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6 Ways To Turn Around India's Jobs Problem

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(The editorial is based on the article "6 Ways to turn around India's jobs problem" which appeared in Livemint on 11th October 2018. It provides an insight on India's jobless growth.)

Human capital is now the fastest-growing component of India's wealth, but to reap the benefits of this 'demographic dividend', creation of sufficient new jobs is need of hour.

The World Bank, in its publication, "*South Asia Economic Focus, Spring 2018: Jobless Growth?*", says that over the long-term, India has been creating 7,50,000 new jobs for everyone per cent rise in gross domestic product (GDP), at an average of 7% growth, India should be creating at least 5.25 million jobs, if not more.

Centre for Monitoring Indian Economy (CMIE) with the latest survey (May-August 2018) showed a dip of nearly 3.5 million jobs from the previous survey.

It is argued that India's problem is not jobless growth, but lack of potential of the economy to create jobs.

Inter relation between growth and jobs

The old link between growth and jobs is now much weaker than before. In the 1990s, the employment elasticity in India was nearly 0.4. Now, this elasticity is down to 0.2 or lower.

Employment Elasticity is a measure of the percentage change in employment associated with a 1 percentage point change in economic growth. The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as per cent of its growth (development) process.

Centre for Monitoring Indian Economy (CMIE) is a leading business information company. It was established in 1976, primarily as an independent think tank which conducts the survey to estimate household incomes, pattern of spending and savings; it runs a unique monitoring of new investment projects on hand and it has created the largest

integrated database of the Indian economy.

- Falling employment elasticity is partly the result of large-scale substitution of labour with capital and automation.
- It is a easy decision for promoters to use capital and automation when labour is heavily regulated in the economy.
- Agriculture is no longer supporting half the population, and the fresh pressure on jobs is becoming apparent from rural to urban migration in search of employment.
- The demand of traditional landed castes like the Patidars, Gujjars, Jats, Marathas and Kapus for job reservations can be seen as a symptom of the overburdened farm sector seeking an outlet in the urban jobs market.
- While technology will surely create some jobs, in the short-term it polarize jobs. (the demand will be for very high skills, or very average skills, with middle-skilled jobs being phased out).
- Cyber-security, artificial intelligence (AI) and machine learning experts are in short supply, while jobs at the bottom-end grow rapidly.
- “Blue collar” service jobs are booming in logistics, warehousing, home services, mobility, retailing, etc. Education, tourism and healthcare will also throw up millions of jobs in the years ahead. But jobs disappearing are middle skill ones like plain-vanilla java coders or bank branch staff and telecom back-office workers.
- Skilling increases the supply of labour, but jobs emerge only when there is a demand for specific skills.

Solutions

- **Improving the labour market information system** where emerging demand for skills are spotted quickly and the necessary training and certifications for the same are created.
- Quick **improvements in public-private partnership in capturing demand for skills** and following through with quick investments in skill-building to match demand with supply.
- **Jobs and skills planning should be decentralized** and it has to be done at state and district levels, where there is granular information on education, skills and job options.
- Implementing **a new model of manufacturing which is high-skilled**, and where high-end cottage manufacturing can create employment at the small scale level.
- If urbanization is good and well planned, then job growth will be positive.
Government should concentrate on the development of towns and narrow areas and service it with good infrastructure to generate employment alongside development.
- If **government starts spending on public goods** (schools, hospitals, dams, roads etc..) instead of spending on freebies (deep subsidies on food, farm loan waivers etc..) the capacity of government to create employment increases.

Way Forward

- To fix employment problem, right high-frequency data should be gathered and nature of employment problem should be defined.
- If policy makers focus on employment, GDP growth will grow along gradually.
- Government should concentrate on skill development of human resource, suitable as per the demand of the market.
- Millions of jobs will be displaced by artificial intelligence (AI), robotics, and automation in near future, but new jobs can be created if the balance between human workers and machines can be maintained.

