

## 1. Hardly Working: Difficult to Generate Jobs if Freebies remain the Focus of states' Policy

### Context:

- Today, jobs—and economic expansion to support job creation—are the need of the hour in India. We are at a GDP of \$3 trillion, in 2019-20.
- To reach our goals of \$5 trillion, and then \$10 trillion quickly, we must prioritise industrial expansion and the creation of quality employment opportunities.
- The question, then, is who is responsible for economic development—the Centre or state governments?

### Role of Central Government:

- The role of the central government is to create a functioning environment for the country to thrive.
- In this regard, its duties are to formulate the right policies and regulations, collect and distribute taxes to the states, maintain an effective military and defence, manage external affairs and currency, skill development, and build an infrastructure network.
- Beyond these essential duties, the Centre's ability to spend to drive economic growth is low and steadily decreasing.

### Responsibility of Economic Expansion should be on Individual States:

1. States have larger budgets and can draw on these corpora to pursue deep-impact and long-term expansion plans.
2. Increasingly, jobs depend on the actions of state governments **because the allocation of land, power, water and many essential utilities are in their hands**. They have to ensure jobs come to their state by marketing these facilities to industry.
3. The Centre cannot take on job creation due to its limited budget. Even if the Centre were to take on the spending and planning necessary to create jobs everywhere in India, they would implement one common policy across the country. India is not a monolith; **we are diverse, so such a common policy would fail to produce the desired results**.
4. India's states are very diverse. Indicators like economic growth rates and GSDP, development of human capital through higher education, formal employment opportunities, urbanisation and industrialisation, population growth rates, and demographic compositions vary widely between states.

5. State governments must take the lead in understanding the unique requirements of their respective states using data, and operationalise those insights by investing appropriately.

• **Job creation: Developed Versus Developing States**

✓ The creation of jobs in India has been ongoing, but:

1. The number of quality jobs with good pay must increase.
  2. Job creation has been uneven in pockets around the country—concentrated mainly in the southern and western states.
- The Employee Provident Fund Organisation (EPFO) is a good proxy for formal job creation in India. Recent data shows that all South/West states are creating new jobs, with Andhra Pradesh lagging. Job creation in the North/East/Central zones is particularly low.
  - The southern/western states, in general, have high per-capita GDP, higher Gross Enrolment Ratios (GER) in higher education and graduates, are creating a higher number of jobs, all of this while having smaller populations.
  - The focus in these states has been on education, development, economic expansion, industrialisation, and human capital development. This has resulted in smaller, well-educated, higher-income communities compared to the north.
  - States in the North/Central/East zones have, in general, failed to develop human capital and expand their economies. GERs are particularly low.
  - Where there are more graduates, like in UP or Rajasthan, per-capita GDPs are low as well as a shortage of job creation congruent to graduates.
  - These states have large young populations who need gainful employment. Without quality jobs, people there are migrating south in search of better opportunities.

**Conclusion:**

- The data clearly shows the most developed states have more jobs. These states are developed because previous state governments have invested in human capital and the development of the state.
- The time has come for state governments all over India to take up responsibility for their economic entities, and create the necessary industrial and urban environments for job creation.