Vol XXVIII
No. 1

JANUARY-
MARCH
1973

ISSN 0019-5014

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS

INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

NOTES

REPORT OF THE COMMITTEE OF EXPERTS ON UNEMPLOYMENT ESTIMATES—A CLARIFICATION

This Note seeks to provide clarification on the comments made by Dr. Raj Krishna on the Report of the Committee of Experts on Unemployment Estimates, in his Presidential Address* to the 32nd Annual Conference of the Indian Society of Agricultural Economics. It does not seek to controvert any of the substantive views expressed by Dr. Raj Krishna in his Address. The clarification is offered purely in the academic interest of avoiding needless controversy and confusion on the question of estimates of unemployment and the methodology of estimation adopted for the purpose.

On page 8, Dr. Raj Krishna states, "it is remarkable that the Committee (on Unemployment Estimates) itself did not consider it worthwhile to present any estimates (of unemployment) at all;" and he adds "the report of the Committee has accentuated the prevailing feeling that nothing is known about unemployment in the country." The Committee's specific assignment, as explicitly stated in its terms of reference, was to review the *methodology* of estimating the volume of unemployment hitherto in vogue and suggest improvements in the same for providing more reliable estimates, such as would help in formulating more meaningful policies and programmes for tackling the problem of unemployment. While doing this, the Committee made an exhaustive survey of all currently available estimates of unemployment from various sources, pointed out their limitations, and suggested modifications in the methodology for obtaining better and more useful estimates. In fact, the Report brings together most exhaustively all the available data on unemployment or whatever is "known about unemployment in the country." Is it then fair to interpret this as tantamount to accentuating the feeling that *nothing is known* about unemployment ? At no place has the Committee said so. What it did say is that the existing information on the unemployment situation was inadequate, and did not reveal its many important and more disaggregated characteristics. It also believed that better estimates could be obtained by a slightly different methodology, which in fact the NSS has adopted since the Report was submitted. To this I may add my personal view that what is needed for policy purpose is not so much a single precise count of the unemployed, but rather a better knowledge of what I have called the 'anatomy' of unemployment. If Dr. Raj Krishna thinks that the available estimates are adequate and that "the NSS procedure gives precisely this (the right) kind of information," nothing more needs to be said. If however Dr. Raj Krishna has in mind the type of estimates provided by him in Table II (page 7) of his Address, anyone with access to the NSS and the Committee's Report could

* Published in this issue of the Journal.

have done the exercise in a day; for all that would be required is to apply the NSS ratios of unemployed and "severely" under-employed to the latest available information on (or estimates of) labour force. In fact, the Committee's Report mentions such ratios of unemployed and 'severely under-employed' persons available for additional work in urban India in para 2.25 and of severely under-employed persons available for additional work in rural India in para 2.15.

The reason for not deriving the estimates of the type presented in Dr. Raj Krishna's Table II is that the Committee held that the application of such unidimensional ratios to the labour force to arrive at the number of persons who were 'unemployed' leads to erroneous interpretations and does not give a correct picture of the unemployment situation in the country, for reasons explained at length in the Report. Instead, the Committee made some recommendations for a more appropriate methodology for obtaining more detailed and meaningful information on various facets of unemployment—rather than an aggregate, unidimensional estimate. These recommendations have been accepted and the 25th and the 27th Rounds of the NSS are designed to serve the purpose.

Next, Dr. Raj Krishna comments on three "propositions" supposed to have been made by the Committee. He first comments on a statement in paragraph 3.8 of the Committee's Report and quoted by him on page 9 of his Address. What is said in this paragraph is simply a factual statement explaining the methodology employed by the NSS in deriving their estimates and their legitimate interpretation. Somehow, this factual explanation gives to Dr. Raj Krishna the *impression* that (in the Committee's view) it is important to measure the number of individuals suffering from "continuing" unemployment or "those without work throughout the year." The Committee's view is exactly the opposite. The entire tenor of the Committee's Report is that such measurement is *not* important, and this view has been made so explicit that even a casual reader of the Report will have to make a determined effort to miss it. The final proof of this view of the Committee—namely, it is *not* important to measure the number of individuals, etc.—is that in its recommendations such measurement is totally excluded.* The Committee's positive recommendation is for the measurement of man-days of available labour time remaining unutilized, with which, my impression is, Dr. Raj Krishna would be in agreement. Further I would respectfully submit that the NSS procedure which gives the average of the varying weekly situations does not provide the kind of information which Dr. Raj Krishna himself considers desirable or of "the quantum of suffering that exists in the form of unemployment."

---

* See, for example, "However these estimates (derived from the methodology suggested by the Committee) *will not indicate the number of persons* identifiable as unemployed throughout the season. Report of the Committee of Experts on Unemployment Estimates, para 3.17, p. 17.

Dr. Raj Krishna's second comment is on what is stated in paragraph 3.15 of the Committee's Report on the number of hours of work as a measure of intensity of unemployment. It is true that the Committee did not consider the number of hours as an appropriate or reliable measure of intensity for reasons which are stated below. Even so, in the same paragraph the Committee admits : "This certainly provides one basis of measurement of unemployment;" and "while the collection of data on hours of work is useful, it would be better . . . . etc." Thus the Committee does not totally reject collection of data on hours of work, and in fact in the 25th and 27th Rounds, data on hours per day (four hours or less or more than four hours) have been used to judge the intensity of work available to an employed on each day of the reference week. The view that hours of work do not realistically indicate the intensity of employment is derived from a well observed phenomenon of long hours of work associated with low income. True, this would apply also to a day as a measure of unemployment. But then why add one more uncertain measure (hours) to another ? Anyway, to be really useful, a measure of employment should be associated with the measure of earnings; though the data on the latter are even more difficult to collect and would be subject to a larger margin of error.

In making his third criticism on para 20 on page 37 of the publication (and *not* of the Committee's Report) on 'available for work' criterion without reference to any wage rate, Dr. Raj Krishna had made a major *faux pas* —even after his attention was drawn to it. This paragraph is in an appendix (not in the Committee's Report) contributed by Shri Sudhir Bhattacharyya, a very knowledgeable Technical Consultant appointed to assist the Committee. As Dr. Raj Krishna has specifically attributed this paragraph to "a member of the Committee," I must most unwillingly mention that Shri Bhattacharyya was not a member of the Committee. Unwillingly, because by mentioning this I do not wish to imply that the Committee considered the views of an esteemed Consultant as of less consequence. But this is a minor point. The main objection to this criticism is that it is a complete misrepresentation of Shri Bhattacharyya's view. This would be obvious if I just quote the full paragraph in which the sentences quoted by Dr. Raj Krishna occur. "It has been noted earlier that in the absence of an organised labour market, persons without job or gainfull work may not always actively seek jobs and their true status might be ascertained better through a probe into their availability of work. (This is what Shri Bhattacharyya himself holds.) The effectiveness of this approach has been questioned by Professor Gunnar Myrdal and Professor K. N. Raj. *They have argued* that the use of this "available for work" criterion without reference to any wage rate is meaningless and the data based on this approach will be a kind of 'hotch potch' aggregate." (Emphasis added.) The next paragraph makes it even more specific. Shri Bhattacharyya's own view of the subject which is identical to Dr. Raj Krishna's view on the subject (stated on pages 9-10 of the Address), and yet he

criticises Shri Bhattacharyya and the Committee for the view which neither held. It is difficult to understand how Dr. Raj Krishna missed the crucial words "They have argued" in Shri Bhattacharyya's paragraph, and further attributed this view to a 'member of the Committee' !

Finally, a word may be said about Dr. Raj Krishna's concluding comment that "The Expert Committee's criticism of the NSS definitions does not stand much scrutiny; it merely created unnecessary scepticism about what we know about our unemployment situation." To the best of my knowledge the Committee did not criticise any of the *definitions* adopted by the NSS though it did criticise some interpretations and uses of the NSS data or the tabulations. It however did two things. First, it showed the inappropriateness of classifying even those who were nominally employed for a part of the week as employed during the reference week as a whole. This is not the fault of the NSS. If one has to classify persons as either 'employed' or 'unemployed' on the basis of his situation during a week, there is no other (less arbitrary) method of doing so. Hence the Committee recommended collection of data in terms of the situation on each day of the week rather than the week as a whole; even so, it did not recommend sudden discontinuation of the current NSS procedure.

Secondly, the Committee indicated that the ratios of "unemployed" (and severely under-employed) derived from the NSS procedure could not legitimately be applied for estimating the number of persons who could be considered as chronically unemployed and/or under-employed. Repeat visits to the same households would be needed for the purpose.

The Committee's positive recommendation was to estimate the *number of days* on which the labour force in the country remained unemployed, and collect the needed information with larger disaggregation—by regions, seasons, status or class of worker, besides rural-urban residence, age, sex and education. I am happy—and I am sure Dr. Raj Krishna also will be happy—to note that all these recommendations—with the addition of a question on intensity of employment (half day/full day) have been accepted by the NSS and incorporated partially in the 25th Round and wholly in the 27th Round.

There still remain a few points of disagreement with some of the substantive views expressed by Dr. Raj Krishna in his Presidential Address, but as the main purpose of this Note is 'clarification' of the Expert Committee's views, to avoid the "needless confusion" likely to be created by Dr. Raj Krishna's Address, I refrain from commenting on them.