

## **“Make in India” initiative – Emergence of Transformational changes in Labor Employment Market Structure**

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### **Introduction:**

Globalization has impacted economies across the globe and significantly influenced the structure of different Factor Markets fueled by fast pace changes in technology and increased mobility of factors across countries and continents. It has made our world more interconnected than ever before. The increasing levels of interdependence have accompanied and facilitated for rapid economic growth in many countries and regions, helping world to grow economically stronger. These changes has presented huge wealth of threats and opportunities posing challenges to economies in transition to match their economy's resources and infrastructure to have better access to these gains offered.

In recent years, emerging market economies (EMEs) are increasingly becoming dependent on foreign investment flow from rest of the world. It is not only a sign of their increasing participation in the global economy but also of their increasing competence. More importantly, a growing impetus for change today is coming from developing countries and economies in transition, where a number of private as well as state-owned enterprises are increasingly undertaking expansion through foreign direct investments (FDI). Companies are expanding their business operations by attracting investment from overseas with a view to reach their business at regional and global levels.

There arise a need for a judicious mix of three factors mainly Labour, Technology and capital, by building right infrastructure for these factors to prove its efficiency in the global markets.

### **The initiative of “Make in India”**

Further a step ahead, on September 25, 2014, Prime Minister Narendra Modi made a venturesome business move by launching **Make in India** initiative on, with the primary goal of making **India** a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country.

Led by the Department of Industrial Policy and Promotion, the initiative aims to raise the contribution of the manufacturing sector to 25% of the Gross Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector. It targets 25 sectors of the economy which range from automobile to Information Technology (IT) & Business Process Management (BPM).

It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of ‘Make in India’ – a lion made of gear wheels – itself reflects the integral role of manufacturing in government’s vision and national development. The initiative is built on four pillars which are as follows:

**1. New Processes:** The government is introducing several reforms to create possibilities for getting Foreign Direct Investment (FDI) and foster business partnerships. Some initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. This reform is also aligned with parameters of World Bank's 'Ease of Doing Business' index to improve India's ranking on it.

**2. New Infrastructure:** Infrastructure is integral to the growth of any industry. The government intends to develop industrial corridors and build smart cities with state-of-the-art technology and high-speed communication. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.

**3. New Sectors:** ‘Make in India’ has identified 25 sectors to promote with the detailed information being shared through an interactive web-portal. The Government has allowed 100% FDI in Railway and removed restrictions in Construction. It has also recently increased the cap of FDI to 100% in Defense and

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**New Mindset:** Government in India has always been seen as a regulator and not a facilitator. This 4.initiative intends to change this by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country alongside the corporate sector.

Since the launch of Make in India in September 2014, FDI inflows of USD 77 billion including a equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents about a 44% increase in FDI Equity inflows over the same corresponding period.

‘Zero defect zero effect’ is a key phrase which has come to be associated with the Make in India campaign. In the words of Prime Minister Narendra Modi, “Let’s think about making our product which has ‘zero defect’... and ‘zero effect’ so that the manufacturing does not have an adverse effect on our environment”.<sup>5</sup> Thus, sustainable development in the country is being made possible by imposing high-quality manufacturing standards while minimizing environmental and ecological impact.

With the entry of foreign Investments and firms with new technology, the challenge needs to be faced by Indian corporate sector and the government with the joint efforts of the youths of the nation.

#### **Policy Changes in the Labor Employment Market:**

Supporting this initiative, for uplifting the skill standards of the Labor Market, The corresponding moves were made by the government such as amendment in the Apprenticeship Act of 1961, Apprenticeship Policy by March 2015 which helps in skilling and re-skilling the youths of the country and make them employable. Further Jan Dhan yojana , Skill India, start up India, digital India etc. polices are initiated for encouraging the youths to get directly or indirectly involving themselves in the development of the economy. Business communities are also involved to play a vital role in these empowering programmes. New policies causing changes in Capital, Technology, Infrastructure and Labor Employment Markets had affected specifically and intensively the Labor Market Structure causing positive and negative changes in their structure and heading for a transformation in overall Market Structure of all the Factor Markets.

#### **Current Scenario:**

##### **Notable Transformational changes and emergence of New Labor Employment Market Structure:**

###### **1.Change in Gainful Employment pattern for the Work Force:**

Gainful employment is about quality, not just quantity. It implies not only the creation of jobs, but the creation of more fulfilling and better-paying jobs that are more productive and that mean an enhancement in work “quality” (a term we use to describe other aspects of work desired by the labor force, such as safety, cleanliness, flexibility, income security, skills, and intellectual stimulation). These aspects of work are important objectives for an economy that seeks to deliver inclusive growth and meet the aspirations and expectations of its workforce

###### **2.Structural shift from Agricultural towards Nonfarm Sectors:**

There will be a wide shift of labor work force from agriculture sector to nonfarm sectors like Construction, Trade, Industry, Services, Transport and other areas. The chance of shrinkage in agricultural sector and expansion in nonfarm sectors cause imbalance in Demand & Supply of labor in both the sectors thereby widening income distribution and production gaps between both the sectors fueling lopsided development of the economy.

###### **3.Pose challenges to government in building Labor Market infrastructure:**

Need for building healthy infrastructure and filling gaps by increasing government’s Public Investments in Hard core areas such as Roads, Railways, Rural Development, Power, Telecom, Information Technology infrastructure etc. further increased investments are demanded in the Soft core areas such as education, health care and other social needs of the masses.

###### **4.Transformation Potential of New Technology on other Factor Markets:**

The mobility of (the Factor) Technology is highly potent to cause other factors of production to become highly vulnerable for transformation.

- High levels of Job Polarization in Labor Employment Market by shifting the Labor Demand from no skill →low skilled →Semi Skilled→Skilled →Highly Skilled.

The pace of matching, skilling, re-skilling, retaining, training and educating need to be maintained timely by the organizations to attain right production and productivity affecting their bottom line.

- Pose the challenge of Structural adjustments in the type of employment among different skilled groups in choosing among close ended or open ended jobs, full time or part time jobs affecting the job commitment and their incomes.
- The emergence of Gender bias in categorizing Hard Core and Soft Core jobs their reformations, modifications and innovative processes affect the performance and develops complexity in valuation of their remuneration process and in constructing job specifications and profiles.
- Differences in the intensity of employment of factors creates complexity causing shifts to high value added and low labor intensive at the expense of labor intensive activities or vice - versa. This prevents the industrial upgrading in the economy.
- Green technology highly replacing highly skilled and recycling activities create more opportunities for low skilled and low wage sector worsening inequality in development.
- Rapid automation technology affects Indian business processes, outsourcing sectors generating high potential for employment in more of informal sectors affecting shrinkage in formal sectors.
- Micro enterprises aided by new digital ecosystems provide new work opportunities which are not covered by formal labor markets such as transportation, e-commerce, digital financial services, lending for micro entrepreneurs and self help groups cause growth in the economy.
- Market shrinking and technological up-gradation takes place developing need for technology / capital intensive products and service causing decline in labor intensive products and services in global supply chain.

#### **5.The challenge of constructing Sector Based Skills training by the government:**

- Types of skills and competences that jobs require;
- f Emerging jobs and future skills; f
- Changing skills profiles of occupations; f
- The ability of the education and training system to meet the needs of the sector / industry.
- f Strategic skill development for different sectors includes: technology and innovation, employment, export, competitive advantage in the national / global economy

The time is ripe for new thinking in the labor market. The current system feels broken. It seems ill-suited to the structural changes that are occurring at an increasing pace. As a result, we see high unemployment with unfilled jobs, rising productivity with stagnant wages, and economic recovery with declining upward mobility for many.

Fortunately, the present dysfunction and apparent contradictions are spurring changes. Rather than returning to business as usual after the recession, the labour market is settling into a new normal. If we chart our course well we can navigate the changing world of work and unleash new employment opportunities and economic growth for the Fourth Industrial Revolution.

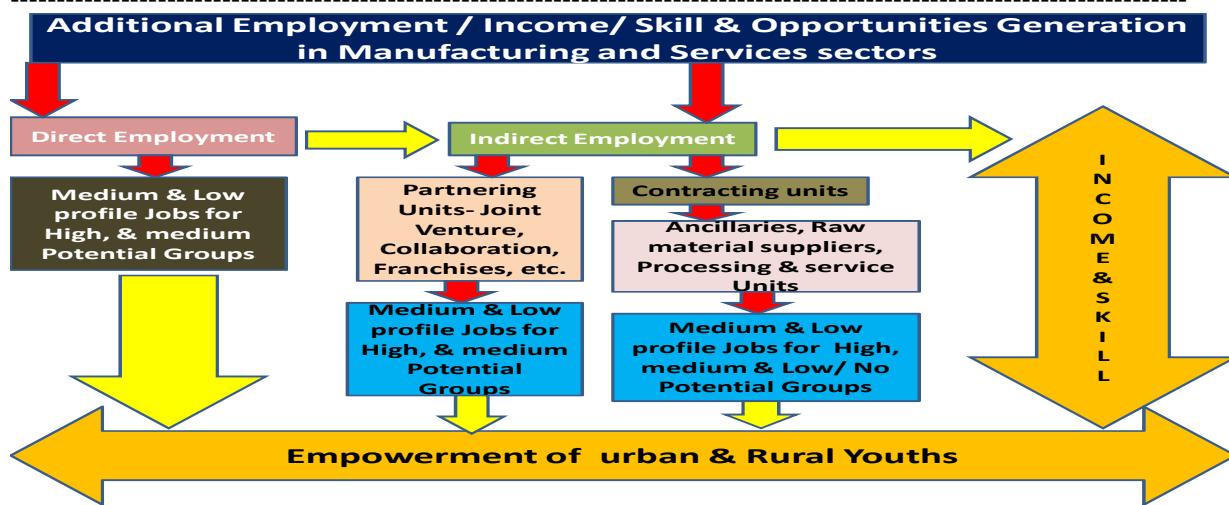
In the light of the stated facts this paper tries to portray through Models how this transformation takes place.

The transformation of the youths from non employable state to Employable state through training and also forth coming new types of skills and techniques ( from Foreign firms) provides wide opportunities to learn new skills and grow technically and economically.

The vast majority of unemployable youths can have access to gainful employment in Manufacturing and Services sectors.

The major areas of entry of foreign firms are food processing, Railways, ports, corridors, roads constructions , agro processing, electronics, automobiles, leather, textiles, garments biotechnology etc which will provide employment opportunities to skilled /semiskilled, educated/ uneducated, rural/ urban/ semi urban youths.

**Hypothetical Model 1 showing the reactive benefits that will be flowing in the event of entry of foreign firms to India**

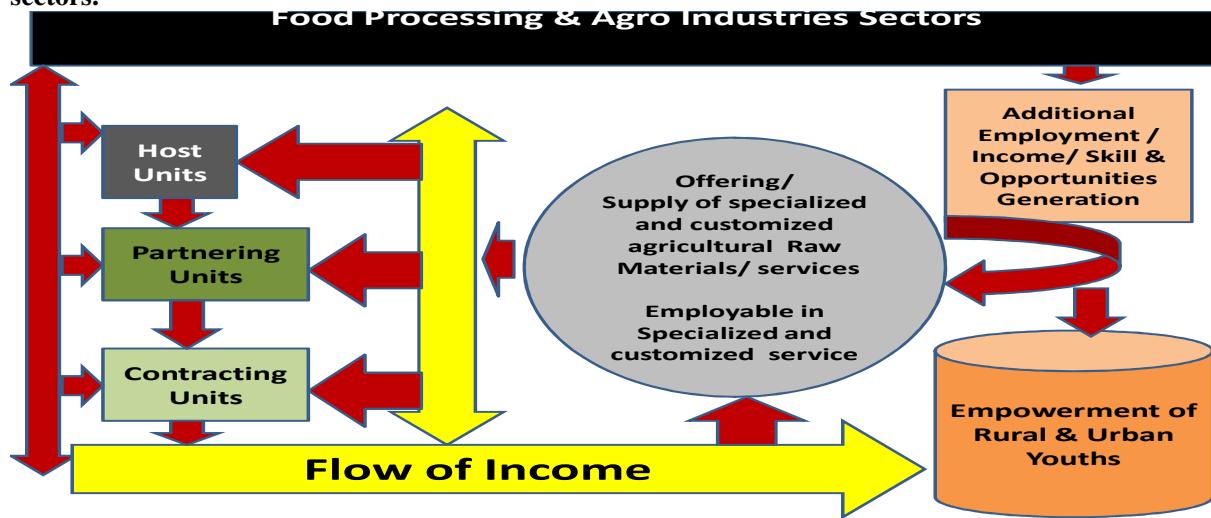


#### Youths as employees:

The model depicts the pattern of flow of benefits to the economically weaker sections either through direct employment or through indirect employment. Basically additional skills, opportunities and income will flow to the economy with the entry of foreign firms.

The foreign firms may directly employ the youths or indirectly youths can gain employment through partnering and contracting units at medium and low profiles depending upon their potential skill levels.

**Hypothetical Model 2 Portraying the pattern of flow of income/ opportunities/ skill etc. that would flow from foreign/ partnering/ contracting firms in the Food Processing and Agro Industries sectors.**

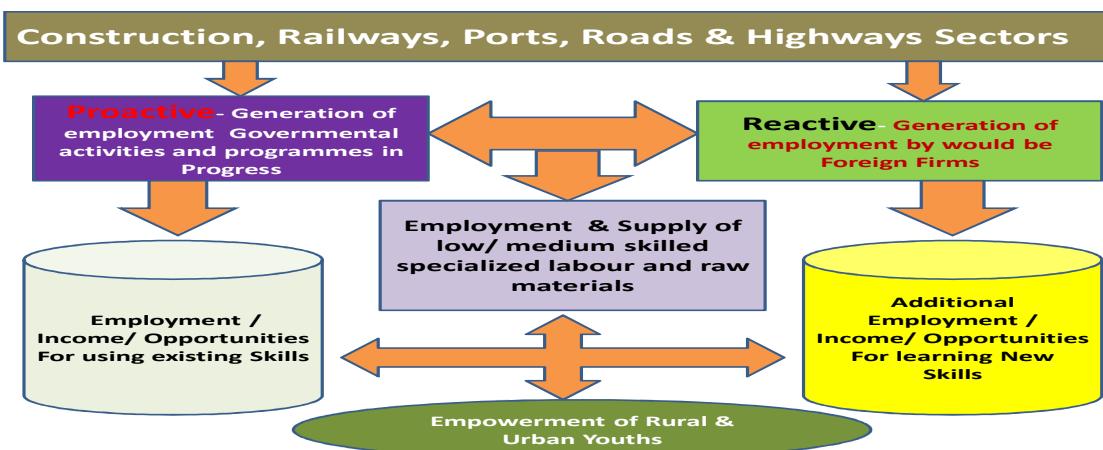


#### Youths as small entrepreneurs:

There will be a flow of additional employment/ business/ income/ skills and opportunities to the youths either in the form of employment or business. These small business entrepreneurs will enjoy gainful employment or business which in turn increases the flow of income and skills thereby raising their standards in their skills/ business/ living etc.

In terms of business they can be contracting or partnering units supporting the big firms by supplying agro raw materials or specialized skills in which the rural youths possess specialized skills.

**Model 3 portraying flow of income/ skills/ opportunities through PROACTIVE and REACTIVE channels.**



- **Proactive Benefits currently flowing**

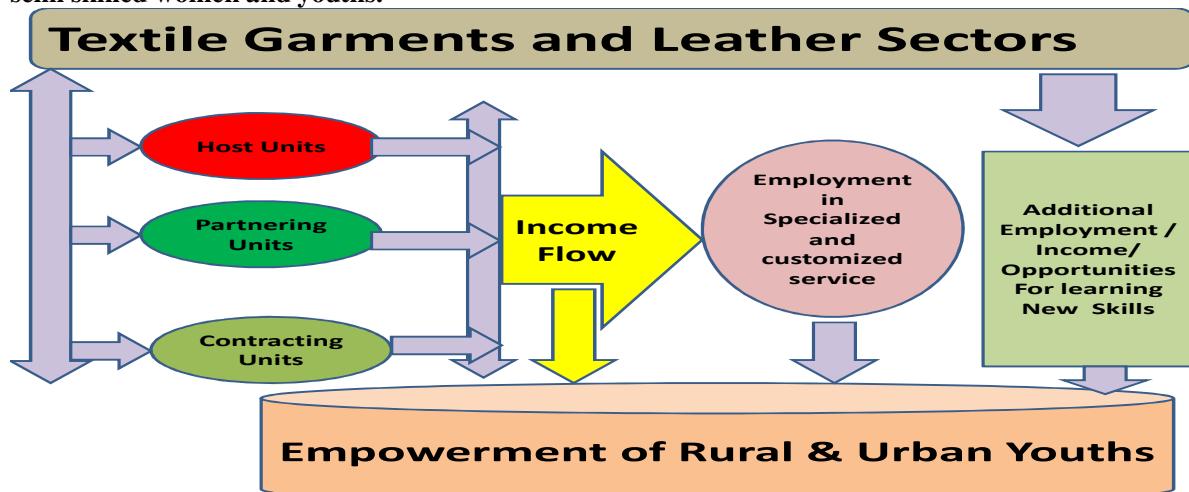
• **Proactive benefits** are those programmes undertaken by the government with the focus for preparing a strong infrastructure base for the **WOULD BE** foreign investors and entrepreneurs intending to select India as a base for setting their establishments as a part of Make in India Campaign.

**The areas government is spending are basically :**

Skilling the Youth, Developing Industrial corridors and Smart Cities.

**Reactive benefits** are those which would flow after the entry of foreign firms to India as a part of make in India campaign.

**Hypothetical Model 4 – Showing the flow of income/ skills/employment/ opportunities to skilled & semi skilled women and youths.**



**Youths as Skilled and Semi Skilled resources:**

The sectors of textiles and leather are labor intensive which would provide employment directly or indirectly. The rural and urban skilled and semi skilled youths stands a great chance with the entry of new businesses to these fields.

Women would gain a greater benefit since both rural and urban women possess specialized skills in these areas. Further semi skilled and unskilled also gains the benefits by occupying lower profile jobs which comparable pays more than the existing ones. Chances of enhancing their skills and learning new skills opportunities are high.

**CONCLUSION**

Recent Indian factor Markets are exposed to the challenges of the Liberalization, Globalization, Make in India Initiative and lot of other programmes adopted by the Government had caused for the need of paradigm shift from traditional oriented structure to the newly emerging social, environmental, Industrial and Market structures. These changes had affected high and noticeable effects on the Labour (Factor) Market structure. Technology is another major Factor Market directly affecting the labour market

structure and has led not only for lot of changes, but also posed wide variety and complex challenges to the government and to the Labor Market structure. The government had accepted these changes and challenges. Further, equivocally, sincere adoption of proactive and reactive policies has been already in vogue. These Reactive and Proactive polices are focused to match with the needs of capitalizing the current situation.

The new policy changes made for favoring the entry of foreign firms as a part of “Make in India” Campaign would certainly bring host of benefits to our entrepreneurs and also the unemployed youths. The Indian corporate / partnering firms/ contracting firms will be highly benefitted in terms of flow of business. The fruits need to be generously shared among the youths. The joint efforts and sharing among us will certainly not only empower the economically weaker sections but also will lead to the Development and Growth of the Economy.

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