Economic Development and its Impact on Employment in India

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Abstract

Most people think of economic development as the aspects that characterize the developed regions, i.e. Western Europe and North America. It is identifies by verious factors like access to housing, education, health care, employment and leisure activities. This is one way of seeing development, which meance the standard of life changes with the economic development in a particular region. In this study we try to identify how economic development of India helped in generation of employment opportunities in the region for skilled as well as non skilled workers.

Keywords: Economic Development, India, Employment.

Introduction

Economic Development

"Economic development" is a broadly-used catch-all in the modern jargon, and little emphasis has been placed on what the term actually means. In fact, Miriam-Webster Online does not offer a definition for the term. A search of Google.com reveals more than fifty unique definitions of "economic development" from governmental, business and academic sources across the globe including such diverse concepts as "any effort or undertaking which aids in the growth of the economy," "growth that is planned and or desired," "raising the productive capacities of societies" and "Qualitative change and restructuring in a country's economy in connection with technological and social progress" ("define: Economic development," 2009). This lack of an accepted standard is a significant challenge to conducting any analytical review. Without a commonly shared definition of a concept, is it possible to determine if the available literature offers any guidance on whether the research question can be tested.

Economic development is the development of economic wealth of country or region for the well-being of their inhabitants. From a policy perspective, economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating jobs and supporting or growing incomes and the tax base. Indicators of economic development at the national level are often developed through dynamic interactive processes and dialogues among a wide range of stakeholders, including government representatives, technical experts and civil society representatives. Conceptual frameworks for indicators help to focus and clarify

what to measure, what to expect from measurement and what kinds of indicators to use. Diversity of core values, indicator processes and development theories have resulted in the development and application of different frameworks. The main differences among them are the ways in which they conceptualize the key dimensions of economic development, the inter-linkages among these indicators, the way they group the issues to be measured, and the concepts by which they justify the selection and aggregation of indicators.

Indicators perform many functions. They can lead to better decisions and more effective actions by simplifying, clarifying and making aggregated information available to policy makers. They can help incorporate physical and social science knowledge into decision-making, and they can help measure and calibrate progress toward sustainable development goals. They can provide an early warning to prevent economic, social and environmental setbacks. They are also useful tools to communicate ideas, thoughts and values. The United Nations Conference on Environment and Development in 1992 recognized the important role that indicators could play in helping countries make informed decisions concerning sustainable development. At the international level, the Commission on Sustainable Development (CSD) approved its Work Programme on Indicators of Sustainable Development in 1995. The first two sets of CSD Indicators of Sustainable Development (henceforth CSD indicators) were developed between 1994 and 2001. They have been extensively tested, applied and used in many countries as the basis for the development of national indicators of sustainable development. They had mentioned Export, Per Capita Income and Employment Growth Rate as key economic indicators for measuring economic development of the country.

We begin by considering how economists measure the level of development of a particular nation. As Dicken, P. (1992) point out, factors which affect economic development can be based on a standard production function, and inputs such as labour, physical and human capital directly affect per capita income. Much of the empirical cross-country growth literature has focused on these covariates. There are two broad methodologies. One, the income per person, or economic growth, criterion suggests that income levels are reasonably good approximate measures for comparing the level of development of nations and that the level of income per person can serve as a logical surrogate for gauging overall social progress. The competing view argues that development is such a multi-faceted notion and goal that it should be conceived from the outset as considerably broader than economic growth alone, and hence development can only be measured by entirely different standards.

Let us turn to a discussion of these two perspectives, the economic growth criterion of development. It is often proposed that it is reasonable to use a nation's income as a proxy or substitute measure for the overall level of development. Those who take this view are quite aware that the development of a nation actually encompasses much more than simply its level of income. Economic development implies improvements in a variety of indicators such as GDP, Per Capita Growth Rate, Foreign Direct Investment, Employment Growth Rate, Export Revenue, literacy rates, life expectancy, and poverty rates. Development incorporates the diverse and broad aspirations of the 'good life', in all its economic, social and political dimensions, that each society sets, if only implicitly, for itself.

But out of these indicators employment growth rate is a factor which directly affect individuals at ground level. Availability of jobs assure good life style and demand in the market. It works as catalyst for the economic growth in future.

In our research, we are ascertaining economic development with the help of key indicator Employment Growth Rate. Employment is useful and relevant to measuring sustainable development, especially if uniformly measured over time, and considered with other socio-economic indicators. It should be noted, however, that it is common to find people working full-time but remaining poor due to the particular social conditions, low earnings, and type of industrial relations prevalent in their country, industry, or occupation. Remunerative and productive employment is one of the main means to tackle poverty.

The indicator is defined as the share of own-account workers and contributing family members in total employed people. The indicator is based on the broader indicator 'status in employment' which distinguishes between two categories of the total employed. These are: age and salaried workers (also known as employees) and self-employed workers (employers, own-account workers and members of producers' cooperatives).

This indicator provides information how many persons are vulnerable to economic risk because of weak institutional employment arrangements. Own-account workers are regarded as especially vulnerable as they have by definition no formal work arrangements and are therefore more likely to have a low degree of job security and to lack access to social security. The indicator provides information on the informalization of labor markets, which may be associated with increasing and persistent poverty.

Several authors have estimated employment elasticities (a measure of the relationship between employment and economic growth) for a variety of nations. Boltho and Glyn (1995) found elasticities of employment with respect to output growth in the order of 0.5 to 0.6 for a set of OECD countries. An International Labour Organization Report (1996) concluded that the responsiveness of employment growth to GDP growth has not declined in industrialized countries as a whole.

Review of Literature

A country-by-country analysis gavediverse results with slight relationship found in Germany, Italy and the UK in the 1990s, thus implying a jobless recovery. Padalino and Vivarelli (1997) found significant differences in employment elasticities between different countries, with an elasticity of approximately 0.5 for the United States and Canada while elasticities for Japan, France, Germany, Italy and the UK were close to zero. Pini (1997) estimated that the employment elasticity in Germany and Japan rose between the period 1979-95 compared to 1960-79 while it declined in France and Sweden and showed little change in Italy, UK and US. He also detected negative employment elasticities in Italy and Sweden for the period 1990-95. Pianta, Evangelista and Perani (1996) discovered evidence suggesting that restructuring of major economic sectors reduce the relationship between economic growth and employment. Among the G7 countries studied (Canada was excluded), a positive and significant relationship between growth in value added and employment was found only in Germany and the US. Walterskirchen (1999) found employment elasticity for the EU of 0.65 when employing a cross-country analysis of EU countries from 1988-98. Using data from 1970-98 for 7 countries plus the EU as a whole, employment elasticity ranged from 0.24 for Austria to 0.76 for Spain (the elasticity for the US was 0.53). Though some work has been conducted applying this technique to multinational studies, it has yet to be utilized in the examination of state-level data. Results of such an analysis should provide insight into the differences in the behaviour of state labour markets as well as increased understanding as to why employment in diverse states may respond differently to changes in economic growth.

Economic development can be conducted either through encouragement of expansion of homegrown entrepreneurial activity or retention of incumbent employers who could leave the community or close their doors altogether. It also can take the form of attraction or recruitment of new employers to the locality (Fleming and Leonard (1994) and Downing (2004)). Most entities that focus on economic development implement a multipronged strategy that disproportionately weighed toward retention and recruitment activities. Regardless of the approach, it appears that the likelihood of success of economic development activity depends on the fiscal health of the municipality or state, the governmental structure, the extent of professionalism in the economic development function and level of competition among cities for economic development (Reese, 1999). To illustrate the counterpoint, rural localities have a host of unique challenges to achieving economic development success, including the obvious (remote locations, low population density and little means to develop meaningful incentive packages) and the less obvious (education levels, poverty levels and lack of professionalism among rural economic development staff like administrators, grant writers and land use planners) (Dewees, Lobao & Swanson, 2003)

Research Objectives

1. To find the impact of economic development on employment growth of India.

Research Methodology

A systematic and organized methodology was considered for the research study. Though, almost all the pioneering researchers in this regard have relied on field work and data collection through interviews (Arora&Arunachalam, 2000; Athreye, 2003; Heeks, 1998) or other creative ways such as compilation of newspaper advertisements on skills requirements, and small and known samples for surveys (Arora&Bagde, 2006), this research work has been performed with the help of survey mode data as well as secondary data.

Examination of the literature shows that most of the authors have commonly categorised the types of research designs into exploratory research, descriptive research and causal research based on the type of information required (Tull and Hawkins, 1998 ; Malhotra, 2004; Zinov, 2012). Exploratory research deals with the process of finding out of the general nature of the problem and the related variables. Descriptive research is concerned with the accurate description of the variables in the problem formulated and causal research specifies the functional relationship between the variables in the problem formulated. Each of these methods has different characteristics and methods of conducting research.

The choice of an exploratory research design for this first stage of the study was influenced by the exploratory nature of the research objectives and the low degree of problem crystallization due to the newness of the subject. The usual methods used for the exploratory phase of the research are (Kothari, 2004):

The present study is analysis of secondary data related to economic growth and employment available at various government agencies. It was observed from literature review that employment growth can be identified by generation of opportunities in the area of Agriculture, Industry, Service Industry, Vulnerable Employment and self-employment. In this study correlation and regression analysis is performed to identify whether there is any impact of economic growth on increased opportunities in various sectors.

Data Analysis

Statistical techniques were used with the help of Statistical Package for Social Sciences (SPSS) for hypothesis testing. In present study independent samples t-test is used for hypothesis testing.

Hypothesis Testing

H_0 (A1): There is no impact of economic development on employment in agriculture sector in India.

H_1 (A1): There is impact of economic development on employment growth in India.

H_0 (A2): There is no impact of economic development on employment in industry sector in India.

H_0 (A3): There is no impact of economic development on employment in service sector in India.

H_0 (A4): There is no impact of economic development on employment in vulnerable sector in India.

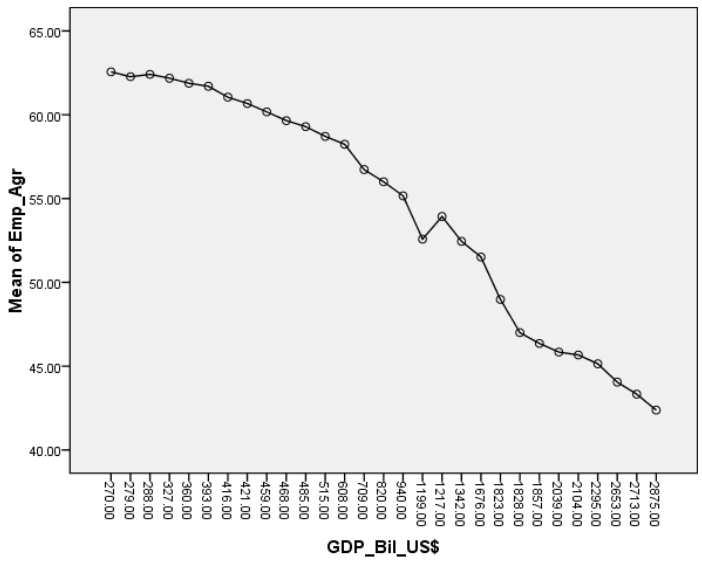
H_0 (A5): There is no impact of economic development on self-employment in India.

Analysis and Interpretation

REGRESSION /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Emp_Agr /METHOD=ENTER GDP_Bil_US$.

Regression

GDP to Employment generated from Agriculture



GDP to Employment generation from agriculture shows higher degree of negative correlation at sig. level of acceptable significant level(.000). The reason is that with the economic development people move towards employment in industries as industries will give better perks to cope up with growth in the market demand. Increased demand requires higher number of workers. Hence H1 is rejected because it can be said that there is negative impact of economic growth on employment in agriculture sector at very higher level.

Model Summary

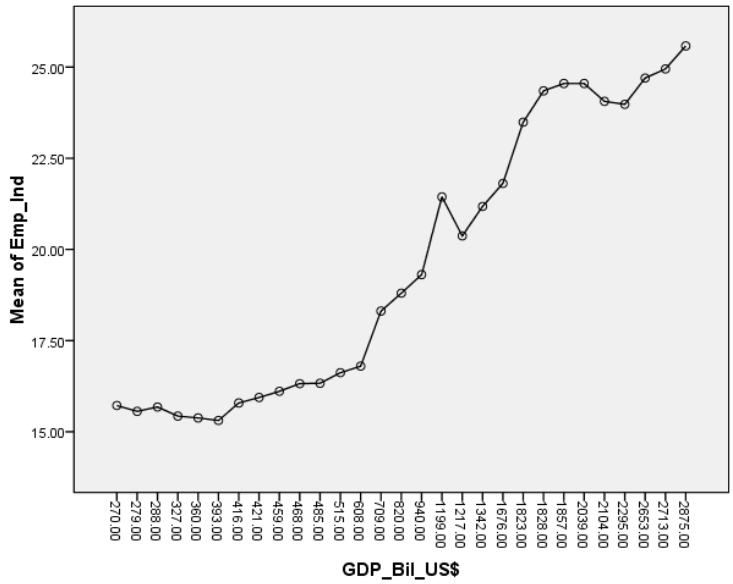
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986[a]	.972	.971	1.18127

a. Predictors: (Constant), GDP_Bil_US$

Coefficients[a]		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	63.704	.374		170.125	.000
	GDP_Bil_US$	-.008	.000	-.986	-30.626	.000

a. Dependent Variable: Emp_Agr

b) **GDP to Employment generated from Industry**



There is very high level of positive correlation between GDP and employment in industry at acceptable significance level (0.000). The increased demand result in requirement of additional work force which results in higher employment opportunities in the sector of industry. It shows there is very high impact of economic growth on employment generated from industry hence hypothesis H2 is rejected.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970[a]	.942	.940	.93884

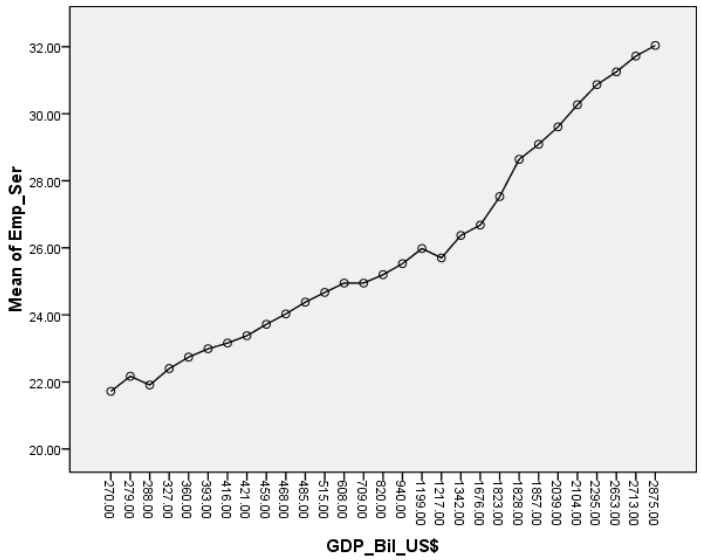
a. Predictors: (Constant), GDP_Bil_US$

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.562	.298		48.929	.000
	GDP_Bil_US$	.004	.000	.970	20.892	.000

a. Dependent Variable: Emp_Ind

c) GDP to Employment generated from Service Sector



There is very high level of positive correlation between GDP and employment in service sector at acceptable significance level (0.000). The increased requirement of service support result in requirement of additional work force which results in higher employment opportunities in the service sector. It shows there is very high impact of economic growth on employment generated from industry hence hypothesis H2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.981[a]	.962	.961	.63400

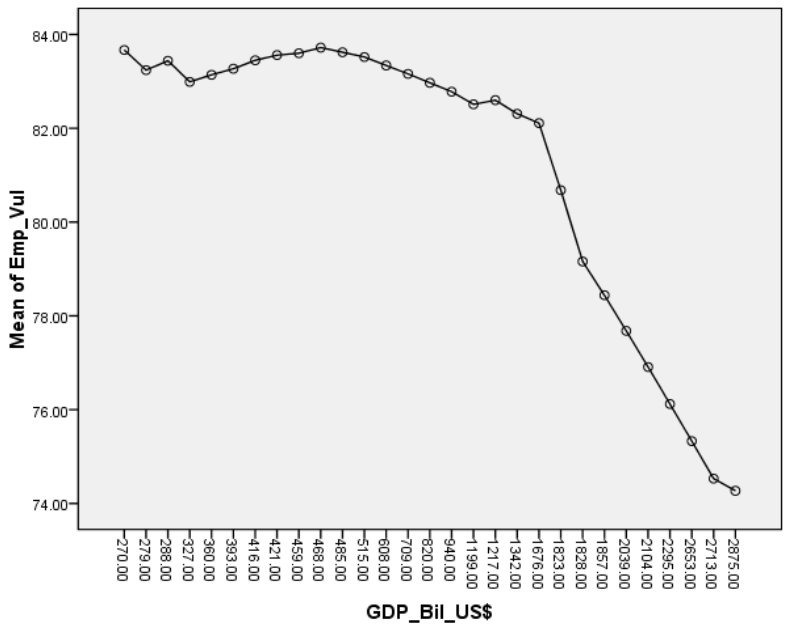
a. Predictors: (Constant), GDP_Bil_US$

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.733	.201		108.140	.000
	GDP_Bil_US$	.004	.000	.981	26.122	.000

a. Dependent Variable: Emp_Ser

d) GDP to Employment generated from Vulnerable Services



There is a negative correlation between GDP growth and Employment generated from Vulnerable Services at very high significance level (0.000) It is because people engaged in vulnerable services tends to move towards regular full time service in Industry or Service sector to meet increased demand of workforce in these areas. Hence H4 is accepted as there is an impact of GDP growth on vulnerable services.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.889	1.04753

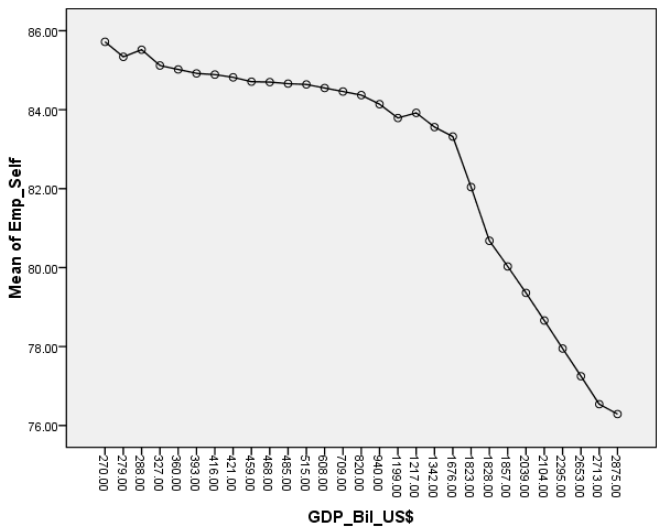
a. Predictors: (Constant), GDP_Bil_US$

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	85.277	.332		256.810	.000
	GDP_Bil_US$	-.004	.000	-.945	-14.980	.000

a. Dependent Variable: Emp_Vul

e) GDP to Self Employment



There is a negative correlation between GDP growth and self-employment at very high significance level (0.000) It is because people engaged in self0-employment move to employment in Industry or Service sector to meet increased demand of workforce at lucrative perks. Hence H4 is rejected as increase in GDP have impact on Self-Employment.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962[a]	.925	.922	.83647

a. Predictors: (Constant), GDP_Bil_US$

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	86.702	.265		326.985	.000
	GDP_Bil_US$	-.003	.000	-.962	-18.194	.000

a. Dependent Variable: Emp_Self

Findings

It was identified that GDP growth play an important role on the employment available as employee in various sectors and on self-employment. It has positive impact on industry sector and service industry which means increase in GDP will generate more jobs in these sectors. GDP has negative impact on agriculture sector, vulnerable services and on self-employment which means in case of GDP growth people will move away from employment in these sectors.

Conclusion

The findings of the study clearly confirm that most of there is direct relationship between GDP growth and employment opportunities. People move towards Industry and service sector as economy grows because the increased requirement of manpower in these sectors force them to offer better remuneration and working conditions to cope up demand.

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