



INDIA LABOUR REPORT 2008

The Right to Rise;
Making India's Labour Markets Inclusive

A
Report
By
TeamLease Services

*All men are born equal and must have the Right to Rise.
Today they do not and people of conscience
must fight till they do.*

Abraham Lincoln, 1859

Summary

India's Poverty

- India's population in poverty reduced from 55% to 27.5% between 1974 and 2004 but the number of poor has stagnated at 300-320 million for 45 years.
- 20 years of economic reforms show that growth is a necessary but not sufficient condition for poverty reduction. Poverty eradication needs changing the profile of India's workforce by moving out of roles with low incomes and low productivity.
- India's labour markets are hostile to labour market outsiders (less skilled, less educated, unorganized sector workers, people from small towns, women, etc) and this apartheid sabotages poverty reduction.

Reducing poverty needs 4 labour transitions

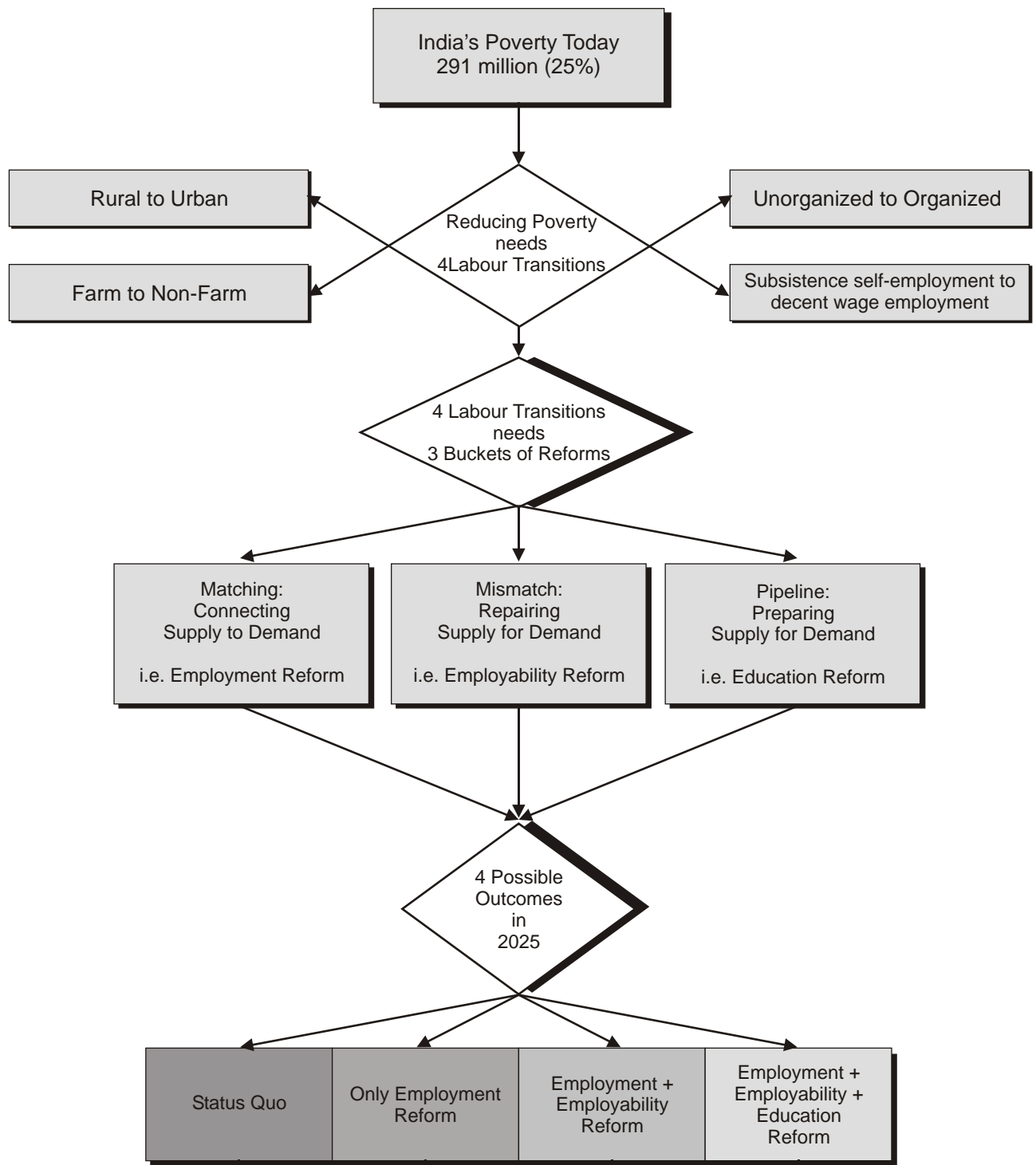
1. *Farm to Non-Farm (45% to 24% of households)*
60% of our labour force generates 18% of our GDP. Agriculture (as we know it today) condemns many Indian farmers to poverty because of low productivity.
2. *Rural to Urban (70% to 50% of households)*
1 lac of India's 6 lac villages have less than 200 people. Job creation clusters and soft and hard infrastructure need size. New cities need to be engines of poverty reduction.
3. *Unorganized to Organized (91% to 6% of households)*
93% of Indians work in the unorganized sector. This "slavery of the 21st century" is bad for employers, policy makers, employees, tax collectors and cities.
4. *Subsistence self-employment to decent wage employment (60% to 45% of households)*
Over 50% of India is self-employed. This is not a badge of India's entrepreneurial instincts but our failure to create employability and non-farm jobs.

India's 4 labour transitions need 3 buckets of reform

1. Matching (connecting supply to demand - Employment reform)
2. Mismatch (repairing supply for demand - Employability reform)
3. Pipeline (preparing supply for demand - Education reform)

Poverty upside of 3 buckets of reform

- 163 million people will be saved from poverty over the status quo by implementing all the 3 buckets of reform by accelerating the 4 transitions.
- India could get to 5% poverty at least twenty years earlier by accelerating the 4 labour market transitions.
- The population living in poverty could decrease in 2025 from 18% if we do nothing to 6% if we implement all 3 buckets.
- India poverty will reduce by 14% by 2025 if we do nothing. Depending on reform, this could be accelerated by 35%, 53% and 70%.



Population in Poverty	18%	14%	10%	6%
Population in Poverty	250 million	189 million	135 million	88 million
Reduction over today's Poverty	14%	35%	53%	70%
Year in which <5% Poverty	>2050 AD	2040 AD	2030 AD	<2030 AD
People saved from Poverty		61 Million	115 Million	162 Million

Tracking the Four Transitions

Population Living in	TODAY	2025			
		Status Quo	Slow Transition	Medium Transition	Rapid Transition
Rural Areas	70	67	60	55	50
Unorganized Employed Households	91	90	58	31	6
Farm Employed Households	45	43	35	30	24
Self Employed Households	60	60	52	49	45

International Comparison

2001	Rural	Agriculture	Self-Employed
Brazil	18	21	19
China	63	45	55
Germany	12	3	10
France	24	4	10
India	72	58	50
Indonesia	57	44	42
Japan	35	5	17
Korea, Rep.	20	10	33
Mexico	25	18	28
Pakistan	67	48	60
Poland	38	19	20
Russian Federation	27	11	6
South Africa	44	10	-
Thailand	69	46	65
Turkey	35	38	54
United Kingdom	11	1	12
United States	21	3	8

India's 3 Reform Buckets

MATCHING (Connecting Supply to Demand i.e. Employment Reform)

- Convert Employment Exchanges into Career Centers that offer assessment, counseling, apprenticeships, jobs and certifications.
- Review the philosophy of labour laws that amplify the capital and skill intensity of employment.
- Review the plumbing of labour laws by simplifying the definitions, approvals and compliance that hinder the expansion of organized employment.
- Allow alternatives to the EFPO and ESI; their poor service and poor value for money leads to evasion and breeds unorganized employment.
- Make labour legislation a state subject (instead of the current concurrent status).

MISMATCH (Repairing Supply for Demand i.e. Employability Reform)

- Enforce the operating principles of the National Skill Council for all government operated or funded skill programs.
- Review the Apprentice Act of 1961 to explode “learning by doing” and “learning while earning”.
- Encourage, Incentivize and facilitate the setting up of Skill Missions by States.
- Create a National framework and Infrastructure for skill development that aligns occupation codes, entry gate assessment and exit gate certification.
- Activate the National Skill Corporation to create project funding for corporate and individual ventures in skill development.
- Allow the 100 day job and resources of NREGA to be used for providing apprenticeships and funding skill development.
- Reduce information asymmetry by creating a framework to rank or rate skill development institutions.
- English is a meta-vocational skill whose teaching must be expanded and incentivized. Employment outcomes for English familiar/ fluent candidates are 300% higher.

PIPELINE (Preparing Supply for Demand i.e. Education Reform)

- Create a performance management system for government paid teachers; rewards and punishments for showing up and learning outcomes.
- Bilingual instruction; English as a second or first language in all schools since it is now a core vocational skill and a key element of learning for earning.
- Create a National Qualification Framework to allow two-way fungibility between vocational, college and school education with appropriate transfer of credits.
- Create the Education Regulatory Authority for Higher Education that will substitute current cholesterol like AICTE, UGC, etc.
- Decentralization, greater autonomy and true governance reform for institutions.
- Create a broad based voucher program that separates government financing from delivery across the whole chain and creates choice and competition.
- Shift policy framework from accreditation and regulation of capacity to measuring and publicizing outcomes and quality.

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Preface

This report makes the case that India's next wave of poverty reduction will come from accelerating India's four labour market transitions; farm to non-farm, rural to urban, unorganized to organized and subsistence self-employment to decent wage employment. Not everybody agrees; people believe that urbanization is a curse, farms provide a happy and contented existence, entrepreneurship is a solution to unemployment and the unorganized sector is a highly flexible response to India's governance deficit. We disagree.

We believe that the biggest lesson of India's economic reforms is that growth is a necessary but not sufficient condition for poverty reduction. Poverty reduction needs access. Most Indians are unable to escape their financial, geographic or social opening balance (the Ovarian lottery) because our non-inclusive labour markets and human capital ecosystem do not provide access.

Policy must accelerate these four labour market transitions because these are journeys to a better life for most Indians. Access is India's unfinished agenda and the 3E focus (employment, employability and education) may be the most sustainable vehicles for creating access.

Unfortunately, the global financial crisis is shifting the reform debate back to the dated fundamentalism around the private versus public sector. Reforms are about making our labour markets, economy and country more inclusive. They are about creating equality of opportunity and not equality of outcomes. They are about helping people escape their losing tickets in the Ovarian lottery.

India's broken people supply chain and skill crisis are personal and existential for TeamLease; we are a people supply chain company running out of inventory. This report is part of our annual series to raise awareness on the unintended and dangerous consequences of our current labour and human capital regime. More research and reports on India's labour market are available at www.teamlease.com

As always, we thank Bibek, Laveesh and the rest of the Indicus team for all their heavy lifting in this report; they bring an intellectual rigor and discipline to this annual project that we could never replicate.

The Teamlease Team

About This Report

This India Labour Report deals with the urgency with which India needs to transition from a agricultural, predominantly informal, low human capital economy to one that is organized, predominantly non-farm, and whose strength lies in its large numbers of productive skilled youth. This transition will need to be the most rapid transition in India's history. In the span of one and a half decade, hundreds of millions will enter the workforce. This report shows that the choice is ours. Do nothing and we will maintain the status quo many decades into the future; with improving technologies and increased investments, India may well become among the largest economies. But it will be at an enormous cost.

This cost is difficult to fathom. Millions of children of landless labour are currently in school. They will not get employment in farms in rural areas, the large unorganized rural non-farm sector will generate some income earning opportunities, but these will barely ensure sustenance. The pressure to expand government backed income transfer and employment programs will only intensify. Urban India will be unable to take in large enough numbers of in-migrants attracted by the greater incomes and better infrastructure. Millions of children of farmers who own some small piece of land will also be unable to work on their ancestral property, they, like the rural landless will also require employment options. What is worse, all these children would have studied in an educational regime characterized by poor quality and course content that is out of sync with job requirements.

Yes there is a demographic surge, there is a demographic potential, but it is not a demographic dividend. To convert India's demographic potential to a demographic dividend, India needs to do much more than merely get children in primary schools where teachers do not teach. A systemic set of reforms are required. Most of these reforms and changes do not require us to build a fresh consensus, for consensus already exists on a bulk of issues. What is required is rapid implementation where there is general agreement, and negotiation on a few issues where there is not.

While Indian policymakers and academia are debating the strange notion of 'jobless growth' in post-reform India and grapple with the importance of keeping or doing away with sections of Industrial Disputes Act, the demographic transition is already occurring. We need to rapidly put in place a system where the large numbers of youth can be well prepared for the requirements of employment, create institutions that can adequately match human skills and knowledge with requirements, and enable last mile corrections through training and on the job learning options.

The potential benefits of such a strategy are large – we estimate a rapid and complete elimination of poverty in two decades if India created the environment and institutions for smoothening the four key transitions – Unorganized to Organized, Farm to Non-Farm, Rural to Urban, and Sustenance Self Employment to Wage employment.

We would like to thank and acknowledge all those who have contributed to this report. Amaresh Dubey has estimated the various poverty and employment figures. Ankur Gupta and Deepa Nayak have provided invaluable research assistance. We would also like to thank Manish Sabharwal and the TeamLease Team for taking the interest and contributing with their expertise and insights throughout the course of this study.

Bibek Debroy

Laveesh Bhandari

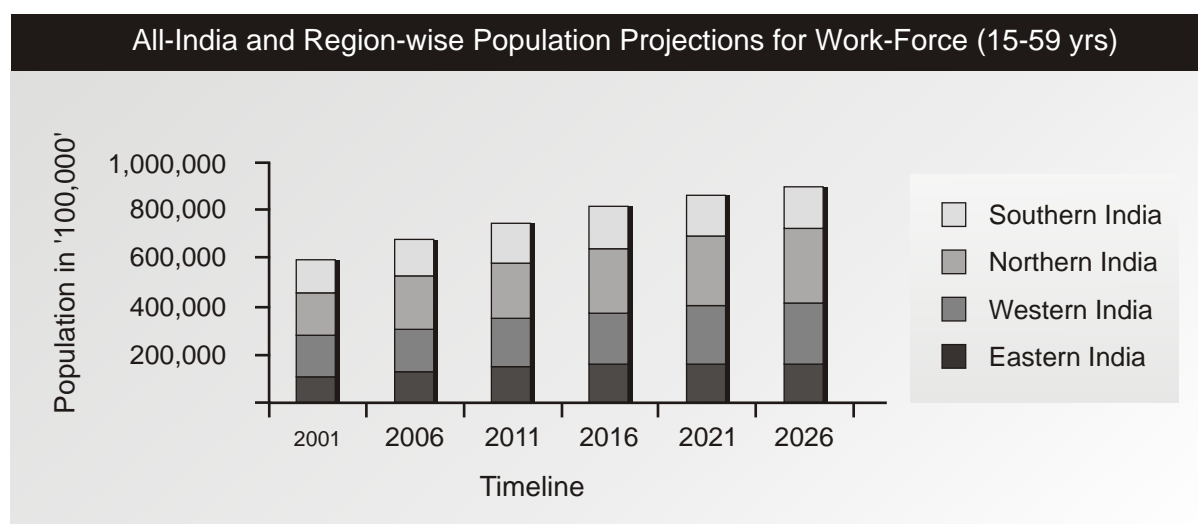
Chapter 1 : Poverty Reduction, Population and Opportunity

Economic Reforms are not about rich guys buying Fendi bags or fancy cars. Reforms are about creating access and opportunities for the poor; the child who has power in his village to study at night, the mother who can use formal healthcare and the farmer who has can reach his market via roads.

Nandan Nilekani, Co-Chairman, Infosys

From 2001 to 2026, India's population is projected to increase from 1.029 billion to 1.400 billion.¹ The proportion of population in the working-age bracket of 15-59 years will increase from 57.7% in 2001 to 64.3% in 2026. India's present population is young, 54% of the population is aged 24 years and less as per Census 2001. The 15-24 age-group accounted for 19% of the population in 2001, 195 million people. While the share will drop to 16% in 2026, in absolute terms, the number of people in the 15-24 age-group will increase to 240 million in 2011 and then decline a bit to 224 million in 2026. There is yet another way of looking at this. Between 2001 and 2026, the total population will increase by 371 million and 83% of the increase will occur in the age-group of 15-59 years. The points about a young population, declining dependency ratios and demographic transition are obvious enough and are variously referred to as India's demographic dividend. This is shown in Figure 1 and one should note that this demographic dividend isn't evenly spread across India's regions.

Fig 1.1: Population Projections for work-force (15-59 yrs)

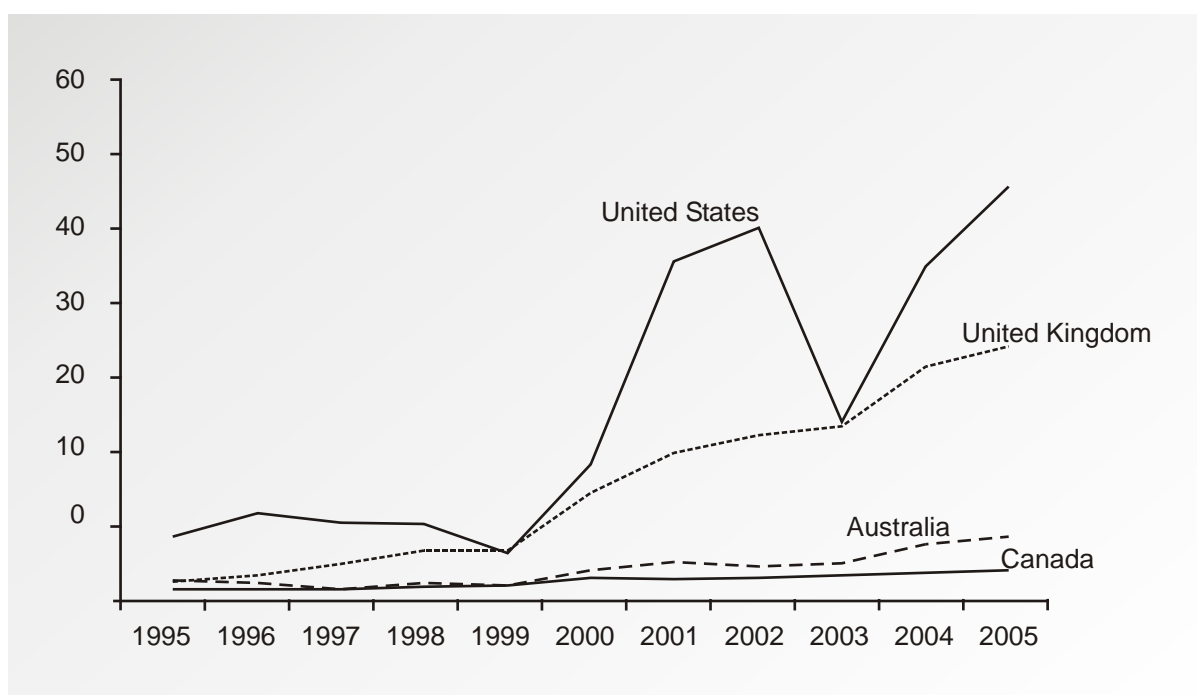


Source: Indicus estimates using population projection data from Registrar General of India

¹ *Population Projections for India and States 2001-2026, Report of the Technical Group on Population Projections Constituted by the National Commission on Population, Office of the Registrar General and Census Commissioner, May 2006.*

The argument about a demographic dividend is expressed both in relative and in absolute terms, though this is not a neat and water-tight division. In relative terms, one brings in aging populations in the rest of the world, meaning not just developed countries, but also countries like Russia and China. The share of working-age populations will decline in those countries, but increase in countries such as India and Nigeria. This enables India to tap its labour cost advantage, through emigration, temporary exports of skilled personnel (with increased remittance inflows) and off-shored relocation of production to India. The inflow of skilled Indian workers into OECD (*Organization for Economic Co-operation and Development*) countries has been considerable and the population pyramids of India and the United States show the dramatic differences between the two countries, around 1990 and around 2020. Stated in absolute terms, one doesn't necessarily bring in the rest of the world, but focuses on changes internal to the country. For instance, per capita GDP growth is positively correlated with the relative size of the working population and there are several complicated forces at work.² First, there is the direct impact of a larger quantity of labour input. Second, when dependency ratios decline, savings rates increase, leading to increases in investment rates and higher rates of GDP growth. Third, if the decline in dependency ratios is at the lower end of the age spectrum as a result of fertility declines, female work participation rates increase. That too, increases GDP growth. For East Asia, several studies suggest that between 25 to 40% of the East Asian miracle was due to the demographic dividend.³

Fig 1.2: Inflow of Skilled Indian Workers into Principal Destination Countries (in 100,000s)



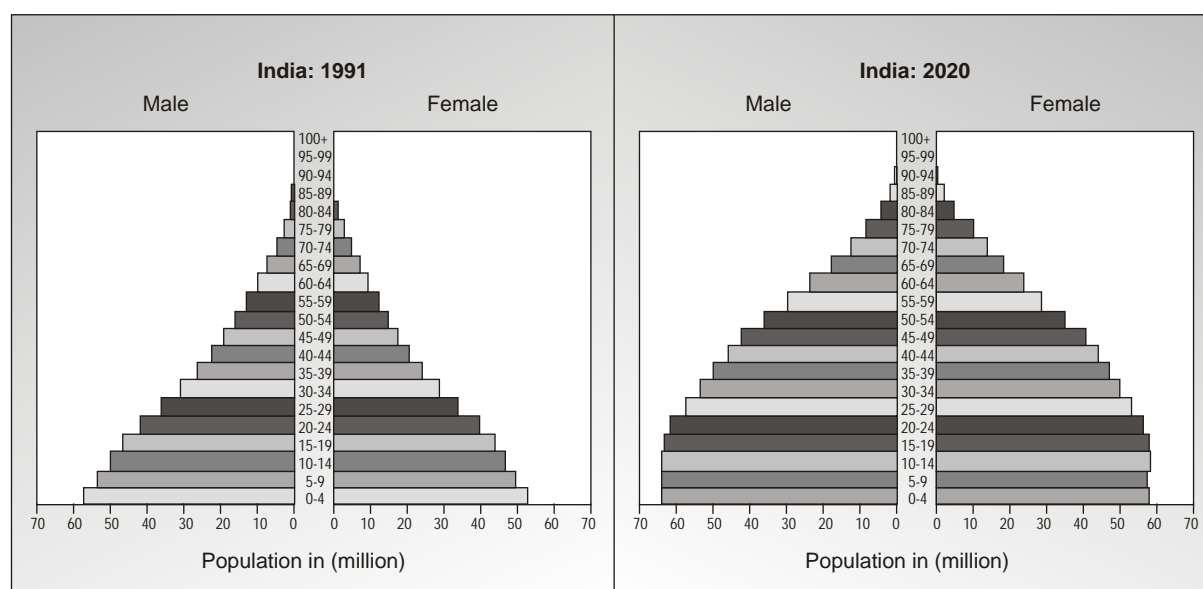
Source: OECD

² The empirical and theoretical literature is reviewed in *World Economic Outlook, The Global Demographic Transition*, IMF, September 2004.

³ See, David E. Bloom, David Canning and Jaypee Sevilla, "Economic Growth and the Demographic Transition," *NBER Working Paper 8685*, December 2001.

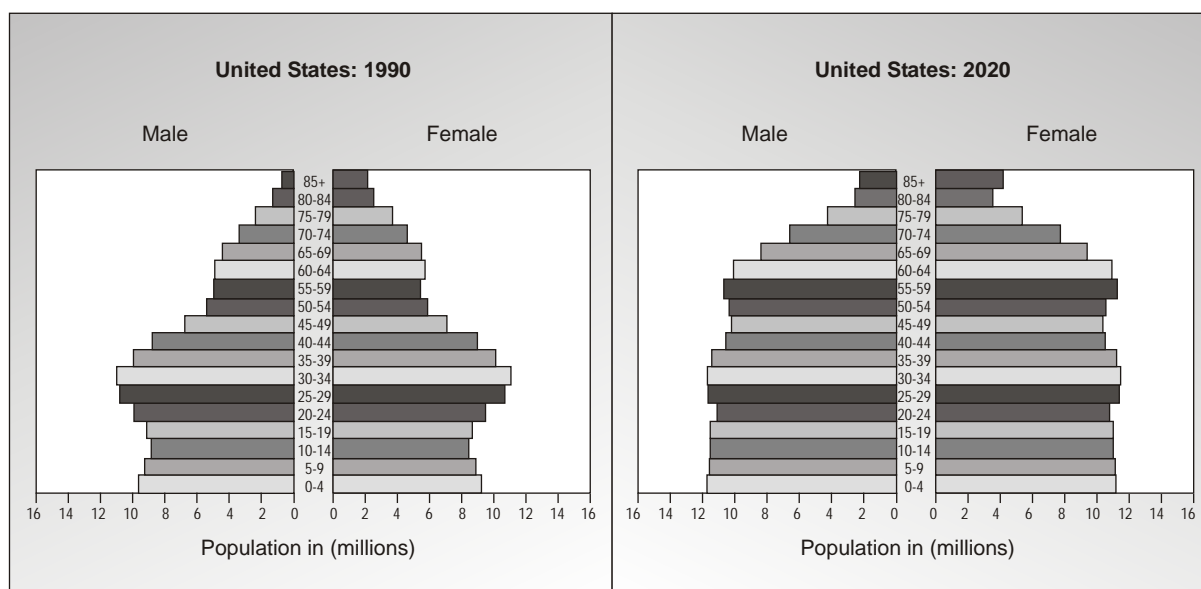
Consequently, the contribution of the demographic dividend to future Indian GDP growth has been discussed quite a bit, not just in the popular press, but also in serious academic work.⁴ Nandan Nilekani's recent book⁵ says "India is coming into its dividend as an unusually young country in an unusually ageing market – a young, fresh-faced nation in a greying world." That the demographic dividend works, is known. Other than East Asia, it has worked in Japan in the 1950s, China in the 1980s and Ireland in the 1980s and 1990s. The problem is that it is virtually impossible to quantify the contribution of this demographic dividend to GDP growth, because that increment to growth requires several preconditions. Having said this, some journalistic-type back-of-the-envelope calculations exist on what this demographic dividend may mean to India. These suggest that since the 1980s, the increment to GDP growth because of this has been of the order of 0.7% and that by 2020, this increment could increase to around 1.5%.

Fig 1.3: Population Pyramids for India and USA



⁴ "India: On the Growth Turnpike," Vijay Kelkar, 2004 K.R. Narayanan Oration, Australian National University, reprinted in Raghendra Jha edited, *The First Ten K.R. Narayanan Orations*, ANU Press, 2006; *Can India grow without Bharat?*, Shankar Acharya, Academic Foundation, 2007; "The India Model," Gurcharan Das, *Foreign Affairs*, July/August 2006; India rising: a medium term perspective, Deutsche Bank Research, May 2005; "Growing Old the Hard Way: China, Russia, India," Nicholas Eberstadt, Policy Review, Hoover Institution, April/May 2006; and "Dreaming with BRICs: The Path to 2050," Dominic Wilson and Roopa Purushothaman, *Global Economics Paper No. 99*, Goldman Sachs, October 2003 are instances.

⁵ *Imagining India, Ideas for the New Century*, Nandan Nilekani, Penguin/Allen Lane, 2008.



Source: U.S. Census Bureau, International Database

However, there are qualifications and there is nothing automatic about the positive effects of a demographic dividend accruing in full measure. Three of these caveats are mentioned often enough. First, this young population needs education and skills. Second, this young population needs better health outcomes, with reductions in mortality and morbidity. Third, these education and health indicators vary considerably across India's States and there is a great deal of heterogeneity. Much of the demographic dividend will accrue in States that are backward in terms of any indicator. "Five states with 44% of India's population in 1996 will contribute 55% of population growth in the period 1996 to 2016. Performance of these states will determine the year and size of population at which India achieves the replacement level of fertility and later population stabilization."⁶ These five States are Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan and Orissa, the first three representing the States in undivided form. Population growth is not the same thing as new entrants into the labour force. But because historical birth rates have been higher in these States, new entrants into the labour force will also be concentrated in these States. Projecting from 2001 to 2020, the India Labour Report for 2006⁷ gave annualized labour force growth rates across States and 2.5%-plus growth rates are expected in Assam, Bihar, Delhi, Haryana, Madhya Pradesh, Rajasthan and Uttar Pradesh. Delhi is different because of in-migration. But other than Delhi, the demographic dividend will accrue in States that are backward. And hence the danger of the demographic dividend turning into a demographic deficit.

⁶ National Commission on Population, <http://populationcommission.nic.in/facts1.htm>

⁷ *India Labour Report, A Ranking of Indian States by their Labour Ecosystem*, TeamLease and Indicus Analytics, 2006.

Table 1.1: Annualized growth rate of 20-60 year working group

States	2001	2020	Annualized growth rate (%)
Andhra Pradesh	38,102,741	56,417,221	2.1
Assam	11,412,148	19,400,971	2.8
Bihar	30,169,003	53,822,566	3.1
Delhi	5,039,401	8,983,655	3.1
Goa	654,786	909,612	1.7
Gujarat	22,771,163	34,416,807	2.2
Haryana	8,932,962	15,382,997	2.9
Himachal Pradesh	3,199,012	4,488,962	1.8
Jammu & Kashmir	4,411,475	6,210,975	1.8
Karnataka	25,038,718	37,314,000	2.1
Kerala	14,428,065	19,557,239	1.6
Madhya Pradesh	27,269,963	45,391,721	2.7
Maharashtra	43,957,491	67,376,836	2.3
Orissa	16,414,670	24,549,272	2.1
Punjab	10,215,242	15,688,885	2.3
Rajasthan	24,956,024	44,588,194	3.1
Tamil Nadu	31,779,407	42,056,781	1.5
Uttar Pradesh	59,067,525	104,231,898	3.0
West Bengal	37,774,343	58,455,932	2.3
All India	447,392,620	715,946,966	2.5

Source: India Labour Report, 2006, Teamlease.

While these three caveats are familiar enough, this year's India Labour Report focuses on a caveat that is not discussed that often. And that caveat is not just about the availability of employment, but more importantly, about the quality of that employment. A country's per capita income is an indicator of that country's level of well-being, or poverty. Without getting into differences between GNP (gross national income) and GDP (gross domestic product)⁸, per capita national income is national income divided by total population. Not all of that population is in the work-force. Stated differently, everything else remaining the same, the higher the average productivity of the working-age population, the greater will be a country's per capita income and level of well-being. That's how every country in the world has developed and prospered, by increasing the productivity of the work-force.

That's exactly what India has to do – increase the productivity of its young population. Increasing productivity in the same occupation is always difficult. However, what distinguishes a rapid period of demographic transition and fast development is that those productivity increases don't have to occur

⁸ GNP is GDP plus net factor income from abroad

in the same occupation, or even for the present working generation. The next generation moves up the ladder, not just vertically, but horizontally too.

Table 1.2: Macro-Economic Aggregates, 2006-07 (At 1999-2000 prices)

	(in Rs.Crore)
GDP at factor cost	2,864,309
GNP at factor cost	2,845,155
NNP at factor cost	2,530,494
	(in Rs.Crore)
per capita GNP at factor cost	25,358
per capita NNP at factor cost	22,553
	(in percent)
GDP growth at factor cost	9.6
per capita NNP growth	8.1

Source: CSO, *National Accounts Statistics 2008*

In the history of economic development, four occupational shifts have gone hand in hand with progress – a shift from rural to urban, a shift from farm to non-farm, a shift from the unorganized to the organized and a shift from subsistence self-employment to decent wage employment. This report is about these four shifts in India, about the policy constraints that inhibit these shifts and about what needs to be done to facilitate these shifts. Stated differently, the argument is that had it not been for policy-induced constraints, these shifts would naturally have occurred and India would have been a less poor country than it is today. In dreaming about India's future twenty years from now, we need to ensure that we don't repeat mistakes of the past and that the policy-induced distortions are removed. In addition, to facilitate each transition, the work-force needs new skills that have value in the market. This report will also address that issue.

Chapter 2 : The First Transition – Rural to Urban

Progress needs getting out of the idiocy of rural life

Karl Marx, Das Kapital

Where is India's work-force employed? The NSS (National Sample Survey) doesn't provide large-sample answers to this question every year. On an average, that answer is available once every five years. The last year for which that answer is available is 2004-05, the 61st Round of the NSS. There are different, not independent, ways to slice the answer to that question and one way of doing it is in terms of the rural/urban division.

In 2004-05, India's labour force was 420 million as per estimates using data from NSS. The work force was 385 million.⁹ 35 million were therefore unemployed, though it is impossible to figure out whether they were unemployed voluntarily or involuntarily. In these terms, 8.28% was the unemployment rate. Out of the labour force of 420 million, 303 million was in rural India and 116 million was in urban India.¹⁰ Out of the work force of 385 million, 278 million was in rural India and 107 million was in urban India.

The more general figure that is given is that of the total population that lives in rural or urban India. The 2001 Census shows that 74.27% of India's population lives in rural India, while 25.73% lives in urban India. There are 384 urban agglomerations, 5161 towns, 27 million-plus cities and 35 million-plus urban agglomerations. An urban agglomeration is a continuous urban spread with a city, and its adjoining urban growth. There are some areas that are classified as towns in a statutory way, in the sense that a municipality, corporation, Cantonment Board or notified town area committee exists. More generally, the Census defines "urban" as an area with a minimum population of 5000, with at least 75% of the male working-age population engaged in non-agricultural pursuits and a population density of at least 400 per sq km. More to the point, there are 638,365 villages, some of which are uninhabited. More relevant is the number of inhabited villages in 2001, at 593,643.

⁹ There are statistical issues we are glossing over, as those aren't terribly important from the point of view of trends. The working age is defined as between 15 and 59 years, though a little over 1 million children are also estimated to be in the labour force/work force and the figures given include this child labour component. Employment is defined in one of three different ways – usually employed, principal and subsidiary status (UPSS), weekly status and current daily status (CDS). The first is over a 365-day period. The cited figures are for CDS. For UPSS in the same year, the labour force was 471 million and the work force was 460 million.

¹⁰ The numbers don't exactly add up because of rounding approximations.

Table 2.1: Population Concentrations in India

Unit	Population Interval	Number
Village	< 1,000 persons	394,128
Village	1,000 - 4,999 persons	221,040
Village	5,000-9,999 persons	15,058
Village	10,000 or more persons	3,976
Town	<5,000 persons	238
Town	5,000 - 10,000 persons	1,058
Town	10,000 - 50,000 persons	2,945
Town	50,000 - 1,00,000 persons	498
Cities	100,000 or more persons	422
Cities	1,000,000 or more persons	27
Urban Agglomerations	1,000,000 or more persons	35

Source: *City Skyline of India, 2006, Indicus Analytics using Data from Registrar General of India*

Should we plan for people to stay in rural India or should we plan for an urban India, remembering that urbanization is slower in India than in many parts of the developing world? Not only is urbanization lower in India than in developed countries, and even in several developing countries, it has also slowed over the decades. For instance, between 1971 and 1981 the annual average rate of urbanization was 3.79%, but declined to 3.09% between 1981 and 1991 and to 2.73% between 1991 and 2001.¹¹ This happens in a day and age when more than 50% of the world's more than 6 billion population now lives in urban areas. 2007 represents a landmark in the history of human civilization, because that is the year when the world's urban population first crossed the world's rural population.

Urbanization is good and desirable. It goes hand in hand with economic development. That's the reason why textbooks seeking to describe characteristics of under-development invariably cite rural populations as an indicator of under-development. Several economists, including Paul Krugman (the Nobel Prize winner in 2008) have explained why cities develop, highlighting positive externalities and multiplier benefits resulting from urbanization. That's the reason UNFPA's 2007 "State of the Population Report" was sub-titled, "Unleashing the Potential of Urban Growth". "In 2008, the world reaches an invisible but momentous milestone: For the first time in history, more than half its human population, 3.3 billion people, will be living in urban areas. By 2030, this is expected to swell to almost 5 billion. Many of the new urbanites will be poor. Their future, the future of cities in developing countries, the future of humanity itself, all depend very much on decisions made now in preparation for this growth....Urbanization—the increase in the urban share of total population—is inevitable, but it can also be positive. The current concentration of poverty, slum growth and social

¹¹ There was an earlier period of decline between 1951 and 1961, but that was because some towns were declassified.

disruption in cities does paint a threatening picture: Yet no country in the industrial age has ever achieved significant economic growth without urbanization. Cities concentrate poverty, but they also represent the best hope of escaping it. Cities also embody the environmental damage done by modern civilization; yet experts and policymakers increasingly recognize the potential value of cities to long-term sustainability. If cities create environmental problems, they also contain the solutions. The potential benefits of urbanization far outweigh the disadvantages: The challenge is in learning how to exploit its possibilities."¹² Yet, if one extrapolates present trends, urbanization levels in India around 2030 are likely to be in the region of 35% and no more. This needs to be accelerated. It is worth mentioning that in 2004-05, India's urban poverty ratio¹³ of 25.7% was below the rural poverty ratio of 28.3%.

In historical data, migration flows do not (as yet) account for substantial movements of the population. The reforms of the 1990s ignited high growth in some states. It is likely that migration flows have a lagged response to high wage differentials and we will see larger migration flows in the next census.

*Dr. Vijay L. Kelkar,
India; On the Growth Turnpike*

There are several reasons why villages disappear. Thanks to migration and improved connectivity, some disappear. Others become mainstreamed into urban agglomerations. Still others are reclassified as urban as development proceeds. All these are desirable developments. The average population in an Indian village is 1,161 and this doesn't make the village viable, to provide physical or social infrastructure. 91,555 of India's villages have population sizes less than 200 and 12,644 of them are in Orissa, with other large numbers in Himachal, Uttaranchal, Rajasthan, UP, Jharkhand and MP. Another 127,515 of villages have population sizes less than 499; 14,806 have population sizes more than 5000; and 3,962 have population sizes more than 10,000. The idea is not to have a quota on the number of villages. Instead, the argument is that if urban planning is properly undertaken, more than 200,000 of India's villages will disappear, as they should, and we will have larger villages or towns with populations upwards of 10,000 and approaching and even crossing 100,000. Indian censuses classify urban areas by size class of towns – I (more than 100,000), II (50,000 to 100,000), III (20,000 to 50,000), IV (10,000 to 20,000), V (5,000 to 10,000) and VI (less than 5,000).

¹² <http://www.unfpa.org/swp/2007/english/introduction.html>

¹³ That is, the head count ratio of percentage of population below the poverty line.

There are three kinds of resistance articulated against this first transition, from rural to urban. The first is a sentimental kind of association with some notion of a rural Arcadia, usually articulated by those who have never lived in rural India and invariably live in urban India. They have no idea about the kind of deprivation rural India represents. It is also worth mentioning that several studies have documented the pro-urban bias in subsidy delivery systems. The second kind of argument is based on the premise that with this transition, India will no longer be able to feed its increasing population. This fails to appreciate the low productivity levels Indian agriculture possesses, not only in comparisons with the rest of the world, but also in comparisons between India's irrigated and non-irrigated areas, with irrigation having so far benefitted only 40% of the cultivated area. If required agricultural reforms are introduced, India will have no problems in feeding double its present population. The third argument is directed against the kind of urban life that is delivered, with pressures on urban infrastructure like water supply, sewage clearance and drainage, waste disposal, transportation, power, housing, law and order and environmental pollution issues. After all, the slum population in 2001 was estimated to be 61.82 million, with 640 towns reporting slum populations.¹⁴ This is less an argument against urbanization and is more of an argument against the kind of urbanization that has taken place. 68.9% of the urban population is in Category I cities and 37% of the urban population lives in the 35 million-plus cities. Indeed, urbanization has been occurring in these mega cities.¹⁵ But, as the table shows, migration is a complicated subject, with diverse types of migration and diverse reasons for that migration. However, in migration to urban areas in another State, employment (together with health) is a major motive and housing is an additional factor in migrating to urban areas within the same district.

¹⁴ Census 2001 figures.

¹⁵ One should recognize that there is a reclassification effect here too, since towns have been regarded upwards. But this only explains part of the phenomenon.

Table 2.2: Migration into Urban Areas 2004-05

	Same District Rural	Same District Urban	Same State but another District - Rural	Same State but another District - Urban	Another State Rural	Another State Urban	Another Country	Total
In search of employment	13.4	2.5	33.7	8.5	33.3	7.3	1.4	100
In search of better employment	20.2	5.7	26.5	10.4	28.1	8.3	0.9	100
To take up employment/better employment	22.7	9.2	24.3	21.6	11.2	10.4	0.7	100
Transfer of service/contract	16.3	17.7	9.8	37.4	3.2	14.9	0.7	100
Proximity to place of work	33.5	24.5	14.8	20.6	3.4	2.3	0.9	100
Studies	42.2	6.9	25.1	13.8	6.1	5.6	0.4	100
Acquisition of own house/flat	20.6	52.3	5.3	16.8	0.9	4.1	0	100
Housing problems	17.2	49.7	6.9	18.1	2	5.3	0.8	100
Social/ political problems	27.6	6.7	14.5	13.9	7.2	5.7	24.5	100
Health	13	19.6	16.8	18.1	9.4	16.5	6.7	100
Marriage	32.1	16.1	21.3	16	7.8	6.4	0.3	100
Migration of parent / earning member of the family	22.9	14.8	20.8	20	10.7	9.5	1.3	100
Others	25.9	13.4	19.6	19	9.4	9.5	3.1	100
Total	25.7	14.7	21.4	17.5	11.5	8.0	1.1	100

Source: Indicus estimates using data from NSS 2004-05 employment round

The point is that both push and pull factors are distorted. They are distorted in terms of preventing urbanization and creating disincentives against rural to urban migration. And they are also distorted in terms of creating the wrong kind of urbanization. If these policy-induced distortions are removed, the right kind of rural to urban transition will occur and that is the way to a more prosperous future. The following is a list of policies that need to change for this to become possible.

- State-government policies prevent creation of rural land markets and work against acquisition of agricultural land and its conversion to non-agricultural usage. Understandably, this is linked to issues of compensation, resettlement and rehabilitation and devising alternative rural or urban livelihoods, a controversy witnessed in recent SEZ (special economic zone) and non-SEZ debates. This is particularly important because rare is the case where completely green-field urban projects can be thought of.
- States are reluctant to notify rural settlements as towns, because many subsidies and grants from the Centre are geared towards retaining rural status.
- Transport connectivity, especially lack of road transport connectivity, has inhibited the integration of rural areas with urban ones. With the National Highway Development Programme(NHDP) and feeder roads through the Pradhan Mantri Gram Sadak Yojana (PMGSY), one can witness this integration of the periphery with the centre in parts of India where road connectivity has improved.

- Decentralization doesn't mean panchayats alone. Most States have not met the governance requirements of the 74th Constitution Amendment Act and have not set up District Planning Committees and Metropolitan Planning Committees. Functions and autonomy have not been delegated to municipal and other elected bodies, constraining their revenue sources and also constraining them from increasing revenue sources through revamping property taxes or levying appropriate user charges.
- Urban land markets are also distorted through State intervention. Most land is publicly owned and does not come on to the market. This creates artificial shortages and housing and real estate shortages are compounded by dysfunctional building (and tenancy) laws. For instance, even for the slums, it is possible to un-bundle ownership and create rights for the poor, so that incentives are created for improvement, including loans and the offering of collateral. “One important provision, for instance of the progressive Urban Development and Housing Act of 1992 of the Philippines, is Balanced Housing Development whereby developers of proposed subdivisions are required to develop 20 percent of the land for housing low income communities. A similar provision of the Government of the Indian state of Madhya Pradesh enacted as part of the Colonisers' Act requires 15 percent of the land to be reserved for without shelter households or payment of a sum equivalent to the officially determined price of the land to be reserved. The policy has made land available for housing more than 6,000 poor households in central city locations in the city of Bhopal alone and substantial funds for land procurement and development.”
- Finally, there is the possibility of offering choice in service delivery through private sector participation. Subsidization can be de-linked from provisioning. With appropriate user charges and targeted subsidies, choice provides competition and improves efficiency.

All these factors combine to distort land markets and rural-urban flows. Typically, the rural-urban transition involves transaction costs and these can only be managed by those who have attained a threshold level of income and do not suffer from information asymmetries. The form of that transition is also distorted towards mega cities. Instead, rural needs to be integrated with urban and we need to plan accordingly. The occupational shifts between 1993-94 and 2003-04 are revealing. While the urban distribution has been more or less unchanged, within rural areas people are moving away from traditional agriculture to services and related sectors associated with urban areas. The policy mindset is still one that doesn't recognize this. We don't need to build Bharat and India separately, with separate Ministries for the two. We shouldn't think of India and Bharat as two separate compartments, ensuring that the bulk of Bharat (except those who can migrate) are stuck in low productivity occupations. Policy must plan for the integration and for the evolution of Bharat into India. The rural to urban transition must be encouraged by removing policy-induced distortions that come in the way.

¹⁶ *Making the Law Work for the Poor*, Vol.2, United Nations Commission on Legal Empowerment, UNDP, 2008. This kind of idea is associated with Hernando de Soto and the initiatives that he has been involved with.

Urbanisation is a mixed blessing, heralding extraordinary opportunities for change to India's social, economic, and political landscapes, but bringing alongside the complex challenges of development and equity. As the global forces of networked communication and commerce continue their relentless march, cities are the inevitable gateways to any country's economic growth and prosperity. While we may continue to question the implications of this, we cannot ignore the reality that cities are the flywheel of economic investment, entrepreneurship and innovation. For millions of Indians, this means that their path to prosperity will invariably lead to our cities and towns. This has enormous implications for our policy makers – how to enable the rural-to-urban transition for millions of Indians, most importantly for the poor.

Swati Ramanthan, Co-founder, Janaagraha

Table 2.3: Percentage Distribution of Workers in Rural and Urban Areas

Type of Occupation	Rural (93-94)	Rural (04-05)	Urban (93-94)	Urban (04-05)	Total (93-94)	Total (04-05)
Farmers, fishermen, hunters, loggers and related workers	76.1	69.5	26.6	25.5	57	52.1
Production and related workers, transport equipment operators and labourers	13.0	17.3	22.5	22.1	14.3	16.5
Sales workers	4.3	5.2	15.7	15.5	8.1	8.5
Professional, technical and related workers	2.1	2.5	5.1	5.4	2.8	3.1
Service workers	2.0	2.4	20.9	21.4	10.8	11.7
Administrative, executive and managerial workers	0.9	1.7	3.4	5.4	4.4	5.9
Clerical and related workers	1.5	1.4	5.9	4.8	2.6	2.3
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100	100

Source: Indicus estimates using data from NSS employment rounds.

Case Studies; The Rural to Urban Transition

Case; Jay Shankar Sinha, 25, works in Calcutta, born in Jadavpur (W.B)

Jay now works with Reliance Capital at a monthly salary of ₹ 15,000. He formerly worked in his birthplace with a small direct sales agent in the unorganized sector selling financial products. His father is a professor.

Case; Shashant Awasthi, 24, works in Lucknow, born in Unnao (U.P)

Shashant got his bachelors degree but was unable to find work and was unemployed for over a year when he got a temporary job with a large retail chain. Based on his performance he now works for Shoppers Stop in Lucknow at a salary of ₹ 10,000 per month. His father is a farmer.

Case; Dildar Hussain, 24, works in Lucknow, born in Sultanpur (U.P)

Dildar could not attend college after his 12th class because of family financial compulsions but was unable to find a job and unwilling to join his father as a carpet weaver at home. He now works in financial services sales in Lucknow with a monthly salary of ₹ 8000 per month.

Case; Shabeen Taj, 27, works in Bangalore, born in Chittoor Dist (Andhra Pradesh)

Shabeen had come to Bangalore in search of a job as she was unable to find one in her home town and being the eldest she had the responsibility of supporting her family. After being unemployed for almost 3 months she took up a temp job as a Retail Sales Associate with a leading shoe manufacturer for ₹ 5000. Her father works as a helper in a juice shop back at home.

Case: Satish Mon, 26, works in Bangalore, born in Kottekad village (Kerala)

Satish Mon now works with the Central Customer Service team at TeamLease at a monthly salary of ₹. 10,500. Being differently abled (Low vision & Hearing Impaired), he was constantly being turned away from interviews, as he did not meet the 'required skills' and it was a challenge to even think of working in a corporate set-up with abled people. He formerly worked with an NGO, helping other differently abled people. With his current job, he is now looking towards a more challenging career and is also financially independent. His father is a senior Telecom Assistant at BSNL at Tumkur.

Chapter 3: The Second Transition – Farm to Non-Farm

India will develop the fastest when we move people off the land into industry through skill development and the provision of education. Today 52% of our people depend on 17.5% of our GDP, growing at 3% p.a. The land is unable to provide a good livelihood for so many people and so they continue to suffer. The transition from farm to non-farm is the most strategic initiative to reduce poverty and create sustainable development for the largest number of our fellow citizens.

MohanDas Pai, Director HR, Infosys

In addition to the rural to urban transition, a farm to non-farm transition is necessary. Agriculture may be ancient, having originated 10,000 years ago. However, since the Industrial Revolution, the importance of agriculture has become less and less in developed countries. One-third of the world's work force may be employed in agriculture. But most of this agriculture is inherently subsistence in nature and of low productivity. That's the reason why despite one third of the world's work force being employed in agriculture, agriculture accounts for only 4% of the value of global output. In India, 19% of national income is estimated to originate from agriculture and allied activities.¹⁷ In which countries in the world is agriculture's share of national income more than this 19%? In the list of 193 countries of the world, the share is more than 19% in Guatemala (22.5%), Syria (25.5%), Sudan (35.5%), Cameroon (45.2%), Turkmenistan (24.4%), Tanzania (43.3%), Uzbekistan (31.1%), Ghana (37.3%), Ethiopia (49.2%), Albania (23.3%), Uganda (29.4%), Congo (55%), Myanmar (54.7%), Paraguay (22.4%), Nepal (38%), Afghanistan (38%), Armenia (23.9%), Mozambique (21.1%), Haiti (28%), Mali (45%), Burkina Faso (32.6%), Chad (32.5%), Cambodia (35%), Madagascar (26.9%), Benin (32.8%), Papua New Guinea (35.7%), Guinea (23.7%), Niger (39%), Laos (43.4%), Moldova (21.5%), Somalia (65%), Kyrgyzstan (34.5%), Malawi (35.4%), Togo (39.5%), Tajikistan (22.7%), Rwanda (39.4%), Mauritania (25%), Central African Republic (55%), Mongolia (20.6%), Sierra Leone (49%), Belize (22.5%), Liberia (76.9%), Bhutan (25.8%), Guyana (35.5%), Maldives (20%), Burundi (44.9%), Gambia (30.5%), Comoros (40%), Vanuatu (26%), Guinea-Bissau (62%), Solomon Islands (42%), Tonga (23%), Micronesia (28.9%), Marshall Islands (31.7%) and Niue (23.5%). These are all poor parts of the world. In contrast, in relatively richer parts of the world, people have been pulled out of agriculture and into more productive activities. For instance, in the United States, only 0.9% of national income comes from agriculture. This doesn't mean the Malthusian spectre of people having to starve. Other than the possibility of imports, agriculture becomes more productive, requiring less people to be engaged for producing the same amount of food. Indeed, there are several different types of movements that happen. People who remain in

¹⁷ This is a 2006-07 figure and the percentage may be a little lower now.

agriculture move away from producing food-grains to other forms of crop output, such as horticulture. There is commercialization and diversification. Others move away to allied activities like aquaculture, dairy-farming, floriculture and poultry. Still others move away from farm activities entirely to non-farm activities, such as rural industry and services. This is precisely the kind of transition that has happened in China.

In order to unleash the growth potential inherent in rural India, it appears imperative to fuel the transition of the millions trapped in low-value subsistence agriculture to non-farm activities. Further, the big contributors to poverty reduction of the scale that we aspire for in India appear to be not just non-farm self-employment activities (such as small-scale retailing for instance) but more organised jobs particularly in the services sector, that are commonly associated with high and stable incomes.

Bindu Ananth, President IFMR Trust

Out of the rural labour force of roughly 300 million, 72.7% still earns a living from agriculture.¹⁸ This may have declined from 81.4% in 1983, but is still inordinately high. The decline hasn't been fast enough. But some comments are in order about such figures. First, these refer to usual principal and subsidiary status, implying that there may be a secondary occupation outside agriculture. Indeed, with the seasonal nature of the bulk of India's agriculture, that is invariably the case. Second, there are variations across States. The figure is less than 50% in Kerala, Tripura, Tamil Nadu, West Bengal and Punjab and is more than 65% in Assam, Madhya Pradesh, Mizoram, Bihar, Meghalaya, Arunachal Pradesh and Chhattisgarh. Third, the pace of decline, as opposite to the base figures, has been sharpest in Kerala, Himachal Pradesh, Haryana, Rajasthan, Punjab and West Bengal. And has been the slowest in Orissa, Bihar, Madhya Pradesh, Andhra Pradesh and Karnataka.¹⁹ Fourth, there are gender differences. The farm to non-farm transition happens first for males and a feminization of the agricultural work force occurs. Fifth, out of those who are in agriculture, roughly two-thirds (64%) describe themselves as self-employed, that is, they are farmers. The remaining roughly one-third (36%) are wage workers, almost invariably on casual basis. Sixth, 13.1% of rural households are landless and only 11.2% have medium or large holdings, defined as those that are more than 2 hectares. 44.8% of land-holdings are sub-marginal (0.01-0.40 hectares), 18.7% are marginal (0.41 to 1 hectare) and 12.2% are small (between 1 and 2 hectares).²⁰ This kind of small-holder agriculture cannot exploit economies of scale and scope and is subsistence-level, inefficient and relatively unproductive. For development to happen, there must be a graduating out and a movement up the value chain of productivity.

¹⁸ *Report on Conditions of Work and Promotion of Livelihood in the Unorganized Sector*, National Commission for Enterprises in the Unorganized Sector, August 2007.

¹⁹ Ibid.

²⁰ Ibid.

Since people always want to better their lives, there must be a reason why this farm to non-farm transition doesn't happen. There are again policy-induced distortions. If these policy-induced distortions are removed, the right kind of farm to non-farm transition will occur and that is the way to a more prosperous future. The following is a list of policies that need to change for this to become possible.

- Public expenditure must move away from input subsidies (fertilizers, seeds, power, water) that only benefit large farmers to provision of rural infrastructure. Public sector gross capital formation in agriculture used to be 5% of the gross value of agricultural output in the early 1980s, but declined to 2% in the second half of the 1990s. This occurred because of fiscal constraints, both at the Central and State levels and has inched up to 3.7% in 2006-07. Private sector gross capital formation in agriculture has also increased from 5.5% in the early 1980s to 8.9% in 2006-07. But often, private investments require public investments to perform a catalytic function. While on rural infrastructure, one must flag that rural infrastructure is not only about the creation of new infrastructure, but also maintaining them. Hence, there is a decentralization issue too in the management of rural infrastructure.
- Linked to declines in public expenditure has been the phenomenon of a collapse of the extension service system. Sometimes, people also mention research and development in connection with extension services.²¹ It is not immediately obvious that there is market failure in either. To the extent that there is a market failure, it is likely to be more in extension services than in research and development.²²
- Agricultural policy is invariably equated with a food-grain policy, more specifically, a rice and wheat policy. This leads to perverse price signals through the minimum support price and procurement systems and creates disincentives against agricultural diversification. This must change.²³
- Government imposed restrictions on production, marketing and distribution must be removed. Typically, these are through the Agricultural Produce Marketing and Control (APMC) Acts and orders under the Essential Commodities Act (ECA). On the APMC Acts, reforms vary greatly from State to State. The relaxation of such restrictions will permit dis-intermediation of distribution chains and investments in cold storage and processing. Dis-intermediation permits higher prices for farmers and lower prices for consumers, since there will be an estimated 25% of savings for fruits and vegetables and 15% for food-grains.

²¹ The Krishi Vigyan Kendras (one in every rural district) are meant to deliver this.

²² But it is possible to cite oilseeds, maize, oil palm and pulses as counter-examples.

²³ This brings in the issue of revamping the public distribution system (PDS) and removing FCI's (Food Corporation of India) monopoly on procurement.

.....

- There is no reason why corporate sector involvement in agriculture should not be permitted. Even if corporate farming is not permitted, there should be nothing against contract farming, with an efficient dispute resolution mechanism in instances where there is non-compliance with contracts.
- The credit and insurance markets need to be freed up, with private sector participation and choice. Neither is particularly satisfactory now. There is also no reason why forward markets should not be allowed.
- Land markets should also be freed up. Ownership legislation, like land ceilings, may be controversial. However, it is possible to un-bundle reforms, such as relaxations in tenancy legislation, while keeping the ownership legislation intact.

One of India's key challenges is to ensure that more value gets retained by farmers. This can happen if more value addition takes place closer to the farm itself. But to make this happen, we need people to move into value-added activities. These include the equivalent of agricultural extension experts or food processing or working with technology. If quality crops can be identified and rewarded, then farmers also get the right signals to improve their practices. There are also options for people to trigger the production of biomass and alternative energy. All these require people to be trained in simple, but cutting edge ways, including in the basics of entrepreneurship and running a business. in value addition activities. We need to ensure that these sorts of farm to non-farm transitions take place, urgently.

Rajeev Gowda, Professor of Public Policy, IIM Bangalore

These reforms will make Indian agriculture modern and productive. We will no longer have 100 million holdings, 90% of which are smaller than 2 hectares. Nor will we have more than 100 million agricultural labourers working on this unproductive land. Not only is per capita income higher in urban areas than in rural areas. Within rural areas, per capita income is higher outside conventional crop agriculture, for cultivators as well as for agricultural labour. Outside of rice and wheat, Indian agriculture has been suffering, because the commercialization and diversification that had occurred earlier died down from the second half of the 1980s. Therefore, dryland agriculture has suffered, since only 40% of India's land area continues to be irrigated. The proposed reforms will at least double the productivity of India's crop output, and not just for food-grains. This will mean that less people have to work on farms and those who do, will have higher productivity and income levels. Simultaneously, released farm workers will now be able to work in rural industries and services, the kind of model that worked in China through the town and village enterprises (TVEs). The rural to urban transition is partly linked to the farm to non-farm transition. But in addition, within rural areas,

there is a farm to non-farm transition too and that needs to be encouraged by scrapping policies that force and incentivize people to work on farms. There has to be an Industrial Revolution within the rural sector. Today, with the organized and unorganized sectors taken together, 38 million work in manufacturing. The number can easily be 100 million and of these, many will be rural, but will work in non-farm pursuits.

India's agriculture sector has witnessed unusual ups and downs in the growth rate depending on the rainfall pattern. And the net result is that its growth rate has stagnated to around 2-3% per annum on an average. To expect that in future agricultural growth alone will help remove India's poverty is, to say the least, height of optimism. We therefore need a clear strategy to move people engaged in farm sector to non-farm sectors, such as industry or services, where the growth has been much faster and steadier.

Hasmukh Adhia, Principal Secretary, Education, Govt of Gujarat.

Table 3.1: Per-Capita Income and Inequality, 2004-05

Occupation	Rural		Urban		All	All
	Annual PCI	Gini Coefficient	Annual PCI	Gini Coefficient	Annual PCI	Gini Coefficient
Cultivators	6,895	0.56	11,504	0.58	6,985	0.56
Allied Agriculture	7,137	0.51	17,421	0.61	8,284	0.55
Agriculture Labour	4,721	0.37	6,109	0.39	4,781	0.37
Non Agri. Labour	4,774	0.37	7,045	0.34	5,471	0.37
Petty Trade/ Artisans/Business	8,105	0.45	15,414	0.49	11,526	0.5
Salaried/Professional	12,301	0.44	21,103	0.43	17,286	0.45
Retired/Others	9,604	0.49	17,828	0.5	12,914	0.52
All India	6,947	0.5	15,771	0.49	9,244	0.53

Source: Indicus estimates using data from NSS 2004-05 employment round.

Case Studies; Farm To Non-farm Transition

Case: Vishwanath Matam, 24, works in Bangalore, born in Polakallu village (Andhra Pradesh)

Vishwanath now works with the Central Customer Service team at TeamLease at a monthly salary of ₹. 9,500. The only B.E (Electricals & Electronics) in his village, which is 250kms from Hyderabad, he formerly worked on his farm, like the rest of his family. With his current job, he is now the biggest contributor to his family's earnings.

Case; Manoj Kumar Dixit, 26, works in Gonda, born in Gonda (U.P)

Manoj now works with the Institute of Professional Training as a Business Development Manager with a monthly salary of ₹ 13,500. He was unemployed till he got a temporary job in door to door sales at ₹ 4800 per month in which he excelled and was promoted to group leader. His father and mother handle the farm that he has worked on.

Case; Tasveer Singh, 23, works in Rohtak, born in Rohtak (Haryana)

Tasveer now works with a large FMCG major selling a consumer product door to door at a salary of ₹ 4000 per month. He formerly worked on the family farm with his father and says the farm could just not support the family and he is now a big contributor.

Case; Bharat Lal Goyal, 28, works in Indore, born in Dhar (MP)

Being the son of the farmer and as is the practice in Dhar like in most of rural India Bharat had no option but to work with his father on their farm land. He says he wanted to change this practice followed for generations and hence moved to Indore and is working as a temp with a leading FMCG company at ₹ 5000. He says it gives better returns.

Case; Sanathaiba Singha, 24, works in Mumbai, born in Hojai (Assam)

Santhaiba works as a temp with a leading BPO in Mumbai at ₹ 7500 a month. Prior to this he worked with his father in their family owned rice fields in Hojai. His reason for shifting to Mumbai was the scarcity of job opportunities back home to enable a decent living.

Chapter 4: The Third Transition – Unorganized to Organized

Unorganized Employment is the slavery of the 21st Century

President Alan Garcia of Peru

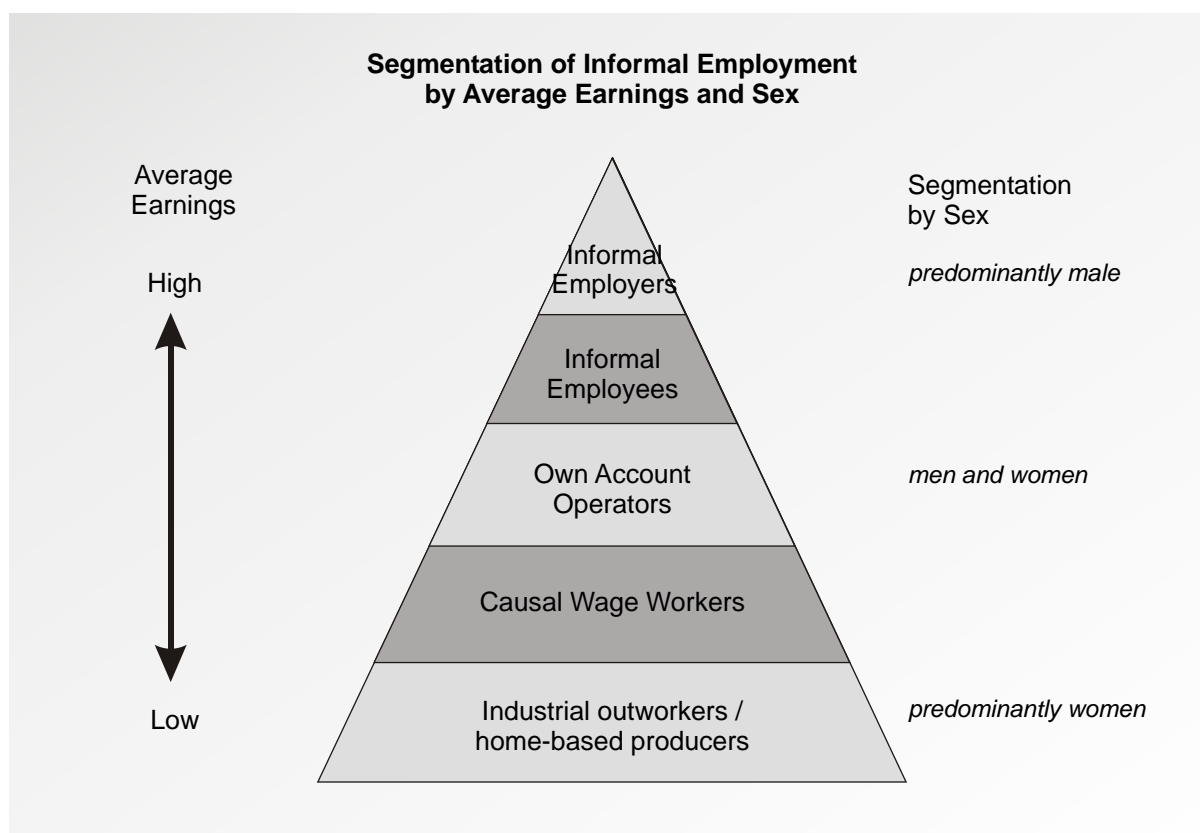
Cross-country, there are different definitions of unorganized or informal. These two terms are sometimes used synonymously and sometimes, a distinction is drawn between them. That distinction is not terribly useful and the terms may as well be used synonymously. Having said this, global research generally finds three developments. First, the higher the degree of formalization in the labour force, the higher is the average level of earnings. Second, there is a gender dimension in this. Informality is usually a characteristic of the female work force and therefore, discrimination manifests itself in the form of lower wages. Third, when thinking of informality, one mustn't always think of it in terms of work force participation. There is also informality connected with business, a transition that we will describe as our fourth transition. Informality has costs, as well as benefits, and a decision by a poor person to stay informal is sometimes based on deliberate choice, highlighting transaction costs associated with becoming formal and registered. However, the choice to stay informal is not always a conscious one. It is constrained by lack of information and entry barriers. The figure that follows show what the cross-country evidence tends to find.

In India, informality can be defined in one of three different ways. First, there is a definition in terms of exemptions from paying indirect taxes. Second, there is a definition in terms of small-scale industry (SSI), which again is defined in terms of threshold levels of investment in plant and machinery. Third, there is a definition in terms of labour laws. That is, an enterprise is unorganized if it uses power and employs more than 10 people or does not use power and employs more than 20 people.²⁴ The last definition is the one that is used most often and according to this, in 2004-05, 92.4% of employment was in the unorganized sector.²⁵

²⁴ This is strictly speaking a Factories Act definition.

²⁵ One should also mention that more than two-thirds of the employment in the organized sector was in the public sector.

Fig 4.1: Informal Employment: Segmentation by Average Earnings & Sex



Labour markets in India are segmented. That 92.4% of the labour force employed in the unorganized sector has no labour rights worth the name. Protective legislation is absent, be it in the form of safety, minimum wages or social security.²⁶ Perhaps one should mention that unorganized labour (wage labour without contracts) can also exist within the organized sector. Simultaneously, through labour laws (statutes as well as rules) rigidities are created in the labour market for the remaining 7.6%. Consequently, there is an artificial disincentive against employing labour and despite India possessing a labour cost advantage, capital/intensity is inordinately high, particularly in manufacturing. Reforms should break down the segmentation between organized and unorganized labour markets. This will permit better labour rights for those who are presently unorganized and flexible labour laws for those who are presently in the organized segment. The two markets will move closer together.

As of today, what do we know about the status of wage workers in the non-agricultural sector? The following is based on a report that was earlier mentioned and data pertain to 2004-05.²⁷ There are

²⁶ The social security issue gets into a debate that we will bypass for present purposes. Social security for the unorganized sector isn't something that can and should be introduced through the fiat of legislation.

²⁷ Report on Conditions of Work and Promotion of Livelihood in the Unorganized Sector, National Commission for Enterprises in the Unorganized Sector, August 2007.

52.9 million wage workers in the unorganized sector (excluding agriculture). However, if one includes unorganized or informal sector workers within the organized sector, the number increases to 76.7 million. There is a Minimum Wages Act. But in urban areas, 50% of male workers and 87% of female workers get wages that are below these minimum wages.²⁸ 53% of workers are in construction, followed by 19% in manufacturing.²⁹ The physical conditions of work are inhuman and there are occupational hazards as well. There are deviations from stipulated hours of work, the duration of the working day and weekly holidays. Employment is organized through three informal channels – standing at the factory gate, family, caste and community-based networks and labour contractors. None of these is an efficient processor of information and when labour contractors are used, additional costs are paid to the contractors themselves. 90% of workers don't possess written employment contracts at all. Much of this sounds like the England of the Industrial Revolution. The fact that the lives of these urban casual workers might be better than those of rural workers is neither here nor there.

The farm to non farm transition is critical but would be possible only if the organized non-farm sector grows rapidly to absorb more and more manpower. We urgently need to stimulate the organized manufacturing and services sector.

Vyas Ji, Principal Secretary, Labour, Govt of Bihar

Development creates and adds choices for life. An important part of development is the transformation from organized to unorganized employment which adds choices for vocations and creates corridors. It not adds value to the final product of human resources but also offers futures that were not available.

Jagar Singh, Secretary Labour, Govt of Orissa

Discussions on labour market reform get bogged down in a dysfunctional dichotomy. This is evident in cross-country comparisons that focus on the labour market. There are several cross-country governance surveys that explicitly seek to measure and gauge the nature of the labour market. This is not to deny that there are problems with such governance surveys.³⁰ Some of these problems are the following. First, some indicators depend on de jure international commitments made by

²⁸ In rural areas, the figure is 40% for males and 81% for females.

²⁹ The construction share is higher for males and the manufacturing share is higher for females. Manufacturing essentially means garments.

³⁰ See Sudders, M. and Nahem, J (2004), *Governance Indicators: A Users' Guide*, UNDP, Oslo, for a comprehensive discussion.

countries and these may have no relation with what actually obtains de facto. These are indicators based on ratification of standards, codes or treaties, but monitoring implementation is close to impossible. Second, measurement should be based on tangible improvements in outcomes or performance. However, governance is a process and quite apart from the problem of differing perceptions about what should be included and what should be excluded, objective data are impossible to obtain. Hence, one relies on subjective responses to questionnaires administered to respondents.

Having said this, what are the various surveys that seek to rank the Indian labour market? The first one to be mentioned should be Freedom House.³¹ Freedom House actually has three separate rankings, but two, nations in transit and countries at the crossroads, are only for a limited number of countries and neither includes India. The more relevant one therefore is Freedom House's Freedom in the World, in existence since 1972 and now with a database of 193 countries. This has an aggregate score, sub-divided into two overall heads of political rights and civil liberties. For present purposes, it is civil liberties that is relevant and within the civil liberties category, the sub-head of associational and organizational rights. Other than business organizations, this has questions on freedom to form independent trade unions or peasant organizations and freedom to engage in collective bargaining or strikes. In this sub-head, in the 2007 rankings, India scores 10, which is a good ranking.³² In several ways, the Freedom House rankings are too aggregated for labour market purposes. The Fraser Institute's *Economic Freedom of the World (EFW)* is better.³³ The structure of the EFW index involves aggregation across five heads of (1) size of government (expenditure, taxes and enterprises); (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labour and business. Given the focus on labour market reforms, what is of interest is the fifth head, especially labour market regulations and the variables included in this sub-head encompass minimum wages, hiring and firing regulations, centralized collective bargaining, mandated costs of hiring and mandated costs of worker dismissal. In the 2007 rankings, the Indian score is 4.8, not a terribly good figure.³⁴

³¹ <http://www.freedomhouse.org>

³² <http://www.freedomhouse.org/template.cfm?page=372>

³³ *Economic Freedom of the World, Annual Report, 2007*, James Gwartney and Robert Lawson, Economic Freedom Network.

³⁴ The higher the score, the better. And the thrust of EFW is that the lower the level of government intervention, the better.

What is of greater interest is the inter-temporal movement and the Indian score deteriorated from 6.3 in 1990 to 4.8 in 2005. At least in terms of these perceptions, the emphasis is on increased labour market rigidity in India. If one scrutinizes the reasons, one finds that hiring and firing regulations and centralized collective bargaining have eased, but India's deterioration is largely because of minimum wage restrictions. Heritage Foundation and Wall Street Journal's Index of Economic Freedom is almost a parallel exercise to EFW and is based on ten broad factors of economic freedom.³⁵ One of these is labour freedom, interpreted as government restrictions on wages, hours of work and so on. Under this head, in the 2007 rankings, India scored 55.1, significantly below the world average of 62.3. A slightly different impression, more akin to EFW, emerges from the World Bank's "Doing Business" set of indicators, for 178 economies.³⁶ One of the ten indicators used is on employing workers. In employing workers, India has a global rank of 85th.

Consider the detailed figures for India in the 2008 report. India has a difficulty of hiring index of 0, a rigidity of working hours index of 20, a difficulty of firing index of 70, a rigidity of employment index of 30, firing costs of 56 and a non-wage labour cost figure of 56. India's low relative scores are primarily associated with difficulties in firing. India also has higher non-wage labour costs and rigidity of employment index values. The point is that all these cross-country surveys generally reduce the Indian analysis to the organized segment.

On the other hand, UN sources approach the issue from a core labour standards standpoint. UNDP's Human Development Reports (HDRs) have been in existence since 1990 and are usually identified with human development and the human development index (HDI). However, HDRs also have information on the labour market. For instance, India's female work participation rate is 42.5%. More pertinently, India is a de jure signatory to the seven human and labour rights instruments (genocide, racial discrimination, civil and political rights, economic, social and cultural rights, discrimination against women, torture and other degrading punishments and rights of the child) listed in HDR. In addition, HDR lists information on ratification of eight conventions that are specific to labour – freedom of association and collective bargaining (Conventions 87 and 98), elimination of forced and compulsory labour (Conventions 29 and 105), elimination of discrimination in respect of employment and occupation (Conventions 100 and 111) and abolition of child labour (Conventions 138 and 182). Of these, India is a signatory to Conventions 29, 105, 100 and 111. Per se, ratification doesn't solve the problem of implementation, but ratification does signify some political will. The UNDP information on ratification of conventions comes from ILO's database on 180 member countries.³⁷

³⁵ www.heritage.org/features/index/chapters.

³⁶ www.doingbusiness.org.

³⁷ www.ilo.org. This ratification database can be divided into three broad segments: (a) Eight fundamental conventions that concern fundamental principles and rights at work (Conventions 29 and 105 on elimination of forced labour, Conventions 138 and 182 on child labour, Conventions 100 and 105 on discrimination in employment and protection, Conventions 87 and 98 on freedom of association and right to engage in collective bargaining), the ones that are listed by HDR; (b) Conventions that provide a basic institutional framework aimed at protecting against exploitation (such as Convention 95 on protection of wages, Convention 155 on occupational safety and health, Convention 81 on labour inspection, Convention 129 on labour inspection for agriculture, Convention 144 on tripartite consultation, Convention 122 on employment policy); and (c) Conventions that

As suggested before, whether one acknowledges it explicitly or not, there is a tension or trade-off between ensuring labour market flexibility and ensuring protection of what may be called core labour standards. Within the organized segment, labour market reforms can be clubbed under a few heads, although this is not a neat water-tight compartmentalization.

- First, there are old and dysfunctional laws and these must be eliminated. There are anachronistic sections in the Factories Act and the Shops and Establishments Act, to name just two. They may have been appropriate when they were first enacted, but times have changed. Even otherwise, it is a moot point whether employer-employee kind of relationships relevant to the Industrial Revolution, which is the model from which these labour statutes derive, are appropriate to a country like India.
- Second, there are areas where legislation is missing. For instance, most of the unorganized sector is outside the purview of protective labour laws and where such laws exist, they are not enforced. Under the present government, an attempt has been made to introduce social security legislation for the unorganized sector, though implementation remains questionable.
- Third, there is a need for unification and harmonization. The first extant labour statute was the Fatal Accidents Act, enacted in 1855. Over a period of time, concepts and definitions have changed. So has the case law, contributing to further confusion. For example, there is lack of unanimity about definitions of wages, workman, employee, factory, industry, adolescent, child and even contract labour. Unification and harmonization is an issue on which there should be no lack of consensus. The report of the Second National Commission,³⁸ submitted in 2002, also argues for such unification and harmonization of labour laws under five heads of industrial relations, wages, social security, safety and welfare and working conditions.
- Fourth, there is a need for reducing unnecessary State intervention and over-legislation and this often occurs through administrative law. Instances of these are rules under the Factories Act or the Shops and Establishment Act, or even for wage-related statutes like the Payment of Wages Act. The inspector raj and consequent bribery and corruption is an inevitable outcome of interventionist administrative law that is non-transparent and discretionary, made worse by the fact that reporting norms often still do not accept electronic submission. Rules under the Factories Act, framed in 1948, provide for whitewashing of factories. Distemper won't do. Earthen pots filled with water are required. Water coolers won't suffice. Red-painted buckets filled with sand are required. Fire extinguishers won't do.

address situations that overlap with poverty (such as Convention 149 on indigenous and tribal people, Conventions 97 and 143 on migration for employment and migrant workers, Convention 183 on maternity protection, Convention 137 on rural workers' organizations). Of the remaining Conventions listed above, other than the eight fundamental conventions, India has ratified Conventions 81, 144 and 122.

³⁸ The first National Labour Commission was set up in 1929. This was a Royal Commission.

- Fifth, there is the question of procedural law. If procedural law is inefficient and time consuming, no matter how good substantive law is, the legal system will lack credibility. This does not make the redressal mechanism credible. In more general vein, transaction costs associated with obeying the law must be brought down, so that people do not have an incentive to operate in a quasi-legal or illegal framework.

One can also mention laws connected with industrial relations, such as the Industrial Disputes Act (IDA). There has been a failure to un-bundle the labour market reform agenda in several senses. First, non-industrial relations labour law reform is less controversial, be it in the form of unifying and harmonization statutes or in the form of reducing procedural and transaction costs. By equating reforms with changes in Chapter V-B of IDA, even these reforms have not occurred. Second, within Chapter V-B of IDA, it ought to have been possible to segregate the layoff, retrenchment and closure provisions. Third, it should also have been possible to amend the Seventh Schedule and move labour to the State list. In practice, in reaction to reforms and competitive pressures designed to attract investments, some States have been more forthcoming in granting permissions under Chapter V-B, while others have not. A change in the Seventh Schedule would have explicitly allowed what was already happening.

A quote from Economic Survey is indicative of Indian perceptions about labour markets and labour market reform in China.³⁹ “Indian labour market is characterized by a sharp dichotomy. A large number of establishments in the unorganized sector remain outside any regulation, while the organized sector has been regulated fairly stringently. It can be reasonably argued that the organized sector has provided too much of job-security for too long, while the unorganized sector has provided too little to too many. Various studies indicate that Indian labour laws are highly protective of labour, and labour markets are relatively inflexible. These laws apply only to the organized sector. Consequently, these laws have restricted labour mobility, have led to capital-intensive methods in the organized sector and adversely affected the sector's long-run demand for labour. Labour being a subject in the concurrent list, State-level labour regulations are also an important determinant of industrial performance. Evidence suggests that States, which have enacted more pro-worker regulations, have lost out on industrial production in general. Perhaps there are lessons to be learnt from China in the area of labour reforms. China, with a history of extreme employment security, has drastically reformed its labour relations and created a new labour market, in which workers are highly mobile. Although there have been mass layoffs and open unemployment, high rates of industrial growth especially in the coastal regions helped their redeployment. In spite of hardship, workers in China seem to have benefited from wage growth, additional job creation and new opportunities for self employment.” As the table shows, the importance of the organized sector is low across all of India's States.

³⁹ *Economic Survey 2005-06*, Department of Economic Affairs, Ministry of Finance, Chapter 10.

**Table 4.1: State/Zone-wise Employment in Organized Sectors in India
(As on 31st March, 2002 to 2005)**

State	2002	2003	2004	2005
Haryana	666	665	651	648
Punjab	836	873	826	773
Himachal Pradesh	297	306	297	317
Chandigarh	91	91	90	89
Delhi	836	837	839	831
Rajasthan	1206	1177	1177	1181
Jammu & Kashmir	210	220	210	210
North Zone	4142	4169	4090	4049
Madhya Pradesh	1142	1074	1098	1071
Chhattisgarh	354	353	339	339
Uttar Pradesh	2174	2089	2125	2088
Uttaranchal	265	247	258	261
Central Zone	3935	3764	3819	3759
Assam	1064	1272	1097	1112
Meghalaya	82	79	82	82
Manipur	83	80	81	81
Mizoram	42	43	42	42
Nagaland	77	70	71	72
Tripura	123	124	123	123
North-Eastern Zone	1471	1669	1496	1512
Bihar	1613	635	527	527
Jharkhand	@	863	1042	1042
Orissa	778	849	749	750
West Bengal	2264	2024	2000	2039
Eastern Zone	4655	4370	4319	4358
Gujarat	1584	1682	1622	1694
Maharashtra	3635	3588	3564	3541
Goa	61	61	53	112
Daman & Diu	15	15	15	15
Western Zone	5294	5345	5254	5361
Andhra Pradesh	2051	2077	2065	2043
Karnataka	1856	1866	1820	1862
Kerala	1221	1206	1204	1140
Pondicherry	26	51	56	58
Tamil Nadu	2516	2427	2282	2279
Southern Zone	7670	7627	7428	73814
Andaman & Nicobar Islands	40	40	38	38
India	27206	26983	26443	26458

Note : @ : The figures for this state included in the Bihar State.

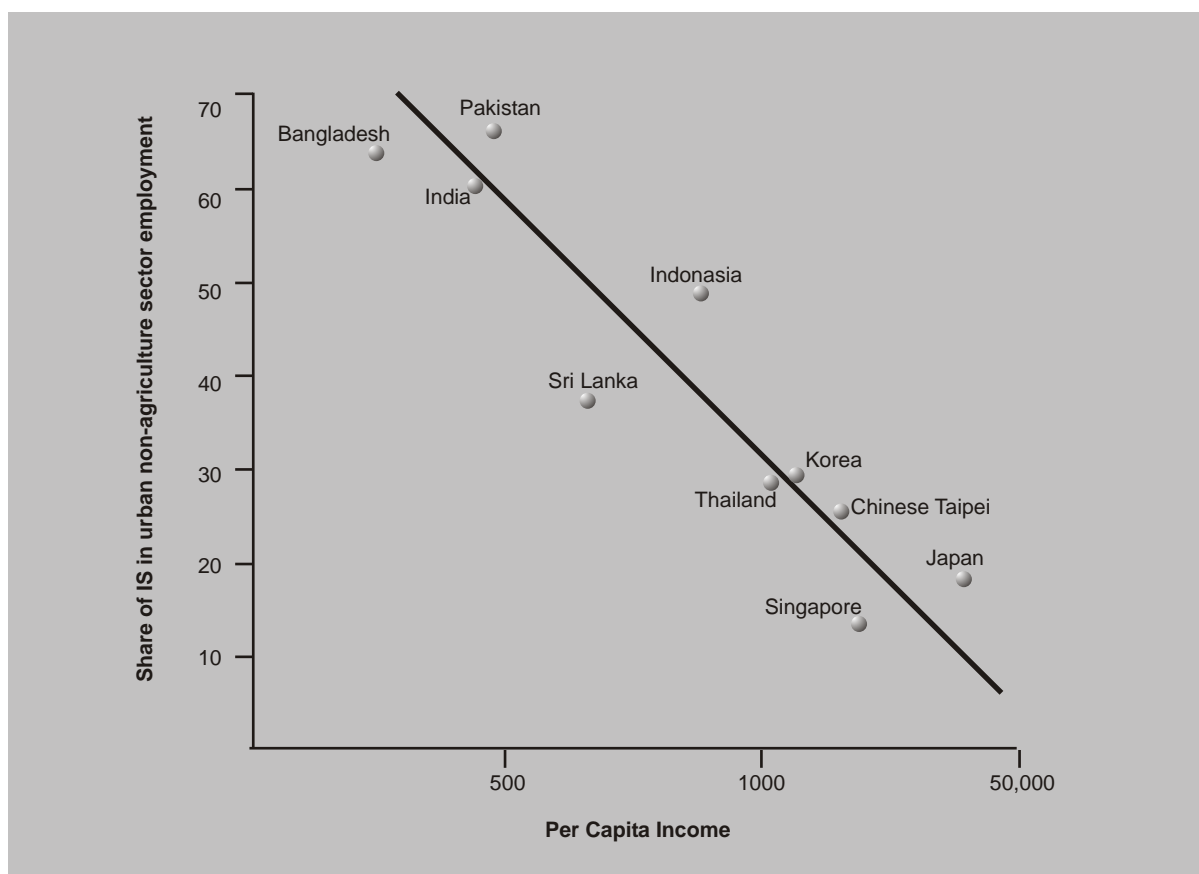
Source : Ministry of Health & Family Welfare & Labour & Employment, Govt. of India.
Using indiastat.com

The political economy of handling resistance to change is one thing. But at least on the organized labour market, one understands what the policy-induced distortions are. This still leaves the matter of the unorganized labour market. One looks at labour laws that apply to the organized sector, forgetting absence of rights in the unorganized sector. Since Indian labour laws don't apply, or aren't enforced in, the unorganized sector, there remains the question of why India hasn't been able to reap such a benefit of a labour cost advantage, unlike China. The answer probably lies in lack of physical infrastructure and absence of human capital skills. An ILO study⁴⁰ found that between 50 and 75% of non-agricultural employment in the developing world is informal. Informal employment includes both self-employment in informal (small and unregistered) enterprises and wage employment in informal jobs (without labour contracts, worker benefits and protection). Subject to data problems, 83% of India's non-agricultural employment was estimated by ILO to be informal. Self-employment constituted 52% of non-agricultural informal employment. Of course, there are different categories within the informal employment continuum and workers employed on casual basis will be better placed than workers to whom manufacturing work is out-sourced, but inferiorly placed compared to workers who have a more regular status. Cross-country, there is a correlation between the size of the informal economy and poverty, or levels of economic development. The figure that follows is illustrative.⁴¹ The challenge for developmental policy is thus one of integrating and mainstreaming the informal sector into the formal economy. This is a broad issue and there can be several reasons behind informality – avoidance of taxes, complicated transaction costs associated with registration, spliced with relatively few perceived benefits consequent to formalization, and so on. The point to be made is that integration of the unorganized with the organized, the objective of the third transition, cannot be done by fiat and mandated legislation. Such legislation will invariably not be enforced.

⁴⁰ ILO, *Women and Men in the Informal Economy: A statistical picture*, Geneva, (2002).

⁴¹ Reproduced from Nurul Amin, A.T.M, *The Informal Sector in Asia from the Decent Work Perspective*, Employment Paper 2002/4, ILO, 2002. In the figure, IS stands for the informal sector.

Fig 4.2: Per capita Income and Informal Sector (IS) Employment



Source: Amin (2002)

Despite playing a vital role in providing employment opportunity for a large segment, the unorganized sector has negligible impact on the conditions of employment. The transition from 'unorganized' to 'organized' needs to be viewed not only in terms of employment status and better work conditions, but also the environment that is created for skill development and greater employability. From the perspective of the labour market, the acceleration of this transition is essential for resurgence and development of what has been termed 'human capital'.

William Bissell, Managing Director, Fabindia

Case Studies; The Unorganized to Organised

Case; Devedendra Sankpal, 24, works in Mumbai, born in Mumbai

Devedendra worked in a small unorganized software company called Botree software as a field executive for ₹ 6000 per month despite his technical qualification (OCA certified). He found a temporary job with a large bank at ₹ 14,333 per month and now works at HCL at a salary of ₹ 18,333 per month.

Case; Jai Prakash, 28, works in Howrah, born in Ulberia (W.B)

Jai now works with a leading consumer durable company doing Door to Door selling for ₹ 5000 per month not including a performance based incentive. Prior to this he sold lottery tickets and his father is a hand rickshaw puller.

Case; Alok Kumar, 24, work in Patna, born in Patna (Bihar)

Alok now works with Indian Oil Corporation as a junior Engineer for ₹ 17,500 per month. He formerly worked in the unorganized sector at less than half the salary because they were not willing to pay for his qualifications. He father was also a technician and continues to toil in the unorganized sector.

Case; Ananda Reddy, 27, works in Bangalore, born in Chillarapalli (Kolar Dist)

Ananda worked as a loader despite completing his higher secondary education as he was unable to find a job suiting his level of education and out of desperation to support his family. Today he works as a temp with a MNC at Bangalore at ₹ 6500. His father is a farmer.

Case; Amol Dongare, 21, works in Nagpur, born in Sholapur (Maharashtra)

Amol now works as a temp with a leading manufacturer of home appliances at ₹ 5000 per month. Prior to this he used to work as a daily wage labourer with a highly fluctuating low income in the unorganized sector out of compulsion, as his fathers who was a farmer was not able to sustain the family by his farm earnings alone. He is able to support his father today.

Chapter5: The Fourth Transition – Subsistence Self-Employment to Decent Wage Employment

In the virtuous cycle of development resulting in poverty reduction, strengthening the capability basket of individuals is critical for success. Unfortunately, subsistence self-employment by its very nature assumes continued poverty and a struggle to avoid getting caught in the vicious cycle of poverty. This, obviously, will not result in economic development. Decent wage employment is a window through which individual capabilities can be harnessed for a competitive market that can eventually lead to high quality entrepreneurship and wealth creation for self and society.

K. Ramachandran, Professor of Entrepreneurship, ISB

The third transition has an overlap with the fourth transition, from subsistence self-employment to decent wage employment. Indian data have a fuzzy category called self-employment and in 2004-05, 56.5% of the work force reported itself as being self-employed. In the non-agricultural work force, 62.8% of workers reported themselves as self-employed.⁴² There are also wide inter-State variations. For instance, more than 65% of non-agricultural workers reported themselves as self-employed in Andhra Pradesh (65.2%), Assam (65.6%), Bihar (80.8%), Jammu and Kashmir (73.7%), Madhya Pradesh (65.5%), Orissa (70.3%), Uttar Pradesh (68.1%), West Bengal (68.2%) and Uttarakhand (67.2%). In contrast, the figure was lower than 50% in Himachal Pradesh (48.4%) and Kerala (47.9%). The higher the degree of self-employment, the lower seems to be the prosperity of the State. This suggests that self-employment is not a viable occupational category at all. It is a subsistence-level occupation because people cannot afford to remain unemployed.⁴³

Outside of agriculture, the total self-employed population is 92.1 million. Some of these are in relatively high income occupations, like independent professionals (doctors, lawyers, artists, accountants), shop owners in urban areas, rice-mill owners, workshop owners, commission agents, real estate and housing brokers and owners of small hotels and restaurants. But others are in relatively low income occupations, like handloom weavers (mostly women), chikan workers (mostly women), street vendors, food processors, rickshaw pullers, rag-pickers, beedi rollers (mostly working out of home), Agarbatti makers (mostly women), potters and bamboo product makers.⁴⁴ The point about this fourth transition is that self-employed workers in the relatively low income categories would be better off in wage employment, were that to be possible. 87% of own account

⁴² More accurately, they reported themselves as own account workers. *Report on Conditions of Work and Promotion of Livelihood in the Unorganized Sector*, National Commission for Enterprises in the Unorganized Sector, August 2007.

⁴³ In rural areas, self-employment is more among women. In urban areas, the figures are similar for both males and females.

⁴⁴ *Report on Conditions of Work and Promotion of Livelihood in the Unorganized Sector*, National Commission for Enterprises in the Unorganized Sector, August 2007.

enterprises are actually in rural areas, which is why the rural transformation also becomes important. The average own account enterprise is low on assets and low on value addition. The average value addition is Rs 2175 per month in urban areas and Rs 1167 per month in rural areas. Depending on the family size, this is not enough to ensure livelihood above the poverty line. 84.9% of own account enterprises are not registered and this needs to be flagged, because registration also brings attendant benefits, such as access to credit or government subsidies on marketing and technology.

Many of India's poor cannot afford to be unemployed so they are self-employed. Entrepreneurship exercised as a choice is very different from forced and subsistence self-employment that has no joy or glory. Not everybody can be an entrepreneur and we must expand wage employment to reduce poverty.

*Lalit K, Panwar, Principal Secretary Labour
Govt . of Rajasthan*

Why aren't own account enterprises registered? The answer isn't entirely lack of information. Opting out of registration is probably a conscious decision, because the benefits from registration are not commensurate with the costs. Not only are procedures connected with registration complicated and tiresome, registration brings with it the attendant problem of bribery and rent-seeking from the government machinery. For instance, for rickshaw pullers and street-vendors, studies in many parts of urban India have documented harassment and bribery by municipal authorities and police.⁴⁵

Table 5.1: Household Occupations (2004-05)

(in%)

Household Type	Sector		Total
	Rural	Urban	
Self-employed in non-agriculture[R]/ self-employed (U)	15.8	37.5	21.7
Agricultural labour /regular wage or salary earning	25.8	41.3	30.1
Other labour /casual labour	10.9	11.8	11.1
Self-employed in agriculture	35.9	-	26.0
Others	11.6	9.4	11.0
Total	100.0	100.0	100.0

Source: Indicus estimates using data from NSS 2004-05 employment round.

⁴⁵ Manushi's work is but one example. See, Madhu Purnima Kishwar, *Deepening Democracy, Challenges of Governance and Globalization in India*, Oxford University Press, 2005.

We find that systemic features of the environment (in India) make it difficult for businesses to start on a large scale or attain large scale through growth. The wealth constrained individual unwittingly becomes an obstacle to development rather than an agent of technological progress.

Prof. Amar Bhide, Colombia University

This brings in, beyond civil service reform, the broader agenda of administrative law reform. This involves two kinds of relationships that can overlap – dealings between the citizen and the government and dealings between an enterprise and the government. The latter can again be divided into three phases of an enterprise's existence - entry, functioning and exit. The former involves birth certificates, death certificates, land titles, assorted requirements of establishing one's own identity and issues connected with accessing public services. E-governance experiments have attempted to simplify both, but are still unsatisfactory, since the governance bit has to be sorted out first, before electronic use can reduce transaction costs.

The differences in growth trajectories between entrepreneurs and self-employed individuals arise from critical differences in orientation and characteristics. Founders of high-growth organizations, “entrepreneurs”, are characterized by innovativeness and opportunity-orientation. In contrast, self-employed individuals are generally striving to maintain the status-quo, and many, particularly in India, have not so much chosen their trades, as been forced into them by the lack of employment opportunities. Overall, self-employed individuals may be limited by lack of resources, lack of ability or knowledge; or they may have made a life-style choice. Therefore, while programs need to exist to promote and support self-employment, there needs to be clear focus on bringing more skilled individuals into entrepreneurship, and transitioning those self-employed who are limited by lack of resources or knowledge onto a high-growth track.

*Laura Parkin, Executive Director
Wadhvani foundation and National
Entrepreneurship Network*

⁴⁶ The World Bank's *Doing Business* database shows how unfavourably India compares on these.

Case Studies; Subsistence Self-employment To Decent Wage Employment

Rituparna Barbaruah, 23, born in Golaghat, works in Glaghat (Assam)

Rituparna formerly worked as a free lance teacher but mostly took after school tuitions for children who were not learning much at school. Her father was a milkman. She now works as a village counselor on e-governance at ₹ 6500 per month.

Case; Abul Basher, 24, works in Tinsukhia, born in Baksa (Assam)

Abul formerly worked for himself as a door to door salesman which left him with very irregular and low income. His father had a small construction contracting business which he did not want to join. He now works as a consultant on e-governance at ₹ 9500 per month.

Case; Saifi Patel, 21, works in Ratnagiri, born in Manmad (Maharashtra)

Saifi now works with a leading engineering & consumer products company as a temp at ₹ 5500. Prior to this he worked as an electrical contractor wherein his income was highly irregular with almost no work at most times. His only other option was to join his father on the farm which was in no means capable of supporting their family.

Case; Devendra Dewangan, 23, works in Mumbai, born in Champa (Chattisgarh)

Devendra use to work along with his father into their family owned textile business which was not doing too well. This prompted Devendra to come to Mumbai and today he works as a temp with a leading Equity broking company as a Sales Officer at ₹ 10500 a month excluding performance incentives.

Case; Dinesh Jadav, 31, works in Mumbai, born in Mumbai

Dinesh use to have a shop in Mumbai which was not doing too well despite investing around 9 yrs of hard work to revive it. This prompted him to take up a job to ensure a stable and regular income. Initially he took up a temp job in a leading BPO as a Data Processing Officer and today he works on rolls of HDFC Standard Life at ₹15000 a month.

Chapter 6: The Poverty Cost of delaying the Four Transitions

Planning commission and NSSO estimates show that extreme poverty has been declining from about 55% of the population in 1973-74 to about 27.5% in 2004-05.⁴⁷ Though the poverty decline in terms of share of the population has been significant the number of poor has remained stagnant at around 300-320 million in the last four and a half decades. But what is more worrisome is not that the numbers are stagnant, but that the rate at which poverty is declining has been slowing. This slowdown in poverty decline is true of both rural and urban areas, though poverty has been falling relatively faster in rural areas.

Table 6.1: Poverty Scenario in Rural & Urban India

Year	Rural Poor (%)	Urban Poor (%)	R + U Poor (%)	Population (in million)	Poor (in million)
1973-74	56.4	49.0	54.9	585.3	321.3
1977-78	53.1	45.2	51.3	641.1	328.9
1983	45.6	40.8	44.5	725.6	322.9
1987-88	39.1	38.2	38.9	789.2	307.0
1993-94	37.3	32.4	36.0	890.0	320.4
2004-05	28.3	25.7	27.5	1097.1	301.7

Source: Planning Commission of India

The reduction in poverty can come about due to improvement in the incomes of those within various occupational profiles and the reduction in the share of the occupations that are associated with lower incomes and consequently higher poverty. It is obvious that if only one of these forces were to occur, then poverty reduction would be lower than if both occur simultaneously.

Though data are generally unavailable for occupation wise poverty levels for earlier years (due to lack of information collection), all indications are that poverty has declined predominantly due to the change in incomes and not so much due to the reduction in the share of high poverty occupations.

First consider incomes. Income levels have been increasing for across various demographic, educational, and occupational segments – and there is enough evidence that this has been true of both urban and rural, organized and unorganized, for the better educated and those less so, etc. The received evidence on incomes is that those at the bottom of the income pyramid have had improvements in income in the post reform period, but those at the top-end have benefited more. (See Bhandari and Debroy, 2007)

⁴⁷ Extreme poverty in India is defined in terms of those who live in households whose per capita expenditure is below a certain amount (or the poverty line); the poverty line itself has been estimated on the basis of ability to purchase foods that would provide every household member of the required calories.

However we find little evidence of desired changes in the occupational structure of the Indian workforce. This, as has been discussed in previous sections, reflects the significant barriers to the re-allocation of human resources in the economy. Since 1991, reforms have been based on efficiency in resource allocation. But the discourse on reforms has invariably been around efficient use of capital. Land and labour are other critical inputs as well and their efficient usage is also an equally important issue. Therefore, rigidities in land and labour markets require as much discussion as rigidities in capital markets.

If constraints to movement of human capital between various occupations did not exist, we would have expected that occupations that have greater incomes (and lower poverty levels) would see greater entry and consequent increase in share of total employment. And those that have lower incomes and higher poverty would see significant exit. Where evidence is available on such shifts the movements are either insignificant or too slow.

Fifty-nine percent of India's total workforce is farm-related and yet agriculture only contributes 18 % to India's GDP. This mismatch ensures a vicious cycle of subsistence dependence on farming. It saps the economy of much needed energy that would come from farm to non-farm migration. No country in the world, not the US, UK, Japan or China, has successfully moved up the development ladder without a massive transition of farm to non-farm labour. In output, India is a tertiary economy (services dominate.) In input, it remains a primary one (farm employment dominates.) Migration from farm to non-farm employment is an imperative to rectify this imbalance and to set India on a sustainable development path.

Narayan Ramachandran, CEO, Morgan Stanley India

Take urbanization for instance. It is well known that India's urbanization levels are not increasing on the lines expected despite the fact that incomes in urban areas are significantly higher than those in rural areas. Bhandari and Bordoloi (2005) for instance show that an average person in rural area having the same education, experience, age, gender, family background as one in urban area had significantly lower income levels. The table below shows, urbanization rate has been leveling off over the last few decades.

Table 6.2: Change in Urbanization Rate in India over time

Year	UA*/Towns	Total Population (in million)	Urban Population (in million)	Decadal Growth Urban (%)	Pop Share of Urban	Percent Point Change in Urban Population
1971	2590	598	109	-	18.2%	-
1981	3378	683	160	46.1	23.3%	5.1%
1991	3768	844	217	36.2	25.7%	2.4%
2001	5161	1,027	285	31.4	27.8%	2.1%

Note: UA: Urban Agglomerations

Source: Census of India

Next consider the well-known problem of stagnant organized sector employment. Organized sector employment estimates through much of the nineties and 2000s have centered around 30 million give or take 2-3 million. This in turn has given rise to a whole (albeit flawed) debate on jobless growth. Previous editions of the India Labour Report have documented extensively that employment has increased, it just has not been in the organized sector.

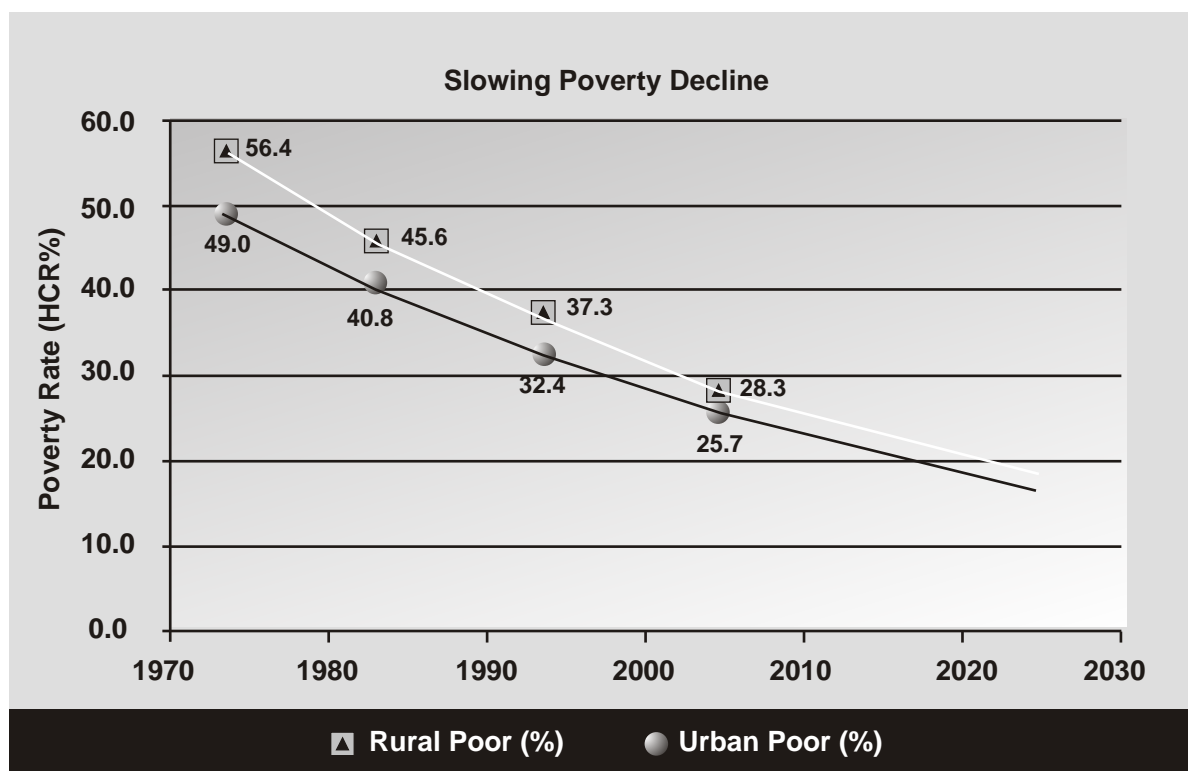
In other words, the more or less stagnant figure for organized sector employment and reducing pace of urbanization are just two illustrations of the various rigidities impacting India's workforce. **This, we argue, is a problem that is far more pervasive and runs across various occupational cuts and sectors.**

Poverty Levels and Occupations

Poverty rates have been falling consistently in India for the past few decades, but decreasingly so. The fall in poverty is largely associated with the rise in incomes within various occupations. Consequently, the occupations that have shown relatively lower income increases such as farm labour, have also had lower reduction in poverty levels.

The following figure shows that the fall in poverty has been non-linear. And if the same non-linearity were to continue, poverty levels by 2024-25 would be about 17% for urban and 18.5% for rural, with an aggregate national poverty level of around 18%.

Fig 6.1: Change in Poverty Rate over Time



Source: Planning Commission

Table 6.3: Estimated poverty levels under current regime

Year	Rural	Urban
2004 - 05	28.3	25.7
2009 - 10	25.5	23.0
2014 - 15	23.0	21.5
2019 - 20	20.5	18.5
2024 - 25	18.5	17.0

Source: Estimated by Indicus using data from Planning Commission. Trends on the basis of power series of the type $y = A \cdot \exp(x)$ using historical Planning Commission poverty data from 1973-74 at roughly 10 year intervals.

This slowing in poverty reduction, we argue, is essentially because of the inability of human capital to move towards the more productive spheres of activity – namely urban, organized, non-farm and good quality wage employment.

Consider the population dis-aggregated by the occupational status of the household head. Rural India accounts for 70 percent of the population in 2009-10 as per estimates by the RGI (see table below). We estimate using NSS 04-05 data, the share of population under various occupational segments.

In rural India, both self employment under farming (farmer-cultivators) as well as the wage employed (non-landed workers) constitute a large segment of the rural population. The organized sector under farming contains insignificant numbers. The organized sector is typically small in rural areas even in the non farm related activities, consequently the population under these sectors is 3.2 percent (0.8 + 2.4) of India's population; and the bulk of the rural non-farm sector remains in the unorganized space accounting for 23.6 percent (7.3+16.3).

Next consider Urban population, estimated at about 30 percent of the total by the RGI. Farming urban areas occurs typically in the periphery or un-constructed areas close to water bodies such as river beds. About 2 percent of India's population lives in households where the chief income source is from employment in the farm sector. Self employment in urban areas is also largely an unorganized sector phenomenon as is reflected in its population share of 13.1 percent – far higher than the organized sector self employment figure of 0.2 percent. Even the organized sector wage employment accounts for barely 6 percent whereas the unorganized sector wage employed consists of 8.8 percent.

The Registrar General of India (RGI) estimates a rather slow rate of urbanization, an increase of roughly one percentage point in the share of urban population every five years. The RGI estimates for 2024-25 are based on past patterns and an assumption that the trends of the past will continue. Indeed, without easing of constraints in the four transitions, this may very well occur.

The estimates occupational distributions in the third column of the table 6.4 given below are based on the likelihood of a more or less stagnant occupational structure. The fourth column shows what a mild transition towards the desired direction of greater urban, greater organized, and greater good quality wage employment could achieve in a decade and a half. The fifth and the sixth columns display the results of a moderate and a much more rapid transition.

As has been stated earlier, these transitions are desirable, because they are good for development and for the cause of poverty reduction. That's the way every country in the world has progressed.

Table 6.4: Estimated Share of India's Population

Household Head's Occupation profile		Slow Transition (Current structure continues)	Slow Transition	Moderate Transition	Rapid Transition
	2009-10*	2024-25*	2024-25*	2024-25*	2024-25*
Persons in Rural Households					
Farm & Organized & Wage Employed	0.0	0.0	3.0	7.0	9.0
Farm & Unorganized & Wage Employed	16.1	15.4	10.0	3.0	0.0
Farm & Organized & Self Employed	0.0	0.0	2.0	8.0	9.0
Farm & Unorganized & Self Employed	27.0	25.8	20.0	12.0	6.0
Non Farm & Organized & Wage Employed	0.8	0.8	5.0	10.0	12.0
Non Farm & Unorganized & Wage Employed	7.3	7.0	5.0	3.0	0.0
Non Farm & Organized & Self Employed	2.4	2.3	5.0	7.0	15.0
Non Farm & Unorganized & Self Employed	16.3	15.6	10.0	5.0	0.0
Total Rural	70.0	67.0	60.0	55.0	50.0
Persons in Urban Households					
Farm & Organized & Wage Employed	0.0	0.0	-	-	0.0
Farm & Unorganized & Wage Employed	0.6	0.7	-	-	0.0
Farm & Organized & Self Employed	0.0	0.0	-	-	0.0
Farm & Unorganized & Self Employed	1.3	1.4	-	-	0.0
Non Farm & Organized & Wage Employed	6.0	6.6	20.0	25.0	35.0
Non Farm & Unorganized & Wage Employed	8.8	9.7	5.0	3.0	0.0
Non Farm & Organized & Self Employed	0.2	0.2	7.0	12.0	15.0
Non Farm & Unorganized & Self Employed	13.1	14.4	8.0	5.0	0.0
Total Urban	30.0	33.0	40.0	45.0	50.0

*Source: Indicus Estimates using Registrar General of India Estimates for Rural-Urban Population break-ups and NSSO 2004-05 Employment Survey for household head's occupation-wise population break-ups.

The consequent fall in poverty levels are shown in the table below.

Table 6.5: Hastening the fall in Poverty

National Poverty Rate (%) with	2009-10	2014-15	2019-20	2024-25	<5% Poverty by
No/Limited Occupational Transition	24.8	22.5	19.9	18	>2050 AD
Slow Occupational Transition	24.8	20.7	16.6	13.6	2040 AD
Moderate Occupational Transition	24.8	19.1	13.7	9.7	2030 AD
Rapid Occupational Transition	24.8	17.6	11.2	6.3	<2030 AD
Population (in million)	1176.7	1254	1326.2	1389	
Population Under Poverty (in million)					Poverty Reduced by
No Occupational Transition	291.2	282.6	263.4	250.1	14%
Slow Occupational Transition	291.2	259.5	220.3	188.6	35%
Medium Occupational Transition	291.2	239.3	182.3	134.7	53%
Rapid Occupational Transition	291.2	220.7	148.5	87.50	70%

Source: Indicus Estimates

Poverty rates as well as the absolute numbers living in poverty are expected to halve if a rapid occupational transition is achieved. While this is a counter-factual, it is plausible because other developing countries have precisely achieved these kinds of transitions. What is most interesting is that a status quo approach indicates an insignificant poverty level (taken to be <5%) well into the 2050s, whereas encouraging occupational shift will enable a far more rapid fall in poverty. This is obvious – if we can rapidly transition a large part of the workforce into high productivity occupations, the consequent fall in poverty level will be greater. And the more rapidly we achieve this, the more rapid the fall in poverty. Note that other countries have managed this – take China's case.

The Case of China

Indeed, other countries have succeeded in much more rapid changes in occupational structures. The following figure for instance shows how Japan and Korea have been able to rapidly achieve much greater levels of occupational shifts. And they have achieved such transitions in the past when relevant technologies were not as well developed or as easily available. Not just in the past, China is rapidly moving towards creating a white collar economy, away from a predominantly agriculture based one. And for that it is investing heavily in creating relevant institutions, infrastructure and education and training facilities.

Table 6.6: The Ongoing Occupational Transition in China

Employment in Economic Sectors	1960	1980	1990	2000
China	% employed			
Primary	81	69	60	50
Secondary	9	18	21	23
Tertiary	10	13	19	28
Korea				
Primary	66	34	19	11
Secondary	9	23	33	20
Tertiary	25	44	49	69
Japan				
Primary	33	13	7	5
Secondary	30	39	34	21
Tertiary	37	48	59	74
Occupational Stratification in China: 1952-1999	1952	1978	1988	1999
Govt., Admin., Owners, Professional, Tech, Clericals	2.2	6	8.7	14.1
Self-employed's	4.1	0	3.1	4.2
Sales & Services	3.1	2.2	6.4	12
Industrial Workers	6.4	19.8	22.4	22.6
Farm Workers	84.2	67.4	55.8	44
Unemployed etc.	–	4.6	3.6	3.1
HRD Goals in China: 2001-2050	2000	2010	2020	2050
Average school years of labour force population	8.3	9.7	10.8	13.3
Average school years of new labour force	10.1	11.8	12.7	13.8
Average school years of employees	8	9.6	11	13.5
(Among those) Primary sector	6.8	7.5	8.6	10
Secondary sector	9.4	9.9	10.8	13.2
Tertiary sector	10.8	11.3	12.2	14
Prop. of Tertiary educ. among employees	4.7	10.5	19.3	44
(Among those) Primary sector	0.1	0.4	1.1	6.8
Secondary sector	6	8	12.8	35.8
Tertiary sector	19	21.7	32	51.3
Number of Tertiary educ. per 10 thousands	361	770	1300	2100
Number of over H.S.graduates per 10 thousands	1115	1600	1900	2900

Source: Yoo Hong-joon (2004), Occupational Structure in China and Its HRD Policy Implications: Compared with Korea, Sungkyun Journal of East Asian Studies, Vol. 4, No. 1, 2004, pp. 184-200., Sungkyunkwan University, The Academy of East Asian Studies

At the moment, India's economic reforms have only benefited and positively affected selected enclaves. These transitions will make the impact more broad-based, with income and consumption growth everywhere and thus reduce opposition for reforms and counter the argument that reforms are pro-rich and anti-poor.

Chapter 7: Enabling the Four Transitions

We have argued that four transitions (a shift from rural to urban, a shift from farm to non-farm, a shift from the unorganized to the organized and a shift from subsistence self-employment to decent wage employment) are necessary to take India on the path to prosperity and development. These four transitions represent a pro-poor development agenda. Why don't these transitions take place and what are the constraints? Some policy-induced distortions have been mentioned before. To these, one can add problems of physical infrastructure (roads, electricity, water). Without downgrading the importance of these factors, perhaps the single most important constraint is lack of skills. This is about human beings. And human beings can advance only when they possess the skills. A few comments about the general education system are in order first, as they illustrate the mindset of government controls that have been the bane not only about the issue of delivering skills, but education in general.

In 2005, the World Bank published a report on India and the knowledge economy.⁴⁸ The expression “knowledge economy” can be precisely defined, but that is irrelevant for present purposes. The thrust of the World Bank report is on education's role as a fundamental enabler of the knowledge economy and the knowledge economy's requirement of a new set of skills and competencies. In December 2006, the Planning Commission produced the Approach Paper to the 11th Five Year Plan (2007-12).⁴⁹ This has a sub-title on faster and more inclusive growth. The introductory chapter of this document states, “It is important to recognize that better health and education are the necessary pre-conditions for sustained long-term growth”. There can be no quarrel with this generic statement. Further down the chapter we have, “A key element of 11th Plan strategy should be to provide essential education and health services to those large parts of our population who are still excluded from these. Education is the critical factor that empowers participation in the growth process, but our performance has been less than satisfactory, both overall and in bridging gender and other divides. Overall literacy is still less than 70% and rural female literacy less than 50% with corresponding rates even lower among the marginalized groups and minorities. While the Sarva Shiksha Abhiyan has expanded primary school enrolment, it is far from providing quality education. Looking ahead, we cannot be satisfied with only universal primary education; we must move towards universal secondary education too as quickly as possible.” This is also almost generic, though question marks can be raised about success indicators like increased primary school enrolment and the degree to which Sarva Shiksha Abhiyan can alone obtain the credit.⁵⁰ Still further down the chapter, we have extensions of this argument. “While both education and curative health services are available for those who can afford to pay, quality service is beyond the reach of the common people. Other privately provided services are of highly variable quality. In this situation, access to essential

⁴⁸ *India and the Knowledge Economy, Leveraging Strengths and Opportunities*, Carl Dahlman and Anuja Utz, World Bank, Washington, 2005.

⁴⁹ *Towards Faster and More Inclusive Growth, An Approach to the 11th Five Year Plan*, Planning Commission, Government of India, December 2006, http://planningcommission.nic.in/plans/planrel/app11_16jan.pdf

⁵⁰ As opposed to the mid-day meal scheme.

services can only be through public financing. In most cases this means public provision or partnership with non-profit and civil society organizations. A major institutional challenge is that even where service providers exist, the quality of delivery is poor and those responsible for delivering the services cannot be held accountable. Unless such accountability is established and cutting edge service providers trained, it will be difficult to ensure significant improvement in delivery even if large resources are made available.” Although this statement is about education at a very general level, some additional points have now been flagged? First, there is a question of access to the relatively poor. Second, flowing from the first argument, a case has been made for public financing, which is then equated with public provisioning, without making the jump from the one to the other at all clear. Third, an implicit argument has been made about regulation. Fourth, another implicit argument has

India's poverty reduction depends on increasing agricultural wages and. This needs the expansion of organized low skill non-farm employment. This is particularly important because 40% of economically active women in India work as agricultural labourers.

Rinku Murgai, The World Bank

Let's go back to the afore-mentioned World Bank report on India and the knowledge economy. This sets out the main issues, as perceived by the Bank, in strengthening India's education system. Paraphrased, these issues are – (a) improving efficiency in use of public resources; (b) making the education system responsive to market needs; (c) ensuring that access doesn't mean the crowding out of the relatively poor; (d) ensuring quality, relevance and practical skills; (e) in higher education, shifting the focus of the government from administrative management to regulation; and (f) relaxing entry barriers and accreditation systems for private players, including foreign ones. In its chapter⁵¹ on strategic initiatives for inclusive development, the Approach Paper divides education discussion into five segments – elementary education, secondary education, technical/vocational education and skill development, higher/technical education and adult literacy. Since education is a continuum and access to higher education is a function of access to school (elementary and secondary) education, such water-tight compartmentalization doesn't always make sense. However, if the expression “higher education” is used, most people would interpret it as technical/vocational education and higher/technical education, probably the latter. Once one has pinned down the expression, one should ask how the World Bank's six issues should be addressed for this sector.

⁵¹ Chapter 4

If we interpret higher education as higher/technical education, to the exclusion of technical/vocational education and skill development, this is what the Approach Paper tells us. “India has a well-developed and comprehensive higher education system which has served us well thus far, but is now inadequate. The extent of access it provides is limited. Only about 10% of the relevant age group go to universities whereas in many developing countries, the figure is between 20 and 25%. There is an overwhelming need to undertake major expansion to increase access to higher education. The system also suffers from a serious problem of quality. While some of our institutions of higher education have the potential to become comparable with the best in the world, the average standard is much lower. High quality institutions are finding it difficult to get quality faculty given the enormous increase in private sector opportunities for the skills most in demand.” These aren't points that are being flagged for the first time. For instance, in 2002, the S.P. Gupta Special Group⁵² constituted by the Planning Commission stated, “It should be noted, however, that on the average the skilled labour force at present is hardly around 6-8 per cent of the total, compared to more than 60 per cent in most of the developed and emerging developing countries.”

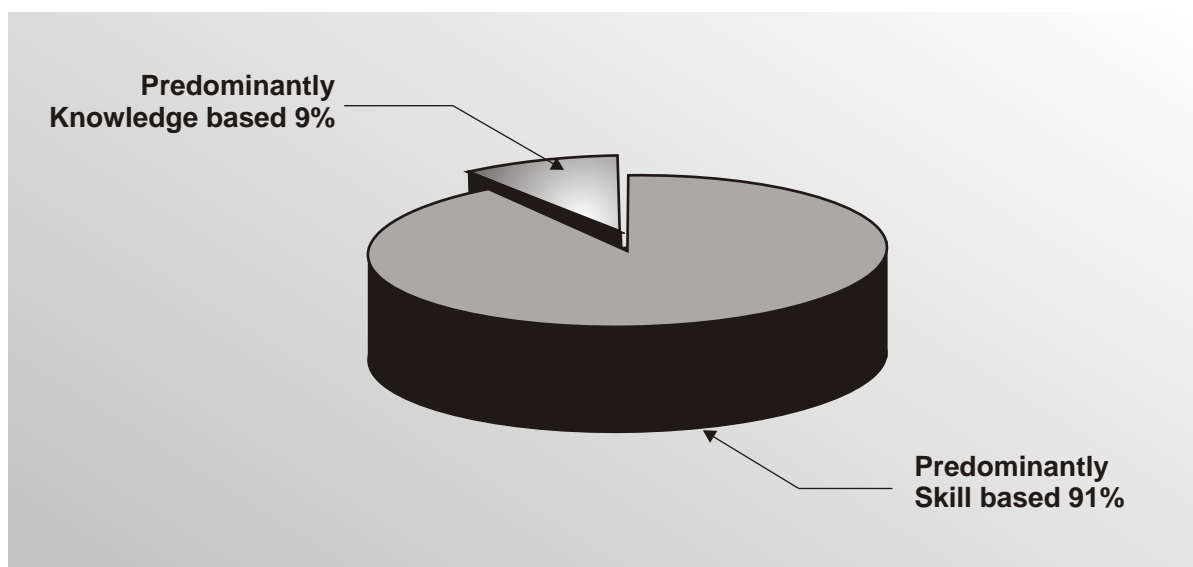
Figure 7.1 shows that merely 9% of the total occupations in India were knowledge based in 2004-05. As high as 91% occupations were skill-based. This further highlights the urgency of meeting the huge unmet demand of the skilled labour force. In 2001, the Montek Singh Ahluwalia Task Force,⁵³ again constituted by the Planning Commission, stated, “Only 5% of the Indian labour force in this age category⁵⁴ has vocational skills whereas the percentage in industrial countries is much higher, varying between 60% and 80%, except for Italy, which is 44%. The percentage for Korea, which has recently been categorized as an industrialized country, is exceptionally high at 96%. The developing countries listed have percentages which are significantly lower than the developed countries, but they are still much higher than India e.g. Mexico at 28% and Peru at 17%. Differences in definition may make inter-country comparison somewhat unreliable, but the level in India is clearly far too low.” However, both these quotes have more to do with vocational education.

⁵² *Report of the Special Group on Targeting Ten Million Employment Opportunities per year over the Tenth Plan Period*, Planning Commission, May 2002, http://planningcommission.nic.in/aboutus/committee/tsk_sg10m.pdf

⁵³ *Report of the Task Force on Employment Opportunities*, Planning Commission, July 2001, http://planningcommission.nic.in/aboutus/taskforce/tk_empopp.pdf

⁵⁴ 20-24 age-group.

Fig 7.1 Distribution of 'Skill-based' versus 'Knowledge-based' occupations



Source: Teamlease India Labour Report, 2007. Indicus Estimates based on NSSO 61st Round 2004-05. National Classification of Occupation (NCO) 1968 used. All individuals currently working by their principal activity.

On higher education, the present regulatory and control structure is a maze. Although the Ministry of Human Resource Development is involved, directly or indirectly, there are multiple layers. First, there are 20 Central Universities, funded by the Centre and therefore under direct Central control.⁵⁵ Second, there are 109 deemed universities under the UGC Act, 5 institutions established under State legislation and 13 institutes of national importance established under Central legislation. Till 1976-77, higher education was in the State List of the Seventh Schedule. The 1976-77 amendment moved it to the Concurrent List. Third, in addition to Central universities and deemed universities, there therefore exist 222 State universities and colleges,⁵⁶ with the coordination function supposed to be exercised by UGC and the Central Advisory Board of Education (CABE). There are 18,064 colleges, including 1902 women's colleges. Fourth, some universities are affiliating, others are unitary. Some are single campus, others are multi-campus.⁵⁷ Fifth, several forms of professional education are regulated by statutory councils like All India Council for Technical Education (AICTE), Distance Education Council (DEC), Indian Council for Agriculture Research (ICAR), Bar Council of India (BCI), National Council for Teacher Education (NCTE), Rehabilitation Council of India (RCI), Medical Council of India (MCI), Pharmacy Council of India (PCI), Indian Nursing Council (INC), Dentist Council of India (DCI), Central Council of Homeopathy (CCH) and Central Council of Indian Medicine (CCIM). This creates multiplicity and confusion, the artificial distinction between diplomas and degrees in the same subject and for the same duration being a case in point.

⁵⁵ These figures are from the Ministry of Human Resource Development's Annual Report for 2006-07, <http://www.education.nic.in/AR/AR0607-en.pdf>

⁵⁶ 138 colleges are now autonomous.

⁵⁷ This problem also renders cross-country figures on higher education institutes somewhat misleading.

On the base that existed at the time of Independence, the numbers, including those on student enrollment and number of teachers, represent an impressive increase. But a few uncomfortable questions need to be asked. How many of these institutes of higher education are of requisite quality? Even if one ignores international rankings of universities and colleges,⁵⁸ which can be subjective and therefore exhibit different rankings across different surveys, why is it that most of India's universities and colleges have excess and under-utilized capacity, while only a few have excess demand? Why is it that a large number of Indian students head abroad, and not just to the United States? Incidentally, this exit option is only available to the relatively richer segments of society. Why has there been a decline in the number of overseas students who come to India to study? Through WTO (World Trade Organization), there are no commitments right now in higher education. However, eventually, higher education is bound to be opened up. Are Indian institutes equipped to handle that eventual challenge and have the supply-side changes occurred? Why are legitimate and better foreign universities not allowed to operate in India while lesser known ones function through a grey area in the law? Why are Indian institutions of higher education more interested in setting up shop overseas (the Middle East, South-East Asia, even China) than in India?

One looks to the Planning Commission to provide answers to these uncomfortable questions and answer policy issues. Yet, if one reads the Approach Paper, all that one finds is concern over regional divides. The clichéd answer is that more colleges and universities must be set up, presumably through public resources. There must be reservation of seats for deprived segments (identified through collective identities like caste instead of individual identities like class) in institutions of higher education. This is in line with the standard prescription that public expenditure on education, including higher education, must be increased, a point that is also made by the National Common Minimum Programme (NCMP). The NCMP states that public expenditure on education must be increased to 6% of GDP, a target that was originally articulated in the National Policy on Education (1986). Since half of this is to be spent on primary and secondary education, the remainder will be spent on other forms of education, including higher education.⁵⁹

Before elaborating on these points, let us turn to the National Knowledge Commission, which elaborates on policy issues much more cogently than the Planning Commission does. The National Knowledge Commission prepared a note on higher education.⁶⁰ Part of this note is devoted to a description of the present malaise, which it is unnecessary to reiterate. On the philosophy behind concrete policy changes, we have, "We recognize that a meaningful reform of the higher education system, with a long-term perspective is both complex and difficult. Yet, it is imperative. And we would suggest the following building blocks in this endeavour. First, it is essential to reform existing public universities and undergraduate colleges. Second, it is necessary to overhaul the entire regulatory structure governing higher education. Third, every possible source of financing investment in higher education needs to be explored. Fourth, it is important to think about pro-active strategies for enhancement of quality in higher education. Fifth, the time has come to create new institutions in the

⁵⁸ Rarely do institutions other than the IITs and some business schools perform well in such cross-country rankings.

⁵⁹ Public expenditure on higher education is around 0.7% of GDP now.

⁶⁰ *Note on Higher Education*, National Knowledge Commission, 29th November 2006, <http://www.knowledgecommission.gov.in/downloads/recommendations/HigherEducationNote.pdf>

form of National Universities that would become role models as centres of academic excellence. Sixth, the higher education system must be so designed that it provides access to marginalized and excluded groups.” Amplifying further, there are recommendations about the number and size of universities (1500 by 2015), curriculum, examinations, research, faculty, finances,⁶¹ infrastructure, governance, the system of affiliation of colleges, regulation, incentives and access.

Of these, the section on regulation also deserves a quote. “There is a clear need to establish an Independent Regulatory Authority for Higher Education (IRAHE). Such a regulatory authority is both necessary and desirable. It is necessary for two important reasons. First, in India, it requires an Act of Legislature of Parliament to set up a University. The deemed university route is much too difficult for new institutions. Entry through legislation alone, as at present, is a formidable barrier. The consequence is a steady increase in the average size of existing universities with a steady deterioration in their quality. The absence of competition only compounds problems. Second, as we seek to expand the higher education system, entry norms will be needed for private institutions and public-private partnerships....The present regulatory system in higher education is flawed in many respects. The barriers to entry are too high. The system of authorizing entry is cumbersome. And there are extensive rules after entry, as the UGC seeks to regulate almost every aspect of an institution from fees to curriculum. The system is also based on patently irrational principles....In higher education, regulators perform five functions: (1) Entry: licence to grant degrees. (2) Accreditation: quality benchmarking. (3) Disbursement of public funds. (4) Access: fees or affirmative action. (5) Licence: to practice profession. India is perhaps the only country in the world where regulation in 4 of the 5 functions is carried out by one entity, that is, the UGC. The purpose of creating an IRAHE is to separate these functions.”

To this, let's add a quote on financing of higher education. “There is no system of higher education in the world that is not based upon significant public outlays. And government financing will remain the cornerstone of any strategy to improve our system of higher education. The present support for higher education, at 0.7 per cent of GDP, is simply not adequate. In fact, over the past decade, in real terms, there has been a significant decline in the resources allocated for higher education, in the aggregate as also per student. In an ideal world, government support for higher education should be at least 1.5 per cent, if not 2 per cent of GDP, from a total of 6 per cent of GDP for education... The time has come to rethink, as we have no choice but to rationalize fees. It is for universities to decide the level of fees but, as a norm, fees should meet at least 20 per cent of the total expenditure in universities.... In three professions – engineering, medicine and management- there has been a de facto privatization of education so that two-thirds to three-fourths of the seats are in private institutions. But private investment in university education, where more than 70 per cent of our students study, is almost negligible. It is essential to stimulate private investment in higher education as a means of extending educational opportunities. We must recognize that, even with the best will in the world, government financing cannot be enough to support the massive expansion in opportunities for higher education on a scale that is now essential.”

⁶¹ “In general, about 75 per cent of maintenance expenditure is on salaries and pensions. Of the remaining 25 per cent, at least 15 per cent is absorbed by pre-emptive claims such as rents, electricity, telephones and examinations.”

Barring one area, these quotes raise the fundamental policy questions. The only area where the National Knowledge Commission ducks is on the question of allowing profit-making institutions of higher education. Let's restate the issues differently. First, contrary to what is sometimes felt, education, and certainly higher education, is not a public good.⁶² Second, the message of the post-1991 reforms has been on ensuring competition and entry as drivers for better quality and choice. If that has worked for other areas, why should higher education be different? The present regulatory system is not one designed for regulation, but for licensing and control, a phenomenon that has been discarded everywhere else. There is already de facto privatization, not just in the three areas mentioned by the National Knowledge Commission, but elsewhere too. Third, there is no reason why higher user charges should not be imposed, with actual user charges today typically lower for higher education than for school education. Fourth, cross-country evidence doesn't suggest that privatization leads to crowding out of the relatively poor, since systems of scholarships and loans do exist. But to the extent that such crowding out is a problem, no one argues against government financing through scholarships and loans. The argument is against the present inefficient system of public expenditure through salaries and pensions, so that colleges and universities do not face hard budget constraints that would have compelled them to reform. Public subsidies are perfectly in harmony with principles of choice, provided the subsidies are targeted towards those who actually need them, that is, students. It is because there is lack of clarity on these policies that courts have often stepped in, interpreting the law as it stands today, rather than creating it.⁶³ Whichever way one looks at it, higher education reform must begin with a complete revamping and replacement of the Department of Higher Education in the Ministry of Human Resource and Development, UGC and AICTE.

There is a reason why this sketch was important. Depending on the occupation, skill development is not only about what is called vocational education. It is also about what is called higher education. Here are some facts from the Eleventh Plan (2007-2012) document.⁶⁴ Among those who are between 15 and 29 years of age, only 2% receive formal vocational training. 8% receive non-formal vocational training. This is one of the lowest figures in the world. The NSSO 61st Employment and Unemployment Round data also substantiates the above fact as shown in the following table.

⁶² In terms of the classic definition of a public good used by economists.

⁶³ For a brief review of this court intervention, see Devesh Kapur and Pratap Bhanu Mehta, "Higher Education", in *The Oxford Companion to Economics in India*, edited by Kaushik Basu, Oxford University Press, 2007. Also see, "Higher Education: Regulation and Control", Bibek Debroy, in the same volume.

⁶⁴ *Eleventh Five Year Plan, 2007-2012, Vol. 1, Inclusive Growth*, Planning Commission, 2008, especially Chapter 5.

Table 7.1 Vocation Training Status among individuals in 15-29 age group

Vocational Training Status	Percentage Individuals
Currently Receiving Formal Vocational Training	1.30
Received Vocational Training: Formal	2.35
Received Vocational Training Non-Formal: Hereditary	3.93
Others	3.75
Did Not Receive Any Vocational Training	87.81
Total	100

Source: Indicus estimates from NSSO 61st Employment and Unemployment Round

“One reason for this poor performance is the near exclusive reliance upon a few training courses with long duration (2 to 3 years) covering around 100 skills.”⁶⁵ 80% of new entrants into the work force have no opportunity for training in skills. 12.8 million young will enter the work force as new entrants per year. As against this, the present (largely government-administered) system of delivery can only provide training to 3.1 million per year. The system can change only if the following changes occur. The country cannot afford to wait.

There is also an issue of matching skills across the regional divide. As has been mentioned earlier, there are parts of India that are likely to be labour surplus and there are parts that are likely to be labour deficit. This matching exercise should also be thrown open to the private sector, since the public sector (such as through employment exchanges) hasn't been able to deliver efficiently on this either.

Like peeling the skin of an onion, there are different layers in addressing the skills problem. At a core and fundamental level, there are problems with skill delivery, requiring supply-side adjustments that require time and resources. This can be called a “preparing” issue. This is often recognized. But at another level, workers possess skills resulting from training, however inadequate. But these existing skills need to be supplemented and made marketable. This can be called a “repairing” issue. Finally, there is yet another problem, where skills or supply exist in certain geographical regions, while the demand exists in another and there is no broker who exists as an efficient intermediary to plug the gap between the two. The employment exchanges were supposed to deliver this function, but have failed. This can be called a “matching” issue. For each of these issues, while financing and subsidies may often have to be public, one needs to get out of the mindset of delivery through the public sector. It is competition and choice that impart efficiency.

⁶⁵ Ibid.

The Urgency – India's Embarrassing Labour Market⁶⁶

1. Neither efficiency nor equity

India's plethora of poor labour legislation has led to an economy that is neither competitive nor a society that is caring. We face the punishing combination of a globally uncompetitive labour environment with no effective social safety nets.

2. Labour Market Insiders vs. Outsiders

Labour legislation has been hijacked by a vocal minority at the expense of 93% of the labour force. Labour market insiders (mostly not poor, middle-aged, men) oppress outsiders (young, old, women, poor, lower skilled, unemployed, temporary workers, etc).

3. Two tiering

Over time, labour laws have become applicable to a small category of enterprises in the “organized” sector. This creates a dualistic set-up in which the organized sector remains limited in terms of aggregate employment and most workers, who are largely unorganized, have no protection. This dualism is characterized by a tiny organized (or large scale) sector with low employment, and a huge unorganized (or small scale) sector, with low investment.

4. Unemployment/ Jobless growth

The number of unemployed is above 30 million or equal to organized employment. The Indian economy has responded well to reforms but job creation has been a disappointment. With no explosion of unorganized or organized job creation, unemployment is increasing and has led to a lack of grassroots social or political support for reforms since 1991.

5. Legislation ahead of capacity to pay and capability to execute

Labour policies have been running ahead of implementation capacity and affordability. For e.g. Minimum wages, ESI, EPS of PF, etc. Most East Asian countries did not introduce extensive social welfare provisions in the early stages of their development – their economies had not reached the point where they could handle the burden of social welfare. We need a reality check in which legislation that is beyond implementation capacity should be scrapped.

6. Needed shift from employment to employability

We need a policy shift from employment to employability; teaching a person to fish rather than giving him fish. A first step could be the creation of a Ministry of Employment by merging the Ministry of HRD and Labour. Such a focus will also reverse the current labour law situation of over-regulation and under-supervision.

⁶⁶ India Labour Report, 2005

Chapter 8: The Agenda for Change – 3 reform buckets

The last twenty years of economic reforms have demonstrated that growth is a necessary but not sufficient condition for sustained poverty reduction. Sustainable poverty reduction needs access. And access comes from the 3Es (Education, Employability and Employment). India's labour transitions (farm to non-farm, rural to urban, unorganized to organized, subsistence self-employment to decent wage employment) are a unique opportunity and challenge for India because 25% of the world's new workers will be Indian. These transitions hinge of requisite human capital, because in the last resort, growth and development are about people. The regulatory structures that inhibit education, employability and employment must be overhauled along the lines mentioned above. That is the way towards progress.

This and the previous editions of the India Labour Report (ILR 2005, 2006, and 2007) have covered a whole gamut of reforms that can, between them, completely overhaul not only India's human capital ecosystem but its whole economy; at a cost far lower than what typical status quo policies would entail. Broadly put, there are three buckets of reform:

1. **MATCHING (EMPLOYMENT REFORM);** better matching the available supply to the demand by removing the various market failures in India's employment/labour markets. This includes removing legislation that breeding unorganized employment, increasing the efficacy of within and across state infrastructure like employment exchanges to connect job seekers with employers, and much else. Most change in this bucket will be pivoted around a review of labour laws and labour infrastructure.
2. **MISMATCH (EMPLOYABILITY REFORM);** repairing of fixing existing human capital for emerging requirements of a rapidly growing economy. This is particularly important for the people already in the labour force in low productivity jobs or students who have finished formal education that did not give them the skills to get or keep a job.
3. **PIPELINE (EDUCATION REFORM);** this is about re-orienting our education system to one that focuses on "learning for earning". The current education system has many issues around regulation, curriculum, teacher training, etc that sabotage work ready output.

Matching (connecting Supply To Demand – Employment Reform)

Of all the reforms, these can lead to the most instantaneous and perceptible impact on employment conditions in the country. This requires a combination of legal, regulatory as well as administrative reforms.

Background

- Are minority rule since they value job preservation over job creation and the organized sector is only 7% of the total labour force
- They amplify the capital and skill intensity of growth and investments
- They discriminate against labour market outsiders (less skilled, less educated, people from small towns, women, etc)
- Because a poor legal regime increases transactions costs and promotes corruption since over-legislation, non-harmonized and complicated laws create incentives for government functionaries to exploit. The required changes that will not be sensitive and only improve labour welfare have been identified and need to be acted upon.

Recommendations

- Convert Employment Exchanges into Career Centres that offer assessment, counseling, apprenticeships, jobs and certifications in Public Private Partnerships.
- Create alternatives to the EPFO and ESI; the poor service and poor value for money leads to evasion and breeds unorganized employment. Separate the regulatory role of EPFO and ESI from their delivery role; allow employers and employees to pay into the New Pension Scheme (NPS) regulated by IRDA.
- Review the philosophy and plumbing of labour laws that encourage the substitution of labour by capital and increase the skill intensity of employment review the laws but leave out the sensitive ones like Section VB of the Industrial Disputes Act and the Trade Union Act
- Separate Philosophy from Plumbing; Phase 1 of the review could focus on elimination, harmonization and re-engineering. There is an urgent need to harmonize definitions, reduce the number of statutes (greater than 45 statutes directly associated with labour, and scores of others having some element related to labour issues). These need to be rewritten in simple language, harmonized with each other, and the redundant ones need to be eliminated.
- Make Labour legislation a state subject. Given that a political logjam is holding labour reform at the centre, it would make greater sense to move labour laws from the Concurrent list of the Constitution to the State list. This would also be in line with the spirit of decentralization and give a chance to states to craft their labour habitat.

Mismatch (repairing Supply For Demand – Employability Reform)

This is particularly important for those who are already in low productivity jobs in the workforce or students who have completed education but are unable to get a job.

Background

Training should have three values; a) learning value, b) signaling value, and c) job value. Today our system fails on all three counts because of:

- No linkage of financing to outcomes
- No separation of delivery from financing
- No or ineffective assessment entry gates for binning
- Lack of credible exit gates for certification
- Lack of alignment; assessment, curriculum, certification, jobs
- Lack of technology usage for learning administration, teacher training, and learning delivery
- Lack of blended apprenticeships

Recommendations

- Enforce the operating principles adopted by the National Skill Council for all government operated or funded skill programs (included as an Annexure)
- Review the Apprentice Act of 1961 to explode “learning by doing” and “learning by earning”
- Encourage and Incentivize the setting up of State Skill Missions. All delivery systems are in the hands of states
- Create a National framework and Infrastructure for skill development that aligns occupation codes, entry gate assessment and exit gate certification.
- Activate the National Skill Corporation to create project funding for corporate and individual ventures in skill development
- Allow the 100 day job and resources of NREGA to be used for providing apprenticeships and funding for individual skill development
- Reduce information asymmetry by creating a framework to rank or rate skill development institutions
- Encourage and Incentivize bilingual instruction; candidates with English language familiarity/ fluency have 300% higher employment outcomes

Pipeline (preparing Supply for Demand – Education Reform)

The broad principles for a better educational regime have to do with better regulation of quality, incentives that are aligned, and the creation of an ecosystem where preparation is in line with the requirements. This will only be possible in a decentralized environment that encourages the entry of a range of educational and vocational training options.

Background

- The approach would need to move from enrollment to timely completion of elementary education by 15 years of age. Encouraging competition in elementary education is one method of ensuring greater responsibility.
- This would be possible if greater choice is available for the consumer – a voucher based approach that will create choice and competition by allowing parents to use government resources to pay for schools of their choice is one such desirable move.
- Incentives and answerability in elementary education is another critical component.
- Orient curriculum towards “learning for earning” but balance between knowledge and vocational content is hard but the current school system is low on vocational content and high on knowledge. This needs to be changed and particularly English familiarity/fluency.
- Recognize that different models for paying for education can be followed.
 - Government pays: Subsidies towards vocational education instituted through a voucher system
 - Household pays: Educational loan to the underprivileged for vocational education in the formal sector to be repaid by the household
 - Employer pays: Educational loan to be repaid through salary deductions from the future employers who then repay the creditor

Recommendation

- Create a performance management system for government paid teachers; rewards and punishments for showing up and learning outcomes
- Create the Education Regulatory Authority for Higher Education that will substitute current cholesterol like AICTE, UGC, etc
- Encourage Bilingual instruction; teach English in all schools since it is now a core vocational skill and a key element of learning for earning
- Create a National Qualification Framework that will allow two-way fungibility between vocational, college and school education with appropriate transfer of credits
- Decentralization, greater autonomy and true governance reform for institutions; shift policy framework from accreditation and regulation of capacity to measuring and publicizing outcomes and quality
- Create a broad based voucher program that separates government financing from delivery across the whole chain

Chapter 9 - Conclusion

Most of what this report recommends is non controversial and exists in documents originating in academia, think tanks, policy institutions and even the Planning Commission. The India Labour Reports have been taking the position that labour markets can work provided policy is oriented at ensuring that what is supplied is in line with what is required today as well as in the future, and that unnecessary regulations do not hinder the smooth functioning of labour markets. The critical point is that these changes are efficiency improving and will therefore be able to improve overall welfare for all – including labour – both current as well as those who will enter the working age in the coming years.

An important component of the proposed reforms is that there need not be a trade-off between protecting the basic rights of those who are employed and ensuring that employers have the flexibility to change with changing circumstances. Indeed, the various ILRs have been pointing out in many different ways, that the major welfare losses and the resultant lower employment generation and rising inequality that are originating in India's labour markets are due to fractured and poorly functioning markets in the education and employment sectors. It is well known that markets work best when there are a large number of buyers and sellers. Reforms and high growth are creating greater opportunities, but many are unable to benefit from it. The demographic dividend is throwing up a large number of youth who desire employment, but just do not have the skill sets. The employment market is fed by the upstream education market. And here there are very serious elements of market failure. Poor infrastructure, poor teaching, irrelevant content, missing courses are just some characteristics. These are combined with poor regulation of quality of education provided in both public and private facilities, limits to private entry, information failures and lack of universally recognized certifications, the list is quite long. Typically markets have the ability to self correct, but a range of laws, regulations, and practices limit this potential of India's education sector to self-correct. The impact of this market failure is first felt in employment markets and through that adversely affects India's objective of rapid and equitable progress.

But it takes about a decade and a half for the full impact of comprehensive reforms in the education sector to flow into the economy. During this intervening period, millions of poorly educated and trained adolescents would have entered the work force. Moreover, even when such potentially well-trained youth enter the workforce, they would enter a highly fractured and inefficiently functioning market. Therefore we require a multi-pronged effort to ensure that the matching and the repairing regimes are functioning properly as soon as possible, and at the same time that the educational pipeline throws out a well educated and appropriately trained manpower. Further, reduction of entry barriers for new players is critical for building a large enough base of education and training services in the economy. All of these would be better enabled if educational, employment and employability reforms are seen as integrated components, and legal, regulatory, and administrative hurdles are reviewed and reformed. The Right to Rise of many Indians depends on these reforms.

Appendices

All data sourced from

- a. Employment & Unemployment Situation in India' NSS 50th, 55th and 61st Round (1993-94, 1999-00 and 2004-05)
- b. Independently estimated by Amaresh Dubey from the same survey data.

12 Core Operating Principles Of National Skill Council

1. *Government financial support must complement private investment:*
The Central Ministries must focus on areas where private investment in skilled development is unlikely to be available. The Government should aim for useful public-private partnerships.
2. *States as Key partners:*
The State being the key level of operation, should set up State Missions for skill development. The Prime Minister has already requested States to set up such Missions. The activities for the Mission may include funding public and private delivery, underwriting apprenticeships, introducing performance management systems for skill delivery, revamping Employment Exchanges, creating an Asset Base, activating SCVTs. etc. and directing other relevant action indicated in this document and found relevant to the State.
3. *Deployment of funds:*
The fund should be deployed more for activities than for buildings and other hard assets. The system today has less of a hardware problem and more of a software problem. Additionally there are many Government buildings that could be put into use for private and public delivery. Bulk of the funds should be used for activities of training.
4. *Focus on Modular Courses, Open architecture and Short Term Courses:*
Vocational training can not replace what should have been taught in schools. Therefore, the focus should be on short, relevant and effective courses that get candidates into the workplace. The Ministry of Labour has evolved a framework called the Modular Employability Scheme (MES) which must replace traditional NCVT curriculums. Courses should be welded together to get the system dynamic and open to feedback.
5. *Separate financing from delivery:*
Today, Government funds are only available for Government delivery. This lack of choice and competition in delivery models and methods blunts incentives to make the system effective, scalable and dynamic (real time feedback to curriculum based on demand). The principle of “let a thousand flowers bloom” in the context of business models, pedagogies, delivery technologies and methodologies must be encouraged.
6. *Link financing to outcomes:*
Today public and private training is financed largely on inputs viz. number of courses, number of students, faculty, etc. The outcomes in vocational training are easy to measure in terms of candidates getting employment. We must try to move towards Government financing linked to placement ratios and outcomes. The performance could be measured in terms of job placement.
7. *Focus Funding on Candidates:*
The focus should be on funding the candidates rather than institutions to create choice. The bulk of the financing must be made available directly to the candidates rather than to training institutions. This could be structured as a scholarship, skill voucher, outcome based reimbursement, etc. but candidate choice is crucial to creating competition and making the system more effective. This does not rule out creation of institutional capacity to address the needs of deprived people/areas.
8. *Create infrastructure for on-the-job-training and Encourage Apprenticeships:*

Formal training is powerful but formal apprentices are a powerful vehicle for skill development because of “learning while earning” and “learning by doing”. The enabling infrastructure for large number of formal apprentices needs to be built that includes modifications to the Apprenticeship Act, Integrating the MES Scheme of DGET, revamping Employment Exchanges etc.

9. *Publicize Rating and Outcome Information on Training Institutions:*
Most candidates today are making training choices without any information around outcomes. We need to create a framework and infrastructure for information dissemination around measurables on public and private training institutions. The framework would include a voluntary rating and participatory ranking system that would be different from the current accreditation framework.
10. *Effective Assessment and Credible Certification:*
The assessment is more important than training credible certification allow employers to use it as a proxy to fast track job applicants. Credible certification would thus fast track the whole system.
11. *Restructure Employment Exchanges as Career Guidance Centres:*
Employment Exchanges need to be restructured as career guidance centres which will channelize candidates into jobs, apprenticeships and training. They will need to be equipped with capabilities for assessment, career counseling, electronic registration for training, call and email handling, etc.
12. *Expand Formal Employment:*
Formal employment is not only fiscally attractive but more amenable to financing innovations. This will require a review of existing State and Central legislations which encourages informal and unorganized employment.

Table 1. Unemployment rate (per 1000 persons in the labour force) for the persons of age 15 years and above with different educational attainments during 1993-94, 1999-2000 and 2004-2005

General Education Level	Unemployment Rate								
	1993 - 94			1999 - 2000			2004 - 2005		
	Usual Status (ps*)	Usual (adj.)	cws*	Usual Status (ps*)	Usual (adj.)	cws*	Usual Status (ps*)	Usual (adj.)	cws*
Rural Male									
Not Literate	3	2	18	4	3	30	4	3	27
Literate & Up T O Primary	8	4	19	11	9	30	13	10	30
Middle	30	22	38	28	23	43	24	16	39
Secondary	67	50	65	52	43	65	44	32	53
Higher Secondary	98	73	90	73	61	74	62	47	68
Diploma/Certificate Course	-	-	-	-	-	-	99	76	95
Graduate & Above	132	98	122	106	82	95	80	62	83
Secondary & Above	88	65	83	68	56	73	59	44	65
Rural Female									
Not Literate	2	2	22	2	1	27	7	2	25
Literate & Up T O Primary	10	5	26	9	6	26	24	11	31
Middle	53	30	53	47	32	55	59	34	59
Secondary	199	113	145	147	98	121	150	95	115
Higher Secondary	291	199	243	227	143	177	259	171	207
Diploma/Certificate Course	-	-	-	-	-	-	334	231	270
Graduate & Above	346	274	320	331	298	318	344	275	298
Secondary & Above	249	160	198	204	146	169	231	152	182
Urban Male									
Not Literate	11	9	22	14	13	31	12	10	28
Literate & Up T O Primary	25	23	35	30	28	41	23	21	37
Middle	57	54	64	56	52	64	49	42	62
Secondary	63	56	66	55	51	61	49	43	52
Higher Secondary	85	75	91	83	77	86	51	43	57
Diploma/Certificate Course	-	-	-	-	-	-	96	77	98
Graduate & Above	64	56	63	66	63	67	64	58	64
Secondary & Above	69	60	70	66	62	69	60	51	62
Urban Female									
Not Literate	4	3	22	6	5	20	8	3	25
Literate & Up T O Primary	45	29	48	25	19	36	41	29	40
Middle	157	109	143	111	79	102	121	80	99
Secondary	200	157	176	144	120	135	181	134	158
Higher Secondary	222	192	216	189	167	185	189	150	185
Diploma/Certificate Course	-	-	-	-	-	-	195	153	185
Graduate & Above	206	189	202	163	147	161	196	172	190
Secondary & Above	206	182	196	163	143	158	194	156	179

* ps: Principal Status, cws: Current Weekly Status

Table 2. Per 1000 distribution of usually employed persons by broad industry division (NIC 1998) during 1983 to 2004-2005

Broad Industry Division	NSS Round (survey period)	Rural				Urban			
		Male		Female		Male		Female	
		ps*	all	ps*	all	ps*	all	ps*	all
Agriculture	61st (2004-05)	662	665	814	833	60	61	147	181
	55th (1999-00)	712	714	841	854	65	66	146	177
	50th (1993-94)	737	741	847	862	87	90	193	247
	43rd (1987-88)	739	745	825	847	85	91	218	294
	38th (1983)	772	775	862	875	97	103	255	310
	32nd (1977-78)	804	806	868	881	102	106	251	319
Mining & Quarrying	61st (2004-05)	6	6	4	3	9	9	2	2
	55th (1999-00)	6	6	4	3	9	9	4	4
	50th (1993-94)	7	7	5	4	13	13	7	6
	43rd (1987-88)	7	7	5	4	13	13	9	8
	38th (1983)	6	6	4	3	12	12	8	6
	32nd (1977-78)	5	5	3	2	9	9	6	5
Manufacturing	61st (2004-05)	80	79	87	84	236	235	254	282
	55th (1999-00)	73	73	77	76	225	224	232	240
	50th (1993-94)	70	70	75	70	236	235	236	241
	43rd (1987-88)	76	74	75	69	260	257	269	270
	38th (1983)	71	70	65	64	270	268	260	267
	32nd (1977-78)	65	64	61	59	276	276	294	296
Electricity, Water, Etc.	61st (2004-05)	2	2	0	0	8	8	2	2
	55th (1999-00)	2	2	-	-	8	8	2	2
	50th (1993-94)	3	3	-	-	12	12	3	3
	43rd (1987-88)	3	3	-	-	12	12	3	2
	38th (1983)	2	2	-	-	11	11	2	2
	32nd (1977-78)	2	2	-	-	11	11	1	1
Construction	61st (2004-05)	69	68	17	15	93	92	45	38
	55th (1999-00)	45	45	12	11	88	87	55	48
	50th (1993-94)	33	32	11	9	70	69	49	41
	43rd (1987-88)	27	37	32	27	58	58	43	37
	38th (1983)	23	22	9	7	51	51	37	31
	32nd (1977-78)	17	17	7	6	42	42	26	22
Trade, Hotel & Restaurant	61st (2004-05)	83	83	28	25	281	280	131	122
	55th (1999-00)	68	68	23	20	293	294	164	169
	50th (1993-94)	55	55	22	21	219	219	107	100
	43rd (1987-88)	52	51	24	21	215	215	109	98
	38th (1983)	44	44	22	19	202	203	99	95
	32nd (1977-78)	40	40	23	20	216	216	98	87
Transport, Storage & communications	61st (2004-05)	39	38	2	2	107	107	16	14
	55th (1999-00)	32	32	1	1	104	104	20	18
	50th (1993-94)	22	22	1	1	98	97	15	13
	43rd (1987-88)	21	20	1	1	98	97	12	9
	38th (1983)	17	17	1	1	101	99	17	15
	32nd (1977-78)	13	12	1	1	98	98	12	10
Other Services	61st (2004-05)	59	59	46	39	207	208	402	359
	55th (1999-00)	61	61	43	37	209	210	378	342
	50th (1993-94)	71	70	40	34	264	264	388	350
	43rd (1987-88)	64	62	37	30	253	252	336	278
	38th (1983)	62	61	34	28	248	248	314	266
	32nd (1977-78)	54	53	37	30	245	243	311	260
All		1000	1000	1000	1000	1000	1000	1000	1000

* ps: Principal Status

Table 3. Education distribution of 20-22 year olds in agricultural labour households in Rural Areas

Population in Lakh	Male (93-94)	Male (04-05)	Female (93-94)	Female (04-05)	Total (93-94)	Total (04-05)
Illiterate	20	14	39	28	59	43
Less than Primary*	6	7	4	7	10	14
Primary	6	9	3	6	10	15
Middle	6	10	3	7	9	17
Secondary	3	4	1	3	4	7
Higher Secondary	2	3	1	1	3	4
Above Higher Secondary	0	1	0	1	0	1
Total	44	48	52	53	95	100
Percent Distribution						
Illiterate	46.5	30.1	75.8	54.2	62.4	42.7
Less than Primary*	13.2	14.7	8.6	12.8	10.7	13.7
Primary	13.9	18.8	6.7	11.9	10	15.2
Middle	13.4	20.9	5.4	13.1	9.1	16.8
Secondary	7.7	8.3	2.1	4.8	4.7	6.5
Higher Secondary	4.4	5.6	1.2	2.2	2.7	3.8
Above Higher Secondary	0.9	1.6	0.1	1	0.5	1.3
Total	100	100	100	100	100	100

Table 4. Education Distribution of 20-22 Year olds in Cultivators' Households in Rural Areas

Population in Lakh	Male (93-94)	Male (04-05)	Female (93-94)	Female (04-05)	Total (93-94)	Total (04-05)
Illiterate	21	12	42	30	62	42
Less than Primary*	7	5	6	5	13	10
Primary	10	13	8	12	18	25
Middle	17	22	9	16	26	38
Secondary	13	13	6	9	19	22
Higher Secondary	9	13	3	6	13	19
Above Higher Secondary	2	5	1	2	3	8
Total	80	84	74	80	154	164
Percent Distribution						
Illiterate	25.7	14.5	56.5	37	40.5	25.5
Less than Primary*	8.9	5.9	7.8	6.6	8.4	6.3
Primary	13.1	16	10.7	14.5	12	15.3
Middle	20.8	26.5	12.1	20.1	16.6	23.4
Secondary	16.7	15.5	7.5	10.8	12.3	13.2
Higher Secondary	11.8	15.1	4.2	8	8.1	11.6
Above Higher Secondary	2.9	6.5	1.2	3	2.1	4.8
Total	100	100	100	100	100	100

Table 5. Organised / Unorganized Employment (15 - 59 years)

No. in Lakh	Rural (99-00)	Rural (04-05)	Urban (99-00)	Urban (04-05)	Total (99-00)	Total (04-05)
Organised	105	122	170	179	274	301
Unorganised	442	735	462	578	905	1,313
Total	547	858	632	757	1,179	1,614
Percent Distribution						
Organised	19.2	14.3	26.8	23.6	23.3	18.7
Unorganised	80.8	85.7	73.2	76.4	76.7	81.3
Total	100	100	100	100	100	100
Percent Growth (Annualized)						
Organised		3.20		1.10		1.90
Unorganised		10.70		4.60		7.70
Total		9.40		3.70		6.50

Table 6. Organized / Unorganized Employment (15 - 59 years):Rural

No in Lakh	Organized (99-00)	Organized (04-05)	Unorganized (99-00)	Unorganised (04-05)	Total (99-00)	Total (04-05)
Illiterate	15	15	148	252	163	267
Less than Primary*	21	6	72	70	93	76
Primary	9	11	68	119	76	131
Middle	18	18	85	140	102	158
Secondary	22	21	47	67	69	88
Higher Secondary	1	15	1	30	1	45
Above Higher Secondary	19	35	14	35	33	70
Total	104	121	434	715	538	836
Percent Distribution						
Illiterate	14.2	12.1	34.1	35.3	30.2	32
Less than Primary*	19.8	4.8	16.7	9.8	17.3	9.1
Primary	8.4	9.2	15.6	16.7	14.2	15.6
Middle	17.3	15	19.5	19.6	19	18.9
Secondary	21.1	17.4	10.9	9.4	12.9	10.6
Higher Secondary	0.7	12.5	0.1	4.2	0.3	5.4
Above Higher Secondary	18.5	29	3.2	4.9	6.1	8.4
Total	100	100	100	100	100	100

Table 7. Organised Unorganised Employment (15-59):Urban

Population in Lakh	Organized (99-00)	Organized (04-05)	Unorganized (99-00)	Unorganised (04-05)	Total (99-00)	Total (04-05)
Illiterate	12	8	97	107	109	116
Less than Primary*	31	5	79	45	110	50
Primary	11	12	64	91	74	103
Middle	21	21	92	118	113	139
Secondary	34	25	71	80	105	104
Higher Secondary	2	21	2	45	4	66
Above Higher Secondary	57	86	53	80	110	166
Total	168	178	457	565	626	743
Percent Distribution						
Illiterate	7.1	4.5	21.2	19	17.4	15.6
Less than Primary*	18.5	2.7	17.3	8	17.6	6.7
Primary	6.5	6.9	13.9	16	11.9	13.9
Middle	12.7	11.7	20.1	20.8	18.1	18.7
Secondary	20.3	13.8	15.5	14.1	16.8	14.1
Higher Secondary	1	11.8	0.4	7.9	0.6	8.9
Above Higher Secondary	33.9	48.5	11.6	14.1	17.6	22.3
Total	100	100	100	100	100	100

Table 8. Structure of adjusted Net Household Income by Occupation Category (by State and Region: Rural Sector), 2004 - 05

State/Region	Cultivators	Allied Agri.	Agri. Labour	Non - Agri Labour	Trade / Artisan / Business	Salaried / Professional	Retired / others	Total
Himachal Pradesh	17.5	1.9	7.3	13.2	9.4	39.2	11.5	100
J & K	26.9	7.7	2.9	8.6	9	38.4	6.4	100
Haryana	42.3	5.5	6.9	12.6	7	22.4	3.4	100
Punjab/ Chandigarh	48.9	0.7	8	10.1	7.4	20	5	100
Delhi	7.9	2.9	0.7	5.2	31.7	49.9	1.8	100
Bihar/Jharkhand	26.6	0.7	12.9	13.7	17.8	22.6	5.7	100
UP/ Uttarakhand	39.3	0.7	6.9	14.8	14.5	17.9	5.9	100
MP/ Chhattisgarh	58.6	0.6	14.3	8.9	5.3	10.1	2.1	100
Rajasthan	44.7	0.6	3	17.1	13.5	17.2	4	100
North-Eastern States	24.2	1	4.8	4.9	20.6	35.7	9	100
Assam	24.1	0.2	1.1	16.4	17.1	35.1	6.1	100
Orissa	39	0.3	10.2	10.8	15	20.8	3.9	100
West Bengal	25.5	0.4	14.6	10.7	18.7	23.4	6.9	100
Gujarat/Daman & Diu/Dadra & Nagar Haveli	55	2.3	16.1	6.2	7	12	1.5	100
Maharashtra/Goa	53	0.8	11.3	3	8.2	19.3	4.4	100
Andhra Pradesh	30.3	0.6	31.8	9	15.6	9.8	2.9	100
Karnataka	49.2	0.3	21	4.7	10.1	10.3	4.4	100
Kerala	26.6	2.6	8.7	14.5	16.3	16	15.4	100
Tamil Nadu/ Pondichery	16.5	0.7	21.6	22.1	15.7	16.2	7.3	100
All India	37.8	1	12.8	11.3	13.2	18.5	5.4	100

Table 9. Structure of adjusted Net Household Income by Occupation Category (by state and region: Urban Sector), 2004-05

State/Region	Labourers	Trade / Artisan / Business	Salaried / Professional	Retired / others	Total
Himachal Pradesh	5.8	30	55.1	9.1	100
J & K	6.7	41.2	45.1	7	100
Haryana	7.5	28.8	55.2	8.4	100
Punjab/ Chandigarh	10.1	32.6	48.1	9.2	100
Delhi	8.3	14.9	74.3	2.5	100
Bihar/Jharkhand	11.7	24.3	52.2	11.8	100
UP/ Uttarakhand	11.3	36.3	44.2	8.3	100
MP/ Chhatisgarh	18.8	19.4	55.6	6.3	100
Rajsthan	15.6	28.2	48.4	7.8	100
North-Eastern States	3.4	18.4	68.2	10	100
Assam	6	31.1	47.5	15.4	100
Orissa	8.3	25.6	59.2	7	100
West Bengal	7.1	27.9	54.3	10.8	100
Gujarat/ Daman & Diu/Dadra & Nagar Haveli	7.5	33.9	52	6.6	100
Maharashtra/Goa	8.6	24.4	61.6	5.5	100
Andhra Pradesh	17.8	24.6	50.1	7.5	100
Karnataka	14.4	36	39.6	10	100
Kerala	28.7	18.5	33.6	19.2	100
Tamil Nadu/ Pondichery	22.8	25.1	42.1	10.1	100
All India	12.1	27.6	51.8	8.5	100

Table 10. Occupation-wise distribution of workers in rural and urban India

Number of Workers No. in Lakh	Rural (93-94)	Rural (04-05)	Urban (93-94)	Urban (04-05)	Total (93-94)	Total (04-05)
Farmers, Fishermen, Hunters, Loggers and Related Workers	1,541	1,779	274	355	1,975	2,367
Production And Related Workers, Transport Equipment Operators and Labourers	263	443	232	307	494	750
Sales Workers	87	133	162	216	281	387
Professional, Technical and Related Workers	43	64	52	75	95	139
Service Workers	41	62	215	297	375	531
Administrative, Executive and Managerial Workers	19	44	34	75	153	267
Clerical and Related Workers	30	36	60	67	91	103
Others	1	1	0	0	1	1
Total	2,024	2,561	1,030	1,393	3,466	4,545
Percentage Distribution						
Farmers, Fishermen, Hunters, Loggers and Related Workers	76.1	69.5	26.6	25.5	57	52.1
Production And Related Workers, Transport Equipment Operators and Labourers	13	17.3	22.5	22.1	14.3	16.5
Sales Workers	4.3	5.2	15.7	15.5	8.1	8.5
Professional, Technical and Related Workers	2.1	2.5	5.1	5.4	2.8	3.1
Service Workers	2	2.4	20.9	21.4	10.8	11.7
Administrative, Executive and Managerial Workers	0.9	1.7	3.4	5.4	4.4	5.9
Clerical and Related Workers	1.5	1.4	5.9	4.8	2.6	2.3
Others	0.03	0.03	0	0	0	0
Total	100	100	100	100	100	100

Table 11. Migration into Urban Areas 2004-05

State/Region	Same District Rural	Same District Urban	Same State but another District Rural	Same State but / another District Urban	Another State Rural	Another State Urban	Another Country	Total
In Search Of Employment	13.40	2.50	33.70	8.50	33.30	7.30	1.40	100
In Search Of Better Employment	20.20	5.70	26.50	10.40	28.10	8.30	0.90	100
To Take Up Employment/Better Employment	22.70	9.20	24.30	21.60	11.20	10.40	0.70	100
Transfer Of Service/Contract	16.30	17.70	9.80	37.40	3.20	14.90	0.70	100
Proximity To Place Of Work	33.50	24.50	14.80	20.60	3.40	2.30	0.90	100
Studies	42.20	6.90	25.10	13.80	6.10	5.60	0.40	100
Acquisition Of Own House/Flat	20.60	52.30	5.30	16.80	0.90	4.10	0.00	100
Housing Problems	17.20	49.70	6.90	18.10	2.00	5.30	0.80	100
Social/ Political Problems	27.60	6.70	14.50	13.90	7.20	5.70	24.50	100
Health	13.00	19.60	16.80	18.10	9.40	16.50	6.70	100
Marriage	32.10	16.10	21.30	16.00	7.80	6.40	0.30	100
Migration Of Parent/Earning Member Of The Family	22.90	14.80	20.80	20.00	10.70	9.50	1.30	100
Others	25.90	13.40	19.60	19.00	9.40	9.50	3.10	100
Total	25.70	14.70	21.40	17.50	11.50	8.00	1.10	100

Table 12. Poverty: Rural and Urban Farm & Organized & Wage Employed

Education Level	Estimates Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	104,451	55,960	160,411	36.7	65.6	46.8
Below Primary	21,200	39,639	60,839	38.8	75.6	62.8
Below Middle	51,360	92,487	143,847		10.9	7.0
Below Secondary	16,461	38,143	54,604	64.9	26.3	37.9
Below Higher Sec	31,800	19,404	51,204	75.4		46.9
Below Grad and VT		16,532	16,532			
Below PG	24,882	49,523	74,405	100.0		33.4
PG		5,602	5,602			
Total	250,154	317,290	567,444	42.4	27.4	34.0

Table 13. Rural and Urban Farm & Organized & Wage Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	41.8%	17.6%	28.3%	65%	35%	100%
Below Primary	8.5%	12.5%	10.7%	35%	65%	100%
Below Middle	20.5%	29.1%	25.3%	36%	64%	100%
Below Secondary	6.6%	12.0%	9.6%	30%	70%	100%
Below Higher Sec	12.7%	6.1%	9.0%	62%	38%	100%
Below Grad and VT	0.0%	5.2%	2.9%	0%	100%	100%
Below PG	9.9%	15.6%	13.1%	33%	67%	100%
PG	0.0%	1.8%	1.0%	0%	100%	100%
Total	100.0	100.0%	100.0%	44%	56%	100%

Table 14. Poverty: Rural and Urban Farm & Unorganized & Wage Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	102,640,470	2,905,057	105,545,527	40.8	59.1	41.3
Below Primary	24,610,702	738,062	25,348,764	33.0	59.3	33.8
Below Middle	20,030,682	738,057	20,768,739	33.6	57.4	34.4
Below Secondary	14,055,875	542,825	14,598,700	34.4	46.6	34.9
Below Higher Sec	3,471,039	136,638	3,607,677	31.4	43.9	31.8
Below Grad and VT	1,075,957	133,922	1,209,879		44.4	24.5
Below PG	415,964	42,313	458,277	22.6	36.3	23.9
PG	54,279	2,288	56,567			30.4
Total	166,354,968	5,239,162	171,594,130	37.8	56.6	38.4

Table 15. Rural and Urban Farm & Unorganized & Wage Employed

Education Level	Education-Level Distribution			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	61.7	55.4	61.5	97	3	100
Below Primary	14.8	14.1	14.8	97	3	100
Below Middle	12.0	14.1	12.1	96	4	100
Below Secondary	8.4	10.4	8.5	96	4	100
Below Higher Sec	2.1	2.6	2.1	96	4	100
Below Grad and VT	0.6	2.6	0.7	89	11	100
Below PG	0.3	0.8	0.3	91	9	100
PG	0.0	0.0	0.0	96	4	100
Total	100.0	100.0	100.0	97	3	100

Table 16. Poverty: Rural and Urban Farm & Organized & Self Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	81,836	865	82,701	2.0		1.9
Below Primary	28,099		28,099			
Below Middle	21,953		21,953			
Below Secondary	52,166		52,166	5.9		5.9
Below Higher Sec	56,219		56,219			
Below Grad and VT	55,152		55,152			
Below PG	32,824		33,099			
PG	13,759	275	13,759			
Total	342,008	1,140	343,148	1.4		1.4

Table 17. Rural and Urban Farm & Organized & Self Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	23.9	75.9	24.1	99.0	1.0	100.0
Below Primary	8.2	0.0	8.2	100.0	0.0	100.0
Below Middle	6.4	0.0	6.4	100.0	0.0	100.0
Below Secondary	15.3	0.0	15.2	100.0	0.0	100.0
Below Higher Sec	16.4	0.0	16.4	100.0	0.0	100.0
Below Grad and VT	16.1	0.0	16.1	100.0	0.0	100.0
Below PG	9.6	24.1	9.6	99.2	0.8	100.0
PG	4.0	0.0	4.0	100.0	0.0	100.0
Total	100.0	100.0	100.0	99.7	0.3	100.0

Table 18. Poverty: Rural and Urban Farm & Unorganized & Self Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	118,353,370	3,248,722	121,602,092	24.8	45.6	25.4
Below Primary	39,734,899	1,061,256	40,796,155	18.1	36.3	18.6
Below Middle	42,464,641	1,291,389	43,756,030	14.2	41.2	15.0
Below Secondary	40,989,335	1,524,667	42,514,002	12.4	17.8	12.6
Below Higher Sec	21,308,311	1,301,200	22,609,511	9.1	28.1	10.2
Below Grad and VT	9,719,766	895,388	10,615,154	9.7	16.7	10.3
Below PG	5,594,716	905,607	6,500,323	6.2	12.2	7.1
PG	1,009,718	107,776	1,117,494	10.3		9.3
Total	279,174,756	10,336,005	289,510,761	18.3	31.9	18.8

Table 19. Rural and Urban Farm & Unorganized & Self Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	42.4	31.4	42.0	97.3	2.7	100.0
Below Primary	14.2	10.3	14.1	97.4	2.6	100.0
Below Middle	15.2	12.5	15.1	97.0	3.0	100.0
Below Secondary	14.7	14.8	14.7	96.4	3.6	100.0
Below Higher Sec	7.6	12.6	7.8	94.2	5.8	100.0
Below Grad and VT	3.5	8.7	3.7	91.6	8.4	100.0
Below PG	2.0	8.8	2.2	86.1	13.9	100.0
PG	0.4	1.0	0.4	90.4	9.6	100.0
Total	100.0	100.0	100.0	96.4	3.6	100.0

Table 20. Poverty: Rural and Urban Non Farm & Organized & Wage Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	2,460,492	2,810,255	5,270,747	27.4	32.7	100.0
Below Primary	1,094,341	2,053,972	3,148,313	24.0	22.1	100.0
Below Middle	1,412,828	3,768,800	5,181,628	13.1	21.7	100.0
Below Secondary	1,693,073	6,202,346	7,895,419	13.0	16.7	100.0
Below Higher Sec	1,187,424	7,738,570	8,925,994	13.0	7.7	100.0
Below Grad and VT	480,239	6,487,303	6,967,542	2.7	5.4	100.0
Below PG	384,111	15,324,192	15,708,303	0.1	2.1	100.0
PG	15,730	4,840,682	4,856,412		1.8	100.0
Total	8,728,238	49,226,120	57,954,358	17.3	9.3	100.0

Table 21. Rural and Urban Non Farm & Organized & Wage Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	28.2	5.7	9.1	46.7	53.3	100.0
Below Primary	12.5	4.2	5.4	34.8	65.2	100.0
Below Middle	16.2	7.7	8.9	27.3	72.7	100.0
Below Secondary	19.4	12.6	13.6	21.4	78.6	100.0
Below Higher Sec	13.6	15.7	15.4	13.3	86.7	100.0
Below Grad and VT	5.5	13.2	12.0	6.9	93.1	100.0
Below PG	4.4	31.1	27.1	2.4	97.6	100.0
PG	0.2	9.8	8.4	0.3	99.7	100.0
Total	100.0	100.0	100.0	15.1	84.9	100.0

Table 22. Poverty: Rural and Urban Non Farm & Unorganized & Wage Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	41,790,023	18,272,932	60,062,955	35.8	52.1	40.8
Below Primary	10,642,473	9,697,428	20,339,901	27.6	39.8	33.4
Below Middle	10,453,360	11,799,194	22,252,554	25.4	32.4	29.1
Below Secondary	8,482,611	12,217,666	20,700,277	23.7	27.5	25.9
Below Higher Sec	2,630,532	9,536,666	12,167,198	20.2	20.9	20.8
Below Grad and VT	922,775	3,978,181	4,900,956	21.9	14.2	15.7
Below PG	496,981	5,775,713	6,272,694	15.2	3.9	4.8
PG	108,014	1,239,811	1,347,825	6.2	1.8	2.1
Total	75,526,769	72,517,591	148,044,36	30.9	32.2	31.6

Table 23. Rural and Urban Non Farm & Unorganized & Wage Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	55.3	25.2	40.6	69.6	30.4	100.0
Below Primary	14.1	13.4	13.7	52.3	47.7	100.0
Below Middle	13.8	16.3	15.0	47.0	53.0	100.0
Below Secondary	11.2	16.8	14.0	41.0	59.0	100.0
Below Higher Sec	3.5	13.2	8.2	21.6	78.4	100.0
Below Grad and VT	1.2	5.5	3.3	18.8	81.2	100.0
Below PG	0.7	8.0	4.2	7.9	92.1	100.0
PG	0.1	1.7	0.9	8.0	92.0	100.0
Total	100.0	100.0	100.0	51.0	49.0	100.0

Table 24. Poverty: Rural and Urban Non Farm & Organized & Self Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	1,457,332	53,927	1,511,259	11.9	46.7	13.2
Below Primary	1,210,341	36,482	1,246,823	8.3	5.3	8.2
Below Middle	1,695,442	106,488	1,801,930	9.0	19.6	9.6
Below Secondary	3,405,052	248,707	3,653,759	9.8	17.9	10.3
Below Higher Sec	5,067,391	267,454	5,334,845	3.9	9.4	4.2
Below Grad and VT	4,098,545	174,651	4,273,196	2.2	0.6	2.1
Below PG	6,665,002	433,073	7,098,075	1.9	5.7	2.1
PG	1,740,878	194,199	1,935,077	0.4	1.1	0.4
Total	25,339,983	1,514,981	26,854,964	4.6	9.6	4.9

Table 25. Rural and Urban Non Farm & Organized & Self Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	5.8	3.6	5.6	96.4	3.6	100.0
Below Primary	4.8	2.4	4.6	97.1	2.9	100.0
Below Middle	6.7	7.0	6.7	94.1	5.9	100.0
Below Secondary	13.4	16.4	13.6	93.2	6.8	100.0
Below Higher Sec	20.0	17.7	19.9	95.0	5.0	100.0
Below Grad and VT	16.2	11.5	15.9	95.9	4.1	100.0
Below PG	26.3	28.6	26.4	93.9	6.1	100.0
PG	6.9	12.8	7.2	90.0	10.0	100.0
Total	100.0	100.0	100.0	94.4	5.6	100.0

Table 26. Poverty: Rural and Urban Non Farm & Unorganized & Self Employed

Education Level	Estimated Population			Head Count Ratio (%)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	63,600,335	21,656,950	85,257,285	28.3	48.4	33.4
Below Primary	24,598,821	11,766,726	36,365,547	21.2	37.9	26.6
Below Middle	25,266,696	15,895,479	41,162,175	16.8	31.5	22.5
Below Secondary	26,037,544	17,738,869	43,776,413	14.7	22.0	17.7
Below Higher Sec	14,531,191	16,883,275	31,414,466	9.5	12.4	11.1
Below Grad and VT	6,357,080	8,491,498	14,848,578	7.5	7.8	7.6
Below PG	6,806,051	12,801,557	19,607,608	3.9	3.6	3.7
PG	1,135,881	3,083,129	4,219,010	1.6	1.5	1.6
Total	168,333,599	108,317,48	276,651,08	19.9	25.0	21.9

Table 27. Rural and Urban Non Farm & Unorganized & Self Employed

Education Level	Education-Level Distribution			Rural-Urban Distribution)		
	Rural	Urban	Total	Rural	Urban	Total
Illiterate	37.8	20.0	30.8	74.6	25.4	100.0
Below Primary	14.6	10.9	13.1	67.6	32.4	100.0
Below Middle	15.0	14.7	14.9	61.4	38.6	100.0
Below Secondary	15.5	16.4	15.8	59.5	40.5	100.0
Below Higher Sec	8.6	15.6	11.4	46.3	53.7	100.0
Below Grad and VT	3.8	7.8	5.4	42.8	57.2	100.0
Below PG	4.0	11.8	7.1	34.7	65.3	100.0
PG	0.7	2.8	1.5	26.9	73.1	100.0
Total	100.0	100.0	100.0	60.8	39.2	100.0

Table 28. Estimated number of households, number of persons, average household size and sex ratio during 2004-05)

Estimates	Rural	Urban	Total
Number of households (00)	1,501,676	569,821	2,071,496
Number of persons (00)	7,243,460	2,475,514	9,718,974
Average household size (0.0)	4.8	4.3	4.7
Sex ratio (females per 1000 males)	962	920	951

Table 29. Per 1000 distribution of households and population by household type during 1993-94, 1999-00, 2004-05

Household Types	Households			Population		
	1993 - 94	1999 - 00	2004 - 05	1993 - 94	1999 - 00	2004 - 05
Rural						
Self-Employed In Agriculture	378	327	359	424	371	398
Self-Employed In Non-Agriculture	127	134	158	131	139	167
Total Self-Employed	505	461	517	555	510	565
Agricultural Labour	303	322	258	275	301	241
Other Labour	80	80	109	75	76	106
Rural Labour	383	402	367	350	376	346
Others	112	137	116	95	114	88
All	1,000	1,000	1,000	1,000	1,000	1,000
Urban						
Self-Employed	337	344	375	388	393	433
Regular Wage/Salaried	434	417	413	428	402	396
Casual Labour	132	140	118	129	141	118
Others	97	97	94	55	63	52
All	1,000	1,000	1,000	1,000	1,000	1,000

Table 30. Per 1000 distribution of households and population by MPCE (Rs) class during 2004-05

Rural			Urban		
MPCE Class	Households	Population	MPCE Class	Households	Population
Less than 235	29	34	Less than 335	33	44
235 - 270	30	38	335 - 395	32	45
270 - 320	71	88	395 - 485	73	95
320 - 365	90	105	485 - 580	93	114
365 - 410	94	106	580 - 675	97	111
410 - 455	92	100	675 - 790	93	100
455 - 510	106	108	790 - 930	99	101
510 - 580	117	113	930 - 1100	97	91
580 - 690	127	116	1100 - 1380	113	97
690 - 890	119	101	1380 - 1880	121	97
890 - 1155	65	52	1880 - 2540	75	56
1155 & above	60	40	2540 & above	74	49
All classes	1000	1000	All Classes	1000	1000

Table 31. Per 1000 distribution of households having at least one member of age 15 years and above by number of usually employed (principal status+subsidiary status) persons of age 15 years and above in those households during 1993-94, 1999-00 and 2004-05

Number of usually employed persons	All Households			Female Headed Households			
	Population in Lakh	1993 - 94	1999 - 00	2004 - 05	1993 - 94	1999 - 00	2004 - 05
None		31	46	44	174	228	235
Only 1 male		263	277	198	45	57	48
Only 1 female		50	49	44	455	396	332
Only 1 male & 1 female		290	278	280	110	112	111
Others		366	351	435	216	207	275
All		1,000	1,000	1,000	1,000	1,000	1,000
Urban							
None		83	76	78	323	263	263
Only 1 male		495	509	448	92	112	134
Only 1 female		36	36	34	282	301	234
Only 1 male & 1 female		135	129	144	104	99	106
Others		250	250	296	199	225	264
All		1,000	1,000	1,000	1,000	1,000	1,000

Table 32. Per 1000 distribution of persons by household type for each State and UT

State/ U.T.	Agriculture	Non-Agriculture	Agricultural Labour Households	Other Labour Househ Ids	Others	All
Andhra Pradesh	284	173	357	96	89	1,000
Arunachal Pradesh	702	104	13	23	157	1,000
Assam	494	176	127	119	85	1,000
Bihar	377	196	302	31	94	1,000
Chhattisgarh	419	71	369	71	71	1,000
Delhi	6	481	5	52	456	1,000
Goa	184	151	91	232	342	1,000
Gujarat	369	120	327	110	74	1,000
Haryana	395	211	111	120	163	1,000
Himachal Pradesh	429	154	14	206	197	1,000
Jammu & Kashmir	476	210	54	83	177	1,000
Jharkhand	457	183	94	165	100	1,000
Karnataka	352	104	405	87	52	1,000
Kerala	196	202	159	285	158	1,000
Madhya Pradesh	503	94	280	64	58	1,000
Maharashtra	356	120	346	90	88	1,000
Manipur	597	197	9	21	172	1,000
Meghalaya	644	128	87	49	91	1,000
Mizoram	760	106	3	3	128	1,000
Nagaland	608	119	4	3	266	1,000
Orissa	334	201	272	98	95	1,000
Punjab	332	158	199	188	122	1,000
Rajasthan	531	164	60	173	72	1,000
Sikkim	495	106	21	171	206	1,000
Tamil Nadu	221	144	356	174	105	1,000
Tripura	309	206	93	282	110	1,000
Uttaranchal	536	166	92	80	125	1,000
Uttar Pradesh	521	196	124	88	71	1,000
West Bengal	295	221	322	86	77	1,000
A & N Islands	341	139	67	320	133	1,000
Chandigarh	86	469	0	140	304	1,000
Dadra & Nagar Haveli	148	93	136	376	247	1,000
Daman & Diu	73	287	183	207	249	1,000
Lakshadweep	337	74	47	300	243	1,000
Pondicherry	147	126	402	253	72	1,000
All-India	398	167	241	106	88	1,000

Table 33. Per 1000 distribution of persons by household type for each State and UT

State/ U.T.	Household Type				All (incl. n.r.)
	Self - employed	Regular wage/salaried	Casual Labour	Others	
Andhra Pradesh	428	362	150	60	1000
Arunachal Pradesh	347	525	41	87	1000
Assam	395	433	69	102	1000
Bihar	566	221	117	93	1000
Chhattisgarh	352	450	132	67	1000
Delhi	383	559	33	24	1000
Goa	284	463	225	28	1000
Gujarat	429	445	97	29	1000
Haryana	467	429	57	47	1000
Himachal Pradesh	337	403	187	73	1000
Jammu & Kashmir	524	348	78	49	1000
Jharkhand	370	370	126	123	1000
Karnataka	415	388	154	43	1000
Kerala	372	256	269	103	1000
Madhya Pradesh	450	390	118	42	1000
Maharashtra	367	470	123	40	1000
Manipur	448	328	15	206	1000
Meghalaya	160	624	84	131	1000
Mizoram	384	478	54	82	1000
Nagaland	466	450	23	62	1000
Orissa	399	384	146	72	1000
Punjab	491	409	65	35	1000
Rajasthan	479	364	110	48	1000
Sikkim	417	501	35	47	1000
Tamil Nadu	369	429	143	59	1000
Tripura	389	379	105	123	1000
Uttaranchal	448	403	56	92	1000
Uttar Pradesh	564	294	95	45	1000
West Bengal	417	403	122	57	1000
A & N Islands	197	654	108	41	1000
Chandigarh	296	654	17	33	1000
Dadra & Nagar Haveli	404	467	119	9	1000
Daman & Diu	361	521	82	36	1000
Lakshadweep	269	523	105	102	1000
Pondicherry	311	336	280	73	1000
All India	433	396	118	52	1000

Table 34. Average wage/ salary earnings (Rs. 0.00) per day received by regular wage/salaried employees (activity status codes: 31, 71, 72) of age 15-59 years for different broad general education level

All India						
General Education Level	Rural			Urban		
	Male	Female	Person	Male	Female	Person
Not Literate	72.47	35.74	60.42	98.79	48.7	77.34
Literate and up to Primary	98.59	47.75	91.23	111.44	64.79	105.16
Secondary & Higher Secondary	158.04	100.19	148.39	182.58	150.41	178.29
Diploma / Certificate	214.38	200.4	211.13	274.87	237.02	267.11
Graduate and above	270.02	172.7	253.19	366.76	269.17	344.14
All	144.93	85.53	133.81	203.28	153.19	193.73

Table 35. Unemployment rates (per 1000 persons in the labour force) according to usual status, current weekly status (cws) and current daily status (cDs) during 1972-73 to 2004-05

Round Year	Unemployment Rate							
	Male				Female			
	Usual Status (ps)	Usual (adj.)	cws	CDS	Usual Status (ps)	Usual (adj.)	cws	CDS
Rural								
61st (2004-05)	21	16	38	80	31	18	42	87
55th (1999-00)	21	17	39	72	15	10	37	70
50th (1993-94)	20	14	31	56	13	9	29	56
43rd (1987-88)	28	18	42	46	35	24	44	67
38th (1983)	21	14	37	75	14	7	43	90
32nd (1977-78)	22	13	36	71	55	20	41	92
27th (1972-73)	-	12	30	68	-	5	55	112
Urban								
61 (2004-05)	44	38	52	75	91	69	90	116
55 (1999-00)	48	45	56	73	71	57	73	94
50 (1993-94)	54	41	52	67	83	61	79	104
43 (1987-88)	61	52	66	88	85	62	92	120
38 (1983)	59	51	67	92	69	49	75	110
32 (1977-78)	65	54	71	94	178	124	109	145
27 (1972-73)	-	48	60	80	-	60	92	137

Table 36

	Self-employment as a % of all employment				Self-employment as a % of all population (age 18 - 24)			
	1966	1976	1986	1996	1966	1976	1986	1996
Australia	15.9	15.2	16.8	15.1	10.5	10	10.9	10.3
Austria	27.8	19.2	14.8	13.7	18.2	12	9.5	9.4
Belgium	21.9	16.7	18.1	18.4	13.2	9.6	9.6	10.3
Canada	14.8	9.7	9.7	11.3	8.9	6.1	6.6	7.6
Denmark	22.5	16.8	11.6	9.5	16.3	12	8.9	6.9
Finland	29.6	20.2	14.9	14.5	21.3	14.4	10.8	8.8
France	25.1	17.8	15.8	11.6	16.1	11.3	9	6.5
Germany	19.1	13.6	11.5	10.6	13.1	8.7	7.1	6.7
Greece		52.4	50.7	46.1		28.8	27.8	25
Iceland	18	15.1	13.5	18.2	12.4	11	10.8	14.8
Ireland	34.4	28.3	23.4	20.9	21.9	15.8	11.7	11.7
Italy	37.4	24.1	29.9	28.9	20.7	17.9	15.6	14.7
Japan	38	29.4	24.9	17.7	27	20.3	17.5	13.5
Luxembourg	22.4	15.4	11.3	7.6	13.6	9.9	7.2	5.8
Netherlands	18.5	12.7	11.3	12.5	10.5	6.7	5.8	8.2
NewZealand	14	14.1	17.9	20.4	9	9.1	12.9	14.4
Norway	22.5	14.8	12.7	8.7	13.7	10.5	9.7	6.5
Portugal	25.9	35.2	31.3	28.7	14.8	22.1	19.6	19.1
Spain	36.8	31.5	30	25	22.3	17.5	13	11.6
Sweden	13.1	8.2	6.5	11	9.3	6.4	5.2	7.6
Turkey			58.5	58.3			32.4	30.6
UK	6.7	8	11.5	13.6	4.8	5.5	7.5	9.3
USA	12.7	9.3	8.9	8.4	7.8	5.8	6.1	6.1

Table 37

	Self-employment as a % of total labour force				Agricultural Self-employment as a % of total self-employment	
	1966	1976	1986	1996	1970	1995
Australia	15.4	14.3	15.3	13.7	36.4	20.1
Austria	27.2	18.9	14.4	13.2	62.3	45.4
Belgium	20.9	15.6	15.6	16.2	23.3	11.2
Canada	14	9	8.8	10.2	44.4	19.5
Denmark	21.7	15.6	10.8	8.7	42.5	23.6
Finland	28.6	19.1	13.9	11.9	79.2	37.6
France	24	16.6	13.8	9.7	49.9	30
Germany	18.7	12.8	10.4	9.5	44.5	17.4
Greece	-	51.5	47	41.5	60.6	42.1
Iceland	18	15	13.4	17.5	55.6	24.2
Ireland	32.6	25.4	19.1	18.3	75	44.3
Italy	34.5	21.9	25.8	24.7	41.2	16.4
Japan	37.5	28.8	24.2	17.1	47.1	27.3
Luxembourg	22.4	15.3	11.1	7.4	43.5	26.1
Netherlands	17.8	11.7	10	11.6	33	17
NewZealand	13.9	13.9	17	19.1	55	27.6
Norway	21.6	18.3	17	8.2	62.2	37.2
Portugal	24.1	32.3	28.2	26.3	61.4	34.6
Spain	36.1	29.1	23	18.8	58.5	24.3
Sweden	12.8	8.1	6.4	10.1	47.7	17.9
Turkey	-	-	52.2	53.6	73.5	-
UK	6.6	6.6	10.1	12.4	16.7	8.3
USA	11.7	8.4	8.2	7.9	29.1	15.8

Table 38

2001	Employment in Agriculture (% of total employment)	Employment in Industry (% of total employment)	Employment in Services (% of total employment)
Brazil	21	20	59
China	45	17	13
Germany	3	33	64
Indonesia	44	15	42
Japan	5	31	64
Korea, Rep.	10	28	63
Mexico	18	26	56
Pakistan	48	18	34
Poland	19	31	50
Russian Federation	11	29	60
South Africa	10	26	64
Thailand	46	19	35
Turkey	38	23	40
United Kingdom	1	25	73
United States	3	23	75

Source: World Development Indicators

Table 39

2001	Rural population (% of total population)	Rural population density (rural population per sq. km of arable land)	GDP per capita (constant 2000 US\$)	GDP per capita, PPP (constant 2000 international \$)
Brazil	18	55	3456	7351
China	63	560	1021	4233
Germany	12	86	23354	25785
France	24	77	22895	26142
India	72	465	466	2480
Indonesia	57	579	820	3146
Japan	35	993	37405	26117
Korea, Rep.	20	565	11220	16627
Mexico	25	100	5842	8876
Pakistan	67	438	528	1922
Poland	38	105	4398	10600
Russian Federation	27	31	1870	7383
South Africa	44	134	3046	9644
Thailand	69	268	2022	6362
Turkey	35	100	2690	6038
United Kingdom	11	116	24729	26868
United States	21	34	34484	33983

Source: World Development Indicators

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