

The problem is jobs, not wages

There is obfuscation of both the existence of a jobs crisis and the diagnosis of it



PRAVEEN CHAKRAVARTY

It is well established that India is staring at a massive jobs crisis. Every single survey points to jobs as the biggest issue concerning voters, especially the youth. Yet, the Prime Minister and the government steadfastly refuse to even acknowledge this issue, let alone address it.

India's jobs crisis is an economic issue, not a political one. India is not unique in experiencing rising joblessness and, consequently, income inequality. Many developed and developing nations are grappling with this problem, too. Such a crisis requires acknowledgement of the issue first, then a vibrant public debate on solutions to tackle the crisis, and finally, a coordinated implementation of ideas. Instead, there is much obfuscation of both the existence of a jobs crisis and the diagnosis of it.

Demand and supply

The latest in this obfuscation is the notion that India does not have a jobs crisis but a wages crisis. According to this argument, every Indian youth who wants a job can get one, but not the wages she wants. This is a banal argument. This is akin to arguing that every Indian who wants to buy a house can buy one but just not at the price she can afford. What determines the price of a house? Apart from external factors such as taxes, the price of a house is simply determined by the demand for houses versus the supply of houses. Similarly, what determines wages for an employee is the demand for such skills versus the supply of such skills. Wages are not determined by some external factor that is removed from labour market conditions. It is entirely a function of the labour market. In economic parlance, wage, or the price of labour, is an endogenous variable and not an exogenous one.

Let us understand this through the Prime Minister's favourite example of frying pakodas, which is apparently evidence of the plentiful jobs that we are creating. The wages for a



"If the wages for pakoda frying are very low, it can only mean that there are far more people willing to fry pakodas for a job than there is demand for pakodas." A roadside vendor in Varanasi sells pakodas. •PTI

person frying pakodas is determined by the demand for pakodas in the economy and the supply of pakoda fryers. If the wages for pakoda frying are very low, it can only mean that there are far more people willing to fry pakodas for a job than there is demand for pakodas. Hence, their wages continue to be low. In other words, the economy is not creating enough opportunities for the large number of unemployed people other than to fry pakodas at minimum wages. Of course, a person frying pakodas in a five-star hotel will get paid higher than a roadside pakoda fryer, presumably because her skill and productivity level are different. But for that same skill level, the wages of a person are determined largely by the demand for such skills and the supply of people with such skills. If demand is higher than supply, wages automatically rise; if not, they remain stagnant. To understand the unemployment issue as a wages problem shows ignorance.

Even if we grant the outlandish assertion that India has a jobs bounty but wages are not rising, this points to a labour market failure. Are we then saying that workers need to get unionised more and demand higher wages since the price of labour is not commensurate? It is a facile argument.

The proponents of the argument that there is a wage crisis and not a jobs crisis would do well to go back to economic history and study the work of Arthur Lewis, the Nobel Prize-winning economist from the West Indies.

Lewis, in his seminal work in 1954, showed how in economies such as India and China, which have an "infinite supply of labour", there tends to be a two-sector economy – the capitalist sector and the subsistence sector. His summary finding was that the living standards of all citizens in such two-sector economies are determined by the wages of the people in the subsistence sector. If there is demand for labour and skills

in the capitalist sector, then the endless supply of labour from the subsistence sector will transition, and wages will ultimately rise only when the demand for labour exceeds the supply of labour in the subsistence sector.

The harsh and simple reality of India's jobs situation is that we are not creating as many jobs as we need to. There can be many reasons for the lack of our ability to generate enough jobs but at the very least, we must first acknowledge this problem. Calling this a wages crisis and not a jobs crisis is neither helpful nor sensible. It is very critical that we don't bury our heads in the sand and pretend that there is no jobs crisis but only some wage crisis, induced by labour market distortions. There could well be labour market failures too, but it is not a sufficient explanation for the jobs crisis.

Formalising the economy

The proponents of the 'there is a wage crisis' argument also go on to say that the largely informal nature of India's economy leads to low productivity and hence keeps wages low. So, their solution for higher wages is to embark on a mission to explicitly formalise India's economy. Again, economic history tells us that formalisation is an outcome of economic development, not a cause. No large market economy in history has embarked on an explicit economic policy for forced formalisation. The U.S. had its large share of 'petty retail traders' before World War II, which then paved the way for large-scale organised retail with advancements in transport infrastructure, technology and rising income levels. The U.S.'s economic policymakers did not wake up one morning and say, "The informal mom-and-pop retail industry is bad, so let's formalise it by 'demonetising' the entire economy."

India's economic commentary today carries a 'blind men and an elephant' risk. It has a tendency to claim absolute truth based on limited subject experience. There is no need to complicate the state of India's jobs market. The simple truth of it is that we do not produce enough jobs.

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FROM THE READERS' EDITOR

Antisocial behaviour on social media

Two events last week showed that technology has its limits in responding to humanitarian crises



A.S. PANNEERSELVAN

There are many unintended consequences of the growth of social media. The most disturbing is the fact that technology has its limits in responding to humanitarian crises. Last week, we saw two distressing developments: the sexual exploitation of women in Pollachi in Tamil Nadu and the brutal killing of 50 people by a gun-wielding white supremacist in Christchurch, New Zealand. In both these tragedies, the legacy media tried to provide credible information, without fanning religious hatred (in the case of New Zealand) and without assuming the role of the moral police (in the case of Pollachi). On the other hand, videos were forwarded recklessly on social media, causing great damage to the people affected as well as to the public sphere.

Thoughtlessly forwarding videos

In New Zealand, the gunman live-streamed his dastardly act on Facebook. It was evident that even as the New Zealand police and social media platforms scrambled to remove these videos, social media users were busy forwarding them thoughtlessly. A report in *The Guardian* revealed that YouTube, Facebook and Twitter were struggling to stop videos of the Christchurch attack from spreading on their platforms, as users were uploading new copies of the footage faster than the sites could take them down. It was also depressing to note that some media organisations, such as *Sky News Australia*, *10 Daily*, *Mail Online*, *The Mirror* and *The Sun*, broadcast the edited version of the videos as well as the hate-spewing manifesto of the attacker. While many have taken these down following a backlash from the public, the damage this has caused is immense. According to reporters Alex Hern and Jim Waterson, who write on media and technology for *The Guardian*, one version of the video was left live on Facebook for at least six hours, while others were available on YouTube for at least three hours.

At the time of writing this column, Face-

book claimed that it had removed 1.5 million videos worldwide within the first 24 hours of the attack. It also said it is trying to prevent the offensive videos from spreading further. It admitted that the speed at which it was deleting the videos was slower than the speed at which people were uploading them. British MP Ian Lucas, who sits on the House of Commons' Digital, Culture, Media and Sport Committee, said about social media platforms: "They have created a platform which creates unprecedented challenges which they can't control fast enough and which leaves us with massive social problems that we need to face." Mr. Lucas argued that it was too late to remove the posts, and said the platform companies don't have the capacity to do it. He added that these companies should engage better with governments and the wider society to deal with this huge challenge.

The Verge said the mass shooting was "designed to spread on social media". It wrote: "The quick spread of both the video and the manifesto tells us how inadequate moderation is on the Internet, assuming moderation exists at all. The video has been popping up again and again on YouTube and Twitter, and people are figuring out ways to get around the companies' filters."

Revealing the victim's identity

Closer home, the Madras High Court ordered the Tamil Nadu government to pay an interim compensation of ₹25 lakh to the Pollachi survivor for "violation of her privacy and dignity", because the investigating team revealed her identity in clear violation of the directives under both the Protection of Children from Sexual Offences Act, 2012 and the 1997 Vishakha guidelines of the Supreme Court. The voyeuristic manner in which videos, pictures and audio files related to the sexual offences were circulated on social media and the prurient comments they generated have created irreparable damage to our public sphere. The story needed better treatment from the mainstream media than what it got initially, too. The shortcoming in this newspaper's coverage was exemplified in the headline "Pollachi sex scandal triggers outrage among politicians" (March 12, 2019). It failed to capture the public anger that engulfed Tamil Nadu.

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SINGLE FILE

The urban question

A charter designed by civil society organisations, workers' collectives and the urban poor reimagines our cities

AKRITI BHATIA & EVITA DAS



While agrarian distress has slipped into the pre-election discourse as an important political subject, it is imperative to ask why the urban question is no less political. India's cities are grappling with acute urban livelihood issues relating to jobs, housing, migration, living conditions, mobility, sanitation, climate change and sustainability.

A group of civil society organisations, workers' collectives, and over two lakh urban poor across India have been deliberating on a citizens' charter of demands for inclusive and just urban development – words that most governments have only been paying lip service to.

The charter, which enjoys endorsements from 12 political parties, conceives of "just and liveable cities for all" as an alternative to "smart cities". The latter tend to adopt technocratic models of urbanisation facilitated by unelected entities, such as special purpose vehicles that are dependent on private investments. This often results in the participative planning process of urban local bodies (ULBs) being bypassed. On the contrary, the charter pushes for autonomy of the ULBs, capacitating them with funds for proper staffing, regularisation of municipality workers, and entrusting them with decentralised decision-making powers.

It is appalling that despite occupying only about 5% of urban land, slum dwellers in cities are labelled as encroachers. These people, who constitute 30% of the population in cities, often live in subhuman conditions without basic services. The charter looks at housing as a fundamental right and proposes to confer land titles on slum dwellers. It proposes a zero-eviction policy, in situ slum upgradation programmes that focus not on the number of houses built but also on ownership rights and service provision. It proposes that self-built houses by city dwellers be recognised.

The majority of these residents constitute urban 'informal' workers (about 20 crore people) who have migrated due to rural distress, and termination of contracts and mass lay-offs in industries. The charter advocates universal minimum social security (as a portable scheme for the benefit of migrant workers), which includes healthcare, maternity, insurance, pension benefits, and fixing universal minimum wages. It welcomes the proposal for a National Urban Employment Scheme, recognising the right to work. It also emphasises the need for gender-friendly cities and infrastructure. And given that cities contribute more than 60% to India's GDP, it advocates that a minimum of 5% of this GDP be used for the development of urban areas, up from the current 1%, through Central schemes.

We must reimagine our cities by rejecting inequalities, unjust designs, and unsustainable growth, and redefine the urban agenda from the lens of the working poor, with participative planning at its heart.

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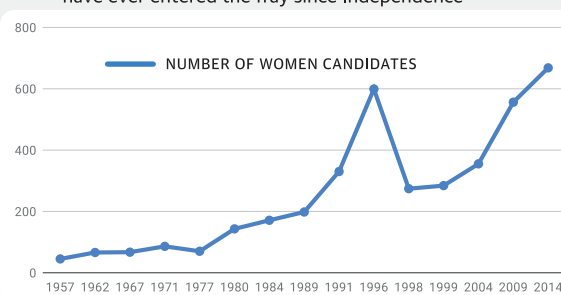
DATA POINT

Women in Lok Sabha

Considering the historically poor representation of women in the Lok Sabha, the BJD and TMC's decision to allocate one-third and more than 40% of the seats to women candidates in Odisha and West Bengal, respectively, is a significant step.

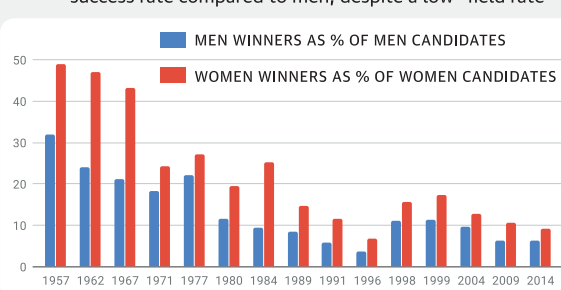
1 Sluggish pace of change

In 2014, of the 8,794 Lok Sabha candidates, just 670 were women. That was still the highest number of women to have ever entered the fray since Independence



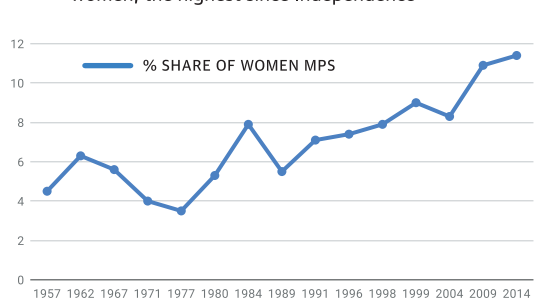
2 High elect-ability

Women who competed in the Lok Sabha polls had a high success rate compared to men, despite a low "field rate"



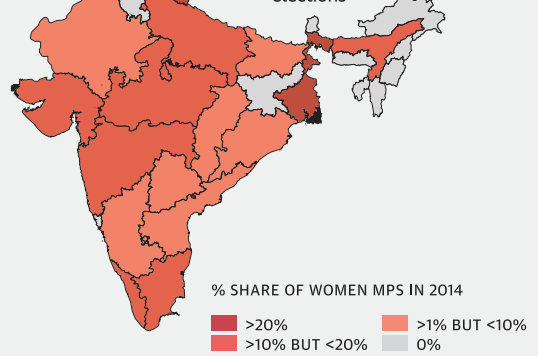
3 Better representation

The 16th Lok Sabha had 11.4% representation for women, the highest since Independence



4 Bengal leads

In 2014, 29% of MPs from West Bengal were women, the highest in the 16th Lok Sabha among all States. The map shows the share of women MPs at the end of the 2014 elections



FROM The Hindu. ARCHIVES

FIFTY YEARS AGO MARCH 18, 1969

Regional languages in IAS exam

Regional languages will be permitted as alternative media to English in two subjects - essay and general knowledge - for the combined competitive examinations of the All-India and higher Central Services from this year. The Home Minister, Mr. Y.B. Chavan to-day [March 17, New Delhi] told the Hindi Salahkar (Advisory) Committee that the Union Public Service Commission had already finalised arrangements for the introduction of regional media in these two subjects. Candidates will have to appear for all the other subjects in English as hitherto. The new system will be enforced for the examinations to be held later this year, he added. According to an official spokesman, efforts would also be made to permit regional media in addition to Hindi and English for recruitment examinations to Central Services conducted on local or regional basis.

A HUNDRED YEARS AGO MARCH 18, 1919.

Examination Standards.

It is interesting to note that the question of abnormal failures in University examinations is proposed to be taken up for investigation in Allahabad. At the last meeting of the Senate of that University, the Hon. Pandit Gokaran Nath Misra moved that a Committee be appointed to inquire into the causes of the large number of failures in the University examinations and make suitable recommendations to the Senate embodying adequate remedies. It would appear that in B.A., B.Sc., Intermediate and Matriculation examinations, the percentage of passes have been very low in recent years, it being 21 in Matriculation last year. In the Matriculation examination in Madras, the percentage had been, in the pre-school final days, much lower and yet, the cruelties went on unchecked. We are glad that the Allahabad Senate has taken up the matter and we hope that a suitable remedy will be found for the evil. That there is variation in the standard of examination from year to year is admitted on all hands, but how far the low percentage of passes is due to negligence and carelessness of students is more than one can assert.

POLL CALL

Hung Parliament

When no party or pre-poll alliance is able to secure a majority in the election, this leads to a hung Parliament. The total number of seats in the Lok Sabha is 543. A party or coalition needs to win one seat above the 50% mark, or 272 seats, in order to form the government. If it is unable to do so, the President may invite the leader of the single largest party/alliance in the House to try to secure the confidence of the House. In the alternative, the President may invite a combination of parties who, in his opinion, might be in a position to command a majority in the House.

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India's muddled thinking in ODIs

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