Did Productivity Slowdown in the Emerging Economies? Evidence from India in the Pre and Post Global Crisis Period

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The global economy has seen downturn in productivity growth in the recent years. Indeed the global financial crisis might have aggravated the productivity slowdown, but the decline started even before the onset of the crisis (OECD 2015; van Ark et al, 20XX; Erumban and van Ark, 2017). Hence there emerged a debate on whether the world is seeing the end of massive productivity improvements. The discourse has centered on two views- (1) the importance of general purpose technologies – in particular electricity and information and communication technology (ICT) –, demography, education, inequality, globalization, environment and debt on understanding growth and productivity (See Gorden, 2016, Brynjolfsson and McAfee, 2011) and (2) secular stagnation, where advanced economies are entering into a long-term productivity stagnation due to multiple factors (Summers versus Eichengreen). A less discussed aspect is the role of emerging markets. Erumban and van Ark (2017) argue that a large part of the global productivity decline comes from emerging markets, which is partly a result of their success in the previous decades. The role of these economies in driving global trade and production fragmentation, facilitated by the accelerated use of information technology, has been massive in the 2000s, which has indeed translated into a much higher global productivity growth. It is imperative to understand the productivity dynamics in in the emerging economies such as- China, India and Brazil in the context of global productivity slowdown as well as recovery of growth in the advanced economies. This paper is an attempt to understand productivity dynamics in India, in the context of financial crisis, and global productivity slowdown.

Two important questions arise when analyzing India's growth dynamics in the context of global slowdown. The first: how well integrated India was to the world economy before the crisis and the second: how did it perform subsequent to the slowdown. Share of exports in India's GDP increased from 7.13 percent to 23.48 percent in 1990 and 2008, while the share of imports (in GDP) rose from 8 percent to 29 percent in the same period. Further, the impact of the crisis on the export sector was evident as India's exports which had previously grown at nearly 20 percent between 2002 and 2008 plummeted to a negative 20.3 percent in 2009-10. It is now widely accepted that India witnessed a growth slowdown since 2008 after almost a decade of consistent high growth (2003-2008). However, there is less evidence on how labor productivity and its sources – total factor productivity and capital deepening – have moved after the global financial crisis. Several researchers have analyzed India's poor productivity levels, especially in manufacturing sector and highlight the roles of small scale production, low capital intensity and rigidity of labor markets as barriers to overcome for sustaining high productivity growth. In addition, despite being a pioneer in software services, evidence seem to suggest that Indian industries lags significantly behind in using information and communication technologies to boost their productivity (Erumban and Das, 2016) Azeez et al (2016).

The present paper examines the labor productivity growth performance for the Indian economy for the period 2000-2015 and compares the pre global slowdown period with the post crisis period with an industry perspective. Using India KLEMS dataset, which provides detailed industry level data, and growth accounting technique we analyze the sources of labor productivity for aggregate economy as well as disaggregated industrial sectors. We analyze the productivity acceleration and deceleration in Indian economy and its industries, in the context of global productivity slowdown before and after the global financial crisis (2000-2007 vs. 2008-2015). Subsequently, the sources of acceleration and deceleration of productivity are explored. This will help us understand how badly Indian industries are affected, or how well they are insulated from the global financial crisis. Further, the paper will examine analyze the factors that played a role in driving total factor productivity in Indian industries pre-and post financial crisis.

Tentative outline of the paper

1. Introduction
2. India's growth performance in the context of global slowdown
3. Sources of labor productivity growth- Methodology and Dataset
4. Labor productivity in Indian industries: Pre and post Global Slowdown
5. Analyzing Sources of Observed labor productivity in industries: Pre-and Post Global Slowdown
6. Conclusions

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