



Research Essay on:

“Employment & Employability Story of India”



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ABSTRACT

Yuva Bharat! India: niche of world's youngest population. While the developed world is observing the higher rate of ageing, India will have 47million more people in the working age group population by 2020. India is a land of diversity and its unique geographical position has blessed it with tremendous natural wealth. The Indian Economic model has been always pro-people. From purely socialist country, India has gradually moved to socialist open market economy, where welfare still comes prior to mere economic prosperity. The huge inequalities of income and wealth in India, widespread poverty and unemployment have always been the major reason behind such economic policies. However, with economic prosperity India has become world's rapidly growing developing Nation, and has travelled far combating these issues. But India is still facing widespread unemployment. The nature of unemployment, however has transformed from that was after independence. Presently, India is clasped by more of underemployment and disguised unemployment than mere structural or open unemployment. Moreover, the Indian labor is said to be not capable of grabbing the opportunities. A lot of proportion of workforce in various sectors is said not to possess suitable qualities and competence to get employed.

In this scenario, is India really ready for taking advantage of the opportunity of being the youngest nation? Can India really maximize its demographic dividend? When the world is looking up towards India, especially the Asian world to lead the developing nations and emerge as a world leader, can India justify its strategic position & advantage?

In this essay hence we have made an attempt to look into prospects of these questions and find-out their possible answers. This essay is prepared after reading and analyzing several relevant research papers, reports, dissertations and related books, journals, etc. A lot of facts and data has been compiled and interpreted here to arrive at desired conclusions.

SPECIAL THANKS:

I pay hearty thanks to Public Policy Research Centre (PPRC) to give me all possible assistance to complete this essay. I am very grateful to Mr Ravi Gupta, Research Coordinator at PPRC for extending his valuable guidance. And I am thankful to Mrs Rekha Palshikar, Academic Head MIT School of Government, Pune for her motivation and help while I was pursuing this study. Their assistance helped me complete this essay in one-month.

Keywords: Indian economy, Economic-growth models, Unemployment in India, Employability in India, Economic reforms, Political Economy of India, International economic growth models, Government Initiatives-Schemes & Plans.

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INTRODUCTION

India got independence in 1947 from British Imperial state. The after independence picture of India was very gloomy with widespread poverty, diseases, illiteracy, unemployment and massive hunger. The economy was in an extremely bad-shape. Soon the nation revived from the gloomy state and has now emerged as world's fastest growing economy.

With 1.21billion, the Indian population is high, and it is expanding at the rate of 17%. India has also recently emerged as world's fastest growing developing economy after China. India's workforce is second largest after China, and soon it will surpass it. It is among the young nations of the world and soon will be world's youngest nation. Over 65% of India's population is below 35years of age presently. **By 2020, an average Indian is expected to be only 29years old, as against 37years in China and US, 45years in West Europe and 48years in Japan.**¹

"Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge. The achievement we celebrate today is but a step, an opening opportunity, to the great triumph and achievements that await us.....the ending of poverty and ignorance and disease and inequality of opportunity!"

**-Pt JL Nehru
(1st Prime Minister of India,
on the day of independence)**

Along with rich natural resources India will have an edge over the world in terms of Human resource too. However, the developing country of India is still facing high growth with widespread inequalities of income & wealth, poverty and massive unemployment too. **With this widespread unemployment in India the question of quality of workforce along with quantity has also come up.** The quality of workforce available in India is gaining serious concern, and hence comes the issue of employability in India. A high percentage of population is seen as unemployable due to absence of apt skills and know-how.

Hence, unemployment and unemployability in India are major issues of concern when the world is looking up towards the nation with extreme possibilities in terms of growth.

This research essay is an attempt to diagnose all the aspects of this burning issue, and understand the trends, pattern and future probabilities of extent of unemployment and unemployability in India. For India has a golden opportunity to maximize its demographic dividend and has an edge over the world in terms of quantity of workforce. Therefore, it is very significant to understand this issue in detail and find out long-term sustainable solutions for sustaining Indian growth story this time.

¹ US Census Bureau BCG analysis 2012.

✚ Purpose of study :

While studying this issue, it was observed that the several major areas of discussion related to the issue have been rarely discussed at a single point of time to establish a thorough understanding of the issue that will further guide policy interventions and help policy makers learn from past-mistakes, lacunae and other related economies and their model of growth and employment. This is an attempt to connect dots here. Therefore, we can enlist the *objectives of this essay* as under:

1. To understand the *trends and nature* of unemployment and unemployability in India.
2. To examine the *economic models* that has structured the Indian economic picture of today brick by brick after independence.
3. To have an insight of *role of political* leadership on economic growth and employment model.
4. To learn from the *economic models of relative international economies* to meet the need of present Indian economy and Indian workforce.
5. To examine *strengths and weaknesses* in a categorical manner in order to discover areas of *opportunities and threats*.
6. To know the *current initiatives* of the government of India to meet the concerns of unemployment & unemployability issue in India.
7. To evaluate the *prospects of Indian economy* by empowerment of Indian workforce and how India can maximize its demographic dividend.

✚ Methodology/Approach:

The research conducted in order to meet the needs of the issue raised in the purpose of study was more *analytical and applied* in nature. The facts and information already available on the issues related to the problem in question of the research were pooled and critically analyzed. The approach adopted was *quantitative & qualitative* both, involving numerical data interpretation of facts and trends of related variables and their implications. Moreover, *library research* method was used to collect information in this context. Hence, this study can be defined as a secondary research essay.

“Jobless growth is joyless growth!”
—M. S Swaminathan.

“Jobs, rather men, should wait”
—Sir William Beveridge

Chapter-I: BACKGROUND: “The Tale of Hands and Work”

1.1. UNEMPLOYMENT IN INDIA:

India being a fastest growing developing economy of the world is also clasped by unemployment. Currently there are more than 30 million people unemployed in India. This puts job creation high on the government’s agenda. The process of rationalization in India started way back in 1950s. It was found that there is prevalence of chronic under-employment in India. Shortage of capital equipment was the main factor behind.

In 1950s & 60s, the magnitude of unemployment increased significantly. When economy grew at 3.5% and unemployment was around 2.6%. Thereafter, this magnitude almost doubled during 1956-72, from 5 to 10million (2.6% to 3.8%).² In 1971, the number of unemployed was at 18.7million including 9million without any job and 9.7million who worked for less than 14hours per week, treated at par with the unemployed. Out of this, 86% of total (16.1million) were rural unemployed while only 2.6million were unemployed in urban areas.³

The employment problem underwent first change in mid-1970s, when focus shifted to growth in favor of employment intensive sector. It was understood that growth alone cannot meet poverty & unemployment issues. Hence, PAPs and several employment generation schemes were launched, which continue till date (NREGA the most famous scheme on News board).

Thereafter, the post-reforms period when there was already a backlog of 28million unemployed & 37million new entrants added to the quantum of unemployed in 1990s beginning. (Refer Table1)

The Economic Reforms of 1991 however, were fruitful in meeting the unemployed hands with work, but it also altered the nature of unemployment in India. The dimensions of unemployment thereafter expanded. The 9th Plan evaluated that 70% of workforce is illiterate or educated below primary level. Hence, it was realized that **education & skill development programmes are essential and should be strengthened.**

Table 1: Projection of Unemployment for 1999-2000.

Sl.	Particular	Millions
1	Backlog of unemployed (beginning 1990)	28
2	New Entrants to Labor force during 1990-95	37
3	Total unemployed for the 8th Plan (1+2)	65
4	New Entrants to Labor force during 1995-2000	41
5	Total unemployed for the 9th Plan (3+4)	106

Source: (Sundaram & Datt, 2014 Edition, p. 438)

² T.S Papola (1992) paper on Employment trends in India. (Prof Papola, Director, Institute for Studies in Industrial Development, New Delhi, India.

³ Committee on experts on Unemployment (1973) Report (chaired by B.Bhagwati)

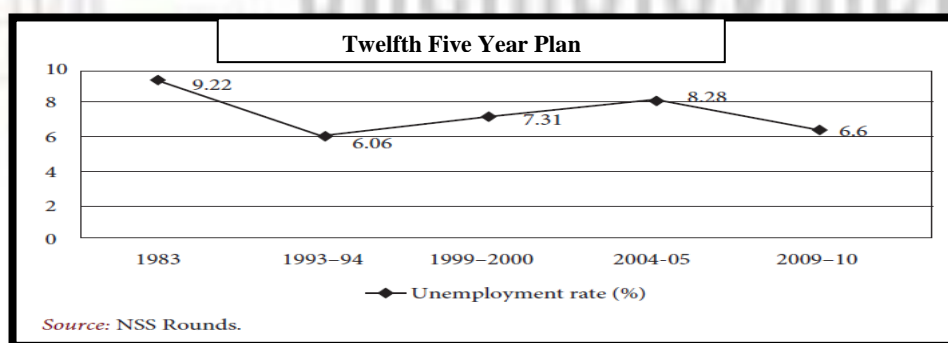
In 1977-78, when the unemployment rate was 10.3% (urban areas) and 7.7% (rural areas), in 1987-88, there was a noticeable fall in rural unemployment rate to 5.3% but urban unemployment was high at 9.4% (CDS-Current Daily Status basis). Rural India was reaping the benefits of post-Green Revolution prosperity. Post reforms period was marked by more employment opportunities. However, it could not decrease the figures of unemployment to a remarkable extent thereafter for long.

In 1993-94, rural unemployment marginally fell to 5.6% while urban unemployment also fell to 7.4%. Hereafter, the figures clearly portray the presence of prominent disguised unemployment in Rural India, while in urban areas it is resultant out of large scale unemployment in the organized sector. In 2004-05, the unemployment shot up to 8.28% for both rural & urban areas. Thus, it can be said that the post reform period was marked by more 'casualisation' of labor. The shift was from self employment to casual labor.

Table 2: Unemployment among urban & rural areas (%age of labor force)

Survey Period	Rural	Urban	All-India
1977-78	7.7	10.3	8.18
1983	7.9	9.5	8.28
1987-88	5.3	9.4	6.09
1993-94	5.6	7.4	6.03
1999-2000	7.2	7.7	7.32
2004-05	8.28	8.28	8.28
2009-10	6.8	5.8	6.6
2011-12	5.7	5.5	6.3

Source: Compiled from NSSO data (Sundaram & Datt, 2014 Edition, p. 450)



Source: T.S Papola (2006) Employment trends in India

Employment in organized sector has been merely 8.34% (public sector=5.77% & private sector=2.57%) in 1999-2000. The unorganized sector expanded including self-employment, SMEs in addition to traditional agri allied opportunities. The unemployment figures reaching low by 2011-12, encashing the opportunities created indicate the pattern of growth moving in favor of capital intensive sectors more during the economic boom period after 2004 resultant of follow-up 1991 reforms & Global Prosperity. The unorganized sector catered primarily the Indian under-employment issue. *It provided either full-time or more of*

supplementary employment, but regular jobs hardly increased. Perhaps, trends show they decreased due to redundancy caused by technological and competitive business environment introduced.⁴

Hence, **employment creation issue soon blended with massive demand for skilled workforce.** Skill development issue emerged since then, which are gradually catching more concern these days. These recent trends also indicate that most employment opportunities are created in unorganized sector and shall continue to be created as well. But these opportunities are marked by poor conditions of work, lack of facilities & social security, and ofcourse, irregularity. This adds up the *issue of quality of work* also with the employment creation agenda.

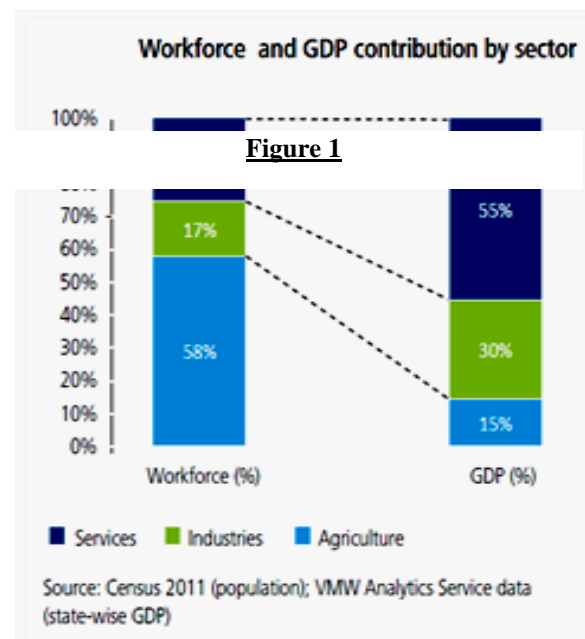
Talking about gender employment, then situation in urban areas is darker. *Unemployment in 2009-10 (CDS Basis) for males was 5.5% in rural and 4.9% in urban areas. On contrary, it was 6.2% & 8.0% respectively for females.*⁵

In the end, vitally quoting the figures of 1999-2000 when **major contributors of employment growth were: Agriculture (60%), manufacturing (12%), trade (9%) and services (8%).** These 4-sectors together constituted 89% of total employment. To be noted here is another important fact that **manufacturing alone was contributing 86% of total employment by way of SMSEs, while only 14% by way of large enterprises.**

Soon, India's middle class is expected to rise from 250 million to 350 million. This will generate new demand for domestic and foreign manufactured goods, driving the expansion of the industrial sector. If India takes advantage of the potential that manufacturing offers and is to

⁴ T.S Papola (2006) paper on Employment trends in India. (Prof Papola, Director, Institute for Studies in Industrial Development, NewDelhi)

⁵ Datt & Sundaram, Indian Economy (2014 Edition), p.461-464.



The figure above portrays the recent facts on %age of workforce engagement in different sectors as well as their GDP contribution.

We can see here that Agriculture sector shows the lowest productivity, while Services sector shows the highest output returns in terms GDP contribution.

"India does not have problem of unemployment but unemployability!"

-DR APJ Abdul Kalam

(Scientist & Former President India)

become a major manufacturer in the global economy by addressing several obstacles to the growth of this sector, it can widely resolve the issue of unemployment in India.

1.2. EMPLOYABILITY IN INDIA :

Employability refers to person's ability & capacity to gain employment opportunities. It is '*a set of achievements: skills, understandings and personal attributes that make a worker more likely to gain employment*'. Employability is not the same as gaining a qualification, rather it implies something about the capacity of the worker to function in a job and be able to move between jobs, thus remaining employable throughout their life.

India is among the 'young' countries of the world, with proportion of work force in the age group of 15-59 years increasing steadily. However, presently only 2% of the total workforce in India have undergone skills training. The Nation produces around 5 million graduates every year. India has a great opportunity to meet the future demands of the world, India can become the worldwide sourcing hub for skilled workforce. Alas! Several reports declare that most of the workforce in India is unemployable. Number of agencies after conducting surveys has declared that almost 70% of our graduates are not employable. **With wide scale unemployment, characterized by severe under-employment, employability has become a major issue of concern in this arena.**

Huge workforce without employability is like **lot of food available but not edible!**

The capacity of economy to harness the growing working age population in productive channels, will determine the real realization of **demographic dividend**. When India paved way for Green Revolution, it underwent inclination towards technological advancement. Gradually, the rural unemployment issue was heard but disguised unemployment in rural economy remained an issue. Moreover, eventually Indian sectors became prone to capital intensive methodology of production. However, more job opportunities were created but Indian hands were not capable of meeting technological advancements. Then it was deduced that apart from creating more opportunities, more education & skill-training is also required to resolve the unemployment issue in the nation. The quality of Indian population in terms of literacy and technical training remains low. **There is large scale illiteracy still prevalent in India. In 1991, there was 324 million mass in India that was illiterate. The Literacy rate has improved from 52.2% in 1991, to 64.8% in 2001 and finally to 74% in 2011.**⁶ *But the gray picture other side of the coin declares remaining 26% of total Indian population to be illiterate. This also includes gender literacy disparity. Out of the total literates, 82% are males while 65.65% are females.*

⁶ Census of India data.

Moreover, enrollment in higher education is also very low, due to high dropouts. *All India drop-out rate after primary level for 2009-10 was at 3.1 while that at upper-primary stage was 2.2. The repetition rate was also 4% in 2009-10. The Cohort dropout rate based on the inefficiencies (i.e repetition and dropout combined) is higher at elementary level than primary level.*⁷ Then other reports depict that Indian graduates lack basic skills of academics & technology and also professional skills like Entrepreneurship, teamwork, English communication, modern techniques, etc. Employability of Indian youth is low measured on these scales. Table3 enlists categorically the factors that affect employability of a person based on knowledge, Skill and Attitudes.

Table 3: Factors affecting Employability

Assets	Deployment	Presentation	Context
Knowledge (i.e. what they know)	Career management skills	Presentation of CVs	Gender, age and type of degree obtained
Skills (what they do with what they know) and includes: - Traditional academic skills; - Personal development skills; and - Enterprise or business skills.	Job search skills	Qualifications possessed, references and testimonials	Labor market demand for the individual's skills and knowledge, labor market regulation and employer recruitment and selection behavior.
Attitudes (how they do it)	Strategic approach	Interview technique, work experience or track record.	Individual's responsibilities and household status

Source: Employability Management paper Vol II No2(14), 2011 by Alok Kumar Pramanik & Nikhil Chandra Shil.

The famous survey by the *Aspiring minds Research cell (Employability Solutions Co)* in 2011 narrates the same story. Their **National Employability Report 2011** concludes:

- ✚ 47% graduates are not employable at all.
- ✚ Less females are pursuing 3year graduate degrees and show similar or higher employability to males.
- ✚ English and computer skills dampen smaller town employability prospects significantly.
- ✚ Present Education system promoting rote learning in place of actual application of concepts.
- ✚ Over 40% employable graduates beyond the top 30% colleges have no way to signal their employability to recruiters.

Considering these facts enlisted reflected the Employability of graduates in India and the issue of lop-sided employment benefits can be made-out, which is one of the major factors behind unequal development in the Nation. This lop-sided development is regional as well as gender-based, plus also, community based and sector-based. There is a strong need to address this.

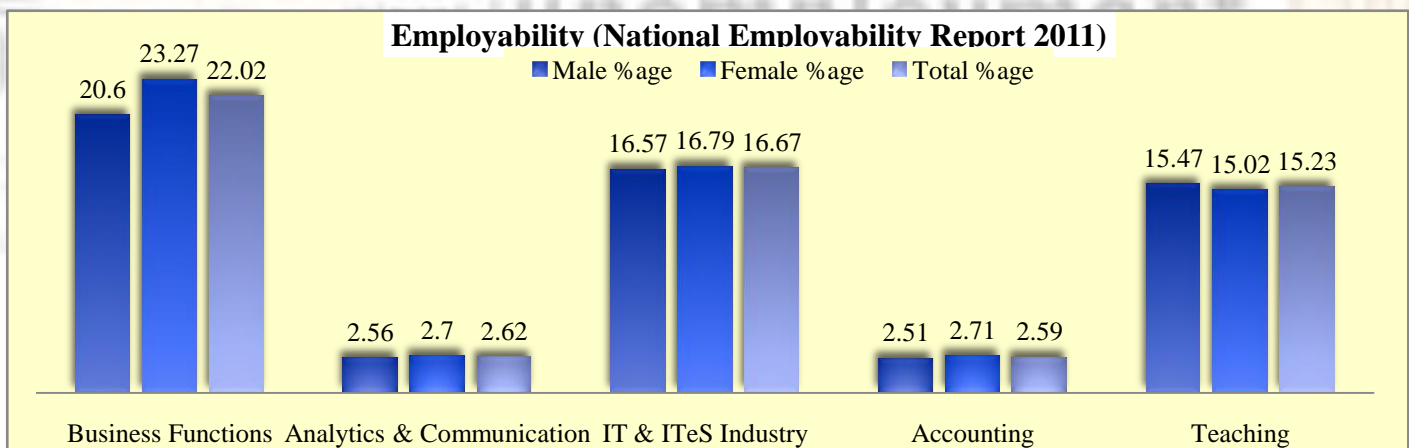
⁷ Survey for assessment of dropout rates at Elementary Level, by TNS pvt India ltd for edCiL (January 2013).

We have quoted the employability measures sector/roles wise from the National Employability Report of 2011. **These %ages are arrived at on measuring the relevant skill for the sector on the scale of quantum of graduates in that field.** These are as under:

Table 4: Employability %age as in National Employability Report 2011.

<u>Sector/Roles</u>	<u>Employability (%age)</u>	<u>Males Employability %age</u>	<u>Females Employability %age</u>
Business Functions	22.02*	20.6*	23.27*
Sales & Business Development	15.88	15.69	16.04
Operations/Customer Service	14.23	13.89	14.53
Clerical/Secretarial Roles	35.95	32.22	39.25
Analytics and Communications	2.62*	2.56*	2.70*
Analyst	3.03	2.95	3.09
Corporate Communications/Content Development	2.20	2.08	2.31
IT and ITeS Industry	16.67*	16.57*	16.79*
IT Services	12.97	12.5	13.51
ITeS & BPO	21.37	21.07	21.63
IT Operations	15.66	16.14	15.24
Accounting Roles	2.59	2.51	2.71
Accounting	2.59	2.51	2.71
Teaching	15.23	15.47	15.02
Teaching	15.23	15.47	15.02

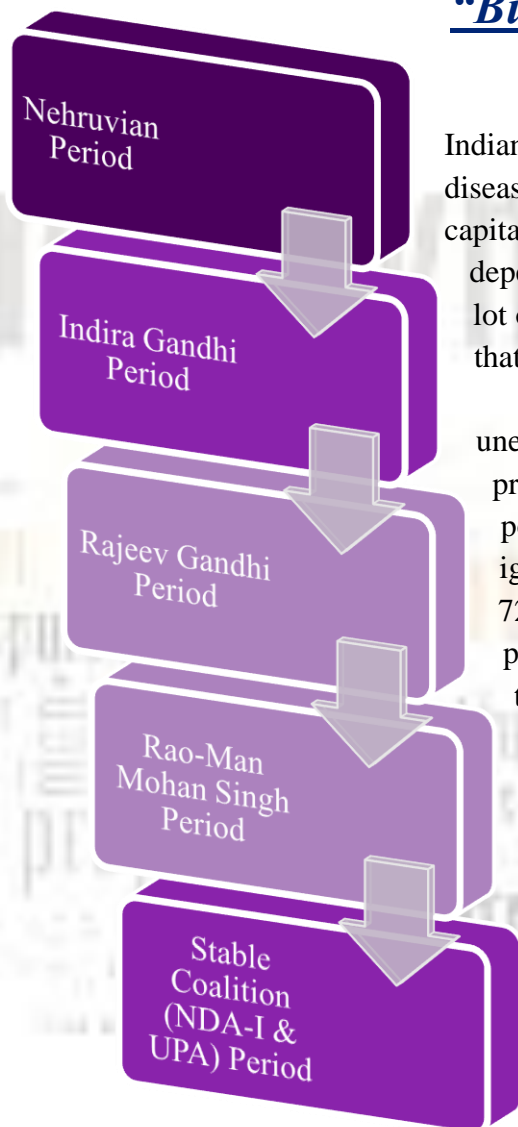
*figure is Average of underneath classified skills.



We see here that our graduates have *low employability in vital sectors like Accounting, analytics & communications, while relatively higher in clerical/secretarial roles.* Hence arises there more need of rigorous training & skill development.

Chapter-II: ECONOMIC GROWTH & JOB CREATION WITH POLITICAL DEVELOPMENT:

“Building Blocks since Independence”



When India got independence after a long tussle in 1947, the Indian economy was a gloomy picture. There was massive poverty, diseases, inequalities of income & wealth, unemployment, low per capita income, low capital formation, poor industrial base, massive dependency on underdeveloped agricultural sector and illiteracy with lot of ignorance. Perhaps, the cursed partition & communal violence that followed made the dough runny.

In context to the theme covered in this research essay, the unemployment story was huge at that time characterized by low productivity due to more exposure to diseases, high mortality rates, poor access to medical assistance, etc and massive illiteracy, ignorance, etc. There was huge dependency on agriculture. Almost 72.3% of the total workforce was engaged in agriculture. But the productivity shows prevalence of huge disguised unemployment in the rural India.

We have already discussed in detail the trends of unemployment & unemployability in India in chapter-I. After portraying the current picture of the issue in question of this essay, here in this chapter, we are *trying to introspect the political leadership and hence, the trends of the political economy, in order to understand the economic models/plans that operated in the past and block by block have built our today. We have covered the economic growth story & pattern of economic growth in India, because employment & economic growth are closely related.*

2.1. Nehruvian Period: 1947-64

The Ist Prime Minister of India, Mr Jawahar Lal Nehru focused on *planned development of India*. Hence we had five year plans since April 1951. However, the turning point in India’s planning strategy came with 2nd Five year plan (1956-61) focusing *rapid industrialization*. Nehru was very much inspired by the **P.C Mahalanobis Economic Development Model**. Hence his period is also

Table 5: Economic Growth trends in Nehru-period.

Economic Growth in India Compared		
	1950-64	1820-1992
India	4.1	–
China	2.9	–
Korea	6.1	–
United States	–	3.6
United Kingdom	–	1.9
Japan	–	2.8

Data are annual average growth rates.
Source: Maddison (1995).

Source: (Balakrishnan, 2007 EPW)

referred to as Nehru-Mahalanobis Era of Economic Growth.

The Mahalanobis model is based on predominance of the basic goods (capital/investment goods) that attract investment all-round and result higher growth rate of output. This will further develop small scale & ancillary industries that will further create more employment. Hence there will be poverty alleviation, more exports, more prosperity & more development. The model focuses on *expanding the productive capacity* of the economy. It also involves *import substitution, higher role of Public Sector undertakings in significant areas of the economy & create vibrant small scale sector for consumer goods production and producing more entrepreneurs.*

In an economy with a vast market, plenty natural resources of all kinds available and vast reserves of unskilled and skilled manpower, the building up of a strong and diversified capital goods base was a necessity of that age. If today we can boast of a large measure of self-reliance, it is because considerable capacity that has been created in the metallurgical, mechanical, chemical, power and transport sectors at that time.

The strategy paid-off at that point of time. Rate of growth of industrial production picked up and India became self-reliant in several sectors thereby. The industrial structure was well-diversified.

Table 6: Sector-wise growth in Nehru-period (Source: (Balakrishnan, 2007 EPW))

The Trend Growth Rate of GDP (in 1948-49 prices)			
Sector	1900-01 to 1946-47	1947-48 to 1999-2000	1950-51 to 1964-65
Primary	0.4	2.5	2.6
Secondary	1.5	5.5	6.8
Tertiary	1.7	5.0	4.5
GDP	0.9	4.1	4.0
GDP per capita	0.1	1.9	1.9
Population	0.8	2.0	2.0

The pre-1947 figure is for 'Undivided India' which includes the Indian princely states and Pakistan, but excludes Burma. Population growth is the compound growth rate.
Source: Sivasubramonian (2005).

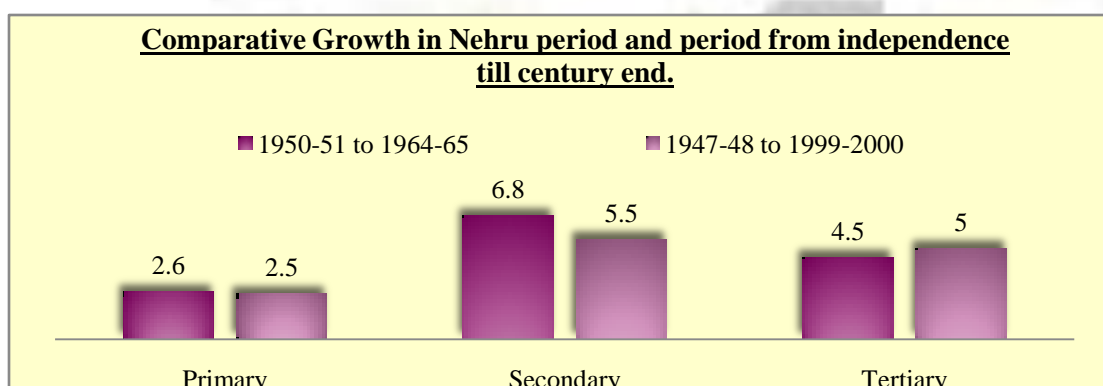


Figure 2: Comparative Growth trends

However, still it is criticized today for creating imbalances between growth of heavy industry sector and others like agriculture, consumer goods, etc. The *trickle down benefit* assumed in the strategy didn't find real existence. The strategy was not well monitored and hence it could not check the poverty. The strategy which started with empowering the agriculture base, later on resulted into neglect of the agriculture sector.

2.2. Indira Gandhi period (1966-84):

After JL Nehru died, Lal Bahadur Shastri took charge as Prime Minister of India. He was a man with a liberalized outlook. Hence, he started to minimize the extent of State control over economic activities, and curtailed excessive planning.

Soon after his death this was reverted. Smt Indira Gandhi became the Prime Minister of India in 1966. When she took over, India was facing heavy Balance of Payments crisis due to large droughts faced in 1965-66 and the Indo-Pak war of 1965. Moreover, under foreign donor community pressure, especially from United States and Bretton Woods institutions, Smt Gandhi had to devalue the Indian currency and partially liberalise the strict industrial licensing in India⁸. Hence, initially her take on the economic policy was to continue with liberalization started by Shastri. The intra-party clashes within the congress party gradually forced Smt Gandhi to revert the liberalization policy introduced lately in the Indian economic policy. **With the advent of political instability at the power-centre and introduction of 'personality politics' in India, the economic activities again were under the State-control. When her opponents called for 'Indira hatao', she firmly called for 'Gareebo hatao!' And from here started the grand populist measures to sustain power. Hence the economic policy was under heavy State-control.**

In 1969, Prime Minister Indira Gandhi announced the nationalization of 14 banks. At that time, Smt Gandhi faced a challenge from the old leaders in the Congress. She believed that the private owners of banks favored the Swatantra Party. By nationalizing the banks and sacking Morarji Desai as finance minister, Mrs Gandhi felt she could upstage her opponents within and outside the Congress, and make-way for her 'garibi hatao' call and gain the votes of the nation's poor. Ofcourse, this call

⁸ Business and Politics, Vol. 8 [2006], Iss. 3, Art.4, Prof Charles Robert Hankla, Georgia State University.

POLITICAL INSIGHT

(PART-I)

The 1950s period saw the Single party rule in democratic India, where Congress dominated the Indian politics. Nehru idea of socialism guided the Nation's Economic theory.

Thus, India firmly resorted to ISI (import substitution industrialisation), rapid industrialisation for self-reliance and closed economy, with State having major role in the system.

Shastri, after Nehru took charge and his outlook was liberal towards excessive planning. So he began to push India towards liberalisation. But it was short termed as he died in 2years, and power passed on to Indira Gandhi.

Initially, she continued with the liberalisation as there was severe BOP crisis due to past drought & war. The foreign donor community pressure forced Smt Gandhi to devalue the currency and partially liberalise industrial licensing.

Soon after facing lot of intra-party conflict and rebellion, Smt Gandhi resorted to more State control in the economy. With advent of political instability at the power centre and introduction of 'personality politics', the Indian Economic policy featured socialism to meet populist promises. One side there was call for 'Indira hatao' and the other retaliated it by calling for 'Gareebi hatao'. Ofcourse, politically the latter call was heard.

successfully paid off. However, Bank Nationalization was a landmark step in Indian economy. The strong Indian Banking structure today is a result of this revolutionary step taken in 1969. It largely increased the finance base of the banks of India. It also strengthened the Indian business groups. Though initially they were distressed about it.

Smt Gandhi and her promises were all that mattered in 1971. Hence, she used her control over bank credit & other vital economic resources to influence over Indian businesses/industrialists, to ensure her access to financial support. She distributed finance & food aid, provided jobs, subsidies, and other economic benefits to people (to encourage her vote-support). Since, India is pre-dominantly agrarian nation. Hence patronage to rural India was a significant part.

Rural India was revolutionized in the Green revolution Period. 1967-78 is the period marked for Green revolution in India. Between 1947 and 1967, efforts at achieving food self-sufficiency was not entirely successful. Efforts until 1967 largely concentrated on expanding the farming areas. Starvation deaths were still being reported in the newspapers. The action came in the form of the Green Revolution. *Smt Gandhi should be applauded for this political will. But this development was also characterized by preventing from effectively taxing agriculturists.* The economic policy of India featured populist measures and pro-rural India and poor people. The plans extended rural credit & generated subsidies for farmers. Also, prominent among these were import licensing & tariffs and industrial licensing. Smt Gandhi tightened trade protection & import licensing, and new sources of finance were under direct government's control.

The 1980 return, after the end Janta party instable rule, Smt Gandhi had to take a huge loan from IMF. In 1979 with the onset of an external sector crisis triggered after the second oil shock, the Indian economic situation was rapidly deteriorating. There was no option other than to approach the International Monetary Fund for assistance. To mitigate the political damage of depending on the IMF, her government unraveled the 6th Plan (1980-85) that essentially promised to undertake a series of measures designed to improve the economy's competitiveness—which meant fiscal reforms, revamp of the public sector undertakings, reductions in import duties and de-licensing of domestic industry. Hence from

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Beginning with populist measures and the historic strategic victory in the 1971 war, Smt Indira Gandhi became people's favourite & powerful leader thereby.

However, still the electoral support won by the party under Smt Gandhi was much less stable. Hence during 1975 emergency imposed by Smt Gandhi, brought more instability in Indian politics.

Morarji Desai & Charan Singh emerged as PM of India for a short term. They could not intervene much in the policy affairs to bring about a significant change. When she regained power in 1980, she extended liberal steps in the economy.

*1984, after her assassination, the party won its highest support and Rajiv Gandhi emerged as Prime minister of India. Rajeev Gandhi is known for evolving liberal economic policies for faster growth. With clear support, he became a man of action. He boosted the industrial growth, strengthened the Indian capital market, and curbed the monopolies & restrictive trade practices. Known as the **Computer man**, he introduced IT-revolution in the Nation.*

Later, the bofors scandal diverted his energies. Though he could effectively revive the sick PSU culture. He lost to VP Singh and later Chandra Shekhar Singh became Prime Minister of India. Both of them could not add significant economic reforms, to boost the economy.

1980 onwards, Indian economic policy again made way for liberalized state-control over economic activities.

2.3. Rajeev Gandhi period (1984-91)

After, brutal assassination of Smt Gandhi, the 1984 elections brought congress to absolute power again. Congress won the highest no of seats in the Lok Sabha, and Rajeev Gandhi emerged as the new prime minister of India. With clear majority, he was a man of action. His youthful, modern outlook and innovative approach towards developmental impediments, built a new way towards the 21st century. He started with *evolving new liberalized economic policies for faster growth. He liberalized industrial licensing policy, especially wrt the defined 'sunrise industries'. The 1987 budget, which he himself presented he even hinted the PSUs to improve their performance and learn to operate in a competitive environment*⁹. He took various steps to revitalize the economy, including reduction in excessive industrial licensing, encourage growth of industries, strictly curbing monopolies and restrictive trade practices.

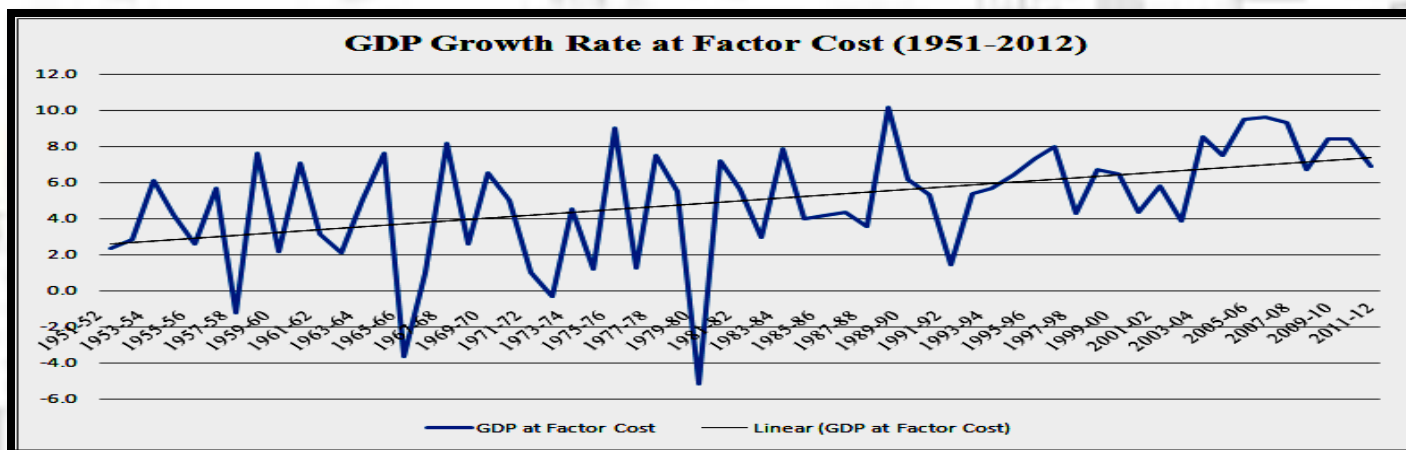


Figure 3: Overall GDP trends in India.

He made reforms in the direct tax system and a major liberalization in import of capital goods & components for manufacturing under *phased manufacturing programme*. His approach was to diversify the savings channel from banks to the Indian capital market. These efforts were fruitful and private investment in India shot up by 40% in 1985-86 with more strengthening of the Indian capital market. As a result, GNP grew at 5.5% per annum with accelerated industrial growth & exports growth as well. However, still the revenues increased were not high enough to cover import bill or rising public expenditure. Hence in 1989, Rajiv Gandhi suffered fiscal crisis. The major reason behind was the PSU failure to generate sufficient resources. *Perhaps, facing the bofors scandal occupied more of his energies in the later part of his tenure. This also hampered his liberalization steps, especially in context to foreign private investment.*¹⁰

⁹ Rajiv Gandhi's Mind and Ideology by Attar Chand (Chapter: His Economic Legacy), p353.

¹⁰ Ibid. p356.

However, the success of his tenure can be measured clearly in terms of the GDP that exceeded the target set at 5% and industrial growth rate high at 8% per annum. He introduced lighter reforms by liberalizing the license raj and promoting the growth of software & telecommunications industries. **By the end of the 1980s Indian aggregate labor productivity was one-third higher than a simple extrapolation of the pre-1980 trend would have predicted.**

Rajeev Gandhi lost elections on account of the bofors scandal to VP Singh in 1989. Political instability again came back to the Indian frame. From 1989 to 1991, we had two Prime Ministers, VP Singh and Chandra Shekhar Singh and both didn't add any major economic reforms. However, their period marked the most important turning point in Indian politics as *identity politics* took shape after the *Mandal* issue, followed by the *Kamandal* issue.

2.4. Rao-Manmohan Singh Period (1991-98)

India lost Rajiv Gandhi due to the LTTE conflict while he was campaigning for the upcoming general elections in 1991 in Tamil Nadu in a suicidal bomb attack. However, Congress regained power in these elections with 43% seats share won and PV Narsimha Rao became Prime Minister of India. The Rao-Manmohan duo has set a landmark in the Indian Economy. Manmohan Singh was the Finance Minister of India in Rao's government. 1991 was a turning point, which embarked the history of economic reforms in India. India opened the doors to the world for trade, liberalized the economy and private hands were welcomed. The Rao government took the steps that the Rajiv Gandhi government had proposed meant to encourage foreign investment.

These free-market economic reforms launched in 1991, shifted India from a bankrupt nation hobbled by socialist policies into a regional economic power. India made a shift from centralized planning to market based model of growth.

But we must also know the background of the initiative taken. Till 1991, India still had a fixed exchange rate system. *India started having Balance of Payments adversity since 1985, and by the end of 1990, it was in a serious economic crisis. The government was close to default, and the central bank was left with merely 3-weeks forex & 7-days Gold reserves. Central Bank*

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The LTTE conflict killed Rajiv Gandhi in 1991. After his assassination, Narsimha Rao led Congress again came to power with 43% seats share. It was the time when Bharatiya Janta Party had emerged as the biggest opposition party in the Parliament, after CPI(M) & Janta Dal, under the leadership of Atal Bihari Vajpayee.

The Rao-Manmohan duo brought a landmark change in the Indian economic structure. The Indian economic picture was very gloomy in 1991, when we faced heavy BOP crisis. Then Rao-government took a valiant step to liberalise the economy. The new economic policy of 1991 accelerated the Indian growth many fold. LPG-liberalisation, globalisation and privatisation & reduced state-control on economic activities was the essence of the new policy.

The results were fruitful. The annual growth rate was pushed up to 6.5% and BOP crisis was a history now. The reforms created job opportunities and more technological advancements rapidly. It is believed that India should have brought such reforms much earlier like China. But obviously, better late than never!

However, the results didn't paid back congress. Rao's government suffered lot of political shocks. The Punjab separatist movement, the Babri Masjid demolition incident and then the hue-and-cry on corruption blames made on Rao for bribing MPs. He lost elections to Bharatiya Janta Party, which lasted for only 13-days. Further we had unstable government led by Deve Gowda & Inder Kumar Gujral till 1998.

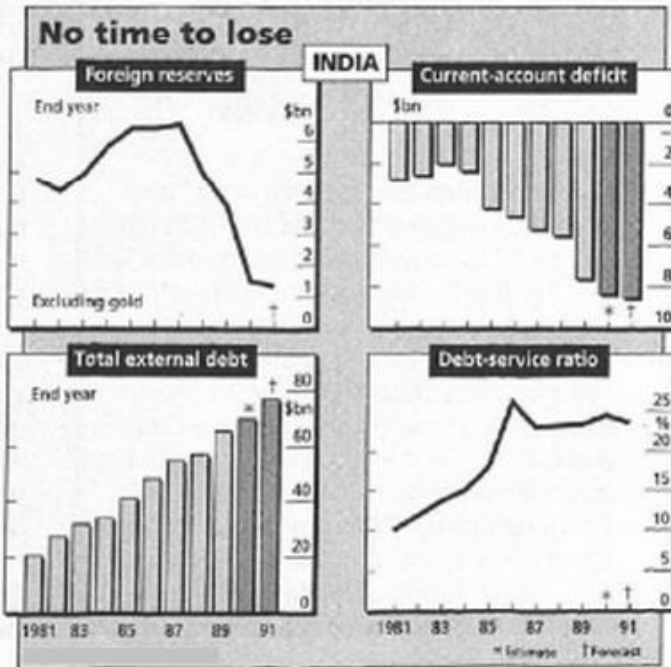


Figure 4: Gloomly Economic statistics pre-1991 reforms
Source: (ET, 2014)

had refused new credit. Most of the economic reforms were forced upon India as a part of the IMF bailout. Moreover, back-to-back brutal assassination of Indian Prime Ministers shook the foreign trust in India. Hence, capital market faced dearth of foreign investment. The government started the liberalization process by abolishing the strict Licence Raj system which ended various monopolies, reforming capital markets, inviting foreign investment, reforming the trade regime and capital markets. Its goal was to reduce the fiscal deficit, privatize the public sector, and increase infrastructure investment. To open up foreign trade, there were trade reforms and foreign direct investment regulation. It also included, redefining the role of state in

economic management and limiting it to social & infrastructural development primarily. The essence was contained in the *New Industrial Policy of 1991* and provisions extending beyond it too, bringing in the *New Economic Policy of India in 1991*.

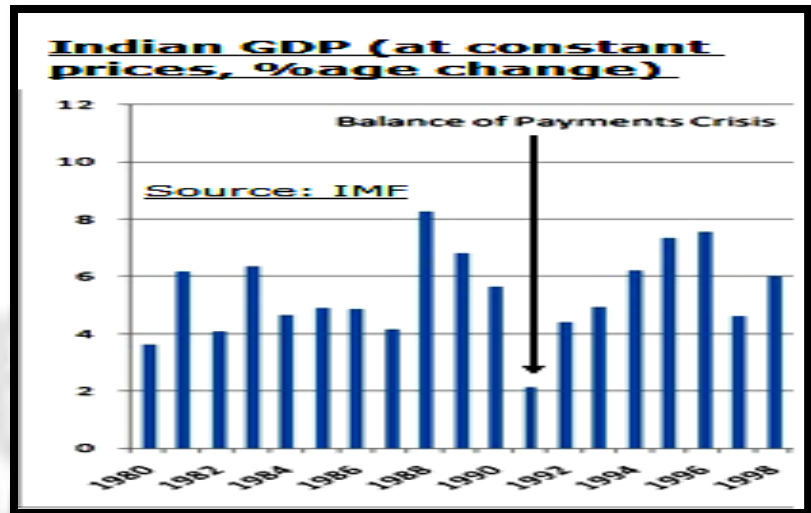
Under the Rao government, tariffs were reduced from an average of 85 percent to 25 percent of import value. The rupee became convertible. By the mid-1990s total foreign trade--imports plus exports--amounted to more than 20 percent of GDP. Foreign direct investment was encouraged, and grew from effectively zero in the 1980s to \$5 billion a year by the mid-1990s. The government walked rapidly down the path of reform that Rajiv Gandhi's government had tiptoed cautiously onto¹¹.

Then the *New Industrial Policy* contained special provisions to revive the PSUs from their sick status and boost their performance. To meet the issue of overcrowding with creating unemployment, voluntary retirement scheme was mentioned. To enhance the competitive performance of the PSUs the policy mentioned the concept of categorizing them as 'navratnas', 'miniratnas' etc was started wef 1997. **Disinvestment Policy** also started under the new industrial policy.

Its success was seen in *more than 6.5% average annual growth rate during the 8th Plan (1992-97)*. Forex reserves accumulated left the BOP crisis story far-behind. India was growing with increasing foreign direct investments (FDIs) and foreign institutional investments (FIIs). On the macroeconomic side, attention was focused on limiting money growth and thus controlling inflation. However, it is also characterized by taming a nominal level of inflation too.

¹¹ 'Economic growth of independent India', July 2001, J. Bradford DeLong.

Figure 5: Indian GDP immediately after 1991 reforms



The government attempted to erase the extremely high budget deficits of the past, but it could not be much successful in this attempt. While the government succeeded in the attempt to build up its foreign exchange reserves.

The economic benefit India reaped and is reaping till now is the outcome of these reforms. However, Rao's government could not reap benefits from these reforms for long,

and political instability in India continued. The Delhi seat was heated due to Punjab separatist movement & the Babri mosque demolition. Then in 1993, Rao's government faced no-confidence motion which it resolved. But the opposition alleged Rao for bribing the MPs to vote in favour. The hue-and-cry on this, made him lose 1996 elections to Bharatiya Janta Party, which ruled for only 13-days. Further, Deve Gowda and then Inder Kumar Gujral were Prime Ministers of India under the United Front till 1998.

During this politically unstable governance, no more major economic reforms came up to contribute to the 1991 reforms. Then the 1997 Asian financial crisis added to the economic stagnation.

2.5. Stable Coalition Period (NDA-I & UPA rule): 1998-2014.

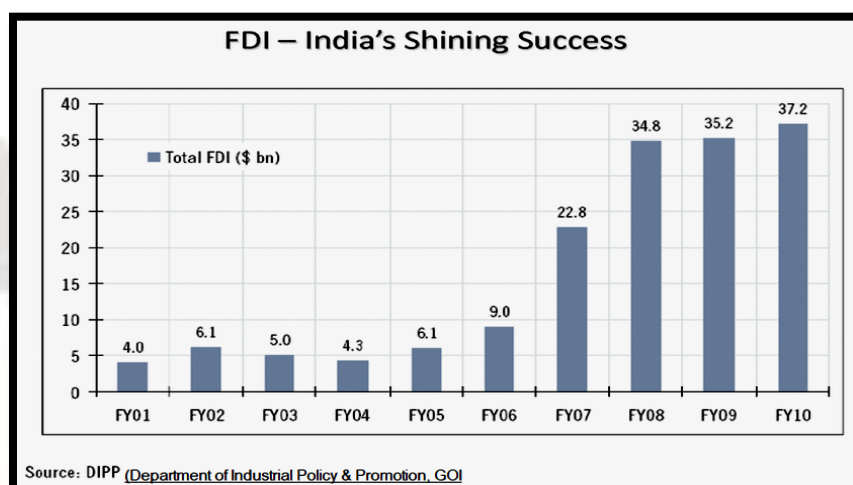
With the sound of conch, Bharatiya Janta Party led NDA coalition formed government after the 1998 elections. This year marks the foundation year for the beginning of defined stable coalition politics in India. Atal Bihari Vajpayee as the new prime minister of India surprised many by continuing the reforms of 1991. He welcomed change and gave way to speed up economic progress. Moreover, he resolved several outstanding problems with the west related to cold war, thereby opening gate for Foreign Direct Investment. In few years western nations were fascinated by India's brainpower. IT and BPO sectors started heading towards India.

India witnessed steady economic growth under Vajpayee with progress due to reforms and the bold steps taken towards infrastructure building. The Golden Quadrilateral project built India's road towards prosperity!

The NDA government removed capacity licensing restrictions from fossil fuel & oil cracking industries, pharma, and sugar industries as well. The efforts were towards establishing more private industries, expanding the IT-sector, advancement of technology, improving PSUs performance through competitive environment and rationalizing the tax-structure as well.

These efforts yielded a high growth rate 6% per year for overall real GDP and of 3.5-4% per year for labor productivity. India became the world's fastest growing economy behind only China.¹²

Figure 6: Outcome of NDA-I reforms



With these positive outcomes, BJP campaigned as 'India Shining' in 2004. However, it lost to Congress. Thanks to Indian Election system where numbers play a big role and then ofcourse the Indian coalition politics.

Congress intelligently caught the nerve and offered to continue the reforms for faster economic growth by making the man of 1991 reforms as the Prime Minister of India. Dr Manmohan Singh became the 14th Prime Minister of India heading Congress led UPA government. With this reforms continued in India and the foreign stakeholders trust strengthened. The framework made by Vajpayee was further strengthened by UPA under Manmohan Singh and was ready to welcome more FDI in India. **India became the 2nd most likely destination for FDI after China, leaving behind US on the 3rd step in 2005.** This was great achievement when some years back India was at 15th position.¹³

The Political Economy of India underwent continuous changes to foster the growth process. UPA came up with initial reforms like forming Special Economic Zones (SEZs), Bharat Nirman (for building infrastructure) to National Rural Employment Guarantee Act (NREGA), Right to Information

¹² <http://business.mapsofindia/india-economy/political.html>

¹³ AT Kearney Study 2005.

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In 1998 BJP led NDA government came to power under the leadership of Atal Bihari Vajpayee. Vajpayee extended the reforms for faster economic growth by way of strengthening the infrastructure of the nation. The **Golden Quadrilateral** project and the Pradhan Mantri Gram Sadak Yojna were visionary projects started in his regime. India accelerated its growth process.

Still BJP lost the 2004 elections and Congress led UPA came to power. However, the loss of vote-share of congress was more in these elections but since it managed to win more seats and majority was under (coalition) the UPA umbrella, the power went to Congress.

The man behind 1991 reforms became the Indian Prime Minister, Dr Manmohan Singh, and India under his leadership boomed. He came with multiple reforms starting from forming SEZs to the governance part like RTI Act, 2005, EGA 2005 for guaranteed employment. India became a nuclear power in 2008.

The essence of populist measures was sustained and several grand schemes were launched, like the NREGA, RTE, etc. Public spending was increased but not checked. Ofcourse, then inflation struck the economy and it went out of control.

With growth came more corruption, and there were series of scams.

"The UPA has been a victim of its own success in more ways than one"

Inspite of UPA's inclusive policy, economic benefits and welfare didn't reach the grounds, and UPA lost the 2014 elections to BJP led NDA massively.

Act (RTI, 2005), Right to Education Act (RTE, 2008) and Indo-US civilian nuclear agreement (2008). India reaped accelerated benefits in the UPA-1 regime. India was at its peak of economic boom period. After 2008, the Indian growth story started coming down. The global economic recession of 2008 can be major factor behind. However, the country showed great resilience to the global economic recession. And, Congress led UPA under Dr Manmohan Singh ruled India for a decade. It won the 2009 elections as well. The farmers' loans were waived off.

The public spending has been pushed, but not checked in time, and then inflation struck the economy. This is where the UPA failed. The government debt kept on rising.

The government failed to come up with effective institutional mechanisms in face of high growth. Growth generated wealth and more wealth generated corruption. There were series of scams reported during this period.

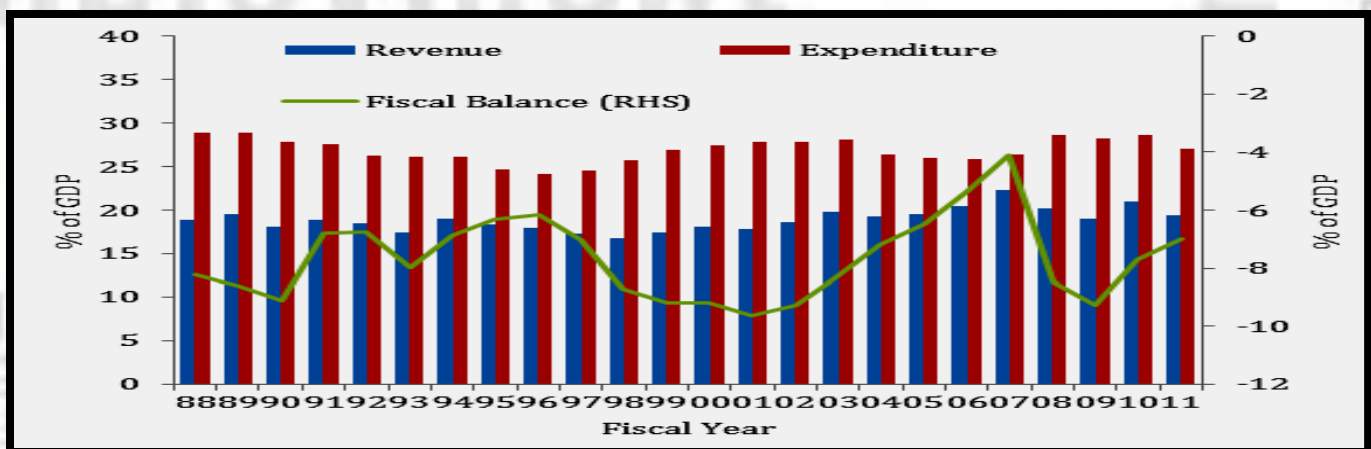


Figure 7: Detail of Public Expenditure, Revenue and Fiscal Measure for need for Debt.

Inspite of the UPA's inclusive policy its numerous economic benefits & welfare promised could not reach the people. Infact people lost their trust on the government. Hence, UPA lost shamefully to BJP led NDA in 2014 elections inspite of populist schemes introduced in form of Food Security Bill and Land Acquisition Bill. Narendra Modi emerged as an development icon and became the 15th Prime Minister of India. He has intended to fill the gap and has come up with the model of maximum governance with minimum government, corruption free and growth friendly economy.

2014 General Elections have created a history in India and have become a landmark as well as turning point in Indian Democracy and political development. Firstly, after a long time Indian Democracy has brought great majority to a single party. Secondly, and most importantly, it is for the first time in India that an opposition party has come to power with huge majority. It could be seen as a beginning of new era in Indian politics and Indian political economy.

With the declared visions of the new shoulders taking responsibility of the Nation, after being coronated to power backed by huge support, it can be said that it will definitely understand the past voyage of the Indian political economy, understand its trends, conditions and issues. Thereafter, it will craft a pathway ahead. The nation hopes that this turning point in Indian politics that has come-up in terms of numbers as well as nature of leadership too will revive the economy and issues related effectively & efficiently. With a new and strong model expected to come-up, India is supposed to resolve its economic issues, specifically the employment and employability issue, to reap maximum benefits of demographic dividend. The new government is likely live up to these expectations!

2.6. Summary:

a. INFERENCES:

India has travelled the roads of economic success and glory in 67 years as a mixed (socialist) economy. However, with rough past experiences initially the nation was doubtful about free-market economy functioning. But gradually pacing with global needs and competition soon India resorted to open economy and the growth story shot up since then. However, the political will of leaders and political instability in the political economic history of India have greatly influenced the present economic structure. The table below summarizes the Political economy of India reflecting their priorities and focus areas which have resulted in the present economic structure of India.

Eras of political economy in post-Independent India			
Era	Political Orientation	Policy Focus	Macroeconomic Management
Nehru (1950-67)	Fabian Socialist	Industrialization, pro-public sector and Central Government bias	Fiscal conservatism
Indira Gandhi (1967-84)	Rhetorical Socialist with anti -urban bias trending to populist	Food security, anti-private sector, import substitution	Fiscal conservatism
Rajiv Gandhi (1984-91)	Populist	Industrial de-licensing and deregulation, technological modernization	Fiscal profligacy and debt monetization
Decentralized Politics (Post-1991)	Neo-populist (Coalition based)	Structural economic reforms, globalization	Fiscal consolidation

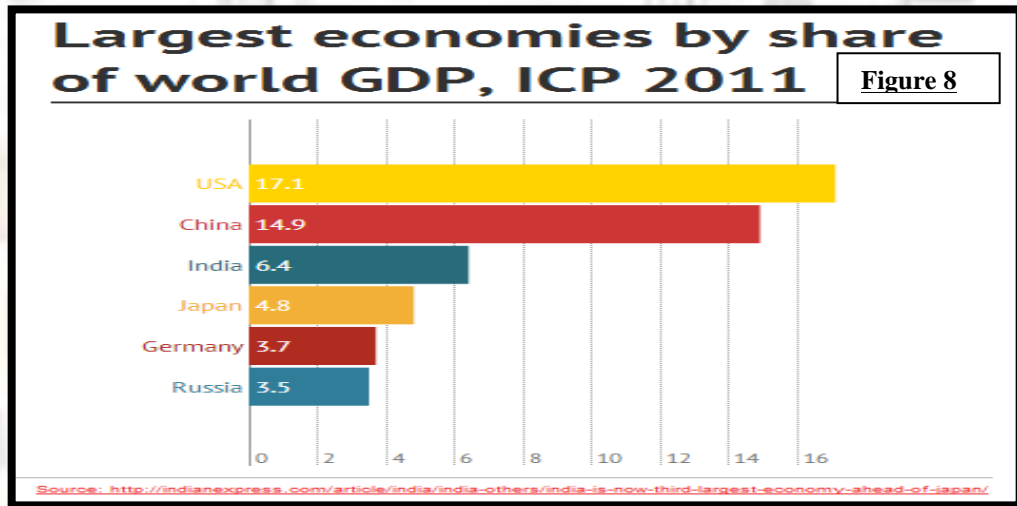
Source: IDFC Occasional Paper series 2007/1 (April'2007) by Rajeev Lal and Anupam Rastogi.

b. LEARNING FROM PAST MISTAKES:

India should ensure political stability and move beyond mere populist measures to yield economic benefits. More effective governance will strengthen the economic base and India needs a bottom-up strategy for ensured inclusive development.

Chapter-III: INTERNATIONAL PERSPECTIVES: “India and relative World Giants”

Though the Indian economy globalized in 1991, but international perspectives have always influenced the nation’s economic policies and consequences therefrom. Infact, the new economic policy was a result of such international influences only. However, the magnitude of influences increased many-fold after the economy was opened in 1991. Hence in this section of the essay, we are covering the recent international perspectives of several Asian nations to understand the nature of employment and employability policy India needs, and understanding the way the economic models of other nations have catered to the needs of their mass of unemployed lot and affected their quality as well to derive long-term economic benefits.



<u>Table7</u>		<u>Source: World Bank Report 2011</u>
<u>Country</u>	<u>GDP share (PPP basis)</u>	<u>Ranking on basis of GDP per capita basis</u>
US	17.1	12
China	14.9	99
India	6.4	127
Japan	4.8	33
Germany	3.7	24
Russia Federation	3.5	55
Brazil	3.1	80
France	2.6	30
UK	2.4	32
Indonesia	2.3	107
Italy	2.3	34
Mexico	2.1	72

India is world’s fastest growing economy. In the list of developing economies it is placed second after China (Refer Table 7 & Figure 8). However, the Nation suffers from inequalities of income & wealth, poverty and wide spread unemployment. Thus, the Indian economy is striving hard to meet the needs of its people and growth with diffused prosperity & welfare.

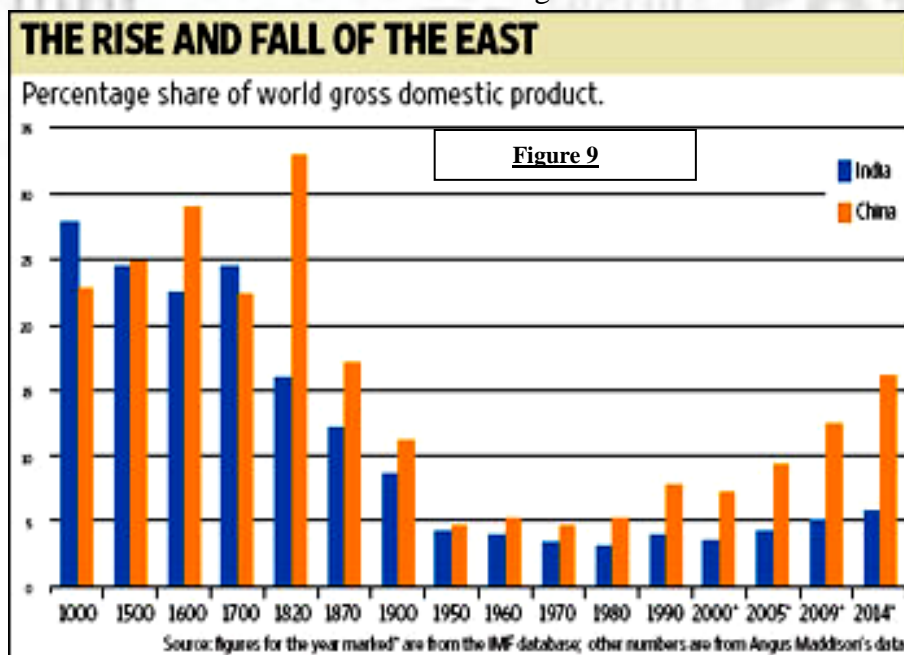
3.1. CHINA:

China is a communist country. However, it adopted open door economic policy since early 1980s, almost a decade before India. Since then it has transformed from a closed society to an opening up society and has brought drastic changes in various socio-economic aspects. It shifted from highly centralized planned economy to a socialist market economy, and has eventually gained great economic progress. China is world's largest populated country. India is second to it. With reforms, there also came challenges to drive the disadvantaged people too in the process, especially for the young section. The contemporary challenges to the young people were multi-dimensional. One, in terms of adaptability to the western ideology along with Chinese education and values. Second was tension in terms of balancing idealism and materialism, so on and so forth. A similar challenge India is still facing after globalization.

The Chinese economic progress was based on foreign investment that the nation channelized the most in developing its infrastructure and boosted its manufacturing sector. With boom in its manufacturing units, China captured the world market especially in FMCG and electronics sector. The abundant population of China was maximum utilized in this process by way of cheap labor. The country initially didn't focus much on innovation and invention. Instead it focused on learning technologies from other nations to adopt cheap manufacturing practices. For this, China promoted international education of Chinese youth, while the national education was more skill-based. Along with this, the country sensationalized the Chinese youth for the nation's development and prosperity. In spite of globalization, the Chinese policies tried to inculcate the culture of consuming more of Chinese products than foreign products. Eventually the nation even resorted to research and development and higher technological advancement.

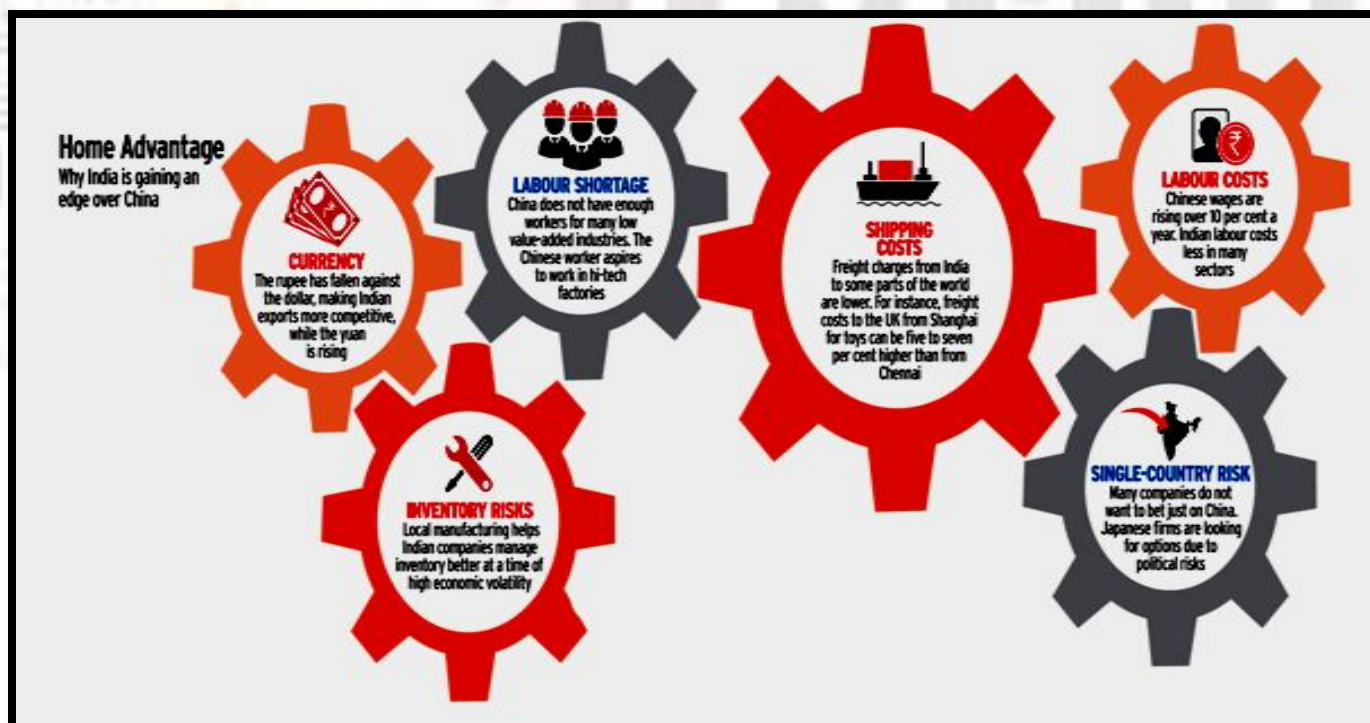
Comparing statistics of progress of China and India below:

- Wignaraja report 2011 acclaimed that infrastructure spending of China is 11% of GDP while that of India is 6% of GDP. China ranks 79 on ease of doing business index while India ranks 134. China spends 1.5% of GDP on R&D and has 1071 researchers per 1million persons while India spends only 0.8% of GDP and has 137 researchers per million persons.
- In 1999, World Bank estimated that China has 38.8\$ billion FDI while India has merely 2.2\$ billion. Share of world trade of China is 3.3% in



terms of goods and 2.1% in terms of services, while India shares only 0.7% in terms of goods and 1.2% in terms of services. Illiteracy in India is higher as compared to China, where in 1999, 9% male population and 25% female population is said to be illiterate and in India it is 32% male population and 56% female population.

The question that follows is that should India resort to same policies exactly in a same manner as China, when they have similar demographic structure. But the question of prime importance is can a democratic and extremely diverse land of India afford to have these Chinese policies in the same attire?! **The Chinese market is strongly dependant on US market. Hence, when recession struck US, Chinese economy faced a big threat, while India stood resilient and was merely affected.** However, ofcourse Chinese economy is far better than Indian economy, barring a few loopholes. India can learn a lot. While China had a conventional growth pattern, moving labor from agriculture to labor-intensive manufacturing; India followed an unconventional pattern, shifting directly from agriculture to services sector, thereby giving very little time to the manufacturing sector to develop. Moreover, agriculture contributed less to GDP and still employed more than 50% of the workforce. The inefficient policy implementation hence eliminated the possibility of a labor-intensive manufacturing process to boom. India's import substitution policy created a base for capital intensive manufacturing, as opposed to China.



India now needs to take over the advantage of being world's youngest nation, and channelize a lot of FDI towards itself from China and boost the manufacturing sector that will yield higher employment and higher world market

share. However, for this it also *needs to revive the education system and promote more skill-based education. Also, it can promote healthy strategic relations with China and induce investment from China.* After capturing the world with our services and IT sector, the present demographic advantage indicates that it's time we capture the world market with Made in India goods.

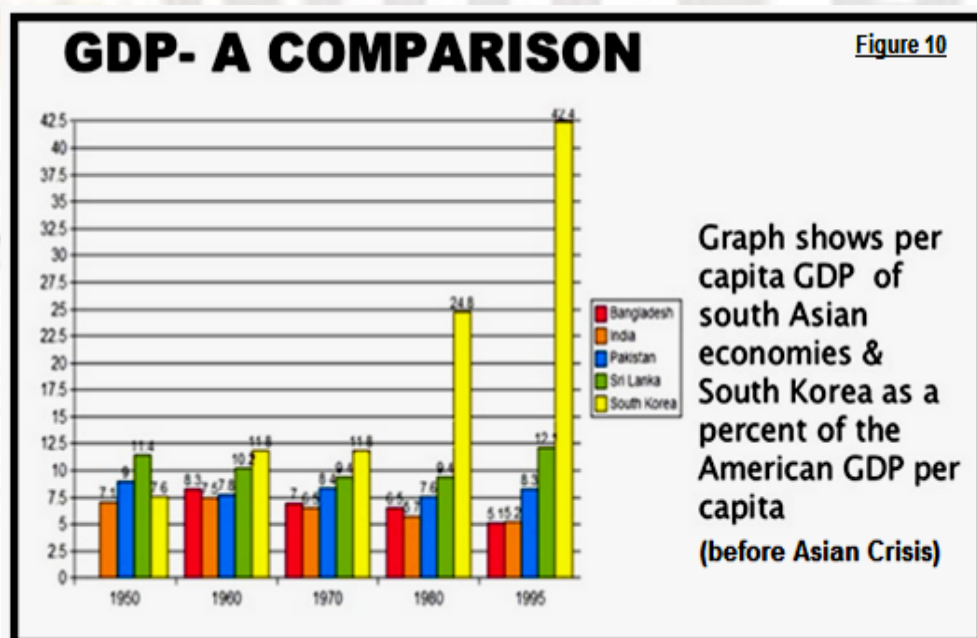
The recent MoU between Indian & China would facilitate Chinese investments and China has come up with industrial corridors in India. This will help India meet its trade deficit as well as boost the manufacturing sector. This will resolve the unemployment issue to a great extent, provided India meets the demand of skilled workforce too.

3.2. KOREA

The war destroyed land of Korea got independence from Imperial Japan in 1945, and the Republic of Korea was established in 1948. During the restoration period, the country was heavily dependent on foreign-aid. While Korean people and government faced adversities and acute poverty, the first agenda that was given importance was education. The people sacrificed to educate their children and the government too promoted primary and middle school education. It was thought that this devastated land shall not even revive in 100years to come. When the period

of foreign aid ended the Korean government strived to meet ends.

However, the spending on education was kept high in order to have a rich human capital in future. The Nation eventually promoted international education and professionals working abroad contributed a huge chunk as foreign remittances.



The biggest success strategy was that when it kept the **children away from work and spent a lot on their education, the demand of workforce was filled by men and women equally.** Hence, Korea emerged as a textile hub initially and later in moved to heavy industries. Their fore-sights for future made the nation exploit the maximum benefits out of globalization. The policy was to industrialize with manufacturing being its heart. Steel, ship building, automobiles, construction and electronics were major industries that expanded. The *Korean community model* took the world at surprise while Korean economy prospered. When this new community model started up in 1970s, the Korean Government was almost bankrupt. It started with spreading

social awareness in all sections of the society and boost all sectors of the economy. And gradually the economic growth spurred. During the oil crisis when other nations decreased their investment in oil countries but Korea didn't. The devaluated US dollars, low oil prices and low interest rates help the economy flourish in 1990s. Korea democratized after 1990s, earlier it was under military rule for long. The export based Korean economy became world's 12th largest economy while per capita GNI of Korea was \$10000.

Therefore the success of Korean economy is a result of 33years of rapid & rigorous economic development. The Asian crisis of 1990s that struck so many economies including India, also threatened Korea. It was during the Asian crisis that India was globalising and opened its economy to fight the threat, while Korea got IMF relief loan to save its economy. However, Korea restructured its economy too, and increased the competitiveness, and soon Korea revived. Not only it paid back the loan before time but its forex reserves that were low at \$3.9billion in 1997 shot up to \$99billion by 2001. Most important to note here is that the Korean people voluntarily contributed gold during the *National Gold Campaign* launched by the Korean government in 1997 to reduce the rising gold prices and meet gold reserves shortages. Korea was 5th largest economy of the world now.

Korea was one of the early nations that started to use internet and innovate. The rich human capital generated by sacrifices made by the Korean people paid back and empowered it with better policies and economic planning. The Korean developed Human Capital first which was available in abundance after independence. Hence, the economy grew with unemployment in Korea being far lesser than that in India.

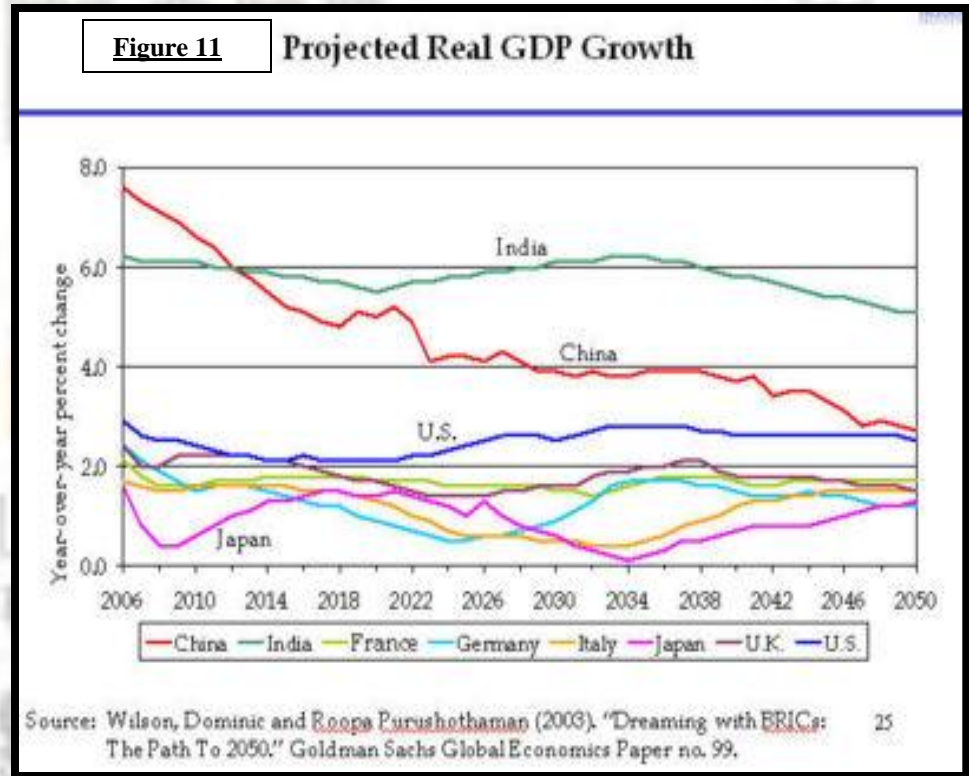
However, presently the Korean economy is suffering through inequalities of income and wealth, rural-urban disparities as well as jobless economic growth. *India can still learn a lot from Korea, maintaining its resilience unlike Korea. And the key is in more foreign investment in infrastructure to boost the manufacturing and industrialization process. Moreover, India can inspire itself with the New Community Model of Korea and spirit behind the Campaigns like National Gold Campaign of Korea.* After all, overall progress of any nation is built brick by brick with community participation only. In India it is the very need of the hour.

3.3. JAPAN

Japan was the most devastated country completely destroyed after the Second World War. However, the secret behind the success of Japan to emerge as world economic leader was seen in rigorous application of single-minded energy. There was rapid industrialization policy adopted by Japan with high competitiveness. It was not only followed rapidly with uniformity but also the success was a result of political behavior to channelize the Japanese diversity towards effective economic action. Unlike the developed nations, Japanese policies are far too conscious of the states' dependence on imports of energy, raw materials and food. Japan indeed learnt a lot from USA and unlike other developing countries focused a lot on education, that too skill-based education. It motivated the culture of international education amongst its youth, so that they learn advanced technologies primarily, manufacturing technologies.

With this Japan noticed a huge success in automobile, electronics, etc. **Today Japan has a per capita income comparable with US. However, the Japanese growth has been retarding. India has surpassed Japan recently in terms of GDP on PPP basis, and has become presently World's 3rd largest economy.** However, India needs to still cope up with widespread inequalities in the country, which brings it down at 127rank in terms of per capita GDP, while Japan ranks 33. Ofcourse, the credit goes to the low population of Japan as compared to India. But India can convert its huge population to advantage if it learns the competitive spirit behind Japanese Industrialization that brought tremendous economic success to the Nation, and employment to Japanese hands.

Anyways, the Indian government has taken a positive step towards this by seeking investment from Japan to improve the Indian infrastructure. The recent proposals for Japan to invest in Indian bullet train scheme and DMIC (Delhi Mumbai Industrial Corridor) are a ray of Hope for mutual economic benefits to both the countries.



3.4. INDONESIAN ISLAND

Indeed India stands at a better economic position as compared to Indonesia. India has a higher GDP, but Indonesia has higher per capita GDP, lower inflation, higher growth rate, positive CAD and most importantly Indonesia has a lower unemployment than India. Ofcourse, the higher per capita is a result of low population in Indonesia as compared to India, but there several other factors too. We must also know that Indonesia is equally diverse country as India, barring geographical diversity. However, the Crime rate and security concerns in Indonesia are far better than India. Hence the country earns huge forex out of tourism. The low unemployment is also outcome of the flourishing tourism sector and trade. Indonesia has a higher world trade share than India.

Indonesia got independence from the Dutch in 1949 and economy was in turmoil. In 1966, the country suffered extremely high hyper-inflation around 600%. The economic planning and rehabilitation started this late, and by 1969 Indonesia achieved price stability. The inflation reached 10% and economic growth was accelerated. After this point, it witnessed sustained growth of average 7% per annum, along with reduced absolute poverty. By 1990s, their per capita GNP had reached around US\$1000. The factors playing role behind were shift from traditional export industries to increased manufactured exports.

The Asian crisis also adversely affected the Indonesian economy like India and other Asian nations. But like Korea, Indonesia also revived through IMF loan. Within 2-years the economy showed a positive growth rate again. It was all due to rigorous and rapid industrialization to restore growth in the economy that continued in Indonesia.

India has been a socialist country, and hence after independence it remained a highly controlled economy for long. A remarkable twist came after 1991, but India failed to sustain the fruits for long. The nation needs to have proper checks and balances.

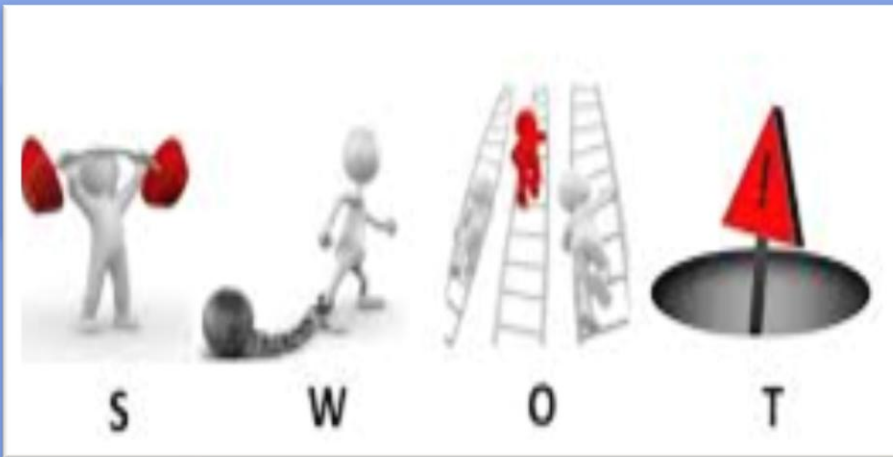
3.5. INFERENCES:

We are here not at all advocating the need of **Crony Capitalism in India.** Indeed India's turn to open-economy model that came in 1991 was initially the need of that hour, and hence played a major role in boosting the economic growth of the country and bringing it out of crisis. However, the major sector that contributed & developed the most was the services sector. Had there been a rise in manufacturing and secondary sector more with rapid industrialization too the growth rate would have sustained. However, the economic policies should be applauded for making the nation resilient to the world economic crisis. **But eventually corruption, non transparent functioning and red-tapism have bruised the economic growth pace in India.**

The Nation now needs another turning point in the economic policy like 1991 that boosts industrialization and multi-sector growth. And India being the world's youngest nation presently has a brilliant opportunity to grab a higher growth rate. *With this highest number of youth population the Nation needs to empower their hands with skills and the new economic policy should come up to create huge opportunities to absorb these hands, and convert the resources to assets and boost the growth. India shall then prosper with welfare ensured.*

Chapter-IV: CATEGORICAL DIAGNOSIS & SWOT ANALYSIS:

“Discovering opportunities and hindrances”



So far in this Research essay we have learnt about the present status of unemployment & unemployability in India, along with learning about the trends and political-economic development behind it. To understand the complexities involved in depth we

should categorically introspect several sections and segments of the Nation. The nature of employment & employability differs from field to field. **The quality & quantity of workforce required in primary sector is entirely different from that required in the tertiary or secondary sector.** Therefore, in this chapter we are attempting to understand the issues of employment and employability wrt different sectors in India.

4.1. Engineering:

The Indian engineering sector contributes the highest to the Indian export basket, which includes transport equipments, capital goods, machines/tools, manufacturing related parts/equipments, etc. Thereby, it contributes around 20% of India's total exports in terms of merchandised goods. In India the sector can be basically divided in two-groups, one heavy & other light engineering. Moreover, India being the world's fastest growing economy and lot of foreign investment being made in the infrastructure building, there are lots of avenues in the engineering sector. It is evident in the fact that there are approximately 4million skilled and semi-skilled workers that account for 27% of total factories in the industrial sector.

Considering these points, it is to wonder that why do engineering graduates face lot of trouble in finding a job. Stats say that around 1/3rd to 1/5th of millions of Indian engineering graduates remain unemployed, while a huge proportion of the remaining lot is underemployed. They got job not at par with their qualifications or entirely different from their qualifications. Then there is a flood of engineering colleges in India. *India produces around 1.5million engineers every year (more than US-China together). Perhaps, we don't need so many of them. Indeed we need a good chunk of well versed and practically skilled engineers, with relevant leadership & innovative skills too. No doubt we have huge quantity*

of them, but the issue of quality is not much focused in producing this huge number in this field. Due to IT revolution in India, the IT industry yielded the most benefits after the 1991 reforms. The boom in the IT sector produced a new segment in the engineering field, the IT/computer engineers. Indian IT/software engineers have mastered the IT sector in the world. Hence, trend specifically shifted towards IT-engineering and soon there is huge pool of IT engineering graduates in the Nation. Again the issue of *quantity vs quality* pecked and added to the unemployment agenda.

Quoting the *National Employability Report 2014 on Engineers* published by *Aspiring Minds Research cell (Employability Solutions Co)* here (table below), it can be seen that:

- ✚ There is huge unemployable chunk in the Software Product Engineering field, followed by Non IT design engineers.
- ✚ The report has assessed the employability segment wise and region-wise.
- ✚ Tier-1 cities are those with more than 25lac population, while tier-2 are cities with population between 5-25lac and Tier-3 cities are those with population less than 5lac.
- ✚ It could be seen that small cities face relatively more unemployability concern than the big-cities. Perhaps, due to more exposure and amenities available in big cities.
- ✚ Another important point evident here is that **areas of not much technicality like Information Technology enabled services (ITes) involving outsourcing processes eg, BPO, KPO, etc have relatively higher employability than technical areas. But non-technical roles involving creativity, innovative skills, communication, etc face lower employability.**
- ✚ All this indicates absence of soft-skills and leadership qualities in Indian engineering graduates and lop-sided development in India.

ROLE	TIER 1 CITIES	TIER 2 CITIES	% DECREASE (T1 to T2)	TIER 3 CITIES	% DECREASE (T2 to T3)
IT ROLES					
Software Engineer – IT Product	3.10%	2.19%	29.49%	1.15%	47.34%
Software Engineer – IT Services	18.26%	14.17%	22.42%	11.46%	19.14%
Associate – ITes Operations	34.94%	32.04%	8.30%	30.08%	6.12%
ENGINEERING ROLES					
Design Engineer – Non IT	6.97%	5.16%	25.95%	4.36%	15.45%
Sales Engineer – Non IT	16.90%	13.06%	22.73%	13.65%	-4.54%
NON-TECH ROLES					
Business Analyst – KPO	11.34%	7.84%	30.87%	6.00%	23.47%
Associate – ITes/BPO	39.91%	36.57%	8.37%	35.56%	2.75%
Creative Content Developer	15.01%	10.56%	29.63%	8.82%	16.44%
Technical Content Developer	11.24%	7.33%	34.80%	5.51%	24.81%

The report has also classified Indian states in different intervals on percentile ranking depending on their engineering graduates' quality. The figure 12 below shows the same:

With this classification the report has concluded that the states with the highest number of colleges show the lowest percent employability.

Table 8: Engineering Graduates' Employability.

Figure12: State-wise Engineering Graduates' Employability

SOFTWARE ENGINEER – IT SERVICES	2013*
Top 25 Percentile	Bihar+Jharkhand Delhi Punjab Uttarakhand
75 to 50 Percentile	Gujarat Madhya Pradesh Maharashtra West Bengal
50 to 25 Percentile	Haryana Karnataka Orissa Rajasthan
Bottom 25 Percentile	Andhra Pradesh Chhattisgarh Kerala Tamil Nadu Uttar Pradesh

Hence, the **National Employability Report 2014 on Engineers** has recommended that: *“There is a greater need for improvement of quality of education in colleges rather than concentrating on building new colleges. Whereas capacity building in engineering education with 3000+ colleges will pay long-term dividend, but only if there is healthy competition leading to improvement of education.”*

Continuing with diagnosis of the engineering sector and extended significance of the Information Technology and Information Technology enables Services in India here is further detailed introspection of the employment and employability concern in IT/ ITeS sector. On an average there is around 25% employability in IT/ITeS sector, which though is higher from other engineering fields, but is still a very low figure when the world looks upon India as a leading nation in the IT sector. With lot of foreign investment coming up in this sector, this low employability figure is serious issue of concern.

It must be marked that the employable chunk is well distributed amongst different areas to overcome lop-sided development and reduce regional inequalities. Plus, it seen that female participant do equally well as males, and moreover they show more employability. But their enrollment is far less than the males. India should promote the female section and female higher education. Eventually, the focus should be imposed on quality and innovative education in all institutes.

In this situation it is important that more work is done in the product development and also Indian service sector indulges in more research for development. There are around 61.77% students in the relevant field of IT and allied, who require rigorous training in soft-skills & problem-solving skills too¹⁴. Hence there is need to focus upon quality higher education in India, if it wants to maintain its global edge in the IT services further.

4.2. Manufacturing:

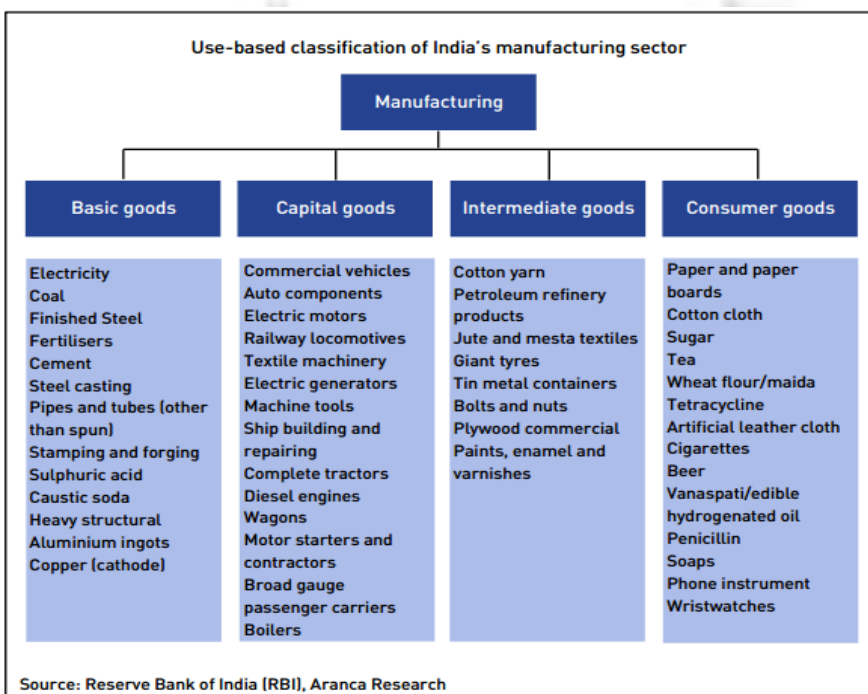
It's time to have every other hand in the world holding a MADE IN INDIA product. With the huge youth population, India is set to become the youngest Nation of the world. The nation rich in resources has got an edge over the world with abundance of Human resource too.

¹⁴ National Employability Report 2010 on IT/ITeS Sector by *Aspiring Minds Research cell*.

The perfect equation with which China ruled the world market. Now it's time for India to encash this opportunity.

Presently manufacturing sector accounts for around 16% of India's GDP. The National Manufacturing Competitiveness Council has predicted this share to rise to 25% of GDP by 2025. The major industries are engineering goods (comprising machine tools & heavy engineering), oil & gas, chemicals, automobiles and textiles. These few together make up 50% of the total manufacturing sector in India. The infrastructure development measures of the Indian government have been the major factor behind this progress. However, a lot of potential remains untapped.

Manufacturing exporters play a very significant role in promoting the sector in the world market. Indian textile, gems and jewelry have been the most prominent ones in the international market since ages. Perhaps there is a rising shift towards the Indian chemicals & engineering goods. For financial year 2011-12, total export from Indian manufacturing sector



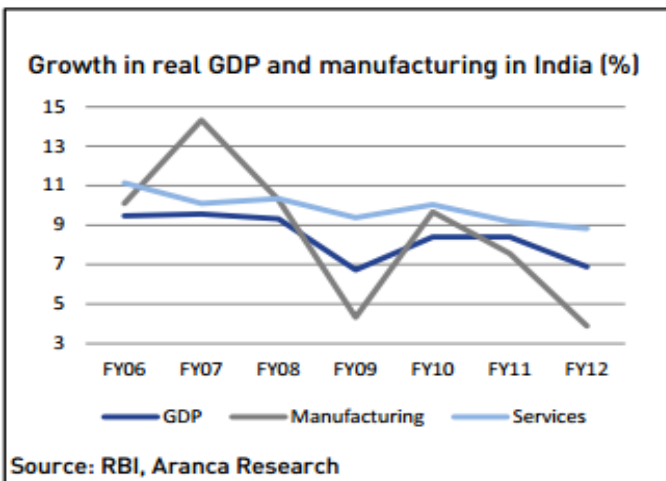
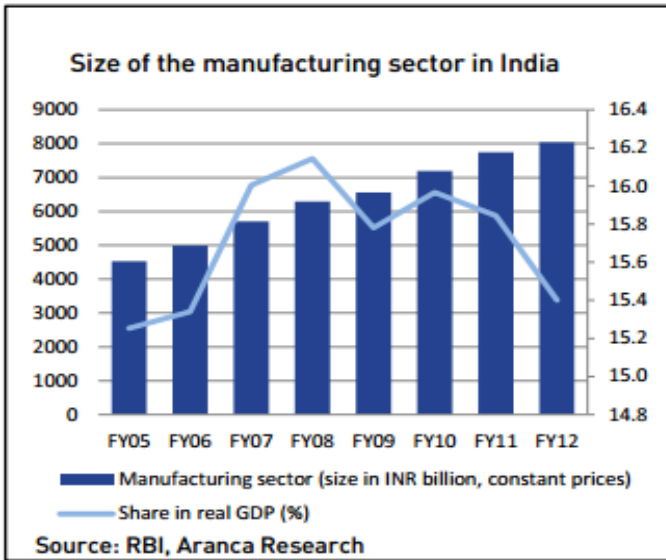
in terms of engineering goods was 41%, while 25% was contributed by gems & jewelry. The leather manufacture contributed 17% of the total export in the manufacturing sector and 14% was from the textile & textile products.¹⁵ The chemicals sector primarily comprises the pharmaceutical products.

Compared to other nations India is rapidly growing its manufacturing strength. The **Global Manufacturing Competitiveness Index 2010**, India ranks 2nd after China. When China scores 10, India scores 8.15, whereas USA scores 5.84 and Japan scores 5.11. *The Indian manufacturing sector is the only largest sector in the economy that has a mass absorbing capacity and can even absorb the undereducated or uneducated people too. India's growth in this sector has recently surpassed the other nations in BRICs.* World Bank Report 2007 reports India's rapid middle class expansion. Thereby India is set to become world's fifth largest consumer market by 2025.

However, the Indian manufacturing sector is toiling hard to meet the biggest hindrance of specialized skill development of the Indian mass, Investment issues and Indian infrastructure.

¹⁵ IBEF report on 'Indian Manufacturing: overview & prospects' in 2013.

Figure 13



Quoted from: IBEF report on 'Indian Manufacturing: Profit Potential'.

education system more demand responsive. Moreover, *India has vast opportunities in the Food-Processing sector. It is the second most populous country and one of the largest food producers of the world, still processing mere 6% of its perishables. Secondly, the nation can vastly expand its Electronics and the FMCG (fast moving consumer goods) sector and capture the world market.*

The sad part is that with so much potential, the Indian Manufacturing sector is presently contributing only around 16% of GDP and employing only 9% of the workforce. There is need to exploit the untapped sectors within manufacturing arena in the Nation and move from capital-intensive methods to labor-intensive methodology of production in the manufacturing sector. This can happen if we prepare our workforce with apt skills in time. However, the recent government initiatives focus to look after these issues and have projected to create around 100million jobs in the manufacturing sector by 2025.

Hence the government is extending support for further expansion of this sector and is eliminating hurdles too. The government has started several training programmes to ensure evergreen availability of skilled labor to the sector. Moreover, efforts are made introduce more and encourage FDI in the sector. The National Manufacturing Competitiveness Council set up by the GOI with the purpose to increase the sector's global competitiveness is a landmark step. NMCC has defined National Manufacturing and Investment Zones (NMIZs) that in the form of Special Purpose Vehicle (SPV) provides good infrastructure, a progressive exit policy, structural support to green and clean technologies, apt investment incentives, business friendly approval mechanisms, etc. This is an innovative approach to boost the sector.

With several research organizations and even CII estimating only 39-40% of Indian graduates employable, the Indian government has reacted in a proactive manner. Apart from increasing the number of technical educational institutes, a Technical Education Quality Improvement Programme has also been launched to make the technical

4.3. Small Scale Sector & Self-employment:

When India is the second most populous Nation of the world after China, all hands cannot be given jobs in the mainstream. The Indian Small & Medium Scale Industry plays a very vital role in this regards. The GOI extended the definition to Micro, Small and Medium Enterprises (MSMEs) that are less capital intensive in nature and mass employment creators. Thereby helping India to come out of its vicious circle of poverty and resolve the unemployment issue. Out of all organizations in the world 99.7% are MSMEs while only 0.3% large organizations. There are about 32 million MSME units in India employing about 73 million persons with an aggregate fixed investment of above Rs.62 billion. The 2006-07 Census of MSMEs reflected that there are about 261.01 lac such enterprises (registered & unregistered) in India contributing more than 44.15% of the total gross value added (GVA) in the manufacturing sector and generating employment for 594.61 lac people at the end financial year 2007. The small and medium scale industries generate mass employment after the agriculture sector. It is estimated that Rs11lac invested in small scale sector generates employment for 4persons.

Within Small scale sectors, Food Products industry ranks first in terms of job creation potential. It provides employment to 0.48million persons. The next is the non-metallic mineral products, creating employment for 0.45million people and then the metal products employing around 0.37million people. There is 49% contribution made together by the industries engaged in chemicals & chemical products, Machinery parts (excluding electrical parts), wood products, basic metal industries, paper products & printing, hosiery & garments, repair, plastics and rubber products, while each contributing around 5-9%. Moreover, the contribution of this sector in exports is also remarkable. 45-50% of total Indian exports are contributed by SSI sector.¹⁶

YEAR	Employment Generation (in Lac)	Industrial Production (%age)	GDP (%age)	Export share (%age)
2002-03	263.68	38.09	5.91	34.03
2003-04	275.30	38.74	5.79	33.49
2004-05	287.55	38.62	5.84	33.15
2005-06	299.85	38.56	5.83	32.92
2006-07	594.61	38.57	5.94	31.92
2007-08	623.81	44.12	7.20	30.80

Table 9: Contribution of MSME in the Indian Economy. (Source: DC. MSME.)

The most advantageous feature of the SSI sector is that it requires less capital and has high labor absorption potential. In India the specialized expansion of this would resolve the unemployment issue to a large extent. Infact, due to these advantages the SSI sector in India has contributed a lot towards employment generation and rural industrialization. Considering the rising concern on the employability of the workforce issue in India, the SSI sector is ideally

¹⁶ Performance Note from MSME India website: <http://www.dcmsme.gov.in/ssiindia/performance.htm>

suited to resolve the gap quickly. India has a vast resource of traditional skills. The SSI sector expansion will lead to channelizing & specialization of these skilled labors, building a structure of healthy capital-base & innovative marketing practices. This will enable the Nation to diversify more and make a strong base for rapid Industrial growth.

There is an ample scope of employment in the MSME for engineers. But Indian engineering graduates are not much specialized to meet the demand. The MSME requires engineers as production supervisors, design engineers, marketing engineers, techno-commercial engineers, etc. Apart from this there are huge labor requirements for production, marketing,

supervising, etc jobs. Skill training to the MSME sector is not a long-term process. These skills can be developed by a specialized courses and rigorous training. Financial inclusion is also a big concern to expand the MSME sector. With more financial inclusion being promoted in the nation, the MSME sector will boom more. And hence, rendering work to more hands! Though clustering scattered workforce is still a challenge for this sector.

"In today's age, machines have not advanced, humans have! Till today humans have made machines...a machine never made a human..."

- Pt Deen Dayal upadhyay

4.4. Hospitality & Tourism:

India being a land of rich biodiversity & vast culture is a world in itself! It has diverse offerings and attractions in form of heritage, pilgrimage, eco-tourism, wildlife and most recently rural-tourism is gaining momentum.

With all these attributes India has always been on top in the list of tourists. Thereby, hospitality and tourism industry in India is worth Rs7lac crore presently. And the Ministry of External affairs expects it to grow over Rs25lac crores by 2022. India is the Nation where per capita tourist spending is highest in the world.¹⁷

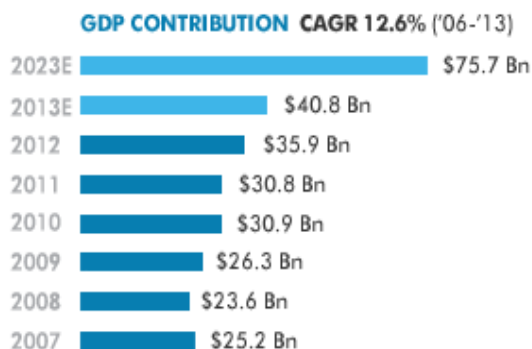
Hence, Tourism and hospitality sector in India is the 3rd highest forex earner. The World Travel & Tourism Council (WTTC) has reported that the Foreign Tourist Arrivals (FTAs) in India is likely to increase from 75Lac to 1.3Crore by 2024, while revenue from Domestic Tourism is also expected to rise to 8.2% in 2014 from 5.1% last year.

It is very important here to understand the pattern of revenue contributed by the Tourism & Hospitality sector. In this context it is notable that indirect contribution to GDP of this sector is 3-times that of its direct contribution. Indirect contribution includes the revenue from sub-sectors that come up to assist the hospitality/tourism base. These include agriculture, retail, transportation & financial services, etc. Therefore, the sector has *multiplier effect*. The WTTC estimates also declare that the investment in tourism in India shall grow by 6.5% per annum over next 10 years and reach Rs40 lac crore by 2024. **Overall, India is likely to become 3rd fastest growing tourism nation in the world, creating around 4.38crore jobs and contribute 8% of total employment by 2024.**

¹⁷ UN World Tourism Organization.

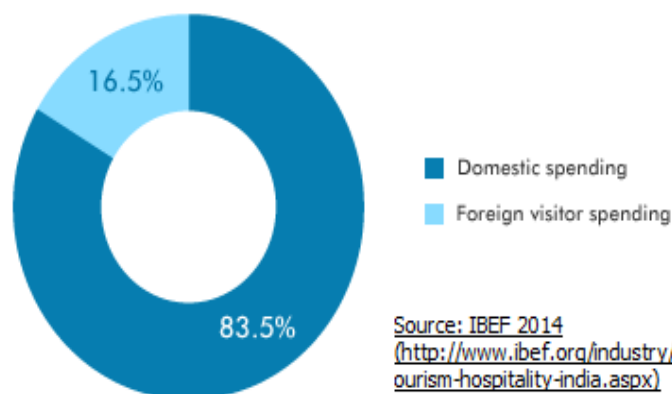
Direct contribution of tourism and hospitality to GDP

Tourism and hospitality sector's direct contribution to GDP totalled US\$ 34.7 billion in 2012 and is expected to rise to US\$ 40.8 billion in 2013.



Expected share of tourists by expenditure

Domestic travellers are expected to contribute around 83.5 per cent to total tourism revenues by 2023.



Source: IBEF 2014
<http://www.ibef.org/industry/tourism-hospitality-india.aspx>

Figure 14: Tourism sector and Indian Economy

However, there are several hindrances to the sector's growth in the nation. Infrastructure status of several hotels, shortage of & poor quality of work for tourist guides, irregularity of work-culture and absence of specialized linked channel connecting several logistics involved. Thereby it is proposed that there should be investment in improving the infrastructure status of present hotels, including expansion of 2-3star hotels and a system of single window clearance for tackling approvals/permissions shall accelerate the sector's expansion. All the guides and operators must be registered with the respective State governments. Moreover, incentives to set-up tourist infrastructure in rural/remote areas should be given. *This will not only promote rural/agriculture/village/eco-tourism in India, but also generate a lot of employment avenues for the rural youth, which in turn will resolve the issue of disguised unemployment, under-employment and migration too.* There is a lot to explore in eco-tourism and village tourism in India.

Fast-track e-visa atleast for SAARC, ASEAN nations will not only boost the tourism and services sector, but also build healthy foreign relations. Uniform tax-structure across all states, building more tourist circuits, upgrading and building new air-ports and comprehensive rail collaboration are more measures that can readily expand the sector.

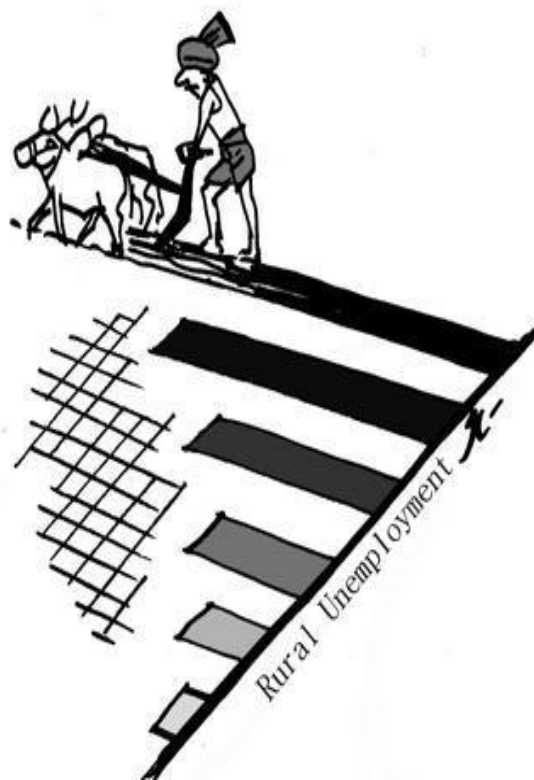
The employment scope in this sector is immense, but it also suffers skill gap. To meet this, the specialized professional courses in tourism and hospitality should be promoted and expanded. For instance, presently India has only 800-1000 institutes for hotel management education and only 15-18000 students pass-out per year. And the saddest part, 65% of these pass outs are unemployable. They lack people skill and self-management.¹⁸ Hence, there is a strong need to build a quality and specialized set-up for education in tourism and hospitality sector. To boost this sector, India needs to promote itself as a safe destination too. The

¹⁸ National Employability Report 2012 on Hotel Management Graduates.

December'2012 Nirbhaya Rape Case and several others has stained the Nation's image internationally on grounds of safety & security. The Archaeological survey of India (ASI) has expressed its worry on noticing a 30% drop in foreign tourists in the Nation's Capital city, Delhi. Then effective implementation of disaster management plans will also help India to regain the lost opportunities. The Uttarakhand disaster of 2013 has feared the tourists.

Lastly, India has got a lot more to explore the tourism opportunities in India. The regional festivals of India like the *Pushkar fair*, *Kumbh etc* can be promoted to world-level with better management of the events, like those of *Germany's Oktober Fest* and *Spains' La Tomatina*. Then river-tourism can also fetch a lot of opportunities to India. Tourism & Hospitality are very promising sectors for India.

4.5. Agriculture & allied sector



India is primarily an agrarian nation. The nation has 161million hectare arable land out of which only 55million is irrigated land. With this India becomes world's second largest agricultural land. Majority of Indian population depends on this sector for livelihood. Broadly it is estimated that agriculture sector in India employs 60% of the total workforce in India, out of which 97% are from rural India, while its contribution is only 15.7% of GDP and 11% of total Indian exports. Census 2001 reported that 124.7 million work as cultivators and 106.8 million as farm laborers. In addition to this, the sector employs labor in organized and unorganized sector as well. The Food Grain production and manpower requirement based on it estimates the figure as 0.20 million people being engaged in the organized sector and 1.95 million in the unorganized sector. The saddest part, a lot of Indian farmers commit suicide every year!

With Green Revolution, technological advancement crept in India way back in 1970-80s. The Indian rural infrastructure is still challenged by technological advancement, lack of sufficient irrigation facilities, modernization of agricultural practices, credit facilities & finance infrastructure and disguised employment. Eventually the agricultural labor productivity is also put to question. There are several issues that adversely affect their quality. First of all, they majorly come from economically and socially backward sections. Then most of them are landless laborers who are attached to the landlords. Secondly, many agricultural farmers have small landholdings. Excessive fragmentation of agricultural land has reduced its productivity with reduced yield per landholding. Thirdly, the constraints of finance and agricultural

amenities have also adversely affected their productivity. Indian agriculture is based on monsoons, which are highly erratic. The economic adversity of Indian farmers further restricts the availability of technology and irrigation facilities, while their financial inclusion is still under process. The high dependency of Indian agriculture on monsoons in this scenario hence illuminates the issue of seasonal unemployment.

However, the income trends in the allied activities are motivating. Agriculture allied sector comprises fisheries, forestry, horticulture, sericulture, livestock farming, dairy, food processing, etc. Indian dairy and poultry are also flourishing agri-allied activities. But still has got still to explore a lot in the allied sector to maximize the benefits. Moreover, the allied is also threatened by several challenges, like excessive poaching adversely affects the fisheries sector and so does deforestation to forestry.

As per NSSO data on wages/salary it is observed that the agriculture labor on an average gets the least wages in the economy. The female labor gets even lesser. The gender biasness is very prominent in this sector. India needs to revive from this state and pool the workforce overcoming gender discrimination. This will widely resolve the issue of rural disguised unemployment too.

Indian government has widely taken this issue seriously, and started up with skill development, training, and counseling for agriculturists. The financial inclusion process started way back in 1980s to avail easy credit to farmers. Loan waivers have also been given. But rural indebtedness still remains a big matter of concern. The government also aids lot of research in this field. Then, fighting with social hindrances, like the health parameters, illiteracy of rural India, obsolescence, lack of capacity, etc has been on agenda since long.

Apart from all these measures, the Nation also needs to diversify and extend its agricultural practices and build a symbiotic relationship between several ends. India can expand its fruits & vegetables production rigorously. Then, encouraging bio-fertilizers will help agriculturists diversify their incomes and meet the demands for manures economically. A well structured, designed and specialized 'agriculture service providing set-up' needs to come up. In the end, the research and development should be made more linked to grassroots, promote diversification with specialization and should also include capacity building of the workforce to adapt to innovations. Capacity building includes basic health maintenance & literacy and also creating awareness & competitiveness.

When in Indian the agriculture sector, the son of a farmer is reluctant to continue farming and the work is discouraged largely, it becomes a looming threat for the Indian economy and will definitely burden other sectors for employment. And this culture will never resolve the unemployment issue in the Nation, rather enlarge it. For indeed agriculture and allied activities is a base for all major economic activities in India.

4.6. Specially Challenged Areas

A major part of India is affected by some or the other issues which have serious internal security concerns and hamper growth, especially that of the Indian youth. The tragic part of these issues is that they affect generations to come and several ages therefrom. Let us understand them in brief too:

A. Left wing Extremism affected areas (LWEA):

Several districts of Andra Pradesh, Jharkhand, Chhatisgarh are seriously affected extremists areas, while West Bengal, Odisha and some parts of Maharashtra too are adversely affected. The extremism started due to neglect in the process of national development, but has now resorted to anti-development agenda. Primarily in these areas govt was the agent of development. But the people felt betrayal from the govt to fail to develop these belts, while they were already against market-economy. Now when the extremists group is anti-state too, the situation in this belt worsens. A lot of traditionally skilled manpower & raw-workforce is available in this belt which if channelized can contribute tremendously to spur the economic growth of India. In that process development will knock their doors too. However, the GOI has launched several programmes like the most recent is the ROSHINI project under Ministry of Rural Development to provide training and development to 50000 naxal hit areas' youth. Also a skill development initiative has been started in 34-such districts. But it has to go much far, because the issue has severely affected the belt in multiple aspects. It is needed to influence the socio-political aspects too in order to influence the economic aspects of the region.

B. Jammu & Kashmir:

Ever since independence, the Kashmir issue has been a big agenda in Indian security concerns. The strategic approach has always been strong and positive towards J&K but the continuous threat of foreign aggression has rendered it a special status. Hence, the J&K area and its resources and the J&K youth have become vulnerable section of the nation. Unemployment is highest recorded in the state of J&K. The wide spread terrorism has disturbed the stability of the state. The special status of the state under Article 370 has also barred the accessibility of the state. All this has resulted in sustained economic darkness in the state. However, the recent GOI initiatives are encouraging private educational institutions, skill development of the J&K youth, promote its exquisite natural wealth and also creating favorable conditions for external industrial investment. Overseas Employment Corporation has come up in J&K, and the Ompara IT park is a revolution in this area. The government is taking measures to reach out the remote and distant places through investment in infrastructure and health of the State to promote the youth from all sections. The latest projects of Udaan & Himayat under NSDC are promoting skill training and self-employment amongst J&K youth.

Underdevelopment & Unemployment in above two areas is forcing the youth to pick up guns to agitate but *development never comes from a barrel of gun!*

C. North-East (NER) areas:

The North-east region of India called the 'land of seven sisters, though a niche of wealth and ample resources, but due to its unique geographical location in the Indian Map and entirely

different history, traditions and culture the region was neglected for long and couldn't participate much in the growth process. However, the underdevelopment of the area was addressed immediately after independence in the first 5-year plans. The natural resources of North east well contributed to the nation's progress, but the tribal culture and primitive environment of region kept the people of the region still devoid of prosperity for long. The lack of accessibility to the main-land of India from the region was the main hindrance. The NDA government talked about the Look-East policy understanding the issue. The 11th 5-year plan addressed this issue. It focused on creation of critical infrastructure and creation of employment opportunities, including proper governance, capacity building, connectivity & power, social infrastructure, realizing the full potential of the primary sector, encouragement of private investment and PPP, etc. Now when employment creation is catching pace on the region, the GOI is also coming up with skill development initiatives for NER youth. More ITIs, Polytechnics, are coming up at NER and Sikkim. It is noteworthy here that NER youth has shown good performance in the ITeS sector. Recently, discrimination and racial practices against NER youth is gaining concerns and government must act strategically to address this issue too, so that another extremist group doesn't comes-up in India and hampers the growth process of NER.

D. Public sector units (PSUs):

The relevance of Public sector undertakings has always held primary importance ever after the first Industrial policy that came up in 1956. At that time, role of State was the most significant and hence PSUs were the major drivers of development in India. However, gradually due their inefficiencies, their performance was questioned. In 1969 when 14 Banks were nationalized, their competitive spirit was rejuvenated by way of New Industrial Policy. This new policy made efforts to revive the sick units and the concept of *Maharatnas*, *Navratnas* came up to reward the performance of the PSUs. However, it could not help the Public sector to revive to a great extent. Then, the New Economic Policy of India came and focused on liberalizing the economy. Hence, rapid privatization was executed, while a lot of PSUs were disinvested. This brought a lot of revenue to the Indian Government. Presently, a number of PSUs/PSBs are still operating in the field of Aviation, Power, Communication, Heavy Industries, etc. like the State Bank of India, BHEL, NTPC, Air India, etc. However, the GOI is slowly and gradually liberalizing the business environment to make the PSUs more competitive and performance ridden. A lot Government's holding in the PSUs are disinvested every year.

The psyche of job-security has still kept the fervor for quest of Government/Public sector jobs amongst the youth. **The primitive approach and lack of willingness to take risk are factors behind.** On one hand the sector is clasped by overcrowded inefficient & incompetent staff and has failed to meet the competition in the market. And, on the other hand, this majority one-sided quest is adding fuel to fire. Hence, there is strong need to rebuild this psyche. **The employability credentials of staff needs to be re-defined and updated wrt current business environment.**

Chapter-V: INTIATIVES: “Bridging Gaps and Constructing Roadmap ahead”



After analyzing the opportunities and hindrances related to Indian Unemployment and Unemployability issue categorically, we come to the most crucial section when we should critically overview the initiatives taken so far by the Government of India in this research essay.

‘*Gareebi Hatao!*’ The very famous and remarkable slogan in the Indian politics was given way-back in 1970s, by Smt Indira Gandhi. The Political dimensions behind have already been mentioned in Chapter-II. Anyways, the initiatives taken to meet this slogan’s demand also

started since then. The GOI started with several Poverty Alleviation Programmes (PAPs) that mainly focused on creating job opportunities in order to break the vicious circle of poverty. Employability is the issue that has occupied concerns lately. However, GOI has taken the concern seriously and acted in its best efforts in time.

Since then there had been several programmes running for rural & urban youth creating employment opportunities. Though efficiency of implementation process needs to be addressed. Several schemes have been merged, discontinued, renamed or restructured. Here we will consider programmes and schemes of current relevance.

Starting with the **Pradhan Mantri Gram Sadak Yojna** which was launched in December’2010 aims at providing all-weather connectivity to all the eligible rural places/areas that are not well connected. This project was designed to improve the rural infrastructure on one hand, and creating employment for the rural disguised or under or seasonally unemployed labor on the other. Then the **Indira Awaas Yojna** is there to provide housing free of cost to SCs/STs and freed bonded laborers. It also includes the non-SC/ST BPL families in rural India. Also, there is **National Food for Work Programme** which was launched in 2004 in around 150 most backward districts to generate additional supplementary wage employment with food security. States receive food grains under this programme free of

"The fruits of liberalization have not adequately reached the poor and the people living in rural areas. Inequalities have increased!"

-Atal Bihari Vajpayee, Former Prime Minister of India.

cost. This programme focuses on promoting work in water conservation, drought proofing, land development, flood-control, etc. There is **Swampoorna Grameen Rozgar Yojna** which was launched on September 25, 2001 to provide additional wage employment in the rural areas. It has cash and food grains for work option.

The **Swarn Jayanti Grameen Swarozgar Yojna** was launched in 1999 after restructuring the Integrated Rural Development Programme and other allied schemes. It was specially designed to target the rural youth for self-employment. Lately **National Rural Livelihood Mission-'Aajeevika' (NRLM)** was launched under the programme by the Ministry of Rural Development India in June 2011 aided through World Bank. This Mission aims at creating efficient and effective institutional platform for the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

Under this mission, not only traditional concerns on institution building & financial inclusion have been considered but also the need for skill development has been heard. Moreover under this mission sub-schemes for specially challenged areas discussed in the previous chapter have been designed. For instance, *Himayat* scheme under NRLM is especially meant for training and skill development of J&K youth, while *Roshini* scheme under NRLM is designed for bringing the youth from Left-wing Extremism affected Areas (LWEA) in mainstream development. Another such scheme named *Parvaaz* is designed to educate the drop-outs of minority community students studying at madarasas.

Apart from this there is also a urban employment generation project under Swarn Jayanti Shehri Rozgar Yojna which was launched in December 1997 by merging urban self-employment and urban wage employment programme.

While mentioning all these employment generation schemes in brief, we must elaborately know the very famous **National Rural Employment Guarantee Act 2005**.

5.1. Mahatma Gandhi National Rural Employment Guarantee Act

The common minimum programme adopted in 2004 by the Congress led UPA government paved way for the MGNREGA in 2005. It came to effect in 2006 in 200 districts and was extended to all districts by 2008. Under this, *at least 100 days of employment every year was guaranteed at minimum wages to at least one-abled person in every rural and urban poor or lower middle class household.*

Other features of the Act passed include that employment must be provided within 15-days of demand and must be located within 5kms distance. In case the work is not provided to anybody within the given time, he/she will be paid 1/3rd of the minimum wages as

unemployment allowance per day till the day of unemployment. The workers when employed in public works shall come under the Workmen Compensation Act and hence, shall be entitled to medical treatments, etc. For this 5% of their wages shall be deducted for social security schemes.

With these bold populist steps, the Act became very popular in the arena of employment generation. The scheme is 90% central government funded, and state governments are held with responsibility to implement the project in their respective states. While launching the scheme, it was estimated that 1% of GDP (Rs40000Cr approx at 2004-05 prices) shall be the cost of employment generated by NREGA and it was opined that funds shall be managed in further years to come from increasing revenues that will come through systematic tax reforms plus increased taxes.

Hence, no doubt the scheme had been an opportunity backed by a big challenge too. However, it is been criticized on several grounds. Firstly it is said to lack long-term perspective while it was formed. It provided to create jobs but how it will be done was not clearly mentioned. Even the asset creation for funding the project was also not well defined. It was criticized for it seemed that by this scheme the GOI will tame the unskilled workforce as there were no provisions for skill development included in the scheme. In this light, the Maharashtra Employment Guarantee Scheme that is been hailed as the biggest successful employment generation programme which produced 370crore mandays in 30years span costing Rs9000crore to the state government, was also observed and seen not to reduce poverty or unemployment to a major extent.¹⁹ Then the design for employment merely for 100-days minimum in a year is also criticized. After all, it will increase the periodical unemployment. Moreover, when there is prevalent disguised unemployment in Rural India, the provision for employment to one-member of the Household, shall not solve the issue.

The positive strokes of the programme were that it provided for 1/3rd preference to women in areas where no of applicants are large and that the scheme was universalized to all marginalized persons living in the rural areas instead of barring them to only below poverty line families. And also, by mentioning minimum wage, the act clearly mentioned that it shall not be less than Rs60 per day of work. Unlike other employment generation programmes, this act was a revolution as it advocated the **Right to work**.

Anyways, the scheme observed lacunae on several grounds. For execution of the programme a special full time Programme Officer was required. But since the responsibility for implementation was vested in the hands of state governments, it was found by the CAG that majorly the role was given to Block Development Officers (BDOs) as an additional charge. Moreover it reported that 52% of 513 gram panchayats didn't appoint Employment guarantee Assistant (ESA). As a result of all this lack of professional staff availability to implement the project, there was dislike for the project in workers and they preferred to opt for jobs that paid less but promptly. Moreover the project covered a holistic and overall development of rural India by productive assets. But the implementation part failed to meet the purpose. It was

¹⁹ Indian Economy by Dutt and Mahajan, Chapter 'Unemployment in India', pg468.

observed to work on only connectivity and wells construction, etc. Further improvement of rural infrastructure like through drought-proofing projects, watershed development etc is not seen to be worked upon much.

Another major criticism of the programme comes on grounds of inappropriate rates of payment. The project prohibited the role of contractors in implementation of the project. Still such cases were observed. Moreover, report of muster rolls, underpaid labors, bogus labors, use of machines over labor, etc was highly observed at the ground. The biggest failure of NREGA comes on the grounds of bureaucratic resistances and lack transparency observed. There was no authentic social audit done. In absence of such measures and poor governance, lots of corrupt practices were reported.

“The chance of India (in providing maximum employment)-with its poor quality of governance and high corruption-being the first is zero. Hence granting people the right to employment is to devalue the meaning of ‘right!’”

**-Prof Kaushik Basu
(Renowned Economist)**

It is expected that the GOI shall undertake a mass programme to create awareness about the scheme to ensure capacity building and community participation on a large scale. This will minimize the probabilities of corruption and extend benefits to masses. The scheme should be well linked with other rural development schemes and skill development initiatives.

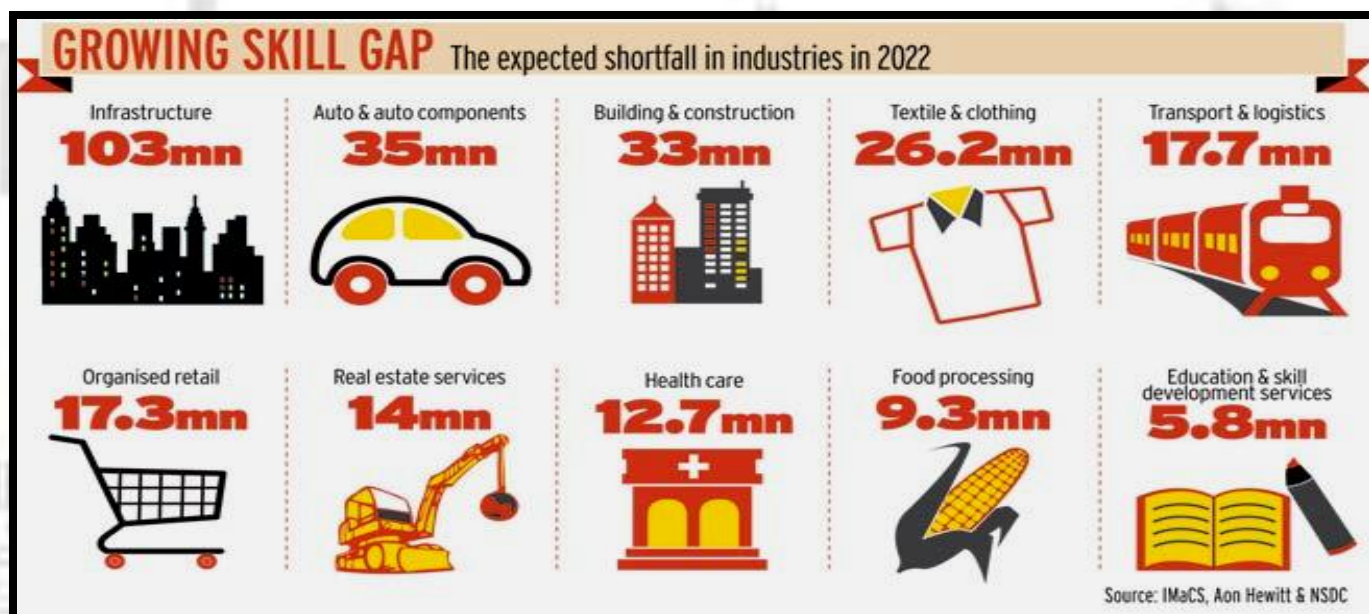
Apart from the NREGA scheme that tends to create employment opportunities, we must also get known to the skill development initiatives undertaken by the GOI. With huge workforce available, India is facing a biggest advantage as well as a big challenge too. To convert this huge workforce into productive human capital to drive the economy to heights is challenged in terms of quantity and quality both.

Under the **National Skill Development Policy_2009**, Government of India has set a target of *skilling 500million people by 2022*. The objectives of the policy focus on creating opportunities for all to acquire skills throughout their life, especially for youth, women and disadvantaged groups. While it also covers to promote commitment from stakeholders to own skill development initiatives. Also, it includes encouraging development of high-quality skilled workforce/entrepreneurs to meet the current employment market needs. In recognition of the growing need to have skilled, competitive and quality workforce, the GOI has adopted skill development as a national priority for over next 10years.

5.2. NSDC (National Skill Development Corporation)

To create an institutional base for skill development in India at the National level, a ‘Coordinated Action on Skill Development’ with a 3-tier institutional structure consisting of the **PM’s National Council on Skill Development, the National Skill development Coordination Board (NSDCB) and the National Skill Development Corporation (NSDC)** was created in 2008.

Figure 15



The main functions of the NSDC were defined as to lay down overall broad policies objectives, financing and governance models and strategies relating to skill development. While it also included to review the progress of the schemes and guide on the implementation part. Moreover, it was also vested role to frame a collaborative action plan to seek coordination with public sector and private sector initiatives in this context. The NSDC is a *public private partnership*, set-up to catalyze the setting up of large scale, for profit sustainable vocational institutions in the nation, by encouraging private sector participation and providing low-cost funding for training capacity. It also involves funding support systems such as quality assurance, labor market information systems and train-the trainer facilities. **The 3-tier system facilitates skill development on the ground through-Central ministries, the state governments and private & public training organizations.**

NSDC by its 3-tier structure and innovative concept of identifying and creating **Sector-skill Councils (SSCs) & Labor-MIS (Market Information System)** has been revolutionary in the encouraging specialized skill development. The SSCs vary from agriculture to automotive sector to rubber, gems & jewelry to capital goods and electronics too. It also comprises of IT/ITes, media & entertainment, telecom, retailers, healthcare, etc. With this NSDC’s efforts are on holistic capacity building of the nation’s workforce. It runs financial

appreciation projects too, in order to motivate the spirits of young entrepreneurs. (eg. STAR project) NSDC also runs special program for J&K youth training & development under the name of UDAAN.²⁰ The success of NSDC cannot be judged at this primary stage. However, its contribution in rural skill development is seen doubtful in many areas, on grounds of PPP model. The private investors are seen reluctant to invest in several rural/tribal belts. Overall, at this early stage of set-up, NSDC is a landmark effort in the field resolving employability issue in India.

Apart from the NSDC, the GOI has undertaken several other initiatives too; especially those undertaken by the Ministry of Rural Development, Labor & employment and MSMEs are remarkable. The *National vocational training scheme (NVTs)* running under the Ministry of labor & employment includes skill training of craftsmen through ITIs, women training, hi-tech training scheme, advancement of apprenticeship training and polytechnics. It started with an innovative project of *Modular Employable skills (MES) & Skill Development Initiative Scheme* through PPP mode. Ministry of Micro, Small and Medium Enterprises has initiated a project in *Enterprise and Skill Development through EDPs (entrepreneurship development programmes), ESDPs (Entrepreneurial skill development programmes), MDPs*, etc. The *Rajiv Gandhi Udyami Mitra yojna* and the *Small Industries Development Organisation (SIDO)* along with the initiatives taken by the *Coir board and KVIC (Khadi & Village commission)* are also constructing roadmap ahead. The **National Rural Livelihood Mission (NRLM)** undertaken by the Ministry of Rural development includes a project *Aajeevika Skills* for skill development & training of rural youth.

REQUIREMENT OF DIFFERENT SKILL SETS IN 2022

source: India Skills Report 2014 by CII and Wheebox

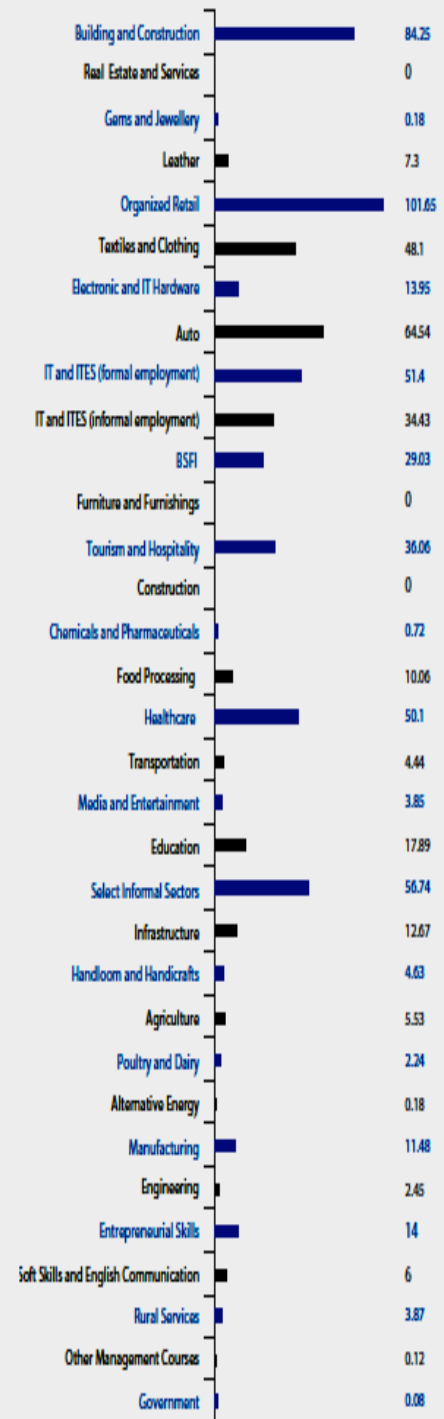


Figure 16

²⁰ NSDC website.

CONCLUSION

No doubt Indian Growth Story is worth applauding and India has walked miles ahead the stage it was at the time of independence. But the issues that concerned the political leadership then, worries it still. Employment is one of the major amongst them. And with advent of rise of question of the quality of workforce, the issue of unemployability has added fuel to fire.

So far in this essay, it is observed that the *Indian economy grew tremendously after the new economic policy of 1991. Had it liberalized before 1991 the results would have been different. Indeed it would have brought more prosperity but it must be noted here that early reforms would have not made Indian economy as resilient as it was now during the recent Global recession. But since these reforms came up at the time of extreme crisis, it was mainly focused to revive the economy from the crisis and was not much strategically planned to build a sustainable growth model.* Plus, the absence of continuous monitoring and evaluation of overall economic performance to meet the gaps and challenges in time caused inequality in growth pattern. That further yielded retarded growth of the industries in India, while boom in the services sector maintained the growth. Agriculture also faced a dampened growth period.

However, in this essay it is also discovered that *India has a lot of untapped potential still and with huge opportunities existing, it is hopeful that the Indian growth story will continue. Revival & restructuring of the economy shall make the growth sustainable too.* We have seen in India's political development story that growth alone can't meet unemployment. *Political stability & visionary willful leadership also plays a vital role.*

The Indian manufacturing sector has mass potential to resolve the unemployment issue in India, followed by MSMEs, Agri-allied and self-employment. Moreover, the skill development in these sectors can easily be adapted by the Indian workforce, if strategically planned. In addition to it, the current trends of skill development and training, the Indian workforce is motivated towards self-employment and entrepreneurial activities. The employability concern should be further addressed in terms in more investment in education, especially primary/middle school education, in specialized & technical higher education overcoming regional imbalances and gender biasness. India also needs to address seriously the corruption and transparency issue in India, to ensure policy effectiveness.

Indeed the challenge in this age of being the world's youngest nation, **India has two major responsibilities to combat retarding growth rate and gain advantage in the world market. One is increase the employment opportunities many-fold by reviving the economic structure rapidly. And the other obviously is, to make its workforce capable of grabbing these opportunities, by rigorous training and skill development.**

Recently the nation is inculcating a new rejuvenating ideology under the slogan of 'श्रमेव जयते' to meet this need of the hour!



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