

The Growing Crisis of Unemployment*

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In an economy like ours where the work-force is not neatly divided into “the employed” and “the unemployed”, and instead there is massive and growing casualisation of work, measuring unemployment is a tricky business. It necessarily means asking a person how much work that person got over a certain period in the past, because of which the unemployment measure varies depending on what period is taken into account and how much work over this period is taken to constitute employment. The National Sample Survey accordingly has three different concepts: usual status, weekly status and daily status; the NSS however, apart from conceptual issues relating to its definitions, carried out its large sample survey every five years while its annual survey was based on a much smaller sample, because of which it gave at best annual figures.

Researchers therefore have increasingly used the figures provided by the Centre for Monitoring the Indian Economy, a non-official organisation, which carries out a sample survey every month (an urban survey is conducted every week) asking people whether they were employed on the date of the survey. The unemployment rate is defined as the ratio of those who were unemployed but willing to and seeking work to the total number of the labour force, comprising the employed (the work force) and the unemployed. One may have reservations about its measure, but the CMIE gives a consistent set of figures over time that can be used for analysing trends.

The latest CMIE figures given for October 2023 show that the unemployment rate in the country stood at 10.05 per cent; the rural unemployment rate was 10.82 per cent while the urban unemployment rate was 8.44 per cent. The overall unemployment rate was not only higher than in the previous month when it was 7.09 per cent, but was the highest since May 2021 when there had been a sharp spike (the previous sharp spike had been in 2020 because of the lockdown decreed by the Modi government in the wake of Covid-19).

This naturally has given rise to much discussion about the growing unemployment crisis in the economy; but I wish to explore another aspect altogether of the CMIE figures. Since the CMIE-estimated unemployment rate appears to change noticeably from one month to the next, my focussing on a different aspect of the CMIE figures to establish the growing unemployment crisis, rather than the monthly unemployment rate, has a certain rationale.

According to the CMIE chief, India’s work-force (which is synonymous with the number of employed persons) has remained virtually stagnant at a little over 400 million over the last five years, which means that employment has not increased at all. In October 2023, when the unemployment rate went up so sharply, the total labour force too had shown a sudden increase, and simple calculation shows that the absolute number of employed persons had remained unchanged compared to earlier (indeed it is this which explains why the unemployment rate went up so sharply). Thus the stagnation in the numbers employed is a reality in the Indian economy in recent years.

It is this which also explains the rise in unemployment rate that has occurred since 2019. The unemployment rate according to the CMIE which was 5.27 per cent in

2019 rose to 8 per cent in 2020, and remained at 5.98 per cent and 7.33 per cent respectively in the next two years; and it has gone up still further in 2023. This rise in unemployment rate has been a result of the fact that while the labour force has increased, the numbers employed have remained unchanged in absolute terms. And this rise in labour force in turn has been the outcome of the working age population increasing without any offsetting fall in the labour participation rate.

Many commentators have attributed this stagnation in employment, and the rise in unemployment rate, to the incomplete recovery of the economy from the fall induced by the pandemic. This, if it is not to be a tautological proposition, must refer to the real Gross Domestic Product; but while GDP recovery after the pandemic has been undoubtedly slow, belying the government's boast about "India being the fastest growing country in the world", this fact alone cannot explain the stagnation in employment numbers. Compared to 2019, for instance, real Gross Domestic Product has increased by about 16 per cent in 2023 (assuming a 6 per cent growth rate for 2023); if despite the GDP increase, employment has not increased, then this says something about the nature of the growth process, rather than just the slowness of it. In fact what the Indian experience shows is that the proposition that unemployment can be overcome if only the growth rate is accelerated, is utterly invalid; it all depends on how growth is brought about.

The absolute stagnation of employment is because the nature of growth has changed in the last few years compared to earlier, which has made growth less employment-generating. The small-scale and petty production sector which in any case was facing adversity because of neo-liberalism that entailed a withdrawal of State support from this sector and exposed it to unrestricted foreign competition, had its woes compounded by the Modi government's decision to demonetise currency notes and to introduce the Goods and Services Tax. On top of all this, the draconian lockdown ordered by the government in response to Covid-19 had a further devastating impact on this sector. It has not recovered from the crisis it faced owing to all these factors.

The revival of growth in the economy in the post-Covid period has left this sector, which is the most employment-intensive sector of the economy, still reeling under a crisis. It is this uneven revival of GDP growth that is responsible for employment lagging behind, to a point where its growth has actually been almost zero.

It follows that the whole range of economic measures that the BJP government has in its kitty are incapable of generating much employment in the economy. These measures centre around providing incentives of various kinds to capitalists in order to make them invest more, so that the GDP growth rate gets accelerated. These measures however are infructuous for two very distinct reasons: first, in an oligopolistic market, investment depends upon the expected growth in the size of demand, and unless steps are taken to increase demand, simply giving more money to capitalists does not raise investment; they just pocket the money given to them without undertaking any additional investment. What is more, in so far as the transfers to capitalists are financed by cutting government expenditure elsewhere (in order to keep the fiscal deficit within stipulated limits), since the capitalists do not spend the entire amount of transfers handed out to them, there is a net shrinkage of demand which is contractionary for the economy and hence counter-productive. But secondly, even if such transfers could increase capitalists' investment and hence GDP growth, the sectors where such increase would occur are not particularly employment-intensive;

government measures are not oriented towards promoting the small-scale and petty production sector where employment in the economy is concentrated.

Ironically, while handing over tax concessions to capitalists in the name of promoting employment, the government does not itself undertake the necessary expenditure involved in filling the large number of vacancies that exist within the government sector. The ostensible reason for this is fiscal constraint; but the fiscal constraint itself is caused, among other things, by the tax concessions given to the capitalists. Also, ironically, when the unemployment rate is on the rise, especially rural unemployment rate as the October figures indicate, the government is cutting down on the Mahatma Gandhi National Rural Employment Guarantee Scheme.

The BJP government, with its ruthless class-bias in favour of the big bourgeoisie, has always been opposed to the MGNREGS. On one pretext or another it has been trying to roll back this scheme; and now allegations of corruption have become a new excuse for curtailing this scheme. The CMIE data, while highlighting the growing unemployment crisis, also expose the utter absurdity of the BJP government's thinking on unemployment.

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