

Declining Utilization of Workforce in India

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Abstract

Proper utilization of workforce ensures the development of all the nations of the world. It is the resource which guarantees the utilization of different factors of production and gives a boost to growth and development of nations. It is important for all the nations of the world to take care of its workforce and its employability, if they wish to develop their economy in long as well as short run. India has become the youngest nation of the world and possesses the demographic dividend. But, the demographic dividend of India is not being utilized properly. India does not possess the required amount of capital formation to engage the increase in the workforce of the Indian economy. The workforce participation rate in India is lower than in most countries in the world. If taken in absolute terms also, it is lowest in the present decade as well. Almost 50 percent of the population of India does not contribute anything to the economic development and is dependent on the rest of the population which is employed. If this trend of decline in workforce, participation rate continues for some more years than the Indian economy may have to face serious consequences. It is with this imperative that the present paper highlights the present and past trends of workforce participation rate of India and presents the true picture of the situation.

Keywords: Workforce, Employment, Growth

Introduction

Workforce of any nation is the true hallmark of its quality and productivity, both in the long and short run. It not only makes all the factors of production productive but is also an agent which guarantees employment of other factors of production.

High rate of employment of workforce is one of the true parameters of growth of any economy. It not only brings about the harnessing of the latent resources of nature but also guarantees enjoyment of the production done by all the factors of production including labour force.

It is the most basic and primary factor for production. It activates all the other factors of production and uses them in different processes of production. The size of the workforce of any given nation is simply determined by the enumeration of people in the age group of 15 to 59 years. It does not include people below 15 years and people above the age of 59 years as people of these age groups do not participate in productive activities or children below the age group of 15 are prohibited by law to engage in the process of production of any type. Moreover, some people do not participate in any productive activity out of their choice and remain unavailable for work though they are fit to work. Such people do not form a part of the workforce of a given country.

India is a nation which is characterized by a robust growth rate of the workforce. The workforce of India has been increasing at a very high rate owing to its galloping population. And, it has become very difficult for the economy to provide employment to the increased workforce of the nation.

During the decades of the 1970s and 2000s, the workforce of India has increased by more than two-and-a-half times. In the decade of 1970s, it was 18.07 crore which increased to 48.17 crores in the year of 2011. But, the trend of growth of the Indian workforce did not remain uniform during these decades and kept on fluctuating from time to time.

According to a recent report of economic times, the working-age population of labour force in India has

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been consistently declining and almost 50 percent of the working-age population in India is out of a productive workforce.

A significant chunk of the population of India is not contributing towards the development and growth of

the Indian economy. The Labour Force Participation Rate (LFPR) in India stood at 49.8 percent in the year of 2017-18. If it is compared with statistics of 2011-12, it has slipped down significantly from 55.9 percent. As per definition, LFPR is that section of working population which falls between the age group of 16 and 64 years.

Table 1: Labour Force Participation Rate in India and Other Aggregates

India Labour	Last	Previous	Highest	Lowest	Unit
Unemployment Rate	8.50	7.20	8.50	6.70	percent
Labor Force Participation Rate	49.80	50.40	63.70	49.80	percent
Population	1298.04	1283.60	1298.04	359.00	Million
Retirement Age Women	60.00	60.00	60.00	60.00	
Retirement Age Men	60.00	60.00	60.00	60.00	
Wages	272.19	255.65	272.19	3.87	INR/Day
Wages High Skilled	43200.00	46200.00	47300.00	43200.00	INR/Month
Wages In Manufacturing	347.30	322.07	347.30	4.86	INR/Day
Wages Low Skilled	10900.00	11300.00	13500.00	10900.00	INR/Month
Youth Unemployment Rate	23.70	23.10	23.70	22.90	percent
Living Wage Family	19400.00	19200.00	19400.00	19200.00	INR/Month
Living Wage Individual	10300.00	10100.00	10300.00	10100.00	INR/Month
Minimum Wages	176.00	176.00	176.00	137.00	INR/Day
Employment Rate	46.80	47.80	50.80	46.80	percent

<https://tradingeconomics.com/India/India-force-participation-rate>

As we can see from Table 1, the labour force participation rate in India is quite low and stood at merely 49.80 percent in 2017-18. That means, approximately 50 percent of the population of India does not contribute towards the productivity of the nation. In addition to this,

unemployment rate of Indian economy also stood at 8.50 percent which is an all-time high in the last five decades. This scenario points towards the grim condition of the economy and necessitates the adoption of some decisive measures towards the development of the economy.

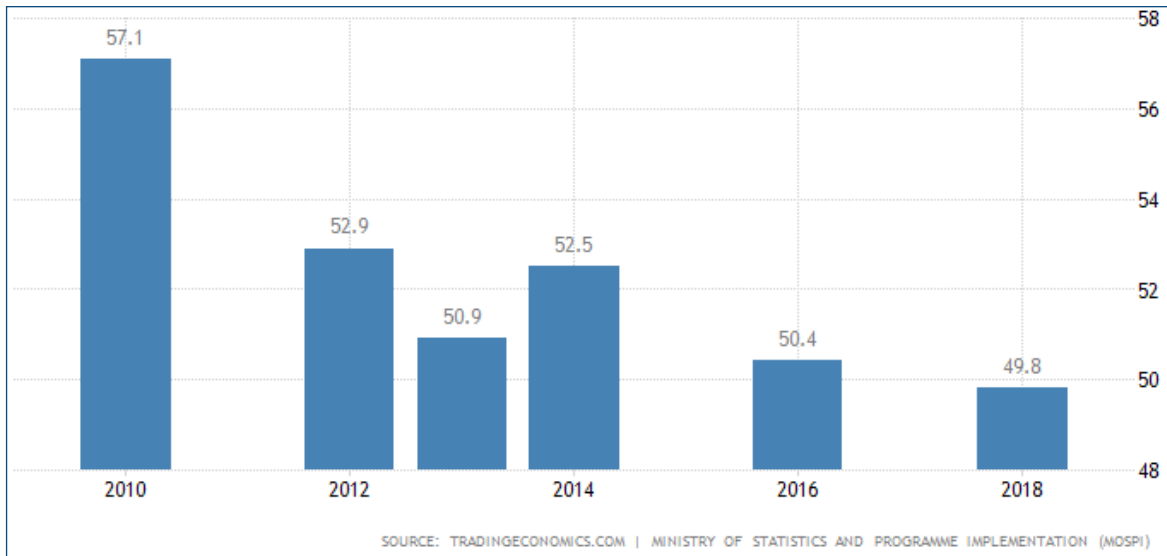


Fig. 1: Workforce Participation Rate in Indian Economy in Different Years

The fact of the low participation rate of labour force in the Indian economy can be seen from Fig. 1 given above. It can be seen from the bar diagram given above that the labour force participation rate in India in the year of 2018

has been lowest in the last decade. In the year of 2010, it stood at 57.1 percent that declined to become 49.8 percent in the year of 2018.

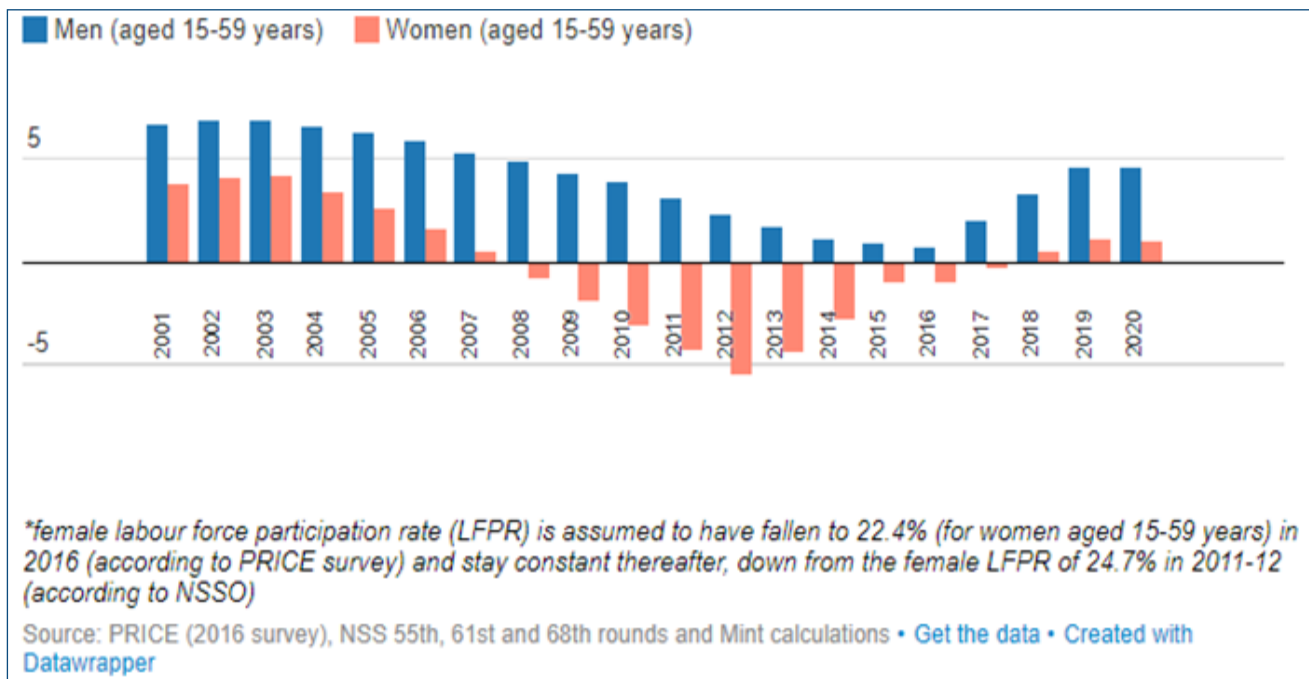


Fig. 2: Estimated Annual Increase in India's Labour Force

It is often argued that unemployment amongst men results owing to an increase in women taking up jobs, which are meant for men. But, this is not true because even if

it is assumed that women participation in jobs decline than also there would be a net annual requirement of six million jobs per year in the years to come.

Table 2: Workforce Participation Rate of Different Nations of the World

World	Europe	America	Asia	Africa	Australia	G20
Country	Last			Previous		Range
United Kingdom	79.20			Sep/19	79.2	79.3 : 74.1 %
Netherlands	71.40			Nov/19	71.4	71.4 : 67.4 %
France	71.30			Sep/19	71.6	72 : 69.2 %
Indonesia	69.20			Dec/18	69.02	69.21 : 57.14 %
Switzerland	68.40			Jun/19	68.3	68.8 : 66.8 %
Russia	68.20			Sep/19	68.3	70.3 : 64.2 %
Singapore	67.70			Dec/18	67.7	68.3 : 55.3 %
Australia	66.00			Nov/19	66	66.2 : 60.1 %
Italy	65.70			Oct/19	65.8	65.9 : 61.6 %
Canada	65.60			Nov/19	65.7	67.7 : 61.4 %
South Korea	63.60			Nov/19	63.6	64.2 : 48.5 %
United States	63.20			Nov/19	63.3	67.3 : 58.1 %
Japan	62.30			Nov/19	62.6	74 : 58.5 %
Brazil	62.00			Nov/19	62.1	62.1 : 60.8 %
Germany	61.60			Jun/19	61.5	61.8 : 56.9 %
Mexico	60.20			Nov/19	60.4	61.47 : 58.18 %
South Africa	59.90			Sep/19	59.8	60.8 : 53.6 %
Spain	58.72			Sep/19	58.74	60.55 : 48.88 %
Saudi Arabia	58.40			Sep/19	57.9	58.4 : 47.8 %
Euro Area	57.30			Jun/19	57.1	57.4 : 55 %
Turkey	53.00			Sep/19	53.1	53.5 : 43.9 %
India	49.80			Dec/18	50.4	63.7 : 49.8 %
Argentina	47.20			Sep/19	47.7	47.7 : 44.5 %

Source: <https://tradingeconomics.com/India/India-force-participation-rate>

Table 2 puts forward the workforce participation rate of different nations of the world. It can be seen that the workforce participation rate of the Indian workforce is lower than almost all the developed and the major developing economies of the world with only one exception of Argentina.

Table 3 puts forward the percentage distribution of workers according to the usual status by kind of employment in the year of 2017-18. As per this table, three categories of employment and two categories of persons have been taken for the sake of comparison. Categories of

employment taken are self-employment, regular or wage, salary people and casual category of workers. And, the category of persons included in males and females. Again, the table also presents three subcategories of workers namely own account workers and employer, helper in the household enterprise, and self-employed people.

Amongst the category of self-employed people, 51.9 percent belonged to the subcategory of female workers and 52.3 percent male workers. The percent for regular or salaried people stood at 23.4 percent for males and 21 percent for females. For the category of casual labour, the percentage stood at 24.3 percent for male workers and 27 percent for female workers.

Table 3: Percentage Distribution of Workers According to Usual Status of Employment During 2017-18

Category of Persons	Category of Employment				
	Self-Employment			Regular/Wage Salary	Casual Labour
	Own-account worker & employer	Helper in household enterprise	All self-employed		
Male	44.1	8.2	52.3	23.4	24.3
Female	20.2	31.7	51.9	21	27
Persons	38.6	13.6	52.2	22.8	24.9

Source: PLFS (2017-18)

Source: World Bank Statistics 2019

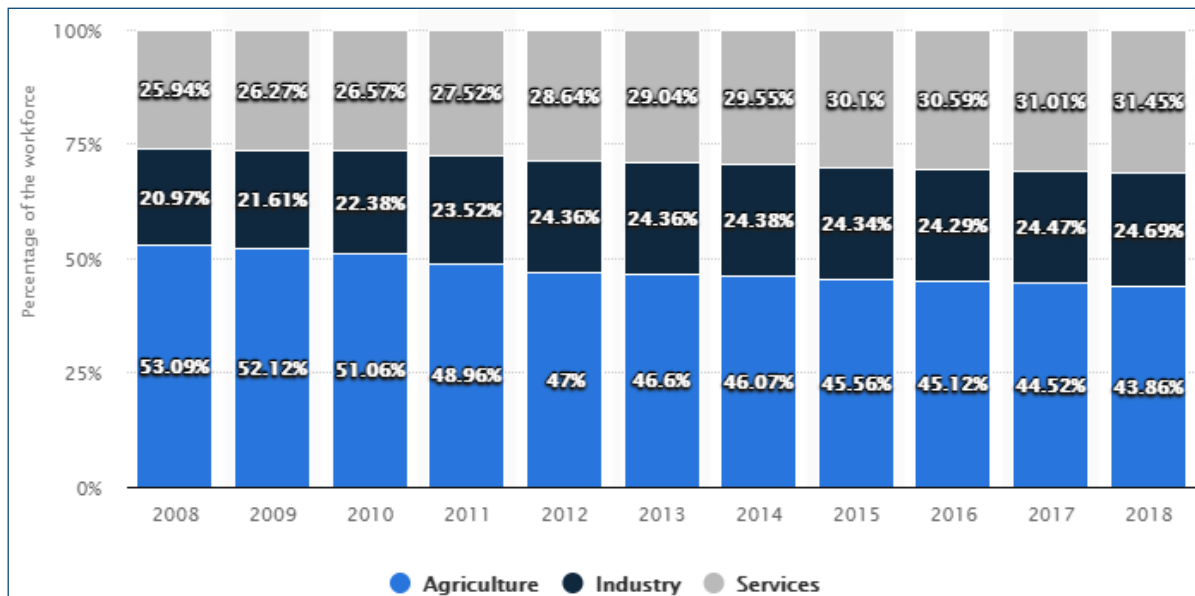


Fig. 3: Percentage Distribution of Workforce in Indian Economy in Different Sectors

It can be amply seen from the above analysis that the problem of unemployment and a low rate of growth of employment has taken a toll on the workforce participation rate in India. Moreover, it has led to an all-time low level of workforce

participation rate, both among males and females of India. As per the data are given in Fig. 3, the rate of workforce participation has been all time low in the year of 2018. At this juncture of crisis, it is imperative for the Indian government to take decisive measures to boost the tempo of development so that industrial productivity gets enhanced and the workforce participation rate can increase.

Conclusion

It can be safely asserted from the foregone analysis that Indian economy has failed on the grounds of the human development index. Though it possesses the demographic dividend, it has no basic framework and capacity to utilize this dividend. Moreover, as large as 50 percent of its population is not contributing to productivity.

People who fail to find sound economic jobs engage themselves in petty jobs and earn their livelihood. Indian government should ensure that its workforce finds good jobs. To ensure employment of its workforce, it needs to provide proper training and education to ensure its full utilization.

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