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Foreign Direct Investment and Labour Process in India: The Role of 'Make in India' and 'Skill India" Programmes

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Abstract
Foreign direct investment (FDI) is a very sensitive issue in India. Technically, FDI denotes a cross-border flow of capital as a factor of production. Hence, FDI tends to be an equalizer of capital to labour ratio among the economies creating conditions for a market oriented flow of trans-border capital. FDI, however, brings a lot along with its spatial movement. Being more than just the shift of capital from one place to another, it also embodies a permanent change in the ownership structure of productive assets and a dynamic wave of technological and organizational innovations in the host economy. Moreover, FDI strikes at the contemporary capital labour relationship, income and assets distribution and stake holder equilibrium. That is why it becomes highly desirable as well as extremely debatable from the point of long term interests and socio-economic stability of the host country.
The present paper, which is based on secondary data and literature review in the field, attempts to discuss the need, rationale and impact of FDI in India. The debate is kept limited to the role of FDI in growth and employment augmentation, especially in the context of some of the innovative steps undertaken by the government of India like 'Make in India' and 'Skill India' programmes.

Keywords: Foreign Direct Investment (FDI); Labour Process; GDP Growth; Foreign Technology; Skill India; Make in India

1. Introduction
Foreign Direct Investment (FDI) occurs when an individual or a group or a company purchases ownership rights of certain asset in some other country. It is a long term international movement of capital with the purpose of productive activity in which the managerial control lies in the hands of foreign firms. In spite of abundant stock of natural resources, huge resources of labour force and large size of domestic market production hampered due to shortage of domestic capital and modern technology. FDI can be a vehicle for obtaining foreign technology, knowledge, management skills and other important inputs. FDI plays a crucial role is increasing employment in developing countries because of the shortage of domestic capital. There is a variety of factors by which liberalization might affect labour. The most important ones are trade FDI, international technology transfer and labour productivity which has emerged as the new factors causing growth of economies and free capital mobility among the countries. India's economy requires FDI to fill the gap between the domestic saving and investment and to boost productivity and investment.
The global strategies of MNEs which are the prime movers of capital across borders are evolving and manifest in the configuration and reconfiguration of the 'Global Factory'. The previous separated patterns of FDI by firms have been replaced by parallel modes of entry multi fact international patterns described as alliance capitalism which includes joint ventures, strategic alliances, co-production and marketing co-research development. The global factory is involving with the policy environment and the MNEs organize them global production through specially coordinated functions. This is characterized by interchange ability and is in dynamic tension with its internal constitutes as well as external forces of competition and co-operations (Buckley 2009).
The major objectives behind the 'Make in India' initiative are job creation and skill enhancement in 25 sectors of the economy including automobiles, aviation, biotechnology, chemicals, construction, defence manufacturing, electrical machinery, electronic systems and mining. Under the programme, the government has awarded 56 defence manufacturing permits to private sector entities in the past one year, after allowing 49% FDI in the defence sector in August 2014, compared with 47 granted in the preceding three years. According to the Department of Industrial Policy and Promotion, FDI inflows under the approval route (which requires prior government permission) increased by 87% during 2014-15 with an inflow of $2.22 billion. More than 90% of FDI was through the automatic route. Also in 2014-15, foreign institutional investment rose by an unprecedented 717% to $40.92 billion (http://www.livemint.com/Politics/sYFaCzUi4paE9UCajwYjuO/FDI-inflows-rise-40-on-Make-in-India-initiative-Economic-S.html).
In 2015, India was for the first time the leading country in the world for FDI, overtaking the US (which had $59.6 billion of Greenfield FDI) and China ($56.6 billion). Make in India campaign and the resultant boost in FDI have resulted in a whopping increase in FDI job creation from 1.60 lakh new jobs in 2013 to 2.25 lakh in 2015 which is the highest number in the world (http://economictimes.indiatimes.com/articleshow/51932057.cms?utm_source=contentofinterestandutm_medium=textandutm_campaign=cppst).

2. Objectives of the Study

Following are the main objectives of the study:

1. To find out the nature of FDI in the context of labour-intensive technology and capital- intensive technology.
2. To analyze the relationship between employment opportunities and FDI inflows in India.
3. To assess the role of 'Make in India' and 'Skill Development' programmes in FDI, employment creation, and GDP growth.

2.1 Reviews of Literature

Heckscher and Ohlin had shown (Vaish and Sudama, 2009) [3] a positive relationship between employment and exports and a negative relationship between employment and imports by in their model of International trade. A country may produce cheap factor based goods. The standard trade theory based on Hechsher-Ohlin model would suggest that with trade liberalization there would be emphasized effect on the manufacturing employment of developing countries. The H-O model framework suggests that employment reduces with increases imports while it increases with increases export. But, on the other hand, Pierre and Adre (2004) argued that on average more than the 10% of jobs are destroyed every year but in rich countries the phenomena is largely offset by job creation. They observed no systematic rise in employment over the long term. Technological progress contributes significantly to output growth, but its effect on employment is a priori ambiguous. On one hand, by improving labour productivity and the other hand, it increases profit and stimulates more jobs the technology of which is too outdated to be profitable. Hence, technological progress drives the process of job creation and destruction the outcome of which no one known beforehand.

Rhys (2006) analyzed the role of FDI on employment in Viet Nam and opined that despite the rapid growth of FDI in Viet Nam, during the 1990s and significant are of foreign affiliates in industrial output and export by the early years of the 21st century, the direct employment generated has been very limited. A research study by Craigewell (2006) on the Caribbean region that suggested an increase in FDI leads to the generation of increased in employment. Even though there were significant gaps in the data of employment, the obtained results supported the conventional facts on FDI inflow over the past 3 decades. This research estimated that FDI has the greatest impact in the first year, which enhanced after the consideration of trade policies, absorption and financial development, implying that in a healthy and unwavering economic environment better returns of foreign investments are generated.

According to Ying (2013) foreign direct investment (FDI) focused on limited work opportunities in urban areas and tertiary sectors may be unsustainable. Therefore, the primary sectors need the infusion of greater support in general and specifically a greater role of FDI. The study also shows that total flow of FDI has a nearly significant negative effect on employment. Bhaskar (2013) attempted to examine the employment generating potential in Indian Automobile Industry. FDI contribution to the growth in this sector was assumed to be existing in the same proportion from 2001-02 to till 2011-12 (October).

Gunja et al. (2014) [5] analysed the effect of Foreign Direct Investment and Human capital formation on labour markets in India suggested that skill biased technological change occur to increase wage inequality (to accumulation of knowledge capital). Any changes in technology are associated with increase in relative price of skills. Whereas the interaction term of FDI and capital - labour ratio were found negative and significant. It shows possible technology spill over of foreign investment with upgrade the level of technology and eliminates wage inequality.

Netrja (2013) studied the impact of FDI on employment and GDP in India. He observed that the FDI has maximum impact on GDP in India. The result estimates that for one percent increase in FDI the GDP should increase by 23.6 percent. But, the impact of FDI on employment is not satisfactory. This indicates the jobless growth of Indian economy. The regression analysis shows positive relationship between FDI and GDP but not between FDI and employment. Sunita and Srija (2015) in their research study attempted to examine the employment trend through Make in India programme. They opined that the number of people entering the labour force as a proportion of population has decreased from around 45 per cent in 2004-05 to 40 per cent in 2011-12. Even among the economically active age group, there has been a decline in labour force participation from around 76 per cent in 2004-05 to 63 per cent in 2011-12.

Saikat et al. (2015) argued that FDI inflow and MNEs operations, along with technology acquisition have implications for labour demand. Foreign ownership however does not play any significant role in determining firm-level labour demand in Indian manufacturing. Importantly, productivity has significant impact on employment across sectors. Increase in productivity is found to displace labour across the sectors. Mohammed (2013) has undertaken a study on employment in multi brand retail and foreign direct investment in India. He used the ordinary least square (OLS) method for observing impact of FDI on employment and found the negative impact on employment generation in retail sector of India. The regression analysis result shows that a 10 percent increase in FDI result in one percent decrease in employment.

Khandare (2016) [9] analysed relationship among FDI, GDP and employment in India nad suggested that the policy maker should stabilize monetary and fiscal policies in long run to increase GDP and FDI for employment generation in India' and give priorities for employment policies to generate decent employment for educated youths entering in the labour market. Ratan, *et al.* (2016) [17] also showed that there is a positive relation of FDI with decreasing rate of growth of labor employment. Capital intensive technology is now taking up the major role as growth engine in India and it is expected to further reduction in elasticity of employment.

2.2 Foreign Direct Investment (FDI)

Foreign Direct Investment has been a controversial issue in international economics. It is an integral part of economy to boosting GDP growth and employment creation.

FDI "is a controlling ownership in a business enterprise in one country by an entity based in another country". Thus, we can say that FDI is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased"

(http://www.economywatch.com/foreign-direct-investment/definition.html).

2.3 Need for FDI and foreign capital

The major arguments which support FDI are given below:

- Sustaining a high level of investment
- Technology gap
- Evolution of Natural resources
- Under taking the initial risk
- Development of basic infrastructure
- Improvement in the balance of payment

Supporters of private foreign investment argue that it brings new technology, better management and organization, superior marketing and sometimes cheaper finance. (Mishra and Puri, 2015) [3].

2.4 Advantages and Disadvantages of FDI

The major advantages and disadvantages of FDI are given below in table no. 01.

Table 1: Advantages and Disadvantages of FDI

Advantages	Disadvantages
Economic development stimulation;	Hindrance to domestic investment;
Easy international trade;	Risk from political changes;
Employment and Economic boost;	Negative influence on exchange rates;
Development of human capital resources;	Higher costs;
Tax incentives;	Economic non viability;
Resources transfer;	Expropriation;
Reduces disparity between Revenues and costs;	Negative impact on the countries investment;
Increased productivity;	Modern-Day economic colonialism;

1. http://www.economywatch.com/foreign-direct-investment/benefits.html
2. http://www.economywatch.com/foreign-direct-investment/disadvantages.html

2.5 Labour process

We may consider supply side and demand side effect of FDI on human capital formation process. On the supply side, FDI may affect the human capital formation in terms of skill up gradation of labour force thus contributing to the supply of human capital. On the Demand side, FDI affects wages of different levels of human capital i.e. highly skilled, mid skilled and low skilled due to their demand for specific kind of skilled human capital (G. Baranwal et al., 2014) [5].

Generally the main motive of FDI in developing countries where a big amount of unemployed people is available should be to provided employment opportunities. FDI and labour process should be complementary to each other in populated countries as like India. Thus, we discuss first production mode type of technology in production process. The choice of techniques is an era of economies in which the question of the appropriate capital or labour intensity of the method of production of goods is discussed.

2.6 Technological progress

Technological progress may due to product innovation in process is shown with an upward shift of the production function (in figure 1) or a downward shift of the production Isoquants (In figure 2).

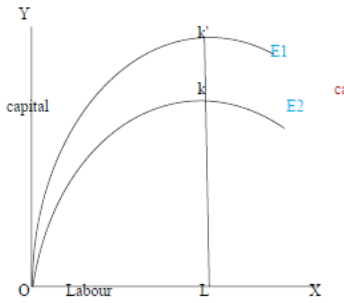

Fig 1: Production function

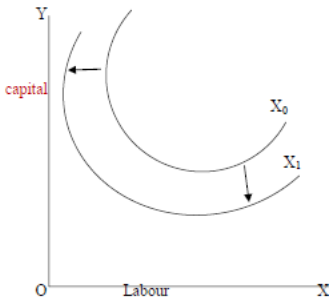

Fig 2: Cost function

More output may be produced with the same inputs. Technical progress may also changes the shape (as well as produce a shift) of the isoquants. However, technological changes takes place continuously and this shifts the production function leading to change in K/L ratio and the elasticity of substitution. Thus, it is important to consider the effects of technical progress on factor shares.

In all three figures is quant X, X' and X" represent the same level of output. R is the ray whose slope shows a constant K/L (capital and labour) ratio? Point a, b, and c shows the point of production at the given constant K/L ratio as technological progress takes palace.

2.7 Types of technological changes

Technology may be of three types which are given below.

(a). Nuetral technical change

Technological progresses will be natural if at a constant K/L (capital-labour) ratio the $MRTS_{LK}$ ($MRTS_{LK}=MP_L/MP_K$) remains unchanged.

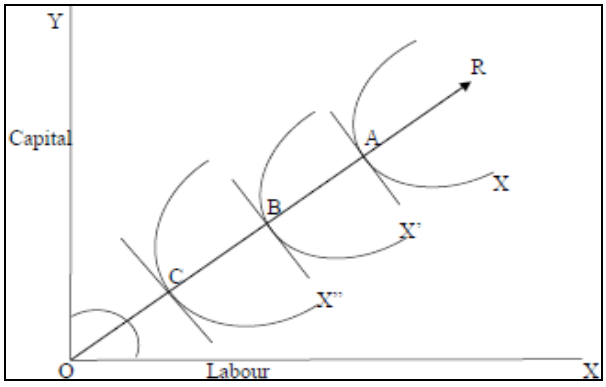

Fig 3: Neutral technical change

Since in equilibrium ($MRTS_{LK}$ = w/r) it follows that when technological progress is natural the (capital–labour) K/L ratio and the w/r ratio are unchanged. Consequently the relative shares of factors remain unchanged as shown in figure 3.

(b). Capital intensive Technological change

Technological progress is capital intensive (capital deepening) if at a constant K/L ratio the $MRTS_{LK}$ declines. This implies that at equilibrium the w/r ratio declines that is 'r' (rate of interest) increases relative to 'w' (wage rate) while K/L remain constant. Consequently the ratio of factor shares declines.

[New factor share ratio] = (w/r)/ (K/L) < (Initial factor-Share ratio).

This is tantamount to saying that the share of labour decreases and the share of capital increases shown in figure 4.

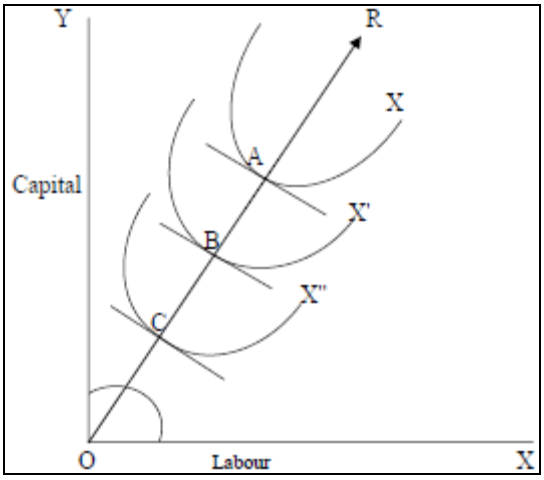

Fig 4: Capital Intensive Technique

(c). Labour intensive Technonological change

Technological progress is labour intensive (labour deepening) if at a constant K/L ratio the $MRTS_{LK}$ increases. Then at equilibrium, the w/r ratio increases as technological progress takes palace. This implies that the share of labour will increases and the share of capital will decreases as shown in figure-5.

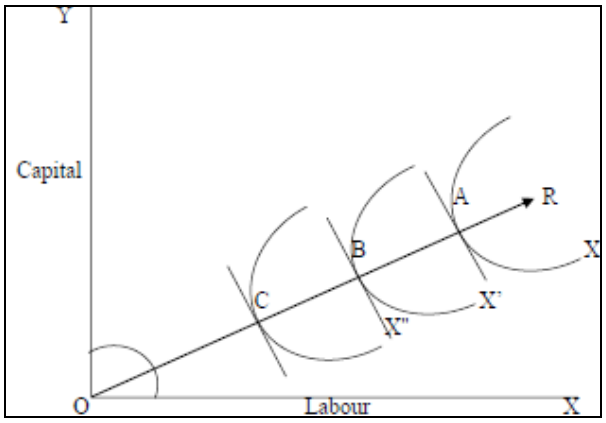

Fig 5: Labour-intensive technique

In fact, K/L ratio shows an upward trend over time in all industries; although the capital deepening has, proceed at different rates in various sectors (A. Koutsoyiannis, 2005).

However, such implications are very industry specific. There can be a variety of factors by which, liberalization might affect labour the most important being trade, FDI, International technology transfer and Labour productivity.

2.8 Make in India Programme

This is the ambitious programme of the government which covering 25 sectors. It was launched in September 2014. It was aimed primarily at taking the manufacturing growth to 10% per year on a sustainable basis while eliminating the unnecessary laws and regulations, making bureaucratic processes easier and making the government more transparent, responsive and accountable.

The programme focuses on new ideas and initiatives such as:

a. First Develop India and then Foreign Direct Investment,
b. Look-East on one side and Link-West on the other,
c. Highways and 'I-ways,
d. facilitate investment,
e. Foster innovation and protection of intellectual property rights.

It further aims to create new employment opportunities, boost skill formation, reduce supply-side bottlenecks and develop best in-class manufacturing infrastructure. Various initiatives have since been taken under this programme to facilitate ease of doing business such as de-licensing and deregulation measures to reduce complexity, 24×7 basis online applications for Industrial license and Industrial entrepreneur Memorandum, asking state governments to introduce self-certification, launch of e-Biz portal, replacement of multiple registers maintained by various departments by single electronic register and online environmental clearances. These initiatives offer immense opportunities to domestic and international investors to come and make in India in the coming times.

2.9 Skill India Programme

National Skill Development Mission was launched on World Youth Skill Day i. e. 15 July. Livelihood opportunities are affected by supply and demand side issues. On the supply side, India is falling to create enough job opportunities, and on the demand side, professional entering the job market are lacking in skill sets. This is resulting in a scenario of rising unemployment rates along with low employment.

Over 65% of India's large population below 35 years of working age group of 15-59 years is increasing steadily. India is one of the youngest nation in the world with more than 54% of the total population below 25 years of age and India's workforce is the second largest in the world after China. While China's demographic dividend is expected start tapering off by 2015, India will continue to enjoy it until 2040. However, India's formally skilled workforce is approximately 2%, which is low as compared to China's 47%, Japan's 80% or South Korea's 96%. To leverage our demographic dividend more sustainability and meaningfully, the Government launched the "Skill India along with Make in India.

Make in India and Skill India programme are complementary to each other because Make in India is a programme which will create an attractive environment for FDI (Foreign Investor) and Skill India emphasize skilled labour. Therefore, FDI and labour process are complementary factors in the context of India because we know India is a populated country with high unskilled and unemployed supply of labour and FDI refers to foreign technology which demands skilled labour.

FDI demands for skilled labour. So, if India wants to generate employment opportunities through FDI, Skill development programme may be a better option for employment generation with foreign technology. But FDI refers to capital intensive

technology because an investor wants to maximize its profit. However, if there is no change in Production cost from the substitution of capital and labour, it may be a right way to increments in employment. But as we already noted that FDI and foreign technology demand skilled labour and skilled labour depends on 'Skill India Programmes'. Line OC shows capital-intensive technology (also foreign technology) K/L>1.
Line OL shows labour-intensive technology (also domestic technology) K/L<1.
Line OK shows increas ing rate of employment with foreign capital and technology after skill development.

2.10 Data analysis and interpretation
This paper based on secondry data and reviews of research. So the following data collected by Books, Internet and research studies.

2.11 Total FDI inflows
Table 2 shows the amount of FDI inflows from April, 2000 to March, 2015. It shows the cumulative amount of FDI Inflows both in terms of crore and in US $ million.

Table 2: Total FDI inflows (from April 2000 to March, 2015)

1.	Cumulative amount of fdi inflows (Equity inflows + 'Re-invested earnings' +'Other capital')	-	US$ 368,439 Million
2.	Cumulative amount of fdi equity inflows (excluding, amount remitted through RBI's NRI Schemes)	Rs. 1,233,005 crore	US$ 248,512 Million

Source: India_FDI_March2015 pdf http://dipp.nic.in/English/Publications/FDI_Statistics/ 2015/india_FDI_March2015.pdf

Table 2 shows the sum of equity inflows, reinvested earnings and other capital. Cumulative amount of inflows are 368,439 in US $ million. Other than this, cumulative FDI equity inflows which excludes amount remitted through RBI's-NRI schemes are 1,233,005 in Crore and 248,512 in US $ million.

2.13 Sectors attracting highest FDI Equity inflows
Table no**.** 3 depicts the sectors having the highest FDI equity inflow in India. The report shows that Service sector has the highest FDI Equity inflow at 17%, followed by Construction development, Computer Software and Hardware, Telecommunication, Automobile Industry sector having 10%, 6%, 7%, and 5% respectively. Other sectors like Drugs and Pharmaceuticals carry 5% and Chemicals and Power Industries carry 4% FDI inflow each, whereas the least share are of Metallurgical and Trading industries at 3%.

Table 3: Sectors attracting highest FDI Equity inflows (Amount in Rs. Crores and US$ in millions)

Ranks	Sector	2012-13 (April – March)	2013-14 (April-March)	2014-15 (April '14-March, 2015)	Cumulative Inflows (Apr. '00 Mar., 2015)	% age to total Inflows (In terms of US$)
1.	Services Sector **	26,306 (4,833)	13,294 (2,225)	55,172 (9,030)	425,657 (87,555)	17%
2.	Construction Development: Townships, Housing, Built-Up Infrastructure	7,248 (1,332)	7,508 (1,226)	41,350 (6,742)	167,157 (32,188)	13 %
3.	Telecommunications(Radio Paging, Cellular Mobile, Basic Telephone Services)	1,654 (304)	7,987 (1,307)	8,769 (1,447)	109,654 (22,210)	9 %
4.	Computer Software and Hardware	2,656 (486)	6,896 (1,126)	12,752 (2,084)	93,396 (18,352)	7 %
5.	Drugs and Pharmaceuticals	6,011 (1,123)	7,191 (1,279)	20,960 (3,436)	77,258 (14,671)	6 %
6.	Metallurgical Industries	8,384 (1,537)	9,027 (1,517)	11,150 (1,824)	66,880 (13,751)	6 %
7.	Chemicals (Other Than Fertilizers)	1,596 (292)	4,738 (878)	3,634 (598)	39,363 (8,044)	3 %
8.	Power	2,923 (536)	6,519 (1,066)	6,904 (1,125)	38,509 (7,644)	3 %
9.	Metallurgical Industries	7,878 (1,466)	3,436 (568)	3,881 (635)	22,588 (4,513)	2 %
10.	Trading	3,901 (718)	8,191 (1,343)	2,251 (367)	15,120 (3,045)	1 %
Total FDI inflows from all countries *		121,907 (22,423)	147,518 (24,299)	189,107 (30,931)	1,233,538 (248,633)	–

Source: India_FDI_March2015 pdf http://dipp.nic.in/English/Publications/FDI_Statistics/2015/india_FDI_March2015.pdf

Note: (i)** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, RandD, Courier, Tech. Testing and Analysis
(ii) Cumulative Sector- wise FDI equity inflows (from April, 2000 to March, 2015) are at – Annex-'B'. (iii) FDI Sectoral data has been revalidated / reconciled in line with the RBI, which reflects minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.

2.14 Financial year-wise FDI inflows data

The following Table No. 4 shows the total amount of FDI inflows in India during the last 15 years i.e. 2000 to 2015. The total FDI inflow from 2000-2001 i.e. 4,029 US$ in 2001-02 it was 6,130 US$. It shows good result in the FDI inflows in India. The table shows a little bit ups and downs in FDI inflows up to 2005-06, but after that great hike in the year 2007-08 i.e. 22,826 US$ as compare to earlier years.

Table 4: Financial year-wise fdi inflows data - as per international best practices:
(Amount US$ million)

S. No.	Financial Year (April-March)	Foreign Direct Investment (FDI)						Investment by FII's Foreign Insti-tutional Investors Fund (net)
		Equity		Re-invested earnings +	Other capital +	FDI inflow into India		
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	Equity capital of uni-corporated bodies #			Total FDI Flows	Percentage growth over previous year (in US$ terms)	
Financial Years 2000-01 to 2014-15 (up to March, 2015)								
1.	2000-01	2,339	61	1,350	279	4,029	_	1,847
2.	2001-02	3,904	191	1,645	390	6,130	(+) 52 %	1,505
3.	2002-03	2,574	190	1,833	438	5,035	(-) 18 %	377
4.	2003-04	2,197	32	1,460	633	4,322	(-) 14 %	10,918
5.	2004-05	3,250	528	1,904	369	6,051	(+) 40 %	8,686
6.	2005-06	5,540	435	2,760	226	8,961	(+) 48 %	9,926
7.	2006-07	15,585	896	5,828	517	22,826	(+) 155 %	3,225
8.	2007-08	24,573	2,291	7,679	300	34,843	(+) 53 %	20,328
9.	2008-09	31,364	702	9,030	777	41,873	(+) 20 %	(-) 15,017
10.	2009-10 (P)	25,606	1,540	8,668	1,931	37,745	(-) 10 %	29,048
11.	2010-11 (P)	21,376	874	11,939	658	34,847	(-) 08 %	29,422
12.	2011-12 (P)	34,833	1,022	8,206	2,495	46,556	(+) 34 %	16,812
13.	2012-13 (P)	21,825	1,059	9,880	1,534	34,298	(-) 26%	27,582
14.	2013-14 (P)	24,299	975	8,978	1,794	36,046	(+) 5%	5,009
15.	2014-15 (P)	30,934	952	8,983	4,008	44,877	(+) 24%	40,923
Cumulative Total (from April, 2000 to March, 2015)		250,199	11,748	90,143	16,349	368,439	_	190,591

Source: India_FDI_March2015 pdf http://dipp.nic.in/English/Publications/FDI_Statistics/2015/india_FDI_March2015.pdf

In 2008-2009 there was a huge investment in FDI of 41,873 US$. But again there were some fluctuations in inflow of FDI in the years between 2010-2015, giving the highest figures in last 15 years, 46,556 US$ FDI in 2011-2012 and 44,877 US$ in 2014-15. So we can say that the foreign investment has been rising in India. The total inflow of FDI from April 2000 to March 2015 figures 368,439 US$.

2.15 Growth of Total Employment Generation in Organized Retail Sector in India

The following table 5 is taken from M. Nizamuddin (2013). It compare the overall employment generation in retail sector in India with total employment generation in India. The total employment in retail sector in India has been increasing. Except in the year 2002-03, 2004-05 it declined with 2% each respectively. Further it increased in the year 2005-06, 2006-07 and 2007-08 with overall 5%, 2% and 3% growth respectively. It has been clearly shown by the table. We also found the recession and financial crises effects in year 2008-09 with a decline of 26% in the total generation of employment opportunities in India. In the succeeding year 2009-10 the employment in retail sector grow with recognizable rate of 48 percent.

Table 5: Growth of Total Employment Generation in Organized Retail Sector in India

S. No.	Year	Total Employment in Public and Private Sector	Total Employment in Retail Sector	% of Total Retail Employment
1.	2000-01	27960000	493000	_
2.	2001-02	27790000	502000	(+) 02%
3.	2002-03	27205000	492000	(-) 02%
4.	2003-04	27001000	542000	(+) 10%
5.	2004-05	26443000	532000	(-) 02%
6.	2005-06	26459000	559000	(+) 05%
7.	2006-07	26959000	569000	(+) 02%
8.	2007-08	27242000	27242000	(+) 03%
9.	2008-09	27512000	437000	(-) 26%
10	2009-10	28086000	646000	(+) 48%

Source: Mohammed Nizamuddin, 2013

The Government wants to create 10 million new jobs opportunities in Multi Brand retail sector through FDI in India. But it can be happened only if the projected number of new jobs materialized. Benefits of these new jobs can accrue only if the people with the relevant skills are available.

2.16 FDI inflows, GDP and Employment in India

The following table no. 6 is taken from Khandare (2016) [9]. It shows the trends in foreign direct investment, gross domestic product and total employment in India during 2001 to 2012. The FDI inflows were Rs. 10733 crore in 2001 which increased by 25.58 percent compound annual growth rate and went up to Rs. 64583 crore in 2012. The FDI shows mixed trends during the study period and increased by 15.39 times in absolute term in 2012 as compared to initial year 2001. The gross domestic product was Rs. 215468 crore in 2001 which increased by 41.49 times and stood at Rs. 8932892 crore in 2012. The compound annual growth rate was 12.54 percent during the study period.

Table 6: FDI inflows, GDP and Employment in India

Year	FDI (Rs. In Crore)	GDP (Rs. In Crore)	Employment (in Lakh Persons)
2001	10733	2154680	277.9
2002	18654	2335777	272.0
2003	12871	2519637	270.0
2004	10064	2820795	264.5
2005	14653	3219835	264.6
2006	24584	3667253	270.0
2007	56390	4261472	272.7
2008	98642	4966578	275.5
2009	142829	5597140	281.8
2010	123120	6439827	287.1
2011	97320	7702308	288.0
2012	165146	8932892	295.8
Mean	64583	4551516	276.7

Source: Khandare (2016) [9]

On an average, the FDI was Rs. 64583 crore and GDP was Rs. 9551516 crore during the study period. The total employment in India was 277.9 lakhs persons in 2001 which normally increased and stood at Rs. 295.8 lakhs persons in 2012. On an average the employment was 276.7 lakhs persons and the compound annual growth rate was 0.49 percent during the study period. It is found that the highest 25.58 percent compound annual growth rate recorded by FDI was followed by growth in GDP 12.59 percent and it was only 0.49 percent for employment in India during 2001 to 2012. The above analysis suggests that the employment in India does not increase in the same proportion of increases in FDI and GDP during the study period.

2.17 Employment Trends in Make in India Sectors

Table no. 7 is adapted from Sunita Sanghi et al. (2015). It shows that total employment generated in the 'Make in India sectors' was 39.66 million in 2004-05 which increased by 164 per cent to 104.89 million in 2011-12, mainly due to the big jump in the construction sector. The employment created in the Make in India sectors as a proportion of total employment was 8.6 per cent in 2004-05 and 22 per cent in 2011-12. Although it is too early to assess the impact of the Make in India initiative on employment, the result of the last Quarterly Employment Survey in select Sectors conducted by Labor-Bureau reveal an increase in employment in some of the sectors covered under Make in India.

Table 7: Employment Trends in Make in India Sectors

S. No.	Make in India Sectors	2004-05 (in Million)	2011-12 (in Million)	CAGR
1.	Automobile and Automobile Components	0.64	0.96	5.97
2.	Aviation	0.02	0.04	8.85
3.	Biotechnology	0.03	0.08	16.81
4.	Chemicals	1.4	1.18	-2.46
5.	Construction	1.09	50.25	72.75
6.	Defence Manufacturing/Space	0.03	0.05	10.69
7.	Electrical Machinery	0.57	0.99	8.1
8.	Electronic System	0.17	0.43	14.24
9.	Food Processing	5.68	6.03	0.86
10.	IIT AND BPM	1.51	3.11	10.81
11.	Leather	1.63	1.31	-3.02
12.	Media and Entertainment	0.61	0.53	-1.97
13.	Mining, Oil and Gas	0.36	0.89	13.75
14.	Pharmaceuticals	0.49	0.78	7.07
15.	Ports, Railways, Roads and Highways	0.21	9.1	174.12
16.	Renewable Energy and Thermal Power	1.04	1.16	1.64
17.	Textiles and Garments	17.47	18.86	1.64
18.	Tourism and Hospitality	6.23	8.22	1.64
19.	Wellness	0.48	0.92	9.89
	Total	39.66	104.89	

Source: Sunita et al. (2015)

2.18 FDI Inflows in Some Labor-intensive Industries

Table no. 8 is adapted by S.M.Imamul Hauque (2013). It depicts a slower inflow of FDI in labour-intensive industries during the period 2000 to 2012. In this period, FDI inflow in Textile, Rubber goods, paper and pulp and leather, leather goods pickers industries sequentially were only 0.65%, 0.52%, 0.46% and 0.05% of total FDI inflow.

Table 8: FDI inflows in some labor-intensive industries (Apr 2000 to Dec 2012)

Sector	Amount of FDI inflow (In US$ million)	% with total FDI Inflows
Textile	1220.02	0.65
Rubber goods	984.72	0.52
Paper and pulp	861.88	0.46
Leather, leather goods pickers	103.27	0.05

Source: S. M. Imamul Haque et al., (2013)

3. Conclusion

The main aim of this research paper was to analyse the effect of FDI on employment generation in India. The paper concludes that FDI is not strongly related to employment in India. It shows non or even negative relationship between FDI and labour process in India. The majority of companies dealing with FDI are a part of the service and industrial sector, thus enhancing economic growth and generating some amount of employment in the sectors. However, India is an agricultural country and since there is barely much involvement of FDI in the primary sector, employment is not expected to increase substantially resulting in the economy growing without any significant improvement. Moreover, FDI and GDP have effective positive relationship but FDI and employment have non-relationship. If India wants to create an increment in employment through FDI the main priority should be to generate skilled labour.

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