



ANNUAL REPORT TO THE PEOPLE ON EMPLOYMENT



Government of India
Ministry of Labour and Employment

1st July, 2010

Appeal to the People

We present to the People of India the First 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.

Comments/suggestions may kindly be sent/forwarded to:

e-mail id : rpemp-feedback@nic.in

Fax : 011- 23351878, 011- 23350896

Postal Address : Joint Secretary/Director General
Employment & Training
Ministry of Labour & Employment
Shram Shakti Bhawan
2-4, Rafi Marg
New Delhi- 110 001

Foreword

The Hon'ble President of India in her address to the Joint Session of both Houses of Parliament on June 4, 2009 announced that the Government will bring out five Reports to the People on Health, Education, Environment, Infrastructure and Employment. The Ministry of Labour and Employment (MoL&E) was entrusted with the responsibility of preparing the Annual Report to the People on Employment for generating a national debate. I am particularly pleased that this Report prepared by the MoL&E will focus national attention on the important issue of generation of productive and sustainable employment for all.

The Report gives a bird's eye view of the current employment scenario and casts a look into the immediate future to highlight what the Government can do to enable decent work and employment for our people. The Report focuses on the great opportunity provided by a youthful demographic structure in increasing our national prosperity. The energy and vitality of our youth can be harnessed for achieving higher levels of social and economic progress if productive and quality employment can be generated for them. Our Government is committed to providing access to skills and training so that our young people can contribute fully to nation building. Similarly the increasing participation of women in the labour market is a heartening sign. Government policy must be geared towards furthering this hopeful trend by tapping the enormous productive potential of our women. To that end, our Government is committed to providing equal opportunity and access to gainful employment and to end all systematic barriers to their entry into the labour market.

Our vision of inclusive growth can be translated into reality only if the socially disadvantaged groups, the Scheduled Castes, the Scheduled Tribes, Other backward Classes and Minorities, be at the heart of policy initiatives of our Government. The Report highlights the problems faced by the socially disadvantaged groups in the labour market and also demonstrates how employment can become a powerful instrument of social inclusion.

Economic growth and policies of social inclusion mutually reinforce each other, this has become evident in the way our economy could withstand the severe global financial and economic crisis. Active government policies such as the provision of gainful employment for the working poor under the Mahatma Gandhi National Rural Employment Guarantee Act have played a critical role in strengthening the ability of our economy to face global challenges.

The Report alerts us to the enormous challenges that face us in achieving the goal of providing decent and productive employment to all. This will require a well planned and coordinated efforts of the various Ministries of the Government as well all major stakeholders in our society namely the workers' organizations, private sector business and industry groups and other civil society groups. I commend this Report to all the stakeholders and the public in general so that their suggestions and comments can become a part and parcel of the Government's policy initiatives.



(Prabhat C. Chaturvedi)

Secretary

Ministry of Labour and Employment

Executive Summary

The Hon'ble President of India in her address to the Joint Session of both Houses of Parliament on June 4, 2009 announced that the Government will bring out five Reports to the People on Health, Education, Environment, Infrastructure and Employment. The Ministry of Labour and Employment (MoL&E) was entrusted with the responsibility of preparing the Report to the People on Employment for generating a national debate.

This Report to the People on Employment provides a framework to understand the contemporary employment scenario. It focuses on key issues of generation of quality employment for the people seeking work. The issue of providing decent work, particularly to those who are excluded and marginalized in the labour market is a central concern of this Report. The Report highlights that employment growth along with equity and distributive justice can be a powerful instrument for achieving the national agenda of 'inclusive growth'. The Report views employment as a primary means through which citizenship is made real for the people, the way in which the people acquire a stake in society, overcome the insecurities of old age and ill health and ensure a better future for their children.

One of the central ideas of the report is - high economic growth and growth of quality employment reinforce each other. Recognizing low level of earnings and poor working conditions of casual labourers and a part of self employed workers, the Report argues for increasing the share of organised sector employment in total employment of the country, particularly in the manufacturing and service sectors.

The Report firmly puts on the agenda to best utilize the 'demographic dividend' by focusing on generating gainful employment for youth, in general, and young women, in particular. The Report notes that given very low proportion of skilled workers at present, a suitable and workable framework to enhance the employability of workers is essential. The same can be achieved by providing training to workers at various levels with emphasis on recognizing local skills and certifying informally acquired skills along with the expansion of skill development institutions. The Report also argues for rationalization of labour laws and broadening the ambit of labour reforms for achieving equitable employment growth. It sets out short-term and medium-term strategies to ensure gainful employment opportunities for all the working people with particular emphasis on the disadvantaged sections.

Major Short term strategies and targets include: Employment growth to be targeted at least at 2.5 per cent per annum compatible with the 9 percent growth in the economy; Promote labour intensive and high employment elasticity sectors to achieve the quantitative employment growth target; 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 Rashtriya Swasthya Bima Yojana (RSBY) scheme

to all poor households; Re-skilling the retrenched workers for redeployment; Developing Information base and e-monitoring on real time basis; and Collection & compilation of employment/unemployment data on annual basis regularly.

Key Medium term strategies and targets are: 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 public private partnership (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.

It is hoped that this Report would provide an opportunity for stimulating constructive national debate relating to various dimensions of employment and also for eliciting practical suggestions for further improving the quantitative as well as qualitative aspects of employment generation in India.

Abbreviations and Acronyms

ALMPs	Active Labour Market Policies
BPL	Below Poverty Line
BPO	Business Process Outsourcing
CDS	Current Daily Status
CSO	Central Statistical Organisation
CWS	Current Weekly Status
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
IGNOAPS	Indira Gandhi National Old Age Pension Scheme
ILC	Indian Labour Conference
ILO	International Labour Organisation
IT	Information Technology
ITC	Industrial Training Centre
ITI	Industrial Training Institute
JBY	Janshree Bima Yojana
LF	Labour Force
LFPR	Labour Force Participation Rate
LFS	Labour Force Survey
MES	Modular Employable Skills
MoL&E	Ministry of Labour and Employment
MoRD	Ministry of Rural Development
MSME	Micro, Small and Medium Enterprises

MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
NCEUS	National Commission for Enterprises in Unorganised Sector
NCLP	National Child Labour Project
NCMP	National Common Minimum Programme
NSSO	National Sample Survey Organisation
OBC	Other Backward Classes
PMEGP	Prime Minister's Employment Generation Programme
PPP	Public Private Partnership
PRI	Panchayati Raj Institutions
RGCC	Registrar General & Census Commissioner of India
RSBY	Rashtriya Swasthya Bima Yojana
SC	Scheduled Caste
SDC	Skill Development Centres
SDI	Skill Development Initiative
SGSY	Swarnajayanti Gram Swarozgar Yojana
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
VVGNI	V V Giri National Labour Institute
WPR	Worker Population Ratio/Work Participation Rate

Table of Contents

1	Introduction	1
1.1	Vision	1
1.2	Approach.....	1
1.3	Data Sources	1
2	Employment and Unemployment Situation in India: Current and Medium Term Perspectives.....	2
2.1	Demographic Dividend and Challenges for Employment Policy.....	2
2.2	Current Labour Market and Employment Situation.....	2
2.2.1	Labour Force: Magnitude and Pattern	2
2.2.2	Employment Situation.....	5
2.2.3	Unemployment Situation	6
2.3	International Developments.....	7
2.3.1	Impact of Economic Slowdown	8
2.4	Projections of Labour Force and Workforce.....	9
3	Quality And Sustainable Employment: A Decent Work Approach	12
3.1	Employment Status of Workers.....	12
3.2	Wages and Earnings.....	13
3.3	Employment in the Unorganised Sector	15
3.4	Working Poor	16
3.5	Overcrowded Agriculture Sector	16
4	Less Advantaged Groups at the Core of Employment Agenda.....	18
4.1	Exclusion of Disadvantaged Social Groups and Minorities from Regular Employment.....	18
4.2	Access to Regular employment	19
4.3	Migrant Workers.....	20
4.4	Child Labour	21
4.5	Lack of Regular Employment in Poorer States	22
4.6	Active Labour Market Policies	22
4.6.1	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	23
4.6.2	Swarnajayanti Gram Swarozgar Yojana (SGSY)	24
4.6.3	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	24

4.6.4	Prime Minister’s Employment Generation Programme (PMEGP)	25
5	Workers Welfare And Enhancing Employability	26
5.1	Social Security for Workers	26
5.2	Employability and Skill Development.....	29
5.2.1	Major Issues in Skill Development.....	30
5.2.2	Vision for Skill Development in India	31
5.2.3	Recent Initiatives for Skill Development.....	31
5.2.4	Achievements and Targets.....	33
5.3	Major Issues in Labour Reforms	34
5.3.1	Labour Regulations And Employment.....	34
5.3.2	Multiplicity of Labour Laws and Need for Simplification and Wider Inclusion.....	35
5.3.3	Procedural Simplification As Means of Improving Compliance	36
6	Short Term and Medium Term Strategies and Targets	37
6.1	Short Term Strategies and Targets	37
6.2	Medium Term Strategies and Targets	37
	References	41

List of Tables

Table 1: Compound Annual Growth Rate (%) of Employment (UPSS).....	6
Table 2: Projected Population, LFPR, LF and Employment during 2009-10 to 2014-15.....	11
Table 3: Percentage Distribution of Workforce (UPSS) by Employment Status, 1993-94 to 2004-05.....	13
Table 4: Average Daily Wage (in Rs.) of Regular and Casual Workers (15-59 years), 2004-05.....	14
Table 5: Average Daily Wages/Earnings (in Rs) across Social Groups in India, 2004-05.....	19
Table 6: Percentage Distribution of Workers with Different Levels of Education by Employment Status, 2004-05.....	19
Table 7: Classification of Major States according to Percentage of Regular Employment to Total Employment, 2004-05.....	22
Table 8: Targets and Achievements under SJSRY.....	25
Table 9: RSBY: Achievements and Targets.....	27
Table 10: Employees' Provident Fund Beneficiaries: Achievements and Targets.....	28

List of Figures

Figure 1: Percentage of Population in Age Group of 15-59 years.....	2
Figure 2: Employment (in millions) during 1993-94 to 2004-05.....	5
Figure 3: Unemployment Rates (%) among Males and Females in Rural and Urban Areas across Age Groups, 2004-05 – CDS Basis.....	7
Figure 4: Average Daily Wages (in Rs) of Rural Casual Workers in Farm and Non-Farm Sectors (1983 to 2004-05) at Constant Prices (1993-94).....	15
Figure 5: Percentage of Rural Male and Female Workers Engaged in Agriculture.....	17
Figure 6: Percentage Distribution of Workers (UPSS) across Social and Religious Groups by Status of Employment, 2004-05.....	18
Figure 7: Average Daily Earnings (in Rs) of Regular Workers across Educational Categories, 2004-05.....	20

1 INTRODUCTION

Productive employment generation with ‘decent work’ conditions is an important concern not only for the national employment policy but also for the national agenda of ‘inclusive growth’. Although the overall economic growth achieved by the Indian economy, particularly during the current decade, has been impressive, employment growth has not kept pace. This has significantly limited the ‘trickle-down effect’ and widespread distribution of the benefits of the high economic growth.

At a time, when India is aiming to achieve double-digit economic growth, commensurate employment growth assumes crucial importance from the point of view of sustaining overall high growth in the medium to long term, distributing the benefits of growth, and impacting the rate of poverty reduction in the country.

1.1 VISION

Decent working conditions and improved quality of life for workers, enhancing employability through employment services and skill development on sustainable basis being the vision of the Ministry of Labour & Employment (MoL&E), the present report aims to contribute to the national agenda of ‘inclusive growth’ by focusing on those population groups who face variety of socio-economic and institutional entry barriers and fail to earn a respectable living despite being engaged in economic activities.

1.2 APPROACH

This report follows a macro framework for analysing emerging employment and labour market situations during the next 5 to 10 years. However, within the macro framework of economic growth, the report aims to address the issue of ‘distributive justice’ in order to align with the national agenda of ‘inclusive growth’. The report identifies existing and potential sources of ‘exclusion’ of various population groups during the recent years’ development process. It also highlights initiatives taken by the Government for ‘inclusion’ of the ‘excluded’. Labour being in the Concurrent list of the Constitution, the Report views pro-active and co-ordinated actions by the Central and State governments as essential for generating quality and sustainable employment. Finally, the report identifies short and medium term strategies and targets for achieving the objective of productive employment generation.

1.3 DATA SOURCES

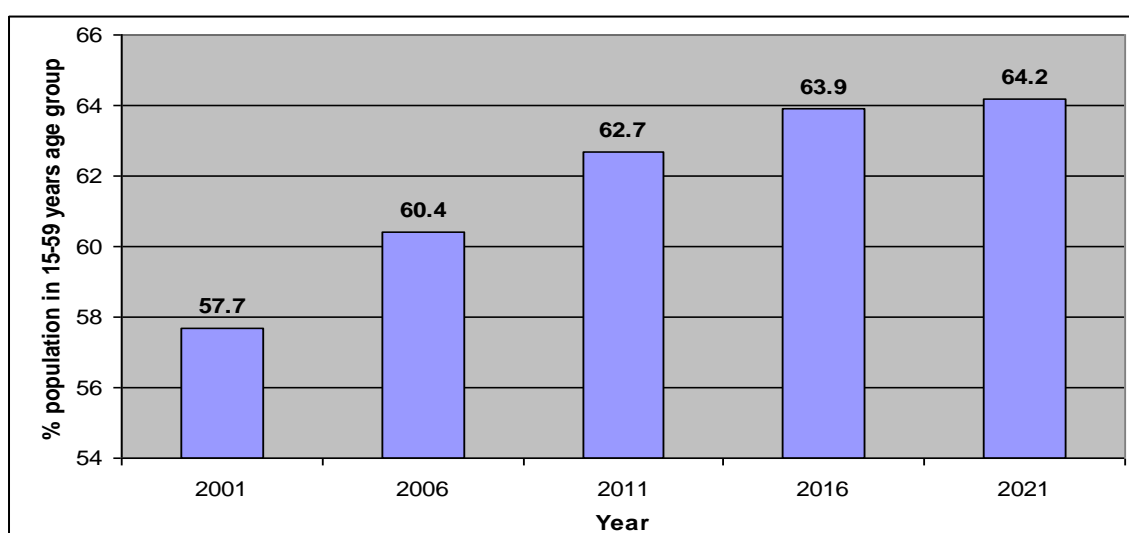
The report is based mainly on secondary sources of data. Demographic information is obtained from Census of India and information on labour market is based on the employment and unemployment surveys conducted by National Sample Survey Organisation (NSSO). Annual Reports of the MoL&E and few other Ministries of the Government of India and 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.

2 EMPLOYMENT AND UNEMPLOYMENT SITUATION IN INDIA: CURRENT AND MEDIUM TERM PERSPECTIVES

2.1 DEMOGRAPHIC DIVIDEND AND CHALLENGES FOR EMPLOYMENT POLICY

Currently, India is passing through an unprecedented phase of demographic changes. The ongoing demographic changes are likely to contribute to an ever increasing size of labour force in the country. The Census projection report shows that the proportion of population in the working age group (15-59 years) is likely to increase from approximately 58% in 2001 to more than 64% by 2021 (Figure 1).

Figure 1: Percentage of Population in Age Group of 15-59 Years



Source: Office of Registrar General & Census Commissioner (RGCC), 2006

In absolute numbers, there will be approximately 63.5 million new entrants to the working age group of 15-59 years between 2011 and 2016. Further, it is important to note that the bulk of this increase in the population is likely to take place in relatively younger age group of 20-35 years. Such a trend would make India as one of the youngest nations in the world. In 2020, the average Indian will be only 29 years old, compared to 37 in China and the US, 45 in West Europe and 48 in Japan. This trend is seen significant on the grounds that what matters is not the size of the population, but its age structure. A population “bulge” in the working age groups, however large the total population, is seen as an important advantage characterised as a “demographic dividend”. Hence, this report, *inter alia*, aims to focus on the young age groups and suggest ways and means to utilise this ‘demographic dividend’ to contribute to the overall economic growth of the country.

2.2 CURRENT LABOUR MARKET AND EMPLOYMENT SITUATION

2.2.1 LABOUR FORCE: MAGNITUDE AND PATTERN

Generation of productive and gainful employment with decent working conditions is viewed as a crucial strategy for ‘inclusive growth’ (Planning Commission, 2010). Further, it is equally

important to make the employment opportunities accessible to all, especially poor and weaker sections of the society. This would require a proper understanding of the nature and characteristics of the existing and emerging labour market situation in India so that along with overall employment growth, issues relating to the weaker and disadvantaged groups are adequately addressed in all relevant policies.

Indian labour market is characterised by complex situations which arise due to a host of factors. These include full time and part time workers, variations in the availability of work during different seasons of a year, workers engaging themselves in multiple jobs, workers ready to work at low wages, social and cultural factors restricting large number of women workers to participate in labour market, etc.¹. These features lead to varied estimates of total labour force and employment in India. In 2004-05, the estimates of total labour force in the country varied from nearly 420 millions (as per Current Daily Status-CDS) to nearly 470 million (as per Usual Principal and Subsidiary Status-UPSS) (see Boxes 1 &2).

Although the range of variation in the estimates of labour force may look intriguing, the same has very strong implications. The difference between the two estimates essentially arises because the lower estimate of 420 million does not capture those persons who join labour market for short periods of time. However, a large proportion of those persons whose participation in the labour market is of irregular nature may join the labour force on sustained basis if enhanced employment opportunities are provided.

In addition to the overall variations in the estimates of labour force in the country, the gender dimension of the labour force is equally important to understand. In general, women participation in labour market has been typically low in India. Only 25 to 30% women in rural and 15 to 18% in urban areas participate in labour market. One of the reasons of low participation of women in labour force is the non-recognition of a number of women centric works as economic activities (such as cooking, collection of fuel and fodder, house and utensils cleaning etc.). Moreover, variety of social and family related constraints compel women to confine themselves to household activities at their prime working age. Early exit of women (probably post marital age) from labour market is particularly reflected in urban areas where women face inadequate social and family support system. However, it is important to recognise that women participation in labour market has significantly increased in recent years, particularly in urban areas². Further, most of the increase in women participation in labour market is contributed by young women in urban areas. Since India is committed to creating a gender friendly labour market environment, there is increasing realisation to broaden the definition of economic activities on the one hand and to provide a conducive working environment on the other, so that women's contribution to the national economy is properly recognised.

In this context, the present report strongly puts the idea of re-defining 'economic activity' for public debate so that women's contribution to economic growth could be recognised properly in economic terms and a number of social and family related barriers could be addressed through policy interventions.

¹ Some of these factors are discussed in detail in Mazumadar and Sarkar, 2008 and Sarkar 2008.

² NSSO data reveals that in rural areas, female labour force participation rate (LFPR) reflects marginal uptrend over the years while in urban areas the same has increased by approximately 3% in 2004-05 as compared to that in 1999-2000. Even the long term trends (1983 to 2004-05) show a clear uptrend of female LFPR in urban areas.

Box 1
Employment and Unemployment Measurements in India

National Sample Survey Organisation (NSSO) has been conducting quinquennial surveys on a regular basis since 1972-73 to generate national level data on employment and unemployment in India. The NSSO has, over time, developed and standardised measures of employment and unemployment. The NSSO collects data on employment and unemployment using three broad measures or approaches: 1. Usual Status; 2. Current Weekly Status; and 3. Current Daily Status. The Usual Status is further categorised at two levels: 1. Usual Principal Status; and 2. Usual Principal and Subsidiary Status.

Usual Status relates to the activity status of a person during the reference period of last 365 days preceding the date of survey. The activity status on which a person spent relatively longer time (major time criterion) is considered the Usual Principal Status (UPS). To decide the usual principal activity status of a person, a two-stage classification is used to determine the broad activity status, viz., employed, unemployed and out of labour force within which, the detailed activity status is determined depending on the relatively longer time spent in the activities. Besides the usual principal activity status, a person could have pursued some economic activity for a smaller period, not less than 30 days. The status in which such economic activity is pursued is the subsidiary economic activity status of that person. If these two are taken together, the measure of Usual Principal and Subsidiary Status (UPSS) i.e. usual status is obtained.

Current Weekly Status (CWS) of a person is the activity status obtained for a person during a reference period of 7 days preceding the date of survey. According to this, a person is considered as a worker if he/she has performed any economic activity at least for one hour on any day of the reference week, and is obtained on the basis of daily activities performed on each day of the reference period.

Current Daily Status (CDS) of a person is determined on the basis of his/her activity status on each day of the reference week using a priority-cum-major time criterion (day to day labour time disposition). Broadly, a person is considered working (employed) for the full day if he/she worked for 4 hours or more during the day.

Box 2
Labour Force, Labour Force Participation Rate, Work Participation Rate and Unemployment Rate

Labour Force (LF): Labour force constitutes all the persons who are either working (or employed) or seeking or available for work (or unemployed).

Labour Force Participation Rate (LFPR): Labour Force Participation Rate is a measure of the proportion of the country's population that is engaged actively in the labour market, either by working or seeking work. It provides an indication of the size of the supply of labour available to engage in the production of goods and services.

Work Participation Rate (WPR): Work Participation Rate is a measure of the proportion of the country's labour force who are engaged in work. It provides information on the ability of the economy to generate employment.

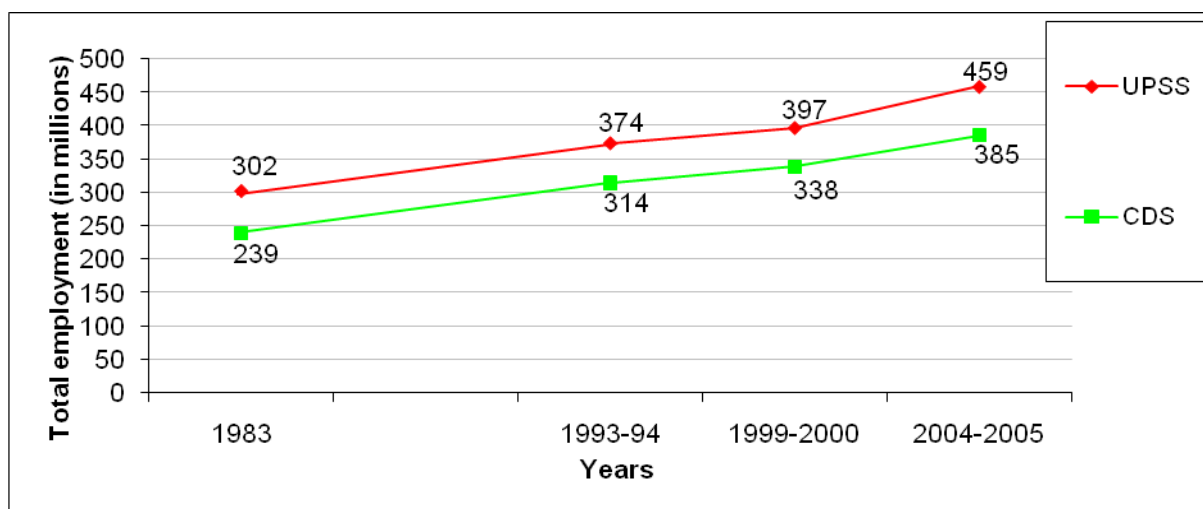
Unemployment Rate (UR): Unemployment rate is the proportion of the labour force that does not have employment and is actively looking for work.

2.2.2 EMPLOYMENT SITUATION

The latest comprehensive labour market survey was conducted by NSSO during 2004-05. The next survey on employment and unemployment for the period 2009-10 has been started by NSSO in July, 2009 and will be completed by June, 2010. It is important to mention here that MoL&E has also taken a decision recently to conduct annual labour market surveys. The first such survey will be conducted for the period 2009-10. Based on the 2004-05 survey, the estimates of total employment in the country varies from 385 million (as per CDS measure) to 459 million (as per UPSS measure). However, the data does not reflect the impact of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on rural employment as it was enacted in September, 2005.

Overall assessment of employment situation based on UPSS in the country over relatively two longer periods, i.e., 1983 to 1993-94 (Period I-10.5 years) and 1993-94 to 2004-05 (Period II- 11 years) suggests that employment growth in period I was 2.06% per annum as against 1.87% in the period II. The employment estimates on the basis of the two different approaches (CDS and UPSS) for different years are presented in Figure 2.

Figure 2: Employment (in millions) during 1993-94 to 2004-05



Source: MoL&E, 2008 and Planning Commission, 2008

This high growth in employment achieved during the first half of the present decade is one of the positive outcomes of the fairly high growth of 6 to 8% per annum of the Indian economy during the same period. The high economic growth provided enhanced business opportunities in the country leading to increased demand for labour and hence employment growth. However, it is important to recognise at this stage that the employment growth during the first half of the present decade has not been uniform across various population segments. First, the employment growth was much higher in urban areas than in rural areas. Second, the employment growth has been significantly higher for urban females than for all other three segments of population viz. rural males, rural females and urban males (See Table 1).

Table 1: Compound Annual Growth Rate (%) of Employment (UPSS)

Employment growth	1983-1994	1994-2000	2000-2005
Rural			
Male	1.93	0.80	2.20
Female	1.37	0.03	3.61
Persons	1.73	0.51	2.70
Urban			
Male	3.23	2.86	3.28
Female	3.78	1.50	5.41
Persons	3.34	2.58	3.71
Total			
Male	2.25	1.35	2.51
Female	1.67	0.19	3.90
Persons	2.06	0.98	2.95

Source: Based on respective rounds of NSSO Employment and Unemployment Survey Reports

2.2.3 UNEMPLOYMENT SITUATION

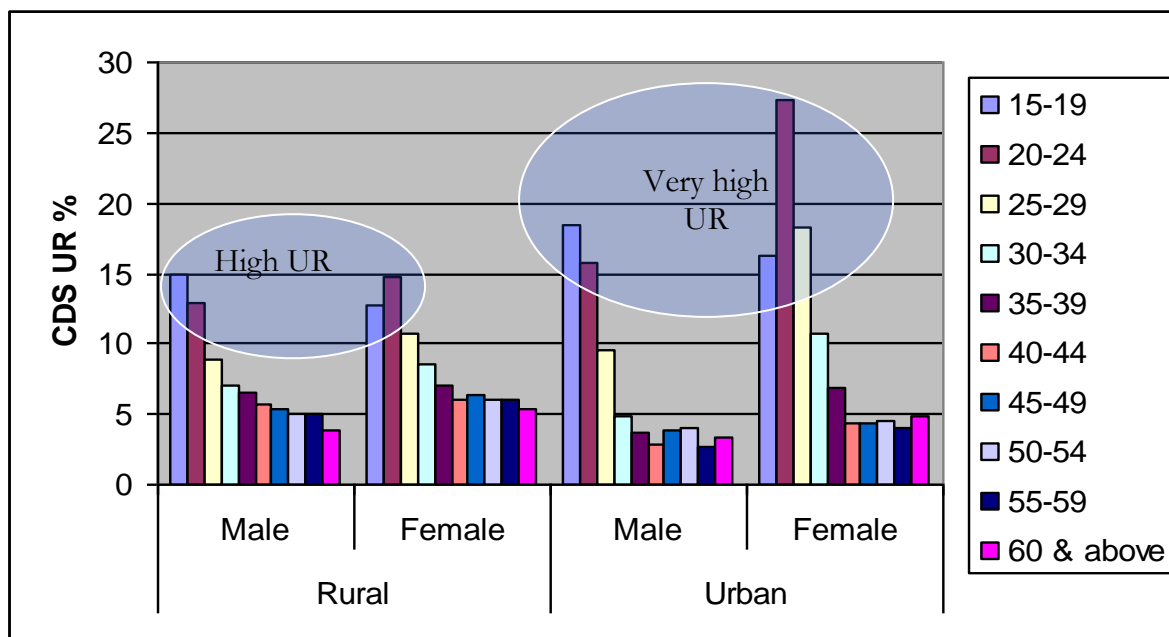
Unemployment in India is not a straightforward issue that can be either estimated directly with a single measuring rod or addressed with a single policy initiative. Even if a person is not reported to be unemployed on a particular point of time, he/she may be actually unemployed/under employed. Poor and weaker sections of society, particularly those who are engaged in subsistence agriculture and low income earning self-employment activities frequently face this situation as they do not get employment round the year. Hence, various approaches are used to measure different dimensions of unemployment in the country. The estimates for 2004-05 varied from 10.8 million (as per usual status - widely referred to as 'open unemployment') to 35 million (as per daily status which includes both open unemployment and underemployment). Hence, addressing underemployment along with open unemployment is important for policy initiatives, particularly, from the point of view of 'inclusive growth'.

As far as the question of 'open unemployment' is concerned, it has to be tackled by creating new employment opportunities in the labour market. The issue of underemployment, however, may require a variety of policy measures ranging from creation of new job opportunities to measures related to social security for workers, introducing innovative technology etc. Promoting rural non-farm employment is considered as an important policy measure to address under-employment in the rural areas.

Another crucial issue relates to the youth unemployment. Analysis of unemployment data for the year 2004-05 reveals that unemployment rates are very high in urban areas, particularly, in the age group of 15-24 years (Figure 3). Further, female unemployment rate in the age group of 20-24 years is the highest at approximately 27%. Among males, the highest unemployment rate is reported in the 15-19 years age group both in rural as well as urban areas. However, in the 20-24 years age group, male unemployment rates are 12% and 16% in rural and urban areas

respectively. Overall, in rural areas unemployment among youth (age 15-24 years) is approximately 12 to 15%. This highlights the need for the policy to focus on youth in the labour force, particularly to reap the benefits of ‘demographic dividend’.

Figure 3: Unemployment Rates (%) among Males and Females in Rural and Urban Areas across Age Groups, 2004-05 - CDS Basis



Source: Based on unemployment rates calculated from NSSO data, 2004-05

2.3 INTERNATIONAL DEVELOPMENTS

Indian economy has increasingly globalised ever since the policy of economic liberalisation started nearly two decades ago. Liberalisation of external sector provided enough boost to Indian exports growing at approximately 25% per annum until the worst ever world-wide economic slowdown struck the Indian economy in 2008. A long term trend in the India’s trade of commodity essentially indicates a steady and sustained growth both in imports as well as exports. India’s trade share to national income (Gross National Product or ‘GNP’) rose from barely less than 10% during the period of pre-liberalisation (before 1991-92) to approximately 14% by the beginning of this Century and reached 27% during 2008-09. In fact during the entire post-liberalisation period, it is only during second half of 2008 that India’s trade (both imports and exports) for the first time reflected a sign of downturn or at least stagnation. However, the trend picked up soon and the year of 2009 started showing increase in the share of total trade to India’s GNP.

These developments have not only led the Indian economy on trajectory of higher economic growth but also impacted Indian labour market significantly. Increased exports from India have scaled up employment opportunities in the export oriented sectors both modern as well as traditional sectors. Some of the high employment potential sectors include information technology, information technology enabled services, engineering goods, gems and jewellery, ready made garments, other textiles and handicrafts. Increased international trade has also provided the impetus for the introduction of new and modern technologies and thus have direct bearing on skill enhancement of Indian workforce.

Indian economy is today facing new challenges on the international fronts which have implications for employment growth. Some of these challenges are:

- Absorbing capital inflow for investment purpose;
- Providing enough security to migrant workers going abroad;
- Enhancing skill levels of migrant workers going abroad for better employability ;
- Protecting small and medium enterprises (SMEs) which face unequal competition; and
- Providing incentives to labour intensive export sectors – textiles (mainly handloom and other traditional textile sectors), gems and jewellery, handicrafts etc which are facing decline in profitability.

2.3.1 IMPACT OF ECONOMIC SLOWDOWN

The recent (2007-09) global financial meltdown and the related economic recession are seen as the worst since the Great Depression of 1930s. Given the increased (as compared to pre-liberalisation period) integration of Indian economy with the world economy, India in no way could remain unaffected of the negative fallout of this recession. Although the overall impact of the economic slowdown is not considered to be acute on India, the same had moderate impact on the Indian labour market as well. The falling profitability of Indian industries led to job cuts in general and in export oriented sectors, in particular. Labour Bureau, an organisation under MoL&E, conducted five quarterly surveys during October 2008 to December 2009 covering sectors like textiles including apparel, metal and metal products, information technology, gems and jewellery, leather, automobiles, handloom/powerlooms and transportation to assess the impact of economic meltdown on job losses. Major findings of Surveys by Labour Bureau are as follows:

- Employment declined by 4.91 lakh during the quarter Oct-Dec, 2008.
- Employment increased by 2.76 lakh during Jan-March, 2009.
- Employment declined by 1.31 lakh during Apr-June, 2009 probably due to seasonality.
- Employment increased by 4.97 lakh during the quarter July-Sep, 2009.
- As per latest quarterly quick survey for the period Oct.-Dec. 2009, overall employment has improved by about 6.38 lakh during Dec., 2009 over Sep. 2009 due to substantial increase in employment by 5.70 lakh in the IT/BPO Sector.
- The estimated employment in the selected sectors has experienced a net addition of 12.8 lakh during Dec,2008 to Dec, 2009.

A detailed study indicated that most of the job losses during the economic slowdown had taken place in unorganised sector³. In the organised sector, the job loss was minimal as indicated by the Labour Bureau study. Moreover, there was also considerable wage loss,

³ The study was conducted by V.V. Giri National Labour Institute (VVG NLI, 2009) for Department of Commerce, Ministry of Commerce and Industry, Government of India.

more so in the organised sector. On the basis of a survey of approximately 1,300 firms across three export intensive sectors viz. textiles, diamond cutting and polishing, and handicrafts, the study estimated that there was job loss in unorganised sector to the extent of approximately 6%.

Although magnitude of job loss in the organised sector was small to the extent of 0.3%, wage loss in the organised sector was significant. In unorganised sector, the job cuts were compensated with increased working hours of the retained workers and hence wages were increased, particularly, in textiles and handicraft sectors. Although the study is export sector specific and the results cannot be generalised for the entire Indian economy, the assessment for the country as a whole based on secondary data indicated that approximately 7 to 8 million potential jobs could not be created because of economic slowdown and resultant slowdown in the India's economic growth from 9% in 2007-08 to 6.7% in 2008-09. By any standard, the impact of economic slowdown on Indian labour market cannot be undermined as the same has potential to negatively impact the employment growth in future.

The Indian economy is back on the road to recovery as reflected by rising manufacturing and overall economic growth. At this stage, it is likely that most of the 'stimulus packages' announced during the slowdown period may be gradually phased out. However, what is important at this stage is to meticulously calibrate the process of phasing out. Unorganised sector enterprises may need some of the stimulus packages such as interest subvention, reduction in excise duty and other related taxes, soft credit, etc. to be continued until the economy achieves the growth rate of at least 8% and the economy is pushed back to a higher growth trajectory. In addition, special programmes for re-skilling and redeployment of retrenched workers during the slowdown period are highly desirable.

2.4 PROJECTIONS OF LABOUR FORCE AND WORKFORCE

This section attempts to project some of the key labour market indicators of crucial policy implication for the period 2009-10 to 2014-15. The projected figure for 2009-10 is useful to understand the current labour market situation while the projections for later years are helpful to understand the emerging scenario during the next five years or so to plan and formulate policy accordingly. These projections follow methodology used by Rangarajan et.al, 2006.

Projection of total labour force has been done on the basis of trends observed between two quinquennial rounds of NSSO surveys for 1993-94 to 1999-2000 and 1999-2000 to 2004-05. The employment figures for 2009-10 are projected on the basis of the employment elasticity⁴ with respect to Gross Domestic Product (GDP) observed during the period 1994-2005⁵. At this stage, it is important to note that along with other economies of the world, the Indian economy was also affected, during the economic slowdown period of 2008-2009. Since the economic growth was down to 6.7% per annum in 2008-09 as compared to 9% in 2007-08, the employment growth also decelerated significantly. Accordingly, based on the employment elasticity with

⁴ Employment elasticity is defined as rate of change of employment with respect to rate of change of output.

⁵ It is important to note that the employment elasticity for the period 1999-2000 to 2004-05 was estimated to be fairly high at 0.48 as against a low of 0.15 between 1993-94 and 1999-2000. The longer period elasticity observed between 1993-94 and 2004-05 has been considered as it is likely to provide an average picture more acceptable for the future years' employment growth.

respect to GDP, the employment for 2009-10 is estimated to be 506 million with an average annual growth rate of 1.97% for the period 2004-05 to 2009-2010⁶.

The labour force for 2009-10 is estimated to be 520 million. Further, projections for labour force and employment for the year 2009-10 were followed by a projection of the same for the period 2010-2015 on a yearly basis. This yielded the total magnitude of labour force increasing from 520 million in 2009-10 to 574 million in 2014-15 implying approximately 10 to 11 million additional number of persons joining the labour force each year during this period⁷.

For employment projection, three different scenarios have been considered: if employment grows at a) scenario I – 2% per annum, b) scenario II – 2.25% per annum and c) scenario III – 2.5% per annum. The estimates necessarily indicate that employment must grow at least at 2.5% per annum for the next five years so that most part of the open unemployment including the additions to the labour force may be taken care of by 2014-15 (Table 2).

One obvious question that arises is what rates of economic growth will the country need to achieve the 2.5% annual growth in employment? The answer really lies in the magnitude of employment elasticity likely to prevail in future. Again, three different estimates are presented to have an idea about the possible employment elasticity and the required economic growth for achieving three different scenarios of employment growth.

The estimates indicate that 2.5% growth in employment is achievable with an economic growth of approximately 9% provided the average employment elasticity of 0.29 observed between 1993-94 and 2004-05 continues. If the employment elasticity falls to 0.25, the required economic growth will be 10% per annum. Similarly, more than 12% growth will be required if the employment elasticity falls to 0.20. At the 0.20 employment elasticity and 10% economic growth, only 2% growth in employment can be achieved.

The employment elasticity with respect to GDP growth, however, can be enhanced by promoting labour intensive technology and sectors of employment with high labour capital ratio. In the recent past, different studies have identified such sectors of employment at least at broad level. These studies highlight that manufacturing sectors such as ‘sugar’, ‘food processing’, ‘industrial machinery’, ‘leather and leather products’, ‘jewellery’, ‘footwear’, ‘jute and mesta textiles’, ‘readymade garments’, ‘coir’, ‘furniture’, etc. are labour intensive sectors with an employment elasticity of more than 0.30. It is important to promote these industries in addition to enhancing investment in road infrastructure and power. In addition to these manufacturing sector industries, service sectors such as rail and road transport, tourism, retail trade, etc. are highly labour intensive. It is important to note that Public Private Partnership (PPP) is critical for attracting the necessary investment, especially in developing infrastructure.

⁶ Based on the employment elasticity with respect to GDP, the underlying annual employment growth has been worked out to be 2.80%, 2.80%, 2.47%, 1.77% and 1.25% for the years 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively. This yields an average annual growth of 1.97% for the period 2004-05 to 2009-10.

⁷ Considering the robust and marginal growth in labour force of males and the significantly increasing female labour force, particularly in the 20-29 age group, the overall growth of LFPR varied between 0.5 to 1% during 2010-11 and 2014-15. Accordingly, it is estimated that the overall LFPR will increase to 45.8% by 2014-15 with much of the growth coming from the youth population.

Table 2: Projected Population, LFPR, LF and Employment during 2009-10 to 2014-15

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Total population (in millions)	1177	1193	1208	1224	1239	1254
LFPR (%)	44.2	44.4	44.8	45.1	45.4	45.8
Labour Force (in millions)	520	530	541	552	563	574
Annual incremental labour force (in millions)	10	10	11	11	11	11
Scenario I–Employment growth (2%) (in millions)	506	516	526	537	548	559
Scenario II–Employment growth (2.25%) (in millions)	506	517	529	541	553	566
Scenario III – Employment growth (2.5%) (in millions)	506	519	532	545	559	572

Notes and sources: Population projections have been taken from RGI, 2006; Projection of LFPR has been done on the basis of linear trends in LFPR observed between 1993-94 and 2004-05 across rural-urban, male-female and various age groups of population; employment projection is based on employment elasticity observed during 1993-94 and 2004-05 and GDP growth for 2009-10

3 QUALITY AND SUSTAINABLE EMPLOYMENT: A DECENT WORK APPROACH

Quality of employment has been one of the main concerns in labour market studies in developing countries. In India, the reported status of a worker as 'employed' does not necessarily imply a reasonable level of earnings; nor does it reflect the status of living of workers. This is particularly evident from the fact that while the unemployment rate even by the highest estimate was 8.3%, the percentage of people below the poverty line was as high as 28% in 2004-05. It essentially implies that the problem in India is not only of unemployment but also of low productivity of work in which the poor are engaged. 'Inclusive growth' being one of the central concerns of the growth process India is presently following, improving the quality of work and raising levels of living standards of workers occupy the central place in the overall growth process.

3.1 EMPLOYMENT STATUS OF WORKERS

Employment status, mainly categorised as self-employed, regular and casual, is usually used as a broad indicator of assessing quality of employment of employed persons (see Box 3).

Box 3
Categorisation 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 categorised 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 in running the household enterprise.

In India, bulk of the employment (approximately 57%) falls in the category of self employed. Approximately 60% of the rural labour force and 45% of the urban labour force is self-employed. After a long period of declining trends during the 1980s and 1990s, the proportion of the self-employed has shown significant increase during the early 2000s. The proportion of

regular employed has remained stagnant at around as low as 7% in rural and approximately 40% in the urban areas. The recent increase in self-employment has taken place mainly at the cost of casual employment, with the proportion of the latter declining from 37% to 33% in rural and from 18% to 15% in urban areas between 1999-2000 and 2004-05 respectively (Table 3).

Table 3: Percentage Distribution of Workforce (UPSS) by Employment Status, 1993-94 to 2004-05

Employment status	1993-94	1999-2000	2004-05
Rural			
1. Self-employed	57.96	55.76	60.2
2. Wage workers	42.04	44.24	39.9
(i) Regular	6.45	6.83	7.1
(ii) Casual	35.59	37.41	32.8
Urban			
1. Self-employed	42.29	42.23	45.4
2. Wage workers	57.71	57.77	54.5
(i) Regular	39.40	40.03	39.5
(ii) Casual	18.31	17.74	15.0

Source: NSSO respective surveys

Self employed do not operate in the labour market for wages or earnings, but earn profits out of their own enterprises. A small proportion of these is exclusively employers, while a large section of them works as owners/employers cum workers. Further, an overwhelming proportion of these self-employed workers are small and petty traders and small and marginal farmers, and many a times, their earning levels are as low as those of casual workers. More than 11% of the rural self-employed persons resort also to casual labour work in order to supplement household income .

It will be an important task in the coming years to raise the proportion of regular wage paid employment, particularly in rural areas. Given the vast potential of education and health sectors to expand in rural areas, regular employment in rural areas can be enhanced by providing relevant training to rural workers. Rural self-employed persons need to be encouraged to diversify to off-farm and non-farm activities so that their levels of earning could be improved. In urban areas, suitable policy measures are required to safeguard the interest of small and petty traders.

3.2 WAGES AND EARNINGS

Casual wage labourers are one of the most disadvantaged groups in the labour market. . While their work contract is terminated and renewed on a daily basis, poor working conditions and low wages push them below poverty line. In 2004-05, average casual wage for males and females was just Rs. 55 and Rs. 35 respectively in rural areas and Rs. 75 and Rs. 44 respectively in urban areas.

On an average in 2004-05, casual workers received far less wages than those received by regular workers (Table 4).

Table 4: Average Daily Wage (in Rs.) of Regular and Casual Workers (15-59 years), 2004-05

	Male	Female	Index of gender bias in wage payments
Regular			
Rural	144.93	85.53	0.59
Urban	203.28	153.19	0.75
Casual			
Rural	55.03	34.94	0.63
Urban	75.1	43.88	0.58

Note: Index of gender bias in wage payments has been calculated as the ratio of female wage to male wage. Smaller ratio indicates high gender bias.

Source: Calculated from unit level data of NSSO, 2004-05

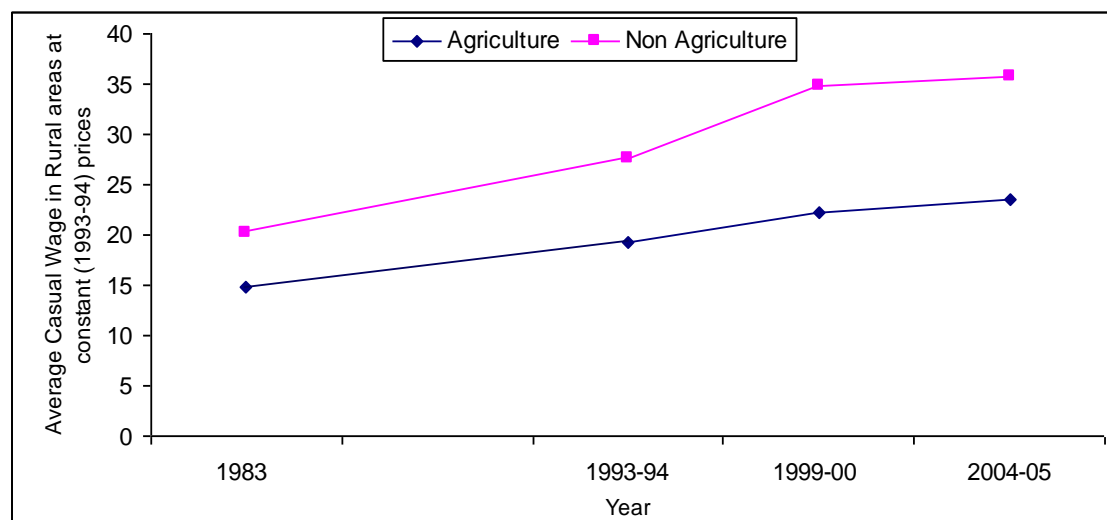
In addition to low wages for casual workers, there is also gender bias in wage payments. It is important to note that the gender bias in casual wage payment is low in rural areas (0.63) than in urban areas (0.58). However, the reason for low gender bias in wage payments in rural areas is highly suppressed wages both for male and female rural workers. The gender bias is also noticeable in case of urban regular workers.

Rural casual labour constitutes the single largest segment of the total workforce in India. Among rural casual labourers, agricultural labourers occupy a predominant position. The rural agricultural wage rate, hence, is considered as one of the most robust indicators of economic well-being, not only of agricultural labourers, but also of the overall rural population (Deaton & Dreze, 2002). However, agricultural wages have not only been persistently lower than non-agricultural wages, the rate of increase in the former has lagged behind the latter (Figure 4).

Among the various reasons for higher rise in real wages of non-agriculture activities are enhanced labour productivity and policy intervention through employment generation programmes. In contrast, the agriculture sector continues to be overcrowded, leading to low labour productivity. All these have led to a lower growth in real wages in agriculture over the years.

Raising the wage levels of casual workers both in agriculture and non-agriculture needs adequate policy attention. In this regard, stricter implementation of the Minimum Wages Act, 1948 and targeted employment generation programmes are important policy considerations. A number of studies carried out in recent years have shown that the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has had significant positive impact on rural wages. Moreover, standardisation of minimum wages across various States through centrally fixed and periodically revised Statutory National Floor Minimum Wage may be an important policy initiative in this regard.

Figure 4: Average Daily Wages (in Rs) of Rural Casual Workers in Farm and Non-Farm Sectors (1983 to 2004-05) at Constant Prices (1993-94)



Source: Calculated from unit level record of NSSO, respective surveys

3.3 EMPLOYMENT IN THE UNORGANISED SECTOR

An important aspect of quality of employment in India is the predominance of the unorganised sector. The size of the organised sector, characterised by higher earnings and job security is small, it accounted for less than 6% of the total employment in 2004-05. Around two-thirds of the total organised sector employment is in the public sector. Over the years, organised sector employment has grown slowly than the total employment, reflecting the faster growth of employment in the unorganised sector. As a result, there has been increasing informalisation of employment over the years. This informalisation has been more pronounced in the case of female workers. As a whole, about 96% of female employment is in the unorganised sector as against about 91% of males. In urban areas, the percentage of unorganised sector workers is close to 65-70%. Not all of them are poor but crude estimates suggest that close to half of this number is in dire need of occupational up-scaling.

A large proportion of the workers engaged in the urban unorganised sector is migrants from rural areas with poor educational, training and skill background and are employed in low-paying, semi-skilled or unskilled jobs. The productivity and earning levels in most of the enterprises are low and do not often provide full time work to those engaged. For the employees, the working environment is not conducive; working hours are long and most of the conditions of decent employment (e.g. paid leave, pension, bonus, medical support and health insurance, maternity leave benefits, compensation against accident, etc.) are nearly non-existent.

The past trends and all the available evidence suggest that the bulk of the growth in employment in future will come from the unorganised sector. It will be an important challenge to ensure that employment in this sector consists of jobs with safe conditions of work, decent and growing earnings and a measure of income and social security. Moreover, increasing the proportion of organised sector employment will be an important task to accomplish in the near future.

3.4 WORKING POOR

Quality of employment leading to low levels of wages and earnings, predominance of the unorganised sector in total employment and overall poor working conditions of most casual workers and a large part of self-employed workers have led to significantly high poverty ratio among the workers. These workers are often termed as 'working poor'. Approximately 22% workers were estimated to be below the poverty line in 2004-05. This essentially implies that out of a total of 459.1 million workers (UPSS) in 2004-05 approximately about 102 million were poor.

Further, as has been mentioned, workers are not a homogeneous group and they enjoy varied levels of security in the labour market and receive different levels of wages and earnings. Although, the headcount ratio of poverty has declined across the segments of labour status such as self-employed, regular wage earners and casual labourers, the poverty ratio continues to remain significantly high among casual workers. Poverty ratio among the casual workers is estimated to be approximately 32% as against 18% among self-employed and 13% among regular wage earners based on NSSO data. It is encouraging to note that over the years, there has been a decline in the poverty ratio across all the three categories of workers. The decline has been more pronounced in rural areas than in the urban areas. In fact, the poverty ratio among casual labourers has been higher in urban areas than in the rural areas right through 1990s with the difference widening in 2004-05. Increased migration of poor workers from rural to urban areas over the years has contributed to increase in poverty of casual workers in urban areas.

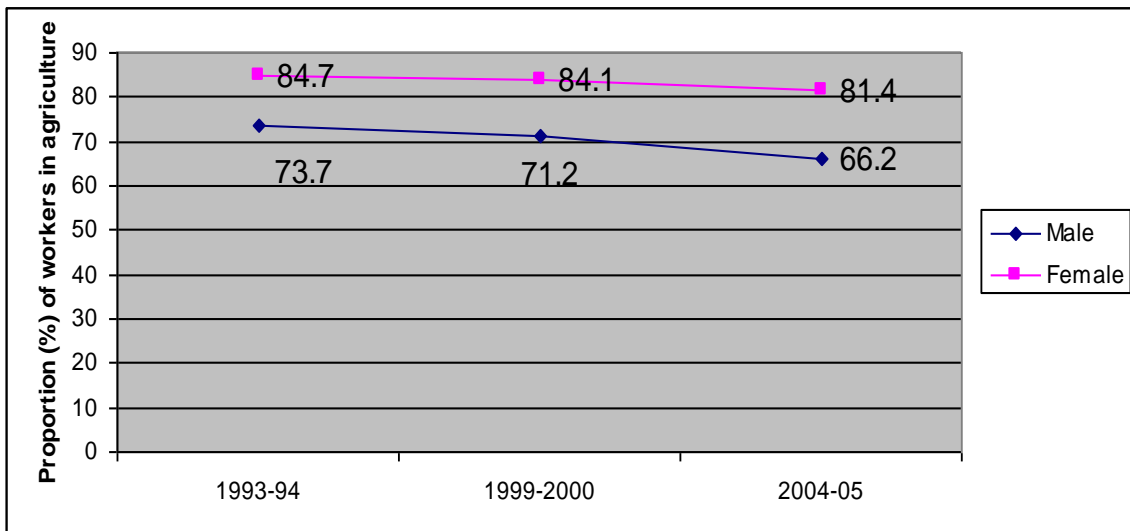
Apart from casual labourers, there are also some other sections of workers who are self employed and are considered as 'working poor'. These workers include small and marginal farmers, small manufacturers and traders, hawkers, street vendors, forest produce gatherers, rickshaw pullers and small traders in towns and cities, all constituting the self-employed category of workers. From the perspective of 'distributive justice', these categories of working poor deserve priority and focussed attention.

3.5 OVERCROWDED AGRICULTURE SECTOR

Bulk of the employment in India is concentrated in the agriculture sector. In rural areas, agriculture constitutes up to 68% of the total rural employment. Approximately 81% female workers and 66% male workers in rural areas are engaged in agriculture. Obviously, most of the workers engaged in agriculture are highly under-employed with very low levels of return. Diversification of the rural workforce to non-agriculture activities has been very low and the same has been negligible in case of the rural women workforce (Figure 5).

Despite slow diversification process from farm to non-farm activities, the agriculture sector has reflected enough dynamism in recent years. Although diversification of the female workforce to non-farm activities in rural areas has been limited up to 2 to 3% since 1993-94, the same in case of male workers has been to the extent of 7 to 8% during the same period. Most of this diversification to the rural non-farm activities has taken place in sectors such as construction, transport and food processing industries. Retail trade has also contributed to rural workforce diversification. However, despite all these positive reflections, diversification of the female workforce has been very limited. This may be because of their low education and skill levels. One of the important policy implications to promote rural non-farm employment is to provide skill and training to women workers in rural areas.

Figure 5: Percentage of Rural Male and Female Workers Engaged in Agriculture



Source: Based on sectoral employment data from respective NSSO surveys

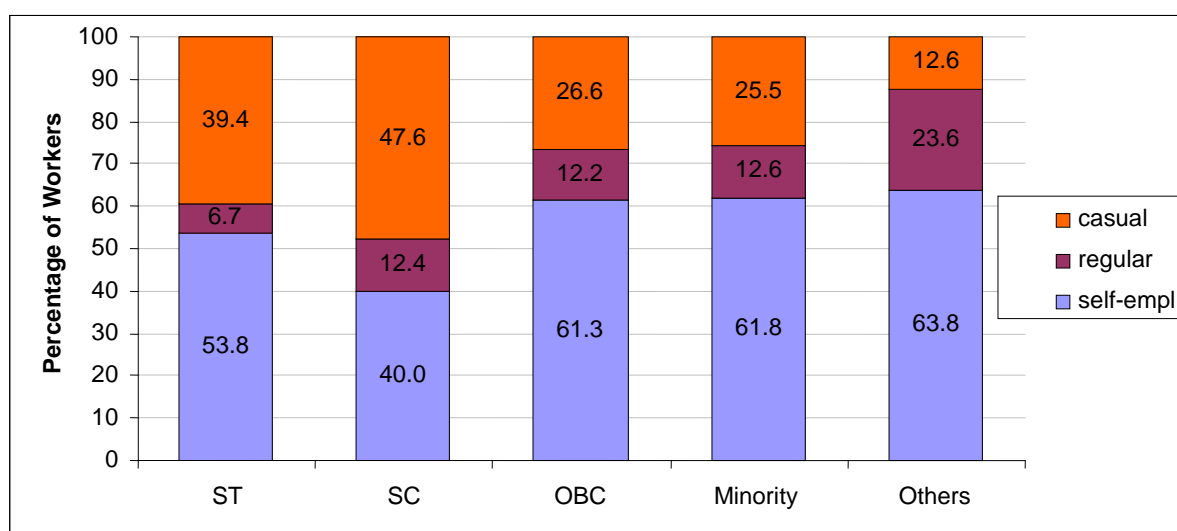
4 LESS ADVANTAGED GROUPS AT THE CORE OF EMPLOYMENT AGENDA

The present report particularly aims to focus on generating employment and enhancing employability of workers among less advantaged groups. It is widely believed that poverty in India, though has significantly declined over the years, is continuing mainly because of non-inclusion of various less advantaged population groups in development process. The present section attempts to identify some of the important sources of such exclusion in the labour market and focus on required policy measures for ‘inclusive growth’.

4.1 EXCLUSION OF DISADVANTAGED SOCIAL GROUPS AND MINORITIES FROM REGULAR EMPLOYMENT

Workers from Scheduled Tribes (STs), Scheduled Castes (SCs) and Minorities are predominantly engaged in labour market as casual labourers, self employed in agriculture and small manufacturers and traders. Proportion of regularly employed workers is as low as 6.7% among STs and little more than 12% among SCs, OBCs and Minorities. As against this, proportion of regularly employed persons is approximately 24% among others. Approximately 48% of SC workers are engaged in labour market as casual labourers (Figure 6).

Figure 6: Percentage Distribution of Workers (UPSS) across Social and Religious Groups by Status of Employment, 2004-05



Source: Calculated from Unit level data of NSSO, Employment & Unemployment Survey, 2004-05

In addition, wages paid to SCs and STs are significantly lower than the wages paid to the other categories. The wage differentials across social groups are more pronounced for regular workers than for casual workers and for male workers than for female workers (Table 5).

Table 5: Average Daily Wages/Earnings (in Rs) across Social Groups in India, 2004-05

	Rural		Urban	
	Males	Females	Males	Females
Casual				
STs	45.63	33.33	62.69	42.49
SCs	54.92	36.06	72.35	44.31
Others	56.05	34.35	74.98	46.57
Regular				
STs	130.38	78.04	207.02	123.06
SCs	120.53	59.00	147.95	93.56
Others	178.67	113.37	240.04	197.36

Source: Calculated from unit level data, NSSO Survey, 2004-05

4.2 ACCESS TO REGULAR EMPLOYMENT

Access to regular employment is mainly limited to better educated workforce. Only 4% of illiterate workforce has access to regular employment. In contrast, approximately 40% of them are casual labourers. Only 9% workers with primary education have access to regular employment while overwhelmingly 35% of them are casual labourers (Table 6).

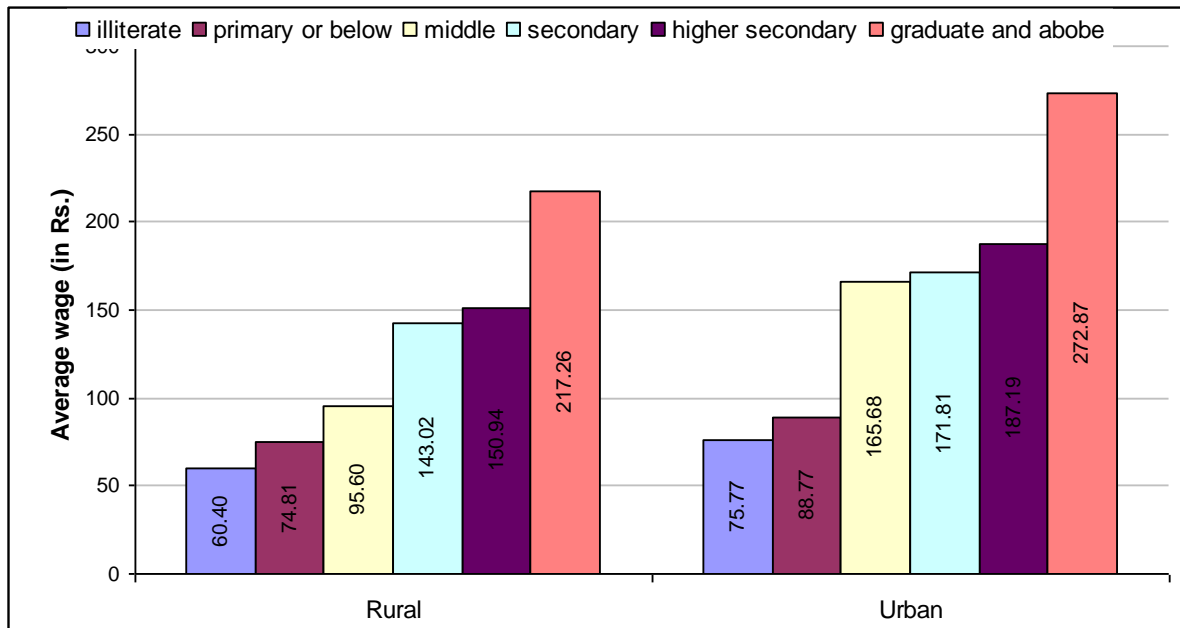
Table 6: Percentage Distribution of Workers with Different Levels of Education by Employment Status, 2004-05

Education levels of workers	Self-employed	Regular	Casual
Illiterate	56.11	4.33	39.56
Primary	56.03	8.86	35.11
Middle	58.94	11.88	29.18
Secondary	60.34	15.75	23.91
Higher secondary	62.33	25.08	12.59
Graduate and above	49.45	46.29	4.26

Source: Unit level data of NSSO, Employment & Unemployment Survey, 2004-05

Similarly, workers with higher educational achievements are likely to get higher wages as compared to those who are less educated (Figure 7). Again, as in case of access to regular employment, wages increase significantly only after certain thresholds of educational status (say secondary level) both in rural as well as urban areas. Both in rural and urban areas, there is not much difference in wages of illiterate and those up to primary level of education. Even middle level of education brings marginal difference in daily earnings. Wages increase significantly only after minimum secondary level of education.

Figure 7: Average Daily Earnings (in Rs) of Regular Workers across Educational Categories, 2004-05



Source: Unit level data of NSSO, Employment & Unemployment Survey, 2004-05

In fact, education plays a very important role in accessing regular employment by workers. Workers with a higher degree of educational achievements face fewer barriers across the different segments of the labour market, while those with lower levels of education face strict barriers in entering the labour market. However, any significant difference in accessing regular employment arises only after middle or secondary status of education. It is quite interesting to note that after middle or secondary education, proportion of self employed workers also increases reflecting a much better situation as compared to that of less educated workers. In this regard, recently enacted Right of Children to Free and Compulsory Education Act, 2009 assumes tremendous significance. However, it is important to note that until higher secondary or at least secondary levels of education are achieved, access to regular employment will be only at limited levels.

4.3 MIGRANT WORKERS

Inter-district and inter-state short term migrant workers are yet another less advantaged group in labour market working for a subsistence living. Unfortunately, comprehensive recent data on out-migration of workers is not available, particularly, to capture nature and dimensions of short term and seasonal migrants. However, different micro studies indicated that incidence of short term migration is particularly high from states such as Bihar, Orissa, Uttar Pradesh, Rajasthan, and Madhya Pradesh. Moreover, most of the studies also indicated that over the years incidence of such migration has increased giving significant rise to urban unorganised economy. A study by Kundu (2009) notes that “all these are leading to rapid growth in urban population in several countries, most of the migrants being absorbed within informal economy”.

Large proportion of migrant workers comes from rural areas and gets employment in agriculture sector of developed states such as Punjab and Haryana and also in urban

unorganised sector of big cities like Delhi, Mumbai, Kolkata, Surat etc. The migrant workers from poorer states are in demand in developed states, mainly, because of their low levels of reserved wages. In addition, many times, employers prefer to employ migrant workers as they do not have organisations and unions and hence lack 'voice'. Usually they employ migrant workers during busy seasons and retrench them during lean seasons without any compensation or commitment to provide employment during the next season.

Despite contributing to the development of many states, the work conditions of these migrant workers are not satisfactory. Many of them stay at workplace or contribute to already expanding slums of big cities. Short term migrant workers are usually employed on contract basis with practically no social security or compensation in case of job loss, accident and injury. In recent years, the implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in poorer regions has helped in checking distress migration from states such as Bihar, Orissa, Uttar Pradesh, Rajasthan, and Madhya Pradesh. Such active labour market policy (ALMP) based activities need to be scaled up and focussed in poorer regions.

4.4 CHILD LABOUR

Child labour is yet another vulnerable group in the Indian labour market. Although over the years, incidence of child labour in the country has declined from around 5% in 1993-94 to approximately 3% in 2004-05, children continue to form a sizeable section of labour force in several fields of employment. Currently, total magnitude of child labour in India is estimated to be approximately 10 million. States like Andhra Pradesh, Uttar Pradesh, Karnataka, Orissa, West Bengal, Madhya Pradesh, Delhi etc. are having relatively higher concentration of child labour.

Elimination of child labour has been a policy concern for Government of India not only from the perspective of development of children but also for maintaining labour standards. With this concern, Government has launched several direct and indirect measures to curb this menace. In addition to a number of indirect measures taken at different points of time, 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 stated in 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 benefiting children and their families, and (c) Project-based Plan of Action focusing on areas with high concentration of child labour through implementation of National Child Labour Project (NCLP).

With regard to educational rehabilitation, the Government is implementing National Child Labour Project (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 stipend with ultimate objective of mainstreaming them into formal educational system. At present, 8710 special schools are in operation where 3.39 lakh children are enrolled. Under the Scheme, about 6.20 lakh children have been mainstreamed into formal system so far.

It is, however, widely believed that the best method to eradicate child labour from the country is to assist the family of child labour for livelihood on the one hand and bring all the

children to school, on the other. The recently enacted Right to Education Act, 2010 is a major initiative taken by Government in this direction. Steps have been initiated to realign NCLP with the provisions of the Right to Education Act.

4.5 LACK OF REGULAR EMPLOYMENT IN POORER STATES

Lack of regular employment is also linked with the backwardness of region. In general, poorer states such as Bihar, Chhattisgarh, Jharkhand, Orissa and Uttar Pradesh have high proportion of workers engaged in casual work and very low proportion of regular employment. In contrast to this, developed states such as Maharashtra, Tamil Nadu, Punjab and Delhi have high proportion of regular employment (Table 7).

Table 7: Classification of Major States according to Percentage of Regular Employment to Total Employment, 2004-05

Percentage of Regular Employment to Total Employment			
very low, less than 10%	Low, 10 to 15%	Medium, 15% to 20%	High, 20% and above
Bihar, Chhattisgarh, Jharkhand, Orissa, Uttar Pradesh	Rajasthan, Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, Uttaranchal, Himachal Pradesh, West Bengal	Jammu and Kashmir, Gujarat, Kerala, Haryana	Maharashtra, Tamil Nadu, Punjab, Delhi,

Source: NSSO Survey, 2004-05

Many of the poorer states also have high proportion of self-employed workers along with high proportion of casual workers. However, in these states most of the self employed workers are engaged in subsistence agriculture leading to low levels of living.

ALMP particularly through employment generation programmes has provided livelihood support to workers of disadvantaged social groups and poorer states. However, there is need to promote regular and secure employment for these groups of population. Government's affirmative action through reservation policy has helped the lower social groups such as STs, SCs and OBCs to achieve some regular jobs, to the extent of 10 to 12% of total workforce. However, most of these regular jobs are limited to Government sectors and other public sector enterprises. There is a pertinent need to promote employment of these groups in private sector enterprises.

4.6 ACTIVE LABOUR MARKET POLICIES

Active labour market policies (ALMPs) are recognised as an important strategy for providing immediate access to employment for less advantaged groups in the labour market. In India, ALMPs are pursued to generate both wage as well as self-employment. The major employment generation programmes which are currently in operation in India include: Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Prime Minister's Employment Generation Programme (PMEGP), Swarnajayanti Gram Swarozgar Yojana (SGSY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). These programmes have reflected immense potential for generating short term rural wage employment as well as sustainable self employment.

4.6.1 MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA)

Recognising the serious problem of unemployment, the National Rural Employment Guarantee Act (NREGA) was enacted on 7.9.2005. NREGA, renamed as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), provides for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. Thus, MNREGA 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 MNREGA 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. The Scheme is working as a social safety net. It has prevented distress migration and helped in empowerment of women. The achievements made under MGNREGA during 2009-10 have been highlighted in Box 4.

Box 4	
Mahatma Gandhi National Rural Employment Guarantee Act	
Achievements during 2009-10	
Employment provided to households(in crore)	5.25
Person days(in crore)	
Total	282.83
SCs	86.69 (30.6 %)
STs	58.19 (20.1%)
Women	137.39 (48.6 %)
Others	137.95 (48.8 %)
Total Works taken up	45.97 lakh
Works completed	20.84 lakh
Works in progress	25.12 lakh

Impact on Wage Rates: Employment opportunities and wage rates have made a significant impact in rural areas. Wages for rural households under the MGNREGA have increased in Maharashtra from Rs. 47 to Rs. 72, in Uttar Pradesh from Rs. 58 to Rs. 100, in Bihar from Rs. 68 to Rs. 100, in West Bengal from Rs. 64 to Rs. 100, in Madhya Pradesh from Rs. 58 to Rs. 100 in Jammu & Kashmir from Rs. 45 to Rs. 100 and in Chhattisgarh from Rs. 58 to Rs. 100 to name a few states. At the national level, the average wages paid under the MGNREGA have increased from Rs. 75 in 2007-08 to Rs. 93 in 2009-10.

Impact on Income and Purchasing Power: Increase in wage rate and number of workdays in rural areas has increased the income of rural households. Increase in income has resulted in increase in ability of rural households to purchase food grains, other essential commodities, and to access education and health care.

Impact on Natural Resources: About 46 lakh works have been taken up during 2009-10 and most of these (67%) relate to water conservation. This has resulted in rise in water table in dry

and arid regions as large number of water conservation and drought proofing works have been taken up under the MGNREGA.

Financial Inclusion: More than 9 crore saving bank accounts in the Banks and Post Offices have been opened for the MGNREGA workers.

4.6.2 SWARNAJAYANTI GRAM SWAROZGAR YOJANA (SGSY)

Swarnajayanti Gram Swarozgar Yojana (SGSY) is a self-employment programme for the rural poor. The objective of the SGSY is to bring the assisted *swarozgaris* above the poverty line by providing them income generating assets through bank credit and Government subsidy. The scheme is being implemented on a cost-sharing basis between the Centre and States in the ratio of 75:25 for States other than North-Eastern States where it is 90:10. Since inception (1.4.1999) upto March, 2010, 37.87 lakh Self-Help Groups have been formed out of which 25.89 lakh are women groups(68%). The total swarozgaris assisted during the period were 140.61 lakh out of which 66.43 lakh Swarozgaris were SC/STs and 82.28 lakh Swarozgaris were women which are 46% and 58% respectively.

SGSY has provision for taking up special projects involving financial implications in the range of Rs. 1 crore to Rs. 15 crore. Special projects have to be innovative and replicable in nature. Since inception of the scheme, 335 projects have been sanctioned till March, 2010. Under the Special projects, the focus is on placement linked skill development & marketing linkages.

A special initiative has 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 BPL youth to enable them to undertake micro enterprises and wage employment. The RSETIs are being set up in partnership with the public sector banks, 500 RSETIs are proposed to be set up in the country in 11th plan period. At present, 99 RSETIs have started functioning in 19 States in which 77,000 persons have been trained in various trades during 2009-10.

4.6.3 SWARNA JAYANTI SHAHARI ROZGAR YOJANA (SJSRY)

SJSRY (revamped with effect from April 1,2009) provides gainful employment to the urban unemployed and under employed poor, by encouraging the setting up of self employment ventures by the urban poor and also by providing wage employment and utilizing their labour for construction of socially and economically useful public assets. The revamped SJSRY has five components: (a) the Urban Self-Employment Programme (USEP) which targets individual urban poor for setting up of micro enterprises; (b) the Urban Women Self-help Programme (UWSP) which targets urban poor women self-help groups for setting up of group enterprises and providing them assistance through a revolving fund for thrift and credit activities; (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 employability for self-employment or better salaried employment; (d) the 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 population less than 5 lakh as per the 1991 census; and (e) the 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 facing them and participate in effective implementation of urban poverty-alleviation programmes. Targets and achievements under SJSRY for the year 2009-10 & targets for 2010-11 are presented in Table 8.

Table 8: Targets and Achievements under SJSRY

		2009-10		2010-11
		Targets	Achievements	Targets
1.	No of beneficiaries assisted for setting up Individual Micro Enterprises (USEP)	21250	75033	25000
2.	No of beneficiaries assisted for setting up Group Micro Enterprises (USP)	21250	45616	25000
3.	No of beneficiaries assisted through Revolving Fund for T&CS under UWSP	42500	1,19781	50000
4.	No of beneficiaries provided skill training (STEP-UP)	1.70 lakh	1.82 lakh	2.00 lakh

Source: Ministry of Housing and Urban Poverty Alleviation

4.6.4 PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

PMEGP is a newly launched (in August, 2008) credit linked subsidy programme for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. 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 place; and (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 minimize distress migration of rural youth to urban areas. The scheme targets for the generation of 37.4 lakh employment opportunities during the 11th Five Year Plan.

5. WORKERS WELFARE AND ENHANCING EMPLOYABILITY

5.1 SOCIAL SECURITY FOR WORKERS

Providing social security to workers is an important component of social policy in India. Various kinds of social security schemes are already in operation for workers in organised sector. These facilities for organised sector workers vary from adequate paid leave to health insurance and pension schemes. However, unorganised sector workers lack facilities of such schemes. Recognising the need to address this limitation, Government has taken several initiatives to safeguard the interest of unorganised sector workers.

Coverage and achievements under some of the important schemes of social security and other welfare measures for workers, especially for the unorganised sector workers are highlighted below.

Unorganised Workers' Social Security Act, 2008: An important recent initiative to safeguard the interest of unorganised workers has been enactment of the Unorganised Workers' Social Security Act, 2008. The Act provides for constitution of National Social Security Board which will recommend formulation of social security schemes for unorganised workers/categories of unorganised workers from time to time. Accordingly, the National Board was constituted in 2009. Subsequently, the Board recommended that 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.

National Social Security Fund: National Social Security Fund for Unorganised Sector Workers with initial allocation of Rs. 1000 crore has been set up.

Rashtriya Swasthya Bima Yojana(RSBY): RSBY is one of the most important social security schemes started by the Ministry of Labour & Employment for unorganized sector workers. The scheme provides smart card based cashless health insurance to the below poverty line workers and their families (upto five in all). The scheme offers coverage of Rs. 30,000 for any members' hospitalisation during the year. The Central Government contributes 75% (in case of North-Eastern States and Jammu & Kashmir, it is 90%) of the premium and the remainder is borne by the States. The Scheme provides for portability of smart cards by splitting cash value for migrant workers. Under the scheme, all pre-existing diseases are covered for hospitalization expenses including maternity benefits. The coverage under the programme so far has been impressive and 23 States and Union Territories have implemented the scheme so far. About 1.38 crore BPL families have been issued health insurance smart cards (Table 9) and 4.7 lakh cases of insurance claims amounting to Rs. 200.40 crore have been settled till March, 2010.

Table 9: RSBY: Achievements and Targets

	Achievements	Targets
	2009-2010	2010-2011
1. Cumulative number of districts covered	200	310
2. Cumulative number of Smart Cards issued	1.38 crore	2.05 crore

Source: Ministry of Labour and Employment

Aam Aadmi Bima Yojana (AABY): The Aam Admi Bima Yojana provides for death and disability cover to rural landless households. Under the scheme, the head of the family or one earning member in the family is being insured. The benefits under the scheme include Rs. 30,000 in case of natural death and Rs. 75,000 in case of death due to accident. In case of partial disability due to accident, the insurance cover is Rs. 37,500/-. Children of beneficiaries of AABY studying in classes 9th to 12th, including ITI course, are eligible to a scholarship @ Rs. 300/- per quarter per child for a maximum period of 4 years under Shiksha Sahyog Yojana. Since inception of the scheme, 13.05 crore persons have been covered under the scheme till March,2010.

Indira Gandhi National Old Age Pension Scheme (IGNOAPS): Pension under Indira Gandhi National Old Age Pension Scheme (IGNOAPS) is provided to BPL persons of 65 years or above. During 2009-10, 1.63 crore beneficiaries have been covered under IGNOAPS. Central assistance of Rs. 200 per month per beneficiary is provided to States and States have been requested to contribute another Rs. 200 from State resources. Presently, 18 States are disbursing pension of Rs. 400 or above, 11 States are disbursing between Rs. 250 and Rs. 400 per month and 6 States are disbursing central assistance of Rs. 200 only.

Employees' State Insurance Corporation (ESIC) implements an integrated need based social insurance scheme that protects the interest of workers in the organised sector in 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 Act also guarantees medical care to workers registered as Insured Persons (IPs) and their immediate dependants (ESIC website <http://esic.nic.in>). As on 31st March, 2009, 1.29 crore Insured Persons covering 5.02 crore beneficiaries were covered under the ESI Scheme. ESIC expenditure on benefits almost doubled between 2007-08 (Rs. 1214 crore) and 2009-10 (Rs. 2370 crore). The wage ceiling for coverage under the ESIC scheme has been enhanced from Rs. 10,000/- to Rs. 15,000/- with effect from 1st May, 2010.

Rajiv Gandhi Shramik Kalyan Yojana: The ESI Corporation introduced a scheme of unemployment allowance with effect from 1.4.2005 under which insured persons covered under the ESI Scheme for three years or more who lose their jobs due to closure of factory establishment or retrenchment or permanent disability, are provided unemployment allowance in cash equal to 50% of their wage upto 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 Ministry of Labour & Employment, Govt. of India are also paid fee charged by the institution as well as expenses on their travel.

Unemployment allowance under the scheme amounting to Rs. 6.54 crores has been paid in 3600 cases upto 31.1.2010.

Employees' Provident Fund Organisation (EPFO): The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 provides for compulsory provident fund, pension and deposit-linked insurance in factories/establishments employing twenty or more employees in industries mentioned in Schedule to the Act. The Government of India through the EPFO administers the Act and the following three Schemes have been framed thereunder:

- Employees' Provident Fund Scheme, 1952;
- Employees' Pension Scheme, 1995; and
- Employees' Deposit-Linked Insurance Scheme, 1976.

At present, approximately 471 lakhs members are covered by the EPFO as on 31st March, 2009 including those of exempted establishments. Achievements and Targets of the EPF beneficiaries for the period 2009-10 and 2010-11 are presented in Table 10.

Table 10: Employees' Provident Fund Beneficiaries: Achievements and Targets

	2009-10		2010-11
	Targets	Achievements	Targets
1. Increase in Number of Establishments(Nos.)	40000	42254	45000
2. Increase in Membership(Nos.)	24 lakh	51.4 lakh	25 lakh

Source: Ministry of Labour and Employment

Minimum Wages Act, 1948: The Minimum Wages Act, 1948 is one of the pillars of legal regulation of work in India. It is also a prime instrument for ensuring adequate income and living standards among workers in general and those in unorganized sector, in particular. The Act mandates both the Central and State Governments as appropriate Governments to fix, review, revise and enforce minimum wages in the scheduled employments under their respective jurisdiction. Currently, there are 45 scheduled employments in the Central sphere and as many as 1628 scheduled employments in the State sphere. The Central Government introduced a National Floor Level Minimum Wage in 1996 and has revised it from time to time on the basis of increase in consumer price index for industrial workers. The National Floor Level Minimum Wage, which is non-statutory, is presently fixed at Rs. 100/- per day.

Contract Labour (Regulation and Abolition) Act, 1970: The Contract Labour (Regulation and Abolition) Act, 1970 was enacted to protect and safeguard the interests 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 to ensure payment of wages and other benefits is primarily that of the contractor, and, in case of default, that of the principal employer.

Workers' Welfare Funds: The Ministry of Labour and Employment is 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; and
- The Beedi Workers Welfare Fund Act, 1976; and
- The Cine Workers Welfare Fund Act, 1981.

The Acts enable the Central Government to meet the expenditure incurred in connection with measures and facilities which are necessary or expedient to promote the welfare of such workers. In order to give effect to 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, and water supply, etc.

Box 5

Recent Amendments in Labour Laws: Promoting Equity and Welfare

- The Payment of Wages Act, 1936 amended to enhance the wage ceiling for its applicability. It is presently fixed at Rs. 10,000/- per month.
- The Payment of Bonus Act, 1965 amended to enhance the eligibility limit from Rs. 3,500/- per month to Rs. 10,000/- and calculation ceiling from Rs. 2,500 to Rs. 3,500/- per month while making employees employed through contractors on building operations eligible for payment of bonus under the Act.
- The Apprentices Act, 1961 amended, *inter alia*, to provide for reservation for other Backward Classes.
- The Maternity Benefit Act, 1961 amended to enhance the medical bonus from Rs. 250/- to Rs. 2,500/- and also empowering the Central Government to increase it from time to time before every three years, by way of notification in the Official Gazette, subject to a maximum of Rs. 20,000/-.
- The Employees State Insurance Act, 1948 amended to improve the quality of delivery of benefits under the scheme and also to enable ESI infrastructure to be used to provide health care to workers of the unorganised sector.
- The Payment of Gratuity Act, 1972 amended for raising the ceiling of Gratuity for employees in the private sector to Rs. 10 lakh from Rs. 3.5 lakh.
- The Plantations Labour Act, 1951 amended to provide safety and occupational health care to plantations workers.

5.2 EMPLOYABILITY AND SKILL DEVELOPMENT

Skills and knowledge are the driving forces of economic growth and social development of any country. Countries with higher and better levels of skills adjust more effectively to the challenges

and opportunities of world of work. Potentially the target group for skill development comprises all those in labour force including those entering the labour market for the first time, those employed in the organized sector and those working in the unorganized sector. A skilled and educated worker provides higher level of productivity leading to higher employability, higher levels of earnings and income and hence impacting poverty reduction in the country. Accordingly, skill development of youth has immense implications for labour market in general and inclusive growth in particular. In India, the present demographic dividend can best be harnessed by significantly enhancing levels of skills among workers. It is with this perspective that India has set an overall target of creating 500 million skilled workers by 2022.

5.2.1 MAJOR ISSUES IN SKILL DEVELOPMENT

Presently, skills base of the Indian economy is quite low as compared to other developed economies of the world. It is estimated based on NSSO data for 2004-05 that only 2% persons in the age group of 15-29 years have received formal vocational training and around 8% are reported to have received non-formal vocational training, indicating thereby that higher proportion of youth population actually enter the world of work without formal vocational training. Many of the developed economies have 60 to 80% of skilled workers. Korea has as high as 96% skilled work force. It is, therefore, necessary to enhance the skill development infrastructure in a manner that all those who enter the labour force acquire relevant skills beforehand.

The present vocational training capacity is estimated to be around 3.1 million while 12.8 million persons, as per 61st round of National Sample Survey Organization, 2004-05 enter the labour force every year. There are 8039 Industrial Training Institutes/Centres with seating capacity of 11.16 lakh in the country. Though, there has been an increase of about 1000 ITIs/ITCs adding about 1 lakh seats every year, steps need to be further taken to increase the numbers so that all those who enter the labour force get an opportunity to be skilled in the disciplines of their choice.

Quality of skill development is another important issue. Normally, there is an accreditation body at the national level which ensures quality of institutions imparting skill development. The system of awarding bodies ensures credible assessment of competencies and certification so that acquisition of standard competencies by the trainees is ensured. Efforts need to be made to ensure that the training institutions are credible and impart quality training.

Relevance of skills is another aspect of vocational training which needs urgent attention. Involvement of industry in skill development has not been in force and therefore, trainees are not able to acquire industry specific skills in the training institutions. In order to make the training demand driven and relevant to the industry, skill development system needs to be driven by the industry.

Another challenge that the skill development system faces is the lack of labour market information. Different sectors of economy should throw up in the short, medium and long term basis, the requirement of skilled manpower by the industry and this task is normally performed by sector skills councils. These councils are also expected to define occupational standards, training standards, and develop credible assessment and certification system. They carry out research in a particular sector and interact with various stakeholders for systematic redressal of issues facing the sector. It is, therefore, important that sector skills councils are set up in order to make the skill development system relevant and demand driven.

Unorganized sector in the country constitutes about 94% of the work force. The formal skill development system is not taking care of skills requirement of the unorganized sector while the demand of skills in the unorganized sector is huge. Skills in the unorganized sector are acquired through informal apprentice system. There are large number of traditional skills which are passed down from one generation to another through informal training and many of them are well recognized and of international standards. However, they need to be brought in the formal system of skill development.

5.2.2 VISION FOR SKILL DEVELOPMENT IN INDIA

Against the various challenges, a National Skill Development Policy has been formulated in February, 2009 which targets creating 500 million skilled people 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.
- Matching the emerging demands for skills across various industries and economic enterprises.
- Evolving 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

5.2.3 RECENT INITIATIVES FOR SKILL DEVELOPMENT

A. Institutional arrangement

A three tier institutional structure consisting of Prime Minister's National Council on Skill Development, Skill Development Co-ordination Board and National Skill Development Corporation has been set up to take forward the skill development agenda.

- **PM's National Council on Skill Development** has been set up as an apex body for policy advice, direction and review. The Council is chaired by PM with Ministers for Human Resource Development, Finance, Heavy Industry, Rural Development, Housing and Urban Poverty Alleviation, Labour and Employment and Micro, Small and Medium Enterprises as members. Deputy Chairman, Planning Commission, Chairperson of the National Manufacturing Competitiveness Council, Chairperson of National Skill Development Corporation and six experts in the area of skill development are other members. Principal Secretary to the PM is the Member Secretary of the Council.

The PM's Council has endorsed the vision to create 500 million skilled people by 2022 through skill development system which must have high degree of inclusivity in terms of gender, rural/urban, organized/unorganized, and traditional/contemporary.

- **National Skill Development Co-ordination Board** has been set up under the Chairmanship of Deputy Chairman of Planning Commission with Secretaries of Ministries of Human Resource Development, Labour and Employment, Rural

Development, Housing and Urban Poverty Alleviation and Finance as members. Secretaries of four States by rotation for a period of two years, three distinguished academicians/subject area specialists are other members. Secretary, Planning Commission is Member Secretary of the Board. The Board is expected to enumerate the strategies to implement the decisions of the Prime Minister's National Council on Skill Development and create comprehensive guidelines and instructions for meeting the larger objectives of skill development.

- **National Skill Development Corporation:** The third tier of the co-ordinated action is the National Skill Development Corporation which is a non-profit company under the Companies Act, 1956 with an appropriate governance structure. The Head of the Corporation is a person of eminence/reputed professional in the field of skill development. The Corporation would constitute Sector Skills Councils with the following functions:
 - a) Identification of skill development needs including preparing a catalogue of types of skills, range and depth of skills to facilitate individuals to choose from them.
 - b) Development of a sector skill development plan and maintain skill inventory.
 - c) Determining skills/competency standards and qualifications.
 - d) Standardization of affiliation and accreditation process.
 - e) Participation in affiliation, accreditation, examination and certification
 - f) Plan and execute Training of Trainers
 - g) Promotion of academies of excellence
 - h) Establishment of a well structured sector specific Labour Market Information System(LMIS) to assist planning and delivery of training.

B. Upgradation of 1896 Government Industrial Training Institutes(ITIs)

1. There were 1896 Government ITIs as on 1st January 2007 and it has been decided to modernize/upgrade all of them.

100 ITIs were taken up for upgradation in 2005-06 at a cost of Rs. 160 crore into Centres of Excellence. 21 new courses in production & manufacturing, hospitality, automobile, electrical, electronics, construction, information technology, industrial automation, refrigeration and air conditioning have been introduced in order to meet the requirement of these sectors.

Upgradation of 400 ITIs through World Bank assisted Vocational Training Improvement Project was undertaken in 2006-07 at a cost of Rs. 1581 crore. New courses have been introduced in these ITIs and Institute Management Committees have been constituted to seek closer involvement of industry in skill development. These ITIs are under different stages of modernization.

Remaining 1396 Government ITIs are being upgraded at a cost of Rs. 3550 crore. Under the scheme, an interest free loan of Rs. 2.5 crore is granted to each ITI. The upgradation is carried out by Institute Management Committee which is headed by an Industrialist. In the last three years, 900 ITIs have been taken up which are at different stages of modernization.

2. Prime Minister's Package for North-East and Jammu & Kashmir:

35 existing ITIs in North East have been upgraded and 25 new ITIs have been set up at a cost of Rs. 113.7 crore. This scheme has increased the seating capacity from 7244 to 16,144 per annum. Under the same scheme, one new women ITI at Jammu has been set up and 37 existing ITIs have been upgraded at a cost of Rs. 37 crore. It has helped in increasing the seating capacity from 4364 to 6200 per annum. 14 more ITIs are being set up in Jammu & Kashmir as part of PM's Reconstruction Plan. When these ITIs become fully functional, the capacity of Government ITIs will increase to about 10,000 per annum in Jammu & Kashmir.

C. Skill Development Initiative:

A new scheme was started in 2007-08 with an objective to train one million persons in short term modular courses in five years at a cost of Rs. 550 crore and then one million every year thereafter. Under the scheme, 1110 short term modular courses have already been developed. These courses cover 49 sectors and range from 60 hours to 960 hours. Training is being imparted through 5249 Vocational Training Providers and competencies of trainees assessed by 22 independent assessing bodies. On the basis of their assessment, National Council for Vocational Training Certificate is awarded to the trainees.

5.2.4 ACHIEVEMENTS AND TARGETS

Achievements:

- A total of 8039 ITIs and ITCs have been affiliated with the NCVT - 2133 Government ITIs with a capacity of 4.32 lakh and 5906 ITCs with seating capacity of 6.84 lakh increasing the total seating capacity to 11.16 lakh as on 31st March,2010.
- Out of 1896 Government ITIs, 1400 ITIs have been taken up for upgradation as on 31st March,2010 at a cost of Rs. 3205 crore which are under different stages of modernization.
- Under the Skill Development Initiative(SDI) Scheme, 4.99 lakh persons have been trained upto 31st March, 2010.

Future strategy and targets

- 1500 new ITIs and 5000 skill development centres are proposed to be set up in public private partnership in the next three years.
- 300 new Government ITIs will be taken up for upgradation at a cost of Rs. 750 crore in 2010-11 under the scheme Upgradation of 1396 Government ITIs in public private partnership.
- 3 lakh persons will be trained under SDI in short term modular courses during 2010-11.
- All Employment Exchanges in the country are proposed to be taken up for modernization in public private partnership at a cost of about Rs. 2167 crore in the next three years.
- The process for formulation of National Vocational Qualification Framework will be initiated in close co-ordination with all stakeholders.

- Apprentices Act, 1961 will be revisited in order to improve the quality and quantity of apprentices under Apprenticeship Training Scheme.
- Process for setting up of Sector Skills Councils will be initiated.

5.3 MAJOR ISSUES IN LABOUR REFORMS

Legal regulations of the conditions of work and labour relations of the vast and varied working population in India pose a major challenge for employment policy. The guiding principle of legal regulations is enshrined in the Indian Constitution which envisages the attainment of humane and decent employment as an important goal of State policy⁸. These include, securing to the citizens an adequate means of livelihood; equal pay for equal work for both women and men; ensuring that the health and safety of workers is protected and a living wage for all workers. In pursuit of these goals as well as in keeping with changing economic environment, the Government has from time to time enacted and amended several labour legislations. Some of these legislations are applicable across sectors while other legislations are intended for specific sectors, industries and occupations. The various labour legislations in India can be grouped into four broad areas: (a) Employment security and industrial relations; (b) Income security i.e., wages and other remunerations; (c) Work security i.e., working conditions, safety and occupational health; and (d) Social security and labour welfare.

There are four major issues that have been at the heart of the debate over reforms of labour laws in India in recent times. Legal regulations have to consistently balance the welfare needs and protection of rights of workers and enabling economic growth and increasing the level of employment. This has led some to argue that legal regulations lead to excessively rigid labour market which has adversely affected employment levels (*rigidity*). Further, legal regulations have to contend with the persistent dualism in the labour market i.e. the division between organised sector, on the one hand, and the vast unorganized sector on the other (*dualism*). Labour being in the Concurrent list, there are Central as well as State legislations and State amendments to Central legislations. In addition, there are legislations with varying sectoral, regional and enterprise size coverage, with different definitions of industry, workmen and enterprise (multiplicity). Finally, there are issues relating to the enforcement and compliance of labour laws (*enforcement*). Employers' organizations and workers' organisations often hold diametrically opposite views in each of these issues while there are also some common areas of interest.

5.3.1 LABOUR REGULATIONS AND EMPLOYMENT

How does the existing labour laws affect the quality and quantity of employment in India? There are two opposite positions on this issue. The first often identified with the employers' position, contends that labour laws put unreasonable restrictions on the employers to hire persons and terminate employment and inhibit rational response of employers to fast changing economic environment. They further claim that this deters opening of new business, discourages employment intensity as employers would be encouraged to replace labour with capital intensive machines. On the other hand, the workers organisations have opposed the dilution of employment security provision in the law since they feel that it would encourage exploitation of workers and deterioration in the quality of employment.

⁸ Articles 39(a), 41, 42 and 43 of the Constitution of India

Most of the debate on the regulations has focussed on specific provisions of Industrial Disputes Act, 1947 (Chapter V-B) (that mandates Government permission for closure of enterprises employing more than 100 workers) and the Industrial Employment (Standing Orders) Act, 1946 (that, *inter alia*, mandates worker's consent prior to re-designating or relocating their jobs again in enterprises with 100 or more workers) and the Contract Labour (Regulation and Abolition) Act, 1970 (that prohibits employment of contract labour in core and perennial activity of the enterprises). Some scholarly studies have argued that these restrictive provisions have affected economic growth and growth in employment. (Fallon and Lucas, 1993; Besley and Burgess, 2004). More recent studies, on the other hand, have argued that the restrictive provisions affect only a miniscule proportion of the labour force (1.4 percent) and have had little impact on the overall level of employment in the economy (Anant et.al, 2006; NCEUS,2009). Some of the major questions that emerge from the ongoing debates are: (i) Whether labour laws have been the main factor responsible for the slow growth of employment, especially in the organised sector? (ii) Whether declining labour intensity and increasing capital intensity in the manufacturing sector is an offshoot of labour laws rather than the effect of general economic growth and choice of technology? and (iii) Whether labour laws have widened the gap between the organised and unorganised sectors with regard to quality of employment (conditions at work and remunerations)?

These are questions on which constructive debate may be conducted objectively so that policy initiatives can effectively address issues related to improving the quantitative and qualitative dimensions of employment.

5.3.2 MULTIPLICITY OF LABOUR LAWS AND NEED FOR SIMPLIFICATION AND WIDER INCLUSION

The issue of multiplicity and complexity of labour laws calls out for rationalisation and simplification of labour laws. The rationale for multiplicity of authorities, enterprise size and sectoral and industry specific laws lay in the complex and segmented character of labour market. But an unintended consequence has been the absence of common definitions even of the basic categories like that of workmen, employee, industry and enterprise. This has led to conflicting judicial and administrative decisions that have further complicated the employment relations scenario with implications for compliance and enforcement. There is need to rationalise and simplify these laws, while at the same time to broaden the scope of laws to include all sections of the working population irrespective of establishment size, number of employees, wages, sex, and duration of employment.

A major lacunae in the labour laws at present is that their application and coverage is mostly limited to the organised sector and direct employer - employee relations leaving out of their purview the self employed, home workers and casual workers⁹. This lopsidedness has been sought to be addressed by the recently enacted Unorganised Workers' Social Security Act, 2008. It has widened the scope of application of law by providing a simple and common definition including all workers irrespective of their status of employment who do not receive any formal social security. This law is a step in the direction of reducing the persistent dualistic character of the labour market between organised and unorganised sector.

The dualistic division of labour market (organised *vs.* unorganised) is characterised by significant differences in the conditions of work, remuneration and social security benefits available to the

⁹ Sankaran (2007)

workers between these two segments. It is argued by some that presence of labour laws and their strict enforcement has aggravated if not created this dualism. On the other hand, it has also been argued that the absence of labour laws and their lax enforcement has caused and sustained this dualism. Some of the key issues that need to be debated in this regard include: (i) Whether the ambit of labour legislation should be so expanded as to cover all segments of the labour market as a result of which it becomes an instrument for reducing the disparity between organised and unorganised sector? (ii) Whether changes in labour legislation can contribute to the enhancement of the productivity of the unorganised, casual and marginalised sections of the labour force? (iii) What changes in the Contract Labour (Regulation and Abolition) Act 1970 need to be carried out to reduce the disparity and make the condition of work and remuneration of contract workers at par with the regular employees? And (iv) How can labour laws balance requirement of flexibility of market driven production process with adequate security for the workers?

Minimum wage legislation in India has been a crucial instrument of government policy for improving the income and livelihood of millions in the unorganised sector and also potentially an important tool for reducing the disparities and segmentation in the labour market. Presently, the Minimum Wages Act, 1948 provides for fixing minimum wages in scheduled employments and its non-payment is punishable under the law. The appropriate government – Central or State, as the case may be – fixes and notifies minimum wages at regular intervals. Further, minimum wages are revised periodically taking into account the inflation in consumption goods prices. Despite this, minimum wages in many occupations and many States continue to be at levels that are not sufficient to lift the living standards of the population above poverty line.

To address this lacuna, the concept of a National Floor Level Minimum Wage had been introduced which provides the minimum, above which various States can fix wages for different occupations. While this floor wage has been introduced since 1996, it has only recommendatory status and has no statutory sanction. On the basis of the experience as well as to address the issue of occupational, sectoral and State level disparities, there is a case for the statutory sanction to the National Floor Level Minimum Wage.

5.3.3 PROCEDURAL SIMPLIFICATION AS MEANS OF IMPROVING COMPLIANCE

The issue of enforcement of labour regulations is crucial for any meaningful reform of labour law. There are, on the one hand, complaints from employers' side about "inspector raj" and on the other hand, from the workers side about laxity of inspection and enforcement. Part of the problem arises from the complexity and multiplicity of the regulatory systems which makes compliance an onerous burden. The diversity of economic structure, the pattern of economic growth and consequent increase employment in unorganised sector pose major challenge for the labour administration and enforcement machinery. Procedural simplification would in many instances improve compliance while the move towards self and/or third party certification will reduce the burden on inspection and enforcement machinery. Rationalisation and uniformity in application of labour laws is the need of the hour to reduce the compliance cost. The agenda of labour reforms must move away from the contentious debate on "deregulation" and instead be set towards fulfilling the goal of enabling quality employment growth.

6 SHORT TERM AND MEDIUM TERM STRATEGIES AND TARGETS

The employment challenges in coming years are immense. These range from generating productive employment at an accelerated rate to improving the quality of employment through skill development especially of the youth, women and the socially disadvantaged groups. The Report has highlighted the vital role of generation of quality employment in contributing to inclusive growth process. Provision of income and social security to all sections of the working people and social protection to the vulnerable and disadvantaged groups is not incompatible with high economic growth which is a necessary condition for generating accelerated employment. Meeting the challenges related to balancing employment growth with distributive justice requires both short and medium term strategies and targets. These are encapsulated as under.

6.1 SHORT TERM STRATEGIES AND TARGETS

- i. Employment growth to be targeted at least at 2.5 per cent per annum compatible with the 9 percent growth in the economy;
- ii. Promote labour intensive and high employment elasticity sectors to achieve the quantitative employment growth target;
- iii. Focus on inclusion of youth, women and vulnerable groups with their specific needs of training and skill development;
- iv. Statutory provisions to provide social security and improved conditions of work and remuneration of contract workers at par with the regular employees;
- v. Expand the outreach of RSBY scheme to all poor households;
- vi. Re-skilling the retrenched workers for redeployment;
- vii. Developing Information base and e-monitoring on real time basis; and
- viii. 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.

References

- Anant, T.C.A, R. Hasan, P. Mohapatra, R. Nagaraj and S.K. Sasikumar (2006), "Labour Markets in India: Issues and Perspectives", in Jesus Felip and Rana Hasan (eds.), *Labour Markets in Asia: Issues and Perspectives*, Palgrave-Macmillan for Asian Development Bank, New York.
- Associated Chambers of Commerce and Industry of India (ASSOCHAM), (2010), *Future Jobs: The Employment Challenge 2010*, ASSOCHAM, New Delhi.
- Besley, T. and R. Burgess (2004), "Can Labour Regulation Hinder Economic Performance? Evidence from India." *Quarterly Journal of Economics*, 119(1).
- Chadha G.K. (2008), *Employment and Poverty in Rural India: Which Way to Go Now?* ILO Asia-Pacific Working Paper Series, ILO Subregional Office for South Asia, New Delhi.
- Deaton, Angus and Dreze, Jean (2002), "Poverty and Inequality in India: A Re-Examination", *Economic and Political Weekly*, September 7.
- Economic Advisory Council to the Prime Minister (2010), *Review of the Economy 2009/10*, Government of India, New Delhi.
- Fallon, P.R. and R.E. Lucas (1993), "Job Security Regulation and the Dynamic Demand for Labour in India and Zimbabwe." *Journal of Development Economics*, Vol.XL.
- Ghose, Ajit K., Nomaan Majid and Christoph Ernst (2008), *The Global Employment Challenge*, International Labour Office, Geneva and Academic Foundation, New Delhi.
- Karan K. Anup & Sakthivel Selvaraj (2008), *Trends in Wages and Earnings in India: Increasing Wage Differentials in a Segmented Labour Market*, ILO Asia-Pacific Working Paper Series, ILO Subregional Office for South Asia, New Delhi.
- Kundu, Amitabh (2009), *Urbanisation and Migration: An Analysis of Trend, Pattern and Policies in Asia*, Human Development Research Paper 2009/16, United Nations Development Programme, New York.
- Mazumadar, Dipak and Sarkar, Sandip (2008), *Globalisation, Labour Markets and Inequality in India*, Routledge, New York.
- Ministry of Finance, Government of India (2010), *Economic Survey 2009-2010*, Government of India and Oxford University Press, New Delhi.
- Ministry of Labour and Employment, Government of India (2008), *Selected Labour and Employment Statistics*, Directorate General of Employment & Training, Government of India, New Delhi.

- Ministry of Labour and Employment, Government of India (2009), *National Policy on Skill Development*, Government of India, New Delhi.
- Ministry of Labour and Employment, Government of India (2010), *Annual Report 2009-2010*, Government of India , New Delhi.
- National Commission for Enterprises in the Unorganised Sector (NCEUS), Government of India (2009), *The Challenge of Employment in India: An Informal Economy Perspective*, Volume I – Main Report, Academic Foundation, New Delhi.
- National Sample Survey Organization (NSSO) (2006), *Employment and Unemployment Situation in India - 2004-2005*, Round 61st, Report No. 515-I and II (61/10/&2), Ministry of Statistics and Programme Implementation, Government of India, New Delhi.
- Office of Registrar General and Census Commissioner (RGCC) (2006), *Population Projections for India and States – 2001-2026*, Report of the Technical Group on Population Projections, National Commission on Population, Office of the Registrar General and Census Commissioner, New Delhi.
- Papola T.S. (2008), *Employment Challenge and Strategies in India*, ILO Asia-Pacific Working Paper Series, ILO Subregional Office for South Asia, New Delhi.
- Planning Commission, (2008), *Eleventh Five Year Plan 2007-12*, Government of India, New Delhi.
- Rangarajan C, Padma Iyer Kaul and Seema (2007), “Revisiting Employment and Growth”, *Money and Finance*, September.
- Sankaran Kamala (2007), *Labour Law in South Asia: Need for an Inclusive Approach*.
- Sarkar, Sandip (2008), *Trends and Patterns of Labour Supply and Unemployment in India*, ILO Asia-Pacific Working Paper Series, ILO Subregional Office for South Asia, New Delhi.
- Sasikumar S.K. and Zakir Hussain (2008), *Managing International Labour Migration from India: Policies and Perspectives*, ILO Asia-Pacific Working Paper Series, ILO Subregional Office for South Asia, New Delhi.
- Srivastava Ravi and S.K. Sasikumar (2003), *An Overview of Migration in India, Its Impacts and Key Issues*, Department for International Development (DFID), London.

- Sundaram, K. and Tendulkar, Suresh D (2002), *The Working Poor in India: Employment Poverty Linkages and Employment Policy Options*, Issues in Employment and Poverty Discussion Paper, ILO, Geneva.
- V.V. Giri National Labour Institute (2009), *Global Slowdown and Export Sector in India: Impact on Production, Export and Employment (with special reference to Textiles, Handicrafts and Diamond Sectors)*, Report of the Research Study commissioned by Department of Commerce, Ministry of Commerce and Industry, Government of India, New Delhi.

