

Authors of Premji University's Report On Unemployment Explain The Problems

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It seems that nearly every day, our media carries stories of concern about the employment situation in India. The stories include accounts of a desire for jobs that is not being met, the vast over-subscription of government jobs, the falling labor force participation of women, the diminishing opportunities for decent employment in rural India, or massive migration to cities in search of remunerative employment. Other stories focus on the quality of employment being created, often precarious and without dignity. A recent [poll](#) by the Bill and Melinda Gates Foundation and Ipsos finds that unemployment is the number one cause of worry both of youth and adults in the country, and this concern is higher than in any other county polled.

At the same time, India is one of the fastest growing countries in the world. Growth has led to impressive gains in poverty reduction. It also has a vibrant democratic society as well as a large pool of capable and young people, who are increasingly healthier and more educated. It is better placed than other countries around the world in trying to generate meaningful and sustainable employment for these reasons. The concern over job creation is also widely

shared by all political parties. But for a whole host of reasons, the link between GDP growth and the creation of more and better employment has become much weaker. Both the quantity of jobs and quality of jobs are at issue.

Taking a longer view, historically, the path to a more developed economy has involved the movement of workers from agriculture to non-farm occupations (a la Simon Kuznets) and from informal activities to formal ones (a la Arthur Lewis). For our policy-makers, the main concern continues to be how to support and accelerate the transformation of India from an economy dominated by self-employment and small-scale enterprises to a modern, vibrant one. This concern is further exacerbated in an era when there is increasing automation and less space potentially than there was in decades gone by to create employment through export orientation. There is nothing 'natural' about this process. It requires a clear vision and a judicious mix of industrial and trade policies that implement it, for example, by tying import substitution to export promotion, and protection from foreign competition alongside fostering of domestic competition. It also requires changes in the political economy with land reforms, a favourable international climate in the form of export markets and geo-political stability.

In a new report, the State of Working India, we take stock of both the long-run process of structural change as well as more recent developments in quantity and quality of employment, using primarily official government sources. While there are many nuances, some basic facts appear unequivocal.

First, even as GDP growth rates have risen, the relationship between growth and employment generation has become weaker over time. GDP growth has accelerated to 7 per cent, but employment growth has slowed to 1 per cent or even less. On the one hand, this could be a welcome development in so far as it reflects productivity growth. But it is also a problem in so far as the demographics suggest the need for larger employment growth to accommodate those entering the labor force. In addition to the new entrants, jobs are also needed for who want to leave agriculture. Recall that just under half of the workforce is still in this sector which produces less than 20 per cent of the national income.

Second, historically, under-employment and low wages, and not open unemployment, have been the key issues. But a new feature of the economy is a high rate of open unemployment, which is now over 5 per cent overall, and a much higher 16 per cent for youth and the higher educated as of 2015. The increase in unemployment is clearly visible all across India, but is particularly severe in the northern states. If one is optimistic, this may represent a temporary skill mismatch, as more educated and aspirational youth are willing to wait for a job rather than accept a less desirable one. On the other hand, given concerns about the quality of education, this may not be a temporary phenomenon and might require intervention.

Third, around 100 million workers are either employed in very poor quality jobs or are out of the labour force because of the unavailability of work. These are 'surplus workers' available to be pulled into the economy if jobs can be created. Another estimate of the surplus

workforce, that can be more productively employed elsewhere, is the percentage of those employed in unorganised petty services such as retail, domestic work, and so on. As of 2016, this is estimated to be 78 million.

Fourth, despite a steady rise in wages, the levels are still low. Between 2010 and 2015, real wages grew at 2 per cent per annum for organised manufacturing, 4 per cent for unorganised manufacturing, 5 per cent for unorganised services, and 7 per cent for agriculture (for the last, growth has collapsed since 2015). Since 2000, real wages have grown at around 3-4 per cent in most sectors, with the exception of agriculture. Despite this, nationally, 67 per cent of households reported monthly earnings of only up to ₹ 10,000 in 2015. In comparison, the minimum salary recommended by the Seventh Central Pay Commission (CPC) is Rs 18,000 per month. This suggests that a large majority of Indians are not being paid what may be termed a living wage, and it explains the intense hunger for government jobs.

Fifth, the Indian economy remains heavily gender and caste segregated. Women workers earn anywhere between 30 and 80 per cent of male workers' earnings depending on the occupation and industry in which they work. Women are severely under-represented among senior officers, legislators and managers as well as in well-paying industries such as Finance. SC as well as ST groups are over-represented in low-paying occupations and severely under-represented in the high-paying occupations, a clear indication of the enduring power of caste-based segregation in India.

What is to be done? India will continue to transform and face the challenges of a world with fewer 'standard' options such as export-oriented industrialization (given a much larger number of more productive competitors). It is important, then, to have a clear national employment policy, one that can build on the progress achieved thus far, but that also takes the issue head on. Expansion of employment guarantee, certification of skills acquired on-the-job, a universal basic services programme, innovative industrial policies, and learning from the experiences of the states, can all be part of this effort. And of course, a willingness to use the public purse for these actions is necessary. But this is not enough. Such a policy will need to integrate crucial considerations of social equity and ecological sustainability into its structure. For our country, in the 21st century, Lewis and Kuznets, the theoreticians of structural change, have to meet the ideas of Ambedkar and Gandhi.

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