A FIRST ASSESSMENT OF THE IMPACT OF
THE GLOBAL ECONOMIC CRISIS ON INDIA:
THE CONTINUING CHALLENGE OF EMPLOYMENT

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This first assessment of the impact of the global economic crisis on India finds that what India is experiencing is a slow down from its recent high growth rate of around 9 per cent. It finds that most of the macro-economic variables are still in reasonably good shape except that of employment. The challenge of employment in India has been a continuing one in that even in the high growth period, employment creation has been, by and large, restricted to low quality employment or what may be called informal employment. However, this has been further exacerbated by loss of employment arising out of the impact of the global economic crisis. The losses have been modest in the formal sector but much more in the informal sector. Given the pervasive low quality of employment among the working poor with low education, skill and social security, the paper argues for a focused approach intended to enhance the effective demand in the economy through expanding employment and its quality that could be characterized as Decent Work. The paper then outlines the main elements of such an approach consisting of pro-poor public investment in rural areas, focus on small and marginal farmers, pro-poor public investment in urban areas, strengthening self-employment programmes and enhancing credit to small and micro enterprises, and creation of a ‘social floor’ by guaranteeing public employment (e.g. NREG), contingent social security, a national minimum wage and laying down minimum conditions of work. The paper also underlines the need for a statistical mechanism for regular monitoring of the employment situation in both formal and informal sectors.

I. INTRODUCTION

Since the mid-1970s, India has emerged as a fast-growing economy with a long-term annual average growth rate of around 6 per cent, leaving behind its earlier average growth rate of around 3 per cent. Since 2004, the average annual growth catapulted to around 9 per cent for the next four years. India has thus emerged as the second fastest growing economy in the world after China in recent times. However, the sustainability of such a high growth rate has now been challenged as a result of the impact of the global financial crisis emanating from the US, which has turned itself into a global economic crisis through a recession in most of the high-income industrialised countries. India has realised that it is now integrated with the global economy far more than what it was used to or what it thought it is.

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Even in the best of times, with a fast-growing economy, the challenge of employment as well as the poverty and vulnerability of a large segment of its population has been a major area of concern for India. While a higher growth was perceived by the policy regime to be a necessary condition for generating more employment and providing decent work conditions, Indian policy also recognised the need for a number of directed policies for employment creation, access to credit, and a whole range of programmes in the social sector to tackle the basic problems of poverty and deprivation. Although an Indian version of the neo-liberal economic policy regime a la the infamous ‘Washington Consensus’ has been dominating the Indian context since the early 1990s, a few but important steps in this direction were taken during the last four years such as a rights-based rural employment programme for unskilled manual work in rural areas, and steps for doubling the expenditure on education as a percentage of the GDP (from 3 to 6 per cent) and trebling the expenditure on health (from 1 to 3 per cent). The impact of the global economic crisis on India has now thrown up fresh challenges not only in its efforts to deepen its anti-poverty and pro-social development programmes but also to maintain the high growth rate. There are clear signs of a slowdown in the economy, which could even threaten the realisation of a 6 per cent long-term growth rate, if focussed measures are not taken up, especially in the direction of expanding the domestic demand.

Globally, the growth scenario is quite dismal. The world’s growth rate in 2008 is estimated at 2.5 per cent as against 4.9 in 2007 and then around 1.0 in 2009. Both the US and EU-27 are expected to register only around a 1 per cent growth in 2008 and predicted to have negative growth rates (that is, a contraction of the economy) during 2009 (UN, 2009). This will also have its repercussions on the employment scenario. The ILO projected that world unemployment would increase by 30 to 50 million by the end of 2009. More importantly, it estimated that some 200 million workers, mostly in developing countries, could be pushed into extreme poverty (ILO, 2009a; 2009b).

It is in such a difficult scenario, which is still unfolding, that an attempt is being made here to assess the social—mainly employment-related—dimension of the crisis on India and the policy responses of the Indian government. The Indian case seems to be one of a slowdown but not a recession. But the slowdown, unless tackled with special emphasis on employment and livelihood security of the working poor, could turn out to be one of a crisis. This is especially so because India is still a poor developing country with a vast informal sector that provides employment to 86 per cent of its workforce, including in agriculture. Another 6 per cent of the workers are employed as informal workers (that is, without job or social security) in the formal sector, which adds up to 92 per cent of the Indian workforce being engaged as informal workers (see NCEUS, 2007a, Ch.1). This is quite a formidable figure from the point of view of decent work and long-term development. But it also has an immediate meaning because it shows the extent of vulnerability in the face of the still unfolding economic slowdown that could metamorphose into a crisis. It is also pertinent here to mention that around 9 million people would enter the labour market in India annually till the end of the Eleventh Five Year Plan (Planning Commission, 2008). Given the growth rate in the labour force, this will continue to be the case for the next ten years or so.
II. IMPACT ON THE ECONOMY

The immediate circumstances arising out of the crash of major financial institutions in the USA triggering a global economic crisis are by now well known. The first signs of a negative impact of the global financial and economic crisis on India’s real economy were manifested in the form of a slowdown in aggregate growth. This led to a lowering of expectations and projections of a slowdown in the growth rate for the fiscal year 2008-09 as well as the subsequent year. The available data suggest that the decline in growth seems to have started from the first quarter of 2008-09 (April-June 2008) though a deceleration from the high growth of 9 per cent started from the last quarter of 2007-08 (see Figure 1). This deceleration has been mainly due to a deceleration in the growth in the agricultural as well as industrial sectors. As shall be seen later, the manufacturing sector has been particularly hit by the crisis, thereby exposing its vulnerability to external shocks that could be mainly, if not only, due to an over-emphasis on exports. Subsequently, there were signs of a deceleration in the services sector as well but the growth rate remained well above 9 per cent. However, these decelerations were not of such magnitude as to cause undue concern. With the onset of the financial crisis, this has given way to real concerns about the growth prospects. The release of the quick estimates of gross domestic product (GDP) and its growth in the fiscal year ending March 2009 by the Central Statistical Organisation now place the growth rate at 6.7 per cent (Government of India, 2009), which is lower than the earlier forecast by official agencies (of 7.1 per cent) but higher than the gloomier forecast by multilateral and other international agencies. However, the fact that the last two quarters of 2008-09 showed growth rates of only 5.8 per cent should be viewed as a matter of concern. Should this continue further, it would not augur well for the Indian economy, especially from the point of view of its macro-economic management and its requirements of resources for long-term development. As shall be seen later, the Indian economy has quite a few institutional and economic strengths to enable it to avoid the continuation of

Figure 1
Quarterly Growth in GDP (Base=1999-2000)

this slowdown but that would call for strong policy responses directed at strengthening the as yet untapped domestic market potential as well as domestic investment. Such a track change in policy is not only warranted by the international economic situation but will also help advance the agenda of inclusive development with decent employment as its core.

III. THE SECTORAL GROWTH PERFORMANCE

The sectoral performance of the Indian economy in the context of the global economic crisis assumes significance in view of its differential performance. It would appear that the overall growth rate of 6.7 per cent during the last fiscal year is mainly due to the performance of the services sector, which has been the leading sector of the Indian economy for quite some time. Agricultural growth has declined after an impressive performance for the first three quarters in 2007-08. Growth in industrial production consisting of the three sub-sectors of (a) manufacturing, (b) electricity, gas and water supply, and (c) construction had also started decelerating, especially since the last quarter of 2007-08. The manufacturing sector has been particularly hit by the global crisis, resulting in negative growth during the last quarter of 2008-09. This could be largely, if not only, due to the over-emphasis on exports now that the export markets in the advanced industrialised countries have started contracting. Construction has also been hit somewhat but its position is not as dismal as that of the manufacturing sector. Here, it is a case of slowdown.

The high growth in the services sector sustained itself until the last quarter of 2007-08. Since then, two sub-sectors, viz., trade, hotels, transport and communications as well as financing, insurance and related services, have experienced downturns for nearly half of the year 2008-09. The impressive growth in community, social and personal services could be due to the increase in government expenditure in education and health as well as the increase of salaries in the government sector. While a part of the services sector, especially the banking sector is somewhat insulated from the global banking system, there are other sectors that are closely dependent on or integrated with it. It is, therefore, possible that the after-effects of the global financial crisis as well as the economic crisis are yet to be felt in India. In that sense, the scenario is still unfolding. India has reasons to be concerned about its services sector growth because of the fast-growing information technology and related sector and its dependence on overseas markets for business. However, the weight of this sector is still rather low.

The overall decline in the growth prospects and their impact on the industrial and agricultural sectors are now major areas of concern. How and why has the real economy been perceived to be affected in such a short span of time? For an answer to this, we turn to two main developments—one, the performance of exports and, two, the liquidity crisis in the economy.

IV. EXPORT PERFORMANCE

In terms of the impact on the real economy, the export sector was the first that felt the impact of the economic crisis that was unfolding in USA, the European Union (EU) and Japan. India’s exports were growing at an annual rate of 14 to 15 per cent for the last several years
that surpassed the overall economic growth by a factor of two, and recently more than two. In that sense, the export sector emerged as an important engine of the overall growth of the economy. At the same time, it also exposed India, a poor but fast-growing economy, to the global market along with its attendant vulnerabilities, especially in times of a crisis of the kind that has now set in motion. As can be seen from Figure 2, after registering an impressive performance till July 2008, exports started declining immediately as soon as the economic crisis in the USA was revealed through the crisis in its financial sector. The latest available data indicate that the monthly export performance has picked up somewhat but with a widening trade gap arising out of a higher growth in imports.

From the point of view of export market diversification, India seems to be apparently well-placed. Its share of exports to North America (the US and Canada) is only around 10 per cent and to the European Union around 20 per cent. In fact, the region of Asia (including ASEAN) now accounts for around 50 per cent of its exports. The decline in exports seems to be mostly from the US and EU, and the danger of further declines cannot be ruled out, given the expected contraction in those economies during 2009 and perhaps beyond. This is, of course, based on the assumption that exports to Asian countries (especially China and West Asia) are not significantly linked to those countries/region’s exports to the EU and USA. This may not be really the case as export to certain destinations (such as China and Singapore) might be strongly linked to exports in such countries as the US, EU and Japan. There may be some ground to worry about further declines if such linkages are so significant as to have a backward effect on Indian exports to these regions. In that sense, the problem of a widening trade deficit is still an unfolding one for India.

The statistics released by the Ministry of Commerce show that the total exports (in US$ terms) for the fiscal 2008-09 increased by only 3.4 per cent (as compared to 14 per

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**Table 1**

Quarterly Growth Rates of the Indian Economy before and after the Global Economic Crisis

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Primary (A+B)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Agriculture, Forestry and Fishing</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>B. Mining and Quarrying</td>
<td>0.1</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Secondary (C+D+E)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Manufacturing</td>
<td>10.0</td>
<td>9.5</td>
</tr>
<tr>
<td>D. Electricity, Gas and Water Supply</td>
<td>10.0</td>
<td>8.2</td>
</tr>
<tr>
<td>E. Construction</td>
<td>6.9</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Tertiary (F+G+H)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Trade, Hotels, Transport and Communication</td>
<td>13.1</td>
<td>10.9</td>
</tr>
<tr>
<td>G. Finance, Insurance, Real Estate and Business Services</td>
<td>12.6</td>
<td>12.4</td>
</tr>
<tr>
<td>H. Community, Social and Personal Services</td>
<td>4.5</td>
<td>7.1</td>
</tr>
<tr>
<td>GDP at Factor Cost</td>
<td>9.2</td>
<td>9.0</td>
</tr>
</tbody>
</table>

**Source:** Government of India (2009b).
cent during the preceding years) at US$168.7 billion as compared to the previous year’s figure of US$163.13 billion. However, the worrying aspect is that imports increased by 14.3 per cent (at US$207.76 billion) as compared to the previous year with a trade deficit of US$14.3 billion.

Despite this setback in the external sector, it should be noted that India continues to maintain comfortable levels of foreign exchange reserves, increased flow of foreign direct investment (FDI), no worrisome depreciation of the rupee (in fact, there has been an appreciation vis-à-vis the US dollar), increased flow of remittances, and a modest debt-service ratio.

V. LIQUIDITY IN THE ECONOMY

Inflationary pressures during the first half of the fiscal year 2008-09 arising largely out of international prices of crude and commodities forced the Reserve Bank of India (RBI) to mop up the excess liquidity in the system by hiking the credit reserve ratio (CRR). But the situation shifted dramatically through the effects of the financial crisis in the US markets from September 2008 onwards. Both the domestic money and foreign exchange markets came under pressure first through the withdrawal of investments by the Foreign Institutional Investors (FIIs), a lowering of the credit rating of corporate entities, drying up of the sources for external commercial borrowing, and a depreciation of the rupee. A series of measures were undertaken by the RBI through reduction in CRR, repo and reverse repo rates, and special facilities (see Appendix 1). Since prices of crude and other commodities declined

![Figure 2](source: Ministry of Commerce, Government of India. The monthly averages are shown for the years 2003-04 to 2007-08.)
sharply, there was an easing of the pressure on inflation. The RBI reported that “unlike in the case of some of the other countries, there were no major disruptions in the money market in India during post mid-September 2008, primarily because there was no solvency issue in respect of Indian banks and the prudent SLR prescription provided adequate leeway to the Reserve Bank for meeting their liquidity needs through LAF [Loan Adjustment Facility] without diluting the collateral quality” (RBI, 2009, p. 63).

Despite an improvement in the liquidity position, the interest rates continued to be higher than the pre-September 2008 period. The assumption that injecting additional liquidity in the system would keep the cost of borrowing low as well as in adequate measure is something that cannot be taken for granted. The famous ‘liquidity trap’ theory could be at work. If this is the case, then there is a strong case for direct government intervention in the form of increasing public expenditure to boost the economic activity. When such an opportunity is utilised to address the livelihood and employment concerns of the vast majority of the working people, the domestic demand will increase and provide a cushion to the decline in the demand from foreign markets. However, this calls for an alternative approach to macro-economic policies that are currently driven by liberalisation, privatisation and globalisation.

VI. EMPLOYMENT AS A CRUCIAL SOCIAL DIMENSION

While the above-mentioned indicators pertain to the health of the macro-economy and its variables, what is of main concern to the people at large in India is the issue of employment, including both retaining current employment and the prospect of better employment that provides some security and higher earnings. It is here that the monitoring mechanism of the Indian economy is perhaps at its weakest point. While data are available for most of the macro-economic variables (such as GDP, exports and imports, industrial production, inflation, foreign exchange rate and reserves) on a regular basis (monthly and/or quarterly), there is very little reliable data on employment, let alone on its quality and earnings. Data on employment and unemployment for both the country as a whole, and for the different states are available with considerable disaggregation and detail only on a five-yearly basis. While the annual employment/unemployment data are collected, there is considerable delay in their compilation and publication as well as problems in comparison with quinquennial data. For example, the latest available annual data on employment is for the year 2005-06. This makes it extremely difficult to get a reasonable and on-going picture of the employment/unemployment situation in the country and its performance vis-à-vis growth in output and other variables. As such, one can only rely on projections based on employment elasticity of growth in the economy. Such an approach would be less reliable if the pace of labour-displacing technological change is seen to be quite fast. However, in the Indian context such technological change is largely confined to the formal sector of the economy, which accounts for only around 14 per cent of the total employment.

Given the pioneering work of the National Commission for Enterprises in the Unorganised sector (NCEUS), there are now independent estimates of employment in the informal and formal sectors of the economy as well as of informal and formal workers in the formal sector.
Based on this work, given below two sets of employment projections for the informal and formal sectors. Subsequently, the quality of employment and the nature of unemployment and under-employment in the economy will be discussed to argue that the crisis of survival for the informal workers, especially in the informal sector, is a perennial one and they are the first to be hit in a situation of general economic crisis. What is, therefore, needed is a long-term vision and strategy that should take care of their employment security with reasonable wages/incomes, which would, in turn, promote the goal of inclusive development with decent employment as its core.

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth rate of the economy</th>
<th>Formal sector</th>
<th>Informal sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>Actual</td>
<td>62.56</td>
<td>393.14 (86)</td>
<td>455.70</td>
</tr>
<tr>
<td>2006-07</td>
<td>Actual</td>
<td>62.77</td>
<td>419.25 (86)</td>
<td>485.02</td>
</tr>
<tr>
<td>2011-12</td>
<td>9</td>
<td>72.97</td>
<td>480.43 (87)</td>
<td>553.40</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>72.14</td>
<td>468.12 (87)</td>
<td>540.26</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>71.31</td>
<td>456.01 (86)</td>
<td>527.32</td>
</tr>
</tbody>
</table>

**Source:** NCEUS, 2009a, Ch. 6. For details on methodology, see Appendix 6.1. Figures in brackets indicate the percentage share of employment in the informal sector.

In Table 2 are presented two sets of figures of projections of employment. One is based on the Usual Principal and Subsidiary Status (UPSS), which is a broad measure of employment in the economy. In this measure, most of the under-employed as well as those with part-time employment are likely to be included. Therefore, the NCEUS put forward a stricter measure of employment that is called Modified Current Weekly Status (MCWS)\(^2\). Under this measure (see Table 3) all those working for half or more of the time while they are in the labour force are captured as employed (that is, 3.5 days or more if they are in the labour force for 7 days of the week), while those with 0.5 day to 3.5 days in a week of 14 half-days and available for at least 0.5 day for work are captured as under-employed. However, persons who have worked for at least 0.5 days but not over 3.0 days in the week are categorised as part-time workers. Those among them who were not available for work even for 0.5 day during the rest of the week are categorised as strictly part-time workers.

The findings of this exercise may be summarised as follows.

First, in whatever way one measures employment in India, 86 per cent of the workers find themselves in the informal sector (defined as private unincorporated enterprises employing less than ten workers). This, of course, includes those who are self-employed without any hired workers as well as those who are casual workers without any steady employer.
Second, a higher or lower growth of the economy is unlikely to alter the share of the workers in the informal sector of the economy.

Third, a higher growth rate say, 9 per cent per annum, may lead to a lower rate of unemployment as well as under-employment without altering the share of the workers in the informal sector. A lower growth rate, especially around 5 per cent, will considerably increase unemployment, under-employment as well as part-time employment.

What is the relationship between the economic slowdown in India and the employment projections presented above? The immediate answer is that in the context of a slowdown in growth, the employment problems, in terms of the quantity of jobs, will emerge as a significant problem along with the continuing problem of the quality of jobs. Given the widespread and embedded nature of the problem of quality, it could be argued that there is a need to focus on this problem while addressing the problem of quantity. In fact, as shall be argued later, creating employment opportunities in the public sphere with minimum conditions of work, wages and a measure of social security will certainly advance the goal of quality of jobs that has a direct bearing on the objective of creating decent employment.

There are a number of issues that need to be kept in mind while discussing the problem of quality of employment. First and foremost is the fact that informal work, as it is defined in India, is largely a summation of the low quality of work. Therefore, attention needs to be directed to informal work, which is predominantly concentrated in the informal sector but is also on the rise in the formal sector. The informal sector consists of the self-employed (including the unpaid family workers) and casual workers constituting more than 95 per cent of the total informal sector workers. Given the predominance of the self-employed category, employment growth is often a misleading notion of welfare because the working poor have no option but to create some work and eke out a living. These include the street vendors, rickshaw pullers, artisans, home-based workers, and marginal and small farmers. To this
should be added the casual workers, who are wage workers without any regular work. These are the working poor who are also vulnerable because of the low wages and earnings.

Given the predominance of the informal sector in the economy and the process of informalisation of the formal sector, projections of employment continue to predict an unchanging share of employment in the informal sector. While the share of the informal sector would have remained at around 86 per cent, the share of informal workers would have gone up to 93 per cent as against 92 per cent in 2004-05. The increase in employment arising out of the increased growth rate (until till 2007-08) is impressive, but what should be of concern to policy-makers is the quality of employment as revealed by the share of informal workers.

The employment question is, therefore, very much a social issue: of livelihood, getting out of poverty and vulnerability, and the prospects of a somewhat better standard of living for the majority of workers who are either poor or poor and vulnerable. A detailed report of the NCEUS (2007a) found that of the 420 million informal workers, nearly 80 per cent belong to households whose monthly per capita expenditure is not more than two times the official poverty line (equal to PPP$2 per capita per day). The NCEUS called them the ‘poor and vulnerable’. These are India’s ‘common people’, and their informal work status is closely associated with not only poverty but also other forms of deprivation such as education and gender identity, but more importantly social identity in a hierarchical society (see Sengupta, et al., 2008).

Given this scenario, a few issues are critical in the current economic slowdown that could possibly lead to a crisis if the global economic situation worsens.

First, the Indian economy consists of workers who are largely poor and vulnerable and hence any decline in employment prospects as well as its quality is a matter of serious concern. Secondly, the formal sector of the Indian economy currently employs close to half the workforce as informal workers. They are the vulnerable within the segment of formal sector workers and hence, they would be the first to be adversely affected in situations of retrenchment or lay-off in the formal enterprises and establishments. Thirdly, those workers in the informal sector who are employed by enterprises that are linked to export-oriented firms/activities were the first to be adversely affected, given the declining prospects of exports arising out of the economic recession in the USA, Europe and Japan. If the overall employment declines, then even those who are not linked to the export-oriented sectors would be affected due to a decline in labour incomes leading to a decline in effective demand. This would also have serious social consequences because those who are affected from a livelihood point of view would be the working poor. The employment situation is still an unfolding one as the slowdown in the economy itself is beginning to be revealed. Fourthly, there is also an identifiable and more vulnerable segment of workers who could be experiencing the adverse impact, especially in the export-oriented industries, more than the others. These are the female and male workers employed on a casual basis in the export-oriented industries and activities. In such a scenario, the new entrants to the labour force, estimated at around 9 million per year, would face a tighter labour market with fewer work
or jobs of a decent kind. These are the young men and women with very little skill or even a reasonable level of education, say, not more than ten years of schooling.

**VII. LOSS OF EMPLOYMENT ARISING OUT OF THE ECONOMIC SLOWDOWN**

In the absence of a regular monitoring mechanism to track the employment situation in the country, the alternatives are industry/activity-specific reports, on-the-spot surveys or specific surveys based on scientific sampling. Fortunately, a quick survey of selected industries/activities was commissioned by the Ministry of Labour and Employment covering the period September to December 2008 to identify any immediate loss of employment. This survey called the ‘Effect of Economic Slowdown on Employment in India’, (hereafter the EESE Survey, 2008), had its own limitations, especially in its exclusive focus on enterprises and establishments in the formal sector of the economy⁴. However, it gives some ideas about the immediate impact of the global crisis on domestic employment, the vulnerable sectors and vulnerable workers.

According to this survey, carried out by the Labour Bureau of the Ministry of Labour and Employment, there has been a decline in employment of the order of half-a-million during September to December 2008. It is important to briefly discuss not only the selection of industries/activities but also the differential impact across and within the selected industries/activities.

From the secondary sector of the economy, the industries selected consisted of five sub-sectors in manufacturing, viz., textiles; metals; gems and jewellery; automobiles; and mining. From the services sector, transport, and information technology/business process outsourcing (IT/BPO) were selected. The EESE does not claim universality in terms of representation but it could be taken as an important pointer. The decline in total employment worked out to -1.01 per month. Not surprisingly, employment in the export sector declined faster than in the non-export sector by -1.13 and -0.81 per cent, respectively. The relevant details are given in Table 4.

Table 4 provides certain important clues about the emerging scenario. First of all, the export-oriented units were more adversely affected than the non-export units. Secondly, the higher export-intensity *per se* does not seem to have led to a higher adverse impact on

<table>
<thead>
<tr>
<th>Industry/Activity</th>
<th>Exporting units</th>
<th>Non-exporting units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gems and Jewellery</td>
<td>-8.43</td>
<td>-11.9</td>
<td>-8.58</td>
</tr>
<tr>
<td>Transport</td>
<td>0.00</td>
<td>-4.03</td>
<td>-4.03</td>
</tr>
<tr>
<td>Automobiles</td>
<td>-1.26</td>
<td>-4.79</td>
<td>-2.42</td>
</tr>
<tr>
<td>Metals</td>
<td>-2.60</td>
<td>-1.24</td>
<td>-1.91</td>
</tr>
<tr>
<td>Textiles</td>
<td>-1.29</td>
<td>+0.32</td>
<td>-0.91</td>
</tr>
<tr>
<td>Mining</td>
<td>-0.32</td>
<td>-0.33</td>
<td>-0.33</td>
</tr>
<tr>
<td>IT/BPO</td>
<td>+0.33</td>
<td>+1.08</td>
<td>+0.55</td>
</tr>
<tr>
<td>Total</td>
<td>-1.13</td>
<td>-0.81</td>
<td>-1.01</td>
</tr>
</tbody>
</table>

*Source: Government of India (2009a).*
employment. While gems and jewellery, a highly export-intensive sector, has experienced the highest fall in employment, the IT/BPO industry has, in fact, registered a rise in employment. Similarly, transport is mostly a non-traded good but has experienced the second highest fall in employment. While the loss of jobs, on the whole, has been higher among the exporting units, one should also not lay too much emphasis on the export-non-export division since many non-export industries might be linked to export-oriented industries through the supply of components, provision of certain services, etc. The overall lesson seems to suggest that most industries are vulnerable to the emerging scenario of an economic slowdown in terms of employment and consequently, its impact on the conditions of living and welfare of the workers.

Given the preponderance of the informal economy in India, it is important to probe as to how the informal workers, who are the vulnerable ones, are affected by the economic slowdown and whether the survey would give a first-hand idea of the situation. There are some useful findings in this respect. By separating workers as direct (presumably formal workers) and contract workers (informal workers), it was found that the rate of decline in employment in the former category was only -0.63 while it was more than six times this rate at -3.88 for the contract workers. Clearly, the first to get fired are the informal workers.

An additional finding that would help in assessing the adverse impact in terms of the poorer segment of workers is the one relating to manual and non-manual workers. It appears that the entire fall in employment is in the manual category at -1.88 per cent per month during the period September-December 2008 as against an increase in non-manual employment of +0.16. In this category, both formal (called ‘direct’) and informal (‘contract’) workers have been affected though the axe has fallen disproportionately on the informal segment. Interestingly, there is a growth in the segment of non-manual workers at +0.16. This has occurred due to by a decline of formal workers at 0.13 and an increase in informal workers at +6.46.

These findings point to a certain and disturbing bias from the point of view of the livelihood and welfare of the vulnerable informal workers in the economy. First, a majority who have lost their jobs are informal workers, and secondly, most of them belong to the manual categories that are less skilled and remunerated. From the enterprise point of view, it is easier to retrench the informal (contract) workers more easily than the formal (direct) workers. Secondly, the axe falls first on manual workers whose contribution to the functioning of the enterprises may be perceived as less critical than others. Thirdly, the findings also suggest that while there has been a decline in the employment of formal non-manual workers, it has been more than compensated by an increase in the hiring of informal (contract) workers. This might be a strategy to hedge against the risks and uncertainties arising of the fluctuations in demand for the output.

The EESE 2008 has also reported a decline in the total earnings of workers by about 3.5 per cent between September and December 2008. As a counter-check on the employment decline, the EESE 2008 also checked the decline in capacity utilisation and found that it declined by about 4 per cent as against a 3 per cent decline in employment.
A second survey was subsequently conducted to capture the trend in employment during the period January-March 2009. This survey applied a somewhat different sampling frame, especially in relation to the manufacturing industries. However, this survey also captured the loss of jobs during the previous quarter, that is, the period October-December 2008 and confirmed the validity of the earlier results reported in EESE 2008. What is surprising about the findings of this survey is that there has been some recovery in terms of employment. While the earlier survey reported a job loss of nearly half-a-million (0.477 million), this survey has reported the creation of 0.277 million jobs, thereby signifying a recovery of more than half the jobs lost during the first period.

However, some of the earlier trends have been validated by this survey also. First of all, the non-exporting units have shown a higher rate of employment growth (+0.92 per cent per month) than exporting units (+0.28 per cent per month). The sectors registering an increase in employment are those of gems and jewellery, textiles, handlooms, and automobiles. Those registering a decline are leather, metals, and transport.

The survey also captured the overall employment creation during the fiscal year ending 2008-09 and it was found to be 0.279 million. This shows a growth rate of around 1.8 per cent on an annual basis. This is consistent with the overall economic growth of 6.7 per cent and the corresponding elasticity in employment as far as the formal or organised sector is concerned.

There are two important messages in this. One is that the Indian economy could not sustain its exceptionally high rate of growth of around 9 per cent per annum partly due to the overheating of the economy (remember the concern on accelerating inflation during the first half of the fiscal year 2008-09) but its sudden slowdown has been effected by the global economic crisis. Second, the impact on employment in the organised sector was felt immediately partly as a result of the dependence on exports and its linkages with other industries. But it is the informal workers (who lack employment security) who have been largely, if not only, hit by the crisis.

It must, however, be pointed out that the EESE surveys captured only the employment in the formal sector of the economy. Therefore, its findings have only limited validity. Even the results for the formal sector have to be seen in the context of the limited coverage of sub-sectors or industries as well as states. In addition, what has not been captured is the vast informal sector. Further, there is the reduced prospect of employment for the new entrants to the labour force. As such, the results of these surveys have to be interpreted with caution.

Various reports in the media suggest that there has been significant retrenchment of workers in the informal or unorganised sector enterprises and establishments, particularly in gems and jewellery, textiles and garments, marine fisheries and other food processing industries, and so on. It is this sector, which becomes, by default, the cushioning sector of the economy wherein the workers bear the brunt of any external shock to the economic system. These informal workers are already in a state of perpetual crisis since their struggle is one of livelihood and they have to accept whatever employment that comes their way, especially
in view of their low education, low skills and high household poverty and vulnerability. Therefore, there is a strong case to focus on the state of the informal workers who are predominantly in the informal sector.

Despite the preponderance of informal sector employment, there is a conspicuous absence of a system to monitor the employment situation in the short term. While the EESE survey launched by the Ministry of Labour and Employment is a highly welcome initiative, it is important to include a survey of employment focusing on the informal sector. Instituting a system of monitoring employment in both the formal and informal sectors, will thus help address a crucial gap in relevant statistics for policy-making.

VIII. VULNERABLE SECTORS AND GROUPS FROM THE EMPLOYMENT POINT OF VIEW

At the moment, there is hardly any other alternative but to rely on media reports and claims by industry associations to obtain a picture of the employment situation in the context of the economic slowdown in India. Notwithstanding the accuracy or otherwise of the reported figures on job loss, there are two clear pointers to the emerging scenario on employment. First, it is the export-oriented industries that have felt the immediate impact of the global economic crisis. Secondly, it is the relatively poor and vulnerable workers (who are the informal workers) who have been largely, if not only, affected by such job losses.

Reports by investigative journalists as well as some new studies sponsored by the ILO suggest that the export-oriented industries are the first to be affected in terms of employment. These are the textiles, especially garments and apparel making, and gems and jewellery sectors. In addition, the construction and retail trade sectors have also been adversely affected (for a sample of these reports see, for example, *Frontline*, 13 March 2009). The textiles and garment sector has been widely reported as one of the vulnerable sectors, given its export orientation in certain locations.

In the case of Tamil Nadu, it was reported that the textile units now work at 80 per cent capacity as opposed to 90 per cent earlier. In the garment sector, especially in Tiruppur, industry sources report a decline of 10 per cent in orders from abroad. A recent study by Vijayabaskar (2009) reports that this decline *per se* may not be a serious one, given the fact that the Tiruppur cluster mainly caters to the low value segment of the garment market outside the country. What is, however, of concern, from the point of view of decent work, is the quality of employment and the strategies deployed to secure cheap labour. The study reports the existence of about 400,000 workers in Tiruppur with less than 25 per cent of them having any social security underlining the informal character of employment. There is an increasing share of women workers, mostly migrants from rural areas. They normally work for 1.5 shifts, which would mean around 10-12 hours of work. Wages are no longer attractive to meet the increasing demand for labour, an oft-repeated complaint by employers. What it really means is the difficulty in attracting cheap labour. Rural workers are increasingly finding the wages and working conditions unattractive, given the fact that they can now exercise some choice due to the state schemes providing them some access to
basic needs at low prices in rural areas in Tamil Nadu. The main ones are the availability of rice and other essential food items at subsidised prices and the availability of work under the National Rural Employment Guarantee Scheme (NREGS). This should be seen in the context of other programmes to meet the basic socio-economic security needs such as the Mid-day Meal for children (both pre-school and school-going), old age pension, the strengthening of the healthcare system through the National Rural Health Mission (NRHM), and so on. In response, employers now offer one-shift work, a willingness to offer some social security (for example, Provident Fund) at least for a few more workers, and the provision of some kind of housing. The last one also acts as a check against labour mobility and works in favour of retaining labour by the employers.

Another study on Ludhiana reports that the textile clusters there mostly employ migrant labourers from UP and Bihar who are, more often than not, low-skilled and educated. They work under poor working conditions. At the same time, employers complain of delayed payments for deliveries, high minimum wages, and so on.

In a survey of garment and apparel manufacturing in the Gurgaon district of Haryana and Okhla in Delhi by the industry association, it was reported that 84 per cent of the manufacturing units had registered a decline in export orders and hence employment. The decline in employment is estimated at not less than 20 per cent.

The diamond cutting and polishing industry in Surat in Gujarat is another instance of reported loss of business and consequently of employment. The diamond industry has more than 3000 factories with workers earning between Rs. 6000 per month for the least skilled to Rs. 20,000 for the most skilled. By local standards of wages, these earnings were indeed attractive. With a sudden decline in orders for this high-value product from rich foreign markets, it was reported that nearly one-third of the factories ceased work with about two lakh workers losing employment out of a reported employment of around five lakhs.

Although the IT industry, a relatively high-wage industry, did not report any job loss as per the EESE 2008 (in fact, there was some increase in employment), the second EESE of 2009 has reported a decline in employment. Industry sources report that various measures have been taken in anticipation of the decline in business orders such as sending employees on holidays, the downward adjustment of wages or other forms of remuneration, delay in campus recruitment, etc. Although the overall business prospects of the IT industry have not reported any decline for the fiscal year 2008-09, industry sources suggest a significant decline in the campus recruitment drive that has been characteristic of this industry for the last decade or so. This augurs bleak prospects for the qualified entrants to this particular labour market.

Construction is another sector, which seems to have been adversely affected by the economic slowdown. Although this is not a tradeable sector, the impact on it has been mainly through a credit squeeze and subsequently the high cost of borrowing. Field studies suggest that migrant workers, who constitute the bulk of construction sector workers, had no option but to go back to their villages. In a study conducted for the ILO in five urban centres (Delhi, Ghaziabad, NOIDA, Gurgaon and Bangalore), it was found that the level of construction
activity has declined following the tight credit market consequent to the global financial crisis. Most construction workers in and around Delhi area are migrant and informal workers from Bihar, MP, Rajasthan, UP and West Bengal, whereas Bangalore reported the entry of migrant workers from a larger number of states (Tamil Nadu, Andhra Pradesh and Orissa, apart from the above-mentioned states). The wages varied from Rs. 80 to Rs. 150, with the NOIDA area reporting mostly the lower end of the wage. There was hardly any awareness of minimum wages among the workers, not to speak of other conditions of work.

The paradox of the situation in the private construction sector is that there is widespread awareness that real estate and building prices in India are so high that they mainly cater to the richer sections of the population. With market-friendly liberalisation policies, public construction in providing housing in urban areas has declined considerably. However, public construction has increased in infrastructure and related activities. Such activities have not been affected since they form part of the planned expenditure by the government concerned. This should, therefore, be seen as a pre-existing cushion for workers in the wake of the slowdown in the economy. What the reports and studies bring out is the well-known picture of the employment of a high share of informal workers, who are poor and vulnerable, often migrants from rural areas with low education/skill and very little access to social security.

IX. THE RESPONSE AND ITS CONTENTS

Before the nature and content of the stimulus packages announced by the Government are discussed, it is important to briefly deal with the larger policy environment within which the stimulus packages are embedded. If they are not, then it is equally important to assess the extent to which they constitute a departure from the existing policy regime. This is crucial to an understanding of the social impact that the packages will have on the employment dimension.

The larger policy regime in India continues to be one of economic reforms intended to advance the three main objectives of liberalisation, privatisation and globalisation. The process of liberalisation, both internal and external, has travelled quite a bit in India on a variety of fronts but mainly in the opening up of a large number of sectors for private investment with less government controls and regulations, reduction in tariffs and non-tariffs barriers in imports and exports, the active promotion of the flow of external capital (both foreign financial flows as well as direct investment), greater access to external commercial borrowings, disinvestment as well as reduction in government equity in many public sector enterprises, and the active promotion of public-private partnerships in investment in infrastructure. All this has resulted in a greater role for the market mechanism, a clear shift in the ratio of public-private investment in the economy from the earlier figure of 1:1 to 1:3, and a considerable increase in the degree of globalisation, especially through the financial and trade sectors. This is despite a comparatively modest degree of overall integration with the global economy unlike what is seen in countries such as China and others in East and South-east Asia.
The stimulus packages announced so far were in tandem with the basic policy framework wherein the employment objective is sought to be realised through the growth effect, that is, the assumption that higher growth will create more employment. However, there was no explicit assumption that it will create better employment or what may be called ‘decent work’ where it would be not only gainful but would also provide some social security and minimum conditions of work. Such an implicit assumption is being increasingly questioned, especially in the advanced market economies wherein the market, especially the financial market, seems to have failed in retaining the confidence of both the investors and consumers at large.

**The Nature and Content of the Response**

These stimulus packages were intended to rebuild confidence in the economy basically to:

a) ease the liquidity crisis in the economy, especially the flow of credit to medium and large enterprises,  

b) provide further incentives to specific sectors and industries that have a pronounced export orientation,  

c) enhance access to capital for investment in infrastructure,  

and (d) boost local demand for selected goods and services. A stimulus package for US$4 billion was announced on 6 December 2008, and was followed later by a second package on 2 January 2009 to prevent a further slowdown of the economy. A third and last stimulus package, which was much smaller than the earlier two, was announced on 24 February 2009, amounting to around US$0.8 billion. The overall stimulus package adds up to around US$9 billion, which is less than 1 per cent of the GDP. There is some concern that these measures would lead to a significant increase in the fiscal deficit (3-5 per cent), which is of concern to many stakeholders, given the already growing fiscal deficit of India. The Government seems to be aware that the measures providing an economic stimulus to the economy need to be extended beyond the current financial year. Hence, the Government is finalising Plan and Non-Plan expenditure that will be required in the next financial year to maintain the same momentum. Amongst other proposals, the plan will include recapitalisation of public sector banks with an approximate amount of another 20,000 crore for the next two years. This should minimise the potential for liquidity constraints in banks.

The stimulus packages are clearly in consonance with the larger policy regime mentioned earlier. For example, the variety of steps taken by the RBI and the Government to ease the liquidity situation is premised on the belief that once liquidity in the system is restored, credit will start flowing to the enterprises and entities and will bring back the lost growth momentum in the economy. In the current context, this wisdom is being increasingly doubted and questioned because the system is characterised by a crisis of confidence leading to financial institutions becoming over-cautious in their lending policies and practices.

The second set of measures, that is, the provision of further incentives to the export-oriented sectors and industries, also carries the same belief in the positive impact of the economic reform process of external liberalisation-led growth. In fact, for reasons that have nothing to do with incentive mechanisms, the Indian rupee depreciated to the extent of 20 per cent without any perceptive improvement in exports. Further concessions are unlikely
to boost exports and could even result in what is often referred to as a ‘race to the bottom’ with undesirable consequences to such employment as may be created because it is likely to be of low quality and quite adverse to the concept of decent work. Cheapening labour as a strategy for export-led growth is bound to have undesirable social consequences, especially in a situation of sharp inequalities as in India. More importantly, how can exports increase when the importing countries especially the high-income industrialised countries/regions—USA, EU and Japan—are now clearly going through a period of recession? Declining world demand would affect all but some would be affected more than others and that again would lead to a ‘race to the bottom’.

The third set of measures in providing further encouragement to increasing investment in the infrastructure sector is a welcome one, not only from the point of view of growth but also that of employment because of its direct as well as indirect effects. However, part of the stimulus here is in the form of making more credit available, thus placing faith in the market to pick up the opportunity for further investment. Another part takes the form of increasing direct government expenditure in existing infrastructure programmes such as rural roads, rural housing, rural employment and social assistance. Although they are only in the form of additional expenditure on existing programmes, they do address, to some extent, the employment dimension of the economic slowdown, especially for the poor and vulnerable sections. The measure to allow state governments for additional borrowing from the market for increasing capital expenditure, albeit limited to 0.5 per cent of the GDP, is also one that could, by and large, be reckoned as employment-friendly.

There has been some criticism that too little has been done to counter the slowdown as well as to prepare the economy in the event of a further deceleration. From the point of view of the informal economy, alternative proposals have been suggested by the NCEUS on the ground that the informal workers are the least benefited in good times and are the worst affected in bad times. Therefore, clear pro-poor shifts to counter-cyclical measures are called for. There is also a larger criticism that the overall economic policy regime, characterised by a faith in the market system and a high reliance on the private sector, needs to be modified to provide a leadership role to the state and a balancing of the state and the market. In this phase of an unfolding scenario of slowdown and the prospects of a further slowdown in the light of the intensity of the economic crisis in the high-income countries, there is need for extraordinary measures which the State alone is in a position to undertake.

If the impact of the global crisis on the Indian employment situation, especially to the condition of the working poor, has not been as severe as one would have expected, it is because of some pre-existing shock absorbers, some of which were fortunately put in place a few years before the crisis. Despite the dominant agenda being driven by neo-liberal policies, there was considerable political pressure to initiate a number of pro-poor programmes. Two such initiatives might have worked as a cushion, especially for those in the rural economy. These are the NREGP as well as the loan waiver for farmers in debt to the institutional lenders. To this should be added a few others such as the National Rural Health Mission that seeks to strengthen the primary healthcare system, and the Bharat Nirman programme,
under which a number of public works are undertaken for rural electrification, roads, housing and sanitation. Then there is the ongoing Mid-Day Meal Scheme for primary school-going children, supplementary nutrition (ICDS) for the pre-school children and pregnant mothers, and the Sarva Shiksha Abhiyan (SSA) that seeks to strengthen the school infrastructure, curriculum and enrolment of children in schools. It can be roughly estimated that the expenditure on these schemes as well as the stimulus packages would work out to around 5 per cent of the GDP, acting as a cushion against any further deterioration of the living conditions of the working poor and vulnerable. The challenge is to further raise the living and working conditions of the poor and vulnerable sections, which, in turn, will enhance not only their income and productivity but also the effective demand in the economy that would sustain a broad-based growth process.

X. A SUMMING UP OF THE FIRST ASSESSMENT

The available evidence suggests that the Indian economy is now far more integrated with the global economy than, say, 10-12 years earlier, when a financial and economic crisis had affected the South-east Asian countries. However, India has been able to withstand the crisis so far though it has led to a slowdown of the growth rate of the economy (from 9 per cent to 6.7 per cent).

The macro-economic indicators continue to be reasonably sound with the exception of employment for which a credible system of monitoring needs to be put in place. However, what is worrisome is the performance of the manufacturing sector, which seems to have felt a larger share of the brunt of the global economic crisis. This calls for a balancing of the push for greater exports with measures to strengthen and expand the domestic market.

On the employment front, a number of issues need to be addressed to advance the agenda of inclusive development. The concept of ‘Decent Work’ then becomes not only highly relevant but the core of such an agenda. The immediate and adverse impact on employment as a result of the global economic crisis has been characterised by: (a) a higher rate of loss of employment in the export-oriented sectors, (b) a greater incidence of job loss among informal workers, both in the formal and informal sectors, and (c) a reduction in the prospects for new jobs both for educated and not-so-educated entrants to the labour force. The long-term and continuing challenge of employment is the low quality of employment manifested in the informal work that is undertaken predominantly, if not entirely, by poor and vulnerable workers, including mainly migrants and women workers with low education, low skill, and very little access to social security.

In such a continuing scenario, there is need for a focused approach intended to enhance the effective demand in the economy by expanding employment and improving its quality so that it can be characterised as ‘Decent Work’. This approach of enhancing effective demand needs to be distinguished from enhancing aggregate demand without reference to employment, vulnerable sections or the vulnerable sectors of the economy. This calls for a pro-employment and development-oriented response. A brief outline given in the following section is intended as a first step towards such an approach.
XI. IS THERE ROOM FOR AN ALTERNATIVE? THE SCOPE FOR A PRO-EMPLOYMENT AND DEVELOPMENT-ORIENTED RESPONSE

It may not be an exaggeration to say that the three rounds of stimulus packages declared by the Government have been generally perceived to be quite modest, rather inadequate, considering not only the rapidity with which the global economic crisis has transmitted to India but also in view of the widespread vulnerability of its workforce that has no guaranteed social security. Further and as has been briefly articulated in this paper, the basic developmental problems of a majority of the working people in India are yet to be adequately addressed, be it poverty in terms of consumption of basic needs, health and education, particularly that of employable skills, housing, the ability to secure even minimum wages for the casually employed and access to credit to the self-employed. As such, the impact of the economic crisis that is now unfolding in India is qualitatively different from not only that in the advanced high-income economies but even such middle-income economies as in East and South-east Asia.

It can, therefore, be argued that there is need for a pro-employment and at the same time, development-oriented response to the current crisis that has begun to manifest itself in India. A formal proposal for such a response was proposed by the NCEUS to the government (see www.nceus.gov.in) as early as November 2008. Based on this proposal as well as the recent manifestations of the unfolding scenario, given below are the main elements of a pro-employment and development-oriented response.

1. Easing the Credit Crunch

First of all, the government has taken, as discussed earlier, a series of measures to tackle the credit crunch in the economy. While the RBI is now of the view that the credit situation has eased, the banking system is yet to respond adequately because its perception of risk continues to be high. Therefore, there is need for coming out of this ‘liquidity trap’ and for a response by enhancing direct expenditure by the government. The call for wage cutting and rationing employment as an alternative to large-scale retrenchment might appeal to individual enterprises but its macro-economic implications could be quite negative by causing a decline in aggregate demand in the economy.

2. Pro-Poor Public Investment in Rural Areas

Such an enhancement of public expenditure might warrant a further increase in fiscal deficit unless measures such as increasing the tax, especially on the consumption of luxury goods as well as the corporate sector, are taken. It must be pointed out here that the corporate sector has been the main beneficiary of economic reform policies for the past two decades. In the manufacturing sector, its additional employment contribution has been close to zero but it has experienced a long-term trend growth of more than 7 per cent in income, resulting in a doubling of its gross profits while the share of wages declined by half (see Kannan and Raveendran, 2009). Since these are extraordinary times, extraordinary measures are called for. The increase in public expenditure should be of a pro-poor public investment kind through a number of measures. These could be: (i) increasing the allocation and expenditure
to rural infrastructure including those on the ground such as the Bharat Nirman consisting of rural roads, electrification, housing, drinking water and sanitation; (ii) strengthening and expanding the National Rural Employment Guarantee Programme (NREGP) in a number of ways. Some of these could be removing the upper limit of 100 days of employment, since in certain regions the demand for employment could be much higher than in others, including a certain proportion of works undertaken in the social sector, capacity building for village panchayats in the selection and preparation of projects, administrative capability building, staffing, etc. A process of convergence should also be initiated to ensure that rural development programmes are better implemented and strengthened (such as watershed management and development, minor irrigation works, soil conservation, afforestation, non-conventional and renewable energy programmes and so on.). Many lessons can be learnt from the way the NREGP is currently implemented. While there are understandable variations across regions, there is a general atmosphere of hope and pride in participation, especially among women. (For field level reports, see, for example, *Frontline*, February 2009).

3. **Focus on Small and Marginal Farmers**

Both in the non-agricultural as well as the agricultural sectors of the Indian economy, the single largest proportion of workers are the self-employed. In agriculture, they are most small and marginal farmers or their equivalents in fisheries and livestock rearing. Of the total farmers in the country, 84 per cent are small and marginal farmers, producing a little more than half of the agricultural output. This is a segment that has the capacity to contribute more to the production in rural areas, and thereby increase their share in aggregate demand. But they face formidable constraints some of which have been addressed only partially so far. Access to credit is a major constraint for these farmers, forcing them to depend on non-institutional credit at much higher rates of interest. They need information and training in agricultural extension, which has considerably declined over the last two decades or so. Their general level of education is low and they need opportunities for functional literacy as well as training in skills. While a small percentage of them are members of farmers’ organisations such as co-operatives, there is still a large gap. A programme to bring these farmers under an organisational umbrella with a view to deliver the various schemes is something that needs to be created.

4. **Pro-Poor Public Investment in Urban Areas**

As in the case of rural areas, urban development programmes are also under implementation. A major programme is the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). This programme could be expanded by additional investments in such urban basic infrastructure as housing for the poor, water supply and sanitation, repair and strengthening of public schools and skill training centres, and so on.

There is a political commitment to provide for an urban employment programme along the lines of the NREGP. Perhaps this is the appropriate time to launch such a programme. A number of works could be undertaken under such a programme including: (a) construction
of publicly funding urban housing for the poorer income groups starting with slum-dwellers, (b) provision of basic facilities such as electrification, water supply and sanitation to such housing areas, (c) slum improvement programmes wherever feasible, (d) construction of low-cost waste disposal systems, (e) construction of public facilities such as toilets, (f) creation of preventive and primary healthcare infrastructure, and (g) projects for the greening of urban space to reduce the effects of pollution.

A special programme for skill formation and upgradation could also be thought of under the urban employment programme, given the high share of casual workers with low levels of education and their lack of employable skills. This could also accommodate a specific component on re-training for workers retrenched from existing employment for a variety of reasons. Such long-term and development-oriented public investment would also create conditions for strengthening the existing infrastructure on skill training as well as expand such capacity.

5. Strengthening Self-Employment Programmes and Enhancing Access to Credit For micro and Small Enterprises

There are programmes that are aimed at creating self-employment opportunities. These need to be revisited and tuned to the requirements of rural and urban areas as well as to specific sections of working people such as women. Training would be a major component in such self-employment programmes. But the critical factor here is that of access to credit. It was reported (see NCEUS, 2007b) that only 5 per cent of the micro enterprises, which account for 98 per cent of the total enterprises in the country, have access to institutional credit. Further, only 5 per cent of the net bank credit flows to the micro enterprise sector. This is indeed a serious lacuna in a country with a wide network of institutional banking system that witnessed a remarkable expansion over the years. A proposal for the creation of a development finance agency for re-financing credit to the micro-enterprise sector has been pending with the government for quite some time now.

6. Creation of A ‘Social Floor’ as a Permanent Fallback Mechanism

Given the absence of basic social security to the overwhelming proportion of the working people in the country, one of the priorities in a development-oriented pro-employment and hence pro-poor response should be the creation of what may be called a ‘social floor’. This should, at the least, consist of four basic elements.

First, there should be a guarantee of basic social security consisting of food, employment, basic health and education. While the employment part has been partially addressed (for example, by the NREGP) as a matter or right, the other elements are still in the realm of the discretion of the government. The Public Distribution System (PDS), especially the one for the officially identified poor (those Below the Poverty Line), the primary healthcare system and basic education still have considerable deficit in coverage as well as in content. At the level of the states (provincial governments), some progress has been made in the case of PDS by way of subsidised provision of food grains (for example, Rs. 2 per kilo of rice) to the
poor households. While many would label this as a ‘populist’ measure, its macro-economic significance should not be under-estimated. At this price, the households pay only one-third of the price charged by the Central Government or less than 20 per cent of the price in the open market. This gives them some additional income to spend on non-food items, thereby creating a demand for other wage goods in the economy.

Second, there is need for a measure of providing contingent social security in the form of fallback mechanisms to take care of sickness, maternity, old age and death or disability of the breadwinner in the household. While a model Bill for such a social security for all the informal workers in the country was in the public agenda, what has been enacted towards the end of 2008 is widely perceived to be not only partial and segmented but also discretionary in terms of both the coverage and content of specific social security provisioning. Therefore, this agenda continues as an unfinished one.

Third, while there are laws ensuring the payment of minimum wages, their implementation is far from adequate. Also, there is a plethora of minimum wages for different regions according to industry or occupation for valid reasons. However, there is no statutory national minimum wage that could act as a floor wage. A recommended national minimum wage has been calculated by the Ministry of Labour and Employment but it is yet to be translated as a statutory minimum wage.

Fourth, there is need for setting up ‘minimum conditions of work’, specifying the conditions under which child work is permitted, abolition of bonded labour, working time, safety requirements, guidelines for handling of hazardous items, etc. that are applicable to any work that should act as a floor level, as in the case of the national minimum wage. Here again, there are industry-specific laws or specific laws relating to certain types of employment (for example, child labour, bonded labour, etc.).

XII. SUMMING UP

This first assessment of the Indian situation consequent to the global financial and economic crisis points to the need for going beyond conventional policies. In particular, it emphasises the social dimension in terms of employment implications, both in terms of quantity and quality. While export-oriented sectors have received some attention, it is important to keep in mind the contraction in the global economy, especially in the high-income industrialised countries. This calls for a global effort that is being currently discussed. However, any global effort has to go beyond monetary and fiscal policies to tackle only the credit crunch. The 92nd International Labour Conference that was held in June this year called for a global pact emphasising the creation and protection of jobs oriented towards decent and productive employment, well-designed social protection and workers’ rights (ILO, 2009a; 2009b).

As this paper argues, this is all the more crucial for an economy like India wherein the greatest challenge is to protect as well enhance the quality of employment of informal workers and provide a measure of social protection. Such an orientation could be made consistent with greater public expenditure to expand the domestic demand that would also be tailored to long-term development.
Notes

1. This is an abridged version of a longer paper written at the invitation of the ILO’s Sub-regional Office in New Delhi. The author is thankful to the ILO for its invitation to write this paper as part of its efforts to understand the nature and dimensions of the impact of the global economic crisis on India. The ideas contained in this paper were presented in a number of seminars and meetings, the most important ones being the High-Level Conference on Financial Crisis, Global Economic Governance and Development: Responses of Asia and the Global South, 6-7 February 2009, New Delhi, organised by the Research and Information System for Developing Countries, New Delhi, and two Expert Group Meetings organised by the ILO Sub-regional Office for South Asia in New Delhi on 20 March and 27 May 2009. The author is grateful to the participants in these meetings for their comments and suggestions, which helped in the finalisation of this paper. Discussions with Arjun Sengupta, T.S. Papola, Ravi Srivastava, V.K. Malhotra, Azita Berar Awad, G. Raveendran, J. Krishnamurthy, Jan Breman, M. Vijayabaskar, and M. Suresh Babu on various occasions have greatly helped in clarifying many issues discussed here. While the author thanks all of them, he alone is responsible for the views expressed here. Research assistance provided by Varinder Jain and Rathi Kanta Kumbhar is gratefully acknowledged.

2. In May 2008, India’s foreign exchange reserve was a little more than US$300 billion; this declined to US$240 billion in November 2008 but increased to US$261 billion in June 2009. The Foreign Direct Investment (FDI) flow was US$23.3 billion from April to November 2008, as compared to 16.1 billion during the previous period. By the end of 2008, India’s external debt service ratio was less than 5 per cent.

3. For a discussion of this measure, see NCEUS, 2009, Vol. I, Ch. 3, and Krishnamurthy and G. Raveendran (2008), which is also given as Annexure 3 in NCEUS, 2009, Vol. II.

4. Apart from its focus on the formal or organised sector of the non-farm economy, the survey covered only a limited number of sub-sectors and states within India. While the construction sector was included in the sampling design, an important sector from the point of view of employment, especially informal employment, it was omitted in the data analysis because of inconsistencies and poor response from the management of construction establishments. For details about sampling and estimation procedures, see Government of India, 2009a.

5. The figures quoted here are taken from the presentation of the findings of this survey by Dr. Harcharan Singh, Ministry of Labour and Employment, Government of India, during the Expert Group meeting organised by the ILO Sub-Regional Office for South Asia, New Delhi on 27 May 2009.

6. It is indeed unfortunate that the vast informal sector has been left out of such a crucial survey. This also shows the mindset of both policy-makers as well as the bureaucracy who, more often than not, turn a blind eye to the stark realities of the country while collecting statistical data that are crucial to policy-making.

7. The findings of the studies quoted here refer to three studies commissioned by the ILO, namely, construction, textiles in Ludhiana, and textiles and garments in Tiruppur. The main findings were presented at the Expert Group Meeting organised by the ILO Sub-regional Office for South Asia, New Delhi on 27 May 2009. The findings of other studies are based on media reports. References to other locations and sectors are from reports in Frontline, 13 March 2009.

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