



Worker Productivity and Economic Growth

For Prelims: Worker Productivity and Economic Growth, Labor Productivity, [Second World War](#), Make in India, Startup India.

For Mains: Worker Productivity and Economic Growth, Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

[Source: TH](#)

Why in News?

Recently, one of the Industry Leaders, has sparked a debate over **Worker Productivity and Economic Growth** by urging young Indians to [work 70 hours per week](#).

- He cited Japan and Germany as examples of countries that grew because their citizens worked harder and for longer hours to rebuild their nations in the aftermath of the [Second World War](#).

What is Worker Productivity?

- **About:**
 - The only conceptual difference between the Worker Productivity and Labor Productivity is that the 'work' in worker productivity describes **mental activities while the 'work' in labour productivity is mostly associated with manual activities.**
 - Productivity of an activity is usually measured as the quantum of **output value per unit of labour (time) cost at a micro level.**
 - At a **macro level**, it is measured in terms of the labor-output ratio or change in Net Domestic Product (NDP) per worker in each sector (where working hours are assumed to be 8 hours per day).
- **Measuring Intellectual Worker Productivity:**
 - In certain sectors, particularly those involving intellectual labor, evaluating the value of output can be inherently challenging.
 - As a result, **worker productivity is often approximated** based on worker income, which can create **complications when attempting to correlate increased working hours** with higher productivity, particularly if workers don't receive fair compensation for their additional efforts.
- **Role of Skill in Productivity:**
 - Productivity is not just about time, **it's about skill.** By investing in education, **training, health,** and other aspects of Human Capital, workers can become more efficient and create more value in the same amount of time.
 - So, working fewer hours **doesn't necessarily reduce output;** it can actually **improve workers' quality of life.**
 - The economy can still grow, even if **nominal wages remain the same,** as long as workers become more skilled and productive.

Is There a Link Between Worker Productivity and Economic Growth?

- While an increase in productivity made through any sector is likely to affect the value added and the accumulation or growth in the economy, the **relationship between the two is quite complex**.
- During the period 1980 to 2015, India's [Gross Domestic Product \(GDP\)](#) expanded significantly, indicating **robust economic growth**. However, this economic growth did not uniformly benefit all segments of society.
 - In 1980, India's GDP was about USD 200 billion, which by 2015 exceeded USD 2,000 billion.
 - However, when looking at income distribution, the **middle-income group's share in the national income decreased from 48% to 29%**, and the low-income group's share dropped from 23% to 14%, during 1980-2015.
 - In contrast, the **top 10% income group saw their share increase from 30% to 58%**, indicating a growing Income Gap in the country during this period.
- This income inequality and skewed **distribution of prosperity among different income groups** is not explained by productivity but by poor labor laws, hereditary transfer of wealth, and exorbitant pay packages.

What are the Government Schemes to Improve Productivity and Efficiency in India?

- **Skill Development Initiatives:** The government has launched various skill development programs like [Pradhan Mantri Kaushal Vikas Yojana \(PMKVY\)](#), [National Skills Qualifications Framework \(NSQF\)](#) and [Recognition of Prior Learning \(RPL\)](#) to enhance the employability of the workforce.
- **Digital India:** The [Digital India](#) initiative aims to boost efficiency through digitalization and increased access to online services, reducing bureaucracy and enhancing productivity.
- **Make in India:** [Make in India](#) campaign encourages investment in manufacturing and promotes economic growth, creating job opportunities and enhancing productivity.
- **Startup India:** [Startup India](#) fosters entrepreneurship, the government introduced Startup India, offering support and incentives to startups and small businesses.
- **Ease of Doing Business Reforms:** [EoDB](#) reforms aim to simplify regulations, streamline business processes, and make it easier for businesses to operate, thereby increasing productivity.
- **National Industrial Corridor Development:** Developing [Industrial Corridors](#) across the country helps attract investment, create jobs, and stimulate economic growth.
- **Incentives for Research and Innovation:** Programs like [Atal Innovation Mission and Biotechnology Industry Research Assistance Council \(BIRAC\)](#) provide support and incentives for research and innovation.
- **Tax Reforms:** Implementation of the [Goods and Services Tax \(GST\)](#) simplifies taxation and boosts efficiency for businesses.

Does India have Low Worker Productivity?

- India's worker productivity isn't necessarily low, despite income-based misconceptions. The decline in **wage shares and the rise in profits since the 1980s can be attributed to various factors**, including informal employment, labor laws, and unfavorable regulations for workers.
- Kronos, a global workforce management company, has recognized Indian employees as one of the most hardworking employees in the world.
 - On the contrary, India ranks low in terms of average monthly wages.

Way Forward

- India presents a unique case and any arbitrary comparison **with others would only lead to dubious analytical inferences** and fallacious policy prescriptions.
 - For example, Japan and Germany are **neither comparable in terms of the size and**

quality of the labour force nor in terms of the nature of their technological trajectories or their socio-cultural and political structures.

- Enhancing social investments, focusing on exploring domestic consumption potential for increased productivity with a human centric assessment of development achievements is the **way to a more sustainable and desirable outcome.**

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