

ECONOMIC SURVEY GIVES A HOLISTIC VISION OF JOBS ISSUES

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A holistic vision of the outlook for jobs and the labour market emerges from the Economic Survey for 2015-16. In the backdrop of the fact that India has one of the youngest populations in the world, it highlights the need for providing more skills to workers as well as creating more jobs in the formal sector. In addition, it puts a question mark over the growth of contract labour in both the public and private sector owing to restrictive labour laws. The Survey's focus on the need for skills is timely as this is imperative in order to meet the huge gap in demand and supply for skilled workers in the manufacturing and services sector. Some of the problems being faced in expanding vocational and skills training are the general perceptions over this kind of education that makes many prefer formal education. This is despite the fact that there is a huge demand for persons with specialized skills which do not require formal education both in the public and private sector. In this context, the Survey points to the stigma that has lately been associated with vocational education as compared to mainstream education. A perception has now become widespread that only those who fail to join mainstream education end up opting for vocational education and skill development. This viewpoint is lent strength by the fact that wages are significantly lower for those with vocational training as against those with formal education.

such opportunities.

The Survey observes that India is midway through its demographic dividend - a period of time when demography gives economic growth a boost by expanding the working age share of the population. To exploit this dividend, and to meet the growing aspirations of those enter-

No wonder then the data shows that contract workers increased from 12 per cent of all registered manufacturing workers in 1999 to over 25 per cent in 2010. What is even more interesting is that use of contract labour has grown faster in states that have relatively more rigid labour laws. Large firms have also benefit-

filing of returns through a single form covering 13 separate labour laws and e maintenance of all labour related records. This is likely to improve compliance and worker welfare.

There is yet another trend involving labour-intensive manufacturing like apparel firms relocating to smaller cities. This business model has both commercial and social advantages. Firms benefit from lower costs and also create suitable jobs for women which can otherwise be rare in towns which have rapidly urbanized. The Survey has also highlighted the need to improve the level of women's participation in the country's workforce. It points to recent studies which have estimated that India's GDP would grow by an additional 1.4 per cent per year if women were to participate as much as men in the economy. In fact gainful work by women especially paid employment is linked to many positive outcomes including more agencies at the household and society level and greater investments in children's health and education.

Currently data shows that the participation of women in the labour force is significantly lower than for males in both rural and urban areas. The government is keen to address this and has launched various legislation based schemes and other programmes where the emphasis is on female participation. For example, the Mahatma Gandhi National Rural Employment Guarantee Act (MGN-



ing the labour force, it notes that India's economy needs to create enough "good jobs". This means jobs that are safe, pay well and encourage firms and workers to improve skills and productivity. In this context, data is provided to

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Not only does the issue of skills development have to deal with the problem of skewed perceptions, it is also facing a shortage of trainers, according to the National Skills Development Corporation (NSDC). Nevertheless, the corporation is making efforts to correct this image of skills training by creating awareness of the skills gap in the country. Several new schemes have already been rolled out by the government to promote skill development for youth. These include the Pradhan Mantri Kaushal Vikas Yojana and the Deen Dayal Upadhyaya Grameen Kaushalya Yojana. The PMKVY targets 24 lakh youth offering industry relevant skill-based training and a government certification after the training along with an assessment to help secure jobs. As many as 5.32 lakh persons have so far been enrolled and 4.38 lakh have completed training. But the actual success of the initiative can be gauged by the number of those employed which will have to be measured and reported periodically. As for the second one, it is aimed at rural youth. The Survey says 1.75 lakh persons have been trained during 2015-16 while 60,000 were placed in jobs till November 2015.

A drive has also been launched to improve employability of differently-abled persons under the National Action Plan. It has a target of skilling 5 lakh differently abled persons over the next three years. In addition, the huge potential for overseas employment is being examined by the NSDC which is currently mapping

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In this context, data is provided to show that the growth of jobs has been much higher in the informal sector than the formal sector. Of the 10.5 million new manufacturing jobs created between 1989 and 2010, only 3.7 million or about 35 per cent were in the formal sector. Thus the informal sector might be credited with creating jobs and keeping unemployment low, it says. But the fact is that informal sector jobs are not as attractive as those in the formal sector. Wages in the formal sector are as much as 20 times higher than in the informal sector. Besides, they allow the worker to build an employment history which is critical to getting access to cheaper formal credit. In other words, it is essential to try and create more "good jobs" in the formal sector which also provide some form of worker protection. The data presented reveals that many such jobs – about 50 per cent – are in the private manufacturing sector. The Survey has commented on the growing role of contract labour in employment and its adverse impact on workers. It has used the term "regulatory cholesterol" to describe the red tape which forces firms to adopt strategies to overcome the problem of the failure to reform labour policies. One strategy apparently is to hire contract workers. This has two benefits. First, the work of following regulations and managing inspectors is left to the contract labour firm. Second, the firm stays small enough to be exempt from some labour laws, as the contract workers are technically not its employees.

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Yet it is surprising to find that these firms would really prefer to hire regular workers if the dismissal laws were different. The reasons given are that hiring contract workers can be more expensive and also that regular workers have more loyalty to the firm. There is thus more of an incentive for companies to invest in their training. The Economic Survey even says there is evidence to show that hiring contract workers today hits a company's productivity tomorrow. This is apart from the impact of such work on workers' protection and rights.

In view of this desire of large firms to employ regular workers, states like Rajasthan have amended their labour laws to attract large employers and high growth industries. Other states like Gujarat and Maharashtra are also considering similar steps but it is to be hoped that easier dismissal laws will come with a social security net so that workers are not left without any protection.

There are some sectors like mobile phones where there is larger potential for providing "good jobs", the Survey discloses. It notes that improving employment prospects and wages was the main reason for countries like China and states like Tamil Nadu to embrace manufacturing products such as mobile phones. On the other hand, the competition between states to attract more investments may lead to them giving concessions that can provide greater protection to workers. For instance, some states like Haryana are considering introducing online

in both rural and urban areas. The government is keen to address this and has launched various legislation based schemes and other programmes where the emphasis is on female participation. For example, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) guaranteeing at least 100 days of employment to every household in rural areas has been enacted with a stipulation of one third participation by women.

As far as overall employment growth is concerned, the Survey reveals that it has increased by 2 per cent in 2012, as against a growth of 1 per cent in 2011. The annual growth rate for the private sector was 4.5 per cent in 2012 as against 5.6 per cent in 2011. The public sector registered a marginal growth of 0.4 per cent in 2012 against a decline of 1.8 per cent in 2011. The share of women in organized sector jobs was around 20 per cent over these three years.

To sum it up, the Survey has stressed the fact that structural changes are taking place in India's labour markets but these needs to be complemented by government efforts. The government can boost the formal sector job growth in smaller towns by expanding employees' choice regarding their employment benefits. In addition, the need for rapidly increasing skills training to meet the needs of the youth for employment needs to be addressed on a priority basis. Many laudable schemes have already been launched and now these will have to be monitored to make sure that these ultimately translate into more jobs for the unemployed youth of the country.

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