

NOTE

GROWTH AND UNEMPLOYMENT

Bharat Jhunjunwala writes :

Prime Minister Dr Manmohon Singh repeatedly emphasizes we need to attain higher rates of economic growth to banish poverty and unemployment. On the other hand Chief Minister of UP Mulayam Singh Yadav said at the recent National Development Council meeting that economic growth alone will not lead to this result. Underlying this debate is different perceptions of relationship between economic growth and unemployment. The direct impact of economic growth on employment is positive. More factories and software parks are established leading to more employment. But the indirect effect is often negative. The establishment of a large soap-making factory provides jobs to a few thousand workers but takes away the livelihood of lacs of small and cottage soap making units. A similar fate has befallen many trades. Plastic bags have taken away employment of paper bag making units, plastic pitchers have rendered potters unemployed and bottled soft drinks have led to the extinction of buttermilk suppliers. The final impact of economic growth on employment depends upon the direct and indirect impacts and cannot be settled by logical arguments because both are correct.

The impact on employment is also twofold. The organised sector consists of big factories and offices and government servants. These employees generally get weekly holidays, medical benefits and Provident Fund and gratuity. Their emoluments are more. According to the Economic Survey published by the Government of India the average emoluments of public sector employees in 2003 was Rs 18,749 per month. Presently it may be around Rs 25,000 per month. The number of these high-quality jobs increased from 267 lacs in 1991 to 282 lacs in 1997. But the number of persons in the work force increased from about 39.9 crores to 41.2 crores in the same period. The increase in organized sector employment was 15 lac numbers against an increase in work force of 130 lacs. Clearly the organized sector is not absorbing all the persons entering the work force. Worse, the number of jobs in this sector has declined from 282 lacs in 1997 to 270 lacs in 2003. Economic growth is having an adverse effect on employment in the organized sector lately. These data disprove the Prime Minister's statement that high economic growth will lead to creation of jobs at least in the organized sector.

The situation in unorganized sector is better. This sector covers domestic help, agricultural labourers and small farmers, street hawkers and the like. These employees generally do not get weekly day off, provident fund or other facilities. Their wages are low-presently they earn about Rs 100 a day. According to data available at the website of Directorate General of Employment and Training (DGET), the number of persons employed in the unorganized sector increased from 36.2 crore in 1997 to 37.3 crore in 2003. The increase was 1.1 crore jobs. That is good but still inadequate. The number of jobs available should increase more than the number of persons entering the market in order to generate a demand pressure and push the wages upward and banish poverty.

Number of jobs in the organized sector is declining after 1997 and the rate of generation of jobs in unorganized sector has declined after 1994-precisely the period

when the rate of growth has increased. In other words, faster growth is leading to decline in employment in organized sector and less generation of employment both in unorganized sector. Thus, Chief Minister Mulayam Singh Yadav appears to be more on track in asserting that more growth alone will not solve the problems of unemployment and poverty.

While addressing the National Development Council Prime Minister Dr Manmohon Singh said that labour reforms are necessary to create more employment. China's success in the manufacturing sector owes itself principally to absence of hard labour laws. Chinese businessmen do not hesitate to employ large number of workers because they do not have to face trade unions and labour inspectors. Yet unemployment is increasing in that country. In other words, flexible labour laws will help only marginally. ~~████~~