

How to Create Jobs

THE GOVERNMENT HAS RECENTLY announced a new Manufacturing Policy. Objective is to increase the share of manufacturing in the economy in the next 10 years from present 16 percent to 25 percent. Share of manufacturing in other Asian economies is around 34 percent. The Government wants India to catch up with them without analysing its long-term impact.

Problem is that increase in share of manufacturing implies that there will be contraction in share of other sectors. The other two sectors of the economy are agriculture and services. About one-half of Indian people are still dependent on agriculture. Reduction in share of agriculture, therefore, means that these large numbers of people will see decline in their incomes. Reduction in share of services sector will also be a backward step. It would mean that India wants to exit the *sunrise* sector and embrace the *sunset* sector. The share of services sector in the economy was 33 percent in 1951. This has presently increased to 55 percent. The share is 75-80 percent in the developed countries. It is seen that share of services sector increases across the world as income increases.

Economic development of a country should build upon the resources available to it. Arabian countries can develop by exporting oil while America can develop by exporting technologies because their resources, culture and manpower is suitable for these jobs. India's strengths are English language and brilliance of the mind. These are suitable for the services sector. One should not emulate manufacturing sector in other Asian countries because Indian circumstances are not suitable to this. In fact, Asian countries too would have jettisoned manufacturing and pushed services if they had capability to do so. Manufacturing was a compulsion for them. They did not have the capabilities required for the 'higher' services sector hence they had to, per necessity, focus on the 'lower' manufacturing sector.

Asian countries have expanded their manufacturing on the backbone of exports to developed countries of Europe and America. These countries are now in economic trouble. Exports to these countries are likely to face pressure. Manufacturing-based export-led economies of Asia are likely to face much trouble in the coming times.

Environment too is negatively impacted in manufacturing. Mining, deforestation, carbon emissions and water pollution go together with manufacturing. India's capacity to bear these problems is less than other Asian countries because Indian population intensity is greater. India has 333 persons per square kilometre against 135 in China and 116 in Indonesia. This means that 'free' area of rivers, lakes, forests and deserts is less in India. These 'free' areas help absorb pollution. Therefore, one must not abandon the 'clean' services sector in order to embrace 'unclean' manufacturing.

The Government claims in the Policy statement that 10 crore jobs will be created in manufacturing in the next 10 years. The track record till now does not support such ambitions. Between 1991 and 2008 only 5 lac jobs were created in the private organized manufacturing sector while 16 lacs were created in the services sector. How will 10 crore jobs be created in next 10 years when only 5 lacs have been created in last 20 years?

Worse, no concrete measures have been taken in the Policy to fructify whatever possibilities of job creation existed in the manufacturing sector. It is said that 'adequate support' will be given to labour-intensive industries. But the Policy maintains an eerie silence on detailing these steps. Jobs can be created in manufacturing only if the government makes it profitable for industries to employ labour instead of automatic machines. It was necessary to impose lower rates of excise duty and sales tax on industries employing more labour. A jute mill, for example, employing more labour than the industry average should be given tax concessions. Then it would become profitable for industries to use more labour and less automatic machines. Alas! There is nothing in the Policy statement in this direction. Only non-speaking empty statements about support to labour-intensive industries are made.

This Policy will fail in attaining its stated objectives of job creation and protection of environment. It will succeed, however, in creating opportunities for land mafias. It is proposed that National Investment and Manufacturing Zones will be established. These will be independent townships spread over minimum 5,000 hectares. The responsibility of implementing environment- and labour laws will rest with the CEO of the Zones. These Zones will be like an autonomous state within a state. Land will be acquired from farmers for making these Zones. Thrust of the Policy is on making these Zones and establishing new green field industrial areas. This means that problems of archaic laws, corruption, lack of finance, etc. of existing industries will remain on the backburner. □□□..... *[contributed]*