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EDITORIAL ANALYSIS

The Model and the Endowment: Why the Jobs Question Sits Behind the Protests

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INTERVIEW ANGLE

"If global capability centres create jobs but not intellectual property, are they an unambiguous gain for India?"

Every fact web-verified against primary sources

THE LIFT LINE

A country with abundant labour and scarce capital has built an industrial policy that rewards capital intensity. The examination protests are the visible symptom; the mismatch between India's factor endowment and its growth model is the underlying condition.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

This converts a political news story into a **GS3 economy** answer of the kind examiners reward: factor endowments, industrial policy design, the employment elasticity of growth, and the state's retreat from public goods. It also carries a set of **quotable expenditure ratios** that most candidates do not have, which is often the difference between an average and a strong answer.

BACKGROUND AND CONTEXT

The immediate trigger was the agitation at Jantar Mantar over examination integrity, with the educator Sonam Wangchuk on hunger strike from June 28 in support of the students, breaking his fast after assurances conveyed by ministers.

The institutional failure is concrete. **NEET** was introduced in 2016 and the **NTA** registered as an autonomous body in 2018, charged with conducting NEET, CUET and other national entrance examinations. The agency reportedly has a permanent staff of **25**, while testing centres, IT infrastructure, paper distribution and monitoring, including AI-assisted invigilation, are outsourced to private vendors. That combination raises an obvious question: what is the rationale for centralisation if every key responsibility is contracted out?

THE CORE ARGUMENT / ISSUE

The state has been withdrawing from the services that determine employability. The fastest-growing segments of the Indian economy over the past decade tell the story.

SECTOR	ANNUAL GROWTH	CORRESPONDING PUBLIC PROVISION
Private security	10 to 14 per cent	Public security spending around 1 per cent of GDP; police density 150 per 100,000
Private education	11 to 14 per cent	Education budget at 4 per cent of GDP, against the 6 per cent recommended by the National Education Policy
Private healthcare	12 to 15 per cent	Total government health expenditure around 1.5 per cent of GDP

Quality education and health are accessible principally to those who can pay. The commercialisation of essential services has served ordinary Indians poorly, and it shows up downstream in the employability of everyone entering the labour market.

The growth model is misaligned with the endowment. India has a large supply of labour and is short of land and capital. It should therefore be frugal with capital and land and pursue a **labour-intensive growth strategy**. Labour-intensive does not mean low-technology: India's digital public infrastructure is a labour-inclusive success built on advanced systems.

The reforms of the early 1990s were **market-friendly rather than business-friendly**. New industries proliferated, and the small and medium segment expanded to generate **40 per cent of India's exports**. The current emphasis is different: nurturing national champions with global presence, with the **production-linked incentive** scheme favouring capital- and technology-intensive industries whose employment potential is low.

Even the bright spots are qualified. The software industry has been one of the few reliable providers of quality careers, and rapid progress in artificial intelligence now threatens a service industry that has stayed behind the technology curve. **Global capability centres** established by multinationals provide welcome employment, but the intellectual property they generate accrues to foreign entities and is unavailable to India.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Use the **endowment-alignment test**. For any industrial policy instrument, ask: does it economise on the factor India is short of, and employ the factor India has in surplus? A PLI scheme that subsidises capital deployment in a capital-scarce, labour-abundant economy fails the test twice, by bidding up the scarce factor and leaving the abundant one idle.

Then apply the **employment elasticity lens**: growth that adds output without adding jobs converts a demographic dividend into a demographic liability. The protests are what that conversion looks like politically.

THE DIAGRAM IN WORDS

Picture two pyramids facing each other. The **first** is India's factor endowment: a very wide base of labour, a narrow middle of land, a narrow apex of capital. The **second** is the incentive structure: broad support at the apex through capital subsidies and champion-building, thinning towards the base. The two pyramids do not nest; they meet apex to base. Every rupee of policy support delivered at the apex has to travel the whole height of the structure before it reaches the base, and much of it never does.

WAY FORWARD

- **Restore public provision in education and health.** Reaching the NEP's 6 per cent of GDP for education is the single most direct intervention in employability.
- **Rebalance industrial policy towards labour intensity.** Support for MSMEs, which already generate 40 per cent of exports, buys more employment per rupee than champion-building.
- **Insist on domestic IP creation.** Employment in global capability centres is welcome; ownership of what they produce is what converts jobs into capability.
- **Rebuild examination integrity as an economic measure.** A credential system that cannot be trusted destroys the return on every year of schooling behind it.
- **Treat the protests as information.** The temptation to see conspiracy where none exists, or to attach dark labels to young demonstrators, forfeits the diagnostic value of the moment.

PYQ LINKAGE AND PRACTICE

UPSC has repeatedly examined jobless growth, the employment potential of manufacturing versus services, and the role of MSMEs in exports and employment. This editorial supplies current data for each.

Practice question: "India's industrial policy economises on the factor it possesses in abundance and subsidises the factor it lacks." Critically examine with reference to the production-linked incentive scheme and the MSME sector. (250 words)

Interview angle: If global capability centres create jobs but not intellectual property, are they an unambiguous gain for India?

Sources: Business Standard, PIB

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