GROWTH OF EMPLOYMENT IN HARYANA

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Abstract

Structural change in output must be followed by structural change in employment providing more employment opportunities. Structural change is defined as changes in sectoral output and employment shares overtime. Quality employment opportunities must come along with economic growth, otherwise it will raise inequalities. Moreover, the share of informal sector must decline with the process of economic development. There has been jobless growth in Haryana economy because the process of structural change did not take place in the labour shares. In this backdrop, the present paper seeks to understand the process of structural change in labour shares, especially in the service sector in Haryana. Employment Diagnostic Analysis has been used. Haryana economy has followed the same path as Indian economy, where the structural change has not taken place on the employment front. Haryana's growth process remains jobless growth process. There is need to identify sectors with high demand potential and development of skills in those sectors to ensure gainful employment.

Key Words: Haryana, Employment, Labour force, Structural change

Introduction

 Employment generation is the key channel through which economic growth translates into prosperity for the population. Employment growth with rising productivity is essential to provide effective mechanism to the masses to participate in the growth process and raise their standard of living. Structural change in output must be followed by structural change in employment providing more employment opportunities. Quality employment opportunities must come along with economic growth, otherwise it will raise inequalities. Thus, productive employment generation is essential for having growth with equity and to alleviate poverty. Another important fact in the process of structural change is that the share of informal sector will decline with the process of economic development. The empirical research shows that this trend has not taken place in Indian economy and in Haryana economy despite higher growth rates of per capita income (Heintz and Pollin, 2003; ILO, 2002).There is a trend of rising insecurity among the workers. Globalization and privatization not only raised the informal sector workers but also created informal workers with in the formal sector in Haryana.

The capitalist policies projected that the rigid labour markets of developing nations are due to the protectionist policies for the poor labour, resulting in labour market imperfections like low productivity and informal employment. These policies recommended a flexible labour market for the generation of higher levels of employment. Many studies (Hallward-Driemeier and Stewwart, 2004) put forth the idea that higher employment, more values of output and value added per worker is possible with lesser job security regulations (because of a negative relation between employment generation and job security regulations). But the empirical results of such recommendations are found to be opposite. There has been jobless growth because the process of structural change did not take place in the labour shares. Moreover, the quality of employment has fallen as there has been increase in the informalisation and casualisation of labour force in Haryana. The working conditions in the informal sector and in the informal employment within formal sector are not fair and supportive to the workers. In this backdrop, the present paper seeks to understand the process of employment growth in Haryana.

The objective of the present paper is to understand the nature of employment growth in Haryana.

Methodology: Secondary data have been used for the purpose of the study mainly from 1980-81 to 2010-11. Economic and Statistical Organization, Haryana, Labour department, Haryana, NSSO employment and unemployment surveys and Census of India are the major sources of data. Statistical tools have been used to calculate growth rates, elasticity of employment and percentages etc. wherever required the data have been spliced and normalized. Employment Diagnostic Analysis (recommended by ILO) has been used to decompose the growth of per capita income from labour perspective as under:

$$\frac{GDP}{population} = \left(\frac{workingAgePopulation}{Population}\right) \times \left(\frac{labourForce}{WorkingAgePopulation}\right) \times \left(\frac{Employment}{LabourForce}\right) \times \left(\frac{GDP}{Employment}\right)$$

or

$G_t = S_t . A_t . E_t . P_t$

Where, the change in GDP per capita is the sum of the following changes:

a) Age Structure (St), which is defined as the ratio of working age population to total population in a given time period.

b) Activity Rate (At), which is the ratio of labour force to working age population.

c) Employment Rate (Et), which is defined as the ratio of employed person to total size of the labour force.

d) Labour Productivity (Pt), which is defined as per worker gross domestic product in a given time period.

The employment elasticity has been calculated by using the compound annual growth rate (CAGR).(GoI,2012; Papola et al *(*2012), Rangarajan et al (2007)).The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as percent of its growth process.   The formula of arc elasticity   is as under:

$$\Delta L \div L \div \Delta Y \div Y$$

Where L denotes employment and Y denotes GDP for the economy. The numerator refers to the percentage change in employment, while the denominator refers to the percentage change in income, which is essentially the GDP growth rate.

Analysis and Discussion

Haryana is one of the most progressive states of India. Its contribution in the India's Gross Domestic Product at constant (2011-12) prices has been estimated to be 3.6 percent (2016-17QE). Haryana economy has been experiencing the process of structural change in terms of output and employment. The share of Primary sector in GSDP fell from 48.06 percent to 16.84 percent, of secondary sector rose from 24.70 percent to28.69 percent and of service sector increased from 27.23 percent to 54.46 percent during the period 1980-81 to 2009-10.The labour shares shifted in favour of service sector but by a lesser percent share. The labour share of primary sector fell from 61.63 percent to 44.11 percent that of secondary sector rose from 15.33 percent to 19.43 percent, of service sector rose from 23.04 percent to 36.46 percent during a span of 30 years (1980-81 to 2009-10). (Table I).

Table I: Sectoral Shares of Employment and Output, Haryana

Sector	1980-81 Employment	GSDP	2009-10 Employment	GSDP
Primary sector	61.63	48.07	44.11	16.84
Secondary sector	15.33	24.70	19.43	28.69
Service sector	23.04	27.23	36.46	54.46
Total	100	100	100	100

Source: Calculated from Income and Employment data, Statistical Abstract, Haryana various years.

Table II: Decadal Growth Rate of Employment in Haryana (CAGR)

Sector	1981-1991	1991-2001	2001-2011
Primary sector	2.98	3.67	2.34
Secondary sector	2.08	5.78	4.61
Service sector	5.52	7.31	7.84

Source: calculated on the basis of Census data, Haryana.

The table II show that primary sector experienced a low growth rate of employment while the growth rate of secondary sector rose to 5 percent approx. during the decades of 90s and 2000s. The service sector experienced a continuous rise in its employment growth from 5.5 percent in 80s to 7.31 percent in the 90s and next decade.

Decomposition of Employment Growth in Haryana

Employment Diagnostic Analysis helps to identify and understand the causes behind the main constraints and challenges as well as opportunities for increasing productive employment in an inclusive and sustainable manner.

Table III: Disaggregation of Growth in Haryana (1981-2011)

Item	1981	1991	2001	2011
PerCapita GSDP(Rs.)	17727.22	25746.73	33118.2	64599.9
Age structure	0.47	0.52	0.56	0.64
LFPR	0.649946	0.645123	0.74736	0.585756
Employment rate	0.919224	0.924046	0.944471	0.9382
Productivity(Rs.)	63131.24	83058.23	83589.7	183670.8

Calculated as per 'Employment Diagnostic Analysis' proposed by ILO.

Table IV: Disaggregation of Growth during 1981-2011, Haryana

Item	1981-1991	1991-2001	2001-2011	Overall
Per capita GSDP	45.238	28.63	95.058	264.410
Age structure	10.638 (23.51)	7.942 (27.74)	14.021 (14.75)	36.170 (13.67)
LFPR	-0.741 (-1.64)	15.847 (55.35)	-21.623 (-22.74)	-9.876 (-3.73)
Employment rate	0.524 (1.16)	2.162 (7.55)	-0.664 (-0.69)	2.064 (0.7806)
Productivity(Rs.)	31.5643 (69.77)	0.639 (2.23)	119.729 (125.96)	190.934 (72.21)

Calculated as per 'Employment Diagnostic Analysis', proposed by ILO. Figures in bracketsshow the percentage share of each component in PCGSDP growth. LFPR: labour force participation rate

Table III and IV shows that during the period 1991-2001, it was LFPR which contributed maximum (55.35%) to the growth of per capita GSDP. The population growth in this decade was relatively higher, contributing more to labour market. The growth of productivity was lowest during this period (0.63). As a result, the contribution of productivity to the growth of per capita GSDP remained very low during 1991-2001.Table III and IV shows disaggregation of growth in terms of labour force. The per capita GSDP rose from 17727.22 rupees in 1981 to 64599.9 rupees in 2011. The age structure changed from 0.47 to 0.64 during the period 1981-2011. LFPR declined marginally from 0.6499 in 1981 to 0.6451 in 1991 but rose significantly to 0.74 in the year 2001. It further fell to 0.58 in the year 2011. The employment rate rose from 0.919 in 1981 to 0.93 in 2011. The labour productivity rose from 63131.24 rupees to 183670 rupees during the period1981-2011. Table V shows the growth of variables and their relative contribution in the growth. During the period 1981-1991, the growth of PCGDSP was 45.23 percent, of which 23.51 was contributed by age structure, 1.16 percent by employment rate, 69.77 by productivity and -1.64 was contributed by LFPR. During the period 1991-2001, it is found that PCGSDP rose by 28.63 percent and it was LFPR which contributed maximum (55.35%) in the PCGSDP. Age structure contributed 27.74 percent, employment rate contributed 7.55 percent and productivity by 2.23 percent. During the period 2001-2011, PCGSDP grew by 95.05 percent ,of which productivity contributed the maximum(125.96%),age structure by 14.75 percent, LFPR by (-22.75) percent ,employment rate by (-0.69) percent. It can be seen that employment rate contributed very little in the growth of PCGSDP during the overall period from 1981-2011(0.78) and it was productivity which played an important role in the growth of PCGSDP in Haryana. So the indicators relating labour contributed little. On the other hand, the contribution of employment to GDP growth is hardly 0.78 per cent. This clearly is an indicator of a mismatch between the growth of employment and growth of the productivity after the imposition of neoliberal regime in Haryana which has a bias for cost effective and capital intensive production processes. It clearly shows that this growth in per capita GDP is mainly contributed by the growth of productivity while other indicators related to employment and labour force have a very low or even a negative contribution. Haryana economy, which is being widely popularized for having a demographic dividend, has observed an increase in working population (here indicated by age structure ratio) from 47 percent in 1981 to 64 per cent in 2011 However, its contribution to overall GDP growth has declined from 23.51 per cent to 14.75 per cent only. On the other hand, the contribution of employment to GSDP growth is only 0.78 percent. Therefore, Haryana having good demographic dividend has not been able to utilize its advantage.

Conclusion

- ❖ Haryana economy has been experiencing the process of structural change in terms of output and employment. Primary sector experienced a low growth rate of employment while the growth rate of secondary sector was above 5 percent. The service sector experienced a continuous rise in its employment growth. The share of agriculture in employment was 51.29 percent in 2001 which continued to decrease showing fall by 20.34 percentage points by 2011, a time span of40 years. Labour continued to shift to non-agriculture sector.

- ❖ It clearly shows that this growth in per capita GDP is mainly contributed by the growth of productivity while other indicators related to employment and labour force have a very low or even a negative contribution.

Suggestions:

The study suggests that Haryana economy must take full advantage of its demographic advantage by generating gainful and productive employment.

1) Core sectors with larger employment potential need to be identified and required skills must be imparted to the youth entering the labour market.

2) Diversification of agriculture, reorientation of small scale industries and training youth for the fast emerging service activities is essential.

Scope for further research: Spatial pattern of employment generation needs to be studied because there is growing inter-district variation in the growth of employment in Haryana**.**

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