

## A Comparative Study of India's Labour Market Situation with China

Haiderkhan S. Pathan

M. Phil. Student,  
Savar Kundla,  
Gujarat.

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### ABSTRACT

*This paper tries to define various crucial aspects associated with the Indian labour market by comparing it with a Chinese labour market. It also gives various information prevailing in the Indian labour market and emphasizes on what kind of changes are adaptable. The paper also tries to make one aware of GDPs of various countries like US and China and the prevailing labour market situation in these particular countries. The paper gives a brief idea about the Indian labour market and different age group people working in the market. The paper is a result of research and studies of many crucial aspects prevailing in both countries' labour market. There was also the need of internet help which is been mentioned in the reference points.*

**Key words:** WAP (Working age Population), Informal and Formal employment, GDP (Gross Domestic Product), GDP at PPP (Purchasing Power Parity).

### INTRODUCTION:

The labour market in India is predominated by informal employment as more than 90 percent of people employed work in the self- employed, informal or casual working system rather than the organized formal structure. The worrying trend is the increasing rate of informal employment even in the organized sector. By highlighting some of the not so easily observable trends, the paper tries to compare the Indian workforce with the other developed economies of the world like US and China. To formalize the issue of informal labour workforce in a country like India a single tool like labour reforms alone cannot address it completely. The need of the hour is to generate an enabling environment that will develop the urge of formal culture in the labour market and to understand this some trends are need of the hour to be observed.

Today the unorganized or the informal sector accountfor more than 90 per cent of the workforcein the country and almost 50 per cent of thenational income evolves from this sector2. Ever since the initiation of the liberalization policies in the earlynineties, informalisation of jobs has become a matterof concern. Growing competition combined withincreased market opportunities and limited resourceshave led to the emergence of an informal economy.The predominance of the informal sector has led to asituation of the benefits of economic growth being concentratedamong few with a growing proportion of thepopulation living as working poor. Though the Governmentchanged its policy strategy to that of inclusive andsustainable growth in the last decade, the fundamentalissues leading to growing informalisation are yet to betargeted. In this paper an attempt has been made tolook at the extent of informalisation of employmentand what could be the way out to reverse the trend towardsFormalization. Let us have a look at some of the basic concepts and terminologies as we go ahead.

#### 1. SOME VERY USEFUL TERMINOLOGIES:

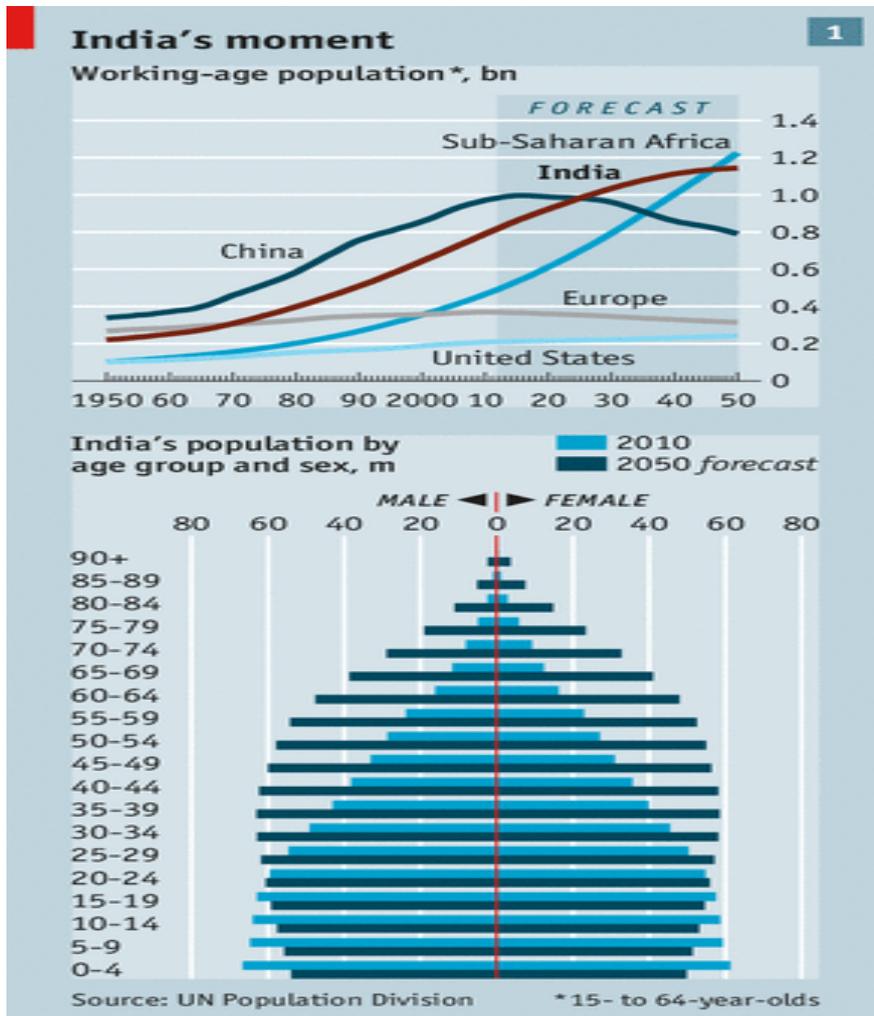
##### • The Malthusian theory of population:

As per Thomas Malthus while population grows in Geometric progression (i.e. 2,4,8,16,32,64...), agriculture production will only grow in an Arithmetic progression (i.e. 2,4,6,8,10,12...). Thus a

time will come when the gap will be so large that people will die of starvation. This is what the Malthusian theory of population is.

• **WAP (Working Age Population):**

The term working population refers to the number of people who are willing and eligible to work at the said working conditions. People who are above the age of 15 years and willing to work are considered to be there in the WAP. Usually the retirement age differs from one country to another and so respective working populations are affected accordingly. The working age population is something that really matters when it comes to demographic dividend and can be understood from the below mentioned graph.

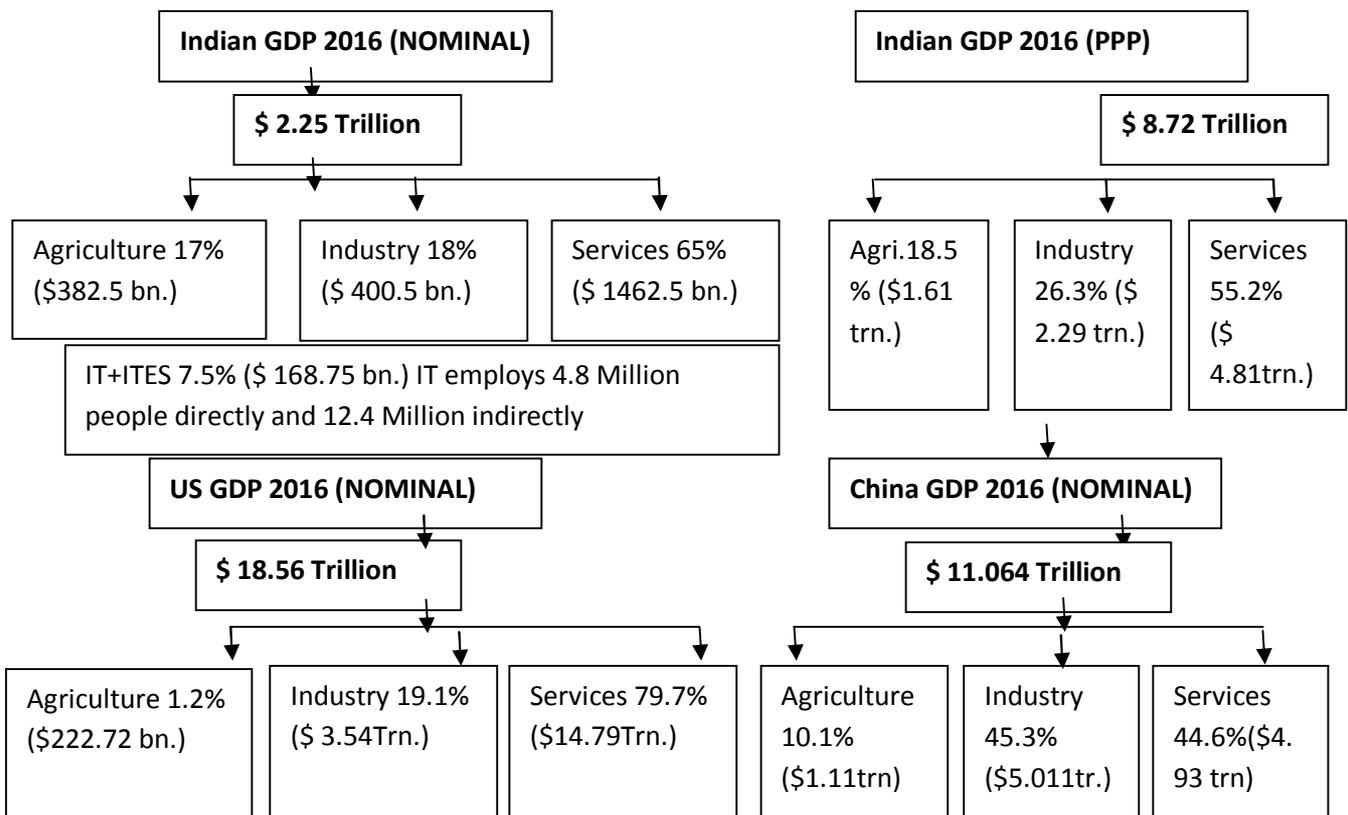


The graph explains quite interesting situation. There are two separate graphs shown in the image. The first half of the graph explains the trend of working age population of India and some other important nationals considering their states of economy. The forecast explains and compares the working age population of various nationals including India. It states that in the near future India will be having a very good number of working age population which will in turn ultimately help the labour market situation and forecast for India in the formal as well as informal structured organization and the other half of the image shows a very meticulous graph comparing the population of India by 2050 in terms of male and female so that it will help to forecast the future labour market in India.

• **Informal and Formal employment:**

The informal sector, informal economy, or grey economy is the part of an economy that is neither taxed, nor monitored by any form of government. Unlike the formal economy, activities of the informal economy are not included in the gross national product (GNP) and gross domestic product (GDP) of a country. Whereas the Sector which encompasses all jobs with normal hours and regular wages, and are recognized as income sources on which income taxes must be paid is known to be a formal employment economy and it is exactly opposite of informal sector.

• **Comparison of Indian GDP with other Nationals such as USA and China**



• **Some tactful Observation from Indian GDP as mentioned above:**

➤ **Extremely poor rural agricultural productivity:**

From the above mentioned diagram it can easily be understood that unlike the other countries of the world like US and China in India the agricultural productivity is far poor and hence it hinders the growth of the economy. In India the trend of agricultural productivity is quite disturbing as compared to other nationals.

➤ **Very low percentage contribution of manufacturing:**

It is easily understood from the above depicted details in the diagram that the manufacturing contribution in the Indian economy is lesser as compared to other countries like US and China and hence it shows that the major improvement is needed in the said sector. Unlike the other developed countries of the world India has no good contribution from the manufacturing sector and has a low productivity too, which is a very danger trend in the current market.

➤ **Very poor employment figures of service sector:**

Though in India more than half a GDP is comprised of only service sector the people and capital employed in it is huge and that is why only one can say that the figures for service sector employment are very poor.

## 2. INDIA V/S CHINA (LABOR MARKET COMPARISON)

A comparison of employment in India and China the resulting employment series for India shows a resilient labour market from the late 1990s after a period in the mid-1990s when employment had been stagnant. Between 1998 and 2003, employment is estimated to have grown by 17% after having been almost stable in the previous five years. This growth in employment was associated with a marked increase in employment outside of the agricultural sector – more than 70% of the increase in employment came in the secondary and tertiary sectors of the economy. One of the most notable was, the almost 50% increase in employment in the secondary sector of the economy that appears to have been mainly concentrated in small manufacturing plants in rural areas. Service sector employment, though still larger than the industrial sector, increased much less rapidly. The pace of change in the structure of employment has been slower than in China despite the strong restrictions on movement of workers and the absence of landless labourers in the Chinese countryside. Indeed, the speed of the decline in the share of agriculture in India was only half that observed in China in the period 1978 to 2003.

- **Minimum wage:** The minimum wage for contract labor in India \$ 6 per day and in china \$10 per day
- **Availability of Infrastructure:** Poor infra and bad logistics add 20% to the cost of a product in India. Where as in china it is only 6%.
- **Labour Force:** China boasts 813.5 million workers and 4.3 percent unemployment compared to India's 467 million and 10.7 percent unemployment.
- **Wage Inflation:** India continues to experience strong upward pressure on salaries, while China's wage inflation has been low thus far.
- **IT Market Size:** India remains the leader raking in an estimated \$70 billion annual IT services revenues (both domestic and offshore outsourcing), while China has about \$20 billion overall.
- **Infrastructure on 2013 basis:** China has made major investments in a sleek and modern transportation system, power supply, telecommunications, and high-speed broadband. India's infrastructure is weak and has not kept pace with economic growth.

Labor force	487.3 million (2013 est.)	797.6 million <b>Note:</b> by the end of 2012, China's population at working age (15-64 years) was 1.0040 billion (2013 est.)
Labor force - by occupation	<b>Agriculture:</b> 49% <b>industry:</b> 20% <b>services:</b> 31% (2012 est.)	<b>Agriculture:</b> 33.6% <b>industry:</b> 30.3% <b>services:</b> 36.1% (2012 est.)

Unemployment rate	8.8% (2013 est.) 8.5% (2012 est.)	4.1% (2013 est.) 4.1% (2012 est.) <b>note:</b> data are for registered urban unemployment, which excludes private enterprises and migrants
Distribution of family income - Gini index	36.8 (2004) 37.8 (1997)	47.3 (2013) 47.4 (2012)

• **Some really useful Facts about the Indian job market:**

1. Not everyone in the working age population works. Many are still in education and many adult women stay at home
2. In the five year period from 1999-00 to 2003-04, the net new numbers of jobs created = 6 crores.
3. In the next five years (from 2004-05 to 2009-10) the net new number of jobs = 0-Zero.
4. 85% of India's job is in informal sector. The term Informal sector refers to "Any organization employing less than 10 people and hence not incorporated is informal".
5. Only 16% of Indians get a regular wage.
6. 23% Indians are categorized as industry workers but half of them are working with construction!
7. NAREGA is a grand scheme that guarantees work for rural poor in India for at least 100 days per year at the rate of Rs. 120 per day. Budget \$73bn 2010-11.
8. **Problem with NAREGA:** It does not develop skilled labor there by absorption in industry is impossible.
9. Only 1/3<sup>rd</sup> of adult Indian women work. Much less than the Asian pears.

**CONCLUSION:**

From the above mentioned details it can be easily understood that Labour Market in India has seen a Dramatic changes in the

market where as in China at some length we can say they have managed a good market sector. As per the current scenario it is possible that China may start losing it's very deep routed labour market, in fact to some extent it has already started witness this kind of trend in the labour market. The aim of the paper was to make one aware of Indian as well as Chinese labour market by taking into considerations various aspect associated with the labour market like GDP and Employment scenario as well as Infrastructural changes in the labour market.

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