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# Employment Challenge and Strategies in India

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# Employment Challenge and Strategies in India An Assessment in the Framework of ILO's Global Employment Agenda

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## Executive Summary

The present paper looks at the employment challenges faced by India within the framework of “ten core elements” identified by the Global Employment Agenda of the ILO. These elements relate to trade and investment, technological change, sustainable livelihoods, macro policy, entrepreneurship development, skills development, active labour market policies, social protection, conditions of work and poverty reduction. The paper is an attempt to assess the extent to which these various elements find place in development strategies and policies in India, what progress has been made in the attainment of the goals that are implied in the Agenda and its elements, what are the gaps and emerging challenges in respect of each of them. It also highlights the efforts that are under way, if any, from a historical perspective and notes what conditions and institutional arrangements are further required to meet them. In this context, the author notes the poor quality of employment of the vast majority in India, especially in the informal economy, and analyses the evolving strategy for poverty alleviation through employment generation. He examines the poverty-employment nexus through distribution of the poor by their work status and reasons for poverty. He finds that the incidence of poverty is higher among the employed than the unemployed. The paper argues for the need to document the status of the qualitative dimensions of work in different sectors and estimate deficits of Decent Work to work out strategies and programmes for improvement of quality of work in various sectors and activities.



# Foreword

The present paper by Prof. Papola looks at the employment challenges faced by India within the framework of “ten core elements” identified by the Global Employment Agenda (GEA) of the ILO. The GEA urges governments to make employment the key factor in the fight against poverty and social exclusion, and argues for the need to give priority to full, freely chosen, productive employment as the foundation for Decent Work. It is an attempt to assess the extent to which its various elements find place in development strategies and policies in India, what progress has been made in the attainment of the goals that are implied in the Agenda and its elements, what are the gaps and emerging challenges in respect of each of them and what efforts are under way and are further required to meet them.

In India, the problems relating to the qualitative dimensions of employment, productivity, wages and earnings, conditions of work, social protection and workers’ rights — the essential elements of Decent Work — however, are more serious and are likely to take a long time even with concerted and large scale efforts to solve them. More needs to be done to ensure full recognition of the importance of the qualitative dimensions of employment and commitment and capacity to improve them. The study suggest that the first essential step, therefore, would be to document the status of the qualitative dimensions of work in different sectors and analyse them utilizing the framework like the one provided by the concept of Decent Work. Attempts to estimate deficits of Decent Work, in terms of various indicators covering work opportunities, freedom to choose work, productivity and incomes, equity, security and dignity, as developed by the ILO would be a useful first step in the direction of working out strategies and programmes for improvement of quality of work in various sectors and activities. On the policy and action front, it also needs to be noted that there has been an increased interest in areas like social protection and renewed emphasis on improving skills and employability of the labour force and quality of work.

This paper is part of a series of studies to analyse and understand the current employment challenges in India. It was jointly commissioned by the SRO Delhi office and the Employment Sector in Headquarters, Geneva.

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## 1. Introduction

Employment has emerged as an important subject in the development agenda of most national governments and several international organisations over the past two decades. In the developed countries, persistently high and increasing unemployment rates have given rise to renewed concern for job creation, while in many developing countries productive employment is seen as a means for poverty alleviation. In recent years, the processes of globalisation have also resulted in certain trends in labour markets in both the developed and developing countries which have heightened the interest in the implications on employment of international trade and investment flows. In developed countries, concern has been raised over the relocation of jobs due to outsourcing and shifts of capital to developing countries. On the other hand, in the developing countries, fears have been expressed of displacement of workers in the hitherto protected sectors as a result of international competition. Apprehensions have also been raised about the likelihood of an increasing number of workers getting employed in relatively poor conditions of work, on low wages and without social security, as a result of the employers' 'pursuit of cost reduction' in order to remain competitive, thus leading to what is often termed as the 'race to the bottom' in respect of labour standards. The problem has thus assumed global dimensions and tackling it would require international action. At the same time, global developments will produce their impacts on the employment situation within the national economies. Also, it must be recognised that since the nature of the problem is substantially different in the developed and developing countries and has country-specific dimensions as well, a large part of the effort to meet the challenge will have to be made at the national level.

The Global Employment Agenda (GEA) was developed by the International Labour Organisation (ILO, 2003a) as a response to the above concerns and the challenge of meeting the goal of productive and decent work for all. It is a part of the strategy to implement the Millennium Development Goals (MDGs), particularly the goal of "halving the proportion of people whose income is less than a dollar a day by the year 2015". Recognising that employment is fundamental in the fight against poverty and social exclusion, GEA urges governments, employers' and workers' organisations, the private sector and civil society to give priority to full, freely chosen productive employment as the foundation for decent work in formulating economic and social policies. The main aim of the Agenda is "to place employment at the heart of economic and social policies". ILO sees the Agenda as a part of its broader goal of Decent Work, equally emphasising the promotion of employment opportunities and improving the qualitative dimensions of employment. Quality of jobs is seen both in terms of productivity and conditions of work. Improving productivity is vital to employment, especially for the 'working poor' who constitute a large part of the workforce particularly in developing countries, and, therefore, require to be the central focus in any poverty alleviation strategy. Observance of core labour standards as part of the conditions of work is seen both as an absolute requirement of Decent Work as well as a productivity-enhancing factor.

To accept Decent Work as a productive factor is, in fact, one of the seven principles or "pillars" of GEA, the others being a pro-employment macro-economic framework, promotion of entrepreneurship and private investment, improvement in productivity and opportunities for the working poor, elimination of discrimination in the labour market, an environmentally and socially sustainable growth and employability and adaptability of the workforce. These principles have been further elaborated in what are called the ten "core elements" of the Agenda; but Decent Work as a productive factor and elimination of discrimination in the labour market are emphasised as the two 'pillars' that underlie all the elements

of the Agenda. Following are the ‘ten core elements’ of the Agenda, the first four addressing the economic environment and the last six the labour market:

1. Promoting trade and investment for productive employment and market access for developing countries.
2. Promoting technological change for higher productivity and job creation and improved standard of living.
3. Promoting sustainable development for sustainable livelihoods.
4. Macro-economic policy for growth and employment: a call for policy integration.
5. Promoting decent employment and entrepreneurship.
6. Employability by improving knowledge and skills.
7. Active labour market policies for employment, security in change, equity and poverty reduction.
8. Social protection as a productive factor.
9. Occupational safety and health: synergies between security and productivity.
10. Productive employment for poverty reduction and development.

These elements are not independent of each other and attainment of any one of them would require progress in most others. It is, however, clear that the thrust of the Agenda, as elaborated in these elements, is on mainstreaming employment as a goal of development strategies and policies with special focus on productivity, equity and quality of work. In the present paper, an attempt has been made, with the above understanding of the thrust of the Agenda, to assess the extent to which its various elements find place in development strategies and policies in India, what progress has been made in the attainment of the goals that are implied in the Agenda and its elements, what are the gaps and emerging challenges in respect of each of them and what efforts are under way and are further required to meet them. An attempt is made to deal with each of the elements of the Agenda, though not necessarily in the sequence followed in the Agenda. Nor is equal emphasis given to all elements as they have received varying importance in policy and have been subject to differing experiences.

## **2. Development Strategies, Macro-Economic and Sectoral Policies and Employment**

Employment has been a key concern throughout the past five and a half decades of development planning in India. The Five Year Plans, which laid down the directions for overall and sectoral development in a medium term perspective, have been quite explicit in respect of the goal of employment generation for the unemployed and the new entrants to the labour force. Assessment of the problem and approaches and strategies to deal with it have, however, varied over the years, as is evident from the following account of the approaches to the employment issue in the Five Year Plans over the years

### *(i) Early Years: Employment a Corollary of Economic Growth*

Unemployment was recognised as a problem — reflected in the backlog of unemployment — as early as the 1950s, but faster economic growth, with special emphasis on employment-

intensive sectors like the small scale industry, was considered adequate to tackle it (Planning Commission, 1956, 1962). For example, the Second Plan (1957-62) estimated the backlog of unemployment at 5 million and annual addition to labour force at 1.5 to 2 million. A 5 per cent growth rate, as envisaged in the Plan, was expected to generate employment opportunities for all of them over a period of ten years. Employment thus was treated as a goal of development, though not a central, much less overarching, goal. At the same time, it was also not treated purely as a 'residual' and some efforts were made to see that it is an essential corollary of the development process.

This approach, by and large, continued till the middle of 1970s, when estimates of poverty, employment and unemployment based on the first-ever collected comprehensive data by the National Sample Survey Organisation (NSSO) in 1973 indicated that the achievements relating to growth and employment, however, fell far short of expectations. The average annual rate of gross domestic product (GDP) growth had been just around 3.5 per cent, employment growth averaged to 2 per cent, whereas the labour force grew at a faster rate of 2.5 per cent. As a result, the number of unemployed that was estimated to be 5 million in 1956, rose to 11 million by 1977-78. Recognising the urgency to address the problem of growing unemployment as well as of persistent poverty which was estimated to affect over one-half of India's population, the Fifth Plan (1974-79) envisaged a reorientation of the development strategy towards an employment-oriented growth and the introduction of special anti-poverty and employment programmes. This approach continued for a decade or so.

(ii) *Employment, an Explicit Goal: Introduction of Targeting*

The Seventh Plan (1985-90), for the first time, sought to place employment at the centre of development strategy: "The central element in the development strategy of the Seventh Plan is the generation of productive employment" (Planning Commission, 1985 p. 23). The employment generation potential of the targeted sectoral growth rates was quantified and a 4 per cent annual growth rate of employment was projected (ibid p. 33). The decade of 1980s experienced a relatively faster GDP growth at 5.5 per cent, but employment growth was lower than the earlier decade, at 1.8 per cent. The number of unemployed was estimated to have risen to 14.5 million by 1988 and further to 17 million by 1991-92 (Planning Commission, 1992).

It is in the backdrop of this experience that a detailed assessment of employment and unemployment trends and prospects was undertaken in the beginning of 1990s which also took into account the likely impact of the process of liberalisation and economic reforms initiated around that time. This assessment formed the basis of the employment strategy for the Eighth Plan (1992-97). For the first time, employment was considered to be important enough a subject to merit an independent chapter in the Plan document (Planning Commission, 1992, Chapter 6). Estimating the number of unemployed (openly un-employed plus severely underemployed in need of alternative jobs) at 23 million in 1992 and addition to the labour force at 35 million during 1992-97 and another 36 million during 1997-2002, the Plan set a target of a 2.6 to 2.8 per cent annual growth of employment with a view to achieving the goal of "employment for all" by 2002 (ibid p. 120). This target was sought to be internalised in the Plan strategy through several overall and sectoral priorities, policies and programmes, such as spatial and sub-sectoral diversification of agriculture, wasteland development, support and policy framework for

the development of the rural non-farm sector, small and decentralised industrial sector, faster growth of informal and services sectors; and labour market policies to remove policy and legislative measures discouraging expansion of employment and expansion of training programmes for the development of skills in accordance with the changing market demand.

(iii) *Back to Growth-led Employment Strategy: Optimism from Higher Economic Growth in 1990s*

The Ninth Plan (1997-2002) identified employment as one of the three important dimensions of state policy, the others being quality of life and regional balance. Productive work, it was pronounced, is “not merely a means to the ultimate end of economic well-being” but should be seen “as an end in itself, — a basic source of human dignity and self-respect” (Planning Commission, 1998, p.13). The Plan recognised that a higher rate of economic growth in the preceding decade had led to faster growth of productive employment opportunities. Yet it emphasised, like the Eighth Plan, that growth could be made more employment friendly by “concentrating on sectors, sub-sectors and technologies that are more labour intensive, in regions characterised by higher incidence of unemployment and under employment” (ibid p.14). Accordingly, it posited “priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty”, as its first objective.

The Ninth Plan, like the Eighth Plan, made a detailed analysis of the trends in employment and likely scenario during the Plan period. However, in spite of pronouncing employment as a major dimension of state policy in the beginning, the Plan, in effect, treated it as a residual resulting from a growth rate and pattern determined by factors and constraints other than the consideration of employment generation. Taking the base year (1997) estimates of unemployment and projected increase in the labour force over the Plan period (1997-2002) and recognising the declining trend in employment elasticities, the Plan projected growth of employment opportunities to be similar to that in the labour force, with the targeted 7 per cent growth rate of GDP, thus leaving the backlog of unemployment unchanged.

(iv) *Failure of Growth to Generate Employment in 1990s: Reliance on Sectoral Growth Pattern for Employment Generation*

A renewed urgency to focus on employment appeared to have emerged in the planners’ mind by the end of the 1990s. The Planning Commission appointed two Committees in quick succession (a Task Force on Employment Opportunities in 1999 and a Special Group on Targeting 10 Million Employment Opportunities Per Year in 2001) to examine the trends in and potential for employment generation and suggest a strategy to create employment opportunities to attain the goal of employment for all within a specified period of time. Their assessments and recommendations (Planning Commission, 2001b and 2002a) were used in the formulation of the Tenth Plan (2002-2007). The challenge, as quantitatively indicated by the magnitude of new employment required to be generated to meet the goal of employment for all, was found to be much larger than earlier estimated. The growth of labour force was expected to be higher in the initial years of the new century than during 1990s. As a result, the job requirements to achieve employment for all in five years was estimated at equivalent of 70 million person years; and the 8 per cent GDP growth envisaged in the Tenth Plan following the past pattern of growth — characterised by low and declining sectoral elasticities of employment —

could, it was estimated, generate employment opportunities equivalent to only 30 million person years, against addition to the labour force of 36 million, thus adding about another 6 million to the base period unemployment of 35 million person years.

The Plan therefore, envisaged reorientation of the growth strategy in order to improve its employment content. Following the recommendations of the Special Group (Planning Commission, 2002a), a number of special programmes relating to different sectors, particularly in agriculture and related activities, small and medium enterprises, non-farm rural sector and social sectors like education and health, and also policy changes for faster development of sectors of high labour intensity like construction, tourism, information and communication technology and financial services have been envisaged. It was estimated that the additional employment potential of these programmes and policy changes in different sectors would be about 20 million person years which, together with the 30 million person years generated through the growth rate of 8 per cent, will not only take care of the 36 million new entrants to the labour force, but will also reduce the backlog of unemployment of 35 million to around 21 million at the end of the Tenth Plan i.e. March 2007. With the continuation of a similar strategy, it was projected that the quantum of unemployment will come down to around 2 million and unemployment rate to a negligible 0.44 per cent by 2012, as against 9.21 per cent in 2002 (Planning Commission, 2002b, pp. 146 & 172).

(v) *Employment for inclusive' Growth: Approach to the Eleventh Plan (2007-2012)*

Data for the period corresponding to the Tenth Plan are not presently available to assess the success of the Plan strategy on employment. Estimates based on the NSSO 61st Round, however, reveal that employment has grown at around 2.8 percent per annum during 1999-2000/2004-05. No doubt, the rate of GDP growth has been higher in this period as compared to earlier quinquennium, but the employment content of growth also seems to have significantly improved from 0.15 during 1994-2000 to 0.48 during 2000-2005. Planning Commission sources indicate that about 47 million employment opportunities were created per year during the Plan period (2002-2007). This is quite close to the target of 50 million.

In spite of high GDP and high employment growth, decline in poverty has been relatively low, at 0.8 per cent per annum. Obviously growth has not benefited the poor, nor has new employment gone to them. The Approach Paper to the Eleventh Plan (2007-2012), therefore, calls for more 'inclusive' growth and envisages employment as a central element of such growth. While a target of 58 million employment opportunities per year is proposed, the emphasis now seems to be on two aspects of employment: productivity and incomes to address the problem of the working poor, and improvement in the employability of the poor through a concerted and large-scale programme for training and upgradation of skills, particularly of the poor.

(vi) *Conclusion*

The above account of the treatment of employment as a goal of development planning in India clearly indicates that its importance, and sometimes its centrality for reducing poverty and inequality, has been well recognised. Efforts have been made to reflect it in the growth strategy to the extent possible by laying special emphasis on the growth of sectors with higher

employment potential; and by the introduction and implementation of several special employment programmes both for generating full time self and wage employment as well as short-term employment in public works for the underemployed. Employment has, however, not been “internalised” in the growth strategy in so far as the rate and pattern of growth is determined by such other factors as savings and investible resources, technology and aggregate supply-demand balances. Starting the Plan exercise from the employment end and to work out the growth rate and strategy to achieve the goal of employment for all in a specified timeframe has often been mooted, but such an approach has not been found feasible and practicable. For example, the growth rate required to generate the desirable quantum of employment within a period of five to ten years has been assessed to be too high to be achieved with the investible resources in sight, and raising the employment content of growth significantly has also not been possible in the wake of technological changes and declining employment elasticities of different economic activities.

The employment generation strategy has, therefore, primarily focussed on emphasising faster growth of sectors with high employment potential so as to ensure a relatively higher employment content of aggregate growth. This has been supported, to a certain extent, by some macro-economic, credit and fiscal policy measures. Macro-economic policies, of course, have as their primary concerns objectives such as control of inflation, sustenance of public expenditure and attainment of fiscal balance with employment generation features, if at all, only as a secondary objectives of the monetary and fiscal policies. Yet, certain fiscal and credit instruments in support of sectors and activities with high employment potential have always been an integral part of economic policies. Tax exemptions and concessions to small-scale industries and decentralised sectors like handicrafts and handlooms are among the notable examples of such a support. Credit quotas and lower rates of interest for small and rural industries have also been part of the package of assistance for their promotion and development, with the objective, among others, of employment generation. A sizeable part of the budgetary resources have also been allocated, continuously since the mid-seventies, to programmes aimed at creating self and wage employment for poverty alleviation. This expenditure has been incurred either in the creation of short-term employment in public works or in subsidies to the poor to acquire assets for self-employment, in combination with the targeted bank credit.

Employment has, thus, received a high priority in the development agenda in India, particularly during the last two decades. (Of late, it has assumed political significance as it also features prominently in the election manifestos of major political parties!). Various approaches and strategies have been tried in order to accelerate the pace of employment generation so as to see that the unemployed get productively absorbed in growing economic activities. It has been recognised that a high rate of economic growth is necessary, but not sufficient, to generate employment of the magnitude warranted by the requirements of providing jobs to those currently unemployed as well as those entering the labour force every year. Efforts have, therefore, been made to restructure growth, to the extent possible within the constraints of investible resources and macro-balances, in favour of sectors with relatively high employment intensity and, at the same time, introduce policies and programmes that help in or lead to direct employment generation.

Over the last few years, however, a change in approach is discernible. Encouraged by a relatively high growth of employment during 2000-2005, there has been a re-emergence of faith in GDP growth as the primary generator of employment. According to the projections, based on the assumption of an 8 per cent GDP growth and unchanged 0.48 elasticity of employment, “by 2010 the workforce will become equal to the labour force” (EAC, 2007, p.50). Most of the new employment, as in the past years, is, however, likely to be in the informal sector and in agriculture, both of which have low wage rates and have experienced low income growth. There is also a skill mismatch restricting shift of workforce from agriculture to industry and services. The challenges ahead thus are in improving skills of labour force and quality of employment in the informal sector (ibid, pp 50-51).

### 3. Productive Employment for Poverty Alleviation: The Problem of the “Working Poor”

The challenge of employment in India is, however, not confined to the phenomena of open unemployment and visible underemployment. Unemployment measured in broadest terms of the idle labour force, represented by those openly unemployed or not having work for part of the time they are available for work, as reflected in current daily status (CDS) unemployment, was estimated to be 8.23 per cent of the labour force in 2004-05. On the other hand, the proportion of the poor – those living below the official poverty line – in that year was 27.5 per cent, on the basis of data collected on the uniform recall period (URP) (comparable to 36 per cent in 1993-94) and 21.8 per cent using the mixed recall period (MRP) (comparable to 26 per cent in 1999-2000). That means that a major proportion of the poor are not unemployed or underemployed, but are unable to realise even a moderately fixed poverty line income from their work. On the other hand, all the unemployed are not necessarily poor, particularly among the educated. Table 1 shows that the incidence of poverty is found to be higher among the employed than the unemployed.

**Table 1: Percentage of poor among employed and unemployed  
(based on mixed recall period)**

	Employed	Unemployed
1983	44.18	36.45
1987-88	37.82	36.17
1993-94	34.29	18.53
1999-2000	29.35	19.15
2004-05	22.76	16.34

*Source: Based on NSSO Surveys on Employment and Unemployment and Consumption Expenditure (Various Years).*

The number of ‘working poor’ was estimated to be about 105 million at the beginning of 2005, an increase of about a million since 2000. The incidence of poverty was higher (35.9 per cent) among

those working as casual labourers and lowest (10.5 per cent) among those employed on a regular basis on wages and salaries. Among the self-employed, 19.6 per cent were poor (Sundaram, 2007).

Over the years, the proportion of the poor has declined, but the decline has been much faster among the unemployed than among the employed. Two inferences can straightaway be drawn from these figures. One, “poor cannot afford to remain unemployed”, and second achievement of “full employment” at the prevailing rates of wages and earnings will not by itself lead to eradication of poverty, a view held by some economists for long (see Lakdawala, 1978).

From the viewpoint of evolving a strategy for poverty alleviation through employment generation, it would be useful to look at the poverty-unemployment nexus through distribution of the poor by their work status and reasons for poverty. Unfortunately, available data do not permit such an analysis. By way of illustration, the distribution of the poor, estimated to be 22 per cent of population in 2004-05 (on MRP basis) would broadly be as follows (percentages to population are considered to be the same as percentages to labour force):

<b>Poor</b>	<b>22%</b>
i. because unemployed	2.5%
ii. because underemployed	4.5%
iii. because of low income from work	15%
a. due to non-realisation of full potential of their work	8%
b. due to low current/future potential of their work	7%
<b>Non-poor unemployed</b>	<b>3%</b>

Different strategies, policies and programmes are required to create productive employment for poverty alleviation among these different categories of the poor. New employment opportunities would need to be created for those who are poor because they are unemployed, while for those in category (ii) additional work either in their current activities or through supplementary work in employment programmes would be necessary to raise the current incomes of those who are underemployed. For those who get low income due to non-realisation of the full potential of their work, the provision of infrastructure, inputs, credit, technology and marketing support would be required to raise their productivity. For those whose low income stems from the low potential of their work, it has to be recognised that the solution to their poverty would lie in alternative productive employment. Thus about 9.5 per cent (i + iii b) out of the 22 per cent poor will be able to alleviate their poverty only when new employment opportunities are available to them. Adding another 3 per cent of the non-poor unemployed, the operational estimates of unemployment from the viewpoint of the requirements of generation of new employment opportunities would thus be around 12.5 per cent of the labour force, to which the annual additions to the labour force would, of course, need to be added.

The above figures are only broad estimates and more precise estimates need to be attempted. But the exercise is illustrative of the multi-pronged strategy required for poverty alleviation through productive employment creation. Most poor are ‘working’ poor (see also Sundaram and Tendulkar, 2002; and Sundaram, 2007): according to the above illustrative estimate, all except those in category (i) — those who are poor because they are unemployed — accounting for 87 per cent (19.5 % out of 22%)

poor, are in this category. Even if those in category (ii) – the underemployed – are considered as the unemployed poor, 70 per cent of the poor are ‘working poor’, i.e. poor for reasons other than lack of work which do not get counted as ‘unemployed’ in estimating and targeting the quantum of required employment generation.

Even though unemployment is not the main reason for poverty, special poverty alleviation programmes which started as early as the 1970s, have nevertheless used employment generation as a means of poverty alleviation. They recognise that a large part of poverty arises out of the non-availability of wage employment throughout the year or lack of productive assets with households to engage in gainful self-employment. One set of programmes, therefore, aimed at creating wage employment in public works and infrastructure building, particularly in rural areas, to provide supplementary wage employment to the underemployed. They also included assured or guaranteed employment for all the persons and days available for work (e.g. the Maharashtra Employment Guarantee Scheme) or of a minimum number of days (e.g. 100 days in Employment Assurance Scheme of the Government of India) to the members of identified poor households. These programmes have received large budgetary allocations every year and, besides creating millions of person days of employment, have kept upward pressure on wages in agriculture and other activities (Datt, 1998, Sen, 1999). The Central budget provided for Rs. 97 billion during 2001-2002 and Rs. 112 billion during 2002-2003 for rural anti-poverty programmes. A major part of it related to employment programmes, creating about 260 million person days of employment annually during 2000-01 and 2001-02 (GOI-MoF, 2003).

The latest in the series of special employment programmes is the flagship programme of the present United Progressive Alliance (UPA) government — National Rural Employment Guarantee Programme (NREGP) — which legally guarantees 100 days of employment at statutory minimum wages to each rural household in a year. During the first year of its operation, 2006-07, when it was implemented in 200 districts (it has been extended to all districts during 2007-08), it had a budgetary provision of Rs. 118 billion though only Rs. 69.47 billion was actually spent. The scheme is reported to have provided employment to 18.73 million households at an average of 40 days per household and at a cost of Rs. 93 per work day (GOI-MORD 2007).

The other variety of programmes is aimed at creating self-employment among poor rural households by enabling them to acquire productive assets through a financial assistance package consisting of subsidies and targeted bank credit. The Integrated Rural Development Programme (IRDP) was the first programme in this category which was implemented for a period of 20 years since 1978. It was replaced by the Swarnajayanti Gram Swarojgar Yojana (SGSY) in 1999. Millions of households have been assisted under these programmes, (for example, 7.32 million households were assisted with a budgetary expenditure of Rs. 164.41 billion during December 2000 to December 2006 [GOI-MoF, 2007]). According to evaluations of the IRDP, the programme led to an increase in income in most cases and enabled 15 per cent of the assisted households to cross the poverty line income level (Planning Commission 2001b).

These programmes, generally titled as rural development programmes, are seen primarily as poverty alleviation programmes, but seek to achieve the objective through creation of employment both of a sustained and temporary nature. They also formed part of the package for the generation of about 50 million new employment opportunities during the Tenth Plan, though their contribution was estimated to be relatively small (around 2 million). In other words, they are still primarily seen as measures

to create temporary or supplementary employment to alleviate current poverty and not as sources of sustainable employment and sustained poverty alleviation. A major part of the employment creation is sought to be in the sectoral development programmes in agriculture, manufacturing, trade, transport and construction, in the employment strategy of the current Plan.

It is well recognised that employment leads to poverty alleviation if it is accompanied by a reasonable level of income. Workers in the unorganised sector, agricultural labourers and many self-employed in the agriculture and other informal activities constitute a majority of the poor, not because they are unemployed, but because their productivity and incomes are low and often irregular and uncertain. According to the estimate made by the National Commission for Enterprises in the Unorganised Sector (NCEUS), 78.7 per cent of those working in the unorganised sector are poor and vulnerable (NCEUS, 2007). In the case of wage earners in agriculture and the informal sector, wages must rise to alleviate their poverty. In the case of the self-employed, productivity of their enterprise should increase through improved access to inputs, technology, business services and markets. Policies and programmes of the government recognise these pre-requisites but the capacity to provide and implement programmes to make them available is weak. Minimum wages are legally fixed but do not get effectively implemented. Yet the provision keeps up the pressure and, combined with large-scale special wage employment programmes in which minimum wages are ensured, has been able to push wages upwards in the case of several categories of workers. Real wages of casual labour in all activities in rural areas have risen on an average by 2.7 per cent per annum in the case of male and 2.5 per cent in the case of female workers during 1993-2005. Agricultural wages rose by 2.3 and 2.7 per cent for the male and female workers respectively. The corresponding rise in non-agricultural activities was 2.5 and 3.6 per cent (Unni and Raveendran, 2007). Combined with the availability of work for more days in a year in employment programmes, this increase must have resulted in enhanced income, and helped rural wage earners in alleviating their poverty. It must, however, be noted that the increase in wages, in all categories, has been slower during 2000-05 than the earlier quinquennium.

Most new employment is expected to be generated in the coming years in the rural non-farm and urban informal sector. Most enterprises in these sectors are characterised by low productivity due to the low level technologies, limited access to inputs and services and inability to market their products remuneratively. As a result, most of those engaged in them — owners and workers — are poor. Policies and programmes are still not in place, except to a limited extent and in a fragmented manner, to facilitate their access to technologies, inputs and markets. In principle, the policies do not discriminate against them, but in practice, their limited resources tend to lead to their exclusion from the benefits of state policies as well as markets. It would be essential to focus on these sectors in policies and programmes if employment generation and poverty alleviation objectives are to be seriously pursued (for a package of possible measures, see NCEUS, 2007).

#### **4. Trade and Investment**

Trade and inflow of investment are expected to boost employment in a labour abundant developing country like India in two major ways: by accelerating the growth rate and by exports based on comparative advantage as well as investment in labour intensive sectors. The trade regime till two decades back was characterised by protection and restrictions. Similar policies had governed the inflow of foreign investment as well. These policies protected employment in industries, but at the same time

engendered inefficiency in production and restricted faster growth of sectors with comparative advantage and potential for larger, productive employment generation. Policies have undergone a sea change particularly since 1991. In the realm of trade and investment, the new policies are characterised by a rapid reduction in tariff rates, removal of quantitative restrictions and opening up of most sectors for foreign direct investment and permission for portfolio investments and automatic approval for up to 100 per cent foreign equity in certain areas.

These policy changes are, of course, a part of the reforms towards India's efforts to become a partner in the process of globalisation with a view to achieving a faster economic growth in which exports with a comparative advantage are expected to play an important part. Employment generation is not obviously the direct aim of these policies of liberalisation, but it is understood that higher growth and larger exports resulting from them would lead to employment growth. An important way through which trade and investment liberalisation can lead to higher growth of jobs is a shift in the export base from primary commodities to manufactures and modern services. Also, international competition would induce identification and development of distinctive comparative advantage which would obviously imply growth of exports of labour intensive products and services.

At the same time, some negative implications of trade liberalisation cannot be ruled out. In the initial period of trade liberalisation, the competition could lead to decline and restructuring of enterprises in some of the hitherto protected sectors, resulting in redundancies and unemployment. There are also apprehensions that in the medium term there could be a qualitative deterioration in employment along with possible quantitative expansion, as most jobs are likely to be created in the unorganised sectors where earnings, job security and social protection are at low levels.

What has been the experience of the trade policy reforms in India and what are the emerging trends and their implications in respect of employment? There has been a steady rise in the external trade sector of the Indian economy over the past two decades. Trade (exports plus imports) as percentage of GDP has increased from around 15 in 1980-81 to about 34 by 2005-06 (GOI-MOF, 2007). Exports as percentage of GDP have grown from around from 6 to 14 during this period (ibid). Composition of exports has also changed in favour of manufactured goods: by 2004-05 manufactured exports accounted for almost 80 per cent of all merchandise exports as against 58 per cent in 1980. Foreign direct investment has increased from a 0.3 per cent of GDP in 1991 to 5.8 per cent in 2005 (UNCTAD, 2006, p. 315). Most of it has been in electrical equipments (including computer software and electronics) followed by chemicals, engineering, transport, and power and fuel sectors and very little in the labour intensive sectors like textiles, food processing, hotels and tourism (RIS, 2004, p.42 ).

Employment growth, as noted earlier, has been slow in aggregate, averaging to around 2 per cent during the 1980s and even lower during the 1990s, but manufacturing employment has grown reasonably fast, averaging to around 3.3 per cent per annum during 1993-94/2004-05. Disaggregating between export oriented industries and others, the former do not seem to have done consistently and significantly better: According to an estimate, employment in export-oriented industries recorded a growth of 2.25 per cent per annum, as against 2.72 per cent in import-competing and 2.63 per cent in all industries during 1985-97. During the 1990s, however, employment performance of export-oriented industries has been better; employment in them grew at 3.36 per cent per annum, as against 2.67 per cent in import competing industries during 1990-97 (Goldar, 2002, Ghose, 2003). The conventional theoretical expectation that a labour surplus developing country like India has a comparative

advantage and will, therefore, specialise in exports of low-skill labour intensive exports seems to hold. Low skill-intensive products dominated the manufactured exports: industries which could be characterised as medium-low or low technology ones accounted for 75 per cent of the total manufactured exports during 1990's, as well as 1980's (Ghose, 2003).

In recent years, information technology (IT) based services have been projected as important among the fast growing export sectors, implying rapid growth of employment in this sector. Services like professional services, software and agencies charges etc. have seen a rapid growth accounting for a major part of the growth of non-factor services in the invisible account in balance of payment. Software exports alone are growing at 12 to 15 per cent per year (GOI-MoF, 2003). Commercial services exports increased more than three-fold over the period 1980-97 and almost doubled over the period 1990-97, in US dollar terms. (World Bank, 2000).

## 5. Technological Changes: IT and the Technology Gap

The contribution of the IT sector, including the software industry, towards employment is still rather small at the moment, but its importance is growing both internally and externally. According to surveys by the National Association of Software and Service Companies (Nasscom), the software industry employed 340,000 persons as of March 2000, up from 16,000 in 1996 (Nasscom, 2001). According to one estimate, the industry can contribute up to 2 million new jobs over a period of eight years (2000-2008) (Rothboeck, Vijaybaskar and Gayatri, 2001). It is expected that the expansion of IT-enabled services will generate over a million jobs by 2008 (Kumar, 2002). According to another study, the ITS and ITES sectors together will be employing 3.28 million workers by 2015 (Pais et. al, 2006). The Tenth Plan projected a contribution of 200,000 jobs per year resulting in one million additional employment opportunities in this sector over the Plan period (2002-2007). It is, however, expected that the indirect impact of the IT expansion would be much larger than reflected in these estimates of direct employment. "The real employment potential of Information and Communication Technology (ICT) will be realised when such services support the community, social and personal services required by the Indian masses" (Planning Commission 2002b, p.155). According to a study, 3.28 million new jobs will be created in the IT and ITES sectors between 2005 and 2015, 2.28 million of them in the export segment (Pais et al, 2006).

The planners feel that the real issue is that of bridging the "digital divide" to which adequate policy attention has not so far been paid. Technological 'divide', however, is not confined to the use of IT alone. Apart from a few islands of high technology in urban centres, most production in different sectors is still carried out using low-level, if not primitive, technologies. As a result, productivity in most employment is low and the quality of products, particularly for sale in the wider and international markets, is poor. Technological integration with the international economy would be essential for domestic economy to effectively participate in the growth processes accompanying and facilitated by globalisation and to expand productive employment opportunities. Such an integration may admittedly initially lead to a certain amount of displacement, not only because the new technology may render old skills redundant but also because it may use less labour per unit of output. But it is only through such upgradation of production processes, increased productivity and faster expansion of economic activities that expansion of productive employment opportunities can be expected.

Availability of technologies and increased access to them in the globalising world can be a great advantage for a developing country like India in so far as it minimises the need for large-scale research and development investment. But large-scale efforts would be needed to facilitate import, transfer and dissemination of technology in different sectors and to different groups of producers. Streamlining the procedure for, and especially encouraging, transfer of productivity-enhancing technologies in the sectors and activities in which the poor and the underemployed are engaged would be vital for productive employment generation for poverty alleviation. Development of infrastructure, particularly power, would also be very crucial in accessing and using new technologies. Most important, however, would be the development of necessary skills among the workforce to utilise them. In most cases, these skills may need to be provided through training at the workplace rather than away in formal institutions which the poor and the underemployed who are working most of the time cannot afford to attend.

Improving access of the rural non-farm producers and those engaged in the urban informal sector to productivity-enhancing technologies is likely to be a very important factor both in qualitative improvement and quantitative expansion of employment opportunities. The need for technologies to percolate down to these producers from technology development institutions and larger producers in the organised sector is thus obvious. Government agencies, particularly those involved in extension work including the National Small Industries Corporation (NSIC) and District Industries Centres (DICs) have been mandated to perform the task of intermediation of technology transfer to small producers. Their functioning and efficiency need to be improved. But greater emphasis would need to be laid on other mechanisms involving the private sector. Public-private partnership will play an effective role in creating organisations to provide business development services including facilitation of technology transfer. Linkages between large private companies and the small producers in rural areas and informal sector for production and marketing could be another very effective mechanism for transfer of technologies and appropriate policy framework for encouraging such linkages requires to be developed.

As mentioned earlier, high hopes have been pinned on the IT sector in India, both as a source of direct employment generation and a means for technological upgradation and improved efficiency of production in other economic and social sectors. As of now, the sector is highly urban-centric and its use is confined to large and modern organisations in industry and services. Lack of requisite skills prevents those from the rural and poor family backgrounds from finding job opportunities in this sector and lack of access to IT services and infrastructure prevents most small organisations and rural establishments from making their use for raising their efficiency (Rothboeck et al, 2001). In order that the full potential of IT services is realised by making their spread wider, both sectorally and spatially, and larger masses benefit from them in terms of employment and income, concerted action both on widening access to, and development of, skills to use them is necessary.

## **6. Sustainable Development for Sustainable Livelihoods**

Sustainability of employment and livelihoods has emerged as an important issue in its environmental, economic and social dimensions. The linkages of natural resource use and degradation with poverty and livelihoods has, however, been the most fiercely debated subject since the World Commission on Environment and Development produced its report entitled *Our Common Future* in 1987. For quite some time, environmental protection has continued to be the dominant theme in discussions with very little attention paid to the survival and sustenance of a large number of the poor

who have primarily depended on natural resources as their source of livelihood. Quite often, the poor are held responsible for destruction of the environment by indiscriminate exploitation of natural resources for economic benefits. While the question of the share of the poor and the non-poor in the responsibility for degradation of natural resources is debatable, what seems to be quite evident and commonly agreed is that the poorest sections of society are hurt most by a declining natural environment, due to their heavy dependence on natural resources like land and forests (Dasgupta, 1996). Ironically, efforts to conserve natural resources and environment have also tended to adversely affect the poor the most as the conservation measures have reduced their access to their sources of livelihood. Thus policies relating to conservation of forests have led to a denial of access of the tribal and other rural poor to forest products on which they depended for livelihoods. Establishment of large wildlife sanctuaries and conservation areas has led to the ouster of the poor population from the areas now declared 'reserved', thus depriving them from their source of livelihood. Only in recent years have such programmes been accompanied by some measures of rehabilitation.

Globalisation, with its emphasis on markets for use of natural resources poses another threat both to the environment and the poor who depend on natural resources. It is feared that the larger actors from outside, such as multinational companies, will get easier access to natural resources; and they may not be sensitive to the environment, nor towards the livelihood interests of the local communities. A policy framework to regulate the use of natural resources to a sustainable level and encourage their regeneration and to protect the rights of the local communities and ensure their participation in the benefits of the economic use of natural resources would be necessary to prevent environmental degradation and accentuation of poverty.

It is encouraging to note that the need for greater convergence and integration between the environmental and development policies and programmes is being increasingly recognised in recent years. Thus conservation programmes now incorporate measures for protection and promotion of employment and livelihood among those adversely affected. That the restoration and rehabilitation of degraded resources like land and forests have high potential for employment generation and poverty reduction is being recognised. For example, the Tenth Plan envisages a large-scale programme of utilisation of the large mass of unutilised afforestable land and reclamation of degraded land, for crop cultivation and forestry. Programmes like "agro-forestry, development of medicinal plants and bamboo development in these lands are expected to generate 3.5 million employment opportunities during the Plan. Similarly energy plantation is expected to generate another 200,000 work opportunities (Planning Commission 2002b, pp. 149, 175).

The idea that environment and its conservation can be used as an important source of employment and livelihoods does not seem to have been fully realised yet. This is particularly true in the tourism sector which is generally recognised as an important source of employment. Nature manifest in topography, terrain, flora and fauna and scenic beauty and bio-diversity is becoming an increasingly attractive tourism product. Development and conservation of these resources could simultaneously result in augmentation of environment and creation of employment opportunities. Once it is realised that environmental conservation can bring incomes, the people develop a stake in the sustainable use of environmental resources. Some states in India like Kerala in the south and Himachal Pradesh in the north have recognised such a potential of natural environment and have been successful to a certain extent in use of conservation tourism as a livelihood source.

At the same time, it must be recognised that conserving and sustaining the environment has a cost and, quite often, the poor are made to bear a major part of it, while its benefits are derived by all, not only within the country, but globally. Refraining from extracting fuel and fodder from forests means hardship to the poor living in adjoining areas, but the benefits of maintaining forest cover either in terms of restraining floods or maintaining a clean environment go mostly to those outside the area. Restrictions on the use of land in sanctuaries and reserves rob the locals of their traditional sources of livelihood, but the recreational and environmental benefits from conservation are mostly derived by others. Thus the poor in the tribal, hilly and remote rural areas bear the cost of conservation, often to the extent of losing employment and livelihood. It is necessary to ensure that they are adequately compensated, by national and international development stakeholders for these ‘environmental services’ they render, by way of investment in infrastructure, educational and skill development and assistance in engaging in alternative productive employment opportunities.

Sustainability of livelihoods of a large section of the population, particularly those inhabiting the marginal eco-systems in hilly, tribal and several rural areas, is, of course, intricately linked with the question of environmentally sustainable pattern of development. Raising productivity of natural resources so that their sustainable use can generate a decent income and identification and development of mechanisms through which conservation itself becomes a source of productive employment would be the only ways of sustaining and improving their livelihoods. For this, the environmental sustainability needs to be combined with economic sustainability, the goods and services produced with the sustainable use of and regeneration and development of natural environmental resources should find market on a sustainable basis. Also, in the race for reaping benefits from the exploitation of natural resources, it is often seen that some people gain proportionately more than others due to the differences in resourcefulness and the absence of a regulatory policy regime aimed at equity. In such a situation, social sustainability can get a big jolt, even if environmental and economic sustainability are reasonably achieved. Planners and policy makers need to look at sustainability in all these dimensions. At the moment such a perspective is found lacking.

## **7. Decent Employment and Entrepreneurship**

The quantitative magnitude of the employment challenge in India is, no doubt, large and could be met only with accelerated and restructured employment-oriented growth over a medium term period. The qualitative dimensions of the challenge, however, are of much larger order and require much greater effort both in terms of labour market and economic and social policy interventions. Applying the criteria of not only access to income earning opportunities but also of adequate income, social protection and rights, as implied in the ILO conceptualisation (ILO, 1999), there is a huge Decent Work deficit in the employment scene in India. As mentioned earlier, about one-third of the employed do not earn enough to sustain a living even at the modestly defined poverty threshold. In terms of social protection, most of the workers in the unorganised sector – who constitute 92 per cent of the total workforce — have no access to social security provisions like accident compensation, maternity benefit, health insurance, terminal benefits and pension, as provided under various legislative measures which cover only the workers in relatively larger establishments. Even when certain special schemes and programmes like welfare funds for workers in some occupational categories and some more general schemes introduced by different states are included, it can safely be said that at least two-thirds of the Indian workforce

are unprotected. In principle, basic rights to organise, protest and negotiate are guaranteed under the constitution and law, but poor compliance, lack of organisation and labour market pressures often lead to denial of these rights to workers.

Trends in employment structure in recent years point towards an increasing, rather than a declining, Decent Work deficit. Public employment in government and government enterprises, which have most characteristics of decent employment, has declined continuously - after reaching the highest ever figure of 19.56 million in 1997. In 2004, it stood at 18.20 million. Employment in the private organised sector, which could be considered next in the decent work ladder, has also registered a decline, from 8.79 million in 1998 to 8.25 million in 2004 (GOI-MoF, 2007). The proportion of those in regular salary and wage employment has remained stagnant for over 20 years at around 14 per cent, and shown some increase since 1993-94 standing at 15.2 per cent in 2004-05. The proportion of the self-employed has declined from 59 per cent in 1977-78 to 56 per cent in 1987-88, and further to 53 per cent in 1999-2000, but increased to 56 per cent again in 2004-05. The proportion of casual workers increased from 27 in 1977-78 to 30 in 1987-88 and further to 33 per cent in 1999-2000 (Planning Commission, 2002a, p. 166). It has shown a decline, for the first time, in 2004-05, to 28 per cent.

Among the three categories, incidence of poverty is found to be the highest among the casual workers followed by the self-employed and the least among the regular wage/salary earners. Among the casual labour in agriculture 45 per cent were poor, the percentages being 22 among self-employed in agriculture, 24 among self-employed in non-agricultural activities, 28 among other labourers and 15 per cent among regular wage/salary earners in rural areas in 1999-2000. The percentages in urban areas were 50 for casual labour, 26 for the self-employed and 11 for regular wage/salary earners in that year (Sundaram and Tendulkar, 2003). Increasing casualisation implies not only increase in vulnerability in terms of employment and earnings, but also means that a larger proportion of workers have neither social protection nor productive resources to fall back upon, as most casual labourers are without assets. Using income levels and social protection as criteria for decent employment, it may be inferred from the above figures that after a continuous deterioration for over 20 years, some improvement seems to have taken place in recent years.

There are also some other trends and developments in recent years that show improvements in the quality of work in casual and unorganised sector employment. First, there has been an increase in real earnings of casual workers, as noted earlier. The issue of social protection for the unorganised sector workers has received serious attention in recent years, particularly after the Second National Commission on Labour (1999) recommended an umbrella legislation on employment and welfare of workers in this sector. The government has accepted it as a challenge to be met in a time-bound manner. In 2004, it appointed the NCEUS, which has been mandated, *inter alia*, to review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage". The Commission has already made recommendations for providing a comprehensive social security coverage for workers in the unorganised sector workers on a statutory basis (NCEUS, 2006). Based on these recommendations and inputs from other sources a Bill for providing some minimum social security benefits, such as health insurance and old age pension, has been tabled in the Parliament.

A majority of workers are self-employed. The largest proportion of the self-employed are engaged in agriculture, but a sizeable number also run small and tiny enterprises in different non-farm activities in rural areas or in the urban informal sector. As mentioned earlier, about one-fourth of the self-employed

are poor in officially defined terms. These self-employed people need, in the first instance, an improvement in the quality of their employment in terms of increase in incomes from their enterprises. Programmes and policies have been formulated to promote and assist the self-employed, particularly in the provision of small-scale credit, but there has not been enough focus on assisting them to graduate to entrepreneurship. A well-focussed policy as well as programmes for the development of micro-enterprises ensuring access to inputs, credit, technology, business services and markets alone will lead to making employment of the self-employed adequately productive and to enable them to come out of the poverty trap.

## 8. Active Labour Market Policies

Many of the aspects of employment mentioned in the above sections are not considered to be the targets of labour policy. Employment promotion through labour-intensive growth and exports, employment promotion programmes, productivity, technology, entrepreneurship development and sustainability of employment and livelihood are hardly sought to be addressed through labour market policies. In the conventional sense, labour market policies become relevant only in the case of workers who are in employment, and are mostly confined to conditions of work, employer-employee relations and social security aspects. These, no doubt, are core concerns of labour policy; but in the context of an agenda for quantitative and qualitative augmentation of employment, labour market policy needs to have not only a protective but also a promotional role and to be closely integrated with other economic and social policies. In this perspective, labour market policies need to be seen as instruments of employment promotion – both of the wage and self employment categories — improving the human capital content of the labour force, raising productivity and use of technologies towards that end, and poverty alleviation, besides of course, ensuring decent working conditions, employment security and fair means of dispute and grievance settlement.

Labour market policies are not currently seen in such a perspective in most countries, including India. Most of the objectives and functions mentioned above are, no doubt, carried out with varying emphasis and effects, but are not part of an active, comprehensive and integrated policy. As a result, several policies work at cross-purposes and in isolation from each other, often leading to the non-fulfilment of their objectives. Or, some policies have not been effective in their purpose due to the non-realisation of certain preconditions aimed at by other policies. Following are some of the examples of such conflicts and lack of mutual compatibility of policies directly affecting employment and social protection of labour.

One of the most contentious issues in labour market policies in recent years has been the flexibility in adjustment of the workforce in relatively larger enterprises (those employing 100 or more workers) which are required, according to the law, to seek the government's permission for retrenching workers or closing the enterprise. Employers and also some scholars (e.g. Fallon and Lucas, 1991; Besley and Bergess, 2004; Teamlease Services, 2006) have attributed the slow growth and stagnation in employment in the organised manufacturing sector to this provision, arguing that it discourages enterprises from employing more workers because of the lack of freedom to retrench when necessary. This view has also found reflection in official documents (see Planning Commission, 2001a, 2006; and GOI-MoF, 2006). Workers' organisations, on the other hand, feel that job security for those employed should be retained, given the context of slow growth of employment and increasing unemployment.

Therefore, there have been pleas both for and against repealing the provision relating to government permission to retrench. Some scholars have argued that the controversy is dominated by partisan views and not based on a realistic assessment. Studies concluding that the 'restrictive' provision has adversely affected labour adjustment and employment have been found to be methodologically flawed (Bhattacharjea, 2006). In spite of the 'restrictive' provision, restructuring, reduction and retrenchment of the workforce has taken place in enterprises as has expansion in employment in enterprises in certain sub-sectors of industry which experienced an increase in demand. . At the same time, it is irrational to force an employer to continue employing more workers than efficient production requires, but the provision of adequate compensation for retrenchment is necessary. 'Exit' should be made easier, but fair to the workers even if it is somewhat costly to the employer (Papola, 1994; Papola and Pais, 2007). It is thus possible to resolve the policy conflict between flexibility and job security by better appreciation of the complementarity between the goals of employment and efficiency.

Elimination of discrimination, particularly the gender-based discrimination, is another important aspect of labour market policy where a serious gap between accepted principles and reality is seen because the reasons are mostly out of the purview of 'labour policy'. There are ample constitutional and legal provisions to prohibit discrimination in the labour market. In fact, there is provision for positive discrimination by way of reserved quota for women in many government-run programmes. Yet, the fact that women face discrimination in employment is evident from various gender-differentiated outcomes of labour market processes, such as lower labour force participation rates amongst women, lower proportion of women in the workforce, and still lower share in the better paid and secure jobs and lower upward mobility in the jobs they occupy, higher job losses in the wake of restructuring and technological change and lower average earnings in spite of the legal provision for equal wages for equal work (Papola and Sharma, 1999).

It may be argued that most of this constitutes "statistical" discrimination, basically reflecting the supply side variables like smaller number of women entering the labour market and their lower skill and human capital endowment, rather than "real" discrimination in the labour market. An unfavourable position of women in employment, both quantitatively and qualitatively, is a combined result of three levels of discrimination: at the level of the family in investment in their education and training, at the community and society level in discouraging them to enter the labour market, and in the labour market itself resulting from the reservations on the part of the employers on entry and upward mobility of women workers. These three levels of discrimination reinforce each other in producing the final labour market outcomes. Therefore, an active labour market policy needs to integrate action in all the three fronts, education and skill formation, advocacy and action for mainstreaming women's participation in economic activities and strict implementation of laws relating to the elimination of discrimination in employment and wages.

Similar problems are faced in the area of elimination of child labour and, therefore, an integrated approach is needed. Legal provisions for the prohibition of child labour in hazardous industries and regulating it in others exist. The legislation, by itself, however, does not take care of the losses to household income resulting from the withdrawal of child labour and provision of schooling of the children. There are programmes, funded internally as well as through multilateral and bilateral assistance, mostly under the auspices of ILO, to combine the legal economic and educational measures for the elimination of child labour. Results have been encouraging, as found in some recent studies. According to one study (Castle, et al, 2000), the index of child labour with base year 1970 as 100, declined to 93 in 1990 and 80 in

2000. Another study on child labour in the carpet industry found a significant decline in hired child labour, thanks particularly to the effective enforcement of legislative provisions (Sharma et al, 2000 and 2004). Still the challenge is daunting and even the conservative government estimates place the magnitude of child labour at 10 million. It would be desirable not to treat the problem only on the basis of a narrowly defined “labour policy”, often prompted by pressures for compliance of international labour standards (which, by itself, may even prove counterproductive (See CUTS, 2003)), but, instead, as a crucial element of broader social policies on poverty alleviation and universalisation of education.

Special employment programmes to create temporary demand for labour have been an important form of labour market interventions in India. They are, of course, treated as poverty alleviation programmes as they are primarily aimed at supplementing the incomes of poor households through short-term wage employment in public works. These programmes affect demand for labour, keep upward pressure on market wages and help in current poverty alleviation and, therefore, should be treated as an integral part of active labour market policy. Conflicts have often been highlighted between the employment generation and asset creation objectives of these programmes. It is argued that creation of permanent and durable assets requires the use of technologies that employ less labour and thus create smaller amount of employment. On the other hand, if employment creation is the primary objective, the possibility of building usable and durable assets is reduced (Papola and Sharma, 2003). In recent years, efforts have been made to clearly demarcate the programmes with two objectives separately — one stream of programmes aiming at creating rural infrastructure and the other guaranteeing wage work to the rural poor during the idle season to supplement their household incomes. While the former would also result in employment generation of a certain order, the latter “though trying to keep a link with creation of durable assets, seem to primarily imply employment in relief works” (Sundaram and Tendulkar, 2002). A major reason for the poor performance of these programmes in respect of the creation of durable assets has been the compulsion of spending most of the funds on wages, leaving very little for the material necessary for building such assets. This problem seems to have been tackled to some extent in the NREGP by laying special emphasis on works that are very useful but do not require large amount of non-labour inputs. Water conservation and small irrigation works that accounted for over two-thirds of all works undertaken in the programme during its first year (2006-07), (MRD 2007) are examples of such projects.

A major reason why the various policies that affect the labour market and employment work at cross-purposes and do not get fruitfully integrated is that they are framed and implemented by different ministries and agencies, often with different sectoral objectives, and in isolation from each other. It may not be feasible to bring them under a single Ministry or agency; but it is desirable that an apex agency such as a National Employment and Labour Authority is assigned the task of co-ordinating, advising and monitoring the labour market outcomes of different policies framed and implemented by various ministries and agencies. This would also place employment on a higher plane in the social and economic policy agenda.

## 9. Social Protection

As mentioned earlier, a vast majority of the Indian workforce remains unprotected from various risks like sickness, old age, maternity, unemployment and job loss and invalidity, except to the extent they may avail of the services of the general public health system in case of sickness. Social security

provisions in different legislations providing for compensation for disability and death at work, sickness and maternity benefits, separation allowances and old age and terminal benefits are applicable to a small section of workers employed in enterprises in the organised sector. For example, the Employees' State Insurance Act 1948, the most comprehensive social security legislation providing work-related injury and death, sickness, maternity and separation benefits, covered only 7.75 million workers out of the total workforce of about 340 million in 2001 (GOI-MoL, 2003). Some attempts have been made to extend some of these benefits to workers in the unorganised sector and poor households through both social assistance and social insurance. A National Social Assistance Programme was introduced in 1995, providing old age pension, family benefit and maternity benefit to the poor households. A social insurance scheme has been in operation since 2000 providing benefits of insurance cover in the case of death and disability to persons from poor households. It is jointly funded through a Social Security Fund and premium from the beneficiaries on a 50:50 basis. An insurance scheme for agricultural workers providing death and disability benefits was introduced in 2000. In 2001, another Agricultural Labourers Social Security Scheme was started, as a contributory insurance scheme to provide life-cum-accident insurance, money back and old age pension. It was implemented in 50 districts covering 250,000 workers till February 2004, when it was closed due to paucity of funds. The Central Government initiated an Unorganised Sector Workers Social Security Scheme in 2004 providing for old age pension, accident insurance and medical insurance on the basis of tripartite contribution (worker, employer and government). The scheme, having no statutory backing, seems to have been a non-starter as only 3,500 workers were reported as having enrolled till March 2006 (NCEUS, 2006).

There are Central Welfare Funds for workers in some sectors (e.g. beedi workers and cine workers), providing not only medical care, maternity, death and disability benefits but also assistance for housing, education, water supply and other welfare amenities. Various state governments have also instituted Welfare Funds and schemes mostly for certain major occupational groups in the unorganised sector providing social security benefits like medical treatment, pension, death and disability benefits, maternity benefits etc. These schemes are variously funded through the budgetary resources of the state, cesses and levies on the industry of the workers and, sometimes, small contributions from the beneficiaries. There are also schemes initiated and run by non-government organisations (NGOs) like the Self Employed Women's Association (SEWA) providing integrated insurance cover for various risks faced by their members.

It is estimated that 14 per cent of all workers are covered by any social security scheme implemented by the Central or State government or NGOs and have the benefit of protection against one or more of the common risks namely, sickness, maternity, injury, disability, death and old age. All workers in the organised sector except those employed on a non-regular and contract basis enjoy social security cover under different legislative provisions, such as Employees' Provident Fund Act 1952, Employees' State Insurance Act 1948, Workmen's Compensation Act 1923, Maternity Benefit Act 1961, etc. Workers in the unorganised sector do not have benefits of most of these legislative provisions. Taking the Central and State Government legislative and other initiatives and NGO programmes into account, it is estimated that only about 5 to 6 per cent of the unorganised workers, who account for 92 per cent of all workers, have any social security cover (NCEUS, 2006).

From the statements made from time to time by government representatives, including from the level of the highest authority –the Prime Minister — and some initiatives it has already taken, there

appears to be a strong commitment to the goal of providing social protection to all sections of workers. It has asked the NCEUS to examine the issue and recommend ways to extend social security to unorganised workers. The Commission, on its part, has attempted a detailed analysis of the problem and has made specific proposals for a national scheme of minimum social security for all informal sector workers on a statutory basis. It has proposed a legislation that will provide for health benefits to workers and their families, maternity benefit for self or spouse, survivors' benefit in the case of death by accident and provident fund or old age pension. The government is understood to be actively considering to enact a legislation which will incorporate most of these elements of the scheme has been introduced in the Parliament.

In this respect, the following three points need to be considered both from the viewpoint of strengthening the case for universal social protection and improving the feasibility of operationalising it. First, it must be emphasised that social protection should be viewed not only as a welfare measure in terms of the benefits that the workers get, but more importantly, as a means of promoting human development in general and increasing the productivity of work, in particular. In this perspective the society in general and employers in particular should consider expenditure on social protection as investment with high returns. Second, a shift from social assistance to social insurance approach is desirable and could also become increasingly feasible. In other words, contribution from beneficiaries towards funding of a social protection scheme needs to be taken as an essential element of any scheme, at the same time guaranteeing, of course, efficient delivery of benefits, accountability and transparency and participation of beneficiaries in the management of the scheme. The scheme proposed by NCEUS referred above, envisages such contribution with the provision that the government will pay the contribution in the case of workers from below poverty line households and where the employer is not identifiable. Third, while accepting the universal provision of minimum benefits and underlying principles at the macro-level, only a decentralised system of management of different schemes will ensure efficiency and accountability. There should also be room for spatial and sectoral variations in their financing and operations which will be possible only in a decentralised system.

## **10. Occupational Safety and Health**

The synergy between security and productivity is perhaps no stronger in the case of any other measure of social protection than in the case of health. Safe conditions of work not only minimize injuries and sickness but also enthruse workers to work with greater efficiency. While these considerations are universally accepted, provisions for ensuring occupational safety and health are not available to most workers. In India, legislative provisions regulating the conditions of work and workplace to ensure safety and safeguards to prevent occupational diseases are in place in case of factories, boilers, mines and docks, which together account for not more than 10 per cent of the workforce. Provisions for compensation in case of injuries at work and sickness benefits also apply only to workers in these establishments. In spite of a reasonably elaborate institutional set up to enforce the legal provision, health and safety standards maintained even in the establishments covered by these provisions have generally been found to be low. The 1985 accident in the Bhopal plant of chemicals firm Union Carbide, which killed several thousand employees and others and debilitated many more, led to a renewed consciousness about the safety of industrial workers. The Government amended the Factories Act 1948 incorporating several tough provisions relating to hazardous processes. The judiciary, civil society organizations and trade

unions also applied renewed pressure on employers and government for strict enforcement of legal provisions and the right of workers to refuse work in unhealthy and hazardous conditions without adequate safeguards (Thakur, 2001). Legal provisions regulating conditions of work are, however, mostly applied to workers in the organised sector. An analysis of the data, documentation and studies by NCEUS shows that most workers in the unorganised sector work in very poor physical conditions in dingy unhygienic, crowded and poorly lighted and ventilated workplaces. Many of them work in hazardous conditions and processes, but have no adequate safeguards and even first aid facilities available at the workplace (NCEUS, 2007).

As already mentioned, coverage relating to health care of workers is narrow. While medical benefits for regular employees in public sector undertakings are relatively liberal, they are mostly provided under the Employees State Insurance Scheme in the organised private sector. For the workers in the unorganised sector, limited medical care is only available under the general insurance schemes of the companies like the Life Insurance Corporation (LIC) of India and General Insurance Corporation. Provisions for prevention and care of occupational hazards and diseases for these workers are virtually non-existent. But even in the case of sections of workers in the organised sector covered under various legislative acts, the situation is far from satisfactory. According to a survey in 1994, 180,000 workers die and 110 million get injured in occupational accidents, but most of these cases go unreported (Bhat, 1994).

The safety and health of workers thus seems a highly neglected aspect of work in India. While the problems relating to health are general to the entire population and could be taken care of only on the basis of a universal and efficient public health system, those relating to occupational safety, accidents and diseases have to become an essential part of the social security for workers. More effective implementation of the provisions currently available to the public and the organised segment of the large private sector is essential. At the same time, regulation of conditions of work in the unorganised sector needs to be progressively introduced in order to ensure minimum safety, health and labour rights to workers. Here again the NCEUS has made some useful proposals both in respect of conditions to be regulated and the institutional mechanism for implementation and these deserve favourable consideration. It must, in any case, be recognised that the employers have the major responsibility to take care of the needs of the workers in the case of accidents resulting in injury and death at work and occupational diseases. The State, however, will have to play an important role in ensuring that employers meet this responsibility.

## 11. Employability

A part of the problem of employment has always been the result of a mismatch between qualitative aspects of the supply and demand of labour: demand has remained unfulfilled due to non-availability of workers with requisite skills and workers have remained unemployed or underemployed as they have no skills or their skills have no demand. This mismatch seems to have grown in recent years due to fast changes in production technologies and structures to which the skill supply mechanisms and institutions have not been quick enough to respond. The problem is essentially two-fold: a large part of the Indian workforce has no acquired skills and many have skills which are not in demand. Thus a certain part of the labour force does not get employed due to their “unemployability”.

According to the latest available information (NSSO, 61st Round, 2006) overall, 39 per cent of the Indian workforce in the 15 years and above age group is illiterate; another 23 per cent have studied only up to the primary level. Only 22 per cent have secondary and higher level of education; 9 per cent among women and 25 per cent among men workers. In terms of vocational education and skill development through training, it is estimated that in 2000 overall 12 per cent workers had some “marketable skills”, which disaggregated into 10 per cent among rural males and 6 per cent among rural females and 20 per cent among urban males and 11 per cent among urban females. Of those with secondary and higher level education, 15 per cent were unemployed, whereas in the total labour force only 7 per cent were unemployed (Planning Commission 2002a).

The present scenario of human capital content of the Indian workforce consisting of a miniscule number of highly skilled technical manpower — particularly in the hi-tech and IT sectors — at the top and a vast majority of illiterate, uneducated and unskilled workforce at the bottom, prompted an eminent observer recently to characterise the Indian labour market as the “peacock with beautiful feathers and ugly feet” (Chadha, 2004).

Educating the large population, of course, is one of the greatest challenges both in terms of social development in general and human capital formation among workers, in particular. Past efforts in this direction have borne fruit and school enrolment rates have reached 96 per cent for the age-group 6-11 years and 59 per cent in the age group 11-14 years. But the net attendance rates are much lower at 66 per cent and 43 per cent respectively. Drop-out rates are high: at 40 per cent in the primary, 50 per cent in the middle and 66 per cent in the secondary stages of schooling for boys and 42 per cent, 58 per cent and 72 per cent at the three levels, for girls (IAMR, 2002).

The problems lie both at the household and school levels. Poverty often forces households to withdraw children from schools for reasons of both direct and opportunity costs. In addition, schools and the style of instruction are not always attractive for the children. In the case of girls, the familial attitude towards educating them continues to be discriminatory. Thus, concerted efforts are required on all fronts — poverty alleviation, investment in school education to increase access to it by poor families (both in terms of provision and cost of schooling) as well as making schools more attractive and social mobilisation and lobbying for education particularly of the girls. Legislative measures like making education compulsory, as has been done through Constitutional (86th Amendment) Act 2002 are welcome steps. But increasing investment in education, which continues to be around 3 per cent of gross national product (only over the last few years has it approached the figure of 4 per cent) as against 6 per cent of GNP repeatedly proclaimed as the target, is vitally necessary. The ongoing Education for All Campaign, attempts to meet some of these gaps in provisioning and improvements in school education, particularly the gender gap in enrolment at the primary and elementary level of education, by 2010 (MoHRD, 2003).

The country has a large institutional network for vocational education, training and skill development, consisting of polytechnics, Industrial Training Institutes (ITIs) and higher-level technological and engineering institutions. There were 11,399 basic level and over 3,201 higher-level “technical” institutions with an enrolment capacity of 3.1 million as of September 2005 (Mathur and Mamgain, 2002, GOI-MoHRD, 2007). The problems with the vocational and skill training system are found to be two-fold. One, they are not quick to respond to the market demand for skills, so they continue to train people in trades that are not much in demand while they do not have enough capacity to train

workers in emerging skills. Two, they are not found very useful for the vast majority of informal sector workers in need of skill upgradation because of the formal eligibility conditions for entry, requirements of regular, full time attendance and timings of the instructions (Gasskov, et al 2003). As the pattern of skills required by the labour market is rapidly changing and most of the new employment, and, therefore, demand for skills is taking place in the informal sector, the role of vocational training institutions like ITIs in meeting the new demands for skills is becoming marginal (Varma and Sasikumar, 2002). A reorientation and revamping of the existing institutions with a view to making them to respond more effectively and speedily to labour market demands and to introduce flexibility in order to accommodate the needs of informal sector workers is necessary. At the same time, more informal and participatory mechanisms will have also to be found to cater to the skill needs of the informal sector at the decentralised local levels. Mechanisms for trade, occupation and skill specific training at industrial clusters could also be developed through the joint efforts of the local trade and industry associations and workers organisations and the government. Such training could be funded through levies on enterprises and government grants along with a nominal charge from the trainees.

Decentralised and flexible mechanisms for training are necessary also in view of the fact that the formal, centrally governed institutions are not able to cover all the vocations, many of which do not have national or even regional demand, but have significance at the local level. According to one estimate, of a total of about 2,500 vocations for which training is required to acquire necessary skills, less than 20 per cent could be considered as covered by the existing vocational training infrastructure. ITIs cover only a small number, about 70, of these vocational trades (Chandra, 2003).

These gaps and the need to fill them up through various institutional and programmatic mechanisms are well recognised by the government. The Tenth Plan envisages programmes to divert children who have completed eight years of schooling into vocational training, greater interface between industry and training institutions, greater emphasis on vocational training courses in service activities and modernisation and expansion of training courses in fast-expanding sectors like food processing and dairy technology (Planning Commission, 2002c). Two aspects, however, need particular attention and are not yet sufficiently emphasised in policies and programmes. First, a mechanism needs to be set up at different levels — national, regional and local — to continuously assess the emerging skill requirements of the rapidly changing economic and technological scene and reorient the training infrastructure to meet them. Second, it is necessary to develop training systems to meet the skill requirements of the unorganised sector, which is likely to be the main source of new employment opportunities, in highly diverse activities with many common as well as specific skills. These two aspects of skill development for improving employment and productivity represent the greatest challenge for the training system in India, which can be met only through innovative, flexible and decentralised training systems.

## 12. Conclusion

It is evident from our attempt to assess the employment and poverty reduction challenge, strategies and policies in India using the GEA framework, that all the elements of the Agenda have found place in policy debate and action in term of recognising the problems and challenges as well as initiating steps towards meeting them. The degree of attention that each one of them has received has, of course, varied. For example, analysis of the problem and experimentation with different ways of tackling it, have constantly and prominently been attempted in the case of unemployment and employment generation

in quantitative terms. Employment generation as a means of poverty reduction has received wide recognition, but in terms of policies and programmes, greater emphasis has been placed on short-term employment for alleviation of current poverty rather than on productive employment for sustained poverty reduction. Social protection, particularly, in the case of the large mass of unprotected workers in the unorganised sector has recently received special attention; action initiated has, however, been cautious and limited.

Elements like occupational safety and health, environment–employment linkages for sustainable livelihoods, entrepreneurship, promotion of technological change and conscious linking of trade and investment policy with employment, have received very little attention as part of employment strategy. In any case, most elements have been pursued more or less independent of each other, some focusing on employment directly and most of them indirectly. There are, however, a few examples of integration of different dimensions in policies and programmes, the recent initiatives on child labour being one of them. To a certain extent, development of an integrated policy framework has been facilitated by international technical and financial assistance. There are several other areas in which similar international technical and financial assistance could be very useful, such as approaches to the provision of social protection to the unorganised sector workers, capacity building in the area of training for the new skills emerging particularly in the informal sector, and development of mechanisms for intermediation of technology transfer from international sources, large domestic companies and research and development organisations to the small and micro enterprise in the rural non-farm and urban informal sectors.

Overall, the quantitative aspects of the employment goal, the magnitude of the challenge and strategies required to meet them have been extensively analysed, understood and explored. There have been continuous assessments from time to time as to what the quantitative magnitude of unemployment is and what order of new employment opportunities would need to be generated over a period of time to provide employment to all, as well as elaboration of what efforts — in terms of rate and pattern economic growth, policies and programmes — would be needed to meet these requirements. These efforts have also yielded results, though not to the expected extent: employment generated has always fallen far short of the required magnitude and fixed targets. At the same time, it could reasonably be argued that employment generated would have been still lower if these efforts in analysing, targeting and development of strategies and policy initiatives were not made. In sum, it is possible, over a medium term, to achieve quantitative expansion of employment opportunities of the order required to achieve near full employment. The latest assessment, based on the NSSO data for 2004-05, of the employment growth indicates a reversal of the decline in employment growth suggesting the possibility of near achievement of the Tenth Plan target of 50 million employment opportunities.

Employment estimates, however, suffer because of their uni-dimensional approach, in so far as they use only the time criterion, with no regard to productivity and earnings. Thus, a large proportion of the employed are poor and many of them may, in fact, need alternative employment to overcome their poverty. They do not get counted when planners work out employment requirements. The phenomenon of the ‘working poor’ has now been recognised, but they are not yet included in the exercises on employment planning.

The problems relating to the qualitative dimensions of employment, productivity, wages and earnings, conditions of work, social protection and workers’ rights — the essential elements of Decent Work — however, are more serious and are likely to take a long time even with concerted and large

scale efforts to solve them. Such efforts, in any case, are lacking at present, both for the reasons of lack of full recognition of the importance of the qualitative dimensions of employment as well as a lack of commitment and capacity to improve them. The first essential step, therefore, would be to document the status of the qualitative dimensions of work in different sectors and analyse them utilizing the framework like the one provided by the concept of Decent Work. Attempts to estimate deficits of Decent Work, in terms of various indicators covering work opportunities, freedom to choose work, productivity and incomes, equity, security and dignity, as developed by various scholars (e.g. by Anker, et al and Bescond et al and others in ILO, 2003b), would be a useful first step in the direction of working out strategies and programmes for improvement of quality of work in various sectors and activities. To a certain extent, such an exercise for the vast majority of workers in the unorganised sector has recently been carried out (NCEUS, 2007) and can be used for estimating the deficit. On the policy and action front, it also needs to be noted that there has been an increased interest in areas like social protection and renewed emphasis on improving skills and employability of the labour force and quality of work.

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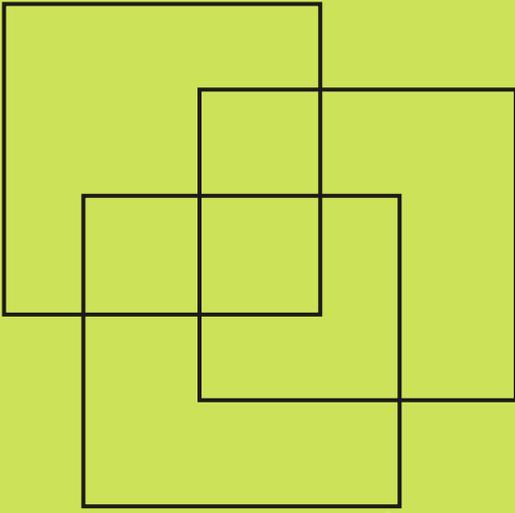
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