

# **JOB** Crisis in India

**R Jagannathan**

The world is flooded with excess capital and labor. There are 192 million people globally who are unemployed

41 % of India's self employed earn Rs 5000 per month, 26 % earn Rs 7500 per month. This means that most self employed people in India earn less than per capita monthly income.

In 2016, the swiss rejected the Universal basic income idea, Finland after a pilot study looks set to abandon it. Canada is trying it in three cities and Netherlands is carrying out an experiment with 150 unemployed people.

When productivity outpaces demand, then one can hardly expect manufacturing to create more jobs.

The short term story in India with job losses is less about automation and more about competitive consolidation in banking, in telecom, etc.

India produces 0.18 pc extra jobs for every 1 % growth in GDP. So if GDP grows by 10 pc, then we create 1.8 pc more jobs.

Many of our service jobs like the dominos pizza boy and the girl at the mall check put counter are short term jobs. Sooner or later these jobs will be automated.

According to a 2015-16 study, only 20 pc of people have a job in India ( fixed plus contracted, 47 % are self employed and another 33 % have casual jobs.

According to a labor bureau report, only 60 pc of Indians have a 12 month job, 34 % have a job for 6 to 11 months. India's unemployment number is anywhere between 3 and 11 % depending on the data point you use.

In the short term, protestors against disruption are often seen as heroes, but in the long term, people adapt. Society usually begins by cheering the loser who is disadvantaged by old technology.

Shoe maker Adidas is moving back some of its china production to a speed factory in Germany where robots make sneakers. Only thing a robot cannot do right now is insert shoelaces in the sneakers, but that's a matter of time.

Given the abundance of labor in India, automation should not be attractive, however, automation is attractive because labor is overprotected by law.

India bought 2100 robots in 2014, it is expected to buy 6000 in 2018, China in 2018 will have 150,000 robots.

The peak of any country's manufacturing was great Britain after world war 2 at 45 %, china peaked at 28 % and America at 33 %. In India it is 11 %, we can go up to a max of 20 %.

Growth in India has been steadily delinking from employment, so if you employ more people, you don't get more growth.

India will have 70 million people wanting jobs or short of jobs in 2020.

Reliance creates 5 jobs for every \$2.2 million in assets while Shahi exporters, the largest apparel exporter from India creates 1260 jobs for the same capital.

The size of the public sector is always a debate in India. Public sector employees to total population is 1.7 % in India, 5.6 % for Brazil, 16.2 % for Russia, 3.1 % for South Africa, 7.4 % for USA, 10.2 pc for Canada.

The apprentice act in India should be modified if we want more skill based jobs. India has 4 lac apprentices, Germany has 3 million and China has 10 million.

Life time employment in any industry will be a thing of the past and jobs will be created by small enterprises and not big ones according to Nandan Nilekani.

Gigs will be more prevalent rather than full time jobs. Middle class jobs will be replaced by gigs. You know you are in a gig system when greater proportion of jobs are contracted, they are contracted by output norms, if there are more women in the workforce, and if technology becomes a mediator between those who want jobs done and those willing to do the job.

Universal basic income for India at Rs 280 per month will cost India 2.1 % of its GDP.

# Changing rules of the job game

- 1. First develop loyalty to yourself and your future, the employer comes later**
- 2. Build your skills and your personal brand**
- 3. Keep improving your soft skills, including language skills**
- 4. Three years is more than enough in one job or skill or position**
- 5. Mobility and flexibility are important**
- 6. Manage your finances tightly**
- 7. Keep liabilities at a minimum and avoid confusing liabilities and assets.**

India plans to create 100 million jobs between 2017 and 2022. 30 % will be in construction , 10 % in retail. This is from NSDC.

# Action agenda for creating jobs

1. Reform of factor markets like land
2. Devolve more power to states, cities and district, village bodies
3. Build a more agile education and skilling system
4. Replace current physical subsidy with universal or targeted income support system
5. Scale up apprenticeship programs
6. Focus on improving women ratio in the workplace

Capitalism is better at generating wealth than distributing it evenly. Socialism has failed as a viable system, some of the ideas in socialism like providing social security nets, basic education, basic healthcare have endured. Capitalism has survived the 21 st century by creating the welfare state.

The arrival of the 'prosumer' society and platform technologies, where the producer often produces something for free and makes it available to a large number of users, which makes marginal cost of additional production near zero. This is where we see many current business models, this is an enabler and a destroyer of business.

We have a wage problem and not a jib problem, if we think we have a jib problem, we will create NREGA, if we think we have a wage problem, then we will talk productivity, industrialization and human capital.

India has 63 million enterprises, 12 million of them don't have an office, only 8.5 million pay GST, only 1.2 million pay PF. Only 18,500 companies have a paid up capital of more than Rs 10 crores. For a \$2.6 Trillion economy, this is peanuts.