RACE IAS

Editorial

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The importance of emigrants

Introduction:

According to the Ministry of External Affairs, there are **over 13.4 million Non-Resident Indians worldwide**.

Of them, 64% live in the Gulf Cooperation Council (GCC) countries, the highest being in the United Arab Emirates, followed by Saudi Arabia and Kuwait.

Almost 90% of the Indian migrants who live in GCC countries are low- and semi-skilled workers, as per International Labor Organization estimates.

Other significant countries of destination for overseas Indians are the U.S., the U.K., Australia, and Canada.

High remittances for India compare to any other country:

1. Every year, **about 2.5 million workers from India** move to different parts of the world on employment visas.
2. Besides being involved in nation-building of their destination countries, Indian migrant workers also contribute to the homeland's socioeconomic development, through remittances.
3. According to a **report by the National Statistical Office**, urban and rural households receiving remittances (both international and domestic) have approximately 23% and 8% better financial capacity, respectively, than non-remittance-receiving households.
4. As per a **World Bank Group report (2021),** annual remittances transferred to India are estimated to be $87 billion, which is the highest in the world,

followed by China ($53 billion), Mexico ($53 billion), the Philippines ($36 billion) and Egypt ($33 billion).

5. In 2021, remittances transferred to India had seen an increase of 4.6% compared to 2020.
6. **Remittances in India have been substantially higher** than even Foreign Direct Investment (FDI) and the flow of remittances is much less fluctuating than that of FDI.
7. Still, remittances' contribution of 3% in GDP is lower than that of countries such as Nepal (24.8%), Pakistan (12.6%), Sri Lanka (8.3%) and Bangladesh (6.5%), as per a World Bank report.
8. Besides being a win-win situation for both the destination and source country, labour migration is good hedging strategy against unsystematic risks for any economy.
9. Human capital should also be invested in a diversified portfolio akin to financial capital.
10. For many countries, **remittances have been of vital support to the domestic economy after a shock.**
    1. For example, after the 2015 earthquake in Nepal, overseas Nepalese increased remittances to an estimated 30% of GDP.

Can India increase remittances to say 10% of GDP? Can the Philippines' model of promoting labour mobility be replicated in India?

1. Both the cost of recruitment of such workers and the cost of sending remittances back to India should come down.
2. The safety and well-being of migrant labour is of top priority for the government.
3. Reducing informal/undocumented migration and formalizing all remittances is being given due focus.
4. Recruitment agencies should also be regulated leveraging information technology **for ensuring protection of migrant workers leaving India.**
5. An **integrated grievance redressal portal, 'Madad'**, was launched by the government in 2015.
6. Of the approximately 78,000 grievances registered so far by the Indian migrants, more than 95% have been resolved.

The Emigration Bill 2021:

1. The Bill envisages **comprehensive emigration management**, institutes regulatory mechanisms governing overseas employment of Indian nationals and establishes a framework for protection and promotion of welfare of emigrants.
2. The bill proposes a three-tier institutional framework:
3. It launches a **new emigration policy division in (MEA)** which will be referred to as the **Central Emigration Management Authority.**
4. It proposes a Bureau of Emigration Policy and Planning, and a Bureau of Emigration Administration shall handle day-to-day operational matters and oversee the welfare of emigrants.
5. It proposes nodal agencies under a Chief Emigration Officer **to ensure the welfare and protection of the emigrants.**
6. It permits government authorities to punish workers by cancelling or suspending their passports and imposing fines up to Rs 50,000 for violating any of the Bill's provisions.
7. Labor migration is governed by the Emigration Act, 1983 which sets up a mechanism for hiring through government-certified recruiting agents - individuals or public or private agencies.
8. It outlines obligations for agents to conduct due diligence of prospective employers, sets up a cap on service fees, and **establishes a government review of worker travel and employment documents** (known as emigration clearances).

Provisions of the Emigration Bill:

1. The Indian government proposed a **new Emigration Bill in 2021** which aims to **integrate emigration management** and **streamline the welfare of emigrant workers**.
2. It proposes to modify the **system of Emigration Check Required (ECR) category** of workers applying for migration to 18 notified countries.
3. The ECR category mainly comprises those who have not passed Class 10 and face the challenge of risky informal emigration and subsequent hardships abroad.
4. The Bill makes it mandatory for all category of workers to register before departure to any country in the world **to ensure better protection for them**, **support and safeguard in case of vulnerabilities.**
5. The proposed **Emigration Management Authority** will be the overarching authority to provide policy guidance.

6. The number of migrant workers need not go up for remittances to increase if the skill sets of workers are improved.
7. Provisions of the Bill such as registration of all emigrants, skill upgradation and training, and pre-departure orientation will enhance protection measures.
8. Besides workers, as about 0.5 million students also migrate for education from India every year, the Bill also covers such students.
9. This will provide a **comprehensive data set for the efficient management of Indian migrants**.
10. **Skilling of migrant workers** has the potential to boost the domestic economy and low-cost interventions such as foreign language training can be of great help for such workers.

Conclusion:

Though the phenomenon of Indian-origin executives becoming CEOs of top U.S. companies highlights the contribution of Indian talent to the U.S. economy, the role played by Indian semi-skilled migrant labour in the global economy is no less illustrious.

India needs to formulate migration centric policies, strategies, and institutional mechanisms in order **to ensure inclusive growth and development and reduce distress induced migration.**

This will increase India's prospects for poverty reduction and achieving Sustainable Development Goals.

The Making of A Manufacturing Hub

In 2014, the Government of India launched its **'Make in India'** initiative as a part of India's renewed focus on manufacturing. A slew of reforms were taken to boost manufacturing, design, innovation, and startups in India.

The **"Atma Nirbhar Bharat"** campaign announced in 2020 was also intended to further boost local manufacturing under its stated goal of making India economically self-sufficient.

India has a **great scope and potential in manufacturing, given its demographic dividend** and reasonably cheap labour. However, larger investments, upskilling of workforce and upgrading infrastructure are some of the areas where more work must be done.

What is the Scenario of India's Manufacturing Sector?

- Manufacturing is among the major economic activities that involves value addition that has consequential positive multiplier effects in the economy. **India has the fifth largest manufacturing base in the world.**
- As per the **second quarter report of the Quarterly Employment Survey** conducted by the Union Ministry of Labour, the **manufacturing sector accounted for nearly 39% of all the employment generated** in the selected nine sectors.
- More than **45% of the manufacturing output is obtained from the MSME sector** in India.
  - The vast pool of human capital available in India at various skill levels offers a distinct competitive advantage to firms that conduct manufacturing activities within India.
- Over the years, there are certainly a handful of domains where **India has carved a position of manufacturing leadership** such as **apparel & accessories, textiles, drugs & pharmaceuticals, petroleum products and motor vehicles.**
  - However, we still have a long way to go before our manufacturing can match the success of our services exports.

What Impetus has been Given to Manufacturing in India?

- **Infra Development Projects:** For instance, the **National Infrastructure Pipeline (NIP)** built on a whole-of-government approach, is already in place covering the FYs 2019-20 to 2024-25.
  - The statistics available on **India Investment Grid** reveal that there are 15,454 projects available involving a total project cost of $1,981.83 billion as on May 5, 2022.
  - The **National Industrial Corridor Development Programme** was launched to facilitate the integrated development of industrial smart cities having plug and play infrastructure along with multi-modal connectivity.
  - Also, a number of **Production-Linked Incentive (PLI) schemes** have been announced since 2020 for various sectors that incentivise manufacturing with a goal to achieve 'Atma Nirbhar Bharat'.

- **Manufacturing in Warehouses: The Central Board of Indirect Taxes and Customs (CBIC)** has brought forward a new and improved version of the programme focused on manufacturing and other operations in bonded warehouses
  - Manufacturing in warehouses **results in saving working capital**, which is usually scarce in case of small enterprises and helping in **better positioning of MSMEs in the international market** by shortening the delivery schedule in the global supply chain.
  - The **Bonded Manufacturing Scheme** has been **revamped by CBIC** to enable organisations gain competitive advantage.
- **Custom Rules:** Domestic manufacturing within India is also being encouraged through **statutory measures like the Customs (Import of Goods at Concessional Rate of Duty) Rules**, which has also been amended from time to time to take into account the dynamic needs of the industry and trade.

What is the Bonded Manufacturing Scheme?:

- To support the **"Make in India"** program, the CBIC launched the Bonded Manufacturing Scheme under the **Customs Act, 1962**.
- Under this programme, a manufacturing unit can import goods (both inputs and capital goods) under Customs duty deferment with **no interest liability.**
- The scheme has **no investment threshold and export obligations.**
- The **duties are fully remitted** if the goods resulting from such manufacturing operations done in bonded warehouses are exported.
  - The import duty is payable only in the event where the finished goods or the imported goods are cleared in the domestic market (ex-bonding).
- The onboarding to the bonded manufacturing programme is **fully digital** and the microsite for the same is available on **'Invest India' portal.**

What are the Challenges Pertaining to the Manufacturing Sector?

- **Lack of Certified Factories:** Corporations around the world increasingly prefer to source goods from factories that are ISO or BSI certified.
  - In China, a huge majority of factories are ISO or BSI certified, but finding **similar operations in India can prove to be an uphill task.** Majority of them **do not even meet any basic inspection standards.**

- Practical issues like these are enough to **discourage serious international buyers** from considering India as a sourcing destination.

- **Underdeveloped Manufacturing Sector:** While the neighbouring as well as competitor nation China is currently in the midst of a 10-year transformational campaign - 'Made in China 2025' to move the country beyond labour-intensive manufacturing and into cutting-edge sectors like robotics and aerospace, **India in contrast is still aiming to bring old-school, labour-intensive manufacturing** to an economy that desperately needs to create millions of new jobs.
  - Even this low-end goal has been **hit by a faltering economy** over the last two years.
- **Weak Infrastructure:** India's weak infrastructure continues to be a fatal flaw for the manufacturing sector.
  - **India uses only 3% of its GDP for infrastructure construction** each year, as compared to China's 20% of its GDP.
  - Even today, India's surface **transportation systems cannot meet the expectations of modern high-speed logistics** - the backbone of efficient manufacturing.
- **Inadequate Power Supply:** Poor and erratic electricity supply is yet another drawback that puts the country's manufacturers at a distinct disadvantage.
  - India's annual power gap is more than 10% and it has among the lowest per capita power consumption around the world.
- **Impact of Abundant Schemes:** The announcements had two major lacunae.
  - First, the bulk of the manufacturing related schemes **relied too much on foreign capital for investments** and global markets for produce.
    - This created an inbuilt uncertainty, as domestic production had to be planned according to the demand and supply conditions elsewhere.
  - Second, policymakers **neglected the third deficit in the economy, which is implementation.**

What can be Done to Boost Manufacturing in India?

- **Infrastructure Investments:** A multi-pronged approach should be adopted to support manufacturing with the **focus largely on large-scale infrastructure investments** as it will itself create enormous growth opportunities.

- Research has shown that **investment in hard infrastructure also results in reduction of logistics cost** of manufacturing.

- **Policy Interventions:** A final conceptual piece of India's manufacturing strategy has to be the **design of policies to increase worker skills**, and to **increase access to finance for its firms**.
  - The latter is a general need across the economy, but manufacturing firms are more likely to require fixed capital investments, and are hurt more by lack of adequate finance for expansion, upgrading, or working capital.
- **Judicious Import Policy:** Through judicious use of import policy, production within the country can be regulated with the **objective of generating greater employment** in the economy.
  - **Exports to international markets, facilitated by Customs**, can also be boosted from the domestic surplus generated from the manufacturing capability within the country.
- **Eliminating 'Policy Casualness':** The **spate of policy announcements without having the preparedness to implement them** is 'policy casualness'. The government needs to **take into account the implications of implementation deficit** in its decisions.
  - Strong and carefully designed policy implementation would improve India's overall investment climate, thereby boosting investments, jobs, and economic growth.
- **Stable Power Supply: Stable, low cost and uninterrupted power** is vital to promote the growth of the industries.
  - Though the availability of Power has improved to a great extent but India must ensure this as soon as possible on industrial level to reap the benefits of manufacturing growth.
- **State Specific Plans**: Currently, manufacturing is mainly concentrated in a few states like Maharashtra and Gujarat which cover a substantial portion of India's geographical area.
  - **States like Andhra Pradesh, Bihar, Chhattisgarh,** Madhya Pradesh, Odisha, Rajasthan, Telangana, and West Bengal also have large land areas that can **contribute to the success stories of Indian Manufacturing.**
  - The reasons for less manufacturing activity in these States have to be carefully examined, and based on this, **state specific industrialisation**

strategies need to be devised and implemented in a mission mode with **active hand holding by the Central government.**

- **Imparting Skill:** The quality of teaching in schools and colleges must be improved. The **high-quality vocational training must be provided** within the education system.
    - India's labour productivity, though increased in the last decade, is lower than that of China. This should be addressed to compete in the global market. Introduction of vocational courses under **New Education Policy** 2020 is a welcome step.