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History of employment generation in the service sector in post-independent India

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Abstract

Every Society has a host of human needs that are not being fully met, needs for greater physical comfort, health, education, environmental safety, enjoyment, luxury, curiosity, travel, etc. These unmet needs represent a huge untapped potential for employment generation. A study by the International Commission on Peace and Food showed that a Strategy designed to improve nutritional levels in India by increasing the productivity and incomes of farming families could generate a downstream multiplier effect capable of creating 100 million new jobs within a ten period. Every Society also has a vast reservoir of unutilized resources in terms of knowledge, skill, technology, information, organization, management expertise, money and values that can be harnessed to meet those needs.

Keywords: Food showed, skill, technology, information, organization

Introduction

Planning in India focused on realizing a high rate of growth of output in the long term. A basic assumption was that the shortage of capital goods concerning employable persons constituted a fundamental constraint on growth in the economy. Therefore the planning process did not attempt to define an independent employment strategy; the focus on economic growth was viewed as essential for improving the employment situation. Initially, labor force expansion was not seen as a problem to be contented with. Thus, in the Five Year Plans, the generation of employment was viewed as part of the process of development and not as a goal in conflict with, or to be pursued independently of economic development. The approaches to tackling the task of unemployment have varied from time to time. In the initial years of planning, reliance was placed primarily on the expectation of rapid industrial development and control of the population. These expectations did not materialize and it was observed that the rate of growth of employment was generally much lower than the GDP rate of growth of the economy. Seasons of severe drought and failure of monsoons exposed a large section of the population to extensive deprivation. Successive plans, strategies, policies and programs were, therefore, re-designed to bring about a special focus on employment generation as a specific objective. The seventies and eighties saw the emergence of special schemes like NREP, RLEGP to provide wage employment through public works programs and schemes to promote self-employment and entrepreneurship through the provision of assets skills and other support to the unemployed and the poor. While employment levels expanded steadily during the seventies and eighties, the rate of growth of employment continued to lag behind that of the labor force. Unemployment among the educated showed a rising trend. Another feature of the employment situation is the sizeable proportion of the employed working at low levels of productivity and income. The critics exposed the weakness in the then-ongoing strategies of expanding the public sector irrespective of competition.

Poverty alleviation and employment generation programs

The anti-poverty strategy comprises a wide range of poverty alleviation and employment generation programs, many of which have been in operation for several years and have been strengthened to generate more employment, create productive assets, impart technical and entrepreneurial skills and raise the income level of the poor. Under these schemes, both wage employment and self-employment are provided to the people below the poverty line. In 1998- 99, various poverty alleviation and employment generation programs are grouped under two broad categories of Self-employment Schemes and Wage Employment Schemes.

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Funding and organizational patterns are also rationalized to achieve better impact. These programs are primarily meant for poverty alleviation and generally not been helpful in sustainable employment generation.

Service sector in India

The services sector will be the top employer in India, while the public administration and education sector is to hire the lowest number of employees. Overall though, the Manpower Employment Outlook Survey, says Indian employers are anticipating a stronger third quarter Employment outlook, compared with their counterparts in the Asia Pacific region. According to the survey, the strongest outlook was reported by employers in the services sector, up 13 percentage points over the previous quarter. Sentimental for both manufacturing and transport and utilities improved by 12 percentage points, while the finance and real estate sector reflected an increase of 13 percentage points. Employers in the public administration and education sector, which saw a drop by six percentage points over the previous quarter, reported the weakest employment outlook.

Emerging trends in services sector

While the contribution of agriculture to the GDP has been steadily declining the share of the manufacturing sector has been stagnant and the services sector has been making rapid strides, presently the share of the services to the GDP is about 56%. The trends in sectorial composition of GDP have several implications to the development process of the economy, which need to be addressed and carefully analyzed. Interestingly the contribution of agriculture of GDP in countries such as China, Korea, Indonesia, Malaysia, Philippines and Thailand and about 69% in Singapore. In contrast in India, the contribution of the manufacturing sector is one of the lowest at about 28% and the services sector is one of the highest.

The services sector witnessed phenomenal growth during the post-liberalization era. A glance at the growth rate of the services sector during 2003-04 reveals that sub-sectors such as trade, hotels and communications have been witnessing rapid growth at about 11 percent per annum, while other sectors such as construction, community, social and personal services showing about six percent growth. This clearly indicated a lack of symmetry in the development across the sub-sectors of the services sector raising issues such as public investment in these sectors, private participation, foreign investment, deregulation, foreign direct investment, tax and other incentives, etc.

While in the developed economies, for instance, the USA, contributions of the services sector to the GDP is 80% accounting for 70% of the total employment, in India contrastingly the contribution of the services sector to employment is not even one-fifth of the total employment. The reasons for the discouraging performance of the services sector in terms of employment generation need in-depth analysis.

India has become a hub of business process outsourcing searching for the developed countries due to the availability of cost-effective and skilled human resources. This threw up a big opportunity as well as a challenge. We have to find ways to harness and tune up the vast growing reservoir of human capital to make it fit for meeting the demands placed on it. This may warrant a thorough overhaul of the curriculum and

the pedagogy, particularly in the Commerce discipline.

The service sector has also thrown open several opportunities on the export front. For example the export software products and services, technical know-how technology transfer and the human capital. In this context, a closer examination of the policy domain of the government, unexplored areas and markets, cost-effective ways of reaching out to the people across the globe etc. is called for.

The share of the Service sector in the total tax revenues at present is not impressive. However, the Government has been exploring the possibilities of increasing the share and also ways and means of widening the tax net. The sharing of the service tax revenues between the center and the state has also become a bone of contention. Thus the deeper study of the policy of the Government on Services tax, the potential for increasing the revenues and the issues involved therein assume importance.

Thus the issues and sub-themes to be covered by the contributors of the papers may be as follow. A caveat here is that the list is only indicative and not exhaustive.

Place of the services sector in the economy

- Contribution of the services sector to the GDP
- The services sector in India vis-à-vis other economies
- Changing the composition of the services sector
- Employment in the services sector
- Policy reform about various sub-sectors of the services sector
- FDI in the services sector
- WTO and services sector
- Trade-in service
- Outsourcing of services
- The extent of penetration of services into Rural India

Employment generation in service sector

Service or the 'tertiary sector' of the economy covers a wide gamut of activities like trading, banking & finance, infotainment, real estate, transportation, security, management & technical consultancy among several others. It has seen remarkable growth over the past couple of decades and today contributes more than 63% to India's GDP. Yet, it contributes only 30% to the employment of the country. This issue brief is to understand the policy options that are needed to boost employment in the sector. In particular,

1. Why skill improvement is required especially in construction and transport
2. What is the role of the state given that the central government is planning massive investments?
3. What planning is required for transportation and logistics in areas where investments are targeting, steel, power and mining industries?
4. What is the scope for absorption of local people in these operations?
5. Could there be other suggestions for long-term livelihood management?

Specifically in the IT service field and ITES India is not going to produce enough work to keep pace with its burgeoning population. We need to focus on more product-based companies. It does not necessarily mean product-based companies in the IT domain. No matter what we do with our service-focused IT-ITES sector, I believe, we will not scale dramatically to be able to become a true economic

power. Nasscom's projection that the Indian IT sector would make \$70 B in 2009 with a workforce of 2.2 million corroborates my opinion. This Projection translates to a per-employee earning of app \$32,000. A comparison with Microsoft that makes \$40 B with 60,000 employees or with Nokia that makes \$40 B with 40,000 employees depicts the need for product companies in India. At a time, when the focus of existing IT companies and the industry as such is slated to shift to product conception and marketing, I see massive opportunities for entrepreneurs and early-stage product companies in India and the government would provide a conducive environment for them. Moreover, we need to create opportunities in the BOP (Bottom of Pyramid) region.

Samagra awaas yojana

It was launched in 1999-2000 as a housing scheme to ensure the provision of shelter, sanitation and safe drinking water.

Pradhan mantri gramodaya yojana

This program was launched in 2000-2001 focussing on 5 important areas of village development, health, drinking water, primary education, housing and rural roads with aim of improving the quality of life of people in rural areas.

Jawahar gram samridhi yojana

It was launched in April 1999 by restructuring the Jawahar Rozgar Yojana and is implemented by Gram Panchayats for creating productive community assets.

Pradhan mantri gram sadak yojana

Launched in Dec 2000 as a 100% CSS, PMGSY aims to provide all-weather connectivity to all the eligible unconnected rural habitations. Bharat Nigam envisages connectivity by 2009 to all the habitations with a population of 1000 or more in the plains, and of 500 or more in the hilly, desert and tribal areas. The systematic up-gradation of the existing rural road network also is an integral component of the scheme, funded mainly from the accruals of diesel cess in the Central Road Fund with support of the multilateral funding agencies and the domestic financial institutions. Up to December 2005, with an expenditure of Rs.12, 049 crore, a total length of 82,718 km. of road works had been completed.

Indira awaas yojana

It aims to provide dwelling units, free of cost, to the scheduled castes, scheduled tribes, and free bonded laborers, and the non-SC/St BPL families in rural areas. It is funded on a cost-sharing basis at a rate of 75:25 between the Centre and the States. Under it, the ceiling on construction assistance is Rs.25000/-per unit in the plains and Rs. 27,500/- for hilly/difficult areas, and Rs.12, 500/- on up-gradation of the unserviceable kutcha house to pucca semi-pucca house for all areas.

Swarnjayanti gram swarozgar yojana

Launched in April 1999 after restructuring the Integrated Rural Development Programme and allied schemes, is the only self-employment program for the rural poor. The objective is to bring the self-employed above the poverty line by providing them income-generating assets through bank credit and Government subsidy. Up to Nov 2005, the Centre and States, Sharing the costs on a 75:25 basis, had

allocated Rs. 8,067, of which 6,980 crore has been utilized to assist 62.75 lakh self-employed.

Sampoorna grameen rozgar yojana

Launched on September 25, 2001, to provide additional wage employment in the rural areas, has a cash and food grains component, and the Centre bears 75 percent and 100 percent of the two with the balance borne by the States/UTs. In 2004-05, 82.23 crore person days were generated with the Centre releasing Rs.4, 496 crore as cash component and about 50 lakh tonnes of food grains to the States/UTs. Besides, under the special component of the SGRY, with the States/ UTs meeting the cash component Centre released 26 lakh tonnes of food grains to the 13 calamities affected States. In 2005-06 up to November 2005, the number of person-days generated under SGRY was 48.75 crore, while the Center's contributions in terms of the cash and food grains component up to January 2006 were Rs.4651 crore and 35 lakh tonnes, respectively. Under the special component, about 11.65 lakh tonnes of food grains have been released to the 11 calamity hit States in the current year.

National food for work programme

Launched as a CSS in Nov 2004 in the 150 most backward districts to generate additional supplementary wage employment with food security. States receive food grains under this free of cost. The focus of the program is on works relating to water conservation, drought proofing, land development, flood control/protection, and rural connectivity in terms of all-weather roads. In 2004-05, allocation of Rs.2, 020 crore and 20 lakh tonnes of food grains generated 7.85 crore person-days of employment. In 2005-06, of the allocation of Rs.4, 500 crore and 15 lakh tons of food grains, Rs.2, 219 crore and 11.58 lakh metric tonnes of food grains had been released up to Jan 27, 2006. About 17.03 lakh person days were generated up to Dec 2005.

DPAP, DDP and IWDP

Drought Prone Areas Programme was launched in 1973-74 to tackle the special problems faced by those areas constantly affected by severe drought conditions. Desert Development Programme was launched in 1977-78 to mitigate the adverse effects of desertification. Integrated Wastelands Development Programme has been under implementation since 1989-90 for the development of wastelands.

To increase the wage-earning capacity of artisans and contribute to an increase in the growth rate of rural and urban employment.

Swarna jayanti shahari rozgar yojana

In Dec 1997, the Urban Self Employment Programme and the Urban Wage Employment Programme which are the two special components of it. Substituted for various Programmes operated earlier for urban poverty alleviation. This is founded on a 75:25 basis between the Centre and the State. In 2003-04, the central allocation of Rs. 94.50 crore plus Rs. 10.50 crore for North-Eastern Region including Sikkim was fully utilized. Even 2004-05 saw the release of the entire budgetary allocation of Rs. 122.00 crore. In 2005-06, out of an allocation of Rs.160.00 Crore, Rs. 84.52 crores had been utilized until Nov 30, 2005.

Quantum and nature of financial assistance

Level of funding under PMEGP Categories of beneficiaries under PMEGP	Beneficiary's contribution (of project cost)	Rate of Subsidy (of project cost)	
Area (location of project/unit)	Urban	Rural	Total
General Category	10%	15%	25%
Special (including SC/ST/ OBC)/ Minorities/ women, Ex- servicemen, Physically handicapped, NER, Hill, and Borders areas etc.	5%	25%	35%

Valmiki ambedkar awaas yojana

Launched in Dec 2001, facilitates the construction and up-gradation of dwelling units for the slum dwellers, and provides a healthy and enabling urban environment through community toilets under Nirmal Bharat Abhiyan, a component of the scheme. The Central government provided a subsidy of 50% percent, with the balance provided by the state government. Since its inception and up to Dec. 31, 2005, Rs. 866.16 crore had been released as a central subsidy for the construction/ up-gradation of 4, 11,478 dwelling units and 64,247 toilet seats under the scheme. For 2005-06, out of the tentative central allocation of Rs.249 crore, up to Dec. 31, 2005, an amount of Rs. 96.4 crore had been released covering 60,335 dwelling units and 381 toilet seats. Reforms attach great importance to the removal of poverty and addressing specifically the wide variations across States and the rural-urban divide. The antipoverty strategy has three broad components: promotion of economic growth; promotion of human development; and targeted programs of poverty alleviation to address the multidimensional nature of poverty. The various programmers targeted at the poor have been streamlined and strengthened in recent years, including through the NREGS.

Conclusion

Need to create more social entrepreneurs. My definition of the term "Social Entrepreneurs" does not necessarily convey the traditional meaning. Everyone wants to make money, even the social entrepreneur. There is no harm in that line of thought; however, if we can introduce the large Indian poor in the economy, it would be a win-win situation for all. In this regard, I would like to bring forth some noteworthy contributions done by Harish Hande and the company he co-founded, SELCO India. This organization is a social venture to promote sustainable technologies in rural India. Everyone realizes that's there is latent potential and moolah in the rural sector. The central government and the state government should engender an environment, wherein Social entrepreneurs are welcome. This symbiosis would help the underprivileged, the entrepreneur and also the government. There are a plethora of examples where a company has grown to a multi-million dollar business just by serving the need of poor Casas Bahia in Brazil, Cemex in Mexico and the quintessential Grameen Bank in Bangladesh. We should also convince private organizations to funnel some of their cash towards building innovative products, which when built, will not only provide them with the additional market but also help the downtrodden in augmenting their quality of life. The government should lay a special emphasis on building world-class infrastructure; my cue is towards the roads connecting villages and urban cities. Once these remote villages get connected, new innovative businesses, which once can't be thought of even in the wildest of our imaginations, will take the front seat. These innovations will be done by the villagers themselves.

Remember, every poor person is an entrepreneur and how adeptly they manage their paltry savings bolsters their innate talent of entrepreneurship. Instead of focusing on the services sector to create ways to increase.

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