

YES, NO, IT'S COMPLICATED

# Is the unemployment crisis for real?

YES



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## Employment opportunities, formal jobs and the labour force are all shrinking

The jobs situation in India does not reflect a crisis, but it is a matter of serious concern. A crisis is understood as an emergency that demands immediate attention, without which we could see a calamity of sorts. There is no immediate calamity of any kind on hand. But there is a deeply insidious problem at work in the form of shrinking employment opportunities, shrinking formal jobs, and a shrinking labour force.

A populous and demographically young country like India has a lot

to gain if the expanding working-age population can join the labour force and be provided with gainful employment. More hands at work can ensure greater prosperity and relatively evenly spread growth.

### Problems of unemployment

But if India cannot provide employment to its growing working-age population, it does not just miss a chance to become a prosperous country, but also risks becoming an unmanageable or unruly country. Unemployed youth, beyond a

threshold, can lose hope of a job and can easily stray into becoming unsocial elements.

A bigger problem is that those who do get jobs and prosper do not appreciate the plight of those who do not. It is mistakenly believed that those who do not get good jobs are not worthy of getting them. The blame is placed at the door of the unemployed as if it is entirely their problem. The macro-economic and social dimension of the problem is not appreciated in India.

Statistics give us clues of the brewing problem and its insidious



nature. First, we are in the midst of a serious investment deficit. CMIE's CapEx database demonstrates the persistent fall in new investment proposals since 2011-12. New investment proposals had peaked at ₹25 trillion in 2010-11. In 2017-18, these were down to ₹11 trillion, and in 2018-19, these are unlikely to cross ₹10 trillion.

The impact of this fall in investments is visible in shrinking jobs. In a point-to-point comparison, in 2018, the number of persons employed declined by 11 million. An estimated 408 million people were employed in December 2017. This

fell to 397 million in December 2018. The average employment in 2017 was 406.5 million. This fell to an average of 402.1 million in 2018. This shows a smaller fall of 4.5 million. Either way, we see a very substantial fall in employment. One (11 million) is only much worse than a fairly bad fall of 4.5 million, or 10%.

number of people looking for jobs. The latter reflects a fall in the number of people looking for jobs. When we juxtapose this against falling jobs, we see a glimpse of the hopelessness of people who should be looking for jobs.

### The crisis is the response

Our real crisis is in the nature of the government's response to the situation. When the establishment works hard to rubbish sound statistical practices and results of large sample household surveys and instead uses back-of-the-envelope calculations to measure employment, we are headed towards a bigger crisis than the jobs crisis.

NO



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## The methodology used in the surveys is questionable. What India has is a wage problem

The furore around the unemployment issue is ill-founded. Most of the analysis is based on incomplete representations of the labour market. The recent surveys that profess spiralling unemployment are either unverifiable or heavily skewed by sampling biases. This narrative raises questions on the political motivations behind these surveys that may intend to change the perception of India's growth trajectory, nationally and globally.

### What the surveys ignore

CMIE claimed that the total working population in India declined by

11 million (1.1 crore) in 2018. These preliminary estimates seem opportunistically quoted by the think tank two months ahead of schedule. CMIE has considered a minuscule sample of 1,40,000 respondents for a nation of more than 1.3 billion citizens. With regards to the leaked excerpts of the National Sample Survey Office survey, the public has been unduly kept in the dark about the methodology used to compute the claimed 6.1% unemployment rate.

Estimating a macro profile of employment for the country based on a survey of even 2 million partici-

pants is not statistically valid without a study of the various components of job creation. Such surveys have biased weights which have recently been contradicted by more concrete research. These surveys give higher weight to States with large populations but where less formal jobs are being created. There is a higher supply of formal jobs in Maharashtra and in south India than in States like Uttar Pradesh and Bihar.

Another trend which was noticed was that jobs were being created in big cities. However, cities carry less weight in the aforementioned surveys. A company called BetterPlace Safety Solu-



tions, which has one of the deepest databases of the formal sector workforce in India, had recently released these revelatory migration trends. Until such biases are removed using actual data, we must reserve judgment.

### Creation of formal jobs

India has been creating formal jobs in large numbers. Further, deliberations based on other proxy databases like vehicle sales, the annual reports of the IT department, and MUDRA loan disbursements help ascertain jobs in large job-creating markets like transport, the professional sector, and small-scale entrepreneurship, respectively. This pro-

vides us with a robust methodology of ascertaining employment.

We have estimated that India requires around 1.5 crore jobs a year. This is because it has got about 2.5 crore people attaining the age of 21 every year. We estimate that 40% of this population may not want formal jobs, as they choose agriculture or become homemakers after marriage. The social security databases point to around 70 lakh jobs created annually (in companies with over 20 employees), the transport sector creates around 30-35 lakh jobs, and the professional sector creates around 6-10 lakh jobs. That's 1.1 crore jobs from just three sources. The rest (30-40 lakh jobs) is contributed by people starting their own ventures. India has not

improved on its Ease of Doing Business ranking for nothing, and this sector is expected to generate more employment with support from initiatives like Make in India.

Today, if you talk to employers like shopkeepers and small and large firms, they will tell you that they are not finding enough employees. This means that there are not enough skilled people in the market. Manish Sabharwal of TeamLease has been producing an annual labour report documenting a healthy demand for jobs. However, these jobs provide insufficient compensation for the applicants. India has a wage problem and not a job problem. This problem can only be solved by creating higher-quality jobs to meet aspirations.

IT'S COMPLICATED



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## The issue that is more pressing than unemployment is underemployment

Work is fundamental in determining one's quality of life. Indians rely on their jobs to earn a living, to fulfil family obligations, and to satisfy the aspirations that motivate them daily. Yet jobs that are productive, with fair pay, and that allow citizens to live healthy lives are scarce, and are becoming even more so.

### Waiting for a good job

Leaked data from the National Sample Survey Office's (NSSO) latest labour force survey suggests that unemployment rose to an all-time high of 6.1% last year. This is, no

doubt, a worrying trend.

Yet the rise in unemployment can largely be explained by the fact that more young people are obtaining an education. With education comes the expectation of a 'better' job. Those who can afford education also tend to be in a position to wait for a job that meets their requirements. Those who are not as financially fortunate must find the means to make a living, however poor in quality the work may be. The data show that unemployment is higher among the educated, and lower among those with less finan-

cial means and education.

The need to work to make ends meet also fuels India's large informal economy. Over 90% of the employed (farm and non-farm) are informal workers. In the non-farm sector, 66% of those employed are informal workers. The informal economy is characterised by low levels of productivity and low wages because many of these workers are underemployed.

The urgent crisis confronting the economy, then, is underemployment. Underemployment occurs when workers are unable to find employment that makes use of



their qualifications and skills. For instance, an engineer might be working in a mechanic shop. Underemployment and/or refers to the sharing of low-productivity work, as is common in agriculture, for example. Or picture a 16-year-old who spends his mornings selling just enough coconuts to make the bare minimum to survive. And these are just examples of visible underemployment.

Persistent underemployment also contributes to the decline in labour force participation rates. As people grow frustrated with their inability to find a good job, they may stop looking for work and drop

out of the labour force altogether. Data from the leaked NSSO labour force survey suggest that the labour force participation rate declined to 49.8% in 2017-18 from 55.9% in 2011-12.

Both underemployment and this form of discouragement are a significant loss of productive potential. This is particularly troubling when it pertains to India's large and growing youth population. Pathways to productive and high-quality employment are essential to deliver better living standards to citizens, but also for sustainable and inclusive economic growth.

### Three-pronged strategy

So, how can we address the pro-

blem? Addressing the underemployment crisis entails a three-pronged strategy.

First, we must improve the quality of jobs by improving productivity in agriculture and in enterprises. Second, we must align education, technical and vocational education and training to market demand. Third, we must make enduring and long-term investments in human capital through good-quality education, skills, and on-the-job training, as well as in basic social protection.

Recent data do suggest that there is rising unemployment. To be sure, this is a problem. But perhaps the larger and arguably more pressing challenge is underemployment.

SINGLE FILE

## Removed from reality

India is more interested in maintaining a facade of social harmony than in putting things in order

SAMIR NAZARETH



Given what is at stake in the 2019 general election, much can be read into recent surveys where a majority of respondents found Prime Minister Narendra Modi to be the most trusted leader and that his leadership enhances the country's image abroad.

In this epoch of social media, the hunger for admiration is unbounded, which could explain this national fixation with the country's global image. This craving to prove India's prowess in the absence of real progress in many areas has resulted in certain awkward moments for the government and the country. A recent one was the doctored video of the Vande Bharat Express posted online by Railways Minister Piyush Goyal.

There is enough data to link this image-neediness to other sociopsychological findings. According to the United Nations' 2018 World Happiness Index, India ranks low, lower than the Occupied Palestinian Territories. According to the World Health Organisation, India is the most depressed country in the world. In 2015, India ranked fourth in a Social Hostilities Index. And in the 2018 Global Peace Index, it ranked 137 out of 163 countries and territories.

Herein lies the paradox: an unhappy and depressed country dealing with large doses of internal hostility is concerned with its leader's ability to enhance the country's image. This is a natural corollary to the strategy of impression management, a notion that seems to have come into vogue in recent years after it was promoted by the current dispensation. For example, consider the public and media references to Mr. Modi's 56-inch chest and the bear hugs he gives to global leaders. All of this implicitly gets linked to the broad question of policy performance. Never mind that policies such as demonetisation, implementation of the Goods and Services Tax, and the surgical strikes across the Line of Control in 2016 were seen by many to have failed in some regards; the mere image of the Prime Minister being decisive and driving these policies to bring about positive change seems enough to carry the day. This aura also appears to legitimise taking credit for the previous government's achievements.

The BJP-created need for a strong leader has synthesised into potent individual cravings for global recognition. This has become so chronic that we as a country are more interested in creating and maintaining a facade of social harmony and uninterrupted economic progress than recognising the disarray at home and putting things in order. Or is the high from global recognition a coping mechanism for the despair citizens find themselves in? That India is more concerned about the face it shows to the world than what the world sees behind it indicates how far removed it chooses to be from reality.

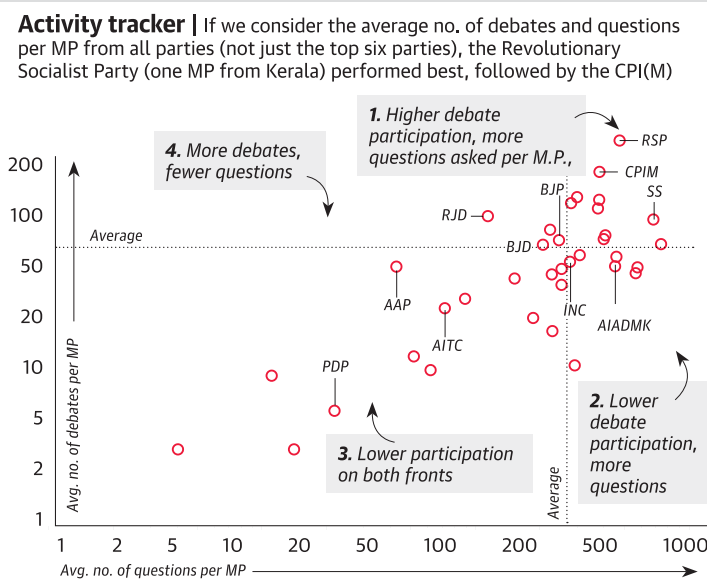
The writer is the author of 1400 Bananas, 76 Towns & 1 Million People



DATA POINT

## Parties in the House

The last Parliament session of the 16th Lok Sabha came to a close on Wednesday. Of the six largest parties in the Lok Sabha, BJP MPs had the highest attendance. On average, Shiv Sena lawmakers took part in the most number of debates and also asked the most questions per MP (among the top six parties). By **Varun B. Krishnan**



**Party stats**  
Table shows indicators for the biggest parties in the Lok Sabha (2014-19)

Political party	No. of legislators	Average attendance*	Debates per MP	Questions per MP
BJP	269	86.06%	68	244
INC	45	76.32%	49	275
AIADMK	37	79.11%	46	448
TMC	34	62.55%	24	71
BJD	18	81.57%	63	205
Shiv Sena	18	78.53%	92	677

\*Attendance record as on Feb. 9. Ministers' attendance not considered | Source: PRS Legislative Research

### Avid debaters

The MP who participated in the most number of debates was Bhairon Prasad Mishra, a BJP legislator from Banda constituency in Uttar Pradesh

MP	State	No. of debates
Bhairon Mishra	U.P.	2,095
P.S. Chandel	H.P.	1,884
Sharad Tripathi	U.P.	660
C.P. Joshi	Rajasthan	380
P.P. Chaudhary	Rajasthan	359

The top five were male BJP MPs elected to the Lok Sabha for the first time. Four of them were graduates

### Top billing

Nishikant Dubey from Godda constituency in Jharkhand introduced the highest number of private members Bills

MP	State	Pvt. members Bills
Nishikant Dubey	Jharkhand	48
Kirit Solanki	Gujarat	37
Gopal Shetty	Maharashtra	32
O.P. Yadav	Bihar	28
P.S. Chandel	H.P.	26

All the above MPs won on a BJP ticket. Four of them were graduates

FROM The Hindu. ARCHIVES

FIFTY YEARS AGO FEBRUARY 15, 1969

### Jan Sangh ready to co-operate with Congress

Mr. Atal Behari Vajpayee, President of the Bharatiya Jan Sangh, said here [New Delhi] to-day [February 14] that it was for the Congress, as the largest single party in the Bihar Assembly after the mid-term poll, to take the initiative for forming a stable Government there. Talking to newsmen, he said that if the Congress failed to do so, the proper course for the Governor would be to sound the S.S.P., the second largest party, to form a Government. Mr. Vajpayee said the people's verdict had cast the Jan Sangh in the role of an Opposition party in that State, and it would be content and happy to play that part. However, if either the Congress or the S.S.P. sought the Jan Sangh's cooperation in forming a stable Government in the State, then the party's Central Parliamentary Board would consider the offer, in the interest of stability. Mr. Vajpayee said co-operation with Communists in forming a Government anywhere was out of the question.

A HUNDRED YEARS AGO FEBRUARY 15, 1919

### Sir R. Tagore at Kumbakonam, Tanjore.

Leaving Trichinopoly by the express train of Tuesday morning [February 11] in which he travelled in a special saloon, Sir Rabinathan Tagore arrived at Kumbakonam at about mid-day. At the Railway Station, Mr. R.M. Statham M.A., Principal of the Government College, Kumbakonam, received the distinguished visitor and took him to his bungalow where he stayed as his guest. In the afternoon, the poet delivered his lecture on the popular spirit in religion to a crowded meeting held at the College. A cheque for Rs. 300 was handed to Mr. C.F. Andrews, Secretary to the poet, by the Principal as the humble contribution of the citizens and the students of the town who took tickets to the lecture in aid of the Shantiniketan and Asramam at Bholpur. Towards the close of the proceedings, the students of the college read an address to the poet.

## CONCEPTUAL Titanic syndrome

**FINANCE**  
This refers to a market phenomenon where the number of stocks making 52-week lows turns out to be higher than the number of stocks making 52-week highs within seven days from the day when the market reaches a new all-time high. The phenomenon is named after the RMS Titanic, the famous British passenger ship that sank in 1912 after hitting an iceberg. The Titanic syndrome was first proposed by Bill Ohama in 1965 to warn traders about the possibility of an imminent crash in the stock market. Ohama believed that the appearance of the Titanic syndrome could be the prelude to a 10% drop in the stock market.

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