

EVALUATING SELF EMPLOYMENT TO ENCOURAGE THE EMPLOYMENT IN INDIA

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Abstract:

Public support of self-employment has a long tradition in India. The social market model perceives entrepreneurs as important actors to adopt the economy to changing markets, promote innovation and sustain competitiveness. Many programs have therefore been developed over the decades to support business foundations through consulting services and financial resources, research and development co-operations, preferential treatment in labor and tax regulation etc. SMEs in general and craft - related businesses in particular are a special concern of economic policies in India. The promotion of business foundations for unemployed persons is based on former positive experience with such programs not only the scale of the programs was extended but the target group was defined much wider: small-scale businesses – even self-employment without employees – were promoted. The former focus on crafts and trade related businesses shifted towards services in general.

Keywords: NSSO, CRISIL, UPS, UPSS, CDS, CWS, WPR.

Introduction:

Persons who operate their own farm or non-farm enterprises or are engaged independently in a profession or trade on own account or with one or a few partners are self-employed in household enterprises.

The essential feature of the self-employed is that they have autonomy (i.e., regarding how, where and when to produce) and economic independence (i.e., regarding market, scale of operation and money) for carrying out operation. The fee or remuneration received by them consists of

two parts - the share of their labour and profit of the enterprise. In other words, their remuneration is determined wholly or mainly by sales or profits of the goods or services which are produced.

Self-employment, or entrepreneurship, is commonly held to provide an important avenue for individuals to advance up the income ladder. For some, it may provide a better route than paid employment, while for others, who may be disadvantaged when pursuing paid employment; it may provide the only one route which perceived importance of self-employment is reflected in government programs such as the Indian Small Business Administration's loan programs and the Self-Employment Assistance programs that several states have used to help the unemployed to open their own businesses.

Employment in India

The household type characteristic indicates the major source of income of a household during the reference period (July, 2000 to June, 2012) of the survey. In case a household has more than one earning members pursuing different economic activities, the source of income yielding major income was used to determine the household type.

The household types in rural and urban areas, among which the sample households have been categorized, are as follows:

1. Self-employed in agriculture
2. Self-employed in nonagricultural
3. Regular wage/salary earning
4. Agricultural labour
5. Other labour

6. Other households

Objective of Study

Despite the perceived importance of self-employment, there has not been a great deal of basic data analysis to identify who the self-employed are and what they do. As a partial remedy, this paper uses data from the 2000 to 2012 March Supplement to the National Sample Survey Organization (NSSO) to provide a snapshot of self-employment in India, with particular focus on the differences between self-employed men and self-employed women.

Self-employment programs emerged as an important bridge from unemployment to sustainable economic activity. Evaluation results came to positive results regarding re-integration effects and budgetary efficiency. However, is this bridge also the way to rising and sustainable income? The question Creating job opportunities for those who choose to work is central to inclusive economic growth. An increase in job opportunities, in turn, encourages more working-age people to seek employment. This expands the pool of potential workers, a key input to faster economic growth.

The NSSO (National Sample Survey Organization) report on employment in India published in June 2013. Provides the base data to assess the extent of job creation between 2000 and 2012. CRISIL Research has used data from the NSSO report and data on population projection for India to assess employment growth in the decade of 2000s, its characteristics and to estimate the addition to jobs required by 2015.

Employment data available for India specifies only the net addition to employment – the difference between employment (self-employed + jobs) added and lost over a specified period. It does not provide data on new job hiring and jobs losses separately and same is true for self-employed. The estimates for job additions presented here, thus, reflect the net impact of new job hiring minus jobs lost.

Employment can be broadly divided into two categories - jobs (salaried and casual) and self-employed. The estimates based on a recent NSSO report released in June 2013 indicate that overall employment in India increased by 3.2 million between 2006 and 2012 as against 92.7 million between 2000 and 2006.

These aggregate numbers, however, miss important aspects of labour market dynamics such as the break-up between self-employment and jobs, salaried and casual jobs, rural and urban employment and also state and industry-wise labour market movements.

Between 2006 and 2012, an increase of 28.9 million in jobs was largely offset by a decline of 24.8 million people in the self-employed category; this restricted the total employment gain to 4.1 million. Between 2000 and 2006, while jobs had increased by 29.2 million, the self-employed segment had expanded by 65.5 million. This had resulted in total employment gain of over 94.7 million. The fall in self-employment between 2005 and 2012 can be majorly attributed to fall in self-employment in agriculture. Some of those who were self-employed in agriculture could avail of the limited employment opportunity in other sectors

(mainly in construction) moved out of agriculture.

Table 1: Changes in Employee in different Segments.

Years		Rural Area	Urban Area	Total	
2000 TO 2006	Self Employed	46.7	18.8	65.5	
	Jobs	Regular	5.9	13.7	18.6
		Casual	5.4	4.2	8.6
		Total	11.3	17.9	29.2
2006 TO 2012	Self Employed	-23.8	-1.00	24.8	
	Jobs	Regular	0.2	5.7	5.9
		Casual	17.6	5.4	23.0
		Total	17.8	11.1	28.9

Source: NSSO Report

Net addition to jobs between 2006 and 2012 was marginally higher as compared to the previous 6 years (Table 1). The job additions should have been significantly higher, given that the Indian economy had expanded at the average rate of 8.6 per cent between 2006 and 2012 compared to an average growth of 6.0 per cent between 2000 and 2006. The lower-than-hoped-for addition to jobs during 2006 to 2012 could partially reflect the impact of the economic slowdown on private sector jobs during the last 2 years of the NSSO survey, following the global economic crisis. But it also reflects the existing constraints to accelerating employment generation in India.

With regard to pattern of job creation, the trend clearly shifted in favor of casual jobs

during the second half of the 2000s as compared to the first half, with 23 million out of 28.9 million addition to jobs coming from casual jobs (Table 1). In contrast to the first half of the decade, majority of the job additions from 2006 to 2012 took place in rural India. Of the 28.9 million job additions, rural areas accounted for nearly 17.8 million, which were largely in the form of casual jobs (Table 1). Further, nearly 80 per cent of increment in rural jobs came from six states – Uttar Pradesh, West Bengal, Andhra Pradesh, Rajasthan, Madhya Pradesh and Bihar. Barring Bihar and Andhra Pradesh, the economic growth of the remaining four states had been considerably lower than the India-average. But in all these states, the construction sector grew by an average of nearly 9 per cent during this period and most job additions in the rural areas of these states have been driven by the construction sector. Some of the people who have moved from agriculture to construction could have secured employment through social schemes and Self-employment Schemes.

Table 2: Self-Employment Share in employed. (Per 1000 persons employed in rural)

Approach	Self Employed	Wage/ salary earners	Casual laborers
UPS	516	130	354
UPSS	530	124	347
CDS	533	134	333
CWS	537	126	338

Table 2 presents distribution of employed persons by modes of employment under different approaches in rural sector. The

survey results show that in rural area as well maximum of 516 persons out of 1000 persons are estimated to be self-employed, followed by 354 persons out of 1000 persons under casual laborers and remaining 130 persons out of 1000 persons under the wage/salary earners classification based on usual principal status approach.

Table 3: Sector wise Distribution of Self-Employed persons. (Per 1000 persons)

Approach	Primary sector	Secondary sector	Tertiary sector
UPS	529	193	278
UPSS	538	193	269
CDS	528	192	280
CWS	543	189	268

Source: NSSO Report

Table 3 results that under UPS approach, majority of the persons at combined level of rural + urban sectors are employed in primary sector i.e. agriculture, forestry & fishing and mining & quarrying or Section A & Section B of NIC 2011. In the primary sector, 529 persons out of 1000 persons are estimated to be employed followed by 278 persons out of 1000 persons in the tertiary sector and remaining 193 persons out of 1000 persons in the manufacturing sector i.e. manufacturing and construction sectors.

Table 4: Status of Employment and Self-employed of Regular and Casual workers in Different Years. (%)

Years		Rural Area	Urban Area	Total
2000	Self Employed	60.2	45.4	52.8

TO 2006	Jobs	Regular	7.1	39.5	23.3
		Casual	32.8	15.0	23.9
		Total	39.9	54.5	47.2
2006 TO 2012	Self Employed		54.2	41.1	47.65
	Jobs	Regular	7.3	41.4	24.35
		Casual	38.6	17.5	28.05
		Total	45.8	58.9	52.35

Source: NSSO Report

By observing above table 4 the another aspect of employment trends and structure that is of interest in a developmental context is the distribution of workers by employment category in terms of self-employed, regular wage and salaried workers and casual wage earners.

It has been generally expected that with shift of workers from agriculture to nonagricultural activities and from footloose to enterprise based employment, there will be an increase in the proportion of workers employed on a regular wage and salary basis. There has been a decline, albeit slow, in the share of self-employed, from 52.8 per cent in 2000-2006 to 47.65 per cent in 2006-2012. The share of regular wage-salaried workers has, however, stagnated at around 5 per cent, while that of casual workers has increased from 24 to 28 per cent. This situation has generally been interpreted to mean an increasing 'casualization' of workforce. In so far as the term describes an increase in the share of casual workers, it is factually true. But if it

is meant to imply a process of 'regular' workers turning 'casual', or a decline in employment and earnings, the trend needs to be carefully analyzed. The shift is seen from self-employed to casual workers category and most of it has taken place in rural areas, from agriculture to nonagricultural activities, such as construction, trade and services. There has, no doubt, been displacement of workers from large industries in urban areas, rendering the regular workers to the status of casual workers. But the magnitude of such change in status of workers has not been very significant in relation to the total numbers involved.

Table 5: Workers Participation Rates and Distribution of All Workers by Employment Status by Quintile Groups in India.

Quintile	Poorest %	Middle %	Richest %	Total %	
% of Workers in total population	Male	49.71	55.71	58.71	54.58
	Female	20.60	22.61	26.32	22.76
	Persons	35.21	39.93	43.43	39.19
%	S				

Of Em plo ymen t Stat us	E	42.34	52.22	56.66	50.95
	R G	8.15	15.52	27.00	15.59
	C L	49.51	32.26	16.35	33.46
	T o t a l	100	100	100	100

Source: NSSO Report.

SE- Self Help Group

RG- Regular jobs

CL- Casual jobs

In the table we observe that the work participation rate (WPR) among female is abysmally low at 22.8 per cent which is again lower to the WPR among the highest quintile group female by more than 3 per cent. This inequality is little more pronounced in rural areas than in the urban areas. WPR of urban female, in fact, declines with higher quintile groups, except in case of the highest quintile group.

The low and steadily declining WPR among the poorest quintile over the years is a matter of concern and necessarily reflects a situation of limited and shrinking opportunities for the poor in the job market.

As in the case of the poor population, the WPR among women is also very low. The latest NSSO data (2009-10) shows that less than a quarter of all women join the workforce. Although there have been on-going debates on the definition and method of measuring women's paid workforce participation (ILO, 2002), it has been frequently highlighted that women face a variety of social and institutional barriers restricting their entry into job markets (Sudarshan and Bhattacharya,

2008). Rustagi (2010) notes that the importance in the active reproductive years on bearing and rearing children for 'currently married' women constrains their labour market participation.

Conclusion

While the statistical results presented in the last Section are affected by all changes in Self-employment rather than just the support programs of the Government programs, the strong increase in self-employment without employees is largely due to the Encouragement of the Government.

Nevertheless the new business foundations by unemployed appear to be sustainable, compare positively against the former unemployment situation, and provide higher incomes.

For this research, highlights snapshot of Indian self-employment reveals that there are many factors to keep in mind when studying the determinants of self-employment. These include differences in self-employment according to characteristics such as sex, race, region, age, and education. They also include differences in the occupations and industries in which self-employed men and women tend to be found. Because of these many differences, questions arise about whether policies designed to spur self-employment have different effects on the various categories like home-based or part-time self-employment, which may be more amenable to women's career strategies because they decrease the costs of childcare? Are they more useful for some states because of the state industrial composition?

We do not attempt to answer these questions here, but they certainly indicate

that there is much more to self-employment than has been addressed in previous studies which tend to ignore many of the differences outlined here.

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