



India: Start-up Skills and Entrepreneurship

1.0. Introduction

In any economy, the politics and the economics of micro, small, and medium enterprises converge at a particular point: start-up. It is the stage at which the orientation and achievement motivation of an individual get translated into action. The stage is also critical from the point of view of public policy, as the initiatives by the government at this stage act as a vital link between labour market policy and enterprise policy. The question as to why people start an enterprise, and why governments and promotional agencies make them start, are problematic questions that need closer examination and analysis. The purpose of the following pages is to analyze India's most recent experience, against the global developments in general, and of the experience of selected countries of interest to India.

2.0. Labour Market Analysis and Policy

Business start-up is essentially a labour market problem. Therefore, an understanding of the basic nature of the labour market, as also the specifics of policy, are crucial from the point of view of evolving effective strategies on start-ups, skills, and entrepreneurship.

2.1. Nature of the Labour Market and Market Interventions

Neoclassical economists view the labour market as similar to other markets in that the forces of supply and demand jointly determine price (in this case the wage rate) and quantity (in this case the number of people employed). However, the labour market differs from other markets (like the markets for goods or the financial market) in several ways. Perhaps the most important of these differences is the function of supply and demand in setting price and quantity. In markets for goods, if the price is high there is a tendency in the long run for more goods to be produced until the demand is satisfied. With labour, overall supply cannot effectively be manufactured because people have a limited amount of time in the day, and people are not manufactured.

The labour market also acts as a non-clearing market. While according to neoclassical theory most markets have a point of equilibrium without excess surplus or demand, this may not be true of the labour market: it may have a persistent level of unemployment. Contrasting the labour market to other markets also reveals persistent compensating differentials among similar workers.

Social Marginality and Entrepreneurship

Box No. 1

In USA roughly 25 per cent of successful high-tech start-ups over the last decade were founded or co-founded by immigrants, where, Indians have played a key role. Studies by Kauffman foundation conclude that, if there is a happy coincidence of high-IQ risk-takers in government and a society that is biased toward high-IQ risk-takers, one gets an above-average returns as a country. What is common to Singapore, Israel and America, is that they were all built by high-IQ risk-takers and all thrived — but only in the US did it happen at a large scale and with global diversity.

Source: *Global Entrepreneurship Monitor, 2014*

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