

Date: January 31, 2018

Budget 2018: The need to focus on Job Creation

In this part of the People Matters: Budget 2018 series, we look at how the government must ensure steady and sustainable employment generation avenues in the country and provide work opportunities to its massive workforce.

In the past few years, Prime Minister Modi has categorically gone after some of the biggest obstacles in the economy: corruption, lack of official record-keeping, lack of skill training, lack of incentives to entrepreneurs, etc. Although his performance in each can be the foundation a separate discussion in itself, the scope of this article is limited to the one challenge that he has, undoubtedly, not been able to solve: joblessness. While last year's budget tweaked the tax code and gave relief to small and medium businesses, which in turn was expected to increase jobs; it was under criticism for not directly promoting job creation. A day before the budget is formally announced, let us take a look at how job creation has fared in the economy recently, and what can be expected to remedy the malice.

Joblessness in the Indian Economy

Prime Minister Modi had promised the creation of over one crore jobs during campaigning for the 2014 elections. However, job creation successively touched new lows from 2015 to the end of 2016, reaching just 77,000 in the second quarter of 2016, as per the data by Labour Bureau. Then, merely eight months apart, two hastily implemented economic disruptions caused further job losses. The first three quarters of 2017 had an unmistakable impact of demonetization and GST, and multiple reports confirmed how they detrimentally affected the workforce, especially the informal sector. Then, just when the dust was beginning to settle, reports of layoffs from IT started pouring in. So, on the one hand, a sizeable workable population of the country was out of jobs, and on the other hand, jobs weren't being created fast enough to accommodate them.

Signs of an uptick visible

It seems that the worst is over. According to recent indicators, the economy is back on track to recovery, and IMF expects India to outperform China's growth rate in 2018. Furthermore, the government has been working overtime on smoothing out implementation related glitches in GST, and the Economic Advisory Council to the Prime Minister acknowledged the slowdown in October last year and came up with a 10-point agenda to reverse the slide and tackle joblessness in the economy. It seems like an opportune time for the government to focus on its long-pending promise of providing secure employment to the massive workforce of the country, and 2018's budget might as well prove to be a milestone in that direction. But how must the mammoth task be achieved?

The role of skilling policies

While a previous part of the series has discussed in detail the interventions expected with regards to skilling policies this year, in this article, we take it one step ahead and establish their importance in the process of job creation. A precursor to healthy job creation is a workforce that is skilled, willing and ready to support the growth of the economy. Amitabh Jaipuria, President, and CEO - Global Services - Qess Corp Limited explains, "There are three aspects to achieving this (1) Getting people ready for these jobs and to get the supply side ready through skilling interventions. (2) Making it easier for people to find these jobs, (3) Making it easier for companies to hire by easing their compliance burden."

The budget should cater to these provisions, and according to Jaipuria must lay the framework for this cross-sectional dynamic movement, "The need of the hour is a single-minded focus on ease of doing business and on skilling outcomes. We expect the focus for this year's union budget to be on integrating strategies in order to see a rise in skilling outcomes. Furthermore, improving the Ease of doing business for companies that operate in this area and strengthening of incentives and easing of compliance rules would lead to large-scale job creation."

Macroeconomic policies which aim to bolster specific industries and improve job creation must compliment this drive to skill the workforce. With recent changes in the FDI policy, Mr. Sashi Kumar, Managing Director, Indeed India, opines that the organised sector will also witness a job growth, "With the government signalling green to 100% FDI in single brand retail via automatic route, doing business in India will get easier as foreign investments coming into the country will be liberalized. This will definitely play a key role in creating more jobs in the organized sector. Also with the recent move towards clean labeling, many start-ups are flourishing in the space with potential to create more jobs."

Furthermore, activity in the infrastructure and construction sectors, which has been slacking for the past couple of years must be revived by the adequate allocation of funds, says Dr. Suresh Srinivasan, Associate Professor, Strategy, Great Lakes Institute of Management (Chennai). "If India has to grow at 7.3% during the 2018-19 fiscal year, beating China as the fastest growing economy in the world, India's infrastructure spend needs to keep pace... Hence, infrastructure spending will substantially go up in the 2018-19 budget... Higher infrastructure spending, enhanced construction activity, and rural spending are expected to boost employment rates. Also, with the full benefits of the GST kicking in, especially in the micro, small and medium enterprises (MSME) sector, we expect to see much higher levels of jobs to be created".

National Employment Policy

According to an ET report, the government could launch the National Employment Policy in this year's budget, which "will outline a comprehensive roadmap for the creation of quality jobs across sectors through economic, social and labor policy interventions. The multi-pronged employment policy will not only include incentives for employers to create more jobs, but also introduce reforms to attract enterprises and help medium and small-scale industries, which are major job providers." An official quoted in the report says, "The policy will moot fiscal incentives for

employers across labor-intensive sectors to create more jobs as well as employees to get engaged in the organized sector as this would fetch them minimum wages and enough social security.”

This could be an important policy with far-reaching consequences, says Kumar, “The much-awaited National Employment Policy (NEP), expected to be announced in the 2018 budget, could possibly be a game changer if implemented in time for the election. In the recently released Three-Year Action Agenda for 2017-18 to 2019-20 by the NITI Aayog, wherein the national think tank has made a case for reforming India's labour laws, challenging the current status quo of low-productivity and low-wage jobs dominating the landscape, the NEP, if executed in the right spirit and method would be a step in the right direction.”

To conclude, with the economy gaining pace again, the time is ripe to initiate ambitious and visionary skilling and employment programs, which would enable the economy to perform to its potential. The budget must allocate sufficient funds and resources to revamp the existing skilling policies, and lay the framework for a dedicated and focussed nation-wide employment policy that is suited to the need of today.

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