Jobs vs Wages

Why in news?

\n\n

The applicants with PhDs and other degrees were found among the application for government peon posts in Uttarakhand recently.

\n\n

What is the issue?

\n\n

\n
- India doesn’t have a jobs problem but a wages problem. Our official unemployment rate of 5 percent is not a fudge and anybody who wants a job generally tend to have one but they don’t get the wages they want or need.
\n
- It is estimated that almost 85% of the 30 lakh applicants with PhDs, degrees, etc for government peon posts in Uttarakhand recently already had a job
\n
- The creation of high-paying private sector jobs is being distorted by three faultlines in wages: Government vs private, nominal vs real, and gross vs net.
\n

\n\n

Government vs Private Wages

\n\n

\n
- People at the bottom are 85 percent of the numbers and greatly distort the labour market because Class 3 and 4 employees get paid more than 200 percent of their private sector counterparts for the same job.
\n
- They also have low-performance accountability and high job security.
\n
- The huge number of government job applications is not because people are running away from insecure low-paying private sector jobs but because people are running towards overly secure high-paying government jobs.
\n

- Government employment should be public service with reasonable wages.
\n

\n\n

Nominal vs Real Wages

\n\n

\n
- Since we cannot take jobs to people in the short run, we need to take people to jobs.
\n
- But the migration to cities is being negated by the huge mispricing of land that directly affects living, eating and commuting costs in India’s few job magnets. We only have 50 cities with more than a million people versus China’s 375.
\n

\n\n

\n
- Mumbai, Delhi, Chandigarh can’t compete with job magnets like Gachibowli, Mohali, Gurgaon and Bangalore because the new clusters combine an infinite supply of mixed use commercial and residential real estate (happiness includes that the commute time is a key component of happiness).
\n

\n\n

Gross vs Net wages

\n\n

\n
- For example, a monthly salary of Rs 15,000 per month in a cost-to-company salary world only ends up as an Rs.8,000 bank credit because employers are required to make mandatory deductions of 45% salary for programmes like provident fund, Employees' State Insurance (ESI), Labour Welfare Fund (LWF), Employee Pension Scheme (EPS) etc.
\n
- Government data suggests that workers with annual incomes of Rs 1.8 lakh do not have any saving and cannot live on less than half their salary. Therefore they prefer working in the informal sector where the net salary is equal to gross salary.
\n

\n\n

What are the solutions?

\n\n

\n
- These fault lines distort high-paying formal private jobs and we need three regulatory interventions: **Faster urbanisation, lower regulations, and broader human capital**.
\n
- Faster urbanisation in the sense that there should be **an increase in the number of Indian cities with more than a million people** from 50 to 200. High quality urbanisation like having real mayors, robust city finances, etc could create the virtuous cycle of higher formalisation, higher productivity and higher wages.
\n
- As the bribe has become a core feature of real estate, it has been bad for formal job creation and labour migration and demonetisation will bring down land prices, accelerate construction, and raise labour mobility.
\n
- **Lower regulations** are important for job creation because most of our workers work in low-productivity enterprises that are not productive enough to pay the wage premium.
\n
- Human capital is key. Neglecting primary school education for decades after Independence is a mistake being amplified by the new world of work that disproportionately values reading, writing, arithmetic and soft skills.
\n
- Also there should be a time-bound monitoring on three overdue and impactful interventions in regulatory cholesterol by the ministry of labor.\n
    \n
    - The Establishment code is part of a PF account number and it's a 5 digit code. 27 different numbers issued to every employer should be replaced with a single Universal Enterprise Number.
    \n
    - 100 percent paperless, presenceless, and cashless compliance for all state and Central labor laws should be achieved.
    \n
    - The provident fund and ESI reforms announced in the budget makes the employee contribution to the provident fund voluntary and creates competition for ESI and EPFO by allowing employees to choose alternatives like NPS and health insurance. Such measures should be encouraged
    \n

\n
\n

- Recent youth unrest — the idealisation of Burhan Wani by Kashmiris and the reservation agitations by Patels, Jats, Gujjars — have roots not in a job emergency but a formal job emergency.
\n

\n\n

\n\n

Category: Mains | GS-III | Employment

\n\n

Source: The Hindu

\n\n

Author: Shankar IAS Academy Thiruvananthapuram. Top IAS Coaching in Trivandrum

\n\n

\n