7. Organised Manufacturing to Boost Job Growth

Prelims Level: Industries-Textiles, e-Commerce, Pharma, Service.

Mains Level: GS-III Effects of Liberalization on the Economy, Changes in Industrial Policy and Their effects on Industry Growth.

Why in News?

- There have been several reports, both official and by independent academics, that have painted a dark picture on the jobs front. A 2017-18 National Sample Survey Office's (NSSO) survey pegged unemployment at a 45-year high.
- It has been suggested that India's unemployment woes can only be solved by boosting the Manufacturing Sector.

Highlights:

- It has been argued that between the three broad sectors of the economy- agriculture, industry and services — it is the industry sector, and within industry, the manufacturing sector that has the highest potential to absorb the surplus labour in the economy. Agriculture, which engages almost half the Indian workforce, does not grow fast enough and is, as such, not remunerative enough to provide gainful employment to the millions who join India's workforce each year.
- Services is a fast-growing sector and pays well but it places far greater demands on job seekers in terms of skills and education. Often, the rural millions looking for a job find themselves inadequate in terms of delivering in the services sector.
- Research shows that the employment elasticity, the ability to create new jobs with every additional increase in a sector's growth, of the manufacturing sector is the highest.
- Both UPA and NDA governments have tried to focus on boosting the growth in the manufacturing sector. For instance, in 2011, UPA came out with a new National Manufacturing Policy that aimed at raising the share of the manufacturing sector to 25% of the GDP by 2022.
- The NDA too unveiled the Make in India initiative that focussed using manufacturing as the main platform to create jobs.
- Despite such a focussed stand right through the past decade, manufacturing's share is still under 17% of the GDP and the jobs situation in the country has only got worse.

The Current Situation:

- An Analysis of the Indian manufacturing sector shows that manufacturing units in the organised sector are becoming more capital intensive, that is the capital-to-labour ratio is increasing. In other words, instead of increasing the number of workers in a unit, owners are choosing to increase the amount of capital.
- This trend holds true across the board including those sectors such as textiles and leather products that are considered "labour-intensive" and most capable of creating jobs and soaking up surplus labour.

Issues that needs to be Addressed:

- Why are manufacturing owners increasingly preferring to substitute labour with capital? It is important to note that they continue to do so even when the return on capital is falling.
- If this is the trend, how reasonable is it to assume that boosting manufacturing growth will create more jobs for the Indian youth.
- To what extent the lack of significant labour reform is holding back manufacturing from achieving its potential to create jobs.