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AN ENQUIRY INTO NON-INCLUSIVE GROWTH FROM EMPLOYMENT PERSPECTIVE

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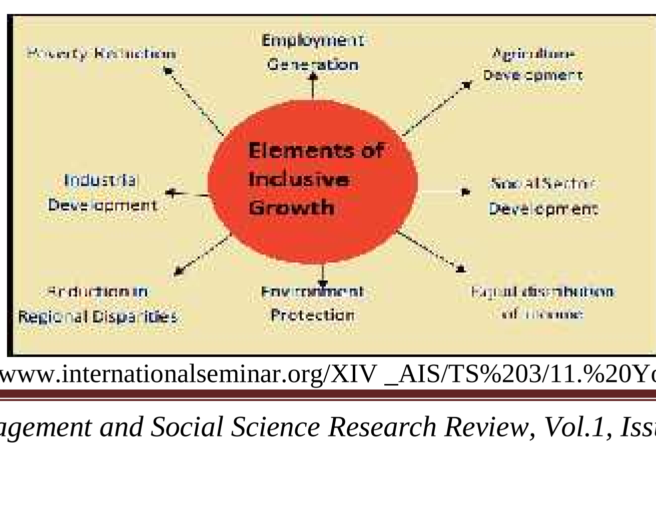
Abstract

India has witnessed diverse phases of growth during past several decades and is at the threshold of entering in a completely unusual orbit which is marked with high rate of expansion but a worsening trickle down phase of non-inclusive growth trajectory. Many multilateral aid agencies, such as World Bank, United Nations, Asian Development Bank, and numerous nongovernmental organizations (NGOs) have sponsored studies to track the growth path of countries to ultimately focus on ways and means to ensure how to fight this menace of exclusive growth which is increasing regional inequalities, widening income disparity. Successive governments have introduced numerous schemes, such as Integrated Rural Development Program, Jawahar Rozgar Yojna,, Swarnjayanti Gram Swarozgar Yojana, Rural Housing Scheme and Mahatma Gandhi National Rural Employment Guarantee Act to promote inclusive growth, not significant has happened. In this paper, a close scrutiny of creation of employment in various sectors along with GDP growth has been attempted and the skewed pattern of growth of employment opportunities across few segments of the economy leading to lopsided development is looked into. Industry experts opinions have also been summarized to see if the views of the academia, practitioners and policy makers are converging. Moreover, for inclusive growth to materialize in a country with the size and scale of India, private sector involvement is equally important. The State and the private sector can complement each other in driving inclusive growth. This paper further elaborates on the challenges, policy initiatives that need to be further strengthened to meet the desirable all-encompassing growth pattern. There is an urgent need for the private and the public to work in close association to have a unified approach towards how they can extend, innovate, collaborate and leverage mutual strengths to push inclusive growth.

Key Words: Employment, GDP, Non Inclusive Growth.

Introduction

In the post 1990 period an exceptional growth in GDP has not been complemented with commensurate growth in employment and that is partially responsible for depriving India from inclusive growth. (Ghosh, 2005). In particular, sluggish growth in employment opportunities in select few sectors, contributes not only to income inequality, it also thwarts economic mobility for the poor majority and raises doubts in their mind about the economic and political sustainability, even the desirability, of such a process of growth. In comparison with advanced countries of the west like UK, USA, Canada, Australia, the rate of growth of employment in India is very low in all sectors, be it public sector, private sector including the Multi - national Companies (MNCs). One of the root cause of increase in the unemployment rate is the alarming size of Indian population. Out of 7 billion total population of the whole world, India accounts for 1.2 billion population. There is both social and statistical evidence that substantiates the dismal employment situation in the country. Widely available data on India's GDP growth, employment growth and elasticity of employment with respect to GDP indicates that **GDP growth** has steadily increased from 4.5% during 1970s to 9% during 2005 – 2012 periods. However, the **elasticity of employment** with respect to GDP declined continuously from 0.52 in the 1970s to 0.02 in the second half of 2000s. Employment growth and elasticity have declined for the primary sector which is normal in the growth path of a country. However, it is declining in manufacturing sector also. Similarly, the elasticity of tertiary sector has also declined. The elements of inclusive growth as shown in the diagram have not kept pace with the quantitative growth, the benefits of which have accrued to select sections of the society.



Source:www.internationalseminar.org/XIV _AIS/TS%203/11.%20Yogeshwar%20Shukla.pdf

In rural areas, shrinking opportunities for livelihood are spreading despair among the people living there. The result is a desperate rage among the poor that manifests itself in various forms of political extremism. For both political and economic reasons, it has become imperative now to examine closely the reasons why India's high economic growth has failed to create adequate jobs for its people. It has often been pointed out that demographically, India is moving towards an age composition that will be among the youngest in the world hence along with economic growth the young people entering the work force have to have ample job opportunities. This is indispensable for social, economic and political stability. Inclusive growth necessitates far-reaching growth, pro-poor growth and shared growth. It minimizes the growth rate of poverty in a nation and increases the people's participation into the development of the country. Inclusive growth means an impartial resource allocation with benefits experienced by every section of the society. **This paper explores the dimension of restricted employment growth which is one of the potent factors responsible for non-inclusion to pervade in the Indian economy.** In pursuance of this investigation this paper is divided into four sections. In the first section based on review of literature impact of economic growth on growth of employment as studied by different researchers is mapped. The differences in the methodology adopted in these researches is subject of interest in the second section of the paper. In section three focuses is on the sectors which are high employment generators, the sectors which are laggards and to attempt a close scrutiny of reasons for differential rates of growth of employment in specific sectors. Section four sums up challenges faced, the policy initiatives taken by the government to jack up the employment rates and also suggestions to accomplish higher futuristic rates of growth to beat jobless growth phase we are currently into.

Section I: Link between Economic Growth Rate and Higher Employment

This link is tracked based on studies using NSSO data in tabular form (T.S Papola (2013) and Aradhana A. 2014) and in the next subsection we track the current situation based on reports of economic survey, ILO and other multilateral agencies.

Four different policy regimes have been followed in Indian economy. The first between 1950 -1965 was characterized by industrialization led by promotion of import substitution with emphasis on basic and heavy industries. The commanding stature was given to public sector. Achievement of high rates of growth via industrial promotion was the focus during the first fifteen years. In the second policy regime of 1965- 80 the issues of income equality, social justice, poverty reduction assumed dominance and the policy makers imposed and tightened government regulations on every economic aspect. This thirty years period was marked with a model of growth led by the state. There was a cautious shift in the third policy regime introduced in the year 1980 onwards to gradually introduce reform process through which industries were deregulated and technology transfers, imports, foreign direct investment were encouraged. This was termed as growth strategy that was market-led. In the same period capital market reforms and financial sector reforms were also spearheaded. (Virmani 2005).Post 1990 is marked with comprehensive reforms that assigned huge importance to Liberalisation, Privatisation and globalization. These policies had very different outcomes on employment, state of growth and structure of the economy.

Noteworthy observations can be made about performance of the economy in terms of GDP growth rate in this period based on figures given in table 1. An unprecedented growth has occurred in the post 1991 period, specifically since 2004. Between 1992-2012 the economy has made an impressive average annual growth of 7%. During 2004-2012 the rate of growth has been as high as 8.3%. Significant structural sifts in terms of composition of GDP have been registered during this phase of growth. Between 1993 to 2011the service sector has grown by 8.6% per annum on an average. While manufacturing sector has recorded an increase in its share in GDP by only 2-3%. Industrial sector composition of mining, manufacturing, construction) has remained more or less stagnant. Service sector has been drivers of growth since 2004. There has been enormous growth in business and communication services and finance with in the service sector.

Table 1: Average Annual Growth Rate

Period	GR
1950-1965	4.091
1965-1980	2.93
1980-1992	5.39
1992-2004	6.2
1992-2012	6.96
2004-2012	8.3

Source: Aggarwal A, 2014, Estimates based on CSO & Ministry of Statistical Planning data

The estimates of Employment growth are based on NSS Rounds and decadal estimates are given below (Aggarwal A. 2014) in Table 2. The growth patterns in employment are worth noting. The employment growth dropped to 1.8% between 1983-

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1988 but in the next five years it rose to 2.39% which maintained a growth above 2% during and after 1980's reform period. India's entry in to the globalized regime is also marked with varying rates of growth in employment. During 1994-2000 employment grew at a declining rate but 2000-2005 phase is marked with growth rate of employment creating more than 60 million jobs which maintained the annual growth rate at around 1.8%. The worrisome phase from the employment growth rate view point is that of high economic growth period (with 6% increase in per capita income) 2004-2010 marked with decline in the employment growth rate by 0.2% and rise of only 1% in the next two years, 2010-2012.

This amounted to 0.4% employment growth rate per annum during this period. A continuous decline in employment elasticity (ratio of employment growth to growth in value added) is also worrisome. In the period between 2000 -2005 it came to 0.3 and sharply declined to 0.05 during 2005-2012. A drastic fall in elasticity over time has been pointed out by several Indian studies.

Table 2: GDP, Employment and Productivity Growth Rate

Period	GDP Growth (%)	Employment Growth (%)	Productivity Growth (%)
1972-1973 to 1983	4.66	2.44	2.22
1983 to 1993-1994	4.98	2.02	2.96
1993-1994to 2004-2005	6.27	1.84	4.43
1999-2000 to 2009-2010	7.52	1.5	6.02
2004-2005 to 2009-2010	9.08	0.22	8.86

Source: Papola T.S. (2013) Estimates based on NSSO data.

The significance of employment-oriented growth is very well recognized in a labour abundant country like India (Himanshu 2011, Unni 2007). We have low levels of income and productivity, hence lot of emphasis on employment generation with no regard to productivity and level of income of the workers is not what the country should aim for. The continuous decline in elasticity of employment from 0.52 (1970) to 0.02 in the second half of 2000s is not desirable. Relatively high growth in India has been coupled with near jobless growth scenario since there has been sharp decline in the employment content ever since early 1980s. Human development most aspired by people which is so essential for ameliorating the quality of life is often sidelined and the GDP number catches the attention.

Section II: Differences in Methodology
To track the link between GDP growth and employment growth two methodologies may be used.

Traditional Elasticity Approach
The sensitivity of employment growth to the GDP growth is the elasticity of employment. The relationship is not too straightforward and simple as factors like wage rate as well as technology and progresses in infrastructure, other than GDP also impact employment growth rates. Notwithstanding this qualification, employment elasticities are commonly used to measure and track potential of the sector for generating employment and in forecasting future growth in employment. This approach has been used in several papers including the study done by Prof Rangarajan (2007). The findings of this study are interesting. The period from 1993-94 to 1999-00 was marked by a sharp decline in employment elasticity across all sectors reflecting a deceleration in employment growth rate. This trend has been reversed in the period 1999-00 to 2004-05. Using the data on sectoral employment growth rate and the sectoral growth rates of GDP an attempt to calculate the sector-wise elasticity has been done meticulously in the study published under ICRA bulletin.

Decomposed Approach
Shapley decomposition of per capita GDP growth can be used to see how it translates into increase in both employment and productivity. Employment effect is decomposed into labour force and employment rate effects. Thus this leads to decomposition into three components, growth associated with changes in employment rate, growth related with changes in the size of the labour force and growth related with GDP per worker. There are several ways of estimation Shapley considers all possible alternatives and comes with weighted average of each. It is seen in the study by T.S Papola (2013) who has used the same methodology that the workforce and growth link has weakened with increased liberalization of the economy. In this study decadal changes in Value added per capita and its components have also been estimated. It was observed that each successive decade after 1973-1983, that is between 1983-1994, 1994-2005 and last period estimation between 2005-2012 exhibits a higher annual compound growth rate in all monetary variables (GDP, output per worker and GDP per worker) and

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a lower growth rate in all physical varibles (population, employment and labour force). In addition, negative growth in employment rate is exhibited in all periods excluding the time period between 2005-2012, while labour force growth rate is positive across all periods but this rate has declined in every successive period. It is pertinent to mention that each consecutive period is described by increased liberalization.

Section III: Sectoral Contributions in Employment Growth

In this section employment elasticity in different sectors with respect to economic growth is first examined. In subsequent subsections, III a) Glimpse of Employment and Sectoral Employment Situation based on Current Reports is presented, III (b) focuses on experts views on Shrinking Job opportunities with Growth and finally III (c) exclusively focuses on the success story of the Service Sector.

Table 3 clearly exhibits that employment elasticity with respect to growth in GDP has been on the decline in the service sector, manufacturing sector and primarily the most

Table 3: Employment Elasticity with Respect to Growth in GDP

Period	Primary Sector			Secondary Sector			Tertiary Sector			Total		
	GDP*	Emp+	Elast**	GDP*	Emp+	Elast**	GDP*	Emp+	Elast**	GDP*	Emp+	Elast**
72-73/77-78	4.34	1.78	0.41	4.91	4.78	0.97	4.7	4.86	1.03	4.6	2.61	0.57
77-78/83	2.47	1.56	0.63	4.38	3.95	0.9	5.15	3.46	0.67	3.92	2.19	0.56
83/87-88	-0.03	0.28	-0.91	4.98	6.44	1.29	6.9	2.11	0.31	3.9	1.53	0.38
87-88/93-94	4.67	2.16	0.46	5.59	0.19	0.03	6.37	5.03	0.79	5.65	2.39	0.42
93-94/99-00	3.31	0.05	0.02	6.62	2.44	0.37	8.35	2.85	0.34	6.51	1.04	0.16
99-00/04-05	1.56	1.4	0.9	6.74	5.83	0.87	7.38	4.08	0.54	5.98	2.81	0.47
04-05/09-10	3.1	-1.63	-0.53	8.82	3.46	0.39	11.15	1.59	0.14	9.08	0.22	0.02
72-73/83	3.66	1.7	0.46	5.09	4.43	0.87	5.46	4.21	0.77	4.66	2.44	0.52
83/93-94	2.76	1.35	0.49	5.35	2.82	0.53	6.58	3.77	0.57	4.98	2.02	0.41
93-94/04-05	2.51	0.67	0.26	6.68	3.97	0.59	8	3.41	0.43	6.27	1.84	0.29
99-00/09-10	2.33	-0.13	-0.05	7.78	4.64	0.6	9.35	2.83	0.3	7.52	1.5	0.2

Emp+ = Employment Growth, GDP* = GDP growth, EMP**= Employment Elasticity to GDP
Source: Papola T.S. (2013) Estimates based on NSSO data

in the primary sector. Construction sector has recorded the highest employment elasticity in the recent past. Elasticity of employment is also high in trade, insurance and financing sector. Another definitive trends need to be emphasized.

1. A phenomenon of jobless growth in the organized manufacturing sector is also worthy of observation.
2. Informal jobs have grown in comparison with other types of job created.

These trends in India are suggestive of the fact that policy makers should target both the increase in quality and quantity of employment. This statement is very simple to make but the entire gamut of the Indian society, the model of centralized patchy development the social psyche, the financial system is enfolded in such complexities that it is not an easy target and the benefits are therefore not reaching at the grass root level. Every month, to join the workforce, a million Indians get age-eligible but job creation is not at the required pace as the growing number of aspirants. As a result, unemployment has been continuously on the rise, despite the fact that India is supposedly known to be a brighter spot in a decelerating global economy. India's rate of unemployment grew from 6.8% in 2001 to 9.6 % in 2011 (Census 2011).

III a). Glimpse of Employment and Sectoral Employment Situation (A Summary of Current Reports and industry experts views)

Since the 68th round of NSSO data is available that pertains to data up to 2012 and comprehensive studies (Papola T.S. (2013), Aggarwal A. (2014) tracks the employment situation and hence in this section an attempt is made to skim through

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several reports to track the current job situation in the country and examine the employment experience in different sectors. According to the World Banks' report, India accounts for a third of the world's poor (up from 22 percent in year 1981) while China accounting for 13 percent (down from 43 percent in year 1981) is next in line.

Current report of UNDP on human development places India at the 135th position. This is on the basis of key social indicators such as gross national income per capita on purchase power parity, access to education, standard of living, such others factors. Even countries such as Palestine, Iraq, Indonesia, Egypt, Sri Lanka, and Vietnam fare better in terms of these rankings.

Current McKinsey report (2015) looks at the level of consumption needed for an individual in India to attain a decent, if modest, living standard to meet outlays on food, housing energy, drinking water, health care, sanitation, social security and education. As per these metrics, the study estimates, nearly 680 million Indians are unable to meet their essential needs.

Economic Survey Reports (2011-2012 to 2014-15) have expressed concern over slowing in the compound annual growth rate of employment during the period 2004-05 to 2011-12 to 0.5 percent from 2.8 percent during the period 1999-2000 to 2004-05 as against the rate of growth of 2.9 percent and 0.4 percent respectively in the work-force for the same time periods. The share of primary sector in total employment has plunged under the halfway mark while employment in tertiary and secondary sectors have registered a little increase. However, data from the 68th NSSO round (2011-12) also indicated a revival in growth rate of employment in the manufacturing sector from 11 percent in 2009-10 to 12.6 percent in 2011-12. It is important to note that 52.2 percent share in total employment is dominated by self- employment but within this worker engaged in low-income-generation account for significant proportion. Another cause of concern is poor growth of employment in rural belts and that too particularly among women. The Economic Survey 2014-15 has concluded that a major hurdle in the speed of generation of quality employment in India is the trivial share of manufacturing in aggregate employment. This can not be overlooked as insignificant since the National Manufacturing Policy of 2011 has fixed a target of generating jobs to the tune of 100 million by 2022. Stepping up growth of medium, small and micro, enterprises is very critical from the viewpoint of creation of job and it has been accepted as a crucial force behind the Indian development agenda. According to 27th Quarterly Employment Survey of the labour ministry, eight employment-intensive industries (textiles, metals, leather, gems & jewelry, automobiles, transport, IT/BPO and handloom/power-loom) there were job losses of 43,000 in the first quarter of financial year 2015-2016. The second quarter was slightly better, with 134,000 new jobs, as compared to 91,000 net new jobs generated in the first half 2015-16. At their peak, these sectors had added 1.1 million jobs in the year 2010. In the subsequent five years, however, there was a loss of 1.5 million jobs. Financial year 2014-15 witnessed an increase of 500,000 jobs in comparison to 300,000 jobs in the previous year, yet it was half the peak figure. There has been no indication of recovery in 2016. As a matter of fact, there is a drop.

Currently, the manufacturing sector has an employment share of about 12-13 per cent. However, this share has been gradually growing, in the preceding decade, the number of workers per factory has been dipping in the past 3-4 decades due to increased outsourcing. In fact, the growth has not been steady throughout the country and is mainly in medium sized manufacturing units through informal employment in the manufacturing and infrastructure sector, which is able to source good talent at the level of leadership, particularly to take care of profit and loss responsibilities that requires a set of commercial skills.[1] The manufacturing industry also needs youth who can work on shop floor. The 'dignity of labour' is a bizarre hypothesis in India. Handling papers is seen as more venerable vis-a-vis holding a torque wrench.* Services are seen as better paid and glamorous than manufacturing sector. Switch over is easier and avenues for international exposure is much more in service sector. Hence, manufacturing sector is loosing skilled people to service sector.

Another reason for the decline in jobs could be a reduction in contract workers (close to 70,000 lost their jobs in the first half of 2016, as compared to 161,000 increases in the first half of 2015).[2] Employment in export units that was reeling under depressed global demand, also witnessed a sharp decline. Only 5,000 job additions were there in the first half of 2016 as compared with 271,000 in the year 2015 during the corresponding period. The automobile sector, for instance, also did not fare well since there were job losses to the tune of 23,000 in export units as compared to 26,000 additional jobs created in the other seven sectors that are labour- intensive in the second quarter of the year 2016.

This year's Budget had particular provisions to increase productive employment, coupled with measures to also push infrastructure and specific sectors of the rural economy that would create additional jobs. The move to encourage medium

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[1] *Yogi Sriram, vice-president, corporate HR, L&T.
[2] Labour and employment secretary: Shankar Aggarwal. India Today 20th April 2016.

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and small enterprises to give jobs to more workers while the government gears to pitch in with provident fund contributions and more investments on roads and other infrastructure are all good initiatives. However, both private businesses and the state will have to increase investments significantly, only then the real benefits might appear. As of now private investments have been more or less static, the government is on its fiscal consolidation targets. All this has constrained the public spending to a great extent. .

III (b) Shrinking Job Opportunities with Growth

India has experienced the paradox of growth that creates limited employment, a phenomenon called **Jobless Growth.** It is critical to appreciate that India's growth pattern has been unusual and atypical since the country's phases of development are not in conformity with standard path of that of structural transformation from primary sector to manufacturing and subsequently the tertiary sector, one propelling the other. The second stage of development process that is where manufacturing sector growth primarily leads the service sector growth has been sidestepped and the country has directly entered from the agricultural stage into the third stage ie service sector. **Service Sector led growth is typical to Indian economy.** *Growth is primarily ascribed to service sector*. Both employment and wages have been rising in the service sector. But the statistics clearly reveal that, the biggest sector in India is the Agriculture sector, engaging 45% of the population with meager contribution of 15% to the GDP, while the service sector contribution is highest to the GDP employing less than 30% of the work-force. Contribution from the manufacturing sector is to the tune of 16% of the GDP and employs around 25% of the work-force. Labour–intensive manufacturing sector did not assume the status of engine of growth. In fact, the capital-intensive manufacturing along with knowledge-intensive tertiary sector have been the engines of growth in India. By their very nature, these sectors were not employment-intensive. The weak absorption of labour by the high growth services and manufacturing sectors (that had high capital intensity) has repercussions for the employment creating potential of economic growth. **Stagnation in manufacturing output and shrinkage of labour-intensive segment of the formal manufacturing sector are owing to rigidity of** excessive nature in the category of formal manufacturing labour market. There exits rigid labour regulations that is not offering conducive environment to employers to create job opportunities. As per the latest World Bank study Industrial Disputes Act has reduced employment by 25% in organized manufacturing. Strict legislation with respect to employment protection has motivated employers to adopt modes of production that are more capital intensive than warranted by prevailing labour costs relative to capital costs. Hence, the nature of the trade rule in the country has developed a bias towards capital-intensive manufacturing.

India did not traverse through the import substituting stage of economic development to an export-oriented strategy of development and hence failed to experience a robust growth in the labour intensive subdivision of the manufacturing sector. With the opening up of the economy, availability of cheap capital goods from abroad was facilitated but did not solve the problem of low growth of employment opportunities. Additional job creation outside the agriculture sector were generally in the low wage- *low productivity* informal services sector (that primarily comprised of hotels, restaurants and trade) trade. In India, there has been slow movement of labour from the less productive agricultural sector to the more productive industrial and service sector and that is also the reason for dismal growth in employment. **Slow Infrastructure Development is another impediment.** Infrastructural bottlenecks like poor access to electricity, poor forward and backward linkages between agriculture, industry and a service has miserably failed to create jobs. **Other hurdles in the form of** impediments to entrepreneurial progression in small firms (on account of high costs of formalisation) together with a long history of small scale reservation policy prohibiting the entry of large scale firms in labour intensive industries are all deterrents to growth. In addition, the subsidies, tax incentives, depreciation allowance all are exclusively linked to the amount of investment done and not to the number of jobs created. Sluggish processes in education and poor skill levels of workers are also obstacles. Likewise, there is also Governance failure with no targeted interventions designed specifically for specific sectors and less focus on MSMEs.

In this section the industry experts view point about why economic growth is not resulting in commensurate growth in employment. An economy claiming to grow outwardly at over 7 per cent rate is not creating adequate jobs. Apparently this is because per unit of GDP, the economy is generating less jobs ---- The economy has transformed to be less labour-absorbent over the years[3].

Similarly, not too optimistic opinions are offered by other corporate analysts.

'India's 7.5 per cent growth, which is being debated is however based on the gross value added methodology, and the growth could be actually close to 5 per cent,'[4] this growth is not labour intensive but capital-intensive. Whatever growth is achieved

[3] *D.K. Joshi, chief economist at ratings and research firm Crisil. India Today April 20, 2016*
[4] *Ajit Ranade, chief economic advisor with the $40 billion Aditya Birla Group. India.*

is not translating into jobs. The growth is either in those sectors that are not employment-intensive, or may be overall growth is overstated.[5]

'The investment cycle has not kick started and as a result new job creation is poor. We are in a slow economy and the global slowdown is not favourable. As per him 'the economy would take another 2-3 years to catch up and go in fast mode of growth.'[6]

India's downsizing pain is clearly observed since large sized manufacturers and new manufacturers are in the process of cutting down their operations. For instance, Nokia, some MNCs in the financial sector have also recently exited India like Goldman Sachs and Nomura, JP Morgan Asset Management of the US (exited its onshore India-based mutual funds business). Similarly Avantha Group firm Crompton Greaves, Essar Group are also in the process of divesting. Tiny Owl, Zomato, the food tech companies are laying off the work force. Infrastructure segment is also in the phase of downsizing as reported by SERI Infrastructure Finance Ltd.

The finance situation is pretty bad so these companies are constantly struggling for more resources. India's downsizing pain is clearly observed since large sized manufacturers and new manufacturers are in the process of cutting down their operations. For instance, Nokia, some MNCs in the financial sector have also recently exited India like Goldman Sachs and Nomura, JP Morgan Asset Management of the US (exited its onshore India-based mutual funds business). Similarly Avantha Group firm Crompton Greaves, Essar Group are also in the process of divesting. Tiny Owl, Zomato, the food tech companies are laying off the work force. Infrastructure segment is also in the phase of downsizing as reported by SERI Infrastructure Finance Ltd. The finance situation is pretty bad so these companies are constantly struggling for more resources.

Higher levels of automation are also responsible for the job squeeze. 'The growth rate in jobs has distinctly gone down with significant improvements in productivity and automation,'[7], The job squeeze is attributed to the slow pace of labour reforms. 'As a result companies were discouraged to create employment and indirectly investment in automation has been incentivized.'[8]

Investment commitments of Rs 1500,000 crore from overseas and Indian investors were made in the government's Make in India celebration in Mumbai in February, 2016 but however, these projects remains on paper so far. The programme aims to create 100 million extra jobs to increase the manufacturing share in GDP from the existing 16 per cent to 25 per cent by 2022. This does not seem to be an opportune time to target a manufacturing led growth model that was achieved in China during 2011-2016 that created 64 million jobs. 'With the advent of robotics, it will be tough to create jobs in the manufacturing sector.'[9]

III (c) The Story of the Service Sector

This section is devoted to study the trends in the service sector where there is job creation. Employment opportunities have been growing in financial technology and financial services sectors. Ever since ten new small banks and eleven payment banks have been granted licenses by the RBI in 2015, the traditional banks in the face of stiff competition from the new enterant players have been opening branches, recruiting personnel to expand their services. A new push to job creation is there since the entry of PayTMs which are combination of technology and financial services. E-commerce is another upbeat sector which is doing heavy investments in logistics and last mile delivery. 'When there is economic growth and a pick-up in manufacturing, logistics, supply chain and distribution-related jobs do reasonably well. 'Logistics services flourish nearly three times the GDP growth rate.'[10]

Poor Tracking of informal Sector Job Creation

'Policy makers and economists seem to underrate the informal sector's contribution in creating employment,'[11] Maruti Suzuki chairman further states that when 1.5 million cars a year are rolled out , it also creates anywhere between 800,000 and a million jobs in repairs, driver training, spare parts shops, dealerships, insurance etc which remains unaccounted for. 'This

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Today April 20, 2016
[5] *D.K. Shrivastava, policy advisor at consulting firm EY. India Today April 20, 2016.*
[6] *Ajit Gulabchand, chairman of the $650 million Hindustan Construction Company in Mumbai. India Today April 20, 2016.*
[7] *Rajeev Dubey, group president, HR & Corporate Services of the $17 billion Mahindra & Mahindra. India Today April 20, 2016.*
[8] *CII president Naushad Forbes. India Today April 20, 2016.*
[9] *Ranade*
[10] *E. Balaji, president, People Services, at TVS Logistics.*
[11] ** R.C. Bhargava, chairman, Maruti Suzuki, India's largest carmaker.*

applicable to numerous other industries as too, where thousands of informal jobs are created in the ancillary and downstream sector,'* he further adds. The entrepreneurial segment is very poorly traced. Many jobs are created by commercial platforms like Myntras, Flipkarts and Snapdeals of the world and these also remain untracked. The data by the government focuses on traditional economy jobs. The labour department is aware of limitation of currently gathered data which is currently collected from about eight sectors. Small enterprises, startups and increased self employment does not get accounted. The data collection is in the phase of expansion and in near future it will be gathered from 18 sectors. It will cover 10,000 establishments, raising it from the current 2,000-2,500. As per Nasscom 1200 startups in tech space alone were launched which is forty percent rise from 2014. Start-ups will create 800,000 jobs by 2017 as per estimates of Nasscom. India is third highest in the world ahead of China and Israel and behind US and Britain in terms of startups in the world.

Changing Winds in the Service Sector

A big change is being experienced by the traditional IT sector that might impact the job profiles and opportunities in the service sector adversely. Self-service portals, automation cost sharing are all going to stifle job creation in the ITeS segment. More productivity and value addition is being sought by customers. This would require higher level of skill but will not translate into new job opportunities. Disruptive technologies, such as social, mobility, analytics and cloud are going to offer new growth avenues across verticals for IT companies. Another upcoming area is Artificial Intelligence (AI). Positions like data scientists, retail planners, product managers and digital marketers will be in great demand in the coming years. More specialised skill sets will be in demand with the advent of new technology. For example, a BPO unit of 500 professionals can easily be managed by interactive voice response (IVR) now. However, to warrant correct delivery of information through IVR we will still need technology professionals. The call centre jobs euphoria seems to be vanishing. The other interesting trend is the shift of ITeS jobs to Tier-2, Tier-3 cities and rural areas. This is a trend that is due to cost effectiveness, but which will require higher emphasis on interpersonal and communication skills. Here, India seems to be losing out to countries like the Countries like Philippines and Malaysia having trained staff in accounting work and non-voice analytics seems to be taking jobs away from India.

These reports give a mixed picture. Some project the country's some of the economic achievements especially in terms of growth of the service sector while the majority depict that all is not well with India's growth model. Job creation can be incentivized by boosting infrastructure development with least possible environmental damage and lower interest rates so that ease of doing business can be facilitated. However, this account does point out some interesting trends but as per the metrics of level of consumption required for an individual in India to achieve a decent, if modest, standard of living to meet expenses on drinking water, food, housing, sanitation, health care, education, energy and social security, more than 680 million Indians lack the means to meet their essential needs.

Section IV: Challenges and Policy Initiatives to tackle Jobless Growth

One of the disappointments in the post-reform period in India relates to the **slow progress in labour intensive manufacturing.** Several studies have revealed that services sector would be an unlikely destination for the millions of low-skilled job seekers. (Ramaswamy and Agarwal 2013, Ghose 2004) Manufacturing has the capability to engage low-skilled workers because it has stronger and greater backward linkages, unlike the services sector. **Low levels of education** is yet, another challenge. In 2009-2010, nearly 52% of the work-force were either illiterate or had received education only up to primary school level. Barely 17% of the work force had higher levels of education. Workers skill sets were also low. In the age group of 15-59 years, only 10% of the workforce had received some form of vocational training. India has the eighth largest group of super-rich people in the world as per the New World Wealth's Report 2015. Relatively faster economic growth in recent years is among the reasons for the increasing number of super-rich. In India, the concentration of billionaires is unusually large (World Bank report on inequality in South Asia that has appeared in Business Standard, 21Jan, 2015)
Yet, with a low per capita income India continues to figure among the low middle income group countries, thereby signifying **widening wealth gap between the haves and have-nots**. It is therefore time for the country to analyze the situation and evaluate strategies that would help the country and the people to achieve overall well being of the vast majority through inclusive economic growth.

Skill development and its utilization in a proper way is a dual challenge. As per the Labour Bureau Report 2014, **skilled labour is just 2 percent in India**, which is abysmally low when compared to the other developing nations. Merely 6.8-10% percent of the persons aged 15 years have received or will be receiving skills as per report. To take advantage of the demographic dividend, there is a need to turn young population as assets. Education, skill and productive employment are key propellants. The skill development mission was launched by the Government of India in 2010 with the aim of providing skills to minimum 50 million people by the end of the 12th Plan period.

The National Skill Development Corporation has stated a requirement of 120 million skilled people for the period 2013-14 in the non-farm sector (Economic Survey 2014-15). Deficiency in formal vocational education, absence of quality education, high dropout rates in schools, inadequate skill training capacity required for industry, negative perception towards skill enhancement, and lack of industry ready skills in professional courses are some of the primary reasons of poor skill levels in India's labour-force. Recent initiatives have been aimed to augment access, equality, and quality, innovation in the field of higher and vocational education. These are the Rashtriya *Uchchatar Shiksha Abhiyan,* Technical Education Quality Improvement Programme, and National Skill Qualification Agenda. Under the Ministry of Skill Development, Entrepreneurship, Youth Affairs and Sports, a dedicated Department for Skill development and entrepreneurship has been created to accord focused attention in this area. Apart from this, *Nai Manzil* for education and skill development of minority dropouts and Deen Dayal Upadhyaya Grameen Koushalya Yojana for poor rural youth have also been set up.

Significant Progress on the Economic Front is required. Under the Mahatma Gandhi National Rural Employment Guarantee Act, the Intensive and Participatory Planning Exercise has been initiated to prepare the labour budget for financial year 2015-16 in selected 2500 backward blocks in order to improve generation of productive employment.

To empower People at the Bottom of the Pyramid means to make them equal partners and stakeholders in the rising economic prosperity**.** Emphasis on empowerment includes better and affordable access to bare necessities and this will stimulate economic activities that will finally contribute to economic growth. Exclusive focus on economic growth will not lead to either uplifting the quality of life or ensuring equal growth opportunities for all. The present economic growth model will only further widen the gap between the empowered rich and the vast majority. The difference between each person's current consumption per year and the levels called for in the empowerment line is almost equal to four percent of India's GDP. This indicates the true potential of human development to not only improve the quality of lives of millions of India but also help the country to realize faster and inclusive economic growth.[12]

Human Development[13] Leads to Inclusive Economic Growth is well Justified. Empowerment results in the creation of not only physical and financial assets that are tangible in nature but also creates human capital which is intangible and is of great value. Making education accessible, imparting needed skills, providing health care, building sanitation facilities so on and so forth are the rights of every citizen and can be provisioned and subsequently earned by each citizen. Human development activities in fact will enfold economic benefits as well.

Conclusions

The GDP growth rate in the last few years has been ranging between seven to eight percent per year. But the post-reform phase has observed rise in disparities across social groups and between urban and rural belts. Challenges in most essential features of inclusive growth including poverty and employment, agriculture, social sectors across regions pervades in India. The social limits of Indian democratic politics, obstacles to rural growth and urban transformation, the corruption cancer, typical social causes of exclusivity are some of the impediments to equitable growth. Intensive government interventions, open-minded civil society including NGOs, improved governance are significant for the success of sectoral interventions, macro growth pro-policies, targeted poverty alleviation programmes.

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[12] McKinsey's report "From poverty to empowerment: India's imperative for jobs, growth, and effective basic services." February 2014.
[13] The HDI is an average measure of basic human development achievements in a country, measured by UNDP. In 2015, India has been placed at 130th position with 0.609 score in the medium human development category. Country's rank was 135 with 0.586 score in the 2014 report.

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