

EMPLOYMENT PLAN 2014

INDIA



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1. Employment and labour market outlook

Even though economic fundamentals remain strong, India witnessed a declining trend in the rate of growth since 2011. Reduction in global aggregate demand also has an adverse impact of trade and investment flows. Numerous measures have since been taken. The economy is more stable today than what it was two years ago. However evidences show that job creation continues to be the biggest global challenge. What has become evident from the recent crisis is that volatility has maximum effect on the employment and earnings. For countries like India, impact of such cyclic fluctuations is lesser on open unemployment but more on the participation rate and earnings from the work. India's demographic bulge around the group of 15-29 years can translate into a demographic dividend depending on our ability to develop into productive quality workforce. The last decade saw a long phase of jobless growth for India coupled with significant reduction in female labour force participation rate. The situation appears to have started improving as per the latest statistics available; however continuous and targeted efforts are needed to achieve the sustainable growth in an inclusive manner.



| Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS) | | | | | | | | |
|---|--------------------------|---------|---|-----------------|---|---------|--|---------|
| | Real GDP growth | | GDP per capita (USD terms)## | | Employment growth | | Employment to population ratio | |
| | 2004-05 | 2011-12 | 2004-05 | 2011-12 | 2011-12 | | 2004-05 | 2011-12 |
| India (Economy) | 6.7 | 4.7 | 766 (Rs.45958) | 1416 (Rs.84938) | - | - | 42 | 39 |
| G20 median | 1.4 | 1.9 | \$25,339 | \$26,243 | 1.1 | 0.9 | 57.7 | 57.1 |
| | Unemployment rate | | Incidence of long-term unemployment | | Youth unemployment rate 15-29 | | Youth unemployment to population ratio | |
| | 2004-05 | 2011-12 | | | 2011-12 | | | |
| India (Economy) | 2.3 | 2.2 | | | - | 6.1% | | |
| G20 median | 6.3 | 6.1 | 24.1 | 31.0 | n/a | n/a | 6.9 | 7.8 |
| | Participation rate | | Female participation rate | | Working age (15 to 64 years) participation rate | | Collective bargaining coverage | |
| | 2004-05 | 2011-12 | 2004-05 | 2011-12 | 2011-12 | | | |
| India (Economy) | 42 | 40 | 33 | 28 | - | 39.5 ** | - | - |
| G20 median | 60.2 | 60.3 | 50.0 | 51.8 | 70.4 | 71.2 | n/a | 28.8 |
| | Informal employment rate | | Minimum wage (Per cent of average wage) | | Gini coefficient | | School completion rate | |
| India (Economy) | 93 | 94 | - | - | - | - | - | - |
| G20 median | n/a | 42.2 | 34.9 | 34.9 | 0.341 | 0.376 | 76.5 | 78.9 |
| | Literacy rate | | Year 12 attainment (among age 25 to 64 years) | | | | | |
| India (Economy) | - | - | - | - | | | | |
| G20 median | n/a | n/a | 69.8 | 74.2 | | | | |

Note: Percentage figures, except in the case of GDP per capita and the Gini coefficient.
Sources: ILO and OECD calculations.

* At factor cost (2004-05), ## at current price 2011-12, Source: Central Statistical Office (CSO), India

** Working age 15 to 59 years. Source: "Key Indicators of Employment and Unemployment in India, 2011-2012" NSSO

2. Employment challenges for [India]

Employment generation is India's biggest challenge today. Despite an average economic growth of 8% in the last decade, the rate of employment growth was less than 1%. The participation rate too has declined despite additions to the young work age population. A large percentage of Indian workforce is in the unorganized sector. Transition of economy from unorganized to an organized one is our foremost challenge. 48.9% of India's employment is in agriculture sector, which is seasonal in nature. Last few years have seen a marked shift of mass labour from agriculture; however the shift has remained confined to primarily construction and other low paid, low productivity jobs. A further characteristic feature of Indian labour market is low end self-employment. Therefore, underemployment and low earnings and not open unemployment is a major policy challenge for India. India has a unique 20-25 years' window of opportunity called 'demographic dividend', having world's youngest work force with a median age well below most other G20 countries. To reap the benefit of this 'demographic dividend' is also our priority concern.

CHALLENGE: [ADDRESSING YOUTH UNEMPLOYMENT AND SKILL DEVELOPMENT]

India has a unique proposition in terms of the youth population which constitutes the largest portion of its workforce. India will have about 63 per cent of its population in the working age group by 2022. However, our youth unemployment rate is 6.6% which is well above overall unemployment rate which is 2.2%. Every year almost 10 million people enter labour force in India. 58% of our population is below 29 years. Converting this into demographic dividend involves formulating a comprehensive policy for creating employment avenues at a massive scale with built-in tenets of decent work. Skill development initiative rooted in the well-developed demand supply skill matrix is the challenge that is being addressed by the policy planners in India.

CHALLENGE: [ADDRESSING UNDEREMPLOYMENT, SEASONAL UNEMPLOYMENT AND LOW EARNINGS]

Indian labour market is characterized by large unorganized sector. The policy challenge therefore is increasing productivity in farming as well as promoting labour reallocation from rural to urban areas. Rural economy is characterized by incidence of informality and underemployment. The integrated policy intervention to translate rural economic growth into employment and decent work opportunities requires to focus on creating effective local job strategies to off-load the excess burden from agriculture, developing allied industries especially SMEs according to local market conditions and linking them effectively to external demand and supply chains. On the other hand targeted skill development initiatives need to be taken to enhance productivity and employability including entrepreneurship of workforce. The approach aims towards expansion of off farm employment opportunities which are in turn an important driver of poverty reduction. Creating Conditions for labour intensive micro manufacturing is therefore critical for meeting job challenges especially in urban centers.

CHALLENGE: [DEVELOPING SOCIAL PROTECTION FOR UNORGANISED SECTOR]

Transition from unorganized to organized economy involves a combination of policy initiatives including labour regulations as well as access to decent working conditions. Extending social protection to those in unorganized sector is a way of bringing them in the realm of decent work and a way forward to transition from unorganized to organized sector. Challenge is therefore to develop policy mix with maximum outreach as well as ensuring ease of accessibility and operation.



3. Current policy settings and new commitments

BROAD ECONOMIC SETTINGS*

Government of India conceives quality employment as an important tool to promote faster, inclusive and sustainable growth. The policy response comprises of a multi-pronged approach which emerges from the challenges in the area of labour and employment and the overall growth strategy set in the policy plan. The long term policy thrust in India is documented and pursued through the Five Year Plan. The current 12thFYP and the recent initiatives by the Government focus on demand aligned skill development, and aim at significantly stepping up growth in employment in manufacturing, so that under-employed labour force can speedily move from low-paid farm jobs to better paid, more productive manufacturing and services sectors. A faster, more inclusive and sustainable growth through policies in infrastructure, skills development, promoting trade and improving productivity, along with growth friendly fiscal consolidation and price stability continue to be the country's priorities.

Macroeconomic policy:

The slowdown in India broadly reflects the trend in many economies. The Indian economy would have to maneuver its way against the head winds in the global economy to attain high growth trajectory.

Indian Government is aiming at a sustained growth along with macro-economic stabilization that includes lower levels of inflation, lesser fiscal deficit and a manageable current account deficit.

The medium run fiscal policy is calibrated with twin objectives of containing government spending to achieve the projected fiscal deficit targets and to carry forward the reforms process to kick start a fresh investment cycle and revive the growth process. The Road map for fiscal consolidation is a fiscal deficit of 3.6 per cent for 2015-16 and 3 per cent for 2016-17 in addition to the current year target of 4.1%.

The monetary policy stance has been driven by the imperatives of keeping inflation in check and supporting growth revival while managing a complex external economic situation. The Monetary policy stance will continue to be firmly focused on keeping the economy on a disinflationary glide .

LABOUR MARKETS AND SOCIAL PROTECTION

Social protection

More than 90% of the Indian workforce is in unorganised sector. Unorganised workers include all workers in the unorganised sector as well as workers in the organised sector performing unorganised jobs. An overwhelming proportion of unorganised workers tend to have low earnings and little access to social protection systems. The policy plan recognizes the need to extend social protection coverage to those in unorganized sector as means of bringing them into the realm of decent work.

RSBY is our pioneering social security measure introduced for unorganized sector workers in 2009. The scheme provides smart card-based cashless health insurance cover to workers below the poverty line in any empanelled hospital in the country. The scheme has been extended from time to time to cover the most disadvantaged and vulnerable segments of the unorganized workforce. Extension of RSBY to such vulnerable groups can be decisive in ameliorating the health insecurities encountered by an overwhelming majority of the working poor.

Another important recent initiative to safeguard the interests of unorganized workers has been the enactment of the Unorganized Workers' Social Security Act, 2008. The Unorganized Workers' Social Security Rules, 2009, have also been subsequently framed. The Act provides for the constitution of a National Social Security Board which will recommend formulation of social security schemes for unorganized workers/categories of unorganized workers from time to time.



Accordingly, the National Board was constituted in 2009. The National Social Security Fund for Unorganized Sector Workers has been set up to provide the necessary social security benefits.

RSBY is being revamped to include inter alia initiatives for financial inclusion and advanced grievance redressal system through improved IT infrastructure. Ministry of Labour and Employment has initiated a project for the Convergence of Social Security schemes for an organized workers on a single RSBY Platform through a single smart card to increase outreach of social protection to unorganized, vulnerable worker. The pilot project for this convergence has already started.

For the organized sector, portability of provident fund benefit has been introduced for very first time through Universal Account Number (UAN). UAN has also been seeded with bank account & identity details for terminal benefits. Approximately 40 million workers in organized sector will be ultimately benefitted by this initiative.

Active labour market programs

Employment Generation is our topmost priority. Government of India conceives quality employment as an important tool to promote faster, inclusive and sustainable growth. The policy response for employment generation comprises of a multi-pronged approach which includes public employment generation programmes as well as wider participation of Private Sector in Employment generation.

Government is promoting private sector to participate in employment generation in a big way through creating enabling environment. Recently launched 'Make in India' campaign is aimed to develop India as a manufacturing hub thereby creating huge employment opportunities. Another ongoing major initiatives to encourage private sector for creating more jobs has been the the National Manufacturing Policy(NMP) 2011. It has the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs a target. Government is working on to promote and develop labour intensive industries to promote job growth. The policy also envisages an extensive use of PPP model for infrastructure development initiatives. The manufacturing sector has been recognized to have a multiplier effect on the creation of jobs, even in allied sectors. It is also a very effective means of developing environment for transition from informality to formality.

Development of MSME Sector is another of our priority. Creating conditions for labour intensive micro manufacturing is critical for achieve employment growth targets at urban centers. MSME sector, in addition to generating off farm job opportunities is also seen as a promoter for self-employment initiatives. Development of MSME sector has been built into the overall development strategy of Government of India. Government of India has adopted the cluster development approach as a key strategy for enhancing the productivity, competitiveness as well as boosting employment and capacity building of MSMEs in various sectors. Under the Micro and Small Enterprise-Cluster Development Program, both soft and hard policy interventions have been envisaged. So far around 25 Cluster Development Programmes (CFC) have been set up in different parts of the country covering various sectors of the economy. We are working on to promote ease of business so that private sector can participate in the process of employment generation and industrial growth.

In emerging economies like India where majority of workers are still employed in agricultural and allied sectors, public employment generation programmes continue to be a major tool for employment generation especially at local levels. Given that number of days of employment in majority of the agricultural activities are inadequate, employment provided through Public Works Programme plays a very significant role in reducing the 'employment deficit'. The on-going public employment generation programmes in India, such as Mahatma Gandhi National Rural Employment Guarantee Act, and others like SGSY, SJSY, NRAM and PMEGP, apart from providing additional wage employment to work force and improving the purchasing power of the rural poor, also generate positive spillover effect by contributing to creation of assets for the community, strengthening internal resources management and fostering social and gender equality by creating avenues for enhanced participation by disadvantaged groups particularly, women. Several innovative measures have been adopted to address the challenges facing the programme to ensure efficiency and transparency

Public Employment Exchanges are being revamped into Career Centers with facilities of professionally delivered career counseling.



SKILLS DEVELOPMENT

One of the key requirements to address structural unemployment and facilitate structural mobility in employment is to enhance the skill base of the workforce. Considerable emphasis is being laid in India on evolving pragmatic strategies to upgrade and enhance the relevant skill training and to improve access to skill for workers as a means to move to a cycle of higher productivity, higher employability, higher income and faster and sustainable growth. National Skill Development Mission envisages skilling of 500 million persons by year 2022.

The 12th Five Year Plan highlights the “demographic dividend” which India currently enjoys. However, the dearth of vocational and technical education leading to skill mismatch in the job market is the major reason for unemployment among educated and youth. Hence, bridging the skill gap has been identified as the major challenge for employment policy during the 12th Plan and beyond.

Focus is on Demand Responsive Vocational Training so as to address the mismatch between demand and supply of skilled labour through active involvement of industry. Addressing the issues of (i) quality and relevance of training; (ii) expanding the outreach and ensuring equity; (iii) expanding the limited training infrastructure and shortage of quality trainers; and (iv) initiating systemic reforms including development of a real time labour market information system (LMIS) and development of national skills qualification framework (NSQF) are some of the major challenges outlined in the 12th Plan. Emphasis is also given to creation of appropriate skill sets among the rural migrant and urban poor to make growth inclusive. Instruments of the policy are it is, MES Programmes, ATS, VTP, and Vocational Training in Schools.

In a major initiative, the Government has decided to transform the public Employment Exchanges into Career Centers which would function as local resource and outreach hubs of the National Career Service with the main objective of assessing the local job scenario, providing good quality career counselling and guidance to young people and also organizing job fairs for efficient placements. The Apprenticeship Scheme is being expanded through legislative as well as administrative measures in order to make it industry friendly and attractive to young people so that significantly large number of apprentice seats become available for skilling the youth and at the same time enhancing their employability. It is targeted to increase apprenticeship seats from 5 lakh to 23 Lakh approximately. National multi-skill programme called Skill India has been launched. It would skill the youth with an emphasis on employability and entrepreneur skills. It will also provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers etc. Convergence of various schemes to attain this objective is also proposed. PPP model is being extensively used to enhance outreach of training institutions, ITIs in uncovered areas and establish ATIs. Important interventions have been made to revamp the curricula of vocational training courses with involvement of industry, and also for capacity building of the Principals and faculty of ITIs.

