

# Jobless Growth: A Study on Unemployment and Real Economic Growth in India.

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## Abstract

According to the report of IMF survey, now India is the 5<sup>th</sup> largest Economy in the world overtaking UK in terms of GDP. But the economic development of a country cannot be determined on the basis of GDP only. Even after becoming the 5<sup>th</sup> largest economy in the world, the rate of unemployment cannot be reduced, people's standard of living cannot be improved, and still the Per Capita Income (PCI) of India is only \$2,500 while that of UK is \$47,000. Is this a real Economic Growth for a Nation? Thus, there arises the condition of 'Jobless Growth' in India. According to the report by Jagannathan (2018), every 1% increase in the GDP rise only 0.18% jobs in India. Thus this research paper tries to understand and analyze the condition of unemployment in India and possible ways to overcome it. This research paper considers Income Inequality and Corruption as the main factors causing increased rates of unemployment and other socio-economic problems in India. The contribution of manufacturing sector to the Indian GDP is only 13%. Thus it should be increased by improving the infrastructural development and funding. This research also stresses the importance of women education and employment for economic development. It also put forward the need for a big revolution in the Indian education sector for producing more skilled students who are the workers of tomorrow. This research highlights some of the positive steps taken in the Union Budget of 2023 (FY2023) that could improve the employment opportunities in our country. The methodology to be applied in this research article is the study of major world journals and articles. Data interpretation and analysis of such collected data may highlight the real lag in the development of our people.

**Keywords:** Jobless growth, unemployment, income inequality, corruption, economic growth.

## Introduction

India is one of the fastest growing economies in the world. In the recent past, Indian economy witnessed a great progress in many aspects. The negative impact of COVID-19 pandemic almost devastated the economic activities of the country to a large extent. Every sectors of the economy are adversely affected due to this disruptive impact. Even after facing such a great economic fall, India has now overtaken UK to become the 5<sup>th</sup> largest economy in the world and is now behind only US, China, Japan and Germany as per the IMF report projections<sup>1</sup>. It is a moment to feel proud as an Indian! But, the question arising here is that, (1) even after becoming the 5<sup>th</sup> largest economy in the world, why India is still facing the problem of 'Unemployment'? (2) Does the economic growth of a country can be determined on the basis

<sup>1</sup> Times of India, September 2, 2022, 21:49 IST

of GDP only? (3) By becoming the 5<sup>th</sup> largest economy, did the standard of people living in this country improved? The answers to these questions are vague, thus gives us the idea of ‘Jobless Growth Condition’, which is now prevalent in our country.

National Sample Survey Organization (NSSO) reported worst ever rate of joblessness in the country during 2017-18 at 6.1% of the total labor force (Berman, 2019)<sup>2</sup>. According to the report of Tankshashila Institution, in the past three decades our economy grew at over 5-8% per annum but job growth has been close to 1% per annum<sup>3</sup>. Being a young population country we could not expect to achieve the status of a ‘Developed Country’ if this condition of jobless growth continues. According to Jagannathan (2018) every 1% increase in the GDP increases jobs by only 0.8%, theoretically, if India achieves a GDP growth of 10% in the coming year, the jobs will grow only by 1.8% annually<sup>4</sup>.

As per a report published in THE HINDHU (2022), India has overtaken UK in terms of GDP, but it is to be noted here that, the Per Capita Income (PCI) of India is just \$2,500 while that of UK is \$47,000. The CEO of Kotak Mahindra Bank Ltd, Uday Kotak stressed the importance of per capita income for India’s actual growth and said that “*Opportunities and ladders are there to become one in the best three*”<sup>5</sup>. Thus, jobless growth is a disaster to the developmental plans and also for the upcoming opportunities. There are various factors that created the condition of joblessness or unemployment in the country. They should be identified and eradicated for the welfare of the people as well as the nation.

### **Unemployment: A menace to the economic growth.**

Unemployment is one of the major and perpetual problems in the Indian economy, which was there in the past, prevailing today and will be in the future if appropriate measures are not taken by the government. As we all know that India’s population is growing at an alarming rate. People’s need and demands are increasing continuously. The problem of unemployment is thus growing day-by-day and the factors causing unemployment are being added that poses serious problem for the country’s growth. The impact of COVID-19 pandemic crashed the GDP growth down to 23.9% and India recorded the worst ever GDP during this period<sup>6</sup>. Roughly 126 million jobs were destroyed in April 2020 due to this pandemic and 90 million of these positions were daily wage workers (CMIE). The recovery from this economic fall was a great challenge for the Indian government<sup>7</sup>.

According to the International Labor Organization (ILO), India needs to create 90 million non-farm jobs by 2030 to keep up with the growing workforce<sup>8</sup>. The potential working age population in India is around 885 million at present which is likely to grow above 1 billion in a decade<sup>9</sup>. It is also reported that the working age population (Age 15-64) has been rising by 2.0% every year (Approximately 130 million people)<sup>10</sup>. Thus, if this amount of unemployed population in the country is not reduced, it will become a burden on the Indian economy. Steady increase in the working age population and increased labor force need to be given more concentration by the government and this increased population if utilized in a

<sup>2</sup> Pg. 26, Jobless Growth in India: The way forward. Vol. 8 No.3

<sup>3</sup> TAKSHASHILA INSTITUTION, Economic Policy, The Phenomenon of India’s Jobless Growth.

<sup>4</sup> Pg. 28, Jobless Growth in India: The way forward. Vol.8 No.3

<sup>5</sup> THE HINDHU, September 03, 2022 04:50 IST

<sup>6</sup> Pg. 73, Impact of COVID-19 pandemic on employment in India, Shubharat Sharma.

<sup>7</sup> Pg. 74, Impact of COVID-19 pandemic on employment in India, Shubharat Sharma.

<sup>8</sup> Pg. 1, An analysis on unemployment in India: A burning issue, Dr. Abishek Chaturvedi.

<sup>9</sup> Pg. 28, Jobless Growth in India: The way forward. Vol. 8 No. 3

<sup>10</sup> Pg. 41 India’s long term trend growth declining? ADB Economic Work Paper, No. 424

planned and appropriate manner with a virtuous strategy may definitely contribute to the nation's development along with their personal development.

Studies show that unplanned or negative economic activities are the main factors that increase the rate of unemployment in India. The condition of joblessness in India mainly arises due to unequal opportunity, defective education system, heavy competition and more supply of workers than demanded quantity in a particular field and the most common and disastrous factor is uncontrolled population explosion. Unemployment when increased causes poverty which is now widespread in India.

Bairagya Indrajai (2018) shows that, the rate of unemployment is high among the educated than uneducated in the country<sup>11</sup>. Due to Globalization only skilled workforce is able to earn money and not the unskilled. The rate of unemployment differs from state to state too. According to the reports of Economic Survey of 2017-18, 20% graduates of Tripura were highly unemployed which is the largest amount while states like Gujarat, Karnataka and UP has an unemployment rate of 2.9%, 1.9% and 1.2% respectively<sup>12</sup>. Unemployment rate also varies between the rural and urban areas. Due to increased migration of people from rural to urban regions for improving their standard of living, stress the job requirements in urban areas and thus increasing the rate of unemployment in urban regions. It is observed that, more than cyclic or frictional unemployment, in a developing country like India disguised or chronic unemployment is there both in urban and rural educated.

### **Income Inequality & Corruption: Two chief factors causing Unemployment in India.**

Income inequality refers to a condition where the distribution of income/wealth among the people is unequal. When the measure of income inequality is high in a developing country like India, the rich will become super-rich and the poor will remain poor. In the year 2019, the top 1% population seized 21% of the total earnings of the country and the earning share of the top 10% raised from 30% to more than 56% between 1980 -2019 (WIL, 2020)<sup>13</sup>. This report clearly visualizes the inequality in India, where the major portion of the economic wealth is rested in the hands of the rich kicking out the poor. This degrades the wealth distribution in the country. The poor and the low-middle class people are forced and marginalized to do certain jobs only. As a result of all such force and pressures people sometime fail to find a job and thus join the army of unemployed.

As we all know that, COVID pandemic almost degraded the Indian economy during 2020-21. But Forbes (2021) demonstrates that 2020 was a dramatic year for super rich (Businessmen and leading entrepreneurs)<sup>14</sup> and again the reasons are vague. Some studies show that this rise may be due to shift to online sphere. Thus unless and until the income gap is wide between the rich and poor, an inclusive economic growth cannot be achieved. Income inequality hinders the poor from getting equal opportunities in terms of education, personal development trainings, and schemes and also in health aspects. Due to lack of these basic qualities and skills, they are marginalized to work as daily wage workers or labors and as informal workers. This creates cyclic unemployment in urban areas and seasonal unemployment in rural regions where still the major portion of wealth and income is rested in the hands of big landlords and owners.

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<sup>11</sup> Pg. 2, An analysis on unemployment in India: A burning issue, Dr. Abishek Chaturvedi.

<sup>12</sup> Economic Survey, 2017-18

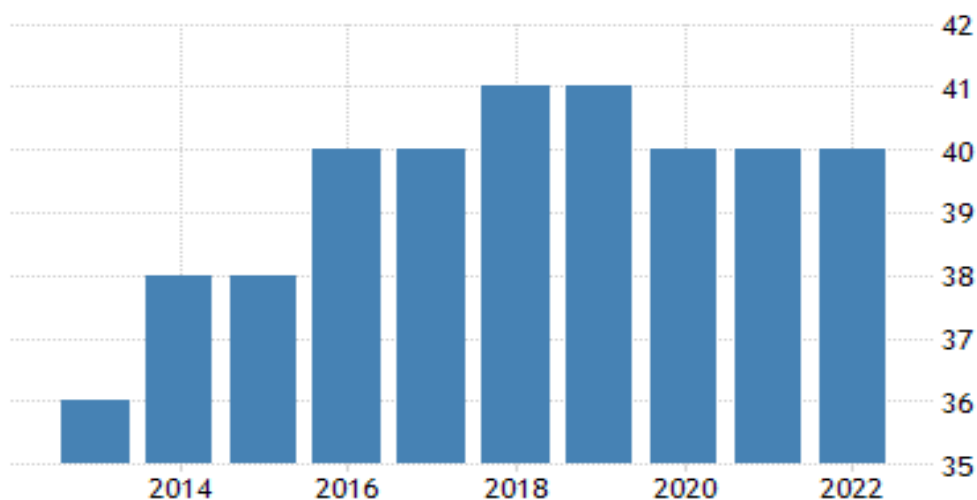
<sup>13</sup> Pg. 7, Income Inequality and its important determinants in India, Sanjay Kumar Rout & Rajeshwari Behera

<sup>14</sup> Pg. 7, Income inequality and its important determinants in India, Sanjay Kumar Rout & Rajeshwari Behera

“Corruption” is one of the major factors causing increased unemployment rate, especially it leads to youth unemployment in the country. Corruption in the form of nepotism and favoritism has almost destroyed the process of meritorious candidate’s selection for a job. The influence of officials by offering bribes is becoming common nowadays. Transparency International India (TII) conducted an annual survey in 2019, which stated that 51% of people paid bribes directly or indirectly for job setup and is reported high in states of Karnataka, UP, Telangana and Rajasthan while low in the states of Kerala, Delhi and West Bengal<sup>15</sup>. Corruption not only increases the unemployment rate but also damages the economic development of the country as a whole.

As per the latest Corruption Proportion Index (2019), India ranked 80 out of the 180 countries<sup>16</sup>. Corruption reduces the efficiency of workers, as unqualified and workers without the required skills are appointed for the job and thus the quality and productivity of job obviously damages. Thus there is an urgent need for appropriate measures and reasonable steps to be taken against the growing corruption issues in the country to reduce the condition of joblessness among the potential youths and bring an employment environment where the candidates are selected on the basis of their skill and potential.

India Corruption Index, showing the high rate of corruption during 2018 in India.



Source: Trading Economics Indicator

### Other causes of unemployment and possible ways to overcome the issue.

The problem of unemployment should be understood in a broad and multidimensional manner. There are many other factors (other than income inequality and corruption) that increase the unemployment rate in the country. In India, during 1991 the agriculture sector provided employment to 72% of population and contributed 29.02% of GDP. However in 2014, the share of agriculture in GDP was only 17.9%<sup>17</sup>. The concept of Liberalization, Privatization and Globalization (LPG) for no doubt increased the job opportunities, but it made the country to depend more on the imports than exports. In spite of being self-reliant, some of the sectors became over dependent on foreign companies and MNCs. As a result of the

<sup>15</sup> Pg. 2257, Corruption and Economic Growth: A correlation study for India, Nirikta Mukerjee & Kajsi Shah

<sup>16</sup> Pg. 2256, Corruption and Economic Growth: A correlation study for India, Nirikta Mukerjee & Kajsi Shah

<sup>17</sup> Pg. 30, Impact of Liberalization, Privatization & Globalization (LPG) on Indian Economy, Sanket V. Ravan

LPG, there is a rise in demand for highly skilled and educated employees all around the world and thus the unskilled population remain unemployed.

Another cause of unemployment may be due to over-reliance on technology. According to World Bank research, 69% jobs in India may be consumed by atomization (WB 2016)<sup>18</sup>. Thus, in the upcoming days, technology will take over the humans in terms of jobs and performance. The unemployment rate of labor force that fails to find job jumped to 23.5% after the lockdown in April 2020 (CMIE)<sup>19</sup>. However, the small scale business and labors are the one who always get affected by such pandemics or natural disasters. Hence more concentration should be given to the development of their standard of employment and to provide them with a stable means of income.

It is an obvious fact that the economic growth of a country is incomplete without the participation of women, especially in a country like India where half of the population is constituted by women. The female labor participation is reduced to 33.3% in 2015 (as per the report by OECD)<sup>20</sup>. Thus women education and employment should be given more importance by the government. Equal opportunities in terms of learning and employment should be made possible for the rural women. Indian GDP growth is 1.5% annually, if 50% of women enter the workforce it can reach up to 9% annually<sup>21</sup>. Thus a country where men and women are treated equally without any biased criteria can develop faster and better.

#### **The Manufacturing sector and its importance:**

While talking about the employment and job creation in India, the importance of the manufacturing sector must be highlighted. Manufacturing sector is important for the Indian economic growth as it contributes a good share in the GDP and provides employment opportunities to a vast number of people but despite of its contribution, this sector is facing many problems nowadays like, heavy competition with the foreign companies, lack of adequate infrastructural facilities, insufficient funding etc. According to the OECD survey, productivity in manufacturing sector of China and Brazil is 1.6% and 2.9% times (respectively) higher than the productivity in India<sup>22</sup>. Apart from this, the manufacturing sector in India is overtaken by the service sector in terms of importance and profits. As the economic growth in India in the last five years was lead by the service sector leaving the manufacturing sector at 13% of GDP (FY 2013-14)<sup>23</sup>. Improvement in the manufacturing sector is needed for the creation of more job opportunities for both skilled and semi-skilled workers and moreover it reduces the dependence on the foreign manufacturing companies and will help India to become self-reliant. Increased capital funding, more infrastructural development and more funding are some of the possible ways that the government can implement that may boost up the manufacturing sector of India.

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<sup>18</sup> Pg. 28, Jobless Growth in India: The way forward, Vol. 8, No. 3

<sup>19</sup> Pg. 76, Impact of COVID-19 pandemic on unemployment in India, Shubarat Shameen

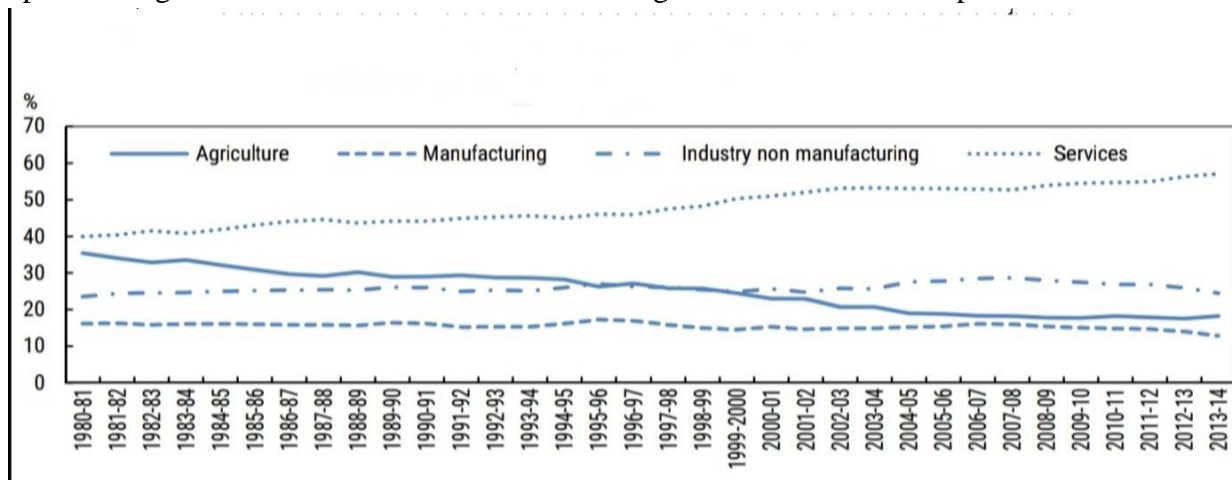
<sup>20</sup> Economic Survey 2017-18

<sup>21</sup> Pg. 138, Women and the employment sector in India- A Review

<sup>22</sup> PG. 6, Challenges and Opportunities of India's Manufacturing Sector, OECD Economics Department Working Papers No. 1183

<sup>23</sup> Pg. 5, Challenges and Opportunities of India's Manufacturing Sector, OECD Economics Department Working Papers No. 1183

Graph showing the low share of Indian manufacturing sector in GDP as compared to the other sectors.



Source: Indian Central Statistic Office, OECD Calculations and World Development Indicators Database.

A war cannot be fought without soldiers! Likewise a country’s economic condition cannot be improved without efficient contribution of workers. India being one of the young population countries where almost 18 million people turning 18 every year, if works in an efficient manner can definitely improve the job quality and productivity. Population if utilized in a planned and efficient manner will not only improve the economy but also the per capita income of individuals. There is also a need for a big revolution in the education sector as education is the only weapon that brings change among the citizens as well as the nation. More skill-based courses should be introduced so that students can get job soon after their education. Budding entrepreneurs and start-ups should be encouraged and given more opportunities by the government through various schemes, so that they will able to sustain their lives even if they are not be able to find an appropriate job. Schemes like Make in India, Start-up India should reach the poor households and they should be benefitted.

### Way Forward

As we are entering into the new Financial Year of 2023 (Amrit kaal), which mainly focuses on the capital expenditure for a long term economic growth by investing more in the countries economical assets such as transportations, manufacturing units and so on. According to the reports of *Times of India (TOI) 2023*, it is the biggest ever increase in the capital expenditure by 33% i.e. up to 10 lakh crore (3.3% of GPD)<sup>24</sup>. As this budget mainly focuses on capital and infrastructural development, that is, it focuses on more job creation as, if there is a development in the infrastructure definitely there may be a growth in the employment rate. Thus this can be appreciated as a positive step for an inclusive growth in our country. This could also help in the creation of more non-farm jobs in the country. There is also an increase in the allocation for agriculture by 5% (2023-24)<sup>25</sup> which may promote the idea of sustainable development along with infrastructural development. The National Education Policy (NEP) 2020 is expected to bring a big change in the education sector of India as it promotes a Value-Based education and skill added courses that may promote the youths to get a job soon.

<sup>24</sup> THE TIMES OF INDIA, Feb 1, 2023 16:28 IST

<sup>25</sup> Union Budget 2023-24

In India, unemployment and other socio-economic problems are rising not because of non-availability of resources or workforce, but due to the lack of effective methods and appropriate strategies to operate them.

### Conclusion

A country's economic growth depends on multiple factors such as GDP, Per Capita Income, standard of people living in that country, availability of basic needs, literacy rate etc. The real development is when the country attains a stable position in all such aspects. Present scenario of jobless growth can be eliminated through some positive economical activities that include increased job opportunities, reduced gap of income inequality between the rich and poor, reduced level of corruption and by providing huge support to the youths by introducing innovative government schemes. If there is no such act called corruption, the beneficial schemes and opportunities could be made available to those who are actually in need of those. This can ultimately reduce the rate of unemployment in the country. Reducing the unemployment rate is a difficult task for the government but is the urgent need for a better economy to hold a standard position in the international platform. If the unemployment rate is reduced, the other related socio-economic problems can also be reduced to a great extent. At last it is recommended that before reaching a critical stage, the recovery from which will be very difficult, it is better to keep away the problems by means of efficient and proper utilization of the growing population of our country.

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