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## **UNIT 12    EMPLOYMENT AND UNEMPLOYMENT: POLICY IMPLICATIONS**

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### **12.0 OBJECTIVES**

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After reading this unit, you will be able to:

- know the various concepts used in the measurement of employment and unemployment by NSSO;
- explain the various dimensions of unemployment in India;
- examine the growth of employment in pre-reform and post-reform period;
- assess the quality of employment; and
- suggest various measures towards employment policy framework.

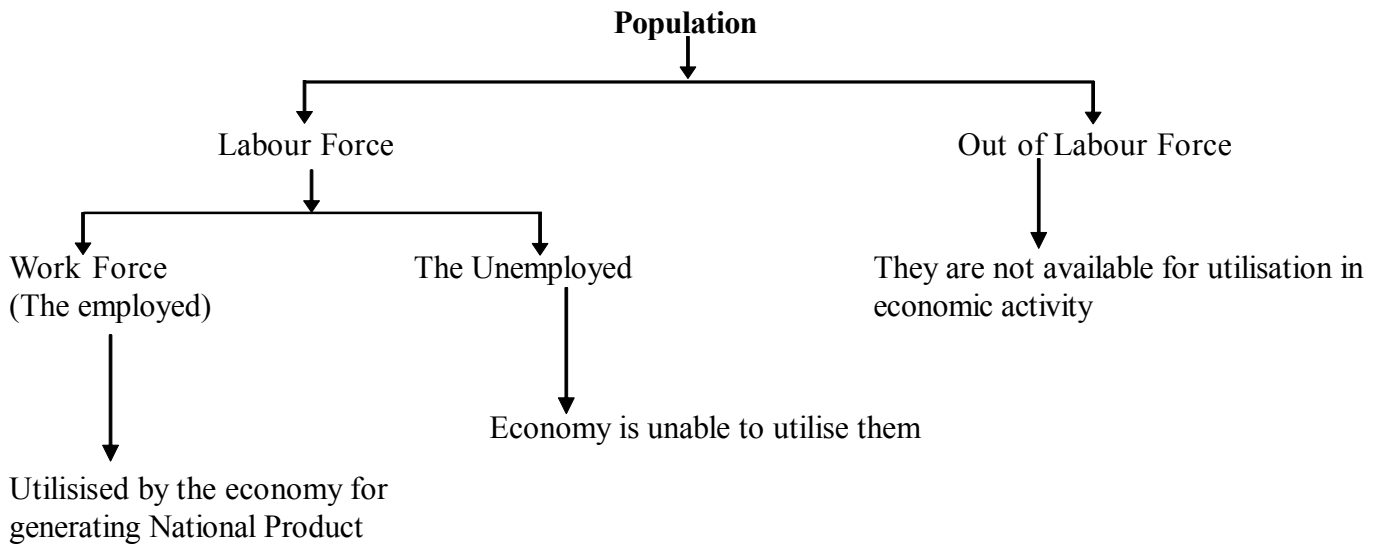
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### **12.1 INTRODUCTION**

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Engagement of a person in any economic activity is central to the concept of identifying a worker. A worker is one who participates in any economic activity. His or her human capital endowment is utilised by the society (or the economy) and in the process, he or she earns a living. All workers constitute the workforce or the employed.

Those who are not workers are called non-workers. Some among the non-workers may be seeking or looking for work or are available for work. Such persons constitute the unemployed. The workforce and the unemployment together make up the labour force. The entire population of any area, region or country is, thus, made up of three components; the workforce (the employed), the unemployed and the non-workers. The third component is also referred to, for obvious reasons, as the population which is not a part of the labour force. The first is engaged in economic activity and produces the national product, the second is available for being engaged in such activity but the economy is unable to utilise it and the third is not available for utilisation in economic activity. Schematically, workforce can be illustrated as follows:



How are the workers or the employed and the other two categories of people in a given area – a region or a country, say India – identified and enumerated? How are the workforce and the labour force measured? We shall answer these questions in the next section.

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## 12.2 ENUMERATION OF WORKERS

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Now, let us discuss about the sources of data in India on workers. In India, two main organisations which generate and compile data on workers are the National Sample Survey Organisation (NSSO) and Office of the Registrar General of Census. These two organisations generate quite a substantial data on the workers, employment and unemployment etc. on regular intervals for the entire country. Within these two sources, NSSO provides more data on employment and unemployment.

For understanding and studying the data given in National Sample Survey (NSS) Rounds, it is important to be well aware of the concepts that are used in these data collection exercises. First of all, NSSO uses the concept of ‘**Usual Principal Status**’ (UPS) as a time reference period for identifying workers. In more general terms, NSSO uses three reference periods to describe the activity status of a worker. These reference periods are – a year, a week and a day.

- The UPS identifies these reference periods of workers’ activity status. More generally NSSO adopts a year as a reference period to identify the UPS status of workers. Taking a year as a reference period, NSSO identifies people as employed, unemployed or out of labour force. Thus, on the basis

of UPS of people, a person is known to be employed if he or she was engaged in an economic activity for a longer period of time (183 days or more) in 365 days. In the similar fashion, a person is known to be unemployed if that person is available for work but is not engaged in any economic activity.

- ‘Subsidiary Status’ – A ‘subsidiary status worker’ is that worker who was engaged in an economic activity in a subsidiary capacity during the reference period. The UPS employed and the subsidiary status workers together make single group of employed in the economy.

The reference periods (i.e. a year, a week and a day) are basically used to describe the period for which the workers are employed in the economy. These periods also help in identifying the nature and extent of unemployment in the economy. For example, NSSO uses the ‘Current Weekly Status’ (CWS) and ‘Current Daily Status’ (CDS) of the workers to elaborate the estimates of employment in an average week and an average day respectively.

The CDS criterion, thus, gives the estimate of the extent of underutilisation of the labour force in terms of person-days. In other words, the CDS estimate of unemployment is the most inclusive measure of unemployment made up of open unemployment and visible underemployment. In fact, the difference between the unemployment rates given by CDS criterion and CWS criterion gives the rate of visible underemployment.

The estimate of unemployed person-days given by the CDS criterion divided by 7 can also be interpreted as the estimate of the number of persons unemployed on an average day.

Similarly, these approaches lead to estimates of UPS employment, UPSS employment, CWS employment and CDS employment. The estimate of UPS employment represents the number of persons who are employed for a relatively longer period of time during the reference year, or those who have stable employment. The UPSS criterion adds an additional group of persons to the UPS employed. These are UPS non-workers who have done intermittent work as a subsidiary activity during the reference year. CWS employment refers to those who are employed for at least an hour during the reference week or the number employed in a average week. CDS employment measures the rate of utilisation of the labour force in terms of person-days. While the first three measures overestimate, to some extent, levels of employment because of the way they are defined, the CDS measure gives a closer estimate of these levels.

Creation of employment opportunities depends on the volume and composition of economic activity in the economy, that is, the total output of goods and services in the economy and its structure. The total output of goods and services is called the Gross Domestic Product (GDP). Thus, levels of employment in an economy depend on the size and composition of its GDP. Factors that affect this basic relationship are: (i) the availability of capital, (ii) the availability of skills and expertise among the employed persons and (iii) the manner in which capital and labour (the number of employment persons) combine to produce the output of goods and services. In other words, a number of inter-dependent factors like material, financial and human capital, knowledge and technology utilised, productivity of labour and capital and Government policies shape this relationship.

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## 12.3 LABOUR FORCE AND WORKFORCE PARTICIPATION RATES

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As stated in the previous section, Labour force refers to that segment of population which supplies or offers to supply labour for production and therefore includes both employed and unemployed persons.

Labour Force Participation Rate (LFPR) is a measure of the proportion of the country's population that is engaged actively in the labour market, either by working or seeking work. It provides an indication of the size of the supply of labour available to engage in the production of goods and services. The gap between average annual growth of labour force and employment growth provides hints towards increase/decrease in the existing stock of unemployed people.

Work Participation Rate (WPR) is a measure of the proportion of the country's labour force who are engaged in work. It provides information on the ability of the economy to generate employment.

Male participation remained higher both in labour and workforce, throughout the period between 1983 and 2009-10.

On CDS criterion, fluctuations are observed in the labour force participation rate in overtime. Using the usual principal and subsidiary status (UPSS) criterion, labour force participation rate was recorded to 42.9 per cent in 1983, declined to 42.3 per cent in 1993-94, and again increased to 43.0 per cent in 2004-05. Among women, rates were found to be 29.8, 29.0 and 29.4 per cent in the three years respectively. By usual principal status (UPS criterion) overall participation rates are lower: 38.4 per cent in 1993-94 and 39 per cent in 2004-05 and for women they were much lower at 21.1 per cent in 1993-94 and 22.4 per cent in 2004-05. Women are more often subsidiary workers than men: in 2004-05 male UPS participation rates was 55.1 and UPSS rates was 55.9 per cent, corresponding rates for women were 22.4 and 29.4 per cent respectively (India Labour and Employment Report, 2012, IHD, N. Delhi.)

Female participation *per se* in rural areas was much higher than in urban areas. Urban male participation rates (both labour force and workforce) were higher than rural male participation in 1999-2000, 2004-05, and 2009-10. (Table 12.1)

LFPR for rural males increased marginally in 2009-10 compared to 2004-05 while for urban males it actually declined. The most striking revelation of NSSO'S 66<sup>th</sup> round survey is the significant fall in female work participation rates (FWPR) between 2004-05 and 2009-10. Rural FWPR dropped to reach 20 per cent in principal status work/employment (UPS) and 26 per cent in usual (principal + subsidiary) status work (UPSS) in 2009-10. In urban areas too, FWPR has fallen substantially from 13.5 per cent in 2004-05 to below 12 per cent in the case of UPS employment and from close to 17 per cent to below 14 per cent in UPSS (Mazumdar, 2011). With principal status or main work/employment as well as subsidiary status or marginal work having both lost ground, it appears that relatively more durable work as well as shorter bursts of temporary employment have become less available to women. Two possible explanations may be offered for this decline: **firstly**, women have simply withdrawn from the labour market in India due to social conservatism. **Secondly**, more women are pursuing higher education resulting decline in women LFPR. However, decline in women LFPR across all age groups indicates that there must be some other factors inhibiting women from

participating in the labour market. The decline in the LFPR for women irrespective of age is possibly due to decline of overall employment opportunities compelling the women for withdrawal from the labour market.

Thus labour force participation rate as per centage of population has not remained fixed over a period of time. Specific participation rate changes overtime in response to economic, social and cultural factors. This is particularly true of women and children. Most women from poor households participate in the labour force, but they may withdraw from it with increase in household income and then join again at much higher level of income and also when they have acquired a certain level of education. So female labour force participation rate is observed to have a U shaped relationship with the per capita income level (India Labour and Employment Report, 2012).

**Table 12.1: Labour force and workforce participation rates (CDS basis)  
(per cent)**

	1983	1993-94	1999-00	2004-05	2009-10
<b>Labour force participation rates (LFPR)</b>					
Rural Male	52.7	53.4	51.5	53.1	53.6
Rural Female	21.9	23.2	22.0	23.7	19.7
Urban Male	52.7	53.2	52.8	56.1	55.6
Urban Female	12.1	13.2	12.3	15.0	14.1
<b>Work Force participation rates (WFPR)</b>					
Rural Male	48.2	50.4	47.8	48.8	50.1
Rural Female	19.8	21.9	20.4	21.6	18.2
Urban Male	47.3	49.6	49.0	51.9	52.2
Urban Female	10.6	12.0	11.1	13.3	11.7

**Source:** Various rounds of NSSO survey on employment and unemployment.

**Check Your Progress 1**

- 1) What are various measures of employment and unemployment?  
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- 2) Do you think that CDS criterion is the most inclusive measure of unemployment? Why?  
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- 3) Differentiate between worker, non-worker and unemployed.  
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## 12.4 DIMENSIONS OF UNEMPLOYMENT

The unemployment rate is the ratio of the number of unemployed persons in the labour force per thousand.

Based on the different criterion of measurement, the data relating to unemployment rate over a long period have been incorporated in Table 12.2. On CDS criterion unemployment rate is highest ranging between 6 per cent and 8 per cent (8.34 per cent in 2004-05 and 6.60 per cent in 2009-10). On UPSS criterion the unemployment rate is lowest fluctuating between 1.6 per cent and 2.6 per cent.

- The number of unemployed persons in India, at UPSS basis has increased from 7.37 million in 1993-94 to 9.17 million in 1999-2000 and further to 11.21 million in 2004-05. Consequently, the chronic unemployment rate as per centage of labour force increased from 2.18 per cent in 1993-94 to 2.48 per cent in 1999-2000 and further to 2.60 in 2004-05.

At CDS basis, the number of unemployed persons increased from 19.07 million persons in 1993-94 to 35.95 million in 2004-05. The corresponding unemployment rate at CDS basis increased from 6.03 per cent in 1993-94 to 7.32 per cent in 1999-2000 and further 8.34 per cent in 2004-05.

- The unemployment rate both UPSS and CDS was lower in 2009-10, 2 per cent and 6.6 per cent respectively, but the absolute number of unemployed increased (NSSO, 66<sup>th</sup> Round Key indicators). Unemployment rate decreased for all workers in 2009-10 compared to 2004-05. Decline in unemployment in rural areas has been marginal and less than that of urban areas. However, this decrease in unemployment is not because of an increase in employment, rather it is a result of decrease in the number of people particularly women offering themselves to work.

**Table 12.2: Unemployment rates (as per centage of Labour Force).**

Year	UPS	UPSS	CWS	CDS
1972-73	3.80	1.61	4.32	8.35
1977-78	4.23	2.47	4.48	8.18
1983	2.77	1.90	4.51	8.28
1987-88	3.77	2.62	4.80	6.09
1993-94	2.56	1.90	3.63	6.03
1999-2000	2.81	2.23	4.41	7.32
2004-05	3.18	2.33	4.53	8.34
2009-10	2.50	2.00	3.60	6.60

Source: India Labour and Employment Report, 2012.

- Overall unemployment for rural areas according to usual status approach was around 2 per cent. Urban rates were higher than the rural rates except for the CDS approach in which unemployment rates for rural areas were higher (nearly 6.8 per cent).
- The unemployment rate obtained by any of the approaches was higher for females than for males in both rural and urban areas. With the longer terms rates varying between 6 and 8 per cent and daily rates over 9 per cent. Gender differences are much sharper in the urban areas.
- The unemployment rate has been very high among the youth in the labour force. On CDS basis, unemployment has been highest for the 15-24 age group, (11 per cent in 1993-94, about 15 per cent in 2004-05 and marginal

decline in 2009-10 i.e. 14 per cent) This age group constitutes about 21 per cent of the work force in 2004-05. This implies that new entrants in the labour market are much more prone to unemployment and account for a quite significant proportion of unemployed persons.

**Table 12.3: Unemployment rates by broad age group.**

Age Groups	1993-94	2004-05	2009-10
15-24	11.2	14.8	14.3
25-34	6.6	8.5	6.3
35	3.3	5.3	4.2
<b>Total</b>	6.0	8.3	6.6

**Source:** NSS Report 515.

- The situation in urban areas is more serious. In the case of male youth, the unemployment increased from 13.7 per cent in 1993-94 to 14.7 per cent in 1999-2000. It however declined to 13.7 per cent in 2004-05. The female unemployment rate remained between 19 per cent and 21.5 per cent during this period.

Thus the unemployment among the youth continues to be high.

- The incidence of unemployment at CDS basis among the rural agricultural households which constitutes the single largest segment of the poor labour households has increased from 9.50 in 1993-94 to 12.29 in 1999-2000 and to 15.26 per cent in 2004-05.

The high incidence of unemployment among the educated in general and women in particular reflects that the pace of creation of diversified employment opportunities is lagging behind the pace of expansion of education. The educational and training courses offered by the educational and training system and their curricular content is becoming increasingly irrelevant to the kind of employment opportunities being generated by the economy. Gender discrimination in the labour market and at the workplace also seems to be adding to the problem. These features of the unemployment situation call for steps like: (i) expansion and diversification of the economy, especially the rural economy, (ii) restructuring of the education and skill development system to make it responsive to the world of work and (iii) focus on removal of gender bias in the labour market, the workplace and in skill development.

## **12.5 GROWTH OF EMPLOYMENT**

The available information relating to the growth of employment in India during the last three days is comprehensively summarised in Table 12.4 below:

**Table 12.4: Average annual rate of growth of employment.**

Year	Growth Rate
1983-1994	2.06
1994-2000	0.98
2000-2005	2.95
2004/05-2009-10	0.95

**Source:** Based on respective rounds of employment and unemployment survey reports.

- i) There has been a sharp decline in the growth rate of employment (UPSS) from 2.06 per cent per year in the period 1983 to 1993-94 to only 0.98 per cent in the period 1993-94 to 1999-2000. Although this deceleration in employment is accompanied by an equally sharp decline in the rate of growth of labour force from 2.29 per cent in the period 1987-88 to 1993-94 to only 1.03 per cent in the period 1993-94 to 1999-2000, yet the growth rate of employment has been less than the growth rate of the labour force. This indicates an increase in the unemployment rate.
- ii) Employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1994-2000. During 1990-2000 about 47 million work (CDS basis) opportunities were created compared to only 24 million in the period between 1993-94 and 1999-00. Employment growth accelerated from 0.98 per cent per annum to 2.95 per cent per annum. However, since the labour force grew at a faster rate of 2.84 per cent than the workforce, unemployment rate also rose. The incidence of unemployment on CDS basis increased from 7.31 per cent in 1999-00 to 8.28 per cent in 2004-05.

**Table 12.5: Average annual growth rate of employment: gender-wise in rural and urban areas.**

Years	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1983-94	1.77	1.15	1.55	2.75	3.18	2.94	2.05	1.41	1.84
1994-2005	1.32	1.46	1.37	2.94	3.34	3.03	1.76	1.75	1.76
2005-2010	1.24	-2.09	0.12	2.63	0.27	2.22	1.66	-1.67	0.67

- iii) The employment growth during 2004-05 to 2009-10 was significantly lower than during 1999-00-2004-05. The pattern of employment growth reveals absolute decline in rural female's employment. In this period, both in rural and urban areas slowdown in employment growth for male has occurred. The sharp absolute decline for rural females and slight absolute increase for urban females is observed.

It is worth to be mentioned that this decline in employment took place when Indian economy was growing rapidly and National Rural Employment Guarantee Act, 2005 was implemented. Further, this decline of employment is accompanied by significant decline in the labour force participation rate (LBRF) particularly for women.

**Table 12.6: Growth of employment (UPSS) (CAGR per cent per annum).**

Sector	Growth Rate		
	1972-73/1983	1983/1993-94	1993-94/2004-05
Primary	1.67	1.21	0.62
Secondary	4.40	2.50	4.03
Tertiary	4.19	3.54	3.22
Non-Agriculture	4.46	3.12	3.48
Total	2.49	1.84	1.76

Source: Based on various NSS reports.



**Table 12.7: Changes in sectoral shares of employment (UPSS) (per centages).**

		Primary	Secondary	Tertiary	All
Rural	1983	81.80	8.60	9.50	100.00
	2004-05	73.00	13.20	13.80	100.00
	2009-10	68.60	16.70	14.70	100.00
Urban	1983	15.60	32.60	51.80	100.00
	2004-05	9.40	33.30	57.30	100.00
	2009-10	8.10	33.80	58.10	100.00
Total	1983	68.90	13.30	17.80	100.00
	2004-05	57.00	18.20	24.80	100.00
	2009-10	53.80	20.90	25.39	100.00

- iv) There have been significant changes in the sectoral pattern of employment. The proportion of the work force engaged in the primary sector declined by 12 per cent between 1983 and 2004-05 and it showed faster decline between 2004-05 and 2009-10. There has been a change in the trend in favour of secondary sector. Thus at the aggregate level, favourable correction in shifting share of employment in favour of secondary sector is observed.

Between 1983 and 2005, construction and financial services witnessed the fastest growth in employment of about 6 per cent per annum followed by trade (4 per cent) and transport (4 per cent). Employment in other sectors including manufacturing and agriculture was slowest.

An interesting feature of employment growth is that improvement in employment conditions was very modest during 1999/00–2004-05(1<sup>st</sup> period) and very substantial during 2004/05–2009-10(2<sup>nd</sup> Period) because the 1<sup>st</sup> Period failed to induce significant movement of workers from the unorganised to organised sector. This failure, it can also be said, restrained economic growth, the wrong kind of change in employment structure made a negative contribution to the wrong kind of change in employment structure making a negative contribution of growth of output per worker and hence to growth. The modest improvement in employment condition in this period derived basically from modest but favourable change in employment structure within the unorganised sector.

In the second period, economic growth improved employment conditions by inducing large movement of workers from unorganised to organised sector. And this movement in them contributed to growth by increasing the average output for worker in the economy (Ghosh, 2011).

**Check Your Progress 2**

- 1) What are the implications of decline in women LFPR in 2009-10?

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- 2) Do you think that higher growth necessarily helps in expanding employment growth?

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3) Give an account of decline in unemployment rate in 2009-10 as compared to 2004-05.

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## 12.6 QUALITY OF EMPLOYMENT

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Broadly, quality of employment can be judged on the following basis:

- Proportion of workers engaged in regular and casual labour;
- Productivity of employment;
- Proportion of workers in organised and unorganised workers.

### Proportion of workers in organised and unorganised workers

Increasing share of employment in unorganised sector reflect deterioration in the quality of employment because workers’ earnings, regularity of employment, work environment and social security vastly differ between organised and unorganised sector. Workers in organised sector have better wages and salaries, job security, reasonably decent working conditions and social protection against risks such as sickness, injuries, disability and death arising out of hazards, accident at works, separations and old age. Those in the unorganised sector apart from insecurity of job generally have no protection against these risks, have low earning, often lower than the modest statutory minimum wages and have no regularity. An increase in the share of unorganised employment obviously means an overall deterioration in the quality of employment.

An important aspect related to quality of employment is the large size of unorganised sector as against organised sector in the total employment. The size of the organised sector characterised by higher earnings and job security has declined from 8.83 per cent in 1999-2000 to 7.46 per cent on 2004-05. Corresponding share of workers in unorganised sector increased from 91.17 per cent im1990 to 92.38 per cent in 2004-05.

Even the organised sector is increasingly moving towards informal employment. The entire employment in the unorganised sector is informal as is clear from the following table.

**Table 12.7: Distribution of workers by types of employment and sector.**  
(million)

Sector	1999-2000			2004-05		
	Informal	Formal	Total	Informal	Formal	Total
Unorganised Sector	341.28 (99.60)	1.36 (0.40)	342.64 (100)	393.47 (99.64)	1.43 (0.36)	394.00 (100)
Organised Sector	20.46 (37.80)	33.67 (62.20)	54.12 (100)	29.14 (46.58)	33.42 (53.46)	62.57 (100)
Total	361.74 (91.17)	35.02 (8.83)	396.76 (100)	422.61 (92.38)	34.85 (7.46)	457.46 (100)

**Note:** 1. UPSS basis.  
2. Figures in brackets indicate per centages.

**Source:** National Commission for enterprises in the Unorganised Sector (UCEUS); Report on Conditions of Work and Promotion of Livelihood in the Unorganised Sector, 2008, New Delhi.

The landless labourers and marginal farmers engaged in agriculture are worst affected on this account. The non-form workers are equally affected by in formalisation of employment.

**Table 12.8: Distribution of non-farm workers by types of employment and sector.**

(million)

Sector	1999-2000			2004-05		
	Informal	Formal	Total	Informal	Formal	Total
Unorganised Sector	109.37 (99.04)	1.06 (0.96)	10.43 (100)	140.65 (100)	1.42 (100)	142.07 (100)
Organised Sector	17.58 (36.13)	31.08 (63.87)	48.66 (100)	25.89 (45.85)	30.58 (54.15)	56.47 (100)
Total	126.95 (79.80)	32.13 (20.20)	159.09 (100)	166.54 (8389)	31.99 (16.11)	198.54 (100)

**Note:** Figures in brackets indicate per centages.

**Source:** National Commission for enterprises in the Unorganised Sector (UCEUS); Report on conditions of Work and Promotion of Livelihood in the Unorganised Sector, 2008, New Delhi.

It is significant to note that the informality is generally linked to economic activity with low productivity and low income generating prospectus. Given the heterogeneity of informal employment, there is a need to formulate specific policy sets to find solution to informality traps.

Further it is relevant to mention that quality of life and formal employment are positively correlated with each other. The countries with very high HDI are having more than 80 per cent of their workers in formal employment. Most of the countries, with high HDI, are also having 60 to 80 per cent of their workers in formal employment. This proportion ranges between 40 to 60 per cent in most of the medium HDI countries. Compared to it, less than 20 per cent of the workers are in formal employment in almost all the countries with low HDI. Thus, social

security and quality of life are closely related with each other, higher the social security coverage higher is the quality of life, as reflected by HDI.

### Productivity of Employment

In a developing country like India being employed does not necessarily ensure a decent level of living. There is a high incidence of working poor as is evident from the following table,

**Table 12.9: Working poor in India by their gender, location and category of employment 1999-2000 and 2004-05.**

(‘000)

Population	1999-2000				2004-05			
	Self Employed	Regular Wage/Salaried	Casual Labour	Total	Self Employed	Regular Wage/Salaried	Casual Labour	Total
Rural Persons	32762	2457	41466	76686	33139	2273	31425	69537
	(19.39)	(11.62)	(36.34)	(25.21)	(16.08)	(9.30)	(30.34)	(20.27)
Urban Persons	9387	4201	7531	21120	12141	5302	7321	24765
	(23.60)	(11.10)	(43.96)	(22.29)	(22.87)	(11.49)	(41.90)	(21.22)
All Males	27728	5545	31602	64875	29135	5863	27388	62386
	(19.68)	(11.18)	(36.77)	(23.47)	(17.17)	(10.24)	(31.85)	(19.94)
All Females	14421	1114	17396	32931	16145	1713	14058	31916
	(21.27)	(11.84)	(38.41)	(26.88)	(18.03)	(12.83)	(31.99)	(21.74)
All Persons	42150	6658	48998	97806	45280	7576	41446	94302
	(20.19)	(11.29)	(37.34)	(24.52)	(17.47)	(10.73)	(31.90)	(20.51)

**Source:** GOI, Planning Commission (2008): Eleventh Five year Plan: 2007-12.

The number of working poor increased from 98 million in 1999-2000 to 94 million in 2004-05. The self-employed worker account for nearly 48 per cent of the working poor followed by casual labour (44 per cent) in 2004-05. However among the casual labourers, nearly 32 per cent were poor as compared to 17.47 per cent in the category of self employed. The proportion of poor, among all the three categories of working poor was least in the case of regularly employed workers.

It is significant to note that the incidence of poverty was higher among urban workers across the three categories. Similar was the case of females with a smaller difference.

Obviously, the major problem relates to that of the working poor as the productivity of employment is very low. The low productivity of employment is mainly because of low educational and skill levels of the workers. About 44 per cent of all workers were illiterate and another 22.7 per cent workers have schooling upto primary level.

However, the employment conditions in terms of employment structure (substantial movement of workers from unorganised to the organised sector) and large growth

of output per worker in the unorganised sector has improved during 2004-05 – 2009/10 in comparison to 1999/00 – 2004-05 (see following tables).

**Table 12.10: Average annual rate of growth of output and output per worker (per centages).**

	1999/00–2004/05	2004/05–2009/10
Output		
Aggregate economy	5.02	8.45
Organised Sector	5.78	10.39
Unorganised Sector	4.52	7.01
Output per worker		
Aggregate economy	2.63	6.74
Organised Sector	4.59	3.15
Unorganised Sector	1.98	6.06

Note: The data on output are derived from National Income Statistics.

**Table 12.11: Accounting for growth in output per worker.**

	Percentage of Increase in Output per Worker Attributable			
	Increase in Output per Worker within sectors		Change in Structure of Employment	
	1999/00– 2004/05	2004/05– 2009/10	1999/00– 2004/05	2004/05– 2009/10
Aggregate economy	117	70	–17	30
Organised Sector	96	109	4	–9
Unorganised Sector	41	92	59	8

Note: Change in the structure of employment means movement across organised and unorganised sectors in the case of the aggregate economy and across production sector (agriculture, manufacturing, construction, other industries and services) in the cases of organised and unorganised sectors.

### Proportion of Workers Engaged in Regular and Casual Labour

Another dimension of deterioration in the quality of employment can be examined in terms of low earning, irregularity and uncertainty of work availability, poor condition of work and lack of social protection and vulnerability to the risks and hazards is seen in the increase in the casualisation of the work force.

In 2004-05 self employment grew significantly with a fall in casual employment and marginal rise in regular employment. In 2009-10, the proportion of self employed declined and it was lowest proportion for all workers since 1993-94. The decline of self-employment is the highest for female workers. The proportionThe Indian employment market is moving from regular to casual employment. The proportion of casual workers in total workers increased from 24.03 per cent in 1983 to 27-29 in 1999-2000, 23 per cent in 2004-05 and 33.5 per cent in 2009-10. The proportion of casual labour in rural and urban areas was 38.6 per cent and 17.5 per cent in 2009-10 respectively.

During 1983-2000, the proportion of self-employed declined from 58.84 per cent to 55.19 per cent and further increased to 58.83 per cent.

As regards, the share of regular workers, it declined from 17.14 per cent in 1983 to 16.35 in 1993-94 and 15.16 per cent in 2009-10.

The proportion of casual workers have increased significantly in the rural areas compared to 2004-05. This is due to implementation of NREGA.

As regards, the share of regular workers there has been a marginal increase in all category of workers.

Casualisation of employment does not assure adequate days of employment and income to meet the basic necessities of labour households. This along with low wage rates adversely affects growth rate of average daily wage earnings of the casual labour depriving them of fulfilling the basic needs.

**Table 12.12: Distribution of workers by category of employment.**

Year	Nature of Employment		
	Self employed	Regular/salaries	Casual
1983	58.84	17.14	24.03
1993-94	57.31	16.35	26.34
1999-2000	55.19	17.52	27.29
2004-05	58.83	18.13	23.03
2009-10	51.0	15.6	33.5

**Source:** Eleventh Five Year Plan upto 2004-05.  
Key Indicators of Employment and Unemployment in India.

## 12.7 EMPLOYMENT POLICY FRAMEWORK

According to Bhaduri (2006), policy approaches for promoting employment in a growing economy could be categorised in three broad categories. These refer to a) strategy for using surplus labour through extensive growth; b) inter-sectoral transfer of labour out of agriculture induced by sectoral difference in labour productivity; and c) change in the pace and composition of industrialisation.

The conventional approach (a la Lewis model), has been to emphasise the role of sectoral transformation of workforce without recognising the scope and/or potential of alternative mechanisms that may effect employment growth in the economy. This has been echoed in a number of writings and policy formulations which raised serious concern over the stickiness of workforce despite the higher rate of economic growth in India [Bhalla, 2009; Rangarajan, et. Al; 2011]. The result is pro-active polices for raising labour productivity in agriculture irrespective of the absorption capacity of the economy in especially in the industrial sector. While sectoral transformation, given the low productivity and massive under-employment in agriculture sector in a country like India is fairly justified, the strategy often fails (as in the case of India) given the limited options for labour intensive industrial sector in a high growth economy as noted above. This is particularly true when the growth is aligned mainly to the global markets and capital investment thereby undermining the domestic demand especially at the low end [Bhaduri, 2006].

In a situation such as this, tightening of the agriculture (rural) labour market assumes special role, where the central thrust is on productivity enhancement rather than on expansion of employment opportunities in rural economies. Arguably, a situation such as this has been manifested by the observed decline in labour force along with slowing down in the addition to the workforce during the period of 2004-05

to 2009-10. Ironically therefore the productivity enhancement strategies in a labour abundant agrarian economy such as India, often resorts to policy options that substitute labour in agriculture [Nayyar, 2008; p.338] either by changing the cropping pattern, or by increasing the use of chemical inputs, or through mechanisation, which at time, nor always, leads to displacement of labour. Thus shrinkage, rather than expansion of employment opportunities, is seen as the mainstay of raising productivity growth in agriculture. In turn improved labour productivity in agriculture may lead to greater demand for industrial good and services, increase in export, and generating ingestible surplus, a part of which could be channelised to industry and service sectors that may possibly absorb the surplus labour from agriculture.

A trajectory driven mainly by high-productivity and high value-agriculture however, may face severe impediments arising out of environmental and poverty related factors. These refer mainly to weather related uncertainties, shrinking natural resource base (primary productivity of land and other resources), and the distress faced by the poor farmers who may be compelled to grow 'low value' food crops in order to meet at least part of the food requirements under the scenario of uncertainties ailing the food sector in the country and the world over [FAO, 2008]. These constraints may get further aggravated under the climate change scenarios for, the trajectory of high productivity-high value agriculture would invariably imply intensive use of chemical inputs and also water. It is here that the singular emphasis on sectoral shift of labour force may face additional impediments, beside the generally low employment opportunities, especially of the 'decent type' in the industrial and service sectors.

It is, therefore, imperative that the growth strategy gets appropriately tuned to the third policy option i.e. altering the pace and composition of industrial growth and create greater space for agriculture not only as a traditional reservoir of labour for industrialisation, but also as a sector with greater flexibility of absorb labour and generate broad based or extensive growth [Bhaduri, 2006; p.85]. This of course, is not the same as 'agriculture first' strategy advocated earlier by a number of scholars [Johnston and Maler, 1961; Maler, 1976]. Here, the emphasis is not on sectoral priority. The idea is 'to combine the advantages of industrialisation and inclusive growth with extensive growth in agriculture achieved through better labour absorption and a higher participation ratio' [Bhaduri, 2006; p.85]. The central thrust here is that 'besides the issue of sectoral balance in any developmental strategy, the scope for increasing labour productivity through reorganising agriculture, as different from shifting a part of the labour to other sectors, should be thoroughly assessed and explored. This substantiated by and a renewed recognition of the potential for surplus labour absorption and increase in labour productivity in agriculture and rural sector, quite apart from the strategy for intersectoral shift of workforce [Bhaduri, 2006; p.84]. The Green Growth perspective may further enhance the potential of the primary sector to absorb productive labour by reversing the process of factor substitution that was mentioned above.

It is, therefore, argued that a balanced approach such as this may open up a number of avenues for reorganising production and consumption, essentially by harping on the demand side dynamics that leads to significant increase in effective demand in the domestic market. It is at this juncture, one may find a substantial space for convergence between the perspectives on employment, environment and social dimensions as suggested by the sustainable development framework (Shah, 2011).

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## 12.8 TWELFTH FIVE YEAR PLAN: EMPLOYMENT AND LABOUR POLICY

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The employment strategy for the Twelfth Plan must ensure rapid growth of employment while also ensuring an improvement in the quality of employment. While self employment will remain an important employment category in the foreseeable future – it accounted for 58 per cent of all employment in 2004-05 – there is need to increase the share of regular employees in total employment. This category has increased from 17 per cent of total employment in 1983 to 18 per cent in 2004-05. It should be the focus of policy to achieve a substantial increase in the share of regular employment with a matching reduction in the share of casual employment which at present is as high as 33 per cent.

The above analysis implies that the success of labour policy should be seen in terms of the number of regular wage employment opportunities based on some form of a written contract between the employer and the employee, that is, an increase in the number of ‘formal’ jobs. The potential for creation of formal employment can be fully utilised by making appropriate changes in rules and procedures. It is often said that one of the obstacles to growth of formal employment in the organised sector is the prevalence of excessively rigid labour laws which discourage such employment. Steps should be taken for a greater flexibility in labour laws. Broadly, it is necessary to review existing laws and regulations with a view to making changes which would:

- Encourage the corporate sector to move into more labour-intensive sectors
- Facilitate the expansion of employment and output of the unorganised enterprises that operate in the labour-intensive sectors.

At present, the incentives and subsidies are so designed as to strongly penalise entrepreneurs for crossing a threshold size from a micro/small to a medium/large unit. The excise and other taxation policies need to be reviewed in this perspective.

Changes in policies also need to be examined in regard to:

- Linking incentives with the outcomes measured in terms of employment. For example, incentives are given to a wide range of production activities primarily with the objective of promoting employment and income of workers engaged in such activities. However, such incentives are hardly every calibrated against the benefits realised in terms of employment and wages.
- Regular wage employment, that is, formal employment, merits fiscal incentives. Such incentives already exist at a limited scale for the larger establishment, but are so designed as to make it difficult for medium and small establishments to benefit from these.

Changing labour laws is a sensitive issue and it is necessary to build a consensus. However, there are several changes short of hire and fire which should not present problems. These include:

- The locations and production activities that have a high potential for employment creation merit a differential treatment.
- Employment of women must be encouraged ensuring, *inter-alia*, the special needs that they may have by virtue of change in working hours (night shifts, for example) or the requirements of the family, for example, child care.



- Contract labour in the domestic tariff area merits encouragement, provided commensurate steps are taken to increase social security.
- Monitoring the implementation of labour laws, that is, the reporting system should be simplified and be permitted in an IT-friendly mode.

Even as steps are taken to increase the volume of formal or regular employment, it is also necessary to take steps to improve the quality of employment in the unorganised sector. NCEUS in its August 2007 Report has summarised, in the form of 13-point Action Programme, the main recommendations for the workers of Enterprises in the Unorganised/Informal Sector. These are presented in Box 12.1.

Unorganised sector enterprises mostly hire most workers who get released, or relocated, from crop agriculture (due to the reasons discussed earlier), and seek wage employment in the manufacturing or services sector. Any significant improvement in their income, and quality of employment, is feasible only if the institutional environment in the labour market makes it feasible for the formal sector to reach out to such workers on a decentralised basis rather than through a centralised plan programme. The large coverage (in terms of absolute numbers) through Provident Fund (43 million), Employee State Insurance (33.0 million) a variety of Welfare Funds (5.0 million), for beedi workers, for example) has been possible because the institutional framework created through the various Acts (P.E., E.S.I., Beedi Workers Welfare Fund, etc.) recognised a relationship of those employed on regular wage, with either the employer, or the specific formal commodity market that provides work to (that is, absorbs the output of labour put in by) the unorganised enterprises' workers.

As already argued, the creation of a formal relationship between the worker and the hiring establishment, in the regular wage employment mode, is a critical factor in improving the quality of employment of the workers hired by the unorganised enterprises. In this context, the work being done by NCEUS on: (i) the 'employment strategy' to be pursued in respect of, and through the, unorganised enterprises, (ii) the regime of labour regulations to attract the unorganised enterprise to give a formal recognition to the multitudes of workers hired by them, and (iii) to enable them to gain access to 'social security', is of paramount importance.

### **Box 12.1**

#### **A thirteen point Action Plan suggested by the NCEUS for Employment in the Unorganised Sector**

##### A. Protective Measures for Workers

- 1) *Ensuring Minimum Conditions of work in the Non-Agricultural and Agricultural Sectors;*

Two Bills, for agricultural workers and non-agricultural workers, that specify minimum conditions of work, including a statutory national minimum wage for all workers.

- 2) *Minimum Level of Social Security;*

A universal National Minimum Social Security Scheme, as a part of a comprehensive legislation, covering life, health and disability, maternity and old age pension to protect the workers in the unorganised sectors.

B. Package of Measures for the Marginal and Small Farmers

3) *Special Programme for Marginal and Small Farmer;*

Revival of the targeted programme focusing on small and minor farmers, with an initial thrust in the areas wherein the existing yield gap is also considered high. A special agency or a co-ordinating mechanism should be set up if required.

4) *Emphasis on Accelerated Land and Water Management;*

Immediate priority to, and significant upscaling of programmes for land and water management. Revision of the priority sector lending policy to provide a quota for the micro and small enterprises.

5) *Credit for Marginal-Small Farmers;*

RBI to monitor, separately, credit to this segment, expansion in outreach of credit institutions in rural areas and a credit guarantee fund to obviate the need for collateral by the marginal-small farmers in accessing the institutional credits. A 10 per cent share for small and marginal farmers in the priority sector credit.

6) *Farmers' Debt Relief Commission;*

Central government to lay guidelines and provide 75:25 assistance for setting up State level Farmers' Debt Relief Commissions, in the States experiencing agrarian distress, natural or market related.

C. Measures to Improve Growth of the Non-agricultural Sector

7) *Improve Credit Flow to the Non-agricultural Sector*

Per cent Sector and Sub-Sector/Purpose

18 10 per cent Small & marginal farmers and 8 per cent Other farmers

10 4 per cent for micro enterprises with capital investment (other than land and building) up to Rs. 5 lakh & 6 per cent other micro and small Enterprises

12 12 per cent Loans up to Rs. 5 Lakh to the socio-economically weaker sections for housing, education, professions etc.

40 Total priority sectors lending

8) *Encouraging SHGs and MFIs for Livelihood Promotion;*

Measures to encourage growth of micro finance and SHGs in poor states and in the backward areas.

9) *Creation of a National Fund (NAFUS)*

Rs. 5000 crore initial corpus for an exclusive statutory agency to take care of requirements of micro and small enterprises in agriculture and non-agriculture sector that are presently not reached by SIDBI and NABARD.

10) *Up scaling Cluster Development through Growth Poles;*

Twenty five growth poles in the traditional industries clusters with incentives at par with SEZs.

Measures to Expand Employment and Improve Employability

11) *Expand Employment through Strengthening Self-employment Programme;*

Rationalisation and strengthening of the four major self employment generation programmes with 50 lakh annual employment generation target.

12) *Universalise and Strengthen NREGA*

Extension of NREG Programme to all districts.

13) *Increasing the Employability through Skill Development;*

On-job training cum employment-assurance programme to provide Rs. 5000 per person incentive to any employer willing to provide one year on-job skill enhancement training.

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## 12.9 REPORT TO THE PEOPLE ON EMPLOYMENT 2010

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The report provides a framework to understand the contemporary employment scenario. It focuses on key issues of generation of quality employment for the people seeking work. The issue of providing decent work, particularly to those who are excluded and marginalised in the labour market is a central concern of this report. The report highlights that employment growth along with equity and distributive justice can be a powerful instrument for achieving the national agenda of 'inclusive growth'. The report views employment as a primary means through which citizenship is made real for the people, the way in which the people acquire a stake in society, overcome the insecurities of old age and ill health and ensure a better future for children.

One of the central ideas of the report is – high economic growth and growth of quality employment reinforce each other. Recognising low level of earnings and poor working conditions of casual labourers and a part of self employed workers, the report argues for increasing the share of organised sector employment in total employment of the country, particularly in the manufacturing and service sectors.

The report firmly puts on the agenda to best utilise the 'demographic dividend' by focusing on generating gainful employment for youth, in general, and young women, in particular. The report notes that given very low proportion of skilled workers at present, a suitable and workable framework to enhance the employability of workers is essential. The same can be achieved by providing training to workers at various levels with emphasis on recognising local skills and certifying informally acquired skills along with the expansion of skill development institutions. The report also argues for rationalisation of labour laws and broadening the ambit of labour reforms for achieving equitable employment growth. It sets out short-term and medium-term strategies to ensure gainful employment opportunities for all the working people with particular emphasis on the disadvantaged sections.

Major short term strategies and targets include: Employment growth to be targeted at least at 2.5 per cent per annum compatible with the 9 per cent growth in the economy; Promote labour intensive and high employment elasticity sectors to achieve the quantitative employment growth target; Focus on inclusion of youth, women and vulnerable groups with their specific needs of training and skill development; Statutory provisions to provide social security and improved conditions of work and remuneration of contract workers at par with the regular employees; Expand the outreach of Rashtriya Swasthya BimaYojana (RSBY) scheme to all poor households; Re-skilling the retrenched workers for redeployment; Developing Informationbase and e-monitoring on real time basis; and collection and compilation of employment/unemployment data on annual basis regularly.

Key Medium term strategies and targets are: Focus on self-employed and casual workers for improving livelihood; Enhance the scope of employment in the organised sector; Enhance regular employment for less advantaged groups and in poorer states; Comprehensive coverage of unorganised sector workers under social security schemes; Rationalisation and simplification of labour regulations and broadening the ambit of labour reforms, Promote diversification of rural workforce to off-farm and non-farm activities; Target regions with concentration of vulnerable social groups such as ST, SC, minorities, women, illiterate and less skilled for active labour market policies; Detailed skill mapping mechanism to be evolved, Credible and independent accreditation and certification process to be created; Up-gradation of all training providing institutions and strengthening delivery through public private partnership (PPP) mode; Creating large number of skill development institutions and pool of trainers to expand the outreach of skill development initiative; Setting up of Sector Skills Council; and Development of National Vocational Qualification Framework.

**Check Your Progress 3**

- 1) State the various dimensions of deterioration in the quality of employment in India.

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- 2) State three important features of employment policy approach as advocated by Prof. Bhaduri.

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- 3) Which measures would you like to suggest to generate employment opportunities for those already unemployed?

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- 4) State the central ideas of the Report to the People on Employment 2010.
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- .....
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## 12.10 LET US SUM UP

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The population of any area, region or country is made up of three components: employed, unemployed and non-workers. Employed and unemployed together make up of labour force. Three reference periods (i.e. a year, a week and a day) identify the nature and extent of employment and unemployment in the economy. Based on these three reference periods, three approaches are adopted in estimating the status of employment and unemployment — Current Daily Status (CDS), Current Weekly Status (CWS) and Usual Principal Status (UPS).

In comparison to 2004-05, unemployment rate declined during 2009-10 for all workers in rural and urban areas. However, this decrease of unemployment is not because of expansion of employment opportunities. Rather it is due to decline in the number of people particularly women offering themselves to work. Decline in the employment growth in 2009-10 highlight the point that even the rapid growth and National Rural Employment Guarantee Act, 2005 have not been able to sustain the generation of employment opportunities.

The quality of employment which is reflected from increasing size of unorganised sector in employment, rising number of casual and contract workers and lower productivity of employment has deteriorated over a period.

However, the employment conditions have improved in terms of employment structure (substantial movement of workers from unorganised to the organised sector) and increase in the real wages of the workers. Further increasing importance of non-farm sector in offering employment to rural work force across major states of India reflect the positive aspect of employment situation.

Policy approaches for promoting employment in a growing economy can be put under three broad categories:

a) strategy for using surplus labour through extensive growth; b) inter-sectoral transfer of labour out of agriculture induced by sectoral difference in labour productivity; and c) change in the pace and composition of industrialisation. Among these three alternate approaches, i.e. increasing labour productivity through reorganising agriculture deserves serious consideration.

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## 12.11 EXERCISES

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- 1) Distinguish between labour force and work force. How are the employed workers identified and enumerated in India? Also examine the dimensions of unemployment in India.

- 2) State the various dimensions of deterioration in the quality of employment in India. Also examine the policy implications of slowdown in women's workforce participation rate.
- 3) Critically evaluate the employment policy embodied in the eleventh Five Year Plan. Also state the conditions necessary for the success of this policy.

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## 12.12 KEY WORDS

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- Underemployment** : Underemployment means people who are employed for only part of a day or part of the week and unemployed for the remainder of the day or the week. This is underemployment that is visible.
- Incidence of Unemployment** : It is the share of the total unemployed persons in total labour force, expressed in per centage terms.
- Human Capital Endowment** : Human Capital Endowment is the capability, innate and acquired, of a person to earn income for living, which is over and above the costs involved in carrying out that effort.
- Own-account Worker** : Own-account worker is another name for self-employed workers.
- Usual Principal Status Activity (UPS)** : An activity on which, a worker is engage for a relatively longer period during one year, preceding the date of survey.
- Employment Elasticity** : The ratio of employment growth to the growth of National Income.

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## 12.13 SOME USEFUL BOOKS

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## 12.14 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) Employment and unemployment are measured by four criteria viz, (i) Usual Principal Status, (ii) Usual Principal and Subsidiary Status, (iii) Current Weekly Status (CWS), (iv) Current Daily Status
- 2) Yes, because it gives the estimate of the extent of under utilisation of the labour force in terms of number of days. It is, therefore, made up of both open unemployment and visible under-employment.
- 3) One who participates in any economic activity is a worker. One who is not available for any worker is a non-worker. Unemployed is a worker who seeks or looks for work or is available for work.

### Check Your Progress 2

- 1) See Section 12.3
- 2) No, the decade of 1990s and 2000s have witnessed high growth without corresponding growth and employment.
- 3) Decline in unemployment rate in 2009-10 is due to decline in the labour force participation rate particularly women LFPR both in rural and urban areas.

### Check Your Progress 3

- 1) Increasing share of unorganised sector in employment, higher proportion of casual workers in employment, rising number of workers, etc.
- 2) See Section 12.7
- 3) See Section 12.8 and 12.9
- 4) See Section 12.9