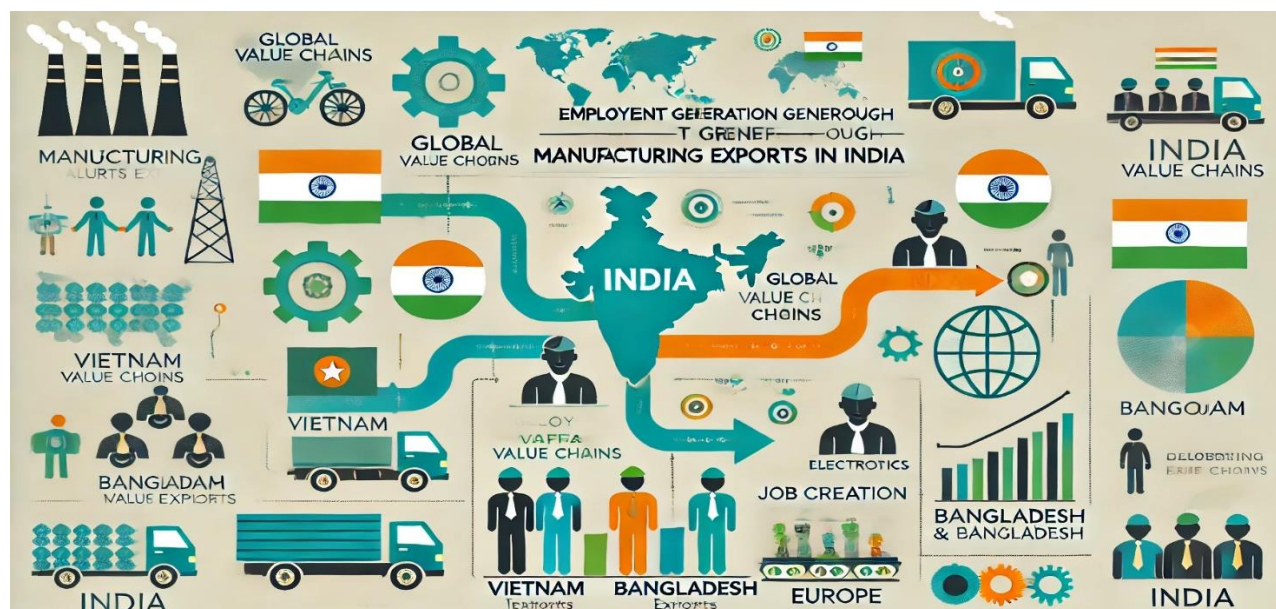




EMPLOYMENT GENERATION & MANUFACTURING EXPORTS IN INDIA: CHALLENGES AND OPPORTUNITIES – PAPER - III



Introduction

India's integration into the global economy has been a key driver of its economic growth, with exports playing a pivotal role in this process. The relationship between exports and employment, particularly in the manufacturing sector, has long been established. Export-led growth in manufacturing has the potential to create millions of jobs, especially in labour-intensive sectors such as textiles, leather, and garments. However, recent reports, particularly by the World Bank, have highlighted concerns about India missing significant opportunities in export-driven job creation.

Export and Employment Relations in India

The correlation between exports and employment is particularly strong in countries where labour-intensive industries dominate manufacturing. India, with its large and relatively low-cost labour force, has historically had a competitive advantage in sectors like textiles, leather, and apparel. These sectors are significant not only for export revenue but also for job creation, especially for semi-skilled and unskilled workers.

The World Bank has pointed out that a robust export sector has a multiplier effect on job creation. Jobs are generated directly in export-oriented industries and indirectly through supply chains, logistics, and service sectors. India's experience in the IT and pharmaceutical sectors shows how exports can transform an industry and lead to substantial employment opportunities. However, in recent years, India's traditional labour-intensive export sectors have struggled to replicate such success, as global competition has intensified.



The Current State of Manufacturing Exports in India

Despite its advantages, India's manufacturing exports, particularly in labour-intensive industries, have been stagnating or declining. The World Bank report highlights that India's share in global exports of key labour-intensive sectors such as apparel, leather, textiles, and footwear has dropped. In contrast, countries like Bangladesh, Vietnam, and Poland have captured a larger share of these markets.

India's textile and garment exports, for instance, have remained stagnant at around \$35 billion for several years, while competitors like Vietnam and Bangladesh have gained significant market share. The stagnation can be attributed to several factors:

- 1.Lack of Free Trade Agreements (FTAs):** Competitor nations like Vietnam and Bangladesh benefit from preferential trade agreements and Least Developed Country (LDC) status, which allows them to export goods to Western markets at significantly lower tariffs.
- 2.High Cost of Production:** The rising cost of inputs such as raw materials, energy, and labour in India has made it difficult for Indian manufacturers to compete in price-sensitive markets.
- 3.Infrastructure Bottlenecks:** Poor logistics and inadequate infrastructure have raised trade costs, reducing the competitiveness of Indian exports.
- 4.Policy Barriers:** The World Bank report highlights "policy barriers and other limitations" as significant constraints on India's integration into global value chains (GVCs). These include restrictive trade policies, regulatory red tape, and a lack of alignment with international quality standards.

Key Points Raised by the World Bank Report

The World Bank's report provides a detailed analysis of India's missed opportunities in manufacturing exports and employment generation. Some of the key points include:

- 1.Missed Opportunities from China's Withdrawal:** China has been gradually moving away from labour-intensive manufacturing as its economy transitions towards higher value-added industries. This shift created opportunities for other developing countries to capture a larger share of global markets. However, India has not been able to fully capitalize on this opportunity, unlike Bangladesh and Vietnam, which have significantly increased their export share in sectors like apparel and footwear.



2.Declining Share in Global Exports: Between 2015 and 2022, India's share in global exports in labour-intensive sectors declined, while competitors like Bangladesh, Vietnam, Poland, Germany, and France increased their shares by up to 2%. This loss of export share directly correlates with a slowdown in job creation in these industries.

3.Need for Deeper Integration into Global Value Chains: The World Bank stressed that India must integrate more deeply into global value chains (GVCs) to leverage its untapped potential. Integration into GVCs can lead to technology transfers, improved productivity, and more employment. However, India's share in GVCs has been declining due to policy barriers, regulatory bottlenecks, and insufficient trade facilitation.

4.Impact of Trade Agreements: While FTAs can boost exports, the World Bank noted that recent trade agreements signed by India have excluded critical areas such as digital trade, limiting their potential to significantly impact export growth.

Measures Taken by the Government

In recent years, the Indian government has recognized the need to boost manufacturing exports and has undertaken several initiatives aimed at increasing competitiveness and promoting export-led growth. Some of the key measures include:

1.Production-Linked Incentive (PLI) Scheme: The PLI scheme aims to boost domestic manufacturing in key sectors by offering incentives for companies that meet specific production targets. The scheme has been extended to sectors like electronics, textiles, and pharmaceuticals, which are crucial for both export and job creation.

2.Districts as Export Hubs (DEH): This initiative aims to promote exports at the district level by identifying products with export potential and providing necessary support. The DEH initiative also seeks to increase participation in global supply chains, particularly for MSMEs (Micro, Small, and Medium Enterprises).

1.Ease of Doing Business Reforms: The government has introduced several reforms to improve the ease of doing business, including the reduction of regulatory compliance burdens and improvements in trade facilitation.



2. Infrastructural Improvements: The development of industrial corridors and modernization of logistics infrastructure, including ports, railways, and highways, is aimed at reducing trade costs and improving the efficiency of supply chains.

3. Focus on Free Trade Agreements: The Indian government has been negotiating new trade agreements and revisiting older ones to secure better access to global markets. The Regional Comprehensive Economic Partnership (RCEP) is one example, though India has yet to finalize its participation.

Future Scope for Employment Generation Through Exports

While the challenges are significant, there is substantial potential for India to enhance employment generation through manufacturing exports. The World Bank and other institutions have identified several areas where India could improve its performance and create millions of new jobs:

1. Diversification of Export Markets: India must diversify its export markets and reduce its reliance on traditional partners. The country has made progress in this regard, with the share of exports to developing regions like Asia and Africa increasing over the past two decades. However, further efforts are needed to tap into emerging markets.

2. Leveraging Global Value Chains: Deeper integration into GVCs could be transformative for India's manufacturing sector. By attracting more foreign direct investment (FDI) and improving linkages with global supply chains, Indian firms can benefit from technology transfers, enhanced productivity, and access to larger markets.

3. Digital Trade: As the world moves towards a digital economy, India must focus on expanding its participation in digital trade. Negotiating FTAs that include provisions for digital trade could be crucial for future export growth and employment creation.

4. Skilling the Workforce: For India to succeed in manufacturing exports, it is essential to invest in workforce development. Skill enhancement programs targeted at semi-skilled and unskilled workers can improve productivity and enable them to participate in higher value-added activities within GVCs.

Conclusion



India's manufacturing exports have the potential to drive employment generation and contribute to sustainable economic growth. However, the challenges are manifold—ranging from policy barriers and infrastructural deficits to global competition. The World Bank has highlighted that India missed a significant opportunity to capture the market space vacated by China in labour-intensive industries. To overcome these challenges, India must adopt a multifaceted approach that includes deeper integration into global value chains, market diversification, and targeted government interventions. With the right policies, India can unlock its potential and generate millions of new jobs through export-led growth in the manufacturing sector.

MAIN PRACTICE QUESTIONS

Question:1

Examine the challenges India faces in generating employment through manufacturing exports, with a focus on labour-intensive industries. How do factors such as competition, trade policies, and infrastructure impact India's ability to leverage its export potential for job creation?

1. Introduction

- Provide an overview of the role of manufacturing exports in employment generation in India.
- Mention the importance of labour-intensive industries such as textiles, leather, and garments in job creation.

2. Challenges Related to Competition

- Discuss how countries like Bangladesh, Vietnam, and Poland have captured market shares in labour-intensive sectors.
- Explain the competitive advantages these countries possess, such as lower production costs, favourable trade agreements, and preferential market access (e.g., Least Developed Country status).
- Contrast this with India's position, emphasizing India's declining share in global manufacturing exports.

3. Impact of Trade Policies

- Discuss the lack of effective Free Trade Agreements (FTAs) for India compared to its competitors.
- Highlight how India's trade policies have not adequately facilitated exports, referencing policy barriers and regulatory red tape noted in the World Bank report.



- Analyze how India's slow response to trade liberalization and protectionist tendencies has impeded export growth.

4. Infrastructural and Logistical Bottlenecks

- Explain how poor logistics, high trade costs, and inadequate infrastructure have reduced India's competitiveness in export markets.
- Mention specific issues such as delays at ports, poor transport networks, and inefficient customs processes that hinder timely export activities.

5. Failure to Capitalize on China's Exit from Labour-Intensive Manufacturing

- Discuss the missed opportunity of capturing China's market share as China transitions to higher value-added sectors.
- Analyze why India was unable to capitalize on this, in contrast to other countries that have increased their export share in labour-intensive sectors.

6. Conclusion

- Summarize the key challenges India faces in promoting job creation through manufacturing exports.
- End with a brief mention of government efforts to address these challenges but acknowledge that more is needed for India to fully leverage its export potential.

Question:2

Discuss the opportunities and government initiatives aimed at enhancing employment generation through manufacturing exports in India. How can India better integrate into global value chains to boost its export performance and create jobs?

1. Introduction

- Start with a brief introduction to the potential of manufacturing exports as a driver of job creation in India.
- Highlight the opportunities available in labour-intensive sectors for generating large-scale employment.

2. Government Initiatives to Promote Manufacturing Exports

- **Production-Linked Incentive (PLI) Scheme:**



- Explain how this scheme aims to boost manufacturing in key sectors like electronics, textiles, and pharmaceuticals.
- Mention how it offers incentives for meeting production targets, thus stimulating export growth and job creation.
- **Districts as Export Hubs (DEH) Initiative:**
 - Discuss the DEH initiative's goal to promote exports at the district level by identifying exportable products and providing support for MSMEs (Micro, Small, and Medium Enterprises).
 - Mention its role in increasing participation in global supply chains.
- **Ease of Doing Business Reforms:**
 - Highlight recent reforms aimed at reducing regulatory burdens and improving trade facilitation.
 - Mention their potential to enhance India's export competitiveness.
- **Infrastructural Improvements:**
 - Discuss efforts to improve industrial corridors, logistics, ports, railways, and highways, which are key to reducing trade costs.

3. Opportunities for Deeper Integration into Global Value Chains (GVCs)

- Discuss how deeper integration into GVCs can drive employment and productivity gains by facilitating technology transfers and enhancing market access.
- Mention the need to attract more foreign direct investment (FDI) to help Indian firms link with global supply chains.
- Emphasize that integration with GVCs can help India overcome infrastructural and competitive barriers.

4. Diversification of Export Markets

- Analyze the need to diversify export markets beyond traditional partners like the U.S. and Europe, focusing on emerging markets in Asia, Africa, and Latin America.
- Mention how diversification can reduce reliance on specific markets and create more resilience in India's export economy.

5. Importance of Digital Trade and Workforce Development

- **Digital Trade:**
 - Discuss how expanding India's role in digital trade can be crucial for export growth and job creation.



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- Mention that future trade agreements should include provisions for digital trade.

➤ **Skilling the Workforce:**

- Emphasize the importance of skill development initiatives to enhance productivity in labour-intensive sectors.
- Mention targeted programs to upskill semi-skilled and unskilled workers, enabling them to participate in higher value-added activities within GVCs.

6. Conclusion

- Summarize key opportunities for India in enhancing employment through manufacturing exports.
- Reiterate the role of government initiatives, deeper integration into GVCs, and workforce skilling in realizing India's potential for export-led growth and job creation.

