Job Creation and Economic Reforms

What is the issue?

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- Job creation rates have been dismal for years now.
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- The government has been espousing the need for a new industrial policy to address the flaws of current liberal economic structure.
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How are economies engineered?

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- **The Concept -** The process of industrialisation is one of acquiring capabilities to produce more complex products that before.
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- Workers learn newer advanced skills and policymakers work to create conditions conducive for the advancement of industries.
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- While, a competitive world enhances growth, policymakers should ‘nurture’ necent domestic sectors by following protectionism until they are strong enough for more open competition.
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- **Indian Context -** Until the 1980s, the Government closely managed the flow of investments into selected industrial sectors to nurture their development.
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- From the early 1990s onwards, the Washington Consensus model of liberal markets has been dominating both Indian & global economic policies.
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- After the 2008 slowdown, it is now felt that the present pattern of economic growth is not producing sufficient jobs – calling for structural reforms in the economy.
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How has the Indian industrial sector fared?

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- Free market approach was embraced with the expectation that market forces would accelerate growth.
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- But, India’s manufacturing sector, which should’ve been a principal driver for job creation & growth didn’t meet expectations.
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- While the services sector grew, overall job growth hadn’t keep pace with population growth.
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- India’s capacity to produce capital goods was as strong as China’s in 1991 because of compulsions due to foreign exchange shortages.
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- But by 2009, Chinese capital goods production capacity was about 50 times as large as India’s.
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What are the other issues hindering job creation?

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- **Skilling policy -** The skills people need are the ones that industry demands and hence large scale coordination is required.
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- So, dedicated ministries for promoting programs for skilling like in India are bound to fail.
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- **Effects -** This approach has resulted in the mismatch between the output of the skilling programmes and requirements of industry.
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- While, less than 20% of the millions trained by the government’s skilling missions have been able to find suitable jobs, enterprises complain that they don’t have people with the requisite skills.
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- Therefore, policies for developing skills must mesh with policies to stimulate growth of enterprises.
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Source: Businessline

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