

EMPLOYMENT AND INEQUALITY OUTCOMES IN INDIA

Amitabh Kundu

Jawaharlal Nehru University

P. C. Mohanan*

Indian Statistical Service

* The views of the authors do not represent necessarily those of their organisations.

TABLE OF CONTENTS

EMPLOYMENT AND INEQUALITY OUTCOMES IN INDIA	1
EXECUTIVE SUMMARY	3
1. Introduction.....	5
2. Aspects of economic growth and inequality in India.....	6
2.1. Macro trends in economic parameters.....	6
2.2. Inequality patterns	8
3. Urban rural labour markets and the impact of migration on poverty	12
4. Trends and patterns of employment and unemployment in India in the macro perspective of growth .	16
4.1. Impact of the decline in population growth on the labour force	16
4.2. Employment and unemployment scenario	17
4.3. Changing composition of the workforce and wages	23
5. Changing labour relations and “formalisation” of informal activities	29
6. Possible impact of the economic slowdown on employment	32
7. Regulatory framework and policies for social protection of labour	36
8. Conclusions and a perspective for intervention in the labour market.....	39
REFERENCES	42

EXECUTIVE SUMMARY

India has come to enjoy a distinct advantage in labour market compared to most developed and less developed countries due to the fast changing age distribution of population. Further, the decline in worker population ratio in the adult age group has been stalled while the same has gone up significantly for women in recent years. However, the trends and pattern of economic growth does not guarantee that the growth in job opportunities will be equal to that of the working-age population or higher than that, after wiping out the backlog of unemployment.

The performance of the economy in the nineties makes a significant departure from that in earlier decades in terms of GDP growth as also a number of other economic indicators. Notwithstanding the high growth in the number of employed as also employment days during the past decade, concerns have been expressed with regard to low growth in productivity and fragmentation of labour market. Institutional and social barriers have resulted in labour market segmentation which has come in the way of dissemination of the benefits of growth to workers in backward regions, small towns, rural areas and underprivileged socio-economic categories of population. The inequality across social and religious groups has gone up in rural areas and small towns but not in large cities. Scheduled Tribe population have benefited the least in terms of consumption expenditure followed by Scheduled Caste and Muslim population. Other religious groups like Parsis and Sikhs have done relatively well along with upper caste Hindu population. Gender inequality has also emerged as a major area of policy concern.

Rural poverty has got concentrated in a few inaccessible and less developed areas and those with high incidence of socially disadvantaged population. Urban poverty, however, is high not only in backward areas/states but many of the developed states. Incidence of urban poverty can, thus, be attributed to lack of development as also to the nature and pattern of development. Importantly, vertical inequality in urban areas has grown faster than rural areas. As a consequence of all these, the elasticity of poverty reduction to income growth is likely to be less in the Eleventh Plan (2007-2012), compared to that of earlier plans.

Migration for employment from rural to urban areas emerge as a major tool of poverty alleviation, the prospects being definitely better for the migrants into large cities than those in small towns. There is, thus, a need to rescue migration studies from a negativist framework which relates it with immiserisation, epidemics, illegality, pressure on urban infrastructure and view it as an outcome of individual's initiative to improve his/her socio-economic condition. Unfortunately, this window of migration is slowly closing down for the unskilled, illiterate population, particularly into large cities. Households in low expenditure categories report low percentage of migration, even of short duration variety. The metropolitan cities particularly are resisting immigration of unskilled and illiterate male population due to changes in the requirements in labour market, reflected in decline in the percentage of poor and deceleration in the rate of population growth in these cities.

Employment and unemployment scenario is characterised by relative stability in worker population ratio (for working age population) with a slight declining trend over the years, reflecting greater staying power (unemployment affordability) among better-off households, young adults going for higher education and frictional unemployment among the educated. This relative stability and minor changes in unemployment rate, despite violent fluctuations in income growth, suggest that employment tends to be unaffected by short term crisis. While the employment in organised sector is protected by the system of

legislated benefits, those in unorganised sector cannot afford unemployment due to their poor economic conditions.

There has been a shift in the pattern of employment in recent years with the process of casualisation being stalled and self employment going up both in rural and urban areas for men as well as women. To an extent, this reflects production units hiring individuals on contract for 'jobs' rather than employing them directly on a casual basis and the poor households evolving a strategy for survival by drawing more family members into work. This is helping in creating of a low cost support system for the organised sector, particularly in urban areas. Small entrepreneurs, seeking linkage with formal sectors or global market, are trying to formalise their arrangements with their workers through such contracts or by employing them on a monthly rather than daily basis, in order to meet the deadlines or specifications of the contracted jobs. A large part of women have been absorbed in various low paid services including in domestic help, facilitating the middle class to respond to time requirements of the global activities, resulting in significant rise of regular employment. Unfortunately, this has not helped in pushing up the real wages of the unorganised workers including those employed on a regular basis.

The formal industries and business owe their growth and profitability partly to employing workers in an informal basis without their being covered under social security system. Their growth is facilitated by informal industries supplying semi finished products at cheap rates and emergence of a low cost support system. A decreasing share of workers compensation in rapidly growing sectors reveals direct and indirect engagement of unorganised workers with very little increase in formal employment. A small segment of the informal sector is linked with the market and grows in response to the trends in demand and profitability.

The present social security system covers less than 10% of the total workforce, mostly belonging to the formal sector. Attempts have been made to cover the unorganised workers in a piece meal fashion through a plethora of legislations. The Parliament passed the Unorganised Sector Worker's Social Security Bill last December and it is yet to be operationalised. The existing legislated and occupational benefit plans are in urgent need of overhaul in order to cover the unorganised workforce in the country.

There has not been a major backwash effect of global economic crisis in terms of reduction in wages or informal employment in India. The deceleration in growth in some of the rapidly growing sectors has brought down the aggregative growth rate to about 7% in the current year, 2 percentage points below that of the previous five years. However, concrete data are not available for assessing its effect on employment at macro level, as its absorption in the informal sector would take some time and this, in any case, is unlikely to be very high. The absence of a linkage between growth in income and employment has been responsible for unemployment rate not shooting up in the periods of crisis. The benefits of high growth in the last five years were not shared with the informal workers. Understandably, there is not much scope for reduction in their wages or employment in the current year as that would make marginal impact in terms of cost reduction. There are however indications that the economy would see an upturn in the next few months.

1. Introduction

The vision of India emerging as a Giant in the global economic scene seems to dominate the contemporary discussion on its growth performance, leading to coinage of phrases like “amazing India”, “shining India” and metamorphosis of a “slumbering elephant” etc. The dynamism of the economy has been projected through stylized facts such as India equals continents like Australia in absolute terms and that it would overtake the US economy in about two and a half decades.¹ The country’s 8% plus growth scenario during the Tenth Plan period of 2002-07 and a projected growth target of 9% per year in the Eleventh Plan have strengthened this perspective. Even the advance estimate of 7.2% growth during 2008-09 – the year of global economic meltdown – much lower than the average of the past decade but higher than that projected recently by International Monetary Fund (2009) and even slightly higher than that of China, has been hailed as an exceptional achievement. This is because this growth along with that of China is the major factor holding the World economy in the positive quadrant of growth, despite 2% dip in the economy for the developed countries – the first annual contraction in the Post War period. These are undoubtedly matters of happiness and yet they provide reasons to raise questions regarding the impact of this dynamics of growth on inequality and poverty. It would be important to probe into these questions by focusing on employment outcomes in terms of the volume and quality of jobs generated, wages received and coverage of the workers under programmes of social security.

India has come to enjoy a distinct advantage in the labour market compared to developed and less developed countries due to the fast changing age distribution of population. After a period of four decades since Independence, when the population growth rate was maintained between 2.1 and 2.2% per annum, it has come down below 2% during the nineties, the current rate as per the Registrar General (2008) being 1.57% only. As a consequence, the percentage of population in the age group 15-59 years is likely to go up in the next three to four decades. Further, worker population ratio has been rising in recent years, more particularly for women. The country would, thus, enjoy significant demographic dividends during the next few decades, unavailable to most other countries. The vision of the country maintaining its growth performance for the next few years – at least not slowing down dramatically – and emerging as an economic power gets further support from this process of demographic transition.

The impressive performance in terms of growth in real per capita income has been accompanied by that in consumption expenditure as also several other economic indicators. Planners are, however, a bit apprehensive about the low growth in employment as a consequence of switching over to a high tech growth path as the country forges strong linkages with global economy and launches measures of structural reform. Recent trend in employment, however, seems to have dispelled much of the fears about jobless growth. Notwithstanding high growth in the number of employed persons and also employment days, concerns have been expressed with regard to low growth in productivity and dearth of ‘decent employment’. Institutional barriers coming in the way of dissemination of the benefits in backward regions, small towns, rural areas and underprivileged socio-economic categories of population including women not getting a reasonable share in incremental income have also emerged as major developmental issues. With the decline in the growth in employment in government administration, many of the large manufacturing and business undertakings, both in public and private sectors, have shed their excess labour. The responsibility of labour absorption, in a sense, has been relegated to informal sector which has accentuated inequality in wages between different groups of workers. There are serious apprehensions that the labour market, dominated by informal employment, may not be able to generate the required volume of jobs at reasonable wages, to make a dent on poverty and provide reasonable social protection to the employees. Given the claims and counter claims with regard to India’s capability of proving a reasonable share of

1. Panagariya (2008) and Winters and Yusuf (2007)

benefits to the workers in different regions and socio-economic categories and the Eleventh Plan placing special emphasis on this and launching special programmes to tackle the related problems, it would be important to analyse the nature and pattern of employment growth, focusing on the goal of poverty and inequality reduction. The objective should be to identify the underlying factors behind the emerging employment scenario and their developmental and welfare implications. It would also be important to understand the character of informal sector (and changes therein in recent years) absorbing major part of the growing labour force, to assess how these would impact on productivity, wages and quality of life of both people engaged in formal and informal sectors.

The present paper analyses the growth trends in economic indicators, primarily per capita Gross National Product, taking a long term view but focusing on the period since the early nineties. Inequalities across regions, social groups, gender and religious communities have also been analysed in this section, focusing on the variation in per capita income and consumption expenditure. This is done in the second section which follows the present introductory section. The next section probes into employment-poverty linkage using the household level data, focusing on the impact of spatial mobility, education etc. on poverty in different size class of urban centres. The purpose here is to examine how migration is being used and the extent to which it is effective in improving economic wellbeing. Growth in employment and unemployment, their nature etc. have been presented in the next section. It also brings out the rural-urban, age and gender differentiation and focuses on the impact of educational levels on employment outcomes. The fourth section examines the changes in the nature of employment as also its sectoral shifts in relation to the shifts in income and trends in real wages and discusses their implication for the workers in formal and informal sectors. Changing character of informal sector and its linkages with formal economic activities and household sector are analysed in the next section in the context of rapid economic growth and inequality under globalisation. It analyses a process of “formalisation” of informal activities and discusses its implications for the wellbeing of workers. The possible impact of economic slowdown on employment and the nature and impact of interventions by state are presented in the sixth section. An overview of the mechanisms, programmes and initiatives for ensuring social security to the workers, particularly for addressing and redressing the problems of informal employment and poverty has been attempted in the next section. The final section gives a summary of findings with regard to the changing characteristics of the labour market and perspective for future development.

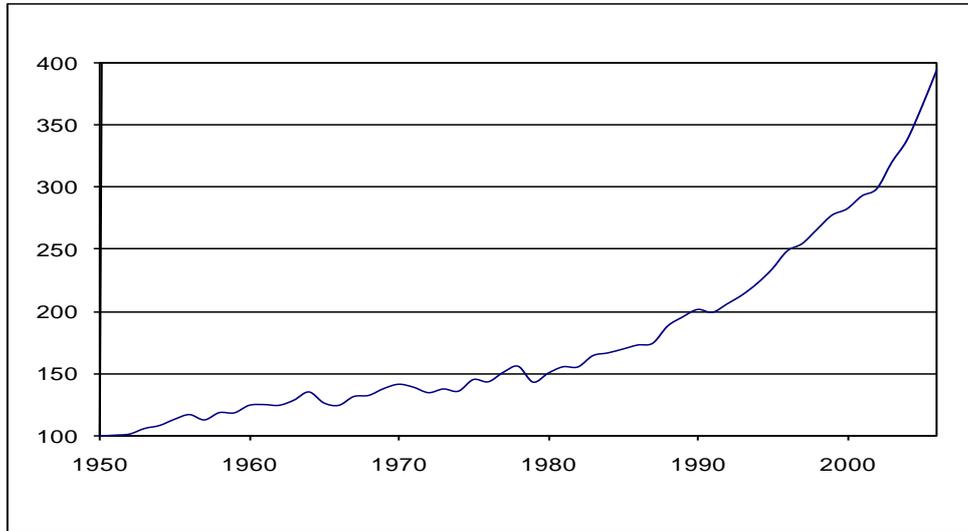
2. Aspects of economic growth and inequality in India

2.1. Macro trends in economic parameters

India has gone through a phase of a very modest average growth and high annual fluctuations since Independence in 1947. The annual GDP growth rate was well under 3% in real terms throughout the fifties, sixties and seventies, which barely kept pace with the population growth. This nonetheless marked a departure from near stagnation or very low growth scenario during preceding decades of the colonial rule. The economy has started breaking away from the institutional and technological shackles since the early eighties. Nineties saw the Indian economy growing at a rapid pace, which subsequently seemed to reach a new height of over 8% in 2003-04. The rate has happily stayed at that level for quite some time now, only to register a marginal decline in the current year of global crisis, as mentioned above. As a result of this GDP growth performance, per capita income has become fourfold between 1950 and 2006, accelerating its path of growth since 1990 (Figure 1).

Figure 1. Index of per capita income at constant prices

(1950-51=100)



Source: Economic Survey, 2007-2008, Government of India.

A few researchers have questioned this “high growth scenario” by pointing out that methodological discrepancies in data generation, could explain at least part of it. The system of national income accounting tapping new sources of data, shifting the base year from 1980-81 to 1993-94 without ensuring temporal comparability in the series and computation of non-agricultural income in rural areas based on unverified assumptions, have been identified as “possible noise factors”, resulting in divergence between the old and the new series. Others have argued that the growth discourse on India needlessly separates out the nineties from the earlier decades as the decade of globalization and thereby fails in taking a long term view of the process.²

Notwithstanding the above criticisms, there seems to be a general agreement that growth rate in the nineties, was slightly higher than that in the previous decade and that the rate has accelerated during the present decade. This is confirmed by the trend in per capita private final consumption expenditure obtained from National Income Accounts. It shows modest growth during 1950-90 but subsequently, the rate has been rising sharply to attain a level of Rs. 18,000 in 2007-08, three times the figure of 1950-51. Similarly, the gross domestic saving rate which was around 20% in the eighties, jumped to 25% during the nineties, the rate being 36% in 2007-08. The measures of economic liberalization attracted foreign capital as never before. From the modest figure of about Rs. 2500 million in 1986-87, the foreign investment rose to Rs. 1.2 billion (Economic Survey 2007-08, Government of India). That the economy grew at an average of 8.8% over the five years (2003-04 to 2007-08) has been noted to make a clear break from the previous spurts in growth by the Economic Advisory Council to the Prime Minister (2008). Taking all these into consideration one may argue that nineties and subsequent years make a departure even from the eighties and that one needs to analyse the growth performance during the last two decades with empirical rigour and assess its implications in terms of changes in labour market and inequality.

2. Questioning the thesis that the recent acceleration in growth is due to the policies and programmes of globalisation and structural adjustment, Nayyar (2006) argues that the first break associated with Independence from colonial rule is more significant than the structural break in the early eighties.

2.2. Inequality patterns

In a country as vast and regionally and socially differentiated as India, a discussion on growth scenario will be incomplete without bringing in the regional dimension as also issues of sharing of benefits across social categories. The very positive macro economic trends notwithstanding, there is a concern that the country has not been very successful in transforming “its growth into development” manifest, most conspicuously in growth of unemployment, of informal sector and low productive jobs. Understandably, the major issue challenging the policy makers is to tackle the problem of sharpening socio-spatial inequalities and labour market exclusion that have manifested in the development scene in an ominous manner.

Regional (inter-state) inequality in per capita Gross State Domestic Product (GSDP) is noted to have gone up significantly during the past couple of decades. It must, however, be pointed out that it is not for the first time in the post Independence history of India that this has happened. It had gone up during sixties which was attributed to Green Revolution and its regional concentration in north-west India. Similarly, the latter half of the seventies saw an increase in inequality which was attributed to industrial stagnation in backward states. The period since the early nineties has come under closer scrutiny as the country has entered a new policy regime of ‘economic efficiency and accountability’, opening up the economy to global forces and bringing down subsidies and bureaucratic controls.³

Several studies analyzing the trend in inequality in per capita income, based on standard statistical measures of relative deviation like coefficient of variation and Gini-coefficient generally confirm the thesis of accentuation of regional imbalance⁴. The weighted measures of inequality in per capita income register a clear rising trend. What compounds the problems of backward states is that there is marginal or no decline in their population growth and these are much above the national average. The process of demographic transition seems to be still a couple of decades away for most of these states while the developed states in general seem to be on the verge of this transition if not already into the phase. The implications of interstate inequality become far more serious when one considers labour market segmentation across states as manifest in decline in the rate of interstate migration during past few decades.⁵

Table 1. Disparity in GSDP per capita

Year	Coefficient of variation	Gini Coefficient
1993–94	34.55	0.192
1996–97	36.78	0.207
1999–00	37.42	0.217
2001–02	35.61	0.208
2002–03	36.69	0.277
2003–04	36.23	0.229
2004–05	38.44	0.241

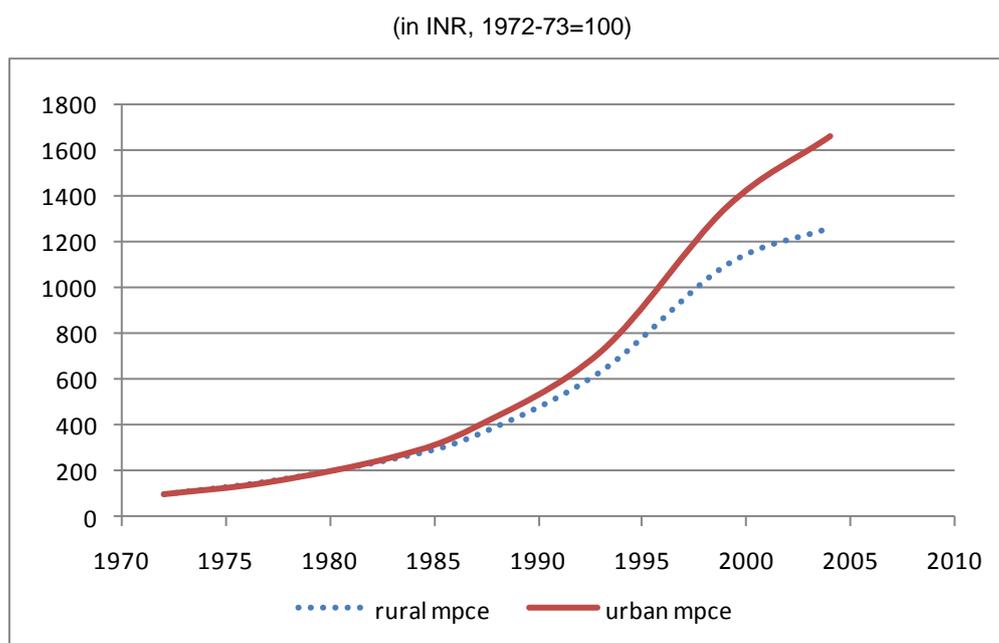
Note: The inequality indices have been computed based on per capita figures using the population of the states as weights. The values for 1993–94, 1996–97 and 1999–2000 are based on figures for 14 States only (Assam and general category States excluding Goa) while those for 2001–02 to 2004–05 use 1999–2000 Series (at current prices) and pertain to 27 States (excluding Goa).

Source: Eleventh Five Year Plan, Planning Commission

3. Ahluwalia (2000) analysing the challenges for governance at state level has shown that regional inequality has started going up during the last years of the eighties.
4. Ahmad *et al.* (2008) and Planning Commission (2005).
5. Kundu (2006).

Another dimension of inequality which has acquired serious proportion concerns rural and urban areas. Per capita consumption expenditure in real terms, obtained from NSS, show low growth during the first three decades since Independence both in rural and urban areas. The growth has, thereafter, picked up, particularly in case of urban areas, the rise being very steep in the nineties and subsequent years. This can be attributed to the growth in non-agricultural GDP (8.11% and 7.22% during 1993-99 and 1999-2004, respectively). Both these rates are significantly higher than the corresponding rates for agricultural GDP.⁶ This has led to significant divergence between the two over the years as portrayed in Graph 2, when both are taken to have the base year figures of 100. Interestingly, poverty has shown a declining trend during the period from 1972-73 to 2004-05, both in rural and urban areas which is understandable. The decline during the last one and a half decade is somewhat less compared to that in the preceding decade. Using the latest thin sample data from the 62nd round for the year 2005-06, one would argue that the rate of decline is slightly higher than the preceding decade. While there are problems in comparing the estimates from the latest thin sample round with those of the earlier large sample rounds, one would argue that the annual poverty decline in the lastest year was 1.6 percentage points which is about twice that in the preceding decade. Interestingly, while the gap in consumption expenditure in rural and urban areas have gone up, that between poverty figures has narrowed down due to sharper decline in poverty in rural areas (Figure 2).

Figure 2. Trends in average monthly per capita consumption expenditure for rural and urban areas, 1972-73 to 2004-05



Source: NSS Report No. 508.

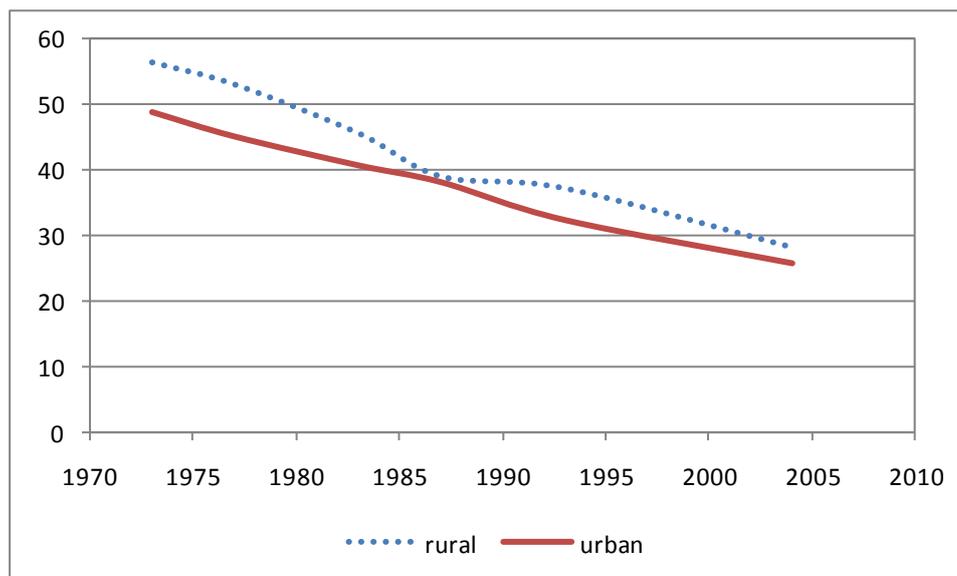
The slower decline in urban poverty compared to rural poverty in recent years would appear a bit anomalous also because urban centres have been hailed as the engines of growth, particularly in the period of globalization. This could not be attributed to massive movement of workforce from rural to urban areas as the rural/urban migration rate has remained stable or gone down. One must ask why this is the case when the urban centres are the first to get linked to global market, the investments both from within and outside the country being concentrated there. Further, growth in agriculture during the last decade and half has at best been modest, exhibiting also high instability. Urban poverty being high in many of the

6. One must nonetheless note that the growth in agricultural GDP has gone down much more sharply than that in non-agricultural GDP during 1999-2004 as compared to the earlier period.

developed and rapidly growing states would raise a valid question: Is urban poverty high due to lack of development or is it so because of development? Indeed, rural poverty is generally low in states with high per capita State Domestic Product but that is not the case of urban poverty. The latter does not respond directly to growth at macro level. This can largely be attributed to segmentation of labour market between rural and urban areas and barriers to migration from rural areas into cities and towns. This has been investigated in some detail in a subsequent section.

Figure 3. **Persons below the poverty line**

(in percentage)



Source: Poverty estimates of Planning Commission for various years

It is somewhat alarming that inequality in poverty, assessed through both coefficient of variation and Gini index, have gone up in rural and urban areas since late eighties. One can therefore argue that poverty reduction has been relatively less in less developed states than in developed states, both in rural and urban areas. Poverty has got concentrated in remote regions that are possibly more difficult to access. The elasticity of poverty reduction to income growth therefore is likely to be less in the Eleventh Plan, compared to that of earlier plans.

It would be important to analyse the inequality across social and religious groups. The Scheduled Caste (SC) and Scheduled Tribe (ST) population, who are at the bottom of socio economic hierarchy due to historical factors, account for 24% of the country's billion-plus population. Muslims, Christians, Sikhs and Buddhists are India's prominent minority communities, comprise 18%, with some overlap as a segment of SC is identified as Buddhist as well. Although there is no formal fragmentation of the labour market between majority and minority communities or across castes, mobility across the social groups happens to be less than perfect. As the Constitution prohibits discrimination based on caste and religion, no data are available on wage differentiation. Measuring economic wellbeing using average consumption expenditure, one can, however, argue that the ST population are at the bottom of the ladder, followed by SC and OBC (Hindus). The people in *other religious groups* that include Christians, Parsis, Buddhists etc. are placed at the top in villages, small towns and cities due to historical reasons, that are understandable. Muslims are at a higher level of consumption compared to SC/ST population at the national level as also in rural areas and large cities. However, in small towns, they are worse off. In rural areas, their average income is 98% of the average rural figure. This could be attributed to their being outside agriculture – into

small manufacturing and service activities - where earnings are higher, as noted above. In smaller urban centres, Muslims fare badly, their consumption expenditure is about three fourth of the average figure.⁷

The CVs across social groups have gone up from 19% to 26% during 1993-04 both in rural areas and small towns. The inequality was slightly higher viz. 30%, in case of the large cities in the base year but there has been no increase in this over the decade (Kundu and Sarangi 2009). These can be explained only in terms of difference in the access to job market and emoluments received by different social groups in different settlement categories. Furthermore, there has been a decline in RU migration for the minority communities which may be inferred from their declining share in urban population.

The Sachar Committee (Prime Minister's High Level Committee 2006), set up to analyse the deprivation in socio economic development across religious groups focusing on Muslims, has shown that the gap between Muslims and the average population is greater in urban areas and for women. Further, Muslims and Other Backward Castes (OBCs) are significantly deprived in comparison to Hindu-OBCs. The access to government schools for children of Muslim parents is limited. Even the bank loan disbursed to the Muslims is 2/3 or half of the amount disbursed to other minorities. The Reserve Bank of India's efforts to extend banking facilities under the Prime Minister's 15-point programme has mainly benefited the other minorities.

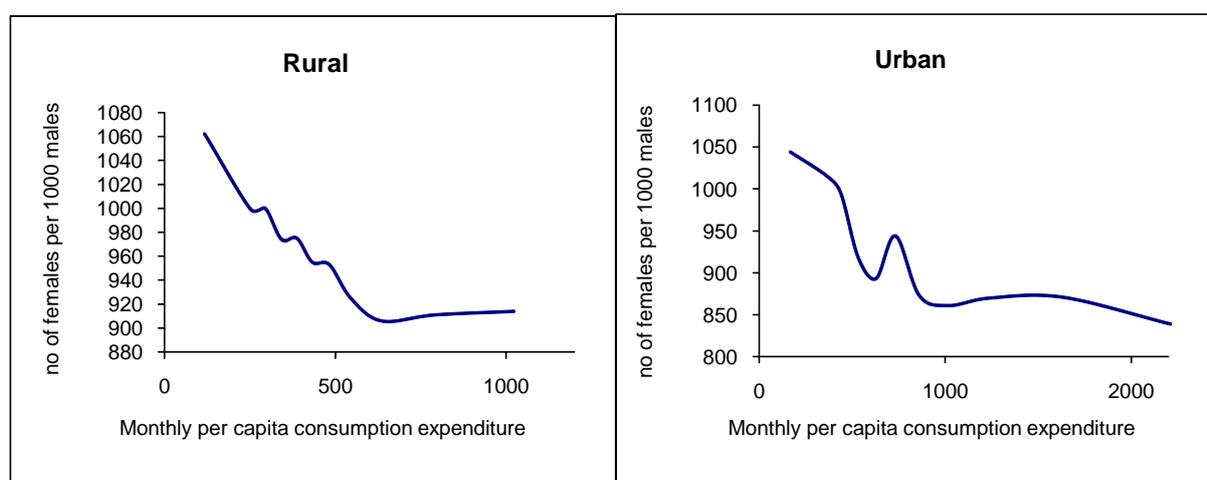
Urbanisation seems to improve economic wellbeing of all categories but its impact varies significantly across social groups. The maximum benefit comes to 'other religious groups' and 'upper caste Hindu population', their consumption in smaller urban centres being 60% higher than their rural counterpart. Muslims improve their consumption when they are in metro cities in relation to that in rural areas, similar to the SC/ST populations do but that unfortunately that does not happen in smaller urban areas. One would infer that their migration from rural areas to towns and metro cities does not have the same welfare augmenting effect as in case of upper caste Hindus and other religious groups.

The improvements in per capita consumption in real terms are the least in case of ST during 1993-99 and sadly there has been a fall in it during 1999-2004. SC Hindus record growth comparable with other Hindus in both the periods, the rates going down dramatically for both in the second period. The highest growth has been reported in case of other religious groups, the decline in the second period for them being much less than other social groups. Muslims, recorded high growth during 1993-99, slightly above that of SC and other Hindus but had almost no increase in their consumption expenditure in the second period.

As far as gender based inequalities are concerned, the magnitudes have been noted to be very high although there seems to be some decline in it in recent years due to increase in literacy and employment rate among women, exposure to global media, modernization and resultant change in cultural norms. Unfortunately, the data generated by official agencies at macro level do not bring out the gender differentiation in income or consumption expenditure. Income data at national, state or sectoral level do not have a gender dimension while NSS provides data on consumption expenditure only at household level.

7. Kundu and Sarangi (2009).

Figure 4. Sex ratio and monthly per capita consumption expenditure



Source: NSSO, 2004-05 Survey Report.

Given these limitations, one can only focus on the gender dimension in economic spheres by bringing out the differences in poverty levels between men and women headed households. The incidence of poverty is indeed much higher among the latter. This is because the probability of women headed households having a single earner is much higher than the others. Also, one would note that the sex ratio in households falling in lower expenditure classes is higher compared to the average households, both in urban and rural areas (Figure 4). The number of women per 1000 men goes down systematically with increase in the level of consumption expenditure. Using the sex ratio in different expenditure classes, the percentage of women below the poverty line works out to be 30.2 and 27 for rural and urban areas respectively, as opposed to the gross figures of 28.3 and 25.7. Poverty among women is thus about 5 percentage points higher than that among men, even when one assumes no intra-household differences in consumption.

3. Urban rural labour markets and the impact of migration on poverty

Given the wide gaps between the earnings in rural and urban labour markets, one can hypothesize that migration would be an instrument of improving economic wellbeing and escaping poverty.⁸ A cross classification of migration data⁹ across consumption expenditure categories reveals that at the macro level, economic deprivation is not the critical factor in migration decisions of men (women migration being determined largely by socio-cultural factors), both in rural and urban areas. The migration rate tends to be

8. Kundu and Sarangi (2007)

9. A major limitation confronting this exercise is the sampling design of NSS which is supposed to be appropriate for generating estimates of consumption expenditure and poverty only at the state and (NSS) region level. Recent publications of NSS point out that as a result of inadequate sample size (largely due to difficulties in increasing the field staff), the estimates have had high standard errors and consequently low reliability, in a large number of states. It is difficult to overcome this limitation unless the sample size is increased. Without that, the identification of the factors explaining the incidence of poverty for different size class of urban centres at the state level would have problems of reliability. These would, however, be less vulnerable to sample size and report lower standard error if obtained only at the national level. Keeping this in view, the present paper analyses the variations in the incidence of poverty and for different size class of towns only at the national level.

high in the category reporting the highest monthly per capita expenditure (MPCE), which goes down systematically, both in rural and urban areas. Importantly, a similar pattern emerges in case of seasonal or short duration migrants; those who have gone to any other place for 60 days or more during the last six months from the date of survey and returned back, in urban areas.¹⁰ This contradicts the proposition that short duration mobility is very high among the poor when compared to middle and upper class households. A segment of the migrants are indeed those who adopt coping strategies for livelihood and survival by shifting to other places in lean seasons. However, if this was a major factor, there would be a negative association between the percentage of seasonal migrants with the level of consumption expenditure. One would stipulate that a large segment of the short duration movement is due to factors like periodic transfer of regular workers, temporary posting of marketing and extension workers etc. All these suggest that even this channel of short term migration in urban areas is being utilized largely by relatively well off sections. Indeed, both poor and rich households report migration, although the reasons for sending out their family members and the nature of jobs sought by them are different.

There is significant variation in the percentage of migrants across educational categories when all urban centres are taken together. The percentage figure goes up from 32% for the illiterates to 44% for the graduates (Table 2). In case of seasonal migrants, however, the differences are not very significant. Immigrants are about a third of the total illiterate population in all size class of urban centres. The figure is similar in case higher educational categories in large cities. However, in case of medium and small towns, incidence of migrants is much higher for people with secondary or higher levels of education. These towns report about 50% of their graduates to be in-migrants, as opposed to the figure of 34% for million plus cities.¹¹ One may argue that educated persons in rural areas and small towns shift to medium sized urban areas in search of employment. The large cities, on the other hand, recruit the educated manpower more from among the city dwellers. Their dependence for illiterate manpower is, however, similar to that of other size class of urban settlements.

Table 2. **Percentage of migrants to total population in different size class of urban centres classified by their levels of education in 1999-2000**

	Illiterates	Up to primary	Up to secondary	Up to Higher secondary	Graduate and above	Total
<i>Migrants</i>						
Large towns/cities	32.2	25.7	32.1	32.0	34.0	30.5
Medium cities/ towns	33.9	27.4	39.4	43.8	49.9	35.5
Small towns	31.0	26.5	36.7	41.4	49.1	32.6
All Urban Areas	32.5	26.7	36.6	39.7	44.0	33.3
<i>Seasonal migrants</i>						
Large towns / cities	1.7	0.8	1.6	0.6	0.7	1.2
Medium cities/ towns	0.9	0.9	1.1	1.6	1.0	1.0
Small towns	1.0	1.0	1.1	1.4	1.7	1.1
All Urban Areas	1.1	0.9	1.2	1.3	1.0	1.1

Source: Kundu and Sarangi (2007).

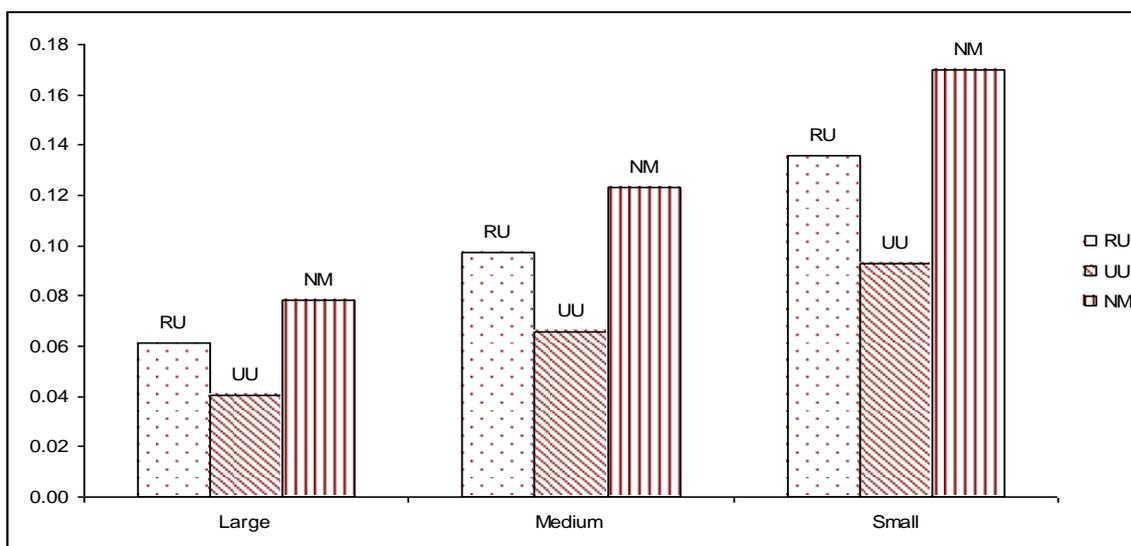
10. Kundu (2006).

11. This could be attributed to many of the graduates from rural areas flocking into small and medium towns as they find absorption in large cities as increasingly difficult.

An attempt is made to estimate the probability of being poor for a person as a function of city size of his/her residence, level of education, migration status and the interactions of these factors, while controlling for the factors such as age, number of subsidiary activities undertaken, nature of employment etc., using *logit* regression model. It may be pointed out that the million plus cities, classified here as *large towns/cities*, have around 14% of their population living below poverty line in 1999-00 compared to the figure of 18% in 1993-94. The *medium category cities/towns* (with population between 50,000 and 1 million) reported poverty levels of 28% in 1993-94 which has gone down to 20% in 1999-00. The corresponding figures in *small towns* (with 50,000 or less people) are as high as 33% and 24% respectively, slightly higher than even in rural areas. The lower incidence of poverty in larger cities than in smaller towns is understandable as employment and other economic opportunities are more in the former. These cities provide better social and physical infrastructure including educational facilities which results in higher factor productivity (Sviekauskas, 1975). Correspondingly, returns to education are higher in large cities than small towns. Further, the motivation to send out a migrant may well be stronger for a poor than a rich household but the capability to “afford” migration is higher in case of the latter. One may stipulate that in the days of tough market condition, affordability would play the critical role for realization of migration decision.

The model confirms the hypothesis that the probability of a person being poor is low in large cities compared to other urban centres, irrespective of the migration status, age, number of subsidiary activities undertaken, etc. This is true for all adults with different levels of education including the illiterates. Migration into urban centres, both from rural and urban areas, emerges clearly as an instrument of improving economic wellbeing and escaping poverty. The likelihood of falling into poverty is low in case of rural-urban migrants (RU), as well as for urban-urban migrants (UU), than for non-migrants (NM) as estimated through the regression model (Figure 5). This questions the proposition that push factors have been the major determinants of mobility or that poverty holds the key to explaining migration in the 1990s. Indeed, if the poor constituted the large majority among the migrants, they could not possibly improve their economic conditions after migration so much so as to exhibit a positive relationship between the percentage of migrants and the level of consumption expenditure. Alternately, one may argue that it is largely the relatively better off sections who are able to migrate to urban centres since moving to cities require initial staying capacity and certain levels of skill. Indeed, with modernization and technology upgrade in many of the urban sectors, absorption of rural poor has become increasingly difficult.

Figure 5. Probability of being poor by migration status and size of towns

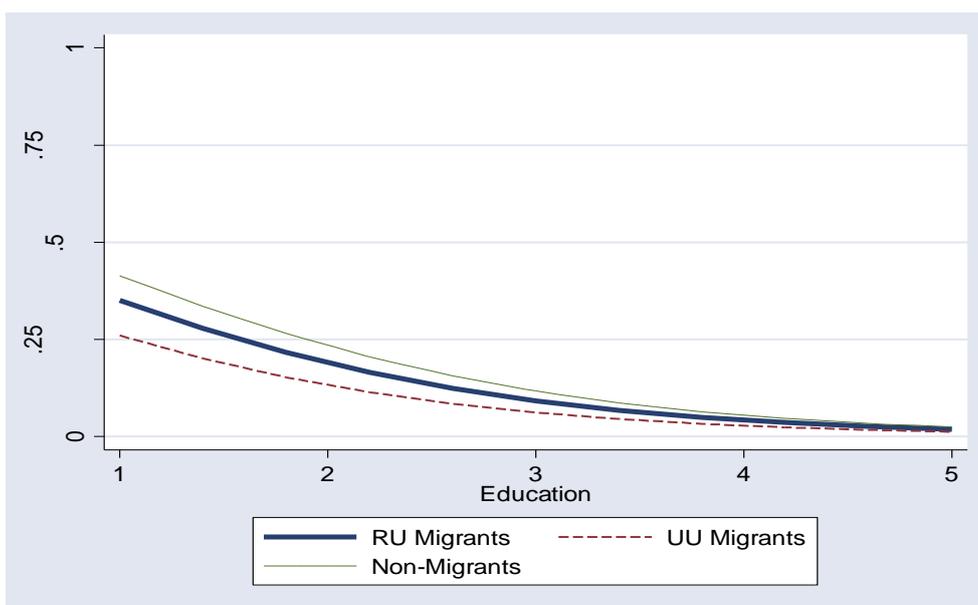


Source: Computed from unit level data of the 55th Round of National Sample Survey. See the text for details.

The level of educational attainment is the most significant factor impacting on poverty, the incidence of poverty (as also the probability of being poor) declining with the level of education. The poverty mitigating impact of education is noted as significant for RU and UU migrants as also the non-migrant (NM) population (Figure 6). The negative relationship between probability of poverty and level of education has been noted in case in all size class of urban centres. This relationship holds good for all adults as also for regular and self employed persons, but not for the unemployed and casual labourers. It suggests that the economic payoff of education in present urban context of the country is being enjoyed by those who are able to get regular or self employment (Kundu and Sarangi 2007).

All these indicate that the better off sections of population with higher levels of skills find it easier to get absorbed in the city economy and avail the “opportunity” offered through migration. Unfortunately, poor, illiterate and unskilled labourers seeking absorption in informal activities as casual workers are finding it increasingly difficult to become a part of the process and avail the benefits of urbanization. Understandably, their migration has gone down, particularly in large cities, which is reflected in a significant decline in the percentage of poor during the last decade and a half. Migration for poverty alleviation has become a less important component of the mobility stream and likely to become even less over time. The poor can get a foothold in small and medium towns but here the opportunities of employment and poverty alleviation are low, as noted above.

Figure 6. **Probability of being poor by migration status across levels of education**



Source: Computed from unit level data of the 55th Round of National Sample Survey. See the text for details.

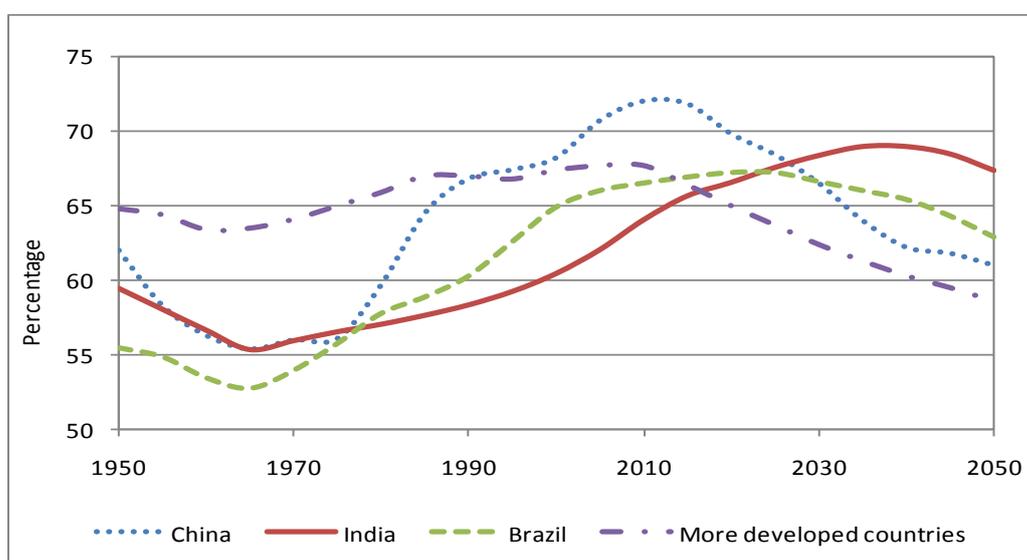
The most disconcerting fact is that there has been a deceleration of rural to urban migration during the nineties despite the increase in economic inequality, which confirms the fact that urban centres have become less hospitable and less accommodating for the poor. The propositions of ushering in spatially unbalanced growth through “dispersal of concentrations” and then reach out to the poor through a human settlement strategy (World Bank 2009), therefore, needs to be examined with empirical rigour. The case made for a high growth strategy with rising regional inequality, by positing migration as an instrument of sharing the benefits of uneven growth across states and districts needs to be questioned. This is particularly due to the increasing social and economic costs of migration which the conventional analysis fail to incorporate or highlight.

4. Trends and patterns of employment and unemployment in India in the macro perspective of growth

4.1. Impact of the decline in population growth on the labour force

A notable feature of the demographic transformation in India is the rapid change in age structure in recent years resulting from the lowering of fertility rates in a number of states, altering the parameters at national level. Looking at the phenomenon within a comparative framework, one may observe in Figure 7 that the percentage of economically active population (in the age group of 15-64) is about 63%, much below that of not only the more developed countries but also the developing countries like China and Brazil.

Figure 7. Percentage of projected population in the age group 15-64 to total population



Note: More developed countries comprise all regions of Europe plus Northern America, Australia, New Zealand and Japan.

Source: World Population Prospects 2006, UN Population Division

A rapid decrease in the percentage of children (aged less than 15) has started in India in the nineties and will continue during the next few decades, much more than other Asian countries, while that of aged population would unfortunately not go up that fast. On the positive side, the low share of children and aged in the country would imply that it will have relatively low dependency burden. Understandably, the health expenditures for the aged which is known to grow exponentially in per capita terms as also percentage of total income, may not shoot up, enabling the country to make investment in productive sectors of the economy

The advantages of this demographic dividend should not be overestimated. The nature of economic growth does not guarantee that the growth in job opportunities will be equal to that of the working-age population or higher than that, after wiping out the backlog of unemployment. Also, notwithstanding opening up of job opportunities for women in recent years, the participation of females in the labour market may remain low due to cultural and ethnic factors. The large parts of the female adult population in many of the states that remain outside labour force constitute the untapped potential for development. Stronger labour mobilization among women is a distinct possibility, especially as sustained fertility decline is likely to continue for the next three decades, thereby freeing women from the responsibility of motherhood for large periods. India's demographic window is, thus, wide open, unlike that of most other

countries at a similar level of development, but the opportunity needs to be captured and utilized through adequate educational and training facilities resulting in skill formation required in modern rapidly growing activities.

4.2. Employment and unemployment scenario

Employment trends in recent decades, as observed through National Sample Survey (NSS)¹² data have evoked mixed reactions among policy makers and researchers. The workforce participation rates (WPRs) by usual (principal) status¹³ in the 15-59 age group have gone down systematically for all categories (males and females, in rural and urban areas) since late seventies to the end of the last century (Table 3). It is difficult to explain this secular trend in terms of higher enrolment in schools as the children (up to age 14) have been excluded from the calculations.

Table 3. Percentage of workers in 15–59 age-group by Usual, Weekly and Daily Status

Survey year	Principal Status							
	Rural				Urban			
	Men		Women		Men		Women	
1977–78	90.2		40.7		79.6		19.3	
1983	88.4		40.1		79.5		18.7	
1987–78	86.2		39.8		77.9		18.3	
1993–74	86.5		36.7		78.8		18.4	
1999–00	85.5		33.4		77.9		17.6	
2004-05	85.5		38.0		74.5		18.7	
2005-06	84.4		35.1		78.3		17.5	
Survey year	Weekly Status	Daily Status	Weekly Status	Daily Status	Weekly Status	Daily Status	Weekly Status	Daily Status
1977–78	87.1	81.5	37.7	31.4	78.6	75.7	19.6	17.1
1983	85.4	80.2	36.4	31.6	78.3	75.2	18.4	16.5
1987–78	84.0	83.5	35.3	33.2	77.3	75.1	18.5	17.0
1993–74	85.1	80.9	42.0	34.3	78.2	76.0	20.9	18.1
1999–00	83.4	78.1	40.8	32.9	77.1	74.4	19.1	16.7
2004-05	83.8	78.1	43.2	33.9	78.5	76.0	22.3	19.4
2005-06	82.3	77.1	40.0	31.7	77.5	75.2	19.2	17.1

Source: Various Rounds of NSSO report on 'Employment and Unemployment Situation in India', Ministry of Statistics and Programme Implementation, Government of India.

During the period 1999-2000 to 2004-05, the latest period for which large sample survey results are available, there seems to be a stalling of this trend. For rural men, the figure has not declined while for women, it has gone up both in rural and urban areas. The increase has been large enough to restore back the levels of 1993-94. There is slight decline in the rate in the year 2005-06 as per the thin sample results (all other figures in the table are based on large sample) but that, if not due to sampling error, reflects that

12. NSS data on employment unemployment have been considered more reliable compared to that from Population Census.
13. NSS uses three different concepts to measure employment and unemployment. Those reporting work for larger part of the year are considered workers by usual status workers. Persons working for a day or more during the reference week are counted as workers by current weekly status. Current daily status measures volume of employed days and half days and relates that with the days for which employment is sought. The Current Weekly status is the closer to the ILO concept and is often used for international comparisons.

the employment generated in the growth process is not sustainable in the long run. It may also be pointed out that only a small part of the total women employment is in the formal labour market. Close to half of the rural women workers are helpers or unpaid workers in family run enterprises. Among urban women, this figure is close to one quarter.

WPR by usual status has gone down for men both in rural and urban areas during the decade 1993-2004 implying that employment has grown at a pace less than that of population in most age groups over the entire decade. Only, the decrease in the WPR in the age group 15-19 could possibly be attributed to larger number of boys and girls going to colleges and universities (Table 4). The decline has been considered all the more surprising since the economy has registered reasonably high growth in income. As a result, scholars have argued that Indian economy is experiencing some sort of “jobless growth”. The decline in WPR as also growth rate of employment is dramatic particularly during 1993-99 in all age groups. Understandably, planners and policy makers got very alarmed and launched Constitutional and administrative measures for employment generation within or outside the macro level growth strategy, resulting in passing of National Rural Employment Guarantee Act and launching of a scheme guaranteeing 100 days of work to every rural household in a year. Furthermore, employment generation entered the political agenda of the government and most political parties in the country. A departure from this trend during 1999-2004 has been noted from the data from the 61st round of NSS. The changed employment scenario has been welcomed by one and all as it is argued that the decelerating trend in employment growth particularly that of the nineties, often attributed to the programmes of structural reform, has finally been stalled.

The systematic decline in WPR among children (in the age group of 5-19) during the entire period 1993-04 reflects spread of primary education. Understandably, more and more children are attending schools. The decline, however, is sharper in rural compared to urban areas, both for boys and girls. Possibly, it is the employment opportunities opening up within the household sector and various informal activities within urban economy which is responsible for this lower decline in WPR. The increase in WPR in the age group of 20-24 (by usual principal status) for urban male is surprising as one expects this to fall due to boys going to colleges and other higher institutions of learning. This unfortunately has not happened as they have been drawn into employment in the urban informal sector (Table 4).

The overview of the trends by weekly and daily status strengthens many of the above conclusions, although, one gets a relatively more gratifying picture of the labour market. The growth rates in employment work out as much higher than by usual status during the entire decade. No category reports a decline in 15-59 age group during 1999-04 (Table 3). The WPR for women by weekly status has gone up above that of 1993-94 both in rural and urban areas. This is the case for men as well but only in urban areas. Further, there is no decline in the male employment rate by daily status in rural or urban areas, opposite to what is noted by usual status. For women, the increases in WPR by both weekly and daily status are somewhat sharper than by usual status, both in rural and urban areas.

Table 4. **Percentage of workers by usual (principal) status**

Age group	Men			Women		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
<i>Rural</i>						
5-9	0.9	0.5	0.2	1.1	0.6	0.1
10-14	11.2	8.2	5.4	10.4	7.4	4.9
15-19	52.3	47.5	45.3	26.4	23.4	22.2
20-24	82.4	82.3	82.0	31.8	31.0	28.4
25-29	94.7	94.2	95.6	35.4	37.3	36.7
30-34	98.0	97.4	97.7	40.7	42.2	42.4
35-39	98.8	98.1	98.6	43.5	45.3	48.2
40-44	98.5	98.1	97.9	44.0	46.2	47.5
45-49	98.0	97.7	97.7	43.8	45.0	48.3
50-54	96.5	94.9	95.8	40.7	39.9	43.6
55-59	93.6	91.9	92.4	33.7	35.1	39.4
60+	68.3	62.2	63.0	17.2	17.4	19.7
<i>Urban</i>						
5-9	0.4	0.3	0.2	0.3	0.1	0.1
10-14	5.9	4.6	4.4	3.5	2.8	2.4
15-19	33.7	30.3	31.4	9.4	8.7	9.2
20-24	65.4	64.4	66.2	13.6	13.0	15.5
25-29	89.2	87.8	90.0	17.5	16.1	18.6
30-34	96.1	95.8	96.5	20.8	19.8	23.6
35-39	98.2	97.3	97.5	23.3	23.5	26.5
40-44	98.0	97.3	97.7	25.7	24.2	26.2
45-49	97.1	96.8	96.5	25.3	23.4	22.7
50-54	94.1	93.3	92.5	24.0	22.5	22.4
55-59	84.5	80.3	81.9	18.5	18.1	19.2
60+	42.9	38.6	35.5	9.1	8.2	8.6

Source: National Sample Survey reports of different Rounds.

One can generally argue that employment growth during 1993-2004 has been, higher than population in all categories, except rural men. For rural women, the WPRs can be noted to have remained stable or gone up, despite low employment growth at high levels of education (graduation and above) (Table 5). On the whole, employment growth for women is higher than that of men. The former is generally considered to be more important for poverty reduction than that of men as it leads to larger expenditure on food and other necessary items at household level. In urban areas, WPRs for men can be taken to be stable or going up marginally while that for women have gone up significantly. The growth rates for women are higher than that of population in almost all the age groups, resulting in WPR in 2004-05 going slightly above that of 1993-94. Employment growth has been higher even among the illiterates, which is not the case for men.

The decline in employment rate among illiterate men both in rural and urban areas should be a matter of concern for policy planners in the country. The demand for semi-literate men or women with primary and middle education has, however, gone up phenomenally both in rural and urban areas (Table 5). Interestingly, employment growth at higher levels of education is not very impressive, the WPR for graduates remaining stable or declining over the years. One would argue that the job market under globalization has expanded significantly but mostly for the lower level support system, employing semi-literates men and women, wherein the need for educational development or skill formation is not very high.

Table 5. Percentage of workers by usual status and education level for persons of age 15 years and above

Education level	Men			Women		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
<i>Rural</i>						
Illiterates	91.3	89.1	88.7	39.1	40.4	41.6
Literate upto primary	89.8	87.2	88.7	28.6	30.3	32.7
Middle	73.5	75.2	78.1	17.7	20.5	25.3
Secondary	68.3	71.3	69.9	15.3	17.3	20.4
Higher secondary	62.9	67.9	66.4	16.1	13.4	16.9
Diploma			78.3			39.6
Graduate and above	79.2	80.2	81.8	29.3	26.9	28.5
All	84.6	82.9	83.0	34.6	35.0	35.9
<i>Urban</i>						
Illiterates	86.6	83.6	82.4	23.3	22.9	25.0
Literate upto primary	84.4	82.4	85.1	15.0	14.6	18.6
Middle	71.3	72.5	75.0	9.1	9.9	11.7
Secondary	66.3	66.1	66.2	10.8	10.4	9.5
Higher secondary	58.9	59.9	59.1	12.6	11.1	10.3
Diploma			77.2			42.3
Graduate and above	80.7	79.7	78.5	28.2	25.2	26.5
All	75.8	74.5	75.2	17.5	16.6	18.5

Source: National Sample Survey reports of different Rounds.

The labour market assessed through the trends in unemployment during the last five years appears a bit more distressing than what is presented based on employment. Unemployment situation appears to be as alarming in 2004-05 as it was in 1999-00 as per the NSS data. It is surprising that despite the unprecedented growth in employment during the intervening five year period, people seeking and available for jobs as a percentage of labour force have remained by and large unaltered and increased by weekly and daily status going up till the latest year. Importantly, the developments for women are matters of more serious concern as their unemployment rates have gone up both in rural as well as urban areas, (the marginal decline in the rate in the year 2004-05 by the 62nd Round data of NSS based on thin sample could be attributed to sampling factors) by all the three definitions and are higher than that of men (Table 6). This is despite the high growth in employment for them, as discussed earlier. All these reflect a complex labour market situation in the country.

Table 6. **Percentage of unemployed persons to labour force**

A. Rural areas

Survey Year	Male			Female		
	<i>Usual principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>	<i>Usual Principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>
1977-78	1.3	3.6	7.1	2.0	4.1	9.2
Jan-Dec 83	1.4	3.7	7.5	0.7	4.3	9.0
1987-88	1.8	4.2	4.6	2.4	4.4	9.0
1989-90	1.3	2.6	-	0.6	2.1	-
1990-91	1.1	2.2	-	0.3	2.1	-
July-Dec 91	1.6	2.2	-	0.7	1.2	-
Jan-Dec 92	1.2	2.2	-	0.6	1.2	-
1993-94	1.4	3.1	5.6	0.9	2.9	5.6
1994-95	1.0	1.8	m	0.4	1.2	m
1995-96	1.3	1.8	m	0.7	0.9	m
1997	1.2	2.0	m	0.7	1.8	m
1998	2.1	2.9	m	1.5	2.7	m
1999-00	1.7	3.9	7.2	1.0	3.7	7.0
2004-05	1.6	3.8	8.0	1.8	4.2	8.7
2005-06	2.0	4.3	8.3	1.2	3.3	7.5

B. Urban areas

Survey Year	Male			Female		
	<i>Usual principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>	<i>Usual Principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>
1977-78	5.4	7.1	9.4	12.4	10.9	14.5
Jan-Dec 83	5.1	6.7	9.2	4.9	7.5	11
1987-88	5.2	6.6	8.8	6.2	9.2	12
1989-90	3.9	4.5	m	2.7	4	m
1990-91	4.5	5.1	m	4.7	5.3	m
July-Dec 91	4.1	4.8	m	4.3	5.6	m
Jan-Dec 92	4.3	4.6	m	5.8	6.2	m
1993-94	4.1	5.2	6.7	6.2	8.4	10.4
1994-95	3.4	3.9	m	3.4	4	m
1995-96	3.8	4.1	m	3.1	3.5	m
1997	3.9	4.3	m	4.4	5.8	m
1998	5.1	5.4	m	6.8	7.8	m
1999-00	4.5	5.6	7.3	5.7	7.3	9.4
2004-05	3.8	5.2	7.5	6.9	9	11.6
2005-06	4.5	5.8	7.9	6.3	7.7	10.1

Note: 'm' indicates that daily status data are not available for these years.

Source: National Sample Survey Reports of different Rounds. The years mentioned in bold letters indicate that the figures are based on large sample data. These are not strictly comparable with those of the thin sample data for other years.

Focusing on rural urban (RU) differentials, one may observe that urban unemployment rates are higher by all definitions, both for men and women (Tables 6A and 6B). In some cases the rates are more than double. What seems to be a matter of concern is that the daily status unemployment rates have gone up for men and women, both in rural and urban areas during 1999-05. Importantly, this kind of employment which is of short duration and volatile is expected to provide livelihood support to the poorest rung of households. One has reasons to be optimistic with regard to poverty reduction, due to its higher growth during the last five years. However, a sharp rise in daily status unemployment rate (for men even in 2005-06) suggests that growth in employment is not matching the labour supply as the poor households are sending larger number of their family members as a part of their survival strategy.

While the overall unemployment rates generally tend to be low in India, there are specific groups for which the unemployment rates are relatively very high. The unemployment rates for the illiterate persons and those with primary education are low but have not gone down over the decade 1993-2004 (Table 7). This may be surprising in case of women where employment growth is very high. One would argue that the supply of labour from poor households as a part of their survival strategy has been higher than their absorption. These are the people who have very little choice in the labour market and end up in low paid manual work. The labour force with secondary level and above education reports much larger percentage of unemployment, the figures going up at higher levels of education. In this the educated women fare much worse. The women in both rural and urban areas suffer from problems due to limited mobility and other social barriers that constrain them to take up jobs away from their homes or of lower status. Consequently, the unemployment rates for women with secondary and above educational level work out to be three and four times that for men in urban and rural areas respectively.

Table 7. Usual status unemployment rates by level of education

Year	Not literate	Primary	Middle	Secondary and above
<i>Rural males</i>				
1987-88	0.9	2.1	5.4	11.4
1993-94	0.3	0.8	3.0	8.8
1999-00	0.4	1.1	2.8	6.8
2004-05	0.4	1.3	2.4	5.9
<i>Rural females</i>				
1987-88	2.4	3.5	13.7	34.1
1993-94	0.2	1.0	5.3	24.9
1999-00	0.2	0.9	4.7	20.4
2004-05	0.7	2.4	5.9	23.1
<i>Urban males</i>				
1987-88	1.8	4.6	8.8	8.3
1993-94	1.1	2.5	5.7	6.9
1999-00	1.4	3.0	5.6	6.6
2004-05	1.2	2.3	4.9	6.0
<i>Urban females</i>				
1987-88	2.1	6.4	21.6	21.9
1993-94	0.4	4.5	15.7	20.6
1999-00	0.6	2.5	11.1	16.3
2004-05	0.8	4.1	12.1	19.4

Source: NSS report 407, 485 and 515.

The overview suggests that the employment trend during last five years (1999-04) in urban India is more disconcerting compared to the rural counterpart. This can be linked to the fact that the decline in urban poverty has been significantly less than rural poverty, as discussed above.¹⁴ The answer to the “puzzle” of a greater reduction in rural poverty despite lower growth in consumption expenditure lies in the changes in the employment scenario. One can argue with fair degree of confidence that employment growth in the lower economic categories here, particularly among illiterates and those seeking employment on a weekly or a daily basis have made a dent on poverty. The other significant factor is increasing inequality in the consumption expenditure. It is important that the Gini coefficient in per capita consumption expenditure in rural areas during 1993-04 increased by 0.17% which is significantly below that of urban areas, its figure being 0.29 (Himanshu, 2007). One would possibly argue that while there is a direct effect of growth in terms of poverty reduction in rural areas this is not so in towns and cities. Poverty in urban areas can partly be attributed to lack of growth and partly to growth itself which tends to accentuate inequality.

4.3. Changing composition of the workforce and wages

An investigation into the productivity or wellbeing of the workers on the face of a reasonably high growth in income and employment during the past few decades would require some probing into the changes in the status of employment and its sectoral composition. The share of self-employed rural men and women, who constitute the bulk of the workers, decreased steadily from 1977 till 1999-00. Correspondingly the share of casual workers was on the ascendant. This has generally been termed as ‘casualisation’ of employment, reflecting an emerging trend of people not entering the labour ‘market’ in a formal sense but working on ad-hoc or even daily basis. The structure of urban employment has remained more or less unchanged for men and for women one observes the increasing share of regular employment.

The last five years from 1999-00 to 2004-05, however, show a completely different picture. In rural and urban areas, self employment share has increased while that of casual labour has gone down (Table 8). Many of these people are taking up contractual assignment from modern sectors rather than going into traditional household enterprises. The share of regular salaried employment has remained more or less the same but for women there is an increase, the growth being very high in urban areas. The share of regular employment for urban women has increased from 25.8% in 1983 to 33.3% in 1999-00 and then to 35.6% in 2004-2005. One would argue that the change in work status of the employed or labour mobility is small; the increase in the share of self-employed is mainly from additional employment opportunities that have become available during the recent period of high economic growth.

These developments in the labour market have bearing on the economic and social wellbeing of the workers in future years. The first landmark change would be the decline in the percentage of casual workers, as noted above. The only category wherein the increasing casualisation of workforce did not take place is urban woman. It had experienced a decline in the share of casual workers during the last three decades of the last century which has continued till 2004-05. Here again, the rate of reduction in the figure now is sharper than in the previous decades.

The high growth in employment for urban women is a welcome development as their WPR has traditionally been low. It is only 23% compared to about 51% for rural women. However, one must probe into the nature and sectors of employment in order to understand the implications for their wellbeing and impact on household poverty. It has been noted above that the percentage of regular workers has gone up for them. One would argue that many who were employed as casual workers now are being somewhat on a regular basis. The important question would be whether this change in work status improves their working conditions and earnings. It is well known that many of the activities that employ women on a regular basis

14. Also see Himanshu (2007).

like domestic help, various service activities offer working conditions scarcely better than what is available for casual workers.

In case of men, the decline in the percentage of casual workers has been matched by the corresponding increase in the percentage of self employed. One may argue that many entrepreneurs are offering jobs not on regular or daily basis, but on contract. The workers are, thus, being obliged to carry the jobs to their households and deliver the product as per stipulated conditions. A part of the increase in the self-employment may be linked to the government policy of providing self-employment rather than wage-employment under its various anti-poverty programmes like the Integrated Rural Development Programme and self employment component of Swarna Jayanti Shahri (urban) Rozgar Yojana. The evaluative studies for the governmental measures are however equivocal with regard to success enabling the “beneficiaries” to move above the poverty line on a sustainable basis. It would, therefore, be important to look at the changes in the earnings of the self-employed in relation to regular or casual employment.

Table 8. **Distribution of usually employed (Principal and Subsidiary status) by category of employment**

Year	Self-employed	Regular salaried employees	Casual labour	Self-employed	Regular salaried employees	Casual labour
	<i>Rural male</i>			<i>Rural female</i>		
2004-05	58.1	9.0	32.9	63.7	3.7	32.6
1999-00	55.0	8.8	36.2	57.3	3.1	39.6
1993-94	57.7	8.5	33.8	58.6	2.7	38.7
1987-88	58.6	10.0	31.4	60.8	3.7	35.5
1983	60.5	10.3	29.2	61.9	2.8	35.3
	<i>Urban male</i>			<i>Urban female</i>		
2004-05	44.8	40.6	14.6	47.7	35.6	16.7
1999-00	41.5	41.7	16.8	45.3	33.3	21.4
1993-94	41.7	42.0	16.3	45.8	28.4	25.8
1987-88	41.7	43.7	14.6	47.1	27.5	25.4
1983	40.9	43.7	15.4	45.8	25.8	28.4

Source: Statement 5.7, NSS Report 515.

The proposition that the regular employment has remained stable or gone up marginally during 1993-04 requires probing. It is only among the illiterates that such employment has remained at the same level for all categories except for urban women, for whom the share has gone up. For people with secondary and higher levels of education, there is significant decline in regular employment including for urban women. It would therefore be difficult to consider the stalling of the fall in the share of regular employment at the aggregative level as a positive development from the perspective of workers. Formalization is taking place at the lowest level of employment which helps the middle class in guaranteeing certain amount of stability in their low cost support system. At higher levels of education there is greater informalisation through encouragement of self employment (Table 9). The newly created regular jobs are almost solely for illiterate men and women, particularly in urban areas where the need for these supporting services in manufacturing, business and within the household for housekeeping purposes is very high.

Table 9. **Percentage of Regular/Salaried Workers (15 years and above) by Educational Level**

Gender and Urban/rural	Not literate			Secondary and above		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
Rural male	3.7	3.14	3.48	28.16	26.25	23.27
Rural female	1.48	1.73	1.45	32.2	41.14	26.14
Urban male	21.61	19.62	20.34	58.95	56.6	51.69
Urban female	14.33	19.21	20.72	71.74	76.16	64.1

Source: Computed from table 23, NSS report No 515(1).

Analysing the intersectoral shifts, it is noted that the share of agriculture in GDP has declined sharply over the years, claiming a share of 20% in 2004-05 as when it was 37.2% in 1983 (Table 10). It is a matter of some concern that the share of manufacturing has not gone up despite five years of sustained rapid economic growth, implying that manufacturing is not at the forefront when the national economy is surging ahead in the rapid growth path. The growth rates are very high in the tertiary sectors, particularly financial services (including real estate development) and transport, storage and communication, resulting in doubling of their shares over the past two decades.

Table 10. **Sectoral shares in GDP over the years of NSS quinquennial rounds**

Sector of activity	1983	1993-94	1999-00	2004-05
Agriculture	37.2	30.0	25.0	20.2
Mining & Quarrying	2.3	2.5	2.3	2.2
Manufacturing	14.5	14.5	14.8	15.1
Electricity, gas, water etc	1.7	2.4	2.5	2.3
Construction	5.8	5.8	5.7	6.6
Trade, Hotel & restaurants	11.5	12.2	14.2	15.5
Transport, storage and communications	6.0	6.6	7.5	10.2
Financial services, insurance, real estate and business services	8.3	12.2	13.1	13.5
Community, social and personal services	12.8	13.9	14.9	14.2
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Note: Figures in bracket are the ratios of the figures in terminal year (2004-05) to base year (1983).

Source: National Accounts Statistics.

Despite the low growth in agricultural income and consequent fall in its share in GDP, the percentage of workers employed in the sector has gone down only marginally, the figure being over 50% in 2004-05 (Table 11). This implies that the average earning in agriculture has gone down significantly over time in relation to that in other sectors. The growth rates of employment in mining & quarrying, manufacturing and community, social & personal service sectors have kept pace with the overall growth in labour force, their percentage shares remaining stable over the years. The same is true in case of their income shares as well. Financial Services, Trade, Transport and Electricity sectors are the gainers, direct beneficiaries of liberalized economic regime, with their income as well as employment shares going up. The ratios between the terminal period (2004-05) to the base year (1983) of the shares in employment for the first two sectors are much higher than that for income while for the other two, these are somewhat less. One would infer that income growth in tertiary sectors has not necessarily been labour saving and these have absorbed a part of the incremental labour force, although in their informal segment.

Table 11. Sectoral distribution of the usually employed persons by principal and subsidiary status

Sector of activity	1983	1993-94	1999-00	2004-05	Ratio of Terminal to Base
Agriculture	65.4	61.0	56.6	52.1	0.8
Mining & Quarrying	0.7	0.8	0.7	0.6	1.0
Manufacturing	11.3	11.1	12.1	12.9	1.1
Electricity, gas, water etc	0.3	0.4	0.3	0.4	1.0
Construction	2.6	3.6	4.4	5.6	2.2
Trade, Hotel & restaurants	7.0	8.3	11.2	12.6	1.8
Transport , storage and communications	2.9	3.2	4.1	4.6	1.6
Financial services, insurance, real estate and business services	0.8	1.1	1.4	2.0	1.6
Community, social and personal services	9.1	10.5	9.2	9.2	1.0
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	

Source: Planning Commission (2008b).

A look at the factor income shares in different sectors gives an insight into their dynamics of growth and their welfare implications for the workers. Table 12 gives the share of compensation to employees in the sectoral income. The sharp decline in the share of workers in organized sector can be explained in terms of low growth in employment and subcontracting of jobs to informal sector. The increase in the incidence of informal workers within the organized sector is yet another factor responsible for this decline. It is a bit distressing that the compensation to workers in value added in unorganised activities has not gone up despite their experiencing phenomenal employment growth during the period under consideration. This is largely because this employment growth has been contingent on stability and even a fall in their wages, as discussed below. Importantly, all the four service sectors Trade, Transport, Finance Insurance, Community Services show significant rise in the share in GDP and yet the share of compensation to workers in the value added has declined over the years except in case of the first sector. The decline in case of Transport is phenomenal followed by Community Services. It is evident that these service activities, although have benefited through induction of informal labour force have not shared the benefits of growth with their workers. As a result, the share of compensation to employees has gone down marginally in the total economy. This trend, if continues in future, is likely to adversely affect the domestic demand, the strength of which has sustained India's economic growth in a period of global meltdown, as mentioned above.

Table 12. Percentage share of compensation to employees in the net domestic product

Sector of activity	1999-00	2004-05
Agriculture, forestry and logging	19.75	18.45
Mining and quarrying	50.56	34.97
Manufacturing	34.88	33.83
Construction	77.09	78.61
Trade, hotels and restaurants	14.71	15.97
Transport, storage and communication	43.31	36.54
Financing, insurance, real estate	31.74	30.74
Community social and personal services	74.36	69.99
All sectors	37.38	36.75
All organized sector	59.68	54.88
All unorganized sectors	22.18	23.36

Source: National Accounts Statistics.

For assessing the implications of the changes in the types and sectoral composition of employment, it would be important to analyse the trend in real wages and ascertaining if the changes in the character of employment - moving from casual to self employed and regular categories or total informality to semi-formality, as discussed above - has resulted in the workers benefiting in terms of their earnings. In other words, the issue is whether the informal sector is getting globally linked, directly or indirectly, would enable the working class partake in the benefits of globalization and if there will be trickling down of benefits from the entrepreneurs to their workers. It is indeed true that a definitive answer to this question would necessitate a detailed analysis of the factor payments and the earnings of the so called self employed, doing contract jobs for globally linked formal sector activities.

One way of examining this is by looking at the average wage rate of workers in different categories, as provided by NSS rounds on employment and unemployment survey. However, one has to ascertain the strict comparability of the wage data over time by looking at the questionnaire canvassed, the exact questions asked and making adjustments for any change in the scope and coverage in the NSS rounds. The wages data collected in the 55th round included overtime payment which was not the case in the 61st Round and consequently there is an element of temporal non comparability.¹⁵ Furthermore, the use of NSS data on wages to assess the wellbeing of the workers has been questioned since the trends and patterns observed here differ significantly from that observed from Labour Bureau. Opinion seems to be divided with regard to appropriateness of either of the data sets and this has been responsible for major controversies with regard to the wage trends during the nineties. Notwithstanding the validity of some of these objections, it should be possible to draw conclusions regarding the broad trends, particularly when the changes over time work out to be very high. It is indeed a matter of serious concern that there has been a reduction in the real wages of regular and casual workers during 1999-04, more specifically in urban areas where the incidence of informal employment is believed to be very high (Tables 13 and 14). The decline is much more than what can possibly be attributed to definitional and coverage factors and the issue of real wage decline appears to be a matter of genuine concern.

An analysis of the wage data questions the thesis that the workers have benefited much from the changes in the character of employment in the labour market during 1993-2004. The increase in the real wages of casual workers in rural areas for men and women suggests that their absorption, particularly after 1999-00 has largely been in public works and other construction projects where they have been paid emoluments as per certain legal and administrative stipulations. This would be the case for male workers as well employed on a regular basis. In urban areas, however, these have gone down both for men as well as women (Table 13). This is the case not only for casual workers but also those employed on a regular basis. One can not attribute this to agriculture not doing well since the percentage of agricultural workers in cities and towns would be low. The basic explanation would come from the non agricultural activities not being able to maintain real wages of their workers that have provided informal employment to much of the incremental workforce.

15. Overtime payment is made only to a segment of workers in the organized sector and there is also a ceiling on that. Its impact on macro figures, therefore, is unlikely to be very large.

Table 13. **Wage rates for regular and casual employees in the age group 15-59**

(in INR at 1993-94 prices)

Sector	Gender	1993-94	1999-00	2004-05	Percent change 1999-2004
<i>Regular salaried workers</i>					
Rural	Male	55.1	83.7	91.3	9.2
	Female	31.9	55.3	48.4	-12.4
Urban	Male	73.5	105.8	101.3	-4.2
	Female	60.3	95.1	77.3	-18.7
<i>Casual workers (including public works)</i>					
Rural	Male	23.8	28.7	31.9	10.9
	Female	15.6	18.8	20.2	7.6
Urban	Male	32.8	39.4	38.2	-13.0
	Female	18.7	23.6	22.4	-4.4

Source: Computed from unit level survey data of NSSO.

Table 14. **Growth rate of real wages of regular workers, 1999-00 to 2004-05**

Education level	Rural		Urban	
	Agriculture	All	Agriculture	All
<i>Male</i>				
Illiterates	1.48	-1.73	-0.22	-1.73
Literate upto middle	-2.17	-0.62	-10.47	-2.92
Graduate and above	-9.19	1.94	-17.19	1.15
All	-1.78	0.51	-11.17	-0.53
<i>Female</i>				
Illiterates	0.96	-4.4	-5.92	-5.24
Literate upto middle	1.37	-23.25	-1.63	-3.94
Graduate and above	-13.03	-0.55	10.25	-1.39
All	-0.07	-7.54	0.05	-2.35

Source: Computed from NSS reports.

The decline in real wage rate in regular workers during 1999-04 in real terms in almost all educational categories (Table 14) would be a matter of surprise. This is because one generally believes that the regular workers belong to some kind of formal or semi-formal sector and thereby, enjoy some of the benefits of wage security. This decline is a pointer to the alarming fact that the legal and institutional mechanisms pertaining to labour market have not been successful in protecting the earnings and consequently real living conditions even for those engaged on regular basis. The only exceptions to this are the illiterate agricultural workers in rural areas, both among men and women. A small segment of the rural (male) workforce who have graduation and higher levels of education have been able to maintain their real wages but their share in the labour force would be very small. In urban areas the picture is similar, excepting that here even the illiterate farmers have suffered a loss in real wages. In case of graduates, the positive wage increase is noted in case of women only.

5. Changing labour relations and “formalisation” of informal activities

Informal sector in recent years has experienced some type of formalization leading to employing people on a regular basis. The changing features in the labour market can at least partially be attributed to this process. The character of the informal sector, as emerging in recent years, is different from that of the 1980s or earlier decades although the key features remain the same. The high growth of employment during 1983-93 in informal sector was characterized by large incidence of subsidiary or casual labourers, most of them being illiterate and unskilled. One would argue that employment opportunities during this period came up in the lowest economic strata and, as a result, its impact on poverty reduction was very high. The growth of informal sector, thus, was a vehicle for bringing about significant reduction in poverty.

The informal sector employment has grown rapidly during 1993-2004 which has pushed up the overall employment growth in economy, particularly in the later half of the decade. This can be attributed mainly to near stagnation in employment in public organizations and organized private sector, as noted above. Given the nature of industries, experiencing rapid growth after launching of the programmes of liberalisation, it is not surprising that employment in the organised manufacturing (Annual Survey of Industries data) and service (Director General of Employment and Training data) sectors has shown negligible growth. Private industries within this sector, where growth in output has been significant during past one and a half decades, have high capital intensity and a low potential for employment generation. The public units, on the other hand, have registered a negative growth in their workforce. An important question would be whether the spurt in informal employment would have a similar impact in terms of poverty reduction?

The character of this informal sector is different from that of the earlier decade as it has a low component of subsidiary employment compared to that of the eighties. Although this component is growing in recent years, the percentage of subsidiary to total (usual status) employment has not reached the level of 1993-94 (Kundu and Sarangi 2007). The other related development is that this sector has led to growth in employment by current status. Indeed, job opportunities coming up on weekly or daily basis in recent years have been amazingly high while that by usual status has gone down. This has resulted also in a peculiar situation of high unemployment rate despite a high growth in employment by daily status. One can argue that the poverty reduction impact of this kind of employment generation is at best modest and relatively high in the rural than urban areas. All these raise the apprehension that the benefits of globalization and the changes in the character of employment - moving from total informality to semi-formality - is not trickling down from the entrepreneurs to their workers in urban centres.

It has been noted in the preceding section that the growth of casual employment has declined dramatically in recent years while that of self employed and regular workers have gone up. This in a way confirms the proposition there has been some amount of formalization of informal activities, leading to employing people on a regular basis as also for the whole year. The economic rationale for this development is fairly evident and easily understandable. Entrepreneurs seeking to take advantage of the global competitive market have come to recognize that they have a greater chance of success if they go for standardization of their products, meet the specifications of the customers, respect the schedules of delivery and organise production and marketing activities on a somewhat formal basis. Indian entrepreneurs appear to have resorted to this model of ‘formal informalization’ in a big way in order to take advantage of the emerging global market. As a result, many of the rapidly growing sectors including small scale manufacturing, trade, commerce and entertainment activities, particularly in urban areas, have tended to employ their workers on a regular basis so that they can meet the challenges of the global market in an effective manner. Employment of domestic help and other supporting services have followed a similar pattern. It is well recognized that total informality can result in uncertainty in production process, failure to meet the specifications of the product and irregularity in delivery - a major handicap in getting linked to the global capital market.

The increase in the rates of unemployment can at least partially be attributed to this process of formal informalisation. Many of the illiterate rural migrants like dispossessed farmers; rural artisans etc., not having the minimum level of conversation skills or market smartness are not able to put a foothold in the urban job market (Kundu & Sarangi 2007). This reduces the possibility of disguised employment since work is regulated as per certain (mostly unwritten and non legal) contracts and specifications. This is the reason why the growth in demand for labour in informal sector is not commensurate with that in supply. The fact that larger percentage of people are seeking or available for work on daily basis reveals that even the high level of employment generation during 1999-04 does not fulfil the needs of the poor households for their livelihood support.

A quick overview of the wage data, as attempted above confirms this hypothesis. Women employment growing rapidly both in rural and urban areas despite stagnation and even decline in real wages is a disturbing fact. One would argue that considerable growth of employment for illiterate women has been possible by paying low wages to them. Non-agricultural workers mostly in informal activities not being able to maintain real wages on the face of high macro economic growth has serious welfare implications as also for sustainability of this growth. One must, however, credit the anti poverty programmes of the government like National Rural Employment Guarantee Programme for the increase in wages of illiterate agricultural workers but this has been confined only to rural areas. The segment of educated workers who have been able to maintain their real wages constitute a small proportion of the labour force. All these must be viewed with serious concern as unemployment rates are also extremely high for this group of the population.

Using the NSS survey data, one can compute the number of jobs in the labour market as opposed to number of workers. This is done by combining the number employed as per the principal status with that employed by the subsidiary status. This then provides a total count of the jobs performed taking in to account multiple activities. This method is generally used to determine the labour input in the economy. Table 15 gives the annual compound growth rates for certain broad sectors of the economy, separately for rural and urban sectors.

Table 15. **Job's growth rate by sector of activity between 1999 and 2004**

Sector of activity	Growth rate (%)		
	Rural	Urban	All
Agriculture, forestry	1.4	5.5	1.5
Fishing	3.0	0.7	2.5
Mining	4.3	4.0	4.2
Manufacturing	4.7	6.0	5.3
Electricity, Gas & water supply	1.5	2.7	2.2
Construction	11.5	4.3	9.0
Wholesale and retail trade, repair of motor vehicles etc	7.0	1.6	3.9
Hotel & Restaurants	5.8	6.1	6.0
Transport, storage & communications	6.4	4.1	5.2
Financial intermediation	7.8	7.1	7.3
Real estate, renting and business activities	11.5	13.4	13.0
Public administration and defense	-4.6	-2.2	-3.0
Education	6.0	7.0	6.5
Health & social work	5.6	4.8	5.2
Other community, social and personal services	-4.3	-0.7	-2.8
Private household with employed persons	39.0	19.1	23.5
All sectors	2.4	4.3	2.8

Source: Journal of Income and Wealth, Volume 30, No 1, 2008, based on NSS surveys of 1999-00 and 2004-05.

The highest growth in the number of jobs is recorded in private household based domestic services. The jobs are mostly as domestic maids, cooks, gardeners etc. that require very low level of education and skill but some amount of training. Increasing income in the hand of high and middle income households is responsible for employment generation in this category. The next in terms of growth rate is real estate, renting and related business sector that again do not require high levels of skill. Another labour intensive sector is Construction which has traditionally been a major employer of unskilled labour force. This too has recorded very high growth rates. The fourth in order is hotels and restaurants that require low level of skills, its growth being linked to the incremental income in the hands of urban upper and middle class. It is thus evident that the activities that have absorbed large segment of labour force in recent years have a high incidence of low productive employment. Understandably, the wage rates have not increased and in several activities this has gone down. All these are in conformity with the low reduction in poverty in the urban areas during the current decade, bringing the poverty levels in rural and urban areas almost at par in recent years.

A parallel process in Indian economy is the informalisation of the formal sector. The latter has been defined as comprising all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. Informal or unorganized employment is defined as those working in the unorganized enterprises or households, excluding regular workers or those with social security benefits, and the workers in the formal sector without any employment/social security benefits provided by the employer.¹⁶ It is important that the proportion of workers in the informal workers was over 90% in 1999-00

16. National Commission on for Enterprises in the Unorganised Sector (2006) Report on the Conditions of Work and Promotion of Livelihoods in the Unorganized Sector, NCEUS.

which has gone up further in 2004-05 (Table 16). Correspondingly, the share of formal workers who enjoy any kind of social security has gone down, the figure being only 7.6% in the latter year. This includes private sector workers, civil servants, military personnel and employees of state public sector undertakings. What however is striking that while the percentage of formal workers in informal sector has remained at the level of less than half per cent, the share of informal worker in formal activities have gone up from 38% to 47%. This implies that while the value added by these informal workers get reflected in the profits of the formal sector the workers do not have a reasonable share in it.

Table 16. **Employment in the formal and informal sector**

Sector	Number of informal workers	%	Number of formal workers	%	Total
<i>1999-2000</i>					
Informal	341.3	99.6	1.4	0.4	342.6
Formal	20.5	37.8	33.7	62.2	54.1
Total	361.7	91.2	35	8.8	396.8
<i>2004-05</i>					
Informal	393.5	99.6	1.4	0.4	394
Formal	29.1	46.6	33.4	53.4	62.6
Total	422.6	92.4	34.9	7.6	457.5

Source: Table 1.1 Report on the Conditions of Work and Promotion of Livelihoods in the Unorganized Sector, NCEUS, based on NSSO data.

In view of all these, the industrial growth in the coming decades, even if retained at 7 to 8% per annum, may not generate large formal employment. The rate of unemployment in urban areas has been noted to be higher than that in rural areas. Further, rural and urban poverty levels have become about the same while the former was higher than the latter by at least five percentage points in the seventies and eighties. This may be attributed to differential price rise in food-grains, pushing up the urban poverty line much more than that in rural areas. With economic differentials between urban and rural poor narrowing down, there is no basis for the stipulation that urban growth will accelerate in future years.

6. Possible impact of the economic slowdown on employment

In the context of recent economic slowdown at global level and its impact on India, there are no concrete data available as yet revealing its effect on the economic growth and employment situation, except the advance estimates of GDP growth for 2008-09 for different quarters that are 2 to 3 percentage points below that of the corresponding quarters of the preceding five years. The overall growth for the year may not be very alarming but that hides more than it reveals. Most of the growth has taken place during the first two quarters of the year when the effect of the global melt down was not felt seriously, as it was in other countries. In the third quarter covering the period ending in December 2008, the growth figure is as low as 5%. This would have been lower but for (a) the exceptional growth of 17% in community, social and personal services due to government announcing revision in pay scales of its employees and giving the arrears and (b) lowering of the interest rate by the Central bank improving the profitability of the banking sector. A stalling of the downturn has been predicted in the next quarter by different government sources like the Ministry of Commerce, Industries and Agriculture but it is difficult to be definitive about the employment scenario in this or the next year.

A recent release of the Manpower Employment Outlook Survey reveals that 25% (net)¹⁷ of the employers (in the total sample of 3600 employers) have positive hiring plans for the period April-June 2009. Although this happens to be very pessimistic quarterly forecasts in India by historical trends – the second in a row - it would be considered optimistic by the current global scenario. The protectionist measures adopted by several developed countries experiencing crisis including the US administration which has decided to withdraw tax breaks from corporations that ship work overseas undoubtedly would affect the prospects of outsourced jobs. Similarly, the Global customers of IT going for off shore arrangements rather than maintaining a strong onsite units as their cost cutting measure (as the rates for the former is two thirds of the latter) would depress employment. And yet, the global financial firm Moody holds that India would continue to be “a top outsourcing destination”.

The share of service sectors and select manufacturing activities in the GDP has grown very rapidly during the past decade and a half, many of these producing for global market and high income households in the country. The credit crunch and the fall in demand in both foreign and domestic markets would understandably affect these now, resulting in some decline in formal employment, as noted above. However, despite high growth of exports in recent years, economic growth in the country has been sustained largely by domestic demand, in a sharp contrast with that of several other developing countries including China. Retrenchment and slashing down of salaries in these sectors would not alter macro parameters. If there is a shock wave in the labour market, it basically reflects the political clout of this class.¹⁸ Understandably, the relationship between formal and informal employment is undergoing change within these service sectors in this period of crisis. In-depth research needs to be carried out to assess these changes but as of now, no massive displacement of labour has been reported in the informal activities linked to the global sectors.

An analysis of the pattern of employment growth and that of economic growth in recent years provides interesting insights into the complex relationship between the product and labour market. The employment situation does not show shifts in correspondence with changes in economic output (Table 17). This is due to the dominance of employment in low cost support system and household enterprises either as own-account workers or unpaid family workers. Further, major part of employment in rural areas is still in the agricultural and allied activities. Above all, public interventions to improve housing credit, rural employment guarantee programs and infrastructure projects etc. have generally tried to ensure that the growth in construction sector is maintained and employment does not fall drastically. One can specifically mention the drought year of 1987-88 and the first year of structural adjustment 1991-92 when the GDP growth declined significantly. The employment growth rate in and around that year however was maintained due to the factors noted above. Conversely, the period 1993-99 shows significant growth income without a corresponding increase in employment. Given this macro pattern, significant reduction in work participation rates is unlikely due to the current economic crisis, even if the growth in income comes down below 5% in this or the next few quarters.

17. The quarterly surveys conducted by Manpower India, a large recruitment firm in India in the area of IT Enabled Services and Financial Services sectors, computes “Net Employment Outlook” which is the percentage of employers anticipating total employment to increase less the percentage expecting to see a decrease in employment in the next quarter.

18. Pink slips being given (subsequently withdrawn) by an Airline to a few hundred employees became major national news while the fact that all airlines in the country are seeking higher slots from the Directorate General of Civil Aviation and Indian airlines are doing reasonably well compared to international carriers have not hit the headlines.

Table 17. **Employment and GDP growth rates since 1972**

Period	Growth rate of usual status employment (% per annum)	Annual GDP growth rate (at factor costs and constant prices)
1972-73 to 1977-78	2.7	3.9
1977-78 to 1983	2.2	4.2
1983 to 1987-88	1.5	5.8
1987-88 to 1993-94	2.4	5.2
1993-94 to 1999-00	1.0	6.7
1999-00 to 2004-05	3.0	6.0

Source: Report of the Task Force on Employment Opportunities, Planning Commission 2001. Figures for 1999-00 to 2004-05 are taken from 'Revisiting Employment and Growth', C. Rangarajan, Padma Iyer Kaul and Seema (ICRA Bulletin, Sept 2007).

World Bank (2009) has identified the incapacity of the developing countries to expand their fiscal deficit to undertake significant countercyclical spending to be the major factor forcing them into crisis. The institutions that have worked out financial intermediation for them are reluctant to undertake this now. The concessional flow of funds from several donor countries have dried up as they too are facing serious fiscal challenges. Foreign direct investment is also falling, particularly in the natural resource sectors, leading to delays or cancellation of major projects. Importantly, the direct impact of the decline in these flows may not be very high in case of India as these accounts for only limited amount of government expenditure or total investment in the country.

The financial crisis has been precipitated in a few of the developing countries due to a decline in the prices of their exports. This has also meant a substantial fall in the government revenue. In case of South Asia, however, one notes that the exports to the United States have gone up by 11.6% during October-November 2008, in a sharp contrast to most other developing regions, where the figures reported a dramatic decline. Given this trading scenario, the decline in exports is unlikely to be a serious factor for growth for India as in several other developing countries.

There are apprehensions that the economic crisis would increase poverty in 2009. Employment and wage effects as well as declining remittance flows are considered to be its principal transmission channels. It may, however, be argued that Indian labour markets will take a while to absorb the full impact of the on-going global contraction. The Global Employment Trend (GET) released by ILO in January 2009 forecasts that the global job losses could hit 51 million. It gives three alternate estimates of the number of unemployed for the South Asian Region in 2009, the lowest figure being 35 million. The GET Model used in the projection exercise utilizes the information from labour force survey and population census from different countries. It uses national level figures ignoring the RU differences. Given the fact that all the factors linked with financial crisis like exports, remittances, migrations etc. make differential impact in rural and urban areas, the aggregative figures obtained at regional level (the Report does not give country specific figures) would be extremely tentative. Any exercise done for a country like India without taking into consideration rural urban and regional differences and not recognizing changes in formal informal employment as a result of the crisis, is likely to be way off the mark and have little relevance for macro policies.

The Ministry of Labour in China holds that 20 million people are out of work, the most affected sectors being the construction, mining and manufacturing and urban-based exports. Labour Bureau¹⁹ in India, too, has indicated an overall job loss in organized export-oriented sectors like gems and jewellery,

19. Government of India (2009).

autos, and textiles but only to the tune of 500,000 during the period from October to December 2008. Excluding the IT/BPO sectors, the monthly decline in the number of employed has been 1.01% on an average. The negative fallout, understandably, has been heavier on the contract workers within the formal sector. Their growth has been -3.88%, compared to -0.63 for those formally employed.

A section of the workers are shifting out of dynamic export-oriented sectors into lower productivity activities but very few have gone back from urban to rural areas. These trends are likely to jeopardize recent progress in growth and poverty reduction. Fall in real wages and employment noted in certain sectors would impede households' ability to provide adequate food and necessities. This may not bring down consumption of food items in the short run (despite the price rise) but people would spend less on basic amenities, education and health services.²⁰ Many of them may be forced into selling their "assets on which their livelihoods depend, withdrawal of their children from school, reduced reliance on health care, inadequate diets and resulting malnutrition". The long-run consequences of the crisis would be more severe than those observed in the short run.

Remittances, which represent a major source of foreign exchange as a percentage of GDP in many developing countries, and an important support for many households, is not that significant for India and may not contract substantially in India during 2009-10 as many of them are reported to be returning back. The return of a section of migrants from abroad and reduced outmigration from here will reinforce the shortage of employment opportunities but the former would bring in capital for investment. The unemployed returnees and prospective migrants staying back due to adverse global scenario would add to the unemployed labour force but the pressure would not be at the lowest rung of employment. Many of them belong to higher income categories with higher levels of skills and have some staying power. Declining rate of remittances and of outmigration is, thus, unlikely to undermine poverty gains in the short run.

There has been no or marginally negative growth in employment in many of the sectors that absorbed a large number of workers in their formal and informal segments, during the last few years. And yet, the problem has not assumed alarming proportions. The economic slowdown has not brought the country crushing down even in terms of formal employment. Spectacular growth in income and some growth in employment in the modern sectors including IT, financial services, Business Process Outsourcing (BPO) etc. during the last decade had led to creation of a number of jobs in the informal sectors especially for ancillary services and trade. A low cost support system has emerged facilitating the growth in the formal sector. However, the earnings of the people engaged within this informal system are very low and show no increase even during the period of boom. The linkages between the modern economy and the large informal economy and traditional industries have not emerged as very strong. Many in the latter produce for or serve only the domestic sectors and the informal component of the economy. Consequently, despite the phenomenal growth in income in modern global sectors, the workers in the informal sectors did not benefit much in terms of earnings. Their wages are presently very low and the goods and services produced by them are extremely cheap in relative terms. This has turned out to be a safety valve in a period of crisis. Employers or buyers of their goods and services are not in a position to cut down their prices despite the economic slowdown. Consequently, there is no substantial decline in the earnings of the unorganized workers, who were getting very little in any case. This is the main reason why the informal economy has not reported a collapse. Also, there can be no retrenchments for the self-employed persons or their enterprises and they are managing to be in business by accepting cuts in earnings.

20. World Bank (2009).

7. Regulatory framework and policies for social protection of labour

Indian Constitution provides for an overarching framework for regulation of conditions of work and promotion of livelihoods. The right to work is not a fundamental right and is included in the *Directive Principles* that lay down the broad directions of state policy. Further, 'labour' figures in the concurrent list in the Constitution, and consequently, it is within the regulatory domain of both the state and the central governments.

In the context of giving social security benefits to workers, India led the developing countries by initiating old age, health care benefits with the central government enactment of the Employees' State Insurance (ESI) Act, 1948, Employees' Provident Funds (EPF) Act, 1952, and Gratuity Act, 1991. ESI Act, enlarged the scope of the Workmen's Compensation Act and Maternity Benefit Act (WCA & MBA) enacted before Independence of the country. All these make a provision for cash benefits and partial/total disability pension in case of industrial injury, besides provident fund and pensions but unfortunately restricted to the workers in organized sector. It is estimated that out of a workforce of about 460 million workers in the year 2004-05, about 34 million (almost 7.5%) are covered by these schemes noted above, linked with different occupational categories and types of employers. If one takes the view that old age and contingency benefits should be an essential feature of a legislated and occupational plans, the coverage would be even less - about 28 million employees. Surprisingly, of the 35 million workers in the organised sectors, only 30 million are covered under the Employee's Provident Fund scheme.

Besides the legislated benefit system noted above, there is a plethora of Central laws that regulate conditions of work in the organized and unorganized sectors. These may be placed in three categories. One, laws that apply to all sections of the unorganised labour like Equal Remuneration Act, 1976 guaranteeing equal payment to men and women, Bonded Labour System (Abolition) Act, 1976 proscribing human trafficking and forced labour etc. The second category include laws that apply to some sections of the unorganised sector like Minimum Wages Act, 1948, Child Labour (Prohibition and Regulation) Act, 1986, Dangerous Machines (Regulation) Act, 1983, Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 etc. The third set comprises those that pertain to the formal sector but can be extended to the unorganised Sector like the Maternity Benefit Act, 1961.

Most of the above mentioned laws apply to wage earners and home-workers and not to the self-employed persons. Also, the physical working conditions of unorganised agricultural workers are not protected by law, except where state level laws exist. A few states have taken effective measures in this context, the important examples being the Maharashtra Mathadi, Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act, 1969 and the Kerala Agricultural Workers Act, 1974. Similarly, the Shops and Establishments Acts enacted in most of the states regulate the daily and weekly hours of establishments, payment of wages etc., their scope and coverage varying significantly across the states. The implementation of the central and state labour laws takes place through Labour Departments in the states.

Informal sector presently accounts for over 440 million workers that do not benefit from most of the schemes. They do not have job security and social security and their wages and working conditions are determined by market conditions.²¹ A small section of the informal sector workers are covered by government funded social protection measures. About 40 million landless agricultural workers are nationally covered by the term life group insurance plans and 8 million under various labour welfare schemes sponsored by the central and state governments. National Social Assistance Programme was initiated in 1995-96 by the Central Government primarily to assist senior citizens who do not have sufficient means of livelihood but this too has a limited coverage.

21. Planning Commission (2008b).

The examination of the regulatory framework for ensuring minimum wages and conditions of work for unorganized wage workers shows that there exists no comprehensive regulation and the existing ones are grossly inadequate and ineffective. Most of the central and state government laws are applicable to certain sections of wage workers, their domain being restricted in terms of scope and coverage. These are poorly implemented because of the inadequacies of the implementation machinery.

These deficiencies notwithstanding, the central and the state governments have gone in for simplification of laws and procedures to reduce the burden of compliance within the framework of globalisation. The industries are being brought under voluntary codes of labour standards, particularly in modern upcoming production systems where commodity chains operate and actual production is outsourced to small-scale units or home workers. Here, the companies are getting associated with the world's largest voluntary corporate responsibility initiative namely the UN Global Compact through which United Nations is encouraging businesses worldwide to adopt sustainable and socially responsible policies.²² At the end of 2005, less than 100 companies stood committed to its principles. Unfortunately, these principles exist more as statement of intent rather than constituting a system of monitoring or auditing the action plans. Further, these cover a very small fraction of the production system, extending to a segment of leather and textile sectors. Similarly, the Ethical Trading Initiative (ETI) - a tripartite alliance of NGOs, trade union organizations and global companies, envisaged to incorporate ethical business practices into the supply chain management has been in operation in India since the mid-2000s and yet has not been able to develop a critical mass and remains focused on the export-driven market.

The keenness of the central and state governments to promote business environment through relaxation of regulatory controls has diminished the pro-active enforcement of labour laws. The efforts at 'simplifying' the existing laws and reducing 'hassles of inspection' through adoption of voluntary codes of conduct is manifest in the fall in compliance of the regulations in recent years. The self-certification scheme adopted for attracting small industries has meant compliance being restricted to only large and registered companies. The latter were reluctant to encourage pro-active enforcement through inspections that could destroy the industrial climate.

The analysis carried out by National Commission on for Enterprises in the Unorganised Sector (NCEUS) shows that the non-observance of the laws is widespread across the states. About 70% of agricultural labourers are reported to be not receiving the minimum wages. The number of inspections, irregularities detected and prosecutions launched were negligible. NCEUS further points out that the Labour Department's could only verify the formal matters like registration of the establishments, their opening and closing hours and their observance of holidays and not so much the safety provisions or working conditions. The major reason for non implementation of the Acts²³ was the lack of awareness among the workers regarding existence of the laws and their rights. The Expert Group constituted by the National Human Rights Commission in 2000 and the institution of the Special Rapporteurs tried to breathe some life into the legislative system and give support to the grass root NGOs but their impact at the national level have not been substantial.

-
22. The Global Compact announced by the then UN Secretary-General Kofi Annan and launched in 2000 is the world's largest corporate citizenship initiative with two objectives: "Mainstream the ten principles in business activities around the world" and "Catalyse actions in support of broader UN goals, such as the Millennium Development Goals (MDGs).
 23. The Inter State Migrant Workmen (Regulation and Condition of Service) Act, 1979, for example, could not address the problems of migrant workers in a substantive manner as it has limited coverage of inter-state migrants recruited through middlemen and contractors engaged in establishments with five or more such workers. Similarly, the Bonded Labour System (Abolition) Act succeeded merely in creating a legislative framework but was hardly effective in terms of implementation has remained generally weak as noted by the Supreme Court.

Given this scenario and the changes in labour market, the feasibility of extending the present social security system to the entire population has suffered a setback. The first significant observable fact in the labour market is the stability in the share of manufacturing employment despite high industrial growth. This can be explained, at least partly, in terms of the enterprises subcontracting jobs to smaller units, often carried out at household level wherein underreporting of employment is high. Also, many organized sector units are employing people in an informal basis. Consequently, a larger section of manufacturing workers is getting excluded from the system of formal statistics in the nineties, compared to earlier decades. Some of them identify themselves under tertiary sector, which partially explains its increasing share in total employment.

Fragmentation of production process through subcontracting of jobs is responsible for a large section of manufacturing workers not being included in the employment register and standing exposed to serious exploitation. Further, the regulatory controls including labour inspections over tertiary sector is much more relaxed compared to manufacturing sector, largely due to difficulties of measuring the output or scale of operation in the former. Even the reporting on the number of units and workers are unsatisfactory, rendering the database for informal tertiary sector extremely tenuous.

Macro level studies reveal that a large part of the informal sector units is functioning at a low level of productivity with very little capital assets. These generally do not respond to economic stimuli or the demand and supply factors in the market. As a consequence, the increase or decrease in the number of units or employment has no bearing with increases in value added per worker or per enterprise. For them, being in business is not a matter of making profits but that of subsistence. In view of this volatile economic base of the informal units, it would be difficult to expect them to make contributions similar to the organised sector, particularly because the rate of contribution is very high, as noted above. Imposing these norms and standards on these units would force many to close down. Many of these units have gone out of business during eighties and nineties, even without having to meet these social security obligations. All these make modification of the existing social security system so as to extend the benefits to the entire labour force extremely challenging.

The major reasons for limited coverage of the regulatory mechanism and the legislative benefit plans not being extended to cover the informal sector can be summarized below:

- 1) The administrative machinery created for enforcement of the legal system is inadequate in relation to the large and dispersed nature of the workforce. Shortage of manpower, lack of proper training and infrastructural support to the officials seriously constrain its affectivity.²⁴ Besides, exclusive focus of the Labour Department on the organised sector and non participation of the representatives of unorganized sector limits its scope.²⁵
- 2) Design and operating procedures of legislated benefit plans limit their extension to smaller units (with less than 20 employees), organisations providing intermittent employment and self employed persons. Only the large cities and a few medium towns have been brought under its coverage. Even here, assignment of membership numbers through the principal employer results in multiple accounts in case of casual, temporary, part-time and contract employees.
- 3) High rates of contributions (employee: 13.5% + employer: about 22.25% and government: about 2.00% totalling about 38% of salary, dearness allowance and other specified remuneration items)

24. The Institute for Studies for Industrial Development (ISID) came to these conclusions based on the empirical investigations in the states of Maharashtra, Uttar Pradesh, Andhra Pradesh and West Bengal, covering both the organised sector and the unorganised sector.

25. The Second National Commission on Labour (SNCL 2002).

for Provident Fund makes the programme unaffordable to smaller units as well as low paid employees. This prompts employees and employers to find ways to avoid and/or contain contributions. Many of the informal enterprises are reluctant to join the programme due to high costs involved.

- 4) The Provident Fund scheme has made withdrawals possible in case of retirement, termination of services, change of employment, serious illness, house construction, higher education, marriage and other ceremonies. In recent years average withdrawals from the employees' provident funds scheme has exceeded or has been around average settlement. This makes it unsuitable for the informal sector workers as they have pressing requirements all the time and would not be able to use it as a retirement cum medical exigency related benefit scheme.
- 5) Administrative charge of EPF scheme works out to be very high - about 4.5% of contributions, even higher than that of mutual funds. In addition, an employer incurs expenditure around 2% of the salary in implementing and complying with its regulations. All these discourage the small entrepreneurs from opting for it.
- 6) Government follows a segmented approach through separate legislations to deal with employees in different sectors. A number of welfare funds have been established by Central and State governments with significant differences in contribution and nature of benefits. As this makes portability very difficult, informal sector cannot become a part of the plan because it is characterized by high uncertainty and mobility of labour force. Growing number of self-employed and smaller units with high turnover and relatively high mortality of units in the current period of globalization has rendered that even more difficult.

8. Conclusions and a perspective for intervention in the labour market

The overview of the trend and performance of economic growth in the context of changing macroeconomic scenario over the past three and a half decades reveals that the high growth in income and other economic indicators have been associated with increase in regional and social inequality. There has been systematic reduction in poverty but inequality in consumption expenditure has gone up both in rural and more significantly urban areas. Furthermore, poverty has got concentrated in a few regions and social groups where poverty alleviation is much more difficult.

Migration for employment from rural to urban areas emerges as a tool of poverty alleviation, irrespective of the size class of the city, type of work etc. Migrants into large cities have greater chance of alleviating their poverty than those going into smaller towns. Considering all urban areas together, migrants coming from other urban centres have a greater chance of being above the poverty line than those from rural areas. Education is a critical variable in poverty alleviation. Men with primary and secondary education constitute a major part of the (male) migrants in urban areas as employment opportunities for them have gone up. Illiterate unskilled males have less chance of putting their foothold in large cities or getting a job. However, for women, illiteracy is not a handicap, as they find employment in low productive service sectors including as domestic help.

The jobless growth syndrome of the nineties seems to be over as growth of employment has been high in recent years. India is enjoying demographic dividend which is likely to continue for the next couple of decades because of increasing proportion of people in 15-59 age group and higher work participation rates among the adults, particularly women, as compared to other countries. Much of the employment growth has been in informal sector, which is manifest in high growth in self employment.

The perspective that informal sector is the panacea for the problem of growing labour force stands seriously discounted. The liberalisation measures have put a large majority of small and traditional enterprises under serious strain, resulting in their liquidation unless they get linked with globalised sectors. Studies reveal that informal sector is an extremely heterogeneous category in terms of productivity, profitability and growth performance. A small segment within this sector is linked with the market and grows in response to increases in demand and profits (Kundu, Lalitha and Arora 2004). Many of the service sectors recording high growth in income have registered a corresponding growth in employment. However, most of them are being informally engaged and consequently not covered under the social security system. Because of the weak linkage between formal and informal sectors, majority of the informal sector people have not benefited through increase in real income.

Emergence of a low cost support system in urban areas seems to be the major factor behind the rapid growth of formal industries. A growing segment of workers in several modern industries are not in their official pay rolls and are thus deprived of the guarantee of minimum wages and social security benefits. Further, the informal units provide cheap intermediate products which enhance the efficiency of formal manufacturing and business. Also, it takes care of the households, mostly in upper and middle brackets, wherein both husband and wife work in global sectors, by providing them domestic help and allowing them to meet time specific demands of global business and services. This help has become available at odd hours at very low cost, compared to most developed countries.

The present social security system covers less than 10% of the total workforce, mostly belonging to the formal sector. The unorganised workers are covered in a piece meal fashion through various legislations. A large majority of them cannot afford to pay the contribution required under the system. The challenge of the social policy would be to bring these unorganised low productive activities, self employed and casual workers under a mandatory social security system. This requires a comprehensive legislation guaranteeing the minimum wages, basic conditions of work coverage of medical/accidental exigencies and old age security for all workers.

The NCEUS has suggested such a framework to cover the total labour force in the country. It has proposed two draft Bills – Agricultural Workers' Conditions of Work and Social Security Bill, 2007 and Unorganised Non-agricultural Workers Conditions of Work and Social Security Bill, 2007 – for comprehensive coverage of the unorganised sector. This has resulted in presentation of Unorganised Sector Worker's Social Security Bill in the Parliament. This has been passed by both the houses of parliament in December 2008 and President has given her assent. This is expected to be notified after the elections. Although most of the conditions are similar, these take care of the specific issues being faced by the two different sets of workers. NCEUS has further observed that self-regulation has not led to an improvement in the working conditions of the workers making enactment and enforcement of legislation by national governments a necessity. The corporate codes should only be envisaged and crystallized as self-regulatory mechanisms, complementing the existing labour laws.

The NCEUS has also proposed fixing up of statutory National Minimum Wage by the Central Government that should be adequate to meet the minimum basic needs of the family of the workers. The state government has to ensure that the Minimum Wage fixed under the Minimum Wages Act, is not lower than the National Minimum Wage. It has also recommended the creation of a National Fund, which can play a catalytic role in the promotion of livelihoods of the unorganised workers. The Government has already introduced bills in the Parliament concerning social security and welfare of unorganised workers.

The existing legislated and occupational benefit plans presently enjoyed by the organised sector workers are under an urgent need for overhaul. These benefits need to be extended to entire labour force through a time bound program. This has become extremely important because of the declining role of joint family and other traditional arrangements for taking care of old and ailing persons, increasing number of

small nuclear families and working spouses. Also, there has to be an old age and contingency pension and health/medical care as the percentage of aged would go up over the years. The overhaul of the system should mean bringing down the contributions of the workers and employers in small enterprises, including the self employed, within the level of affordability. The minimum core social security component needs to be defined modestly and be made mandatory to all. It could include only an indexed minimum pension for old age, disability and medical security and may not permit withdrawal for various social reasons. This must enjoy full governmental support, including payment of instalments during periods of unemployment/ailment and protecting the minimum pension amount indexed to price rise etc. so as to enable the workers in the lowest economic strata to remain covered. Contingency pensions must recognize needs of the disabled individual and/or dependent family members.

Workers at higher levels of income can have additional plans, besides the mandatory one, on a voluntary basis. Considering significant variations in health care expectations of employees in different categories, different levels of medical facilities seems unavoidable – starting from a primary health care centre to reasonable level of medical assistance. The contribution of the government in these supplementary plans can, however, be less and graded.

The extension of social security to all informal sector workers has been constrained by the absence of data that are comparable across industries and over time. These problems come in the way of making generalisations and formulating strategies for effective intervention. It would extremely be important to improve the quality of the data through better designing of the questionnaire and comprehensive coverage of the informal sector before the social security system can be designed and implemented at a national scale.

There has not been a major backwash effect of global economic crisis through reduction in wages or informal employment in India. Despite slowing down of growth in employment and profits in several globally linked sectors, the impact on macroeconomic figures is unlikely to be very high. A few of the small and medium enterprises liked to the formal sectors are, however, facing serious problems. Furthermore, although the earnings of the unorganized workers would not go down and the overall unemployment rate may not go up steeply in the short run (as these had not changed significantly during the period of economic boom), their access to health, educational and other social amenities may get drastically reduced, affecting their long term capability. Understandably, the government has launched several measures to boost up the internal demands and investment. A concerted effort is needed to support these for resumption of growth and job creation. The central government has allowed public sector financing institutions to raise massive funds for launching and strengthening infrastructural (for road and ports) and housing projects for implementation as public-private partnerships projects. Given the difficulties faced in these on account of the global credit crunch, additional resources should be made available through public agencies to refinance the loans. This will also help address the infrastructure bottlenecks and housing shortages that have been a huge constraint for long-term growth and responsible for various social problems. Attention must also be directed to protecting the poor through targeted social spending, expanding safety nets and strengthening their infrastructure assets including housing, health and educational facilities.

REFERENCES

- Ahluwalia, M. S. (2000), "Economic Performance of States in Post Reform Era", *Economic and Political Weekly*, May.
- Ahmad, Ahsan and Narain Ashish (2008), "Towards Understanding Development in Lagging Regions of India" *Paper Presented at the Conference on Growth and Development in the Lagging Regions of India*, Administrative Staff College of India, Hyderabad.
- Dubey, A, S. Gangopadhyay and W. Wadhwa (2001), "Occupational Structure and Incidence of Poverty in Indian Towns of Different Sizes", *Review of Development Economics*, Vol. 5, No. 1, pp. 49-59.
- Economic Advisory Council to the Prime Minister (2008), *Economic Outlook*, Government of India, New Delhi.
- ETAS (2006), "Stocktaking Study on the Implications for Europe of Asia's Demographic Changes" The Guilimoto-van der Geest Report for the European Commission, Brussels.
- Government of India (2009), Report on Effect of Economic Slowdown on employment in India (October – December 2008), Ministry of Labour and Employment.
- Himansu (2007), "Recent Trends in Poverty and Inequality: Some Preliminary Results" *Economic unemployment rate and and Political Weekly*, Feb 10.
- International Monetary Fund (2009), *Latest IMF World Economic Outlook*, Media Statement by Wayne Swan, The 29th January, 2009.
- Kundu, A. (2006), "Globalization and the Emerging Urban Structure: Regional Inequality and Population Mobility", *India: Social Development Report*, Oxford, New Delhi.
- Kundu, A., N. Lalitha, and S. Arora, (2001), "Growth Dynamics of Informal Manufacturing Sector in Urban India: An Analysis of Interdependencies, (with Lalitha, N. and Arora, S) in Kundu, A. and A.N. Sharma, (eds.), *Informal Sector in India*, Institute of Human Development, New Delhi.
- Kundu, A and N Sarangi (2006), "Urbanization and Growth Dynamics in India: An Analysis with Special Reference to Western and Central Regions" in R. Parthasarathy and S. Iyengar (eds.), *Paradigm and Challenges for Western and Central India*, New Delhi: Concept Publishing Company.
- (2007), "Migration, Employment Status and Poverty: An Analysis Across Urban Centres in India", *Economic and Political Weekly*, Jan 27.
- (2009), "'Inclusive Growth' and Income Inequality in India under Globalisation: Causes, Consequences and Policy Responses", *Country Policy Dialogues on Inequality*, UNDP Regional Office, Colombo.
- National Commission for Enterprises in the Unorganised Sector (2006): *Report on the Conditions of Work and Promotion of Livelihoods in the Unorganized Sector*, NCEUS, New Delhi.
- Nayyar, D. (2006), "Economic Growth in Independent India: Lumbering Elephant or Running Tiger?", *Economic and Political Weekly*, April 15 .

- Panagariya, Arvind (2008), *India: The Emerging Giant*, Oxford University Press.
- Planning Commission (2005), Report of the Inter Ministry Task Group on Redressing Growing Regional Imbalances, Government of India, New Delhi.
- Planning Commission (2008a), *Eleventh Five Year Plan 2007-2012, vol.I*, Government of India, New Delhi.
- Planning Commission (2008b), Report of the Steering Committee on Labour & Employment constituted for the Eleventh Five Year Plan (2007 – 2012), Government of India.
- Planning Commission (2008c), *Working Group on Social Security set up for the Eleventh Five Year Plan*, Government of India, Planning Commission, New Delhi.
- Prime Minister's High Level Committee (2006), Social, Economic and Educational Status of the Muslim Community of India, Cabinet Secretariat Government of India, New Delhi.
- Registrar General (2008), *SRS Bulletin, Sample Registration System*, Vol. 43, no 1, Registrar General, Government of India.
- Sviekauskas, L (1975), "The Productivity of Cities", *Quarterly Journal of Economics*, 89, pp 393-413.
- United Nations (2006), *The World Population Prospects*, Population Division, New York.
- Winters, L. Alan and Shahid Yusuf (eds.) (2007), *Dancing with Giants: India, China and the Global Economy*, A co-publication of the World Bank and the Institute of Policy Studies, Singapore.
- World Bank (2009), *Swimming Against the Tide: How Developing Countries Are Coping with the Global Crisis*, Background Paper prepared by World Bank Staff for the G20 Finance Ministers and Central Bank Governors Meeting, Horsham, United Kingdom.