CHAPTER I
INTRODUCTION

1. Introduction:

The Sovereign, Democratic and Republic India occupies a small proportion in India’s long history—a little more than a half century since 1950. Within this short time span however, its economic regime has experienced two radical transformations. First, with the establishment of the Planning Commission in March 1950, India launched upon a unique experiment in state-led ‘growth with social justice’ within the constitutional framework of parliamentary democracy. However, this policy matrix came under significant pressure in the 1980s, culminating in the unprecedented balance of payments crisis in 1990-91. The Indian government responded to this crisis with an equally forthright policy regime grounded in a reform trinity popularly referred to as ‘Liberalisation, Privatisation, and Globalisation’ (LPG). These three economic concepts have necessitated a series of (ongoing) policy reforms by the Union and State governments.

1.1 Globalisation and Indian Approach towards Globalisation:

The term ‘Globalisation’ means integration of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. The essence of globalization is connectivity and it is possible through several dimensions - social, culture, political and economic.

The economic aspect of globalisation of capital and financial markets, has far reaching implications for economic growth and policy making in less developed and developing countries. Opening up of economies for globalization may prove helpful to solve the problems of poverty, inequalities and unemployment. Globalisation affects the employment situation through trade liberalization, encouraging exports and imports and through increasing incentives for investments and innovations. It also encourages FDI which increase domestic investment and also leads to higher growth of the economy. No wonder the advocates of globalisation have always been of the firm view that globalisation would result in significant increase in labour intensive exports there by promoting employment and income generation in developing countries. Simultaneously larger flows of FDI would result in increased investment in greenfield areas and would lead to accelerated direct and indirect employment and income growth in developing countries. (Bhalla, 2008)
The above proposition is also supported by the economic theorem given by Hecksher and Ohlin (H-O). The theorem states that each country exports the commodity which uses its abundant factors intensively. Hence, increased trade leads to increase in income and employment opportunities for abundant labour in the labour surplus developing economies.

Globalisation is a complex process that is having a massive impact on living standards across both the developed and developing world. In general, the balance of evidence suggests that globalisation is helping to reduce poverty and raise living standards by providing more employment opportunities. There is also, however, evidence that globalisation has deleterious consequences as well. For example, in India, inter-regional inequality appears to have widened during the globalisation era. The challenge before India is in many ways unique. It is a country rich in knowledge and in production of technology. Historically, it has not, however, seen this knowledge as a commodity. In recent decades this has changed somewhat, and India has rapidly increased its integration with the globalised economies. Indeed the World Bank also judged India to be one of the world’s ‘fast globalisers’.

1.2 Employment Scenario of India:

As per 2001 census, India’s total population was 1027,015,247 comprising 531,277078 males and 495,738,169 females. Of them 72.2 per cent reside in rural areas and 27.78 per cent in the urban areas (Census Report 2001). Based on Usual Principal Status criterion, 61st NSSO Round (2004-05) has recorded 42.0 per cent Work Participation Rate (WPR). In rural India the WPR is 43.9 per cent comprising 54.6 per cent male and 32.6 per cent female. Whereas in urban India, the work participation rate is 36.5 per cent comprising of 54.9 per cent male and 16.6 per cent female work participation rate.

In most of the countries, work participation rate is lower among females than males. The activity rates of females differ from country to country and also between different regions of large countries. The distribution of female workers among different occupations also differ country to country, depending upon the structure of the economy, various social factors, educational levels and attitude of women towards jobs of different kinds.

The distribution of the labour force by the major economic sectors, namely primary, secondary and tertiary is an important indicator of the level and pattern of economic development. It broadly indicates whether the type and pattern of the national economy is agrarian, semi-industrial or industrial. The distribution of the labour force in the Asian
countries, by the major sectors of economic activity, suggests the predominantly agricultural character of the labour force; relatively high proportion of the persons engaged in the service sector compared to industry and the lack of sufficient diversification in the economic structure of the country. With economic development taking place as a result of planning and resulting in intensification and diversification of economic activities, the pattern of distribution of labour or the occupational structures likely to shift in favour of secondary and tertiary sectors. Shifting in occupations however extends over a fairly long period.

1.3 Relevance and Scope of the Study:

Work participation is an important indicator of growth and development. It shows the proportion of working population to the total population in an economy labour is considered as human resource available to society for use in the process of production. Labour power is a term used by Karl Marx to describe the community which workers sell to capitalists.

The twentieth century has witnessed rapid transformations in labour market structures in both the developed and developing countries. In recent years the attempts to liberalise and globalise the Indian economy through removal of physical and financial controls in the form of industrial licensing and lowering of tariff barriers have also brought changes in work participation.

Now that the Indian economy has already lived through a full decade of the new policy regime, it is the time to know about the changes brought out in Indian employment scenario.

Study of this kind deserves special attention since labour is an integral component of any economic activity. It is a labour orientated study which has focused on gender bias and different dimensions of women workers. Women constitute one half of the population but its share in labour force is only one fourth of total labour force. With the passage of time, the share of females in work participation has increased but up to what extent and in which direction this increase is, is still not clear. Whether this change is actual or due to the change in the definition of employment is still a controversial and debatable issue.

Large quantum of inter-state differentials is also visible in the NSSO Reports. The state with high HDI rank may not have high rate of female employment, as expected.

It is in the fitness of the things that the theme has been selected to investigate the structural changes in female employment during the pre and post-reform periods and to
identify the factors, responsible for the changes. Therefore, to find out the factors responsible for such behaviour of the six states one should look into the current levels and differential in the level in work force participation among the females by some important socio-economic and demographic characteristics. The present study aims to address this issue.

It has covered all the workers of India for broad sectoral classification and has focused on females for nine-industry classification.

Not only the work participation rates but compound growth rates that have been calculated are helpful to reveal and compare the generation of employment in different sectors and industries during different periods in rural and urban areas. Another dimension of female employment where the study has focused are age-specific female employment; which is helpful to analyse the changes in child as well as old aged persons work force. Education-specific analysis shows the changes in females employment in different education levels.

At macro level, this type of studies helps to compare the changes in employment scenario due to adoption and implementation of certain policies and reforms. It also reflects the impacts of such programmes within the country and within regions. The study also focused on the bahaviour of different ranked (status) states towards such reforms. This research work is significant in understanding and examining the nature and trends in work participation. Because study is divided into two equal time periods, referred as pre-reform and post-reform, is helpful to analyse the impacts of economic reforms on employment. It focuses on India and six selected states of India for research purpose.

A study related to this area is helpful for the policy makers in chalking out suitable policies for expanding and contracting industries. The comparative study of six states of different development status is helpful to check whether employment level and its structure are anywhere related to the status of a state. The scope of the study includes;

I. National Trends in Employment:
   (a) National Trends in employment (Male/Female/ Total) and its Compound Growth Rates
   (b) National Trends in Sectoral Employment and Growth Rates
   (c) Gender Gap in Employment
II. **State-wise Analysis of Employment (Pre- and Post-Reform Period):**
(a) State-wise Regional Trends in Employment (including Gender Gap in Work Participation) and CGRs of Employment.
(b) Changes in CGRs of Sectoral Employment

III. **Female Employment Scenario in Pre-and Post-Reform Period.**
(a) Sector-wise and Industry-wise Analysis of Female Employment and Compound Growth Rates

IV. **Different Dimensions of Female Employment**
(a) Age-Specific Female employment
(b) Education Specific Female employment
(c) Mode of Female employment
(d) Incidence of Casualisation

V. **Socio Economic Development Indicators and female Employment**

1.4 **Concepts Used During Study and Their Measurement:**

1.4.1 **Work:** Work is defined as participation in any economically productive activity with or without compensation, wages or profit. Such participation may be physical and/or mental in nature. Work involves not only actual work but also includes effective supervision and direction of work. It even includes part time help or unpaid work on farm, family enterprise or in any other economic activity (Source: Census 2001).

1.4.2 **Workers or Employees:** Persons who are engaged in any economic activity or who despite their attachment to economic activity have abstained for reason of illness, injury or other physical disability, bad weather, festivals, social or religious functions or other contingencies necessitating temporary absence from work constitute workers. Unpaid helpers who assist in the operation of an economic activity in the household farm or non-farm activities are also considered as workers (NSSO 61st Round, Report No. 515, p.12)

1.4.3 **Labour Force:** Labour force of a country consists of all those in its working age population, who are employed or seeking employment.

1.4.4 **Work Force:** Work force consists of all persons who are actually working, whether in the formal or in the informal sector, i.e. labour force less unemployed.

\[
\text{Work force} = \text{Labour Force} - \text{unemployed} \\
\text{Unemployed} = \text{Labour Force} - \text{work force}
\]
1.4.5 **Work Participation Rate:** Work Participation Rate is defined as the percentage of total workers to total population.

\[
\text{Work Participation Rate} = \frac{\text{Total Workers}}{\text{Total Population}} \times 100
\]

1.4.6 **Female Work Participation Rate:** Female Work Participation Rate is defined as the percentage of total female workers to total female population.

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\text{Female Work Participation Rate} = \frac{\text{Total Female workers}}{\text{Total Female Population}} \times 100
\]

1.4.7 **Economic Activity:** Any activity resulting in production of goods and services that add value to national product is considered as an economic activity. Such activities include production of all goods and services for market (market activities), i.e. production for pay or profit, and the production of primary commodities for own consumption and own account production of fixed assets, among the non-market activities (Ibid.).

1.4.7.1 **Different Approaches to Determine Activity Status**

I. **Usual Status Considering Principal and Subsidiary Status taken Together:** Usual status approach with a reference period of 365 days preceding the date of survey. This is written as usual status (Ps+Ss). According to the usual status (ps+ss), workers are those who perform some work activity either in the usual principal activity status or in the subsidiary activity status.

   a. **Usual Principal Activity Status:** The usual activity status relates to the activity status of a person during the reference period of 365 days preceding the date of survey. The activity status on which a person spent relatively longer time (i.e. major time criterion) during the 365 days preceding the date of survey is considered as the principal usual activity status of the person.

   b. **Usual Subsidiary Activity Status:** A person whose principal usual status is determined on the basis of the major time criterion could have pursued some economic activity for a relatively shorter time throughout the reference period of 365 days preceding the date of survey or for a minor period, which is not less than 30 days. The status in which such economic activity is pursued is the subsidiary economic activity status of that person.

II. **Current Weekly Activity status:** Current weekly status approach refers to a reference

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period of seven days preceding the date of survey.

III. **Current Daily Activity Status:** Current daily status approach with each day of the seven days preceding date of survey as the reference period. This approach attempts classification of person-days and not persons.

1.4.8 Mode of Employment (Ibid.)

I. **Self-employed in household:** Persons who operate their own farm or non-farm enterprises or are engaged independently in a profession or trade on own-account or with one or a few partners are self-employed in household enterprises.

II. **Regular Salaried/Wage Employee:** Persons working in other’s farm or non-farm enterprises, both household and non-household, and getting in return salary or wages on a regular basis (and not on the basis of daily or periodic renewal of work contract) are the regular salaried/wage employees. This category not only includes persons getting time wage but also persons receiving piece wage or salary and paid apprentices, both full time and part-time.

III. **Casual labour:** A person casually engaged in other’s farm or non-farm enterprises (both household and non-household) and getting in return wage according to the terms of the daily or periodic work contract is a casual labour.

IV. **Marginalisation of Female workers:** It includes;

   a. exclusion of women from productive employment either in the form of decline in the overall participation of women or a decline in wage and salaried employment;

   b. Concentration of women in informal sector;

   c. Segregation of women in certain types of jobs which are low in occupational hierarchy; and

   d. Economic inequality reflected through wage differential.

1.4.9 Sectors:

All the economic activities of the economy are broadly divided into three sectors.

I. **Primary Sector:** The primary sector of the economy extracts or harvest products from the earth. The primary sector includes the production of raw material and basic foods. Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing and
quarrying. The packaging and processing of the raw material associated with this sector is also considered to be part of this sector. In developed and developing countries, a decreasing proportion of workers are involved in the primary sector.

II. Secondary Sector: The secondary sector of the economy manufactures finished goods. All of manufacturing, processing, and construction lies within the secondary sector. Activities associated with the secondary sector include metal working and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, breweries and bottlers, construction, and shipbuilding etc.

III. Tertiary Sector: The tertiary sector of the economy is the service industry. This sector provides services to the general population and to businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law. In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. In the U.S., more than 80 per cent of the labor force constitutes tertiary workers.

1.4.9 Statistical Tools:

Various statistical tools have been used to check the authenticity of the work.

I. Arithmetic Mean: Arithmetic mean of a given set of observations is their sum divided by the number of observations.

\[ \bar{X} = \frac{\Sigma X}{n} \]

II. Standard Deviation: Standard deviation usually denoted by the letter \( \sigma \) (sigma), was first suggested by Karl Pearson in 1823. It is the positive square root of the mean of the squared of the deviations of the given observations, from their arithmetic mean. The standard deviation measures the absolute dispersion or variability of a distribution; the greater the amount of dispersion or variability, the greater the standard deviation, or the greater will be the magnitude of the deviations of the values from their mean. Hence standard deviation is extremely useful in judging the representativeness of the mean.

III. Coefficient of Variation: It is the relative measure of dispersion developed by Karl Pearson. It is used to compare the variability of two or more than two series. The series for which the coefficient of variation is greater is said to be more variable or conversely less
consistent, less uniform, less stable or less homogenous. On the other hand, the series for
which coefficient of variation is less is said to be less variable or more consistent, more
uniform, more stable or more homogenous. It is denoted by C.V and is obtained as follows:

\[ C.V = \frac{\sigma}{\bar{X}} \times 100 \]

\( \sigma \) = Standard deviation, \( \bar{X} \) = mean

IV. Auto Correlation: A mathematical representation of the degree of similarity
between a given time series and lagged version of itself over successive time intervals. The
correlation analysis refers to the techniques used in measuring the closeness of the
relationship between the variables.

V. Index of Casualisation (to regular workers): Index of casualisation shows the
number of casual wage earners for every one-hundred of regular salaried jobs.

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\text{Index of Casualisation} = \frac{\text{Total Number of Casual Wage Earners}}{\text{One Hundred Regular Salaried Workers}} \times 100
\]

1.5 Objectives of the Study:

The major emphasis of the study is to assess the nature and sectoral shift of work
force in India and six selected states.

The specific objectives of the study are:

I. to explore the comparative changes in work participation in general and female
work participation in particular in India and six selected states during pre- and
post-reform period;

II. to analyse the sectoral changes in total work participation;

III. to identify the structural changes in female work participation in diverse sectors
of the economy;

IV. to explore the inter-state and inter regional (rural and urban) differentials of female
work participation in India and the listed six states.

VI. to decipher the determinants of change in female employment.

V. to study the extent and change in female employment as per mode of employment,
age-structure and education level.

VI. to examine the extent of casualisation in post-reform period.
1.6 Hypothesis:
I. There is little employment generation during post-reform period as compared to the pre-reform period.
II. Variations in workforce at rural level are more as compared to their urban counterparts in post-reform period.
III. Female casualisation has increased in post-reform period.
IV. Globalisation and development has led to occupational shift in work participation rates of both the males and females from primary sector to secondary and tertiary sectors. This is more true for the developed states as compared to least developed states.
V. Development and employment are said to be positively correlated.

1.7 Data Sources and Methodology:
The study is primarily based on secondary data.

I. Data Sources
The present study is based on secondary data. The data have been collected from various official and semi-official published reports and works of individual scholars. The main sources of secondary data used are:

   a) Government Publications:
      - Reports of NSSO (Employment and Unemployment) of various Rounds.
      - Statistical Abstracts of India and of various States
      - Economic Survey, Government of India, various issues
      - Reports of Directorate of Economics and Statistics of various States of different Years

   Articles from various Journals like Economic and Political Weekly, The Indian Journal of Labour Economics, Man and Development, etc. have been consulted.

   b) Websites:
      - www.censusindia.com
      - www.onlinejournal.com
      - www.punjabgovernment.com
      - www.keralagovernment.com
An attempt has been made to analyse variations in work participation across India and selected states, grouped on the basis of HDI Report 2001. Out of 28 states of India, six states have been selected. The criterion for the above stated selection is Human Development Report of India 2001. Two states, Kerala and Punjab have been selected from the top ranked developed states, two middle ranked states (Karnataka and West Bengal) and two least developed states (Assam and Bihar) have been selected.

II. Survey Period:

Comparable NSS data on employment are available at different points of time; 27th Round (covering oct.1972- Sep 1973), 32nd Round (July 1977- June 1978), 38th Round (Jan. –Dec. 1983), 43rd Round (July 1987- June1988), 50th Round (July 1993-June1994), 55th Round (July 1999-June 2000), 60th Round (2004) and 61st Round (July 2004-June 2005) but as per our requirement, data of four rounds 38th, 50th, 55th and 61st have been taken. The study undertakes the period from 1983 to 2004-05, divided into two equal decades. The period 1983 to 1993-94 surrogates pre-reform period while the period 1993-94 to 2004-05 is expected to capture the changes brought about by economic reforms, thus termed as post-reform period. The intermediate data set for 1987-88 is not used because the pre-reform period needs not to be shortened to 1987-88 to 1993-94. 60th Round is avoided because of small size sample. For the data of 38th round, various issues of SARVEKSHANA have been consulted. The other secondary data sources are used for limited purposes only.

Study is based on Usual (Principal and Subsidiary) Status data. We computed afresh absolute number of workers for 1983, 1993-94, 1999-2000 and 2004-05 and growth rates and associated changes are based on these very estimates. For the record, using decade-wise compound growth rates, separately for rural and urban population, the rural and urban population was interpolated as on July 1, 1983, January 1, 1994, January 1,2000 and January 1,2005 to align it with NSSO estimates for 1983, 1993-94, 1999-00 and 2004-05.

Data of work participation of 38th round are given from age 5+. To make them comparable with other rounds (where data of work participation are given age from 0+), calculations have been done using population data of 1983. As data of NSS are given out of 1000, so to get the exact percentages, population data and other required data have been
used for calculations.

III. Analysis:

Appropriate statistical tools have been used to analyze the data.

1.8 Limitations of the Present Study:

I. The duration of pre-reform period is 1983 to 1993-94 and for post-reform period is 1993-94 to 2004-05. In post-reform period one year is more because of unavailability of data for the economic year 2003-04.

II. The NSSO reports do not give the data of “Sectoral Work Participation” of total workers", irrespective of rural and urban areas. Because the whole research is based on NSSO data, so sectoral division of employment is distinguished into rural and urban but “Total Sectoral Work Participation” is not given.

1.9 Chapter Scheme

This study is divided into seven chapters.

Chapter I : Introduction

Chapter II : Theoretical Framework of the Study

Chapter III : Employment Scenario of India: A Gender Based Study of Six Selected States

Chapter IV : Changes in Employment Structure of India during 1983 to 2004-05

Chapter V : Changes in Female Employment Structure of India: 1983 to 2004-05

Chapter VI : Socio-Economic Development Indicators and Female Employment

Chapter VII : Summary, Conclusion and Policy Recommendations

CHAPTER II