

Unemployment And Economic Growth

An Analysis of India's Jobless Growth

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Abstract— The relationship between unemployment and economic growth has been a central theme in economic research. Traditional theory suggests that as economies expand, more jobs are created, thereby reducing unemployment. However, this assumption does not always hold true in practice, particularly in developing nations such as India. Over the years, India has witnessed periods of strong economic growth alongside persistent unemployment, raising questions about the inclusiveness of its development path. This paper seeks to analyze the dynamics between unemployment and economic growth in India, focusing on the broader structural issues that influence this relationship. The study emphasizes the phenomenon of “jobless growth” and highlights the need for policies that promote employment-friendly growth rather than growth alone.

I. INTRODUCTION

Economic growth and employment generation are often considered two sides of the same coin. The expectation is that when an economy grows, it creates new opportunities for its labour force, thereby reducing unemployment. Yet, in reality, this relationship is not always straightforward. In many countries, especially developing economies, growth may occur without a proportional rise in jobs, giving rise to what economists call jobless growth.

India provides an important case study of this paradox. With its large and youthful population, the country requires sustained job creation to maintain social and economic stability. At the same time, India's growth pattern has been shaped by structural factors such as a reliance on services, a shrinking role of agriculture, and the uneven performance of manufacturing. These factors often weaken the link between growth and employment.

The problem of unemployment, therefore, cannot be viewed only as a lack of jobs but as a broader issue involving skills, sectoral distribution of growth, and the informal nature of much of the workforce. This research paper aims to explore how India's economic growth has interacted with unemployment and whether its growth path has been truly inclusive.

II. LITERATURE REVIEW

The relationship between unemployment and economic growth has been studied extensively at both global and national levels. The classical economic assumption, often explained through Okun's Law, is that economic growth should reduce unemployment by creating more opportunities for labour absorption. However, the validity of this theory has been debated in the context of developing economies, where structural rigidities often weaken the expected relationship.

International studies provide mixed evidence. According to Phelps (1994), the natural rate of unemployment may persist despite high growth if structural mismatches in skills and labour demand exist. Similarly, a World Bank (2013) report highlighted that in many emerging economies, growth alone does not guarantee employment unless it is supported by labor-intensive sectors.

In the Indian context, the issue of jobless growth has attracted significant academic attention. Verma (2012) examined India's employment elasticity and concluded that although GDP expanded rapidly during the 2000s, employment growth lagged significantly, particularly in the manufacturing sector. Basu and Das (2015) argued that the structural transformation of India's economy has been incomplete, as growth was concentrated in the service sector, which absorbs a smaller proportion of the workforce compared to agriculture and industry.

Reports by international organizations also emphasize similar concerns. The International Labour Organization (2019) observed that India's labour market is dominated by informal employment, making the unemployment problem complex and multidimensional. It further noted that underemployment, disguised unemployment in agriculture, and skill mismatches continue to limit the benefits of growth.

Indian policy-focused literature also adds to this discussion. The Economic Survey of India (2020) pointed out that the challenge is not merely creating jobs, but creating “good quality jobs” that ensure decent wages, stability, and social security. Studies by the Centre for Monitoring Indian Economy (CMIE) highlighted the rising incidence of youth unemployment and the growing problem of educated job seekers being unable to find work aligned with their qualifications.

Recent research after the COVID-19 pandemic has further underlined these issues. Mehrotra (2021) noted that the pandemic disproportionately affected informal workers, widening the gap between growth recovery and job recovery. This underscores the fragility of India’s employment structure and the need for policies that align growth with job creation.

III. RESEARCH OBJECTIVES

1. To analyze the trends of GDP growth and unemployment in India from 2000 to 2023.
2. To examine whether economic growth has generated adequate employment opportunities.
3. To identify the structural causes of jobless growth in India.
4. To provide policy recommendations for improving employment generation

IV. HYPOTHESIS

Null Hypothesis (H₀): There is no significant relationship between unemployment and economic growth in India. Economic growth during the study period has not led to a meaningful reduction in unemployment levels, suggesting that growth alone may not guarantee job creation.

Alternative Hypothesis (H₁): There exists a significant relationship between unemployment and economic growth in India. In line with economic theory, higher GDP growth should be associated with lower unemployment rates, even though the strength of this relationship may vary across different sectors of the economy.

V. RESEARCH METHODOLOGY

- Primary Data

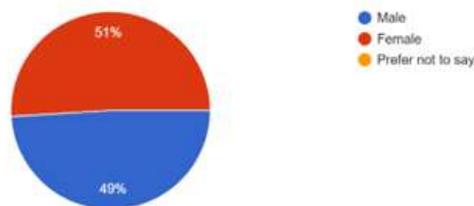
Data Collection- A structured online survey was created and sent to a sample of people including students, entrepreneurs, people who are employed (part-time), people who are employed (full-time) and also unemployed people.

- Secondary Data

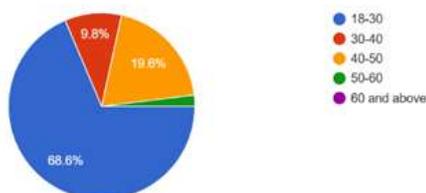
- Economic Survey of India (various years)
- Reserve Bank of India (RBI) publications
- National Sample Survey Office (NSSO) reports
- Centre for Monitoring Indian Economy (CMIE) data
- World Bank and International Labour Organization (ILO) statistics and reports

VI. DATA ANALYSIS

Gender
51 responses

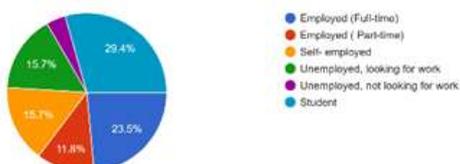


Age
51 responses



Educational Backround

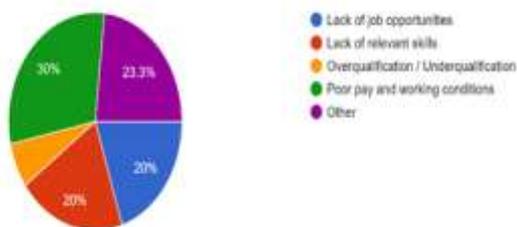
Current Employment Status
51 responses



- This indicates that formal, secure jobs in the government sector are relatively limited, while private and informal employment dominate.
- The high share of start-ups and informal sector jobs suggests that many individuals rely on self-employment or less stable opportunities due to insufficient job creation in formal industries

If unemployed, what is the main reason?

30 responses



- This highlights that unemployment in India is not only due to job scarcity but also due to mismatches between skills and market demand and dissatisfaction with job quality.
- The presence of “overqualification” responses indicates underutilization of talent, which weakens the potential benefits of economic growth.

Which sector do you believe has the highest potential to generate jobs in India?

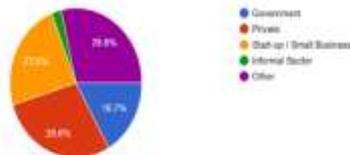
31 responses



- Respondents believe that modern sectors like IT, start-ups, and services hold the highest potential for jobs, while traditional sectors like agriculture and manufacturing are losing their role as major employers.

If employed, what type of sector are you working in?

42 responses



- This shows that a significant portion of people perceive India’s growth as “jobless growth”, where economic expansion is not translating into adequate employment opportunities.

In your opinion, what are the biggest challenges to getting jobs in India?

51 responses



- The biggest challenge reported was mismatch between education and industry needs (32%), followed by population growth (26%) and automation/technology replacing jobs (14%). Smaller shares pointed to lack of skills (16%) and corruption/nepotism (12%).
- This shows that structural issues like skills gap and demographic pressure are more concerning than individual shortcomings.

Have you ever considered migrating (to another city/country) for better job opportunities?

51 responses



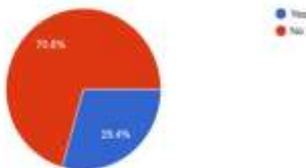
- The data shows that 44% of respondents have considered moving abroad, while 26% considered migrating within India for better job prospects. Only 30% said they would not migrate.
- This indicates that many job seekers are dissatisfied with local opportunities and see migration as a way to improve career growth, reflecting gaps in domestic job creation.

Are you aware of government employment schemes?
51 responses



- Regarding government employment and skill-development schemes, 66.7% of respondents said they have heard of them but lack detailed knowledge, while 25.5% were very aware and only 7.8% were completely unaware.
- This suggests that while schemes like Skill India or Make in India are known, their awareness is often superficial, limiting their reach and effectiveness.

Have you personally benefited from any government employment/skill development program?
51 responses



- When asked about actual benefits, a large majority 70.6% reported not benefiting from any government employment or skill development program, while only 29.4% said they had gained from them.
- This shows a gap between policy intent and on-ground impact, as many people remain excluded from the benefits of government initiatives despite being aware of them.

Do you think vocational training/skill development can help reduce unemployment?
51 responses



- This clearly shows that people see skill development as a key solution to India's unemployment problem, reflecting the need for more practical, job-oriented training rather than just academic qualifications.

VII. CONCLUSION

India has seen strong economic growth over the years, but this growth has not always brought enough jobs for the people who need them. Reports and earlier studies show that while sectors like IT and services contribute a lot to GDP. At the same time, traditional job-providing sectors such as manufacturing and agriculture have not kept pace, leaving a gap between growth and job creation.

In simple terms, India's growth story is real, but it has not been inclusive enough. For growth to truly benefit society, more attention must be given to skill-building, better education industry links, stronger manufacturing and agricultural growth, and more effective government support. Only then can economic progress translate into meaningful employment for the country's growing population.

VIII. LIMITATION AND SCOPE OF FURTHER STUDY

- Respondent answers reflect personal perceptions, which may sometimes be subjective or biased.
- The study relied on secondary data from official sources (Economic Survey, CMIE, ILO, World Bank), which, while reliable, may contain reporting delays or inconsistencies.
- The analysis covers the period 2000–2023, but a more detailed historical or sector-specific focus could add further depth.
- Future studies can use larger and more diverse primary datasets across different regions, age groups, and educational levels to strengthen the findings.
- Comparative studies with other developing countries can provide insight into whether jobless growth is unique to India or part of a broader global trend.

- Incorporating econometric techniques such as regression analysis could quantitatively measure the strength of the growth unemployment relationship.
- Further research could evaluate the long-term effectiveness of government schemes through case studies or field-based assessments

IX. REFERENCES

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