Issues before the new Govt

By K P SHASHIDHARAN

The International Labour Organization (ILO), in its latest report, Global Employment Trends 2014, finds uneven and fragile global labour market. The report highlights the risk arising out of a jobless economic recovery since the global financial crisis of 2008. In India, the number of jobless people has been increasing due to economic slowdown and slower business activity. ILO estimates show that India's unemployment rate has been increasing over the years and reached 3.8% in 2014 from 3.5% in 2011. Many people in the 18-25 age group are without jobs. There has been inadequate job creation in the government sector. There is a serious risk of "jobless growth". Though total employment in India expanded to 13.9 million in 2011-12, most of the jobs fall in the informal economy. The sad reality is that the unorganized sector only absorbs 94 percent of the workforce in the country.

The good news is that the recent report of the World Bank's International Comparison Programme (ICP) based on the 2011 survey finds that India has replaced Japan as the world's third biggest economy following the US and China in terms of Purchasing Power Parity (PPP). India was tenth in 2005 and in six years it scaled up its position to third. Of the PPP-based world Gross Domestic Product (GDP) amounting to over USD 90 trillion in 2011, the low and middle-income countries accounted for nearly half of the output. The rankings of the three Asian economies-China, India and Indonesia-relative to the US doubled and Asia and the Pacific, including China and India, account for 30 per cent of the world GDP.

There is a good forecast. The leading rating agency, CRISIL, predicts that the Indian economy would grow by 6.5 percent annually from 2014-15 to 2018-19, provided there is a stable government after the 2014 Lok Sabha elections with a decisive mandate. It is good that India's growth rate is far better than the rate estimated by the International Monetary Fund for 2014-18, but the GDP growth rate of 6.5 percent is far below the 9 percent rate of growth experienced by the Indian economy during the period 2003-04 to 2010-11. The critical issue is that the GDP growth rate of 6.5 percent is not good enough for a country with 269 million people living below the poverty line.

At the rate of 6.5% growth, the poverty ratio is estimated to decline to just 17.3% by fiscal 2019 from nearly 22 percent in fiscal 2012. In case the country could achieve 9 percent growth, the poverty ratio would have declined to 13.6 percent by fiscal 2019. At 6.5% average GDP growth, only 37 million non-farm jobs will be available, leaving 14 million people unemployed forcing them to depend on subsistence agriculture and subsistence jobs in the unorganized sector. And growing unemployment will result in lower economic growth due to lower consumption, savings and investment. Experts predict that the automobile manufacturers would be the worst affected followed by the consumer durables segment. Sales of televisions, refrigerators, washing machines and air-conditioners would face lower demand. However, there could be a revival in the realty sector with increasing demand for housing in cities over the next five years. The slower economy will adversely impact demand for steel and cement too.

The GDP growth rate of 6.5% is dependent on a sound development-oriented policy to attract investments from FDI companies and FIIs. Foreign Direct Investment in the services sector declined 54 per cent to $2.18 billion during April-February of 2013-14 compared to the previous year when services such as banking, insurance, outsourcing, R&D, courier and technology testing attracted $4.74 billion of FDI during April-February 2013. There should be a decisive policy orientation towards accelerated growth, employment generation, enhancing the household income, consumption and investment spending. Expeditious project clearances, implementation of infrastructure projects and resumption of mining activity are expected to boost economic recovery.

The new Government has to address the risk of inadequate economic growth and employment generation. Investment in human resource development, capacity building and training for job required skills along with suitable revamping of the education system must receive immediate attention. Adequate employment generation can only constructively channelize the growing youth power towards economic growth and nation building. ■

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