

## IMPROVING DECENT WORK AND EMPLOYABILITY TO REVIVE SUSTAINABLE DEVELOPMENT GOALS

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### **Abstract**

*During the last one and a half decades or so a number of developed as well as developing countries have been experiencing growth in GDP with meagre or even stagnant growth in employment - characterized as the phenomenon of Jobless growth. India too is passing through a phase of Jobless growth as revealed by significant deceleration of employment growth.*

*The new economic policies have further aggravated this situation. Increasing in formalisation casualisation and contractualisation, have also raised the questions about the quality of most of whatever new jobs are being created? And a disconnect between unemployment and poverty and between employment generation and poverty reduction has added another rather intriguing dimension to the employment debates. Growth without jobs is meaningless. The indication that a higher GDP does not automatically lead to more jobs was clearly visible in this era when despite a high growth exceeding 8.3 per cent on an average, only 1.5 crore jobs were created in 10 years (2004 to 2014). To counter the phenomenon of jobless growth, it would be desirable to reallocate investment in a decentralized pattern so that the benefits of investment percolate to the rural areas rather than getting restricted to metropolitan locations. Instead of moving rural people to infrastructures in urban areas, it would be more fruitful to take infrastructures to the rural people. Right to work should be treated as a fundamental right of every citizen. Promote inclusive and sustainable economic growth, employment and decent work for all. To revive Sustainable Development Goal (SDG) 8, which aims to promote “economic growth, full and productive employment and decent work for all,” there is need to improve the employment climate in the region, government should accord priority to investment in physical and human*

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*capital, institution development and in the infrastructure development.*

**Key words:** *GDP, Employment, Growth, Investment, Human Capital.*

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## Introduction

Work is part of everyone's daily life and is crucial to one's dignity, well-being and development as a human being. Economic development means not only creation of jobs but also working conditions in which one can work in freedom, safety and dignity i.e. The transition from informal employment in the unorganized sector towards formal employment in the non-agricultural organized sector. There has been a slight structural shift in employment away from agriculture towards the non-manufacturing. (Mehrotra et.al.2012).The economic reforms of 1991 have enabled the Indian economy to cross the barriers of Hindu rate of growth. The gradual dismantling of industrial licensing, removal of import licensing for nearly all manufactured and capital goods; tariff reduction and relaxation of rules for foreign investment were all focused to improve the industrial efficiency, productivity and competitiveness of manufacturing industries on the one hand, and on the other, its spillover effects were expected to increase employment opportunities for the skilled, semi-skilled and poor people. The first problem area as revealed in the NSS data is that there has been hardly any change in the size of the workforce in the country. In other words, there has not been any significant increase in employment opportunities. (Chowdhury 2011)

What is most responsible for the manufacturing job losses? A skills mismatch—the gap between the skills workers have and the skills employers need—has also contributed to the decline of manufacturing employment. The change in skills required to perform new tasks in manufacturing, along with import competition and a decline in mobility, have contributed to the decline of employment rate for manufacturing since 2000. This decline has been even more persistent than those of other periods (Hernandez 2018). The growth of manufacturing sector is not supporting the manufacturing employment- Rather the investment in capitalare in favor in technological up gradation that increase the labor productivity. This has resulted into restructuring and readjustments of the manufacturing and the employment

sector. After 2003-04, the continuous increase in fixed capital per unit, labor productivity has increased. This indicates that the growth of productivity, GVA per unit in relation to persons employed is an evidence of technological oriented manufacturing growth. Majority of the scholar have found adverse relationship between growth of manufacturing output and employment (Jain 2015).

### **Declining Labor Intensity in Indian Manufacturing**

Why have we seen a sustained decrease in labor intensity across all industries over time in organized Indian manufacturing? There are two standard explanations for the weak performance of labor-intensive sectors in India. The first highlights the stringent nature of labor laws in India. Several papers have shown that stringent employment protection legislation—among the most protective of formal workers in the world—has reduced the incentive of firms, especially those in the purview of employment protection legislation, to hire workers on permanent contracts and pushed them towards more capital-intensive modes of production than are warranted by the existing cost of labor relative to capital. For example, Gupta et al (2009) find that Indian states with relatively inflexible labor legislation have experienced slower growth in labor-intensive industries and slower employment growth overall. Saha et al (2013) find that states with labor legislation that favor permanent workers have shown a higher growth of contract workers relative to regular workers. The second explanation highlights a range of supply-side factors, such as infrastructural bottlenecks, poor skills and low literacy rates among unskilled workers as possible reasons why firms are substituting capital for labor. Labor intensity is defined as a ratio of the total number of workers to real fixed capital. Thus, various studies have documented surprising decline of labor intensity in organized manufacturing. According to Sen & das (2015) study labor intensity fell from an average of 1.45 in the 1980s to 0.33 in the 2000s. What is remarkable is that the decline has also taken place in labor-intensive industries, where labor intensity fell from an average of 3.34 in the 1980s to 0.78 in the 2000s, why labor intensity in the labor intensive sectors of organized manufacturing fell steadily over time. While the standard explanations for the weak performance focus on labor laws, infrastructure and lack of skills in the workforce in the manufacturing in India. An

alternative explanation—a sustained rise in the real wage to rental price of capital ratio. After trade reforms in the post 1991 period the prices of machines fell steadily relative to the price of labor, and increasingly made firms in the organized sector substitute machines for labor. This fall in the relative price of capital may have led to an increase in the rate of private fixed investment in machines, and consequently, economic growth, it changed the incentive structures of firms to hire labor, and enabled them to quickly adopt machines in their workplaces. Thus, the sharp rise in capital intensity in the manufacturing sector is the main driver for decreasing labour intensity in India can be attributed to the response to scarcity of skills would be increased use of capital per worker or rising capital intensity while saving skills which is the scarce factor.

**Table:1 Growth of Value addition and Employment**

Time		Gross Value added	Employment	Capital Intensity
1990/91-1994/95	I	9.13	2.00	19.77
95/96-99/00	II	3.40	-1.68	-7.28
00/01-04/05	III	5.89	1.08	8.11
05/06-11/12	IV	13.62	6.79	21.04

Source:Roy(2014)

Table 1 shows the trends in Gross value added, employment and capital intensity in organized manufacturing sector. For this time period is divided into four periods for analyses: 90/91-94/95 (I); 95/96-99/00(II); 00/01-04/05 (III) and 05/06-10/11 (IV) can be considered as clearly the periods after reforms in India which were taken in 1991.

The growth of gross value added increased sharply in the fourth period and the rise took place along with high growth in employment. In the second and third period the growth of GVA was relatively less. The growth in employment might be explained by increase in the allowance of contract workers in the factory segment and this is primarily because of relaxing the

labour laws in some states. The capital intensity has increased but it did not result in a similar growth of employment.

### What does “decent work” mean?

Decent work means opportunities for everyone to get work that is productive and delivers a fair income, security in the workplace and social. Protection for families, better prospects for personal development and social integration. It is also important that all women and men are given equal opportunities in the workplace. A continued lack of decent work opportunities, insufficient investments and under-consumption lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress.

### What can we do to fix these issues?

Providing youth the best opportunity to transition to a decent job calls for investing in education and training of the highest possible quality, providing youth with skills that match labor market demands, giving them access to social protection and basic services regardless of their contract type, as well as levelling the playing field so that all aspiring youth can attain productive employment. Regardless of their gender, income level or socio-economic background. Governments can work to build dynamic, sustainable, innovative and people-centered economies, promoting youth employment and women’s economic empowerment, in particular, and decent work for all. Local authorities and communities can renew and plan their cities and human settlements so as to foster community cohesion and personal security and to stimulate innovation and employment.

**Table 2: Total Employment by Sectors (in millions)**

Sector	2004-05	2011-12
Agriculture	268.6	231.9
Manufacturing	53.9	59.8
Non-manufacturing	29.4	55.3
Services	107.3	127.3
<b>Total</b>	<b>459.1</b>	<b>474.2</b>

Source: Kapoor (2017)

Table 2 depicts the employment share of different sector in two different periods.

**Table 3: No of Employees in Manufacturing/Factory in India**

		1994-95	2000-01	2005-06	2011-12
<b>Organised manufacturing</b>		9103000	7988000	9038523	13429956#
<b>Unorganised manufacturing</b>		33202646	37080000	36442799	34888000*
	OAME	22651894	25060000	23687294	20844000*
	NDME	4893614	5560000	5779412	14044000*
	DME	5657138	6460000	6976094	

Source: CSO &NSSO

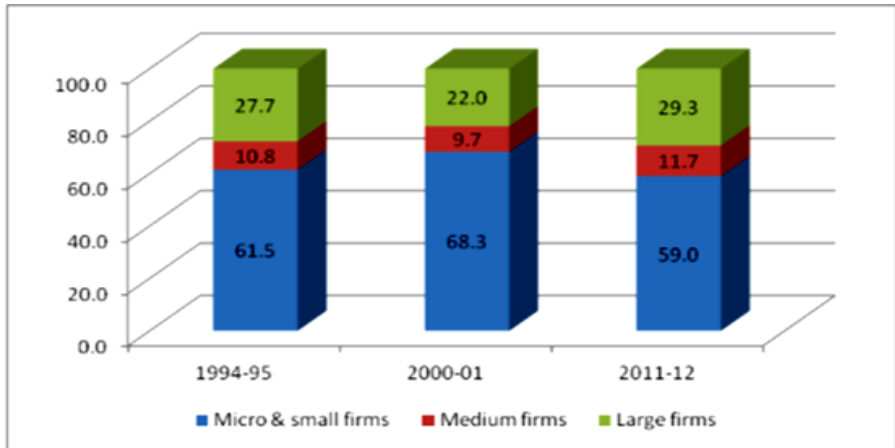
Table 3 highlights no of employees engaged in organized and unorganized manufacturing sector in India. It reveals that organized manufacturing has less person employed as compared to unorganized manufacturing. Thus, asymmetry has been found between organized and unorganized manufacturing for all periods in India. Data on employment in organized manufacturing is collected in the Annual Survey of Industry (ASI) conducted by the Central Statistical Organization of the Ministry of Statistics and Program Implementation (MOSPI). Data on employment in the unorganized sector is compiled in the Reports of National Sample Survey Office (NSSO), also of the same Ministry. The NSSO datasets comprise data relating to own account manufacturing enterprises (OAME), which are run without hired workers, directory manufacturing establishments (DME), which employ six or more workers and non-directory manufacturing establishments (NDME), which employ less than six workers.

### Effect on firm size distribution

It would be seen that while employment in organized manufacturing remained pinned down at the level of a little above 13 million even after the impressive increase in recent years, employment in unorganized manufacturing was nearly three times as much, even though it accounts for only one-third (Economic Survey, 2013-14) of manufacturing output. Analysis of data on the numbers employed by firms of different sizes brings out some significant aspects (See Figure 1). Micro and small firms, that is those with employment from zero to 49 (a category that includes ASI units with employment in this range as well as all DMEs and NDMEs from the NSSO datasets) have a disproportionate share of employment. Large firms,

with employment of 200 and above come second in the numbers employed and medium firms (50-199) have the lowest share, a phenomenon designated as the 'missing middle'.

**Figure 1: Distribution of employment according to employment size of firm in manufacturing/factory sector**

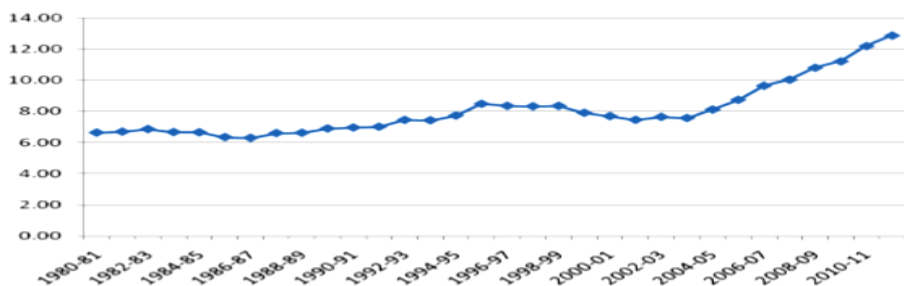


Source: CSO

Note: In the unorganized sector, for 2011-12 we have taken data of 2010-11. Micro and small firms are defined as firms with employment size of 0-49+NDME+DME, medium firms are defined as firms with employment size of 50-199 workers and large firms are defined as firms with more than 200 workers.

### Increase in employment of contract labor

**Figure 2: The evolution of employment in manufacturing from 1980 onwards.**



Source: ASI, MOSPI

It is seen that employment in organized manufacturing stagnated in the range of 6-7 million for more than a decade before the introduction of economic reforms in 1991-92. Thereafter, it grew slowly before starting to decline in 1998-99. However, after 2001-02, employment in this segment has shown strong growth and reached the high of 12.88 million, registering an increase of 5.24 million from the 2001-02 level. ASI data show that much of the increase in employment in organized sector in recent years has been accounted for by contract labor. The use of contract labor in organized manufacturing has increased from about 1.21 million in 2000-01 to about 3.40 million in 2011-12. The share of contract workers in manufacturing as a whole has increased rapidly, from 20.42 per cent in 2000-01 to 34.58 per cent in 2011-12. As Table 2 shows, the rise in the share of contract workers has taken place across the board and has affected almost all industrial segments.

### **Main Constraints**

There are several factors for stable share of manufacturing in GDP and employment. Among them four factors appears critical. They are: 1) high resource intensity of manufacturing; 2) higher compliance burden under the regulations; 3) difficulties in land acquisition for setting up industries; and 4) dysfunctional exist policy framework that take considerable time in reallocation of resources locked up in sick and non-viable units. The organized manufacturing sector in India is material resource intensive.

### **The Action Required**

The policy corrections are perquisite to enhance manufacturing output. The New Manufacturing policy (NMP) has proposed to increase the share of in GDP to 25 per cent and increase the absorption of labour from around current 50 million to more than 150 million by 2022. Besides, it seeks the creation of required skill set among the rural migrants and urban poor to make growth inclusive; increased domestic value addition; and technological depth in manufacturing; enhance global competitiveness of Indian manufacturing; and ensure sustainability of growth particularly with regard to energy efficiency, optimal utilization of natural resources and



restoration of degraded ecosystem. Meeting the objective of 25 per cent share for the manufacturing sector, the implications ought to be looked into.

### **New Challenges and Emerging Paradigms**

The task of raising manufacturing to 25 per cent of GDP encounters several new challenges in the current and the next decade. Some of them are internal and some of them external.

#### **The major challenges are:**

How to achieve industrialization in an highly unequal and globalized world economy, dominated by large multi-national companies and characterized by fragmented global value chains (GVC's); o The shrinking of policy space for latecomers like India to Industrialize in the present global order led by the institutions such as the WTO and regional economic trade blocs;

The rise of Asian economy like China and its implications to Indian industrialization in a highly competitive domestic and international market; How to deal with jobless growth in manufacturing in the pace of increasing capital and knowledge intensity in the process of production;

Creating adequate systems for financial intermediation that ensure the longterm funds for industrial investment; and

How industrial policies should respond to the threats of global warming and climate change.

The growth of employment in manufacturing has been slowing down under the influence of increasing capital-intensity and labor-saving technological change. The industrial development is no longer able to absorb large increases in labour supply. From the policy perspective, this will require a rethinking of the relationship between the industrial sector, the services sector and agriculture sector. However, it is not feasible to sacrifice the development of manufacturing sector because there is a high correlation between the levels of manufacturing and economic development. There is indeed a "structural change bonus" from industrialization because

productivity in manufacturing tends to be higher than in agriculture. Opportunities for productivity growth will be more limited in services sector. There are more opportunities for capital accumulation in manufacturing. In manufacturing there are more opportunities for realising scale-economies. Manufacturing is the locus of technological change and it is a critical source of important spillover effects. More importantly, as income increases, the relative demand for agricultural products will decline and the relative demand for manufacturing goods will increase creating dynamic opportunities for manufacturing. Achieving low-carbon industrialization is yet another challenge. It has number of interrelated implications for industrial policy and industrialization in general. In the first instance, it requires global policy cooperation. The second is that it will require innovation and transfer of environmentally more sustainable technologies on an unprecedented scale. The latter may result in substantial entrepreneurial opportunities in low-carbon industrialization for developing country like India. China's growing investment in low carbon technologies as a way to reduce both energy costs, pollution and provide new source of growth and employment at the same time.

## **Conclusion**

The paper try and understand why labor intensity in the organized manufacturing fell steadily over time. While the standard explanations for the weak performance focus on labor laws, infrastructure and lack of skills in the workforce, paper proposes an alternative explanation—a sustained rise in the capital intensity. The study attribute this rise to a sharp decline in the relative price of capital goods after trade reforms in the post1991 period. Reforms in the manufacturing sector though have boosted the manufacturing output, have not been able to fulfill the aims of inclusive growth, however, it needs to be noted that simply creating a large number of jobs in the face of intensifying demographic pressures is inadequate. These jobs need to be 'productive jobs'. To promote inclusive and sustainable economic growth, employment and decent work for all. Poverty eradication is only possible through stable and well-paid jobs. Society as a whole benefits when more people are being productive and contributing to their country's growth. Productive employment and "decent work" are key

elements to achieving fair globalization and poverty reduction. In addition, unemployment can lead to unrest and disrupt peace if it is left unaddressed.

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