

## UNEMPLOYMENT

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1. I feel honoured in having been asked to preside over this Section. I am aware that I am not competent to do this as I am not an economist. However, as the invitation came personally from Shri V. V. Giri, I felt I must accept it.

2. I must also offer my apologies for not having been able to prepare a written speech, owing partly to my absence out of India and partly to heavy pressure of other work. I shall have almost to think aloud for which I hope you will kindly forgive me.

3. I should like to say something about the concept, definition, and measurement of unemployment and underemployment. It will be appropriate if I also make some observations on problems of unemployment in relation to national planning with which I have been associated for some time. I was a teacher of physics for one-third of a century, and my approach would be necessarily somewhat physical; and I shall not try to deal with economic theory as I am lacking in knowledge.

4. The attainment of full employment, that is, the fullest utilization of human resources for productive purposes, is a characteristic sign of highly industrialised economies. Unemployment in such countries can occur only when there is a slack in economic activity; that is, only when there is a falling off from full employment. The remedy lies in taking steps to restore economic activity to the fullest extent.

5. An essential characteristic of an underdeveloped country like India is the existence of idle labour which never gets the opportunity of becoming fully productive. That is, a very large number of people can never secure enough gainful employment. In India, we, of course, have some unemployment of the type which occurs in the advanced countries. This occurs mostly in urban areas where many people have jobs on daily or monthly wages or salary, and can lose them or seek jobs of the same type.

6. But we also have a vast number of persons who work in their own household enterprises or on their own account. They may not have enough gainful work and may be sitting idle for a good part of their time. However, as they do not have any jobs, they cannot lose jobs, and cannot therefore be unemployed in the sense of the industrialised countries. Also, the productivity or output per person

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is often low so that the work which would be done by one person in advanced countries would sometimes be done by two or three persons or even more in a country like India.

7. I should now like to make some observations regarding the measurement of unemployment and underemployment. As regards unemployment it is possible to use basically the same approach as in the industrially advanced countries. Those who have jobs carrying daily or monthly wages or salaries are, of course, employed; and those who had jobs of this type but lost them or are seeking such jobs are unemployed. It is neither possible nor desirable to copy the definitions used in the advanced countries but necessary adaptations to suit Indian conditions can be made without much difficulty.

8. There are however real difficulties in dealing with those who are engaged in household enterprises or work on their own account and do not have jobs and cannot lose them. They can be never unemployed. But they may not have enough work. Here we may have to adopt other approaches. One can use a concept of a hypothetical or normal "full working-time", and enquire whether a person is active for the full normal working time or for only a fraction of it. There would be, however, some arbitrariness or a subjective element in defining the normal full working time. There are also difficulties in interpreting observed facts. For example, a carpenter who has not enough work on hand may prefer to distribute it, at a slower pace, over his normal full working time. This approach would no doubt supply useful information but comparisons between different types of employment may be somewhat ambiguous.

9. Another possibility is to think in terms of a hypothetical normal output per unit of time (hour, day, week, month etc.), and ascertain whether a person is turning out the full or only a part of the normal output. There is again a subjective element in defining the normal output. There are also great difficulties, even in principle, in defining normal output where the product is not homogeneous but consists of many different kinds or output.

10. Thirdly, there is the approach of thinking in terms of "normal earnings" and enquiring whether a person was earning the full amount or only a fraction of it. The subjective element is still there, but comparisons between different types of work would be possible and meaningful. Information on 'normal working time' or 'normal output' can be of great help in defining 'normal earning'; and ultimately one may have to fall back on the earning approach.

11. I have briefly referred to some of the technical problems and the need of both analytic thinking and experimentation. Collection of data on the basis of different approaches and a careful analysis of the observations would be of great value in formulating adequate concepts and tools for the measurement of unemployment. This deserves urgent and serious attention from economists.

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12. I may now refer to the use of sampling methods in this field. Information on employment and underemployment was collected for the first time on an all-India basis in the 9th round of the National Sample Survey, May to August 1955. The results were given in the form of percentages which however can be converted into number of persons by using the usual estimate of 382.4 million as the total all-India population consisting of 316.1 in rural and 66.3 in urban areas<sup>1</sup>. The proportion of the population in the labour force was 44.2 per cent in rural and 34.5 in urban areas or 42.5 per cent for India as a whole. The total labour force thus consisted of 162.6 million persons of whom 139.7 million persons were in rural areas and 22.9 million persons in urban areas. The incidence of unemployment in the total population was 0.29 per cent in rural and 1.99 per cent in urban, was 0.59 per cent in India as a whole. Converted into numbers, this means 0.92 million (9.2 lakhs) persons were unemployed in rural areas and 1.32 million (13.2 lakhs) in urban areas or 2.24 million for India as a whole. Within the labour force itself, the volume of unemployment was about 0.66 per cent in rural and 6.1 per cent in urban areas showing that the incidence of unemployment was proportionately almost ten times greater in the urban areas.

13. I should like to stress once more that in India the number of persons having or seeking employment in the sense of the highly industrialised countries is extremely small. Using the results of the 9th Round of the National Sample Survey, it can be estimated that less than 13 million had jobs of this type of public or large scale private enterprises and offices. Private small scale activities are mostly on a household basis. The total number of persons engaged as hired labour in these small scale enterprises (excluding agriculture, livestock, fishery etc.) was about 5 million so that only about 18 million persons may be considered to have jobs, in the sense of the industrially advanced countries, out of the total labour force of 160 million. Viewed in this way, a volume of unemployment of over 2 million is quite serious.

14. Some experimental studies have been made on the measurement of underemployment which supplied information of considerable interest. I shall give some concrete examples. In the 9th Round of the National Sample Survey (May to August 1955) information was collected about hours of work done per week per person. It was found that the number of persons working less than 8 hours per week was nearly 21 million; they may perhaps be considered to be practically unemployed. The number of persons working less than 29 hours per week or less than 4 hours per day was as large as nearly 45 million.

15. Information was also collected on how many days a person was engaged in gainful work during 30 days preceding the day of interview. The number of

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<sup>1</sup> Growth of population calculated on the inter-census rate based on 1941 and 1951 censuses. Recent surveys (National Sample Survey 14th Round) indicate that the actual rate of growth is probably much higher than the inter-census rate; and the population in 1955 may be appreciably greater than 382.4 million.

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persons working less than 10 days out of 30 days or less than one-third of the month was 39 million which is broadly consistent with the figure 45 million given above in terms of hours of work per week.

16. In an earlier enquiry, in the National Sample Survey, 7th Round (October 1953–March 1954) it was found that about 47 million persons were working on a part-time basis. The same enquiry brought out that among these 47 million persons, 10 million were working part-time; partly on account of ill health of the worker or because of illness in his household and similar causes. About 23 million persons however were working part of the time for reasons of economic nature such as lack of demand for their labour, lack of tools and raw materials, slack season etc.; and 13 million persons gave other reasons. From the above discussion it is clear that at least 23 million persons may be considered to be severely unemployed. The figure would be higher if a somewhat less stringent definition is accepted.

17. In India we thus have an appreciable volume of unemployment (in the sense of the industrialised countries) occurring mostly in urban areas, and also a great deal of underemployment in both rural and urban areas. A radical solution of the problem can be found only through a continuing increase in the economic activity which would create increasing opportunities for productive employment. Economic development consists essentially of an increasing utilisation of idle manpower for productive purposes. Economic development and an increasing volume of employment are but two aspects of the same social process.

18. The National Income is often used as an index of economic activity. Increase in national income is possible only through more fruitful utilisation of idle labour and unexploited material resources. A steadily rising national income is thus also another aspect of a steadily increasing volume of employment.

19. In September 1954 the Planning Commission considered the aims and targets of the Second Five Year Plan. After a very full discussion it was decided that an important aim must be to get rid of the fear of unemployment, if possible, in ten years together with a continuing improvement in the level of living, and a gradual reduction of great disparities in income and wealth.

20. I had participated in this discussion; and I thought this was a meaningful formulation of the aim of planning for national development in India. Employment, unemployment, and underemployment should be capable of measurement so that it would be possible to observe whether the Indian economy was gradually approaching full employment. It should be also possible to estimate the national income and ascertain what was the realized increase in income and the realized improvement in the level of living. In this way, the progress of the plan can be assessed in an objective manner.

21. Let me state the problem again : to try to get rid of the fear of unemployment in ten years—this is the crucial issue in India. But this must be achieved

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with a continuing increase in the level of living. It will not do simply to emphasize the employment aspect alone. Obviously a very large volume of employment can be created simply by destroying all or most of the tools and implements of production. We would then go back immediately to the stone age, and every one would be fully occupied in producing the barest necessities of life. But this would not bring economic prosperity; in fact the level of living would be extremely low. Clearly, this is not the solution we seek.

22. The only way to solve the problem of unemployment and underemployment is to create more opportunities for productive work. This requires the use of tools and machinery. The present production may be increased to some extent by working harder and using the present stock of tools and implements to better effect. But there is a limit to this. The only permanent way of increasing the volume of productive employment is to supply tools and machinery for idle hands, that is, to increase the capital investment. Here also a distinction should be made between investment of two types, namely, one for the manufacture of goods for direct consumption and the other for the manufacture of steel, cement, electricity, and heavy machinery which would produce more machinery, more steel, and more electricity etc. which we may call the basic industries.

23. This must then be broad strategy of planning in India. We have to produce more and more machinery and tools and energy per person so as to increase the productivity of each individual worker, and also to supply more and more people with machinery, tools and power. In India, with our abundant supply of iron ore we should obviously install new steel plants every year. Instead of importing machinery to install these new plants it would be obviously desirable to make such machinery within the country. We must therefore have factories for the production of heavy machinery and heavy electrical equipment. Once we succeed in establishing these basic heavy industries it would be possible to produce more and more essential capital goods out of our domestic resources; and using such capital goods, to increase modern industrial investment at a rapid rate. A rapid industrialization of the country is thus the only radical cure of unemployment.

24. We must be clear therefore that no radical cure of unemployment and underemployment would be possible without a rapid growth of modern industries. We must produce an increasing quantity of steel every year. We must produce increasing quantities of heavy machinery and electrical equipment. More and more goods would be then produced by increasing utilization of our domestic resources. To do this we must of course steadily and rapidly increase our domestic savings.

25. In the Second Five Year Plan it was also recognized that any increase in investment would increase the demand for wage or consumer goods. As our capital resources are meagre to start with, it is desirable to utilize such resources as much as possible for a rapid development of the basic industries (heavy machinery, steel and metals, energy etc.). To meet the increasing demand for consumer goods,

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it would be, therefore, necessary and desirable to expand the production of small-scale and cottage industries which would also create a large volume of gainful employment. Both investment and consumption can and must be increased at the same time by utilizing idle man-power and idle material resources.

26. I have explained the basic logic or strategy of the Second Five Year Plan. Unfortunately, owing to various reasons, this policy could not be fully implemented; and the rate of development has not been adequate to reduce the volume of unemployment and underemployment. We have not been even able to offer employment to more than two million persons, who coming of age, enter the labour force every year and seek work. The only conclusion must be that we must have a much bigger plan next time and still bigger plans in future years. In the Second Five Year Plan it was visualized that the investment in the Third Five Year Plan should rise to Rs. 9,900 crores. We must accept Rs. 10,000 crores in round figures as the size of the Third Five Year Plan. Nothing less would get us out of the fear of unemployment.

27. There was much criticism that such an approach was lacking in balance; and some people asked "How do you know that there is no better solution?" I answered, "Certainly there may be a better way. Please show us a better approach and we would accept it." But in all these years no one has come out with a better solution.