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# Economy Survey of Need for Balance between “Make in India” And “Skilling India”

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**ABSTRACT:** This economy survey discusses the Make in India the flagship initiative and a key policy objective of the new government. The survey contemplates what should India make? Manufacturing or Services? As a prelude, the Survey states that, in order to bring about expansion and structural transformation, India should utilize its dominant resource of unskilled labor. The survey distinguishes registered manufacturing (Formal Sector) from the general manufacturing which covers informal sector as well. Survey recognizes that formal sector as having the potential for structural transformation. They exhibits high productivity compared to other sectors of the economy. However, the Economic Survey observes that manufacturing productivity in India lags behind other nations. The survey points out that all Indian states exhibit declining share of manufacturing in the state GDP. In addition, the survey identifies registered manufacturing (formal sectors) now in India has been identified as skill incentive which is not in line with the India's comparative advantage in unskilled labor.

**KEYWORDS:** Make in India, Skilling India (Specifically Labors)

### I. INTRODUCTION

The world has shifted its focus from being competitive to cooperative and industrial sector is not an exception for this. This paper will depict the current scenario of India's stand about the labors and work management. “Make in India” is mere a dream until we achieve balance between formal and informal industrial sectors. Study shows that India's manufacturing growth is slower than its Asian counterpart. Likes of China and Japan are moving towards world class manufacturing whereas India tends to move in tertiary industrial sector of services. But will this be enough for India to turn into a super-power?

Certain subsectors of services- financial services and business services, exhibit higher productivity levels than formal sectors. However, these sectors being highly skill intensive (excluding construction) are out of line with the skill profile of the Indian labor force. They are unlikely to generate widely shared and inclusive growth. However, the survey observes that the service sector has the potential for domestic growth convergence across regions. Hence, the survey redrafts the question of manufacturing versus service. It posits that the real question should be whether we want to concentrate on non-skilled labor intensive sectors or the development of skill intensive sector. The Economic Survey concludes that Indian growth should balance the nation's comparative advantage in availability of low skilled labor with skill development required by future generations to take advantage of lost opportunities. The registered manufacturing must be expanded to take leverage of India's abundant unskilled labor. While Make in India occupies prominence as an important goal, the future trajectory of Indian Development depends on both Make in India and Skilling India.

The service sector with an around 57 per cent of contribution to India's “Gross Domestic Product” (GDP) made rapid strides and emerged as a fastest and largest growing sector of economy. Service sector is not just key economic driver of our country but it also attracted foreign investors to invest here in India and helped increasing exports and employment. Service sector in India include wide variety of activities that have different dimensions and features. They include trade, hotels and restaurants, transport, storage and communication, finance, insurance and banking, social and Infrastructures related services. India has got a way to attract foreign direct investments and trade inflows and employment through service sector. IBEF survey says that CAGR( Compound annual growth rate) of service sector was 8.5 per cent for service sector for the period of 2000-01 to 2013-14 the service sector. Whereas manufacturing

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sector in India has contributed with an around 16 per cent only of the GDP which is too less as compared to other developed countries India's economy is expected to grow at the rate of 7.4 per cent as per the government forecast. Through make in India government now targeting ambitious 25 per cent contribution of manufacturing output to the GDP. The objective of this paper is to decide whether India to continue deploying its work force of skilled labors in traditional manner or resource shift from informal to formal sector will serve the purpose of "Make in India".

### II. INDIA TODAY IN MAKING

*What we collected:* Survey from Industrial experts depicts that manufacturing sector needs more attention as India has much streamlined work force which is now distributed in to agricultural, non-agricultural informal and formal sector in formal sectors services are more prominent. A questionnaire was prepared which was then circulated to experts and working professionals from manufacturing Industries to get the data about how the manufacturing sector is lagging behind and what necessary measures to take considering labor capabilities and availability of skilled labors.

*What they collected:* The collected data from RBI is as shown in the following table. This table provides the data about generation of employment in the industrial sector of India which includes manufacturing sector. In the year 2000, agriculture sector in India accounted for almost 60 per cent of total employment which is the highest in comparison to the countries listed in the Table. It is even higher than the respective figure for the lower middle income countries. Industry accounted for just about 18 per cent of total employment, which means the contribution of manufacturing to employment generation is even lower. Though, in the case of India, service sector has been able to absorb much more labor than the manufacturing sector. In comparison with China in 2007 India was able to generate more employment through manufacturing Industries. Notice that Service sector is still predominant.

Country/Countries	Sectorial Employment as % of Total Employment								
	Agriculture			Industry			Services		
	1980	2000	2007	1980	2000	2007	1980	2000	2007
India	68.1	59.3	50.2*	13.9	18.2	20.4*	18.6	22.4	29.4*
Brazil *	29.3	24.2	19.0	24.7	19.3	21.0	46.1	56.5	59.0
China	68.7	46.9	44.0	18.2	23.0	18.0	11.7	29.9	16.0
Indonesia	55.9	45.3	41.0	13.2	17.3	19.0	30.2	37.3	40.0
Korea	34.0	10.9	7.0	29.0	28.0	26.0	37.0	61.0	67.0
Malaysia	37.2	18.4	15.0	24.1	32.2	29.0	38.7	49.5	57.0
Mexico	23.5	17.5	14.0	26.5	26.9	26.0	49.0	55.2	60.0
Thailand	70.8	48.8	42.0	10.3	19.0	21.0	18.9	32.2	37.0
Turkey	43.0	34.5	26.0	34.9	24.5	26.0	22.1	40.9	48.0
Low income	74.6	64.5	NA	8.7	12.3	NA	16.5	23.2	NA

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Lower income	middle	64.0	43.2	NA	18.5	18.5	NA	16.4	38.3	NA
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**Source:** Kochhar et al (2006) and [www.worldbank.database.org](http://www.worldbank.database.org).  
**Note:** For Brazil, the latest data available is for 2006 and for Turkey it is for 2008 and these have been reported in the Table instead of data for 2007.  
**\* Based on Current Daily Status (2006-07).**

### III. INDIA TO MARROW IN MAKING

India is slowly but steadily trying to achieve balance between two sectors. Macro and micro economics study is not just enough for improving Industrial sector but India need to further study the labor economy in much socially as skilled labor is the base of economic reform. The definition of skilled labor does not include the necessity of knowledge about financial and economic terminologies this issue is raised because only shifting the resource will not serve the purpose but making that resource useful in industrial environment is more important. The success of manufacturing sector would ultimately be measured by the Productivity and Productivity should go hand in hand with quality, beyond quality there is customer's expectation of the timely delivery this is the algorithm of success program for manufacturing industry. As in process mapping a skilled labor with awareness of Industrial Engineering and Macro Economics can help the country more. Make in Indian will only be possible if India could turn its skilled labor into "master labor". Master labor is defined as a skilled labor with awareness of industrial engineering and Industrial economics. To know it in better way a skilled labor is already has some specialized education but along with it, he must know the ultimate effects of external forces which affect his throughput.

### IV. NOW MOVE TOWARDS THE BEST

Principle of this paper lies here in this paragraph as discussed "Make in India" and skilling India targets for its improvement this aims towards growth of manufacturing sector in India in order to India to become superpower in whole trade world. We have seen that master labor can improve productivity from grass root but sectorial resource shift simply not enough for the wise purpose of the discussion. It means flexibility in workforce is also required this requirement would be fulfilled by a master labor who can perform in services as effectively as in manufacturing. Flexibility always regulates operating cost and maintains business continuity which as a whole important for industries to grow without interruptions.

For better understanding of flexibility in labor here some definitions are taken from source research it was carried out by Mr. Arnar Ingason, Master of Science in management of technology Faculty of Technology Policy and Management.

**Sectorial Flexibility:** A master labor who can switch between two sectors with ease and considerably lesser efforts follows sectorial flexibility.

**Internal (functional) labor flexibility:** While sectorial (numerical) labor flexibility focuses on easing the flow of labor with as little constraints as possible the internal (functional) flexibility focuses in steering the flow, increase workers safety and the reallocation/movement of personnel within companies. In other words, internal labor flexibility promotes mobility, adaptability and movement within a firm, both horizontal and vertical movement.

This kind of flexibility ensures the business continuity which is essential to drive an industry which in turn helps

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growing productivity which is a key driver of economy. The most important to notice by Indian government is to create an healthy environment to develop more Master Labors.

## V. CORRELATION BETWEEN LABOR FLEXIBILITY AND PRODUCTIVITY

As per the data collected from the survey questionnaire and interviews a statistical analysis is carried out. Throughput, inventory and operating expenses are the three fundamental quantum of cost incurred to run a making business i.e. a manufacturing business, looking at each term it is quite clear that to regulate each of these microeconomic activities should be carefully examined, a master labor would definitely can perform shop floor amendments by just knowing the importance of those activities . It is just a simple case which is giving overview of what miracle would happen if an educated labor knows what it takes to perform at his best and to remove root cause issues resulted with faulty work management at his level. Here this scenario depicts how functional flexibility be very much useful to improve throughput i.e. Productivity

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