

Surgical Strike on Employment: The record of the first Modi government

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The central government has finally allowed the release of the report of the 2017-18 Periodic Labour Force Survey. The previous government had blocked its release before elections because the survey showed a massive increase in the unemployment rate, worst in the last 45 years. Some data from the report that were leaked in the media showed that there had been a massive contraction in rural employment. In these Lok Sabha elections, BJP tried every trick, and with remarkable success, to distract the voters away from issues such as unemployment and livelihoods. The report perhaps saw light of the day formally possibly because, having won the elections with a massive mandate, the primary purpose of blocking the release of this report ceased to be relevant.

The report released on May 31st, after a delay of over four months, confirms what became available through media leaks and provides some additional details. The report also provides a considerable amount of data that has so far not been available. In this article, we summarise some new details that have become available with the release of this report.

The most important measure of overall conditions of employment is the Worker-Population Ratio (WPR), or what has traditionally been known as the Work Participation Rates. WPR is the proportion of population that is actually employed. It excludes persons who are unable to find employment, persons who have given up looking for employment because they realised no work was available for them, and persons who are not looking for employment because they are engaged in other activities (such as studies or housework). Of these, the last category is expected to be small, particularly among the rural poor, if one restricts the analysis to the working-age population (15 to 59 years). A fall in WPR for this age group is a clear indication of contraction in the availability of employment. It must be noted that a vast majority of workers in India are informally employed and do not have regular full-time employment. They include persons who were self-employed – working in their own farms, shopkeepers or street vendors – as well as persons who had casual wage-employment. WPR refers to all persons who are employed for at least 30 days in a year. Since workers who are employed for as little as 30 days are considered as employed, WPR does not capture the level of under-employment among workers. It is reasonable to expect that contraction of employment would result in a fall in WPR in the working age population as well as a decline in the duration of employment of workers. This latter aspect is not captured in the analysis of WPRs presented in this article.

A lot of media attention on the results of the PLFS surveys has focussed on unemployment rate, which, at 6.1 per cent, is at an all-time high level. It is, however, important to note that the unemployment rate, the way it is defined, is somewhat misleading. Unemployment rate refers to proportion of unemployed persons in the labour force. The labour force is defined to include workers and persons who were actively looking for work. Importantly, this definition treats persons who have given up looking for employment (for example because they realised no work was available

for them and searching for work was costly) as being uninterested in working. In other words, a large proportion of unemployed are not counted in the unemployment rate by definition. The fact remains that the problem of unemployment affects many more people and not just 6.1 per cent as reflected in the unemployment rate.

Given this limitation, it is better to focus on work participation rates for the working-age population, and use the proportion of non-workers in this working age population as a measure of unemployment in the economy. These numbers, for India as a whole and at the State-level, are presented in Tables 1 and 2. Table 1 shows the proportion of working age (15-59 years) men and women in rural areas who were employed. Table 2 shows the same data for urban men and women. These tables show that, in 2017-18, 25 per cent of rural working-age men and 75 per cent of rural working-age women were not employed. In urban areas, 26 per cent of working-age men and 80 per cent of working-age women were not employed.

How have employment conditions changed between 2011-12, when the last survey of employment was conducted by NSSO, and 2017-18, the year of latest PLFS survey. At the all India level, the proportion of employed persons in the rural working age population fell by about 6.8 percentage points for men and a whopping 11.7 percentage points for women. In urban areas also the worker population ratios fell – by 4.2 percentage points for working age men and 1.2 percentage points for working age women. What is striking about these numbers is that the decline in worker to population ratios took place across rural and urban areas, for men and women, and in almost all of the large States. In fact, for rural men and women, there was not even one State among the 22 most populous ones that did not see a contraction of employment.

The extent of unemployment among rural women is particularly striking. In India as a whole, only about a quarter of working-age women found any employment. The State-level figures are even more pathetic. In Bihar, only four per cent rural women found any employment. In Punjab and Uttar Pradesh, less than 15 per cent rural women had any employment. Of the 22 large States, in only three States – Andhra Pradesh, Chhattisgarh and Himachal Pradesh – more than 50 per cent rural women found some employment. In 2011-12, the figure was more than 50 per cent in seven out of these 22 States.

Now let us turn our eyes to different sectors. Table 3 shows the proportion of population (all ages) that are employed in different sectors. Because of lack of data separately for different age groups, we have made this table for the entire population. The table shows that the contraction of employment was led by agriculture. Proportion of men employed in agriculture fell by 4 percentage points while proportion of women employed in agriculture fell by 6 percentage points. In 2017-18, only 28 per cent of rural men and 13 per cent of rural women were usually employed in agriculture. These numbers are a damning reflection of the agrarian crisis that plagues rural India today.

The other sector which saw a big change was construction. Between 2004-05 and 2011-12, construction had emerged as the main sector in which employment expanded. Over this period, proportion of population that was employed in construction increased by 3.4 percentage points for rural men and 1.1 percentage points for rural women. Over this period, construction emerged as the sector that

absorbed workers who did not find any other employment. Employment in construction sector involved arduous labour, was insecure and often required workers to migrate. Nevertheless, construction became the employer of last resort for workers who did not have any other employment and could not afford to remain unemployed. After 2011-12, the growth of employment in construction also tapered off and this employer of last resort also shut its door to workers. Between 2011-12 and 2017-18, the proportion of rural men employed in construction increased only by 0.4 percentage points and proportion of rural women employed in construction fell by 0.7 percentage points.

Finally, let us look at different types of employment. Table 4 shows the proportion of population (all ages) that was self-employed (having enterprises where no workers are hired or enterprises in which other workers are hired, worked as unpaid helpers in household enterprises), had regular salaried employment or worked as casual worker. The table shows that the proportion of population that worked as casual workers fell for everyone, men and women, rural and urban. The overall decline was of 3 percentage points. There was a marginal, of one percentage point, increase in proportion of persons who had regular salaried employment. Clearly, the increase in regular salaried employment was inadequate to cover the fall in casual employment.

Contrary to claims of the Modi Government, there was a distinct decline in self-employment across all categories except rural men for whom there was only a marginal rise. On the whole, proportion of population that was self-employed fell from 20.2 per cent in 2011-12 to 18.1 per cent in 2017-18.

The entire focus of the employment policy of the First Modi Government was on self-employment as it was argued that people should become job creators rather than job seekers. A special Ministry of Skill Development and Entrepreneurship was created and a host of schemes such as Start Up India, Make in India and Pradhan Mantri Kaushal Vikas Yojana were started. The misplaced premise of these policies was that unemployment was a result of lack of skills and capital, and imparting skills and cheap credit would enable people to start enterprises. The reality, however, was that the problem of demand created by an intense agrarian crisis and deflationary policies such as demonetisation made enterprises -- agriculture as well as non-farm enterprises -- nonviable. The disproportionate burden of this fell on small enterprises, which are the main source of self-employment, and the proportion of population working in own-account enterprises fell. The only marginal increase in self-employment seen in case of rural men was entirely on account of rural male workers moving back into agriculture as they lost employment in non-agricultural activities (Table 3). This marginal increase in self-employment of men in agriculture was a result of contraction of employment availability in non-agricultural activities rather than enabling of workers to start their own enterprises.

It has been argued by the government that these estimates from the Periodic Labour Force Survey are not comparable with the earlier Surveys of Employment and Unemployment because of a change in sampling strategy. Amitabh Kant, CEO of Niti Aayog and member of the National Statistical Commission, has argued that the sample of the PFLS survey is only 0.03 per cent of Indian households and therefore not reliable. A similar argument was made by Surjit Bhalla, former member of the PM's Economic Advisory Council, and Avik Sarkar, head of the Data Analytics Cell in the NITI Aayog.

This is a bogus argument. Even an elementary textbook of statistics tells us that the reliability of estimates from a survey depend on the absolute size of the sample and not on the sampling ratio. We find it difficult to believe that those at the top of the national statistical and policy establishment today seem to have forgotten these elementary lessons. The PLFS survey, as the earlier Surveys of Employment and Unemployment, are based on a large, scientifically-designed, stratified random sample. Such a sample represents its sampling frame, nothing less, nothing more. There is no change in the way sampling frame is drawn between the two rounds of surveys. The sampling strategy has changed. But estimates from both the surveys use unbiased estimators that account for multipliers based on their respective sampling strategy. A change in sampling strategy may, if at all, limit the extent and kind of disaggregation that one is able to do. It has no bearing, either in terms of having an inherent bias or a problem of precision, for all-India and State-level estimates.

The PLFS survey has established beyond any reasonable doubt that the period of First Modi Government was a period of a very serious contraction in availability of employment. The problem of unemployment was most serious in rural areas, affected the entire country and most of the major sectors of the economy. The government has refused to accept it so far. Its ruling party also managed to deflect attention from issues such as employment during elections by successfully using its propaganda machinery. But there is no doubt that the disastrous performance of the First Modi Government on the employment front would continue to haunt the Second Modi government.

Table 1. Worker to population ratio, rural men and women aged 15 to 59 years, by State, 2011-12 and 2017-18

State	Men		Women	
	2011-12	2017-18	2011-12	2017-18
Andhra Pradesh	85.3	81.6	61.1	53.2
Assam	81.8	77.6	17.8	11.5
Bihar	77.4	65.6	8.5	4.0
Chhattisgarh	83.9	80.8	65.0	57.1
Goa	77.3	76.0	29.1	28.5
Gujarat	87.3	78.9	40.3	23.9
Haryana	76.5	71.4	23.4	14.8
Himachal Pradesh	77.8	75.8	69.6	54.2
Jammu and Kashmir	76.1	75.2	37.5	32.2
Jharkhand	85.1	73.6	30.9	15.9
Karnataka	83.6	80.4	40.6	30.8
Kerala	79.7	74.3	30.8	24.5
Madhya Pradesh	84.2	80.1	38.0	37.3
Maharashtra	81.1	76.6	56.5	40.9
Odisha	88.2	77.9	36.1	20.9
Punjab	81.1	72.1	32.9	13.7
Rajasthan	78.3	73.0	53.0	32.2
Tamil Nadu	83.2	76.2	51.9	38.8
Telangana	78.6	74.3	64.0	41.3
Uttar Pradesh	81.6	72.4	28.1	14.6
Uttarakhand	73.1	68.9	47.2	20.5
West Bengal	85.7	81.2	27.9	20.6
All India	82.0	75.2	37.2	25.5

Table 2. Worker to Population Ratio, urban men and women aged 15 to 59 years, by State, 2011-12 and 2017-18

State	Men		Women	
	2011-12	2017-18	2011-12	2017-18
Andhra Pradesh	80.5	79.0	26.7	30.8
Assam	78.7	76.0	12.2	14.7
Bihar	65.6	62.2	7.1	6.5
Chhattisgarh	76.4	76.3	34.4	28.0
Goa	73.8	71.0	23.1	26.5
Gujarat	84.9	79.0	19.3	17.0
Haryana	74.1	74.9	14.4	13.4
Himachal Pradesh	80.3	74.1	28.0	22.2
Jammu & Kashmir	74.7	74.1	17.3	19.3
Jharkhand	73.9	64.9	9.6	13.5
Karnataka	79.3	74.7	23.5	23.3
Kerala	79.4	72.2	27.8	23.4
Madhya Pradesh	76.9	73.6	17.0	20.7
Maharashtra	78.8	76.0	23.6	21.1
Odisha	81.8	74.2	21.6	16.3
Punjab	79.8	77.0	19.4	17.4
Rajasthan	73.2	70.4	20.6	14.2
Tamil Nadu	82.1	78.1	27.9	28.2
Telangana	75.2	74.5	21.4	21.9
Uttar Pradesh	77.1	69.3	14.5	10.5
Uttarakhand	77.6	69.8	13.2	10.5
West Bengal	81.6	76.8	23.8	23.7
All India	78.4	74.2	21.0	19.8

Table 3. Proportion of population employed in different sectors of the economy, men and women, rural and urban

Sector	Rural Men		Rural Women		Urban Men		Urban Women	
	2011-12	2017-18	2011-12	2017-18	2011-12	2017-18	2011-12	2017-18
Agriculture	32.3	28.4	18.6	12.8	3.1	2.9	1.6	1.3
Self-employed in agriculture	21.2	21.9	12.0	8.3	2.1	2.0	0.9	0.7
Agricultural labour	11.1	6.5	6.6	4.5	1.0	0.9	0.7	0.6
Mining and Quarrying	0.3	0.3	0.1	0.0	0.5	0.3	0.0	0.0
Manufacturing	4.4	4.0	2.4	1.4	12.2	11.9	4.2	3.6
Construction	7.1	7.5	1.6	0.9	5.8	6.2	0.6	0.6
All workers	54.3	51.7	24.8	17.5	54.6	53	14.7	14.2
Not employed	45.7	48.3	75.2	82.5	45.4	47.0	85.3	85.8
All persons	100	100	100	100	100	100	100	100

Table 4. Proportion of population engaged in different types of employment, men women and all persons, rural and urban, India (per cent)

	Men		Women		All Persons	
	2011-12	2017-18	2011-12	2017-18	2011-12	2017-18
<i>Rural</i>						
Self-employed	29.6	29.9	14.7	10.1	22.3	20.2
Regular salaried worker	5.4	7.2	1.4	1.8	3.5	4.6
Casual worker	19.3	14.6	8.7	5.6	14.1	10.2
Total wage employment	24.7	21.8	10.1	7.4	17.6	14.8
<i>Urban</i>						
Self-employed	22.8	20.8	6.3	4.9	14.9	13.0
Regular salaried worker	23.7	24.2	6.3	7.4	15.4	15.9
Casual worker	8.1	8.0	2.1	1.9	5.2	5.0
Total wage employment	31.8	32.2	8.4	9.3	20.6	20.9
<i>Rural+ Urban</i>						
Self-employed	27.6	27.2	12.31	8.6	20.18	18.1
Regular salaried worker	10.79	12.2	2.78	3.5	6.9	7.9
Casual worker	16.0	12.7	6.9	4.5	11.56	8.6
Total wage employment	26.8	24.9	9.6	7.9	18.5	16.6