

Unprecedented drop in job creation cause for worry

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Nation

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The question of jobs and employment has been one of the most dominant economic issues of 2018. It is likely to be a central issue in the 2019 elections as well. In our recently released report, State of Working India (SWI) 2018, we have highlighted a concerning rise in the rate of unemployment in the country. In developing countries like India, unemployment is generally low because the majority of the labour force cannot afford to be unemployed, instead they take up any casual work that they can find or they employ themselves (self-

employed) in some small business or other. But over the past few years, India's unemployment rate has been steadily rising from around 3 per cent in 2011 to 5 per cent in 2015 to 7 percent in late 2018. This is unprecedented.

The nature of India's labour force is changing rapidly. Young people are acquiring more education and entering the labour force with graduate degrees. Graduates and post-graduates now constitute 15 per cent of India's labour force. In 2004 this number was only 6 per cent. It will continue to rise. These youngsters are not satisfied with just any type of work of a casual or self-employed nature. They want regular salaried work that pays at least the minimum central government salary. But the Indian economy is not generating such jobs in adequate amounts. As of the latest available government data from 2015, regular salaried workers account for only 17 per cent of the workforce. 82 per cent of male and 92 per cent of female workers earn Rs. 10,000 a month or less. Since graduates aspire to better jobs, they are three times more likely to be unemployed compared to the overall average. The widespread protests all over the country demanding more reservations in the public sector are a symptom of this problem.

The economic factors behind this lack of job creation are well known. The sectors that have shown rapid GDP growth, such as IT-BPO, real estate, or financial services, are not those that create a lot of jobs. Sectors that can create a lot of good jobs, such as manufacturing, have experienced extensive mechanisation and a rapid rise in insecure employment (contract work, trainees, etc). With agriculture in crisis, this is also not an attractive option for youth in rural areas. Low-wage service work and construction jobs are the only ones to be easily found.

To deal with this problem we need good, up-to-date information. But instead, 2018 saw a lot of confusion on job creation numbers due to lack of official data on employment. Three years have now passed without clarity on how many jobs have been created on net, i.e. accounting for job creation as well as job destruction in all the sectors of the economy. This is because the government has not released data for 2016-2017 and 2017-2018. Instead many claims of job creation have been made on the basis of enrollments in provident fund and pension schemes, as well as MUDRA loans, and other government schemes. But since these schemes cover only a small fraction of the total labour force, they do not paint a complete picture. Household surveys are essential for such a picture.

Currently, the Mumbai-based Centre for Monitoring the Indian Economy is the only available survey data source since 2016. RTIs filed by us reveal that official survey data for 2017-2018 is available and will be released soon. One hopes that this will be in time for a debate over the government's performance before the elections.

To sum up, unemployment among the educated youth, low wages among those who do have work, and lack of timely data are major problems we need to address urgently.

In SWI 2018, we have suggested that a "National Employment Policy" is needed. I end with a few ideas for such a policy.

1. A Universal Basic Services (UBS) programme that expands public investment in education, health, housing, public transport and safety. This will create good jobs in addition to addressing the shortfall in the provisioning of public goods.
2. A National Urban Employment Guarantee Programme that offers work opportunities particularly in the small towns and peri-urban areas. Such a programme will necessarily differ in details from NREGA, but will be in the same spirit. Workers employed in this programme can contribute to the creation of public infrastructure such as roads, sanitation, urban greening and rejuvenation of the rapidly degrading urban environment.
3. Fiscal policy (at central, state, local levels) is central to employment generation and welfare. We need to reorient fiscal policy towards employment rather than international credit-ratings, and stop making the fiscal deficit a policy target.
4. A new data architecture based on household and business surveys, time-use surveys, and administrative sources (such as EPFO and GST databases).

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