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Employment, Labour Force and the Working Population in India 2000-2019[1]

This paper maintains that while the employment situation in India as a whole is arguably improving for those in employment, the employment prospects for the working age population as a whole are progressively getting worse. In order to show this, we examine interlinked changes in employment, labour force and the working age population. These shifts reveal the overall dynamic of change taking place in the world of work in India.

First, we find that the employment structure is altering as the share of regular employment rises over time and that of non-regular employment falls. There is also a convergence in earnings. These internal changes in the employment structure are based on declines in both the better parts of employment at the top and worse parts of employment at the bottom.

Second, the composition of the labour force of which employment is one part and unemployment another is altering, as the share of the unemployed in the labour force (the unemployment rate) sharply rises and that of employment falls. This change gets sharper after 2012. Rising unemployment, we show, is also linked to declines **in the better parts of employment structure** in a specific way.

Third, the composition of the working age population is changing, as the share of the labour force in it falls relative to the out of labour force group. This falling labour force share in working age population is in part directly linked to declines in the **worse parts of the employment structure.**

As underemployment declines within employment, workers who cannot be absorbed in paid economic activities increase - either as the unemployed in the labour force; or as working age adults out of the labour force. Given the shifts in the composition of employment, and its effects on the labour force and the working age population, one can say that a new polarisation is taking place between those who can be absorbed in the labour market and those who cannot.

In this paper, there is no discussion of output growth[2]. The reason is that growth figures on official estimates have not changed drastically over the years. The numbers from 2000-2012 on our calculations suggest a 7.29% annual GDP growth rate[3]. From 2012 to 2018, it was only slightly lower at 7.09%[4]. The main issue is that official changes in series estimates and important real economy events like GST and demonetisation in 2016 may have affected economic growth in a manner not captured in the official numbers[5]. The post-2012 (and, more precisely, post-2016) slowdown in growth view is more consistent with the findings of this paper. However, the general view that is taken here is one of a mediated relationship between growth and employment structure in large labour surplus developing economies and indeed in India. Growth directly affects employment in terms of earnings of workers; the effects on the employment structure are more mediated, nuanced, and long term[6].

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1 This research brief was authored by Nomaan Majid, Senior Employment Specialist, ILO Decent Work Technical Support Team for South Asia. Abhishek Kumar provided research assistance. A K Ghose, S Dasgupta, C Ram Reddy and Radhika Kapoor discussed some points in the brief. Thanks are due to ILO DWT Director Dagmar Walter for her support for this work.

2 See, Structural Change and Employment in India, 2019 https://www.ilo.org/emppolicy/projects/sida/18-19/WCMS_735166/lang--en/index.htm

3 GDP at Factor Cost (2004-05 prices) billion.

4 GDP at Constant (2011-12 prices) billion.

5 The latter affected the unorganised economy most, where the majority of workers are employed. The data for this sector is collected once in five years. Between surveys, like the present period, it is projected on past assumptions.

6 See Tables 1, 2, 3. Estimates of the absolute numbers are by the authors. The employment data in the paper is NSS data for 2000, 2005, 2010, 2012 and PLFS data for 2018 and 2019 on UPSS basis. Correction factors need to be applied to data for generating absolute population adjusted numbers. India has not released a population Census since 2011. The Government of India National Commission on Population brought out POPULATION PROJECTIONS FOR INDIA AND STATES 2011 – 2036, REPORT OF THE TECHNICAL GROUP ON POPULATION PROJECTIONS in November 2019. This allows researchers to make new correction factors. Where absolute numbers are reported these are based on new correction factors developed by us.. Percentages also change marginally compared to those based on sample estimates.

The First Shift: Inside the Employment Structure

Our classification of the employment structure is straightforward. It has four employment types. These categories of employment are exclusive and thus additive, and together constitute total employment. Estimates are based on the labour force surveys (NSS and PLFS) on a UPSS count. Tables 1 to 3 below give the main characteristics of employment types in the employment structure. The categories are defined in the discussion below.

The emerging picture of the employment structure is one in which regular employment of both the protected and unprotected variety are increasing in numbers and shares. The self-employed are relatively stable in shares and casual workers decline in both numbers and shares. The hierarchy of the four categories of employment in terms of earnings remain the same. The decline in earnings is clearest for the regular protected employment group. We examine below each category of workers individually.

Casual Workers

The casual workers' category is an addition of two casual workers' groups: a minority, which is working in the public programmes[7], and the majority that is working in the larger economy. These are the worst off workers in the employment structure, as they do not have any guarantee of work on a regular basis. This group has declined in terms of shares over the years 2000-2019. It has fallen in numbers since 2010. One can say, on this basis, that the most adverse type of employment shrinks in the employment structure[8]. The rise in earnings if

▶ Table 1. Employment UPSS in Millions

	2000	2005	2010	2012	2018	2019
Regular Protected	29.52	29.88	33.76	35.60	44.38	47.53
Regular Unprotected	28.50	39.26	42.08	52.11	65.37	68.41
Self-Employed	202.23	251.57	226.96	240.50	231.01	237.75
Casual Workers	127.03	126.50	147.76	136.30	109.36	109.43
Total	**387.27**	**447.20**	**450.56**	**464.51**	**450.12**	**463.11**

▶ Table 2. Employment Shares UPSS

UPSS percentages	2000	2005	2010	2012	2018	2019
Regular Protected	7.62%	6.68%	7.49%	7.66%	9.86%	10.26%
Regular Unprotected	7.36%	8.78%	9.34%	11.22%	14.52%	14.77%
Self-Employed	52.22%	56.25%	50.37%	51.78%	51.32%	51.34%
Casual Workers	32.80%	28.29%	32.79%	29.34%	24.30%	23.63%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

▶ Table 3. Weekly Earnings for Employment Types 2019 Prices

	2000	2005	2010	2012	2018	2019
Regular Protected	4490	5221	6462	7081	5980	5907
Regular Unprotected	1657	1459	2006	2161	2147	2123
Self-Employed	..	..		..	1814	1911
Casual Workers	582	604	889	1095	1246	1277

7 There is a classification problem about casual labour employment in public programmes as these programmes are considered a part of the organised economy. This does not affect our discussion.

8 The male share of casual workers is also rising; this is because of the dramatic fall in casual labour use agriculture, where it is easier for women to work. There is also a marginal shift of casual workers towards urban areas over time; however, casual labour is still dominantly a rural phenomenon (81% of casual workers are rural in 2019). The education profile of casual labour is also quite dramatic, as there is a huge decline in illiterate workers. It was over 60% of casual workers in 2000, which has declined to 37% in 2019. In general, shares of all categories above primary level have risen. Therefore, these are more skilled, educated, and still generally rural workers.

we take this to be representative suggests that the real incomes on the worst off workers in the employment structure have been downwardly rigid. From an employment perspective, an increase in earnings is a positive sign, and the decline in the worst employment form is a positive finding.

The fall in casual labour numbers and shares has a sectoral story behind it. Table 4 below shows the share of casual labour amongst all the employed inside a sector. It shows, for example, that in 2000, 40.91% of all employment in agriculture was casual; in 2019, it was down to 24.6%. It shows declines in casual labour use in each sector except construction and the greatest decline in the share for agriculture. The "total "is the share of casual workers in total employment in the whole economy, which we have seen has declined from 33% to 24%.

Table 5 shows the distribution of casual labour across sectors in the economy. This too shows that agriculture's share of casual labour dominated the economy and the construction sector was a distant second in 2000. By 2019, they each claimed 42% of total casual labour in use.

If we take an overview of the shifts in casual workers' use in the economy, the major decline is agriculture, and the rise is especially in construction. The illustration below with absolute numbers makes this clear.

The absorption of casual workers in construction slows down by 2012, and this takes place when we find overall casual labour declines become manifest. The overall decline in casual labour is because construction cannot absorb what is coming out of agriculture after 2012. The rise in earnings of casual workers is partly due to increasing reservation levels usually reflected in the worst employment forms. It is also the case that education among casual labourers is rising, and both expectations and higher reservation levels are reflected in earnings increases.

Table 4. Casual Workers as a % of Total Employment within the Sector

	2000	2005	2010	2012	2018	2019
Agriculture	40.91%	34.80%	39.20%	34.02%	25.55%	24.60%
Mining and Quarrying	58.40%	55.57%	50.96%	56.61%	40.05%	36.68%
Manufacturing	18.03%	16.96%	18.70%	15.96%	15.72%	13.10%
Electricity, Gas and Water Supply	6.86%	4.96%	7.99%	5.86%	5.19%	3.83%
Construction	76.41%	77.67%	83.89%	84.32%	82.95%	83.08%
Trade, Hotel and Restaurants	8.35%	5.84%	6.09%	5.97%	5.02%	4.66%
Transport, Storage and Communication	19.97%	15.66%	18.12%	13.89%	11.62%	12.66%
Finance, Business, Real Estate	3.70%	3.20%	2.71%	3.06%	2.58%	1.52%
Public Ad, Health, Education	10.30%	6.23%	6.96%	5.28%	3.77%	3.88%
Total	**32.80%**	**28.29%**	**32.79%**	**29.34%**	**24.30%**	**23.63%**

Table 5. Casual Workers Distribution Across Sectors

	2000	2005	2010	2012	2018	2019
Agriculture	74.78%	69.11%	60.95%	54.75%	43.80%	42.20%
Mining and Quarrying	1.01%	1.15%	1.00%	1.06%	0.68%	0.66%
Manufacturing	5.95%	7.29%	6.57%	7.12%	8.39%	7.05%
Electricity, Gas and Water Supply	0.06%	0.05%	0.07%	0.09%	0.13%	0.09%
Construction	10.46%	15.85%	24.75%	30.51%	39.68%	42.45%
Trade, Hotel and Restaurants	2.64%	2.25%	2.12%	2.45%	2.70%	2.68%
Transport, Storage and Comm.	2.29%	2.27%	2.94%	2.32%	2.25%	2.48%
Finance, Business, Real Estate	0.14%	0.20%	0.19%	0.30%	0.45%	0.27%
Public Ad, Health, Education	2.66%	1.83%	1.82%	1.55%	1.55%	1.72%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Figure 1. Casual Labour in Construction and Agriculture

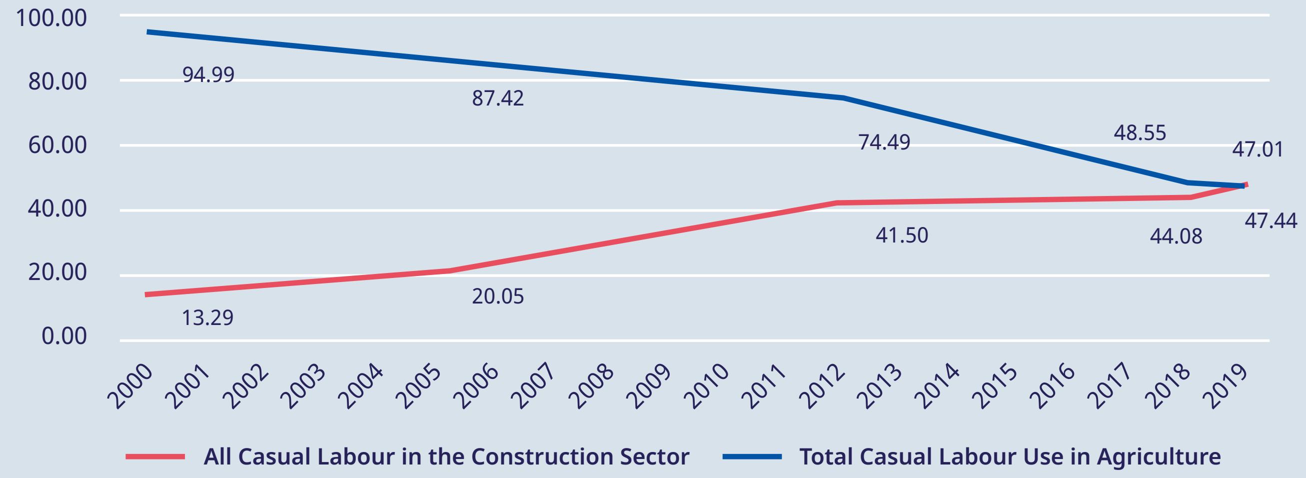
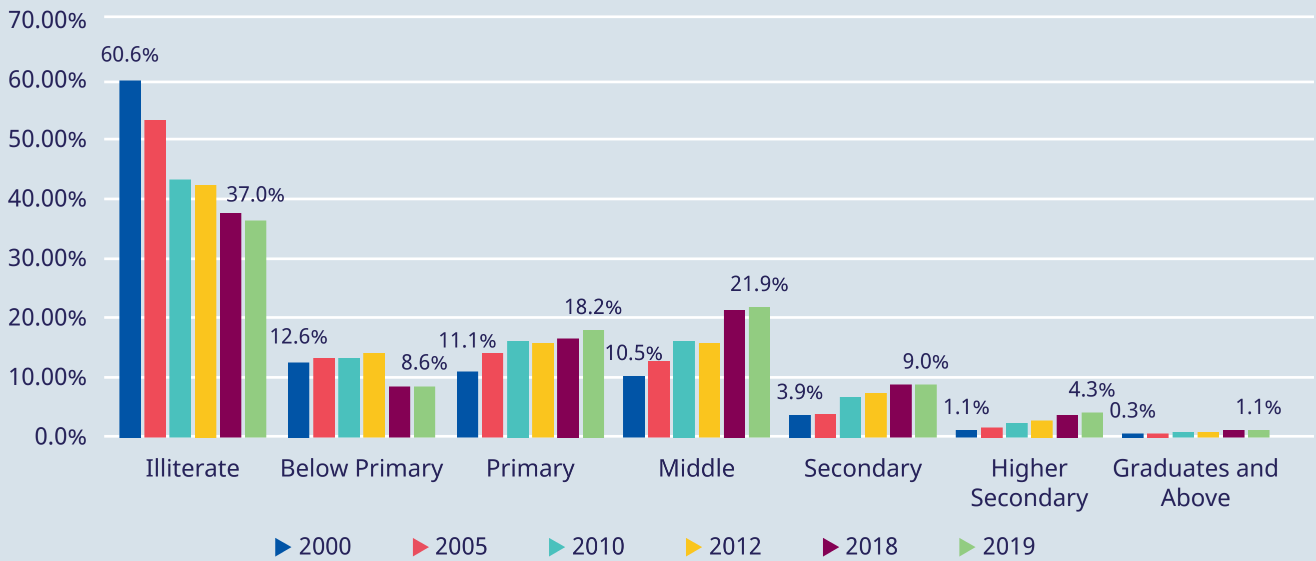


Figure 2. Casual Worker Education Attainment Trends



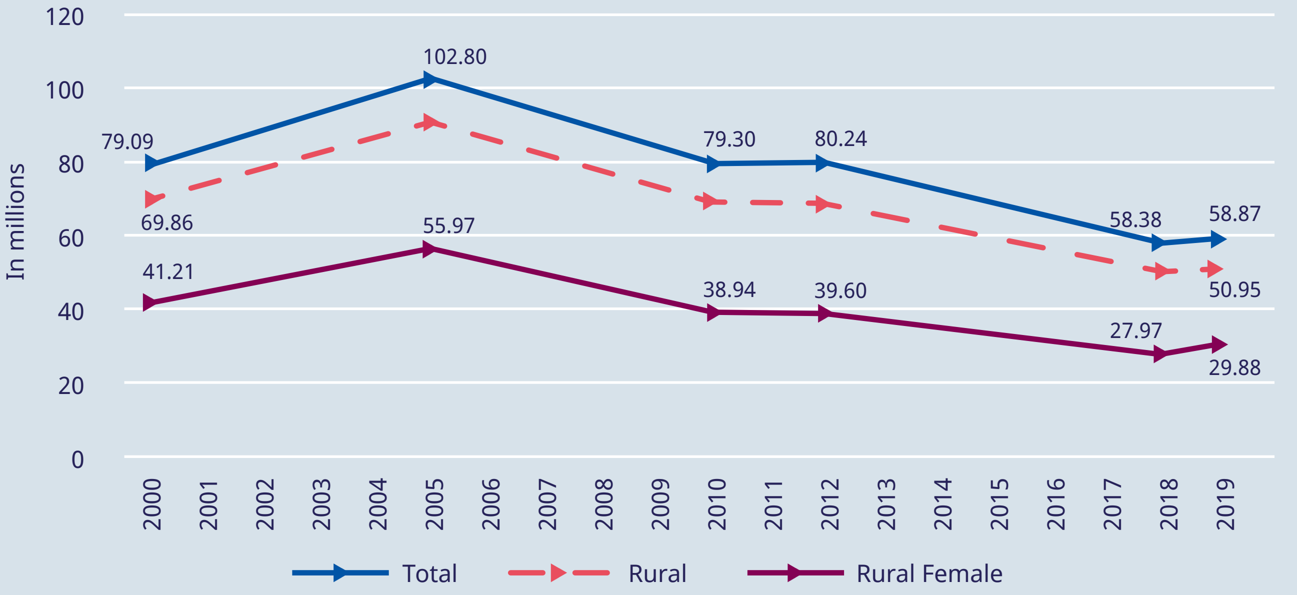
The Self-Employed

The self-employed are the largest group of workers in the economy. The self-employed have always been around half the employed in terms of shares. Their headcounts fluctuate but rise on trend. Earnings estimates only exist for two years 2018 and 2019 for this category. If the trends on consumption were anything to make an inference on earnings then self-employed earnings would also be increasing or not declining during 2000-2012 and 2018-2019, although we cannot say much about 2012-2018[9].

Trends in the sectoral composition of the self-employed show that agriculture still has most self-employment although its share is declining (66.2% in 2000 to 58.3% in 2019). This is obvious because of a high degree of owner self-cultivation in the agrarian structure. Manufacturing, on the other hand, has kept a remarkably stable share in self-employed (10.3% in 2000 to 10.6% in 2019). It rose very gradually till 2012 and then slowly declined. Trade hotels and restaurants saw a marginal increase (14.7% in 2000 to 17.9% in 2019). The most significant part of the self-employment story is that it remains reasonably intact

9 The questions on consumption changed between 2012 and 2018. There is a decline in consumption around the 2016-demonetisation period but the drop reflected from the NSS PLFS survey data is for data reasons. Consumption surveys that could have shed light on this matter are postponed. To be clear, we did expect a decline in consumption around 2016, as demonetisation affected the economy and specially the informal economy adversely, but the drop in consumption from 2012 to 2018 in the NSS PLFS data is due to discontinuities between NSS 2012 and PLFS 2018.

Figure 3. Unpaid Family Helpers (millions)



in terms of shares across sectors and agriculture still dominates it. There is no dramatic shift.

There is a special feature of self-employment that needs to be noted. Unpaid family workers have been a significant part of the self-employed. These have been declining[10]. In terms of shares of the self-employed, unpaid family helpers were 39.1% in 2000 and 24.7% in 2019. Large parts of unpaid family helpers are rural women. It is quite likely that some of these persons are getting out of the labour force altogether.

Regular Unprotected Employment (RUE)

This group is essentially one that persons in self-employment and especially casual work may aspire to. The employment form has regularity of income. It does not have the kinds of social protections and securities that a fuller employment contract has, but it has the distinction that the person working as part of this group does not face the precarity of earnings and uncertainty associated with self-employment or casual labour. This group has clearly increased in numbers from 28.5 million in 2000 to 68.4 million in 2019. It has also increased its shares in total employment from 7.4% in 2000 to 14.7% in 2019, and its earnings have been stable for the last decade.

However, its sectoral changes as in self-employment have been unremarkable and the sectors in which these workers are employed remain more or less the same during 2000-2019. Manufacturing (23.7% in 2019), trade and hospitality (21.3% in 2019) and government jobs (28.5% in 2019) dominate RUE employment. RUE is mainly in services and some in manufacturing.

The fact that casual labour has declined, its earnings risen and RUE has risen in incidence without reduction in earnings, means that the gap in earnings between the two has declined. This suggests that some shifts from casual labour to RUE may have come about.

Table 6. Ratio of Average Weekly Earnings of Selected Employment Types

	2000	2005	2010	2012	2018	2019
E-RUE/Casual Labour	2.84	2.41	2.25	1.97	1.72	1.66

Regular Protected Employment (RPE)

This is the best form of employment. This group has increased its numbers from 29.5 in 2000 to 47.5 million in 2019. It has increased its shares in total employment from 7.6% in 2000 to 10.3% in 2019. On this reading, there is a clear improvement.

However, unlike the relatively stable earnings in RUE, the earnings of this group rise till 2012 and then suddenly fall. This is not something that has received attention. The explanation of the RPE fall in earnings concerns the classification of RPE itself as this is based on a minimum definition. There are better and worse contracts within RPE and it is their distribution within RPE that is changing over time.

10 The decline in unpaid workers/helpers within the household enterprise suggests that even small enterprises run by the self-employed rely more on hiring workers.

The standard minimum definition of protection and regularity characterising RPE, captures regularly paid wage employment that has some (any) form of protection and social security associated with it[11]. Both dimensions of regularity and protection are based on minimum levels. Regularity entails regularity in monthly paid salary, and is not a contract period guarantee. Protection is any single form of security amongst the securities listed in the survey questionnaires. Clearly, within regular protected employment, there can be a greater degree of contractually guaranteed regularity and deeper protection than what the minimum definition offers.

There are many indicators of protection. The membership of a general Provident Fund or inclusion in a pension's system, which constitutes one important type of security. On the other end, there are workers who enjoy the maximum number of securities - Provident Fund/ pension, gratuity, healthcare and maternity benefits.

Workers who enjoy all protections (PF/pensions, gratuity, healthcare and maternity benefits) were 60.5% of all regular protected employment in 2005 and this share fell to 44.1 % in 2019. Those that only qualified for Provident Fund/pension only increased slowly from 20.3% in 2005 to 26.9% in 2019. So while a majority of the RPE group was in the best sub-group with pension, gratuity and healthcare in 2005, less than half of it was so protected in 2019. Protection dimensions are weakening in the best type of employment over time.

▶ Table 7. Shares of Contract Types with All Securities as a % of RPE (Regular Employment with At Least One Security)

	NSS 2005	NSS 2012	PLFS 2018	PLFS 2019
Contracts with PF/ Pension, Gratuity, Healthcare and Maternity Benefits	60.49	54.69	42.67	44.11

There can be greater or lesser regularity in a RPE arrangement as well. The first critical category from the perspective of regularity is the sub-set in RPE that reports *no written job contract.* What should be clear is that the category *no written contract,* and thus no set duration in a contract undercuts the very idea of regularity, which is a part of the regular protected employment definition that is normally used. The sub-set of *no written contract workers* in regular protected jobs is likely to include workers who do not have any contract; or who are on job specific tasks for the enterprise without a written contract; or workers who are third party contract workers[12]. Workers in the category of no written contract increased from 25.6% of regular protected workers in 2004-05 to 44.2% in 2018-19[13]. This is an appreciable increase in shares. On the other hand, the mainstay of the regularity dimension in a regular protected contract has been a contract of more than three years. It was around 70.7% of all contracts in the group in 2005, and this came down to 43.6 % in 2019. In other words, contract shares with long tenures have plummeted and the shares of workers who do not have written contracts are on a sharp rise.

▶ Table 8. Shares of Contract Types as a % of RPE (Regular Employment with At Least One Security) – Contract Duration.

	NSS 2005	NSS 2012	PLFS 2018	PLFS 2019
No Written Job Contract	25.59	33.30	45.10	44.23
Written Job Contract: More Than Three Years	70.69	60.33	45.16	43.61

While the incidence of the RPE category has increased on a minimum definition, a closer examination of its protection and regularity dimensions shows that there is a process of internal weakening underway. First, the share of contracts with the maximum number of securities, whose increase would make for stronger protection, is declining. Second, the share of contracts with long-term tenures of more than three years are declining fast; and third, the *no written contract* category is rising very rapidly.

As the RPE contract worsens internally, we also find that the RPE group is getting increasingly educated, and therefore must expect improvements as opposed to deterioration in contracts.

This quality implosion within RPE and increased education levels in part explain the increase in the unemployed that we shall discuss in the next section. It is plausible to argue that as RPE contracts deteriorate, earnings on average fall as well. More critically, it must be noted that the expectations of the unemployed on ***prospective employment*** are for jobs on the better end of the RPE spectrum. Since there are fewer jobs on this better

11 See Majid (2019), Tables 21 and 22. https://www.ilo.org/emppolicy/projects/sida/18-19/WCMS_735166/lang--en/index.htm
See also Majid (2020), Is the Employment Situation in India Improving?: On Regular Protected Employment in India. (forthcoming Economic and Political Weekly, 2021).

12 For details, see Majid (2020).

13 In the case of third party contract workers, the liability for protection can legally shift to the contractor and not be with the real employer, for the period of employment, which remains unspecified.

Table 9. Education Levels of RPE

	Regular Protected	Regular Protected	Regular Protected	Regular Protected	Regular Protected	Regular Protected
Education Level	2000	2005	2010	2012	2018	2019
Illiterate	7.20%	4.16%	2.67%	2.83%	2.21%	2.26%
Below Primary	4.67%	3.54%	1.74%	2.11%	0.87%	1.27%
Primary	6.57%	5.95%	4.21%	3.25%	2.93%	3.22%
Middle	11.71%	11.24%	9.25%	7.52%	9.96%	10.38%
Secondary	21.44%	15.45%	14.34%	13.01%	11.48%	10.85%
Higher Secondary	14.96%	22.28%	19.95%	21.00%	19.95%	19.94%
Graduates and Above	33.45%	37.39%	47.86%	50.28%	52.59%	52.07%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

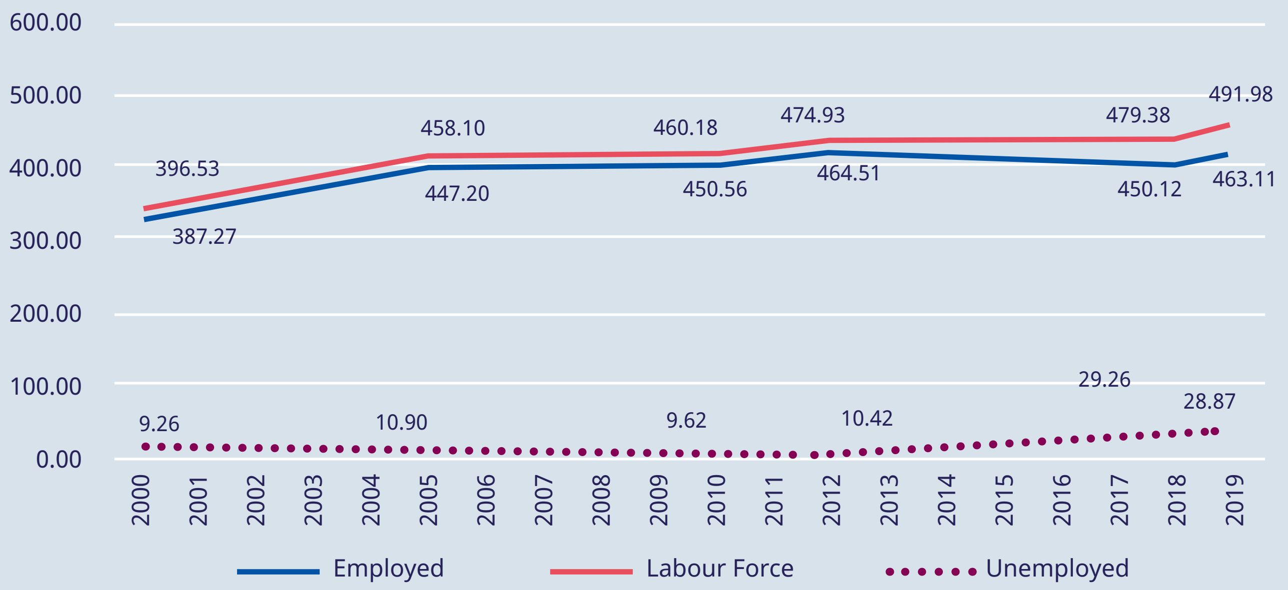
end, unemployment indicates a sharp rise. Both these phenomena, the internal deterioration of the RPE contract, fall in average earnings and the rise of the unemployed occur after 2012. We discuss the unemployed in more detail in the next section.

The Second Shift: Inside the Labour Force

Within the labour force, we have two groups, the employed and the unemployed. The number and share of unemployed workers is increasing within the labour force. In Figures 4 and 5, we can identify a shift within the labour force as the gap between the labour force and employment rises over time, altering shares of the employed and the unemployed in the labour force.

The employed are growing slower than the unemployed in the labour force[14]. This mainly happens in the second sub-period 2012- 2019, when unemployment levels and rates suddenly shoot up. The shift in the composition of the labour force also points to the emergence of a labour absorption problem within the labour force. It is quite clear that the growth of the employed is far slower than the unemployed in the labour force.

Figure 4. Shifts in the Composition of Labour Force



14 The share of unemployed in the labour force is the unemployment rate. The share of the employed in the labour force is not the employment rate. The employment rate is the share of employment in the working age population,.i.e the employment to population ratio. We address this issue at the end of the paper.

Figure 5. Labour Force Shares: Employed and Unemployed

Table 10. Growth (CAGR) Labour Force, Employed and Unemployed

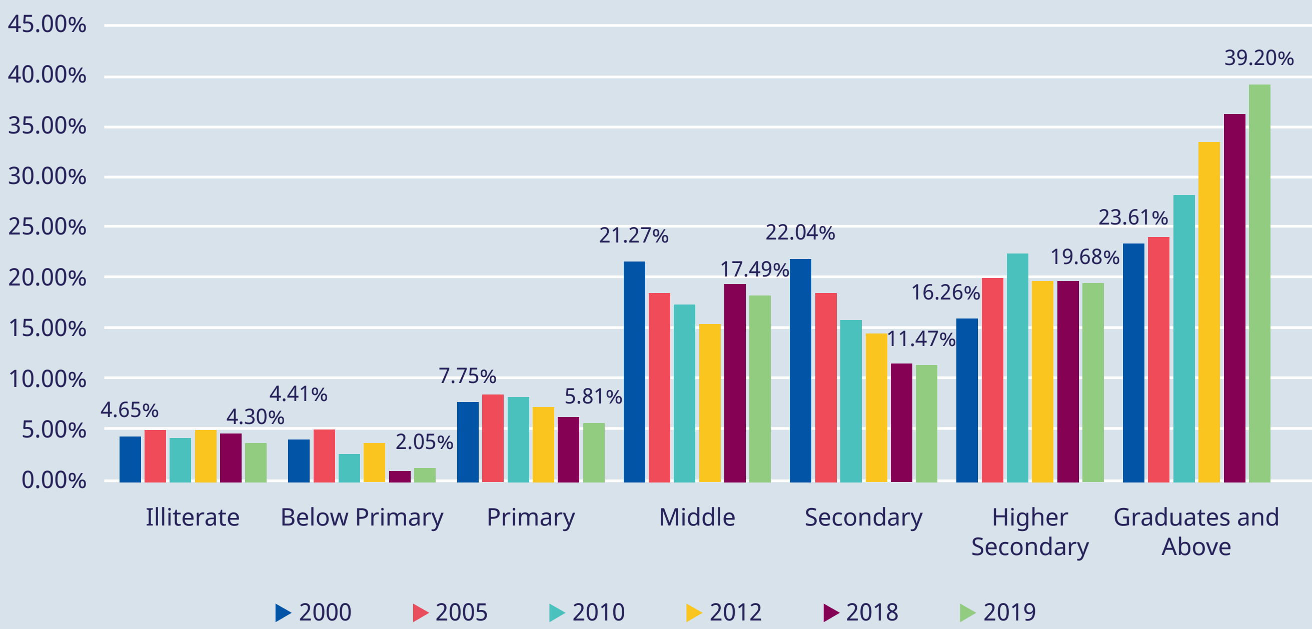
	2000-2019	2000-2012	2012-2019
Employed	0.95	1.53	-0.04
Unemployed	6.17	0.98	15.68
Labour Force	1.14	1.51	0.51

Two important features of the unemployed are their age cohort and education. The majority of unemployed are young and most of the educated have the highest share of unemployment.

Table 11. Unemployed in Youth Cohorts as a % All Unemployed (Both Sexes)

	15-24	15-29
2000	66.4	88.8
2005	64.4	84.3
2010	68.6	90.5
2012	65.7	87.6
2018	59.5	84.6
2019	57.9	83.3

Figure 6. Unemployments Share by Education Level



This also validates the observation made earlier regarding the falling earnings in RPE and internal quality implosion in RPE on the one hand, and rising incidence of unemployment and unemployment rates, on the other.

The Third Shift: Inside the Working Age Population

We have looked at changes in the employment structure, and suggested that an internal improvement in the employment structure took place during 2000-2019. Widening the perspective to the labour force, which adds the unemployed to employment. It is quite clear that unemployment shares are also rising in the labour force. Widening the perspective further, we come to the working age population. The working age population (15 plus) is the population that is potentially available for work. The labour force, which comprises all those who offer themselves for work is a subset of the working age population. The other part is the group that is *out of the labour force.* Figure 5 shows estimates of the working age population without students and its two components for the 2000-2019 period in millions.

We have chosen to exclude students in the working age population because in developing economies the incidence of higher education rises over time, and this is the case in India as well. Normally some decline is expected in participation in economies as incomes rise and educational enrolment increases. Thus, there is a natural tendency for the *out of labour force* group to increase over time on this count. By excluding students, we get a better picture.

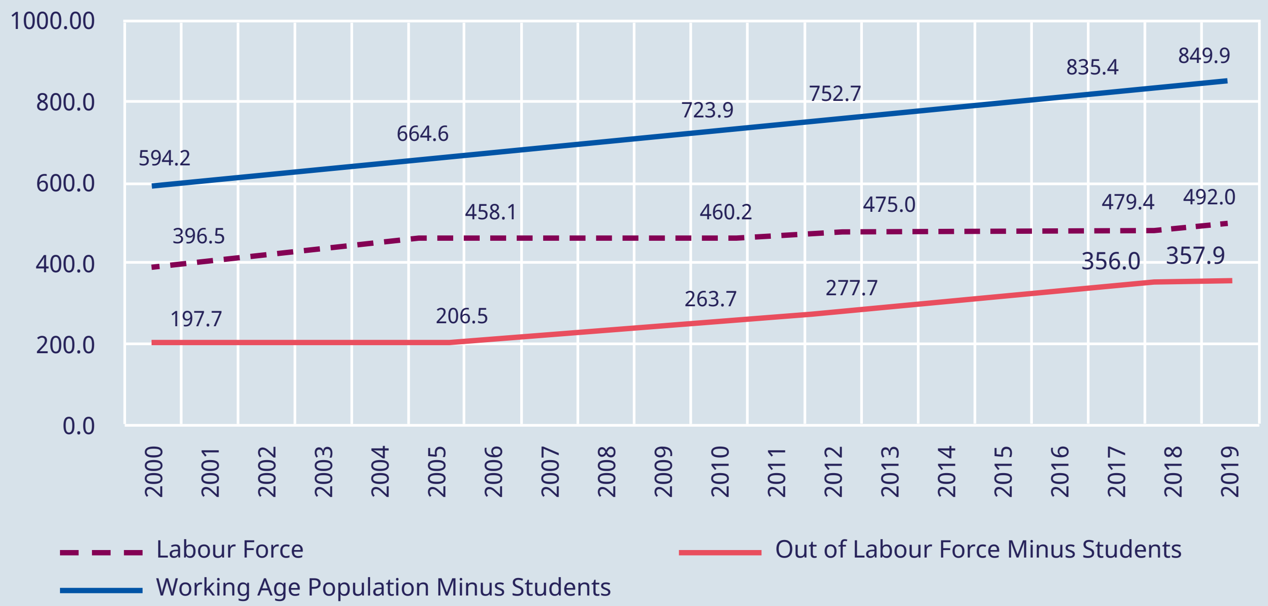
As the working age population rises, we find that the out of labour force component rises faster than the labour force[15]. What these trends show is that persons of working age are *increasingly not seeking work.* The rate of growth of persons out of the labour force is higher than the rate of growth of the labour force. This is also a longer run trend and importantly independent of the educational enrolment factor.

▶ Table 12. Growth (CAGR)

	2000-2019	2000-2012	2012-2019
Labour Force	1.14	1.51	0.51
Out of Labour Force – Students	3.17	2.87	3.69
Working Age Population - Students	1.90	1.99	1.75

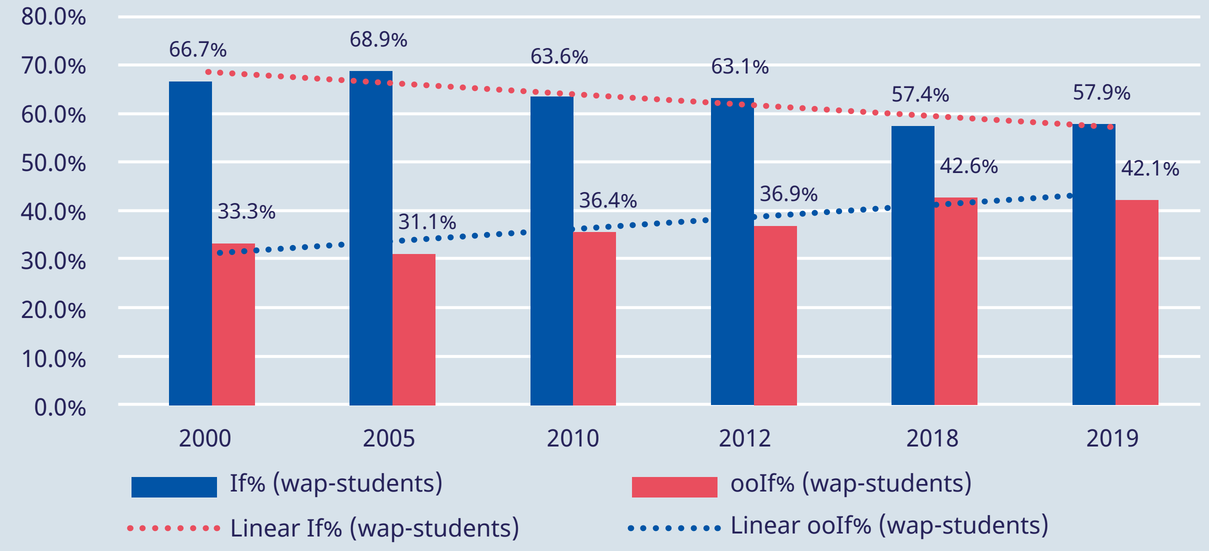
Figure 8 shows that abstracting from enrolment; there is a decline in the labour force as a percentage of (non-student) working age population. There is also a rise in the indicator for those out of the labour force. Figure 8A

▶ Figure 7. Shifts in the Composition of 15 Plus Adult Population- Labour Force and Out of Labour Force (millions)

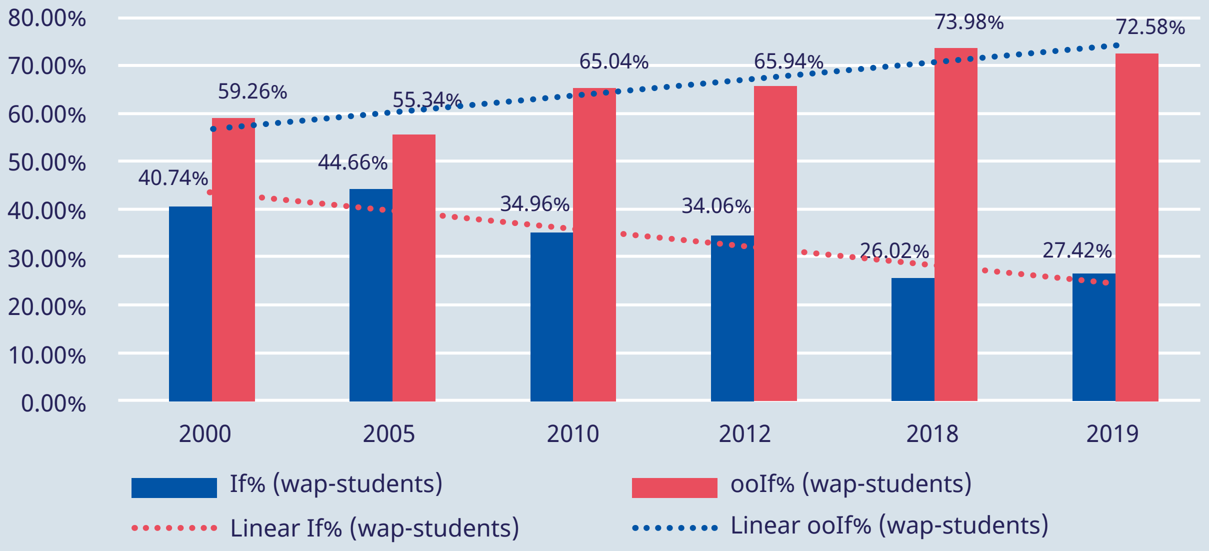


15 It should be obvious that the labour force, as a share of working age population, is the participation rate. We have excluded students, so the denominator changes. For our purposes, this is appropriate.

▶ **Figure 8. Workers in Labour Force and Out of Labour Force as a % of 15 Plus Working Age Populaion Minus Students**



▶ **Figure 8A. Workers In and Out of Labour Force Groups as a % of 15 Plus Population Minus Students: Female**



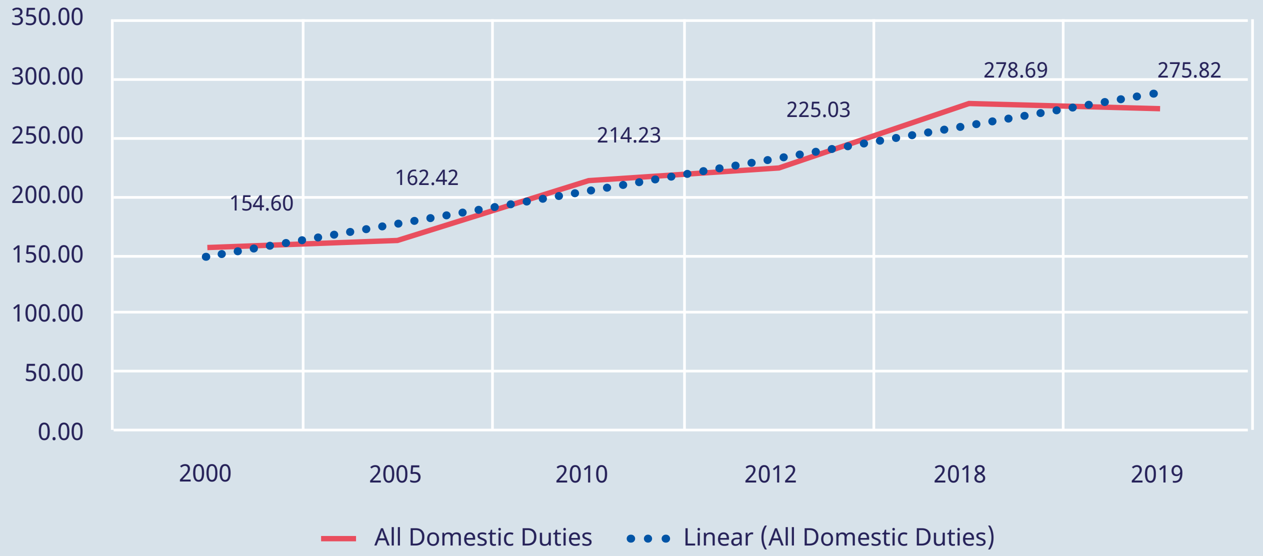
shows the same for women, the trends are the same but for women the out of labour force component is far higher than the in labour force component.

Given demographic changes and the increases in enrolment, we can say that the growth process in India has been such that the shares of persons in the 15 plus working age population **in** the labour force declines and the shares of those **out** of the labour force (adjusted for students) increases. There is a gender and space dimension to this out of labour force group. More than 60% of this group is rural and close to 90% is female.

▶ **Table 13. Spatial and Gender Shares of Out Labour Force Group (Minus Students)**

	Rural	Urban	Male	Female
2000	64.43%	35.57%	11.98%	88.02%
2005	61.23%	38.77%	11.93%	88.07%
2010	61.98%	38.02%	11.00%	89.00%
2012	61.93%	38.07%	10.79%	89.21%
2018	63.91%	36.09%	13.27%	86.73%
2019	62.86%	37.14%	13.99%	86.01%

Figure 9. Domestic Actvities for Households Amongst Those Outside the Labour Force (millions)



The expansion of the out of labour force part of the working age population is manifested in the composition of persons who are out of the labour force and involved in work activities for their homes and families.

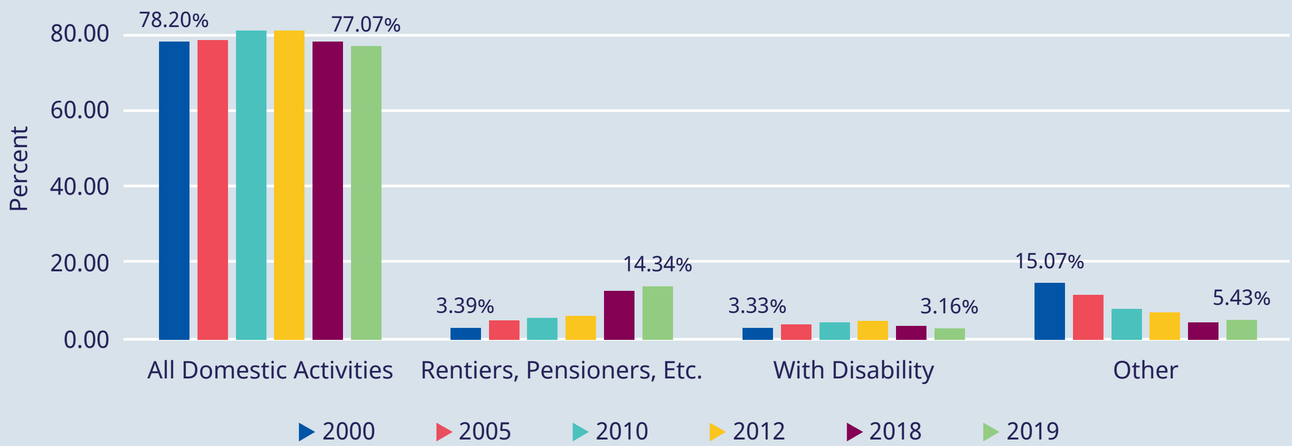
Within the out of labour force group, the sub-group doing domestic activities for their households shows a sharp increase in numbers. This sub- group is the majority group in the (non-student) 15+ out of labour force population. Workers attending to domestic duties for their own households (as opposed to domestic workers) and rentiers dominate the out of labour force group. The majority share is of the former. Figures 9 and 10 are practically for women as the total number of persons doing domestic duties is overwhelmingly women.

Table 14. All Domestic Duties in Millions

	Male	Female	Total
2000	1.32	153.28	154.60
2005	1.55	160.87	162.42
2010	2.24	211.99	214.23
2012	1.83	223.20	225.03
2018	4.31	274.38	278.69
2019	4.13	271.69	275.82

This is the larger economy wide manifestation of a labour absorption problem. Increasingly the labour market in India - represented by the labour force - is unable to

Figure 10. Composition of 15 + UPSS Non-Student Out of Labour Force (Percentage Shares)



accommodate the country's growing working population within it. More than 86% of adult persons who are out of the labour force are women, and more than 60% are rural. The share of domestic activities work for own households is around 77% in the out of labour force group. Women perform nearly all this work.

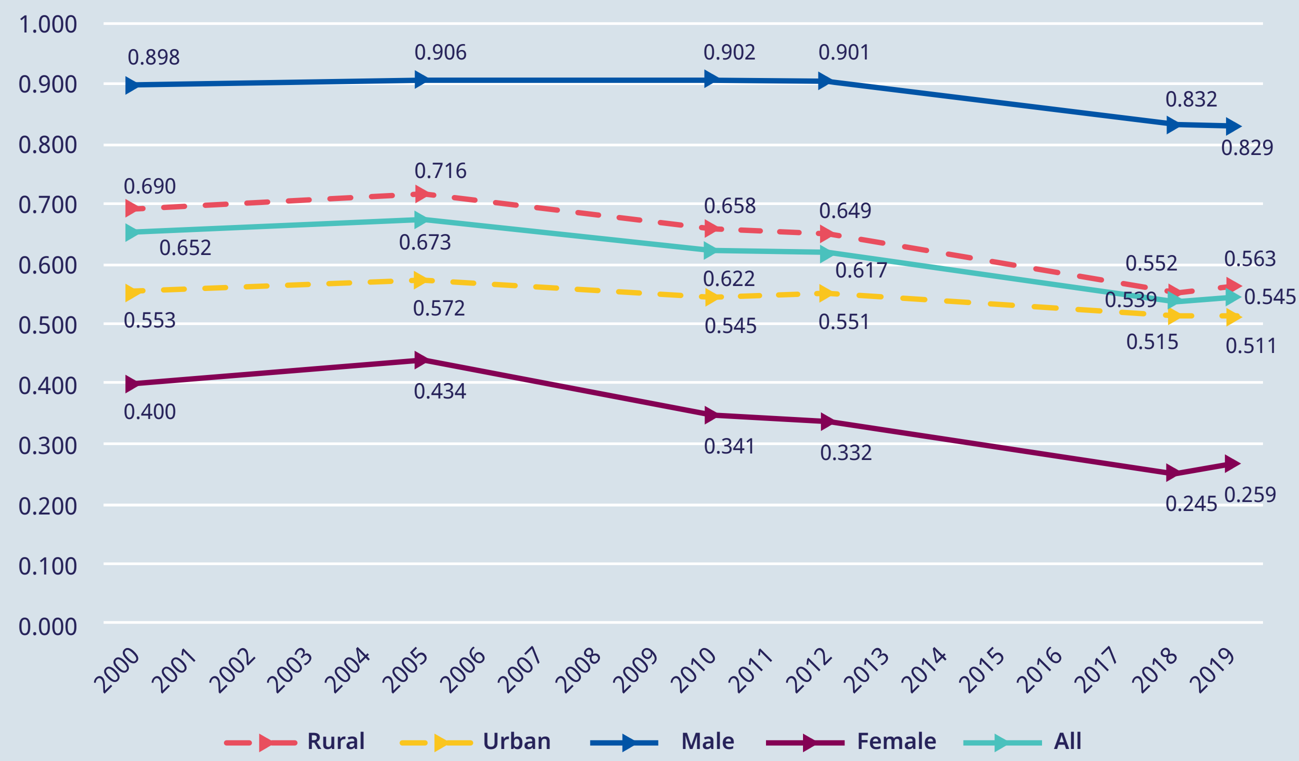
The data suggests that the out of labour force group may well overtake the labour force itself in the next few years. There seems to be a problem of labour absorption that is increasingly coming to the fore at this level of aggregation. During 2000-2019, growth in the out of labour force group was far higher than the labour force growth. While this remains true in both sub-periods of 2000-2012 and 2012-2019, the gap between the two increases in the second period.

Conclusions

The labour process that we described above is one that links employment to the working age population through a chain of what we identified as three shifts. A summary indicator of this process is the share of employed persons in the working age population - the employment rate. With growth, development and increased prosperity there will be some decline in this rate, which is partly due to enhanced education enrolment trends in developing economies. There will be some reduction due to average incomes increasing as well. Thus in a developing country context one needs to look at this ratio with its denominator adjusted for (net of) educational enrolment.

When we examine the adjusted employment rate (with its denominator excluding students), a complementary picture to our analysis emerges. It is noteworthy that there is a clear difference between the 2000-2012 and 2012-2019 period. Employment rates for women have been declining on trend since 2005, and that is not recent. Employment rates in rural India are also declining on trend since 2005 and this too is not a new phenomenon. However, this still meant a gradual trend decline in overall employment rates from 2000 to 2012. The overall trend decline was gradual because unlike rural and female trends, the (majority) male employment rates were stable from 2000 to 2012, and urban employment rates (in the context of increasing urban shares of employment) fluctuated in a narrow band. This pattern changed in the second period from 2012 to 2018 as urban employment rates declined and critically male employment rates plummeted[16].

Figure 11. Employment as a Share of Working Age Population (without Students)



16 There is some small shift towards improvement in all 2019 figures, and it is not very clear what to make of it.

We identified the three shifts that are taking place with respect to labour in the Indian economy. It is worth revisiting these in conclusion. The first shift was **within the employed.** The growth of the regularly employed was higher than the non-regularly employed. It is in the protected part of regular employment and the casual part of non-regular employment that changes were taking place. Here we see a homogenisation process underway in paid employment. The earnings gap between RPE and RUE rises till 2012 and then declines. Similarly, the earnings gap between RUE and casual workers declines.

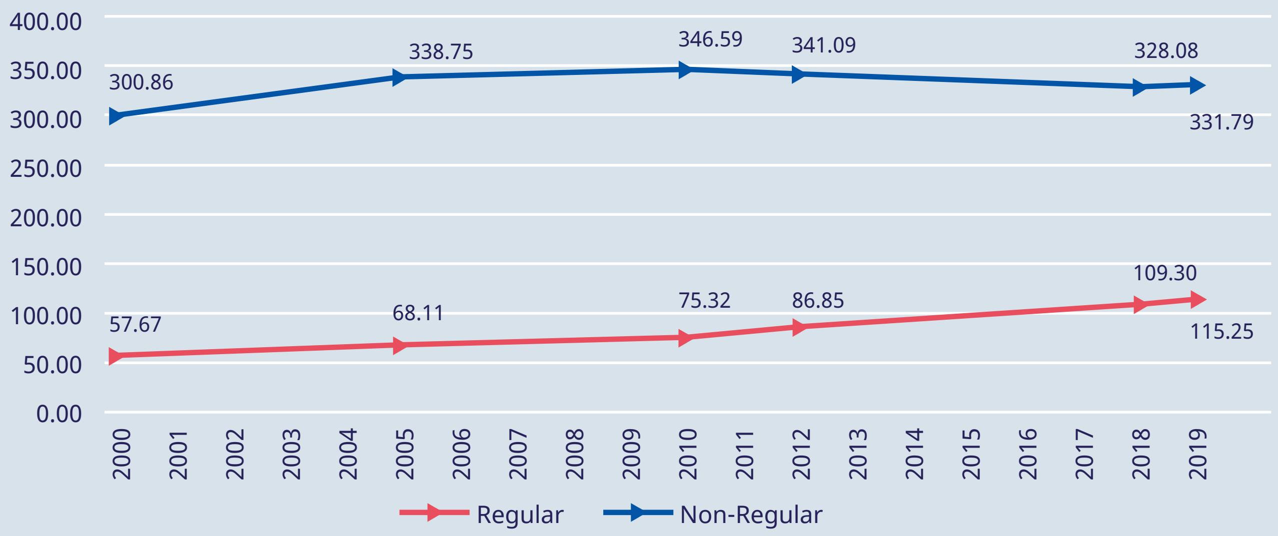
The second shift we identified occurs **inside the labour force across its two components.** A sharp increase in unemployed has meant a rising share of unemployed in the labour force and a falling share of the employed. The growth of employment has slowed down (it is progressively becoming slower than the labour force growth) and there is a pronounced jump in the unemployed headcount after 2012. It is quite clear that while the employment structure is arguably showing some internal signs of improvement or homogenisation, the growth of the employed on average is slower than the growth of unemployed during the full 2000-2019 period. However, this was clearly not the case in the first sub-period 2000-2012, and is starkly the case in the second sub-period 2012-2019.

Thirdly, at the level of the working age population, we find that a movement is taking place between those who are **in the labour force and those who are out of it,** in favour of the latter. There is a clear rising trend of headcounts and shares of the out of labour force group in the working age population. The direction of this shift is independent of increased educational enrolment. The out of labour force group has within it a majority of persons doing their own household-related activities. This group is overwhelmingly female. During 2000-2019, growth in the out of labour force group is far higher than the labour force growth. This remains true in both sub-periods (2000-2012 and 2012-2019). In fact, the gap between the two increases in the second sub-period.

We defined the two relatively worse employment types (self-employed and casual workers) as the non-regularly employed and the two good or better employment types (RUE and RPE) as the regularly employed. The non-regular employed can be taken as proxy for the headcount of low productivity worker groups that on average carry more poverty, more informality and more underemployment. Casual workers are at the bottom of this group. The share of these (majority) workers within the employed is falling, and in absolute numbers, they also start to decline from 2010 onwards. It is in fact in this specific sense that one can form a view that the employment structure is improving. It is quite clear that the fall in shares of non-regular employment also significantly takes place between 2012-2019. With reservations[17], one can also say that casual labour earnings are rising and those of the self-employed have been stable.

Regular employment, as stated above, has two components as well: regular protected (RPE) and unprotected (RUE).

Figure 12. Regular and Non-Regular Employment in India



17 This is a relatively grey area. The earnings for the self-employed is not calculable for 2000-2012. Per capita household consumption, which can be calculated, has risen for both casual and self-employed between 2000-2012 and 2012-2019, but for technical reasons, there is a break in questions between 2012 and 2018. The earnings for casual labour while representative for the week of survey are not generalisable to all weeks in the year. Taken together the two groups with relatively better employment show an increase in shares, an increase in absolute numbers however, their earnings show a decline. RUE earnings are stable and RPE earnings decline. Furthermore, we see an effective deterioration in contracts within RPE, which explains in part both its earnings decline and rise of the unemployed.

Regular employment is relatively better employment than non-regular employment as can be seen from the earnings hierarchy. RPE has rights and securities associated with it and RUE does not. RPE is clearly better than RUE. Both RPE and RUE increased in shares and numbers in the period, but a deterioration in the composition of contractual arrangements within RPE after 2012 came about, which in part explains the fall in earnings of RPE and rise of the unemployed. The RPE group is however still better off than the RUE group so the increase in the regular employment share in total employment is an improvement.

In short, growth in regular employment has been faster than growth in non-regular employment during 2000-2019. This is true for both sub-periods. In fact, in the second sub-period 2012-2019, non-regular employment growth is negative. This suggests some improvement in the employment structure, although as we note the growth of employment was slowing down relative to the labour force.

Table 14. Growth (CAGR) in Regular and Non-Regular Employment

	2000-2019	2000-2012	2012-2019
Employed	0.95	1.53	-0.04
Regular	3.71	3.50	4.07
Non-Regular	0.28	1.13	-1.16

The earnings story is more complex. However, one can say that the gap between RUE and casual labour has declined with upward pressure from the bottom, and the gap between RPE and RUE has declined with downward pressure from the top. Ideally, if the downward pressure from the top of falling earnings was not there then the situation would definitely be even better.

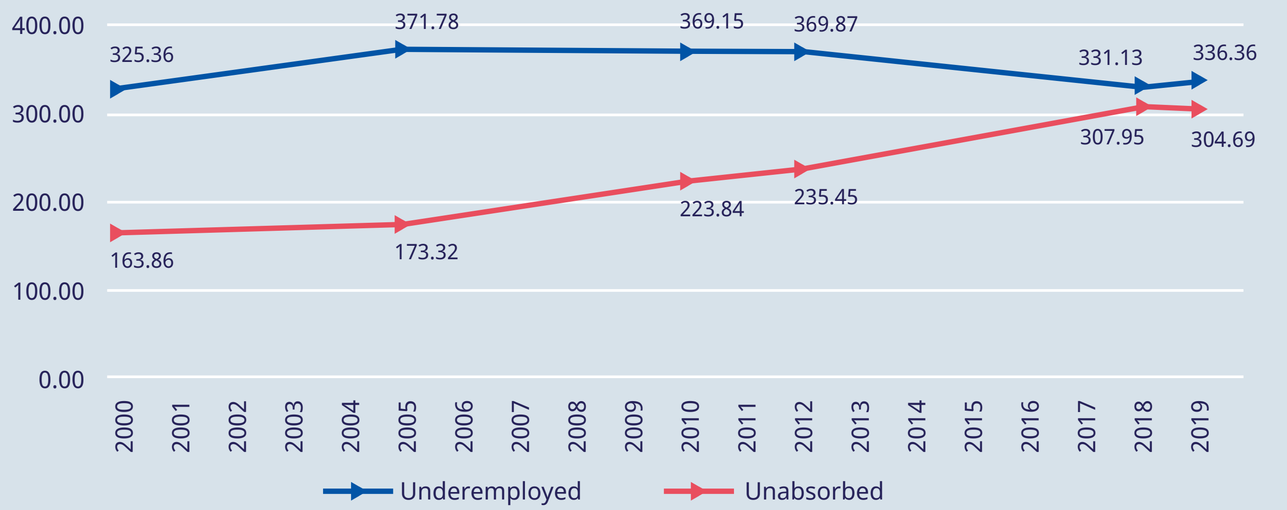
Table 15. Ratio of Average Weekly Earnings of Two Regular Employment Types

	2000	2005	2010	2012	2018	2019
E-RPE/RUE	2.71	3.57	3.22	3.27	2.78	2.78

If we define the headcount of casual workers, own account workers and unpaid family workers as those who are **underemployed workers** in employment; and the unemployed (from the labour force) and those doing domestic duties for own households (from the out of labour force group) as **unabsorbed workers** out of employment we get interesting trends.

Over time as employment growth slows down, we find there is a fall in numbers of those who are more likely to be **underemployed** within the employment structure. However, at the same time there is a rise in numbers of those who remain completely **unabsorbed** within the working age population. This convergence of lines from say 2010 or 2012 tells us that the unabsorbed are rising fast and the underemployed within employment are declining. An expunging process is taking place from the employment structure as it is increasingly carrying less underemployment. If this employment situation is not an improvement, it is also not a deterioration. However, at the same time the employment prospects for the working age population as such, are progressively getting worse as the shares of unabsorbed labour in the working age population rises. These are signs of a new polarisation process.

Figure 13. Headcounts of the Underemployed vs Unabsorbed Labour in the Indian Economy



Note : Underemployed Workers= Casual Labour (CL) + Own Account Workers (OAW) + Upaid Family Helpers (UFW). Unabsorbed Workers = Unemployed (UE) + Out of Labour Force All Domestc Duties (DD).

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