

# **Employment in India: Aggregate Demand and Structural Transformations**

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**Area: Economics & Social Sciences (ESS)**

**Date: 07.06.2019, Venue: C11 @ 2.30PM**

## **Abstract**

Employment provides crucial link of GDP growth to development. Despite high GDP growth rates the record of employment has been rather poor in India, much of which explain poverty as well as inequality within the economy.

Sectoral contribution of Agriculture, Manufacturing and Services changed markedly since mid-seventies – with share of services far exceeding those for agriculture and industry. The pattern of the structural change as emerged deviates from the stages sequence of transformation as under Kuznets or the Lewisian surplus labour absorption from agriculture to industry. The changes get reflected in the employment opportunities as well as the levels of living for those who have jobs and the rest.

Problems with employment data for informal sector - ASI and LB provide for units employing 10 or more workers. NSSO provides quinquennial figures for both formal and informal sectors with qualitative details. Recent figures not released. . Employment data, as reported, conceal the state of underemployment or disguised unemployment which is common in the informal sector, and especially with the rural economy. Sectoral pattern of aggregate output or employment in India has not moved sequentially - from agriculture to industry and then to the tertiary sector. Instead there has been a phenomenal increase in the share of services ( the tertiary sector) from about 35% of GDP in early seventies to 55% or above by 2014-15 Contribution of the Services sector, especially of the fast growing FINREBS within it, as mentioned above, has similarly been rather significant.

Need to interpret the structural shifts in the pattern of employment --- Paradox of high GDP growth with unemployment, underemployment, and the related poverty Structural shifts along with austerity related measures. Latter follow monetarism following the Treasury view. Affects fiscal policy under FRBMA limiting FD around 3% . Marketised borrowings raise share of interest payments in budget which proportionately cuts back expenditure on social sector and capital expenditure by state. This is reflected in the rising gap between fiscal and primary deficit, both declining. [Primary deficit is measured as Fiscal deficit less interest payments. It consists of capital expenditure, social sector expenditure and defence expenditure.]

Shifts in sectoral contribution of GDP has generated expansions in FINREBS with little job creation. Financial de-regulation has propped up speculation, contributing to speculation in finance, commodities and real estate . Capital gains as come do not contribute to GDP. Rapid pace of financialisation in the economy where the higher returns on speculation led financial assets provided better incentives for investments. Little of those assets and related activities were linked to generation of employment and output in the economy.

Monetary policy trapped by “impossible trilemma” where interest rates are fixed according to monetarist inflation targeting which prevents autonomy in monetary policy. Limiting it to interests of finance capital (holding financial assets) rather than the real economy.

Use of the mainstream economic policies which has initiated fiscal-monetary austerity as well as de-regulation of finance and financialisation with speculation-related transactions has squeezed the pace of expansion for the real economy including employment.

### **Speaker Profile:**

Sunanda Sen is an economist, currently researching on international finance, development and economic history. She has earlier been a Professor in Jawaharlal Nehru University at New Delhi in India and Visiting Professors at Universities of Barcelona, Grenoble, Surinam, and Paris abroad apart from being guest lecturer in various universities and research institutes within and outside India. She has been a fellow of different colleges in Cambridge University, a Post-doctoral fellow at Yale University and a recipient of Joan Robinson Memorial Lectureship at Cambridge. She has also worked with international organizations which include UNCTAD, ILO, ESCAP, and South Commission. She was elected a National Fellow of the Indian Council of Social Sciences and a Distinguished Academic Visitor, Queens College, Cambridge.

Sunanda Sen has published several books including Colonies and Empire: India 1890-1914 (1992); Financial Fragility, Debt and Economic Reforms (edited) (1996); Finance and Development (1998) Trade and Dependence: The Indian Experiences (2000) Global Finance at Risk: On Instability and Stagnation in World Economy (2003); Globalization and Development (2007) [Translations in Japanese, 2012]. Un-freedom and Waged Work: Labour in India's Organised Manufacturing Industry 2009,

Development on Trial: Shrinking Space for the Periphery 2013 and Dominant Finance and Stagnant Economies (January 2014) and Changing Face of Imperialism (co-edited 2018)