

Solving the conundrum of jobless growth cycle

In many parts of the world, governments are grappling with the vexing puzzle of “jobless growth”. Despite economic growth recovering from the crisis of the late 2000s, job growth remains weak. Global GDP (gross domestic product) for the 2010-2016 time period expanded by a compound annual growth rate of 2.7%, but employment grew only by 1.3% annually. In India, GDP growth has averaged 7.2% over the same period, but job growth was a mere 1.4%.

Jobless growth is corrosive. It creates an illusion of vitality, while fomenting income disparity and limiting upward mobility for many segments of society. Over time, rising inequality will undermine social harmony and democratic institutions. In an upcoming report by Boston Consulting Group, we explore the key drivers for this trend and suggest important policy steps to adapt to the changes.

Thanks to technological progress, geopolitical developments and customer behaviours, products and services that communities demand and consume around the world are different from only a few years ago. What’s more, the types of jobs being created in this new global economy are also vastly different from the past.

Indeed, it is no longer a novel idea that an Indian consumer would be ordering household supplies via a smartphone from a global platform (like Amazon) while riding in a taxi hailed on a ride-sharing app (Ola or Uber). The jobs involved in this simple scenario range from network specialists who optimize the data connectivity to the smartphone, e-commerce specialists who curate the merchandize offerings on the platform, independent taxi drivers who partner with the ride-hailing service, and the delivery personnel who will bring the products to your doorstep.

As the digitally-enabled economy transforms, business models worldwide, traditional job-creation strategies that relied on manufacturing and distributing physical products will no longer be sufficient to meet the needs of a growing workforce. Instead, countries such as India should capitalize on the opportunities in digitally-enabled services, personal consumption and expert ecosystems to unlock the next frontier of job growth and income generation. We propose five key elements that Indian policymakers should pursue to enhance the nation’s competitiveness and create high-paying jobs:

1. Incentivize businesses in the digital services and solutions space: Businesses providing digitally-enabled services to global customers are growing rapidly worldwide, serving a variety of sectors from industrial goods to media/entertainment with performance optimization, content delivery, global personalization and financial management services. Policymakers should look beyond manufacturing for job creation, and increase investment incentives such as tax breaks and subsidies for employers who serve global markets and innovate new forms of digitally-enabled services.

2. Promote global expert centres and high-skill worker ecosystems: Thanks to the access to high-skill workers, Rolls-Royce’s aero engine division has established a global data analytics centre in Derby, UK centralizing digital capabilities and technical expertise to proactively analyse and service aircraft engines before they develop any faults.

India can create similar high-paying knowledge jobs by promoting the development of such centres of expertise, boosting investments in higher education, training workers for high-skill professions, and extending public support for R&D centres and global corporate hubs for data-driven insights and decision-making.

3.Enable SMEs' (small and medium-sized enterprises) participation in global value chains:

The growth of global digital platforms and ecosystems continues to reduce the barriers to global competition, disaggregating global value chains and enabling SMEs to provide value-added products and services globally.

Public policy can facilitate the innovation environment for SMEs by easing regulatory requirements, increasing access to credit, and promoting financial incentives for SMEs that create jobs in global value chains delivering products and services.

4. Digitally empower the self-employed: A recent trend across the world is the growth of freelance or short-term contract work. Drivers on Uber or Ola, providers of on-demand household help, construction projects, delivery/pickup services, etc. are examples in this so-called "gig economy". India can capitalize on this trend by making it easier for service providers to obtain licenses and accreditation required to perform the work. The government should also facilitate public mechanisms for identity and service authentication through public domain technology stacks to open up these new modes of job creation to a wider array of industry and personal needs.

5. Stimulate domestic consumption: Finally, as the economy matures, India will need to stimulate private consumption in service sectors like healthcare, finance, education, transportation, and entertainment.

Historically, this has been limited by large portions of the economy subsisting in the informal sector, with little access to public services or financial credit for investments in housing, education or business ventures. The government's push to document and authenticate the population through the Aadhaar system is a good start.

Building on this to drive greater social inclusion and enabling access to institutions and public services is vital next step to unlocking the immense potential of an economy like India's.

The next phase of globalization is already bringing disruptive changes to economies and societies worldwide.

It will also fundamentally alter the types of jobs that will drive wealth creation and societal well-being. Countries and policy-leaders, who understand these shifts and proactively put in place the foundations for the "new globalization" economy, will not only create fulfilling jobs for their populations, but also drive greater standards of living in the decades ahead.

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