

Institutionalising Good and Better Jobs in India (GROWJOBS – II)

Project Advisory Committee Meeting
March 11, 2022

Synthesis Report

Introduction

The Indian economy across its manufacturing and service sector is encountered with a dual problem of unemployment and lack of decent jobs. Among other factors, it has led to the rise in inequality and has posed an extraordinary challenge before the Indian society in generating decent jobs for its masses.

In this context, CUTS International, with the support of Ford Foundation India in December 2021, has initiated a project on “Good and Better Jobs in India Inclusive Finance for Workers’ Welfare; **Grow Jobs-II.**” Under this project, CUTS is exploring the relationship between investments and workers’ welfare. Though the overall investment in productive sectors in India is rising, the distribution of the gains is skewed. Is ‘worker’s welfare’ an important determinant of investment decisions?

Human Capital is a measure of the skills, education, capacity and attributes of labour which influence their productive capacity and earning potential. The connect between investment and human capital, that is, workers’ welfare and skills development is in the shadows.

This may be due to the opacity in financial value-chains resulting in complexities in the efficiency of investments and its linkage with worker’s welfare and skills development. Considering this as one of the tipping points in labour sector reforms it is necessary to investigate if investments, while resulting in profits, can lead to better wages, working conditions, and skills development.

Therefore, the need of the hour is to highlight worker's welfare as an investment for human capital formation rather than a cost burden. The inequality between the employed, unemployed and unemployable workforce is not just of wages but also of skills and opportunities and this is largely reflected in huge under-employment that our society is facing. Whilst India is at the cusp of economic transformation it needs to focus on realigning of better social security under the reformed labour codes as well as in the context of other social goals such as National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), Environmental, social, and governance (ESG) etc. must take the centre stage for virtuous and effective growth stimulus.

Thus, our the project will explore the following two key postulates to

1. Understand the thought process about considering workers as an investment for "human capital formation" and not just as a cost burden; and
2. Explore if workers' welfare could be seen as an important component of Investment decisions.

1. Major Themes of Discussion

1.1 Status and causes of unemployment in India

Labour force participation rate (LFPR): The state of unemployment is dire as well as unique in its characteristics. India has one of the lowest LFPR in the world. The female LFPR is lower even compared to other developing countries.

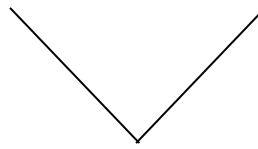
Education: There is high graduate unemployment and youth inactivity in India. Through this it can be inferred that higher education degrees do not always translate to employable skills desired by the industries. This is due to the bad quality of education in India. The industries thus invest in training, to compensate for the dearth of skilled labour. This is looked at as a cost component and not human capital formation.

State level study: The status of unemployment is neither uniform across states, nor consistent with national rate. So study of state level unemployment provides a better understanding of the causes and characteristics of unemployment in India. A correlation analysis between the rank of the State on Ease of doing business Index and employment rate can be made.

1.2 Link between productivity of labour and growth of the firm

The traditional narrative has supported the idea of labour as one of the components of cost of production. This narrative has to be upended by linking the cost of training to productivity of labour. Then to link that productivity with overall growth of the firm. This would then change the perspective from cost to investment, and welfare to human capital formation.

Investment + Human Capital



Welfare

1.3 Financial capital is the key driver of growth

It needs to be acknowledged that any material change at a macro level will be backed by financial level. So worker welfare, for human capital formation will need financial capital to be invested. Market investors, like private equity investors, have decision making powers on the board of the company. Thus, they have to be incentivised to push investments for human capital development.

1.4 Data Collection

The limitations of data collection and secondary data was discussed. Data collection is expensive. So a dedicated budget expenditure is needed from the government. The government data is not released regularly and on a timely basis. This creates a hindrance for secondary research.

1.5 Medium and Small Enterprises (MSME) as a broad area of study

Within the selected sectors for the study, a broader approach towards MSMEs should be taken. There has been much focus on, and success of policies for MSMEs, which can be identified as factors of investment. At the same time, MSMEs struggle with bearing the financial burden of employment.

1.6 Skill Development and upskilling

Skill development is one of the most important facets of human capital development. The responsibility of skill development cannot be solely on the corporations. The government must invest heavily in skill development. The private cost of skilling cannot sustain an industry wide human capital formation.

2. The Way Forward

In furtherance of the project, CUTS will undertake desk-based research and fieldwork as well as several rounds of targeted communication and outreach, in pursuit of the larger goal of “Good and Better Jobs in India Inclusive Finance for Workers’ Welfare, Grow Jobs–II.” Drawing from the discussion, there are directions that can be identified for subsequent research and outreach activities. Key directions or next steps are listed below.

2.1 Case study based research

The study should analyse certain industries in the selected sectors as case studies. The study would help understand the flow of investments and incentives required to change the narrative. The external drivers of financial capital can be investigated through the case studies.

2.2 Examine Financial capital

It needs to be acknowledged that any material change at a macro level will be backed by financial capital. So worker welfare, for human capital formation will need financial capital to be invested. Market investors, like private equity investors, have decision making powers on the board of the company. It needs to be determined how they can be incentivised to push investments for human capital development. Also there is a need to establish the **link between the real economy and financial economy**.

2.3 Second round of field research

There is the need for extensive field work through key informant interviews and focus group discussions with enterprises, implementing agencies, workers, investors, market stakeholders, and other relevant stakeholders. These stakeholders must be from the selected sectors and a city/state wise distribution for each sector, for comparative analysis.

2.4 Narrative building

To build the narrative for answering the two postulates. This would enable a discourse on investment flows and economic growth resulting in better working conditions and skill development. Ultimately it would institutionalise the key messages of Good and Better Jobs as means to achieve inclusive economic growth, resulting in reduced inequality.

2.4.1 Framework Creation - A logical framework for the way forward of the project. This framework would encompass the objectives, inputs, outcomes, indicators and assumptions.