



Near Jobless Growth in India: An Anomaly or An Outcome of Economic Reforms

Unemployment is No Longer Just A Statistic; It's A Reality That Affects People From All Walks of Life.

— Barack Obama

India, one of the fastest-growing economies in the world, has paradoxically faced the **challenge of jobless growth** for several decades. While economic growth rates have consistently been strong, employment generation has not kept pace with the growth trajectory. This phenomenon, often referred to as "**jobless growth**," raises critical questions about the nature of India's economic reforms, their impact on the labour market, and the broader structure of the economy. Whether jobless growth is an anomaly or an inevitable outcome of the economic reforms introduced in the **1990s** and beyond is a topic of significant debate.

Jobless growth refers to a situation where an economy experiences **robust growth** in terms of **GDP** without a **corresponding increase in employment opportunities**. In India's case, the phenomenon has become particularly pronounced since the **1990s**, following the **liberalisation, privatisation, and globalisation (LPG) reforms**. Despite consistently high GDP growth rates, the unemployment rate has remained high, and the informal sector continues to absorb the bulk of the workforce.

A large part of India's workforce remains in the **informal sector**, which provides **low wages** with no **job security**, and **limited social benefits**. Certain sectors, particularly services and **capital-intensive industries**, have driven economic growth without proportionately increasing employment.

India's economic reforms began in earnest in **1991**, marking a departure from the **protectionist** and **state-controlled policies** of the past. The reforms were aimed at opening up the economy to market forces, increasing efficiency, and attracting foreign investment. Reducing government control over industries, deregulating key sectors, and removing bureaucratic barriers. Selling state-owned enterprises to private players to improve efficiency and reduce fiscal burdens.

Integrating India into the global economy by promoting **exports, reducing tariffs**, and encouraging **foreign direct investment (FDI)**. While these reforms undoubtedly spurred **economic growth**, the impact on employment generation was uneven. The service sector, which was the biggest beneficiary of globalisation, grew exponentially, but this growth was primarily concentrated in **high-skilled areas** like **information technology (IT)** and **financial services**. Manufacturing, which has greater potential for **mass employment**, did not grow as rapidly as expected. Furthermore, many traditional sectors like agriculture, which employ a large portion of the workforce, remained stagnated or saw only marginal improvements.

There are several reasons why India has experienced jobless growth. These reasons are both **structural** and a result of the **specific nature of its economic reforms**. Skewed Sectoral Growth Economic reforms in India disproportionately benefited the service sector, which is less **labour-intensive** than **agriculture** and **manufacturing**. While the IT and financial services industries experienced rapid expansion, these sectors do not employ large numbers of people, especially those without advanced skills. Consequently, GDP grew without a corresponding rise in employment.

Manufacturing, which has the potential to employ large numbers of **semi-skilled workers**, did not grow

as fast as hoped, in part because of India's **weak infrastructure, complex labour laws**, and competition from countries like **China** and **Vietnam**. The agriculture sector, which employs around half of the workforce, continues to suffer from **low productivity** and **underinvestment**.

Technological advancements and automation, driven by economic reforms and globalisation, have boosted productivity but diminished the demand for labour. In industries such as **manufacturing**, the shift towards automation and **capital-intensive production methods** has limited job creation, despite higher output. Similarly, in the services sector, the IT revolution has generated a smaller number of highly specialised, well-paid jobs, leaving much of the **unskilled and semi-skilled workforce** behind.

Labour laws, intended to protect workers, often discourage companies from hiring due to the difficulty of laying off employees or reducing workforce sizes during downturns. As a result, many businesses opt for **capital-intensive production methods** or rely on temporary and contract labour, which exacerbates the problem of jobless growth.

India's **labour laws**, especially in the **formal sector**, are still very strict despite economic reforms. These laws, designed to **protect workers**, make it difficult for companies to lay off employees or reduce staff during tough times. Because of this, **many businesses prefer to use machines or hire temporary and contract workers**, leading to fewer permanent jobs and contributing to jobless growth.

India's education system has struggled to keep pace with the demands of a modern economy. While the number of graduates has increased, many lack the skills required by the industries that are growing the fastest. This mismatch between the supply of labour and the demand for skilled workers has contributed to **high unemployment rates** among the youth, even as certain sectors face a shortage of qualified professionals.

India's large and growing youth population presents a potential **demographic dividend**, but this advantage can turn into a **liability** if not managed properly. Without sufficient job creation, especially for young people entering the labour market, the benefits of this demographic shift are not realised. The lack of employment opportunities leads to underemployment, informal employment, or migration to other countries in search of work.

From a theoretical standpoint, jobless growth appears anomalous, particularly in a developing economy where economic expansion is expected to lead to job creation. Historically, many developing countries have transitioned from agrarian economies to industrialised ones, generating mass employment in the process. In India, however, this transition has been incomplete.

The reasons for this anomaly lie in the specific nature of India's reforms and the global economic environment in which they were undertaken. The reforms focused on market efficiency, foreign investment, and technological advancement but did not adequately address the need for labour-intensive growth. The shift towards services and high-tech industries, while beneficial in terms of GDP, failed to generate sufficient employment.

While jobless growth may seem like an anomaly, it is, in many ways, a predictable outcome of the economic reforms undertaken in India. The focus on liberalisation and globalisation opened up the economy to market forces, but the reforms were not accompanied by **sufficient structural changes** in sectors like **manufacturing** and **agriculture** that could absorb large numbers of workers.

Moreover, the emphasis on **capital-intensive industries** and **high-tech services**, combined with **labour market rigidities**, created a situation where growth was concentrated in sectors that did not require a large workforce. The benefits of growth, therefore, accrued to a relatively small segment of the population, leading to **rising income inequality** and **underemployment**.

To address the challenge of **jobless growth**, India must rethink its growth strategy and focus on inclusive development. Initiatives like "**Make in India**" need to be further strengthened to encourage the growth of labour-intensive industries. **Improving infrastructure, simplifying labour laws**, and providing incentives for **small and medium enterprises (SMEs)** can help create more jobs in manufacturing.

There is an urgent need to **reform India's education system** to ensure that **graduates have the**

skills needed by industries. Expanding vocational training and apprenticeships, and aligning educational curricula with market demands will be crucial.

Given the large proportion of the workforce still dependent on agriculture, improving agricultural productivity through **investment in technology, irrigation, and rural infrastructure** will be critical. Additionally, providing alternative employment opportunities in rural areas through rural industrialization can reduce the pressure on agriculture.

India needs to address the issue of informal employment by creating a more flexible labour market that encourages businesses to hire workers in the formal sector. Simplifying labour regulations and reducing the cost of compliance can incentivize companies to create formal jobs.

While automation is often seen as a threat to employment, it can also create new opportunities in emerging industries like **renewable energy, healthcare, and digital services**. By focusing on these sectors, India can create new avenues for job creation.

India's jobless growth stems from economic reforms that emphasised capital-intensive sectors and services, neglecting industries with higher employment potential. To overcome this, the country must prioritise inclusive development by creating a more dynamic labour market, improving skills training, and investing in infrastructure. By fostering growth in sectors like manufacturing and agriculture, along with enhancing education and rural employment, India can better utilise its workforce and ensure the economic progress of its population.

We Need to Give Importance to Skill Development Because This Way We Can End Unemployment.

—Narendra Modi

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