

GS FOUNDATION FOR CSE 2024

ECONOMY-20

EMPLOYMENT-2 VARIOUS ISSUES

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2. JOBLESS GROWTH

– Example Questions

- » The nature of economic growth in India in recent times is often described as a jobless growth. Do you agree with this view? Give arguments in favor of your answer. [12.5 marks, 200 words][CSM 2015]
- » Discuss the key causes and consequences of 'Jobless growth' in India [10 marks, 150 words]

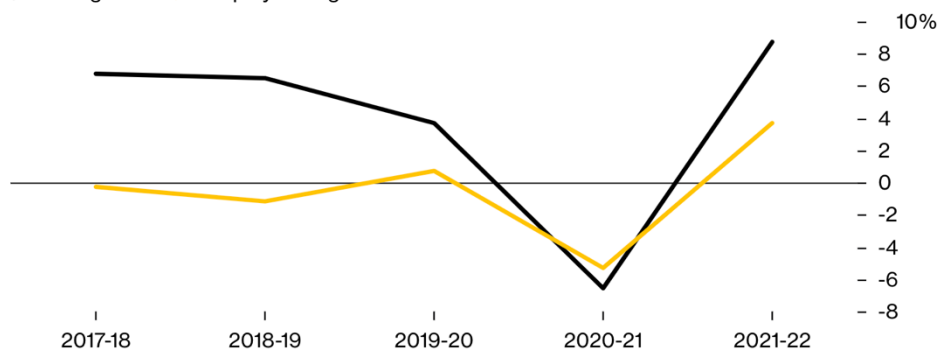
– Introduction

- » **Jobless growth** refers to a phenomenon when **high economic growth rate coincides with low growth in employment opportunities** i.e. the high economic growth is not creating sufficient employment opportunities.
- » In the 1970s and 80s, when India's GDP growth was 3-4%, employment growth was around 2%. But since the 1990s, our GDP growth rate has accelerated to 7%, but employment growth has slowed to 1% or less.
- » **Economic Survey 2016-17** reports that **annual employment growth in India was only 0.5% during the year 2004-12, while labour force grew by 2.9%**.
- » **According to (Centre for Monitoring Indian Economy) (CMIE)** India's unemployment rate is hovering around 7-8%. It was around 5%, five years ago.
 - **Moreover, the workforce shrank** as millions of people dejected over weak job prospects pulled out, a situation that was exacerbated by COVID-19 lockdown.
 - The labor force participation rate (meaning people who are working or looking for work) - has dropped to just 40% of the 900 million Indians of legal age, from 46% six years ago.

Jobless Growth

India's economic growth has failed to create enough job opportunities

✓ GDP growth ✓ Employment growth



Source: Centre for Monitoring Indian Economy

- » **Work is also getting more precarious** with many jobs getting created in Gig economy without any job security.
- » **The proportion of Indians employed in agriculture sector** had been falling for decades, but this process flattened some years ago and was reversed by covid crisis.
 - A big section of these are actually under-employed.

- **Unfortunately, the reality of jobless growth is not reflected in official statistics on unemployment.**
 - » The latest number is 4.2% on usual status basis in 2020-21.
- **Negative Impact of Jobless Growth**
 - » **High Unemployment** -> Poverty; Poor Education; Poor health -> overall loss for the country.
 - » **Women are worst affected:** Between 2010 and 2020, the number of working women in India dropped from 26% to 19% : World Bank
 - » **Waste of demographic dividend** and chance of escaping the middle income trap.
 - » **Big reforms become difficult:** For e.g. the recent attempt to reform agri marketing; protests against Agnipath schemes.
 - » All this **will hamper economic growth in future**.
- **Reasons for Jobless Growth**
 - » **Growth driven by Service Sector and capital intensive manufacturing sector:**
 - The main contributor to India's stellar growth performance over the last 2 decades have been financial, retail and business services including IT and IT Enabled Services. These sectors are **less labor intensive and are highly productive**.
 - Further these sectors have very small employment base and thus growth in the sector leads to very less addition of new jobs.
 - Moreover, a very small percentage of India's population can meet the skill and education requirements of the sector.
 - » **FDI is mostly coming to brown field sector** not leading to many new job creations.
 - » **Agriculture sector** has been struggling and taking people away from it
 - Since it employs very high % of India's population, the stress in the sector creates vulnerable employment situation.
 - » **MSME sectors are facing a number of challenges**
 - MSME sectors have four times the labor intensity and **employ 40% of the workforce** of the country and represent about 45% of India's manufacturing output and 40% of India's total exports and thus have a lot of potential to create jobs.
 - But they are limited by a number of challenges such as poor access to credit, erosion of state protection over the years, increasing competition from bigger corporates.
 - » **Legacy issues of:**
 - Poor Infrastructure
 - **Rigid Labor laws** have disincentivized employers from creating new jobs and moved them to capital intensive system of production.
 - **Poor Skill level** of the workforce reduces their employability
 - Schools see shortage of teachers; Healthcare sector has shortage of nurses and technicians.
 - » **Rising Automation** is affecting the job market negatively.
 - It includes increased agri-mechanization which is taking jobs away from this labor intensive sector.
- **Key initiatives by Government:**
 - » **Boosting Manufacturing Sector:** Production Linked Incentive Schemes (PLIS) for various sectors including electronics manufacturing, food processing etc.

- » **Atmanirbhar Bharat and Make in India** initiatives are focused on improving manufacturing in the country
 - » **Skill Development** related initiatives
 - » **Entrepreneurship related initiatives:**
 - Pradhan Mantri **MUDRA** Yojna
 - » **Skilling:**
 - **Pradhan Mantri Kaushal Vikas Yojna:** It is a flagship program of Ministry of Skill Development and Entrepreneurship (MSDE).
 - » **Ease of Doing Business and relaxation of FDI norms**
- **What are the steps that are required to ensure growth with employment?**
- » **Understanding the reasons for jobless growth**
 - We have very limited understanding of the exact reasons for jobs not getting created and a huge amount of detailed on-the-ground research is required to study the issue properly.
 - » **National Employment Policy**
 - Once the ground research gives us the proper understanding of the jobless growth, the government should formulate a national employment policy which comprehensively deals with the problems which are negatively impacting employment generation in India.
 - » **Producing Periodic and Reliable Data on Employment**
 - Employment policy can further evolve with periodic and reliable data on employment. India needs to develop a mechanism for the same. The last time India carried out a focused and comprehensive estimation of the employment situation nationwide was in 2012 through the 68th round of NSSO. We need to come up with these numbers more regularly to better guide our policy framework.
 - » **Improving business sentiments (Ease of Doing Business)**
 - Due to difficult business doing environment in India, companies tend to shift abroad. This will need to change.
 - The focus should be on kick-starting investment cycle, incentivize job creation by giving infrastructure a push, finding a way to lower interest rates and thus improving ease of doing business.
 - » **Promote Manufacturing Sector:** Global factors are moving in favor of India, where the global economy is looking for an alternative to China.
 - **Promote Labor intensive sectors** like apparels, electronics etc to generate more employment.
 - **Promote MSME sector**
 - Arresting the lacklustre global demand and weak exports, and diversifying the exports basket are the dire needs of the MSME sector.
 - » **Implement all the provisions of new labor codes.**
 - » **More Focus on Skill Development** to ensure industry ready workforce.
 - Peasants who want to move from primary to secondary sector need a huge skill boost
 - Major gaps in skills are in automobile sector, construction sector, textile sector, retail etc.
 - Industries can also contribute here. Apart from beefing up there inhouse training mechanisms, the industry focuses on tie ups with educational/training institutes, and refurbishing curriculum, content, teaching/training methodologies etc.

- » **Food Processing industries** can play an important role in providing employment in rural India where youth is moving away from agriculture.
- » **Entrepreneurial sector needs to be promoted**
 - For e.g. by further expanding the Mudra Scheme.
 - This will increase opportunities both in rural India (e.g. food processing) and urban India (Zomato, Flipkart etc)

3. GIG ECONOMY

- **Example Questions**
 - » Discuss the key promises and perils of increasing gig economy and gig workforce in India [10 marks, 150 words]
- **About Gig Economy:**
 - » **A gig economy** is a free market system in which temporary positions are common and organizations hire independent workers for short term commitments. The term "gig" is a slang word for job that lasts a specified period of time.
- **Gig workers** can be classified into platform and non-platform workers.
 - » Platform workers are those whose work is based on online software apps or digital platforms, while non-platform gig workers are generally casual wage workers, working part time or full time.
- **Factors behind rise in Gig Economy:**
 - » **A rapidly expanding Startup ecosystem:** Startups, including some celebrated unicorns like Ola, Uber, Zomato, and Swiggy, have emerged as a major driver of the gig economy in India. They hire contractual freelancers in both skilled and unskilled jobs to reduce cost.
 - » **The unconventional work approach of millennials, Gen Y & Gen Z:**
 - » **COVID-19 Pandemic** led to many people losing their fixed jobs
 - » **Fast clipped emergence of free lance platforms**
 - » **Various other advantages** (see details below)
- **Advantages of Gig Economy/ Bright Side of Gig Economy**
 - » **For Employees:**
 - **Employment opportunities:** As per NITI aayog, more than 75 lakh workers are engaged in gig economy in 2020-21, and this is expected to go to 23.5 million by 2029-30.
 - **Independence and flexibility** offered by the gig economy to choose projects and work hours has attracted millions of people to join the gig workforce.
 - **Additional income:** To impoverished population (particularly the jobless, women, and students)
 - » **For Enterprise:**
 - **An efficient and speedy go-to-market solution** that allows them to offload core business functions on demand while removing hurdles like fixed costs, long recruitment cycles, and other compliance.
 - It **improves productivity** by reducing idle and unproductive time.

- It also offers **agility to enterprises**, making it easy to scale up or down to meet business requirements.
- » **For Consumers**
 - Cost effective, high quality services (for e.g. Urban Company, Ola, Zomato etc.)
- » **Benefit for overall economy:**
 - Increased labor force participation and contributes to reduction in unemployment.
 - Skilled work force such as make-up artists can find business without setting up a physical shop.
- **Key Highlights of NITI Aayog's Report: 'India's Booming Gig and Platform Economy'**
 - **Size of workforce:** In 2020-21, the gig workers constituted 2.6% (7.5 million) of the non-agricultural workforce and by 2030 they would constitute **6.7% (23.5 million)** of non-agricultural workforce.
 - **Skill Levels:** As per the report, around 31% workers are in low skilled jobs; 47% of the gig work is in medium skilled jobs, and 22% work is in high skilled jobs.
 - **Female Labour Force Participation** in India has **remained low** (between 16% - 23%) in last few years. Similarly, Person with disabilities, who constitute 2.11 to 10% of India's population, have a labour force participation rate of 36%.
 - **Why? -> Structural barriers** such as less access to education and skilling opportunities.
- **Other key issues faced by workers in Gig Economy:** While platform companies have created avenues of employment, it has often been marred by:
 - » **Contractual (non-permanent) work:**
 - **No Social Security:** They don't have benefits like paid sick and casual leaves, travel and housing allowances, and provident fund saving among others.
 - » **Poor Service Conditions:**
 - **Low wages**, Opaque payment calculations, increasing commission deductions etc.
 - Lack of possibility of upward mobility within an organization
 - Gig economy can **bring loneliness**. It would be especially true for designers, copywriters etc. working on their laptops from home.
 - » Unequal gender participation.
 - » The labor codes are vague about social protection for unorganized workers.
 - The new Code on Social Security of 2020 replaced all existing laws on the subject. Gig workers find a place as unorganized sector workers in this code but the actual security cover remains vague.
- **Other Concerns:**
 - » **Traditional players** like (non-app based taxi service providers) are not able to survive in this cut-throat competition environment.
- **Key Recommendations of NITI Aayog**

- » **'Platform India Initiative'** - on the lines of Startup India Initiative: This should be built on the pillars of accelerating platformisation by simplification and handholding, funding support and incentives, skill development, and social financial inclusion.
- » **Skill Development** for platform jobs: Platform led models need to be created for skilling purposes.
- » **Social Inclusion:** Niti Aayog has recommended fiscal incentives, like tax rebates or start-up grants, for companies with about 1/3rd of their workforce as women or people with disabilities.
 - **Business should have Higher share of female managers and supervisors** in the organization to ensure that communication to workers doesn't perpetuate gender stereotypes.
- » **Extending Social Security for gig and platform workers:** Extend social security measures such as income support, paid sick leave, insurance and pension plans to people working for platform economies like Swiggy, Zomato, Ola and Uber.
 - Such plans and policies may be uniquely designed by a firm, in partnership with insurance companies, or could be designed and offered in collaboration with the government, as envisaged under the Code on Social Security, 2020.
- » **Self employed individuals** - selling regional and rural cuisine, street food etc., may also be linked to platforms so that they can sell their produce to wider markets in towns and cities.
- » **RAISE Approach for operationalizing the Code on Social Security (CoSS), 2020:**
 - **Recognize** the varied nature of work to design equitable schemes.
 - **Allow** augmentation of social security through innovative financing mechanism
 - **Incorporate**, while designing schemes, the specific platforms, factoring the impact on job creation, platform businesses and workers
 - **Support** workers to subscribe to government schemes and welfare programs through widespread awareness campaigns
 - **Ensure** benefits are readily accessible to workers.
- **Conclusion:**
 - » Long term solution lies in creation of more better paying, secure jobs. But, at the same time there is need to ensure minimum wages, and social protection for gig and other organized workers who constitute the bulk of Indian workforce.

4. LABOR LAW REFORMS

- **Example Questions**
 - » "Success of 'Make in India' program depends on the success of 'Skill India' program and radical labor reforms." Discuss with logical arguments [12.5 marks, 200 words, Mains 2015]
 - » Discuss the key provisions of the four labor codes enacted recently. Have these codes maintained a balance between promoting ease of doing business and protecting rights of workers [15 marks, 250 words]
 - » Labor law reforms will contribute towards formalization, investment and job creation in India's economy. But to achieve full potential of Indian economy it should be complemented with skill development, development of infrastructure, and stable law and order. Discuss [15 marks, 250 words]
- **Introduction**

- » Labor laws, rules, regulations and the institutional framework dealing with them are among the biggest hindrances which is preventing India from achieving its full economic growth potential.

– **Key issues with labor laws (before the coming up of 4 codes)/ Need of the four codes:**

» **RIGID Laws**

▪ **E.g. Industrial Disputes Act, 1947**

- The act mandated companies employing more than 100 employees to seek prior permission of the government for firing workers.
- The act also restricted companies from exiting or downsizing quickly - a company needs to seek permission from government 3 months in advance.

- Similarly, **the Contract labor Act of 1970** does not allow contract workers for work of perennial nature.

» **Multiplicity of laws -> Expensive Compliance**

- Before the four codes, there were 44 Central labor laws and more than 100 state specific laws.

» **Many labor laws were old, outdated and irrelevant in present context**

» **Ambiguous definitions between different laws**

- For e.g. the older laws defined 'worker' and 'wages' in 17 different ways. These ambiguities and confusions discouraged a small entrepreneur.

» The complex system had promoted Inspector Raj which had led to harassment of businesses.

– **Negative Impact of the above difficulties:**

» **Hindered Ease of Doing Business -> Hindered Investment in labor intensive sector-> Restricted growth and development**

- These problems also hamper initiative like Make in India.

» **MSMEs prefer to remain tiny** (less than 20 workers) in order to stay away from the burden of compliance demands.

» **Hampered Formalization of jobs** as with more full-time employees comes more compliance burden.

- This is a major factor in Urban Poverty -> Most of the workers involved in contractual/informal works and thus are kept away from social benefits and various other protections.

» **Reduced in-hand salaries of workers.**

- About 40% of the payments are deducted under various social sector initiatives like EPFO, Insurance etc.

» Led to **increasing litigations and complicated case laws.**

» **Occupational Safety** remains a huge issue in India with several industrial accidents taking place every year.

– **Steps Taken**

» **Codification of 29 laws into 4 codes:**

- Against the background of above challenges, and after the recommendations of Second National Labour Commission (2002), and several other reports, Union Government

unified 29 statutes and passed four codes on wages, safety (and health), industrial relations and social security.

- The Code on Wages was passed in Parliament in Aug 2019, and other three in Sep 2020.

– **Summary of the 4 codes:**

1) CODE ON WAGES, 2019

- It universalizes minimum wage for all employees in both organized and unorganized sectors.
- It also **amalgamates the definition of wages** across all the legislations.
- There is a provision for review of minimum wage every five years and guarantee of timely payment of wages to all workers.

2) CODE ON SOCIAL SECURITY, 2020

- It aims to extend social security to all employees and workers both in the organized and unorganized sector including Gig Workers and platform workers.
 - » **Increased coverage of ESIC:**
 - The coverage of ESIC have been extended pan-India as against the notified districts/areas.
 - ESIC coverage on voluntary basis for establishments having less than 10 employees has been introduced. Further, ESIC can also be made applicable to establishment with less than 10 employees if the workers are involved in hazardous or life threatening activities.
 -
 - » Envisages a **Social Security Fund (SSF)** for formulating schemes for welfare of the unorganized workers, gig workers and platform workers.
 - » At the time of retrenchment, worker would be provided 15 days' wages for re-skilling.
 - » Benefits of pension scheme (EPFO) to all workers of organized, unorganized and self-employed sectors.
 - » Requirement of minimum service has been removed for payment of **gratuity** in case of fixed term employees.

3) CODE ON INDUSTRIAL RELATIONS, 2020

- It streamlines laws related to trade unions, employment conditions for industries, and a comprehensive handling of industrial disputes.
- It provides for recognition of trade union(s) by employers, a labour right that eluded workers for seven decades.
- The code also **introduces new conditions for carrying out a legal strike**.
 - For e.g. the code says that no person employed in an industrial establishment shall go on strike without a 60-day notice and during the pendency of proceedings before a Tribunal or a National Industrial Tribunal.
- **A Labour Tribunal** with vibrant mechanism for speedy disposal of cases would be institutionalized - Faster adjudication would lead to faster justice and improved Ease of Doing Business

- **Greater flexibility to employers:**
 - **More flexibility of hiring and firing: Increase in threshold** relating to layoff and entrenchment in industrial establishments having 300 workers from 100 workers or more at present.

4) OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE

- It aims to ensure that employees across all sectors are treated equally and have safe working conditions.
- **Anomalies of the Inter-State Migrant Workers Act, 1979** have been comprehensively addressed in the code.
 - Earlier, only workers appointed by contractor were recognized as Inter-State Migrant Workers. However, under the new provisions of the Code, workers can be Aatmanirbhar as they can now register themselves as Inter-State Migrant Workers on the National Portal. By this provision, the workers would get a legal identity which would enable them to get benefits of all social security schemes.
 - **National database** would be created for the Inter-State Migrant workers.
- **Providing appointment letters** to the workers has been made mandatory.
- **Mandatory, free annual health checkup of the workers** has been provided by the employers.
- **Women Empowerment:**
 - Right to women workers to work in all types of establishments.
 - Women have been given right to work at night with their consent. Employer would also ensure adequate arrangements to provide safety and facilities to women workers at night.
- It allows **employers** to stay compliant with **fewer registration formalities and promotes ease of doing businesses in India.** It will be applicable to every organization that employs more than 10 employees.
- **Other key advantages:**
 - The new laws are in tune with the changing labour market trends and, at the same time, accommodate the minimum wage requirement and welfare needs of the unorganised sector workers, including the self-employed and migrant workers, within the legislation framework.
 - The Labour Codes have been aligned with the present economic scenario and technological advancements along with reduction in multiplicity of definitions and authorities.
 - The Codes also ease compliance mechanism aiming to promote ease of doing business/setting up of enterprises and catalyse creation of employment opportunities while ensuring safety, health and social security of every worker.
 - **Use of technology**, such as, web-based Inspection has been introduced in order to ensure transparency and accountability in enforcement.
 - **Decriminalisation** of minor offences has also been provided in the Labour Codes

5) LIMITATIONS/CRITICISM OF THE NEW CODES AND WAY FORWARD

- **Watering down of labor rights for workers in small establishments** having less than 300 workers.
 - There are no specific provisions for social security of employees in small startups, MSME or workers in small establishments having less than 300 workers.

- Self-employed workers, home based workers, and other vulnerable groups in rural areas are not covered under social security benefits.
 - **Charity and NGOs are not covered** and people working in them have no social protection.
 - **Invisible Labor** - like household work, childcare and looking after elderly hasn't been covered.
 - **Implementation hasn't started.**
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- **Why implementation has been delayed so much:**
 - » Rules made under the Codes have been entrusted to Central Government, State Government and at appropriate level.
 - There is a requirement for pre-publication of Rules in their official Gazettes for public consultation.
 - As of **13 December 2022**, 31 States also have prepublished the draft rules under the Code on Wages, 28 States under Industrial Relations Code, 28 States under Code on Social Security, and 26 States under Occupational Safety Health and Working Conditions Code.
 - » **The SP Mukherjee Committee**, which is working on the issue of minimum wages, is yet to complete its task. Setting a national wage is important in the implementation of the Code on Wages.
 - » The Central Trade Unions (CTUs) have held three general strikes against the codes so far alleging that the codes will take away whatever little social and economic security is left in the employment sector.
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- **Way Forward:**
 - » **Increased Social Security Coverage:** State governments should enact legislation for the social security coverage of unorganized sector workers and small business employees.
 - » **Employment Information Service** - an online portal - should be created and popularized among masses to get to know various employment opportunities available throughout the country.
 - » **Bring in Futuristic Provisions in the Codes:** The 4 codes are solving many problems which have emerged in the past. But, we also need to give it a futuristic approach to deal with scenarios when AI, ML, bioengineering etc. may hamper rights of workers.
 - » **Skill Development and Vocation Training system needs to strengthen:** This would make Indian workforce market ready. During these initiatives, workers should also be made aware of various rights of workers.
 - » **Other reforms:** Flexible labour laws will have several positive impacts, but it isn't a magic wand to solve all labour and employment related issues. Broader reforms in the field of infrastructure, law and order and skills and education will be crucial in reforming the entire system.