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**Strategies for Inclusive Growth: Better
Opportunities through Employment
Expansion.**

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EXECUTIVE SUMMARY

The approach of this dissertation is to first understand what is the concept and relevance of Inclusive Growth in the context of India, what are the strategic implications of it, what are the current issues plaguing it and finally recommending some measures to foster Inclusive growth primarily through employment generation.

We begin with defining Inclusive Growth as a strategy that endeavors to eliminate the non-uniform growth of an economy, arising from unequal access to opportunities, in order to reduce the disparate outcomes and thus create a meritocratic performance-driven society. The objectives of Inclusive Growth need to be applied at three levels of scope – geographical, business and individuals. Then we talk about the three strategic pillars and their tactical measures to achieve Inclusive Growth viz. Sustainable Inclusive Economic Growth, Inclusive Social Development and Good Governance. In the next section we discuss the issue to increasingly restrained employment growth due to technological advancements and high labor productivity; which could be hindering the purpose of inclusive growth.

Finally we suggest four *mantras* that would foster the development and expansion of employment pool thus providing equitable and just growth opportunities to all sections of the society and the nation as a whole. These four *Mantras* are Institutionalization of Informal and Unorganized sectors, Revamp of Labor policies in India, Overhauling of the Organized and Formal Sector, and Rejuvenation of Small-scale Industries.



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1. INCLUSIVE GROWTH – WHATS THE FUSS ABOUT?

A century ago, the great Italian sociologist and economist Vilfredo Pareto made a profound statement that no one can be made better off without sacrificing the well-being of at least one person¹. His argument probably stemmed from the zero-sum game principle where gain of one becomes the loss the other. But then isn't it a dichotomy that after 100 years, present day's sociologists and economists are emphasizing on the concept of Inclusive Growth which underscores a win-win situation for all the parties involved in the growth process. One wonders if 'Inclusive Growth' is just one of those fancy phrases that do rounds in academic and social circles once in 4-5 years and become fashionable to talk about in boardrooms and seminars?

1.1 *Inclusive Growth - Literally*

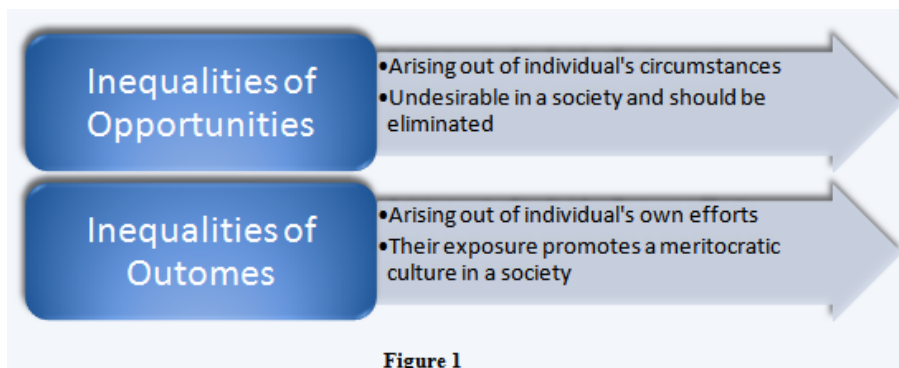
There is no universally agreed definition of *Inclusive Growth* nor is there any charter issued by the institutions claiming their existence for social benevolence (read World Bank, UNO, and International Monetary Fund etc); rather its character is more policy driven and based on discussions at various regional and international forums. The phrase *Inclusive Growth* can be safely believed to connote a uniform growth across all strata of society in terms of benefits flowing through more employment, income and thus better living standard to even those sections of society which have been overlooked by the elitist growth witnessed in recent years.

An important achievement of Inclusive Growth is that it differentiates inequalities arising due to individual circumstances from those due to individual efforts². Individual circumstances reflect factors such as a person's background, parental upbringing, education opportunities, religious beliefs, caste and geographical location etc which are beyond his/her control. Whereas the individual's actions represent factors within his or her control and for which only he or she is

¹ <http://www.economyprofessor.com/economictheories/pareto-optimality.php>

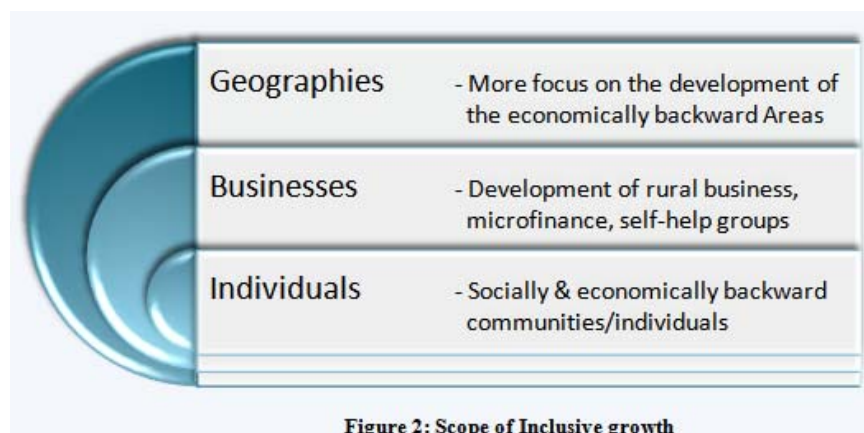
² Roemer, J. E. 2006, Economic Development as Opportunity Equalization, Cowles Foundation Discussion Paper No. 1583, Yale University, New Haven.

accountable. Thus the segregation creates two types of inequalities³ - “inequalities of opportunities” and “inequalities of outcomes”.



1.2 Inclusive Growth - Objectives & Scope

The main objective of Inclusive Growth remains the same universally i.e. a uniform development of all the sections of the society through equal growth opportunities. For a country like India where diversity is a norm, the objectives of Inclusive Growth could be set at three different scope levels viz. individuals, businesses and geographies.



³ “Equity and Development”, *World Development Report 2006*, Washington, DC

2. STRATEGIC PILLARS OF INCLUSIVE GROWTH


The objectives suggested in the last section warrant a coordinated social-economic-political effort at all the three scope levels as discussed. Various nations across the world have identified three main strategic pillars for Inclusive Growth that also form the overarching goal of Asian Development Bank as a focused strategic tool for the coming years.



2.1 High Sustainable Inclusive Economic Growth

Despite the unparalleled economic growth charted by most of the Asian economies in the last decade or so, a worrisome pattern that has been observed in these economies is the lopsided impacts of the growth. One of the indicators is the declining share of agriculture in GDP of India which slid from 32% in the year 1990-91 to 20% in the year 2005-06⁴. Hence, the most basic function of an inclusive growth strategy is to reduce the gap between the economic growths in different sections of society. The following policy areas need to be more inclusive to cover all the sections of the society:


⁴ <http://www.economywatch.com/budget/india-budget-2007/india-gdp-sector-wise.html>

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- *Equitable Allocation of Development resources:* Inclusive growth strategies aim to ensure that physical and financial resources are distributed such that all sectors – agriculture, manufacturing and service – get equitable growth inputs and that growth is more balanced thus benefitting to a large proportion of the population.
 - *Widening of Employment Net:* In most developing countries there is a large informal economy where most jobs and job creation are concentrated. In Asia, 50-60% of the total workforce earns its livelihood through informal means of earning. Inclusive Growth widens the total employment coverage by bringing more and more citizens under the ambit of minimum guaranteed days of employment in a year.
 - *Reduction of Poverty:* By creating productive employment opportunities and making them accessible to all sections of society Inclusive Growth makes poverty reduction efforts more effective and long lasting.
 - *Percolation of Technological Developments:* No growth or development is possible without flowing through technological developments be it agriculture, manufacturing or services. And it is equally important that the benefits of these technological advancements percolate to the lowest sections of the society.

2.2 Sustainable Inclusive Social Development

Social inclusion is crucial in developing countries like India where opportunities are differentiated on the basis of individual's economic well-being but also on the social factors like caste, religion, gender etc. Inclusive social growth requires policy interventions in three main areas:

- *Investment in Education:* Education is one of the most prominent determinants of movements out of chronic poverty. Implementation of quality education programs requires investment in physical infrastructure and installing monitoring mechanisms to fix accountability.
- *Investment in Healthcare facilities:* Expansion of human capacities through proper education is complemented by investment in healthcare so as to ensure at least primary healthcare facilities to all the residents of a country. Improved health and nutrition have been shown to



have direct effects on labor productivity and individuals' earning capacities, especially among the poor.

- *Social Safety Nets*: Promoting social inclusion also requires the government to provide at least a minimum level of social safety nets (in the form of labor employment protection policies, minimum wage requirements, social insurance) to mitigate the effects of external and transitory shocks entailed by natural disasters, macroeconomic transitions, social revolutions etc.

2.3 Political Stability to ensure Good Governance

In order to ensure the efficient implementation of the above mentioned two strategic pillars, good policy formulations and sound political institutions is of paramount importance. Good governance isolates Inclusive growth policies from the impeding effects of political instability besides providing mechanisms for social and economic justice.

So our take-away from the above discussion of strategic pillars of Inclusive growth is that for a country like India, sustainable inclusive growth's main aim is the equitable access to opportunities through expansion of employment pool. ***But then is the high labor productivity, aspired and achieved through growth strategies, a hindrance to the expansion of Indian job market.*** We continue this discussion in the next section.

3. THE IRONY OF INCLUSIVE GROWTH

The previous section discusses the three strategic pillars of Inclusive growth and if we analyze more closely one doesn't need to be a rocket-scientist to realize one of the main achievements of most of the strategic and tactical measures is the enhancement of the labor productivity along with higher employment. But with technological growth comes automation of work, standardization of processes and reduction of workforce. **So are our policy-makers being too**

naïve in chasing two mutually-exclusive targets of higher productivity through technology and higher employment?

3.1 High Productivity Blues

Labor productivity defined in terms of net value added (at constant prices) tripled between 1981-82 and 1996-97, stagnated and even slightly declined during the years of the industrial slowdown that set in thereafter, and has once again been rising sharply in the early years of this decade. The domestic manufacturers and service providers under the pressure of external competition see no choice but to follow global trends of lean, efficient organizations. Not only in organized sectors but even in agriculture the greater use of mechanized techniques has adversely affected the demand for labor per unit of outcome. Employers have reaped the benefits of increased labor productivity, but has the same made the labors any better?



Figure 1⁵

⁵ C.P. Chandrashekhar and Jayati Ghosh, *Recent employment trends in India and China: An unfortunate convergence?*, www.macroskan.com/spfea/jun07/PDF/Jayati_Ghosh.pdf

3.2 Lopsided concentration of Jobs

The recent global trend of movement of jobs to low cost destinations like India and India becoming the “back-office” of the world, paints a bright rosy picture of increased number of jobs for Indians. Yet the fact that warrants some concern is the fact that this spurt of growth is concentrated only in a few metropolitan cities like Delhi, Mumbai and Bangalore. Commensurate growth of employment has not happened in tier II and tier III cities. For instance as evident from Figure 5, there is a clear gap between rural and urban employment generation growth. As a result there is huge migration of rural and smaller town population towards cities in search of employment which further diminishes the prospects of employment growth in these areas generating a kind of vicious circle.

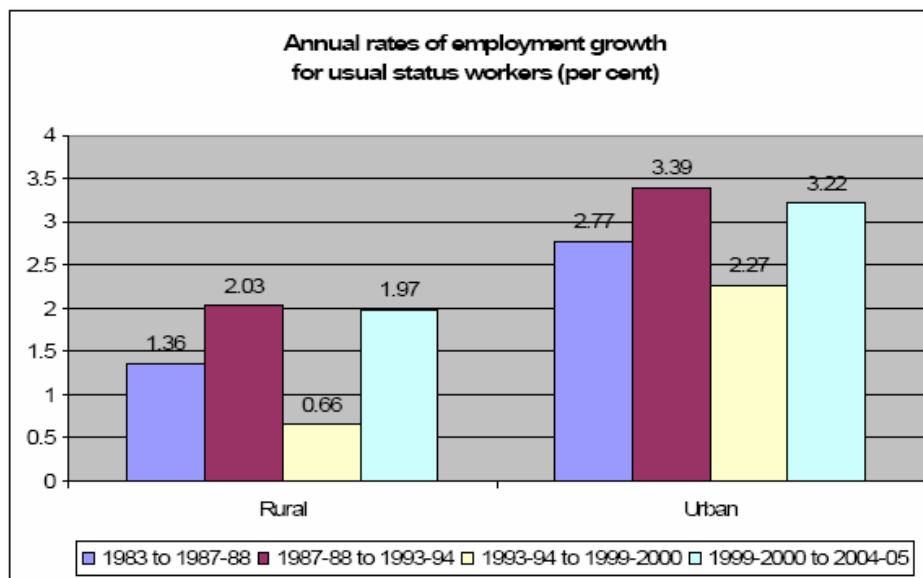


Figure 5⁶

⁶ C.P. Chandrashekhar and Jayati Ghosh, *Recent employment trends in India and China: An unfortunate convergence?*, www.macrosan.com/spfea/jun07/PDF/Jayati_Ghosh.pdf

4. ROADMAP FOR INCLUSIVE GROWTH THROUGH EMPLOYMENT?


Based on our discussion in the previous section should one conclude that increased technological advancements and improved efficiencies will make India a lean economy where only the fittest will survive and thus Inclusive Growth rather become more exclusive with time? Our analysis suggests that India will become a leaner and more efficient economy, but not at the expense of reduction in jobs due to high labor productivity but because of better redistribution of skilled-labor in diverse sectors that have been non-institutionalized and thus untapped till now.

4.1 *The 4 Mantras of Inclusive Growth with Employment Generation*

Mantra 1: *Institutionalization of Informal and Unorganized sectors*

The features of job security, decent working conditions and excellent compensation that are associated with organized services (IT/ITES) can also be introduced in informal sectors by concerted efforts of both government and private sector. Here are some of the examples:

- *Agriculture:* Employment in this sector is undermined because of irregular monsoons, poor infrastructures and poor standard of living in villages. This leads to abdication of farming by rural inhabitants and migrations towards cities. Infrastructure creation in the form of irrigation facilities, healthcare, education and power would improve the living and working conditions and expand the labor requirements. Universities based on farming and other agro-based sciences in rural India will help in institutionalization of agriculture.
- *Tourism:* India being one of the most favorite tourism destinations world-wide is also a goldmine of employment opportunities. Yet the unorganized nature of it not only makes the jobs in this field unreliable but also deters the growth of tourism per se in India because of unfriendly tourism infrastructure in the country. Hence re-organization of tourism industry into heritage-tourism, eco-tourism, health-tourism, adventure-tourism is the way to go. Here again skills imparted through formal academic programs and subsequent induction of the skilled labor in both public and private tourism-based firms will expand the job pool.
- *Retail:* Retail has always been an unorganized sector in India, but given its growth world-wide and the advent of retail giants in India have made retail the new *Sunshine Industry* in



India. But the industry is at such an early stage in India that for at least another 5 years the impact of organized retail will be limited to tier I cities only. Here government can take the first mover advantage in tier II and tier III cities and create vegetable and other consumables' markets at large organized scale.

Mantra 2: *Revamp of Labor policies in India*

Archaic labor laws governing restrictions on layoffs, changes in terms of employment, lack of collective bargaining agreements and use of contract labor have rendered Indian manufacturing industries rigid and less competitive. The impact has been worse on small scale industries where many employers chose to remain marginal and less-economic in order to avoid the hassles involved in being a medium sized player.

- *Encouragement of Contractual Labor:* The current state of the Contract Labor (Regulation & Abolition) Act, 1970 puts a severe constraint on the employers in creating temporary and casual jobs⁷. Hence amendment to this act easing the restraints but making provisions for minimum wages, weekly off, safe working conditions, paid leave and maternity leave will create a vast pool of jobs.
- *Collective Bargaining:* With the shift in level of coordination and bargaining from national/sectoral to enterprise/plant level, trade unions' bargaining power is shrinking. This does not impact the number of jobs directly but does affect the dynamics of job markets. Hence laws concerning the same need to be revamped to find a middle path between employer menace and employee militancy.

Mantra 3: *Overhauling of the Organized and Formal Sector*

Sectors like education, health, banking and real estate are considered organized to a large extent in India. But can we say with full conviction that these sectors have explored their employment generation capabilities efficiently. We believe that even in organized sectors thousands of new jobs could be created with the penetration of proper health, education and banking services into smaller towns and villages. The government faces a challenge in terms of mobilizing urban

⁷ Dr P D Shenoy, *Globalization : Its impact on labor in India;*

www.ris.org.in/India_Globalisation_Its%20Impact%20on%20Labour%20in%20India_P%20D%20Shenoy.pdf

youths to work in villages. So, academic and vocational institutes imparting trainings on primary healthcare and teaching (e.g. B. Ed., M. Ed.) to rural youths will solve this problem. Efforts have already started in the form of microfinance based institutions promoting entrepreneurial culture among rural Indians.

Mantra 4: *Rejuvenation of Small-scale Industries*

So far as India is concerned, the small scale industrial sector accounts for about 28 million units, 16 million employment and production of over 7500 items with export share of about 34%⁸. The New Economic Policy pursued since 1991 has brought this sector face to face with competition through de-licensing, reduction in customs and excise duties. Several small scale units have withered away but those who have adopted modern production practices like auto ancillary sectors have benefited substantially. Through Public-Private-Partnerships, government needs to identify similar dying and sick small-scale industries that hold huge growth potential and need to reinvigorate them with improved financing and technology support.

5. CONCLUSION

In this dissertation we have tried to address the issue of Inclusive Growth through higher and more equitable employment opportunities generation. We started with the discussion on what constitutes the principle of Inclusive Growth, what are the implications on the growth of a country and how is it relevant in India context. We also defined the scope of the objectives of Inclusive Growth and what are the strategic pillars that would aid the achievement of those objectives. In our analysis we conclude that with better technology, improved processes and increased productivity India is poised to become a lean and efficient economy but at the same time by overhauling the job market and proper policies the goal of inclusive growth is also achieved by expansion of job market and equal opportunities.

⁸ Dr P D Shenoy, *Globalization : Its impact on labor in India;*

www.ris.org.in/India_Globalisation_Its%20Impact%20on%20Labour%20in%20India_P%20D%20Shenoy.pdf

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- <http://www.automationworld.com/view-320>

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EDUCATIONAL QUALIFICATIONS

1999–2003	<i>Oriental Institute of Science & Technology, Bhopal</i>
• Bachelor of Engineering (Computer Science)	76.9% Aggregate (Department Rank 5)
1998	<i>Red Rose School, Bhopal (M.P. Board)</i>
• Higher Secondary Certificate Examination	76.4% Aggregate (School Rank 1)
1996	<i>Red Rose School, Bhopal (M.P. Board)</i>
• High School Certificate Examination	89.0% Aggregate (State Merit Rank 9)

WORK EXPERIENCE

28 MONTHS

Jan 2004-May 2006 *Tata Consultancy Services, Brussels/New Delhi* *Assistant Systems Engineer*

- Selected out of 15 trainees to implement Customer Administration module as a member of onsite team and deputed on the **special request of the client** to ING Bank office in **Brussels, Belgium** for 7 months
- **Led a team** of 4 for the maintenance of *Credit Risk Management System* of **Deutsche Bank London** and enhanced the functionality of its Risk Monitoring portal by providing multiple views on Risk Data
- Spearheaded the design & implementation of Administration Modules of a **Wholesale Banking** project for **ING Bank Netherlands** to centralize web-enabled *System Administration, Payments and Reporting* systems
- Interacted with **European clients** and third party testers to resolve functional & technical issues, optimized the product by improving User Interfaces & Security Features and facilitated onsite-offshore coordination
- Optimized the onsite delivery process as the **Quality Assurance Head** of Online Payments module

AWARDS AND ACHIEVEMENTS

- Felicitated as **Star of the Quarter** by TCS Belgium from over 200 employees for exemplary performance
- Bagged overall Batch Topper award out of 40 trainees at TCS' Initial Learning Program at Trivandrum
- Received **National Level Scholarship** from Hinduja Foundation for six consecutive years, 1997 to 2002
- Topped the batch in Foreign Language (**German**) category during the TCS' training program in 2004
- Secured **9th rank** in Madhya Pradesh in High School State Merit list with **100%** marks in Mathematics
- Conferred with **Best Student Awards twice** from over 1000 students for all round performance in school
- Awarded as the **Best Outgoing Student** from a batch of over 100 students in standard XII
- Received Kapil Ponda Memorial scholarship from 1996 to 1998 for consistent academic excellence

EXTRA CURRICULAR ACTIVITIES

- Won Second prize at a **National level** marketing plan contest "Clash of the Titans" held during IIM Calcutta's business festival Intaglio-07, conceptualized and designed tourism campaign for Uttaranchal
- Founder Member of Dance Troupe of IIMB, choreographed & led IIMB's dance entry for Unmaad 07
- Performed various stage shows as the **Composer & Lead Singer** of TCS Delhi's music band
- **Choreographed** a dance that won **First prize** at an Inter college group dance competition in 2003
- **Captained** & represented college quizzing team to win laurels at various Inter College Quiz competitions
- Bagged two Second prizes at the **All India University level** cultural festival OASIS-2002 at BITS Pilani
- Received certificate of appreciation for organizing and anchoring a **National Level Quiz contest** during the All India University level technical symposium "Techno-Orientation 2002", Bhopal
- Nominated as the **Head Boy** and the **Assistant Head Boy** of the school in class XII & XI respectively
- Won Second Prize out of 26 colleges at a **Regional Level** Inter college GK Quiz competition in 2001
- Awarded 5th prize out of over 250 college entries at a **State Level** essay writing competition in 2002
- Organized and conducted various cultural events as a Member of the **Cultural Society** of TCS Delhi

