

Budget (interim or otherwise) 2019 and the Employment Crisis*

Jayati Ghosh

Unbelievable but true: there is nothing – repeat, nothing at all – in the Budget to deal with the job crisis. This is crazy, since lack of employment (especially for the young) and the problems in agriculture have emerged as the biggest two problems in the Indian economy and society today. It is also politically tone-deaf, since the government should really have been on the back foot on this one, as its suppression of official jobs data (the NSSO Survey of 2017-18) cleared by the National Statistical Commission, had just been exposed.

In the circumstances, it was only to be expected that there would be some measures to tackle the problems of open unemployment and poor quality jobs – or at least some lip service to this – in the Budget Speech. Remarkably, Piyush Goyal chose to brazen it through, referring periodically to how different policies are bound to create more jobs, but not putting forward any strategies to revive employment.

For example, a simple and obvious thing to do would be to fill up all the vacancies in central government employment – currently around 2.4 million. But the budget estimates do not suggest that an expansion of that order in occupied posts is even being considered.

Instead, there is the promise of an income transfer scheme for farmers (but so poorly thought through that it may backfire, and will not do anything to solve the problems of Indian agriculture) and there are some income tax sops to middle classes (though these are also too limited in scope to have much effect on aggregate demand just now). But there was no evidence of any fresh or even systematic thinking on the issue of job creation.

The most important direct intervention – and one that has become even more urgent and necessary given the severe drought now affecting at least eight states – is the MNREGA. The Modi government never really liked this programme, and despite words to the contrary, has actually sought to starve it of funds over the past few years. Even though it is legally a demand-driven programme for which funds must be provided when work is demanded, the reality has been quite different and the programme has been limited by central allocations.

Each year, the amounts provided by the Centre to the state governments have fallen well below the requirement, and the amount has been carried over to the next financial year, so that each year begins with a large deficit of spending that has not been funded. The current year was no different, and so the budget allocation was well below the requirement since it included around Rs 15,000 crore of money owed to the state governments. By early December, the full amount of the budget outlay of Rs 55,000 crore had already been spent. Yet the revised estimates include only a further Rs 6084 crore increase, suggesting that the Centre will not provide any more money to states for this programme in the remaining part of the financial year.

This leads to cutbacks in the programme, as well as huge arrears in wage payments that lead to workers getting disheartened and losing interest in the programme. This has implications well beyond the welfare of potential workers on the programme. It

loses the potential for significant positive multiplier effects from such spending, which could have the impact of reviving the rural economy. Indeed, the only positive thing to be said for the planned income transfer to small and marginal farmers is also that: it will lead to some increase in aggregate demand and provide a stimulus to rural economic activity.

Other employment-oriented programmes of this government that were trumpeted with much fanfare earlier are now being quietly shelved or provided such little money that they could not possibly make much difference. The money spent for “Jobs and Skill Development” was only Rs 6830 crore, but in any case, the record of the Skill Development Mission has been pathetic so far. The most shocking is the spending on the much-hyped schemes to encourage self-employment like MUDRA, Stand Up India and Start Up India, which government spokespersons regularly refer to as great examples of the Prime Minister’s “vision”. The total budgetary spending on all such schemes taken together under the Credit Guarantee Funds of the Finance Ministry is only Rs 515 crore for 2018-19, less than half of the budgeted allocation of Rs 1020 which is itself a paltry amount. And the future allocation for these schemes is also only Rs 515 crore, suggesting that the government also doesn’t really think they will amount to much.

This is a huge issue, because it turns out that the job crisis is even more dire than many of us had suspected. The report by Somesh Jha in the Business Standard of the suppressed NSSO Survey reveals a grim story of falling labour force participation rates and rising unemployment rates – suggesting quite dramatic adverse changes in the labour market. Indeed, the data point to a 2.7 percentage point decline in aggregate work participation rates from 39.4 per cent in 2011-12 to 36.7 per cent in 2017-18, an unprecedented shift in a period of supposedly rapid income growth. Meanwhile unemployment rates among the youth (between 15 and 29 years) have surged to extremely high levels, including for educated young people. Overall, open unemployment numbers increased from around 11 million in 2011-12 to 31 million 2017-18 – an increase of 20 million mostly young jobless people in just six years!

This confirms the employment crisis revealed in surveys by private organisations. The All India Manufacturers’ Organization estimated that in December 2018 that 3.5 million jobs had been lost since 2016. A study by CMIE suggested that 11 million jobs were lost in 2018 alone.

Instead of trying to address the problem, government spokespersons stubbornly persist in claiming that all is well on the employment front, and that the only problem is that data do not capture the terrific employment dynamism indicated by the expansion of Uber, Ola, e-trading platforms like Amazon and Flipkart and the like. Ministers now suggest that the employment survey (which it claims has still to be “finalised”) must be wrong, because GDP has been growing so fast. But unfortunately, the GDP figures themselves are no longer credible after the latest revisions, which have made the year of demonetisation that of the fastest growth in the past decade.

It is surprising that a government with its back to the wall on the employment front can afford to be so casual about even being seen to do something about it. Perhaps it is hoping that the employment creation in the form of gau rakshaks, love jihad

vigilantes and others of that ilk will be enough to create the political momentum required to carry it through the elections.

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