

Towards an Employment Strategy for India

Executive Summary

1. The Background and Overall Approach

India has witnessed an impressive and steadily rising economic growth since the early 1990s. The prospects of a continuation of high economic growth in the medium term are also high. And yet, the challenge of employment, especially of productive employment in the formal segments of the economy, remains formidable¹.

The present exercise on employment strategy for India has been undertaken against this background in the context of inclusive growth emphasised in the 11th Five-Year Plan. It addresses two major Decent Work concerns regarding the employment challenge faced by India: (i) slow growth of employment in the formal sector, and (ii) a very high proportion of the labour force engaged in the informal economy, in a large part of which, productivity and returns to labour are rather low. The approach adopted by the present report is to address the issue on two fronts: (i) accelerating employment growth in the organized sector, and (ii) improving the quality of jobs (in terms of productivity, earnings, and protection of workers) in agriculture and the unorganized sector.

The report argues that a strategy for employment-intensive growth does not necessarily imply the adoption of labour-intensive technologies. The employment intensity of economic growth can be augmented by promoting higher growth of sectors that are by their very nature more labour-intensive. In order to pursue an employment intensive growth strategy, policies would be needed on both economic and labour market fronts; and the present report focuses on both sets.

2. Economic Growth, Employment and Poverty: An Overview

India has witnessed a significant acceleration of economic growth (measured in terms of the growth of GDP) since the 1980s. The annual average growth of GDP (at factor cost) was 5.8% during 1981-2005 compared to 3.5% during three decades after the independence of the country. GDP growth was even higher after 2000 - 7.2% per annum during the 10th Five Year Plan (2002-03 to 2006-07). Since 2003, growth rate has been over 8%.

When one goes beyond overall growth to its sector composition, one observes that growth has been oriented more towards the service sector, while growth in agriculture has been rather low. In terms of the structure of the economy, while there has been a change, it has been more towards the service sector. The share of manufacturing in GDP increased from 22% in 1980-81 to 24% in 2005-06, while that of trade and services increased from 38% to 53% during the same period.

Although the performance in terms of economic growth has been quite impressive, the performance in social aspects has not been equally so. Of course, the incidence of absolute poverty has continued to decline; the percentage of population below poverty has been estimated at 27.8% in 2004-05. Moreover, the elasticity of poverty reduction with respect to per capita GDP growth has declined from 1.13% during 1993-94 to 1999-2000 to 0.69 during

¹ India has ratified the Employment Policy Convention, No. 122 of the ILO, which promotes full, productive and freely chosen employment for all women and men.

1999-2000 to 2004-05. Also, there has been a tendency for income/expenditure distribution to become more unequal (in both rural and urban areas) since 1993-94.

On employment also, the performance of the Indian economy has not been very impressive. Although agriculture accounts for less than a quarter of total GDP, it still supports more than half of the employed labour force. The share of manufacturing increased only slightly from 11.24% in 1983 to 12.20% in 2004-05. The only significant increase seems to have taken place in the share of construction, trade and services.

Growth of employment has also been rather disappointing, especially during the 1990s – declining from 2.04% per annum during 1983 to 1993-94 to 0.98% during 1993-94 to 1999-2000. Of course, that trend has been reversed, with a growth of 2.96% per annum during 1999-2000 to 2004-05. But concerns remain about the type and quality of the jobs created. Also, in terms of the sector composition of employment, growth has been higher in construction and services compared to manufacturing.

The rate of open unemployment (according to the “current daily status” measure) has risen from 6.1% in 1993-94 to 7.3% in 1999-2000 and to 8.3% in 2004-05. If one adds to this the number who are working and yet do not earn enough to rise above the poverty line (the so-called working poor, estimated at 19.1 percent by the NCUES), the challenge of employment would appear to be quite formidable.

The qualitative aspect of employment can be illustrated with the help of a few indicators. First, the share of casual employment has declined, but that has not been associated with a significant increase in the share of regular employment. It is the share of self-employment that has gone up. Second, there has been a substantial increase in the share of contract workers in industry (from 20% in 1999-2000 to 25% in 2004-05). Third, a large part of the gain in employment has been in the informal part of the economy (in the informal sector as well as in the informal segment of the formal sector). Fourth, while the long-term trend in wages shows a rise in real wages during 1983 to 2004-05, there was a decline during 1999-2000 to 2004-05 for almost all categories of workers, except rural male regular employees.

Coming to the gender dimension of employment, a few points are worth noting. First, increase in the growth of employment appears to be much higher for female workers compared to male workers. Second, in the rural area, over four-fifths of the women remain in agriculture, although the share of male workers has declined considerably (from 74% in 1993-94 to 66% in 2004-05). Thus it seems that women in rural areas are finding it harder to shift away from agriculture. Third, in the urban areas, they have achieved substantially higher growth of employment in manufacturing, and has been able to increase their share, especially after 1999-2000 (from 24% to over 28% in 2004-05). Thus, in the urban area, the share of female workers in manufacturing has increased substantially while that of male workers has not. Fourth, gender differential in wages has widened in both rural and urban areas. The differential is quite stark for casual workers in both rural and urban areas and for regular workers in rural areas.

3. The Employment Challenge

In order to form an idea about the employment challenge faced by an economy, it would be necessary to estimate the number of jobs that would need to be created in order to absorb all new additions to the labour force as well as the backlog of unemployment. One could also add to that number those who are underemployed (the latter being usually measured by using a time criterion). However, in an economy like that of India, the incomes of a large number of

the employed population fall below poverty line, and they are usually referred to as working poor. It would be important to find ways and means of transferring such workers to more productive and remunerative employment; and that has to be regarded as part of the employment challenge. In other words, in order to get a quantitative idea about the number of jobs required, at least a part of the working poor would have to be added to the number of new entrants to the labour force and the backlog of the unemployed and underemployed.

In order to obtain a reasonable quantitative idea of the employment challenge being faced by India in the medium term, the present report adopts the above mentioned approach and assumes that one-fourth of the working poor (or around 26 million) will be too vulnerable in their present employment and will need alternative employment opportunities during the five years beginning 2007 (i.e., during 2007-12). The number of new employment opportunities that would be needed during that period would thus be 92.3 million - rather than 67 million as officially estimated.

By using the above figure for employment requirement, the growth of employment required to achieve the goal of employment for all by 2012 has been estimated to be 3.9% per annum. The present report constructs alternative scenarios of employment growth that can be achieved by India during the Eleventh Five Year Plan period (2007-12) and beyond by using alternative figures for employment elasticity and GDP growth rate. It is seen that unless employment elasticity rises substantially, the GDP growth required to attain the growth of employment mentioned above turns out to be much higher than even the high rates achieved recently. Only if overall elasticity can be raised to 0.41, would the economy be able to achieve the required growth in employment with a GDP growth of 9.6% (the latter being somewhat close to the growth achieved in recent years).

One of the scenarios that would yield a GDP growth of 9.3% and an employment growth of 3.01% consists of output growth of 4%, 11% and 10% respectively in agriculture, industry and services. The required employment elasticities in these sectors respectively are 0.45, 0.68, and 0.58, which are much higher than levels observed in the recent past. Such figures illustrate the importance of making economic growth more employment intensive in an economy like that of India.

4. A Diagnostic Framework for Employment Policy

The present report adopts a diagnostic approach to employment policy. The idea behind a diagnostic framework is to develop an understanding of the factors responsible for the slow growth of employment, especially in the organized sector, and the often poor quality of employment in agriculture and non agricultural informal segments, and based on such understanding, find answers in terms of possible policy responses. The process of diagnosis should follow a framework of possible policy areas. The present report adopts a simple framework indicated below:

- Economic policies
 - Macroeconomic policies
 - Policies relating to specific sectors
- Enterprise development, with particular focus on micro and small enterprises
- Labour market policies
 - Labour market institutions and reforms

➤ Active labour market policies

- Skills and employability

Specific strategies need to be followed to ensure that women's employment issues are mainstreamed into all these policy areas so that there is recognition of the enormous contribution that women make to the economy and a concerted effort to improve the productivity and working conditions of a majority of women workers.

5. Macroeconomic Policies

A review of macroeconomic policies indicates that both at the central and state levels, there are fiscal and monetary incentives (e.g., capital investment subsidy, interest subsidy, export promotion capital goods scheme, credit-linked capital subsidy for technology upgrading of small scale industries, etc.) that may have played a role in encouraging an excessive use of capital relative to labour. Some of these measures may have ostensibly been conceived as instruments for encouraging investment and growth of industries; but an indirect effect of such measures has been to distort the relative prices of the critical factors of production. Between 1995-96 and 2003-04, money wages (in industries) rose by 36.6% while the "index of the cost of capital" (which represents the combined effect of the rate of interest and an index of the price of capital goods) fell by 17.6%. Thus, there appears to have been a 55% negative shift in the price of capital relative to labour; and that represents a major distortion in factor prices that may have favoured capital intensity.

To the distortion in relative factor prices mentioned above needs to be added the incentive to use capital arising from investment subsidies offered on the basis of the level of capital investment. Such subsidies are offered by both the central and state governments, especially the latter. Since the subsidies vary from state to state, and are often on a case by case basis, it is very difficult to arrive at a single figure on how much these subsidies add to the cheapening of capital relative to labour. But that there is a significant additional element to distort the relative factor prices further cannot be denied.

Another element in the macroeconomic policy that may have had an impact on the capital intensity of the manufacturing sector is consumer credit expansion resulting from financial liberalization. This mechanism operates through the demand side. Debt financed demand for manufactured commodities tends to be concentrated in a narrow range of items that are usually products of metal- and chemical-based industries, and therefore, tends to be more capital intensive as well as more import intensive. The impact of such demand pattern gets transmitted to the production structure by favouring the growth of output in larger enterprises. And that, in turn, has implications for technology choice and employment generation because capital intensity at the higher end of the size tends to be higher than in smaller scale firms.

The above findings have implications for policy, especially because all the incentives appear to be for encouraging the use of capital while there is nothing to encourage the use of labour which is the more abundant factor of production. One way of correcting for the bias in favour of capital-intensive production (that is implicit in the distorted relative price of capital and labour) is to provide an employment subsidy or making investment subsidies conditional on realizing a targeted level of employment per unit of investment. The present report suggests a move away from across-the-board subsidies towards a package more targeted at products and sectors that can serve the employment objective (because, as mentioned at the outset, there are sectors and sub-sectors that, by their nature, are more employment intensive). Subsidies in such

a package could be in the nature of employment subsidies rather than investment subsidies. As illustrations, the present report cites the possibility of employment subsidy in two manufacturing industries, viz., handloom weaving, and leather and footwear. Rough calculations indicate budgetary feasibility of such subsidies. More detailed and careful calculation would obviously be required if such a policy were to be pursued seriously.

6. A Sector-focused Approach to Employment-Intensive Growth

As mentioned at the outset, the overall employment intensity of economic growth can be influenced by influencing the sector composition of growth in the economy (because different sectors are characterized by different degrees of employment intensity, and the overall employment intensity is a weighted average of the sectoral employment elasticities).

Based on recent studies of the organized manufacturing industries, the present report shows that no discernible shift has taken place in the structure of industries in terms of the share of various sectors in output. Indeed, the share of the top five labour-intensive sectors, viz., food products, beverage and tobacco, leather products, wood products and furniture, and other textiles (including apparel) has declined between 1990-91 and 2003-04. Some labour-intensive sectors, e.g., indigenous sugar, weaving and finishing of cotton textiles on handlooms, wooden industrial goods, cork and cork products, and jute pressing and baling, have registered negative value added growth. On the other hand a good percentage of the relatively capital-intensive industries, e.g., man-made textiles, plastic products, petroleum products, cement, transport equipments, domestic consumer products like refrigerators and air conditioners, have registered fast growth. One positive feature is the growth of some labour intensive sectors like textiles, garments, footwear, jewellery, etc.

The present report shows that there are employment intensive sectors with high employment elasticity with respect to output that could be targeted in order to achieve a more employment-intensive growth. They include: various food processing industries, knitwear and other garments, handloom weaving, sugar, industrial machinery, leather and leather products, footwear, furniture, jewellery, bicycle and cycle rickshaws, etc. Outside manufacturing, construction and tourism are important sectors with growth and employment potential. The approach suggested here is in line with that suggested by the Government of India of promoting the development of sectors and sub-sectors having greater employment potential. What is needed in that context is to undertake, for key sectors, detailed analysis of various aspects of production and factor use, identify constraints faced by them, and introduce corrective measures to overcome the constraints and ensure higher growth.

In addition to the employment potential, an important issue for consideration in the context of a sectoral approach would be the market for products and the income elasticity of demand. It would be important to start from an analysis of markets/demand and the linkages of the sector with the rest of the economy.

7. Enterprise Development with Particular Focus on Micro and Small Enterprises (MSEs)

MSEs are a major source of employment in both rural and urban areas of India. According to the Economic Census of 1998, over 97% of the enterprises have less than 10 workers and account for about 67% of total employment. In recent years (2002-06), small scale industries have done better than the overall industrial sector in terms of output growth. During the 1990s,

the share of the service sector in MSEs has increased sharply (from 3.2% in 1987-88 to 34.5% in 2001-02).

But MSEs as a whole have been lagging behind in terms of growth and productivity. Labour productivity in smaller units (with less than 10 workers) is much lower (almost half) than in larger units (with more than 10 workers). The quality of jobs in terms of conditions of work and social protection is also low.

Due to a variety of reasons, MSEs are characterized by high rate of mortality. Amongst the factors responsible for such high mortality, “market related problems” and “shortage of working capital” appear to be the most important. The linkages between large enterprises and MSEs are rather weak. There are indications that such linkages are forged when demand for a product is high, only to be severed when demand declines.

Policies relating to MSEs have evolved from a protectionist approach (like reservation of products for small scale units) to more promotional measures (e.g., through financial assistance, credit, infrastructural facilities, assistance with marketing and exports, and assistance for modernization and technological upgrading). Measures have also been undertaken to simplify rules and administrative procedures, especially for tiny enterprises. While there are a large number of measures aimed at promoting the growth of MSEs, following suggestions are offered from the point of improving the effectiveness of such measures.

- As for definition of MSEs, an investment-based definition is used for promotional purposes while an employment-based definition is used for purposes of labour legislation. Consideration may be given to unifying the definition by using an appropriate criterion, e.g., capital-labour ratio.
- Policy and regulatory environment for MSEs would need to combine policies for promoting growth and productivity with compliance to regulatory frameworks for improving the working conditions and protection of workers. Approaches developed by the ILO in this field (through work in selected clusters of MSEs) may be worth replicating.
- Business linkages between MSEs and larger enterprises can help the former in achieving sustained growth through market access and access to modern business practices and technology. While such linkages exist in some sub-sectors, it would be worthwhile examining how such linkages can be promoted in other sectors so that a large number of MSEs can share the benefits of growth in the economy.
- The effectiveness of the policy of “priority sector lending” needs to be examined and corrective measures undertaken. In addition, recommendations made by the NCEUS for improving the access of MSEs to finance are worth pursuing.
- Despite various efforts at providing infrastructure facilities (e.g., through industrial estates and common facility centres), this remains an area of concern. In assessing alternative models for improving access to infrastructure, attention would need to be given to various issues, e.g., political consensus at various levels, agreement on regulatory frameworks, as well as clarifications on arrangements for various utilities like power, telecommunication, etc.
- The effectiveness of the existing arrangements for providing business development services needs to be examined with particular attention to their outreach, efficiency in service delivery, overlaps between various institutions and coordination amongst them. Based on such assessment, an action programme may be prepared for improving the effectiveness of such institutions. In that context, consideration may be given to a

possible role for the private sector and public-private partnership in providing business development services.

8. Labour Market Institutions and Policies

Labour market institutions and reforms

Like elsewhere in the world, in India too, there is an ongoing debate on the effects of labour market regulations on growth, employment, unemployment and informality. On the one hand, there are those who believe that rigidities in the labour market act as obstacles to growth and employment, and liberating the labour market from various regulations would spur growth and job creation. Others contend that these regulations are here for a cause and bring benefits to workers as well as to enterprises employing them. However, given the very small size of the formal/organized sector (less than 10% of the workers), one wonders whether scrapping of regulations in that segment would entice massive job creation to make a difference to the numbers engaged in the informal economy. While there may be effects of regulations (e.g., those relating to dismissals, severance pay, etc.) at the margin, the existence and growth of the informal economy cannot perhaps be explained fully by the existence of such regulations.

The above, however, is not to say that there is nothing in India's labour laws that could hinder adjustment needed for economic reasons. It is indeed important to identify the specific aspects of the legal framework that are in need of reforms. At the same time, one has to recognize that in the absence of much social protection outside (formal sector) employment, it may be rational to protect employment. However, beyond the simple alternatives of deregulation and employment protection, there is a relatively new reform agenda (which has its origin in Europe) that links employment and social protection explicitly. This reform agenda, under the rubric of "flexicurity", asserts that for labour market reforms, it is not only labour market flexibility that is important, but also workers' security. This links the regulation of the labour market with protective devices of the labour market such as unemployment benefits and training, and requires a careful balancing of employment and social protection.

Application of the concept of flexicurity in the Indian context may have to reverse the sequencing of reforms - enacting first protection of workers through passive and active labour market policies before tackling the rigidity in employment protection. The balancing act involved in applying the concept of flexicurity would require an effective social dialogue.

Active labour market policies (ALMPs)

ALMPs (defined as interventions by the government to provide work to or increase the employability of specific groups in the labour market) can serve as useful instruments for supporting structural change in an economy by facilitating allocation and re-allocation of labour between various sectors of an economy. Although such policies can play an important role in job creation, they should not be looked at as substitutes for macroeconomic and sectoral policies discussed earlier to promote employment-intensive growth.

In India, ALMPs could be seen as a means of creating jobs through special programmes as well as a means of improving the employability of the workforce (through maintenance and upgrading of skills). A good example of an ALMP aimed at job creation is the National Rural Employment Guarantee Programme (NREGP) which was started in 2006 as a means of implementing the National Rural Employment Guarantee Act (NREGA). The main distinguishing features of this programme is a rights-based approach (in the sense that

employment is recognized as a right and is guaranteed through the Act) and its integration with the concept of social protection through the provision of an unemployment benefit in the event of the inability of the government to provide jobs stipulated under the Act.

Given the short time that has elapsed since the starting of the Programme, it is perhaps too early to make an assessment of its implementation record. However, there have already been attempts to evaluate its performance; and the findings from such evaluation vary from the positive to critical. Two points may be made on the basis of such exercises. First, there are formidable challenges in the implementation of the programme, and a number of conditions need to be fulfilled for achieving success. Second, given the positive experience regarding implementation at least in some regions, it seems that the Programme can indeed succeed in achieving its goals.

As for skills and employability of the workforce, there is an enormous challenge as is indicated by the fact that the proportion of the labour force in the 20-24 year age group having vocational training is only 5% (compared to around 90% in the Republic of Korea). In addition, the marketability of the skills that are produced is also an important issue. These and other relevant issues with reference to skills are discussed more fully in the next section.

Financing of ALMPs is an important issue. Total allocation for rural employment programmes amounted to 0.327% of GDP for 2007-08, while it was 0.339% in 2006-07. Total expenditure on “labour and employment” by the central and state governments together is less than 0.15% of GDP. Thus, one can perhaps conclude that government’s expenditure on on ALMPs does not exceed 0.5% of the GDP of the country.

In addition to the instruments and financing of ALMP, institutions for an effective and efficient delivery of programmes are also critical. In that regard, there is a great deal that can be done. To give an indication of the gap in quantitative terms, India has 938 employment service centres _ an average of 2.1 centres per 1 million of active population, whereas the corresponding number in China is 5.3. Apart from numbers, the effectiveness of the service is also an area of concern.

9. Skills and Employability

The challenge of skills development is of paramount importance in India today. Only 2% of the youth (in the age group of 15-29 years) are reported to have had formal vocational training and about 8% had non-formal training. While there are 12.8 million new entrants to the workforce each year, the total capacity of TVET programmes under various ministries is 2.5 million. However, the potential target group for skill development comprises all those in the labour force – 457 million in all, who need to acquire new skills or upgrade skills at various stages of their working life.

Almost the entire TVET system is focused on the organized sector, despite the large size of the unorganized sector (over 90% of the workforce) and its substantial contribution to GDP growth. Women, youth (in particular school drop-outs), the poor and other disadvantaged groups have limited access to training. Many skilled artisans and craft persons exist in India but their skills are not formally recognized (certified).

The challenge of scale is compounded by the problems of quality and the relevance of training. There is a major discrepancy between skills acquired in training and skills required in employment – a problem commonly known as the ‘skills mismatch’. The involvement of social

partners, in particular employers, is largely responsive and ad hoc and there is no mechanism to systematically facilitate their active involvement in strengthening the skills system. There is very little labour market information available which are collected systematically and made available regularly to guide skills provision.

The challenge of quality is also systemic. There is currently no unified mechanism for validating qualifications/certifications to ensure that they reflect the needs of employers. Training offered by various providers is of varying quality and certificates are based on different standards, which make it difficult to articulate the competencies of the holders of certificates to employers.

Coordination *within* the TVET sector is also a concern. There is, in fact, a wide range of training providers and programmes in the country. The skills development effort remains, however, divided between different line ministries, central and state governments. Numerous NGOs and other private organizations provide skills training but they are not fully integrated into the national TVET system. The absence of a 'national policy on skills development' makes it difficult to seek, or achieve coordination (although the work towards developing the policy is currently underway).

These challenges can be addressed by the following measures, many of which suggest changes or additions to the existing skills development infrastructure.

- **Expansion of training provision:** There is a need for a rapid and large-scale expansion of training provision. It will be important to ensure that the expansion of facilities (hardware) is coordinated with an adequate increase in qualified teachers, trainers and instructors (software).
- **Promotion of equal access and address needs of the unorganized sector:** A massive effort will be required to overcome the long years of underinvestment in skills of workers in the unorganized sector, as well as to improve access to training for women and disadvantaged groups. Interventions for the unorganized sector should promote a convergence approach where skills development is combined with literacy, soft skills training and entrepreneurship development and other livelihoods support programmes.
- **Establishment of a national quality assurance mechanism while embracing diversity:** The current scenario of weak quality assurance would need to be addressed by the establishment of a set of new institutional mechanisms. Such mechanisms can include a national accreditation authority, a National Vocational Qualifications Framework (NVQF) and assessment and certification bodies, coordinated by a national apex body.
- **Strengthening public-private partnerships:** Given the magnitude of the skills challenge, a greater and more active role for employers, workers' organization as well as civil society groups and professional societies is a way forward in building the skills development system.
- **Involvement of the private sector through a sector-based approach:** The active and systematic involvement of employers will need to be underpinned by an adequate institutional structure such as sector-based skills councils, which are primarily led by employers.
- **Achieving better coordination:** Better coordination in skills development should be sought by the establishment of a national apex body with the mandate of overall coordination, development and implementation of a national skills strategy in coordination with the line ministries, States and sector-based skills councils.
- **Promotion of lifelong learning and the continuous skills upgrading:** The establishment of the National Qualifications Framework (NQF), which includes qualifications for both

education and training, can promote vertical and horizontal learning across education and training pathways.

- **Creation of sustainable funding:** A National Skills Development Fund, financed by a combination of public and private funds, can be established to promote the private sector-led training as well as to provide financial support to the disadvantaged groups. The increased funding for skills development needs to be combined with measures to improve efficiency and effectiveness of the existing training infrastructure.
- **Regular review and development of best practices:** A mechanism for regular monitoring, evaluation and review needs to be built in the system to meet the changing needs of society and the economy. Research and the promotion of good practices are vital activities that enable stakeholders to meet emerging needs.
- **Development of a national skills development policy:** Planned and concerted efforts in skills development needs to be anchored in a ‘policy’, which is both comprehensive and national in character.

10. Mainstreaming Employment in Policy Making

While special programmes for employment generation are important, especially in situations where employment generated through the normal process of growth falls short of the requirements, from a long-term point of view, it is through the process of economic growth that productive employment can be generated in a sustained manner. Hence it is important to work towards making economic growth more employment-intensive. In order to achieve that goal, it would be necessary to mainstream employment in the country’s development strategy and in the process of policy making. The latter, in turn, would require action on at least two fronts: (i) analysis of the impact of output growth on employment (at various levels _ macro, sectoral, sub-sectoral and project), and (ii) incorporation of the employment perspective in decision making in various organs of the government.

Employment impact analysis (EIA) involves not only an assessment of changes in employment resulting from a given expansion of output in a particular sector or sub-sector, but also the indirect employment effects that result from the linkages of the sector with other parts of the economy. The present report outlines a methodology of EIA using the input-output technique. Utilizing the input-output table for 2003-04 (the latest year for which that is available) and the employment data from the 61st round of the NSS (2004-05), an EIA analysis has been carried out to illustrate the application of the methodology. The results indicate the following. When only direct employment effects are considered, agriculture and wood, furniture, paper, leather and leather products turn out to be the most employment generating sectors. They are followed by textiles, food processing, and construction. When both direct and indirect employment effects are considered, food processing emerges as the most employment-friendly, followed by textiles, wood, furniture, paper, leather and leather products, agriculture, and construction.

The next level at which mainstreaming of employment would take place is in the framing of policies _both at the macroeconomic and sectoral levels. With a view to illustrating how employment could be mainstreamed at those levels, the present report develops a framework consisting of a series of checklists/questions that need to be addressed by the concerned agencies. Chapter 6 of the report contains those checklists separately for the Planning Commission, Ministry of Finance, the banking sector, and other line ministries. The kind of data that would be required for undertaking the tasks mentioned above.