

Make in India and the Potential for Job Creation



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Introduction

The average GDP growth in the manufacturing sector was 9.5² per cent in the early nineties when the economic reform process was initiated. Thereafter, from 1996-97 onwards a decline in manufacturing sector GDP was witnessed till 2001-02. From 2002-03 there was a revival and the sector recorded an average double digit growth of 10.1³ per cent during the period from 2005-06 to 2009-10. But from 2010-11 onwards again a decline in GDP growth was witnessed with the sector recording a negative growth of 0.7⁴ per cent in 2013-14. To give a boost to the manufacturing sector growth and to make the sector globally competitive, the government had announced the National Manufacturing Policy in 2011. The policy envisaged enhancing the share of manufacturing to GDP from 16 to 25 per cent and to create 100

million jobs by 2022. The policy envisages the Centre to provide an enabling framework and incentives for infrastructure development on a PPP mode and the State Governments to be encouraged to adopt the instrumentalities provided in the policy viz; setting up of National Investment and Manufacturing Zones, rationalization and simplification of business regulations, incentives for small & medium enterprises, industrial training and skill up gradation measures among others. However, the manufacturing sector growth continued to be a cause of concern. With nearly 63 per cent of the population in the working age group (15-64 years) the Prime Minister in his Independence Day Speech in 2014 invited the world to 'Make in India', 'Manufacture in India' and indicated that growth of manufacturing sector is must for employment generation of the youth.

The Make in India initiative announced officially in September 2014, aims to facilitate investment, foster innovation, enhance skill development, protect intellectual

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² Calculated from Press Release on Summary of macroeconomic aggregates at constant(2004-05) prices, 1950-51 to 2013-14

³ *ibid*

⁴ *ibid*

property and build best in class manufacturing infrastructure and convert India into a manufacturing hub of the world. In this paper an attempt has been made to see the employment potential of the Make in India initiative.

Manufacturing in India

The manufacturing sector in India is heterogeneous with a preponderance of small unregistered manufacturing units accounting for almost 80 per cent⁵ of the employment in the sector with GDP contribution of just 4.5 per cent in 2012-13. In other words the growth of the manufacturing sector is led by registered manufacturing. The average GDP growth in manufacturing sector during the period from 2000-01 to 2012-13 was 7.5 per cent of which registered sector recorded an average growth of 8.7 per cent and unregistered sector an average growth of 5.2 per cent⁶.

Despite the industrial policy reforms initiated since 1991 some of the major hurdles in manufacturing sector growth remained viz. poor infrastructure, bureaucratic delays, high cost of capital, delays in land acquisition, labour laws etc. The earlier attempt to set up Special Economic Zones to speed up manufacturing growth met with limited success due to these hurdles. In the Global Competitiveness Index 2014-15 India is in the 71st position out of a total of 144 countries. In the Global Innovation Index 2015 India ranks 81 out of a total number of 141 countries. As per the World Bank's Ease of Doing Business Ranking 2015 India is ranked 142 among 189 countries. The ranking of the sub-indicators of the Ease of Doing Business Index viz; starting a business (158th rank), dealing with construction permits (184th rank), getting electricity (137th rank), registering property (121st rank), getting credit (36th rank), paying taxes (156th rank), trading across borders (126th rank), enforcing contracts (186th rank) and resolving insolvency (137th rank) only validates the earlier mentioned hurdles as still existing and stifling manufacturing growth. During 2014-15 a slew of measures have been initiated to simplify these hurdles and to bring about ease of doing business in India.

The "Make in India" initiative⁷ focuses on 25 key sectors and is based on four pillars, which have been identified to give boost to entrepreneurship in India, not only in manufacturing but also other sectors. The four pillars are:

- **New Processes:** 'Make in India' recognizes 'ease of doing business' as the single most important factor to promote entrepreneurship. A number of initiatives have already been undertaken to ease business environment.
- **New Infrastructure:** Government intends to develop industrial corridors and smart cities, create world class infrastructure with state-of-the-art technology and high-speed communication. Innovation and research activities are supported through a fast paced registration system and improved infrastructure for IPR registration. The requirement of skills for industry are to be identified and accordingly development of workforce to be taken up.
- **New Sectors:** FDI has been opened up in Defence Production, Insurance, Medical Devices, Construction and Railway infrastructure in a big way.
- **New Mind set:** In order to partner with industry in economic development of the country Government shall act as a facilitator and not a regulator.

The Government has started the e-biz portal which is a one-stop arrangement for entrepreneurs for online registration, filing returns, seeking licence etc. The portal synchronises the functions of six Government departments viz; the DIPP, DGFT, CBDT, RBI, ESIC, EPFO, Ministry of Corporate Affairs and Petroleum & Explosives Safety Organization at the pan-India level.

Labour reforms have been initiated such as in the Apprentices Act, 1961 the provisions have been simplified to enable even the MSME sector to take apprentices, extending apprentice training to non-technical courses, allowing apprenticeship training in informal trades etc. The Labour Laws (Exemption from Furnishing Returns & Maintaining Registers by Certain Establishments) Amendment Act, 2014 extends the provisions of the Act to units holding up to 40 workers instead of 19 work-

⁵ Productivity, Efficiency and Competitiveness of the Indian Manufacturing Sector, RBI Study No. 37

⁶ Calculated from Press Release on Summary of macroeconomic aggregates at constant(2004-05) prices, 1950-51 to 2013-14

⁷ PIB press release 27-February-2015

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ers and the number of labour laws exempted has been increased from the present 9 to 16. In addition the following labour laws viz; the Industrial Disputes Act, 1947, The Minimum Wages Act, 1948, the Contract Labour (Regulation of Employment & Conditions of Service) Act, 1971 may also be taken up for reform. The proposed Reforms in the Employees' Provident Fund & Miscellaneous Provisions Act, 1952 would extend social security benefits under EPFO to the unorganized sector as well as to more number of units within the organised sector.

The Government is also trying to bring in amendments in some of the so called grey areas such as the indirect tax regime by bringing the Goods & Service Tax through a Constitution (122nd Amendment) Bill 2014, the Right to Fair Compensation & Transparency in Land Acquisition, Rehabilitation and Resettlement (Second Amendment) Bill 2015 with the ultimate goal of simplifying the ease of doing business in India.

The initiatives announced under Make in India have started creating a positive investment climate and there was a 48 per cent growth in FDI equity flows during the period from October 2014-April 2015. But to understand the impact of Make in India initiatives on job creation, it is necessary to look at the labour market scenario.

Labour market scenario

India enjoys demographic advantage wherein almost 63 per cent of the population is in the economically active age group. In other words, the child dependency and the old age dependency ratio are low as compared to the economically active population which if productively used can have a multiplier impact on growth and employment. However, the declining Labour Force Participation Rate both for 0+ age group and 15-64 age group is a cause of concern. Table 1 provides in nutshell the labour market scenario.

Table-1: India's Population, Labour force and Workforce

	2004-05 (in million)	2011-12 (in million)
Population	1,029	1,211
Population in 15-64 age group	613	768
Labour Force	470	485
Work Force	459	474

Source: Census of India 2001 & 2011, NSSO Employment –Unemployment Survey 2004-05 & 2011-12

The number of people entering (0+) the labour force as a proportion of population has decreased from around 45 per cent in 2004-05 to 40 per cent in 2011-12 (Table-1). Even among the economically active age group there has been a decline in labour force participation from around 76 per cent in 2004-05 to 63 per cent in 2011-12. This decline was mainly due to the withdrawal of the economically active females from the labour force during this period. The workforce participation rate i.e. the workforce as a proportion of the population also decreased from around 45 per cent in 2004-05 to around 39 per cent in 2011-12. The other characteristic feature of the Indian workforce is that nearly 74 per cent are in the rural areas with only 26 per cent in the urban areas.

Further males account for 72 per cent of the workforce while females account for only 28 per cent.

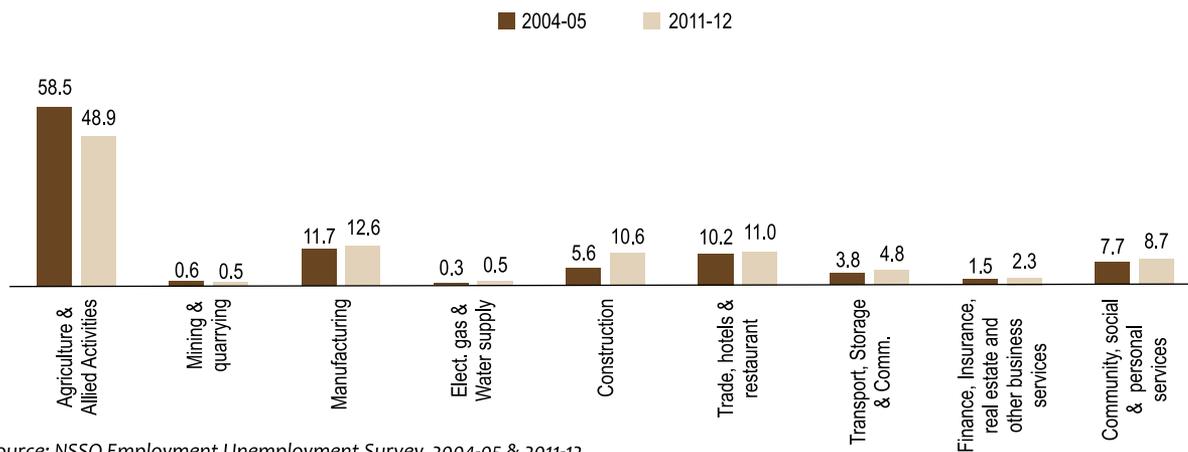
Besides the low participation rate, the education profile of the workforce is also dismal with nearly 55 per cent having education below primary of which nearly 30 per cent are illiterate. About 28 per cent have education up to secondary and the workforce with higher secondary and above qualification is only 17 per cent.

The sectoral distribution of the workforce (Graph-1) highlights that in keeping with the structural transformation of the labour market the proportion of workforce in agriculture has come down from 58.5 per cent in 2004-05 to 48.9 per cent in 2011-12. But the shift is into

the low paid construction sector where the proportion of workforce increased from 5.6 per cent to 10.6 per cent during the same period. The manufacturing sector witnessed an increase of only 0.9 per cent from 11.7 per cent to 12.6 per cent during this period. The net increase in the service sector was only 3.6 per cent. Even if we ac-

count for the shift of manufacturing activity to the service sector the net increase in service sector is only marginal compared to the decline in the agricultural sector. In other words, the absorption of the shift of workforce from agriculture to manufacturing and services sector in India is very minimal.

Graph-1 Sectoral Percentage Change in Labour Market



Source: NSSO Employment Unemployment Survey, 2004-05 & 2011-12. Size of the Workforce: 2004-05 459 million and 2011-12 474 million

Hence, we have a predominantly rural workforce with low levels of education and therefore low skill levels posing a challenge before the Make in India Initiative. The following section examines the transition of this workforce to the manufacturing sector for employment.

Make in India and Employment Trends

The 25 sectors covered under the Make in India initiative include Automobile & Automobile Components (merged as NIC code 2 digit level is the same), Avia-

tion, Biotechnology, Chemicals, Construction, Defence Manufacturing/Space (merged as NIC code 2 digit level is the same), Electrical Machinery, Electronic Systems, Food Processing, IT & BPM, Leather, Media & Entertainment, Mining, Oil & Gas (merged as NIC code 2 digit level is the same), Pharmaceuticals, Ports, Railways, Roads and Highways (merged as NIC code 2 digit level is the same), Renewable Energy & Thermal Power (merged as NIC code 2 digit level is the same), Textiles and garments, Tourism & Hospitality, Wellness. The employment trends under the Make in India sectors maybe seen in Table-2.

Table-2: Employment Trends in Make in India Sectors

Make in India Sectors	2004-05 (in Million)	2011-12 (in Million)	CAGR
Automobile & Automobile Components	0.64	0.96	5.97
Aviation	0.02	0.04	8.85
Biotechnology	0.03	0.08	16.81
Chemicals	1.4	1.18	-2.46
Construction	1.09	50.25	72.75
Defence Manufacturing/Space	0.03	0.05	10.69
Electrical Machinery	0.57	0.99	8.1
Electronic Systems	0.17	0.43	14.24
Food Processing	5.68	6.03	0.86

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IT & BPM	1.51	3.11	10.81
Leather	1.63	1.31	-3.02
Media & Entertainment	0.61	0.53	-1.97
Mining , Oil & Gas	0.36	0.89	13.75
Pharmaceuticals	0.49	0.78	7.07
Ports, Railways, Roads and Highways	0.21	9.1	174.12
Renewable Energy & Thermal Power	1.04	1.16	1.64
Textiles and garments	17.47	18.86	1.64
Tourism & Hospitality	6.23	8.22	1.64
Wellness	0.48	0.92	9.89
Total	39.66	104.89	

Source: Calculated from NSSO Employment Unemployment Survey Unit Level data 2004-05 & 2011-12.

The total employment generated in the Make in India sectors was 39.66 million in 2004-05 which increased by 164 per cent to 104.89 million in 2011-12, mainly due to the big jump in the construction sector. The employment created in the Make in India sectors as a proportion of total employment was 8.6 per cent in 2004-05 and 22 per cent in 2011-12.

Although it is too early to assess the impact of the Make in India initiative on employment, as per the result of the last Quarterly Employment Survey in Select Sectors conducted by Labour Bureau reveals an increase in employment in some of the sectors covered under Make in India.

Table 3: Result of Quarterly Employment Survey in Select Sectors

Sl.No	Industry/Group	Sept,14 over June,14	Dec,14 over Sept,14	Per cent Change
1	Textile including apparels	49	79	61.2
2	Leather	-18	1	94.4
3	Metals	47	-20	-57.4
4	Automobiles	28	-23	-17.9
5	Gems & Jewellery	8	-5	37.5
6	Transport	-7	-1	-85.7
7	IT/BPO	57	89	56.1
8	Handloom/ Powerloom	-6	-3	-50.0
	Total	158	117	

Source: Quarterly Report on Changes in Employment in Selected Sectors Oct-Dec 2014, Labour Bureau, April, 2015

As maybe seen in Table-3 there has been an increase in employment in the IT/BPO, textile and leather sectors. However, it is worthwhile to mention that in the Make in India barring construction, tourism, wellness, food

processing and the leather industry the rest of the sectors are capital intensive industries requiring skilled labour. Table-4 shows the educational profile of the workforce engaged in the Make in India sectors.

Table-4: Education Profile of Work Force in Make in India Sectors

Sectors	Up to primary	Secondary	Higher Secondary & above
Automobile & Automobile Components	7.23	32.13	60.63
Aviation	-	-	100.00
Biotechnology	0.02	27.78	72.21
Chemicals	30.72	34.99	34.28
Construction (Including Ports, Roads, Railways)	65.07	28.03	6.90
Defence Manufacturing	0.36	-	99.64
Electrical Machinery	11.68	33.16	55.16
Electronic Systems	6.93	24.13	68.94
Food Processing	50.38	32.67	16.95
IT & BPM	2.27	12.52	85.20
Leather	54.93	30.50	14.57
Media & Entertainment	10.04	20.79	69.17
Mining , Oil & Gas	55.29	24.86	19.85
Pharmaceuticals	21.69	24.07	54.24
Renewable Energy & Thermal Power	22.36	27.72	49.92
Textiles and garments	62.16	28.61	9.23
Tourism & Hospitality	44.99	36.34	18.68
Wellness	12.46	25.69	61.84

Source: Calculated from NSSO Employment Unemployment Survey Unit Level data 2004-05 & 2011-12.

The sectors that were able to absorb workforce with education level up to primary was construction, food processing, leather, mining, oil & gas, textiles & garments, tourism and chemicals. The sectors where India is aiming to become global leaders such as automobile, aviation, bio-technology, defence manufacturing, electronics, IT, wellness etc are highly skilled sectors requiring a workforce with educational qualifications of at least higher secondary and above. This, therefore, raises the immediate challenge of reskilling and upskilling the existing workforce to upgrade their skills as well as skilling the new entrants to the labour force. Apart from this, the need also arises for identifying alternate labour intensive sectors where the workforce with low education and skill levels can be engaged.

Way Forward

The policy initiative of setting up five industrial corridors across the length and breadth of the country when implemented would convert the cities/towns in the pathway into manufacturing hubs. The five industrial corridors viz; Delhi-Mumbai Industrial Corridor, Amritsar-Kolkata Industrial Corridor, Bangalore-Mumbai Industrial Corridor, Bangalore-Chennai Industrial Corri-

dor, Chennai-Vizag Industrial Corridor would converge in itself the creation of 100 smart cities across India.

The Digital India programme would also become a part of the Industrial Corridor and Smart City program. But at the base of all these programmes is the Skill India programme. There is an urgent need for skilling, re-skilling and up-skilling the labour force so that the demographic advantage that India is right now enjoying is fruitfully utilised for creation of Industrial Corridors, Smart Cities, Housing for All, Swachh Bharat Mission, road connectivity etc. Only a collaborative and convergent approach can make the Make in India initiative successful. Hence while the Make in India initiative would boost the manufacturing activity and thereby create jobs, the skill India would make available job ready skilled workforce to the industry for enhancing their productivity and facilitate faster manufacturing sector and overall economic growth. The other flagship programmes would also promote demand for various products of the manufacturing sectors. This calls for close integration between the Make in India and Skill India initiative. Some of the policy initiatives in this direction could be:

- Formalising the informal sector- the recent initia-

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tives in e-registration, exemption from filing returns on 16 labour laws, simplifying apprenticeship training should encourage the large number of unregistered small establishments to enrol into the formal system which in turn would facilitate these units in availing the micro credit facilities, technical know-how and facilitate their expansion.

- Promotion of cluster development of MSME units to enable them overcome the disadvantages associated with economies of scale and avail of the benefits of skill training, quality upgradation, market promotion etc which in turn would facilitate the growth of the sector and create more employment. The development of virtual cluster is a step in the right direction. It would bring all the stakeholders viz. MSME, Financial Institutions, Government, Academic institutions etc. together
- The mapping of the skill requirements at the sectoral, district level and trade level is must for assessing the skilled manpower requirements and avoid skill mismatch. In addition to mapping the job requirements for the domestic market there is need to map the job requirement in the global markets so as to provide qualified manpower to the ageing economies and enhance employment opportunities for the youth. The setting up of the LMIS or Labour Market Information System should therefore be speeded up so as to determine the skill development targets in tune with market demand.
- The entrepreneurship development is also very integral for the success of the Make in India Campaign. One entrepreneur would have a force multiplier to generate the jobs. ATAL INNOVATION FUND and SELF EMPLOYMENT and TALENT UTILISATION FUND would promote entrepreneurship. There is Rs 10,000 start-up fund also for promoting start-ups and entrepreneurs. The large number of foreign companies are committing to invest in India Such as Apple, FOXCON, QUALCOMM, Google, Facebook and many automobile majors have already invested. These will while bring in investment but would also generate ample employment opportunities.
- There is also need to Identify and integrate labour intensive industries with potential for employment creation and integrate with the Make in India initiative. An exercise done in this regard for the manufacturing, non-manufacturing and services sector is detailed below:
For instance in the manufacturing sector that ac-

counted for 13 per cent share in total employment in 2011-12, out of the total of 131 economic activities listed in NIC 2008 around 85 economic activities accounted for 8.5 per cent employment in 2011-12. Of which a list of 30 economic activities in NIC 2008 under manufacturing with significant CAGR growth in employment arranged in decreasing order of their share in employment in 2011-12 is shown in Annexure-1. Activities related to food processing, manufacture of furniture, jewellery & related articles etc are labour intensive sectors. Activities related to manufacture of fabricated metal products and manufacture of machinery and equipment has shown significant increase in employment in 2011-12. These activities can act as feeder to construction and allied activities. These sectors have workforce with low education and skill levels. Thus, these sectors can be given focus for promotion of employment.

Similarly in the non-manufacturing sector which is predominated by construction accounted for 12 per cent share in employment in 2011-12. Out of 141 economic activities under NIC 2008 analysed for this sector only 22 activities accounted for 11.6 per cent of the total employment in 2011-12. This employment was mainly in construction related activities and the employment was mostly of unorganized informal type involving unskilled labour. This sector has been very well targeted under the Make in India initiative.

The services sector accounted for 27 per cent share in employment in 2011-12. Out of the 204 economic activities mentioned under NIC 2008, 108 activities accounted for 20 per cent of the total employment in 2011-12. The sectors that have recorded significant growth in employment out of these 108 are shown in Annexure-II. The sectors that can be considered for employment generation include retail trade, repair of motor vehicles, restaurants and food services, health services, renting and leasing, activities of travel agencies, data processing, call centres, private security activities etc.

To conclude to facilitate the creation of quality jobs with decent wages skilling of the workforce is an urgent need and all efforts should be made to speed up skill development. The initiatives like RPL and Skill Card will go a long way to achieve the objectives of skill India of providing skilled manpower for the manufacturing and non-manufacturing sectors.

(Views expressed are personal)

Annexure-I

Economic Activity (NIC 2008)-Manufacturing	
3100	Manufacture of furniture
3211	Manufacture of jewellery and related articles
2511	Manufacture of structural metal products
2599	Manufacture of other fabricated metal products n.e.c.
2220	Manufacture of plastics products
1073	Manufacture of cocoa, chocolate and sugar confectionery
1071	Manufacture of bakery products
3290	Other manufacturing n.e.c. (stationary items, safety equipment, umbrellas etc)
2592	Machining; treatment and coating of metals
2431	Casting of iron and steel
2211	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres
1020	Processing and preserving of fish, crustaceans and molluscs and products
2610	Manufacture of electronic components
2740	Manufacture of electric lighting equipment
3020	Manufacture of railway locomotives and rolling stock
2399	Manufacture of other non-metallic mineral products n.e.c.
1030	Processing and preserving of fruit and vegetables
2813	Manufacture of other pumps, compressors, taps and valves
1074	Manufacture of macaroni, noodles, couscous and similar farinaceous products
2733	Manufacture of wiring devices
2826	Manufacture of machinery for textile, apparel and leather production
2620	Manufacture of computers and peripheral equipment
2640	Manufacture of consumer electronics
3011	Building of ships and floating structures
2824	Manufacture of machinery for mining, quarrying and construction
2652	Manufacture of watches and clocks
3230	Manufacture of sports goods
2630	Manufacture of communication equipment
2520	Manufacture of weapons and ammunition
2513	Manufacture of steam generators, except central heating hot water boilers
2825	Manufacture of machinery for food, beverage and tobacco processing

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Annexure-II

Economic Activity (NIC 2008)-Services	
4721	Retail sale of food in specialized stores
5610	Restaurants and mobile food service activities
4771	Retail sale of clothing, footwear and leather articles in specialized stores
4921	Urban or suburban passenger land transport
4773	Other retail sale of new goods in specialized stores(non-food items)
4520	Maintenance and repair of motor vehicles
4759	Retail sale of electrical household appliances, furniture, lighting
4799	Other retail sale not in stores, stalls or markets
8549	Other education n.e.c.
4719	Other retail sale in non-specialized stores
8690	Other human health activities (activities related to unani, ayurveda, nursing, laboratories, blood banks, ambulance etc.)
9000	Dramatic arts, music and other arts activities
6110	Wired telecommunications activities
6820	Real estate activities on a fee or contract basis
8010	Private security activities
4649	Wholesale of other household goods
5510	Short term accommodation activities
7729	Renting and leasing of other personal and household goods n.e.c.
6209	Other information technology and computer service activities
7911	Travel agency activities
6499	Other financial service activities, except insurance and pension funding
8219	Photocopying, document preparation and other specialized office
8890	Other social work activities without accommodation n.e.c.
6311	Data processing, hosting and related activities
6622	Activities of insurance agents and brokers
5210	Warehousing and storage
4510	Sale of motor vehicles
6202	Computer consultancy and computer facilities management activities
8220	Activities of call centres
5224	Cargo handling

Annexure-II

9512	Repair of communication equipment
5221	Service activities incidental to land transportation
6619	Activities auxiliary to financial service activities n.e.c.
6612	Security and commodity contracts brokerage
7110	Architectural and engineering activities and related technical
8121	General cleaning of buildings
9511	Repair of computers and peripheral equipment
6611	Administration of financial markets
7210	Research and experimental development on natural sciences and
9312	Activities of sports clubs
5012	Sea and coastal freight water transport
5011	Sea and coastal passenger water transport
8541	Sports and recreation education
9102	Museums activities and operation of historical sites and buildings
8110	Combined facilities support activities (interior cleaning, trash disposal, laundry etc)
5222	Service activities incidental to land transportation
7810	Activities of employment placement agencies
7830	Human resources provision and management of human resources
7120	Technical testing and analysis
9103	Botanical and zoological gardens and nature reserves activities