The challenge of jobless growth

Employment, Growth and Development Essays on a Changing World Economy

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In the first cluster of essays, Nayyar emphasises a strong relationship between employment and growth, and also between employment and development, where the causation runs in both directions. In the current global context, where recovery is slow and uncertain, and inequity is high, Nayyar argues for a strategic role for employment. He points out that “recovery is sustainable only if it is based on a rebalancing of the world economy that extends beyond current account deficits and surpluses to income-expenditure gaps and income distribution within countries”. A rise in the share of wages in GDP on account of expansion in employment or increase in wages, or both, would support growth. This requires full employment to be the primary macroeconomic objective and for wages to keep pace with productivity improvement. Indeed, it is employment that links macroeconomic objectives with human development, social protection, public service delivery and structural transformation of an economy, as Nayyar argues in the essays in this cluster.

An unquestioned reliance on a free-market approach, with its dogmatic focus on efficiency, a non-negotiable requirement of minimal returns to investors in the short-term, and an unhealthy appetite for risk-taking invariably overlooks the importance of addressing structural impediments to trickledown for the benefit of marginalised population segments in an economy. Further, such an approach creates an inherent bias towards cutting costs at the expense of improvement in wage, employment and social and economic capital formation, to the disadvantage of those vulnerable population segments. This is more so in today’s globalised world where the emphasis is on building and retaining competitive advantage in the external markets. This concern is also a driver in the push towards automation and the recent move towards deployment of artificial intelligence (AI) in low-skill and non-routine tasks.

Instead, there has to be a focus on the challenge of expanding productive employment opportunities. This requires domestic demand-led expansion by orienting investment composition to promote sustainable employment. It implies that the objective of productivity growth is attained in tandem with expansion in employment. Therefore, it is necessary to undertake a serious review of the liberal mainstream economic underpinnings of the policymaking process in the developed and the developing world and tempering the scope of its influence with human-centric values and policies. Nayyar highlights this concern effectively.

In the second cluster of essays, Nayyar explores the broad contours of the change occurring in the world economy historically and from about 1980. He observes the erosion in economic dominance of the developed world and is a product of factors that are unique to them and on account of catch up growth taking place in the emerging economies and the developing world. He notes that for developing countries to sustain catching up requires growth to be inclusive, based on a more intensive use of labour — their most abundant factor of production. He examines the economic implications of the rise of China, India, Brazil and South Africa for developing countries in the wider context of the world economy. While China is already supporting growth as an export market and investing elsewhere in the world, India and Brazil have potential, but some distance to travel to emerge as engines of regional or world growth. All the emerging economies, due to their growth momentum and their large size are, however, beginning to change the balance of economic power of the world. Nayyar also analyses the implications of the rise of BRICS for global governance and recognises the role that India may play in reshaping international institutions and supporting cooperation in the developing South.

In the third cluster comprising two essays, Nayyar explores some issues in policy and society and their interplay with economy and policymaking. He suggests that rising economic inequalities or persisting social injustice can be addressed only if there are social opportunities for the people who are excluded. These opportunities are principally about access to education and employment. Although affirmative action policies may be required to resolve problems of discrimination and injustice in society they may not have been sufficient to address the issues.

Deepak Nayyar has consistently pursued an analytical approach that has contributed to shaping and enriching heterodox thinking in economics. The analysis he presents in this volume is no different in that sense. With this distinct perspective, a flair for writing and lucid expression, the essays provide an analysis of economic issues that are topical and require the urgent attention of policymakers across the developing and the developed world. They would be of interest to students of development economics and general readers who are seeking to understand the underpinnings of economic policy management in a globalised world.