



Thinking Differently About Better Jobs: Lateness and Structural Change

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Prelude: Lateness and employment job prospects



Rich-country experience of jobless growth experienced late industrialization in labor-abundant India, growth is unhinged from employment

Late industrialization as a process of development is different from early industrialization

Classical structural transformation from agriculture to industry is no longer tenable because of the type of “lateness”

Also, agrarian question no longer on the agenda

Persistence of the informal sector, informalization of the formal

Services transformation limited due to skill-, education, and technology-bias

Need to think differently about jobs

Outline of the paper

Why lateness is a challenge for good jobs in India

- Industrialization space crowded (Asian industrialization: China, SE Asia, and East Asia)
- Services revolution is not as labor-absorbing as manufacturing
- Lack of agrarian transformation and pre-mature deindustrialization leading to self-employment and casual work

Examine nature of jobless growth

- Employment elasticities
- Dominant explanations

An alternative historical-structural explanation (HES)

Rethinking structural change for employment

Output and Employment Growth and Employment Elasticities (1981-82 to 2004-05)

A. Employment creating growth	Growth in Gross Value Added (% per year)	Growth in Employment (% per year)	Employment Elasticity
Wearing apparel	15.5	0.71	0.64
Leather tanning	6.93	3.54	0.51
Paper, paper products	3.84	1.24	0.32
Rubber, plastics	11.28	3.96	0.35
Furniture, manufactures	8.06	5.37	0.67
Total of A	8.64	2.26	0.26
B. Job displacing growth			
Textiles	4.96	-0.53	-0.11
Wood, wood products	0.09	-1.57	-16.55
Publishing, printing	0.35	-1.44	-4.07
Basic metals	7.13	-0.09	-0.01
Other transport	6.79	-2.44	-0.36
Total of B	6.05	-0.45	-0.07
All manufactures	7.41	0.78	0.10

Source: Annual Survey of Industries in Kannan and Raveendran 2009: 84.

Net Increase in Sectoral Employment and GDP Growth (2004-05 to 2009-10)

	Net Increase in Employment (millions)	Growth of GDP (%)
Agriculture, etc.	-21.1	4.1
Mining and quarrying	0.4	
Manufacturing	-3.7	10.5
Electricity, gas, water	0.0	
Services and construction	25.0	10.5
Construction	18.1	9.6
Trade, hotels, transport, communication	3.9	10.5
Finance, real estate, business services	2.3	13.4
Community, social, and personal services	0.7	8.0
Total (employment & GDP)	1.2	8.6

Source: NSSO in Thomas (2012): 41.

Contribution of Manufacturing to GDP 18.7%
And to employment -16.6% during same period)

Some hypothetical reasons for jobless growth

Persistence of the informal sector (non-wage employment)

Inability of the formal sector to create jobs

- Not deep enough economic reforms
 - Labor market reforms (but already circumventing through contract labor, under hiring and adopting capital-intensive methods)
 - If 90% of garment firms 8 or fewer workers then could hire more since IDA kicks in for 100 workers or more
- Supply bottlenecks
 - Credit, electricity, inputs
 - Ease of doing business
- Corporate business strategies
 - Capital-intensive production (rising capital-labor ratio)
 - Squeezing workers by hiring few

Historical structural explanation

Agrarian transition is incomplete, lagging (no Lewisian turn)

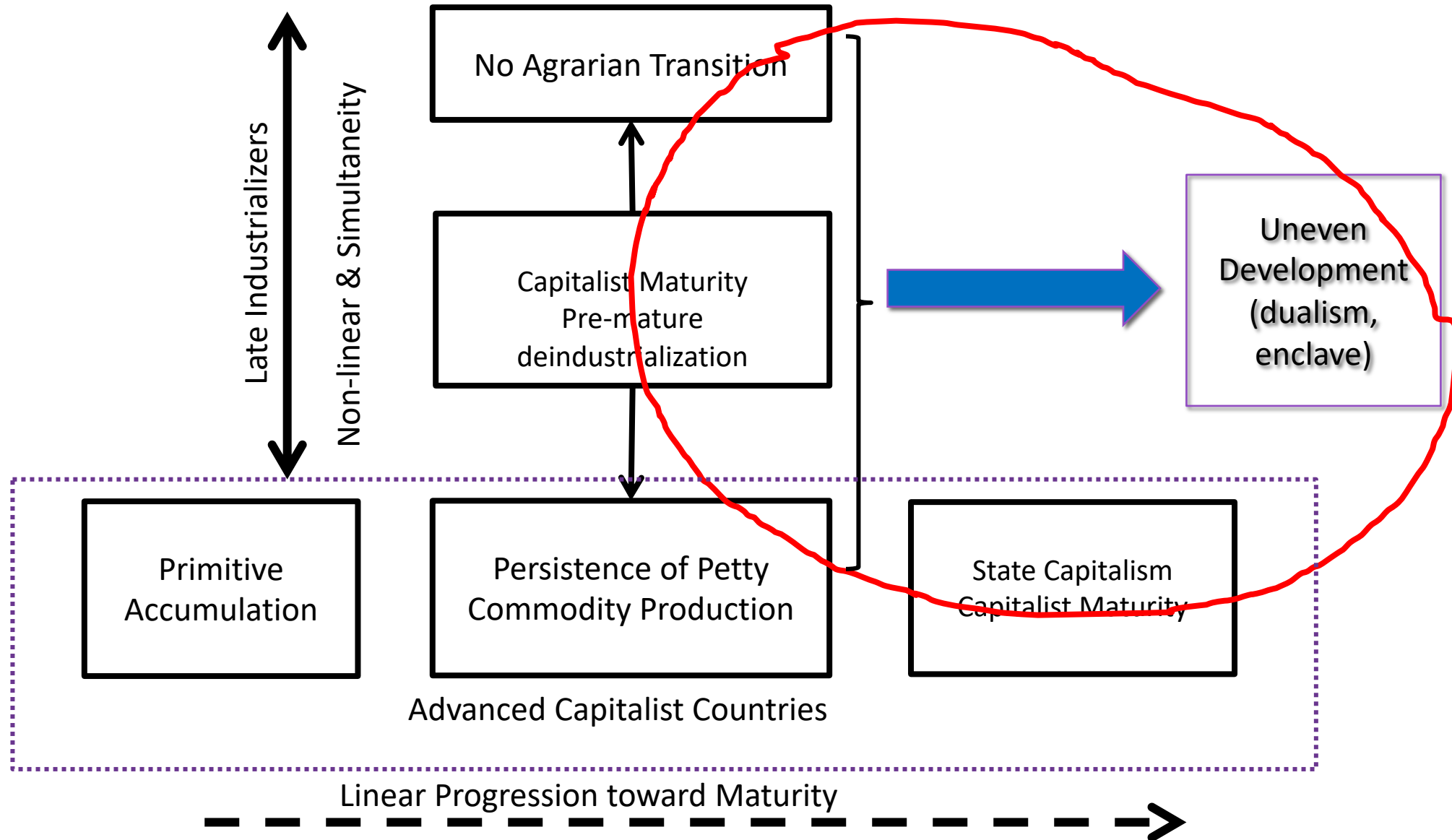
State's "big push" with industry for transformation exhausted despite leapfrogging in some sectors (regulation, declining investment)

Enclave modern economy in the midst of persistent informal sector (labor reservoir)

Symbiotic relationship between the formal and informal sectors

Structural stalemate of compressed capitalism (advanced, lagging, persistent sectors)

Structural Stalemate Under Late Industrialization (HES)



Source: D'Costa, A.P. (2016). Compressed Capitalism, Globalisation and the Fate of Indian Development, in S. Venkateswar and S. Bandyopadhyay (eds) Globalisation and the Challenges of Development in Contemporary India, Singapore: Springer, pp. 19-39.

Rethinking employment

Jobless growth with 16 million new jobs a year needed plus 120 m surplus and unemployed

Cheapening of capital that encourages capital-intensive production

GVCs are well-established, recent tariff war could rearrange GVCs but India may not be the place

Structural change of the Lewisian kind ruled out, focus on long term gradual shifts through labor-intensive simple production and services jobs, a “place-holding” strategy while sorting out social transformation

Not just investment but also lack of purchasing power

In addition to the usual forms of intervention from the supply side (the EODB in India)

- Focus on the handloom sector to sustain jobs that already exist through branding/marketing (see Viswa Banga), 7 million direct and indirect employment (75% SC/ST, OBCs, women)
- Focus on the underleveraged tourism sector (48.9 m in 2004; 37.3 m in 2015, Turkey with 80 m people attracted 40 million foreign tourists)
- Political rebalancing of state-business relationship in favor of workers