AXIA IAS ACADEMY

EDITORIAL ANALYSIS

JULY 25

CONSISTENT COMPREHENSIVE AND CREDIBLE

UNIQUE AND BEST IN QUALITY

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A growth story that needs women at work

India aspires to become a developed country (Viksit Bharat) by 2047, yet youth unemployment is already double the rate of 2012. India, especially the government, may be forced to recognise the weaknesses of India's economy due to the West Asia war shock. However, weakness pre-dates this exogenous shock. Policy-induced shocks from 2016 (demonetisation, a poorly designed Goods and Services Tax, NBFCs, COVID-19 pandemic management) to the economy had already reversed structural change (rise in farm employment, falling manufacturing share of gross value added and in employment); non-farm job growth had slowed. The economy became more unequal, and hence aggregate demand collapsed, and with it investment/GDP ratio. So, GDP growth is much slower (even if government figures of 6.2% p.a. are believed (it is actually at best 4.5%, as the former Chief Economic Adviser recently argued).

An engine of growth

Further, India's growth story will remain incomplete without increasing the work participation rate (WPR) of half the population, i.e., women. In a new study, we estimate that a 10-percentage-point increase in India's female WPR could add nearly two percentage points to GDP growth, making women's employment one of the strongest drivers of economic growth. To sustain rapid growth of 8%-9% and emerge as a global economic power, the nation must harness the immense potential of its youth, especially young women.

Increased female WPR could contribute to economic growth in multiple ways. First, it increases the overall labour supply, thereby expanding productive capacity. When more women enter paid employment, household incomes rise, consumption increases, and savings improve. Higher household incomes also lead to better nutrition, education, and healthcare for children, thereby strengthening long-term human capital. Women's work participation can also improve productivity and innovation. Based on cross-country evidence, Nobel laureate Claudia Goldin argues that gender-diverse workplaces are often more efficient, creative, and competitive. Including women in the workforce is not merely a welfare measure but also a strategy for enhancing national productivity.

However, the work participation rate (WPR) of women in India remains below 30% — among the lowest in the world, comparable to that of countries such as Saudi Arabia and Yemen and West Asia. India's female labour force participation rate (LFPR) is low by international standards, even when compared with countries at similar levels of per capita income. Worse, it declined steadily between 1983 and 2018. As overall job growth in both the farm and non-farm sectors fell between 2012 and 2018, how did women fare? This is a critical question, especially since women are now much better educated than earlier.

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Women's employment is essential for growth, productivity, and achieving Viksit Bharat goals

Decline in women's work

In the 1980s and during the early 1990s, the WPR for women was high, primarily due to high participation in agricultural activities. However, this trend began to decline as economic growth and structural transformation led to a shift away from agriculture from 2004-05 to 2012. Many rural women withdrew from the workforce due to mechanisation and reduced demand for manual labour.

Fortunately, this period also saw a rise in educational attainment among young women, leading to increased school attendance. In other words, the Indian economy experienced a downward movement in female WPR in the first half of the U-shaped curve until 2018-19, consistent with the argument of Claudia Goldin.

Much has been made by government economists of the increase in women's work participation in India, post 2020. However, this increase built upon a GDP growth slowdown since 2017. Further, COVID-19 had induced economic distress, and large-scale return migration from urban to rural areas. With male workers losing urban employment and moving back to villages, women were compelled to intensify their role in subsistence agriculture and allied activities, often as unpaid family labour (UFL). This surge in UFL reflected a "distress-driven feminisation of agriculture", as women entered or remained in insecure, informal, and unremunerated agricultural work, due to shrinking non-farm opportunities and reinforced gender norms that limited mobility. The share of such work was falling from 1983 to 2012, as was the absolute number of women in such work. The collapse of non-farm work for men and women now meant that adult, poorly educated women returned to agriculture.

The structure of India's economic growth has also contributed to weak female employment generation. Much of India's recent GDP growth has been concentrated in capital-intensive sectors such as finance, information technology, and organised manufacturing, which do not absorb large numbers of workers. Labour-intensive sectors such as textiles, food processing, garments, and small-scale manufacturing saw a fall in absolute terms in employment between 2013 and 2019. In fact fewer women were employed in manufacturing in 2019 than in 2004 which shows how manufacturing jobs collapsed, despite all the hype about "Make in India" and Performance Linked Incentives for manufacturing. It was not until 2022 that manufacturing work for women rose to a level found in 2004. In much of India, manufacturing, or women's work has not received sufficient policy support.

The north-south divide

We show that young girls' unemployment is much higher than for young men. However, there is a real north-south divide, as highlighted in the book, *India Out of Work*. What is achievable is demonstrated by Tamil Nadu, which has been one of India's fastest growing States. More than 40% of India's women factory workers are employed in Tamil Nadu. This is remarkable, given that Tamil Nadu accounts for only about 5%-6% of India's population. This concentration is driven primarily by the State's strong presence in textiles and garments (especially in Tiruppur and Coimbatore), footwear, electronics assembly (Sriperumbudur), and automobiles and auto components, as well as by higher female literacy, greater mobility, and well-developed hostel and transport facilities for women workers.

Similarly, Hindi-belt States need to invest in the health (not insurance-based) and public education for all, especially of girls and women, to reduce higher-than-African level malnutrition and stunting rates — as the Southern states have done. They can then also see similar outcomes. There is no chance for India being 'Viksit' without gender-equality in all dimensions, especially in north India.

Some increase of female WPR (who re-entered agriculture) across India since 2020 was due to older adult women engaging in animal husbandry and poultry farming — a welcome development for household incomes.

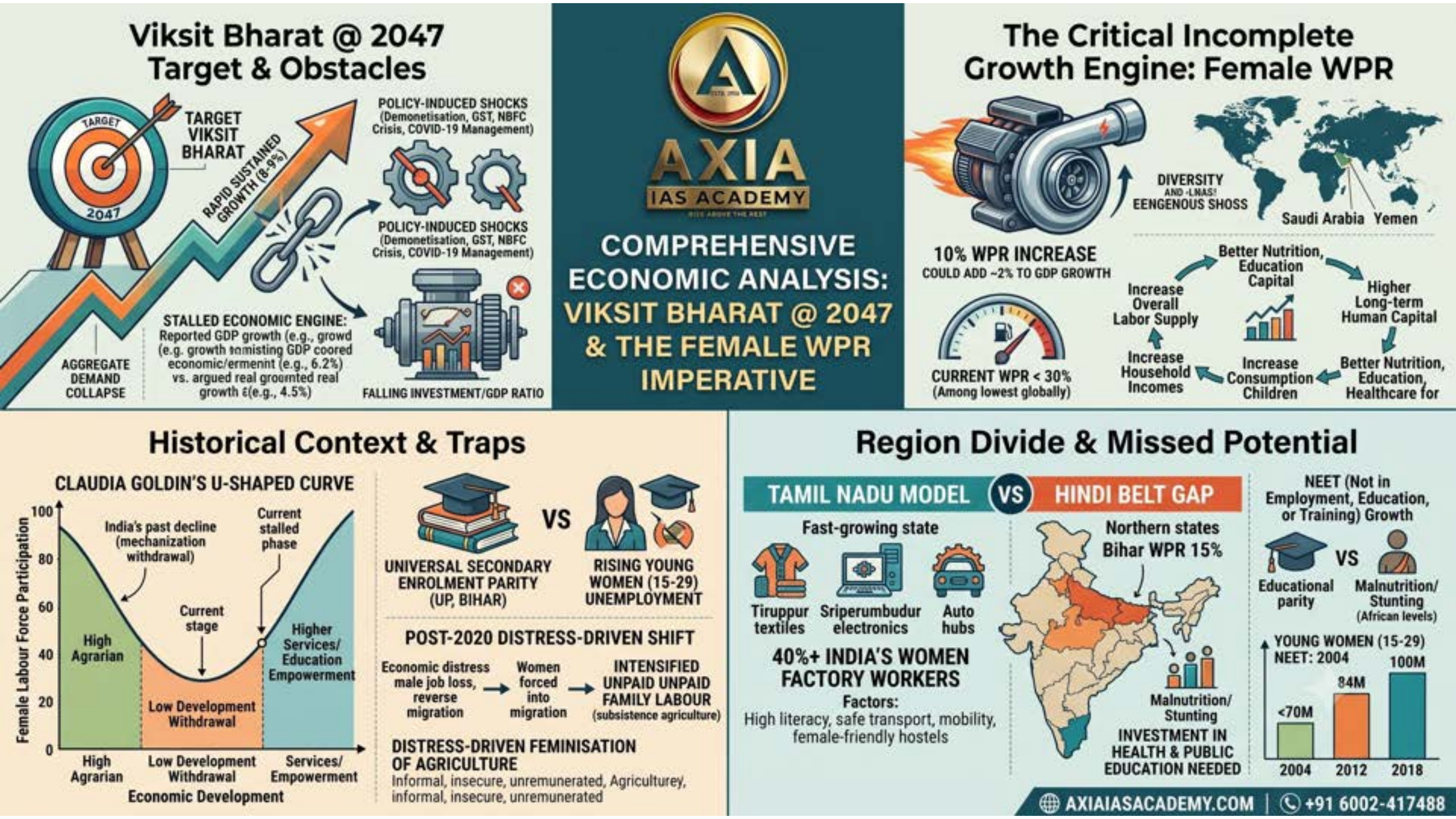
However, what about educated young girls? The gross enrolment rate at the secondary level was universalised between 2010 and 2015, with gender parity achieved even in rural Uttar Pradesh and Bihar. However, educated young women face high and rising unemployment rates.

Worse, the number of young women (aged 15-29 years) who were neither looking for work nor in education, was under 70 million until 2004. It increased to 84 million in 2012 and then rose to over 100 million by 2018. Bihar's female WPR is only 15%. Hence, India will remain out of work, and cannot become a developed country by excluding half its population from productive employment.

- **Key Terms and Concepts**
- **Work Participation Rate (WPR) vs. Labour Force Participation Rate (LFPR):**
  - **LFPR** measures the proportion of the working-age population (typically 15–59 or 15+ years) that is either actively employed or actively seeking employment.
  - **WPR** measures the proportion of the population that is *actually employed*.
- **Unpaid Family Labour (UFL) & Distress-Driven Feminisation of Agriculture:**
  - **UFL** refers to individuals who work in family-owned enterprises (such as family farms or small shops) without receiving direct cash remuneration or wages.
  - **Distress-Driven Feminisation** occurs when economic hardship or male distress migration forces women into low-productivity, informal, or unpaid agricultural work simply because non-farm, wage-paying job opportunities have collapsed.
- **Claudia Goldin's U-Shaped Curve:**
  - Nobel laureate Claudia Goldin demonstrated that female labor participation follows a U-shaped curve as an economy develops. At low income levels (agrarian economy), female participation is high in subsistence farming. As incomes rise and structural shift toward industry occurs, female participation drops due to social stigma, lack of suitable jobs, or rising male incomes (the income effect). Finally, with higher female education, falling fertility rates, and growth of service-sector jobs, female participation rises again.
- **Structural Transformation & Reverse Structural Change:**
  - **Structural Transformation** is the traditional economic progression where labor shifts out of low-productivity agriculture into higher-productivity manufacturing and services.
  - **Reverse Structural Change** happens when this trajectory breaks down or backtracks, forcing workers back out of urban factories and services and re-absorbing them into low-productivity farm labor.
- **NEET (Neither in Employment, Education, or Training):**
  - A critical socio-economic indicator representing youth (aged 15–29) who are disconnected from both the formal labor market and skill-building/educational systems. High female NEET numbers highlight structural barriers preventing young women from entering productive life.
- **Capital-Intensive vs. Labour-Intensive Growth:**
  - **Capital-Intensive Growth** relies heavily on technology, machinery, and high capital investment, yielding high GDP growth but generating very few jobs per unit of capital (e.g., software services, petroleum refining, financial services).
  - **Labour-Intensive Growth** expands sectors that absorb large volumes of low-to-medium skilled labor per unit of investment (e.g., textiles, apparel, leather, footwear, and food processing).

- **Main Arguments and Core Themes**
- Achieving the vision of a developed nation (*Viksit Bharat*) by 2047 requires sustained GDP growth of 8% to 9% annually over two decades. However, an analysis of macro-structural indicators reveals deep internal vulnerabilities that threaten this ambition.
- **1. The Growth Paradox and Structural Friction**
- **Divergence Between GDP and Quality Job Creation:** India’s GDP growth rate—even when reported at 6.2%—disguises a fundamental weakness: elevated youth unemployment, which has doubled compared to 2012 levels. Independent economic assessments argue that underlying real growth is closer to 4.5% when accounting for weak private consumption and investment.
- **Compounding Shocks:** Internal policy disruptions—such as the 2016 demonetisation, the initial administrative complexities of the Goods and Services Tax (GST), non-banking financial company (NBFC) liquidity freezes, and pandemic lockdowns—stunted informal and small-scale business ecosystems.
- **Reversal of Structural Change:** Instead of labor migrating systematically out of agriculture into modern factories, recent years saw millions of displaced urban workers return to subsistence farming. This reverse migration expanded low-productivity farm employment and reduced the manufacturing sector's share in total value added.
- **2. The Illusion of Post-2020 Female Labor Workforce Recovery**
- **Distress-Driven Female Employment:** While official statistics indicate a post-2020 rise in female Work Participation Rates (WPR), this uptick primarily reflects household distress rather than empowered economic movement.
- **Dominance of Unpaid Family Labour:** Much of the recorded increase in female work participation stems from adult women re-entering rural agriculture and allied sectors (like backyard poultry and cattle care) as unpaid family helpers, compensating for lost male urban incomes.
- **Premature Collapse in Labour-Intensive Manufacturing:** Between 2013 and 2019, absolute female employment in manufacturing contracted sharply. Key absorption industries—such as textiles, apparel, and food processing—lost momentum, and female industrial employment only returned to 2004 baseline levels around 2022.
- **3. The Unused Demographic Dividend: The NEET Challenge**
- **The Gendered Youth Crisis:** Unemployment among young, educated women (aged 15–29) remains disproportionately high.
- **Expanding NEET Footprint:** Despite achieving universal secondary school enrolment parity between boys and girls, over 100 million young women are currently classified as NEET (Neither in Employment, Education, or Training)—up from under 70 million in 2004. This represents an enormous underutilization of national human capital.
- **4. Regional Divergence: The North-South Divide**
- **The Tamil Nadu Benchmark:** Tamil Nadu accounts for over 40% of India’s female factory workforce while holding only 5% to 6% of the national population. This success is underpinned by targeted industrial ecosystems (textiles in Tiruppur, electronics in Sriperumbudur, footwear), female-friendly infrastructure (safe housing, secure transit), and early investments in public health and literacy.
- **The Hindi Belt Deficit:** Conversely, populous Northern states (e.g., Bihar, where female WPR hovers near 15%) continue to grapple with high female youth unemployment, structural underinvestment in basic public healthcare, persistent child stunting, and restrictive mobility norms.

- **Historical Evolution of India's Female Labor Dynamics**
- Tracing the trajectory of female workforce participation reveals how structural transitions, policy choices, and social norms have shaped women's economic participation over the decades:
- **Phase 1: Post-Independence to 1980s (The Agrarian Baseline)**
- **High Rural Participation:** Female participation was relatively high, driven almost entirely by subsistence agrarian work. Women functioned as primary field laborers and livestock carers within family-owned landholdings.
- **Structural Stagnation:** Industrial capacity was limited under import-substitution industrialization, offering minimal formal manufacturing opportunities for women outside traditional cottage crafts.
- **Phase 2: 1991 Liberalization to 2004 (Services-Led Transition)**
- **Unbalanced Structural Shift:** Economic liberalization propelled rapid service-sector growth (IT, communications, finance). However, these sectors required specialized skills, excluding the vast majority of rural and low-skilled women.
- **Peak Informal Employment:** Female workforce participation peaked around 2004–05, but a major portion remained concentrated in low-income agricultural operations and informal construction.
- **Phase 3: 2004–05 to 2012 (The Great Educational Withdrawal)**
- **Mechanization and Shrinking Farm Demand:** Increased farm mechanization reduced demand for manual farm labor, traditionally performed by women.
- **Education Boom:** Broadening access to secondary education led millions of young women to stay in school longer rather than entering early agricultural labor.
- **The U-Curve Effect:** Female WPR began a steep downward decline—aligning with the first downward phase of Claudia Goldin's framework, where rising household incomes and school retention lead to lower formal labor participation.
- **Phase 4: 2012 to 2019 (Structural Slowdown and Jobless Growth)**
- **Contracting Non-Farm Opportunities:** Sluggish non-farm job growth failed to absorb educated young women entering the workforce.
- **Decline in Manufacturing Absorption:** Labour-intensive manufacturing sectors (textiles, garments, leather) suffered from structural bottlenecks and policy shocks, leading to an absolute drop in female manufacturing jobs compared to 2004 levels.
- **Historical Lows:** Female LFPR plummeted to historic lows (below 25%–30%), placing India among the lowest worldwide, comparable to parts of West Asia.
- **Phase 5: 2020 Onward (Pandemic Distress and Re-Agrarianisation)**
- **COVID-19 Disruption:** Mass urban-to-rural migration forced displaced households back into agrarian survival mode.
- **Distress Feminisation:** Statistical increases in female participation during this period were largely driven by women taking up unpaid family labor (UFL) on farms, masking underlying economic distress rather than signaling structural empowerment.



Viksit Bharat @ 2047 Target & Obstacles
TARGET
2047
TARGET VIKSIT BHARAT
RAPID SUSTAINED GROWTH (8-9%)
POLICY-INDUCED SHOCKS (Demonetisation, GST, NBFC Crisis, COVID-19 Management)
POLICY-INDUCED SHOCKS (Demonetisation, GST, NBFC Crisis, COVID-19 Management)
STALLED ECONOMIC ENGINE: Reported GDP growth (e.g., growd (e.g. growth tamisting GDP coored economic/ermenit (e.g., 6.2%) vs. argued real groented real growth ε(e.g., 4.5%)
AGGREGATE DEMAND COLLAPSE
FALLING INVESTMENT/GDP RATIO
AXIA
IAS ACADEMY
COMPREHENSIVE ECONOMIC ANALYSIS: VIKSIT BHARAT @ 2047 & THE FEMALE WPR IMPERATIVE
The Critical Incomplete Growth Engine: Female WPR
DIVERSITY AND -LNAS! EENGENOUS SHOSS
Saudi Arabia
Yemen
10% WPR INCREASE
COULD ADD ~2% TO GDP GROWTH
CURRENT WPR < 30%
(Among lowest globally)
Better Nutrition, Education Capital
Higher Long-term Human Capital
Better Nutrition, Education, Healthcare for
Increase Consumption Children
Increase Household Incomes
Increase Overall Labor Supply
Historical Context & Traps
CLAUDIA GOLDIN'S U-SHAPED CURVE
Female Labour Force Participation
100
80
60
40
20
0
India's past decline (mechanization withdrawal)
Current stalled phase
Current stage
High Agrarian
Low Development Withdrawal
Higher Services/ Education Empowerment
High Agrarian
Low Development Withdrawal
Services/ Empowerment
Economic Development
UNIVERSAL SECONDARY ENROLMENT PARITY (UP, BIHAR)
VS
RISING YOUNG WOMEN (15-29) UNEMPLOYMENT
POST-2020 DISTRESS-DRIVEN SHIFT
Economic distress male job loss, reverse migration
Women forced into migration
INTENSIFIED UNPAID UNPAID FAMILY LABOUR (subsistence agriculture)
DISTRESS-DRIVEN FEMINISATION OF AGRICULTURE
Informal, insecure, unremunerated, Agriculturey, informal, insecure, unremunerated
Region Divide & Missed Potential
TAMIL NADU MODEL
VS
HINDI BELT GAP
Fast-growing state
Tiruppur textiles
Sriperumbudur electronics
Auto hubs
40%+ INDIA'S WOMEN FACTORY WORKERS
Factors:
High literacy, safe transport, mobility, female-friendly hostels
Northern states Bihar WPR 15%
Malnutrition/ Stunting
INVESTMENT IN HEALTH & PUBLIC EDUCATION NEEDED
NEET (Not in Employment, Education, or Training) Growth
Educational parity
VS
Malnutrition/ Stunting (African levels)
YOUNG WOMEN (15-29) NEET: 2004
<70M
84M
100M
2004
2012
2018
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+91 6002-417488

- **Logical and Philosophical Foundations**
- Analyzing employment through socio-economic and philosophical frameworks helps clarify why gender equality in workforce participation is both an economic necessity and a moral imperative:
- **1. Amartya Sen's Capability Approach**
- **Work as Freedom:** Human capability is defined not merely by income, but by the substantive freedoms individuals enjoy to lead lives they value. Restricting women's access to paid work diminishes their economic agency, intra-household bargaining power, and self-determination.
- **Agency vs. Well-being:** Paid employment converts education into active agency. When educated young women are relegated to unpaid care or enforced domesticity (NEET status), it represents a structural development failure.
- **2. Utilitarian Growth Logic and Neoclassical Production**
- **Eliminating Deadweight Economic Loss:** Modern growth models (such as the Solow-Swan model) emphasize capital, labor, and total factor productivity. Restricting female labor participation capped under 30% operates as a structural bottleneck, underutilizing human capital and leaving potential national output unrealized.
- **Efficiency Gains through Diversity:** Extending Claudia Goldin's empirical insights, gender-balanced work environments improve institutional productivity, problem-solving diversity, and firm-level competitiveness.
- **3. John Rawls' Theory of Justice and Feminist Economics**
- **Fair Equality of Opportunity:** Rawlsian justice requires that individuals with similar abilities and motivations enjoy equal life chances, regardless of gender or birth background. Structural barriers—such as unsafe public transit or disproportionate domestic burdens—violate this principle.
- **Redefining Unpaid Care Work:** Feminist economic theory highlights that national accounting systems (GDP/GVA) misclassify unpaid domestic work as "non-productive," obscuring the economic subsidies women provide to formal markets through uncompensated care activities.
- **4. Dr. B.R. Ambedkar's Vision of Social Democracy**
- **Contradiction Between Political and Economic Equality:** Dr. Ambedkar cautioned that political democracy ("one person, one vote") remains fragile if social and economic structures remain deeply unequal. Excluding half the population from formal economic life undermines the broader framework of constitutional democracy.

- **Multidimensional Analysis**
- **Social Dimension**
- **The Patriarchal Care Tax:** Deeply entrenched social norms impose an asymmetric burden of unpaid domestic care and housework on women, limiting their available hours for formal employment.
- **Safety and Spatial Mobility:** Lack of safe urban transit and insecure working conditions restrict women's physical mobility, preventing them from taking up jobs beyond their immediate neighborhoods.
- **The Marriage and Stigma Penalty:** In many regions, a woman entering paid manual labor outside the home is perceived as a sign of household financial distress, leading families to withdraw educated women from the labor force as male incomes rise.
- **Political Dimension**
- **Policy Focus vs. Structural Job Creation:** While state interventions have expanded welfare transfers and targeted female voter programs, structural employment policy often prioritizes capital-intensive, high-tech sectors over labor-absorbing light manufacturing.
- **Federal Imbalances:** Disparities between southern states (which integrated female labor into industrial hubs) and northern states (where social infrastructure and industrial connectivity lag behind) highlight challenges in regional development policies.
- **Legal & Institutional Dimension**
- **Implementation Gaps in Labor Regulations:** Statutory provisions—such as mandatory workplace creche facilities, maternity benefits, and prevention of sexual harassment (POSH) compliance—are often weakly enforced, particularly within informal and mid-sized enterprises.
- **Unintended Side-Effects of Compliance:** Without state subsidies, imposing full financial responsibility for maternity benefits on small employers can inadvertently discourage hiring young female workers.
- **Ethical Dimension**
- **Intergenerational Transmission of Inequality:** Restricting female economic independence impacts child health, nutrition, and educational outcomes, reinforcing intergenerational cycles of poverty.
- **Inversion of Demographics:** Educating young women without providing commensurate employment opportunities leads to social frustration, mental distress, and a sense of diminished self-worth.
- **International Dimension**
- **Global Competitiveness Deficit:** India's female LFPR (~30%) lags significantly behind peer emerging economies in Southeast Asia (e.g., Vietnam at >69%, Thailand at >59%), limiting its capacity to attract global manufacturing supply chains seeking labor-rich alternatives.
- **International Commitments:** Weak female labor market integration complicates progress toward UN Sustainable Development Goal 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth).
- **Economic & Fiscal Dimension**
- **The Aggregate Demand Drag:** Excluding millions of women from paid employment suppresses household purchasing power, weakening domestic consumer demand and dampening private corporate investment.
- **Fiscal Dividend Loss:** Expanding female workforce participation broadens the formal tax base and enhances national savings, generating revenue to fund public investments in health, education, and infrastructure.

Linkages with NCERT Textbooks

NCERT Textbook	Chapter & Theme	Core Conceptual Connection
Class 11: Indian Economic Development	**Chapter 7:** *Employment: Growth, Informalisation and Other Issues*	Directly addresses worker-population ratios, female labor participation trends, the informalization of work, and jobless growth dynamics in modern India.
Class 11: Indian Economic Development	**Chapter 3:** *Liberalisation, Privatisation and Globalisation*	Contextualizes structural reforms post-1991, highlighting how capital-intensive growth boosted services while labor-intensive manufacturing lagged.
Class 12: Introductory Macroeconomics	**Chapter 2:** *National Income Accounting*	Highlights the structural limitations of GDP measurement, particularly how unpaid domestic care and informal family labor are excluded from formal national accounting.
Class 11: Sociology (Understanding Society)	**Chapter 3:** *Social Institutions: Continuity and Change*	Examines gender roles, division of household labor, patriarchal constraints, and spatial mobility barriers that limit women's public economic participation.
Class 12: Political Science	**Politics in India Since Independence:** *Regional Aspirations & Development*	Mirrors the North-South developmental divide, contrasting human capital investments in Southern states with historical deficits in the Hindi belt.

- **Linkages with UPSC CSE / APSC Syllabus**
- **General Studies Paper 1 (Indian Society & Demographics)**
- **Role of Women and Women's Organizations:** Structural barriers to female work, patriarchal social structures, shift from rural agriculture to urban NEET status.
- **Population and Associated Issues:** Harnessing the demographic dividend, tackling regional imbalances, urban spatial safety, and female migration constraints.
- **General Studies Paper 2 (Governance, Welfare, & Public Policy)**
- **Development Processes & Welfare Schemes:** Evaluation of public interventions (e.g., NREGA, Skill India, POSH implementation) in enabling sustainable livelihoods for women.
- **Issues Relating to Health, Education, Human Resources:** Human capital deficits, child malnutrition, stunting in northern states, and universalizing secondary/vocational education for girls.
- **General Studies Paper 3 (Economy, Employment, & Infrastructure)**
- **Indian Economy & Issues Relating to Planning, Growth, and Employment:** The challenge of jobless growth, structural transformation breakdown, reverse migration, and falling investment-to-GDP ratios.
- **Industrial Policy & Changes in Employment Structure:** Sluggish performance of labor-absorbing manufacturing (textiles, garments) vs. capital-intensive technology hubs.
- **General Studies Paper 4 (Ethics & Human Values)**
- **Status of Gender Equality and Social Justice:** Ethical implications of economic exclusion, unpaid domestic labor valuation, structural inequality, and state responsibility in expanding capabilities.
- **Essay & Optional Subjects**
- **Essay Paper:** Directly relevant to themes such as *"Economic Growth Without Employment is Meaningless," "Empowering Women as Drivers of National Growth,"* or *"The Regional Dividends of Social Investment."*
- **Optional Subjects:**
  - *Economics:* Production functions, Solow growth model, labor economics, Goldin's U-curve hypothesis.
  - *Sociology:* Gender division of labor, patriarchy, social stratification, informal economy dynamics.
  - *Public Administration:* State policy execution, labor law reforms, center-state fiscal alignment.

- **Strategic Way Forward**
- **1. Re-Orienting Industrial Strategy Toward Labor-Intensive Sectors**
- **Support High-Absorption Sectors:** Policy incentives (such as PLI schemes) should explicitly reward employment generation alongside capital investment, prioritizing high-absorption industries like textiles, apparel, footwear, toys, and food processing.
- **Replicate Successful Industrial Cluster Models:** Scale cluster-based approaches modeled on Tamil Nadu's industrial nodes (e.g., Tiruppur and Sriperumbudur) across central and northern industrial corridors.
- **2. Investing in Care Infrastructure and Safe Mobility**
- **Publicly Subsidized Childcare:** Establish network-based, state-subsidized creches and early childhood care centers near major employment hubs to alleviate domestic burdens on working mothers.
- **Gender-Inclusive Urban Planning:** Improve last-mile transit safety, provide well-lit public transport, and construct safe, affordable working women's hostels in industrial clusters and tier-2/3 cities.
- **3. Bridging Human Capital and Regional Health Deficits**
- **Prioritize Health and Nutrition in the Hindi Belt:** Increase primary healthcare investments in northern states to reduce high rates of child stunting and maternal anemia, establishing a healthier foundation for long-term productivity.
- **Align Education with Market Demand:** Reorient female secondary education toward vocational skill integration, technical training, digital literacy, and formal apprenticeship programs that connect school graduates directly with modern industries.
- **4. Supporting the Care Economy and Informal Workers**
- **Recognize and Value Care Work:** Formally integrate care economy workers (e.g., ASHA and Anganwadi workers) into standard social security frameworks with fair wages and structured career progression.
- **Co-Fund Compliance for Small Enterprises:** Provide state co-funding for mandatory maternity and creche benefits within MSMEs to ensure these welfare measures do not deter small businesses from hiring young female candidates.

- **UPSC CSE Mains Questions**
- **General Studies Paper 1**
- *"How do you explain the statistics that show female labor force participation in India is low and declining despite rapid economic growth and expanding female education?"* **(15 Marks, 250 Words)**
- *"Discuss the socio-cultural and economic factors that constrain female spatial mobility and labor participation in northern India compared to southern states."* **(10 Marks, 150 Words)**
- **General Studies Paper 2**
- *"While education levels among young women in rural India have risen significantly, their entry into the formal workforce remains exceptionally low. Examine the structural gaps in public policy and social infrastructure."* **(15 Marks, 250 Words)**
- *"Addressing the twin challenges of child malnutrition and low female workforce participation requires a coordinated overhaul of primary healthcare and social protection systems. Analyze."* **(15 Marks, 250 Words)**
- **General Studies Paper 3**
- *"Economic growth in India over recent decades has been characterized as 'jobless growth' with capital-intensive industries dominating output. How does this structural feature impact female employment in particular?"* **(15 Marks, 250 Words)**
- *"Examine the trends in structural transformation in India since 1991. Why has the movement of labor out of agriculture stalled or reversed in recent years, and what are its macroeconomic implications?"* **(15 Marks, 250 Words)**
- *"Discuss the role of labor-intensive manufacturing sectors (like textiles and leather) in absorbing rural workforce surpluses. What policy interventions are necessary to revitalize these sectors?"* **(10 Marks, 150 Words)**

Delimitation impasse: A way out

BALANCING ACT. A formula that dilutes the population increase criterion can reduce the North-South seat imbalance

GOVIND BHATTACHARJEE

COMPENSATION. States with better fertility rates can be rewarded with fiscal incentives or Finance Commission transfers —

The debate on delimitation seems to have opened up old wounds in our federal democratic polity and is threatening to ignite the North-South debate once again, with the southern States fearing loss of their political influence and voice in national policymaking.

The northern States are clamouring for equal representation (frozen through the 42nd Amendment to the Constitution since 1976, based on the 1971-population).

By the next Lok Sabha election in 2029, the average population represented by one Lok Sabha member would increase 2.7 times from only a million in 1971; but this increase would become extremely unbalanced between the northern and southern States. Thus, an MP from Bihar, UP, Tamil Nadu, and Kerala would represent respectively 3.5, 3.1, 2.7, 2.0 and 1.8 million people.

If delimitation is done according to the present Lok Sabha strength and the respective populations of States, Bihar and UP will gain about 10-11 seats each, while Tamil Nadu would lose 10-11 and Kerala 7-8 seats.

Naturally, southern States are very concerned. The government's proposed solution of increasing the total Lok Sabha seats to 850 and retaining the proportion of each State as under the present Parliament (while also implementing women's reservation from the next Lok Sabha) has already been rejected by Parliament. Any proposal to increase the Lok Sabha strength while allocating the seats based on population is unlikely to allay the fears of the southern States about a possible redistribution of political influence towards the BJP-ruled Hindi-speaking belt.

EQUALISATION MOVE

In a lucid article in the Economic & Political Weekly, Prof. Amitabh Kundu has provided an analytical framework, arguing that population-based representation would increase equality but would be politically fractious. But a redistribution by adding extra seats to the current state representation based on their proportional population growth since 1971 could make the process more acceptable. An example is given in the accompanying table.

Arriving at an alternative formula is important. The issue here is that after two or three future delimitations, existing distortions may become cumulative and inherited inequalities become entrenched. Then no amount of statistical analysis can rectify the underlying inequality, potentially destabilising our federation's future.

The delimitation debate revolves around a few fundamental questions: (i) that the 1976 freeze on seats implies that federal accommodation has become an enduring Constitutional principle; (ii) delimitation must achieve a balance between electoral equality and federal accommodation; and (iii) States which have attained low fertility deserve continued Constitutional protection through enhanced Parliamentary representation.

But the 42nd Amendment freeze was a political compromise designed to address an exceptional historical situation. It never supplanted the underlying Constitutional logic embodied in Articles 81 and 82 that the ratio between population and seats should be broadly the same for all States, needing adjustments after every census. Hence, a temporary Constitutional arrangement cannot become a permanent Constitutional norm.

Unlike in many other federations where territorial equality is secured through the upper chamber, our Rajya Sabha lacks a true federal character

Suggested formula

State	Existing seats based on 1971 population	Seats based on projected 2029 population	Existing Seats + Seats due to increase over 1971 population
Total Lok Sabha seats	543	815 (50% increase)	
Tamil Nadu	39	45	55
UP	80	144	112

Further, Constitutional debate is more complex than a mere balance between electoral equality and federal compromise; it deals with equality among States, but more importantly, equality among citizens. Lok Sabha being the House of the People, the Constitution places citizens at the centre of democratic representation. Any departure from this sacrosanct principle would undermine democracy itself. A citizen cannot possess greater Parliamentary influence merely because his or her State successfully implemented family planning.

FISCAL REWARDS

Of course, attaining low fertility was a national objective and deserves recognition and rewards, but it does not follow that the rewards must come only through higher political representation and permanently enhanced voting power than the population warrants; they may rather come fiscally, through Finance Commission transfers or other mechanisms.

Democratic representation will then be dissociated from development policy, which will offer better incentives. Besides, it would be unfair to penalise non-performing States — their inability does not necessarily reflect their unwillingness or inefficiency. Fertility is a product of many historical and structural factors including economic development, female literacy, urbanisation, health infrastructure, infant mortality etc. which may not always be within a State's control.

As Kundu has pointed out, unlike in many other federations where territorial equality is secured through the upper chamber, our Rajya Sabha lacks a true federal character. But in all federations, the lower house representation is based on proportionality to population, and there is no reason India should be an exception for preserving what some may perceive as federal equity. If the Constitution must be amended, why should it not give equal representation to all States in the Rajya Sabha, instead of changing the Lok Sabha?

I would rather argue that proportionality in representation is an inviolable Constitutional principle, and all delimitations must restore this proportionality which has to be done gradually, over the next two or three delimitation cycles. At the same time, we must reform representation in the Rajya Sabha to give greater federal powers to smaller States, whether by equal representation or by weighted voting so that each State gets the same votes.

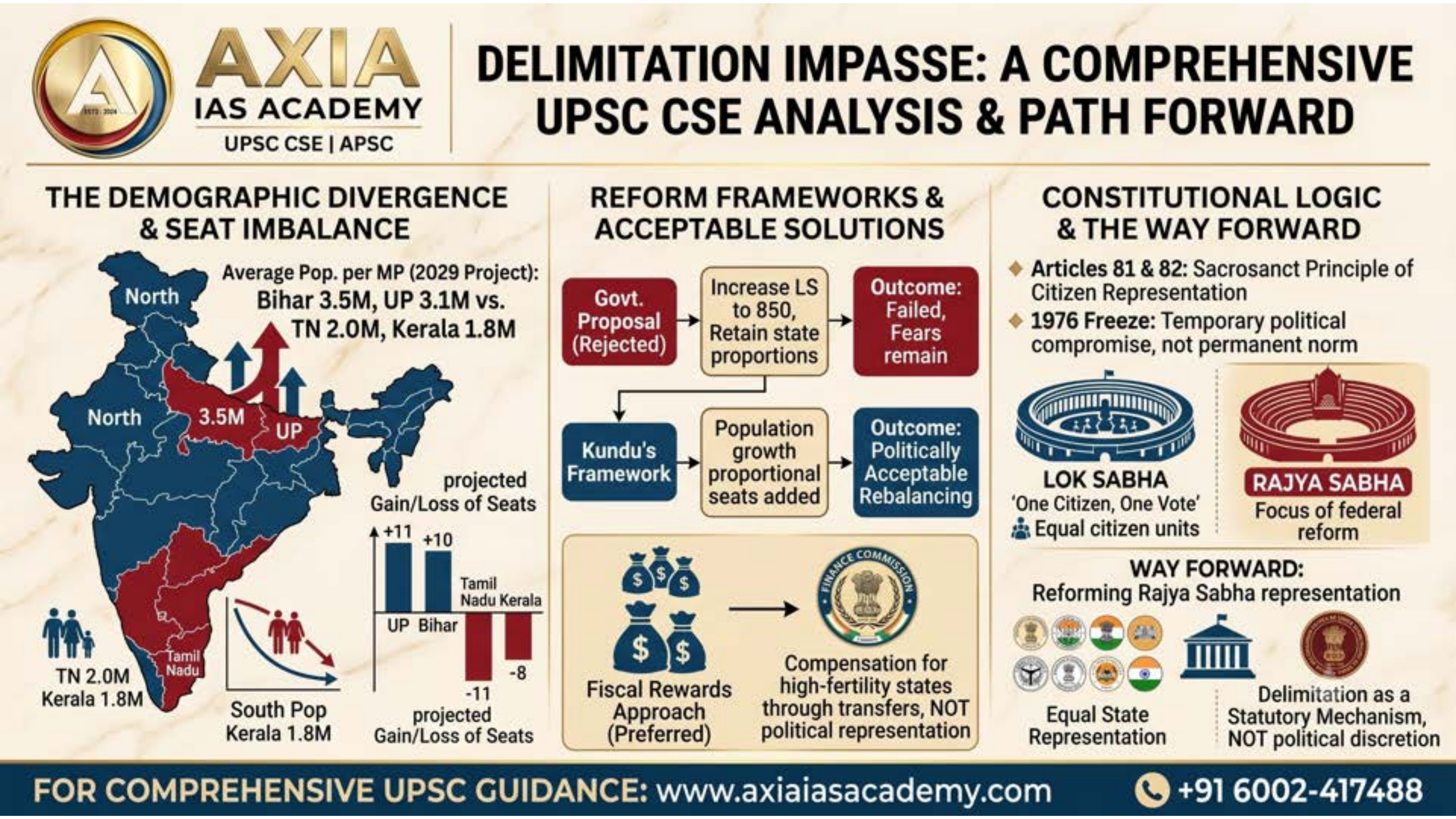
Delimitation should also be a statutory mechanism, like the Finance Commissions, and not dependent on political discretion.

The writer is a former Director General, CAG of India and a Visiting Professor, IMI, Calcutta

- **Key Terms and Concepts**
- **Delimitation Commission & Delimitation Exercise**
- Delimitation is the statutory process of redrawing the territorial boundaries of Parliamentary and State Assembly constituencies based on recent Census data. Its primary goal is to ensure that every elected representative represents roughly the same number of citizens, upholding electoral equality.
- In India, this exercise is executed by an independent, high-powered **Delimitation Commission** setup under a specific Act of Parliament. The Commission is chaired by a retired Supreme Court judge, alongside the Chief Election Commissioner and respective State Election Commissioners.
- **Articles 81, 82, 170, and 329(a)**
- **Article 81:** Dictates the composition of the Lok Sabha. It mandates that the ratio between the number of Lok Sabha seats allocated to a State and its population must be uniform across all States, as far as practicable.
- **Article 82:** Mandates the readjustment of Lok Sabha seat allocations and constituency boundaries after every Decennial Census through a Delimitation Act passed by Parliament.
- **Article 170:** Applies the same principle of post-census readjustment to State Legislative Assemblies.
- **Article 329(a):** Provides legal immunity to delimitation orders. Once published in the Gazette, these orders carry the force of law and cannot be questioned in any court, preventing endless litigation from stalling elections.
- **The Constitutional Seat Freeze (42nd and 84th Amendments)**
- **42nd Constitutional Amendment Act (1976):** Passed during the Emergency, it froze the total number of Lok Sabha seats and their state-wise allocation based on the 1971 Census until the year 2001. The objective was to support national family planning goals so that States successfully curbing population growth would not lose political representation.
- **84th Constitutional Amendment Act (2001):** Extended this freeze on the total number of Lok Sabha seats for another 25 years, postponing any fresh allocation based on population until the first Census conducted after the year 2026.
- **87th Constitutional Amendment Act (2003):** Allowed internal readjustment of constituency boundaries within States using 2001 Census data, without altering the total seats assigned to each State.
- **Total Fertility Rate (TFR) & Demographic Divergence**
- Total Fertility Rate refers to the average number of children a woman gives birth to over her reproductive lifespan. Replacement-level TFR is 2.1.
- India exhibits significant **demographic divergence**: Southern and Western States (such as Kerala, Tamil Nadu, Andhra Pradesh, and Maharashtra) achieved replacement-level fertility decades ago. In contrast, several Northern and Eastern States (such as Uttar Pradesh, Bihar, and Madhya Pradesh) experienced slower declines in fertility rates.
- **Popular Sovereignty vs. Federal Accommodation**
- **Popular Sovereignty (Democratic Representation):** The principle that political power derives from the people equally, summarized by the rule *"One Person, One Vote, One Value."*
- **Federal Accommodation:** The institutional design that balances power among constituent units in a federation, protecting less populous or minority regions from being dominated by more populous ones.

- **Main Arguments and Core Analysis**
- **The Core Dilemma: Democratic Parity vs. Federal Trust**
- The delimitation debate brings two foundational principles of the Indian Constitution into direct conflict: **electoral equality** (the democratic right of equal voter weight) and **federal balance** (protecting constituent States from political marginalization).
- Because total seats were frozen using 1971 Census figures, immense demographic divergence over the past five decades has created severe voter representation disparities:
- An MP from Bihar or Uttar Pradesh currently represents roughly **3.1 to 3.5 million citizens**.
- An MP from Tamil Nadu or Kerala represents roughly **1.8 to 2.0 million citizens**.
- If fresh delimitation were conducted strictly by population, Bihar and Uttar Pradesh would gain roughly $10--11$seats each, while Tamil Nadu and Kerala would lose about $10--11$and $7--8$seats respectively.
- This creates a serious political paradox: enforcing strict population parity risks creating a deep regional imbalance between the Hindi-speaking northern heartland and the southern States.
- **Evaluating Expansion Proposals**
- To resolve this deadlock, proposals have been floated to expand the Lok Sabha's size (for instance, to around 850 seats) while preserving each State's relative seat proportions.
- However, this approach faces two major limitations:
- **Unresolved Core Disparities:** Merely scaling up seat numbers without rebalancing ratios leaves the underlying inequality in voting weight unaddressed.
- **Federal Concerns:** Southern States remain concerned that any future population-based seat adjustments will concentrate federal political power within populous northern States, altering the political dynamics of the Union.
- **Decoupling Governance Performance from Political Rights**
- A central issue in this debate is whether political representation should be used to reward or penalize States for their demographic performance.
- **Electoral Parity is Inviolable:** In a representative democracy, Parliamentary seats represent citizens, not state governments. Diluting a citizen's voting weight because their State has a higher population growth rate undermines the core principle of democratic equality.
- **Fertility is Structural:** Demographics are influenced by structural factors like urbanization, female literacy, historical poverty, and healthcare access—factors that are not entirely within a State government's immediate control.
- **Fiscal Compensation as an Alternative:** Performance in family planning and human development can be incentivized through financial mechanisms—such as Finance Commission devolution formulas and central grants—rather than by altering political representation.
- **Reimagining Bicameral Federalism**
- In many federal systems, demographic representation in the lower house is balanced by equal territorial representation in the upper house.
- India's Rajya Sabha currently allocates seats to States roughly based on population rather than equal state representation. Reforming the Rajya Sabha—either by granting equal representation to all States (similar to the US Senate) or by adopting a weighted voting system—could offer a structural solution to federal concerns while keeping the Lok Sabha aligned with population parity.

- **Historical Evolution of the Delimitation Issue**
- **Phase 1: Post-Independence Regularity (1950–1976)**
- **Constitutional Framework:** The original Constitution envisioned regular, post-census seat re-allocations to maintain democratic parity across States.
- **Early Commissions:** Delimitation exercises were conducted following the 1951, 1961, and 1971 Censuses (via the Delimitation Acts of 1952, 1962, and 1972).
- **Seat Adjustments:** Lok Sabha seats expanded from 494 in 1952 to 522 in 1962, eventually reaching 543 seats after the 1973 exercise.
- **Phase 2: The Emergency & The 1976 Freeze**
- **The 42nd Amendment (1976):** Suspended periodic seat adjustments until after the 2001 Census, freezing Lok Sabha allocations at 1971 population levels.
- **Policy Context:** Aligned with the National Population Policy, the freeze ensured States actively promoting family planning were not penalized with reduced political representation.
- **Phase 3: Extension of the Freeze (2001–2003)**
- **The 84th Amendment (2001):** Extended the seat freeze for another 25 years, pushing the next potential reallocation to after the first Census post-2026.
- **The 87th Amendment (2003):** Authorized internal constituency boundary adjustments based on the 2001 Census while keeping total state-wise seat allocations unchanged.
- **The 4th Delimitation Commission (2002–2008):** Redrew electoral boundaries to ensure intra-state population balance and updated SC/ST seat reservations without changing total state seat counts.
- **Phase 4: Recent Developments & Regional Context**
- **Jammu & Kashmir Delimitation (2020–2022):** Set up under the J&K Reorganisation Act, 2019, this commission adjusted Assembly constituencies in the Union Territory based on 2011 Census figures.
- **Assam Delimitation (2023):** Conducted by the Election Commission of India under Section 8A of the Representation of the People Act, 1950, updating Assembly and Parliamentary boundaries in Assam using 2001 Census data.
- **The 106th Constitutional Amendment Act (2023):** Mandates a 33% reservation for women in the Lok Sabha and State Assemblies, specified to take effect after the post-2026 census and subsequent delimitation exercise.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DELIMITATION IMPASSE: A COMPREHENSIVE UPSC CSE ANALYSIS & PATH FORWARD
THE DEMOGRAPHIC DIVERGENCE & SEAT IMBALANCE
Average Pop. per MP (2029 Project):
Bihar 3.5M, UP 3.1M vs.
TN 2.0M, Kerala 1.8M
North
North
3.5M
UP
Tamil Nadu
TN 2.0M
Kerala 1.8M
South Pop
Kerala 1.8M
projected Gain/Loss of Seats
+11
+10
UP
Bihar
Tamil Nadu
Kerala
-11
-8
projected Gain/Loss of Seats
REFORM FRAMEWORKS & ACCEPTABLE SOLUTIONS
Govt. Proposal (Rejected)
Increase LS to 850, Retain state proportions
Outcome: Failed, Fears remain
Kundu's Framework
Population growth proportional seats added
Outcome: Politically Acceptable Rebalancing
Fiscal Rewards Approach (Preferred)
FINANCE COMMISSION
Compensation for high-fertility states through transfers, NOT political representation
CONSTITUTIONAL LOGIC & THE WAY FORWARD
Articles 81 & 82: Sacrosanct Principle of Citizen Representation
1976 Freeze: Temporary political compromise, not permanent norm
LOK SABHA
'One Citizen, One Vote'
Equal citizen units
RAJYA SABHA
Focus of federal reform
WAY FORWARD:
Reforming Rajya Sabha representation
Equal State Representation
Delimitation as a Statutory Mechanism, NOT political discretion
FOR COMPREHENSIVE UPSC GUIDANCE: www.axiaiasacademy.com
+91 6002-417488

- **Philosophical Foundations**
- **Democratic Equality vs. Federal Accommodation**
- This issue highlights a classic tension in political philosophy:
- Democratic Sovereignty (Electoral Equality) ⟺ Federal Compact (State Equality)
- **Democratic View (Rousseau & Bentham):** Sovereignty rests with individuals, requiring that every citizen's vote carries equal weight regardless of geographic location.
- **Federal View (Rawlsian Fairness & Federal Compacts):** A federation is a voluntary association of distinct regions. Maintaining political stability requires protecting smaller or less populous units from being marginalized by larger ones.
- **The Morality of Incentives vs. Basic Democratic Rights**
- Using political representation as an incentive structure raises fundamental questions:
- Is political representation a basic democratic right or a policy reward?
- Should a citizen's voting influence depend on their State's social policy outcomes?
- Under constitutional democratic theory, fundamental rights—including equal voting weight—belong to citizens individually, while policy outcomes are best addressed through targeted fiscal and governance mechanisms.

- **Multidimensional Analysis**
- **Social Perspective**
- **Human Development Disparities:** Differences in total fertility rates are closely linked to female literacy, healthcare access, and socio-economic development across States.
- **Cultural Identity:** Changes in political representation can heighten regional identity concerns, making demographic adjustments politically sensitive.
- **Political Perspective**
- **Parliamentary Representation Shifts:** Unrestricted population-based delimitation would shift a larger share of parliamentary seats toward northern States like Uttar Pradesh and Bihar, changing national legislative dynamics.
- **Federal Harmony:** Preserving trust between different regions is essential for maintaining long-term political stability in a diverse federal country.
- **Legal & Constitutional Perspective**
- **Constitutional Harmony:** Resolving this issue requires balancing Article 81 (equal representation ratio) with past constitutional amendments that froze seat allocations.
- **Judicial Immunity:** Article 329(a) insulates delimitation orders from judicial review, ensuring that seat allocation decisions remain within the legislative and constitutional domain.
- **Ethical Perspective**
- **Democratic Fairness:** Diluting individual voting power based on state residency creates questions of electoral fairness.
- **Inter-State Equity:** Policy design must balance fairness for States that achieved family planning goals without disenfranchising citizens in higher-population regions.
- **International Insights**
- **United States:** The House of Representatives allocates seats by population, while the Senate provides equal representation (two seats per state), balancing popular and state interests.
- **Germany (Bundesrat):** Uses a weighted voting system for states based on population bands, protecting smaller states while acknowledging size differences.
- **European Union Parliament:** Applies **degressive proportionality**, guaranteeing smaller member states a minimum allocation of seats to prevent complete marginalization.
- **Economic Perspective**
- **Fiscal Federalism:** Population figures heavily influence resource distribution formulas used by the Finance Commission.
- **Resource Allocation:** Balancing financial transfers between high-generating states and states requiring developmental support remains an ongoing priority in fiscal policy.

Links to NCERT Textbooks

Class & Subject	Book Title	Relevant Chapter	Key Concepts Covered
Class 11 Political Science	*Indian Constitution at Work*	Chapter 3: *Election and Representation*	First-Past-The-Post system, role of the Delimitation Commission, and constitutional provisions for electoral fairness.
Class 11 Political Science	*Indian Constitution at Work*	Chapter 7: *Federalism*	Asymmetrical federalism, Rajya Sabha structure, and balancing national power with state autonomy.
Class 12 Political Science	*Politics in India Since Independence*	Chapter 7: *Regional Aspirations*	Regional dynamics, federal accommodation, and balancing national unity with state identities.
Class 12 Sociology	*Indian Society*	Chapter 2: *Demographic Structure of Indian Society*	Demographic transition model, state-wise fertility variations, and socio-economic factors influencing growth.

- **Mapping to the UPSC CSE & APSC Syllabus**
- **GS Paper 1 (Demographics & Regionalism):** Covers demographic transition trends, population policy impacts, and regional development patterns.
- **GS Paper 2 (Governance & Constitutional Framework - Primary Linkage):**
    - *Constitutional Amendments:* Provisions of Articles 81, 82, 170, and 329(a).
    - *Federal Structure:* Balancing regional interests with national representation.
    - *Parliamentary Design:* Structure and functioning of the Lok Sabha and Rajya Sabha.
- **GS Paper 3 (Fiscal Federalism):** Addresses resource allocation mechanisms through the Finance Commission and performance-based devolution.
- **GS Paper 4 (Ethics in Governance):** Examines fairness in representation and balancing individual political rights with regional equity.

- **Proposed Solutions & Policy Recommendations**
- **Phased Seat Readjustment**
- **Incremental Implementation:** Rather than recalculating all seats in a single step, seat allocations can be adjusted across two or three delimitation cycles.
- **Growth-Based Allocation Formulas:** Additional seats could be distributed based on population growth since 1971, cushioning sharp changes in state seat shares.
- **Reforming the Rajya Sabha**
- **Strengthening Federal Role:** Transform the Rajya Sabha into a true federal chamber by moving toward equal representation per State or implementing weighted voting rules.
- **Legislative Safeguards:** Require federal concurrence in the Rajya Sabha for measures affecting state boundaries, electoral representation, or key constitutional balances.
- **Decoupling Electoral Rights from Policy Rewards**
- **Financial Incentives:** Use Finance Commission grants and central transfers to reward States meeting health and demographic targets.
- **Preserving Democratic Parity:** Ensure individual voting rights remain grounded in democratic population standards while addressing developmental priorities separately.
- **Establishing an Independent Statutory Framework**
- **Permanent Delimitation Body:** Transition from ad-hoc commissions to a permanent statutory body that handles boundary maintenance on a regular schedule.
- **Data-Driven Delimitation:** Use modern GIS mapping and updated census data to keep boundaries reflective of local population shifts.

- **UPSC CSE Prelims**
- **1. Delimitation Commission Powers**
- **Question:** With reference to the Delimitation Commission, consider the following statements:
- 1. The orders of the Delimitation Commission cannot be challenged in a Court of Law.
- 2. When the orders of the Delimitation Commission are laid before the Lok Sabha or State Legislative Assembly, they cannot effect any modification in the orders.
- Which of the statements given above is/are correct?
- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2
- **Answer: (c) Both 1 and 2**
- **Explanation:** Under Article 329(a) and the Delimitation Act, orders issued by the Delimitation Commission carry the force of law and cannot be challenged in court. When presented to Parliament or State Assemblies, they are implemented without modification.
- **2. Constitutional Freeze Mechanisms**
- **Question:** The total number of seats in the Lok Sabha was frozen based on the 1971 Census. By which Constitutional Amendment Act was this freeze extended up to the year 2026?
- (a) 42nd Amendment Act
- (b) 84th Amendment Act
- (c) 87th Amendment Act
- (d) 91st Amendment Act
- **Answer: (b) 84th Amendment Act**
- **Explanation:** The 42nd Amendment (1976) originally froze seat allocations until 2001. The 84th Amendment (2001) extended this freeze to post-2026, while the 87th Amendment allowed boundary adjustments using 2001 Census data without changing total state seat counts.

35 years of liberalisation

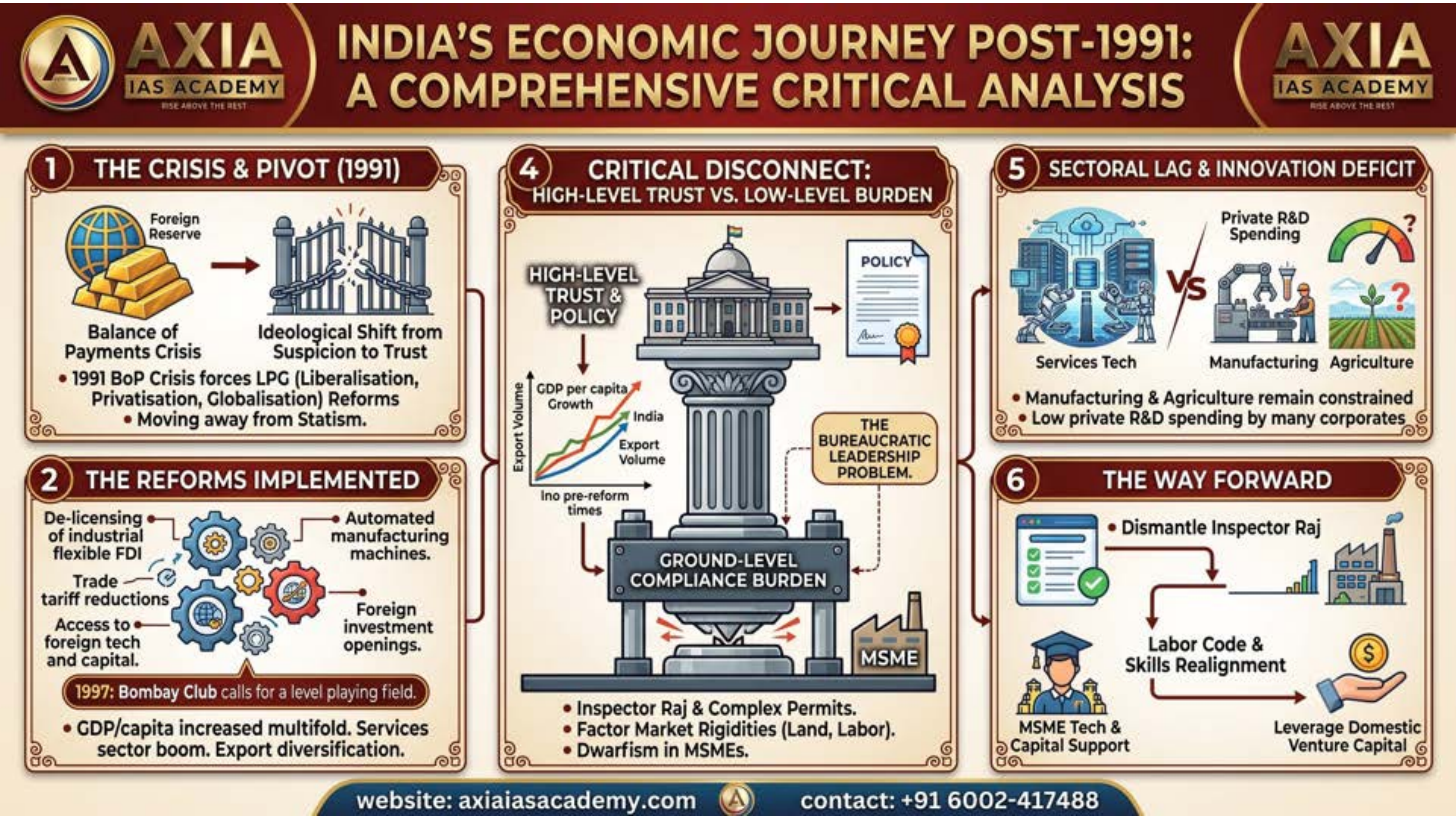
How India and its peers have fared since 1991

'After reforms, we were no longer afraid of the world'

- **Key Terms and Explanations**
- **Balance of Payments (BoP) Crisis**
- **Definition**: A macroeconomic crisis that occurs when a country lacks sufficient foreign exchange reserves to pay for its essential imports or service its external debt obligations.
- **Contextual Example**: In 1991, India faced a severe BoP crisis where its foreign exchange reserves plummeted to under $1 billion—barely enough to cover two weeks of essential imports like crude oil—forcing the government to pledge gold reserves to secure foreign loans.
- **Liberalisation, Privatisation, Globalisation (LPG) Reforms**
- **Definition**: The triad of economic policy shifts initiated in 1991 aimed at opening the domestic economy to foreign competition, reducing state control, and integrating national production networks into global trade flows.
- **Contextual Example**: Dismantling the rigid industrial license requirements (Liberalisation), selling government equity in public sector undertakings (Privatisation), and lowering import tariffs alongside allowing Foreign Direct Investment (Globalisation).
- **"Bombay Club"**
- **Definition**: An informal group of prominent Indian industrial leaders that emerged in the mid-1990s following the initial wave of 1991 reforms. They advocated for temporary state protection and a "level playing field" against foreign multinationals entering domestic markets.
- **Contextual Example**: Domestic capital producers expressed concerns that sudden, uncalibrated tariff reductions would destroy nascent domestic manufacturing capacity before Indian enterprises had time to modernise their technology and reduce production costs.
- **Factor Market Reforms**
- **Definition**: Structural policy changes targeted at improving the efficiency, transparency, and mobility of the primary inputs of production—specifically Land, Labour, Capital, and Entrepreneurship.
- **Contextual Example**: Replacing archaic, fragmented labor laws with unified Labour Codes or digitising land records to ease industrial land acquisition without provoking social displacement.
- **Inspector Raj & Ground-Level Compliance Burden**
- **Definition**: The legacy of bureaucratic overreach characterized by oppressive, redundant physical inspections, discretionary approvals, and complex legal compliances enforced by local regulatory officials on micro and small enterprises.
- **Contextual Example**: A micro-manufacturing enterprise requiring dozens of separate operational licenses, environmental clearances, and labor inspection registers every year, which diverts management attention away from core productivity and innovation.
- **Structural "Dwarfism" in MSMEs**
- **Definition**: A economic phenomenon where micro, small, and medium enterprises deliberately choose to remain small in scale to retain targeted government subsidies and avoid onerous regulatory compliances that apply to larger establishments.
- **Contextual Example**: A small firm capping its headcount below threshold limits or maintaining low declared turnover to avoid falling under strict labor compliance or higher tax brackets, thereby sacrificing economies of scale.

- **Main Arguments and Substantive Parts**
- **The 1991 Watershed: Shattering Economic Autarky**
- **Paradigm Shift from Distrust to Trust**: The 1991 reforms marked a fundamental shift away from the post-independence doctrine of state mistrust toward private capital. Deregulation and industrial delicensing unlocked domestic entrepreneurial capacity and fostered strategic public-private consultation.
- **Sustained Growth Momentum**: Breaking out of the legacy "Hindu Rate of Growth" (~3.5% annually), post-reform India achieved real GDP growth rates exceeding 7% to 8% during peak growth cycles, driven by capital inflows, technological integration, and surging domestic consumption.
- **Divergent Economic Trajectories: India vs. Peer Asian Economies**
- **Per Capita Income Divergence**: While India's nominal GDP per capita expanded roughly ninefold from around $305 in 1991 to over $2,700 today, East and Southeast Asian economies leveraged different growth models.
- **Comparative Snapshot**:
    - **South Korea**: Accelerated from structural maturity (~$7,870 in 1991) to high-income status (exceeding $36,000).
    - **China**: Leveraged aggressive state-capitalism and mass labor-intensive manufacturing, soaring from ~$359 in 1991 to over $13,000.
    - **Vietnam**: Followed the Chinese export-led industrialisation template (*Doi Moi* reforms), growing from ~$140 in 1991 to nearly $4,800 today, rapidly bridging the industrial gap.
- **The Structural Anomaly**: Unlike its Asian peers that transitioned sequentially from *Agriculture → Low-Skill Manufacturing → High-Tech Manufacturing → Services*, India leapfrogged straight from agriculture to advanced services (IT, software, Global Capability Centres).
- **The Unfinished Structural Agenda and Sectoral Skew**
- **Neglect of Mass Manufacturing**: While the high-end services ecosystem boomed, industrial manufacturing remained constrained, contributing under 17% to national GDP.
- **Stunted MSME Ecosystem**: Micro and small enterprises, which generate the majority of non-agricultural employment, were starved of modern technology, easy institutional credit, and frictionless market access, keeping them reliant on imported components (particularly from China).
- **Agrarian Stagnation**: Agriculture, which still supports nearly half the national workforce, received inadequate capital formation and market-oriented reform relative to its demographic burden.
- **Factor Market Paralysis and Administrative Bottlenecks**
- **Stalled Factor Reforms**: Political hesitation and public apprehension halted deep reforms in land acquisition, flexible labor deployment, and agricultural marketing, limiting scale in industrial production.
- **Policy Instability and Regulatory Friction**: Disconnects between central macro-policy objectives and ground-level state implementation sustain bureaucratic friction, dampening domestic private capital investment (Gross Fixed Capital Formation).
- **The Innovation Deficit in Private Capital**
- **Sub-optimal R&D Spending**: India's total Gross Expenditure on R&D (GERD) hovers below 0.7% of GDP, compared to 2% to 3%+ in China, South Korea, and the US.
- **Corporate Short-Termism**: Barring a handful of domestic industrial conglomerates, private industry investment in frontier R&D, technology patents, and core innovation remains low, leaving the nation dependent on imported technologies.

- **Historical Evolution of the Issue**
- **Phase 1: Pre-Independence to Post-Independence Foundations (1944–1969)**
- **1944 – The Bombay Plan**: Eight prominent Indian industrial leaders formulated a comprehensive roadmap for post-independence development, advocating state intervention in heavy infrastructure while safeguarding domestic industry.
- **1948 & 1956 Industrial Policy Resolutions**: Institutionalised a heavy-industry, state-led model based on the Mahalanobis growth strategy. Public sector units (PSUs) were assigned the "commanding heights" of the economy, relegating private enterprise to tightly regulated domain niches.
- **Phase 2: High License Raj and Economic Stagnation (1969–1980)**
- **1969 – Legislative Consolidation of Controls**: Introduction of the Monopolies and Restrictive Trade Practices (MRTP) Act and bank nationalisation under Prime Minister Indira Gandhi, alongside strict Foreign Exchange Regulation Act (FERA) provisions in 1973.
- **Growth Implications**: Insulated the domestic economy from international competition, created supply shortages, stifled innovation, and locked national economic growth at an average of 3.5% per annum.
- **Phase 3: Incremental Deregulation (1980–1990)**
- **1985 – Early Liberalisation Steps**: Under Rajiv Gandhi, piecemeal reforms relaxed industrial capacity licensing, introduced export incentives, and eased high import tariffs on select capital machinery.
- **Structural Vulnerability**: Growth accelerated to ~5.5%, but was financed by unsustainable fiscal deficits and expanding short-term commercial borrowings, laying the groundwork for macroeconomic fragility.
- **Phase 4: The 1991 Watershed and Structural Reforms (1991–2000s)**
- **July 1991 – LPG Epoch**: Forced by the BoP crisis, the government announced sweeping industrial policy reforms: devaluing the Rupee, abolishing industrial licensing across most sectors, raising FDI caps, and lowering trade tariffs.
- **1997 – The Protectionist Backlash**: Following the Asian Financial Crisis, domestic industrialists organized under the "Bombay Club" banner to lobby against rapid, unilateral tariff cuts, arguing for a delayed timeline to build local competitiveness.
- **Phase 5: High Capital Inflows, Scams, and Policy Paralysis (2004–2014)**
- **2004–2008 – Golden Era of Growth**: Global economic tailwinds, structural tax reforms, telecom expansion, and foreign institutional investments propelled GDP growth beyond 8% to 9%.
- **2009–2014 – Post-GFC Stagnation**: Macroeconomic instability, soaring twin-deficits, corporate balance sheet stress (Twin Balance Sheet problem), major resource-allocation scandals, and administrative inertia slowed industrial investment.
- **Phase 6: Formalisation, Digital Infra, and Re-Industrialisation Push (2014–Present)**
- **Structural Reforms Agenda**: Implementation of the Insolvency and Bankruptcy Code (IBC, 2016), the Goods and Services Tax (GST, 2017), the launch of Digital Public Infrastructure (DPI), and the Production Linked Incentive (PLI) scheme across 14 manufacturing sectors.
- **Persistent Structural Deficits**: Despite macro-stability and supply-side infrastructure buildouts, ground-level factor market reforms (land and labour) remain incomplete, keeping local compliance burdens and MSME vulnerabilities unaddressed.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RISE ABOVE THE REST
INDIA'S ECONOMIC JOURNEY POST-1991:
A COMPREHENSIVE CRITICAL ANALYSIS
AXIA
IAS ACADEMY
RISE ABOVE THE REST
1 THE CRISIS & PIVOT (1991)
Foreign Reserve
Balance of Payments Crisis
Ideological Shift from Suspicion to Trust
• 1991 BoP Crisis forces LPG (Liberalisation, Privatisation, Globalisation) Reforms
• Moving away from Statism.
2 THE REFORMS IMPLEMENTED
De-licensing of industrial flexible FDI
Automated manufacturing machines.
Trade tariff reductions
Access to foreign tech and capital.
Foreign investment openings.
1997: Bombay Club calls for a level playing field.
• GDP/capita increased multifold. Services sector boom. Export diversification.
4 CRITICAL DISCONNECT:
HIGH-LEVEL TRUST VS. LOW-LEVEL BURDEN
HIGH-LEVEL TRUST & POLICY
POLICY
Export Volume
GDP per capita Growth
India
Export Volume
Ino pre-reform times
THE BUREAUCRATIC LEADERSHIP PROBLEM.
GROUND-LEVEL COMPLIANCE BURDEN
MSME
• Inspector Raj & Complex Permits.
• Factor Market Rigidities (Land, Labor).
• Dwarfism in MSMEs.
5 SECTORAL LAG & INNOVATION DEFICIT
Private R&D Spending
VS
Services Tech
Manufacturing
Agriculture
• Manufacturing & Agriculture remain constrained
• Low private R&D spending by many corporates
6 THE WAY FORWARD
• Dismantle Inspector Raj
Labor Code & Skills Realignment
MSME Tech & Capital Support
Leverage Domestic Venture Capital
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contact: +91 6002-417488

- **Logical and Philosophical Base**
- **Ideological Shift: From Fabian Socialism to Market Liberalism**
- **Statism vs. Free Market Rationality**: The underlying philosophy transitioned from the presumption that the state must control production resources (Fabian Socialism) to the understanding that markets, price discovery, and competitive enterprise are better drivers of capital allocation and economic efficiency.
- **Redefining the Role of the State**: The state shifted its role from an active producer and controller (*Dirigisme*) to an enabler, market regulator, and provider of public goods and physical infrastructure.
- **The Doctrine of Trust vs. Bureaucratic Suspicion**
- **Post-1991 Paradigm**: Replaced the historical assumption that private enterprise is inherently exploitative with an recognition of capital creation as a national public good.
- **Institutional Paradox**: While high-level policy reflects trust in corporate capital, ground-level administrative systems often retain a legacy of suspicion. This creates a disconnect between central policy intent and local regulatory enforcement.
- **Strategic Autonomy Through Openness vs. Protectionist Autarky**
- **Logic of Integration**: Building true national sovereignty and economic strength requires global integration, technology transfer, and competitive domestic industry—not insular protectionism (*Atmanirbhar* through isolation).
- **Fallacy of Tariff Barriers**: Long-term high tariff walls insulate domestic monopolies from pressure to innovate, ultimately depressing national productivity, penalising consumers, and restricting access to intermediate global imports.
- **Utilitarian Efficiency and Factor Allocation Logic**
- **Economic Welfare Maximization**: National welfare increases when capital, labor, and technology can shift smoothly from low-productivity activities (subsistence agriculture) to high-productivity sectors (modern manufacturing and technology services) without state-induced distortions.

- **Multidimensional Analysis**
- **Social Dimension**
- **Poverty Reduction and Middle-Class Expansion**: Post-1991 growth lifted over 400 million people out of extreme multidimensional poverty and created a massive domestic middle class.
- **Inequality and Spatial Disparities**: Income inequality widened sharply, with capital gains concentrating in urbanized financial and technological hubs while rural, agrarian regions lagged behind.
- **Informality and Precarity**: The failure to generate scale in labor-intensive manufacturing leaves nearly 85-90% of the working population in the informal sector, lacking social security, safety nets, or formal employment contracts.
- **Political Dimension**
- **Federal Competition and Decentralisation**: Reform empowered state governments to compete for investment ("Competitive Sub-National Federalism"), altering center-state political relationships.
- **Political Economy of Reform Resistance**: Electoral pressures often make long-term factor market reforms (land assembly, labor flexibility, farm market deregulation) politically difficult, leading to reform reversals or implementation delays at the state level.
- **Legal and Regulatory Dimension**
- **Shift to Market-Enforcing Frameworks**: Outdated, restrictive laws (MRTP, FERA) were replaced by market-enabling regulatory structures (Competition Act 2002, FEMA 1999, Insolvency and Bankruptcy Code 2016).
- **Judicial Delays and Enforcement Gaps**: Contract enforcement remains weak, characterized by long judicial delays, complex commercial dispute resolution, and overlapping administrative regulations.
- **Ethical Dimension**
- **Distributive Justice**: The tension between market-driven wealth creation and the state's ethical duty to re-distribute wealth to vulnerable, displaced populations.
- **Corporate Governance and Equity**: Persistent threats of crony capitalism, corporate frauds, and environmental degradation demand strong, ethical regulation to balance corporate profit motives with social and ecological protection.
- **International Dimension**
- **Shift in Global Stance**: Transitioned India from an economic isolate within the Non-Aligned Movement (NAM) to a critical engine of global growth, attracting foreign portfolio and direct investment flows.
- **Strategic Vulnerability in Supply Chains**: Over-reliance on single-source trade partners for critical inputs (e.g., active pharmaceutical ingredients, solar components, and electronic hardware from China) highlights supply chain vulnerabilities during geopolitical crises.
- **Economic Dimension**
- **Structural Disconnect**: Structural leapfrogging directly to services created an economy driven by high-skill services alongside low-skill informal employment, bypassing the labor-intensive industrialization phase.
- **Depressed Capital Formation & Private Investment**: Subdued corporate R&D spending, alongside weak domestic private fixed investments, forces the central government to carry the burden of national capital expenditure.

- **Linkages with NCERTs**
- **Class 11 Economics: *Indian Economic Development***
- **Chapter 2: *Indian Economy 1950–1990***
- **Core Concepts**: The objectives of five-year plans, import substitution policies, industrial licensing, and the role of the public sector.
- **Relevance to Issue**: Provides the baseline context for understanding why structural distortions, administrative inefficiencies, and resource misallocations made the 1991 economic reset necessary.
- **Chapter 3: *Liberalisation, Privatisation and Globalisation: An Appraisal***
- **Core Concepts**: Balance of Payments crisis, IMF-World Bank structural adjustment requirements, tariff reductions, deregulation, and post-reform performance.
- **Relevance to Issue**: Direct conceptual framework for assessing 35 years of LPG reforms, evaluating both GDP growth accomplishments and the structural failures in manufacturing, labor absorption, and social infrastructure.
- **Class 12 Political Science: *Politics in India Since Independence***
- **Chapter 3: *Politics of Planned Development***
- **Core Concepts**: Development models, the debate between private capital and state planning, the Bombay Plan, and the institutional evolution of economic policy.
- **Relevance to Issue**: Maps the political economy decisions that shaped initial state-controlled economic planning, explaining how political ideologies influenced economic choices prior to 1991.
- **Class 12 Sociology: *Social Change and Development in India***
- **Chapter 4 & 5: *Change and Development in Rural & Industrial Society***
- **Core Concepts**: Agrarian restructuring, informalisation of labor, industrial disputes, and social mobility across economic classes.
- **Relevance to Issue**: Explains the social consequences of the post-1991 trajectory, such as rising informal employment, agrarian distress, spatial migration, and widening socio-economic disparities.

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper I (Society & Geography)**
- **Social Effects of Globalisation**: Impact of economic integration on traditional social structures, urbanization patterns, gender empowerment, and socio-economic inequality.
- **Industrial Location & Regional Imbalances**: Spatial distribution of post-1991 investments favoring coastal and urban states over landlocked, agrarian regions.
- **General Studies Paper II (Governance, Constitution & Polity)**
- **Government Policies & Interventions**: Design, implementation, and ground-level challenges of economic development schemes (PLI, Ease of Doing Business initiatives).
- **Role of Regulatory Bodies**: Institutional performance of regulatory agencies (CCI, SEBI, RBI, IBBI) in regulating open markets without reverting to administrative overreach.
- **Federalism & Policy Implementation**: Disconnects between central macro-policy reforms and implementation by state and local government machineries.
- **General Studies Paper III (Economy, Technology & Environment)**
- **Effects of Liberalisation on the Economy**: Structural evaluation of post-1991 growth models, industrial growth trends, and balance of payments dynamics.
- **Industrial Growth & Sectoral Bottlenecks**: Manufacturing performance, MSME "dwarfism," supply-chain integration, and factor market constraints (Land, Labour, Infrastructure).
- **Science, Technology & R&D Expenditure**: Low private sector investment in core innovation, technological reliance on imports, and building national innovation ecosystems.
- **General Studies Paper IV (Ethics & Human Interface)**
- **Ethical Issues in Economic Governance**: Ethical dilemmas surrounding market efficiency versus social equity, wealth distribution, and public resource allocation.
- **Corporate Governance**: Corporate transparency, preventing crony capitalism, protecting minority shareholder interests, and corporate social responsibility (CSR).

- **Way Forward**
- **Ground-Level Ease of Doing Business: Eliminating "Inspector Raj"**
- **Dismantling Local Bureaucratic Overreach**: Shift state and municipal compliance from discretionary, physical inspections to automated, risk-based, digital-first audit frameworks.
- **Single-Window Decriminalisation**: Fully operationalize unified National and State Single-Window Systems with explicit statutory timelines for approvals, alongside decriminalizing minor procedural administrative defaults under state-level labor and municipal laws.
- **Rationalising the MSME Framework to Eliminate "Dwarfism"**
- **Targeting Growth Over Size**: Redesign subsidy and tax incentive structures so that benefits scale with job creation, technological adoption, and export volume—rather than encouraging firms to stay artificially small.
- **Building Dedicated Industrial Clusters**: Establish modern MSME technology clusters linked with testing centers, shared infrastructure, and plug-and-play manufacturing parks to plug domestic firms into Global Value Chains (GVCs).
- **Implementing Factor Market Reforms Through Federal Consensus**
- **State-Driven Labor Reform Execution**: Fast-track the operationalisation and notification of state-level rules for the Four Unified Labour Codes, balancing worker social security with operational flexibility for business.
- **Digitised Land Banks & Market Facilitation**: Accelerate state land record digitisation, establish clear land titles, and create state-managed industrial land banks to eliminate long acquisition delays for capital investments.
- **Re-energising National R&D and Private Capital Investment**
- **Escalating National R&D Spend to 2% of GDP**: Encourage private enterprise investment in innovation through targeted tax incentives, strategic co-funding mechanisms, and public-private research partnerships.
- **Strengthening Domestic Venture Capital Infrastructure**: Build local VC and private equity funding ecosystems to reduce domestic start-ups' reliance on foreign capital, protecting indigenous technological IP.
- **Skilling, Vocational Alignment, and Export Competitiveness**
- **Industry-Led Vocational Training**: Realign the National Skills Qualifications Framework (NSQF) directly with industrial demand, focusing on modern skill sets like precision manufacturing, industrial automation, and green technologies.
- **Targeted Export Competitiveness**: Use schemes like the Production Linked Incentive (PLI) to build end-to-end component ecosystems locally, reducing supply-chain reliance on imports and boosting domestic value addition.

UPSC CSE Prelims Questions

2011

Q. Which of the following constituted the main reasons for the Economic Reforms initiated in India in 1991?

1.High rate of inflation
2.Severe balance of payments crisis
3.Deterioration of public finances and high fiscal deficit
4.Select the correct answer using the codes given below:
5.(a) 1 and 2 only
6.(b) 2 and 3 only
7.(c) 1 and 3 only
8.(d) 1, 2 and 3
9.Correct Answer: **(d)**

2012

Q. With reference to the Indian economy, consider the following statements:

1.The rate of growth of GDP has steadily increased in the last five years.
2.The growth rate in per capita income has steadily increased in the last five years.
3.Which of the statements given above is/are correct?
4.(a) 1 only
5.(b) 2 only
6.(c) Both 1 and 2
7.(d) Neither 1 nor 2
8.Correct Answer: **(d)**

2017

Q. What is the purpose of 'National Agriculture Market' (NAM) scheme?

1.It is a pan-India electronic trading portal for agricultural commodities.
2.It provides farmers access to nationwide markets with prices commensurate with the quality of their produce.
3.Select the correct answer using the codes given below:
4.(a) 1 only
5.(b) 2 only
6.(c) Both 1 and 2
7.(d) Neither 1 nor 2
8.Correct Answer: **(c)**

The deeper challenge exposed at Jantar Mantar

The anxieties and aspirations of the youth are an opportunity for a more consequential debate on India's economic trajectory

SHYAM SARAN

The National Democratic Alliance government is facing a major political challenge in the continuing protests by several thousands of young men and women gathered at Delhi's Jantar Mantar, but spilling into the adjoining urban spaces. The government has reached out to the youth leading the protests and to the social activist and educator from Ladakh, Sonam Wangchuk, who has been on a hunger strike in their support since June 28. The latest news is that Mr Wangchuk has broken his fast following assurances conveyed to him personally by ministers J P Nadda and Jitendra Singh, but the student demonstrations are likely to continue.

The government may not be prepared to concede the key demand of the students that the education minister, Dharmendra Pradhan, should resign. They are unlikely to be satisfied by the reported removal of the secretary in the ministry. But Mr Wangchuk's ending his month-long fast is likely to break the momentum of the student protests.

Mr Pradhan and his ministry are being held responsible for the repeated leaks of question papers pertaining to the National Eligibility cum Entrance Test-UG (Neet-UG), the entrance examination for undergraduate medical courses in government and private colleges across the country.

Neet was introduced in 2016 and the National Testing Agency (NTA) was registered as an autonomous body in 2018, charged with the conduct of not only Neet but also other important nation-wide entrance examinations, such as the Common University Entrance Test (CUET). This centralised structure was introduced in some haste, and the capacity and expertise to run it efficiently and transparently was clearly sub-optimal. The NTA reportedly has a permanent staff of only 25. Its responsibilities of running testing centres, managing the IT infrastructure, paper distribution and monitoring, including artificial intelligence-assisted monitoring, are outsourced to private vendors. This raises a question about the rationale for centralisation when all key responsibilities are outsourced.

Why abandon a largely decentralised system, which had worked reasonably well, for a centralised one, which may not be the most suitable for a diverse, multilingual and multicultural country? It is the tendency of successive Union governments to centralise authority generally that has led to our current difficulties. The education field is of utmost sensitivity, because the future of our younger generation is at stake. Most of the ills that have arisen, including paper leaks, faulty marking and discretionary alterations of results, are the consequence of outsourcing to private vendors without due diligence and strict accountability.

The angst we have all witnessed among the youth gathered at Jantar Mantar, is well-founded and must be addressed. The government may succeed in defusing what could become a larger and increasingly ugly political standoff. But the current educational dispensation is flawed and needs urgent and systemic reform. The Prime Minister himself has acknowledged the need for fixing responsibility for the many deficiencies in the existing system and announced new legislative measures to address them. There should be sensitivity to the legitimate frustrations and deep anxiety that underlie the demonstrations. The temptation to look for conspiracy where none exists or to put dark labels on the young demonstrators should be resisted.

ILLUSTRATION: AJAYA MOHANTY

It is also necessary to see the obvious connection between the events of the past few days and the serious challenge the country faces in its inability to create a sufficient number of quality jobs for educated Indians. Our success in negotiating access for our better educated citizens in distant lands is not a matter of celebration. This barely hides our inability to offer reasonable careers and prospects for advancement to our younger generation. The software industry has been one of the few to offer a decent career to the aspirational young Indian. The rapid progress in AI is already threatening this service industry, which has remained behind the technology curve, shrinking its ability to continue to offer quality jobs.

The global capability centres set up by major multinationals in India provide welcome employment opportunities, but they create intellectual property for foreign entities, unavailable to India.

For several years now, successive state and Union governments have, step by step, divested their fundamental responsibilities of providing public security, education and health to our citizens without discrimination. The fastest growing segments of the Indian economy over the past decade and more are private security (10-14 per cent annually), private education (11-14 per cent) and private health care (12-15 per cent). Public security expenditure of the government has consistently hovered around 1 per cent of gross domestic product (GDP), with one of the lowest densities of police per hundred thousand of population, at 150.

The education budget of the state has gone up to 4 per cent of GDP, but still falls short of the 6 per cent recommended by the National Education Policy. And total government expenditure on health care is estimated at 1.5 per cent of GDP. The scale and quality of these essential services delivered by the public sector have progressively declined. Quality education is only accessible to a minority who can afford private schooling and the same is true of public health. The commercialisation of these essential services has served ordinary Indians poorly and this reflects on the employability of entrants to the labour market at all levels.

The current economic model that India pursues is not aligned with the country's resource endowment. We have a large supply of labour and are short of land and capital. The country should be frugal in its use of capital and of its available land. It should adopt a labour-intensive growth strategy. (Note: labour-intensive does not equate to low technology. The Indian digital public infrastructure has been a success story in promoting inclusivity.)

India adopted ambitious economic reform and liberalisation policies in the early 1990s, and these paid rich dividends in spurring higher growth. These were market-friendly reforms not avowedly business-friendly. A large number of new industries and businesses mushroomed across the country. The small and medium segment of industry registered significant expansion. It generated 40 per cent of India's exports. Now the focus appears to be on nurturing industry champions with a global presence. The production-linked scheme favours capital- and technology-intensive industries, which have low employment potential. This, too, needs a rethink. The challenge thrown by the youth movement creates the opportunity for a more consequential debate on India's economic trajectory because it must remain centered on India's youth as its driving impulse.

The writer is a former foreign secretary

- **Key Terms and Explanations**
- **National Testing Agency (NTA) and Centralized Examination**
- **Definition:** An autonomous, self-sustained organization established under the Societies Registration Act, 1860, designed to conduct standardized, objective entrance examinations for admission to higher educational institutions.
- **Contextual Relevance:** Centralization shifts the responsibility of assessing merit from state-level or institution-specific boards to a single nationwide apex body.
- **Jobless Growth and Employment Elasticity**
- **Definition:** An economic phenomenon where a nation's Gross Domestic Product (GDP) expands significantly, but fails to generate a corresponding rise in formal, gainful employment opportunities. Employment elasticity measures how responsive job creation is to economic growth.
- **Contextual Relevance:** High economic growth driven primarily by capital-intensive or service sectors often leaves behind the expanding labor force, creating structural unemployment.
- **Production-Linked Incentive (PLI) Scheme**
- **Definition:** An industrial policy tool designed to boost domestic manufacturing by offering financial subsidies to companies based on incremental sales from products manufactured in domestic units.
- **Contextual Relevance:** While effective for attracting foreign direct investment and technological upgrading, PLI schemes primarily favor large-scale, capital-intensive industries over labor-intensive enterprises.
- **Factor Endowments Mismatch**
- **Definition:** A structural economic disparity where national economic policies fail to align with the country's relative abundance of production factors (land, labor, capital).
- **Contextual Relevance:** India possesses a vast surplus of young labor alongside relative shortages of land and capital. Economic policies that disproportionately incentivize capital over labor create systemic macroeconomic friction.
- **Global Capability Centres (GCCs)**
- **Definition:** Dedicated offshore facilities established by global multinational corporations to handle strategic operations, research, technology development, and IT support.
- **Contextual Relevance:** While GCCs offer high-value employment to top-tier technical graduates, they primarily generate intellectual property (IP) owned by foreign parent entities, insulating the broader domestic economy from core technological ownership.
- **Commercialization of Social Infrastructure**
- **Definition:** The market-driven transition where fundamental public goods—specifically education, healthcare, and public safety—are increasingly delivered by private entities for profit rather than provided by the state as public services.
- **Contextual Relevance:** When public delivery falters, citizens are forced to spend disproportionately high out-of-pocket amounts on private services, deepening socio-economic inequality.P[L;,.

- **Main Arguments and Substantive Parts**
- **Institutional Deficits in Centralized Governance**
- The structural consolidation of national testing frameworks under a single central apparatus creates immense systemic vulnerabilities. Centralized testing bodies, when operating with inadequate permanent staffing and administrative capacity, resort to outsourcing critical operational functions—such as IT infrastructure, test center management, and security protocols—to private third-party vendors.
- This creates a breakdown of accountability:
- Over-reliance on private contractors reduces institutional oversight and increases vulnerability to paper leaks and malpractices.
- Discarding decentralized, state-led examination frameworks ignores India's regional, linguistic, and cultural diversity.
- Replacing a functional, multi-tiered testing system with an over-centralized framework creates systemic risk, where a single breach compromises millions of candidates across the nation.
- **The Aspirations vs. Opportunities Mismatch**
- Youth unrest surrounding entrance examinations reflects a deeper socio-economic malaise rather than mere dissatisfaction with test administration. Expanding access to secondary and higher education has raised career expectations among young people, but the economy has not generated enough formal, high-quality jobs to meet this demand.
- **Automation and Technological Disruption:** Traditional entry-level service pathways, such as IT support and business process outsourcing, face structural contraction due to Artificial Intelligence and automation.
- **Foreign IP Dependence:** High-tech sectors, including Global Capability Centres, primarily create intellectual property for foreign parent corporations, limiting broader domestic job creation.
- **Public Sector Bottlenecks:** A shrinking pool of stable public sector jobs intensifies competition, turning entrance exams into high-stakes battles where systemic failures lead to widespread frustration.
- **Divergence in Post-Liberalization Economic Priorities**
- India’s current economic path deviates from the job-creating models seen during early post-1991 reforms:
- **Historical Model:** Early economic opening fostered market-friendly conditions for Micro, Small, and Medium Enterprises (MSMEs), which drove labor-intensive exports and generated broad-based employment.
- **Current Model:** Modern industrial policies focus heavily on cultivating capital-intensive "industry champions." Policy mechanisms like the Production-Linked Incentive (PLI) scheme prioritize capital accumulation and technological scale over mass job creation.
- **Resource Mismatch:** This approach conflicts with India’s factor endowments—a surplus of labor alongside scarce land and capital—leading to growth without sufficient employment opportunities.

- **Historical Evolution of the Issue**
- **Pre-1991: Post-Independence State-Led Framework**
- **Decentralized Public Infrastructure:** Higher education and examination systems operated under state governments and individual state universities, maintaining regional administrative autonomy.
- **Agrarian and Public Sector Focus:** Employment relied primarily on public sector undertakings (PSUs), government administration, and traditional agriculture, with low higher education enrollment rates.
- **1991–2010: Economic Reform and the Services Boom**
- **Liberalization and Private Expansion:** Economic reforms unlocked private investment, sparking growth in private colleges, professional institutions, and coaching centers.
- **Services Sector Dominance:** The rise of IT, ITeS, and financial services absorbed qualified urban graduates, while MSMEs contributed significantly to manufacturing and export growth.
- **Nascent Centralization:** The Union government gradually introduced nationwide competitive frameworks (e.g., AIEEE, AIPMT) to standardise entry into elite central institutions, operating alongside state-level exams.
- **2010–2018: Shift Towards Structural Centralization**
- **Legislative and Judicial Directives:** Concerns over corruption in state-level entrance tests and varying standards led to judicial mandates for unified national tests.
- **Emergence of Unified Tests:** NEET was introduced in 2016 for medical admissions, replacing individual state entrance exams.
- **Establishment of the NTA:** Created in 2018 as an autonomous apex testing body, designed to conduct major national exams (NEET, JEE, CUET) using uniform standards.
- **2018–Present: Structural Disconnect and Youth Anxiety**
- **Outsourcing and Administrative Vulnerability:** Rapid expansion of standardized testing outpaced the internal capacity of centralized agencies, leading to increased reliance on private vendors and instances of paper leaks.
- **Shift to Capital-Intensive Policies:** Recent industrial incentives emphasize high-tech manufacturing, automation, and large industrial groups, while entry-level service jobs face pressure from automation and AI.
- **Widespread Mobilization:** Recurring examination issues, combined with limited formal job growth, have sparked persistent public protests and policy debates nationwide.


AXIA
IAS ACADEMY
RISE ABOVE THE REST
INDIA'S COMPLEX SOCIO-ECONOMIC CHALLENGES
A COMPREHENSIVE ANALYSIS
KEY TERMS & EXPLANATIONS
NTA
(Test teaters)
JOBLESS
Declining jobs vs rising GDP
JOBES GROWTH
Factory subsidies vs limod capital
FACTOR MISMATCH
vs many hands
GCCs
Satellite dishs & stches
COMMERCIALIZATION
Education/healtl for education/health
THE NTA & CENTRALIZATION PARADOX
State Level Exams
(Diverse, Localized)
VS
Single Apex Body
Outsourced dependency single point of failure)
State Level Exams
(Diverse, Localized)
Private Vendor Locks, single point of failure)
ECONOMIC DIVERGENCE & THE EMPLOYMENT GAP
1991 MODEL
MSME focus
Labor-Intensive
High Elasticity
VS
CURRENT INDUSTRIAL POLICY
Capital Incentives
Low Elasticity
Jobless Growth
Structural Bottleneck
PLI
MULTIDIMENSIONAL IMPACTS
(Simple Grid)
SOCIAL
Class Divide, Anxiety
POLITICAL
Federal Friction
LEGAL
Article 14, 16
ETHICAL
Erosion of Merit
INTERNATIONAL
Brain Drain, Foreign IP
ECONOMIC
Factor Mismatch, Low Job Elasticity
HISTORICAL POLICY TIMELINE
PRE-1991
State-Led
1991-2010
Private Expansion, IT boom
2010-2018
Structural Centralization, unified tests
2018-PRESENT
Centralized Disconnect, outsourcing issues
PHILOSOPHICAL FOUNDATIONS
SOCIAL
State obligation, fairness
SOCIAL CONTRACT
State obligation, fairness
AMARTYA SEN'S CAPABILITY APPROACH
Education as foundation, not commodity
PRINCIPLE OF SUBSIDIARITY
Decentralized delivery
UPSC & APSC CCE LINKAGES
GS-1
Population/Youth
Relevance -/ Population/Youth
GS-2
Social Sector/Federalism
Summaries : Social Sector/Federalism
GS-3
Employment/Industrial Policy
Employment/Industriall Industrial Policy
GS-4
Probity in Governance
Summaries to Probity in Governance
NCERT
Economics/Sociology
Economics + Economics/Sociology
Optional Subjects
Subjects in to Optional Subjects
WAY FORWARD
Institutional Reforms
(Hybride model, internal capacity)
Macroeconomic Realignment
(Rebalanced PLI, support MSMEs)
Reinvestment in Social Infrastructure
(6% GDP Education, 2.5% Health)
REBALANCED, JOB-RICH GROWTH
axiasacademy.com
UPSC CSE & APSC CCE ASPIRANTS' STRATEGIC STUDY GUIDE
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- **Logical and Philosophical Base**
- **Social Contract Theory and Public Legitimacy**
- Under classical Social Contract theory (Hobbes, Locke, Rousseau), citizens yield certain freedoms to the state in exchange for protection, order, and basic public goods. A foundational duty of the modern democratic state is ensuring fair pathways for socio-economic mobility.
- When state-run examinations fail or basic security, health, and education are pushed into unregulated private markets, this social contract breaks down. Citizens begin to view state institutions as unresponsive, eroding public trust in democratic governance.
- **Amartya Sen's Capability Approach**
- Amartya Sen argues that true human development requires expanding individual capabilities—the real freedoms people have to lead lives they value. Education and healthcare are essential capabilities, not merely market commodities.
- **Marketization Deficit:** Treating education and health as purely private goods links access directly to personal wealth rather than individual ability or effort.
- **Structural Inequality:** Underfunding state schools and public hospitals restricts capability formation to affluent segments of society, reducing social mobility for poorer demographics.
- **The Principle of Subsidiarity vs. Over-Centralization**
- The administrative principle of subsidiarity holds that public tasks should be handled by the lowest, least centralized competent authority.
- **Centralizing Fallacy:** The assumption that centralizing complex social functions automatically improves efficiency overlooks local context and administrative flexibility.
- **Risk Concentration:** Centralization creates a single point of failure. When a centralized body breaches security or mismanages processes, the resulting disruption affects the entire country, whereas decentralized failures remain localized and easier to manage.

- **Multidimensional Analysis**
- **Social Dimension**
- **Demographic Vulnerability:** India’s large youth population risks becoming a source of social instability if rising educational levels are met with limited employment opportunities.
- **Exclusion and Inequality:** Commercialized education and private coaching systems favor wealthier urban students, widening the divide with rural and lower-income families.
- **Mental Health Impact:** High-stakes, centralized examinations create immense pressure on students, leading to severe anxiety and distress when systems fail.
- **Political Dimension**
- **Federal Friction:** Centralizing entrance examinations limits the ability of state governments to manage admissions based on regional priorities, language needs, and local demographics.
- **Erosion of Institutional Trust:** Persistent administrative issues in public recruitment reduce young citizens' confidence in state impartiality and merit-based selection.
- **Legal Dimension**
- **Equality of Opportunity:** Failure to hold fair, leak-free examinations affects fundamental rights under Article 14 (Equality before Law) and Article 16 (Equality of Opportunity in Public Employment).
- **Regulatory Frameworks:** Outdated public procurement rules leave gap in oversight when public agencies contract out critical tasks to private vendors.
- **Ethical Dimension**
- **Commodification of Essential Goods:** Transforming education and health into profit-driven markets conflicts with the ethical duty of the state to provide basic human rights.
- **Erosion of Meritocracy:** Exam leaks and corrupt practices penalize honest, hard-working students, undermining trust in merit-based advancement.
- **International Dimension**
- **Global Competitiveness:** Systemic issues in higher education entry systems lower the perceived quality of domestic institutions, accelerating brain drain to foreign universities.
- **Economic Positioning:** Concentrating high-tech development in global capability centers without local intellectual property ownership keeps domestic industries lower on the international value chain.
- **Economic Dimension**
- **Factor Allocation Disparity:** Prioritizing capital subsidies in a labor-rich country leads to high capital intensity and limited job growth per unit of investment.
- **Opportunity Costs:** High private spending on basic services like health, security, and coaching diverts household savings away from productive investments, consumption, and local entrepreneurship.

- **Linkages with NCERT Textbooks**
- **Class 11 Economics: *Indian Economic Development***
- **Chapter 7: Employment - Growth, Informalisation and Other Issues**
    - *Direct Link:* Examines structural shifts in employment, informal labor markets, jobless growth, and low employment elasticity in post-reform India.
    - *UPSC Relevance:* Explains why high GDP growth rates do not automatically translate into formal job creation for educated youth.
- **Chapter 8: Infrastructure and Human Capital Formation**
    - *Direct Link:* Focuses on public expenditure in education and healthcare as essential investments for economic growth and long-term productivity.
    - *UPSC Relevance:* Highlights how low public spending (4% GDP on education, 1.5% on health) restricts human capital formation.
- **Class 11 Political Science: *Political Theory***
- **Chapter 5: Rights & Chapter 6: Citizenship**
    - *Direct Link:* Explores fundamental rights, socio-economic guarantees, and the core obligations of the state to its citizens.
    - *UPSC Relevance:* Frames fair access to education and employment as vital components of democratic citizenship and fundamental rights.
- **Chapter 8: Secularism and Federalism Frameworks**
    - *Direct Link:* Discusses the balance of power between central and regional governments in diverse societies.
    - *UPSC Relevance:* Evaluates the federal tension caused by centralizing education, a subject under the Concurrent List (7th Schedule).
- **Class 12 Sociology: *Indian Society & Social Change in India***
- **Chapter 5: Patterns of Social Inequality and Exclusion**
    - *Direct Link:* Analyzes how access to social resources like quality education determines social mobility across different socio-economic groups.
    - *UPSC Relevance:* Examines how commercialized education and coaching hubs widen existing socio-economic divides.

- **Linkages with UPSC CSE Syllabus**
- **General Studies Paper 1 (GS-1)**
- **Syllabus Topic:** Population and Associated Issues, Poverty and Developmental Issues, Urbanization.
- **Relevance:** Analyzes the risk of India's demographic dividend becoming a demographic liability due to systemic unemployment and education bottlenecks.
- **General Studies Paper 2 (GS-2)**
- **Syllabus Topic:** Issues Relating to Development and Management of Social Sector/Services (Education, Health, Human Resources); Functions and Responsibilities of the Union and the States (Federal Challenges).
- **Relevance:**
    - Institutional design, administrative capacity, and vendor oversight in public agencies like the NTA.
    - Union-State friction over centralized entrance testing frameworks in concurrent subjects.
- **General Studies Paper 3 (GS-3)**
- **Syllabus Topic:** Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development, and Employment; Investment Models; Industrial Policy.
- **Relevance:**
    - Structural analysis of jobless growth, employment elasticity, and factor endowment mismatches.
    - Critical evaluation of capital-intensive policies (e.g., PLI) versus labor-intensive industrial strategies (e.g., MSME focus).
- **General Studies Paper 4 (GS-4)**
- **Syllabus Topic:** Public/Civil Service Values and Ethics in Public Administration; Probity in Governance.
- **Relevance:** Ethical obligations of the state in maintaining meritocratic recruitment, preventing administrative corruption, and avoiding excessive commercialization of basic public goods.

- **Way Forward**
- **Institutional Reforms in Examination Administration**
- **Build Internal Public Capacity:** Reduce reliance on third-party private vendors by increasing permanent staff and establishing dedicated, secure testing infrastructure within state universities and public institutions.
- **Adopt a Decentralized Hybrid Model:** Shift away from single apex tests. Allow state universities to run regional tests or maintain a multi-tiered admission framework to minimize systemic risk.
- **Enforce Strict Public Procurement Standards:** Establish clear legal standards, independent audits, and strict legal penalties for vendor negligence or malpractice in public testing.
- **Macroeconomic Alignment and Job-Rich Growth**
- **Update Industrial Policies:** Rebalance schemes like the Production-Linked Incentive (PLI) framework to reward job creation per unit of capital alongside production targets.
- **Strengthen MSMEs and Labor-Intensive Sectors:** Direct credit, infrastructure support, and technology access to high-employment sectors such as textiles, apparel, leather, food processing, and light manufacturing.
- **Adapt Skills for Automation:** Update vocational and university curricula to prepare students for digital technologies and AI disruptions, moving beyond basic service roles.
- **Reinvestment in Social Infrastructure and State Capacity**
- **Increase Public Education Funding:** Progressively raise public spending on education toward the National Education Policy goal of 6% of GDP, focusing on infrastructure and faculty quality in public institutions.
- **Strengthen Public Health Systems:** Increase healthcare spending to at least 2.5% of GDP to lower out-of-pocket medical costs for households.
- **Expand Core Public Services:** Address vacancies in public administration, primary education, healthcare, and policing, simultaneously strengthening public delivery and providing stable employment opportunities.

UPSC CSE Prelims Questions

1.Which of the following best describes the term "Jobless Growth" frequently seen in the news?

1. (a) A situation where GDP declines while employment opportunities increase.
2. (b) An economic scenario where economic growth accelerates without a corresponding increase in employment opportunities.
3. (c) Economic expansion driven entirely by agricultural output.
4. (d) A phenomenon where employment rises faster than GDP growth.
5. *Correct Answer:* **(b)**

2.Consider the following statements regarding the Production-Linked Incentive (PLI) Scheme in India:

1. It aims to boost domestic manufacturing and attract investments in specific target sectors.
2. The financial incentive is calculated purely based on the total employment generated by an enterprise.
3. *Which of the statements given above is/are correct?*
4. (a) 1 only
5. (b) 2 only
6. (c) Both 1 and 2
7. (d) Neither 1 nor 2
8. *Correct Answer:* **(a)**

3.With reference to the Indian economy, a structural shift characterized by "high growth in capital-intensive sectors relative to labor-intensive sectors" primarily leads to:

1. (a) High employment elasticity across all sectors.
2. (b) Reduced out-of-pocket expenditure on public goods.
3. (c) Lower labor absorption despite overall economic growth.
4. (d) Automatic decentralization of public service delivery.
5. *Correct Answer:* **(c)**

4.In the context of Indian governance, "Subsidiarity" refers to the principle that:

1. (a) All administrative decisions must be centralized under a single apex authority.
2. (b) Public functions should be handled by the lowest, least centralized competent authority.
3. (c) Private sector vendors should replace state agencies in all core public services.
4. (d) Economic planning should focus solely on capital-heavy industries.
5. *Correct Answer:* **(b)**