of demand. The transfer of land to the tiller and other measures to impart health and vigour to agriculture outlined in Chapter VI will remedy the inadequacy of demand of the type discussed in the foregoing paragraph. At the same time industrialization will ensure adequate aggregate demand. Industrialization
necessarily involves a high rate of investment. And this ensures adequate aggregate demand. In an underdeveloped country engaged in rapid industrialization the problem is rather to restrict demand than to raise it. In such a country, on account of very low per capita income, the marginal and the average propensity to consume is very high. This means a large multiplier*. Accordingly as investment is stepped up, there is rapid increase in effective demand. Since, in such a country, the lapses from Keynesian full employment are never large, it is not long before this level of employment is reached. Thereafter, further increase in the rate of investment generates powerful inflationary pressures. Thus, even as the rate of investment may be very much lower than that necessary for rapid economic development, effective demand may become excessive. Under the circumstances, to prevent a headlong plunge into runaway inflation, steps must be taken to curb effective demand by restricting less urgent personal consumption expenditure, government non-developmental expenditure, and less essential investment. There can thus be no general unemployment due to insufficient demand in an underdeveloped country engaged in rapid industrialization. Finally, since industrialization will require quantitative control of foreign trade and expansion of trade with China, the Soviet Union and Eastern European countries whose economies are stable, it will tend to immunize the Indian economy against cyclical downswings brewing in advanced capitalist countries. The process of industrialization is an effective remedy against deflationary unemployment.

II. VOLUNTARY UNEMPLOYMENT

13. It follows from the foregoing discussion that in India the problem of unemployment is, basically, not the cyclical problem of eliminating deflationary unemployment but the structural problem of reducing voluntary, seasonal, frictional

\[ x = \frac{1}{\frac{\Delta C}{\Delta Y}} \]
and technological unemployment to the minimum practicable and of eliminating chronic under-employment due to lack of complementary resources. We proceed to take up the first of these structural problems, that of voluntary unemployment.

14. Keynes regards such persons as involuntarily unemployed as do not find a job even when prepared to accept less than the current real wage, whether or not they are prepared to accept less than the current money wage. This suggests that such persons may be regarded as voluntarily unemployed as prefer idleness to employment at less than the current real wage. The definition quite suits an advanced capitalist economy where to work for wages is the normal practice. But in an under-developed country where self-employment as peasant, artisan, petty trader, money-lender, etc. is much more common than work for wages, the definition of voluntary unemployment must be appropriately modified. In India voluntary unemployment may be taken to cover all those able-bodied persons who, no matter for what reason, prefer idleness to work at less than the current level of return to labour, irrespective of whether labour is rendered in private or public or self-employment.

15. The factors responsible for voluntary unemployment may be grouped under two heads: (a) those which make it possible for able-bodied persons to remain idle, and (b) those which induce them to do so. The chief among the first are the existence of unearned incomes, the prevalence of the joint family system, misplaced charity, and the absence of the notion of a minimum standard of living. Owners of large income-yielding assets - farm land, urban housing property, government bonds, industrial securities, etc. - are under no necessity to work. They can afford to remain idle. The Joint Family System makes it possible for some members of the family to live off the rest. Misplaced charity, together with a mistaken notion
of what constitutes religious duty, is responsible for the existence of a host of sadhus who produce not worldly goods but 'spiritual bliss'. The idea of a minimum standard of living grows only when the people enjoy one for some time. In India, where the mass of the people have never known anything better than the barest subsistence level, the idea is largely absent. Accordingly, many, when they find that their unearned income, or the indulgence of the other members of the joint family, or private charity, provides them with means sufficient for mere existence, prefer idleness to work.

16. Upper class and caste prejudices are the chief factors inducing able-bodied persons to remain idle. Many among the richer classes choose to remain idle for, in India, labour, particularly manual labour, is considered unworthy of a 'gentleman'. The 'gentlemen' idlers, however, are not drawn entirely from the very rich; they also include many who are quite poor. In the absence of the law of primogeniture, property, particularly landed property which is so important in a predominantly agrarian country, gets sub-divided at the death of the holder. Consequently, as the propertied classes have grown more numerous, many of their members have been left with too little property to afford them an unearned income sufficient for anything better than bare subsistence. But the prejudice against manual labour is so firmly rooted that many of them would rather starve than 'stoop' to doing manual work. High-caste prejudices, too, play their part in making many prefer idleness to work. One consequence of economic under-development has been that the caste system still persists, even though with rather diminished rigour. Accordingly, many prefer idleness to such jobs as they consider derogatory to their caste status. In the Panjab, for instance, a Jat considers it derogatory
to his caste to take to carpentry, blacksmithy or tailoring; a \( \textit{high-caste}\) thinks it equally derogatory to be a tiller of the soil and a \( \textit{Brahmin}\) looks down upon all manual work.

17. Premature retirement from a job represents a borderline case between voluntary and involuntary unemployment. This practice is very wide-spread among the self-employed, especially the peasantry. In the peasant family, as soon as the son is old enough to take his father's place at the plough, the latter virtually retires. Thereafter his son or sons do the major agricultural work while he confines himself to 'general supervision'. The latter's idleness is in a sense voluntary, for if he wanted he could still continue to work on the farm, supplementing his son's labour, but essentially it is enforced for he retires because his grown-up son, in the absence of an alternative opening, has but to work on the family holding which is too small to engage more than one person effectually. If the father continues to work whole-time on the holding, the additional return is too meagre to justify the toil. Such premature retirement is also very widespread among other categories of the self-employed, and for the same reason. The country thus has lots of people fit for work but living on their children.

18. It is not possible for us to estimate the aggregate volume of voluntary unemployment in this country. This is due partly to the inherent complexities of the task, especially the difficulty of distinguishing in each self-employed family between the employed and the idle members, and between the voluntarily and the involuntarily idle members, and partly to the absence of relevant data. The publication in due *The Report on Agricultural Labour Enquiry (1949-50) relating to the village of Dorwan (Bihar) mentions high-caste peasants who think it derogatory to their caste to touch a plough; they hire low-caste agricultural workers for this purpose. Imagine a peasant who would not touch a plough!\*
course of the full results of 1951 population Census may perhaps throw some light on the magnitude of this problem. Even as it is, available facts suggest that the aggregate number of the voluntarily unemployed of all categories runs into millions. Paper No. 1 on the 1951 Census puts the number of non-cultivating owners of land, agricultural rent-receivers, and their dependents at 5.3 millions*. The combined total of agricultural population in Australia and New Zealand is 4 millions**. India thus has a larger population living on agricultural rents than the entire agricultural population in Australia and New Zealand together! But persons living on agricultural rents are not the only voluntarily idle section of the agricultural population. The incidence of voluntary unemployment among the cultivators is by no means insignificant. The cultivators may be classified into three groups: cultivating owners, cultivating occupancy tenants, and cultivating tenants—at-will. The Census Paper No. 1 lumps the first two classes together and puts their number (together with their dependents) at 167.3 millions. The population in the third group is put at 31.5 million***. A cultivator is defined as 'the person who takes the responsible decisions which constitute the direction of the process of cultivation'. He is thus essentially an entrepreneur. Since arable land per head of the working population represented by those (including dependents) classed as cultivators is only 4.2 acres, entrepreneurial functions cannot possibly provide full-time work to cultivators, excluding the insignificant number who run large farms. Accordingly, to keep themselves occupied for a reasonable number of hours every working day, the cultivators must be

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* Census of India. Paper No. 1, 1952, p. 12
** UN, Land Reform, 1951, p. 3.
*** Census of India, op. cit. pp. 11-12.
  ibid., p.(v)
  *# The total population of cultivating families is put at 198.8 million. At 39% of the total population, this would give a working population of 77.5 million. The cultivated area is 324 m. acres. This gives an average of 4.2 acres.
personally engaged in major agricultural operations. But the writer's personal observation - he comes of a peasant family - and other available evidence shows that quite a substantial proportion of the cultivators either do not engage themselves in major agricultural work at all - for that purpose they engage what the 1951 Census classifies as 'cultivating labourers' - or do so only for a very limited number of days in a year. In India, as mentioned earlier, aversion to manual labour is very strong. This attitude to work is firmly rooted in the prevailing socio-economic set-up. Both the feudal system of land-holding and the caste system of social organization rate the manual worker quite low in the social scale. A society that despises the manual worker cannot expect people to relish manual work. Aversion to manual work is not, however, entirely a matter of social prejudice. In India manual work means not tending a power-driven machine but engaging in back-breaking toil with tools and implements worked with human or animal power. No one can very much relish the latter. Accordingly, the accepted rule is: do manual work only when you must! It is natural, then for the more substantial cultivators to employ both permanent and casual agricultural workers to do the heavy manual work. They confine themselves either to 'general supervision' or to odd light jobs. Low rate of agricultural wages also encourages the substantial cultivators to employ hired workers. The agricultural workers are employed, as often as not, not to add to the labour power at the disposal of the cultivator but to free him or other adults in the family from the back-breaking toil and to escape the social odium that attaches to manual labour. There is another reason also why many of the more substantial cultivators voluntarily remain idle over a good part of the year. In India, in the absence of a highly developed mixed farming, there is, over several months in a year, little agriculture work to do. During this period agricultural workers who are both lower class and, for the most part, lower caste, take to subsidiary occupations - risk-making, vegetable- and fruit-selling, handloom weaving, basket-making, shoe-making,
fishing-net weaving, house-repairing, etc. - or seek employment in towns, factories and construction work. But upper class and caste prejudices effectively stand in the way of the more substantial cultivators taking to employment outside the normal farming operations. The incidence of voluntary unemployment is naturally higher among the cultivating owners and occupancy tenants than among cultivating tenants-at-will; in the agricultural population, it is the lowest among agricultural workers. There is considerable voluntary unemployment also among the more prosperous non-agricultural population. But in the absence of relevant data, it is hardly possible to comment on its magnitude. Finally, voluntary unemployment covers many of the numerous persons whom the joint family system and misplaced charity enable to live without work. Of course, not all who live on others are voluntarily unemployed. Many of them do so because of their failure to find gainful employment.

19. Voluntary unemployment is an important aspect of India's employment problem. The voluntarily unemployed constitute so much burden on the rest of the community. Particularly objectionable is the well-paid idleness of the rich. It is both unjust and demoralizing. The ends alike of social justice and of economic progress require that voluntary idleness should be cut down to the minimum.

The remedy lies in industrialisation. Industrialisation will progressively reduce voluntary unemployment, both by compelling the idlers to seek work and by enabling them to find it. This it will do in the following ways:

(a) India's industrialization must be almost entirely domestically financed*. This requires a high rate of domestic saving. To achieve this, national income must be raised to the maximum level that it is capable of with the existing productive resources,
and a high proportion of it should be saved. Immediate substantial increase in national income requires the liquidation of feudalism and the transfer of land to the tiller, and this transformation is practicable only if no compensation is paid to the dispossessed landlords. Fiscal saving (i.e., revenue surpluses) provide the key to a high propensity to save. The two essential pre-requisites of India's industrialization thus are abolition of landlordism without compensation and revenue-financed investment. The first will go a long way towards liquidating existing voluntary unemployment, and the second will prevent its recrudescence. Income from landed property is at present the most important single prop of voluntary unemployment. The abolition of landlordism without compensation will compel hundreds of thousands of the present gentlemen idlers to earn their living through gainful employment. Furthermore, the sight of gentlemen idlers taking to work, in most cases manual, will have a very healthy effect on other classes as well. Together with lightened toil necessarily involved in the substitution of machine for hand production, it will go a long way towards combating the present aversion to manual work. At the same time revenue-financed development will prevent the creation of a new rentier class of coupon clipper of various descriptions.

(b) Industrialization will deliver the coup de grace to the joint-family system. The latter is compatible with only a predominantly agrarian and a more or less stagnant economy. It is unlikely to survive the dynamism of industrialization. Moreover, full employment and a comprehensive system of social security will

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* Cf. Chapter VI, Para 20
** Cf. Chapter VIII, Para
obviate the need for this system. Another major support of voluntary unemployment will thus be gone.

(c) Industrialization will mean higher productivity, better remunerated labour, and a rising standard of living. This will inevitably cause the idea of a minimum standard of living to take firm root in the public mind. Few will then be content to live on the sufferance or charity of others; they will be increasingly impelled to work.

(d) The spread of education and scientific knowledge associated with industrialization will rationalize public outlook. This will make it increasingly difficult for some people to live by swindling others in the name of religion or common humanity. In the sweat of their brow, alone, will they earn their daily bread!

(e) Industrialization will make work less arduous and better remunerated. Accordingly, as between voluntary idleness and gainful employment, the balance will be increasingly tilted in favour of the latter.

(f) Today a stagnant economy breeds an atmosphere of general frustration. But when the country launches upon a course of rapid industrialization, when she daily becomes stronger, more prosperous and independent, few will still prefer to remain idle and thus deny themselves the honour, the joy, and the pride of participating in the grand job of creating a new, magnificent India. Most will surely prefer the joy of honest, creative labour to the degradation of a barren, drone-like existence.
III. SEASONAL UNEMPLOYMENT

20. A considerable proportion of involuntary unemployment in India is attributable to seasonal factors. Seasonal unemployment is much more important in underdeveloped than in advanced countries for the following reasons.

(a) Under-developed countries are predominantly agricultural in character. And, in the absence of highly developed mixed farming, employment in agriculture fluctuates widely over different seasons.

(b) Since labour-intensive methods of cultivation are used, the demand for labour at the height of the sowing or the harvesting season is very much higher than during the slack season. Accordingly the amplitude of seasonal variation in the demand for agricultural labour is very considerably higher than in the advanced countries where agriculture is mechanized in varying degrees.

(c) Seasonal industries concerned with simple processing of agricultural produce - e.g., cotton ginning, sugar-refining, etc. - occupy a more important place in the secondary sector than in the advanced countries. In India even salt-making is seasonal.

21. In India, no reliable data on seasonal unemployment, whether in agriculture or in other sectors, are available. Employment Exchange statistics are not very helpful, as covering only a small fraction of urban unemployment and almost completely excluding rural unemployment. One, however, comes across many general observations regarding the existence of prolonged idleness among the agricultural population. A few of these are noted below:

* One writer has put the disparity between the off-season and the peak-season demand for labour at as high as 75% or more. (B. Datta, op. cit., p. 67).
(i) The Fiscal Commission, 1949-50

'Owing to seasonal conditions, work in agriculture is possible for only a portion of the year - three to four months in un-irrigated, and approximately double the period in irrigated, areas'. (p. 87)

(ii) ILO, Action Against Unemployment (1950)

'For the United Provinces, a recent Government survey reveals that the maximum employment in agriculture amounts to from 250 to 280 days a year in the canal irrigated and wheat tracts in the North West and Central regions, whereas in the unirrigated non-wheat tracts of the Eastern region employment amounts to about 114 or 118 days, or roughly four months in the year' (p. 129)

(iii) Report of the Congress Agrarian Reforms Committee, 1949

J.C. Jack ("Economic Life of a Bengal District", pp.38-39) estimated idleness in Bengal at 9 months for jute-growers and 7½ for jute and rice growers. Dr. A.M. Lorenzo (Agricultural Conditions in Northern India, p. 134) estimated that in Bihar and Orissa and Chhota Nagpur, as a whole, the peasant is occupied for not more than 200 days. Dr. R.K. Mukherjee ("Rural Economy of India") observes that in Avadh, if the cultivator sows 2 acres with early rice followed by peas, and half an acre with cane, by working alone he would have sufficient occupation for 250 days in the year. If he sowed Kodon and Ahar rotating with barley, he would have 150 days' work on an average. Dr. Lorenzo (ibid., p. 144) estimated that in the sub-montane districts of the UP., the cultivator had 177 days' work on an average and 188 days' complete leisure. Calvert (Board of Economic Inquiry, Punjab, Publications Nos I and II) found that the work done by an average cultivator is not more than 150 days' full labour. Dr. Bhalla, however, estimated that in Noshiarpur the cultivator works for more than 278 days. The Agricultural Commission
(Central Report, Para. 488) assumed that by far the greatest number of cultivators had at least two to four months of leisure (pp. 125-26).

(iv) UN, Economic Survey of Asia and the Far East, 1950

"Another characteristic common to most Asian countries is the prevalence of long periods of seasonal unemployment in agriculture. For instance, in India, jute and rice-growers generally have a period of idleness of seven and a half to nine months, and in some parts of the country the period of idleness in agriculture is estimated at 120 to 200 days per year." (p. 67)

The Agricultural Labour Enquiry conducted since 1949 by the Ministry of Labour, Government of India, marks the first systematic attempt to measure the extent of unemployment in at least one section of the agricultural population, namely, agricultural labour, or what the 1951 Census classifies as "cultivating labourers". Up to the end of August 1952, the results of the enquiry in respect of eight villages, one from each State, had been published. These are reproduced below:

| TABLE 13: UNEMPLOYMENT OF MEN EARNERS |
|-------------------------------|----------|----------|----------------|
|                               | Families surveyed | Men | Days of unemployment |
| 1. VADPALAVUR (Madras)        |                       |     |
| (a) Casual workers without land | 54         | 67   | 126.4          |
| 2. DURGAN (Bihar)             |                       |     |
| (a) Attached workers with land | 16         | 21   | 184.7          |
| (b) Casual workers with land  | 2          | 2    | 245.0          |
| (c) Casual workers without land | 1         | 1    | 240.0          |
| 3. ARCHIKAMALLI (Mysore)      |                       |     |
| (a) Casual workers with land  | ..          | 35   | 243.6          |
| (b) Casual workers without land | ..      | 10   | 189.0          |

(Contd)
TABLE 13 (Contd)

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<thead>
<tr>
<th>Families surveyed</th>
<th>Earners unemploy</th>
<th>Days of unemploy</th>
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<tr>
<td>4. BRINDABANPUR (West Bengal)</td>
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<tr>
<td>(a) Casual workers with land</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>(b) Casual workers without land</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>5. KHATRI (Madhya Pradesh)</td>
<td></td>
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<tr>
<td>(a) Casual workers</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>6. KHATNI (Orissa)</td>
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<td></td>
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<tr>
<td>(a) Attached workers with land</td>
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<td></td>
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<tr>
<td>(b) Casual workers with land</td>
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</tr>
<tr>
<td>(c) Casual workers without land</td>
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The available evidence thus leaves no doubt that the aggregate number of man-days lost through seasonal unemployment is very large. If these could be utilized for productive work, there will be a substantial addition to the income of the individuals concerned, and to that of the nation as a whole.

22. Seasonal unemployment, as pointed out earlier, is the most widespread in agriculture. The problem has both a short-term and a long-term aspect. Immediately it may be approached along the following lines. (a) The area sown more than once in a year should be increased through extension of irrigation facilities. At present, 35.5 million acres out of a total cultivated area of 324 million acres (i.e. 10.96% of the cultivated acreage)* fall in this category. The raising of more than one crop from the same land in a year will greatly increase the number of days of employment. (b) Mixed farming should be encouraged. We fully endorse the observation of an ILO study that 'one

* The Plan, Chapter IX, Para. 2.
effective way of promoting mixed farming is ... to redistribute the land on a more equal basis, so that everybody can work his own land during slack periods. But more of this later in Chapter VI. (c) The seasonally unemployed agricultural population should be engaged in cottage industries and hand trades, reclamation work, construction projects, and literacy and health work. Slack seasons will also be the proper time to hold peasant schools to teach them the use of improved implements, advanced farming methods and scientific cultural practices. Which method or methods of reducing seasonal unemployment are to be tried in a particular district will depend upon the conditions obtaining locally. Here all or several of these methods are possible, proper co-ordination of them would be necessary.

The above methods require a high degree of mobility of the agricultural population, for they involve seasonal shifts of the population as between industries and localities. High mobility of labour is also necessary if the incidence of seasonal unemployment among the non-agricultural population is to be reduced through dovetailing various types of seasonal employment into one another. The methods of increasing the mobility of labour are discussed later in this chapter.

25. The additional employment provided in the above ways will, however, be of low-level productivity just as employment in general at present is. The ultimate solution must, therefore, be sought in industrialization. Industrialization will solve the problem in the following ways: (a) It will greatly reduce the proportion of population engaged in agriculture, where the incidence of seasonal unemployment is high. (b) Mechanization of agriculture will form an essential component of the process of industrialization.

* Action against Unemployment, 1950, p. 140
This will greatly reduce the labour requirements of agriculture at the height of the busy season. Accordingly the gap between the peak and the trough demand for labour in agriculture will be greatly narrowed. And it is this gap which measures the extent of seasonal unemployment. 

(e) Industrialization will promote mixed farming both by creating, through urbanization, a growing market for horticultural and dairy products, and by providing the peasantry with the supplies of the required implements, equipment, fertilizers, materials and transport and other facilities. (d) Mechanization of agriculture will entail annual repair and overhaul of farm machinery and training in its use. This will engage the farmers over the greater part of the slack season. (e) Increased supplies of equipment and materials made possible by industrialization will greatly facilitate the execution of vast irrigation and power projects. Irrigation will make possible two crops a year and thus greatly reduce the duration of the slack season while the availability of cheap power will facilitate the expansion of subsidiary industries. (f) Industrialization will reduce the importance of industries concerned with simple processing of agricultural produce where the incidence of seasonal unemployment is high.

The solution of the problem of seasonal unemployment is thus intimately related to industrialization. The employment of the seasonally unemployed will raise national income and hence make possible a larger flow of savings. It will thus help in providing the nation with resources for industrialization. Industrialization, in turn, will help to eradicate seasonal unemployment.

IV. FRICTIONAL UNEMPLOYMENT

24. Not much of the current involuntary unemployment and under-employment in India can be classed as frictional. In unemployment is at present unimportant in India, not because labour is very mobile, but because the need for
such mobility is very limited. The need to redistribute the labour force arises mainly from structural shifts in production and demand. But in an economy where the pace of economic development and technological progress are painfully slow, where durable and luxury items form a very small proportion of total consumption, where the proportion of national output exported is but a modest proportion of the total output, and where, hitherto, there has occurred no radical change in economic objectives, there cannot possibly occur marked structural shifts in demand or production. And even when some slight shifts do occur, in view of the chronic surplus of labour everywhere, adjustment is more likely to be effected through drawing in the surplus labour in some localities and occupations and by adding to the volume of surplus labour in others. There is, thus, little need for any large-scale movement of labour as between different occupations and localities.

25. Industrialization involves continual structural shifts in production. This necessitates corresponding redistribution of the labour force as between different occupations, industries and localities. High labour mobility is, therefore, an essential requirement of an economy in the process of industrialization. An India engaged in high-speed industrialization will need to attain a high degree of labour mobility, for the following reasons:

(a) India must finance her industrialization almost entirely from her own resources*. To that extent she must raise her national income to the maximum practicable with her current resources. This requires that unemployment, voluntary as well as involuntary, must be cut down to the minimum practicable. Since seasonal unemployment accounts for a large proportion of

* Cf. Chapter IV.
involuntary unemployment, steps must be taken to remedy it. An important method to provide employment to the vast rural population during the slack season would be to draw them into construction work during this period. This means that large numbers will have to be shifted for the duration of the slack season, from the villages to the construction sites. Again, one method of providing employment throughout the year to those engaged in seasonal industries would be to dovetail different types of seasonal industries into one another. Both these remedies for seasonal unemployment, require for their success a high degree of labour mobility.

(b) Industrialization will require shifts of a large number of the working population from primary to secondary and tertiary production and, within each sector, from technologically inferior to superior employment. Again, the need to rectify the present locational imbalance in the distribution of industry may also entail some locational redistribution of population.

(c) In the early stages, the need to put the available skilled personnel to the most effective use may require the shift of such personnel to projects accorded high priority in the development programme.

(d) Structural shifts in demand are likely to become more frequent and pronounced as the country attains higher levels of development. As the standard of living rises, durable consumer goods will figure more prominently in family budgets. And the demand for such goods, being more subject to changes in tastes, needs and fashions and being postponable, is more unstable than that for the basic necessities of life. Again, the rise in the standard of living will be associated with falls in the birth-and the death-rate. The consequential changes in the age-composition of the population will involve structural shifts in demand. Yet

* At present whatever industries India has are mainly concentrated in the States of Bombay and West Bengal.*
again, creation of new wants through discoveries and inventions and the discovery of suitable substitutes for currently consumed goods will influence the structure of demand.

26. The current state of labour mobility is, however, quite unsatisfactory. In all countries labour is immobile to varying degrees. But in India, as in most other under-developed countries, the factors hindering free mobility of labour are especially powerful. The more important of these may be mentioned here. (a) Till the inauguration of the First Five Year Plan in 1951, Indian economic development was not only limited, but planless too. Even this plan is not all-comprehensive. It is more a plan of development in the public sector than one covering the entire national economy. In the absence of comprehensive and effective planning, development must necessarily be uneven and to some extent unpredictable. This makes people sceptic of the soundness of a decision to shift to new localities or occupations. (b) There are no arrangements for vocational guidance worth the name. (c) Cultural backwardness makes people conservative. The tendency of children to take to their father’s occupation and of people in general to stick to their present localities and occupations is very pronounced. (d) Class, social, and individual prejudices and inhibitions operate in India at least as powerfully as, if not more powerfully than, in other countries. Besides, there is the drag on the mobility of labour imposed by the caste system. (e) The workers in India are much poorer than in the advanced countries and training and retraining facilities are in comparison almost non-existent. The lack of suitable opportunities and facilities for re-training and, where these might exist, the worker’s inability to afford such re-training, tend to make Indian labour relatively immobile. (f) Employers’ prejudices against certain categories of workers, such as women, old workers, persons belonging to particular castes or communities or holding particular religious or political beliefs, etc., are, if anything, more powerful here than in other countries. The fact that the employers'
choice of workers is also influenced by factors other than the latter's individual ability and job performance hinders the desired redistribution of labour. (g) Resistance to change is particularly great where change in occupation involves change in residence. (h) The Employment Service covers a very small proportion of the working population. The vast rural population, in particular, derives little benefit from its activities.

27. Besides these impediments to occupational mobility, there are factors that hinder locational mobility. These include: (a) scepticism about the advisability of such a change; (b) worker's ignorance of conditions in distant parts of the country; (c) losses and inconveniences involved in change of residence (the worker's attachment to his native place is naturally an important factor in a country where tens of millions hold small parcels of land, whether as owners or occupancy tenants); (d) workers' inability to meet the cost of movement; (e) provincialism, which makes immigrants from outside the State not very welcome; (g) differences of climate, topography, religion, language, caste, custom, etc., inevitable in a vast country like India, and (h) inertia on the part of the worker who in most cases is illiterate, backward and conservative.

28. Industrialization will require the current handicaps to the mobility of labour to be overcome. Some measures to that end may be suggested here. (i) The working population should be provided with at least the minimum of education necessary to sharpen their intellect, to familiarize them with the world outside their immediate neighbourhood, to create in them a longing for progress and change, and to enable them to shed their inertia and excessive conservatism. At the same time, through suitable propaganda they will have to be properly enthused about the task of national construction and apprised of the employment opportunities that
national construction affords in different occupations, industries and localities. (ii) The financial difficulty should be overcome through public financing of movement of labour. In this connection mention may be made of the ILO Employment (Transition from War to Peace) Recommendation of 1944. This suggested that when a worker moves from one employment area to another at the initiative or advice of the employment service, the cost of movement should be met out of public funds. At the same time the worker should be granted or advanced funds to meet initial expense in the new place of work. The Recommendation, though originally made in the context of a transition economy, is equally applicable under other circumstances. In fact, the Employment Service Recommendation of the ILO (1948) included a provision closely similar to that mentioned above. Public financing of a part or the whole of the cost of movement is particularly necessary to facilitate the seasonal migration of labour. For in this case, in view of the shortness of the period of migration and the limited income earned during this period, the cost of transport is a major hindrance in the way of movement of labour. An alternative to public financial assistance to meet the cost of transfer would be to require the employer, whether a private company or a public corporation, to meet the whole or the bulk of such cost. (iii) Availability of adequate and appropriate housing at a cost within the worker’s means in the localities where the demand for labour is increasing, will greatly facilitate the flow of labour to such localities. An appropriate housing policy is thus of very great importance in increasing locational mobility of labour. (iv) Appropriate differentials in real wages and working conditions can help to promote mobility of labour. In the Soviet Union, changes in relative wage rates and working conditions are the principal instruments for effecting the desired distribution of labour as between different trades, industries and localities. Scarcity of a particular type of labour or of labour in a particular locality or region is sought to be remedied by upgrading for purposes of
remuneration that type of labour or labour in that particular area, and by providing it with better amenities and conditions of work. Conversely, should supply tend to outrun demand in a particular trade or industry or area, one of the steps taken to restore the balance may be to down-grade that type of labour or labour in that area. The push and pull of relative wage-rates and working conditions thus provide an instrument to ensure the flow of labour into proposed fields and localities. This may also be tried in India. But, for its effective use, it requires a central wage and employment policy accepted alike by the Government, the employers and the trade unions.

29. An efficiently functioning Employment Service is indispensable for high labour mobility. The service should provide facilities for employment-market intelligence and research, employment proper i.e. bringing men and jobs together, vocational guidance, and training and re-training of workers.

30. The first job of the employment service - one which provides a reliable basis for its other activities - should be to collect accurate, detailed, up-to-date and properly classified and analysed information regarding the position and trend of the supply of and demand for labour in each industry, occupation and area. Effective planning such as that contemplated in this study necessarily involves a resources budget including a manpower budget. And the preparation of such a budget requires that the Planning Commission should have full and accurate information regarding the position and trend of the supply of, and the demand for, labour in each industry, occupation and area. It should be the task of the Employment Service to provide this information to the Planning Commission. In turn, the manpower budget prepared by the Planning Commission will help the Employment Service to correctly gauge the trend of the supply of, and the demand for, labour in particular industries, occupations and areas.
To enable the Employment Service to perform this function, the following steps should be taken.

The Employment Service should set up a network of Employment Exchanges to meet the needs of the entire working population. All towns where the number of workers and employees exceeds a specified figure should be provided with an Employment Exchange. In smaller towns sub-exchanges, each manned by one or two persons, may be set up. Each sub-exchange will be linked with the nearest Employment Exchange. It is very necessary for the Employment Service to cover the vast rural population. Without this, it will be possible neither to make full and efficient use for purposes of national re-construction of the vast idle manpower in the countryside during the slack agricultural season, nor to effect a smooth and steady transfer of working population from primary to secondary and tertiary production and from villages to construction sites and industrial and mining towns. It is, of course, impossible to provide each village with an Employment Exchange—the volume of available work does not justify this. The difficulty may be overcome as follows. High-speed industrialization would require the mobilisation of the entire population for the execution of the development programme. In Chapter IV, a pyramid of Development Councils is suggested for this purpose. These Development Councils may be organized as follows:

<table>
<thead>
<tr>
<th>Council</th>
<th>Jurisdiction</th>
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<tr>
<td>(1) Primary Development Council</td>
<td>Primary Development Unit, comprising in the rural areas a village and in the towns a mohalla.</td>
</tr>
<tr>
<td>(2) Secondary Development Council</td>
<td>Secondary Development Unit, comprising about 10 average-sized villages or town mohallas.</td>
</tr>
<tr>
<td>(3) Bloc Development Council</td>
<td>Development Bloc, comprising about 10 secondary units of a whole city.</td>
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In the village, the office of the Primary Development Council should act as the agent of the Employment Service and perform the latter's functions. The secondary unit may have a sub-exchange manned by one or two persons. Each such sub-exchange may be linked to the nearest Employment Exchange. In this way the Employment Service will be able to cover the entire working population without excessive cost. The present coverage of the Employment Service is far short of the requirement.

Secondly, the ultimate objective should be to oblige all employers, private as well as public, to notify all or nearly all vacancies to the employment exchanges. To begin with, the employers may be required to notify a specified proportion of their vacancies to the Employment Exchanges, but as the latter builds up a tradition of reliable and efficient service, the proportion may be progressively raised till in the end it covers all or nearly all vacancies. As a corollary of the above, the ultimate objective should be to oblige all employment-seekers, whether new entrants in the employment market, or the seasonally unemployed seeking employment for short periods, or those who want to, or have to, change over to a new employer, occupation, industry or locality, or, till unemployment is finally abolished, those unemployed or likely to be rendered unemployed, to register themselves with the Employment Service. In the meantime, the resort to employment exchanges may be encouraged by obliging all those who claim or receive any unemployment benefit or assistance that may be provided till unemployment is finally done away with, or seek to avail of publicly sponsored training or re-training facilities, or apply for grants or loans for
financing the cost of movement to a new locality, to register themselves with the Employment Service. Already in several countries the regulations in force provide for registration with the Employment Service in these circumstances. The Employment Service Recommendation of the ILO also favoured this provision. Another way to encourage the resort to Employment Exchanges would be to persuade the employers, even when filling vacancies not required to be notified to the exchanges, to grant preference to those registered with the latter. As the development programme creates new jobs in sufficient number so that the capacity of Employment Exchanges to find jobs grows, the popularity of the Employment Service, and hence the resort to it, is bound to increase rapidly.

Through the above measures, it may eventually be ensured that all those who seek a job or have one to offer will register their requirements with the Employment Service. The latter will then be well posted with the state of the supply of and demand for labour in different occupations, industries and localities.

32. The above information will facilitate the maintenance by the Exchanges of an efficient placement and clearance machinery required for the employment function proper, i.e., for bringing jobs and men together. To cut down frictional unemployment to the practicable minimum, steps should be taken to ensure that those who will need jobs or men should give prior notice of their requirements, so that the Employment Service may plan in advance. For instance, schools and colleges should be obliged to furnish particulars regarding their students who have finished their education and intend to seek employment. Schools, Colleges and Institutions imparting technical, vocational and business education and training, should be required to do the same concerning their students. Every employer who terminates the services of his employee for an admissible cause should
be required to give the latter a specified number of day's advance notice, so that the latter may, with the assistance of the Employment Exchange, be able to find a new job by the time he needs it. For the same reason, an employee who intends to leave his job should be required to give his employer a specified day's advance notice. In case of large-scale dismissals and lay-offs for an admissible cause, the employers should be required, besides their obligation to give advance notice to their employees, to notify the Exchanges, in advance, of the probable extent and timing of the dismissals and lay-offs, the probable duration of the lay-offs, and full particulars regarding the qualifications of the employees to be thrown out of jobs. As the development programme gathers momentum and as the present chronic surpluses of labour disappear, the employers will come to appreciate better the value of advance notice of their requirements to the Exchange to ensure that these will be met in time.

33. The possession by the Exchanges of accurate, detailed and properly analysed information regarding employment situation and trends in particular industries, occupations and areas, will enable the Employment Service to provide vocational guidance and counselling service. The Employment Exchanges in India do not at present perform this function, except in a perfunctory manner at a few places. The ILO Vocational Guidance Recommendation of 1949 makes some useful suggestions regarding the lines along which vocational guidance may be organized and developed. Since vocational guidance requires not only that those charged with it should have a clear idea of the future prospects of different occupations and industries, but also that they should precisely know the aptitudes of persons seeking their guidance, vocational guidance and counselling will attain a high degree of efficiency only when secondary education is universalised, so that juveniles enter into industry at an age which permits of a satisfactory assessment of their aptitudes, and when there develops for this purpose a tradition of intimate cooperation between schools and colleges.
34. In the advanced countries unemployment is sometimes caused by lack of suitable skill in relation to existing and prospective employment opportunities. Facilities for vocational training or re-training are, therefore, necessary for the development or adaptation of skill to the demand for it. The Employment Service is sometimes charged with the provision of such facilities. In India, too, the Employment Service runs Training Institutes and Centres. The problem in India is not so much re-training as training. The mass of the working population are without any special skill. In the beginning, increase in income will be achieved mainly by providing full employment to the currently unemployed or under-employed unskilled tens of millions. But thereafter increase in income will be achieved mainly through technological advance. To meet the consequent growing demand for skilled personnel, facilities for technical, vocational, scientific and business education and training will need to be greatly expanded. But the need for extensive re-training facilities is unlikely to arise for a long time. For, in India, under the development programme contemplated in this study, in consequence of both a rapid growth of population* and the rapid pace of industrialization, the annual flow of recruits to industry will be very large relatively to total industrial employment. Accordingly any occupational readjustments that may be necessary will be effected through regulating the flow of entrants into various fields rather than by transferring workers from one industry to the other. Moreover, in a planned economy, unless planning is very faulty, the required occupational readjustments are unlikely to be large. The emphasis in India should therefore be more on training than on re-training facilities. The need to co-ordinate the technical training programme to the employment situation and trends in particular industries and

* It will be some decades before the rise in the standard of living and the growing consciousness of the need for family planning brings about a marked decline in the rate of population growth.
occupations requires that an appropriate part of it may be entrusted to the Employment Service, while in respect of the remainder there should be close cooperation between the agency or agencies put in charge of it and the Employment Service.

35. Employment Service is indeed a very valuable instrument to reduce involuntary unemployment to the minimum, but its value is likely to be limited under conditions of chronic surpluses of labour. Since its function is not to create jobs but to find for the seekers those that already exist, it will fully come into its own only when the needs of industrialization begin to create additional jobs on a mass scale. Industrialization thus has a vital bearing on the efficacy of Employment Exchanges.

V. CHRONIC UNDER-EMPLOYMENT.

36. In India, involuntary unemployment mainly takes the form not of cyclical or secular unemployment resulting from insufficiency of effective demand, but under-employment resulting from lack of complementary resources. Although most of the working population are engaged in productive pursuits, the total amount of work done, measured in man-hours, is far below what the population is capable of doing. Under-employment flowed from under-development. The country possesses too little real capital and land, relatively to the size of the available labour force. Accordingly even at the maximum practicable level, under the existing socio-economic set-up, of utilization of available production capacity, most people are insufficiently occupied.

37. Under-employment is a chronic problem in under-developed countries*. It sometimes also arises in advanced countries. The large-scale unemployment in West Germany in the immediate post-War years was, for instance, to a very considerable extent due to shortage of capital equipment and raw materials.

* UN, National and International Measures for Full Employment '49, p. '4.
brought about by war-time destruction of real capital and dislocation of the country's foreign trade. Even in normal times, an advanced country's inability to import a sufficient quantity of raw materials due to balance of payments or other difficulties may cause this type of unemployment. But in an advanced country such unemployment is usually only of a temporary duration, occurring only in abnormal period such as the aftermath of a great war which might have destroyed a lot of fixed capital and denuded the 'pipe-line' in several vital sectors. It is only in under-developed countries that under-employment resulting from lack of complementary resources is widespread and chronic.

38. Under-employment is particularly serious in agriculture, the main sector of Indian economy. The supply of labour in this sector far exceeds the number required to produce the current volume of output even with the existing methods of production and organization. In India, for decades now, in the absence of anything like the Industrial Revolution in the West, population has been growing faster than employment in the non-agricultural sector of the economy. Consequently, there has been a steady increase in the numbers dependent on agriculture. The 1951 Census puts India's agricultural population at 249.1 million**. The Draft Plan estimates the total population in 1901 in the same territory at 235.5 million***. Thus in 1951 India's agricultural population exceeded her total population in 1901 by 13.6 million! Extension of the cultivated area, adoption of intensive cultivation made possible by expansion of irrigation facilities, and a measure of change-over to the more labour-intensive cash crops have no doubt created additional demand.

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* ibid., p.12. Also Council of Europe, Full Employment Objectives, 1951, p. 20
** Census of India, Paper No 1, 1952, p. 10
for labour, but not on anything like the scale required to absorb the additional agricultural population. The consequential growing redundance of agricultural population has meant its growing under-employment. It is not easy to estimate the volume of excess population in land, for labour requirements on land, even at the same level of technique, usually vary markedly in different localities depending upon the fertility of the soil, the type of farming practised, and other conditioning factors. Accordingly, no reliable estimates of such excess exist. But such as are available are sufficient to underline the gravity and magnitude of the problem. Mr. Tarlok Singh has estimated the number of surplus male workers in agriculture in what was British India before the Partition at 15.5 million. The Fiscal Commission (1949-50) remarked that 'this estimate is probably on the low side'. On this point, the Commission referred to Louis H. Bean's estimate of 27 million of surplus workers in agriculture.

39. Chronic under-employment is not, however, confined to agriculture. It is, if at all, only a little less serious among the non-agricultural population. In India, in view of the very slow pace of economic progress, available employment in the secondary and the tertiary sector has expanded far slower than the supply of non-agricultural labour has done, as a result both of the natural increase in non-agricultural population and the drift of some of the surplus agricultural population to the towns in search of livelihood. Consequently, there is chronic and growing unemployment even among the non-agricultural population. But since the bulk of the non-agricultural population also consists not of wage workers but of independent producers — artisans, petty traders and vendors, professional people, etc. — the discrepancy between the supply of and demand for non-agricultural labour manifests less in unemployment (in the sense of being 'out of a job') than in under-employment (in the sense of the available work being very much less than that required to keep the persons concerned reasonably occupied).
40. Incidence of unemployment is especially high among the educated. Most unenviable indeed is the lot of the young man who are obliged to earn their living but are denied the opportunity to do so. The community suffers for the unemployed contribute nothing to her income but have nevertheless to be maintained by it. Even more acute is the suffering of the unemployed individual himself, for what could be more frustrating than to find that in this wide world there is no place for oneself, no opportunity for earning one's bread, and no occasion for experiencing the joy of honest, creative labour? Unfortunately the number of even the educated unemployed is not correctly known. Statistics of employment exchanges are not very helpful, for most educated unemployed, particularly in the rural areas, simply do not register with them. In view of the very limited chance of finding a job through the agency of the Exchanges, a very high proportion of the educated unemployed do not think it worth while to register themselves. The gravity of the problem is, however, too well-known to need any statistical verification. The very large number of applications received for every advertised vacancy are a good pointer to the extent of unemployment among the educated. The problem had assumed serious dimensions even 20 years ago. In this connection we may reproduce a few facts from the Report of the Punjab Unemployment Committee, 1937-38. The Inspector-General of Police reported that the applicants for enrolment as police constables on a starting salary of Rs. 17 a month included a 'very considerable number' of those who had passed the Intermediate examination or had even taken degrees*. For 56 posts of Assistant Panchayat Officers (starting salary Rs. 45) advertised at the time, 5,000 persons (including 3,000 graduates) had already applied at the time of reporting to the Committee**. The number of applicants far exceeded the number of posts filled during the preceding quinquennium.

* Report, p. 5

** Ibid., p. 6
TABLE 14: NO OF POSTS AND APPLICANTS IN SELECTED DEPARTMENTS IN THE PANJA

<table>
<thead>
<tr>
<th>Department</th>
<th>Posts in which special qualifications were necessary</th>
<th>Clerical and other posts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of posts filled</td>
<td>No of applicants filled</td>
</tr>
<tr>
<td>Electricity Branch (P.W.D)</td>
<td>97</td>
<td>532</td>
</tr>
<tr>
<td>Irrigation Branch (P.W.D)</td>
<td>280</td>
<td>2,154</td>
</tr>
<tr>
<td>Building and Road Branch (P.W.D)</td>
<td>41</td>
<td>134</td>
</tr>
<tr>
<td>Medical Department</td>
<td>422</td>
<td>1,899</td>
</tr>
</tbody>
</table>


The position is much worse today. For the output of schools and colleges has greatly increased since then, while the increase in the number of jobs available to the educated has been very moderate. The incidence of outright unemployment and of disguised unemployment (in the sense of Mrs. Robinson) is perhaps the highest among educated persons. In spite of the fact that a high proportion of the educated unemployed in the country do not register with the Employment Exchanges, in October 1952 no fewer than 120,221 applicants for clerical jobs were on their live registers*. In 1951, in the case of clerical jobs the vacancies were only 3.8% of registered applicants for such jobs**. Besides the hundreds of thousands of the outright unemployed educated persons, there are many more of this category who are engaged in jobs where their educational qualifications are of little use, or where men with inferior qualifications could be equally proficient.

* The Plan, Chapter 39, p. 2
** ibid., p. 11
The basic cause of acute educated unemployment, again, is the under-developed state of the economy. It is sometimes said that the high incidence of unemployment among the educated is due to the latter's aversion to manual work. But this does not appear to be a very correct diagnosis. The very fact that even graduates offer themselves for enlistment as foot constables shows that the educated are probably not so averse to manual work as is commonly made out. For a constable's work is no lighter, no better remunerated, and rated no higher socially, than many types of manual work. Moreover, nowhere in the world do graduates in science and arts take to unskilled manual work - skilled manual work is irrelevant, for in India the graduates under discussion possess no skill. If only unskilled manual work is expected of a university graduate, then why spend so much of the nation's meagre resources on university education? Many hold the educational system responsible for this problem. The educational system is undoubtedly defective. It turns out persons who can do only "white-collar", mainly clerical, jobs; and these, too, perhaps none too efficiently. But can an under-developed country where large-scale industry (including mining) absorbs no more than 2.9% of the working population, where social services are so little developed, and where the pace of economic progress is so slow, have an educational system where not general education but technical, vocational and business education and training would figure prominently? For, facilities for technical, vocational and business education must be related to the demand for skilled personnel. A country whose annual demand for skilled personnel is in hundreds cannot possibly have an educational system turning out such personnel in tens of thousands. The problem of the reform of the educational system is thus intimately related to that of economic development. As long as the economy remains under-developed and stagnant, the educational system will remain more or less as it is. It will qualify people mostly for "white-collar" jobs only. And since, in an under-developed, stagnant economy the number of "white-collar" jobs is bound to be very limited, hundreds
of thousands of young men who have spent so much of their time and money, and of the nation's, must languish in enforced idleness. Education unemployment is a special case of chronic unemployment and under-employment resulting from economic under-development.

42. "Chronic under-employment", observes an ILO study, "...... represents a challenge to the less developed countries just as the problem of cyclical unemployment is a challenge to the countries of advanced industrial development". The forces making for chronic under-employment are cumulative. Chronic under-employment is a consequence of under-development. And in a densely populated country like India, in the absence of special remedial measures, under-employment tends to accentuate itself. Under-employment means low per capita income; low per capita income normally involves low rate of capital formation; and low rate of investment continually accentuates under-development. Under-development thus feeds on itself. So does cyclical unemployment for a while. But there is an important difference between the two. Whereas in the case of cyclical unemployment there are forces inherent in the process which eventually reverse the trend, in the case of under-employment there are no such forces. The solution of under-employment is bound up with economic development. Industrialization is undoubtedly an effective remedy against chronic unemployment and under-employment. The problem arises because of insufficiency of complementary resources. Industrialization eliminates such insufficiency, for it necessarily involves a progressive increase in the country's stock of real capital.

43. On the question of the relationship between economic development and the elimination of unemployment we, however, find ourselves in sharp disagreement with the view put forth by some of the foremost Indian economists - for instance, Dr. V.K.R.V. Rao - and accepted by the Plan, viz. that the

* Action against Unemployment, 1950, p. 134
elimination of unemployment in India cannot be accomplished in the near future, and that, being conditional on economic development, it is necessarily a long-term problem. The main thesis put forth by Dr. Rao in two articles referred to before is that Keynesian full employment is almost always present in India, that this level of employment involves a vast amount of unemployment and under-employment and that, consequently, the elimination of unemployment requires not so much a rise in actual employment to the level of Keynesian full employment through expansion of demand, as a steady rise in the Keynesian level of full employment through economic development. Since, by definition

** Rao writes: "the particular form which unemployment takes in the under-developed countries, viz. that of disguised unemployment, makes the economy for Keynesian purposes practically analogous with one of full employment" (Indian Economic Review, Vol I, No I, p.63).

*** Rao remarks: "To describe developed economies as being in a state of full or near full employment, therefore, is to do violence to the accepted connotation of that phrase viz. 'the maximum utilization of labour, capital and natural resources in the economy' even though it may satisfy the formal requirements of the Keynesian concept of full employment" (ibid., pp.65-66)

*** Rao postulates: "Broadly speaking - and leaving out the vexed subject of frictional unemployment - full employment means increasing the number of jobs to the maximum consistent with existing employment opportunities, and this is to be brought about by increasing effective demand to the limit beyond which it will result in inflation; while economic development means creating new employment opportunities and thus increasing the level of employment, and this is to be brought about by increasing the volume of complementary resources necessary to secure the productive employment of available labour. The emphasis on deficiency of demand in the context of full employment thus shifts to deficiency of complementary resources in the context of economic development. I may add that the emphasis also shifts from reaching a given level of employment to creating additional employment, and thus raising the level of the full employment consistent with the previous economic situation". (Indian Economic Review, Vol I, No 2, Aug 1952, p. 52)

* See Introduction, Para. 53
economic development is a long-term concept*, Rao's thesis implies that the elimination of unemployment in India is a long-term problem. He views economic development as a process of increase not only in the productivity but also in the volume of employment**. According to him the process of economic development consists in 'the transition from the level of full employment appropriate to a lower stage to another appropriate to a higher stage'***. Clearly, according to Rao, the elimination of unemployment in India must await a prolonged process of capital accumulation.

The above view finds acceptance in the First Five Year Plan. The central objective of planning in India, it lays down, is to raise the standard of living of the people and to open out to them opportunities for rich and more varied life. The realisation of this objective requires increased productivity and reduced inequalities. Increased productivity may be achieved in two ways: through fuller employment and higher labour productivity. Labour productivity being a function mainly of capital intensity, an increase in the former requires a rise in the latter. Capital intensity can be raised through capital-formation or investment. Unless national income can be raised, a higher rate of domestic saving can be achieved only through depressing consumption. But consumption standards being very low in India, their further lowering is not practicable because it will impose great hardships upon the community. The scope for a rapid rise in the rate of domestic saving, therefore, depends upon the possibility of a rapid rise in aggregate income, one that will make possible a simultaneous increase in domestically financed investment and consumption. Apparent a large immediate increase in national income seems possible through the utilization of idle resources, mostly man-power. But this is inhibited by two factors. First, the idle man-power, consisting mostly of unskilled labour, would have to be trained before recruitment for new works to be undertaken. Secondly, in the initial stages of development, newly mobilised labour will not be able
to contribute significantly to total output, and, therefore, larger money incomes will tend to exert pressures on available supplies and cause sectional rises in prices. In other words, large-scale extension of employment will breed inflation. This will cause a redistribution of available supplies, leading probably to a rise in the real incomes of those newly employed and a fall in the real income of those already employed. Since there are obvious limits to the extent to which inflation and the fall in real wages can be countenanced, the scope for the utilization of idle labour through extending wage employment is quite limited. A programme of full employment, remarks the Plan, 'with assurance of at least the current level of real wages to the newly employed, and with no reduction in the real wages of those already employed, can get into swing only as capital formation in the community goes up'. Accordingly the Planning Commission remark: 'It is for this reason that we emphasize throughout this report the need for relying as far as possible on voluntary labour, and using money mainly as a means of attracting and organizing such labour. In other words, the accent in these first few years of development has to be on mobilization of idle man-power, with as little increase in money incomes as possible, rather than on full employment as such, which to have any meaning should be able to provide higher money as well as real incomes all round'. The above leads to the conclusion that 'the elimination of under-employment in an under-developed economy is by its nature a somewhat long-term problem'. For the time being, according to the Plan, there is very limited scope for the utilization of idle man-power except through mobilizing it for honorary work on community development work. The Bharat Sewak Samaj is the agency charged with this job.

* Introduction to the Plan, Para. 40
** ibid., Para. 41
*** ibid., Para. 40. The same point is made in Chapter III, Para. 51.
ô ibid., Para. 40
45. Once it is accepted that it is not possible in the near future to draw the vast idle man-power into production in any significant measure, it follows that a sharp rise in the rate of domestic saving is not feasible. The Plan puts national income and saving in 1950-51 at Rs. 9,000 crore and Rs. 450 crore respectively. This gives an average propensity to save of 5 per cent. In the absence of a rapid rise in income, a sharp increase in the rate of domestic saving necessarily implies lower consumption. The latter being both undesirable and impracticable, the Plan proposes to step up the rate of domestic saving gradually. During the five years covered by the Plan (hereafter called the Plan period) the absolute size of the amount saved is to be increased each year by 20% of the increase in national income. Thereafter, this percentage is to be raised to 50 till the percentage of national income rises from 5 in 1950-51 to 20 in 1968-69. The marginal propensity to save will then once again be brought down to 20%, as during the Plan period, so that the percentage of national income saved in the year following 1968-69 will be held constant at 20%. The Plan assumes the same rate of growth of population as in the past decade, namely 1½% per annum, a capital-output ratio of 3:1, and 2 years as the fruition-time of investment. On the basis of these assumptions, it has made an estimate of the economic progress of the country during the next five quinquennia or so. This estimate is presented in the form of a graph. Unfortunately, the Plan does not give the figures which form the bases of the graph. But by 'reading' the graph, we get the following picture of the estimated progress of the country during the next generation.

* The ratio of increase in saving to the increase of income is called the marginal propensity to save (MPS), while the ratio of total saving to total income is termed the average propensity to save (APS). APS in 1950-51 was 5 per cent. During the Plan period, the MPS in to be kept at 20 per cent. When MPS > APS, the latter increases. The Plan estimates that APS will rise to 65% in 1955-56, 11% in 1960-61 and 20% in 1967-68. Since the APS is to be held constant at 20%, as from 1967-68, the MPS is also to be brought down to 20%. When MPS equals APS, the latter remains constant.
TABLE 15: THE PLAN'S ESTIMATES OF ECONOMIC PROGRESS DURING THE NEXT FIVE QUINUENNAI

<table>
<thead>
<tr>
<th>Years</th>
<th>National income required to maintain per capita</th>
<th>Aggregate income required to maintain per capita</th>
<th>Aggregate consumption in per capita</th>
<th>Per capita saving</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>response to inflation</td>
<td>response to inflation</td>
<td>inflation</td>
<td>inflation</td>
<td>inflation</td>
</tr>
<tr>
<td>1950-51</td>
<td>9,000</td>
<td>8,550</td>
<td>8,550</td>
<td>450</td>
<td></td>
</tr>
<tr>
<td>1955-56</td>
<td>9,575</td>
<td>9,100</td>
<td>9,325</td>
<td>2.5</td>
<td>675</td>
</tr>
<tr>
<td>1960-61</td>
<td>10,200</td>
<td>9,700</td>
<td>9,900</td>
<td>2.0</td>
<td>1,300</td>
</tr>
<tr>
<td>1965-66</td>
<td>10,900</td>
<td>10,375</td>
<td>10,900</td>
<td>5.0</td>
<td>2,200</td>
</tr>
<tr>
<td>1970-71</td>
<td>11,475</td>
<td>11,000</td>
<td>13,600</td>
<td>23.6</td>
<td>3,500</td>
</tr>
<tr>
<td>1975-76</td>
<td>12,300</td>
<td>11,750</td>
<td>18,300</td>
<td>55.7</td>
<td>4,700</td>
</tr>
</tbody>
</table>

Under the Plan's assumptions, economic development gathers momentum only after 1965-66, i.e., 15 years after the inauguration of the First Five Year Plan. By 1965-66, average per capita income and average per capita consumption will have risen relatively to 1950-51 by no more than 20.2% and 5.0%, respectively. If per capita income in 1950-51 is assumed to be the same as the estimate of the National Income Committee for 1948-49, namely Rs. 255 per annum, per capita income and consumption in the former year was Rs. 21.2 (¥ 4.5) and Rs. 20.1 (¥ 4.2) per mensem. In 1965-66, it will be Rs. 26.0 (¥ 5.5) and Rs. 21.1 (¥ 4.2) per mensem. The promise of a rise in the per mensem per capita income of Rs. 4.8 (¥ 1.0) and in the per mensem per capita consumption of Re. one (¥ 0.2) in 15 years is most uninspiring, especially when the community will be required to maintain as high a MPS as 20% during the first five
years and 50% thereafter. When world events are moving so fast, to believe that the standard of living in India can be maintained at its present very low level almost unchanged for 15 years without provoking a social explosion is extremely unrealistic. A higher rate of progress is absolutely necessary for this country. One way to achieve this would be to secure large-scale external aid. But a major thesis of this study is that foreign capital is unlikely to render significant aid in the country's industrialization and that India's economic development must be mainly domestically financed*. A higher rate of economic development is, therefore, conditional on a higher rate of domestic saving. Since reduction in consumption is neither feasible nor desirable, a higher rate of domestic saving is possible only out of larger income. Some increase in national income may be achieved through more efficient utilization of the currently employed factors. But the only possibility of achieving a significant immediate increase in national income lies in the utilization of the vast idle man-power. The failure of the Plan to do this accounts for the slow rate of progress envisaged under it. A plan that provides for faster economic development must suggest some practicable means of utilizing this vast idle man-power.

46. Given a proper approach to the problem, it appears practicable to draw the vast idle man-power into productive employment within a relatively brief period of say 3 to 5 years. The key to this problem is provided by the extension, not of wage-employment but of self-employment. Practicable extension of wage-employment, mostly through fuller utilization of production capacity in the organized (or capitalized) sector of economy and on public construction projects, can in the near future absorb but a relatively small proportion of the idle labour-power. The rest of it can be practicably absorbed only through the extension of self-employment in the two fields, viz. agriculture and

* cf. Chapter 4.
The basic requirement of extension of self-employment in agriculture is the transfer of the land to the tiller, i.e., the transformation of the vast agricultural population, among whom the waste of man-power through idleness is the greatest, into peasant proprietors through the abolition of intermediaries and the redistribution of holdings. On account of the relatively limited supply of cultivated and cultivable land, the average peasant-holding will be relatively small—about 4 acres. The basic requirement of an extension of the output of cottage and small-scale industries, and hence of the volume of employment they provide, is adequate demand for such output.

47. Self-employment is free from difficulties that at present inhibit the extension of wage-employment. This is brought out by the following:

(a) Under competitive conditions, the absolute margin to the extension of wage-employment in the private sector, is set by the point where the marginal net productivity of labour falls to equality with the ruling rate of wages; under imperfect competition, this margin is reached at a still lower level of aggregate employment. If additional employment is to be provided, either the marginal productivity of labour must rise, or the ruling rate of wages must fall. If neither of these is possible, employment cannot be provided to those who may still be idle when wage-employment reaches the maximum practicable under the given conditions. That approximately appears to be the present position in India. In the absence of much idle real capital in the private sector, extension of wage-employment in this sector on a scale even remotely approaching that required to

* Self-employment may also be extended in the field of trade, especially retail trade. But since at present distribution already engages a far larger labour force than is socially necessary, it will be socially wasteful to draw more men into this sector. The problem is rather one of diversion of some of the labor force from distribution to production.
absorb the currently idle labour power will necessarily imply a fall in the marginal productivity of labour to a level substantially below the ruling rate of wages. Such extension of employment will, therefore, require a drastic cut in the ruling rate of wages, a step neither practicable nor desirable. The currently idle labour-power, therefore, cannot be absorbed in the near future (i.e. till the country's complement of real capital is very much larger than at present) through extension of wage-employment in the private sector. Nor can it, for the same reason, be absorbed in the public commercial enterprises. Extension of self-employment is, however, free from the above difficulty. In the case of idle labour-power, which has no chance of being utilized in wage employment, any return obtained from its absorption in self-employment represents so much net addition to the income of the person concerned and of the nation. Even low-productivity employment is preferable to non-productive idleness. Thus, while the limit to the extension of wage-employment is set, under perfect competition, by the point where the marginal net productivity of labour falls to equality with the ruling rate of wages, and under imperfect competition, by a point still higher up on the demand curve for labour, the limit to the extension of self-employment, under conditions of non-availability of wage-employment, is as far as the point where the marginal net productivity of such employment falls to zero.

(b) Extension of wage-employment involves an increase in wage-payments, and hence in the aggregate money income. The new money incomes, being mostly small incomes, cannot be significantly diminished by direct taxation. And, for the same reason, a very high proportion of them will be spent. There will accordingly be an increase in aggregate demand almost pari passu with the increase in aggregate income. If this is not offset by proportionate increase in the supply of consumption
goods and services, there will be strong inflationary pressures and a rapid rise in the cost of living. This will require, firstly, that the additional employment should be largely created in the consumer goods (what Keynes calls the wage-goods) industries, and, secondly, that the average net productivity of this employment must be as high as the ruling rate of wages. It is the difficulty, in the absence of idle capacity in the consumer goods industries, of meeting these conditions that limits the scope for the absorption of idle labour-power through the extension of wage-employment. Extension of self-employment is, however, free from this handicap. It involves no wage payments, and hence no additional money incomes unrelated to increase in output. A self-employed man, unless he borrows or draws upon past savings — which course is also open to a wage-employed man — must sell to be able to buy. Thus what he withdraws from the market is offset by what he contributes to it. Every demand creates equivalent supply; in other words, there operates Say's law in reverse. Extension of self-employment, whatever its productivity, creates no net inflationary pressure. Moreover, the transfer of land to the tiller involved in the extension of self-employment in agriculture opens the way for the direct investment of large amounts of idle labour power in land improvement. To that extent, investment in land will be financed without making any addition to consumption demand. Rather, to the extent the peasantry invest in implements, wells, etc. out of their current savings, the supply of food on the market will actually improve. For to be able to pay for them, the peasant will need to sell his produce on the market. It is the absorption of idle man-power, through the extension partly of wage-employment but mainly of self-employment, that has provided New China with resources to fight what is nothing short of a major war and at the same time to effect an increase in
consumption as well as investment - the increase in the latter, of course, being very much larger than in the former. And, far from intensified inflationary pressures during this period, a hyper-inflation inherited from the days of the Kuomintang misrule has been actually halted.

(c) Elimination of unemployment through the extension of wage-employment requires that unemployment should exist in the form suitable for absorption in this type of employment. That, however, is not the case in India at present. The majority of the country's working population consists not of wage workers but of small producers. Unemployment, therefore, exists predominantly not in the form of outright unemployment of the available labour force but of under-employment of the self-employed, small producers in agriculture and handicrafts. To provide these small-holders and small producers with fuller employment through the extension of wage employment would require their transformation into wage-workers. This change is neither easy nor capable of quick realization. Accordingly the only practicable way to provide them with fuller employment is to take measures to provide it within their present fields of employment. This will have the further advantage that the lack of any special skill by the currently under-employed will not be an impediment to their fuller employment. For the additional employment will be provided not in new fields but in the same as at present engage them.

48. Self-employment, it may be conceded, is free from some of the drawbacks inhibiting the extension of wage-employment, but it may have equally serious shortcomings of its own. For instance, it is sometimes argued that the redistribution of holdings required by the above approach, since it involves splitting up of large holdings, may cause a decline
in production. Accordingly, it is claimed, since the objective is not larger employment for its own sake but for the sake of larger output, fuller employment achieved through extension of self-employment does not serve the purpose. This objection is founded on the popular fallacy that small-scale cultivation is less productive than large-scale farming. As pointed out in Chapter VI*, actually both large- and small-scale cultivation are compatible with high yields per acre just as with low yields per acre. Japan has the highest yield per acre of rice and Egypt of cotton, and both practise very small-scale cultivation. The drawback of labour-intensive small-scale cultivation is not that it is incapable of yielding large output per acre, but that it cannot yield large output per person. Output per acre depends partly on man-days applied and partly on capital invested. The inferiority of small-scale cultivation is (incorrectly) supposed to lie in its incapacity to absorb large capital investment per acre. Investment in agriculture falls into two categories: (a) labour-saving investment, e.g., in tractors, and (b) labour-absorbing and yield-raising investment, e.g., in irrigation facilities, manures and fertilizers, improved seeds, crop protection measures, etc. The first type of investment raises yield per person (by enabling one person to command on the average larger cultivated area), and the second raises yield per acre. Thus, at the present stage of the country's economic development when the main objective is maximum output per acre, what is needed most is the second type of investment. And small-scale cultivation is no impediment to it. In fact, already in India very high yields per acre are obtained through labour-intensive small-scale cultivation on suburban lands. There is no reason why this cannot be done on other lands. What small-scale cultivation does not permit is certain types of labour-saving investment, e.g., that on tractors. It will, therefore, become a handicap to further progress only when industrialization strikes so fast a pace that man-power

* Para. 2
has to be diverted from agricultural to non-agricultural employment. At that stage large-scale farming will be necessary to permit economy in labour through mechanization of agriculture. This object could be achieved, as is being done in China**, by promoting cooperation in agricultural and raising it, step by step, to the level where the small holdings are merged to form large cooperative and collective farms. For the time being, labour-intensive, small-scale cultivation will enable the country to achieve, as China** has done, a marked increase in aggregate agricultural output.

49. Another objection is that while absorption of idle man-power in agriculture and handicrafts may increase the output of food, raw materials and other consumer goods, what the country needs for rapid economic progress is larger output of investment goods. This objection would be valid if the country had a closed economy. Then larger domestic output of investment goods would be indispensable for a larger supply of such goods. But now foreign trade provides a mechanism through which consumer goods may be transformed into investment goods. At present, the country is heavily deficit in food grains and basic raw materials such as raw cotton and raw jute***. Increased domestic output of these items will release foreign exchange for the import of investment goods. Again, larger output of handloom cloth would make available a larger quantity of mill cloth for export. The additional foreign exchange thus earned would also help to finance larger imports of investment goods. Thus while directly the absorption of idle man-power in agriculture and handicrafts will increase the output of consumer goods and intermediate products, indirectly it can augment the supply of investment goods. Further, larger marketable surplus of foodgrains made possible by larger domestic output of such grains will

* See Chapter VI, Paras. 6-9
** See Chapter V, Para 11
*** See Chapter V, Para 4
enable the country to devote a larger labour force to
construction. This, too, will help to step up the rate of
investment. For residential and business construction
is a major component of capital formation.

50. Rapid economic development requires a high rate of
investment. When current living standards are already
very low, a higher rate of investment can be financed
only out of a larger income. In India, national income
may be raised to a level substantially higher than the
present through the absorption of the vast idle man-power
in productive activity. A portion of this man-power may
be absorbed in wage-employment through fuller utilization
of existing capacity in the organized sector of the
economy and by stepping up construction activity. But
the bulk of it must be absorbed through the maximum prac­
ticable increase in self-employment mainly in agriculture
and cottage industries. Also, as long as the main objective
is rapid absorption of idle labour-power, the bulk of
national investment should be not of labour-saving but
of labour-absorbing type. Given this approach to the
problem, it should not take longer than 3-5 years* to raise
actual employment to very near literal full employment.
Since the current waste of man-power is in no case less than
25-30 per cent of the maximum practicable man-days of work,
the absorption of idle man-power "together with the improve­
ment in organizational efficiency and quality of labour
and in the overall capital-labour ratio that may be
achieved during this period, should raise national income
by about one-third in 5 years. In other words, national
income could be raised to about N. 12,000 crores by
1955-56. Even if investment in that year is pushed up
to the rate contemplated by the Plan for 1965-66, i.e.
N. 2,200 crores, this would leave N. 9,800 for consumption.
Since N. 9,100 crores would be required in that year to
keep per capita consumption at the 1950-51 level, aggregate

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* It has taken China only 3 years to achieve this
objective.
consumption of Rs. 9,800 crores would mean a rise of 5% in per capita consumption which exceeds the rise contemplated by the Plan for 1965-66. The utilisation of idle man-power would thus make it possible to attain the absolute rate of investment and exceed the per capita rate of consumption contemplated by the Plan for 1965-66. This may look fantastic to those who consider the people a liability. But to one who considers the people as the nation's greatest asset and who believes that, given correct policies, it is definitely possible to draw almost all of them into full-time employment in a period of 3-5 years, the above-mentioned increase in national income, and hence in the rate of economic progress and in the current living standards, seems fully attainable. The Five Year Plan does not contemplate any significant absorption of idle man-power*, suggests no measures to release resources for development by eliminating the currently quite substantial wasteful public and private consumption, devotes an unduly large proportion of aggregate development outlay to non-investment purposes, and provides for a distribution of investment outlay which is unsatisfactory from the standpoint of rapid rise in income through absorption of idle man-power. And yet it contemplates an increase of 11% in national income in 5 years. A development plan free from all these defects should not find it impossible to achieve an increase of 33% over the same period.

Given a correct approach to development, especially to the elimination of unemployment and under-employment, the rate of investment contemplated by the Plan for 1965-66 could be achieved in 1955-56. Investment would then be 18.3% of the national income. In the next quinquennium it could be raised to about 22-25% of national income. National income would then be doubling every 8-10 years.

* Two-thirds of the estimated increase in agricultural and industrial output is to be brought through a rise in labour productivity (The Plan, Appendix to Part I, Para. 23). Thus even in this initial period, when there are vast reserves of idle man-power, increase in employment will play a relatively less important part in stepping up production.
a very satisfactory rate of progress. And this rate of 
progress would be achieved not at the expense of a fall 
in current living standards but alongside the steady 
rise in them. It follows from the above that we view 
economic development as a process not of steady expansion 
of the volume of employment but, (with the exception of a 
brief initial period), of rapid increase in its productivity. 
While the Plan, like Dr. Rao, considers the elimination of 
unemployment a long-term problem and a consequence of 
economic development, we view it as a short-term problem 
and a pre-condition of rapid rate of economic development. 

An incorrect policy appears to be the root-cause of the 
Plan's failure to devise an impressive programme of economic 
development.

VI. TECHNOLOGICAL UNEMPLOYMENT

51. Technological unemployment, though not non-existent 
is relatively unimportant in India at present. This is 
due mainly to two reasons. Firstly, the progress of the 
organized sector having been very slow, the decline of 
indigenous crafts and modes of transport has been slow, 
long-drawn-out process. Secondly, those thrown out of 
employment due to the decline of cottage industries and 
indigenous means of transport have, in order to earn their 
livelihood somehow, tended to fall back upon agriculture. 
Consequently, instead of technological unemployment, there 
has occurred either ("Robinson type") "disguised unemploy-
ment" or intensified chronic under-employment in agriculture. 
Technological unemployment as such is not, therefore, 
widespread.

52. Technological unemployment will not increase, rather, 
will tend to diminish in importance, if the development plan 
keeps in view two main considerations: (i) that industries 
which do not compete with existing cottage industries, i.e. 
heavy industries, occupy a predominant position in new 
industrial development, and (ii) that mechanisation
of agriculture and of village transport is undertaken only when the organized non-agricultural sector strikes a pace of development at which it can absorb all the labour-power released from the former sectors. The line of development suggested in this study* satisfies this condition. It can, therefore, be expected to keep the economy free from widespread technological unemployment. Rather, since it provides for the expansion of cottage industries in the initial period, there may actually be a decline in such unemployment.

53. The study of the problem of involuntary unemployment in India in its varied aspects throws into sharp relief the contrast between the character of the problem in the advanced West and in under-developed India. In the West, the two main aspects of the mass unemployment resulting from inadequate effective demand, and, to a much lesser extent, frictional unemployment resulting from the lack of correspondence between the demand for jobs and the potential job opportunities. Unemployment resulting from lack of complementary resources is exceptional, occurring only in abnormal periods, such as the aftermath of a great war which might have destroyed a lot of fixed capital and denuded the 'pipe-line' in several vital sectors. The seasonal factor is not altogether missing. But seasonal variations in the volume of unemployment in the Western countries is thus mainly industrial in character, subject to wide fluctuations of a cyclical character, and mainly concentrated in a limited number of workers. In contrast to this, in India, as in other under-developed countries, unemployment occurs mainly in the form of under-employment resulting from lack of complementary resources, is mainly agricultural in character, is chronic rather than cyclical, and spreads widely over the bulk of the population. In the advanced West unemployment raises the problem of adequate

* See Chapter V, Para. 2
in under-developed India, it raises the problem of industrialization.

VII. SOCIALLY UNPRODUCTIVE EMPLOYMENT

54. Besides the waste of potential productive resources involved in unemployment and under-employment, there is that caused by socially unproductive employment. In India, there are large groups of persons who are 'employed' in the sense that they are enabled to earn a living, but whose labour is 'unproductive', in the sense that if their present employment is abolished, the community will be none the worse for it, and, if provided with suitable alternative employment, they will themselves in due course appreciate the change. Unproductive employment takes the following main forms:

First, there are the domestic servants of all categories whom the upper and the middle classes employ in excessive numbers. In India no family is considered respectable enough unless it employs a domestic servant. Labour being cheap, the domestic servant does not cost much. According to the First Report of the National Income Committee (Apr 1951), the average earnings of those engaged in domestic service are the lowest of those engaged in any other sector of the economy, being only Rs. 400 a year*. Accordingly, even a lower middle class family likes to employ a domestic servant. It is considered quite derogatory for a lady to do any domestic work. Idleness is the hallmark of respectability. It could hardly be otherwise in a class society where honest work is at a heavy discount and where political power, social esteem and material comforts go to the propertied classes who never 'degrade' themselves by doing manual labor. No wonder then that every 'respectable' lady insists on having one or more regular domestic servants.

* P. 31
to work for her, besides a tailor, washerman, chauffer, bearer, scavenger, barber, hairdresser, ayah and watchman who may be in the part- or whole-time employ of the family. She herself attends to the more respectable work of improving her looks, visiting or inviting friends, participating in tea and dinner parties, attending cinema shows and theatrical performances, and, of course, occasionally praying to God (or gods) who made life so comfortable for her. The upper classes, particularly the less frugal feudal classes, maintain hosts of domestic servants. In any rationally ordered society which expects all able-bodied persons, including women, to do some useful work, hundreds of thousands of the present-day domestic servants must be freed for some socially productive and more honourable work. At present they constitute, in the peculiar sense we have used, a largely 'unproductive' class.

Secondly, there are types of unproductive employment which exist because of the unscientific and irrational outlook of the people. The latter, in turn, has its basis in a high percentage of illiteracy, defective education, mass ignorance, and obscurantism masquerading as spiritualism. This results in a host of people earning their livelihood in professions that are worse than socially unproductive. Sadhus, snake-charmers, witch-hunters, fortune-tellers, etc., are some of those falling in this 'unproductive' category.

Thirdly, there is unproductive employment owing to misplaced charity. The hosts of beggars — lay as well as religious — a high proportion of whom are absolutely fit for work — obviously fall in this category. We treat at least the able-bodied among them as being employed, for in their case, begging does not signify absence of employment but rather a positive profession that has to be pursued as regularly as, say, that of an office clerk. But their employment is undoubtedly unproductive, for it adds nothing to the social income.
Finally, there are the immoral 'professions' which still flourish in this very spiritual land. There are, first of all, the lakhs of prostitutes, licensed as well as others, and their attendants. Next there are those whose 'profession' it is to abduct, buy and sell women and children. To this category also belong the gambling-d(en owners, professional thieves and cattle-lifters. The activities of all these people add little to social welfare. Their existence is a very serious reflection on the existing set-up.

The present volume of socially unproductive employment will be known only when the relevant findings of the 1951 Census are published. The results of the 1941 Census in respect of the occupational distribution of the population were not published. So the data provided by the 1931 Census are the latest available. And these show such employment to be very large. Suffice it to say that in 1931 beggars and vagrants alone numbered 1.4 million persons.

55. A well-thought-out employment policy for the country must take note of all the above types of wasteful and unproductive employment and seek to minimise them. Once again we find that industrialization of the country in the manner suggested in this study - and that appears to be the only practicable way - will create conditions for a very great reduction in the volume of unproductive employment. Take first the excessive consumption of domestic service. The transfer of land to the tillers without compensation to the landlords will liquidate a class most notorious for conspicuous consumption including excessive employment of domestic services. The nationalization of foreign capital and the associated cartel capital** will also to some extent tend in the same direction. The foreign 'Sahibs' who in India are used to having lots of servants will probably depart when their undertakings are nationalized.

* Since all those in this category are not willing to disclose their exact status, the actual number of beggars and vagrants was probably considerably larger than that given by the Census.
The nationalization of cartel capital, even with compensation, will greatly reduce the income of cartel capitalist families. For not only will the bonds which may be paid to them as compensation bring them less interest than the return which their investments now fetch, but also that when they lose control of enterprises, many members of these families will no longer be able to provide themselves with sinecures. Under the circumstances, the members of these families will have to be content with lower standards of living and to do with fewer servants. And since in the industrialized India of our conception, the state and the co-operative enterprise will predominate, the process of industrialization will not be associated with the creation of a new class of big bourgeoisie which can afford to employ hosts of domestic servants. The process of levelling down described above represents one approach to the problem; the process of levelling up necessarily implied in industrialization represents another. Industrialization will not only create jobs more attractive than domestic service, but also bring about a steady increase in wages. The diminishing number that will thereafter offer themselves for domestic service will demand higher wages. This is bound to reduce the number of domestic servants.

Now take the second and the third types of unproductive employment. The process of industrialization is unnecessarily attended with the spread of education and a scientific rational outlook, more so, if active efforts are made to purge the country of all sorts of superstition and obscurantism. This will progressively narrow the scope for all such unproductive unemployment as rests on the unscientific and irrational outlook of the people and on misplaced charity. Furthermore, industrialization, by providing more attractive and more remunerative employment, will induce many of the present unproductive workers to take to socially useful employments. Few would like to be beggars, snake-charmers, fortune-tellers and the like if
they could be provided with a more paying and a more honourable job in a factory, on a construction site, or on a farm. In the initial stages, however, some special steps may be required in order to reclaim some of those at present engaged in unproductive employments.

Finally, industrialization will help in the eradication of immoral professions, for it will make it possible to absorb, after due training and reform, those engaged in them in socially useful employment. In the absence of attractive opportunities of alternative employment, it may simply be impossible to induce them to give up their present professions. In the Panjab, since the Partition, there is no open prostitution. But it is common knowledge that it flourishes secretly. Economic necessity has forced many to practise this 'profession'. Moral rearmament in the absence of a suitable environment cannot go very far. For what would not a starving man do? Industrialization and the socio-economic measures suggested by us later in this study to that end can alone create the conditions under which the measures designed to eradicate immoral professions can be expected to achieve the desired success.

VIII. LOW RATIO OF ECONOMICALLY ACTIVE TO TOTAL POPULATION.

56. A low ratio of economically active to total population means that the working population has to support too many dependants. This naturally lowers per capita income and the standard of living. In India the ratio of economically active to total population is relatively low. A UN study presents the following comparative picture :-
### Table 16: Ratio of Economically Active to Total Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Population (000s)</th>
<th>Economically Active Population (000s)</th>
<th>Percentage of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMERICA, NORTH</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada (1946)</td>
<td>13,227</td>
<td>4,948</td>
<td>37.4</td>
</tr>
<tr>
<td>United States (1949)</td>
<td>149,215</td>
<td>61,896</td>
<td>41.5</td>
</tr>
<tr>
<td><strong>EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark (1948)</td>
<td>4,190</td>
<td>1,954</td>
<td>44.2</td>
</tr>
<tr>
<td>France (1946)</td>
<td>40,300</td>
<td>20,520</td>
<td>50.9</td>
</tr>
<tr>
<td>West Germany (1949)</td>
<td>47,585</td>
<td>17,479</td>
<td>36.7</td>
</tr>
<tr>
<td>Italy (1948)</td>
<td>45,706</td>
<td>19,014</td>
<td>41.6</td>
</tr>
<tr>
<td>The Netherlands (1947)</td>
<td>9,629</td>
<td>3,866</td>
<td>40.1</td>
</tr>
<tr>
<td>Norway (1948)</td>
<td>3,233</td>
<td>1,509</td>
<td>46.7</td>
</tr>
<tr>
<td>Poland (1947)</td>
<td>23,843</td>
<td>10,315</td>
<td>43.3</td>
</tr>
<tr>
<td>The United Kingdom (1949)</td>
<td>50,363</td>
<td>22,616</td>
<td>44.9</td>
</tr>
<tr>
<td><strong>ASIA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>India (1948-49)</td>
<td>341,000</td>
<td>132,731</td>
<td>39.0</td>
</tr>
<tr>
<td>Japan (1949)</td>
<td>82,656</td>
<td>33,653</td>
<td>40.7</td>
</tr>
</tbody>
</table>

Source: UN, National Income and Its Distribution in Under-developed Countries, 1951, p. 6

*Economically active population includes persons working for pay and profit. It excludes unemployed persons.*

The figure in respect of India appears to overstate the actual position. India's ratio of economically active to total population is put higher than Canada's and only slightly lower than the USA's. But this is very difficult to reconcile with the data, reproduced below, on age-structure of the population given in another UN study.
TABLE 17: AGE-STRUCTURE OF THE POPULATION IN CERTAIN REGIONS, AROUND 1947

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated percentage of population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 15</td>
</tr>
<tr>
<td>USA and Canada</td>
<td>25</td>
</tr>
<tr>
<td>North-West-Central Europe</td>
<td>24</td>
</tr>
<tr>
<td>South-Central Asia 0</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: UN, World Population Trends 1920-1947, 1949, p. 15

@ The 1931 Census of India gave the same age-structure of population as this table gives for South-Central Asia in 1947. The Census of 1941 did not give the age-structure. The results of the 1951 Census on this point are not yet (Feb. 53) available.

57. The ratio of economically active to total population is likely to be very much lower in India than in USA, Canada and North-West-Central Europe. For in India (a) the percentage of population in the age group 15-59 years is substantially lower; (b) the proportion of able-bodied in this age group is, because of poorer health standards, lower; and (c) the incidence of unemployment is admittedly very much higher. This suggests that the UN estimate given in Table 16 overstates the position in respect of India. The different character of unemployment in India and in the advanced West seems to provide the explanation for this. The estimates of economically active population given in Table 16 exclude the unemployed persons. Since in India, by and large, unemployment takes the form not of outright unemployment but of under-employment, most of those counted as economically active are in fact idle over a substantial portion of the year. It is this factor which magnifies the ratio of economically active to total population. The comparative picture will be more accurately
presented if the percentage of economically active to total population is calculated as follows:

\[
\text{Percentage of economically active to total population} = \frac{\text{No of man-hours worked in the economy in the year}}{\text{Total population x No. of hours expected to be worked per person in the year}} \times 100
\]

Should the percentage of economically active to total population be calculated on this basis, it is doubtful if it would be higher than 30. The present basis of calculation surely overstates the position in all these countries where unemployment is not open but disguised, i.e., takes the form of outright unemployment but of under-employment.

59. The ratio of the economically active to total population may be raised (a) by improving the age-structure of the population, (b) by reducing the incidence of sickness and incapacity, and (c) by minimizing unemployment, voluntary as well as involuntary. The basic solution once again lies in industrialization. As elsewhere, industrialization will reduce first the death-rate, and then in due course also the birth-rate. Higher longevity and lower birth rate will progressively improve the age-structure of the population. The percentage of population in the age-group 15-59 years, i.e., the economically active group, will increase at the expense of the group comprising those under 15 years. Again, higher health standards attained in an economically advanced country will reduce the incidence of sickness and incapacity. Thus not only there will be a larger proportion of the population in the age-group 15-59 years, but also a higher percentage of the population in this group will be fit for work. Finally, industrialization together with the socio-economic measures required to achieve it will, in the manner explained in this chapter, largely eliminate both voluntary and involuntary unemployment. Consequently, a higher proportion of able-bodied adults will be economically active. In all these ways,
industrialization will bring about a substantial increase in the ratio of economically active to total population.

IX. INEFFICIENT EMPLOYMENT

59. India's employment problem differs from that of the West in another significant way also. There the main problem is full employment. Capital employed per worker being large, labour productivity is high. Once there is full employment, the population has enough for a fairly comfortable standard of living. That considerable sections may still be obliged to live a life of hardship and poverty is under these conditions due, not to inadequate production but to either the diversion of a large/proportion of production capacity to armaments production or inequitable distribution. But in India, the amount of capital employed per worker being meagre, labour productivity is very low. Indeed it is low labour productivity that makes India an under-developed country. In other words, employment is inefficient. Under the circumstances even full employment at the current level of productivity will mean a very low standard of life. The objective should, therefore, be not only full employment but also efficient employment. It is necessary to provide people with enough work to keep them fully employed; but it is equally necessary to make it possible for them to produce per hour of working time much more than the average at present.

60. In India labour productivity appears to be even lower than that attainable with the currently available complementary resources. What is even more deplorable is the fact that labour productivity is said to have actually declined in recent years. On this point the Fiscal Commission 1949-50 observed as follows: 'In almost all the places we visited, industrial and commercial interests complained of deterioration in labour efficiency that had
taken place during the last few years, and urged that the margin of increase in efficiency even under conditions of plant, equipment and management, was considerable. Representatives of labour rarely challenged the fact of a fall in efficiency but were generally inclined to attribute it to causes outside the control of labour. The first objective should, therefore, be to raise labour productivity to the level attainable with the existing complement of land and real capital. Improvements in business management, better employer-labour relations, elimination of raw materials, power, and transport bottlenecks, a rational policy in respect of rationalization so that the workers may have no cause to 'go slow', and the provision of adequate incentives—material as well as moral—for harder and better work, are some of the measures that may be suggested to that end.

61. The ultimate objective should, however, be to raise labour productivity to many times the present level. The most important factor in labour productivity is capital used per worker. Labour productivity is at present the highest in the U.S.A., because the American worker uses more capital than any other worker. To say that a worker using more capital equipment will produce more is merely to generalize commonsense. No country will attain anything like the capital-labour ratio now obtaining in the U.S.A. without industrialization. This applies with special force to a densely populated country with a low ratio of land to labour. Industrialization is thus the basic remedy against inefficient employment. This alone will raise labour productivity to the level consonant with a high standard of living.

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The Report of the Fiscal Commission, p. 231

Capital formation on a large scale is of central importance as a means of raising productivity and national income in Asian countries (UN, Methods of Financing Economic Development in Under-developed Countries, 1948, p. 710). We add that in India 'capital formation on a large scale' necessarily implies industrialization.
62. Capital-labour ratio, though the most significant factor in labour productivity, is by no means the only one. Others include production techniques and processes employed (the technical factor), efficiency in management and organization (the organizational factor), and labour's capacity and enthusiasm for work (the labour factor). We do not under-rate the importance of these factors. But we firmly hold that industrialization effected in the manner outlined in this study will also ensure the fulfilment of these other requirements of high labour productivity.

Take first the technical factor. The programme of development chalked out in this study visualizes the transformation of this country into one of advanced industry and agriculture in 20 to 25 years' time. In view of the present state of backwardness, this represents a very rapid rate of advance. While creating additional production capacity, India will naturally 'draw upon the vast fund of knowledge and experience accumulated by industrial nations'. In other words, she will adopt newest production techniques and processes. The Government may ensure the adoption of up-to-date techniques and processes by introducing latest techniques and processes in public enterprises, promoting forms of business organization (e.g. co-operative organization in the fields of agricultural and artisan production) conducive to the adoption of up-to-date techniques and processes, promoting education and training in latest production techniques and processes, extending financial, technical and fiscal aid to private enterprises to introduce the newest techniques and processes, making adoption of latest techniques and processes an obligation of aided private and co-operative industries, promoting basic and applied research, creating appropriate extension service and promoting the production and import of latest machinery. Take next the organizational factor. The state can ensure that managements achieve and operate highly efficient business organization, by taking necessary steps to ensure efficient conduct of public enterprises, promoting in the private and the co-operative sectors forms of business organization conducive to
Operational efficiency, making efficient management an essential obligation of aided private enterprises, promoting research in business management and organization, and providing adequate facilities for business education and training. Finally, take the labour factor. Later in this study we postulate that the liquidation of feudalism, the nationalization of foreign (to begin with British and American) business investments, and the associated Indian cartel capital, and the democratization of the state apparatus are indispensable pre-conditions of industrialization. The fight for the realization of these reforms is bound to make the working class the foremost class in society and the peasantry its close second and ally. The fact that in agriculture and in artisan production, development will proceed in the direction of co-operative and collective enterprise, and that in the other sectors of the economy development will be to an ever-growing extent under the state aegis and financed out of public revenues, the process of industrialization will not be associated with an increase in the wealth and power of a small minority of owners of means of production, as has been the case in the West. Rather, it will be associated with growth in the power and influence of the working masses and a steady rise in their standard of living. This will create the necessary atmosphere for the success of measures designed to raise workers' capacity and enthusiasm for work. The rise in the standard of living - using the term in the broad sense to denote the whole complex of available consumption items and opportunities for self-cultivation and development - will steadily improve workers' capacity, physical and mental, for work. At the same time congenial working conditions, adequate wages, a wage-rate system designed not to exploit the workers but to fully reward more and better work, a

* 'Relating remuneration to work done is both a just and an expedient device, for on the one hand increased productivity gets its own legitimate reward and, on the other, adequate incentives are provided for the putting forth of additional effort' (G.N. Sardhar, Finance of Indian Planning, Bombay, 1948, p. 20)
comprehensive system of bonus payments, public accumulation of outstanding achievements, reasonable say in the conduct of enterprises, place of honour in the social set-up, and above all the joy of participation in a grand plan of national construction are some of the factors that can be expected greatly to enthuse the working masses. All the requirements of high labour productivity can thus be expected to be met.

65. The above discussion of India's employment problem in its varied aspects reveals that basically it flows from the under-development of the country. The solution must accordingly be sought in economic development. But in a densely populated under-developed country, a high level of economic development is synonymous with industrialization. Industrialization thus provides the basic solution to the employment problem.

Industrialization, however, will do much more than that. It will provide an effective guarantee of the nation's economic and political independence. It is only when India can herself produce the modern equipment required for national defence and when her dependence on other countries for vital equipment and materials is no greater than the latter's dependence on her, that she will come to rank as a great nation. In the present epoch of world history, industrialization holds the key alike to high standards of living, economic independence, and military and political might. The nation's prosperity and greatness are thus indissolubly linked with industrialization.