

An interview with Jayati Ghosh, winner of the ILO Decent Work Research Prize

Decent Work Research Prize laureates Professor Jayati Ghosh and Professor Eve C. Landau addressed the ILO Governing Body of the International Labour Organization (ILO) on 11 November, calling for economic policy reforms based on decent work to meet current challenges in global labour markets. The Indian economist Jayati Ghosh was also among the thousands of people at the annual International Labour Conference in Geneva. World of Work spoke to Ms. Ghosh, who is a professor at the Jawaharlal Nehru University in India and the Executive Secretary of the International Development Economics Associates (IDEAs.).

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What needs to be done to ensure that growth delivers quality jobs?

Jayati Ghosh: First of all we really need a redirection of economic policy. If you look at the successful developing economies, mostly the strategy has been to depend on exports for growth, even when you have a relatively large potential domestic market. The basic focus has always been to try and export more. Once you're doing that, you really have to keep your wages down; as you have to keep your costs down. So your purpose is not to let domestic demand grow, because once you do that it inhibits your capacity to be a very competitive exporter. So you get low exchange rate policies, low-wage policies, and basically you don't let productivity increases translate into wage increases.

This is true of China but it's really what the others are aiming for. And the other example is Germany, which is presented as the big success. I really think that for a sustainable pattern we need to shift towards a wage-led, consumption-led growth in most of these countries, if you look at the large, potentially very, very rapidly growing countries. Not just the BRICS countries, but also Argentina, Mexico, Indonesia – these all have huge potential, large populations, and a real scope for shifting towards a wage-led, employment-led growth.

Does it work for the least developed countries (LDCs)?

Jayati Ghosh: Absolutely. People assume there's nothing you can do but export. That's not true. The problem with most LDCs is that they're not able to diversify in a way that they can even export. If they shift to manufacturing, they're undercut by the Chinese; when they do primary commodities, we all know what the problems are: there's a current boom but it's very volatile. Depending on the size of the population, a large part of sub-Saharan Africa has a real scope for finding markets, based on wage-led and employment-led growth in the region. In South Africa, you can do this in a much more significant way. There's a huge potential for this. It will mean relaying a bit more on the regional markets rather than just your own domestic market.

How do you convince governments and donors not just to sign on to the decent work agenda but to really implement it?

Jayati Ghosh: The first point is that whenever you say that we need wage-led growth, people say that with globalization it's no longer possible. That's a big mistake. What you find is there are limits being reached in all kinds of areas. The US market is no longer going to be the engine of global growth. We have to find other sources of dynamism in the global economy.

There is huge potential dynamism in countries with large populations where basic needs are not met. Even the private sector is interested; it need not be just the public sector that does it.

These are areas where potentially the market is huge if the public sector steps in to provide reasonable infrastructure. You need a decent all-weather road to every settlement, you need electricity in every household, you need sanitation, you need water, you need the basics such as food and access to health facilities. Once you improve social spending, you are already creating a market.

Can you give us an example?

Jayati Ghosh: Take the case of my country, India, where 40 per cent of rural households don't have electricity and one third of the villages don't have all-weather roads. We have hugely under-supplied education, health and sanitation. Just supplying those adequately means a massive increase in employment, and therefore large positive multiplier effects of the spending of the people who get this employment. When they'll be spending in those areas, there will be jobs created, both directly and indirectly. It's not just a "good" thing to do in welfare terms; it makes good, sound macroeconomic sense.