

***Only retail can pay unskilled boys & girls decent salaries***

BJP leader Arun Jaitley, presumably, was making a larger point about unemployment and the uncompetitiveness of Indian manufacturing when he was attacking the government policy of allowing FDI in retail. However well-intentioned Jaitley's arguments may have been, what's unclear is how they are related to the spread of organised retail, whether with FDI or not is irrelevant. For one, NSS data shows jobs creation has declined dramatically in the last 5 years—employment rate rose from 39.7% in 1999-00 to 42% in 2004-05 and then slowed to 39.2% in 2009-10. In other words, job losses have nothing to do with FDI in retail. Two, if the bulk of the annual 12 million new entrants to the workforce are unskilled, retail is the only place they can get jobs at half-decent salaries. Jaitley's contempt for an India that would become a nation of sales boys and girls doesn't take this into account, or the fact that a ₹8,000 job in an EasyDay is a third higher than India's per capita income and higher than salaries in many manufacturing jobs. And, by the way, when Jaitley says retail FDI would reduce India to a nation of sales girls, is he saying retail employment will rise or fall with FDI coming in?

Jaitley's point about Indian girls selling Chinese goods in American stores is as evocative as it is provocative, but is it okay for Indian girls to sell Chinese goods in Indian stores, like a Big Bazaar? And why blame a Big Bazaar, tiny shops in old Delhi's bylanes sell, if you please, Chinese lights and Lakshmis during Diwali. What's FDI in retail got to do with this? Nothing. If Indian manufacturing has to get competitive, India needs more reforms in all factor markets, including labour. You can't have large electronics assembly lines, for instance, without top quality power, not just 24x7, but no voltage fluctuations, at 50Hz all the time—that's why, for instance, the indigenous Aakash's innards will always be made in China. Keeping India's retail fragmented, as Jaitley suggested, is a good way of ensuring a Pantaloon or a Walmart don't get a pan-Indian market share, but it won't keep Chinese manufacturers out of India's retail market. Jaitley's was a stirring speech, but in the wrong debate.