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Industrial Employment and Inclusive Growth:A Perspective of Decent Work Agenda

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Abstract

This paper attempts to examine the interconnections between decent work, stagnating manufacturing sector, and possibilities of making economic growth inclusive in India's context. As revealed by the Annual Survey of Industries database, the manufacturing secctor displays the onset of de-industrialisation prematurely in India from the latter half of 1980s onwards. This is not a healthy sign for generating decent work for economic inclusion of masses. There must be some inappropriate policy interventions for industrial development over the past many decades that the desirable growth in decent jobs couldn't be materialised. In view of Sustainable Development Goals(SDGs), we argue that India's industrial policy framework can't afford to ignore labour absorbing structural transformation led by manufacturing sector growth.

Keywords:
Decent Work,Industrial Employment,Inclusive Growth,Manufacturing, Informalisation

1. Introduction

Sustainable Development Goals[1](SDGs) seek to guide countries to sustain economic growth as well as economic development. SDG 8 with all its ten targets has the mandate to increase inclusive growth by raising decent employment is very relevant for India. The goal is very promising for the India given its huge size of informal labour[2].It is deeply integrated with small size and under achievement of the manufacturing sector(Ahluwalia, 1991).

[1]17 SDG goals comprising 169 targets are aiming to promote sustainable development worldwide till 2030 concerning economic, social, and environmental dimensions of life.

[2]As per NCEUS,2009, 92 percent of total workforce is employed in informal works in India

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The contribution of the manufacturing sector to employment generation and gross domestic product (GDP) has not changed much. It employs about 13per cent of total labour force and produces 16 per cent of total GDP (IHD, 2014). The challenges for the manufacturing sector are grave since the global production process has become technology driven, capital intensity has increased. This has paved the way for informalisation of labour has emerged as a dominant trend in India's manufacturing sector. Unlike Korea, Malaysia,China, and Taipei, rapid shift of excess labour from agriculture to non-farm sectors is still to happen in India(Sen, 2016).

The quantity and growth of decent work depends on nature and forces of economic growth. Economic growth must be inclusive by generating adequate employment for the growing labour supply. The Indian economy had achieved relatively high economic growth in the post-reforms period. However, it was largely a 'jobless growth' despite India being one of the fastest emerging economies of the world. Moreover, it could not be sustained in the aftermath of the world financial crisis of 2007. It owes to low achievements of the manufacturing industries not only in the pre-reforms, but also after the economic reforms were introduced.

Decent work is just a derivative of inclusive growth and a big diversified manufacturing sector is inevitable for achieving, raising, and sustaining such growth. However, unless the manufacturing sector is overhauled and appropriate structural transformation is made possible, the decent work agenda in particular and fruitfulness of SDGs would hardly make any sense to Indian economy. We argue that the road to India's inclusive growth has to pass through the labour absorbing economic growth.

The remainder of the paper has been divided into four sections. Section 2, discusses the performance of India's organised manufacturing sector. Section 3,dwells on the nature of growth of manufacturing employment since the early1990s. Section 4 underlines the need for decent work for achieving inclusive growth. Section 5, the concludes the paper.

2. The Dynamics of Manufacturing Sector Performance

Even as the policies of market economy contributed to raise India's industrial productivity and thus manufacturing growth, the desired growth of decent jobs could not be generated. Many research studies have carried out analysis of the productivity growth after 1991. Isaksson (2007) emphasised that factors like human capital, infrastructure, economic openness, competition, financial development, innovation and research & development, ge ography and capital intensity, and quality of capital are main determinants for improving the performance of manufacturing sector. So, any technology transfer in a developing country must lead to absorptive capacity creation.

Figure 1: India's Manufacturing Sector Performance Across BRICS group(%)

This capacity can be created by investing into human capital and R&D without which trade openness might not benefit developing countries. However, in India's context, the labour absorbing capacity was not built up which would have led to fundamental changes in the economy for structural transformation.

Das et al. (2003) analysed the changes in TFPG rate during 1980-81 and 1999-00 on the basis of data for 75 three-digit industries to understand the dynamics of TFP changes under different trade regimes. He found that the TFPG recorded huge falls during the 1990s and 1980s across industries. The growth was positive for the capital goods industries only, whereas it was negative remaining industries. There were two possible explanations for this. Firstly, restrictions faced by industrial production in the forms of import compression, tight-money policy, inflationary pressures, and fiscal contraction. Secondly, frequency of mergers towards the end of 1995 and constraints on the labour market also discouraged TFPG.

In labour surplus countries like India, growth and expansion of the manufacturing sector is essential for sustaining economic growth and structural transformation. The job creation also depends on the strength and resilience of an economy to consistently produce higher value added and raise productivity. The expansion of manufacturing sector will produce employ

Table 1: Performance of manufacturing industries across states(2014-15)

State	output	inputs	TPE	NVA
Punjab	1.69	1.73	3.98	1.54
Uttaranchal	3.21	2.90	4.13	5.09
Haryana	5.72	5.83	5.98	5.21
Rajasthan	3.02	2.96	3.89	3.32
Uttar Pradesh	6.35	6.43	7.57	5.97

West Bengal	4.25	4.64	4.61	2.20
Gujrat	22.87	23.88	11.12	17.68
Maharashtra	16.79	16.09	16.72	21.14
Andhra Pradesh	4.15	4.58	3.60	1.37
Karnataka	4.61	4.35	5.33	5.80
Tamil Nadu	9.61	9.83	11.23	8.25
Telangana	2.71	2.50	4.64	3.98
Total	100	100	100	100

Source: Author's estimates based on ASI data

ment generating growth and promoting labour absorbing structural transformation(Goldar, 2011; Haraguchi and Rezonja, 2012). However, at present,currents of global political economy does not provide much respite for India specific structural transformation which essentially needs a massive shift of labour away from agriculture to the non-agriculture sector.

Figure1 reveals the performance of India's manufacturing sector in cross country perspective.Table1 highlights performance of the manufacturing across states. The majority of economic activities take place in unorganised sector where neither productivity nor wage income is high. Another very prominent feature is that agriculture and allied activities still employ sixty percent of the workforce. India's occupational pattern has not changed much in past many decades. This seems to be a prominent factor behind contractualisation and casualisation in India.

Unlike other developing countries of Asia, India's manufacturing sector has not withdrawn surplus agricultural labour. Still, the distribution of employment is concentrated in the agriculture (49%) followed by the services sector (27%). The manufacturing sector employs only 13 percent of workers. In the past seven decades, all kinds of policy implementations have succeeded in shifting a thin share of surplus labour from agriculture(Sharma, 2014).Such transformation inevitably necessitates the manufacturing sector's growing share.

The patterns and forces of industrialisation decide behavioral changes in the labour market. It hinges upon various factors such as industrial policy, investment, technological progress, trade openness, infrastructure-both economic and social, demographic transition, to socio-cultural and historical conditions in a country. The cross-country experience shows different forms and paths of industrialisation. However, the manufacturing sector is considered to be an instrumental force for shaping labour market. The size and structure of manufacturing sector plays a key role deciding shape of structural change(Goldar and Aggarwal, 2010). We argue that even as productivity growth boosted India's economic growth, it failed to spawn desirable growth of decent jobs in India.

3. Trends in Industrial Employment

Even as productivity growth got translated into high economic growth in India, it has not created much impact on problem of unemployment(Thomas, 2012; GoI, 2017).Economic growth potential can only be realised if necessary institutions are set up for enhancing total factor productivity growth(Acemoglu and Robinson, 2005; Birdsall et al., 2005). On both these fronts, a lot needs to be improved in India. Another important issue relates to sustenance of economic growth as it has got very sensitive to external shocks and economic crises-in the post-reform period.

To deal with uncertainties of the global economy, the employers have either replaced labour by capital or adjusted labour cost in order to meet competition in the external market. Most of the employment growth has happened in the informal sector as revealed by table 2.Employment growth suffered from capital intensity, closure of factories and informality of work(Papola, 1994). However, employment pattern and structure of workforce have not undergone any path-breaking change

Table 2: Employment(PS+SS)distribution by sector and type(million)

Sectors	1999-00			2004-05			2009-10			2011-12			2017-18		
	SE	RE	CL	SE	RE	CL	SE	RE	CL	SE	RE	CL	SE	RE	CL
Agriculture	142	3.5	101	172	2.9	93.3	147	2.1	96	151	1.9	78.9	145	11	48
Manufacturing	22.2	13	7.6	29	16	9.3	25	16	9.8	29	21	9.9	18	32	6
Non-manufacturing	3.2	2.6	14.5	4.8	3	21.6	5.3	4.1	39	5.7	5.3	44.3	10	8	41
Services	43.2	37	9.8	55	44	8.2	58	49	9.7	62	57	8.8	63	73	8
Total	211	56	133	261	65	133	235	72	154	248	85	142	236	124	103

Source: Mehrotra,et al(2014)& PLFS,2018-19
Note: SE-Self Employed, RE-Regular Employed, CL-Casual Labour

In the post 1991 era, the countries of Korea,Taiwan,Indonesia, have grown as the fastest industrial economies. Despite that TFR had not grown uniformly across the region. The physical capital per worker and total factor productivity contributed to China's growth. Labour productivity also contributed to the growth. The contribution of rising LFPR and growth of young population were not insignificant either. By contrast, increase in the working age population and labour productivity growth contributed to the per capita economic growth of India and Indonesia.The labour productivity growth(7.4%) was highest in China.

Table 3: Annual average growth of contract workers(%),1999-2019

Industry	1999-2004	2004-09	2009-14	2014-19
Low tech industries				
Food products & Beverages	5	9	2	2
Tobacco products	82	2	-14	-14
Textiles	2	11	3	3
Apparels,Dressing & Dyeing of fur	29	46	3	3
Tanning and dressing leather	17	9	18	18
Wood & products	37	24	7	7
Paper & paper products	14	10	2	2
Publishing,Printing & recorded	32	18	15	15
Furniture & mfg	8	17	9	8

Medium tech industries				
Coke & refined petro	21	34	-4	4
Basic Metals	2	29	5	11
Rubber & plastics	24	23	17	1
Other non-metalic products	5	27	8	12
Fabricated metal products	25	24	8	2
High tech industries				
Chemicals& Chemical products	12	15	14	3
Office,accounting, and computer	34	41	4	8
Machinery Equipments	11	36	4	18
Electrical equipts	11	47	12	2
Medical, precision and optical	29	17	1	2
Motor Vehicles, trailors	27	40	15	10
Other Transport Equipts	-9	28	10	7
All Org Mfg Industries	12	17	5	8

Source: Author's estimates from ASI data

India's demographic dividend can be utilised provided the, skilling of labour is prioritised. The provision of formal apprenticeship can work wonders in this respect as was done in the USA,Japan, and Germany. However, contractual employment has increased fast in the post reforms era in India as revealed by table3. We argue that contractual employment will not contribute to inclusive growth.

4. Inclusive Growth and Significance of Decent Work

Inclusive growth requires a growth strategy that not only promotes economic efficiency, but also promotes social inclusion by following'pro-labour' policies without ignoring genuine concerns of employers. In other words, the economic growth process has to create economic opportunities, economic inclusion, besides improving macroeconomic and financial supervision.

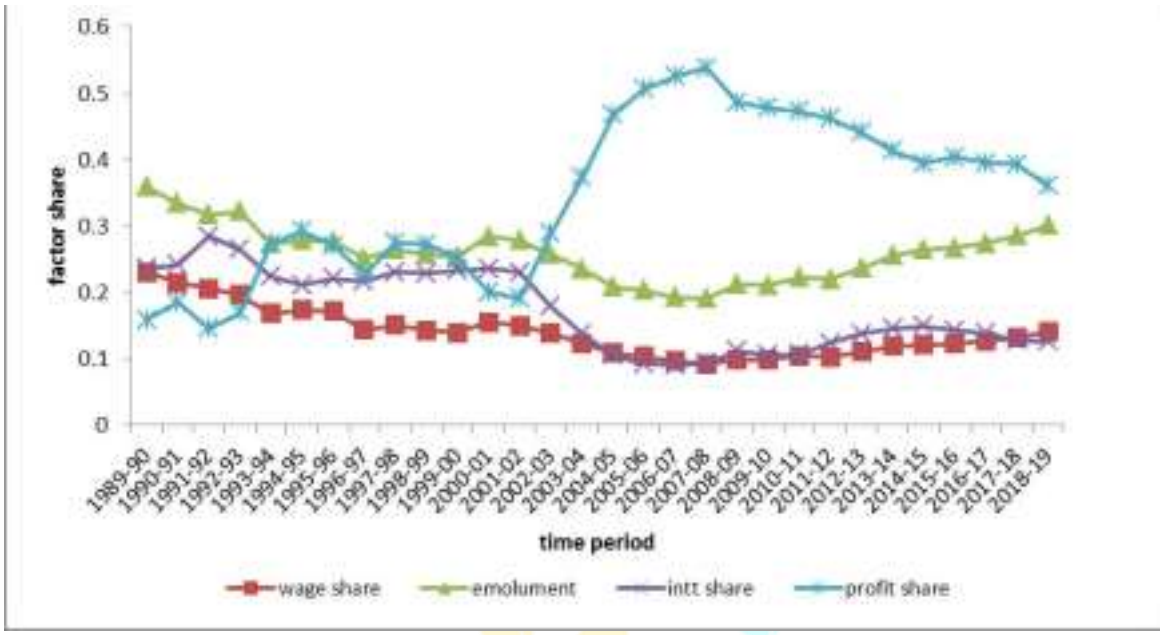

Figure 2: Distribution of manufacturing value added,1990-2019

With the ascent of market economy theories, labour interests have been pushed to the peripheries both in theory and practice. The labour came under all kinds of threats not only from the employers, but also from the state within a country through various deregulation measures taken as part of economic integration. Moreover, technological progress in developed countries enabled industries to catalyse pro-capital changes globally.As a result, employers have increased their claim and control of production vis-a vis labour. Technological progress brought about labour market flexiblility in many ways. There are various other kinds of inter-linkages across political economy, industrial policy, and local conditions of a specific country that have helped such flexibility to grow.

In principle, high growth boosts employment growth in the economy. The New Economic Policy of 1991 was launched with this optimism. The structural changes enhanced labour and product market flexibility in the post reforms period. Thus capital intensive technology will dominate the production process. As revealed by figure2, even if employment has increased in organised manufacturing, wage share has declined quite drastically. We argue that low wage share in manufacturing value added is not going to improve the income level of the majority of workers.

5. Concluding Remarks

This paper attempted to examine issues that hold back the manufacturing sector, stunt the growth of decent work, and failure of inclusive growth to come by not just in planned economic periods, but also under market economy. Among various challenges, India's failure to achieve desirable structural transformation is the most severe that could have solved the issue of decent work agenda. Although economic growth did increase after the reforms period, it could not produce required jobs. This doesn't sound encouraging if decent work has to be generated to promote inclusive growth. As of now, absorbing a huge workforce and reducing the volume of under-employment are the biggest policy challenges. In the light of SDGs, the industrial policy framework must create a support system for small and medium industries. The policy framework must reduce the size of the unorganised sector for giving a big push to small enterprises. Otherwise, inclusive growth will not materialise.

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