Industrial Employment in India: A Recent Stocking

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Abstract
The prime objective of this paper is to assess the growth spectrum of industrial sector of India in terms of employment. There is no clear and comprehensive research made to understand the recent trend and employment generation in the industrial sector of India. In the past a sizeable amount of literature mentioned that the employment level has deteriorated in the post reform period and a very few studies refused this idea. This situation needs a scientific and wide-ranging study. Hence, to evaluate the performance of industrial economy of India, data have been drawn from the Annual Survey of Industries (ASI) and other resources for the period from 1973-74 to 2008-09. To ascertain the effect of new economic policy the study period is classified into two wrinkles, and annual average growth rate is administered to obtain prolific result. This study yields the results that shockingly most of the industries experienced a diminutive growth in the post reform period in the case of employment. In developing and democratic countries like India government and private entrepreneurs should take immediate steps to correct this job-less growth problem.

Keywords: Industrial development, Indian Industries, Employment, Industrial Policy.

I. INTRODUCTION
Industrial sector of a nation is considered as a mainspring, and its contribution to the overall output, GDP. The social relevance of industrialization is rightly pointed out by Simon Kuznets, international trade, and modernization is substantial. In developing countries like India, Afghanistan, Bangladesh, Chile, Dominica, Egypt, Pakistan, and Zimbabwe the industrial sector is used as a herculean weapon to dump down the chronic problems like unemployment and poverty. From the contributions of worldwide champions like Kuznet (1966), Chenney (1980), and Hoffmen (1958), it is obvious that the industrial development is the sine qua non for economic development. In a scholarly work Nicholas Kaldor (1976) identified certain causal relationships between the growth of industries, productivity and GDP, whereas from the trend of developing countries, Ha (2005) suggested that these countries should accelerate industrialization by following the footsteps of the early industrializing economies to eradicate their unceasing problems. Even in the developed countries like America, Japan, United Kingdom, Canada and Australia, industrial sector played a momentous role in their methodology adopted for development. Hughes, Moore and Clark. The primary purpose of industrialization is to raise the standard of people of a given country, or region by reducing the real cost per unit of goods and services, increase in output, and per capita income(Rao,1979). The positive relationship between human upliftment and industrial development is observed not only in developing countries but also in developed countries. Moreover, the distinguishing characteristics of industrial sector of an economy are saving foreign
exchange, raising output per head and creating investment capital much faster than any other sector; these are the channels to human upliftment (Sankaran & Arulmurugan, 2009) India has been trying to attain a predominant place in the global manufacturing trade, with the globalization of the economy and implementation of liberal industrial policy reforms. In the road to development, India revamped its economic policies; the new economic policy is noticeable among them. In a nutshell, the major policy changes in India are called economic reforms or liberalization. It comprises (i) macro-economic stabilization actions- management of the balance of payments crisis, fiscal deficit and monetary policy correctives; (ii) major sectoral structural adjustment reforms- trade, industrial and public sector policy reforms, specific policies for attracting FDI (including NRIs), managerial reforms for faster investment approvals through the RBI, reforms in tax structure, tariff, civil aviation and financial sector, technology and equity participation, reforms in agriculture and its oriented areas; and (iii) special effort to split social costs of reforms. The New Industrial Policy of July 1991 resulted in certain fundamental policy changes. Hence, the present study is a systematic attempt to compute the trend of manufacturing sector and the impact of industrial policy reform with reference to employment generation in India.

II. LITERATURE REVIEW

Right from the historical phase researchers assessed the performance of industrial sector and recognized the importance of employment and their growth in an economy. Even in the Classical and Keynesian theory, the significance of employment and output was emphasized. The classical theory assumes the existence of full employment without inflation. But Keynes pointed out that the employment depends upon effective demand, effective demand results in output, employment and output satisfy each other. Hassana, et.al(2010) found that there is a positive relationship between manufacturing export and employment in manufacturing sector of Malaysia. Palma (2003) mentioned from the empirical work that the growth of manufactured trade induced the manufacturing employment and wages in Mexico. Kangasharju and Pehkonen(2001) identified the contemporaneous relation between changes in employment and output growth disappeared in the early 1990s, but recovered in the mid 1990s and at the same time there are differences in the employment-output relation between different regions in Finland. Orbeta(2002) calculated the impact of globalization on employment level and structure in Philippines using OLS method, which highlighted that there is a considerable improvement in export and employment. Castroetal (2006) using GMM method suggests that China and India experienced a small negative effect on industrial employment from trade.

Among the available studies conducted in India, Ahluwalia(1991) noted that consumer non-durable goods industries accounted for the bulk of the decline in employment in organized manufacturing. Virmani and Hashim(2011) observed that the main reason for a sprawl in output growth in Indian manufacturing was the slowdown in demand of domestic and global market, they decreased the employment. Nagaraj(1990) identified an adverse relationship between the movement of terms of trade and the growth of manufacturing output over the 38-year period in India, where employment position was stagnant, but Thangamuthu & Sankaran(2004) expressed that the performance level in the post-reform period is far better than the pre-reform period in the case of number of factories, value of output and employment in Indian manufacturing sector, but the contributions of manufacturing sector in total non-agricultural employment was chopped down. From the above discussion it is lucid that there is no systematic and disaggregative study about the performance
of manufacturing sector in general and growth of employment in particular for the recent period, hence the present study is an attempt to fill the gap.

III. MATERIALS AND METHODS

To examine the growth performance of employment, the data have been drawn from the Annual Survey of Industries (ASI) published by the Central Statistical Organization, for the period from 1973-74 to 2008-09 (thirty six years). Further, necessary information have been collected from Handbook of Statistics on Indian Economy, published by Reserve Bank of India, and Economic Survey, published by Ministry of Finance. To ascertain the effect of new economic policy in the growth of employment the study period is classified in to two wrinkles, the pre reform period covering the period from 1973-74 to 1990-91 and the post reform period consist of 1991-92 to 2008-09. The present analysis of industrial sector is for the registered (under Indian Factory Act 1948) fragment of India’s manufacturing sector is analyzed in this paper at the two-digit level of disaggregation. In the industrial sector of India, logically some industries are inter related, hence deliberately these industries are clubbed together some of the industries are Manufacture of Cotton Textiles(23) + Manufacture of Wool, Silk and Man-made Fiber Textiles(24) + Manufacture of Jute and other Vegetable Fiber Textiles (except cotton) (25) made as 'Textiles' while Manufacture of Electrical Machinery(35)+ Manufacture of Non-Electrical Machinery(36) are considered as the group 'Machinery'. The National Industrial Classification (NIC) was organized according to the NIC 1987, since then the NIC 1998 classification has been pursued. To have consistent data set at the two-digit level the present study used a concordance classification published by the CSO to reclassify the data for the years from 1998-99 to 2008-09 according to NIC 1987 code. Finally, the rationalized and normalized data set for the above mentioned period of three and a half decade is obtained. To attain meaningful results annual average growth rate is applied for which the formula of the statistical tool is that

\[
AAGR = \left(\frac{y_t}{y_{t-1}}\right)^{\frac{1}{t}} \times 100 \quad (y_{t-1})
\]

AAGR = Annual Average Growth Rate, 
\(y_t\) = Current year and 
\(y_{t-1}\) = Previous year

IV. ANALYSIS AND DISCUSSION

All over the world, employment generation is considered to be one of the indicators in the index for development. The ceaseless increase in unemployment in the modern sectors of the economy and rampant underemployment in conventional agricultural sector coupled with explosion of population have been the basic defy in the third world countries like India. Generally, unemployment and underemployment symbolize that the different forms of underutilization of human resource, Heggade (1989). In a democratic country like India, it is an inbound duty of the government, corporate agencies and private entrepreneurs to generate employment opportunity to fulfill their social responsibilities. Indeed, the employment generation is directly and indirectly correlated with the development of the human being Generation of employment enhances per capita income, fulfills the basic requirements strengthens the whole standard of living of the society and leads to get the decent life. Further, growth of employment in a nation, particularly in the industrial sector is the indication of the augmentation of economic condition, it leads to strengthen the personal income, saving, productive investment, expenditure and welfare of the society
Table: 1 Annual average growth rate of Employment

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<tr>
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<tbody>
<tr>
<td>Food Products (20-21)</td>
<td>0.36</td>
<td>0.77</td>
<td>0.58</td>
</tr>
<tr>
<td>Beverages and Tobacco (22)</td>
<td>4.22</td>
<td>1.04</td>
<td>2.67</td>
</tr>
<tr>
<td>Textiles (23+24+25)</td>
<td>-0.81</td>
<td>-2.09</td>
<td>-1.47</td>
</tr>
<tr>
<td>Textile Products (26)</td>
<td>4.33</td>
<td>10.73</td>
<td>7.56</td>
</tr>
<tr>
<td>Wood and Wood Products (27)</td>
<td>-0.47</td>
<td>1.01</td>
<td>0.26</td>
</tr>
<tr>
<td>Paper and Paper Products (28)</td>
<td>0.85</td>
<td>-0.21</td>
<td>0.27</td>
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<tr>
<td>Leather and Leather Products (29)</td>
<td>5.31</td>
<td>2.50</td>
<td>3.99</td>
</tr>
<tr>
<td>Chemicals and Chemical Products (30)</td>
<td>3.07</td>
<td>1.96</td>
<td>2.51</td>
</tr>
<tr>
<td>Rubber, Plastic and Petroleum Products (31)</td>
<td>4.13</td>
<td>2.72</td>
<td>3.45</td>
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<tr>
<td>Non-Metallic Minerals (32)</td>
<td>2.15</td>
<td>0.75</td>
<td>1.87</td>
</tr>
<tr>
<td>Basic Metals and Alloys (33)</td>
<td>2.16</td>
<td>-0.61</td>
<td>0.81</td>
</tr>
<tr>
<td>Metal Products (34)</td>
<td>1.17</td>
<td>0.30</td>
<td>0.70</td>
</tr>
<tr>
<td>Machinery (35+36)</td>
<td>1.84</td>
<td>-0.75</td>
<td>0.49</td>
</tr>
<tr>
<td>Transport Equipment and Parts (37)</td>
<td>1.91</td>
<td>-0.03</td>
<td>0.91</td>
</tr>
<tr>
<td>Other Manufacturing Industries (38)</td>
<td>1.83</td>
<td>6.07</td>
<td>3.92</td>
</tr>
<tr>
<td>All Manufacturing</td>
<td><strong>1.36</strong></td>
<td><strong>0.57</strong></td>
<td><strong>0.93</strong></td>
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Source: Computed from ASI data

The employment generation of manufacturing sector of India is presented in the Table: 1 in the form of growth rate. It witnessed that roughly one per cent growth is attained in a year over the analyzed period of 36 years. This growth rate was 1.28 per cent per annum in the pre-reform period, but is slipped down to 0.57 percent during the post reform period. Mention should be made here that only two industries expressed the negative growth in the pre reform period, but surprisingly there are five industries articulated the negative growth in the post reform period. Among the sub-sectors, Textile products experienced a synergetic growth, leather and leather products, and other manufacturing industries achieved an appreciable growth. At the same time, rubber, plastic and petroleum products, beverage and tobacco products, chemical and chemical products and non-metallic mineral products attained a moderate growth over the analyzed period. Even though India is a hub of textiles, its employment generation is very dim, Papola(1994) has pointed out that the decline in employment in textile industries was caused by closure of mills due to sickness and rationalization to overcome obsolescence.

The available resources highlighted that the job security regulations introduced in the late 1970s and strengthened in the early 1980s that were the roots of the ‘jobless growth’ in the manufacturing sector of India Goldar,(2000), but Roy(1998) based on econometric estimates criticized that the job security regulations did not have a noteworthy adverse impact on employment in organized manufacturing. In a comprehensive work World Bank(1989) found that the acceleration in product wages was the prime cause for a jobless situation, whereas another valid reason identified is that the transformation of Indian economy to competition and international integration based from inward-looking, regulation-based, import substitution (ILO 2005& 2009).

The result of this present study coincides with the result of Ahluwalia (1991), Ghose(1994) Dasguptaand Singh(2005). While considering the ground reality it is obvious that continuous increase in the profit motto of private entrepreneurs, modernization, down tern trend of role of government even in the employment generating industries are also causative factors for the erosion of employment in Indian manufacturing sector.
V. CONCLUSION

This study reveals that obviously there is an inter-industry difference existing in the rate of growth employment. The deceleration in post reform period in employment growth experienced not only at the aggregate level but also for most sub-industry groups. This trend shows that the potential of India’s manufacturing sector in employment generation is still in its immature stage. Still the concentration of significant amount of labour force in agriculture and in unregistered sectors in India, demonstrates that the manufacturing sector and entrepreneurs failed to observe the potential human resource, hence Lucas(1988), World Bank (1989), Ahluwalia (1991) and Nagaraj(1994) mentioned that the lack of labour absorption aptitude of the Indian industry is transparent.

Traditional classical theory supports the free trade, but in the case of India there is no expected result from the policy reform in employment generation. Hence, the policy makers in developing countries like, Burma, Nepal, Afghanistan, Bangladesh, Chile, Dominica, Egypt, Pakistan, and Zimbabwe should structure the effective and apt policies considering the employment generation. Hence, in the light of the above conclusions it is suggested that the proper human resource planning, employment expansion strategy, removal of laissez faire policy at least in employment generating sectors, amputation of capital accumulation in particular sectors and localities are the best therapies to cure this problem.

REFERENCES


