

Jobless Growth

What is the issue?

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Chief Economic Adviser Arvind Subramaniam recently pointed to the need to achieve higher economic growth, in the range of 8% to 10%, to solve the problem of jobless growth.

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What did the NITI Aayog says?

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- It is worth noting that India added just 1.35 lakh jobs in eight labour-intensive sectors in 2015, compared to the 9.3 lakh jobs that were created in 2011, according to Labour Bureau figures.

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- The rate of unemployment grew steadily from 3.8% in 2011-12 to 5% in 2015-16.

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- **NITI Aayog has dismissed concerns over jobless growth**, saying the real problem is underemployment rather than unemployment.

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- Nevertheless, this month the government set up a high-level task force headed by NITI Aayog Vice-Chairman Arvind Panagariya to obtain reliable data on employment trends to aid policymaking.

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What is the relation between job and economic growth?

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- The focus on jobs is obviously vital. However, **higher economic growth alone will not solve the jobs problem.**

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- Jobs can be created when growth comes from **the transition of labour**

from informal sectors like agriculture to the more formal manufacturing and service sectors.

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- Such extensive growth runs the risk of stagnation once the available stock of informal labour is exhausted — as some Southeast Asian countries found out the hard way in the late 1990s.

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- On the other hand, growth can come about without any substantial job-creation in the formal sectors of the economy, but through improvements in productivity.

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What India should do?

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- India should aim at **growth that is driven both by improvements in productivity and modernisation of its labour force** — especially since better jobs are crucial to improving the lives of millions who are employed, indeed underemployed, in low-paying jobs in the farm sector.

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- Ironically, achieving both those objectives will first **require labour reforms** — ones that can both boost labour mobility within the formal sector and bring down the barriers businesses face in hiring labour.

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- But labour reforms alone won't work unless these are combined with **a step-up in government spending** on asset and job-creating areas such as infrastructure, which in turn inspires private investment

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- Job-creation needs to be an essential axis along which economic and social policies are formulated.

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Source: The Hindu

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