

INDIA

- Income per capita is growing faster than in most other countries. Labour productivity has been the key driving force. The decline in labour force participation rates, mostly of women, has resulted in a negative contribution of labour utilisation. Overall, gaps in GDP per capita to most advanced OECD countries remain large.
- Absolute poverty has declined steadily but inequality remains high. Adding to large wealth and income inequality, there is a large rural/urban divide in access to key public services.
- Progress has been made on the ease of doing business both at the central government and state levels. Barriers to FDI have been loosened in several sectors. The new bankruptcy law should help shorten insolvency procedures while improving banks' balance sheet and ability to lend. Subsidies aimed at supporting poor households' living standards are gradually made more efficient and better targeted.
- Creating more and better jobs should be a priority to make growth more inclusive. This would require simplifying and modernising labour laws. Access to secondary education should improve while the quality of primary education and training systems should be raised to equip job seekers with relevant qualifications and better match labour demand.
- Better public transport infrastructure would help contain local air pollution which has become a key health concern in cities.

Going for Growth 2017 priorities

Simplify and modernise labour laws to create more and better jobs for all. Growth has created little jobs. Most existing jobs are not covered by labour laws and social insurance. Women participation into the labour market is low and pay differentials are large.

Actions taken: Efforts have been made to simplify administrative procedures since 2014 (e.g. unified portal for some laws and self-certification). Labour inspections have been made more transparent. The Apprenticeship Act reform will increase flexibility of hiring apprentices. Some states have reformed labour laws, including employment protection legislation, to make them less stringent.

Recommendations: Reduce barriers to formal employment further by introducing a simpler and more flexible labour law which does not discriminate by size of enterprise and by gender. Ease provisions requiring government approval to terminate employment contracts.

Reduce administrative and regulatory burdens on company. Despite recent simplification efforts, regulations are complex. Firms often opt to stay below efficient size to avoid them.

Actions taken: The 2016 Bankruptcy Code will facilitate time-bound closure of ailing businesses. The *Start-up India* initiative, launched in 2015, will support firms' creation by providing financial and technical support, as well as tax relief, and by implementing a self-certification scheme for some labour and environmental laws.

Recommendations: Simplify further administrative and regulatory procedures. In particular, impose maximum timelines to regulatory approval processes and implement single-window clearance experiments more widely.

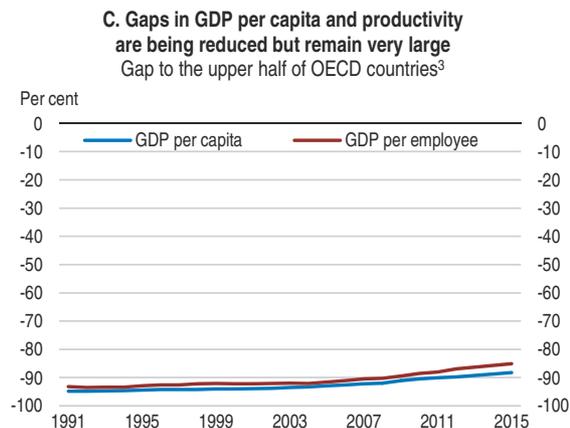
Enhance access to, and quality of, the education system. Participation in secondary education remains low while the quality of primary and secondary education is often poor.

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Growth performance and inequality indicators

A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	6.3	6.0
Labour utilisation ¹	0.6	-1.0
Labour productivity	5.7	7.1

B. Inequality		
	Level	Annual variation (percentage points)
	2011	2009-11
Gini coefficient ² (rural areas)	31.1	0.6
Gini coefficient ² (urban areas)	39.0	-0.2

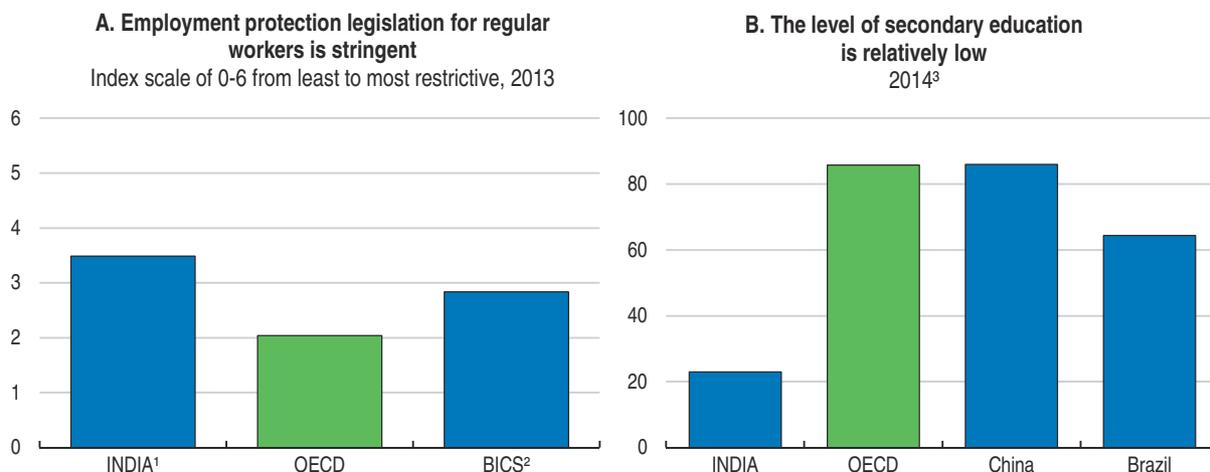


- Labour utilisation is defined as the ratio of total employment over population.
- The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. World Bank sources based on household consumption surveys, which tend to under-estimate the extent of inequality on disposable income.
- Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2010 PPPs).

Source: OECD, National Accounts Database; World Bank, World Development Indicators (WDI) Database and National Sample Survey (various years), annual population estimates of the Registrar General and OECD estimates.

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Policy indicators



- Data refer to 2012 for India.
- Average of Brazil, Indonesia, the People's Republic of China and South Africa.
- For India, data refer to the share of persons aged 19 years-old who have completed upper secondary education. For Brazil, China and OECD, data refer to graduation rate at upper secondary level (first-time graduate).

Source: Panel A: OECD, Employment Protection Legislation Database; Panel B: OECD, Education at a Glance 2016: OECD Indicators; India National Sample Survey.

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Actions taken: New tertiary education institutions are being set up, including in the health care sector and a programme was launched to increase resources and improve teacher training to motivate and engage children in science, mathematics and technology. The Skill India campaign launched in 2015 initiative aims at skilling 500 million people by 2022, in particular the youth with an emphasis on employability and entrepreneur skills. It will also provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths and weavers.

Recommendations: Continue improving access to education, especially at the secondary level, and improve the quality of education. Provide vocational training earlier in the cursus. Expand secondary and higher education for women and skills training for female entrepreneurs.

Undertake wide-ranging financial sector reforms. A sound financial sector is key to support the revival of investment and finance long-term infrastructure projects.

Actions taken: The Reserve Bank of India granted new bank licenses. It performed an Asset Quality Review to recognise asset deterioration and better provision of non-performing loans. Measures to improve financial inclusion have been implemented, in particular the Jan Dhan Yojana programme which aims at providing basic banking accounts with a debit card to every household, so as to provide universal access to banking facilities, boost financial savings and help the government reduce subsidy leakages.

Recommendations: Ease bank portfolio restrictions including by gradually reducing the share of government bonds held by banks and by establishing a plan to phase out priority lending.

Improve infrastructure and ease land acquisition. Poor infrastructure weighs on activity, in particular the manufacturing sector, and reduces households' well-being. The urban/rural divide is pronounced.

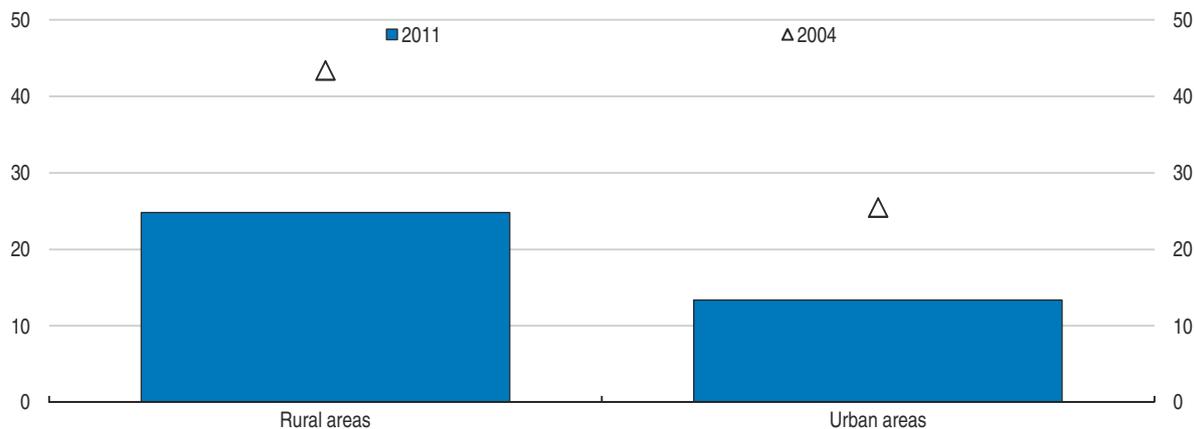
Actions taken: More public funds have been invested in infrastructure, in particular rail and road networks. Restrictions on FDI have been loosened in various sectors (e.g. rail). Ensuring uninterrupted electricity supply for all is an objective for the government. In 2015, the government unveiled a plan (UDAY) to address the financial troubles of power distribution companies by reducing distribution losses through mandatory smart metering, upgrading transformers and meter, and by better allocating coal. The reform of the land acquisition law proposed by the central government is pending at Parliament. Some states have introduced measures to effectively guaranteeing land and property ownership and facilitating land transfer operations.

Recommendations: Time and cost overruns in implementing large infrastructure projects should be reduced further. This will require reforming the land acquisition law and simplifying the regulatory approval process for environmental and other clearances. Clear timelines should be imposed.

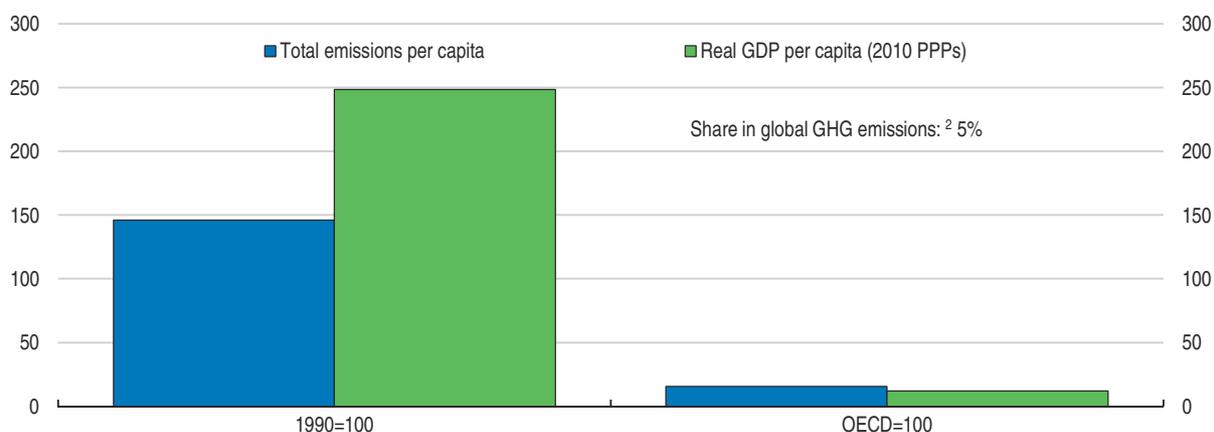
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Beyond GDP per capita: Other policy objectives

A. Absolute poverty has significantly decreased in both urban and rural areas
 Absolute poverty headcount at the USD 1.9 per day line



A. Emissions per capita have risen by less than GDP since 1990
 2010¹



1. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.

2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: World Bank Database; Panel B: OECD, National Accounts and Energy (IEA) Databases, United Nations Framework Convention on Climate Change (UNFCCC) Database.

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