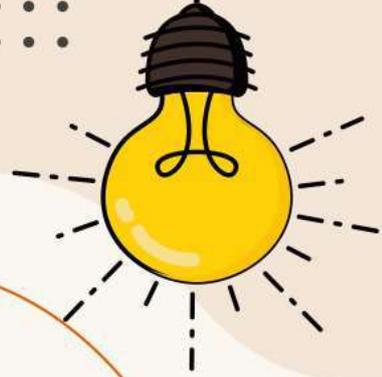




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INDIAN ECONOMY

23. Examine how the growth in economy will generate enough employment across country? What are the other determinants that are aggravating the unemployment in India?

इस कथन का परीक्षण करें कि अर्थव्यवस्था का विकास देश भर में पर्याप्त रोजगार कैसे पैदा करेगी? भारत में बेरोजगारी को बढ़ाने वाले अन्य निर्धारक कौन से हैं?

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Introduction

Economic growth can be defined as an increase in the value of goods and services produced in an economy over a period of time. This value calculation is done in terms of % increase in GDP or Gross Domestic Product.

- **Economic growth is calculated in real terms** where the effects of variation in the value of goods and services due to inflation distortion are also accounted for.

Growth and Employment Relationship

- **Cyclical Relationship:** Growth generates employment and employment generates further growth.
- In general, employment corresponds to the qualitative aspect of growth.
- If a country is on the growth trajectory, it will generate more employment opportunities and while the growth declines (periods of recession), people start losing jobs.
- **Trickle-Down Theory:** It argues that **rising incomes at the top end of the spectrum** would lead to more jobs, more output, more income and less poverty as the growth and higher incomes at the top end will move at the lower end and to the poor.
 - According to this thesis, as long as **an economy is growing**, the benefits will eventually reach the poor and make their way through the system that will **make everyone better off**.
 - It argues that to **eradicate poverty, the only thing that matters is growth**. A growing economy will take care of everything. **As growth happens**, the fruits of growth will eventually flow to the poorest and the **lower section of the society and ultimately lifting them up**.

However, **IMF and the World Bank in their various reports** debunked the idea of trickle-down economics.

- They found out that the **benefits of growth within an economy are rarely spread evenly**, but also that an **unequal rise in incomes** can actually slow the rate of economic growth altogether.
- According to the **Organisation for Economic Cooperation and Development (OECD)**, Inclusive growth is “a **new approach to economic growth that aims to improve living standards** and share the benefits of **increased prosperity** more evenly across social groups”.
 - **Inclusiveness represents equality of opportunity** in terms of access to markets, resources and an unbiased regulatory environment for businesses and individuals. In a nutshell, it is not just about the quantity of growth within our economies and societies, but also about its quality.

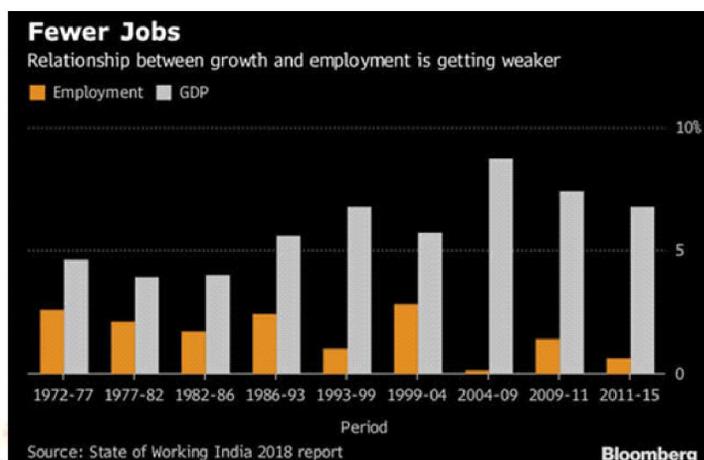
Thus, it is important to boost economic growth in the country by targeting specific determinant like:

- **Human resources:** The rate of increase in the skills and capabilities of a workforce ultimately increases the economic growth of a country.
- **Infrastructure development:** Improvements and increased investment in physical capital such as roadways, machinery, and factories will increase the efficiency of economic output by reducing the cost.
- **Planned utilization of natural resources** like mineral deposits helps boost the productivity of the economy.
- **Population growth:** An increase in the growth of the population will result in the availability of more human resources which in turn will increase the output in terms of quantity.
- **Advancement in technology:** It will result in increased productivity of labor and economic growth will advance at a lower cost.

Other Determinants That Are Aggravating The Unemployment In India

- **Education:** Although literacy rates have risen in the last few decades, there still remains a fundamental flaw in the education system in India. The curriculum is mostly theory-oriented and fails to provide vocational training required to match up with current economic environment.
- **Decline of Small Scale and Cottage Industries:** Industrial policy of British government curtailed the growth of small scale and cottage industries. Independent India's preference to large scale industry and new industrial policy of 1990's resulted in decline of small scale industries.

- **Population growth:** Rapid growth of population is the major reason for increasing unemployment in the country. More **population means more consumption** and less saving, less saving implies less capital formation and less production which finally leads to less employment.
- **Faulty planning:** The five-year plans implemented by the government have not contributed proportionately towards generation of employment.
- **Agriculture:** Agriculture remains the biggest employer in the country but contributes a meagre 12-13% to the country's GDP. The problem of disguised unemployment and seasonal nature of employment in the sector lead to recurring cycles of unemployment for the rural population.
- **Lack of skills:** There has been a push towards providing the employment opportunities to the people by government by skilling them. But skill deficit still is a big issue.
- **Poor Industrialisation:** The industrial sector in India still lag behind. Agriculture still remains as the biggest employer in the country.
- **Rush for government jobs:** Many educated youth run behind government jobs due to job profile and security. This lead to many remain unemployed due to students preparing for government jobs.
- **Lack of Investment:** Inadequacy of capital investment has been a key contributor in not generating enough industry that in turn provides employment to the labour force.



Suggestions:

- **Standing Committee on Labour** in its report released in August 2021 noted that 90% of workers in India are from the informal sector. These workers include:
 - migrant workers,
 - contract labourers,
 - construction workers, and
 - street vendors.
- **The Committee recommended central and state governments to:**
 - encourage entrepreneurial opportunities,
 - attract investment in traditional manufacturing sectors and developing industrial clusters,
 - strengthen social security measures,
 - maintain a database of workers in the informal sector, and
 - promote vocational training.

Conclusion

- The **low level of economic growth in primary sector** curtailed the job opportunities at rural level, resulting in jobless growth.
- Thus a **collaborative effort is needed by government and industry** to nudge an inclusive growth by supporting new sectors.

