

Chapter 44

Green Growth Intervention on Employment Generation in India: Dynamic CGE Model Approach

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ABSTRACT

This article highlights the possible impacts of green growth strategies and interventions on skilled and unskilled employment generation in India. Additionally, it indicates how income generation from selected green growth-related potential interventions can have a ripple effect on selected development indicators, like literacy rates, infant mortality rates, poverty. Job creation might translate to an economic gain for households of different income class across rural and urban India both in the short and long-term. This economic gain can thereafter reduce the level of inter-household and intra-household inter-temporal inequality levels with complementary and effective wealth distribution policies. In the long run, this reduction in the inequality level can create a positive impact on the social sustainability.

INTRODUCTION

The tradeoff between economic growth led development and environment leads to the formulation of the notion of green growth which is a sustainable development path where economic growth takes place without causing environmental, resource degradation, income and wealth distribution inequalities. Thus, green growth policies of developing countries are becoming more important which is intended to resolve both the environmental challenges, economic and income inequalities as well as the enduring unemployment problems inherent in many developing countries (Deschenes, 2013). Green growth

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integrated development path of India has been accepted and debated in the recent past within policy circles. Thirteenth Finance Commission of India for the first time recognized the need for such an integrated development path with minimal impact on the use of natural resources. An inclusive green growth pathway for a developing country like India with high inequalities has to comprise of policies and implementation plan of new job creation across different sectors of the economy. Often, green growth pathways create structural macroeconomic tradeoffs if it leads to a reduction in sectoral shares in GDP with subsequent impacts on employment, migration, urbanization (Dercon, 2014). Tradeoffs can be created based on the degree and nature of focus of green growth interventions on areas related to agriculture, trade, technology, infrastructure and urban development. Often a focus in a particular domain in a particular way through government support, policy mechanisms, specific programmes or market-based incentives can lead to a slowdown in the growth process leading to a poverty reduction thereby increasing the social costs of green growth (Dercon, 2014).

It is therefore essential to observe and analyse these tradeoffs from a macroeconomic framework by understanding the interlinking tradeoffs of any green growth-related intervention within the economy of a developing country like India. Such an understanding will help in creating a roadmap for the sectoral interventions as a part of a green growth strategy of a developing country in the short, middle and long-term thereby leading to an inclusive development path. Several macro-level models like Computable General Equilibrium models can provide these indicative directions and can be applied to understand the tradeoffs for a long-term inclusive development pathway. One area in which they can be applied is to understand the basic nature of job creation from sectoral interventions of a green growth strategy of a developing country after assessing the various tradeoffs. Such an understanding will also help in shaping up an inclusive development path by assessing the various sectoral inter-linkages through job creation. This is due to the fact that job creation is an integral component of an inclusive development path. However, job creation has to be necessarily also be complemented by income and wealth distribution policies. Creation of job opportunity, skill enhancement within a green growth path can have the potential to address the challenge of unemployment in India. More than 90% of Indian working population is engaged in the casual and informal workforce due to unavailability of the expected job in organised sector (Hajela, 2012). Owing to the absence of the expected job, often there is a kind of voluntary, frictional unemployment too which is existing within the country. There is also an issue of mismatch between the expectation of the job givers and job seekers regarding the required skill set for a job due to which voluntary and frictional unemployment is rising. This in a way, then also has developmental consequences by impacting the state of happiness, the satisfaction of the job seekers.

The dearth of sufficient skilled workers makes the issue more challenging and contributes to this mismatch of expectation regarding skill sets of job seekers. The conventional vocational training schemes have not been adequately successful to create skill and its spillover effects across different sectors of the Indian economy. Skill shortage, therefore, has aggravated the existing voluntary, involuntary and frictional unemployment challenge within the economy. Further, divide between organized and unorganized sector in terms of skill requirements has also increased in the Indian economy. It has also increased in terms of employment generation within the Indian economy.

On one side, employment in the factory sector increased from 8.5 million in 2004–05 to 13.4 million in 2011–12. However, the total growth of manufacturing employment has fallen down in India after the mid-2000s especially in small firms complemented by an increased informalisation within the organized manufacturing sector. Such a fall has often been related to the increased use of imported components

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