

Impact of Demonetization on Employment in India

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ABSTRACT:

This paper explores impact of demonetization on employment scenario in India particularly informal sector employment. In India, more than 90 percent people are employed in the informal sector and majority of wage payments to this sector are in cash form. Statistically, more than 95% of total transactions were in cash form (Live Mint, January, 01, 2017). Given the nature of huge informal employment, the decision to demonetize currency overnight changed the labour market dynamics significantly by rendering millions of workers exposed to increased uncertainties in employment. Findings of the study suggest that demonetization was the prime cause of the income and employment slowdown. Sales of large equipment and machinery in rural areas fell down considerably cutting down jobs in the face of note ban.

KEY WORDS: Demonetization, Informal Sector, Employment, GDP

Demonetization has affected various sectors of the economy. However, among all implications, the impact of demonetization on 'employment' is worth pondering. In India, more than 90 percent people are employed in the informal sector and majority of wage payments to this sector are in cash form. Statistically, more than 95% of total transactions were in cash form (Live Mint, January, 01, 2017). Given the nature of huge informal employment, the decision to demonetize currency overnight changed the labour market dynamics significantly by rendering millions of workers exposed to increased uncertainties in employment. In the recent past, Indian labour market has witnessed numerous uncertainties including the problem of world recession and growing automation in the manufacturing sector. Moreover, the impact of information and communication technology (ICT) on employment growth is far from being conclusive. In such a situation, policy initiative like demonetization by stealth added further volatilities and uncertainties in the labour market. Right after one year post-demonetization, most economic indicators suggested a worsening of the situation. It is easy to conclude that demonetization was the prime cause of the slowdown. Sales of large equipment and machinery in rural areas have fallen considerably cutting down jobs in the face of note ban.

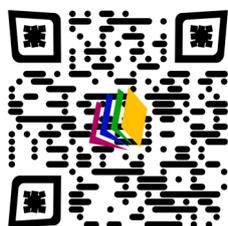
The recession caused by global crisis of 2008 had not yet fully faded away, in this backdrop 86% currencies were demonetized and undoubtedly its negative impact on employment was observed particularly in the unorganized sector. According to NCEUS (2009) there is increasing informalisation of formal sector over a period of time. It is also worth mentioning that increasing



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