

## **The Failed Promise of Employment\***

**C.P. Chandrasekhar**

As election 2019 approaches, the Modi government, damaged by agrarian distress, is also being challenged by evidence that its record on employment generation has been extremely poor. To recall, in its campaign during the 2014 election which brought it back to power, the BJP-led National Democratic Alliance (NDA) promised to create 10 million jobs every year.

The best source of information on employment we currently have is the privately conducted (and heavily priced) Consumer Pyramids Household Survey undertaken by the Centre for Monitoring the Indian Economy (CMIE). These figures are available from 2016 from a sample of more than 170,000 surveyed in more or less equal subsets over four months starting January-April. They show that the number of employed, estimated on the basis of the status of the sample interviewees on the day of coverage, rose from an average of 401 million during January-April 2016, to 403 million during May-August 2016, 406.5 million during September to December 2016, before falling to 405 million in January-April 2017, arguably as a result of the effects of demonetisation. This essentially means that employment rose by 5.5 million between the first and last quarters of 2016, and that demonetisation brought down that figure to an annual 4 million. Even while claiming to have moved into the league of the fastest growing economies, Modi's government seems to have been well short of target on employment.

Further, more recent figures from CMIE available in the public domain suggest that things are getting worse. The estimated number employed fell from 406 million in April-June 2017 (or the first quarter of 2017-18) to 402 million in the first quarter of 2018-19, suggesting that the decline that began after demonetisation is persisting. The estimate based on the monthly sample for December 2018 put the figure of number employed at an even lower 397 million.

The phenomenon of "jobless growth" is not India specific. But it perhaps matters more in this country, given its young population. According to the 2011 Census, 422 million out of India's 1.25 billion people were in the age group 15-29. Moreover, around 13 million young people enter the job market every year. This demographic trend seems to be gaining momentum. Between 2011 to 2015, while participants in the labour force belonging to the 15-29 year age group grew by 40 million, the number of those older than 29 fell by 30 million. The comprehensive report on the State of Working India from the Centre for Sustainable Employment of Azim Premji University reports that "the unemployed are also disproportionately young. More than 60 per cent of them are in the 15-25 year age group," though this group constitutes only 30 per cent of the total working age population. The definition of employment used here is the principal status criterion, which treats who are looking for work and do not have at least six months of employment in a year as unemployed. The educated too seem to be disproportionately unemployed. Of the 23 million who were employed for less than six months in the year despite actively searching for jobs, one third had graduate or higher levels of education.

Official figures for recent dates to compare with the CMIE numbers are difficult to come by, because of suspension of statistical surveys relied on in the past to gauge employment trends. Earlier, besides the decennial Census, the main source of information on employment was the mainly quinquennial survey on employment and unemployment undertaken by the National Sample Survey Organisation. The last such survey was conducted in 2011-12, which the government decided to suspend on the grounds that higher frequency data needed to be collected to inform policy. But that does not seem to be the actual motivation. The first agency that was mandated to collect data at more frequent intervals was the Labour Bureau, covering enterprises in eight selected non-agricultural sectors important from an employment growth point of view. The survey was initiated on a quarterly basis with the results of the first being made available in April 2016. Seven such quarterly surveys were conducted with the last set of results available in October 2017, when those surveys were suspended. But the available data were not favourable for the government. They showed that employment in these eight sectors rose by 416,000 over the year ending April 2017 and 507,000 over the year ending October 2017.

The Labour Bureau had also started collecting data through annual household surveys starting with 2013-14, to provide more frequent employment numbers. Going by the annual household surveys, total employment (on a usual principal status basis) in the age group 15 years and above fell by 3.74 million persons between 2013-14 and 2015-16. If these annual surveys are accurate, the decline in employment is occurring not just in the agricultural sector (especially for women workers), but for men in manufacturing and construction in urban areas. The sector that is recording increases in employment is retail and wholesale trade, which appears to be the sink absorbing the unemployed in a country with limited social security and social protection. These annual surveys too have been suspended, with reports suggesting that the survey for 2016-17 was conducted but the results withheld.

Meanwhile, the National Sample Survey Office (NSSO) was given the responsibility of conducting a set of new Periodic Labour Force Surveys (PLFS), to generate annual estimates on labour force participation and employment. The first such survey was reportedly launched in April 2017. Interestingly, no numbers have been generated thus far from that exercise.

What is disturbing is that while these surveys are being suspended or their results delayed, a completely inappropriate and unreliable set of numbers were sought to be pushed as indicators of formal employment generation. The exercise defines a formal worker as anyone registered with one of the official provident fund, insurance, or pension schemes. Registration details with the Employees Provident Fund Organisation (EPFO), the Employees State Insurance Corporation and the Pension Fund Regulatory and Development Authority, provide a data set of the number of formal workers so defined. When these numbers were first put to use to assess employment generation it was claimed that over 3.5 million formal jobs had been generated in the six months between September 2017 and March 2018. This compared with the 200,000 jobs reported to be created between April-September 2017 by the 6th and 7th quarterly economic surveys of the Labour Bureau. The EPFO figures also suggest that the number of formal workers rose by 4 million in 2017, which is anywhere between a third and two-thirds of the addition to the labour force depending on the method of identifying the latter. This level of good quality job

creation would, if true, be commendable, and the numbers have been pushed by the government itself and apologists for its performance.

The obvious problem with these numbers is that registration may not reflect actual job creation but inclusion of those employed but not hitherto getting the benefit of any the concerned schemes in any one of them. The role of this factor would be all the greater in recent years as the government has been offering businesses incentives to provide workers with the benefit of these schemes. In the event, trends in the dataset may reflect a process of ‘formalisation’ in the sense of becoming eligible of the benefit of one such scheme rather than new employment generation. Moreover, the same worker could be registered in multiple schemes, resulting in her being counted more than once. Combine that with the fact that only 12.5 per cent of the those employed belong to this category of ‘formal’ workers, and the numbers don’t even serve as useful propaganda material, let alone as evidence of any commendable employment trend. Not surprisingly, the use of these numbers as indicators of aggregate employment trends has been widely rubbished.

While this propaganda blitz is on, the government has tried to deflect attention away from employment numbers, to focus on what it says are the more important tasks of creating entrepreneurs who are employers rather than job seekers, and skill development to make capabilities and skills of the youth match demands in the market. Besides ineffective schemes like the “Start-up India” and “Stand Up India” initiatives, self-employment is sought to be promoted through the Micro-Units Development and Refinance Agency (MUDRA) scheme, which seeks to push credit to small entrepreneurs aiming to establish or expand small businesses. There are no interest rate concessions associated with loans under the Pradhan Mantri Mudra Yojana, with interest rates on the loans ranging between 9 and 12 per cent. The real benefits they offer are the six month moratorium on interest and amortization payments and the fact that no collateral is demanded, to rescue borrowers from the clutches of money lenders from whom they would have otherwise borrowed. Despite these benefits, loans under the scheme have fallen short of targets.

In sum, neither the propaganda effort nor the ostensibly innovative employment generation schemes have their purpose. Quick fixes like these are unlikely to work, and the NDA under Modi will have to take the consequences that derive from the dismal jobs scenario during its years of governance.

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