

Chapter 8

Summary and Conclusion

The study analyzes economic growth and structural changes in NER. The impact of policy changes and internal conflicts is evaluated. The work discusses the linkages between economic growth and employment. It is necessary for an economy to adopt to pro poor policies along with targeting for a fast economic growth so that benefits of growth are distributed.

The major objectives are:

- i.** Examining the pattern of economic growth of the states in the North Eastern States of India. Do the states have similar pattern of growth and can they be collectively considered as homogenous set of states or not. This will also help understand the difference of NER from the ‘All India’ average.
- ii.** Examining the pattern of growth of employment at sectoral and aggregate level statewise in NER and comparison with ‘All India’.
- iii.** Examining the association between growth and employment in the North Eastern region at the state level helps in drawing state specific policies.
- iv.** Examining the nature of labour force in terms of their social and economic characteristics in the state of Manipur.

The major hypothesis examined in the thesis are as follows:

- i.** The economic growth does not necessarily lead to employment generation.
- ii.** The economic growth does not always incorporate equitable income distribution and doesn't lead to growth of the productivity of the workers.
- iii.** The structural breaks experienced within the NER are not similar for different states and sectors therein.

- iv. The probability of a person being employed depends on various factors like social-background, families economic status, education, age and the area of residence.
- v. The employability of the respondent and the employment status of a person have strong positive relationship.

The thesis uses secondary data as well as primary data for analysis. The secondary data is used to determine the trends of economic growth and employment growth of 'All India' as well as the NER of India. It is used to analyze the structural growth as well as the sectoral employment and productivity. The primary data is based on the field work carried out in four districts of Manipur, with population drawn from the Employment exchange office of Manipur. It is used to collect the socio economic characteristics of the people who are looking for job. Since the enrolment eligibility requires a person to have done schooling, it is focused on educated unemployment.

The chapter 2 is on review of literature and examines the available empirical evidence as well as theoretical concepts on the linkages between economic growth and employment. All the published and unpublished studies on the topic have been consulted, however an attempt has been made to include relevant published work. The study 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.

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

In the second section the post reforms (1991-2007) pattern of growth in India have averaged 6.4% . After virtual stagnation in 1991-92, GDP growth surged in the next five years to a record of 6.7 percent. There was high growth in all major sectors (agriculture, industry, services) as they grew noticeably faster than 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 systemic reforms. However there are arguments and differences in the opinions as several economists and researchers feel that the acceleration of growth that took place post 1990s reforms was partially due to 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, the 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.

The chapter 3 gives an overview of the history of the NER states and how it became a part of India, along with current geo-political scenario with the neighbouring countries. The issue of backwardness and the development challenges have also been analyzed using published data. The most important problem of NER is the access and connectivity to the greater India. The transportation system is lagging behind since ages and these states are still facing enormous challenges to develop and make regions people's life easy.

The natural resources in the region are considered to be of high potential for the development of the region. Especially, the electricity generation potential is untapped. A World Bank study in 2007 had estimated that in Brahmaputra-Barak river systems have the potential to provide upto 30% of the total power of the country. Forest is also one of the major natural resource for the region. The discussion on India's Act East policy and the benefits that can accrue to NER states have been discussed. According to Sarma (2013) market integration of NER states with the neighbouring countries have great potential to boost trade and thus development.

The chapter also analyses the economic growth and structural changes in NER states. Using Bai-Perron test, it has been found that the overall growth of each states as well as sector-wise performance were not homogenous. There were vast difference among the states in terms of industrial growth rates, some cases like Tripura (during 1996-2000) and

Nagaland (during 1994-98) having CAGR of 19.6 % and 21% respectively, whereas in states like Assam (during 1992-2000) and Meghalaya (1992- 2008) the growth performance of the industrial sector were not remarkable with 1.5% and 5.8% respectively. Each state has different government policies which could also result in such differences. The agriculture sector as well as service sectors were even influenced by array of policy changes by central government and climate factors.

In chapter 4 a brief profile of Manipur in terms of historical background in terms of its merger with India, geographical area and geo-political nature and the socio- economic structures have been analysed and discussed. The objective of this chapter is to analyze the growth structure of the economy and the employment situation.

The sectoral composition of the agriculture and allied sectors shows there has been a rise of NSDP for agriculture and fishery, where as for forestry NSDP has remained almost stagnant. In terms of industrial sector it is a challenge for growth. In spite of the fact that Manipur is endowed with mineral and forest resources, industrialisation has been painfully slow in the state. There is an absence of key factors of development especially the transportation infrastructure and the market facilities. The smooth economic activity in the economy is disrupted by on and off economic blockades in the highways connecting the mainland as well as political and social conflicts internally. The construction sector is the largest sub sector contributing to the secondary sector however during the year 2010 it got disrupted by Naga insurgents economic blockade which halted the supply of basic necessities and raw materials to the economy for long. The construction sector is still yet to recover from the shock.

In terms of service sector there has been gradual rise in sectors like Banking & Insurance, Tourism, Transportation however there has been an exponential growth in Public administration and other services due to increase in government activity jobs which can be contractual in nature and no real increase in output.

In terms of employment situation Manipur is facing similar decline in job generation as All India. There is high rate of unemployment particularly in educated youth and it is due to lack of industrial base. There is decline in proportion of main workers and rise of marginal workers. A fall in agricultural workers and gradual rise in the composition of secondary and tertiary sector employment is observed, however the proportion of people

working in agriculture is still large. The NSDP has grown by 170 percent during 1994 to 2012, however the employment ratio declined by -1.92 percent.

In chapter 5 using secondary data on economic growth and employment the Growth decomposition of output of NER has been undertaken. It has been proven and shown in chapter 5 that output growth is a composite output and it can be decomposed into various components. There have been various studies analyzing the relationship of economic growth and employment generation at 'All India' however none cover the NER of India in detail. The main objective of this chapter is to analyze the pattern of economic growth and its relation to employment post 1990s reform. Two techniques of decomposition has been used viz. i) Employment Elasticity Approach and ii) Shapley's Decomposition analysis

The hypothesis tested in this chapter are as follows: i) the economic growth in NER has been jobless growth and (ii) the growth of output is contributed by the rise in productivity of the workers and inter sectoral shifts of the workers.

The first technique of decomposition which is employment elasticity approach finds that during the span of almost twenty years i.e. from 1993-94 to 2011-12 the employment elasticity for all the sectors of each state of NER are very low. It also can be seen that for many states and sectors elasticity is below the 1%. Exceptions are cases like in Assam, Manipur and Tripura in industry sector. It can be concluded that since the elasticity of employment for most sectors was low with robust GDP growth during two decades is a failure of India to generate employment. The time period of 2005-06 to 2011-12 saw a significant fall in the growth rate of employment. However the NSDP growth rate was higher than any other period during these period. This gives a clear picture that economic growth is not the sufficient condition for employment growth. Had there not been modest growth of employment rate during the period 1999-2000 to 2004-05, there would have been lower rate of employment during the time period of almost two decade. The highest employment growth rate is found in Sikkim with just 3.4 percent while the NSDP growth rate is the highest amongst the states with 10.75 percent. Arunachal Pradesh has the least growth in employment and NSDP growth rate of just 4.14 percent.

The findings using Shapely decomposition reaffirm the finding that growth in India and the states in NER has been largely jobless growth. It is increase in output per worker across the NER states that has led to the growth in per capita income, this result complies with the all India average. In terms of contribution of employment states like Arunachal Pradesh, Assam and Mizoram showed positive contribution whereas all other states have negative contribution. The negative contributions of demographic factors imply burden of dependency on the workers. The contribution of growth in employment rate has been negligible. The ranking of sectors –agriculture, industry and services in terms of their contribution to employment differs widely across the states. However the labour force participation seems to be contributing positively in most of the states except for Arunachal Pradesh, Assam and Meghalaya. The data shows that the productivity has increased however there is no uniformity in terms of employment and labour force participation amongst the states.

The chapter 6 is based on the premise that high rate of unemployment exist amongst the educated youth in Manipur than any other category. This chapter uses primary data collected by the researcher. The state is seriously affected by unemployment in general and educated unemployment in particular. It adversely affects the society of Manipur in various ways. The consequence of the unemployment is its detrimental effect on the individuals as well as the society. The rise of crimes, social unrest and violence are positively related to unemployment in general. A sample of 271 respondents is selected from the registered in unemployment exchange.

The following are the hypothesis tested based on the responses of 271 respondents who were surveyed. The hypothesis formulated are based on economic literature and structure of the economy.

- The gender of the respondent has significant impact on their employment status .
- The employment status of a respondent is influenced by the area or location of residence.
- The age and experience of a person determine the probability of employment.
- The educational qualification and skill level is a major factor in determining employability of a respondent.

- There exist a significant and positive correlation between the employment status of a respondent and the educational qualification of the head of the family .
- The employment status of a respondent is significantly influenced by the occupation of the head of the family.
- There is a higher chance of a person to be unemployed larger the family size.
- The employment status of a respondent is influenced by the gender of the head of the household.
- The family background of the respondent can influence the search strategy of the respondent.
- The level of education of the respondent has significant impact on their earning capacity.
- Employment in formal sector has significant impact on the earning capacity of the respondent.

A random sample of 300 respondents from four Employment exchanges of Manipur have been selected and questionnaires canvassed. Out of these, 271 respondents have given complete information. Therefore for this study, the data collected from these 271 respondents have been analysed in sufficient detail. This analysis helps the researcher in drawing specific inferences pertaining to Manipur's employment scenario.

For continuous variables summary statistics such as Arithmetic Mean were calculated along with Standard deviation. There were calculations of coefficient of variation to compare the extent of variations across the variables. To test for difference between means Z-test was used.

For limited variables and dichotomous or dummy variables the techniques used was chi-square test. To calculate the chi-square, these variables were cross tabulated against the employment status. This is done to test for homogeneity or heterogeneity.

The chapter analyses the data and test various hypothesis and conclusions follow:

- The educated youth unemployment is much more serious in Manipur than All India.

- The group of people who register with the employment exchanges in Manipur are from diverse social background but it is found that there exists no significant difference in their family income.
- Larger proportion of people who had schooling upto 10 years were employed which imply the urgency to get a job. In higher education the chances are that the person is still unemployed and looking for a suitable job is high.
- Being male had a higher tendency to be employed because of the family responsibility and the urgency. It is found that the most of the employed were not satisfied with their job because of low salary and harsh working conditions.
- More urban respondents were seeking job in the market as self employment was less unlike in rural regions.
- The chances are that head of the family working in formal sector with secured job and better pay enables the respondents to seek better job and focus more on higher education.
- Female labour force participation rate is lower than male. Greater proportion of females with higher education register in unemployment exchange than those with lower education levels as they seek jobs in the formal markets.
- Higher the age of the respondent there is greater chance that the respondent is employed. There were high proportion of respondents in the age group 20-26 with higher educational qualification, looking more for suitable jobs.
- The wage differential was higher amongst formal public and private workers than the informal workers. The public formal sector workers are paid much higher than the private formal workers.
- The wage differential is significant between 'graduate and above workers' and 'non graduate' respondents, with former drawing higher wages.
- Even though the gender had some influence on being employed the wage differential between male and female is not statistically significant.
- The major reason for quitting earlier job is low wages. It is similar in for informal as well as formal sectors.

- Since most of the unemployed were educated, one of the major coping strategy reported is home tutor i.e. teaching the school students at home etc.

The chapter 7 is an attempt to analyze the determinants of employment and employability. There are number of variables which play a significant role in reasoning out the probability of a respondent's employment status. Further analysis will help clarifying the picture of employment, in general and that of young educated youth in Manipur.

The main hypothesis test of this chapter are

- Employment status is positively influenced by the social status of the respondent's family.
- Employment status of the respondents is positively influenced by their age and education.
- Salary of the respondent is positively influenced by the age, education and experience.
- Employability of the respondents is dependent on their educational level.
- Employability of the respondent is dependent on the age of the respondent.
- Employment status is dependent on the employability score of the respondent.

To test these hypothesis the author makes use of multiple regression and correlation analysis. In addition, χ^2 , t and F statistics are used for testing various hypothesis. The first technique used is Principal Component Analysis (PCA) that combines the related variables into factors which can represent collectively as a determinant influencing the employment status of a respondent. The next technique used is the Logistic regression also known as Logit model. It is utilized to see whether the factors which are derived from the PCA had the probability of influencing the employment status of the respondents.

The major findings are as follows:

- The first three factors loads (FAC₁, FAC₂, FAC₃) collectively explained 52.3 percent of the variations in the information under consideration.

- The employability of a respondent and the employment status show significant relationship. If the employability of a respondent was high he or she is likely to be employed but also dependent on social factors. Therefore, it implies that there is mismatch of job demand and the job supply. Jobs for the educated are in short supply.
- The age and the employment status showed there is positive significant relationship. Age is a good proxy gained years of experience or the respondent have with years gathered more contacts as well.
- The salary of the respondents has positive correlation with the age which imply that higher the experience greater is the amount of salary. Even though the correlation of two variables is low but statistically significant.
- The logistic regression of the three factors, which are derived from the PCA had been analyzed along with the employment status being the dependent dichotomous variable. The findings were such that the FAC₁ which consist of educational background and occupation of the head of the family turned out to be significant along with the FAC₃ consisting of mainly the age of the respondent, area of residence.
- The Head of the family's job, Years of education of the head as well as years of the education of the respondent and the gender played a major role in determining the employment status of the respondent.
- However when the logistic regression is fitted with normal variables with respect to the employment status the variables gender, age, years of education of the respondent, female headed household and family income are found to be statistically significant.

The study concludes that the NER has not benefitted significantly from the liberalization. Even though growth has picked up, the benefits of growth have not percolated to different sections and regions. The problem of unemployment in general and educated unemployment in particular persists on a large scale. Different states of NER have exhibited different patterns of growth, hence the region cannot be treated as homogeneous. State specific policies for sectoral development is the need of the region.

The NER is significantly affected by the local political, social and insurgent movements. For smooth performance of the region in economic sphere, non economic factors play a prominent role. Trade improvements with neighbouring countries could enhance their performance. Physical infrastructure is a major bottleneck for investment enhancements. Manipur is very much affected by these factors more than other states. Government of India, initiatives in trade enhancement, investment in climate improvements and overcoming infrastructure bottlenecks would be of great help to the NER.