

INDIA UNDER GLOBAL ECONOMIC MELTDOWN: AN ANALYSIS OF THE IMPACT ON POOR IN THE CONTEXT OF FORMAL-INFORMAL SECTOR DUALISM

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1. Introduction

The image of India as an emerging Giant in the World have had considerable empirical support from the fact that its growth rate in 2008-09, the worst year of global economic crisis, slumped merely by two and a half percentage points, sharing the credit, along with China, of preventing the global economic growth falling below sub-zero level. Its capacity to withstand major economic disaster and report quickest turn around period has been commended as the growth rate has picked up from 5.3 per cent and 5.8 per cent in the third and fourth quarters of the last year to 6.1 per cent in the first quarter of 2009-10. The status of the country in the global economy has been projected through stylized facts such as India equals continents like Australia in absolute terms and that it would overtake the US economy in about two and a half decade^{s1}. The country targeting a growth of 6.5 per cent this year, despite experiencing major drought in large part of the county and battling against H1N1 pandemic and aspiring to be back in the 8 percent plus growth path subsequently is no mean achievement.

The issue how the poor in the country are faring when the economy is striving to get out of the crisis, nonetheless, is a critical policy question. This assumes even greater importance due to the massive prevailing malnutrition in the country, brought out through the data of National Sample Survey (NSS) and National Institute of Nutrition. It has been pointed out that bottom 20 per cent of the population who consumed around 1800 calories a day – much less the norms set by national and international agencies - have failed to record any significant increase in this intake during the past five years of rapid economic growth. Also, the survey conducted by National Institute of Population Sciences does not suggest improvement in health outcomes of the children and pregnant/ lactating mothers commensurate with economic affluence. It would therefore be important to probe into the issue how the poor, who are on the edge of survival, have coped with the crisis and the extent to which they have been successful. What strategies have been designed by the government and state agencies to help them in getting over the situation? The present paper addresses these issues by focusing on the trends and pattern of employment and wages, both in formal and informal sectors, and the coverage of the workers under programmes of social security.

Non availability of the relevant data for the period of the crisis prevents any rigorous analysis of the situation. The attempt has therefore been made to determine the nature of the labour market, long term trends and analyse the dichotomy between formal and informal sectors, wage

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¹ . Panagariya (2008) and Winters and Yusuf (2007)

disparities, in the context of the experience in periods of crisis in earlier years. In the absence of the detailed information on the impact of government interventions, an attempt has been to put together the fragmented and scattered evidence from different sectors to speculate on how these are reaching the poor and vulnerable in the economy. The stipulations in the governmental programmes on social security and changes therein have been probed into for gauging the extent of inclusion and exclusion of the poor.

India has come to enjoy a distinct advantage in the labour market compared to developed and less developed countries due to the fast changing age distribution of population. After a period of four decades since Independence, when the population growth rate (annual exponential) was maintained between 2.1 and 2.2 per cent per annum, it has come down to below 2 per cent during the nineties, the current rate as per the Registrar General (2008) being 1.57 percent only. The growth rate of population in the age group 15-59 years would, however, continue to be high, its percentage share going up in the next three to four decades. Further, worker population ratio is rising for adult age groups, more particularly for women. The country, nonetheless, can enjoy significant demographic dividends in coming years, only if it is able to absorb its growing adult population in productive sectors. If the recessionary tendencies and technological factors, emanating from global or internal factors, slow down the rate of absorption of the adult population, the society may be plunged into major crisis. This would manifest in terms of political instability, increasing individual and group violence, outburst of epidemics like HIV/AIDS etc. that have often been linked with the frustration among younger generation.

The rapid economic growth has unfortunately not been associated with corresponding expansion in formal employment opportunities. The responsibility of labour absorption has, in a sense, been relegated to informal sector. This has accentuated inequality in wages between different groups of workers. There are serious apprehensions that the informal sector would not be able to maintain its impetus in income growth and there may be slowing down growth of informal employment which has been the major factor making a dent on poverty. An alternate viewpoint is that the initial impact of global crisis would largely be restricted to export linked industries that mostly belong to organised sector. Although due to political clout of the organised sector workers and greater visibility and bargaining capacity of their trade unions, there has been huge noise in the media, leading to mobilisation of political intervention, the impact on the total economy has not been very alarming, as assessed through macro economic figures on growth. In fact there has been no serious attempt to determine the impact of the crisis on the employment and wages of informal sector workers.

Given the claims and counter claims with regard to India's capability of providing a reasonable share of developmental benefits and extending social security coverage, it would be important to analyse the nature and pattern of employment growth, focusing on the goal of poverty and inequality reduction. An attempt should be made to identify the underlying factors behind the emerging employment scenario and their developmental and welfare implications. It would also be important to understand the dynamics of the informal sector, absorbing major part of the growing labour force, its relationship formal sector and changes therein in recent years to assess how economic crisis would impact on productivity, wages and quality of life of the people.

The present paper analyses the growth trends and fluctuations in economic indicators such as per capita income, consumption expenditure, employment, unemployment, poverty etc., taking a medium term view by focussing on the period since the early nineties. It overviews the linkages between growth in income, employment, wages and poverty in an attempt to build up a macro framework for determining the impact of economic slowdown on the labour market and poor. These have been done in the second section which follows the present introductory section. The

third section assesses the impact of economic slowdown during 2008-09 on employment and economic wellbeing of the people using the fragmentary evidences from different sectors and sources. An overview of the mechanisms, programmes and initiatives for ensuring social security to the workers, particularly for addressing and redressing the problems of informal employment and poverty has been attempted in the next section. The changing character of informal activities and its interdependencies with formal sectors and linked households are analysed in the next section. It looks into the process of “formalisation” of informal activities and discusses its implications for the wellbeing of workers during the period of current economic slowdown. The final section gives a summary of findings and perspective for future development.

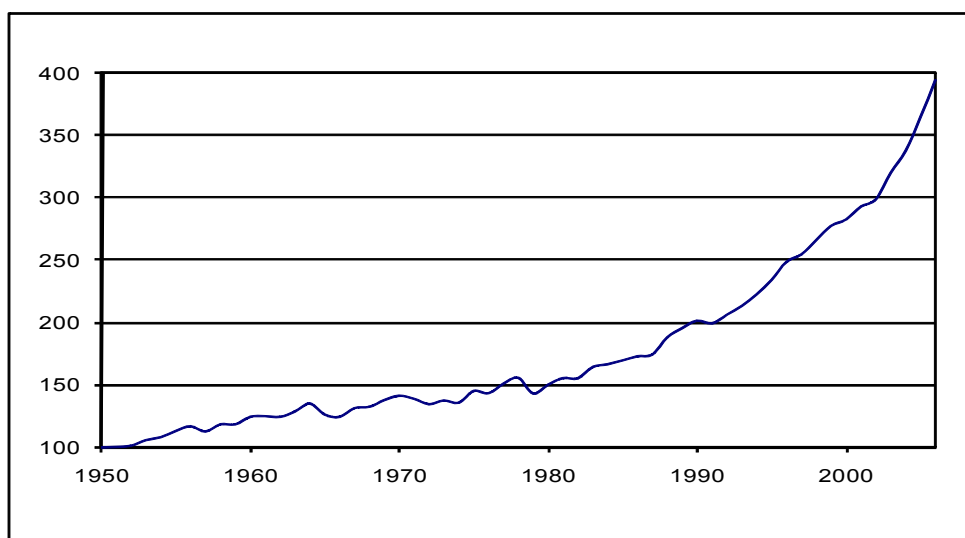
2. Fluctuations in Economic Growth, Unemployment, Poverty and Migration in India: A medium Term Perspective

Macro Trends in Economic Parameters

India has gone through a phase of a very modest average growth rate of 3 per cent per annum and high annual fluctuations since Independence in 1947. A breakpoint in the growth path may be noted in the early eighties when the economy started breaking away from the institutional and technological shackles. Nineties saw the Indian economy growing at a rapid pace, which subsequently seemed to reach a new height of over eight per cent in 2003-04. The rate has stayed at that level for the following years, only to register a marginal decline in the current year of global crisis, as mentioned above. As a result of this GDP growth performance, per capita income has become fourfold between 1950 and 2006, accelerating its path of growth in early eighties, early nineties and 2003-04 (Graph 1).

Graph 1 Index of per capita income at constant prices

(1950-51=100)



Source: Economic Survey, 2007-2008, Government of India.

A similar trend is noted in per capita private final consumption expenditure obtained from National Income Accounts. It shows modest growth during 1950-90 but subsequently, the rate has been rising sharply to attain a level of Rs. 18,000 in 2007-08, three times the figure of 1950-51. Taking all these into consideration one would argue that nineties and subsequent years do

make a departure even from the eighties and that one needs to analyse the growth performance during the last two decades with empirical rigour and assess its implications in terms of changes in labour market and inequality.

The very positive macro economic trends notwithstanding, there is a concern that the country has not been successful in transforming “its growth into development” manifest, most conspicuously in growth of unemployment, of informal sector and low productive jobs. The major problem challenging the policy makers, thus, is sharpening of spatial inequality and labour market exclusion. Regional (inter-state) inequality in per capita gross State Domestic Product (SDP) is noted to have gone up significantly during the past couple of decades. The problems in backward states get compounded as their poverty levels are much higher than the national average. Furthermore, there has been marginal or no decline in population growth in these states that are much above the national average. The process of demographic transition seems to be still a couple of decades away for most of these states while the developed states in general seem to be on the verge of this transition if not already into the phase.

Unemployment and Poverty

Employment trends in recent decades reveal that the workforce participation rates (WPRs) by usual (principal) status² in the 15-59 age groups have gone down systematically for all categories (males and females, in rural and urban areas) since late seventies. The low employment growth in the final decade of the last century (Table 1) led to speculations of “jobless growth”. Understandably, planners and policy makers got alarmed and launched Constitutional and administrative measures for employment generation within and outside the macro level growth strategy, resulting in passing of National Rural Employment Guarantee Act and launching of a scheme guaranteeing 100 days of employment in a year to every rural household. Furthermore, employment generation entered the development agenda of the government and most political parties. All these have resulted in creation of an institutional structure and a system of programmatic interventions that help sustaining the employment level, particularly the poor in rural areas in periods of economic crisis.

During the period 1999-2000 to 2004-05, the latest period for which large sample survey results are available, there seems to be a stalling of this trend in employment. For rural men, the figure has not declined while for women, it has gone up both in rural and urban areas, by the usual status definition of employment, as used in National Sample Survey. The increase has been large enough to restore back the levels of 1993-94. The trends by weekly and daily status definitions are more gratifying, the growth rates in employment working out as higher than by usual status, particularly for women (Table 1).

The decline in employment rate among illiterate men both in rural and urban areas during 1993-04 should, however, be a matter of concern for policy planners. The demand for semi-literates - men or women with primary and middle education - has, however, gone up phenomenally both in rural and urban areas. One would argue that the job market under globalization has expanded mostly for the low level support system. The latter is employing semi-literate persons and a large number of illiterate women but has no place for illiterate or unskilled men.

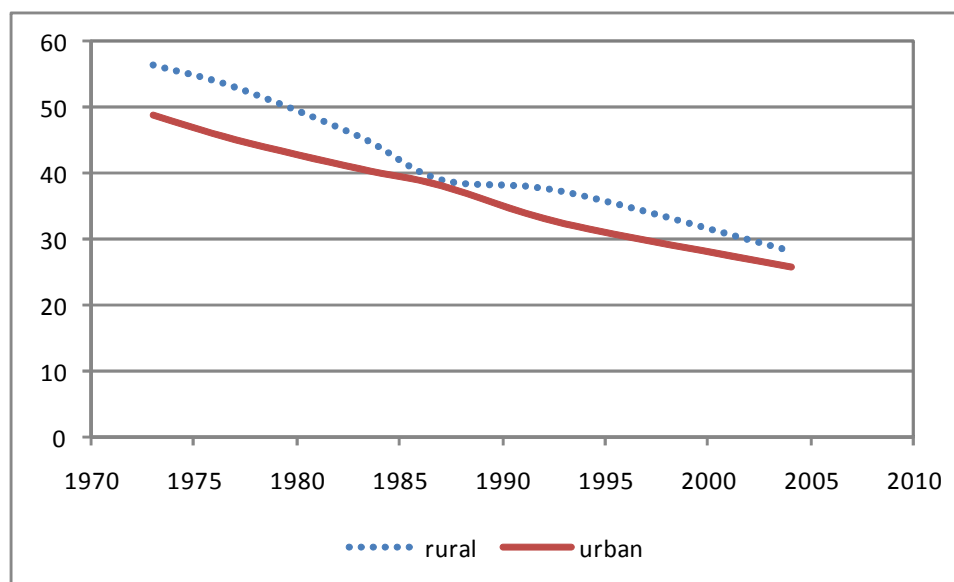
² . NSS uses three different concepts to measure employment and unemployment. Those reporting work for larger part of the year are considered workers by usual status workers. Persons working for a day or more during the reference week are counted as workers by current weekly status. Current daily status measures volume of employed days and half days and relates that with the days for which employment is sought. The Current Weekly status is the closer to the ILO concept and is often used for international comparisons.

Table 1 Percentage of workers in 15–59 age-group by Usual, Weekly and Daily Status

Survey year	Principal Status							
	Rural				Urban			
	Men		Women		Men		Women	
1977–78	90.2		40.7		79.6		19.3	
1983	88.4		40.1		79.5		18.7	
1987–78	86.2		39.8		77.9		18.3	
1993–74	86.5		36.7		78.8		18.4	
1999–00	85.5		33.4		77.9		17.6	
2004-05	85.5		38.0		74.5		18.7	
2005-06	84.4		35.1		78.3		17.5	
Survey year	Weekly Status	Daily Status	Weekly Status	Daily Status	Weekly Status	Daily Status	Weekly Status	Daily Status
1977–78	87.1	81.5	37.7	31.4	78.6	75.7	19.6	17.1
1983	85.4	80.2	36.4	31.6	78.3	75.2	18.4	16.5
1987–78	84.0	83.5	35.3	33.2	77.3	75.1	18.5	17.0
1993–74	85.1	80.9	42.0	34.3	78.2	76.0	20.9	18.1
1999–00	83.4	78.1	40.8	32.9	77.1	74.4	19.1	16.7
2004-05	83.8	78.1	43.2	33.9	78.5	76.0	22.3	19.4
2005-06	82.3	77.1	40.0	31.7	77.5	75.2	19.2	17.1

Source: Various Rounds of NSSO report on 'Employment and Unemployment Situation in India', Ministry of Statistics and Programme Implementation, Government of India.

Graph 3 Persons below the poverty line (in percentage)



Source: Poverty estimates of (see Planning Commission 2008a) for various years

Unemployment rates in India generally tend to be low since the poor can not afford to remain unemployed. The situation in 1999-00, however, was quite alarming and that worsened in 2004-05. Despite the unprecedented growth in employment during the intervening five year period,

unemployed as a percentage of labour force have remained by and large unaltered and even increased. What seems to be a matter of special concern is that the daily status unemployment rates have gone up during 1999-05, both for men and women, the unemployment rate for the latter being significantly higher than that of the former (Table 2). The unemployment rates for illiterate persons and those with primary education are low but have not gone down over the decade 1993-2004. This suggests that the supply of labour from poor households as a part of their survival strategy has been higher than their absorption. These are the people who have very little choice in the labour market and end up in low paid manual work.

The employment trend during the early years of the present decade in urban India is more disconcerting compared to the rural counterpart. This is because of the fact that the decline in urban poverty is less than rural poverty, as discussed above³. The relatively slower decline in urban poverty can not be attributed to massive influx of population from rural areas as the rural-urban (RU) migration rate has remained stable or gone down over past few decades. It is indeed true that the urban centres have become less hospitable or less accommodating for the poor. Further, the migrants are economically better off than the resident population.

The answer to the “puzzle” of a smaller reduction in urban poverty despite higher growth in consumption expenditure lies, besides the factor of differential price rise in food-grains pushing up the urban poverty line (much more than that in rural areas), in the changes in the employment scenario. One can argue that significant dent on urban poverty could not be made due to relatively sluggish growth of weekly or daily employment in lower economic categories, - most of these being illiterates. The inequality in the consumption expenditure went up sharply in urban areas, much more than in rural areas. One would argue that while there is a direct effect of growth in terms of poverty reduction in rural areas as this tends to be low in states with high per capita SDP. This, however, is not the case of urban poverty which can largely be attributed to sharp segmentation of labour market in urban areas resulting in formal-informal sector dualism. Poverty in urban areas can partly be attributed to lack of growth and partly to growth itself which tends to accentuate inequality. Understandably, urban poverty tends to be high in many of the developed and rapidly growing states.

One can further observe that poverty reduction has been relatively less in less developed states than in developed states, both in rural and urban areas. Poverty has got concentrated in remote regions that are possibly more difficult to access. The elasticity of poverty reduction to income growth therefore is likely to be less in the Eleventh Plan, compared to that of earlier plans.

³ . Also see Himanshu (2007).

Table 2 Usual status unemployment rates by level of education

Year	Not literate	Primary	Middle	Secondary and above
<i>Rural males</i>				
1987-88	0.9	2.1	5.4	11.4
1993-94	0.3	0.8	3.0	8.8
1999-00	0.4	1.1	2.8	6.8
2004-05	0.4	1.3	2.4	5.9
<i>Rural females</i>				
1987-88	2.4	3.5	13.7	34.1
1993-94	0.2	1.0	5.3	24.9
1999-00	0.2	0.9	4.7	20.4
2004-05	0.7	2.4	5.9	23.1
<i>Urban males</i>				
1987-88	1.8	4.6	8.8	8.3
1993-94	1.1	2.5	5.7	6.9
1999-00	1.4	3.0	5.6	6.6
2004-05	1.2	2.3	4.9	6.0
<i>Urban females</i>				
1987-88	2.1	6.4	21.6	21.9
1993-94	0.4	4.5	15.7	20.6
1999-00	0.6	2.5	11.1	16.3
2004-05	0.8	4.1	12.1	19.4

Source: NSS report 407, 485 and 515.

Changing Composition of Workforce and Wages

The share of self-employed rural men and women, who constitute the bulk of the workers, had decreased steadily from 1977 till 1999-00. Correspondingly the share of casual workers had gone up. The process has generally been termed as 'casualisation' of employment, reflecting an emerging trend of people not entering the labour 'market' in a formal sense but working on ad-hoc or even daily basis. It is only in case of women in urban areas that one observes an increasing share of regular employment.

Table 3 Distribution of usually employed (Principal and Subsidiary status) by category of employment

Year	Self-employed	Regular salaried employees	Casual labour	Self-employed	Regular salaried employees	Casual labour
	<i>Rural male</i>			<i>Rural female</i>		
2004-05	58.1	9.0	32.9	63.7	3.7	32.6
1999-00	55.0	8.8	36.2	57.3	3.1	39.6
1993-94	57.7	8.5	33.8	58.6	2.7	38.7
1987-88	58.6	10.0	31.4	60.8	3.7	35.5
1983	60.5	10.3	29.2	61.9	2.8	35.3
	<i>Urban male</i>			<i>Urban female</i>		
2004-05	44.8	40.6	14.6	47.7	35.6	16.7
1999-00	41.5	41.7	16.8	45.3	33.3	21.4
1993-94	41.7	42.0	16.3	45.8	28.4	25.8
1987-88	41.7	43.7	14.6	47.1	27.5	25.4
1983	40.9	43.7	15.4	45.8	25.8	28.4

Source: Statement 5.7, NSS Report 515.

The last five years from 1999-00 to 2004-05, however, show a completely different picture. In rural and urban areas, the share of self employment has increased while that of casual labour has gone down. The share of regular salaried employment has remained more or less the same for men but for women there is an increase, the growth being very high in urban areas.

One must probe into the nature of employment growth of women in order to understand the implications for their wellbeing and impact on household poverty. The percentage of regular workers for them has gone up primarily because those who were earlier employed on casual basis are now being engaged on a somewhat regular terms. Unfortunately, in many of the activities reporting this phenomenon such as domestic help, certain service activities, the emoluments and working conditions are scarcely better than those of casual workers.

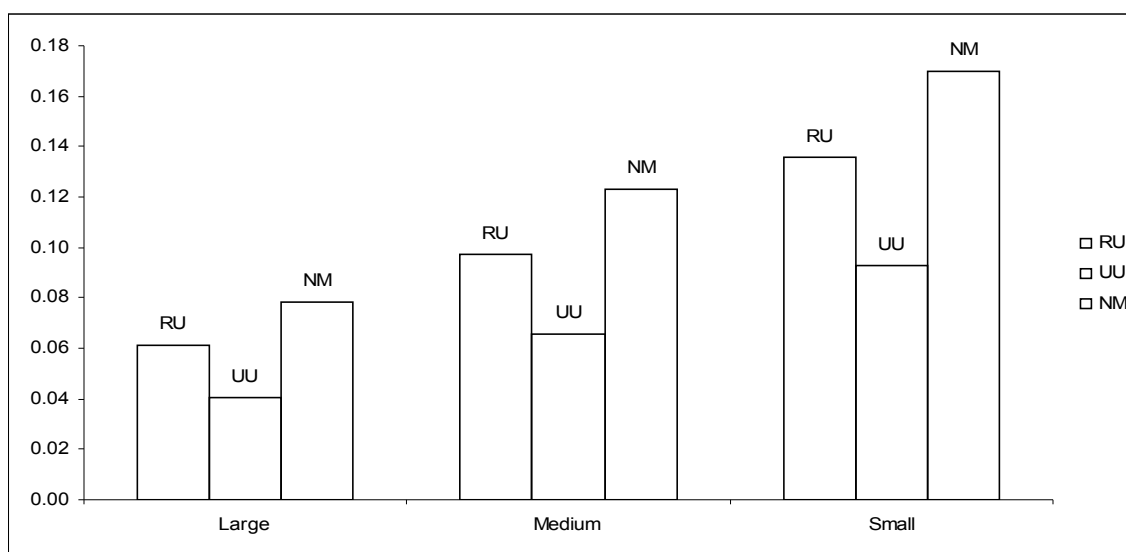
In case of men, the decline in the percentage of casual workers has been matched by an increase in that of self employed. One may argue that many entrepreneurs are now offering jobs not on regular or daily basis, but on contract. The workers are being obliged to carry the jobs to their own households and deliver the product as per stipulated conditions. A part of the increase in the self-employment may be linked to the government policy of providing self-employment rather than wage-employment under its various anti-poverty programmes. The evaluative studies for the governmental measures suggest that these have enabled only a small section of "beneficiaries" to move above the poverty line on a sustainable basis.

For people with secondary and higher levels of education, there is significant decline in regular employment including urban women. It would, therefore, be difficult to consider the stalling of the fall in the share of regular employment at the aggregative level as a positive development from the perspective of workers. Formalization is taking place at the lowest level of employment which helps the middle class in guaranteeing certain amount of stability in their low cost support system. At higher levels of education, there is greater informalisation through encouragement of self employment. The newly created regular jobs are mostly for illiterate women, particularly in urban areas where the need for supporting services in manufacturing, business and within the household for housekeeping purposes is very high.

Migration and Survival Strategy of the Poor

It would be important to assess how the poor in rural areas use migration to urban centres as a part of their livelihood and survival strategy. The Graph 2 below gives the percentage of persons below poverty line as per their size class or urban centre, level of education and migration status. It may be seen that the million plus cities, classified here as *large towns/cities*, have a low percentage of poor, compared to *medium category cities/towns* with population between 50,000 and 1 million. The corresponding figures in *small towns* (with 50,000 or less people) are still higher. The lower incidence of poverty in larger cities than in smaller towns is understandable as employment and other economic opportunities are more in the former. These cities provide better social and physical infrastructure including educational facilities which results in higher factor productivity. Correspondingly, returns to education are higher in large cities than small towns. One must, however, point out that although the motivation to send out a migrant to a city or a town is stronger for a poor than a rich household but the capability to “afford” migration is higher in case of the latter. One may stipulate that in the days of tough market condition, affordability would play the critical role for realization of migration decision. The large cities have better screening system and only people with some level of education, communication capability and social connections are able to put get into these.

Proportion of poor by migration status and size class of cities and towns

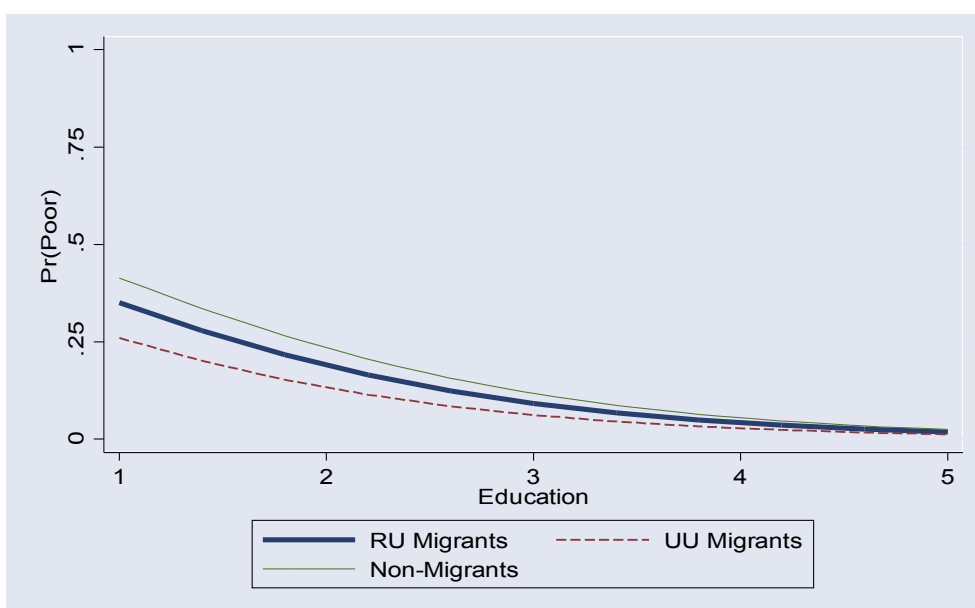


Source: Computed from unit level data of the 55th Round of National Sample Survey. See the text for details.

The Graph constructed based on household level data from the National Sample Survey confirms the hypothesis that the probability of a person being poor is low in large cities compared to other urban centres. Migration into urban centres, both from rural and urban areas, emerges clearly as an instrument of improving economic wellbeing and escaping poverty. The likelihood of falling into poverty is low in case of RU migrants as well as urban-urban (UU) migrants than the non-migrants (NMs). Further, the correlation between consumption expenditure and percentage of migrants works out to be negative which questions the proposition that push factors have been the major determinants of mobility or that poverty holds the key to explaining migration in the 1990s. Indeed, if the poor constituted the large majority among the migrants, they could not

possibly improve their economic conditions after migration so much so as to exhibit a positive relationship between the percentage of migrants and level of consumption expenditure. One can indeed argue that it is largely the relatively better off sections who are able to migrate to urban centres since moving to cities require initial staying capacity and certain levels of skill. Indeed, with modernization and technology upgrade in many of the urban sectors, absorption of rural poor has become increasingly difficult. The Graph 3 below shows that the probability of falling below poverty line in urban areas is high for migrants (both from rural and urban areas) as also non-migrants when they are illiterate compared to those with higher levels of education, based on the unit level data from the 55th Round of NSS.


Graph 3 Probability of being poor by migration status across levels of education



Source: Computed from unit level data of the 55th Round of National Sample Survey. See the text for details.

3. Impact of Economic Slowdown on Employment

In the context of recent economic slowdown at global level and its impact, there are no concrete data available as yet revealing its effect on India's economic growth and employment situation, except the advance estimates of GDP growth for 2008-09 for different quarters of the year and these are 2 to 3 percentage points below that of the corresponding quarters of the preceding five years. The overall growth for the year may not be alarmingly low but that hides more than it reveals. Most of the growth has taken place during the first two quarters of the year when the effect of the global melt down was not felt seriously, as in other countries. The share of consumer spending had shrunk to 55.6% in the first quarter itself from 58% a year ago but this was to an extent compensated by an increase in while the government's stimulus spending.

 In the third quarter covering the period ending in December 2008, the growth figure is as low as 5 per cent. This is largely due to sluggish growth in manufacturing and agriculture. The aggregative growth rate would have been lower but for (a) the exceptional growth of 17 per cent in community, social and personal services due to government announcing revision in pay scales

of its employees and giving the arrears and (b) lowering of the interest rate by the Central bank improving the profitability of the banking sector. It is indeed the growth in services sector, which accounts for more than 57% of the economy's output, that has saved the economy from falling down to dramatically low level.

A stalling of the downturn has been predicted in the next quarter by different government sources like the Ministry of Commerce, Industries and Agriculture but it is difficult to be definitive about the employment scenario in this or the next year.

The Manpower Employment Outlook Survey reveals conducted in early 2009 reveals that 25 per cent (net)⁴ of the employers (in the total sample of 3600 employers) had positive hiring plans for the period April-June 2009. Although this was a pessimistic forecast by historical trends in the country, this was considered optimistic by the current global scenario. The protectionist measures adopted by several developed countries experiencing crisis including the US administration which has decided to withdraw tax breaks from corporations that ship work overseas, undoubtedly affected the prospects of certain outsourced jobs. Similarly, the Global customers of IT going for off shore arrangements rather than maintaining a strong onsite units owing to their cost cutting measure (as the rates for the former is two thirds of the latter) depressed employment. And yet, the global financial firm Moody held that India would continue to be “a top outsourcing destination”.

The share of service sectors and select manufacturing activities in GDP has grown very rapidly during the past decade and a half, many of these producing for global market and high income households in the country. The credit crunch and the fall in demand in both foreign and domestic markets affected these and may result in some decline in formal employment in the next few months. Retrenchment and slashing down of salaries in these sectors are unlikely to push up unemployment rate at macro levels. And yet, if there is a shock wave in the labour market, it basically reflects the political clout of the class⁵, working in these sectors, and not the actual impact at national level. The relationship between formal and informal employment is undergoing change within these service sectors in this period of crisis. In-depth research needs to be carried out to assess these changes but as of now, no massive displacement of labour has been reported in the informal activities linked to the global sectors. Undoubtedly, economic growth in the country has been sustained largely by domestic demand, notwithstanding the high growth of exports in recent years. This contrasts sharply with that of several other developing countries including China.

An analysis of the pattern of employment growth and that of economic growth in recent decades provides interesting insights into the complex relationship between the product and labour market. One notes that employment situation does not change in correspondence with changes in economic output (Table 4). This is due to the dominance of employment in low cost support system and household enterprises either as own-account workers or unpaid family workers. Further, major part of employment in rural areas is still in the agricultural and allied activities. Above all, public interventions to improve housing credit, rural employment guarantee programs

⁴ . The quarterly surveys conducted by Manpower India, a large recruitment firm in India in the area of IT Enabled Services and Financial Services sectors, computes “Net Employment Outlook” which is the percentage of employers anticipating total employment to increase less the percentage expecting to see a decrease in employment in the next quarter.

⁵ . Pink slips being given (subsequently withdrawn) by an Airline to a few hundred employees became major national news while the fact that all airlines in the country are seeking higher slots from the Directorate General of Civil Aviation and Indian airlines are doing reasonably well compared to international carriers have not hit the headlines.

and infrastructure projects etc. have ensured that the growth in construction sector is maintained and employment here does not fall drastically in the bad years. One can specifically mention the drought year of 1987-88 and the first year of structural adjustment 1991-92 when the GDP growth declined significantly. The employment growth rate in and around that year, however, was maintained due to the factors noted above. Conversely, the period 1993-99 shows significant growth in income without a corresponding increase in employment. Given this macro pattern, significant reduction in work participation rates is unlikely due to the current economic crisis, even if the growth in income does not pick up in this or the next couple of quarters.

Table 4 Employment and GDP growth rates since 1972

Period	Growth rate of usual status employment (% per annum)	Annual GDP growth rate (at factor costs and constant prices)
1972-73 to 1977-78	2.7	3.9
1977-78 to 1983	2.2	4.2
1983 to 1987-88	1.5	5.8
1987-88 to 1993-94	2.4	5.2
1993-94 to 1999-00	1.0	6.7
1999-00 to 2004-05	3.0	6.0

Source: Planning Commission (2008b). Figures for 1999-00 to 2004-05 are taken from 'Revisiting Employment and Growth', C. Rangarajan, Padma Iyer Kaul and Seema (ICRA Bulletin, Sept 2007).

World Bank (2009) has identified the incapacity of the developing countries to expand their fiscal deficit to undertake significant countercyclical spending to be the major factor forcing them into crisis. The institutions that have worked out financial intermediation for them in the past are reluctant to undertake this now. The concessional flow of funds from several donor countries have dried up as they too are facing serious fiscal challenges. Foreign direct investment is also falling, particularly in the natural resource sectors, leading to delays or cancellation of major projects. These factors, however, are not very important in case of India as these accounts for only limited amount of government expenditure or total investment in the country.

The financial crisis has been precipitated in a few of the developing countries due to a decline in the prices of their exports. This has also meant a substantial fall in the government revenue. In case of South Asia (separate figure for India is not available), however, one notes that the exports to the United States have gone up by 11.6 percent during October-November 2008, in a sharp contrast to most other developing regions, where the figures reported a dramatic decline. Given this trading scenario, the decline in exports is unlikely to be a serious factor for growth for India.

There are apprehensions that the economic crisis would increase poverty in 2009. Employment and wage effects as well as declining remittance flows are considered to be its principal transmission channels. It may, however, be argued that Indian labour markets will take a while to absorb the full impact of the on-going global contraction. The Global Employment Trend released by ILO in January 2009 forecasts that the global job losses could touch 51 million figure. It gives three alternate estimates of the number of unemployed for the South Asian Region in 2009, the lowest figure being 35 million. The GET Model used in the projection exercise, utilizes the

information from labour force survey and population census from different countries. It uses national level figures ignoring the RU differences. Given the fact that all the factors linked with financial crisis like exports, remittances, migrations etc. make differential impact on rural and urban areas, the aggregative figures obtained at regional level (the Report does not give country specific figures) would be extremely tentative. Any exercise done for a country like India without taking into consideration rural urban and regional differences and not recognizing changes in formal informal employment as a result of the crisis, is likely to be way off the mark and have little relevance for macro policies.

The Ministry of Labour in China holds that 20 million people are out of work, the most affected sectors being the construction, mining and manufacturing and urban-based exports. Labour Bureau⁶ in India, too, has indicated an overall job loss in organized export-oriented sectors like gems and jewellery, autos, and textiles but only to the tune of 500,000 during the period from October to December 2008. Excluding the IT/BPO sectors, the monthly decline in the number of employed has been 1.01 percent on an average. The negative fallout, understandably, has been heavier on the contract workers within the formal sector. Their growth has been -3.88 percent, compared to -0.63 for those formally employed.

A section of the workers are indeed shifting out of dynamic export-oriented sectors into lower productivity activities but overall unemployment rate is unlikely to be very high. It would be erroneous to pretend that these trends would leave the recent progress in growth and poverty reduction unscathed. Fall in real wages and employment, as noted in certain sectors, would impede households' ability to provide adequate food and necessities. This may not bring down consumption of food items in the short run (despite the price rise) but people would spend less on basic amenities, education and health services⁷. Many of them may be forced into selling their "assets on which their livelihoods depend, withdrawal of their children from school, reduced expenditure on health care and diets, resulting malnutrition". The long-run consequences of the crisis would be more severe than those observed in the short run.

Remittances, which represent a major source of foreign exchange as a percentage of GDP in many developing countries, and an important support for many households, is not that significant for India and may not contract substantially during 2009-10 as many of them are reported to be returning back. The return of a section of migrants from abroad and reduced outmigration from here will reinforce the shortage of employment opportunities but the former would bring in capital for investment. The unemployed returnees and prospective migrants staying back due to adverse global scenario, would add to the unemployed labour force but the pressure would not be at the lowest rung of employment. Many of them belong to higher income categories with higher levels of skills and have some staying power. Declining rate of remittances and of outmigration is, thus, unlikely to undermine poverty gains in the short run.

There has been no or marginally negative growth in employment in select sectors that absorbed a large number of workers in their formal and informal segments, during the last few years. And yet, the problem has not assumed alarming proportions. The economic slowdown has not brought the country crushing down even in terms of formal employment. Spectacular growth in income and some growth in employment in the modern sectors including IT, financial services, Business Process Outsourcing (BPO) etc. during the last decade had led to creation of a number of jobs in the informal sectors especially for ancillary services and trade. A low cost support system has emerged facilitating the growth in the formal sector. However, the earnings of the

⁶ . Government of India (2009).

⁷ . World Bank (2009)

people engaged within this informal system are very low and had shown no increase even during the period of boom. The linkages between the modern economy and the large informal economy (including the traditional sector) have not emerged as very strong. Many in the latter produce for or serve only the domestic sectors and the informal component of the economy. Consequently, despite the phenomenal growth in income in modern global sectors, the workers in the informal sectors did not benefit much in terms of earnings. Their wages are presently very low and the goods and services produced by them are extremely cheap in relative terms. This has turned out to be a safety valve in a period of crisis. Employers or buyers of their goods and services are not in a position to cut down their prices despite the economic slowdown. Consequently, there is no substantial decline in the earnings of the unorganized workers, who were getting very little in any case. This is the main reason why the informal economy has not reported a collapse. Also, there can be no retrenchments for the self-employed persons or their enterprises and they are managing to be in business by accepting cuts in earnings.

4. Regulatory Framework and Policies for Social Protection and their Efficacy in Periods of Economic Crisis

Indian Constitution provides for an overarching framework for regulation of conditions of work and promotion of livelihoods. The right to work is not a fundamental right mandated by the Constitution and is included only in the *Directive Principles* that lay down the broad directions of state policy. Further, 'labour' figures in the concurrent list in the Constitution, and consequently, it is within the regulatory domain of both the state and the central governments.

In the context of giving social security benefits to workers, India led most developing countries by initiating health care and old age benefits with the enactment of the Employees' State Insurance (ESI) Act, 1948, Employees' Provident Funds (EPF) Act, 1952, and Gratuity Act, 1991 by the central government. It is estimated that out of a workforce of about 460 million workers in the year 2004-05, about 34 million (almost 7.5 per cent) are covered by these schemes, linked with different occupational categories and types of employers.

Besides the legislated benefit system noted above, there is a plethora of Central laws that regulate conditions of work in the organized and unorganized sectors. These may be placed in three categories. One, laws that apply to all sections of the unorganised labour like Equal Remuneration Act, 1976 guaranteeing equal payment to men and women, Bonded Labour System (Abolition) Act, 1976 proscribing human trafficking and forced labour etc. The second category include laws that apply to sections of the unorganised sector like Minimum Wages Act, 1948, Child Labour (Prohibition and Regulation) Act, 1986, Dangerous Machines (Regulation) Act, 1983, Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 etc. The third set comprises those that pertain to the formal sector but can be extended to the unorganised Sector like the Maternity Benefit Act, 1961.

An overview of the regulatory framework for ensuring minimum wages and conditions of work reveals that there exists no comprehensive regulation and the existing ones are grossly inadequate and ineffective. These apply to wage earners but not to the self-employed persons. Also, the physical working conditions of unorganised agricultural workers are not protected by law, except where state level laws exist. The central and state government laws are applicable to certain sections of wage workers, their domain being restricted in terms of scope and coverage. These are poorly implemented because of the inadequacies of the implementation machinery.

These deficiencies notwithstanding, the central and the state governments have gone in for simplification of laws and procedures to reduce the burden of compliance on the companies

within the framework of globalisation. The companies are being brought under voluntary codes of labour standards, particularly in modern upcoming production systems where commodity chains operate and actual production is outsourced to small-scale units or home workers. These are getting associated with the world's largest voluntary corporate responsibility initiative namely the UN Global Compact through which United Nations is encouraging businesses worldwide to adopt sustainable and socially responsible policies⁸. At the end of 2005, less than 100 companies stood committed to its principles. Unfortunately, these principles exist more as statement of intent. These do not, on their own constitute a system through which the action plans of the companies can be of monitored or audited. Further, these cover a very small fraction of the production system, extending to a segment of leather and textile sectors. Similarly, the Ethical Trading Initiative (ETI) - a tripartite alliance of NGOs, trade union organizations and global companies, envisaged to incorporate ethical business practices into the supply chain management has been in operation in India since the mid-2000s and yet has not been able to develop a critical mass as it remains focused on the export-driven market.

The keenness of the central and state governments to promote business environment through relaxation of regulatory controls has diminished the pro-active enforcement of labour laws. The efforts at 'simplifying' the existing laws and reducing 'hassles of inspection' through adoption of voluntary codes of conduct is manifest in the fall in compliance of the regulations in recent years. The self-certification scheme adopted for attracting small industries has meant compliance being restricted to only large and registered companies. The latter were reluctant to encourage pro-active enforcement through inspections as that would have "adverse impact on industrial climate".

The analysis carried out by National Commission on for Enterprises in the Unorganised Sector (NCEUS) shows that non-observance of the laws is widespread across the states. About 70 per cent of agricultural labourers are reported to be not receiving the minimum wages. The major reason for non implementation of the Acts⁹ was the lack of awareness regarding the laws and their rights among the workers.

Given this scenario and the changes in labour market discussed above, the capacity of the present social security system to protect the entire population in periods of crisis is limited. Even the reporting on the number of units and workers are unsatisfactory, rendering the database for informal tertiary sector extremely tenuous. Fragmentation of production process through subcontracting of jobs is responsible for a large section of manufacturing workers not being included in the employment register and standing exposed to serious exploitation. Further, the regulatory controls including labour inspections over tertiary sector is much more relaxed compared to manufacturing sector, largely due to difficulties of measuring the output or scale of operation in the former. Understandably, the workers in several formal activities, particularly belonging to the tertiary sector, had to bear the brunt of the economic meltdown. However, since the informal sector was in any way outside the formal social security system and surviving with 'a

⁸ . The Global Compact announced by the then UN Secretary-General [Kofi Annan](#) and launched in 2000 is the world's largest [corporate citizenship](#) initiative with two objectives: "Mainstream the ten principles in business activities around the world" and "Catalyse actions in support of broader UN goals, such as the [Millennium Development Goals](#) (MDGs).

⁹ . The Inter State Migrant Workmen (Regulation and Condition of Service) Act, 1979, for example, could not address the problems of migrant workers in a substantive manner as it has limited coverage of inter-state migrants recruited through middlemen and contractors engaged in establishments with five or more such workers. Similarly, the Bonded Labour System (Abolition) Act succeeded merely in creating a legislative framework but was hardly effective in terms of implementation has remained generally weak as noted by the Supreme Court.

minimalist framework', nothing could be withdrawn from it and consequently did not suffer much during the short period of economic crisis.

5. "Formalisation" of informal Activities and Its Implications in a Period of Economic Slowdown

An overview of labour market situation in a preceding suggests that informal sector has experienced some type of formalization in recent years. The high growth of employment during 1983-93 in informal sector was characterized by large incidence of subsidiary or casual labourers, most of them being illiterate and unskilled. One would argue that employment opportunities during this period were generated in the lowest economic strata and, as a result, its impact on poverty reduction was very high. The growth of informal sector, thus, was a vehicle for bringing about significant reduction in poverty.

The informal sector has grown rapidly during the subsequent period as well but this seems to be undergoing some kind of transformation. The component of casual employment has declined dramatically while that of self employed and regular workers have gone up. This is largely because of growing interdependency between formal and informal sectors, leading to formalization of informal activities. Entrepreneurs and households are employing people more on a regular and full time basis. The economic rationale for this is fairly evident and easily understandable. Entrepreneurs seeking to take advantage of the global competitive market have come to recognize that they have greater chances of success if they go for standardization of their products, meet the specifications of the customers, respect the schedules of delivery and organise production and marketing activities on a somewhat formal basis. Indian entrepreneurs appear to have resorted to this model of 'formal informalization' in a big way in order to take advantage of the emerging global market. As a result, many of the rapidly growing sectors including small scale manufacturing, trade, commerce and entertainment activities, particularly in urban areas, have tended to either sub contract components of their production process formally or get these done through workers engaged on a regular basis. This helps them in meeting the challenge and deadlines of the global market as also making their production process cost effective and globally competitive. No wonder that the character of the informal sector during the period of recent economic crisis was very different from that of the eighties and that has serious implications for the urban poor.

Another aspect of formal informalisation is that the households whose members are employed in the formal sector, linked to national or global market, have come to depend on a low cost support system, as noted above. This explains the efficiency and capacity of the households to meet the time schedule or deadlines set by the latter. Employment of domestic help and other supporting services, as a consequence, have gone up enormously but unlike in the past, they are now being employed on a regular basis. It is well recognised that total informality in the support system can jeopardise the domestic arrangements of these households, result in uncertainty in attendance, failure to meet the specifications of the product or regularity in delivery. These would be major handicaps for these households' serving the enterprises in the global market.

The increase in the rates of unemployment and decline in real wages during 1993-04 can at least partially be attributed to this process of formal informalisation. Many of the illiterate rural migrants like dispossessed farmers, artisans etc., not having the minimum level of conversation skills or market smartness have not been able to put a foothold in the urban job market (Kundu & Sarangi 2007). This has reduced the possibility of disguised employment since work is regulated as per certain (mostly unwritten and non legal) contracts and specifications. The fact that larger percentage of people are seeking or available for work reveals that even the high level of

employment generation during the past decade was inadequate to meet the needs of the poor households for their livelihood support. Understandably, the growth in employment in informal sector is not entirely poverty induced but linked to demand from the formal sector. It is the same formal informality which acted as a filtering system in the entry has now come in the way of sudden dismissal of informal workers or a significant cut in their wages in the period of recent crisis.

It is indeed true that the benefits of globalization and the changes in the character of employment has been modest in terms of poverty reduction or absorbing the growing labour force, as the latter is geared to the needs of the formal sector. The highest growth in the number of jobs is recorded in private household based domestic services during the period of rapid economic growth. These jobs are mostly as maids, cooks, gardeners etc. that require very low level of education and skill but some amount of training. Although they are engaged by high and middle income households, a segment of which might have suffered employment or income loss, they are unlikely to dispense with their services in the short run, as they cost very little as a proportion of their income.

The other sector reporting high employment growth is real estate, renting and other related business that again do not require high levels of skill. This sector is speculative in character and would not respond immediately by cutting down the prices of services or postponing development projects. Another labour intensive sector is construction which has traditionally been a major employer of unskilled labour force and has recorded very high growth rates in early parts of the decade. The construction projects are however linked with long term demand. Importantly, construction and real estate operations did slow down a bit during 2008-09 but this has not been attributed economic downturn but to the bubble in the housing market. And yet, the impact has not been very severe, nothing compared to that of the American housing market.

Happily, the sector financing, insurance, real estate and business services has reported a growth rate of 8.1 per cent in the first quarter of 2009-10 against 6.9 per cent for the corresponding period in the previous year. Construction was recorded a high growth of 7.1 per cent, slightly below the last year's figure of 8.4 per cent. Community services is another labour intensive sector where growth rate has picked up in the first quarter of the year, 6.8 per cent, although it is still below the last year's corresponding figure of 8.2 per cent. Hotels/restaurants and transport/communication are two sectors that absorb a large number of persons with low levels of skill. These had grown rapidly in the years of rapid macro economic growth, understandably because their growth was linked to the incremental income in the hands of urban upper and middle class who benefited most during the period. One would expect these sectors to be adversely affected as a result of recession. Surprisingly, the two reported reasonably high growth rate of 13 per cent in the first quarter of 2008-09. The rate has now gone down to 8.1 per cent which can possibly be attributed to scare of H1N1 epidemic rather than economic crisis.

A quick overview of the wage data questions the thesis that the workers have benefited much from the changes in the character of employment in the labour market. There has been a reduction in the real wages of regular and casual workers during 1999-04, more specifically in urban areas where the incidence of informal employment is believed to be very high (Tables 5 and 6). The decline in wages, both in rural and urban areas, is much steeper for women as compared to men, despite there being a significant rise in their employment. The real wages of the illiterate women going down on the face of rapid growth of employment is a matter of serious concern. These are pointers to the alarming fact that the legal and institutional mechanisms pertaining to labour market have not been successful in protecting the earnings and consequently real living conditions, even for those engaged on regular basis. It is nonetheless

true that that since the workers in unorganised sector did not benefit much in the period of rapid economic growth; there was not much for them to loose either. The wages for the persons engaged in many of the informal activities were so low that even when the enterprises or households lost a part of their income during the period of crisis, they did not want to enforce a corresponding cut or reduction in wages and thereby jeopardise their low cost support system. This seems to be the logic why the wages and employment in the informal sector did not decline in the period of crisis.

Table 5 Wage rates (Rs.) for regular and casual employees in the age group 15-59

(at 1993-94 prices)

Sector	Gender	1993-94	1999-00	2004-05	Percent change 1999-2004
Regular salaried workers					
Rural	Male	55.1	83.7	91.3	9.2
	Female	31.9	55.3	48.4	-12.4
Urban	Male	73.5	105.8	101.3	-4.2
	Female	60.3	95.1	77.3	-18.7
Casual workers (including public works)					
Rural	Male	23.8	28.7	31.9	10.9
	Female	15.6	18.8	20.2	7.6
Urban	Male	32.8	39.4	38.2	-13.0
	Female	18.7	23.6	22.4	-4.4

Source: Computed from unit level survey data of NSSO.

Interestingly, there has been some increase in the real wages of casual workers in rural areas for men and women during 1993-04. This is attributed to their absorption in public works and other construction projects designed for poverty alleviation. These have helped in pushing up wages of illiterate agricultural workers as they were paid emoluments as per legal and administrative stipulations of the programmes. Given the fact that these anti poverty programmes were strengthened during the lean agricultural seasons of 2008-09 with considerable hike in government expenditures, the employment rate among rural poor could not have declined. Launching of National Rural Employment Guarantee Programme boosted up these initiatives which ensured no increase in the rate of unemployment. Understandably, the wages paid were as per the stipulations of the programme and not determined by the market conditions. These helped in pushing up the market wage rates outside the programmes, as reported from different regions of the country. One would argue with fair amount of confidence that there was no decline in the real wages of the poor agricultural labourers during the period of crisis.

Table 6 Growth rate of real wages of regular workers, 1999-00 to 2004-05

Education level	Rural		Urban	
	Agriculture	All	Agriculture	All
Male				
Illiterates	1.48	-1.73	-0.22	-1.73
Literate upto middle	-2.17	-0.62	-10.47	-2.92
Graduate and above	-9.19	1.94	-17.19	1.15
All	-1.78	0.51	-11.17	-0.53
Female				
Illiterates	0.96	-4.4	-5.92	-5.24
Literate upto middle	1.37	-23.25	-1.63	-3.94
Graduate and above	-13.03	-0.55	10.25	-1.39
All	-0.07	-7.54	0.05	-2.35

Source: Computed from NSS reports

A parallel process in Indian economy is the informalisation of the formal sector. *Informal employment* comprises those working in the unorganized enterprises or households, excluding regular workers or those with social security benefits, and those in the formal sector without any employment/social security benefits¹⁰. It is important that the proportion of informal workers was over 90 per cent in 1999-00 which has gone up further in 2004-05. Correspondingly, the share of formal workers has gone down. The figure for 2004-05 works out to be 7.6 per cent only which includes private sector workers, civil servants, military personnel and employees of state public sector undertakings. What however is striking that while the percentage of formal workers in informal sector has remained at the level of less than half per cent, the share of informal worker in formal activities have gone up from 38 per cent to 47 per cent (Table 7). While the value added by these informal workers are reflected in the profits of the formal sector, they do not have a reasonable share in it or get an access to social security benefits.

Table 7 Employment in the formal and informal sector

Sector	Number of informal workers	%	Number of formal workers	%	Total
1999-2000					
Informal	341.3	99.6	1.4	0.4	342.6
Formal	20.5	37.8	33.7	62.2	54.1
Total	361.7	91.2	35	8.8	396.8
2004-05					
Informal	393.5	99.6	1.4	0.4	394
Formal	29.1	46.6	33.4	53.4	62.6
Total	422.6	92.4	34.9	7.6	457.5

Source: Table 1.1 Report on the Conditions of Work and Promotion of Livelihoods in the Unorganized Sector, NCEUS, based on NSSO data.

¹⁰ National Commission for Enterprises in the Unorganised Sector (2006)

Based on the experience of the trend of employing informal workers within the organised sector, one would speculate that the slowing down of industrial growth in the organised sector during 2008-09 and resultant displacement of regular workers prompted many units to engage informal workers or subcontract jobs to informal workers and thereby cut down on their costs. This is precisely the reason why the total industrial employment has gone down during the period of crisis.

6. Conclusions and A Perspective for Protecting the Poor in Periods of Economic Slowdown

The overview of the trend and performance of Indian economy in the context of changing macroeconomic scenario over the past three and a half decades reveals that the growth in income and other economic indicators have been associated with increase in inequality. There has been systematic reduction in poverty but inequality in poverty as also consumption expenditure has gone up, both in rural and more significantly urban areas. Poverty has got concentrated in a few regions and social groups where poverty alleviation is much more difficult.

Importantly, the jobless growth syndrome of the nineties was over when the global economic crisis hit the economy. Furthermore, India has entered the phase of demographic dividend which is likely to continue for the next couple of decades because of increasing proportion of people in 15-59 age group and higher work participation rates among the adults, particularly women, as compared to other countries. Given these macro level factors, it is unlikely that the overall employment rate in the country would go down significantly during 2008-09. Much of the employment growth would, however, be in informal sector, largely in self employment category.

The perspective that absorption of labour in informal sector could take care of the problem of economic crisis, however, needs to be examined with empirical rigour. This is an extremely heterogeneous sector in terms of productivity, profitability and growth performance. The liberalisation measures have already put a large majority of small and traditional enterprises under serious strain, resulting in their liquidation, barring those that got linked with globalised sectors. The latter have been able to get some benefits of the high macro economic growth in the country and expanded in response to increases in demand and profits (Kundu, Lalitha and Arora 2004). Many of the linked service activities, too, have recorded high growth in income and employment. Unfortunately, however, the institutional and legal framework in the country has failed in ensuring a reasonable share in the benefits to them and, in many cases, their real earnings have gone down. Most of the activities have, on the other hand, suffered due to absence of such forward linkages, reporting no increase in their profitability or wages.

Migration for employment from rural to urban areas had emerged as a tool of poverty alleviation. Unfortunately, however, this window of opportunity seems to be closing down for the rural people in distress. Large cities, in particular have become exclusionary in character and, as a consequence, RU migration was not very high in the periods of economic boom. Despite migrants into large cities having greater chance of poverty alleviation, not many had succeeded in putting their foothold due to formal and informal entry barriers. As there were not many poverty induced migrants in the cities, not much of reverse migration was reported in the period of crisis, when certain sectors experienced demand crunch.

There was no question of an accelerated migration from rural to urban areas in this year due the physical entry barriers, build by the state and organisations protecting the interests of the upper and middle income groups, becoming more restrictive. Education has been a critical entry barrier and this could not be scaled by the illiterate unskilled males, even if they would offer their labour

at lower wages. However, there was no significant slowing down of rural income and the state policy of procuring food-grains at predetermined prices and strengthening of rural employment guarantee programmes ensured certain minimum level of income to rural households.

Emergence of a low cost support system in urban areas has been a major factor behind the efficiency and rapid growth of formal industries. A growing segment of workers in several modern industries are not in their official pay rolls, who are deprived of the social security benefits. Further, the informal units provide cheap intermediate products which enhance the efficiency of formal manufacturing and business. Also, the informal workers are engaged as domestic help in upper and middle income households, making it possible for the household members to meet time specific demands of global business and services. This help becomes available at odd hours of the day or night at very low cost, compared to most developed countries. All these enabled many of the formal industries in India in maintaining their competitive edge globally and consequently did not suffer much loss in business.

It is a matter of coincidence that a major programmatic intervention for protecting of workers in unorganised sector was envisaged during 2008-09, emerging from the long term policy concerns. The National Commission for Enterprises in the Unorganised Sector (NCEUS) had proposed two Bills - Agricultural Workers' Conditions of Work and Social Security Bill and Unorganised Non-agricultural Workers Conditions of Work and Social Security Bill for comprehensive coverage of the unorganised sector and these were taken up in the Parliament. Ultimately, it passed the Unorganised Sector Worker's Social Security Bill which was a combination of the two bills but in considerably modified form.

NCEUS has observed that self-regulation by the enterprises has not led to an improvement in the working conditions of the workers and that enactment and enforcement of legislation by national governments would have to be taken up urgently. The corporate codes should be envisaged and crystallized as self-regulatory mechanisms only to complement the existing labour laws. The NCEUS has further proposed fixing up of statutory National Minimum Wage by the Central Government that should be adequate to meet the minimum basic needs of the family of the workers. The state government has to ensure that the Minimum Wage fixed under the Act, is not lower than the statutory Minimum Wage. NCEUS has also recommended the creation of a National Fund, which can play a catalytic role in the promotion of livelihoods in unorganised sector. Unfortunately, these measures could not be operationalised during 2008-09. However, this policy concern led to implementation NREGS with considerable amount of seriousness, providing purchasing power in the hand of the agricultural labourers and marginal farmers.

On the whole, one would argue that there has not been a major backwash effect of global economic crisis through reduction in wages and employment in India, particularly in informal activities, as a result of global economic meltdown. Despite slowing down of growth in employment and profits in a few globally linked sectors, the impact on macroeconomic figures has been modest, notwithstanding the fact that a few of the small and medium enterprises linked to the formal sectors are facing problems. Understandably, this is due to government launching measures to boost up the internal demands and investment in the country. Besides, the central government has allowed public sector financing institutions to raise massive funds for launching and strengthening infrastructure (for road and ports) and housing projects in public sector as also for other public-private partnerships projects. Given the difficulties faced in these on account of the global credit crunch, additional resources have been made available through public agencies to refinance the loans. This to an extent has helped addressing the infrastructure bottlenecks and housing shortages that have been a constraint for long-term growth and responsible for various social problems. Attention has been directed to protect the poor through

targeted social spending, expanding safety nets and providing access to housing, health and educational facilities. It may, however, be observed that although the overall unemployment rate and earnings of the unorganized workers have not gone down in any significant manner, their access to health, education and other social amenities seems to have been drastically reduced, affecting their long term capability.

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