

4

Employment Perspective and Labour Policy

4.1. The generation of productive and gainful employment, with decent working conditions, on a sufficient scale to absorb our growing labour force must form a critical element in the strategy for achieving inclusive growth. Past record in this respect is definitely inadequate and the problem is heightened by the fact that the relatively higher rate of growth achieved during the last decade or so is not seen to generate a sufficient volume of good quality employment.

4.2. The Eleventh Plan provides an opportunity to focus on and diagnose the reasons for past failings observed in the employment situation and to reverse at least some of the adverse employment outcomes associated with the pattern of economic growth in the recent past.

WEAKNESSES IN PAST PERFORMANCE

4.3. The basic weakness in our employment performance is the failure of the Indian economy to create a sufficient volume of additional high quality employment to absorb the new entrants into the labour force while also facilitating the absorption of surplus labour that currently exists in the agricultural sector, into higher wage, non-agricultural employment. A successful transition to inclusive growth requires migration of such surplus workers to other areas for productive and gainful employment in the organized or unorganized sector. Women agricultural workers in families where the male head has migrated, also require special attention given the need for credit and other inputs if they are self-employed in agriculture or for wage employment if they do not have land.

4.4. The approach to the Eleventh Plan had identified the following specific weaknesses on the employment front which illustrate the general failing just discussed.

- The rate of unemployment has increased from 6.1% in 1993–94 to 7.3% in 1999–2000, and further to 8.3% in 2004–05.^{1,2}
- Unemployment among agricultural labour households has risen from 9.5% in 1993–94 to 15.3% in 2004–05.
- Under-employment appears to be on the rise, as evident from a widening of the gap between the usual status (us) and the current daily status measures of creation of incremental employment opportunities between the periods 1994 to 2000 and 2000 to 2005 (Annexure 4.1).
- While non-agricultural employment expanded at a robust annual rate of 4.7% during the period 1999–2000 to 2004–05, this growth was largely in the unorganized sector.
- Despite fairly healthy GDP growth, employment in the organized sector actually declined, leading to frustration among the educated youth who have rising expectations.
- Although real wages of casual labour in agriculture continue to rise during 2000–2005, growth has decelerated strongly, as compared to the previous

¹Unless otherwise stated, the employment and unemployment estimates are on 'Current Daily Status' (CDS) basis. See Box 4.1 for other measures of employment which are also relevant.

²Three kinds of estimates for the unemployed are obtained following the three different approaches. See Box 4.1.

quinquennium (1994–2000), almost certainly reflecting poor performance in agriculture. However, over the longer periods 1983 to 1993–94 (period I) and 1993–94 to 2004–05 (Period II), the decline is moderate for rural male agricultural casual labour, from 2.75% to 2.18% per annum.

- Growth of average real wage rates in non-agriculture employment in the period 1999–2000 to 2004–05 has been negligible. Seen over the longer period of two decades (Period I and Period II), the wages have steadily increased at over 2% per annum.
- In respect of entire rural male casual labour, the growth in real wages accelerated from 2.55% (Period I) to 2.78% per annum (Period II) (Annexure 4.6).
- Real wages stagnated or declined even for workers in the organized industry although managerial and technical staff did secure large increase.
- Wage share in the organized industrial sector has halved after the 1980s and is now among the lowest in the world.

4.5. It is only through a massive effort at employment creation, of the right quality, and decent conditions of work for all sections of population and at all locations that a fair redistribution of benefits from growth can be achieved. This indeed is a stupendous task. Alternative policy measures focusing on different sectors and

occupations, and the specific requirements of different target groups are needed to create employment on a sustainable basis.

RECENT EXPERIENCE REVISITED

4.6. The Tenth Plan was framed against the backdrop of concerns that were posed by the employment and unemployment survey in 1999–2000 (NSS 55th Round), which showed very low growth of employment compared with 1993–94. Jobless growth therefore became a key concern and the Plan set a target of creating 50 million new employment opportunities on a current daily status basis. (For a brief description of different concepts of employment see Box 4.1.)

4.7. The results of the most recent 61st Round of NSS for 2004–05 reveal a somewhat better picture of employment growth in the Tenth Plan period than in the previous period. During 1999–2000 to 2004–05, about 47 million work opportunities were created as compared to only 24 million in the previous period 1993–94 to 1999–2000. Further, employment growth accelerated from 1.25% per annum during the period 1993–94 to 1999–2000 to 2.62% per annum during the period 1999–2000 to 2004–05. The annual increase in work opportunities increased from 4.0 million per year in the first period to 9.3 million per annum in the second period (Table 4.1).

Box 4.1

The Three Kinds of Estimates of the Unemployed¹

Unemployment rate is defined as the number of persons unemployed per 1000 persons in the labour force. Three kinds of estimates for the unemployed are obtained following the three different approaches. These are:

- number of persons usually unemployed based on 'usual status' approach,
- number of persons unemployed on an average in a week based on the 'weekly status' and
- number of person-days unemployed on an average during the reference period of seven days preceding the survey.

The first estimate indicates the magnitude of persons unemployed for a relatively longer period during a reference period of 365 days and approximates to an estimate of chronically unemployed. Some of the unemployed on the basis of this criterion might be working in a subsidiary capacity during the reference period. The former is called as the usually unemployed according to the principal status and the latter, the usually unemployed excluding the subsidiary status workers (us adjusted) which admittedly will be lower than the former. The second estimate based on the weekly status gives the average weekly picture during the survey year and includes both chronic unemployment and also the intermittent unemployment, of those categorized as usually unemployed, caused by seasonal fluctuations in the labour market. The third estimate based on the daily status concept gives average level of unemployment on a day during the survey year. It is the most inclusive rate of 'unemployment' capturing the unemployed days of the chronically unemployed, the unemployed days of the usually employed who become intermittently unemployed during the reference week, and the unemployed days of those classified as employed according to the priority criterion of current weekly status.

¹NSSO Report No. 409: Employment and Unemployment in India 1993–94: NSS 50th Round; Chapter 7.

4.8. Despite these positive features, it must also be noted that the labour force also grew faster in the second period. However, the pace of growth in labour force in the second period at 2.84% per annum exceeded the growth in the workforce (employment) of 2.62% per annum, so that the unemployment rate increased from 7.3% in 1999–2000 to 8.3% in 2004–05.

LONG-TERM TRENDS IN EMPLOYMENT SITUATION: 1983 THROUGH 2005

4.9. Some analysts have viewed the 1999–2000 survey as an ‘outlier’ because of the relatively depressed employment situation in that year, and have commented that 1999–2000 was a case of low statistical base, which shows up as high growth of employment in the next period 2000–05. On this view, a better assessment of trends emerges if we compare developments over two relatively longer periods, that is, 1983 to 1993–94 (period I–10.5 years) and 1993–94 to 2004–05 (period II–11 years).

4.10. Table 4.1 presents a comparison of the trends in employment and labour force over a longer period. It is evident that population growth decelerated in Period II as compared with Period I and this led to a deceleration in labour force growth also. However, the growth of the workforce, that is, total employment, also decelerated in Period II. Employment grew more slowly than the labour force in Period II which raised the unemployment rate from 6.1% in 1993–94 to 8.3% in 2004–05. Measured in absolute terms, the average annual increase in employment opportunities during Period II was 6.45 million, which is lower than the annual increase of 7.09 million in Period I.

4.11. The inadequate increase in aggregate employment in Period II is associated with a sharp drop in the pace of creation of work opportunities in agriculture. Agriculture should not be expected to create additional employment but, rather, to reduce the extent of under-employment and thereby increase incomes and wages

TABLE 4.1
Past and Present Scenario on Employment and Unemployment

	1983	1993–94	1999–2000	2004–05	(current daily status basis)			
					1993–94 to 1999–2000	1999–2000 to 2004–05	1983 to 1993–94	1993–94 to 2004–05
	('000 person years)				(% per annum)			
All India								
Population	718101	893676	1005046	1092830	1.98	1.69	2.11	1.85
Labour Force	263824	334197	364878	419647	1.47	2.84	2.28	2.09
Workforce	239489	313931	338194	384909	1.25	2.62	2.61	1.87
Unemployment Rate (%)	9.22	6.06	7.31	8.28				
No. of Unemployed	24335	20266	26684	34738	4.69	5.42	–1.73	5.02
Rural								
Population	546642	658771	728069	779821	1.68	1.38	1.79	1.55
Labour Force	206152	252955	270606	303172	1.13	2.3	1.97	1.66
Workforce	187899	238752	251222	278076	0.85	2.05	2.31	1.40
Unemployment Rate (%)	8.85	5.61	7.16	8.28				
No. of Unemployed	18253	14203	19383	25097	5.32	5.3	–2.36	5.31
Urban								
Population	171459	234905	276977	313009	2.78	2.48	3.04	2.64
Labour Force	57672	81242	94272	116474	2.51	4.32	3.32	3.33
Workforce	51590	75179	86972	106833	2.46	4.2	3.65	3.25
Unemployment Rate (%)	10.55	7.46	7.74	8.28				
No. of Unemployed	6082	6063	7300	9641	3.14	5.72	–0.03	4.31

Note: Estimates both on UPSS basis and CDS basis are given in Annexure 4.1.

of those employed in agriculture while surplus labour shifts to the non-agriculture sector. However, the increase in employment in the non-agricultural sectors was disappointing.

4.12. As shown in Table 4.2, the dependence of the work-force on agriculture and allied sectors declined from 61% in 1993–94 to 52% in 2004–05, that is, a decline of 9 percentage points as compared with a decline of only 4 percentage points in the period 1983 to 1993–94. Thus, work opportunities diversified away from agriculture at a faster pace during the latter period 1993–94 to 2004–05.

4.13. Table 4.3 shows the annual increase in the work-force by category of employment in Period I compared with

Period II. There has been a sustained increase in employment opportunities since 1993–94, although at a slower rate than in the earlier period. A notable feature is the sharp increase in the number of jobs created at regular salaried wage—from 0.98 million per year in Period I to 1.68 million per year in Period II. This is a direct consequence of the step-up in the expansion of the manufacturing and services sectors, as already discussed. However, the pace of opening up of employment opportunities for casual wage labour getting released from the agriculture sector has slowed down sharply in Period II. The annual increase in this category was 2.40 million in Period I but which declined to 0.54 million in Period II (Table 4.3), mainly reflecting the lower absorption in agriculture which was not offset by an expansion in other sectors.

TABLE 4.2
Sector-wise Share of Employment by Current Daily Status

Industry	(CDS basis) (%)				
	1983	1993–94	1999–2000	2004–05	2006–07
Agriculture	65.42	61.03	56.64	52.06	50.19
Mining and Quarrying	0.66	0.78	0.67	0.63	0.61
Manufacturing	11.27	11.10	12.13	12.90	13.33
Electricity, water, etc.	0.34	0.41	0.34	0.35	0.33
Construction	2.56	3.63	4.44	5.57	6.10
Trade, hotel, and restaurant	6.98	8.26	11.20	12.62	13.18
Transport, storage, and comm.	2.88	3.22	4.06	4.61	5.06
Financial, insurance, real estate, and business services	0.78	1.08	1.36	2.00	2.22
Community, social, and personal services	9.10	10.50	9.16	9.24	8.97
Total	100.00	100.00	100.00	100.00	100.00

Note: *Projected.

TABLE 4.3
Annual Increase in Workforce by
Category of Employment

Category of Employment	(CDS basis) (million)	
	1983 to 1993–94	1993–94 to 2004–05
Self-employed	3.71 (52.39)	4.23 (65.57)
Salaried wage	0.98 (13.83)	1.68 (26.02)
Casual wage	2.40 (33.78)	0.54 (8.41)
Workforce	7.09 (100.00)	6.45 (100.00)

Note: Figures in parentheses are percentages.

Source: Derived from data in Annexure 4.3(C).

SECTOR-WISE EMPLOYMENT GENERATION ACHIEVED IN THE TENTH PLAN

4.14. Though the aggregate employment generation of 47 million work opportunities in the period 1999–2000 to 2004–05 was fairly close to the target of 50 million employment opportunities for the Tenth Plan, the performance across sectors has varied (see Table 4.4).

4.15. The achievement with respect to employment creation was short of the Tenth Plan target in the agriculture sector by 0.6 million persons (8.84 million increase against a target of 9.47 million). The increase in the manufacturing sector was short by 3 million persons (8.64 million increase against a target of 11.62 million); in trade, hotel, and restaurants by 0.53 million (10.70 million against a target

TABLE 4.4
Sector-wise Performance and Targets of Employment

(CDS basis)

Sector	Incremental Employment (million)			
	Target (2002–07) (5 years)	Achievement (2000–05) (5 years)	Achievement (1994–2005) (11 years)	Projected (2007–12) (5 years)
Agriculture	9.47	8.84	8.82	0.00
Mining and Quarrying	–0.2	0.17	0.00	0.00
Manufacturing	11.62	8.64	14.84	11.94
Electricity, water, etc.	–0.21	0.18	0.00	0.02
Construction	6.3	6.44	10.05	11.92
Trade, hotel, and restaurant	11.23	10.70	22.67	17.40
Transport, storage, and comm.	5.51	4.04	7.64	9.02
Financial, insurance., real estate, and business services	1.93	3.12	4.31	3.43
Community, social, and personal services	0.49	4.59	2.62	4.34
Total	49.00 {(a)(b)}	46.72	70.98	58.07

Notes: ^a Including 2.87 million contribution from special employment programmes.

^b To create 50 million opportunities, the Tenth Plan envisaged a contribution of 20 million from selective innovative programmes and policies leading to a changed pattern of growth in favour of the labour intensive sectors, over and above 30 million through normal buoyancy from growth.

of 11.23 million); and in transport and communication by 1.47 million (4.04 million against a target of 5.51 million). In contrast, the construction, financial services, and community, social and personal services sectors exceeded the Tenth plan target of employment. In proportional terms, the largest shortfall in employment generation has been in manufacturing.

INFORMALIZATION OF EMPLOYMENT

4.16. A critical issue in assessing employment behaviour of the economy is the growth of employment in the organized sector vis-à-vis the unorganized sector. Public debate on this issue is usually conducted on the basis that unorganized sector employment is generally of low quality while organized sector employment is of high quality, and the focus of attention is on whether employment has increased in the organized sector. The inadequacy of growth in the organized sector has traditionally been illustrated using data on employment by units registered with the Directorate General of Employment and Training, which are typically large units in the organized sector. These data are presented in Table 4.5 below and they clearly show that whereas organized sector employment increased at the annual rate of 1.2% per year in the period 1983–1994, it actually declined at 0.3% per year in the period after 1994.

TABLE 4.5
Growth in Organized Employment

Sector	(% per annum)	
	1983–1994	1994–2005
Public Sector	1.53	–0.70
Private Sector	0.44	0.58
Total Organized	1.20	–0.31

This decline is shown to occur primarily on account of a decline in employment in public sector units. Employment growth in the private sector units has accelerated in the second period but the acceleration is clearly insufficient to offset the decline in public sector employment.

4.17. This issue can be explored further on the basis of data from the NSS employment surveys in 1999–2000 and 2004–05 which distinguish individuals according to type of establishment and also type of labour conditions. Data for the 61st Round³ is presented in Annexures 4.4

³Wage workers among the household members who answered NSSO questions in the 61st Round (2004–05) were asked as to whether the employers provide the following types of benefits to them, and also the method of receiving payment:

and 4.5. The design of enquiry in the two rounds was not identical, and in the 55th Round it was restricted only to the receipt of PF benefits by employees.⁴

4.18. Using this data it is possible to obtain a broad picture of employment growth in three categories of establishments,

that is, private establishments hiring less than 10 workers, private establishments hiring 10 workers or more, and public sector establishments. Within each category, one can distinguish between regular employees, casual employees, and self-employed. Table 4.6 presents data for the set of employees other than those engaged in crop agriculture.

TABLE 4.6
Non-Agricultural Workers by Size and by Ownership of Establishment (Usual Principal Status Basis)

Employment Status by Ownership and by Workers' Size of Enterprise	1999–2000	2004–05	Increase/Decrease (absolute)	Increase/Decrease (%)
	(thousands)			
I. Regular Employees				
Private < 10	24171	27446	3275	13.55
Private > 10	11225	15650	4425	39.42
Public	19760	22042	2283	11.55
Subtotal I–Regular Employees	55155	65138	9983	18.10
II. Casual Employees				
Private < 10	26197	28497	2300	8.78
Private > 10	5083	8075	2992	58.86
Public	943	1102	159	16.86
Subtotal II–Casual Employees	32223	37674	5451	16.92
III Self-Employed				
Private < 10	65514	81535	16021	24.45
Private > 10	1330	1998	668	50.23
Public	145	250	105	72.41
Subtotal III–Self Employed	66989	83783	16794	25.07
All Enterprises and All Employment Status				
Private < 10	115882	137478	21596	18.64
Private > 10	17637	25722	8085	45.84
Public	20848	23394	2547	12.22
Total I–III	154367	186595	32228	20.88

Note: Derived from unit level data of NSS 55th round and 61st round

- (i) Benefits eligible for:
1. Only PF/pension (that is, GPF, CPF, PPF, pension, etc.)
 2. Only gratuity
 3. Only health care and maternity benefits
 4. Only PF/pension and gratuity
 5. Only PF/pension and health care and maternity benefits
 6. Only gratuity and health care and maternity benefits
 7. PF/pension, gratuity, health care, and maternity benefits
 8. Not eligible for any of above social security benefits
- (ii) Method of payment received by the wage workers:
1. Regular monthly salary
 2. Regular weekly payment
 3. Daily payment
 4. Piece rate payment
 5. Others

⁴In the 55th Round (1999–2000), all the usual status workers (note here 'all' includes self-employed workers, too) were asked whether they had the benefit of:

4.19. The picture that emerges is the following:

- Total employment in public sector establishments has increased by 12.2% in the period 1999–2000 to 2004–05.
- Total employment in private sector establishments hiring less than 10 workers has increased by 18.6% in the same period.

1. GPF
2. PPF
3. CPF
4. A combination of the above
5. None of the above

No question was asked on the method of payment to wage workers.

- Total employment in private sector establishments hiring more than 10 workers has increased by as much as 45.8%!

4.20. If we treat employment in establishments hiring more than 10 workers as a measure of organized sector employment, the increase in organized sector employment in the private sector is more than the increase in the private unorganized sector.

4.21. If we limit our focus on regular employees in the larger private sector units, this category shows growth of 39.42%. However, the growth of casual employees in the larger private sector units was even faster at 58.9%.

4.22. The above conclusions emerge from unit level data of the NSS surveys focusing on the distinction between regular and casual employees. However some so-called regular employees do not have the benefits of social security. It is also possible to define organized employment more tightly to limit it to employees who receive provident fund and social security benefits. This has been done by the National Commission for Employment in the Unorganized Sector (NCEUS). As per NCEUS estimates, 20.46 million of the 54.12 million employees working in the organized sector in 1999–2000, were unorganized workers, and the remaining 33.67 million were organized. During the next five-year period, that is, 2000–05, while the number of organized workers by this definition remained constant, the number of unorganized workers in organized enterprises increased by 8.68 million to 29.14 million (Table 4.7).

4.23. The NCEUS data does not correspond with those in Table 4.6 since they include all of agriculture workers

in the unorganized sector. Of the total increase in employment of 61 million on a Usual Principal and Subsidiary Status (UPSS) basis, the increase in the unorganized sector is 52 million and the increase in the organized sector is 9 million. However, while total employment in the organized sector has increased over the period, the increase is entirely on account of what is classified as informal employment in the organized sector, that is, workers who do not have the benefit of provident fund and social security. Whereas employment of this category expanded by over 42%, employment categorized as formal was more or less stagnant.

4.24. To summarize, the recent experience with employment growth presents a mixed picture. If we focus on the most recent period, 1999–2000 to 2004–05, there appears to be an acceleration in employment growth compared with the preceding period which is consistent with expectations, given the acceleration in GDP growth. However, looking at longer term trends, this acceleration in employment growth disappears and in any case the rate of unemployment has increased throughout. Concerns about the quality of employment appear valid although different sources of data are not easily reconciled. However, it does appear that total employment provided by the organized sector has expanded in the period 1999–2000 to 2004–05 and this is entirely because of the growth of informal employment in the organized sector.

4.25. These trends highlight the major challenges of employment in the Eleventh Plan which can be summarized as follows:

- How to ensure faster growth in employment than in the labour force so as to reduce unemployment.

TABLE 4.7
Distribution of Workers by Type of Employment and Sector

Sector	1999–2000			2004–2005		
	Informal	Formal	Total	Informal	Formal	Total
Unorganized Sector	341.28 (99.60)	1.36 (0.40)	342.64 (100)	393.47 (99.64)	1.43 (0.36)	394.90 (100)
Organized Sector	20.46 (37.80)	33.67 (62.20)	54.12 (100)	29.14 (46.58)	33.42 (53.42)	62.57 (100)
Total:	361.74 (91.17)	35.02 (8.83)	396.76 (100)	422.61 (92.38)	34.85 (7.46)	457.46 (100)

Notes: 1. UPSS basis.

2. Figures in bracket indicate percentages.

Source: Estimates by NCEUS.

- How to ensure faster growth in the organized sector than the unorganized sector so that the share of organized sector employment increases.
- How to ensure growth in formal employment in the organized sector and not just the informal employment.

UNEMPLOYMENT AMONG THE YOUNG AND EDUCATED

4.26. Unemployment is typically higher among the youth and the educated who look for better quality of jobs, and this phenomenon is illustrated in Tables 4.8 and 4.9. Table 4.8 shows that unemployment

TABLE 4.8
Unemployment Rate among Youth
(Age Group 15–29 Years)

Year	(%)(CDS basis)			
	Rural Areas		Urban Areas	
	Male	Female	Male	Female
1993–94	9.0	7.6	13.7	21.2
1999–2000	11.1	10.6	14.7	19.1
2004–05	12.0	12.7	13.7	21.5

Source: NSSO Report No. 515(61/10/1)

TABLE 4.9
Unemployment Rates for Persons of Age 15 Years and above by Level of Education on
Current Weekly Status (CWS) Basis

General Level of Education	(%)											
	Rural male			Rural female			Urban male			Urban female		
	1993–94	1999–2000	2004–05	1993–94	1999–2000	2004–05	1993–94	1999–2000	2004–05	1993–94	1999–2000	2004–05
Not literate	1.8	3.0	2.7	2.2	2.7	2.5	2.2	3.1	2.8	2.2	2.0	2.5
Literate and up to primary	1.9	3.0	3.0	2.6	2.6	3.1	3.5	4.1	3.7	4.8	3.6	4.0
Secondary and above	8.3	7.3	6.5	19.8	16.9	18.2	7.0	6.9	6.2	19.6	15.8	17.9
ALL	3.1	3.9	3.8	2.9	3.7	4.2	5.2	5.6	5.2	7.9	7.3	9.0

Source: NSSO Report No. 515(61/10/1).

among the age group 15–29 years for both males and females and in urban and rural areas is significantly higher than the average level of unemployment of all persons.

4.27. CDS measure has been used for analysis of trends in workforce, in keeping with the practice followed in the Tenth Five Year Plan. However this, being a person days measure (that is, a time-based measure), is not amenable, straightaway, to study of person-specific characteristics of the workers. Current weekly and the us measures study the activity status of a person over the reference period (week or the year) (CWS, UPSS, and UPS) and are therefore amenable to study of person-specific characteristics. Hence, in presenting the person-specific features of employed or unemployed persons Current Weekly Status (CWS) or the UPSS measures have been used.

THE EMPLOYMENT SITUATION AMONG THE VULNERABLE GROUPS

4.28. It is useful to distinguish between several different groups who face special difficulties in employment.

(i) Agricultural Labour Households and Casual Labour in Rural Areas

4.29. Out of 460 million workers (UPSS), 94 million earn so little that they are below the poverty line. And if that is the lot of employed workers, the lot of the poor who are unemployed in the labour force must be worse, which is a cause of concern to the planning process.

4.30. The proportion of poor among the workers in the rural areas decreased from 25.2% in 1999–2000 to 20.3% in 2004–05. In urban areas, the incidence of poverty among the workers decreased from 22.29% to 21.22%. Though there is a net decrease by 3.5 million in the number of poor workers during 2000–05, the magnitude of poor workers at 94.3 million in 2004–05 remains very high. The incidence of poverty among the regular wage/salaried workers is much lower (around 11%) as compared to the casual labour (32%) and the self-employed workers (17%). This suggests that all efforts should be made to increase the regular wage/salaried jobs. (Annexure 4.7).

TABLE 4.10
Incidence of Unemployment among
Rural Agricultural Households

Year	(CDS basis) Unemployment Rate (%)
1983	7.73
1993–94	9.50
1999–2000	12.29
2004–05	15.26

4.31. Unemployment among the rural agriculture labour households, which is the single largest segment of the poor labour households, is now 15.3% (Table 4.10). It is possible to infer that the magnitude of poverty among them may have remained the same or even increased.

4.32. There has been a slight deceleration in the growth in wages of rural male casual agricultural labour from 2.75% per annum during 1983–94 to 2.18% per annum during 1994–2005. The fall in the case of females is more steep, from 3.07% per annum to 2.10% per annum (Annexure 4.6).

(ii) Weaker Social Groups: The Scheduled Castes (SCs) and Scheduled Tribes (STs)

4.33. Table 4.11 gives the unemployment rates among SCs vis-à-vis others (excluding SC, ST and OBC) from National Sample Surveys from 1983 (38th Round) to 2004–05 (61st Round). It is pertinent to mention here that for 1983 (38th Round) and 1993–94 (50th Round), there was no separate category of OBC and therefore the category 'others' included OBC also in these two rounds. It may be seen that between 1999–2000 and 2004–05, the unemployment rates for females, SCs as well as others, in both rural and urban areas have increased; by 0.8 percentage point in rural areas and 1.5 percentage point in urban areas. For urban males, unemployment among SCs increased by 0.4 percentage point, whereas among others it declined by 0.8 percentage point during 1999–2000 to 2004–05.

4.34. Table 4.12 presents a comparative picture of unemployment among STs and Others; so far as rural males are concerned, there is no change in unemployment rates between 1999–2000 and 2004–05 for SCs; but for others, the unemployment rate has declined slightly. On the other hand, during the same periods, the unemployment rate for females in rural areas has declined for SCs, and for Others it has increased by 0.8

TABLE 4.11
Unemployment Rate according to Usual Status
(ps+ss)^{1,2,3} for Scheduled Castes during 1983 to 2004–05

	(%)			
	1983	1993–94	1999–2000	2004–05
Rural Areas				
Male	1.2 (1.4)	1.2 (1.4)	1.8 (1.8)	1.7 (1.6)
Female	0.5 (0.7)	0.4 (0.8)	0.6 (1.0)	1.4 (1.8)
Urban Areas				
Male	5.1 (0.7)	4.6 (4.0)	5.1 (4.6)	5.5 (3.8)
Female	2.9 (4.9)	4.4 (6.2)	3.1 (5.4)	4.6 (6.9)

Note: ¹CDS measure has been used for analysis of trends in the work-force, in keeping with the practice followed in the Tenth Five Year Plan. However, this, being a person days measure (that is, a time based measure), is not amenable, straightaway, to the study of person-specific characteristics of the workers. Current weekly and the us measures study the activity status of a person over the reference period (week or the year) (CWS, UPSS, and UPS) and are therefore amenable to the study of person-specific characteristics. Hence, in presenting the person-specific features of employed or unemployed persons, CWS or the UPSS measures have been used.

²CDS estimates are not available from NSS reports. Therefore, UPSS estimates are given in this Table. However it should be noted that these are under-estimates of unemployment because CDS measure is the most comprehensive measure of unemployment and CDS estimates are significantly higher than UPSS estimates.

³Figures in parentheses are the corresponding unemployment rates for others (excluding SC, ST, and OBC).

Source: Report No. 516 (61/10/2), *Employment and Unemployment Situation among Social Groups in India, 2004–05*.

TABLE 4.12
Unemployment Rate according to Usual Status
(ps+ss)^{1,2,3} for Scheduled Tribes during 1983 to 2004–05

	(%)			
	1983	1993–94	1999–2000	2004–05
Rural Areas				
Male	0.5 (1.4)	0.8 (1.4)	1.1 (1.8)	1.1 (1.6)
Female	0.1 (0.7)	0.3 (0.8)	0.5 (1.0)	0.4 (1.8)
Urban Areas				
Male	4.3 (0.7)	4.7 (4.0)	4.4 (4.6)	2.9 (3.8)
Female	1.5 (4.9)	1.7 (6.2)	2.8 (5.4)	3.4 (6.9)

Note: ¹CDS measure has been used for analysis of trends in the work-force, in keeping with the practice followed in the Tenth Five Year Plan. However, this, being a person days measure (that is, a time based measure), is not amenable, straightaway, to the study of person-specific characteristics of the workers. Current weekly and the us measures study the activity status of a person over the reference period (week or the year) (CWS, UPSS, and UPS) and are therefore amenable to the study of person-specific characteristics. Hence, in presenting the person-specific features of employed or unemployed persons, CWS or the UPSS measures have been used.

²CDS estimates are not available from NSS reports. Therefore, UPSS estimates are given in this Table. However it should be noted that these are under-estimates of unemployment because CDS measure is the most comprehensive measure of unemployment and CDS estimates are significantly higher than UPSS estimates.

³Figures in parentheses are the corresponding unemployment rates for others (excluding SC, ST, and OBC).

Source: Report No. 516 (61/10/2), *Employment and Unemployment Situation among Social Groups in India, 2004–05*.

percentage point. In urban areas, the unemployment rate for males in both categories, namely SCs and Others has declined, but for females it has increased.

(iii) The Children at Work

4.35. Estimates from the 61st Round reveal that 5.82 million children (age 5–14 years) work; 1.136 million in urban areas and 4.682 million in rural areas (Table 4.13).

TABLE 4.13
Estimated Number of Children (5–14 Years)
in the Labour Force, Workforce, and Unemployed—
All India (CDS Basis)

Heads	('000)					
	1993–94		1999–2000		2004–05	
	Rural	Urban	Rural	Urban	Rural	Urban
Labour Force	9919	1552	7792	1447	5182	1292
Workforce	9441	1442	7203	1320	4682	1136
Unemployed	479	110	589	127	501	156
Unemployment Rate (%)	4.83	7.08	7.56	8.78	9.66	12.08

4.36. The Child Labour (Prohibition and Regulation) Act, 1986 prohibits employment of children below 14 years in hazardous occupations and processes and regulates the working conditions in other employments. Compliance with the provisions of this Act is the responsibility of Labour Sector of the Plan (Ministry of Labour and Employment). At present, the laws do not prohibit employment of children in non-hazardous occupations but children so employed must have access to education. Against this background, the Eleventh Plan Working Group on Child Labour has estimated that 3.643 million children (5–14 years) were working in the non-agricultural sector, out of which 1.219 million children were engaged in hazardous occupations. Chapter 6 (Volume II) Towards Women's Agency and Child Rights gives the comprehensive approach to deal with the problem of children at work and exposed to other risks.

4.37. The education sector has a pre-eminent role in ensuring that all children in the age group 9–14 years are at school. To the extent this goal of SSA can be ensured (now that there is a fourfold increase, at constant price, in the Eleventh Plan over the Tenth Plan, duly backed by scheme-tied revenue through a Cess), the tendency to utilize child labour at a cheap cost to increase profits from making children work, can be curbed. The

Integrated Child Development Scheme (ICDS), also, has a responsibility with regard to the development of adolescent girls and thus keeping them away from wage employment.

4.38. The focus of efforts to eradicate child labour has to be location specific, confined to those pockets where employers are prone to be exploitative in accessing the cheapest cost labour. High per-capita income locations (metro towns, in particular), destinations of migrant worker families and 'industrial belts', where informal work relationships for labour-intensive occupations thrive, have therefore to be closely monitored through innovative mechanisms that provide intelligence to the enforcement agencies.

4.39. Any expansion of the Child Labour Eradication Plan has to be made only after a careful evaluation of the existing scheme with regard to:

- Its effectiveness in dovetailing SSA and ICDS;
- The ability to involve State administrations which implement the CSS pertaining to the development, education, nutrition, and protection of children;
- A purely Central Plan funded effort should be in the nature of an emergent action over a limited duration at the location, where the local administration are, by ignorance or by design, seem to be aiding the use of cheap child labour for serving the profit motive of the citizens at that location.
- A suitable form of penalization should be imposed in such local and State Governments that seem to be paying only 'lip service' to curb the problem of the use of 'cheap cost child labour'.

(iv) Women Workers

4.40. Women comprise 48.3% of the population but have only 26.1% share in the persons employed. This is presently because their share in the labour force is only 26.4% (Table 4.14). The female labour force participation rates (LFPR) across all age groups are 25 to 30% of the male LFPR in urban areas, and 35 to 40% of male LFPR in the rural areas.

4.41. Along with lower participation rates, women face a higher incidence of unemployment than men. This is especially so for higher levels of education. While the unemployment rates between men and women

TABLE 4.14
Past and Present Macro Scenario on Employment and Unemployment—Male and Female

	(CDS basis)							
	1983	1993–94	1999–2000	2004–05	1993–94 to 1999–2000	1999–2000 to 2004–05	1983 to 1993–94	1993–94 to 2004–05
	('000 person years)				(% per annum)			
All India								
Population	718101	893676	1005046	1092830	1.98	1.69	2.11	1.85
Labour Force	263824	334197	364878	419647	1.47	2.84	2.28	2.09
Workforce	239489	313931	338194	384909	1.25	2.62	2.61	1.87
Unemployment Rate (%)	9.22	6.06	7.31	8.28				
No. of Unemployed	24335	20266	26684	34738	4.69	5.42	-1.73	5.02
Female								
Population	346546	430188	484837	527355	2.01	1.70	2.08	1.87
Labour Force	68011	86728	92859	110886	1.14	3.61	2.34	2.26
Workforce	61218	81151	85952	100491	0.96	3.18	2.72	1.96
Unemployment Rate (%)	9.99	6.43	7.44	9.37				
No. of Unemployed	6793	5578	6907	10395	3.63	8.52	-1.86	5.82
Male								
Population	371556	463488	520209	565475	1.94	1.68	2.13	1.82
Labour Force	195813	247468	272019	308761	1.59	2.57	2.25	2.03
Workforce	178270	232780	252242	284417	1.35	2.43	2.57	1.84
Unemployment Rate (%)	8.96	5.94	7.27	7.88				
No. of Unemployed	17542	14688	19777	24343	5.08	4.24	-1.68	4.70

do not differ much up to the primary level of schooling, unemployment among women educated up to the secondary and higher levels is much higher than among men. In the urban areas, unemployment among young women in the 15–29 years age group is much higher than for men, and is highest among young urban women in the 20–24 years age group where one among every four girls seeking work cannot find it. They are in a especially vulnerable position when they seek entry into the regular wage jobs in the unorganized or even in the private organized sector, in urban areas. This has many implications for our labour policy, particularly the gender sensitive regulations, the social policies and programmes that are designed to promote 'equality' at work.

4.42. A measure of 'underemployment' is the change in activity status of the persons employed, when the reference period for the study of time disposition is reduced from one year (the US measure) to an average day of the past week (CDS measure). Only 66% of rural women who are counted as employed on the US measure,

are seen as employed on the CDS measure, whereas the corresponding proportion for men is higher at 89% (NSS Report No. 515 (61/10/1) (Part I) (September 2006) (Statement 7.2.1). The deceleration in wage rates of casual labour in agriculture between the periods 1994–2000 and 2000–05 has been higher for women (2.93% per annum to 0.93% per annum) than for men (2.79% to 1.21%). Participation in education by girls (15–19 years) in rural areas is only 33% (as compared to 47% for men), and the gender disparity increases sharply in the next age group, that is, 20–24 years. Only 1.3% of young women (15–29 years) in rural areas received formal vocational training. Such features of the labour market for women are reflected in the fact that as much as 21.7% of employed women have consumption levels below poverty line in 2004–05, that is, they are employed yet still poor. This proportion is lower among men—19.9%. (Annexure 4.7).

4.43. The principal reasons for low participation by women in the labour force are:

- Wage rates of women are lower than of male for comparable occupations.
- Women are denied access to certain occupations, though they may be capable of doing that work as well as the men.
- Skill development of women is not uniform across all trades; participation by them remains confined to a few labour-intensive occupations such as stitching, teachers training, etc., which forces a majority of the women to enter the labour market as unskilled labour.

4.44. Whenever equal opportunity has been given to women in recruitments, equality in wage with the men has been ensured, and an equal exposure in training has been given, the participation by women in work has improved. This is illustrated in ample measure in the IT and enabled services sectors and in various other professional services—legal, financial, commercial, education and health.

4.45. In order to promote gender equity, steps have to be taken to increase women's participation in the labour force. This has to be pursued through skill development, labour policies and also the social security framework. Significant outcomes can be expected only if the gender issue is addressed through the planning initiatives across all the 'heads of development' in the Plan, with requisite lead from the 'Women and Child Development' Head. Gender-budgeting has not, so far, received due attention.

4.46. The Eleventh Plan must seek to reduce the gender differentials by pursuing (i) target shares for women beneficiaries in the programmes for 'Skill Development initiatives', 'New initiatives at Social Security', implementation of regulations such as the Apprentices Act, 1961, the Factories Act, the Building and Construction Workers (Conditions of Service) Act, and better implementation of The Maternity Benefit Act, 1976 and The Equal Remuneration Act, 2000, and for guarding against sexual harassment at the work place.

(v) Migrant Workers

4.47. Inter-State population migration rates for the inter-census period (1991–2001) are given in Annexure 4.8. The net out-migrant and in-migrant States are presented in this Annexure. Large absorbers of migrants are the States of Punjab, Haryana, Delhi, Gujarat, Maharashtra, Karnataka and Goa. The large net out-migrant States are

Rajasthan, Uttar Pradesh, Bihar, Assam, West Bengal, Jharkhand, Orissa, Chhattisgarh, Andhra Pradesh, Kerala, and Tamil Nadu. Implicit in these population movements is an origin-destination migration matrix of workers. The numbers shown in the Annexure are inter-decadal and are presumably much smaller than the shorter period movements of migrant workers.

4.48. Migration itself is not an abnormal phenomenon and is common all over the world since growth centres which generate demand for labour often tend to concentrate in certain areas. However, migrant workers are the most vulnerable and exploited among the informal sector workers, and have not received any attention in the labour policy. In the States which are sources (origin) of supply of migrant workers—and most of them migrate to take up some labour-intensive, low-wage occupation—an effective and large-scale effort for vocational training in the labour intensive occupations is required. And such a programme should be amenable to the special needs of the entrants to informal labour markets. In the destination States, the focus of public policy (including Labour Policy) should be to improve the conditions under which the bulk of these in-migrants live and work. And in so far as the destination locations fail to provide certain basic minimum conditions to the new in-migrants, it would be better to restrain economic growth at such locations. In the labour and employment sector, better implementation of certain legislations pertaining to unorganized workers can protect the interests of most of the migrant workers; for example, the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1976; the Building and Other Construction Workers (Cess) Act, 1976; the Workmen's Compensation Act, 1923 and the Minimum Wages Act, 1948. An initiative has been taken recently by the government (in September 2007) with the introduction of 'The Unorganized Workers' Social Security Bill, 2007' in the Rajya Sabha.

(vi) The Self-employed and Casual Wage Employed

4.49. The self-employed and casual wage employed account for 83% of the workforce. About 20–25 million enter the labour force each year. Thus 17–21 million will enter the labour market in the non-regular wage employed category. The only strength of the self and the casual employed is their occupational skill, and the entrepreneurial skill to negotiate the price of labour put

in by them. At present, a majority of the new entrants in this category have little or no education, not to speak of any vocational training. And many of them migrate to new locations, and to new occupations other than their traditional ones. The skill development set up of the government(s) has practically no space for them, at present. The National Skills Mission, discussed in the Chapter 5 on Skill Development and Training could make a major difference by upgrading the skills of new entrants to the informal sector.

EMPLOYMENT PROJECTIONS FOR THE ELEVENTH AND TWELFTH PLANS

4.50. The Approach Paper for the Eleventh Plan had projected an addition of 52 million to labour force in the Plan period and had called for the creation of 70 million employment opportunities. However, the projections of labour growth have been revisited in view of the latest

population projections made available by the National Commission on Population and work done by the Eleventh Plan Working Group on Labour Force and Employment Projections. The projected increase in labour force during the Eleventh Plan period is now estimated at 45 million.

4.51. The employment prospects in the Eleventh Plan period have also been revised and the results are presented in Tables 4.15(A) and (B) with projections of labour force and employment over a longer period, 2006–07 to 2016–17, encompassing both the Eleventh and the Twelfth Plans.

4.52. As shown in Table 4.15(B), population growth is expected to decelerate through this period with a corresponding deceleration in labour force growth to 1.6% per year. However, although the labour force growth is projected to decelerate, the absolute increase in the labour force is very large. In fact, India's demographic profile is

TABLE 4.15(A)
Population, Labour Force, Employment Projections

		1993–94*	2004–05*	2006–07	2011–12	2016–17
						(’000)
Population (age 0+)		893676	1092830	1128313	1207971	1283242
Population (age 15–59)		501760	652940	687120	760110	820570
Labour Force	UPSS	378650	471250	492660	541840	586440
Labour Force	CDS	334197	419647	438948	483659	524057
Employment Opportunities	CDS	313931	384909	402238	460310	51820
Unemployed (’000)	CDS	20266	34738	36710	23348	5853
Unemployment Rate (%)	CDS	6.06	8.28	8.36	4.83	1.12

Note: * Actual estimates derived from NSS.

TABLE 4.15(B)
Projected Population, Labour Force, and Employment in Different Periods

	Basis	Growth rates (% per annum) and absolute increase (’000)			
		1993–94 to 2004–05*	2004–05 to 2006–07	2006–07 to 2011–12	2011–12 to 2016–17
Growth Rate in Population (age 0+)		1.85	1.43	1.37	1.22
Growth Rate in Population (age 15–59)		2.42	2.29	2.04	1.54
Growth Rate in Labour Force	UPSS	2.01	1.99	1.92	1.59
Growth Rate in Labour Force	CDS	2.09	2.02	1.96	1.62
Growth Rate in Employment Opportunities	CDS	1.87	1.98	2.73	2.40
Addition to Population (’000)	UPSS	199154	35483	79658	75271
Addition to Labour Force (’000)	UPSS	92600	21410	49180	44600
Addition to Labour Force (’000)	CDS	85450	19301	44711	40398
Addition to Employment Opportunities (’000)	CDS	70978	17330	58072	57893

Note: * Actual estimates derived from NSS.

such that the expansion in the labour force in India will be larger than in the industrialized countries, and even China. As discussed in Chapter 5, the demographic dividend could be a source of global competitive advantage if it is combined with successful efforts at skill upgradation and at expansion of employment opportunities.

4.53. The growth of total employment over the period has been estimated on the basis of employment projections for individual sectors which are then aggregated. These sectoral employment projections are based on sectoral GDP growth rates combined with assumptions about employment elasticity moderated by the implicit growth of productivity (see Annexure 4.2). The resulting projections indicate that 58 million job opportunities will be created in the Eleventh Plan period which exceeds the projected addition to the labour force, leading to a reduction in the unemployment rate to below 5%.

4.54. Over the longer period up to 2016–17, spanning the Eleventh and Twelfth Plan periods, the additional employment opportunities created are estimated at 116 million as compared to 71 million during the 11-year period from 1993–94 to 2004–05 (Table 4.16). Since the labour force will increase by 85 million in this period, a substantial part of the surplus of labour force that exists at the commencement of the Eleventh Plan could get absorbed into gainful employment by the end of the period. The unemployment rate at the end of the Twelfth Plan period is projected to fall to a little over 1%.

4.55. There are important qualifications to these projections which must be kept in mind, arising from the limitation of employment elasticity as a projection tool. The concept of employment elasticity is at best a mechanical device to project employment on the basis of projected growth of output and past relationships between employment and output. These relationships can change as a result of changing technology and change in real wages. The labour force participation rate is also subject to changes, especially because of possible changes in female participation rates in urban areas associated with advances in women's education. For all these reasons, the projected decline in the unemployment rate must be treated with caution. It could well be that the projected increase in labour demand induces greater labour supply through an increase in participation rates and also higher wages which moderate demand. However, the overall picture of an acceleration in the rate of creation of job opportunities and a reduction in unemployment rates is relatively robust, if GDP growth takes place as projected.

SECTORAL EMPLOYMENT PROJECTIONS

4.56. The projected growth of employment in the Eleventh Plan and beyond is decomposed into its sectoral components in Table 4.16.

AGRICULTURE EMPLOYMENT

4.57. The agriculture sector has long been known to be characterized by underemployment, which means that with the same number of workers it is possible to generate

TABLE 4.16
Projected Increase in Number of Workers by Sector, 2007–12 and 2007–17

Industry	(CDS) ('000)			
	Estimated		Projected	
	1983 to 1993–94 (10 ¹ / ₂ Years)	1993–94 to 2004–05 (11 Years)	2006–07 to 2011–12 (5 Years)	2006–07 to 2016–17 (10 Years)
Agriculture	34900	8816	0	–3967
Mining and Quarrying	855	3	1	3
Manufacturing	7850	14834	11937	24516
Electricity, water, etc.	487	30	17	36
Construction	5260	10052	11922	26370
Trade, hotel, and restaurant	9190	22667	17397	34402
Transport, storage, and communication	3213	7639	9025	18764
Finance, insurance, real estate, and business services	1524	4312	3428	7472
Community, social, and personal services	11163	2624	4344	8369
Total	74442	70978	58072	115965

more output. The projection for the Eleventh Plan assumes that the projected doubling of the rate of agricultural growth during the Eleventh Plan will be possible without any increase in agricultural employment. Whereas agriculture contributed 8.8 million job opportunities in the 11-year period from 1993–94 to 2004–05, it is projected to contribute no increase in the Eleventh Plan and a net decrease of 4 million agricultural workers over the Twelfth Plan period (2006–07 to 2016–17). This is a reasonable projection considering that the number of main workers in agriculture declined by about 1.8 crore between 1991 and 2001 and there has been a large increase in marginal workers in agriculture during 1991–2001. Rising wage differentials between the agriculture and non-agriculture sectors are also very likely to shift labour out of agriculture, and the continued growth into the Twelfth Plan period would provide sufficient pull factor from non-agriculture to encourage such a shift.

4.58. An alternative projection of agricultural employment has also been made, applying the actual employment elasticity (0.15) observed during 1993–94 to 2004–05 to the projected growth of output over the perspective period (2007–2017). This gives an estimate of employment in agriculture for 2011–12, that is, about 9 million more than in Table 4.16. In this projection there is positive growth of employment in agriculture at 0.6% per year and productivity growth is correspondingly lower at 3.4% per annum. In this scenario, employment increase would be 9 million more, with unemployment correspondingly less at only 14 million in 2011–12. However, this would be at the cost of lower productivity growth and, therefore, wages and incomes in agriculture and a larger proportion of low quality jobs.

4.59. During the 11-year period 1994–2005, the pace of increase in per worker GDP in agriculture was only 2.24% per annum as compared to 4.35% per annum growth in aggregate GDP per worker. (Annexure 4.2). During the Eleventh Plan, also, the pace of productivity increase being projected is lower for agriculture than for the aggregate economy, irrespective of the scenario regarding employment growth in agriculture. Since the main employment issue in the agriculture sector is the increase in farm labour income, and not the creation of a larger number of employed workers, it would be appropriate to work towards a strategy in which there is higher growth in non-services employment opportunities in

rural areas which can provide additional income for the rural workforce by providing additional non-agricultural employment.

EMPLOYMENT IN MANUFACTURING, CONSTRUCTION, AND SERVICES

4.60. The Eleventh Plan should aim at significantly stepping up growth in employment in other sectors, countering the long-term trends observed in the past. Employment in manufacturing should grow at 4% per annum against the trend of growth in the preceding 11 years (1994–2005) of 3.3% per annum. Employment in construction should grow at 8.2% per annum against the trend of 5.9% growth, and in the transport and communication sector at 7.6% against the long-term trend of 5.3%.

4.61. These growth rates in employment in individual sectors are achievable provided they are supported by programmes for skill development, which will ensure availability of the relevant skills without which the growth of employment will probably choke. It is also necessary to ensure a wider provision of social security and welfare of unorganized workers, particularly in sectors such as construction and transport. Initiatives for these areas are elaborated in the Chapters on ‘Skill Development and Training’ and ‘Nutrition and Social Safety Net’.

4.62. The sectors with prospects for high growth in output, creation of new establishments and for creation of new employment opportunities (direct as also indirect) are:

Services

- IT-enabled Services
- Telecom Services
- Tourism
- Transport Services
- Health Care
- Education and Training
- Real Estate and Ownership of Dwellings
- Banking and Financial Services
- Insurance
- Retail Services
- Media and Entertainment Services

Other Sectors and Sub-Sectors

- Energy-Production, Distribution and Consumption of Horticulture

- Floriculture
- Construction of Buildings
- Infrastructure Projects Construction

Industry Groups

- Automotive
- Food Products
- Chemical Products
- Basic Metals
- Non-Metallic Mineral Products
- Plastic and Plastic Processing Industry
- Leather
- Rubber and Rubber Products
- Wood and Bamboo Products
- Gems and Jewellery
- Handicrafts
- Handlooms
- Khadi and Village Industries

The Services Sector

4.63. The services sector is currently the fastest growing sector of the economy, and employment growth in the sector has remained more than 5% per annum since the 1990s as compared with the aggregate employment growth at less than 2%. This sector has the unique opportunity to grow due to its labour cost advantage, reflecting one of the lowest salary and wage levels in the world coupled with a rising share of working age population. However, two types of initiatives are required: (i) fostering the establishment of a viable size for delivery of services based on labour intensive occupations. Only in establishments of a reasonable size (in contrast to the average enterprise size of 1.2 workers, as it exists today), with a reasonable level of occupational specialization and corresponding productivity and wage levels, is this feasible; and (ii) a massive skill development effort, as discussed later, for vocational training of the new entrants to the labour force.

4.64. Planning initiatives in health, nutrition, care of children, care of the aged, education, skill development and expansion of social security services will create a large potential for employment for delivery of these services. Quantum jumps in the requirement of personnel, their skill and in their composition—by gender, by social group and by location in favour of the backward regions—will arise from:

- A massive increase in Central funding of education which is a four fold increase over the Tenth Plan in constant price;
- Emphasis on the next phase of SSA on improvement in the quality of education;
- Reaching these services to the districts having a concentration of SC, ST, and minorities;
- Rapid expansion in the mid-day meal (MDM) scheme to cover 60 million additional children at the upper primary level by 2008–09; and
- Enrolling one crore children in vocational education—skill development streams.

4.65. Already, a substantial increase in the number of teachers has been made, which will continue further. During the three-year period of 2002–03 to 2005–06, 0.285 million para teachers were recruited, of which 0.27 million are in the rural areas (NUEPA; *Progress Towards UEE—Analytical Report 2005–06*; Table E 20). And much of this expansion has occurred in the low per capita income States of Bihar, Madhya Pradesh, Chhattisgarh, Rajasthan, and Uttar Pradesh. Further, the expansion of mid-day meals programme, will require a substantial step up in the personnel required for delivery of such services.

4.66. The Central Government has recently announced an expansion in social security services such as: (i) Old age pension to all citizens, (ii) Life and disability cover against injury or death to either the head of, or to one earning member of each poor family; and (iii) Health insurance, so that the poor do not have to bear a high cost of medical care. These would require a commensurate expansion in the requirement of a variety of professionally trained and skilled personnel by the institutions that (i) cover risk; (ii) identify, issue and update the identity of the beneficiaries (smart cards); (iii) design specific schemes for the target groups and market the same; (iv) render medical services; or (v) reach out to the prospective beneficiaries. Most of the beneficiaries of the new Central initiatives would be the aged, the poor and the landless, and thus vulnerable to vagaries of the market. The institutional base that exists at present for delivery of the kinds of services, discussed here, is quite insensitive to the special needs of the prospective beneficiaries, and breeds ‘exclusion’. While the beneficiaries could be (and should be) expected to make a contribution, howsoever small, to participate in the scheme, the personnel that are

hired for rendering these services have to be trained to reach out to the prospective beneficiaries, in a manner that is responsible and transparent, and thus evokes her/his confidence to participate in the scheme. Moreover, some token contribution to become a member of the scheme is essential to empower these beneficiaries to lay a claim to the services that especially allocated funds by the Central Government for their benefit.

(i) EXPANSION OF IT SERVICES IN RURAL AREAS

4.67. Village kiosks will require expansion of IT personnel deployment across the rural areas of the country, in particular to facilitate the expansion of an IT enabled governance set-up. Such improvements are essential for keeping pace with the demand for public services that will guide the diversification of the economy away from agriculture and towards the secondary and tertiary sectors, duly supported by: (i) investments in industrial infrastructure, (ii) creation of institutional infrastructure in the rural areas, and (iii) for fostering integration of rural markets with the rest of the economy. These would require manifold expansion in a variety of matching services to be delivered by the local governments and by the village Panchayats, and that would be feasible only if the governance set-up at the local level is overhauled and handled in an IT-friendly mode.

(ii) PERSONAL SERVICES

4.68. The increase in the income of middle-class households in the high growth phase entails a spurt in consumption of personal services related to attire, appearance, baby care, health upkeep, personal drivers, security, care for the aged dependents, household governance and management, and so on. And such personal services have to be delivered by professionally trained, hired personnel of formal establishments, quite distinct from the earlier one-person operations. But in this area, a major effort at nurturing the right type of serving establishments at reasonable fees, training and certification of their personnel who can earn a reasonable income and thereby keep themselves above exploitation by the well off and informal employers, by way of access to the social security arrangements, is required. So far, services of a reasonable standard have by and large remained confined to the few who have a very high level of personal income, leaving the average urban consumer of such services to the vagaries of a market driven by 'short-life', one or two-person establishments, thriving

on profits from cheap and untrained young in-migrants to high-income locations. The local administrations, including the labour administrations, have not handled the issue in a labour–employment–income perspective, and have generally ignored the problems arising due to the law and order enforcement agencies.

EMPLOYMENT AND LABOUR POLICY

4.69. The employment strategy for the Eleventh Plan must ensure rapid growth of employment while also ensuring an improvement in the quality of employment. While self employment will remain an important employment category in the foreseeable future—it accounted for 58% of all employment in 2004–05—there is need to increase the share of regular employees in total employment. As shown in Annexure 4.3(C), this category has increased from 17% of total employment in 1983 to 18% in 2004–05. It should be the focus of policy to achieve a substantial increase in the share of regular employment with a matching reduction in the share of casual employment which at present is as high as 23%.

4.70. The above analysis implies that the success of labour policy should be seen in terms of the number of regular wage employment opportunities based on some form of a written contract between the employer and the employee, that is, an increase in the number of 'formal' jobs. The potential for creation of formal employment can be fully utilized by making appropriate changes in rules and procedures. It is often said that one of the obstacles to growth of formal employment in the organized sector is the prevalence of excessively rigid labour laws which discourage such employment. Steps that should be taken for a greater flexibility in labour laws are discussed in the Chapter on Industry. Broadly, it is necessary to review existing laws and regulations with a view to making changes which would:

- encourage the corporate sector to move into more labour-intensive sectors
- facilitate the expansion of employment and output of the unorganized enterprises that operate in the labour-intensive sectors.

4.71. At present, the incentives and subsidies are so designed as to strongly penalize entrepreneurs for crossing a threshold size from a micro/small to a medium/

large unit. The excise and other taxation policies need to be reviewed in this perspective.

4.72. Changes in policies also need to be examined in regard to:

- Linking incentives with the outcomes measured in terms of employment. For example, incentives are given to a wide range of production activities primarily with the objective of promoting employment and income of workers engaged in such activities. However, such incentives are hardly ever calibrated against the benefits realized in terms of employment and wages.
- Regular wage employment, that is, formal employment, merits fiscal incentives. Such incentives already exist at a limited scale for the larger establishments, but are so designed as to make it difficult for medium and small establishments to benefit from these.

4.73. Changing labour laws is a sensitive issue and it is necessary to build a consensus. However, there are several changes short of hire and fire which should not present problems. These include:

- The locations and production activities that have a high potential for employment creation merit a differential treatment.
- Employment of women must be encouraged ensuring, inter alia, the special needs that they may have by virtue of change in working hours (night shifts, for example) or the requirements of the family, for example, child care.
- Contract labour in the domestic tariff area merits encouragement, provided commensurate steps are taken to increase social security
- Monitoring the implementation of labour laws, that is, the reporting system should be simplified and be permitted in an IT-friendly mode.

4.74. Even as steps are taken to increase the volume of formal or regular employment, it is also necessary to take steps to improve the quality of employment in the unorganized sector. NCEUS in its August 2007 Report has summarized, in the form of a 13-point Action Programme, the main recommendations for the workers of Enterprises in the Unorganized/Informal Sector. These are presented in Box 4.2.

4.75. Unorganized sector enterprises mostly hire most workers who get released, or relocated, from crop agriculture (due to the reasons discussed earlier), and seek wage employment in the manufacturing or services sector. Any significant improvement in their income, and quality of employment, is feasible only if the institutional environment in the labour market makes it feasible for the formal sector to reach out to such workers on a decentralized basis rather than through a centralized plan programme. The large coverage (in terms of absolute numbers) through Provident Fund (43 million), Employee State Insurance (33.0 million) a variety of welfare funds (5.0 million), for *beedi* workers, for example) has been possible because the institutional framework created through the various Acts⁵ (P.F., E.S.I., Beedi Workers Welfare Fund, etc.) recognized a relationship of those employed on regular wage, with either the employer, or the specific formal commodity market that provides work to (that is, absorbs the output of labour put in by) the unorganized enterprises' workers.

4.76. As already argued, the creation of a formal relationship between the worker and the hiring establishment, in the regular wage employment mode, is a critical factor in improving the quality of employment of the workers hired by the unorganized enterprises. In this context, the work being done by NCEUS⁶ on: (i) the 'employment strategy' to be pursued in respect of, and through the, unorganized enterprises, (ii) the regime of labour regulations to attract the unorganized enterprise to give a formal recognition to the multitudes of workers hired by them, and (iii) to enable them to gain access to 'social security', is of paramount importance.

⁵Of course, many of these organizations have to reorient their pattern of working to the new realities of the market for wage labour in which the role of public sector is diminishing and the average number of workers hired by the private enterprises is reducing consequent upon changes in technology leading to improvement in the productivity of labour.

⁶The relevant terms of reference of NCEUS are:

- Suggest elements of an employment strategy focusing on the informal sector;
- Review Indian labour laws, consistent with labour rights, and with the requirements of expanding growth of industry and services, particularly in the informal sector, and improving productivity and competitiveness; and
- Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage.

Box 4.2

A Thirteen Point Action Plan Suggested by the NCEUS for Employment in the Unorganized Sector

A. Protective Measures for Workers

1. *Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors:*
Two bills, for agricultural workers and non-agricultural workers, that specify the minimum conditions of work, including a statutory national minimum wage for all workers
2. *Minimum Level of Social Security:*
A universal national minimum social security scheme, as part of a comprehensive legislation covering life, health and disability, maternity and old age pension to protect the workers in the unorganized sectors.

B. Package of Measures for the Marginal and Small Farmers

3. *Special Programme for Marginal and Small Farmer:*
Revival of the targeted programme focusing on small and minor farmers, with an initial thrust in the areas wherein the existing yield gap is also considered high. A special agency or a coordinating mechanism should be set up if required.
4. *Emphasis on Accelerated Land and Water Management:*
Immediate priority to, and significant up-scaling of, programmes for land and water management.
Revision of the priority sector lending policy to provide a quota for micro and small enterprises.
5. *Credit for Marginal/Small Farmers:*
RBI to monitor, separately, credit to this segment, expansion in the outreach of credit institutions in rural areas and a credit guarantee fund to obviate the need for collateral by the marginal/small farmers in accessing the institutional credits. A 10% share for small and marginal farmers in the priority sector credit (Table below)
6. *Farmers' Debt Relief Commission:*
The Central government to lay guidelines and provide 75:25 assistance for setting up State-level Farmers' Debt Relief Commissions, in the States experiencing agrarian distress—natural or market related.

C. Measures to Improve Growth of the Non-agricultural Sector

7. *Improve Credit Flow to the Non-agricultural Sector:*

Percent	Sector and Sub-Sector/Purpose
18	10% for small and marginal farmers; 8% for other farmers
10	4% for micro enterprises with capital investment (other than land and building) up to Rs 0.5 million and 6% for other micro and small enterprises
12	12% on loans up to Rs 0.5 million to the socio-economically weaker sections for housing, education, professions, and so on.
40	Total priority sectors lending

8. *Encouraging SHGs and MFIs for Livelihood Promotion:*
Measures to encourage growth of micro finance and SHGs in poor States and in the backward areas
9. *Creation of a National Fund (NAFUS):*
Rs 5000 crore initial corpus for an exclusive statutory agency to take care of requirements of micro and small enterprises in agriculture and non-agriculture sectors that are presently not reached by SIDBI and NABARD.
10. *Up-scaling Cluster Development through Growth Poles:*
Twenty-five growth poles in the traditional industries clusters with incentives at par with SEZs

D. Measures to Expand Employment and Improve Employability

11. *Expand Employment through Strengthening Self-employment Programmes:*
Rationalization and strengthening of the four major self-employment generation programmes with 5 million annual employment generation target.
12. *Universalize and Strengthen National Rural Employment Guarantee Act (NREGA):*
Extension of NREGA Programmes to all districts.
13. *Increase Employability through Skill Development:*
On-job-training cum employment-assurance programme to provide incentive of Rs 5000 per person to any employer willing to provide one-year training on job skill enhancement.

ANNEXURE 4.1
Population, Labour Force, Employment, and Unemployment (1993–94 to 2016–17)

Status	Estimated			Projected		
	1993–94	1999–2000	2004–05	2006–07	2011–12	2016–17
(million)						
Population						
Age 0+	893.68	1005.05	1092.83	1128.31	1207.97	1283.24
Age 15–59	501.76	572.23	652.94	687.12	760.11	820.57
Labour Force						
UPSS						
Age 0+	378.65	408.35	471.25	492.66	541.84	586.44
Age 15–59	337.71	369.22	431.95	451.70	496.65	535.20
CDS						
Age 0+	334.20	364.88	419.65	438.95	483.66	524.06
Age 15–59	298.95	330.78	385.87	403.75	444.72	479.70
Employment						
UPSS						
Age 0+	371.12	398.93	459.72			
Age 15–59	330.34	360.04	420.74			
CDS						
Age 0+	313.93	338.19	384.91	402.24	460.31	518.20
Age 15–59	279.88	305.70	352.92			
Unemployed						
UPSS						
Age 0+	7.53	9.41	11.53			
Age 15–59	7.37	9.17	11.21			
CDS						
Age 0+	20.27	26.69	34.74	36.71	23.35	5.86
Age 15–59	19.07	25.08	32.95			
Unemployment rate (%)						
UPSS						
Age 0+	1.99	2.30	2.45			
Age 15–59	2.18	2.48	2.60			
CDS						
Age 0+	6.06	7.31	8.28	8.36	4.83	1.12
Age 15–59	6.38	7.58	8.54			

ANNEXURE 4.2
Annual Growth Rate of GDP per Worker

(%)

Industry	1983 to 1993–94	1993–94 to 2004–05	2006–07 to 2016–17
1. Agriculture	1.03	2.24	4.57
2. Mining and Quarrying	1.66	4.95	5.64
3. Manufacturing	2.29	3.31	7.27
4. Electricity, gas and water supply	3.70	5.46	7.51
5. Construction	–1.43	1.45	5.56
6. Trade, hotels and restaurants	1.06	2.69	5.68
7. Transport, storage and communication	2.06	4.94	9.77
8. Finance, insurance, real estate and business services	2.79	–0.40	4.26
9. Community, social and personal services	1.57	5.90	6.11
Total	2.29	4.35	7.82

ANNEXURE 4.3(A)
Percentage Distribution of Employed Persons by Category of Employment (CDS)—Rural India

('000)

Category	Male				Female				Persons			
	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05
Self-Employed	64.62	62.50	59.83	62.91	61.81	60.91	59.51	66.51	63.83	62.05	59.74	63.95
Regular Employees	11.50	9.52	10.25	10.25	4.45	4.55	4.88	5.12	9.52	8.10	8.72	8.76
Casual Labour	23.89	27.92	29.92	26.84	33.74	34.55	35.61	28.37	26.65	29.85	31.53	27.29
All	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Estimated Number of Workers ('000)	135203	170677	179866	197391	52695	68075	71357	80685	187898	238752	251223	278076

Note: Derived from NSS reports on employment and unemployment situation in India.

ANNEXURE 4.3(B)
Percentage Distribution of Employed Persons by Category of Employment (CDS)—Urban India

('000)

Category	Male				Female				Persons			
	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05
Self-Employed	40.96	42.57	42.24	45.86	39.09	40.83	41.07	43.94	40.66	42.27	42.05	45.50
Regular Employees	46.68	43.78	43.47	42.39	35.72	36.67	40.18	43.18	44.87	42.54	42.92	42.54
Casual Labour	12.35	13.65	14.29	11.75	25.19	22.50	18.75	12.88	14.47	15.19	15.03	11.96
All	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Estimated Number of Workers ('000)	43067	62103	72376	87027	8523	13076	14595	19806	51590	75179	86971	106833

Note: Derived from NSS reports on employment and unemployment situation in India.

ANNEXURE 4.3(C)
Percentage Distribution of Employed Persons by Category of Employment (CDS)—All India

Category	('000)											
	Male				Female				Persons			
	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05	1983	1993–94	1999–2000	2004–05
Self-Employed	58.91	57.18	54.79	57.69	58.64	57.67	56.38	62.06	58.84	57.31	55.19	58.83
Regular Employees	20.00	18.66	19.78	20.08	8.81	9.72	10.87	12.62	17.14	16.35	17.52	18.13
Casual Labour	21.10	24.16	25.43	22.22	32.55	32.60	32.75	25.32	24.03	26.34	27.29	23.03
All	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Estimated Number of Workers ('000)	178270	232780	252242	284418	61218	81151	85952	100491	239488	313931	338194	384909

Note: Derived from NSS reports on employment and unemployment situation in India.

ANNEXURE 4.4
Conditions of Employment of Regular Wage/Salaried Workers—2004–05

Condition of Employment	(per 1000) (UPSS basis)		
	Rural	Urban	All
No written job contract	592	592	592
Not eligible for Paid Leave	480	455	464
Neither written job contract nor eligible for paid leave	712	549	630
Not eligible for Social Security Benefit ¹	569	535	547
Paid a Monthly Salary	857	900	884
Non-existence of Union/Associations	513	541	531
Sample Workers	17033	26385	43418

Source: Derived from NSS 61st round (2004–05).

¹Coverage under any of the Schemes-Provident Fund, PPF with employer contribution, Gratuity, Health care and Maternity benefits.

ANNEXURE 4.5
Distribution of Regular Wage/Salaried Workers by Type of Enterprise

Type of Enterprise	Distribution of Workers
Proprietary	378
Partnership	45
Employer household	49
Subtotal	472
Govt./Public sector	333
Public/Pvt.Ltd. Co.	127
Society/Trust	38
Subtotal	498
Others	18
N.R.	12
All	1000
Sample persons	43418

Source: Table 1, Appendix A, of NSS Report of 61st Round, No. 519.

ANNEXURE 4.6
Growth of Average Daily Wage Earnings in Rural India (at 1993–94 price)

(% per annum)

Category	Rural Male				Rural Female			
	1983 to 1993–94	1993–94 to 2004–05	1993–94 to 1999–2000	1999–2000 to 2004–2005	1983 to 1993–94	1993–94 to 2004–05	1993–94 to 1999–2000	1999–2000 to 2004–2005
Casual Labour in Public Works	2.28	3.81	3.83	3.15	4.10	3.83	5.03	2.01
Casual Labour in Agriculture	2.75	2.18	2.79	1.21	3.07	2.10	2.93	0.93
Casual Labour in Non Agriculture	2.38	2.34	3.69	0.62	4.08	3.47	5.06	1.32
Casual Labour in all Activities	2.55	2.78	3.59	1.51	3.13	2.40	3.19	1.21

ANNEXURE 4.7
The Working Poor in India by their Gender, Location, and Category of Employment, 1999–2000 and 2004–05

('000)

Population Segment	1999–2000				2004–05			
	Self Employed	Regular Wage/Salaried	Casual Labour	Total	Self Employed	Regular Wage/Salaried	Casual Labour	Total
Rural Persons	32762 (19.39)	2457 (11.62)	41466 (36.34)	76686 (25.21)	33139 (16.08)	2273 (9.30)	34125 (30.34)	69537 (20.27)
Urban Persons	9387 (23.60)	4201 (11.10)	7531 (43.96)	21120 (22.29)	12141 (22.87)	5302 (11.49)	7321 (41.90)	24765 (21.22)
All Males	27728 (19.68)	5545 (11.18)	31602 (36.77)	64875 (23.47)	29135 (17.17)	5863 (10.24)	27388 (31.85)	62386 (19.94)
All Females	14421 (21.27)	1114 (11.84)	17396 (38.41)	32931 (26.88)	16145 (18.03)	1713 (12.83)	14058 (31.99)	31916 (21.74)
All Persons	42150 (20.19)	6658 (11.29)	48998 (37.34)	97806 (24.52)	45280 (17.47)	7576 (10.73)	41446 (31.90)	94302 (20.51)

Notes: 1. Figures in brackets are the proportion of Poor workers to total workers in that category.
 2. UPSS basis.

ANNEXURE 4.8
Net Migrants Rate (1991–2001)

States/UTs	(%)		
	Male	Female	Person
1. Andhra Pradesh	–0.03	–0.03	–0.03
2. Assam	–0.06	–0.09	–0.07
3. Bihar	–0.39	–0.17	–0.28
4. Chhattisgarh	–0.06	–0.07	–0.06
5. Gujarat	0.22	0.09	0.16
6. Haryana	0.40	0.35	0.37
7. Himachal Pradesh	0.04	–0.06	–0.01
8. Jharkhand	–0.08	–0.02	–0.05
9. Karnataka	0.04	0.00	0.02
10. Kerala	–0.08	–0.08	–0.08
11. Madhya Pradesh	–0.01	0.00	–0.01
12. Maharashtra	0.37	0.21	0.29
13. Orissa	–0.10	–0.04	–0.07
14. Punjab	0.20	0.07	0.14
15. Rajasthan	–0.08	–0.05	–0.06
16. Tamil Nadu	–0.08	–0.07	–0.08
17. Uttranchal	–0.03	–0.06	–0.04
18. Uttar Pradesh	–0.25	–0.16	–0.21
19. West Bengal	–0.04	–0.04	–0.04
20. Delhi	1.93	1.57	1.77
21. Jammu and Kashmir	–0.04	–0.06	–0.05
22. Arunachal Pradesh	0.73	0.57	0.65
23. Manipur	–0.16	–0.13	–0.14
24. Meghalaya	0.09	0.04	0.07
25. Mizoram	–0.16	–0.35	–0.25
26. Nagaland	0.05	–0.41	–0.17
27. Sikkim	0.26	0.16	0.21
28. Tripura	0.02	0.02	0.02
29. Andaman and Nicobar	0.80	0.66	0.74
30. Chandigarh	2.15	1.78	1.98
31. Dadra and Nagar Haveli	4.29	1.90	3.12
32. Daman and Diu	6.15	1.88	4.05
33. Lakshadweep	1.04	0.20	0.63
34. Pondicherry	0.74	0.94	0.84
35. Goa	0.83	0.59	0.71
36. NE States	0.07	–0.03	0.02