

GROWTH AND EMPLOYMENT LINKAGE IN INDIA

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ABSTRACT

The objective of this paper is to analyse linkage between economic growth and employment in India. The study is based on secondary data collected from NSS reports of India. The rate of growth of employment has declined from 2.7 per cent per year in the period 1983-84 to only 1.07 per cent per year in 1994-2010 for all of India. GDP growth has accelerated from 3.5% per year in the sixties and seventies to annual rate of 5.4% in the 1980s, 6.3% during the decade starting 1992-93 and more than 8% after 2005. Employment growth in the secondary sector, consisting of mining, manufacturing, electricity, water and gas, and construction, has been relatively high. Employment growth in the tertiary or services sector has also been relatively high. Growth of employment in the primary sector, as expected, has been the lowest and seen the sharpest decline. It has, in fact, turned negative in recent years. In the secondary sector, a high employment growth despite moderate rates of GDP growth has been possible due to relatively high and rising employment elasticity. But in the tertiary sector, even a high GDP growth has not been able to maintain a high growth in employment due to a steep decline in employment elasticity. The employment elasticity of the economy as a whole, in Agriculture, industry and service sector have declined significantly in all these cases over the pre-reforms and post-reforms periods. This shows that the economy and the above sectors have become less elastic for employment generation when we move from pre-reforms to post-reforms period. This may be due to the application to highly capital intensive techniques in production. Pearson's Correlation between Unemployment & GDP growth rate= - 0.110 and Spearman's correlation between Unemployment & GDP growth rate= - 0.120. So there is negative relation between unemployment & GDP growth rates.

KEY WORDS: Employment, Growth, Linkage, Secondary, Tertiary.

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