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Indian labor market trends and macroeconomic analysis

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MACROECONOMIC PICTURE

The Indian economy witnessed a mixed-bag scenario with a drought and nascent revival of industry, coupled with geo-political unrest and a sluggish global economy in 2002-03. The economy performed reasonably well in 2002-03, in spite of the impact of a number of adverse developments along the year, both internal and external. The country experienced its worst drought in fifteen years, which led to an estimated fall of 29 million tonnes in food production, the largest in a single year since Independence. The anxiety leading up to the Iraq war resulted in a significant oil price rise, furthermore, the global economy exhibited an environment of generalized uncertainty and low growth.

The Indian economy is expected to grow by 7.4% in 2003-04, which would be led by a 10.7 percent rise in agriculture and a 7.3% rise in the services sector. The industrial sector, however would grow by only 5% during the year. This growth reflects essentially the remarkable recovery of the Agricultural sector from the drought conditions of the previous year. The Index of Industrial Production (IIP) grew by 5.2% in August 2003 compared with a healthy growth of 6.2% in August 2002.

<u>POPULATION & NATIONAL INCOME</u>										
	Units	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04(Pr)
Population (as on October 1 st)	Mn. Nos.	928	946	964	983	1001	1019	1037		
GNP at current market Prices	Rs. Billion	11745	13551	15093	17260	19216	20869	22834		
GDP at Current market Prices	Rs. Billion	11880	13682	15225	17409	19377	21043	22960		
GDP at factor Cost (Current Prices)	Rs. Billion	10733	12435	13901	15981	17620	19177	20940	22425	
GDP at factor Cost (Constant Prices)	% Change	7.3	7.8	4.8	6.5	6.1	4.4	5.6	4.3	7.4
GNP Per Capita (Current Prices)	Rupees	12657	14325	15657	17558	19197	20480	22019		
GDP (Per Capita) Current Prices)	Rupees	12802	14463	15794	17710	19357	20651	22141		
GDP; Per Capita (Const. Prices)	Rupees	10711	11284	11567	12022	12657	12918	13347		
GDP; (Per	%	5.2	5.4	2.5	3.9	5.3	2.1	3.3		

capita) Const. Prices	change									
SAVINGS, CAPITAL FORMATION & Consumption (Current Prices)										
Gross Domestic Savings	% of GDP	25.1	23.2	23.1	21.7	23.1	23.4	24.0		
GDP Domestic Capital Formation	% of GDP	26.9	24.5	24.6	22.7	24.2	24.0	23.7		
Pvt. Capital Formation	% of GDP	19.2	17.5	18.0	16.1	17.1	17.6	17.4		
Public Sector Capital Formation	% of GDP	7.7	7.0	6.6	6.6	7.1	6.4	6.3		
Consumption Expenditure	% of GDP	75.3	76.7	75.8	77.7	78.1	77.2	77.9		
Pvt. Final Cons.Exp.	% of GDP	64.5	66.0	64.5	65.4	65.3	64.6	65.0		
Govt. Final Cons.Exp.	% of GDP	10.8	10.7	11.3	12.3	12.8	12.6	12.8		
Per Capita Pvt. Final Cons.Exp.	Rupees	8252	9552	10183	11591	12641	13340	14396		
Source: CMIE, Monthly Review of Indian Economy										

The monsoon has been, and still is, the life force that drives Indian agriculture, and eventually determines what 67 per cent of the population and 54 per cent of workers earn and spend. India received a prolonged and balanced rainfall in the current fiscal year, cumulating to 102% of its long period average.

In July 2003 growth in real GDP of 6.5% in 2003-04 was predicted, based on expectation of a 9.7% growth in agricultural crops and a 7.5% growth in value addition. The prediction was also based on an expectation that the recovery in the agricultural sector would have only a small bearing on the industrial sector's growth, predicting a mere 5% growth in the value added in the industrial sector. The services sector was expected to grow by 7%.

GROSS DOMESTIC PRODUCT ON SECTORAL SHARE					
	Gross Domestic Product (GDP)		Sectoral Share in GDP		
	At Factor Cost	At Market Prices	Agriculture & Allied	Industry	Services
	Rs. Crores		% of total GDP		
At Current Prices					
1950-51	9,547	9934	55.8	15.2	29.0
1960-61	16,220	17,167	45.8	20.7	33.5
1970-71	42,222	45,677	45.2	21.9	32.9
1980-81	130,176	143,762	38.1	25.9	36.0
1990-91	510,954	568,674	31.0	29.3	39.7
1991-92	589,086	568,674	31.0	29.3	39.7
1993-94	781,345	859,220	33.5	23.7	42.8
1994-95	917,058	1,012,770	32.9	24.6	42.5
1995-96	1,073,271	1,118,012	30.6	25.8	43.6
1996-97	1,243,546	1,368,208	31.4	25.2	43.4
1997-98	1,390,042	1,522,441	30.2	24.8	44.9
1998-99	1,616,033	1,758,276	30.6	23.9	45.5
1999-00	1,786,459	1,956,997	29.2	23.9	46.8
Source: Statistical Outline of India, 2001-2002, Tata Services Limited.					

The Index of Industrial Production (IIP) grew by 5.2% in August 2003, compared with a growth of 6.2% in August 2002. On a cumulative basis, the IIP expanded by 5.6% in the first five months of the fiscal year compared with 5.2% in April-August 2002-03. The 5.6% growth for the IIP was lower than last year when it was 6.5% over the same period, due to a lower growth recorded in mining and quarrying production. The manufacturing sector expanded by 6% in August 2003 as against 6.5% in the same month last year.

Index of Industrial Production – Growth Rates (%)									
Base: 1993-94=100	Weight	1996- 97	1997- 98	1998- 99	1999- 00	2000- 01	2001- 02	2002- 03	April- Jul 2003- 04*
All Industries	100.00	6.1	6.7	4.1	6.7	5.0	2.7	5.7	5.6
Mining and Quarrying	10.47	-1.9	6.9	-0.8	1.0	3.7	1.2	5.7	4.6
Manu- facturing	79.36	7.3	6.7	4.4	7.1	5.3	2.9	6.0	6.0
Electricity	10.17	4.0	6.6	6.5	7.3	4.0	3.1	3.2	2.6
* Quick Estimates					Source: Central Statistical Organization				

FOREIGN EXCHANGE

The country's foreign currency reserves in September 2003 stood at Rs. 3910bn (US \$85 bn). The rupee was up over 6% in early 2003 and is expected to hit 45 by end of November 2003. The Rupee hit a 38 month peak of 45.25 against the US Dollar on October 8, spurred by robust inflows from FII's and exporters and persisting weaknesses in the greenback in overseas markets. Last time the rupee hit the high of 45.12 against the dollar was in August 2000. The year to date rupee value against the US Dollar is 46.6; it touched 45.5 for the Month of August 2003.

<u>EXCHANGE RATE</u>	Rs./Dollar	Dep (-)/App. Over a Year ago.
May 2003	47.01	3.45
Jun 2003	46.63	4.79
Jul 2003	46.15	5.45
Aug 2003	45.87	5.71
Apr-Aug 02	48.64	-3.55
Apr-Aug 03	46.54	4.51

INFLATION

Inflation, measured by changes in the Wholesale Price Index (WPI), was lower at 3.9% in August 2003 compared to 4.6% in the previous month. All three broad groups of commodities had a lower inflation rate during the month. Price inflation in primary articles was 3% as against 4.7% in July. Fuel group and manufactured product prices went up by 4.1% and 4.2% respectively during this month. During April-August 2003, however,

average inflation was significantly higher than 5.3%, as compared to with 2.4% inflation recorded in the corresponding period of 2002.

COST OF LIVING INDICES	Latest Month	2001-03	2001-02	2000-01	1999-00	1998-99
Industrial Workers (1982=100)	499.0 ⁸	4.1	5.2	2.5	4.8	8.9
Urban Non-Manual Employee (1984-85=100)	402.0 ⁸	3.8	5.6	5.0	9.0	7.2
Agricultural Labor (1986-87=100) Link Factor 5.89)	331.0 ⁸	4.9	3.0	-2.0	3.4	8.8

Source: EPW Research Foundation

A deceleration of the price level has been a notable feature of the economy since the second half of 2001-02. As per the wholesale price index, the inflation rate declined from 5.5% in 2000-01 to 1.4% in 2001-02, the lowest rate in the past two decades. This has been brought about by subdued prices of manufactured products and moderate rises in prices of fuel, power, light, etc.

LABOUR/INDUSTRIAL SNAPSHOT (January – May 2003)

During January- July 2003, 341 Industrial Disputes resulted in Work Stoppages in which 1,055,865 workers were involved and 12,948,405 mandays were lost. During the same period, 71 disputes involving 59,308 workers and 4,755,059 lost mandays, took place. Output per worker in industry rose from Rs. 7.78 lakh in 1996-97 to Rs. 11.88 in 2001-02.

Number of Work Days Lost on Account of Work Stoppages (Jan-July, 2003)				
Month	Industrial Disputes		Non-Industrial disputes	
	2002 (P)	2003 (P)	2002(P)	2003 (P)
January	2,003,992	7,990,913	719,733	1,025,983
February	1,443,312	1,418,330	703,640	909,880
March	1,623,770	1,416,369	729,067	1,035,676
April	1,907,380	1,483,756	746,050	1,235,930
May	1,780,398	507,927	846,879	414,678
June	1,591,203	131,110	855,126	132,912
July	1,580,879	-	955,791	-
Total	11,930,934	12,948,405	5,556,286	4,775,059

(P) Provisional, - = Nil, 2002 figures are not strictly comparable with those for 2003 in view of incomplete coverage.

Labour productivity in Gujarat nearly doubled. Karnataka, Rajasthan, Uttar Pradesh and West Bengal exhibited improvement in terms of net value added per worker. Overall,

performance has been varied, with Gujarat, Haryana, and Uttar Pradesh showing improvement and most of the other regions showing no distinct trend since the mid-nineties.

INDUSTRIAL DISPUTES									
Sector/Sphere-Wise Number of Disputes, Workers Involved, Mandays Lost due to Industrial Disputes During Jan-July 2003 (Provisional)									
SPHERE/ITEM	PUBLIC SECTOR			PRIVATE SECTOR			TOTAL		
	Disputes	Workers Involved	Mandays Lost	Disputes	Workers Involved	Mandays	Disputes	Workers Involved	Mandays Lost
Central Sphere									
Strikes	54	289110	284403	10	11315	13812	64	300425	298215
Lockouts	2	624785	6231232	-	-	-	2	624785	6231232
Strikes & Lockouts	56	913895	6515635	10	11315	13812	66	925210	6529447
									State/Sphere
Strikes	5	1080	12607	77	33952	594440	82	35032	607047
Lockouts	-	-	-	193	95623	5811911	193	95623	5811911
Strikes	5	1080	12607	270	129575	6406351	275	130655	6418958
Total	61	914975	6528242	280	140890	6420163	341	1055865	12948405
Source; Indian Labour Journal; Shimla Bureau of records.									

POVERTY & EMPLOYMENT

Poverty has declined in the combined poverty ratio from 54.9% in 1973-74 to 36.0% in 1993-94 and a further 10 percentage points in the period after 1993-94 to reach 26.1% in 1999-00. While the proportion of poor in the rural areas declined from 56.4% in 1973-74 to 27.1% in 1999-00, the decline in urban areas has been from 49% to 23.6% during this period. In absolute terms, the number of poor declined to 260 million in 1999-00, with 75% in rural areas.

Wide inter-state disparities are visible in the poverty ratios between rural and urban areas, as is also the case with the rates of decline of poverty. Among Major States, Orissa, Bihar, West Bengal and Tamil Nadu had more than 50% of their population below the poverty rate. Orissa and Bihar continue to be the two poorest states, with poverty rates of 47% and 43% respectively. In 1999-2000, 20 States and Union Territories had poverty rates which were less than the national average.

ESTIMATED INCIDENCE OF POVERTY IN INDIA						
Year	Poverty ratio (%)			Number of Poor (Million)		
	Rural	Urban	Combined	Rural	Urban	Combined
1973-74	56.4	49.0	54.9	261.3	60.0	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
1999-00	27.1	23.6	26.1	193.2	67.1	260.3
2007*	21.1	15.1	19.3	170.5	49.6	220.1
<ul style="list-style-type: none"> • Poverty projection for 2007 • Source; Tenth Five Year Plan Vol 1, Planning Commission 						

No official poverty estimates are available beyond 1999-2000, the year of the 55th round of the National Sample Survey (NSS). The work force participation rate (WFPR) - which is the number of persons employed per 1,000 persons - for rural (urban) males according to 'usual status' went up from 522 (513) in the 55th round (July 1999 - June 2000) to 532 (525) in the 56th round when only "principal status" is considered, and from 531 (518) to 544 (531) when principal plus subsidiary status (all) are taken into account. The corresponding increase for rural (urban) males according to the current weekly status is from 510 (509) to 525 (519). However, there is a decline in WFPR for rural (urban) females from 231 (117) in the 55th round (July 1999- June 2000) to 221 (116) in the 56th round, when only principal status is considered. When principal plus subsidiary status are both taken into account, female WFPR, between the two rounds, shows a decline from 299 to 287 in rural areas, but a marginal increase from 139 to 140 in urban areas. According to the current weekly status, WFPR for females declined from 253 to 217 in rural areas and from 128 to 117 in urban areas.

WFPR for rural males (usual status-all) in the age group of 15-59 years was 87 percent in the 55th and 56th rounds. For rural females, WFPR declined from 48 percent in the 55th round to 46 percent in the 56th round. For urban males, WFPR during this period increased from 78 percent to 79 percent. However, for urban females, WFPR was about 21 percent in both rounds. During the period 1998 to 2001, for the age group 15-59 years, the WFPR has tended to increase for three categories, namely, rural males, urban males, and urban females. In urban areas, the increase was larger for females than for males.

In rural India, according to the 'usual status', about 69 percent of the male workers and 82 percent of the female workers are engaged in agricultural activities. In urban India, about 58 percent of the male workers and about 48 percent of the female workers are engaged in tertiary sector activities. Between the 55th round and the 56th round, the all-India average for monthly per-capita consumption expenditure went up from Rs. 486.16 to Rs. 494.90 for rural areas, and from Rs. 854.92 to Rs. 914.57 for urban areas.

As per Census 2001, the number of Total workers was 402.51 million, consisting of 313.17 million Main Workers and 89.34 million marginal workers whereas in Census 1991, the corresponding numbers were 314.13 million, 285.93 million & 28.20 million respectively, giving an annual growth of 2.51 percent (total), 0.91 percent main (main) and 12.22 percent (marginal).

EMPLOYMENT OVERVIEW (CENSUS OF INDIA 2001)						
	Male/Female	Total Population	Total Workers	Main Workers	Marginal Workers	Non-Workers
Total	Person	1,025,252,059	402,512,190	313,173,394	89,338,796	622,738,869
	Males	530,422,415	275,463,736	240,520,672	34,943,064	254,958,679
	Females	494,828,644	127,048,454	72,652,722	54,395,732	367,780,190
Rural	Person	740,255,371	310,655,339	229,672,348	80,982,991	429,600,032
	Males	380,438,194	199,199,602	169,333,233	29,866,369	181,238,592
	Females	359,817,177	111,455,737	60,339,115	51,116,622	248,361,440
Urban	Person	284,995,688	91,856,851	83,501,046	8,355,805	193,138,837
	Males	149,984,221	76,264,134	71,187,439	5,076,695	73,720,087
	Females	135,011,467	15,592,717	12,313,607	3,279,110	119,418,750

SOURCE: Census of India 2001

WOMEN IN THE WORKFORCE

A majority of women workers in India are employed in the rural areas, primarily as cultivators and contract laborers. In the urban areas a majority of women workers are employed in the unorganized sector, in household industries, petty trades and services, building and construction, etc. The employment of women in the organized sector (both public and private) totals about 4.9 million, constituting about 17.8 percent of the total organized sector employment, which registered an increase of 0.5 percent over the previous year.

Female work participation rate (FWPR) exhibited a moderate rise in the 2001 census reaching 25.6%, up from 22.3% in 1991. In 2001, the gender gap in work participation ranged between 41-48% across various Indian states. The community, social and personnel sectors employed 55.6% of women workers, followed by manufacturing (20.7%) and agriculture and allied occupations (10.9%) and finance, insurance, real estate and business at 4.7%.

The National Sample Survey further shows that during 1999-2000, the self employed accounted for 55% of male employment and 57% of female employment. About 36% of employed males and 40% of employed women were casual laborers. Only 9% of the employed men and 3% of employed women were regular employees. In urban areas in 1999-2000, the share of regular employees was 42% for men and 33% for women. Share of casual labor rose by five percentage points after showing a decrease between 1983 and 1993-94.

UNEMPLOYMENT RATES; 1993-94 AND 1999-2000 (PER THOUSAND)				
Panel A: Dimensions of Unemployment				
	Rural Males	Rural Women	Urban Males	Urban Females
1993-94	56	56	67	105
1999-2000	72	68	72	98
Panel B: Usual Status Unemployment rates for the Educated				
Segment	High Secondary and Above		Graduate and Above	
	1993-94	1999-2000	1993-94	1999-2000
Rural Males	89	69	134	107
Rural Women	243	204	323	351
Urban Males	69	66	64	66
Urban Women	207	163	203	163

Source: National Sample Survey (2000)

ORGANISED SECTOR EMPLOYMENT

Organized-sector employment has experienced some growth in the private sector, which, in the current state of buoyancy of the industrial sector, should further accelerate if some of the rigidities in the labour laws are removed. The Industrial Disputes Act, 1947, Contract Labour Act, 1970, and Payment of Wages Act, 1936, are some of the legislative instruments that the government is considering for amendment. Simultaneously, the government is also proposing to bring forth comprehensive legislation for the welfare of workers in the unorganised sector. Under the Minimum Wages Act, in January 2002, wages were raised for workers of mining and construction sectors in respect of scheduled employment in the central sphere.

Organized sector employment as on March 2001 was 27.8 million out of which public sector employment stood at 19.1 million and private sector at 8.7 million.

Organized Sector and Total Employment Patterns						
Sector	Employment (Million)				Growth Rate (Percent Annum)	
	1983	1988	1994	1999-00	1983-94	1994-2000
Total Population	718.21	790.00	895.05	1004.10	2.12	1.93
Total Labour Force	308.64	333.49	381.94	406.05	2.05	1.03
Total Employment	302.75	324.29	374.45	397.00	2.04	0.98
Org.Sector Employment	24.01	25.71	27.37	28.11	1.20	0.53
Public Sector	16.46	18.32	19.44	19.41	1.52	-0.03
Private Sector	7.55	7.39	7.93	8.70	0.45	1.87

The service sector, which grew in the 1980s, experienced a quantum leap in the 1990s, increasing much faster than the agricultural and industrial sectors. As a result, the service sector's importance to the Indian economy increased many times.

In 1970-71, the agricultural sector's contribution to the GDP stood at 44.5 percent, while that of services sector was 32 percent. In the decades that followed, the importance of the agricultural sector gradually declined, while the importance of the service sector increased. In 1984-85 the share of the service sector in GDP rose to 37 percent compared to 36 percent for the agricultural sector. By 1998-99, the service sector had grown to 46 percent of GDP, while the agricultural sector had shrunk to 27 percent.

The industrial sector (27.8 percent) also grew in importance compared to the agricultural sector (26.7 percent), overtaking the agricultural sector in 1997-98 as the second largest contributor to GDP after the service sector.

The rising importance of the service sector provided a basis for higher growth. The service sector's growth provided stability to the higher trajectory of growth in the 1990s, overcoming fluctuating agricultural performance.

The declining share provided by the agricultural sector, however, did not affect the pervasive influence of this sector over the Indian economy. The growth of GDP has largely been determined by the trend in agricultural production. Agriculture not only accounts for a

significant share of GDP, but also determines trends in the general economy through the inputs it takes from other sectors (e.g., the chemicals farmers purchase from industry). Agricultural hiring and wages set the pace for employment and incomes in other sectors. Agriculture has been subject to wide year-to-year fluctuation due to weather.