

# Competitiveness & Labor Markets: A Meta-analysis of the Leading Economies of the World

**Johnson Abhishek Minz**

---

*The power bloc of the Global North, epitomized by the rise of the United States seems to be challenged by the developing economies of the Global South. This analysis brings into point the question of labor markets in these economies. The socio-economic indicators that highlight the situation of labor marks a useful pointer towards labor productivity which in turn remains an important aspect of national competitiveness. This paper bases its analytical framework on the Global Competitiveness Index (GCI) developed by the World Economic Forum in collaboration with Columbia University. It then reviews the labor market situation from varied sources of the International Monetary Fund (IMF), International Labour Organisation (ILO) and World Bank.*

**Johnson A Minz** is an Assistant Professor at the Indian Institute of Management Bodh Gaya, Bodh Gaya. E-mail: johnson.m@iimbg.ac.in

## Introduction

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

The paper also finds itself at a time when discussions around the rise of the Global South find resonance with Wallerstein's (2003) division of the world into three ordered tiers. Although the World systems theory has its own lacunae, Frank (1998) argues that the time is ripe for a more Asian-dominated world economy to emerge. This was also picked

up by Arrighi (2007) who posited East Asia as challenging the dominance of the Western hegemony. 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. It also points towards the framing of policies addressing some of the lacunae in the economy.

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.

### **Global Competitiveness Index**

Global competitiveness is measured using an index developed by the World Economic Forum (WEF) 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 fac-

tors 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. Measurements of GDP on a per capita basis would also be an important measure in assessing the health of a country. The twelve pillars defining competitiveness are given below.

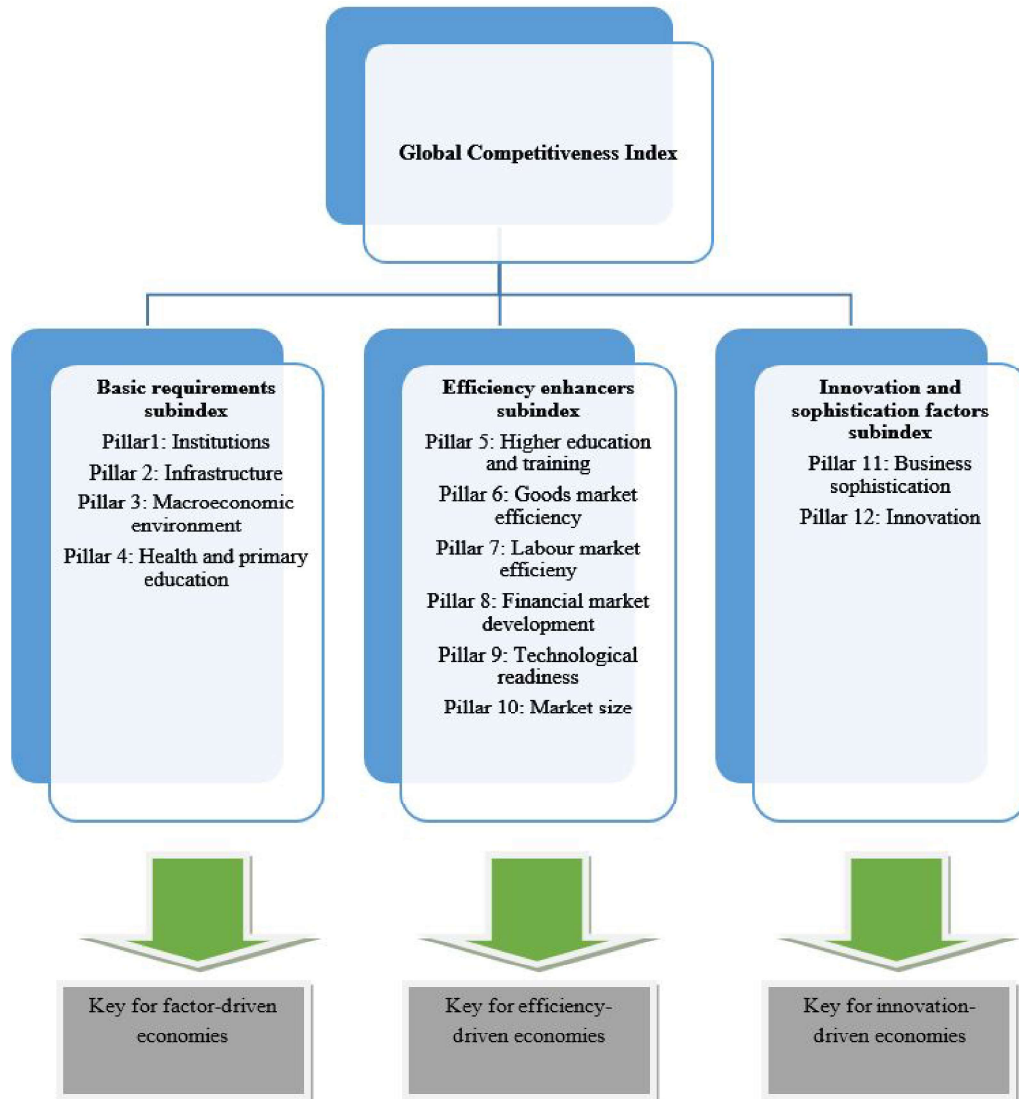
- Institutions
- Infrastructure
- Macroeconomic environment
- Health and primary education
- Higher education and learning
- Goods market efficiency
- Labor market efficiency
- Financial market development
- Technological readiness
- Market size
- Business sophistication
- Innovation

The parameters that are mentioned above are not necessarily mutually exclusive and are likely to have overlaps. The parameters evaluated here have gone beyond the traditional neoclassical perspective of reliance on labor 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, labor, 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.

These pillars are further subdivided into three different indexes in which economies can be defined i.e. basic requirements, efficiency enhancers and in-

Fig. 1 throws light on the segregation of these factors



Source: The Global Competitiveness Report, 2014-2015.

novation 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. 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. Fig. 1 throws light on the segregation of these factors.

For this study, we make an analysis of countries based on their stages of development as characterized by the World Economic Forum. These are:

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

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 a factor-driven economy, we take up India for our analysis. For efficiency driven we analyze China and for innovation driven we take up the United States (US).

### **Factor-driven Economy: India**

India is a huge country having an area of approximately 3.3 million square kilometres<sup>1</sup> 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<sup>2</sup>. It is characterized as one of the global economic giants in terms of its market size and pace of development.

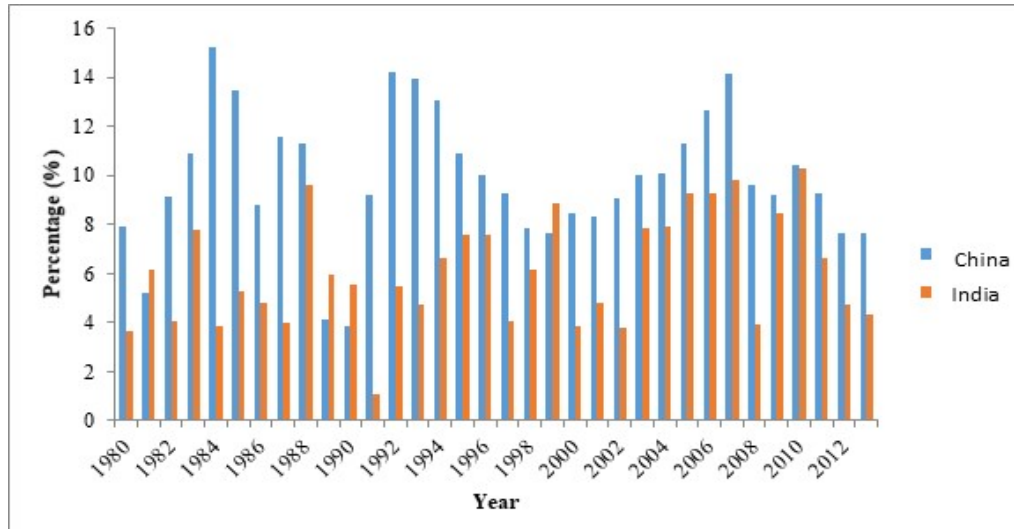
Currently, India and China are regarded as two economic giants in the world stage which are together causing a tapering of the Western strongholds. However, as Fig. 2 shows, India lags behind China and the belief by some that India might eventually be able to replace China as the world leader would be bunkum.

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 the population hav-

<sup>1</sup> See <http://india.gov.in/india-glance/profile>.

<sup>2</sup> See <http://www.censusindia.gov.in/2011-Common/CensusData2011.html>.

Fig. 2 GDP Growth, Constant Prices (Annual Percentage Change) of China and India



Source: International Monetary Fund, World Economic Outlook Database, April 2014.

ing little access to basic services leads to a gap in the realization of the full potential of an individual leading to poor employability and skill levels (Chandrasekhar et al., 2006).

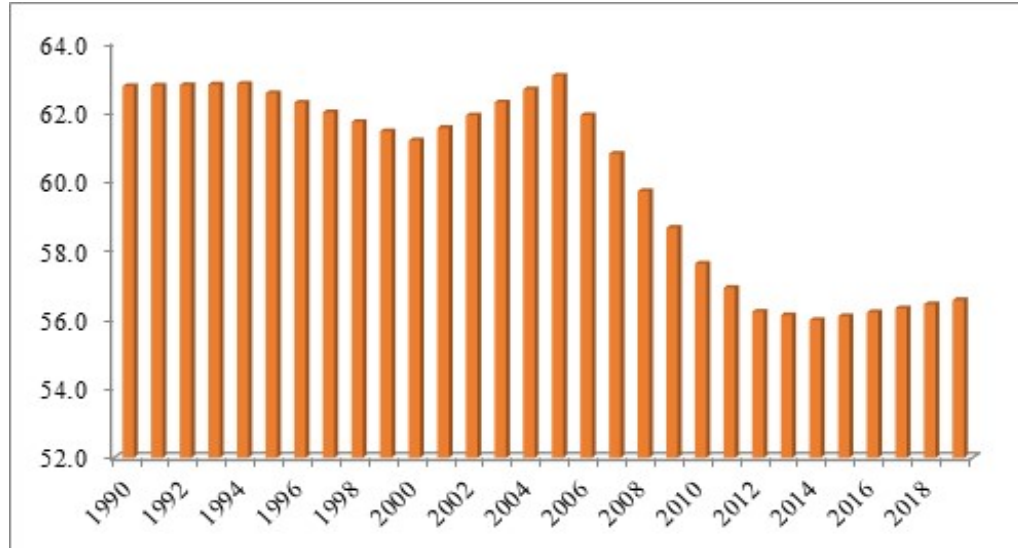
The labor force participation rate (LFPR)<sup>3</sup> is a crucial measure of the labor market. It is indicative of the supply of labor in the country i.e. proportion of the population which is ready to work. Fig. 3 showcases the LFPR for the age group of 15-64 years. It can be observed that the year 2005 recorded the highest rate of sixty-three percent. However, post 2005 it has seen a continuous decline plunging to around fifty-six percent in the year 2014. Since then, as estimates suggest it would maintain more or less the same labor force participation rates.

<sup>3</sup> 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 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 percent. 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 is indicative of the recent trends towards jobless growth

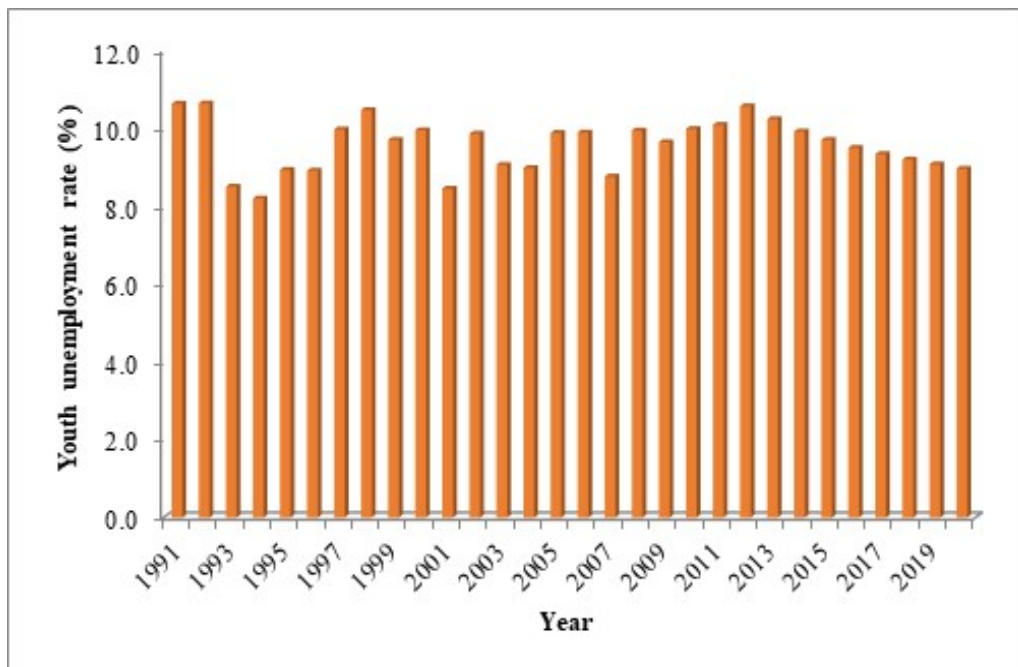
**A situation where the unemployment rates remain more or less constant over a period of time, whereas the LFPR has decreased showcases that the total persons working in the country has reduced.**

**Fig. 3 Labor Force Participation Rate (%) in India (15-64 years)**



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

**Fig. 4 Youth (15-24 years) Unemployment Rate (%) in India**

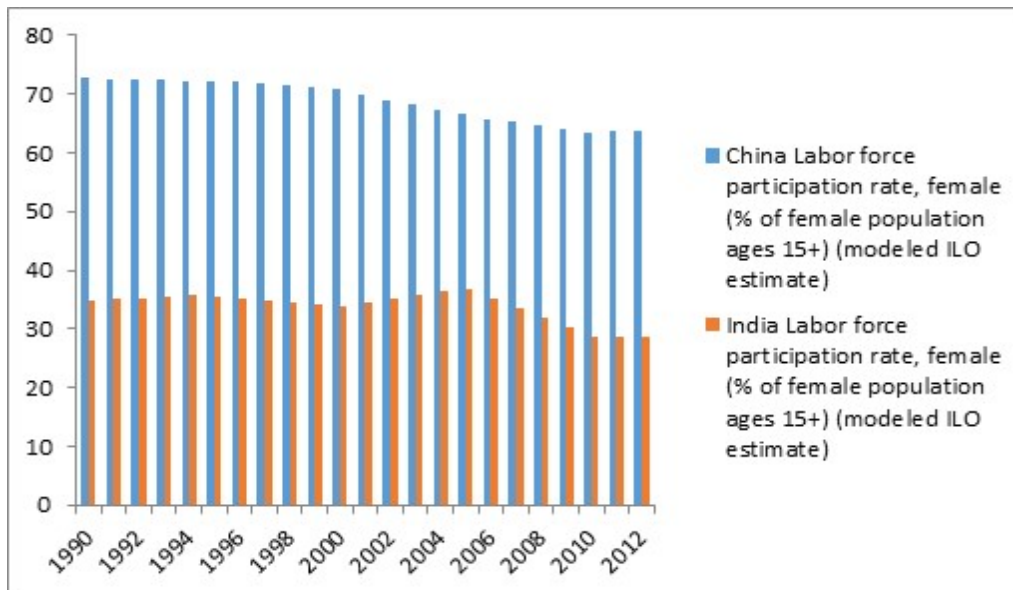


Note: The data includes those nationally reported as well as imputed from the ILO.  
Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

(Bhalotra, 1998; Paul & Pellissery, 2007), a phenomenon that has taken center stage of public debate, so much so that it has an important policy implication for India.

Dissecting the data further on the LFPR with regard to sex (Fig.5) it is clear that India particularly owing to its highly male-dominated society, lags in an important issue like female participation in la-

**Fig. 5 Female Labor Force Participation Rate (% of Female Population Aged 15+) of China and India**



Source: World Development Indicators, The World Bank

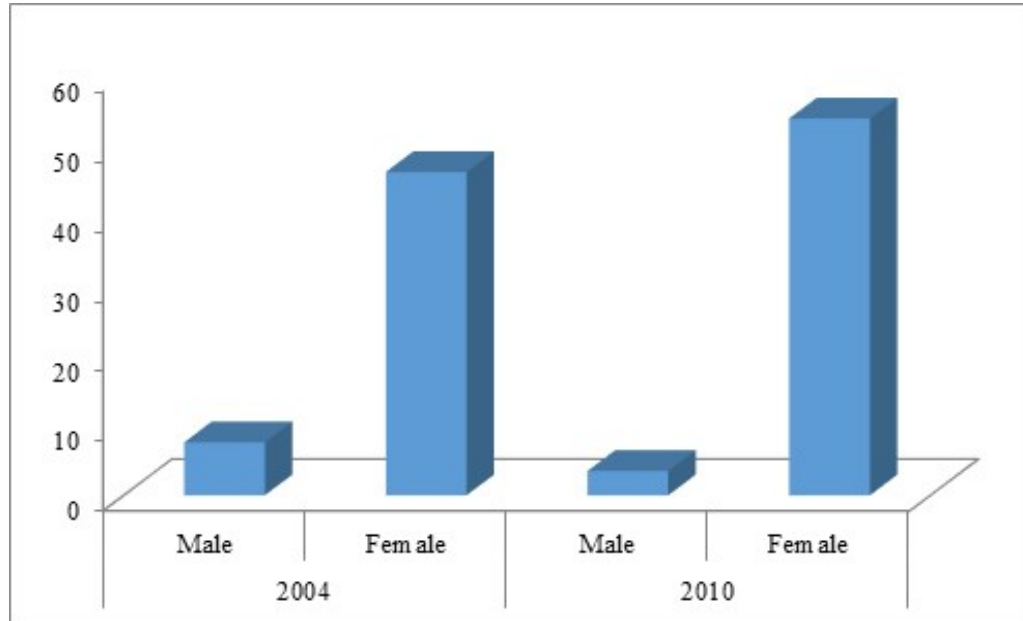
bor force. There is certainly an attitude of gender discrimination prevalent in work which is reflected also in terms of remunerations for work..

The youth forms an important segment of the labor market. India boasts of a demographic dividend, which has the potential to propel economic growth. However, Fig. 6 on the NEET rate<sup>4</sup> shows that the argument of reaping the benefits of a demographic dividend might just be a fad. The NEET rate is an indi-

cation of the unutilized potential of youth i.e. the proportion of youth not in education, training or employment. Such a situation turns out to be grim more among females as the NEET rate is higher than that of males. It also appears that the NEET rate for males has been somewhat decreased for males, for females it has actually increased from year 2004 to 2010. The non-involvement of females in the labor force would push them further towards social exclusion.

Glancing at the status of persons who are employed (Fig.7) the population is divided into three broad categories- wage

<sup>4</sup> The NEET rate is a relatively new indicator which stands for the youth not in employment, education or training.

**Fig. 6 NEET Rate (%) in India**

Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

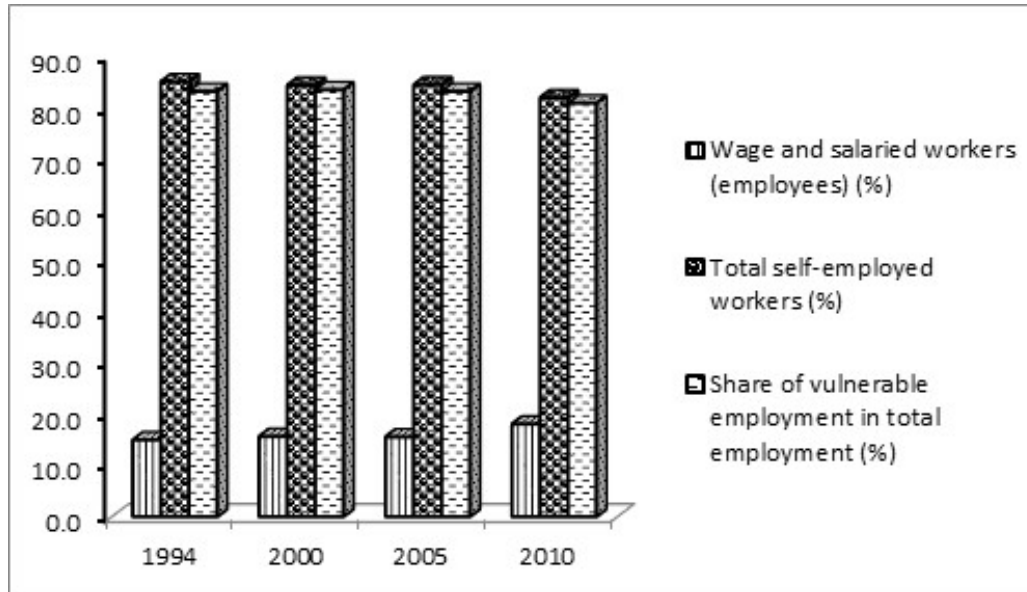
and salaried, self-employed<sup>5</sup> and those in vulnerable employment. The economic development of any country is linked to the shift of the bulk of labor from agriculture to industry and services sector. This should accordingly give rise to an increased percentage of wage and salaried employees and a consequent reduction in the self-employed and own account workers who are typically believed to have been 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 the self-employed category especially those in precarious positions

<sup>5</sup> The self-employed category consists of employers, own-account workers, members of producers' cooperatives and contributing family workers.

have perpetually remained 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.

Also of considerable interest has been the thriving informal economy of the country which has absorbed the maximum workforce within its fold. These workers essentially have to do without any social security net and decent working conditions. Table I showcases the employment situation in the informal economy. The share of persons employed in the informal sector in total non-agricultural employment has been more than sixty-five percent across the years, while

Fig. 7 Employment Status in India



Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

the share of persons in informal employment is more than eighty percent. 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 percent.

Table I Employment in India’s Informal Economy

Year	Share of persons in informal employment in total non-agricultural employment(%)	Share of persons employed in the informal sector in total non-agricultural employment (%)	Share of persons in informal employment outside the informal sector (%)
2005	83.5	68.8	15.4
2010	83.6	67.5	6.8
2012	84.7	65.7	14.9

Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

**India scores low in technological assimilation and most firms still use archaic methods of product manufacturing.**

India scores low in technological assimilation and most firms still use archaic methods of product manufacturing. Studies pointed at the institutional bias towards the adoption of new technology, in part also owing to the labor-abundant state of the economy (Eckaus, 1955).

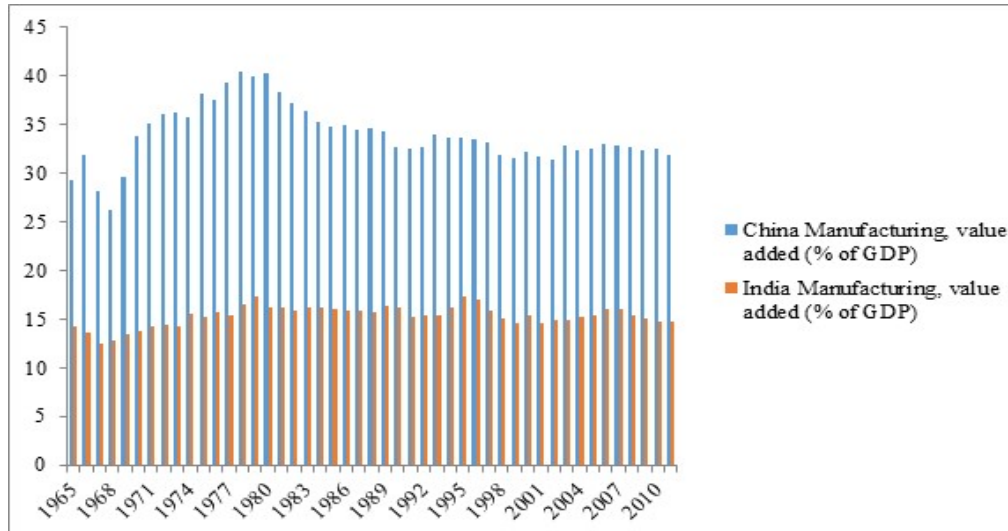
Also, this can be seen from the viewpoint of having labor laws carried forward since the colonial history and a country that started off on a socialist grounding. However, recent policy directions have been towards reforming the archaic labor laws by making it more flexible and thereby bringing a new direction to the industrial scenario in the country. There has been a lot of debate over the pros and cons of liberalizing important labor regulations in the face of growing market demand. Also, analysts critic India for its protectionist policies of local businesses and foreign financial institutions continuously demand for relaxing tariff barriers to trade and commerce. Various studies have shown that the post-liberalization period of the 1990s employer-employee power relationship has been more or less skewed towards the employers (Sundar, 2010) 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 favorable labor 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 realize higher growth in the future. Interestingly, one of the main reasons for the low manufacturing in India was because of cheap imports, ironically mostly from China. The difference between the two countries is also credited

to different levels of human capital utilization. China has benefited greatly from better primary health and education facilities. Fig. 8 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.

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 costs to boost its economy. This resulted in a number of products being dumped on big markets like India. Quite recently, 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, pharmaceuticals, steel, fibers 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 largely seen a decline in its competitiveness rankings with the latest position being 68<sup>th</sup> amongst 141 economies, in the 2019 report. The drop in the rankings pertains to an improved competitiveness level of other countries rather than a downhill for India. The number of economies taken into consideration are also reduced from an earlier 144. India for most 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

**Fig. 8 Manufacturing, Value Added (% of GDP) of China and India**

Source: World Development Indicators, The World Bank (1965-2010)

would lie in stronger policy initiatives and in this way has a heavy dependency on the state, despite the neo-liberal agenda.

### Efficiency-driven Economy: China

China continues to be the most populous country in the world with a population of 1.371 billion<sup>6</sup>. In the global economy, it has achieved gargantuan scales. By registering phenomenal GDP growth averaging at around ten percent per annum in the first decade of the twenty-first century, China has heralded itself as a superpower in the world. According to the GCI Report 2019, China leads the BRICS<sup>7</sup> countries. The growth

<sup>6</sup> See <http://www.worldbank.org/en/country/china>.

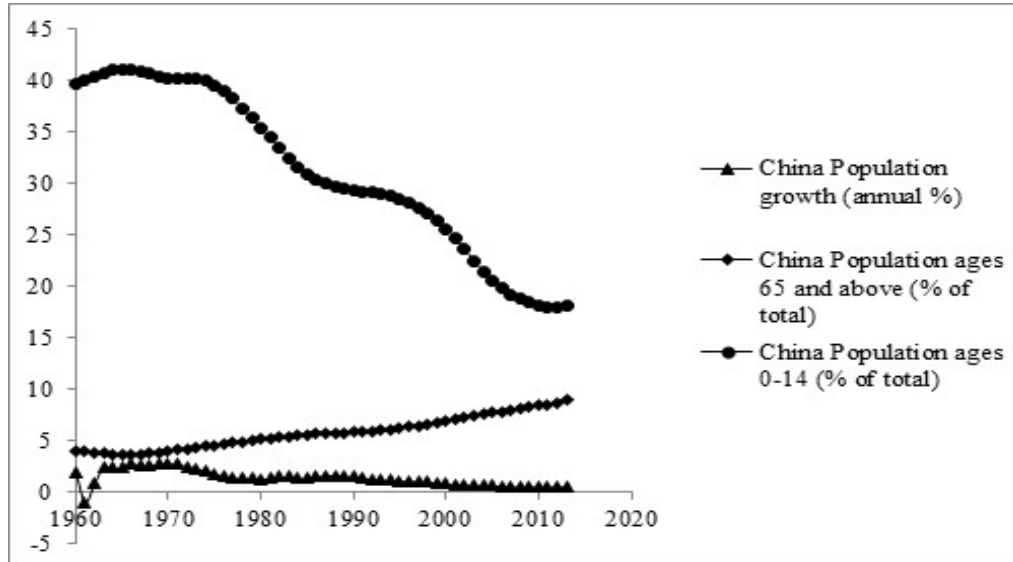
<sup>7</sup> BRICS is an acronym given for the major emerging economies of Brazil, Russia, India, China and South Africa. It was earlier known only as BRIC and was propounded by investment banking firm Goldman Sachs.

story of China started in 1978 when it shifted from the erstwhile centrally planned economy to a market-oriented economy. However, a large part of the state politics is controlled by the Chinese Communist Party.

Despite having a secure economic and political position a major headache for China has been its current 'demographic crisis'<sup>8</sup> which is enough to dim its future credentials. Following the implementation of the '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 labor force to take care of its ageing population. Fig. 9 shows population trends in China; the population growth has more or less been zero, this is also depicted in the sharp fall in

<sup>8</sup> Anonymous (2011).

Fig. 9 Population Figures for China



Source: World Development Indicators

the fertility rates which has gone below the replacement level (Peng, 2011) 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.

This trend has some bearing on the disposition of labor; it is seen that the labor force participation rate has greatly subsided in recent years. Fig. 10 shows the trends for the persons aged between 15-64 years.

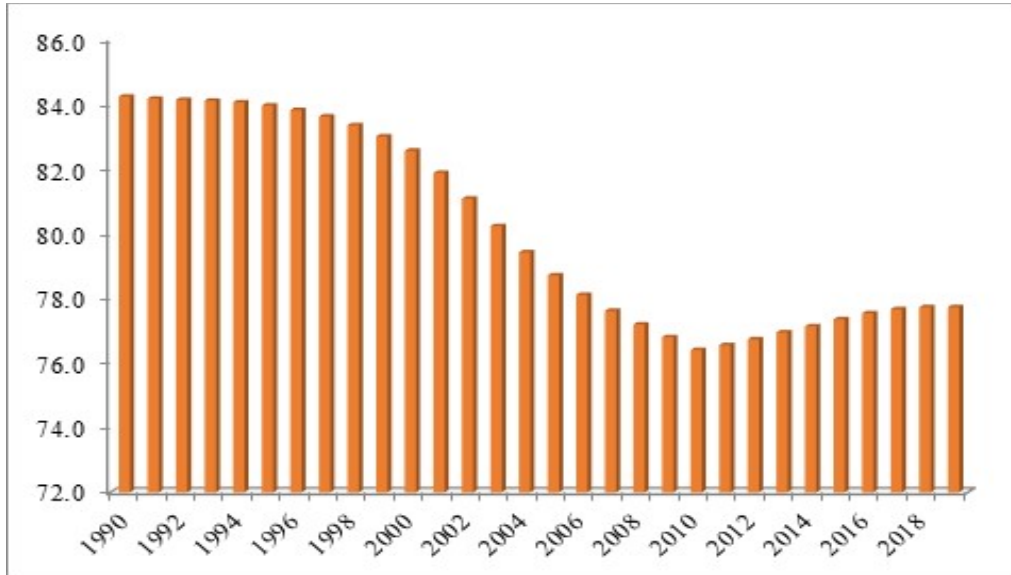
The employment-to-population ratio depicts the proportion of China's working-age population that is employed. As observed in Fig.11, it is again seen to decrease over a period of time and if pre-

dictions are to be believed, the trend would continue in the future. Demographics have seemed to come down quite harsh on the Chinese economy.

**A lowering of the general illiteracy rate also means that there would be more competition among the population (especially youth) to find jobs.**

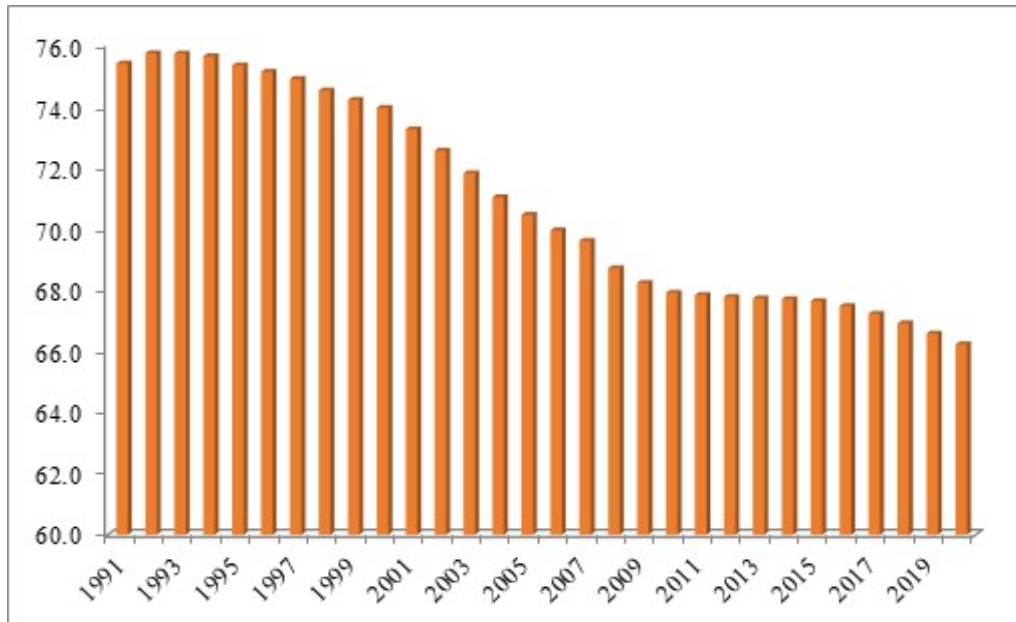
Other macroeconomic indicators particularly the illiteracy rate has substantially decreased. From the total illiteracy rate being close to thirty five per cent during mid-1980s, it has now come down to less than five per cent. The youth illiteracy rate also has come down from a little over ten per cent to nearly zero per cent. A lowering of the general illiteracy rate also means that there would be more

Figure 10: Labor Force Participation Rate (%) in China (15-64 years)



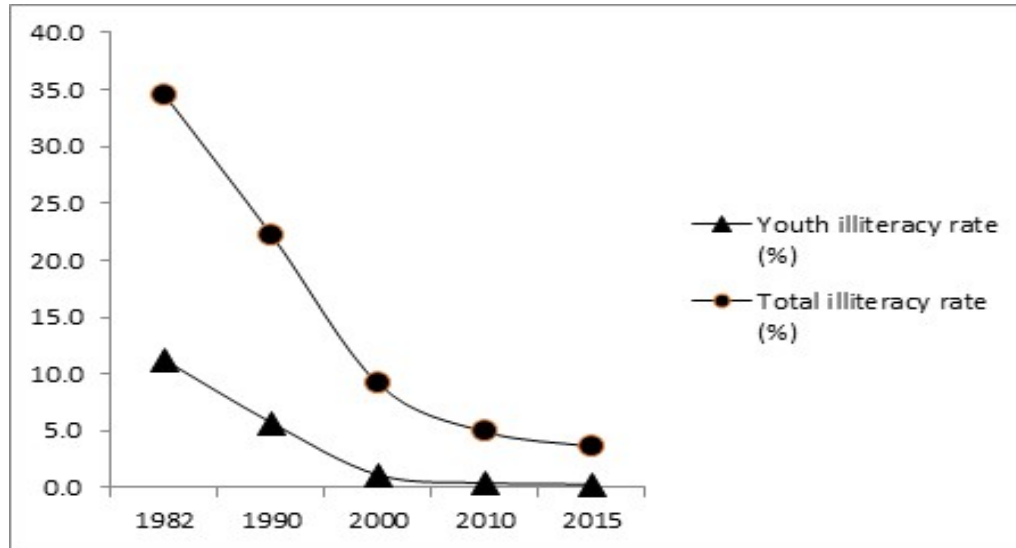
Note: The data includes nationally reported data as well as imputed data from the ILO.  
Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

Fig. 11 Employment-to-population Ratio in China



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

Fig. 12 Illiteracy Rate in China



Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

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 labor that is commonly associated with China also stands to be questioned.

As noted earlier one of the ways to measure the prosperity and growth of the country is to analyze 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 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 percent continuously (KILM 9<sup>th</sup> edition, ILO). A dip in the growth figures post-year 2010 has called for China’s attention to persistent poverty, widening income gaps, reducing pollution etc.

Table 2 Percentage of Wages & Salaried Workers (Employees) in China

Year	Wages & salaried workers (employees) (%)
2008	92.4
2009	91.3
2010	90.8
2011	89.6
2012	88.8
2013	87.9

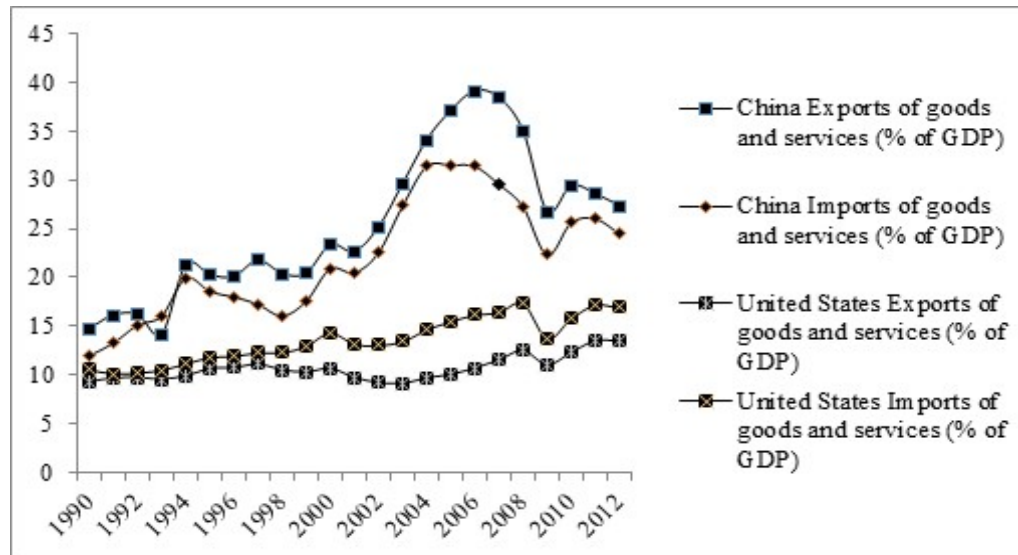
Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

On the brighter side, in terms of trade and commerce the unison role of the Chi-

nese Government paid huge dividends and the country became a net exporter of goods. Fig. 13 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 fig. 16.

Fig. 13 Exports of Goods and Services (% of GDP) of China and the United States



Source: World Development Indicators

In a nutshell, the Chinese political system represents a kind of aberration, where the Communist Party practically is the sole decision-making body in the country. Labor 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 been reduced and thereby also reduced employment opportunities for the youth. The surplus labor that is generated in the whole process needs careful maneuvering (Brooks & Tao, 2003). Future estimates pertaining to declining fertility rates also put pressure on the working-age population and according to Das and N'Diaye (2013) cause the economy to cross the Lewis

turning point<sup>9</sup> 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.

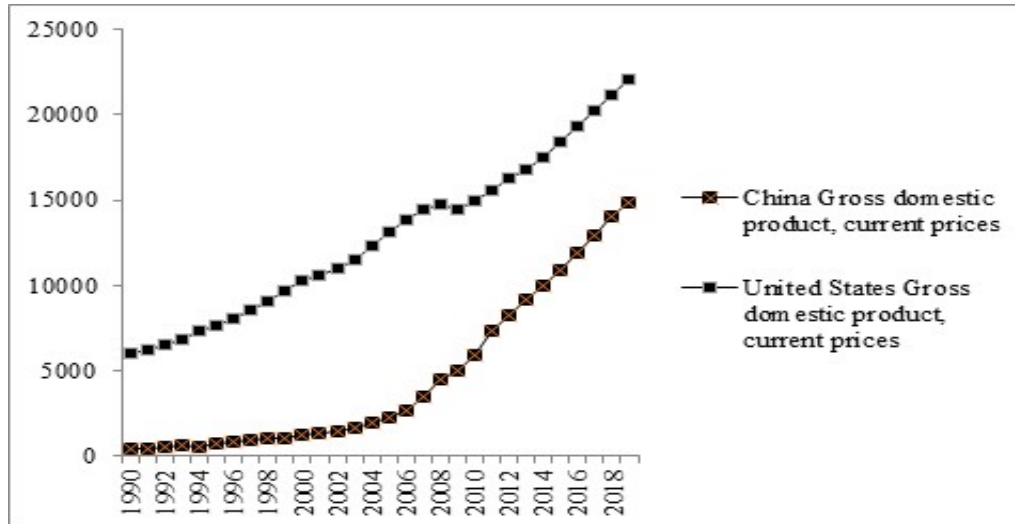
### Innovation-driven Economy

United States The United States having a population of 319 million<sup>10</sup> is the third most populous country in the world after China and India. It is a highly developed

<sup>9</sup> It is defined as a point at which economy would move from a vast supply of low-cost workers to one having labor shortage.

<sup>10</sup> United States Census Bureau. See <http://www.census.gov/topics/population.html>.

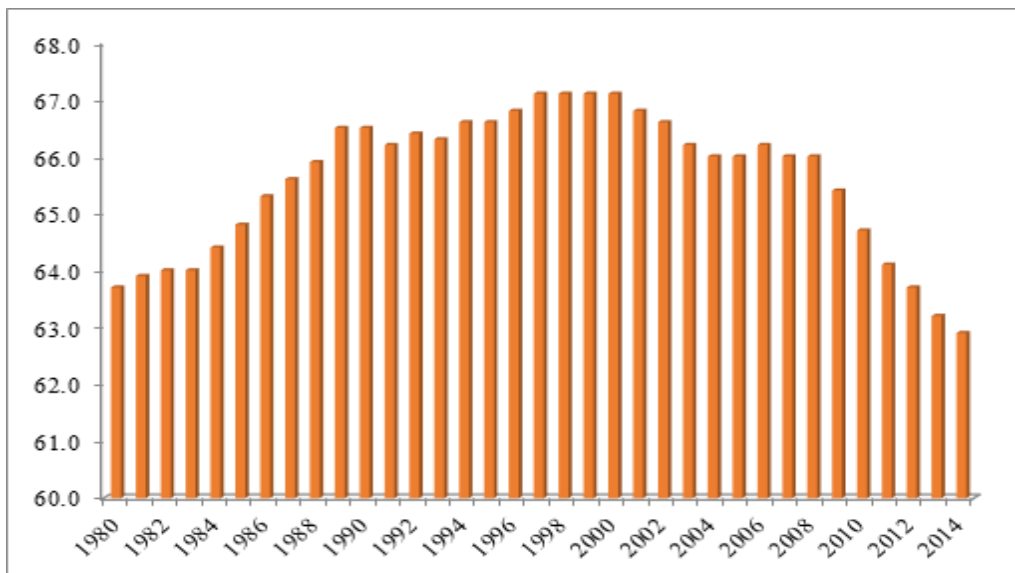
**Fig. 14 GDP at current US Dollars (billions) of the US and China**



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

economy with the highest GDP figures in the world. Fig. 14 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.

**Fig. 15 Labor Force Participation Rate (%) in the US (15+ years)**



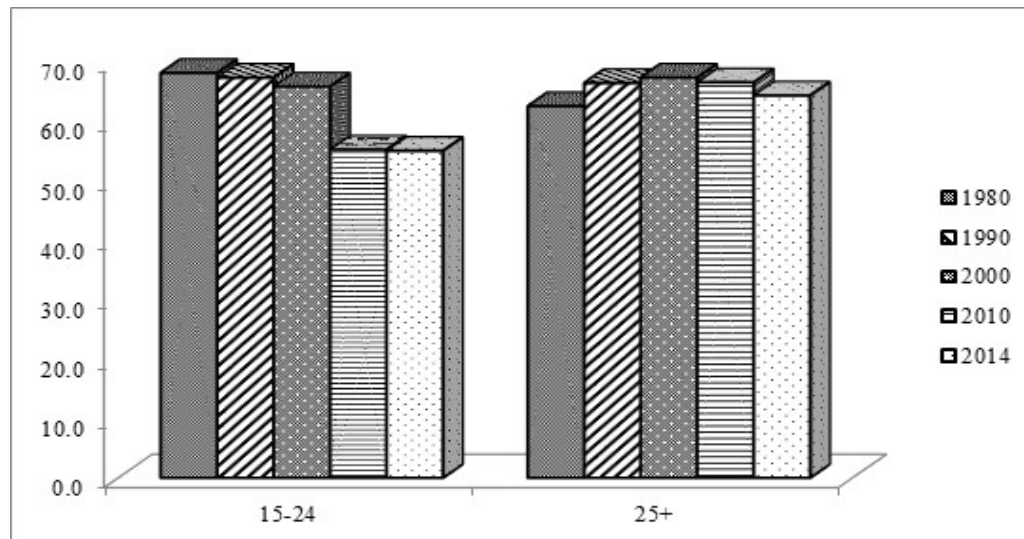
Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

Regarding the labor force participation rate, it is found decreasing in the US 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 less. It means that over the years more and more Americans have stopped working or seeking jobs as compared to those in China and India. This declining trend has been particularly so

since the year 2000. The data is presented in Fig. 15.

The cause for the reduction in the LFPR can be seen in terms of age in which case it is observed that the participation of the youth population (15-24 years) has drastically reduced to just above fifty percent. Also in the case of the age group of above twenty-five years there has been a reduction in the LFPR. Fig.16 shows the trends.

**Fig. 16 Labor Force Participation Rate (%) in the US (15-24 and 25+ years)**



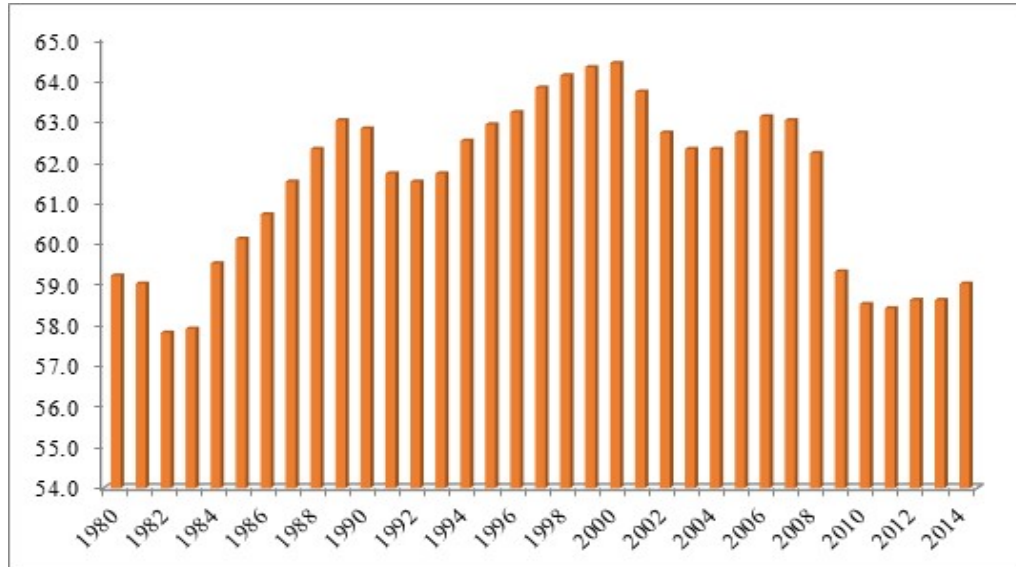
Source: Key Indicators of Labour Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

Looking at the employment-to-population ratio for those aged 15 years and above in Fig.17, it is clear that it has decreased since the year 2000. As has been seen earlier, part of the reason is due to the fact that they are out of the labor force. There have been varied reasons given for such changes in the labor force. Some blame it on the en masse retirement of the baby boomer generation around the year 2000 (Aaronson et al.,

2012). Others consider it due to the declining status of the manufacturing industry in the US (Charles et al., 2013). All in all, the shrinking size of the labor force would have strong implications for growth in the future of the US.

A closer look at the labor force in terms of the status in employment is shown in Fig. 18. Year 2013 shows that the wage and salaried class forms the

**Fig. 17 Employment-to-population ratio in the US (15+ years)**

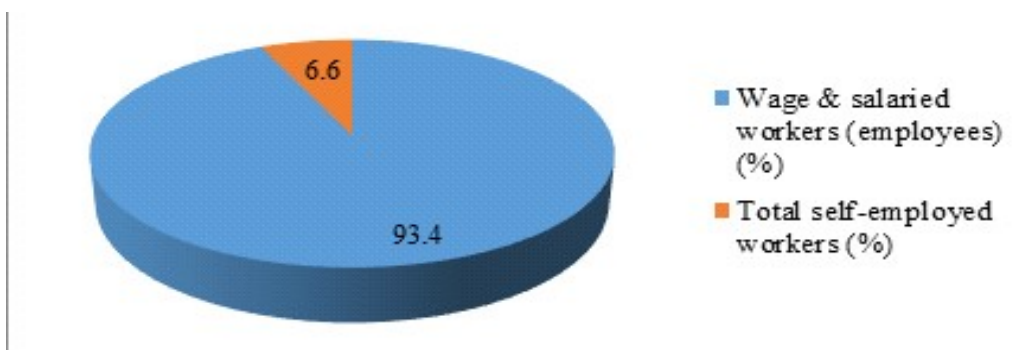


Source: Key Indicators of Labour Market (9<sup>th</sup> Edition), International Labour Organization (ILO)

bulk of the labor 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.

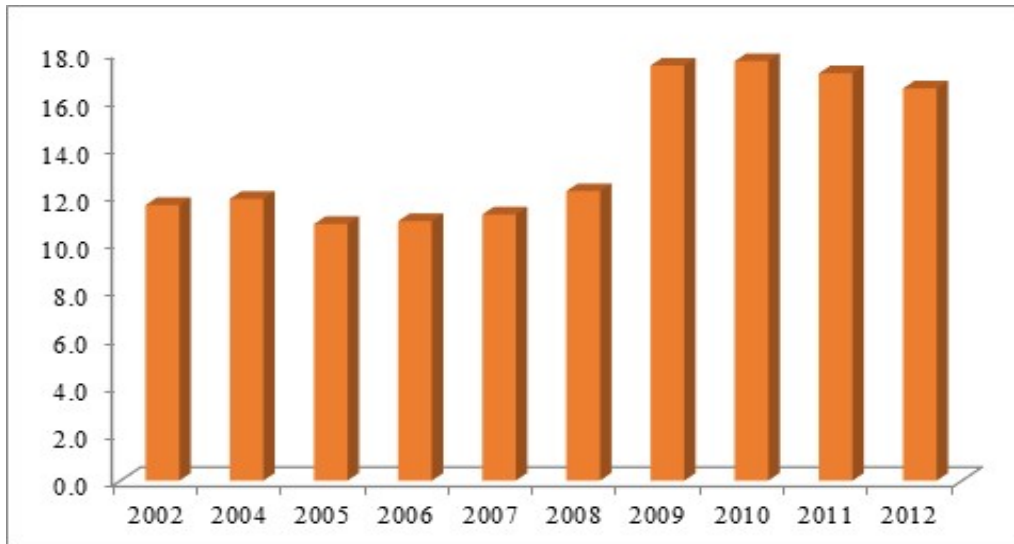
The NEET (not in employment, education or training) rate is low as compared to other developing nations. As Fig. 19 shows, it has been around a little over sixteen percent which should not be of much concern but overall the labor market appears to be quite robust.

**Fig. 18 Employment Status in the US (year 2013)**



Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

Fig. 19 NEET Rate (%) of the US



Source: Key Indicators of Labor Market (9<sup>th</sup> Edition), International Labor Organization (ILO)

The US has undoubtedly maintained a charm conspicuous to the Eastern developing world although declinists such as Fareed Zakaria (2008) question the prolongation of it being hailed a superpower. 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 the absence of any suitable competitor to the US to take its position (Zakaria, 2008).

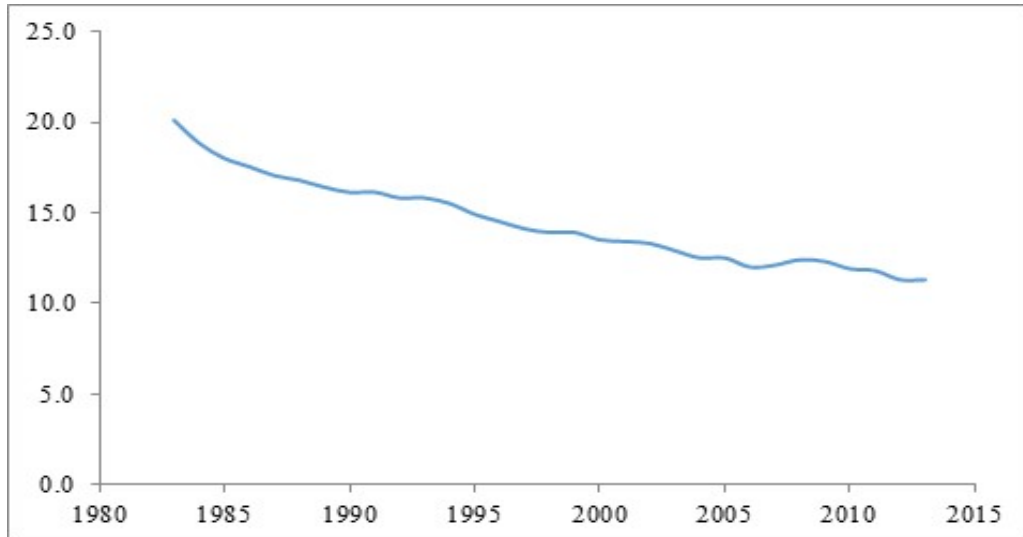
**The US labor market is highly flexible aiming to boost employer sentiments.**

The US labor market is highly flexible aiming to boost employer sentiments.

The US labor laws have purposefully been deteriorated over the years to ease the transfer of labor at low cost. The prominence of labor invigorating a populist agenda has been tried and curtailed since the days of Red Scare and the Taft Harley Act (Chomsky, 2014). Many of the labor legislations have been immensely skewed towards the employers. A look at the unionization rates in the country would present a case for it (Fig.20).

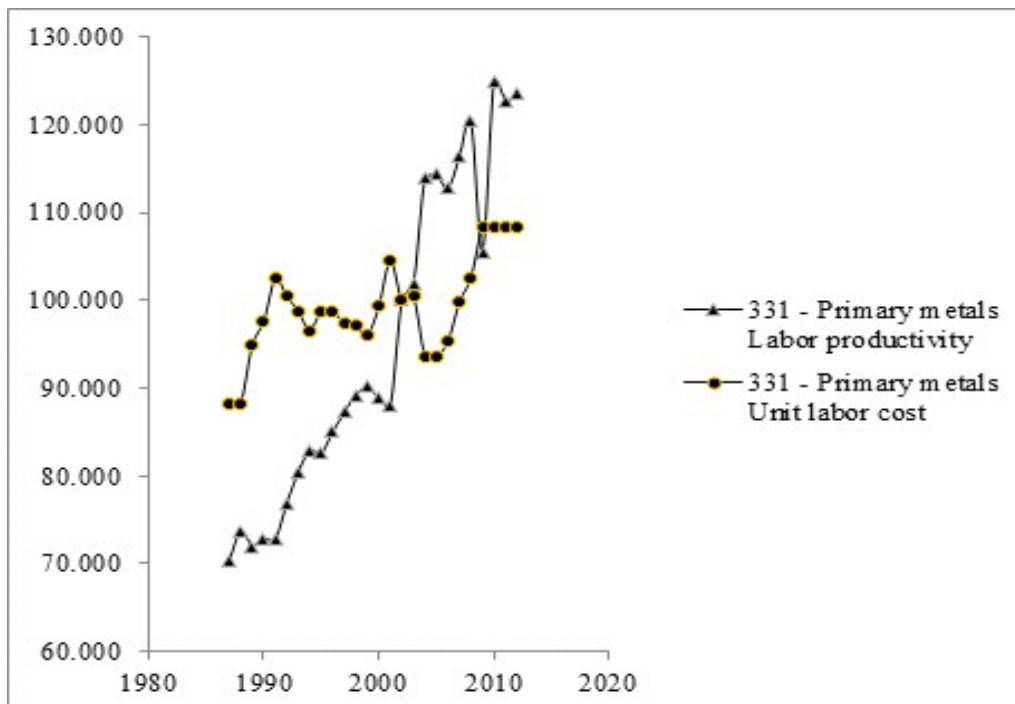
There also has been a persistent attempt to undermine labor costs over a period of time. As an example, a look into Fig. 21 would present the case of the primary metal industry of the US where the labor productivity has outweighed unit labor costs, thus making the economy move towards cost competitiveness. However, unemployment has become a concern since and an impetus for growing markets is sought after.

**Fig. 20 Trade Union Density (% of Paid Employment) in the US**



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

**Fig. 21 Labor Productivity & Costs in Primary Metal Industry in the US**



Source: Bureau of Labor Statistics, United States Department of Labor

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 spurn 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.

### **Summary & Discussion**

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. They depict economies that have a major stake in the running of the global economy. Particular emphasis has been laid on the tenets of population characteristics and likewise its integration with the labor market. This analysis was also validated with data from various sources that attempt to substantiate the arguments made.

As has been seen, India is at a stark difference from 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 percent 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 post-independence days has been unable to kick off. Issues concerning capacity utilization, technological impetus and availability of raw materials are still plaguing the industry. Also, socially the gender disparity in 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 labor to substantiate it. However, the stagnant population growth along with a growing dependency ratio can upend the situation for China. Also, the rising labor costs lead the competitive advantage to be continuously on the decline. In this scenario, China would be required to reinvent itself away from a mere 'cheap labor' economy. Recent directions from it indicate it may be willing to take on a new role. However, the overarching presence of the Chinese government in the affairs of businesses would, however, remain a concern for the economy.

The Global Wage Report 2014/15 of the International Labor Organization (ILO) shows that the global real wage growth has been driven mostly by emerging economies and in particular China. For developed economies such as the US, the wage growth over the years follow-

ing the 2007–08 crisis has been more or less flat however the difference between the average wages of developed and developing economies has been lowering considerably in the manufacturing sector.

The United States is leading the contingent in this analysis however it has been wary of China, although, according to some detractors, there is some stagnancy in the way the US economy is progressing. Wallerstein's (2003) comments on the decline in American power have been most prominent. In order to move forward addressing these issues would be an important task for the economy. However, the fundamentals of the US economy remain sound and that gives it every chance to bounce back even after periods of crises.

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. For India, it needs a lot of catching up to do. The tertiary sector alone would not aid in its growth and focus must be brought to the manufacturing sector and, indeed, the agriculture sector also, especially when a large percentage of the population remains in various low-key socio-economic indicators. Also, the threat from China to its manufacturing industry needs to be countered with an appropriate policy focus. The recent initiatives of the government regarding Make in India remain to be an important tool in this direction. China and the US need to reinvent themselves to maintain

their stronghold over the world economy. While the US remains the leader of the pack it cannot afford to be lackadaisical in its approach.

This ordering finds resonance with Wallerstein's (2003) world systems theory of the ordering of economies into core, semi-periphery and periphery. As Kiely (2016) contents, these orderings fail to explain the shifts of different economies from one bracket to the other. We find that looking into the labor markets presents a nuanced understanding of the competitiveness of a national economy and the path that it might follow in the future. We are certain that bringing in other endogenous variables concerned with firms would enhance the outlook of our competitiveness assessment.

## References

- Aaronson, D., Davis, J. & Hu, L. (2012, March). Explaining the Decline in the U.S. Labor Force Participation Rate. Chicago Fed Letter: The Federal Reserve Bank of Chicago, 296. <https://www.chicagofed.org/publications/chicago-fed-letter/2012/march-296>
- Arrighi, G. (2007), *Adam Smith in Beijing: Lineages of the Twenty-First Century*. Verso.
- Bhalotra, S. R. (1998), "The Puzzle of Jobless Growth in Indian Manufacturing", *Oxford Bulletin of Economics and Statistics*, 60(1): 5–32.
- Brooks, R. & Tao, R. (2003), *China's Labor Market Performance and Challenges*, IMF Working Paper, WP/03/210. <http://www.imf.org/external/pubs/cat/longres.aspx?sk=16843>
- Chandrasekhar, C. P., Ghosh, J. & Roychowdhury, A. (2006), "The 'Demographic Dividend' and Young India's Eco-

- conomic Future”, *Economic and Political Weekly*, 41(49): 5055–64.
- Charles, K. K., Hurst, E. & Notowidigdo, M. J. (2013), Manufacturing Decline, Housing Booms, and Non-Employment, *NBER Working paper*, 18949. <http://www.nber.org/papers/w18949.pdf>
- Chomsky, N. (2014), Chomsky: Business Elites Are Waging a Brutal Class War in America. AlterNet. <http://www.alternet.org/economy/chomsky-business-elites-are-waging-brutal-class-war-america-0?page=0%2C0>
- Das, M. & N’Diaye, P. (2013), Chronicle of a Decline Foretold: Has China Reached the Lewis Turning Point? *IMF Working Paper*, WP/13/26. <https://www.imf.org/external/pubs/ft/wp/2013/wp1326.pdf>
- Eckaus, R. S. (1955), “The Factor Proportions Problem in Underdeveloped Areas”, *The American Economic Review*, 45(4): 539–65.
- Frank, A.G. (1998), *ReOrient: Global Economy in the Asian Age*. University of California Press.
- Kiely, R. (2016), *The Rise and Fall of Emerging Powers: Globalisation, US Power and the Global North-South Divide*, Palgrave Macmillan.
- Paul, G.D, B. Pellissery, S. (2007), Jobless Growth to Inclusive Growth: Employability as an Alternative Planning Strategy. ATLMRI Discussion Paper, Paper 3/2007. [http://www.atlmri.org/index.php/downloads/cat\\_view/37-discussion-papers-?start=20](http://www.atlmri.org/index.php/downloads/cat_view/37-discussion-papers-?start=20)
- Peng, X. (2011), “China’s Demographic History and Future Challenges”, *Science*, 333(6042): 581–87.
- Ro, S. (2014, January 24), “America’s Manufacturers Should Get Ready To Eat China’s Lunch”, *Business Insider*. <http://www.businessinsider.in/Americas-Manufacturers-Should-Get-Ready-To-Eat-Chinas-Lunch/articleshow/29290695.cms>
- Schwab, K. & Sala-i-Martin, X. (2014), *The Global Competitiveness Report 2014-2015*, World Economic Forum. [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf)
- Sundar, K. R. S. (2010), “Emerging Trends in Employment Relations in India”, *Indian Journal of Industrial Relations*, 45(4): 585–95.
- Wallerstein, I. (2003), *The Decline of American Power: The U.S. in a Chaotic World*. New Press.
- Zakaria, F. (2008), *The Rise of the Rest*. <http://fareedzakaria.com/2008/05/12/the-rise-of-the-rest/>