

An Empirical Study on Jobless Growth as a New Phenomenon of Developing Economy like India

^[1]Dr. Satyam Pincha

Associate Professor

Faculty of Commerce and Management,

RNB Global University, RNB Global City,

Ganganagar Road, Bikaner, Rajasthan-334601

satyampincha@gmail.com, satyam.pincha@rnbglobal.edu.in

Abstract: One of the economic conditions known as ‘Jobless Growth’ occurs when the economy as a whole expands but does not increase the number of employment opportunities. In recent years, the Indian economy has found itself in a dire scenario where, despite increased economic expansion, employment growth has deteriorated. Economic analysis, reveals that while India's GDP growth rate significantly accelerated during recent years but, the employment growth rate remained flat. This clearly highlights the risks of a structural shift in employment in the upcoming years, which, if it occurs, would be a significant issue for the Indian economy. The objective of the current study is to assess the effects of rising unemployment on the Indian economy. The study aims to inquire and determine the impact of rising unemployment on India's unemployment, poverty, and inequality rates. Rising unemployment has been predicted from exceptionally low employment rates.

Key Words: Jobless Growth, GDP, Employment, Indian Economy, Social justice, Structural Reversal, Unemployment.

1. Introduction

India's economy has faced the issue of jobless growth following the initial three decades of planning and policy making. However, since the new currency was introduced, the situation has deteriorated significantly. Between 1995 to 2000, and between 2005 to 2010, the GDP grew significantly faster than the employment growth rate, which experienced a notable drop. Therefore, the years of significant growth and extremely low employment elasticity were those between 2015 and 2019. This demonstrates that the Indian economy experienced a phenomenon known as jobless growth over the aforementioned time. From 2016 to 2019, only million jobs could be produced. This inevitably results in a serious situation. Indian economic planners are alarmed by the gravity of the situation because growth could turn uneven and defective at any point due to this. In actuality, economic expansion without sufficient job creation is meaningless. It lessens social justice and raises unemployment. During long run, such a situation might be tremendously detrimental to the whole economy and to whole society as well.

Irrational planning choices made during the Indian economic planning era greatly aided in the rise in the jobless rate. The planners thought that employment and growth had a unique and direct relationship. Thus, no effort was made to create a strategy for employment of that kind. Statistics disprove the idea that employment and growth have a unique and direct link. Thus, whereas employment increased at a pace of less than 3% annually from 1951 to 1969, industry production increased at a compound annual rate of 7%. Although investment and output had expanded at a high rate, the Janta Government's draft five-year plan for the years 1978 to 1983 highlighted that employment had grown at a very low rate. Similar to this, estimations of the elasticity of employment reveal that it significantly decreased between the years 1983 and 1993-94 and 1993-94 and 1999-2000. Furthermore, unquestionably the employment elasticity was extremely low during strong economic expansion from 1999–2000 to 2009–2010. The Indian government, while worried about an abnormally rapid rate of growth in the economy, has been completely ignorant of any probable struggle among employment and economic growth until the implementation of economic reform policies in 1991. As a result, during recent past the growth in India has been found ‘jobless’ and sporadically ‘job-lose’. The outcome has been a discernible rise in the rate of unemployment. Unless considerable initiatives are taken to create new jobs, economic expansion alone will not be sufficient to cater the issue of unemployment. Prabhat Patnaik, who examined this topic in the context of current India, very persuasively claimed that "while growth per se means nothing for unemployment,

this growth fetishism can be exploited by finance capital to wrest concession to the detriment of the employment objectives...."

The primary answer to the issue of high unemployment, according to Indian economic planners, has always been to achieve high growth rates; hence, direct employment creation methods have been consistently disregarded. Not human resources, but capital and foreign exchange received their attention. The Indian economy's unemployment rate rose as a result. The rising unemployment rate in India during recent past has made poverty, inequality, and unemployment challenging issues. The reasons of the rise in joblessness are described as the negative development of economic activity, the replacement of labour by capital, a lack of acceptable positions, and a growing worker supply.

2. Review of Literature

Ashok Rudra (1982) asserts that Indian Government never had an employment policy. Ricardo J. et al (1998) discussed in his paper about appropriability, factor substitution and unemployment in relation to growth. Sonia R. Bhalotra (2001) studied jobless growth in Indian manufacturing sector. Prabhat Patnaik (2004) has remarked briefly that higher arithmetical numbers of growth rate are neither necessary nor a significant condition for mitigation of unemployment. Hassan and Nassar (2005) have stated that rate of unemployment is negatively affected by economic growth. B.B. Bhattacharya & S. Sakthivel (2005) compared economic reforms of 1990s and Jobless Growth in India. Çağatay Telli et al (2006) worked on Seeking for the alternatives to fight jobless growth in Turkey. Miron Wolnicki et al (2006) researched on jobless growth in Poland. K. P. Kannan and G. Raveendran (2009) explained about Jobless Growth in India's Organised Manufacturing. Jayan Jose Thomas (2013) researched on jobless' growth in Indian manufacturing sector. Ozlem Onaran (2014) studied about Jobless Growth in the Central and East European Countries. VK Puri & SK Mishra (2014) writes that assumption of direct relationship between production and employment rate is not justified and in recent past the growth in India has been mostly jobless and sometimes even job loss.

3. Research Design & Methods

3.1 Hypotheses:

Economic growth or economic development is not worth a rap without job creation.

3.2 Methodology:

The study is descriptive in nature. The paper focuses on problems with the Indian economy's jobless growth. The study measures the effects of the growing rate of unemployment in the India and reevaluates the government's and economic planners' actions. The research includes extensive description and secondary data support. It also addresses some grave recent developments in the unemployment rate. The research collects data from textbooks, publications, journals, and personal expertise.

3.3 Objectives:

- To Assess current situation of jobless growth in Indian economy and measuring the impact thereof.
- To emphasis on the causes and possible solutions of jobless growth in Indian economy.
- To emphasise the serious consequences of jobless growth and to warn Indian economic planners about this phenomenon in context to economic reforms.
- To strengthen the links between GDP growth and human resource development.

3.4 Importance of the study:

The degree of growth or development of a nation has a big impact on how many jobs it has. As such, job prospects increase in direct proportion to a nation's rate of growth in GDP. However, when a nation's GDP expands overall without creating new jobs, it indicates that the nation's unemployment rate has gone up. During the period of economic reforms India's economy has grown significantly even though generated jobs not enough. This situation is known as jobless growth where the growth rate has accelerated but jobs have failed to increase. In the recent past, this condition of jobless growth has become a big challenge for the Indian economy. Considering the

fact that many years during 1999-2000 to 2009-2010 were the years of high growth but extremely low employment elasticity of 0.19 percent. In contrast, a decline in job growth was experienced between 2015 to 2019, despite the country's more robust economic growth. Considering that elasticity of employment declining gradually in the primary economic sectors, this makes logical. For example, despite a more than 6.8 percent average annual expected growth rate throughout the period 2015-2019, employment crated was only one million, as against roughly twenty million new entrants every year. This is obviously a grave situation of jobless growth in India. Now the question arises whether this jobless growth can enable the country to counter the issues of poverty, unemployment, inequality etc. and whether it can enable the country to improve up on the issues of health care, education and social justice? The answer is certainly not. According to human development Report, 1996 (oxford University Press) jobless growth is a very serious and menacing economic situation. It increases unemployment, inequality and poverty. The economy of Indian has been witnessed by the rise in jobless and job-lose economic growth.

As per the study the main reason of jobless growth in Indian economy is the unrealistic assumption that employment and growth are positively correlated. Economic planners in India have long held the belief that employment levels are correlated with growth rates. Consequently, no attempts were made to formulate jobs and result is jobless growth. In India it has created a vast army of educated and uneducated unemployed persons.

The economic growth of any country must be judged by what it does to create jobs. So, the growth should be leading to create employment and to enrich people's lives. In fact, provision of employment should be recognised as an important objective of growth. However, the goals of employment and economic growth actually collide in India. Indian economic planners / policy makers believed that strong economic expansion would inevitably lead to job creation. So, they gave no attention on strategy of enhancement of employment opportunities. Their attention was concentrated on capital formation and foreign exchange reserves not on human resources. Result of this unrealistic assumption is that country is facing situation of jobless growth. The study indicates that the number of jobless individuals in India is rising quickly, but the number of options for suitable employment is dwindling daily. These tendencies are surely a threat to Indian economy. Consequently, it is crucial to reach an adequate solution of this grave situation of jobless growth.

4. Results & Discussion

4.1 Jobless Growth: A Basic Cause of Unemployment:

Indian economic planners consider high growth as the primary solution to the issue of unemployment so much that the direct measures of employment creation have all along been neglected. They have concentrated only on capital, foreign exchange, industrial investment etc. and given no attention on human resources. That is the result, things have not proceeded as the economic planners and policy makers of India desired. The Indian planners assumed that high growth will automatically create employment opportunities. However, despite strong progress, employment had not increased, thus their expectations were incorrect. In actuality, without appropriate steps being taken to create job plans, rapid increase in growth will not be enough to solve the issue of unemployment on its own. When we compare economic growth rate of Indian economy from employment growth rate, we find that growth rate of employment opportunities much lesser than economic growth rate. According to CAG report, in the duration of the planning period of Indian economy, the growth rate of the GDP was always being considerably higher than employment growth rate. Resulted the jobless growth. Thus, one of the primary reasons of unemployment in India is deficiency of suitable job opportunities for people. The GDP growth rate and employment growth rate during planning period of India can be shown as under:

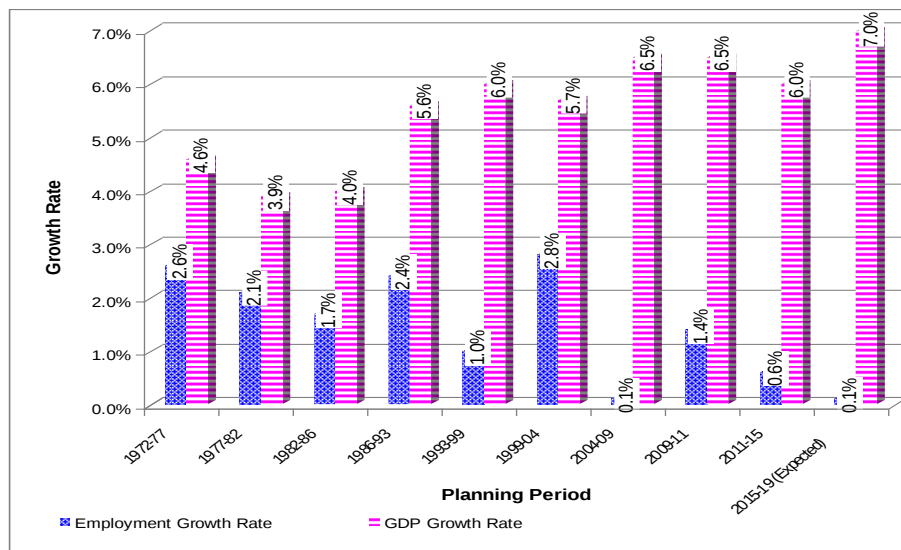


Fig 1: Employment Growth and GDP Growth (CAGR)

Source: Azim Premji University

Figure-1 shows that during planning period of Indian economy, the rate of growth in employment was significantly lower than the GDP growth rate. During the economic planning for the first three decades, the growth rate of employment increased at a reasonable rate. However thereafter, while the GDP growth rate picked up considerably, growth rate of employment failed to increase. Although as per above figure-1 the period of 1999-2004 was an exception where growth rate of employment increased at a rate of 2.8 percent. But again, after that during period of 2004-09 growth percentage of employment declined to almost zero percent. Thereafter, till 2019 employment growth does not increase at reasonable rate.

A state of joblessness that arises when people lack employment is known as unemployment. India is constantly dealing with a severe problem with unemployment which is getting bigger every day. But because of high growth rate economic planners and government of India also are not accepting this truth. Actually, it is unfortunate. It is obvious from the previous examination of unemployment in India that structural factors are the main reasons for the majority of the problems. The reasons behind India's high rate of unemployment include the country's economy developing negatively, capital replacing labour, an increase in the labour force, improper technology, an inadequate educational system, and—above all—the country's rate of unemployed growth. In actuality, India's progress in recent decade has been principally 'jobless' and occasionally even 'job-lose'. As a result, the rate of unemployment has skyrocketed. Additionally, it has been discovered that the unemployment rate and economic growth have a substantial negative association.

4.2 Why Jobless Growth in Indian Economy:

There are numerous reasons of jobless growth in Indian economy. The one primary reason of jobless growth is unrealistic assumption about the relation between growth and employment. Indian economic operators assume that high growth can automatically create jobs. But, unfortunately it was not justified. As a result, country witnessed a phenomenon of jobless growth. Further, plan / policy makers of India have totally neglected human resources. These have concentrated only on capital and foreign exchange etc. and neglected non-economic factors of growth like technical know-how, education, health, corruption, social and political freedom etc. result is 'jobless growth'. Thus, inappropriate economic planning has created a situation of growth where employment opportunities are not growing along with the economic growth in India.

Second important reason of jobless growth in the Indian economy is inadequate faith in investment. India's growth strategy gave primacy to the rate of investment in the growth process. The emphasis on rate of investment as the growth determining and growth generating factor led to the belief that more investment was panacea of all economic problems and consequently no attention was made to formulate jobs. Much faith in investment also concealed the importance of many other factors such as improvement in skill, techniques,

management efficiency and human resources. Undue importance attached to the rate of investment led to a neglect in certain fields like strategy of job creation, poverty alleviation strategy for removing unemployment and inequalities etc. Thus the total concentration on investment led to a failure to assess the importance of job creation strategy and this failure is by and large responsible for jobless growth.

Third reason of jobless growth in India is neglect employment strategy. Although providing employment to all was an important objective of India's economic planning model, but it is astonishing to note that no adequate step was taken to formulate employment strategy. The result is jobless growth. In fact, unemployment cannot be resolved by growth on its own. A greater growth rate is neither a prerequisite for employment claims nor a sufficient one. The Indian government has not given adequate attention to the issue of growing unemployment and the risks that go along with it. India's growth has been primarily 'jobless' and 'job-lose' in the years following demonetisation. Because of this, the issue of educated unemployment has grown to be extremely dangerous. The analysis shows that while the number of educated jobless people in India is rising quickly, the quantity of work prospects is declining daily. These propensities not only hurt but surely a threat to the economic development of India. So, the creation of job opportunities is necessary for the success of growth and development mission.

Additional factors that have been linked to the rise in unemployment in India include the use of robots to replace human labour, the unfavourable development of economic activity, an increase in the supply of labour, and insufficient government actions. Furthermore, certain societal factors—such as declining social standing, inequality, population growth, and flaws in the educational system—also have a role in the rise in the unemployment rate. A discrepancy between demand and supply has been identified by some economists as the root cause of unemployment. Because overproduction lowers commodity prices and forces employers to cut staff, it also exacerbates the unemployment rate. Additionally, some economists contend that the demonetisation and GST are to blame for the current state of unemployment in India.

4.3 Jobless Growth – A Challenge for Indian Economy:

Jobless growth has become a big challenge for Indian economy. During last decade, the situation of 'jobless growth' has converted in 'job-lose growth'. People are losing their jobs. Manufacturers are shutting down their manufacturing units and labour forces are shifted from employed to unemployed. This situation is a question mark on Indian economic planning process. D.R. Gadgil had criticised Indian economic planning because it lacked a policy frame and implementation failure. Further, Indian planning / policy making process has totally neglected human resources. It has concentrated only on capital and foreign exchange. Although, provision of employment has been explicitly recognised as an imperative objective of planning process but it is astonishing that till now, no attempts have made to formulate employment strategy. India's growth strategy gave primacy to rate of investment, high production and high growth rate. This strategy concealed the importance of some other factors like skill, techniques, human capital etc. the result is unemployment, poverty and inequalities.

During the period 2016 to 2019 the situation of jobless growth in India has deepened at an alarming point. India's economic planners and policy makers labour under the delusion that growth will end unemployment. Since implementing neo-liberal economic policies in 1991, India's government has been completely oblivious to any potential conflicts between employment and economic growth due to its obsession with the nation's explosive economic growth. India's progress in recent years has therefore mostly been 'jobless' and sometimes even 'job-lose'. As a consequence, situation of joblessness has increased.

Jobless growth has also invited many other economic and social evils like poverty, inequality, negative economic activity, joblessness and wage cut etc. In the situation of jobless growth fruits of growth are mostly benefit rich people. As a result, social justice is hampered. During 2016 to 2019 every day thousand number of manpower are losing their jobs in India. Consequently, no attempts are made to formulate new jobs. Government of India is total failure to tackle this menacing situation of jobless or job-lose growth. As stated earlier, the main focus of Governments in India has been on production and growth targets. The issue of joblessness or unemployment is generally discussed separately in a passing reference. The objective of employment is often presented as if employment would rise automatically once the growth targets are achieved. There are no serious concerns in the formulation of jobs. Government has no adequate employment policy.

Economic growth and development have no meaning if it is not leading to create job opportunities for human resources of the country. Actually, success of economic growth is ultimately be judged by what it does to

our lives - provision for employment, equal income distribution, provide basic social services, ensure gender-equality etc. Growth requires fostering the strong links between economic growth rate of the country and human development. HDR 1996 points out that determined effort to expand human capabilities (through improved education, health and skills) can help in transform the prospects for economic growth.

4.4 Suggestions for Improvement

The aim of this study is to identify potential solutions for India's dire issue of rising unemployment. First of all, Indian economic planner should revise their policy frame. Provision of employment to all should be recognised as an important objective of planning model. Although, growth is important, however employment generation should be first priority in planning model. Unfortunately, Indian Planning Commission / Niti Aayog till recently have been not considering the question of employment generation separately from growth programmes. The Indian economic planners argue that as GDP grows, the demand of labour rises and employment expand. But it's not simple as they think. They ignore the fact that an increase in the rate of growth does not automatically create job opportunities. So, creation of fresh jobs should be the foremost priority of Indian planners / policy makers. The planning commission / Niti Aayog should work on the issue of employment separately. It should attempt to create as many jobs as are required by the fresh labour force coming to labour market. It is necessary to restructure the pattern of investment in favour of the areas which have greater employment potential. Furthermore, the government has to take significant action to limit employment loss because simply creating jobs won't be enough to combat this dire state of joblessness. The recent data presents that during the period of 2018-19 approximately 20 million manpower have lost their job in India. There should be attempts to create job opportunities and to restrain job-lose should be first priority for Indian Planning Commission / Niti Aayog and government of India also.

Reduction in income inequalities should be mentioned as one of the objectives of economic planning / policy making process. It should add in the terms of priority which it has always got a very low place. The planning commission / Niti Aayog of India has never made any serious attempt to attempt to reduce income inequalities. The Indian planners / policy makers assume that growth will automatically reduce income inequalities. But unfortunately, their assumption is not justified because during the period of high growth, income inequalities have always been increased. A report on income inequality released by Organisation for Economic Co-operation and Development (OECD) in December 2011 pointed out that income inequalities in India have doubled over the past two decades. The Government of India should take immediate action on income distribution front for reduction in income inequalities.

The study suggests that elimination of poverty is necessary to combat the situation of jobless growth. Joblessness requires an immediate solution for the elimination of poverty. It is observed that with the rising number of unemployed, poverty expands. Thus, determined measures are essential to fight with poverty. Although, a substantial rise in the overall growth will no doubt create favourable conditions for reduction in poverty and unemployment, but it will not be realistic to rely completely on the growth process to find a solution. The planning commission / Niti Aayog of India should initiate some specific policy measures for removal of poverty.

A prudent policy should be made to strike a balance between growth and employment. In India, there is lack of compatibility between growth and employment. As already stated, the main emphasis of Indian planners / policy makers is on growth targets. Indian planners / policy makers have not been serious on joblessness. The objective of rapid economic growth and reduction in employment seems to be in conflict and Indian planners / policy makers clearly betray awareness of trade-off between them. Here the study suggests that the Indian Planning Commission should adopt labour intensive techniques so as to create employment opportunities on an extensive scale. The survey also states that inclusive development and sustainability of growth are very necessary to fight with the situation of jobless growth. The major dimensions of inclusive development are proper allocation, job generation, health education, women's empowerment and social welfare.

5. Conclusion:

It is concluded that, although increased growth would result in higher employment levels, it will also result in more general development. As far as India is concerned, this program won't be as effective because the

majority of its unemployment is structural. The saving rate is not high enough to keep up with the investment rate necessary to provide jobs for all. Therefore, it is illogical to assume that economic expansion will inevitably result in employment creation. The methods used in India to achieve rapid growth rate of economy are also impeding the creation of new job opportunities. The outcome had been a phenomenon of rising unemployment in the nation. Additionally, in recent years in India, there have been additional factors that have accelerated the rise in unemployment, such as demonetisation, GST, low demand, winding up of businesses/factories, etc. The study comes to the final conclusion that the Indian government and planning commission should work together to develop a sufficient number of employment opportunities so as to deal with this dire condition of "jobless growth."

References:

- [1] Anstey. V. (1952). *The Economic Development of India*. London: Longmans, Green and Company.
- [2] Ghosh A. (1991, Feb. 9). Eighth Plan Challenges and Possibilities. *Economics & Political weekly*, 26(6)
- [3] Hirschman, Albert O. (1959). The Strategy of Economic Development. *American Journal of Agricultural Economics*, 217 pp xiii.
- [4] Kuznets, S. (1966). *Modern Economic Growth: Rate, Structure and Spread*. New Haven and London: Yale University Press.
- [5] Lewis, W.A. (1955). *Theory of Economic Growth*. London: Allen and Unwin Ltd.
- [6] Mellor, John W. (1976). The new economics of growth: A strategy for India and the developing world. *Journal of Development Economics*, 3(4), 390-393.
- [7] Myint, H. (1977). *The Economics of developing countries*. New Delhi: B. I. Publication.
- [8] Nagaraj, R. (2008, April 12) India's recent Economic Growth: A closer look, *Economic & Political weekly*, 43(15)
- [9] NSSO 68th Round. (2014). *Employment and Unemployment Situation in India 2011-12*. National Sample Survey Office, Ministry of Statistics & Programme Implementation, Government of India. Retrieved from http://mospi.nic.in/sites/default/files/publication_reports/nss_report_554_31jan14.pdf
- [10] Prasad, L. M. (2005). *Human Resource Development*. New Delhi: Sultan Chand and Sons.
- [11] Puri, V.K. & Mishra S. K. (2014). *Economics of Development and Planning*. Mumbai, India: Himalaya Publishing House Private Limited.
- [12] Puri, V.K. & Mishra S. K. (2014). *Indian economy*. Mumbai, India: Himalaya Publishing House Private Limited.
- [13] Tandon, S. (2018, September 26). India's stunning economic growth is hiding a staggering job crisis Retrieved from <https://qz.com/india/1401357/indias-high-gdp-growth-is-hiding-an-unemployment-crisis/>
- [14] United Nation Development Programme. (1996). *Human Development Report 1996*. New York: Oxford University Press. Retrieved from http://hdr.undp.org/sites/default/files/reports/257/hdr_1996_en_complete_nostats.pdf
- [15] United Nation Development Programme. (2010). *Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development*. New York: United Nation Development Programme. Retrieved from http://hdr.undp.org/sites/default/files/reports/270/hdr_2010_en_complete_reprint.pdf
- [16] United Nation Development Programme. (2016). *Human Development Report 2016: Human Development for Everyone*. New York: UNDP. Retrieved from http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf