

Globalisation of goods and financial markets has created unprecedented opportunities for large populations to improve their material wellbeing. It has supported an extended run of global economic expansion and created conditions for millions in Asia, Latin America and Africa to be lifted out of abject poverty. However, distribution of the fruits from this economic expansion has been highly unequal, with gains to owners of capital and skills being disproportionately higher than those to labour, especially unskilled labour. This has led to discontent and hardship among many in different parts of the world, particularly since 1990s, with the gap between the winners and losers from globalisation deteriorating sharply in the context of the recent global financial crisis.

This rising inequality in outcomes (income and wealth) and opportunity (people's access to basic services like civic amenities, education, health and access to financial services — and importantly to livelihoods) is at the heart of social resentment and discontent in the developing and the developed world. People living at the margins of a market economy, vulnerable to volatility in economic activity that has accompanied globalisation, are not prepared to wait indefinitely for the trickle down to alleviate their hardship. They want the outcomes of the globalisation process to be sufficiently altered, and rapidly so, to meet their legitimate aspirations.

Deepak Nayyar, in this topical volume, brings together a selection of ten essays from his writings since 2010, to address the predicament of the relationship between employment, growth and development that distinguishes the world economy in its current phase and is at the heart of the above concern. In understanding the changing dynamics of this relationship to find an appropriate policy response, he highlights three aspects of the current scenario. First, employment creation has been too little and too slow, as output growth has been largely sustained by increase in labour productivity. As a result, “jobless growth is the reality not only in industrialised countries, but also in developing countries”. Second, he finds that “economic growth has been more uneven across space and more volatile across time than it was 30 years earlier”. Third, and consequently, “development has been uneven between countries in the world and unequal between people within countries”.

The essays are organised in three clusters: employment and development; growth and development; and development, polity and society, providing a macroeconomic analysis of development problems in the wider context of the world economy. In writing these essays (and in his work elsewhere), Nayyar follows an unconventional approach to economic analysis and policy prescription. It enables him to address the broad concerns emerging out of the realities of the context and direct his attention to goals that go well beyond the preoccupations of mainstream economics. Thus, for him employment is an important policy goal and it provides a unifying theme across all the essays in the volume. It is this common theme that lends a certain cohesion to the volume, even though each essay is likely to have been written with distinct objectives and at different points in time.

The challenge of jobless growth

**Employment, Growth and Development
Essays on a Changing World Economy**

By Deepak Nayyar

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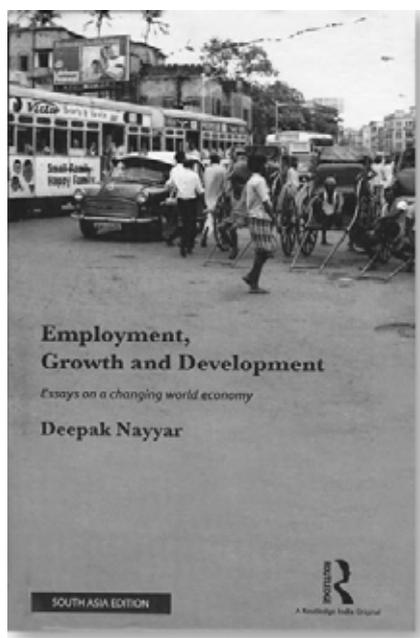
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In the first cluster of essays, Nayyar emphasises a strong relationship between employment and growth, and also between employment and development, where the causation runs in both directions. In the current global context, where recovery is slow and uncertain, and inequality is high, Nayyar argues for a strategic role for employment. He points out that “recovery is sustainable only if 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 for 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



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globalised world where the emphasis is on building and retaining competitiveness 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 sustained 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 in the world economy historically and from about 1980. He observes the erosion in economic dominance of the industrialised world due to factors that are unique to them and on account of catch up growth taking place in the emerging economies and some developing countries. 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 for countries 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 in the world. Nayyar also analyses the implications of the rise of BRICS for global governance and recognises the role it could play in reshaping international institutions and supporting cooperation in the developing South.

In the third cluster comprising two essays, Nayyar explores some issues in polity 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 volume presents an analysis of economic issues that are topical and require the urgent attention of policymakers across the developing and the developed world. The book would be of interest to students of development economics and general readers who are seeking to make sense of the complexity of economic policy management in a globalised world. ■