

NOTE

MISLEADING ON EMPLOYMENT

Bharat Jhunjhunwala writes :

THE ECONOMIC ADVISORY Committee of the Prime Minister under the Chairmanship of Dr C Rangarajan has assured the nation that every worker will have a job by 2010- According to NSS data, Dr Rangarajan reports, there were 46.9 crore workers in the country in 2005 Of these 1.1 crore were unemployed while 45.8 crore had jobs. It is estimated that 0.48 percent increase in jobs takes place from one percent economic growth This implies about four percent increase in jobs per year will take place at present growth rate of eight percent. Considering that only 1.6 percent increase in population is taking place every year, this will wipe out backlog of unemployment by 2010.

This happy scenario is questionable, however. Jobs are not being created in sectors that are engines of economic growth. According to the Economic Survey published by the Finance Ministry the share of agriculture in growth of GDP between 2000 and 2005 was 8.9 percent. Non-agriculture sectors, including manufacturing and services, accounted for 91.1 percent. Most of the jobs were expected to be created in non-agriculture sectors if the creation of jobs was truly due to economic growth. In other words the share of agriculture in job creation should be around 8.9 percent. But the EAC report state that it is about 50 percent. The contribution of non-agriculture sectors to economic growth is much less than its contribution to economic growth.

The EAC has expressed happiness that more jobs are being created lately. The rate of growth in employment was 1.0 percent per year in 1994-2000. It has increased to 2.9 percent per year in 2000-05. This statistic is surprising because one does not see such generation of employment at the ground level. The number of people seeking daily jobs at the street corners remains as long as previously as also the numbers of unemployed whiling away their time playing cards in the villages. This figure is suspect also, as mentioned already, because employment is not being generated in sectors that are leading in economic growth. Question arises then, wherefrom are these jobs being created? The secret is to be found in data provided by the EAC. It is told that 2.4 crore persons entered the labour market in 1994-2000 and 6.3 crore in 2000-05. The number of jobs created in the two periods was 2,3 crore and 6.1 crore respectively. These figures seem to indicate that number of jobs created follows the number of persons entering the labour market. Interestingly, the increase in number of jobs does not appear to be related to economic growth at all. The rate of economic growth was 6.6 percent in the earlier period. This declined to 6.0 percent in the later period. In other words higher growth rate in the earlier period led to creation of more jobs. Lower growth rate in the later period led to creation of more jobs. This conclusively establishes that the creation of jobs has nothing to do with economic growth.

Yet another proof lies in employment figures for the organized sectors. The Economic Survey states that the employment in private organized sector was 86.5 lacs in 2000. It declined to 82.5 lacs in 2004. It is precisely this organized sector that is the engine of economic growth. It encompasses companies like Tata

Motors and Infosys that are showing higher turnover every year. If economic growth was the source of creation of jobs then Indians should have seen growth in jobs in these sectors. But that is not the case.

The conclusion is that the source of creation of 6.1 crore jobs in the recent period does not lie in economic growth. Rather it is dependent on the number of persons entering the work force. The young persons entering the work force are unable to get jobs in the growth sectors of the economy. In helplessness they make do with selling tea on the street corners or plying rickshaws. The number of tea shops increases with the number of persons entering the labour market. These jobs, therefore, reflect helplessness and poverty of the workers. This failure of the present economic model is presented to the countrymen as a success by the EAC. □□□