



**INSIGHTSIAS**

SIMPLIFYING IAS EXAM PREPARATION

# **Insights into Yojana: September 2018**

**Employment and Self Employment**

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## Credible Employment Data: Need of the Hour

### Introduction

- India's Young and growing population requires massive job creation. It also demands **good quality jobs**, which alone would meet their aspirations.
- The efforts by the government for promoting the new economy, have opened up several additional **employment opportunities in the unorganised sector**.
- It is evident that the quality of jobs and the remuneration packages available for new employment is often not in sync with the aspirations of our young jobseekers.
- As per India's recent population growth rates, about **10-12 million people enter the job market every year**.

### Credible Employment Data

- The increase or decline in employment in India is bedevilled by the **lack of credible data**.
- The **Employment-Unemployment survey conducted by NSSO**, was last conducted for the fiscal year 2011-12. Thus the data is more than 6 years old.
- The **Annual Labour Survey** by the Labour Bureau was last conducted for 2015-16. Hence there is no credible data on employment for the last 3-4 years.
- Labour Bureau's most recent **Quarterly Employment Survey** also does not reflect the job situation in the country.
- Given the **huge data gaps**, a taskforce headed by former vice chairman NITI Aayog, Arvind Panagariya, was formed to review the scenario of employment data in India in 2017. The taskforce **recommended yearly survey on employment data**. This would be based on household surveys.

### Unorganised Sector

- Unorganised sector comprises more than 80% of the labour force in India.
- The new economy has created **membership-based employment** like driver partners in ola/uber or delivery professionals or professional home service aggregators.
- These professionals are different from formal employees and are therefore not covered in any official or informal employment estimates.
- Chartered Accountants (CA), company secretaries, lawyers and other professionals who join the workforce each year also employ additional people as assistants and other service providers. These numbers are also not accounted for anywhere.
- Unless **better estimates of employment in these informal sectors** can be made, it would be quite misleading to come to any conclusion about the employment situation or extent of job creation in the last four years.

### Self Employment

- The **self-employed persons numbers have gone up** significantly over the last four years. **MUDRA loans** is one of the major schemes which is helping entrepreneurs towards self-employment and job creation across India.
- Over the last three years 12.27 crore loans have been disbursed. Of these 74% are women borrowers.
- Even if we restrict the number of new jobs to one per MUDRA loan and further assume that repeated borrowers did not generate new jobs, we get an estimate of 6 crore or 60 million jobs having been generated under the MUDRA scheme alone.

- We can conclude that the past four years have seen employment generation and demand for jobs has not lagged behind the supply of new entrants to the workforce.

### **Questions**

- 1. The increase or decline in employment in India is bedevilled by the lack of credible data. Discuss**
- 2. Unless better estimates of employment in the informal sectors can be made, it would be quite misleading to come to any conclusion about the employment situation in the country. Comment**
- 3. Quarterly Employment Survey is conducted by**
  - a) NITI Ayog**
  - b) Labour Bureau**
  - c) National Sample Survey Office (NSSO)**
  - d) International Labour Organisation (ILO)**

**Solution (b)**

## Innovation and Entrepreneurship: Keys to Employment

### Challenges for Creating Employment Opportunities for Indian Youth

- **India has the largest youth population in the world** with around **27% of the population in the age group of 15-29 years**. India by harnessing this youth power can be the skill capital of the world.
- But there are challenges in terms of **low levels of education and skills** and **high dropout rates** and **discontinuance of education** impacting the employability of the Indian youth.
- The unemployment rates have shown an increasing trend with rise in educational qualification.
- One of the reasons for low employability of youth is the **preference by majority of youth for general stream of education** with only about 12.6% for technical / professional education and only 2.4% pursuing vocational education.
- There is also a need to **increase the formal employment**, which presently constitutes about 8% of the labour force.
- **Schools must evolve as learning institutions** where **vocational skills are included in the school curriculum** from class 6 onwards to develop an interest in learning skills for employment.
- **Incentivising the fees for acquiring vocational / technical education** as most of these institutes are in the private sector and out of reach of youth from the low income category.

### New Emerging Avenues for the Indian Workforce

- Currently India is the **fastest growing economy with huge demographic potential**. This demographic potential can **facilitate increase in the GDP growth** if the demographics can be converted into productive workforce through appropriate skilling.
- The Atal Innovation Mission; Focus on Women Entrepreneurship; Mudra; Start-up India and Stand-up India are impacting availability of jobs and livelihood opportunities for millions in the rural and urban sectors even with low skills.
- Sectors such as Information technology, telecom, banking and financial services, healthcare, retail, automobile and tourism and hospitality sector also have the potential to generate employment.
- This calls for an **employment strategy focusing both on manufacturing and services led growth**.

### Realign India's Education System to Emphasise Skills rather than mere Degrees

- The **key challenge** that our education system faces is **training potential workers in skills that are transferrable** across occupations while simultaneously meeting needs of specific industries.
- This can be addressed through two-pronged approach:
  - Teaching skills that are transferrable across occupations.
  - Imparting specific skills required by particular industry.
- The **cognitive skills** developed in primary and secondary education are important for developing skills at the workplace.
- In some systems, **school-based learning** is combined with **work based learning** found in Austria, the Czech Republic, Denmark, Hungary, the Netherlands, the Slovak Republic and Switzerland.
- The initiatives taken by States such as Haryana, Himachal Pradesh and Kerala to introduce **vocational education at the level of secondary schools and colleges** needs to be encouraged since they allow a student to pursue general education in parallel and become job market ready by the time of graduation.
- There is a need to **align the National Education Policy with the National Skill Development Policy** and **alignment of vocational courses in schools with the National Skills Qualification Framework**.

### Sectors having Potential to Create Maximum Employment

- The **services sector** has adapted digital technology impacting a large pool of young labour force looking for job opportunities.
- Areas of **Big Data Analytics, Artificial Intelligence, Internet of Things, Cloud Computing and Virtual Reality, Block Chain and Electric Vehicles** will create highly skilled and high paid jobs in the future.
- For the large segment of poorly educated and **low skilled labour force**, opportunities lie in **apparel; textile and leather; tourism and hospitality sector; and construction**.
- **Government initiatives** like Start-up India; Mudra; Stand-up India; Swachh Bharat are creating significant employment opportunities for low skilled workforce.

### Fostering the Spirit of Entrepreneurship

- Entrepreneurship is an important driver for creating employment opportunities, boosting innovations and thereby fuelling growth.
- This is important to **harness the demographic advantage** and ensuring that people have livelihood opportunities despite low skills and education.
- The government initiatives since 2014 are changing the mind-set of people to foster the spirit of entrepreneurship.
- An increasing number of tech based start-ups in the area of education, e-commerce, financial services, ITES etc are emerging, making India the third largest start-up ecosystem in the world.

### Questions

1. **In order to create meaningful employment for the youth, India needs to integrate its youth skilling programs with the needs of the industry 4.0. Comment.**
2. **The unemployment rate among the educated is not only higher compared to the uneducated, it also increases with higher levels of education. Examine why. Also suggest measures to reduce both educated and uneducated unemployment in India.**
3. **Examine the challenges for creating employment opportunities for Indian Youth. What measures are required to address the challenges?**

## Creating Livelihood Opportunities in Urban Areas

### Introduction

- As per Census 2011, over 31% of the total population lived in urban areas and estimates suggest that this will rise to over 50% by 2050.
- The **changing technological landscape in manufacturing and service industries** and further **mechanization of agriculture** is expected to lead to more **robust job growth** in urban areas.
- It is estimated that over the next 2 decades, about 70% of the new jobs will be created in urban India.

### Developing the Skills Ecosystem

- The **National Skill Development Policy** was released in 2009 and the **National Skill Development Corporation (NSDC)** was established with a mandate to skill 150 million people by 2022.
- Recognising the need for a consistent policy direction and outlook on skills, the **Skill India Mission** was launched in 2015.
- The skilling ecosystem is being complemented by **formal financial services** which is essential to promote self-employment opportunities.
- The **JAM+ architecture**, comprising of Jan Dhan, Aadhar, and Mobile based services has led to achievement of financial inclusion.
- The **Global Findex Report** released by the World Bank revealed that the number of account holders have risen from 35% of the adults in 2011 and 53% in 2014 to 80% in 2017.
- The **gender gap in account ownership has also decreased** with 83% of the men and 77% women now having an account.
- Among MUDRA loan beneficiaries, women account for almost 75% (World Bank, 2018).
- **Deendayal Antyodaya Yojana – National Urban Livelihood Mission (DAY-NULM)** has been working towards creating livelihood opportunities for the poor and vulnerable population.

### Recognizing and Addressing Key Risks

- **Three key national challenges being addressed by the Mission are:**
  - Informal nature of employment.
  - Lower participation of women in labour force.
  - Capacity constraints of the implementing agencies.
- **Formalising the Urban Informal Workforce**
  - Trends show that the high rate of urbanisation in the country is not accompanied by a proportionately high rate of formalization, with **more informal enterprises being added to urban areas**.
  - DAY-NULM is addressing this challenge through 2 initiatives. First, **Recognition of Prior Learning (RPL)** has been adopted in convergence with the **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**, as a mechanism to recognize, certify and formalise those who have acquired skills informally.

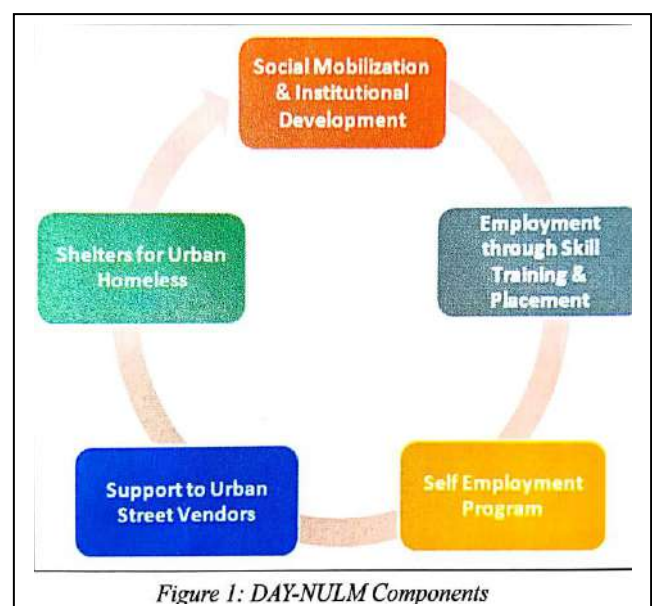


Figure 1: DAY-NULM Components



- Second, **City Livelihood Centres (CLCs)** are being revitalised, with a renewed focus on creating a robust database of freelance service providers, making their services available through mobile apps etc.
- **Improving Women’s Participation in the Urban Workforce**
  - Between 1990 and 2015, female labour force participation fell from 37% to 28%. **If India could rebalance its workforce, the GDP is expected to increase by 27%** (IMF, 2013).
  - The Female Labour Force Participation Rate in India could rise by 21 percentage points if all women who expressed a desire to work were enabled to do so.
  - DAY-NULM addressed this gap by mobilising women into SHGs. These community based organisations empower women to become socially and financially secure.
- **Urban Building Capacity of Local Bodies (ULBs)**
  - ULBs are key implementation units for DAY-NULM. **Ministry of Housing and Urban Affairs** has launched **Integrated Capacity Building Programme** to build their capacities for implementing the urban missions including the employment and self-employment programs and sensitizing them to the vulnerabilities of the urban poor.

**City Livelihood Centre, Jaipur, Rajasthan**

The Jaipur CLC has set an example through their **innovative marketing activities** to promote microenterprises led by SHG women. The CLC has established tie-ups with prominent e-commerce platforms.

**SHG federations supporting livelihoods, Ambikapur, Chhatisgarh**

The “**Garbage to Gold**” initiative in Ambikapur is aimed at transition from corporation driven to community driven waste management. More than 500 women organised into SHGs are engaged in door-to-door waste collection and operation of Solid and Liquid Resource Management.

### Questions

1. Write a note on the National Skill Development Policy and the role of private sector in skilling the unskilled.
2. Examine how Deendayal Antyodaya Yojana – National Urban Livelihood Mission (DAY-NULM) is working towards creating livelihood opportunities for the poor and vulnerable population.
3. Discuss the steps needed to improve the female labour force participation in urban workforce.
4. Global Findex Report is released by
  - a) IMF
  - b) World Economic Forum
  - c) World Bank
  - d) Asian Development Bank

Solution (c)

## Livelihood Development and Diversification

### Introduction

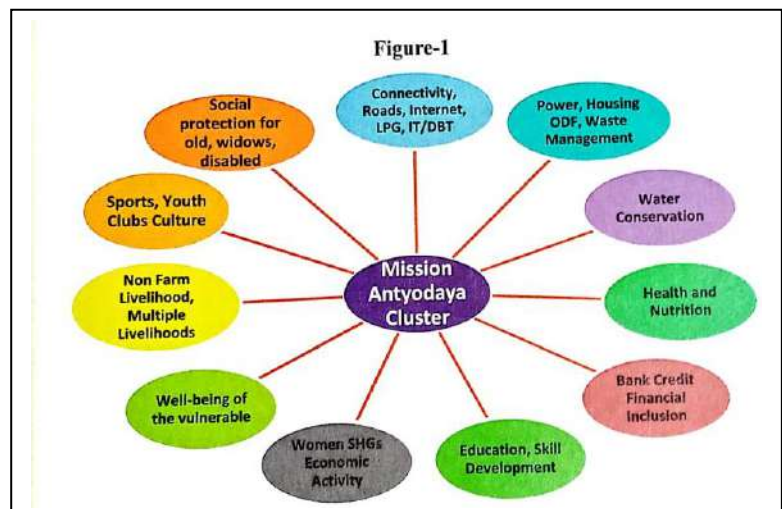
- As the Sustainable Development Goals (SDGs) bring out clearly, poverty is multi-dimensional and therefore requires a range of interventions. **Income and Employment through Livelihood Development and Diversification** is the way forward.
- The last 4 years has seen a considerable stepping up of financial resources for improving rural infrastructure, diversifying livelihoods, reducing poverty and thereby improving the well-being of poor households in terms of allocation for programmes of **Department of Rural Development**.

### Expenditure for Rural Development

- Annual expenditure in 2017-18 is more than double of what it was in 2012-13.
- The sharing pattern under programmes like **Pradhan Mantri Awaas Yojana-Gramin (PMAY-G)**, **National Social Assistance Programme (NSAP)**, **DAY-NRLM** etc for non-Himalayan States became 60:40 and 90:10 in Himalayan States.
- From 2017-18, under the Housing Programme, additional resources were mobilised through **Extra Budgetary Resources (EBRs)**.
- The transfer of funds under the **14<sup>th</sup> Finance Commission** awards has also registered a significant increase compared to the allocations earlier under 13<sup>th</sup> Finance Commission.
- The other important factor is the leveraging of bank loans by the Women Self Help Groups (SHGs).
- Besides the specific resource provision for Rural Poverty Programmes, the thrust on Swachh Bharat Mission, increase in allocations of Ministry of Agriculture and other infrastructure and livelihood programmes for the poor, the total transfer of financial resources to rural India has been very significant.

### Livelihood Development

- All programmes of rural development were aligned to **livelihood development and diversification**.
- MGNREGS focused on durable assets and water conservation, and also provided for livelihood generating individual benefits.
- For rural infrastructure, the **Pradhan Mantri Gram Sadak Yojana (PMGSY)** has been a flagship programme and during the last 4 years 1.69 lakh kms of roads were constructed. This has also generated direct and indirect employment.
- The expansion of the **National Food Security Act (NFSA)** with a provision of rice at Rs 3 per kg and wheat at Rs 2 per kg has facilitated food security in poor households.
- Evaluation studies by the Institute of Rural Management Anand (IRMA) has confirmed increase in incomes, productive assets and enterprises in villages where women SHGs are active under DAY-NRLM.
- Studies of water conservation works under MGNREGS by the Institute of Economic Growth confirmed increase in income, productivity, acreage and the water table.



## Rural Poverty

- Rural poverty is truly **multi-dimensional** and there is a need to address it simultaneously for greater impact.
- **Poverty of Households:**
  - Lack of education and skills.
  - Under nutrition and ill-health.
  - Lack of employment opportunities.
  - Assetlessness.
  - Lack of safe housing.
  - Limited access to public services.
  - Clutches of middlemen/ corruption/ moneylender.
  - Absence of social capital collectives of women/ youth/ poor households.
- **Poverty of Geographies:**
  - Low price for produce – distress.
  - Violence / crime.
  - Unirrigated agri/ vagaries of monsoon.
  - Lack of basic infra – roads, electricity, and internet.
  - Lack of access to markets and jobs.
  - Lack of non-farm opportunities.

## Questions

1. **Despite India hosting the largest public works program MGNREGS, examine the reasons for persisting unemployment.**
2. **Discuss the reasons behind poverty of households and analyse how Income and Employment can promote Livelihood Development and Diversification.**
3. **The 'World Employment Social Outlook Trends' report is published by**
  - a) Organisation for Economic Cooperation and Development
  - b) UN Conference on Trade and Development
  - c) International Labour Organisation
  - d) World Bank**Solution (c)**
4. **The first Indian law to mandate social audit as a statutory requirement was the**
  - a) Right of Children to Free and Compulsory Education Act
  - b) Mahatma Gandhi National Rural Employment Guarantee Act
  - c) Environment (Protection) Act
  - d) National Food Security Act**Solution (b)**

## Harnessing the Demographic Advantage

### Introduction

- As per Economic Survey 2016-17, for the first time since 1950 the combined working age (WA) population of the advanced countries declined with both China and Russia experiencing fall of 20% in their working age population individually.
- On the other hand, India currently with around 28% population in the youth category is witnessing an increase in its working age population which may saturate by 2040.

### Demographic Profile

- There is **large heterogeneity among the states in their demographic profile** and evolution. A clear divide exists between peninsular India and the hinterland India.
- While the peninsular states are exhibiting a pattern akin to the developed economies, the hinterland states are relatively young and dynamic with rising working age population.
- To reap this demographic potential the young labour force needs to be equipped with **employable skills and knowledge** to improve productivity and competitiveness of the economy.
- The **India Skills Report 2018**, indicates that only 46% of youth coming out of higher educational institutes are employable. This raises the issue of **skill gap; skill mismatch or skill shortage**.
- A **Skill Gap Study by NSDC** estimates an incremental human resource requirement of 109.73 million skilled manpower by 2022 in the 24 key sectors of the economy.
- There is an emergent need to **strengthen the entrepreneurship ecosystem** to meet the aspirations of youth.
- It is necessary to briefly look into the challenges to be addressed for optimally utilising human resources.

### Major Challenges

- Large pool of poorly educated youth.
- High demand for skilled manpower vis-à-vis low employability.
- Skilling formal school dropouts to provide them a second chance to acquire basic numeracy, literacy and functional skills for accessing jobs in the formal sector.
- Limited and unequal distribution of training capacities vis-à-vis youth demographics.
- Availability of good quality trainers due to lack of focus on development of trainers' training programmes and career progression pathways for them.
- Multiplicity in assessment and certification systems leading to inconsistent outcomes and confusion to the employers.
- Preponderance of informal/ unorganised sector and mapping of existing skills and skills required.
- Achieving convergence and coordination across sectors.

### Change in Governance Structure

- A dedicated **Ministry of Skill Development and Entrepreneurship** was formed in November 2014 as the nodal ministry for all skill development activities in India.
- A new policy with focus on entrepreneurship was launched in 2015- "**National Policy for Skill Development and Entrepreneurship 2015**".

### Increasing Training Capacity

- There has been significant effort in increasing the capacity of the skill development ecosystem.

- The **Pradhan Mantri Kaushal Vikas Yojana (PMKVY) centres** are spread across various states and UTs and efforts are made to make available the training facility in each district.
- To ensure mobility of Indian workers, multi skill institutes in terms of Pradhan Mantri Kaushal Kendras have been setup in 460 districts and more are being setup.
- **E-marketplace** and app based library have been launched for dissemination of skill content and curriculum.

### Improving Quality and Relevance

- There has been a significant effort towards improving and enforcing quality norms in training output. Over 5,000 ITIs and 15,000 training centres have been graded.
- The efforts for improved quality has led to increased placement percentage in both fee based training and grant based training (PMKVY).

### Formalizing the Informal Skills: Recognition of Prior Learning (RPL) and Apprenticeship

- To facilitate informal workers and to map the skilling requirement of the informal sector a programme “**Recognition of Prior Learning**” has been introduced whereby the skills of workers are tested, assessed and certified.
- The **apprenticeship model** leads to the creation of an industry-ready workforce.
- Most countries around the world have implemented the apprenticeship model – Japan has over 10 million apprentices, Germany has 3 million apprentices and USA has 0.5 million, while India has only 0.3 million apprentices.
- To promote apprenticeship as a mode of skill development, the Apprenticeship Act, 1961 was amended in 2014 to enhance the scope of apprentices.
- It is felt that initiatives such as **National Apprenticeship Promotion Scheme (NAPS)** will enable creation of an **industry-ready workforce** and help to transform India into the ‘**Skill Capital of the World**’.

### Integrating Micro Industries to Marketplace

- With the advent of technology, creating and integrating more micro enterprises at village level to large market places may limit migration and increase the chances for continued livelihood.

### Skill Wage Premium

- Wage premium for skilled labour is still not a reality in the Indian industries which are more cost focused and thus unable to realise the benefits of a skilled workforce.
- The lack of any wage advantage causes the students to directly seek employment as unskilled labour and learn on-the-job rather than undertaking a skill development programme.

### Encouraging Private Sector Funding

- While industries are a direct beneficiary of the skilled manpower, the skilling initiative has been entirely funded by government initiatives.
- We need to explore various options such as reimbursable contributions, levies or even mandatory cess to determine how best to motivate the industries to voluntarily participate in the skill development activities.



### Schemes that facilitate a self-employed to become an entrepreneur

Name of Scheme	Eligibility	Nature of Assistance
Deen Dayal Antyodaya Yojana- to set up Rural Self Employment Training Institutes (RSETIs) for nurturing self-employed and entrepreneurs for micro-enterprises. -Ajeevika Grameen Express Yojana -Startup Village Entrepreneurship Programme	Rural BPL families- 50% of the beneficiaries SC/ STs, 15% minorities & 3% PwDs, preferably women headed families, women victims of trafficking, single women etc	NRLM encourages public sector banks to set up RSETIs in districts to transform unemployed rural youth into confident self-employed entrepreneurs through need-based experiential learning programme followed by systematic hand-holding support.  At least one member from each identified rural poor household, preferably a woman, is brought under the SHG network.
Pradhan Mantri Mudra Yojana	Refinance to micro finance units, CBs, RRBs, NBFCs etc	Bank Loans from Rs.50000 –Rs.10 lakh
Standup India	Green field enterprises of women, SC, ST entrepreneur	Bank Loans from Rs.10 lakh-Rs.1 crore
PMEGP	Individual above 18 years of age, Co-operative Societies, Self Help Groups, Trusts. Loan only for new projects that have not availed any govt subsidy	Rs.25 lakhs for manufacturing units and Rs.10 lakhs for service Units. Before margin money, EDP training of 10 working days for project cost more than Rs.5 lakhs and 6 working days training for project cost upto Rs.5 lakhs to the beneficiary is compulsory. Projects costing upto Rs.10 lakhs free from collateral security.
ASPIRE	Set up business incubators so that eligible youth can be adequately incubated in various skills and be provided the opportunity to set up their own business enterprises	Livelihood Business Incubators the quantum of assistance is one-time grant of 100% of cost of Plant & Machinery other than the land and infrastructure or an amount upto Rs.100 lakh, whichever is less and if set up in PPP mode one-time grant of 50% of cost of Plant & Machinery other than the land and infrastructure or Rs.50 lakh, whichever is less to be provided. For Technology Business Incubator the quantum of assistance is 50% of plant & machinery cost or Rs.30 lakhs whichever is less.
SFRUTI	To organize the traditional industries and artisans into clusters to make them, competitive and provide support for their long term sustainability	Heritage cluster (1000-2500 artisans) : Rs 8 crore Major cluster (500-1000 artisans): Rs 3 crore Mini cluster (Up to 500 artisans): Rs 1.5 crore
Coir Udyami Yojana( <i>SFRUTI for Coir Industry</i> )		Maximum admissible cost of the project is Rs.10 lakhs plus working capital, which shall not exceed 25% of the project cost.

## Questions

1. The World Bank's latest "Global Economic Prospects" report shows that the second wave of change in the global labour market will play out over the next two decades, with developing economies contributing to all of the addition in the global skilled labour force, as the number of skilled workers in advanced economies is expected to decline. How should India gain from this employment shift? Analyse.

## MSMEs: New Engines of Growth and Employment

### Introduction

- The Micro, Small and Medium Enterprises (**MSME**) sector continues to contribute significantly towards the overall positive **socio-economic development** of India.
- It provides not only **self-employment** but also opportunities to exponentially **create jobs**. MSMEs are acknowledged as the **backbone of the economy**.
- Ministry of MSME have taken several steps towards promotion of this sector by fostering the spirit of entrepreneurship and generating major opportunities for self-employment and job-creation.

### MSME Sector: Employment Generation

- Currently, there exist over 7 crore MSMEs that create around 12 crore jobs in the country across various types of enterprises.
- This sector offers wide range of opportunities for self-employment as well as jobs after the agriculture sector. The **labour-capital ratio tends to be much higher for MSMEs**.
- As the country is expecting to witness significant demographic growth and expansion in working age population in the coming years, the MSME sector would need to play an important role to absorb this labour force.
- It is crucial to lay greater **focus on building human capital**, especially in certain manufacturing industries which are highly labour intensive.

### Agenda for Action

- MSME sector tends to have a **multiplier effect on other sectors** in the economy.
- The manufacturing sector avails raw materials and services from other sectors in the economy and in turn supplies them with the finished products, thus stimulating demand for everything from raw materials to intermediate goods.
- As envisaged in the **National Manufacturing Policy (NMP)**, the **manufacturing sector** has the **potential to provide employment to 100 million people by 2022**.
- **Some of the suggestions through which employment can be boosted are:**
  - Encourage growth in labour-intensive industries.
  - Improve quality of training imparted in schools, colleges and universities by setting up innovative labs.
  - Enhance labour productivity by adopting best practices.
  - Ensure timely credit flow.
  - Facilitate good market access.
- The ministry of MSME has a focused approach towards providing support to entrepreneurship for realising the **vision of India becoming a nation of job creators rather than job seekers**.

### Increasing Market Access

- In order to increase market access for MSEs and uplift the marginalised sections of the society, **Public Procurement Policy (PPP)** of the government is proving a drive towards entrepreneurship.
- The mandate states that **20% of total procurement** of the goods and services by CPSEs, central ministries and other government departments shall be **made from MSEs**, including **4% from MSEs owned by SC/ST entrepreneurs**.
- **MSME Sambandh** portal of the ministry is helping the MSEs, including the SC/ST entrepreneurs to participate in the Public Procurement of goods and services.
- To effectively address the PPP for the SC/ST entrepreneurs, **National Scheduled Caste/Scheduled Tribe Hub (NSSH)** was launched in 2016.

- **MSME Sampark** portal – a platform where the recruiters would have access to the increasing talent pool of trained manpower, facilitating their placement.

### **Timely Access to Credit**

- For Ministry of MSME is concerned, there has been almost an **80% increase in the budgetary allocation** under Prime Minister Employment Generation Programme (PMEGP).
- For MUDRA, it was announced in the union budget, a credit flow target of Rs 3 lakh crore; nearly 5 crore accounts would be financed.
- Enhancement of the Credit Guarantee Fund (CGTMSE) from Rs 2500 crore to more than Rs 8000 crore.
- Under **Mission Solar Charkha**, it is envisaged to set up 50 clusters in the first phase giving employment opportunities to nearly 1 lakh people in the rural areas mostly to women.
- **National Small Industries Corporation (NSIC)** has been playing a very important role in facilitating credit flow, supplying raw materials at very competitive rates and providing facilities for training and incubation to MSMEs.
- An overwhelming large percentage of entities registered in the GSTN are MSMEs.

### **Questions**

1. **Employment generation has been the core of India's policy making in recent years and a number of initiatives have been taken by the government in this regard. Discuss in the light of 2018 budget proposals.**
2. **Analyse the self-employment scenario in India and its significance to India's economic growth and development.**
3. **MSME sector has immense economic significance for India but lending to them poses acute challenges. Discuss.**
4. **Based on new data, it is said that the new engines for the India growth and equity story are MSME and not large corporations. Examine why.**
5. **The Prime Minister's Employment Generation Programme (PMEGP) is**
  1. **Aimed at generating self-employment opportunities in the non-farm sector**
  2. **Being implemented to help only unemployed rural youth**
  3. **Implemented by the Ministry of Skill Development and Entrepreneurship**

Select the correct answer using the code given below:

  - a) 1 only
  - b) 1 and 2 only
  - c) 2 and 3 only
  - d) 1, 2 and 3

**Solution (a)**



## Employment – The Indian Perspective

### Introduction

- India had 51.52% of population in the working age (15-64 years) in 2016 according to the world bank.
- The high ratio of working to non-working age population, places our country in the position to reap the demographic dividend, if we are able to gainfully employ this population.

### Labour Market: Structural Rigidities

- According to official statistics, proportion of persons in the labour force declined from 43% in 2004-05 to 39.5% in 2011-12 with a sharp drop in female participation rate from 29% to 22%.
- **Unemployment problem is challenging in India** because it emerges from **structural rigidities of our labour market, scarcity of capital and low skill levels** of our labour force.

### Critical Issues

- **Indian labour laws are considered complex and restrictive.** Complexity also implies **huge compliance burden for the companies.**
- As a consequence of this, the **labour to capital ratio is low** despite the fact that India is a labour abundant and capital scarce country.
- Rigidities in labour market have also ensured that the **employment elasticity of Indian economy has remained low.** According to ILO report, the employment elasticity of Indian economy is 0.15%.
- Therefore, GDP growth does not lead to commensurate employment generation without focussed approach.
- We also suffer from **disguised unemployment in the farm sector**, therefore providing alternative employment in rural areas is very important.

### Addressing Labour Market Rigidities

- The government introduced '**Fixed term contract**' employment in certain employment intensive industries like textiles.
- It allows employers to hire workers for a pre-defined fixed term with a proportionate share of all the benefits to which any permanent worker is entitled.
- Under the new '**Pradhan Mantri Rojgar Protsahan Yojana**' Government is paying the full employer's contribution towards EPF and EPS from 1<sup>st</sup> April 2018 thus encouraging new employment.

### Employment Generation through Ease of Doing Business

- The Labour ministry has undertaken a number of steps to reduce the compliance burden of the industry.
- According to the Economic Survey 2017-18, the initiatives such as **Shram Suvidha Portal, Universal Account Number and National Career Service Portal** will reduce the complexity burden and better and better accountability for enforcement.

### Quantity Vs Quality of Jobs

- A lot of debate has been on the quantity of jobs but much less on the quality which is equally important.
- Due to steps like demonetisation, GST, reduced regulatory burden and financial assistance for PF and ESI, a large part of the informal sector is getting formalised.

- The government has spent massive amount on infrastructure, which generates highest employment per unit of money spent.

### Questions

1. **Employment creation requires creation of social infrastructure as much as it does require structural reforms. Comment.**
2. **Do you think Indian labour laws are complex and restrictive? What are the necessary steps needed to address Labour Market Rigidities?**
3. **In what way does the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) incentivise employers for generation of new employment?**
  - a) **Fixed term employment will be introduced across all labour-intensive sectors enabling employers to hire and fire at will**
  - b) **The Government of India will pay the employers' Employee Pension Scheme share in respect of new employees**
  - c) **The Government will procure land on lease for a certain length of time on behalf of private sector enterprises/industries**
  - d) **The Government of India will pay MGNREGA-equivalent wage share of new employees' salaries in select sectors such as textiles and apparel**

**Solution (b)**

## Dimensions of the Indian Labour Market

### Introduction

- As per the estimates from **National Sample Survey (NSS) Employment and Unemployment Survey, 2011-12**, 49% are still engaged in the primary sector, 27% in services sector and 24% in industry.
- The workforce is primarily rural (74%), informal (93%), self-employed (52%) and the female labour force participation at 22%.
- India showed resilience to the global economic slowdown in terms of the employment market.
- Economic cooperation through fora like G-20, BRICS etc need to be leveraged for a concerted effort to address labour and employment issues.

### Labour Law Reforms

- **The broad objectives of the labour reforms include:**
  - Reducing uncertainty and complexity in labour legislation.
  - Creating a robust and comprehensive floor of rights.
  - Modernising dispute resolution and enforcement systems for good governance.

### Increasing Female Labour Force Participation

- Government has taken several steps to increase the participation of women in the labour force like MGNREGS, vocational training for skill enhancement etc.
- Government has amended the rules to facilitate women government employees for upbringing of their children by providing for 2 years child care leave.
- The private sector has also taken steps to encourage women who left the workforce for family considerations to re-join through various programmes.
- Female workers are primarily home based, which highlights the **need for targeted policies to increase the participation of female labour force.**

## Conclusion

- The **Periodic Labour Force Survey** being conducted by NSSO will give a good idea about changes in employment structure on an annual basis.
- Evolving policies so that economic growth translates into increased and decent employment is important.
- Enhancing the coverage of EPFO and ESIC to other areas and schemes like Pradhan Mantri Rojgar Protsahan Yojana encourages the transition to formalisation of the economy and the labour market.
- Increasing access to employment opportunities for women would contribute to enhancing female labour force participation while securing wage security, employment security and social security.
- It is important to **strengthen systems for data collection on labour market** and promote evidence based analysis and research.

## Question

1. **Comment on women's current employment scenario in India and discuss why it's crucial to create more formal jobs to empower women.**