

MAKING SENSE OF THE EMPLOYMENT CHALLENGE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

To enjoy additional benefits

CONNECT WITH US

November 21, 2023 12:50 am | Updated 12:50 am IST

COMMENTS

SHARE

READ LATER

'It is indeed correct that Germany and Japan had a miraculous rise in the 1950s, but is the comparison with India valid?' | Photo Credit: Getty Images

By proposing that Indians work longer to achieve a larger national output, N.R. Narayana Murthy, the founder of India's iconic business house, Infosys, has issued something akin to a challenge to his compatriots. In particular, he proposed a 70-hour work week. To strengthen his case he has pointed to the experience of Japan and Germany after the Second World War, when citizens worked longer hours than we do on average in India today. It is indeed correct that these countries had a miraculous rise in the 1950s, but is the comparison valid? Can Indians simply choose to work longer hours to replicate their experience? This is not obvious.

Ever since the Keynesian Revolution in economics, we know that output is determined by aggregate demand, which is the demand for the total volume of goods and services produced in an economy. The demand for labour is entirely dependent upon this demand. There is no demand for labour independent of the demand for goods. Firms that employ more labour while aggregate demand has not increased will find themselves with unsold goods. So, an offer by workers to work longer hours will not ensure that they will find employment so long as firms are unwilling to hire them.

Firms are guided by the profit motive and will employ more labour only if there is increased demand for their product. Unemployment reflects just that — workers willing to work but firms unwilling to employ them for it would be unprofitable for them. The role of demand for goods and services in determining the demand for labour may be seen in the lay-offs in the 'tech' sector globally at the beginning of this year. Since then, Google and Amazon have shed hundreds of employees hired during the COVID-19 pandemic, when the demand for their products was high due to the lockdown or the work-from-home arrangement. In a variant of the 'just in time' strategy, whereby manufacturing firms are hesitant to hold an inventory of materials for long, software services companies (a segment Mr. Narayana Murthy is no doubt familiar with) optimise the number of employees 'on the bench', i.e., waiting to be deployed in production. So, when there is unemployment, to exhort workers to work longer hours is somewhat irrelevant, even when it is not meant to be callous.

Now, what about Germany and Japan in the early post-War years? Actually, nothing demonstrates the role of the demand for labour services being a crucial determinant of hours worked than the history of these economies. Their economies were pulverised by the relentless

bombing during the Second World War. They had also experienced a decline in their workforces due to greater mortality, both from combat and the bombing. So, when it came to rebuilding these economies, the demand for labour was abnormally high. Minimally, prior to the resumption of production, the cities would have had to be cleared of rubble — a task requiring massive deployment of labour given the scale of the devastation. It is also necessary to keep in mind where the financial heft for the expansion of employment came from. In the case of west Germany, there was the Marshall Plan by which the United States had assisted the country's revival. If it had been insisted that the post-war recovery of Europe had to be confined to private enterprise, the revival would surely have taken far longer. In fact, it was out of an astute assessment of what private initiative could have achieved in the context that the World Bank, funded by western governments, was set up. So, the very high working hours clocked in post-war economies of the mid-20th century is *sui generis*.

Though it was not mentioned by Mr. Narayana Murthy, another economy that saw long working hours in this period was South Korea. Some of its features are similar to those that had prevailed in Germany and Japan then. It too was recovering from a war, though a different one, and its resurgence was supported by considerable foreign aid received from the U.S., of which it was an ally. However, a political aspect beyond finance, common to all these three countries, is a strong nationalistic element that is likely to have accompanied their post-war reconstruction. It is not inconceivable that there was a voluntary supply of effort to rebuild the nation after a shared catastrophe imposed by 'foreigners'.

There was an additional dimension in Korea though — a dictatorship that saw the commandeering of able-bodied men to work in the countryside on large-scale projects of preparing the land for raising agricultural productivity. There is insufficient recognition of the fact that the manufacturing success of the east is underpinned by prior success in agriculture. The high working hours that contributed to this are unlikely to have been witnessed in a system in which labour was allocated according to consideration of profit. The case of high working hours in Germany and East Asia in the middle of the last century, backed by public funding and coercion, is not an experience helpful to understanding the present in India (a market economy where firms are driven by consideration of profit and coercion is ruled out). In the economic rise of the three countries mentioned, it was post-war reconstruction that provided the demand for greater output in the first instance. Longer workdays had followed.

Does it mean, then, that there is an iron law of the market pinning us down helplessly to high unemployment through low aggregate demand in India? Not at all. There are two strategies economic policy here can attempt. The first is to use the global market or world demand to grow the domestic economy, but India's goods would have to be globally competitive. Here, the experience of South Korea is relevant. As most of the produced inputs into production are available to all countries via trade, a country's competitiveness is ultimately determined by the productivity of its workforce and the physical infrastructure that complements labour. The strength and dexterity of a workforce, manifested as productivity, is related to its health and skill. In both these categories, India's workers are at a disadvantage compared to the most successful economies of Asia. To have not brought its workers on a par with the rest has prevented India from using the world market to grow. It can do so now

A second route to greater output and employment is to expand the domestic market — and thus aggregate demand. To see how this can be done, recognise that the economy produces both food and non-agricultural goods and services. These are placed differently in relation to our consumption needs. If food can be produced at lower cost, the real income of the majority of Indian households would rise. They would now have more to spend on non-agricultural goods and services having satisfied their need for food. This would generate the demand needed to spur production in the rest of the economy. And with this, output will also grow, and in turn

employment, with or without the longer hours in question.

In conclusion, it cannot be emphasised enough that Mr. Narayana Murthy's proposal that Indians work for 70 hours a week is surely meant for those in the formal sector, where specified work hours and a minimum wage stipulation exist. Ethnographic studies of India's informal sector show that in some of its segments, unorganised workers are already labouring this long at very low wages and without any such protection. Here, the challenge is to activate the long arm of the law to ensure acceptable working conditions that encompass fewer hours, higher wages, and more equipment to lessen the physical burden of labouring.

Pulapre Balakrishnan is an economist

COMMENTS

SHARE

[employment](#) / [labour](#) / [India](#) / [Germany](#) / [Japan](#) / [South Korea](#) / [history](#) / [war](#) / [Coronavirus](#) / [USA](#) / [European Union](#) / [agriculture](#)

BACK TO TOP

Comments have to be in English, and in full sentences. They cannot be abusive or personal. Please abide by our [community guidelines](#) for posting your comments.

We have migrated to a new commenting platform. If you are already a registered user of The Hindu and logged in, you may continue to engage with our articles. If you do not have an account please register and login to post comments. Users can access their older comments by logging into their accounts on Vuukle.

END

Downloaded from [crackIAS.com](#)

© **Zuccess App** by crackIAS.com

Crack