



### HIGHLIGHTS from Chapter 2:

#### JOBLESS DEVELOPMENT

##### Key Points

- *During 2000-23, South Asia did not create nearly enough jobs to keep pace with its fast-growing working-age population. As a result, its employment ratio (employment relative to the working-age population) declined whereas it held steady in other emerging market and developing economies (EMDEs).*
- *South Asia is the only EMDE region in which the employment ratio for men declined during 2000-23. Employment ratios for women in South Asia are some of the lowest in EMDEs.*
- *South Asia's agricultural sector has shed labor like in other EMDEs, but the employment ratio in the region's non-agriculture sector has increasingly fallen behind that elsewhere.*
- *This in part reflected challenging institutional and economic environments that have held back firms' growth. Policy reforms that remove obstacles to firms' growth and facilitate hiring decisions will help job creation.*

**Employment ratio low and declining in South Asia.** South Asia's employment ratio (defined as employment in percent of the working-age population) has been below the average of other EMDEs since 2000, mostly because of low employment ratios for women. In almost all South Asian countries, women's employment ratios are in the lowest quartile of other EMDEs. During 2000-23, and notwithstanding a pickup since the COVID-19 pandemic, the region's employment ratio declined by 2 percentage point as employment grew more slowly than the working-age population—in contrast to other EMDEs where it held steady (figure 1). South Asia is the only EMDE region in which the employment ratio for men declined over this period.

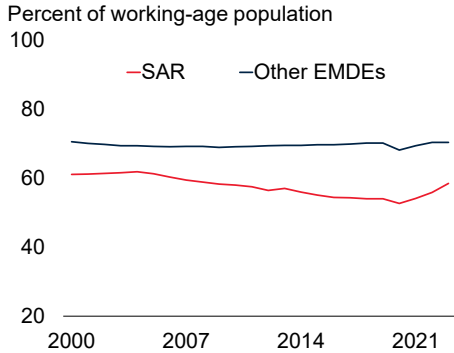
**Widening gap to other EMDEs in non-agriculture.** Like in other EMDEs, South Asia's agriculture sector shed labor during 2000-22. The share of the working-age population employed in South Asia's non-agriculture sector, however, fell increasingly behind that of other EMDEs. By 2022, South Asia's non-agricultural employment ratio was almost 20 percentage points below the average in other EMDEs.

**Missing engine of growth.** The region has relied entirely on labor productivity growth and working-age population growth to generate output growth while falling employment ratios reduced output growth. But as working-age population growth slows in South Asia during the remainder of the decade and as labor productivity growth has already begun to slow, the region urgently needs to accelerate job creation.

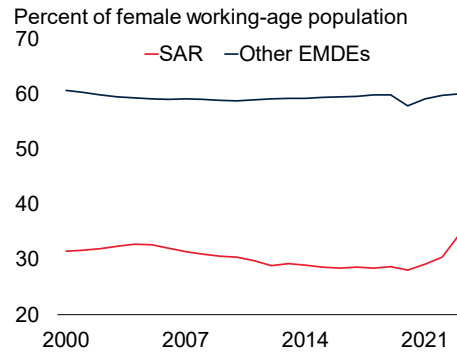
**Reforms for firm growth and job creation.** Most South Asian countries rank in the bottom quartile of other EMDEs by their firm size (especially in services), by their trade openness, and by their education outcomes. Policy measures to remove obstacles to growth of businesses, increase openness to international trade, increase the flexibility of labor market and product market regulations, build human capital, and strengthen legal protection of women's rights will help accelerate job creation and jump start a missing engine of growth and development.

**FIGURE 1. Jobless development in South Asia**

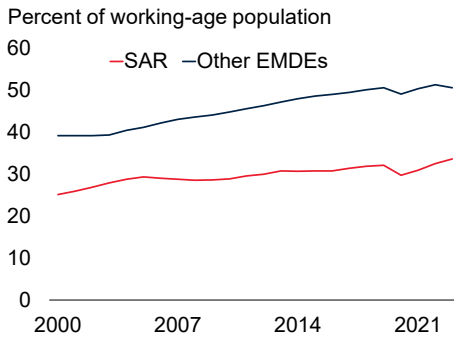
**A. Employment ratio, 2000-23**



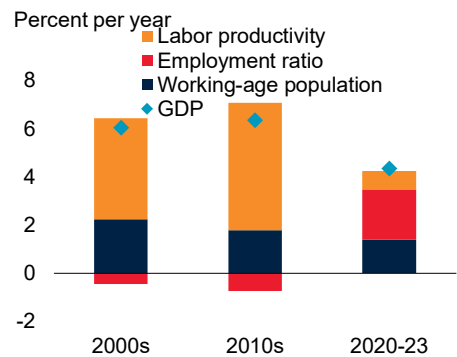
**B. Employment ratio for women, 2000-23**



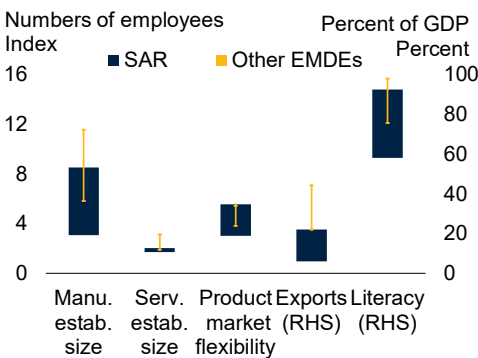
**C. Non-agriculture employment ratio, 2000-22**



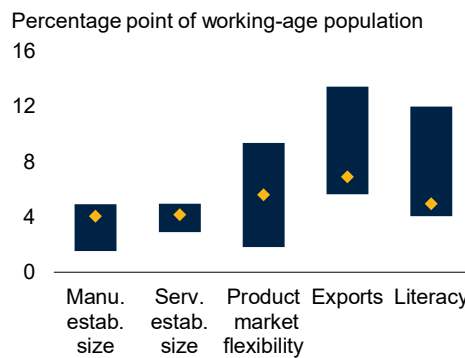
**D. South Asia: Contributions to output growth**



**E. Selected characteristics of South Asian economies versus other EMDEs, latest data available**



**F. South Asia: Improvement in non-agricultural employment ratios if characteristic was equal to median EMDE**



*Sources:* Bento and Restuccia (2021); Fraser Institute Economic Freedom of the World (database); GGDC/UNU-Wider Economic Transformation Database; International Labour Organization; Penn World Table (database); WDI (database); World Bank; World Bank Enterprise Surveys (database).

*Note:* EMDEs = emerging market and developing economies. SAR = South Asia. Employment ratios are defined as employment in percent of the working-age population. Working-age population = persons aged between 15 and 64.



# South Asia Development Update

## Jobs for Resilience

2000s = the cross-country average of geometric average annual growth rates for 2000-2009; 2010s = 2010–19. Manu. = manufacturing. Serv. = services. Estab. = establishment.

A-D. South Asia here = Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

A-C. Sample includes 128 EMDEs. Working-age population-weighted averages.

D. Accounting decomposition of annual average real GDP growth between 2000 and 2023.

E. SAR = range for Bangladesh, India, Nepal, Pakistan, and Sri Lanka for product market flexibility, exports, and literacy; Bangladesh, India, Nepal, and Sri Lanka for manufacturing establishment size; and Bangladesh, India, and Sri Lanka for services establishment size. Other EMDEs = interquartile range for a sample of 96 EMDEs.

F. Chart is based on the regression results of annex tables A2.5.1-A2.5.3. Bars show the range of differences in the predicted deviations from EMDE-average long-run employment ratios in non-agriculture in South Asian countries, if they had the same establishment size, product market flexibility, exports, or literacy as median of other EMDEs. The bars only include South Asian countries with variable values below the median of other EMDEs and exclude Nepal and Sri Lanka for manufacturing establishment size; India, Nepal, and Sri Lanka for product market flexibility; and Sri Lanka for literacy.