Employment and Inequalities

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Round Table on Addressing Economic Inequality in India
Bengaluru, 8th January 2015
Introduction – the context

• Impressive GDP growth over the last few decades in India – over 6% since 1980s leading to important changes in the employment conditions

• The first report—*India Labour and Employment Report 2014*—provides analyses of changes in labour market and employment since initiation of economic reforms

• Among the most important emerging economies of the world but employment conditions still remain poor

• A bulk of the working poor, reflecting inequalities

• Post reform period – one of increasing inequality accompanied by significant decline in poverty (pre reform growth pattern in rural areas was pro-poor with APCE growing faster at the lower end (Mazumdar and Sarkar, 2013)
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Employment, Labour Markets and Conditions of Work

• Labour force to population ratio low in India (56%) compared to rest of the world (64%); 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

• Levels of education and skills extremely low

• Female LFPR very low; engaged in low productivity, low income, insecure and informal work; limited work opportunities
Contd...

• Open unemployment low; main problem lack of productive employment

• Significant labour market segmentation

• Considerable exclusion in access to quality employment

• Wide regional differentiation in access to quality employment
  – Employment Situation Index (ESI)
  – Indicators: percentage employed in regular formal work, work participation rate, percentage employed as casual labour, percentage of self-employed below poverty line, average wage of casual labourers, unemployment rate for secondary educated and above, percentage of unionised informal workers
## Employment Situation Index (ESI) for Major States, 2011-12

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Labour Market Performance and Employment Outcomes

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.
Labour Market Performance and Employment Outcomes – contd...

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.
Employment Challenges

• 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

• Large percentage working in deplorable conditions-health, safety standards need addressing

• 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

• 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
KDF Distributions for Casual and Regular wage earners, Various NSS rounds

1983

1993-94

2004-05

2009-10

Regular

Casual

Regular

Casual

Regular

Casual

Regular

Casual
Policy Agenda

- Targeting economy wide productivity increase, sectoral development with emphasis on manufacturing, expansion in employment
- Regulatory interventions for improving quality of employment, safeguarding basic rights
- Strategy for gradual formalization of employment
- Macroeconomic policy supporting employment strategy
- Managing youth bulge by expansion and improvements in education and skill-training and urban growth
- Addressing social and regional dimensions of exclusion along with within group inequalities
- Balancing labour flexibility needs of enterprises and interests of workers; simplification and modernisation of labour laws
- Guaranteeing a minimum universal Social Protection Floor along with public provisioning of education and health benefits
To conclude

Comprehensive, responsive and effective labour and employment policies central to sustainable and inclusive development