

Govt using Covid crisis to ensure labour-intensive growth: CEA

▶ INDIA LIKELY TO REPORT CURRENT ACCOUNT SURPLUS THIS FISCAL YEAR

▶ ROBUST JOB CREATION IN AGRICULTURE, MANUFACTURING SECTORS CRITICAL

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Chief Economic Advisor (CEA) Krishnamurthy Subramanian on Monday said the government is converting the Covid-19 crisis into an opportunity to have labour-intensive economic growth. This, he said, is a shift from jobless growth seen in the past.

He said reforms being undertaken by the Narendra Modi government would benefit the silent majority, but the 'status-quoist minority' is more vocal.

Addressing a Confederation of Indian Industry event, Subramanian said, "The agricultural changes, micro, small and medium enterprise (MSME) definitional changes, production-linked intensive (PLI) scheme, labour reforms are all an attempt to change the macroeconomic configuration of the economy towards those sectors which are more employment-intensive, especially agriculture and manufacturing."

"This is important because sustained growth can only happen through robust job creation, not through jobless growth," he said.

"Jobless growth episodes peter out, while growth accompanied by job creation puts money in the hands of people. This creates demand for products and services, and eventually leads to sustained growth," he emphasised.

A lot of economic growth has not been that labour-intensive in the past 50

years, said Subramanian.

"For sustained growth to happen, demand must be created. In countries that have grown at 5 per cent for a decade, they have seen increase in wages and employment. People had disposable income and that is how growth was sustained," he said.

Subramanian said the Covid-19 pandemic is different from the earlier crises. While the earlier crises reflected an overheating of the economy and consequently high current account deficit (CAD) and inflation, the current crisis is about underheating of the economy and consequently current account surplus. The economy may have this surplus in 2020-21, even if the remaining three quarters do not repeat the \$19.8-billion excess amount in current balance in the first quarter.

He rolled out statistics to buttress his point: CAD was around 6 per cent of gross domestic product during the taper tantrum crisis and inflation was in double digits.

Once this difference was understood, reforms were specifically designed to target agriculture and manufacturing to create sustained growth, he added.

"The impact on economic growth due to lockdown necessitated by Covid-19 is a short-term phenomenon. The more noticeable aspect was to understand the medium- and long-term impact of the crisis on economic expansion.

"We don't want the pandemic to cre-



"Status-quoist minority more vocal than those benefiting from reforms"

KRISHNAMURTHY SUBRAMANIAN
Chief Economic Advisor

ate a permanent impact on the economy. By converting crisis into opportunity, we want to push the economy... Reforms were felt necessary to keep the potential economic growth rate high," said Subramanian.

CEA said labour, along with other reforms, would increase formalisation

FinMin to simplify Customs Act in Budget

The finance ministry will simplify the Customs Act when it presents the Union Budget 2021-22. Central Board of Indirect Taxes and Customs member Vivek Johri said, "We want to rewrite the Customs law and simplify it further. We have crowd-sourced ideas. We have received thousands of them and are in the process of going through them." The Budget is usually presented on February 1.

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of the economy. This would enable growth and build resilience.

For instance, 41 labour laws have been condensed into four, the number of Sections reduced 60 per cent, and the number of minimum wages curtailed to 40, from over 2,200.

"You can see the compliance easing that has happened. You have been given the flexibility to cater to demand conditions, the fear of hiring (even if demand goes down) has been removed. You can focus on hiring more people in the formal sector - this creates significant demand in the economy," said the CEA.

He said the recently introduced PLI scheme and change in the definition of MSMEs are a manifestation of the idea that there are jobs in the MSME sector, which have aged, but not grown.