



The problem is jobs, not wages

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- It is well established that India is staring at a massive jobs crisis.
- Yet, the Prime Minister and the government steadfastly refuse to even acknowledge this issue, let alone address it.
- India is not unique in experiencing rising joblessness and, consequently, income inequality.
- Many developed and developing nations are grappling with this problem, too.
- Such a crisis requires acknowledgement of the issue first, then a vibrant public debate on solutions to tackle the crisis, and finally, a coordinated implementation of ideas.
- Instead, there is much obfuscation of both the existence of a jobs crisis and the diagnosis of it.

Demand and supply

- The latest in this obfuscation is the notion that India does not have a jobs crisis but a wages crisis.
- According to this argument, every Indian youth who wants a job can get one, but not the wages she wants is a banal argument.
- What determines wages for an employee is the demand for such skills versus the supply of such skills.
- Wages are not determined by some external factor that is removed from labour market conditions.
- In economic parlance, wage, or the price of labour, is an endogenous variable and not an exogenous one.
- For the same skill level, the wages of a person are determined largely by the demand for such skills and the supply of people with such skills.
- If demand is higher than supply, wages automatically rise; if not, they remain stagnant.
- To understand the unemployment issue as a wages problem shows

ignorance.

- Even if we grant the outlandish assertion that India has a jobs bounty but wages are not rising, this points to a labour market failure.
- If there is demand for labour and skills in the capitalist sector, then the endless supply of labour from the subsistence sector will transition, and wages will ultimately rise only when the demand for labour exceeds the supply of labour in the subsistence sector.
- The harsh and simple reality of India's jobs situation is that we are not creating as many jobs as we need to.
- There can be many reasons for the lack of our ability to generate enough jobs but at the very least, we must first acknowledge this problem.

Formalising the economy

- The proponents of the 'there is a wage crisis' argument also go on to say that the largely informal nature of India's economy leads to low productivity and hence keeps wages low.
- So, their solution for higher wages is to embark on a mission to explicitly formalise India's economy.
- There is no need to complicate the state of India's jobs market.
- The simple truth of it is that we do not produce enough jobs.

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