Jobless Growth: A Painful Story of Employment Generation in India

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Abstract: ***The current economic expansion has sincere dare the basic hypothesis in economics. It is a far and wide accepted scene that the rate of increasing Investment directly affects the jobs. Although, It Increases, job increases and the unemployment rate goes down. So far, recently, Indian economy has strengthened without a corresponding increase in jobs. In addition, average wages have been weak. Therefore, the objective of this study is to understand the pattern of investment in relation with employment engagement in India. The time period for analysis is taken from 2004 - 05 to 2019 - 20. Explanatory as well as explanatory method is used for detail analysis. The result indicates the underlying story of jobless growth and there is no significance impact of investment on employment engagement.***

Keywords: Employment, Jobs, Growth, Investment, macroeconomy, macroeconometrics

1. Introduction

Spreading out and formation of employment opportunities have been an unspoken objectives of economic reforms in India after early 1990s. As industrial gearstick and trade limitations are isolated, it is argued that this would result in advanced output growth, which would produce new job opportunities and see beg to be excused in poverty and inequality. But the up - and - coming evidence in India on the jobs front in the 1990s has been rather depressing. The anxiety arising from the sharp turn down in rural employment in particular has been well recognized by now. The formation of numerous committees by the Government of India within a period of four - five years for jobs is a strong statement to the concern arising out of the deteriorating jobs growth in the post - reform period (Caballero, R. J., & Hammour, M. L. (1998, June).

The growth is primarily driven by investment and investment creates jobs, in turn jobs fuel the engine of economy. This is basic tenet of macroeconomics. But India's story of economic growth is not fitting with general way of this functioning of macroeconomy. This story is began with 2004 - 05, these are foundational years of high growth in 2007 - 08, but in term of employability India is lagging behind in - tandem with growth. This basic fact of jobless growth is researched by many other economists throw the employment elasticity of growth in Indian economy. These results are confirming the narratives of jobless growth. This is another attempt to look the same question with deeper underlying reasons to explain and explore the jobless growth via investment and employment engagement channel in Indian macroeconomy.

2. Literature Review

Asiedu, E., & Gyimah-Brempong, K. (2008) Stat in their study that liberalization has a significant and positive impact on investment and liberalization does not have a direct impact on multinational employment the effect is indirect: liberalization stimulates multinational investments which in - turn increases multinational employment. By increasing investment and employment from multinational firms, these liberalisation programmes contribute to poverty alleviation. Bai, J., Fairhurst, D., & Serfling, M. (2020) 's findings are constant with theories predicting that better employment fortification discourages investment by making projects more irretrievable. Alnahedh, S., Bhagat, S., & Obreja, I. (2019). Find in their study that the Firms decrease labour demand during economic recessions and increase during economic expansion. The path of employment transform across all firms that shows a strong negative trend during economic recessions and a soft positive trend otherwise and also found that there is a strong negative relationship between employment change and cash flow uncertainty.

3. Objective

The objective of the study is to understand the pattern of investment in relation with employment engagement in India.

Research Question:
There is a concept in the macroeconomics that if the investment is increasing in the economy due to that employment engagement takes place in well manner. Therefore, the follwing research question is taken to find the answer and come the point of conclusion for the scenario of investment and employment engagement.

Is there an effective relationship between investment and job creation in India?
This research question is to find the level of the impact of investment in India on employment generation.

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4. Methodology

Method of exploring the causality between investment and employment engagement is inspired by way engineers' build the model; we look the data first and try to make the theory according to evidence rather than finding the evidences according to theory. This is the creative jobs for the macroeconomist, and opens myriad of new possibilities. To make things simple and tractable, we use simple statistics of macroeconomics rather than macroeconometrics. Doing so, we will minimize the possibility of tyranny of numbers.

Data type is secondary for analysis, taken from 2004 - 5 to 2019 - 20. The source of evidences is RBI hand book of statistics on Indian States. Taken data are time series data.

5. Analysis

Ability to simplify is characteristic of an expert. Figure 1 - 4, we try to understand idea and pattern of investment; firstly by aggregate investment then disaggregated investment of particular states. Investment is in increasing trend. In Figure - 5, we simply represent employment engagement in India, and with same dataset period of investment. In figure - 6, we put investment and employment engagement together. Unfortunately, which is stagnating, the striking thing is shown in figure - 6, in which the investment and engagement line are presented the trend with difference.

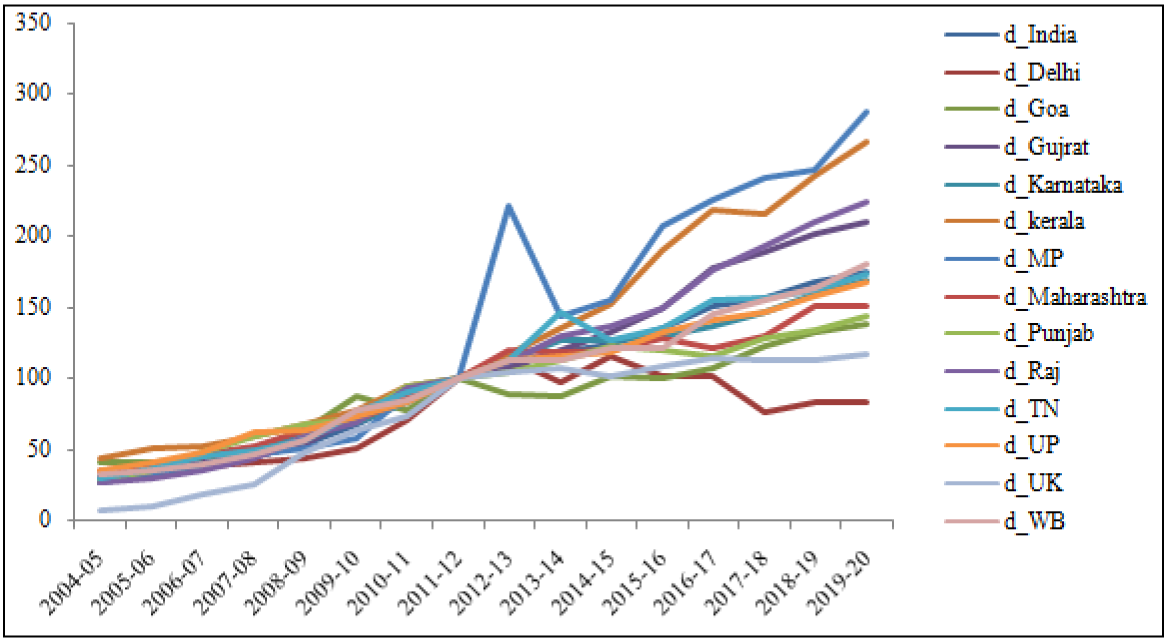

Figure 1: Investment path during 2004 - 05 to 2019 - 2020 in Indian states with India
Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 1, the investment trends of 13 states with India are shown. The patterns of path are showing that the investment is increasing in all 13 states continuously as well over all India. The investment path of India is being shown that during general election of 2014. In the 12 states except Delhi, the rate of growth of investment is consistently increasing but in the state of Delhi also had faced declining path for investment after 2014 - 15 due to State investment policy by Delhi government after 2015 Delhi electons. Zainababu, Z (2014) confirms in his research that it should be noted that investors incorporate probabilistic expectations, i. e. voters incorporate speculative expectations into their evaluations of macroeconomic indicators and it is assumed that investment and returns will be affected by it. A high level of political uncertainty before an election increases the risk of holding assets with returns that depend on economic policies if they change after the election. Elections can have big consequences on the stock market; thus, investors can dedicate a part of their money to the stock market before the election and the other to the stock market after the election. Many investors invest in stocks only after elections where they feel that the market will do well as a result of the new regime.

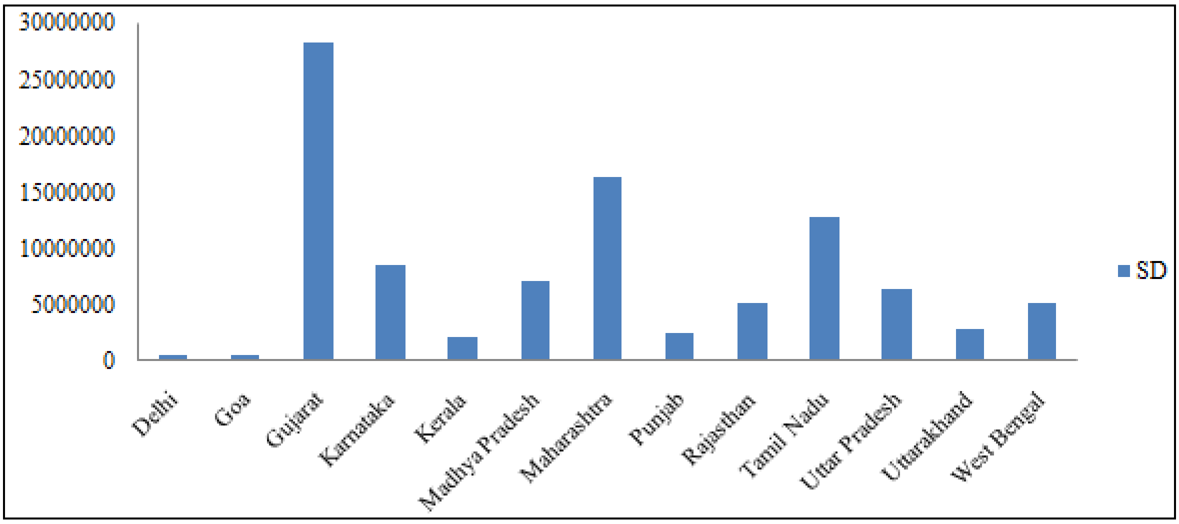

Figure 2: Variation in flow of State wise Invested Capital
Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 2, the standard deviation of investment is shown, that are presenting the higher or lower deviation in the trend of investment from 2004 - 05 to 2019 - 20 in the all states of India. The highest deviation in investment is into Gujarat followed by Maharashtra and Tamil - Nadu respectively. Though, the states of Delhi and Goa are facing lowest investment deviation during the period of 2004 - 05. The different states investment policy is also playing the impostant role for investment deviation with the time. Investment friendly policies attract the investment and hard to investment policies distracts the investment. An important condition for updating fixed capital and increasing production efficiency is the successful implementation of an investment policy that minimizes costs associated with the use of capital, which determines the need to improve the quality of management decisions, which determines not only the scientific significance, but also the practical value of the recommendations for evaluating the effectiveness of investment policy (Bogoviz, A. V., Ragulina, Y. V., & Kutukova, E. S., 2017).

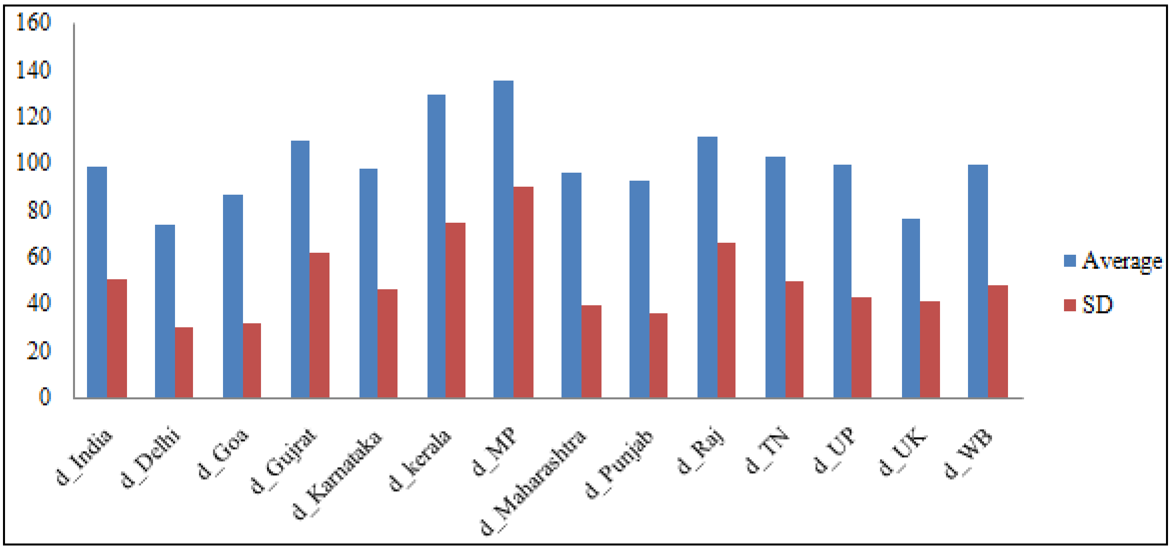

Figure 3: Disparity in mean and variation in state wise investment
Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 3, the average and standard deviation of the growth of the investment are shown; average rate of investment growth is highest in the state of MP followed by Kerala and Rajasthan respectively. This is showing that the policies are becoming investment friendly into those states which are not the centre of attraction for investment to till date in India.

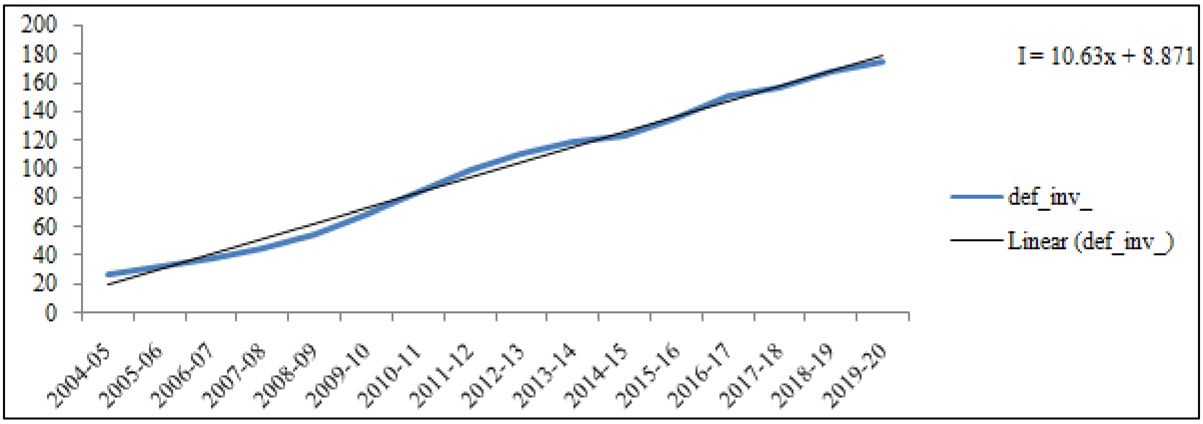

Figure 4: Rate of Investment growth in all over India during 2004 - 05 to 2019 - 20
Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 4, the rate of investment growth is showing for all over India. The path of the investment of India is growing gradually with same rates without declining at any point which is the evidence itself that the overall investment is increasing and the policies are highly according to invertors' choice and investment friendly. The uncertainty is declining over the period in India and the confidence of investors is increasing to invest here. When uncertainty is low, it is beneficial for a company to make quick investment decisions, and even more so to gather more information. Therefore, an increase in uncertainty lowers the current level of investment even under risk - neutral conditions. Another implication is that greater uncertainty causes an increase in demand for liquid assets (Cukierman, A., 1980).

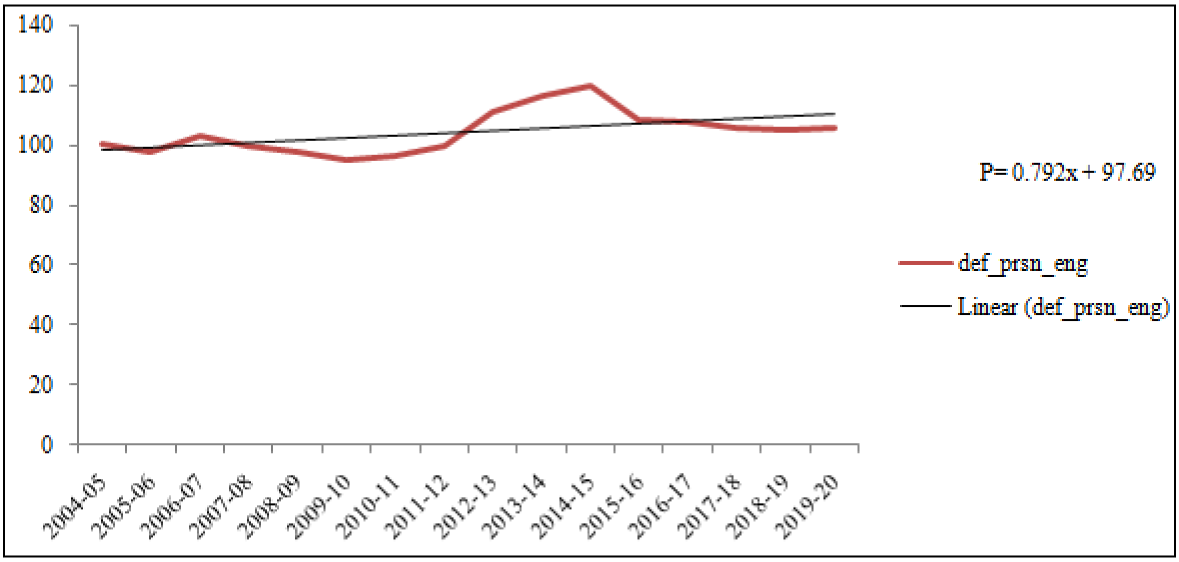

Figure 5: Person Engaged in Organised and Private Sector in India
Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 5, growth of number of person engaged in organised and private sectors are shown. A very low growth is seemed by the person engagement path during 2004 - 05 to 2019 - 2020. Peoples' engagement for jobs has been a considered part of management theory from the 1990s and it became extensively adopted in the 2000s. At the same time as it has its detractors, on the whole, it is based on how tricky to measure. People's engagement for jobs has been found to have direct associates to a firm's profitability and financial health (Tim Smith, 2022).

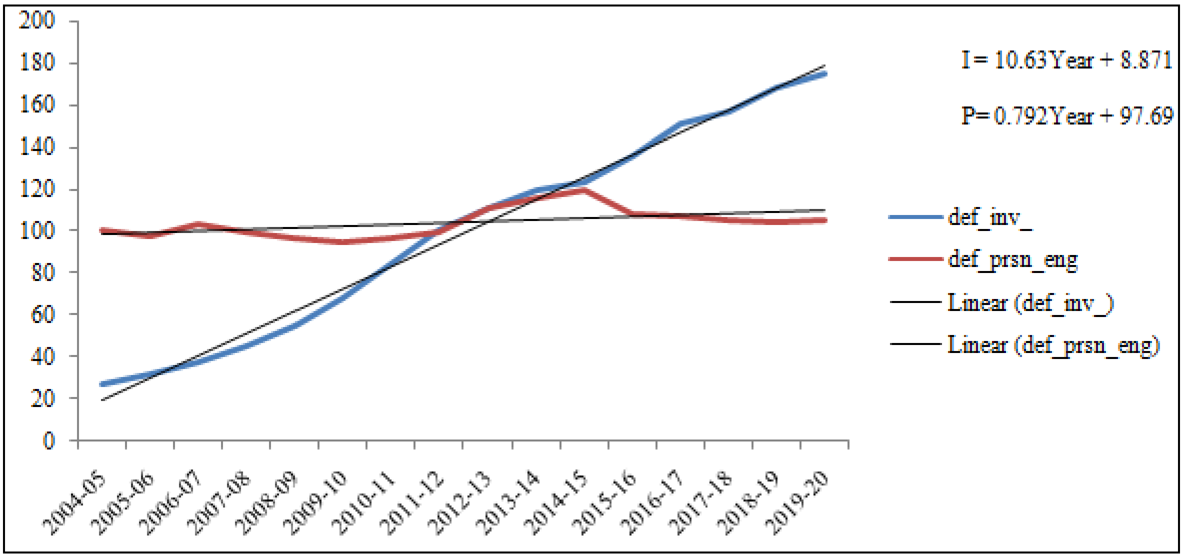

Figure 6: Path Interaction between Investment and employment engagement in India

Source: RBI handbook of Statistics for Indian States (2022)

In the figure - 6, it is trying to show that the interaction between investment and employment engagement. After set - up of new government in 2004 - 05 the scenario is seems that the rise in investment is not played the role for employment engagement. The engagement for the same declined in the phage of recession and also post recession 2008 to 2012 - 13. Although, from 2012 - 13 to 2014 - 15, engagement for the same rose but only for few years. As the new government came in 2014 after general election, and tried to attract investment into India by his liberal and friendly policies for local investor as well as foreigner. The new start - ups also introduce and they invested much of capital in the economy but the problem of employment engagement is also not being seen solved.

6. Conclusion and Suggestions

There is no clear - cut relationship between investment and employment in India. The production techniques became more capital intensive but composition of Indian economy is laboured abundant. There are many hypotheses put forward to explain this jobless growth. For instance, labour laws rigidity - forth industrial revolution hypothesis and MSMEs dwarfism.

The essential of the hour is to incorporate livelihood creation into development initiatives rather than simply portraying it as an ordinary by product of improvement. It must be understood that well thought - out industrialized is no longer the answer to creating large - scale jobs as it once was. Firstly, labour laws should be customized since, due to meticulous labour laws, corporations in India choose a capital - intensive production means in a nation where labour is plentiful. Cheering people's commercial impulses whether they increase small - scale projects across the nation or provide results through the Start - up India or Stand - up India initiatives will produce long - term rewards. Job - intensive industries should be motivated. Financial assistance scheme should be extended because it has the latent to be a game changer for the industries of micro and medium level, which can produce required jobs in India.

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