Chapter Four

Competitiveness and Labour Markets: A Global Scenario

This chapter presents a preliminary analysis of the macro level situation of various countries using the global competitiveness index (GCI). The measurement of competitiveness of any economy is attuned to the labour market situation prevalent in that country which influences the productivity and thereby the level of prosperity. With this description, debates on cost competitiveness and labour market flexibility are also observed. This kind of an analysis presents a neo-classical outlook towards competitiveness where labour market indices captured in different economies can act as pointers towards futuristic policy directions. It is in this stride that competitiveness is studied.

Further the idea behind such an analysis is to bring out the systemic perspective or the contextual conditions in which firms located in a particular country operate. This systemic perspective takes care that isolated incidences of processes taking place within a firm (or countries) are dealt within a broader picture of the environment surrounding it. This aids in a better understanding of the functioning of the firm, especially in the context of the wage situation. The relation between competitiveness and wages remains to be deciphered.

4.1 Global Competitiveness

Global competitiveness is measured using an index developed by the World Economic Forum in collaboration with Columbia University. It is used to measure the natural competitiveness of countries based on certain microeconomic and macroeconomic factors. The measure uses publicly available data from around 144 countries worldwide. Apart from this its analysis is also based on the annual executive opinion survey that it conducts in various countries. Since 2005, the WEF has been coming up with its annual reports on the competitiveness index and is extensively used in tracking the performance of these countries on various crucial parameters.
The WEF defines competitiveness as ‘the set of institutions, policies, and factors that determine the level of productivity of a country’ (The Global Competitiveness Report, 2014-2015). High productivity levels are associated with high rates of return on investments and prosperity. An economy with increased productivity levels and hence positive returns would characteristically be expected to have a relatively higher GDP\textsuperscript{54}. Measurements of GDP on a per capita basis would also be an important measure in assessing the health of a country. A glance into the twelve pillars defining competitiveness is mentioned below.

- Institutions: This necessitates a conducive legal and administrative environment for market interactions to take place. Efficiency problems arising out of corruption, red tape, overregulation, bureaucracy would inhibit growth and therefore would be detrimental to competitiveness.

- Infrastructure: Infrastructure provides a base on which the economy would run. The network and quality of infrastructure dictates the trajectory of industry. The development of extant infrastructure would further strengthen communication and close the rural urban divide.

- Macroeconomic environment: It deals with competently managing of public debts, subsidies and fiscal deficits. Inflation rates also need to be controlled so that it does not go over the limits\textsuperscript{55}.

- Health and primary education: This pillar takes into account the situation of human resources within the economy measuring crucial parameters of health and basic education. A healthy and well educated populace would be more akin to serve and aid the growth of the economy.

- Higher education and learning: The secondary and tertiary enrollment rates provide data for this pillar. Quality higher education is key for improvisation and development. This pillar also takes into account skills learnt at work place in terms of training programs.

\textsuperscript{54} GDP (Gross Domestic product) is one of the most common measures to evaluate prosperity of any country although; this can be contested by many economists as being over simplistic.

\textsuperscript{55} This postulate examines the health of the economy, and does not consider the management of the public accounts per se. The latter is more attuned to the first pillar i.e. institutions.
• Goods market efficiency: Reduction in taxes and non-discriminatory foreign direct investment (FDI) would drive competition and hence bring out efficient handling of goods that would be productive towards business.

• Labour market efficiency: This has bearing on the performance of the workers. An efficient handling of labour market presupposes flexibility and easy transferability of workers within departments and firms. It also points direction towards removal of stringent labour laws and regulations. Equitable pay for men and women alike would also be beneficial.

• Financial market development: A strong banking sector making loans available readily for investments is a must for financial market development. Efficient handling of venture capital, securities exchanges and other financial products are also on the cards. Allocation of resources with assessment of risks which ensures high rates of return is central to development.

• Technological readiness: This measures the openness and assimilation capacities towards technological upgradation of firms towards a greater capacity utilisation in its operations. Such dexterity needs to be properly catapulted towards increasing competitiveness of firms.

• Market size: Economies of scale contribute towards an increased demand towards goods produced and cost reduction thereby churning production and growth. This is also particularly useful in terms of looking at it from a trade openness point of view where smaller countries with limited markets get an opportunity to compete in foreign markets.

• Business sophistication: This is particularly relevant for the advanced countries which have exhausted all means of productivity improvements and hence are only likely to enhance the business networks further. Clustering of buyers and suppliers in particular geographic boundaries reduces inordinate delays and brings out competitiveness and sophistication.

• Innovation: Innovation alone provides a glimpse into the future wherein obsolete technologies are replaced readily and newer ways of running a business in a more cost efficient and friction less manner are discovered. A greater focus towards R&D (Research and Development), increased collaboration between universities
and industries in developing specific know hows, intellectual property rights etc would be crucial. Further, it provides for knowledge generation and value addition which are essential parameters towards development.

The parameters that are mentioned above are not necessarily mutually exclusive and are likely to have overlaps. The parameters evaluated here has gone beyond the traditional neoclassical perspective of reliance on labour and capital and taken into account various exogenous factors pertaining to both demand and supply. On one hand when we have parameters such as human capital, labour, and education measuring supply, on the other pertaining to the demand side it also measures technological changes, financial market, product markets with the corresponding infrastructural facilities and the general macroeconomic environment prevalent.

These pillars are further subdivided into three different indexes in which economies can be defined i.e. basic requirements, efficiency enhancers and innovation and sophistication factors. This indexing is also analogous to the stages of development of an economy presupposing that an economy starts off by focusing on the basic requirements and reaches its advanced stage once it augments innovative and sophisticated business practices. However, in no way does it suggest that for an economy only some pillars are important while others are not important. All the different pillars are important to all economies. Factually, it is observed that a majority of the countries of the world lie at the two ends of the spectrum. Poorer and developing countries which are yet to build up their basic requirements of human capital development and other factors are grappling with fundamental necessities of life itself, developing and semi-developed countries have gone past the first stage and concentrating on improving the efficiency of its operations while the highly developed countries are finding newer ways to do things through improvisation and innovation. Figure 4 below would throw light on the segregation of these factors.
Figure 4: Global Competitiveness Index framework
For the purpose of the study, we make an analysis of countries based on their stages of development as characterised by the World Economic forum. These are

1. Factor-driven economies
2. Efficiency-driven economies
3. Innovation-driven economies

The GCI has segregated countries in terms of their stages of development i.e. factor-driven, efficiency-driven and innovation-driven and relative weightage is given on the basis of those factors that would likely have a higher impact on them. For example a country in Africa, like Burkina Faso would have more weightage on factors based on health and primary education while any European country like Lithuania would have innovation given more weight. It is argued that as productivity of a country increases so does the wages which in turn would pull up the standard of living. Table 3 below provides a glimpse into the income threshold and relative weights of these different stages.

Table 3: Subindex weights and income thresholds for stages of development

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Stage 1: Factor-driven</th>
<th>Stage 2: Efficiency-driven</th>
<th>Stage 3: Innovation-driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (US$) thresholds</td>
<td>&lt;2,000</td>
<td>3,000-8,999</td>
<td>&gt;17,000</td>
</tr>
<tr>
<td>Weight for basic requirements</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>Weight for efficiency enhancers</td>
<td>35%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Weight for innovation and sophistication factors</td>
<td>5%</td>
<td>10%</td>
<td>30%</td>
</tr>
</tbody>
</table>


Apart from these three characterisations of economies worldwide, the GCI report also includes two intermediate transition levels of economies, particularly from factor-driven to efficiency-driven and from efficiency-driven to innovation-driven. In this study, we would skip these two intermediate levels as the bulk of the countries regarding our concentration lies primarily in these three fundamental stages.

Although there are stark contrasts in the economies grouped in each of these three stages, owing to the virtue of its classification procedure of open ended group. We take our
analysis selecting each major country in these three groups. For factor-driven economy we take up India for our analysis. For efficiency driven we analyse China and for innovation driven we take up the United States (US).

4.2 Country competitive analysis: Labour market

4.2.1 Factor-driven economy: India

India is a huge country having an area of approximately 3.3 million square kilometres\textsuperscript{56} with a population that is growing at a rapid pace of 17.7 per cent decadal change 2001–2011. It has thirty five states/union territories with an ever increasing average population density of 382 (Census, 2011\textsuperscript{57}). It is characterised as one of the global economic giants in terms of its market size and pace of development.

Currently India and China are regarded as two economic giants in the world stage which are together causing a tapering of the Western strongholds. However, as figure 5 below shows, India lags behind China and the belief by some that India might eventually be able to replace China as the world leader would be bunkum.

\textsuperscript{56} See http://india.gov.in/india-glance/profile.
India’s growth after reaching a historic high in 2010 has been declining since; experiencing incongruous growth over the years. This decline also reverberates due to a variety of inherent lacuna in the economy. Basic necessities of healthcare and primary education are the primary causes. Studies have shown that the majority of population having little access to basic services leads to a gap in the realisation of full potential of an individual leading to poor employability and skill levels.

The Labour force participation rate (LFPR) is a crucial measure of the labour market. It is indicative of the supply of labour in the country i.e. proportion of the population which is ready to work. The figure 6 below showcases the LFPR for the age group of 15-64 years. It can be observed that the year 2005 recorded the highest rate of sixty three per cent. However, post year 2005 it has seen a continuous decline plunging to around fifty six per cent in the year 2014. Since then, as estimates suggest it would maintain a more or less equal labour force participation rates.

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59 LFPR is defined as that proportion of working age population of a country which is engaged in an employment activity in addition to those who are actively seeking for employment.
Glancing further at the unemployment rate, especially focusing on the youth population, we find that it has remained more or less constant over the years around ten per cent. The youth mentioned in this data caters to the population aged between 15-24 years. A similar trend is also seen for the overall unemployment rate. A situation where the unemployment rates remain more or less constant over a period of time, whereas the LFPR has decreased showcases that the total persons working in the country has reduced. This also points directions towards the recent trends towards jobless growth\(^6\), a phenomenon that has taken centre stage of public debate, so much so that it has an important policy implication for India.

Note: The data includes nationally reported data as well as imputed data from the ILO.
Source: Key Indicators of Labour Market (9th Edition), International Labour Organization (ILO)

**Figure 7: Youth (15-24 years) unemployment rate (%) in India**

Dissecting the data further on the LFPR with regard to sex, as presented in the figure below it is clear that India particularly owing to be highly male dominated society, lags in an important issue of like female participation in labour force. There is certainly an attitude of gender discrimination prevalent in work and which is reflected also in terms of remunerations for work. A look into figure 8 making comparisons with China would make the picture clearer.
The youth forms an important segment in the labour market. India boasts of a demographic dividend, which has the potential to propel the economic growth. However, the figure 9 below on the NEET rate\(^1\) shows that the argument of reaping the benefits of a demographic dividend might just be a fad. The NEET rate is an indication of unutilised potential of the youth i.e. the proportion of youth not in education, training or employment. Such a situation turns out to be grim more so for females when the NEET rate is higher than that compared to males. It also appears that the NEET rate for males has somewhat decreased for males, for females it has actually increased from year 2004 to 2010. The non-involvement of females in the labour force, would push them further towards social exclusion.

\(^1\) The NEET rate is a relatively new indicator which stands for the youth not in employment, education or training.
In figure 10 below, glancing at the status of persons who are employed, the population is divided into three broad categories—wage and salaried, self-employed and those in vulnerable employment. The economic development of any country is linked to the shift of the bulk of labour market from agriculture to industry and services sector. This should accordingly give rise to an increased percentage of wage and salaried employees and a consequent reduction in the self-employed and own account workers who are typically believed to being initially employed in agriculture. However, that does not seem to be the case when the percentage of all these three categories has more or less remained constant i.e. to say that those who are in self-employed category especially those in precarious positions have perpetually remained to be so with little or no improvement in the lives across generations. This trend is especially alarming when a kind of a social divide and inequality is clearly visible and policy directions have not been able to change this situation.

62 The category of self employed and those in vulnerable employment is not exclusive and has overlaps. 
63 The self-employed category consists of employers, own-account workers, members of producers’ cooperatives and contributing family workers. 
64 This excludes the employers.
Also of considerable interest has been the thriving informal economy of the country which has absorbed the maximum work force within its fold. These workers essentially have to do without any social security net and decent working conditions. Table 4 below showcases the employment situation in the informal economy. The share of persons employed in informal sector in total non-agricultural employment has been found to be more than sixty five per cent across years, while the share of persons in informal employment is more than eighty per cent. This shows that a lot of informal work is also being carried out in the formal sector and the share of persons in informal employment who are outside the informal sector is found to be more than fourteen per cent.

**Table 4: Employment in the informal economy**

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of persons in informal employment in total non-agricultural employment (%)</th>
<th>Share of persons employed in the informal sector in total non-agricultural employment (%)</th>
<th>Share of persons in informal employment outside the informal sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>83.5</td>
<td>68.8</td>
<td>15.4</td>
</tr>
<tr>
<td>2010</td>
<td>83.6</td>
<td>67.5</td>
<td>6.8</td>
</tr>
<tr>
<td>2012</td>
<td>84.7</td>
<td>65.7</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Source: Key Indicators of Labour Market (9th Edition), International Labour Organization (ILO)
In another dimension, India scores low in technological assimilation and most firms still use archaic methods of product manufacturing. Studies have pointed towards an institutional bias towards adoption to new technology, in part also owing to the labour abundant state of the country\(^{65}\). Also, this can be seen from the viewpoint of having labour laws carried forward since the colonial history and a country that started off on a socialist grounding opposition to any new technology has been violent in its bid to not undermine labour and its work. However, recent policy directions have been in line to reform the archaic labour laws by making it more flexible and thereby bring a new direction to the industrial scenario in the country. There has been a lot of debate over the pros and cons of liberalising important labour regulations in the face of growing market demand. Also, analysts’ critic India for its protectionist policies of local business and foreign financial institutions continuously demand for relaxing tariff barriers to trade and commerce. Various studies have shown that post liberalisation period of the 1990s employer-employee power relationship has been more or less skewed towards the employers\(^ {66}\) and in some pockets a small trigger can make things awry. By and large the prevalence of a large scale informal economy which has made inroads in the formal sector as well, vouching for more flexible labour laws can prove to be disastrous for the workers.

One of the major differences between Chinese and Indian growth has been attributed to the manufacturing industry. While the manufacturing sector in China has seen tumultuous growth over the years, India needs a strong push forward to realise higher growth in the future. Interestingly, one of the main reasons for a fall in manufacturing was because of cheap imports, ironically mostly from China. The difference between the two countries is also credited to different human capital utilisation. China has benefited greatly from better primary health and education facilities\(^ {67}\). Figure 11 below compares the value addition of manufacturing to the GDP of India and China which shows that India still needs a lot of catching up to do.

\(^{65}\) See Eckaus, 1955.
\(^{67}\) In the following section, some light on China’s primary education and health would be dealt with in some detail.
There is no denying the fact that China has a distinct advantage over India in manufacturing, given the strong support from the government, cost of funds and other cheaper inputs. Following reforms in 1979, the Chinese government encouraged exports at all cost in order to boost its economy. This resulted in a number of products being dumped on big markets like India. As of last year, India had imposed anti-dumping duty on 159 products imported from China since 1992 to protect domestic manufacturers. The sectors in which anti-dumping duties were imposed include chemicals, petrochemicals, pharmaceutical, steel, fibres and consumer goods. Indian exporters have also been complaining about restrictive trade practices followed by China when it comes to imports of manufactured products.

India has been dropping consistently in its competitiveness rankings with the latest position being 71st among 144 economies, in the 2014–15 report. The drop in the rankings pertains to an improved competitiveness level of other countries rather than a downhill for India. India for most part of the recent years has continued to maintain more
or less the same score that has caused the slope. The key to future developments definitely would lie in stronger policy initiations and in this way has much dependency on the state, despite on the neo liberal agendas.

4.2.2 Efficiency-driven economy: China

China continues to be the most populous country in the world with a population of 1.371 billion (World Bank68). In the global economy it has achieved gargantuan scales and is poised to dictate much of the affairs of the world. A large part of the world policies lies at to be dictated at the behest of the Chinese. By registering phenomenal GDP growth averaging at around ten per cent per annum in the first decade of the twenty first century, China has heralded itself as a super power in the world. According to the GCI report 2014-15, China leads the BRICS69 countries. The growth story of China started off in 1978 when it shifted from the erstwhile centrally planned economy to market oriented economy (World Bank). However a large part of the Chinese politics lies controlled by the State Communist Party.

Despite having a secure economic and political position a major headache for China has been its current ‘demographic crisis’70 which is enough to dim its future credentials. Following an implementation of ‘one-child’ family planning policy in 1979, China has been able to substantially lower its population growth but at the same time also exerted tremendous pressure on the country’s young productive labour force to take care of its ageing population71. Figure 12 below shows population trends of China, the population growth has more or less been zero, this is also depicted in the sharp fall in the fertility rates which has gone below the replacement level72 while better medical facilities are increasing the average life expectancy and we see a rise in the population aged sixty five and above which would increase the dependency ratio. Important policy legislations addressing the anomalous are deemed of utmost importance.

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69 BRICS is an acronym given for the major emerging economies of Brazil, Russia, India, China and South Africa. It was earlier known only as BRIC and was propounded by investment banking firm Goldman Sachs.
71 This is not to mention that China also faces crisis in terms of its huge gender gap, wherein according to estimates, by 2020 thirty million eligible men would be unable to find a wife (Levin, 2014).
This trend has a particular bearing for the disposition of labour where it is seen that the labour force participation rate has greatly subsided in the recent years as compared to the earlier trends. Figure 13 shows the trends for the persons aged between 15-64 years.

**Figure 12: Population figures for China**
Further dissecting the employment scenario in the country, the employment-to-population ratio depicts the proportion of China’s working age population which is employed. As observed in the figure 14 below, it is again seen to decrease over a period of time and if predictions are to be believed, the trend would continue in the future. Demographics have seemed to come down quite harsh on the Chinese economy.
Other macroeconomic indicators particularly the illiteracy rate has substantially decreased. From the total illiteracy rate being close to thirty five per cent during mid 1980s, it has now come down to less than five per cent. The youth illiteracy rate also has come down from a little over ten per cent to nearly zero per cent. A lowering of the general illiteracy rate also means that there would more competition among the population (especially youth) to find jobs. How would a boon of lowered illiteracy rate translate into population finding a job needs to be examined. In another dimension, the concept of cheap labour that is commonly associated with China also stands to be questioned.
As noted earlier that one of the ways to measure the prosperity and growth of the country is to analyse the percentage of population of those who are in the wage and salaried class. This class depicts the regularity of work and remuneration. China fares well in this indicator with the latest figure for the year 2013 showing a value of 87.9 per cent. However, this also seems to be affected by the earlier population trends showcased for China and there has been a constant decrease in the percentage of persons coming in this category. The unemployment rate, however, is at a constant of around four per cent continuously (KILM 9th edition, ILO). A dip in the growth figures post year 2010\(^73\) has called for China’s attention to persistent poverty, widening income gaps, reducing pollution etc.

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\(^{73}\) Refer to figure 5 above.
Table 5: Percentage of wage and salaried workers (employees) in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Wage &amp; salaried workers (employees) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>92.4</td>
</tr>
<tr>
<td>2009</td>
<td>91.3</td>
</tr>
<tr>
<td>2010</td>
<td>90.8</td>
</tr>
<tr>
<td>2011</td>
<td>89.6</td>
</tr>
<tr>
<td>2012</td>
<td>88.8</td>
</tr>
<tr>
<td>2013</td>
<td>87.9</td>
</tr>
</tbody>
</table>

Source: Key Indicators of Labour Market (9th Edition), International Labour Organization (ILO)

On a brighter side, in terms of trade and commerce the unison role of the Chinese government paid huge dividends and the country became a net exporter of goods. Figure 19 below compares the export figures for goods and services for China and United States. While these economies can be comparable in terms of its leading presence in global economy, China ranks way ahead in the figure 16 below.

![Graph comparing exports and imports of goods and services for China and United States](image)

Source: World Development Indicators

**Figure 16: Exports of goods and services (% of GDP) of China and United States**

In a nutshell, the Chinese political system represents a kind of an aberration, where the Communist party practically is the sole decision making body in the country. Labour market particularly needs attention as China has been adjusting to an increased private sector investment post reforms in the 1970s implying that public sector units have
reduced and thereby also reduced employment opportunities for the youth. The surplus labour that is generated in the whole process needs careful maneuvering\(^{74}\). Future estimates particularly pertaining to declining fertility rates also put real pressure on the working age population and according to Das and N’Diaye (2013) cause the economy to cross the Lewis turning point\(^{75}\) having serious consequences for China as well as the world economy. Both challenges and opportunities to China lie aplenty and how it would handle the situation would determine its future.

### 4.2.3 Innovation-driven economy: United States

The United States having a population of 319 million\(^{76}\) people is the third most populous country in the world after China and India. It is a highly developed economy with highest GDP figures in the world. Figure 17 below presents the case of an assertive US economy in the world and although it is going to be significantly challenged by China in the future there still needs a lot of ground to be covered.

![GDP Graph](image)

*Note: Estimates of the figures for the US start after the year 2013 and for China after 2012. Source: International Monetary Fund, World Economic Outlook Database, April 2014

**Figure 17: GDP at current US Dollars (billions) of the US and China**

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\(^{74}\) See Brooks and Tao (2003).

\(^{75}\) It is defined as a point at which economy would move from a vast supply of low-cost workers to one having labour shortage (Das & N’Diaye, 2013).

\(^{76}\) United States Census Bureau. See http://www.census.gov/topics/population.html.
Scrutinising the labour force participation rate for the US it is found that it is decreasing and has become more or less equal to what it was in the 1980s. However as compared to India and China the LFPR of the US is much lesser. It means that over the years more and more Americans have stopped working or seeking for a job as compared to China and India. This declining trend has been particularly so since the year 2000. The data is presented in figure 18.

![Figure 18: Labour force participation rate (%) in the US (15+ age)](source)

The cause for a reduction in the LFPR can be seen dissected in terms of age where it is observed that the youth population (15-24 years) has drastically reduced to just above fifty per cent. Also in terms of the age group of above twenty five years there has been seen a reduction in the LFPR. The figure 19 below shows the trends.
Looking at the employment-to-population ratio for population aged 15 years and above in the figure below, it is clear that it has decreased since the year 2000. As has been seen in the earlier figures, part of the reason as to why so many workers are not involved in work is due to the fact that they are out of the labour force. There have been varied reasons given for such changes in the labour force- some blame it on the en masse retirement age of the baby boomer generation around year 2000\(^77\), others on the declining manufacturing industry of the US\(^78\). All in all, the shrinking size of the labour force would have strong implications for growth in the future of the US.

\(^77\) See Aaronson, Davis and Hu (2012).
A closer look at the labour force in terms of the status in employment is shown in figure 21 below. Year 2013 shows that the wage and salaried class forms the bulk of the labour force while the remaining workers come under the self-employed category. This trend has been more or less constant and invariably the wage and salaried class comprises more than ninety per cent of the entire working population. This is a positive sign and one that grossly varies as compared to other developing nations.
The NEET rate is low as compared to other developing nations. As figure 22 below shows, it has been around a little over sixteen per cent which should not be of much concern but overall the labour market appears to be quite robust.

![Figure 22: NEET rate (%) of the US](image)

Source: Key Indicators of Labour Market (9th Edition), International Labour Organization (ILO)

The US has undoubtedly maintained a charm conspicuous to the Eastern developing world although declinists such as Fareed Zakaria question the prolongation of it being hailed a super power\(^79\). Further, the recent global financial crisis of 2007-09 originating in America has exposed lacunae in the economy and has to some extent dimmed investor confidence and remains vulnerable even after several years. Although, numerous odds are stacked against the US, there is absence of any suitable competitor to the US to take its position (ibid.).

The US labour market is highly flexible aiming to boost employer sentiments. The US labour laws have purposefully been deteriorated over the years to ease transfer of labour at little cost. The prominence of labour invigorating a populist agenda has been tried and curtailed since the days of Red Scare and the Taft Harley Act\(^80\). Many of the labour

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\(^79\) See Zakaria (2008).
\(^80\) See Chomsky (2014).
legislations have been immensely skewed towards the employers. In figure 23 below, a look at the unionisation rates in the country would present a case for it.

![Graph showing Trade Union Density (% of paid employment) in the US from 1980 to 2015](image)

Source: Industrial relations indicators, Trade Union membership statistics, ILO

**Figure 23: Trade Union Density (% of paid employment) in the US**

There also has been a persistent attempt to undermine labour costs over the period of time. A look into Figure 24 below would present the case of the primary metal industry of the US where the labour productivity has outweighed unit labour costs, thus making the economy move towards cost competitiveness. However, unemployment has become a concern since and an impetus for growing markets is sought after.
Until a few years back the cost advantage of manufacturing belonged to China although quite recently it seems to be tapering with the rise in the standard of living of the people of China (Ro, 2014). In such circumstances, the US and many other countries would have to reposition their outsourcing chain. Such a phenomenon could spur manufacturing produce in the host countries or shift to some country other than China (for example Vietnam, Mexico) however such shifts in power dynamics would have a huge appeal for the US.

4.3 Summary

The above sections present a glimpse of the competitiveness of three economies posited at different stages of development by the Global competitiveness report of the WEF. It is pertinent to say that the selection of these three economies is by no means random. While the selection of India as a country of analysis is natural, the others also share a common denomination of having a large population. They also depict economies which have a major stake in the running of a global world economy. Particular emphasis has been laid on the tenets of population characteristics and likewise its integration with the labour
market. This analysis was also validated with data from various sources that attempt to substantiate the arguments made.

India being at the centre of our analysis lies at stark differences with China and the US. A major concern that has been persistent for India has been the issue of primary education and basic health. In a country where informal workers form more than ninety per cent of the economy for whom no or little social security is available, basic health and minimum education lie at the heart of the debate. Neglect for these factors can be disastrous for India and it would no longer be in a position to reap the benefits of the demographic dividend. Manufacturing that had been adopted as a path to development in the initial days post independence has been unable to kick off. Issues concerning capacity utilisation, technological impetus and availability of raw materials are still plaguing the industry. Also, socially the gender disparity in the Indian society seems to be hurting the Indian economy.

The analysis also showcases some forecasts that are likely to impact situations in the future. For example, China’s growth story hinges on the fact that it has sufficient labour to substantiate it. However, the stagnant population growth along with a growing dependency ratio can upend situation for China. Also the rising labour costs considered to a competitive advantage has been continuously on the decline.

The Global Wage Report 2014/15 of the International Labour Organisation (ILO) shows that the global real wage growth has been driven mostly by the emerging economies and in particular China, excluding China from the analysis cuts down the growth to nearly half. For developed economies such as the US, the wage growth over the years following the 2007–08 crisis has been more or less flat however the difference between the average wages of developed and developing economy has been lowering down considerably in the manufacturing sector.

The United States is leading the contingent however it has been wary of China. Although according to some detractors, there is some amount of stagnancy in the way the US economy is progressing. In order to move forward addressing these issues would be an important task for the economy.
In this analysis, it is to be remembered that this report is static in the sense that it showcases the current situation of the performance of the economies. Situations change with concerted efforts through government policy maneuvering. Thereby, countries in a bid to improve their situation are involved in a rat race for providing deliverables that would improve their position.

The analysis of the competitiveness of different economies presents an ordering of the economies wherein a country having better resources has a better capability to catapult itself to prosperity. However, notwithstanding this arrangement it also draws to the fore that not all countries would follow a similar path towards prosperity. If at all any comparison that can be drawn has to be on the basis of contextual features relevant to the prevailing business environment. In the next section narrowing down in India, the steel industry would be analysed where the interplay of competitiveness and wages would be taken up.