

E.F. Schumacher  
Small is  
Beautiful  
Economics as if  
People Mattered

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*Chapter 14*

The Problem of Unemployment in India

*A Lonergan Institute Seminar*

*St Anselm's Abbey*

# Background: India

- India, located in South Asia, is the seventh-largest country in the world [by area](#) and the [second-most populous country](#) behind only China. As of 2017, it has a population forecast around [1.32 billion people](#), with the capital New Delhi estimated to be home to almost 17 million inhabitants. Despite the fact that India's population has grown steadily, the [fertility rate](#) in the country is on the decline. The population increase can therefore be attributed to the improvement in infrastructure and health care which has led to an increase in the [average life expectancy](#). However this average life expectancy is still well below that of the [U.S.](#) and [China](#).
- India's economy has been subject to considerable growth since its liberation in the early 1990s. India's [GDP growth rate](#) has consistently been well above five percent for the last ten years. As a result of this growth, the country's GDP was ranked the [sixth largest](#) in the world in 2017. Additionally, [unemployment in India](#) has fallen to 3.5 percent in 2017.

Source: <https://www.statista.com/topics/754/india/>



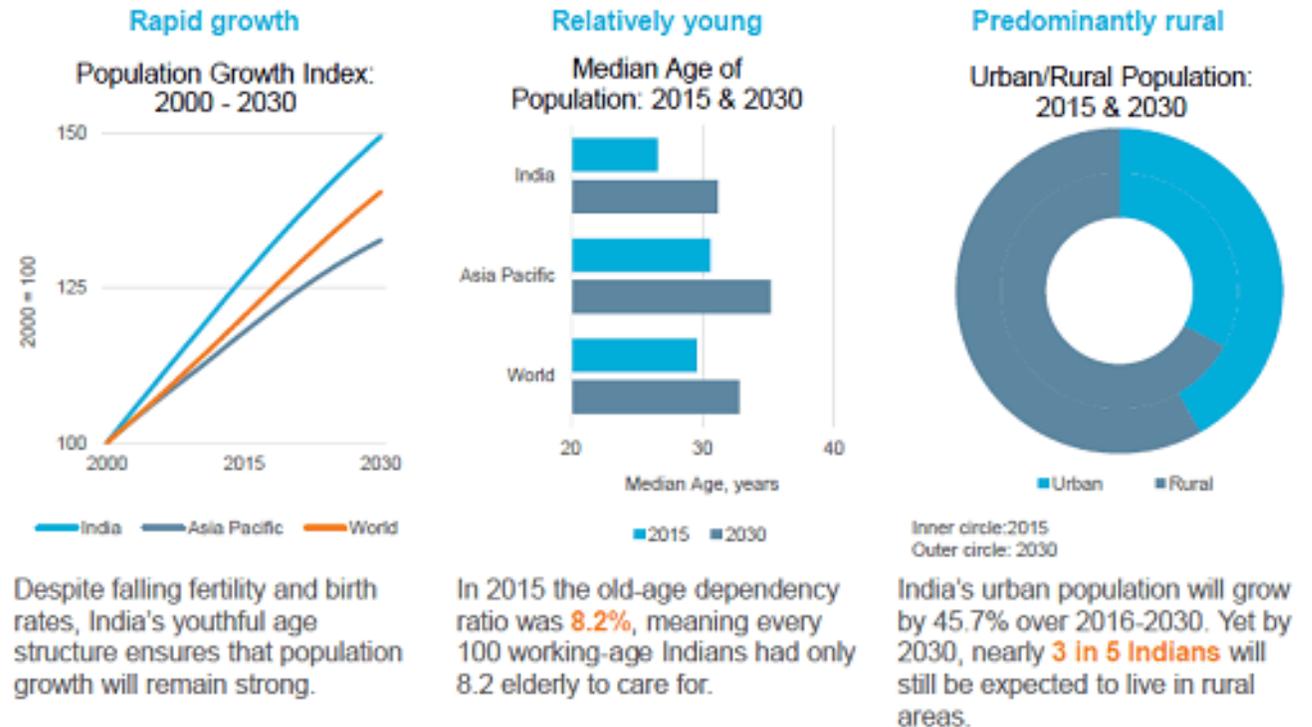
# Background: India

- With a population of more than 1.2 billion, India is the world's largest democracy.
- As the world's third largest economy in purchasing parity terms, India aspires to better the lives of all its citizens and become a high-middle income country by 2030

Source:  
<https://www.worldbank.org/en/country/india/overview>

## INTRODUCTION

### India's population at a glance



Despite falling fertility and birth rates, India's youthful age structure ensures that population growth will remain strong.

In 2015 the old-age dependency ratio was **8.2%**, meaning every 100 working-age Indians had only 8.2 elderly to care for.

Source: Euromonitor International from national statistics/UN

## Background: Unemployment in India

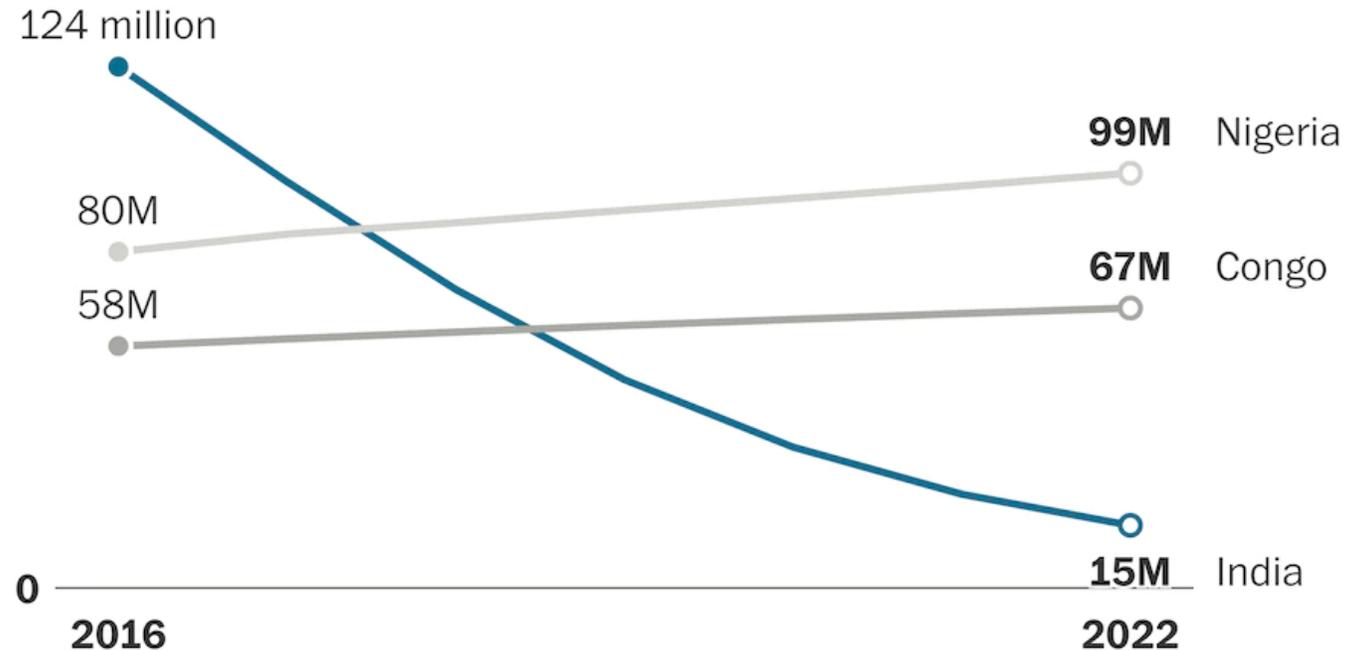
- Now, new estimates indicate that Nigeria has knocked India out of that position, part of a profound shift taking place in the geography of the world's poorest people.

Source:

<https://www.washingtonpost.com/news/worldviews/wp/2018/07/10/india-is-no-longer-home-to-the-largest-number-of-poor-people-in-the-world-nigeria-is/>

## Poverty in retreat in India

Nigeria recently eclipsed India as the country where the largest number of people are living in extreme poverty. The gap is set to widen.



Source: World Poverty Clock

THE WASHINGTON POST

# Background: Unemployment in India

- As of May 26, 2020. India's unemployment rate was a tad higher at 24.3% for the week ended May 24 compared to 24% in the preceding week or the average unemployment rate of 24.2% in the past eight weeks of the lockdown. The unemployment rate stood at 8.8% in March

Source:  
[https://economictimes.indiatimes.com/news/economy/indicators/indias-unemployment-rate-continues-to-hover-above-24/articleshow/75998561.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/news/economy/indicators/indias-unemployment-rate-continues-to-hover-above-24/articleshow/75998561.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

## Indian Unemployment Rate Back Down After COVID-19 Shock

Average unemployment rate in India (2016-2020)



\* Third week of June

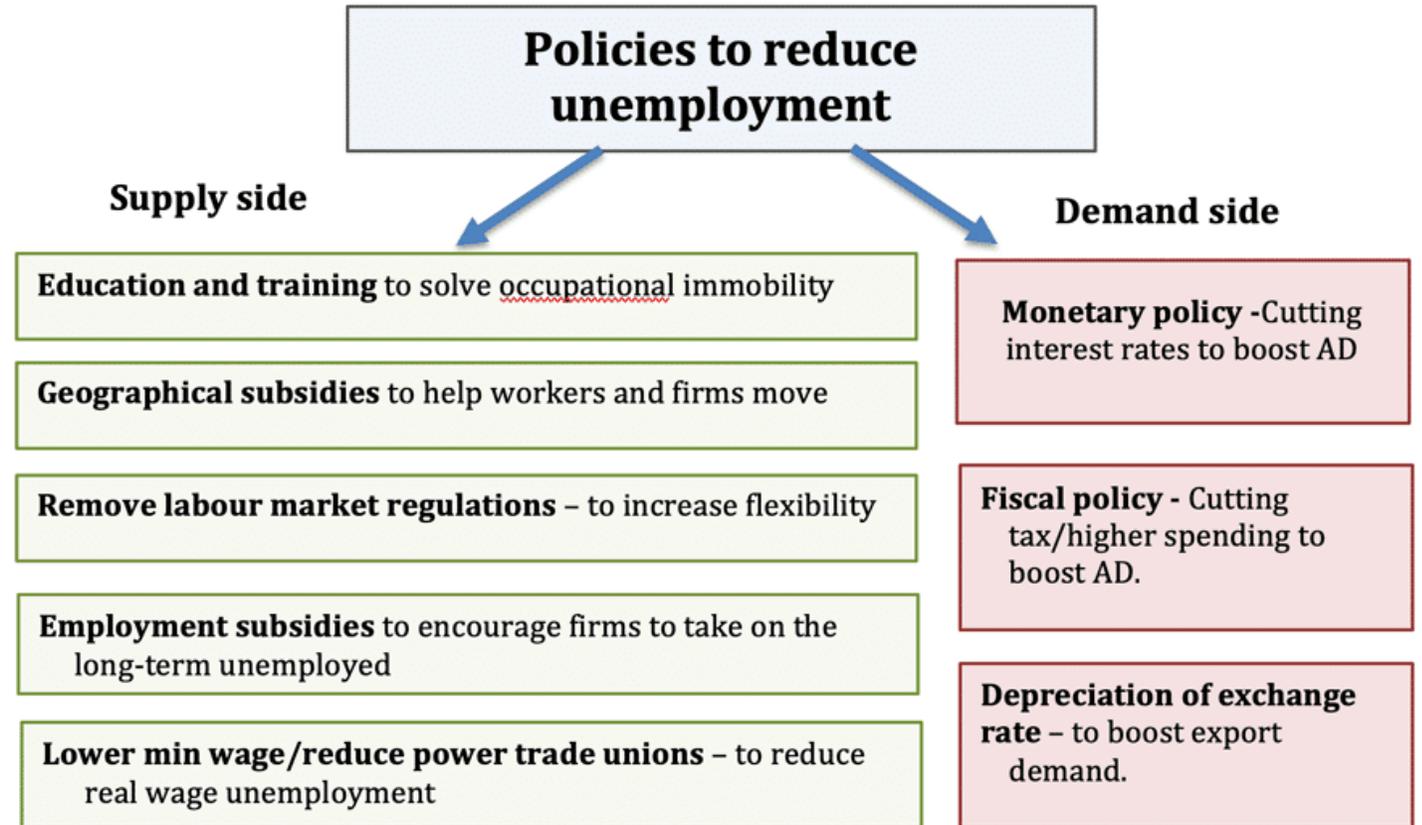
Source: Centre for Monitoring Indian Economy



statista

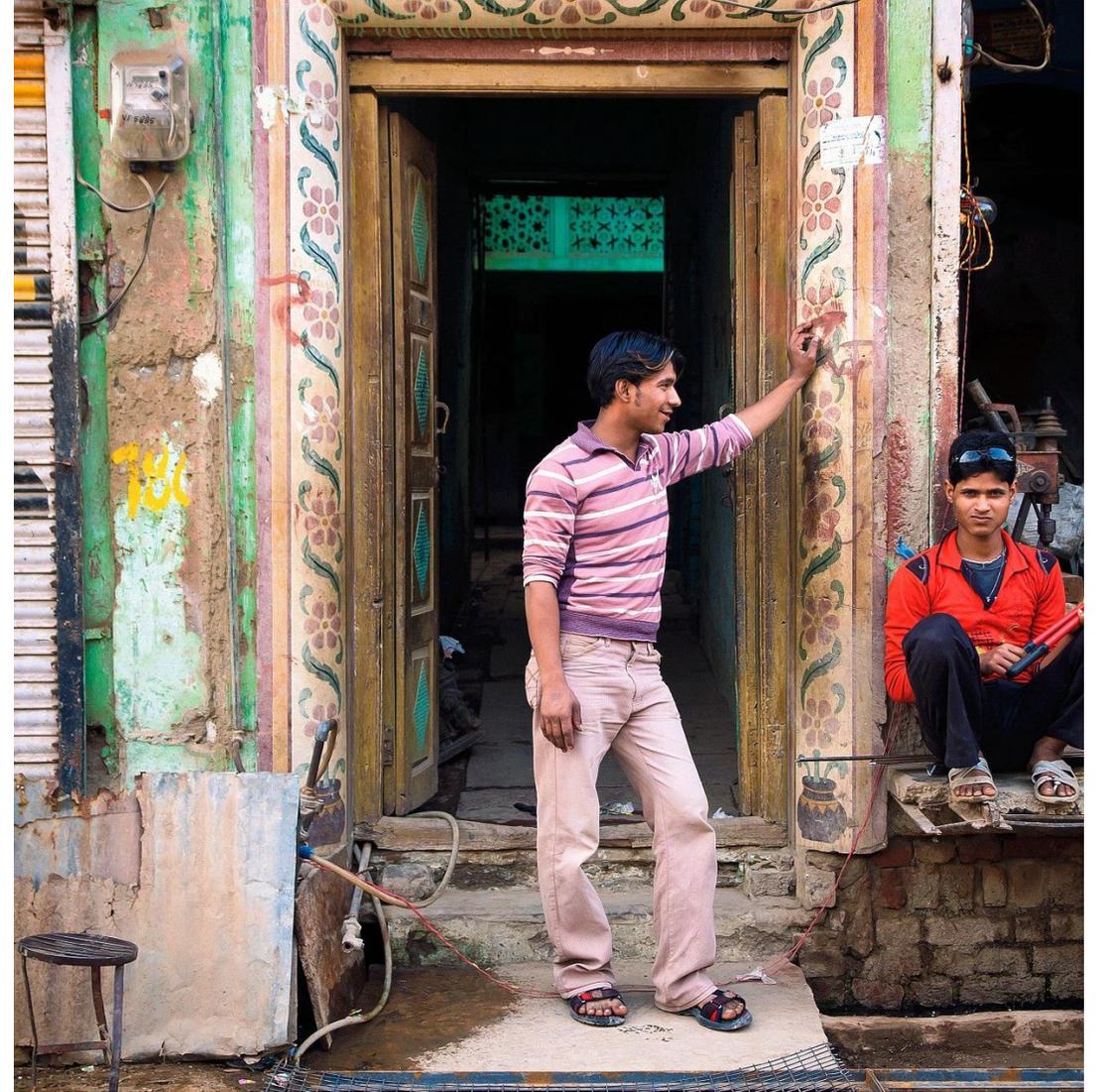
## Discussion Question: How Do We Eliminate Unemployment?

- “The goal of the future is full unemployment, so we can play. That’s why we have to destroy the present politic-economic system.” - Arthur C. Clarke
- “A man willing to work, and unable to find work, is perhaps the saddest sight that fortune's inequality exhibits under this sun.” - Thomas Carlyle
- “Should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history.” - Dwight D. Eisenhower



# From Schumacher

- “When speaking of unemployment I mean the non-utilization or gross underutilization of available labor. We may think of a productivity scale that extends from zero, i.e. the productivity of a totally unemployed person, to 100 per cent, i.e. the productivity of a fully and most effectively occupied person. The crucial question for any poor society is how to move up on this scale.”



***Youth Unemployment in India***

# From Schumacher

- “It follows, I suggest, that the biggest single collective decision that any country in the position of India has to take is the choice of technology. I am not laying down the law of what ought to be. I am simply saying that these are the hard facts of life. A lot of things you can argue against, but you cannot argue against arithmetic. So you can have a few jobs at a high level of capitalization or you can have many jobs at a relatively low level of capitalization.”



***Robots in an assembly line***

## From Schumacher

- "Economic development is primarily a question of getting more work done. For this, there are four essential conditions. First, there must be motivation; second, there must be some know-how; third, there must be some capital; and fourth, there must be an outlet: additional output requires additional markets."

# Economic Development

**The process in which people in a country become wealthier, healthier, better educated, and have greater access to good quality housing.**



# From Schumacher

- “Unless virtually all educated people see themselves as servants of their country - and that means after all as servants of the common people - there cannot possibly be enough leadership and enough communication of know-how to solve this problem of unemployment or unproductive employment in the half million villages of India.”



**Painting of Jesus Christ washing the Feet of the Apostles at the Last Supper, in the Church of Valencia, Spain**

# From Schumacher



Ford Assembly Line

"Now, until quite recently, that is to say, some fifty to seventy years ago, the way we did things was, by present standards, quite primitive. In this connection, I should like to refer to Chapter II of John Kenneth Galbraith's *The New Industrial Estate*.' It contains a fascinating report on the Ford Motor Company. The Ford Motor Company was set up on 16 June 1903, with an authorized capital of \$150,000 of which \$100,000 were issued but only \$28,500 were paid for in cash, So the total cash which went into this enterprise was of the order of \$30,000. They set up in June 1903 and the first car to reach the market appeared in October 1903, that is to say, after four months. The employment in 1903, of course, was small - 125 people, and the capital investment per workplace was somewhat below \$100. That was in 1903. If we now move sixty years forward, to 1963, we find that the Ford Motor Company decided to produce a new model, the Mustang. The preparation required three and a half years. Engineering and styling costs were \$9 million: the costs of tooling up for this new model were \$50 million. Meanwhile the assets employed by the Company were \$6.000 million which works out at almost Pounds 10,000 per person employed, about a hundred times as much as sixty years earlier."

# From Schumacher

"In a developing country it is difficult enough to get Henry Fords, at the 1903 level. To get Henry super-Fords, to move from practically nowhere on to the 1963 level, is virtually impossible. No-one can start at this level. This means that no-one can do anything at this level unless he is already established, is already operating at that level. This is absolutely crucial for our understanding of the modern world. At this level no creations are possible, only extensions, and this means that the poor are more dependent on the rich than ever before in human history, if they are wedded to that level. They can only be gap-fillers for the rich, for instance, where low wages enable them to produce cheaply this and that trifle. People ferret around and say: 'Here, in this or that poor country, wages are so low that we can get some part of a watch. or of a carburetor, produced more cheaply than in Britain. So let it be produced in Hong Kong or in Taiwan or wherever it might be.' The role of the poor is to be gap-fillers in the requirements of the rich. It follows that at this level of technology it is impossible to attain either full employment or independence. The choice of is the most important of all choices."



**Maquiladoras in Mexico**

# From Schumacher

- “The importance of technological choice is gradually entering the consciousness of economists and development planners. There are four stages. The first stage has been laughter and scornful rejection of anyone who talked about this. The second stage has now been reached and people give lip service to it, but no action follows, and the drift continues. The third stage would be active work in the mobilization of the knowledge of this technological choice; and the fourth stage will then be the practical application.”

## Appropriate technology

Technological choice and application that is small-scale, decentralized, labor-intensive, energy-efficient, environmentally sound, and locally controlled

Father of appropriate technology

Mahatma Gandhi



Founder of appropriate technology

E. F. Schumacher



Paul Polak → “design for the other 90 percent”

[http://en.wikipedia.org/wiki/Appropriate\\_technology](http://en.wikipedia.org/wiki/Appropriate_technology)

## From Schumacher

- “Now what is the upshot of all this? The upshot is that the more sophisticated the technology, the greater in general will be the foregoing requirements.”

Discussion Question: Given modern technologies, such as 3D printers, what does employment or unemployment and the incorporation of appropriate technologies look like moving forward?



**What Can 3D Printers Make? Designers use 3D printers to quickly create product models and prototypes, but they're increasingly being used to make final products, as well. Among the items made with 3D printers are shoe designs, furniture, wax castings for making jewelry, tools, tripods, gift and novelty items, dental crowns, cakes and pastries, human ears, plastic guns, and toys.**



THE END



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