44^{TH} SESSION OF THE INDIAN LABOUR CONFERENCE (NEW DELHI)

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Item No.1: Minimum Wages

1) Minimum Wages: The Objective

The Minimum Wages Act (M.W. Act) was enacted in the year 1948 primarily to safeguard the interests of the workers engaged in the unorganized sector. In the unorganized sector, the workers are vulnerable to social and economic exploitation due to illiteracy, dispersed nature of operations & processes, low bargaining power, lack of institutional back-up and poor implementation of labour laws. The guiding principle is that the worker must be given wages which can enable him and the members of his family to lead a decent and healthy life. The Act provides for fixation and revision of minimum wages of the workers engaged in the scheduled employments. Under the Act, both central and State Governments are responsible, in respect of scheduled employments within their jurisdictions to fix and revise the minimum wages and enforce payment of minimum wages. It binds the employers to pay to the workers the wages fixed or revised under the Act. In the absence of any standard methodology or guidelines, the norms recommended by the Indian Labour Conference held in 1957 forms the basis for fixing the minimum wages. At present there are 45 scheduled employments in the Central sphere (as given at **Annexure-I**) and as many as 1679 (**Annexure-II**) scheduled employments in the State Sphere covered under Minimum Wages Act, 1948. A statement showing the range of minimum rates of wages for unskilled workers state-wise as available is given at **Annexure –III**.

2) Norms for Fixation/Revision of Minimum Rates of Wages

As mentioned above, the M. W. Act has neither defined minimum wages nor has it laid down any norm/criteria for fixing the minimum wages. However, the Indian Labour Conference, in 1957 recommended certain norms for fixing the minimum wage which are given below: -

a) 3 consumption units for one earner (2 Adults + 2 Children).

b) Minimum food requirements of 2700 calories per average Indian adult.

c) Clothing requirements of 72 yards per annum per family.

d) Rent corresponding to the minimum area provided for under Government's Industrial Housing Scheme.

e) Fuel, Lighting and other miscellaneous items of expenditure to constitute 20% of the total minimum wage.

Subsequently, in 1992, the Hon'ble Supreme Court delivered a historic judgement in the case of Reptakos & Co. Vs. its workers. The judgement, inter alia, stated that children's education, medical requirement, minimum recreation including festivals/ceremonies, provision for old age, marriage etc. should constitute at least 25% of the minimum wage and be used as a guide for fixation of minimum wages in all relevant employments. Accordingly, the State Governments have been advised from time to time to keep in view the above norms while fixing/revising the minimum wages. Though these norms are need based, they leave some element of subjectivity because they vary from region to region and State to State. The implementation of the M. W. Act, 1948, which primarily falls in the State sphere, is regularly pursued by the Ministry of Labour and Employment through discussion, correspondence with the States as well as visits to States.

3) Variable Dearness Allowance (VDA)

In order to protect the minimum wages against inflation, the Central Government introduced the idea of Variable Dearness Allowance (VDA) based on the recommendation of the Labour Ministers' Conference held in 1988. Accordingly, the appropriate Governments are required to revise the minimum rates of wages from time to time to include V.D.A under the Minimum Wages Act, 1948. So far, besides the Central Government, 23 State Governments/Union Territory Administrations have adopted the VDA as a component of minimum wage and revise it twice a year or annually as may be applicable taking into account the rise in the Consumer Price Indices for the Industrial Workers. In the Central sphere, the minimum rates of wages are revised effective from 1st April and 1st October every year.

A statement showing the States/UTs which have adopted/ did not adopt the system of VDA till date is at **Annexure –IV**. The States/UTs which have not yet adopted V.D.A. in their fixation of minimum wages are being requested from time to time for introducing this so as to protect minimum wages from the vagaries of inflation.

4) National Floor Level Minimum Wage (NFLMW)

As regards minimum wages in States, there is wide spread inter-state disparity due to variations in socio-economic and agro-climatic conditions, income, prices of essential commodities, paying capacity, productivity and local conditions. With a view to have a uniform wage structure and to reduce the disparity in minimum wages across the country, the concept of National Floor Level Minimum Wage on a non-statutory basis was envisaged on the basis of the recommendations of the National Commission on Rural Labour (NCRL) in 1991. Keeping in view the recommendations of NCRL and subsequent rise in price indices, the National Floor Level Minimum Wage for unskilled labour was fixed at Rs.35/- per day in 1996. The Central Government further raised the national floor level minimum wage to Rs.40/- per day in 1998 and to Rs.45/- w.e.f. 01.12.1999. It was raised to Rs.50/- per day w.e.f. 1.9.2002.

Based on the suggestions by a Working Group constituted for this purpose and subsequently by the Central Advisory Board in its meeting held on 19.12.2003, NFLMW was revised upwards to Rs. 66/- per day with effect from 1.02.2004. On the basis of increase in the Consumer Price Index, the Central Government again revised the NFLMW to Rs.80/- per day with effect from 01.09.2007 and from Rs.80/- to Rs.100/- per day with effect from 1.11.2009. Presently, it stands at Rs.115/- per day effective from 1.4.2011. A statement showing the periodic revision in the NFLMW is given at **Annexure- V**. The national floor level minimum wage, however, has no statutory backing at present. The State Governments are persuaded to fix/revise minimum wages such that in none of the scheduled employments, the minimum wage falls below the National floor level minimum wage. (A statement showing the Scheduled Employment by State/UTs where Minimum Wages for unskilled workers is still less than the NFLMW is enclosed as **Annexure-VI**).

In fact, there is wide variation in the minimum wages for the same employment in different States/UTs. This has raised question mark about the efficacy of the Minimum Wages Act itself and there have been persistent demands in various fora to make NFLMW statutory. This, if introduced, is expected to reduce disparity among rates of minimum wages across the States. Further, the ILO Convention No. 131 to include all employments under the Schedule of M. W. Act can be ratified only after NFLMW is made statutory under the Act.

5) Amendment Proposals

The Minimum Wages Act came into force in 1948. Even though more than 60 years have passed since its enactment, there was only one minor amendment to the Act in 1986 pertaining to Section 23 to provide for exemption of the employer from liability in certain cases. It is, therefore, high time that a comprehensive examination of various provisions under the Act is made and necessary amendments to the Act carried out. In order to make the provisions of the Minimum Wages Act, 1948 more effective and to enlarge its scope and coverage based on suggestions received from time to time, the following comprehensive proposals for amendments to the Act are currently under examination.

(i) Make the National Floor Level Minimum Wage Statutory and to make it applicable to any employment irrespective of the number of workers engaged.

(ii) Review and revise the National Floor Level Minimum Wage on the basis of NSSO Consumer Expenditure Survey conducted every five years.

(iii) Review/revise the minimum rates of wages of scheduled employment every two years, if there is no provision of VDA.

(iv) Delete the provisions relating to fixation of differential minimum rates of wages in respect of adults, adolescents, children and apprentices.

(v) Make the provision for issue of employment cards to the employees.

(vi) Extending the power of adjudicator to State Labour Officers of equivalent level with two year experience, under Section 20(1) of the M. W. Act.

(vii) To enhance claim period from six months to one year under Section 20(2) of the Act.

(viii) Increase the maximum compensation from Rs10/- to Rs.100/- under Section 20(3) (ii) of the Act.

(ix) To ensure better compliance, the fines / penalties under “the Act” are proposed to be enhanced as mentioned below:

(a) As regard non-payment of minimum rates of wages by the employers, presently there is provision (under Section 22 of the Act) of imprisonment for a term upto six months or fine upto Rs.500/- or both. It is proposed to extend the penal provision by incorporating the imprisonment clause for a term upto six months or fine upto Rs.5000/- or both for the first contravention and imprisonment for a term upto one year or fine of Rs.5000/- to Rs.10000/- or both on subsequent contravention.

(b) The penal provision under Section 22 A for contravening any provision of the Act like non-maintenance of registers etc. is fine upto Rs.500/-. It has been proposed to enhance the fine upto Rs.5000/- for the first contravention and Rs.5000/- to Rs.10000/- on subsequent contravention.

(x) The appropriate Government may not only add but also ‘*alter or delete or modify’* any employment in the respective Schedule under Section 27 of the Act.

(xi) In case of prevalence of higher minimum rates of wages in respect of same employment either in the Central or in the State sphere, the same may be applicable in the other sphere. For this, the Central Government may be authorized to give directions or ‘delegation of powers to the State Governments/Union Territory Administrations by notification in the Official Gazette’ for effective implementation to various provisions of the Act in the States.

6) Present Status of the Amendment proposals

The amendment proposals to the Minimum Wages Act, 1948 was considered by the Committee of Secretaries (COS) and as directed, an Inter-Ministerial Group (IMG) was constituted to look into the matter. The IMG decided that the V.V.Giri National Labour Institute may first carry out an impact study of the amendment proposals to the Minimum Wages Act, 1948. V.V.Giri National Labour Institute completed the study and the 'Impact Study Report' was discussed in the 2nd Meeting of the IMG. A summary of the NLI Report is given at **Annexure-VII**. The revised proposals are under consideration of the Government.

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Annexure I

SCHEDULED EMPLOYMENTS FOR WHICH CENTRAL GOVERNMENT HAS FIXED MINIMUM WAGES UNDER THE MINIMUM WAGES ACT, 1948

S. No	Name of Employment
1.	Agriculture
2.	Construction/Maintenance of Roads and Building Operations.
3	Maintenance of buildings
4.	Construction and Maintenance of Runways.
5.	Gypsum mines.
6.	Barites mines.
7.	Bauxite mines.
8.	Manganese mines.
9.	China Clay mines.
10	Kyanite mines.
11	Copper mines.
12	Clay mines.
13	Stone mines.
14	White Clay mines.
15	Orchire mines.
16	Fire Clay mines.
17	Steatite (Soapstone and Talc) Mines.
18	Asbestos mines.
19	Chromite mines.
20	Quartzite Mines
21	Quartz mines
22	Silica mines.
23	Magnesite Mines
24	Graphite mines.
25	Felspar mines.
26	Red oxide mines.
27	Laterite mines.
28	Dolomite mines.
29	Iron Ore mines.
30	Granite mines.
31	Wolfram mines.
32	Magnetite mines.
33	Rock phosphate mines.
34	Hematite mines.
35	Marble and Calcite Mines.
36	Uranium mines.
37	Mica mines.
38	Employment in Lignite Mines
39	Employment in Gravel Mines
40	Employment in the Slate Mines
41	Employment in laying down of underground electric, wireless, radio, televis telephone, telegraph and overseas communication cables and similar c underground cabling, electric lines water supply lines and sewerage pipe lines
42	Loading, Unloading in Railways Goods Shed
43	Stone Breaking and Stone Crushing
44	Employment in Sweeping and Cleaning
45	Watch & Ward

Annexure II

No. of Scheduled Employments by States/UTs as per Minimum Wages Act'1948

Sl.No.	Name of the State/UT	No. of Scheduled employments
1	Andhra Pradesh	71
2	Arunachal Pradesh	30
3	Assam	100
4	Bihar	88
5	Chhattisgarh	37
6	Goa	20
7	Gujarat	52
8	Haryana	48
9	Himachal Pradesh	11
10	Jammu & Kashmir	34
11	Jharkhand	89
12	Karnataka	73
13	Kerala	86
14	Madhya Pradesh	39
15	Maharashtra	68
16	Manipur	15
17	Meghalaya	27
18	Mizoram	4
19	Nagaland	37
20	Orissa	83
21	Punjab	60
22	Rajasthan	62
23	Sikkim	25
24	Tamil Nadu	91
25	Tripura	15
26	Uttar Pradesh	65
27	Uttarakhand	59
28	West Bengal	61
29	A & N Islands	6
30	Chandigarh	44
31	Dadra & Nagar Haveli	55
32	Daman & Diu	71
33	Delhi	29
34	Lakshadweep	4
35	Puducherry	20
	Total	**1679**

Annexure-III

RANGE OF MINIMUM WAGES FOR UNSKILLED WORKERS IN DIFFERENT STATES/UNION TERRITORIES.

Sl.No.	States/Union Territories	Range of Minimum Wage for Unskilled Workers (In Rs. Per day)
	Central Sphere*	156.00 - 256.00
	State Sphere	
1	Andhra Pradesh*	68.96 -231.71
2	Arunachal Pradesh	134.62 - 153.85
3	Assam*	66.50 - 100.00
4	Bihar*	138.00 - 144.00
5	Chhattisgarh*	104.60 - 151.04
6	Goa	150.00 - 157.00
7	Gujarat*	100.00 - 169.00
8	Haryana*	173.19
9	Himachal Pradesh	110.00
10	Jammu & Kashmir	110.00
11	Jharkhand*	127.00
12	Karnataka*	82.57 - 227.89
13	Kerala*	110.00 - 322.10
14	Madhya Pradesh*	119.00 - 169.03
15	Maharashtra*	95.65 - 248.15
16	Manipur	122.10
17	Meghalaya	100.00
18	Mizoram	132.00
19	Nagaland	80.00
20	Orissa*	90.00
21	Punjab*	147.73
22	Rajasthan*	135.00
23	Sikkim	100.00
24	Tamil Nadu*	81.91 - 222.35
25	Tripura	65.77 - 130.00
26	Uttar Pradesh*	100.00 - 160.15
27	Uttarakhand*	121.65 - 143.27
28	West Bengal*	112.50 -146.53
29	A & N Islands	196.00 - 207.00
30	Chandigarh*	176.98
31	Dadra & Nagar Haveli*	147.60
32	Daman & Diu*	143.60
33	Delhi*	234.00
34	Lakshadweep*	147.40
35	Puducherry	100.00 - 205.00

* = The system of VDA is in vogue

Annexure –IV

States/Union Territories Which Adopted/ Did not Adopt the system of Variable Dearness Allowance (VDA)

Sl. No.	Name of the State/UT which	
	Adopted VDA	**Did not adopt VDA**
1	Andhra Pradesh	Arunachal Pradesh
2	Assam	Goa
3	Bihar	Himachal Pradesh
4	Chhattisgarh	Jammu and Kashmir
5	Gujarat	Manipur
6	Haryana	Meghalaya
7	Jharkhand	Mizoram
8	Karnataka	Nagaland
9	Kerala	Orissa
10	Madhya Pradesh	Sikkim
11	Maharashtra	Tripura
12	Punjab	Puducherry
13	Rajasthan	
14	Tamil Nadu	
15	Uttar Pradesh	
16	Uttarakhand	
17	West Bengal	
18	Andaman and Nicobar Islands	
19	Chandigarh	
20	Dadra and Nagar Haveli	
21	Daman and Diu	
22	Delhi	
23	Lakshadweep	

Annexure V

Statement showing the year-wise change in NFLMW

S. No.	Year	NFLMW (in Rs.) per day	Remarks
1.	1991	20/-	NCRL recommended
2.	1996	35/-	Central Government mooted the concept
3.	August 1998	40/-	Based on increase in CPI (AL)
4.	01.12.1999	45/-	-Do-
5.	01.09.2002	50/-	Based on increase in CPI(IW)
6.	01.02.2004	66/-	Based on increase in CPI (IW) and Report of the Working Group of the Ministry for the year 2003.
7.	01.09.2007	80/-	Based on increase in CPI(IW)
8.	01.11.2009	100/-	-Do-
9.	01.04.2011	115/-	-Do-

Annexure-VI

State-wise Scheduled Employments where the minimum rates of wages for per day unskilled workers are less than Rs.115/-

(Rs. Per day)

Sl. No.	Scheduled Employment	Category	Zone	Minimum Wages
1	**2**		**3**	**4**
01.	**ANDHRA PRADESH (6/69)**			
1	Agriculture	Lowest		112.00
2	Forestry and Timberisng	Peon		69.00
3	Horticulture	Casual labour		88.58
4	Mesta used twin mills establishments	Unskilled		103.25
5	Domestic Workers			100.00
6	Poultry Farming including Feeding Units and Conveyance	Lowest (Poultry worker)		112.15
02	**ASSAM (89/89)**			
1	Tea Plantations			66.50
2	All Scheduled Employments	Unskilled		100.00
03	**Chhattisgarh (1/37)**			
1	Agriculture	Unskilled		104.60
04	**Gujarat (2/ 52)**			
1	Agriculture			100.00
2	Agarbati Making Industry	Unskilled		100.00
05	**Himachal Pradesh (11/11)**			
1	All Scheduled Employments	Unskilled		110.00
06	**Jammu and Kashmir (34/34)**			
1	All Scheduled Employments	Unskilled		110.00
07	**KARNATAKA (2/73)**			
1	Domestic Workers			111.83
2	Town and Village Panchayat Establishments			111.92
08	**KERALA (1/48)**			
1	Nurseries	Unskilled		110.00
09	**MAHARASHTRA (4/68)**			
1	Agriculture		II	110.00
			III	105.00
			IV	100.00
2	Electronics Industry (SEEPZ)	Unskilled		101.25
3	Local Authority	Unskilled		109.69

4	Tobacco including Bidi Making Manufactory	Unskilled	I	98.18
		Unskilled	II	95.65
10	**MEGHALAYA (24/24)**			
1	All Scheduled Employments			100.00
11	**NAGALAND (37/37)**			
1	All Scheduled Employments			80.00
12	**ORISSA (83/83)**			
1	All Scheduled Employments			90.00
13	**SIKKIM (25/25)**			
1	All Scheduled Employments	Unskilled		100.00
14	**TAMILNADU (7/67)**			
1	Agriculture and works ancillary to agriculture	Men workers (6 hours)		100.00
2	Coaching Academics			94.84
3	Fire Works Manufactory			99.92
4	Match Manufacturing			113.58
5	Powerloom Industry			88.29
6	Tanneries and Leather	watchman		108.28
7	Scanted and chewing			112.58
15	**TRIPURA (11/15)**			
1	Agriculture			100.00
2	Mechanical Workshop	Unskilled		98.08
3	Petrol Pump	Unskilled		81.54
		Semi-skilled		86.54
		Skilled		104.23
4	Public Motor Transport*	Peon/Other Class-IV		70.85
		Time Keeper		75.77
		Mail Runner		91.46
		Booking Clerk		90.65
		Inspector/Ticket Checker		93.65
		Head Clerk/Accountant		100.77
		Asstt./Handyman/Cleaner (Medium/Light Vehicle)		86.38
		Asstt./Handyman/Cleaner (Heavy Vehicle)		105.00
		Conductor		108.12
5	Rice Mill	Field Workers (Adult)		98.08

6	Rubber Plantation	Field Workers (Adult)		100.00
		Tappers/Processing		105.00
7	Shops and Establishments	Unskilled		96.15
		Semi-skilled		105.50
8	Beedi Industry (rolling 1000 beedies)			65.00
9	Tea Plantation	Unskilled (includes supply of rice and atta at subsidised rates)		46.00
10	Private Teaching Institute/Coaching Schools	**Senior Basic/High/Higher Secondary Schools**		
		Daptri/Helper/Group D Staff		65.77
		Clerical Staff/Teacher		103.85
		Primary (Up to Class-V)		
		Daptri/Helper/Rickshaw Puller		65.77
		Clerical Staff		86.54
		Teacher		90.00
		Nursery/Pre-primary		
		Daptri/Helper/Rickshaw Puller		65.77
		Clerical Staff		86.54
		Teacher		86.54
11	Safai Karamchari			85.00
16	**UTTAR PRADESH (2/65)**			
1	Agriculture			100.00
2	Tea Plantation Ind			104.13
17	**UTTARAKHAND (4/59)**			
1	Khandsari			101.73
2	Tea Plantation			98.67
3	Woolen Blanket making establishments			101.73
4	Washing or Toilet Soap or Silicate or soap powder or detergent manufactories			101.73
18	**WEST BENGAL (1/55)**			
1	Agriculture (a) Adult:- Without Meal			112.50

19	**PUDUCHERRY (14/17)**			
1	Agriculture (Karaikal/Puducherry)/Yaman	Light work 6 Hours		100.00
2	Chemical Industry			100.00
3	Electronic Industry			100.00
4	General Engineering and Fabrication			111.00
5	Oil Mills			100.00
6	Handmade Paper Ind.			100.00
7	Machine made paper			100.00
8	Plastic Industry			100.00
9	Printing Press			100.00
10	Rice Mills, Flour Mills and Dal Mills			100.00
11	Security guards			111.54
12	Shops and Establishments			100.00
13	Hospitals and Nursing Homes			109.50
14	Hotels and Restaurants			107.65

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Annexure – VII

Summary of the NLI Report and Policy Implications

Given the abundant surplus labour and large scale of the unorganised economy in India, defining a statutory minimum wage can serve as a measure to protect workers from excessive exploitation and being compelled to accept substandard or below subsistence wages. At various times earlier the suggestion for a National Floor Level Minimum Wage (NFLMW) has been proposed and debated (FNCL, 1969; NCRL, 1991). While such a national minimum wage exists, as of now it is not mandatory or statutory. The question now is whether this NFLMW should be made statutory. A statutory NFLMW, along with universal minimum social security and minimum conditions of work for paid workers has been proposed by the National Commission of Enterprises in the Unorganised Sector (NCEUS) as a potent instrument for levelling the informal sector and reducing the stark disparity between the formal and informal sectors (NCEUS, 2009).

The proposal to make the NFLMW statutory needs to be assessed on a number of counts. What policy goals does the NFLMW serve? How is it to be fixed? Once fixed, what will be the mechanism of making it effective? In what ways will it impact the economy, employment, workers and their living standards? Also, what will be the financial implications if all current workers were to be indeed paid the statutory minimum wage rate? These are some of the issues and dimensions that this report has addressed.

The first point is regarding the avowed purpose of such a statutory floor minimum wage. This point is significant by itself, nevertheless, it also needs to be examined with regard to the fact that labour is a state subject and the Minimum Wages Act, 1948 already defines state and occupation specific minimum wages, which are statutory. However, it may be clarified that the objective of the two – NFLMW and minimum wages – are slightly different as the Minimum Wages Act only ensures the standardised lowest range of the minimum wages providing high flexibility in determination of the minimum wages.

There are 45 scheduled employments in the Central sphere and as many as 1628 scheduled employments in the state sphere which falls within the purview of the Minimum Wages Act, 1948. It is the responsibility of the appropriate governments to fix, review, revise and enforce minimum wages in these scheduled employments. However, because of the flexibility provided to the state governments, there are in existence more than 6000 minimum wage rates across different occupations in different states depending on the levels of skill and grades of the occupations.

This wide variation in minimum wage rates for the same occupation has, added to the complexity of the wage system in the country. There are also hard evidences that over the years the compliance of the Minimum Wages Act, 1948 has lagged at the implementation levels. The interests of the workers in the unorganised sector are not fully served in the above scenario. For all such workers there is no defined statutory level below which the wages should not go. In other words, this national floor is one way of ensuring that current wages do not fall below subsistence level or turn into pauperised or poverty level wages.

Some of the questions or issues discussed in the context of operationalising a minimum wage are: Is it an effective mechanism for redistribution and poverty alleviation? Is there a trade-off between wages and labour demand or employment generation? There is no doubt that if a national minimum wage is enforced effectively, it will lead to an increase in the money wages of the lowest paid workers. However, this may not necessarily imply rise in the real wages because other variables such as employment and prices may alter in such a way so as to wipe out the gains from this wage rise. As far as the trade-off between wages and employment is concerned, the literature is not very conclusive. However, there are several studies which support the view that the rise in wages may well be growth inducing and may lead to a rise in labour demand. The idea that minimum wage above the market clearing wage will necessarily lead to employment loss is also not fully supported in the literature reviewed in this report.

Despite serious doubts raised about the effectiveness of the Minimum Wages Act, 1948, the trends indicate that the levels of gaps in the implementation of the Act have not widened in proportionate terms over the years. This means that if the lowest ranges of the minimum wages in different states are raised to align with the NFLMW, the actual wages are likely to be affected positively by the same proportion as the difference between the existing lowest range of minimum wages and the NFLMW.

Making NFLMW statutory also has financial implications as once the lowest range of the minimum wages in each state is raised to the levels of the NFLMW; actual wages are likely to increase. However, it is important to note that presently a large number of states already have their lowest range of minimum wages equal to or above the current NFLMW. Accordingly, these states may not have any significant financial implications except the financial implications involved by virtue of enhancing the implementation levels of the Minimum Wages Act, 1948. In contrast, all those states where the current state specific lowest ranges of minimum wages are lower than the NFLMW, raising the lowest range of minimum wages to align with the NFLMW will have additional financial implications. It is estimated that at the current level of NFLMW (Rs. 100 in 2009-10) different states taken together will have financial implications of approximately Rs. 2,200 crore. If the NFLMW is raised to Rs. 110 the financial implications may increase to Rs. 6,000 crore. Such financial implications necessarily imply transfer of income from employers to workers mainly in the private sector.

Making NFLMW statutory has great consequences for enhancing the standard of living of and reducing poverty among casual workers and in low income states in particular. It is estimated that if the NFLMW is made statutory, even with the given levels of implementation of the Minimum Wages Act, 1948, the overall consumption expenditure in India is likely to increase by approximately 1.5% with much higher increase in case of casual workers and many low income states such as Assam, Orissa, Andhra Pradesh etc. Accordingly the reduction in poverty is likely to be approximately 2%to 3.5 % at the all-India level. The reduction in poverty in case of casual workers is likely to be in the range of 4% to 5%.

In view of the above scenario and keeping in mind the wide variation in the lowest minimum wage across states and the relative lag in upward revision of minimum wages, the following policy measures are suggested by the present study.

First of all, the present study strongly suggests making the present NFLMW statutory so that the bare minimum socio-economic interests of the weakest sections of the workforce could be protected.

Second, the study reiterates enhancement of the levels of implementation of the Minimum Wages Act, 1948 by aligning the lowest range of minimum wages to the NFLMW. Periodic revision of the NFLMW shall also partially take care of the delays in the revision of minimum wages at the state level at least for the lowest range of minimum wage occupations.

Third, the study finds the present level of NFLMW (Rs. 100 in the year 2009-10) as inadequate to take care of the price rise in recent years. The study recommends fixing the NFLMW at least at Rs. 110 for the year 2009-10 which may be equal to approximately Rs. 116 in 2010-11 after adjusting for the price rise in the year 2010-11.

It bears emphasis that if the NFLMW is made statutory, there will be no extra financial burden borne by the government apart from the costs of enforcement (which in any case needs to be borne by the government to close the implementation gap); the major financial implications of the suggested policy will be borne by the private sector.

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Item No.2: Social Security

Social security is essential for the well-being of workers, their families and the entire community. It is a basic human right (though not one of the constitutional fundamental rights), and its fulfillment will contribute to achieving various developmental goals of the nation. Social security measures have far-reaching benefits in the form of reducing infant and maternity mortality rates, improving productivity and promoting sense of pride and self-respect amongst the citizens. Such measures also help in eradicating poverty to some extent. Starting from the minimal level of providing protection against health and life hazards in work situations, it can progressively be extended to social security welfare measures involving provision of better health care, maternity care, old age provisions, etc.

2. Social security to the formal sector workers has been provided though the instrumentality of Employees State Insurance Corporation and Employees Provident Fund Organization. Further, the Government constituted the National Commission for Enterprises in the Unorganized Sector (NCEUS) that submitted its Report in the year 2007 to evolve instruments through which social security could be provided to the unorganized sector workers. Finally, a legislation "Unorganized Workers Social Security Act" was enacted in 2008.

ORGANIZED SECTOR

THE EMPLOYEES' STATE INSURANCE SCHEME

1. The Employees' State Insurance Scheme, formulated under the Employees' State Insurance Act, 1948, provides for medical care and cash benefits in the contingencies of sickness, maternity, disablement and death due to employment injury. Under the scheme medical care is also provided to families of the insured persons. Recently, the Employees State Insurance Act, 1948 has been amended to enable ESI infrastructure to provide health care to workers in the unorganized sector. The initial coverage of unorganized sector workers was in the limited context of Beedi workers, cine workers and non-coal mine workers.

2. The ESI Act applies to factories employing 10 or more persons. The provisions of the Act are being brought into force area-wise in stages. The Act contains an enabling provision under which the "appropriate government" is empowered to extend the provisions of the Act to other classes of establishments- industrial, commercial, agricultural or otherwise. Under these provisions, the State Governments have extended the provisions of the Act to shops, hotels, restaurants, cinemas including preview theatres, road motor transport undertakings, newspaper establishments, educational and medical institutions employing 20 or more employees. Thirteen State Governments have reduced the threshold for coverage of shops and establishments to 10 or more persons. Employees of factories and establishments covered under the Act drawing monthly wages upto 15, 000/- per month are covered under the Scheme. As on 31.3.2011, the scheme applied to 4.43 lakh employers employing 1.55 crore insured persons at 790 centers.

3. Under the Act, the employers are required to pay contribution at the rate of 4.75 percent of wages of the covered employees. The rate of contribution for the employees is 1.75 percent of their wages. Low paid workers drawing wages upto ₹100/- per day are exempted to pay their share of contribution. However, the employers are required to pay their share of contribution. The State Governments bear 1/8th of the expenditure on medical care.

4. The Scheme provides both medical care and cash benefits. Under the scheme medical care is also provided to families of the insured persons.

5. Cash benefits are provided through a network of 610 Branch Offices and 187 Pay Offices. In addition, 374 Inspection Offices are functioning under 23 Regional Offices, 26 Sub-Regional Offices and 2 Divisional Offices.

6. As per the provision of Section 58 of the ESI Act, State Govt. is the designated agency for delivery and administering medical care to the beneficiaries except for Delhi, Noida and Model Hospitals wherein ESIC is directly providing medical services. For providing a uniform medical care, the Corporation, as per the provisions of Section 58(3) of the Act, enters into an agreement with the State Governments and the expenditure on medical care is reimbursed within the prescribed ceiling which at present is ₹1200/- per IP family unit per annum w.e.f. 1.4.2008. Out of this, ₹ 700/- is earmarked for administration and ₹500/- for other expenses (i.e. drugs and dressings etc.). In addition, there is a provision to reimburse actual administrative expenditure to the State Governments on fulfillment of certain conditions. Besides this, an additional incentive of ₹50/- per I.P. per family unit is being given to the State Govt. on fulfilling stipulated terms and conditions for improvement of medical scheme and ₹20 for preventive and promotive healthcare.

7. The delivery of medical care is through a service (direct) as well as a panel (indirect) system. The direct system functions through a network of Hospitals (146), annexes (42), dispensaries (1402) and ISM Units (93). A total of 1447 panel doctors have been engaged in providing primary medical services through the indirect system.

MEDICAL CARE SERVICES

- **MODEL HOSPITAL SCHEME:** - ESI Corporation has taken a decision to set up one hospital in each State as Model Hospital. ESIC has set up Model Hospitals in 18 States so far. These hospitals are being upgraded as per norms and standards laid down by ESI Corporation. The expenditure on Model Hospitals is fully borne by ESI Corporation.

- **STARTING OF MEDICAL EDUCATION INSITUTION**:- ESIC decided to enter the field of Medical Education recently and 43 such Institutions have been envisaged which include medical colleges, nursing colleges, dental colleges, post graduate institutions and training school etc. ESIC has already started six

Post Graduate Institute of Medical Sciences & Research and one Dental College.

- **PROVISION OF PRIMARY AND SECONDARY CARE SERVICES BY ESIC DIRECTLY: -** ESI Corporation has decided to provide primary and secondary medical care services directly in the areas where the concentration of IPs is more than 5000 and there is no dispensary within 8 kms (5 kms in hilly areas) and where concentration of IPs is 25000 (15000 in hilly areas) and there is no hospital within 25 kms. This facility will be available till the State Govt. /ESI Scheme establishes its own hospital and dispensary.

- **PROVISION OF SUPERSPECIALTY SERVICES**: - Those patients requiring super specialty treatment can avail the same from any of the networked / tie up hospital of ESIC (more than 700 in no.) as per their choice anywhere in the country. The total expenditure on such tie-ups is borne by the ESIC. The Corporation spent about ₹ 330 crore on super specialty treatment of the Insured Persons and their family members, during 2010-11.

- **ZONAL SUPER SPECIALITY HOSPITALS**: - Four Super specialty hospitals are to be set up in four zones. In the first phase, super specialty hospital has been recently commissioned at Sanath Nagar, Hyderabad for South Zone.

- **MODERNIZATION AND UPGRADATION OF MEDICAL INFRASTRUCURE**

  - ESIC has undertaken modernization and upgradation of 29 ESI Hospitals all over the country.

  - ESI Corporation, in its meeting held in August 2009, decided that henceforth all new hospitals under construction and proposed will be run directly by ESI Corporation and total expenditure on these would be borne by ESI Corporation.

  - As a part of initiative for overcoming the shortage of medical manpower and improving the services in ESI Hospitals, ESI Corporation has undertaken a project for starting medical colleges, nursing colleges, dental colleges and training schools for other para medical staff in ESIC/ESIS Hospitals.

  - To overcome shortage of specialists in state ESI Hospitals, ESIC is appointing part-time-specialists directly in state ESI Hospitals to ensure that proper services are available to ESI beneficiaries. The total expenditure on this is borne by ESI Corporation.

Commitments made by Medical Division during the Diamond Jubilee year starting from 24.02.2011:-

- Wellness mobile van to be started in all ESI Hospitals.
- Setting up of AYUSH units in all ESIC Hospitals.
- Organization of one health camp in each month by each ESIC Hospital.
- Opening of 5 ESIC Green field hospitals.
- Up gradation / modernization of 5 ESIC Hospitals.
- Facilitation / counseling centre in each ESIC Hospital.
- Setting up of Diamond Jubilee Model dispensary with diagnostic facilities in the States.
- Payments to all clients within 10 days through ECS.

CASH BENEFITS

- Corporation disbursed ₹ 496.56 crore as cash benefits in the year 2010-11 as against ₹ 428.83 crore in the year 2009-10.
- Daily rate of Sickness Benefit has been enhanced from 60% to 70% of average daily wage. The daily rate of permanent disablement benefit and dependants benefit was enhanced from 75% of wages to 90% of wages.
- The Corporation, in its meeting held in August, 2011 decided to enhance the rates of permanent disablement benefit and dependants benefit to protect the value of these benefits against rise in the cost of living index.
- The Corporation, in its meeting held in August, 2011, also decided that the minimum amount of dependants benefit payable to dependants of deceased employees shall be Rs.1200 per month.
- Payment of long-term benefits (PDB/DB) through Electronic Clearing System.
- Renovation of Branch Offices and dispensaries with provision of all amenities for visiting beneficiaries.
- Payment of Permanent Disablement Benefit within 3 working days of Medical Board decision.
- Permanently disabled persons working in factories and establishments covered under the ESI Act drawing wages upto Rs. 25,000 per month have been brought under the scheme w.e.f.1-4-2008. In order to encourage employment of disabled persons, the employers' share of contribution in

respect of such disabled employees will be paid by the Central Government for initial three years.

EMPLOYEES PROVIDENT FUND ORGANIZATION

The Employees'' Provident Funds and Miscellaneous Provisions Act, 1952 enacted by Parliament came into force w.e.f. 14th March, 1952. The aim of the Act is to provide social and economic security to industrial and other workers covered under the Act and their dependants in case of their premature death. The Act is at present applicable to every establishment specified in the Schedule-I to the Act and employing 20 or more persons.

Presently the following three Schemes are in operation under the Act:-

(i) The Employees' Provident Fund Scheme, 1952,

(ii) Employees' Pension Scheme, 1995 and

(iii) Employees' Deposit Linked Insurance Scheme, 1976

2. The Employees' Provident Funds Scheme, 1952 came into force from 1st November, 1952. The Scheme seeks to provide financial security for the employees in an establishment by providing a system of compulsory savings. Presently, the Act is applicable to 182 specified industries/classes of establishments as specified in Scheme-I of the Act or any activity notified by the Central Government in the official Gazette and employing 20 or more persons. As on 31.03.2010, there were 6,15,902 establishments and factories covered under the Act with a membership of 5,87,95,645 under EPF Scheme. With effect from 01.06.2001, an employee on joining the employment in a covered establishment and getting wages upto Rs. 6500/- is required to become a member.

3. The Employees' Pension Scheme, 1995 (Member Pension including disablement pension, widow pension, children pension, orphan pension, dependent parent pension, nominee pension) is compulsory for all the members of the erstwhile Family Pension Scheme, 1971 and members of the Provident Fund from 16.11.1995. Minimum 10 years membership of the Fund is required for entitlement to the pension. Normal superannuation Pension is payable on attaining the age of 58 years. Pension on a discounted rate is also provided on attaining the age of 50 years. Minimum widow pension is Rs. 450/- p.m. The rate of children pension is 25% of the widow pension for each payable upto two children. The Scheme is financed by diverting the employer's share of PF contribution representing 8.33% of the wages to the Pension Fund. The Central Government also contributes to the Pension Fund at the rate of 1.16% of the wages of the members.

4. Employees' Deposit Linked Insurance Scheme, 1976 (EDLI) was introduced from 1st August, 1976 under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. It applies to all employees who are members of the Provident Fund in exempted as well as un-exempted establishments. On death while in service, Provident Fund accumulations plus

an additional amount equal to the average balance in the Provident Fund account of the deceased during the preceding one year is paid to the family. The maximum amount of benefit payable under the Scheme is Rs.1,30,000/-. Employees are not required to pay any contribution under the EDLI Scheme. Employers'' contribute to the insurance fund at the rate of 0.5% of the pay of the members.

5. The EPFO has decided to computerize its entire record of over nearly 60 million members across the country. New face-lift has been given to its members-interface providing online query system regarding claim and balance status.

THE EMPLOYEES' COMPENSATION ACT, 1923

The Workmen Compensation Act came into effect on 01.07.1924. The Workmen Compensation Act, 1923 was amended on 23.12.2009 as the Employees' Compensation Act, 1923 to make it gender neutral. The compensation has been enhanced to Rs. 1,20,000/- in case of death and Rs. 1,40,000/- in case of disablement resulting from injury. The maximum amount payable is Rs. 9.14 lakhs and Rs. 10.97 lakhs, respectively. The amount for funeral expenses has been enhanced to Rs. 5000/-. Wage ceiling for calculation of compensation is Rs. 8000/- p.m. w.e.f. 31.5.2010. Through the amendment carried out in the Act w.e.f. 18.01.2010, a clause has been inserted in the Act to enable the Government to raise the compensation, funeral expenses and wage limit by notification in the official Gazette. Thus, there will be no delay in future in hiking these limits. The employee shall be reimbursed the actual medical expenditure incurred by him for treatment of injuries caused during course of employment without any ceiling. A new Section 25A has been added for the Commissioner to dispose of the matter relating to compensation under this Act within a period of three months from the date of reference and intimate the decision.

RE-CONSTITUTION OF CENTRAL ADVISORY BOARD ON EMPLOYEES' COMPENSATION ACT

The Central Advisory Board, a non-statutory 31 member body, has been reconstituted for three years by Gazette Notification on 13.07.2010 with a Chairman and 13 independent members. The other 17 members of various Ministries/Organisations have also been nominated. The meeting of the newly constituted Board is likely to be held shortly.

THE MATERNITY BENEFIT ACT, 1961

The Act was passed in September, 1961 and received its assent on 12th December, 1961. The Act extends to the whole of India, except the State of Sikkim. It applies to mines, factories, circus industry, plantations and shops or establishment employing 10 or more persons including any such establishments belonging to Government except the employees who are covered under Employees' State Insurance Act, 1948 (ESI Act). It can be extended to other establishments by the State Governments subject to prior approval of the Central Government.

The Act has been enacted to secure uniformity in respect of maternity benefit to women industrial workers and its provisions are similar to those of the Employees' State Insurance Act, 1948 relating to the maternally benefit.

The Maternity Benefit Act, 1961 regulates the employment of women for certain period before and after child-birth and provides for maternity and certain other benefits.

As per amendment vide Gazette Notification dated 11.8.2008, the amount of medical bonus has been increased from Rs. 1000/- to Rs. 2500/- Further, increasing of medical bonus from Rs. 2500/- to Rs. 3500/- is under notification.

THE PAYMENT OF GRATUITY ACT, 1972

The payment of Gratuity Act, 1972 provides for a Scheme of compulsory payment of gratuity to employees engaged in factories, mines, oil fields, plantations, ports, railway companies, motor transport undertakings, whops or other establishments. Every employee, other than apprentice, irrespective of his wage is entitled to receive gratuity after he has rendered continuous service for five years or more. Gratuity is payable at the time of termination of his service either (i) on superannuation or (ii) on retirement or resignation or (iii) on death or disablement due to accident or disease. Termination of services includes retrenchment.

The payment of Gratuity (Amendment) Act, 2010 has raised the ceiling on maximum amount of gratuity from Rs. 3.50 lakhs to Rs. 10 lakhs with effect from 24th May, 2010.

In pursuance to a judgment of Hon'ble Supreme Court, through amendment, the definition of 'employee' in the Payment of Gratuity Act has been expanded to cover teachers from retrospective date i.e. 3.4.1997; the date from which the educational institutions were covered under the PG Act.

UNORGANIZED SECTOR

The Unorganized Workers Social Security Act 2008 came into force w.e.f. 16th May 2009 with formulation of Unorganized Workers Social Security Rules. The salient features of the Act are:

- Formulation of schemes by the Central Government for different sections of unorganized workers on matters relating to (a) life and disability cover; (b) health and maternity benefits; (c) old age protection; and (d) any other benefits as may be determined by the Central Government.

- Formulation of schemes related to provident fund, employment injury benefits, housing, educational schemes for children, skill upgradation, funeral assistance and old age homes by the State Governments

- Funding of the scheme to be specified in the schemes itself.

- Constitution of National Social Security Board at Central level to recommend social security schemes for different sections of unorganized workers; monitor the implementation of schemes and advise the Central Government on matters arising out of the administration of the Act.

- Section 6 of the Act has provision for constitution of similar Boards at the State level

- Registration of Workers

2. Government has taken various initiatives since the commencement of this Act for the social security benefits to the unorganized workers. To address the healthcare needs of the below poverty line workers and their families in the unorganized sector, a health insurance scheme, Rashtriya Swasthya Bima Yojna (RSBY) was launched on 01.10.2007. The scheme became operational from 01.04.2008. It provides for smart card based cashless health insurance cover of Rs. 30000 per family per annum on a family floater basis to BPL families (a unit of five) in the unorganized sector. The basic features of the scheme are as follows:

(i) Government of India contributes 75% of the annual premium. State Governments contribute 25%. In case of North-East region and Jammu & Kashmir, the premium is shared in the ratio of 90:10.

(ii) The beneficiary family pays Rs. 30 per annum per family as registration/renewal fee. Administrative cost is borne by the State Governments.

(iii) Beneficiaries are entitled to smart card based cashless health insurance cover of Rs. 30,000 per family per annum on a family floater basis.

(iv) Coverage of all pre-existing diseases.

(v) Coverage of hospitalization expenses, including maternity benefit.

(vi) Payment of transportation cost of Rs. 100/- per visit.

3. As on 15th December, 2011, more than 2.55 crore smart cards are active and 28.25 lakh persons have availed hospitalization facilities. The scheme has now been extended to categories other than the BPL such as building & other construction workers, street vendors, MNREGA beneficiaries

(who have worked for more than fifteen days during preceding year), beedi workers; and domestic workers. It is our endeavour to cover the entire unorganised sector workers who constitute the most vulnerable class of the society, in a phased manner under this scheme.

4. Other initiatives of the Government include launching of “Aam Adami Bima Yojana” providing for death and disability cover to rural landless households between the age group of the 18 to 59 years, with effect from 02.10.2007. Further the Indira Gandhi National Old Age Pension scheme provides for old age pension of Rs. 200 per month to persons above the age of 60 years and for the persons above the age of 80 years, the amount of pension has been raised to Rs. 500 per month.

5. **Way forward**: For the extending the social security cover to all unorganized sector workers, following initiatives will go a long way to address the issue:

(i) **Health Insurance**: The Rashtriya Swasthya Bima Yojna has been lauded both within the outside the country for its use of IT application to deliver in-patient health care through a smart card. This platform can be leveraged for providing other services to the unorganized workers. There is also a need of setting up a robust backend database management system that can handle the data that is being generated more effectively as also to provide a platform for its use for other social security schemes. As health insurance expands to more and more categories and as the social security platform is used for delivering other services, it would be imperative to set up such a structure at a national level.

(ii) **Life Insurance**: The existing life and disability cover available under the ongoing Aam Adami Bima Yojana should be universalized for all unorganized workers as a part of the minimum security floor. As far as possible, efforts should be made to use the Rashtriya Swasthya Bima Yojna smart card platform for housing the data related to life and disability insurance.

(iii). **Pension**: Whereas Government has made efforts to put in place Swavalamban scheme for providing pension to unorganized workers, it is essential to look at the various processes and procedures in terms of registration of workers and their enrolment for the scheme with a view to enabling more and more participation in the scheme. A comprehensive review of these processes will enable their rationalization so as to facilitate greater participation of workers in the scheme which is in the long-term interest of these workers. A business model on the lines of Rashtriya Swasthya Bima Yojna may also be considered for encouraging all the stakeholders to participate in the scheme.

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Item No.3: Employability and Employment

1. Background

1.1. India is a vast country with a population of around 120 billion and a labour force of around 475 million. There is an open unemployment of 9.5 million as per estimates available for the year 2009-10. India is also having the problem of working poor-which were 130 million in 2004-05. Employment is the main source of livelihood and self-fulfillment for most women and men. At present about 94% of the work force of Indian economy is engaged in unorganized sector and remaining 6% in organized sector. A large part of unorganized sector is unorganized agriculture where productivity and quality of work is poor. Very large portion of self-employed are poor and vulnerable. They are the working poor. Scope of additional employment generation in the organized sector for additional wage employment is less.

1.2. The number of youth in the group 13-35 years as per the 1991 Census was estimated at about 340 millions and, which is anticipated to increase to about 510 millions by the year 2016. India is one of the youngest nations in the world. In 2020, the average Indian will be only 29 years old. This trend is seen significant on the grounds that what matters is not the size of the population, but its age structure. A population "bulge" in the working age groups, however large the total population, is seen as an important advantage characterized as a "demographic dividend".

1.3. GDP growth for the 11th Plan is likely to be 8.2%, which is less than the target of 9%, but is a remarkable achievement given the worst drought in 30 years and the global recession. Progress on various aspects of inclusiveness has also been seen, though the progress has been less than what was targeted. Agricultural growth has improved from 2% in the Tenth Plan to 3%, but this is below the 4% target. There has also been progress in poverty reduction and in the areas of health, education and in upliftment of SC/STs.

1.4. Inflation has accelerated in the past two years and is now an area of concern. The global environment is also highly uncertain, both in terms of the strength of recovery in the developed countries from economic recession and also the volatility in commodity prices, especially oil. International financial markets are yet to stabilize, and the easing of global money supply has yet to play itself out.

1.5. XII Five Year Plan is under formulation and assessment about the number of persons likely to be employed during next five years will be made while finalizing the plan. Focus of the 12th Plan (2012-17) would be on faster, sustainable and more inclusive growth. The inclusive growth would support creation of adequate livelihood opportunities. GDP growth of 9% has been proposed for the XII Plan. The allocation priorities would be to provide a significant increase for health, education, and infrastructure as a percentage of GDP.

1.6 Employment has grown steadily with the growth of the Indian economy. But labour force has been growing at a higher rate. Therefore, unemployment has also been growing. Employment structure has several worrisome features.

a) Employment challenge that India faces has quantitative as well as qualitative dimensions.

b) Agriculture with less than one-fifth of GDP accounts for over half the workforce.

c) Vast majority of worker are self-employed in low earning activities or work as casual labour with irregularity of employment and low wages.

d) Only 15.8 per cent work on regular wages or salaries.

e) Unorganized sector with low earnings and poor conditions of work employs 94 per cent of workers.

f) A large number—about one fourth—of those employed earn only a below-poverty line income.

Organized Sector

g) Relatively stagnant sector. Providing only approx. 6% of the employment.

h) Was relatively adversely hit in recent economic recession.

i) 12th Five Year Plan emphasis on manufacturing sector to boost employment through this sector.

Unorganized Sector

j) High proportion of the labour force engaged in the unorganized sector.

k) To address Unorganized Sector- Unorganised Workers' Social Security Act, 2008 has been put in place.

l) Emphasis on inclusive development and reforms in the unorganized sector.

Self-Employment

m) Self-employment continues to be the dominant form of work in the Indian economy.

n) For a large proportion of the self-employed, particularly women engaged in petty production, trade and home-based work, it offers a mechanism for coping with poverty.

o) Training of women is required to mainstream their employment rather than confining them to the stereotyped ‘female occupations’.

2. Moving Jobs to Centre Stage

2.1. Government is taking all necessary steps to enhance the employability and employment in the country by promoting growth of labour intensive sectors such as Construction, Real Estate and Housing, Transport, Tourism, Micro, Small and Medium Enterprises, Information Technology Enabled Services and a range of other new services, which need to be promoted through supportive policies. Employment has been an important objective of the development planning over the last 60 years or so, though the approaches to tackling the task of employment generation have varied.

2.2. Besides taking planned initiatives, several poverty-alleviation and employment generation programmes are being implemented by the Government of India with a view to achieve inclusive development. Some of the important schemes are (i) Swarna Jayanti Shahari Rozgar Yojana (SJSRY); (ii) Swarnjayanti Gram Swarozgar Yojana (SGSY); (iii) Prime Minister’s Employment Generation Programme (PMEGP) and (iv) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). These schemes provide gainful employment through provisions of wage employment or encouraging the setting up of self-employment ventures. Besides this, the schemes under Bharat Nirman and Jawaharlal Nehru National Urban Renewal Mission (JNNURM) are also facilitating employment generation.

Measures

2.3. Job creation should be one of the central concerns in all policy making. An exercise should be continuously undertaken to find out the sectors of economy which have high growth potential, especially those, which are labour intensive. Generation of employment needs a multi-sectoral and multi-pronged approach which may have to rest primarily on creating wider avenues of wage employment and self-employment. Following could be some of the measures:

a) Promoting growth of labour intensive sectors such as Construction, Real Estate and Housing, Transport, Tourism, Micro, Small and Medium Enterprises, Information Technology Enabled Services and a range of other new services, which need to be promoted through supportive policies. It is essential that sectors and sub-sectors with high employment potential are identified and besides getting priority in growth strategy, sector-specific policies need to be evolved for their faster growth and greater employment orientation.

b) There is no National level umbrella policy so far to address employment related issues. Innovative programmes, including those backed by legislation, have been launched for the poorest segments of our society. However, in the context of faster and more inclusive growth, there is a need for overall Employment Policy covering all segments of working population.

c) It has now become apparent that the overriding priorities of growth, job creation and poverty reduction need to be linked to efforts to achieve ecological sustainability. Several elements of government measures for employment promotion are relevant to the promotion of green jobs.

d) Undertaking Annual Employment & Unemployment Survey in the country in order to get data on annual basis and keep a close watch on employment & unemployment situation in the country. This will enable the Government to make timely interventions, whenever required.

e) Necessity of employment impact analysis.

f) In the present context of liberalization, globalization and the changed economic scenario, the emphasis needs to be on upgrading the skills of the labour force keeping in mind the demand of the labour market.

g) Our country enjoys a demographic advantage as compared to the rest of world. About 54% of our population is under the age of 25 years. India is expected to have a surplus of about 46 million persons by 2020. It is most important to equip them with suitable and relevant skills to meet domestic requirement as well as the global need.

2.4. Hon'ble President of India announced in her address on 4th June 2009 to the Joint Session of the Parliament for bringing out five Reports to the People to generate a national debate. Annual Report to the People on Employment is one of them. Ministry of Labour & Employment has prepared and released the first annual Report in July 2010. This report follows a macro framework for analysing emerging employment and labour market situations during the next 5 to 10 years. However, within the macro framework of economic growth, the report aims to address the issue of 'distributive justice' in order to align with the national agenda of 'inclusive growth'. The report identifies existing and potential sources of 'exclusion' of various population groups during the recent years' development process. It also highlights initiatives taken by the Government for 'inclusion' of the 'excluded'. The second Annual Report to the people on Employment has also been finalized. This report identifies the emerging trends in the labour market, highlights the role of specific sectors and sub sectors in generating quality employment and examines the existing inequalities in the labour market in order to advance the goal of inclusive growth.

2.5. In India, Employment Exchanges have all India reach which provide assistance to jobseekers by helping them find suitable employment, provide vocational guidance to shape their careers and collect Labour Market Information for policy planning and research purposes. Employment Exchange is the first contact point for the unemployed youth and plays a vital role for the job seekers. In order to direct job seekers towards productive channels of employment, they have to be provided with speedy access to employment related information at the earliest and on demand. The Employment Exchanges can play a vital role by providing on line service, information to job seekers in various fields, such as on-line registration, on-line notification, transparent submission, vocational guidance and emerging occupations, status of job seekers on the Live-Register and opportunities on self-employment. National e-Governance plan (NeGP) has identified Employment Exchanges as one of the Mission Mode Projects (MMP). The MMP aims to support all Employment Exchanges in the country to make effective use of IT in various activities of employment services. A national web portal will be developed to make all employment related services available on a single window. This will help Employment Exchanges to provide efficient and quality services to citizens of the country.

2.6. Besides the initiatives taken by the Central Government, the State Governments are also taking various measures for additional employment generation.

3. Need analysis for Enhancing Employability through systemic skill development of Human Resource

3.1 One of the prerequisites to enhance the quantum and quantity of employment in developing countries is adequate skills formation and training of the workforce. In more, contemporary experiences of the development of East Asian Countries, where, beginning from very low level of skill acquisition through training, several countries like Korea, Japan etc. made spectacular progress in providing these to very large segments of the workforce. This has also been held up as an extraordinary achievement in human capital formation. In turn, the large skill training and skilling of the workforce is seen to have contributed substantially to the sustained economic success of these countries.

3.2 ILO definition of Employability : The term ”employability” relates to portable competencies and qualifications that enhance an individual’s capacity to make use of the education and training opportunities available in order to secure and retain decent work, to progress within the enterprise and between jobs, and to cope with changing technology and labour market conditions.

3.3. Skill development” is concerned with imparting and acquisition of knowledge, skills and attitudes immediately before, during and between the periods of work. While basic literacy is must, skill development is necessary for growth of the individual as well as the country. Skill development also contributes in enhancing individual’s employability, both wage and self-employment and ability to adapt to changing technologies and labour market demands. It also improves productivity and living standards of the people and strengthens competitiveness of the country. Vocational training is broadly defined as training that prepares an individual for a specific vocation or occupation, for the world of work.

3.4. The Human capital is an essential component of economic growth and development. The purpose of Skill Development is to impart Knowledge and Competencies to human capital to enhance their employability. Globalization and market forces are creating employment opportunities across countries on a scale never seen before. Unfortunately, there is also a widening skills gap as existing Skill Development System has not kept pace with the fast-changing demands of an increasingly complex and rapidly changing technology. As India moves progressively towards becoming a 'Knowledge economy' it becomes increasingly important that its policy & programme should focus on advancement of skills and these skills have to be relevant to the emerging economic environment. In old economy, skill development largely meant development of shop floor or manual skills. Even in this area there are major deficiencies in our workforce which need to be rectified.

4. To cope with this level of complexity the Government has given a very high priority to address the challenge of skill development. Initiatives which have been taken recently, at National level are as under:

4.1. Government has launched a National Skill Development Mission consisting of following three institutions:-

a) Prime Minister's National Council on Skill Development-under the chairmanship of Hon'ble Prime Minister, for policy direction and review of spectrum of skill development efforts in country.

b) National Skill Development Coordination Board-under the chairmanship of Dy. Chairman Planning Commission to enumerate strategies to implement the decisions of PM's council.

c) National Skill Development Corporation (NSDC), a non-profit company under the Companies Act, 1956. The corporation is being funded by trust "National Skill Development Fund" to which the Government has contributed a sum of Rs.995.10 crore. The corporation is expected to mobilize about Rs.15,000 crore from other governments, public sector entities, private sector, bilateral and multilateral sources. The corporation is expected to meet the skill training requirements of the labour market including that of unorganized sector.

4.2. **National Policy on Skill Development**: was approved by the Union Cabinet on 23rd February, 2009. The policy is a guiding document for implementation of various skill development programmes of the country. The policy has targeted skill development of 500 million persons by 2022 by involving all stake holders through concerned Ministers and Departments.

5. Challenges in Skill Development & Employability

Major challenges in Skill Development are as under:

i. **Expansion of outreach and equity access***:* Providing opportunities of Skill Development to all sections of society including women and disadvantaged sections such as SCs, STs, OBCs, minorities and economically challenged and disabled persons of society is necessary to achieve faster and inclusive growth. Also providing skill development opportunities in rural areas, hilly areas, border and difficult areas, naxal affected and remote areas of the country enhancing their access to training; improving employability and increasing employment opportunities for them is essential for development of a just and equitable society.

ii. **Limited capacity***:* While realizing the transformation of Skill Development, the first major roadblock is our limited capacity vis-a-vis the number of aspirants joining the vocational training courses.

Potentially, the target groups for skill development comprise all those in the labour force, including those entering the labour force for the first time which was estimated to be 12.8 million per annum, the work force in the organized sector (26.0 million) and in the unorganized sector (433 million) in 2004-05. The estimated current capacity is only about 5.1 million*.* Limited Capacity, therefore, may be seen as important barrier.

iii. **Quality and relevance**: Quality and relevance of skill development are key to India's global competitiveness as well as improving an individual's access to decent employment. For enterprises to compete in the global economy, the quality of training must reach internationally comparable standards and be relevant to the needs of national and international markets. To increase the relevance with future employment market including promotion of self employment, soft skills and entrepreneurship skills need to be made integral part of skill development which will also help in improving the employability of individual.

iv. **Demand & Supply***:* The second biggest issue in skill development is mismatch between the demand and supply of skills. Presently the labour market is facing a strange situation, where on the one hand, an employer does not get manpower with requisite skills and on the other; millions of job seekers do not get employment. Mismatch between the supply and demand of skills is costly both for the economy and for the individual. Such a mismatch compromises potential economic development because the economy lacks the relevant skill base, while individuals suffer from unemployment or underemployment because they lack skills needed by the labour market.

v. **Focus on hard skill**: Existing Skill Development System mostly focus on developing core skills. Employability is not just about vocational and academic skills. Industries require conceptual skills, analytical skills, verbal skills, interpersonal skills and technical skills. Enhancing employability through imparting required skills has become the imperative of the vocational training system.

vi. **Low industry participation and Setting up of Sector Skills Council:** In order to make the skill development system relevant and driven by labour market signals, it is necessary to increase participation of industries through Sector Skill Councils. Functions of SSCs include identification of skill gaps, preparation of Skill Development plans and establishment of well structured sector specific Labour Market Information System to assist planning and delivery of training resulting in enhancing employability as well as employment .

vii. **Shortage of Trainers**: There is an urgent need for improving the quality and size of trainer resource. The success and sustainability of any Training Schemes depends, along with others, on availability of qualified instructors Skill up-gradation of trainers, their quality assurance, and improvement of their status in society are important to improve quality of training.

6. Strategy of DGE&T for addressing the challenges

6.1 Expansion of capacity: Target of skilling 100 million for enhancing their employability by year 2022.

Policy has set a target for training 100 million people by Ministry of Labour & Employment the action plan for achieving the above target is as under.

1) Increasing the seating capacity in existing Govt. and Pvt. ITIs and opening new ITIs. 1500 new ITIs are proposed to be opened.

2) Setting up of 10.000 Skill Development Centres in two phases. Initially, 5000 SDCs are proposed to be set up.

3) Increasing the seating capacity under Apprenticeship Training Scheme.

4) Expanding the capacity of DGE&T institutes

5) Training and testing 1 million persons every year under SDI scheme.

Targets and achievements in respect of Skill Development schemes of DGE&T M/o Labour & Employment are given in following table:

(in Lakh)

Name of the Institute	**Training capacity in 2010**	**Training capacity as on 10th March, 2011**	**Proposed Training capacity by 2022**
ITIs/ITCs	10.30	12.20	293.41
Establishment under ATS	2.89	2.94	53.90
Training Provider under MES	1.90	11	110.40
SDC	00	-	571.80
DGE&T institutes (Training)	28,000	28,921	5.29
DGE&T institutes (Employment)		6000	
Other Schemes			
Total	15.37	26.4	1034.80

6.2. Upgradation of infrastructure of ITIs to address quality issues

DGE&T is implementing following schemes for upgradation of infrastructure of ITIs.

6.2.1. Scheme for up-gradation of 500 Government ITIs

Government has embarked on the strategic objective of modernizing and improving the quality of training in Government run ITIs, with involvement of stakeholders. Action has been taken for upgradation of 100 ITI s from domestic resources to create “Centres of Excellence” for producing multi-skilled workforce of world standard. Under the scheme multi-skilling courses are offered during the first year, followed by advanced and specialized modular courses in the second year by adopting industry wise cluster approach, multi entry and multi exist provisions and the concept of Public Private Partnership (PPP) in the form of Institute Management Committees (IMCs) to ensure greater and more active involvement of industry in all aspects of training. An amount of Rs 115 had been released for upgradation of 100 ITIs.

Another 400 ITIs are being upgraded through World Bank assisted – Vocational Training Improvement Project (VTIP) with a total cost of Rs. 1581 crore. Assistance is being provided to upgrade infrastructure, purchase of new machinery and training of principals and instructors. For this project Central Government is sharing 75% of the expenditure and states are putting the remaining 25%. However for North Eastern State, Central Government would provide 90% and NE State would put in only 10% from their side. So far till August, 2011, central share of Rs824. cr. has been released to States. Another, Rs.68 crore has been spent for development of central institutes which are functioning under the direct control of DGE&T.

Recently, a survey has been done by Quality Council of India. The outcome of the survey reveals that ITIs which have been upgraded under above schemes are performing better than others

6.2.2 **Scheme for up-gradation for remaining 1396 Govt. ITIs though Public Private Partnership**

Government has also formulated a scheme to upgrade 1396 ITIs under public-private partnership concept. This scheme was launched during 2007-08 with an outlay of Rs. 3550 crore for a period of 5 years. An amount of Rs. 2550 Cr. has been released; @ Rs. 2.5 Cr. to each IMC Society of ITI; as interest free loan for upgradation of 1020 ITIs during 2007-08 to 2010-11. The fifth batch for covering remaining 376 Govt. ITIs is being taken up for upgradation during 2011-12.

6.3 **Demand driven training programme**: Special emphasis is being by DGE&T for making training demand drive. There is a sub-committee of National Council for Vocational Training on Norms and Curricula which takes feedback from the industry on periodical basis. New trades are introduced under Craftsmen Training Scheme as per industrial demand received from various sectors of economy. The curricula for these trades are revised/developed by trade committees constituted for respective trades. Members of this committee are representatives from concerned industries, representatives of workers and employers' organization, trade experts and Academicians.

The Obsolete trades are dropped and new trades are introduced under the scheme as per the need of the industry. During last two years, under CTS syllabi of 25 trades have been revised and 8 new trades have been introduced after developing curricula. Under SDI scheme also 46 .new MES modules have been introduced during last year.

All the States Government have been requested to undertake skill mapping starting from district level and promote only those trades for introduction of training programmes in Government and Private ITIs, which have high demand. Skill Gap study has already been done by State like Maharashtra, Himachal Pradesh, Punjab, etc.

6.4. **Introduction of courses on IT literacy and Employability Skill in ITIs to supplement Skill training**

6.4.1 IT literacy course aimed at empowering the trainees with ICT skills, also in line with demand of labour market, have been made compulsory for the trainees of Govt. and Pvt. ITIs. These courses are also open for trainees of all other training schemes of DGE&T. A curricula on Basic Computer Course (BCC) have been prepared by DOEACC and approved by DGE&T. DOEACC has been approved as one of the assessing and certification bodies for assessment & certification of trainees for this course. Any similar institution set up by the State Govt. for certification can also be designated for certification, by respective State Directorates. The DOEACC has also developed study material and e-learning package for mass scale training in the course.

6.4.2. To impart necessary information to the trainees as per work place need and complement their technical skills with other required skills/ information as they enter into the world of work, subject Employability Skills" in place of existing "Social Study" covering following topics is being introduced in Government and Private ITIs.

- Communication skills
- English Proficiency
- Quality Management tools
- Entrepreneurial skills
- Occupational safety and health

6.5 Setting up of Sector Skill Councils for enhancing industry participation:

The National Skill Development Policy 2009 mandates that NSDC would constitute Sector Skill Councils (SSCs) with following functions:

- Setting up LMIS to assist planning and delivery of training
- Identification of skill development needs and preparing a catalogue of skill types
- Develop a sector skill development plan and maintain skill inventory
- Developing skill competency standards and qualifications
- Standardization of affiliation and accreditation process
- Participation in affiliation, accreditation, standardization
- Plan and execute training of trainers
- Promotion of academies of excellence

NSDC has initiated setting up of Sector Skill Councils as national partnership organizations that bring together all the stakeholders – industry, labour and the academia, for the common purpose of workforce development of particular industry sectors. The SSCs will operate as autonomous bodies. It could be registered as a Sec 25 Co, or Public Limited Co. Funding is initially done by the government. As it grows, the SSCs become self sustaining organizations. SSC in Auto, Security, Energy, Retail, Media and Entertainment, IT and ITEs, Health Care, Foundry, BFSI and Electronics and Hardware are being set up by NSDC.

6.6. Strengthening Instructor training programme

DGE&T is focusing its attention to train instructors in large numbers. Following initiative have been taken in this direction:

(i) To make training programme more flexible, modular pattern of craft Instructor Training in place of conventional one year training has been introduced in CTI and ATIs with effect from session started from Aug 2009.

(ii) Provision for setting up of the Instructor Training Institutes by State/UT Governments, companies like sole propriety, private/public limited registered under Companies Act, Societies and Trusts registered as per Act, and promoters of SEZs. In order to maintain quality and standards of instructor training in all such institutes, it was decided that such institutes should be affiliated to NCVT so that the trainees after completion of training are trade tested and successful trainees could be awarded Craft Instructor Certificates under the aegis of NCVT.

7. New Schemes of DGE&T targeting towards enhancing employability of youth:

To meet the above target, following new schemes have been recently started by DGE&T:-

(i) **Skill Development in 34 Districts Affected by Left Wing Extremism**

DGE&T has formulated a "Skill Development Plan" for youth of 34 Districts affected by Left Wing Extremism, so as to wean away youth from violent and destructive activities at a cost of Rs 232.95 crore. Scheme has been approved by Hon'ble LEM and FM on 29/3/2011.

The scheme has two pronged strategy:

A. As an immediate measure during the current Plan period (11th Plan)

(i) Skill training programmes (in both long term training & short term training courses) for a total of 5000 youth in existing institutes (Government & Private) will be conducted.

(ii) Additional infrastructure will be created for:-

a) 34 Industrial Training Institutes (ITIs) @ 1 ITI / District

b) 68 Skill Development Centres (SDCs) @ 2 SDCs / District

B. As long term measure the above strategies will be scaled up during the next Plan period (12th Plan) depending upon the progress.

(ii) **Enhancing Skill Development Infrastructure in NE States and Sikkim'**

New centrally sponsored scheme “Enhancing Skill Development Infrastructure in NE states and Sikkim” to enhance skill development opportunities for youth of the region has been formulated at a cost of Rs 57.39 crore. The scheme has been approved by Hon'ble LEM on 04/02/2011.The scheme consists following three components:

A. Upgradation of 20 ITIs at a total cost of Rs. 30.18 crore.

B. Supplementing deficient infrastructure in 28 ITIs at a total cost of Rs. 24.24 crore.

C. Establishment of Project Management Unit at Central and eight State head quarters at a total cost of Rs.2.97 Crore.

(iii) **Kaushal Vikas Yojana project to set up 1500 ITIs & 5000 SDCs in PPP mode**

In compliance with the announcement made by Hon'ble Prime Minister, DGE&T, Ministry of Labour & Employment has taken up a project titled Kaushal Vikas Yojana to set up 1500 new Industrial Training Institutes (ITIs) & 5000 Skill Development Centres (SDCs) in PPP by involving three partners:-

(a) Private Training Provider playing the lead role

(b) State Governments are expected to extend all the possible logistical support, land & provide basic infrastructural facilities free of cost and

(c) Central Government providing Viability Gap Funding (VGF).

8. **Issues for deliberation**

(a) Implementation of National Policy on Skill Development by all Stake holders.

(b) National Policy for Skill Development envisaged to strengthen NCVT and re-engineered with a broader mandate and representation. Therefore, strengthening of National Council for Vocational Training by making it an autonomous statutory body is needed.

(c) Introduction of Semester System in place of existing Long Term courses in ITIs giving option of better utilization of resources to the institutes and better mobility to the students.

(d) Skill deficit mapping to make training relevant to the needs of the country: Skill mapping by respective state government starting from district level and State government and to promote ITIs only in those trades which have high demand in local industries/region.

(e) National Vocational Qualifications Framework which will inter-alia include opportunities for horizontal and vertical mobility between school and technical education, Recognition and certification of competencies irrespective of mode of learning.

(f) Eestablishment of a well structured sector specific Labour Market Information System (LMIS) to assist planning and delivery of training.

(g) Strengthening research and development in field of Skill Development in line with system followed in developed countries.

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