

**INTERNATIONAL CONFERENCE  
ON  
EMPLOYMENT AND INCOME SECURITY IN INDIA**

New Delhi, April 6-8, 2005

**MAINSTREAMING EMPLOYMENT IN DEVELOPMENT STRATEGY  
A Note on Approaches in Indian Planning and Policies**

by  
**T.S. Papola**  
ISID  
New Delhi

*Organised by*



**INSTITUTE FOR HUMAN DEVELOPMENT**

NIDM Building, 3<sup>rd</sup> Floor, I.P. Estate  
Mahatma Gandhi Marg, New Delhi - 110002  
Phones: 23358166; 23321610; Fax: 23765410  
Email: [ihd@vsnl.com](mailto:ihd@vsnl.com); Website: [ihdindia.org](http://ihdindia.org)

# **MAINSTREAMING EMPLOYMENT IN DEVELOPMENT STRATEGY\***

## **A Note on Approaches in Indian Planning and Policies**

*T. S. Papola*

Employment has generally been treated as a residual outcome of the interplay of other variables and has not featured as a part of the 'core', in the models of economic growth and development planning. Capital investment and technology together are taken as determinants of output growth which features as the objective variable in most models. For planning purposes, the usual procedure has been to set a target of output growth based both on normative and feasibility considerations. The volume of employment is a residual function of output-growth and labour coefficient (labour to output ratio) and growth rate of employment or employment elasticity (employment growth to output growth ratio). Most of the time, Employment maximisation does not feature as an objective; in fact, productivity growth (which is inverse of the employment growth accompanying a given output growth) is considered as the preferred source of output growth. But in situations where high rates of employment prevail and, in addition, a high growth in labour force is expected, ensuring a high rate of employment growth is adopted as one of the objectives of growth. It may be sought to be achieved simply by raising the rate of growth, or attempts may also be made to restructure growth of output to raise its employment content in aggregate. Employment — productivity conflict gets further accentuated in an economy with high unemployment and low productivity, where raising productivity is as important as increasing employment, and employment growth cannot be depended upon as the major source of growth. An attempt is made in this Note to examine to what extent and how employment has been sought to be 'internalised' in the growth strategy and what measures have been tried to meet the employment objectives.

### **I. Employment in Five Year Plans: A Brief Review**

Employment has been a concern of development throughout the past over five decades of development planning in India. Five Year Plans which laid down the directions for overall and sectoral development in a medium term perspective have been quite explicit in respect of the goal of employment generation particularly in view of the growing number of the unemployed and large continuous additions to the labour force. Assessment of the problem and approaches and strategies to deal with it have, however, varied over the years, as would be clear from the following brief account of the treatment of employment as a goal of development planning in India.

Unemployment was recognised as a problem and employment generation a goal from the very beginning of development planning in India in the early 1950s. A faster growth with special emphasis on employment-intensive sectors like the small scale industry was, however, considered adequate to generate employment of the order required to take care

---

\* This Note draws substantially on the author's paper "Employment Challenge and Strategies in India: An Assessment in the Framework of ILO's Global Employment Agenda" prepared for International Labour Office, Geneva (2004).

of the problem (Planning Commission, 1956, 1962). For example, the Second Plan (1957-62) estimated backlog of unemployment at 5 million and annual addition to labour force at 1.5 to 2 million; a 5 per cent growth rate as envisaged in the Plan was expected to generate employment opportunities for all of them over a period of ten years. Employment thus was treated as a goal of development, though not central, much less overarching. At the same time, it was also not treated purely as a 'residual'; some efforts were made to see that it is an essential element of the development strategy.

Achievements relating to growth and employment, however, fell far short of expectations. Average annual rate of GDP growth was just around 3.5 per cent, employment growth averaged to 2 per cent, whereas the labour force grew at a faster rate of 2.5 per cent. As a result, the number of unemployed that was estimated to be 5 million in 1956, rose to 11 million by 1977-78. Recognising the urgency to address the problem of growing unemployment as well as of persistent poverty which was estimated to affect over one-half of India's population, the Fifth Five year Plan (1974-79) envisaged a reorientation of development strategy towards an employment oriented growth and introduction of special anti-poverty and employment programmes. While this approach continued for about a decade, the magnitude of the problem was found to have become larger in the meantime. The Seventh Five Year Plan (1985-90), therefore, for the first time sought to place employment into the centre of development strategy: "The central element in the development strategy of the Seventh Plan is the generation of productive employment" (Planning Commission, 1985 p. 23). Employment generation potential of the targeted sectoral growth rates was quantified and a 4 per cent annual growth rate of employment was projected (ibid p. 33). The decade of 1980's experienced a relatively faster GDP growth at 5.5 per cent, but employment growth was lower than the earlier decade, at 1.8 per cent. Number of unemployed was estimated to have risen to 14.5 million by 1988 and further to 17 million by 1991-92 (Planning Commission, 1992).

It is in the backdrop of this experience that a detailed assessment of employment and unemployment trends and prospects was undertaken in the beginning of 1990's which also took into account the likely impact of the process of liberalisation and economic reforms initiated around that time. This assessment formed the basis of employment strategy for the Eighth Five Year Plan (1992-97). For the first time, employment was considered to be important enough a subject to merit an independent chapter in the Plan document (Planning Commission, 1992, Chapter 6). Estimating the number of unemployed (openly un-employed plus severely underemployed in need of alternative jobs) at 23 million in 1992 and addition to the labour force at 35 million during 1992-97 and another 36 million during 1997-2002, the Plan set a target of a 2.6 to 2.8 per cent annual growth of employment with a view to achieving the goal of "employment for all" by 2002 (ibid p. 120). This target was sought to be internalised in the Plan strategy through several overall and sectoral priorities, policies and programmes, such as spatial and sub-sectoral diversification of agriculture, wasteland development, support and policy framework for development of rural non-farm sector, small and decentralised industrial sector, faster growth of informal and services sectors; and labour market policies to remove policy and legislative measures discouraging expansion of

employment and expansion of training programmes for development of skills in accordance with the changing market demand.

The Ninth Plan (1997-2002) identified employment as one of the three important dimensions of the state policy, the others being quality of life and regional balance. Productive work, it was pronounced, is “not merely a means to the ultimate end of economic well-being” but should be seen “as an end in itself, --- a basic source of human dignity and self-respect” (Planning Commission, 1998, p.13) The Plan recognised that a higher rate of economic growth in the preceding decade has led to faster growth of productive employment opportunities. Yet, it emphasised, like the Eighth Plan, that growth could be made more employment friendly by “concentrating on sectors, sub-sectors and technologies that are more labour intensive, in regions characterised by higher incidence of unemployment and under employment” (ibid p.14). Accordingly, it posited “priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty”, as its first objective.

The Ninth Plan, like the Eighth Plan made detailed analysis of the trends in employment and likely scenario during the Plan period. The Plan, however, in spite of pronouncing employment as a major dimension of state policy in the beginning, in effect, treated it as a residual resulting from growth rate and pattern determined by other factors and constraints rather than the consideration of employment generation. Taking the base year (1997) estimates of unemployment and projected increase in the labour force over the plan period (1997-2002) and recognising the declining trend in employment elasticities, the Plan projected growth of employment opportunities to be similar to that in the labour force, with the targeted 7 per cent growth rate of GDP, thus leaving the backlog of unemployment unchanged.

## **II. Recent Initiatives: Tenth Plan and CMP**

A renewed urgency to focus on employment appeared to have set in the planners' mind by the end of the 1990s, presumably with the realisation that faster economic growth by itself is not sufficient to tackle the problem: a higher growth of GDP at around six per cent during the 1990s resulted in only 1.1 per cent growth of employment whereas a much lower growth had been accompanied by a two per cent growth in employment during the earlier decades. Two Committees (a Task Force in 1999 and a Special Group in 2001) were appointed by the Planning Commission in quick succession to examine the trends in and potential for employment generation and suggest a strategy to create employment opportunities to attain the goal of employment for all within a specified period of time. Their assessments and recommendations (Planning Commission, 2001b and 2002a) were used in the formulation of the Tenth Five Year Plan (2002-2007). The challenge, as quantitatively indicated by the magnitude of new employment required to be generated to meet the goal of employment for all, was found to be much larger than earlier estimated. Growth of labour force was expected to be higher in the initial years of the new century than during 1990's. Estimate of the quantum of unemployment were also relatively high as it was considered reasonable to use a more liberal basis (current daily status as compared to usual or weekly status) for measuring unemployment. As a result,

the job requirements to achieve employment for all in five years was estimated at equivalent of 70 million person years; and the 8 per cent GDP growth envisaged in the Tenth Plan following the past pattern of growth, characterised by low and declining sectoral elasticities of employment could generate, it was estimated, employment opportunities equivalent to only 30 million, against addition to the labour force of 36 million, thus adding about another 6 million to the base period unemployment of 35 million person years.

The Plan therefore, envisages reorientation of the growth strategy in order to improve its employment content. Following the recommendations of the Special Group (Planning Commission, 2002a), a number of special programmes relating to different sectors, particularly in agriculture and related activities, small and medium enterprises, non-farm rural sector and social sectors like education and health, and also policy changes for faster development of sectors of high labour intensity like construction, tourism, communication and information technology and financial services have been envisaged. It is argued that this reorientation will not necessarily involve a heavy additional investment, but mostly reallocation of funds and choice of appropriate technologies. The Plan estimates additional employment potential of these programmes and policy changes in different sectors, totalling to about 20 million person years which together with 30 million generated through the growth rate of 8 per cent will not only take care of the 36 million new entrants to the labour force, but will also reduce the backlog of unemployment of 35 million to around 21 million at the end of the Tenth Plan i.e. March 2007. With the continuation of similar strategy, it is projected that the quantum of unemployment will come down to around 2 million and unemployment rate to a negligible 0.44 per cent by 2012, as against 9.21 per cent in 2002 (Planning Commission, 2002b, pp. 146 & 172).

No data are as yet available to assess how far these expectations have been met and how employment has grown over the first three years of the Tenth Plan. Estimates based on the thin sample (58<sup>th</sup> Round) of NSS suggested an upturn in the growth of employment during the post-2000 period; employment was estimated to have grown at the rate of over 2 per cent per annum during June 2000 – December 2002, as against just over one per cent during 1996-2000. Whether this estimate is valid and whether the trend continues after 2000 also, will be known only after results of a subsequent, larger, survey are available. But the concern for faster employment generation became a major plank of political campaign in the 2004 elections and the new political combination that came into power in May 2004 decided to accord it a high priority in so far as, employment was listed on the top of the agenda in its National Common Minimum Programme (NCMP). Besides proposing to take necessary steps to boost growth of such sectors with high employment potential as small scale industry, textiles, diversified agriculture and agro-processing and Khadi and Village industries, and activities in the informal sector, it also proposed to enact a National Employment Guarantee Act (NREGA). A bill for enacting such a law for rural areas, to guarantee work upto 100 days in a year to every poor household, to begin with, in selected poorer districts of the country has already been introduced in the Parliament. A national commission has also been set up to examine the problems of enterprises in the unorganised, informal sector to devise policies and



programmes for strengthening the growth capacity of this high employment potential sector.

### **III. Use of Microeconomic and Sectoral Policies**

The above account of the ways in which the question of employment has been approached clearly indicates that its importance, and sometimes its centrality for reducing poverty, has been well recognised. Efforts have been made to reflect it in the growth strategy to the extent possible by laying special emphasis on the growth of sectors with higher employment potential; and by introduction and implementation of several special employment programmes both for generating full time self and wage employment and short-term employment in public works for the underemployed. Employment has, however, not been "internalised" in growth strategy in so far as the rate and pattern of growth is determined by such other factors as savings and investible resources, technology and aggregate supply-demand balances. Starting the plan exercise from the employment end and to work out the growth rate and strategy to achieve the goal of employment for all in a specified timeframe has often been mooted, but such an approach has not been found feasible and practicable. For example, the growth rate required to generate the desirable quantum of employment within a period of five to ten years have been assessed to be too high to be achieved with investible resources in sight, and raising employment content of growth significantly has also not been possible in the wake of technological changes and declining employment elasticities of different economic activities.

Employment generation strategy has, therefore, primarily focussed on emphasising faster growth of sectors with high employment potential so as to ensure a relatively higher employment content of aggregate growth. This has been supported, to a certain extent, by some macro-economic, credit and fiscal policy measures. Macro-economic policies, of course, have objectives such as control of inflation, sustenance of public expenditure and attainment of fiscal balance, as their primary concerns and employment generation features, if at all, only as a secondary objectives of the monetary and fiscal policies. Yet, certain fiscal and credit instruments in support of the sectors and activities with high employment potential have always been an integral part of economic policies. Tax exemptions and concessions to small-scale industries and decentralised sectors like handicrafts and handlooms are among the notable examples of such a support. Credit quotas and lower rates of interest for small and rural industries have also been part of the package of assistance for their promotion and development, with the objective, among others, of employment generation. A sizeable part of the budgetary resources have also been allocated, continuously since the mid-seventies on programmes aimed at creating self and wage employment for poverty alleviation. This expenditure has been incurred either in creation of short-term employment in public works or in subsidies to the poor to acquire assets for self-employment, in combination with the targeted bank credit.

Objectives of macroeconomic policies have sometimes led to actions that militated against the employment goal of the development strategy. For example, compulsions to reduce public expenditure in order to contain fiscal deficit resulted in reduction in

budgetary provisions for employment programmes during the 1990s. Similarly, policies towards reduction of subsidisation of interest rates and the non-performing assets (NPAs) of banks also had an adverse impact on availability and cost of credit for the employment intensive sectors like small and rural industries. But such instances of conflicts have been few and for short periods, and public expenditure and conducive policy initiatives to promote social sectors and employment have been restored.

Employment has received a high priority in the development agenda in India, particularly during the last two decades. (Of late, it has assumed political significance as it also features prominently in the election manifestos of major political parties!). Various approaches and strategies have been tried to accelerate the pace of employment generation so as to see that the unemployed get productively absorbed in growing economic activities. It has been recognised that a high rate of economic growth is necessary but not sufficient to generate employment of the magnitude warranted by the requirements of providing jobs to those currently unemployed as well as those entering the labour force every year. Efforts have, therefore, been made to restructure growth, to the extent possible within the constraints of investible resources and macro-balances in favour of sectors with relatively high employment intensity and, at the same time, introduce policies and programmes that help in or lead to direct employment generation.

While these efforts have continued with some success, the problem has become larger in magnitude. Assumption that a higher growth rate will result in faster employment growth has not been realised. While the GDP growth accelerated to an average of 6.7 per cent during 1993/94-1999/2000 from 5.2 per cent during 1983-1993/94, employment growth slowed down from 2.7 per cent to 1.07 per cent (Planning Commission, 2002b, p.141). Employment elasticity of GDP growth correspondingly declined from 0.52 to 0.16 (ibid, p.163). How to increase the employment content of growth is a major challenge and the Tenth Plan proposes a bold attempt in this direction (to increase employment elasticity to 0.338) by restructuring growth and supplementing it by certain definite policy changes and special employment generating sectoral programmes.

Thus while it has not been found feasible to mainstream employment concern into public investment programming, it is recognized that within the overall investment and growth pattern dictated by resource and demand-supply considerations, it is possible to increase the employment content of growth by introduction of suitable sectoral policies and programmes. The latest and rather innovative example of this approach is seen in the Tenth Plan where promotion of faster growth of labour-intensive sub-sectors of agriculture, land rehabilitation, food processing, rural non-farm activities, small and medium enterprises, education and health services, information technology, construction, transport and trade through a minimal investment reallocation but mainly through policy and institutional changes, envisages creation of an additional 20 million employment opportunities over the five year period.

#### **IV. Trade, Investment and Employment**

With the adoption of new economic policy and reforms, characterised by deregulation and liberalisation of trade regime, exports are of late seen as an important source of employment. Trade policy thus has become for the first time as an important instrument not only of faster growth, but also of job creation on a larger scale. Trade and inflow of investment are expected to boost employment in a labour abundant developing country like India in two major ways: by accelerating growth rate and by comparative advantage based exports and investment in labour intensive sectors. Trade regime till two decades back has been characterised by protection and restrictions. Similar policies had governed the inflow of foreign investment as well. These policies protected employment in industries, but at the same time engendered inefficiency in production and restricted faster growth of sectors with comparative advantage and potential for larger productive employment generation. Policies have undergone a sea change particularly since 1991. In the realm of trade and investment the new policies are characterised by a rapid reduction in tariff rates, removal of quantitative restrictions and opening up of most sectors for foreign direct investment and permission for portfolio investments and automatic approval for upto 100 per cent foreign equity in certain areas.

These policy changes are, of course, a part of the reforms towards India's efforts to become a partner in the process of globalisation with a view to achieving a faster economic growth in which comparative advantage based exports are expected to play an important part. Employment generation is not obviously the direct aim of these policies of liberalisation, but it is understood that higher growth and larger exports resulting from them would lead to faster employment growth. An important way through which trade and investment liberalisation can lead to higher growth of jobs is a shift of the export base from primary commodities to manufactures and modern services. Also, international competition would induce identification and development of distinctive comparative advantage which would obviously imply growth of exports of labour intensive products and services. At the same time, some negative implications of trade liberalisation cannot be ruled out. In the initial period of trade liberalisation, the competition could lead to decline and restructuring of enterprises in some of the hitherto protected sectors, resulting in redundancies and unemployment. There are also apprehensions that in the medium term there could be a qualitative deterioration in employment along with possible quantitative expansion, as most jobs are likely to be created in the unorganised sectors where earnings, job security and social protection are at low levels.

What has been the experience of the trade policy reforms in India and what are the emerging trends and their implications in respect of employment? There has been a steady rise in the external trade sector of the Indian economy over the past two decades. Trade (exports plus imports) as percentage of GDP has increased from around 15 in 1980 to about 27 by 2000 (World Bank, 2002). Exports as percentage of GDP have grown from around 6 to 10 during this period (GOI-MoF, 2003). Composition of exports has also changed in favour of manufactured goods: by late 1990's manufactured exports accounted for over three – fourths of all merchandise exports as against 58 per cent in 1980. Foreign direct investment has increased from a 0.3 per cent of GDP in 1991 to



about 3 per cent in 2000. Most of it, however, has been in chemicals, engineering, transport equipment, and fuel sectors and very little in the labour intensive sectors like textiles and clothing (RIS, 2002), partly due to the government policy not relaxing restriction on foreign investment in these sectors, still reserved for small scale sector (Ramaswamy, 2002). The only employment intensive sectors that have attracted a significant inflow of foreign investment during 1991-2003 are food processing and services. No estimates of employment generated through foreign investment are available, but from the sectoral pattern of investment it appears that the magnitude of jobs directly generated by this process may not be very large. It is, however, expected that its secondary impact on employment will be significant.

Employment growth, as noted earlier, has been slow in aggregate averaging to around 2 per cent during the 1980's and even lower during the 1990's, but manufacturing employment has grown reasonably fast averaging to around 2.5 per cent per annum. Disaggregating between export oriented industries and others, the former do not seem to have done consistently and significantly better: according to an estimate, employment in export-oriented industries recorded a growth of 2.25 per cent per annum, as against 2.72 per cent in import-competing and 2.63 per cent in all industries during 1985-97. During the 1990's, however, employment performance of export-oriented industries has been better; employment in them grew at 3.36 per cent per annum, as against 2.67 per cent in import competing industries during 1990-97 (Goldar, 2002, Ghose, 2003). The conventional theoretical expectation that a labour surplus developing country like India has a comparative advantage and will, therefore, specialise in exports of low-skill labour intensive exports seems to hold. Low skill-intensive products dominated the manufactured exports: industries which could be characterised as medium-low or low technology ones accounted for 75 per cent of the total manufactured exports during 1990's, as well as 1980's (Ghose, 2003).

Overall, the employment implications of trade liberalisation have been and are likely to continue to be positive. In the manufacturing sector, which has increased its share in total exports in recent years, from 71 per cent in 1989 to 77 per cent in 2002, not only has employment growth been significantly higher in export-oriented industries than others, employment elasticity has also been found to have risen in the post-reform period in this segment and is now significantly higher (0.48) than the average for all industries (0.33). This has also led to an increase in aggregate employment elasticity of the manufacturing sector from 0.26 in the pre-reform to 0.33 in the post-reform period (Goldar, 2003). Since the emerging trade pattern is found to be broadly consistent with the Heckscher-Ohlin notion of comparative advantage in so far as most export-oriented industries are relatively more labour-intensive, a sustained growth of trade on similar lines can be expected. As a result, it would be reasonable to expect a continuation of the positive impact of liberalisation-induced expansion of trade on employment.

## V. Employment and Poverty Alleviation: The Problem of The “Working Poor”

A major weakness of the strategies and macro-economic and sectoral policies towards employment generation has, however, been their primary focus on the number of those regarded ‘unemployed’ in the conventional terms. As a result those employed but not earning enough for even a subsistence level of sustenance, much larger in number than the ‘unemployed’, do not get attention of the mainstream employment strategies and policies. It needs to be squarely recognised that the challenge of employment in India is not confined to the phenomena of open unemployment and visible underemployment. Unemployment measured in broadest terms of the idle labour force, represented by those openly unemployed or not having work for part of the time they are available for work, as reflected in current daily status (CDS) unemployment, was estimated to be around 7.32 per cent of the labour force in 1999-2000. On the other hand, the proportion of the poor – those living below the official poverty line – was around 26 per cent in that year. That means that a major proportion of the poor are not un-employed or underemployed, but are not able to realise even a moderately fixed poverty line income from their work. On the other hand, all the unemployed are not necessarily poor particularly among the educated.

One way of looking at poverty-employment-unemployment equation is through the proportion of the poor among those employed and unemployed. Among those recorded as employed by usual status, around one-third had consumption expenditure below the poverty line in 1993-94. In 1977-78 almost one-half of the employed were poor according to this criterion. On the other hand, percentage of poor was lower among the unemployed than among the employed. In 1993-94 only 19 per cent of those unemployed were poor, the proportion was of course, higher and close to that among the employed at 46 per cent in 1977-78 (Hashim, 1999). Over the years the proportion of the poor has declined, but the decline has been much faster among the unemployed than among the employed. Two inferences can straightaway be drawn from these figures. One, “poor cannot afford to remain unemployed”, and second, achievement of “full employment” at the prevailing rates of wages and earnings will not by itself lead to eradication of poverty, a view held by some economists for long, (see: e.g. Lakdawala, 1978).

Another way of looking at poverty-unemployment nexus is through distribution of the poor by their work status. Distribution of the poor, officially estimated to be 26 per cent of population, in 1999-2000, would broadly be as follows (percentages to population are considered to be the same as percentages to labour force):

<b>Poor</b>	<b>26%</b>
i. because unemployed	3%
ii. because underemployed	5%
iii. because of low income from work	18%
a. due to non-realisation of full potential of their work	10%
b. due to low current/future potential of their work	8%
[Non-poor unemployed = 2%]	

Different strategies, policies and programmes are required to create productive employment for poverty alleviation of these different categories. For those in category (i) new employment opportunities would need to be created, while for those in category (ii) additional work either in their current activities or through supplementary work in employment programmes would be necessary to raise their current incomes. For those in category (iiia) provision of infrastructure, inputs, credit, technology and marketing support would be required to raise the productivity of their current work. For those in category (iiib) it has to be recognised that the solution to their poverty would lie in alternative productive employment. Thus about 11 per cent (i + iii b) of the poor will be able to alleviate their poverty only when new employment opportunities are available to them. Adding another 2 per cent of the non-poor unemployed, the operational estimates of unemployment from the viewpoint of the requirements of generation of new employment opportunities would thus be around 13 per cent of the labour force. For the rest of the poor (category iii a), augmentation of employment in terms of productivity, and not necessarily the work time, would need be necessary.

The above figures are only broad estimates and more precise estimates need to be attempted. But the exercise is illustrative of the multipronged strategy required for poverty alleviation through productive employment creation. Most poor are 'working' poor (see also Sundaram and Tendulkar, 2002). According to the above illustrative estimate, all except those in category (i), accounting for 87 per cent (23 %, out of 26%) poor are in this category. Even if those in category (ii) are considered poor for the reason of lack of work, 70 per cent of the poor are 'working poor', which do not get counted as 'unemployed' in estimating and targeting the quantum of required employment generation.

Special poverty alleviation programmes which started as early as 1970's, have used employment generation as a means of poverty alleviation. They recognise that a large part of poverty arises out of non-availability of wage employment throughout the year or lack of productive assets with the households to engage in gainful self-employment. One set of programmes, therefore, aimed at creating wage employment in public works and infrastructure building, particularly in rural areas, to provide supplementary wage employment to the underemployed. They also included assured or guaranteed employment for all the persons and days available for work (e.g. in Maharashtra Employment Guarantee Scheme) or of a minimum number of days (e.g. 100 days in Employment Assurance Scheme of Government of India) to the members of the identified poor households. These programmes have received large budgetary allocations every year and besides creating millions of person days of employment and have also kept upward pressure on wages in agriculture and other activities (Datt, 1998, Sen, 1999). The central budget provided for Rs. 97 billion during 2001-2002 and Rs. 112 billion during 2002-2003 for rural anti-poverty programmes. Major part of it related to wage employment programmes, creating about 260 million persondays of employment annually during 2000-01 and 2001-02 (GOI-MoF, 2003). The proposed employment guarantee programme under the NREGA is an important new initiative in this category.

The other variety of programmes aimed at creating self-employment among the poor rural households by enabling them to acquire productive assets through a package of financial assistance consisting of subsidies and targeted bank credit. Millions of households have been assisted under this programme, (for example, 3.25 million households were assisted with a budgetary expenditure of Rs. 35 billion during December 2000-March 2003, (GOI-MoF, 2003)) effecting an increase in income in most cases and crossing the poverty line income level in the case of around 15 per cent of the assisted households. (Planning Commission 2001b).

These programmes, generally titled as rural development programmes, are seen primarily as poverty alleviation programmes, but seek to achieve the objective through creation of employment both of a sustained and temporary nature. They also form part of the package for generation of about 50 million new employment opportunities during the current Tenth Plan, though their contribution is estimated to be relatively small (around 2 million). In other words, they are still primarily seen as measures to create temporary or supplementary employment to alleviate current poverty and not as sources of sustainable employment and sustained poverty alleviation. Major part of the employment creation is sought to be in the sectoral development programmes in agriculture, manufacturing, trade, transport and construction, in the employment strategy of the current Plan.

It is well recognised that employment leads to poverty alleviation if it is accompanied by a reasonable level of income. Workers in the unorganised sector, agricultural labourers and many self-employed in the agriculture and other informal activities constitute majority of the poor, not because they are unemployed, but their wages, productivity and incomes are low. In the case of wage earners in agriculture and informal sector, wages must rise to alleviate their poverty. In the case of self-employed, productivity of their enterprise should increase through improved access to inputs, technology, business services and markets. Policies and programmes of the government recognise these pre-requisites but the capacity to provide and implement programmes to ensure them is weak. Minimum wages are legally fixed but do not get effectively implemented. Yet the provision keeps up the pressure and combined with large-scale special wage employment programmes in which minimum wages are ensured, has been able to push wages upwards in the case of several categories of workers. Real wages of casual labour in all activities in rural areas have risen on an average by 3.6 per cent per annum in the case of male and 3.2 per cent in the case of female workers during 1993-2000. Agricultural wages rose by 2.8 and 2.9 per cent for the male and female workers respectively. Corresponding rise in non-agricultural activities was 3.7 and 5 per cent (Planning Commission 2002b, p. 163). Combined with availability of work for more days in a year in employment programmes, this increase must have resulted in enhanced income, and helped rural wage earners in alleviating their poverty.

Most new employment is expected to be generated in the coming years in the rural non-farm and urban informal sector. Most enterprises in these sectors are characterised by low productivity due to the low level technologies, limited access to inputs and services and inability to market their products remuneratively. As a result, most of those engaged in them, both owners and workers, are poor. In principle, the policies do not discriminate



against them, but in practice, their limited resources tend to lead to their exclusion from the benefits of state policies as well as markets. It would be essential that policies and programmes are evolved to focus on these sectors if employment generation and poverty alleviation objectives are to be seriously pursued.

In the first instance, efforts need to be made to ensure pro-poor character of growth which means faster growth of sectors which engage most of the poor. Agriculture and rural non-farm activities are prominent among them as most poor live in rural areas and depend on these activities for their livelihoods. Rising rural wages and expansion of rural non-farm activities have been among the major reasons for a sharp decline in incidence of poverty during 1990s. Secondly, land reforms, at least in terms of security of tenure and entitlement, providing incentive to raise productivity and access to credit to the tenants, could play an important role in increasing income levels of the tenant farmers. A relatively sharp reduction in incidence of poverty in West Bengal during the 1990s can be attributed to a large extent to this measure. Thirdly, credit and marketing support needs to be provided to producers of such goods and services in the informal sector, which are in demand domestically and internationally, through newer and innovative mechanisms such as micro-finance and linkages with larger marketing organizations. Successful examples of these mechanisms exist in various parts of the country and could be replicated widely. At the same time, producers of goods with shrinking markets would require to be equipped to take up alternative productive activities instead of being supported in their existing ones. Safety net programmes in terms of social security and rehabilitation assistance need to be developed for these groups as also for those losing wage paid jobs in enterprises.

## References

Datt, Gaurav (1998) 'Poverty Alleviation through Rural Public Works: The Experience of Maharashtra's Employment Guarantee Scheme', in Radhakrishna R and Sharma, Alakh N (Eds.) Empowering Rural Labour in India: Makret, State and Moblisation, New Delhi, Institute for Human Development.

Ghose, Ajit K (2003) Jobs and Incomes in a Globalising World, Geneva, ILO.

Goldar, B N (2003) Trade Liberalisation and Manufacturing Employment; The Case of India, Employment Paper 2002/34, Geneva, ILO.

----- (2003) Economic Survey 2002-2003, New Delhi,

Government of India, Ministry of Finance and Company Affairs.

Lakdawala D T(1978) 'Growth, Employment and Poverty', Indian Journal of Labour Economics, Vol 21 No 1.

Hashim, S R (1999) 'Employment and Poverty:Some Emerging Issues' Indian Journal of Labour Economics,VOL.42 No 1

Planning Commission (1956), Second Five Year Plan (1957-62) New Delhi, Government of India.

----- (1962) Third Five Year Plan (1962-67) New Delhi, Govt of India.

----- (1985) Seventh Five Year Plan (1985-90) New Delhi, Govt of India.

----- (1992) Eighth Five Year Plan (1992-97) New Delhi, Govt of India, Vol. I.

----- (1998) Ninth Five Year Plan (1997-2002) New Delhi, Govt of India, Vol. I.

----- (2001a) Report of the Task Force on Employment Opportunities, New Delhi, Govt of India.

----- (2001b) Report of the Working Group on Rural Poverty Alleviation Programmes, New Delhi, Govt of India.

----- (2002a), Report of the Special Group on Targeting Ten Million Employment Opportunities Per Year, New Delhi, Govt of India.

----- (2002b), Tenth Five Year Plan (2002-2007), New Delhi, Govt of India, Vol.I

Ramaswamy, K V (2003), 'Globalisation and Industrial Labour Markets in South Asia: Some Aspects of Adjustment in a Less Integrated Region', Indian Journal of Labour Economics, Vol. 46, No. 2

RIS (2002), South Asia Development and Cooperation Report 2001-2002, New Delhi, Research and Information System for Non-Aligned and other Developing Countries.

Sen, Abhijit (1998) 'Rural Labour Markets and Poverty', in Radhakrishna R and Sharma, Alakh N (eds.) Empowering Rural Labour in India: Market, State and Mobilisation, New Delhi, Institute for Human Development.

Sundaram, K and Tendulkar, Suresh D. (2002) The Working Poor in India: Employment Poverty Linkages and Employment Policy Options, Geneva, International Labour Office, Discussion Paper 4, Issues in Employment and Poverty, Recovery and Reconstruction Department.

World Bank (2002), World Development Indicators, Washington DC, The World Bank.