Indian Economy · GS - III

Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports rather than capital-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports.

EXAM YEAR	PAPER	SUBJECT
2017	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Labour-intensive manufacturing; skill mismatch; infrastructure costs; regulatory barriers; MSMEs; export competitiveness; employment generation

Model Answer

Introduction

India's manufacturing sector has not generated labour-intensive exports at the scale achieved by several East Asian economies. Structural constraints have limited employment creation despite growth in capital-intensive industries.

Reasons for Underperformance

- **Skill mismatch:** Insufficient vocational training limits productivity in labour-intensive sectors.
- **Infrastructure costs:** Logistics bottlenecks, unreliable power and expensive transport reduce export competitiveness.
- **Regulatory complexity:** Compliance burdens and uncertainty discourage labour-intensive firms from expanding.
- **Limited scale:** Fragmented enterprises and small production units struggle to meet large international orders.

- **Technology and capital bias:** Investment incentives and production structures can favour automation over labour absorption.
- **Trade and market constraints:** Limited integration into global value chains restricts access to export markets.

Measures Required

- Simplify labour and business compliance while protecting workers' rights.
- Develop industrial clusters for textiles, garments, footwear, toys and food processing.
- Improve logistics, ports, power supply and trade facilitation.
- Expand vocational training and industry-linked apprenticeships.
- Improve MSME access to affordable credit, technology and export finance.
- Attract foreign investment and integrate domestic firms into global value chains.

Conclusion

India needs a competitive manufacturing ecosystem that combines productivity with employment generation. Labour-intensive exports can expand through better skills, infrastructure, market access and support for small enterprises.

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