

Report on Conditions of Work and Promotion of Livelihoods in the Unorganised Sector

National Commission for Enterprises in the Unorganised Sector

EXECUTIVE SUMMARY

Introduction

- 1 The Common Minimum Programme (CMP) of the present Government promised to initiate measures for the welfare of the unorganised workers and the need to “enhance the welfare and well-being of farmers, farm labour and workers, particularly those in the unorganised sector and assure a secure future for their families in every respect.” As a follow up to this promise, the Government of India, constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) in 2004.
- 2 The Commission’s mandate requires it to examine, among other issues, (i) measures necessary for bringing about improvement in the productivity of enterprises and generation of large scale employment opportunities (ii) labour laws in the informal sector, consistent with labour rights; and (iii) expansion in the social security system available for labour in the informal sector. The present Report on Conditions of Work and Promotion of Livelihoods addresses these issues.
- 3 The Commission has so far submitted three Reports, including this one, in fulfilling this mandate. The first Report contained a set of recommendations for implementing a National Minimum social security for unorganised workers and was submitted to the Prime Minister on May 16 2006. The second one recommended a set of measures for regulation of minimum condition of work in the agricultural and non-agricultural sectors that was submitted on July 7, 2007. This third and current Report elaborates the basis of the recommendations contained in the second Report. It also examines the issues related to enhancement of employment, incomes and livelihoods in the unorganised sector and recommends an Action Programme for immediate implementation.
- 4 *Definition and Size of the Sector and Worker:* This Report adopts a definition of the unorganised sector as well as a broader definition of the unorganised or informal worker.

*“The **unorganised sector** consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers”.*

*“**Unorganised workers** consist of those working in the **unorganised sector** or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment and social security benefits provided by the employers”.*

- 5 As on January, 2005, the total employment in the Indian economy was 457 million, of which *the unorganised sector* accounted for 395 million, or 86 per cent of total workers. Of the 395 million unorganised sector workers, agriculture accounted for 253 million and the rest 142 million are in non-agriculture. The Commission has estimated the total number of *unorganised/informal workers* at 423 million, of which 395 million are in unorganised sector and 28 million in the organised sector.
- 6 *Informalisation of the Formal Sector:* The total employment in the economy increased from 397 million to 457 million between 1999-2000 and 2004-2005. The Commission has estimated that in the organised sector employment increased by 8.5 million from 54.1 to 62.6 million. The number of *informal workers* in the organised sector increased by 8.6 million, from 20.5 million to 29.1 million. This means that the entire net increase in the employment in the organised sector consisted of informal workers, without job security or social security benefits. This indicates the increasing informalisation of employment in the formal sector.
- 7 *High Congruence between Poor and Vulnerable and the Unorganised Workers:* Over the decades while the percentage of the population below the poverty line has come down, in 2004-2005 77 per cent people, totaling 836 million, had an income less than twice the official poverty line or below Rs. 20 per day per capita. These are the poor and vulnerable segment of the Indian population. About 79 per cent of the unorganised workers, 88 per cent of the Scheduled Castes and Scheduled Tribes, 80 per cent of the OBC and 84 per cent of the Muslims belong to this category of the poor and vulnerable. Contrary to the trend in the number of people below the official poverty line, the number of people in this segment has steadily increased over the years.

Socio-economic Profile and Vulnerability among Unorganised Workers

- 8 The vulnerability of the workers arise out of their socio-economic status. There is a clear relation between access to human and physical capital and the nature of work. The segments of the workforce that are better endowed have access to better and more remunerative jobs. The average years of education received by the workers in the unorganised sector is nearly 3 years less than that received by workers in the organised sector.
- 9 Low levels of education and poor access to land denies workers access to “good jobs” in the organised sector. Those with poorest access to education and land was confined mostly to casual manual labour. Socio-religious identity adds another dimension of vulnerability. Among the workers in the unorganised sector, the STs had the lowest average years of schooling, 2.8 years, followed by Muslim OBC, Hindu SCs, Muslim Others, Hindu OBCs, while the upper caste Hindu workers, fared the best. While the ST and SC populations are predominantly represented in wage labour, the Muslims are overwhelmingly concentrated in self-employment. Poverty ratios are highest among casual labour and within the social groups, Hindus SC-ST and Muslim OBCs.

The Condition of Wage Workers

- 10 The Commission has observed the poor conditions of work among unorganised workers in various industries in all dimensions such as space, volume (space and height of work place), ventilation, illumination, temperature, humidity, hygiene and cleanliness, as well as protection against accidents.
- 11 The Commission has compared the prevailing wages to two norms, viz. Rs. 66 (recommended by the Ministry of Labour) and Rs. 49 in rural areas and Rs. 67 in urban areas (based on NCRL, 1991). Using the lower norm, the Commission found to its dismay that 40 to 50 per cent of men workers and 81 to 87 per cent of women workers get wages below this figure. If we take Rs. 66 as a norm, more than 85 per cent of all rural workers get wages below this standard.

Self-employed Non-agricultural Workers

- 12 The self-employed workers who form a large segment of the workforce in both agriculture and non-agriculture. They can be broadly divided into *own account workers*, that do not hire any workers, and the *employers or enterprises* that hire workers on a regular basis. Some are *independent self employed* while others are *dependent homeworkers*. The latter are disguised wage workers working on contract out of their homes, ordinarily using their own tools and equipments.
- 13 *Informal enterprise* operated by the self employed workers can also be clearly distinguished into two groups on similar lines: *Own account enterprises* operating with no hired workers and only family labour, and *establishments* operating with at least one hired worker. Nearly 90 per cent of the informal enterprises are own account enterprises and nearly 37 per cent of them have average value of fixed assets less than Rs.5000.
- 14 The daily earnings per worker in own account enterprises are below the minimum wage level for 47 of rural enterprises and 29 per cent of urban enterprises.

Women Non-agricultural Workers

- 15 Women workers, especially those with lower social and educational status, face inherent disadvantages and systematic discrimination in the labour market.
- 16 The nature of jobs women are engaged in as wage workers, the small scale of operation of their enterprises and the nature of homework, leads to poor earnings and poor working conditions for the women in the unorganised sector. In rural areas 82 per cent of female own account enterprises and 72 per cent of urban had minimum income lower than the minimum wage level.
- 17 About 54 per cent of the regular workers among women are domestic workers. Homework is another important feature of women's work and the Report shows that they receive particularly low incomes.

Disadvantaged Workers

- 18 The other segments of disadvantaged workers dealt with in the Report are migrant, child and bonded labourers. About 8 - 10 per cent of the total workers are seasonal migrants who are poor and take recourse to migration as a strategy for survival. The limited social networks of these migrants further increase their vulnerability in the labour market.
- 19 The incidence of child labour has been on the decline in the country. However, a larger perspective of considering all out-of-the-school children brings out the continuing nature of child deprivation. About 21 per cent of the children are out of the school as of 2005, around 45 million.
- 20 The problem of bonded labour is one that is conditioned by what one adopts as the definition. A verdict of the Supreme Court has stated that all those who do not get the statutory minimum wage should be presumed to be treated as bonded labour. No credible estimate of the magnitude of bonded labour is yet available. In any case, the Commission views the problem as huge, in view of the overwhelming empirical evidence arising from a number of studies and surveys

Socio-economic Profile of Agricultural Workers

- 21 Agricultural workers who are largely in the unorganised sector and an extremely impoverished and vulnerable group. Within the agricultural workers, agricultural labourers are worse off than farmers. They are characterised by extreme poverty levels. With no physical and human capital assets, they largely take up wage work in manual agricultural activities. The socially backward like the scheduled castes and scheduled tribe agricultural workers are the most vulnerable within the group. Farmers are slightly better off than the agricultural labourers as they have some capital base in land on which they undertake agricultural activities. This group however has also been characterised by high poverty levels because of predominance of marginal and small farmers among them. Marginal and small cultivators have very little resources and also have to supplement their incomes through wage labour. Their income levels are below their consumption level which leads to high indebtedness among them.

Agricultural Labourers

- 22 *Minimum Wages:* Overall wage levels of agricultural labourers have been very low and further the wage rates have registered a low growth rate particularly through the nineties. Taking a wage of Rs.45 as the cut-off wage for all states the Report notes that 76 per cent got wage rate below this cut-off rate in 1999-00. However in Kerala, Haryana and Punjab a majority had a wage rate above Rs.45.
- 23 *Uncertainty of Work:* Employment days for agricultural wage labourers are characterised by great deal of uncertainty because of seasonality of operations. The pattern of employment days indicates that there are up and downs depending on the agricultural performance of the year.

Farmers

- 24 *Indebtedness:* The problems of farmers are compounded by the slow down in the agriculture sector. Farmer households need credit to meet both consumption needs as well as for production purposes. Increased indebtedness is noted as a reason for a spurt in farmer suicides during recent times across a number of states.
- 25 Small and marginal farmers take loans mainly for consumption expenditure especially for those with less than half a hectare of holding. They do not generate any income from it and perpetuate their debt situation while for the bigger farmers where loans for productive purposes are more significant, income is generated which helps them reduce their debt burden. The deprived social classes including scheduled castes and other backward classes have a higher share of consumption purpose loans, especially in case of the former.
- 26 *Cost-Price Squeeze:* The percentage of area irrigated was as low as thirty-five per cent in 1992. However the large farmers capitalize more on cheaper inputs, having a higher percentage of irrigation from canals which is a cheaper irrigation option, while smaller farmers have to rent water and even other equipments. Farmers often face problems regarding easy and timely availability and quality of these inputs as also regarding the costs and knowledge of use of these inputs in the right quantities. Rising costs of cultivation, low remuneration, high risks with recurrent crop failure, declining agricultural growth, and mounting debts have led the farmer to a situation of distress.

International Experience of Regulation

- 27 A large number of countries across the world, both developed and developing, large and small, have converted the international community's commitment to minimum conditions of work for all workers, into enforceable legislation, and in some cases (such as the European Union) have committed themselves to providing a social floor (in which the rights-based framework evolved by the international community can apply) for all workers, irrespective of social and geographical origin. This is consistent with the approach that the Commission has adopted.
- 28 *Voluntary Codes of Conduct:* With globalisation, there is now a shift to voluntary codes of conduct and their enforcement through third party inspection. Such codes of conduct may be useful in preventing a 'race to the bottom' as countries and firms may compete to lower labour costs. But their success would depend upon the extent to which the states can themselves regulate the conditions of work of the workers.

Regulations of Conditions of Work in India

- 29 There are very few laws that apply universally to all workers, whether in the organised or in the sector. Other laws apply unequivocally to the organised sector. *Overall, the sector workers are covered in a piece meal fashion in various legislations and lack comprehensive protection of minimum conditions of work.*
- 30 *Central Laws for Sector Workers:* Central laws, which regulate conditions of work in the sector fall into three groups. The first group applies generally to the sector. The second group of laws applies to certain groups of workers in the sector and the scope of

application is restricted by the nature of employment, or size of employment. The third group of laws apply mainly to organised sector workers (viz. factories, establishments, or enterprises employing 10 or more workers), but in certain cases, or by relaxing the employment criterion, these laws can (be made to) apply to some sections of workers in the sector. Within these the laws can be categorised into laws relating to physical conditions of work, wages, industrial relations, disadvantaged workers and agricultural workers.

- 31 *State Laws for Sector Workers:* There have been some attempts at the State level to regulate conditions of work in the unorganised sector and of conditions of work of agricultural workers. Important examples are the Kerala Agricultural Workers Act (1974) and the Maharashtra Mathadi, Hamal and Other Manual Workers (Regulation of Employment and Welfare) Act, 1969. These laws have been listed by the Commission in the Report and the compliance with some of them is reviewed.
- 32 The Report shows the need for a comprehensive legislation which can provide a regulatory framework for minimum conditions of work in the country. Such a legislative framework would need to distinguish between the different segments of workers, especially agricultural and non-agricultural workers. It would also need to consider the regulatory framework for homeworkers as well as other vulnerable segments of the labour force. It would also need to take into account the main factors which lead to poor implementation of existing laws.

Protection and Promotion of Livelihoods of Workers

- 33 The Constitution of India clearly recognizes the link between decent conditions of work and the promotion of enterprises in the sector. Articles 39 and 42 emphasize the goals of just and humane conditions of work, while Article 43 of the Directive Principles requires the state to work towards not only the provision of a minimum wage but also “conditions of work ensuring a decent life” and to this end “promote cottage industries on an individual or co-operative basis.” Article 49 emphasizes the need to develop agriculture and livestock towards this end.
- 34 The Eleventh Plan has now accepted that the entire burden of employment creation in the next few years will be on the unorganised sector. Moreover the Plan has accepted that labour productivity in this sector needs to increase at an annual rate of 4 per cent and this would require consistent support to this sector through capital deepening and many other measures.
- 35 *The Impact of Regulation and Laws:* The Constitution of India provides its citizens with the right to life (Article 21) and the right to carry out trade and business (Article 19 (g)). These rights are subject to reasonable restrictions, particularly on grounds of infringing upon the fundamental rights of other citizens. Public policy has the task of maintaining the balance between the rights of groups of citizens in the context of growth and development (which implies the increase of the public good over time). Further, any successful policy requires that those who are likely to be affected are involved in the

decision-making. However, government policies and programmes, regulations and laws, often fail this test, and have an adverse effect on the livelihood of the poor. The Report gives the examples of such policies and laws/regulations that affect the livelihoods of the poor. These laws involve acquisition of land leading to the displacement of people for the construction of public projects and the creation of Special Economic Zones; restrictions on pursuing livelihoods by small traders, rickshaw pullers, manufacturers and vendors in the name of environmental standards and public congestion; and implementation of urban planning for urban ‘development’.

- 36 *Promotional Policies for the Non-agricultural Sector:* The broad approaches that have been followed to support the SSI sector have included support to various traditional industries, credit and enterprise development, micro-credit, technology development and skill training. The Commission has analysed the changing needs of this sector and has recommended measures relating to credit, marketing, skills etc. It has also recommended the creation of a specialized agency – the National Fund for the Unorganised Sector which can take address the developmental needs of this sector.
- 37 *Growth Poles:* An important approach to enterprise development being pursued vigorously is cluster development. Upscaling cluster development efforts is possible through provision of common infrastructure, service centres etc. *The Commission has piloted “Growth Poles” for the unorganised sector, based on a concept of developing a cluster of clusters in project mode with public-private partnership.* This is designed to take the existing cluster development approach to the next level.
- 38 *Policy Initiatives, Programmes and Schemes for Agricultural Workers:* Policy measures for agricultural workers are largely entrenched in the general rural development programmes that have been initiated by the government from time to time. These relate to poverty alleviation measures, employment generation and overall development of rural infrastructure along with development of agriculture. In the last several years, the growth rate of agricultural wages has declined and there are evident signs of agrarian distress in many areas which specially affect marginal and small farmers. There is now a clear need to address this sector (i.e. agricultural labourers, marginal and small farmers) in a focused way.
- 39 *Institutional Credit:* The Commission is concerned that the position of institutional credit for agriculture especially for the marginal and small farmers is unsatisfactory. The Commission has recommended the following four sets of measures as an immediate Action Plan: (1) Separate monitoring of the credit flow to the marginal and small farmers. (2) Change in priority sector guidelines with a target of 10 per cent to be fixed for marginal and small farmers. (3) Measures to increase the outreach of the banking sector in rural areas and in the areas of financial exclusion. (4) Measures to extend credit to the 20-40 per cent of the marginal and small farmers excluded from the formal financial sector due to lack of patta and title deeds.
- 40 *Watershed Development Programme (WDP):* The Commission views convergence of watershed development activities with other programmes as an issue of high

importance. A number activities undertaken in the WDP pertains to wage employment. These activities can be converged with NREGA and SGRY.

- 41 *Promotional Measures for Expansion of Employment:* The main promotional measures for wage workers fall into three main categories: measures to provide them with assets either through credit based programmes, or through land distribution; measures to improve their marketable skills; and measures to provide them with employment opportunities through direct employment creation or expansion of employment in the economy.
- 42 *Land Reforms:* In the Commission's view there is a strong case for redistributive land reforms, viz. one that improves the access of the rural poor to land through expropriation and distribution of surplus land, tenurial reform and better operation of the land-lease market and the land sales market.
- 43 *Self-wage Employment Programmes:* More than three-fifth of the unorganised workers in India are self-employed and asset ownership and operation lowers poverty in most cases. A number of government initiatives exist to facilitate self-employed enterprises. The Commission has advocated rationalization, strengthening and a significant expansion of these programmes.
- 44 Programmes to create direct employment opportunities for wage workers are presently confined to rural wage workers, although they may be extended to urban workers in due course. The NREGA is a major step in the direction of providing assurance and security of employment to rural workers by providing at least one hundred days of guaranteed wage employment in every year to every household whose adult members volunteer to do unskilled manual work. The Act makes an historic step towards recognizing and ensuring work as a right of the people.
- 45 *Skill Training:* The Commission is currently preparing a Report on skill development of unorganised workers, which would place emphasis on providing marketable skills to those workers who have not been able to successfully complete their middle or secondary education (or who have just completed but without any acquired skills) with a view to increasing their employability. The focus of the programmes recommended by the Commission would be on semi-urban/smaller towns which have relatively less training facilities. The initiatives would take into account the best practices from many successful schemes in this field being already undertaken by NGOs/industry associations in various parts of the country.

Recommendations on Ensuring Minimum Conditions of Work and Social Security

- 46 The Commission has drafted two Bills to regulate the conditions of work of the unorganised workers. There are significant differences between the structure of the workforce in the agricultural and non-agricultural sectors. The level of existing laws to protect workers is varied across the two sectors, agricultural and non-agricultural.

Further, the nature of the machinery for the implementation of the existing laws with respect to the agricultural and non-agricultural workers is separate.

47 The Bills prescribe minimum conditions of work and introduction of a minimum social security for both agricultural and non-agricultural unorganised workers.

48 On the minimum conditions of work for all unorganised workers, the Bill's key recommendations include:

- An eight-hour working day with at least half-hour break
- One paid day of rest
- A statutory national minimum wage for all wage workers and home workers
- Employments specifically done by women to be brought on par with employment certified as being of equivalent value
- Penal interest on delayed payment of wages
- No deduction of wages in the form of fines
- Right to organize
- Non-discrimination on the basis of sex, caste and religion, incidences of HIV/AIDS and place of origin
- Adequate safety equipment at the workplace and compensation for accidents
- Protection from sexual harassment, provision of childcare; and provision of basic amenities at the work place.

49 On a minimum social security for all unorganised workers, the Bills mandate the Central Government to formulate and notify a National Security Scheme for the agricultural and non-agricultural workers. The total outlay of the scheme proposed to cover all agricultural workers is estimated at Rs. 19,400 crores. Outlay for non-agricultural workers is estimated at Rs. 12,950 crores. The scheme should include package of National Minimum Social Security benefits whose minimum levels are prescribed as follows:

- Health benefits including
 - Hospitalisation benefit for the worker and his/her family to the tune of Rs. 15,000 per year
 - Sickness allowance for 15 days beyond 3 days of hospitalization @ Rs. 50 per day
 - Maternity benefit to the extent of Rs. 1,000 to the worker/spouse of worker
- Life and disability cover for all unorganised workers to include
 - Life and disability insurance to the tune of Rs. 30,000 (natural death); Rs. 75,000 (accidental death or total permanent disability) and Rs. 37,500 (incase of partial permanent disability)
- Old age security in the form of
 - Pension of Rs. 200 per month to all BPL workers above the age of 60 years
 - Provident Fund for other workers

- 50 The scheme is to be implemented within a period of five years. The organizational model is federal where the implementation will be the responsibility of the State Social Security and Welfare Board with the assistance of the Workers' Facilitation Centre at the grass root level, supervised and monitored by the National Social Security and Welfare Board.
- 51 The Commission has also carefully considered and prescribed a tripartite, conciliation focused, dispute resolution machinery, which in its view is likely to be more effective than the implementation machinery for the few existing laws that are in force for workers in the unorganised sector.

An Action Programme for the Unorganised Sector

- 52 The main recommendations, which in its opinion should get overriding and immediate priority, have been summarized in the form of a 13-point Action Programme for the Sector. While doing so we aim to address the issues relating to the Sector in a holistic manner. The recommendations of the Commission in the Action Programme are framed under the following four groups: **A. Protective Measures for Workers**, which pertain to assuring minimum conditions of work and social security (points 1-2). **B. A Package of Measures for the Marginal and Small Farmers** recommends focused attention on issues confronting the marginal and small farmers (points 3-6). **C. Measures to Improve Growth of the Non-agricultural Sector** includes improving the credit flow to this sector and creation of Growth Poles (points 7-10). **D. Measures to Expand Employment and Improve Employability** through wage and self-employment programmes and skill development (points 11-13).

- I. ***Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors:*** Commission has recommended two comprehensive Bills for agricultural workers and non-agricultural workers respectively the aim of which is to ensure minimum conditions of work, including a statutory national minimum wage, for all workers.
- II. ***Minimum Level of Social Security:*** The Commission has proposed a universal national minimum social security scheme, as a part of the comprehensive legislations, covering life, health and disability, maternity and old age protection which should be provided to workers in the sector both in the agriculture and non-agriculture sectors. The scheme and the accompanying Bill mandate specific obligations on the Government through creation of a clear entitlement for the workers. The Bills also propose the broad financing mechanisms for the scheme.
- III. ***Special Programme for Marginal and Small Farmers:*** The Commission recommends that during the Eleventh Plan period, the government should revive a targeted programme focusing on small and marginal farmers, with an initial thrust on areas where the existing yield gap is also considered to be high. For this purpose a special agency or coordinating mechanism may be set up if required. The objective of the Government's intervention would be to promote state and area specific interventions which could improve the condition of marginal and small farmers.

- IV. ***Emphasis on Accelerated Land and Water Management:*** Since land and water management is the key to equitable and sustained growth in rural livelihoods and particularly affect marginal and small farmers more than bigger farmers, the Commission has recommended that the programmes of land and water management be given immediate priority and must be significantly upscaled .
- V. ***Credit for Marginal-Small Farmers:*** The Commission's analysis has brought out the unsatisfactory state of credit for marginal and small farmers. It has, therefore, recommended that (a) Ten per cent of the priority sector quota be allocated to marginal-small farmers; (b) credit to this segment be separately monitored by RBI; (c) steps be taken to expand the outreach of credit institutions in rural areas; (d) necessary directives may be issued and a credit guarantee fund may be placed with farmers so that marginal-small farmers without collateral may access institutional credit.
- VI. ***Farmers' Debt Relief Commission:*** The Commission has examined the credit and debt situation of farmers in areas of agrarian distress. A special problem in these areas is that small and marginal farmers have limited recourse to institutional credit and are compelled to take recourse to non-institutional sources of credit. The Commission is of the view that the Central Government could provide guidelines and assistance to other states experiencing agrarian distress, both natural and market related, for setting up Farmers Debt Relief Commissions. It is recommended that the Government, as part of the relief package, could extend assistance to the State Commissions on a 75:25 basis. The Debt Relief Commissions, as part of their award, should also examine and institute measures which ensure the entitlement of the marginal/small farmers to institutional credit. These measures would complement the measures already announced by the Government.
- VII. ***Improve Credit Flow to the Non-agricultural Sector:*** The Commission has analysed the credit situation for the non-agricultural sector in detail in a separate Report. This shows the extremely poor as also declining access of this sector to institutional credit. The immediate measures which, in our view need to be taken up on an immediate basis are the following:
- a. The Priority Sector Lending Policy should be revised and a quota for micro and small industries should be set at 10 per cent. Within this, a 4 per cent target to be set with respect to micro enterprises with capital investment (other than land and building) up to Rs. 5 lakhs. Since the priority sector quota for agriculture (including 10 per cent recommended for the small and marginal farmers) is 18 per cent, and another 10 per cent as suggested above for small and micro enterprises, this would leave a quota of 12 per cent from the total priority sector allocation of 40 per cent, which, in the Commission's view, should be allocated for socio-economically weaker sections, for purposes of housing, education, professions etc. with a loan ceiling of Rs. 5 lakhs.
 - b. Measures should be taken to overcome the problem of shrinking outreach in rural areas.

- c. The RBI should issue guidelines for monitoring of credit flow to the micro-enterprise sector, with capital investment up to Rs. 5 lakhs and between Rs. 5 lakhs to 25 lakhs.
 - d. The cost of credit to the non-agricultural sector should be affordable and should be kept on par with the agricultural sector.
- VIII. ***Encouraging SHGs and MFIs for Livelihood Promotion:*** The Commission's review of micro-credit in its Report on Credit, as well as earlier in this Report has shown that micro credit has grown over the years as a major instrument in reducing financial exclusion. In view of the constraints still facing the expansion of micro-finance and SHGs, especially in poor states, the Commission has recommended measures to (a) encourage their growth in backward areas; (b) incentivise micro-finance institutions to expand and diversify their portfolio; (c) strengthen major Government micro-credit programmes such as the SGSY; (d) examine and remove restrictive regulations on the growth of micro-finance.
- IX. ***Creation of a National Fund (NAFUS):*** The Commission analysis of the constraints on the sector and the existing role of institutions such as SIDBI and NABARD has highlighted the need for an exclusive agency take care of the integrated requirements of the entire sector covering both financial and promotional requirement. The Commission therefore recommends an agency be created for the development of the sector which shall be called **National Fund for the Unorganised Sector (NAFUS)**. The NAFUS will be a statutory body with an initial corpus of Rs. 5000 crores which will be funded by Central government, public sector banks, financial sector institutions and other government agencies. Details of the Fund are being submitted separately to Government as part of the Commissions' Report on credit.
- X. ***Upscaling Cluster Development through Growth Poles:*** The Commission has piloted "Growth Poles" for the sector, based on a concept of developing a cluster of clusters in project mode with public-private partnership. As part of this Action Plan, the Commission recommends that twenty-five growth poles (one in each state) be supported during the 11th Plan. The Commission also recommends that 'Growth Poles' should be given the same incentives currently being offered to Special Economic Zones. This will facilitate the sector infant enterprises and thus have a stimulating multiplier effect on the economy.
- XI. ***Expand Employment through Strengthening Self-employment Programmes:*** As shown earlier in this Report, more than 60 per cent of the workers are engaged in self-employment. The Commission has reviewed the four major self-employment generation programmes namely, and recommends that the target for employment generation under these should be raised to 50 lakhs per year. It also recommends a major rationalization and strengthening of these programmes.
- XII. ***Universalise and Strengthen NREGA:*** The Commission strongly endorses the approach of providing a minimum guarantee of employment through the National Rural Employment Guarantee Programme. It recommends that the programme be extended to all districts ahead of schedule, in the third year itself. Since the Government has already succeeded in scaling up the programme to 330 poorest districts in two years, and the uncovered districts

are not high-need districts, the financial implications of doing this will not be high. It also recommends a number of other measures to strengthen this programme.

XIII. *Increasing the Employability through Skill Development:* The Commission has reviewed the skill development initiatives presently been undertaken in the country for the sector workers. It has also reviewed the, “Skill Development Initiative” (SDI) of the DGET, which has been approved recently by the Cabinet Committee on Economic Affairs for implementation at an approximate per worker cost of Rs. 5000. The Commission further recommends that the DGET scheme as approved could be expanded and strengthened through a supplementary on-job-training cum employment-assurance programme for an additional sum of Rs. 5000 per person to be provided as one time payment as incentive to any employer who is willing to provide on job training for skill enhancement for at least one year to the trained worker.