

An Analysis of the fastest growing Indian economy facing the situation of unemployment-A Dichotomy

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Abstract. Classical economist believed that full employment was a normal situation in the economy- in other words all those persons, who are qualified to work, willing to work and able to work at the current wage rate, get the job without any considerable delay. Supply could create its own demand, hence there was no need for any kind of Govt. Intervention in the economic affairs of any economy (Production Arises Due to Joint Actions of all the factors of Production but labour is the most important) If disequilibrium exists between the forces of demand and supply conditions of labour, commodity and savings, it could be

automatically adjusted with the flexibility of wage rate, price and interest rate. The real wage rate is determined at a point where the demand of labour is equal to supply of labour. According to Pigou, decline in Money wages increases the volume of employment through reduction in cost and prices of Goods, (Since prices do not respond in the same proportion, therefore real wage also declines with the fall in nominal wage rate) During the great depression of thirties, workers were willing to accept a nominal wage cut but volume of employment was constantly declining **Keynes** came on this juncture and gave his macro-economic analysis wages are not only a part of the cost of production but also the income of the workers. This reduces the level of aggregate demand and hence volume of employment. Psychologically nobody wants money wage to be cut (neither it is theoretically sound, nor practically possible). In almost all countries laws have been formulated for minimum wages, unemployment insurance, sickness, maternity benefits and a number of other social security measures (Transfer payments). UN report (2010 to 2019) shows that working population (population between the age 15-64) is 67% percent and on the other side, India has become a fastest growing economy in the world, but jobs are not increasing Fundamentally when an economy grows it means output and employment both the variables respond in the positive direction An attempt has been made to examine this mismatch /dichotomy in this research paper.

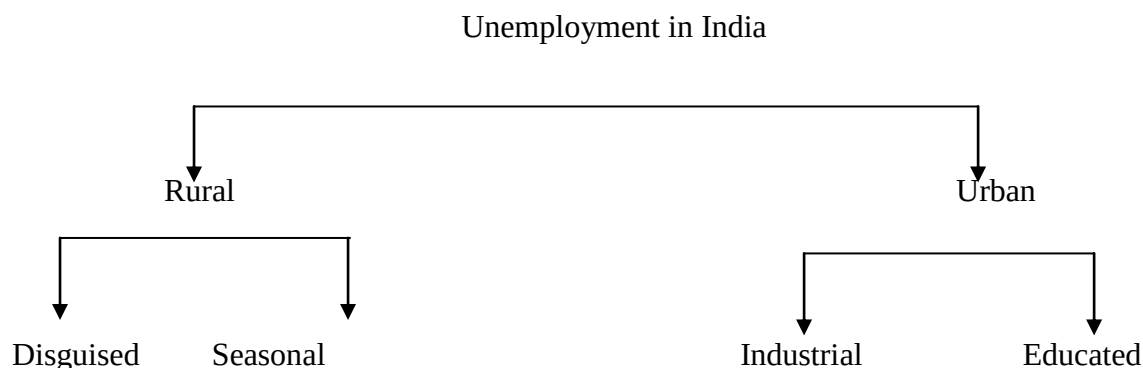
Key Terms :

Demographic dividend, Employability, Jobless growth

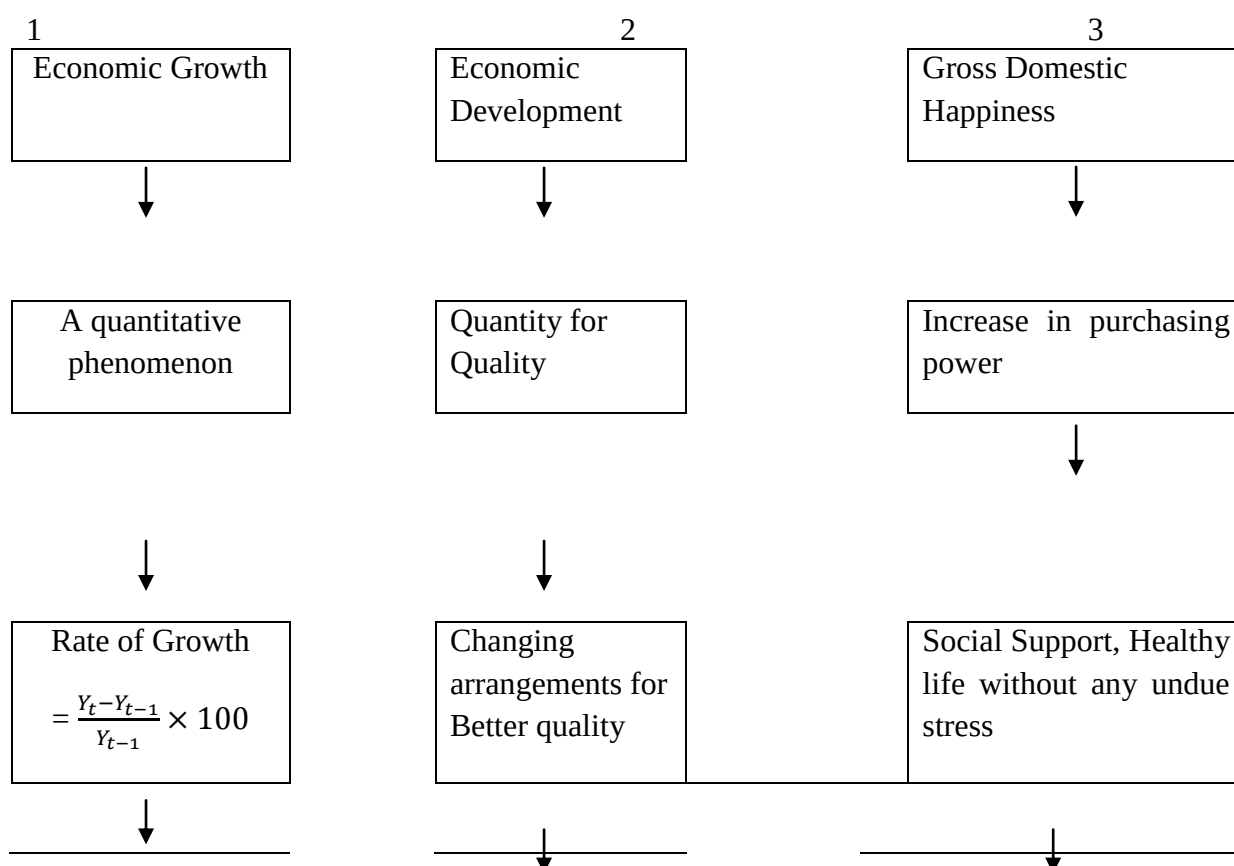
INTRODUCTION

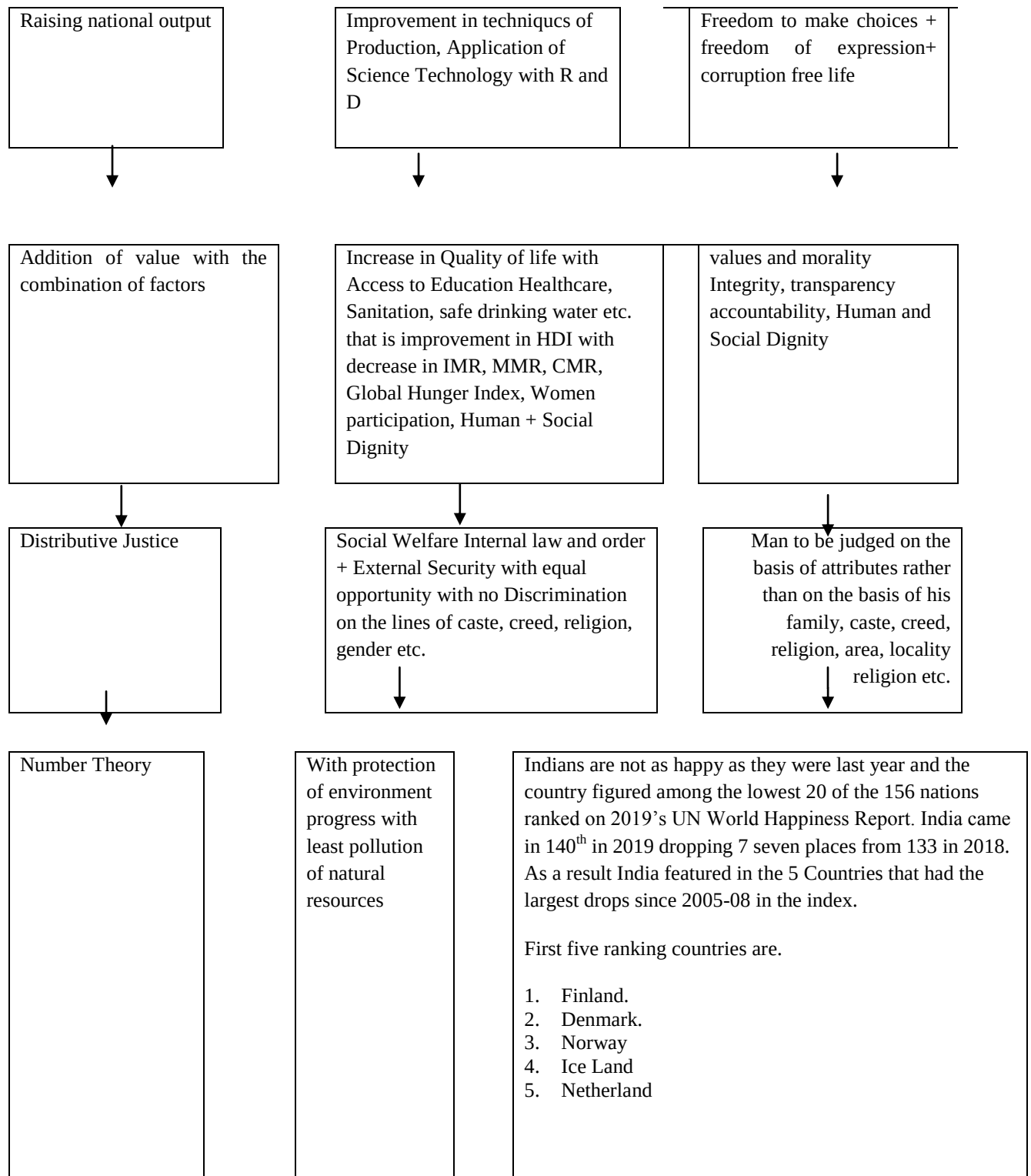
Professor Raj Krishna discussed four criteria of unemployment – time, income, willingness and productivity. The time criterion refers to the number of hours or days spent in gainful work. A person is **severely unemployed** if he is engaged in gainful work for 28 hours or less in a week and **moderately unemployed** if he is engaged for more than 28 hours but less than 42 hours in a week. A person may be employed on some wage or income but the income which he earns may be sufficient for him to rise above the poverty level. There are many persons in India, who work not full time in terms of Hours per day but earn very little income, so that they are still poor. A person is considered to be **underemployed**, If he is forced by unemployment to take a job that he thinks is not adequate for this purpose or not commensurate with his qualifications and skills. Those are voluntarily unemployed persons in urban areas, who are searching for specific type of jobs because of their special qualifications or training. They refuse to accept jobs which they feel to be below their status and are

dependent on their parents or relatives for financial help during the period of unemployment. The productivity criterion refers to disguised unemployment prevalent among the self employed and hired labour force in rural India. A person is said to be **disguised unemployed** if his contribution to output is less than a person can produce by working for normal hours of work per day. Employment is an activity undertaken for the sake of income.



Economic growth means more output needed for consumption and investment demand in any economy for a better living standards of present and future generation. Economic development means more output and changes in the technical and institutional arrangements for the better. In other words it is a process, whereby the real per capita income increase accompanied by reduction inequalities of income distribution and satisfaction of the preferences/choices of the masses as a whole.







Prosperity is re-distributed rather than poverty for inclusive and sustainable growth.

(March 21, 2019 HT, p+1)

India moved to economic reforms in the year 1991 in the name of liberalization, privatisation and globalization. A shift of emphasis to an environment of reforms in each sector of the Economy. The GDP growth rate of 9.4 percent in 2005-06, 9.57 percent in 2006-07 and 9.32 percent in 2007-08 could not establish a corresponding high and positive co-relation with the position of volume of employment growth in the economy.

Basic issues of poverty, hunger, unemployment, inequalities in the distribution of economic power, inclusive and sustainable growth and balanced regional growth etc. are still remain to be addressed and resolved. Jobless growth is a joyless growth, we have to provide meaningful employment.

Literature Review :-One of the objective of Indian Planning has been to remove unemployment and achieve the position of full employment (Although full employment is never full). The unemployment problem in India is such that more has been written on it, than that of any other country in the world, according to Professor AK Sen. But there is no unanimity among the economists over the nature of unemployment in India. In simple words **Unemployment** means when a person qualified, able and willing to work at current wage rate, does not find the job. Roughly lack of employment is equal is to unemployment. Voluntary Unemployment is the situation, where work is available but people do not work (Idle rich who inherit property and wealth, persons, who do not like to work because they consider that wages being offered to them are not in accordance with their qualifications or social status etc. and there are social parasites who do not have any liking for an honest work). **Involuntary unemployment** is situation where people want to work but do not get work. **Frictional unemployment** exists, when there is lack of adjustment between supply of and demand for labour. **Seasonal unemployment** results due to the demand conditions in a particular season. **Structural unemployment** exists due to change in technology, structure of the organization discoveries and innovations etc. cyclical unemployment is caused due to cyclical fluctuations in an un-controlled economy and **disguised unemployment** is a

situation, where a person or a number of persons could be removed without reducing the total output.

There is survey of 7,81,793 individuals of 1,56,563 house holds conducted by the Ministry of labour and employment, GOI in 2015-16. The survey provides accurate estimates of the structure and composition of India's labour force but it is not comparable to national sample survey (NSS). The NSS is collected from July to June, whereas survey was conducted from April to December. Besides serious problem of seasonality, measure of disguised unemployment are required to analyse changes over time. It is critical to note that labour force participation in India is particularly low at 50%, while the developed OECD Nations has an average of 72 Percent (Vietnam 77%) Indonesia (70%), Thailand (69%) and Bangladesh (57%) unemployment rate- the proportion of population that sought work but did not find any (5%) (Daily HT 'unemployment is a function of state policies by Shamika Ravi, Dated 11th of May 2019, p22)

Literature Gap :-

Growth with out attention to environment risks for sustainable base for economic prosperity. The data show that there are reasons to be concerned. The centre for science and environment finds that 275 of 445 rivers are polluted, up from 121 in 2009 and that of 90% of solid waste is unprocessed in Maharashtra and 48% in Delhi Air quality is a public health crisis. Green peace finds that 228 out of 280 cities are not compliant with standards. According to Lancet air pollution is estimated to cause 1.24 million premature deaths in India. The impacts of climate change are projected to reduce agriculture incomes in unirrigated areas by 20 to 25% in the long run. In 2018, India was ranked 177 out of 180 countries in a Yale, Columbia Environment Performance Index. (Daily HT, 21 May 2019, p16)

Objectives:

1. To examine the latest growth trends and recent trends in unemployment.
2. To examine the addition of working population and employability with respect to fear Psychosis among employees (particularly in Pvt. Sector and unorganised sector)

Research Methodology

This research is paper is based on Secondary data obtained from standard an authentic sources- mostly the blue prints produced by the Govt./Semi Govt./Some international and

standard magazine, journals and reports published by well known organizations. Conclusions and interpretations have been drawn on the basis of statistical analysis.

Objective 1: According to 2011-12 GDP Series, GDP (Gross value added) growth grew less than 6% in 2011-12, 2012-13 and 2013-14. This is the only instance of GVA growth going below than 6% mark from 2004-05 onwards except in 2008-09 which was the year of financial crisis that disrupted economic activity across the world. Even according to the 2004-05 series, GDP growth was less than 5% in 2012-13 and 2013-14. This deceleration in growth came at a time when inflation touched double digit and the trade deficit as a percentage of GDP also breached the 10% barrier. Fiscal deficit too remained higher than on precariously close to 5% mark under almost the entire second term of the UPA Govt. India is projected to grow at 7.3 percent in 2019 and 7.5 percent in 2020, supported by the continued recovery of investment and robust consumption, thus remaining the fastest growing major economy of the world (IMF) in 2018. India's growth rate was 7.1 percent as against china's 6.6 percent. In 2019, the IMF projected a growth rate of 6.3 percent for China and 6.9 percent in 2020, according to the latest world economic outlook projections.

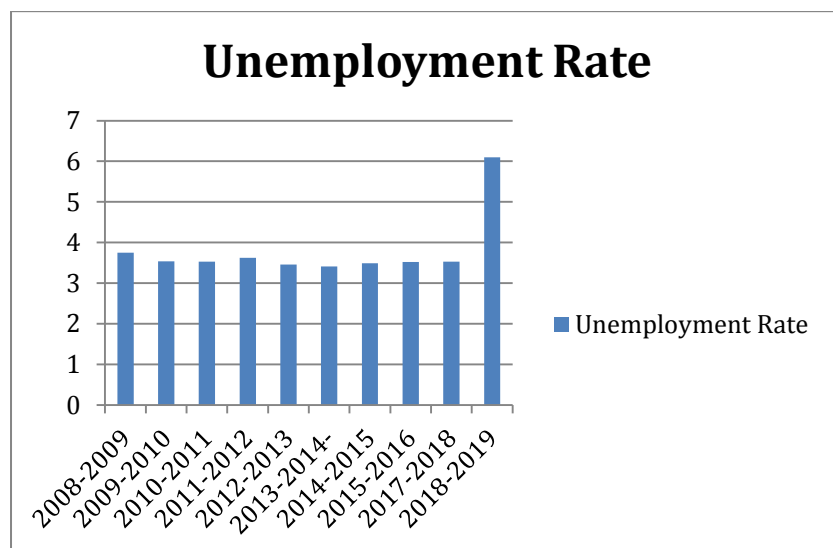
The newly revamped National statistical office (NSO) also slashed its full year growth estimate for 2018-19 to 6.8% from 7% estimated earlier. The slow down was quite steep in the key manufacturing segment (an employment elastic sector) as the GVA expansion meager 3.1% down from 9.5% during the fourth quarter of 2017-18. The financial, real estate and professional services segments showed improvement with the growth rate moving up to 9.5% in the last quarter of 2018-19 from 5.5% in the comparable period of preceding fiscal. India's per Capita income estimate to have risen by 10% to Rs.10534 a month during fiscal ended March 2019 (in 2017-18 it was 9580)

(Source Daily HT 1-6-2019, p23)

The table given below gives the trends in unemployment rate.

Year	Unemployment Rate
2008-2009	3.75
2009-2010	3.54
2010-2011	3.53
2011-2012	3.62
2012-2013	3.46
2013-2014	3.41

2014-2015	3.49
2015-2016	3.52
2017-2018	3.53
2018-2019	6.1



India's unemployment rate is updated yearly and the average rate of unemployment being 3.9 percent during Dec. 1991 to Dec. 2017. The data reached an all time high of 4.4 percent in Dec. 2005 and a record low of 3.5 percent in Dec. 2016. According to world Bank report, the country's labour force participation Rate dropped 53.79 percent in Dec.2017.

The country's unemployment rate was 6.1% data from the country's first periodic labour force survey for July 2017-June 2018 showed. The last unemployment survey was carried out in July 2011-June 2012 according to which all India unemployment rate was 2-7% but that was based on expenditure survey. This is the highest in 45 years according to a report published in the Business standard newspaper.

(Daily HT, 1-6- 2019, p1)

Given that the working population grows by an estimated 25 million a year, and it is assumed that only 42-43% joins the labour force, India needs to find 8 lakh new jobs on a net basis every month. In India, falling employment rate is a bigger problem than the unemployment rate. Very low job opportunities in comparison to the working population, have reduced wages in the private and unorganized sectors. The basic reason behind this phenomenon is that India has a small number of quality institutions in the country inspite of the growth in the number of quality institutions. Most of the students are not employable. They lack the

aptitude and skills which the employers are looking for. Aspiring Indian students with talent and ability are likely to opt for international institutions (of higher ranking) that cater to their demand.

Objective 2: By 2020 India's population is expected to become the world's youngest more than 500 million Indian citizens will be under 25 years of age and more than two thirds (67% between the age group 15-64 (working population) as per UN report published in Daily HT10-04-2019, Page +1) likely to be eligible for work.

Current population of India= 136.8 crore

Growth rate in 9 years from 2010 to 2019= 1.2 p.a.>1.1 p.a (World average but more than double china's 0.5% a year according to UNFPA- India's population in 24 states have achieved so called, replacement fertility rates of 2.1 children per women, while desired family size is 1.8 children. UP, Bihar, Rajasthan and MP have not reached desired fertility rates.

$$\begin{aligned}\text{Working Population} &= \frac{2}{3} \times 136.8 \\ &= 2 \times 45.6 \\ &= 91 \text{ Crore}\end{aligned}$$

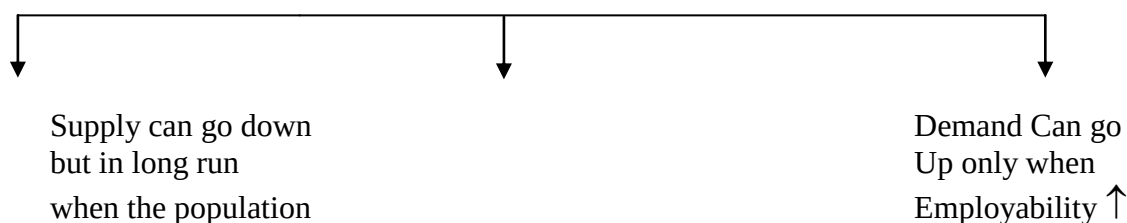
Roughly in India labour participation rate = 50% = 45 crore

$$\begin{aligned}\text{Supply of Labour} &= \text{participation rate} = 50\% \\ &= 45 \text{ crore}\end{aligned}$$

Supply of Labour > Demand for labour

(Organised sector wages are as as per approved grades and scales – except in case of contract labour but in unorganized sector this leads to a fall in wage rate because of mismatch in demand & supply conditions)

To keep equilibrium between the conditions of supply and demand



growth rate goes down

Right-Education Training and Retraining, developing skills (Knowledge understanding and application oriented and problem solving skills)

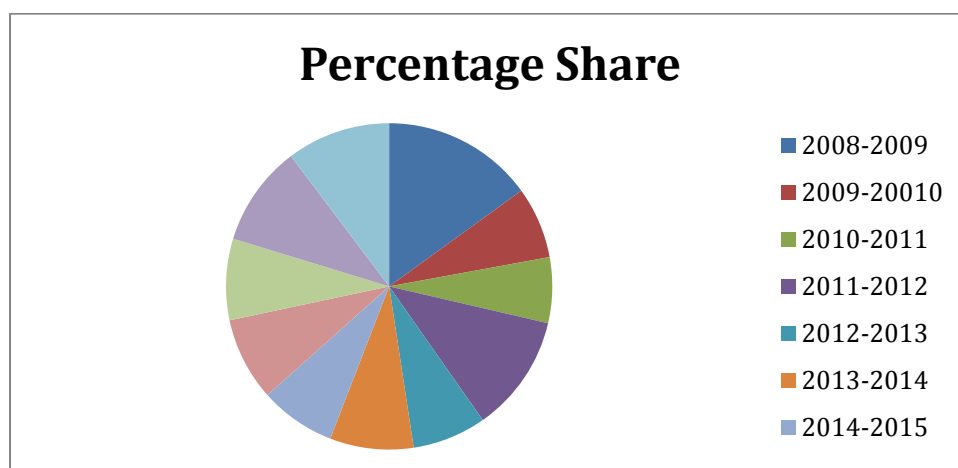
This means that a growing number of India's Youth need the right educational infrastructure to develop skills and adequate opportunities to get employed or become entrepreneurs. The challenge which Indian economy face is to ensure and to create a sufficient number of productive jobs in the non-agricultural sector to absorb surplus labour that must be shifted out of agriculture.

Employability is a function of number of variables and attributes for example quality of education, training ,innovations and research, overall personality of the candidate, soft skills, family background in terms of values and ethics, efforts to develop one self continuously aptitude, attitude and the last but not the least a chance variable (a random term used by econometricians in all models). It is thrilling to imagine how prosperous the future could be if India tapped into talents of all its people- it must prioritize the health, nutrition and education of every single Indian so as to maximize human capital In India, half of women and a quarter of men of working age suffer from anemia which puts sharp limits to their productivity. Half of pregnant women are also anemic, which not only damages their health but also interferes with their children's cognitive and physical development. The total estimated cost of anemia to India is 1.5% of GDP. The Govt. of India has recently demonstrated a strong commitment to tackling malnutrition. A healthy demand for skilled workers and high-tech jobs will offer great opportunity for India's growth. The Country has made phenomenal progress in enrolment but much work is to be done to improve the quality of education so that students learn the necessary Knowledge, understanding and skills as per demand conditions of the local economy well as the global economy. International aid to India for education has fallen by more than 26% compared with a global downturn of 2% data from U.N. (Published in HT Education 22-05-2019, p1.) India received \$464 million in 2017, as against \$634 million in 2016 (UNESCO) in a global education and monitoring report. The 2017, number is a four year low and it may adversely affect inclusive education for all. The rate of labour force participation among women is the lowest in the world (about 25%) and It is actually dropping Hence education may be rewired to focus on importing knowledge that responds to market demand.

Conclusion –According to Keynesian Theory of Employment, Aggregate Demand in an economy=Demand for consumption goods + Demand for investment goods.

It has been estimated that 80 percent of the growth in India's GDP in 2018-2019 came from an increase in private and government consumption. The table Given below Highlights the trends in percentage share of final consumption expenditure and Government final consumption.

Year	Percentage Share (Consumption growth)
2008-2009	118.2
2009-2010	55.8
2010-2011	51.2
2011-2012	91.6
2012-2013	57.6
2013-2014	65.2
2014-2015	59.2
2015-2016	65.0
2016-2017	63.4
2017-2018	78.6
2018-2019	80.9



It has been estimated that unemployment rates increases with the educational Qualification of workers. Between the period 2011-2012 to 2017-2018 the percentage of unemployment has been found as under:

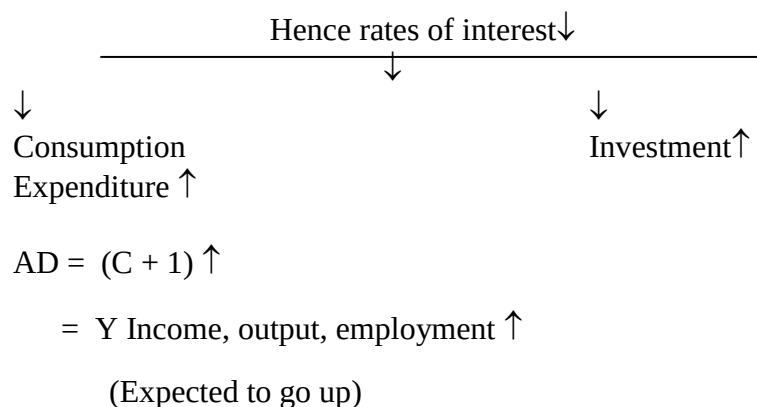
Rural

Male	Female	Education Status
1.7	0.1	Not Literate
10.5	17.3	Secondary + above

Urban

Male	Female	Education Status
2.1	0.1	Not Literate
17.3	19.8	Secondary + Above

If India wants to achieve double digit growth rates it needs to focus more on investment and Exports. The official data showed that India's GDP growth rate slipped to a five year low of 5.8% in the last Quarter of 2018-2019 (and annual growth slowed to 6.8%). Against this backdrop, RBI has revised its growth forecast for 2019-2020 down to 7% from 7.2%. The RBI's latest round of consumer confidence survey conducted in month of May 2019, shows that despondency has gripped urban India as far as economic sentiments are concerned. The monetary policy committee's third cut in a row since Feb took the policy rate to a level not seen since July 2010 (cutting the report rate from 6 percent to 5.75 % on 6-6-2019)



(Inflation has remained under control too with in comfort zone).We may expect double digit growth as well as increase in employment through an increase in consumption, Investment and Exports)

Hence fundamental shift in the mindset is a dire need. Let us hope now growth is linked with jobs and good days are ahead under the leadership of Prime Minister Narendra Modi (NDA II)

Suggestion-Manufacturing contributed in 2017 only about 16% of India's GDP- Stagnating since economic reforms began in 1991 yet between 2004 around 2011-12 manufacturing employment growth of by 6 million was reasonable. However, this growth has fallen between 2011-12 and 2015-16 by 10 million in Just four years. Therefore an industrial policy focused on labour intensive industries is the need of the hour so that jobs among MSMEs are to grow.

End Notes

1. Daily Indian Express Saturday April 13, 2019, 17
2. Daily HT May 11, 2019, p 22
3. Daily HT, Feb 18, 2019, p 13
4. Daily Feb 22,2019 p 17
5. Daily HT Feb. 1, 2019, p18
6. Daily HT Feb 1, 2019, p18
7. Daily HT 16-12- 2018, p18
8. Daily HT, 12.2.2019, p18
9. Daily HT 29.03.2019, p5
10. Daily HT 10.04.2019, P + 1
11. Daily HT May 21,2019,p16
12. Daily HT 31-1-2019 P 21
13. Daily HT 10-02-2019, p.1
14. Daily HT 15.12.2018, P17
15. Dairy HT Educate 22.05.2019 p1
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