

Reflections on Unemployment as a Potent Determinant of Corruption : A Case Study of India

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Abstract

The study is an attempt to show that the failure of the system to address the problem of unemployment, dispensing with the concern for values from educational programmes in the wake of economic reforms, and disregarding the long-term consequences of unrestrained growth of population are the main factors behind the growing menace of corruption in the Indian economy. The analysis suggests moderation of growth policies with their focus on employment generation, basing programmes of vocational and technical education on carefully worked out forecasts of manpower needs of the economy, and a policy on population which does not shy away from restraining its growth.

Corruption is a generic term. It normally refers to 'a departure from strict ethical standards'. No society and culture has been and is free from corruption. Only its form and scale vary. Widespread revulsion against this phenomenon in transitional economies, such as India, is due largely to the fact that it is becoming a sort of *force majeure* in their systems. Historical evidence shows that in the earlier stages corruption took the form of nepotism - favouritism shown by rulers and feudal lords to courtiers, family relations, and friends in conferring privileges, offices, tracts of land, and other similar benefits ignoring considerations of merit. In the course of time, this practice was supplemented by a gift of money. With the advent of money economy and money markets, corruption took the form of securing a benefit or favour through illicit use of money or influence. It clearly involves misuse of public office, position and/or authority.

II

Addressing the problem of corruption requires country-specific studies. Unfortunately, much of the available literature is either general or theoretical. In India, a major initiative to fill this gap came from Lal Bahadur Shastri when he was Minister for Home Affairs. Replying to the debate in the Parliament on 'the growing menace of corruption' on 6th June 1962 he made the following statement whereafter the House appointed a committee under the chairmanship of K. Santhanam to examine the problem from all angles and suggest suitable measures for eliminating the evil practice :

'I feel that this matter should not be entirely left for consideration in the hands of officials. It is desirable that there should be exchange of views between them and public men of experience. Perhaps, Hon. members might have read in the papers that I have suggested that a formal Committee should consider the important aspects of the evils of corruption. But I do not want to make it a formal Committee as such and wait for its report. Since we know most of the problems, the real point is to take remedial action. I, therefore, propose to request some members of Parliament and, if possible, other public men to sit with our own officers in order to review the problem of corruption and make suggestions' (Report of the Committee, p. 1).

Lal Bahadur Shastri was keen that the Committee should include in its recommendations 'measures calculated to produce a social climate ... in which bribery and corruption may not flourish' (Ibid., p. 2).

III

The Committee took the view that corruption in India had wide ramifications and had penetrated almost every department of public life. The practice of paying seven to eleven per cent commission was quite common in all contracts relating to construction and was known to be shared in agreed proportions by officials up to the rank of Executive Engineer, in some cases up to the rank of even Superintending Engineer. Also, it was not being dealt with properly and individuals who had power, money and influence could get away with it effortlessly. The Committee's indictment of the Government in this respect was quite severe. It observed that the Government was against corruption but not against corrupt people. Weakening of the traditional system of values which upheld the virtue of austere and simple living, wide discretionary powers given to the bureaucrats

and administrators in awarding contracts, quotas and licenses inherent in a non-market economy, and general disregard of the rule of law were identified as the main contributory factors (Op.cit., pp. 10-11). Many depreciatory expressions such as 'speed money', 'pedlars of influence', 'liaison and contact men' that are still in use belong to the etymology evolved during the early years of India's transition to controlled economic system.

IV

Because of its adverse effects on economic growth corruption can no longer be regarded by economists as a subject of peripheral importance. Corruption encourages government expenditure on such items as have a comparatively larger scope for shady practices. That is why in countries where public authorities are not upright much less is spent on education and health care than on construction and purchases. Defence purchases by developing countries which are often large and take place in advanced countries have been a source of many scams. A study by H.G. Broadman and Francesca Recanatini shows that corruption has also a significant adverse effect on private investment as it distorts competition and creates illicit barriers to the entry of new firms. Foreign investment which is of critical importance as it not only augments domestic resources but also brings fresh technology will have a tendency to keep away from corrupt systems (World Bank, 2000). The hypothesis that there is a high degree of correlation between corruption and stunted economic growth has been tested both by individual researchers and organizations and is not awaiting confirmation. Jagdish Bhagwati, Anne Krueger, and Susan Rose-Ackerman are mentioned in literature among early researchers in this area (Mauro, 1996) and the World Bank (2002) among organizations that stand by this finding. The World Bank's recommendation in this regard is not only positive but very emphatic. This is how it reads: 'It is now widely accepted that corruption has large costs for economic development. Across countries there is strong evidence that higher levels of corruption are associated with lower growth and lower levels of per capita income.'

India's social and political landscape since the time the Santhanam Committee studied the problem of corruption and made its recommendations has undergone far-reaching changes. How firmly corruption is rooted in the system will be clear from an observation so forthrightly made by the late Prime Minister Indira Gandhi that corruption had become a global phenomenon.

The Santhanam Committee's recommendations were focused mainly on political corruption and were subsequently incorporated in the Prevention of

Corruption Act, 1988. This Act superseded an earlier Act of 1947 which in spite of two amendments was found inadequate. However, except for half-hearted implementation of two of the Santhanam Committee's main recommendations, one relating to enactment of a code of conduct for Ministers and public servants relating to acquisition and possession of assets disproportionate to their known sources of income and the other relating to the conduct of political parties in respect of their collection of funds¹, nothing much seems to have happened. There was a specific recommendation of the Committee with regard to the higher education sector which reads as follows : 'The University Grants Commission and the Inter-University Board should take immediate steps to institute an inquiry into the malpractices that may be prevailing in the universities and evolve measures to fight them' (Op.cit., p. 109). No other sector of the economy is experiencing a greater chaos than this sector.

V

It is not fully realized that when corruption becomes all-pervasive it subverts the 'legitimacy of the state' and its ability to provide institutions that sustain good governance. What India needs to do is to address the problem by getting to grips with its fundamental causes.

Foremost is the problem of rising level of unemployment which can be tackled only if the country's policy-makers free themselves from their obsession with the rate of economic growth and focus on strategies that enhance employment. The two objectives are complementary but only to an extent. For example, capital-intensive technologies may turn in better rates of growth but they will certainly lessen employment after a while. Half a century ago, world's most celebrated economist, Paul Samuelson², warned against making a fetish of economic growth ignoring disamenities that accompany the process. He advanced the argument that the quality of economic life does not depend on Gross National Product (GNP) but it depends rather on Net Economic Welfare (NEW) which accrues to a nation after its GNP is discounted for disamenities not taken into account while computing GNP. He mentions pollution, adverse effects on ecology, urban slums and blight, and commuting to work over more crowded roads as examples. Samuelson took his cue from the work of two Yale economists, William Nordhaus and James Tobin³, who tried 'to correct traditional GNP numbers to allow for disamenities of modern urban living, for enhanced leisure now enjoyed by the citizenry, for household work by wives that is ignored by the GNP statistician, and for various other adjustments.' Using American data for the period 1976 to 2000 Samuelson's projections show that

it is possible to achieve a higher rate of NEW from a lower rate of GNP if while computing GNP care is taken of adjusting for widely perceived disamenities (Samuelson, 1976). The recent spurt in economic growth in India clearly manifests two main trends: one, it is at the cost of employment opportunities; and, two, it is widening income gap between the urban and the rural areas and between the rich and the poor people (GOI, 2008; ESCAP, 2006 and 2009). Both these trends pose a serious threat to the country's social stability and can have unpredictable consequences if not arrested in time. Unemployment is not only the main cause of many shades of unbridled corruption but also of unchecked growth of crime, particularly that relating to economic matters.

VI

Corruption cannot be sustained if people are not disposed to it. That depends on people's value system. The two main forces which shape man's values and culture are religion and education. Until the utilitarian concerns emerged in the early nineteenth century, education was not about imparting skills. It was more about 'instilling character, culture and morality into young minds... Oriental schools looked to the works of Confucius and the sayings of Buddha for these virtues. Those in the West looked to the ancient Greek and Roman philosophers and historians, at least as far as the elite were concerned. For the rest, the Bible was the main textbook' (Millennium special issue of *The Economist*). A close study of the early educational institutions in the West will show that they were set up by the Church to profess the Gospel. Those who were assigned to this mission were designated as professors⁴. India's medieval history shows that the same spirit which guided the establishment of educational institutions in the West was the main activating force in its case too. Here is an extract from an authoritative British publication of 1836 (*The Oriental Annual*) :

'Every Hindoo parent looked up the education of his child as a solemn duty, which he owed to his God and to his country, and placed him under the schoolmaster of his village as soon as he had attained his fifth year. The ceremony of introducing him for the first time to the schoolmaster and his scholars was publicly recorded, and was attended with all the solemnity of a religious observance: a prayer being publicly offered up on the occasion to the figure of Ganesa, the Hindoo god of Wisdom, which was at the head of every Hindoo school, imploring him to aid the child in his endeavours to learn and become wise.'

VII

Character-formation could not remain the sole purpose of education for a seemingly endless period of time. The dramatic growth of labour force caused by unchecked growth of population and improvements in the methods of production caused by development of technology which reduced labour-absorbing capacities in both agricultural and industrial sectors shifted the focus to vocationalization of education. The lead for this came from America's Morrill Act signed by President Lincoln in 1861 which led to the establishment of land-grant colleges and 'mandated them to focus on the study of applied subjects such as engineering and technology, agriculture and forestry, medicine and animal husbandry, commerce and business management' (Lord Bowden, 1964). John Durand's calculations and projections quoted in Rostow's *The World Economy* (1978) show that of major areas of the world India (including Pakistan) was among the worst sufferers in respect of increases in the level of employment. Whereas between 1750 and 1900 – a period of 150 years – India's population grew by 50 per cent, between 1900 and 2000 – a period 100 years – it grew by 345.2 per cent. Unemployment is not only the root cause of corruption but also of some other depravities with which the Indian society is afflicted.

VIII

A.C. Pigou who succeeded to Marshall's chair in Cambridge and pioneered the welfare tradition in economics describes gaining 'light' and 'fruit' as the two main purposes of education. In a society carrying a huge backlog of unemployable persons the system must consciously be so designed as to provide skills which lead to gainful employment for individuals and facilitates the process of economic development. Vocationalization of education has, therefore, to be given a high priority. This has come to be realized in all modern societies.

India set on this road during Prime Minister Rajiv Gandhi's tenure. Rajiv Gandhi favoured high-tech managerial approach as the main strategy of development and laid great stress on technical and vocational education. However, he was clear in his view that 'full education system' must include promoting 'Indianness' as its major concern. In his own words: 'Education in India must reinforce our accepted values, ... most of all it must be the key to maintaining an inherent spirituality that has been a part of India for thousands of years.' He was equally clear in his view that since technical and vocational education was cost-intensive, it should not be proceeded with without a clear idea of demand for skills in different sectors of the economy.⁵ He was in a way reflecting upon what the UNESCO report *Learning to be* had earlier described as the main purpose of education : '... preparing men for

a type of society which does not yet exist.'

As India marched towards what its critics described as the 'production line civilization' and accelerated its pace after the Narasimha Rao government launched the programme of radical economic reforms in 1991, it let its education system break loose from its ethical moorings. Values were no longer the concern of the education system. Enabling individuals to make a living and strike riches became its sole *raison d'être*.

The number of unemployed and the rate of unemployment in the country continue to rise, so is the population which is impacting negatively on the poor. This would be clear from the following data extracted from the latest *Economic Survey 2007-08* of the Government of India :

	1993-94	1999-00	2004-05
Rate of unemployment (per cent)	6.06	7.31	8.28
No. of unemployed (million)	20.27	26.68	34.74
Population (million)	893.68	1005.05	1092.83

In a poor country like India mere unemployment figures do not convey the gravity of the situation as a large number of workers (approximately 92 per cent) are underemployed and are engaged in work in the economy's informal sector where wages are low, hours of work long, conditions of work appalling, and social safety nets non-existent. ESCAP's estimates indicate that in 2009 the region is going to add another 7 to 23 million workers to the number of unemployed as a result of the recent downturn in the global economy (ESCAP, 2009). This works to an addition of 1.5 to 2.0 per cent to the existing rate of unemployment in so far as India is concerned.

IX

A shame with which India has lived for a long time is the size of its child labour — the largest in the world, 17 million in 2006 of which 54 per cent is in agriculture (ESCAP, 2006).⁶ Since the negative impact of loss of jobs is mostly on the poor and the socially excluded groups, their financial difficulties force them to keep their children out of school to work to supplement household incomes, thus, aggravating the problem of child labour further.

The situation in respect of highly qualified and trained personnel is no better. There is an increasing number of scams and rackets involving such highly reputed recruitment bodies as Public Service Commissions. Those who are not disposed to adopting corrupt practices are looking for openings for their children

and dependents outside the country. Many recently established educational institutions in the private sector not only cater to the needs of well-off sections of society for internationally recognized technical and professional education but also help their successful products to secure out-migration through their programmes of foreign collaboration.

X

There are noticeable imbalances between demand and supply in many trades, professions, and occupations. This was emphasized in an address at COBSE's* annual conference in 2001 by Dr. H. K. Manmohan Singh who has closely studied what ails India's education system as it has evolved in recent years. This is what he said :

The data on unemployment included in the Ninth Five Year Plan shows that Kerala which is generally regarded as an epitome of all that is best in the field of education is among the three states which have the largest imbalance between creation of employment and growth of labour force, the other two states being Bihar and Punjab. The Approach Paper to the Tenth Five Year Plan does not carry any specific comment on technical and vocational education but describes the performance of the education sector as a whole as 'one of the most disappointing aspects of our development strategy' and calls for a resolve to integrate the country's educational system 'with the economic needs of the people.'

Such a sorry state of affairs would not have arisen if the country had built manpower forecasts - a prerequisite to vocationalization of education.

XI

The foregoing analysis is an attempt to diagnose the main causes of corruption and other evil practices in the Indian economy. Rising levels of unemployment, dispensing with the concern for values from educational programmes, disregarding the long-term consequences of unrestrained growth of population, and developing programmes of skill-formation without any manpower forecasts appear to be the main causes for the menace. The analysis suggests that rather than sheltering behind *laissez faire* the government should actively move in the area of population control, evolve strategies which foster employment, and work out long-term projections of the needs of the economy for various skills, not

* Commonly used abbreviation of Council of Boards of School Education.

overlooking what the noted psychologist, B. F. Skinner (1995) perceived as the ultimate aim of education : 'Education is what survives when what has been learnt has been forgotten'.

Notes

1. The Santhanam Committee had recommended a total ban on corporate funding but the recommendation was diluted by an amendment to the Companies Act which permitted the Board of Directors of the companies to make donations to political parties. [Rajinder Sachar : 'Cause of Clean Politics', *The Tribune*, April 11, 2009].
2. The first American to be awarded Nobel Prize in Economic Sciences in 1970 which was instituted a year earlier.
3. James Tobin too got Nobel Prize in 1981.
4. This is perhaps how the word 'professor' originated.
5. A comment in his address to the First Convocation of the Indira Gandhi National Open University on 21st February 1989.
6. Outside India, her official estimates are considered as patently low. The U.S. government, for example, believes that India has the highest number of child workers in the world and cites in her *Human Development Report* for 1998 the International Labour Organization estimate of 44 million in this regard. Several NGOs, both in India and abroad, place the estimate much higher – anywhere between 55 and 100 million (From the author's own article 'Child Labour in India : Dimensions, Issues and Concerns', published in *Man & Development*, Vol. XXVI, No. 1, March 2004).

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