

CHAPTER: II

REVIEW OF LITRATURE

Review of literature is a vital part of a research that helps the researcher to know the areas where earlier studies had focused on and certain aspects untouched by them. The works of creative writers provide a fertile ground for the relevant hypothesis-formulation. This provides the information that what data are available the tools and techniques that might be used as well as useful for indicating the types of difficulties that may be encountered in the present study as also the possible analytical shortcomings.

There are numerous theoretical and empirical studies on the workforce in the labour market of India; some of them are briefly summarized below.

Chaudhuri and Panigrahi(2013) made to look into the gender issues in terms of female work force participation and wage differential in the organized manufacturing sector in India for the period of 2000-01 to 2009-10. The data have been drawn from the Annual survey of Industries (ASI). The result of the study showed that around 20 percent of female workers were participating in organized manufacturing sector and significant variations have been observed in female work participation with respect to industry divisions and these variations have been also observed within the states in India. More over it has been noted that female workers were facing wage differentials with respect to the industry divisions and states. Further it has been explored that the informal sectors are growing faster than formal sectors.

The position of industrialization in states, possibilities of alternative employment like in primary and services sector, social restrictions, degree of hardship and labour involved, wage differentials and higher engagement in the informal sectors have been highlighted as the reasons of the variation in female participation with in the states I India.

Behera (2012) focused on economic growth and employment trend in India during the period 1983 to 2010. The data have been collected from National Account Statistics (NAS) and National Sample Survey Office (NSSO). At first the structure and growth of output have been examined. The results reported that a major development during the post- reform phase has been much higher in the non- agricultural sector, particularly in the service sector. The net effect has

been marked as a slowdown in the growth rate of agriculture and a rapid decline in its share in Gross Domestic Product (GDP). Moreover he examined the structure and growth of employment in the India during 1983 to 2009-10. While examining it is the researcher found that the Work Population Ratio (WPR) has declined due to decline in the participation rate in employment for all segments of the population except rural males' participation in 2010. An assessment of the industrial distribution indicated that except the industrial sector, agriculture and manufacturing underwent a declining growth during the post reform period and both have made negative contributions to the increase in employment, whereas the construction sector played a dominant role followed by the finance, insurance and real estate, business services and electricity and gas and water sector.

In terms of the quality of employment by status, the share of self-employment has decreased whereas the number of casual labours has increased significantly followed by the regular wage salaried workers. Although the share of the organized sector in the total employment is relatively small, yet the latest data showed a significant degree of job creation in the private sector. Further it was highlighted that the growth of the work force has increased in productivity in the economy and across all sectors except the construction sector wherein the rate of employment had been growing faster than the growth of output. The latest data revealed that the manufacturing and transport sectors have witnessed a higher rate of productivity growth while the construction sector showed a negative productivity growth. These seemingly suggested a possible trade-off between employment productivity in these sectors. Further it was displayed that the overall employment elasticity of output in the economy was 0.25, which was largely contributed by the industrial sector, followed by services. It is accompanied by greater elasticity which was more than one in the construction sector. All in all the increase in the capital per labour ratio which led to an increase in the output growth has shown declining employment growth in 2009-10 in the economy at both the aggregate as well as individual levels. This jobless growth has become a serious challenge in the Indian economy.

Das (2012) investigated the structure of wage inequality and employment in India with the 61st round household survey on employment and unemployment conducted by the national sample survey office by using the Gini- inequality index. The research considered three major sector public sector, private formal sector and informal sector analyze the structure of wage inequality.

The results of the study have shown that workers in the informal sector were paid even less than one-third of the formal sector wage. The average wage in the formal private sector job was higher than that in the public sector. The wage differential was higher in rural as compared to urban areas and also higher among women than men. Wage inequality among women was the highest in the public sector. The significant part of the wage inequality observed between groups rather than within group of every type of working people in India.

Garg (2012) attempted to explore the level of gender discrimination among various types of enterprises in the unorganized manufacturing sector of India after economic reforms and the study was mainly based on rounds of NSSO employment and unemployment surveys reports. The results of the study have shown that the sharpness of female workers was increasing mainly due to increase in part time job. It was highlighted that more women workers were being employed in part time jobs, due to this the female share in total employment has increased, this increase was mainly contributed by urban areas. A comparative analysis of male and female workers showed that more women workers were unpaid workers compared to men and more of male workers worked as hired workers and working owners as compared to women, these differences were more over in urban areas as compared to rural areas. Hence it was noted that, in the case of an unorganized manufacturing sector of India, the feminization of jobs was actually the feminization of part time jobs. Women had to work harder than men and two years more burdens and more participation in the rural economy development of India. It was also highlighted that problem of poverty cannot be tackled without providing the opportunities of productive employment to female. The women were facing discriminatory attitude varying degrees on the ground of sex, employment and working conditions. She urged that 'true and just', development can be achieved only when half of the world's population was recognized as equivalent to the other half.

Mehrotra, Gandhi et.al(2012) focused on joblessness and informalization: challenges to inclusive growth in India. The data have been collected from NSSO 55th, 61st and 66th rounds of employment and unemployment surveys. In the first section of the study they examined the nature of the structural change, that was taking place in employment during the last past decade. Further they analyzed organized and unorganized employment across various sectors. Moreover they have investigated the formal and informal employment within the organized sector. The

results of the study have shown that employment in total and non- agriculture sector had not been growing. The jobless growth rate in recent years had been accompanied by growth in casualization and informalization of employment. Total employment in the manufacturing sector in India has increased during 1999-00 to 2004-05, but has declined during 2004- 05 to 2009- 10, which was most appeared in unorganized segment, although there was a little increase in the organized segment, formal employment had been growing at the expense of the informal employment and at least half the employment, in an organized manufacturing sector, remained of an informal nature.

Mehrotra, Gandhi and Sahoo (2012) focused on the organized and unorganized employment in the non- agriculture sector during the 2000s. For the purpose of the study, the estimates for organizing services and non- manufacturing industry have been obtained from the CSO for gross value added (GVA) and the NSS employment and unemployment rounds for the year 1999- 00 and 2004- 05. However the NSS 57th and 63rd rounds have been used to extract data for both GVA and employment in the unorganized sector. The findings of the study have reported that the share of formal employment in the organized sector has been falling continuously and this was matched by a corresponding increase in informal employment in the organized sector. The empirical analysis over the period 1999- 00 to 2008- 09 explore that there was no universal link between the rate of growth output and employment captured through the employment elasticity. ASI figures showed that the total organized manufacturing services witnessed jobless growth during 1999-00 to 2004- 05, which emerged as a productive employment generating sector over the period 2004- 05 to 2008- 09. Over the first half of the decade the unorganized manufacturing sector witnessed a job-losing growth with 0.64 million workers losing their jobs and 63 million workers were in the unorganized manufacturing sector. The organized non-manufacturing sector witnessed very high rate of growth of employment during 1999- 00 to 2004- 05. In addition the unorganized construction segment added another 6.7 million workers. However these increases in employment have resulted in declining labour productivity and elasticity was greater than one. The organized service segment generated productive employment in the economy during 1999- 00 to 2004- 05. The organized service segment has provided jobs for more than 27.7 million people, most of them were in rural areas. The annual compound growth rate was less than one percent that resulted in jobless growth in this sector. They have urged that the employment generating sectors deserve promotion through actions supporting technology upgradation, credit

and market design support. Social protection and safety nets and some degree of retraining for those who were losing jobs in such sectors so that they can get new employment where output and employment are still increasing. India should adopt the path of the successful East-Asian exporters which engaged labour intensive manufacturing exports.

Mishra, Senet.al (2012) focused the status of employment in India over the 61st and 66th round of NSSO data. They have presented their evaluation in four parts. The first part provided the scenario of employment in India on the basis of Worker Population Ratio (WPR) in rural and urban areas. The second part evaluated the employment as different status (self employment, regular wages/salaried employees, casual labour in public works, casual labour in other type of works, casual labour) of employment. In the third part of the study they have focused on the distribution of the employment on the basis of principal status and subsidiary status under the formal and informal sector in India by industry groups/ divisions: AGGC (growing of crops, market gardening, growing of combined with farming of animals) and AGEGC, non- agriculture. Finally they have evaluated the distribution of workers as per industry groups in the informal sector. They depicted in their findings that from 61st to 66th round of NSSO data, the fall in WPR showed clearly the pernicious to the employment status in India. Such fall in employment was more distinguished in the rural sector than urban sector. Ultimately the fall was more prominent in female WPR in India. The status of employment in India (informal and formal) revealed that self- employed workers were at predominant and more prominent among the rural female workers. The second highest status in employment was in the form of casual Labors, followed by the regular wage/ salaried employees. The percentage of casual workers in India has increased almost by 5 percent and self- employed workers have increased by 6 percent. They marked a very nominal (1.2 percent) increment in regular wage/ salaried employees. In the third part of the study they highlighted that the share of workers in the informal sector was increasing as against their decreasing share in the formal sector thus the informal sector, in India, was providing more employment than the formal sector. It was also explored that the share of total employment was drastically higher in the urban informal sector than the urban formal sector thus the urban informal sector still providing the highest level of employment in India, where the rural informal sector was lagging much behind. Finally the evolution of the pattern of distribution of workers as per different industries in informal sector revealed that the non- agriculture sector has provided more employment than AGEGC. The manufacturing construction and wholesale/ retail trade

were providing more employment in the non- agriculture informal sector in India. In the manufacturing sector the male employment has decreased while female employment has increased and it might have been in the form of casual workers or regular wage/ salaried employees. All in all, they have concluded that still 63 percentages of rural workers were engaged in agriculture sector in India and 92 percent was engaged in non- agriculture part of the informal sector in urban India. Hence they urged that the government policies over coming years seriously call for not only another agriculture revolution but also calls for special attention for the urban workers of the informal sector of India.

Ramaswamy and Agrawal (2012) studied employment growth, structure and job quality outcomes in urban India between 1999-00 and 2009-10 by using the unit level data of the National Sample Surveys of employment and unemployment. They highlighted that it was the period of dynamic growth of the service sector in India but they did not find any acceleration in service sector employment growth related to manufacturing in the urban areas of India. They noted that young males have increased their share of regular employment both in manufacturing and service sector. The service sector has turned out to be a boon for female workers. Both young and middle age female workers increased their share of regular jobs. Moreover they found that informal employment was more widespread in the service sector than in the manufacturing sector and a large number of them were engaged in low productivity activities. Similarly wage inequalities were relatively higher in services and those with more skills had received a significantly higher increase in real wage and the service sector had experienced greater skill shortages and the growth in the service sector was relatively more skill demanding than manufacturing at higher skill levels. Social security conditions were not found to be relatively much superior in the services than in the manufacturing sector. They urged that India needs to focus on the manufacturing sector to generate large scale employment because it has that capability and potential to grow as fast as services.

Sharma (2012) investigated the changing scenario of employment among women in the informal sector in India during 1983-84 to 2009-10. The data have been drawn from various rounds of employment and unemployment surveys of NSSO. The researcher found that as many as 94 percentages of total women workers were working in the informal sector of India and they were facing gender discrimination which was almost existence in the formal sector. Besides their

contribution in contribution in terms of income generation turned out to be less than their male counterparts and much of female employment in India was self-employed and unpaid work but the share of wage employment in total female employment was rising in all regions but very slowly. Many of the workers identified as engaged in petty trading, service repairs, transport and small manufacturing activities were independent, self-employed producers and family labors or a few additional workers. The researcher urged that they need economic and political support from government and a new focus by government on the informal sector to recognize its contribution in employment and income generation.

Thomas (2012) discussed the road trends in labour absorption in Indian economy. Further he explained the seemingly sharp divergences between the first and the second half of the 2000s in employment growth. Moreover he dealt with the continuing challenges to labour market modernization, mainly the slow diversification of the country's employment structure and also addressed the low level of female labour participation in India. The analysis was based mainly on the national sample survey office's (NSSO) reports on employment and unemployment in India. Results reported a sharp slowdown in the net increase in employment in India especially in rural India. There was the absolute decline in the number of workers engaged in agriculture and related activities. The net increase in the number of workers in India was a slowdown especially in agriculture sector that was negative in 2004- 05 to 2009- 10. The annual increase in employment was 0.24 million wherein it was 11.9 million in 1999- 00 to 2004- 05. Net increase in all workers was 1.25 million during 2004- 05 to 2009- 10 but it was negative in self-employed. He also noted that net increase in employment in agriculture and allied sector was more negative than manufacturing whereas in other sectors were positive and highest was in services and construction sector. The female workers have declined in the agriculture and allied sector. There was a clear improvement in rural wages during the second half of the 2000s, as compared to the first half. Further it was highlighted that a sharp rise in the population of students also contributed to the slowdown in the employment growth in India. During the second half of the 2000s, the number of literate workers in India declined by 33.6 million and employment opportunities grew slowly for workers with primary or middle school education. On the other hand the opportunities for better educated workers (with at least a secondary school education) were higher during the second half of the 2000s as compared to the first half. The new employment opportunities created in India during the second half of the 2000s were

predominantly in rural construction and were also largely casual in nature. A significant part of these services in new jobs were in Bihar, UP and Rajasthan and those are development laggards. The manufacturing employment declined by 3.7 million during the second half of the 2000s, export oriented industries such as textiles, garments and diamond cutting were the ones to suffer massive job losses during the same period. Manufacturing jobs were lost in most Indian states. Women workers were the worst hit due to manufacturing job-losses. He mentioned that a tall hurdle for labour market modernization in India is the extremely low rate of female labour participation. The number of missing women in India (women who withdraw from the labor force and engaged themselves only in domestic duties) was a staggering 216 million in 2009-10. He urged that the important role that government interventions (such as MGNREGA) can play in improving the living conditions of India's rural poor. The goal of decent work and living for the millions of poor Indians and especially female can be achieved only with a significant revival in manufacturing growth, particularly in rural areas.

Klasen and Pieters (2011) examined the trend and drivers of female labour force participation in urban India between 1987- 88 to 2004- 05 paying special attention to the difference between lowly and highly educated women. They did this using aggregate and unit level data of rounds of NSSO employment and unemployment survey and estimates econometric participation models (mean, standard deviation, marginal effects, R- square). The results reported that the female labour force participation rate has increased only since the start of the 21st centuries, when at all levels of education, the share of women in the labour force increased. After 1999, the share of lowly educated women working as domestic servant and self- employment in agriculture and manufacturing sector increased, the latter concentrated in the garments industry (which is characterized by their invisibility, vulnerability and meager and highly volatile earnings) and with this substantial growth in these types of employment, workers with less than secondary education both male and female experienced a decline in their real earnings and workers faced more insecurity as economy liberalized and became more globally integrated. Further they analyzed the determinants of women's participation in paid employment, using individual data from the NSS employment and the unemployment survey of 1987- 88, 1999- 00 and 2004- 05. They found that highly educated women were drawn into the labour force by higher wages, whereas the expected market wage negatively affected the participation of lowly educated women, which was the main difference between the two groups. All in all their analysis

indicated that the impressive economic performance of the Indian economy only created attractive labour market opportunities for highly educated women. The appearance of women in the labour market was very low as compared to men because of security reasons.

Mazumdar and Neetha(2011) examined the trends in relation to women's employment in India from 1993-94 till 2009-10. The data have been drawn from various rounds of National Sample Survey Organization (NSSO) on employment and unemployment surveys. The analysts found that a sharp slump in female work participation rate and a decline in the share of women in total employment had appeared as a major feature of the first decade of economic reforms in India. The percentage of self-employment was found more amongst female than male and the same was found higher in rural areas than urban. The male casual- labours have increased while female casual- labours have decreased with very few points overall, where the share of regular salaried employment had increased by a few percentage points. They highlighted the high share of unpaid workers among rural self employed women and in urban highest share was of own-account women workers. The share of unpaid labour increased when Female Work Participation Ratio (FWPR) rose and declined when FWPR fell. Female casual- labour declined which was more appeared in urban areas than rural areas during 1993-94 to 2007-08. The proportion of paid female workers has decreased while male paid workers' participation increased during 1993-94 to 2007-08. The highest female workers were engaged in agricultural sector which was much higher than other industries wherein most of them were unpaid helpers and its share has increased during 1993-94 to 2007-08.

Goldar and Aggarwal (2010) investigated whether and how for labour market rigidities and increasing import competition are responsible for the increasing in formalization on industrial labour in India. For this purpose they used unit level data on the NSS 61st round employment unemployment survey for 2004-05. Results reported that increasing in formalization of industrial labour is a serious issue. It was noted that ways and employment benefits received by casual workers were much lower than those who were regular salaried/wage workers and incidence of poverty is much greater among casual workers than the regular salaried/ wage workers. They have noted two reasons for the growth in formalization of industrial labour in India, firstly labour market rigidities and second were increasing competition, particularly competition from imports and these were responsible for "jobless growth" in organized manufacturing and increasing use

of contract and temporary workers. They explained percentage distribution of employment in the manufacturing sector in 2004-05, results reported that the percentage of self employment in unorganized sector was nearly 12 times larger than organized sector while the percentage of regular wage worker, in organized sector was more than 4 times of unorganized sector further they analyzed status wise distribution of workers and the results showed that in the organized manufacturing sector, employment of casual labour was related high in only two industry groups namely manufacture of other non-metallic mineral products and recycling. It was also found that the education level of casual labour was lower than regular workers both in the organized and unorganized manufacturing sector. The empirical section of the study highlighted that there is negative relationship between the education and the probability of being in a casual job. They noted that the probability of being in a casual job was relatively less if an individual is employed in the organized sector or was residing in urban areas or both and the result indicated that other things remaining the same, an individual belonging to the SC/ST categories has a lower probability of having a regular job and it also went up with age. They mentioned that the labour market rigidities particularly the Industrial Disputes Act is the prime cause of increasing employment of contract and temporary workers and the same happened to import competition.

Shastri, Tripahi et.al. (2010) examined the changes in the employment scenario of India following the pursuance of the trade liberalization strategy and the possible effects of further trade liberalization. The used figures in the study have been drawn from GIO, Planning commission (2004), Report of the task force on employment opportunities. They came to conclusions that employment in the organized sector has suffered a severe collapse in the early years of the adjustment process but has since recovered to a pace similar to that of the pre-reform era. The recession was playing a major role in decreasing the growth rate of employment opportunities in recent years. They also highlighted that the particular challenge of equipping poor producers and workers in the rural and urban informal sectors with the means to share the benefits of trade liberalization and low level of education and skills of the workers in the informal sector were the major problems in industrial development and employment growth. They recommended that priorities should be given to improving education and skills of the workers in informal sectors therefore policies and programs should also be developed for unorganized sector particularly for those who are associated with export markets and all possible efforts should be made to minimize the total social cost of the trade liberalization.

Rath and Madheswaran (2008) estimated the empirical relationship between labour productivity, real wage, employment and prices in the Indian manufacturing sector during 1960-61 to 2001-02. The data have been collected from an annual survey of industries published by the Central Statistical Organization (CSO). The data on the wholesale Price Index (WPI) have been drawn from a handbook of statistics on Indian economy. They considered labor productivity (LP), real product wage (PW), employment (EMP) and wholesale price index (WPI) as variables. For the purpose of the study they used Augmented Dickey- Fuller test, PP for unit root, Granger causality test and Error Correction Model. The results of the study showed that there was a long run equilibrium relationship between labour productivity, real wages, employment and prices. There was a bi-directional causality between real wages to labour productivity; however employment and prices were not causing the labour productivity. Moreover labour productivity and real wages were causing employment. The short run disequilibrium among these variables was adjusted through labour productivity and prices but not by the real wages and employment. They highlighted that the main reason for low labour productivity was innovation, product design and lack of infrastructure facilities. They also found that labour productivity, real wages and employment were moving in the same direction and the upward movement of labour productivity might increase wage rates and employment generation. They have urged that the government should give priorities to more export- intensive industries like textiles, leather, gems and jewelry which were potential to generate employment.

Rangarajan, Kaulet.al. (2007) focused on employment scenario in the country especially with reference to the 61st round results of NSSO. Moreover they analyzed the sectoral employment elasticity and their implications for employment growth. Further they made projections regarding the growth rates and their implications for clearing the backlog of unemployment. The data has been derived 61st round of NSSO. The NSS report no. 515, Report of the task force on employment opportunities (Planning commission), Ministry of labor and employment (DGE & T) and Sundaram (2007) employment and poverty in India: 2000 to 2005. They noted that employment has increased at an annual rate of 2.89 percent during 1999-00 to 2004-05. Along with the sharp increase in employment the labor force has also increased dramatically. The unadjusted employment elasticity for the latest period was 0.48. Even after adjusting the sectoral elasticity to lower figures, it was seen that with a GDP growth rate of 9.1 percent, by 2009 the work force will become equal to labour force. The analysis revealed that the bulk of the increase

in employment has happened in the informal sector and agriculture still accounted for a large percentage of the workforce. They highlighted that the new challenge was one of improving the total factor productivity in the Informal sector and in agriculture so that a significant improvement in the quality of employment could take place in India.

Saktivel and Joddar (2006) examined the growth and structure of formal and informal sector workforce by one digit industry across major Indian states and the coverage of social security schemes among economically and socially vulnerable section of the workforce with particular reference to provident fund schemes in India. The employment figures have been emanated from 38th, 43rd, 50th and 55th round on employment and unemployment surveys (EUS) of NSS along with the employment market information (EMI) figures of DGE and T (directorate general of employment and training) for the corresponding period. They have adopted two approaches first was the residual approach (The result of deducting estimates of organized employment of total employment) and secondly direct approach. In the first section of study they have residual estimated the organized and unorganized sector employment (up+ss) in absolute figure and growth rate during 1983 to 1999-00. In which they found that large portion of the workforce in India was engaged in the unorganized sector. The share of unorganized employment has displayed a remarkable steadiness over the years while the share of organized employment has shown only a marginal increase over the years. Further it was highlighted that the compound growth rate has declined in both organized and unorganized sectors but unorganized sector served as a buffer for the workforce when an employment opportunity organized sector dwindled. Moreover the study has focused on industry-wise employment (in absolute), shares and growth rates of the organized and unorganized sector during 1983 to 1999-00. Estimates suggested that in the non - farm sector, as we move up the ladder of income, the share of informal sector has gradually declined. However, as far as the agricultural sector was concerned, segment of the workforce remained flat. Moreover they directly reported the share of the organized and unorganized workforce on the basis of gender in rural and areas, state-wise, industry wise and skills among informal workers in 1999-2000. The results, suggested that an overwhelming presence of the informal workforce was in economically backward states such as, Bihar, U.P, M.P, Orissa and Rajasthan. Furthermore, industry wise skill (in terms of level of education) among informal workers in India revealed that 98-99 percent of them are illiterate who were engaged in agriculture, construction and trade, hotels and restaurants. The analysis also revealed

that the coverage of social security schemes has been largely against economically and socially backward sections while organized workers were largely covered by the provident fund region and the lack of institutional mechanism, any design of social security that relies heavily on contributory basis are bound to fail dismally. They urged for reformation so that the provident fund must be resisted tooth and nail and give affordability to poor.

2.1 Relevance of the Reviewed Literature:

The above reviewed literatures show that the Indian economy has been facing a crucial challenge of jobless growth and informalization of job opportunities in the organized sector. In the recent period, total work force participation ratio has accounted a negative growth. Bulk of the increase in employment has happened in the informal sector but agriculture still accounted for a large percentage of the workforce. The proportion of the informal workers in the agriculture sector declined over the years but it increased in industry and service sector. A sharp slump in female work participation rate and a decline in the share of women in total employment had appeared as a major feature of the first decade of economic reforms in India. The impressive economic performance of the Indian economy has created attractive labour market opportunities only for highly educated women. The appearance of women in the labor market was very low as compared to men because of security reasons. The share of formal employment in the organized sector has been falling continuously and this was matched by a corresponding increase in informal employment in the organized sector during 1999-00 to 2004- 05 in India. The women were facing discriminatory attitude varying degrees on the ground of gender, nature of employment and working conditions. The workers in the informal sector were paid even less than one- third of the formal sector wage. The jobless growth rate in recent years had been accompanied by growth in casualization and informalization of employment. The main reason for low labour productivity was lack of innovation, product design and infrastructure facilities. The labour productivity, real wages and employment were moving in same direction thus the upward movement of labour productivity might increase wage rates and employment generation.

The researcher started with the review of literature and came out with the questions for presenting study which are as follow: