

SECOND ANNUAL REPORT TO THE PEOPLE ON EMPLOYMENT

2011



GOVERNMENT OF INDIA
Ministry of Labour and Employment



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ANNUAL REPORT TO THE
PEOPLE ON EMPLOYMENT
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Appeal to People

We present to the People of India the Second Annual Report on Employment with the objective of generating a healthy public debate on the issue of creating quality employment with distributive justice. We solicit valuable comments and suggestions from the people on major issues highlighted in this Report specially those relating to the employment of youth, women and the disadvantaged groups.

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Foreword

I have great pleasure in presenting the Second Annual Report to the People on Employment prepared as per the direction of the Honourable President of India to initiate, inform, and stimulate public discussion on employment and related issues.

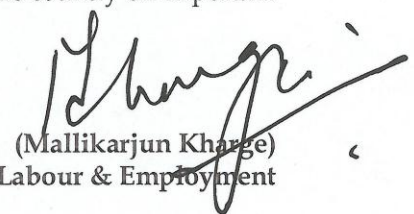
This report follows on the First Report to People on Employment presented in 2010. The First Report provided a framework for understanding the emerging issues in the Indian labour market in the context of rapid economic growth. It examined the synergy between economic growth and employment growth, and argued for using employment as a powerful tool for advancing the goal of faster and inclusive growth. The report received a plethora of comments and suggestions from the public at large and most of them have been taken into account while preparing the Second Annual Report to the People on Employment. The Second Report is being presented at an important juncture when the 12th Five Year Plan is being finalized. The Honourable Prime Minister has given direction that the objective of the Twelfth Plan must be faster, more inclusive and sustainable growth. Ministry of Labour and Employment reiterates the central role of quality employment generation as a means towards fulfillment of the vision set out by the Honourable Prime Minister.

With the above perspective, this report identifies the emerging trends in the labour market, highlights the role of specific sectors and subsectors in generating quality employment and examines the existing inequalities in the labour market in order to advance the goal of inclusive growth. The Report also highlights the contribution made by innovative Government schemes and programmes in addressing issues of employment, social security and skill development of the labour force in general and those of the poor and disadvantaged sections, in particular.

While the Report justly highlights the strength and resilience of Indian economy in the face of persistent global economic downturn, it also alerts us to the challenges posed by both internal and external economic environment. Our Government is committed to meet these challenges both by consolidating the gains made in the recent years in enhancing equity and access in the labour market and by devising measures and new initiatives to further the goal of equitable, inclusive and faster economic growth.

Preparation and coordination of the report in the Ministry of Labour and Employment was undertaken by Directorate General of Employment & Training. Research and Technical inputs for the preparation of this report were provided by V.V. Giri National Labour Institute, an autonomous institution under the Ministry of Labour and Employment. I appreciate their professional expertise and inputs in preparing the report.

I am sure that the Second Report will also generate a healthy debate in the country on important issues relating to employment presented in the Report.



(Mallikarjun Kharge)
Union Minister for Labour & Employment

Dated: September, 2012

Executive Summary

The Second Annual Report to the People on Employment has been prepared as per the direction of the Honourable President of India with an aim to stimulate public discussion on key issues related to labour and employment. This report reiterates the vision of the Government in conceiving quality employment as an important tool to promote faster, inclusive and sustainable growth.

The report notes that despite economic downturn, the Indian economy has grown at a rate of around 8 per cent during the last five years to notch the highest growth in any Plan period. However, the economy will have to overcome significant challenges emanating from external and internal environment for maintaining a growth rate of 9 per cent in propelling India to a new growth trajectory to encompass faster, inclusive and sustainable growth.

The report analyses the latest data published by the National Sample Survey Office on Employment and Unemployment to delineate the emerging trends in Indian labour market. It notes that there has been a modest increase in employment during the second half of the last decade mainly due to the world's worst economic slowdown. However, it is significant to note that there was no net employment loss in India during this period as experienced in many other developed and developing countries of the world. A major trend of the past five years has been a decline in labour force participation rate. The report argues that the decline in labour force participation rate could mainly be due to the increase in participation of the young population in education and increase in wages of principal status workers over the years. It is significant to note that the unemployment rate in India has declined during the period 2004-05 to 2009-10.

The report notes that there has been a positive change in the quality of employment during the period 2004-05 to 2009-10 as most of the employment growth has been contributed by growth in principal status workers. Another very encouraging feature of the employment growth in recent years has been the increase in proportion of regular wage workers in the total workforce. Analysis of the sectoral distribution of workers shows a declining trend in case of the primary sector, nearly stagnant in manufacturing sector and an increase in the share of service sector. The report suggests that the Indian economy needs to grow at an average of 9-9.5 per cent in the next five years to further reduce the pressure of unemployment.

The report highlights the vital role that the service sector can play in generating productive employment in future. Sub-sectoral analysis highlights the growth poles within the service sector such as retail trade, ICT, education and health. The report, however, notes the dualistic nature of service sector employment with high income and better quality jobs limited to a small section of the workforce while the vast majority remains trapped in low wage income and relatively insecure occupations. Hence, the report stresses the vital role of skill upgradation and targeted social security provisions to reduce this dualism.

The report analyses the structural inequality in the labour market and access to quality employment. One of the key inequalities is the high concentration of socially disadvantaged groups (SC, ST and OBC) among casual workers. As a consequence, poorest and the most vulnerable groups obtain much less regular employment and hence low wages. Regional disparity persists with much higher concentration of casual employment in the poorer states. Access to quality employment being highly correlated with educational status and skill endowment, socially disadvantaged groups with high rates of illiteracy and lack of industry relevant skills face greater barriers to access productive employment.

Given that equitable access to quality employment and labour market is a *sine qua non* of faster, more inclusive and sustainable growth, the Government has taken a number of legislative and active labour market policy measures to promote employment and address insecurities and enhance employability of the majority of the workforce. The report highlights the achievements of these measures and notes that these measures have made significant dent in mitigating labour market inequality.

Meeting the emerging challenges related to generation of rewarding employment along with promoting equity in labour market requires well planned and coordinated efforts involving all concerned stakeholders. The report encapsulates the following key short term and medium term strategies and targets, which could serve as indicators for ensuring that the concerted efforts remain focused:

Short Term Strategies and Targets

- Employment growth to be targeted at least at 2.0 per cent per annum compatible with the 9 per cent growth in the economy;
- Promote labour intensive and high employment elasticity sectors to achieve the quantitative employment growth target;
- Focus on service sector-particularly retail trade, information and communication technology, education and health;
- Focus on inclusion of youth, women and vulnerable groups with their specific needs of training and skill development;
- Statutory provisions to provide social security and improved conditions of work and remuneration of contract workers at par with the regular employees;
- Expand the outreach of RSBY scheme to all poor households;
- Re-skilling the retrenched workers for redeployment;
- Developing Information base and e-monitoring on real time basis;
- Collection and compilation of employment/unemployment data on annual basis regularly.

Medium Term Strategies and Targets

- Focus on self-employed and casual workers for improving livelihood;
- Enhance the scope of employment in the organised sector;
- Enhance regular employment for less advantaged groups and in poorer states;
- Comprehensive coverage of unorganised sector workers under social security schemes;

- Rationalisation and simplification of labour regulations and broadening the ambit of labour reforms;
- Promote diversification of rural workforce to off-farm and non-farm activities;
- Target regions with concentration of vulnerable social groups such as ST, SC, minorities, women, illiterate and less skilled for active labour market policies;
- Detailed skill mapping mechanism to be evolved;
- Credible and independent accreditation & certification process to be created;
- Upgradation of all training providing institutions and strengthening delivery through PPP mode;
- Creating large number of skill development institutions and pool of trainers to expand the outreach of skill development initiative;
- Setting up of Sector Skills Councils; and
- Development of National Vocational Qualification Framework;
- Creating a credible Labour Market Information System.

Abbreviations and Acronyms

BPL	Below Poverty Line
CAGR	Compound Annual Growth Rate
CDS	Current Daily Status
CSO	Central Statistics Office
DGE&T	Directorate General of Employment and Training
EPFO	Employees' Provident Fund Organisation
ESIC	Employees' State Insurance Corporation
GDP	Gross Domestic Product
GNP	Gross National Product
ILC	Indian Labour Conference
ILO	International Labour Organisation
IMF	International Monetary Fund
ITC	Industrial Training Centre
ITI	Industrial Training Institute
LF	Labour Force
LFPR	Labour Force Participation Rate
MES	Modular Employable Skills
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MoL&E	Ministry of Labour and Employment
MoRD	Ministry of Rural Development
MoS&PI	Ministry of Statistics and Programme Implementation
MSME	Micro, Small and Medium Enterprises
NCEUS	National Commission for Enterprises in Unorganised Sector
NCLP	National Child Labour Project
NCVT	National Council for Vocational Training
NER	North-East Region
NFLMW	National Floor Level Minimum Wages
NSDC	National Skill Development Corporation
NSDCB	National Skill Development Coordination Board
NSSO	National Sample Survey Office

OBC	Other Backward Classes
PMEGP	Prime Minister's Employment Generation Programme
PPP	Public Private Partnership
RGCC	Registrar General & Census Commissioner of India
RSBY	Rashtriya Swasthya Bima Yojana
SC	Scheduled Caste
SDC	Skill Development Centres
SDI	Skill Development Initiative
SEP	Social Employment Programme
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self Help Groups
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SME	Small and Medium Enterprises
SSI	Small Scale Industry
ST	Scheduled Tribe
UPS	Usual Principal Status
UPSS	Usual Principal and Subsidiary Status
UR	Unemployment Rate
VTP	Vocational Training Provider
VVGNI	V. V. Giri National Labour Institute
WPR	Worker Population Ratio/Workforce Participation Rate

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1 INTRODUCTION

1.1 CONTEXT

In the year 2009, the Hon'ble President of India had announced that Government of India will present five Annual Reports to the People on key areas, namely education, environment, employment, health, and infrastructure. The reports were to initiate, inform, and stimulate public discussion on these issues of importance for the people.

The task of preparing the report on employment was entrusted to the Ministry of Labour and Employment (MoL&E) and accordingly, the first Annual Report to the People on Employment was presented to the people in July 2010. The report provided a framework for understanding the emerging issues in the Indian labour market in the context of rapid economic growth. It examined the synergy between economic growth and employment growth, and argued for using employment as a powerful tool for advancing the goal of inclusive growth. Highlighting the increasingly youthful demographics of the Indian labour market, the report pitched for the need to provide quality employment to the youth so that India could fully garner the demographic dividend. It noted that access to quality employment and the labour market in general was marked by significant variation across social groups, gender, and skill levels, and argued for state intervention to reduce these barriers in order to promote inclusive growth. The report received a plethora of comments and suggestions from the public at large and most of these suggestions have been taken into account while preparing the second Annual Report to the People on Employment.

This report on employment is being presented at an important juncture of Indian economy when the 12th Five Year Plan is being finalized. It is heartening to note that despite the worldwide trade depression and economic downturn, in addition to a severe drought year, the Indian economy has grown at around 8 per cent during the last five years. Yet, there are severe challenges that the economy faces in order to maintain a growth rate of 9 per cent and propelling India to a new growth trajectory that encompasses 'faster, more inclusive and sustainable growth'.

These challenges emerge both from the external and internal environments. Sluggish global recovery from the downturn, the threat of the Euro crisis, increasing pressure on oil prices due to the uncertain geo-political scenario in West Asia and Africa are some of the important challenges emanating from the external environment. Amongst the internal challenges, the most critical ones are sustained inflationary pressure especially due to rising food prices and stagnation in agricultural growth. It is widely recognized that active state policy intervention in key areas is crucial for the maintenance of economic stability and establishment of the environment

necessary to ensure social and distributive justice. It is in this context that employment, both in its quantitative and qualitative aspects, acquires significance as an important area for policy intervention. The success of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in mitigating rural distress and providing the resilience for India to overcome the severe impact of the global downturn is fairly well documented.

1.2 VISION

The current report reiterates the basic vision of the government in conceiving quality employment as an important tool to promote equitable, inclusive and sustainable growth. This vision is based on the fact that decent work and employment are not merely outcome of growth but are drivers of economic growth. Enhancing decent employment requires mitigation of systematic barriers to access based on education, gender and social inequalities in the labour market on the one hand and increasing employability of the workforce through skill development on a broader scale and in a socially inclusive manner, on the other.

1.3 APPROACH

The report assesses the emerging employment scenario in the current economic context and provides a projection of employment at the macro level. It also focuses attention on the trends in the sectoral growth of employment with a detailed focus on the service sector. The service sector has emerged as the highest and most important contributor to Gross Domestic Product (GDP) in India and is also the second largest provider of employment. It is recognized that this sector has the potential to provide employment with increased productivity and incomes. However, the service sector employment reflects the structural inequalities of the larger labour market, i.e. one can find the whole spectrum from high income low employment occupations to extremely low income but high employment occupations within this sector. In light of such an analysis of the labour market and government policy initiatives for the promotion of quality employment and enhanced welfare and social security, there is a need to reorient skill development and employment strategies.

1.4 DATA SOURCES

This report is based on data and information collected from secondary sources. For most of the data related to employment and unemployment, the report uses unit level data and published reports from various rounds of the Employment and Unemployment Survey (EUS) of the National Sample Survey Office (NSSO). GDP and Sectoral Domestic Product (SDP) have been collected from National Account Statistics (NAS) as released by the Central Statistics Office (CSO). The report also uses Census data and related projections made by the Office of the Registrar General & Census Commissioner, Annual Reports of the MoL&E and few other Ministries of

the Government of India. Five Year Plan documents have also been used for analysing various initiatives taken by the government, and documenting the targets and achievements to meet the overall objective of employment growth with distributive justice. Data upto December, 2011 have been used, where felt necessary, for sake of comparisons with data of NSSO published in November, 2011.

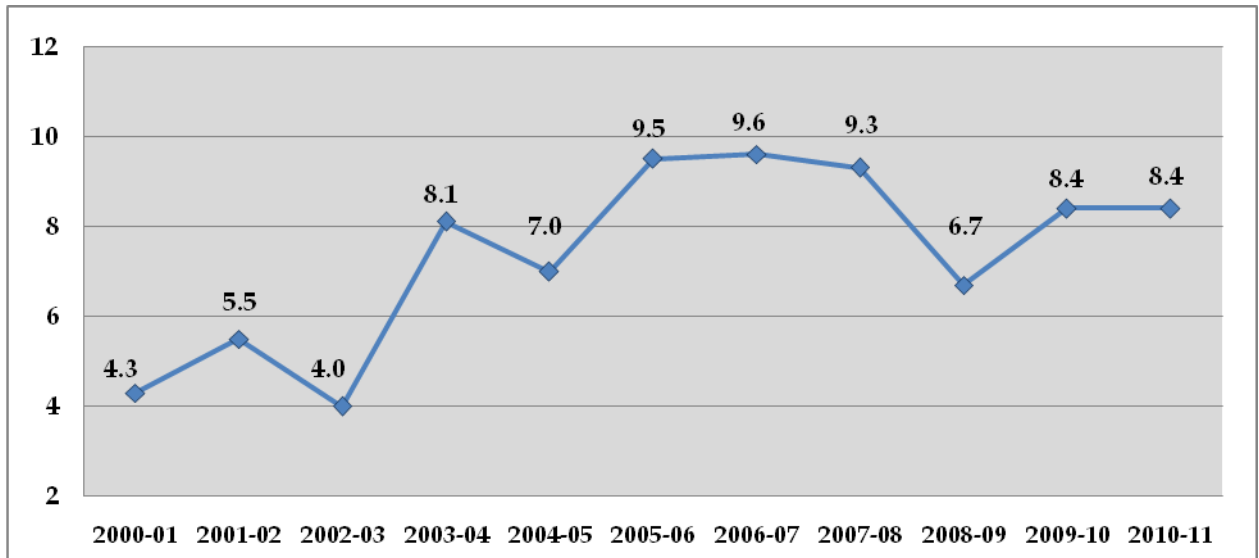
2 EMERGING SCENARIO OF ECONOMIC GROWTH AND EMPLOYMENT

The performance of the Indian economy since the later part of the 1990s marks a significant departure from that of earlier periods in terms of GDP growth. This is coupled with a distinct demographic advantage arising due to the fast-changing age distribution of the population in the country (MoL&E, 2010). One of the central issues that needs to be addressed in this context is the translation of the benefits of economic growth and demographic dividend into matching employment growth. The presentation on *Issues for 12th Five Year Plan* by the Planning Commission has identified faster, more inclusive and sustainable growth as the basic objective to be met during the Plan (Planning Commission, 2011). This certainly calls for linking employment growth with overall GDP growth in general and generating sufficient productive employment, in particular. With this perspective, the present chapter examines the recent trends in GDP and employment growth, and tries to identify the emerging sectors of high employment growth.

2.1 RECENT TRENDS IN GDP GROWTH

After the slowdown in growth in 2008-09, the Indian economy has experienced a robust and broad-based growth of 8.4 per cent in 2009-10, mainly driven by a turnaround in the industrial output, and continued resilience of the service sector. Over the past few years, India has moved to a higher growth phase of 8 to 9.5 per cent, and the dip in growth in 2008-09 is viewed to be a minor slump in the Indian economic growth story. Uncertainties, however, still remain, with inflation continuing to be significantly high and remaining a cause of concern for the government. The present challenge is to keep inflation in check over long periods of time, while at the same time letting the economy grow at its potential rate with minimal setbacks. The year-on-year GDP growth during 2000-01 to 2010-11 at factor cost at 2004-05 constant prices is plotted in Figure 2.1.

Figure 2.1: Year on Year GDP Growth at Factor Cost (in %) at Constant Prices (2004-05)

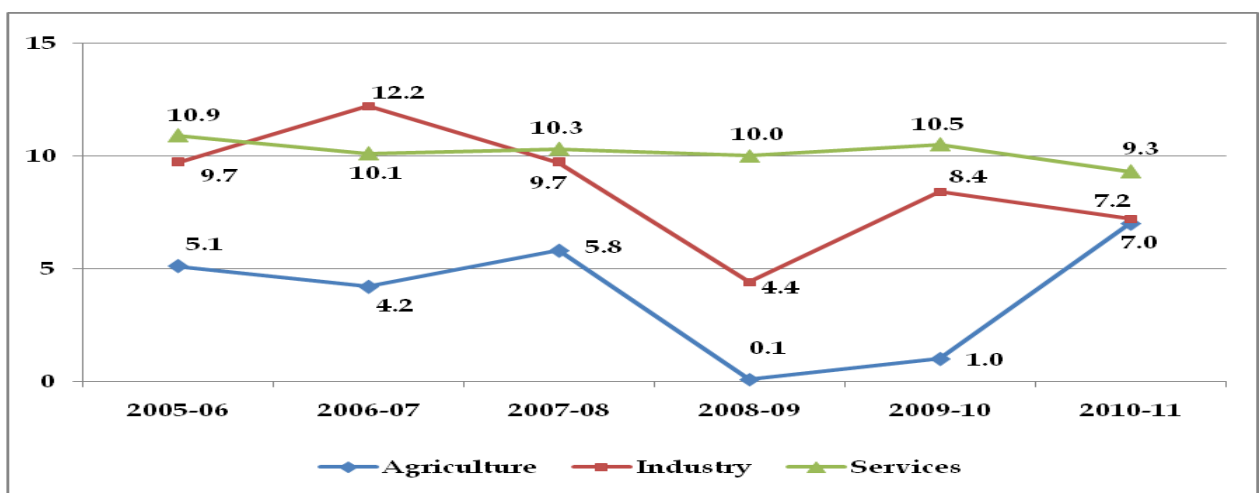


Source: CSO.

2.2 SECTORAL GROWTH TRENDS

The period 2010-11 has been one of the worst in terms of inflationary pressures on the economy. Therefore, the creation of employment that can provide adequate remuneration is a priority in order to achieve the goal of 'inclusive growth'. A look at the sectoral composition of growth provides insights into the sectors that have the potential to provide adequate employment opportunities. At the same time, the growth trends also provide indications regarding future human resource requirements in each sector. The trend in India's economic growth across three broad sectors is plotted in Figure 2.2.

Figure 2.2: Year on Year Growth in GDP by Broad Sectors (based on GDP at 2004-05 prices)



Source: CSO.

Agriculture: Agriculture is the mainstay of the Indian economy because of its high share in employment and livelihood creation even though its proportionate contribution to the nation's GDP has been reducing over time. Agricultural share in GDP has declined rapidly in the recent past and the performance of the sector continues to be dependent on the extent and spread of rainfall. While overall GDP has grown at an annual average growth rate of 8.63 per cent during 2005-06 to 2009-10, agricultural sector recorded annual average growth rate of 3.8 per cent during the same period. The fall in agricultural production is largely driven by the steady decline in non-food grain production rather than food grain production. The Index of agricultural production shows that non-food grain growth has reduced over time and had a sharp negative growth in 2009-10. Growth in food grains increased over 2005-06 to 2008-09, only to fall in 2009-10 (as per advance estimates). The agriculture sector in 2010-11 has taken an upward trend, registering a significant growth rate of 7.0 per cent, as compared to 1 per cent in 2009-10. This is mainly due to a considerably higher growth in the production of food grains, oilseeds, cotton, and sugarcane. Such high production growth has been helped by a good monsoon that boosted the kharif (summer) crop, as compared to 2009-10, when a deep and widespread drought and subsequent flooding held back farming.

Table 2.1: Trends in Real GDP Growth by Subsectors (At 2004-05 Constant Prices)

	Year-On-Year GDP Growth (in %)						% Share in Total GDP 2010-11
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
Agriculture, Forestry & Fishing	5.1	4.2	5.8	0.1	1.0	7.0	14.5
Industry	9.7	12.2	9.7	4.4	8.4	7.2	27.8
Mining & Quarrying	1.3	7.5	3.7	2.1	6.3	5.0	2.2
Manufacturing	10.1	14.3	10.3	4.3	9.7	7.6	15.8
Electricity, Gas & Water Supply	7.1	9.3	8.3	4.6	6.3	3.0	1.9
Construction	12.8	10.3	10.8	5.3	7.0	8.0	7.9
Services	10.9	10.1	10.3	10.0	10.5	9.3	57.7
Trade, Hotels, Transport & Communications	12.0	11.6	10.9	7.5	10.3	11.1	27.2
Financing, Insurance, Real Estate & Business Services	12.6	14.0	12.0	12.0	9.4	10.4	17.4
Community, Social & Personal Services	7.1	2.8	6.9	12.5	12.0	4.5	13.1
GDP at Factor Cost	9.5	9.6	9.3	6.7	8.4	8.4	100

Source: C S O.

Industry: Over the past decade, the industrial sector has accounted for a share of around 26 to 28 per cent in GDP. While industry recorded a healthy growth during

the first half of 2010-11, it moderated in the second half. Higher growth in the first half was driven by consumer durables and capital goods. The deceleration in the second half was driven by a slowdown in capital goods production owing to a slowdown in investment.

Around 55 to 57 per cent of industrial production in India is accounted for by the manufacturing sector. Growth of manufacturing is crucial for employment generation, augmentation of domestic supply, and sustainable growth of exports. A high technology base and skilled manpower are crucial for enhancing manufacturing competitiveness in the globalized economy. After recording a remarkable annualized growth of 14.3 per cent in 2006-07, the growth in manufacturing moderated a little in the subsequent financial year and hit a slump of 4.3 per cent in 2008-09. Barring consumer durables, growth in all manufacturing subsectors declined in this year. However, during the last two years, the manufacturing sector resumed its growth trajectory of around 8 per cent. The utilities, mainly electricity, gas & water supply have accounted for a lesser and lesser share over time.

The share of construction in industrial production has increased consistently over the period from 1999-2000 to 2005-06. After a dip of 5.3 per cent in 2008-09, the construction subsector has shown an increasing trend of year-on-year GDP growth.

Services: The service sector has been the fastest growing sector of the Indian economy for the last ten years, except 2006-07 when the industrial sector grew at a slightly higher rate. The *Economic Survey 2011-12* identifies the service sector as the 'potential growth engine' (Ministry of Finance [MoF], 2011). This is because the growth of the service sector has been continuously above the overall GDP growth and it has been the steadiest of the three broad sectors of the economy. It has grown at a CAGR of 9.5 per cent over 2001-02 to 2010-11. The CAGR between 2005-06 and 2010-11 is even higher at 10 per cent. In parallel, its share in GDP has also been growing steadily every year over the past decade and stood at 57.7 per cent in 2010-11, an almost 4 percentage point increase over 2005-06. It is considered to account for about a quarter of total employment; it also accounts for a high share in foreign direct investment (FDI) inflows and over one-third of total exports. One of the main reasons behind the Indian economy's shift from a low growth in the 1990s to a high growth phase during the period 2004-05 to 2010-11 was the acceleration of the growth rate in the services sector.

Financing, insurance, real estate & business services together account for the highest growth rates in the services sector and this subsector was the fastest to recover from the crisis in 2008-09. Between 2005-06 and 2010-11, it grew by a CAGR of 11.5 per cent. The subsector comprising trade, hotels & transport & communication also exhibited a high growth till the crisis. However, it has been recovering since then and in 2010-11, it registered a higher growth rate than the other two subsectors. Year-on-year growth in this subsector is estimated to be 10.4 per cent in 2010-11 as compared to 9.4 per cent a year before. Community, social & personal services grew

at a much slower rate of 4.5 per cent during 2010-11 as compared to around 12 per cent during the previous two financial years. Given the dominance of the service sector, its healthy performance is crucial for high overall growth. Some services have been particularly important in improving India's performance. Software industry is one subsector in which the country has created a remarkable global brand identity. Tourism and travel-related services and transport services are also major contributors to India's services. Many professional services, infrastructure-related services, and financial services also have a high potential.

It is clear from the discussion of sectoral growth trends that among the three broad sectors of the economy, services is the most important sector in terms of potential for employment generation in the near future. The agriculture sector is dependent on rainfall and employment opportunities in this sector are therefore erratic; the sector is also characterized by underemployment, especially disguised unemployment. It is evident that the manufacturing sector does provide stable employment opportunities. However, the service sector, which has been receiving the highest share of investment, has been increasingly providing more employment and has the potential to continue to offer significant and quality employment opportunities.

2.3 EMPLOYMENT AND UNEMPLOYMENT SITUATION

The first half of the last decade, i.e. 1999-2000 to 2004-05, witnessed an impressive employment¹ growth of 2.9 per cent per annum. The period was also distinguished by a significant growth in employment for women both in rural and urban areas. However, as noted earlier, the second half of the last decade was marked by one of the world's worst economic slowdown, which also affected India to some extent. This is reflected by very modest growth in total employment during the period of 2004-05 to 2009-10. However, what is of great significance is that despite the economic slowdown, there was no net employment loss during this period, as experienced in many other developed and developing countries of the world. The Indian economy, including the Indian labour markets, demonstrated a strong resilience to the crisis and in fact, 6.4 million persons were added to the total employment during the period 2004-05 to 2009-10. The data released by the NSSO (NSSO 66th round) for the year 2009-10 reflects that the total employment (UPSS) grew from 459.1 million in 2004-05 to 465.5 million in 2009-10² (NSSO, 2011).

2.3.1 CURRENT EMPLOYMENT SITUATION

The sluggish employment growth during the period 2004-05 to 2009-10 is mainly due to the decline in female employment. Total female employment declined by approximately 1 million in urban areas and approximately 19 million in rural areas during the reference period. Male employment during this period, however,

¹ Unless mentioned otherwise, all employment discussed in this section is measured in terms of Usual Principal and Subsidiary Status (UPSS) taken together.

² The estimates have been arrived based on NSSO data and the actual population of 2011.

increased at an annual rate of 1.21 per cent and 2.45 per cent in rural and urban areas respectively, leading to an overall male employment growth of 1.6 per cent per annum (Table 2.2). Moreover, despite a decline in female employment, there was a net employment growth of approximately 0.28 per cent per annum.

Certain positive features emerging from the current employment situation deserve mention here. Firstly, a significant share of people opted not to work to continue education, 137 million women and 176 million men in 2009-10. Secondly, as per the *Annual Employment Review 2010* published by DGE&T, MoL&E, last five years have witnessed an increased women employment in the organised sector; from 49.34 lakh in March 2004 to 55.34 lakh in March 2009, an increase of 13.1 per cent. Currently, share of women in organised employment is estimated to be around 20 per cent. Thirdly, majority of the decline in total employment during 2004-05 to 2009-2010 is accounted by the decline in the subsidiary status employment of women workers. A disaggregation of total employment into 'principal status' and 'subsidiary status' employment³ indicates that although there was a decline in female employment by both measures, the rate of decline was much higher in the subsidiary status employment category. In the case of male employment, although subsidiary status employment declined by 3.9 per cent per annum, principal status employment grew by 1.7 per cent per annum between 2004-05 and 2009-10. The overall increase in principal status employment was 0.82 per cent per annum during the same period, which is far higher than the growth rate of total employment based on usual status.

Table 2.2: Number of Workers (in millions) in 2004-05 and 2009-10 and Compound Annual Growth Rates (CAGR in %) between the Two Years

	Principal status workers*			Subsidiary status workers**			All workers***		
	2004-05	2009-10	CAGR	2004-05	2009-10	CAGR	2004-05	2009-10	CAGR
Rural									
Male	213.5	228.0	1.31	4.5	4.1	-1.98	218.5	232.1	1.21
Female	91.4	81.2	-2.34	33.0	24.0	-6.19	123.8	105.2	-3.20
Persons	304.9	309.2	0.28	37.5	28.7	-5.61	342.3	337.9	-0.26
Urban									
Male	90.1	102.8	2.68	1.4	0.7	-11.73	91.6	103.4	2.45
Female	20.4	20.9	0.47	4.8	3.2	-7.80	25.2	24.1	-0.89
Persons	110.5	123.7	2.28	6.2	4.0	-8.61	116.8	127.7	1.80
Rural + Urban									
Male	303.6	330.7	1.73	5.9	4.8	-3.92	310.1	335.5	1.59
Female	111.8	102.1	-1.80	37.8	27.9	-5.89	149.0	130.0	-2.69
Persons	415.4	432.8	0.82	43.7	32.7	-5.63	459.1	465.5	0.28

Note: *measured as usual principal status (UPS); **measured as only subsidiary workers; ***measured as UPSS.

Source: Estimated on the basis of NSSO 2006 and 2011.

³ Principal status (or Usual Principal Status – UPS) and subsidiary status employment are defined on the basis of the time disposition of workers. Workers reporting to have worked for a major part in a reference year are counted as principal status workers while those reporting to have worked for only a few days in a year are counted as subsidiary status workers. These two categories taken together constitute total employment on the basis of UPSS.

The broad trends of employment presented in Table 2.2 indicate that although the overall employment growth during the period 2004-05 to 2009-10 was moderate, the intensity of employment nevertheless reflected respectable growth. Comparatively slower deceleration in employment for the principal status workers necessarily indicates that increasingly larger number of workers were able to get employment for a major part of the year rather than working as subsidiary status workers, i.e. for a smaller part of the year. It has been widely noted that the high employment growth during 1999-2000 to 2004-05 was contributed mainly by the phenomenal increase in the subsidiary status employment of the female workforce. In contrast, whatever employment growth occurred during 2004-05 to 2009-10, it was largely contributed by growth in principal status workers.

An increased intensity of employment is also reflected by an overall increased availability of employment to workers based on CDS. The annual growth of employment on CDS basis for the period 2009-10 is more than 1 per cent per annum which is higher than the growth of employment both in terms of principal status and principal and subsidiary status taken together. The annual growth of employment on CDS basis during 2004-05 to 2009-10 was as high as 2.8 per cent per annum for urban male workers. However, the growth of intensity of employment was again negative for women workers in rural areas but marginally positive (0.4%) in urban areas. Nevertheless, a fairly high growth of employment intensity among male workers both in rural as well as urban areas led to an overall growth of employment by 1.1 per cent per annum (Table 2.3).

Table 2.3: Employment on CDS basis (in millions) during 2004-05 and 2009-10 and CAGR (in %)

	Employment in millions		
	2004-05	2009-10	CAGR %
Rural			
Male	194.7	211.9	1.71
Female	81.5	72.9	-2.22
Persons	276.2	284.7	0.61
Urban			
Male	86.3	99.2	2.80
Female	20.1	20.5	0.37
Persons	106.5	119.7	2.36
Rural + Urban			
Male	281.0	311.0	2.05
Female	101.6	93.4	-1.69
Persons	382.6	404.4	1.11

Source: NSSO 2006 and 2011 and CAGR are estimated.

There is yet another indicator of increased intensity of employment. The 2009-10 data reflects that the proportion of workers engaged as 'regular' workers reached an all-time high of 15.8 per cent of the total workforce. The proportion of regular

employment increased at the cost of both the 'self-employed' and 'casual' workforce. Past employment trends indicate that up to 1999-2000, there was an increasing casualisation of the workforce mainly at the cost of self-employed workers. The process of casualisation was, however, arrested during the first half of the last decade. The period 1999-2000 to 2004-05 witnessed a swelling of the self-employed instead of increased casualisation. However, the following period was marked by a significant increase in the wage-paid workers, both in the regular as well as casual workforce. In 2009-10, nearly half of the total workforce was wage workers.

In rural areas, the proportion of self-employed declined from more than 60 per cent in 2004-05 to 54.2 per cent in 2009-10. Similarly, urban areas also registered a decline in the proportion of self-employed by more than 4 per cent from 45.4 per cent in 2004-05 to 41.1 per cent in 2009-10. As a result, the proportion of all wage workers in rural areas increased from approximately 40 per cent in 2004-05 to 46 per cent in 2009-10. A similar increase in wage workers is evident in urban areas (Table 2.4).

Table 2.4: Percentage Distribution of All Workers by Status of Employment – Self-employed, Regular and Casual Workers – in Rural and Urban Areas in Different Years

	Years			
	1993-94	1999-2000	2004-05	2009-10
Rural				
Self-Employed	58.0	55.8	60.2	54.2
All wage workers *	42.0	44.2	39.9	45.9
Regular	6.5	6.8	7.1	7.3
Casual	35.6	37.4	32.8	38.6
Urban				
Self-Employed	42.3	42.2	45.4	41.1
All wage workers*	57.7	57.8	54.5	58.9
Regular	39.4	40.0	39.5	41.4
Casual	18.3	17.7	15.0	17.5

Note: *All wage paid is the sum of regular and casual workers.

Source: Various NSSO Rounds.

Despite the increased casualisation of the workforce in 2009-10 as compared to that in 2004-05, what is evident is the significant increase in the proportion of the regular workforce, particularly in urban areas. The proportion of regular workers, which was more or less constant over the last 10 years, has increased by approximately 2 per cent in urban areas. Normally, regular wage-paid workers have better quality employment and income security than workers who engage themselves in labour markets on a casual or self-employed basis. The increase in the proportion of the regular workforce, hence, essentially indicates increased employment intensity among workers through relatively secure job markets.

One of the reasons for the low growth of total employment during 2004-05 to 2009-10 is the decline in the labour force participation rate (LFPR), i.e. percentage of labour force⁴ to total population. The year 2004-05 was marked by a significantly high LFPR as compared to earlier periods. More specifically, there was a perceptible increase in the female LFPR during this period. However, 2009-10 registered a decline in LFPR by 3 per cent, from 43 per cent in 2004-05 to 40 per cent in 2009-10. In fact, except for the period 1999-2000 to 2004-05, when the subsidiary status employment growth registered an all-time high, LFPR has reflected a marginally declining trend. The literature notes that the increasing participation of the population in education and increased income of workers over the years (termed as 'education effect' and 'income effect') have led to declining LFPR over a long-term period. A decline in LFPR has a direct impact on employment growth in general, but there are other factors to be considered in the overall employment scenario.

The current (2009-10) employment data raises a few issues of serious concern:

1. The female workforce registered a very significant decline in employment, by more than 20 million.
2. The decline was sharper in rural areas than in urban areas.
3. Subsidiary status workers, who are usually the most vulnerable section of workforce, registered the sharpest decline in employment.

Although the roles played by the 'education effect, and 'income effect' in slowing the pace of employment growth in general cannot be denied, the decline in employment for the vulnerable sections of the workforce poses a formidable challenge in the near future.

2.3.2 UNEMPLOYMENT SITUATION

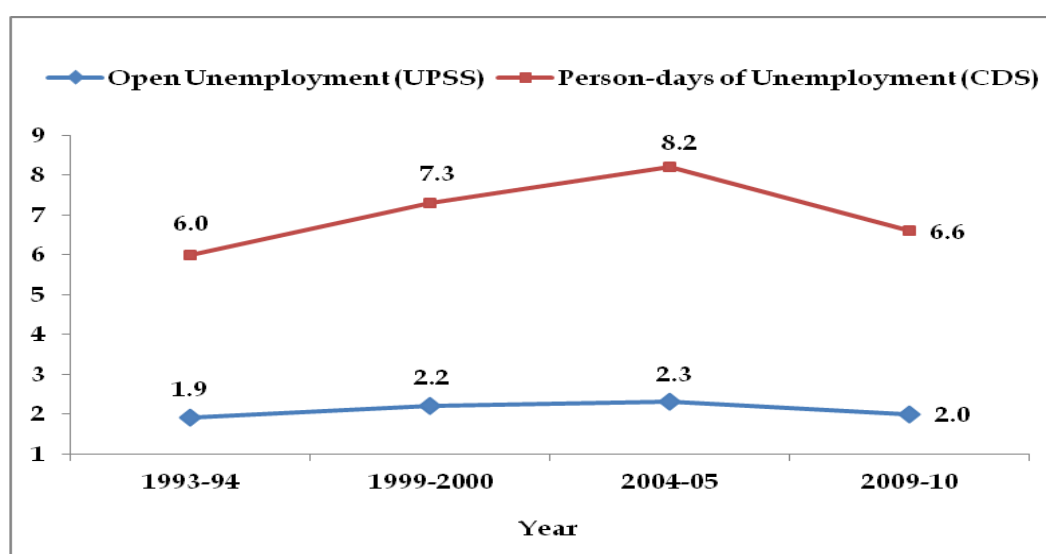
The unemployment rate was at an all-time low in 2009-10. Despite a negligible employment growth, the unemployment rate (CDS measure) fell from 8.2 per cent in 2004-05 to 6.7 per cent in 2009-10. Since the CDS approach measures the number of person-days in employed or unemployed categories, the decline in CDS unemployment rates implies that in absolute terms, the total number of unemployed person-days declined by 6.5 million persons, from approximately 34.5 million in 2004-05 to 28 million in 2009-10. In addition, there are also estimates available of the 'chronically' unemployed or 'open unemployment' as measured by principal status (or UPS) of persons in the labour force. This measure provides an estimate of the number of unemployed persons in a year. The estimates of open unemployment rate are significantly lower than the unemployment rate estimated in terms of person-days. However, as in the case of person-days of unemployment, the rate of chronically unemployed persons (or open unemployment rate) also declined sharply during 2004-05 to 2009-10.

⁴ Labour force refers to the part of population which supplies or offers to supply labour, or is pursuing economic activities for the production of goods and services, and therefore includes both 'employed' and 'unemployed'.

Medium to long-term trends of unemployment indicate that all through the 1990s and the following period of five years, there was a steady rise in unemployment rates, measured either in terms of person-days or in terms of open unemployment rates (Figure 2.3).

While the rate of chronically unemployed persons (or open unemployment) increased from 2.6 per cent in 1993-94 to 3.1 per cent in 2004-05, the unemployment rate measured in terms of person-days increased from 6.0 per cent in 1993-94 to as high as 8.2 per cent in 2004-05. The 2009-10 data, however, reflects a sharp fall in unemployment by registering a decline of approximately 1.5 percentage points in person-days and 0.8 percentage points in the open unemployment rate.

Figure 2.3: Unemployment Rate (in %) over the Years



Source: Respective NSSO Rounds.

The overall trends in employment and unemployment growth over the years present a complex picture. The trends indicate that unemployment rates increased with a rise in employment growth and vice versa. The question is: how can unemployment fall if the employment growth during 2009-10 declined significantly? Although more in-depth study is required to understand this relationship, two answers seem plausible at this stage. One, with a swelling proportion of young population in India over the years, an increasing proportion of the population is participating in education rather than in the labour market. Enactment of Right to Education and programmes like *Sarva Shiksha Abhiyan*, have definitely played a positive role in the process. Second, with the increased income of workers because of higher economic growth, children, aged persons and part of the female population might have withdrawn from the labour market, pulling down both employment growth as well as unemployment rates. In this context, the role of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) assumes paramount significance. It is well acknowledged that wage rates in rural India have increased considerably during the last five years mainly due to the impact of MGNREGA. Details pertaining

to the overall impact of the scheme are examined in later part of the report. These factors effectively bring down the LFPRs, implying a decline in the proportion of job seekers itself. And this accounts for the decline in unemployment rate even in the absence of employment growth in general.

In addition to 'education' and 'income' effects, it is also argued that during the periods of slow employment growth 'discouragement' factors work. This implies that non-availability of employment opportunities, for instance during an economic slowdown period, leads to dropouts from the labour force and hence lack of reporting as unemployed as well. This also results in decline in LFPR but because of entirely different reasons.

2.3.3 SECTORAL DISTRIBUTION OF WORKERS

The sectoral distribution of workers across different years indicates that the dependence on agriculture continues to decline. In 2009-10, the contribution of agriculture to total employment declined by approximately 5 per cent as compared to that in 2004-05. The share of the manufacturing sector also registered a slight decline in 2009-10 as compared to that in 2004-05. Utilities remained approximately at the same level as in earlier years, particularly since 1999-2000. The hotels, restaurants & trade and public administration & community services registered a marginal increase in their share in 2009-10. The major increase in the sectoral share of employment in 2009-10 was registered in construction, followed by financing & real estate. Transport, storage & communication also witnessed an increase in the share of employment (Table 2.5).

Table 2.5: Percentage Distribution of Workers* by Industrial Classification of Sectors of Employment during Different Years

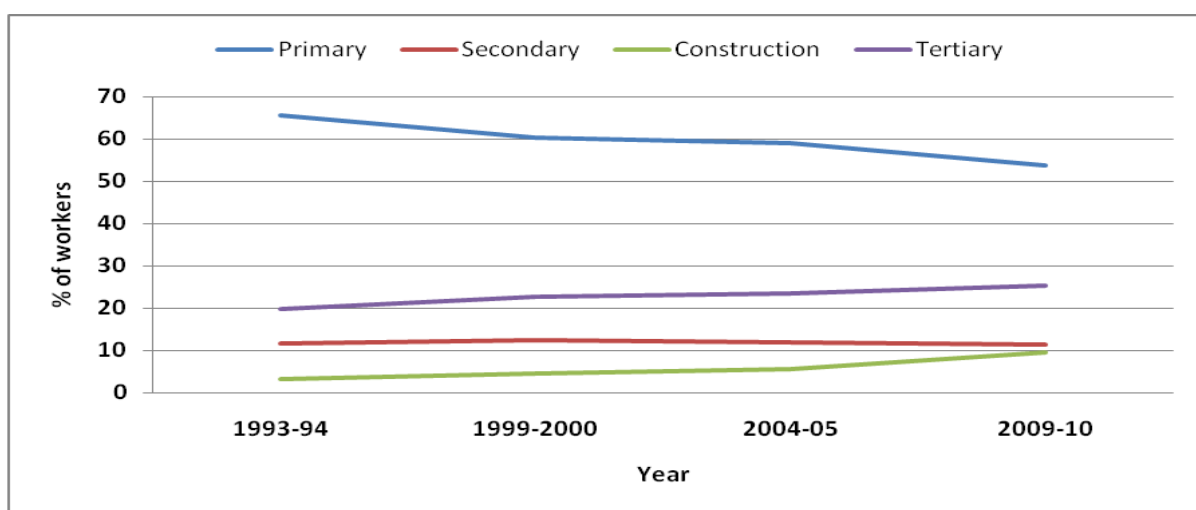
Sectors	% distribution of workers			
	1993-94	1999-2000	2004-05	2009-10
Agriculture	64.75	59.84	58.44	53.20
Sub-Total	64.75	59.84	58.44	53.20
Mining & quarrying	0.72	0.57	0.60	0.60
Manufacturing	11.35	12.09	11.69	11.00
Utilities	0.36	0.32	0.30	0.30
Construction	3.12	4.44	5.59	9.60
Sub-Total	15.55	17.42	18.18	21.50
Hotels, restaurants & trade	7.42	9.40	10.29	10.80
Transport, storage & communication	2.76	3.70	3.80	4.30
Financing & real estate	0.94	1.27	1.50	2.10
Public administration & community services	8.58	8.36	7.79	8.10
Sub-Total	19.70	22.73	23.38	25.30
Total	100.0	100.0	100.0	100.0

Note: *UPSS workers.

Source: Various NSSO Rounds.

The share of the service sector in total employment increased from less than 20 per cent in 1993-94 to more than 25 per cent in 2009-10. The increase in the share of service sector between 2004-05 and 2009-10 was 2 per cent, from 23.4 per cent in 2004-05 to 25.3 per cent in 2009-10. The most noticeable is the phenomenal increase in the share of employment of the construction sector. Between 1993-94 and 2009-10, the share of construction in the country's total employment increased by more than three times. The share of construction increased by more than 4 per cent (registering an annual growth of more than 11 per cent) between 2004-05 and 2009-10. The changing pattern of the sectoral share of employment over the last two decades is presented in Figure. 2.4.

Figure 2.4: Percentage Share of Employment* in Different Sectors across Different Years



Note: * UPSS workers.

Source: Various NSSO Rounds.

3 EMPLOYMENT IN SERVICE SECTOR

The service sector has emerged as the prominent sector in terms of its contribution to national income, trade flows, and other macroeconomic aggregates in both developed and developing countries. India is no exception, with services predominating income generation in the economy and a steady increase in the sector's share in FDI and trade flows. The sector also displayed robust income growth, as noted in the previous section, even during 2007-08 to 2008-09 when GDP growth rate decelerated by 2.3 per cent points following the global economic slowdown. However, impact varied across subsectors. For instance, while telecommunications displayed high growth, the tourism subsector, which depends on external demand, was affected and a decline was noted in passengers handled at international terminals and cargo handled at major ports (RBI, 2010).

Box 3.1 Service Sector in BRICS Countries

Among the newly emerging economies, India's pattern of growth stands apart, with a wide gap existing between income and employment in services, while both move

Share of Services in Income and Employment (in %)

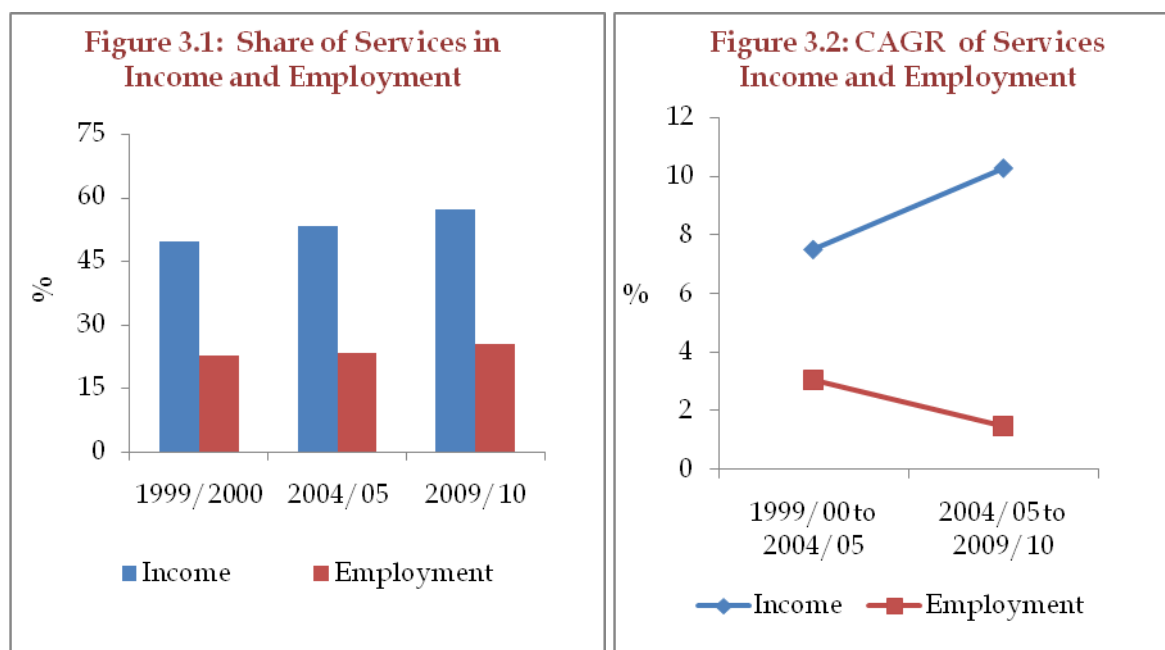
	<i>Brazil</i>	<i>Russian Federation</i>	<i>India</i>	<i>China</i>	<i>South Africa</i>
	2008	2008	2008	2008	2008
Income	65.0	58.0	54.0	40.0	63.0
	2009	2009	2005	2008	2009
Employment	60.7	62.3	25.2	33.2	69.8

Source: ILO, Key Indicators of Labour Market [2010] and World Bank, World Development Indicators 2010.

together in countries like Brazil and Russian Federation. In South Africa employment generation in services is higher than the share of income originating from the sector. In the case of China, despite the manufacturing sector dominating national income, the share of services in employment is higher than that of India – 33.2 per cent. Interestingly, income originating from services records a higher growth rate in China – 9.4 per cent in 2008-09 – in comparison with 6.8 per cent for India.

Despite optimism regarding growth in the service sector, the employment generation in the sector is low and continues to be dominated by low quality jobs. This anomaly presents a critical challenge to the economy as services have been identified as a potential sector for employment generation in future. The disproportional relationship – the inability of services to combine high rates of

income growth and generate adequate employment – is displayed in Figures 3.1 and 3.2. This is a serious issue for an economy with high levels of unemployment, poverty, and income inequality as such patterns would reduce the positive impacts of economic growth on labour market equity. Given such trends, it is important to formulate policies to increase employment growth in services, particularly high-end services.



Note: (a) Income refers to GDP at factor cost at 2004-05 prices; (b) 2009-10 income figures are based on Quick Estimate; and (c) employment refers to UPSS.

Source: CSO and NSSO various years.

As noted in Table 3.1, services have emerged as the prominent sector in the majority of the states, in terms of share in income and employment generation.⁵ Interestingly, regional economies show distinct trajectories in the pattern of income from services and employment generation. There are economically well-off states like Punjab and Gujarat recording a very low share in services income, indicating a high share of low productive services, while the contrary is the case for Bihar. Kerala, Maharashtra and West Bengal with high share in services income and employment may require further probing as there are several parallels and distinctions in the historical growth processes of these states. Ironically, data analysis indicates that despite Kerala's economy having a more proportionate relationship between income and employment originating from services, the structure of employment in the sector is not very different from that of India, contrary to what one expects from a region with high human development indicators. What emerges is a lack of direct relationship between the share of services income and employment and a need to stress high-end services and improvement of the quality of employment in low-end services, to make the growth process more inclusive. This calls for policy measures

⁵ It needs to be noted that apart from a couple of cases, in the majority of the states, the share and growth of services income are in tandem.

to improve labour productivity in services and also emphasizes the need to extend coverage of social security benefits to workers in low productive services.

Table 3.1: Classification of Major States based on Sectoral Contribution of Services Income & Employment, 2010

Income/Employment		Share of Employment (UPSS)				
		Very High (Above 65%)	High (Between 30 to 40%)	Medium (Between 25 to 30%)	Low (Between 20 to 25%)	Very Low (Below 20%)
Share of Income	Very High (Above 75%)	Chandigarh, Delhi				
	High (Between 55 to 65%)		Kerala, Maharashtra, West Bengal	Tamil Nadu, Assam	Bihar	
	Medium (Between 50 to 55%)		Goa	Haryana, Karnataka	Andhra Pradesh	Odisha, Madhya Pradesh
	Low (Between 45 to 50%)			Jammu & Kashmir	Rajasthan, Uttar Pradesh, Uttarakhand	Chhattisgarh
	Very Low (Below 45%)		Punjab	Gujarat,	Himachal Pradesh, Jharkhand	

Source: Based on CSO and NSSO, 2011

3.1 SERVICE SECTOR EMPLOYMENT AT THE SUBSECTORAL LEVEL

The dichotomous nature of income and employment generation in the Indian services at the subsectoral level is presented in Table 3.2. The major share of employment occurs in trade, hotels and transport, while the share of subsectors that predominantly contribute to income growth, like finance, continues to lag behind. Further disaggregated data, within the banking subsector shows that the employment share was almost constant, while in the case of real estate majority of employment falls in the unorganised sector. Although the finance subsector registered a high employment growth, its impact on total employment is likely to be minimal considering its low base. However, the subsector holds potential for employment, particularly to the educated, considering the larger role of private players in the last decade.

It is very likely that given the high rate of inflation prevailing in the economy, new entrants in the workforce as well as the unemployed are increasingly resorting to service sector employment, particularly in those subsectors that offer easy entry, for example, retail trade and personal services (which provide low wages and poor

working conditions). Estimates indicate that in 2009-10, around 3.71 million workers were engaged in personal services. On the whole, it seems that over the last few years, an increase is witnessed in the share of services' employment, although no major changes have occurred in the structure of employment generation. Certain subsectors like IT, education, and retail trade have the potential for additional employment generation; however, strategies are required to strengthen these segments and to identify and develop a niche in high-end services like health care.

Table 3.2: Income and Employment in Service Sector at the Sub-sector Level (in %)

Sectors	Income		Employment	
	Share (2009-10)	Growth (2004-05 to 2009-10)	Share (2009-10)	Growth (2004-05 to 2009-10)
Trade & Hotels	15.5	12.2	10.8 (50.3)	1.23
Trade	14.2	12.1	9.5 (44.2)	1.37
Hotels & Restaurants	1.4	13.2	1.3 (6.1)	0.28
Transport	10.2	9.3	4.3 (20.0)	2.79
Finance	13.5	10.9	2.1 (9.8)	7.26
Banking	5.9	12.0	0.8 (3.7)	6.22
Real Estate	7.2	10.0	1.3 (6.1)	7.93
Public Administration	6.0	8.5	2.1 (9.8)	3.42
Education	3.9	6.9	2.6 (12.1)	1.90
Health	1.9	6.9	0.8 (3.7)	0.28
Other Services	2.5	6.9	2.7 (12.6)	-0.45

Note: Employment as per UPSS.

Source: CSO and NSSO various years.

Female employment in services continues to be low and also seems to be concentrated in subsectors that fall outside the formal economy – less remunerative and with limited options for social security. Domestic work, a subsector within personal services that engages a significant share of female workers, is a typical example. In 2009-10 around 23 per cent of female workers (UPSS) in services were engaged in private households, primarily as domestic workers (NSSO, 2011). Incidentally, this also translates into a higher share of females in regular or salaried employment, highlighting the fallacy of associating positive connotations with regular employment. Besides, personal services, trade, hotels, and education are the other prominent subsectors for female employment, while in high remunerative subsectors like finance and IT, their share seems to be abysmally low and biased towards urban workers. From the perspective of inclusive growth, there is a need to devise strategies to enhance female employment in high-end services by providing them technical training and skill upgradation.

Box 3.2 **Towards Improving the Plight of Domestic Workers**

The GoI has voted in favour of the Convention on Domestic Workers adopted by the International Labour Organization (ILO) on 16 June 2011 that recognizes rights at work of domestic workers. The Convention specifies standards for the regulation of their employment and working conditions, including freedom of association and the right to collective bargaining. The Convention will become meaningful to Indian domestic workers only if the GoI ratifies it, which would also mean bringing domestic workers within the ambit of labour legislations like minimum wages, terms and conditions of work, and measures of social security, among others. A positive step in this direction is the initiative taken by the government to formulate a National Policy for Domestic Workers, and to extend health insurance cover under the Rashtriya Swasthya Bima Yojana (RSBY).

3.2 GROWTH POLES WITHIN SERVICE SECTOR

3.2.1 RETAIL TRADE

Employing around 9.5 per cent of the total workforce (44.22 million workers) in 2009-10, trade (retail and wholesale) is the major employment provider within services. The majority of workers are engaged in retail trade, almost half of them in trade of food, more specifically in activities like trade in food stuff, fruits, vegetables, poultry, bakery products, paan/beedi, etc. With the unorganized sector⁶ dominating retail trade, the majority of workers fall in the category of self-employed, engaged in traditional *kirana* shops, owner-manned general stores, hand cart and pavement vendors, etc. At the same time, regular/salaried workers in retail trade receive the lowest wages within services. Retail trade is one of the subsectors in services that offers easy entry to the unemployed and evidence from the *Economic Survey* suggests that the majority of enterprises in the subsector operate without a fixed place, indicating the precarious conditions of the employed. Models can be devised that integrate existing networks of retail trade within foreign investment in the segment so that the livelihood of those engaged in this subsector is not adversely affected.

3.2.2 HOTELS & RESTAURANTS

Hotels & restaurants, which generated an estimated employment of 6.05 million in 2009-10, is yet another segment identified as a growth catalyst. However, as in the case of retail trade, the majority of enterprises within hotels & restaurants operate within the informal economy. The growth prospects of the subsector are linked to tourism, both domestic and international, and changes in consumer spending habits. In 2010, foreign exchange earnings from tourism increased to 18.1 per cent over the previous year compared to a decline of 3.3 per cent in 2009 due to the global crisis.

⁶ The figure comes to 95.5 per cent in trade and 86.7 per cent in hotels & restaurants as per the estimate of the National Commission for Enterprises in the Unorganised Sector.

An increase is also noted in the number of domestic tourists – 650 million in 2009 in comparison with 562.98 million in 2008. As a labour-intensive sector, tourism offers immense possibilities for employment generation, for example, by promoting rural tourism or medical tourism. Interestingly the growth of tourism also promotes employment in the transport subsector (drivers, travel agents, etc). Although there are several initiatives to promote tourism, the availability of quality infrastructure and skilled manpower continues to be a concern. Apart from various institutions that impart management courses in the hospitality segment, the Ministry of Tourism has initiated several short-term training courses in skill development to address the requirements of the unorganized sector within hotels & restaurants. Apparently, the service sector growth in a few states like Goa, Himachal Pradesh, and Jammu & Kashmir is intrinsically linked to tourism.

3.2.3 INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

Identified as a catalyst for growth of the Indian economy, the share of the subsector in both income and employment generation has improved over the years. As indicated in Table 3.3, it is estimated that the IT sector will generate 14.3 million jobs by 2015. In the last few years, along with the private sector, the government has also become a key user of IT enabled services, in terms of various public services (citizen identification, public distribution system), health care (tele-medicine, mobile clinics), education (e-learning) and financial services creating additional employment. The robustness of the subsector’s share in the Indian economy was confirmed during the global slowdown. The *Report on Effect of Economic Slowdown on Employment in India* by the Labour Bureau to understand the impact of the global crisis on employment in selected industries noted that out of the 9.11 lakh jobs created during September 2010 to September 2011, the share of the IT/ Business Process Outsourcing (BPO) subsector was 7.96 lakh which works out to be 87 per cent.

Table 3.3: Indicators of IT Sector Growth

Year	Revenue (US\$ in billion)	GDP Share (in %)	Employment (in million)
2009-10	63.7	6.1	2.3 (direct employment)
2011	88.1	6.4	2.5 (direct employment) 8.3 (indirect employment)
2015*	130.0	7.0	14.3 (direct & indirect employment)

Note: *projected.

Source: Economic Survey (2010-11) and NASSCOM (2011).

However, there are several concerns regarding the subsector’s growth. While a few skeptics are concerned with the quality of employment generated even in a high remunerative subsector like IT, the question also arises about the extent, the economy will be successful in translating its ‘population bulge’ in such emerging

sectors, as the share of skilled manpower is abysmally low. It also needs to be noted that so far, the IT subsector has not been able to move from low-end to high-end services, while concerns are also raised about the quality of 'the new-breed IT professionals' (Prasad and Satish, 2010). These issues are pertinent as international competition is increasing in BPO and policies are changing regarding the employment of IT professionals abroad. To overcome such lacunae, several measures have been initiated by the government, including steps towards formulating a National IT Policy and National Electronic Hardware Policy, and strengthening skill development by upgrading ITIs, among others.

3.2.4 EDUCATION

Employment generation in the education subsector is estimated to be around 12.1 millions in 2009-10. The subsector engages a higher ratio of females, although most of them are at lower level of the subsector, say primary level (Rustagi, 2010). While at the school level, several initiatives have been taken to increase the gross enrolment ratio and teacher-pupil ratio, there has been increased participation of private players in higher education and technical education, which is sure to increase the demand for workers in this subsector. The data also indicates that even within the education subsector the share of informal employment is high, particularly in short-term courses in computer and technical training institutes, coaching centres, etc. Policy initiatives devised to generate additional employment in the subsector should focus on minimizing gender inequities in employment at the higher level of the education subsector and addressing hurdles in their vertical mobility.

3.2.5 HEALTH

Although identified as a sector with potential growth, employment generation in the health subsector continues to be low-around 3.7 million in 2009-10. As in the case of education, health care generates a significant amount of female employment. As indicated by the report of the National Commission for Enterprises in the Unorganised Sector, within the health subsector, females are segregated as nurses, midwives, and para-health workers, who are likely to receive low remuneration (NCEUS, 2007). India faces a huge supply gap to meet its demand requirements in health, particularly in rural areas. At the same time, with proper planning the economy could capitalize on the opportunities opened up by health tourism.

3.2.6 CONSTRUCTION⁷

In 2010-11, this labour intensive subsector has contributed around 8.1 per cent (revised estimate) to GDP. According to the NSS 66th round data (2009-10) construction sector generated 44.69 million employment and recorded CAGR of 11.69 per cent during 2004-05 to 2009-10, highest in the economy. With an estimated

⁷ Although construction does not strictly fall under the service sector, it has been discussed here considering its potential for employment generation and similarity in the nature of activities and labour with many service subsectors.

US\$ 1 trillion planned investment, the construction subsector holds immense potential for employment generation (*Economic Survey 2010-11*). Although it offers easy entry to the unemployed, particularly migrant workers, poor working conditions, low wages, and inadequate provision for social security are issues of concern. The subsector also engages a high share of female workers in the unskilled category, with significant wage differentials and almost no prospect of vertical mobility. Productivity remains low as the majority of construction activities are carried out in the unorganized segment. The last few years have witnessed several initiatives to improve the plight of workers in the subsector. The most notable intervention is the enactment of the Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996 that seeks to provide for regulation of employment and conditions of service of the building and other construction workers as also for their safety, health and welfare measures and other matters connected therewith or incidental thereto. One of the most important features of the Act is the constitution of the welfare fund. The fund is to be utilized for welfare measures like immediate assistance in case of accidents; pensions to those who have completed sixty years; sanction of loans for the purposes of construction of the house; premium for group Insurance Scheme; financial assistance for the education of the children of the beneficiaries; medical expenses for the treatment of the major ailments of the beneficiaries; maternity benefits for the female beneficiaries; grant loan or subsidy to a local authority or an employer in aid of any scheme; and pay annually grant-in-aid to a local or an employer who provides welfare measures. The fund is to be managed and operated by Welfare Boards to be constituted by the States. The major source of the funds of the Boards shall be, collection of cess at the rate not exceeding 2 per cent of the cost of construction incurred by an employer under the Building and Other Construction Workers Welfare Cess Act. Although some State governments have framed rules and operationalised the welfare funds, several states are yet to conceive welfare schemes and implement the same.

Yet another positive development is series of programmes initiated to improve the skill base of those involved in the subsector. This gains importance considering the fact that a study by Confederation of Indian Industry (CII) has projected the demand for skilled workers in the construction subsector to be 15 million by 2015, while the present training capacity within the subsector is merely 4.4 lakh per annum.

Box 3.3

Public Private Partnership for Skill Development: Initiatives of CREDAI

There are several success stories among the initiatives under public-private partnership to impart skill development and training to construction workers. The Confederation of Real Estate Developers Association of India (CREDAI), the apex body for private real estate developers in the country, is implementing an onsite training model to upgrade skills of construction workers. Initiated in Pune, with a ₹ 18 crore fund sanctioned by the National Skills Development Corporation (NSDC), CREDAI provides training in plastering, masonry, plumbing, electrical works, tile laying, and other allied activities. If successful, this initiative for skill development of construction workers has immense scope for extension to other states.

4 PROMOTING EQUALITY IN THE LABOUR MARKET

The Indian labour market is often referred to as a segmented market with limited vertical and horizontal mobility of the labour force. Many institutional and social barriers have resulted in labour market segmentation and hence inequality in access to the labour market in general and productive employment in particular. These factors come in the way of percolation of the benefits of growth to workers in backward regions, small towns, rural areas, and underprivileged socio-economic sections of population.

Realizing this fact, the 11th Five Year Plan rightly viewed the generation of productive and gainful employment with decent working conditions as a crucial strategy for 'inclusive growth' and emphasized the need to launch special programmes to tackle the underlying inequalities in the labour market (Planning Commission, 2008). Accordingly, the Annual Report to the People on Employment 2010 (MoL&E, 2010) tried to identify the disadvantaged sections of society and geographic regions which are in less advantaged situations in the labour market. The present report has studied the levels and pattern of inequality in the labour market so that this problem can be tackled more effectively. The following sections present levels and patterns of inequality in terms of access to employment and quality of employment, education, skill, wages and earnings. The inequality is assessed across gender, geographical location of residence (i.e. rural-urban and states), caste groups, economic groups (expenditure quintile groups), and educational achievements.

4.1 ACCESS TO LABOUR MARKET AND QUALITY EMPLOYMENT

To start with, the overall access to the labour market, as reflected in terms of WPR, is usually lower for the poor and the less advantaged sections of the population. In the year 2009-10, the WPR was approximately 35 per cent among the poorest expenditure quintile of the population group, which is approximately 4 per cent lower to the overall average of 39.2 per cent and 8 per cent lower to the WPR among the richest quintile group (Table 4.1).

Table 4.1: Percentage of Workers to Total Population and Percentage Distribution of Workers by their Employment Status among Different Quintile Groups of Population, 2009-10

Quintile groups of consumption expenditure*	Workers** as % of total population	% distribution of all workers by		
		Self-employed	Regular	Casual
Poorest	35.2	42.3	8.2	49.5
2 nd poorest	37.8	49.2	11.8	39.0
Middle	39.9	52.2	15.5	32.3
2 nd richest	42.3	56.8	18.9	24.3
Richest	43.4	56.7	27.0	16.4
All	39.2	51.0	15.6	33.5

Note: *Based on monthly per capita expenditure; ** UPSS basis.

Source: NSSO, 2009-10; calculated from unit level data.

Further, the work participation rate (WPR) among female is abysmally low at 22.8 per cent which is again lower to the WPR among the highest quintile group female by more than 3 per cent. This inequality is little more pronounced in rural areas than in the urban areas. WPR of urban female, in fact, declines with higher quintile groups, except in case of the highest quintile group (Table 4.2).

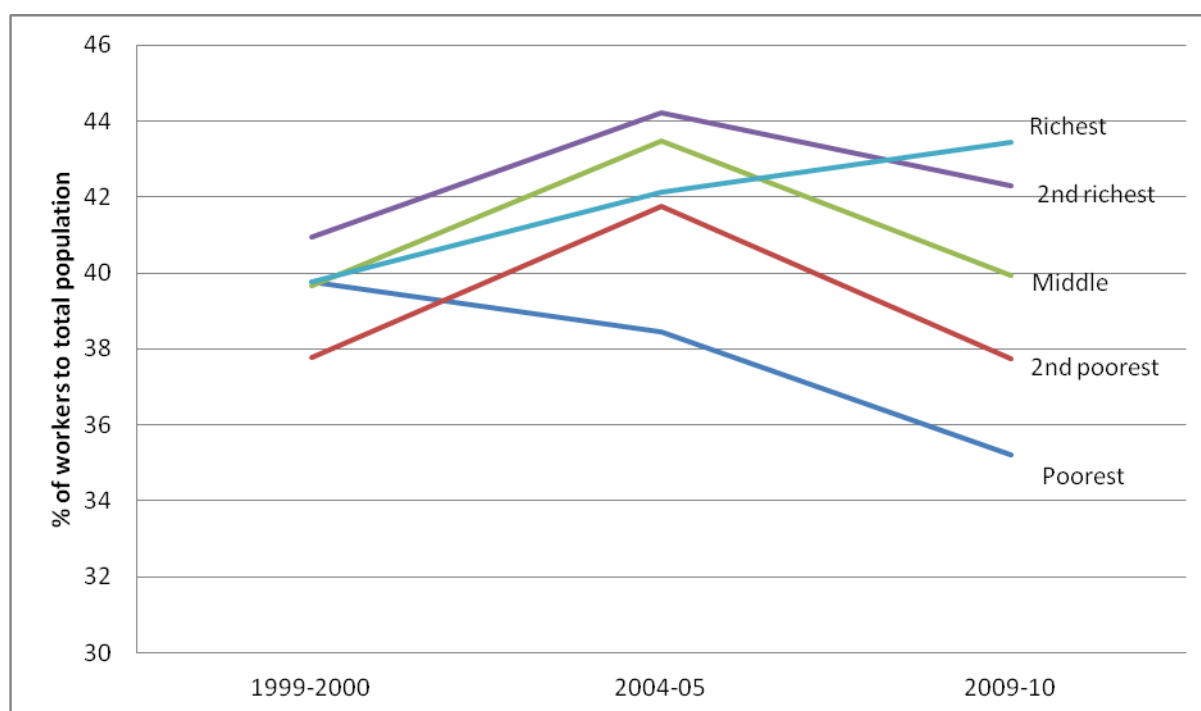
Table 4.2: Workers Participation Rates and Distribution of All Workers by Employment Status by Quintile Groups in 2009-10

Quintile	Workers as per cent of total population			Percentage distribution of all UPSS workers by employment status			
	Male	Female	Person	Self-employed	Regular	Casual	Total
Rural							
Poorest	49.18	23.04	36.11	42.03	3.41	54.57	100
2 nd poorest	52.70	24.40	38.94	50.61	4.59	44.79	100
Middle	55.73	26.30	41.62	55.78	5.69	38.53	100
2 nd richest	58.81	28.87	44.32	61.96	8.09	29.95	100
Richest	59.92	30.03	45.70	63.11	16.39	20.5	100
Total	54.70	26.07	40.78	54.15	7.26	38.6	100
Urban							
Poorest	50.99	14.51	32.99	43.19	20.94	35.86	100
2 nd poorest	54.16	13.89	34.68	45.15	32.86	21.99	100
Middle	55.68	12.56	35.40	41.05	46.33	12.62	100
2 nd richest	56.86	12.64	36.53	39.26	55.95	4.79	100
Richest	55.31	15.19	36.84	33.41	65.19	1.4	100
Total	54.29	13.77	34.99	41.06	41.42	17.52	100
Rural+Urban							
Poorest	49.71	20.60	35.21	42.34	8.15	49.51	100
2 nd poorest	53.11	21.50	37.76	49.22	11.78	38.99	100
Middle	55.71	22.61	39.93	52.22	15.52	32.26	100
2 nd richest	58.29	24.79	42.29	56.84	18.89	24.27	100
Richest	58.71	26.32	43.43	56.66	27.00	16.35	100
Total	54.58	22.76	39.19	50.95	15.59	33.46	100

Source: NSSO, 2009-10, calculated from unit level data.

In addition to the fact that rural and poor population have lower access to the job market (as reflected by their lower WPR), the WPR among the poor population has steadily declined over the years. The WPR among the poorest quintile population has declined from approximately 40 per cent in 1999-2000 to 35 per cent in 2009-10. During the same period the WPR among the richest quintile in fact increased from approximately 40 per cent in 1999-2000 to 43.4 per cent in 2009-10 (Figure 4.1).

Figure 4.1: Percentage of Workers to Total Population among Different Quintile Groups of Population, 1999-2000, 2004-05, and 2009-10



Source: Respective NSSO rounds, calculated from unit level data.

The low and steadily declining WPR among the poorest quintile over the years is a matter of concern and necessarily reflects a situation of limited and shrinking opportunities for the poor in the job market. The decline has been the highest during the last quinquennial *i.e.* between 2004-05 and 2009-10. It is quite possible that the recent economic slowdown has affected the employment prospects of the poorest the most. The richest quintile population who are mostly employed in urban formal sector seem to have not been affected by the economic slowdown. It is against this background that MGNREGA plays an important role; it raises the WPR of the poorest by providing 100 days of guaranteed employment in a year.

As in the case of the poor population, the WPR among women is also very low. The latest NSSO data (2009-10) shows that less than a quarter of all women join the workforce. Although there have been on-going debates on the definition and method of measuring women's paid workforce participation (ILO, 2002), it has been frequently highlighted that women face a variety of social and institutional barriers

restricting their entry into job markets (Sudarshan and Bhattacharya, 2008). Rustagi (2010) notes that the importance in the active reproductive years on bearing and rearing children for 'currently married' women constrains their labour market participation.

Inequality in access to the labour market is also reflected from the fact that an overwhelmingly high proportion of poor workers are engaged in low quality jobs. In 2009-10, approximately 50 per cent of workers from the poorest quintile group were casual wage earners with an additional 42 per cent being self-employed, engaged either in small-scale farming or in petty trades. Only 8 per cent of workers in the poorest quintile, as against more than 27 per cent in the highest quintile group of population, are in regular wage employment (Table 4.1).

Box 4.1
Categorization of Workers by Employment Status

There are three important categories of employed persons:

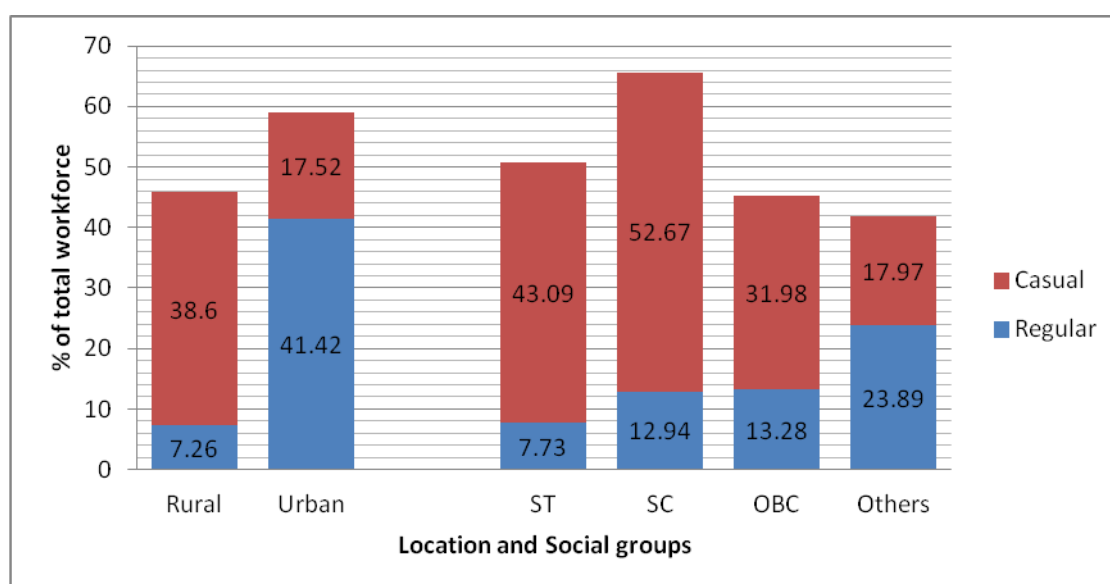
1. **Regular Salaried/Wage Employees** are those who work in others' farm or non-farm enterprises (both household and non-household) and in turn receive salary or wage on a regular basis. This category includes not only persons getting time wage but also persons receiving piece wage or salary and paid apprentices, both full-time and part-time.
2. **Casual Wage Labour:** A person who is casually engaged in others' farm or non-farm enterprises (both household and non-household) and, who in return, receives wages according to the terms of the daily or periodic work contract.
3. **Self-employed:** Persons who operate their own farm or non-farm enterprises or are engaged independently in a profession or trade on their own account or with one or a few partners are deemed to be self-employed. Self-employed persons are further categorized as follows:
 - a) **Own-account Workers:** Those self-employed persons who operate their enterprises on their own account or with one or a few partners and who, during the reference period, by and large, run their enterprise without hiring any labour.
 - b) **Employers:** Those self-employed persons who work on their own account or with one or a few partners and, who, by and large, run their enterprise by hiring labour.
 - c) **Helpers** in household enterprises: Those self-employed persons (mostly family members) who are engaged in their household enterprises, working full- or part-time and who do not receive any regular salary or wages in return for the work performed. They do not run the household enterprise on their own but assist the related person living in the same household to run the household enterprise.

Gender inequality in access to regular wage employment is even more acute. An overwhelmingly large proportion, approximately 90 per cent, of women workers are either self-employed or casual wage earners. Over the years, this proportion has remained more or less constant, reflecting little access to regular job markets for women workers. Moreover, from the poorest quintile, only 5 per cent of women

workers are in regular employment. The percentage of total male workers in regular jobs was 17.5 per cent during 2009-10.

Inequality in access to quality employment is also reflected across the rural-urban and social group demarcations. As against approximately 41 per cent of the urban workforce being engaged as regular wage earners, the proportion of regular workers in rural areas is abysmally low, little over 7 per cent (Figure 4.2). More than one-third of the total rural workforce is casual wage earners. Similarly, more than half of the total number of workers from Scheduled Castes (SC) are casual workers and only 13 per cent of them are in regular wage employment. Scheduled Tribe (ST) workers are mostly self-employed and only 7.7 per cent of them have access to regular wage employment.

Figure 4.2: Percentage of Workers in Regular and Casual Work by Rural-Urban Location and Social Groups, 2009-10



Note: The proportion of self-employed is not shown in the graph.

Source: NSSO, 2009-10, calculated from unit level data.

One of the positive developments in the labour market during the last decade is the increase in the proportion of regular employment – it increased from 14 per cent in 1999-2000 to 15.6 per cent in 2009-10. A more interesting point is that the increase in the proportion of regular workers has been approximated in all sections of population groups – poor and rich, male and female, SC, ST, OBC and others (Table 4.3).

Although the increase in the proportion of regular workers was modest during the referred period, it is an important development in the labour market. Many researchers see this phenomenon as the ‘formalization of informality’ in the labour market and argue that the changing nature of Indian enterprises in the wake of global competitiveness requires some sort of standardization of their products and

services. For instance, Kundu and Mohanan (2009) note that ‘many of the rapidly growing sectors including small scale manufacturing, trade, commerce and entertainment activities, particularly in urban areas, have tended to employ workers on a regular basis so that they can meet the challenges of the global market in an effective manner. Employment of domestic help and other supporting services has followed a similar pattern.’

Table 4.3: Percentage of Workers in Regular Employment in Different Population Groups, 1999-2000, 2004-05 and 2009-10 (all age groups)

Population groups	Years		
	1999-2000	2004-05	2009-10
Quintile			
Poorest	3.86	4.13	8.15
2 nd poorest	5.85	6.05	11.78
Middle	8.74	9.14	15.52
2 nd richest	15.3	14.94	18.89
Richest	36.42	36.76	27.2
Gender			
Male	17.22	17.2	17.74
Female	7.12	8.33	10.09
Social group			
ST	6.79	6.73	7.73
SC	10.42	12.37	12.94
OBC	11.59	12.05	13.28
Others	21.65	21.46	23.89
All	14.01	14.25	15.59

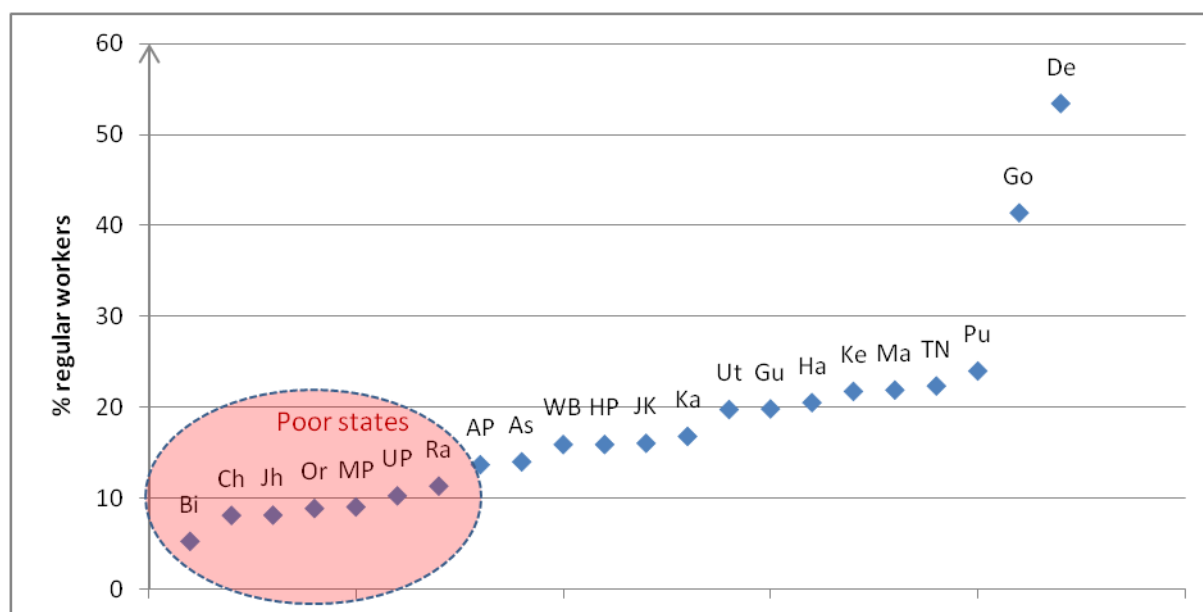
Source: Respective NSSO rounds, calculated from unit level records.

Access to regular employment also shows significant variations across states. The Report to the People on Employment, 2010 had noted that most of the poorer states have a very low percentage of regular workers. The present report further emphasizes that because of inequality in access to regular job markets, an overwhelmingly high proportion of workers in poorer states are engaged in low-paid jobs as casual workers and low-end self-employment. The 2009-10 data reflects that the possibility of obtaining regular employment for a worker in Bihar is ten times less than for a worker in Delhi and five times less than for one in Punjab. Similarly, workers in states like Chhattisgarh, Jharkhand, Odisha, Madhya Pradesh, and Uttar Pradesh have low access to regular employment as compared to those in Delhi, Punjab, Maharashtra, Gujarat, and Tamil Nadu (Figure 4.3).

WPR and access to regular employment are not the only criteria for understanding the prevailing inequality in the labour market. In addition to lower WPR and lower

proportion of regular employment among poor population groups, a large section of even regularly employed persons from poor population groups are employed in the unorganised sector with significantly low levels of earnings and precarious job conditions. This leads to inequality in access to earning and social security in general and job security, in particular. In recent years, the Government of India has launched several initiatives, such as the Unorganised Workers' Social Security Act, 2008, National Social Security Fund, Rashtriya Swasthya Bima Yojana (RSBY), etc, to tackle the growing income and job insecurities of the working poor. These programmes and initiatives are discussed in more detail in the following chapter.

Figure 4.3: Percentage of Workers in Regular Employment in Different States, 2009-10



Note: Bi-Bihar; Ch-Chhattisgarh; Jh-Jharkhand; Or-Odisha; MP-Madhya Pradesh; UP-Uttar Pradesh; Ra-Rajasthan; AP-Andhra Pradesh; As-Assam; WB-West Bengal; HP-Himachal Pradesh; JK-Jammu & Kashmir; Ka-Karnataka, Ut-Uttarakhand; Gu-Gujarat; Ha-Haryana; Ke-Kerala; Ma-Maharashtra; TN-Tamil Nadu; Pu-Punjab; Go-Goa; De-Delhi.

Source: NSSO, 2009-10, calculated from unit level data.

4.2 ACCESS TO EDUCATION AND SKILL

Inequality in labour markets is also perceived to be a result of inequality in access to education and skill. In general, the present skill base of the Indian labour force is low compared to that in developed countries. The liberalization-led changing nature of the Indian economy, however, requires an educated and skilled workforce to not only match international standards but also to work with the increasing infusion of new and advanced technology within the country. However, in addition to lack of higher levels of skill among the workforce, the access to higher and technical education is abysmally low among the poor and less advantaged population groups. The following passage presents a broad overview of the total stock of education and skill and tries to understand the level of inequality in access to higher education across different population groups.

The latest available data on the education level of the population, NSSO, 2009-10, indicates that only 7.3 per cent of the population of 15 years and above have an education level of graduation and above. This includes all kinds of higher level education, technical as well as general. Another approximately 22.6 per cent are educated up to the secondary level and above but less than graduate level (Table 4.4).

Table 4.4: Percentage Distribution of Population (Age 15 Years and above) among Different Population Groups by Levels of Education, 2009-10

Population groups	Level of education				
	Illiterate	Up to primary	Middle	Secondary/ Higher secondary*	Graduate & above
Quintile					
Poorest	45.61	24.71	15.02	12.95	1.71
2 nd poorest	36.46	24.45	17.71	18.12	3.25
Middle	29.99	22.14	18.37	23.69	5.82
2 nd richest	25.11	19.98	17.63	27.64	9.65
Richest	17.76	15.39	15.49	32.94	18.41
Caste					
ST	44.58	23.43	14.61	14.77	2.62
SC	41.53	23.42	16.07	15.6	3.39
OBC	33.26	21.93	17.6	21.84	5.37
Others	20.08	19.51	16.94	29.88	13.6
Sector					
Rural	37.79	23.64	17.03	18.32	3.24
Urban	16.76	16.58	16.41	32.92	17.33
Sex					
Male	21.4	22.58	19.62	27.4	9.01
Female	42.35	20.55	13.97	17.53	5.59
All	31.68	21.59	16.85	22.56	7.33

Note: * includes diploma/certificate courses.

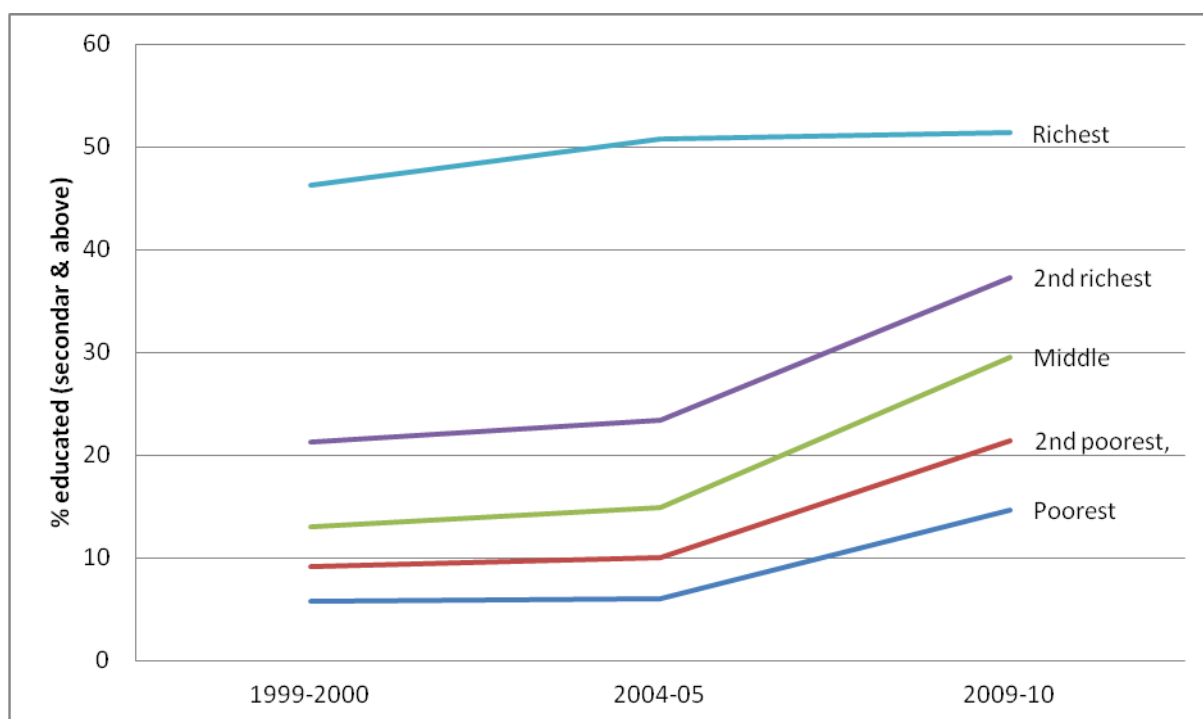
Source: NSSO, 2009-10, calculated from unit level records.

It has been widely documented that access to education is significantly lower among less advantaged population groups as reflected by their very low educational achievements. However, what is important to note here is that the proportion of the population (in the 15 years and above age group) with graduate level of education is just 1.7 per cent in the poorest quintile groups. Further, while approximately 30 per cent of the adult population have an education level of secondary or above, the proportion is less than 15 per cent in the poorest group. Similarly, a high level of inequality in access to higher education is also visible for various other less advantaged population groups such as caste, sex and sector. For instance population

groups belonging to SC/ST, population living in rural areas, and females have very low educational achievements in general.

The trends during the last decade indicate that the overall educational achievement has significantly improved over the years. The proportion of population (15 years and above) with an education level of secondary and above increased from approximately 21 per cent in 1999-2000 to 30 per cent in 2009-10. However, the major concern is that the inequality across different quintile groups of population still persists with a big margin although declined over the years (Figure 4.4).

Figure 4.4: Percentage of Population (Age 15 years and above) with Educational Achievements of Secondary and above in Different Quintile Groups, 2009-10



Source: NSSO, calculated from unit level data.

Figure 4.4 clearly indicates that bulk of the increase in educational achievements over the years has been shared by the poorer population groups. However, across the lower three quintiles, the rate of increase in educational achievements of secondary and above is comparatively lower for the poorer groups. This calls for a pro-poor higher education policy so that inequality in access to higher levels of education can be reduced effectively. Many studies have indicated that, over the years, growth in the number of institutions imparting middle and higher level of education has been rather slow, not adequate to meet the growing demand over the years. In order to reach out to poorer and other less advantaged sections of the population and provide them with the required higher level of education, it is extremely important to open new institutions in poorer regions. In the recent past, the GoI has announced the setting up of a number of such institutions in these

regions and expansion of the intake capacity of existing institutions. Since most of these institutions are being established, it is hoped that in the near future, the inequality in access to higher education would reduce significantly.

As far as technical education is concerned, the poor population has negligible access. It is assessed that overall formal technical educational skill is available to only 2 to 3 per cent of the total workforce in the country. Although the level of technical education is relatively high among youth (15-29 years), the bulk of the degree level technical education is accessed by the rich. In contrast, most of the poor sections of the population end up with technical education up to diploma/certificate level. The inequality and bias is also perceptible in terms of gender and social groups.

Although many of the less advantaged population groups acquire some sort of technical skills from informal/hereditary sources, their demand in the labour market is not very promising. A comprehensive set of data on sources of learning skills available from the NSSO survey for 2004-05 indicated that half of the total number of youth (age 15-29 years) who received/are receiving any vocational training (approximately 11.5% of all youth) have received/are receiving such training from informal sources. Overwhelming proportions of them are from less advantaged sections of population such as poor quintile groups, SC, or ST, and most of them belong to rural areas.

In recent years, the GoI has initiated a number of programmes to bridge this persisting inequality in access to education and vocational training. Details of the major skill development programmes are provided in Chapter 5 of this report.

4.3 INEQUALITY IN WAGES AND EARNINGS

Inequality in access to quality employment and education and skill has led to persisting inequality in wages and earning in the labour market. Various studies have emphasized that inequality in wages and earnings in the Indian labour market exists in terms of gender, sectors of employment, rural and urban areas, casual and regular workers, organised and unorganised sectors of employment, etc (Karan and Sakthivel, 2008).

In order to understand the levels and extent of inequality in wages and earnings, average daily wages have been calculated across the same population groups as discussed in the above paragraphs. The latest NSSO data (2009-10) indicates that the overall daily earning level of an individual in the wage labour market was ₹ 168 in 2009-10.

Table 4.5: Average Daily Wage Rates (in ₹) across Different Population Groups and Types of Works, 2009-10

Population groups	Average daily wage (in ₹)		
	Regular workers	Casual in public works	Casual in other works
Sector			
Rural	229.35	93.53	92.56
Urban	362.35	95.34	122.33
Gender			
Male	330.08	98.80	106.31
Female	249.51	86.54	70.19
Quintile			
Poorest	127.65	90.68	83.82
2nd poorest	173.29	96.04	94.45
Middle	241.68	92.12	101.72
2nd richest	320.50	94.80	107.02
Richest	523.21	99.60	125.72
Social groups			
ST	265.81	87.70	77.19
SC	236.16	94.47	95.29
OBC	274.24	92.15	101.17
Others	388.27	105.20	103.20
All	315.48	93.71	96.56

Source: NSSO, 2009-10, calculated from unit level records - for all age groups.

However, there is a great variation in wage rates not only across different population groups but also across different types of works. The average wages of casual workers in other than public works are approximately three times lower than average daily wages in regular employment. The range of variation extends from an average of approximately ₹ 523 for the richest quintile in regular works to as low as ₹ 70 for a female in casual works in rural areas. Further, within each category of types of work, particularly regular and casual in other works, there is perceptible inequality in wage payments. The casual public works, however, reflects minimization of this inequality to a great extent. However, given the very small share of casual public works in total employment, the overall inequality in wages remains significant.

As a measure to estimate the extent of inequality in wage payments, Table 4.6 presents the ratio of lowest to highest wages in respective population groups and respective types of work. It can be seen that even within the regular employment category, the poorest quintile on an average receives only 24 per cent of what the richest quintile group workers receive.

Table 4.6: Extent of Inequality (Ratio of Lowest to Highest Daily Wage Rates) in Wage Payments, 2009-10

	Extent of inequality* in average daily wage		
	Regular	Casual in public works	Casual in other works
Rural/Urban	0.63	0.98	0.76
Female/Male	0.76	0.88	0.66
Poorest/Richest quintile	0.24	0.91	0.67
SC/Others	0.61	0.90	0.92
Overall**	0.24	0.82	0.56

Note: *Ratio as indicated in the first column; **calculated as the ratio of lowest to highest, irrespective of classification of population groups.

Source: Based on Table 4.4.

Table 4.6 also shows that the extent of inequality is the lowest in public works. Except in cases of female to male ratio, the public works wages are more or less the same for other population groups. Over the years, public works have played an important role in removing wage inequality, particularly in the case of casual employment. In addition, implementation of the Minimum Wages Act, 1948 and fixation and regular revisions of National Floor Level Minimum Wages (NFLMW) has helped in reducing disparities in wage payments across different population groups.

5 PROMOTING EQUITY IN THE LABOUR MARKET

A number of commendable legislative interventions and innovative schemes have been initiated in recent years to address issues such as promotion of employment among the poor and the disadvantaged, provision of social security and welfare measures for those encountering different kinds of insecurities, and enhancing the employability and skill base of the labour force. These interventions may broadly be categorized as follows: (i) Employment Generation Programmes; (ii) Social Security and Welfare Measures; (iii) Legislative Interventions; and (iv) Skill Development and Employability. The key objectives of these initiatives along with their impact and implications for promoting equity in the labour market are detailed below.

5.1 EMPLOYMENT GENERATION PROGRAMMES (EGPs)

Over the recent years, EGPs have emerged as important employment policy tool, particularly in developing countries like India. This policy envelope includes a wide range of activities intended to increase labour demand (e.g. direct job creation); to increase the quality of labour supply (e.g. training and retraining); or to improve the matching of workers and jobs (e.g. job search assistance). Significant economic and social benefits are expected to accrue from these measures. More recently, the case for EGPs has also emphasized the potential social benefits in the form of inclusion and participation that comes from productive employment. EGPs can serve equity objectives as well, most obviously when programmes are targeted at vulnerable and disadvantaged groups. The major programmes that are currently in operation in India are: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Swarnajayanti Gram Swarozgar Yojana (SGSY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), and Prime Minister's Employment Generation Programme (PMEGP).

5.1.1 MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA)

The MGNREGA aims at enhancing the livelihood security of people in rural areas by guaranteeing 100 days of wage employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work. Thus, MGNREGA makes the government legally accountable for providing employment to those who ask for it and thereby goes beyond providing a social safety net towards guaranteeing the Right to Employment. A very significant feature of this Act is that if a worker who has applied for work under MGNREGA is not provided employment within 15 days from the date on which work is requested, an

unemployment allowance shall be payable by the state government at the rate prescribed in the Act.

Apart from providing an immediate safety net, the scheme has other objectives like creating village assets, checking distress migration, and empowering women. The scheme actively addresses the issue of gender inequalities, one of the major concerns in the Indian labour market. Men and women are to receive equal wages, one-third of all beneficiaries should be women, and worksite crèches are to be provided to enable women with young children to participate in the labour market.

The major achievements under MGNREGA during 2010-11 are highlighted in Box 5.1.

Box 5.1	
Mahatma Gandhi National Rural Employment Guarantee Act	
Performance Highlights, 2010-2011	
Employment provided to households (in crore)	5.47
Person days of employment (in crore)	
Total	256.64
SCs	78.72 (30.7%)
STs	53.25 (20.76%)
Women	122.94 (47.94%)
Others	124.47 (48.54%)
Total works taken up	50.74 lakhs
Works completed	25.79 lakhs
Works in progress	24.95 lakhs

Source: Ministry of Rural Development.

One of the most pronounced impact of MGNREGA has been on wages in rural areas. Wages for rural workers under MGNREGA have increased in all the states and the impact has been more visible in poorer states. For instance, wages in Bihar have increased from ₹ 68 in 2007-08 to ₹ 119.12 in March 2011; in Madhya Pradesh, wages have increased from ₹ 58 to ₹ 116.48; in Odisha it has increased from ₹ 52 to ₹ 116.20. At the national level, the average wages paid under the MGNREGA have increased from ₹ 75 in 2007-08 to ₹ 115.71 in March 2011. Such wage increases are emerging as enabling factor both for growth in rural wages and for reducing wage inequalities.

Recent studies indicate that MGNREGA has succeeded in bringing large number of women into paid work, many of them for the first time (Sudarshan, 2011). This comprehensive empirical enquiry reports that MGNREGA also achieved success in empowering women, economically and socially. MGNREGA also had a significant positive impact on the conservation of natural resources. Of the nearly 50 lakh works taken up during 2010-11, around two-third related to water conservation, resulting in a rise in the water table, especially in dry and arid regions. The scheme also had

significant implication towards financial inclusion in rural areas as more than 9.5 crore savings accounts in banks and post offices have been opened for MGNREGA workers. The scheme's contribution to land productivity and facilitating vertical skill mobility among rural households who avail employment are two vital issues that may be addressed in order to further enhance the contribution of MGNREGA towards promoting equity and more inclusive growth.

5.1.2 SWARNAJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

This programme for self-employment of the poor is an important anti-poverty programme implemented in the rural areas in India. SGSY is the major on-going programme for the promotion of self-employment among the rural poor. The basic objective of SGSY is to bring the assisted poor families (swarozgaris) above the poverty line by providing them income-generating assets through a mix of bank credit and governmental subsidy. The programme aims at establishing a large number of micro enterprises in rural areas based on the ability of the poor and potential of each area. It is a holistic programme of self-employment and covers different dimensions like organization of the poor into Self Help Groups (SHGs) and their capacity building, training, selection of key activities, planning of activity clusters, infrastructure build-up, and technical and marketing support.

One of the decisive aspects of the programme is its emphasis on social mobilization of the poor. Social mobilization has enabled the poor to build their own organizations (SHGs), in which they participate fully and directly and take decisions on all issues that enable them to come out of the vicious circle of poverty.

SGSY has had a significant impact in improving the economic and social well-being of the poor and the disadvantaged, especially in backward regions of the country. Since inception, 41 lakhs SHGs have been formed in rural areas till 2010-11, and it is extremely important to note that a significant proportion (70 per cent) is accounted for by women's groups. It is also striking that nearly 60 per cent of the total swarozgaris assisted belong to the SCs/STs group. A special initiative has also been taken up under SGSY to set up Rural Self Employment Training Institutes (RSETIs), one in each district of the country, for skill development training of rural Below Poverty Line (BPL) youth to enable them to undertake micro enterprises and wage employment.

The Ministry of Rural Development has decided to re-design the ongoing SGSY into National Rural Livelihood Mission (NRLM). The idea has been conceived as a cornerstone of national poverty reduction strategy. The objective of the mission is to reduce poverty among rural BPL by promoting diversified and gainful self-employment opportunities which would lead to an appreciable increase in income on sustainable basis. In the long run, it will ensure broad based inclusive growth and reduced disparities by spreading out the benefits from the islands of growth across the regions, sectors and communities.

Table 5.1: Achievements under SGSY during 2010-11**(in lakh)**

Total Swarozgaris Assisted	Coverage of Disadvantaged Groups				
	SC	ST	Minorities	Women	Handicapped
21.10	7.35	3.62	2.44	14.24	0.41

Source: Ministry of Rural Development.

5.1.3 SWARNA JAYANTI SHAHARI ROZGAR YOJANA (SJSRY)

Rise in urban unemployment and underemployment, especially among youth, is emerging as one of the major problems confronting the Indian labour market. Such tendencies, apart from depriving the youth of opportunities to improve their livelihood options, also lead to widening inequalities in the labour market. One of the major government programmes that addresses these concerns is the SJSRY. It provides gainful employment to the urban unemployed and underemployed poor by encouraging the setting up of self-employment ventures by the urban poor and by providing wage employment and utilizing their labour for the construction of socially and economically useful public assets.

SJSRY has five components:

- a) Urban Self-Employment Programme (USEP) which targets the individual urban poor for setting up of micro enterprises
- b) Urban Women Self-help Programme (UWSP) which targets urban poor women's SHGs for setting up of group enterprises and providing them assistance through a revolving fund for thrift and credit activities (T&CS)
- c) Skill Training for Employment Promotion amongst Urban Poor (STEP-UP) which targets the urban poor for imparting quality training so as to enhance their suitability for self-employment or better salaried employment
- d) Urban Wage Employment Programme (UWEP) which seeks to assist the urban poor by utilizing their labour for the construction of socially and economically useful public assets, in towns having a population of less than 5 lakh as per the 1991 Census
- e) Urban Community Development Network (UCDN) which seeks to assist the urban poor in organizing themselves into self-managed community structures so as to gain collective strength to address the issues of poverty and participate in effective implementation of urban poverty alleviation programmes

It is worthwhile to note that the achievements of all the components have surpassed the targets (Table 5.2). Although the number of beneficiaries under the programme may be insignificant when compared to the overall size of the urban labour market, the programmes are increasingly providing opportunities for urban youth to emerge as job providers rather than remaining job seekers.

Table 5.2: Targets & Achievements under SJSRY

Component wise beneficiaries	2010-11	
	Targets	Achievements
No. of beneficiaries assisted for setting up Individual Micro Enterprises (USEP)	25,000	82,648
No. of beneficiaries assisted for setting up Group Micro Enterprises (UWSP)	25,000	74,355
No. of beneficiaries assisted through Revolving Fund for T&CS under UWSP	50,000	1.84 lakh
No. of beneficiaries provided skill training (STEP-UP)	2.00 lakh	2.54 lakh

Source: Ministry of Housing and Urban Poverty Alleviation.

Box 5.2

Promoting Green and Low Carbon Jobs Provisions within Employment Generation Programmes

Several initiatives have been currently undertaken by the government to promote employment without environmental degradation; by controlling pollution and reducing energy consumption. An estimate by Tata Energy Research Institute (TERI) suggests that implementation of Government's National Action Plan on Climate Change (NAPCC), 2008 could create an additional 10.5 million direct jobs in wind, solar and bio-energy production. Further, it notes that if Indian wind firms are able to command 10 per cent of global market, an additional employment of 288,500 would be created.

MGNREGA, a flagship employment generation & poverty alleviation scheme of Government of India is promoting green jobs through water conservation, land development, afforestation and more. As the unorganized sector overwhelmingly dominates in developing countries like India, innovative and sustainable measures are required to promote green and low-carbon jobs. These initiatives may take into account the modalities for mobilizing the huge capital investments necessary, and be integrated with measures that identify and address the skills deficit.

A study conducted by ILO in the district of Kaimur in Bihar has demonstrated that jobs created under MGNREGA may be considered green jobs, as these jobs are decent jobs and contribute to environmental sustainability.

Ministry of Labour & Employment has constituted a Multistakeholder Taskforce on Green Jobs & Climate Change to address the employment and labour market dimensions of environment related policies and strategies for supporting environment friendly opportunities for decent work and to raise awareness on green jobs.

5.1.4 PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

Micro enterprises are increasingly being viewed as a catalyst for enhancing the income earning capacities of the youth. PMEGP is a credit linked subsidy programme for the generation of employment opportunities through the establishment of micro enterprises in rural and urban areas. The scheme targets the generation of 37.4 lakh employment opportunities during 2008-09 to 2012-13. The specific objectives of the programme are:

- (i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises
- (ii) To bring together widely dispersed traditional artisans/rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their places
- (iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help check distress migration of rural youth to urban areas.

Table 5.3: Achievements under PMEGP during 2010-11

No. of Projects	Margin Money Utilised (₹ in crore)	Employment opportunities created (in lakh persons)
48023	903.38	4.23

Source: Ministry of MSME

5.2 SOCIAL SECURITY AND WELFARE MEASURES FOR THE UNORGANIZED SECTOR WORKERS

The design and implementation of effective social protection measures for those engaged in unorganized sector activities is emerging as a top priority for governments, especially in developing countries like India. It is a formidable challenge as deprivation and vulnerability are integral to the lives of millions of people engaged in the unorganized sector. India is responding to this challenge mainly by introducing innovative social security measures for the unorganized sector on the one hand and by redesigning the existing social security measures to include those who have been excluded, on the other.

5.2.1 RASHTRIYA SWASTHYA BIMA YOJANA (RSBY)

RSBY is a pioneering social security measure introduced for unorganized sector workers in recent years. The scheme provides smart card-based cashless health insurance cover of up to ₹ 30,000 annually to workers below the poverty line in any empanelled hospital in the country. RSBY is being implemented in 25 States and Union Territories covering 364 districts. More than 2.51 crore families have been enrolled, extending health insurance to about 10 crore persons. More than 26 lakh persons have availed of benefits under the scheme till October 2011.

The scheme has been extended from time to time to cover the most disadvantaged and vulnerable segments of the unorganized workforce. For instance, it has been extended to building and other construction workers registered with the welfare boards constituted under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, street vendors, beedi workers and those under MGNREGA who have worked for more than 15 days during the preceding year. RSBY has also been extended to domestic workers, who remain largely unregulated and unprotected by labour laws and are from vulnerable communities and backward areas. Extension of RSBY to such vulnerable groups can be decisive in ameliorating the health insecurities encountered by an overwhelming majority of the working poor.

Table 5.4: RSBY: Achievements and Targets

	Achievements	Targets
	2010-11	2011-12
1. Cumulative number of districts covered	354	380
2. Cumulative number of Smart Cards issued (in crore)	2.34	2.50

Source: Ministry of Labour & Employment

Table 5.5: Extension of RSBY to other Occupational Groups approved by the Government

	(in lakh)
Construction Workers	74.65
Street Vendors	4.21*
MGNREGA Workers	56.00*
Beedi Workers	10.00*
Domestic Workers	4.75*

Note: * Estimated numbers. State Governments are yet to register the workers and give the data

The Government proposes to extend RSBY to certain occupational groups like sanitation workers, rag pickers and rickshaw pullers etc. in a phased manner.

5.2.2 UNORGANIZED WORKERS' SOCIAL SECURITY ACT, 2008

An important recent initiative to safeguard the interests of unorganized workers has been the enactment of the Unorganized Workers' Social Security Act, 2008. The Unorganized Workers' Social Security Rules, 2009, have also been subsequently framed. The Act provides for the constitution of a National Social Security Board which will recommend formulation of social security schemes for unorganized workers/categories of unorganized workers from time to time. Accordingly, the National Board was constituted in 2009. The Board recommended that some social security schemes, viz. Rashtriya Swasthya Bima Yojana (RSBY) providing health insurance, Janashree Bima Yojana (JBY) providing death and disability cover, and Indira Gandhi National Old Age Pension Scheme (IGNOAPS) providing old age pension, may be extended to building and other construction workers, MGNREGA workers, Asha workers, anganwadi workers & helpers, porters/coolies/gangmen and casual and daily wagers. The National Social Security Fund for Unorganised Sector Workers, with an initial allocation of ₹ 1000 crore, has been set up to provide the necessary social security benefits.

5.2.3 EMPLOYEES' STATE INSURANCE CORPORATION (ESIC)

ESIC implements an integrated need-based social insurance scheme that protects the interests of workers during contingencies such as sickness, maternity, temporary or permanent physical disablement, and death due to employment injury, resulting in loss of wages or earning capacity. The Employees' State Insurance Act, 1948, also guarantees medical care to workers registered as insured persons (IPs) and their immediate dependents. Presently, nearly 1.43 crore IPs and about 5.55 crore beneficiaries are covered under the ESIC scheme. The wage ceiling for coverage under the ESI scheme has been enhanced from ₹ 10,000 to ₹ 15,000 with effect from 1 May 2010, bringing about 4.5 lakh additional employees within the social security umbrella. To ensure that the workers are provided with the most modern treatment facilities, ESIC has taken up modernization and upgradation of 24 hospitals all over the country. Four new ESI hospitals have also been commissioned to provide improved facilities to insured persons.

ESIC introduced a novel scheme of unemployment allowance (Rajiv Gandhi Shramik Kalyan Yojana) with effect from 1 April 2005 under which IPs covered under the ESIC scheme for three years or more, who lose their jobs due to closure of factory or retrenchment or permanent disability, are provided unemployment allowance in cash equal to 50 per cent of their wage up to one year. During this period, the insured person and his family are also eligible for medical care. Those insured persons who undergo training at Vocational Training Centres run by the MoL&E, GoI, are also paid the fee charged by the institution as well as travel expenses.

5.2.4 EMPLOYEES' PROVIDENT FUND ORGANIZATION (EPFO)

The Employees' Provident Fund and Miscellaneous Provisions Act, 1952, provides for compulsory provident fund, pension, and deposit-linked insurance in factories/establishments employing 20 or more employees in 186 industries mentioned in the Schedule to the Act. The Act aims to provide social security and timely monetary assistance to industrial employees and their families when they are in distress and/or unable to meet family and social obligations and to protect them in the event of old age, disablement, early death of the breadwinner, and some other contingencies. The GoI administers the Act through the EPFO and the following three schemes have been framed under it: (i) Employees' Provident Fund Scheme, 1952; (ii) Employees' Pension Scheme, 1995; and (iii) Employees' Deposit-Linked Insurance Scheme, 1976.

EPFO covers 6.61 lakh establishments with a membership of approximately 617.42 lakh workers.

EPFO has also been involved actively in the implementation of international social security agreements. Bilateral social security agreements have been signed with Belgium, France, Germany, Switzerland, Luxemburg, and Netherlands to protect the interests of expatriate workers and companies on a reciprocal basis. Negotiations for similar agreements with other countries like Czech Republic, Norway, Hungary, Denmark, Canada, and the Republic of Korea have been completed. Negotiations are in progress with several other countries. These agreements help Indian workers by providing exemption from social security contribution in case of posting, totalization of contribution periods, and exportability of pension in case of relocation to the home country or any third country.

5.2.5 TOWARDS ELIMINATING CHILD LABOUR

Elimination of child labour has been a major policy concern for the GoI, not only from the perspective of development of children, but also for maintaining labour standards. The National Policy on Child Labour was formulated in 1987, setting out objectives and priorities to eradicate child labour and protect all children from exploitation.

The three components of the National Policy on Child Labour are:

- a) Legislative Action Plan emphasizing strict and effective enforcement of legal provisions relating to child labour
- b) Focus on General Development Programmes for children and their families
- c) Project-based Plan of Action focusing on areas with high concentration of child labour through implementation of the National Child Labour Project (NCLP)

With regard to educational rehabilitation, the government is implementing NCLP in 266 child labour endemic districts in 20 states. Under the scheme, children found working in hazardous occupations are withdrawn from work and put into 'bridge schools' where they are provided with formal/non-formal education, vocational training, health care, mid-day meals, and a stipend, with the ultimate objective of mainstreaming them into the formal educational system. At present, 8,710 special schools are in operation where 3.39 lakh children are enrolled. Under the scheme, about 7.05 lakh children have been mainstreamed into the formal system till 2010-11.

It is, however, widely believed that the best method to eradicate child labour from the country is to assist the family of the child labourer for livelihood, on the one hand, and bring all the children to school, on the other. Right to Free and Compulsory Education Act, 2009 is a major initiative taken by the government in this direction. Steps have been initiated to realign NCLP with the provisions of the Right to Free & Compulsory Education Act.

5.3 LEGISLATIVE INTERVENTIONS

5.3.1 NATIONAL FLOOR LEVEL MINIMUM WAGES (NFLMW)

State intervention in the labour market through defining legally binding minimum levels of wages and working conditions is considered one of the strongest means of providing basic minimum security to the weakest sections of the society, and hence for promoting equity and inclusive growth. The role of legally binding minimum wages becomes even more important when a country has abundant labour supply and an overwhelming proportion of workers are engaged in the unorganized sector. The Minimum Wages Act, 1948, of the GoI is one such pro-active intervention in the Indian labour market. Labour being a subject in the Concurrent List of the Indian Constitution, minimum wages in India are fixed and revised by both central as well as state governments. Presently, there are 45 and 1,628 scheduled occupations under central and state spheres respectively, for which minimum wages are fixed and revised periodically.

In addition, the central government has also been announcing the National Floor Level Minimum Wage (NFLMW) since 1996, in order to persuade state governments to fix and revise the lowest ranges of the state minimum wages as equal to or greater than NFLMW. However, it is important to note that NFLMW is presently a non-statutory measure. NFLMW has been revised periodically on account of rising prices to provide relief to wage workers. Trends in the revision of NFLMW are depicted in Table 5.6.

Table 5.6: Trends in National Floor Level Minimum Wages, 1996-2011 (in ₹)

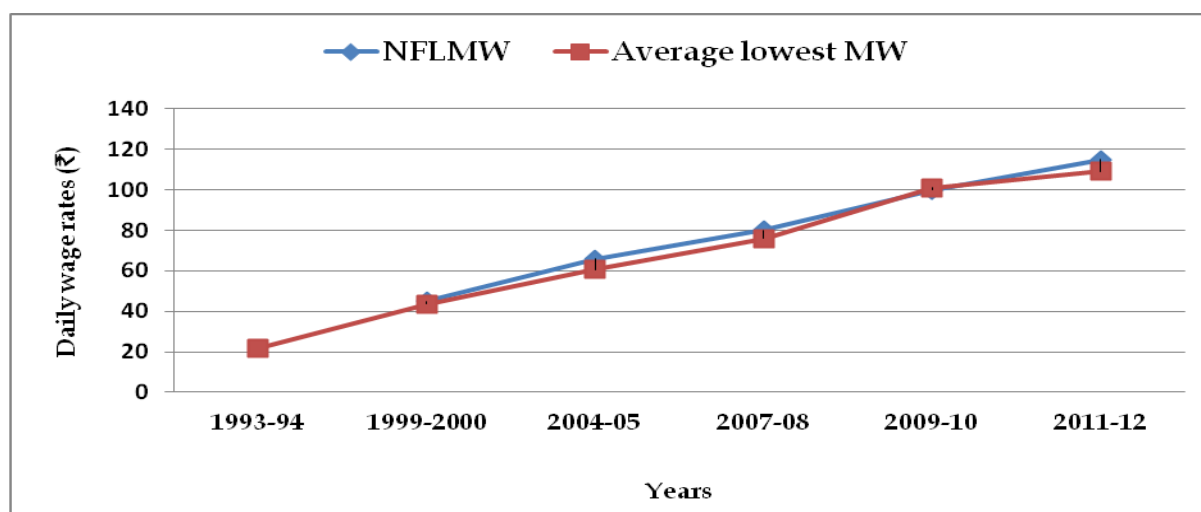
Current/constant prices	1996	1998	1999	2002	2004	2007	2010	2011
Current prices	35	40	45	50	66	80	100	115
Constant prices (base 1996=100)	35	34.9	37.6	40.1	49.7	50.1	52.2	58.5

Note: Consumer Price Index (Rural Labour) has been used for converting current prices to constant prices.

Source: MoL&E.

Revisions in NFLMW from time to time have positive impact on the minimum wages fixed at the state level. In fact, the average lowest minimum wage rates in the states as a whole have moved in tandem with the NFLMW over the last decade and a half (Figure 5.1). However, there are several minimum wage rates in different states which are still much below NFLMW. Considering that an increase in minimum wages, particularly the lowest range of minimum wages, leads to increase in actual wages, there is an urgent need to make NFLMW statutory. Such an initiative would not only lead to standardization of the lowest minimum wage rates across states but also reduce procedural complications and improve compliance. It would also enhance levels of income and expenditure of casual workers and reduce poverty, contributing to distributive justice and inclusive growth.

Figure 5.1: Trends in NFLMW and Average Lowest Minimum Wage Rates in India, 1993-1994 to 2011-2012 (at Current Prices)



Source: Ministry of Labour and Employment

5.3.2 CONTRACT LABOUR (REGULATION AND ABOLITION) ACT, 1970

The Contract Labour (Regulation and Abolition) Act, 1970, was enacted to protect and safeguard the interest of contract workers. It applies to every establishment/contractor in which 20 or more workmen are employed. It also

applies to establishments of the government and local authorities. Every establishment and contractor, to whom the Act applies, has to register itself/obtain a license for execution of the contract work. The interests of contract workers are protected in terms of wages, hours of work, welfare, health, and social security. The amenities to be provided to contract labour include canteen, rest rooms, first aid facilities, and other basic necessities at the work place like drinking water, etc. The responsibility of ensuring payment of wages and other benefits is primarily that of the contractor, and, in case of default, that of the principal employer.

5.3.3 WORKERS' WELFARE FUNDS

MoL&E is currently administering five Welfare Funds for beedi workers, non-coal mine workers and cine workers. The Funds have been set up under the following Acts of Parliament for the welfare of these workers:

- The Mica Mines Labour Welfare Fund Act, 1946
- The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972
- The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund Act, 1976;
- The Beedi Workers Welfare Fund Act, 1976
- The Cine Workers Welfare Fund Act, 1981

The Acts enable the Central Government to meet the expenditure incurred in connection with the measures and facilities which are necessary or expedient to promote the welfare of such workers. In order to implement the objectives laid down in the above Acts, various welfare schemes have been formulated and are under operation in the fields of health, social security, education, housing, recreation, water supply, etc.

5.4 SKILL DEVELOPMENT AND EMPLOYABILITY

Skill development is key to improve labour market outcomes and economic growth. Considerable emphasis is being laid in India on evolving pragmatic strategies to upgrade and enhance the relevant skill training and to improve access to skills for workers as a means to move to a cycle of higher productivity, higher employability, higher income levels, and faster and sustainable economic growth.

5.4.1 NATIONAL SKILL DEVELOPMENT POLICY

In 2009, Ministry of Labour & Employment, formulated a National Skill Development Policy that targets the creation of 500 million skilled workers by 2022, with the following vision:

- Skill development should harness inclusivity and reduce economic and social divisions among Indian workforce particularly across rural-urban, male-female, organized-unorganized and traditional-contemporary segments

- Matching the emerging demands for skills across various industries and economic enterprises
- Evolving a National Vocational Qualification Framework comparable with international standards
- Developing standard certification system by recognizing and including quality skills acquired through any informal system of learning
- Greater and more active role for workers' organizations, industry, civil society, Panchayati Raj institutions and other professional bodies
- Greater reduction of poverty through enhanced earnings of skilled workers

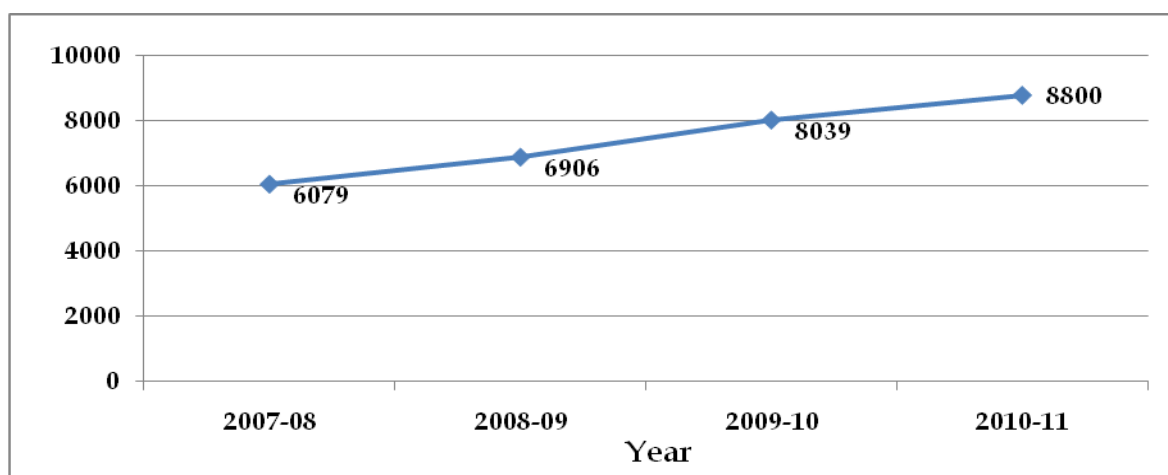
5.4.2 INSTITUTIONAL STRUCTURE GOVERNING SKILL DEVELOPMENT MISSION

A three-tier institutional structure consisting of (i) the Prime Minister's National Council on Skill Development, (ii) the National Skill Development Coordination Board (NSDCB) and (iii) the National Skill Development Corporation (NSDC) has been set up to take forward the skill development mission. The Prime Minister's National Council has outlined the core operating principles, which, inter alia, advocate the need for co-created solutions for skill development based on partnerships between states, civil society, and community leaders. The emphasis is on making skills bankable for all sections of society, including the poorest of the poor. The issue of optimum utilization of existing infrastructure for skill development available in the states and using the same for skill training is also emphasized. 26 states and 5 Union Territories have set up Skill Development Missions. As a next step, all these states/UTs need to assess the skill gaps in the major sectors and formulate action plans for bridging them (MoF, 2011). Skill gap study has already been done by States like Maharashtra, Himachal Pradesh and Punjab, etc.

5.4.3 EXPANSION OF SKILL DEVELOPMENT INSTITUTIONS

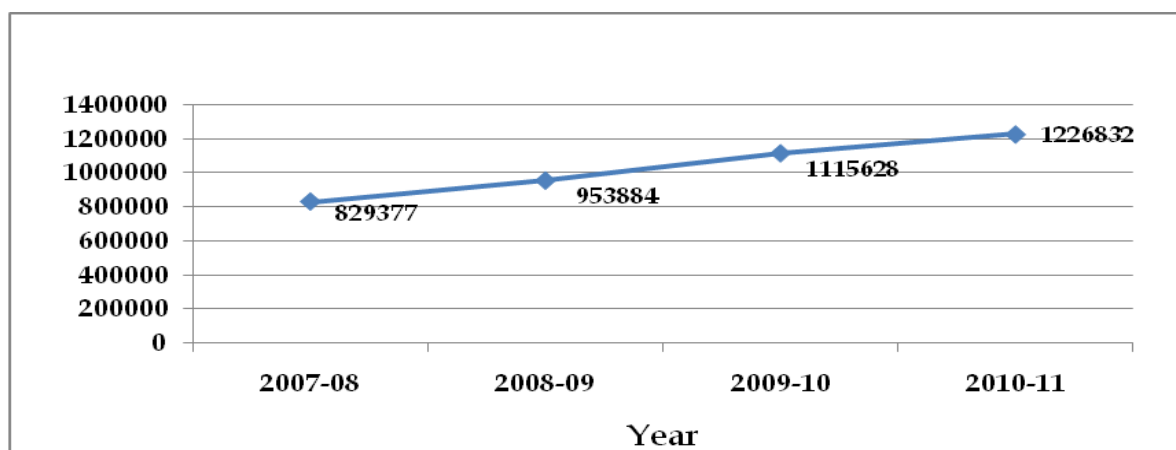
Considerable efforts have been made in recent years for operationalizing new Government & Private Industrial Training Institutes (ITIs) especially, in backward regions. Considering that ITIs mainly cater to the skill development requirements of the less advantaged income and social groups, the significant growth in ITIs (Figure 5.2), along with the total seating capacity (Figure 5.3), is a significant step towards further improving the access of the disadvantaged sections to skill development initiatives.

Figure 5.2: Number of Government ITIs



Source: MoL&E.

Figure 5.3: Seating Capacity in ITIs



Source: MoL&E.

5.4.4 UPGRADATION OF 500 ITIs THROUGH DOMESTIC FUNDING AND WORLD BANK ASSISTED VOCATIONAL TRAINING IMPROVEMENT PROJECT

With domestic funding, existing 100 ITIs were upgraded into “Centres of Excellence (CoE)” for producing multi skilled workforce of world standard. Under the scheme, multi-skilling courses are offered during the first year, followed by advanced and specialized modular courses in the second year by adopting industry wise cluster approach, multi entry and multi exit provisions and the concept of Public Private Partnership (PPP) in the form of Institute Management Committees (IMCs) to ensure greater and more active involvement of industry in all aspects of training. The scheme was completed in March, 2011 and an amount of ₹ 115 crore (central share) was released for upgradation of these ITIs.

Under Vocational Training Improvement Project (VTIP) taken up with the assistance of World Bank at a total cost of ₹ 1581 crores, 400 ITIs are being upgraded. Till 2010-

11, central share of ₹ 783 crore has been released to States/UTs. Another ₹ 70 crore has been spent for development of central institutes which are functioning under the direct control of DGE&T.

5.4.5 SCHEME OF UPGRADATION OF 1396 GOVERNMENT ITIs THROUGH PUBLIC PRIVATE PARTNERSHIP

This scheme was launched in 2007-08 to improve the employment prospects of graduates from the vocational training system, by making the delivery of training more demand responsive. Under the scheme, an Institute Management Committee (IMC), headed by an industry partner, is constituted in the ITI and registered as a Society. An interest-free loan of up to ₹ 2.50 crore is given by the central government directly to the IMC Society and financial and academic autonomy is given to the Society. Interest-free loan amounting to ₹ 2670.00 crore has been released for the upgradation of 1068 government ITIs. Recent evidences indicate that the placement rate in those ITIs which have been modernized has increased from 35 per cent in 2003 to about 80 per cent in 2010-11.

5.4.6 SKILL DEVELOPMENT INITIATIVE (SDI) SCHEME

The SDI scheme, based on the Modular Employable Skills (MES) framework, has been operationalized from May, 2007 to provide vocational training for early school leavers and existing workers, especially in the unorganized sector. It seeks to improve their employability by optimally utilizing the infrastructure available in government and private institutions and the industry. One million persons were required to be trained or their existing skills tested and certified, over a period of five years, and one million every year thereafter. During the four years (from 2007-08 to 2010-11), 6454 Vocational Training Providers (VTPs) were registered to provide training under the scheme adopting flexible delivery mechanism (part-time, weekends, full-time, onsite/offsite) to suit the needs of various target groups. 1260 demand-driven short-term training courses based on MES were developed and approved by the National Council for Vocational Training (NCVT). A total of 11.57 lakh persons were trained/tested, and 36 organizations, which are not involved in training delivery, were empanelled as Assessing Bodies for testing of the skills of trainees to ensure that it is done impartially. The target and achievement of the scheme during 2010-11 are presented in Table 5.7.

Table 5.7: Skill Development Initiative Scheme: Targets and Achievements, 2010-11

S. No.	Activity	Target	Achievement
1	No. of MES course modules developed & approved by NCVT	100	146
2	No. of Vocational Training providers (VTPs) registered	1000	675
3	No. of Trainees trained/tested	3 lakh	4.41 lakh
4	Empanelment of Assessing Bodies	10	19

Source: MoL&E.

5.4.7 ENHANCING SKILL DEVELOPMENT INFRASTRUCTURE IN NORTH-EAST STATES AND SIKKIM

A major development objective for the North East Region (NER) – the North Eastern states and Sikkim – is the strengthening of its human resource base, particularly the youth, in order to make them more skilled and employable. The North Eastern Region Vision, 2020 has stated that despite expansion of the education infrastructure, and a satisfactory literacy rate and pupil-teacher ratios in the region, the skills and knowledge base of the youth in NER is inadequate to equip them to compete at national and international levels for employment or entrepreneurial activities. The vision for the region, therefore, envisages a vast expansion in the availability of opportunity for acquiring skills and competencies. However, there are, for example, only 68 ITIs in NER, with a seating capacity of 10,308 as against the total seating capacity of 12.2 lakh in the country. The number of ITIs in NER constitutes less than one per cent of the total ITIs in the country. Such a scenario highlights the urgent need to draw up specialized programmes to expand the base of skill development institutions in NER.

- (i) New centrally sponsored scheme “Enhancing Skill Development Infrastructure in NE States and Sikkim” to enhance skill development of youth of the region has been approved during 2010-11 at a cost of ₹ 57.39 crore. The scheme consists of following three components: Upgradation of 20 ITIs at a cost of ₹ 30.18 crore.
- (ii) Supplementing deficient infrastructure in 28 ITIs at a total cost of ₹ 24.24 crore.
- (iii) Establishment of Project Management Unit at Centre and eight State headquarters at a total cost of ₹ 2.97 crore.

5.4.8 TRAINING OF 8000 YOUTH OF JAMMU AND KASHMIR

With an announcement of the Hon’ble Prime Minister during his visit to Jammu & Kashmir on October 28-29, 2009; the Scheme is being implemented to provide training to 8000 youth of the State of J&K under SDI scheme for their gainful employment in the year 2010-11 and 8000 youth in 2011-12.

In this scheme, the first strategy is to identify sectors with large employment potential and secondly, focus on placement oriented training based on the experience of J&K and rest of India. For this, the selected sectors are Tourism, Handicraft, IT & IT enabled services, Agriculture, Horticulture and Health sector in which a total of 4175 youth have been trained and State Govt. is in the process of deputing remaining candidates for training in 35 Vocational Training Providers outside the State of J&K, identified by DGE&T.

Also, State has identified VTPs registered under SDI scheme who can conduct courses in the trade/sectors identified by J&K which will have tangible employment potential in the state In order to enhance their employability and facilitating

realization of inclusive socio-economic growth, youth are trained inside as well as outside the State of J&K. A total of 10.20 Cr. was released to the State in 2010-11.

5.4.9 SETTING UP OF ITIs AND SKILL DEVELOPMENT CENTRES (SDCs) IN LEFT WING EXTREMISM AFFECTED STATES

There is regional imbalance in Skill Development opportunities in districts affected by Left Wing Extremism. Therefore, the youth are vulnerable and easily fall prey to groups propagating extremist and destructive activities. To wean away youth from violent and destructive activities, MoLE has formulated a "Skill Development Plan" for youth of 34 districts affected by Left Wing Extremism at a cost of ₹ 232.95 crore.

The scheme has two pronged strategy. As an immediate measure, short term and long term Skill training programmes will be conducted for 5000 youth in the existing institutes (Government & Private) during 2011-12. Also, additional infrastructure will be created for 34 Industrial Training Institutes, one ITI per District and 68 Skill Development Centres (SDCs), two SDCs per District. As long term measure, the above strategies will be scaled up during the 12th Plan period depending upon the progress.

5.4.10 NEW SCHEMES

In order to comply with announcement of Hon'ble Prime Minister on 15.8.2007 to set up 1500 ITIs and 50,000 Skill Development Centres, MoL&E is in the process of formulating following schemes:

a) Setting up of 1500 ITIs

1500 new Industrial Training Institutes (ITIs) in PPP mode preferably in un-serviced blocks. The state government will provide land with basic infrastructure (i.e. electricity, road, communication etc.). Central government will provide capital support in the form of Viability Gap Funding (VGF) while private player will take the lead role in establishment of the institute. Approval process for the scheme is in progress.

b) Setting up of 5000 Skill Development Centres

Although the Hon'ble Prime Minister announced for setting up of 50000 Skill Development Centres (SDCs), Planning Commission has accorded 'in principle' approval for setting up of 5000 SDCs. Accordingly, MoL&E has formulated a scheme for establishment of 5000 Skill Development Centres (SDCs) in PPP mode following the same architecture as 1500 ITIs. Approval process for the scheme is in progress.

c) Establishment of 15 Advance Training Institutes (ATIs)

There is acute shortage of trained instructors in the country. The present requirement of instructors is around 70,000 and additional annual requirement is around 20,000. The present instructor training capacity of the country is 1,600. To

meet the gap, MoL&E has formulated a scheme to establish 15 Advance Training Institutes (ATIs) in PPP mode. Approval process is underway.

d) Establishment of 12 Regional Vocational Training Institutes For Women (RVTIs)

Skill development facilities for women are quite inadequate at present. To improve upon the women training facilities, MoL&E has formulated a scheme to establish 12 Regional Vocational Training Institutes (RVTIs) in PPP mode. The process for approval of the scheme is in process.

5.4.11 MODERNISATION OF EMPLOYMENT EXCHANGES FOR CREATING A LABOUR MARKET INFORMATION SYSTEM

National-e-Governance Plan (NeGP) has identified Modernization and Upgradation of Employment Exchanges as one of the Mission Mode Projects (EEMMP). The EEMMP aims to support all State Governments in the country to make effective use of IT in various activities of employment services. EEMMP's strategic objective and vision is to increase the employability of the youth through effective employment counseling and automated skill match exercise to be offered through Employment Exchanges.

5.4.12 DEVELOPMENT OF NATIONAL VOCATIONAL QUALIFICATION FRAMEWORK (NVQF)

As mandated by National Policy on Skill Development, Ministry of Labour & Employment has initiated work for setting up of NVQF. The background work for carrying out occupational mapping in selected sectors has already started and technical assistance from European Union has been sought for development of NVQF. NVQF will provide market linked, quality assured, and relevant qualifications comparable with international standards. The students will get the opportunity of horizontal and vertical mobility.

5.4.13 SETTING UP OF SECTOR SKILLS COUNCILS

To make skill development system relevant to needs of industry, it has been decided to constitute Sector Skill Councils (SSCs) with the support of all the major players of that sector. National Skill Development Corporation (NSDC) has been mandated to constitute SSCs. Six SSCs have already been approved and 25 are in process. SSCs have been entrusted with the responsibility of conducting research, skill-wise, region-wise and identifying skill gaps and maintain sectoral Labour Market Information System (LMIS). They are also expected to partner with various institutes to train the trainers and upgrading skill sets of existing industry.

SSCs are expected to design standards for competencies, course content, examination & certification. They are also expected to have inter-face with skill development institutes to ensure consistency and acceptability of standards.

6 SHORT TERM AND MEDIUM TERM STRATEGIES AND TARGETS

India's economic growth rate – averaging at around 8 per cent in the previous five years – presents the country with profound opportunities, and, at the same time renews the focus on the immense challenges that confront us. That these growth rates were maintained during times of global economic meltdown is noteworthy; the momentum must now be strengthened, and the course charted for enhancing competitive human resources, further expanding incomes, and reducing labour market inequalities. These trajectories are critical for improving the quality of employment, making growth more broad-based, and meeting the aspirations of the people.

Government of India has conceptualized and implemented an extensive range of programmes and legislative measures in line with the national vision of inclusion and sustainable growth through expansion of employment opportunities and enhancement of income. These include innovative social security measures designed to mitigate different forms of insecurities encountered by workers, extensive skill development measures to enhance the skill base and employability of the labour force and right-based employment generation programmes to provide additional wage and self-employment opportunities, especially for the poor and disadvantaged. As highlighted in this Report, these measures have benefitted large number of people, from disadvantaged groups to those residing in backward regions. The Report has also clearly highlighted the vital role that the service sector can perform in generating productive employment in future. However, it is important to recognise that the service sector faces huge challenge of skill upgradation and upward mobility of workers along the value chain.

Meeting the emerging challenges related to generation of rewarding employment along with promoting equity in labour market requires well-planned and coordinated efforts involving all concerned stakeholders. Encapsulated below are some of the key short term and medium term strategies and targets, which could serve as indicators for making these concerted efforts more focused:

6.1 SHORT TERM STRATEGIES AND TARGETS

- i. Employment growth to be targeted at least at 2.0 per cent per annum compatible with the 9 per cent growth in the economy;
- ii. Promote labour intensive and high employment elasticity sectors to achieve the quantitative employment growth target;

- iii. Focus on service sector-particularly retail trade, information and communication technology, education and health;
- iv. Focus on inclusion of youth, women and vulnerable groups with their specific needs of training and skill development;
- v. Statutory provisions to provide social security and improved conditions of work and remuneration of contract workers at par with the regular employees;
- vi. Expand the outreach of RSBY scheme to all poor households;
- vii. Re-skilling the retrenched workers for redeployment;
- viii. Developing Information base and e-monitoring on real time basis;
- ix. Collection and compilation of employment/unemployment data on annual basis regularly.

6.2 MEDIUM TERM STRATEGIES AND TARGETS

- i. Focus on self-employed and casual workers for improving livelihood;
- ii. Enhance the scope of employment in the organised sector;
- iii. Enhance regular employment for less advantaged groups and in poorer states;
- iv. Comprehensive coverage of unorganised sector workers under social security schemes;
- v. Rationalisation and simplification of labour regulations and broadening the ambit of labour reforms;
- vi. Promote diversification of rural workforce to off-farm and non-farm activities;
- vii. Target regions with concentration of vulnerable social groups such as ST, SC, minorities, women, illiterate and less skilled for active labour market policies;
- viii. Detailed skill mapping mechanism to be evolved;
- ix. Credible and independent accreditation & certification process to be created;
- x. Upgradation of all training providing institutions and strengthening delivery through PPP mode;
- xi. Creating large number of skill development institutions and pool of trainers to expand the outreach of skill development initiative;
- xii. Setting up of Sector Skills Councils; and
- xiii. Development of National Vocational Qualification Framework.
- xiv. Creating a credible Labour Market Information System.

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The Second Annual Report to the People on Employment is presented with the objective of generating a public debate on the issue of creating quality employment with distributive justice. The Report reiterates the vision of the Government of India in conceiving quality employment as an important tool to promote faster, inclusive and sustainable growth.

The Report identifies the emerging trends in the labour market and analyses the role of different sectors, particularly those within the service sector, in generating quality employment. It also examines the existing inequalities in the labour market in order to advance the objective of inclusive growth. The Report highlights the contribution made by Government schemes and programmes in addressing issues of employment, social security and skill development of the labour force in general and those of the poor and disadvantaged sections in particular.