

# How India can create more jobs

## *Drive to attract factories must not overlook country's huge potential in services*

India celebrated 77 years of independence last week. By its centennial, in 2047, Prime Minister Narendra Modi wants the country to become a “completely developed nation”. Based on current trends, however, it could take another 75 years for India just to reach one-quarter of America’s income per capita, according to the World Bank. To change the arithmetic, India must capitalise on its labour force — one of the youngest and largest in the world.

A vast labour supply of over half a billion is both an opportunity and a challenge. It can support economic growth, provided there are enough worthwhile jobs to fill. But it also brings huge political pressures, as Modi found out after his Bharatiya Janata party lost its parliamentary majority in a shock election

result in June. The vote reflected rising frustration over the lack of well-paid work opportunities. Rising food prices made matters worse.

India’s jobs challenge is stark. A recent study by Natixis, a bank, estimated that the country needs to create 115mn jobs by 2030 to absorb its growing population. That means the economy producing 16.5mn jobs per year, a significant step up on the 12.4mn annual average for the last decade.

In a sign that the election result has humbled Modi, the government’s budget last month outlined several initiatives to jump-start jobs growth. It set aside \$24bn for job creation, covering employment and training incentives. It is a start, but there are no quick fixes.

India is, however, well positioned to benefit from global economic shifts, which it can leverage over time to deliver more jobs. The country is attracting businesses keen to diversify their manufacturing supply chains, as part of “China Plus One” strategies. For

instance, Foxconn, the electronics group, has been expanding in the country. Factories create jobs at scale, particularly for lower-skilled workers. Rather than wasting funds on subsidies, India can appeal to more manufacturers by investing in its road, rail and ports and by slashing import tariffs, which benefit its wider economy too.

But greater focus should also be placed on driving high-skill, high-pay employment opportunities. India is well set up to benefit from the rising global trade in higher value-added services. It has one of the largest numbers of graduates in Stem — science, technology, engineering and mathematics — fields in the world. Multinationals ranging from Google to Walmart have set up “global capability centres” in India, which tap into its talent for data analysis, and research and development. Still, the International Labour Organization recently estimated the jobless rate for graduates to be around 29 per cent.

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world’s research hub. But getting there warrants continued efforts to support the private sector, including by streamlining red tape around planning and foreign investment. Closer connections between India’s technical colleges, employers and investors can help support better job-matching, continued skills development, and start-up growth.

In the longer term, India needs to invest in better education and support women to enter the formal workforce to shift more of its population away from precarious work. That will support income growth, and in turn drive further job creation.

Having millions of workers in poorly paid, informal work, and talented graduates with too few jobs to go into is a major problem for the BJP. It is also an enormous waste of talent for India, and the world. Just as the nation tapped into globalisation in the 1990s to drive jobs and growth, it needs once again to ride the wave of global trends to take advantage of its “demographic dividend”.