

The shape of the jobs crisis

This article is related to General Studies-Paper -III (Indian Economy)

The Hindu

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13 Feb, 2019

India has no industrial policy or employment strategy to ride the wave of its demographic dividend.

Job creation has slowed since 2011-12, the year of the last published National Sample Survey Office (NSSO) labour force survey. I used Labour Bureau annual survey (2015-16) data and Centre for Monitoring Indian Economy Pvt. Ltd. (CMIE) data (post-2016), which has a sample size larger than the NSSO labour force surveys, to reach this conclusion. Both surveys cover rural and urban, and organised and unorganised sector employment; in other words, they capture both the Employees' Provident Fund Organisation/National Pension Scheme (organised) as well as such employment as might be generated by Micro Units Development & Refinance Agency Ltd (MUDRA) loans or platform economy jobs. The latter two job sources are precisely what the government claims were not being captured by jobs data available. We have repeatedly stated that government claims on absence of 'good' data on jobs are simply untenable.

My analysis prior to the leak of NSSO 2017-18 data had shown that the jobs situation has turned grim since 2012.

A jump now

What the leaked NSSO 2017-18 data have shown is that while the open unemployment rate (which does not measure disguised unemployment and informal poor quality jobs that abound in the economy) by the usual status never went over 2.6% between 1977-78 and 2011-12, it has now jumped to 6.1% in 2017-18. This was expected. In the last 10-12 years, more young people have become educated. The tertiary education enrolment rate (for those in the 18-23 age group) rose from 11% in 2006 to 26% in 2016. The gross secondary (classes 9-10) enrolment rate for those in the 15-16 age group shot up from 58% in 2010 to 90% in 2016. The expectation of such youth is for a urban, regular job in either industry or services, not in agriculture. If they have the financial wherewithal to obtain education up to such levels, they can also "afford" to remain unemployed. Poor people, who are also much more poorly educated, have a much lower capacity to withstand open unemployment, and hence have lower open unemployment rates.

What NSSO 2017-18 also shows is that as open unemployment rates increased, more and more people got disheartened and fell out of the labour force; in other words, they stopped looking for work. The result is that labour force participation rates (LFPR, i.e. those looking for work) for all ages, fell sharply from 43% in 2004-5 to 39.5% in 2011-12, to 36.9% in 2017-18 (a reflection mainly though not only of the falling female LFPR). This shows up in the growing numbers of youth who are NEETs: not in education, employment or training. They are a potential source of both our demographic dividend but also what is looking to be a mounting demographic disaster.

Meanwhile, government economists have repeatedly told us that there is no jobs crisis.

Between 2004-05 and 2011-12, as many as 7.5 million new non-agricultural jobs were being created every year. The unemployment rate was only 2.2%. The volume of open unemployment was almost constant (at around 10 million) until 2011-12, but it increased to 16.5 million by 2015-16. Increased open unemployment, post 2011-12, suggests that those in education prior to 2011-12 would start searching for non-agricultural jobs but did not find them. The latest NSSO data suggest that this situation had worsened further by 2017-18.

Across education categories

A sharp increase in the unemployment rate of the educated (based on our estimates of the Annual Survey, Labour Bureau) should have worried the government. My estimate is that the unemployment rate rose over 2011-12 to 2016 from 0.6% to 2.4% for those with middle education (class 8); 1.3% to 3.2% for those who had passed class 10; 2% to 4.4% for those who had passed class 12; 4.1% to 8.4% for graduates; and 5.3% to 8.5% for post-graduates. Even more worrying, for those with technical education, the unemployment rate rose for graduates from 6.9% to 11%, for post-graduates from 5.7% to 7.7%, and for the vocationally trained from 4.9% to 7.9%.

While NSSO 2017-18 data show the share of regular wage jobs rising, especially in urban areas (and the share of self-employed and casual wage work falling), this rise is nowhere close to the number of educated youth entering the labour force.

For an economy at India's stage of development, an increase of workers in agriculture (of 20 million that took place over 1999-2004) is a structural retrogression, in a direction opposite to the desired one. Between 2004-5 and 2011-12, the number of workers in agriculture fell sharply, which is good, for the first time in India's economic history. Similarly, the number of youth (15-29 years) employed in agriculture fell from 86.8 million to 60.9 million (or at the rate of 3 million per annum) between 2004-5 and 2011-12. However, after 2012, as non-agricultural job growth slowed, the number of youth in agriculture actually increased to 84.8 million till 2015-16 and even more since then (as the CMIE data would attest). These youth were better educated than the earlier cohort, but were forced to be in agriculture.

Drop in manufacturing jobs

Even worse, manufacturing jobs actually fell in absolute terms, from 58.9 million in 2011-12 to 48.3 million in 2015-16, a whopping 10.6 million over a four-year period. This is consistent with slowing growth in the Index of Industrial Production (IIP), which consists of manufacturing, mining, and electricity. The IIP had sharply risen from 100 in 2004-5 to 172 by 2013-14 (in the 2004-5 series), but only rose from a base of 100 in 2011-12 in the later series to 107 in 2013-14, and to 125.3 in 2017-18. This is also consistent with exports first falling after 2013, then barely recovering to levels still lower than 2013. It is also consistent with investment-to-GDP ratio falling sharply since 2013, and still remaining well below 2013 levels. This holds for both private and public investment.

What is tragic is the growing number of educated youth (15-29 years) who are "NEET". This number (70 million in 2004-5) increased by 2 million per annum during 2004-5 and 2011-12, but grew by about 5 million per annum (2011-12 to 2015-16). If that later trend continued (as there is evidence it has) we estimate it would have increased to 115.6 million in 2017-18. That is a 32 million increase in "NEETs" in our society over 2011-12 to 2017-18 — potential lumpen fodder.

These youth ("NEET" and unemployed) together constitute the potential labour force, which can be utilised to realise the demographic dividend in India. Will a new government at least recognise there is a crisis?

I estimate that the number of new entrants into the labour force (currently at least 5 million per annum), and especially educated entrants into the labour force will go on increasing until 2030. It will thereafter still increase, though at a decelerating pace. By 2040 our demographic dividend — which comes but once in the lifetime of a nation — will be over. China managed to reduce poverty sharply by designing an employment strategy (underpinned by an

education and skills policy) aligned to its industrial strategy. That is why it rode the wave of its demographic dividend. Unfortunately, India has neither an industrial policy nor an employment strategy, let alone the two being aligned.

Is our political class listening? Or are our educated unemployed and NEETs meant to be merely used as political fodder? That is the trillion rupee question for the fastest growing large economy in the world, about to become the fifth largest in the world.

GS World Team...

National Sample Survey Office

Why in the discussion?

- Recently, a report from the National Sample Survey Office (NSSO) related to employment in the country has been leaked.
- According to the reports, unemployment rates in the year 2017-18 reached the highest level of 6.1% in 45 years.

Main point of report

- According to the report, the unemployment rate of 2017-18 is the highest since 1972-73.
- Unemployment rate in urban areas of the country is 7.8 per cent while in rural areas it is 5.3 per cent.
- The unemployment rate among urban males between 15-29 years is 18.7%. In 2011-12, the rate was 8.1 percent.
- In the year 2017-18, 27.2 percent of urban women were unemployed, which was 13.1 percent in 2011-12.
- According to the NSSO survey, the unemployment rate in the country was 2.2 percent in 2011-12.

In urban areas

- Compared to the previous years, the number of unemployed youth in the country is quite high and it is much higher with respect to the 'total population'.
- During the 2011-12, the unemployment rate was 5 percent among the 15-29 age group in rural areas, which increased more than three times in 2017-18 to 17.4 percent.
- Unemployment rates in urban areas are more than rural areas. The unemployment rate here is 18.7 percent for men and 27.2 percent for women.
- PLFS is the NSSO's first annual household survey for which statistics were collected during July 2017 to June 2018.
- Labor Force Participation Rate for women (LFPR) was seen declining in 2017-18 and it remained only 23.3 per cent, but in the financial year 2011-12 it was 31.2 per cent

and in 2009-10 it was 32.6 per cent.

- LFPR for men was 79.8 percent in 2011-12, which remained 75.8 percent in 2017-18. This means that more women are getting out of labor jobs than men.

in rural areas

- The unemployment rate of women in rural areas was 13.6 percent in 2017-18, which was 4.8 percent in 2011-12.
- In the educated rural women, between 2004-05 and 2011-12 the unemployment rate was between 9.7 percent and 15.2 percent. In 2017-18 this increased to 17.3 percent.
- The unemployment rate for educated rural men increased to 10.5 percent, which was between 3.5 percent and 4 percent between 2004-05 to 2011-12.
- During the 2011-12, the unemployment rate was 5 percent among the 15-29 age group in rural areas, which increased more than three times in 2017-18 to 17.4 percent.

What is it?

- National Sample Survey Office is also known as National Sample Survey Organization.
- It was established in the year 1950.
- This is India's largest organization, which regularly conducts the country's socio-economic survey.
- National Sample Survey Office works under the aegis of the Ministry of Statistics and Program Implementation of the Government of India.

What did NITI Aayog said?

- No such data has been released by the government.
- Government will present quarterly data.
- The data of the NSSO is completely wrong.
- According to the NITI Aayog, 7-7.8 million jobs were given.
- The country needs 7 million jobs now.
- The NITI Aayog will issue the report till March.
- Datas are being prepared for employment now.

Expected Questions (Prelims Exams)

1. Consider the following statements-

1. According to the data of NSSO, 2017-18, the open employment has increased to 6.1%.
2. According to the data of NSSO, 2017-18, the tertiary education enrollment has increased in 2016 than 2006.

Which of the above statements is/are correct?

- (a) Only 1
- (b) Only 2
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Expected Questions (Mains Exams)

Q. According to the leaked data of the NSSO, 2017-18, the situation of huge decline in the employment after 2012 has been Seen. Which types of strategies should be adopted to tackle this situation? Discuss.

(250 Words)

Note: Answer of Prelims Expected Question given on 12 Feb. is 1(b)

