



**THE INSTITUTE OF
Company Secretaries of India**
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
www.icsi.edu



February 27, 2018

Info Capsule

INDIA IS THE ECONOMIC HOPE OF THE GLOBE: VICE PRESIDENT¹

Improving the education level of labour force, improving access to quality training is crucial; Gives away Prime Minister Shram Awards

The Vice President of India, Shri M. Venkaiah Naidu has said that India is the economic hope of the globe and that the picture is both fascinating and complex as our economy is fast expanding. He was addressing the gathering after giving away the Prime Minister Shram Awards to more than 300 people, on February 26, 2018. The Minister of State for Labour and Employment (I/C), Shri Santosh Kumar Gangwar and other dignitaries were present on the occasion.

The Vice President said that millions of workforces are working round the clock to keep the wheels of economy running as he complimented the winners of Shram Awards. He further said that this is the 'real GDP' festival. By this I mean, the 'Growth Driving Power' from among whom the 'Great Dedicated Persons' are being honoured today and these two GDPs are critical for the 'Gross Domestic Product', the GDP that we are all ultimately concerned with, he added.

The Vice President said that improving the productivity of our workforce is the main challenge. If workers produce more per hour, there is more of output and income to share. He further said that 'Shakti' is the force that drives all processes including biological and mechanical. We have gathered here today to underline and acknowledge the importance of 'Shram Sakti' that is driving a range of processes of production which are critical to economic growth and development, he added.

The Vice President said that improving the education level of labour force, improving access to quality training is crucial. He further said that better coordination among various stakeholders, strengthening skill delivery framework, strengthening private sector participation and augmenting financial resources and systemic reforms are needed. There is widespread acknowledgement that present labour laws are coming in the way of increased investment flows and if that is the case, should they not be examined to find solutions, he questioned.

The Vice President asked government and private sector to address the concerns, needs and aspirations of the work force by ensuring an appropriate eco-system. He further said that our vast workforce is making huge contribution for the advancement of our nation. We cannot live with rules which come in the way of creating more job opportunities and rules that make running of an enterprise difficult need to be relooked at, he added.

¹ Available at: <http://www.pib.nic.in/PressReleaseDetail.aspx?PRID=1521692>

Following is the text of Vice President's address:

"I am indeed delighted to be associated with this programme of honoring those who have been among the millions of our precious workforce making silent but significant contribution for the growth and development of our nation. 'Shakti' is the force that drives all processes including biological and mechanical. We have gathered here today to underline and acknowledge the importance of 'Shram Sakti' that is driving a range of processes of production which are critical to economic growth and development.

In my view, this is a celebration of 'Shram Shakti' of our abundant workforce which is about 460 million and is projected to rise to over 600 million by 2022. The Shram Awards recognize and promote the entire gamut of processes of production eco-system as the award winners are chosen based on distinguished record of performance, dedication towards duty of a high order, specific contribution in the field of productivity, safety, quality, proven innovative abilities, conservation of resources, presence of mind and exceptional courage. It is through these attributes that the millions of our work force are driving the wheels of economic development round the clock.

For this reason, I venture to say that this is the 'real GDP' festival. By this I mean, the 'Growth Driving Power' from among whom the 'Great Dedicated Persons' are being honoured today. These two GDPs are critical for the 'Gross Domestic Product', the GDP that we are all ultimately concerned with.

On this occasion, I salute the millions of workforce who are working round the clock to keep the wheels of economy running and compliment the winners of Shram Awards. I understand that these awards are being presented today for six years. On this occasion I would like to say that it would be appropriate if these important honours are presented every year without such a time lag.

Prime Minister Shri Narendra Modi the other day said that Indian economy has transformed from being a fragile economy to being among the leading engines of global economy. This would not have been possible without the contributions of the millions of our workforce. But what is more important is that still there is a huge potential to be tapped to scale new economic horizons. This calls for improving the productivity of our workforce so that our economy can sustain on a high growth path.

India is an ancient civilization but has the largest population of the young in the world. 65% of our population is below the age of 35 years and the working age population (15-64 years) is over 25%. This is what is being called the 'demographic dividend' for India which needs to be made use of to the full potential through appropriate initiatives and interventions. This is a huge challenge as well as an opportunity which we can't afford to miss or falter.

The main challenge is improving the productivity of our workforce. Productivity growth does not top the public discourse in our country and other emerging markets. Productivity growth matters more for such economies than for the advanced world, since it is sustained productivity growth that can raise living standards over the long run in these countries. If workers produce more per hour, there is more of output and income to share. Labour productivity, measured as the output of goods and services per worker per hour has been increasing at a very slow pace in the US and other developed countries, especially since the global financial crash of 2008. Slow productivity growth implies slow long-run growth in output potential.

A small difference in annual productivity growth can add up to a big difference in standards of living of a generation. It was pointed out that a productivity growth of 2% per year can double the living standards in about 35 years. This in effect means that every generation will be significantly better off than the present one. But if productivity growth is slower, say at 1% every year, it means doubling of average standards of life only every 70 years. So, it is essential that all necessary initiatives and interventions are undertaken to improve the productivity of our workforce by ensuring an enabling environment both at workplace and home.

Raising productivity is thus among the foremost challenges faced by developing economies. An additional challenge for them is that besides improving productivity in different sectors of the economy, they should also ensure that workforce moves into the most efficient sectors of the economy. Developing economies are often characterized by large productivity gaps between different sectors of the economy, which is indicative of inefficient allocation of labour and other resources among different sectors of the economy.

Simply moving labour and resources to the more productive sectors alone may ensure overall raise in productivity and economic growth. However, studies have proved that there is no reason to believe that this process is inevitable and automatic. Many African and Latin countries saw labour moving in the wrong direction in response to globalization. Some studies have brought out that while efficiency of many formal sector firms increased in response to globalization, it was also accompanied by shedding of excess of labour force. Many of the displaced workers end up moving back to the informal sector, which is characterized by lower productivity.

However, India's experience since 1990s has been much better with a shift in labour away from agriculture to more productive sectors of the economy, particularly, manufacturing. In fact, growth in productivity, since the economic liberalization, has been the fastest in the manufacturing sector, followed by services. Recent data, however, show that overall labour productivity in our country has declined in line with the major economies of the world. We need to be cautious about avoiding the experience of African and Latin American countries. Labour intensive sectors like textiles, leather goods etc need to be paid special attention for improving productivity.

The real challenge of 'Make in India' is to create a large number of high productivity jobs in labour intensive sectors. Intensive efforts are being made in this direction. With China attempting to rebalance its economy and lower its dependence on exports, there is a big opportunity for India step in and carve out a space for manufacturing labour intensive products for the world. Several labour intensive sectors in our country are dominated by small organized firms, wherein raising productivity is a big issue. This needs to be addressed effectively to make our products globally competitive. Adequate levels of productivity of workforce need to be ensured across different sectors of the economy for raising the living standards of our people in a quicker time span.

Friends!

With changing times, work profiles are changing too. A recent report said that around 37% of the country's workforce would be employed in new job roles by 2022. The Report by FICCI-Nasscom and Ernst and Young said that by 2022, nine percent of the country's 600 million estimated workforce would be deployed in the jobs that do not exist at present. It also said that exponential technologies in advanced markets is expected to increase productivity by 15-20% in the next five years. We should gear up for this changes and challenges in the context of the fourth industrial revolution. We have to make up for the time lost and opportunities missed.

India is being hailed as the economic hope of the globe. The picture is both fascinating and complex as our economy is fast expanding and we are also emerging as the youngest population in the world. As the Fourth Industrial Revolution advances, new skill requirements will further challenge our growing number of young people.

Quick and effective initiatives in education and up-skilling are urgently needed, along with greater collaboration between institutions, schools systems and employers to develop education programmes that fit the needs of the market. Switzerland, Germany and Austria have managed this successfully. The need of the hour is successful cooperation among all the stakeholders to design educational paths tailored to shape employable skills and meet specific market needs.

In the context of these changing times and emerging demographic challenges, several initiatives are being currently pursued to improve productivity and employability so that our nation's economic potential is fully realized. Massive skill up gradation and technology adoption programmes are now being pursued with special vigour, focus and purpose.

Skill development is an important driver to address poverty reduction by improving employability, productivity and helping sustainable enterprise development and inclusive growth. It facilitates a cycle of high income growth and development. Increase in productivity flows from availability of skilled and healthy manpower; technological upgradation and innovative practices and macroeconomic strategies.

The evidence from developed countries suggests that investments in education and skills helps economy to move to high growth sectors and break the low wage –low skill development syndrome. In the context of developing economies like India, the challenge is to meet the skilled manpower requirement of high growing sectors , increased investment in the training infrastructure and also to ensure that the informal economy also have skilled manpower. The workplace training plays an important role in productivity enhancement.

Further to focused efforts of the last few years, skill eco-system has been created and policies and programmes are in place for linkages and achieving high employment potential. But for achieving intended goals, more needs to be done quickly. These include- Improving the education level of labour force, improving access to quality training, better coordination among various stakeholders, strengthening skill delivery framework, strengthening private sector participation and augmenting financial resources and systemic reforms.

While in the issue of productivity of workforce, employment for the growing numbers and the need to push economic growth rates, there is an imperative need for evolving a political consensus on reforms in labour laws with a human face. We cannot live with rules which come in the way of creating more job opportunities. Rules that make running of an enterprise difficult need to be relooked at. There is widespread acknowledgement that present labour laws are coming in the way of increased investment flows. If that is the case, should they not be examined to find solutions?

Our vast workforce is making huge contribution for the advancement of our nation. Their concerns, needs and aspirations shall be met by ensuring an appropriate eco-system. At the same time, we need to create enough opportunities for those aspiring to join the ranks of workforce.

I once again compliment all the winners of Shram Awards. These awards, as I said earlier are a celebration of the contributions and sacrifices of millions of workers who are toiling to keep our flag high.

Jai Kisan! Jai Jawan! Jai Kaamgar!"

Team ICSI

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