

INTRODUCTION

1.1 The National Commission on Rural Labour instituted a study group on 'Planning Process' in order to examine how the plan models, wage/income policies and the planning process had benefited the rural labour. It was also to look into whether these models, policies and processes were responsive to the needs of the rural labour and was to suggest improvements in the process of plan formulation and in the implementation strategies (See Annexure 1 for the Terms of Reference of the Study Group).

1.2 The group began by defining the exact scope of its work and the *modus operandi* to reach its objectives. It was agreed that 'planning process' should not be taken to mean only macro-modelling at the Centre but should include planning at various levels. In other words activities of planning authorities at the central, state, district and other lower units are also encompassed by the term 'planning process'. It was realized that even this enlargement of the scope leaves out the planning activities of the government departments and other public and private institutions which are important in their own right. Besides, there were several other internal and external factors—the "non-planned" variables—which influenced the course of the economy. However, it was agreed that the overall direction to the economic, and to an extent societal, development is provided by the plan frame evolved by the planning agencies at different levels, particularly the central level. Hence the group's attention was focussed on what may be termed as macro planning. At the same time, the group felt that its attention should not be confined to planning for employment generation *per se*. The need was to simultaneously plan for adequate remuneration and, more importantly, access to basic services such as health, education, nutrition so as to enable the requisite human capital formation. This would, in turn, bring the rural labour into the mainstream of our economic and social life.

1.3 It was appreciated that an exclusive focus on rural labour is little more than analytical

convenience. The dichotomy between rural and urban labour cannot be pushed too far since, in the ultimate analysis, the two are intricately interlinked. These linkages are particularly noteworthy from the point of view of a long term strategy. However, in the short-run, such an exclusive focus was regarded a defensible proposition for achieving maximum utilization of labour in rural areas.

1.4 The approach and method adopted for undertaking the task was as follows. Each member of the group was to prepare a draft, or background material, pertaining to a selected aspect of the theme. Each of these drafts was commented upon and intensively discussed in the meetings that followed and ultimately evolved into a chapter of this report. In each of these meetings, the group invited one or more knowledgeable persons and solicited their views and comments. Apart from the use of this secondary data, the chairman and one of the members of the study group made special studies of the planning process in two states, Karnataka and Gujarat. Their views and impression are reflected in appropriate places.

1.5 After describing the context within which the problem of rural unemployment needs to be studied, some recent trends in rural unemployment are recounted. These form the backdrop against which the policies and goals spelt out in the Five Year Plans, and the strategies *i.e.* the projects and programmes through which these goals were sought to be realized, are reviewed. A mention is made of the special efforts to generate employment and incomes in the backward regions and for the marginalised sections. Next, the report examines two major policy instruments deployed to raise the level of employment, *i.e.* policy on upgradation of technology in the labour-intensive industries, and the wage policy. The former is discussed in the form of a case study of Khadi and Village Industries. Lastly, we comment on the process of plan formulation at different levels and point out the inconsistencies in the plan objectives and the planning process introduced to achieve these objectives. The report ends with a few key recommendations.

II

THE CONTEXT

2.1 Forty years of planning in this country has not made any sizeable dent in the poverty and deprivation among the rural labour. Judged by any economic criterion e.g. income and employment or by social criteria e.g. access to basic services such as education, health and nutrition, child mortality or morbidity, this group constitutes the bulk of the 'marginalized' sections in Indian society. Why has this sorry state of affairs persisted? Why has the planning process with the professed aim of 'growth with justice' by-passed a large section of rural society? These are some of the fundamental questions which are being posed, and attempts being made to answer, in this report. By implication the report will also underline a strategy to reverse some of these trends, to the extent the instruments of macro and micro-planning can be of some help.

2.2 Any effort at designing a viable strategy for improving the lot of rural labour has to be informed of the socio-economic context of the rural poor. It has to be not only tuned to the supply and demand aspects of rural labour but has to probe into the handicaps posed by their working and living conditions. Unfortunately, on many of these aspects the relevant details—by sections of rural workers and by regions which they inhabit—are not readily available. We have to rely more on the overall demand and supply of rural labour, the past trends and future projections in this respect. Two other critical aspects of this analysis, i.e., rural wages and access to basic services are only touched upon.

Rural labour Force Trends and Projections

2.3 There have been several significant changes in the supply of labour. The need, in this regard, is to take into account the changing profile of rural labour force in respect of its age, sex composition, sectoral and occupational distribution and the changes in its regional distribution. Some of the noteworthy trends are—

- a. There is trend of increasing landlessness (increase in the proportion that landless, semi-landless and marginal households constitute of the total households)

in rural areas. The result is swelling of the ranks of rural wage-paid labour. On the other hand, this seems to be associated with a slight sectoral shift away from agriculture as indicated by a decline in the proportion of labour occupied in agriculture.

- b. Among rural wage-paid labour, the proportion of casual labour is increasing and correspondingly the proportion of permanent or attached labourers is declining. This has two serious implications. In the first place, the overall income of casual workers is found to be generally lower than that of the permanent labourers. This means a lowering of remuneration for work. Secondly, it suggests an increased element of uncertainty in obtaining remunerative work.
- c. Over the years, the profile of rural labour is changing. The proportion of female workers in the total rural workforce is increasing; so also the proportion of scheduled castes and tribes. Both these factors have contributed to weakening of the bargaining power of the rural labour

2.4 Estimates of future projections suggest a likely intensification of these trends. It is suggested, for instance, that between 1980 and 2000, young adult workers in the age-group 15–29, will increase by 110 million (as against an increase of 69 million during 1960–1980). The suppside pressure are thus likely to become more acute. The shares of eastern and central regions in this additional supply are expected to be more than proportionate. Projections also suggest that in future, agriculture (the largest sector in the rural areas), and household industries, will absorb progressively fewer and fewer incremental labourers²

Employment Growth

2.5 A concern for employment stems from the fact that growth in employment has not kept pace with the growth in labour force. For the

1 Details are provided in A. Vaidyanathan, "Labour Use in Rural India: A Study of Spatial and Temporal Variation", *Economic and Political Weekly*, Dec. 7, 1986.

2. See V. S. Vyas "Rural Labour : Strategies for Employment Generation", *Economic Times*, May 30, 1990.

decade as a whole, while the growth in labour force is estimated at around two and a half per cent per annum, the estimated average growth rate in employment amounts to barely two per cent per annum.

2.6 More significantly, not only has the growth of employment in the country not matched the increase in the labour force, but the employment growth has been showing a perceptible decelerating trend in recent years. It was estimated to be 2.82 per cent during 1973-78, 2.22 per cent during 1978-83 and 1.55 per cent during 1983-88 (See Table 1).

2.7 That this deceleration has taken place with a GDP growth rate exceeding 5 per cent per annum clearly suggests that employment elasticity of aggregate output has been declining. The decrease, in other words, is not merely in employment growth but also in employment content of economic growth. Even though comparable data for the entire Seventh Plan period are not yet in, the divergence between the growth in GDP and employment (shown in Table 1) indicates that we are not progressing towards what the Seventh Plan envisaged:

“As regards the provision of employment, against the estimated addition to labour force of about 39 million, additional employment generation in the Seventh Plan has been estimated at 40.36 million standards person years. Thus the absolute number of unemployed at the end of the plan will be lower than at its beginning”.

2.8 The country-wide position of employment is a cause for concern not so much from the absolute number of unemployed as from the inadequacy of growth process to generate at least a proportionate increase in employment. This is not to suggest that the problem of large number of those who do not have access to gainful employment does not exist in certain regions, but to draw attention to an important underlying cause.

Anatomy of Unemployment

2.9 The net result of these processes has been highlighted in a recent Planning Commission study³. This study points to a shift in structure of unemployment away from a predominance of underemployment towards a rise in open unemployment. With this general trend of increasing chronic unemployment, the following important features are underlined:

- i. That the observed trend is particularly strong in rural areas. This is indicated

by the fact that in rural areas, the usual status unemployment has increased from 1.91 per cent of labour force in 1983 to 3.07 per cent in 1987-88, and the daily status unemployment has declined from 7.94 per cent to 5.25 per cent. In contrast to this, in urban areas, only a small change in open (usual status) unemployment rate is observed, from 6.04 to 6.56, as also in daily status unemployment rate from 9.52 to 9.26 per cent.

- ii. Within rural areas, the increasing trend in incidence of open unemployment is stronger in the case of women than for men. The usual status rate of unemployment increased from 1.41 in 1983 to 3.52 per cent in 1987-88 rural women workers, but the increase in the case of rural male workers are lower; from 2.12 to 2.87 per cent.
- iii. The differences between the usual status and daily status unemployment rates are much larger in the case of women than in the case of men, which implies that underemployment is a much higher proportion of overall unemployment in the case of women than of men. And this is so both, in rural and in urban areas
- iv. That the magnitude of the problem and also its specific features (mentioned above) depict a pattern that is regionally varied is revealed by Tables 2 and 3. These tables highlight that while half of those unemployed in the states of Maharashtra and Karnataka reside in rural areas, this percentage is as high as 87 per cent for hill states like Assam and Himachal Pradesh. Of the women in the work-force, the proportion of those involuntarily without work varies from as high as 67.5 per cent in Bihar to a low 11.8 per cent in Haryana. Whereas the educated persons make up a major chunk of employed in states such as Himachal Pradesh, Jammu and Kashmir and Punjab, in states like Gujarat, Rajasthan and Madhya Pradesh only a very small percentage of those unemployed are educated.

Unemployment and Poverty

2.10 The association between unemployment and poverty is a subject that has been intensely debated. On the one hand, a lack of gainful employment is regarded as contributing to economic deprivation and a strong positive association

3. Planning Commission, Employment, Past Trends and Prospects for 1990s, New Delhi, May 1990.

between economic deprivation and unemployment is postulated. Such an association has been observed and documented by several scholars. Dandekar and Rath have estimated, for instance, that almost a third of the rural poor are poor because of a lack of employment opportunities. Such an association is advocated by Gunnar Myrdal by implication when he recommends employment generation to reduce poverty. In a similar vein, Raj Krishna has observed:

“In higher expenditure brackets the unemployment rates fall steadily. The correlation between the incidence of poverty and the incidence of unemployment across households is plainly positive”⁴

On the other hand, it has been argued that the poorer sections can ill-afford to be unemployed. It is only the relatively better-off groups who possess the capacity to remain without gainful employment for extended periods. Proponents of this formulation have hypothesized and/or empirically observed an inverse association between unemployment and poverty. Lakdawala, for instance, has found that in many states of India, low standards of living of landless labourers co-exist with fairly low unemployment rates. Recent data pertaining to state-wise unemployment rates and poverty ratio (Table 2) seems to uphold the latter formulation. It is seen from Table 2 that Bihar and Madhya Pradesh, the states with very high poverty ratios display low unemployment rates; and in Kerala, very high unemployment rates co-exist with low poverty ratio. Thus, a macro picture suggests that an inverse relationship between unemployment and poverty does obtain

2.11 This observed inverse association at the macro-level may not be inconsistent or incompatible with a positive association between unemployment and poverty at the micro-level. While it is obvious that the poor can ill-afford to be without work (hence the inverse association at the macro-level), it is also evident that at the micro-level (in respect of a segment of the population) those unemployed are more likely to belong to the poverty group (hence the observed positive association).

2.12 However, it is increasingly being realised that the relationship between poverty and unemployment is not so direct and simple. Neither are all the unemployed poor, nor all poor unemployed. Employment in a region may be a function, among other things, of caste distribution, occupational pattern etc. Similarly poverty proportion may depend on a whole host of socio-economic factors besides

unemployment. While some factors may impact on unemployment and poverty in a similar fashion, others may have the opposite effect. The level and enforcement of minimum wage regulations, for instance, may have a positive effect on poverty but may aggravate the unemployment situation considerably. According to one estimate, percentage of poverty is six times that of unemployment suggesting that “unemployment explains only a small part of the incidence of poverty in the pockets of extreme poverty in India”⁵. Poverty, for the other part, may be seen to result not so much from unemployment per se as from unremunerative employment. All these factors render the association between unemployment and poverty quite complex.

Income and Living Standards

2.13 Related to these questions of unemployment and poverty, and of equal importance to any strategy that attempts to benefit the rural labour, are those pertaining to income and entitlement that this employment yields. While income is associated with the nature of employment (so that regular wage work generally yields more than casual work), it has also to do with the macro-economic situation. Recent indications in this regard point towards stagnation, and in some areas deterioration, in real wages of the rural labour; a phenomenon that has been termed as pauperization of the labour force.

2.14 The need is also for such a strategy to address issues of the living and working conditions of rural labour. Since a large number of them fall in the area of intersection between poverty, illiteracy, unemployment, their situation may, to a large extent, be seen as a function of the access to social services such as education, health and nutrition. While there may be divergence between the nature of such services demanded and supplied in the rural areas, the mismatch is expressed more vehemently in the case of the landless groups.

2.15 Among these sections, studies have revealed that, female workers are discriminated against in terms of availability of work, number of hours of work and wages as well as access to basic services. On all these counts, the plight of rural workers is worse in the eastern and the central regions of the country, than in other regions. The gravity of this situation needs to be fully appreciated. What is implied is not only so many ‘wasted lives’ in the rural household, but also the perpetuation of a system such that the coming generation of rural workers

4. Raj Krishna (1980) *Facets of India's Development*, G. L. Mehta Memorial Lectures, Chapter 3, Industrial Credit and Investment Corporation of India (ICICI) Ltd., Bombay.

5. Dholakia, J. (1983), 'Wage-Employment Relations in Developing Countries', *Indian Journal of Labour Economics*, Vol. XXV No. 4, pp. C1-C6.

will continue to suffer from the same socio-economic and environmental handicaps.

2.16 Left to themselves these inequitable tendencies are likely to worsen. These trends have to be reversed, and, in the meanwhile, work has to be provided to a sizeable number of existing unemployed rural workers. These goals can be achieved only by creating employment opportunities in adequate measures and through strategies sensitive to the above tendencies.

2.17 In a country like India, although economic planning is not very comprehensive and the role of private initiative in generating employment and incomes is predominant, yet the Plans—particularly the National Five Year Plans—provide direction to, and to a large extent control the momentum of, economic activities. It is important, therefore, to understand the logic of the Plan, the strategies followed, policies pursued and the processes unleashed. These are the tasks to which the following chapters are addressed.

III

EMPLOYMENT OBJECTIVE AND STRATEGIES IN THE SUCCESSIVE PLANS

3.1 Employment has been an important concern of planning in India. However the way this concern has been expressed in the Plan models and taken care of through employment strategies in developmental schemes has differed from Plan to Plan

3.2 Planning models provide a framework of working out consistent relationship between macro-variables and between various industries and services, given certain objectives, exogenously determined. There may be a single or multiple objectives, such as growth rate of GDP, consumption levels, income distribution, employment growth or growth of exports, etc. Employment implications of the growth can be worked out from the model, even if employment is not an exogenously determined explicit objective. If employment is an explicit objective it can drive the growth and its pattern in a particular direction. The latter is, evidently, a more desirable situation from the point of view of employment. In the following paragraphs an attempt is made to study the economic models of Indian plans in order to report on the basic logic and underlying assumptions regarding labour absorption in the economy with special reference to rural labour

3.3 Even though a concern for the problem of unemployment and an objective of providing gainful employment to the available and growing manpower may have been a permanent feature of all the FYPs, it is natural that this was but one of several objectives, the relative importance of which would have varied across FYPs. How the plan objectives got translated into strategies for employment generation would have evidently been affected by these fluctuations and is also examined in this chapter.

3.4 The purpose of this chapter, in short, is to review as to (a) how the employment objective has been incorporated in the plan models and (b) what employment strategies by way of schemes and programmes have been followed in different Plans. The coverage is from First to Seventh Five Year Plans (FYP) with the exclusion of Annual Plans in the interim periods

The First FYP (April, 1951—March, 1956)

3.5 The basic objective of the plan was to achieve as high a rate of economic growth as

possible in terms of an increased national income (total or per-capita) over a period of time. As a first step towards developing a suitable framework for projecting the growth of national income, three important parameters were identified. These were:

- (i) growth of population;
- (ii) capital output ratio; and
- (iii) programme of investment, which is influenced by
 - (a) propensity to save and
 - (b) volume of unutilized human and material resources that can be used for direct investment.

3.6 The essential operational aspect of the model that was developed was to project the investment (or saving) required for the national economy to achieve a certain percentage increase in national (or per-capita) income over a period of time, taking the technology (capital/output ratio) and the rate of population growth as given

3.7 On the issue of employment, the First FYP had recognised two aspects without referring separately to rural (agricultural) or non-rural (non-agricultural) employment. First, the need to make the maximum use of idle labour for the purpose of development. Note that this was not so much a question of providing employment at existing or higher real wages but one of effectively mobilizing all the available resources at minimum social cost. Second, the necessity of increasing the productivity of labour so that larger employment could be provided at rising levels of income. This was obviously linked to the whole question of capital accumulation and technical efficiency.

3.8 However, the First FYP in essence emphasized only the latter aspect for the following reasons. For one, the First FYP was explicit in recognising that "development is but another name for employment opportunities". That is to say, larger the increase in national output, greater would be demand for labour especially if care was taken to adopt labour-intensive processes to the maximum extent possible. Thus, the projected higher economic growth during the first plan period and beyond was presumed to gradually take care of absorbing the available and growing manpower.

3.9 As another, employment was regarded as an objective to be achieved in the long-run:

Provision of work opportunities on a scale adequate in the country's situation is a long-term undertaking... lack of capital being the crucial element in economic development, once investment and technological development take place on an adequate scale, there would be greater capital formation and output would rise. It would then become possible to reduce unemployment and under-employment.

3.10 In the short-run, limits to employment generation were seen to be imposed by constraints on investible resources (e.g. shortage of land and capital equipment) on the one hand. On the other, it was thought that in the initial stages of development, newly mobilized labour would not be able to contribute significantly to total output and, therefore, larger money incomes would tend to exert pressure on available supplies of goods and services, and cause sectional rises in prices, such as of foodgrains. Thus, a programme of full employment, designed primarily to put to work all idle labour was expected not to be successful on account of inflationary tendencies:

In the short period, because of the conflict between employment and development, acceptance of full employment as an immediate objective entails risks of inflation and continued low productivity within the economy.

3.11 In sum, employment was seen more as an outcome of development i.e., a corollary to economic growth, rather than as a direct objective, which would fashion developmental efforts.

The strategy for expanding work opportunities during the First Plan was contained in a special eleven point programme introduced in 1953. It was posited that construction of major and minor irrigation works and power projects would be one major source of employment generation during the period. Increased area under cultivation and irrigation (owing among other things to land reclamation schemes) was expected to generate considerable employment. Special programmes formulated to support 12 village industries were expected to yield similar results.

The Second FYP (1956-61)

3.12 The Second Plan laid down its basic approach in terms of a 'socialist pattern of society' (or growth with social justice) which essentially meant that the criterion for determining economic activities such as production, consumption, investment etc. "must not be private profit but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in income and wealth" (p. 22)

3.13 In order to design effective plan strategies such as allocation of resources, setting plan

targets etc., the Second Plan set out four inter-related objectives within the basic approach stated above. These were:

- i. a sizeable increase in national income so as to raise the level of living in the country.
- ii. rapid industrialization with particular emphasis on the development of basic and heavy industries;
- iii. a large expansion of employment opportunities; and
- iv. reduction of inequalities in income and wealth and a more even distribution of economic power.

3.14 In respect of its main task of securing an increase in national income by about 25 percent over the five years, the Second Plan was intended to carry forward and accelerate the process of development initiated in the First Plan period.

3.15 On the other hand, there was a clear shift in priorities, as compared to the First Plan with a larger accent on industrialization, especially on heavy industries. A priority in the allocation of public sector resource allocation to investment rather than consumer goods (or industries producing these) was justified as a long run development strategy aimed at higher growth of national income. Such a strategy was an outcome of the two-sector model of P.C. Mahalanobis.

3.16 However, the Second Plan's short-term growth targets with regard to income and employment could be explained in the framework of Mahalanobis' four-sector model of investment allocation. The Plan explicitly recognized that in a country with relative abundance of manpower and the prevailing high rates of unemployment and underemployment (especially in rural areas), expansion of employment and absorption of labour becomes an important objective in itself.

3.17 But, even though employment was regarded as one of the four basic objectives of the Plan, the constraints to absorption of labour were appreciated and underscored. It was stated, for instance, that "the question of increasing employment opportunities cannot be viewed separately from programmes of investment envisaged in the Plan", and that although "expansion of employment opportunities is an objectives which claims high priority, but it is important to stress the fact that over a period, the volume of employment grows only as the supply of tools and equipment and of the wage goods . . . is expanded" (p. 27).

3.18 In evolving a strategy, the issue of "choice of technique" and its implications for employment generation were clearly appreciated. The Plan proposed higher productivity in agriculture and construction through mechanization. It also proposed setting up heavy machine building (investment goods) industries which were less labour intensive. While these were to create con-

ditions. for faster growth of employment in the long run, it was stipulated, that in the short run labour could be absorbed in the production of wage goods through labour intensive techniques.

3.19 Growth of widely dispersed employment generating activities was envisaged. It was felt that in view of the complications that were likely to arise with the movement of a large number of workers across regions, the problem of unemployment was better dealt by bringing gainful work to the doors of the people. Village and small industries which provided consumer goods were seen to offer scope for higher labour absorption. Consequently, not only were larger financial provisions made for such industries but the desirability of increasing their productivity was also stressed:

Increased outlays on village and small industries could counter the effects of capital intensive development, which entails long gestation periods, through provision of adequate supplies of consumer goods and maintenance of employment.

The Third FYP (1961-65)

3.20 Taking into account the development experience of the preceding Plan, the following aims for growth and employment were set out for the Third Plan period.

- i. to secure a rise in national income of over 5 per cent annum, the pattern of investment being designed to sustain this rate of growth during subsequent Plan periods.
- ii. to utilize to the fullest extent possible, the manpower resources of the country, and to ensure a substantial expansion in employment opportunities.

3.21 The Third Plan targeted a sustained growth of national income by 5 per cent per annum over the Plan period. Given the assumption of population growth (at the Second Plan rate) of 1.2 per cent, the Plan target implied only a 4 per cent annum increase in national income. In view of a higher rate of population growth projected from the start of the Third Plan (by about 2 per cent per annum), the Third Plan had to achieve per capita growth of about 6 per cent per annum.

3.22 The Third Plan noted the size and urgency of the unemployment problem and the inadequate progress made in the previous two Plans. It tacitly recognised that a high rate of population growth could possibly worsen the prevailing low incomes (therefore low consumption and savings), low investment and high unemployment trap in rural India. Thus stabilizing population growth was regarded as an essential element in a strategy of economic development of arresting the worsening of unemployment situation.

3.23 It was stated that "full utilization of manpower resources can be achieved after a considerable period of development... (and that)... expansion of employment opportunities commensurate with the increase in labour force over the Plan period is conceived as one of the principal aims of the Third Plan" (p. 104). Thus full utilization of manpower in rural areas without any sector/region specificity) was emphasized as a long-term strategy and the thrust in the immediate future was on absorbing persons entering the labour force during the Plan period.

3.24 A mathematical model, developed by S. Chakravarty, divided the national economy into agriculture and non-agriculture in terms of consumption and production functions with built in tax-fiscal mechanism. Taking the size and pattern of investment during the Third Plan, an estimated 3.5 million people were expected to be absorbed in agriculture and 10.5 million outside agriculture.

3.25 The strategy adopted was based on a district-specific recognition of the unemployment problem and formulation of district level programmes for agricultural development, village industries, strengthening of rural infrastructure and rural electrification to generate employment in districts where the problem of unemployment was more acute. Utilization of rural unemployed (and underemployed) was to be tackled through:

- measures aimed at increasing the production (income/output through the provision of agricultural inputs such as fertilizers, credit etc.;
- measures aimed at increasing the consumption standards such as supply of drinking water, construction of schools and roads etc.; and,
- investment on infrastructure such as irrigation, power, credit facilities etc.;

3.26 The Third Plan made specific reference to measures for gainful employment for unskilled and semi-skilled rural manpower in projects such as irrigation and flood control, land reclamation schemes etc. which provide maximum employment to these labourers.

3.27 It was also recognized that realization of the full employment potential of the Plan through the development processes released by the Plan would have to be accompanied by special employment programmes to cover the residual employment gap. To that end, proposals were put forth for Rural Works Programmes to cover the residual unemployment that could not be provided for by the normal Plan programmes. For a variety of reasons, practical action in this regard was taken on a very limited scale.

6. Detailed treatment of the model is beyond the scope of our main purpose but may be seen in Paul N. Rosenstein Rodan (ed) Capital Formation and Economic Development, George Allen and Unwin Ltd., London, 1964.

The Fourth FYP (1969-1974)

3.28 In normal circumstances, the Fourth Plan should have commenced working from the year 1966-67. However, due to unforeseen economic and political conditions, three annual plans were initiated for the years 1966-67, 1967-68 and 1968-69, all of which could be regarded as extension of the budget to the whole national economy. Consequently, the Fourth Plan covered a period from 1969 to 1974.

3.29 In general, growth with stability and a move towards self-reliance as speedily as possible were stated to be the major objectives of the Fourth Plan.

"The most notable lesson (from earlier plans) is that the current tempo of economic activity is insufficient to provide productive employment to all... The continuity of even this moderate rate of growth is likely to be threatened if instability emerges because of weakness on the food front and too great a dependence on foreign aid... It is proposed to introduce safeguards against fluctuations of agricultural production as well as the uncertainties of foreign aid in the period of the Fourth Plan" (para 1.30).

3.30 The basic approach of the Fourth Plan towards employment was that productive job opportunities would increase as development programmes visualised in the plan got implemented. Perhaps in view of this the Fourth Plan model became an exercise exclusively in investment planning with its ramifications for rural employment generation remaining implicit. In order to bring out more explicitly the underlying logic of the plan formulation and, in particular, the calculations which had gone into building up an internally consistent picture of physical targets, investments, savings and balance of payments, the Fourth Plan modelling exercises (prepared by the Perspective Planning Division of the Planning Commission) comprised:

- (i) a macro model for national income projection in terms of output estimates of a large number of aggregate sectors; and
- (ii) an inter-industry model with 77 sectors for checking and setting up a consistent set of targets for the year 1975-76 within the boundary set by the macro model.

It should be emphasised however, that neither the macro-model nor the inter-industry one had explicit treatment of employment generation within its technical framework.

3.31 The Plan strategy was to maintain intact the main thrust in favour of development of heavy and machine-building industries and to rely on agriculture and allied developments

under the Plan for employment generation. In addition, it was expected that the investment in agriculture and other infrastructure which had been made earlier would promote economic activity and generate demand for labour. Thus, irrigation expansion was expected to lead to higher agricultural output. Capital goods industries would enable resumption of industrial expansion. And growth in agriculture and industrial sectors would generate demand for labour in the tertiary sectors. Gaps in employment were to be removed by special schemes.

3.32 On the one hand, therefore, the Plan emphasized labour intensive programmes through development of agriculture, rural infrastructure including communication and transport links, rural electrification, rural industries, housing etc. for increasing direct and indirect employment opportunities in rural areas. A region specific policy seems to have emerged in this regard.

On the other hand, it envisaged a Crash Schemes for Rural Employment (CSRE). A rural works programme for 40 chronically drought prone districts with an outlay of Rs. 100 crores was contemplated to provide employment in such areas. Some other special schemes launched during the plan to provide for increasing employment opportunities in rural areas were: the Pilot Intensive Rural Employment Programme (PIREP), a guarantee scheme which aimed at providing unskilled manual work to all able bodied persons looking for employment; the Integrated Area Development Scheme for small farmers and agricultural labourers.

3.33 On data base, the Fourth Plan suggested that rather than unidimensional estimates of employment, the problem should be studied according to such characteristics as region, sex, age, rural-urban residence, status or class of worker and education attainment.

The Fifth FYP (1974-79)

3.34 Removal of poverty and attainment of economic self-reliance were the major objectives of the Fifth FYP. The former objective entailed that by the final year of the plan practically nobody in the country would have a consumption level below a certain minimum and that inequality in distribution of consumption would be reduced by a certain stipulated degree (expressed in terms of change in Lawrence ratios). The latter objective involved elimination of all special forms of external assistance.

3.35 The structure of the Fifth Plan model was different from that of the Fourth Plan in as much as it incorporated a consumption model and made provisions for endogenous estimates of import requirements and private consumption in the final demand vector of the input-output matrix. However, like the Fourth Plan model, the Fifth Plan too had no explicit treatment of

employment generation and/or projection within its technical framework.

3.36 With regard to providing adequate and increasing employment opportunities through development programmes, the Fifth Plan aptly recognised that "the basic objective of any development plan must always be the provision of an adequate living standard for all people in the country and a mere achievement of an increased average per capita income (or economic growth) cannot by itself help in the achievement of this objective unless there is a reasonable assurance of suitable employment to every citizen who has the capacity of being gainfully employed". In other words, the principal economic instrument that could be deployed for raising the consumption levels, say of the target population, was the creation of additional employment opportunities. Thus, the Fifth Plan marked a change in policy objective from a simple economic growth-cum-employment to redistributive growth-cum-employment by underlining the inter-relationships between poverty, unemployment and inequality. Inasmuch as it viewed employment generation as a part of the larger strategy for redistribution of incomes, it marked a watershed.

3.37 Since populations belonging to backward areas and backward classes made up a large proportion of those in the lower income deciles, special schemes were provided in the agricultural plan for drought-prone areas and for small farmers, marginal farmers and agricultural labourers. Some of the special schemes for rural development, having substantial employment potential and within the framework of IRD programmes included Small Farmers Development Agency (SFDA), the Marginal Farmers and Agricultural Labour (MFAL) and Drought Prone Area Programme (DPAP)

The Fifth Plan clearly ruled out inter-sectoral transfer of labour at the prevailing rate of industrialization, as a remedial measure towards rural unemployment and underemployment. Hence, available and growing surplus rural labour had to be provided with fuller employment within agriculture. There was, thus, a call for increasing the contribution of small and marginal farmers in agricultural output, and implementation of land reforms legislation and improvement in tenurial conditions. Rural industries, especially handlooms, were to be supported by marketing, credit and input facilities. Besides, an increased investment for rural development programmes was expected to generate considerable new wage-employment opportunities.

3.38 The Plan did suggest, however, that provision of employment was not an end in itself. Erosion of investible resources was to be prevented so as to create capital which could sustain a higher level of living for all concerned. Besides,

better utilization of industrial capacities in the capital intensive industries by multiple shift working was envisaged. In construction sector an increase in labour intensity was suggested.

The Sixth FYP (1980-85)

3.39 The major objectives of the plan included:

- (i) a significant step up in the rate of growth of the economy;
- (ii) a progressive reduction in the incidence of poverty and unemployment;
- (iii) improving the quality of life of the people in the nation through a minimum needs programme at nationally accepted standards, etc.

3.40 In the area of employment, the Sixth Plan had set two goals:

- reducing underemployment by increasing the rate of growth of gainfully employed; and
- reducing unemployment on the basis of usual status or open unemployment (i.e. activity status as determined with reference to a longer period than a day or a week).

In order to assess the nature and extent of the problem and to develop corresponding programmes to tackle them, a measure for determining the number of full time employed was attempted by constructing a statistical index of standard person years (SPY), according to SPY, any person working 8 hours a day for 273 days of the year was regarded as employed.

3.41 In determining the employment potential of agricultural sector statistically, employment was related as a fixed coefficient of land, the major input. This employment norm per hectare of gross cropped area was established separately for HYV and local varieties, irrigated and unirrigated areas under each crop using the same cropping pattern as used for the estimation of production of agricultural commodities.

3.42 On the basis of the above, the increase in employment was estimated to be 35.27 million SPY in 1984-85 as against 72.18 million SPY in 1979-80. These estimates took into account special employment generation programmes in the Plan such as National Rural Employment Programme, Integrated Rural Development Programme, Operation Flood II, Small Farmers Development Agencies, Village and Small Industries Sector etc

3.43 In its technical model, the Sixth Plan attempted to integrate both the Harrod-Domar and the input-output approaches of the Fourth and Fifth Plans in a demand-supply framework. For

this purpose, an investment planning model was developed and integrated to the input-output system. By this, the demand-supply balances for all sectors were checked over time. Further, the problems of balancing the demand and supply were tackled not only in the commodity and services market but also in the markets dealing with primary inputs like labour, capital and other important non-renewable resources of the country. In doing so, the Sixth Plan explicitly incorporated employment into its technical model. This was a distinctive and important aspect of the Sixth Plan.

3.44 The strategy adopted in the Sixth Plan consisted essentially of moving simultaneously to strengthen the infrastructure for both agriculture and industry so as to create conditions for an accelerated growth in investments, output and exports.

3.45 The attempt was also to provide, through special programmes designed for the purpose, increased opportunities for employment especially in rural areas and the unorganized sector and meet the minimum basic needs of the people. Thus, the role of special employment oriented programmes such as NREP, IRDP, Operation Flood, Fisheries Development, MNP, TRYSEM, and Employment Guarantee Scheme in the states were recognised and emphasized as a part of the strategy for tackling unemployment.

The Seventh FYP (1985-90)

3.46 The Seventh Plan adopted three basic objectives: food, work and productivity. For achieving the same, the strategies chosen were:

- i. a faster growth of agriculture in the Eastern Region having a large percentage of small and marginal farmers, a high incidence of poverty, and labour-intensive agriculture;
- ii. a significantly high priority in investment allocation to human resource development, infrastructure and science and technology with their implications for improvement in productivity and technology.

3.47 Adopting the same methodology as in the Sixth Plan, the employment estimates for different sectors were obtained during the Seventh Plan. For agriculture and allied sectors, the employment projection for 1989-90 was 114.092 million SPY as against 96.108 million SPY for 1984-85, i.e. an increase of 18.71 per cent during the Seventh Plan period.

The basic structure and working of the Seventh Plan model were the same as that of the Sixth Plan. The input output model estimated the output required to meet the aggregate demand of the economy which is decomposed into intermediate and final demand (private and public consumption, public and private investments, 5 Lab.—6.

exports). In order to ensure feasibility of these output levels, seven sub-models were used: agriculture, industry, consumption, poverty, export and import, financial resources and demography and employment. These sub-models were used to estimate supply potentialities of the different sectors in the input-output model. For instance, the employment sub-model estimated employment generation implied by the plan activities based on the output projections for non-agriculture sectors in the core model and land allocation made in the agriculture sub-model.

3.48 In formulating an employment strategy, the Seventh Plan assigned a key role to the growth of the agricultural sector since a steady growth in agricultural production through the expansion of irrigation, increase in cropping intensity etc. could create a large volume of additional employment owing to its high labour absorptive capacity.

3.49 In addition to sectoral investments which would result in an expansion of employment opportunities through the process of growth over the plan period, the operation of several important employment/beneficiary oriented programmes such as National Rural Employment Programmes (NREP), Integrated Rural Development Programme (IRDP), Rural Landless Employment Guarantee Programme (RLEGP), the Training of Rural Youth for Self Employment (TRYSEM) etc. was also to be continued during the Seventh Plan.

3.50 In other words, the strategy was designed to raise the rate of growth as well as increase income and purchasing power of the weaker segments of the population, especially rural unorganized labour (such as landless labourers, small and marginal farmers, share croppers etc.) and thereby provide the demand support to the growth process.

Concluding Observations

3.51 It is apparent from the above discussion that the Indian plan modelling exercises have evolved from an aggregative, few sector, supply-demand equilibrium models of First and Second Plan to detailed inter-sectoral, inter-temporal analytical models which can simultaneously treat both demand and supply and their interactions between sectors and time since the Fourth Plan. These inter-sectoral models mainly belong to the basic framework of Leontieff's open static input-output model with each successive plan attempting to make the basic model more "closed" by endogenising several components in the final demand sector.

3.52 The "employment" objective has been incorporated in the technical framework of recent plans through a sub-model. In that form, the model generates employment estimates (in

terms of standard person years) after the sectoral rates of growth have been settled through the model on consistency consideration. The employment objective itself does not influence the pattern of growth as a part of the model. It may be mentioned, in this context, that a model has its own limitations, mainly arising out of the level of aggregation that is unavoidable. For example, the plan model does not have alternative techniques (alternative input vectors) for producing the same commodity and hence cannot choose between more employment generating and less employment generating modes of production. Similarly, on the pattern of growth, the model is constrained by consistency requirements.

3.53 But the need to endogenise the employment objective in the model may be obviated on two counts. First, certain strategic decisions with respect to choice of technology, encouragement to certain type of industries etc., are taken with a very deliberate bias in favour of employment. Encouragement to Khadi and village industries through fiscal measures and subsidies is a case in point. Second, specific schemes and programmes are taken up for generating employment. The whole gamut of schemes under 'rural development programme' have been taken up to generate more of rural employment. In short, the Plan may have a significant employment concern and strategy, though the model may not incorporate it.

3.54 A review of strategies suggests that the modalities of tackling the unemployment problem seem to have undergone changes over time consequent upon improvements in the method of measuring and defining the problem. In the earlier Plans, the data for measuring employment was limited. Consequently or otherwise, unemployment among the educated (or the organized sector) was accorded greater attention in those Plans. In the latter Plans, employment has been dealt with in terms of characteristics such as sex, age, rural-urban residence, status/class of worker and the emphasis has shifted to unemployment amongst the weaker sections of the population.

3.55 Over the years, the strategy has shifted gradually from one in which employment was perceived as being generated by various plan projects and employment generation estimates were linked to investments made, to one in which output growth was seen as generating employment. However, the magnitude and structure of output growth has not been able to narrow the gap between increases in employment and labour force. Consequently, reliance on growth (of output) for employment generation has reduced over the years. This is evident from the fact that, whereas there were no 'direct employment generation (Special) schemes' in the earlier Plans, the later plans witnessed formulation of several special employment generation programmes specifically for rural surplus manpower. This was, in a sense, a recognition of the inapplicability of general economic development models (and their resource allocation strategies) to meet the employment generation objective in a developing country like India.

3.56 In short, the evolution seems to be from a strategy in which plan investments were expected to provide direct employment, to one in which output growth and direct employment generation programmes are both expected to play an important role.

3.57 The direct employment generation programmes have sought to provide employment to the less privileged as a part of the strategy of income distribution in the latter Plans. These special schemes have assumed importance specially since the Sixth Plan. Programmes such as NREP, RLEGP and IRDP which were referred to in the earlier plans have witnessed an increasing share of the plan outlay.

3.58 It may be mentioned, however, that programmes for Social Services (education, health, housing, water supply, family welfare, backward class development, etc.) have continued to command 12 to 14 per cent of total outlays through the Plans. Although the direct employment benefits of these programmes may not be as high but these do provide some support for consumption of the people who are not able to derive adequate income through gainful employment.

IV

EMPLOYMENT THRUSTS IN BY-PASSED REGIONS AND FOR MARGINALISED GROUPS

4.1 An avowed aim of development policy in India is to ensure that the gains of economic growth are equitably distributed across regions and across social-groups. Regional disparities have been a matter of great concern to policy makers and planners and this concern has figured in locational decisions with respect to major investment projects. One of the enduring ways in which this problem of regional disparities has been addressed is through the mechanism of resource transfer to the states. Attempts have also been made to tune such transfers in favour of states with high poverty ratios and thereby to ensure special attention to marginalised sections.

4.2 Although it is recognised that ultimately the growth processes have to mitigate the problem of regional and social disparities through a spread of productive employment opportunities, it is also felt that in the interim, supplemental action is necessary to provide employment opportunities especially for social groups and regions marginalised by these processes. This supplemental action has taken the form of special employment schemes.

4.3 The present chapter attempts to review the experience of providing employment for specific target-groups and of incorporating area specificities. On the one hand, mechanisms for providing resources to the states are examined. by providing support to planning at the state level these mechanisms may be expected to facilitate the incorporation of regional specificities in the planning process. On the other hand a review of special schemes is undertaken — What has been the coverage of these special schemes? What have been their achievements? What are the lessons these provide for future strategy? Are some of the issues addressed in this regard.

Mechanisms for providing resources to the states

4.4 As is well-known, resources to the states are currently provided through the following mechanisms:

Statutory transfers: Statutory in as much as these are provided for in the Constitution, these transfers are made on the recommendations of the Finance Commission (set up every five years) and take the form of tax-sharing and Grants-in-aid.

Discretionary transfers: Recommended and operated by the Planning Commission (hence also referred to as Planning Commission transfers) and ratified by the National Development Council, these take the form of Central assistance for State Plans and include assistance for Central and Centrally Sponsored Schemes (C/CSS).

A small part of these transfers is determined by the Central Ministries (therefore also known as 'Other transfers') with the approval of the Finance Ministry and canalised through the latter. This typically covers assistance for coping with natural calamities.

4.5 There are two kinds of issues vis-a-vis these transfers. One set of issues pertain to vertical equity. These include, on the one hand, questions concerning Central 'charge' on total resources. On the other hand, are included questions of the quantum of transfer and its adequacy in view of the states' assertion of a narrow and relatively inelastic tax-base and increasingly obligations. In the case of the Finance Commission transfers, for instance, there has been a slowing of growth of revenue from income tax and union excise duties. This trend not only implies a lesser share of the tax revenues (which are known to be socially and regionally progressive), but also a reduction in the shareable part of the tax-revenue. However, our concern here is not so much with the magnitude of transfers from the Centre to the states as with the distribution of the states' share amongst them. Specifically, how the mechanisms for distribution between states ensure special attention to backward regions would be of immediate relevance here.

4.6 It is in this context, that the second set of issues pertaining to horizontal equity of transfers, may be regarded as more relevant for our present purpose. What are the norms, criteria or formulae used to effect inter-state sharing of resources? Do these bring about distribution in a manner that is not only equitable but that also attempts to reduce disparities? In the Finance Commission transfers, for instance the criteria that have evolved take contribution of the state as a basis for sharing of 10 per cent of the net collection from income tax. The inequity of this criteria is evident and this to some extent

erodes the otherwise progressive nature of Finance Commission awards. In the case of Planning Commission transfers, some of the components are based on pre-determined criteria but a large part of the assistance is determined on the basis of modified Gadgil formula. While predetermined allocations do benefit some of the backward areas, it is difficult to come to a categorical conclusion with regard to progressive nature (or otherwise) of the allocations under the modified Gadgil formula, notwithstanding the intense debate that is generated around it.

4.7 Table 4 provides the percentage share of each type of transfer in the total. It is seen that statutory transfers through the Finance Commission account for 40 per cent of the total transfers (from the Centre to the States) and discretionary transfers for as much as 60 per cent. This large share of discretionary transfers is regarded desirable in view of the limit to bending in favour of backward regions in a federal set-up (that requires a consensus).

4.8 That the net result in terms of achieving regional balance through an egalitarian bias in the devolution of resources, or by influencing public and private investment decisions (through licensing), has not been significant is indicated by increasing regional disparities:

"In the early 1960s the per capita income (SDP) of the richer states like Punjab, Maharashtra and Gujarat was, on an average, about 80 per cent higher than the average per capita income of the bottom four states i.e. Bihar, Uttar Pradesh, Orissa and Madhya Pradesh. This disparity has increased to 150 per cent in 1980s indicating clearly that the developed States have been growing at a much higher rate than the poorer States."⁷

Central and Centrally Sponsored Schemes

4.9 The strategy for achieving increases in productive employment opportunities and their spread by managing sectoral and spatial resource allocation has been supplemented by programmes of direct intervention. This direct supplemental action is both an indication of limited achievements of the growth processes in relation to the magnitude of the problem, and an effort to contain the consequent discontent and discord. Although forming a small part of the total resources transfer from the Centre to the states, these special schemes are of particular significance in view of the direct employment entitlement that these provide in backward regions and/or to marginalised sections.

4.10 To be sure, employment generation is not always the sole, primary or an explicit objective of these schemes which definitionally pertain to subjects in the State list. Depending on their thrust, these schemes may broadly be classified as follows:

a. **Target-group oriented programmes:** There are two variants of these special schemes—individual-household-oriented and poverty-group-oriented.

The former seeks to provide income and self-employment through distribution of assets (IRDP). This is facilitated by loan/subsidy arrangements and procurement of assets on the one hand, and training for imparting or upgrading skill endowment (TRYSEM) on the other. IRDP is the biggest programme of this kind probably in the whole of the developing world.

The latter attempts to provide supplemental wage employment through public works. Ever since the Third Five Year Plan, the problem of persistent structural under-employment and open unemployment of rural labour has been tackled, *inter alia*, by special wage employment programmes. Rural Works Programme (RWP), Crash Scheme for Rural Employment (CSRE), Pilot Intensive Rural Employment Programme (PIREP) (Food for Work (FFW), Maharashtra Employment Guarantee Scheme (EGS), National Rural Employment Programme (NREP), Rozgar Yojna (JRY) are all parts of a sequence of special employment programmes that have been introduced over the years.

b. **Target-area oriented programmes:** Special area development schemes have been designed to ameliorate adverse effects of hostile environmental and climatic conditions in particular regions. For instance, the Desert Development Programme (DDP) covering the hot and cold deserts of the country, is an area development programme that attempts to augment income and employment of the inhabitants by effecting improvements in productivity of land. Similarly, the Drought Prone Areas Programme (DPAP) is designed to augment incomes and employment opportunities in the short-run through activities which would result in drought-proofing in the long-run. The Hill Area Development Programme (HADP) and Western Ghats Development Programme (WGDP) are some of the other area development programmes.

c. **Social-service oriented programmes:** These are schemes designed to provide to deprived groups (or residents of backward regions) improved access to certain basic social services

7. Hanumantha Rao, C. H. (1988) "How can Centre-State financial relations remove regional imbalance?" *Yojana*, April 1—15 p. 17.
8. Bandyopadhyaya, D. (1989) "Poverty Alleviation through Special Employment Programmes in Rural India" in M. Mukherjee (ed) *The Inclusive Target: An Evaluation of Target-Group Approaches to Employment Creation in Rural Asia*. ILO-ARTET. New Delhi.

such as health, nutrition, elementary education, housing etc. The Minimum Needs programme (MNP) or Indira Awas Yojana may said to be long here. Some of the wage-employment programmes which seek to counter erosion in real purchasing power and maintain nutritional status of rural labour through payments in kind (e.g. Food For Work, NREP) may also be categorised here.

4.11 These special schemes have increased phenomenally in number since the late sixties. During the Sixth Plan period, the increase in number was from 75 (1980-81) to 201 (1984-85). The number went up to 262 in the Seventh Five Year Plan. This rapid increase in number has been accompanied by increases in outlay which went up from Rs. 1238 crores and Rs. 3004 crores to Rs. 15,757 crores respectively. Two implications of the above observations are noteworthy. On the one hand, it points to an increased reliance on these special schemes. While this may be due to their political appeal, it is probably also an indication of the gravity of the employment situation for the deprived groups and the aggravating conditions of backward regions. On the other hand, a proliferation of schemes may have a serious consequence of diluting the efforts of implementing machinery. Given that allocation for these schemes have increased apace, such an increase in number may not for upward revision of funding norms would suggest even this to be true.

4.12 Although the coverage of special schemes is generally selective and clearly favours regions which are backward or have concentration of poverty groups, it has been pointed out that where these schemes are not fully funded by the Central government, the poorer states are discriminated against owing to their inability to provide matching grants. In other words, to the extent there is insistence on matching grants from states, these schemes can have a regressive effect within the states covered.

4.13 Several evaluations of special programmes have been done by individual researchers, research institutions, as well as by organizations like the Programme Evaluation Organisation (PEO) of the Planning Commission and NABARD. Notwithstanding the specific aspects highlighted in these studies, there are some general features which have been the subject of comment in all of them. These are:

- a. the schemes that are taken up under such programmes are not identified and formulated properly.
 - i. Selection of schemes raises problems because of a lack of integration with area plans (state|national) or sectoral plans.

- ii. On the other hand, projects selected quite often have a long gestation period well beyond the waiting capacity of the poor and unemployed.
- b. there are distortions in implementation of schemes because of,
 - i. difficulties in coordination and harmonization within the administrative structure which have vertical line hierarchies but inadequate horizontal linkages;
 - ii. an attitude of implementing officials which may be traced to the genesis of such schemes in Famine relief works during the British period. This has the consequence of the schemes being, generally speaking, poorly planned in respect of their execution, payment of low wages more in the nature of a 'dole', placing lower emphasis on productivity and being on the whole *ad hoc* in nature; and
 - iii. leakages and corruption at the field-level.
 - c. community or individual assets that are created are either of a non-durable nature or are not managed properly. While lack of maintenance of community assets is attributed to lack of mobilization of local support and resources for local plans, in the case of individuals it is ascribed to a limited retention capacity of the beneficiaries. The net result is that, over a period of time, the depletion in assets so created overtakes the additions made possible through additional resource allocations. In other words, the very sustainability of such schemes becomes doubtful.

4.14 Large number of special schemes and/or an increasing reliance on these conflicts with the objectives of decentralised planning, namely strengthening the planning capacity at lower levels and mechanisms for incorporating local needs and aspirations in the planning process. At the same time, it cannot also be denied that these schemes serve to focus attention on special problems of particular areas and/or social groups. It is felt, however, that there exists room for reducing the number of these schemes without impairing their direct employment creating function. The latter would be possible, on the one hand, by a judicious selection of projects which maximizes employment creation. On the other hand, this can be achieved by re-orienting area development schemes to employment generation (At present, with the exception of target-oriented schemes, employment is an incidental concern). To facilitate the above, the need is also to work out the labour intensity (labour-output ratio) of every project and to

spell its implications for providing productive employment.

4.15 The selection of a reduced number of schemes can be tuned on the one hand to an area development plan and local needs/aspirations. Schemes pertaining to natural resource management (land, water, forests etc.) may readily be mentioned in this regard as having the necessary area-specificity. On the other hand, these schemes may be based on the characteristics of particular segment of society chosen as target-groups. For instance, growing marginalisation of the peasantry would suggest that future schemes should be oriented to the non-farm sector

4.16 Selection of schemes would have implications for skill formation/upgradation. At present, training under the TRYSEM programme (or even at the Industrial Training Institutes) is woefully inadequate. For self-employment programmes, while technical training needs to be qualitatively improved, there is also a need to re-orient training so as to upgrade the entrepreneurial qualities of the beneficiaries. This aspect of an entrepreneurial gap in self-employment schemes has received scant attention so far. On public (wage-employment works) the need is to reverse a situation wherein the demand for skills does not depict any progression. Only then can some human capital formation said to have taken place. This aspect is related to non-durable nature of assets created under these schemes (discussed below).

4.17 In order that the resources expended on direct employment schemes do not impair the economy's capacity for future job creation, it is necessary that employment provided on these schemes is productive i.e. it results in physical capital formation. The latter can be accomplished first, by taking the productivity/durability criteria as imperatives in selection and execution of projects. A corollary to the latter would be to ensure adequate remuneration for employment on such works. It is well-known that violation of labour legislations (particularly the Minimum Wage legislation) is not uncommon and that women workers are

discriminated against on such works. Second, this would require that local people are involved in maintenance of assets so created. A prerequisite to such involvement is that the assets created be perceived as meaningful by the local populace. This brings us back to a judicious selection of projects incorporating local needs and aspirations.

4.18 Leakages have the undesirable consequence of reducing employment generation from schemes and providing lower remuneration for work. In an obvious way, both these impair the income transfer/poverty alleviation function that the schemes are expected to play. In a not so direct manner, this is also reflected in lower productivity on such works. Hence the urgent need to minimize leakages. One way in which this can be accomplished would be through greater transparency and more information. Extensive information should be provided to the people regarding number and location of projects, expected employment generation, wages to be paid, norms of work etc.

Concluding Observations

4.19 Since economically backward areas are also regions of concentration of rural workers below the poverty line, the need is to increase plan expenditure in these areas, or at the very least ensure that plan expenditure in these areas is not below the national minimum. Supplemental action through special employment schemes has to be continued at least in the foreseeable future. The need, however, is to reduce the number of schemes and make judiciously selected schemes more effective by integrating them with local/sectoral plan, emphasizing physical and human capital formation and by simultaneously addressing multiple objectives through these schemes.

4.20 The need is also to go beyond schemes for providing employment and simultaneously concentrate on providing back-up support to the marginalised by schemes for providing minimum needs. These protective measures could take the form of a security-net, for instance through health insurance,

WAGE AND TECHNOLOGY POLICIES AND THE EMPLOYMENT OBJECTIVE

5.1 The Approach Paper to the Eighth Five Year Plan (May 1990) has admitted that even after four decades of planning, the task of ensuring full employment and even a moderate standard of living of everyone remains unfulfilled. The attainment of this basic task must be the central concern of development strategy in the Nineties. Explaining the need for reorientation of the plan to this task, it has underscored the fact that not only employment has grown much slower than labour force, but real wages also have persistently remained low and even declined. A vast majority of wage labourers, whether in rural areas or urban areas remains untouched by minimum wages legislation because there is no institution through which such labourers can seek such wages. Worse still, there has been a progressive decline of employment in traditional industries which have been the source of livelihood for million of rural people.

5.2 The main culprit that is usually singled out for failure on the employment front is the organised industrial sector which over the last forty years has claimed massive investment resources but has performed very miserably in creating employment opportunities in relation to the investment made.

5.3 However, it should be recognised that agriculture has also not been able to absorb as much labour as expected because while capital investment in agriculture has grown over a period, its productivity and labour absorption has not kept pace. Land-based activities which can absorb labour force have practically remained stagnant. A traditional theoretical framework (supported by historically observed trends) would lead us to believe that the process of industrialization would transform the structure of an economy through (1) change in structure of GNP in favour of industrial sector, and (2) changes in structure of labour force in favour of industrial employment.

5.4 That the industrial growth in India failed to bring about this transformation, was realised as early as 1978 by the planners. This can be seen by the following observation.

"It is a historically unique fact that over the last six decennial censuses, in spite

of impressive development of large scale manufacturing and infrastructural sector, the share of agriculture in the work force has not diminished at all. It was 73 per cent in 1921, 73 per cent again in 1961, and 73.8 per cent in 1971. In almost all countries, economic development is associated with significant decrease in this share. But in India, fairly rapid growth in non-agricultural sector in the last 25 years of planned development has completely failed to make any noticeable impact on the industrial distribution of working force. The share of mining and manufacturing in work force has stuck around 9 to 10 per cent and the share of the tertiary sector around 16-18 per cent of five decades. The inference is clear. Employment growth in these sectors has been insufficient to absorb an increasing proportion of the work force. Investment and output have grown at a high rate but the production wise and the technique wise have been so capital intensive that the employment did not grow *pari passu*. Between 1961 and 1976 for example in the modern factory sector investment increased 139 per cent and output 161 per cent but employment increased by 71 per cent. Therefore, employment per unit of gross output decreased by 34 per cent and employment per unit of capital declined by 23 per cent."⁹

5.5 That the capital intensity in Indian economy both in terms of output and employment is growing is a fact well-established beyond any doubt. The Incremental Capital Output Ratio (ICOR) in agriculture which was 2.13 during 1951-52 to 1959-60 rose to 4.22 during 1970-71 to 1979-80 and declined to 3.17 during 1980-81 to 1983-84. In the case of mining it increased from 2.59 in 1951-52 to 1959-60 to 9.99 in 1980-81 to 1983-84. In manufacturing sector, the ICOR increased from 4.47 in 1951-52 to 1959-60 to 8.20 in 1970-71 to 1979-80 and rose sharply to 14.36 in 1980-81 to 1983-84¹⁰. The anxiety of the planners thus to increase the employment content

9. Draft, Five Year Plan, 1978-83, Government of India, Planning Commission, p. 82.

10. P. D. Ojha, Economic Times, February 14, 1989.

per unit of capital is understandable. Equally important is the concern for the provision of adequate wages to those employed. In the next two sections, we will comment on these two aspects i.e. Wage policy and Technology policy. The latter is undertaken through a case study of Khadi and village industries

II

Wage Policy

5.6 The task of creating fuller and productive employment opportunities in the informal sector becomes formidable when one remembers that any employment target without reference to specific wage-rate is meaningless. The main apprehension about the feasibility or employment strategy arises then because of the possible conflict between the employment policy and wage policy that would be acceptable to the labour. It is, in this context, that the complexity of the situation increases and the need for a well-thought wage-policy becomes paramount.

5.7 The Eighth Five Year Plan proposes to introduce labour intensive technology in mass consumption goods because the scope for adoption of labour intensive technology appears greater in the consumer goods sector than in the capital goods sector. Even within consumer goods industry, the technology-mix will be different depending upon the availability of range of technologies. This would entail a certain degree of productivity differentials not only inter-industry but intra-industry as well.

5.8 This is, of course, on the assumption that the most important determinant of labour productivity is the amount of capital employed per unit of labour. This is by no means an invalid assumption as virtually all empirical studies have supported it, though they differ in respect of whether labour productivity rises proportionately, more than proportionately or less than proportionately to capital-intensity.

5.9 Thus a greater disparity in labour productivity in these sectors would entail a greater disparity in wages. While this might be the logical outcome of the planned differential in capital intensities, it would be difficult to make labour, particularly organised labour to accept it even though the policy is designed to generate larger employment. In the last 35 years, what has been witnessed is the impact of 'demonstration effect' of the 'high wage island on wage settlements in various industries. Quite often collective wage bargains take place in a state of near-isolation from the general condition of employment market.

5.10 Some restraints on the wage levels in highly capital intensive industries would thus be necessary if they are not to act as 'pointers' to the claims for higher wages in labour-intensive industries. If there is no firm wage policy

in this respect, the adoption of labour-intensive technology would not find favour with the entrepreneurs. However, a comprehensive wage income policy consistent with the objectives of our planning has always remained an academic exercise in our planning so far.

5.11 It may be said, without any fear of contradiction, that the evolution of wage policy in India is based on diverse ad-hoc considerations. This was particularly true before the National Commission on Labour was set up. Unfortunately, even after the recommendations of the Commission in this regard and periodical reiterations by the Planning Commission for an appropriate wage income policy, no such policy has been formulated

5.12 The Commission had rightly pointed out that in all countries 'wage policy is a complex and sensitive area of public policy' and as such it cannot be simple economic, as it has to reckon with the realities of multi-dimensional social phenomena, in which besides the worker and the management, the consumer and the society at large and in consequence the state are all vitally interested. No principle of wage policy can ever be applied in vacuum without regard to the realities of a situation. Wage policy has to be pragmatic, though it does not follow that it has to be unscientific and remain simply a matter of expediency.

5.13 The Commission recognised also that on an overall plan, issues concerning wage policy are inter-related with broader economic decision, on the one hand and on the other with the goals set for social policy. Wage rates and differentials have functional role in sustaining and developing the structure of society and thus merge with other elements of economic and social policy. In other words, the Commission virtually identified wage-income policy with economic policy. No one would disagree with this broad philosophical statement but such general approach is no substitute for a well articulated wage policy which takes into account the inter-relationship between employment, wage rate, productivity and choice of technology. The conspicuous co-existence of mushrooming high-wage islands in the organised sector on the one hand and miserable conditions of labour in informal urban and rural sectors (both farm and non-farm) on the other and the corresponding dualism in capital/labour intensities and associated levels of productivity are the result of our inability or even unwillingness to implement a sound and firm wage policy. To reiterate, it is time this pedantic approach to wage policy is given a go by and steps taken to formulate and firmly implement a policy to achieve a complete harmony between (i) employment target (ii) wage rate (iii) level of productivity and (iv) the technological options available in the economy.

Absence of institutional Structure

5.14 Even the various government policies enunciated so far have failed to make any perceptible dent. The main cause for this failure has been not only the absence of any institutional structure for effectively implementing such policies, but more importantly, the lack of a coherent wage, income and price policies comprehensive enough to cover a large mass of unorganized labour. For instance, in agriculture, institutions like the National Commission on Agricultural Costs and Prices, Food Corporation of India and the Public Distribution system have together helped the cultivators to get progressively higher return and impact certain stability to their economy. In the unorganized sector including agricultural labour there is not a single institution of this kind. In this situation, even if comprehensive policies are adopted to ensure certain wages, incomes and prices by adopting efficient labour intensive technologies in agriculture and industry, the whole strategy to increase employment may back-fire and become counter-productive.

III

Technology Policy: The Case of Village Industries

5.15 The role of village industries in providing larger avenues of rural self-employment was well recognised in the Five-Year Plans in view of the constraints of agriculture and modern industries in providing gainful employment in rural areas. The policy, in this respect, also recognised their role in bringing about a more equitable income distribution, on the one hand and effective utilization of latent capital and skills in a capital-scarce economy, on the other. It was also accepted that these labour-intensive industries held wide scope for dispersal and decentralization of the economy so crucial to the democratic fabric of the country's political economy.

5.16 It was only in 1983 that the Government of India came out with a Technology Policy Statement. This emphasised mainly technological self-reliance through use of existing traditional skills and capabilities and where necessary their upgradation for making them commercially competitive and work in harmony with environment. Provision of maximum gainful and satisfying employment was stated to be the most important criterion in the choice of technology. In this regard, women and weaker sections of the society were to be specially considered, in order to reduce the incidence of poverty and inequality. However, in the Export-Import Policy of 1983-84, concessions were given to import of machines for development of cotton textile and rice milling industries which resulted in further displacement in the traditional sector particularly of women by encour-

aging middle tier new entrepreneurs vying with one another to set up new technologies which are capital intensive and labour saving. However, some limitations in this regard are also recognised: (i) low level of income, (ii) small scale of production, (iii) mostly production of traditional goods, (iv) limited scope for adopting improved and modern technology and (v) inability to respond quickly to changing consumer tastes and preferences.

5.17 **Karve Committee:** Recognising both the merits and limitations in the expansion of village industries, the Village and Small Scale Industries (Second Five Year Plan) Committee, 1955 or Karve Committee had suggested some measures to overcome some of the constraints in their development. Primarily, the Committee was in favour of avoiding technological unemployment for which it suggested a two-fold development programme for (i) maintaining the existing level of employment with production of traditional goods in demand and (ii) expanding employment to new entrants to this labour force through provision of training and distribution of improved and modern equipment capable of turning out better and newer goods. In other words, the Committee recognised the serious limitations in the way of absorption of newer technologies by the existing traditional artisans.

5.18 **Common Production Programme:** Recognising the compulsions in the co-existence of modern and traditional sectors of industries, an imperative need was felt to protect and promote the traditional sector from the adverse effects of competition for both raw-materials, credit and market share from the organised modern sector of industries. Simultaneously, it was found desirable to bring about a more equitable distribution of assets and income as between the two sectors. Thus, both positive measures of production such as reservations of spheres of production, supply of raw-materials and credit and research and training and protective measures such as limitations on the capacity of large industries and imposition of cess on their production, subsidies and excise duty concessions were introduced in favour of the village and small scale industries.

5.19 **Selective Approach:** A beginning has been made to apply this programme to cotton mills, handlooms and powerlooms in the First Plan. During the Second Plan some more consumer commodities like handpounded rice, edible oil, gur and khandsari, leather footwear and tanned hides and skins and matches were brought into this fold. It was thought that in course of time, emphasis would shift from protective measures to positive measures in favour of improvement of technology and training facilities, supply of raw-materials and improved equipment and proper and adequate credit facilities for the traditional sector. This would help each cottage and village

industry in achieving a field within which it might be able to organise itself¹¹.

5.20 Non-Recognition of Scope for Entrepreneurial Development: The rural artisans were found to be innovative but not entrepreneurial. The implementation strategy, however, failed to recognise and provide for entrepreneurial development to enable them to take up improved and modern devices. Consequently, while training programme was all set for improvement in technology and not in entrepreneurial qualities, the follow-up suffered due to lack of adequate entrepreneurial and managerial skills required to deal with the higher levels of production and income envisaged. This lacuna was turned into a new opportunity by those who were in the trade which provided the backward and forward linkages for the rural artisans. The continued neglect in developing entrepreneurial and managerial skills over the plans gave rise to the emergence of a class of new entrepreneurs mainly drawn from the trade. This class took advantage of the concessions and facilities provided by the government and grew as a middle tier between the traditional and modern sectors. While it was able to adopt some of the improved technologies by taking advantage of the various concessions and incentives offered to the traditional sector simultaneously it ate into the market share of both the modern and traditional sectors. It became a serious competitor for the acquisition of the available supply of raw materials and greater market share. Examples: Hullers and shellers, oil expellers, powerlooms, power-driven khandsari units and so on.

5.21 In this emerging situation, while the modern large scale industries, to some extent, could stand the competition wherever they enjoyed economies of scale, the traditional industries began declining as they became progressively marginalised in the wake of unequal competition faced by them in procuring raw materials and market for their products. Consequently, the self-employed artisans were driven to wage employment either with the new master entrepreneurs or in agriculture when opportunities came during seasons.

5.22 Aggravating this position further was the failure of the strategy to distinguish the small-scale industries from the traditional industries while extending the most favourable treatment for industrial dispersal or decentralization. As a result, the small-scale industries also emerged as competitors to the village industries.

5.23 While both agricultural and industrial outputs have been increasing ever since the Five Year Plans were launched in 1951 their impact on reducing under and unemployment especially

in rural industries has not been significant. Similarly, the impact on the distribution of income also has not been visible. However, in the wake of the growth of an intermediate sector employing mechanical modes of production, structural changes in rural employment have taken place. A clear shift has been recorded both in production and employment from the traditional sector to the intermediate sector. This phenomenon has been spectacular in the case of cotton textile industry as can be seen from the data presented in Table 6.

5.24 This shift however has not been caused by the shifting of those employed in the village industries sector to the better organised mill industry but by the industries at intermediate level employing more mechanical modes of production dominated by entirely due to a new class of producers coming to the picture. As a direct consequence of this, the employment in the traditional industries has declined leading to technological unemployment, defeating the very objective to the Five Year Plans. These trends are clearly seen from the population census data available (in Table 7) for the period 1961 to 1981 even after providing for deficiencies arising out of the inter census definitional changes. The reduction in employment in traditional household sector is of considerable size particularly of women in industries like handpounding of paddy, oil ghanis, gur khandsari and textiles.

5.25 In sharp contrast to this situation, there seems to have been an upward swing in rural employment in certain industries which have adopted mechanical modes of production encouraged by favourable policies. Some of the industries where such changes have been noticed are cotton textiles, gur and khandsari and hand pounding of rice where the total employment has registered a significant increase as could be seen from the data thrown up by the NSS for the period 1977-78 and 1983-84 in Table 8.

5.26 Yet another distortion of the position in relation to traditional industries has resulted from the development of small scale industries. According to Professor S. K. Goyal, the word 'small-scale' corrupts the whole concept of protection for the weak. This was done by deliberately delinking the word 'small' from ownership and instead using it to imply the size of enterprise. As a result big businessmen also started setting up small units and deriving the same facilities as given to the poor artisans. The First Five Year Plan did raise the issue of ownership in the small sector: "further test may be whether as unit which may otherwise be regarded as small is owned by worker himself or the cooperative". The Second Plan onwards the issue of ownership is completely ignored while defining the "small

11. Report of the Committee on Small and Village Industries (Karve Committee) 1955, Planning Commission New Delhi.

scale". Professor Goyal puts on record (in his "small-sector and big business 1984") how large and respected business houses of Tata, Bajaj, Birla, Mahtal, Sarabai, Khatau, Thapar, Walchand, Hindustan Lever etc. have companies registered and working in small scale sector. Thus, under the influence of the powerful group of society the distortion took place between promise and performance and the genuine small sector got crushed.

5.27 In sum, the above analysis points to an inescapable conclusion that while the declared policy of government for employment in the traditional sector recognised the need to maintain the existing employment on the one hand and to shift the new entrants to better technologies and newer goods in order to avoid technological unemployment, the implementation strategy has led to the marginalisation and decline of employment in the traditional sector. At the same time, a new intermediate sector has grown superimposed between the traditional and the large scale industrial sectors which of course has continued to increase and add to the total employment in the rural areas. Beneath the surface of this employment lies concealed technological unemployment on a large scale. This position needs to be remedied urgently.

Supply of Raw Material and Marketing

5.28 A major barrier to the development of rural artisans is the existing system for raw material distribution and marketing of products. Artisans do not get adequate raw material of required quality at the right time and prices which gives rise to the idle capacity in the rural sector. The reason is that, these raw materials are going into the hands of private trade which functions from the grass-roots through a chain of middle level functionaries who work on commission. Most of the rural raw materials are thus syphoned out by this trade in a cascading fashion until they reach the better organised small scale and large scale industries. In this process, the basic cost of any raw material get escalated at every stage of transaction before it lands in the hands of the organised sector. Attempts to put an alternative organization by some sponsoring agencies under the public sector and also cooperatives have failed because of its high cost, lack of experience and flexibility, inadequate funds and inefficient and high cost management. In this situation a suggestion given by an evaluation study of janata cloth scheme by ATIRA, Ahmedabad, holds good that instead of giving rebate and concessions at the consumer's end it should be given at the input level (producer's end) to make the production process more smooth and less costly, as it has been done in agriculture.

5.29 A more innovative approach to this whole problem, therefore, has to be thought of if the

problems of supply of raw materials and marketing have to be tackled simultaneously. In this connection some success stories have come where an effective tie-up was worked out under some favourable conditions for the grass-root workers through some organization for getting some preferential treatment in the matter of allotment of raw materials. For example COPTEX in Tamil Nadu, working in collaboration with some recognised master weaver organizations for distribution of yarn, production and marketing. Similarly, co-operation of private sector organizations is being sought; Batas for getting leather and marketing, Hindustan Lever for marketing soap and detergents. Much more needs to be done in the field.

5.30 An increase in the number of mechanised equipment in the middle level has accentuated idle capacity in traditional industries further. For instance about the existing one lakh different sizes of rice mills working for 150 days in a year with the average capacity of processing one tone of paddy per hour can process 120 million tonnes of paddy working one shift (8 hours a day). But the present production of rice is only about 60 million tonnes. Similarly if the existing commercially operating three million handlooms with an average production capacity of 6 meters cloth per day, work for 250 days (6 hours a day), they can produce about 4500 million meters of cloth while the present production of handlooms sector is about 3700 million meters per annum. The situation is similar in other industries also.

Other Factors

5.31 Factors like inadequate credit, inadequate instrumentation and inadequate infrastructure all of which are not under its control. It has also failed to accord appropriate place for raising the managerial and entrepreneurial efficiency of rural artisans in its skill upgradation programme. The shortcomings of the KVIC's programme are reinforced in a way by the growth of the modern sector to which a reference has already been made. The strength of big industries seem to lie in their distribution network. It should try to use this existing network for marketing the products of rural industries. This would minimise direct competition and reduce selling costs of rural artisans to a great extent besides ensuring marketing of the products.

However, the whole review is not to show that there is no way-out. If appropriate technology policy combined with a proper credit policy is formulated and carefully implemented the level of wage and income can be substantially increased with the already available capital equipment and skill. In other words, technology policy in isolation from credit policy would be counter-productive.

KVIC

5.32 KVIC is the one important organization among others which has been in charge of the development of traditional industries since 1951. One of the major facets of its development programme has been training and distribution of improved tools and equipment of rural artisans. It also encourages research and development in modern methods and tools of production for rural artisans. However, so far no perceptible impact has been made in raising the levels of production and income through improvements in traditional technology because the KVIC has also been constrained by several factors.

5.33 The reason behind this failure in achieving the desired results again seems to be the lack of entrepreneurial development in rural artisans. In the absence of this, while the younger generation showed a lack of initiative to take up new technologies even after training, the older ones who were already engaged in traditional activities, could not successfully and effectively utilise the improved technology and other facilities made available because of their incapacity to absorb and assimilate the same. Research studies undertaken by CSDI have shown that nearly 3 out of 5 rural artisans currently engag-

ed in traditional activities are in the age group 40 and above and one among the five is not interested in pursuing the hereditary occupation and seeking job outside. Further, one of the three working in the industry seeks agricultural employment during the seasons or prefers to work as a wage earner with a master entrepreneur.

5.34 Corrective measures in terms of provision of training in entrepreneurial development, adequate and timely credit for the village industries and facilities for marketing of their products and supply of modern inputs interims of technology and organization are necessary. In these respects, experienced voluntary agencies with good track record, management institutions, entrepreneurial development institutes, technological laboratories and the public and private sector marketing organizations have to be assigned appropriate roles for promoting the growth of traditional industries. These facilities should be provided to sick industries also. The Eighth Plan approach paper is generously supportive of KVIC even after subsidization of last 44 years. However, in the case of other over 2 lakh sick units it is unduly strict, though the factors responsible for their sickness and unviability of KIV units are more or less same.

VI

PLANNING PROCESSES

6.1 Our concern, in this chapter, is to examine the planning process in respect of its sensitivity towards rural labour. The latter is believed to follow from a process that is responsive to local urges and aspirations. Planning process is viewed here as encompassing both, the processes of plan formulation (mechanics of planning) and plan implementation.

6.2 In India, Plan formulation has concerned itself mainly with problems of resource mobilization and allocation. The macro perspectives that such an exercise requires has an in-built bias towards centralization and limits the extent to which local urges can be incorporated. A decentralised arrangement, on the other hand, may be more responsive but a limited perspective is inherent in such an arrangement. The imperatives of future needs and/or a perspective involving allocation between alternative uses may be difficult to accommodate below a certain level. It is in this context that the expectations, constraints and problems of a decentralised arrangement are discussed. But before that the mechanics of plan formulation and implementation as it exists is taken up for discussion.

6.3 The plan formulation exercise, as it obtains presently, may be discussed at two levels. First, there are the planning exercises at the state-level and then those below the state level, say at the district or blocks. We take these up separately:

Planning at The State Level:

6.4 There are two aspects of the planning processes that highlight the role of states in the preparation of plans. One is related to the formulation of the national plan and the other to the approval of the state plan by the Planning Commission.

6.5 **Preparation of the National Plan:** The preparation of the National Plan begins with the setting up of sectoral working groups that begin their work with strategy and objectives

of the Plan and the expected contribution from that particular sector. States are not represented in the working groups as a matter of rule¹². Quite clearly, some of the subjects addressed by these groups are of vital interest to the states and they would have much to contribute from their empirical experience. In short, the preparation of the Approach Paper is primarily the responsibility of experts of the Planning Commission. There are no mechanisms to associate the states with the preparation of this document in any significant way.

6.6 On the other side, it should also be mentioned that the states do not attempt to develop their own analysis and viewpoint in a manner conducive for effectively contributing to the working groups. Nor do the states form their own teams to formulate their respective strategy or analysis. Thus, while it is necessary for the Planning Commission to provide for greater involvement of the states, it is incumbent on the states to prepare suitably by doing their own homework.

The result is that the only chance that the states have to speak up on the national plan is at the National Development Council where the Chief Ministers are present or represented. So long as a single political party was in power at the Centre and in most of the states, the discussion on the national plan was more of formality. The strategy of development did not come in for critical appraisal and the states spoke up essentially to support the centrally formulated priorities. In recent years, the coming of strong opposition governments in states like West Bengal and Andhra Pradesh have made the NDC discussions comparatively more meaningful at least in pointing out ideologically based alternatives¹³. Quite often, the states are not even equipped to make a meaningful contribution in the NDC, since they have had little opportunity to scrutinize the Approach Paper in detail.

12. In the Seventh Plan, for instance, states did not find representation in working/study groups on Financial Resources, Command Area Development, Major and Medium Irrigation Programmes, Flood Control, Employment Strategy, Identification of Technical Manpower Shortage, Concepts and Estimation of Poverty Line and Monitoring and Evaluations.

13. The open disagreement of the West Bengal Chief Minister with the Seventh Plan Approach and priorities in the NDC meeting held to approve the Seventh Plan is a case in point.

6.7 Undoubtedly states involvement in the planning process needs to increase. Action needs to be taken at the level of the Planning Commission to expand state participation. This should happen particularly in those areas which are of direct interest of the states like employment, financial resources of backward area development. The functioning of the NDC has also to be strengthened: either it should meet more often or have a secretariat of its own. The states should have greater opportunity to examine the Approach Paper as well as the Draft Plan. States, for sure, will have to develop their own expertise to play a more effective role.

6.8 Approval of State Plan: The second aspect of involvement of states in the planning process is at the time of consideration of state plans by the Planning Commission. Based on the Approach paper, the Planning Commission issues guidelines to states and expects them to prepare plans for approval. Having done that it initiates, on the one hand, discussion on the extent of financial resources to be available. On the other, around 20 working groups are set up to examine the various components of state plans. Thus, in the first stage, exercises to assess financial resources and to examine sectoral proposals are undertaken simultaneously but separately. However, the states become serious about their plans only after the financial perimeters are known. They re-order their priorities and prune down their schemes to match the availability of financial resources.

6.9 Most states do not have the requisite institutional arrangement or expertise to prepare technologically and economically feasible schemes. Their prioritization in most cases is done on an adhoc basis and what state planning departments put up as a Plan is quite often a collection of schemes ranked according to political or administrative considerations. Using this assumption and the fact that usually the state plan outlays exceed the financial resources available for the state, the Planning Commission goes in for detailed examination. Both, the State Plan Advisers concerned with total plan and the groups concerned with sectoral plan outlays, have to recommend cuts in the outlay. This is resented by the states which argue that once the broad strategy, objectives and priorities have been determined they should be allowed freedom to formulate schemes according to their circumstances. The states take up this issue when the plans are finalised in the meetings of Chief Ministers and Deputy Chairman of the Planning Commission. The decisions to restore some of the cuts are at the political level and may be

taken without much technical and economic considerations. The concerned Chief Minister, in turn, assures additional resource mobilization. In the entire process, then, the size of the state plan that finally emerges is considerably smaller than what is originally proposed by the state. An inherent tendency in this system is for the states to propose inflated outlays, for the Planning Commission to make drastic cuts and err on the conservative side and for the final meeting between the Chief Minister and the Deputy Chairman to agree at figures that are somewhere in between.

6.10 At one level i.e. in the preparation of National Plan, decision-making continues to be concentrated in the central agencies and the role of states is ineffective. At the other level, what the states need and how they will meet this need is decided by an institutional system in which authority is concentrated at the central level¹⁴. Adequate freedom is not given to the states to plan for their development and they feel constrained even in the subjects specified in the state list of the constitution.

6.11 This feeling is further reinforced by the increasing role of the Central and Centrally Sponsored Schemes. Around 200 such schemes were in operation during the Seventh Plan. Among them were schemes that were in areas falling directly within the jurisdiction of states like IRDP, NREP (later JRY), DPAP etc. Even though Agriculture and Rural Development are state subjects, bulk of the planned outlay on them is in the central sector. The responsibility for development in these areas should be with states but has shown a shift towards the union government.

6.12 The scope of such central intervention in states development needs to be restricted by providing for greater state autonomy. The states' ability to exercise this autonomy would be considerably strengthened if they can organize themselves better to perform the planning functions. The current practice of leaving them to their planning departments will not do. The tasks are of a specialized nature that need to be performed on an ongoing basis. Experts are needed. While State Planning Boards have been created in most states in general they do not perform effective planning functions. The practice of having full time members is institutionalized in only a few states. What is intriguing is that while state leadership has been quite vocal in proposing greater decentralization, it has been quite hesitant in establishing State Planning Boards that can provide greater technical competence in state planning and also help them in making their case before Planning Commission

14. The Sarkaria Commission has mentioned that there is a feeling among the states that Planning Commission works as "a limb of the union government in exercising sway over the state governments rather than as a truly federal institution restricting itself to advise on technical matters of planning".

more rational and difficult to ignore. As an example of a comparatively more successful experience, let us turn to Gujarat or West Bengal.

Planning Below The State level:

6.13 Decentralizing the planning process to district level and below is confronted with entirely different set of methodological and institutional issues. In most states panchayat raj institutions are moribund and therefore a democratic basis of determining local needs and priorities is lacking. Even in states like Gujarat and Madhya Pradesh which were in forefront of panchayat experimentation, planning functions have been given to specially created District Planning Boards. The Karnataka experiment is comparatively new and evaluations of how planning functions are being performed by the Zilla Parishad are not available.

6.14 The state budgets carry allocations on a functional (sectoral) basis and the legislature does not approve allotments to districts. Sectoral heads at the state level decide where the programmes are to be located and an aggregation of these programmes provides the picture of district development. Thus, there is no conscious linkages of the programmes being implemented at the district level/District plan where sectoral plans dominate through decisions taken at the state level or central level has not much of a substance.

6.15 Keeping in mind that the objectives of local planning are to increase agricultural productivity and reduce rural unemployment, some innovations adopted by certain states may be relevant:

To facilitate local planning, Gujarat government took a series of steps in 1980. It decided that at least 35 per cent of the state plan outlays should, on an average, be allotted to district level schemes and 20 per cent of the district plan outlays should be earmarked as discretionary and incentive funds to enable the districts to take up schemes considered useful in light of local needs.

In respect of normal district level schemes, even though the districts were supposed to prepare plans against financial limits imposed by the state, they were unable to influence the planning decisions taken at the level of state heads of sectoral departments. Thus, the planning for district level schemes covering 80 per cent outlay was centralized at the state level. Districts, at best, had a marginal role in their Plan. The actual district planning was confined exclusively to the 20

per cent discretionary and incentive fund available to the district. If one includes the Central or Centrally Sponsored Schemes¹⁵, then the role of external agencies—state or central—in the planning and development of districts would indeed be very large.

This has created another set of problems. Based on three separate planning exercises of 80, 15 and 5 per cent planning, no integrated district plan emerges. With the state level planners dominating, the local level perspective that can bind the three together does not emerge. The 20 per cent plan also does not get integrated into the state plan. Thus, while the Gujarat experience has been innovative, its success in creating a framework of multi-level planning is not so impressive.

Another aspect of this experience is that the Panchayat institutions have not been given the responsibility for district planning unlike Karnataka. District Planning Boards have been created with a Minister of State government as Chairman and the Collector as Vice-Chairman. It is a district Panchayat President has been included as co-vice chairman. It is a district Collector oriented institution where the Collector also heads the Executive Planning Committee. This committee monitors the schemes sanctioned by the District Planning Board. By entrusting planning functions to Planning Board and not to Panchayat, the state government probably has attempted to bring in greater professionalism in planning. However this is a false promise because planning is political process and demands much greater political-perspective on development.

6.16 In order to make planning more realistic, what is essential is that certain pre-requisite functions should be performed at the district level and below. This could be termed as the professional part of planning. Such functions could be in terms of surveys, mapping of infra-structural facilities, monitoring and evaluation of projects. Appropriate reorganization of the administrative structures should take place for these functions to be performed adequately.

6.17 Finally, the persistent question why there is a gap between the vision that has inspired policy decisions in the direction of decentralization and what has happened on the ground, can have only a political answer. While states have emerged as strong protagonists of their rights, no political forces have yet emerged strongly pushing for decentralization below the state level.

15. or for that matter, the bank credit being channelised into the district.

What is puzzling is that the pressure for decentralization is coming not so much from the grass roots as from central and state governments. Whenever decentralization has come about is a result of guarded and hesitant decision making of the levels above the district. One major opportunity to revamp the district administrative system as inherited from the colonial rule was lost at the time when Panchayati Raj was introduced in 1959. Creating development oriented institutions has become even more difficult now.

Decentralised Planning: Expectations and Constraints

6.18 Identification of schemes: It is often the case that the schemes identified are either not the preferred choice of the people or they do not provide the basic needs of the people. Therefore it is suggested that local level planning, which will involve the local people, will enable the planners to identify local needs better. Theoretically, the proposition seems very attractive and it is also possible that in many cases local priorities identified by the local people may turn out to be quite different from both the planners' priorities which are determined more by macro considerations and the implementors' priorities which are determined largely by administrative convenience considerations. However, the difference in priorities as long as they are concerned with fairly well-defined alternatives (e.g. building a school or building a road or spending on social forestry) may be relatively simple choices although even in this case there might be conflicts of interest at the local level. We may also note that the special programmes of the Sixth and Seventh Plans have included a component for ensuring peoples participation. This has been included in the guidelines for the programmes in terms of a requirement that a Gram Sabha or a village assembly be convened before the schemes or the beneficiaries are selected.

6.19 At a more substantive level, the question which must be asked is: do people have the information, knowledge and skills for good identification of schemes? The answer would be: "Not always and not very often". To illustrate: the need of the poor, both in rural as well as in urban areas is higher income and a better standard of life. The individual's perception of whether this can be ensured through more employment or through more assets of a particular type will depend upon his perception of the environment around him and his perception of his own abilities and resources, this perception may not be a solution for his problems. He may lack the information or the skill to process the available information for arriving at a good solution. Economists have long identified this as one of the reasons for the breakdown of decentralized market systems and therefore justified planned state interventions. In short, what is required is for specialists to work with rural people and workout better techno-economic

viable options for them. The problem is not that there are no local planning networks but it is that the specialists are too far removed from rural realities. Where this is not the case, the schemes are identified well and do operate effectively. This is more particularly true for schemes that involve the artisans and schemes for the development of non-agricultural activities in rural areas. The technology, supply of raw materials and market linkages that are necessary for viable schemes require the knowledge and skills of several specialists. The decentralized structure, in this context, may be part of the means for achieving the end; it cannot be an end by itself.

6.20 Formulation of schemes: The second requirement is for better formulation of schemes for the development of an area. This requires better synchronization and harmonization between different departments. It also requires pooling of resources and of functionaries as well as sharing of responsibilities. Whether this can be done in the existing departmental frameworks and the separate hierarchies of generalist administrators and specialists is not certain. One is not convinced that it is very desirable, either, from the point of view of the overall structure of the administrative machinery.

6.21 Implementation of Schemes: Another way to make planning more responsive to the local needs is to focus attention on the processes of plan implementation i.e. the execution of development schemes at the local level. Plan implementation is necessarily a decentralized process involving several levels of political and administrative hierarchies. However, the centrally sponsored schemes whether IRDP, TRYSEM or rural employment come with a plethora of guidelines on how to go about implementing them. The local administrators respond by picking up schemes that are most implementable, use the guidelines and report back the achievements by indicating the fulfilment of physical and financial targets. The implementability of a scheme is decided on administrative and/or political reasons. Little effort is made to assess its economic viability. Cost benefit analysis is not undertaken. Location is also done on an ad-hoc basis partly because of lack of systematic information on what other facilities are available and which ones are needed to make the scheme successful. Thus, while little is left to local authorities, what is left is also poorly undertaken. It is suggested that even within a centralized planning system, the actual implementation processes could be improved to yield better results.

6.22 The problem of implementation that are related to coordination between departments are the same as those which do not give us good plan formulation. They are problems of harmonization of schemes. To be sure, the government has attempted to achieve better implementation through streamlining of several procedures and by assigning well identified responsibilities to

different functionaries. However, the problem of linkages within the system continues to be serious. That this problem of administrative linkages is endemic is recognized by most observers as well as those involved in implementation although the seriousness of the lack of co-ordination may vary from place to place and from scheme to scheme. In other words, a decentralized framework of plan formulation and implementation also requires structural changes in the departmental system and its line hierarchies. This must be accepted and steps taken for change along with steps for political devolution and panchayat elections. But, while decentralization of the overall planning process is important, inadequate progress in it should not become an excuse for not improving the implementation process that lead to better results.

6.23 It is also expected that better implementation from a decentralized structure would result from the development of countervailing power of the local people who would demand more effective performance from the administration. In other words decentralization would encourage the people at the receiving end to mobilize and demand what should rightfully reach them. This would lead to lesser leakages and better implementation. This question of developing countervailing power and effective mobilization of the poor is a political issue. Panchayats by themselves or holding elections alone will not help. The local level power structures are often far more brutal and iniquitous than the power equations at higher levels. Correctives being proposed at present are compulsory allotment of seats to the deprived groups, including women, in the panchayats. Past experience of effective participation on this basis alone makes one a little skeptical whether this would improve the situation. The point, however, is: what are the correctives if the local level structures produce results that are perverse or counter to the plan objectives?

6.24 **Maintenance of Assets Created:** Lastly, decentralized planning is expected to result in better maintenance of assets created through rural employment programme and to better mobilization of resources. Voluntary bodies and non-government organizations are expected to play a more effective role in this respect. The question on mobilization of local resources is once again a political question of financial and administrative responsibilities of different levels. Recent experiences in several cases such as that of the Regional Rural Banks, Cooperatives, autonomous bodies, public sector undertakings etc. shows that the dichotomy and the distinction between government and non-government is very difficult to maintain irrespective of what the organizational structure might be. Within the government such problems have already arisen in the ICDS and adult education programmes with the courts ruling in favour of those working in these programmes. Such problems may become endemic elsewhere also.

If any one engaged in work on a government sponsored programme is to be treated like the relatively highly paid government employees the cost of operation of whatever scheme is implemented is likely to become prohibitive and will eat into the already scarce resources available for rural development work. Anything which is supported by the Government directly or indirectly becomes totally identified with the Government. The responsibility also becomes that of the government. Community assets such as, for example, hand pumps, or rural roads of school buildings etc. are not maintained properly because the assets have been given by the Government. They are not assets of the people but of the government. Will Panchayat Raj enable the dichotomy between the government and people to be strengthened or to be abolished? The answer is not very clear. The expectations, on the other hand, from the decentralized framework are too many.

Unit of Decentralised Planning

6.25 What should be the lowest unit of planning in a decentralised arrangement? This is a question that assumes significance in view of the issues discussed above — of better planning and implementation of developmental projects on the one hand, and of the need to make allocational choices or have a larger perspective, on the other.

6.26 In this context, the Planning Commission itself has been engaged in several exercises to work out details of what a decentralized, local level planning framework can be. Ever since the Dantwala Committee Report on Block Level Planning (1981) the idea has been kept alive within the Planning Commission which has maintained a cell on multilevel district/block planning in the Commission. The Block Planning approach of the Dantwala Committee gave way to district planning approaches. The Hanumantha Rao Committee and the subsequent G.V. K. Rao Committee reports are the two documents which are quoted repeatedly in this context. During the Seventh Plan period some states notably Karnataka and West Bengal tried to work with a panchayat level decentralized planning system. On the basis of positive reports on the working of this system, the current thinking once again emphasizes decentralised planning as the solution for dealing with basic rural problems in the country including the problems of rural employment. The Eighth Plan Approach Paper is an example of this emphasis. There is no doubt that the political will and the commitment to decentralized planning has never been as strong as it appears to be today. It is in this context that one needs to examine the proposition of decentralized planning in greater detail to see the extent to which it may be feasibly undertaken.

6.27 It is necessary to emphasize here that the scope for decentralization is activity specific and

need not be explored in all aspects of planning or decision-making. There are functions in respect of which a decentralised arrangement is decidedly better than a centralised one. These functions may pertain to selection and formulation of schemes or their fine-tuning to suit local conditions. There are other functions for which a centralised arrangement has distinct advantages. These may pertain to allocational decisions or to reaching deprived segments in a sharply stratified setting. It is, in fact, owing to a lack of an egalitarian context, that structural reforms are stressed as a pre-condition to effective decentralization in India¹⁶. In short, the level to which decentralization can or should take place is better dictated by the functions for which it is being considered.

Concluding Observations :

6.2 The basic premise is that planning mechanisms which are responsive to local needs in general are more likely to be sensitive to the needs of rural labour. To make these more responsive, the need is to impart greater autonomy and flexibility and to decentralise the planning process. However, a decentralised arrangement may not be necessary in each and every situation; it may be function-specific.

6.29 Apart from devolution of resources and planning functions, this may be achieved by greater consultation in the planning processes. Greater consultation may be brought about by institutional changes at various levels. So that at the state and district-level there may be mechanisms for active participation of the block and village level institutions, and for consulting with local level interests, voluntary agencies technical

experts and academics. Within the panchayats this may take the form of larger representation of the landless and of women. These mechanisms would serve to incorporate local urges and aspirations, and would lead to improved identification and formulation of developmental schemes.

6.30 Simultaneously, efforts must be made to strengthen the planning capacity at the lower levels. For strengthening the capability to take locational decision, for instance, village surveys of facilities available would be extremely important. Political and administrative decisions can then be informed by more data based reasoning. Determining economic viability of projects presents more complex problems. Little expertise is available for this purpose with the local administrators¹⁷. And training has its limitations because administrators are frequently on the move — place and job notwithstanding. Peripatetic teams giving guidance to local administration could prove to be extremely useful.

6.31 Monitoring and evaluation of projects should be conducted by involving the beneficiaries of these projects and the local voluntary organisations. The concept of participation should not be restricted to only the resource allocation or planning stage. Evaluation is an important part of the project cycle and local participation would be extremely useful at this stage. Greater transparency of the planning process and providing more information to the people — whether of location of projects, numbers employed wages to be paid, or norms of work etc.—apart from ensuring better monitoring and implementation is important for the emergence of countervailing forces.

16. We understand that another study group is looking into the question of land-reforms. These issues have therefore not been discussed here.

17. In an action research project some years ago, we attempted to create District Planning Cells in some six districts to help the project administrators. The Cell had some expertise available and was supported by a regional research institute.

VII

SUMMARY AND RECOMMENDATIONS

7.1 A review of planning models indicates that the employment objective, which was treated as incidental to achievement of growth objectives in earlier plans, has been incorporated into the technical frame work of recent plans in the form of sub-models. However, it remains to be endogenized in the Indian plan models. This relative neglect of the employment objective is witnessed at the level of selection of projects as well. It is for this reason that the group recommends that Employment should be an explicit objective of planning at all levels — from macro-modelling for the plan to selection of projects at the local level. An implication of this recommendation has for plan modelling is to place equal emphasis on labour-output ratios as on capital-output ratios. Similarly, in selection of projects employment generation should be an explicit concern.

7.2 Productive, income generating, employment is an important vehicle for income transfer to the disadvantaged groups. However, there are situations where such transfers become necessary irrespective of the productivity considerations e.g. in abysmally backward regions, to totally marginalized sections or during severe natural calamities. While income transfers irrespective of short-term productivity considerations may be necessary, these occasions should be strictly limited, such transfer should be made transparent and open and there should be a clearly enunciated exit policy.

7.3 The group recognizes that planning entails much more than merely employment generation. While providing guaranteed employment is but a first step in ameliorating the lot of the distressed classes, the need is, quite clearly, to go beyond provisions for employment generation *per se*. In this short run this can be done by providing for certain minimum social needs. Access to basic social services, such as health education and nutrition etc., should be ensured through direct interventions, say for instance, by directly subsidizing education for the children of rural labour. In the long run, however, it is the income earning capacity that has to be augmented — whether through access to assets or imparting socially useful skills or both. Programmes for skill upgradation and for bridging the entrepreneurial gap have thus to continue simultaneously. In sum, the short-term thrust has to be on provision of employment coupled with access to basic social services and

the long-term effort should be to augment income-earning capacities of rural labour by making them more employable.

7.4 Although rural labour constitute the bulk of the so-called "marginalized" sections, it is clear to the group that certain sections of rural labour such as women, scheduled castes and tribes are more deprived than others. Likewise, by-passed regions display a gradation with some regions being more backward than others. Even when the 'Right to Work' is accepted as a guiding principle, given the fiscal and organizational constraints, the need is to adopt a selective approach for employment generation beginning with the most disadvantaged areas/sections, with the objective of "graduating" them to a stage where a special treatment is obviated.

7.5 The group noted the changing composition of rural labour force, pressure of population on agricultural land and limited scope for labour absorption in agriculture. In keeping with these trends and characteristics it is recommended that —

- a. within the farm sector, the focus should shift away from generating employment in crop production to doing so in—
 - i. strengthening the productive base through say, soil and water conservation;
 - ii. ancillary activities such as animal husbandry, forestry and fishery and on agro-processing;
- b. in the future, in view of a growing marginalization of the peasantry and fragmentation of agricultural holdings, the emphasis would have to move away from the farm sector and towards the non-farm sector in rural areas.

In short, besides selectivity with regard to area and sections, the group recommends prioritization in respect of activities for employment generation and suggests that lower priority be accorded to crop-production in a strategy of employment generation and much higher priorities be accorded to resources management and non-farm activities.

7.6 This recommendation has implications, on the one hand, for directing efforts towards skill

formation and providing social|economic infrastructure (provision of credit and marketing support). Skill formation and skill upgradation programmes are regarded necessary and the group recommends that the requisite infrastructure for training, technology transfer, raw material and credit supply and marketing should be developed. Skill upgradation should be related to the needs of the area and the market and efforts at uniformity should be given up.

7.7 On the other, this also implies a planning process more in tune with spatial diversity. The group is unanimous in the need for making the planning process more realistic and responsive. This could be achieved by strengthening the planning capacity at the state level and below (i.e. district and block), and by evolving mechanisms to incorporate the local urges. Apart from technical support, such strengthening would involve greater consultation with, and representation of, the state and local level interests in planning. At the local level, these institutional changes could take the form of representation of landless groups and women. Thus, improvement of planning capability at the state and district level and local participation at the grass-root level are two processes that need to go on simultaneously.

7.8 A caveat to the above recommendation is however, added, by suggesting that decentralization should not be turned into an ideology. There are situations where decentralised decision-making is superior to centralised one. In such situations, planning processes may be improved by encouraging bottom-up planning approach. This could be expected to result in identification and formulation of schemes more in tune with local needs, aspirations and resources, better implementation of schemes and maintenance of assets so created can also be assured. But there are aspects of planning where decentralized decision-making has its own limitations. This may be due to obvious economies of scale or to inadequate development of transport and communication. Also, where sharp stratification prevails in the society, decentralized decision-making may jeopardize the interests of the deprived sections. Two important conclusions follow: First, the scope for decentralization need not always be explored in terms of planning and decision-making in all aspects; it could be in terms of devolution of certain functions, such as the monitoring function. These avenues should be explored. Second, there should be clearly defined accountability especially in regard to the interests of the vulnerable sections even in the case of decentralized planning efforts.

7.9 Planning process should be made more transparent and people should know what is going on. People should be provided information

with regard to location of projects, numbers to be employed, wages to be paid and the norms for determining wages. The group attaches high importance to this recommendation. Irrespective of the level of planning, centralized or decentralized, the sharing of all relevant information would equip the beneficiaries to contribute their share, assert their rights and monitor the activities to avoid wastage and leakages.

7.10 In this connection, as also for identification of projects at the local level, mobilizing resources to undertake these and for performing the monitoring and evaluation functions, the voluntary agencies and non-governmental agencies may be expected to play an effective role. Total reliance on bureaucracy to initiate and implement programmes and projects should be re-examined. The role of voluntary agencies, co-operatives and workers organizations should be recognised in the planning process, and mechanism should be evolved to strengthen them.

7.11 Recognizing that there are obvious limits to how much direct employment the State can provide, the group feels that efforts of the State should be in the nature of catalytic efforts. Concentration should not be solely on job creation but increasingly so on a policy regime and environment which stimulates and supports private initiative for investment and job creation. The state, in other words, should concentrate on creating a climate conducive for private initiative towards self-employment and wage-work.

7.12 Economic policies should be consistent with the overall objective of employment generation. Several policies impinge on the employment objective. Therefore, if creating employment is the basic objective then policies should complement each other in achieving this. There are several instances of inconsistent policies. Our technology policy which, on the one hand, supports the Khadi and village industries and on the other initiates steps in other sectors that would endanger the former is a case in point. Inconsistencies within a policy as also between different policies should be removed, and at the minimum the trade-offs that may be involved should be stated explicitly.

7.13 **Programme formulation:** Translating multiple, and sometimes inconsistent, policies into programmes involves the risk of giving rise to a wide variety of, and sometimes mutually incompatible, schemes. Although with Jawahar Rozgar Yojana (JRY), steps have been initiated towards rationalizing these, there is nonetheless a need to suggest that a plethora of schemes be avoided. Attempts ought to be made to link these schemes with the overall development of the area and to reorient these schemes towards employment generation. Therefore, even in respect of a reduced number of schemes, there

should be a clear appreciation of the contextual heterogeneity, and 'guidelines' once the objectives are clearly stated and resources earmarked, the 'guidelines' from centre to states and from state headquarters to districts and lower administrative units should be minimized if not completely eliminated. Local initiative in identifying projects and local variations in centrally identified projects should be the norm, any deviation should be an exception.

7.14 Protective measures—Minimum wages: The group endorses the need to address the objective of remunerative employment. It is necessary, in this regard, that the Minimum wage legislation be implemented and minimum wages should be guaranteed to all wage paid labour. The group felt that these wages should be fixed realistically taking into account both, resources and sustenance needs (living wages) in different regions and sub-regions. But having so decided, there should exist no scope for laxity in

enforcing implementation of the Minimum Wage legislation. In this regard, the norms of payment for work which make non-compliance with the Act possible for which discriminate against women need to be reviewed. Thus, while providing employment and ensuring that it is productive, it is also imperative to ensure that it is remunerative.

7.15 Protective measures—Insurance cover: There are seen to exist grounds for providing a protective net in the form of an insurance cover to the deprived rural labour. A time has come when concrete, well formulated social security (apart from the right to work), in terms of health insurance, old-age pension, for the rural labour are taken up in right earnest and a time-bound programme is enunciated to provide a social security net for the rural labour. The group recommends that in any such effort there should be provisions to make the beneficiary, the employer and State joint stake-holders.

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Table 1 : Growth Rates of Employment and GDP

	1972-73 to 1977-78	1977-78 to 1983	1983 to 1987-88
Employment*	2.82	2.22	1.65
GDP	4.64	3.97**	4.29**

*Estimates based on "Usual Status" definition including Principal and subsidiary work status and are based on various rounds of NSS.

**For 1983, the data for 1983-84 have been used.

Table 2 : Unemployment Rate and Poverty Ratio : Major States (1987-88)

State	Unemployment Rate(UPS)	Unemployment Rate(DS)	Poverty Ratio
Andhra Pradesh	3.30	7.35	31.6
Assam	5.62	5.09	22.6
Bihar	2.84	4.04	40.7
Gujarat	2.57	5.79	11.7
Haryana	5.86	7.59	11.7
Himachal Pradesh	3.19	3.12	9.1
Jammu and Kashmir	2.67	5.57	13.3
Karnataka	2.44	5.06	32.0
Kerala	17.07	21.19	16.9
Madhya Pradesh	1.51	2.86	36.5
Maharashtra	2.86	4.67	29.1
Orissa	4.66	6.44	37.9
Punjab	4.04	5.07	7.0
Rajasthan	2.68	5.74	23.6
Tamil Nadu	5.25	10.36	32.8
Uttar Pradesh	1.83	3.44	33.0
West Bengal	6.06	8.13	27.6
All India	3.77	6.09	29.2

UPS : Usual Principal Status

DS : Daily Status

Source : A Note on Consideration of Employment objective in Sectoral Plans, Labour, Employment and Manpower Division, Planning Commission, New Delhi, 1990.

Table 3 : Unemployment : Incidence and share by States (1987-88)

State	Share of Unemployment in country (DS)	Prop in Rural areas (DS)	Prop of Females (DS)	Unemp Rate (DS)	Edu. Unemp. as Prop. of total (UPS)
Andhra Pradesh	11.73	74.7	48.7	7.35	30.17
Assam	1.62	87.3	25.1	5.09	41.84
Bihar	5.67	77.5	67.5	4.04	43.07
Gujarat	4.40	72.0	32.1	5.79	32.21
Haryana	2.23	78.9	11.8	7.59	47.20
Himachal Pradesh	0.36	86.6	13.4	3.12	54.64
Jammu and Kashmir	0.72	75.5	11.9	5.57	63.82
Karnataka	4.70	51.5	37.5	5.06	54.38
Kerala	11.40	78.2	54.1	21.19	41.66
Madhya Pradesh	4.05	65.5	28.3	2.86	37.95
Maharashtra	7.44	49.2	31.1	4.67	42.22
Orissa	43.12	85.4	45.3	6.44	35.85
Punjab	1.89	59.2	17.1	5.07	59.16
Rajasthan	5.40	81.7	30.4	5.74	20.82
Tamil Nadu	14.58	61.7	38.3	10.36	35.84
Uttar Pradesh	8.45	76.1	20.1	3.44	47.37
West Bengal	9.45	56.8	32.5	8.13	38.44
All India	100.00	68.5	33.1	6.09	39.86

UPS : Usual Principal Status

DS : Daily Status

Source : A Note on Consideration of Employment Objective in Sectoral Plans. Labour, Employment and Manpower Division. Planning Commission, New Delhi, 1990.

Table 4 : Pattern of Central Resource Transfers to State 1951-52 to 1984-85

(Percent)

Category	I 54-56	II 56-61	III 61-66	IV 66-69	V 69-74	VI 74-79	VII 80-85	Total
Finance Commission	31.2	32.0	28.4	33.3	35.9	43.5	41.3	40.1
Share in taxes	24.0	23.3	21.4	24.0	30.2	33.1	38.9	34.9
Grants under Art 275	1.9	5.3	5.2	7.9	4.7	10.1	2.2	4.6
Other Grants	5.3	3.4	1.8	1.4	1.0	0.3	0.2	0.6
Plan Transfers	61.5	36.0	48.9	35.9	31.3	41.5	43.4	41.1
State Plan Scheme	24.5	36.9	44.9	33.1	23.4	31.4	32.0	31.2
Central/Sponsored Schemes	37.0	*	4.0	2.8	7.9	10.1	11.4	9.9
Other Transfers	7.3	31.3	22.7	30.8	32.8	15.0	15.3	18.8
TOTAL	100	100	100	100	100	100	100	100

*Included under State Plan Scheme.

Source: Report of the Sarkaria Commission, Annexure X.4.

Table 5 : Percentage of Projected Public Sector Outlay on Different Sector in the Seventh Plan

Sectors	Percentages
1. Energy	30.45
2. Social Services	16.31
3. Transport	12.76
4. Industry and Minerals	12.48
5. Irrigation	9.43
6. Agriculture	5.87
7. Rural Development	5.04
8. Communication Information and Broadcasting	3.60
9. Special Area Programme	1.75
10. Science and Technology	1.37
11. Others	0.94
12. Total	100.00

Source: Seventh Five Year Plan. Planning Commission, Government of India, 1985.

Table 6 : Contribution of Mills Powerlooms and Handlooms in Cotton Cloth Production

Year	Mills	Powerlooms	Handlooms	Total
1961	4701 (66.46)	705 (11.09)	1507 (22.45)	7073 (100.00)
1971	3957 (53.79)	1304 (18.81)	2015 (27.39)	7356 (100.00)
1981	3147 (38.76)	3189 (39.27)	1784 (21.97)	8120 (100.00)
1984	2619 (28.97)	3348 (37.04)	3073 (33.99)	9040 (100.00)
1989	1988 (21.12)	3873 (41.14)	3551 (37.73)	9412 (100.00)

() Figures in parentheses are percentages to the total.

Source: Report on the Textile Industry. Textile Commissioner's Office, Ministry of Textile. Government of India, 1989.

Table 7 : Number of Main Workers in Rural Household Industries

	1961				1981			
	Male	Female	Total	% to total mfg.	Male	Female	Total	% to total mfg.
1. Grain mills products	103006 (38.24)	166380 (61.76)	269386 (100.0)	2.71	70608 (86.70)	10833 (13.30)	21441 (100.0)	1.50
2. Production of indigenous sugar, boora, khandhari, gur etc. from sugarcane and palm juice	66802 (52.76)	59891 (47.24)	126773 (100.0)	1.28	19693 (72.03)	7647 (27.97)	27340 (100.0)	0.50
3. Production of edible oils	123106 (58.53)	87208 (41.47)	210314 (100.0)	2.11	23691 (21.19)	5490 (18.81)	29181 (100.0)	0.54
4. Cotton spinning in other than mills	39142 (55.44)	31463 (44.56)	70605 (100.0)	0.71	17165 (27.92)	44323 (72.08)	61488 (100.0)	1.13
5. Cotton weaving handlooms	725378 (51.46)	684188 (48.54)	1409566 (100.0)	14.18	531054 (77.74)	152027 (22.26)	683081 (100.0)	12.57
6. Manufacture of khadi textile in Handlooms	37249 (67.28)	18110 (32.72)	55359 (100.0)	0.56	16922 (76.73)	5133 (23.27)	22055 (100.0)	0.41
7. Wool spinning in other than mills	7057 (9.81)	64905 (90.19)	71962 (100.0)	0.72	761 (14.27)	4573 (85.73)	5334 (100.0)	0.10
8. Wool weaving in Handloom	32430 (58.95)	22583 (41.05)	55013 (100.0)	0.55	3412 (58.88)	2383 (41.12)	5795 (100.0)	0.11
9. Spinning of Silk other than in mills	5512 (28.44)	13869 (71.56)	19381 (100.0)	0.19	3583 (43.67)	4621 (56.33)	8204 (100.0)	0.15
10. Weaving of Silk textiles in Handlooms	70994	22512	93506	0.94	43686	14578	58264	1.07
Sub-Total from 4 to 10 (Total Handloom)	917762 (51.69)	257630 (48.31)	1775392 (100.0)	17.06	616583 (73.04)	227638 (26.96)	844221 (100.0)	15.54
11. Cotton weaving in Powerloom	9451 (69.73)	4103 (30.27)	13554 (100.0)	0.14	10698 (83.85)	2061 (16.15)	12759 (100.0)	0.23
12. Wool weaving in Powerloom	1815 (57.91)	1319 (42.09)	3134 (100.0)	0.03	237 (69.91)	102 (30.09)	339 (100.0)	0.01
13. Silk weaving in Powerloom	1606 (75.79)	513 (24.21)	2119 (100.0)	0.02	1393 (76.33)	432 (23.67)	1825 (100.0)	0.03
Sub-Total from 11 to 13 (Total Powerloom)	12872 (68.44)	5935 (31.56)	10807 (100.0)	0.19	12328 (82.61)	2595 (17.39)	14923 (100.0)	0.27
14. Manufacture of Wood and Wood products	914614 (65.48)	482159 (34.82)	1396773 (100.0)	14.05	905275 (77.40)	264313 (22.60)	1169588 (100.0)	21.53
15. Curing tanning and finishing of Hides and Skins & preparation of finished products	61450 (77.83)	17510 (22.17)	78951 (100.0)	0.79	10813 (87.25)	1580 (12.75)	12393 (100.0)	0.23
16. Footwear manufacturing	319474 (90.72)	32665 (9.28)	352139 (100.0)	3.54	124501 (94.50)	7242 (5.50)	131743 (100.0)	2.43
17. Manufacture of Earthenware and Earthen pottery	3998.42 (65.76)	208271 (34.24)	608059 (100.0)	6.12	356025 (78.91)	95149 (21.09)	451174 (100.0)	8.31
Grand Total of Selected Industries	2919008 (60.33)	1917586 (39.65)	4836594 (100.0)	48.64	2139517 (77.46)	622487 (22.53)	2762004 (100.0)	50.85
Total of the whole Manufacturing Sector	6071152 (61.06)	3671518 (38.94)	9942670 (100.0)	100.00	3931502 (72.37)	1500687 (27.63)	5432189 (100.0)	100.00

Source: General Economic Table Census of India, Table B-12 to B-17, Part III-13 (ii) of 1981 and Part II B (i) of 1961.

Note : Figures within brackets are the percentage of male and female to total workers.

Table 8 : Employment in Different Rural Industries (1977-78 and 1983-84)

(Numbers in Millions)

	1977-78				1983-84			
	Male	Female	Total	% to total mfg.	Male	Female	Total	% to total mfg.
1. Grain Mill products	0.30	0.13	0.42	3.35	0.43	0.16	0.59	3.77
2. Production of indigenous, boora sugar, khandasri, gur, etc. from sugarcane and Palm juice	0.18	0.04	0.22	1.76	0.14	0.01	0.15	0.96
3. Production of Edible oils	0.07	0.03	0.10	0.80	0.07	0.03	0.10	0.64
4. Cotton spinning in other than mills	0.02	0.12	0.14	7.98	0.04	0.12	0.16	1.02
5. Cotton weaving in Handlooms	0.58	0.40	0.98	7.82	0.55	0.46	1.01	6.45
6. Manufacturing of Khadi textile in Handlooms	0.02	0.01	0.03	0.24	0.04	0.12	0.16	1.02
7. Wool spinning in other than mills	0.03	0.03	0.06	0.48	0.02	0.03	0.05	0.32
8. Wool weaving in Handlooms								
9. Spinning of silk other than in mills								
10. Weaving of silk Handlooms	0.06	0.03	0.09	0.72	0.09	0.03	0.12	0.77
Sub-total from 4 to 10 (Total Handloom)	0.71	0.59	1.30	10.38	0.74	0.76	1.50	9.58
11. Cotton weaving in Powerloom	0.05	0.02	0.07	0.56	0.10	0.02	0.12	0.77
12. Wool weaving in Powerloom . . . . .	..	..	..	..	..	..	..	..
13. Silk weaving in Powerlooms . . . . .	..	..	..	..	..	..	..	..
Sub-Total from 11 to 13 (Total Powerlooms)	0.05	0.02	0.07	0.56	0.10	0.02	0.12	0.77
14. Manufacturing of wood and wood products	1.26	0.44	1.70	13.57	1.29	0.61	1.80	12.14
15. Curing, tanning and finishing of hides skin preparation of finished products	0.03	..	0.03	0.24	0.03	0.01	0.04	0.26
16. Footwear manufacturing	0.23	0.02	0.25	1.98	0.20	0.03	0.23	1.47
17. Manufacture of Earthenware and Earthen Pottery	0.51	0.27	0.78	6.23	0.52	0.33	0.85	5.43
Grand Total of Selected Industries	3.34	1.54	4.87	38.87	3.52	1.96	5.48	35.02
Total of the whole Manufacturing Sector	8.83	3.70	12.53	100.00	10.13	5.52	15.65	100.00

Source: National Sample Survey, Rounds 32nd and 38th Rounds, CSO Publication, New Delhi.

ANNEXURE

TERMS OF REFERENCE

THE STUDY GROUP ON PLANNING PROCESS

1. To study the models of the national plans and to report on the underlying assumptions regarding labour absorption in the economy and on the wages and incomes policy underlying the growth strategy with special reference to rural labour.
2. To study the wages and income policy and to look, in particular, to the sectoral and regional investment patterns and technoeconomy and on the wages and incomes loyment potential created in different plans.
3. To examine the process of plan formulation and implementation in order to identify the stages at which the concern for employment generation and fulfilment of other basic needs of rural labour such as nutrition, shelter, clothing, fuel, health, education, water supply etc., are incorporated in the plans.
4. To assess the responsiveness of the plan formulation and implementation to the felt needs of different categories of rural labour particularly and assess the degree of their deficiency from normative standards.
5. To examine the process of planning at the State and district levels with a view to assess the concern for employment deflected at these levels.
6. To examine special schemes for employment generation and their efficacy in creating employment and income earning opportunities for the poor in the farm and non-farm sectors.
7. To examine the prospects for sustainability of the special projects for employment generation in the farm and non-farm sectors.
8. To suggest improvements in the process of plan formulation and in the implementation strategies for the special employment programmes to achieve the objective of full and productive employment of the rural labour.