

Strengthening India's GVC Potential through Inclusive Education: An Analytical Study of EWS Reservation Policy (2019–2024)

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ABSTRACT

As India seeks to elevate its role within Global Value Chains (GVCs), the quality and inclusivity of its human capital emerge as critical determinants of global competitiveness. While traditional GVC discourse focuses on logistics and trade barriers, this paper argues that “Social Infrastructure”—specifically equitable access to higher education—is the engine that moves a nation from low-value assembly to high-value innovation and services.

This research provides an analytical study of the Economically Weaker Section (EWS) Reservation Policy (103rd Constitutional Amendment) between 2019 and 2024. It examines the policy's impact on promoting social harmony and reducing economic discrimination within India's education sector. By providing a 10% quota for the economically marginalized, the policy aims to democratize access to premier academic institutions that serve as the primary conduits for skilled labor in GVC-integrated industries like IT, Pharmaceuticals, and Advanced Manufacturing.

The study explores the nexus between educational equity and labor market resilience. It posits that inclusive education acts as a catalyst for “Upward Functional Power,” allowing first-generation learners to contribute to global production networks. Preliminary findings suggest that the EWS framework has initiated a shift in the socio-economic profile of the professional workforce, potentially mitigating the “skills-mismatch” that often hampers GVC expansion.

Furthermore, the paper highlights how fostering social harmony through affirmative action creates a stable domestic environment—a key factor for foreign investors seeking reliable supply chain partners. The study concludes that the EWS policy is not merely a social welfare measure but a strategic economic tool. To maximize India's GVC participation, the paper recommends stronger institutional linkages between EWS-supported graduates and global industrial requirements to ensure inclusive and sustainable economic growth.

Keywords: *Global Value Chains (GVCs), EWS Reservation Policy, Inclusive Education, Human Capital, Social Harmony, Skill Development, Economic Equity, India (2019-2024).*

Introduction: The Global Value Chain Paradigm and the Indian Imperative

The contemporary global economy is no longer defined by the mere exchange of finished goods across borders; instead, it is characterized by the intricate, fragmented, and geographically dispersed networks known as Global Value Chains (GVCs). In this “unbundled” era of production, a single product—be it a smartphone or a life-saving vaccine—may be designed in one country, sourced from five others, and assembled in a sixth. For an emerging economy like India, the strategic challenge has shifted from basic industrialization to “functional upgrading” within these chains. As India targets a \$5 trillion economy, its ability to transition from low-value manual assembly to high-value innovation, design, and sophisticated services depends entirely on the quality and inclusivity of its human capital.

Historically, GVC discourse focused heavily on “hard infrastructure” —the efficiency of ports, the reliability of power grids, and the speed of logistics. However, this paper posits that in the knowledge-driven 21st century, “Social Infrastructure” is the primary determinant of a nation’s competitive moat (**Sharma, 2018**). Social infrastructure refers to the institutional frameworks that ensure equitable access to high-quality education and healthcare. When a large segment of a nation’s demographic is excluded from premier educational institutions due to economic volatility, the nation suffers from a “truncated talent pool,” which significantly hampers its GVC potential.

The introduction of the 103rd Constitutional Amendment in 2019, providing a 10% reservation for the Economically Weaker Sections (EWS), marks a revolutionary shift in India’s affirmative action paradigm. By moving beyond the traditional rubric of caste to include economic deprivation, the policy aims to democratize the “entry points” of the global economy—institutions like the IITs, IIMs, and NITs. Between 2019 and 2024, this policy has acted as a catalyst for “Upward Functional Power,” ensuring that merit is not stifled by a lack of financial capital (**Deshpande, 2022**). This study analyzes how this inclusive educational framework serves as a strategic economic tool, fostering the labor market resilience and social harmony required to attract long-term foreign investment and move India toward the apex of the global “Smile Curve” of value creation.

Literature Review: The Convergence of GVCs and Social Infrastructure

The academic discourse surrounding Global Value Chains (GVCs) has undergone three distinct evolutionary phases. Initially, the focus was almost entirely on “Transaction Cost Economics,” where firms fragmented production to find the cheapest labor and raw materials. However, as the global economy shifted toward high-tech manufacturing and digital services, the literature began to emphasize “Knowledge-Intensive GVCs.” This transition necessitates a deeper look at how nations prepare their human capital.

- **From Cost-Arbitrage to Skill-Arbitrage**

In the early 2000s, scholars like G. Gereffi identified that the primary driver of GVC participation was “Cost-Arbitrage”—the ability of a country to offer low-wage labor for simple assembly tasks (**Gereffi, 2014**). However, in the 2019–2024 period, this model has become obsolete due to the rise of Industry 4.0 and automation. Modern GVCs now seek “Skill-Arbitrage.”

As noted by R. Baldwin, the “Second Unbundling” of globalization allows for the movement of “ideas” and “talent” rather than just “goods.” For India, this means that the competitive advantage no longer lies in having a large population, but in having a diverse and highly skilled population (**Baldwin, 2016**). The EWS policy is a direct response to this theoretical shift. By ensuring that the “Economically Weaker Sections” are not filtered out of the skill-acquisition process, India is effectively broadening its base for skill-arbitrage.

- **The Concept of “Social Upgrading”**

A critical gap in early GVC literature was the neglect of social dimensions. W. Milberg, & , D. Winkler introduced the concept of “Social Upgrading,” defined as the process of improvement in the rights and entitlements of workers and the enhancement of their quality of employment. They argued that “Economic Upgrading” (moving to higher-value products) does not automatically lead to social upgrading (**Milberg and Winkler, 2013**).

However, recent studies by S.Thorat, & A.Senapati, suggest the inverse is also true: without social upgrading—specifically through inclusive education—economic upgrading is unsustainable (**Thorat and Senapati, 2021**). The EWS policy (2019-2024) acts as a mechanism for social upgrading by providing “Upward Functional Power” to first-generation learners. This inclusivity ensures that the labor market is resilient and capable of handling the sophisticated demands of global lead firms in sectors like Aerospace and Pharmaceuticals.

- **Social Harmony as a Determinant of Lead-Firm Investment**

The literature on Foreign Direct Investment (FDI) has long established that institutional quality is a primary driver of investment. C.D. North famously argued that “institutions are the rules of the game.” In the Indian context, the “rules of the game” regarding reservation have historically been a point of social friction (**North, 1990**).

By introducing the 103rd Amendment, the Indian state addressed a long-standing perception of “exclusionary meritocracy” among the economically disadvantaged in the general category. A. Varshney posits that such inclusive policies create a “Social Moat.” For GVC lead firms, a country that manages its internal socio-economic tensions through proactive policy is a much safer “hub” for long-term supply chain integration than one prone to civil unrest over economic inequality (**Varshney, 2023**).

Conceptual Framework: The “Inclusion-Innovation” Nexus

To understand how the EWS policy strengthens India’s GVC potential, we must look at the Inclusion-Innovation Nexus. This framework suggests that cognitive diversity—born from different socio-economic backgrounds—is a primary driver of industrial innovation.

• The “Missing Middle” and the Innovation Gap

Before 2019, a significant portion of India’s “Missing Middle”—the economically disadvantaged students who did not qualify for caste-based reservations—were often forced into low-skill labor due to the prohibitive costs of private higher education. This resulted in a “Brain Drain” at the bottom of the pyramid. S. Mehrotra identifies this as the “lost Einstein effect,” where millions of potential innovators are lost because they lack the financial capital to access elite training (Mehrotra, 2020).

The EWS policy recovers these “lost Einsteins.” By providing a 10% quota in institutions like the IITs and IIMs, the policy ensures that the workforce entering GVC-integrated industries is not a socio-economic monolith. In high-value services like software architecture or biotech research, diverse problem-solving perspectives are essential. A. Subramanian argues that students from EWS backgrounds often possess a “frugal innovation” mindset (Jugaad), which is highly valued in GVCs looking to optimize costs without sacrificing quality (Subramanian, 2023).

• Labor Market Resilience through Diversification

Resilience in GVCs is often discussed in terms of “inventory” or “logistics,” but R. Azad introduces the idea of “Human Capital Resilience.” A workforce that is socio-economically diverse is more adaptable to economic shocks (Azad, 2021)¹¹. EWS graduates, often being the first in their families to enter the professional workforce, exhibit higher levels of “Labor Market Persistence.” They are more likely to invest in continuous upskilling and are less prone to the high attrition rates seen among the traditional urban elite, thereby providing a stable labor foundation for global production networks.

Sectoral Analysis: Bridging the Education-Industry Gap

The efficacy of the EWS reservation policy (2019–2024) is best observed through its integration with industries that form the backbone of India’s Global Value Chain (GVC) participation. These sectors do not merely require “labor”; they require “specialized human capital” that can adhere to global standards of precision, intellectual property, and digital fluency.

• Information Technology and Business Process Management (IT-BPM)

India’s IT-BPM sector contributes nearly 9% to the national GDP and is the primary vehicle for India’s service-led GVC integration. However, the sector has long been plagued by a “creamy layer” bias, where recruitment was concentrated in urban, elite private institutions.

NASSCOM highlights that the “War for Talent” in the digital age cannot be won by relying on a narrow demographic. The EWS policy has facilitated a “Demographic Dividend 2.0.” By bringing economically marginalized but high-aptitude students into the premier engineering ecosystem (IITs/NITs), the policy has created a pipeline of “Resilient Technocrats” (NASSCOM, 2022).

Empirical observations between 2019 and 2024 suggest that EWS graduates often gravitate toward “Backend Engineering” and “Cloud Infrastructure” roles—areas that are critical for GVC stability but often see high attrition among more affluent graduates. R.Sharma notes that the socio-economic mobility offered by an IT job acts as a powerful motivator for EWS candidates, leading to higher “Organizational Stickiness” (retention), which is a key metric for global lead firms like Google or Microsoft when choosing offshore delivery partners (Sharma, 2021).

• The Pharmaceutical Value Chain: From Generics to Innovation

India occupies a unique position in the global healthcare value chain, providing 20% of the world’s generic medicines. To move into “High-Value Biologics” and “Drug Discovery,” the industry requires a massive influx of research scientists.

Historically, the cost of specialized pharmaceutical education and the long gestation period of Ph.D. programs acted as a deterrent for students from low-income families. The EWS policy has disrupted this barrier. By reserving seats in top-tier pharmacy and biotech institutes, the policy ensures that “Intellectual Capital” is harvested from a broader economic base.

S. Chaudhuri argues that the pharmaceutical GVC requires a “diversity of thought” to tackle global health challenges. EWS students, often coming from backgrounds with lived experience of public health challenges, bring a “Social Purpose” to their research. This aligns with the global shift toward “Impact-Driven GVCs,” where multinational corporations (MNCs) are increasingly evaluated on their contribution to global equity and sustainable development goals (SDGs) (Chaudhuri, 2022).

- **Advanced Manufacturing and “China Plus One” Strategy**

As global firms adopt a “China Plus One” strategy to diversify their supply chains, India has emerged as a frontrunner for electronics and automobile manufacturing. However, advanced manufacturing—unlike traditional factory work—requires “Technician-Level Engineering.”

The EWS policy has played a subtle but significant role in the Skill India Mission. By opening up prestigious vocational and technical training institutes to the economically weaker sections, the policy provides a workforce that can operate sophisticated CNC machines and automated assembly lines. World Bank posits that India’s ability to compete with Vietnam or Thailand in the electronics GVC depends on its “Middle-Skill” workforce. The EWS framework ensures that this middle-skill segment is inclusive, reducing the risk of “Internal Brain Drain” where talented youth from poor families are forced into the informal economy due to a lack of educational access (World Bank, 2024).

Quantitative Insights: The 2019–2024 Trajectory

An analytical study of the last five years reveals a clear correlation between inclusive education and labor market readiness.

- **The “Aspirational Shift” in Tier-2 and Tier-3 Cities**

One of the most profound impacts of the EWS policy has been the “Geographic Democratization” of talent. Before 2019, the path to a GVC-integrated job was largely seen as an urban privilege. S. Subramanian provides data suggesting that EWS enrollment in professional courses has seen a 14% higher growth rate in Tier-2 cities compared to Tier-1 metros (Subramanian, 2023).

This shift is crucial for GVCs because it allows for the “decentralization of production.” Global firms can now look at secondary cities like Pune, Coimbatore, or Indore as potential hubs, knowing that the local educational institutions are producing a diverse and “EWS-supported” talent pool that is ready for global integration.

- **Mitigating the “Skills-Mismatch”**

A perennial critique of the Indian education system is the gap between academic curricula and industrial needs. R. Azad argues that inclusive policies like EWS force a “Pedagogical Evolution.” When institutions admit students from diverse economic backgrounds, they are often pushed to adopt more practical, “Outcome-Based Education” (OBE) to ensure these students are employable (Azad, 2021)¹⁷. This focus on “employability” directly benefits GVCs, which require workers who can hit the ground running with minimal on-the-job training.

Challenges and Structural Barriers to GVC Integration

While the EWS Reservation Policy (2019–2024) has successfully democratized access to the “ivory towers” of Indian education, the transition from the classroom to the high-stakes environment of Global Value Chains (GVCs) remains fraught with obstacles. Access to a seat in a premier institution is a necessary condition, but it is not a sufficient one for global competitiveness.

- **The “Cultural Capital” Gap and Corporate Networking**

In the high-value services sector, particularly in Management and IT Consulting, recruitment often relies on “Social Capital”—the informal networks, shared linguistic nuances, and “pedigree” that students from affluent backgrounds inherit. Students entering through the EWS quota often lack these invisible assets (Thorat, 2020). In GVC-integrated firms, where cross-border collaboration is the norm, the ability to navigate Western corporate etiquette and “Global English” is often conflated with technical competence. Consequently, EWS graduates may find themselves relegated to “back-office” roles even if they possess superior analytical skills (Sharma, 2021).

- **The Digital Divide and Industry 4.0**

The period between 2019 and 2024 coincided with a massive digital pivot in global production. GVCs are now increasingly “Digital Value Chains” that require proficiency in high-end computing, data analytics, and remote collaboration tools. However, a significant percentage of EWS students come from households with limited access

to high-speed internet and personal computing devices. This creates a “Secondary Digital Divide” within the elite institutions themselves, where the “haves” and “have-nots” have vastly different levels of hands-on exposure to the tools of the modern global economy (Sharma, K.,2021).

- **Financial Sustainability and “Drop-out” Pressure**

Even with tuition waivers, the “opportunity cost” of higher education remains high for EWS families. The pressure to contribute to the family income often forces brilliant EWS students to accept “safe,” low-value jobs immediately after graduation rather than pursuing the specialized R&D roles or higher studies that lead to “Functional Upgrading” in GVCs. Without a robust system of “Living Stipends” alongside tuition reservation, the potential of these students to move India up the “Smile Curve” remains underutilized (Azad,2021).

Strategic Recommendations for 2030

To maximize the economic dividends of the EWS policy and ensure it functions as a strategic tool for GVC expansion, the following institutional interventions are recommended:

- **GVC-Aligned “Finishing Schools”**

The government, in partnership with Industry bodies like NASSCOM and FICCI, should establish “GVC Finishing Schools” specifically for EWS graduates. These programs should focus on “Soft Skill Remediation,” including business communication, intercultural competence, and advanced digital literacy. By bridging the “Cultural Capital” gap, these institutions can ensure that EWS talent is not just “qualified” but “globally deployable” (NASSCOM, 2022).

- **Corporate Social Responsibility (CSR) Linkages**

The Companies Act should be amended to incentivize MNCs to utilize their CSR funds for “GVC-EWS Scholarships.” These scholarships should go beyond tuition to cover the cost of high-end laptops, international internships, and professional mentorship. By “adopting” EWS scholars, global lead firms can build a loyal, diverse, and highly skilled talent pipeline that is specifically trained to meet their unique supply chain requirements (World Bank, 2024) .

- **Promoting “Frugal Innovation” in GVC R&D**

India’s unique contribution to GVCs could be “Affordable Excellence.” EWS students, who have often grown up navigating resource-constrained environments, are natural “Frugal Innovators.” Research parks within IITs and IIMs should create “EWS Innovation Incubators” that focus on developing low-cost solutions for global challenges in healthcare, energy, and agriculture. This would allow India to define a new niche in the Global Value Chain—one that is not just about “low cost” but about “inclusive innovation” (Subramanian, 2023).

Conclusion: The Inclusive Path to a \$5 Trillion Economy

The analytical study of the EWS Reservation Policy between 2019 and 2024 reveals a policy that is at once a social welfare measure and a sophisticated economic strategy. As India maneuvers through the complexities of a “post-globalization” world—marked by shifting supply chains and the rise of AI—the traditional sources of competitive advantage are eroding. In this new landscape, the only sustainable “moat” is a workforce that is technically elite, socio-economically diverse, and structurally resilient.

The EWS policy has initiated a vital shift in the socio-economic profile of India’s professional workforce. By opening the doors of “islands of excellence” to the economically marginalized, India is effectively broadening its innovation base. This study concludes that “Social Infrastructure” is not a secondary concern but the primary engine of GVC participation. Inclusive education acts as a catalyst for “Upward Functional Power,” allowing a new generation of Indians to transition from being “task-performers” to “value-creators.”

However, the journey is far from complete. The success of the EWS framework in 2030 and beyond will depend on the strength of the “Institutional Linkages” between the classroom and the global market. If India can successfully bridge the gaps in soft skills, digital access, and social capital, the EWS policy will be remembered not just for its pursuit of “Social Harmony,” but as the strategic masterstroke that secured India’s place at the heart of the Global Value Chain. The message to the global investor is clear: India’s growth is no longer just for the few; it is powered by the many (Deshpande, 2022).

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