# Chapter 2

# Review of literature

The main objective of this chapter is to examine the available empirical evidences as well as theoretical concepts on the linkage between economic growth and employment . It is not possible to include all the published and unpublished studies on the topic; an attempt has been made to include relevant published work available. For better insights and in the backdrop of the objectives of the present study, review of literature has been divided into 3 sections namely: (i) Linkage between economic growth and employment (ii) Post reforms pattern of economic growth in India and (iii) Emerging employment and unemployment scenario in India

## 2.1 Linkages between Economic Growth and Employment

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. According to Kuznets (1971) "A country's economic growth may be defined as a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growing capacity based on advancing technology and the institutional and ideological adjustments that it demands."

A country's economic growth is usually represented by an increase in that country's **gross domestic product**, or **GDP**. Generally speaking, gross domestic product is an economic construct that reflects the value of a country's output. In other words, a country's GDP is the total monetary value of the goods and services produced by that country over a specific period of time. The increase in quality of life is often associated with the economic development of a country or an economy. The economic development of a country or society is usually associated with (amongst other things) rising **incomes** and related increases in **consumption**, **savings,** and **investment**.

'Quality of life' is commonly measured by using the **Human Development Index**, which is a socio-economic indicator that considers inherent personal factors not taken into account in economic growth. It considers indicators such as education, health and standard of living for the individuals in the economy. Economic growth often considered a necessary condition for economic development is not the sufficient condition to analyze the condition of well being of the society, it's important to note that a country's GDP doesn't include various essential development factors which is difficult to measure in terms of monetary values. It doesn't measure indicators of individuals such as literacy rate, life expectancy etc. Economic growth involves the increase of Gross Domestic Product (GDP), Gross National Product (GNP) and National Income (NI) which are all measured in terms of monetary values. Economic growth is the process of increasing the sizes of the national economies, especially the GDP per capita with positive effects on the socio-economic sector.

It is known that economic growth is one of the most powerful instrument to improve the quality of life for each individuals such as eradicating poverty. Cross-country research and country case studies have shown that rapid and sustained growth is essential for the development of an economy especially the developing countries like India. Growth can generate the so called virtuous circle of prosperity and opportunity for every person in an economy. With further and stronger economic growth can augment human development faster which in turn can promote growth.

However several studies have found that under different conditions, similar rates of growth can have different effects on poverty, the employment prospects and human development. The most important reason being the degree at which the poor participate in the growth process and share in its proceedings. Therefore the more the poor participate in the growth process the more sustainable the economic growth can be. This statement will be discussed in detail in the subsequent sections of this chapter.

## 2.2 Theories of Economic growth and the relevance of employment

Adam Smith in his famous work "An Inquiry into the Nature and Causes of the Wealth of Nations" talks about the importance of capital accumulation and labor productivity for a nation to grow and develop. He implicitly mentioned that for an economy to grow one of the most important tool is the provision of employment to the people. He explained that the main cause of economic growth is the nation's working population which is employed in productive labour and it is found in the agriculture and the manufacturing sector of an economy. He considered the importance of free markets in achieving this and did not support the idea of government interference. According to Smith capital accumulation contributes to expansion of market and then with more capital, labour is equipped to perform specialised actions and wages can increase above the subsistence level. The increase in population will increase the demand over time and there will be another expansion of the market.

Robert Malthus (1798) argues that as the economy grows there will be population growth, this growth will be such that it will be larger than the employment growth so this will finally lead to presence of unemployment and also decline in the wage rate as more and more people will be demanding the same job. He further added that the capitalist while accumulating capitals will not continue investing in the food as it gives low returns so they will look for other options which leads to less accumulation of capital in agriculture sector therefore leading to low food supply making it worse for the poor. Therefore in his perspective controlling the size of the population is the key to growth. He recommended his Corn Laws to encourage self sufficiency.

Ricardo (1817) also had an explanation that economic growth can be achieved through capital accumulation and increasing the labour productivity. However he also argued that even if in the short run the wages of the workers may rise and profits of the capitalist might fall, there will be fall in the wages gradually in the long run with higher population growth than the employment rate. So he suggested accumulation of capital and trade to increase the exchange of manufactures for agricultural products once all the cultivable land in the country was being used.

Kuznet's (1973) growth theory also propounded that as the economy grows there will be an initial rise in the income inequality because of structural changes however as the economy grows further the income inequality will tend to fall making it known as the Kuznets inverted U shaped curve. However as the new theories argued that such a scenario in fact never happens such as Ravallion (2004).

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Blanchard states that the economist Robert Solow was the first to develop originally the fundamentals of the importance of employment on aggregate production function, being the relationship between economic growth and employment as the aggregate production function. He further stated that according to Solow model there is an assumption that aggregate output (Y) is the result of using two factors of production, i.e. capital (K) and labour (L). Therefore it can be simply written as

$$Y=F(K,L)$$

Another important relationship between economic growth and employment is based on the Okun's Law. Okun's law states that unemployment and economic growth are negatively related, for every one percentage point increase of the actual unemployment, real gross domestic product is reduced by 2% to 3%.

One of the main developmental agenda of today's world is to solve the problem of poverty. Many studies have been done on how to eradicate poverty and studies have shown that higher economic growth is the key to solve the problem of poverty. This has been supported empirically by the works of Ravallion and Datt (1996), Tendulkar (1998) and Besley & Robins (2000). Dollar and Kray, (2002) collected household surveys for country- year observation for the 137 countries over the period 1950-1999 and found that that there was a positive correlation of average per capita as a whole with the per capita of the poorest fifth of the society. This relationship holds across regions and in good times and crises. They added that sound macroeconomic policy with stable law and order, openness to trade and friendly environment for business adds to the pace of growth so do the rise in income share of the poorest. However they did not support the concept of trickledown theory whereby the richer section of the society will gradually pass on the benefit of development to the poor.

According to Herman (2011) economic growth and employment relationship is one of the most debated issues because on the one hand most of the European countries have a persistent jobs deficit and they have with it the problem of unemployment and on the other hand, employment does not grow enough while the economy is growing. Many Studies showed that there is positive relationship between economic growth and employment but of different intensity from one period to another and also from one country to another.

The developing countries have larger share of the population who are poor and according to Ravallion (2004) because of the existence of credit market failures, as the marginal product of capital keeps declining the output loss from the market failure is greater for the poor. Therefore in developing countries the poor impedes economic growth. It has also been supported by the findings of Galor and Zeira (1993), Banerjee and Newman (1993), Benabou (1996), Aghion et al., (1999) and Bardhan et al., (1999).

The role of economic growth on reducing poverty has also been supported by Deaton and Drèze (2001). In their study of India's growth upto late nineties they found that increase in average consumption which depicts the rise in per capita income showed a decline in headcount ratio i.e. there was poverty reduction. Bhagwati and Srinivasan (2002) argue that trade is the key to economic growth and this growth will lead to poverty reduction.

Sen (1996) has strongly recommended for higher government expenditure for the development and social assistance to the poorer section of the society, especially in providing proper education and its facilities, which is considered as the most important determinants of poverty reduction. Datt and Ravallion (2002) also supported the view that economic growth does reduce poverty, they further added that better management and increase in social expenditure accentuated the process of poverty reduction. The researchers concluded that the sectoral composition of economic growth was more important to poverty reduction in states with initially poor conditions.

However, government's social expenditure that can help the poor is dependent on government revenue which is collected from taxes direct and indirect and other items, which in turn requires the economy to grow. It is known that economic growth cannot by itself reduce poverty without better management of the government macro-economic policies and spending on social infrastructure. Therefore economic growth is a necessary condition but not a sufficient condition to fulfill poverty reduction, Kanbur (2000).

Growth alone is no panacea for prevailing social ills, and redistributive growth was likely to be more effective for poverty reduction than distribution-neutral growth (Dagdeviren et al., 2000; Ianchovichina and Lundstrom 2009).

According to Ianchovichina and Lundstrom (2009:2) “Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from economic growth. Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors and inclusive of the large part of the country’s labor force.”

Adelman and Morris (1973) were one of the earlier researchers to question the automaticity of the relationship between economic growth and reducing poverty giving benefits to the poor. The others were by the influential contribution of Chenery, et al. (1974), focusing on the importance of redistribution along with economic growth. They found that in the third world countries economic growth was not associated with any reduction in their income inequality .

Another set of studies by Ahluwalia, Carter, and Chenery (1979) opined that to eradicate absolute poverty in the third world countries there should be economic growth as well as proper equitable management of income distribution and also to reduce population growth.

(Fields, 1980) and later studies by (Fields, 1991; Chen, Datt & Ravallion, 1994; Bruno, Ravallion & Squire, 1998) They performed spell analysis – that is, an examination of the relationship between poverty change and national income change in a "spell" between one survey or census and another. In most cases, growth reduced poverty and recession increased it.

Stiglitz (2016) found that after the great recession when the economic growth began to come back to its momentum the inequality did not decline, infact it increased. The share of wealth of 1% of the richest increased more in the USA.

According to Hirway (2012), the neo-liberal policies for the developing countries implementing the concept of this theory of focusing more solely towards economic growth do not reduce inequalities or poverty, infact it leads to increase in unemployment. Empirical studies done by Planning commission (2011), Sen and Dreze (2011) and Palanivel (2011) support the argument. Hirway had found that on an average the growth rate of GDP in south Asia increased from 3.3% in the 1990s to 5% in the first decade of the 2000s. However, the growth impact on poverty has been low and declining in this region. The incidence of poverty in the region declined by 1.6% per year in the 1990s, while it declined by 1.4% per year in the first decade of the 2000s. The growth elasticity of poverty declined significantly from 0.7% in the 1990s to 0.4% in the 2000s.

Palanivel‘s (2006) empirical studies of time period of two decades based on the experience of 14 Asian countries and 11 countries found a significant increase in inequalities e.g. Sri Lanka, China, Cambodia, India, Indonesia and Nepal. The rising inequalities have also dampened the economic growth of these countries.

Sen and Dreze (2011) did a study on the growth and development indicators of 6 South Asian countries namely Bangladesh, Bhutan, Nepal, India, Pakistan and Sri Lanka for two decades i.e. 1990 to around 2009. It has been found that India entered a phase of “spectacular” economic growth during this period however it has performed miserably in development goals, such as poverty reduction, human development and reduction in inequalities. India has also lagged behind even the relatively poorer neighbouring countries like Nepal and Bangladesh in these areas.

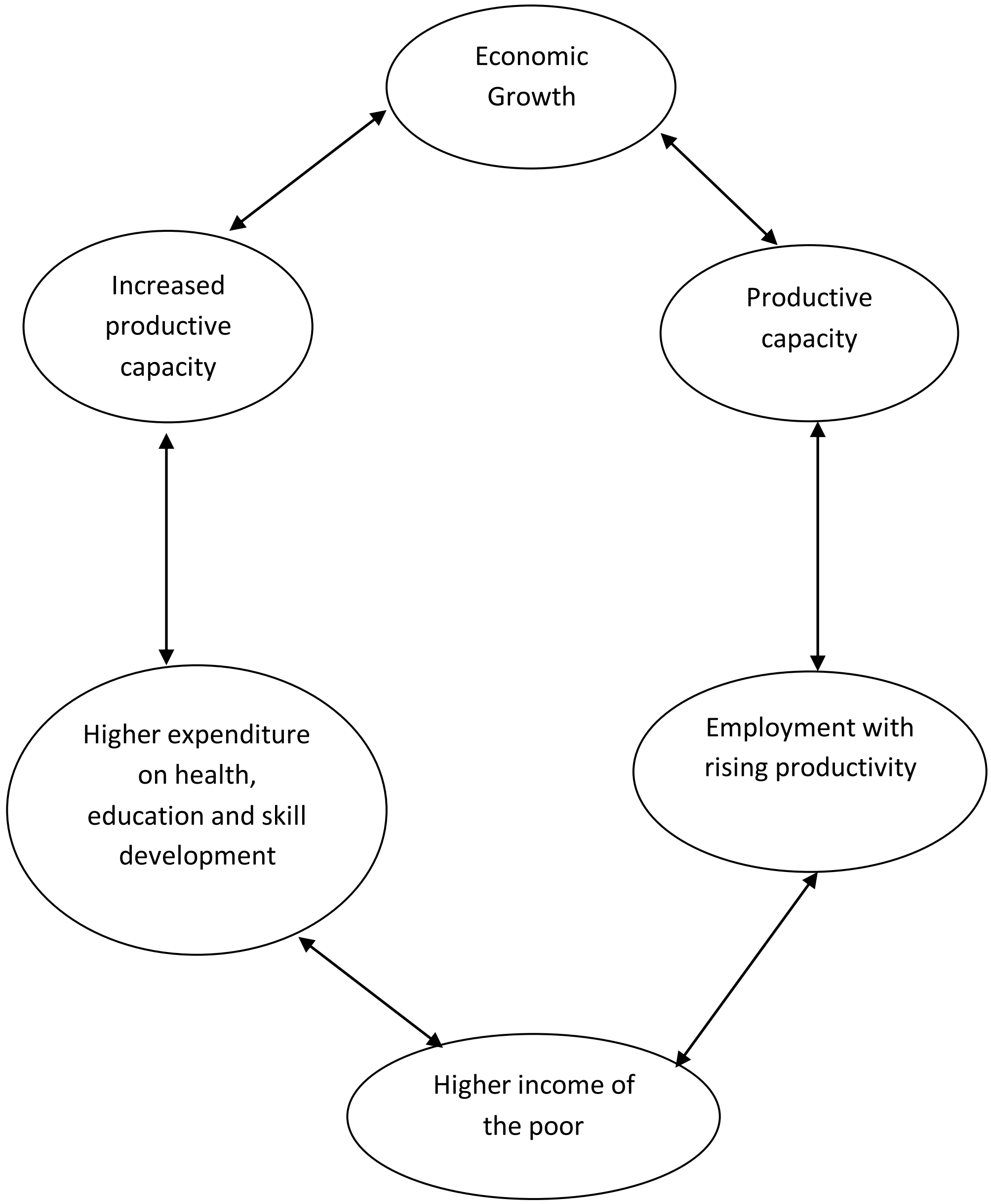
Ranieri and Ramos (2013) argued that the developing world’s experience after world war two includes a wide array of trajectories, many of which involving unsteady and, in some cases, erratic performance in terms of average real income. Several countries with fast growth had experienced worsening inequality as they grew and when the growth process was failed to produce a turning point after the initial trend was reversed. Therefore not only did inequality remained high, but also poverty rates persisted at high levels and in some cases it even increased. This defied the notion that the trickle down to the poorer segments of developing societies. This leads to the concern about the distributional consequences of growth.

It is understood by now that the notion of trickle-down theory was inadequate and more focus should be given on pro-poor growth. (Dagdevirenet al.2000); (Kakwani and Pernia, 2000); (Kraay, 2004); (Lopez, 2004); (Ravallion, 2004).

It is of significant importance and a matter of concern that, economic growth is distributed in such a way that it benefits the majority of the population and reduce poverty ensuring that there is no accumulation of wealth only to the few and therefore focusing on the priority of growth alone is not a sufficient condition. Most often the employment generation or job creation was not considered in framing policies to eradicate poverty. It is now unambiguous and that employment growth with higher productivity should be incorporated for the growth to be pro poor. Developments in labour market matter a lot in poverty reducing outcome of growth. This is what we call productive employment. According to Byiers et al (2015) other important goals promoted by productive employment are social cohesion, citizen empowerment and personal dignity and greater opportunities for learning and skills accumulation. The coexistence of unemployment problem and poverty can be interpreted as symptoms of lack of structural change. They further argue that the employment nexus between growth and poverty reduction was relatively neglected until the Arab Spring in 2010 and the global financial crisis (Byiers et al 2015). Employment was belatedly included in the Millennium Development Goals in relation to poverty. It has been explicitly considered in the post 2015 Sustainable Development Goals. Employment is a priority in many developing countries. What should be understood is that in reality employment progress has come as secondary outcome of growth-focused policies rather than from explicit consideration of productive employment generation.

Islam (2004) argues that pro poor economic growth can be conceptualized in terms of a virtuous circle of economic growth leading to poverty reduction. It can be achieved via growth of employment along with rising productivity which will reduced poverty creating the possibility of further increases in productivity and higher rates of economic growth and poverty reduction and so on.

**Fig 2.1: Virtuous circle of links between growth, employment and poverty reduction**




**Source:** Islam, R. (2004) p-4

Employment elasticity of output growth is a summary measure of employment growth that is associated with output growth which implies that overall GDP can be measured as the proportionate change in employment divided by the proportionate change in GDP during a given period of time. It also reflects the inverse of labour productivity. While an elasticity higher than unity implies decline in productivity, a lower than unity elasticity means that employment expansion is taking place along with an increase in productivity. A rise in productivity would lead to a reduction in employment elasticity. Raising employment elasticity would mean a further lowering of productivity in economies that may already be characterized by low productivity employment (Islam, 2004). The right order of magnitude of employment elasticity depends on the level of development and the relative factor endowment of the country concerned.

Economic growth and poverty has no constant relationship. Varying poverty reduction outcomes are consistent with similar growth rates depending on developments in labour markets. Suppose labour force growth rate is 2.5% and overall employment elasticity 0.4 %. A GDP growth of 6% would be required to absorb the annual additions to the labour force. Shifting of workers from lower productivity sector such as agriculture to higher productivity sector such as manufacturing would be an important factor of poverty reduction. According to a statement from SAARC (2005: 169) “The urgency of accelerating productive employment growth in the interest of poverty reduction needs new time bound employment growth targets placed side by side with other regionally and internationally agreed development targets. Such targets could relate to achieving employment growth rates equal to labour force growth rates in the first instance and to surpassing labour force growth rates at some specified subsequent date.”

Papola (2013) argues that the new employment has to be at increasing levels of productivity in order that it does not assume a poverty perpetuating or poverty generating nature. Employment oriented growth cannot be separated from productivity growth. Economic growth in India has failed to strike a balance between growth of productivity and employment. As growth of labour force persistently exceeded growth of employment, unemployment was accumulating during the first three decades of planning (Papola, 2013). During the 80s, of the 5.5% growth of GDP, 2% was accounted by growth of employment and in the 90s growth of 6%, 1.8 % was accounted by growth of employment and in the 2000s growth of 7.5% the contribution of employment growth was only 1.5% and the balance came from productivity growth. Thus it shows a growth with low and declining content of employment.

## 2.3 Post reforms pattern of economic growth in India

This section discusses the initiation of economic growth and its pattern in India in the post reforms era. From 1950 to 1980, Indian real GDP grew at an annual average rate of 3.6% (1.5% in per capita terms). From 1990 to 2007 the growth rate averaged 6.4% (4.1% in per capita terms) after virtual stagnation in 1991-92, GDP growth surged in the next five years to clock a record 5-year average of 6.7 percent. It is important to note that during high growth eighth five plan period all major sectors viz. agriculture, industry, services grew noticeably faster than during the pre crisis decade. The shift to 8.5 per cent during 2003-04 to 2010-11 represented a significant jump in the growth rate following the post 1991 systemic reforms. The acceleration in the growth of agricultural value added is particularly interesting in the light of oft-repeated criticism that economic reforms of the early nineties neglected the agricultural sector. (Acharya, 2007)

Immediate factors behind the growth surge in 1992-97, according to Acharya (2007:6), were

- Productivity gains resulting from the deregulation of trade industry and finance especially in the sectors of industry and some services
- The surge in export growth due to substantial devaluation in real effective terms in the early nineties and a freer policy regime for industry, foreign trade and payments
- Investment boom especially in industry. The investment boom itself was probably driven by a combination of factors including the unleashing of 'animal spirits' by economic reforms, the swift loosening of the foreign exchange bottleneck, confidence in broadly consistent governmental policy signals and easier availability of investible funds (both through borrowing and new equity issues)

- The partial success in fiscal consolidation, which kept a check on government borrowings and facilitated expansion of aggregate savings and investments;
- Improvement in the terms of trade for agriculture resulting from a combination of high procurement prices for important crops and reduction in trade protection for manufacturers
- Availability of capacity in key infrastructure sectors notably power
- A buoyant world economy which supported expansion of foreign trade and private capital inflows

He further listed seven major elements behind the surge in economic growth

- the momentum of a quarter of a century of strong economic growth
- a much more open economy to external trade and investment
- a growing " middle class" fuelling domestic consumption
- the demographic dividends of a young population
- strong companies in a modernized capital market
- some recent economic reforms
- a supportive international economic environment (Acharya, (2007: 7-8))

It was Bradford Delong (2003) who first argued that the post-1991 reforms followed, rather than preceded, the growth acceleration. The experience of growth acceleration during the 80s also raised a number of questions:

1. Why did growth accelerate in the early 80s without any policy innovations or shocks?
2. What prevented India's growth from accelerating despite the 1991 economic reforms? The average growth rate, post the major economic reform of 1991, stayed the same as the pre reform decade of 1980s.
3. There has been sharp acceleration in GDP growth to 8.5% plus since 2003/4. How did it accelerate without the benefit of any new reform?

These questions were very critical of the common position that would attribute the surge in economic growth mainly to economic reforms. Rodrik and Subramanian (2004:19) argued that "India's growth transition began in the early 1980s rather than after the crisis of 1991. The performance of the 1980s appears to have been triggered by a perception on the part of the private sector that the government's attitude to it has changed, a perception that was subsequently (in the mid-to-late 1980s), mildly validated by piecemeal reforms of the industrial licensing system. The attitudinal shift signaled by the Congress governments in the 1980s elicited a large productivity response, a phenomenon facilitated by the fact that India was far away from its income possibility frontier"

There is also a view , though vague, that policy shift began in the early 1980s when Mrs Gandhi returned to power. The pre reform acceleration has been attributed to attitudinal shift of officials from the conventional thinking of a regulated and controlled economy to an open and less restricted economy (Rodrik and Subramanian, 2004). Mild reforms undertaken during Rajiv Gandhi's period spread the message of an attitudinal shift among officials. The credibility of this change encouraged entrepreneurial activities and thus had a greater bearing on growth than the specific policy reforms followed during the 1990s.

Bhagwati and Panagariya (2012: 35) interestingly challenged the statistical basis of this view and argued that "The growth acceleration of the 1980s has been greatly exaggerated so that it is misleading to argue that the true acceleration began in the 1980s rather than in the post-1991 reforms decade thereafter." According to them, the claim that the growth in the 1990s was no higher than in the 1980s carries the fallacy of aggregation. Bulk of the growth in the 1980s was based on the high growth rate of the last three years. Once we exclude the years 1988-91, growth during 1980-81 to 1987-88 turns out to be just 4.6% which is closer to the 4.1% between 1951-52 and 1964-66 and perceptibly lower than the 6.3 percent growth between 1992-93 and 1999-2000. The 1980s growth could not have been sustained without the post 1991 reforms.

According to Bhandari (2013) emphasized on factor productivity stating that high growth may come through rapid growth in inputs such as physical and human capital and also an increase in the growth rate of total factor productivity (TFP). To augment TFP, there should be technological change, effectiveness of policy to business environment, increase in institutional infrastructure, lowering transaction costs, ease of financial and credit access facilities etc. TFP captures the contribution to growth which is not contributed by the two inputs viz. physical and human capital. The growth in India since 1991 has been mostly through increase in TFP. TFP growth according to his studies was the primary reason for the rising GDP growth in the first six years of the 1990s following the 1991 reforms. As the effects of TFP started tapering off, growth moderated between the late 1990s and early 2000s. Thereafter came another round of big jump in GDP growth again led by a significant growth in TFP and capital stock as well. Even the growth in labour employed showed an increase during this period. With TFP and capital stock being the primary growth drivers, growth was driven by not just input accumulation but also by efficiency gains and organizational changes.

Another explanation lists the contributory factors as follows -

First, Indian economic growth has been largely enabled by the availability of domestic savings.

Secondly, the recent acceleration in growth has been enabled by a surge in private sector investment and corporate growth.

Thirdly, the generation of resources by the private corporate sector through enhancement of their own savings has been assisted greatly by the reduction in nominal rates which has become possible through a sustained reduction in inflation brought about by prudent monetary policy.

Fourth, fiscal correction has gained a credible momentum in recent years.

Fifth, the economy has been gradually opened up providing access to Indian companies to the best inputs available globally at almost world prices.

Basu (2008) attributes this surge to economic reforms in the early 90s and the sharp increase in savings rate following the bank nationalisation of 1969. The rapid expansion of the network of nationalised banks across the country, particularly in rural areas, played an important role in this surge of savings rate. He was however critical of the growth accompanied by growing inequality and high level of poverty. He argues that globalisation has a role in this dilemma and this calls for greater multi country coordination of policies.

Ghate & Wright (2009) placed the turning point at fiscal year 1987-88. Using factor analysis on state level sectoral time series data for 14 sectors in 15 states at 1993-4 prices they identified the common patterns in the growth shifts in Indian states. Two factors were found to be driving these time series. One is a nearly deterministic straight line growth factor and the other exhibits a V shape which is referred to as the V factor. The apex of the V is in 1987 when reforms to open up the economy started to take place. The V factor is strongly correlated with tariff reductions.

**Table 2.1: Break points in Indian Growth rate**

| **Authors** | **Years of Break point** |
|---|---|
| Basu (2008b) | 1975-76 |
| Virmani | 1980-81 |
| Balakrishnan & Parameswaran (2007) | 1978-79 |
| Ghate & Wright (2009) | 1987-88 |

*Compiled by the author from various sources

However as Hausmann et al (2005) has shown that growth accelerations across the world are not always accompanied by economic reforms. Economic reforms do not guarantee growth and development. Therefore if economic reforms of 1991-93 are not associated with growth acceleration, it is not an exception. Hausmann et al (2005:15), after examining the growth acceleration of 110 countries during 1957-1992, argue that "Most growth accelerations are not preceded or accompanied by major changes in economic policies, institutional arrangements, political circumstances or external conditions…on the whole those determinants do a poor job of predicting turning points." Though turning points may have lots of information on the policy environment, it is extremely difficult to predict them

Rodrik (1999) examined growth collapses in terms of interaction of latent social conflicts with institutions of conflict management. Latent social conflict indicates the depth of pre existing social cleavages in a society along the lines of wealth, ethnic identity, geographical region or other divisions. Institutions of conflict management are institutions that adjudicate distributional contests within a framework of rules and accepted procedures without open conflict and hostilities. Democratic institutions, an independent and effective judiciary, an honest and non corrupt bureaucracy and institutionalized modes of social insurances are conflict management institutions. Comparing the differences in rates of economic growth during 1960 to 1975 and 1975 to 1989 he concluded that countries that experienced the sharpest drops in GDP growth after 1975 were those with divided societies and weak institutions of conflict management .

Growth accounting method is used to break down the growth rate of aggregate output into contributions from the growth of inputs as well as the growth of productivity.

**Table 2.2: Sources of growth (1981-2007); India**

| **Sources** | **1981-90** | **1991-2000** | **2001-07** | **1981-2007** |
|---|---|---|---|---|
| GDP | 5.39 | 4.74 | 6.76 | 5.51 |
| GDP per labour | 3.04 | 2.69 | 4.73 | 3.35 |
| Labour input | 2.35 | 2.06 | 2.03 | 2.16 |
| Education | 1.10 | 0.60 | 0.74 | 0.82 |
| Capital per labour | 2.70 | 3.45 | 5.78 | 3.78 |
| Total factor productivity | 1.30 | 0.95 | 1.97 | 1.34 |

**Source :** Lee, Jong-Wha & K.Hong (2010)

In India growth in capital stock was consistently the main growth driver in the 1980s, 1990s and 2000s. During 1980s growth in labour and total factor productivity accounted for almost the same rates of contribution to GDP growth, at about 25% each. During 1990s the contribution of TFP growth declined to about 20% with labour's share increasing . In 2000s,TFP growth explained about 30% of growth in GDP and labour growth about 18%.

The rapid growth path can also be explained by the neoclassical growth model that incorporates the role of human capital and technology catch-up. It predicts "conditional convergence" of income per capita. A country with low initial income per capita relative to its own long run (or steady state) potential level of income per capita will grow faster than a country that is already closer to its long run potential level of income per capita. The farther an economy is located from its steady-state output level the greater is the gap of reproducible (physical and human) capital and technical efficiency from their long run levels. The gap of existing capital from the steady state level encourages high rates of capital accumulation by providing higher rates of return to capital. The greater technology gap offers the chance for rapid technology “catch-up” via the diffusion of technology from more technologically advanced economies. Hence lower the initial level of per capita output relative to the steady state, the higher subsequent growth tends to be. The conditional convergence framework implies that each country has its own steady state levels of output per labour and productivity to which it is converging. The long term levels depend on various external environmental and policy variables. Countries with favourable economic policies and economic structure tend to have a higher steady – state level of income and therefore faster growth at any given initial level of income.

Basu & Maertens (2007:164) argued “if India wants to sustain and raise even higher its current growth, the main bottlenecks in the Indian economy will need to be addressed. These are infrastructures (roads, expensive freight rates, power supply, ports and airports), labour and bankruptcy regulations and the high level of corruption in the government bureaucracy… the current erratic and low growth pattern of the agricultural sector and the rising inequality- between states, between rural and urban areas, and within urban and within rural areas mainly since the 1990s are a concern”

Mathur (1998) aptly summed up the debate as follows “Regardless of the degree of gains achieved consequence upon the all pervasive and remarkable changes in the economic policy there is hardly any dispute over the fact that the 1991 crisis was converted into an opportunity to change the direction of the economy.”

Dreze & Sen (2013:19) further argued “The robustness of high growth in India is undoubtedly connected with the economic reforms of the 1990s, which have built a solid foundation for continuing economic growth.”

Ghate, Fic & Wright (2010) argue that research on India’s growth turnaround needs to move beyond its empiricist nature and towards a theoretical model of India’s growth pattern. They come up with two counterfactual questions: What would India's growth path have looked like if the many opportunities for trade had been acted upon? What would India's growth path have looked like if we had given due importance to human capital accumulation?

The most crucial issue is the sustainability of the turnaround in India's growth. How robust is it? Will it collapse as in 1991-92? Will India follow the East Asian precedent of rapid convergence towards per capita income levels of rich countries at the technological frontier? Basu & Maertens (2007: 164) outlined the steps to ensure a high and sustainable growth rates. The bottlenecks in the form of infrastructure (roads, power supply, ports and airports), labour and bankruptcy regulations and the high level of corruption in the government bureaucracy can derail the dynamism and need to be addressed properly. One also cannot ignore Basu (2008b:405) who argued that "the relations between politics, society and economics are as important as they are ill understood...yet, one sees these interconnections at play in India and how the economy fares in the future will depend a lot on how India's Society and polity evolve over the future."

## 2.4 Emerging employment & unemployment scenario

As reported in India's employment report 2016 ,the employment condition in India improved substantially, favourable structural changes in employment was visible with a decline in under employment. However there is still significant amount of employed and underemployed in the informal sector.

Why do we examine growth in terms of poverty alleviation? Basu & Maertens (2007:165) has succinctly explained this by saying "Indeed it is arguable that growth is valuable precisely because it enables a country to banish poverty and achieve greater equality . India's trajectory over the last 15 years has been remarkable but there will truly be reason to celebrate this when the overall gains filter down to the poorest and most deprived sections of India's vast population ." Though the living standards of the middle classes have improved well beyond what was expected in the previous decades , not everyone has benefitted.

Commenting on this experience Dreze & Sen (2013:29) wrote

"For them [the rickshaw puller, domestic worker or brick-kiln labourer] and other under privileged groups , the reform period has not been so exciting. It is not that their lives have not improved at all, but the pace of change has been excruciatingly slow and has barely altered their abysmal living conditions."

Table 2.3 shows the sectoral growth of employment (UPSS). There are four sub periods- the initial year 1987-88 which doesnot belong to post reforms period being included for comparison. Only construction sector's employment has been growing at higher rate persistently. Trade, hotels etc registered declining growth rates in the entire post reforms period. For others it was flip-flop behaviour. It must be mentioned that employment growth rate rose during 1999-00 to 2004-5 except trade, hotels etc.

**Table 2.3: Annual Growth rate of employment (UPSS)**

| Sectors | 1987-8/93-94 | 93-94/99-2000 | 99-2000/04-05 | 04-05/09-10 |
|---|---|---|---|---|
| Primary sector | 2.16 | 0.05 | 1.40 | -1.63 |
| Mining & quarrying | 1.69 | -2.11 | 2.41 | 3.00 |
| Manufacturing | 0.05 | 1.62 | 5.06 | -1.06 |
| utilities | 4.37 | -5.89 | 3.22 | 1.02 |
| Construction | -0.11 | 6.38 | 8.18 | 11.29 |
| Secondary sector | 0.19 | 2.44 | 5.83 | 3.46 |
| Trade, hotel etc | 3.62 | 6.28 | 4.01 | 1.10 |
| Transport & communication etc | 3.67 | 5.09 | 5.23 | 2.14 |
| Financing, insurance, real estate & business services | 5.24 | 5.28 | 9.62 | 5.77 |
| Community ,social & personal services | 6.68 | -1.48 | 2.71 | 0.99 |
| Tertiary sector | 5.03 | 2.85 | 4.08 | 1.59 |
| All non agricultural | 2.82 | 2.68 | 4.81 | 2.41 |
| Total | 2.39 | 1.04 | 2.81 | 0.22 |

**Source**: Papola (2013) 1987-8/2009-10

Table 2.4 shows that even though there has been decline of poverty over time, a large proportion of workers still belong to BPL households, it has fallen from 44% in 1983 to 34.5 % in 1993-94 and to 25.2% in 2004-05. In the literature they are referred to as ‘working poor’. Despite having work they are poor because their remuneration is very low and inadequate even for basic needs. This is also related with “perceived” employed and unemployed where a person belongs to a category because he thinks so. This reflects the quality of jobs.

**Table 2.4: Working poor : percentage of workers living in BPL households in India**

| Group | 2004-5 | | | 1993-4 | | | 1983 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **All** | **Rural** | **Urban** | **All** | **Rural** | **Urban** | **All** | **Rural** | **Urban** |
| All population | 27.6 | 28.3 | 25.7 | 6.0 | 37.2 | 32.5 | 44.9 | 45.8 | 42.3 |
| All workers | 25.2 | 25.3 | 24.6 | 34.5 | 35.4 | 31.3 | 44.0 | 44.9 | 44.3 |

**Source**: Dev and Venkatanarayana (2011:22)

Table 2.5 below gives the unemployment rate before the post reform of 1990s till 2010-11. It is based on the quinquennial rounds of NSS reports on employment and unemployment situation in India. The table shows that for every category urban unemployment rates have been higher than rural unemployment rates. Urban unemployment rates have declined much faster than rural unemployment rates. However this difference should be interpreted with care. The lower unemployment rate in rural areas is largely attributed to the general poverty which compels the people to take up any job indiscriminately. The people in urban areas are more likely to have a choice not to be even a part of the labour force. The rapid decline in unemployment rate in urban areas also reflects the new opportunities provided by economic reforms and the process of globalisation. This observation raises the issue of differential job content of urban and rural centred activities.

**Table 2.5: Trend of Unemployment rate per 1000, India**

| | Male | | | | Female | | | |
|---|---|---|---|---|---|---|---|---|
| **Types of measurement** | **US** | **US*** | **CWS** | **CDS** | **US** | **US*** | **CWS** | **CDS** |
| | **RURAL** | | | | | | | |
| 1987-8 | 28 | 18 | 42 | 46 | 35 | 24 | 44 | 67 |
| 1993-94 | 20 | 14 | 31 | 56 | 13 | 9 | 29 | 56 |
| 1999-00 | 21 | 17 | 39 | 72 | 15 | 10 | 37 | 70 |
| 2004-5 | 21 | 16 | 38 | 80 | 31 | 18 | 42 | 87 |
| 2009-10 | 19 | 16 | 32 | 64 | 24 | 16 | 37 | 80 |
| 2011-12 | 21 | 17 | 33 | 55 | 29 | 17 | 35 | 62 |
| | **URBAN** | | | | | | | |
| 1987-8 | 61 | 52 | 66 | 88 | 85 | 62 | 92 | 120 |
| 1993-94 | 54 | 41 | 52 | 67 | 83 | 61 | 79 | 104 |
| 1999-00 | 48 | 45 | 56 | 73 | 71 | 57 | 73 | 94 |
| 2004-5 | 44 | 38 | 52 | 75 | 91 | 69 | 90 | 116 |
| 2009-10 | 30 | 28 | 36 | 51 | 70 | 57 | 72 | 91 |
| 2011-12 | 32 | 30 | 38 | 49 | 66 | 52 | 67 | 80 |

**Note:** US is Usual status , US* is Usual status and subsidiary, CWS is current weekly status, CDS is Current daily status

**Source:** NSS reports of various rounds

Another related question is the quality of jobs. Decent jobs are largely associated with the formal sector with regular wage and salary. Thus the dynamics of the proportion of employment with regular wage and salary can be used as an indicator of the quality of jobs created. Table 2.6 shows that in rural areas self employment and casual labour dominated the category of employment with a 90% share. The quality of employment in urban areas is much better with a relatively high share of regular wage/salaried workers. The quality of urban female jobs has not only been good but also improving. Close to 50% of female workers in urban areas are regular wage/salaried employees.

**Table 2.6: Employment status by Gender and Region, India**

| Category of Employment | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Year** | **Male** | | | **Rural** | **Female** | | |
| | **Self employed** | **Regular wage/salaried employee** | **Casual labour** | | **Self employed** | **Regular wage/salaried employee** | **Casual labour** |
| 1987-88 | 575 | 104 | 321 | | 549 | 49 | 402 |
| 1993-94 | 567 | 87 | 346 | | 513 | 34 | 453 |
| 1999-00 | 544 | 90 | 366 | | 500 | 39 | 462 |
| 2004-05 | 576 | 91 | 333 | | 564 | 48 | 389 |
| 2009-10 | 530 | 87 | 383 | | 503 | 55 | 442 |
| 2011-12 | 541 | 102 | 357 | | 535 | 76 | 389 |
| **Year** | **Male** | | | **Urban** | **Female** | | |
| 1987-88 | 410 | 444 | 146 | | 393 | 342 | 265 |
| 1993-94 | 411 | 427 | 162 | | 372 | 355 | 273 |
| 1999-00 | 412 | 419 | 169 | | 384 | 385 | 231 |
| 2004-05 | 446 | 408 | 146 | | 404 | 422 | 174 |
| 2009-10 | 409 | 420 | 171 | | 354 | 444 | 202 |
| 2011-12 | 416 | 436 | 149 | | 368 | 487 | 146 |

**Source**: NSS reports on various rounds

According to Despande & Despande (1998:31) who had sounded the alarm pertaining to the quality of jobs "The demand for labour increased after liberalisation but the increase was not shared evenly in rural and urban India between men and women and regular and casual workers. By and large, the demand for casual and intermittent work increased faster than for durable, regular work. The structure of employment moved away from the primary sector for rural men, but rural women lost in employment, real wages and the share of primary sector in their employment increased. Gender-based inequality in earnings of casual workers was reduced but that in the earnings of regular workers increased. Liberalisation has affected casual workers , particularly the women casual workers, more favourably than regular workers."

According to the India Employment Report 2016, employment situation in India has improved. The regular formal job gets the highest pay followed by the regular informal in organized sector, then the regular informal job in unorganized, after that comes, self employment, then casual job in organized then the last of all the casual jobs in unorganized.

The report finds that there is higher growth of workers in the organized sector than the unorganized. However the growth in regular formal jobs was lower than that of the regular informal and casual jobs. This shows a shift of workers from the lower paying unorganized sector to higher paying organized sector. Employment in organised sector increased by 5.4 % per annum, faster than the annual growth rate of total employment at 1.5%. On the other hand the growth rate of employment in unorganised sector was 0.8% per annum. In both sectors employment in regular informal registered the highest growth rates. Regular formal employees are those who work as regular employees in an establishment in the organised sector and are entitled to at least one kind of social security benefit such as health, maternity and retirement. The rest of regular employees are identified as regular –informal (India Employment Report 2016:27). The share of the organised sector in total employment rose from 10.9% in 1999/2000 to 17.3% in 2011/12 while that of unorganised sector declined from 89.1% to 82.7%.

**Table 2.7: Employment growth structure, India**

| **Employment** | **Number of workers** | | |
|---|---|---|---|
| | **Growth (%) per annum** | **Percentage distribution** | |
| | **1999/2000-2011/12** | **1999/2000** | **2011/12** |
| Organised sector | 5.4 | 10.9 | 17.3 |
| Regular formal | 3.2 | 6.9 | 8.4 |
| Regular informal | 9.5 | 2.3 | 5.8 |
| Casual | 6.5 | 1.7 | 3.1 |
| Unorganised sector | 0.8 | 89.1 | 82.7 |
| Regular informal | 0.9 | 7.8 | 7.2 |
| Casual | -0.2 | 33.3 | 27.1 |
| Self-employed | 1.5 | 48.0 | 48.4 |
| Economy | 1.5 | 100 | 100 |
| Regular formal | 3.2 | 6.9 | 8.4 |
| Regular informal | 3.6 | 10.1 | 13.0 |
| Casual | 0.2 | 35.0 | 30.2 |
| Self-employed | 1.5 | 48.0 | 48.4 |

**Source**: India Employment Report (2016:30)

Since the wage rate gap is huge between organized sector and unorganized sector, higher the shift from unorganized ,better is the condition of employment for the economy. Even though there is positive sign of employment condition, there is still large chunk of the workers at 82.7 % in unorganized sector.

Ghose (2004:5110) argued that regular employees are rarely among the poor. Wage differentiation between men and women is less among regular employees. The wage gap between regular employees and casual labourers is very large. This wage gap, moreover, is much larger for women than for men. First, even the lowest wage in regular jobs is generally adequate to ensure an above poverty line level of living for an average employee and his/her dependents. Since the lowest wage is to be found outside the organised sector, it is clear once again that regular employees, irrespective of whether they are in or outside the sector, are rarely among the poor. Second, wage differentials between men and women are far less in the case of regular employees than in the case of casual labourers. On average, a female regular employee earns 92 per cent of the wage earned by a male regular employee in rural areas and around 89 per cent of that is earned by the male regular employee in urban areas. This small differential arises, in all likelihood, not so much because women are paid less than men in similar jobs but because, with a lower level of education on average, they hold proportionately more low-wage jobs than men. In contrast, a female casual labourer earns, on average, only 65 per cent of the wage earned by a male casual labourer in rural areas and 60 per cent in urban areas. No doubt a part of this differential also arises because women tend to do proportionately more low wage work than men, but it is legitimate to wonder if this is the sole explanation for such a large differential. Third, the wage gap between regular employees and casual labourers is very large. For a day's work, an average casual labourer earns only 32 per cent of what an average regular employee earns in rural areas and 34 per cent of that in urban areas. This wage gap, moreover, is much larger for women than for men. An average female casual labourer earns only 25 per cent of what an average female regular employee earns in both rural and urban areas; the corresponding figure for males is 35 per cent in rural areas and 37 per cent in urban areas. The gaps in monthly or annual earnings, for both men and women, would of course be even larger, since the average casual labourer does not find work on all workdays in any given period.

Table 2.8 and 2.9 show that in nearly two decades the wage rates ,if inflation is taken into account, have not doubled. During this period prices have more than doubled. Rural and urban real wage rose by 64.5% and 71.4% respectively during this period. Table 2.10 shows that the gender gap in wages persists more acutely in rural areas than the urban areas. This shows gender discrimination is more vulnerable in rural areas.

**Table 2.8: Average wage/salary earnings of regular salaried employees (Rs) per day (15-59 years ): All India**

| NSS round (year) | Rural | | | CPI (AL) (base year 1986-7) | Real wage at 1986-87 prices | | |
|---|---|---|---|---|---|---|---|
| | Male | Female | Person | | Male | Female | Person |
| 50 (1993-4) | 58.48 | 34.89 | 55.12 | 176 | 33.23 | 19.82 | 31.32 |
| 55 (1999-00) | 127.32 | 114.01 | 125.31 | 271 | 46.98 | 42.07 | 46.24 |
| 61 (2004-5) | 144.93 | 85.53 | 133.81 | 319 | 45.43 | 26.81 | 41.95 |
| 66 (2009-10) | 249.15 | 155.87 | 231.59 | 494 | 50.44 | 31.55 | 46.88 |
| 68 (2011-12) | 322.28 | 201.56 | 298.96 | 580 | 55.57 | 34.75 | 51.54 |

**Source :** NSS Report No. 554 Employment and Unemployment Situation in India, 2011-12

**Table 2.9: Average wage/salary earnings (Rs) per day received by regular wage salaried employees of age 15-59 years: All India**

| NSS round (year) | Urban | | | CPI (AL) (base year 1986-7) | Real wage at 1986-87 prices | | |
|---|---|---|---|---|---|---|---|
| | Male | Female | Person | | Male | Female | Person |
| 50 (1993-4) | 78.12 | 62.31 | 75.78 | 173 | 45.16 | 36.02 | 43.80 |
| 55(1999-00) | 169.71 | 140.26 | 165.05 | 279 | 60.83 | 50.27 | 59.16 |
| 61(2004-5) | 203.28 | 153.19 | 193.73 | 338 | 60.14 | 45.32 | 57.32 |
| 66(2009-10) | 377.16 | 308.79 | 364.95 | 503 | 74.98 | 61.39 | 72.55 |
| 68(2011-12) | 469.87 | 366.15 | 449.65 | 599 | 78.44 | 61.13 | 75.06 |

**Source :** NSS Report No. 554 Employment and Unemployment Situation in India, 2011-12

**Table 2.10: Gender gap in wage**

| NSS round (year) | Female wage as percent of male wage | |
|---|---|---|
| | Rural | Urban |
| 50 (1993-4) | 59.64 | 79.76 |
| 55(1999-00) | 89.55 | 82.64 |
| 61(2004-5) | 59.01 | 75.36 |
| 66(2009-10) | 62.55 | 81.88 |
| 68(2011-12) | 62.53 | 77.93 |

**Source :** NSS Report No. 554 Employment and Unemployment Situation in India, 2011-12

Table 2.11 shows the dynamics of the real value of wages received by casual wage labour in rural areas and the gender based wage gap. In two decades the real value of wages rose only marginally. Yet the gender based gap has been falling.

**Table 2.11: Average wage earnings (Rs) per day received by casual wage labour of age 15-59 years engaged in public work (RURAL)**

| NSS Round (Year) | Average wage at current price in Rs | | | CPI (AL) (base year 1986-7) | Average wage at 1986-7 prices in Rs | | | Female wage as percentage of male wage |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Person | | Male | Female | Person | |
| 50(1993-4) | 24.65 | 18.52 | 22.44 | 176 | 14.01 | 10.52 | 12.75 | 75.13 |
| 55(1999-00) | 49.04 | 39.48 | 46.72 | 271 | 18.1 | 14.57 | 17.24 | 80.51 |
| 61(2004-5) | 65.33 | 49.19 | 59.33 | 319 | 20.48 | 15.42 | 18.6 | 75.29 |
| 66(2009-10) | 98.33 | 86.11 | 93.11 | 494 | 19.9 | 17.43 | 18.85 | 87.57 |
| 68(2011-12) | 127.39 | 110.62 | 121.46 | 580 | 21.96 | 19.07 | 20.94 | 86.84 |

**Source:** NSS Report No. 554 Employment and Unemployment Situation in India, 2011-12

Another kind of structural change, known as the Kuznets process, showed that there was significant movement of workers from agriculture to non agriculture. Table 2.12 shows that workers are moving from employment in agriculture to employment in construction and services. In the case of construction the share in employment doubled during this period. However, agriculture the most important occupation, is largely unorganised. Besides even the non agricultural sectors have been dualistic where organised segment coexisted with unorganised segment.

**Table 2.12: Sectoral Distribution of Employment**

| Industries | Percentage distribution of persons employed | |
|---|---|---|
| | 1999/00 | 2011/12 |
| Agriculture | 57.0 | 43.7 |
| Manufacturing | 11.3 | 13.4 |
| Construction | 5.0 | 11.2 |
| Other Industries | 1.0 | 1.2 |
| Services | 25.7 | 30.5 |
| Economy | 100 | 100 |

**Source**: India Employment Report (2016:35)

Even though there is shift of workers from agriculture to secondary and tertiary sectors, the majority of the workforce is still dependent on agricultural activities. This shows majority of the people have not benefitted from the improvement of the employment conditions overall.

According to Papola (2013:4), long term employment growth during 1972-3 to 2009-10 has been around 2% per annum with a declining trend. Table 2.13 shows the evolution of sectoral employment elasticities in the post reform era in India.

**Table 2.13: GDP-Employment Linkages in post reforms India**

| **Sector** | **Growth of GDP** | | | **Growth of Employment** | | | **Employment elasticity with respect to GDP** | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1993-04/1999-00 | 1999-00/2004-05 | 2004-05/2009-10 | 1993-04/1999-00 | 1999-00/2004-05 | 2004-05/2009-10 | 1993-04/1999-00 | 1999-00/2004-05 | 2004-05/2009-10 |
| Primary | 3.31 | 1.56 | 3.10 | 0.05 | 1.40 | -1.63 | 0.02 | 0.90 | -0.53 |
| Secondary | 6.62 | 6.74 | 8.82 | 2.44 | 5.83 | 3.46 | 0.37 | 0.87 | 0.39 |
| Tertiary | 8.35 | 7.58 | 11.15 | 2.85 | 4.08 | 1.59 | 0.34 | 0.54 | 0.14 |
| Total | 6.51 | 5.98 | 9.08 | 1.04 | 2.81 | 0.22 | 0.16 | 0.47 | 0.02 |

**Note** : GDP at 1999-00 prices Employment UPSS
**Source**: Papola (2013)

An examination of the employment elasticities with respect to GDP shows that while the elasticities rose without an exception from 1993-4/1999-00 to 1999-00/2004-5, they declined during 2004-5/ 2009-10. It has become negative with primary sector. The rise in elasticities can be interpreted as a consolidation of the opportunities provided by globalisation. It is clear that this could not be sustained, except for secondary sector the elasticities are lower than the period immediately after the reforms. An interesting feature of this change is that the pattern of change in GDP has been the reverse of the change in elasticities. When GDP growth rates across the sectors were declining, employment elasticities were rising. However when the growth rates of GDP and its components rebounded, the elasticities were declining. In short the phase of higher job content in growth in the post reforms decade was shortlived.

Chadha & Sahu (2002 ), using NSS data, examined the challenges and threats for rural workers in India. They drew attention to a few major post reform developments that were different from pre reform experience. First, the hypothesis of withdrawal of age group 10- 19 years from the labour market in favour of education should be further examined at household level separately for rural and urban areas for each state. Which category of rural households have started benefitting from "investment in human beings" should be further examined. Second, the hypothesis that an adolescent is the last to get a job and first to lose it ,needs deeper examination. Adolescent job aspirants are mainly school drop outs with little training, job experience and maturity. Third, the benefits of improved employment growth during the post reform years was not available to rural workers. Four, for each category of workers, the growth rate of employment is higher under the current weekly and current daily status than under usual status indicating the predominance of short duration and contractual work in the new job opportunities. Questions should be raised about the quality and level of productivity of these jobs. Five, overall growth for the rural nonfarm employment declined during the post reform period. This kept the proportion of rural workers engaged unchanged or even falling. Six, there is a process of structural shift of workers from farm to non farm sectors. To understand this rural economic transformation, the information gap at household level should be taken care of. Seven, the informal sector presents the co existence of expansion and contraction of job opportunities in India's rural economy. The proportions in construction, trade, hotels & restaurants and transport-storage-communications rose and those of crop production, livestock and fishing under agriculture declined. According to them, "the post reform years have revealed the sectors/activities that can be confidently looked at as the future sources of rural expansion" (Chadha & Sahu (2002:2025)) the most likely thrust areas are manufacturing activities (textile products, wood and leather products, chemicals and metal products, basic metal industries and food processing and beverages), construction, hotel restaurant and tourism, transport-storage-communications.

Bhalotra (2002) provides a strong critique of the available studies of liberalisation and the labour market in India. She argues that the available studies have a short sightedness to recognize the importance of theory in formulating hypothesis and putting forward within a proper framework to cast opposing views. The opinions are often stated without proper study of reference to the data and where the data analysis have been done, ignoring the importance of the economic theory and also being unaware of the econometric issues resulting to biases in the results.

She concludes by stating that it is intrinsically difficult to evaluate and analyze the effects of economic liberalisation and sound data analysis should substitute the alternating speculations. Some of the results that are very critical of commonly held views are as follows:

- Both growth and productivity have accelerated in the economy. Real earnings in organised manufacturing rose at a rapid pace.
- The effect of the shift in workforce composition from self-employment to casual wage employment which started taking off since the 1970s continued throughout the 1990s.
- It is still unclear whether the increase in unemployment rate is because of worsening of job opportunities leading to long term unemployment trend or whether it is simply the reason of greater degree of transitional or frictional unemployment as labour being reallocated towards the more productive sectors.
- Average daily earnings per person increased at a significant pace in rural and urban areas and for men and women .
- Poverty incidence also declined.

Mazumdar & Neetha (2011) drew attention to the steep fall in the female work participation rate between 2004-5 and 2009-10. During this period while male workforce increased by 22.3 million female workforce fell by 21 million. This, according to them, indicates a crisis in women's employment under liberalisation led growth. They argue that "the time has come to constantly and explicitly make a clearer distinction between income earning or paid employment and unpaid work while analysing employment trends" (Mazumdar & Neetha 2011: 118). A major feature of the 90s was the decline in FWPR. Liberalisation and globalisation, instead of feminisation of labour, led to their displacement.

How far it is related with quality of data? Unni (2001: 2360 ) argued that

"the growth of the informal sector in the emerging labour market is inevitable. Women's employment in the informal sector is also likely to rise due to various reasons…The process of globalization, export-oriented industrialization and relocation of industries from the developed to the developing countries also lead to the increase in employment in the informal sector. Women's employment is often favoured in many of these industries."

The informal economy consists of a number of categories such as the employees in informal enterprises, outworkers or home workers, independent wage workers and informal employment in the formal sector. These categories cannot be obtained readily. Persons with regular employment have a higher degree of formality in their employer-employee relations. The casual workers are clearly in the informal economy. There is little information about wages in the informal or unorganized sectors in industry in India. Almost the whole of agricultural sector can be considered to be informal. An estimate of the informal economy in the non agricultural sector is obtained as the proportion of the non wage workers, self employed and unpaid family workers to total workers in the sector.

Informalisation of the labour force can happen in two ways. First, work is pushed out of the factories and formal work situations into small workshops (sweatshops), the homes and informal situations. Second, the workers who remain in the factories or in formal work situations, are governed by looser contracts and obtain fewer social security benefits. The informal economy can be distinguished by the inferior quality of work and inferior terms of employment, being short both in remuneration and benefits. Income is a key indicator of quality of employment. With the expectation of increasing informalisation of the labour force, we expect an increase in the labour force participation of women. The enabling factors are

i. Increasing education levels of women

ii. New opportunities for employment in the industrial sector

iii. Increasing migration to urban areas

iv. Falling real incomes of the households forcing women to enter the labour market.

Yet the continuing perception of women's work being housework leads to an under remuneration of their work. Such under remunaration is greater in countries where there are social and cultural barriers to women's work. That largely explains the falling trend in women's labour force participation rate ( LFPR) in India in sharp contrast to the rising at international trend in women's LFPR. Large fluctuations in LFPR of women from one census/labour force survey to another can be explained by the possibility of a less than complete enumeration. The trend may be partly due to under remuneration of female workers in India. Females are found to be engaged largely in housework and in informal sector characterized by scanty data. Even when jobs per se have been created the quality of those jobs may poor in terms of remuneration and service conditions- in short the jobs may not be decent jobs.

## 2.5 Summary and Conclusion

Thus the job- content of growth has come under scrutiny, more so as employment is considered the channel through which the benefits of development can be transmitted in terms of eradication of poverty.

In the first section of the chapter, the necessity of job-content growth has been proven, and the employment is considered the channel through which the benefits of development can be transmitted in terms of eradication of poverty.

In the second section the post reforms pattern of growth in India have from 1990 to 2007 the growth rate averaged 6.4% (4.1% in per capita terms) after virtual stagnation in 1991-92, GDP growth surged in the next five years to a record 5-year average of 6.7 percent. There was high growth in all major sectors (agriculture, industry, services) as it grew noticeably faster than in the pre crisis decade. The shift to 8.5 per cent during

2003-4 to 2010-11 represented a significant jump in the growth rate following the post 1991 systemic reforms. However there are arguments and differences in the opinions of several economist and researchers that the acceleration to growth that took place post 1990s reforms was because of reforms and policy changes during 1980s.

The third section discusses the situation and emerging scenario of employment and unemployment in India. Even though there was economic growth in the economy there was not a satisfactory performance in employment generation. According to India's Employment report 2016, stated that employment condition in India improved substantially since independence. However there is still a significant amount of employed and underemployed in the informal sector. The unorganized sector still consist of 82.7 % of total workers in 2011/12.