

# **FASTER – Policy Idea for Large-scale Job Creation**

Project 20MJ: Big Ideas to tackle India's Jobs Crisis

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Labour-intensive industries have a high capacity to employ millions by transitioning them from unproductive jobs. Factor market regulations are a barrier to this. This document proposes the creation of exceptions to solve this and build conviction for wider reforms. The FASTER policy idea will transform Coastal UTs into large, special trade regions with liberalised labour and land laws, to enable growth and large-scale employment generation.

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# **Executive Summary**

India has massive underemployment. Nearly two-thirds of its workforce are semi-skilled, and 70% of its graduates are in elementary occupations. Labour-intensive industries have the highest capacity to transition millions from agriculture, elementary work, and unpaid family labour to more productive jobs. These industries need structural reforms in factor markets. But there are multiple interconnected barriers – institutional, regulatory, and political. Innovative policy models are required to overcome them.

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This paper proposes creating exceptions – Federally Administered Special Trade and Economic Regions (FASTERs) – specially notified district-sized coastal areas of 300-500 sq kms with liberalised factor markets.

FASTERs will have – exclusive labour codes that enable size scale-up and manning flexibility for firms; de-regulation to ensure ease of doing business; exclusive land laws, formal land lease markets and pooling to provide easier and cheaper land availability; special courts for quicker dispute resolutions and contract enforcement; specialised financial institutions with targeted credit guarantees and localised risk assessment; full duty exemptions on key inputs, and tax holidays; integrated logistics ecosystem with world-class ports and warehousing, quick clearing, and multi-modal connectivity.

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Kannan is a Research Scholar working with the 20Million Jobs Project at the Takshashila Institution.

#### **Acknowledgements**

The author would like to thank Anupam Manur, Sarthak Pradhan and Pranay Kotasthane for their valuable comments and feedback. Unlike Special Economic Zones (SEZs), Coastal Economic Zones (CEZs), or Industrial Cities, there will not be land acquisition or compliance audits and exclusive export zoning. FASTERs will be much larger and provide enabling conditions, rather than subsidies and incentives.

Two coastal Union Territories — Puducherry (main district) and Daman-Dadra Nagar Haveli (excl. Diu) are ideally poised for conversion into FASTERs. The neighbouring states of Tamil Nadu and Gujarat-Maharashtra, respectively, will also have the option to participate by notifying adjoining areas and enclaves for the purpose. They will be jointly administered by the union and the participating states. The administration shall facilitate public infrastructure, housing for migrant labour, and skill-training infrastructure.

FASTERs will develop into large urban agglomerations, with industries, housing, education, healthcare, and amenities. By attracting ten mega firms, a hundred large firms, and thousands of small and medium enterprises each, they can potentially generate 24 million jobs within three years. Government investment will be limited to urban infrastructure, human resources, ports, and multi-modal connectivity. Each FASTER would need a gross budgetary support of INR.39,000 cr p.a for the first three years. The two prototypes will build conviction for further FASTERs, and eventually wider adoption of factor-market reforms. It is time to usher in a new era of FASTER (led) industrial growth and employment generation.

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## I. Introduction

India needs to generate 20 million jobs a year, by some estimates, to employ new entrants to its workforce and absorb the surplus from agriculture.<sup>1</sup> Tackling the twin problems of Unemployment and Underemployment is a critical part of this mission, and of the larger vision to become an upper-middle-income country by 2047.

Underemployment encompasses low wages, insufficient full-time employment, and occupations that do not utilise the full skill set. Underemployment among educated youth is a large-scale and relatively low-hanging issue. Skill mismatch is a key factor here. National Sample Survey Office (NSSO) Sarvekshana suggests that a significant portion of the semi-skilled may be underutilised, working in positions that do not match their education and skills. <sup>17</sup>

Labour-intensive manufacturing and services have the highest capacity to transition this demographic at scale from agriculture, elementary work, and unpaid family labour to more productive jobs. But systemic barriers have kept these sectors from growing and employing millions.

# II. Background and Premise

#### A. India Needs Factor Market Reforms

Structural reform of factor markets is needed to enable the growth of labour-intensive industries. Incremental measures like fiscal incentives, land allocations, and logistics corridors alone may not help.

#### Labour

India's panoply of restrictive labour regulations and cross-state variations creates rigidities in hiring, firing, and operational decisions, and discourages firms from expanding scale, investing in new tech, and creating formal employment. For eg., the Industrial Disputes Act requires firms with 100 or more workers to seek government permission to retrench or lay off any worker; the Industrial Establishments Act mandates them to seek permission even for reassigning a worker from one task to another; the Trade Unions Act allows any seven people to form a union, thereby diverting a single firm's resources in managing several unions; these are just a few of the many laws and regulations that prevent firms from becoming more productive, globally competitive, and generating employment.<sup>2</sup>

Enabling structural reform of factor markets and improving business climate are among India's highestimpact policy opportunities for economic growth.

But there are significant political economy challenges, which need to be addressed through conviction building with evidence.

#### Land

India's land markets face significant impediments. They are characterised by procedural complexity, unclear titles, non-standard valuation methodologies and fragmented holdings. Land laws often hinder efficient acquisition and utilisation of land for industrial purposes, and dispute resolutions take inordinate time. Political economy, along with regulatory challenges, prevents the smooth mutation of agricultural land and acquisition for large projects at reasonable costs.<sup>3</sup>

#### Levies

High tariffs have a cascading effect, causing inversions and increasing costs through the supply chain. Low quality of domestic raw materials, coupled with high duties for imported inputs, hinders labour-intensive industries from being competitive for both exports and domestic markets. 456

#### **Loan Capital**

Rigidities due to regulations, lower fixed asset bases, longer working capital cycles with seasonal variations are structural factors impeding credit access to labour-intensive manufacturing sectors. Capital and tech-intensive sectors present a lower risk profile to lenders.<sup>78</sup>

#### Logistics

India's logistics infrastructure, ranked 38th of 139 (World Bank LPI 2023), is fragmented and inefficient. Only about 35-40% of India's warehousing sector is Grade A (meeting international standards), while the rest is operated by unorganised players who lack modern technologies and standardised practices. High road transport costs, poor rail transport quality, and inordinate clearing delays also add considerable inefficiency to the supply chain. 9 10 There is also a chronic shortage and inconsistent supply of power and water to industry. Medium, Small and Micro Enterprises (MSMEs) face at least 14% of their operating hours without any electricity. 11 Erratic and high cost of power supply severely impacts labour-intensive industries like textiles, where 20% of production cost is energy. 12 Water supply for industry is scarce and heavily skewed to ground and surface water (71%). Municipal supply is inconsistent, resulting in shutdowns and closures. 13

Factor market reforms face multiple interconnected barriers – institutional, regulatory, and political. 'Asian Tigers' like China, South Korea, and Taiwan, used innovative policy models to overcome them.<sup>14</sup> Creating exceptions through Special Trade and Economic Regions can enable the rapid growth of labour-intensive industries.

## B. India has Massive Underemployment

Periodic Labour Force Survey (PLFS) reveals that nearly two-thirds of India's workforce (66.89%) is classified as Skill Level 2 (semi-skilled). There is also a significant shift towards self-employment, especially in rural areas. Of the 610 million workforce, only about 330 million were engaged in non-farm sector jobs in 2023-2024. About 280 million people were engaged in agriculture and allied sector activities, a substantial proportion of which was unpaid family labour. 15

This indicates that a significant portion of the semi-skilled workforce may be underutilised, working in positions that do not match their skill level or provide sufficient work hours. <sup>16</sup>

Their suboptimal utilisation represents a substantial drag on economic output. Closing the underemployment gap could significantly boost India's GDP by increasing productivity and expanding the effective labour force.

More than 60% of post-graduates with 15+ years of education, and 69% of graduates with 14-15 years of education are in elementary occupations, indicating skill mismatches and an opportunity for more skilling on one hand and more productive industry jobs on the other. <sup>17</sup>

Nearly two-thirds of India's workforce are semi-skilled, and 70% of graduates are in elementary occupations.

More than two-thirds of workers are employed in the informal sector, and they account for just one-fourth of India's Gross Value Addition (GVA).<sup>18</sup>

Table 1. Distribution (%) of Employed People

	-	<i>J</i> 1		
Educational Skill	1	2	3	4
Occupational Skill	Primary Education/ Up to 10 years or informal skills	Secondary Education/ 11-13 years of education	First University Degree/ 14-15 years of education	Post-Graduate University Degree/ 15+ years of education
1 Elementary Occupations	29.67	14.28	5.51	1.61
2 Service / Shop / Agri / Fishery / Craft / Trade Workers	68.79	75.51	63.38	29.39
3 Associate Professionals	0.87	4.68	9.56	10.51
4 Professionals	0.66	5.53	21.55	58.49
Total	100.00	100.00	100.00	100.00

Source: NSSO <sup>17</sup>

The upper right area (shaded dark) in Table 1 shows people with more qualifications than what is needed for their jobs. This implies underutilisation of the labour force.

Output for the hours worked is another aspect of labour productivity. Indian labour productivity at \$8.7 per hour (for 2123 hours per year) is the lowest among the large BRICS economies.  $^{19\,20}$ 

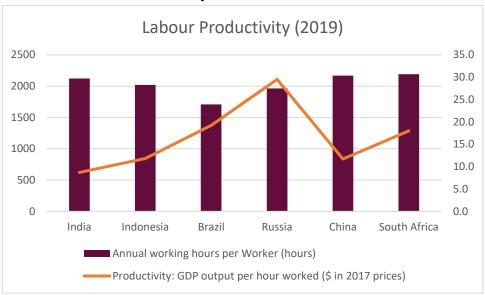


Chart 1. Labour Productivity across BRICS, the US and the UK

Source: Our World in Data 20

Light engineering, footwear, apparel, plastics, food processing, electronics assembly, retail, and healthcare services, etc., have a high capacity to employ semi-skilled workers and increase labour productivity. Underemployment can be addressed if labour-intensive Industries grow at scale.

### III. The FASTER Idea

'Federally Administered Special Trade and Economic Regions' (FASTERs) will be specially notified district-sized coastal areas of 300-500 sq kms each, where differential laws for labour, land and levies shall apply. Essentially, FASTERs will be special districts with liberalised factor markets that can enable the rapid growth of labour-intensive industries and large-scale employment.

Creating **Special Trade and Economic Regions** can enable rapid growth spurts of labour-intensive manufacturing industries.

These regions will serve as exceptions that bypass the political economy constraints for factor market reforms.

## A. Key Features of FASTERs

FASTERs shall have exclusive features that will enable labour-intensive industries to thrive and create a virtuous cycle of growth and employment.

 Exclusive labour codes (not the proposed 2020 Labour Codes) that replace The Industrial Disputes Act (IDA), The Industrial Employment Act (IEA), Trade Unions Act (TUA), Factories Act (FA), etc., and enable smooth operation and labour flexibility for industry, while protecting labour from actual exploitation.

Table 2. Labour Laws – Current vs FASTERs

Issue Area	Current Status 21 22	FASTER Proposal
Staffing Decisions	1. Staff limits of 10/20 (though increased to 30/40 in some states) for Factories Act (FA) compliance are unrealistic. 2. Layoff (IDA) / Reassigning (IEA) permissions required for any place employing > 100. 3. Contract labour limits vary across states; licensing for five years under the new code.	<ol> <li>Increased staff limit of 300 (including contract labour) for FA compliance.</li> <li>No limits for layoffs, but build strong redressal mechanisms.</li> <li>No limits on contract labour or fixed terms, but build high working and safety standards and redressal mechanisms.</li> </ol>
Working Hours	<ol> <li>Specified limits for working hours, leave entitlements, overtime, etc.</li> <li>Overtime cap of 75 hours per quarter (some states have already raised it to 144 hours); Contradictions in weekly/monthly/quarterly caps.</li> </ol>	<ol> <li>Allow flexibility to average working hours within a month.</li> <li>Allow flexible shift patterns and 24/7 operations with appropriate worker protections.</li> <li>Enable seasonal employment flexibility to handle demand variations.</li> <li>Abolish overtime caps, build in strong redressal mechanisms.</li> </ol>
Haisans and	1. Any seven can form a Union	1. Minimum 50 workers for a
Unions and	(TUA).	union; a Single elected union
Dispute	2. Handled through courts and	with a designated legal
Resolution	tribunals without specific	representative.
	provisions.	2. Designated ID tribunals for

Skill	<ul><li>3. Right to strike work (though the new code lays out a 60-day notice)</li><li>1. No obligations currently on</li></ul>	faster resolutions; Internal grievance redressal forums for non-collective issues.  3. New Industrial Disputes Code notice for strikes.  1. Employer to participate in skill enhancement programmes
Development	the employer.	- by adopting ITIs; Mandatory paid training hours.
Occupational Safety, Working Conditions and Amenities	<ol> <li>Different safety standards (sometimes contradictory) by different departments and multiple inspections.</li> <li>Limited recognition of migrant labour.</li> <li>Restrictions on working hours for women, especially at night.</li> </ol>	<ol> <li>Comprehensive health and safety standards; Advisory board as per the new code and compliance requirements to be streamlined.</li> <li>Employers to register migrant workers for eligibility to special accommodations and amenities.</li> <li>Individual consent-based employment of women at night (like in the new code)</li> </ol>

India's web of labour laws and regulations present several contradictions and overlaps, causing compliance confusion and possible harassment situations for industries.

Different laws apply at different employee thresholds, creating confusion and expansion barriers for enterprises as they grow.

Varying inspecting authorities cover similar aspects, but require different procedures and documentation.

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Wages and Social Security	<ol> <li>Detailed stipulations, floor, etc, through the Minimum</li> <li>Wages Act and the Payment of Bonus Act.</li> <li>No social security cover under old laws (proposed in the new code); Only ESI and PF benefits.</li> </ol>	<ol> <li>No floor on wages; Gender equality to be ensured; Strong redressal mechanisms to be built in.</li> <li>No mandatory bonuses. To be based on individual arrangements.</li> <li>Extensive social security cover, including unorganised workers and an exclusive social security fund (like in the new code); Portable social security benefits for migrant workers.</li> </ol>
Compliance Requirements	1. Multiple inspectors, with inconsistent scheduling and rent-seeking; the new code proposes inspector-cum-advisor with web-based schedules.	<ol> <li>Move as many items to self-declared compliances and digital compliance platforms with designated audit agencies.</li> <li>Physical inspections only for high-risk establishments.</li> </ol>

Inconsistent definitions, specified in different laws, the new labour codes and regulations create uncertainty. The starting point of who is an "employee" or "worker" is different.

'Fixed-term contract' versus 'contract labour.' Both serve similar needs, but have contradictory compliances requirements.

Varying interpretations leading to Principal Employer Liability Contradictions and conflicting court judgements. • Comprehensive deregulation beyond Jan Vishwas to ensure ease of doing business and lower cost of compliance <sup>23, 24, 25</sup> — elimination of all redundant and draconian regulations, easier single-window licensing, self-declared digital compliances wherever possible, and further decriminalisation of regulatory violations.

**Table 3. Regulations – Current vs FASTERs** 

Table 5. Regulations – Current vs TA5 TERS				
Issue Area	Current Status <sup>26</sup>	FASTER Proposal		
Regulatory Requirements	<ol> <li>Numerous and overlapping compliance requirements. A one-state MSME has about 1,450 compliance obligations annually, across seven legal areas.</li> <li>Up to 77 licences and approvals may be required to start a manufacturing SME, and several others across the different stages of precommissioning, post-commissioning, and ongoing operations.</li> <li>Numerous displays and at least 48 registers with overlaps to be maintained, depending on</li> </ol>	1. FASTERs to have a completely streamlined set of compliance requirements, with a reasonable number and nature of compliance obligations.  2. Single online licence with all required approvals, with physical audits through certified audit firms and minimal turnaround to be available for application.  3. Firms in FASTERs to maintain only seven registers - one for each broad legal area of compliance obligation. (Labour, Environment Health Safety (EHS), corporate, commercial and taxation, Intellectual		

	the department being inspected.	Property (IP), industry-specific, and transport and access)
Penalty for Non- Compliance	<ol> <li>Over 26000 imprisonment clauses across numerous business laws, with labour laws accounting for 66% of them.</li> <li>Almost two of every five compliance requirements carry jail terms for violations.</li> </ol>	1. Criminality for business law offences to be restricted to grave offences, assault, and POSH cases only. Rest to be treated as civil offences.
Governance Framework	1. An average MSME with a factory faces 59 instances of inspection, including 21 for labour-related compliances from various departments.  2. An average of 42 regulatory changes each day, making 100% real-time compliance nearly impossible, and scope for rent-seeking.	1. Enterprises in FASTERs to have one comprehensive physical inspection instance every quarter; the Rest to be done through real-time digital audits and self-declared compliances.  2. Regulatory changes to be minimised after streamlining regulations; Certified audit firms (with liability) to be employed for compliance audits (similar to chartered accountant firms).

 Special land laws that enable easier and quicker mutation of land for industry, reasonable stamp duties, higher FSIs and digitised land records.

Table 4. Land Laws - Current vs FASTERs

Issue Area	Current Status 27	FASTER Proposal
Acquisition	<ol> <li>Long-drawn and stringent processes for large acquisitions through the Land Acquisition, Rehabilitation and Resettlement Act.</li> <li>Procedural delays and restrictions even for smaller areas.</li> </ol>	<ol> <li>Separate law for FASTERs with less stringent requirements and Social Impact Assessments only beyond large thresholds.</li> <li>Land leasing and pooling (not just acquisition) to be promoted actively; Procedures to be formulated to enable a thriving land leasing and pooling market.</li> </ol>
Land Use	<ol> <li>Inflexible zoning rules that hamper quick mutation for industry.</li> <li>The Change of Land Use (CLU) permission system is mostly rigid or discretionary and incentivises rent-seeking. CLU charges are high in most states.</li> </ol>	<ol> <li>No restriction on land mutation for industry.</li> <li>No requirement for CLU permissions.</li> <li>Restricted zones, like environmentally sensitive/tribal / protected areas, are to be notified, and no permissions are to be granted in those.</li> </ol>

Land pooling and land leasing have proven effective in countries like Japan, South Korea, China, and some African nations, ensuring fair worth and appreciation benefits for owners, and faster project implementation.<sup>28</sup>

In Japan's Land Re-adjustment (LR) framework, upon 70% owners agreeing, each cedes about 30% of their plot for public works, allowing for replotting with better access and better value capture. China's SEZs have land rights that can be transferred, leased, and mortgaged, thus creating thriving liquid land markets and easy availability for industry. India's own experience with the Gujarat Town Planning Scheme, Pune Magarpatta township, and Amaravati land pooling has been promising, and with learning.

Critical success factors for land pooling and leasing are: (1)
Enacting a statute to enable voluntary participation, and (2)
Establishing an institution that can effectively implement it.

Floor Space Index (FSI)	Low FSIs across Indian cities; Most major cities have max FSIs in the 1-3.5 range, barring Hyderabad (6).	FASTERs to have double-digit FSIs; Separation of land owning and building rights, like Brazil.
Titling and Dispute Resolutions	<ol> <li>No clear titles; Only 19% of rural land has clear titles.</li> <li>Dispute resolutions take an inordinately long time</li> </ol>	<ol> <li>1. 100% digitisation of records, with the use of blockchain to ledger transactions and encumbrances.</li> <li>2. Specialised land and property tribunals and courts in FASTERs for quick dispute resolution.</li> </ol>

- Specialised financial institutions that extend targeted credit guarantees, customised products, and localised risk assessment for labour-intensive sectors.
- Full customs duty exemptions on key inputs, tax holidays, and zerorated GST for domestic procurements.
- A world-class mega container port, or access to a large nearby port.
- An integrated logistics ecosystem that includes modern warehousing, quick clearing mechanisms, and multimodal connectivity (with high-quality road access to ports and rail sidings).

 Dedicated future capacity of industrial-grade water of at least 100 MLD and uninterrupted power supply of at least 600 MW. Off-grid generation, renewables, and easy and formal water trading and power trading will be encouraged through policy interventions.

Table 5. Power and Water – Current vs FASTERs

Issue Area	<b>Current Status</b>	FASTER Proposal
Power	1. Frequent power outages have a massive impact on industry.  Small firms experience outages of approximately 14% of operating hours (up to 20-30% in some states). Erratic supply reduces revenues by 10% on average and causes significant productivity losses. <sup>29 30</sup> 2. Industrial power tariff is between ₹ 7.5-8.8/kWh, which is about 10-25% over the actual cost of electricity supply. For labour-intensive sectors like textiles and footwear, energy is 15-20% of production costs. <sup>31 12</sup>	1. FASTERs to provide an uninterrupted power supply of at least 600 MW for industrial purposes.  2. Mark-up of electricity tariff against production and supply cost, to be benchmarked to labour-intensive industrial economies like Vietnam and Bangladesh, without crosssubsidisation burden.  3. Enable off-grid generation by industry pools, and power trading among industrial establishments (without transfer to/from government) through a clear framework and coordination mechanism.

Manufacturing and services sectors lose an estimated 1.09% of India's Gross Domestic Product (GDP) annually due to power shortages and high costs. 32

1. Industries depend on surface 1. Municipal supply to be the and ground water (76%) with major source, with adequate limited municipal supplies. supply from local sources, Water shortages directly impact including desalination. manufacturing operations -2. Dedicated supply of especially high consumption industrial-grade water of 100 sectors like textiles, food MLD. processing, and sugar.13 3. Enhanced and pooled Water effluent treatment capacity, 2. Water quality is a major concern for critical industries 100% sewage treatment, and at least 80% industrial water like pharmaceuticals, leather, and chemicals. recycling to produce 3. Absence of a strong policy industrial-grade water. framework for fair allocation, 4. A clear policy framework that enables easy and formal utilisation, and recycling. water trading (like water coin).

# B. FASTERs vs SEZs, Sagarmala CEZs, NICDP Industrial Cities

There are structural and operational differences in regulatory frameworks, geographical spread, incentive mechanisms, and strategic objectives.

SEZs prioritise export-led growth, requiring units to maintain a net positive foreign exchange. They have tax holidays and zero duties for authorised operations, but there are numerous compliance permissions and audits required. SEZs can extend from a single building to a few thousand acres of acquired land, and any private/public organisation can establish one under the SEZ Act.

Sagarmala CEZs seek to promote port-led industrialisation through port modernisation and multi-modal connectivity. They focus on bulk commodity processing (e.g., petroleum, coal) and logistics-driven industries.

Industrial Smart Cities prioritise domestic manufacturing for jobs and innovation, targeting sectors like electronics, pharmaceuticals, and EVs. They offer land leasing discounts, expedited clearances, and Research and Development grants in peri-urban areas.

FASTERs will encourage labour-intensive industries, port-led commerce, and offer logistics infrastructure, duty exemptions, expedited clearances, etc., but without land acquisition, compliance audits, exclusive export zoning or sector-specific focus. Unlike the others, FASTERs are large coastal districts with tailored labour and land codes and regulatory exceptions, aimed at easing business operations and creating massive employment.

Essentially, FASTERs will be special districts with liberalised factor markets that can enable rapid growth of labour-intensive industries and large-scale employment.

There will not be any land acquisition, compliance audits, or exclusive export zoning. FASTERs are about the government creating enabling conditions, rather than subsidising and monitoring.

#### C. Location of FASTERs

Piloting FASTERs will build conviction for wider adoption. Union territories are colonial vestiges with limited ethno-cultural-linguistic relevance and relatively lesser political economy challenges. They are well poised for conversion into FASTERs and assuming a larger role in nation-building. While not a necessary condition, FASTERs may also include land areas notified for the purpose by adjacent states in order to create a contiguous area and an integrated ecosystem.

Two coastal UTs — Puducherry (main district) and Daman-Dadra Nagar Haveli (DDNH) (excl. Diu) are ideal candidates. They have good connectivity, manpower supply, rich industrial heritage in adjoining areas, and potential for ports. We can refer to them as PUDUCHERRY FASTER and DDNH FASTER, respectively.

There is also potential for participation by the neighbouring industrialised states of Tamil Nadu (TN) (in the Puducherry FASTER), and Gujarat and Maharashtra (in the DDNH FASTER), through notification of adjoining land areas and enclaves, as places where FASTER features shall apply.

As a pilot, the coastal Union Territories of Puducherry (main district) and Daman-Dadra Nagar Haveli (excl. Diu) can be converted into FASTERs.

These will build conviction for further FASTERs and eventually wider adoption of factor-market reforms.

#### D. Administration of FASTERs

FASTERs will be governed by a special administrative mechanism. This mechanism will be aligned towards managing –

- their strategic and economic objectives
- their special policy environment and liberal factor markets
- their specific socio-political challenges that such an environment and migration can result in
- the ensuing urbanisation, and
- the special requirement for public amenities, infrastructure and industrial ecosystem.

If neighbouring states choose to participate through notification of some of their adjoining areas under this policy environment, then FASTERs will be jointly administered by the union and such participating neighbouring states. A special mechanism made possible by a constitutional amendment will be used for the administration of FASTERs.

 A Governing council, with a union-appointed Lt. Governor as chair, and the union secretaries of commerce, finance, industry, and home, as members, shall oversee policy and fiscal matters.

- For FASTERs where adjoining states participate with land, this Governing council will include the chief secretaries of the participating states, and the secretaries of industry and revenue/finance of those states.
- A special administrative authority or corporation headed by a Commissioner reporting to the Lt Governor, shall oversee the day-today affairs of local governance, public amenities, and law and order. The administration shall facilitate public infrastructure, housing for migrant labour, child-care for working women, and skill-training.
- Differential factor-market regulations, under exclusive laws for FASTERs, will be enacted by parliament.
- Revenues and expenditure shall be shared among the union and the participating states in proportion to the area notified under FASTER.

Representation will be limited to the parliamentary level. Like most UTs, FASTERs will not have a separate legislature or elected local governments. Permanent residents can participate in the LS General Elections. However, no other special domiciliary rights will be extended to permanent residents.

The character of environmentally sensitive/protected areas (waterbodies/forests), heritage sites, special notified areas, and autonomous regions shall be preserved legally.

# IV. Proposed FASTERs

## A. Puducherry FASTER

The coastal UT of Puducherry has four enclave districts: Pondicherry (enclave in coastal TN), Karaikal (enclave in coastal TN), Mahe (enclave in coastal Kerala), and Yanam (enclave in AP). Part of former French India, Puducherry has been part of India since 1956, and is a UT entitled to an elected legislative assembly and partial statehood like Delhi. While there is some French architectural heritage in a few areas of Pondicherry, the enclaves of Karaikal, Mahe, and Yanam are demographically, socioculturally and linguistically the same as the districts in the respective states around them. There have been challenges in administration due to the geographically scattered nature of the UT, especially in the area of disaster management. These enclaves are better served by being part of the respective states around them, or as independent UTs with a special/designated purpose.

Puducherry has a GDP of ₹ 479 billion and an estimated population of 13,91,163. Fisheries and tourism are the two main industries, while apparel, leather, chemicals, light engineering, and food processing also employ some of the 80,000 industrial employees in the UT.<sup>34</sup> Pondicherry is located

within a 50-100 km radius of the highly industrialised TN districts of Villupuram, Chengalpattu, Kanchipuram and Chennai. There is a large and thriving manufacturing ecosystem of skilled labour and firms in the neighbouring districts of Tamil Nadu.

Pondicherry is also home to premier education institutions, including JIPMER, a medical education and research institution of national importance, and Pondicherry University, a central university. It is also home to the experimental international township of Auroville and other ecotourism projects.

The circled region of the map in Chart 2 displays the main district of Puducherry along with its enclaves in neighbouring Tamil Nadu in the Union Territory of Puducherry.

Chart 2. District Map of Tamil Nadu

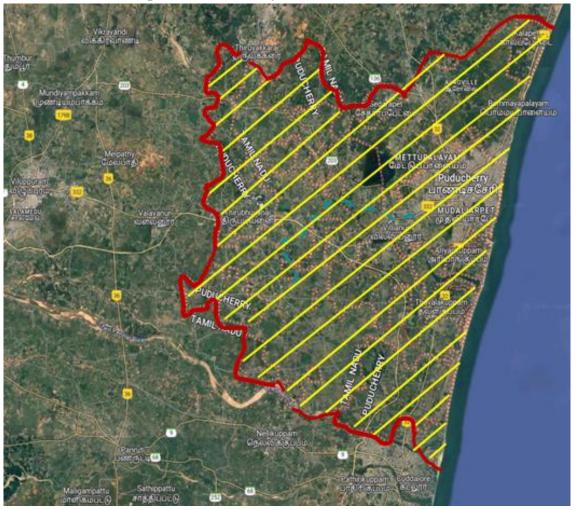


Source: maps of india.com

#### **Proposed FASTER**

Area and Location: The proposed FASTER will be 293 sq kms in area (capital of Puducherry and its enclaves in Tamil Nadu like Kalapet, Thirubhuvanai, Nettapakkam, Bahour, etc.). If Tamil Nadu chooses to participate with 200 sq kms of neighbouring areas (like Bommayapalayam, Vanur, Auroville, Kandamangalam, Nallathur, etc.) from its Villupuram and Cuddalore districts, then the FASTER will become approximately 500 sq kms of contiguous coastal area – stretching from the Kaliveli Lake in the north to the TenPennai River in the south.

The shaded region of the map in Chart 3 displays the area of the proposed Puducherry FASTER. It assumes that the Puducherry FASTER will include 293 sq km of the UT area and 200 sq km of participation from neighbouring TN.



**Chart 3. Area of Proposed Puducherry FASTER** 

Source: Base map from Google

Industrial Environment: Puducherry FASTER will also include expansion plans for the current six industrial areas of Sederapet, Mettupalayam, Thattanchavady, Kirumambakkam, Kattukuppam and Thirubhuvanai (including the new SEZs at Sederapet-Karasur). The proposed FASTER will heavily leverage the industrial ecosystem in neighbouring TN. It will develop into a big hub for manufacturing and light engineering, while providing a haven for labour-intensive industries like electronics, apparel, footwear, food-processing, marine products, and plastics.

**Employee Welfare:** The proposed FASTER will have residential hostels for women and migrant labour at these industrial clusters. There will also be skill development and training institutes for apparel, footwear manufacturing and electronics assembly set up by the Ministry of Commerce.

**Port:** A greenfield port with 10 million TEU container + 350 MT cargo capacity can be planned with multi-modal corridors with these six clusters, and with the golden quadrilateral NH 179B, providing connectivity to the industrial hubs in Chengalpet and Kanchipuram districts of TN. Such a port can be explored at the mouth of the Gingee-Chunnambar river.

**Transport and Connectivity:** Pondicherry has a railhead that is connected by an electric BG line to the Chennai-Trichy-Madurai line at Tindivanam, and

a coastal BG line that connects it with Chennai is in the works. The current airport at Lawspet will need to be upgraded to major airport standards with connectivity to major cities like Mumbai, Bengaluru and Delhi. Additional entry-exit points with the proposed Chennai-Thoothukudi expressway will also need to be planned.

**Public Amenities:** Urban infrastructure will be one of the primary focus areas of the local administration. Adequate facilities for roads, housing, electricity, water supply, sewage, parks, schools, mass transit, etc., will be planned.

**Socio-Cultural and Ecological Impact:** The proposed FASTER will attract a migrant workforce from all over the country, and that will have an impact on the socio-cultural and demographic character. The administration will ensure a seamless transition to cosmopolitan and plural demographics, while retaining the core socio-cultural and architectural heritage of Puducherry. Areas such as the Auroville Commune, Sadhana Forest, ecotourism sites, Marina Promenade, etc., will be notified and protected.

#### **B.** DDNH FASTER

The coastal district of Daman (an enclave within Gujarat) and the pericoastal district of Dadra and Nagar Haveli (Dadra enclave within Gujarat,

and Nagar Haveli between the states of Gujarat and Maharashtra) are both parts of the UT – Dadra and Nagar Haveli and Daman and Diu. Part of former Portuguese India, it has been part of India since 1961, and is a UT that is administered by the Union Government through an Administrator under Article 240(2) of the Indian Constitution. While there is some architectural heritage in a few areas of Daman, enclaves like Diu are demographically, socio-culturally and linguistically similar to the districts in the respective states around them. These enclaves are better served by being part of the respective states around them, or as independent UTs with a special designated purpose.

The total population of the UT (minus the enclave of Diu) is close to 5,50,000, and its merchandise exports stood at US\$4.60 billion in FY24. Textured yarn and plastics are the two main industries, while fisheries, pharmaceuticals, chemicals, light engineering and food processing also employ some of the 1,50,000 industrial employees in the UT.<sup>35</sup> It is located in the industrial neighbourhood of Valsad district in Gujarat, and Palghar-Thane districts of Maharashtra. Vapi is a highly industrialised town adjoining this UT area, with a significant presence of large chemical, petrochemical and pharma units. One of Asia's largest Common Effluent Treatment Plants (CETP) is in Vapi. There is a large and thriving manufacturing ecosystem of skilled labour and firms in this neighbourhood.

Nagar Haveli also has several power projects, including the Daman Ganga Hydel project at Madhuban Dam. It is also home to the Madhuban Lake, the lion sanctuary, and other eco-tourism projects.

DISTRICT MAP Rann of Kachchh MEHSANA ARAVALI Ahmedabad @ AHMEDABAD SURENDRANAGAR Botad DEVBHOOMI DWARKA BOTAD BHARUCH Porbandar PORBANDAR ABIAN SEA AMRELI JUNAGADH TAPI LEGEND International Boundary State/UT Boundary MAHARASHTRA District Boundary Map not to Scale State Capital District Headquarter Copyright @ 2019 www.mapsofindia.com

Chart 4. District Map of Gujarat

Source: mapsofindia.com

#### **Proposed FASTER**

Area and Location: The proposed FASTER will be approximately 561 sq km in area, comprising Daman (UT district) 72 sq km, Dadra and Nagar Haveli (UT district) 491 sq km. If neighbouring Gujarat and Maharashtra also participate, then approximately 1192 sq kms of contiguous coastal area stretching from the Kolak River in the north to the current Gujarat-Maharashtra border – between Umargam and Bordi in the south – can form a large FASTER. This could include the Umargam tehsil (Valsad district of Gujarat) of 373 sq kms and the Talasari tehsil (Palghar district of Maharashtra) of 256 sq kms. The UT area contribution will be close to 48%, Gujarat's 31% and Maharashtra's 21% in such a scenario.

The shaded region of the map in Chart 5. displays the area of the proposed DDNH FASTER. It assumes that the DDNH FASTER will include 561 sq km of UT area, 373 sq km of participation from Gujarat and 256 sq km of participation from Maharashtra.

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**Chart 5. Area of Proposed DDNH FASTER** 

Source: Base map from Google

Industrial Environment: DDNH FASTER will also include expansion plans for the current industrial estates of Paparia, Silvassa, Masat, Khadoli, etc. The proposed FASTER will build further on its industrial presence and also leverage the industrial ecosystem in the neighbourhood. It will develop into a big hub for chemicals, plastics and light engineering, while providing a haven for labour-intensive industries like electronics, apparel, footwear, food-processing, and marine products.

**Employee Welfare:** The proposed FASTER will have residential hostels for women and migrant labour at these industrial clusters. There will also be skill development and training institutes for apparel and footwear manufacturing set up by the Ministry of Commerce.

**Port:** A greenfield port can be planned with 10 million TEU container + 350 MT cargo capacity, developed with multi-modal corridors with the industrial clusters, and with the golden quadrilateral NH 48, providing connectivity from Mumbai in the south to Ahmedabad in the north. Such a port can be explored at the Kalgam-Maroli area.

**Transport and Connectivity:** The railhead at Bhilad on the main high-density Mumbai-Baroda electric BG line will serve as the main connection point for the proposed FASTER. It will be connected by an additional line to the new port at Kalgam. The current airport at Marwad-Nani Daman will

need to be upgraded to major airport standards with connectivity to major cities like Delhi, Bengaluru and Chennai. Additional entry-exit points with the proposed Mumbai – Vadodara/Delhi expressway will also need to be planned.

**Public Amenities:** Urban infrastructure will be one of the primary focus areas of the local administration. Adequate facilities for roads, housing, electricity, water supply, sewage, parks, schools, mass transit, etc., will be planned.

Socio-Cultural and Ecological Impact: The proposed FASTER will attract a migrant workforce from all over the country, and that will have an impact on the socio-cultural and demographic character. The administration will ensure a seamless transition to cosmopolitan and plural demographics, while retaining the core socio-cultural, tribal and architectural heritage of DDNH. Areas such as Daman Fort, Madhuban Lake, lion sanctuary, mangroves, eco-tourism sites, etc., will be notified and protected.

### V. Benefits and Outcomes

The two FASTERs will create a total of **24 million jobs over three years**.

The plan envisions that each FASTER would be able to attract 10 mega firms of 50,000 employees each (Foxconn Chennai employs 48,000 and is planning to expand to 60,000 employees), <sup>36</sup> 100 large firms of 10,000 employees each (Apache Footwear in Sri City employs 10,000) <sup>37</sup>, and 1500 medium-sized firms of 1000 each.

Potential to generate 8 million jobs per year by creating two such FASTERs in the next three years

Direct to Indirect employment ratio is estimated at 1:3 (benchmarked against UNIDO Study<sup>38</sup> and NICDC estimates for 12 industrial cities plan<sup>39</sup>).

**Table 6. Estimation of Employment Potential of FASTERs** 

Type of Firms / Factories	No. of Employees / Firm	No. of New Firms	No. of Jobs Generated
Mega	50,000	10	5,00,000
Large	10,000	100	10,00,000
Medium	1,000	1500	15,00,000
Secondary & Tertiary Employment			90,00,000
Jobs / FASTER		Mn	12.0
No. of FASTERS			2
Total no. of Jobs	by Yr3	Mn	24.0
No. of Jobs p.a	арргх	Mn	8.0

# VI. Costs and Funding

The total budgetary support, from the union and participating state governments, is estimated to be **INR. 1.18 lakh crores over three years**.

This gross budgetary support (GBS) for direct land acquisition and asset creation will be 10% of the total investment. The rest will be sourced through private investment, land pooling schemes, public-private partnership, and bond funding.

Urban infrastructure investment is estimated at Rs. 30 lakhs for each direct job generated. This is based on IMF estimates, <sup>40</sup> and the actual investments in new city creation projects in India.

The plan provides for one dedicated greenfield port per FASTER at a 10 million TEU container and 350 MT cargo capacity (the planned port at Vadhavan has been used as the benchmark). <sup>41</sup> Multi-modal connectivity with dedicated rail lines and sidings, road connections have been estimated using PM Gati Shakti benchmarks. <sup>42</sup>

Annual budgetary support of INR. 39,000 crores (to be split by the union and participating states in proportion of land area notified for the purpose)

Table 7. Estimation of Budgetary Funding Requirement for FASTERs

Investment Area		Amount
Urban Infra Investment Rs./ direct job	Rs Cr	0.3
Total Urban Infra Investment reqd	Rs. L Cr	9.0
Port development	Rs. L Cr	0.76
Multi Modal Connectivty	Rs. L Cr	2.0
GBS component		10%
GBS Total	Rs. L Cr	1.18
GBS p.a	Rs. L Cr	0.39

Given that the gross budgetary support required is similar to the annual budgetary allocations of some of the flagship welfare schemes of state governments, funding will be feasible.

# VII. Implications

## A. Scalability

The Puducherry and DDNH FASTERs are pilots that will demonstrate massive job creation and rapid growth resulting from the creation of enabling conditions and exceptions in factor markets. States could replicate this by creating their own special regions without UT land or a federal administrative mechanism. These could happen through:

Conviction building through the prototype results will ensure Scalability of the FASTERs idea. It is an approach that can be extended to any policy initiative that aims at industrial promotion and job growth in any geographical area.

- Development of FASTERs around the new ports of Vizhinjam in Kerala, Keni in Karnataka, Vadhawan and Karanja in Maharashtra, and Krishnapatnam in AP.
- Expansion and conversion of the 14 planned Sagarmala CEZs into FASTERs.
- Extending exceptions to the 12 planned NICDP Smart Industrial Cities.

## **B.** Balancing Stakeholders

 Participating adjacent states should experience returns in the form of tax revenues and development outcomes. The experience with GST (albeit work in progress) gives confidence for "co-operative federalism". It is critical that the joint administrative mechanism succeeds in this effect.

- Labour unions and political parties need to be aligned on the pilot,
   and their concerns about labour exploitation need to be allayed.
- While there is no land acquisition for industry, fisherfolk and villagers displaced by infrastructure projects would need to be compensated fairly and relocated.
- Concerns of civil society about eco-sensitive areas need to be allayed.

While the proposal can be executed in just the UT area, without the participation of adjoining states, the FASTERs would have better results if these states were to participate. Such a participative model hinges on 'co-operative federalism.'

### C. Unintended Consequences

Such a scale-transformation idea will have positive and negative externalities playing out. Some of the unintended consequences could be:

- Demographic changes and cosmopolitisation of the population and migration from outside could result in social tensions. These will be managed through an egalitarian approach to access for public amenities and education, prevention of ghettoism or clusterisation.
- There may be increased air and/or water pollution. This would need to be mitigated through location-specific actions for such industries and common effluent treatment plants.

• There will be increased load on water and power requirements that need to be planned for.

#### D. Trade-offs

The FASTERs will not have elected local governments under this special administrative mechanism. This can be mitigated by:

- Formally allowing for robust citizen councils that can liaise with the administration about issues.
- Building a sunset clause specifying a time period of 10 years for the development of the FASTER, after which elected local governments can be duly instituted.

Some existing activities and tourism may see a reduction. The economic impact of such a reduction is likely to be minimal.

FASTERs will see rapid urbanisation and industrialisation. Consequently, there will be environmental and socio-cultural impact. Detailed mitigation plans can be worked out to manage unintended consequences and trade-offs.

### VIII. Conclusion

FASTERs will develop into large urban agglomerations, with industries, housing, education, healthcare, and amenities. Each FASTER can attract at least 20 mega factories (each employing 50,000 employees), hundreds of large firms (each employing 10,000 employees), and thousands of SMEs. They can potentially create 24 million direct, secondary, and tertiary jobs within three years. Government investments will be limited to the development of urban infrastructure, human resources, ports, and multimodal connectivity.

India has several industrial estates, Export Processing Zones (EPZs), Special Economic Zones (SEZs), Coastal Economic Zones (CEZs), and industrial smart cities, etc., to stimulate industrialisation, exports, and employment. Most of these models miss addressing the biggest barrier for growth and employment – restrictive factor market regulations.

The FASTER policy idea aims to unleash labour-intensive industry by creating favourable environments. It is time to usher in a new era of FASTER(-led) industrial growth and employment generation.

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