Eleventh Five Year Plan and Inclusive Growth

A Review

by

Ruddar Datt

Dr. Mookerjee Smruti Nyas

From the Publisher

The National Development Council in December 2007 approved and issued a detailed version of the 11th Five Year Plan (2007-12) indicating what will be the picture of India's economic development in various fields during this period. The well known Economic Expert Shri Ruddar Datt has gone deep into the approach to the plan. According to him, while the Plan envisages a target for greater and rapid economic development of the country yet the plan continues to be investment oriented rather than employment centric. On the contrary, it fails to accomplish the objectives of assured income and employment to the people. It lays greater emphasis on contract farming rather than addressing to the problems of small farmers. This booklet "*ELEVENTH FIVE YEAR PLAN AND INCLUSIVE GROWTH*" based on a

review of the projections in the 11th Five Year Plan by Shri Ruddar Datt highlights these issues.

We are publishing this booklet to provide an opportunity to our esteemed readers to understand the implications and the likely effect of the provisions and projections made in the 11th Five Year Plan.

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Dr. Mookerjee Smruti Nyas

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Eleventh Five Year Plan and Inclusive Growth

The National Development Council in December 2006 approved the Approach to the 11th Plan document titled "*Towards faster and more Inclusive growth*" and directed the Planning Commission to prepare a detailed plan to assess the resources required to meet the broad objective set forth in the Approach Paper. The detailed version of the Eleventh Five Year Plan (2007-12) was approved by the National Development Council in December 2007.

1. ECONOMIC SCENARIO ON THE EVE OF ELEVENTH PLAN

Outlining its vision, the Eleventh Plan noted that 'the economy accelerated in the Tenth Plan period (2002-03 to 2006-07) to a record average of growth of 7.6 percent – the highest in any Plan period so far.' It emphasized the fact that during the last 4 years of the Tenth Plan, average GDP growth was 8.6% making India one of the fastest growing economies in the world. The saving and investment rates have also increased. The industrial sector has responded well to face competition in the global economy. Foreign investors are keen to invest in the Indian economy.

But "a major weakness in the economy is that growth is not perceived as being sufficiently inclusive for many groups, especially SCs, STs and minorities… The lack of inclusiveness is borne out by data on several dimensions of performance."[1]

1. "The percentage of population below the official poverty line has come down from 36% in 1993-94 to 28% in 2004-05. However, not only this is high, the rate of decline in poverty has not accelerated with GDP growth and the incidence of poverty among certain marginalized groups, e.g. the Scheduled Tribes, has hardly declined at all. Because the population has grown, the absolute number of poor people has declined only marginally form 320 million in 1993-94 to 302 million in 2004-05. *This performance is all the more disappointing since the poverty line on which the estimate of the poor is based is the same as in 1973-74, when per capita incomes were much lower."*[2] (emphasis added)

2. Indicators of deprivation suggest that the proportion of population deprived of a minimum level of living is much higher. This is indicated by the following

a. According to National Family Health Survey, 46% of the children in the 0-3 age group suffered from malnutrition in 2005-06, but the more disturbing fact is that there is no decline from the level of 47% reported in 1998.

b. Human Development indicators like literacy, maternal and infant morality rates also show that the progress is slow and India lags behind several other countries in Asia. While literacy rate has gone up to 64.8% in 2001, the number of illiterates still exceeds 304 million, making India the country with the largest number of illiterates. Life expectancy during 2001-06 is 63.9 years for males and 66.9 years for females, is still below 72 years for China. Adverse sex ratio with only 933 women for 1,000 men is another cause for concern. More disturbingly, the child sex ratio (ages 0-6) has declined sharply from 962 in 1981 to 927 in 2001. Infant mortality rates are higher than those of countries in East Asia.

3. Agriculture growth continues to be sluggish and was of the order of 2.1 percent during the 10th Plan, despite a target of 4% growth.

4. Current daily status unemployment rate increased form 7.3% in 1999-00 to 8.3% in 2004-05, despite the higher GDP growth of 7.6% during the 10th Plan. Moreover, the entire increase in employment has taken place in the unorganized sector. A very disturbing feature of the employment situation is: " Permanent employment in the organized sector has decreased, although organized sector firms may be increasing their informal employment."[3] This indicates deterioration in the quality of employment.

2. OBJECTIVES OF THE ELEVENTH PLAN

The Plan envisages a high growth of GDP of the order of 9 percent for the country as whole. This implies that per capita GDP would grow at about 7.5% per year to double in 10 years.

However, the Plan document hastens to add that the target is not just faster growth but also inclusive growth which ensures broad based improvement in the quality of life of the people, especially the poor SCs/STs, OBCs and the minorities.

Vision for the Eleventh Plan

The broad vision of the 11th Plan includes several inter-related components.

1. Rapid growth that reduces poverty and creates employment opportunities;
2. Access to essential services in health and education especially for the poor;
3. Empowerment through education and skill development;
4. Extension of employment opportunities using National Rural Employment Guarantee Programme;
5. Environmental sustainability;
6. Reduction of gender inequality; and

Targets set to achieve the objectives

(i) Income and Poverty

(1) Average GDP growth of 9% per year.
(2) Agricultural GDP growth of 4% per year.
(3) Generation of 58 million employment opportunities;
(4) Reduction unemployment among the educated to less than 5%.
(5) 20% increase in the real wage of unskilled workers.
(6) Reduction in headcount ratio of poverty by 10 percentage points.

(ii) Education

(1) Reduction in drop-out rate among children at the elementary level from 52.2% in 2003-04 to 20% by 2011-12.
(2) Developing minimum standards of attainment in elementary schools, to ensure quality of education.
(3) Increasing literacy rate for persons 0-7 years or more to 85% by 2011-12.
(4) Reducing gender gap in literacy to 10 percent points by 2011-12.
(5) Increasing the percentage of persons going for higher education from 10% to 15% by 2011-12.

(iii) Health

(1) Infant mortality rate (IMR) to be reduced to 28 and maternal mortality rate (MMR) to 1 per 1,000 by 2011-12.
(2) Total fertility rate to be reduced to 2.1 by 2011-12.
(3) Clean drinking water to be made available to all by 2009.
(4) Malnutrition among children of age 0-3 to be

reduced to half its present level.
(5) Anaemia among women and girls to be reduced to half its present level.

(iv) Women and Children

(1) Sex ratio for age group 0-6 to be raised to 935 by 2011-12 and to 950 by 2016-17.
(2) Ensuring that at least 33% of beneficiaries of all government schemes are women and girl children.
(3) Ensuring that all children enjoy a safe childhood, without any compulsion to work.

(v) Infrastructure

(1) To ensure electricity connection to all villages and BPL (Below Poverty Line) Households by 2009 and reliable power by the end of the 11th Plan.
(2) To ensure all, weather road connection to all habitations with population 1000 and above (500 and above for hilly areas) by 2009.
(3) To connect every village by telephone and provide broad band connectivity to all village by 2012.
(4) To provide homestead sites to all by 2012 and step up the pace of housing construction for the poor to cover all the poor by 2016-17.

(vi) Environment

(1) To increase forest and tree cover by 5 percentage points.
(2) To attains WTO standards of air quality in all major cities by 2011-12.
(3) To treat all urban waste water by 2011-12 to clean river waters.

To increase energy efficiency by 20 percentage points. improvement of governance.

3. MACRO ECONOMIC DIMENSIONS OF THE ELEVENTH PLAN

Total Public Sector outlay in the Eleventh Plan (Both Centre and States) is estimated at Rs.36,44,718 crores.

Out of this, the share of the Centre will be Rs.21,56,571 crores (59.2%) and that of the States will be Rs.14,88,147 crores (40.8%). The 11th plan outlay will be 120% higher than the 10th Plan realization. As a proportion of GDP, public sectors outlay of the Eleventh Plan will be an average of 13.54% compared is 9.46% that was achieved in the 10th Plan realization.

Targets of GDP and per capita GDP – the 11th Plan has targeted average GDP growth of the order of 9% for the Plan period 2007-11, which implies increasing gradually from 8.5% in 2007-08 to 10% in 2011-12. Per capita GDP growth will be of the order of 7.6% per year and this would double in 10 years.

Sectoral Growth Rates – Eleventh Plan intends to improve the growth rate of agriculture from 2.13% realized in the 10th Plan to 4%. Industry growth is targeted to be stepped up to 10-11% and service sector growth to 9-11%. The Eleventh Plan aims at double digit growth both in manufacturing and industry. For this, it will be critical to improve the performance of the core sector (steel, coal cement, oil, fertilizers and refined petroleum) to sustain this growth.

Table1: Macro-economic Parameters

	Tenth Plan	Eleventh Plan
1. Investment rate (% of GDP)	32.1	36.7
2. Domestic Saving rate (% of GDP)	30.8	34.8
3. Current account deficit (% of GDP)	1.28	1.88
4. Incremental capital output ratio (ICOR)	4.3	4.1
5. GDP growth rate	7.5	9.0

Figures are based on 2006-07 prices

Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-12),* Vol.1.p.30

Service sector growth has improved impressively during the 9th and the 10th plan. Further improvement to a level of 9-11% with rapid growth in IT related services and in tourism will contribute to this outcome. The expected expansion in health and education should provide additional jobs in teaching, doctors and other medical personnel.

Table 2: Sectoral Growth Rates in Plans

	Agriculture	Industry	Services	Total
Ninth Plan (1997-2001)	2.44	4.29	7.87	5.52
Tenth Plan (2002-2006)	2.13	8.90	9.28	7.59
Eleventh Plan (2007-12)	4.0	10-11	9-11	9.0

Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-12)*, Vol.1.p.30

Public and Private sector Investment

The Eleventh Plan estimates an increase in private sector investment to reach 28.7 percent and public sector investment to 8.0%. This will result in aggregate investment to reach 36.7%.

Table 3: Total Public and Private Sector Investment

	Public Sector	Private Sector	Total
Ninth Plan	7.0	17.3	24.3
Tenth Plan*	6.7	24.1	30.8
Eleventh Plan	8.0	28.7	36.7

Note: Tenth Plan figures pertain to first 4 years i.e. 2002-03 to 2005-06.

Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-12)*, Vol.1.p.30

It may be noted that private sector investment is likely to go up from 24.1% in the Tenth Plan to 28.7% in the Eleventh Plan. However, the public sector investment will improve from 6.7% in the 10th Plan to 8.0% in the 11th Plan. The Plan document mentions: "The rapid increase in private sector investment in aggregate investment is in large part a reflection of the impact of the reforms initiated in the 1990s, which reduced restrictions on private investment and created a more favourable investment climate."[4] As a consequence, the share of private sector investment is expected to improve to 77% in the 11th Plan as against 71% in the 9th Plan. Consequently, the share of the public sector investment will decline to 23% in the 11th Plan as against 29% in the Ninth Plan.

Table 4 reveals that household savings improved from 20.3% of GDP during the Ninth Plan to 22.6% during the Tenth Plan and are likely to be 22.8% during the Eleventh Plan. The Corporate Savings have shown more buoyancy and have risen from 4.1% during the Ninth Plan to 6.0% during the Tenth Plan and are likely to be 8.5% during the Eleventh Plan.

Public Sector savings have two components – savings of Government Administration and savings of Public Sector Undertakings (PSUs). There was marked deterioration in the performance of Departmental savings during the Ninth Plan to the extent of (-) 4.1% as a consequence of the Fifth Pay Commission recommendations which led to a sharp increase in government salaries. Departmental savings marginally improved to (-) 2.9% in the Tenth Plan. Recently, as a consequence of the implementation of Fiscal Responsibility Budget Management Act, the fiscal and revenue deficits have declined. Besides this, there is a sharp increase in tax revenues during the Tenth Plan due to the introduction of moderate and lower tax rates and improvement in tax administration. The situation is likely to improve further during the Eleventh Plan and Government administration savings are likely to turn positive to the extent of 0.5% of GDP, unless the recommendations of the Sixth Pay Commission upset the applecart.

Table 4: Compositions of Savings as % of GDP

	Ninth Plan	Tenth Plan	Eleventh Plan
1. Household Sector	20.3	22.6	2.8
2. Corporate Sector	4.1	6.0	8.5
3. Public Sector (a+b)	-0.8	1.2	4.5
a. Govt. Administration	-4.1	-2.9	0.5
b. Public Sector Undertakings	3.3	4.1	4.0
Total (1+2+3)	**23.6**	**29.9**	**34.8**

Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-12),* Vol.1.p.30

As against Government administration, savings of PSUs have been improving and are likely to be 4.0% GDP during the Eleventh Plan as against 3.3% during the Ninth Plan. This is a very encouraging development.

Total saving in the economy increased from 23.6% of GDP during the Ninth Plan to 29.9% during the Tenth Plan and the Eleventh Plan estimates that they are likely to reach a high level of 34.8% – a very healthy trend. The Eleventh Plan projection is based on the following assumptions:

(a) The recommendations of the Sixth Pay Commission will have only moderate impact on salaries.

(b) Government will moderate some of the subsidies given by it.

(c) The savings of public sector undertakings will continue to maintain the level attained during the Tenth Plan or even improve upon their earlier performance.

(d) Subsidies on oil prices will be controlled by government policy and will not produce adverse impact on the savings of PSUs.

Balance of Payments

During the Tenth Plan, merchandise exports indicated on annual average growth rate of 23.2%. Similarly, merchandise imports increased by 27.8%. It may be noted that net oil imports increased by 26.5% due to the steep hike in the international oil prices. Export of services increased substantially contributing to a positive balance in invisibles which financed a large part of the trade deficit. Current account deficit in 2006-07 was US$ 9.6 billion i.e. 1.1% of GDP.

Exports in the Eleventh Plan are projected to grow at about 20% per year in US dollar terms and the share of exports to GDP will rise from 13.95 in 2006-07 to 22.5% in 2011-12. The imports in the Eleventh Plan are likely to continue at an average rate of 23%. As a consequence, imports as a percentage of GDP will increase from 21% in 2006-07 to 38.5% in 2011-12.

Table 5: Eleventh Plan Projections of Balance of Payments

	2006-07		2011-12		2007-12	
	US$ Billion	% of GDP	US$ Billion	% of GDP	US$ Billion	% of GDP
1. Exports	127.1	13.9	316.2	22.5	1,135	20.0
2. Imports	192.0	21.0	540.5	38.5	1,864	23.0
3. Trade balance (1-2)	-64.9	-7.1	-224.3	-16.0	-729	
4. Net invisibles	55.3	6.1	190.0	13.5	616	28.0
5. Current Account Deficit	-9.6	-1.1	-34.3	-2.4	-113	-1.9*
6. Net capital inflows (3+4)	44.9	4.9	51.9	3.7	206.8	2.9

CARG – Compound Annual Growth Rate
* As a percentage of GDP
Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-12),* Vol.1.p.30

The Eleventh Plan states: The trade deficit is expected to be 16% of GDP… The invisible surplus is projected to be 13.5% GDP in 2011-12 and consequently the current account deficit for the Eleventh Plan period increases from 1.1% in 2006-07 to between 1.9% and 2.4% of GDP in 2011-12. These calculations are based on the assumption that international oil price remains around $80 per barrel. "Financing a deficit of this order should not present a problem given the foreign capital inflows that are taking place and which can be expected to continue, barring an unexpectedly severe and prolonged downside shock to the world economy."[5]

A close perusal of the Eleventh Plan Projections of balance oaf payments reveals that the Planning Commission deliberately understates the current account deficit for period 2007-012 to $ 81.4 billion, when its own data shows a deficit of the order of $ 113 billion. In case, this is accepted current account deficit will of the order of 2.3% of GDP on the average and not 1.90% as indicated in the Plan document.

Although there is a strong need to reduce the import growth rate so as to have a positive trade balance, the Government continues its open door policy on imports. There is a need to bring about a course correction. Secondly, with the appreciation the Rupee, exports may slow down, but imports may be stimulated. This may result in a bigger trade deficit. It is also possible that invisibles surplus may decline due to other competitors in the IT sector, especially China. This may reduce the size of the invisibles surplus to substantially neutralize the trade deficit. This may result in bigger current account deficit. Prudence requires that planners should adopt a more cautious approach..

4. FINANCING THE ELEVENTH PLAN

Table 6 provides us an idea of the Tenth Plan

Realizations and the Eleventh Plan projections of financing. During the Tenth Plan, for the public sector total realizations of Rs. 16,53,865 crores, 73.9 percent were obtained from market borrowings and 34.9 percent were contributed by public sector undertakings. However, balance from current revenues (both Centre and States) were negative to the tune of 9.6 percent of total plan resources.

As against this picture of Tenth Plan realizations, the Eleventh Plan hopes to generate Rs. 10,39,039 crores – 28.5 of the resources from balance from current revenues. The Planning Commission states: "This outcome is the consequence of tighter fiscal discipline imposed by fiscal responsibility framework, both at the Centre and the States and an optimistic revenue outlook driven by buoyancies in revenue collections during the last three years of the Tenth Plan reflects the robust performance of the economy."[6]

The planners are conscious of the fact that this optimism may not be realized because there are certain uncertainties associated with the impact of Sixth Pay Commission recommendations. Equally important is the upward pressure on subsidies, particularly fertilizer and petroleum subsidies. The hike in the international price of petroleum above $80 per barrel is already pushing the petroleum subsidy very sharply. Similarly, fertilizer subsidies are also increasing. There is an urgent need to undertake reform of the subsidies. However, the Central Government is not taking a courageous step to control them, fearing backlash in the impending General Election due in 2009. This may upset the optimistic calculations of the Planning Commission which will force the planners either to cut the size of the Plan or take greater resort to market borrowing.

Table 6: Eleventh Plan Projection of Resources

	Tenth Plan Realizations			Eleventh Plan Projection		
	Centre	State	Total	Centre	State	Total
1. Balance from current Revenues	-1,27,166	-31,722	-1,58,888	6,53,989	3,85,050	10,39,039
	(-13.5)	(-4.5)	(-9.6)	(30.3)	(25.9)	(28.5)
2. Borrowings including MCRs.	8,50,382	3,71,779	12,22,161	7,67,722	6,49,423	14,17,145
	(89.9)	(52.5)	(73.9)	(35.6)	(43.6)	(38.9)
3. Net inflow from abroad	16,121	-	16,121	-	-	-
	(1.7)		(1.0)			
4. Gross Budgetary Support (1+2+3)	73,937	3,40,057	10,79,394	14,21,711	10,34,473	24,56,184
	(78.2)	(48.0)	(65.3)	(65.9)	(69.5)	(67.4)
5. Central Assistance to States & UTs.	-2,52,539	+2,48,677	-3,862	-3,24,851	+3,24,851	-
	(26.7)	(35.2)	(-0.2)	(15.1)	(21.8)	
6. Net budgetary support (4+5)	4,86,798	5,88,734	10,75,532	10,96,860	13,59,324	24,56,184
	(51.5)	(83.2)	(65.1)	(50.8)	(91.3)	(67.4)
7. Resources of Public sector undertakings	4,58,530	1,19,003	5,77,533	10,59,710	1,28,824	11,88,534
	(48.5)	(16.8)	(34.9)	(49.2)	(8.7)	(32.6)
8. Total Resources for Public Sector (6+7)	9,45,328	7,07,737	16,53,865	21,56,571	14,88,147	36,44,718
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note: MCR means miscellaneous capital receipts.
Figures in brackets indicate the relative share of Centre, States in the Public Sector Plan.
Source: Compiled and computed from *Eleventh Five Year Plan* (2007-12), Vol.1.

Resources of surplus from public sector undertakings are continuing their forward march and

all likely to finance 32.6% – or nearly one-third of the total public sector plan. But subsidies provided to petroleum products may reduce resources generation by public sector oil companies – a major source of resource generation. Actual realization from PSUs will be affected by two factors: (a) international price of oil, and (b) the policy of the Central government on petroleum subsidies. If the realization from PSUs decline in the Eleventh Plan, the country may witness a higher dose of market borrowing to finance the Plan.

It is, therefore, difficult to agree with the rosy picture presented by the Planning Commission about the financial pattern of the Eleventh Plan. A similar optimistic outlook was presented at the time of the formulation of the Tenth Plan, but its financial pattern went haywire. In the absence of bold policies in view of the problems of coalition government, actual realizations in the Eleventh Plan may vary sharply from projected figures on various components.

5. SECTORAL ALLOCATION OF RESOURCES

A comparison of the sectoral allocation of the 10th and the 11th Plan is given in table 7. It may be observed that as compared to Tenth Plan realizations of Rs. 16,18,460 crores in the aggregate, Eleventh Plan proposes an overlay of Rs. 36,44,718 crores – an increase by 125 percent. In this sense, the Eleventh Plan is bold and more ambitious. It is, therefore, natural to expect large absolute increases in all the sectors.

However, it would be more desirable to see whether the resource allocation pattern marks a big shift from that of the Tenth Plan. For this purpose, percentage of total plan outlay for each sector are indicated in Table 7. From the presentation of comparative figures of Tenth and Eleventh Plan, it may be observed that the share of agriculture and irrigation which was 20.2% in the Tenth Plan has been reduced to 18.5% in the Eleventh Plan. A major upward shift in the proportion of allocation is observed in social services i.e. from 27 percent in the Tenth Plan to 30.3 percent in the Eleventh Plan. There is also a big decline in the proportion of allocation to communications – from 5.1% in the Tenth Plan to 2.6% in the Eleventh Plan – nearly by 50 percent. Since the private sector has been growing strong in the development of communications, this reduction appears to be justified. As the Eleventh Plan intends to undertake human development on a big scale, education and health allocations are proposed to be stepped up. This is consistent with its strategy of inclusive growth.

Energy imposes a constraint on development and the Eleventh Plan commitment of 23.4% to the energy sector is eminently justified.

Table 7: Sectoral allocations during 10th and 11th Plan

	10th Plan Realizations (2002-07)		11th Plan Projections (2007-12)	
	Rs. crores	**%**	**Rs. crores**	**%**
1. Agriculture and allied activities	60,702	(3.8)	1,36,381	(3.7)
2. Rural Development	1,37,710	(8.5)	3,01,069	(8.3)
3. Special area programmes	16,423	(1.0)	26,329	(0.7)
4. Irrigation & flood control	1,12,415	(6.9)	2,10,326	(5.8)
Total Agriculture (1 to 4)	**3,27,250**	**(20.2)**	**6,74,105**	**(18.5)**
5. Energy	3,63,635	(22.4)	8,54,123	(23.4)
6. Industry & Minerals	64,655	(4.0)	1,53,600	(4.2)
7. Transport	2,63,934	(16.3)	5,72,413	(15.7)
8. Communications	82,945	(5.1)	95,380	(2.6)
9. Science, Technology & Environment	28,673	(1.8)	8,7933	(2.4)
10. General Economic Services	30,349	(1.9)	62,523	(1.7)
11. Social services*	4,36,529	(27.0)	11,02,327	(30.9)
12. General Services	20,489	(1.3)	42,283	(1.2)
Total	**16,18,460**	**(100.0)**	**36,44,718**	**(100.0)**

* Social Services include education, medical and public health, water supply & sanitation, housing and urban development etc.
Source: Compiled and computed from Planning Commission (2007),
Eleventh Five Year Plan (2007-12).

The most disappointing aspect of the resource pattern of the Eleventh Plan is its reduced priority in terms of resource allocation to agriculture. Within the agricultural sector, slashing down the provision for irrigation to 5.8% against the Tenth Plan allocation of 6.9% is also uncalled for, because it is held by the economists that extension of irrigation is the basic necessity to achieve the target of 4% growth in agriculture.

Allocation for Social Services

Eleventh Plan intends to incur an outlay of Rs. 11,02,327 crores (30.3%) of the total plan outlay on social services. The share of education is being stepped up to Rs. 3,47,338 crores (9.5% of plan outlay), followed by Medical & public health, nearly Rs. 1,75,000 crores (5% of total) and urban development Rs. 1,54,000 crores (4.2% of total). A big programme for the provision of drinking water supply and sanitation involving Rs. 1,28,272 crores has been undertaken, so as to provide drinking water to all habitations.

Table 8: Social Services in the Eleventh Plan

	Centre	States and UTs	Total	%
Social Services	**5,78,864**	**5,23,463**	**11,02,327**	**30.3**
1. Education	2,38,608	1,08,730	3,47,338	9.5
2. Medical & Public Health	1,20,879	53,897	1,74,776	5.0
3. Water supply & sanitation	41,825	86,447	1,28,272	3.5
4. Housing	--	26,007	26,007	0.7
5. Urban Development	68,532	85,530	1,54,062	4.2
6. Other social services	1,09,020	1,62,852	2,71,872	7.5
Total Plan Outlay	**21,56,571**	**14,88,147**	**36,44,718**	**100.0**

Source: Compiled from the data provided for Central Ministries and States and

UT plans in the *Eleventh Five Year Plan* (2007-12)

6. Infrastructure Development

Good quality infrastructure is most critical physical requirement for attaining faster economic growth in a competitive world and also for ensuring investment in backwards regions. The total investment needed for infrastructure defined to include electric power, roads, railways, airports, telecommunications, irrigation, drinking water, sanitation, storage and warehousing will have to increase from about 5% of GDP in 2006-07 to 9% of GDP in 2011-12. Since public private partnership is being promoted, the share of the private sector is expected to rise to about 25%. Obviously public sector has to play a leading role in infrastructure.

Table 9: Investment in Infrastructure

	(Percentage of GDP)	
	2006-07	**2011-12**
Public Sector (Center+States)	4.11 (82.2)	6.78 (75.3)
Private Sector	0.89 (17.8)	2.22 (24.7)
Total	5.00 (100.0)	9.00 (100.0)

Source: Planning Commission, *Eleventh Five Year Plan* (2007), Vol.1.

Power Development

The performance of the Tenth Plan in power development was disappointing. As against a target addition of 41,110 Mega Watt (MW), only 21,080 MW were commissioned (i.e. 51%), out of which 18,000 MW were actually made fully operational.

The Eleventh Five Year Plan targets a capacity addition of 92,577 MW, out of which the share of hydro power will be 16,553 MW(17.9%), thermal power 58,644 MW (63.3%), Nuclear power 3,380 (3.7%) and wind & renewable energy sources 14,000 MW (15.1%). Obviously, the Eleventh Plan programme of power generation is a much bolder attempt, if the government is able is execute it within the timeframe of 5 years.

Table 9: Additional Power Generation Capacity During the 11th Plan (2007-12)

	Megawatt	%
Hydro	16,553	17.9
Thermal	58,644	63.3
Nuclear	380	3.7
Wind and Renewable energy sources	14,000	15.1
Total	**92,577**	**100.0**

Source: Planning Commission, *Eleventh Five Year Plan* (2007), Vol.III.

IT Sector

Eleventh Plan targets to reach a subscriber base of 600 million and a rural teledensity of 25%. The IT Sector at present employs over 5 million people and is expected to provide employment to over 18 million by 2012.

Petroleum and Natural Gas Production

Eleventh Plan proposes an outlay of Rs. 2,13,515 crores on petroleum and natural gas production. This is likely to produce 207 million tonnes of crude oil during 2007-12 and 266 bcm of natural gas production.

Roads

An expanded National Highway Development Programme involving Rs. 2,27,258 crores is contemplated in the Eleventh Plan. Besides Highway Development, the plan intends to ensure all-weather roads connection to all habitations with population 1000 and above (500 and above in hilly and tribal areas) by 2009.

7. EMPLOYMENT PERSPECTIVE IN THE ELEVENTH PLAN

Eleventh Plan rightly states: "Generation of productive and gainful employment, with decent working conditions, on a sufficient scale to absorb our growing labour force form a critical element in the strategy for achieving inclusive growth."[7]

Weaknesses of past experience

"The basic weakness in our employment performance is the failure of the Indian economy to create a sufficient volume of additional high quality employment to absorb new entrants into the labour force while also facilitating the absorption of surplus labour that currently exists in the agricultural sector into higher wage non-agricultural employment."

The following major weaknesses were noticed in the Eleventh Plan:

- The rate of unemployment has increased from 6.1% in 1993-94 to 7.3% in 1999-00 and further to 8.3% in 2004-05.
- Unemployment among agricultural labour households has risen from 9.5% in 1993-94 to 15.3% in 2004-05.
- While non-agricultural employment expanded a robust rate of 4.7% during the period 1999-00 to 2004-05, this growth was largely in the unorganized sector.
- Despite fairly healthy GDP growth, employment in the organized sector actually declined, leading to frustration among the educated youth.
- Although real wages of casual labour in agricul-

ture continue to rise during 2000-2005, growth has decelerated strongly as compared to 1994-2000 which reflects poor performance in agriculture.

- Growth of real wage rates in non-agricultural employment during 1999-00 to 2004-05 has been negligible.
- Real wages stagnated or declined even for workers in the organized industry although managerial and technical staff did secure large increase.
- Wage share in the organized sector has halved after 1980s and is now among the lowest in the world.

During the Tenth Plan, as against a target of 50 million employment opportunities, 47 million employment opportunities were created which indicates that the employment target was more or less achieved. Moreover, employment growth rate improved from 1.25% during 1993-94 to 1999-00 to 2.62% during 1999-00 to 2004-05. The annual increase in employment rose form 4 million per annum to 9.3 million per annum during 1999-00 to 2004-05.

Table 10: Employment scenario during 1993-94 to 2004-05

All India	1993-94	1999-00	2004-05	Current daily status: Growth rate during 1993-94 to 1999-00	1999-00 to 2004-05
	(Million Persons)				
1. Population	893.4	1005.0	1092.8	1.98	1.69
2. Labour	334.2	364.9	419.6	1.47	2.84
3. Workforce	313.9	338.2	384.9	1.25	2.62
4. No. of employed (2-3)	20.3	26.7	34.7	4.69	5.40
5. Unemployment rate (%) (4/2*100)	6.1	7.3	8.3		

Source: Planning Commission (2007), *Eleventh Five Year Plan*, Vol.1., p.71

Share of Employment in different sectors reveals the share agricultural employment declined from 61.0% in 1993-94 to 52.1% in 2004. The share of industry improved from 15.9% in 1993-94 to 19.5% in 2004-05. Services indicated the sharpest increase from 23.1% in 1993-94 to 28.4% in 2004-05.

Table 11: Sector wise share of employment by current daily status

	1993-94	1999-00	2004-05
(1) Agriculture	**61.0**	**56.6**	**52.1**
(a) Mining & Quarrying	0.8	0.7	0.6
(b) Manufacturing	11.1	12.1	12.9
(c) Electricity, water etc.	0.4	0.3	0.4
(d) Construction	3.6	4.5	5.6
(2) Industry (a+b+c+d)	**15.9**	**17.6**	**19.5**
(e) Trade, hotel & Restaurant	8.3	11.2	12.6
(f) Transport, storage & Comm.	3.2	4.1	4.6
(g) Finance, insurance, real estate & business services	1.1	1.4	2.0
(h) Community, social & personal services	10.5	9.1	9.2
(3) Services (e+f+g+h)	**23.1**	**25.8**	**28.4**
Total	**100.0**	**100.0**	**100.0**

Source: Compiled from Planning Commission (2007), *Eleventh Five Year Plan*, Vol.1., p.71

Employment Projections for the Eleventh and Twelfth Plans

The Approach Paper of the Eleventh Plan had projected an addition to labour force of 52 million in the Plan period. However, the projections of labour force growth have been revised in view of the latest population projections made by the National Commission on Population and work done by the Eleventh Plan Working Group on Labour Force and Employment Projections. The projected increase in labour force during the Eleventh Plan is now estimated as 45 million.

Since the backlog of unemployed in 2006-07 were reckoned as 36.7 million, the total requirement of employment opportunities works out to be about 82 million.

Table 12: Population, Labour Force and Employment Projection

Million

		2004-05	2006-07	2011-12	2016-17
(a)	Population	1,092.8	1,128.1	1,208.0	1,283.2
(b)	Labour Force	419.6	438.9	483.6	524.0
(c)	Employment opportunities	384.9	402.2	460.3	518.2
(d)	Unemployed	34.7	36.7	23.3	5.8
(e)	Unemployment Rate (%)	8.28	8.36	4.83	1.12

Source: Planning Commission (2007), *Eleventh Five Year Plan*, Vol.1., p.71

Table 13: Projected Growth of Population, Labour Force and Employment

	2004-05 to 2006-07	2006-07 to 2011-12	2011-12 to 2016-17
Growth rate in population	1.43	1.37	1.22
Growth rate in labour force	2.02	1.96	1.62
Growth rate in employment	1.98	2.73	2.42
Additions to labour force (million)	19.3	44.7	40.4
Additions to employment opp. (million)	17.3	58.1	57.9
Average additions to employment per year (million)	8.6	11.6	11.6

Source: Planning Commission (2007), *Eleventh Five Year Plan*, Vol.1., p.71

With the generation of additional employment opportunities of the order of 58 million in the Eleventh Plan, the backlog of unemployed at the end of the Eleventh Plan will be of the order of 23-24 million. Consequently, the rate of unemployment will decline from 8.36% in 2006-07 to 4.83% in 2011-12. Similarly, another 58 million employment opportunities will be created in the Twelfth Plan and as a consequence, the backlog unemployed will get further reduced to merely 6 million. The rate of unemployment will fall still further to 1.12% in 2016-17. If the projections and the actual realizations are achieved as per schedule, India will attain a state of full employment by 2016-17. But the Planning Commission is itself not sure of its labour force projections and employment generation capacity of the economy. To safeguard itself, it mentions:

"There are important qualifications to these projections which must be kept in mind, arising from the limitation of employment elasticity as a projection tool. The concept of employment elasticity is at best a mechanical device to project employment on the basis of projected growth of output and past relationships between employment and output. These relationships can change as a result of changing technology and change in real wages. The labour force participation rate is also subject to changes especially because of possible changes in female participation rates in urban areas associated with advances in women's education. For all these reasons, the projected decrease in unemployment rate must be treated with caution."[8]

Table 13 presents data about additional employment opportunities created in agriculture during the Tenth Plan, the Eleventh Plan contemplates zero additional employment. To assume zero employment elasticity in agriculture when the rate of GDP growth in agriculture is sought to be stepped up from 2% to 4%, is to say the least, preposterous. This is more so when the Eleventh Plan itself recommends encouragement to employment generating sectors in the economy. If 8.84 million employment opportunities could be generated in the Tenth Plan in agriculture, it pass one's comprehension why the same order of employment opportunities, if not more, be generated during the Eleventh Plan, moreso when its growth rate is to be doubled. Agriculturally backward states like Bihar, Orissa, Chhatisgarh, Rajasthan and Uttar Pradesh can certainly create more employment opportunities via extension of irrigation and watershed development. The major sources of employment generation in the Eleventh Plan are trade, hotels and restaurants (17.4 million) manufacturing (11.94 million), construction (11.92 million) and transport, storage and communications (9 million). If the target of additional employment in agriculture had been kept at the same level as in the Tenth Plan i.e. 8.8 million, the employment generation in the Eleventh Plan would have reached the level contemplated by the Approach Paper (65 million). It appears that the Planning Commission intends to develop agriculture via contract farming and treating the corporate sector as the main source of agricultural growth. If that is so, it goes against the philosophy of inclusive growth.

It would be worthwhile to compare this optimism moderated with a certain degree of caution along with the observations made in the Approach to the Eleventh Five Year Plan (December 2006): "On the supply side, the labour force will increase by about 52 million during the 11th Plan if it grows at the same rate as current projections of working age population. The increase could be much higher, around 65 million if female participation rises at the pace observed during 1999-2005. Since the increase will be over and above the

present backlog of 35 million unemployed on a typical day, and since inclusiveness requires a shift from agriculture to non-agriculture, we must plan for at least 65 million additional non-agricultural opportunities in the 11th Plan."[9]

The basic message of the Approach Paper was that total employment requirement would be 100 million in the 11th Plan (65 million new entrants plus 35 million backlog). In case, 65 million new employment opportunities are created during the 11th Plan, then the same backlog of unemployment (35 million) will be left at the end of the 11th Plan.

Table 14: Sectorwise Generation of Additional Employment

	Additional Employment (Million)	
	Tenth Plan Achievement (2000-05)	**Projected for Eleventh Plan (2007-12)**
Agriculture	8.84	0.00
Mining and Quarrying	0.17	0.00
Manufacturing	8.64	11.94
Electricity, water etc.	0.18	0.02
Construction	6.44	11.92
Trade, Hotels & restaurant	10.70	17.40
Transport, storage & communication	4.04	9.02
Finance, insurance, real estate & business services	3.12	3.43
Community, social & personal services	4.59	4.34
Total	**46.71**	**58.07**

Source: Planning Commission (2007), *Eleventh Five Year Plan (2007-2012)*

The Planning Commission has now reduced the estimate of new entrants to the labour force from 65 million to 45 million – a drastic reduction by 20 million in the estimate of the labour force. Even when the

Planning Commission has now estimated the target of additional employment to a lower level of 58 million opportunities, it has been able to bring the backlog of unemployed at the end of the 11th Plan to 23-24 million and bring about a reduction in the rate of unemployment from 8.36% in 2006-07 to 4.83% in 2011-12. What else is this but statistically jugglery!!

Another issue which has evaded the Planning Commission is: What strategy should be adopted to increase the wage share in organized sector when it has itself admitted that "it has halved after the 1980's and is now among the lowest in the world." Similarly real wages stagnated or declined even for workers in organized industry, although managerial and technical staff did secure large increase. Since inclusive growth implies that the growth process should benefit the low paid workers and provide decent work, what we observe is that growth process in industry and even in services, is helping only managerial and technical staff securing large increase in their emoluments, but the workers are left high and dry. The Planning Commission has elaborated the social security measures being introduced by the Government, but they help only marginally on account of the large labour force in the country.

The fact of the matter is that profits of enterprises in the organized sector are rising fast, and wage share is declining. The Planning Commission has not applied its mind to generate a process by which wage share in organized sector should improve. Failure to do this will mean 'growth for the few' or 'exclusive growth' and not 'inclusive growth' which is the central theme of the Eleventh Plan. Since the entire additional employment is to be generated by the unorganized sector, then to treat the corporate sector as the engine of growth is meaningless. The country should concentrate its attention towards the unorganized sector as suggested by the National Commission for Enterprises in the Unorganized Sector (2007) headed by Dr. Arjun Sengupta.

Moreover, the Planners themselves admit, "Permanent employment has decreased, although organized sector firms may be increasing their informal employment." The fact of the matter is that even without any change in chapter VB of the Industrial Disputes Act, organized sector firms have succeeded in increasing the share of informal employment to about 23 percent, which is a tacit admission of the fact that the labour laws are observed more in their breach than in compliance, but the Planning Commission is not tired of in recommending amendment of labour laws to enlarge and improve employment. But as facts stare us in face, in a labour surplus economy, the tendency to employ contract labour or casual employment is intended to enhance profits at the cost of cutting wage share in value added. This is what has happened during the last decade. Inclusive growth requires an improvement in the share of permanent jobs in the economy and increase in wage share, but what we witness and what is proposed to strengthened, is precisely the opposite.

8. Poverty Reduction

In 2004-05, the proportion of the poor was 27.5% – 28.3% for rural areas and 25.7% for urban areas. The total number of poor in 2004-05 was 301.7 million, lower than 321.3 million in 1979-74 by about 19.6 million during the long span of 31 year which cannot be described as a very creditable achievement. Sixty years after independence, more than a quarter of population continue to be poor.

The Planning Commission further states: "There is growing consensus that the poverty line (Rs. 356

monthly per capita consumption for rural areas and Rs. 458 for urban areas in 2004-05) in India is much too low, and continues to be based on consumption basket. If the poverty line was higher, the share of the population below the poverty line would be accordingly higher."[10]

To reconsider and revise the poverty lines, the Planning Commission has constituted an Expert Group whose recommendations, hopefully, would provide acceptable measures of both poverty reduction and the population below the poverty line.

Since poverty is a multidimensional problem, it requires a multi-pronged strategy to tackle it.

Firstly, regions which have large number of poor people include tribal forested regions and rainfed agricultural regions. In these regions, watershed development has to be the crucial instrument for poverty reduction.

Secondly, the poor are concentrated in certain states or regions where land-man ratio is the lowest. In these regions, effective land reforms and provision of agricultural services need special emphasis.

Thirdly, there is a large dependence on casual labour. These workers get low wages and are unable to find employment throughout the year. Most of them belong to SC and STs. A programme like the National Rural Employment Guarantee Programme can provide better wages and enhance the number of working days for this category.

Fourthly, the poor have to be enabled to increase their incomes by diversifying away from agriculture to non-farm work as a source of subsidiary income.

Fifthly, education and skill development among the poor should be enhanced so that they can seek employment in emerging sectors like information technology,

and other occupations requiring better skills.

Last but not the least, the structure of production has to be employment generating, especially in non-agricultural occupations. In other words, the Eleventh Plan recommends a three-legged strategy – economic growth, income- poverty reduction through programmes like NREGA and Swaran Jayanti Rozgar Yojana (SJRY) and human capital formation with the help of education and skill development.

The Eleventh Plan has only made a general observation that it intends to reduce poverty by 10 percentage points which implies a reduction from 28 percent to 18 percent. But since it has started the process of revision of poverty line, it has to revise its whole programme of poverty reduction when now norms and findings become available.

9. REGIONAL DISPARITIES IN GROWTH RATES

During the Tenth Plan, All-India GDP growth average was 7.6%. States which showed better performance were Jharkhand, Gujarat, Orissa, Chhatisgarh, Maharashtra, Goa, Uttaranchal, Nagaland and Tripura. Laggards which showed less than 6% GDP growth included Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh, Punjab, Meghalaya, Arunachal Pradesh and Jammu & Kashmir. Remaining states which indicated growth rates between 6% and 7.6% were Karnataka, Andhra Pradesh, Kerala, West Bengal, Tamil Nadu and Assam.

It may be noted that the laggards (below 6% GDP growth) accounted for nearly 45 percent of the total population of India. Consequently, efforts have to be made to strengthen GDP growth rates in these states so that they reach higher levels between 7-8% at last.

Table 15: State-wise growth targets for Eleventh Plan

	Achievement Tenth Plan	Target Eleventh Plan
Jharkhand	11.1	9.8
Gujarat	10.6	11.2
Chhatisgarh	9.2	8.6
Orissa	9.1	8.8
Maharashtra	7.9	9.1
Goa	7.8	12.1
Haryana	7.6	11.0
All India	**7.6**	**9.0**
Kerala	7.2	9.5
Karnataka	7.0	11.2
Andhra Pradesh	6.7	9.5
Tamil Nadu	6.6	8.5
West Bengal	6.1	9.1
Rajasthan	5.0	7.4
Bihar	4.7	7.6
Uttar Pradesh	4.6	6.5
Punjab	4.5	5.9
Madhya Pradesh	4.3	6.7
Special Category States		
Manipur	11.6	5.9
Uttaranchal	8.8	9.7
Tripura	8.7	6.9
Nagaland	8.3	9.3
Sikkim	7.7	6.7
Himachal Pradesh	7.3	9.5
Assam	6.1	6.5
Mizoram	5.9	7.1
Arunachal Pradesh	5.8	6.4
Meghalaya	5.6	7.3
Jammu & Kashmir	5.2	6.4

Note: States have been arranged in the descending order on the basis of GDP growth achieved in the 10th Plan.
Source: Planning Commission (2007), *Eleventh Five Year Plan* (2007-2012), Vol.I

Eleventh Plan has fixed targets of GDP growth in

consultation with the State Governments. It may be noted that whereas All-India growth rate is targeted at 9% for the Eleventh Plan, Bihar, Rajasthan, Madhya Pradesh, Uttar Pradesh and Punjab are likely to remain below the 7.5% GDP growth level. The planning process has to concentrate attention to stimulate growth among the laggards.

Many states of the North Eastern Region viz., Meghalaya, Mizoram, Assam and Sikkim have indicated low growth rates. Planning process is helping them by a special package which will be continued in the Eleventh Plan.

10. CRITIQUE OF THE ELEVENTH PLAN

The 11th Plan visualizes "*Faster and more inclusive growth*" as its objective. This, by itself is a welcome development that after a period of a decade and half of reforms initiated in 1991, it is being realized that the reform process has widened disparities between the rich and the poor, it has slowed down reduction of poverty to a modest figure of 0.74 percent for a period 1993-94 and 2004-05, it has resulted in a rise of unemployment from about 6 percent in 1993-94 to 7.32 percent in 1999-00 and further to 8.3 percent in 2004-05. Besides, it has sharpened the rural-urban divide as well as the regional divide between the fast growing forward states and slow growing backward states. The iniquitous growth that the reform process had generated was shaking he political foundation of the Indian society and there was a need for a course correction. Failure to do this would pose a serious threat to the UPA Government which rode to power on the plank of helping *Aam Admi* (Common Man).

The question arises: Does the Eleventh Plan really address the concerns which it has chosen to redress?

Eleventh Plan has fixed a target of pushing up overall GDP growth to an average rate of 9.0 percent, this will be achieved by boosting growth of agriculture to about 4 percent after a disappointing growth of 2.1 percent during the 10th Plan, and by pushing up growth of industry to 10-11 percent and services to 9-11 percent. It would be good to recall that industry indicated a growth rate of 8.3 percent and services to 9.0 percent during the 10th Plan. Obviously, in industry and services, the 11th Plan intends to improve growth rates only marginally, it is only by doubling growth rate in agriculture that its target of 9 percent growth is likely to be achieved. This implies that the success of the 11th Plan will be determined by the success in achieving growth target in agriculture, moreso, when agriculture still continues to provide livelihood to 58 percent of our population. To that extent, the strategy indicates that the concept of 'inclusive growth' is a part of Eleventh Plan framework.

Reduction of Poverty – The basic issue

But inclusive growth would become a reality only if there is a rapid decline in poverty coupled with rapid reduction of unemployment in the 11th Plan.

On the question of setting a target of poverty reduction, the Eleventh Plan mentions: "The Plan document has admitted that the percentage of poverty in 2004-05 is about 28 percent and thus, the 11th Plan intends to reduce it by 10 percentage points by 2017. This would imply a rate of reduction of poverty by about 1 percent during 2004-05 and 2016-17. This is even less than the decline in poverty observed during 1973-74 and 1986-87 when the average growth rate of GDP ranged around 5 percent."

There is another problem raised by Mohan Guruswamy et. al. about the definition of poverty line.

"While the definition of hunger in terms of calories can remain constant, the definition of poverty is relative to the present levels of general prosperity…the present official poverty line is based only on calories and hence accounts for little else but the satiation of one's hunger. **It would have been more accurate to define this as a starvation line, as that is exactly what it is.**"[11] (Emphasis added). The Planning Commission, thus, intends to reduce starvation line up to 10 percent by 2017. For providing a basic minimum, poverty line needs to be redefined in terms of basic needs approach. While India is aiming to become a super-economic power by 2020, it will only reduce starvation by the date. In the light of this, India should adopt the International Poverty Line of $2 per day as the basis of determining the percentage of people in poverty. As per the Human Development Report (2007/2008), on the basis of $1 per day, for the year 1999-00, people below the poverty line in India were of the order of 34.3% and if we use the norm of $2 per day, then 80 percent of the Indian population was below the poverty line. The present poverty line on the basis of calories does not even meet the rock bottom standard of poverty set at $1 per day, not to speak of reaching the standard of $2 per day basis on basic needs approach. The Planning Commission should, therefore, upgrade the poverty line to reach international standards as it intends to do in other sectors of manufacturing, services and yield of output in agriculture. It should not seek a false sense of satisfaction that it has been able to effectively reduce poverty. It is heartening to note that the Planning Commission has appointed an expert group to revise the poverty line.

Reduction of Unemployment

The Planning by reducing the estimate of new entrants to the labour force to 45 million instead of 65 million as indicated by the Approach paper and with a backlog of 35 million unemployed has reduced the total requirement of employment opportunities to 80 million. By providing the target of 58 million employment opportunities, the rate of unemployment has been reduced from 8.36% in 2006-07 to 4.83% in 2011-12. The Planning Commission is itself not sure of the projection of 45 million new entrants and to save itself from criticism, it has stated a number of qualifications. The whole approach to reduce the rate of unemployment so sharply in a span of 5 years is nothing but statistical jugglery.

Issue of Labour Flexibility

Shorn of its frills to pay homage to inclusive growth, the 11th Plan is a new avatar of the Report of the Task Force on Employment Opportunities headed by Dr. Ahluwalia in 2001. It mentions,"It must be emphasized that labour flexibility does not mean"hire and fire". There are many aspects of labour laws where greater flexibility is needed and would be in the interest of labour as a whole in the sense that it would actually generate large volumes of employment in the organized sector by encouraging employers to expand employment. This flexibility is especially needed if we want to exploit the enormous opportunities offered by export markets…we should evolve a consensus on the scope of reforming key labour laws including especially the industrial Disputes Act and the Contract Labour (Regularization and abolition) Act." The statement very admirably clothes the hidden agenda of the Planning Commission. This is due to the developments taking place in the organized sector in recent years. The Textile Minister wants (i) raising of working hours from 48 to 60 per week, (ii) allowing women to work in night

shifts, (iii) permitting contract labour, (iv) easy exit norms and (v) treating export industry as a public utility for the purpose of Industrial Disputes Act. To add to it, Commerce and Industry Minister wants Special Economic Zones to be exempted from labour laws. Obviously, the direction in which the UPA government intends to push labour laws is amply clear, however, it may camouflage its policy in the 11th Plan by soft words.

The Planning Commission has set the goal of inclusive growth. It notes the fact that despite sharp increase in productivity, real wages of labour have declined. ILO report on *Labour and social Trends in Asia and the Pacific* (2006) brings out the hard reality that between 1990 and 2002, there was a decline in real wages in manufacturing in India by 22 percent, despite an increase in manufacturing labour productivity of over 84 percent over the same period. Obviously, this implies that the fruits of economic reforms are pocketed by the corporate sector, while labour is denied its due. Ironically, the salaries of managerial and technical personnel have been increasing at the rate of 15% per annum. The Planning Commission's 'inclusive growth' fails to provide any strategy for improving the share of labour in the surplus generated by faster growth. Critics have serious doubts about the sincerity with which the equity objective is sought to be achieved by the 11th Plan. The determination of wages by market forces and taking away even the modicum of protection by labour laws will give the organized sector business magnates unbridled power to freely exploit and pauperize labour.

ccelerating the growth of agriculture

The most important issue relating to the success of the 11th Plan is to accelerate the growth rate in agriculture to 4% per annum, as against the present level of 2%. A number of measures have been suggested such as remunerative prices for farmers for their crops, shift from productivity of individual crops to farm income security by diversifying agriculture, stepping up public investment in irrigation, watershed development, rural electrification and rural infrastructure, etc. and improving access to credit so as to help farmers not to fall into the clutches of moneylenders who charge high rates of interest. Prof. S. Mullainathan of Harvard University in this connection states: "Credit is the most important resource which the rural populace lacks…Despite priority sector lending of PSU banks, farmers are still borrowing from local moneylenders at high rates." (*Business Line*, 12th September 2006). For this purpose, the government must assert through the agency of PSBs and willing private sector banks that they should give top priority to priority sector leading. This would require opening more branches to increase access to credit which should be done forthwith. Emphasizing the immediacy of the problem, Prof. Mullainathan says: "A lot of soul searching needs to be done by banks and the RBI about why this segment of population is not being served by the financial sector. How do we go about it? I suspect the outcome of this process will determine the shape of the economy. If the key players make the correct calls, we can see a huge transformation in Rural India. The PSU banks, the RBI and the private banks such as ICICI Bank recognize the credit problem, but there is an immediacy of action that is needed on the issue."[10] The Eleventh Plan lacks the need for "immediate action". This requires the determination shown by Prime Minister Indira Gandhi to push the availability of priority sector lending and provide benefits to a large number of people,

mostly belonging to the weaker sections.

Projecting current account deficit to 2.3 percent

The plan document intends to use higher level of current account deficit as a means for arranging the component of increased foreign savings along with increased domestic savings. The Approach Paper outlining its policy mentions: "The higher level of investment has to be financed by some combination of increased domestic savings and increased foreign savings as reflected in the larger current account deficit (CAD). There are limits to the extent to which the CAD can be widened but it is reasonable to assume that the CAD could be allowed to increase from 1.3% of GDP in 2005-06 to 3%, provided it is financed mostly from foreign direct investment (FDI) and long term borrowings than short-term borrowings or portfolio flows."

Table 16: Foreign Investment Flows

US$ billion

	2004-05	2005-06	2006-07
Foreign direct Investment	6.05 (39.3)	8.96 (41.8)	22.08 (75.9)
Portfolio investment	9.32 (60.7)	12.49 (58.2)	7.00 (24.1)
Total	15.37 (100.0)	21.45 (100.0)	29.08 (100.0)

Source: *Reserve Bank of India Bulletin* (January 2008)

It would be of interest to examine the ground reality in this regard. The share of FDI in total foreign investment of $15.37 billion in 2004-05 was $6.05 billion (39.3%). This share is increasing and it is really good that FDI in 2006-07 was $22 billion (75.9%) in a total foreign investment of $29 billion. The decline in the share of portfolio investment is a healthy development because it is very volatile in nature.

Another point which deserves attention is that the entire net FDI is not available for Greenfield investment, but takes the form of acquisition of Indian companies and as consequence, a very small proportion is available for technological upgradation.

The upshot of the above analysis that the policy of raising CAD deficit to a level of 2.3 percent of GDP has very questionable validity. The country has to follow a policy of having a positive balance of trade or at least permit a trade deficit which can be completely compensated by invisibles surplus. The situation has been continuously deteriorating during the last 5 years. But over-enthusiastic about our achievements on the export front, we have been neglecting the warning to apply breaks on the import front.

It may be noted that our trade deficit which was of the order of $10.69 billion in 2003-04 has shot up to $63.17 billion in 2006-07 – nearly six times with in the short span of 3 years. There is no doubt that the large surplus on invisibles of the order of $17.04 billion in 2002-03 not only wiped out the trade deficit but created a favourable CAD in 2002-03. Invisibles surplus improved to $53.40 billion in 2006-07, our trade balance this year was (-) $63.17 billion and this CAD deficit rose to $9.76 billion in 2006-07. There is a possibility of invisibles surplus to decline in view of increasing competition from China in the IT Sector. The Eleventh Plan did not take note of this stark reality. It may be noted in this connection, that the oft-quoted China had a trade surplus in 1997 and it continued thereafter. The Eleventh Plan should have heeded the warning signals.

Financial Pattern Unrealistic

Experience of the financial pattern of the Tenth Plan reveals that as against an expectation of 1.3% surplus form current revenues, the performance indicates a negative balance of the order of 9.6%. As against an expectation of 37.6% from public sector enterprises, actual realization was of the order of 34.9% which is

very creditable. There was practically negligible inflow from abroad of just 1.0 percent of total financial resources. In this scenario, a heavy dose of market borrowing was resorted to the extent of 73.9% of total financial resources. Slippages in current revenue balance and deficit in surpluses of public enterprises resulted in nearly three-fourth of the total plan resources to be obtained from market borrowing. As a result of the heavy dose of market borrowing, the liabilities of the government in terms of interest and principal repayment would be much greater.

But in preparing the estimate of financial resources for the Eleventh Plan, 28.5% resources are to be provided from current revenues balances, and 32.6% from surpluses of public enterprises. The balance of about 39 percent resources are to be provided from market borrowing. It appears that the Planning Commission has over-estimated the surplus form current revenues. It has not taken into account the likely impact of Sixth Pay Commission Report due in April 2008. It has also not taken into account the likely impact of high oil prices in the international market. There is all probability that like its predecessors i.e. Ninth and Tenth Plan, the resource pattern visualized is very unrealistic and the Eleventh Plan may also be required to depend heavily on market borrowing.

Summing Up

The Eleventh Plan has set the correct goal in the form of moving '*Towards Faster and More Inclusive Growth*' but it intends to chart out a course which is basically anti-labour and pro-corporate sector. This is precisely in conflict with the goal of providing secure income and employment for '*aam admi*' (common man).

The best way to achieve this is to promote small and medium enterprises (SMEs) and small peasant agriculture. But there is no clear policy of promoting SMEs. It sidetracks the issue of small peasant agriculture and pleads for contract farming which is capital-intensive and not labour intensive. The recommendations of the National Commission on Farmers (NCF) headed by eminent agricultural scientist Dr. M S Swaminathan regarding the setting up a fund for farmers affected by crop losses on the lines of national calamity fund, reducing interest on farm loans to 4% and not charging compound rate of interest and imposing quantitative restrictions on import of agricultural products, have not been included in the Eleventh Plan.

The Planning Commission's target of creating 58 million jobs during the Eleventh Plan is inadequate and it would have been much better if the Commission had adhered to the target of 65 million jobs as suggested by the Approach Paper.

The removal of poverty requires targeted attention to the poor. The Planning Commission has given a long catalogue of schemes such as National Rural Employment Guarantee Scheme, Swaran Jayanti Rozgar Yojana (SJRY), slum improvement programme, housing for the poor and skill development programmes etc. The effectively of implementation will indicate the extent to which the targeted beneficiaries are helped.

The Planning commission is silent on some issues like food security, strengthening price support systems, creation of price stabilization fund for agricultural commodities, universalizing crop insurance, protection to peasantry from subsidized imports of agricultural commodities and land reform.

Eleventh Plan is a very ambitious plan which seeks 125 percent increase over resources over the Tenth Plan. Its initiative in providing over 30 percent resources to improve the quality of social services deserves a word

of appreciation. The country may able to reach the target of 9% GDP growth. However, its success will be judged by the extent to which, it is able to convert the growth process into pro-poor growth and reduce the urban-rural divide and the rich-poor divide.

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3. *Ibid.*, p.2.
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5. *Ibid.*, p.35
6. *Ibid.*, p.47.
7. *Ibid.*, p.69
8. *Ibid.*, p.83
9. Planning Commission (2007), *An Approach to the 11th Five Year Plan, p.73.*
10. Planning Commission (2007), *Eleventh Five year Plan (2007-12), Vol.III, p.79.*
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