

Creating an INFORMED DISCOURSE on *Good and Better Jobs* in India

Project Launch Meeting

29 January 2019, New Delhi

Outline

- Problematique (Why)
- Activities (What)
- Selection of Sectors (How)
- Key Questions for Discussion

Problematique

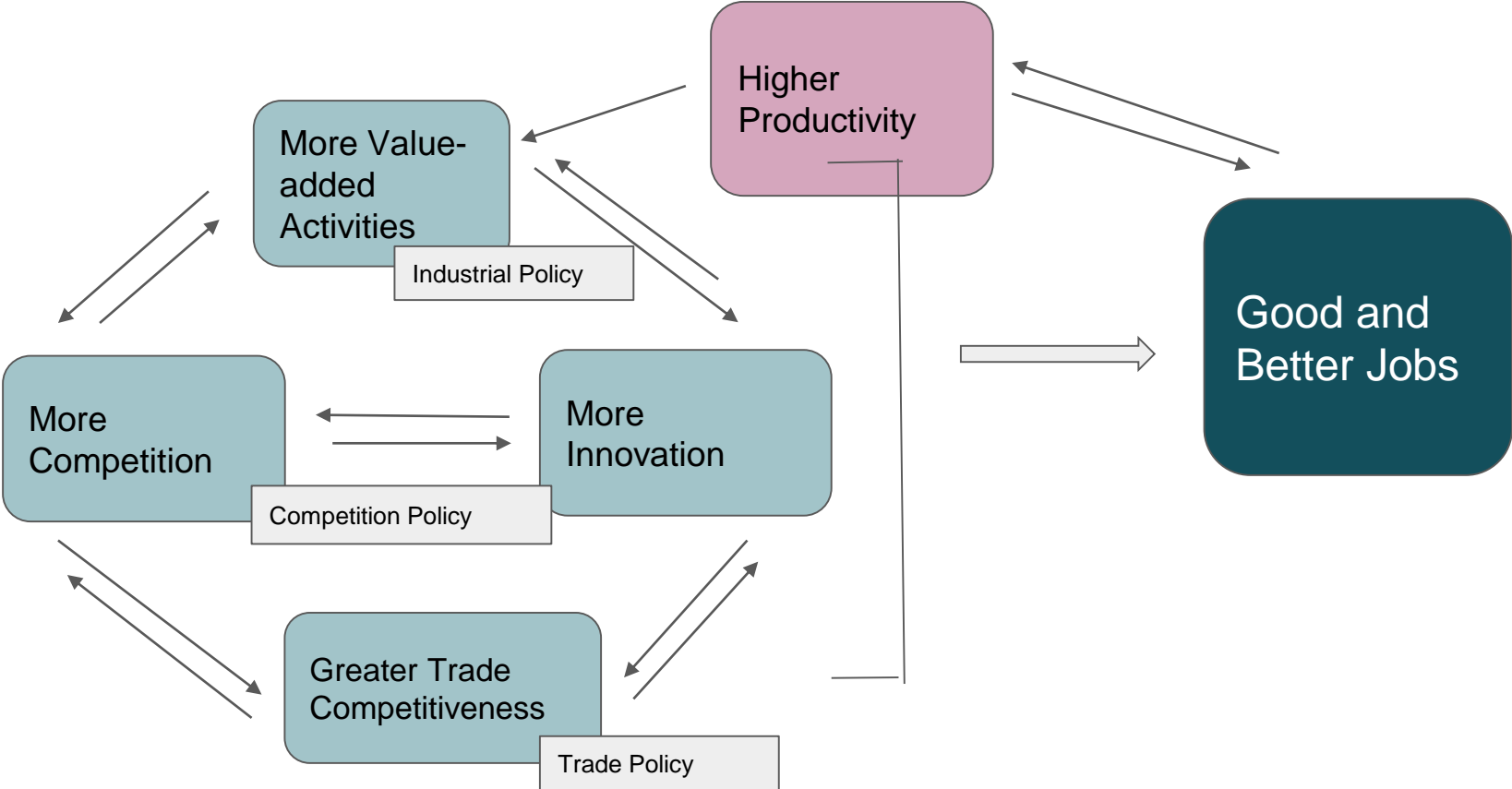
- Jobless Growth - Low Employment Elasticity (0.2)
- Growing Labour Force (10-12 million every year)
- Large Low and Medium Skills Base
- Average Productivity Per Worker one of the Lowest in India (\$5000)
- Low Productivity in Most Sectors (RBI Data)
- Productivity Gains not Leading to Higher Wages (APU Report)
- Declining Share of Investment in GDP
- Shrinking Export Market (Protectionism/Reshoring)
- Changing nature of work (Digitalisation and Automation) (MS/LS most vulnerable)

What is Needed?

- Jobs with Higher Productivity and Higher Incomes
- Higher Capabilities of Workers
- Social Security
- Sectors with High Employment Elasticity

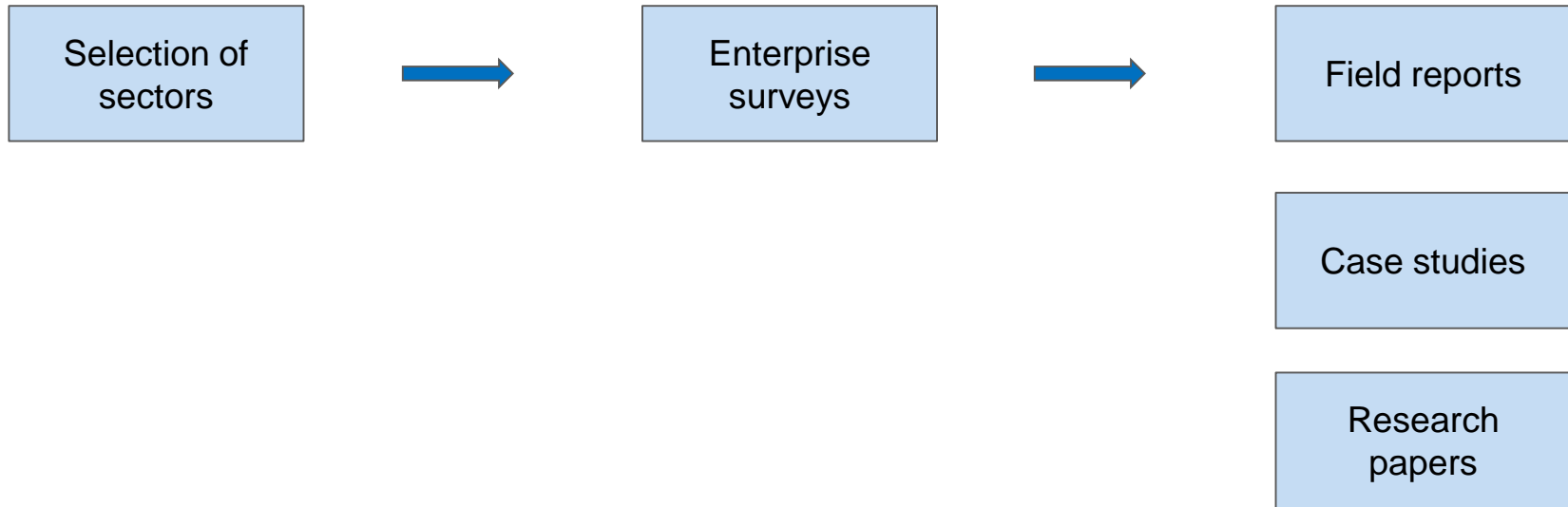
In other words, what is needed are **Good and Better jobs**, and growth of such sectors

Envisaged Scenario



How Do We Get There?

Understand conditions necessary for the growth of good and better jobs



Selection of Sectors

Part I: Identifying Labour-Intensive Industries

- Labour-intensive industries are those where relatively more labour inputs are employed than capital to produce one unit of output
- Three existing studies with differing methodologies have identified labour-intensive industries in India: Das, Wadhwa, and Kalita (2009); Parida and Pradhan (2016); and NITI Aayog & IDFC Institute (2017)
- 19 common relatively more labour-intensive industries from the above at NIC 2008 2-digit codes has been selected for doing an initial analysis to select sectors

List of labour-intensive industries at NIC 2008 2-digit codes

S.No.	Industry	NIC 2008 Code (2-digit)
1	Manufacture of food products	10
2	Manufacture of beverages	11
3	Manufacture of tobacco products	12
4	Manufacture of textiles	13
5	Manufacture of wearing apparel; dressing and dyeing of fur	14
6	Manufacture of leather and related products	15
7	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plating materials	16
8	Manufacture of paper and paper products	17
9	Publishing, printing and reproduction of recorded media	18

List of labour-intensive industries at NIC 2008 2-digit codes

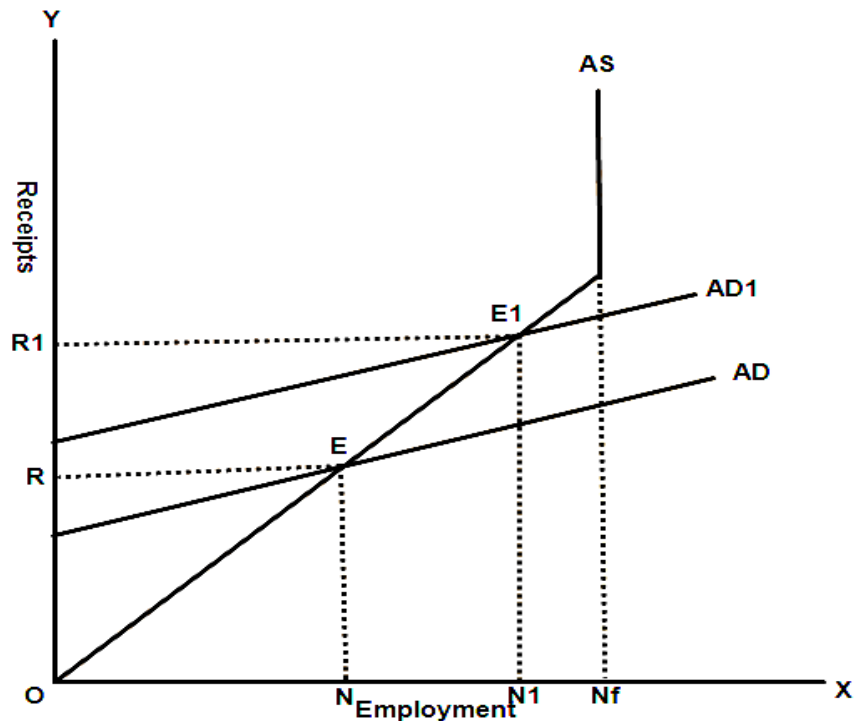
S.No.	Industry	NIC 2008 Code (2-digit)
10	Manufacture of rubber and plastic products	22
11	Manufacture of other non-metallic mineral products	23
12	Manufacture of basic metals	24
13	Manufacture of fabricated metal products, except machinery and equipment	25
14	Manufacture of computer, electronic and optical products	26
15	Manufacture of electrical equipment	27
16	Manufacture of machinery and equipment n.e.c.	28
17	Manufacture of other transport equipment	30
18	Manufacture of furniture; manufacturing n.e.c.	31
19	Other manufacturing	32

Methods for Further Screening of Sectors

- Based on absolute number of people working in each industry
- Based on labour productivity
- Based on employment growth
- Based on Keynesian AD-AS model

Part II: Effective Demand Framework

- Keynesian Theory of Effective Demand states that employment level is determined where $AD = AS$
- $AD = C+I+G+NX$



Methodology to Estimate Growth in Aggregate Demand

- Using a simple regression method, we have estimated the following function:

$$AD = f(C,I,G,NX)$$

- Here, AD = Aggregate Demand, C = Consumption Expenditure, I = Private Investment, G = Government Expenditure, and NX = Net Export
- We used firm-level data in a panel data set for each of these 19 industries from 2010-18
- Estimation of this function predicts the proportionate change in AD if its determinants are increased by a fixed proportion

Sample Exercise for Two Industries

Textiles

For the textiles industry, it is estimated that aggregate demand will increase by 50.66 % if all its determinants (DomesticSales, Investment, and NetExports) are increased by 10% each

Food Products

For the food products industry, it is estimated that aggregate demand will decrease by 0.32 % if all its determinants (DomesticSales, Investment, and NetExports) are increased by 10% each

Caveats for Final Selection

- High aggregate demand not enough, diversity is important
- Parameters for selection of sectors keeping diversity in mind:
 - Suitability for low and medium skill workers
 - High employment elasticity
 - Large number of backward and forward linkages

Key Points for Discussion

1. Feedback on methodology
2. Methodology for identifying service sectors
3. Key questions for enterprise/cluster-level surveys
4. How should emergent sectors be classified? (aggregators, e-commerce, logistics etc.)

Enterprise/Cluster Survey

Enterprise Vs Enterprise - Same Cluster, One Location (Kanpur)

Enterprise Vs Enterprise - Different Cluster, Same Location (Kanpur)

Enterprise vs Enterprise - Different Cluster, Different Location (Kanpur and Kolkata)

Cluster Vs Cluster - Same Location (Kanpur)

Cluster Vs Cluster - Different Location (Kanpur and Kolkata)

Same can be done for one industry and one industry can be compared with another and so on