INDIA'S JOBLESS GROWTH

Dr. S. D. Naik

FORUM
OF FREE ENTERPRISE

"Free Enterprise was born with man and shall survive as long as man survives".

- A. D. Shroff
Founder-President
Forum of Free Enterprise

SHAILESH KAPADIA

(24-12-1949 - 19-10-1988)

Late Mr. Shailesh Kapadia, FCA, was a Chartered Accountant by profession and was a partner of M/s G.M. Kapadia & Co. and M/s Kapadia Associates, Chartered Accountants, Mumbai.

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Shailesh enjoyed the confidence of clients, colleagues and friends. He had a charming personality and was able to achieve almost every task allotted to him. In his short but dynamic professional career, spanning over fourteen years, Shailesh held important positions in various professional and public institutions.

Shailesh's leadership qualities came to the fore when he was the President of the Bombay Chartered Accountants' Society in the year 1982-83. During his tenure he successfully organized the Third Regional Conference at Mumbai.

Shailesh was member, Institute of Fiscal Studies, U.K.; member of the Law Committee and Vice-Chairman of the Direct Taxation Committee, Indian Merchants' Chamber. He was also a Director of several public companies in India and Trustee of various public Charitable Trusts.

He regularly contributed papers on diverse subjects of professional interest at refresher courses, seminars and conferences organised by professional bodies.

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Editorial

The Indian economy has been a witness to a phenomenon wherein labour force growth is supposed to be accelerating at around 12 millions annually and the pace of job creation is cruising at just about 4 to 4.5 million, even when economic growth is relatively healthy at 7 to 7.5% annually. Such a phenomenon is crudely described as "jobless growth".

In effect, this suggests that creation of jobs is substantially lower than additions to the labour force that is willing to work and wanting to get jobs. Perhaps higher economic growth rate of 9 to 10% per year could have alleviated substantially the severity of the problem. But that is so far not to be! Also, was the employment intensity significantly higher – that is the ratio of annual rate of job creation to the annual rate of economic growth – this phenomenon might not have been on the forefront of intense political or public discourse.

Obviously, there are numerous parameters which determine the employment intensity, be it the nature and substance of growth and investment strategy [how labour intensive it is?]; labour laws [how flexible are these?]; capacity building of human capital [how employable and productive it is?]; stability of political economy [how much committed it is to positive growth oriented economic policies?]; or so on.

But is the jobless growth a unique Indian scenario? The answer is clearly no – many countries – developed, developing and emerging market economies - are experiencing or have sometime or other in their history of growth process been confronted with such a situation. Again, this is not a unique phase that has prevailed only in the present government's regime.

Therefore, we, at the FORUM, believe that the issues and challenges of jobless growth have to be discussed dispassionately and resolved decisively by keeping aside political party positions and/ or social-political-ideological biases. It is imperative to explore, formulate and implement more practicable, equitable and sustainable solutions, so that labour force deprived either fully or partially of its legitimate desire and right to work is gainfully employed. Generating stable and fuller employment to the growing labour force is obviously the most effective and enduring solution to India's endemic problem of both rural and urban poverty.

So, what are the relevant dimensions and complexities of the problem? What is the true significance of employment, unemployment and underemployment? What are the challenges facing the policy makers? What should be implementable strategies to deal with the jobless growth phenomenon? On all such issues, Dr. S. D. Naik offers his comprehensive and perceptive analysis and reflections in this booklet.

Let us quickly highlight some striking points from his article: first, the Indian job market is characterized by dominance of jobs in the unorganized sector, which accounts for 93% of total employment; second, additions to jobs in the organized sector – in large companies and factories – have been the lowest; third, rural wages are now at a decade low; fourth, the phenomenon of underemployment and temporary jobs is widespread; fifth, employment elasticity is falling; and sixth, rapid advances in digital technologies and automation are displacing people from work in many sectors. He cites the CMIE data to suggest that India's unemployment rate had risen to around 7.25% in the first fortnight of April 2018.

Dr. Naik elaborates a whole gamut of factors [short-term and long-term], including consistent failure in the acceleration of India's manufacturing sector and adverse impact of demonetization, contributing to severely worrisome features of Indian labour market and employment scenario. Against this backdrop, the author has highlighted the imperatives of his eight-points strategy to expand the potential of sustainable employment growth.

More importantly, he reiterates that the key focus of our strategy has to be the manufacturing sector and cites the McKinsey and Company study, which points out that this sector "to grow six-fold by 2025.....while creating up to 90 million domestic jobs". At the same time, Dr. Naik has been conscious of the fact that India needs to strive for improving productivity, and for which building strong human capital – in terms of education and health standards is of critical importance.

All in all, we are sure that this booklet makes a very useful contribution to the understanding of issues and challenges of a much widely discussed subject of Indian Jobless Growth phenomenon for the benefit of our readers.

Sunil S. Bhandare
Editor

What needs to be done to tackle it?

Dr. S. D. Naik*

Introduction

Jobless growth is defined as a phenomenon where the economy of a country grows but its unemployment rate remains stubbornly high. India has been witnessing this paradoxical pattern of economic growth over the past few years. In most economic growth theories, growth and employment go hand in hand. If there is economic growth, it is expected to lead to an increase in employment.

The manufacturing sector is generally perceived to be labour-intensive. This has been the pattern witnessed in countries such as China which, in turn, has led to export-oriented industrial growth. Unfortunately however, labour-intensive manufacturing sector did not become the engine of growth in India, where most of the growth was led by the services sector which currently employs 30 per cent of the working-age population.

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Since manufacturing industry was not developed adequately, India remained an import-oriented economy and exports from the country never flourished. This has led to cheap capital goods from abroad flooding the Indian market even as unemployment rate in the country remained high. Also, a majority of the people in the country are engaged in the agricultural sector which employs almost 45 per cent of the country's population but contributes just around 15 per cent to the country's GDP. Not surprisingly, there is widespread poverty in rural India.

Unemployment and Underemployment

In the Annual Household Survey conducted by the Labour Bureau, it was found that the country's unemployment rate had risen to a five-year high of 5 per cent in 2015-16. Among those unemployed, female job seekers were the worst hit as unemployment among them had sharply climbed to 8.7 per cent in 2015-16 from 7.7 per cent in 2013-14, according to the Fifth Annual Unemployment Survey.

If one looks at the rate of underemployment, the picture becomes even more worrisome. According to the Labour Bureau statistics, the rate of underemployment in the country is at a staggering 35 per cent now. India's usually neglected aspect of unemployment crisis is the concealed unemployment and underemployment

– not finding work for full year and people working at very low wages. The Labour Bureau's report on unemployment paints a dire picture on both fronts.

Some of the major problems faced by the Indian job market are:

1. In 2015, India added the lowest number of organised sector jobs in large companies and factories over the previous seven years across eight important industries.
2. The proportion of jobs in the unorganised sector – without formal monthly payment and social security benefits was set to rise to 93 per cent of the total employment in 2017.
3. Rural wages are now at a decade low, as agriculture which accounts for over 45 per cent of jobs in the country contracted by 0.2 per cent in 2014-15 and grew just one per cent in 2015-16.
4. As many as 60 per cent of those with jobs do not find employment for the full year, indicating widespread underemployment and temporary jobs.
5. With large corporations and public sector banks financially stressed, the average size of companies is reducing at a time when well organised large companies are central to creating jobs. With shrinking bank advances

to the industrial sector, this problem is likely to become more acute.

The Survey done by the Centre for Monitoring Indian Economy (CMIE) on a regular basis shows that job creation in India is anaemic at best. The CMIE surveys generally capture the state of job availability in the country on a regular basis. According to this survey, the unemployment rate in India had risen to around 7.25 per cent in the first fortnight of April 2018. This unemployment rate is much higher compared to levels seen in a fairly long time.

To add to the problem of jobless growth being witnessed in India in recent years, experts have pointed out that the employment elasticity of the Indian economy (the rate of jobs created in relation to GDP growth) has been less than the global average over the last several years. For instance, while the global average of employment elasticity from 2000 to 2010 was 0.3, in India's case, it was just 0.2. Even more worrying is the declining trend of employment elasticity in India's growth. It declined from 0.44 in the five years from 1999-2000 to 2004-05, to only 0.01 now – close to jobless growth.

While the Indian government is pressing the accelerator to create more jobs with its Make in India, Skill India and Start up India campaigns, technological advances may be throwing a spanner in the works. Rapid advances in digital technologies and automation are displacing people from work in many sectors of the economy – in manufacturing, services and even in knowledge industries. Hence the problem of jobless growth has become more worrisome.

A McKinsey Global Institute analysis of Labour Bureau data over a four year period from 2012 onwards revealed that on an average, 4.75 million people were added to the country's labour market every year between 2012 and 2015. Against this, the economy generated a meagre seven million jobs during this entire period. Thus it is clear that India's formal economy did not create enough formal jobs to absorb 4.75 million entering the labour market per year over this period.

Yet India's workers are working – but mostly in poor quality jobs. Labour Bureau data states that 23 million workers were out of jobs and were actively looking for work in 2015. In all, just 443 million workers were employed, of which 206 million were self-employed, 162 million were casual and contract workers and only about 75 million were regular wage workers. What is more is, while the number of self-employed declined by just under 7 per cent during 2011-15, the number of casual and contract workers rose by nearly the same amount over this period.

The overall proportion of informal workers in total employment in the country stands above 90 per cent now. India's very large informal sector conceals large scale underemployment. Seasonal or occasional work available to many workers further complicates measurement of employment in the country. The structural shift from agriculture to better quality work in factories or offices has been quite slow. In fact, there is high proportion disguised unemployment in the agriculture sector as people remain there for want of alternative jobs elsewhere. If they could find employment opportunities elsewhere, the productivity of the country's agricultural sector will also improve.

To add to the problem of unemployment, the shock of demonetisation of 2016 and the after effects of badly implemented goods and services tax (GST) in 2017 have hit some sectors badly. The textile industry, for instance, is said to have shed anywhere up to 1.5 million informal jobs, mostly in handloom and power loom sectors which mostly depend on cash transactions. According to reports, the entire power loom sector in Bhivandi near Mumbai was closed down following demonetisation and the workers went back to their native places.

The engineering and construction industry employs around 30 to 32 million people, the bulk being temporary unskilled labourers. This industry also depends almost entirely on cash transactions and it is said to have retrenched 11 per cent of the workforce in the last 18 months. Job losses have also occurred in the telecom sector, and employment growth in the telecom sector has dramatically slowed because of uncertainty about US policy after Mr. Donald Trump became President.

The crisis facing the jobs market in India can be realised from the fact that recently more than 25 million people applied for less than 90,000 positions in India's State-run Railways and 200,000 applied for 1,167 jobs of police constables in Mumbai. The same is the case in different states of the country with the number of job seekers far exceeding the jobs available. There have been instances of graduates applying for the posts of sweepers in Mumbai Municipal Corporation.

Neglect of Manufacturing Sector

Recently, the Nobel Prize winning American Economist Paul Krugman sounded an alarm bell for the country's cheerleaders for growth. *"India could take the lead in Asia only if it also develops its manufacturing sector"*, he said while addressing a summit in New Delhi. Unfortunately, India's manufacturing sector, still grappling with the impact of demonetisation shocker of 2016 and a poorly planned and roll out of GST in 2017, has been sluggish for a long time. In the last two years, India's consumer confidence has plummeted following widespread job losses, construction has slowed, many factories have shut down and unemployment rate has gone up.

The "Make in India" initiative to lift the share of manufacturing sector in India's GDP to 25 per cent from about 16 to 17 per cent and create 100 million new jobs by 2022 has failed to deliver. The country saw an unprecedented number of projects being shelved by companies, thus shrinking opportunities for employment creation. In the financial year 2017-18, sanctioned investments worth $ 117.35 billion were scrapped adding to the problem of jobless growth being witnessed in the country.

Investments into rural economy and scaling up manufacturing are essential for India to meet the demand for jobs from a dramatic surge in its working age population, according to Paul Krugman. There are clearly a lot of things that could transform India into a manufacturing hub, he said. That is why India probably needs to move rapidly into the manufacturing sector. It needs to create jobs for hundreds of millions of people who are going to need jobs that do not need high levels of skills. Manufacturing is a natural place to employ people. Therfore, India would have to move millions of people off the land into some kind of regular and more gainful jobs, and manufacturing probably fits the bill.

Incidentally, there are countries that are at India's income level which are currently excelling in manufacturing and creating jobs. Vietnam, Bangladesh and Cambodia for instance, have of late seen a surge in manufactured exports, partly by taking a share from China in low-end goods from toys to textiles. India's lack of success in these industries may be the single biggest reason why it keeps falling short of being the next China and why its job market continues to remain so weak.

In fact, India had a great opportunity in replacing China in the manufacture and export of apparels but failed to do so because of the inverted duty structure – import duty of 10 per cent on raw materials like man-made fibres and duty-free imports of apparels. This cannot make sense but continues to persist. Similarly, finished products such as laptops or cell phones can be imported more cheaply than all their parts when imported separately. This needs to be corrected urgently to enable India to increase its exports.

Other factors contributing to jobless growth

The ongoing stagnation in job-creation is further compounded by quite rigid labour regulations in the organised sector industry which currently employs just around seven per cent of the country's labour force. There are about 200 labour laws in the country, a fourth of which being Central Acts. The Industrial Disputes Act (IDA) requires firms with 100 or more workers to seek government permission to retrench or lay-off any workers and this is rarely granted. The Industrial Employment (Standing Orders) Act, 1946 requires firms with 100 or more workers to seek permission even for reassigning a worker from one task to another. Some of these Acts which are more than half a century old need to be scrapped if the country has to move ahead in the manufacturing sector.

Such labour regulations effectively prevent firms from using labour-intensive methods of production. There is also considerable evidence that these regulations have prevented India from reaping the full potential benefits, including in output, productivity and employment despite opening up of the economy over the last quarter century. Hence it should not come as a surprise to anyone that India has not been able to reap its natural advantage in labour-intensive products. Instead, Indian producers find it more cost-effective to use relatively more capital-intensive production techniques.

Such rigid labour laws in the name of protecting the interest of just seven per cent of organised sector employees in the country make absolutely no sense and need to be scrapped without further delay. In fact such rigid labour laws are also the reason for low productivity of the country's manufacturing sector. It is just about 20 per cent of the productivity in the US. It is almost half of what it is in South Korea. The reasons for this low productivity of labour in India are not far to seek. Use of outdated technology, non-availability of skilled labour, poor infrastructure, costly financing and bureaucratic controls have clogged the sector for too long, even after the economic reforms of 1990s.

In India domestic businesses, especially small and medium enterprises (SMEs) and first time entrants are not able to compete with imported products because of high transaction costs arising out of inefficient logistics and India's overall poor record on ease of doing business. Moreover, India's ill-conceived policies have resulted in inverted duty structure - higher import duties on raw materials and components and lower duties on finished products. This discourages value addition and job creation in India.

What is more surprising is the fact that India's trade pacts which were supposed to open up the world markets for Indian products have failed to extract real market access for its exports in markets abroad. This may be due to the fact that they have not been able to address concerns relating to non-tariff barriers. The concerned departments and authorities should study this problem carefully to ensure that future trade pacts result in increasing the country's share in export markets.

When trade negotiations from developed countries say wages are low in developing countries, they fail to recognise that productivity is also much lower in these countries. Pushing wages up without a corresponding increase in labour productivity will induce businesses to go for labour saving technologies that will kill jobs. More employed workers even at lower wages should be a better option than less employed workers at higher wages.

Over the longer run, the government should focus on productivity enhancing skill up-gradation measures rather than fixing minimum wages. Rise in labour productivity will push wages upwards automatically. It is encouraging to see that recently the government has initiated several schemes to train the people in the skills needed by the industry. However, much more needs to be done in this direction by involving the country's industrial sector in this task.

What needs to be done?

1. ***Reforming the rigid labour laws***

   Scholars are of the view that India's excessively rigid labour laws and regulations meant to protect the labour are the main cause of slowing employment growth in the country. These laws are also responsible for the stagnant share of industrial output in the national GDP for decades. Successive governments had aimed to raise the share of industrial output in the country's GDP to at least 25 per cent from the present 16 to 17 per cent but with no success.

To anyone who is aware of several restrictive labour regulations, it should not come as a surprise that the country is unable to reap its natural comparative advantage in labour-intensive manufacturing. It is also evident that restrictive labour regulations have prevented India from reaping the full potential benefits, including in output, productivity and employment, from opening up the economy.

Moreover, some of the small and medium scale enterprises with growing order book position for their products are reluctant to expand their operations fearing that once they grow in scale, they will come under the restrictive labour regulations applicable to bigger enterprises. Hence clearly, there is urgency in labour reforms if India has to raise its share of manufacturing in the national GDP.

2. *Manufacturing for exports*

For the rapid growth of the country's manufacturing sector and increasing its share in national GDP significantly, there is an imperative need to tap the overseas markets and to increase the country's share in world manufacturing which is just about 1.8 per cent at present. This is in stark contrast with China where manufacturing contributes 34 per cent to its GDP and accounts for 13.7 per cent share in world manufacturing. The prolonged neglect of the sector has not only brought down the share of India's manufacturing exports significantly, but has also resulted in a big surge in the country's imports of manufactured products, especially in respect of crude oil, telecom, IT hardware, defence equipment and a number of capital goods.

3. *Encourage creation of more MSMEs*

To address the serious problem of jobless growth, the government should encourage creation of more micro, small and medium scale enterprises (MSMEs). The Government of India's latest Economic Survey has pointed out that apparel and leather sectors offer tremendous opportunities for creation of jobs, especially for women. It said every Rs.1 lakh of investment in the apparel sector has the potential to create 23.9 jobs, including 8.2 jobs for women. The next most labour-intensive sector is leather footwear. Unfortunately, Indian firms in this sector are struggling to deal with the challenges related to logistics, labour regulations, taxes and tariffs.

In the case of apparels in particular, India had a great opportunity to promote its exports considering the rising wage levels in China and since wage levels in India are much lower.

Unfortunately, however, the space being created by China losing the world market share in this sector has been taken by Bangladesh and Vietnam and not India because of the country's inverted duty structure as stated earlier. This problem needs to be addressed urgently by providing proper incentives to the sector. That will also help create more employment opportunity in the sector.

4. ***Enable SMEs to participate in global value chains***

   The growth of digital platforms and ecosystems continue to reduce the barriers to global competition, disaggregating global value chains and enabling small and medium enterprises (SMEs) to provide value added products and services globally. Public policy should facilitate the innovation environment for SMEs in India by easing regulatory requirements, increasing access to credit and providing financial incentives to enable them to create jobs in global value chains delivering products and services.

5. ***Opportunity to create sales jobs***

   According to experts, India has the potential to create one crore sales jobs in the next three years on regulatory reforms such as consolidation of 44 Central labour laws into four labour codes. The other reforms which can aid job creation are unique enterprise number (UEN), employee salary choice, the Factories Amendment Bill 2015, Small Factories Act, among others, the Staffing Firm Team Lease Services said in a report.

"By just doing 10 regulatory reforms, we can create one crore jobs in the next three years and this is an opportunity for India, which is at a critical demographic cross road, simply can't lose out on" said Rituparna Chakraborty, Executive Vice President and co-founder of Team Lease Services. According to her, urbanisation, rising middle class, a free-spending younger generation, as well as the government's initiative around GST will further boost the economy.

6. *Skilling for an industry-ready workforce*

Unfortunately, many young people remain unemployed because their skills do not match the emerging industry requirements in the country. There are many gaps in skills in industries such as auto, construction, textile and retail. Also, there is skill shortage for jobs ranging from welders to masons and from electricians and nurses. Industries require market-driven skills to meet their needs of higher productivity, lower costs and higher efficiencies.

Evidently, there is an urgent need to go for tie-ups between industries and educational and training institutions to prepare the country's workforce for jobs. We do have a number of industrial training institutes (ITIs) in the country but there appears to be something missing to prepare the students in skills needed by the industries. Hence there is a need to ensure a closer co-ordination between industries and these institutions.

Increasing the number of apprenticeships in industrial undertakings can help increase the employability of fresh graduates and undergraduates significantly. As of now, India has only 400,000 apprentices while Germany 3 million, Japan 10 million and China 20 million. With the recent amendments to the Apprentices Act, many employers are now willing to engage more apprentices. Sales, customer services and logistics are the fastest growing segments of India's jobs market.

7. ***Green skills training programmes***

Contrary to the fears of US President Donald Trump, climate protection efforts need not eat jobs at all. The International Labour Organisation (ILO), in its annual flagship report on the global jobs market, has noted that achieving the Paris Agreement's goal of reducing the global temperature by two degrees can result in creating 11 million new jobs across the globe by 2030. According to estimates, the Indian Government's ambitious goal of generating 175 GW of electricity from renewable sources like solar and wind energy by 2022 could generate more than three lakh jobs in these sectors. However, fulfilling this optimistic target will require establishing green skills training programmes in the country.

8. *Tapping the potential of tourism*

Despite its rich and varied history and enchanting tourist spots, India has failed to tap the potential of the tourism sector for job creation to the full extent. Tourism can play an important role in the economic development as well as job creation. What is more pertinent here is that a good proportion of the jobs that get created are low-skilled, for women and for the first time workers – the type of job opportunities that India needs at present.

The sector also has the potential to create micro-enterprises, which in turn, can employ more people, creating a multiplier effect. Particularly, foreign tourists will be interested in handicrafts manufactured by micro enterprises. Unfortunately, the country is yet to reap the full benefits of micro enterprises so far. A healthy development of the tourism sector can create demand for the products of these enterprises from foreign tourists.

New hope for the Manufacturing Sector

McKinsey & Company has come out with a report on the Promise of India's Manufacturing Sector in which it says India's manufacturers have a golden chance to emerge from the shadow of the country's services sector and seize more of the global market. McKinsey analysis finds that rising demand in India together with the multinationals' desire to diversify their production to include low cost plants in countries other than China, could together help India's manufacturing sector to grow six-fold by 2025, to rupees 1 trillion, while creating up to 90 million domestic jobs.

Capturing this opportunity will require India's manufacturers to improve their productivity dramatically – in some cases, by up to five times the current levels. The country's Central and State Governments can help by dismantling barriers in markets for land, labour, infrastructure, and some products. But the lion's share of improvement must come from the manufacturers themselves.

Recognising this, a few leading companies are already upgrading their competitiveness by bolstering their operations to improve productivity of labour and capital, while launching targeted programmes to train the plant operators, maintenance engineers and other professionals in order to improve the country's manufacturing potential. A closer look at the experiences of these companies offers lessons for other Indian manufacturers and for the global product makers considering the opportunities available in India.

India's rapidly expanding economy, which has grown at the rate of around seven per cent a year, over the past decade, gives the country's manufacturers huge opportunity to reverse the tide. History shows that as incomes rise, the demand for consumer goods skyrockets. And many of India's consumption sectors – including food and beverages, textiles, apparels, electrical equipment and machinery – have reached their inflection point.

India has a massive workforce, an emerging supply base and access to natural resources needed in production such as iron ore and aluminium for engineering goods, cotton for textiles, and coal for power generation. Hence the country could easily become a viable manufacturing alternative to China in industries ranging from apparel to auto components and could even dominate some skill-intensive manufacturing segments.

If India's manufacturing sector realises its full potential, it could increase its share in the national GDP to 25 - 30 per cent by 2025, thus propelling the country into the manufacturing big leagues, along with China, Germany, Japan and the United States.

Along the way, it is estimated that India could create 60 to 90 million new manufacturing jobs and become an attractive investment destination for its own entrepreneurs and multinational companies. India's product markets must embrace global best practices in operations while tailoring them to India's unique environment to improve the efficiency and effectiveness of the country's manufacturing investments dramatically.

So far, India's legacy of industrial protectionism has left many of the country's manufacturers uncompetitive. To seize the opportunities now available, they must dramatically increase productivity of their labour and capital. A McKinsey Benchmark study of 75 Indian manufacturers found that for an average company, the potential productivity improvement represented about seven percentage points resulting in additional returns on sales.

Nonetheless, it is encouraging to see that some of the Indian companies are already making strides. Tata Steel, for instance, improved its output per worker by a factor of eight between 1999 and 2011, largely by adapting its operational and management practices to India's unique conditions. The company dramatically improved the output of its blast furnaces by learning to adjust them continually to account for the large variations in the ash content of Indian coal from shipment to shipment.

The company has also made significant organisational changes to support the new ways of working. To make employees more accountable, for example, Tata Steel reduced the managerial layers to 5 from 13. It also began investing heavily in building analytical and interpersonal skills among frontline managers and staff to ensure access to scarce competencies. Today, the company's Shavak Nanavati Technical Institute trains more than 2,000 employees a year in both "hard" skills as well as "soft" ones, such as conflict resolution.

These encouraging signs raise expectations that India which lagged badly in manufacturing for all these years, can make up for the lost time soon. As industry experts have pointed out, manufacturing sector is the real creator of wealth as well as employment in the country. Healthy growth of the manufacturing sector will also help India to increase manufacturing exports and reduce its continuing trade deficit with imports into the country exceeding the country's exports for many decades.

In fact, India's performance in manufacturing exports has been lacklustre since 1980s. India's trade deficit nearly doubled to $ 87.2 billion in FY 18. India has been recording sustained trade deficits since 1980 mainly due to strong import growth, particularly of fuels, oils and waxes, pearls and precious and semi-precious stones. When imports continue to remain more than exports for many years, domestic jobs are lost to those abroad. Also, precious foreign exchange is spent on imports of manufactured goods rather than domestic investment for creating more jobs in the country.

However, with the resurgence of the manufacturing sector, India will be in a position to reverse this situation and also help in reversing the recent trend of jobless growth being witnessed in the country. The manufacturing sector is widely regarded as the transformational sector with agricultural labourers moving from low skilled to more value added jobs. This makes manufacturing extremely important for India, where agriculture accounts for a minor share of the country's GDP but accounts for a disproportionately large share in employment.

For India, provision of gainful and high quality employment has been a key element of goals under the successive Five Year Plans, including the 12th Five - Year Plan (2012-17). However, this goal has remained unfulfilled even after several decades. Robust growth of the manufacturing sector will be essential for providing better quality employment to a vast majority of the country's population.

Building Human Capital

To absorb much of the country's labour force in industry, there is a need to lay greater emphasis on building strong human capital. As of now, the quality of human capital in India is quite low. Incidentally, India has been placed at 103rd rank, the lowest among BRICS economies, on the World Economic Forum's Human Capital Index. This index takes into account the knowledge and skills people possess to enable them to create value in the global economic system.

Research shows that investments in fundamentals like health and nutrition is very important for improving the quality of human capital. It is also seen that more than half of Indian women and almost a quarter of Indian men of working age suffer from anaemia. According to studies, they are anywhere between 5 to 15 per cent less productive than they could be. Poor quality nutrition in India starts from childhood in many poor families. According to experts, the current investment in health and nutrition in India is quite inadequate to ensure a thriving workforce of the future.

Equally important is the quality of education to ensure a better quality of human capital. Unfortunately, India lags behind badly in this respect whether it is primary, secondary or higher education. Hence there is an urgent need to improve the quality of education in India in order to improve its human capital. Equally important is to ensure that vocational training and skill development is made a part of the curriculum both at the secondary and higher education stage in order to improve the employability of students.

For India, it is important to improve the quality of its human capital considering the fact that certain manufacturing industries such as transport equipment, petroleum and electrical machinery, require specialised training, which can be met only by skilled labour force. Manufacturing sector would need to play a crucial role for India to achieve its goal of employment generation for its fast rising working age population. To do this, there is a need for strong commitment from the government as well as the industry. Also there is a need for a robust labour policy which strikes the right balance between workers' rights and competitive needs of the labour force by enhancing the quality of training.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

- Eugene Black
Former President,
World Bank

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In recent years the Forum has also been focusing on the youth with a view to developing good and well-informed citizenship. A number of youth activities including elocution contests and leadership training camps are organised every year towards this goal.

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