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Economic Phenomenon of Jobless Growth in Contemporary India

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Unemployment and under-employment have been a long-standing problem in the Indian economy. According to a 2013 report by Pravin Sinha, the Indian labor force has been officially classified by the Indian government into three categories.

- Rural sector, which includes the farm labour
- Urban formal sector, which includes factory and service industry labour with periodic salaries and coverage per Indian labor laws
- Urban informal sector, which includes self-employment and casual wage workers

The rural and informal sectors of the Indian labour market accounted for 93% of the employment in 2011, and these jobs were not covered by the then existing Indian labour laws. According to the 2010 World Bank report, "low-paying, relatively unproductive, informal sector jobs continue to dominate the [Indian] labor market. The informal sector dominates India’s labour markets and will continue to do so in the medium term", states the World Bank, and even if the definition of the "formal sector is stretched to include all regular and salaried workers, some 335 million workers were employed in the informal sector in 2004–05.”[1]

According to the Indian government's official statistics between the 1980s and mid 2010s, relying in part on the NSSO data, the unemployment rate in India has been about 2.8 percent, which states the World Bank, is "a number that has shown little variation since 1983". In absolute terms, according to the various Indian governments between 1983 and 2005, the number of unemployed persons in India steadily increased from around 7.8 million in 1983 to 12.3 million in 2004–05. According to the World Bank, these official Indian government "low open unemployment rates can often be misleading" and the official data does not reflect the unemployment and under-employment reality of the Indian population.For decades, the Indian governments have used unusual terminology and definitions for who it considers as "unemployed". For example, "only those people are considered unemployed who spent more than six months of the year looking for or being available for work" and have not worked at all in the formal or the informal sector over that period.Alternate measures such as the current weekly or daily status unemployment definition are somewhat better. Using the current daily status definition, the unemployment rate in India had increased from "7.3 percent in 1999–2000 to 8.3 percent in 2004–5", states the World Bank report. However, these "better" official definitions and consequent NSSO data too have been a source of "unending controversy" since the 1950s, states Raj Krishna. In 1958–59, the Indian government began defining a current status employed as any person if "he was gainfully occupied [for wage or no wage] on at least one day", during the reference week [reference period] "regardless of the hours of work" he might have put in on that "gainfully occupied" day [or days]. A person was counted as "current status unemployed", since 1958 according to this official method, if he was not at all "gainfully occupied in that reference week and was available for work for at least one day in that reference period.”

Indian economy can broadly be divided into three heads: Primary or Agricultural Sector: This sector consists of agriculture and its allied activities including dairy, poultry, cattle rearing, fishing, forestry, animal husbandry etc. In the primary sector, most of the goods are produced by using natural resources, since India is a overpopulated agro based economy, therefore, this sector plays an important role for economic growth.Secondary or Manufacturing sector: This sector is also known as industrial sector. In this category, all types of manufacturing sector like large scale, small scale and tiny scale are included. Small and tiny scale industries include clothes, candle, poultry, match box, handloom, toys etc. These units provide huge employment. On the other hand, large scale industries like iron and steel, heavy engineering, chemicals, fertilizers, shipbuilding etc. contribute a huge amount in our gross domestic production.Service or Tertiary sector: This sector produces different services like transport, communication, banking, insurance, trade and commerce, including both national and international trade. Moreover, all the professional services like doctors, engineers, teachers, lawyers etc. come under service sector. Again the services provided by the government itself for the welfare of citizens are also included in the tertiary sector.

On the basis of Ownership or Organization, Indian economy can be broadly divided into two heads: Public Sector:It consists of all the economic organizations which are controlled and managed by the government. All the government-owned production units come under this head. These units produce and distribute goods and services among the common mass with an objective of welfare motives. PrivateSector: It consists of all the economic enterprises which are controlled and managed by the private enterprises. All the privately owned production units are come under this head. These units will produce and distribute goods and services among the people with an objective of profit motive.[2]

India is mainly an agricultural economy. Agricultural activities contribute about 50% of the economy. Agriculture involves growing and selling of crops, poultry, fishing, cattle rearing, and animal husbandry. People in India earn their livelihood by involving themselves in many of these activities. These activities are vital to our economy. The Indian economy has seen major growth in the last few decades. The credit for this boom largely goes to the service sector. Agriculture and associated activities have also been improvised to match the global standards and the export of various food products has seen an upward trend thereby adding to the economic growth. The industrial sector does not lag behind a bit. A number of new large scale, as well as small scale industries, have been set up in recent times and these have also proved to have a positive impact on the Indian economy. Majority of the working Indian population was and is still engaged in the agriculture sector. Growing crops, fishing, poultry and animal husbandry were among the tasks undertaken by them. They manufactured handicraft items that were losing their charm with the introduction of the industrial goods. The demand for these goods began to decline. The agricultural activities also did not pay enough. The government identified these problems as hindering the economic growth of the country and established policies to curb them. Promotion of cottage industry, providing fair wages to the laborers and providing enough means of livelihood to the people were some of the policies laid by the government for the country's economic growth. The government of India also promoted the growth of small scale and large scale industry as it understood that agriculture alone would not be able to help in the country's economic growth. Many industries have been set up since independence. A large number of people shifted from the agricultural sector to the industrial sector in an attempt to earn better. Today, we have numerous industries manufacturing a large amount of raw material as well as finished goods. The pharmaceutical industry, iron and steel industry, chemical industry, textile industry, automotive industry, timber industry, jute, and paper industry are among some of the industries which have contributed a great deal in our economic growth. The service sector has also helped in the growth of our country. This sector has seen growth in the last few decades. The privatization of the banking and telecom sectors has a positive impact on the service sector. The tourism and hotel industries are also seeing a gradual growth. As per a recent survey, the service sector is contributing to more than 50% of the country's economy. As for **Indian Economy after Demonetization,** the worst affected were the people in the rural areas who did not have access to internet and plastic money. This affects many big and small businesses in the country very badly. Several of them were shut down as a result of this. While the short term effects of demonetization were devastating, this decision did have a brighter side when looked at from long term perspective. The positive impact of demonetization on the Indian economy is a breakdown of black money, the decline in fake currency notes, increase in bank deposits, demonetization stopped the flow of black money in the real estate sector to ensure a fair play, increase in digital transactions, cutting monetary support for terrorist activities. Many of our industries are cash-driven and sudden demonetization left all these industries starving. Also, many of our small scale, as well as large scale manufacturing industries, suffered huge losses thereby impacting the economy of the country negatively. Many factories and shops had to be shut down. This did not only impact the businesses but also the workers employed there. Several people, especially the laborers, lost their jobs.The Indian economy undergoes several positive changes since independence. It is growing at a good pace. However, the rural regions of our country are still under-developed. The government must make efforts to improve the economic condition of these areas.[3]

India has the largest population and economy in South Asia but it is surrounded by unstable and often hostile neighbours. In the north, it has unresolved territorial conflicts with China—conflicts that led to a humiliating defeat in the 1962 border war with China. In the West, Pakistan and India, both nuclear powers, have fought a number of wars and Kashmir remains a divisive issue. In the east, Myanmar and Bangladesh are both poor and somewhat unstable states. In the south, Sri Lanka has been unstable for decades with an on-and-off war against the Tamils in its north. Within India there are Maoists and other groups that continue to often violently challenge the authority of the state in selected rural areas. These external and internal military threats impose a huge burden on the Indian economy. India has large numbers of distinct linguistic and ethnic groups; there is much poverty, and large regional variations in income and wealth (e.g., Budhwar 2001).[4] The 28 Indian states, many of which are distinguished by linguistic and ethnic groups, are quite different from each other, and very independent. As in the United States, Indian states work in a confederacy with the central government in New Delhi and New Delhi has little control over intra-state matters. In spite of these variations, India has a well-established democracy, and Indian cultural values seem consistent with the requirements of a democracy. In contrast with other countries at low levels of economic development, the level of interpersonal trust is high in India exceeding the level found in many developed societies. India also ranks with many of the developed countries in measures of freedom and opportunities for self-expression (Inglehart 2000).[5]Reflecting these values and unlike most developing countries, Indian democratic institutions seem robust having withstood many shocks over the last half century.

The overall image of economy during 2002 to 2008 is of hope and growth. GDP increased at an average rate of 8.5%, the level of production in the economy was high with Index of Industrial Production (IIP) was averaging at 8.4 to 10.5. The Wholesale Price Index (WPI) was continuously under control and was about 5.4% on an average. Export growth was in the range of 25% to 30%. During this entire period forex reserves were increasing at high rate and reached US$309 Billion in 2008. Capital formation rate was as high as 37.7% of GDP in the year 2008. Scheduled commercial bank credit growth was also averaged at 28% during this period. Fiscal deficit was around 3.5% of GDP.3 In contrast to the numbers mentioned for the period of 2002 to 2008, due to global financial crisis, the next five years have been largely under the grips of recession. The period of 2009 to 2013 has been of low growth. GDP increased at an average rate of 6%, the level of production in the economy was high with Index of Industrial Production (IIP) was averaging at 1.2 to 10.5. The Wholesale Price Index (WPI) was continuously under control and was about 5.4% on an average. Export growth was in the range of 25% to 30%. During this entire period forex reserves were increasing at high rate and reached US$309 Billion in 2008. Capital formation rate was as high as 37.7% of GDP in the year 2008.[6]

This undertaking is an assessment of the globalization of the Indianeconomy and the role played by market development with fallingtransactions costs and, as a result, the rising levels of domesticand cross-border M&A by Indian fi rms. These developmentsstarted with the reforms of the early 1990s and the availability ofnew technologies to Indian business. The rate of change facingIndian business is likely to accelerate as these new technologiesand economic deregulations form a mutually reinforcing circleof forces.It is shown that both the adoption of new technologies andeconomic deregulation will reduce transactions costs and makeproduct and financial markets in India more efficient. Thisincrease in market efficiency will then lead to changes in corporateboundaries among Indian business firms and there is likely to beconsolidation within many industries. As most large businesshouses in India currently are widely diversified, and in many casesvertically integrated, these changes will inevitably lead to a process of significant focusing, restructuring, and perhaps expansion infocussed areas to take advantage of scale and network economies. However, these restructuring and consolidation processes areunlikely to be entirely smooth, as many large business groupswill be unable to survive in the new, more competitive businessenvironment. India has little experience with large-scale bankruptcies that are more common in countries like the United States.Failures of large fi rms are likely to be politically and economicallydisruptive. India will need strong financial markets and effectivebankruptcy laws, and a robust commitment to the process of economic deregulation, to survive the significant restructuring ofits major businesses that is necessary for it to compete in global markets. Thus, and unfortunately, it seems there is unlikely to beany gains in this area without some pain. Finally, the global integration of the Indian economy is accelerating, not only with declining transactions costs, but also withthe resultant rise of many Indian companies' domestic and cross-border M&A that have been fuelled by continued growth causedby economic deregulation. Many large and some smaller Indiancompanies are now becoming world class competitors and areextending their global reach. Thus, it is clear that the globalizationof the Indian economy has both macroeconomic and policy rootsas well as microeconomic company level drivers.This article makes an important contribution to our understanding of the global role of the Indian economy by relating theinternal process of economic deregulation in India with increasing deployment of technology and the resulting economic efficiency; and how these internal processes lead to the increasingpace of external mergers and acquisitions and the globalizationof India business and economy. In the past these internal andexternal processes have often been viewed separately. This article

also contributes by extending our understanding of the nascentphenomenon constituted by the rise of Indian multinationalcompanies.[7]

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