

Job creation Challenges

What is the challenge in job creation?

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The latest National Sample Survey (NSS) data for 2011-12 show unemployment was only 2.2% of the labor force, which is very low.

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How big is this problem?

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- The low unemployment rates are misleading as many are actually engaged in low-paid jobs because there is no alternative. This is “disguised unemployment” or “underemployment”.

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- The huge number of applications for a few government jobs is also misleading because the applicants are not all unemployed.

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- A recent survey of youth unemployment shows that educated youth face greater problems.

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What are the 3 structural changes that are needed?

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- **Agriculture** - The workforce employed in agriculture must decline.

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- To maintain agricultural productivity at say 36% of the national average, the share of employment should decline to 31% which can be too sharp but it will imply major shift out of agriculture.

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- It will also place a **huge burden of on non-agricultural employment**, which will have to expend sufficiently to absorb the shift out of agriculture plus the normal increase in the total workforce.

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- **Manufacturing** - Faster growth in manufacturing has long been central to the economic strategy and will remain so.
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- Technological changes are likely to make manufacturing less employment generating than in the past.
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- Policies have to be reviewed to remove any impediments in expansion of these sectors.
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- **Formal Sector** - A shift from informal sector employment to formal sector employment is needed.
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- High quality employment opportunities are demanded for jobs in the formal/organized sector for the expectations of the young to be fulfilled.
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What is needed?

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- No single policy initiative can achieve all the structural changes instead **multiple interventions at different levels** are required.
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- **Rapid growth** has to be central to any employment strategy for the simple reason that a faster growing economy will generate more jobs.
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- The biggest opportunity for generating more employment in manufacturing lies in exporting simpler consumer goods to the world market.
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- **Small and medium enterprises** generate much more employment than large capital-intensive enterprises but it still remains less focused.
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- Middle-sized firms are the ones that can upgrade technology, increase productivity, and demonstrate competitiveness in world markets.
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- Policies needed to develop this middle group include lowering of corporate tax rates and abolition of incentives that favor more capital-intensive units, better public infrastructure.
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- Development of skills through a combination of apprenticeships and training institutes run by the private sector, with an eye to the demand for skills in the market, is critical.
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What is the way forward?

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- The imminent introduction of **GST** will help by providing a level playing field for domestic producers competing with imports in the domestic market.

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- **Start-ups** - a new phenomenon in India has made a good beginning. A large proportion of start-ups will end up failing.

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- They should be allowed to do so, without government stepping in to help all the time. Those that succeed will expand and generate much more employment than the employment lost in the failures.

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Source: Live Mint

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