

**51st Annual Conference of the Indian Society of Labour Economics (ISLE)**  
**Punjabi University, Patiala**  
**11-13 December 2009**

**Plenary Session V**  
**Labour Markets, Employment and Social Protection: Perspectives and Issues in**  
**South Asia**

*Organised in collaboration with the Social Protection in Asia Network*

A special session was facilitated by the Indian Society of Labour Economics and the Social Protection in Asia network. This was to highlight and showcase the experiences and activities of the Social Protection in Asia programme – a research programme managed by the Institute for Human Development and IDS Sussex, viewing social protection as harbouring immense developmental potential, besides its translation as residual social safety nets. The Social Protection in Asia programme is an umbrella for ongoing research studies looking at different aspects of social protection such as shelter, employment, migration etc in different countries of Asia such as China, Vietnam, Bangladesh, India and Pakistan. It aims at mainstreaming social protection policies and making them instrumental in contributing to poverty reduction over a sustained period.

Professor Rizwanul Islam in his presentation reiterated the point that if one were to consider productive employment as the goal of development, it could be said that there has been a development failure in the countries of South Asia. This was explained using the dual economy model of Arthur Lewis, elaborating on the failure of South Asian countries in exhausting their surplus labour, and moreover by emphasizing the unemployment friendly nature of the manufacturing sector.

Wage increase in the manufacturing sector was found to be an insufficient indicator to judge the employment status of the economies in South Asia, and instead three alternative parameters were suggested:

1. The extent of decrease in unemployment and the degree to which the share of the underemployed is exhausted
2. The extent of decline in the absolute number of persons employed in agriculture (rather than their share in total employment)
3. The structure of employment and the size of the informal economy

Using these indicators it was observed that, excepting Sri Lanka, open unemployment had been increasing in all the countries of South Asia. Again, excepting Sri Lanka, there was an increase in the absolute number of persons engaged in agriculture in all countries of South Asia, indicating lack of absorption of surplus labour into manufacturing. In India and Bangladesh, it was observed that the proportion of persons engaged in informal sector employment had increased, whereas this was true in Pakistan to some extent. Encouragingly it was seen that the share of regular wage employment (taken as a proxy indicator for modernization) had increased in India and Pakistan, yet the nature of

employment was such that the share of self employment was greater than the share of wage employment in India. Further the share of own account workers in Bangladesh and Sri Lanka too was seen to have increased, indicating expansion in informal employment activities.

Trends of real wages in manufacturing were observed to be erratic in all countries of South Asia except Bangladesh. This was indicative that even high growth is not necessarily accompanied by increase in real wages.

Also, while examining whether manufacturing was performing the role of the engine of economic growth, it was found that in countries of South East Asia, the growth of the manufacturing sector is almost twice that of the GDP growth, whereas for South Asia, this ratio hovers around 1.5 or less as a proportion of overall GDP growth. This is further indicative of the fact that the manufacturing sector in the countries of South Asia has not been able to sufficiently absorb surplus labour from the traditional sector.

Another concern remains regarding how employment friendly the manufacturing sector is, and the extent to which it has led to job creation. India in particular has witnessed a phase of “jobless growth”, whereas the goal would remain to move towards job rich or employment intensive growth – generating high output and high employment. Another alarming feature of the growth witnessed was that employment elasticity has been declining.

Challenges remained in the form of a high proportion of workers in the informal economy, a large percentage of own account workers, self employed workers, and only a small share in wage employment. Other hurdles included how to devise mechanisms through which social protection may be extended to informal workers, comparable with pensions and provident fund provided to formal sector workers.

It was in this context that an evolution in the thinking on social protection was observed, with a greater role being seen in the form of interventions such as labour market programmes of employment guarantee. Historically, public works programmes serve twin goals, by creating employment directly, thereby serving as income transfers (safety nets), while simultaneously also creating much needed infrastructure, in both rural and possibly urban areas. However, factors that needed looking into in the formulation and implementation of such a scheme included ensuring:

- A legal basis for the programme. Without a legislative cover, social protection cannot be provided on a sustained basis, without being discontinued or modified.
- Universal coverage
- Sustainable funding derived from the national budget (rather than being susceptible to whims of donors). This, in turn, is linked to its legal basis.
- Effectiveness and efficiency in implementation

Prof K.P. Kannan while elaborating on the findings of the NCEUS report (2009) – The Challenge of Employment in India – An Informal Economy Perspective elaborated on how the employment in the Indian economy was largely informal in character, with the

largest proportion of the employed persons in agriculture. In 2009 the labour force was pegged at 480 million, projected to reach 500 million by the end of the XIth plan and further to 541 million by the end of the XIIth plan. Further portrayals of the Indian economy as the knowledge economy with increased opportunities in the service sector such as in IT, banking, finance etc give the misplaced notion that India is traversing a high growth path, whereas in actual fact, 92% of the labour force belong to the informal economy (86% in the informal sector and 6% informal workers in the formal sector).

Prof. Kannan commented that 8% of the labour force who enjoy formal jobs with some amount of employment security was co-terminus with 7% of the labour force who constituted those with education levels of graduates and above. Those who had completed class X, comprising 23% of the labour force, was observed to be co-terminus with the non-poor (the poor being considered equivalent to 77% of the labour force living below Rs 24 – double the poverty line).

Thus it was emphasized that there is a crucial link between educational attainment and poverty outcomes. Further, the informal economy was found to be characterized by workers with low education, low skills, low productivity and low earnings. Also, all those who were schooled were not found to necessarily be skilled, with only about 11% of the labour force having received formal or informal training in skill acquisition and technical and vocational education. This backlog in terms of skill was bound to only worsen over the years.

It was further stressed that it was the basic duty of the democratic state to provide basic socio economic security, and without this basic minimum in terms of health, access to food etc., and workers could not be expected to contribute wholly to work.

Prof Rudra Gautam while providing Nepal's experiences of the labour market, employment and social protection gave a background of Nepal's socio economic and demographic background, elaborating that more than two thirds of the country's labour force is engaged in agriculture and further 86% resides in rural areas. There is incidence of high dependency ratio, stagnant industrial sector and GDP growth fluctuating around 4%. Literacy and educational attainments were low, and also access to health services remained poor. Instances of migration to other countries such as India were high. The labour force participation rate was 83%, with 96% belonging to the informal sector. Unemployment rate was 2.1% and underemployment was also high – 32%. While self help groups could be viewed as traditional forms of social protection in Nepal, it was observed that provident fund, pension, gratuity, maternity benefit and work injury compensation was given only to formal sector employees. Also, other social protection measures existed such as targeted programmes to groups such as women and children, monthly allowances to marginalized and indigenous groups and also loans for the unemployed enabling their entry into self employment. Markedly no separate social security act had been formulated and passed.

Discussion/comments following the session threw up a number of issues. These included:

- Whether social protection should include the formulation of a “social wage”, and which out of social protection, basic social security or social risk management should be addressed on a priority basis
- Whether government can be the main provider of social protection, despite being ‘weak’
- Whether there is a need to address male and female social protection separately, giving special emphasis on the needs and vulnerabilities afflicting women
- Whether an integrated, comprehensive social protection programme should be provided based on a rights based framework (departing from the disintegrated programmes covering different aspects of social protection)
- What was the role of the political context in determining the right to social protection and social transformation, especially in light of the Maoist movement in Nepal
- Whether informalisation was causing an increase in the incidence of rural crime
- The “ahistorical” shift or jump in the Indian growth trajectory from the primary to the tertiary sector, with lagging growth in manufacturing, and the implications of such an ahistoricity on the labor market, resulting in conditions of low productivity and the working poor
- Need for the provision of the ‘biggest’ social security in the form of education and training to the people, to make them employable

Responses to these included:

- Social protection was a broad notion envisaging the role of not only the state but also systems and non-state actors.
- Social security includes both basic social security and also contingent social security.
- Social risk management was seen to mostly cover risk, insurance, incidents of calamity etc, and hence was not the ideal framework for the working poor.
- Rather than talking of a “social wage” it was more pertinent to focus on a “social floor”, based on the following components – a national minimum wage, national minimum social security, laying down of minimum conditions of work.
- It was necessary to graduate people into the formal sector from the informal sector – using whatever combination of social protection, social security or social risk management.
- The state was looked upon as having enough ‘muscle’ to impact the nature and financing of social protection programmes and policies, and there was an important role to be played as far as budgetary needs were concerned. Further there was an obligation to create social infrastructure and encouraging increased use of labour (similar to incentives offered for increased use of capital and other subsidies)
- Female social protection needs were considered important to focus upon – especially maternity and child care issues

- Nepal's political situation in the last 6 years had been such that the constitution itself had remained paralyzed and therefore in such circumstances, government priority could not be social protection
- The link between increase in rural crime and informalisation was considered plausible with outcomes such as lumpenization, working in the underground economy and even possible social conflict