



## The shape of growth matters

This article is related to General Studies-  
Paper III (Indian Economy).

The Hindu

Writer - Arun Maira (Former member of the  
Planning Commission)

27 Dec., 2018

### Some recommendations in NITI Aayog's 'Strategy for New India @ 75' are a cause for concern.

While there are many refreshing improvements in NITI Aayog's 'Strategy for New India @ 75' from the erstwhile Planning Commission's plans, there are also concerns about some of the strategies recommended.

The intent to change the approach to planning from preparations of plans and budgets to the creation of a mass movement for development in which "every Indian recognises her role and experiences the tangible benefits" is laudable. The strategy affirms that "policymaking will have to be rooted in ground realities" rather than economic abstractions. It says that stakeholders have been consulted widely in preparing the strategy, which is also something that the erstwhile Planning Commission said. However, what matters is the quality of consultations. It will be worthwhile for NITI Aayog to get feedback from stakeholders on whether it has improved the process of consultation substantially or not.

The strategy emphasises the need to improve implementation of policies and service delivery on the ground, which is what matters to citizens. Its resurrection of the 15 reports of the Second Administrative Reforms Commission and recommendation that they must be implemented vigorously are welcome. The previous government had taken its eye off the ball. It did not put its weight behind the implementation of these well-thought-out recommendations, which had the endorsement of all political parties, by a Commission it had supported.

### The meaning of growth

Employment and labour reforms, the second chapter in the strategy, have rightly been given the highest priority, which was not the case in the previous plans. Overall growth is also emphasised by NITI Aayog: "Besides having rapid growth, which reaches 9-10 per cent by 2022-23, it is also necessary to ensure that growth is inclusive, sustained, clean and formalised." However, it is the shape of growth that matters more than size. The employment-generating capacity of the economy is what matters more to citizens than the overall GDP growth rate. There is no joy for citizens if India is the fastest-growing economy and yet does not provide jobs and incomes.

The growth of industry and manufacturing is essential to create more employment, and to provide bigger opportunities to Indians who have been too dependent on agriculture so far. Here, too, it is not the size of the manufacturing sector that matters but its shape. Labour-intensive industries are required for job creation. If the manufacturing sector is to grow from 16% to 25% of the GDP, which the strategy states as the goal, with more capital-intensive industries, it will not solve the employment problem. The strategy does say that labour-intensive industries must be promoted, but the overall goal remains the size of the sector. What one measures, one manages. Therefore, the goal must be clearly set in terms of employment, and policies and measurements of progress set accordingly. Indian statistical systems must be improved quickly to measure employment in various forms, formal as well as informal.

The strategy highlights the urgency of increasing the tax base to provide more resources for human development. It also says financial investments must be increased to strengthen India's production base. Managing this trade-off will not be easy. If tax incentives must be given, they should favour employment creation, not more capital investment.

A big weakness in the Indian economy's industrial infrastructure is that middle-level institutions are missing. Rather than formalising small enterprises excessively, clusters and associations of small enterprises should be formalised. Small enterprises cannot bear the burden of excessive formalisation — which the state and the banking system need to make the informal sector 'legible' to them. Professionally managed formal clusters will connect the informal side of the economy with its formal side, i.e. government and large enterprises' supply chains. NITI Aayog's plan for industrial growth has very rightly highlighted the need for strong clusters of small enterprises as a principal strategy for the growth of a more competitive industrial sector.

### Reorienting labour laws

The strategy on labour laws appears pedestrian compared with the ambitious strategy of uplifting the lives of millions of Indians so that they share the fruits of economic growth. It recommends complete codification of central labour laws into four codes by 2019. While this will enable easier navigation for investors and employers through the Indian regulatory maze, what is required is a fundamental reorientation of the laws and regulations — they must fit emerging social and economic realities. First, the nature of work and employment is changing, even in more developed economies. It is moving towards more informal employment, through contract work and self-employment, even in formal enterprises. In such a scenario, social security systems must provide for all citizens, not only those in formal employment. Indeed, if employers



want more flexibility to improve competitiveness of their enterprises, the state will have to provide citizens the fairness they expect from the economy. The NITI Aayog strategy suggests some contours of a universal social security system. These must be sharpened.

Second, in a world where workers are atomised as individuals, they must have associations to aggregate themselves to have more weight in the economic debate with owners of capital. Rather than weakening unions to give employers more flexibility, laws must strengthen unions to ensure more fairness. Indeed, many international studies point out that one of the principal causes of the vulgar inequalities that have emerged around the world is the weakening of unions. The NITI Aayog strategy mentions the need for social security for domestic workers too. This will not be enforceable unless domestic workers, scattered across millions of homes, have the means to collectively assert their rights.

Third, all employers in India should realise that workers must be their source of competitive advantage. India has an abundance of labour as a resource, whereas capital is relatively scarce. Human beings can learn new skills and be productive if employers invest in them. Employers must treat their workers — whether on their rolls or on contract — as assets and sources of competitive advantage, not as costs.

The shape of the development process matters more to people than the size of the GDP. Development must be by the people (more participative), of the people (health, education, skills), and for the people (growth of their incomes, well-being, and happiness). How well India is doing at 75 must be measured by the qualities of development, as experienced by its citizens, along these three dimensions. GDP growth will not be enough.

GS World Team...

## Strategy for New India @ 75

### Why in the discussion?

- Recently, the NITI Aayog released the comprehensive national strategy for India on December 19, 2018.
- It has clearly defined the objectives for 2022-23.
- While preparing it, discussions were held with over 800 stakeholders and about 550 external experts within the government - at the Central State and District level.

### What is it?

- This is a detailed description of 41 important areas.
- It recognizes progress that has already happened, identifies binding blockages and gives suggestions on the direction of clearly achieving the stated objectives.

### How is the strategy prepared?

- The participative approach has been followed by the NITI Aayog in preparing this strategy.
- All of the stakeholders of such as business persons, scientists, educationists and government officials were consulted for the in depth discussion by the NITI Aayog in every field.
- There after discussion were held at the Vice Chairman level of the 7 sets of the state holders among the key persons of the diverse groups
- These prominent persons included scientists and innovators, farmers, social organizations, think tank, representatives of workers and representatives of labor organizations and industry.
- The draft of each chapter was distributed for discussion and the Union Ministers were also consulted for getting information, suggestions and comments.

- The draft of this document was also distributed in all the States and Union Territories from where the valuable suggestions received were included in it.

### Four section of the strategy

- 41 chapters of the document are divided into four sections, respectively Drivers, infrastructure, inclusion and governance.
- The **first section** focused on Drivers on the methods of economic performance, growth and employment, doubling of farmers income, upgrading the science, technology and innovation ecosystem and promoting emerging sectors such as finitex and tourism.

### The following are the major recommendations of this section:

- Steadily accelerate the economy to achieve a GDP growth rate of about 8% during 2018-23.
- This will raise the economy's size in real terms from \$ 2.7 trillion in 2017-18 to nearly \$ 4 trillion by 2022-23.
- Increase the investment rate as measured by gross fixed capital formation (GFCF) from the present 29% to 36% of GDP by 2022.
- In the field of agriculture, emphasis on converting farmers into agripreneurs by further expanding national agriculture market and replacing the Agricultural Produce Marketing Committee Act with the Agricultural Produce and Livestock Marketing Act.
- Giving a strong push to zero budget natural farming technique that reduces cost improve land quality and increase farmers incomes. This has emerged as a tested method for putting environmental carbon back into the land.



- To initiate the 'Explor in India' mission to reconstruct the Mining Exploration and Licensing Policy.
- The **second segment** is related to infrastructure which mentions the physical bases of development.

**Its major recommendations are as follows:**

- To accelerate the establishment of the already approved Railway Development Authority (RDA). Which will give consultation or make informed decisions. regarding the integrated, transparent and dynamic pricing system for RDA Railways.
- Double the share of freight transport by coastal shipping and inland waterways. Viable gap funding will be provided in the beginning until the infrastructure is fully prepared.
- With the completion of Bharat Net Program in 2019, 2.5 lakh Gram Panchayats will be digitally connected. The target is to provide all government services at the state, district and village panchayat levels by the year 2022-23.
- The **third section** related to inclusion is related to the urgent work of investment in the capabilities of all Indian citizens.

**Its recommendations are as follows:**

- Successful implementation of the Ayushman Bharat program, including the establishment of 150,000 health and wellness centers across the country and the launch of the Prime Minister's Public Health Campaign (PM-JAY).

- Create a focal points for public health at the central level with state counterparts. Promoting consolidated medical curriculum.
- By 2020, by establishing at least 10,000 Atal Tinkering Labs, improving the quality of school education system and skills while creating new innovative system at the grassroots level.
- Conceptualize an Electronic National Educational Registry for tracking each child's learning outcomes.
- The **last section** is related to governance.

**Some of its major recommendations are as follows:**

- Implementation of the recommendations of the Second Administrative Reform Commission before appointing successor of reforms between the changing context of emerging technologies and the growing complexities of the economy.
- Establishment of new autonomous bodies such as the Indian Arbitration Council of India to assess arbitral institutions and accredited arbitrators to make the arbitration process economical and quick and replace the need for court intervention.
- Address the backlog of pending cases- shift part of workload out of regular court system.
- Extending the scope of Clean India Mission covering areas of landfills, plastic waste and waste of municipal corporation to create wealth from waste.

**Expected Questions (Prelims Exams)**

1. Consider the following statements-
  1. Recently NITI Aayog has released a comprehensive national strategy named 'Strategy for New India @75' for India.
  2. In this, complete documentation of the four central labour laws by 2019 is recommended.

Which of the above statements is/are correct?

- (a) Only 1                      (b) Only 2  
(c) Both 1 and 2              (d) Neither 1 nor 2

**Expected Questions (Mains Exams)**

**Q.1:-**India is the fastest growing economy in the world, but still it is not capable of providing employment and decent income. Discussing the main reasons of it also mention the steps taken for its resolution. **(250 Words)**

**Note: Answer of Prelims Expected Question given on 26 Dec. is 1(c).**

