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ISSUE NOTE I

'Boosting Growth and Employment in the BRICS'

Prepared by ILO and VV Giri National Labour Institute, INDIA

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Boosting Growth and Employment in the BRICS

1. Introduction¹

1.1 The quintet of BRICS – Brazil, Russia, India, China and South Africa- have been deservedly celebrated as a major force in the global economy. Accounting for approximately 45 per cent of the global labour force, the sheer size of the BRICS means that developments in the labour markets of the BRICS will have major ramifications for the world of work across the world.

1.2 The BRICS can use their size and status to foster a progressive policy agenda. The BRICS community could inculcate a shared vision emphasizing sustained commitments to improving labour market and social indicators through appropriate policy interventions. Such a vision would be a much welcome development in a global context in which there are continuing concerns about slow growth and the risk that socio-economic progress across the world might be impaired. Indeed, the BRICS themselves might become vulnerable to a synchronous growth slowdown. What matters in such circumstances is a renewed commitment to the quality and inclusiveness of growth rather than merely focusing on its quantitative dimensions. It is with this objective in mind that this briefing note reviews the macroeconomic and labour market situation in the BRICS and the policy implications that follow from such a review.

2. The macroeconomic situation: synchronous growth slowdown and its implications

2.1 The BRICS were collectively seen as drivers of global economic growth and its saviour following the global recession that afflicted the international community in 2008-2009. This optimism was justified as the BRICS rebounded vigorously from the global recession by 2010. Since then growth, with some exceptions, has faltered in the BRICS. As Table 1 shows, Russia and South Africa are in recession that is likely to persist until 2017. Growth in China has dipped below the near double digit growth that it experienced in the 1998 to 2007 period and this is expected to prevail over the medium-term. South Africa's growth has moderated in the last three to four years. Projections suggest that this sombre outcome is likely to persist. Only India is growing in excess of 7 per cent, based on estimates of the revised national accounts system. Medium-term projections suggest that this salutary performance is likely to continue.

Table 1: BRICS. GDP growth rates, 1998 to 2017

Country	Growth of GDP 1998-2007	2008-2014	2015	2016	2017 ²
Brazil	3	3.2	-3.8	-3.8	0
Russia	5.8	1.7	-3.7	-1.8	0.8
India	7.1	7	7.3	7.5	7.5
China	9.9	8.8	6.9	7	7
S Africa	3.7	1.7	0.6	1.7	2.4
Average	5.9	4.5	1.4	2.1	3.6

¹ We sincerely acknowledge the contribution of Prof. Iyanatul Islam in the preparation of this Issue Note.

² All estimates are derived from IMF (2016) *World Economic Outlook*, April. 2016 and 2017 are projections.

2.2 Recent evaluations suggest external factors have largely been responsible for the synchronous growth slowdown in the BRICS. Weak global trade, which is about 20 per cent below trend growth, have had a negative impact on the BRICS. Tumbling commodity prices have hit commodity exporters like Brazil, Russia and South Africa. In the case of Russia, the adverse consequences flowing from the imposition of sanctions and the conflict with Ukraine cannot be discounted. Tightened financial conditions and the volatility of short-term capital flows have exacerbated the inhospitable external conditions facing the BRICS community. There is also evidence of a reduced pace of total factor productivity growth juxtaposed with substantially reduced investment growth. These might be attributed to domestic policy uncertainty as governments in the BRICS seek to navigate their way through a turbulent external economic environment after the boom of 1998 to 2007.³

2.3 Concerns have been expressed about the negative spillover effects of the growth slowdown in the BRICS on emerging economies and the global economy. Some estimates suggest that the reduced pace of growth in the BRICS is likely to shave off 0.8 per cent from GDP growth for emerging economies as a whole and about half that for global growth.⁴

2.4 Under normal circumstances, governments in the BRICS would have reacted with vigorous counter-cyclical fiscal and monetary policies to respond to recession and slow growth as they did during the last global downturn. Now, there are continuing concerns about lack of fiscal space, at least in some of the BRICS. For example, in South Africa public debt to GDP ratio has increased 19 percentage points since the last global recession. In other commodity exporting BRICS, there are also concerns about debt to GDP ratio being in excess of OECD guidelines which suggests that emerging economies should aim for a debt to GDP debt target of 30 to 50 per cent.⁵ While there is no robust evidence that there will be an imminent growth collapse if these guidelines are breached,⁶ governments are wary of perceived financial market pressures in the wake of evidence of lax fiscal policies.

2.5 In the case of monetary policy, there is also evidence of cautious manoeuvres. Inflation targeting central banks in BRICS are hesitant to reduce rates as long as the prevailing and projected inflation rate is above the target rate as is the case in Brazil and South Africa. Russia has only very recently decided to reduce the policy rate by 50 basis points even though the prevailing inflation rate is significantly above the target rate. India and China have been more forthcoming in reducing policy rates.⁷

³ World Bank (2016), 'Sources of the growth slowdown in the BRICS', January 11, available at <http://blogs.worldbank.org/prospects/global-weekly-sources-growth-slowdown-brics>

⁴ Huidrom, R, Kose, M.A, and Ohnsorg, F (2016) 'Painful spillovers from slowing BRICS growth', February 17, available at <http://voxeu.org/article/painful-spillovers-slowing-brics-growth>

⁵ OECD (2015) 'Achieving prudent debt targets using fiscal rules', Economics Department Policy Note No.28, July, www.oecd.org/eco/Achieving-prudent-debt-targets-using-fiscal-rules-OECD-policy-note-28.pdf

⁶ Islam, R and Islam, I (2015) *Employment and inclusive development*, London and New York: Routledge

⁷ The latest monetary policy developments can be downloaded from central bank websites of the BRICS available at https://www.bis.org/central_bank_hub_overview.htm

2.6 It is also possible that the growth slowdown is part of a secular phenomenon. This stems from studies which claim that ‘regression to the mean’ is a strong empirical regularity. In other words, an economy might grow rapidly for some time, but eventually growth regresses to the historical mean of 2 to 4 per cent. Estimates suggest that even if partial regression to the mean takes place, China’s and India’s growth in the 21st century are unlikely to exceed 4 per cent.⁸ Closely linked to the phenomenon of ‘regression to the mean’ are studies that claim a secular decline in the pace of ‘catch up growth’ and hence the ability of emerging economies to converge to living standards of the rich nations within a reasonable period of time.⁹

2.7 What are the implications of these studies? One important observation that one can make is that the boom of the 1998-2007 period that preceded the global recession of 2009 was probably exceptional. They were driven at least partially by a global commodity price boom and plentiful supply of cheap credit. These conditions that can enable a boom are unlikely to be replicated for prolonged periods. Hence, the emphasis should be on the quality and inclusiveness of growth rather than its quantitative dimensions. Certainly, a growing economy is necessary for enhancing labour and social indicators, but as endogenous growth theory suggests, improvements in labour and social indicators are important because they signal positive changes in human capabilities that promote growth.

3. Assessing labour market performance in the BRICS: a holistic approach¹⁰

3.1 Assessing labour market performance – whether at a point in time or over time – requires a holistic approach that can highlight both common features and distinctive aspects of country-specific labour markets in the BRICS. This would entail using a multiplicity of indicators as proposed by the ILO. These diverse indicators range across labour force participation rates, employment and unemployment, wages, industrial relations, occupational health and safety, social protection, the status of young people in the labour market as well as gender disparities and inequality. The statistical annexe offers an illustration of the multiple dimensions of the labour market in BRICS using the latest available information. The discussion in the text offers a selective exposition of key labour market indicators that is drawn from the statistical annexe.

3.2 Labour force participation rates

3.2.1 Once one moves away from the BRICS as a monolithic group, the diversity within the group becomes evident. Thus, China has the highest labour force participation rate (71 per cent) followed by the Russian Federation and Brazil. South Africa, and India in particular,

⁸ Pritchett, L and Summers, L (2014) ‘Asiaphoria meets regression to the mean’, NBER Working Paper No.20573

⁹ *The Economist* (2014) ‘Economic convergence: the headwinds return’, September 13, summarizes the findings of a growth slowdown in the emerging economies as a whole and highlights the dramatic fact that, if one excludes China, convergence of emerging economies to rich country living standards at the current and projected pace will take place in 300 years!

¹⁰ This section draws heavily on Kapsos, S (2016) ‘Towards labour market indicator harmonization in BRICS countries’, presentation at Meeting of Ministers of Labour and Employment, January 25-26. Verick, S and Casez, S (2013) *The Labour Markets of Emerging Economies*, ILO and Palgrave Macmillan, offer a thorough analysis of the extent to which growth has translated into more and better jobs. They focus on Brazil, Indonesia and South Africa. Majid, M (2015).

are notable for their moderate participation rates (just over 50 per cent). Low female labour force participation rates in India have been well documented by a number of studies leading to a high gender gap in terms of this indicator.¹¹

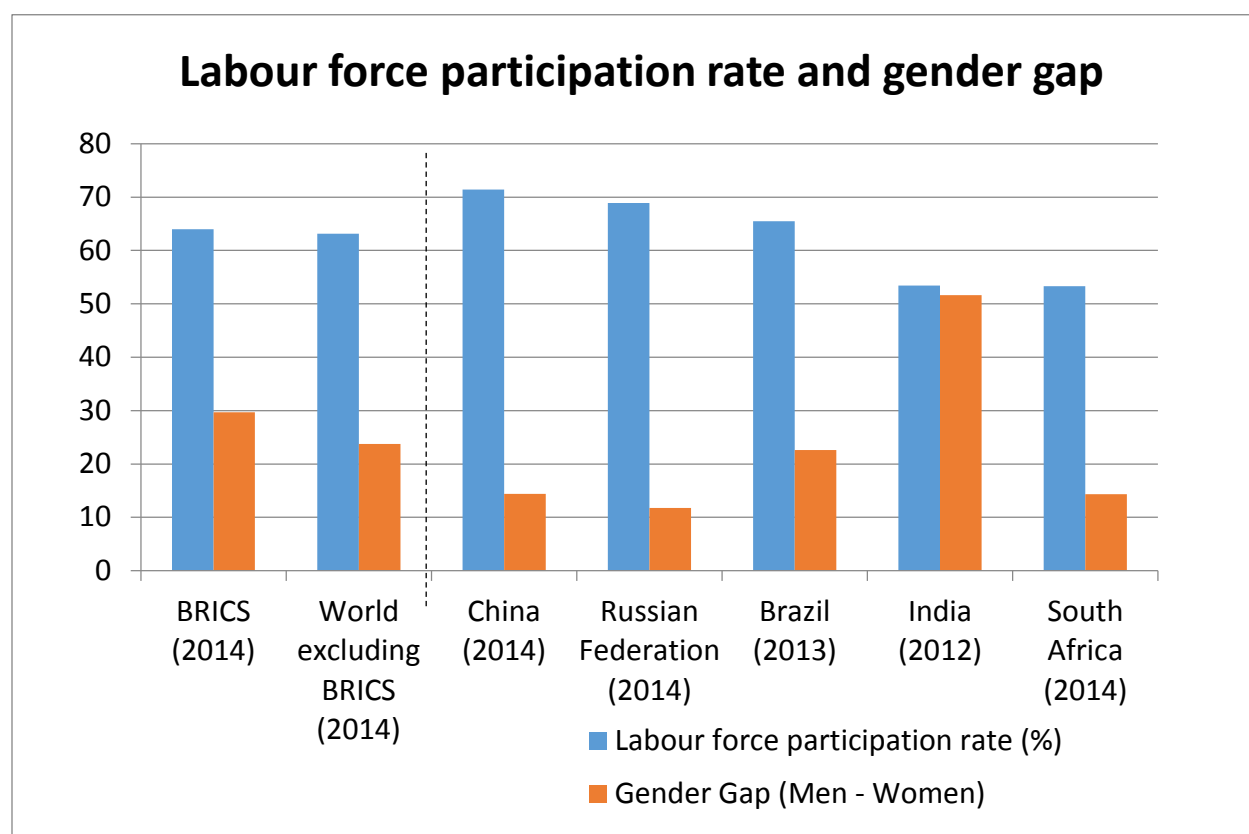


Figure 1

3.3 Employment and its multiple dimensions

3.3.1 The employment rate – or the employment to population ratio (EPR) - is a popular measure of assessing the extent to which the labour market is able to absorb the work-force in productive activities. The recently concluded Millennium Development Goals (MDGs) included EPR as one of the basic indicators to assess progress towards the key goal of full and productive employment. The recently adopted Sustainable Development Goals (SDGs) will presumably continue with the EPR as a basic monitoring tool. The European Union has also set an employment rate of 75 per cent as a goal for its members which they should seek to attain by 2020.

3.3.2 Figure 2 shows the EPR for the BRICS. The average EPR for the group is 55 per cent, but there are significant variations around this average. China has the highest EPR at 68 per cent which can be juxtaposed with South Africa exhibiting an EPR of 40 per cent. Furthermore,

¹¹ See, for example, Chaudhary, R and Verick, S (2014) 'Female labour force participation in India and beyond', ILO Working Paper, New Delhi, 28 October

and not surprisingly, there is a reasonably close link between a high EPR and high LPR as figure 3 shows.

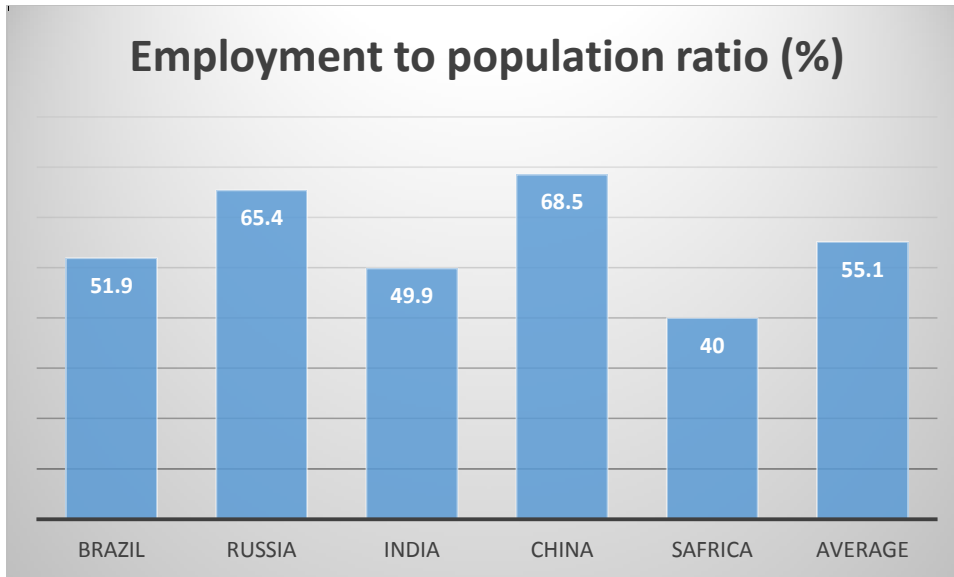


Figure 2

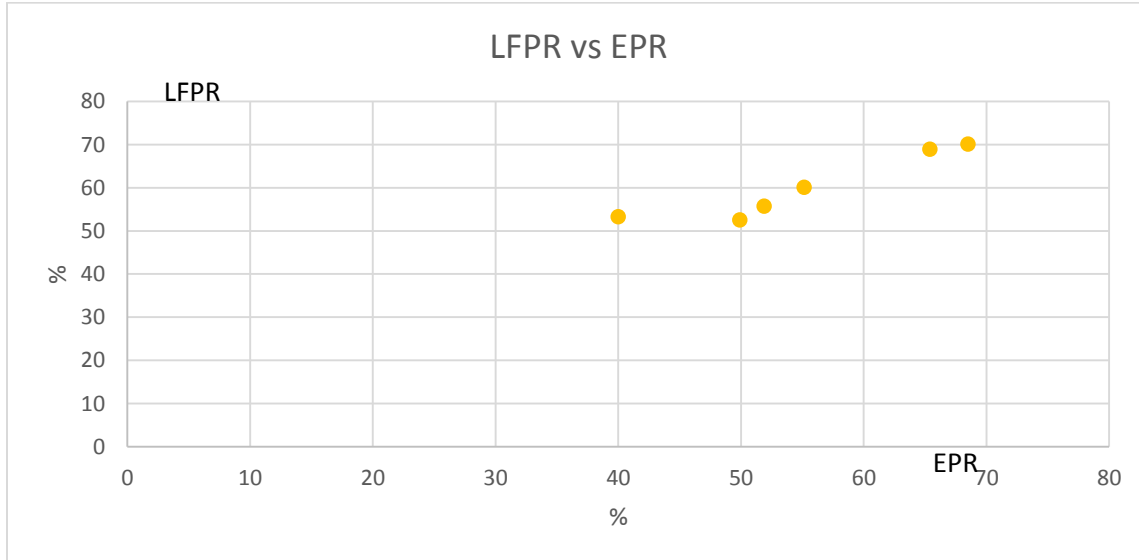


Figure 3

3.3.3 While the EPR is useful, it does not capture qualitative aspects of employment. A country might have a high EPR but this could hide a proliferation of low quality jobs. Accordingly, it would be useful to examine additional indicators. One way to assess this, as the

MDGs used to do, is to monitor labour productivity. A high and growing labour productivity juxtaposed with high EPR might be interpreted as a case of more and better jobs.

3.3.4 There are significant gaps in labour productivity among the BRICS, although this has narrowed in recent years (Figure 4). Russia and South Africa have the highest labour productivity levels in the group, but China has caught up with South Africa and is a little behind Russia. Thus, China displays a combination of high LPR, EPR and high labour productivity. South Africa, on the other hand, has low EPR and moderate LFPR. This suggests that South Africa might face a trade-off between quantity and quality of employment, but China seems to have engendered both more and better jobs.¹² Figure 4 also shows that India has a large productivity gap to circumvent along with the need to increase both EPR and LFPR.

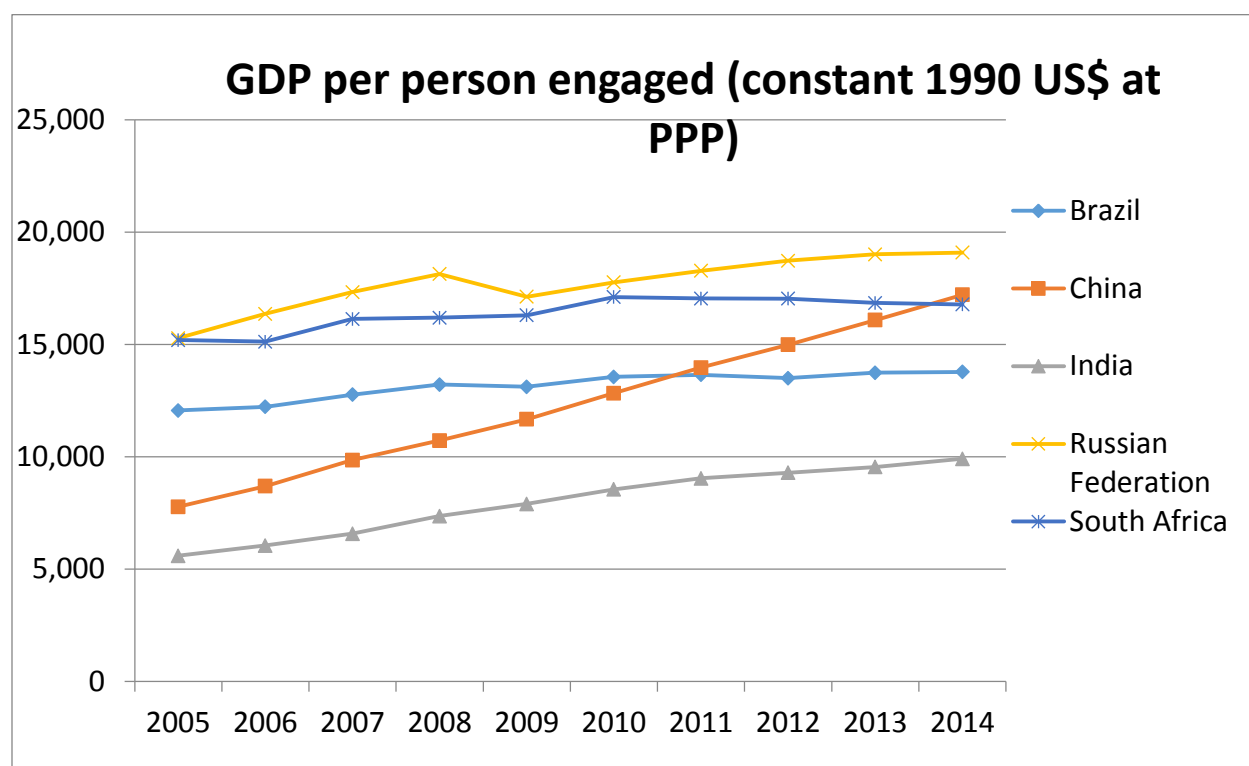


Figure 4

3.3.5 Figure 5 offers an illustration of the sectoral composition of employment in the BRICS. While around 20 per cent of the work-force is in agriculture for the BRICS as a whole, more than half the work-force in India are employed in agriculture. In other BRICS, the service sector is the dominant employer (well over 60 per cent).

¹² Majid (2015) offers a thorough analysis of the 'great employment transformation' in China. See Majid, N (2015) 'The great employment transformation in China', *Employment Working Paper No.195*, ILO, Geneva

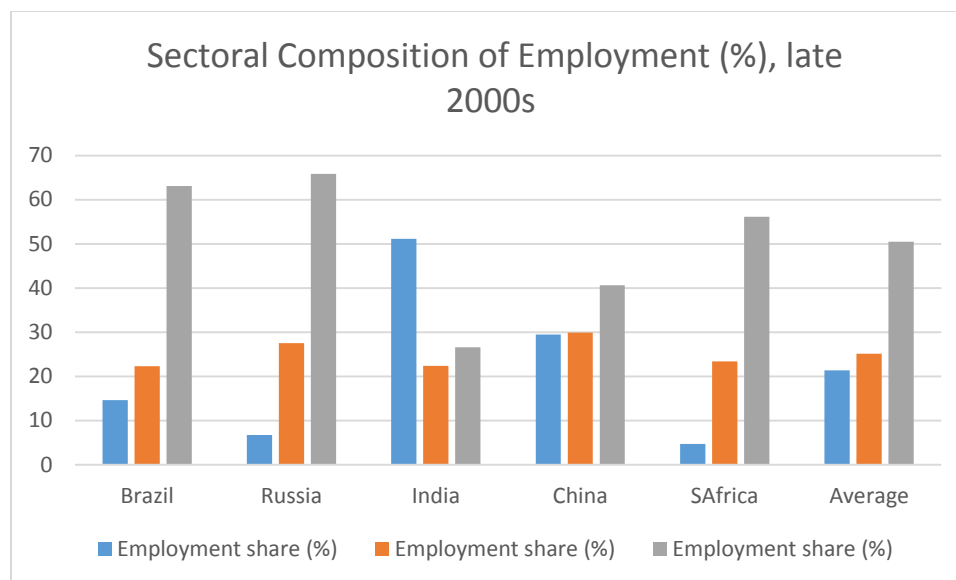


Figure 5

3.3.6 This sectoral composition of employment provides the context to recent debates on ‘premature de-industrialization’, that is the concern expressed by prominent scholars that emerging and middle income economies – of which the BRICS as a group is a prime exemplar – have become service sector-oriented too soon relative to historical norms.¹³ This is indeed a concern if the service sector is insufficiently productive relative to industry, so that the premature rise of the service sector acts as an impediment to productive structural transformation.

3.3.7 The evidence supporting this concern is by no means robust.¹⁴ What one can say is that the BRICS cannot rely on a strategy that largely invokes the aspiration that industrialization is the only path to sustained prosperity. Improving livelihoods within agriculture – especially for a country like India – and services through an appropriate diversification strategy is a pragmatic response to current realities and future prospects.

3.3.8 An important way of assessing the quality of the employment structure in the BRICS is to reflect on the incidence of informality. Moving out of low productivity informal activities into more formal and productive employment is, of course, a major policy goal in the BRICS as it is in other parts of the world.

3.3.9 Pertinent information is provided in figure 6 on the share of informal employment as a proportion of the non-agricultural work-force. Well over 80 per cent of Indian workers in non-agricultural activities are employed in the informal economy, while the incidence of informality is the lowest in Russia followed by South Africa and Brazil. Improving livelihoods for workers in the informal economy is thus an important policy concern in India. One way of attaining this objective is to facilitate the transition to wage employment which, as figure 7 shows, is the highest in Russia followed by China, South Africa and Brazil.

¹³ This thesis is advanced by leading development economist Dani Rodrik. It is critically reviewed in Islam, R and Islam, I (2015) *Employment and Inclusive Development*, London and New York: Routledge

¹⁴ Islam and Islam (op.cit)

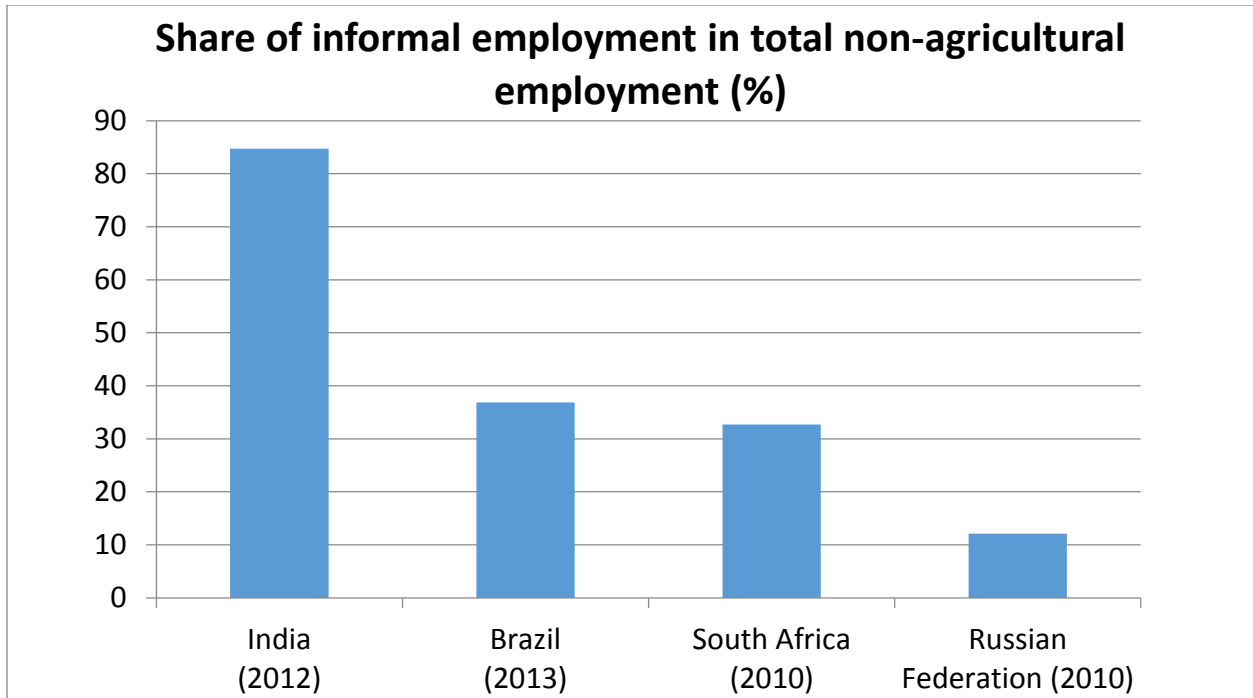


Figure 6



Figure 7

3.3.10 The case of Brazil is of considerable interest as the incidence of informality has come down significantly in recent years. There are a number of studies which argue that Brazil's ability to reduce informality can be attributed to specific policy interventions.¹⁵ This point will be revisited at a later section.

3.4 Unemployment and the labour market for young people

3.4.1 The unemployment rate is, of course, widely invoked across the world as a measure of the state of the labour market. It represents perhaps the most popular and sensitive 'headline' statistics. Furthermore, the youth unemployment rate – which is much higher than the aggregate unemployment rate – often becomes the object of concern among policy makers. Yet, it is also well known that the unemployment rate is not necessarily the most appropriate indicator of labour market distress either for adults or young people, especially in a context in which the incidence of informality is significant. It is entirely possible that the unemployment rate might decline or remain low and stable at a time of rising informality, as it happened in the case of Indonesia in the wake of the 1997 Asian financial crisis.¹⁶

3.4.2 With these caveats in mind, consider figure 8 which compares the aggregate unemployment rate with the youth unemployment rate. The latter is typically twice as high as the total unemployment rate. The case of South Africa is notable for its high unemployment rate which is well in excess of 20 per cent and a youth unemployment rate which more than twice the aggregate rate.

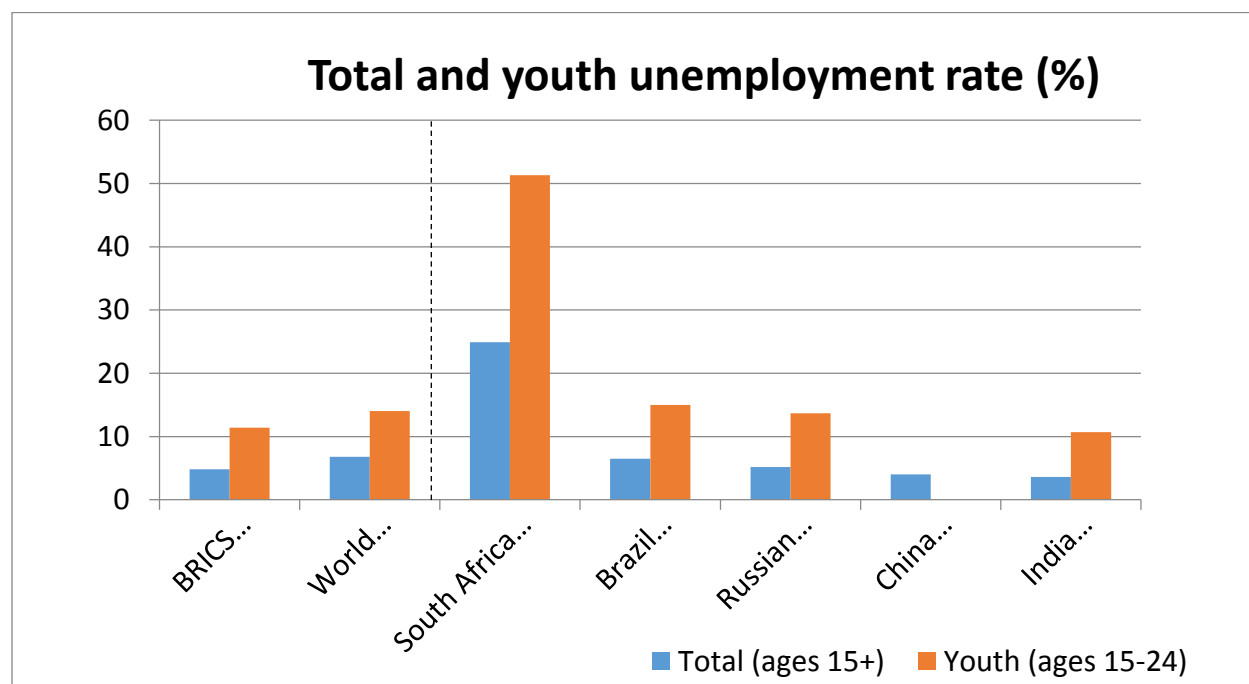


Figure 8

¹⁵ Verick and Cazes (op.cit)

¹⁶ Islam, I and Chowdhury, A (2010), *Growth, employment and poverty reduction in Indonesia*, Geneva: ILO

3.4.3 India and China have the lowest unemployment rate among the BRICS although, as noted, in a context of high degree of informality, this indicator might not necessarily be the best representation of the state of the labour market.

3.4.4 Another way of reflecting on the ability of the economy to integrate young people into the labour market is to focus on young men and women who are not just outside the labour but also outside the education and training system. This indicator, popularly known as NEET (neither in employment, education and training), is widely used among OECD countries. As can be seen in figure 9, more than 27 per cent of Indian youth are in NEET, although a much less modest number are unemployed. So, the NEET indicator seems to provide additional information on the labour market experience of young men and women that is useful from the perspective of policy makers. In other members of BRICS where relevant data is reported (Brazil, Russia), the incidence of NEET is significantly lower than in India, but it is the highest in South Africa (over 30 per cent).

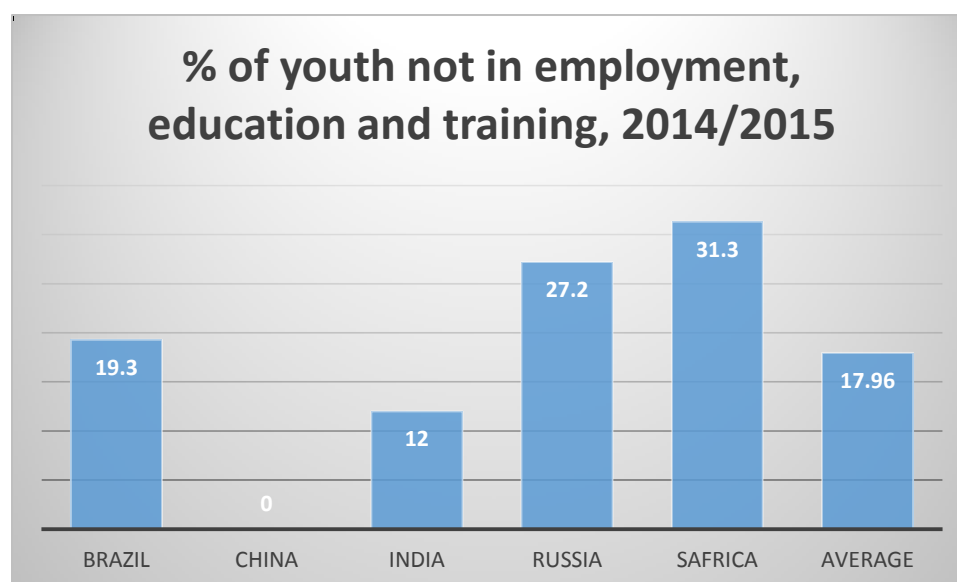


Figure 9

3.5 Wages and the welfare of workers

3.5.1 One of the key trends in labour markets across the world is declining wage shares. This is most pronounced in the OECD economies where the wage share has fallen, on average, by 10 percentage points between 1970 and 2010. Declining wage shares are also discernible in Brazil, China and South Africa, especially from 1990 onwards, but appear to be stable in Russia.¹⁷

3.5.2 Of course, declining wage shares per se do not necessarily mean that the living standards of workers are falling in absolute terms, as long as real wages rise over time. This is generally the case in the BRICS, most notably China. Nevertheless, declining wage shares are of

¹⁷ Stockhammer, E (2013) 'Why have wage shares fallen'? *Conditions of Work and Employment Series No.35*, ILO, Geneva

some concern as they indicate relative worsening of the living standards of workers. They can also have a deleterious impact on aggregate demand, if consumption demand falls because of declining wages shares provided there is no compensating boost to competitiveness because of lower unit labour costs.

3.5.3 An important way of examining the relationship between wages and the welfare of workers is to focus on the behaviour of minimum wages. For comparative purposes, this can be standardized by measuring minimum wages in the BRICS using average wages as a benchmark. This is shown in figure 10. The latest estimates show that minimum wages are highest in Brazil (42 per cent of average wages) and the lowest in Russia (16 per cent of average wages). The other members of the BRICS have minimum wages that are a little over 30 per cent of the average wage.

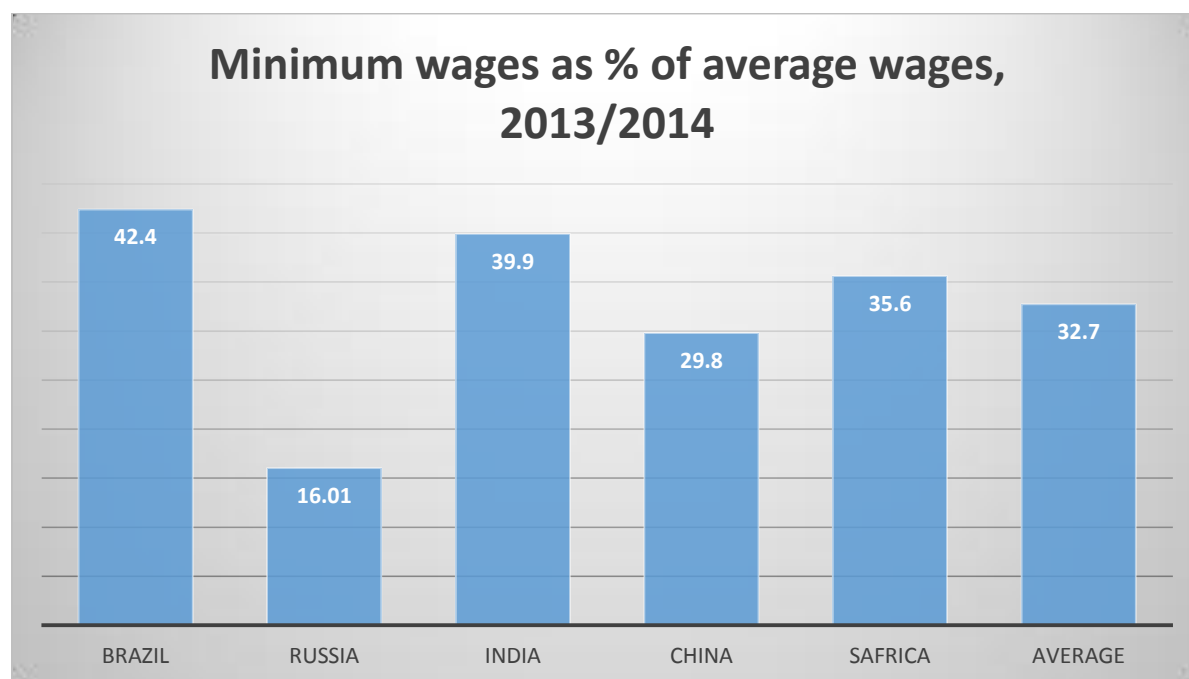


Figure 10

3.5.4 The normative implications of this finding can be contested depending upon the analytical prism through which it is viewed. From the perspective of orthodox economic analysis, high minimum wages in Brazil are undesirable because they undermine the employment opportunities of vulnerable workers.

3.5.5 This perspective has been challenged by alternative views and evidence. Between 2001 and 2014, minimum wages rose significantly in Brazil (by about 3 per cent per year) while in China it grew at an even faster rate. Minimum wage growth of this nature, far from undermining the living standards of workers, appeared to have boosted them. Several studies have documented that minimum wages in Brazil contributed to the decline in working poverty

and partially contributed to the decline in inequality.¹⁸ In China, minimum wages enhanced the productivity of low-skilled workers. These examples should inspire other members of the BRICS community contemplating increases in minimum wages.

3.5.6 The welfare of workers in terms of wages should also be analyzed in terms of the gender wage gap. What, for example, is the gender wage gap in the quintet of BRICS? Figure 11 offers a comparative perspective using the most recently available estimates. As can be seen, the gender wage gap is the lowest in South Africa and highest in India.

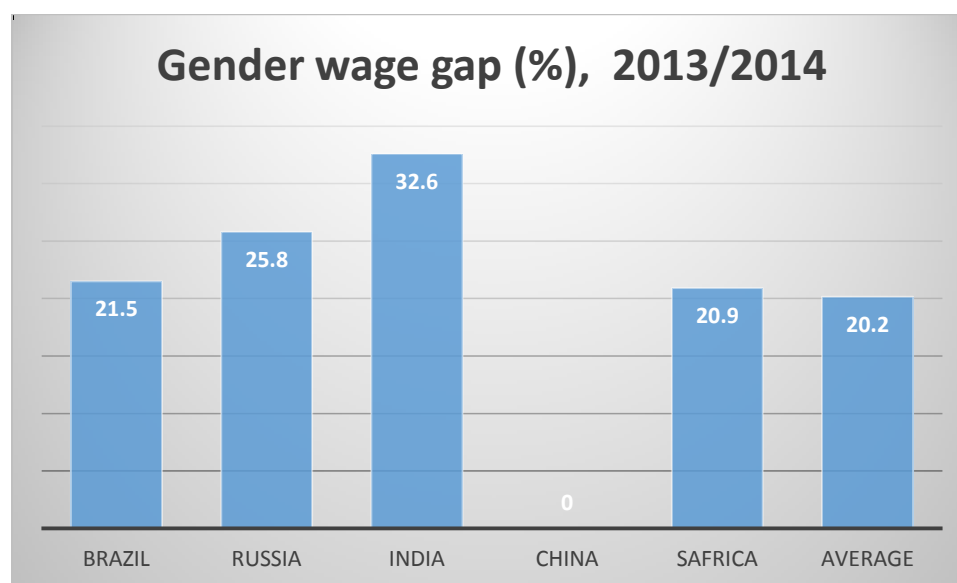


Figure 11

3.6 Inequality and redistributive capacity of the fiscal system

3.6.1 Figures 12 draws on the ‘standardized world income inequality dataset’ to assess the level of inequality as it prevailed in the 2000s in terms of the Gini ratio as it pertains to ‘net income’, that is after adjustments for taxes and transfers.¹⁹ Inequality is the highest in South Africa and lowest in Russia.

3.6.2 It is worth noting that some countries experienced significant declines in net income inequality in 2000s, such as Brazil, while it increased in others, such as China and India. Part of the reason could be that the redistributive capacity of the fiscal system was reasonably effective in reversing market-driven inequality in Brazil and elsewhere. Evidence for this is shown for the latest available estimates (Figure 13). In the case of China and India, the redistributive capacity of the fiscal system is apparently rather modest, but is significant in Brazil

¹⁸ Verick and Cazes (op.cit). See also the latest review of the evidence by Zeidan, R (2016) ‘The real minimum wage and poverty reduction’, available at <https://next.ft.com/content/27dc0418-8b8d-3317-9c38-bae6305d8b01>

¹⁹ This dataset is maintained and updated by Frederic Solt of Iowa University, available at <http://fsolt.org/swiid/>

and the other BRICS. In this respect, the Asian BRICS might wish to emulate their non-Asian counterparts.

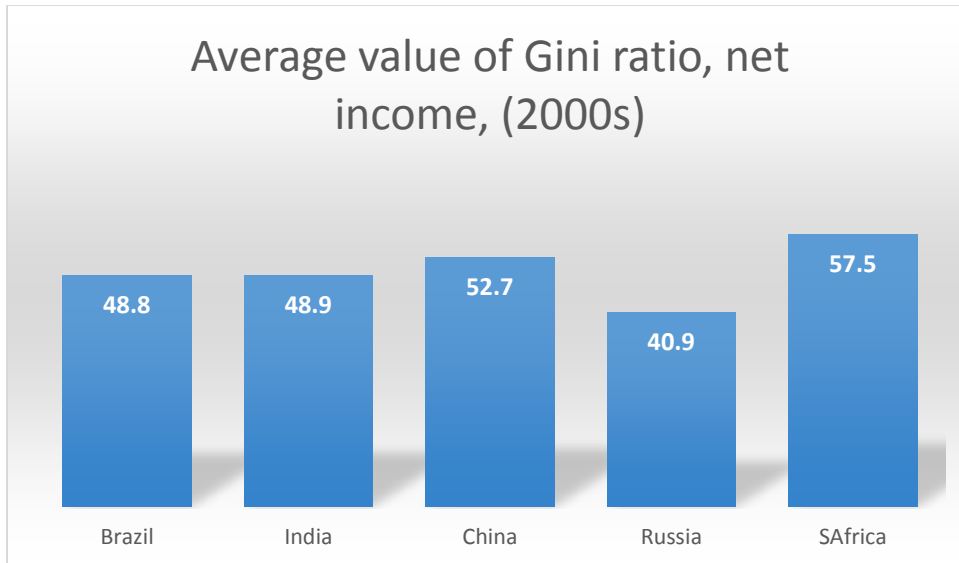


Figure 12

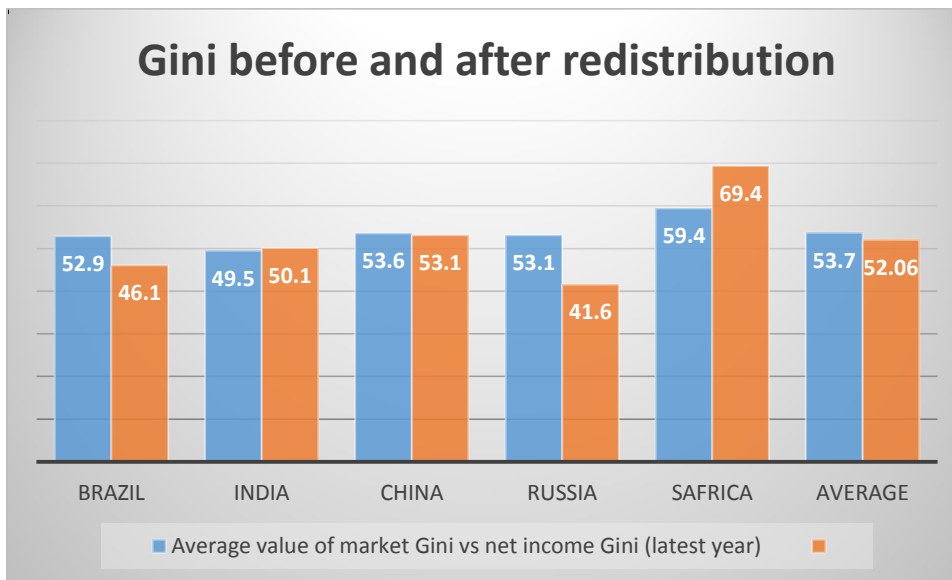


Figure 13

3.7 Social protection and active labour market programmes

3.7.1 The ability of governments to provide social protection to its citizens is an important way in which it can positively influence labour market outcomes. Those who work,

and those who are too young or old or unable to work, require protection from idiosyncratic and economy-wide shocks and unanticipated events. Market-based self-insurance schemes are, of course, possible and available, but often they are too costly for the poor and the vulnerable and, in some circumstances, self-insurance is not possible. The private sector, for example, will not willingly offer universal unemployment insurance other than one-off severance payments which are typically based on specific work-related criteria that not everybody can fulfil. Under these circumstances, state intervention is required to offset the understandable limitations of the private sector.

3.7.2 Hence, over time, rich nations have developed various social protection schemes that cover workers, the unemployed and the old and the young who are outside the labour force. There is the perennial issue of whether social protection schemes might impair work-incentives and might become fiscally unsustainable. Rich nations have sought to respond to these concerns by tightening eligibility criteria for current and prospective beneficiaries and by tightening budgetary controls over social protection expenditure. Critics, however, point out that perhaps the pendulum has swung too far and social protection as a major policy goal has been compromised. Hence, taking a balanced approach to these issues is important.

3.7.3 In the case of BRICS, and for developing economies as a whole, social protection schemes are of comparatively recent origin, but they have developed an innovative capacity to respond to their particular circumstances rather than uncritically emulating the social welfare state as it has evolved in developed countries. The BRICS have become well known for developing conditional cash transfer schemes (CCTs) and public works programmes that strive to strike the right balance between work-incentives, improving human capital and income protection. They are best seen as active labour market policies. Salient examples include *Bolsa Familia* in Brazil, the *National Rural Employment Guarantee Act of 2005* in India and *Expanded Public Works Programme (EPWP)* in South Africa. Evaluations of these schemes have been generally positive. *Bolsa Familia* has been credited with reducing poverty and inequality in Brazil while the *NREGA* has evolved as the largest programme of its kind in the world. EPWP claims to have exceeded its target of providing offering work opportunities to poor and vulnerable workers.²⁰

3.7.4 Despite these achievements, there is much to be accomplished in the sphere of social protection schemes in the BRICS. Thus, for example, providing comprehensive old age pension represents a major challenge. As figure 14 shows, Russia, China and Brazil have a significant proportion (between 36 and almost 50 per cent) of workers who contribute to an old age pension scheme, but in the other BRICS, they are quite low (well below 10 per cent). Some of the BRICS already face the challenge of catering to the particular needs of aging societies. Hence, adequate implementation of old age pension schemes cannot be ignored. More generally, the BRICS face, as do other nations, the issue of designing and implementing comprehensive social protection schemes that are also effective and fiscally sustainable.

²⁰ Details are available in <http://www.gov.za/about-government/government-programmes/expanded-public-works-programme>

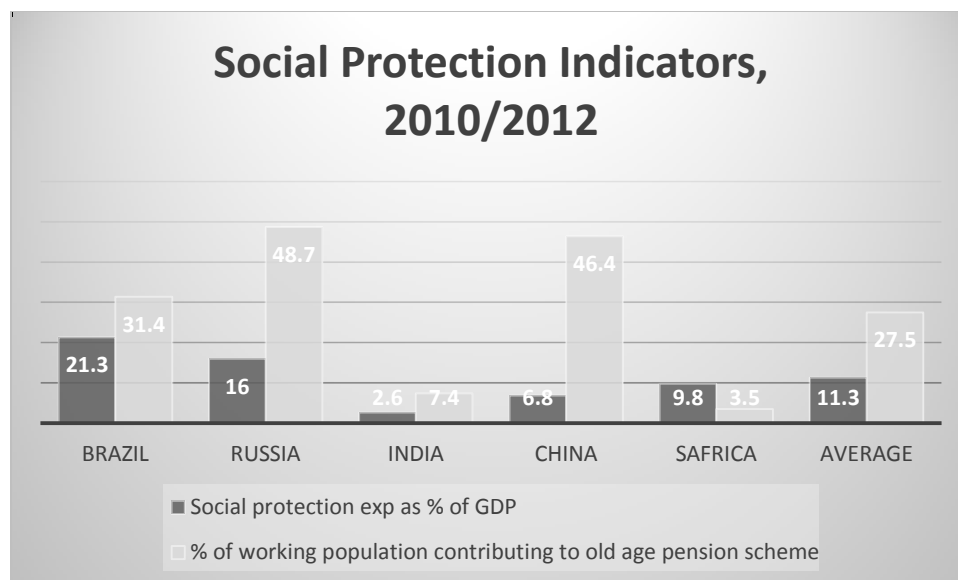


Figure 14

4. Policy issues: boosting growth and employment in the BRICS

4.1 What credible policy options do the BRICS have in making progress towards the goal of inclusive growth and productive employment creation, especially given evidence of a synchronous growth slow-down in this group of economies? A well-known agenda is that the BRICS - and the G20 to which the BRICS belong – should implement structural reforms within a framework of macroeconomic stability. These structural reforms essentially entail a deregulatory agenda cutting across product and labour markets that would boost growth and employment in the BRICS by unleashing the entrepreneurial energies of the private sector.

4.2 The latest (model-based) conclusions based on an IMF evaluation are that, while there are likely to be ex-ante long-term gains in terms of higher output and more jobs, a lot depends on the state of the business cycle.²¹ If structural reforms are pursued during a recession and periods of slow growth – as is the case now in some BRICS – it will worsen prevailing economic conditions by reducing output and employment that might persist for more than a year. Furthermore, the qualitative aspects of growth and employment are often ignored in an agenda of structural reforms. This means that one should consider pragmatic and innovative policy options that focus on the *quality* and *inclusiveness* of both growth and jobs rather than simply emphasizing their quantitative dimensions.

4.3 To start with, one should have a realistic assessment of the potential growth rates that the BRICS are likely to attain and sustain over the next 10 to 15 years. Given robust evidence of ‘regression to the mean’ and reduced pace of catch-up growth, the aspiration to achieve very high growth rates of 7 to 8 per cent over prolonged periods might turn out to be overly ambitious.

²¹ IMF (2016) *World Economic Outlook*, April

4.4 The primary goal should be to extract higher social dividends – as reflected in improved social and labour market indicators - for any given rate of growth and at any given income level. This means the mobilization of sustainable fiscal resources to support efficient investments in infrastructure, health, education, social protection and active labour market policies. This will also improve the redistributive capacity of the fiscal system. The role of the recently launched ‘BRICS Bank’ or ‘New Development Bank’ is likely to be important in fostering regional cooperation initiatives to support national policy actions in these areas, most notably in terms financing of investment in infrastructure.²²

4.5 Model-based findings are one way of assessing the evidence on the impact of structural reforms on employment and growth. Complementary evidence can also be provided by invoking firm-level evidence that would enable one to identify major firm-level constraints that impede the capacity of the private sector to expand and create jobs. Preliminary analysis from the World Bank’s world enterprise surveys suggest that, with the exception of Brazil, labour market regulations are not perceived to be a major constraint by the majority of firms that have been surveyed. An inadequately educated work-force are perceived to be a more important constraint at the firm-level (figure 15).²³

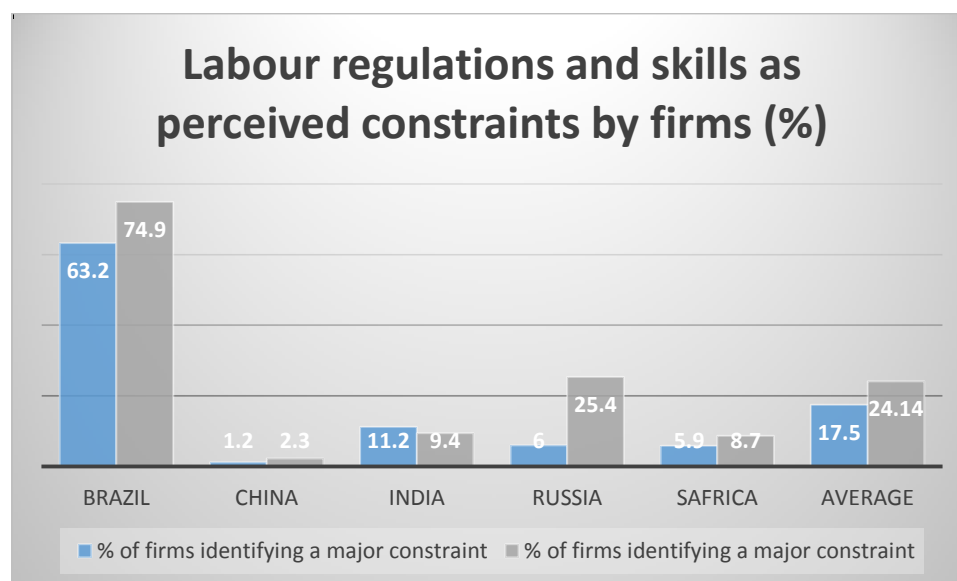


Figure 15

4.5 A complementary agenda would entail a continuing commitment to enhancing financial inclusion that can also boost the productivity of the poor and create new employment opportunities. This is certainly the case in the BRICS as announcements of recent initiatives in India testify. Furthermore, in specific cases, legislative and regulatory initiatives might be required to enhance productivity in the informal economy and to encourage transition to

²² See <http://ndbbrics.org/>

²³ This figure is derived from data presented in www.enterprisesurveys.org which is maintained and updated by the World Bank

formality. The Brazilian experience suggests that it is possible to implement appropriate policy actions to reduce the incidence of informality quite substantially over a reasonable period of time.

4.7 The issue of structural transformation is also an integral part of the BRICS policy agenda. Should one proclaim that the only – or at least the primary – route to productive employment creation is manufacturing –led growth given evidence of ‘premature de-industrialization’? As noted, there are alternative pathways to structural transformation that would entail policy actions to enhance productivity and employment opportunities both within and between all key sectors, rather than just manufacturing. This holistic view can thus accommodate alternative strategies, such as the ‘rebalancing’ effort that is underway in China, natural resource management in Russia and continuing the commitment to service sector led growth in India.

4.8 Minimum wage policy is also an area that deserves greater attention from policy-makers. As discussed, the notion that minimum wages do more harm than good does not seem to be consistent with the most recent experience of the countries in the BRICS community. If they are well designed, they can boost living standards of poor and vulnerable workers while enhancing productivity.

4.9 One area that deserves considerable attention is the financing and implementation of active labour market policies (ALMPs) ranging across support to public employment services, funding to support self-employment, training programmes, public works and/or employment guarantee schemes, wage subsidies and so forth. They are designed to respond to specific employment challenges, such as skills mismatches, insufficient labour demand and so forth – see Table 2.

Table 2: Active labour market policies (ALMPS) - typology

Barrier to Employment	Type of ALMP	Programme objective
Skills mismatches	Training (on the job, in class)	Enhance employability
Information asymmetries	Intermediation services, job search assistance, counselling	Enhance employability, promote job creation
Insufficient labour demand	Wage subsidies, public works programs/employment guarantee schemes, self-employment, work-sharing	Promote job creation

Source: adapted from Angel-Urdinola, D.F and Leon Solano, R.E (2013) ‘A reform agenda for improving the delivery of ALMPs in the MENA region’, *IZA Journal of Labor Policy*, 2:13

4.10 Allocating adequate budgetary resources to active labour market policies (ALMPS) are desirable as studies have shown that this can improve employment outcomes.²⁴ Estimates from the 2000s suggest that the BRICS, in common with other emerging economies, generally allocate a modest amount to ALMPs. However, care should be taken not to

²⁴ Hengge, Matsumoto, M and Islam, (2012) ‘Tackling the youth employment crisis: a macroeconomic perspective’, ILO Working Paper No.124

indiscriminately fund ALMPs, as multiple evaluations show that the effectiveness of ALPMs depend on the type of intervention and the particular economic circumstances that a country faces. For example, one study that covers 152 impact evaluations across developed, developing and transition economies, arrives at the following conclusion for the latter.²⁵

- Employment services and skills training had the most positive impacts, both on employment probability and earnings
- Results from public employment programmes are mixed
- Wage and employment subsidies are generally negative
- There is insufficient evidence to arrive at credible conclusions pertaining to self-employment/small business assistance programs.

4.11 These findings are not infallible, but undertaking impact evaluations are important in developing an evidence-based approach to policy design.

5. Concluding observations

This briefing note has suggested that the quintet of BRICS should use their sheer size and status to foster a progressive policy agenda. This would entail a shared vision in which there is a renewed commitment to improving labour market and social indicators for any given rate of growth and any given income level. Such a vision in turn would make a substantive contribution to the notion of inclusive growth. The briefing note has shown that the BRICS have major common accomplishments – such as salient conditional cash transfer schemes and public works programmes – but there is much that needs to be accomplished. One way of fostering a shared vision is to adopt a holistic approach to assessing labour market performance using a set of multiple indicators as proposed by the ILO rather than relying simply on a few headline statistics. In terms of policy options, uncritically embracing structural reforms might be inappropriate. Structural reforms might yield some long term gains, but the upfront short run costs are likely to be exacerbated during recessions and slow growth as is the case now for some members of the BRICS community. What is needed are pragmatic and innovative policy options. Such policy options entail fiscally sustainable and efficient investments in education, health, infrastructure, social protection and active labour market policies. These investments are likely to reinforce the redistributive capacity of the fiscal system. Complementary policy initiatives include financial inclusion, a renewed commitment to minimum wages and a broader approach to the notion of structural transformation.

²⁵ Betcherman, G (2008) 'Active Labor Market Programs: Overview and International Evidence on What Works', World Bank, April

Statistical Annexe²⁶

Brazil

Indicator	Year	Value
Share of adult population with advanced education (%)	2014	13.1
Labour force participation rate, women (%)	2015	48.1
Labour force participation rate, men (%)	2015	64.8
Labour force participation rate (%)	2015	55.7
Share of agriculture in total employment (%)	2014	14.6
Share of industry in total employment (%)	2014	22.3
Share of services in total employment (%)	2014	63.1
Employment-population ratio (%)	2015	51.9
Time-related underemployment rate (%)	2013	1.8
Share of paid employment in non-agricultural employment (%)	2014	79.0
Unemployment rate, women (%)	2015	7.8
Unemployment rate, men (%)	2015	6.0
Unemployment rate (%)	2015	6.9
Youth labour force participation rate (%)	2015	49.6
Youth unemployment rate (%)	2015	18.2
Share of youth not in employment, education or training (%)	2014	19.3
Average monthly earnings of employees (local currency)	2014	1600
Statutory nominal gross monthly minimum wage effective December 31st	2013	678
Gini coefficient	2012	46.1
Gender wage gap (%)	2014	21.5
Rate of non-fatal occupational injuries (per 100'000 in reference group coverage)	2011	1609.3
Rate of fatal occupational injuries (per 100'000 in reference group coverage)	2011	7.4
Labour inspection rate (inspectors per 10,000 employed persons)	2013	0.29
Trade union density rate (%)	2014	16.6
Rate of days not worked due to strikes and lockouts (per 1000 workers)	2012	6.1
Share of unemployed receiving regular periodic social security unemployment benefits	2008	8.0
Percentage of health care expenditure not financed by private households' out of pocket payments	2011	69
Public social protection expenditure [all functions] as a percent of GDP	2010	21.3
Public social protection expenditure [excluding health care] as a percent of GDP	2009	16.0
Share of population above statutory pensionable age receiving an old age pension	2009	86.3
Active contributors to an old age contributory scheme as a percent of the working-age population	2010	31.4

²⁶ Downloaded on SAT, 18 JUN 2016 15:07 +0200 from ILOSTAT. They are filed under 'Country Profiles'.

Russian Federation

Indicator	Year	Value
Share of adult population with advanced education (%)	2014	53.8
Labour force participation rate, women (%)	2014	63.3
Labour force participation rate, men (%)	2014	75.1
Labour force participation rate (%)	2014	68.9
Share of agriculture in total employment (%)	2014	6.7
Share of industry in total employment (%)	2014	27.5
Share of services in total employment (%)	2014	65.8
Employment-population ratio (%)	2014	65.3
Time-related underemployment rate (%)	2014	0.7
Share of employees working more than 48 hours per week (%)	2014	2.6
Share of paid employment in non-agricultural employment (%)	2014	99.5
Unemployment rate, women (%)	2014	4.8
Unemployment rate, men (%)	2014	5.5
Unemployment rate (%)	2014	5.2
Share of long term unemployment in total unemployment (%)	2012	30.9
Youth labour force participation rate (%)	2014	38.7
Youth unemployment rate (%)	2014	13.7
Share of youth not in employment, education or training (%)	2014	12.0
Mean weekly hours actually worked per employed person	2014	38.0
Average monthly earnings of employees (local currency)	2014	32495
Statutory nominal gross monthly minimum wage effective December 31st	2013	5205
Gini coefficient	2011	41.6
Gender wage gap (%)	2013	25.8
Labour cost per employee (local currency)	2013	45870.00
Labour cost per employee, manufacturing (local currency)	2013	76526.00
Rate of non-fatal occupational injuries (per 100'000 in reference group coverage)	2014	1.4
Rate of fatal occupational injuries (per 100'000 in reference group coverage)	2014	0.1
Rate of days not worked due to strikes and lockouts (per 1000 workers)	2014	10.9
Share of unemployed receiving regular periodic social security unemployment benefits	2012	20.6
Percentage of health care expenditure not financed by private households' out of pocket payments	2011	65
Public social protection expenditure [all functions] as a percent of GDP	2011	16.0
Public social protection expenditure [excluding health care] as a percent of GDP	2011	12.0
Active contributors to an old age contributory scheme as a percent of the working-age population	2009	48.7

India

Indicator	Year	Value
Labour force participation rate, women (%)	2014	25.8
Labour force participation rate, men (%)	2014	74.4
Labour force participation rate (%)	2014	52.5
Share of agriculture in total employment (%)	2010	51.1
Share of industry in total employment (%)	2010	22.4
Share of services in total employment (%)	2010	26.6
Employment-population ratio (%)	2014	49.9
Share of paid employment in non-agricultural employment (%)	2010	37.0
Unemployment rate, women (%)	2014	7.7
Unemployment rate, men (%)	2014	4.1
Unemployment rate (%)	2014	4.9
Share of youth not in employment, education or training (%)	2010	27.2
Average monthly earnings of employees (local currency)	2012	7479
Statutory nominal gross monthly minimum wage effective December 31st	2013	2990
Gender wage gap (%)	2012	32.6
Trade union density rate (%)	2012	9.8
Rate of days not worked due to strikes and lockouts (per 1000 workers)	2014	3548.7
Share of unemployed receiving regular periodic social security unemployment benefits	2009	0.0
Percentage of health care expenditure not financed by private households' out of pocket payments	2011	41
Public social protection expenditure [all functions] as a percent of GDP	2010	2.6
Public social protection expenditure [excluding health care] as a percent of GDP	2010	1.5
Share of population above statutory pensionable age receiving an old age pension	2011	24.1
Active contributors to an old age contributory scheme as a percent of the working-age population	2010	7.4

China

Indicator	Year	Value
Labour force participation rate (%)	2014	70.6
Share of agriculture in total employment (%)	2014	29.5
Share of industry in total employment (%)	2014	29.9
Share of services in total employment (%)	2014	40.6
Employment-population ratio (%)	2014	68.5
Unemployment rate (%)	2014	4.1
Mean weekly hours actually worked per employed person	2013	46.7
Average monthly earnings of employees (local currency)	2014	4697
Statutory nominal gross monthly minimum wage effective December 31st	2013	1400
Trade union density rate (%)	2012	41.2
Collective bargaining coverage rate (%)	2012	39.3
Share of unemployed receiving regular periodic social security unemployment benefits	2009	14.0
Percentage of health care expenditure not financed by private households' out of pocket payments	2011	65
Public social protection expenditure [all functions] as a percent of GDP	2010	6.8
Public social protection expenditure [excluding health care] as a percent of GDP	2009	5.6
Share of population above statutory pensionable age receiving an old age pension	2011	74.4
Active contributors to an old age contributory scheme as a percent of the working-age population	2011	46.4

South Africa

Indicator	Year	Value
Share of adult population with advanced education (%)	2014	13.8
Labour force participation rate, women (%)	2014	46.4
Labour force participation rate, men (%)	2014	60.8
Labour force participation rate (%)	2014	53.3
Share of agriculture in total employment (%)	2014	4.7
Share of industry in total employment (%)	2014	23.4
Share of services in total employment (%)	2014	56.1
Employment-population ratio (%)	2014	40.0
Time-related underemployment rate (%)	2014	4.0
Share of employees working more than 48 hours per week (%)	2014	18.4
Share of paid employment in non-agricultural employment (%)	2014	90.1
Unemployment rate, women (%)	2014	27.0
Unemployment rate, men (%)	2014	23.1
Unemployment rate (%)	2014	24.9
Share of long term unemployment in total unemployment (%)	2012	39.4
Youth labour force participation rate (%)	2014	25.3
Youth unemployment rate (%)	2014	51.3
Share of youth not in employment, education or training (%)	2014	31.3
Mean weekly hours actually worked per employed person	2014	45.0
Average monthly earnings of employees (local currency)	2013	8194
Average monthly earnings of employees, manufacturing (local currency)	2012	6949
Statutory nominal gross monthly minimum wage effective December 31st	2013	2474
Gender wage gap (%)	2013	20.9
Labour cost per employee (local currency)	2010	1198951
Labour cost per employee, manufacturing (local currency)	2010	82856
Time lost per occupational injury (days)	2010	22
Labour inspection rate (inspectors per 10,000 employed persons)	2014	0.82
Trade union density rate (%)	2014	28.9
Collective bargaining coverage rate (%)	2014	30.7
Rate of days not worked due to strikes and lockouts (per 1000 workers)	2014	28.5
Share of unemployed receiving regular periodic social security unemployment benefits	2012	13.5
Percentage of health care expenditure not financed by private households' out of pocket payments	2011	93
Public social protection expenditure [all functions] as a percent of GDP	2010	9.8
Public social protection expenditure [excluding health care] as a percent of GDP	2010	5.1
Active contributors to an old age contributory scheme as a percent of the working-age population	2010	3.5