Bulletin

Volume No. XXXXVI 2nd

January 16-31, 2018

For Private Circulation Only

Price : Rs. 1/-

Employers' Federation of India

Promoting a Competitive, Fair and Inclusive Workplace....

World Employment and Social Outlook Trend 2018 : Executive summary

Global economic growth has rebounded and is expected to remain stable but low Global economic growth increased to 3.6 per cent in 2017, after hitting a six-year low of 3.2 per cent in 2016. The recovery was broad based, driven by expansions in developing, emerging and developed countries alike. Future growth is likely to stay below 4 per cent, as economic activity normalizes in most major economies without significant stimulus and fixed investment remains at a moderate level. Global unemployment remains elevated at more than 190 million

The latest developments in global unemployment are also mixed. According to the ILO's new estimation, based on improved data sets and methodologies, the global unemployment rate is expected to fall slightly to 5.5 per cent in 2018 (from 5.6 per cent in 2017), marking a turnaround after three years of rising unemployment rates. However, with a growing number of people entering the labour market to seek employment, the total number of unemployed is expected to remain stable in 2018, above 192 million. In 2019, the global unemployment rate is expected to remain essentially unchanged, whereas the number of unemployed is projected to grow by 1.3 million.

Vulnerable employment is on the rise With these improvements in employment projected to be modest, the number of workers in vulnerable forms of employment (own-account workers and contributing family workers) is likely to increase in the years to come. Globally, the significant progress achieved in the past in reducing vulnerable employment has essentially stalled since 2012.

In 2017, around 42 per cent of workers (or 1.4 billion) worldwide are estimated to be in vulnerable forms of employment, while this share is expected to remain particularly high in developing and emerging countries, at above 76 per cent and 46 per cent, respectively. Worryingly, the current projection suggests that the trend is set to reverse, with the number of people in vulnerable employment projected to increase by 17 million per year in 2018 and 2019.

The pace of working poverty reduction is slowing Similarly, the global labour market has seen only weak progress in the area of working poverty. In 2017, extreme working poverty remained widespread, with more than 300 million workers in emerging and developing countries having a per capita household income or consumption of less than US$1.90 (PPP) per day. Overall, progress in reducing working poverty is too slow to keep pace with the growing labour force in developing countries, where the number of people in extreme working poverty is expected to exceed 114 million in 2018, or 40 per cent of all employed people. Emerging countries, on the other hand, achieved significant progress in reducing extreme working poverty, which is expected to affect less than 8 per cent (around 190 million) of workers there in 2017.

The incidence of extreme poverty should continue to fall, translating into a reduction in the number of extreme working poor by 10 million per year in 2018 and 2019. Nevertheless, moderate working poverty, in which workers live on an income of between US$1.90 and US$3.10 per day in PPP, remains widespread, affecting 430 million workers in emerging and developing countries in 2017.

Significant variations in employment outcomes continue to exist between regions and countries The world continues to experience diverse trends in employment outcomes. Developed countries are expected to enter their sixth consecutive year of decreasing unemployment rates, falling to 5.5 per cent in 2018, the lowest rate since 2007. Yet many countries continue to report high rates of labour underutilization, with large shares of discouraged workers and growing incidence of involuntary parttime employment. By contrast, emerging countries have experienced a significant increase in unemployment rates between 2014 and 2017, driven by major economic downturns, in part due to the commodity price slump in many large economies, such as Brazil and the Russian Federation. The year 2018 marks a turning point, as the unemployment rate is expected to fall to 5.5 per cent (from 5.6 per cent in 2017), which would translate into an increase in the number of unemployed in emerging countries of around 0.4 million in 2018 and 1.2 million in 2019. Unemployment in developing countries is expected to increase by half a million per year in both 2018 and 2019, with the unemployment rate remaining at around 5.3 per cent.

For many developing and emerging countries, however, persistent poor-quality employment and working poverty pose the main challenges. Inequalities in labour market outcomes persist Underlying these aggregate labour market and social trends are disparities across a number of demographic groups. Gender disparities are of particular concern. On average, women are less likely to participate in the labour market, facing a global gender gap in participation of over 26 percentage points, and are less likely to find a job when they do participate. These gaps are particularly wide in Northern Africa and the Arab States, where women are twice as likely to be unemployed as men. Once in employment, women face segregation in terms of the sector, occupation and type of employment relationship, resulting in restricted access to quality employment. For instance, 82 per cent of women in developing countries are in vulnerable forms of employment in 2017, compared to 72 per cent of men.

The lack of employment opportunities for youth (i.e. those under 25 years of age) presents another major global challenge. Young people are much less likely to be employed than adults, with the global youth unemployment rate standing at 13 per cent, or three times higher than the adult rate of 4.3 per cent. The challenge is particularly acute in Northern Africa, where almost 30 per cent of young people in the labour market are without a job. Importantly, gender inequalities are already established among young workers, rendering future progress in reducing gender gaps even more difficult.

Looking ahead, the projected structural shifts to the service sector could create complex pressures on job quality Internal and external forces, such as technological progress, capital accumulation, globalization, demographics and government policies, are expected to continue to spur the reallocation of employment across sectors of production. Across all income groups, an ever-increasing number of workers are projected to be employed in the service sector, while the employment share in agriculture is set to continue its long-term downward trend. Furthermore, the share of manufacturing employment is expected to continue its decline in upper middle-income and developed countries, and to grow only marginally in lower middle-income ones. This confirms the ongoing trend of "premature deindustrialization", whereby lower-income countries are seeing declining shares of industrial employment at earlier stages of development compared to developed countries.

This phenomenon could render the positive impacts of structural transformation in reducing informal and vulnerable employment smaller than commonly expected, given that most workers moving out of agriculture are anticipated to find employment in a range of market services, where the incidence of poor working conditions is higher than in industry. In developed countries, the projected increase of services employment could raise the incidence of part-time employment and time-related underemployment. Consequently, the anticipated path of structural transformation appears to have limited potential to lead to widespread improvements in working conditions.

Thus, strong policy efforts to foster formalization and boost job quality and productivity in the service sector represent an important precondition for ensuring the decent work outcomes of structural transformation. An ageing population will add further pressure to future labour market challenges As a result of rising life expectancy and declining birth rates, global population growth has considerably decelerated and this trajectory is expected to continue over the next few decades.

One immediate implication of this slowdown is that growth of the global labour force will not be sufficient to compensate for the rapidly expanding pool of retirees, putting pressure on both the pension system and the labour market as a whole. In developed countries, where population ageing is considerably faster, it is estimated that, by 2030, there will be close to five persons aged 65 and over for every ten persons in the labour force, up from 3.5 in 2017. Meanwhile, population ageing will inevitably lead to an increase in the average age of those in the labour force, challenging workers' ability to keep up with the pace of innovation and structural changes in the labour market. Globally, the average age of the labour force is expected to rise from nearly 40 in 2017 to 41 in 2030, growing considerably faster in Europe and Eastern Asia, notably China.

Taken together, these trends pose several challenges, including keeping retirees out of poverty, promoting decent work outcomes for an increasingly ageing labour force and helping older workers adapt to changes in the world of work. Arguably, old-age poverty is inherently tied to existing labour market inequalities, as workers with inferior working conditions and incomes have less access and capacity to contribute to a retirement savings scheme. Therefore, ensuring adequate labour market opportunities for all, while also improving labour market outcomes, constitutes an important cornerstone to the goal of alleviating old-age poverty. In this regard, fostering the employability of workers through life-long learning is key to expanding their employment opportunities. Targeted actions are also needed to encourage older workers' participation in training and skills-updating schemes in order to help lower the risk of labour market detachment and early retirement which would put added pressure on pension systems. ***ILO***

Sharp dip in employment levels in 2015-16: Survey

Employment levels, particularly for women, in 2015-16 as against 2005-06 have registered a sharp dip though women were employed in larger proportions than men in occupations such as "professional", "technical", "administrative" and "managerial", the national family health survey has found.

A slightly higher percentage of women at 10% than men at 8% are employed in a professional, technical, administrative, or managerial occupations. Interestingly, 11% women who worked in past year were self employed.

Data collected by the survey shows employment levels have come down to 24% in 2015-16 for women, as compared to 36% in 2005-06. The figure is less stark for men but there is still a drop, with percentage currently employed down from 85% to 75% in the past decade.

"70% of women and 19% of men reported that they were not employed in the 12 months preceding the survey," the survey said.

The survey found that men are three times as likely to be currently employed as women. The occupations have been categorised as professional, technical, administrative, managerial, clerical, sales and services, skilled manual, unskilled manual and agriculture.

Both women and men are most commonly employed as agricultural workers (48% of women and 32% of men), followed by production workers (21% and 32%, respectively).

A large majority of employed women (81%) and men (90%) earned cash for their work, but 15% of women and 8% of men did not receive any payment.

Jammu & Kashmir (14%), and Bihar and Assam (15% each) have the lowest percentage of women currently employed. More than one-third of women were currently employed in Manipur (41%), Telangana (39%), Meghalaya and Mizoram (35% each), and Andhra Pradesh (34%).

Amongst men, in the 15-19 years age group, 29.4% are currently employed, with 4.5% 'not currently employed'. In the age group 20-24 years among men, 63.9% are employed. The percentage of unemployed goes down thereafter, ranging between 8.2% to 1.9% for 25-49 year old men.

ET Dated : 01-02-2018

Economic Survey 2017-18: Labour - Over 50% industrial jobs in formal sector

Whether adequate new jobs are being created or not is contentious, the Survey said 12.7 crore or 53% of India's 24 crore non-agricultural workforce belongs to the formal sector. According to the survey India's formal sector, especially formal non-farm payroll, is substantially greater than what it currently is believed to be. It became evident that when "formality" was defined in terms of social security provisions like EPFO/ESIC the formal sector payroll was found to be about 31% of the non-agricultural workforce. When "formality" was defined in terms of being part of the GST net, such formal sector payroll share was found to be 53%. Right from whether a worker has a formal contract to whether he is under the social security net, formality is defined in many ways in India in the absence of a clear-cut demarcation. In its 68th round of survey, carried out in 2011, the National Sample Survey Organisation had pegged the country's non-agricultural workforce at 24 crore. Deriving the definition of formality for employees who are part of the firms paying taxes under the Goods and Services Tax (GST), the Survey arrived at the number of formal employment at 11.2 crore and added the regular government employees of 1.5 crore to arrive at the number.

It could have gone up even further had it added defence personnel to the number. However, the Survey puts a cautionary note on the numbers derived from the GST registration, saying, "not all the firms that pay GST are formal, in the common-use sense of the term" since many small, below-the-threshold (Rs 20 lakh) firms have registered for the GST so that they can secure tax credits on their purchases. At the same time, the derived figure excludes many formal workers in sectors outside the GST such as health and education. Meanwhile, the number of formal sector payroll, however, would be less at 7.5 crore, including government workers, if "formality" would mean and limited to those workers who are under social security provisions like Employees' Provident Fund Organisation (EPFO) or Employees' State Insurance Corporation (ESIC). This would then mean that the about 31% of the non-agricultural workforce are in the formal sector.

Currently, the EPFO has an active subscriber base of over 4.5 crore, a little over 3 crore employees are covered under the ESIC scheme. Under the EPF Act, 1952, an EPF account is mandatory for all employees earning up to Rs 15,000 per month in firms employing more than 20 workers. Above the threshold, contributions are voluntary.

For ESIC, the eligibility threshold was raised last year to a maximum monthly income of Rs 21,000 per month from Rs 15,000 earlier. Although there are proposals to lower the employee threshold for EPF cover from 20 now and raise the wage ceiling for mandatory EPF to Rs 21,000 per month from Rs 15,000, these are yet to be implemented.

The survey also found that of the 712.9 lakh firms, just about 0.6% firms accounting for 38% of the total turnover and bearing 63% of the GST liability are what might be called in the "hard core" formal sector in the sense of being both in the tax and social security net. At the other end, 87% of the firms, representing 21% of the total turnover, are purely informal, outside of both the tax and social security nets. Around 12% of the firms are in the tax net, but not on the social security net and the remaining 0.1% are in the social security net, but not in the GST net.

FE Dated : 30-01-2018

Economic Survey 2017-18: Garments package - Exports grew 16% over similar sectors

The Rs 6,000 crore package for the apparel sector, implemented in November 2016, has helped exports of ready-made garments (RMGs) made of man-made fibres (MMFs) to increase by 16% over the comparable groups in less than a year, the economic survey said, adding that "the impact of the package increased over time and did not show any signs of attenuation." Taking the "difference-in-difference" approach, which essentially tends to find the gap between the clothing and comparable group, it said, "the impact on MMF-RMGs increased gradually over time; by September 2017, the cumulative impact was about 16% over the comparable groups." The survey, though, is silent on the number of jobs created since the time it was implemented.

The government had targeted to create one crore additional jobs and investments of Rs 74,000 crore and extra exports of $30 billion (over and above the textile and garment exports of $40 billion in 2015-16) over a three-year-period. However, just 655 units have availed themselves of the benefit till recently and the number of beneficiaries stood at 1,55,564, according to labour ministry data. And not all are new employment.

The cabinet approved the package in June 2016 to help the textiles and apparels sector grab the tremendous growth opportunity for exports and creating employment. Major components of the scheme included enhanced subsidy under Amended Technology Upgradation Fund Scheme for concessional import of machinery, implementation of rebates on state levies (RoSL) for state levies which were not refunded through duty draw-back earlier. "Prior to the package, duty-drawbacks were between 7.5% - 9.8% for apparels. After the package, the RoSL increased export incentives by between 2.8-3.9%," the survey said.

Apart from these incentives, the government also introduced fixed-term employment for the industry to hire more in times of need to cater for the seasonal nature of order flows and committed to bear the entire 12% employer's contribution to the employees provident fund for the first three years (against 8.33% earlier under a scheme).

FE Dated : 30-01-2018

Labour law reforms: Trade unions oppose new factory closure laws in Maharashtra

To oppose the proposed reforms in labour laws regarding closure of factories, trade unions across Maharashtra will hold divisional level meetings to create awareness among people and gather four crore signatures backing the demands of workers.

The current rule is to seek permission for factories with 100 or more staffers, The divisional level meetings would be held in February at Mumbai, Ratnagiri, Pune, Solapur, Sangli, Aurangabad, Amravati and Nagpur.

IE Dated : 16-01-2018

Government working to reform labour laws: President

President Ram Nath Kovind said on 29th January that the government was working to reform labour laws and create a favourable business environment in partnership with the states.

In his customary address to a joint sitting of both the Houses of Parliament marking the start of the Budget Session, the President said India's growth rate remained impressive despite global economic slowdown as the government has taken up "strengthening of financial institutions on priority".

"During the first quarter of 2016-17, the economy witnessed a temporary slowdown in GDP growth. The second quarter of 2017-18, however, has seen a reversal of this trend.

In the last three-and-a-half years, the rate of inflation as well as government's fiscal and current account deficits have, on an average, shown a decline," the President said.

He said minimum wage of workers has increased by more than 40 per cent and the number of registers for compliance of labour laws has gone down from 56 to five.

"Our workers play a central role in nation building.

Sensitive towards safeguarding their interests, my Government is continuously working for reforms in labour laws," he said.

He said that foreign exchange reserves have risen beyond $410 billion in 2017 and policies adopted by the government have contributed to an increase in Foreign Direct Investment from $36 billion to $60 billion during the last three years.

The President said that 'Aadhaar' has helped in securing the rights of the poor by eliminating middlemen and digital payments were being made in over 400 schemes. "Till now, more than Rs 57,000 crore have been prevented from going into the wrong hands."

The President said 1,428 obsolete laws have been repealed as part of efforts to simplify procedures and the government was striving to institutionalise honesty and develop transparent systems in the country to "achieve robust and inclusive development."

He termed the Goods and Services Tax as the biggest tax reform since Independence and said it was aimed at achieving economic integration.

Kovind said National Anti-profiteering Authority has been formed to see that benefits of lower prices of goods and services are passed on to the consumers.

He said the government is committed to revitalise the banking system and to make it transparent and had decided to recapitalise the public sector banks by infusing more than Rs 2 lakh crore of capital in them.

"Our fight against corruption continues. Towards this end, registration of about 3.50 lakh dubious companies has been cancelled in the last one year," he said.

He said E-market place has been created and steps have been taken to give preference to Make in India in public procurement.

On the country moving from 142nd to 100th rank in the Ease of Doing Business rankings, he said this had improved India's credibility in the global market.

He said the government was implementing schemes for strengthening economic democracy in the country. "Under the 'Jan Dhan Yojana', so far, about 31 crore bank accounts have been opened for the poor," he said.

Under the 'Pradhan Mantri Mudra Yojana', about 10 crore loans have been sanctioned so far and more than Rs. 4 lakh crore worth of loans have been disbursed.

Noting that India is youngest among all nations in the world, he said the government is implementing programmes like Start Up India, Stand Up India, Skill India Mission to provide self-employment to the youth.

He said investment in Railways for capacity development and modernisation is being enhanced and 'Bharatmala', an ambitious programme for development of highways, has been approved with a provision of Rs 5.35 lakh crore.

He said UDAN scheme has been started to provide air connectivity to smaller cities.

The president said government has ensured power availability to states at cheap rates by completing work on the 'One Nation, One Grid'.

He said schemes worth Rs. 1.5 lakh crore have been implemented to strengthen the power distribution network.

"Mission to save electricity and efforts to increase electricity production are moving hand in hand. In last three years, solar energy generation has increased by seven times," he said.

BS Dated : 29-01-2018

Economic Survey 2018: Jobs set to be a pressing challenge in the medium term

The Economic Survey said the government will push ahead with labour reforms, increase spending on infrastructure and create an enabling environment for labour-intensive sectors to boost job creation, which it termed as a pressing medium-term challenge.

The Survey reiterated the government's commitment to consolidate a plethora of labour laws into four broad pieces of legislation and adopt technology to ease compliance norms for companies.

With generation of adequate jobs becoming a major political issue ahead of general elections due in 2019, the government said creation of employment opportunities for the youth is one of its three areas of policy focus in the medium term, the other two being education and agriculture.

Around 12 million people enter the Indian labour market every year. The Survey says that India's formal workforce strength may be greater than estimated. In the absence of comprehensive jobs data, it indicates that formal employment may be estimated in at least two ways-via social security benefits and via firms that are part of the tax net.

From the social security perspective, formal employment is equivalent to 31% of the non-agricultural workforce and from a tax perspective, formal employment may constitute 54% of the non-agricultural workforce. The survey has taken 2011 as the base year for the total non-agriculture employment (which was 24 crore) to arrive at the 31% and 54% formal employment figures.

The Survey also advocated improving women's participation in the workforce and reducing male-female pay disparity. It said the gender gap in median earnings for full-time workers is more than 50%. This is much worse than in countries such as South Africa, Brazil, and Chile.

According to the Survey, the female labour force participation rate has declined to 24% in 2015-16 from 36% in 2005-06.

The survey also mentioned leather, textiles, gems and jewelry, MSME and logistics industries as some of the key drivers of jobs growth.

Mint Dated : 29-01-2018

Labour reforms: Maharashtra plans to tweak proposal to ease factory closure norms

Three months after it proposed to ease norms for closure of factories, the Maharashtra government is now planning to revise its proposal to make it easier for factory owners with less than 150 employees to close down, instead of the 300 employees as proposed earlier. The government said it would also include a clause to protect labourers' rights during factory closure. Citing growing automation in industries, factory-owners have been seeking an easing of norms to close down their units. Currently, as per the Industrial Disputes Act, any unit that employs 100 or more people has to seek government permission before it can shut down.

Following representations from factory owners, the Maharashtra Labour department had earlier proposed to increase that number to 300 - implying that factories with 299 or fewer staff members can close down without approaching the government for permissions.

Currently, despite their large numbers, contract labourers in factories are not considered for any severance pay at the time of closure. Sources in the government said that its move of increasing the employee limit to 150, from the current 100 employees, could help attract investment to the state.

The state government's move to tweak its proposal comes after the RSS-affiliated labour union, the Bharatiya Mazdoor Sangh (BMS), met the labour minister on Wednesday on several labour issues including the issue of contract labourers' inclusion in factory closure norms.

Earlier this month, the labour unions affiliated with the Communist Party of India (Marxist), Congress, the Rashtriya Swayamsevak Sangh and the Shiv Sena passed a resolution after a state-level meeting demanding that the state government should mandate that factories with even 50 employees will have to seek government permission before closure.

IE Dated : 29-01-2018

Labour Ministry proposal: Fixed-term workers in all sectors soon

Even as its ambitious labour reform agenda is facing delays for political reasons, the Narendra Modi government is moving fast on bringing in industry-friendly labour-market changes that don't require legislative approval. Fixed-term employment, introduced in the garment sector in September 2016 and replicated in the leather industry recently, is all set to be extended to all sectors.

The fixed-term employment makes it easier for the industry to hire more in times of need to cater for the seasonal nature of order flows, but people employed under such contracts for fixed periods enjoy all benefits akin to the "permanent workers", including work hours, wages, allowances, statutory benefits like employees' provident fund, etc.

According to a draft notification put up by the labour ministry on its website, "No notice of termination of employment shall be necessary in the case of temporary and badli workmen and no workmen employed on fixed-term employment basis as a result of non-renewal of contract or employment or on its expiry, shall be entitled to any notice or pay in lieu thereof, if his services are terminated."

The draft notification seeks to modify the Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018. Fixed-term employment was introduced in apparel manufacturing units as part of a Rs 6,000-crore package, a crucial component of which is that the government bears the entire 12% employer's contribution to the employees provident fund for the first three years (against 8.33% earlier under a scheme).

FE Dated : 27-01-2018

Printed & Published by Mr. Vijay Padate Director - General, Employers' Federation of India, Unit No. 1703, 17th Floor, World Trade Centre 1, Cuffe Parade, Mumbai - 400 005. Tel.: 022-22151726 · 022-22151747 · 022-22151733 · E-mail : efisolar@gmail.com - at Shree Sai Art, 7/C, M. M. Mishra Bldg., Old Nagardas Rd., Andheri (E), Mumbai - 69. Tele : 6699 9173