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Employed Poverty is India's Employment Issue, Not Unemployment

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This article is based on the editorial "The only mantra", that appeared in Indian Express on 8th June 2019. It talks about issues in India's labour market and suggests a way forward.

To capitalize on its demographic dividend, India must create well-paying, high productivity jobs. By some estimates, the Indian economy will need to generate nearly 70 lakh jobs annually to absorb the net addition to the workforce. But according to the NSSO report, India is witnessing highest unemployment in 45 years.

But India's problem is not unemployment(as unemployment remained between low and narrow range of 4-7 per cent for 50 years) but "Employed poverty".

What is Employed Poverty?

- It means people are employed but still are poor.
- By some estimates, India's informal sector employs approximately 85 percent of all workers.
- This informal employment hinders both income and empowerment for the poor, especially women and younger people.

What are the reasons for this employed poverty?

- As per the National Sample Survey (NSS) 73rd round, for the period 2015-16, there were 6.34 crore unincorporated non-agricultural micro, small and medium enterprises (MSMEs) in the country engaged in different economic activities providing employment to 11.10 crore workers.
 - Due to regulatory cholesterol, only 12 lakh of these companies convert to GST registrants, 10 lakh provident fund payers, and 19,500 companies with a paid up capital of Rs 10 crore.
- India's labour laws have a reverse impact on the wages of worker:
 - Employers are forced to deduct 40 per cent-plus of gross wages from employees

- with monthly wages above Rs 25,000 for social measures like PPF, health etc.
 - These regulations discourage formalization of the economy as it confiscates property from the poor.
- Skill development system in India faces the difficult trinity of cost, quality and quantity combined with challenging changes to the world of education.
 - According to the India Skill Report 2018, only 47 per cent of those coming out of higher educational institutions are employable.
- Apprenticeships are the future of learning, yet India only has 5 lakh apprentices instead of 1.5 crores (if we use Germany's number of 2.7 per cent of the labour force).
- Our traditional labour market shock absorbers — farm employment and self-employment — are dying because people born after 1991 are unaccepting of self-exploitation and strive for recognition of identity, dignity, soft skills and wage premiums.
- Therefore formalization of the economy or formal jobs is the viable solution.
- The high cost of credit due to NPA crisis: This has impacted the investment rate in India.
- The governance deficit of cities discourages migration.

What should be a reform agenda to promote the formalisation of the economy?

- Employee contribution must be made optional, employees must choose who handles their employer contributions, and social security programme fees must be capped to their costs.
- Pradhan Mantri Rojgar Protsahan Yojna is a step in the right direction.
 - It is partial reimbursement to employers for incremental low-wage employees, it has incentivised social security enrolment,
- Promote ease-of-doing business:
 - Reduce Regulatory Cholesterol: Cuts down ministries, compliance, and filings costs
 - Adopt a universal enterprise number and one labour code
 - Digitisation: Adopt a paperless, presence less and cashless process for all employer compliance.
- Enable degree-linked apprentices: Skill universities to be opened where apprentices to be linked to degree courses via distance and online delivery
Make compliance with the national floor level minimum wage mandatory. Expand the Minimum Wages Act, 1948, to cover all jobs.
- All these reforms must be supported by a better investment climate, backed up by laws, regulations, and procedures that organically encourage job creation.

DRISHTI INPUT:

India is not crippled by employment poverty but by employed poverty. Comment.
