

Preserving jobs is key to faster economic recovery as lockdown is lifted

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With jobs intact, the spending capacity and demand will also remain intact. In addition, the government must boost spending on infrastructure and MGNREGA

Usually economic growth drives job growth, as jobs and livelihoods are an outcome of economic activity. I believe that the Covid pandemic which has brought economies to a virtual standstill, with jobs and livelihoods amongst its many victims, has turned this equation on its head. Investing in saving jobs and livelihoods now, can be a good insurance policy for our ability to put the country back on a high growth trajectory, quickly.

As India comes out of the lockdown, and economic activity resumes, an important part of the recovery process would be to have consumers available for the goods and services produced. This is possible only if jobs and livelihoods are preserved in the interim recovery period of 3-6 months. With jobs intact, the spending capacity remains intact and so does the demand, speeding up the economic recovery.

The government has a key role to play here. It must come forward and provide wage support to enterprises to mitigate job losses. CII suggests that banks provide additional working capital limits, equivalent to April-June wage bill of the borrowers, backed by a government guarantee, at 4-5 per cent, with a refinance guarantee from the RBI, to all enterprises.

In addition, MSMEs could be extended wage support through ESIC as well. Utilising the ESIC funds under Rajiv Gandhi Shramik Kalyan Yojana and Atal Beemit Vyakti Kalyan Yojana a corpus could be created to provide additional liquidity to MSMEs for meeting their wage liabilities.

Generating employment

Higher government spending on infrastructure is another important step for generating employment, especially in the unorganised sector, through construction activity. The National Infrastructure Pipeline, with projects worth ₹102 lakh crore, to be completed over five years starting FY20, should be front-loaded. The higher spending could be met by increasing the fiscal deficit by a margin of 0.25-0.5 per cent, as infrastructure is a productivity enhancing expenditure, and has an overall multiplier effect on the economy.

Construction sector is the second largest employer after agriculture. Out of a total estimated workforce of 500 million, about 60 million is estimated to be in the construction sector. It would be safe to assume that 90-95 per cent of these would be migrant workforce from rural areas in informal employment. Building infrastructure will recreate many of the jobs lost to the aftermath of the Covid lockdown, in this sector.

Greater expenditure on MGNREGA could be another tool to generate employment in the immediate term. CII suggests an additional spending of ₹6,000 crore, about 10 per cent of the FY21 Budget, on MGNREGA, over and above the increase in expenditure due to increase in MGNREGA wages under the Pradhan Mantri Garib Kalyan Yojana.

Labour reforms

The Prime Minister has been emphasising on reforms to enable India to leverage the opportunities that a post-Covid world is likely to present, especially in the manufacturing and export sectors. As India prepares to pitch for attracting large foreign investments, it is important to focus on labour reforms. The issue of jobs and employment, is no stranger to India. Labour reforms will help unlock the employment generating potential of Indian industry.

In addition to the traditional approach to labour reforms, Covid-19 has highlighted the importance of a few other dimensions of labour engagement that need attention.

One of the key challenges that industry is facing is that of getting the migrant workers back to work. It is both an issue of the willingness of the workers to come back and the logistics issues involved. Pandemics can strike in future too. There could be a second wave of Covid itself.

Housing, skill mapping

A long-term solution could be to create worker housing and other amenities in and around India's industrial clusters to minimise the disruptions to the industrial activity. Some of this can be created through public-private partnership and some by the Central and State governments as part of their plans for creating industrial infrastructure.

A skill-mapping study of the returning migrant workforce can be conducted to try and place them within the States itself. In fact, skill development should become an integral part of the planning for economic growth and attracting investments so as to ensure that as much skills as possible are available to industry locally. Industry may also have to look at locating closer to where the workforce is, for their fresh investments.

Workers at their end should be willing to invest time and effort in upgrading their skills, to be able to meet industry's demand for better skills and higher productivity.

The writer is Director General, CII