

1. Under-employment rather than unemployment is the key problem facing India today. Elaborate. Also, suggest measures to counter this problem.

Answer :

Underemployment is a measure of employment and labor utilization in the economy. It exists when employed do not attain full employment potential, i.e., they are working in a low paying or low skilled job as compared to skills possessed by them. According to Niti Aayog's three year action agenda, rather than unemployment severe under-employment is the key problem facing India. . As evident by NSSO survey, in 2011-12, 49% of work force was employed in agriculture but sector contributed only 17% to India's GDP at current prices.

Thus, contrary to some assertions that India's growth has been „jobless“, NSSO data have consistently reported low and stable rates of unemployment over more than three decades.

Underemployment remains a severe problem due to following reasons:

- **Social factors:** Such as over-population and societal pressure to get a job force people to take a job below their skill levels.
- **Techno-economical:** Economic advancements and technological changes cause entry level jobs replaced by machines and technology, causing existing skill set to become obsolete.
- **Low utilisation of human capital:** Lack of high productivity job results in productive capacity of employed population underutilized.
- **No timely up gradation of skills** with on the job training coupled with instances of double training where in productive time and resources are channelised in an undesired direction.
- **Quality of life:** Underemployment widens gap between expectation and actual standard of living.
- **Civil unrest and violence:** Various violent incidents witnessed in Haryana, Maharashtra are not just due to unemployment but underemployment as well.
- **Promote mediocrity:** Lack of access to good jobs also dis-incentivize people from acquiring advanced skills, thus, hurting country's innovation potential.
- **Other issues:** Brain drain to developed countries, low self-esteem, low motivation for job profile in hand, various emotional problems leading to aggravated stress and diseases such as hypertension, depression etc.

Hence, the need is creation of high-productivity and high-wage jobs. It can be achieved by taking following measures:

- **Exploring new markets:** Tapping global markets for manufactured goods under Make in India campaign would help generate meaningful jobs.
- **Coastal Employment /Agro Processing/Export Zones:** It will attract multinational firms in labourintensive sectors. It will link agriculture and allied sectors with manufacturing and services sector and make small and medium firms highly productive thereby multiplying the number of well-paid jobs.
- **Reforming labour laws:** For example: fixed term employment extension to all the sectors of economy.
- **Import substitution:** It would give rise to a group of relatively small firms behind a high wall of protection and create jobs.

- **Amendments in Apprenticeship Act:** It will enable apprentices to undergo training in industry to enhance their skill.
- **Undertake sector specific initiatives in highly productive sectors:** such as Tourism, Food Processing, Financial Services, Gems and Jewelry.

Overall, the experience of countries that managed to transform rapidly, such as South Korea, Taiwan, Singapore and China, shows that investments in manufacturing sector and the ability to compete in the vast global marketplace hold the key for generation well-paid jobs for low and semi-skilled workers. India needs to seize the opportunity and harness the domestic advantages offered by large workforce and competitive wages.

PRACTICE QUESTIONS

Answer the following Questions

1. A near stagnant tax to gdp ratio for the country since decades reflects not only non-fruition of efforts to increase it but also underlying structural issues with tax regime. Comment.

(150 words)
2. The need to overhaul the current budget making process can be gauged from the fact that it neither undertakes broad-based consultations, nor is adequately transparent nor effective in estimating and allocating the demands of various stakeholders. Examine.

(150 words)