

Jobs creation, the next socio-political frontier



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Over the past ten years, the NDA government has made significant strides in addressing two key challenges. One, the government has implemented social schemes to provide basic amenities like housing, water, and electricity, resulting in the largest development step in Independent India. Two, a robust infrastructure network has been established, enhancing productivity, and strengthening the military's ability to protect India's borders. The next major socio-political challenge is creating jobs to meet the aspirations of the Indian population.

Since the economic liberalization of 1991, India's economy has grown rapidly. The nominal GDP increased from Rs. 113.5 trillion in FY14 to Rs. 295.4 trillion in FY24, reflecting a 10% CAGR and a total growth of 160% over ten years. This growth has been accompanied by the steady generation of formal employment, as evidenced by data from the Employee Provident Fund (EPF) and

Employee State Insurance (ESI), which record new subscribers based on actual deductions.

1.12 crore net new subscribers joined the EPF scheme in FY19. The number dipped to 94.7 lakhs and 94.5 lakhs in FY20 and FY21, respectively, presumably due to the pandemic's recessionary effect. With the economy rebounding strongly in FY22, 1.22 crore new subscribers was recorded, followed by a record of 1.38 crore in FY23 and 1.31 crore in FY24. A significant total of 8.3 crore new jobs have been recorded on EPF between Sep'17 and Apr'24.

The ESI scheme has also recorded robust growth, with 1.49 crore new subscribers in FY19, 1.51 crore in FY20, 1.15 crore in FY21 - a dip due to the pandemic followed by a strong rebound of 1.49 crore new subscribers in FY22, 1.67 crore in FY23, and 1.67 crore again in FY24. A significant total of 8.3 crore new jobs have been recorded on ESI between Sep'17 and Apr'24. However, there is considerable overlap of subscribers between the two databases.

Despite contentious statements in the media regarding jobless growth, EPF and ESI data – which, again, record new subscribers only on actual contribution and are not based on thin surveys – suggests **there is an encouraging trend of employment generation**. Assertions that these figures merely reflect job formalization are not supported by two key facts. First, these databases also track data from establishments submitting their first remittance within a fiscal year, indicating existing employees being formalized. For instance, in FY24, 56,023 establishments submitted their first cheque to EPF, formalizing 11.2 lakh jobs. This suggests that 1.19 crore (1.31 crore - 11.2 lakh) new jobs were created in FY24, excluding formalization.

Secondly, a significant number of jobs are being created in the 18-25 age bracket. On EPF, 56.4 lakh new jobs created in FY19 were in that age bracket – 50.1% of the total. Similarly, 53.3%, 51.4%, 52.4% and 51% of total jobs created in FY20, FY21, FY22 and FY23 respectively were in that bracket. On ESI, the corresponding percentages are 48.2% (FY19), 48.6% (FY20), 48.4% (FY21), 48.2% (FY22) and 47.9% (FY23). It is highly unlikely that existing jobs being formalized would count such an overwhelming percentage in that young a population. It stands to reason that these are indeed new jobs being created.

The percentage of women among new subscribers seems to be climbing. In EPF, women formed 18.1% of new subscribers in FY18, which has increased to 22.8% (FY21), 25.4% (FY22) and 26.5% (FY23). Similarly in ESI, women formed 15.5% of new subscribers in FY18, which has increased to 17.9% (FY20), 18.5% (FY22) and 19.1% (FY23).

The 2024 India Employment Report by Quess-FICCI shows a rise in women's participation in agriculture (from 57% in 2017-18 to 64.3% in 2022-23) and self-employment in rural areas, driven by the rise of SHGs via the DAY-NRLM mission. Workforce participation among rural women increased from 23.3% to 37% during the same period.

While the employment growth is reasonable, strategic investments are necessary to provide adequate opportunities. The workforce is shifting from agriculture to services and industry, accelerating the need for robust skilling and local employment opportunities. Many EPF and ESI jobs pay less than Rs. 20,000 monthly, highlighting the need for better-paying jobs.

Special Employment Zones

India must seize the opportunity to broaden job availability by utilizing the phenomenal work undertaken with the social schemes and infrastructure development over the last ten years. The Atma Nirbhar Bharat movement, Production Linked Incentive schemes, Make in India and Skill India initiatives, and export-linked manufacturing plans all provide a robust foundation to launch a country-scale employment generation movement.

Establishing Special Employment Zones (SEZs) could be a visionary step to create five crore new jobs in India's heartland over five years. The zones must offer a grant of Rs. 2,000p.m. per new employee enrolled in the first 12 months and Rs. 1,500p.m. for the next 12 months, in addition to bearing the employers' cost for EPFO and ESI contributions for the first 24 months. This will mitigate training costs and lower productivity in the initial stages.

Significant annual Budget allocations will help achieve this vision. The allocation will be used to develop industry clusters, incentivise employers to set up factories there, and the complementary urbanisation required to make the clusters globally competitive. It is expedient to locate these clusters in labour-surplus regions. ***The scheme can identify 300 of India's backward districts and 1,000 tier 2/3/4 towns across the country***, establish these clusters close to them, and provide the connectivity for the workforce to commute freely as well as the rapid movement of goods and materials to and from the country's arterial networks.

The Budget can provide a tax deduction to entities registering in these SEZs, covering 130% of salaries and wages paid for employees residing in the neighbouring towns and districts for ten years. The Kaushal scheme can be incorporated for skilling and to verify salaries and wages via payment towards EPF or ESI. ***Women, who may not be able to commute or relocate as freely as men, can now find suitable employment close to their homes and fully engage in the economy, thereby increasing their workforce participation significantly.*** The SEZ mission will promote large-scale job creation in India's heartland, enabling backward districts to grow faster than their states, and creating the nation's new growth engine.

Job creation, especially well-paying employment opportunities across the country, must be the number one priority of the Central and State governments. India's demographic dividend, the last significant cohort of young population has been building up for the last 20 years, will enter the workforce over the next decade. Most of the world is ageing much faster than India. India must focus on converting the demographic dividend into a competitive advantage few countries have available to them.
