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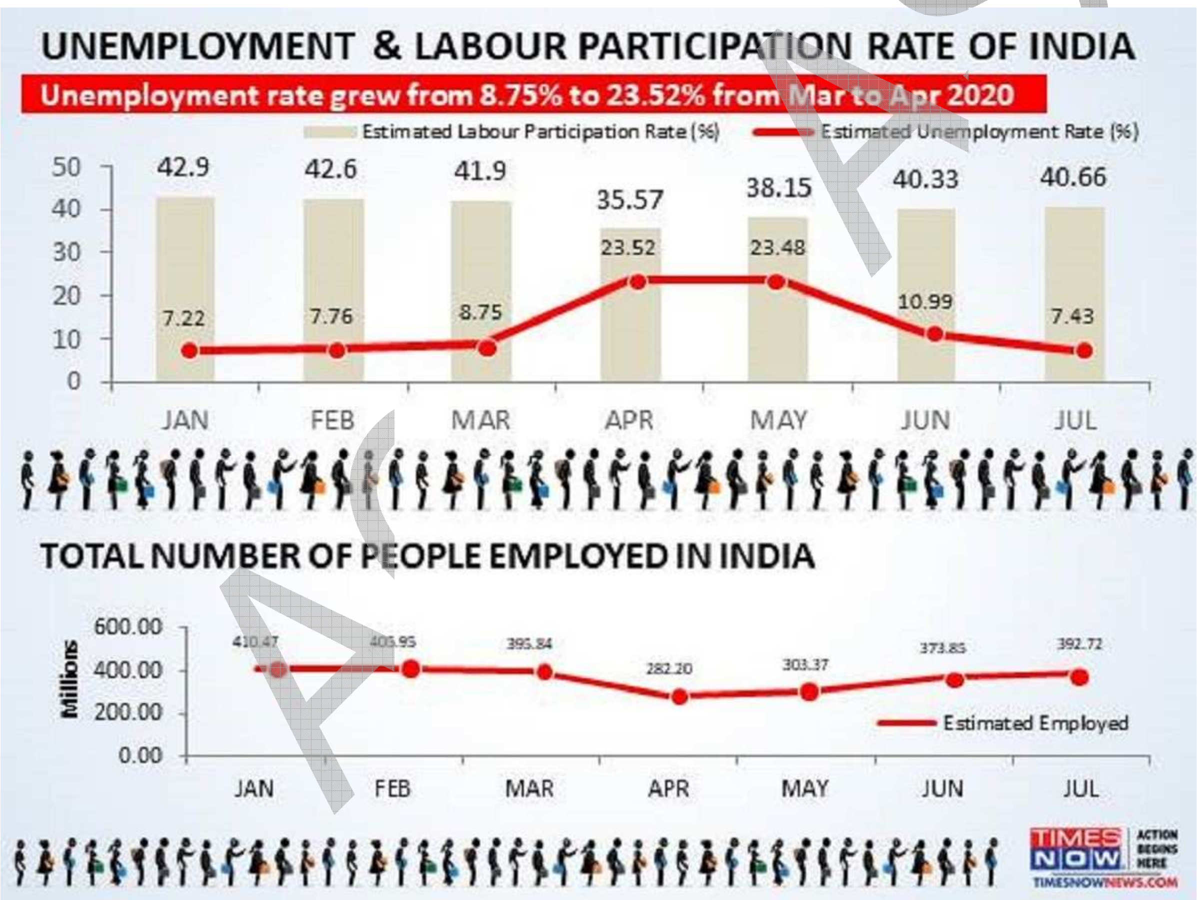
# Editorial

06 May 2022

## Joblessness on the rise in India




### Context:

After many years of refusing to recognise there is a **jobs crisis in India**, the government of India, faced with relentless data to the contrary, has now resorted to **misinformation.**

Regrettably, both pieces show an **inadequacy in understanding the jobs situation**.

### NSO's Periodic Labour Force Survey (PLFS):

As compared to the 8% per annum GDP growth in the period 2004-14, and 7.5 million new non-farm jobs created each year over 2005 to 2012 (NSO's employment-unemployment survey), the number of new non-farm jobs generated between 2013-2019 was only 2.9 million, when at least 5 million were joining the **labour force annually (NSO's Periodic Labour Force Survey (PLFS)).**

The NSO itself states clearly that the two surveys provide comparable data; the claim that those two surveys are not comparable is not correct.

## Unpaid Family Labour:

1. A claim is made that between 2017-18 and 2019-20, the **worker participation rate (WPR)** and **labour force participation rate (LFPR) is rising**, showing **improvement in the labour market.**
2. The reality is that this **rise in WPR and LFPR is misleading**. It was caused mostly by **increasing unpaid family labour** within self-employed households, mostly by women.
3. The claim that manufacturing employment increased between 2017-18 and 2019-20 by 1.8 million is technically correct (based on PLFS).
4. What this ignores is that between 2011-12 and 2017-18, manufacturing employment fell in absolute terms by 3 million, so a recovery is hardly any consolation.
5. **Manufacturing** as a **share of GDP fell from 17% in 2016 to 15%,** then 13% in 2020, despite 'Make in India'.

## Stagnation in manufacturing output and employment and contraction of the labor-intensive segment of the formal manufacturing sector:

1. **Excess rigidity in the formal manufacturing labour market** and rigid labour regulations has created disincentives for employers to create jobs.
2. Industrial Disputes Act has lowered employment in organized manufacturing by about 25% (World Bank Study).
3. Stringent employment protection legislation has pushed employers towards more capital-intensive modes of production than warranted by existing costs of labour relative to capital.
4. Therefore, the **nature of the trade regime in India is still biased towards capital-intensive manufacturing.**

## India seems to be witnessing a joblessness crisis:

1. The number of new non-farm jobs generated between 2013- 2019 was only 2.9 million, when at least 5 million were joining the labour force annually (NSO's Periodic Labour Force Survey (PLFS)).
2. There has been a massive increase in joblessness of at least 10 million due to COVID-19, on top of the 30 million already unemployed in 2019.
3. There has been a negative growth in manufacturing employment between 2011 and 2020 despite schemes like 'Make in India'.
4. As against the claim that between 2017-18 and 2019-20, the worker participation rate (WPR) and labour force participation rate (LFPR) was rising, showing improvement in the labour market, this rise was caused mostly by increasing unpaid family labour, mostly by women.
5. MSMEs which are **employment-intensive** have been hit hard by the pandemic. This does not augur well for non-farm employment generation in India.

As against the **progressive structural change** trend of reducing the proportion of the population indulged in agriculture and allied activities with time, in India between 2019 and 2020, the absolute number of workers in agriculture increased from 200 million to 232 million. This **resulted in the depressing of rural wages.**

## Farm employment:

1. In any case, the recovery of urban employment till March 2021 clearly ignores that urban employment barely captures a third of total employment.
2. Besides, agriculture output may have performed well during COVID, and free rations may have alleviated acute distress.
3. This completely ignores that between 2019 and 2020, the absolute number of workers in agriculture increased from 200 million to 232 million, depressing rural wages – a reversal of the absolute fall in farm employment of 37 million between 2005-2012, when non-farm jobs were growing 7.5 million annually, real wages were rising, and number of poor falling.
4. Rising farm employment is a reversal of the structural change underway until 2014.

## Issue of New EPFO data need to look in:

Another dubious argument is offered to supplement the claim that **organized formal employment is rising**, because new registration in employment provident fund rose in the last two years.

One limitation of EPFO-based payroll data is the **absence of data on unique existing contributors.**

Employees join, leave and then rejoin leading to large and continuous revisions in EPFO enrolment.

There has been a massive increase in joblessness of at least 10 million due to COVID-19, on top of the 30 million already unemployed in 2019.

This happened while the CMIE is reporting the employment rate has fallen from nearly 43% in 2016 to 37% in just four years.

## Conclusion:

**India needs a new strategy** to counter the phenomena of jobless growth. This requires manufacturing sector to play a dominant role.

**"MAKE IN INDIA" initiative** a great step forward which will boost the manufacturing.

**Decentralisation of Industrial activities** is necessary so that people of every region get employment.

**Development of the rural areas** will help mitigate the migration of the rural people to the urban areas thus decreasing the pressure on the urban area jobs.

Complementary schemes like Skill India, Startup India etc. can enhance the **skillsets and employment generation**

# A New Foreign Trade Policy for India

The 2021-22 fiscal ended on a cheerful note for India's international trade; Indian exporters did not just demonstrate Covid resilience but also posted **robust growth with record revenues of $419.65 billion**, which is being seen as a sign of **exports bouncing back strongly**.

The **Free Trade Agreements (FTA) with Australia** and **UAE** are also being touted by policymakers as a gateway for extensive opportunities for Indian entrepreneurs.

However, all these achievements must not let it slide that a new **Foreign Trade Policy (FTP)** for India is still long awaited. The last FTP was notified in 2015 and a new one was supposed to be introduced in April 2020; since then it has been periodically extended.

The need for a new FTP can't be over-emphasised given recent geopolitical developments, the thrust on local manufacturing and a direction on bilateral trade conventions.

## What is the Significance of a Foreign Trade Policy?

- The Foreign Trade Policy is a legal document, issued by the Government of India, enforceable under the **Foreign Trade Development and Regulation Act 1992.**
  - Revisited and notified quinquennially since the **1991 economic reforms**, the FTP has been the **guiding beacon for all stakeholders**.
- The prime objective of a foreign trade policy is to **facilitate trade by reducing transaction and transit costs and time.**
- A FTP sets out the regulations for cross-border trade and reveals the **government's position on a host of concomitant yet crucial policy variables** such as technology flow, intangibles, and so on.

## Why is a New Foreign Trade Policy Important?

- **Clarifying India's Stand at Global Level:** It is essential to clarify India's position and alignment with flagship programmes like **'Local for Global'** and **PLI (Production Linked Incentive) schemes, WTO's ruling against India's export incentive schemes**, an overdue review of the **Special Economic Zone (SEZ) scheme**, changing geographical profiles of India's export basket, and implications of the FTAs.
  - In 2019, a dispute resolution panel of WTO had held that the export incentives under the FTP are violative of India's WTO Commitment.
- **Impact on Export-Oriented Businesses:** Another reason for overhauling the FTP is some export-oriented businesses have been **adversely impacted by certain ad hoc, mistimed, and contradictory changes** to the 2015 FTP
  - The 2015 FTP incentivised exports by issuing duty-credit scrips directly in proportion to exports. However, in 2020 the government limited **the maximum export incentives for goods to Rs. 20 million**, and in 2021, limited them to **Rs. 20 million for services.**

- Moreover, the changes for service incentives were retrospectively notified in September 2021 to be applied from April 2019.

- **Reduction in Outlays and Incentives:** The annual export incentives – the **Merchandise Exports from India Scheme (MEIS)** and **Services Exports from India Scheme (SEIS)** of Rs. 51,012 crore were replaced with the **RoDTEP scheme** incentive of Rs.12,454 crore.
    - The **remaining Rs. 38,558 crore has been diverted into PLI** to give benefit to a few sectors.
    - Also, earlier there was a **3% export incentive on agriculture implements like tractors, which has been reduced to 0.7%.**
- **Infrastructural Setbacks:** Due to inadequate upgraded export infrastructure such as ports, warehouses and supply chains, the **average turnaround time for ships in India is about three days** while the **world average is 24 hours**.
- **Crisis of MSMEs:** With a contribution of about 29% to the GDP and 40% to international trade, MSMEs are the key players in achieving the ambitious export targets. However, the surge in input and fuel costs are hitting the bottom lines of **MSMEs**.
    - The **rise in prices of raw materials** such as steel, and plastics along with a **shortage of shipping containers and labour** are making it difficult for the MSMEs to take full advantage of the global increase in demand.

## What can be the Possible Amendments in the New FTP?

- **Solving MSMEs' Crisis:** Under the SEIS, an incentive of 3-7% of net foreign exchange earnings is provided to services exporters of notified services in India.
    - **A modification in the minimum cap** for the net foreign exchange earnings eligible to claim under the scheme and **faster GST refunds to global services** are much needed with the new FTP.
    - The government must also **help MSMEs tap the export potential in existing tariff lines** and provide policy support to **raise the number of exporting MSMEs** and increase MSME exports by 50% in 2022-23.
- **More Incentives for Exporters:** The new FTP could benefit exporters if the incentives granted to retail and wholesale traders under the ambit of the MSME category are extended to them as well.

- The new FTP must **enable exporters to leverage technology** in the field of foreign trade. This will be particularly beneficial for MSMEs to compete with their global peers.

- **Infra Upgrade:** An **efficient and extensive infrastructure network** - warehouses, ports, SEZs, quality testing labs, certification centres etc.- will help exporters stay competitive in a cut-throat market.
  - India needs to **invest in upgrading export infrastructure to** stay ahead of technology-advanced countries such as China.
  - It also needs to adopt **modern trade practices that can be implemented through the digitisation** of export processes. This will save both time and cost.
- **GST Export Benefits:** The **export benefit under the GST is currently outside the purview of FTP** which has resulted in the denial of export benefits to certain classes of exporters.
  - Therefore, there is an urgent need to bridge the gap between the two policies. Furthermore, a **seamless disbursal of GST refunds**, without administrative delays, carries paramount importance.
- **WTO Compliant Schemes:** This should be at the core of the FTP. The WTO works to dissuade governments from heavily subsidising exporters to provide a level playing field to all nations.
  - The Indian government is well aware of the need to stay within the WTO norms and has already taken significant steps to withdraw subsidy-led schemes.
  - However, more needs to be done at a fundamental level to promote exports and ensure that Indian exports are competitive in the global market.
- **Other Measures:** The policymakers shall urgently **expand the zone of consideration to engage with all stakeholders** such that a consciously-framed and guided policy outlook emerges which **guides both the Centre and private businesses** for the nation's economic progress.
  - These considerations should also factor the contemporary paradigm such as the impelling need for **fuel-import substitution**, leveraging the improvised logistic and **fuelling entrepreneurial drive.**
  - Given the economic hardship caused by the pandemic, the new FTP shall work in a phased manner to **address export constraints**, review the

regulatory and operational framework to **reduce the transit costs and** create a **low-cost operating environment** through developed logistics and utility infrastructure.