

Lost in the din on jobs

The true meaning of being a worker is shifting — towards stable, productive, remunerative employment. This must be captured in collection of labour data, and while interpreting and analysing it for policy-making



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INDIA IS CURRENTLY witnessing an intensive debate over the question of jobs created in the economy, both in terms of quantity and quality. In the past five years, India has experienced a high level of GDP growth. In this backdrop, it is only befitting to ask the question if this growth has been accompanied by the creation of meaningful jobs. This question cannot be examined without current and reliable data on labour indicators. Despite the existence of multiple sources of employment data such as the Employment Unemployment Survey (EUS) of the National Sample Survey Office (NSSO) and Labour Bureau's Quarterly Employment Survey, etc., Indian employment data has been available only at long-term intervals, often over five years.

As the domestic labour market is becoming increasingly sensitive to national and global economic factors, policymakers felt the need to construct labour statistics at more frequent intervals. To fulfil this objective, the Periodic Labour Force Survey (PLFS) was initiated by the NSSO beginning April 2017. This initiative followed the recommendations of the Task Force on Improving Employment Data. The PLFS is a continuous survey for generating estimates of labour force indicators on a quarterly basis for urban areas and on an annual basis for both rural and urban areas.

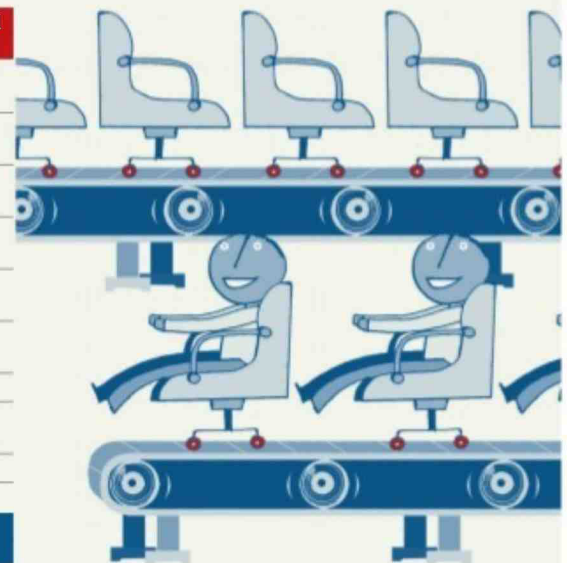
However, some concerns raised in the media following the PLFS have led to misguided interpretations of the jobs debate. The leaked PLFS estimates show a large jump in India's unemployment compared to the last quinquennial EUS conducted by NSSO in 2011-12 (68th Round). In the debate on jobs, four key points need to be highlighted.

First, the PLFS and EUS cannot be compared as their objectives and sampling techniques differ significantly. Under the PLFS, households are selected in both rural and urban areas by providing 75 per cent weightage to households where at least one member has secondary education (Class 10) or above. In the EUS, households in rural areas are selected based on relative affluence and income earned from non-agricultural activities while households in urban areas are selected based on monthly household expenditure category for urban areas. The 68th round of NSSO data collected in 2011-12 revealed that 66.42 per cent of households (75.61 per cent rural and 46.20 per cent urban) have no family members who are educated above secondary level. The PLFS survey, which is designed to focus primarily on measuring formal employment, underrepresents workers engaged in informal employment as the weight placed on such households is only 25 per cent. Several studies have observed a U-shaped relationship between the level of education and labour force participation. Thus, both highly educated individuals and minimally educated ones are most likely to participate in the labour force. In fact, as per the Labour Bureau's EUS 2015, unemployment rates in India are substantially higher for individuals with secondary education or above (7.4 per cent to 16.3 per cent) when compared to less edu-

EMPLOYMENT (INCLUDING SELF-EMPLOYMENT) GENERATED UNDER VARIOUS FLAGSHIP SCHEMES

Ministry	Scheme	Estimated jobs #
Skill Development & Entrepreneurship	Prime Minister Kaushal Vikas Yojana	10.65
MSME	Prime Minister's Employment Generation Program	14.75
Housing & Urban Affairs	Deendayal Antyodaya Yojana-National Urban Livelihoods Mission	4.59
Rural Development	Deen Dayal Upadhyaya Grameen Kaushalya Yojana	4.73
Textiles	Special package for employment generation in the leather and footwear sector*	0.96
Railways	Empanelment to fill vacancies and recruitment of new employees**	3.41
Electronics, I-T	IT sector jobs	8.73
Financial Services	MUDRA (first time borrowers starting new business enterprises)	400
Tourism	Schemes under tourism sector	146.2
Labour & Employment	Employment exchanges	73
Total jobs created since 2014-15		601.32

Source: Lok Sabha, Rajya Sabha questions, PIB, Ministry scheme dashboards (DDUGKY). *Package introduced in 2017-18. **2.41 lakh candidates been empanelled to fill vacancies and recruitment of about 1 lakh employees is currently underway, which makes a total of 3.4, 1 Estimated employment generated in lakhs (from 2014-15 till date) # In lakhs from 2014-15 till date



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cated individuals (1.8 per cent to 4.2 per cent). So, when the PLFS places 25 per cent weightage on individuals where unemployment rate is below 4.2 per cent and places 75 per cent weightage on individuals where unemployment rate ranges from 7.4 per cent to 16.3 per cent, it is only logical that the unemployment rate obtained in the PLFS would be higher. Clearly, it is erroneous to use this statistic to claim that the unemployment rate has increased.

Second, we must understand the state of labour force activity amongst individuals with secondary and higher levels of education. As stated above, unemployment rate among persons with higher secondary education and above ranges between 7.4 per cent and 16.3 per cent. This clearly suggests that the problem of unemployment among educated youth cannot be ignored. However, the real issue at hand is not solely of job creation but also of the creation of quality jobs. In the din generated by the PLFS survey, this critical issue has escaped attention.

The problem can be assessed from a demand and supply side perspective. On the one hand, higher growth has raised the youth's aspirations for more meaningful jobs, thereby leading to a mismatch between jobs offered and jobs that educated youth are looking for. On the other hand, in today's era of the fourth Industrial Revolution, young people need to be equipped with necessary skills to work with new technologies. As we have a larger than ever population of educated unemployed, India does not need jobs *per se* but meaningful, remunerative jobs that align with the aspirations of the youth and skills demanded by the industry. The problem is not unique to India. As per an IMF report, youth inactivity rate for India, at 30 per cent is similar to 25-30 per cent youth inactivity rates in other emerging and developing countries.

Third, according to the Annual Survey of Industries (ASI) data and NSS enterprise surveys, real wages and jobs grew respectively by 5.5 per cent and 3.7 per cent during 2014-16. As factory productivity has not changed much during this period and the supply of educated youth has increased significantly, only an increase in the demand for labour outstripping the increase in labour supply can explain the increase in real wages. As far as the num-

ber of jobs is concerned, however, the rise in demand for labour reinforces the effect of increases in supply. Therefore, it is safe to conclude that job creation has been robust.

Finally, let us examine administrative data as indicators, albeit imperfect, of employment performance. As per January 2019 EPFO Payroll Data Report, around 76.48 lakh new subscribers were brought under the EPFO net from September 2017 to January 2019. Note that the EPFO data only captures firms with 20 employees or more and employees whose monthly income is under Rs 15,000. Thus, the EPFO data underrepresents formalisation of jobs and creation of new jobs. Nevertheless, the effect mentioned above implies significant transition from informal to formal jobs. As formal jobs pay significantly more than informal sector jobs, this can explain the increases in real wages. Also, there is concrete evidence of employment creation under various flagship employment generation initiatives of the government, some of which are represented in the accompanying table.

The above table summarises that about 6 crore jobs have been created since 2014-15, which translates into a 12 per cent increase in the aggregate number of jobs (using approximately 50 crore as the number of individuals in the labour force). This 12 per cent increase in four years squares up well with the 3.7 per cent increase per year observed in the ASI data.

However, obtaining a reliable estimate of informal employment, which constitutes about 80 per cent of our labour force, remains a challenge. The unemployment story will never be complete until we are able to accurately capture performances across all segments of the labour market for meaningful inference. At the same time, we must recognise that perceptions about earnings and jobs are changing fast in the wake of rapid technological advances. The true meaning of being a worker is shifting towards having stable, productive and remunerative employment. This aspect must be captured both at the stage of collection of labour data, and while interpreting and analysing the same for evidence-driven policy-making.

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