

JOBLESSNESS ON THE RISE IN INDIA

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

Job seekers gather at a mega job fair, held at Palakkad, in Kerala. File photo for representation. | Photo Credit: MUSTAFAH KK

After many years of refusing to recognise there is a [jobs crisis in India](#), the government of India, faced with relentless data to the contrary, has now resorted to misinformation. Scholars associated with the government have contributed to this effort. Two pieces - "Here's why it's V not K", March 3, 2022 in *The Times of India* and "A hazy picture on employment in India", February 1, 2022 in *The Hindu* are cases in point and are examined here. Regrettably, both pieces show an inadequacy in understanding the jobs situation.

As compared to the 8% per annum GDP growth in the period 2004-14, and 7.5 million new non-farm jobs created each year over 2005 to 2012 (NSO's employment-unemployment survey), the number of new non-farm jobs generated between 2013-2019 was only 2.9 million, when at least 5 million were joining the labour force annually (NSO's Periodic Labour Force Survey (PLFS)). The NSO itself states clearly that the two surveys provide comparable data; the claim that those two surveys are not comparable is not correct.

A claim is made that between 2017-18 and 2019-20, the worker participation rate (WPR) and labour force participation rate (LFPR) is rising, showing improvement in the labour market. The next question is: how come these rates are rising, exactly when the economy is slowing down sharply from 2017 to 2020? The reality is that this rise in WPR and LFPR is misleading. It was caused mostly by increasing unpaid family labour within self-employed households, mostly by women.

The claim that manufacturing employment increased between 2017-18 and 2019-20 by 1.8 million is technically correct (based on PLFS). What this ignores is that between 2011-12 and 2017-18, manufacturing employment fell in absolute terms by 3 million, so a recovery is hardly any consolation. Manufacturing as a share of GDP fell from 17% in 2016 to 15%, then 13% in 2020, despite 'Make in India'.

Meanwhile, another argument offered is that GDP in FY22 "could not have returned to pre-COVID FY20 level without workers returning to work and MSMEs recovering too". Clearly, this fails to recognise that organised economic activity could recover without a corresponding increase in unorganised activities, thus cancelling each other out, and still leave the jobless without work, or even less work. Second, a fall in urban unemployment after July 2020 to January-March 2021 has now been reversed, with urban unemployment rate rising in April-June 2021 back to mid-2020 level, and labour force participation falling again. This is a K-shaped recovery.

In any case, the authors provide no evidence that MSMEs, that provide most of the non-farm employment, have recovered to pre-COVID levels. Meanwhile, here is the evidence. The Consortium of Indian Association (CIA) conducted a survey of over 81,000 micro businesses across India in June 2021, two months after the second wave was over. Of them 59% reduced their staff compared to pre-COVID levels; 88% respondents had not availed of any government stimulus packages; 28% reported they were unable to get payment dues from their customers from private or government; 64% reported banks were not giving loans..

In any case, the recovery of urban employment till March 2021 clearly ignores that urban employment barely captures a third of total employment. Besides, agriculture output may have performed well during COVID, and free rations may have alleviated acute distress. This completely ignores that between 2019 and 2020, the absolute number of workers in agriculture increased from 200 million to 232 million, depressing rural wages — a reversal of the absolute fall in farm employment of 37 million between 2005-2012, when non-farm jobs were growing 7.5 million annually, real wages were rising, and number of poor falling. Rising farm employment is a reversal of the structural change underway until 2014.

Finally, another dubious argument is offered to supplement the claim that organised formal employment is rising, because new registration in employment provident fund rose in the last two years. One limitation of EPFO-based payroll data is the absence of data on unique existing contributors. Employees join, leave and then rejoin leading to large and continuous revisions in EPFO enrolment.

There has been a massive increase in joblessness of at least 10 million due to COVID-19, on top of the 30 million already unemployed in 2019. This happened while the CMIE is reporting the employment rate has fallen from nearly 43% in 2016 to 37% in just four years. If this is not a V-shaped recovery, what is? Poverty had already increased during pre-COVID times, and increased further post-COVID by all estimates.

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