

A LOST OPPORTUNITY

States are losing the opportunity to explode job creation by creating differential labour ecosystems. Is it time to make labour a state subject?

What creates jobs? Why do some states have lower unemployment? While job creation is complex and not pivoted around any one variable, it is surely not a stochastic (random) variable. States that consciously focus on labour ecosystems (demand, supply and laws) can build habitats that attract investments, create jobs and reduce poverty.

Labour ecosystem improvements are urgent. Our demographic boon will become a curse if we do not give jobs to the 200 million entering the labour force in the next ten years. Indeed, if all labour market variables remain constant, unemployment in 2020 will reach 211 million (a horrific 29%). More importantly, nine of the ten unemployed will be younger than thirty five years old.

India's tragic farmer suicides and huge farm workforce (73% of employment) represent our spectacular failure to create non-farm jobs. Moving these people to higher productivity sectors needs an explosion of non-farm low-skilled jobs. Policy makers need to simultaneously work on all parts of the ecosystem and make the leap that classical physics (discrete variables) made to quantum physics (everything is interrelated).

Creating labour demand needs investments, rule of law, infrastructure, fiscal prudence and much else. Improving labour supply needs education reform, capacity expansion, skill development for transitions, higher workforce participation, etc. But raising labour demand takes five years and improving labour supply probably needs fifteen years. Given desire and backbone, labour laws could be amended in under a year.

We argue that states are losing an important opportunity to create a visible and immediate difference in their labour ecosystems by not differentiating labour laws. The surprising lack of variation between states in key statutes like the Industrial Disputes Act, Contract Labour Act, Trade Unions Act, etc. may represent a lack of competition that could change with empowerment.

Like politics, labour demand and supply are local. The different opening balances, needs and aspirations of states makes photocopying central laws ineffective. Central labour legislation has been hijacked by a small minority of organized labour who has positioned job preservation as a form of job creation. However, unemployed and unorganized workers (93% of our labour force) need a labour regime that chooses new jobs over

existing ones, does not encourage the substitution of labour by capital, and eliminates the disincentives of job creation in the organized sector.

Keeping labour laws in the concurrent list of the constitution (centre and state jurisdiction) is a recipe for inaction. Its consequences include

- a) Negligible variation in state labour laws despite very different demand and supply situations
- b) Allowing labour market insiders to maintain the status quo by exploiting the gridlock
- c) Inconsistency with the overall decentralization of governance

States must be given full accountability and authority for job creation by shifting labour laws from Seventh Schedule of the Constitution. Opposition to this move says it will create a race to the bottom but it will be a healthy race to create jobs. Furthermore, second guessing elected state lawmakers seems patronizing; if they can handle law and order (a state subject), they can surely be trusted to craft all aspects of their labour ecosystem. Where the rubber meets the road, good politics can be, and often is, good economics.

Pt. Jawaharlal Nehru's tryst with destiny speech was inspiring but India missed that appointment. But she has made a new one; what is happening in India is not once in a decade or once in a millennium but once in the lifetime of a country. But all our progress will not be worth the trip if we cannot give our youth the strength and self-esteem that comes with a job. Empowering states with unfettered control over their labour ecosystems seems a small price for job creation habitats that could put unemployment in a museum.