Future of Jobs - Discussion Paper

Background

The rate of unemployment is rising in India. The data from Labour Bureau's annual survey puts unemployment at 5% between April to December 2015. This is higher than figures reported in 2011, 2012 and 2013 thereby indicating that joblessness has been steadily growing. The problem is further compounded by a lesser acknowledged phenomena of under-employment, which is often regarded just as grave an issue as unemployment. In 2015 alone over a third of working population was employed for less than a year.

Even though the Government of India recently acknowledged the findings of labour data in the Parliament, it is still not clear if there is a comprehensive understanding amongst stakeholders that this crisis is not likely to resolve anytime soon. The prevailing forces of protectionism, automation and digitalisation are credible threats to the project of job creation. Already export led manufacturing market has begun to shrink while re-shoring of jobs by developed economies is a certainty that India must be ready to face.

It is in this backdrop that CUTS International and Friedrich-Ebert-Stiftung (FES) have launched a series of '**Conversations on Future of Jobs**' in different cities of India to not only hear the voices, concerns, issues and suggestions of diverse stakeholders but also to identify a broader paradigm around which traction for change can be built.

Thus far, two 'Conversations' have been organised in Delhi and Bangalore. This discussion paper (Version 1) is a summary of thoughts that have emerged from those conversations. Further versions will be produced on the basis of future conversations and/or comments received.

Key discussion points

At the outset there are seems to be two fundamental questions which spell out the context within which the problem must be seen.

First, Indian society is inherently feudal and therefore averse to change. The project of job creation requires transformation in thinking and action as it entails recognition of a future where balance of power will decisively shift to capital intensive production from labour intensive model. This is bound to have political and social consequences that will lead to a new social contract. In other words, it means there will have to be a paradigmatic shift. The question therefore is – are our political and social institutions up to the challenge?

Second, the Indian economy will continue to have structural constants. For instance job seekers will continue to grow and sustenance on agriculture for majority of the population will continue for a foreseeable future. Therefore, if the structure of Indian economy is not changing and the existing economic model is unable to deliver- is it time that we thought of new economic model? In any case the economic model based on globalisation is under threat. Does that give India a chance to reimagine the path for the future? Can such a path put 'human capital' at the centre of growth?

Alongside these fundamental questions, the discussions also brought out some thought provoking arguments on data, policy and potential solutions.

Arguments related to data

There appears to be some contestation on the accuracy of data related to aspects like number of jobs needed and rural-urban migration, amongst others. But despite such differences there is convergence on the fact that scale of the 'job problem' is indeed huge. The main issue related to data that came up therefore is with regards to question of using private data for public policy. The moot point here is that if private data is used in policy making on economic growth and jobs, the state may be guided by private interests which could lead to over exploitation of the 'commons' – a necessary ingredient for livelihood support of many.

Arguments related to policy

At a fundamental level there are four policy arguments that emerged from the discussions.

The First one relates to education and skills. There are several questions within the ambit of this problematique. For instance, future of jobs will be closely linked to India becoming a knowledge economy but Indian education system is broken at several levels starting from early childhood education to higher education. There aren't many avenues available for those dropping out at different levels of education system because of factors like gender bias, insufficient cognitive skills leading to high fail rate or socio- economic circumstances that attach premium to informal and low end-low skill labour jobs than investment in education.

On top of this there is the question of aspiration – government jobs seem to be the preference for most young people because of the perks and stability that it brings. On the other hand pundits predict that future jobs will be unconventional in that they will be defined by short term contracts across multiple job fields rather than long careers in single area of competency.

The key policy questions therefore are how best to create an environment of lifelong learning? If future of jobs is closely intertwined by future of learning then should not the frame of reference be learning rather than jobs? Or is it possible to formulate an understanding of sector agnostic jobs and focus on providing skills for those?

Incidentally, the current skill development paradigm seems to be informed by conventional understanding of labour-capital relationship that suggests that the of flow of capital is higher when labour pool is of higher stock. Therefore it is important to peg people at some level of competency so that relevant competencies from the labour pool can be matched to the required jobs but with traditional 'jobs' themselves on the verge of extinction, isn't it time to re-examine this relationship between capital and labour?

The second key question related to policy pertains to 'distribution of income' and its close relationship with the idea of 'meaningful work' rather than 'jobs'. Here 'work' may be construed as something that is guided by choice rather than compulsion. The start point therefore will be to identify what is it that automation will replace in the future?

To answer this there is a need to focus on some fundamentals. Basically, income accrues as a return on mainly five things: capital, enterprise, intellectual property, skills and manual labour. Automation is likely to have a most adverse impact on manual labour but the other four aspects are likely to survive the onslaught of automation and digitalisation, in fact they can indeed be re-tuned to evolve with

future. The key question therefore is how will policy determine the distribution of income to ensure that humans remain relevant for work and work remains relevant for humans?

Will it mean that 'Universal Basic Income' (UBI) or similar entitlements will be the way forward or should the state consider taxing robots to retain the culture of work amongst humans?

Won't the idea of UBI amount to rewarding 'unproductivity' over 'productivity' or will it be a necessary first step to provide basic minimum to the people to further their quest for meaningful work? Won't the idea of taxing robots discourage businesses and efficiency and hence economic growth? These are some fundamental questions that not only relate to policy but also politics because they represent divergent political philosophies as well.

The third policy question relates to informal and formal economy. There appears to be enough evidence to suggest that the choice of majority of labour force to opt for informal work is a rational economic choice due to number of factors such as small pool of formal employers and stifling labour regulations, amongst others.

With just 63 million enterprises and only 16000 with a paid up capital of Rs 10 Crore or more, large scale employment is difficult. On the other hand, the structure of social security architecture in India is such that it drives the labour force away from formal economy. For instance, substantial salary component in formal jobs dissipates due to mandatory statutory deductions and this hurts people with lower salary brackets more than the ones who draw higher salaries. Even the new proposed Social Security Code which merges sixteen labour codes into one does not do much to address this problem.

Therefore, the fundamental question is - Are our policy makers trying to force formalisation without fully appreciating the reasons for in-formalisation? Are there models emerging from the ground that can us guide us better?

The next but related point is that we also need to fully understand the nature of 'Gig economy'. In common parlance, 'Gig' economy' refers to a labour market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. As already mentioned, the future is expected to be dominated by this kind of an economy. Therefore, we may just be staring at a set of regulations that are soon going to be anachronistic. The question therefore is how to really design regulations for gig economy so that there is no under regulation from labour perspective and no over regulation from industry perspective?

Inputs to enhance job creation

Aside of the above considerations, the two conversations have also proposed some solutions to enhance job creation.

✓ A popular suggestion was to decentralise both industry and learning systems. The central argument here is that in doing so, jobs could be taken to people rather than people to jobs. This would not only help arrest rural-urban migration but will help urbanise rural India too. Operationally, this could be done by merging the Ministry of Rural and Urban Development into a single Ministry of Urbanisation.

- ✓ The idea to find ways to remunerate unpaid work can also create jobs without too much disruption. For example, use of efficient cooking devices in rural India can increase productive time for rural women which then can be channelized into entrepreneurial activity. Further, cracking down upon industries which discriminate on the basis of gender will ensure increased absorption of women in work force.
- ✓ There is also a need to identify policy instruments that can boost job creation. In the past it has been observed that improper inverted duty structure caused considerable disadvantage for local manufacturing. Therefore, there is a need to identify more such policy instruments to address short term job problem.
- ✓ There is also a preoccupation to look at only job losses but can we also focus on jobs gains and identify those sectors? Even though it is difficult to predict the future in exact terms, logic suggests that some labour intensive industries such as food processing, leather and furniture amongst others could be relied upon to address at least the short term need to absorb the labour force.

Conclusion

As can be deducted from above, the job problem can be analysed from multiple view points, this may include Meta, Macro and Micro analysis. In other words, it would include some fundamental questions related to our society, economy, environment and industry. But if one observes closely the common thread that across all these aspects is 'human capital' which incidentally is besieged by the threat of automation in the future.

Therefore the choice is tough as it is between choosing 'economic growth premised upon human capital' or 'economic growth devoid of any considerations for human capital'. It is logical that for as long as there is politics the question of jobs and livelihood will be of paramount concern for the political class. Therefore, 'Future of Jobs' is essentially a political question but the heuristics that have gotten us this far perhaps would need to be jettisoned to adjust to the new reality. In other words, the problem is grave and potential solutions cannot be found with the same mind-set that created the problem.

Therefore, in the nutshell, we need to identify a common paradigm around which traction for change can be built in the society.