

## Abstract

### Sarat Chand

In the era of neoliberalism the phenomenon of jobless growth has emerged i.e. output has increased but not employment. The recent experience of India in this regard is investigated by Tejani (2016). However in the Indian context the categories of employment and unemployment do not exhaust the labour force due to the existence of underemployment, unorganized sector employment and informal employment. Countries like India may have witnessed high rates of output growth but there has been no concomitant increase in organized sector or formal employment. Formally this may be expressed as a fall in the employment elasticity of output. This phenomenon may proceed differently in different sectors of the economy. There are two broad theoretical traditions that seek to comprehend the reality of jobless growth. An orthodox or neoclassical explanation involves the argument that labour market rigidities cause the adoption of capital using and labour displacing techniques of production. This explanation is:

1. deficient in theory since relative input proportions and relative input prices need not be inversely related; further those labour laws that make firing difficult stabilise aggregate demand, output, investment and employment by reducing fluctuations in the wage bill of the economy.

2. unsupported by empirical evidence (Unni. J and Uma Rani (2008), Kannan. K. P and G. Raveendran (2009), Tejani (2016)).

In an alternative heterodox explanation the phenomenon of jobless growth is explained by the interplay of demand and technical change wherein sectoral considerations are eschewed in a first approximation. A mathematical condition is derived whose satisfaction ensures that both a high and a low rate of growth of output results in a fall in the rate of growth of formal employment or organised sector employment. The rate of growth of labour productivity is modelled as a quadratic function of the rate of growth of output since in developing countries such as India, labour saving technologies are continuously imported and the incomes that are generated out of such output are spent on those commodities that are produced by further imported and labour saving technologies (Patnaik (2007)). This low share of formal employment or organised sector employment in total employment reduces the bargaining power of workers. As a result the rate of growth of real wages trails the rate of growth of labour productivity. This results in the following situation across a business or growth cycle: while in a boom the high rate of growth of labour productivity overwhelms the high rate of output growth, in a period of slowdown the reverse situation prevails i.e. the low or negative rate of growth of output more than compensates for the reduction in the rate of growth of labour productivity. This results in persistent jobless growth.

An overcoming of the problem of jobless growth requires:

1. A delinking from the neoliberal path of development which would have at least two components: capital controls and the development of an alternative trajectory of labour using technical change.

2. An institution of a credible employment guarantee program by the state.

An alternative class alliance of workers and peasants would need to underlie a state that could undertake the two tasks set out above.

The paper would be primarily a macrotheoretical intervention (involving a mathematical model) in the discourse on jobless growth which draws on empirical studies which have sought to identify the factors that give rise to this phenomenon. Some suggestions for future work in this direction are advanced.

#### References

Kannan. K. P and G. Raveendran (2009)

Growth Sans Employment: A Quarter Century of Jobless Growth in India's Organised Manufacturing, Economic and Political Weekly, Vol. 44, No. 10, pp: 80-91.

Patnaik. P (2007) A Model of Growth of the Contemporary Indian Economy, Economic and Political Weekly, Vol. 42, Issue No. 22, 2007,

Tejani. S (2016) Jobless Growth in India: An Investigation, Cambridge Journal of Economics, 40 (3), pp: 843-870.

Unni. J and Uma Rani (2008) Flexibility of Labour in Globalizing India: The Challenge of Skills and Technology. Tulika Books.