

ISSN-0971-8400



YOJANA

SEPTEMBER 2018

A DEVELOPMENT MONTHLY

₹ 30

Special Issue

Employment and Self Employment

Employment

Pradhan Mantri Rojgar
Pratsahan Yojana

10 COURSES





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Employment – The Indian Perspective

Gopal Krishna Agrawal

India had 51.52 per cent of population in the working age (15-64 years) in 2016 according to the World Bank. This high ratio of working to non-working age population, places our country in the position to reap the demographic dividend, if we are able to gainfully employ this population. Keeping this in mind and also the fact that employment is poverty alleviating, employment generation has been one of the biggest focus areas of the current government.

Data collection on employment and job growth in India is not satisfactory. The National Sample Survey Organisation (NSSO) conducts primary survey on various indicators of labour force and is the most important source of data but this survey is conducted after a gap of five years. Thus, it cannot serve as an effective input for policy making in the areas of labour and employment. There are other primary and secondary sources that provide a snapshot of the employment situation during the

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interim period but they are not comprehensive in nature.

Labour Market: Structural Rigidities

Any assessment of the performance of government must be done in the background of the unemployment challenge that our economy faces. According to official statistics, proportion of persons in the labour force declined from 43 per cent in 2004-05 to 39.5 per cent in 2011-12, with a sharp drop in female participation rate from 29 per cent to 21.9 per cent. Unemployment problem is challenging in India because it emerges from structural rigidities of our labour market, scarcity of capital and low skill levels of our labour force. The present government has tried to tackle each one of these problems

Critical Issues

Indian labour laws are considered complex and restrictive. One of its defining characteristics is job security of workers covered under it. Complexity also implies huge compliance burden for the companies. As a consequence of this, the labour to capital ratio is low despite the fact that India is a labour abundant and capital scarce country. Rigidities in the labour market have also ensured that the employment elasticity of Indian economy has remained low. According to an International Labour Organisation (ILO) report, the employment elasticity of Indian economy is 0.15 per cent. Therefore, GDP growth does not lead to commensurate employment generation without focused approach. Overhang of labour supply also results in lower wage rates, affecting the quality of employment. We also

suffer from disguised employment in the farm sector, therefore providing alternative employment in rural areas is very important, along with time bound target of doubling of farmers' income.

Addressing Labour Market Rigidities

In order to address the problem of labour market rigidity, the government initiated a series of steps. The most important is the introduction of 'Fixed term contract' employment in certain employment intensive industries like textiles. It allows employers to hire workers for a pre-defined fixed term with a proportionate share of all the benefits to which any permanent worker is entitled, boosting employment in industries that experience seasonality in production and the employment generated would be formal in nature. Under the new 'Pradhan Mantri Rojgar Protsahan Yojna' Government of India is paying the full employer's contribution towards EPF and EPS from 1st April 2018 onwards thus encouraging new employment.

India has an entrepreneurial culture, which is stultified due to non-availability of capital. According to the NSSO survey of 2013, there are 5.77 crore small businesses, mostly proprietorships, running manufacturing, trading or service activities but only 4 per cent of such units are able to access institutional finance. The government launched its ambitious scheme of MUDRA (Micro Units Development Refinance Agency) to provide collateral free loan of Rs. 50,000 to 10 lakhs for non-agricultural purpose. As on 29th June, 2018 the total loan disbursed under the scheme is Rs.5,95,056.15 crore to over 13 crore individuals.

Employment Generation through Ease of Doing Business

Under the rubric of 'ease of doing business' (EODB) the Labour Ministry has undertaken a number of steps to reduce the compliance burden of the industry. According to the Economic Survey for the year 2017-18, government has numerous technology-enabled transformative initiatives such as Shram Suvidha Portal, Universal Account Number



Mudra Fact Box

Since Mudra itself is not a bank, the loans under Mudra scheme can be availed only through banks and other lending institutions which include:

- Banks in public sector
- Banks in private sector
- State operated cooperative banks
- Rural banks from regional sector
- Institutions offering micro finance
- Financial companies other than banks

and National Career Service Portal in order to reduce the complexity burden and better accountability for enforcement. Under Ease of Compliance, the government has pruned the number of registers mandatory for all establishments to be maintained under nine central acts to just five from 56, and the relevant data fields to 144 from 933.

Focus on MSME

The biggest beneficiary of the improved EODB is the Micro, Small and Medium Enterprise (MSME) Sector. This sector produces 40 per cent of India's GDP and employs a higher number of people per unit of capital employed. One of the first steps that the present government took after coming to office was to form a taskforce to recommend steps to facilitate the growth of MSMEs. A number of its suggestions like, easier registration and exchange-traded platform for bill discounting has already been implemented. The problems of delay in payments have been addressed by 'MSME Samadhan', allowing registering complaints online and through Delayed Payment Act. Government e-market portal (GeM) and public

procurement website is providing better access to markets. Credit is being facilitated by Prime Minister's Employment Generation Programme (PMEGP), Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE), ASPIRE Fund of Funds and Small Industrial Development Bank of India (SIDBI). As a result of these steps, the MSME sector is doing well and generating considerable employment. India's potential for growth in the services sector, catering to such a large population is being encouraged by Atal Innovation Mission hand holding through Start-Up portal.

Skilling the Work Force

India faces a paradoxical situation; it has a large labour force, engaged in low productivity jobs and the industrial sector complaining that it is unable to meet its requirement because of the skill gap. Skilling had been on the radar of governments for the last few years but the present government has taken the goal of skilling India's labour force to a completely different level. Ministry of Skill Development and

Entrepreneurship launched its flagship scheme Pradhan Mantri Kaushal Vikas Yojana (PMKVY) in 2015, under which close to 50 lakh candidates (19 lakhs under PMKVY 1 + 27.5 lakhs under PMKVY 2016-2020 so far) have been trained across the country. PMKVY targets to train one crore youth by 2020.

Most of the discussion around the unemployment





situation in India is based on anecdotal evidence, as the data collection about it is not very comprehensive. Government of India is also working on generating high frequency data on employment generation and other mechanisms to plug the information gap. Towards this end Employees' Provident Fund Organisation (EPFO), Employees' State Insurance Corporation (ESIC) and the Pension Fund Regulatory and Development Authority (PFRDA) released monthly payroll data for the first time for the formal sector to facilitate analysis of new and continuing employment.

Quantity VS Quality of Jobs

A lot of debate has been on the quantity of jobs but much less on the quality, which is equally important.

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93 per cent of India's labour force works informally. About 80 per cent of it works in the informal sector and the remaining is employed informally in the organised sector of the economy. This means that the worker

has little access to social security and hence these jobs are rightly considered to be poor quality jobs. Due to steps like demonetisation, GST, reduced regulatory burden and financial assistance for PF and ESI, a large part of the informal sector is getting formalised, improving the quality of jobs.

The noise about lack of jobs does not square with facts that have bearing on employment generation. For example: the government has spent massive amount on infrastructure, which generates highest employment per unit of money spent. Government's estimated budgetary and extra budgetary expenditure on infrastructure for 2018-19 has been increased to Rs 5.97 lakh crore against estimated expenditure of Rs 4.94 lakh crore in 2017-18. The Union budget for the year 2018-19, for the first time, had discussed number of job-man days that would be created under various government spending schemes like construction of toilets under Swachh Bharat Mission, rural and urban houses under Pradhan Mantri Awas Yojna, rural roads under Pradhan Mantri Gram Sadak Yojna and National Highways etc. In his budget speech, the Finance Minister said that the total amount to be spent by various ministries would be Rs 14.34 lakh crore (including extra-budgetary and non-budgetary resources of 11.98 lakh crore) and this expenditure would create employment of 321 crore-person days.

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Forthcoming Issue

WOMEN EMPOWERMENT