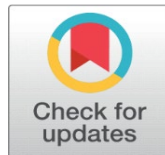
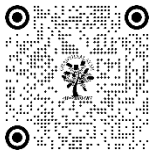


SEVERITY OF JOBLESS GROWTH IN INDIA AND THE RELEVANCE OF SERVICE SECTOR IN EMPLOYMENT GENERATION

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DOI

[10.29121/shodhkosh.v5.i6.2024.2269](https://doi.org/10.29121/shodhkosh.v5.i6.2024.2269)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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ABSTRACT

This is a phase when the whole world is facing unemployment. But India is troubled by structural unemployment since independence and the severity has intensified after opening up the economy in 1991. All the academics, politicians and policymakers have been anxious to get a cure of this problem. But the problem is multi-dimensional in India and correlated with different factors like education, skills, demographic pattern, gender, public expenditure and the disparity of different sectors. Therefore, it is hard to get a unique solution to this problem. Here the present study has tried to demonstrate the unemployment pattern and the wage share of the different sectors. On the basis of secondary data from different sources, the present study has tried to forecast the unemployment pattern in different states of India. The study has shown how the service sector can boost employment among the uneducated, unskilled population also.

Keywords: Unemployment, Uneducated, Unskilled, Service

1. INTRODUCTION

As the World Economic Forum is expecting a downfall throughout the world economy and announce a more or less growth around 3% for the world, we the Indians become cautious about the growth of our economy. But as per the expectations, our economy will grow around 6% in the coming four years. The policymakers and the politicians are boasting of the fabulous 8.2%, which has been recorded as the output growth of the Indian economy in the last quarter of the financial year, 2024. Ministry of Statistics and Programme Implementation and the National Statistical Office claimed that the Gross Value Added (GVA) grew by 7.2 percent in FY 24 over 6.7 percent in 2022-23. National statistical Office has applauded that nominal GDP grew at a remarkable rate of 9.6% in the financial year, 2024. But after chasing behind the growth rate and applauding ourselves, it can be seen that the inequality is widening day by day. The inequality is disturbing for the whole economy as the economic growth has not been able to percolate below and most of the gain of this growth is confined within the top 20% of the population. The top most 1% of India's population possesses 40% of the nation's wealth as per the World Inequality Lab of America. The Lab stated that lack of education has trapped most

of the Indian people in low-paid jobs and resulted in severe misery in the growth of the bottom 50% and middle 40% of Indians. Data from Forbes billionaire rankings also show that number of billionaire Indians rose from one to 162 after 1991¹. The problematic pattern of the Indian growth process is that as the agricultural sector is losing its predominance, manufacturing sector is not blooming to absorb the excess labour force. As per the economic theories of development, manufacturing sector grows steadily with the fall of the agricultural sector and succeeds to absorb the surplus labour of the agricultural sector. But in our case, the growth of the manufacturing sector has remained stagnant for years and resulted in severe joblessness. On the other hand, share of agricultural sectors has decreased from 60% to 18% recently with absorbing about 45% of the population. Labour absorption capacity of agriculture in India has decreased a lot due to technological innovation and usage (Bhalla, 1987). But the tragedy is that majority of the population still depends on agriculture for their livelihood as the other sectors are incapable of absorbing such labour, who are mostly less educated and unskilled for other professions. Service sector which has bloated to its highest of contributing 66% of the share of the GDP is capable of only absorbing 29% of the adult population. As the service sector flourished in India since 1991, a dichotomy in the labour market got noticed. Excess or the surplus labour of the agricultural sector which came to the urban sectors for search of jobs could not be absorbed by the newly flourished service sector as the service sector was in dire need of skilled, trained, highly educated people. As the service sectoral development in India centred on information technology, banking, finance and insurance, the sector is mostly dependent on capital intensive technologies, rely on more automation and require well skilled and technically trained population. After opening our economy to the outer world and following the path of Liberalisation, Globalisation and Privatisation, India opted for exporting its services to the outer world. As different multinational companies were searching for outsourcing in least cost industries, India became a favourable hotspot for direct investment in service sectors and to import the services of the highly skilled Indian at a comparatively lower wage. On the contrary, the wages offered by these multi nationals were quite high for the skilled Indians. Therefore, skilled labourers succeeded to find jobs at their preferred wages and the unskilled workers were forced to work at negligible wage rates. In many instances they remained jobless or worked in their family farms without any share in output or wages. Thus a dichotomy started to prevail in the labour market. The rent factor for higher efficiency, technical skills marked up the wages for differently skilled people started to function in the labour market. The whole new job market got explored as the nation opened up and the service sector bloomed. Again, for higher capital intensity and automation service sectors' labour absorption capacity is always lower. And the absorption capacity is also getting lower through the time span as more and more service sectors are getting dependent on artificial intelligence and robotics. Therefore, low, often negative employment elasticity of output always prevailed in the sector as well as the economy after 1990s. As a definite outcome, economy witnessed a high economic growth with a sluggish employment rate growth. As per the India Employment Report 2024, produced jointly by the Institute for Human Development and the International Labour Organisation (ILO), India's working population has increased to 64% in 2021 from 61% in 2011. The report also forecasted that the unemployment rate will reach to 65% by 2036. The report also stated that the percentage of youth involved in economic activities declined to 37% in 2022. Periodic Labour Survey Report has shown self-employment and casual employment of women have increased as women labour force participation has increased in recent years. This has raised major doubts among the academics and social activists about the accountability of these sorts of employment as self-employment also takes into account women helping in family activities without any sort of remuneration (Ghosh, 2024). Therefore, the era can be cited as the era of jobless growth.

The present study tries to show how the employment changed in the recent past. How the employment differed among the young. How the unemployment scenario differed among genders.

2. REVIEW OF LITERATURE

There were serious concerns about the growth of the economy after the pandemic. As the economy severely struggled during the pandemic, concerns about the growth rate, employment and inflation were the issues around which the tensions of the policy makers and the academics centred. But, it was seen that after the pandemic, the growth of the economy started to grow at a faster rate again. But the issues of unemployment remained and as the subsidies, public expenditure on welfare programmes are continuously curtailed, unemployment problem deepened and the associated inequality, poverty widened.

Different literatures have shown their serious concerns about the growth process of Indian economy. As the economy is growing, joblessness is not showing any cure and the inequality problem is continuously widening. Issues of jobless growth have become a central topic of the development and political economics. Though the Government is

boasting of the growth rate, changing tax structure, financial inclusion and digitalisation of young India, economists like Jayati Ghosh, Montek Singh Ahluwalia, N. Ravi, Sanjay Kaul have shown serious concerns about the growth process and revealed their anxiety about the deep rotted unemployment problem and the associated social problemsⁱⁱ.

India's large population has remained vastly untapped as the policy makers chased after the growth rate utilising a minor proportion of the young population. But real prosperity will be a challenge if the nation does not seriously plan for the vast unemployment and guarantee them at least minimum wages. Again India's failure to present any consumption data since 2011-12 has resulted in failures of gauging the inequality pattern. When the nation is able to provide only employment for tens out of millions, the demographic dividend will turn into a demographic disaster as the unemployment and inequality problem can result into severe social disruptions (Ghosh, 2024).

Though the information technology sector contributes a major portion of the total income and foreign exchange earned by the country, it lacks far behind in employment generation. The sector is only able to employ 1 million of the 415 million able bodied workers of the country and 110 million urban workers, which definitely reveals a gloomy picture. This definitely exposes that the percentage absorption is also lower than the increment in annual workforce. Therefore, it can be said excessive dependence on information technology sector may increase output, or national income but its effect on employment is marginal. The authors of the paper also suggest that it is not only the narrow defined growth but a growth process in a sustainable manner that can ensure employment generation, poverty and inequality reduction should be followed by a nation. A well-defined monetary policy to accommodate the expansionary fiscal policy promoting social sectors, physical infrastructure, mass employment generation can make the nations able to achieve the goals of sustainable employment generation, poverty reduction in a systematic manner. Dependence on service sector to exploit the demographic dividend will not be possible for India if the policy makers don't think of other industrial, construction and manufacturing sectors at a gross (Ghosh and Chandrasekhar, 2007)

An empirical study based on Data provided by the Reserve Bank of India tries to find out the missing linkages among different sectors and the jobless growth. The study demonstrates that jobless growth is a result of excessive emphasis on a service sector. Growth of all the sectors in a simultaneous and synchronized manner can bring a greater benefit for employment generation. The study also finds out that there exists a strong linkage between the manufacturing sector and the service sector though manufacturing sector and agricultural sector share a weak linkage. Therefore, the missing linkages can be explored more intensively to generate employment in a sustainable manner (Arora et al., 2024).

An intensive study on the thorough development of Indian economy after the reform period has shown that most of the employment growth between 2003-04 and 2017-18 is accountable for employment generation in the informal sector. These sorts of casual employment neither guarantee sustainable wellbeing nor livelihood security. Again, in most of the cases, Indian cannot afford to be unemployed for a longer time because of basic survival issues and they engage themselves in any sort of employment. Therefore, open unemployment cannot take in account of the severity of the unemployment problem of India. There is need to take account of the underemployment problem also. Again, though the GDP growth in the service sector accelerated to 9% between 2003-04 and 2017-18, the sector is incapable of offsetting the employment deflation by the manufacturing sector. And the service sectors in many instances have also created casual low graded employment in hotel and hospitality sector beside high skilled sectors like information technology, banking and insurance. As India is at the peak of young fellows who have come out of the education institutions for jobs, more intensive planning for employing FDI and restructuring production sectors are required for engaging these educated youths (Ahluwalia, 2019).

Another study has stated that Inflation and lack of employment opportunities have resulted in a gloomy scenario in employment market in India. As per the employment report, 2024 instead of signs of unemployment reduction, underemployment is massive in India. Against this gloomy scenario, one ray of hope is a steady increase in female labour force participation between 2018-2023 in comparison with the rates before these years before (De, 2024).

An empirical research study dealing with productivity growth and employment growth has demonstrated that higher productivity growth may lead to less labour employment instead of higher income growth in the economy. The study has shown that investments in capital intensive high productive larger industries can lead to less employment generation (Dasgupta and Basole, 2023).

The literature surveys have helped to focus on the variables, which are required to explain in this growth trajectory. The employment pattern, which has remained heterogenous through the sectors, regions, gender, and educational status and different variables related to employment, unemployment and under employment are synthesized with the help of the vast literature in this field.

3. OBJECTIVES OF THE STUDY

The study tries to depict the unemployment scenario in different aspects. The objectives of the study are the following:

- 1) To demonstrate the male and female employment pattern from 2005 to recent years.
- 2) To exhibit the difference between the wage share of male and female labourers in different categories.
- 3) To show the unemployment pattern of male and female population throughout the years from 2005.
- 4) To determine the factors which play a key role behind the huge unemployment in India.

Research Methodology: The present study is completely a secondary data-based study. It has tried to investigate the different employment and underemployment patterns across rural and urban sectors of Indian states at an aggregate level. The study has also tried to focus on different eminent states, whose data are available regarding male and female population, who are not employed. The present study also deals with youth who are not in employment, highly educated and tries to sort out the relationship with the state domestic product and the Human Development Index. Data used for the analysis is especially Employment Report, 2024 constructed jointly by the Institute for Human Development and the International Labour Organisation (ILO), Periodic Labour Survey, 2022-23, Human Development Report, 2021 and the RBI data on different attributes of different states in India.

Findings And Analysis: Different studies have discussed the causes and the remedies of the growing unemployment. Studies have discussed how the service sector is resulting in a disparity in the employment scenario in our country and criticized the emphasis on service sector for the unemployment among the unskilled, untrained population. But least of the studies have focussed on the determinants of growing unemployment in India. This study has tried to show how service sector can give a boost also to the uneducated, untrained population of our country.

Data Analysis and Discussion: From Diagram 1, it can be seen that there is massive difference between female and male unemployment. A major portion of the female remains out of the employment sector. As long as this discrepancy cannot be curtailed, female inclusion in the labour force cannot be broadened and fruits of growth cannot percolate among the mass. The only ray of hope is that the proportion of female not in employment is falling and the difference between proportion of male and female not in employment are getting narrowed as the proportion of male not in employment is rising sharply. This itself shows that growth of the economy is not at all inclusive in terms of employment generation. And growth without sufficient employment creation cannot be beneficial for the mass, it can only help the profit earners and a minor section of the employees. There is a chance of female population, remaining unemployed to remain stagnant (refer Diagram 2). Again, male population remaining unemployed has a chance to rise over time (refer Diagram 3). Therefore, to prevent these disasters more sustainable employment generation programmes are to be planned through expansionary fiscal policies in India.

Diagram 4 demonstrates the tree map which very significantly specifies the wage share for male regarding engagement in regular, casual and self-employment. It can be seen for regular jobs; wage share has increased both for male and female population. But as the employment generation for regular jobs is squeezing, it can be concluded that the dominant wage share of the total is going to a lower proportion of skilled population resulting into inequality. Another surprising feature is that lesser wage share for female in self-employment than casual jobs as because many jobs in home enterprises without remuneration are included in self-employment category. And in India, women are heavily burdened to render free service in home enterprises like agricultural farms and domestic small entrepreneurship. The positive sign is that wage share in self-employment for male demonstrates a higher proportion than casual employment.

Diagram 5 exhibits that wage share in both casual employment and self-employment for male have increased in 2023 in comparison to 2022. It can be very distinctly seen that wage share in casual employment and self-employment for male has increased in comparison to female. Wage share in regular employment for female has increased. Regarding reduction in wage share in casual and self-employment for women, there arises a big doubt as many activities in home enterprise without remuneration are included in self-employment now.

Diagram 6 and 7 represent youth unemployment rate and adult unemployment rate from 2000-2022 respectively. Female unemployment rate is quite higher from male for young and adults both. Though unemployment rate has diminished from the pandemic years of 2019-2020, but the rates have stagnated from 2021.

Diagram 8 exhibits the forecast of VNEET, which states the percentage of young people who are not in employment, education or any sort of training. The predicted line shows an asymmetry among the focused states. Some of the states like Jharkhand, Telangana, Jammu, Madhya Pradesh, Rajasthan will have a high level of unemployment. Delhi, Jharkhand will have the highest level of young people out of any sort of education, employment and training. Odissa, Gujarat, Tamil Nadu, Bihar will have the lowest numbers of young people out of any sort of education, training or employment.

Explanation of the Variables:

- VNEET: Young population not in Employment, Education and Training
- VEDEMPYth: Educated employment among youth
- VHDI: Human Development Index
- VPovIntns: Poverty Intensity in States
- VlogSVS Log of Service Share in State Domestic Product
- VHedYth: Highly Employed Youth
- VYthPopstate: Proportion of Youth to total population in state

From Table 1 we can see that proportion of youth not in employment, education, or any sort of training is positively related with proportion of educated young employed, the result is very unexpected. It shows that as the proportion of educated young people with education increases, proportion of young people with no education, employment and training will also increase. That is as the population rises, both the proportion will go on rising in India. As entrepreneurs will get educated youth in higher proportion, they will not feel any interest in engaging the uneducated, untrained youth. And the demographic dividend will take the form of a disaster. As service sector increases, there will be a decrease in young who are not employed, educated or trained. This is an encouraging scenario. Therefore, India should emphasis more on service sector to include the uneducated, un-skilled. Special training on deputation or widening low skilled services in hospitality, tourism, recreation sector can reduce the unemployed young. Highly educated youth also have weak significance in decreasing the employment opportunities of the uneducated, untrained young people.

4. CONCLUSION AND RECOMMENDATION

India should plan in a more comprehensive way to engage its young population in different sorts of jobs. The policy makers should follow an expansionary fiscal policy to expand the service sectors to employ the unskilled, untrained young. As in our country, young are predominantly lowly educated, unskilled and untrained, special emphasis should be given to include this proportion of young. As per the study, young people can be trained on a deputation basis in the employment sectors. Low skilled service jobs have a high prospect in our country. Tourism, hotel business, different hospitality sectors, retail and online shopping for fast moving commodities can employ many low skilled, lowly educated people in the service sectors. Government instead of contracting subsidies and fiscal expenditure, can focus on low skilled sectors to reap the benefits of demographic dividend. The Government has to plan intensively and organise different sectors. If the other sectors like, agriculture and manufacturing sectors are interlinked with the service sectors in a planned, organised manner, the linkage effects will flourish employment in a sustainable manner. If our agricultural sectors are more unfastened and can take the advantage of the world market, different low skilled services can be explored by our fellow Indians. Entrepreneurs who are interested to train the uneducated, unskilled on the basis of incentives are to be encouraged by the Government. The recent budget of 2024 has declared incentives to the entrepreneurs on the basis of employment. This is a major shift from the previous incentive process, where the Government announced incentives to the entrepreneurs on the basis of output. This exhibits that the Government has also understood the deficiency of chasing the growth rate only. Private Public partnership for arranging training, education of the young Indians can go a long step ahead. The Government can encourage different industrialist to enhance their corporate social responsibility and engage themselves to innovate different services to employ the unskilled, uneducated. As the service sector is flourishing in India, and manufacturing sector has remained stagnant,

avenues have to be innovated to engage the surplus labour of the agricultural sector in production of different services. Non-Government organisations can also plan and execute a lot in skilling up the young Indians and make them suitable for the service sector,

Diagram1. Indian Female and Male not in employment from 2005-2022

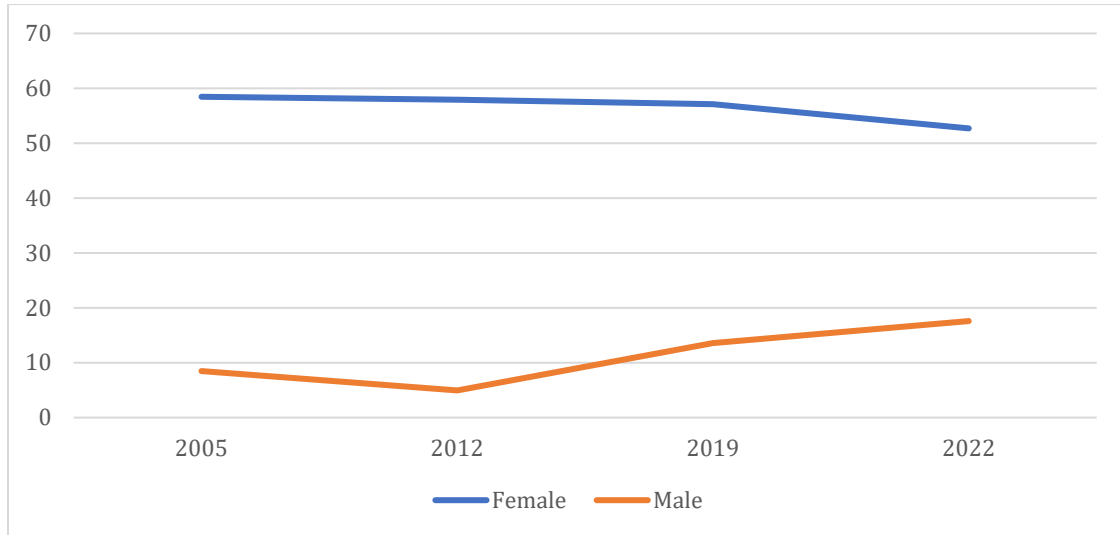


Diagram 2. Future Forecast of Female population not in employment

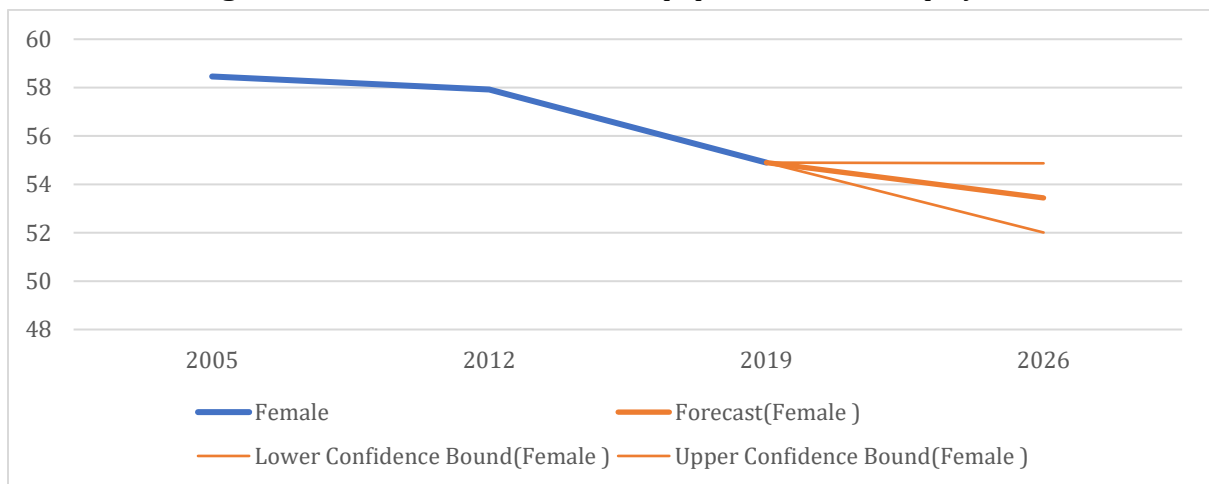


Diagram 3. Future Forecast of Male population not in employment

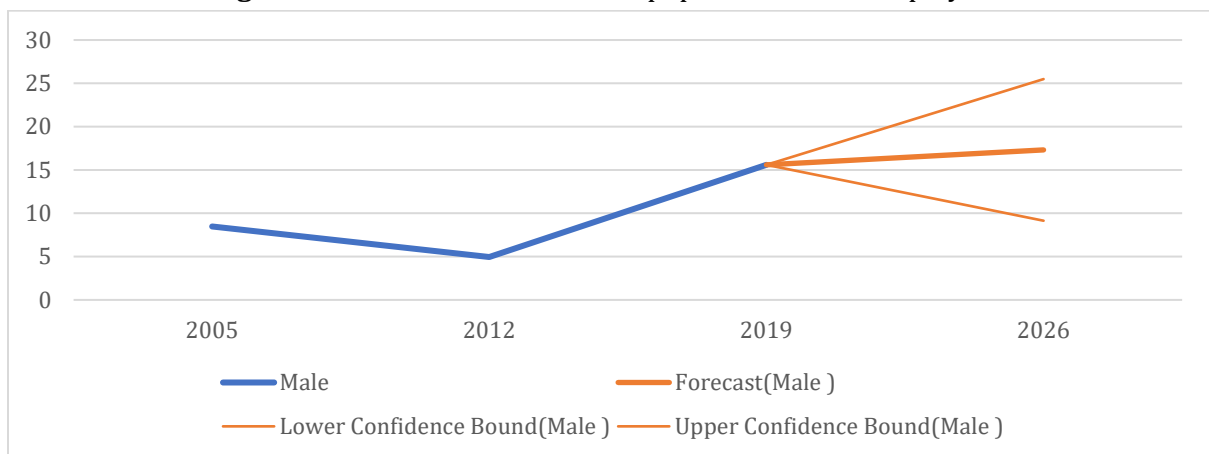


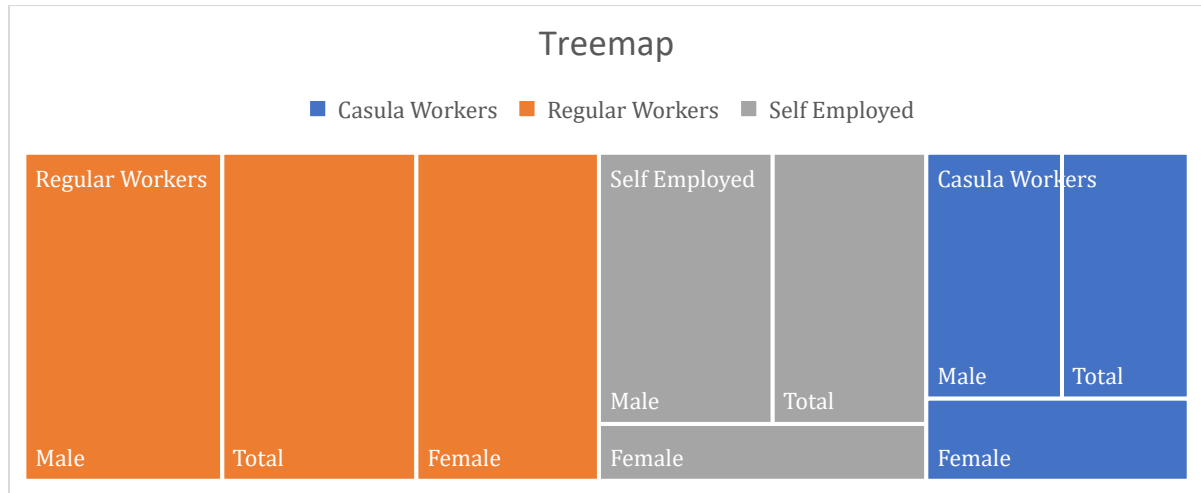
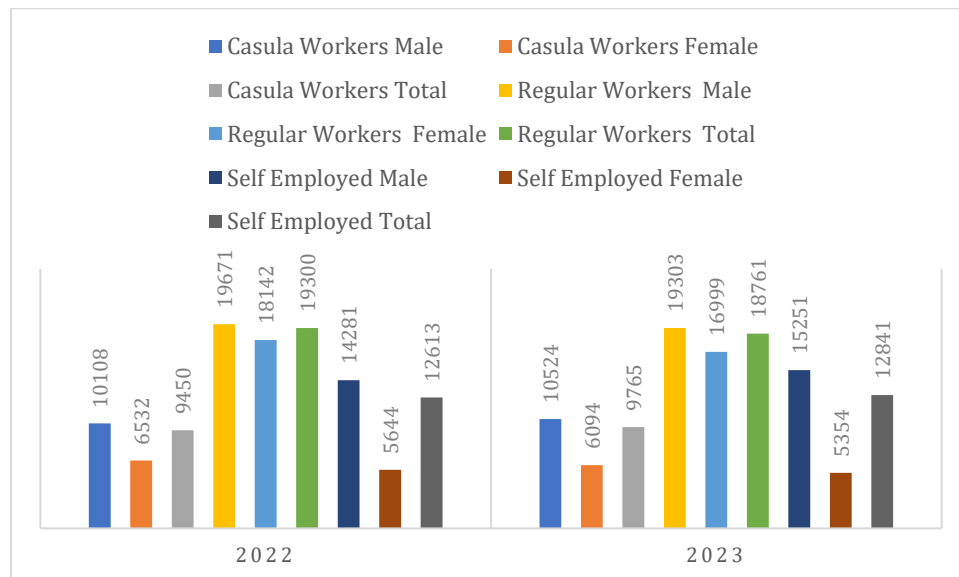
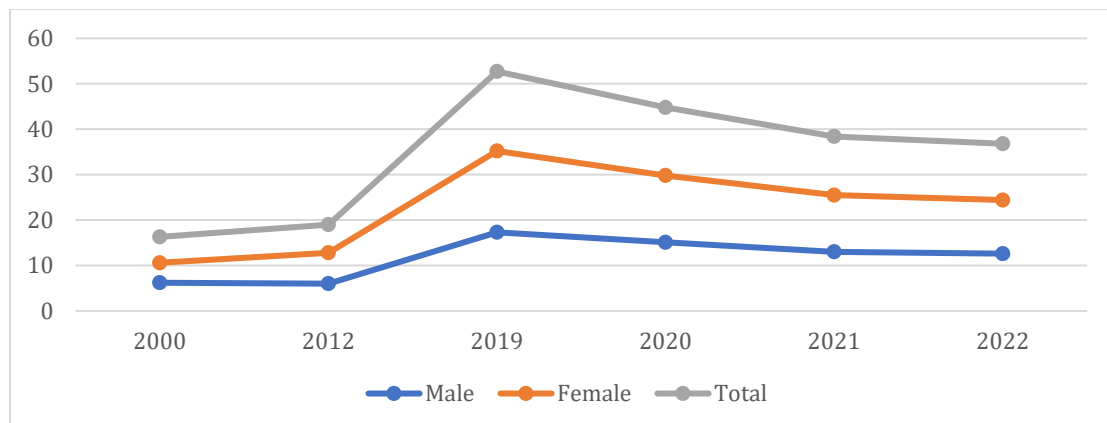
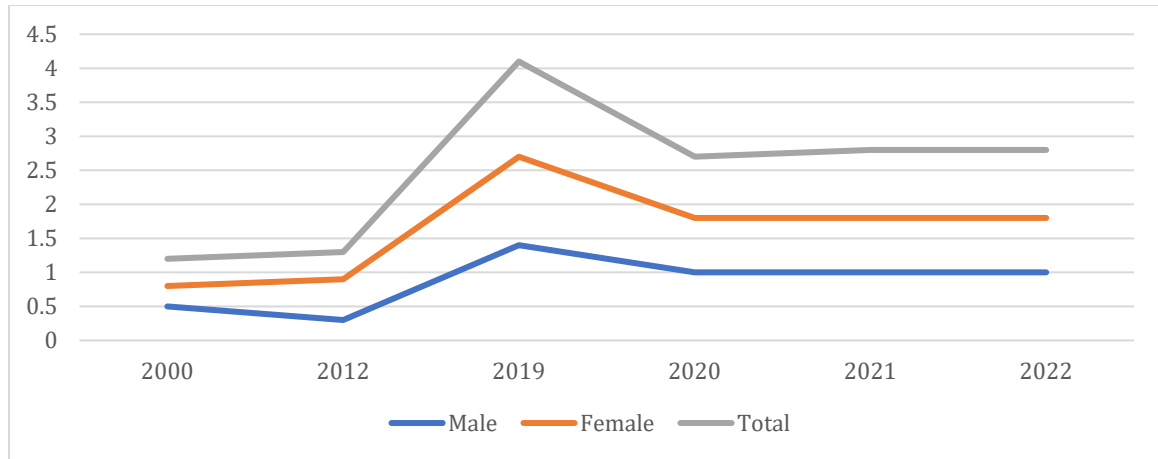
Diagram 4. Tree Map exhibiting Total Wage Share of Casual, Regular And Self-Employed Workers in 2022 and 2023**Diagram 5.** Bar diagram showing Segregated Scenario of Regular, Casual and Self Employed Wage Share in 2022 and 2023**Diagram 6.** Youth Unemployment Rate from 2000-2022

Diagram 7. Adult Unemployment Rate from 2000-2022**Diagram 8. Forecast of Youth Not in Education, Employment, Training (VNEETF) for the considered states****Table 1. Ordinary Least square Regression of VNEET on the explanatory variables:**

Dependent Variable : VNEET				
Method: Least Squares				
Included observation after adjustment : 21				
Variables	Coefficient	St. Error	t-statistic	Probability
C	68.39	28.97	2.36	.033**
VEDEMPYth	0.474	0.11	4.45	.00054***
VHDI	21.488	19.25	1.12	.283
VlogSVS	-8.45	2.28	-3.6	.002***
VHedYth	0.16	.085	1.89	.07*
VPovIntns	.008	.386	.022	.98
VYthPopstate	.154	.493	.312	.75
R square: .726		Akaike Info Criterion: 5.11		
Adjusted R Square: .61		Schwartz Criterion: 5.463		

SE of regression : 2.741
F statistic : 6.19
Probability (Fstatistic):.002

Durbin Watson: 1.704

Source: Employment Report, 2024, RBI Published report for 2023.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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ⁱ The Economic Times E-Paper, 8.08.2024 https://economictimes.indiatimes.com/news/india/indias-richest-1-has-highest-concentration-of-wealth-in-decades-study-shows/articleshow/108650367.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

ⁱⁱ <https://www.thehindu.com/litfest/watch-renowned-economists-on-indias-economic-growth/article67844676.ece>