



**INSTITUTE FOR
HUMAN DEVELOPMENT**

Building Knowledge for Human Development

Employment Challenge in India: Emerging Perspectives and Strategies

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1. The Context

- India witnessed impressive GDP growth rate of over 6 % since 1980s.
- However, good prospects of India having sustained growth of 6% and more for the next two decades or so once current crisis is over.
- Major contributory factors to high growth : very high potential domestic demand, rising working population, rising educational level, likely improvement in governance, institutions and infrastructure etc.
- Three decades of high growth have led to some important changes in labour market and employment conditions.



2. Labour Market and Employment Conditions

- High growth along with other factors contributed to significant poverty reduction, although still very high (22%, but if poverty line is \$2 PPP level will be 55%)
- High growth has not significantly transferred labour market and employment and employment conditions still remain poor : only modest improvements have taken place.
- Labour force to population ratio low; lower women work participation
- Imbalanced pattern of growth: 49% engaged in agriculture, contribute only 14% to GDP; manufacturing employs 13%, contributes 16% to GDP; services employ 27%, contribute 58%
- Large percentage of informal workers (92%), with low earnings and no social protection



2. Labour Market and Employment Conditions - continued

- Levels of education and skills extremely low
- Female LFPR very low; engaged in low productivity, low income, insecure and informal work; limited work opportunities
- Open unemployment low; main problem lack of productive employment
- Slow growth of employment, particularly quality employment
- Significant labour market segmentation
- Considerable exclusion in access to quality employment
- Wide regional differentiation in access to quality employment



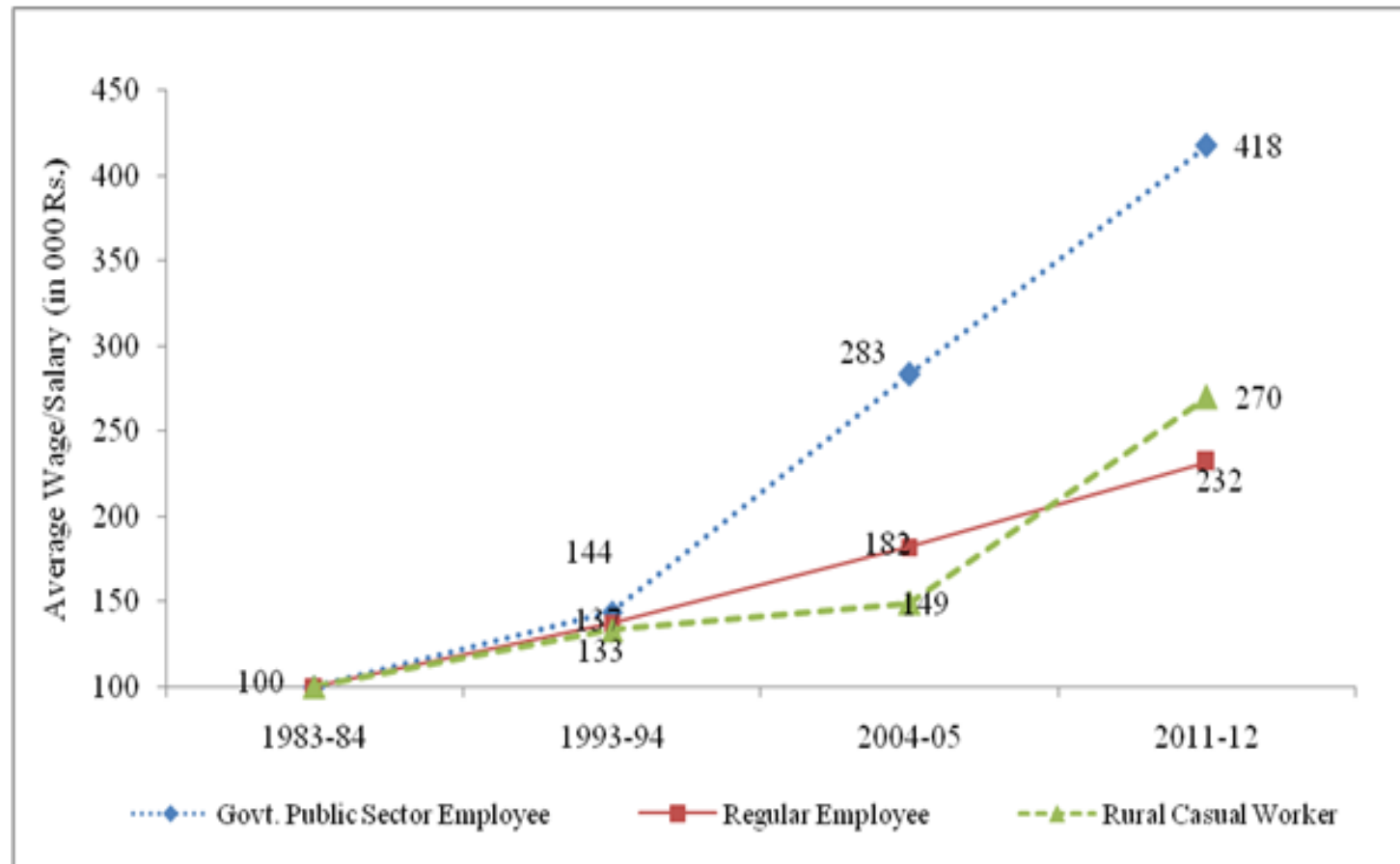
3 Employment Outcomes in High Growth Period

Some major concerns

- Slow transfer of workers from agriculture to non-agriculture
- Increasing informalization and contractualization
- Collective bargaining shrinking- sharp decline in incidence of strikes and rise in closures
- Increasing labour market inequalities
 - widening wage differentials between groups and sectors (a casual worker earning less than 7% to that of public-sector employee)
 - widening gap between per-worker earnings in agriculture and non-agriculture (now ratio of 1:6)
 - increasing share of capital and declining share of wages



Inequality Index of Average Annual Wage/Salary of Rural Casual Labour, Regular Workers and Central Government Public Sector Employees, 1983 to 2011-12.





3. Employment Outcomes during High Growth Period - continued

Some positive aspects

- Increasing real wages (over 3% during 1983-2012) and labour productivity
- Diversification from agriculture to non-agriculture accelerated
- Informalization seems to have halted and organized sector employment growth increased since 2004–05.
- Decline in absolute poverty- larger decline among deprived groups
 - Increasing access of deprived groups to public sector jobs and decline in access of upper groups
- Rise in unionization of unorganized workers in recent years; popular movements, NREGA, etc.
- A large number of working poor- 25% of workers (118 million); up to 58% (276 million) if poverty line \$2 (ppp)
 - Overcoming low productivity of work huge challenge



4. Employment and Challenges of Inclusion

- Large percentage working in deplorable conditions-health, safety standards need addressing
- Discrimination and unequal access of women to employment; educated female unemployment very high (23%)
- Deprived groups in backward regions doubly disadvantaged; larger share being grabbed by elites in all groups; huge within group inequalities, particularly among upper groups
- Youth unemployment- increasing educated youth unemployment major concern (18% graduate unemployment)
- Ongoing youth bulge; challenge of providing education and skills to new entrants in labour force
- Educated young men and women will not like to work in agriculture and other low-productive sectors and will need better jobs in future in manufacturing and services.
- Huge challenge of creation of quality jobs in future.



5. Future Agenda

- Targeting economy wide productivity increase, sectoral development with emphasis on manufacturing, expansion in quality employment in both manufacturing and services by remaining constraints such as infrastructure, institutions and quality of human resources
- Regulatory interventions for improving quality of employment, safeguarding basic rights
- Strategy for gradual formalization of employment
- Macroeconomic policy supporting employment strategy
- Managing youth bulge – both men and women particularly the latter, by expansion and improvements in education and skill-training and urban growth
- Addressing social and regional dimensions of exclusion along with within group inequalities
- Guaranteeing a minimum universal Social Protection Floor along with public provisioning of education and health benefits



Thank You

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