

URBAN EMPLOYMENT GUARANTEE SCHEME SIGNIFIES INDIA'S FAILURE TO ADDRESS INEQUALITY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The opposition is reportedly mulling on including the promise of an urban employment guarantee scheme in its Common Minimum Programme ahead of the 2019 elections. In principle, the idea sounds tempting.

The rural employment guarantee scheme, which was launched by the first United Progressive Alliance (UPA) government, has proved to be a useful countercyclical policy tool in the rural economy. The recently leaked findings of the first Periodic Labour Force Survey (PLFS) conducted by the National Sample Survey Office (NSSO) have shown the unemployment rate to be at significantly higher levels than it has been in a long time. GDP data shows that the present government has fared relatively badly in terms of growth in employment intensive non-farm sectors such as construction. Can an urban employment guarantee scheme can solve these problems?

The rural guarantee scheme works on self-selection. All of the work under the scheme is of the unskilled manual nature such as digging ponds and making link roads in villages. This means that no special skills are required for the job seekers. Can (and, more importantly, should) such a framework be implemented in the urban economy?

The basic premise of a healthy rural to urban economic transformation is to transfer workers from low-skill and low-productivity professions to high-skill jobs. It would be extremely difficult, if not impossible, for an urban employment guarantee scheme to ensure this. Given the fact that common land — which is where most of the rural guarantee works happen — is more scarce in cities than in villages, even a perverse (and undesirable) unskilled job guarantee would be difficult to implement in cities.

Are the opposition parties and their advisors not aware of these facts? Most probably, they are. Why are they making such promises, then? The explanation probably lies in the perverse evolution of India's political economy narrative in the post-reform period. Most political parties agree that reforms have been good for economic growth. But they are also aware of the rising inequality and an acute shortage of quality jobs in this phase. The tragedy is that there are very few political actors who have the imagination and political will to widen the transformative impact of economic reforms for the mass of the population.

Half-baked countercyclical policies such as the promise of an urban employment guarantee are an apology for the larger failure to address the unequal distribution of fruits of economic growth. But such moves will not be able to douse the aspirational anger which characterises the urban unemployed. They will also divert scarce resources which could have been better utilised.

First Published: Mar 04, 2019 19:25 IST

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