Job Growth Jugglery

What is the issue?

\n\n

\n
- There has merely been an increased formalisation in the economy and employment generation hasn’t really improved.
\n
- Mere shift of informal jobs to the formal sector won’t end unemployment.
\n

\n\n

Are government’s tall claims on job creation substantiated?

\n\n

\n
- Based on the increase in registration under pension and Provident Fund schemes, it was claimed that 7 million new jobs have been created.
\n
- Niti Aayog has also stated that 36 million jobs have perhaps been created by the MUDRA Scheme for boosting self-employment.
\n
- But these runs counter to the impression that the shocks of demonetisation and implementation of GST resulted in the loss of many jobs.
\n
- There were also reports workers migrating from urban to rural areas to seek employment under MGNREGS due to lack of jobs.
\n
- Hence, it needs to be recognized mere spike in formal employment doesn’t been that there has been a net increase in jobs.
\n
- For instance, cab aggregators like Ola and Uber have created formal jobs - but this has put auto drivers out of jobs – which is hence a mere replacement.
\n

\n\n

What are the inconsistencies?

\n\n

\n
- 7 million new jobs on a base of about 50 million in the formal sector would represent a growth of 14%.
\n
- But such a steep increase is unlikely in the backdrop of demonetisation and GST – both of which caused considerable teething troubles.
\n
- If the rate of job creation was true, then the total jobs available would double in 5 years and there would be literally no unemployment.
\n
- **MUDRA Scheme -** It is estimated that about 12 million people are currently potential job seekers in the unskilled segments of the economy.
\n
- The huge expansion of jobs under MUDRA Scheme (as claimed) is unlikely as the average size of the loan under this scheme is just Rs 45,000.
\n
- An average micro unit employs 2 persons and has a capital of Rs 25 lakhs.
\n
- Hence, MUDRA loans might help to bolster the capital base of businesses but will do little to create new jobs.
\n

\n\n

What explains the spike in 'Employee Provident Fund' registrations?

\n\n

\n
- Earlier, firms that had more than 20 workers were required to register under 'Employee Provident Fund', but this was recently changed to 20 workers.
\n
- Since there are many firms in India that employ between 10 and 20 people, there has been a spike in registrations for Provident Fund schemes.
\n
- Hence, this is just a definitional shift from informal to formal employment and does not represent an increase in total employment.
\n
- **Incentives -** The government has been encouraging enrolment in the Employee Provident Find since the last three years.
\n

- It has offered concessions like, “Contribution of 8.33% of Employee Provident Fund (EPF) for new employees by the Government for three years”.
  \n
- Other concessions include, “additional deduction to the employers of 30% of the wages paid for new employees under the Income Tax Act”.
  \n
- **Misuse -** The concessions have made it highly profitable to the firms to employ new employees and register them under EPF.
  \n
- As the private sector is increasingly hiring labourers on contract, it is also possible that such labourers are fraudulently being registered for EPF.
  \n
- Since the concessions are for new employees, it is possible that the older employees are being replaced by newer ones and being enrolled.
  \n
- Notably, older employees remain on the EPF rolls even if they don’t have a job currently, which would therefore show a spike in registrations.
  \n

\n\n

\n\n

Source: Indian Express

\n

IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative