

HR Law Hotline

April 30, 2022

EMPLOYMENT GENERATION IN INDIA: PRIORITISE SERVICE SECTOR - IF SPEED IS THE ESSENCE

Armed with the Covid-19 experience, India needs to look into the future to determine today's policies towards employment generation. One of the biggest take-away from the current pandemic is the need to change our perspective towards employment generating. There is an urgent need for us to focus and promote the services sector which currently contributes more than 50% to our GDP¹ and to determine which existing or new services will come up in the next 5-10 years.

Our manufacturing sector continues to remain critical for the long-term growth and stability of the country and will continue to help us rely lesser on imports. However, learning from the experiences of the Covid-19 effect and the growing impact of technology and AI, the services sector can play a significant role in enhancing employment in India.

The Supreme Court of India² has accorded right to work the status of a fundamental right under the broader canopy of right to life as livelihood / employment make life possible to live³. India is a signatory to the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights which places emphases the right to work.

For 2017-18 and 2019-20, it was observed that employment generated through the services sector has been double the amount of employment generated by the manufacturing sector.⁴ The latest economic survey tabled by Union Minister for Finance and Corporate Affairs a day before the budget concluded that more than half of the contributions for our GDP is from services sector despite of the current pandemic.⁵ The FDI inflow and exports of services apropos the service sector instead of reducing due to the pandemic, relatively increased.⁶

The value creation by services sector is humongous.⁷ In terms of percentage, the value addition by the manufacturing sector is around 20-30% while that by the services sector is 70-100%.⁸ Not to mention the relatively shorter time needed to set up a services unit in India. It is time that we channelize our focus on services sector to yield favourable results for our economy.

With the advent of automation technologies like artificial intelligence (AI), drones, 3D printing and robots, it is an undeniable fact that that a large chunk of employees in the manufacturing sector will continue to lose their jobs unless they are constantly re-skilled. This current pandemic caused by Covid-19 has led to several employments being limited to virtual mode or work from home. A pertinent point for our policy makers to note is that it is the services sector that can still get accommodated to various virtual means of working or other accommodation. Today is the age of information, knowledge and innovation as well as building solutions. Constitutionally, access to information or right to know have not only been considered a part of our free speech but also right to a dignified life⁹, right to practice trade, occupation and service (especially in present and future times).

In India, we have seen mushrooming of services like massage spas, cabs, delivery, cleaning, e-commerce, housekeeping, tours and travels, insurance, investment, IT, communication, amongst others. By virtue of e-medium, one can easily export several services to countries having strict immigration law or there are regulatory hurdles to exporting manufactured goods. With rise of various OTT platforms, the entertainment industry is blossoming with various services at different levels required. Similarly, like how opening 24/7 news channels in 2000 benefitted Indian media, now even independent online media platforms and sole proprietorship media firms are rising with support of services sector. In tourism, apart from traditional services of guides (human and even electronic), other service providers are also benefitting from large scale tourism.

In Dubai, all major malls have lots of nail-polish, fragrance shops in middle of the malls' aisles to offer their services. The pandemic even mushroomed e-tourism as a standalone sector on its own. While sitting at home, we are now able to tour famous museums of Europe virtually. One can through video conference, take appointments with doctors and physiotherapists and get the medicines and exercise routines. People from remote places in India are now able to avail services of professionals through video conference. Virtual mode of hearings at our writ courts are ensuring timely constitutional justice for litigants as mostly judges at appellate courts adjudicate, on the basis of, written submissions rather than physical cross-examination of witnesses.

Drones will be another major source of mass-employment. Like how delivery persons are mushrooming in present times, there will soon be a need for human operators of drones, since unmanned drones are not permitted. As per estimates by the Ministry of Civil Aviation, the drone industry will be having turnover around \$2 billion by 2026 owing to their mass-wide utility in law, farming, defence, surveillance, policing, parties, deliveries and different other

Research Papers

Taxing Offshore Indirect Transfers in India

February 28, 2025

Unlocking Corporate Philanthropy

February 27, 2025

Digital Health in India

February 26, 2025

Research Articles

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

SIAC 2025 Rules: Key changes & Implications

February 18, 2025

How Cross Border M&A Will Shape

sectors.¹⁰ Industry experts have predicted that the drone industry will be rising by five times in 2022 as compared to 2021, leading to creation of furthermore 1 lakh jobs.¹¹ Recently, for the budget of this year the Finance Minister of India acknowledged that the upcoming decade belongs to the drone industry.¹² In fact, the Telangana government used drones to penetrate remote places for vaccination drive.¹³ They can even be used for faster transportation of medicines, e-commerce goods, road and rail projects and even for infrastructure amongst others.¹⁴

Similarly, with the rise of Internet of Things, there will be a huge scope for employment of people for analyzing big data. New business models will depend on IoT to render services. Corporations are getting investments and are being incentivized to take more active steps against climate change for environmentalism.¹⁵ To boost investment and market, corporates are increasing their budgets to promote their Environmental, Social and Governance (ESG) parameters.¹⁶ Unlike the manufacturing sector, our service sector is less polluting.

The next big thing of the technology world i.e. metaverse will be creating lots of job opportunities in the services sector. As soon as it officially enters the market and households by the dawn of the next decade, the demand for professionals providing services will be up surging gigantically. Service professionals from a wide berth of services and fields like as safety managers, cyber-security experts, storytellers, ad-blockers, researchers, planners, developers, hardware builders, software engineers, game designers, NFT experts and blockchain managers amongst others, will be employed by virtue of metaverse. Many top MNCs like Siemens and Hyundai have already started using metaverse for their mass employment drives.¹⁷ Given the potential it holds through investments of trillions of dollars, there is no doubt about the large-scale employment in service sector metaverse will be generating.

In terms of Diversity, Equality and Inclusion (DEI) initiatives, the services sector is far advanced. For example, unlike the manufacturing sector where female participation is only 12% of the workforce despite employing 27.3 million people,¹⁸ the services sector has 32.33% female workforce¹⁹. Infact, some technology companies have launched a returnship programme, by re-training mothers who took a break for maternity and are wanting to get back to work. Even the problem of patriarchy can be best addressed by a country like India (especially tier-3 towns) through bringing housewives under the services sector.

The proposed new labour codes, which are yet to be made effective may be an ideal opportunity for our government to protect the interests of the services sector and further encourage them to employ and grow their business in India. To that extent, our policy makers should actively consider providing relaxations for the services sector while at the same time taking care of employees' safety, welfare and social security. Some of the leading technology companies have been known to have the best HR policies and programs, and typically feature in the best places to work for rankings. The recent Finance Budget also suggested that the SEZ Act shall be replaced by a new law, which can again include greater focus on promoting the services sector.

With AI, IoT, drones and robots soon becoming mainstream part of the Indian industry, the services sector will continue to grow rapidly. While we must continue to learn from the past, we need to anticipate the future technologies and become a global services superpower through providing large scale employments. In most of the developed countries, almost 95% of their GDP come from the services sector.²⁰ Even 55% of the FDIs invested in India are into services sector.²¹ India's ambition of becoming a hegemonic superpower again might get fulfilled if extensive energy gets devoted to the development of services sector. On a worldwide level, as per an ILO report, services sector has already overtaken agriculture and manufacturing sector 1.5 decades ago to be the largest employer.²²

The Indian policy makers have focused on incentivizing the manufacturing sector through initiatives like Make in India et al. But seldom have they focused on incentivizing the services sector to create job opportunities for Indians despite of the mammoth potential it holds for job creation in India. Incentivizing the corporates to make employment opportunities for Indians through various tax exemptions, relaxed bureaucratic norms and other state interventions can lead to heaving our job sector as facts say the future of employment generation lies in services sector.

CONCLUSION

"We need economic growth, yes, but growth can be jobless, so a sustainable development framework for employment must include a job creation strategy."

- Sharan Burrow

Thus, not only facts and statistics but even pragmatism mandates employment generation being the linchpin of India, our focus should be instantly stowed on services sector. Playing on our historical strength of services sector can relatively yield better results for the job sector instead of blindly immersing in the manufacturing sector. Not only the past but the present and future are also rested in the services sector for job creation. Our policymakers ought to immediately incentivize services sector not only for the betterment of the industry but for nation-building and our national economy as unemployment is the biggest policy problem faced by India. If we rightfully tap into the services sector now, results apropos employment generation through the services sector will speak for themselves.

– Nitish Raj & Nishith Desai

You can direct your queries or comments to the authors

¹ Statesman News Service, Services sector contributed over 50 per cent to India's GDP: Economic Survey The Statesman (2022), <https://www.thestatesman.com/business/services-sector-contributed-50-per-cent-indias-gdp-economic-survey-1503042656.html> (last visited Feb 9, 2022).

² Olga Tellis v. Bombay Municipal Corporation, (1985) 3 SCC 545 (India).

³ State of U.P. v. Charan Singh, (2015) 8 SCC 150 (India).

⁴ Ramesh Chand & Jaspal Singh, A hazy picture on employment in India The Hindu (2022), <https://www.thehindu.com/opinion/op-ed/a-hazy-picture-on-employment-in-india/article38354755.ece> (last visited

Feb 1, 2022).

⁵ Statesman News Service, Services sector contributed over 50 per cent to India's GDP: Economic Survey The Statesman (2022), <https://www.thestatesman.com/business/services-sector-contributed-50-per-cent-indias-gdp-economic-survey-1503042656.html> (last visited Feb 9, 2022).

⁶ Economic Survey: Services sector contributed over 50% to India's GDP, Livemint (2022), <https://www.livemint.com/economy/economic-survey-services-sector-contributed-over-50-to-india-s-gdp-11643622695809.html> (last visited Feb 9, 2022).

⁷ Nishith Desai, INDIA'S SERVICES SECTOR: CHARTING A NEW TRAJECTORY TO MAKE INDIA SELF RELIANT Usibc.com (2020), <https://www.usibc.com/wp-content/uploads/2020/10/Services-in-short-term-Manufacturing-in-Long-Term-Changing-the-focus-resetting-the-lenses1.pdf> (last visited Feb 9, 2022).

⁸ *Id.*

⁹ Reliance Petrochemicals Ltd v. Proprietors of Indian Express, (1989) A.I.R. 190 (India).

¹⁰ Drone industry in India will have turnover of around Rs 15,000 crore by 2026, Scindia says, The Print (2021), <https://theprint.in/economy/drone-industry-in-india-will-have-turnover-of-around-rs-15000-crore-by-2026-scindia-says/734609/> (last visited Feb 17, 2022).

¹¹ Sudeshna Mitra, People Matters - Interstitial Site — People Matters Peoplematters.in (2022), <https://www.peoplematters.in/article/skilling/prospects-of-the-indian-drone-industry-innovation-and-employment-opportunities-32765> (last visited Feb 17, 2022).

¹² Ashwini Phadnis, Drone Shakti: Budget was promising but the sector needs much more Deccan Herald (2022), <https://www.deccanherald.com/opinion/drone-shakti-budget-was-promising-but-the-sector-needs-much-more-1082470.html> (last visited Feb 17, 2022).

¹³ Darshit Singh, In A First, Telangana To Use Drones To Deliver Vaccines To Remote Corners NDTV.com (2021), <https://www.ndtv.com/telangana-news/in-a-first-telangana-to-use-drones-to-deliver-vaccines-to-remote-corners-2535368> (last visited Feb 17, 2022).

¹⁴ Phadnis, *supra* note 12.

¹⁵ Cristina G. NESCU & Laura DINDIRE, *Corporate environmental responsibility – a key determinant of corporate reputation*, 2 Computational Methods in Social Sciences (2014), http://cmss.univnt.ro/wp-content/uploads/vol/split/vol_II_issue_1/CMSS_vol_II_issue_1_art.006.pdf (last visited Feb 3, 2022).

¹⁶ *Id.*

¹⁷ Lucy Handley, Looking for a job? You might get hired via the metaverse, experts say At Work - CNBC (2021), <https://www.cnn.com/2021/11/30/looking-for-a-job-you-might-get-hired-via-the-metaverse-experts-say.html> (last visited Feb 18, 2022).

¹⁸ Express News Service, 'Just 12 per cent women working in manufacturing sector': Research The New Indian Express (2021), <https://www.newindianexpress.com/business/2021/nov/17/just-12-per-cent-women-working-in-manufacturing-sectorresearch-2384595.html> (last visited Feb 9, 2022).

¹⁹ Dr.M. Geeta & Dr.C. Naga Sivanand, *Service Sector - Role Played in Economic Development*, 11 Revista Gestio Inovaçao e Tecnologias 2655-2666 (2021).

²⁰ Special Correspondent, 'Services sector generates more employment than any other sector' The Hindu (2019), <https://www.thehindu.com/news/cities/bangalore/services-sector-generates-more-employment-than-any-other-sector/article30019899.ece> (last visited Feb 10, 2022).

²¹ *Id.*

²² Services sector overtakes farming as world's biggest employer: ILO, The Financial Express (2007), <https://www.financialexpress.com/archive/services-sector-overtakes-farming-as-worlds-biggest-employer-ilo/191279/> (last visited Feb 10, 2022).

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.