

## FUTURE TENSE

**Will we get our act together, or continue to muddle in middle-income mediocrity?**

**S**O LET'S SEE: 2018 IS SUPPOSED to be a good year for India. We have low inflation, the monsoon may be normal, manufacturing is finally picking up, salarymen (and -women) are looking at good pay rises, and a litre of petrol costs as much as it takes per day to keep our poorer compatriots at the poverty line.

The future is neighing at the door, eager to gallop away. But we scurry around in our coops while Br'er Fox sniffs around for his next snack. We tell ourselves we are worried about the impact of automation and artificial intelligence on the global workforce. In the end it will boil down to our unique path of economic development, and the speed at which we absorb and adopt new technologies.

McKinsey Global Institute estimates that India stands to have 56.9 million jobs (or FTEs – full-time equivalents) displaced by automation by 2030. Juxtapose this against India's workforce, estimated at 460 million, which is expanding by about 10 million young people annually.

The challenge is scary for our policymakers. Chief Economic Adviser Arvind Subramanian wrote a rather glum piece in *Financial Times* about the risks of India hitting a 'late converge stall'. Convergence is the process by which poorer countries catch up with their richer counterparts. Late convergers looking to emulate the high export-driven growth of East Asian countries face three challenges: the backlash against globalisation (which could strangle free trade), climate change, and automation.

It has taken us half a century to move from low-income to lower middle class status; we cannot afford to be trapped in middle-class mediocrity when our population hits 1.5 billion in the next couple of decades.

Key to our future prosperity will be whether we can move huge chunks of our workforce from agriculture to the manufacturing or service sectors. Even if you assume that India will create more service jobs, they will require higher skill levels than in repetitive manufacturing jobs. To make matters worse, agricultural

productivity, already low in India, is in danger of falling further due to climate change, and skill levels cannot go up until our schooling system undergoes a radical transformation.

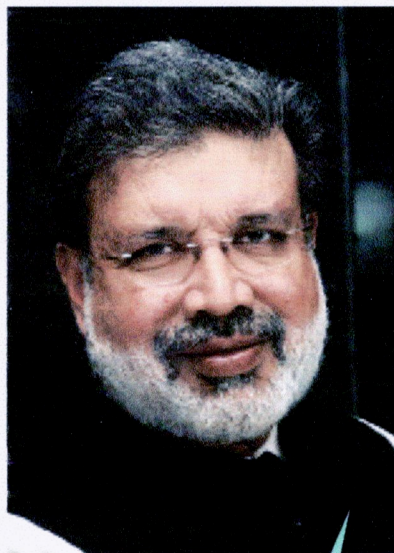
"[Late convergers] face the bleak prospect that the development transition will be about large-scale migration of labour from low productivity agriculture to not-so high productivity services, from rural informality to urban informality. This is a locational change, not a structural transformation," Subramanian wrote in the FT.

The government swears that job creation is its top priority. Indeed, an MGI paper last June said infrastructure investment in roads, railways, rural development, power, telecom, low-cost housing, and 'soft' areas of healthcare and education could create millions of new jobs. At the same time, there are now more jobs in self-employment and micro-entrepreneurship in areas like e-commerce, taxi-hailing platforms like Uber and Ola, and digital financial services.

There is every possibility, though, that our leaders will be beguiled by the dazzle of being the world's fastest-growing economy, and take their feet off the development pedal as we head deeper into

an angry and divisive election year.

We may have deftly flipped our huge population into a demographic USP, but can we look forward to our children's generation luxuriating in greater opportunities, higher incomes and better lifestyles? The answer is not an unequivocal 'yes'. **BW**



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*The author is former Editor, Reuters Asia, Editor-in-Chief of The Hindustan Times and Editor of Business Today*