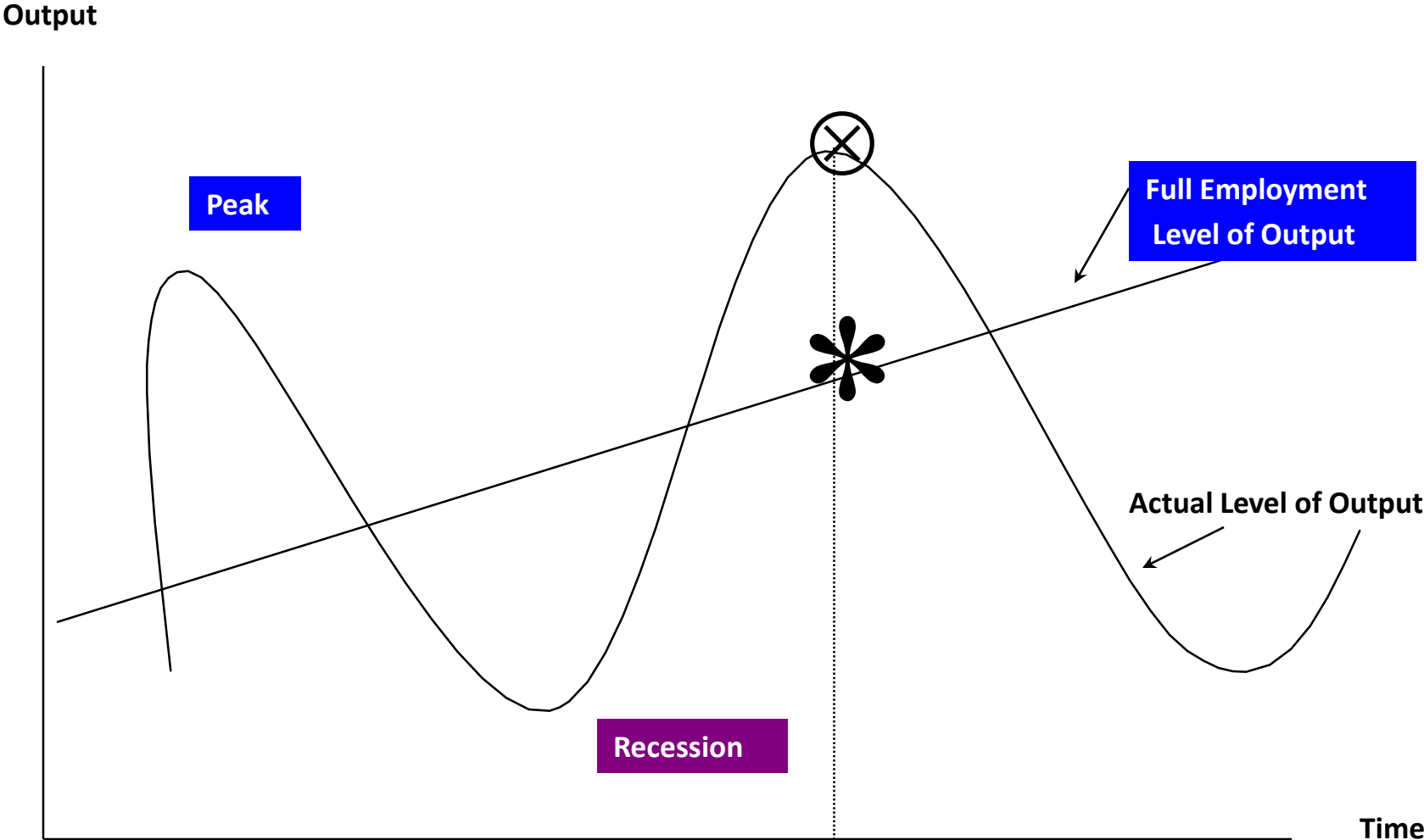


Understanding Macro Policy with Data

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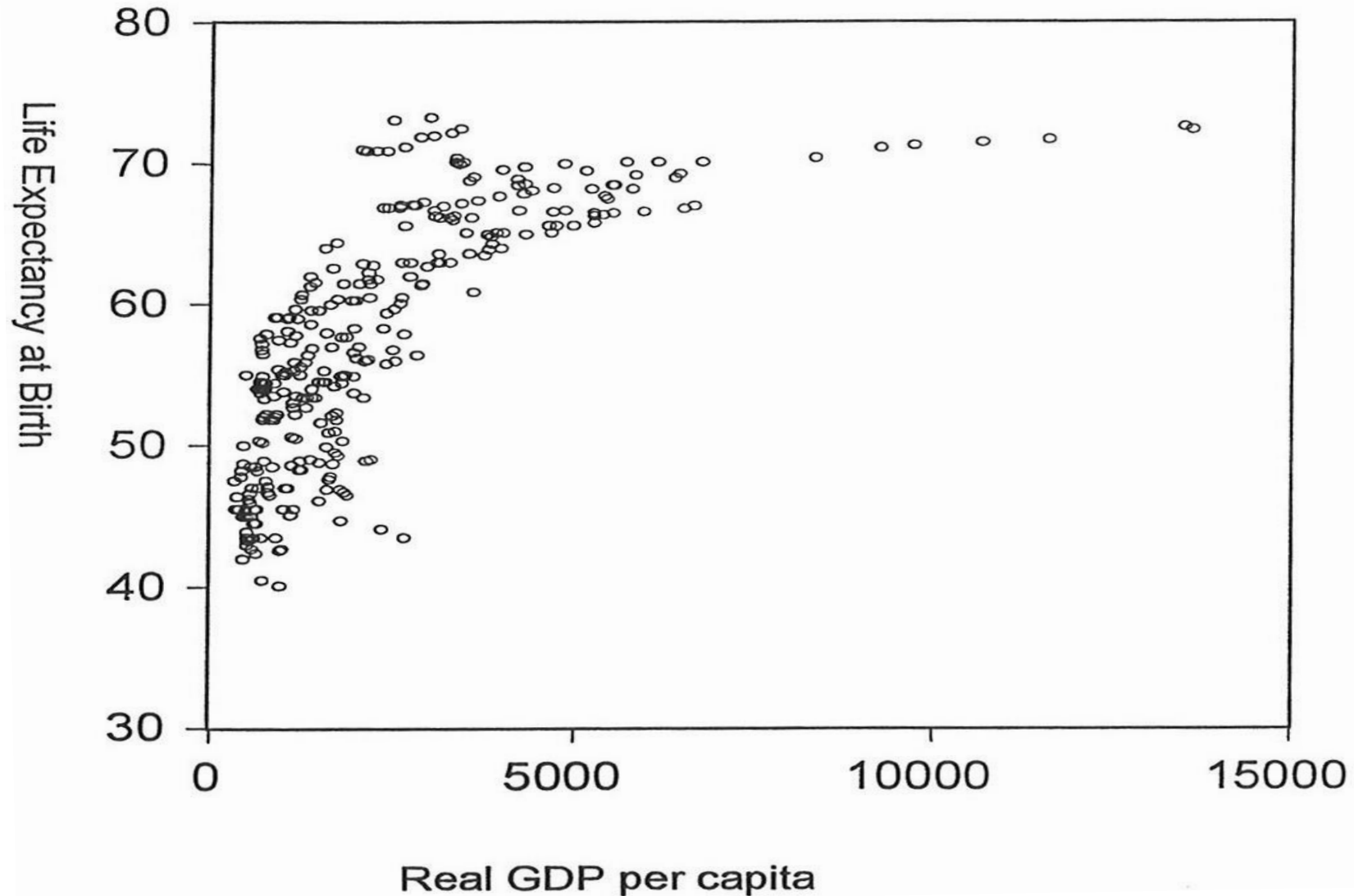
Full Emp. Level of Output Versus Actual Output



What Determines Growth ?

- **INCREASES IN CAPITAL PER HOUR WORKED**
- **HUMAN CAPITAL**
- **TECHNOLOGICAL CHANGE**
- **INSTITUTION**
- **GOVERNANCE**

Results Growth and Development



Bug with the Current Growth Scenario

Jobless Growth

Share of labour income

- Share of wage to GDP across the world, especially, for developed countries are collapsing. Need for labour is going down.
- Between 2005 and 2012, India's GDP 8.2% per annum, but employment 2% per annum.
- Between 1980 and 1990, every 1% growth in GDP generated 2 lakh new jobs; between 1990 and 2000 it declined to 1 lakh jobs per 1% growth; and from 2000 to 2010 it fell to half a lakh only (Praveen Chakravarty, "Whose GDP is it anyway," The Hindu).

Unorganized Labour

- According to UN Economic and Social Council (ECOSOC), informal workers are defined **“to include persons whose employment relationship is not subject to labour legislation, social protection and certain employment benefit”**.

Unorganized Labour

- The Commission listed illustrative categories of unorganized labour consisting of 1) construction workers 2) labourers employed in small scale industry 3) casual labour 4) handloom/ power loom workers 5) beedi and cigar workers 6) employees in shops and commercial establishments 7) sweepers and scavengers 8) workers in tanneries 9) tribal labour and other unprotected labour.

What are the sources of Jobs?

- Agriculture
- Manufacturing
- Construction
- Services

Type of labors

- Less than 45 million people out of 450 million workers are in the formal sector. The remaining 500 million are agriculture laborers.
- An overwhelming majority (90% in Maharashtra and 97% in Gujarat) work in the informal and unorganized sector.
- As per 2019 Economic Survey, 93% of the workforce in India are under unorganized sector.

Questions

- How to increase productivity and labour force participation of rural women?
- Is it possible to create good jobs through service led growth?
- Need for change in domestic industrial policy?
- Binding constraints (credit, institution, etc) for the growth of organized sector?

Quality of Education

- Quality of education. ASER reports.
- Government intervention in providing skills. Private sector wouldn't do it as there is no guarantee the skilled worker will stay back.
- Skill development programmes are 20 years out of date. And very soon it will be 50 years out of date, the way technology is changing.
- Intervention through cell phone.

Farm sector

- Ownership of land is still with man, but in small farm it is the women who is doing the farming. Is still as the lowest manual labour level of farming (image of rice transplant?) Use of rice transplant. Appropriate technology in the farm sector. Leasing out of farm equipment. Gujarat and Tamil Nadu have shown it is viable commercially. Livestock is highly productive in comparison to farming.
- What is stopping it to be mimic elsewhere in India?
- NSS is not capturing what the women are doing?

Some observations

- It is not in the best interest of **the richer farmer to mechanize agriculture** as it will raise the reservation wage of the landless farmers working in their land.
- MGNREGA should have been able to control for reservation wage. It has happened in certain ways for instance Bihari workers are now getting more out from the Punjabi big farmers.
- Construction workers: there is a huge band where there is any change in earning in spite of giving skills. But when you cross that threshold there is a jump in earning. For instance, **guys who are operating bull dozer and cranes are earning higher wage rate in comparison to mason.**

Changes Made

- Concept of Principal Employer got changed.
- Under Section 23 of the Contract Labor Act, the onus is on the Principal Employer. Example, BSNL versus BSNL Casual and Contract Workers Union.
- With the new labor law, Principal Employer is no longer responsible.
- Principal employer can sue contractor in civil court, with a average turnaround time of 20 years.

New Labor Law: Changes Made

- Prior government approval for retrenchment and layoffs has been increased from 100 to 300 workers.
- Most of the government and private jobs are going for contract workers.
- Numbers of case filed in courts with respect to Industrial Dispute Act came down drastically.
- Rajasthan government first implemented labor market reforms in 2014-2015. Wage rate came down.

Impact of Labor Law Reforms (Industrial Dispute Act)

- The V. V. Giri National Labour Institute's interim report titled, "Impact Assessment Study of the Labour Reforms undertaken by the States," claim that there has been a little impact of labor law reforms in increasing employment.
- The share of employment in plants employing more than 300 people increased from 51.1% to 55.3% between 2010-11 and 2014-15 (the period when the emphasis was on administrative reforms), and then increased less, from 55.3% to 56.3% in 2017-18 when some States made bolder reforms favourable for the employers.

Job loss/Productivity?

- Jamshedpur steel plant employed 85000 workers in 1991 to produce one million tonnes of steel valued at \$0.8 million. By 2005, the production rose to 5 million tonnes whereas employment fell to 44,000.
- During 1995, Bajaj motorcycle employed 24,000 workers to produce one million units of two wheelers. In 2004, 10,500 workers turned out 2.4 million units.

Demographic Dividend

- In the past one decade, India's population increased by 160 million, while China's increased by 80 million (Equals to Germany's population).
- India's labour force participation (LFP) rate of 45% against China's 68%. For other Asian countries these figures are Vietnam 74%, Thailand 67%, Bangladesh 57%, Pakistan 50%, and Malaysia 65%.
- LFP is share of 15-year-old plus population working or looking for work.

Analysis

- Of the 160 million additional Indian born in the past decade only 72 million will join the workforce. Whereas the corresponding figures for China it is 54 million. So essentially, India has an advantage of 18 (that is, 72-54) million workers.
- Women's LFP is abysmally small. It is 40% for Himachal Pradesh and 3% for Bihar. The all India figure for women's LFP is 19%, which is even lower than Saudi Arabia.

How to create jobs

- Most industry big houses have moved into capital intensive mode of production.
- For instance, many Indian restaurants abroad are own by individuals with limited resources. Why not big corporate venture into food business and creates brand like McDonald's or KFC.
- Across the world, the informal sector is steadily evolving into the formal sector in partnership with the organized industry. Example, Uber and Ola, which brought informal taxi business into formal sector.
- The vegetable vendor who wheel his cart could be part of e-commerce company providing last mile connectivity. The shoe shine worker could be brought under the umbrella of a multinational shoe company.

Unemployment Situation

- At a labour force participation rate of 42.13% (Centre for Monitoring Indian Economy), the unemployment rate among youth is around 20%.
- The two large-scale datasets – the government's quarterly urban Periodic Labor Force Survey (PLFS) and Centre for Monitoring Indian Economy's Consumer Pyramid Household Survey – peg India's unemployment rate at 7.2% and 8% as of September and November 2022, respectively.

Unemployment Situation

- Given that there is a backlog of about 30 million unemployed people and an annual addition of 50 – 70 lakh workers every year (World Bank) the dimension of India's unemployment problem is formidable.
- Over the last three periodic survey of labour force, it has been observed that there is a rise in unpaid segment of self employment, and a rise in share of the agricultural sector employment from 43% to 47%. These are low productive sectors.
- Regular salaried employees have dropped from 24% in 2018-19 to 21% in 2020-21.

Quality of Employment

- The share of contract workers in total government employment has increased from 11.11 lakh in 2017, to 13.25 lakh in 2020, and to 24.31 lakh in 2021.
- Additionally, there are 'honorary' workers such as Anganvadi Workers, Accredited Social Health Activists (ASHA) workers, etc. who earn a lower consolidated wage (without any pension and other benefits) than permanent government workers.

Low Quality Employment

- Between 2017-18 and 2020-21, the employment shares in the informal enterprises have increased – for men (71% to 75%), women (55% to 57%), and all persons (68% to 71%).
- Add to this the performance of the private sector in creating employment has been dismal so far. Most of the success stories in manufacturing sector employ capital intensive mode of production.
- Recently, there was a report that Adani group invested Rs70,000 crore in Uttar Pradesh to create merely 30,000 jobs.

Interventions

- Even the IT sector or the modern gig economy has created jobs that either very high-skilled or low-skilled ones.
- It is desirable to roll out urban employment guarantee program along the line of MGNREGA.

Inference

- How government is managing now as there are 8.72 lakh positions that are vacant in various department of Central Government.
- If various vacant positions in public sector banks, defence forces and police, the health sector, central schools and universities, and judiciary are added then this number touches about 30 lakhs post.
- This number also does not include vacancy in the State government jobs.
- Given these observations one may wonder government is inefficiently run with lower number of worker, or the workers are Not required.

Indian unicorns by year



Indian unicorns in 2021 by month

