

## Options For Job Creation

### What is the issue?

\n\n

\n

- Given the slowdown in economy, it is widely accepted that employment generation is essential.

\n

- In this context, it is important to look into the shortfalls in the past and opportunities at present to take forward job creation.

\n

\n\n

### What is the current scenario?

\n\n

\n

- India's labour market is a highly segmented one.

\n

- And there are primarily three demographic groups in urgent need of jobs, which include:

\n

\n\n

\n

- i. a growing number of better educated youth.

\n

- ii. uneducated agricultural workers who wish to leave distressed agricultural sector.

\n

- iii. young women, who are increasingly getting educated than before.

\n

\n\n

\n

- Unfortunately, for the past few years India had not been very positive in absorbing this job seeking population due to various factors.

\n

\n\n

## What are the causes?

\n\n

\n

- **Pattern of growth** - Although growth was relatively high over the past few years, the pattern of growth was problematic.

\n

- Since 1991 economic reforms, growth is largely driven by the services sector.

\n

- Manufacturing has not been the leading sector in driving growth.

\n

- Notably, manufacturing has more potential to drive productivity in the whole economy and create more jobs.

\n

- Services cannot bring about this effect, as by definition 'service' is the distribution of already produced goods.

\n

- **Inverted duty structure** - Under the inverted duty structure, import duty on finished goods is low compared to the import duty on raw materials used in production.

\n

- Resultantly, domestic manufacturing becomes uncompetitive as against imported finished goods.

\n

- Excessive imports due to inverted duty structure since 1991 reforms, have undermined the Indian manufacturing industries, thereby considerably reducing job opportunities.

\n

- Conversely, the absence of this in the automobiles sector has helped it perform better.

\n

- **Other factors** - Given the present economic situation, India faces problems in employment generation due to factors like:

\n

\n\n

\n

- i. low investment.

\n

- ii. low credit off-take.

\n

- iii. low capacity utilisation in industry.

\n

iv. low agricultural growth.

\n

v. low plant load factor (i.e. low output of a power plant in proportion to its maximum potential).

\n

\n\n

## **What should be done?**

\n\n

\n

- **Industrial policy** preparation by the Department of Industrial Policy and Promotion (DIPP) should be hastened.

\n

- While doing so, it should ensure that the industrial policy is also consistent with the trade policy.

\n

- This can address issues such as that of inverted duty structure.

\n

- Proper implementation of the National Manufacturing Policy, 2011 is also essential.

\n

- **Special packages** are needed for labour-intensive industries to create jobs.

\n

- This could include food processing, leather and footwear, textiles, apparel and garments, etc.

\n

- The nature of the package will have to be individually designed, considering the sector specific needs.

\n

- **Cluster development** should be enhanced to support job creation in micro, small and medium enterprises (MSMEs).

\n

- The present cluster development programme of the Ministry of MSMEs is poorly funded and could be better designed as well.

\n

- The modern and traditional industry clusters can enhance the unorganised sector employment in MSMEs.

\n

- **Urban development** should be aligned with manufacturing clusters to create jobs.

\n

- E.g. AMRUT programme which is on infrastructure improvement can focus on towns which have clusters of unorganised sector economic activities.

- \n
- This can considerably absorb the non-agricultural job seekers.
- \n
- A co-ordination between the Urban Development and MSME Ministries is necessary to ensure this.
- \n
- **Skilling programmes** are going in vain due to low job placement.
- \n
- Skilling close to clusters, which is where the jobs are, rather than standalone vocational training providers, is likely to show better results.
- \n
- **Public investments** in health, education, police and judiciary can create many government jobs.
- \n
- Unlike the private sector, preventive and public health measures can only be taken by the governments.
- \n
- Given the state of health and nutrition of the population, it is critical that public expenditure on health is increased faster.
- \n
- This can also help in utilising the potential human resource in production, for driving economic growth.
- \n

\n\n

\n\n

**Source: The Hindu**

\n\n

\n