Economic Development in India: Scope for Job Opportunities and Skill Enhancement

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Abstract

This paper attempts to identify the importance of skill development and scope for job creation in the transition phase of the demographic dividend. India is going through unique phase of demographic dividends, where it is necessary to focus all strategic policies towards the youth, so that these benefits could be seen in reality. But India's performance with regard to both education and employment has been disappointing. Mass education of youth and their gainful employment in productive jobs is central for capitalizing on India's demographic dividend. Data from World Development Index,2013 reveal that in 1999 only 63% of male students and 60% of female students who had begun grade Ist reached grade Vth. This is a lower rate than for lower middle-income countries. Creation of jobs is another area of concern. This researcher wants to analyze the efforts of Governments and window of opportunity coming due to demographic dividends. Also, researcher studied the role of entrepreneurship in the creation of jobs. This is conceptual paper based on secondary data.

Keywords : Employment, Creation of Jobs, Demographic dividend, Economic development, entrepreneurship

I - INTRODUCTION

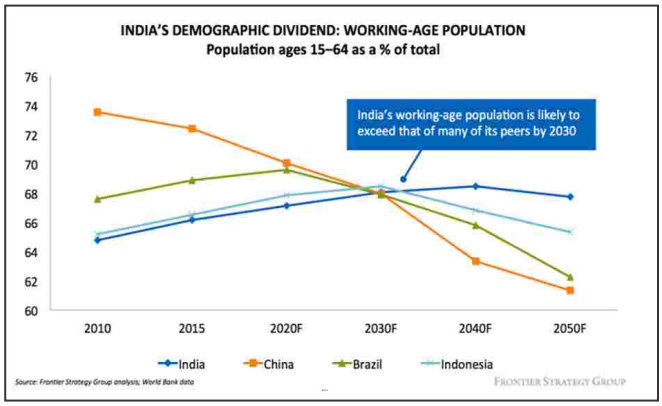
We are hearing the term demographic dividends, but what is it? "A demographic dividend is the freeing up of resources for a country's economic development and the future prosperity of its populace as it switches from an agrarian to an industrial economy. In the initial stages of this transition, fertility rates fall, leading to a labor force that is temporarily growing faster than the population dependent on it. All else being equal, per capita income grows more rapidly during this time too." ...*Investopedia.com*

This demographic dividend could be demographic disaster if proper policy initiatives are not taken by the central Government. In this case, the creation of jobs is paramount important activity for a country like India, whose majority of population around 64% is in the range of age group of 15 to 64 years. The creation of quality jobs with decent wages and skill development of the workforce is an urgent need and all efforts should be made to speed up skill development. The Indian economy has to grow so that jobs will be created; jobless growth is not acceptable in case of India. Indian economy requires skilled manpower for the manufacturing and non-manufacturing sectors. This needs large scale investments in public and private sectors, a supportive reform program which is centered on manufacturing and development of infrastructure. The demographic dividend has to be looked into seriously, Ingle & Suryawanshi (2011) while discussing India's demographic dividend maintains that by the year 2025, India will experience a wonderful window of opportunity brought about by its fertility decline, increase in average life expectancy and slowing of its population growth rate.

As seen in Figure No-1, we can see that proportion of India's working age population like to cross all nations of the world. Nearest competitors are Indonesia, Brazil and China. So that critical input into job creation would be the rapid skilling of India's youth. Apart from a substantial revamping of school level education, this would require sharply redesigned and expanded national apprenticeship programs.

DOI : 10.21904/weken/2016/v1/i3/103458

Figure No-1- Indian working population



Source: Frontier Strategy Group- World Bank data

II - RESEARCH METHODOLOGY

Basic purpose of this research paper is to identify causes for poor performance of policy-makers in creation of the jobs. What has to be done? Can we have more and more startup, entrepreneurial activities? So that India can benefit from the window of opportunity of transition phase of demographic dividend. This is conceptual paper based on secondary data, review of literature has been done and major findings are selected for the study and conclusions

III - REVIEW OF LITERATURE

India needs to reform its polices related to labor, taxes and land acquisitions. The plethora of labor and product market regulations (for large and small businesses) must be reduced. They inhibit labor mobility and adaptation to domestic and global market requirements and, more broadly, increase the administrative cost of doing business. One stop clearances for projects and a strong culture of e-governance need to be cultivated. Tax distortions must be reduced and a well harmonized Goods and Services Tax introduced.

The Indian economy is facing the challenge of matching the number of jobs with a number of employable. In the absence of a benign policy environment that creates employment, a surge in the labor force could lead to massive unemployment, poverty, rampant crime, civil unrest, and out-migration.

Sedano F. (2008). This phase is not permanent, it generally last for fifty years, as the baby boom generation ages and retires, leading to higher levels of elderly dependency, which in turn have a negative effect on economic growth, mainly as savings shrivel, pushing up interest rates and lowering investment levels.

Ingle &Suryawanshi (2011) reiterate that in the backdrop of "bulging" working ages, the main challenge would be skill enhancement and improving the technical capabilities of the youth so as to bring about a balance between manpower supply and the requirements of industry. In the context of India, Bloom (2011) believes that investment in education and training can support India's use of the window of demographic opportunity brought about by an increase in the proportion of working age population to the total population as a consequence of a declining fertility.

Creation of more and jobs will be challenged in front of some government. We need entrepreneurial ventures for creating startup companies, so that jobs can be created.

Wong MPA (2009) studied entrepreneurial private industry models such as start-up businesses, corporate ventures and spin-off organizations have ability to quickly adapt to changing business environments and rapidly innovate to take advantage of new opportunities. This case study investigates these claims with regard to a start-up university founded with the identity of an entrepreneurial, interdisciplinary institution that prepares graduate level students for leadership careers as entrepreneurs.

Sarada. (2011) this dissertation contains three essays in entrepreneurship. Entrepreneurship is a key generator of

Economic growth. Entrepreneurial firms innovate, both on the product and process margins, creating new technologies and organizational novelties, bringing about positive spillovers to the economy as a whole. As such, understanding the factors underlying such activity is vital.

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Kararach et.al. (2011) said that challenges facing countries in Africa in relation to its demographic transition, investigating the type of policies that would be most effective to address the challenge. The subsets of policies at the regional level are given special attention due to their opportunity expanding nature.

Study by Ugwushi, et. al. (2011) about the practical implications of policy should stimulate and open up more channels for budding entrepreneurial activities, job opportunities and

Wealth generation. These would mitigate social disorder and disguised criminalities such as kidnapping and destruction of oil installations, resulting from perceived marginalization, massive unemployment and poor living standards experienced within the region. This study was conducted in Nigeria.

The investment needs for such large scale job creation cannot be fulfilled by the private sector alone. A program of fiscal prudence would lower the fiscal deficit and - at the margin - switch public expenditure from current subsidies to investment. Perhaps the most significant change required among policymakers is attitudinal – both in the public and private sectors. The current fixation with growth and poverty is understandable. However, India's development philosophy without a paradigm change in India's approach to the education and employment of youth could be dangerous.

Study done by, Nandamuri et al. (2012) said it is crucial to imbibe entrepreneurial skills among these graduates to make them future-ready and further make entrepreneurship development a full-fledged initiative rather than merely

relegating it as a formal course in the curriculum of business administration.

India replaces China as the fastest growing emerging economy. While on the surface, this seems like good news, it is important to recognize the giant disconnect between GDP growth and job growth going on in India. There is jobless growth in India.

Table No-01-GDP vs employment growth

Period	GDP growth (%)	Employment growth (%)	Productivity growth (%)	Elasticity of employment with respect to GDP
1972-1973 to 1983	4.66	2.44	2.22	0.52
1983 to 1993-1994	4.98	2.02	2.96	0.41
1993-1994 to 2004-2005	6.27	1.84	4.43	0.29
1999-2000 to 2009-2010	7.52	1.50	6.02	0.20
2004-2005 to 2009-2010	9.08	0.22	8.86	0.02

Source: Papola, 2012

India's cumulative GDP growth in the 2005- 2012 period was a remarkable 54%. During that same period India's net new cumulative job growth was only 3% or 15 million net new jobs, about 2.5 million per year. This is an extraordinary disconnect, especially since the workforce was growing by 7-8 million job-seekers annually. Given India's current trajectory, economic growth is not the primary challenge for India's policymakers, job growth is, a challenge that will grow dramatically in the next ten years. An equally important challenge is the lack of preparedness of India's notoriously unskilled and poorly educated labor force for Quality Jobs. As 80 million job seekers join the labor force in the next 10 years, India's need to skill its workers for quality jobs is going to increase dramatically.

If these gaps in job creation and quality skilling are not addressed, the once in a lifetime opportunity of a demographic dividend will go wasted, and the risk of a demographic disaster will be all too real. The jobs situation in India is a powder keg that, unless addressed in time, will not just perpetuate widespread economic hardship but could destabilize political order.

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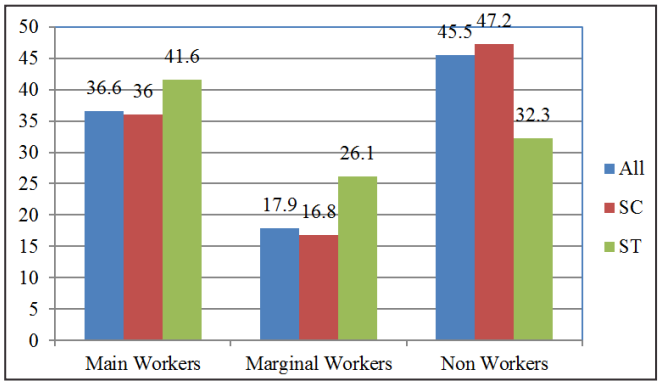
IV - SKILL DEVELOPMENT

It is necessary to have skilled generation, so that, these can be absorbed by the industries. So developing the skills required in various sectors of the economy is more desirable, the Government of India has created a new framework for skill development.

As per the National Policy on Skill Development, this target has been planned to be achieved by focusing on improving quality, quantity, access and outreach of training. Innovative measures such as virtual classrooms, mobile vans, simulation based training, etc., have been implemented to reach the people locate in areas difficult to reach. There are general programs, group-specific and region specific, for enhancing the employability of the youth.

As per census 2011, following figure shows the % of unemployed youth from to age group of 15-34 yrs.

Figure No. 02- Percentage of unemployed youth

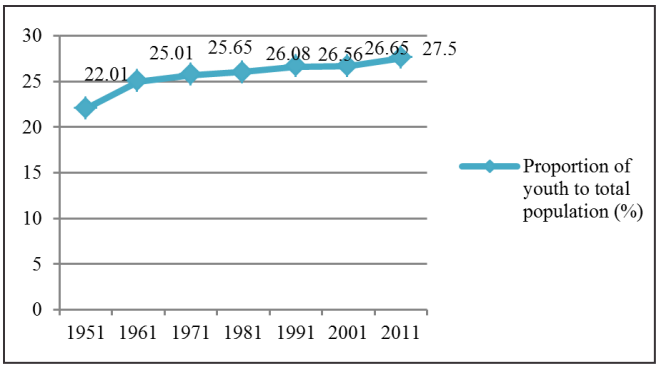


Source: India census 2011

Employment and Unemployment survey by the labor ministry, 2011-12 reveals some facts for Gujarat and some surprising facts for certain states of the nation. The lowest unemployment rate was in Gujarat, just 1%. While the largest numbers of unemployed persons were found in Kerala and West Bengal. As per the report all-India unemployment rate in India is an estimated 3.8%, besides Delhi & Maharashtra's unemployment rates are 4.8% and 2.8% respectively. The survey had been conducted taking a sample of 1.28 lakh households from all the districts of the country. Of these 81,430 families were from rural sector and remaining 46,868 households from urban sector. The female unemployment rate was estimated at 6.9 per cent, whereas for males, the rate during last fiscal stood at 2.9 per cent.

From the data of census 2011, we can see that, in year 27.5% of the population is coming in age group of 15 to 29 yrs.

Figure No-03-Proportion of Youth in Population (age 15 to 29 yrs)



Source: India census 2011

There are many factors that have exacerbated this GDP growth-jobs disconnect, including the following significant drivers:

1. India's economic growth planning` and policies are largely divorced from job growth planning and policies.
2. Capital intensity of the manufacturing sector: Increases in labor costs combined with low productivity, compounded by high inflation, have led to an overall increase in the capital intensity of the manufacturing sector.
3. Inverted tariff policy is a deterrent to manufacturing sector.
4. GDP growth in sectors that produce few jobs e.g. financial services: Overall, the Services sector in India has made a significant contribution to employment growth in the post-reform period. However, employment growth in Financial Services is miniscule compared to its impact on GDP.

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5. Too much emphasis on micro-enterprises. There are insufficient policy incentives to encourage medium size companies to become globally competitive, grow rapidly and create large numbers of Quality Jobs.
6. Failure to remove multiple obstacles to entrepreneurship & growth of SMEs.
7. Failure to provide adequate infrastructure for existing "Modern Industry" clusters.

V - EDUCATION& JOBS

Education has to be practical with minimum emphasis on theory. We need higher educated people who are skilled and who can drive our economy forward. When India can provide skilled people to the outside world, then we can

transfer our country from a developing nation to a developed nation very easily and quickly.

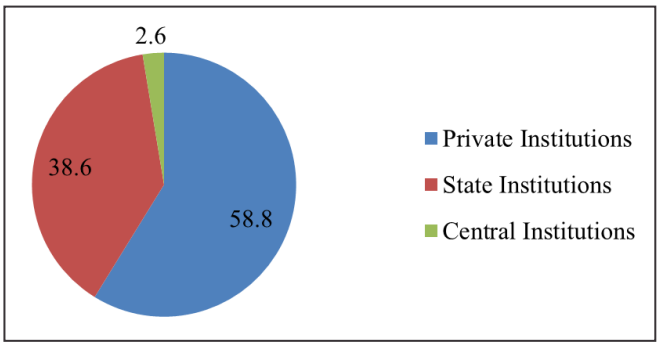
Education is necessary for overall growth of any country. When both boys and girls have access to education, accelerated economic growth is possible.

Table No- 02- Student enrollments

University and university-level 659 Nos	Colleges – 33,023Nos	Diploma-granting 12,748 Nos
Central 152	Central 669	Central NIL
State 316	State 13,024	State 3,207
Private 191	Private 19,930	Private 9,541

Source: FICCI, 2012

Figure No- 04- Students Enrollment



Source: FICCI, 2012

From above figure no-04, we can say that, majority of institutes are in Private Sector with 58.8%, followed by state run institutes with 38.6 %. Education for girls is necessary so that, its delay marriage and first pregnancy. Women who marry later tend to have fewer children than women who marry at a young age. Women who are educated are also more likely to work outside the home—increasing the size of the labor force and the potential for economic development.

Many African women participate in the informal labor force, skills and experience acquired through secondary education position them to take on higher-level jobs in the formal sector or to access loans and financial support that allow them to grow their formal or informal businesses. (Jorge Saba Arbache, 2010) Demographic dividend, will be profitable if we could educate more and more girls.

Creation of jobs, and educating woman should be the primary objectives of any government.

We propose a twofold solution-

Make India a world leader in job creation, especially for quality jobs by empowering startup entrepreneurs &enabling small and medium businesses (SMEs) to grow without shackles.

Make India a nation of skills by making skills, education an important and ubiquitous aspect of secondary and college education.

Bringing this vision to reality will require the government of India to deploy the following combination of strategies:

Strategy 1: Build and Execute an Integrated Policy Framework: One of the best ways to achieve this would be to create an office of a Jobs Advisor to the PM, based in the PMO.

Strategy 2: Enable Startup India: From the startup through a growth phase, there should be an integrated set of policies and investments for specially empowering startup entrepreneurs.

Strategy 3: Unleash SME India: Make small and medium businesses (SMEs) India's primary growth engines. Innovation & skilling in SMEs would certainly take India a long way in realizing major initiatives such as Make in India, Smart Cities and Digital India.

Strategy 4: Create an Integrated Vocational Training & Education (VTE) Ecosystem: Create skilling ecosystems across high schools, ITIs, community colleges, polytechnics, vocational training providers (VTP's) and employers.

Strategy 5: Leverage Technology to Accelerate Job Creation and Skilling at Massive Scale: Leverage platforms of Massive Open Online Courses (MOOC) for vocational education and apprenticeship programs.

DOI : 10.21904/weken/2016/v1/i3/103458

How to Grow Jobs?

We recommend a policy framework to include the following policies:

1. **Make Entrepreneurship Education Ubiquitous:** India needs a world-class entrepreneurship education curriculum, which should ideally be a blend of both online and experiential learning.
2. **Make it Easy for Startups**. Presently, the startup system is very complicated. So, there is an immediate need to introduce a whole package of policies that makes it easy to do businesses. The new Start-up Policy is a good start, but a lot more needs to be done.
3. **Reward Small and Medium Enterprise (SME) Growth:** In all other developing economies SMEs are the primary engines of growth. Yet India's policies favor micro-enterprises, many of which are subscale and have low productivity, and penalize SMEs. There is a need to eliminate the archaic MSME boundaries that classify businesses as "micro" and then provides direct and indirect incentives to just micro and certain small businesses.
4. **Increase Funding to the Small & Medium Enterprise Modern Clusters with the Highest Growth Potential:** The existing Cluster development program (CDP) aims at addressing the needs of the industries, through well-defined clusters and geographical areas to enable them to achieve economies of scale in terms of deployment of resources as well as focusing on the specific needs of similar industries.
5. **Establish a Startup & SME Growth Corporation**: A Public-Private partnership (PPP) model based corporation can be formed to help startups and small and medium businesses (SMEs) grow, especially those outside the technology sector.

GOI should play the role of an enabler and facilitator with an integrated policy framework that encourages and enables business growth at all stages of the business lifecycle, from startup to small to medium businesses, rather than penalizing businesses with ever stricter rules and regulations as they grow.

Bloom et al(2003), Suryawanshi& Ingle (2011) and Debroy (2006) and also Chandrasekhar et al(2006) have all given emphasis on skill development initiatives to raise employability and facilitate demographic dividend. The policy makers in India have acknowledged the global importance given to skill development and vocational training programs in its efforts at raising employability and matching manpower to the emerging manpower demand. Thus, vocational education may be seen as a prescriptive measure that would aid in arriving at the demographic dividend.

VI - SUGGESTIONS

It is observed that, if we provide the right skills to the right people and then placing them in sustainable quality jobs., then India could be in a position to become a developed country. Policy ideas to achieve this objective include the following:

Vocationalization of High Schools: There are important lessons to be learnt from China's successful Technical and Vocational Education and Training (TVET) initiative and its continuous improvement to respond to changing market-driven, localized services and manufacturing industry needs.

Reinvention of ITIs: ITIs in India have failed their mission of skilling market-ready workers at large scale and placing them in high quality jobs. Thus, India needs to massively transform the ITIs to make them more market responsive to local needs and expand to the services sector where majority of jobs will be created.

Worker- and Employer-Centric Engagement with VTPs: GOI should provide incentives to students, employers and VTPs based on the actual long-term placement and retention of VTP graduates in quality jobs.

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Massive Apprenticeships Initiative: Apprenticeship opportunities in India are presently insignificant when compared to the size of the economy, unlike China which has a large and effective apprenticeship program.

VII - CONLUSIONS

The policy journey for achieving job creation and fulfillment through skill development at massive scale will not be easy. Some of the policies and initiatives proposed are new, while some are refinements of existing policies or ideas. They span multiple ministries and require coordination between the central, state and local administrations as well as partnering with the private sector and other facilitating stakeholders. These are serious challenges in the current policy process. The key to success here will be policy integration, simplicity, effective execution and continuous improvement based on measuring outcomes.

India is the fastest developing country in the world, if we could take the benefits of demographic dividend's advantage, by proper policy initiatives, by inclusive education to all, by educating girls, and creating jobs, then this demographic advantagecouldconvert into demographic dividend.Otherwise demographic dividend will create demographic disaster.

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DOI : 10.21904/weken/2016/v1/i3/103458

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