Options For Job Creation

What is the issue?

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- Given the slowdown in economy, it is widely accepted that employment generation is essential.
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- In this context, it is important to look into the shortfalls in the past and opportunities at present to take forward job creation.
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What is the current scenario?

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- India’s labour market is a highly segmented one.
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- And there are primarily three demographic groups in urgent need of jobs, which include:
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i. a growing number of better educated youth.
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ii. uneducated agricultural workers who wish to leave distressed agricultural sector.
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iii. young women, who are increasingly getting educated than before.
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- Unfortunately, for the past few years India had not been very positive in absorbing this job seeking population due to various factors.
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What are the causes?

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- **Pattern of growth** - Although growth was relatively high over the past few years, the pattern of growth was problematic.
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- Since 1991 economic reforms, growth is largely driven by the services sector.
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- Manufacturing has not been the leading sector in driving growth.
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- Notably, manufacturing has more potential to drive productivity in the whole economy and create more jobs.
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- Services cannot bring about this effect, as by definition ‘service’ is the distribution of already produced goods.
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- **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.
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- Resultantly, domestic manufacturing becomes uncompetitive as against imported finished goods.
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- Excessive imports due to inverted duty structure since 1991 reforms, have undermined the Indian manufacturing industries, thereby considerably reducing job opportunities.
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- Conversely, the absence of this in the automobiles sector has helped it perform better.
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- **Other factors** - Given the present economic situation, India faces problems in employment generation due to factors like:
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i. low investment.
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ii. low credit off-take.
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iii. low capacity utilisation in industry.
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iv. low agricultural growth.
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v. low plant load factor (i.e. low output of a power plant in proportion to its maximum potential).
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What should be done?

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- **Industrial policy** preparation by the Department of Industrial Policy and Promotion (DIPP) should be hastened.
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- While doing so, it should ensure that the industrial policy is also consistent with the trade policy.
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- This can address issues such as that of inverted duty structure.
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- Proper implementation of the National Manufacturing Policy, 2011 is also essential.
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- **Special packages** are needed for labour-intensive industries to create jobs.
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- This could include food processing, leather and footwear, textiles, apparel and garments, etc.
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- The nature of the package will have to be individually designed, considering the sector specific needs.
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- **Cluster development** should be enhanced to support job creation in micro, small and medium enterprises (MSMEs).
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- The present cluster development programme of the Ministry of MSMEs is poorly funded and could be better designed as well.
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- The modern and traditional industry clusters can enhance the unorganised sector employment in MSMEs.
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- **Urban development** should be aligned with manufacturing clusters to create jobs.
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- E.g. AMRUT programme which is on infrastructure improvement can focus on towns which have clusters of unorganised sector economic activities.

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

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