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To address the crisis of rising unemployment, first fix labour laws.

That there haven't been too many protests against the elevated levels of consumer price inflation for several years probably has to do with the number of jobs being created. While UPA 1 had a poor track record, and only 3 million new jobs were created between 2004-05 and 2009-10, National Sample Survey (NSS) data shows the situation improved dramatically under UPA 2. Admittedly, UPA 1's record was blemished by the fact that 2009-10 was a drought year and so it was probably the wrong time for the NSS to be doing its five-yearly survey. But when the next survey was done a couple of years later, it showed that between 2009-10 and 2011-12, a total of 14 million new jobs got created. The problem now, however, is that while consumer inflation continues unabated, job creation is suffering.

Much of this is intuitively obvious. The economy is slowing, so growth in fresh jobs has to suffer. Take a simple measure of what economists call elasticity, or the increase in new jobs for every unit of extra GDP. This is around 0.19 right now and means that, for every 1 percentage point in GDP growth, around 9 lakh jobs get created each year. Since GDP growth has slipped from the 9 per cent range a few years ago to 5 per cent, that means around 3.5 million less jobs are being generated each year. This is precisely what the job surveys are showing. Since the NSS jobs survey is done every five years — the 2011-12 survey was an exception — the Labour Bureau has started its own annual survey of around 1,30,000 households for a few years now. It shows unemployment rose from 3.8 per cent in 2011-12 to 4.7 per cent in 2012-13.

There is the obvious pain for those without jobs, and for those losing them, but at one level, the solution appears to be simple: just wait for the economy to pick up, or try and stimulate growth by lowering interest rates. The problem with that is, even if growth were to rise, the elasticity is falling since employers simply don't want to hire more labour. Just look at the rise in production levels at any automobile plant, and you will find it is much higher than the increase in the number of jobs created. This applies even to labour-intensive production like readymade garments. Even while the global demand is rising, countries like Bangladesh are running away with the lion's share — Indian wage levels are rising faster than productivity and Indian exporters are reluctant to hire people in large numbers since, once the export orders are completed, they can't fire the labour. Till labour laws are fixed, therefore, India's jobs crisis will only get worse.

Missing jobs

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