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**Trends in Public Sector Employment And
Earnings**

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Trends in Public Sector Employment and Earnings

Part I

The public sector in India has come to account for the bulk of employment in the organised sector. It is interesting to note, however, that except for some particular work-creation measures, the government has generally not entered the market specifically to generate employment.¹ In fact, when its role was being heatedly debated in the forties,² it was never visualized that the public sector be used consciously for generating employment.

The extent and nature of public sector employment depend very much on the role of the government in economic development. The role that the public sector has come to play in most developing mixed economies is now well known.³ In India, in the post-independence period, it was recognised that rapid, independent industrialization required a sharp increase in the economic functions of the state. Although in principle a considerable extension was envisaged for the public sector, which was to achieve the "commanding heights" in the economy, given the continued existence side by side of a growing private monopoly sector, it in fact played the role of a subsidiary to the latter. This it did in a dual manner: by eliminating to some extent the serious gaps in the production structure which the private sector would have been reluctant to overcome on its own and by providing a stimulus to private investment by extending the markets of private industrialists directly and indirectly.⁴ Hence in actual practice the public sector took on the high-risk, basic industries with long gestation periods and low present rates of return and provision of infrastructure, while the rest was virtually left to the private sector with large-scale protection and import control. Given this emphasis on basic and capital goods industries and infrastructure such as utilities, communication and so on, which tend to be highly capital

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intensive, not much stress was laid on the role of the public sector as a major employer of labour. It is only in recent years, in view of the persistence of poverty and rising levels of unemployment, that interest has been shown in the employment generating potential of public expenditure.⁵

In this paper we enquire into the size and growth of public sector employment and study the changes in its pattern in the post-independence period. An attempt is also made to examine trends in real earnings of public sector employees to see how they have fared during this period. We deal with employment in the first part and earnings in the second.

Data Base

The public sector here includes all instruments of government activity such as (a) administration covering central, state and local authorities; (b) departmental undertakings such as the railways, and posts and telegraphs; (c) non-departmental enterprises which are run as autonomous bodies wholly or largely owned by the government (quasi-government undertakings).

Data on employment in the organized sector is collected under the Employment Market Information (EMI) scheme of the Ministry of Labour. It covers the entire public sector and non-agricultural establishments in the private sector employing 10 or more persons. Employment in defence forces, Indian embassies/missions abroad and under crash schemes for rural employment as well as casual/contract labour are excluded from the purview of the EMI.⁶ This basic source of information is supplemented by other sources such as the Indian Labour Yearbook, Indian Labour Statistics, Annual Reports on the Working of Industrial and Commercial Undertakings of the Central Government and Census of Central Government Employees.

Although the EMI scheme was initiated during the second plan period, data are available only from 1960-61. For the public sector alone similar information was collected for 1958.⁷ In respect of certain individual public sector undertakings such as the railways and posts and telegraphs employment figures are available even for a period prior to 1947. Since we are concerned here with the public sector as a whole we confine ourselves mainly to the period 1960-61 to 1977-78.

Certain other limitations should also be kept in mind: (a) Our study relates only to direct employment generated in the public sector. Its indirect consequences on output and employment, though important, cannot be quantified with the available data. (b) Some nationalization has merely caused a shift in employment from the private to the public sector without adding to the total employment in the organised sector and distorted the relative rates of growth of employment in each sector. We give employment figures in the public and private sectors as given in the EMI and also after adjusting for some major cases of nationalisation.⁸ (c) Total employment may increase in any sector merely on account of extended coverage, as was evident in the case of the private sector after 1966 when small units employing 10-24 workers were also included in it. This accounts for the sharp increase in the total and private organized sector employment in 1967. (d) While data on public sector units and those employing 25 or more persons in the private sector are collected statutorily under the Employment Exchanges (Compulsory Notification of Vacancies) Act 1959, information about smaller private sector units is collected on a voluntary basis. In addition, small units in the metropolitan cities of Greater Bombay and Greater Calcutta are not covered at present due to "administrative difficulties".⁹ These two factors introduce an element of underestimation of employment in the small private organized sector whose number has remained constant at about 0.72 million (see Table II). That this could be an underestimation is confirmed by the establishments Tables of the 1971 Census which reveal that the number of persons employed in units of size 10-19 persons covering all industry groups of the EMI (that is manufacturing and processing, trade and commerce and all others) totalled almost 2.1 millions in 1971 (including 0.18 million in the metropolitan cities of Greater Bombay, and Calcutta).¹⁰ However, the break-up of these units into registered and unregistered units (since we should take employment only in the former) is not specified clearly. In the industry group "manufacturing and processing", 0.48 million persons (39,000 in the two cities) have been enumerated as being in registered units. But the remaining 1.62 million employees in other industry groups (including 0.15 million in the two

two cities) have not been classified. Nonetheless the magnitude of difference between the two sets of data, EMI and Census, does leave considerable room for underestimation. The exclusion of employment in small units in the two cities straightaway reduces employment in small units to the extent of roughly 39,000 plus 0.15 million in the remaining industry groups which may be classified as being in the organized sector only if they are registered. The maximum extent of underestimation on account of exclusion of small units in the two cities thus amounts to 189,000, that is, about 2 percent of total private organized sector employment in 1971-72.¹¹ It is very likely, however, that the rate of growth of employment in the small sector has been very slow as brought out by the EMI data.¹² When we discuss trends in the total organized sector employment and the private organized sector in particular, we must remember that there is some underestimation on account of not only the exclusion of small units in the metropolitan areas of Greater Bombay and Calcutta but also on account of the collection of employment data in small private units on a voluntary basis.

Trends in Public Sector Employment

The public sector which forms a large proportion of the organized sector consists primarily of non-agricultural wage and salaried employment. The proportion of the total labour force engaged in the organized sector is small; but being concentrated in towns and cities, it constitutes a very significant element of the urban work force. Before we analyse trends in public sector employment we relate it to the non-agricultural work force and in particular to wage and salaried employment at two points of time (see Table 1). This would indicate the extent and significance of this sector in terms of employment in the economy as a whole.

Table I

Persons Employed in Non-Agriculture, Organized Sector and
Public Sector

in million

	1960-6I	1977-78
1. Total working population	167.4I	257.92
2. Total employed in non-agriculture	47.89	74.45
3. Total wage/salary employment in non-agriculture	22.02	42.20
4. Total employed in organized sector	12.09	21.45
5. Total employed in public sector	7.05	14.40
6. 2) as percentage of 1)	28.60	28.80
7. 3) as percentage of 1)	13.15	16.36
8. 3) as percentage of 2)	45.98	56.68
9. 4) as percentage of 1)	7.22	8.32
10. 4) as percentage of 3)	54.90	50.82
11. 5) as percentage of 2)	14.72	19.34
12. 5) as percentage of 3)	32.02	34.12
13. 5) as percentage of 4)	58.3I	67.13

Source: For 1960-6I estimated from the 16th Round of National Sample Survey.

For 1977-78, figures for 1), 2) and 3) are from the report of the Study Group on Wages, Incomes and Price, May 1978.

Figures for organized and public sector employment are taken from Employment Review, 196I-66 and 1977-78.

The table brings out the well known fact that even after three decades of planned industrialization the share of non-agricultural workers in total work force has remained almost stagnant at about 29 percent. However, a significant change has occurred in its composition. Of the total increase of 26.5 millions in non-agricultural employment between 1960-6I and 1977-78 about 20.0 millions (close to 80 percent) were in the category of wage and salaried employment. This implies that the other major category of employment in non-agriculture, namely self employed, registered only a marginal increase. Hence wage and salaried employment in non-agriculture, which accounted for much less than half of the total non-agricultural employment in 1960-6I, increased its share to almost 60 percent by 1977-78. But it may be noted that only less than half of this increase, 9.3 millions occurred

in the organized sector while 10.9 million persons were absorbed in the unorganized sector (Even if we allow for the underestimation of employment in small private organized sector units, it will not affect the trends significantly). The share of the organized sector in non-agricultural wage and salaried employment declined from 55 percent in 1960-61 to about 51 percent in 1977-78. Within the organized sector, however, the public sector did relatively better. More than three-quarters of the increase in the organized sector employment occurred in this sector (7.3 millions out of 9.3 million increase in the total organized sector employment). Hence even while the share of the organized sector in wage and salaried employment declined during this period, the public sector increased its share marginally from 32 percent in 1960-61 to 34 percent in 1977-78.

Table II brings out the trends in public sector employment (as also in the private and total organized sector). We see from the table that at the start of our period, 1960-61, the public sector already accounted for more than half of the organized sector employment (7.1 million out of 12.1 million persons). In fact, even at the time of Independence there existed a large State sector. This of course was a legacy of British rule and was mainly for the purpose of administration.¹³ During the period under study, those employed in the public sector almost doubled while the total organized sector employment increased by a much lower proportion. The former now accounts for almost 67 percent of the total organized sector employment.

Nationalization has not contributed to any substantial increase in the total public sector employment. As can be seen from the adjusted figures, of the total increase of over seven millions in public sector employment, nationalization accounts for only 0.45 million or about 6 percent of the increase. Nevertheless, nationalization does make a difference in certain industries; it may also have a subsequent beneficial effect since expansion is more vigorously pursued by the government. However, when discussing public sector

Table II

Employment In the Organized Sector

	(in millions)										Rate of growth (percent)		
	1966-61	1965-66	1966-67	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1961-78	1961-78
I Total	12.09	15.48	16.31	17.49	18.08	18.82	19.28	19.67	20.21	20.72	21.45	2.88	5.21
II Public Sector	7.05	9.38	9.63	10.73	11.31	11.98	12.49	12.87	13.36	13.85	14.40	3.99	5.86
a) Public Sector adjusted	7.03	9.36	9.61	10.63	11.14	11.65	12.00	12.39	12.88	13.37	13.95		
III Private sector of which	5.04	6.10	6.68	6.76	6.77	6.85	6.79	6.80	6.84	6.87	7.05		
a) Employment in units with 24 and more persons			5.99	6.02	6.04	6.09	6.07	6.09	6.11	6.15	NA	0.92*	4.24*
b) Employment in units with 10-24			0.70	0.74	0.73	0.75	0.72	0.71	0.73	0.72	NA		

Source: Employment Review, Directorate General of Employment and Training, Ministry of Labour, Various Issues

Note: 1. Adjusted figures for public sector arrived at by deducting from public sector employment figures, as given by EMI, the following on account of nationalization with effect from each p respective date:

(a) Life Insurance Corporation	wef 1956 - 20,000 employees	(d) Non-Cooking Coal Mines	wef 1973 - 154,000 employee
(b) Banks	wef 1969 - 80,000 employees	(e) Sick Textiles Mills	wef 1974 - 160,000 employee
(c) Coking Coal Mines	wef 1972 - 68,000 employee		

* refer to the terminal year 1977.

employment as a whole, we shall refer only to the unadjusted figures. It must be remembered that defence personnel are excluded from these figures. Substantial recruitment had occurred following the India-China conflict in 1962-63 and the India-Pakistan conflict in 1965. The armed forces now stand at around a million which would raise the level of public sector employment even further.

Deceleration in Growth Rate

Table II also highlights some well known facts about organized sector employment. It had expanded relatively fast upto the end of the third plan but slowed down considerably in the post-mid-sixties period.¹⁴ We may mention here that when discussing trends in organized sector as also private sector employment it would be more appropriate to consider the figures relating to large private units, since the earlier period 1961-66 includes only such units. Comparability between the two time periods, 1961-66 and 1967-78, would also be maintained. Keeping this in mind we find that while employment in the organized sector grew at the rate of 5.2 percent per annum during 1961-66 its rate of growth declined to 2.7 percent in the subsequent period. Over the entire period, it grew only at the rate of 2.9 percent per annum.

This deceleration in the rate of growth of organized sector employment implies that while additional employment was being generated at the rate of almost 0.6 million per annum during 1961-66, it halved to about 0.3 million per annum in the year 1967-78. Much of this decline is on account of the poor performance of private sector employment, especially in the larger units in the latter period. Of the total increase of about 4.4 millions in organized sector employment in this period, only about 0.16 millions (or 3 percent) came from the large private units. Most of the increase in employment in such units occurred during the earlier period, 1961-66 (1.06 millions out of total increase of 1.11 millions between 1961 and 1977). Since then employment in these units appear to have stagnated around 6.1 millions. The addition of employment in the smaller units to private sector employment itself has remained stationary around 0.7 millions (which would be higher if corrected for underestimation in respect of small units), would not substantially raise the rate of employment growth in the private organized sector.

The public sector has done comparatively better, which is not surprising given the increased scope for government participation in economic activities in the post-Independence period. In addition to its traditional services concerned mainly with administration, maintaining law and order and providing certain basic amenities, the government established a large number of organizations to carry out its new functions in the industrial and infrastructural spheres. Although no conscious effort seems to have been made to adopt "labour intensive" techniques in the new industrial ventures,¹⁵ the sheer largeness of its expenditures, especially upto the third plan period, must have contributed to the growth in employment. However, a deceleration in the rate of growth of employment is evident in the case of public sector also since mid-sixties. While the rate of growth was about 5.86 percent during 1961-66, it declined to 3.88 percent in the subsequent period. The decline, however, is not as sharp as in the private sector employment and appears to have occurred in the immediate post-mid sixties period.

It is generally accepted that this sluggish growth in organized sector employment, which has added to the problem of unemployment, is related to the economic crisis which most developing mixed economies have come to face.¹⁶ In India too, there has been a marked deceleration in the rate of growth of the national output since the mid-sixties, during which period there has also occurred an inflationary rise in prices.¹⁷ A number of explanations are offered for this stagnation.¹⁸ What is relevant for us here is that the process of development in an economy like ours becomes constrained after some time by the inflationary pressures it generates which reduces the real living standards of the people. Given the political limits on its ability to tax those sections of the population who benefit the most from this inflationary rise in prices, the government reduces its own investment expenditure in order to control inflation. This retards the process of growth itself via the multiplier effect and the loss of stimulus to private sector investment.¹⁹ The government, however, is anxious to maintain profitability of the private sector so as to stimulate investment

and employment. To some extent this is done by conceding cuts in excise duties or other taxes (which in such a situation the private sector clamours for)²⁰ and providing subsidies of various kinds. The government may also try to delink private investment from the domestic market by encouraging exports through the grant of generous export subsidies or by promoting private ventures abroad.²¹ Another major area of subsidy which the government has now to allow for is the procurement and distribution of foodgrains in order to restrain prices of essential goods spiralling, which threatens the very stability of the system.²¹ In addition, the state may also directly enter into certain industries/services geared to the requirements of the private sector. At the same time since inflation cuts into its real resources and makes it increasingly difficult to resort to large budgetary deficits, there is a tendency on the part of the government to undertake commercial and industrial activities which will augment its own resource base.

We thus find a change in the pattern of expenditure of the government and also a slowing down of its rate of growth²³ which gets reflected not only in the overall rate of growth of employment in the organized sector but also in its pattern (which we will study here for the public sector alone). The diversion of resources to non-developmental purposes as also the cut-back in public investment results in a definite showing down in the rate of growth of employment in the organized sector where public and private investments are concentrated. The deceleration is less sharp in the case of the public sector which cannot allow the rate of growth of employment to fall too low, without evoking large scale discontent. However a shift takes place in its pattern of employment with a decline in the rate of growth of employment in the basic and capital goods industries. We now examine the pattern of employment in the public sector and the changes that have occurred therein.

Pattern of Employment

The pattern of employment in the public sector is examined at two levels: (1) at the broad industry group level for the period 1961-1977 and (2) at a more disaggregated industry level for the years

Table III

Pattern of Public Sector Employment

Sector/Industry	(in million)										Rate of growth (percent)		
	1961	1966	1971	1972	1973	1974	1975	1976	1977	1977	1961-1977	1961-1966	1966-1977
I Primary													
a) Plantation, forest, livestock etc	0.18	0.23 (2.6)	0.28 (2.4)	0.29 (2.6)	0.39 (2.5)	0.34 (2.7)	0.34 (2.6)	0.40 (3.0)	0.48 (3.4)	5.5	5.1	6.4	6.4
b) Mining and quarrying	0.13 (1.8)	0.16 (1.7)	0.18 (1.7)	0.26 (2.2)	0.44 (3.6)	0.61 (4.8)	0.69 (5.4)	0.72 (5.4)	0.76 (5.5)	11.4	3.9	18.16	18.16
(M and C adjusted)	0.13	0.16	0.18	0.19	0.21	0.38	0.47	0.50	0.54	8.0	3.9	13.15	13.15
II Secondary													
a) Manufacturing	0.37 (5.2)	0.67 (7.1)	0.81 (7.5)	0.89 (7.8)	0.96 (8.0)	0.98 (7.8)	1.02 (7.9)	1.11 (8.3)	1.23 (8.9)	6.4	12.4	5.5	5.5
Mfg adjusted	0.37	0.67	0.81	0.89	0.96	0.82	0.86	0.95	1.07	5.4	12.4	3.5	3.5
b) Electricity, gas etc.	0.22 (3.2)	0.30 (3.2)	0.43 (4.0)	0.46 (4.1)	0.49 (3.9)	0.48 (3.9)	0.51 (4.0)	0.54 (4.0)	0.56 (4.0)	6.0	6.4	5.2	5.2
III Tertiary													
a) Trade and commerce	0.09 (1.3)	0.16 (1.6)	0.33 (3.1)	0.38 (3.3)	0.42 (3.5)	0.48 (3.8)	0.55 (4.2)	0.55 (4.1)	0.61 (4.4)	12.4	9.8	13.2	13.2
T and C adjusted	0.07	0.14	0.23	0.28	0.32	0.32	0.45	0.45	0.51	12.2	9.8	13.8	13.8
b) Transport & Communication	1.72 (24.0)	2.09 (22.3)	2.22 (20.6)	2.26 (20.0)	2.35 (19.2)	2.35 (18.4)	2.36 (18.4)	2.42 (18.1)	2.47 (17.8)	2.0	4.0	1.5	1.5
c) Other services	3.73 (52.9)	5.0 (53.3)	5.60 (52.2)	5.86 (51.8)	6.04 (50.4)	6.32 (50.5)	6.44 (50.5)	6.64 (49.7)	6.75 (48.7)	2.0	4.0	1.5	1.5
IV Construction	0.60 (8.60)	0.77 (8.2)	0.88 (8.2)	0.92 (8.1)	1.02 (8.5)	0.99 (7.5)	0.96 (7.4)	0.99 (7.4)	1.01 (7.3)	3.2	4.9	3.3	3.3
V Total	7.10 (100.0)	9.38 (100.0)	10.73 (100.0)	11.31 (100.0)	11.98 (100.0)	12.49 (100.0)	12.87 (100.0)	13.36 (100.0)	13.85 (100.0)	3.2	4.9	3.3	3.3

Source: Same as Table II. Notes: Figures in brackets refer to percentage share of each industry in total employment for that year.

1963-1974²⁵ in an attempt to investigate more deeply the types of tendencies emerging in the pattern of public sector employment, especially in the context of the post-mid-sixties economic crisis. Table III gives the pattern of employment by major industry groups, the share of each group in total employment and the rate of growth in employment in each group for the entire period and the two sub-periods.

The bulk of employment in the public sector, almost 71 percent, is still in the tertiary sector, of which the single largest component is "other services". It is estimated that in 1950-51, at the start of the plans, this category of employees, the bulk of whom are in administration, numbered almost as much as the industrial workforce in the country which of course was a reflection of weak industrial base of the economy.²⁵ It was only with the second plan period and the adoption of the 1956 Industrial Policy Resolution that the base was laid for rapid industrial development along the capitalist path with active state support (described as the era of state capitalism).²⁶ In the public sector also there was a substantial increase in employment under "manufacturing" which grew at the rate of more than 12 percent per annum prior to the mid-sixties. Of course, to some extent this high rate of growth under manufacturing reflects the very small base from which it started. Before the second plan period the public sector industry consisted of a few nationalized enterprises. In any case, the share of the tertiary sector declined in total employment. But within it a sector which has expanded very rapidly, and especially so in the post-mid-sixties period, is trade and commerce. From less than 100,000 employed in 1961, it now employs more than 600,000 persons. Its rate of growth is high even after adjusting for bank nationalisation in 1969. Employment growth in the primary sector has been very high in the last few years, mainly on account of nationalization of coal mines which had a subsequent beneficial impact on employment since large numbers of casual workers were regularized.²⁷

Table IV

Proportionate Share of Major Industry Groups in Total Additions
To Public Sector Employment

(in percent)

Major industry group	1961-1977	1961-1966	1966-1977
1. Plantation, forestry, agriculture etc.	4.3	2.0	5.6
2. Mining and quarrying	9.2	1.3	13.4 (9.0)
3. Manufacturing	12.6	12.9	12.4
4. Electricity, gas etc.	4.9	3.4	5.7
5. Trade and commerce	7.6	2.6	10.2 (8.8)
6. Transport and communication	10.9	15.9	8.3
7. Other services	44.4	54.8	39.0
8. Construction	5.9	7.0	5.4
Total	100.0	100.0	100.0

Source: Derived from Table III

- Notes: 1) Total increase in employment as also for each industry group was tabulated for each period and proportions estimated.
- 2) Figures in brackets are given after adjusting for nationalization.

The industrial distribution of additional employment generated between 1961 and 1977 (industry-wise organized sector employment data are available upto the year ending 31 March 1977) and the two sub-periods, 1961-1966 and 1966-1977, is shown in Table IV. The table gives the proportionate share of each sector in the incremental public sector employment in different periods.

From the table we see that other services accounted for 44 per cent of the additional employment generated in the public sector during the period under study. The other major contributors to the increase were manufacturing, transport and communication, mining, trade and commerce. However, as between the two time periods, some interesting shifts have taken place. During 1961-1966 more than half the total

increase in employment came from other services. The other groups which shared significantly in the increase were manufacturing (12.9 percent) and construction (7.0 percent). In the subsequent period we find a sharp decline in the proportion of the increase coming from transport and communication, construction and services in particular. Manufacturing has just about maintained its earlier proportion. On the other hand there is a substantial increase in employment in trade and commerce. This is so even after adjusting for nationalization. In fact, additions to the latter in absolute numbers between 1966 and 1977 is much higher than the additions to transport and communication during the same period.

Pattern of change

A further disaggregation of industries (at the three digit level) is constrained to some extent by the nature of the data available. In many cases the industrial categories have not remained constant. For instance, under manufacturing the item "others" which accounted for only 43,000 persons in 1963 increased to almost 250,000 persons by 1974 and the contents of this category have obviously been changing. Again since 1974, a new industrial classification has been adopted which makes comparison with the earlier period difficult.²⁸ We take up the four major industry groups - manufacturing, trade and commerce, transport and communication and services - for further disaggregation (See Table V).

From the table we find the following types of changes occurring: In manufacturing, the share of basic and capital goods industries, such as iron and steel, heavy electricals, transport equipment and fertilizers, in total employment generated in this sector has declined from almost 60 percent in 1963 to about 45 percent in 1974. Certain other industries like light and medium engineering (including metal products, electronics) and cotton textiles on account of nationalization, have increased their share from about 11 percent to 16 percent during this period. The takeover of sick private units such as in cotton textiles, reflects the entry of the public sector into new areas as a result of the economic crisis.

Certain other emerging tendencies which are difficult to capture but which reflect to some extent the search for profitable areas of investment on the part of the public sector in the face of eroding real resources, are the changes which have occurred in the composition of output within the basic industries sector itself. Expansion of watch making in the Hindustan Machine Tools unit and of petrochemicals within the chemicals group which provide raw materials for the profitable synthetic fibre/fabric industry in the private sector are illustrative of this trend.²⁹ (The latter is also an instance of the public sector venturing into enterprises for maintaining profitability in the private sector). Although heavy industries still account for the bulk of employment in the manufacturing sector (iron and steel employs the largest number) there has occurred a definite slowing down in additions to employment in these industries:

In respect of trade and commerce, a sector which has grown tremendously in terms of employment is banking which as we saw earlier shows a high rate of growth in the post-mid-sixties period, even after adjusting for nationalization. While the tremendous increase in the government's own activities would have been responsible for the increase in banking activity and the extension of banking into rural and urban areas linked to deposit growth, the growth of the private sector in trading and commercial activities, which is credit-intensive, must have also provided a stimulus to the expansion in banking.

Within transport and communication, there is a near stagnancy in the numbers employed in the railways; transport by bus has grown considerably in terms of employment (to some extent on account of nationalization) while air transport too has registered a small increase. The share of posts and telegraphs has hardly increased while that of telephones is at a higher level. On the whole, as we saw earlier, the contribution of transport and communication, an important infrastructural activity, to additional employment generation declined in the latter half of the sixties.

Table V

Major Industry Groups - Disaggregated Shares

(in percent)

Sector/Industry group	1963	1966	1967	1968	1970	1971	1972	1973	1974
<u>Manufacturing</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Basic and Capital goods	59.9	54.9	63.9	54.7	50.7	51.4			44.4
Iron and Steel	18.9	17.9	17.7	17.3	16.6	16.6	16.2	16.0	15.8
Chemical products (of which fertilizers)	13.8 (3.0)	9.8 (2.9)	8.4 (2.8)	8.6 (2.8)	6.3 (2.8)	6.5 (2.6)	6.6 (2.4)	6.6 (2.2)	6.3 (1.9)
Electrical Machinery (of which heavy lect)	7.6 (3.4)	7.4 (3.2)	7.8 (3.4)	8.2 (3.4)	8.4 (3.2)	8.6 (3.2)	8.6 (3.1)	8.5 (3.2)	8.2 (3.0)
Transfer Equipment	19.7	19.7	20.0	20.6	19.4	19.7	na	na	14.1
b) Light and Medium Engg.	11.5	13.3	14.9	14.5	15.0	14.8	15.1	15.5	16.5
Electrical Machinery	4.4	5.3	7.0	7.3	7.4	7.6	7.2	7.8	8.0
Metal Products	7.2	8.0	7.9	7.2	7.6	7.2	7.3	7.7	8.5
c) Cotton Textiles	0.4	1.2	1.3	1.8	1.8	1.9	4.0	5.6	6.4
d) Printing, Publishing etc.	8.1	7.7	7.7	7.4	7.1	7.1	6.6	6.0	5.9
e) Others	8.4	10.6	12.5	13.2	13.9	1.93	24.8	24.9	25.0
<u>I. Trade and Commerce</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Export and import	1.1	0.7	0.9	1.0	0.9	0.7	0.6	0.6	0.8
b) Insurance	32.7	31.8	29.8	28.6	24.0	21.3	23.6	21.9	20.8
c) Banking	57.2	57.5	58.4	58.3	62.5	66.2	64.7	66.3	66.0
<u>II. Transport & Communication</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) By railway	70.0	63.1	67.5	66.5	66.5	63.4	62.3		61.8
b) By bus	7.8	9.0	9.2	9.5	9.5	11.2	11.8		17.8
c) P & T	12.4	13.1	13.3	13.3	13.4	13.8	13.4		13.8
d) Telephone	1.7	1.9	2.0	2.1	2.1	2.4	na		3.2
<u>IV. OTHER SERVICES</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Administrative	54.3	53.1	55.3	55.0	54.2	52.0	50.2	49.5	49.8
b) Education (technical)	2.7	2.9	3.0	3.0	3.0	3.0	3.0	2.9	3.1
c) Education (non-technical)	21.5	22.3	22.3	23.2	23.7	25.6	27.0	27.5	28.8
d) Medical and Health	9.0	8.6	8.6	8.8	9.2	9.6	9.8	10.0	9.8

Source/ Same as Table III

Notes. Data for transport equipment not given

Other services was the largest contributor to the increase in employment during this period in absolute numbers. "Administration" accounted for the major part of this increase in the earlier period, 1961-1966, but in later years non-technical education appears to have appropriated a large share of the increase in employment in this sector. Though it is difficult to explain the large increase in the numbers employed in non-technical education, it would have been useful to have a further disaggregation of the latter to see at what levels of education employment has increased the most. The decline in the share of administration appears in part to be a conscious policy of the central, state and local governments to restrict recruitment in government services, especially in the lower echelons, as part of their economy measures in the face of the acute inflation in the year 1965-66. This policy continued in later years.³¹ It reflects a process of adjustment by the Government to the post-mid-sixties inflationary crisis. This resulted not only in a restriction of the overall rate of growth of employment in administrative services but by curtailing additional employment in the lower classes, it also strengthened the tendency, already noted by the Third Central Pay Commission, of a much higher rate of increase in employment in Class I and Class II posts in the central government as compared to the lower categories,³² between 1957 and 1971. Though it is possible that to some extent this increase is on account of a reclassification of posts (upgrading in particular) it is also a normal tendency. As activities of the Government increase, organizations initially take up additional functions at the lower levels only. Such accretions slowly add to workload at higher levels and at a certain stage the organization needs bifurcation. In this process of division, only positions at higher levels multiply and those at lower levels remain constant.³³ This tendency however was accentuated by the deliberate policy followed by the government in respect of recruitment since the mid-sixties.

In addition, within the service sector other types of activities gaining importance, though still small and not brought out by the EMI, are the growth of contracts/construction services, industrial development

and technical consultancy services.³⁴ Such services can be rendered profitably on lines similar to the private sector, within the public sector or in the state's ventures abroad. These non-manufacturing activities into which the government has entered in recent years also reflect its growing need to expand resources.

Summing up the above analysis of the pattern of employment at two levels of disaggregation we find that in the earlier years, mainly upto the third plan period, a substantial part of the increase in employment in the public sector was contributed by heavy capital goods industries and infrastructural activities, besides the growth in administration. In the subsequent period, however, the rate of growth of employment in the public sector declined and most of the increase in employment took place in certain activities and services which, though difficult to quantify precisely, reflect the changing role played by the public sector in the wake of the economic crisis in the country. These growing areas of government activity are to some extent non-manufacturing in nature such as banking, consultancy/construction/contract services and to some extent manufacturing which either cater to the needs of the private sector or enable the state to augment its own resource base.

Conclusion

This analysis of trends in public sector employment shows that its rate of growth in the post-independence period has been relatively high in particular when compared to the private organized sector. And in a period of stagnant employment growth in the private sector in the post-mid-sixties period, the relatively better performance of the public sector would have provided a cushion against a further deterioration in the employment situation. However, in so far as the public sector (or for that matter the organized sector itself) still forms a very small proportion of total employment in the economy (even of total non-agricultural employment) its overall impact could have only been marginal. Moreover, the rate of growth of employment in this sector too has decelerated since the mid-sixties. In addition, changes in its pattern of employment concomitant with a cutback in public investment and increase in non-developmental expenditures, do not portend well for the future since this would render it difficult for the government to sustain high rates of employment growth.

1. Its employment generating activity has been incidental to its consumption and investment activities.
2. See A Mukherjee, "Indian Capitalist Class and Congress on National Planning and Public Sector", Economic and Political Weekly, 2 September, 1978.
3. P Patnaik, "Industrial Development in India", Social Scientist, June 1979. See also G.K.Shirokov, Industrialisation of India, Moscow, Progress Publishers.
4. P.Patnaik, *ibid*.
5. See Anand P Gupta, "How Fiscal Policy Can Help Employment Generation", Economic and Political Weekly, 24 April 1976. Recently, in 1979, a Committee was appointed under the chairmanship of V.M.Dandekar to suggest appropriate changes in central tax laws so as to promote adoption of labour intensive methods of production in all spheres of economic activity. It submitted its report in February 1980.
6. Employment Review, New Delhi, Director-General of Employment and Training, Ministry of Labour.
7. Employment in the Public Sector 1959, New Delhi, National Employment Service, Ministry of Labour. Returns from only 85.9 percent of the establishments in the public sector were received which were then blown up for an estimate of total employment in the sector for the year ending 31 December 1958.
8. It has not been possible, mainly due to lack of information, to account for all cases of nationalization. The earlier instances not accounted for are of the airlines, the Reserve Bank of India and the Imperial Bank of India. In later years nationalisation of bus transport and electricity generation as also of sick units in certain industries such as jute and engineering, have not been considered.
9. Employment Review, *op.cit*.
10. Census of India 1971, Series I, Establishment Tables, Part III-B (1) It is not clear why the cut off point for small units is 24 persons in the EMI when most other sources of data on employment, including the Census, use 20 employees as the upper limit for small registered units.
11. Since the establishments data relate to 1971, the proportion of workers in small units in Greater Bombay and Calcutta to total private organised sector employment is estimated for 1971-72.
12. For instance if we consider employment in small units in the factory sector for which we have data for a number of years we find that it was 167,000 in 1961 and rose to just about 225,000 in 1969, which shows a very sluggish rate of growth (see Statistics of Factories, Labour Bureau, Department of Labour and Employment). It suggests that the growth rate of employment in small units has been slow as revealed by EMI data.
13. Charles Bettelheim, India Independent, New York, Monthly Review Press, 1968.
14. S.L.Shetty, "Structural Retrogression in the Indian Economy since the Mid-Sixties", Economic and Political Weekly, Annual Number, February, 1973.
15. See in this context HK Hazari and A.N.Oza, "The Public Sector in India", in M Kidron and EAC Robinson (ed) Economic Development in South Asia. For instance, the authors point out that the share of the public sector

in total capital stock of mining, manufacturing and transport reached 53 percent in 1960-61 and rose to 58 percent in 1965-66. In sharp contrast with this major share in capital stock, direct income generation by the public sector has been very low.

16. P Patnaik and S.K.Rao, "Towards an Explanation of Crisis in a Mixed Under-developed Economy", Economic and Political Weekly, Annual Number, February 1977.
17. Shetty, op.cit.
18. Ibid.
19. Patnaik and Rao, op.cit.
20. In a situation of crisis the private sector exerts a powerful indirect pressure over the government which, in its anxiety to resolve the crisis, allows the former greater concessions. See M Kaleck, "Political Aspects of Full Employment", in E K Hunt and J G Schwartz (ed). A Critique of Economic Theory, Penguin, 1972.
21. Food Subsidy from the national exchequer amounted to Rs.1170 millions in 1972-73 and it aggregated almost Rs.5540 millions in 1976-77. See Shetty op.cit.
22. Conservative estimates show that export subsidies rose from about Rs.853 millions in 1970-71 to Rs.4520 millions in 1976-77. See Shetty, op.cit.
23. P.Patnaik, op.cit
24. Employment data by three-digit industrial classification are available only from 1963 and because of the non-comparability of data from 1974-75 with the adoption of National Industrial Classification our study relates to the period 1963-1974. At the major two-digit industry group level too the data from 1974-75 onwards are not strictly comparable.
25. Bettelheim, op.cit.
26. See for instance, Bettelheim, op.cit; P Patnaik, op.cit, Shirokov, op.cit.
27. Employment Review, 1972-73.
28. See P Patnaik, op.cit.
29. This is one of the few industries which did well in the post-mid-sixties period.
30. Employment trends in the private organized sector show that though the rate of growth of employment declined very sharply in the post-mid-sixties period, the rate of growth of employment in trade and commerce shows no such deceleration. See Shetty, op.cit.
31. See Employment Review, 1967-68 which reports that the reduced employment growth in the public sector during 1966-67 was due to, among other factors, a) continued restriction on recruitment, especially in lower echelons (in central government, for example, there is already a ban on class IV posts); b) rigorous enforcement of economy measures (many state governments actually abolished a number of posts in several departments); c) curtailment of staff in community development departments.
32. Report of the Third Central Pay Commission, 1973, New Delhi, Ministry of Finance.
33. See Report of the Study Team on Personal Administration, Administrative Reforms Commission, August 1967.
34. See Annual Reports of Central Government Undertakings.

PART II

An attempt is made in this part to study the changes in per capita real earnings in the public sector as a whole and also their movement for (i) different constituents of it and (ii) different categories of employees.

Data Base

Data on earnings are difficult to obtain. It has been pointed out by P Venkataramaiah¹ that in looking at changes in real earnings of employees what one ideally needs is time series data on wages of each type of worker having the same type of skill. This information should be available for the different sectors, public and private, and within each sector for the different industrial groups. Such data are however not available.²

Time series on monthly per capita real earnings of factory workers have been constructed by the Labour Bureau³ for those earning (i) below Rs. 200 per month from 1939 to 1951 and then again from 1951 to 1964 and (ii) more than Rs. 200 but less than Rs.400 per month from 1961 onwards, the assumption being that all those in a particular pay range have similar skills.⁴ These data are based on the Annual Returns of the Payment of Wages (POW) Act 1936.⁵

Statistics of per capita daily earnings of employees in all major industrial groups are also collected under the Collection of Statistics (COS) Act 1953 as part of the Annual Survey of Industries (ASI) and published by the Labour Bureau. They refer to the larger units or the Census sector.⁶ These data, though collected separately for (i) workers and (ii) supervisory/managerial staff, are published as an average for all employees. They cover, therefore, not only all workers irrespective of pay range but also non-workers. Venkataramaiah⁷ has built an index of per capita real earnings of factory employees based on ASI data but not strictly comparable with the COS data on earnings.⁸

The Major Limitations

A major limitation with these data on earnings, hardly touched upon by the users of these data, is that they are beset with conceptual problems which impair comparability and reliability. This arises from four main sources: (i) definition of earnings, (ii) coverage of employees, (iii) changing skill composition of workers whose earnings are being studied and (iv) choice of a price deflator for estimating real per capita earnings.

The definition of "earnings" varies widely from one source to another, mainly because of the difference in treatment of allowances and other benefits (both in money and in kind). Some times earnings may refer only to basic wages/salaries; in most cases, however, some or all other allowances, including annual bonus and retirement benefits, are included. The POW Act collects data on wages which relate to (a) basic wages, (b) cash allowances such as dearness, compensatory, house rent, production/efficiency bonus. It excludes the value of certain benefits in kind such as house accommodation, supply of light, water and so on. Travelling allowance or value of any travel concession is also excluded. On the other hand, the COS Act defines earnings as **all** those items included under the POW Act but excluding annual or profit sharing bonus. However, imputed value of certain individual benefits in kind such as transport, accommodation, light, water and others are included. Both refer to gross earnings, that is, before deductions for fines, damages, taxes, contribution to provident fund and Employees State Insurance. It may be seen that besides the above differences between these two sets of data there are certain other items of labour cost which both do not cover. For example, employer's contribution to the provident fund, gratuity payable on discharge and imputed value of certain group benefits in kind such as schools, creches, hospitals, canteens are not included. Table 1 (based on data collected by the COS) gives the break-up of total labour cost into its various components.

Table 1
Percentage Distribution of Total Labour Cost Into
Its Various Components

Year	Salaries/ wages, all- owances	Profit sh- aring bonus	Benefits in kind	Old age benefits	Other social security charges	Total
	(1)	(2)	(3)	(4)	(5)	
1963	84.9	6.3	2.4	4.9	1.5	100.0
1964	85.8	5.0	2.3	5.4	1.5	100.0
1967	84.4	5.3	3.1	5.5	1.7	100.0
1968	84.2	5.1	3.1	5.8	1.8	100.0
1969	84.2	5.3	3.0	5.8	1.7	100.0
1970	83.4	5.2	3.4	6.0	2.0	100.0
1971	82.4	6.1	3.5	6.1	1.9	100.0
1973	81.0	6.7	3.7	6.7	1.9	100.0
1974	80.8	6.7	3.8	6.8	1.9	100.0

Source: Indian Labour Year Book, various issues

- Notes: 1) These data are based on labour statistics under COS Act.
 2) We have taken all years for which data are available
 3) Col. 3 includes both individual and group benefits.

While column (1) is covered in both POW and COS, the former excludes individual benefits (which would account for about 1 per cent of all benefits in kind) and the latter bonus (6-7 percent). Both exclude approximately 9-10 percent of labour costs under columns (4), (5) and part of (3). The inclusion/exclusion of certain allowances/benefits would thus affect the average earnings per employee, depending on the source used. Also, the ratio of such allowances/benefits has risen from about 15 percent in 1963 to 20 percent in 1964 so that the rate of growth of earnings in the inclusive series would be higher than if we consider only pay and dearness allowance. Within the narrower definition of earnings as opposed to total labour costs, the POW data are perhaps more inclusive.

However, the POW Act covers only earnings upto Rs. 400. This tends to give the data a downward bias, since workers whose earnings rise above Rs.400 per month would drop out of the index. On the other hand, COS data, which cover all workers and non-workers, are more inclusive in the coverage of employees. And this gives it a pronounced upward bias since it obviously includes a higher proportion of better paid jobs. Hence the two sets of data are not comparable. However, these data have been used to show the least and the most favourable indices of per capita real earnings of factory employees and to study their movement over time.⁹

Related to the above is the problem of changing skill/category composition of employees over time which would affect average earnings¹⁰ unless one studied earnings for a single skill/category. The introduction of new technology and skill intensive industries in India since independence and the fact (as we mentioned in part one) that class I and II posts in Central Government service have risen faster than the lower categories would raise average earnings over time without affecting the average for the lower categories.

Finally we have the problem of an appropriate deflator for estimating indices of per capita real earnings. Most often the Working Class Consumer Price Index (CPI) (base 1960=100) is used to deflate the indices of money earnings per worker. While this may be acceptable in the case of POW data on earnings, which cover workers earnings upto a maximum of Rs.400 per month, it is questionable in the case of COS earnings data, which include the technical/managerial staff also. This is so since the CPI assigns a very high weightage to food and hence does not reflect the pattern of consumption in the higher salary groups. (The same problem arises when we study the movement in real earnings of Central Government employees by classes). And since the rate of growth in this price index has been faster than any other, this would unduly depress real earnings as estimated by the COS. For these groups

the CPI for urban non-manual employees is more relevant; however for the higher income groups the problem of an appropriate deflator still remains.¹¹

The data on earnings in the public sector are even more scanty. No such information on per capita real earnings is available for the public sector as a whole or even for constituents within it such as (a) administration, (b) departmental enterprises and (c) non-departmental undertakings. Some data are available regarding Central Government employees (railway employees, in particular) and mining workers, who can now be regarded as public sector employees.¹² While the earnings of Central Government employees are defined very narrowly as basic pay plus dearness allowance (on which we shall comment later) that of railway and mining workers are defined more comprehensively corresponding more or less to POW annual returns.

We have attempted in this paper to construct a series of average per capita real earnings for the public sector as a whole and within it for broad categories such as civil servants (administration and departmental enterprises) and employees of non-departmental public enterprises who are not considered as civil servants.¹³ Data on earnings for the public sector as a whole are culled from the National Accounts Statistics (NAS) which give estimates for compensation to employees for the public sector separately. These statistics define earnings in perhaps the most inclusive form since all costs on labour appear to have been included. For the series on earnings of civil servants we take the total wage and salary bill of the Central Government Employees as given in the Census of Central Government Employees. Since it refers to wages and salaries of only regular¹⁴ employees, we have divided the wage bill by "regular" employees for the years available to obtain the average earnings per employee. These data are not as comprehensive as the NAS since certain benefits such as old age/retirement benefits in kind are not included.¹⁵ However our series on earnings of Central Government employees is more inclusive than the earnings data compiled by the Third Pay Commission. In respect of the non-departmental enterprises, to approximate which we take the industrial and commercial undertakings of the Central

Government (covered by the Bureau of Public Enterprises), earnings are defined as inclusive of all labour costs. All these three indices of earnings - public sector as a whole, civil servants and employees of public enterprises - do not refer to any particular pay or skill range. Like the COS data, they are an average of earnings of all categories of employees. However, as can be seen from the above, except for earnings of civil servants, other indices are not at all comparable with the POW or COS data.

Overall Trends

We use the NAS data to study trends in wage and salary incomes in the public sector (see Table III) and then juxtapose them with employment figures to obtain a series on average earnings per employee for this sector as a whole. At the outset it may be noted that the incomes data are not comparable with the employment data as collected by the Employment Market Information (EMI). While EMI excludes employment of the Defence personnel, NAS includes the wage and salary bill of Defence forces, which would be a substantial amount given the current strength of the armed forces at around a million persons. We have tried to adjust for this factor by deducting from the total compensation to employees in the public sector, the wage and salary bill of the Defence forces as available from a study of the Indian Defence Budget.¹⁶ The adjusted figures, that is, excluding Defence, are also given in the Table. The category of "casual labour", is excluded from our figures on employment but in all probability it is included in the incomes data. It is not possible to adjust for this.

Total non-agricultural wage and salary incomes (compensation to employees) form about 29 percent of the net domestic product (NDP)¹⁷ in the economy (approximately corresponding to the share of non-agricultural employment in the economy). For the public sector alone, wages and salaries accounted for about 8 percent of NDP (excluding Defence) in 1960-61 which rose to 13 percent in 1976-77 (see Table II). As a proportion of non-agricultural NDP (which is more relevant)

Table II

Share of Public Sector (Compensation To Employees) Department-Wise In Total And Non-Agricultural NDP (Factor Cost) At Current Prices

	1960- 61	1965- 66	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77
I TOTAL PUBLIC SECTOR									
1 Compensation to employees at present of NDP	8.8	10.6	11.7	12.2	12.4	11.3	13.0	14.6	14.5
1 (a) Excluding Defence	8.0	9.2	10.3	10.9	11.2	10.7	11.8	13.2	13.1
2 Compensation to employees as percent of non-agricultural NDP	18.3	20.7	23.4	23.8	24.1	25.0	25.0	26.0	25.0
2 (a) Excluding Defence	16.8	18.0	20.7	21.2	21.7	22.3	22.9	23.7	22.8
II DEPARTMENT WISE									
1 Administrative Dept. (excluding defence)	10.0	10.2	11.2	11.6	11.6	11.2	10.0	11.1	10.8
2 Departmental enterprises	5.3	5.3	5.0	4.9	4.8	4.8	5.0	5.0	4.8
3 Non-departmental enterprises	1.5	2.5	4.5	4.7	5.2	6.4	7.2	7.6	7.3

Source. National Accounts Statistics, Central Statistical Organisation, 1975 and 1979.

Note. 1. Compensation to employees, department-wise, are as a proportion to non-agricultural NDP.
2. Figures for wages and salaries of Defence forces have been taken from "Indian Defence Budget", Institute for Defence Studies and Analyses Journal.

compensation to public sector employees (excluding defence) was about 17 percent at the start of the period and it increased to almost 23 percent at the end. Among the different constituents of the public sector, while the proportion of wages and salaries to non-agricultural NDP has virtually stagnated in departmental enterprises and administrative departments, it has risen rapidly in non-departmental enterprises. This is brought out even more sharply if we look at the percentage distribution of the share of each department in total compensation to employees in the public sector.¹⁸

Employment in the public sector, as we saw earlier, formed about 15 percent of non-agricultural employment in 1960-61 (and increased to almost 19 percent by 1960-61) and increased to almost 19 percent by 1977-78. Juxtaposing the (adjusted) incomes and employment data,¹⁹ it appears that the public sector accounts for a much larger proportion of non-agricultural wage and salary incomes than non-agricultural employment. And this difference increased by the end of the period. This implies that average earnings would be higher in the public sector than in the rest of the non-agricultural economy, and that the growth of average earnings would also have been faster in the former.

In Table III we give an index of average earnings per employee for the public sector as a whole, derived from the incomes and employment data from 1960-61 to 1976-77. Two other indices constructed from other sources quoted earlier are also given, one relating to civil servants and the other to employees in public enterprises. Since both the POW and COS data are not comparable with our series on average per employee earnings in the public sector we use Venkataramaiah's index of earnings for the organized factory sector as a benchmark for comparison with the private sector. It also defines earnings as inclusive of all labour costs and covers all categories of employees.

Indices of real earnings per employee are derived by deflating the index of money earnings by the Working Class CPI, though, as pointed out earlier there are problems in using this index. Moreover, since all indices of money earnings are being deflated by the same CPI one could as well discuss trends in money earnings. However, while this may be acceptable for comparing the different series of average earnings per employee, it would be more pertinent to look into real earnings to assess how each category - civil servants, the enterprise employees and others - has fared over time.

Table III

Index of Per Capita Money And Real Earnings (1960-61 = 100)

	Total public Sector Index of money earnings	Public Enterprise Index of real earnings	Public Enterprise Index of money earnings	Public Enterprise Index of real earnings	Central Govt. Index of money earnings	Index of real earn- ings	Index of real ea- rnings of factory workers
	(1)	(2)	(2)	(2)	(3)	(3)	(4)
1961-62	105.4	101.4	106.3	101.9	103.4	99.4	100
1962-63	107.0	100.0	107.5	100.5	106.5	99.5	101
1963-64	112.2	102.0	119.7	108.8	116.7	103.1	106
1964-65	121.3	97.0	133.8	107.0	130.5	102.6	103
1965-66	133.1	97.1	137.6	104.4	141.1	100.4	101
1966-67	146.5	97.0	157.3	102.2	160.2	100.3	102
1967-68	166.8	97.0	179.8	100.6	173.3	100.7	101
1968-69	179.6	103.2	192.7	110.8	184.0	105.7	106
1969-70	200.5	113.3	213.9	120.8	199.4	107.0	112
1970-71	217.7	117.1	247.3	133.0	200.5	106.8	99
1971-72	233.4	121.5	267.7	139.1	-	-	na
1972-73	243.2	119.0	262.5	126.8	-	-	na
1973-74	283.6	113.4	270.6	115.7	-	-	112
1974-75	335.4	112.1	338.3	114.4	-	-	101
1975-76	363.7	116.2	406.2	129.8	-	-	103
1976-77	360.4	119.2	400.0	132.9	-	-	-

- Source: Cols (1) Total compensation to employees (excluding Defence) from National Accounts Statistics and employment figures from Employment Review, various issues.
- (2) Upto 1964-65, Handbook of Information on Public Enterprises, National Employment Services, 1970. For the later years, Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, Ministry of Finance, Bureau of Public Enterprises.
- (3) Wage and salary bill of regular Central Government employees, excluding armed forces, as available from the report of the Third Central Pay Commission. These data were given upto 1970-71.
- (4) Reproduced from P Venkataramaiah, "Is Organised Labour Exploiting or Exploited? Artha Vijnana, June 1978. Average wages were calculated from ASI reports and are deflated with 1960 CPI working class.

From the table we see that after a marginal increase initially, real earnings of public sector employees fell upto 1967-68 with a very sharp increase in consumer price index in the mid-sixties. Since then, there has been a substantial increase upto 1972-73, followed by a decline again in the inflationary years, 1973 and 1974. It is interesting to see a fall (for the first time) in the index of money earnings in the last year 1976-77 though the index of real earnings for that year shows an increase. This is not surprising since it was the year in which labour's demands for higher wages and bonus were severely curbed.²⁰

The average real earnings per employee in public enterprises follow almost the same pattern. However, the rate of growth of earnings is much higher for such employees. Upto 1967-68 their index of real earnings hardly improved. Then there was a substantial increase to 139 in 1971-72, after which it again fell and revived by 1975-76. In 1976-77 the index (1960-61 = 100) stood at almost 133, while for the public sector as a whole it was only 119, though there was a decline in the index of money earnings in that year for employees in public enterprises also.

In the case of the Central Government employees (or civil servants) we have obtained data upto 1970-71 during which period the gain has been very marginal.²¹ The index of real earnings stood at 107; for the same year the index was 117 and 133 for the public sector as a whole and employees in public enterprises respectively. But it must be remembered that to some extent this is on account of the fact that earnings are defined more liberally in respect of the public sector as a whole and public enterprises.

Regarding the private organized sector employees, it is interesting to note that in the initial years, that is, upto 1968-69, the growth in average earnings per employee was higher than the public sector. Since then, their earnings have lagged behind; between 1961 and 1975, the average per employee real earnings showed hardly any increase. The index of real earnings per employee had increased by about 16 percent for the public sector employees during this period. However, within the public

sector itself there is a differential movement in real earnings as between the civil servants and employees in public enterprises, the latter having considerably improved their position. But all constituents within the public sector suffered a decline in money earnings in 1976-77.

These data do bring out the types of disparities existing in per capita earnings within the public sector, highlighted by the Pay Commission reports and various associations of employees. The anomaly most often cited is that between the pay structure of civil servants and employees of public sector enterprises. Of course one must be cautious in drawing conclusions regarding intra-public sector earnings differential since (i) the proportion of higher paid jobs is much greater in the public enterprises than in the Central Government²² and (ii) the effect of changing skill composition on average earnings is more pronounced in the case of public enterprises with the introduction of new technology and skill intensive since planning started.

At the same time, various Pay Commission reports and recently the Bhootalingam Committee, have pointed out the existence of wage differentials for similar skills (for example, persons and clerks) between the different constituents of the public sector in respect of both basic pay and allowances. These anomalies are especially pronounced as between employees of administrative departments and departmental undertakings on the one hand and quasi-government organizations (which relate to non-departmental enterprises) on the other. These undertakings, organized as companies, are largely free from governmental control in their day-to-day running and are allowed considerable freedom to manage their personnel and financial matters.²³ However, this greater autonomy and flexibility may, to some extent, have created the intra-skill differentials mentioned above. The scales of pay on the whole are higher for the quasi-government organizations.²⁴

In this paper we do not intend to go into the causes of inter-sectoral and intra-sectoral wage differentials which have been discussed at length elsewhere.²⁵ We would only like to caution against the use of such data on relative earnings for making generalizations of the sort often made, that the existence of disparities in relative earnings are a reflection of exploitation by one section of the working class (the

higher paid one) of the other (the lower paid one).²⁶ Differentials, over and above skill differentials, exist and persist as part of a process of uneven development which is a feature of the capitalist economy and get even more accentuated in a developing economy characterised by the coexistence of an organized and unorganized sector.²⁷

Now we deal in brief with the available data on real earnings of different categories of public sector employees. Time series data on per capita earnings of various categories of class I, II, III and IV employees are available only for the Central Government from 1960-61 to 1971-72 (See Table IV). These data show a clear deterioration in per capita real earnings of all categories except peons for whom the index rose marginally to 105 in 1971-72. We would like to qualify these data, which have already been made use of by others,²⁸ on three counts.

(1) The earnings here refer only to basic pay plus dearness allowance and no other cash allowance or benefits are included. This implies that it is even less inclusive than the POW or COS data, and does not cover even 82 percent (in 1971) of the total labour costs (see Table I). Before one can establish conclusively that there has occurred a relatively greater fall in average real earnings of the higher class employees, it is necessary to see if this pattern of real incomes behaviour for different classes alters significantly with the inclusion of other allowances. A recent study²⁹ brings out the fact that adding a few other allowances such as house rent and city compensatory, which each class of Central Government employee is eligible for, the proportional increase in total emoluments of class IV staff has been greater than class I employees between 1957 and 1972. This implies that the pattern remains substantially the same even with the inclusion of some other allowances. However, the study also points out that though this has helped to narrow down inter-class differentials in earnings to some extent, there is still enormous concentration of both money and real incomes in the upper strata of employees.

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Table IV

Progress in Real Emoluments

	1960	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Person ⁺	80 (100)	85 (97)	90.50 (91)	103 (94)	111 (92)	123 (89)	135 (95)	141 (101)	156 (106)	156 (103)	170 (10)
Senior Division Clerk	171 (100)	181 (96)	193 (90)	216 (92)	229 (89)	249 (85)	265 (88)	278 (91)	298 (95)	298 (92)	314 (91)
Junior Division Clerk	220 (100)	230 (94)	242 (88)	265 (90)	276 (85)	298 (78)	314 (79)	322 (81)	317 (82)	347 (80)	363 (78)
Class II	650 (100)	650 (91)	650 (80)	740 (83)	755 (77)	770 (67)	770 (67)	770 (68)	815 (68)	815 (66)	830 (63)
Class I (A)	1250 (100)	1250 (91)	1250 (80)	1250 (73)	1350 (72)	1350 (61)	1350 (61)	1350 (62)	1395 (61)	1395 (59)	1410 (56)
Class I (B)	2250 (100)	2250 (91)	2250 (80)	2500 (81)	2500 (74)	2500 (65)	2500 (63)	2500 (64)	2500 (60)	2500 (59)	2500 (55)
Class I (C)	3000 (100)	3000 (91)	3000 (80)	3000 (73)	3000 (77)	3500 (68)	3500 (66)	3500 (67)	3500 (63)	3500 (61)	3500 (58)

Source: Report of the Third Central Pay Commission, 1973

Note: + Salary includes basic pay and DA only (for the years 1970 and onwards it includes interim relief also).

Figures within brackets given the index.

(2) Although the rate of change in real earnings of class IV employees may be higher than for other categories of employees, we must ask what was the original amount/^{in respect of the former} since the differentials between the lowest and the highest paid staff is still very high. The same study points out that given the high degree of concentration of a large number of employees working under the lowest pay ranges such as Rs.100 or below Rs.150 per month there exist high degrees of inequalities in the distribution of income among the different categories of employees.³⁰

(3) The use of the Working Class CPI which has been used to deflate money earnings for each class of employees is questionable in case of the higher paid staff.³¹

On the whole we find that class/category-wise data on earnings in the public sector are very unsatisfactory. This is a serious lacuna. However, from the available evidence which suggests a faster rate of growth in the higher categories of employees, the increase in average real earnings per employee in the public sector undoubtedly reflect, to some extent, the higher earnings of such employees.

Conclusion

From the above analysis it appears that real earnings per employee have increased in the public sector during the period under study although these tend to be substantially eroded under the pressure of inflation.³² In recent years employees have also experienced a downward pressure on money earnings. Within the public sector, employees in public enterprises on the whole appear to be in a better position compared to other employees. However it is significant to note that this has not led to any increase in the share of employees in value added (NDP) in the public sector as a whole or even of employees in the non-departmental undertakings. While the share of compensation to employees in total income generated in the public sector has remained stable, around 80-82 percent upto 1974-75, it has shown a sharp decline to 75 percent in 1976-77. In the case of non-departmental undertakings, the share of labour fluctuated between 55 and 60 percent upto the early seventies, followed by a decline to 52.8 percent in 1976-77.³³

1. P Venkataramaiah, "Is Organised Labour Exploiting or Exploited?" Artha Vijnana, June 1978
2. To some extent the Occupational Wage Survey, Labour Bureau, Ministry of Labour, did collect these types of data for the organized factory sector. This survey, however, was conducted for two years only, 1958-59 and 1963-64. A third one was conducted in four phases during 1974-1977 of which only some reports may now be available.
3. Indian Labour Statistics, Labour Bureau, Ministry of Labour, Government of India (an annual publication). See also Report of the National Commission on Labour, Ministry of Labour 1969, and P Venkataramaiah, op.cit.
4. P.Venkataramaiah, op.cit.
5. Prior to 1958, employees earning less than Rs.200 per month were covered but with the amendment of the Act in 1957 its scope was extended to cover persons earning Rs.200 or more but less than Rs. 400 per month.

6. Indian Labour Yearbook, Labour Bureau, Ministry of Labour (an annual publication).
7. Venkataramaiah, Op.cit.
8. Venkataramaiah, it appears, estimates average per employee earnings by including all labour costs, while COS excludes annual bonus, group benefits and retirement benefits from its calculation of earnings.
9. See Labour Statistics under the Annual Survey of Industries, Labour Bureau, Ministry of Labour, Data collected under this scheme are reproduced in the Indian Labour Year Book. A breakup of gross earnings (and not labour cost) into various components is also available in respect of POW annual returns. Since the COS returns are more comprehensive, covering not only earnings but all items of labour cost, we use these data.
10. See P Venkataramaiah, op.cit.
11. See Report of the Third Central Pay Commission, Ministry of Finance, 1973, Vol. IV p.5.
12. See Indian Labour Yearbook, op.cit.
13. Besides the Civil Service, the government at the time of independence also owned and managed a number of industrial and service undertakings like the railways, P and T, and ordinance factories organized as departmental enterprises. The staff in such enterprises consist of civil servants. On the contrary most of the industrial commercial and service enterprises which came up in the public sector in the course of planned industrial development were set up mostly as government companies whose employees excluding deputationists are not civil servants. See Report of the Study Team on Public Sector Undertakings. Administrative Reforms Commission (ARC), June 1967.
14. Central Government employees may either be regular or non-regular. The latter includes (a) work charged personnel, (b) contingency staff and (c) locally recruited staff in Indian missions/embassies abroad.
See Census of Central Government Employees, Ministry of Labour, New Delhi. EMI figures on employment include both regular and non-regular personnel (except locally recruited staff in embassies/missions abroad), but since the earnings data refer to regular staff, we consider only the latter.
15. See Report of the Third Central Pay Commission, op.cit.
16. "Indian Defence Budget 1972-73", Journal of the Institute for Defence Studies and Analysis, 23 April, 1972.
17. NDP is at factor cost in current prices. Estimated from National Accounts Statistics for 1976-77.
18. The share of departmental enterprises declined steadily from 31 percent in 1960-61 to 21 percent in 1976-77; of administrative departments from almost 60 percent in 1960-61 to about 47 percent at the end of the period. On the other hand the share of non-departmental enterprises increased rapidly from less than 4 percent in 60-61 to 32 per cent in 1976-77.

20. This was the peak year of the Emergency imposed in June 1975. The fall in the CPI for 1976-77 was mainly on account of a decline in the general price level in the initial months upto May 1976. From June it rose continuously, but the average for the 12 month period shows a fall. See Economic Survey, Government of India, 1976-77.
21. The slight improvement in the index in the last two years was largely on account of an encashment of several concessions to Central Government employees such as dearness allowances, and interim relief. See Report of Third Pay Commission op.cit.
22. Report of the Administrative Reforms Commission (1967). op.cit.
23. See Footnote 14. It was recognized that the form of departmental undertakings is unsuitable for commercial and industrial enterprises. Although the Industrial Policy Resolutions of 1948 laid down that public enterprises as a rule should be organized in the form of public corporations most enterprises in the public sector were set up as companies which reduces their accountability, on the plea that greater autonomy would make for more efficient running. See ARC Report 1967 op.cit.
24. Third Pay Commission Report op.Cit. and Bhoothalingam Committee Report, op.cit.
25. See for instance, Parvez Alam, "The Nature of Class Conflicts in Indian Society - A Critique of Dandekar, Janavadi Vichar Manch, University of Delhi.
26. V M Dandekar, "Nature of Class Conflict in the Indian Society in the Marxian Framework" Artha Vijnana, June 1978.
27. Parvez Alam, op. cit. and See K Bharadwaj "Notes on Political Economy of Development - the Indian Case", Economic and Political Weekly, February 1972.
28. See P Venkataramaiah, op.cit. and Bina Roy, and others, "Trends in the Distribution of Wage and Salary Incomes among Different Occupations in the Central Government Services", The Indian Journal of Labour Economics, January 1979.
29. Bina Roy, and others, Ibid.
30. Ibid.
31. See earlier discussion on the problem of the deflator.
32. See, also Rehman Sobhan, Public Enterprise as an Instrument of Policy in Anti-Poverty Strategies in South Asia, Economic and Social Commission for Asia and Pacific, 1979.
33. National Accounts Statistics, 1976 and 1978, op.cit.

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