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Post-2015 MDG agenda: Employment and growth with special reference to India

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1. INTRODUCTION

Expanding productive employment is central for sustained poverty reduction and food security in low income countries, as labour is the main asset for majority of the poor. It is also known that a high output elasticity of employment generally ensures that growth is egalitarian. However, in spite of its importance, the concern for employment in development thinking has been pushed aside particularly in the last two decades. It is important to place the employment issue at the centre of the national and international agenda. Post-2015 MDG agenda provides this opportunity of focus on employment. Productive employment is also crucial for the success of MDGs.

The experience of the last two decades indicates that employment opportunities created was inadequate in spite of rapid growth in the emerging developing countries. **Jobless growth** is a concern but on the other hand we should not have **growth less jobs**. In other words, generating of employment per se without growth should not be the policy prescription. We should generate productive jobs.

The progress on MDGs has been impressive but uneven across countries and within countries. There have been some issues that have not been considered at the beginning when MDGs were set. Some of these issues are: climate change and natural hazards, demographic transition, increased migration, productive employment, social protection, peace and security, governance. Of course continuation of many of the present MDGs is important. For example, My World survey provides some clues on the people's expectations about post-2015 development agenda. In this survey, people were asked to choose six priorities out of 16 options. The top three priorities are: (a) an honest and responsive government¹; (b) a good education and (c) better health care (The Guardian, 2013). Other top priorities include food, water, better job opportunities, protection from crime and violence and, protecting forests, rivers and oceans. Following RIO⁺20 conference it is recognized that countries should have a holistic view of combining economic, social and environmental goals for sustainable development. Recent literature has suggested several approaches as a framework for post-2015 agenda².

One of the missing things in the original agenda setting of MDGs in 2000 was productive employment. The objective of achieving 'full and productive employment and decent work' was added to the MDGs in 2005 as one of the targets (target 1 B) of the first MDG goal to eradicate

¹ On the importance of governance for India in the post-2015 agenda, see Rajesh Tandon's paper in this volume

² See research papers from ODI and IDS Sussex. For example, see Koehler et al (2012), Karver et al (2012), Melamed (2013), Melamed and Ludd (2013).

extreme poverty and hunger. ILO (2012) argues for upgradation of the target on productive employment as a central goal of the post-2015 development agenda.

This paper is organized as follows. Section 2 deals with the impact of MDG approach in India while Section 3 examines the experience of employment and growth in India. Section 4 provides the thinking of Indian policy makers on employment and growth for the post-2015 development agenda. Last section gives concluding observations.

2. MDGs AND INDIA

It may be noted that in India policy formulation is implemented through 5 year plans and the country does not follow MDG timelines. India completed 11 five year plans and launched 12th five year plan (2012-2017) in December 2012. However, India is tracking the performance of MDGs. The Ministry of Statistics and Programme Implementation (MOSPI) coordinates the MDG monitoring system. The MOSPI periodically releases reports on India's progress and achievements towards MDGs³. Sharma (2012) provides the achievements of MDGs for India using the latest information.

Table 1 provides the progress on MDGs in India. It shows that the pace of poverty reduction has accelerated. It declined from around 48 per cent in 1990 to 30 per cent in 2009-10. It has to decline to 24 per cent by 2015. India seems to be well poised to meet the Millennium Development Goal target of 50 per cent reduction of poverty between 1990 and 2015. Apart from poverty, some of the indicators which are likely to be on-track are: net enrolment ratio in primary education, proportion of pupils starting grade 1 who reach grade 5, literacy rate (15-24 years), ratio of girls to boys in primary education, ratio of literate women to men (15-25 years), immunization, percentage of households without sanitation facility, percentage of people using improved sanitation. However, there is a long way to go for achieving the goal on sanitation. The goal has already been achieved in the case of percentage of people using improved source of drinking water. The MDGs which are likely to be off-track are: percentage of underweight children, child and maternal mortality, proportion of births attended by skilled health professionals, share of women in wage employment in non-agriculture, patients registered with tuberculosis. There is a need to focus on these indicators.

Table 1. MDGs Progress in India

Goals/Major indicators	1990 (estimated value)	Assessment done for the latest year	Value achieved for the latest year	MDG target 2015
Goal 1 Indicators				
Percentage of population below poverty line	47.5	2009-10	29.8	23.75
Percentage of underweight children (<3 years)	52.0	2005-06	40.0	26.0
Goal 2 Indicators				
Net enrolment ratio in primary education	77.0	2008-09	98.6	100.0
Proportion of pupils starting grade 1 who reach grade 5	62 (1999)	2008-09	76	100.0
Literacy rate (15-24 years)	61.0	2001	76.1	100.0

³ See GOI (2012 a)

Goal 3 Indicators				
Ratio of girls to boys in primary education	0.73	2007-08	0.98	1.00
Ratio of Literate women to men (15-25 years)	0.67	2007-08	0.88	1.00
Share of women in wage employment in non-agriculture	18.6 (2004-05)	2009-10	18.6	50.0
Goal 4 Indicators				
Under five mortality (per 1000 live births)	125	2009	64	42
IMR (per 1000 live births)	80	2010	47	27
Proportion of one year olds immunized against measles	42.2	2009	74.1	100.0
Goal 5 Indicators				
Maternal mortality rate (per 100,000 live births)	437	2007-09	212	109
Proportion of births attended by skilled health professionals	33	2007-08	52	100
Goal 6 Indicators				
HIV prevalence among pregnant women 15-24 years (%)	0.86 (2004)	2008	0.48	On track
Prevalence rates associated with malaria (million)	2.08 (2001)	2010	1.6	Slow track
Patients registered for Tuberculosis (million)	1.29 (2005)	2010	1.52	Off track
Goal 7 Indicators				
Percentage of people using improved source of drinking water	66.4	2008-09	91.4	83
Percentage of households without sanitation facility	76	2008	49.2	38
Percentage of people using improved sanitation	18	2008-09	47.6	64

Source: Extracted from Sharma (2013) for Goals 1 to 5 and 7; GOI (2012a) for Goal 6

As mentioned above, the MDGs are not synchronized with plan targets. Based on India's specific policies, the Planning Commission has identified 25 indicators and set targets for them which will be monitored during 12th five year plan period. These 25 indicators cover areas such as economic growth, poverty and employment, education, health, infrastructure, environment and sustainability and service delivery (GOI, 2012). Although five year plans do not mention MDGs explicitly, the schemes/programmes proposed to be taken up during 12th five year plan cover many of the MDG related areas. However, the plan targets are not restricted to MDG areas only as they also cover targets for energy, transport, irrigation etc.

3. EXPERIENCE OF EMPLOYMENT AND GROWTH: GLOBAL AND INDIA

Global experience

According to the Report of the Global Employment Trends 2013 (ILO, 2013), global unemployment is estimated to have increased from 170 million in 2007 to 197 million in 2011. Around 39 million people have dropped out of the labour market as they do not see job prospects. These are also called 'discouraged workers'. ILO (2012a) indicates that although economies achieved high growth from the early 2000s, employment elasticity to growth has been low. The employment-to-population ratio stagnated around 60% when the world economy was growing steadily. The report says while the trends may mask regional and country level successes, at the global level, there is little evidence to suggest employment has been responding to economic growth.

ILO (2012 a) report says that one of the reasons why employment is not responding to growth could be due to structural changes that the global economy is undergoing. Some of the structural changes are: (a) labour saving technological advances; (b) workers are moving to low productivity informal sector; (c) economies are facing adjustments to ensure environmental sustainability to fight against climate change; (d) some demand is coming from extractive sectors which have low employment intensity.

The conclusion of ILO (2012a) is that (a) growth is not a necessary condition for employment generation although it is a necessary condition and (b) the structural changes in the world economy do not seem to be conducive for employment generation. The challenge at global level is creating productive and decent jobs for the working poor, the 200 million out of work and for the 40 million people entering the labour force every year plus those 'discouraged workers'.

Indian Experience

In a country like India with surplus labour, importance of an employment oriented growth is well known. However, an over-emphasis on employment generation without any regard to productivity and incomes of workers is also not desirable particularly in India where productivity and income levels are low. Therefore, the new employment generated has to be at increasing levels of productivity so that it does not assume poverty perpetuating nature (Papola, 2012).

Table 2 provides GDP growth, employment growth, productivity growth, elasticity of employment with respect to GDP since the early 1970s. The elasticity of employment declined continuously from 0.52 in the 1970s to 0.02 in the second half of 2000s. The story of India shows that the relatively high growth has not been 'jobless' but its employment content has been low and has declined sharply over the decades since the early 1980s. Overall productivity is increasing particularly in the formal sector but new employment is being created in low productive informal sector.

The numbers on GDP growth, employment growth and elasticity by sectors for India are given in Table 3. Employment growth and elasticity have declined for primary sector. Decline in the share of agriculture in employment is needed. However, it is declining in manufacturing sector also. The elasticity of employment in manufacturing declined from 0.78 in the 1970s to 0.25 in 2000s. Similarly, the elasticity of tertiary sector has declined from 0.77 to 0.30 during the same period. In the last two decades, employment was generated more in construction sector, trade, hotels, transport and storage.

Two other important trends are observed in Indian economy. One observes a 'jobless growth' phenomenon in organized manufacturing. The growth rate of employment in this sector recorded consistently negative growth since late 1980s with growth rates of -0.8 in 1988/94, -2.5 in 1994/2000, -5.9 in 1999/2005 and -3.4 in 2005-2008. Secondly, the additional employment generated is mainly relates to informal workers. Around 63 million workers are added during the period 1999-2000 to 2009-10. Out of that 44.7 million are added to unorganized sector and 18.8 millions were informal organized workers. In other words, all the additional employment generated was of informal nature.

Table 2. GDP growth, Employment, Productivity and Elasticity in India

Periods	GDP Growth (%)	Employment Growth (%)	Productivity Growth (%)	Elasticity of Employment with respect to GDP
1972-73 to 1983	4.66	2.44	2.22	0.52
1983 to 1993-94	4.98	2.02	2.96	0.41
1993-94 to 2004-05	6.27	1.84	4.43	0.29
1999-00 to 2009-10	7.52	1.50	6.02	0.20
2004-05 to 2009-10	9.08	0.22	8.86	0.02

Source: Derived from Papola (2012)

Table 3. GDP growth, Employment, Elasticity in India by Sectors

Sector	GDP Growth (%)				Employment growth (%)				Elasticity of employment w.r.t GDP			
	72-73 to 83	83 to 93/94	93-94 to 04-05	99-00/09-10	72-73 to 83	83 to 93/94	93-94 to 04-05	99-00/09-10	72-73 to 83	83 to 93/94	93-94 to 04-05	99-00/09-10
Primary Sector	3.66	2.76	2.51	2.33	1.70	1.35	0.67	-0.13	0.46	0.49	0.26	-0.05
Manufacturing	5.47	4.94	6.70	7.97	4.28	2.00	3.17	1.95	0.78	0.41	0.47	0.25
Construction	3.08	4.88	7.63	9.20	4.43	5.67	7.19	9.72	1.44	1.16	0.94	1.06
Secondary sector	5.09	5.35	6.68	7.78	4.43	2.82	3.97	4.64	0.87	0.53	0.59	0.60
Trade, hoteling etc.	5.74	5.58	8.64	8.47	4.62	3.77	5.24	2.54	0.81	0.67	0.61	0.30
Transport & communica	6.48	6.03	10.57	14.50	5.88	3.39	5.16	3.68	0.91	0.56	0.49	0.25
Financing, insurance etc.	5.95	9.07	7.29	9.47	7.43	3.58	7.23	7.68	1.25	0.39	0.99	0.81
Community, social etc.	4.49	5.86	6.53	6.58	3.18	3.91	0.40	1.85	0.71	0.67	0.06	0.28
Tertiary Sector	5.46	6.58	8.00	9.35	4.21	3.77	3.41	2.83	0.77	0.57	0.43	0.30
All non-agri.	5.31	6.12	7.54	8.84	4.30	3.36	3.64	3.61	0.81	0.55	0.48	0.41
Total	4.66	4.98	6.27	7.52	2.44	2.02	1.84	1.50	0.52	0.41	0.29	0.20

Source: Derived from Papola (2012)

There are large numbers of working poor in India. Around 92 per cent of the workers are in the unorganized sector with low productivity, low earnings, poor conditions of work and lack of social protection. The Indian experience thus suggests the need for increase in quantity and quality of employment.

4. THINKING OF INDIAN POLICY MAKERS ON POST-2015 AGENDA RELATING TO EMPLOYMENT AND GROWTH

At the global level, the thinking is that productive employment should be one of the focus areas in post-2015 agenda. As ILO (2012) says 'development happens through jobs'. In other words, productive and decent employment is the best economies grow and diversify.

Thinking of Policy Makers on Employment and Growth in India

As mentioned above, the five year plans provide the thinking of the policies needed to face future development challenges in India. The broad vision of India and the **fresh perspective** are reflected in the the 12th Five Year Plan' sub-title "faster, sustainable and more inclusive growth'. It also indicates the need for simultaneous achievement of these goals for the success of the plan. While striving for faster and more inclusive growth, the 12th five year plan also pays attention to the problem of sustainability. It shows that Indian thinking on development challenges also matches with the global thinking on post-2015 development agenda.

The 12th plan draft report also provides different aspects of inclusiveness. These are: inclusiveness as poverty reduction, inclusiveness as group equality, inclusiveness as regional balance, inclusiveness and inequality, inclusiveness as empowerment, inclusiveness through employment programmes and inclusiveness through gender equality. Economic growth is important for two reasons. First, it leads to large expansion in income and if growth is inclusive the living standards of majority can improve. Second, it generates resources for financing government programmes.

Both 11th and 12th five year plans recognize that generation of productive employment is crucial for achieving inclusive growth. The 12th plan draft report says that "Generation of productive and gainful employment with decent working conditions on a sufficient scale to absorb the growing labour force was a critical element in the Eleventh Plan strategy for achieving inclusive growth" (p.124, Vol.3, GOI, 2012). Out of the 25 targets, one target relates to employment as given below.

"Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers" (p.35, Vo.1. GOI, 2012).

The 12th plan document on employment focuses, apart from quantity, on **quality of employment and skill development**. Apart from diversification of employment across sectors, there is a need to look into the qualitative dimensions of employment in terms of equity, dignity, social security, status of employment etc. This is important for formulating strategy for India's future challenges in generating productive employment with decent working conditions (GOI, 2012).

According to the 12th plan report, there are four challenges for employment policy. **First**, employment opportunities have to be expanded. Here government focuses on manufacturing sector. It requires a major change from recent experiences on industrial development. It hopes to makes manufacturing sector as an engine of growth and expects to generate 100 million work opportunities by 2022. Services like information technology, finance and banking, tourism, trade and transport etc. will also be major generators of employment. **Second**, there is a need to simplify regulatory framework particularly some of the labour laws. Social security should be provided for both organized and unorganized sectors. **Third**, address the problems of specific categories such as female employment, unemployment among educated people, promoting employment opportunities for minorities, Scheduled castes/scheduled tribes and disabled people. **Fourth** and most important one is promoting skill development. "The employment challenges as reflected above needs to be addressed so as to meet the faster and inclusive growth agenda for the Twelfth Plan. Skill development should, therefore, occupy centre-stage in any employment strategy for the Twelfth Plan" (p.139, Vo.1, GOI, 2012).

In India, education and skills of workers is low. As shown in Table 4, even in 2009-10, around 52 per cent of total workers **are either illiterate** or have been educated upto primary level. Only about 17 per cent have higher levels of education.

Table 4. Percentage of workers by Level of Education by Sector : 2009-10

Education	Agriculture & allied	Manufacturing	Non-manufact. in secondary sector	Services	Total
Not literate	39.8	20.0	33.1	12.4	29.7
Literate without formal schooling	0.6	0.5	0.5	0.4	0.5
Below primary +primary	26.3	26.5	28.7	16.7	24.0
Middle	16.5	21.4	19.9	17.3	17.6
Secondary	9.7	14.7	9.8	16.6	12.1
Higher secondary	4.7	6.7	3.3	11.3	6.5
Diploma/certificate course	0.3	2.4	1.2	2.8	1.3
Graduate	1.8	6.3	2.9	16.2	6.2
Graduate and above	0.3	1.5	0.6	6.4	2.1
Total	100.0 (219.23)	100.0 (47.90)	100.0 (43.50)	100.0 (109.96)	100.0 (420.59)

Note: Figures in Parentheses refer to estimated number of workers in Millions.

Source: Estimated from GOI (2012) based on NSS (66th Round), 2009-10

Skill development is also low. Overall only 10 per cent of the workforce in the age group of 15-59 years received some form of vocational training. The main problem is that vast majority of workers have non-formal vocational training. Only 11 million workers had formal training while 33 million workers had non-formal training.

Table 5. Distribution of Formally and Informally vocationally trained workers (in the age group of 15-59) within primary, secondary and tertiary sectors (%) in 2009-10

Training	Agriculture & allied	Manufacturing	Non-manufact. in secondary sector	Services	Total
Received formal vocational training	18.7	16.6	5.5	59.2	100.0
4.1Received vocational training Formal	7.8	19.8	8.1	64.4	100.0
Received vocational training non-formal of which:	31.9	35.0	11.0	39.7	100.0
Received vocational training non-formal hereditary	56.9	26.3	4.1	12.6	100.0
Received vocational training non-formal self learning	26.4	33.5	9.2	30.8	100.0
Received vocational training non-formal learning on the job	11.1	45.1	14.5	29.3	100.0
Received vocational training non-formal others	22.0	33.6	7.0	37.4	100.0
Total	26.8	31.4	8.7	33.1	100.0

Source: GOI (2012)

India has to take advantage of demographic dividend. Prime Minister Dr. Manmohan Singh indicated that young population is an asset only if it is (a) educated (b) skilled and (c) finds productive employment. India is supposed to have surplus of 56 million while rest of the world will have shortage of 47 million working population.

Due to these reasons, government has realized that “skill development is critical for achieving faster, sustainable and inclusive growth on the one hand and for providing decent employment opportunities to the growing young population on the other. The demographic window of opportunity available to India would make India the skill capital of world” (p.139, vol.1, GOI, 2012).

The skill development mission is being launched to provide skills at least to 50 million people by the end of 12th plan. The national skill development policy was formulated in 2009. The objective of this policy is to empower all individuals through improved skills, knowledge, high level qualifications to get decent jobs and ensure India’s competitiveness in the global market. Another challenge is to provide skills to the unorganized workers who form more than 90 per cent of the workers.

One of the disappointments in the post-reform period in India relates to slow progress in labour intensive manufacturing. The share of manufacturing employment in India is only 11% as compared to 30 to 40% in East Asian countries in 2009. Several studies have shown that services sector would be an unlikely destination for the millions of low skilled job seekers⁴. India needs to focus on manufacturing sector to provide large scale employment. Manufacturing has the capability because it has stronger backward linkages unlike the services sector. In order to develop manufacturing, several factors such infrastructure including power, business environment, credit, availability land etc. are needed.

Finally, social protection is also becoming an important area to be considered in the post-2015 development agenda. India is also advocating social floor for the workers particularly for the unorganized workers.

5. CONCLUDING OBSERVATIONS

Employment and growth is considered an important development goal in the post-2015 development agenda. The fresh perspective at global level is a demand to shift **productive and decent employment** to main goal instead of one target. Along with this social protection for the workers is advocated. The simple statement of “Development happens through jobs” sums up the importance of productive employment for economies to achieve inclusive and sustainable growth (ILO, 2012). It is also important for the success of MDGs such as poverty reduction, health, education, gender equality, environment etc.

India does not follow MDG time line as the country follows five year plans for monitoring development goals. However, India is committed to the achievement of MDGs. The government also publishes frequently India country reports on the progress of MDGs.

⁴ See Ramaswamy and Agarwal (2013)

The experience of employment and growth in India shows that the elasticity of employment with respect to GDP has drastically declined since the early 1980s. However, labour productivity growth has been increasing particularly in the formal sector. The decline in employment elasticity is noticed for agriculture, manufacturing and services while it is quite high for construction sector. Another finding is that organized manufacturing has been recording negative employment growth. Most of the new employment is generated in the form of informal work in both organized and unorganized sectors.

The 12th five year plan objective of achieving 'faster, sustainable and more inclusive growth' (though independently done) is in line with the thinking of the post-2015 development agenda at global level. The fresh perspective regarding employment and growth in India relates to shifting focus from quantity to quality and skill development. The focus is also on labour intensive manufacturing sector so that workers can be shifted from agriculture to high productivity sectors. Social protection to workers and improving productivity of workers are also emphasized. However, skill development for workers is given the highest priority for achieving faster and inclusive growth. This is also important for taking advantage of the demographic dividend in India.

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