

## **India's New Opportunity - 2020**

### **Executive Summary**

The steam engine (and its successor, the internal combustion engine) heralded the industrial revolution that led to economic growth in the West. These engines required fuel – coal and petroleum. As the industrialized countries exhausted their own sources of supply they turned increasingly to other sources, which resulted in the economic growth of the supplying countries, such as the oil producing countries of the Middle East. This pattern is unfolding again. The growth paradigm of Western economies requires another kind of fuel – knowledge workers and skilled professionals. For example, U.S. growth rates of the 1990s are primarily attributed to productivity increases enabled by a highly skilled workforce. In the next two decades developed countries will face a shortfall of fuel (skilled professionals) and once again will have to look towards developing countries to make up the shortfall.

For India, growth is an imperative. To be counted as a major economic powerhouse by the end of this century's first quarter, India needs to accelerate its economic growth beyond the existing rates of 5-6% per annum. Then only can its citizens, more than a quarter of whom (~28%) live below the poverty line today, afford better lifestyles. In addition, at current growth rates India is projected to have a significant unemployed population (estimates range between 19 and 37 million unemployment and poverty resulting from inadequate growth will retard other efforts to place India amongst the top global economic powers. Therefore, the acceleration of economic growth and the employment of skilled youth in the next two decades are key concerns for India Inc.

Perhaps, we have for too long looked to others for models of growth. We have marveled at the tigers and the dragon and wondered what we could do to copy their success. But that is denying us our unique place in the world. Perhaps if we start with our own strengths, we can find an opportunity that distinguishes our model of growth and that is opening up for India as a result of global developments this report analyses.

While India faces an unemployment crisis, ironically, many countries are projected to face workforce shortages in the same period due to lower birth rates and an increase in the proportion of the elderly in their population. While skilled workforce requirements are increasing in line with economic growth, availability is not keeping pace, as a result of fewer people entering the workforce and the trend towards early retirement. Select professions are already witnessing a shortfall (IT services, medical, education). The workforce shortages (mostly in skilled categories) can slow down economic growth in these countries and have other adverse socio-economic

implications. Adjusting for initiatives taken by governments to manage this crisis, the High-Level Strategic Group (HLSG) estimates a net workforce shortfall of 32-39 million by 2020 in the developed countries of today.

This challenge faced by some countries presents a great opportunity for some developing countries, such as India. India can target this shortage by providing remote services to these countries and also by improving customers and servicing their needs in India. The contribution of remote services alone, which is the main focus of this report, will be \$133-315 billion of additional revenue flowing into the country and the addition of 10-24 million jobs (direct and indirect) by 2020. Further, importing customers into India (medical tourism, educational services, leisure tourism) could add \$6-50 billion in revenue and create 10-48 million jobs (direct and indirect) by 2020. HLSG estimates that through remote services and the importation of customers India could enhance year-to-year GDP growth by up to 1.5% over current growth rates, most of which (~80-85%) would be through remote services.

India is positioned well against these opportunities given its large pool of qualified manpower, track record in service delivery in sectors like IT, and lower costs (specifically in areas such as medical treatment and education services). However, in order to convert these opportunities into actual revenues, India Inc. will have to take several initiatives.

HLSG has identified six thrust areas for action to boost demand for India's services.

- Strengthen India Inc. image / brand
- Focus marketing on select countries with select services
- Build customer credibility
- Promote acceptability of the 'offshore' concept
- Improve service experience for customers
- Invest in promoting trials

HLSG has also identified six thrust areas for action to boost supply of India's services :

- Develop domain expertise in specific areas
- Reform education and training sector to increase base of skilled Professionals
- Strengthen connectivity infrastructure (telecom, IT, airports)
- Promote public-private partnerships
- Form interest groups around opportunities
- Align legal and regulator structure