Faultlines in the Jobs Data*

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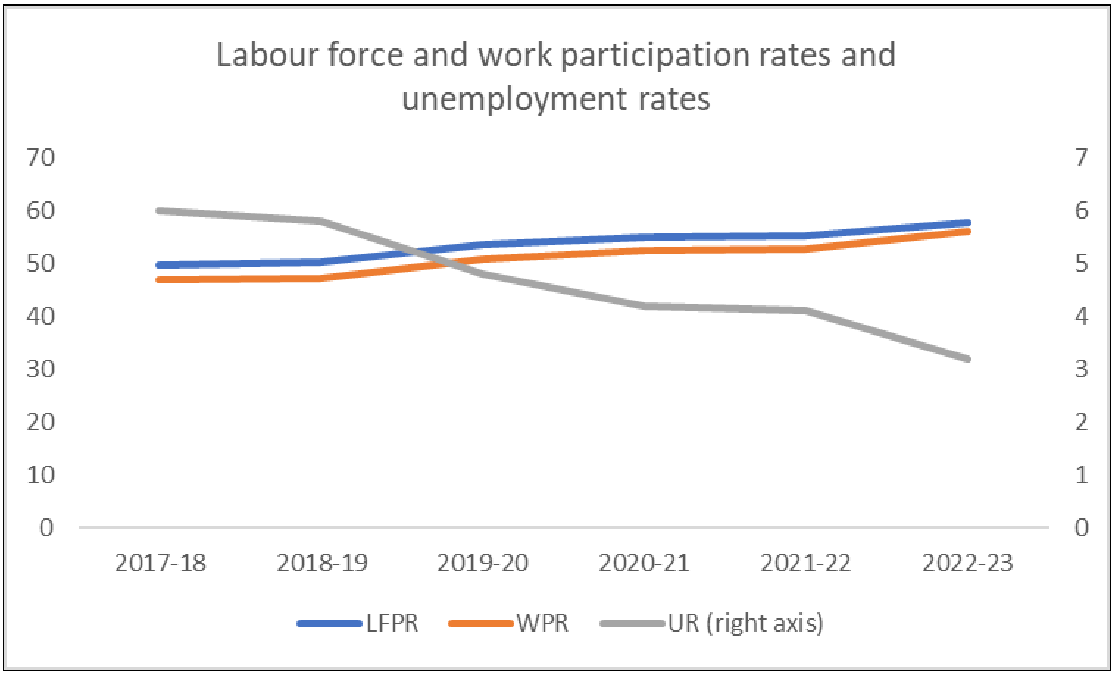
The latest Annual Report of the Periodic Labour Force Survey, covering July 2022 to June 2023, has some interesting results. On the face of it, there seems to be some improvement in the labour market, as expressed in the declining unemployment rate. Figure 1 shows that the unemployment rate has fallen from a high of 6 per cent in 2017-18, to 3.2 per cent in 2022-23, which is much closer to the historical norm for India.

Figure 1.

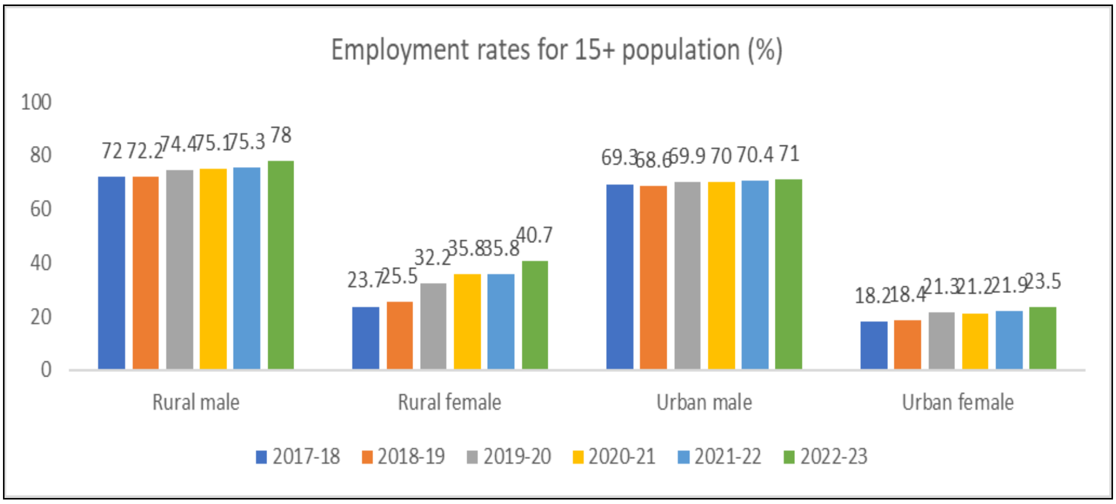


Source for all data: NSSO, Periodic Labour Force Survey Annual Report 2022-23.

The unemployment rate reflects the difference between labour force participation and work force participation (or employment). It shows those people who are willing to work and searching for work who are unable to find paid work, as a proportion of all those in the labour force. As Figure 1 indicates, both the labour force and work participation rates have been increasing, which suggests that the decline in the unemployment rate from previous highs need not be a result of more "discouraged workers" who drop out of the labour force because they cannot find work.

This is confirmed by a closer look at the work participation rate (which is better referred to as the employment rate, since it excludes the many millions of people, mainly women, who provide unpaid labour without being recognised as doing so). Figure 2 indicates that the employment rate for the population above the age of 15 years has also been increasing, even if only slightly, and increased for all categories of workers in 2022-23.

Figure 2.



Is this a sign that things are at last looking up for India's workers, that the apparent recovery in GDP growth is finally reflecting some changes in labour demand that will result in more paid employment, and thereby in better conditions of work? Unfortunately, a closer look suggests that such a conclusion would be both premature and misleading.

What form has this apparent increase in employment in the latest survey year taken? Table 1 disaggregates the data for the most recent years by type of employment: self-employment, regular paid or salaried work, and casual labour. There is one particular category of self-employment that deserves further discussion: that of "unpaid helper in family enterprises". India is one of the few countries (perhaps the only country?) that includes this in total employment.

The ILO definition makes it clear that employment covers only that part of work which is remunerated. Therefore, unpaid work of any kind, whether in the family enterprise or within households in care and other activities, is considered to be work but NOT employment. Yet in India, the official data include this category within total "work participation" which is what is used to refer to paid employment. This is problematic for many reasons—and importantly, it can inflate the numbers of those considered to be in paid employment, when in fact they are not receiving any remuneration.

Table 1 indicates that this has indeed been a factor. Note that both Tables 1 and 2 provide data on the shares of total working age (or 15 years plus) population, because otherwise the very large differences between male and female employment participation tend to provide a wrong impression of changes, particularly for women. Strikingly, in rural India, the proportion of women working as unpaid helpers in family enterprises increased by 2.2 percentage points, accounting for nearly half of the purported increase in women's employment! There was some increase in this even for urban women, but to a much smaller extent.

Table 1: Type of employment by location and gender (% of all 15+ population)

	2020-21	2021-22	2022-23
	Rural male		
Self-employed - own account	36.5	35.6	37.3
Self-employed - unpaid helper	8.3	8.5	8.6
Regular employment	10.2	11.1	11.2
Casual employment	20.1	20.2	20.9
	Rural female		
Self-employed - own account	7.8	9.0	11.4
Self-employed - unpaid helper	15.3	15.3	17.5
Regular employment	3.3	2.9	3.3
Casual employment	9.4	8.6	8.5
	Urban male		
Self-employed - own account	24.8	24.6	24.6
Self-employed - unpaid helper	3.2	3.2	3.3
Regular employment	31.7	32.5	33.4
Casual employment	10.4	10.1	9.7
	Urban female		
Self-employed - own account	5.5	5.8	6.5
Self-employed - unpaid helper	2.6	2.8	3.0
Regular employment	10.6	11.0	11.9
Casual employment	2.4	2.3	2.1

Own-account self-employment also increased for both men and women in rural areas, and for women in urban areas. Once again it is not clear how much of this reflected any economic dynamism in rural areas, and how much was simply the result of the inability to find paid jobs, which forced people into various types of micro-enterprise to earn basic livelihood.

The increase in regular employment—generally seen to be the most preferred type of work—is the only significantly positive feature, but the increases in both rural and urban areas are relatively small, and well within the margin of error of surveys. What would really matter here is whether this has been associated with an improvement in wages/salaries and other working conditions, a question that we will explore in a subsequent piece.

However, the sectoral composition of employment is also important, and here too the data provide a disturbing picture. Far from an increase in the share of manufacturing and modern services in employment, it appears that agriculture has been the main driver of employment for rural women, showing an increase of nearly 4 percentage points in 2022-23 over the previous year. This accounts for nearly all of the increase in women' employment—and as we have seen, the bulk of this was in the form of unpaid labour in family enterprises, which should really not be called employment.

Table 2: Sector of employment by gender and location
(% of all 15+ population)

	2020-21	2021-22	2022-23
	Rural male		
Agriculture	40.4	38.4	38.3
Mining & quarrying	0.3	0.3	0.3
Manufacturing	5.8	5.9	6.4
Electricity, water, etc.	0.4	0.4	0.4
Construction	14.3	12.5	14.8
Trade, hotel & restaurant	7.3	8.0	8.2
Transport, storage &communications	4.0	4.2	4.1
Other services	5.3	5.6	5.5
	Rural female		
Agriculture	27.0	27.2	31.0
Mining & quarrying	0.0	0.0	0.0
Manufacturing	2.6	2.8	3.4
Electricity, water, etc.	0.0	0.0	0.0
Construction	0.0	1.9	1.7
Trade, hotel & restaurant	1.3	1.3	1.7
Transport, storage &communications	0.1	0.1	0.1
Other services	2.7	2.4	2.8
	Urban male		
Agriculture	3.7	3.8	3.3
Mining & quarrying	0.4	0.3	0.4
Manufacturing	13.7	15.1	14.6
Electricity, water, etc.	1.0	1.0	0.9
Construction	9.3	9.1	8.9
Trade, hotel & restaurant	19.2	17.7	18.8
Transport, storage &communications	8.5	8.8	9.4
Other services	14.5	14.6	14.6
	Urban female		
Agriculture	2.2	2.4	2.7
Mining & quarrying	0.0	0.0	0.0
Manufacturing	4.9	5.3	5.6
Electricity, water, etc.	0.1	0.1	0.1
Construction	0.1	0.9	0.7
Trade, hotel & restaurant	3.4	3.2	3.6
Transport, storage &communications	0.8	1.0	1.3
Other services	8.8	8.9	9.4

Table 2 confirms that in rural India, there has been a 2-percentage point decline of male involvement in agriculture, as they have shifted to construction over the two-year period. But this has been more than counterbalanced by a 4 percentage point increase in women involved in agriculture. Other sectors seem to be broadly stable with only marginal shifts.

Overall, this is not a sign of a dynamic labour market. Initial evidence on wage rates 2022-23 point to an extremely worrying tendency of declining nominal wages over the four quarters of the survey year. What really matters, of course is the movement of real wages, which need to be examined further to assess what is really happening to India's workers.

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