

# ECONOMIC GROWTH AND UNEMPLOYMENT IN INDIA

ZARZOZUALI

ASSISTANT PROFESSOR

DEPARTMENT OF SOCIOLOGY

GOVERNMENT LAWNGTLAI COLLEGE

LAWNGTLAI , MIZORAM 796891

Abstract : India is the seventh largest country in the world by area covering 3.287 million km<sup>2</sup> and the second most populated country next to China, ie, 1.21 billion (2011 census). The IMF World Economic Outlook (April,2019) has projected the GDP growth rate as 7.3 % and is the fastest growing nation in the world. Despite the fact that India's GDP is in quite satisfactory rate, there is an alarming rise in unemployment rate. Hence, this paper attempts to give an overview of unemployment scene in India for which secondary data from web sources have been collected.

Keywords : Economic Growth, Unemployment, Jobless Growth, Women unemployment, Youth unemployment.

Any study on the topic of growth and economic development mainly focuses on GDP. There is a general belief that when the GDP increases, it usually result in growth and economic development, and in particular towards qualitative development in various aspects like health, education, employment etc. Moreover, the growth in GDP is generally believed to bring about desirable sustainable development where even the weaker sections of the country must benefit.

There are several studies conducted towards the relationship between economic growth and unemployment. Infact, it is one of the most debated issues in national strategies. When it comes to the study of economic growth, there is also a general beliefs that economic growth generates more employment opportunities. Many economists have studied this topic. Economist Arthur Okun was the first person who studied the basic relationship between economic growth and unemployment in the 1960s and his research on the subject has been popularly known as OKUN'S LAW. Ben .S. Bernanke has summarized OKUN'S LAW by stating that in order "to achieve a 1 (one) percentage point to decline in the unemployment rate in the course of a year, real GDP must grow approximately at 2 (two) percentage points faster than the rate growth of potential GDP over that period. For example, if the potential rate of GDP growth is 2%, OKUN'S LAW says that GDP must grow at above 4% rate for one year to achieve a 1 (one) percentage point reduction in the rate of unemployment.

The above OKUN'LAW, however, is always not applicable in today's economic growth because the employment rate does not increase while the economy grows which leads to what is popularly known as 'Jobless Growth'. Since most countries are suffering from High unemployment problem, there is a big question in the minds of the economists on how employment growth is affected by economic growth.

## MAIN SCENERIO OF UNEMPLOYMENT GROWTH AND ECONOMIC GROWTH IN INDIA.

- According to the International Monetary Fund (IMF) (2019), GDP growth rate of India in 2019 is projected at 7.3 % and India is the 8<sup>th</sup> fastest growing nation of the world. Regardless of witnessing such rapid growth, unemployment keeps rising as shown in Table 1.1 and 1.2
- According to the data compiled by the CMIE (Centre For The Monitoring Indian Economy) the unemployment rate in India rose to 7.2 percent in February 2019, it is the highest since September 2016 and up from 5.9 percent in February 2018 as shown as in Table 1.3. The CMIE further reported that the total number of employed persons in February 2019 is estimated at 400 million. Moreover , the labour participation dropped at 43.2 % in January 2019 to 42.7 % in February, 2019. Table 1.3 also shows that unemployment rate is higher in urban areas as compared to the unemployment rate in rural areas.
- The youth unemployment rate is also very alarming . As per the Census of India, 2011, youth (15- 24 years ) in India constitutes one – fifth ( 19.1 % ) of India's population . Further, India is expected to have 34.33 % share of youth in total population by 2020. According to CMIE Report (February 2019), the labour force participation rate for working-age population is 42.74 % . Interestingly, unemployment rate is highest among educated youths with education until diploma (37%), graduate (36%) and post graduate above (36%).
- Rising women unemployment rate is also worth mentioning. The CMIE Report (February 2019) mentioned that in January 2016, the labour force participation rate among women was 16.81 % which had fallen to 10.97% in February, 2019 as shown in Table 1.4. It also shows that the number of women seeking jobs has fallen as

## INDIA : GDP GROWTH RATE FROM 2014 TO 2024 (Compared to the previous year)

Table 1.1

2024	7.74%
2023	7.74%
2022	7.73%
2021	7.74%
2020	7.49%
2019	7.26%
2018	7.05%
2017	7.17%
2016	8.17%
2015	8%
2014	7.41%

SOURCE : IMF ( April 2019)

Table 1.2. India unemployment rate from 2008 to 2018.

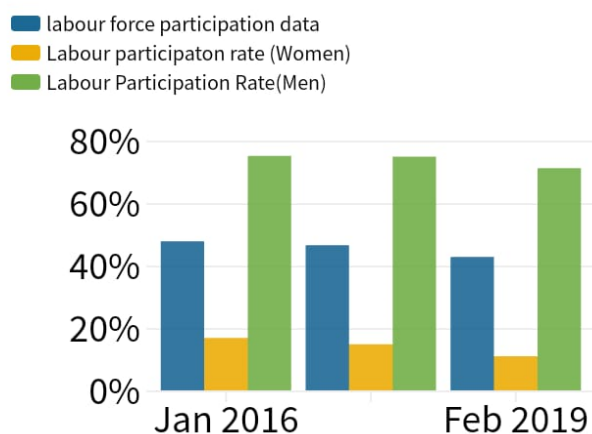
SOURCE : World Bank ( April 2019 )

2018	2.55%
2017	2.56%
2016	2.73%
2015	2.78%
2014	2.77%
2013	2.82%
2012	2.69%
2011	2.52%
2010	2.44%
2009	2.48%
2008	2.27%

Table 1.3 STATISTICAL PROFILE- UNEMPLOYMENT IN INDIA

MONTH	UNEMPLOYMENT RATE (%)		
	INDIA	URBAN	RURAL
July 2019	7.51	8.57	7.02
June 2019	7.91	8.29	7.72
May 2019	7.17	8.53	6.53
April 2019	7.35	7.75	7.25
March 2019	6.65	7.72	6.15
Feb 2019	7.20	7.69	6.97
Jan 2019	6.86	8.58	6.05
Dec 2018	7.02	7.46	6.80
Nov 2018	6.65	7.33	6.32
Oct 2018	6.83	7.12	6.69
Sept 2018	6.47	7.38	6.05
Aug 2018	6.27	6.72	6.6

Table 1.4



Source : CMIE

Conclusion: There is , no doubt that India’s economy is growing, however this economic growth does not necessarily bring about unemployment growth . In fact, the economic growth generates further unemployment problems which have adverse effects in various aspects. Therefore, a constructive development strategy is the need of the hour in order to have a full- fledged sustainable development.

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