

CHAPTER 2

THE PONDICHERRY ECONOMY

While Pondicherry Union Territory has been defined as an administrative unit, it is difficult to clearly delineate the economy as an autonomous entity. The Union Territory consists of four separate geographical areas, viz. Pondicherry and Karaikal near Tamil Nadu, Mahe in Kerala and Yanam in Andhra Pradesh. The economy of each of these four sub-units is related to its hinterland in the respective state, and has little to do with the rest of the Union Territory as such. This is particularly true of Mahe and Yanam which are economically integrated with Kerala and Andhra Pradesh, and cannot be said to have an autonomous existence. Even in the case of Pondicherry, the land area is non-contiguous, since there are several enclaves of Pondicherry within Tamil Nadu.

Consequently, the Pondicherry economy can be characterized as an “open” economy with flows of virtually all factors of production including natural resources, labour, capital and technology. Land and water management in Tamil Nadu affect Pondicherry and Karaikal. Karaikal is located in the delta of the Cauvery, and is directly dependent on the flows in the Cauvery. Similarly, both surface and ground water use in the proximity of Pondicherry would affect availability. Agriculture and land use cannot be conceived in isolation from the adjoining areas of Tamil Nadu, Kerala and Andhra Pradesh.

A very mobile factor of production is labour which moves freely between the adjoining states and the administrative units of the Union Territory depending on the availability of employment, both seasonal and permanent. This is clear from the demographic profile of Pondicherry. Migration from outside the Union Territory accounted for 25 per cent of the increase in the population in 1991. Again, the unemployment rate in Pondicherry, as recorded by the NSS, in 1993-94, was among the highest in the country, presumably because there were many outsiders looking for jobs in the Union Territory. Also, a considerable segment of the organised sector of employees both in government and in the private sector have been recruited from outside. It is also possible that highly trained people from Pondicherry have moved to the adjoining states

or other parts of the country for employment. Some have moved to France and continue to make remittances to their relatives or dependants in Pondicherry.

Financial flows to Pondicherry occur not only from adjoining states, but from different parts of the country in various forms for investments, services, etc. As mentioned, there are also flows from outside the country due to both remittances from NRIs and pensions paid by the French Government. There is a widespread perception that foreign remittances are leading to conspicuous consumption rather than investment in Pondicherry. The banks are flush with funds and deposits have risen more sharply than credit off-take. It must be presumed that bank deposits are financing investments outside the Union Territory, since there are no restrictions on the movement of funds by the banks to other states of the Indian Union.

The 'openness' of the economy is also reflected in the movement of goods and services both into and out of Pondicherry, particularly to the neighbouring states. In the past, the low sales tax rates in the Union Territory led to the diversion of goods to and from Pondicherry. However, the imposition of the uniform floor rates will reduce the possibility of such diversion. The impact of this policy will be felt not only on government finances (discussed in a later chapter) but may be to some extent on economic activity as a whole in the Union Territory.

It may therefore be misleading to study the economic sectors of Pondicherry independently of the larger context in which the units of the Union Territory are located. The focus of policy has to be on the comparative advantage that the Union Territory can provide. The growth of the economy will be affected much by the flows into and out of the Pondicherry economy rather than autonomous development of the physical sectors like agriculture and industry. It may be unnecessary for Pondicherry to achieve self-sufficiency in many areas. For example, the power requirements of the Union Territory are met from the Central grid and purchases from Tamil Nadu (except for a small plant in Karaikal). The point being made is that Pondicherry is more "open" than the average state. Inter-state movement of resources, as well as goods/services, will continue to play a major role in the growth of the Pondicherry economy. Unlike the large states of the Union, Pondicherry is on a razor's edge affected not only by its policies, but those of the

neighbouring states. These aspects have to be kept in mind in interpreting the economic data, and in developing a vision for the future.

In this chapter, we examine the following aspects of the Pondicherry economy:

- The demographic aspects of the Union Territory. Human resources are both a means to economic activity in terms of the labour and skills provided, as well as the end in terms of the quality of life that results from economic growth. Projection of population in 2011 and 2021 will depend on the level of migration into the Union Territory, apart from the natural increase in the population. Rural-Urban migration within the Union Territory is another demographic dimension that is examined.
- The growth rates of output in the economic sectors such as agriculture, industry and services with the caveat that we are dealing with an “open” economy, and the possibilities for growth in the future.
- The employment scenario (in terms of the rural and urban labour markets) in the Union Territory and the projections for the future.

DEMOGRAPHIC ASPECTS

The Union Territory of Pondicherry has experienced significant population growth over the last few decades. Whereas the population was 3,69,079 in 1961, at the latest Census count in 2001 (provisional) it had increased to 9,73,829. Table 2.1 gives both the population and the decadal population growth rates between 1961 and 2001. As can be seen, the decadal growth rates for 1961-71, 1971-81, 1981-91 and 1991-2001 were 27.81, 28.15, 33.64 and 20.56 per cent, respectively.

Table 2.1
Population and Decadal Population Growth, 1961-2001

Region	Population					Population Growth			
	1961	1971	1981	1991	2001	1961-71	1971-81	1981-91	1991-2001
Pondicherry	258561	340240	444417	608338	73504	31.59	30.62	36.88	20.82
Karaikal	84001	100042	120010	145703	170640	19.10	19.96	21.41	17.11
Mahe	19485	23134	28413	33447	36823	18.73	22.81	17.72	10.09
Yanam	7032	8291	11631	20297	31362	17.90	40.28	74.51	54.52
Pondicherry U.T.	369079	471701	604471	807785	973829	27.81	28.15	33.64	20.56

Source: Census Reports, various issues.

There are significant differences within the Union Territory. The decadal growth rate of the Pondicherry region which has been over 30 per cent for all the decades between 1961-91, dropped to 20.82 per cent in 1991-2001. Yanam which had a moderate decadal growth rate of 17.90 per cent between 1961-71 has experienced phenomenal growth thereafter, namely 40.28 per cent, 74.51 per cent and 54.52 per cent between 1971-81, 1981-91 and 1991-2001 respectively. On the other hand, decadal growth rates in Karaikal and Mahe have been around 20 per cent throughout with a declining trend in 1991-2001. Significantly decadal growth rates, throughout the Union Territory have dropped in the last decade and the overall decadal growth rate was only 20.56 per cent.

Table 2.2 (a) compares population growth rates in Pondicherry with that of Tamil Nadu and All-India. As can be seen, the overall decadal population growth rates in Pondicherry between 1961-71, 1971-81 and 1981-91 were higher than those of both Tamil Nadu and All-India. Whereas the decadal growth rates of Pondicherry were well above 25 per cent between 1961-71 and 1971-81, it reached 33.64 per cent between 1981-91. On the other hand, the All-India growth rate was consistently below 25 per cent and that of Tamil Nadu below 20 per cent in the decades 1971-81 and 1981-91. Only in the last decade, 1991-2001, has the decadal population growth rate of Pondicherry dropped to below that of India. However, it has remained significantly higher than that of Tamil Nadu which dropped to 11.19 per cent.

Table 2.2 (a)
**Decadal Population Growth Rates in Pondicherry,
Tamil Nadu and All-India, 1961-2001**

Region/Decade	1961-71	1971-81	1981-91	1991-2001
Pondicherry U.T.	27.81	28.15	33.64	20.56
Tamil Nadu	22.30	17.50	15.39	11.19
India	24.80	24.66	23.86	21.34

Source: Calculated from Census Reports.

Annual Growth Rate

Table 2.2 (b) expresses the population growth rate in Pondicherry in annual terms. For the first time since 1961-71, the compound annual growth rate of population fell below 2 per cent in the decade 1991-2001. This suggests that a significant fall in the rate of net in-migration. It is likely that the compound growth rate in the next two decades will be well below 2 per cent as explained in a later section.

Table 2.2 (b)
**Annual Compound Growth Rates of Population in Pondicherry (in Per Cent),
1961-71 to 1991-2001**

	1961-71	1971-81	1981-91	1991-01
Decadal Growth	27.81	28.15	33.64	20.56
Annual Compound Growth Rate	2.48	2.51	2.94	1.89

Note: Compound growth rate was calculated using the two-point logarithmic equation.

Population Density

Population densities have also increased over these decades. Whereas the population density was only 769 persons per sq. km in 1961 for the territory as a whole, it increased to 1,683 by 1991 (Table 2.3). Also, while population growth rates have slowed down after 1991, the density has increased to 2,029. Again there are significant differences between the four regions. Mahe is the most densely populated area with a density of 4,091 persons per sq. km, followed by Pondicherry with a density of 2,534 persons per sq. km. Karaikal has a density of 1,060 and Yanam a density of 1,568. In comparison,

the population densities of Tamil Nadu and India in 2001 were 478 and 324 persons per sq. km.

Table 2.3
Area and Population Density in Pondicherry, 1971-2001

Regions	Area (sq.km)	1971	1981	1991	2001
Pondicherry	293	1173	1517	2076	2534
Karaikal	160	621	750	911	1060
Mahe	9	2570	3157	3716	4091
Yanam	30	415	388	677	1568
Pondicherry Union Territory	492	983	1229	1683	2029

Source: Census Reports, various issues.

Rural-Urban Population

The rural-urban composition of the Union Territory has also changed significantly over the last few decades. Whereas in 1971, the rural population accounted for 57.96 per cent of total population and urban population accounted for 42.04 per cent in 2001, the rural population only accounted for 33.43 per cent while the urban population accounted for 66.57 per cent of the total population (Table 2.4). Although disaggregated data are not available for the four regions of the Union Territory, all the regions except Karaikal are predominantly urban.

Table 2.4
Rural-Urban Population in Pondicherry (in Per Cent), 1971-2001

Year	Rural	Urban
1971	57.96	42.04
1981	47.72	52.28
1991	36.00	64.00
2001	33.43	66.57

Source: Census Reports, various issues.

Projections for 2011 and 2021

The reason for high growth rates of population in Pondicherry has been mainly high rates of migration into Pondicherry. Table 2.5 gives details of migration rates for the decades 1971-81, 1981-91 and 1991-2001 calculated using the migration tables of the Census as well as the Sample Register System (SRS). Though the figures derived by using the two methodologies are considerably different, what is noticeable is that net in-migration has been significant in Pondicherry. It is important, however, to note that migration has slowed down between 1981-91 and 1991-2001.

Table 2.5
Migration Calculated Using SRS and Census Methodologies*

Decade	Migration (SRS Calculations)	Migration (Census Calculations)
1971-81	38038	11907
1981-91	106760	50699
1991-2001	71057	Not Available

* The SRS calculation is based on projecting the decadal population growth using the natural growth rate and subtracting it from the total decadal population increase. The Census figure is based on subtracting out-migrants from in-migrants.

The following points emerge from the above discussion of the demography of Pondicherry:

- (1) Pondicherry has had to contend with high population growth rates over the last few decades, largely due to migration from the adjoining states.
- (2) Population growth has slowed down highlighting the fact that pressure might be less in the future, and the increase in population will primarily be due to natural growth.
- (3) The sub-units of the Union Territory (except for Karaikal) have population densities more similar to urban areas, reflecting the progressive urbanisation of the Union Territory.

The likelihood is, therefore, that overall decadal population growth rates will also slow down in the next two decades. Table 2.6 gives details of the likely population in 2011 and 2021 so that the Union Territory can plan for the future. Three scenarios are

provided. Whereas in Scenario 1, a constant decadal growth rate is presumed for the next two decades, in Scenario 2 the natural growth rate slows down to 9 per cent between 2001-2011 and to 7 per cent between 2011-2021 and migration rates stay constant. In Scenario 3, natural growth rates slow down as above as well as there is reduction of migration rates by 33 per cent. The indication is that the population in the Union Territory will be somewhere between 12.5 lakh and 14.15 lakh in 2021. This is significantly lower than earlier predictions made – prior to the release of the 2001 Census data. The slow down in the growth rate would appear to be due on the one hand to the government’s efforts at improving health and family planning and on the other due to fewer employment opportunities for migrants.

Table 2.6
Population Decadal and Annual Growth Rate Projections, 2001-2021

Scenario	Population Projection (lakh)		Decadal Growth Projection (%)		Annual Growth Rates (%)	
	2011	2021	2001-2011	2011-2021	2001-2011	2011-2021
1 - High	11.74	14.15	20.56	20.56	1.89	1.89
2 -Medium	11.47	13.28	17.80	15.43	1.65	1.48
3 - Low	11.24	12.50	15.80	11.28	1.45	1.07

Source: Calculated.

These scenarios can be used as a baseline for further calculations undertaken in the different sectoral and thematic studies. For 2011, the three scenarios are not too different: 11.24-11.74 lakh. Possibly based on the 2011 Census, the population projection for 2020 can be revised. In any case, it is unlikely to exceed 15 lakh. Plans can be made accordingly for infrastructure, social development etc. (The Appendix has a much more elaborate discussion about population growth and the methodology used to make projections).

Rural – Urban Projections

Based on the same methodology, and assuming that the rural population drops to 30 per cent in 2011 and down to 27 per cent in 2021, the estimates for the rural-urban break-up for the three scenarios is given in Table 2.7(a).

Table 2.7(a)
Rural-Urban Population Projections for 2011 and 2021

Scenario	2011 (in lakh)			2021 (in lakh)		
	Rural	Urban	Total	Rural	Urban	Total
Scenario 1	3.52	8.22	11.74	3.82	10.33	14.15
Scenario 2	3.44	8.03	11.47	3.58	9.70	13.28
Scenario 3	3.37	7.86	11.24	3.37	9.13	12.50

Source: Calculated

Note: The rural + urban population might not equal the total population because numbers have been rounded up to the second decimal point.

For further analysis, the following assumptions will be made in respect of the projected rural, urban and total population of the Union Territory in 2011 and 2021 (Table 2.7(b))*

Table 2.7(b)
Projected Rural-Urban Population Scenario (in Lakh) in 2011 and 2021

	2001	2011	2021
Rural	3.26 (33.5%)	3.4 (30%)	3.4(27%)
Urban	6.48 (66.5%)	7.9 (70%)	9.1 (73%)
Total	9.74 (100%)	11.3 (100%)	12.5. (100%)

GROSS STATE DOMESTIC PRODUCT (GSDP)

GSDP is estimated by the CSO for States and Union Territories. However, there have been some problems of comparability between the old series (1980-81 prices) (GSDP) and the new series (1993-94 prices) (GSDP) since certain items were changed in the new series. We will, therefore, use the old series mainly for inter-sectoral comparisons of

growth rates in the earlier period, but not for comparison across time periods or for growth projections. The 1993-94 to 1998-99 period for which revised GSDP figures

* We use 2011 and 2021 and not 2010 and 2020 as the target years to correspond with Census years.

are available alone would be used for projection purposes. In the case of the Union Territory, this was also the period of rapid growth. Whether this growth can be sustained in the future needs careful consideration.

Sectoral Composition of GSDP

By the early nineties, the secondary and tertiary sectors were the main sectors within the Pondicherry economy while agriculture's contribution to GSDP had declined to less than 10 per cent of the total. In the period between 1993-94 to 1998-99, the secondary sector's share in GSDP increased from 33.62 per cent to 45.77 per cent. The tertiary sector's share which was 51.61 per cent in 1993-94 declined slightly to 47.67 per cent (Table 2.8).

Table 2.8
Sectoral Composition of GSDP (in Per Cent), 1993-94 to 1998-99

Sector/Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Primary	14.76	15.47	13.52	9.88	7.82	6.55
Secondary	33.62	30.93	28.52	40.68	43.20	45.77
Tertiary	51.61	53.60	57.96	49.94	48.98	47.67
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated.

GSDP and GSDP Growth Rates

Table 2.9(a) gives the detailed breakdown by sector of GSDP in constant prices (1993-94 series). GSDP grew from Rs. 100,025 lakh to Rs. 179, 516 lakh between 1993-94 and 1998-99. It can be seen from Table 2.9 (a) that the primary sector actually stagnated in absolute terms. Whereas agriculture and allied activities contributed Rs. 14,765 lakh in 1993-94, in 1998-98 their contribution was only Rs. 11,762 lakh. This was primarily due to declines in agriculture and in fisheries. On the other hand, the secondary sector's contribution increased from Rs. 33,633 lakh in 1993-94 to Rs. 82,173 lakh in 1998-99. The secondary sector's growth was largely due to the large increase in registered manufacturing which grew in absolute terms from Rs. 22,781 lakh in 1993-94 to Rs. 68,805 lakh in 1998-99. The tertiary sector also grew, namely, from Rs. 51,627 lakh to Rs. 85,579 lakh in the period 1993-94 to 1998-99.

Table 2.9(a)
Estimates of GSDP and Per Capita GSDP at Constant Prices (Rs.Lakh)

Items	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Agriculture & Animal Husbandry	7319	9119	8410	7860	5905	5597
Forestry & Logging	869	883	907	931	956	979
Fishing	6577	5643	5742	5095	5437	5186
Mining & Quarrying	-	-	-	-	-	-
I Primary Sub-total	14765	15645	15059	13886	12298	11762
Manufacturing (Total)	27970	25403	25680	50820	61354	75303
Manufacturing Registered	22781	19925	20040	44812	55144	68805
Manufacturing Un-registered	5189	5478	5640	6008	6210	6498
Construction	4927	5107	5280	5481	5691	5902
Electricity, Gas & Water Supply	736	772	812	854	897	968
II Secondary Sub-total	33633	31282	31772	57155	67942	82173
Transport and Storage	5088	5700	6606	7841	9426	10975
Communications	943	1220	1470	1716	2040	2041
Trade, Hotel & Restaurants	14269	14744	17343	21398	25919	30099
Banking & Insurance	4140	4357	6413	7360	8566	10276
Real Estate and Business Services	11160	11853	15534	13457	13874	14654
Public Administration	5704	5641	5916	6041	5908	5980
Other Services	10323	10702	11279	11641	11294	11554
III Tertiary Sub-total	51627	54217	64561	69454	77027	85579
Total Gross State Domestic Product	100025	101149	111392	140495	157265	179516
Estimated Population (as on 1 st October)	847800	863800	880000	896700	913600	930800
Per capita Income (in Rs.)	11798	11710	12658	15668	17214	19286

Source: CSO.

Note: The population figures are estimates made before the release of the 2001 Census.

As the figures in Table 2.9(b) indicate, the period 1993-94 to 1998-99 was one of unprecedented growth of GSDP at a rate of 12.80 per cent per year. The rapid growth was primarily due to the secondary sector growth rate of 21.09 per cent, but also to the tertiary sector growth of 10.44 per cent. In the tertiary sector, the banking and insurance sector (19.18 per cent), the transport sector (15.78 per cent) the communications sector (15.88 per cent), and the trade, hotels and restaurant sector (16.10 per cent) also experienced high growth. Public administration and other services grew very slowly in the nineties, i.e. at compound rates of 1.13 and 2.11 per cent, respectively. The tertiary

sector as a whole grew at 10.44 per cent. The primary sector declined at 5.54 per cent per year during this period, with agriculture declining at the rate of 7.75 per cent per year.*

Table 2.9(b)
Growth Rates of State Domestic Product by Broad Industry Division
from 1993-94 to 1998-1999

Sl.No	Industry Division	Annual Compound Growth Rate
1	Agriculture & Animal Husbandry	-7.75
2	Forestry & Logging	2.46
3	Fishing	-4.06
4	Primary Sector	-5.54
5	Manufacturing	26.82
6	Construction	3.61
7	Electricity, Gas & Water supply	5.34
8	Secondary Sector	21.09
9	Transport	15.78
10	Communications	15.88
11	Trade, Hotel & Restaurants	16.10
12	Banking & Insurance	19.18
13	Real Estate	4.83
14	Public Administration	1.13
15	Other Services	2.11
16	Tertiary Sector	10.44
17	Total (GSDP)	12.80
18.	Per Capita	8.73

Source: Calculated from CSO data.

One of the puzzles of the Pondicherry economy is that the growth rate in the nineties bears no resemblance whatsoever to the growth rates of the earlier period as shown in Table 2.10. Consequently, we have ignored the earlier period in the projection of growth rates for the next two decades. It's worth pointing out, however, that in this period the tertiary sector grew fastest at 5.23 per cent.

* Note: The growth rate 'r' is calculated using a log-linear equation. If Y_t and Y_o are the values of the variable in time periods t and o:

$$\ln Y_t = \ln Y_o + t \ln (1 + r)$$

$$\ln Y_t = \beta_1 + \beta_2 t$$

where β_2 is an estimate of $\ln (1 + r)$

Time series data are fitted to determine β_2 , from which 'r' is calculated.

Table 2.10
Growth Rate of GSDP by sector: 1980-81 to 1992-93 and 1993-94 to 1998-99

Sector	1980-81 to 1992-93	1993-94 to 1998-1999
Primary	1.54	- 5.54
Secondary	2.77	21.09
Tertiary	5.23	10.44
Total GSDP	3.12	12.80
Per Capita GSDP	0.23	8.73

Growth Projections for 2010 and 2020

The reasons for the growth or lack thereof in the various sectors are discussed in more detail in the chapters on agriculture, industry, and services. Sustaining a GSDP growth rate of 13 per cent or more over a longer period will not be possible given the expected overall growth of the Indian economy and the current slow down in its growth. A more realistic goal may be around 8 per cent for GSDP and about 6.5 per cent for per capita GSDP. An annual growth rate of 6.5 per cent would result in a doubling of per capita GSDP in about 12 years. Policies that will sustain such a process of economic growth would have to be put in place. In the second decade, GSDP might be expected to grow at 7.0 per cent and per capita GSDP at 6 per cent.

In order to achieve an overall GSDP growth rate of 8 per cent, it would be necessary to have a growth rate of around 10 per cent in the secondary sector and 6 per cent in the tertiary sector to compensate for a low growth rate of about 2 per cent in the agricultural sector. If industry and services grow at rates very much faster than agriculture, then the relative contribution of agriculture will further fall in the second decade. However, agriculture has much growth potential and that should be exploited. Growth of the agriculture sector is needed to increase the income of the population that would still be dependent on it and thus sustain the rural workforce. Since industry makes up almost half of GSDP, a growth rate of 10 per cent of this sector will result in very rapid growth of the economy.

However, since there are so many imponderables in a small economy, a conservative goal of 10 per cent for industry, and 8 per cent for the economy as a whole

may be quite feasible. Doubling of per capita GSDP by the end of the decade could make Pondicherry one of the most prosperous regions in the country. In this context an important task will be to ensure that the residents substantially gain from growth, though some of the gain will flow out as reward for capital investments. For this purpose, local skills must be developed and investments by locals should be encouraged. Except for Karaikal, the Pondicherry economy will become predominantly urban, relying largely on the secondary and tertiary sectors as the engines of growth, particularly in the second decade.

EMPLOYMENT

There are two main sources of employment data: Census and NSSO. The Census has two types of categories: occupational and industrial. The industrial classification is comparable to the NSS. We first utilise the Census information to examine the changes in employment between 1971-91 and then the NSS to look at recent developments in 1993-94 and 1999-2000. Moreover, while the Census information looks at the overall scenario (urban + rural), we utilise the NSS data for a more disaggregated analysis.

As Table 2.11 shows, while agriculture and allied activities have continued to grow in absolute terms, the relative contribution has declined from 49.78 per cent in 1971 to 39.10 per cent in 1991. The same is true of registered and unregistered manufacturing whose relative share declined from 17.90 per cent in 1971 to 15.76 per cent in 1991. The sector experiencing the most growth both absolutely and relatively between 1971 and 1991 was community, social and personal services. Within this broad category, the major contributor was public administration and defense services, education, scientific and research services and personal services.

Table 2.11
Sectoral Structure of Workforce, 1971-91

	1971	1981	1991
Agriculture and Allied Activities	70,196 (49.78)	79,292 (45.77)	102376 (39.10)
Mining and Quarrying	265 (0.19)	48 (0.03)	333 (0.13)
Manufacturing	25,243 (17.90)	32,852 (18.96)	41,248 (15.76)
Electricity, Gas and Water	1,086 (0.77)	1,375 (0.79)	2,596 (0.99)
Construction	4,457 (3.16)	6,562 (3.79)	11,108 (4.24)
Wholesale and Retail Trade and Restaurants and Hotels	14,152 (10.04)	18,248 (10.53)	33,088 (12.64)
Transport, Storage and Communication	3,575 (2.54)	5,923 (3.42)	8,493 (3.24)
Financing, Insurance, Real Estate and Business Services	1,440 (1.02)	2,636 (1.52)	5,253 (2.01)
Community, Social and Personal Services	20,611 (14.62)	26,311 (15.19)	56,402 (21.54)
Activities Not Adequately Defined	-	-	903 (0.34)
Total	1,41,025 (100.00)	1,73,247 (100.00)	2,61,800 (100.00)

Source: Census Reports, various issues.

Note: Percentage of total in parentheses.

Table 2.12 sums up the employment situation in terms of the distribution of employment among the primary, secondary and tertiary sectors. As can be seen, the overall trend is that the tertiary sector has grown in terms of percentage contribution while the primary sector shrank. There was absolute growth in all three sectors though the most significant growth was in the tertiary sector. The secondary sector grew slowly in the eighties and accounted for only 20 per cent of the workforce. The dramatic increase took place only in the nineties as explained in the next section. It is the agricultural sector which poses the dilemma – namely a small contribution to GSDP despite accounting for a substantial percentage of the workforce (39.2 per cent in 1991).

Table 2.12
Sectoral Distribution of Employment in Pondicherry, 1971-91

Year/Sector	Primary	Secondary	Tertiary	Total
1971	70,461 (49.96)	30,786 (21.83)	39,778 (28.25)	1,41,025 (100.00)
1981	79,340 (45.80)	40,789 (23.54)	53,118 (30.66)	1,73,247 (100.00)
1991	1,02,709 (39.23)	54,952 (20.99)	1,03,236 (39.43)	2,61,800 (100.00)*

Source: Calculated from Table 6.

*The absolute and percentage totals do not add up to 2,61,800 or 100 per cent because some of the employment was termed as 'not adequately defined'.

Employment situation in the Nineties

Since we do not have detailed occupational data from the latest Census (2001), we have to rely on the NSS rounds of 1993-94 and 1999-2000 to understand the changes that took place in the nineties. The nineties represent a watershed period when the Pondicherry economy, particularly manufacturing, took off. This rapid growth in the economy also resulted in growth in employment by about 19 per cent from 3.1 lakh in 1993-94 to 3.7 lakh in 1999-2000 (Table 2.13). Much of the growth in employment has been in those sectors which experienced output growth such as manufacturing, construction, trade, hotels and restaurants, and transport and communication. The proportion of the workforce in agriculture has fallen from 34.8 per cent to 25.8 per cent, although in absolute terms the decline has not been that steep. On the other hand, employment in manufacturing has registered a very substantial increase from 18 to 26 per cent and in absolute terms has nearly doubled from 0.55 to 0.94 lakh. Such dramatic changes were not seen in the other sectors. There has been a steep fall of 22,000 jobs in employment in public administration, education and other services, for reasons which are not altogether clear. The detailed break down is given in Table 2.13.

Table 2.13
Sectoral Distribution of Employment 1993-94 and 1999-2000

	1993-94	%	1999-2000	%	Annual Rate of Growth
Agriculture	1,06,847	34.81	94,230	25.83	- 1.78
Manufacturing	55,678	18.14	94,392	25.91	7.83
Electricity	4,416	1.44	4,141	1.13	- 0.91
Construction	25,450	8.29	37,917	10.41	4.07
Trade, Hotel	36,897	12.02	69,708	19.13	9.51
Transport	8,908	2.90	14,058	3.86	6.73
Finance	6,720	2.19	7,075	1.94	0.74
Public Administration & Other Services	65,023	21.18	42,924	11.78	- 5.76
Total	3,09,939	100	3,64,445	100	2.34

Source: NSS 50th and 55th Rounds.

In summary, the growth rates of employment during the nineties more or less mirror growth rates of output.

- Agricultural employment has slightly declined.
- Manufacturing employment has boomed at an annual growth of 7.83 per cent.
- Construction, trade, hotels and restaurants and transport have all grown rapidly.
- Public administration and other services have come down substantially.

The fall in agricultural employment is welcome, but agricultural output should continue to grow.

Rural – Urban Distribution

It would be convenient to discuss the rural and urban labour markets separately since the composition and growth of these markets differs markedly. The movement between these two markets is also of some importance in planning not only for employment, but also for services and infrastructure. Table 2.14 gives the rural-urban breakdown of employment in 1993-94 and 1999-2000. Although the absolute numbers have changed, 38 per cent of the workforce is rural, while 62 per cent is urban in both the time periods.

Table 2.14
Rural-Urban Breakdown of Employment by Sectors 1993-94 and 1999-2000

	1993-94		1999-2000	
	Rural	Urban	Rural	Urban
Agriculture	76,512	30,335	81,672	12,558
Manufacturing	16,319	39,358	18,816	75,576
Electricity	--	4,416	3,000	1,141
Construction	4,139	21,311	6,408	31,509
Transport	2,956	5,952	1,500	12,330
Trade, Hotels	5,795	31,103	14,453	55,255
Finance	---	6,720	682	6,393
Public Administration	12,417	52,602	9,817	33,107
Total	1,18,138	1,91,797	1,36,348	2,27,869
%	38.12	61.88	37.44	62.56

Source: N.S.S. 50th and 55th Rounds.

The urbanisation process can be better understood from the land use data and the projections of land use in 2010 (Table 2.15). The population and employment distribution is likely to reflect these changes to a large extent.

Table 2.15
Non-Agricultural Land in Pondicherry 1997-98 and 2010 (Projected)

	Pondicherry	Karaikal	Mahe	Yanam	Total
Total Area (in hec.)	29377	16199	870	2396	48842
Non- Agricultural Area (1997 -98)	9563 (0.33)	4273 (0.26)	197 (0.23)	1036 (0.43)	15069 (0.31)
Non-Agricultural Area (2010 Project)	12267 (0.42)	5706 (0.35)	252 (0.29)	1360 (0.57)	19585 (0.40)

Source: Government of Pondicherry. Vision 2020 - Agriculture. Agriculture Department.

It is seen that the non-agricultural use of land will go up from 31 per cent to 40 per cent by 2010 and possibly to 50 per cent by 2020. The Union Territory will become predominantly urban not only in terms of population, but also in terms of land-use. Karaikal and Mahe may still retain a lot of agricultural land, but Pondicherry and Yanam will become progressively urban. A more detailed discussion of the rural and urban labour markets follows:

Rural Employment

The rural labour market has not grown as rapidly adding only 18,000 jobs in six years compared to the urban labour market which has added about 36,000 jobs. The agriculture sector in the Union Territory has been stagnant in the nineties. Agricultural employment in rural areas has increased slightly from 76,512 in 1993-94 to 81,672 in 1999-2000, but total agricultural employment in the Union Territory has actually declined by about 12,600 jobs since the agricultural jobs in areas classified as urban have fallen drastically during the nineties. The new entrants to the workforce are largely in the non-agricultural sector. Construction, trade, hotel and restaurants have witnessed an increase of about 10,000 jobs. Manufacturing employment in rural areas has also increased by about 2,000. Non-agricultural activities provided employment for about 40 per cent of the rural work force estimated to be about 1.36 lakh in 1999-2000 by the NSS. It is likely that any increase to the rural workforce in the future will have to be absorbed by the non-agricultural sector in the rural area.

Agricultural enterprises other than crop production seem to have very limited potential at the current time, but the promotion of these activities could yield benefits in the future. For example, the “bio-village” programme and other related activities may result in some increase in rural employment, but these need to be monitored with some care to ensure their replicability and long term sustainability. It may be necessary to plan for about 1 lakh jobs in agriculture or agriculturally related enterprises, and about 0.5 lakh jobs in non-agricultural jobs in the rural areas in the next two decades.

Rural Labour Productivity and Wages

The stagnancy of agricultural employment means that new entrants to the rural workforce have either migrated to urban areas or shifted to non-agricultural employment in the rural areas. This would also explain some tightness in the market for agricultural labour in Pondicherry. Probably, daily wage jobs in construction, trade, etc. are preferred to agricultural labour clearly because of higher wages. Those who have migrated presumably find jobs either in manufacturing or in the service sector.

The agricultural wage in the Pondicherry region is currently Rs.62.50 per day for men. Transplanters, weeders etc. mainly women, earn a wage of Rs.30-40 per day.

Skilled labour such as carpenters and blacksmiths command wages of Rs.113 and Rs.72 per day, respectively, again indicating that there is more potential for non-agricultural employment even in the rural areas.

Nature of Employment

The different categories of employment are given in Table 2.16

Table 2.16
Employment Categories in Rural Pondicherry

	Pondicherry	Tamil Nadu	India
Self Employment (agriculture)	5.9	16.6	32.7
Self Employment (non-agricultural)	11.4	12.5	13.4
Agricultural Labour	44.2	45.2	32.2
Other labour	22.3	13.8	8.0
Other	16.2	11.9	13.7
Total	100.0	100.0	100.0

Agricultural labour and other labour make up two-thirds (66.5 per cent) of the rural workforce. The incomes of these persons will probably be quite low, but not necessarily below the poverty line.

Rural Unemployment

Unemployment rates in rural Pondicherry are quite low as measured by usual (principal and subsidiary) status as shown in Table 2.17.

Table 2.17
Unemployment Rates in Rural Areas (Usual Status)

States/UT	1993-94		1999-2000	
	Males	Females	Males	Females
Pondicherry	3.5%	0.0%	2.8%	0.7%
Tamil Nadu	2.7%	1.3%	1.6%	0.4%
All India	2.0%	1.4%	0.9%	0.3%

Source : N.S.S. 50th and 55th Rounds

Unemployment of males has declined slightly from 3.5 per cent to 2.8 per cent whereas for females it has increased from 0.0 to 0.7 per cent. However, rural unemployment is rarely an issue since most people in terms of usual status are engaged in

some sort of work. The fall in unemployment for males might also confirm the tightness of the rural labour market in terms of the demand for agricultural labour.

Projections for Rural Employment

Overall, the proportion of the population in the rural areas has declined from 36 per cent in 1991 to 33.5 per cent in 2001 indicating that there has been some migration to urban areas and/or reclassification of some parts of the Union Territory from rural to urban. In absolute terms however, the rural population has increased slightly from 2.91 lakh in 1991 to 3.26 lakh in 2001. In planning for the future, it is necessary to keep in mind that 3-4 lakh are likely to remain in rural areas, particularly in Karaikal (which is predominantly rural) and the outlying areas of Pondicherry. With a rural work participation rate of 0.42 this means that rural labour force would be of the order of 1.43 lakh in 2011 and in 2021. In other words, the size of the rural workforce may stabilize around 1.4 lakh - 1.5 lakh over the next two decades.

Urban Employment

a) Manufacturing

The success story of the Pondicherry economy is the spurt in manufacturing output in the nineties. This is reflected in a high growth rate of employment of 69.5 per cent from 55,678 in 1993-94 to 94,392 in 1999-2000 as estimated from the 50th and 55th rounds of NSS. Employment enumerated under the Factories Act by the Department of Industries was 74,460 in 1999-2000. This would exclude household industries, which could account for the difference. If we exclude, the manufacturing units in rural areas, the employment in manufacturing in urban Pondicherry is 75,576 as per the 55th Round. We can assume that this number will gradually grow to a lakh or more by 2010 if there is sustained growth of this sector over the next decade.

b) Construction

The construction sector which grew during the nineties increased employment opportunities as well. Employment in construction in urban areas increased from 21,311 in 1993-94 to 31,509 in 1999-2000. Although much of the increase is likely to be casual employment, it is an important sector for the urban poor. This sector is also likely to

grow and provide employment opportunities for new entrants to the urban labour force in the next two decades.

c) Services

Employment in trade, hotels and restaurants, transport, storage and communications and to a lesser extent banking and finance grew in the nineties as estimated by the N.S.S. to about 1.07 lakh in 1999-2000 from 0.96 lakh in 1993-94.

Table 2.18
Number of Enterprises and Employment in Service Sector in Urban Areas

	Urban	
	No. enterprises	Employment
Wholesale Trade	433	1,610
Retail Trade	11,779	27,059
Restaurants & Hotels	1,762	6,100
Transport	1,012	3,424
Storage & Warehousing	93	165
Communications	228	1,255
Financial Services	1,857	7,528
Community, social and personal services	7,725	52,323
Total	24,889	99,464

Source: Economic Census, 1998.

The Economic Census of 1998 also gives us some estimates of service sector employment which are given in Table 2.18 along with the number of enterprises. Approximately, 1 lakh urban workers are employed in the service sector, of whom roughly 53 per cent are in community, social and personal services. A good percentage of these are likely to be in the public sector. While employment in the public sector proper, particularly the Government sector may not grow much in the next two decades, due to the restraints placed on its growth, the other components of the service sector are likely to grow substantially. In fact, the governments' policy should be to actively promote the growth of services.

d) Government Services

According to the Directorate of Economics and Statistics, Government of Pondicherry, about 40,000 persons are currently employed in the public sector (urban and

rural) out of the total workforce of 3.64 lakh. The breakdown of employment is given below (Table 2.19).

Table 2.19
Public Sector Employment in Pondicherry

Central Government	5,494
Union Territory Government	27,577
Autonomous Bodies	3,937
Local Bodies	3,015
Total	40,023

Source: Directorate of Economics and Statistics, Government of Pondicherry.

Thus, public employment constitutes about 11 per cent of the workforce of 3.64 lakh in the Union Territory. This may seem high when compared to the All-India figure of about 5 per cent. Voluntary Retirement Schemes especially in Public Sector Undertakings may bring down the number to about 10 per cent. Pondicherry is probably at a disadvantage because of its small size, in terms of public administration, and is unable to provide public services of the same quality that the larger states can provide. Upgradation of the quality will be more important than decreasing the number of employees.

Nature of Employment

Another economic indicator is the nature of employment viz. degree of casualization of labour. Table 2.20 gives a breakdown of the different categories of employment in urban Pondicherry.

Table 2.20
Employment Categories in Urban Pondicherry

Category	Pondicherry	Tamil Nadu	India
Self Employment	27.6	33.8	39.3
Regular Employment	41.3	42.3	40.2
Casual Labour	24.3	17.6	14.1
Other	6.6	5.8	6.3
Total	100.0	100.0	100.0

While the proportion employed in salaried jobs is similar to that in Tamil Nadu and All-India, the level of casual employment is significantly more – almost double the All India figure. This is an indication of the transient nature of the workforce, generally migrants in the service sector. Self employment is substantially lower, indicating that entrepreneurial activity is quite low (27.6 per cent) compared to All-India (39.3).

Urban Unemployment

Unemployment rates in urban Pondicherry are higher than in the case of rural areas (Table 2.21).

Table 2.21
Unemployment Rate (Per Cent) in Urban Areas (usual status)

States/UT	1993-94		1999-2000	
	Males	Females	Males	Females
Pondicherry	5.7	12.6	1.9	1.2
Tamil Nadu	4.9	8.4	2.1	1.1
All India	4.5	8.2	2.4	0.8

Source : N.S.S. 50th and 55th Rounds

Unemployment rates in the urban part of Pondicherry have fallen dramatically from 5.7 per cent to 1.9 per cent in the case of males and from 12.6 per cent to 1.2 per cent in the case of females due to the recent spurt in the urban economy. However, urban poverty remains quite high (20 per cent) in Pondicherry, because of the influx of the rural poor to the urban areas. The 1991 Census estimated the slum population to be 1.5 lakh, but a rough estimate of the urban poor now would be 2.5 – 3 lakh. Thus, the focus of policy must be on reducing urban poverty through gainful employment and training programmes for the urban poor.

Projections for Urban Employment

In 1999-2000, the urban labour force was about 2.28 lakh out of the urban population of the Union Territory of 6.48 lakh, with a labour participation rate of about 0.35. This number would increase to 2.77 lakh in 2011 and 3.18 lakh in 2021 at the existing work participation rate. The increase in urban workforce would have to be absorbed in manufacturing, construction, trade, hotels and restaurants, and transport (tourism) for the

most part. One would expect that other community, social and personal services to be provided by the private sector creating gainful employment there; and possibly in the local bodies which are currently very small. Since Pondicherry is a small enclave and an open economy, out migration of labour could also take place, particularly if the neighbouring states grow fast.

GOALS FOR 2010 AND 2020

The analysis of the demographic and economic data for the Union Territory of Pondicherry has enabled us to frame some realistic goals for the next two decades:

Population Growth Rate

Period 2001 – 2011 : 1.50 per cent per year

Period 2011 – 2021 : 1.00 per cent per year

Population Goal

	2010	2020
Rural Population	3.4 lakh	3.4 lakh
Urban Population	7.9 lakh	9.1 lakh
Total Population	11.3 lakh	12.5 lakh

State Domestic Product

Period 2001 – 2010 (Annual growth rate)

Agriculture	:	2 per cent per year
Industry	:	10 per cent per year
Services	:	6 per cent per year
GSDP	:	8 per cent per year
Per capita GSDP	:	6.5 per cent per year

Period 2011 - 2020

GSDP	:	7.0 per cent per year
Per capita GSDP	:	6.0 per cent per year

Employment

In summary, the projections for the rural and urban labour market in 2011 and 2021 are as follows:

	2010	2020
Rural Employment	1.43 lakh	1.43 lakh
Urban Employment	2.77 lakh	3.18 lakh
Total Employment	4.20 lakh	4.61 lakh
Total Population	11.3 lakh	12.50 lakh
Labour Force Participation Rate	0.37	0.37