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Dimensions of the Indian Labour Market

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Each country has its own story to share about the social-political-economic strategies adopted by them while moving on the path of economic recovery from the slowdown during 2008-09, especially in addressing the crisis and its impact on the labour. ILO's World Employment and Social Outlook for 2015 had projected that the global employment outlook would deteriorate in the coming five years where employment growth may not match economic growth. Global unemployment levels were projected to be around 201 million, which is 31 million more than the pre-crisis level. Global unemployment was also projected to increase by 3 million in 2015 and by a further 8 million in the following four years. Creation of an additional 280 million jobs had been the projected requirement to

close the global employment gap needed to be created by 2019.

In the face of globalisation and exposure to international markets, immunity shields have vanished. International cooperation is the *sine qua non* for coordinating efforts in addressing the impacts on the domestic labour market. Economic cooperation through fora like G-20, BRICS etc need to be leveraged for a concerted effort to address labour and employment issues. For instance, BRICS countries represent nearly 42 per cent of world population and contribute to 20 per cent of global GDP giving it a unique position to leverage its varied potential for meeting the global requirements, especially in technical resources. India too has followed the textbook path of economic development witnessing

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a sharp decline in the contribution of the primary sector (agriculture & allied) in the GDP from 52 per cent during 1950-51 and has declined to 17 per cent in 2017-18. The corresponding contribution of the services sector to the GDP has gradually risen from 35 per cent (1950-51) to 54 per cent (2017-18).

As per the estimates from the National Sample Survey (NSS) Employment and Unemployment Survey, 2011-12, the workforce comprising 484.7 million workers, has, however, followed a different trajectory where 49 per cent are still engaged in the primary (agriculture) sector, followed by 27 per cent in the services sector and 24 per cent in industry (NSSO EUS Survey 2011-12). The workforce is primarily rural (74 per cent), informal (93 per cent), self-employed (52 per cent) and the female labour force participation is at 22 per cent. The decline in workforce in agriculture sector was offset by a growth in the construction sector. Industrial growth in terms of contribution to GDP, number of establishments and workforce has been impressive, almost doubling in this period. However, around 98 per cent of the establishments employ less than 10 workers. The volatility of the smaller establishments and migration makes the employment market more complex in its measurement. These parameters define the broad contours of the Indian labour market.

During the period 2004-05 to 2011-12, around 1.8 million persons joined the labour force each year and about an equal number gained employment whereby the unemployment rate stayed nearly constant at 2.2 per cent. India, thus, showed resilience to the global economic slowdown in terms of the employment market. However, India has a huge demographic dividend and needs to leverage its teeming youth population in productive areas as youth unemployment hovered around 6 per cent as per NSS estimates.

In the above backdrop, the Government of India lays great emphasis on improving the labour market

conditions by various multi-pronged interventions like encouraging investment for job-rich growth, enhancing scope of social security measures, labour reforms, etc. some of which are described below.

Encouraging Private Investment in Industry

In recent years a policy ecosystem has been evolved around (i) Make in India (ii) Skill India (iii) Digital India (iv) National Manufacturing Policy 2015 (v) Ease of Doing Business (vi) Atal Innovation Mission (vii) 100 Smart Cities and 500 Amrut Cities project (viii) Start-up India (ix) Stand-up India. These initiatives are building the base to stimulate job creation momentum. The policy ecosystem for generating employment has two sides—supply side and demand side. The demand side impetus would mainly come from Make in India and National Manufacturing Policy initiatives and would be supported by initiatives like Smart City Project, Digital India, Start-Up and Stand-Up India. Demand side can be further reinforced by providing incentives to agro-based industries, labour-intensive industries like textile and leather, increasing public investment in education and health etc.

Enhancing Skill Base of Workforce

The government has launched the National Skill Development Mission and established a Ministry of Skills Development & Entrepreneurship to focus on enhancing the skill base of workforce in a coordinated manner. Professional training (TVET) in 126 trades are imparted through 12,000 Industrial Training Institutes (ITIs) having a total seating capacity of over 1.71 million. Continuous efforts are being made to improve the quality of technical and vocational training. Apprenticeship training has been significantly expanded. The National Skill Development Agency (NSDA) under Ministry of Skills Development & Entrepreneurship coordinates and harmonises the skill development efforts of the Government. Focus is being laid on demand aligned skill development so as to address the mismatch between demand and supply of skilled labour.

Enhancing Non-Farm Employment Opportunities

For skilling of rural workforce, programmes like the National Food Security Mission, Rashtriya Krishi Vikas Yojana (RKVY), Custom Hiring Centres, Establishment of Agri-Clinics and Agri-Business Centres (ACABC), Small Farmers' Agribusiness Consortium (SFAC), National Cooperative Development Corporation (NCDC), Development of Women cooperatives have been initiated.

Modernising Public Employment Service (PES)

The National Career Service initiative aims at transforming the employment services using technology

to improve delivery and quality of employment services. A national portal has been developed at www.ncs.gov.in which brings jobseekers, employers and training providers on a common platform. This facilitates online matching of jobs, information on job fairs and provides information about opportunities for training and re-skilling.

Labour Law Reforms

The broad objectives of the labour reforms include reducing uncertainty and complexity in labour legislation; creating a robust and comprehensive floor of rights; modernising dispute resolution and enforcement systems for good governance. The existing Labour Laws are being grouped into Labour Codes on functional basis. Four Labour Codes on Wages, Industrial Relations, Social Security and Welfare and Safety and Working Conditions are being drafted by simplifying, amalgamating and rationalizing the relevant provisions of the Central Labour Laws.

Increasing Female Labour Force Participation

One of the areas of concern in the employment market is the low level and declining female labour force participation for which strategies need to be evolved to address this issue. The proportion of persons in the labour force declined from 43 per cent in 2004-05 to 39.5 per cent during 2011-12. The decline in female participation from 29 per cent to 22.5 per cent during the same period was a matter of concern. Government has taken several steps to increase the participation of women in the labour force like, MGNREGA, vocational training for skill enhancement etc. Government has amended the rules to facilitate women government employees for upbringing of their children by providing for 2 years child care leave. The private sector has also taken steps to encourage women who left the workforce for family considerations to rejoin through various programmes which have a great potential for scaling up.

More than 52 per cent of the people employed are engaged in self-employment wherein the female workers are primarily home based, highlighting the need for targeted policies to increase the participation of female labour force.

Mainstreaming Informality

Transformation from informality to formality is a process that needs to be understood given the large size



of this sector. Targeted strategies are being framed for first identifying the sector (not as a residuary) and encouraging skilling of workforce employed therein. Enhancing the scope of apprenticeship scheme to cover small and medium enterprises is a step in this direction. Enhancing coverage of social security benefits is another step.

Government announced three Social Security Schemes pertaining to the Insurance and Pension Sectors, namely Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and the Atal Pension Yojana (APY) to move towards creating a universal social security system, focused especially at the poor and the under privileged. The schemes provide essential and affordable social protection to all citizens in a convenient manner linked to auto-debit facility from bank accounts. These schemes are expected to address the issue of low coverage of life and accident insurance and old age income security in the country. The scope of the existing schemes for medical insurance (ESIC) and provident fund/pension (EPFO) are being enhanced to cover unorganised sectors including construction workers, contractual employees etc.

As per information available from EPFO, on an average, over 8,600 establishments were newly registered on a monthly basis from September, 2017 to June, 2018 and over 85,000 new employees joined in these establishments each month during the same period. At an overall level, over 10,00,000 new Universal Account Number (UAN) linked employees joined the EPFO ecosystem each month during September, 2017 to March, 2018. Even with the limitations in the interpretation of these numbers, it signifies a great step in the movement of the workforce towards formality.

Active Labour Market Policies (ALMPS)

One area that deserves considerable attention is

Table -1: Active Labour Market Policies (ALMPS) - Typology

Barrier to Employment	Type of ALMP	Programme Objective
Skills mismatches	Training (on the job, in class)	Enhance employability
Information asymmetries	Intermediation services, job search assistance, counselling	Enhance employability, promote job creation
Insufficient labour demand	Wage subsidies, public works programmes/ employment guarantee schemes, self-employment, work-sharing	Promote job creation

Source: adapted from Angel-Urdinola, D.F and Leon Solano, R.E (2013) 'A reform agenda for improving the delivery of ALMPs in the MENA region', *IZA Journal of Labor Policy*, 2:13

the financing and implementation of Active Labour Market Policies (ALMPs) ranging across support to public employment services, funding to support self-employment, training programmes, public works and/or employment guarantee schemes, wage subsidies and so forth. They are theoretically designed to respond to specific employment challenges, such as skills mismatches, insufficient labour demand and so forth. (Table 1)

Allocating adequate budgetary resources to Active Labour Market Policies (ALMPS) are reported to be desirable as studies have shown that this can improve employment outcomes.¹ Estimates from the 2000s suggest that the BRICS, in common with other emerging economies, generally allocate a modest amount to ALMPs. Adequate care needs to be taken not to indiscriminately fund ALMPs, as multiple evaluations show that the effectiveness of ALMPs depend on the type of intervention and the particular economic circumstances that a country faces. For example, one study that covers 152 impact evaluations across developed, developing and transition economies, arrives at the following conclusion for the latter.²

- Employment services and skills training had the most positive impacts, both on employment probability and earnings
- Results from public employment programmes are mixed across countries
- Wage and employment subsidies are generally negative
- There is insufficient evidence to arrive at credible conclusions pertaining to self-employment/small business assistance programmes.

Thus, undertaking impact evaluations are important in developing an evidence-based approach to policy design.

Conclusion

In a vast country like India with a strong demographic dividend, it is important to improve measures

of employment through administrative statistics complemented by periodic surveys. A beginning has been made by capturing coverage information from administrative sources like the Employees' Provident Fund Organisation (EPFO), Employees' State Insurance Corporation (ESIC) and the National Pension Scheme (NPS) to get a sense of the quantum of beneficiaries of these schemes who can be considered as formal employees. The Periodic Labour Force Survey being conducted by NSSO will give a good idea about changes in the employment structure on an annual basis.

Evolving policies so that economic growth translates into increased and decent employment for the working force population would be important. Enhancing the coverage of EPFO and ESIC to other areas and schemes like the Pradhan Mantri Rojgar Protsahan Yojana encourages the transition to formalisation of the economy and the labour market. Increasing access to employment opportunities for women and their engagement in paid work outside or at home would also contribute to enhancing female labour force participation, facilitating an enabling environment to promote industrial growth while securing wage security, employment security and social security. Identifying and formalising changing context and forms of work (fixed term employment) would also assist in strengthening the employment market. Another step would be to encourage innovative solutions to address employment challenges. It is, thus, important to strengthen systems for data collection on labour market and promote evidence based analysis and research.

End Note

¹ Hengge, Matsumoto, M and Islam, (2012) 'Tackling the youth employment crisis: a macroeconomic perspective', ILO Working Paper No.124

² Betcherman, G (2008) 'Active Labor Market Programs: Overview and International Evidence on What Works', World Bank, April

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