

Job Creation is an Instrument for Successful Implementation of Make in India Programme

India is facing unemployment problem since independence. The country's economic growth, even at the impressive rates of the last decade, has not produced meaningful jobs for its expanding working-age population. Dead-end rural construction jobs have offered the only area of expansion. Today many families depend on low productivity agriculture for a living as a result the jobs issue is also politically salient. PM's headline-grabbing response has been a "Make in India" campaign to "transform India into a global manufacturing hub" and thereby use manufacturing as a vehicle for job growth. The plan includes a variety of measures from easing the regulatory burden to establishing special economic zones to awaken India's latent manufacturing power. Yet many economists consider labor-intensive manufacturing to be a futile goal given India's internal hurdles and external competition. They suggest that India stick with its service sector orientation and focus on improving job creation potential there. Developing a strategy for job growth requires careful identification of sectors with true potential. Of course, examining the economy at the level of manufacturing and services skims over important detail, including many types of firms and industries that bear little potential. Choosing the path forward is further complicated by the fact that past performance provides a poor indicator of true potential. Finer distinctions and anticipation of policy impacts will allow policymakers to plot a course for optimal job growth.

It has been found out that the modern service sector and the formal manufacturing sector are the true growth sectors for India. Both have exhibited moderate job creation on a low base. Formal-sector manufacturing, however, has the most potential for transformation under a more supportive policy regime.

The best case scenario anticipates sufficiently supportive policy changes to generate sustained 14 percent growth of formal-sector manufacturing. That scenario could create more than 100 million additional jobs. Of those jobs, almost 70 million would come from high-productivity sectors, or a shift of 8 percent of the workforce. Although such a change implies missing the Make in India target of 100 million new manufacturing jobs, it would still put the share of employment and output of Indian manufacturing in the range of East Asian countries like Indonesia, Malaysia, and China in the next two decades.

India in this competitive global environment is starting from a position that is far from advantageous. India's manufacturing sector with a 15% share of overall GDP, compares poorly with peers like Malaysia, Thailand and Indonesia. India also suffers from some critical drawbacks like a lack of enabling infrastructure, poor perception of India in terms of ease of doing business, and a lack of proven ability to compete at a global scale. At the same time India's long term prospects remain intact, with its core strength of human resource, a strong base of entrepreneurs, and a robust and growing domestic demand.

In many ways, therefore, this stage is set for India to transform its manufacturing sector and seek global leadership.

Rishab Raina (14IES021)

M.Sc. Economics