Q1

The nature of economic growth in India in recent times is often described as a jobless growth. Do you agree with this view? Give arguments in favour of your answer.

UPSC Civil Services Mains 2015 · GS III · 12 marks · Indian Economy

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Core demand of the question

- State what jobless growth means for India after the 1990s
- Give arguments that growth created few decent jobs relative to output
- **Qualify the view:** informal and construction work, and what would make growth job-rich

Revision summary

Jobless growth means GDP rises much faster than decent employment.

NSSO-era data showed weak employment elasticity in the 2000s despite high output growth.

Organised manufacturing stayed thin; services and capital-intensive industry added value with few regular jobs.

Construction and informal work absorbed some labour, so the claim is about quality more than a literal zero.

A job-rich path needs labour-intensive factories, skills and easier formal hiring.

Introduction

India's **gross domestic product** rose fast in many years after 1991, yet the extra output did not create a matching number of **regular, productive jobs**. That pattern is called **jobless growth**. The view is largely right for organised manufacturing and for the quality of work. It is too sweeping if it pretends that no extra work appeared at all.

Body

What the view means

- **Jobless growth means employment elasticity of GDP is very low:** a one per cent rise in output adds far less than one per cent extra work.
- National Sample Survey rounds showed that in the 2000s, GDP grew much faster than usual work, so the **unemployment rate** could look modest while **underemployment** stayed high.
- A large share of workers remain in **agriculture**, whose slice of GDP has fallen, so average farm work is overcrowded and poorly paid.
- **Organised manufacturing** did not absorb the surplus labour that left, or should have left, the farm.

Arguments in favour

- Growth was led by **capital-intensive services and industry** (information technology, telecom, petroleum, automobiles) that raise value added with few shop-floor hands.
- **Labour laws**, inspection fear, and exit costs pushed firms to stay small, use **contract labour**, or automate rather than hire on the rolls.
- **Skill mismatch** left millions of school leavers unready for the factory or the office that actually grew.
- Female labour-force participation stayed weak, so household income rose more from a few earners than from a broad job boom.
- The **Make in India** diagnosis in 2014 itself admitted a thin manufacturing jobs base.

Qualification

- Construction, trade, transport and **self-employment** did add work, much of it **informal** and without social security.
- Rural non-farm work and **Mahatma Gandhi National Rural Employment Guarantee Act** days are a safety net, not the same as industrial jobs.
- The honest answer is therefore **yes, in quality and in organised hiring**, not a claim that employment was literally zero.
- Job-rich growth needs labour-intensive manufacturing, skilling, easier formal hiring, and a shift of workers into higher-productivity sectors with rights.

Flow diagram

Fast GDP growth -> Low employment elasticity

Low employment elasticity -> Services and capital intensive industry

Low employment elasticity -> Informal and farm overcrowding

Services and capital intensive industry -> Jobless in quality

Informal and farm overcrowding -> Jobless in quality

Jobless in quality -> Skills manufacturing formal hire

Conclusion

- **The jobless-growth view is fair for India in recent decades:** output raced ahead of decent organised jobs. Informal and construction work filled some of the gap. Policy has to raise employment elasticity through factories, skills and formal contracts, not only a higher GDP print.

Facts & figures

Employment elasticity

The extra employment that comes with a one per cent rise in GDP; it was low in India's high-growth years after the 1990s.

NSSO employment

National Sample Survey rounds (notably 2004-05 and 2009-11) showed output growing faster than usual status work.

Agriculture share
Farming still holds about half the workforce while its share of GDP is much smaller, which signals overcrowding.

Organised manufacturing
The factory sector's share of total jobs stayed modest even when GDP grew fast.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
Mahatma Gandhi National Rural Employment Guarantee Act: a rural work floor, not a substitute for regular industrial employment.