Employment in Development: Connection between Indian Strategy and ILO Policy Agenda

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Employment is a “soft” subject compared to labour standards – the hard core of the International Labour Organisation’s mandate and agenda. The contribution that the agency can make to a member country regarding employment generally takes the form of assistance in developing approaches, strategies and programmes, rather than direct action. As such, it has significantly influenced Indian policy on the subject. On the other hand, the ILO has gained substantially from India’s expertise and experience in formulating its own approaches and applying them to employment promotion policies and programmes in other developing countries. The collaboration, mostly in the realm of ideas, has thus been fruitful for both and perhaps for the rest of the world as well.

India, as a founder member of International Labour Organisation (ILO) in 1919, has had much in common with the agency during the 91 years of its existence. Even though India has ratified only 41 of 188 International Labour Conventions so far,¹ that by no means implies that the country has any fundamental disagreement with the basic principles underlying the rest of them. Non-ratification has been explained primarily on practical grounds. For example, India ratified Convention No 2, the Unemployment Convention, 1919, in 1921, but subsequently denounced it because one of its requirements was “furnishing of statistics concerning unemployment every three months”, which was considered impractical (see M. Lal’s website). On the other hand, a number of proactive measures dealing with different aspects of the rights and welfare of labour have been taken even if the Conventions to do with them have not been ratified. For instance, the substantive Convention No 122, the Employment Policy Convention, 1964, which requires ratifying governments “to declare and pursue policies to promote full, productive and freely chosen employment”, was ratified only in 1998 after prolonged consideration, but the principle underlying it is implied in the Constitution of India and has been practised through various Plan strategies and policies since the 1950s, especially since the mid-1970s (Papola 2007).

Employment in Development Strategy

On employment as a part of development strategy, the Indian thinking and approach predated any serious policy agenda set by the ILO on the subject. The ILO began devoting attention to employment issues in developing countries in the 1950s (most of these countries, in any case, did not exist as independent nations until then), but its initial efforts were in the form of studies and technical assistance, mainly in the areas of vocational training and manpower planning.² The implicit assumption was that industrialisation would lead to reasonably fast economic growth in most of these countries, throwing up a demand for skilled labour. It was, therefore, necessary to build capacity for manpower planning and impart training for skill formation. This assumption was largely shared by Indian planners and initiatives were taken to build institutional capacity for manpower planning and craftsmen training. Accordingly, a system of compiling occupation-wise labour market information through employment exchanges and local labour market surveys was set up and a national institution, the Institute of Applied Manpower Research (IAMR), was established to analyse the manpower situation and project future requirements. Simultaneously, a large-scale

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¹ Papola (2007)

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programme of setting up industrial training institutes (ITIs) was initiated with a view to build capacity to train the skilled manpower required for economic growth through industrialisation. Yet, it was realised that given the prevailing labour supply situation and rapid growth of the labour force, unemployment could become a problem if employment growth was not included as an objective in the planning strategy. So, the Second Five-Year Plan (1957-62), while not compromising on technology, which was inevitably capital-intensive in heavy industry, stressed the growth of small enterprises and labour-intensive consumption goods industries.

That the major problem in India, as in other developing countries, was underemployment rather than unemployment was very well understood by Indian economists and policymakers from the very beginning of the planning process. It took a little while for the ILO to appreciate this feature of employment. It was the Economic and Social Council (ECOSOC) of the United Nations (UN) that brought out this distinction in 1951 through a report prepared by economists Theodore Shultz and Arthur Lewis (UN 1951). This was followed by the ILO’s Asian Advisory Committee deliberating the subject of “underemployment in Asia” later the same year, and two studies on the subject in 1956, reviewing government policies on employment and unemployment in developed and underdeveloped countries (ILO 1956a, 1956b). The study on underdeveloped countries noted that development plans in most of them did not contain any quantitative estimates of the extent to which their implementation could create employment to overcome unemployment and underemployment. Around this time, the ILO was also addressing key issues in development economics such as the problems involved in formulating investment policies, including the relative merits of capital-intensive and labour-intensive growth strategies (ILO 1958). This debate was, as expected, contextualised in the need for creating employment (ILO 1957).

Precisely at this time, these issues were also being debated in India in the context of formulating the Second Five-Year Plan. The Plan addressed both the issues raised in the ILO documents – estimation and assessment and the need of a strategy to serve the employment objective without sacrificing technological progress and productivity. It estimated the backlog of unemployment at the start of the Plan at five million, and an addition to the labour force of two million a year. Aiming at full employment as a feasible proposition only in the longer run, it projected generating eight million employment opportunities during the five-year period. It recognised that in “an economy with relative abundance of labour, a bias in favour of comparatively labour-intensive techniques is both natural and desirable” but “considerations of size and technology should not be set aside to emphasise employment” (Planning Commission 1956: 112-13). The ILO raised issues related to employment in development strategy, but did not provide any clear answers. Indian policymakers and planners faced the same issues in framing a development strategy and had to devise ways to tackle them. It appears that Indian academic and policy work in this area preceded any substantive work by the ILO and the latter was influenced to a certain extent by the former, as will be evident from some of the developments that followed.

In 1961, the ILO had a major report on “Employment Objectives in Economic Development” prepared by a group of leading economists, including Benjamin Higgins and K N Raj (ILO 1961), which seems to have had a seminal effect on its work on employment and development. The report exhibited strong traces of Raj’s understanding of the Indian situation (and of developing countries, in general) as well as reflected the thinking of Indian economists and policymakers of the time. It stressed the need for employment to be a separate objective of development policies, as even rapid economic development could fail to increase employment sufficiently. It talked of raising employment at a given level of investment through changing the composition of outputs and the technologies of production, the need to raise levels of savings and investment, and the importance of raising the productivity of resources as a means of increasing capital and the supply of consumption goods to support a higher level of employment. In other words, employment generation was seen as part of a dynamic development process, a tenet accepted, in principle, in Indian development strategy with the Second Plan.

Serving as the background documentation for general discussion at the International Labour Conference in 1961, which led to a technical conference to discuss employment policy in developing countries, this report is considered to be the source of Convention No 122 on Employment Policy, which was adopted in 1964. The Convention “requires the ratifying governments to declare and pursue policies to promote full, productive and freely chosen employment”. India ratified this belatedly, as mentioned earlier, in 1998. Employment was, however, made an explicit goal of development planning from the middle of the 1970s. The Fifth Five-Year Plan (1974-79) envisaged reorientation of the development strategy towards employment-oriented growth, and special employment programmes to promote self and wage employment were introduced. Since then, employment has featured as an important item on the development agenda.

“Generation of productive employment” was pronounced to be the “central element in development strategy” of the Seventh Five-Year Plan (1985-90). Employment growth targets were fixed for consecutive plans. The Eighth Five-Year Plan, for example, set a growth target of 2.6% to 2.8% for employment. It was set at 2.5% in the Ninth Five-Year Plan and 10 million jobs per year in the Tenth Five-Year Plan. Actual performance, however, fell short of these targets – earlier because of a slower than expected rate of economic growth, and since the mid-1980s, because of a decline in the employment intensity of growth. Now, besides projecting an employment growth rate of 2.73% or an annual increase of about 12 million employment opportunities during the Eleventh Five-Year Plan, an exercise is on to draft a National Employment Policy (NEP) for adoption by Parliament, in which the Government of India is being actively assisted by the ILO. The NEP aims at mainstreaming employment in development policy by subjecting macro, sectoral and labour policies to the criterion of generation of decent employment (see MOL, DGIT website).
The ILO entered the most important phase in its work on employment with the initiation of the World Employment Programme (WEP) in 1969. For the next one and half decades, and to a certain extent even now, the WEP has been the leading source of ideas and new thinking and expertise on employment issues in developing countries. In India, this period was marked by intense debate on issues of employment and poverty in the country that were the same as those dealt with in the voluminous studies and reports prepared under the WEP. Many of these issues had been studied and discussed earlier as well, but the systematic analysis to which they were subjected under the WEP gave a new orientation to their study by Indian economists, many of whom also participated in its research programmes. Thus there was a large cross-fertilisation of ideas and approaches between the ILO and India on different aspects of employment and its determinants. This can be seen in respect of some of the major themes covered in the WEP.

**Basic Needs Model: An Abortive Exercise**

The relationship between technology and employment has been seen in a dynamic perspective in India right from the Second Plan. The WEP elaborated on this perspective in a large number of studies undertaken under the programme. A particular dimension of this relationship was crystallised in the “basic needs model”, which saw the issue through the prism of income distribution. Postulating a relationship between income distribution, the pattern of demand for products, technology and employment in an interactive process, the model called for a “redistributive growth” strategy. More income to the poor meant greater demand for labour-intensive products and thus more employment. The relationship of income distribution to employment had been termed by this writer; Papola 1980) to measure its extent; describe its characteristics and conditions of employment; examine its relationship with the formal sector; and also the role it could play in development. Its connotation, however, remained, and continues to remain, largely negative. “Informal” has not found a place in the official vocabulary used for policymaking; Indian policymakers still stick to “unorganised” though that too does not signify any positive policy for promoting it. It is not as if the ILO has been able to present any coherent policy agenda for the “informal” sector, but the refusal of Indian policymakers to acknowledge the word for that reason is rather intriguing.

There has, however, been a revival of interest in the informal sector as a policy-oriented concept with very detailed, highly analytical and policy-directed work undertaken by the National Commission for Enterprises in the Unorganised Sector (NCEUS). It may be noted that it had to drop “Informal Sector” from its title, probably due to official allergy to the concept. The commission has, however, been able to dilute the futile distinction to the extent it has mostly talked in terms of informal employment, both in the unorganised and organised sectors. Its work has been significantly influenced (and was also aided to some extent) by the ILO in terms of both concepts and measurements and policies and strategies. Like the Kenya report and all subsequent policy advocacy by the ILO, the NCEUS also argues for treating the informal sector as a potent source of productive employment and advocates having a suitable policy framework for its healthy growth. It, however, goes much beyond the ILO as far as the unorganised/informal sector in India is concerned. It has made significant advances in analysing different aspects of work and workers in the informal sector and those in informal employment in the formal sector. It has expanded the scope of the concept of work beyond “employment” to cover the self-employed. More important, it has come out with many concrete policy recommendations for promoting the growth of informal enterprises and improving the conditions of work and social security of workers in informal employment, including agricultural workers. These recommendations generally converge with the ILO approach but also include operational proposals specific to the Indian context. Some of them have found a place in the
government’s policy agenda, but many others will have to be systematically pursued and campaigned for. For the ILO, the NCEUS reports provide a set of ideas and a policy agenda that could be studied and fruitfully propagated in other similarly placed countries.

Special Employment Programmes

Another area in which the WEP made an innovative contribution is what the ILO called “emergency employment programmes”. Disaster-driven public works programmes, of which India had long experience, particularly for famine relief, were the first to attract attention with a view to developing packages that could lead to asset formation as well. Subsequently, special employment programmes, particularly in rural areas, were seen as necessary on a more regular basis to supplement the income of the poor through short-term employment. Utilising employment in public works as a means to reduce current poverty emerged as a new concept. India adopted this approach by introducing rural employment programmes in the latter half of the 1970s and continues to use it on a significant scale even now. The introduction of the nationwide rural employment guarantee programme backed by an Act of Parliament (the Mahatma Gandhi National Rural Employment Guarantee Act) has given the concept a new dimension by making it instrumental in operationalising the Right to Work, an approach which the ILO can now promote in other countries. The ILO is taking a keen interest in the programme, both by supporting its implementation and studying it to draw lessons.

Though no comprehensive policy framework emerged from the work of the WEP, different themes covered in its studies, analyses and dialogues have featured as elements in the employment objectives of development policies in developing countries. This seems particularly true in the case of India. The 1976 World Employment Conference was a landmark event in the work of the WEP. The conference, while giving the WEP a major international mandate, seemed to set for it a rather difficult agenda – universal abolition of absolute poverty within a decade; fulfilment of basic needs for all; and redistributive growth. India accepted these lofty ideals as basic principles, but settled for a more modest agenda – economic growth with social justice; poverty alleviation over a longer period; and a programme for ensuring minimum levels of education and health.

Structural Adjustment Programmes and Employment

During the 1980s, India continued with its employment agenda, pronouncing it central to its development strategy (for instance, the Seventh Plan), emphasising changing the composition of output for increasing employment and initiating special employment programmes for poverty alleviation, measures that the ILO had earlier advocated, starting with Higgins-Raj report of 1961 and in several WEP documents. The ILO, on the other hand, got entangled in short-term structural problems faced mainly by developed countries with the end of the “Golden Age”, the era of full employment. These problems also spilled over to developing countries, which were advised by the Bretton Woods institutions to introduce structural adjustment programmes (SAP), which further depressed employment and incomes among the poor. The re-emergence of free-market doctrines in a way challenged the basic assumptions of the ILO’s past work, particularly those relating to protection of labour and the role of the state in employment promotion. The ILO went on the offensive. It was another UN agency, the United Nations Children’s Fund (UNICEF), that came out with an influential document “Adjustment with a Human Face” (Cornia et al 1987), though mainly written by two economists (Richard Jolly and Frances Stewart) who had earlier significantly contributed to the WEP’s work (Rodgers et al 2009: 197).

In India, the ILO assisted in assessing the impact of SAP on employment and the magnitude of special employment programmes needed to provide a safety net to workers who had been adversely affected. But the ILO was not able to come out with any viable alternatives to SAP, while India, despite following the dictates of Bretton Woods institutions to reduce government spending, was still able to expand its employment programmes. The ILO made a brave but unsuccessful attempt during the SAP period to confront the strong advocacy of labour market flexibility by the World Bank and International Monetary Fund (IMF), which was supported by one of its own constituents, the employers. It had some studies done in India as well on this subject (for example, Edgren 1989) and their findings were probably among the reasons that prevented the introduction of any major reforms that could have hurt labour. But it must be recognised that by this time the ILO’s voice had become rather feeble and the non-introduction of major pro-industry labour reforms was mainly due to the lack of political will; the ILO and studies sponsored by it may have played but a minor role.

ILO and India under Globalisation

By the 1990s, the WEP seemed to have run out of steam and the ILO began looking for a new paradigm for organising its work on employment and poverty reduction. India also entered a new era with the initiation of economic reforms and a conscious move towards globalisation. The ILO’s problems were compounded with the collapse of the socialist bloc, signalling a failure of state-directed development and the ascendancy of market-centred economic policy regimes the world over in which the Bretton Woods institutions were to play a major role. The ILO was in no position to oppose them. India had to accelerate its liberalisation programme initiated in 1991 with all its implications for employment generation and poverty reduction. The ILO had built up expertise on employment, particularly in its regional employment teams, over the years. For example, the Asian Regional Team for Employment Promotion (ARTEP), initially based in Bangkok and later in New Delhi, carried out pioneering work on employment in agriculture and the rural non-farm sector; the urban informal sector; in industrial restructuring; structural adjustment and industrial employment; and the impact of economic reforms on employment, in India and other Asian countries. All this was extensively made use of by policymakers in the region, especially in India. This capacity building mechanism dwindled with the reorganisation of Employment...
Teams into Multi Disciplinary Teams. India’s policy-directed analysis of employment increasingly adopted a neoliberal economic approach, according importance to labour market flexibility. The ILO’s own position vis-à-vis labour regulation and employment flexibility seemed to become more “pragmatic” and it became more cooperative in dealing with these issues in its interactions with the World Bank and IMF.

Decent Work
The 1990s saw the employment situation and conditions of work deteriorating the world over as a result of the ascendancy of capital and a model of globalisation that treated labour in a way that was “inimical to the ILO’s founding values”. With a view to stemming this rot, the ILO came out with the concept of “Decent Work” in 1999. The term “work” signified something wider than labour or employment and covered self-employment and wage employment, both in the formal and informal sectors. The word “decent” implied the meeting of social norms of income, conditions of work, social security and the rights and dignity of workers. The ILO’s effort to ensure decent work was organised around four strategic objectives – rights at work, employment, social protection and social dialogue. It became the guiding principle of its mission in all countries around the world (for details, see Rodgers et al 2009: chapter 6).

The concept of decent work is appealing and has, therefore, found official approval in India as elsewhere, and policy documents on planning and labour have included it in their vocabulary and used its norms to highlight the progress needed to be made in the fields of labour and employment. The Eleventh Five-Year Plan repeatedly emphasises the need not only for quantitative expansion but also of qualitative improvements in employment. Major parts of the recommendations of the NCEUS on employment, working conditions and social security were largely influenced by the concept and norms of decent work. Thus a shift in emphasis seems to have occurred in India’s labour and employment policy, which can be traced to the influence of the ILO’s promotion of decent work.

Global Employment Agenda
Both the ILO’s employment agenda and the role of employment in India’s development strategy, however, seem to have survived the vicissitudes of the neoliberal economic regime, globally and nationally. Part of the credit for this goes to the mutually supportive role played by both the agency and the country. One of the major efforts of the ILO in recent years on the employment front has been the preparation and advocacy of the Global Employment Agenda (GEA) in 2003. Issues covered in the GEA go beyond employment to include the basic attributes of decent work as well as productivity enhancement and elimination of discrimination in the labour market (ILO 2003). The 10 core elements of the GEA look very much like a list of some of the basic elements in India’s stated development policy, particularly in the spheres of labour and employment (Papola 2008). Thus it talks of promotion of trade and investment for productive employment; technological change for productivity enhancement, job creation and improved living standards; promotion of sustainable development; integration of growth and employment in macroeconomic policy; decent employment; enhancing employability by improving knowledge and skills; active labour market policies for employment and poverty reduction; social protection; occupational safety and health; and productive employment for poverty reduction and development. All these have been part of India’s development strategy with varying emphasis from time to time and form part of the development strategy of the Eleventh Plan. It appears as if the Indian experience has provided important inputs to the GEA, which, in turn, has had some influence on the current development strategy in India.

Conclusion: A Fruitful Collaboration in Ideas
Though it is not possible to directly identify the influence of the Indian and ILO policy agendas on each other and the processes of interaction through which it took place, the commonality of approaches and the policy measures and instruments favoured suggest that there has been a significant impact on each other. In several aspects, India has taken the lead while in others it has been significantly influenced by ILO conventions, recommendations and documented research. In making employment a separate objective of development planning, India was significantly influenced by the ILO’s thinking during the 1970s, while in propa- gating special employment programmes as an element of active labour market policies, the ILO was inspired by the experience of such large-scale programmes in India in the latter half of the 1970s. Indian economists and planners of the early period were instrumental in making the ILO appreciate the special nature and character of employment and unemployment in developing countries. The ILO, on the other hand, had a major role in attracting the attention of Indian economists and policymakers to the positive role that the informal sector, which did not turn out to be a transient phenomenon as was believed in classical economic thinking, can play in development. And, of late, one finds increasing incorporation of the concept of decent work in official policy statements as well as in recent work by economists and others on employment. Above all, both India and the ILO have joined hands in devising ways to protect jobs and generate productive employment with a view to providing incomes and livelihoods to those adversely affected by the process of globalisation.

It must, however, be recognised that employment, in general, has played second fiddle to growth of GDP among the objectives of economic development. It is also a rather “soft” subject compared to labour standards, which constitute the “hard” core of the ILO’s mandate and agenda. The ILO contributes to employment objectives not so much by promoting legislation and providing assistance for action-based projects to “create” employment as through “technical assistance” to develop ideas and approaches. There is no doubt that it has played that role to a significant extent in India. And, in turn, India has also contributed to the ILO’s approaches and agenda in terms of intellectual inputs and experience-based knowledge. Thus the collaboration has been mostly in the realm of ideas, which has proved fruitful to both and also probably useful to the rest of the world.
NOTES
1 As per the website of the Ministry of Labour and Employment, Government of India (accessed on 30 September 2010), India has ratified 43 Conventions, but one of them (Convention No 2 on Unemployment) was later denounced for the reason explained; and another, No 41 – Night Work (Women) Convention (Revised 1934) was denounced as a result of the ratification of Convention No 89 (Night Work Women) Convention (Revised 1948).
2 Information and observations on ILO initiatives referred to in this paper are based on Chapter 5, "Employment and Poverty Reduction" in Gerry Rodgers et al (2009).
3 The NCEUS has produced 10 reports on different aspects of work and workers in the unorganised sector. The main findings, conclusions and recommendations of all of them are summarised in its Final Report (NCEUS 2009).
4 This is also indicated by the increasing collaboration of the ILO with these institutions on labour issues, the latest example of which was the IMF-ILO joint conference on Employment Growth and Social Cohesion held in Oslo in September 2010.

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