

Here's what Modi's 2019 Budget can - but won't - do about India's Jobs Crisis*

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The Brahmastra, or ultimate weapon, of 10% reservation in government employment for economically weaker sections (EWS) has been cynically deployed already, but even that does not seem to be delivering the desired public approval. Perhaps the general public has wised up to the fact that central government jobs have in fact declined over the past four years (by more than 75,000 since 2014) and so a small reserved portion of a shrinking pie does not seem all that attractive.

However, even in the limited time available, there is much a committed government can do to tackle unemployment. And these could find expression in Budget 2019, as three measures.

Vacancies, pay scale, and MGNREGA

The first is almost laughably simple: Fill up the vacancies. By current estimates, there are around 2.4 million vacant positions in central government ministries, departments, and public undertakings. Some of these positions have been vacant for years, to the detriment of the functioning of these organisations and the quality of public service delivery.

Schools and colleges lack teachers, and hospitals and clinics lack doctors, nurses, and support staff. Much of the work is then done by those working in ad hoc positions or as contract workers with lower wages and insecure tenure. Even if filling these positions will take time, an explicit declaration of intent and budget provisions for such employment would have a positive impact.

Second, the government must stop trying to provide essential health and nutrition services on the cheap. India's accredited social health activists (ASHAs), auxiliary nurse mid-wives (ANMs), anganwadi workers, and mid-day meal providers get paid much less than the minimum wage. The government should ensure that such workers get at least minimum wages and security of tenure.

Suppose the government stops under-providing such services, and expands them to fulfil the supreme court guidelines and its own legal commitments, it would expand employment and deliver better-quality jobs. (It would also reduce gender wage gaps, another positive fallout.) Third, the government could adhere to both the spirit and the letter of the law in terms of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which mandates at least 100 days of work to all rural households who demand such work or payment of unemployment allowance at half the minimum wage if such work is not provided.

So far, the government has blatantly reneged on this promise, and starved the state governments of funds by carrying over large unpaid obligations each year. As a demand-driven programme, the law states that money must be made available whenever there is demand for work, but the government has simply passed over such claims and pushed payments to the next financial year.

This forces state governments to cut back and delay wage payments (often for a year or more) and encourages central and state governments to reduce the explicit demand for work or even cover it up in various ways. At least eight states in India now face major drought conditions and urgently need more such work, but the budgetary allocation for the year is exhausted and must be replenished.

Now, here's why Modi won't do it

Of course, all this will cost money. But these are all employment-intensive activities with very high multiplier effects, so they will generate many more additional jobs indirectly and have much-needed positive effects on aggregate demand.

So why is it unlikely that the budget will incorporate any of these? The straight answer is the constraint of “fiscal discipline,” a sandbag of sorts that is dragging down any possibility of such spending.

The inability to increase tax revenues by getting rid of exemptions and instituting wealth and inheritance taxes is often presented as an economic compulsion, but it reflects the absence of political will. The need to conform to the unimaginative FRBM Act (with fiscal and revenue deficit limits simply copied from elsewhere rather than derived from independent reasoned analysis) is used to avoid any such increases in expenditure that would actually benefit the public.

But the truth is that the government constantly cheats on the FRBM Act anyway, through increased “off-budget” expenditures, misstatement of receipts, and holding back payments that pushes the debt onto other entities.

So fiscal discipline is only an excuse, disguising the government's unwillingness to put its money where its mouth has been for a while. And so the budget is unlikely to do anything meaningful towards dealing with the employment crisis.

It's now up to the electorate to make employment creation a pressing political compulsion.

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