1. Bring out the significance of labour reforms for sustained economic growth and employment generation.

Introduction

To capitalize on its demographic dividend, India must create well-paying, high productivity jobs. For industrial growth, and ease of doing business in India, labour reforms is a must, and should be considered as a top priority for governments in the centre as well as in states.

Body

India has improved its ease of doing business rankings. India's rank in the World Bank's Ease of Doing Business 2019 survey climbed 23 places to 77 among 190 countries surveyed. Still, attention must be paid to implementation of reforms on the ground for better industrial growth.

Why we need Labour Reforms

- **Productivity across all sectors**: A large share of India's workforce is employed in low productivity activities with low levels of remuneration. This is especially true of the informal sector where wages can be one twentieth of those in firms producing the same goods or services but in the formal sector.
- **Protection and social security:** A large number of workers that are engaged in the unorganized sector are not covered by labour regulations and social security. This dualistic nature of the labour market in India may be a result of the complex and large number of labour laws that make compliance very costly. In 2016, there were 44 labour laws under the statute of the central government. More than 100 laws fall under the jurisdiction of state governments. The multiplicity and complexity of laws makes compliance and enforcement difficult.
- **Skills:** According to the India Skill Report 2018, only 47 per cent of those coming out of higher educational institutions are employable
- **Employment data:** We currently lack timely and periodic estimates of the work force. This lack of data prevents us from rigorously monitoring the employment situation and assessing the impact of various interventions to create jobs.

Significance of labour reforms for sustained economic growth and employment generation.

- **Enhance skills and apprenticeships:** The Labour Market Information System (LMIS) is important for identifying skill shortages, training needs and employment created. The LMIS should be made functional urgently. Ensure the wider use of apprenticeship programmes by all enterprises. This may require an enhancement of the stipend amount paid by the government for sharing the costs of apprenticeships with employers.

- **Labour law reforms:** Complete the codification of labour laws at the earliest. Simplify and modify labour laws applicable to the formal sector to introduce an optimum combination of flexibility and security. Make the compliance of working conditions regulations more effective and transparent. The National Policy for Domestic Worker needs to be brought in at the earliest to recognize their rights and promote better working conditions.
- **Enhance female labour force participation:** Ensure the implementation of and employers' adherence to the recently passed Maternity Benefit (Amendment) Act, 2017, and the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act. It is also important to ensure implementation of these legislations in the informal sector. Ensure that skills training programmes and apprenticeships include women.
- **Improve data collection on employment:** Ensure that data collection for the Periodic Labour Force Survey (PFLS) of households initiated in April 2017 is completed as per schedule and data disseminated by 2019. Conduct an annual enterprise survey using the goods and service tax network (GSTN) as the sample frame. Increase the use of administrative data viz. EPFO, ESIC and the NPS to track regularly the state of employment while adjusting for the formalization of the workforce.
- **Ease industrial relations to encourage formalization:** Increase severance pay, in line with global best practices. Overhaul the labour dispute resolution system to resolve disputes quickly, efficiently, fairly and at low cost. Strengthen labour courts/tribunals for timely dispute resolution and set a time frame for different disputes.
- **Wages:** Make compliance with the national floor level minimum wage mandatory. Expand the Minimum Wages Act, 1948, to cover all jobs. Enforce the payment of wages through cheque or Aadhaar-enabled payments for all.
- **Working conditions and social security:** Enact a comprehensive occupational health and safety legislation based on risk assessment, employer-worker co-operation, and effective educational, remedial and sanctioning. Workers housing on site will help to improve global competitiveness of Indian industry, along with enhancing workers' welfare. Enhance occupational safety and health (OSH) in the informal sector through capacity building and targeted programmes. Ensure compulsory registration of all establishments to ensure better monitoring of occupational safety as well as recreation and sanitation facilities. Enhance transparency in the labour inspection system by allowing online complaints and putting in place a standardized and clear mechanism.

- Recognizing the high cost of compliance with existing labour regulations and the complexity generated by various labour laws at the central and state levels, the central government has recently introduced policies to make compliance easier and more effective. They are also simplifying and rationalizing the large and often overlappingnumber of labour laws. These measures include moving licensing and compliance processes online, simplifying procedures and permitting self-certification in larger number of areas. One of the government's key initiatives is to rationalize 38 central labour laws into four codes, namely wages, safety and working conditions, industrial relations, and social security and welfare. Of the four codes, the one on wages has been introduced in the Lok Sabha and is under examination. The other three codes are at the pre-legislative consultation stage and should be completed urgently.

- The government has put in place several schemes to help generate employment. These include the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), MUDRA Yojana, Prime Minister's Employment Generation Programme and Pradhan Mantri Rojgar Protsahan Yojana. Additional initiatives aid job creation through providing skill development, easing access to credit and addressing sector specific constraints. The government also made the EPFO premium portable so that workers can change jobs without fear of losing their provident fund benefits.

- The government has recently made publicly available the data on employment collected by the Employment Provident Fund Organization (EPFO), Employees' State Insurance Corporation (ESIC) and National Pension Scheme (NPS). With MOSPI collecting employment data through its enterprises and household surveys – particularly the Periodic Labour Force Survey – and the focus on improving payroll data, the effort is to vastly improve availability of reliable employment data and release it on a regular basis.

Conclusion

Labour reform is a tedious process but once implemented, it will be beneficial for industries and ultimately help in job creation. As a country with sizable youth population, we should strive to create a conducive atmosphere for industries for better employment generation. The labour reforms including the code on occupational safety will reduce hassles and paper works for industries, and in a way improve productivity.

2. Improving the fiscal situation will play an important role in ensuring inclusive growth in India. Do you agree? Substantiate.

Introduction:

Inclusive growth refers to the economic growth that is distributed fairly across the society and creates opportunities for all. In Indian context, stark economic inequalities necessitate fiscal actions for ensuring inclusive growth.

Body:

Fiscal situation and Inclusive growth

- Many economists argue that fiscal deficit promotes growth as it stimulates demand. It boosts inclusive growth as it includes increasing public expenditure on poor as well as on education and health.
- Active public expenditure policies to increase consumption of poor are also seen as more effective in promoting inclusive growth as poor have high propensity to spend which has multiplier effect on the entire economy.
- Further, due to limitations of impact of monetary policy in fostering broadbased growth, burden of growth stimulation falls on fiscal policy.
- At the same time, it is important to consider the negative consequences of a bulging fiscal deficit like crowding out effect, higher interest rates, low public savings, highet inflation and increase in taxes.

These factors impact the prospects of inlcusive growth adversely thus necessitating fiscal prudence. Fiscal prudence can help in achieving the goals of inclusive growth in following manner-

- Reduced fiscal deficit will help in achieving the goals of Fiscal Responsibility and Budget Management Act, 2003 (FRBM act) thus improving macroeconomic stability. Recent reduction of Fiscal Deficit target to 3.3% of GDP from earlier announced 3.4% is a step in this direction.
- Unchanged gross market borrowings and increased relaince on overseas markets for borrowings, as announced recently, has helped in maintianing fiscal discipline.
- Increased returns from disinvestments and dividends from RBI/financial institutions has improved funds transfer to programmes like PMAY and social sector schemes.
- Multipronged efforts in this regard have helped in job creation and augmenting of incomes.

The fiscal space created due to responsible expenditure and creative revenue generation policies have led to increased investment targets towards sector's like infrastructure(PMAY, Bharatmala and Sagarmala projects, UDAN, etc), education(Samagra shiksha, RISE, etc) and health(Ayushman Bharat) along with simplification of labour laws which is giving an inclusive character to Indian growth story.

At the same time, recent slowdown in growth has impacted government expenditure where compression of government spending has been an important driver of sharp decline in economic growth. Such a slowdown has also impacted the prospects of inclusive growth as lack of overall economic growth hampers consumption and investment cycles.

Way Forward:

- Fiscal reforms to create enough fiscal space to increase pro-poor spending and revive growth.
- Fixing GSTN to avoid revenue shortfall as it has been major stumbling block in realisation of GST revenues.
- Extending PM-KISAN type income support schems to all citizens through initial rationalisation of subsidies.
- Increasing education, health and infrastructure spending by around 1% of GDP each.
- Decreasing tax exemptions towards one's whose public benefit is unclear.

Conclusion:

Following increasingly prudent fiscal policies, as can be seen from recent budget, combined with a focus on rural economy, MSME sector, affordable housing and other related sectors can help render the Indian growth story more inclusive.

**3. Inclusive growth has always been a key priority for the government. However, the difference today is not in the objective but the manner in which inclusive growth is
sought to be achieved. Elucidate.**

Introduction

Inclusive growth is the equitable allocation of resources with an aim to ensure the development of every section of the society. It includes the inclusion via poverty reduction, Agriculture development, social sector development including education-health, environmental sustainability etc., Inclusive growth today is defined more in terms of quality of inclusion than of quantity of inclusion.

Body

Background:

The Twelfth Five Year Plan highlights the objectives of inclusive growth as the following: Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development.

It should also be reflected in better opportunities for both wage employment and livelihood, and an improvement in the provision of basic amenities like water, electricity, roads, sanitation, and housing.

Always been a key priority for the government:

As a practice of good governance, it has been always incorporated in India from the first five-year plan – 'wiping every tear from every eyes' to the latest with the objective of 'Sabka sath sabka vikas'. The government through various schemes and programmes has been trying to achieve inclusive growth. For e.g.

- Agricultural development through Large irrigation programmes, Land ceiling act etc.,
- Rural development with Agriculture centric approach. E.g. Rain-fed area development prog, Integrated rural development programme.
- Employment generation through schemes like Food for work, Swarnajayanti gram swarozgari yojana etc.,
- Backward region disparity reduction through schemes like Desert development programme etc.,

Though inclusive growth has been the objective, the manner in which it is sought to be achieved has been changed.

- Element of beneficiary: is individualistic rather than a group or a place. e.g. Electrification to every house under saubhagya yojana.
- Citizen-centric: Bottom up approach rather than based on top down trickle-down effect. E.g. Gram panchayat development plan with programmes designed at the gram panchayat level, Social audit etc.,
- Use of technology and e-governance for quick, reliable and transparent schemes of inclusive growth. e.g. E-NAM, DBT scheme for Minimum support price, farm subsidies etc., e-education (e.g. Unnayan Banka programme of Bihar).
- Capability approach: Empowerment rather than welfare/governing approach. Demand side poverty reduction rather than on supply side as suggested by Amartya sen. E.g. poverty reduction by employment generation through schemes like DDU Grameen kaushalya yojana, skill India mission etc.,
- Emphasis on outcome than outlay. e.g. targets of reducing infant and under-5 mortality rate under swachh bharat mission than just building toilets.
- Emphasis on Last mile reach: for instance, the target under 100% immunisation target under Mission indradhanush and follow up under Intensified Indradhanush scheme.
- Long term sustainability: environmental factor is integrated in every inclusive development scheme. E.g. Forests rights act balances both the rights of tribals as well as environmental concerns.
- Backward region development with focus on revenue generation rather than revenue allotment. e.g. Investor summits in low income states like Chhattisgarh, odisha etc., Tourism promotion in North-East, Uttarakhand etc., so that they are self- sustained.
- Comprehensiveness in inclusion to include diverse sectors like
    - financial inclusion through schemes like PM Jan Dhan Yojana,
    - digital inclusion through like Village resource centres, common service centres, PMGDISHA etc.,

- Preventive approach than curative by addressing the core issues. E.g. emphasis on primary health care under Ayushman Bharat by creating health and wellness centres.
- Gender inclusion: At present, the element of gender equality as a part of inclusive development is more focussed. E.g. Gender budgeting, women empowering schemes like Kanyashree Prakalpa of West-Bengal etc.,

Conclusion

According to Oxfam report, the inequality is as high as 80% between the top 1% and bottom 50%. Inclusive growth in this context becomes vital, but also the empowerment approach to build this inequality is the sine-qua-non. Also, inclusion of various sections of beneficiaries is the emphasis as UNDP observed "Today, the development is measured not by 'how much', but by 'who gets'".

4. Why does India have pockets of underdevelopment? Explain. Can initiatives like the Aspirational District Programme address this problem? Critically examine.

Introduction:

The pattern of economic growth across the states in India has been a matter of policy evaluation due to various factors from many years. In the context of 'balanced regional development', the trickle-down of growth from one region to another and the spill over effects has a wide gap in India.

Body:

Reason for pockets of Underdevelopment

Poverty-

According to National Sample Survey Organization estimated poverty is 21.9% of the population (269 mn) in 2011-12 as per Tendulkar Committee methodology. And as per World Bank data 21.2% of population in India was lining below the International poverty line.

Poor Health-

- Global Hunger Index 2019 – India dropped to 102 rank out of 119 rank in 2019 from 83 out of 113 countries in 2000.
- The share of wasting among children in India rose from 16.5% in 2008-12 to 20.8% in 2014-18.
- Child wasting is as high as at 20.8%.

Education-

Despite the provision of free and compulsory education to all the children to the age group 6-14 years, 32 million Indian children of age upto 13 years have never attended any school according to NSSO data. Current Global Enrollment Ratio stands at 26.3%.

Poor Basic Infrastructure-

- According to Global Infrastructure Outlook report, by Global Infrastructure Hub, a G20 initiative, India is the lowest performer in the road and watee sectors and Airports and is the second lowest performer in the ports and telecom sector.

Aspirational District Programme-

The 'Transformation of Aspirational Districts' Programme aims to expeditiously improve the socio-economic status of 117 districts from across 28 states.
It is based on three core principles of convergence, collaboration and competition. With States as the main drivers, this program focuses on the strength of each district, identify low-hanging fruits for immediate improvement, measure progress, and rank districts.

- These 117 districts account for more than 20% of the country's population and cover over 8,600 gram panchayats.
- Health & Nutrition, Education, Agriculture & Water Resources, Financial Inclusion & Skill Development, and Basic Infrastructure are this programme's core areas of focus.
- It aims to improve performance across indicators that improve the quality of life as well as economic productivity.
- The NITI Aayog launched the baseline ranking for the Aspirational Districts based on the published data of 49 indicators (81 data points) across five developmental areas with different weightages.
- NITI Aayog & Govt. of Andhra Pradesh created dashboard for monitoring real-time progress of districts.
- Delta Ranking of districts strengthens the spirit of competitive and cooperative federalism on the foundations of evidence-based policy making.

Challenges to ADP programme-

- Politicisation of programme as some states like west bengal , odisha and kerela withdraws their name
- The programme follows "one size fits all" approach and different district in states states have pecularities of its own , so a common path of development would not work.
- For special attention to particular district there is no scope of financial attention.
- Lack of advanced technology to monitor the status of the initiative.

Way forward-

- Discard One size fits all model of development.
- Outcome based monitoring : linking dashboard to PRAGATI.
- Decentralization of power upto Panchayati Raj Institution making it a 4-tiered initiative.
- Promotion of people participation.
- Creating awareness of the programme.

Conclusion:

In summary, the level of development of a state is the consequence of a complex set of historical, cultural, and sociological factors. Additional financial resources may be helpful in increasing growth rates, but the ability to use these resources well is probably most important in distinguishing regions that develop successfully and those that do not.

5. Analyse the manner in which the dynamics of interstate and center-state relations affect the larger objective of sustained economic growth.

Introduction

A federal set up is considered to be an optimal form of government as it combines the strength of a unitary as well as a decentralized form of government. The essence of federalism lies in proper division of powers and functions among various levels of government to ensure adequate financial resources to each level of government to enable them to perform their exclusive functions.

Body

Manner in which dynamics of interstate and Center-state relations affect the larger objective of sustained economic growth.

- The most important aspect of fiscal federalism is the division of resources and functions between different levels of governments. The existence of fiscal imbalances is inherent in most of the federations since the division of resources goes in favour of the central government to achieve the objectives of stabilization and distribution. Similar is the case of Indian federalism where there is a mismatch of resources and expenditure responsibilities at different layers of government.
- The transfers from Centre to States take place through Union Finance Commission (UFC), GST and Central Ministries, of which the transfers from FC are predominant. Gross devolution and transfers (GDT) comprises of States' share in central taxes (SCT), grants-in-aid and gross loans from center.
- The dependence of states on Central transfers varies depending on the capacity of the states to generate own resources. For high income states it varies from one-fourth to one-sixth of their revenues, for middle-income states between one-third to one-fifth (except for Chhattisgarh and West

Bengal where dependency is much higher, almost 40-50%) and for low-income states it is quiet high ranging from 42-80%. In case of Special Category States, these Central transfers are very high varying from 64.98% to almost 93% of their revenue receipts. Haryana is the least dependent State on central transfers, followed by Punjab, Maharashtra, Gujarat and Goa. Given the need of the states, FC has been trying to transfer more resources to the States. For example, the share of the States in the net proceeds of central taxes and duties have increased from 29.5% in 11th FC to 42% in 14th FC.

- The participation of all States and Centre in the framing of GST laws has led to Harmonisation of GST laws across the country, Common Compliance Mechanism, Cross Empowerment of Officers of Centre as well as States.

Issues between Centre and States

- With the inception of economic reforms in 1991, the responsibility of the States has gone up substantially in meeting the increasing need of the basic services of the people. Over the years, the center has become stronger in terms of higher revenue potential while states got burdened with greater functional responsibilities in the areas of education, health, economic and social infrastructure, social security and welfare. This has increased vertical fiscal imbalance and also horizontal fiscal imbalances due to differential performance of the states during post-reforms period. As a result inequality across the states and within the states has increased with respect to providing public services.
- Further, the enactment of Fiscal Responsibility and Budget Management Act (FRBMA) by the Centre which directs States to bring in discipline in the management of public finances has added pressure, particularly in improving productive assets of the poorer States. The fiscal discipline, though necessary, has resulted in decline in the share of capital expenditures in most of the states, particularly backward states. As States are depending more and more on market borrowing on the face of declining central loans to states that has led to reductions of the tenure but increased the cost
- The FCs' schemes of fiscal transfers over the years, held to serve the dual objectives of equity and efficiency within the framework of fiscal consolidation, have been unable to ensure a fair distribution of resources between Centre and States and among the States leading to increasing regional disparities. This regional disparity has been the basis of formulating the horizontal devolution (across states). Given the varying taxable capacity across states and high revenue expenditure (almost 80% of total expenditure) with rigid components like subsidies, pensions, salaries, wages, interest payments, to distribute exclusively to the net deficit states even after devolution of taxes and grants-in aid which is an encouraging step, particularly for backward states.
- Generally, population and geography are considered as the most important criteria for tax devolution as it is perceived to be the most important

indicator of the general need of a state. This approach is justified when there are very insignificant differences in area, distribution of population and per capita income among states. But, there are significant differences in these indicators among the States in India. Keeping this problem in view, more weightage has been given to distance and inverse formula in last few UFCs but population has been used as the scale factor. This high weightage given to population may not result in more transfers to states which are underdeveloped and having low population. The central plan assistance is being given on the basis of Gadgil formula (changes have been made since nineties), which takes population, per capita income, tax efforts and special problems into account. The criteria such as fiscal performance, tax efforts, prudent fiscal management, and elimination of illiteracy and successful implementation of land reforms etc over the time have not helped states with differential fiscal and administrative capabilities.

- All UFCs have indicated several shortcomings and omission and commission of the SFCs. The main reasons are non-synchronization of the period of recommendation of SFCs and UFCs; lack of clarity in respect of the assignment of powers, authority and responsibilities of the local government; absence of time limit to take appropriate action; etc. The 14th FC has made a significant change in the devolution of resources to the third tier by assigning a share of the divisible tax revenue
- At the same time, as more and more of the states’ expenditure of the rural/urban local government is met by transfers from central government the autonomy of the states diminish likewise showing clear signs of the dependency syndrome.

Regional Disparity

- There is wide variance in the provision of basic services like education, medical and other infrastructural facilities leading to discrepancies in major socioeconomic indicators like literacy rate, infant mortality rate, poverty ratio, and life expectancy etc. For example the highest IMR (per 1000 births) can be seen in lower income states such as Madhya Pradesh (2016) 47, Odisha (44), UP (43), Assam (44), Rajasthan (41) respectively where as it is much better in middle income and higher income states.
- Similar is the case of life expectancy and maternal mortality rate. A few states were able to attract investment (both domestic and foreign) and do better due to market reforms as well as their fiscal abilities to provide incentives and other utilities during post reforms period. Moreover, substantial changes in sectoral origin of income without appropriate re-distribution of population has created inequality both across the states and also within the states.
- Therefore the role of central transfers to states is very important for ensuring provision of public services at a similar rate of taxation. It seems that the central transfers or center-states financial relations has not been very successful in fulfilling the main objective .i.e. to ensure equal provision of public services across sub-national government by reducing fiscal imbalances.

Conclusion

Overall, though efforts have been made towards a full-fledged federation, India continues to have greater vertical fiscal imbalances at different levels of governments and horizontal fiscal imbalance across the levels of governments. India has evolved a noble kind of federation which is completely different from the accepted notion of federation. The evolved Indian federalism is very unique in character and the Union-state relationship has also become extremely complex over the years. The rising inequality in an increasingly market economy demands scientific approach for fiscal transfers from Centre to states so that the objectives of fiscal federalism of equality and the provision of providing public goods across states is ensured.