

ASSOCHAM

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STUDY

**“Relevance of Employment Exchanges
in the New Millennium”**

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INTRODUCTION:

Today, at a time when the economic growth has taken a back gear under the global recessionary pressure, a glut of job losses announced by the Indian Inc has given a new dimension to the lucrativeness of the jobs in public sector offering greater job security.

In the new millennium, between FY 2000-01 and 2006-07, **Ninety one** (91) new employment exchanges have been setup in India. However, no big improvement in terms of reduction in the number of applicants on the Live register has been recorded, infact the number increased by 1,38,000 during the period.

Even if, post FY 2001-02, the number of vacancies notified on employment exchanges grew at a substantial pace, it was not met by a greater or even a parallel rise in the number of placements effected through these exchanges.

Therefore, the percentage of placements to the vacancies notified on the exchanges registered a big drop from 66.21 per cent in 2001-02 to 50 per cent in 2006-07 even as the number of registrations on the employment exchanges grew at a CAGR of 5.5 per cent during the period.

A detailed analysis of the performance of employment exchanges in India outlines the urgent need of an active overhaul of the employment exchanges as they are deemed to be an important indicator of the employment/unemployment scenario in the country.

PARAMETERS:**INDIA**

The AEP Study focusing on the Performance of Employment Exchanges in India since the beginning of the New Millennium (Between 2000-01 and 2007-08) has been based upon the following parameters:

1. Number of Employment Exchanges
2. Number of Applicants on the Live Register
3. Number of Registrations per year
4. Number of Jobs notified on employment exchanges
5. Number of Placements effected through employment exchanges
6. Ratio of Placements effected to Jobs notified

STATES

The Study included the following parameters determining the performance of employment exchanges among Indian States:

1. Number of Employment Exchanges
2. Number of placements effected through employment exchanges
3. Average number of placements per employment exchange
4. Unemployment rate

DATA SOURCE:

For the analysis of the performance of Employment Exchanges in India and the competitiveness of Indian States the relevant data on the above mentioned parameters has been taken from:

www.Indiastat.com

METHODOLOGY:

- In order to determine the degree of competitiveness of Indian States on the employment front, the number of placements effected per employment exchange (rounded off to zero decimal) has been used as the primary indicator of the efficiency of the State run employment exchanges.

- While ranking the Indian States on the above indicator the following criteria has been taken into consideration:
 - Only States have been analyzed ignoring the Union Territories (UTs)
 - Minimum number of Employment Exchanges per State: 30

- Using the aforementioned parameters and definitions, the top five Indian States have been listed along with the five laggard States.

Employment exchanges become redundant: ASSOCHAM

Though 95 new employment exchanges have come into being post FY 2000-01 in India, employment exchanges in 21 States have failed miserably to provide jobs to more than 100 each during the year, according to an Assocham Eco Pulse (AEP) Study.

Expressing concern over the dismal performance of country's 968 employment exchanges despite the boom during the last five years, **ASSOCHAM** has urged the government to urgently amend the Employment Exchanges Act to develop a mechanism on the concept of Public-Private-Partnership (PPP) so that a dedicated national portal could be introduced to meet the requirement of both public as well as private sector enterprises.

The Assocham Eco Pulse (AEP) Study titled **“Relevance of Employment Exchanges in the New Millennium”** has revealed that out of 37 employment exchanges in Bihar, total placements were found to be only 4 per exchange. Assam had an average of miniscule 7 placements per exchange out of its 52 exchanges. Among others, UP provided 37 placements per exchange from its 90 exchanges, AP managed to provide 42 job placements per exchange out of its 31 exchanges and Karnataka providing 45 placements per exchange from a total of 37 exchanges in a year.

In the National Capital Territory of Delhi, for FY '06, the Department of Manpower and Employment had the budget estimate of plan and non-plan expenditure totaling to Rs 57 lakhs that could be translated into only 70 placements in 2005. It shows that it costs the exchequer more than Rs 80,000 for a single placement.

Therefore, the State-run employment exchanges require effective rationalization by way of an exhaustive cost-benefit analysis in assessing their real contribution in the employment generation process.

“Shutting down the non-functional units and an active conditioning of the inefficient employment exchanges with private participation would improve the efficiency of employment exchanges leading to greater job creation” said Mr. D. S. Rawat, Secretary General, ASSOCHAM.

In wake of the mounting job losses announced by India Inc due to the global meltdown and a tremendous upsurge in people looking for public sector jobs, an active overhaul of the employment exchanges in the country is urgently required.

A shocking wave of job cuts in the private organized sector has led to a large scale resurrection in demand for the public sector jobs offering greater job security. Hence a need for an overhaul of the employment exchanges in the country becomes highly imperative amidst rising job losses.

According to industry estimates, more than 14 lakh job losses have been reported across various sectors with gems and jewellery, textiles, exports, IT, tourism, hospitality and financial services suffering the most.

The report released by the government states that the economic downturn has caused the loss of five lakh jobs between October and December period of the year 2008.

An analysis of the performance of employment exchanges in India outlines the urgent need of an active overhaul of the employment exchanges as they are deemed to be an important indicator of the employment/unemployment scenario in the country.

PERFORMANCE OF EMPLOYMENT EXCHANGES IN INDIA

Performance Indicators of Employment Exchanges							
Year	No. of Employment Exchange	(in Thousands)				% of Placement to Vacancies Notified	
		No. of Applicants on Live Register	No. of Registrations	No. of Vacancies Notified	No. of Placements Effected		
2000-01	873	41232	4835	324.2	171.2	52.81	
2001-02	938	41596	5493	264.3	175.0	66.21	
2002-03	939	40746	5005	224.4	145.6	64.88	
2003-04	947	40871	5643	272.6	157.5	57.78	
2004-05	947	39741	5356	296.5	137.5	46.37	
2005-06	947	39971	6144	363.5	203.3	55.93	
2006-07	964	41370	6649	415.1	207.6	50.01	
2007-08*	968	39470	4729	399.0	196.9	49.35	

* till January 2008

Source: Indiastat.com

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The Study also found that even if, post FY 2001-02, the number of vacancies notified on employment exchanges grew at a substantial pace, it was not met by a greater or even a parallel rise in the number of placements effected through these exchanges.

Therefore, the percentage of placements to the vacancies notified on the exchanges registered a big drop from 66.21 per cent in 2001-02 to 50 per cent in 2006-07 even as the number of registrations on the employment exchanges grew at a CAGR of 5.5 per cent during the period.

PERFORMANCE AT STATES LEVEL:

Ascertaining the performance of employment exchanges across the States, the number of placements per exchange signifies the efficiency of the employment exchanges at the State level. An analysis of the performance of Indian States found the following results:

Not just investments, Gujarat outshines other Indian States on the employment front too

Besides being known for its business friendly climate and heavy weight investment outlays, Gujarat has been ranked first in terms of the overall employment scenario among the Indian States with impressive performance of its employment exchanges and low level of unemployment.

Gujarat, which attracted investments to the tune of a whopping Rs 12 lakh crores at the recently concluded Vibrant Gujarat Global Investors' Summit, topped the list of most efficient Indian States in terms of its performance on the employment front with an exceptional record of 4053 number of placements per employment exchange against a national average of 273 placements.

The State of Gujarat by virtue of being the frontrunner on the efficiency front of its employment exchanges by a huge margin viz-a-viz other Indian States had a resultantly lower unemployment rate of 0.5 per cent in rural areas and 2.4 per cent in urban areas.

Top Five States (in terms of No. of Placements per Exchange)						
Rank	States	No. of Employment Exchanges	Total Placement	Placement per Exchange	Unemployment Rate #	
					Rural	Urban
1	Gujarat	44	178346	4053	0.5	2.4
2	Tamil Nadu	34	23757	699	1.2	3.5
3	Maharashtra	47	8207	175	1.0	3.6
4	Kerala	89	10962	123	10.7	15.6
5	Rajasthan	42	4544	108	0.7	2.9

Source: Indiatat.com, as on 31st December 2007
refers to 2004-05

Tamil Nadu with an average of nearly 700 placements per employment exchange was found to be at second place behind Gujarat. The performance of the State was found to be much better when compared to the national average.

Making its way into the top three, **Maharashtra** also had a considerably good record of efficiency of its employment exchanges with 175 placements per employment exchange and a considerably lower unemployment rate of 1 per cent and 3.6 per cent in its rural and urban areas of the State respectively.

Kerala, at fourth place, had the highest number of employment exchanges (89) with 123 placements per exchange. Even though the State ranks among the top five States in terms of number of placements per exchange, Kerala needs to step up its performance considerably as the State has an unemployment rate of as high as 10.7 per cent in rural areas and 15.6 per cent in urban areas.

Rajasthan occupied fifth rank among the Indian States with 108 placements per exchange. The State also had the second lowest level of unemployment rate among the top five efficient States in terms of number of placements per employment exchange.

THE LAGGARDS:

Laggard States (in terms of No. of Placements per Exchange)						
Rank	States	No. of Employment Exchanges	Total Placement	Placement per Exchange	Unemployment Rate #	
					Rural	Urban
1	Bihar	37	129	4	1.5	6.4
2	Assam	52	382	7	2.6	7.2
3	Uttar Pradesh	90	3290	37	0.6	3.3
4	Andhra Pradesh	31	1298	42	0.7	3.6
5	Karnataka	37	1651	45	0.7	2.8

Source: Indiatat.com, as on 31st December 2007
refers to 2004-05

Bihar with a miniscule 4 placements per employment exchange has topped the list of laggard States requiring a lot of catch up to improve the employment scenario at a time when mass scale job losses have established its strong root in the domestic economy.

Assam fared next to Bihar in the list of laggard States with only 7 placements per exchange. The State has a significantly higher level of unemployment rate of 2.6 per cent in the rural areas and 7.2 per cent in the urban areas against the national average of 1.7 per cent and 4.5 per cent respectively.

The State of **Uttar Pradesh** had the maximum number of employment exchanges (90) in the country. However, on the efficiency part, the State had an average 37 placements per exchange even as witnessing lower rate of unemployment.

Notwithstanding the relatively lower level of unemployment rate against the national average, the southern States of **Andhra Pradesh** and **Karnataka** also had a bad record on the efficiency front of their employment exchanges with average 42 and 45 placements per exchange respectively.

RECOMMENDATIONS:

1. A dedicated **national portal** of Employment Exchanges in India acting as a hub of employment opportunities in the country by way of electronification of all State employment exchanges using **common web application** format and contriving an inter-linkage between them.
2. The Employment Exchanges Act should be amended to allow **private employment exchanges** to provide job placement services to both private sector and public sector. Incentivize Private sector to join hands in the management of exchanges by way of imparting professional expertise.
3. **Central pooling** of newly notified vacancies and **transparency** in information pertaining to placements effected through employment exchanges.
4. **Removing the restrictions** placed in registration of a person on employment exchanges without being a resident of a particular State for a period of atleast three years.
5. Promoting **mass general awareness programmes** by the State governments to disseminate information at the grass-root level by way of imparting know-how relating to the basic procedural tasks including registration, job notification and placement.
6. Enhancing focus on Skill development and Vocational guiding activities to inculcate **greater Self-Employment ventures**.
7. State employment exchanges to highlight and take regular note of the **sectoral pattern of employment opportunities** in different parts of the States.

According to ASSOCHAM, if implemented effectively, these guidelines would enable the government to link employment exchanges across all the Indian states on a common platform and hence improve on gauging the Employment/Unemployment scenario in different parts of the country by streamlining the procedural tasks relating to registration, job notification and placement on the exchange. An active involvement of the private sector in the management of operations at exchanges would also bring in higher efficiency and professional expertise.

ANNEXURE:

State-wise Performance of Employment Exchange in India					
States/UTs	No. of Employment Exchanges	Total Placement	Placement per Exchange	Unemployment rate #	
				Rural	Urban
Andhra Pradesh	31	1298	41.9	0.7	3.6
Arunachal Pradesh	11	59	5.4	0.9	1.2
Assam	52	382	7.3	2.6	7.2
Bihar	37	129	3.5	1.5	6.4
Chattisgarh	17	1384	81.4	0.6	3.5
Delhi	14	105	7.5	1.9	4.8
Goa	1	1636	1636.0	11.1	8.7
Gujarat	44	178346	4053.3	0.5	2.4
Haryana	61	3686	60.4	2.2	4
Himachal Pradesh	15	681	45.4	1.8	3.8
Jammu & Kashmir	14	0	0.0	1.5	4.9
Jharkhand	39	1833	47.0	1.4	6.5
Karnataka	37	1651	44.6	0.7	2.8
Kerala	89	10962	123.2	10.7	15.6
Madhya Pradesh	58	3870	66.7	0.5	2.8
Maharashtra	47	8207	174.6	1	3.6
Manipur	11	35	3.2	1.1	5.5
Meghalaya	12	17	1.4	0.3	3.5
Mizoram	3	285	95.0	0.3	1.9
Nagaland	8	146	18.3	1.8	5.5
Orissa	40	3756	93.9	5	13.4
Punjab	46	3021	65.7	3.8	5
Rajasthan	42	4544	108.2	0.7	2.9
Sikkim*				2.4	3.7
Tamil Nadu	34	23757	698.7	1.2	3.5
Tripura	5	410	82.0	13.3	28
Uttarakhand	24	3803	158.5	1.3	5.4
Uttar Pradesh	90	3290	36.6	0.6	3.3
West Bengal	75	5304	70.7	2.5	6.2
Andaman & Nicobar Islands	1	543	543.0	6.2	8.8
Chandigarh	2	172	86.0	2.6	4
Dadra & Nagar Haveli	1	0	0.0	3.3	3
Daman & Diu	2	0	0.0	0.3	3
Lakshadweep	1	0	0.0	7.5	25
Pondicherry	1	228	228.0	7	8.1
India	965	263540	273.1	1.7	4.5

Source: Indiatat.com, as on 31st December 2007

refers to 2004-05

Key Terms:

Live Register: - Systematic arrangement of Index Cards pertaining to applicants who are in need of employment assistance.

Placement: - An employer's acceptance of a person into a remunerative job through the Employment Exchange. This includes: acceptance by employers of applicants submitted by Exchanges for training/apprenticeship with the object of their becoming paid employee on completion of their training/apprenticeship.

Registration: - The process of recording the particulars of an employment seeker according to prescribed procedure with a view to render him employment assistance.