

## **Employment promotion in Kerala: Some lessons for action**

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I am delighted to be here for an in-person meeting after a long gap of two years during the Covid pandemic. It is heartening to see that the elegant auditorium of GIFT is now being used again for generating meaningful debates on the economy and employment in Kerala and the whole of India. My brief is to go through the Kerala Economic Review of 2022 and highlight some observations concerning employment. To this end, I will make minimal use of some empirical data from the Economic Review and discuss some related sources. Hopefully I can bring to your attention a few takeaways on the employment situation in Kerala.

Here, a brief review of the taxonomy of labour force, which we come across in the literature is in order. First, there are the status groups such as the self-employed and own account workers, and wage employees (comprising of the regularly paid, casual wage workers and those paid in kind). Among the regularly paid workers we draw a distinction between the formally employed with better terms and conditions of employment including assured wages, tenure, and social security benefits and the informally employed often without access to such improved benefits. Thereon the workers are divided into industrial divisions such as: primary sector (comprising of agriculture and fisheries), secondary sector (construction and manufacturing) and tertiary sector of numerous service industries both in the public and private domains. We also take on board an occupation-based classification of workers into numerous skill categories of white- and blue-collar workers. The above threefold divisions of workers are further disaggregated in terms of gender categories and rural urban locations.<sup>1</sup>

The literature on economic growth makes it abundantly clear that growth and development in any country or region involve a structural transformation in the size and composition of the labour force. The most important change is a transition from self-employment in the precincts of the household to paid employment, and from work mostly in the primary sector to

secondary and tertiary sectors of industry consisting of construction, manufacturing, and services industries, and occupation wise from lesser skilled categories of different industrial divisions towards more skill intensive and productive professions. In general, such changes are accompanied by a shift of the population from rural to urban areas and a significant increase in the number and relative share of women workers.<sup>2</sup> How are these transformative changes manifested in Kerala? For a comparative assessment of the employment situation, we review some data for Kerala and the whole of India available from the Economic Review of the State Planning Board (SPB 2022).

The Economic Review draws attention to the low labour force participation rates prevalent in the state. Ordinarily we take the averages for every category of the labour force disaggregated by age groups, gender divisions, and rural-urban locations. It is important to note that the National Statistical Organization (NSO) of India measures the participation rates through sample surveys at the household level using two distinct concepts of measurement: the usual status and the weekly status in employment. With the usual status approach, survey authorities ask the households, whether during the past one year any member of the household has taken part in paid or remunerative work, and if so, they are considered as part of the labour force. The NSO also tries to find out if during the greater part of the year, did they work for remuneration in which case, they are listed as the employed and if not, as the unemployed. With the weekly status approach the same procedure is followed: for each person, whether he/she has worked or not during the preceding week is recorded. The weekly status approach is a more practical way of recalling one's employment experience because of the shorter reference period. The NSO derives the quarterly estimates of labour force using the weekly status-based data generated from four sub-rounds of the sample survey every year.

Table 1 which gives the average estimates of labour force participation in Kerala and India by age-groups and gender categories and rural-urban locations point to the following observations. At an aggregate level for all the age groups put together, the worker participation rates in rural areas are better than urban in areas. The participation of men in remunerative work is nearly twice that of women both rural and urban areas. Indeed, the average work participation of women in India is exceedingly low in comparison to many other countries. Women are not visible in the labour force which we often find it difficult to explain. Many of us are inclined to attribute it to culture, without considering the underlying

economic factors. The problem as such calls for a serious reflection by the scholarly community.

<b>Table 1.</b> Labour force participation rate (LFPR) according to usual status (ps+ss), 2017-18, 2018-19, and 2019-20, in per cent													
Sl. No	Age Group	Rural			Urban			Rural			Urban		
		Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
All India 2019 - 20							Kerala 2019 - 20						
1	15-29 Years	60.8	20.7	41.3	58.3	20.3	40	55.6	26.2	40.9	52.9	25.4	38.8
2	15-59 Years	81.5	35.4	58.5	80.6	25.7	53.5	80.6	39.8	58.4	79.1	33.5	54.6
3	15 Years and above	77.9	33	55.5	74.6	23.3	49.3	73.6	35.1	52.8	69.8	28.6	47.7
4	All Ages (0+)	56.3	24.7	40.8	57.8	18.5	38.6	57.9	29.4	42.9	54.9	23.2	38.1

*SPB (2022) Table 7.1.1*

When we examine the same data by gender and age groups, the participation rates of men in the group of 15 years and above and those in the prime age group of 15 to 59 years, both rural and urban areas, are on par with what you see in the rest of the world. There is absolutely nothing different about men's participation rates, whereas the rates for women are exceedingly low in comparison to what you see in other countries. Here we are still merrily bonded to explaining every difference in terms of culture. Let me also point out that the urban work participation rates are not strikingly different from those in rural areas; but they are lower. Its implication is that the very process of urbanization materializing right before us, which we all believe can bring about greater employment, has so far failed to raise the work participation rates. That is an important takeaway from the figures we have in Table 1.

A second point is that the averages are likely to mislead and therefore, ideally, we should stick to gender-specific work participation rates as given in Table 1. Here we notice that Kerala as the rest of India, has a problem in raising the work participation rate of women. There is yet another problem we notice from Table 2 that during the pandemic years there has been a consistent decline in the quarterly estimates of work participation of men. These estimates have been derived using the current weekly status approach, but they are not significantly different from the figures based on usual status approach as in Table 1. Therefore, employment recovery ought to become our main concern during the post-pandemic years. To this end we need to focus attention on the ways and means of increasing the work participation rates of men and women.

**Table 2** Labour Force Participation Rate (LFPR) (in per cent) according to Current Weekly Status for Kerala and India in urban areas 2020-2021

Age group: All	Male					Female				
	Jan-March 2020	Apr-June 2020	Jul-Sep 2020	Oct-Dec20 20	Jan-Mar 2021	Jan-March 2020	Apr-June 2020	July-Sept20 20	Oct-Dec20 20	Jan-Mar 2021
Kerala	54.80	52.80	53.10	53.00	52.30	21.80	18.20	20.40	20.50	20.50
All India	56.70	55.50	57.10	57.40	57.50	17.30	15.50	16.10	16.40	16.90

Source : Quarterly Bulletin, PLFS, January-March20221  
Quoted in SPB (2022)

In the post-pandemic era when we talk about increasing the employment of women, our focus should be on paid employment. An urbanization process is underway in Kerala, but the difference in participation rates between rural and urban areas is not very large in the state. In passing, it may also be noted that Kerala is a rural-urban continuum in which rules of patriarchy and age-old institutions governing women's work are widely prevalent. Whether or not urbanization increases in the state, the focus ought to be on bringing more women into the skill-intensive categories of paid employment. Fortunately, the state is poised to make some strides in this direction. There is a very comprehensive account of the plan being formulated in Kerala to increase the presence of women in the knowledge-intensive sectors (SPB 2022, Isaac 2022). My submission in this connection is that the focus should be as much on raising the participation of women in the middle and lesser skilled categories of work. It is a matter of adopting a realistic approach towards employment planning in the state.

What kind of employment do we have in mind? We all have a preferred dreamland where we want to be part of a formally employed workforce with assured tenures, regular incomes, and access to benefits from work in particular, health care for workers and their dependents during and beyond the period of one's active work participation. Currently, the formal sector holds less than ten percent of the total labour force in India, and it is no better in Kerala. More than ninety percent of the workforce remains outside the formal sector. This is exactly the domain which the State Planning Board has categorized as the organized sector of Kerala. For the time being, let us not worry about the semantics of classifying employment into the formal, informal, organized, and unorganized sectors. Table 3 in the text of this paper, reproduced from the Economic Review shows the numbers in the organized sector who are employed in the public and private sectors of the economy. They are the principal beneficiaries of a much acclaimed "post-war construct" of employment giving improved

terms and conditions of work with open-ended contracts. Quite unfortunately this model is increasingly becoming dysfunctional.

Year	Public Sector			Private Sector			Total: Organised Sector (Public & Private)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
1	2	3	4	5	6	7	8	9	10
2005	427214	187648	614862	262863	262048	524911	690077	449696	1139773
2010	418229	194884	613113	249491	252911	502402	667720	447795	1115515
2011	421388	191203	612591	245237	253597	498834	666625	444800	1111425
2012	392118	184624	576742	247990	264097	512087	640108	448721	1088829
2013	383436	181892	565328	247796	275038	522834	631232	456930	1088162
2014	385965	193407	579372	265859	284515	550374	651824	477922	1129746
2015	378059	192856	570915	196625	370143	566768	574684	562999	1137683
2016	378065	186865	564930	295033	315044	610077	673098	501909	1175007
2017	370909	189234	560143	293290	320006	613296	664199	509240	1173439
2018	363982	189942	553924	324301	335752	660053	688283	525694	1213977
2019	366812	193807	560619	344004	342877	686881	710816	536684	1247500
2020	361695	193224	554919	331294	368153	699447	692989	561377	1254366

*Source: Economic Review, 2020, Vol. 2, P 309, State Planning Board, Government of Kerala*

This is not the place to go into the diminishing importance of post-war models of employment. Let us face the fact the formal sector (or as we call it in the Economic Review the organized sector) is not showing any visible progress in terms of employment growth. There are as many as 1.25 million workers; but their numbers have not increased over the years. On the other hand, there is a perceived tendency for formal employment to diminish over time. It appears that more jobs are being created in the private sector, while the public sector remains stagnant. The point to note is we are not making much progress with formal employment.

There is another disturbing picture of far too many people queuing up for employment in the formal sector. Table 4 shows that in 2021, men and women who have registered themselves for formal employment as jobseekers in the Employment Exchanges of Kerala came to as many as 3.8 million. From 2013 onwards there has been a pronounced increase in the number of jobseekers with educational qualifications above the secondary level, and notably so among women. Incidentally, all those registered live in the employment exchanges are not necessarily the unemployed labour force of the state. That is a separate topic for discussion.

**Table 4.** Distribution of Men and Women Work-seekers in Keraia by Educational Level (No.of persons)

Year end	Below SSLC		SSLC		Higher Secondary		Degree		Post Graduate		SSLC and Above		Total Work -seekers		
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	(Men + Women)	% of Total Work Seekers	Men	Women	Total
2013	184554	249866	954075	1423557	246596	391841	81215	143262	15314	38629	3294489	88.3	1481773	2247353	3729126
2014	179999	218328	897576	1327795	304661	406212	83398	146647	15939	39931	3222159	89.0	1481593	2139087	3620680
2015	179199	220448	871936	1310509	277949	340741	89421	144347	15606	42761	3093270	88.5	1434319	2059503	3493822
2016	155669	212936	807958	1342402	275220	438767	85669	186529	16002	37055	3189602	89.6	1340704	2218694	3559398
2017	143835	205915	744758	1290111	288890	468306	99282	200063	16695	44119	3152224	90.0	1293699	2209066	3502765
2018	128461	192597	744183	1236770	299645	542628	105462	227443	19567	63540	3239238	91.0	1297512	2263584	3561096
2019	110313	174283	734581	1205397	314190	558675	98275	232066	20882	72391	3236457	91.9	1278483	2243302	3521785
2020	110555	158925	711413	1099340	311065	595492	91646	244194	25433	82222	3160805	92.1	1250388	2180777	3431165
2021*	106959	139971	730646	881461	449632	928167	102816	344751	25433	121392	3584298	93.5	1416133	2416955	3833088

Source: Directorate of Employment, Govt. of Kerala, 2021, Quoted in SPB (2022)

\* Until 31 August 2021

Now what do we do? Our dream of drawing everyone into the formal sector is not working and we have a problem in even inducting them to the workforce. It is a known fact the labour market conditions in the state are tight that we are not able to create the required number of formal jobs. I wish to point out that employment planning means we can do a lot more than bringing more people into formal job relations. We should aim at extending the benefits and privileges of employment to all workers falling outside the formal sector. This is eminently possible and those of us currently studying the problem should be able to visualize a future that we all want to belong. It needs a collective effort, lot more reflection and careful planning about the shape of things to come. We can arrive at the right set of policy prescriptions through such collective reasoning.

There are many policy interventions possible in the state towards improving the employment outcomes in the informal sector. First, we need to be more realistic and come to terms with the creative destruction underway in the world of work and accept the imperative of modernization and technological advancement in our traditional industries. Then only can we improvise the strategies for turning all incumbents and new entrants to our labour markets into beneficiaries of a formal employment system. To this end, there are many practical interventions within reach of the state. It requires a concerted effort to mobilize the required resources and deploy them on specific target groups. There are two distinct sets of interventions possible, one on the supply side of the labour markets and another on the demand side. First, on the supply side interventions where the state has so far played a commendable role compared to many Indian states. Let me outline a few such interventions in Kerala.

We are familiar with the story of social spending in the state, geared to improving the health care and education of all people, which in turn has had decisive impact on the demography and skill content of the state.<sup>3</sup> Perhaps the most significant breakthrough came through a reduction of fertility rates, which brought the state closer to deriving more demographic dividends. The demographic dividend is not just an explosion in numbers of the younger age-groups; it denotes an increase of the labour force willing to take up paid employment for assured returns spread through their life spans. The state has done a commendable job in the past making it possible for the youngsters to access more opportunities for skill development in a multiplicity of avenues and thus facilitated their entry into the global value chains. In continuation of this magnificent tradition, the state is currently embarking on new ventures to

make the youngsters partners of the emerging knowledge economy, linked to global value chains (Isaac 2022). The focus is on equipping as many people to avail themselves of employment opportunities at the higher end of labour markets. Without detracting from the merit of such ventures, let me add that we ought to give as much attention to training the youngsters in the middle and lower tiers of skills and absorbing them into productive employment.

The emphasis should shift equally to skill formation of women in the middle categories. That is possible since the state has already established numerous skill development institutions for women in the non-traditional avenues of employment. I mentioned women specifically because they do not come into the visible labour force for a variety of reasons. Even if there are opportunities, women do not avail themselves of them, presumably because the offer price or going wage is different from what they expect. I will come to this question later when we discuss some demand side interventions of the state. With skill development programmes on the supply side, we should also aim at a large-scale skills certification programme together with stipendiary support. In this regard, first identify all the skills suited for women even if they are in the male bastions; then provide them with the required training for six months to one year, eventually resulting in official certificates from appropriate institutions, which in turn can fetch them the right kind of jobs on global value chains.

Right now, we have skill certification programmes, but the numbers absorbed are limited. We can upscale them with a view to absorbing thousands of young workers. Ideally, we should aim at a huge network of training institutions in the state, specializing in a variety of skills, and providing financial support to the trainees. Most young people, especially women, who want to avail themselves of the certification programme do not have the economic wherewithal to endure long duration courses. Therefore, if financial support is built into an ambitious programme for training, apprenticeship, and certification in the middle and lower tiers of skills, it could make a huge difference to skill development in the state. Such an ambitious network of training institutions needs to be planned carefully setting precise targets and specifying the allocation of resources required for operationalizing it.

Thereon let me come to the demand side interventions that are possible in the state. Ordinarily we are inclined to set aside employment creation to the private sector and implicitly argue that the public sector should withdraw from this field in so far as possible. It is not surprising that public sector employment in Kerala has been shrinking during the



preceding decades (Table 3). I would like to argue a counterpoint that the trend needs to be reversed and that employment promotion through the public sector should be reinstated to its rightful place in all Indian states.

The state governments have a prominent role to play through facilitating, supervising, and regulating the functioning of labour markets primarily to ensure equitable returns for all taking part in the creation of income and wealth. The state is mandated to work for an equitable distribution of income by respecting, protecting, and realizing the rights of all people to live their lives with dignity. It can fulfil this mandate through minimizing the disparities in rewards of work received by people. Not that one is making a case for taxing the rich or imposing limits on their income and wealth. But the disparities can be minimized through two clear-cut actions: one, raising the minimum price of labour; and another by facilitating the entry of more people into the paid labour force.

First, the national rural employment guarantee act (NREGA) and its urban counterpart deserve greater attention by the policy makers. Now in Kerala, the rural scheme is run mostly with women workers, because the one hundred days of work which they could obtain along with daily wages close to 300 rupees per day are not attractive enough to men workers in the state. Daily wages in Kerala are more than twice the NREGA rates and there is abundant room for raising the wages with support of the state.<sup>4</sup> At the lower end of the market we should aim at many more people, in particular women, availing themselves of the benefits of higher minimum wages. Secondly, it is important to raise the offer price of labour across the board through enhancing the social security component.<sup>5</sup> It means that every occupation, under every status group of employment in the state should come within the purview of social security regulations. The employees and the self-employed should contribute to building up a social insurance fund, which would entitle them to decent health care facilities and a substantial income after retirement, all linked to the level of income they have been drawing from work.

It is possible to build up such an insurance fund, based on contributions under a state level regulatory authority, for financing all the payments linked to social security of workers. Here we are not arguing for any free social assistance programme, but a fully paid-up insurance scheme, which can bring all individual members of households whether they are domestic workers, regular workers, or casual workers under the purview of an ambitious scheme so that they keep on receiving an income sufficient for a dignified living, at least half of their

former income prior to retirement. These two aspects, i.e., raising the minimum wages and improving the social security provisions are eminently feasible and doable in the state.

Let me refer to one more area for state intervention on the demand side of labour markets. Many social spending programmes can be turned into ambitious investment ventures for large scale employment generation. Just one example is the well-known Life Mission Programme of the state, meant to provide four lakh rupees each to over five lakh households for building own houses in the coming years. It works out to a huge amount of 20,000 crores or 200 billion rupees. No one is disputing the ability of the state to raise or spend such a huge quantum of resources spread over a longer period. My submission is that when you allocate 200 billion rupees on a social spending programme, just don't turn it into a bureaucratically administered dole dispensing affair. Instead, turn it into a major investment venture aimed at producing different standardized components and modules that can be assembled at the house construction sites. These investment projects can mature into huge employment creation schemes for the skilled and semi-skilled workers. Likewise, there are numerous social spending programmes, if visualized and coordinated for the deployment of resources, can make a huge impact on the employment situation in Kerala.

In sum, what I have argued so far is as follows: there are enormous challenges, insurmountable as they seem, on the employment front of Kerala. They can be tackled with vision and foresight only if the state were to accelerate the pace of its social spending, geared to enhancing the scale and reach of its interventions on the supply and demand sides of labour markets. This note highlights some such interventions which are possible in Kerala. The moral of the story is: Employment promotion in the state is inextricably tied with the growth of social spending.

## End Notes

1. A descriptive account of the labour force classification followed in India is in PLFS (2019-20)
2. Perhaps the finest exposition of this long-term transformation set in the context many developed countries of the world is in Kuznets (1972)
3. For an account of the notable accomplishments of the state through social spending see Isaac (2022) and Jose (2021).

4. An updated discussion of inter-state differentials in agricultural wages and trends in wages is in Jose (2022).
5. This point is elaborated in relation to bringing more women into paid employment in Jose (2020).

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