



## Organized Sector Employment in India: Post Reform Performance

### KEYWORDS

Employment, Organized, Growth and Average.

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**ABSTRACT** *Employment is an important feature of development and organized sector is a major provider of quality employment. Recent experience suggests that most of new employment opportunities are generated in unorganized sector. The present paper examines the growth of sector wise employment in organized sector in India during the time period 1991 to 2012. To examine the data simple percentage and linear trend has been used. It has been concluded from the study that the public sector despite a sharp decline in its importance continued to be a major contributor in employment. Trend of employment came to be negative in the public sector whereas it was turned to be positive in the private sector. So the special attention of government is needed. Employment opportunities have to grow at reasonably high rate to ensure quality employment to the increasingly large number of Indian workers.*

### Introduction and Review:

Employment has been considered a key factor of development and organized sector is a major provider of quality employment. Public sector provides conditions of good and secured employment. Recent experience suggests that most of new employment opportunities are generated in unorganized sector and will be characterized by poor conditions of work and lack of social security. Even within organized sector an increasing number of workers are being employed in a flexible manner on casual or contract basis. Dr. Dodmani Srinivas also viewed that organized Sector amounts for only 16 per cent of employment in 2009-10 and leaves 84 per cent of workers in unorganized sector with no job security.

B. N. Goldar had remarked that organized manufacturing failed to generate employment because globalization did not raise the share of the labour intensive export oriented industries in industrial output. Change in the relative price of labour and capital inputs, in favour of the latter, encouraged substitution of labour by capital. This tendency forced the manufacturing firms to bring into use labour saving technology. India is experiencing jobless growth.

In this background, the present paper examines the sector wise employment in organized sector during the post reform period i.e. 1991 to 2012. Organized sector or formal sector is defined to consist of entire public sector and private sector enterprises employing ten or more workers.

### Methodology:

The present paper attempts to analyse the secondary data relating to employment in the organized sector. Time series data of 22 observations, i.e. from the year 1991 to the year 2012, has been collected from Economic Survey of India (various issues). To examine the data simple percentages and linear trend have been used to understand the growth of sector wise employment in the organized sector of India during the period of study. The data have been divided into three time periods namely 1991-2000, 2001-07 and 2008-12.

### Results and Discussions:

#### (1) Sector wise share of Employment in the Organized Sector:

Beginning of 1991 saw initiation of economic reforms involving privatization, deregulation of domestic economic activities and liberalization of foreign trade and investment. The Public sector in India experienced a continuous decline in the employment.

**Table 1: Average Employment in the Organized Sector (Lakh Persons as on 31 March)**

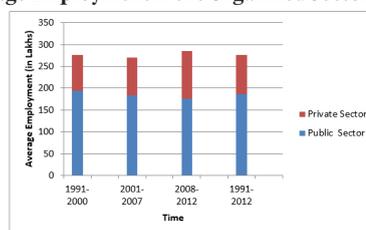
Time Period	Public Sector	Private Sector	Total
1991-2000	193.64 (70.09)*	82.65 (29.91)	276.29 (100.00)
2001-2007	184.12 (68.13)	86.12 (31.87)	270.24 (100.00)
2008-2012	176.78 (61.85)	109.06 (38.15)	285.84 (100.00)
1991-2012	186.78 (67.54)	89.76 (32.46)	276.54 (100.00)

Source: Economic Survey of India (Various Issues).

\*Figures in the parentheses are in percentage.

It has been observed from Table 1 and Figure 1 that during 1991-2012, the public sector contributed 67.54 per cent of total employment and merely 32.46 per cent of employment was shared by the private sector. Number of persons engaged in the organized sector during this time period was found to be 276.53 lakh. During 1991 to 2000, 193.64 lakh (70.09 per cent) persons were engaged in the public sector whereas this number declined to 184.12 lakh (68.13 per cent) during 2001-07 and this number further declined to 176.78 lakh (61.85 per cent) during 2008-12. Hence, contrary to the expectations, higher growth due to liberalization did not lead to higher employment in the public sector. In the private sector 82.65 lakh persons (29.91 per cent) came to be employed during 1991-2000. There was found a mild increase in the number to 86.12 lakh (31.87 per cent) during 2001-07 and this number further increased to 109.06 lakh during 2008-12. Percentage share also rose to 38.15 per cent during the same period.

**Fig 1: Average Employment in the Organized Sector**



Source: Economic Survey of India (Various Issues).

In the organized sector the employment was found to be 276.29 lakh in 1991-2000 which declined to 270.24 lakh in 2001-07 and again increased to 285.84 lakh during 2008-12. It was observed that employment in the organized sector of India remained almost constant. Otherwise, the number of persons employed in the organized sector in India had registered a decline from 1991 to 2007 and then a mild increase during 2008-2012. This decline in the

employment was mainly due to decline in the public sector employment. Although employment in the public sector again declined in the next time period (2008-2012), but there was a tremendous increase in the private sector employment. Therefore, aggregate there came to be increase in the employment in the organized sector.

Hence economic reforms had led to overall decline in the share of public sector. Decline in the public sector employment was a policy induced phenomenon due to reforms. Uma Sankaran has also similar views as she said that organized sector's jobless growth coincided with India's unprecedented integration with rest of the world through trade. The trade seems to be having negative effect on employment that is possibly due to capital-intensive nature of the composition of trade.

Increase in employment in the organized sector in recent years had been mainly due to the private sector employment. During 2008 there was a global financial crisis. Global crises adversely affected the economy but the impact in India was not as severe as was felt globally.

Above analysis also shows that, there was a decline in the share of the public sector employment. The share of private sector had increased but it found to be remained the minor contributor to employment in the organized sector. Hence higher growth due to liberalization did not lead to higher employment in the public sector. It was also observed that share of the public sector in the total employment in the organized sector remained higher (more than 60 per cent) than the share of private sector during all the three time periods and hence from 1991-2012.

## (2) Trends of Employment in the Organized Sector:

Trends of employment in the organized sector of India for the time period of 1991-2012 has been discussed in the table 2. Two indicators of economic development are Gross Domestic Product and growth in the employment. Higher growth of the economy induced by liberalization was expected to lead to a faster growth of employment. However in India, growth rate accelerated but employment growth did not increase rather it saw a deceleration.

As shown in Table 2, trend of employment in the organized sector has been registered a decline from 1.60 during 1991-2000 to -0.896 during the period 2001-07. Thus most of the retrenchments occurred during the period 2001-07. During the period 2008-12 there found a positive trend of 4.88 even during global financial crisis. Global crisis affected the Indian economy but its impact was not as severe as was felt globally. According to Gaurang Rami, India's large domestic market along with the government's fiscal measures and strong banking system, have helped to mitigate the impact of financial crisis.

Overall trend of employment in the organized sector came to be positive (0.514) for the period of study. The trend values for the total organized sector came to be significant at five per cent level for the periods 1991-2000 and 2008-2012 whereas it was found not to be significant for the period 2001-2007 though it was negative in this period.

**Table 2: Trends in the employment in the Organized Sector**

Time	Public Sector	Private Sector	Total Organized Sector
1991-2000	0.27 (1.988)*	1.33 (7.637)#	1.60 (6.457)#
2001-2007	-1.84 (-5.334)#	0.944 (1.654)	-0.896 (-1.003)
2008-2012	-0.38 (-1.229)	5.26 (42.36)#	4.88 (20.60)#
1991-2012	-1.034 (-9.563)#	1.549 (7.074)#	0.514 (2.062)

Source: *Economic Survey of India (Various Issues)*.

\*Figures in the parentheses are t-values.

#These values are significant at five per cent level of significance.

In a study made by Gupta it does appear that total employment provided by the organized sector has expanded in the period 1991-2010 but this is entirely because of growth of informal employment in the organized sector.

The table 2 also shows that there came to be a negative trend of employment (-1.034) in the public sector whereas it was positive (1.549) in the private sector for the period 1991-2012. Both values were found to be significant at five per cent level. During the time period 1991-2000, trend values for the public sector as well as for the private sector were found to be positive (0.27 and 1.33 respectively). Trend value for the public sector was not found to be significant whereas that for the private sector for the same period came to be significant. During the time period 2001-2007, trend value came to be negative for employment in the public sector (-1.84) whereas it was found to be positive in the private sector (0.944). Both values are significant at five per cent level. But during the time period 2008-2012, employment trend came to be negative (-0.38) and not significant at five percent level in the public sector. While on the other hand, in the private sector employment trend found to be positive (5.26) and highly significant during this period. It could also be seen that reversal of declining trend in the organized sector in 2008-12 was mainly due to positive and significant trend in the private sector and negative and not significant trend in the public sector. If the positive trend in the private sector continues then it can be viewed as important source of new jobs in the coming years. Above analysis also shows that due to the reforms, the private sector was increasing at a much higher rate as compared to the public sector. Rate of increase in the employment in the private sector was calculated to be 1.33 during 1991-2000, 0.944 during 2001-2007 and it came to be the highest i.e., 5.26 during 2008-12. In case of the public sector, it was found that after 2000, trend remained negative. It was again the private sector which contributed to all the employment growth. Trend for the total employment in organized sector for 1991-2012 was turned out to be 0.514 but not significant at five per cent level. Hence, overall employment in the organized sector of India though increased but not significantly. There came to be a negative and significant employment trend in public sector.

Decline in the public sector was a part of the policy to reduce the government share, reduction in overstaffing of the public enterprises and withdrawal from the commercial activities. From this perspective, it could not expect better employment performance of the organized sector in future and even not to expect the public sector to generate new jobs to any significant extent. Thus liberalization of the economy had contradictory effect on employment particularly in public sector.

## Conclusion and Suggestions:

From the above analysis it can be concluded that employment in organized sector remained stagnant during the period 1991-2012. The public sector despite a sharp decline in its importance continued to be a major contributor in employment. Trend of employment came to be negative in the public sector whereas it was turned to be positive in the private sector. So the special attention of government is needed in coming years. Employment opportunities have to grow at reasonably high rate to ensure quality employment to the increasingly large number of Indian workers. It can be expected that government of India would take further initiatives for the organized sector in which employment shrank. It will lead to improvement in quality of employment.

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