

The Youth Employment Challenge: A Four by Four Strategy

Presentation to the Parliamentary Forum on Youth -
Sub-Forum on Employment

by Democracy Connect

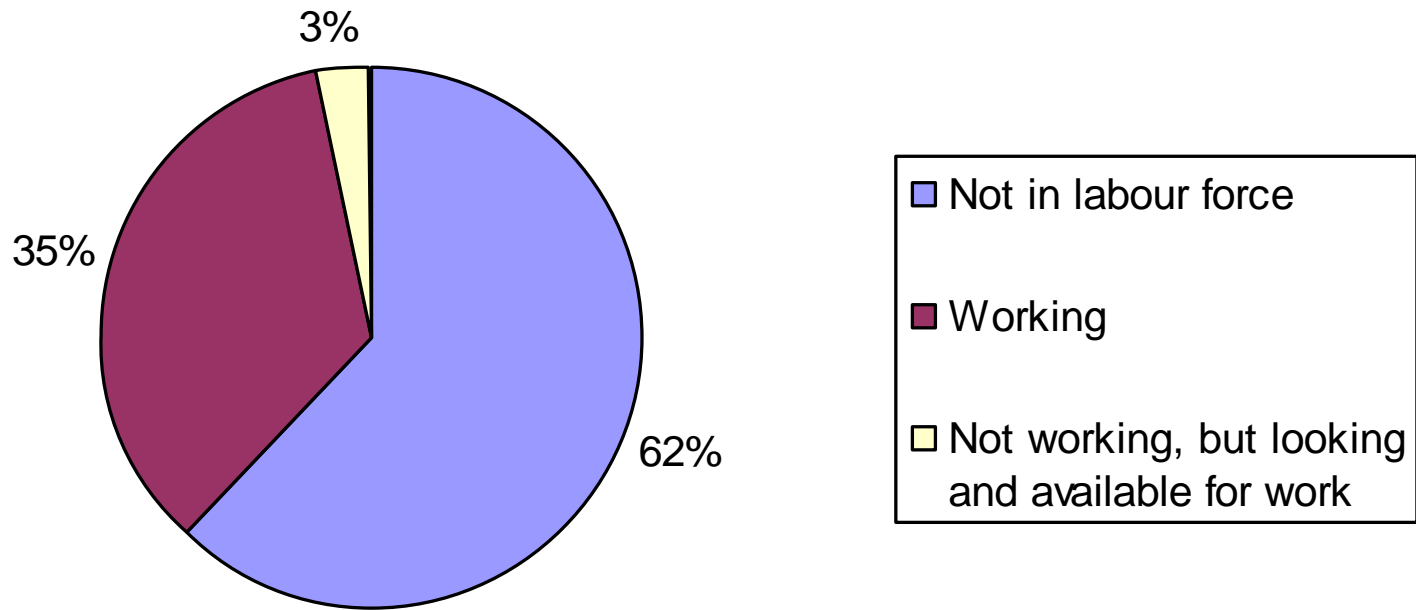
Vijay Mahajan
Chairman BASIX

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Outline

1. Overview of Employment in India
2. Why Focus on Employment?
3. Approaches to employment promotion
 - Natural resource based employment
 - Rural Non-farm sector (RNFS) based employment
 - Urban informal sector (UIS) based employment
 - Out of State Migration (OSM) employment
4. Specific action strategies
 - Human Development
 - Institutional Development
 - Physical Infrastructural Development
 - Inclusive Financial Services

Worker Population Ratio = 38%

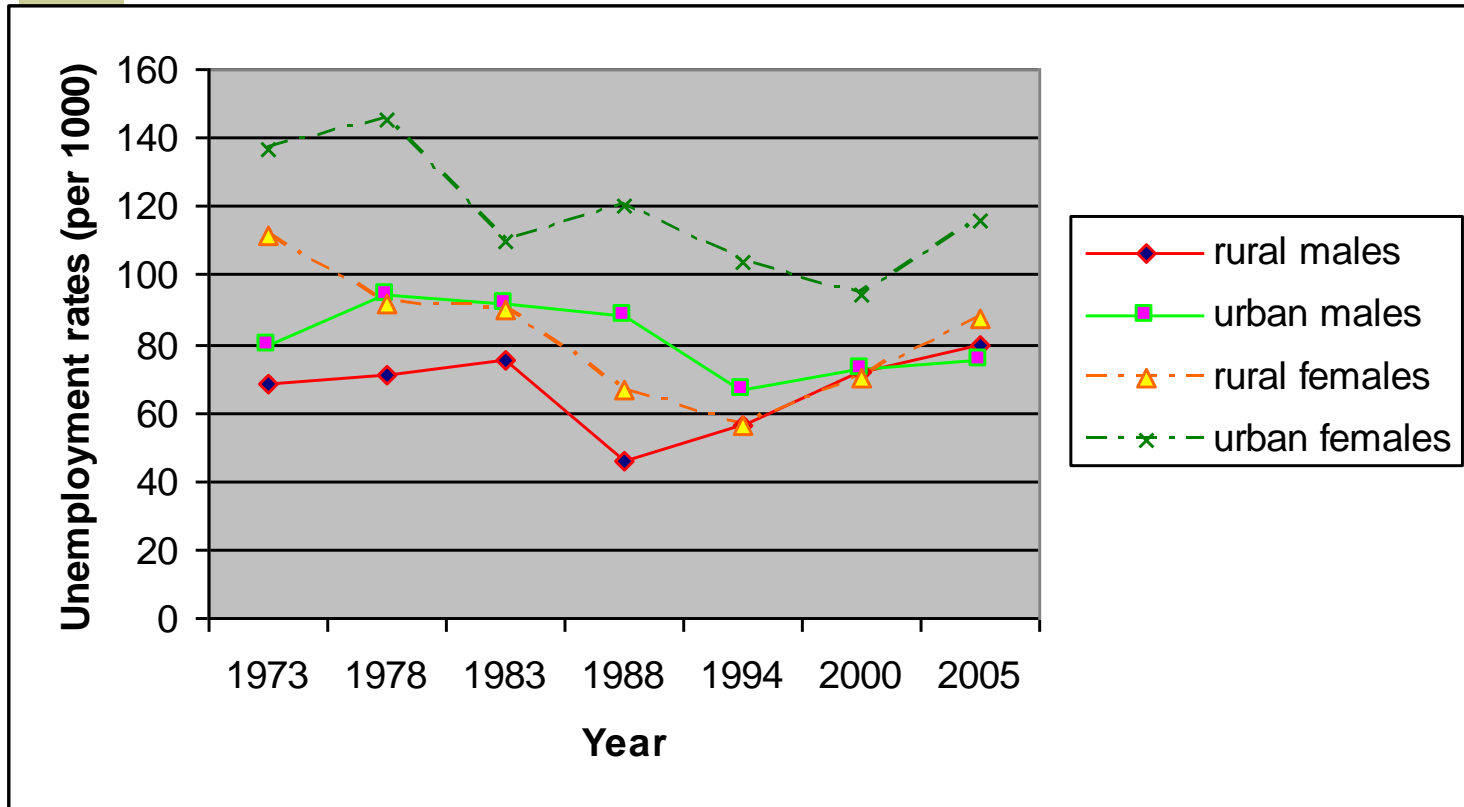


Workers in India (NSS data)

(millions)	2000	2005
Labour force	365	420
Unemployed	26	35
As a %	7.1%	8.3%

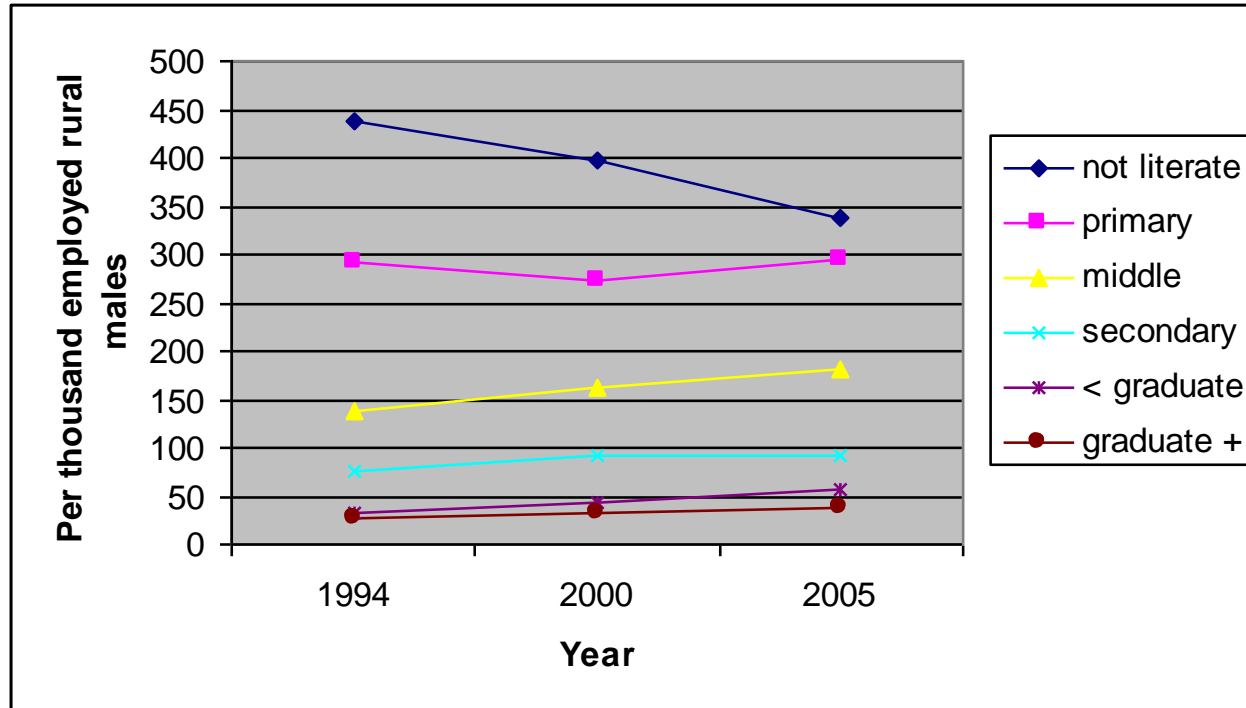
- ◆ Labour force grew at 2.8%
- ◆ But employment grew only at 2.6%
- ◆ So unemployment rate has grown

Unemployment rates



- ◆ In the past, rural unemployment < urban, but now converging
- ◆ Male unemployment < female
- ◆ Overall unemployment rate increased from 7.3% in 1999-00 to 8.2% in 2004-05.

Education and employment

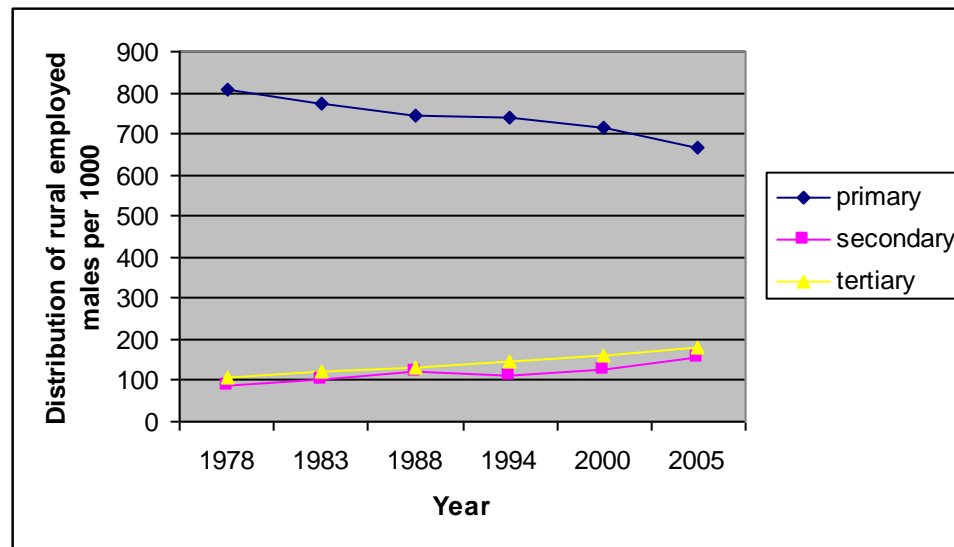


- ◆ Jobs going to the better educated
- ◆ From 1994 to 2005, the share of employment has risen the most for those with education greater than *secondary*. In absolute terms, most of the jobs lost by the illiterate have gone to those with *middle* level education.

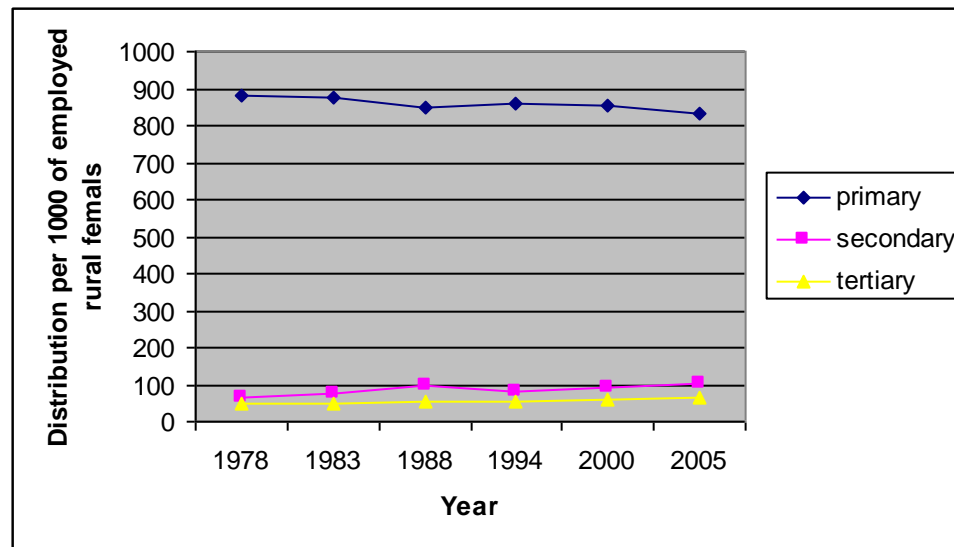
Education and Unemployment

- ◆ Good news is that the labour market seems to be valuing education.
- ◆ Bad news is that as overall employment is not rising fast enough as the overall labour force, the earlier jobs for the uneducated are now going to the educated.
- ◆ Thus education has become one more screening device, not necessarily enabling or productivity enhancing.

Sectoral Employment: Rural Males



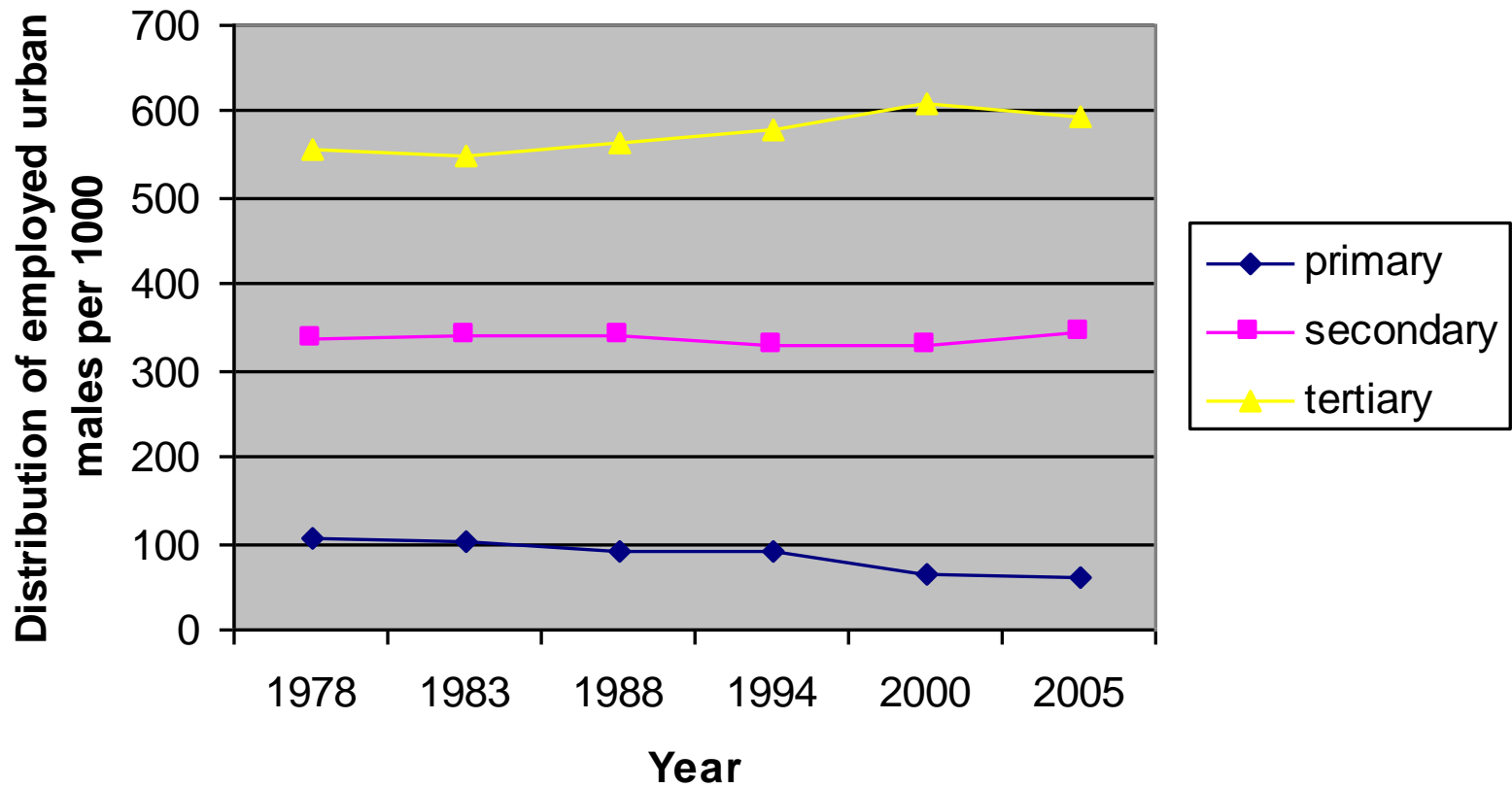
Sectoral Employment: Rural Females



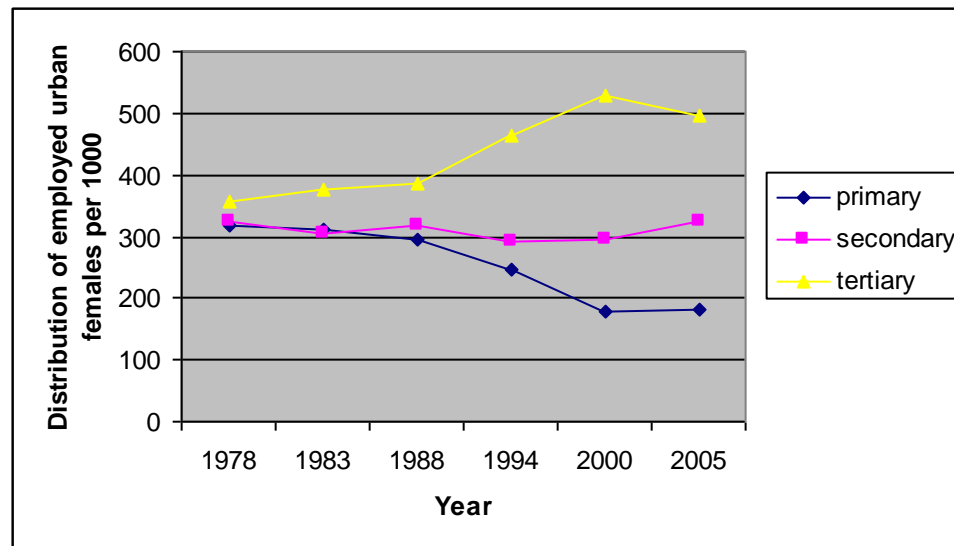
Sectoral Distribution of Employment - Rural

- ◆ Good news is that share of primary sector employment is going down, particularly agriculture.
- ◆ Bad news is that it is not happening on a large enough scale. Even now about 60% of the population is dependent on agriculture but accounts for less than 20% of the GDP, so per capita incomes are low in agriculture.
- ◆ Worst hit are the small & marginal farmers and female workers as they do not have the geographic or occupational mobility of the landless (males).

Sectoral Employment: Urban Males



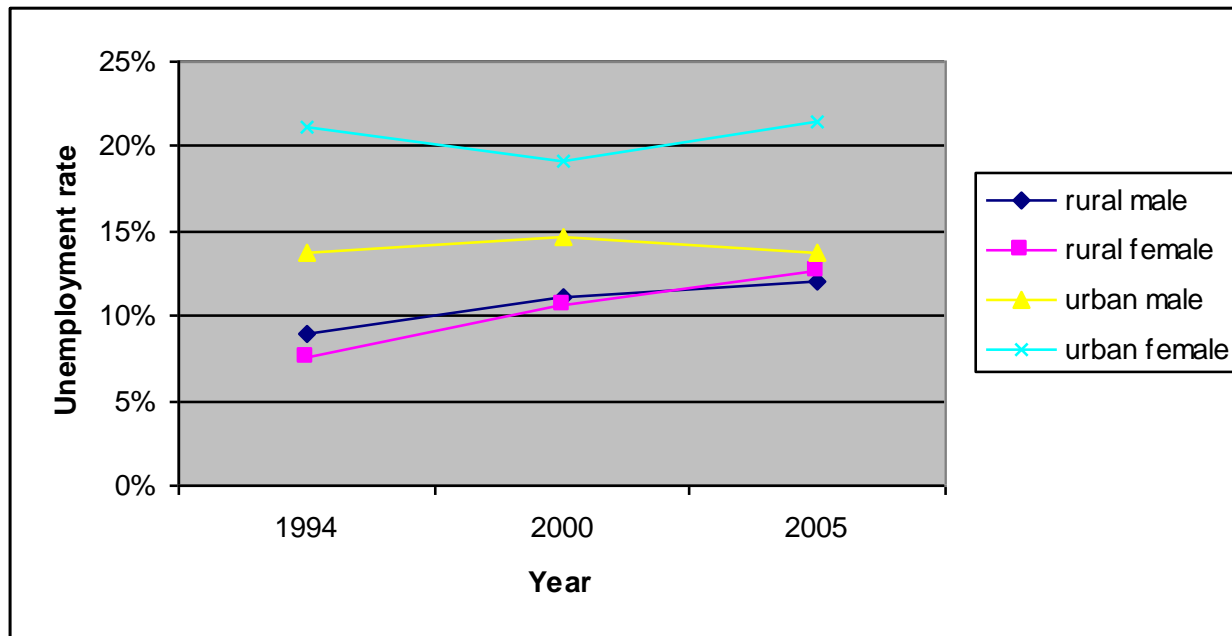
Sectoral Employment: Urban Females



Sectoral Distribution of Employment - Urban

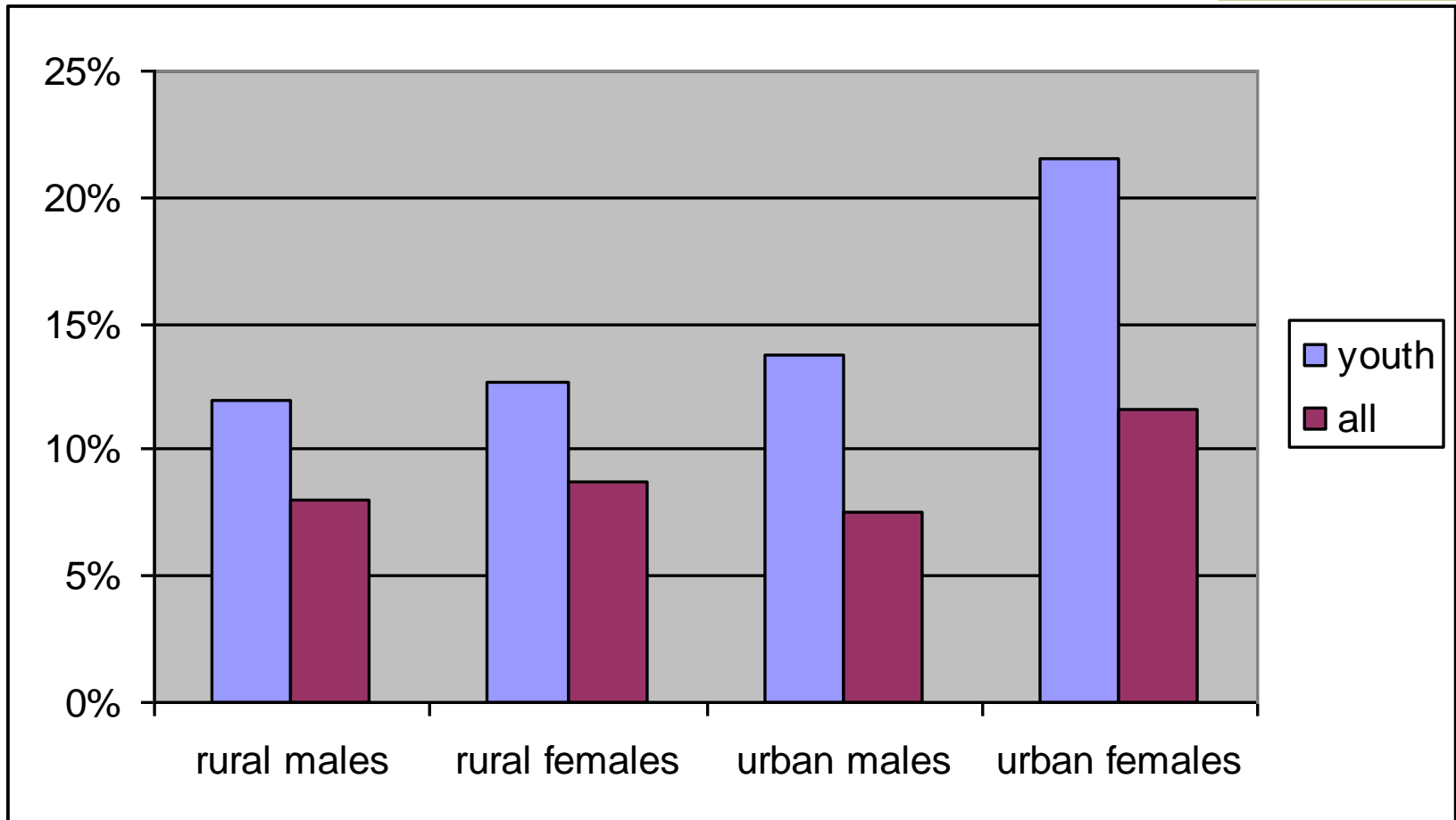
- ◆ Good news is that share of secondary sector (manufacturing, utilities, construction) employment is going up and the overloaded tertiary (largely informal services) sector is coming down.
- ◆ Females are claiming rightful share in secondary sector, though it is more in construction.
- ◆ Bad news is that it is not happening on a large enough scale. Even now about 60% of the urban male worker is engaged in the informal sector, so per capita incomes are low.

Unemployment among Youth - I

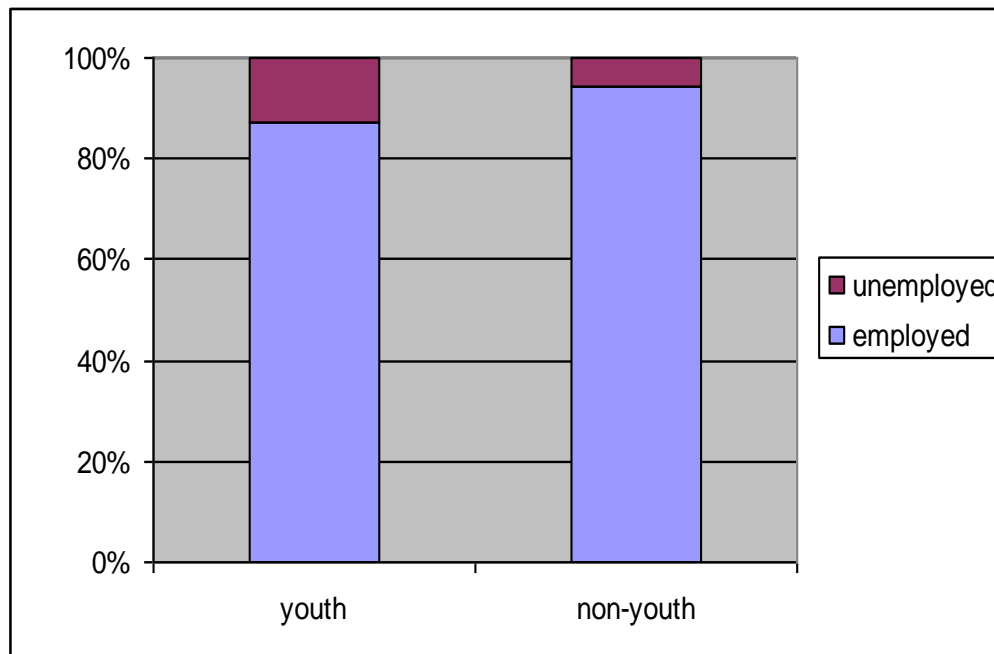


- ◆ Youth (age group 15-29) comprise about 26.5% of all Indians
- ◆ Unemployment rate among youth increasing, particularly in rural areas
- ◆ Unemployment among urban females is very prominent

Unemployment among Youth - II



Unemployment among Youth - III



- ◆ Unemployment among youth: 13%
- ◆ Unemployment among non-youth: 6%

Part II

Why focus on employment?

- ◆ Estimated population of 109 crore in India in 2005, labour force was 42 crore.
- ◆ This was growing at about 2.8% pa, meaning about 1.1 crore additional persons were seeking work per annum.
- ◆ Employment grew by 2.6% pa between 1999-2000 to 2004-05.
- ◆ So unemployment, already 3.5 crore people, will grow by 20 lakh persons every year.

Why focus on employment?

- ◆ To eradicate unemployment in a decade, about 1.5 crore new jobs are needed per annum.
- ◆ In the last five years, the economy has generated 90 lakh jobs per annum.
- ◆ Even if we assume that as incomes go up, more youth will study longer and some people may choose not to work, we still have to bridge a gap of 50 lakh jobs per annum.
- ◆ Thus, with a policy push, we have a Herculean task of achieving near full employment.

But focusing on employment numbers is not enough

- ◆ Because while only about 8% are unemployed, 28% are below poverty line.
- ◆ That is because of the phenomenon of “working poor”.
- ◆ Crores are working at a low wage rate or earn inadequately from self-employment, and thus live below the poverty line.
- ◆ Thus, incomes have to be increased for over 10 crore of the “working poor”, if we have to address the twin issue of employment and poverty in a decade.

GDP % vs. Workforce %

Sector	GDP %	WF %	GDP/WF
Primary	20	59	0.34
Secondary	20	18	1.11
Tertiary	60	23	2.61
Total	100.0	100.0	

How much disparity can we accept for the sake of 10% growth?

- ◆ Income in tertiary sector is nearly eight times that of primary sector
- ◆ But within each sector, there is a lot of disparity. For example, in agriculture, landless households earn two-third as much as marginal/small farmers and one tenth as much as large farmers.
- ◆ In the services sector, those in IT/BPOs etc earn 20 times more than those in the informal sector.

Part III

The first four in the Four By Four Strategy

Four Foundations of Employment Strategy

- Natural Resource : (land, water, forests, livestock, minerals) based employment
- Rural Non-farm sector (RNFS) based employment
- Urban informal sector (UIS) based employment
- Out of State Migration (OSM) employment

Natural Resource based employment: Land, water, forests, livestock, minerals

- ◆ Thus there is no escape from increasing agricultural incomes, but this can only happen if let many people escape agriculture!
- ◆ The focus of this effort must be mainly the poorest – the landless and the small and marginal farmers
- ◆ For those who remain in agriculture, the key to higher income is higher productivity.
- ◆ The key to increase agri productivity is water – not only dams and canal irrigation but also watersheds and johads and aharas and protective irrigation, coupled with better agronomic practices.

Rural Non-farm employment

- ◆ As agriculture is over-crowded, additional employment have to come from the rural non-farm sector (RNFS), the urban informal sector (UIS) and out of State Migration (OSM) .
- ◆ The RNFS accounts for nearly 60% of employment (by person-days) of agricultural workers and cultivators (NSS 60th Round).
- ◆ Agro-processing to be encouraged by providing power supply and other infrastructure in large villages
- ◆ Handicrafts and handloom units (cluster-based) to be given design and market linkages and credit
- ◆ Repairs and business services to be given credit
- ◆ Rural tourism to be promoted through a special package
- ◆ Social services in the private sector to be encouraged

Urban Informal Sector employment

- ◆ The shift from over-crowded agriculture to a diversified rural non-farm sector (RNFS), though happening, is not adequate to absorb the growth in the labour force.
- ◆ Thus the urban informal sector (UIS) becomes the “employment of last resort”. Lakhs of people from rural India migrate every year to cities for work, in construction, retail, transport, tea-shops, etc.
- ◆ This is an “adaptive response” and it should be encouraged. UIS employment must be promoted in small towns and cities.
- ◆ For this, vocational training, working men and women’s hostels, rural-urban commuter trains around big cities, and improvement of small town infrastructure is necessary. In addition, worker rights, and rights of self-employed vendors and hawkers must be guaranteed.

Out of State Migration (OSM) based employment

- ◆ The shift from over-crowded agriculture to a diversified rural non-farm sector (RNFS) and the urban informal sector (UIS) though happening, is not adequate to absorb the growth in the labour force.
- ◆ Thus Out of State Migration also becomes, in most cases, “employment of last resort”. Crores of people from rural India migrate every year to work on farms in states like Punjab and prosperous districts in their own states, and to cities like Delhi for work, in construction, retail, transport, tea-shops, etc.
- ◆ Like UIS, this is an “adaptive response” and it should be encouraged. OSM employment must be supported through migrant services like identity cards, inter-state ration cards, temporary shelter, health care, worker rights, and savings and remittance services.

Part IV

The second four in the Four By Four Strategy

Four Cornerstones of Employment Strategy

- Human Development
 - Investing in nutrition, health, education and skills
- Institutional Development
 - Building trust, norms, and functioning organisations
- Physical Infrastructural Development
 - Roads, Electricity, Water and Sanitation, Warehousing, Marketplaces, IT connectivity, Telecom, etc
- Inclusive Financial Services
 - No-frills bank accounts, savings services, insurance services, credit, equity financing for SMEs, warehouse receipts for farmers.

Cross Cutting Solutions in the Primary Sector

Sub-Sector	Human Development	Institutional Development	Physical Infrastructure Development	Inclusive Financial Services
Agriculture	Agri Skills	Farmers' Coops PACS	Irrigation Power Markets	Credit, Crop Insurance
Animal Husbandry	Vet skills	Livestock breeders' associations	Fodder banks, AI Markets	Credit Livestock Insurance

Cross Cutting Solutions in the Primary Sector

Sub-Sector	Human Development	Institutional Development	Physical Infrastructure Development	Inclusive Financial Services
Forestry	Forestry Skills	JFM Committees Tree Growers' Coops	Nurseries Markets	Savings Long term credit, Health Ins
Mining and Quarrying	Mechanical skills	Mineworker unions	Roads Prospecting Power	Savings, Health Insurance

Cross Cutting Solutions in the Rural Non-Farm Sector

Sub-Sector	Human Development	Institutional Development	Physical Infrastructure Development	Inclusive Financial Services
Agro-processing	Sorting, grading skills; Mechanical skills	Commodity coops (dairy, oilseeds, ++) need revival	Power Warehouses Market yards or decentralised procurement	Savings Long term credit, Health Ins
Handicrafts	Updating skills for new mkts	Artisan's associations/ cooperatives	Roads Prospecting Power	Savings, Health Insurance

Cross Cutting Solutions in the Urban Informal Sector

Sub-Sector	Human Development	Institutional Development	Physical Infrastructure Development	Inclusive Financial Services
Transport	Literacy; Mechanical skills; health care	Transport worker unions	Worker Housing near Market yards Health centres	Savings Micro credit, Health Ins
Repairs	Skills for new mkts cellphone	Local guilds/ associations	Shops Power	Microcredit Health Insurance

Cross Cutting Solutions in the Out of State Migration

Sub-Sector	Human Development	Institutional Development	Physical Infrastructure Development	Inclusive Financial Services
Migrants to agricultural areas	Literacy; health care	Transport worker unions	Worker Housing near Market yards	Savings Local agri credit, Health Ins
Migrants to Urban areas	Skills for new mkts - construc- tion	Local guilds/ associations	Shops Power	Savings Remittance Health Ins

Summary

- ◆ Promoting new employment for 1.5 crore persons per year, to achieve near-full employment in a decade
- ◆ Improving incomes of the 10 crore “working poor”, mostly in the agricultural, rural non-farm, and the urban informal sectors, through the four by four strategy
- ◆ This requires a comprehensive mission approach.

Foundations	Cornerstones
Natural resource	Human Development
Rural Non-farm sector	Institutional Development
Urban Informal Sector	Infrastructure Development
Out of State Migration	Inclusive Financial Services



Thank You