

Analyzing the Trends of Labor Force Participation Rate in 2005-10

***Dr. Shalini**

Abstract

Labour force participation rate is the measure of active workforce in a nation, it accounts for the number of people in a nation who are willing and able to work. With this paper I attempt to throw light on trends of labor force participation rate (LFPR) and its shape decline in recent years. With examinations of trends in the labour market I analyze the causes of change in LFPR, through the examination of NSSO surveys. The findings of this paper portray a number of factors which can possibly answers to the question in study. Some root causes namely education system of India and changing income of families. However, the significant long-run subject is the lack of employment opportunities, due to factors such as occupational segregation.

Key words: LFPS, household income, unemployment, GDP

Introduction

The latest survey on Employment and Unemployment Situations (2009-10) in India conducted by the National Sample Survey Organization (NSSO) reveals a decline in LFPR. It shows a sharp decline for 44.39% (Participation rate of population aged between 15-24) in year 2005 to 36.35% in the year 2010. Where the decline in male participation rate stood to 3.4% from the previous survey and female participation rate fell by 10.1% which tells that 22.6 million women in the country withdrew not even form their jobs but also form search for one.

The most shocking fact is that the decline in LFPR occurred in the period when the country had a high level of average annual GDP growth. With high GDP growth per year an economy is expected to be a job creator but unfortunately this growth seemed to be a "job-loss growth." India also implemented a programme to generate employment opportunities in rural areas, named Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (shorty referred to as MGNREGA) but still there was a fall in LFPR which appears to be very puzzling. Surveys also show that there is a decline in fertility rate which would have increased female participation, another noteworthy problem is a shift from primary sector to secondary and tertiary sector.

Given the facts this paper attempts to identify possible reasons behind a sharp fall in LFPR in the latest NSSO survey on Employment and Unemployment Situations in India. The structure of this paper in as follows- first part states the hypotheses of the paper, second parts examines the trend of LFPR under which two more causes are discussed. Last part is the conclusion

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Methodology

LFPR in the percentage of population which is actively seeking for job (within the age 15-64 (Note: does not include students and disabled)) divided by total number of population. As the country starts to develop the labour force participation rate increases accompanied with higher literacy rate and lower fertility rate.

The paper is majorly based on secondary research the main pillar of which are the two Employment and Unemployment survey namely 61st round (2004-05) and 62nd round (2009-10). Both of the rounds are carried out in a 12 month period which is from July to June.

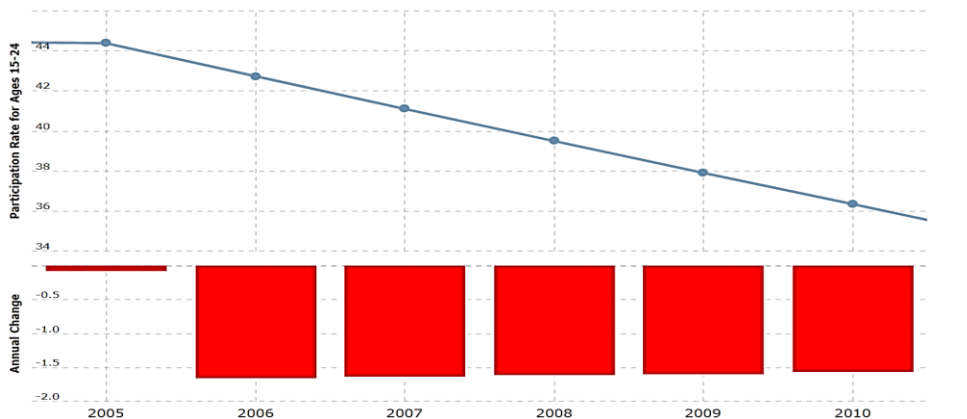
Hypothesis

In attempt to explain a steep decline in LFPR between the two survey rounds under study (2004-05 to 2009-10) the paper focuses on three main hypotheses which are thought to be the root cause, those are:

1. High number of ennoblements in educational institutes
2. Insufficient employment opportunities for women
3. A sudden raise in household income
4. Moving away from agricultural activities

Recent LFPR trend in India

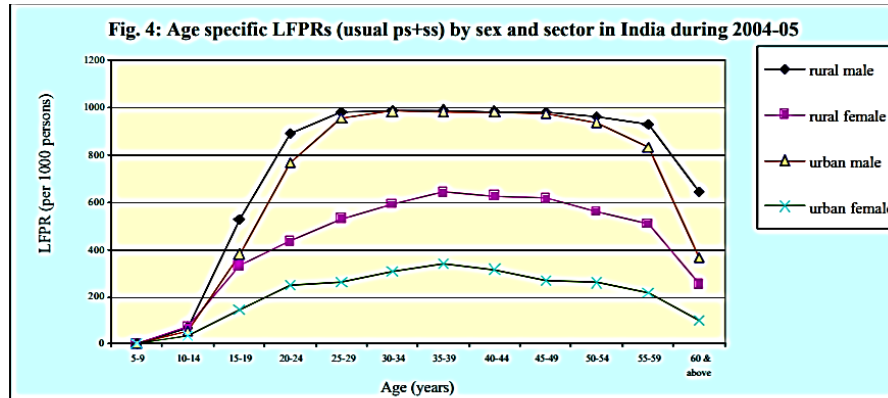
According to the research there was a decline in the overall participation from the year 1994 to 2000, which gradually started to increase from the year 2000 but it dropped drastically within the years 2005-10. As shown in the figure 1



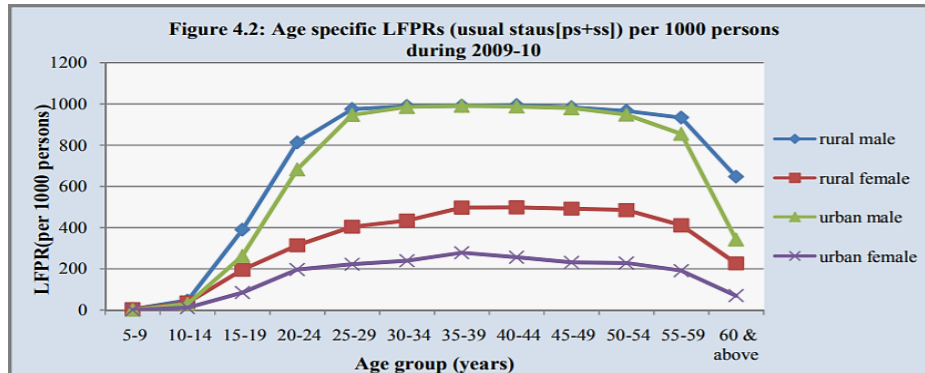
Source: <https://www.macrotrends.net/countries/IND/india/labor-force-participation-rate>

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NSS Report No. 515: Employment and Unemployment Situation in India, 2004-05



NSS Report No. 537: Employment and Unemployment Situation in India, 2009-10

Figure 2 and 3 show a decline in labour force participation rate of urban female which could be because of the reasons given below

Increase in educational enrolment

As per the data of NSSO the number of women enrolled in educational institutes has risen since few years. The data shows that between 2005-10 there were more than 24 million new enrolments of women in education with approximately 14 million in primary level education and 19.8 million in secondary level education. This might be a reason for reduction in labor force participation rate as more women started going to school/ colleges they dropped working.

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The fact that there was a fall in female participation can also be associated to an increase in household incomes. Firstly, as household income increases the families found it unnecessary to let the women of the family work for a very insignificant amount of wages. Secondly, as income increases the families found it more affordable to get educated and let their children (above 15 years of age) spare time to go to schools and withdraw from labour force participation rate.

Insufficient employment opportunities for women

As our country shifted from primary sector to secondary and tertiary sectors the farmers (who were uneducated) found it difficult to find jobs. Even though men got jobs in secondary sector- jobs majorly related to loadings and off loadings but women were not comfortable doing those works. This reduced the job opportunities for women which reduced the overall labour force participation rate.

Conclusion and policy advice

The paper evaluates the trend of LFPR in India from the year 2005 to 2010. It shows that there was a drastic fall in LFPR in the year 2005 due to reduced opportunities of job accompanied with many other residual effects. The paper consists of four hypothesis which are all set to be true. Here increasing the output growth in the economy, outside agriculture, and formalizing the informal sector is a great challenge to our economy. Even expanding the coverage area of policies like MGNREGA cannot help till next 10-15 years. The paper also summarises factors which contributed to a fall in female participation rate. Where the findings conclude that there should be more focus on job creation according to gender, and reasonable measures should be taken to carefully design policies and programme.

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