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India's Turning Point: An Economic Agenda to Spur Growth and Jobs

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Introduction

As India is at the brink of a turning point with the COVID-19 pandemic, it requires to take decisive reforms to spring back on a growth trajectory and create jobs to make it sustainable. The report maps out the pitfalls of economic stagnation and the post-pandemic opportunities to drive growth. It pinpoints three potential growth boosters -- global hubs serving India and the world, efficiency engines for India's competitiveness, and new ways of living and working -- spanning 43 high-productivity *frontier business opportunities*. Together, these could generate \$2.5 trillion of output and an additional 30% of the non-agricultural jobs till 2030. It further provides three pillars to finance this high growth agenda - channeling more household savings into capital markets, reducing the cost of credit intermediation, and streamlining public finance for more efficient allocation of government resources. To ensure this, the state governments, along with the central government, must set a clear vision and an actionable plan, focusing on pro-growth priorities.



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Key Highlights

1. To absorb 600 million new entrants to the workforce in this decade till 2030, India needs to create at least 90 million new non-farm jobs and thus grow 8.0 to 8.5% annually from 2023. Additionally, an estimated 30 million workers could move from out of agriculture to industries or tertiary sectors.
2. The growth potential, in terms of productivity and employment, arises from two sectors - manufacturing and construction. Moreover, one in four incremental gross jobs could come from the construction sector alone, based on the past elasticity of labor demand and the comparative performance of foreign and state economies.
3. To transform states, they need to find their champion sectors and further enable high-productivity industries to thrive and create competitive markets and employment opportunities. For instance, it was the services sector that accelerated growth in AP-Telangana and Karnataka, mining and manufacturing in Odisha, and the manufacturing sector in Gujarat.
4. The use of digital healthcare technologies could reallocate duties among doctors and other health associates, relieving their capacity by about 25%. It could result in growth from \$17 billion in 2020 to about \$60 billion in 2030 and increased access to preventive healthcare.
5. The creation of tourism circuits with high-quality infrastructure and services could attract about 50 million foreign tourists in 2030, generating \$100 billion that could help in boosting local economies.
6. The establishment of export hubs for high value-added produce and food products, including livestock and fisheries, pulses, and dairy, could lead to the growth of exports from \$35 billion in 2018 to \$95 billion by 2030. Improvement of storage and adoption of precision agriculture, along with farm-based digital services, could improve productivity by around 60%.
7. Access to energy resources could drive manufacturing sector growth, avoiding heavy dependence on imports.
8. Transforming 80% of government procurement into electronic mode using digital technologies could lower costs and time and lead to a 10% gain in price efficiency. Implementation of a robust e-marketplace could encourage competition among vendors, aggregate orders, saving up to \$35 billion by 2030.
9. By 2030, India would need 25 million affordable houses at a low cost of at most 2,000 rupees per square foot, and to supply this demand, public-private-partnership models are imperative, at least in areas such as mass transit and water.
10. Finally, with the demand for advanced skills in labor and the rise of the sharing economy, digital technologies could improve the quality of skill training using augmented reality and virtual reality. It would lead to efficient labor markets and the inclusion of women in the workforce, increasing the wages by 6-7% and 7-22% shorter search time.

Read more:

<https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/India/Indias%20turning%20point%20An%20economic%20agenda%20to%20spur%20growth%20and%20jobs/MGI-Indias-turning-point-Report-August-2020-vFinal.pdf>

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