

ECOWRAP

Creating a Job Model for India in Budget



As per NSSO data, for the 12 year period ended FY12, the total number of jobs created were 76 million, of which the number of people employed in agriculture declined by 6 million, whereas in industry, it increased by 17 million, and the residual in the service sector. This clearly implies that there is an urgent need to create jobs in agriculture and manufacturing. We need to restructure the NREGA programme in countryside with greater emphasis on asset creation for the small and marginal farmers. One way to look at this is by tying up NREGA with Bharat Nirman and create the best in class rural infrastructure (Water Supply, Housing, Rural Telecom, Roads, Rural Electrification and Irrigation). This will go a long way in creating a huge pool of rural employment in India, as well as give a boost to agricultural productivity, with demand for foodgrains set to cross 300 mn tonnes! In manufacturing sector, Indian industry on its own can take a big initiative in partnering with the Government in creating an employable workforce through set-up of ITIs/ICTs.

A job model for India

- ◆ As per NSSO data (and repeated in a latest RBI working paper), for the 12 year period ended FY12, the total number of jobs created were 76 million, of which the number of people employed in agriculture declined by 6 million, whereas in industry, it increased by 17 million, and the residual in the service sector. This clearly implies that the number of jobs created in agriculture as well as manufacturing were far outstripped by the job growth in service sector over the last decade or so.
- ◆ Beginning with agriculture, reminds us of the unresolved debate (dates back to as early as 1962) of the inverse relationship between land-holding size and farm productivity, implying small land-holdings being more productive compared to large landholdings in India. The primary reasons for such high productivity as cited in empirical literature are intensive use of land, higher dose of inputs and large-scale adoption of technology.
- ◆ However, the irony is that even though 85% of land-holding in India is less than 2 hectare (ha), we are unable to translate such potential into improvement in livelihood of small land-holders. China, on the other hand with a remarkably similar land holding pattern is not only miles ahead in agriculture productivity compared to India (per hectare productivity of major crops is 6% to 190% higher) but has adopted a model of replenishing the income of rural livelihoods through increased participation in non-farm activities. Interestingly, this has had a significant impact on reducing rural poverty in China and also a positive spill-over effect on household agricultural production. Hence, the first thing that India can replicate from the Chinese agricultural model is to restructure the NREGA programme in countryside with greater emphasis on asset creation for the small and marginal farmers. One way to look at this is by tying up NREGA with Bharat Nirman and create the best in class rural infrastructure (Water Supply, Housing, Rural Telecom, Roads, Rural Electrification and Irrigation). This will also go a long way in creating a huge pool of rural employment in India.

Table 1: Youth Unemployment and Migration of Labour

States	Workers Granted Emigration clearance during 2008-12 (cumulative)	Youth Unemployment Rate (18-29 yrs) in %
Uttar Pradesh	7,52,505	15.1
Kerala	5,89,149	31.3
Andhra Pradesh	4,03,375	8.0
Bihar	3,26,916	16.4
Tamil Nadu	4,39,059	12.3
Rajasthan	2,49,682	8.7
Punjab	1,82,072	13.4
West Bengal	1,42,964	20.4
Maharashtra	97,994	11.8
Karnataka	91,627	4.8
Odisha	37,547	15.5
Gujarat	48,514	5.9
Jharkhand	20,607	21.5
North-East	14,905	21.6
Others	76,919	-
India	34,73,835	13.0

Source: Ministry of Overseas Affairs, Labour Bureau; SBI Research

◆ As far as manufacturing is concerned, no can deny the pressing need for generating non-farm rural employment. However, the bogey of lack of skilled labour in India is perhaps an overstated fact. Consider this example. During the last five year (2008-12) around 41 lakh semi-skilled and skilled workers from India migrated to different countries in search of employment. The migration of skilled workers from India was significantly high from states having high rate of youth unemployment, as in Kerala (31.3%), WB (20.4%), Bihar (16.4%), etc. Clearly, youths have been migrating from India in the last couple of years, as employment opportunities have declined.

◆ In the last 5 years (2008-12) around 7 lakh Indian went to US alone under H-1B visas (workers with specialty occupations). Interesting to note that one-third of H-1B visas issued by US consumed by Indians only. But the truth is that we need to create more job opportunities inside the country so that we are able to retain our workforce.

Table 2: Indians in US under H-1B Visa

Year	Total H-1B Visas Issued	H-1B Visas for India	India's share in total visa
2012	4,73,015	1,58,137	33.4%
2011	4,94,565	1,47,290	29.8%
2010	4,54,763	1,38,431	30.4%
2009	3,39,243	1,23,002	36.3%
2008	4,09,619	1,54,726	37.8%
Total (2008-12)	21,71,205	7,21,586	33.2%

Source: US Department of Homeland Security; SBI Research

- ◆ Given this background, the Indian industry on its own can take a big initiative in partnering with the Government in creating an employable workforce. To this extent, the most promising example could be the setting up of Industrial Training Institutes (ITIs) and Industrial Training Centres (ITCs). Currently there are around 8,000 ITIs/ICTs with a seating capacity of around 11 lakh (DGET, 2010). At present, ITIs/ICTs enroll students between the age group of 14-26 and therefore even if we take the entire rural-population (male + female) under 15-24 age group (15 crores, roughly) there is only one ITI/ICT for 19,000 rural youths in India (assuming that urban youth focus is for white-collar jobs). We should therefore have at least 15,000-20,000 training institutes to harness the potential of our 15 crore youths.
- ◆ As per estimates, there are 10 million entrants in the job market every year. To absorb such a huge number of job market aspirants, it is imperative that we follow a policy of stepping up growth in the manufacturing sector. However, that should not preclude us from supplementing livelihood opportunities in agricultural sector, as such an exercise will also give a fillip to growth in agricultural productivity. With the demand for foodgrains set to cross 300 mn tonnes sooner or later, this will be a blessing in disguise!

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