

## **UNEMPLOYMENT IN INDIA: CAUSES, TRENDS AND REMEDIES**

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### **Abstract:**

Unemployment is a situation when a person actively searches for a job and is unable to find work. Unemployment indicates the health of the economy. The unemployment rate is the number of people unemployed divided by the working population or people working under labour force. In addition to the very long durations of unemployment, the preponderance of casual wage employment and self-employment in developing countries including India implies that these economies are also likely to have unemployment spells for very short durations of time. Unemployment in India, both in terms of magnitude and severity, indeed poses a formidable challenge. The National Sample Survey Office (NSSO) is the key governmental agency in India at the national and state levels to study employment, unemployment and unemployment rates through sample surveys. Mobilization of resources, accelerated growth, selective pattern of investment, proper choice of techniques, appropriate spectrum of economic activities in rural and urban areas with due consideration to the capital-employment ratios and the availability of complementary factors of production suggest the multipronged approach required to tackle the problem. For instance, construction activity has large employment potential and is needed in the villages so far as the creation of temporary employment is concerned. Therefore, from the production as well as employment point of view, the construction activity must be given top priority. This communication deals with the existing literature on unemployment spells in developing countries by documenting the features of both relatively short as well as long duration unemployment spells in India.

**Key Words:**India, Unemployment, Population, Labour, Investment

## **1.Introduction**

**Unemployment** is the condition of individual who is capable of working, actively seeking work, but unable to find any work [1]. It is important to note that to be considered unemployed a person must be an active member of the labour force and in search of remunerative work. *Underemployment* is the term used to designate the situation of those who are able to find employment only for shorter than normal period's part-time workers, seasonal workers, or day or casual workers. The term may also describe the condition of workers whose education or training makes them overqualified for their jobs. Statistics on unemployment are collected and analyzed by government labour offices in most countries and have come to be considered a chief indicator of economic health [2]. Trends in unemployment and statistical differences among groups in the population are studied for what they may reveal of general economic trends and as bases for possible governmental action at global level [3]. National Sample Survey Organization (NSSO) defines employment and unemployment on the following activity statuses of an individual.

**Unemployment rate = (Unemployed Workers / Total labour force) × 100**

NSSO, an organization under MoSPI – Ministry of Statistics and Programme Implementation measures India's unemployment on three approaches [4]:

1. Daily Status Approach: unemployment status of a person under this approach is measured for each day in a reference week. A person having no gainful work even for one hour in a day is described as unemployed for that day.
2. Weekly Status Approach: This approach highlights the record of those persons who did not have gainful work or were unemployed even for an hour on any day of the week preceding the date of the survey.
3. Usual Status Approach: This gives the estimates of those persons who were unemployed or had no gainful work for a major time during the 365 days.

## **2. Types of Unemployment in India**

In India, there are seven types of unemployment which are discussed below:

- a. Disguised Unemployment: This is a type of unemployment where people employed are more than actually needed [5]. Disguised unemployment is generally traced in unorganized sectors or the agricultural sectors.
- b. Structural Unemployment: This unemployment arises when there is a mismatch between the worker's skills and availability of jobs in the market. Many people in India do not get job matching to their skills or due to lack of required skills they do

not get jobs and because of poor education level, it becomes important to provide them related training [6].

- c. Seasonal Unemployment: That situation of unemployment when people do not have work during certain seasons of the year such as labourers in India rarely have occupation throughout the year [6].
- d. Vulnerable Unemployment: People are deemed unemployed under this unemployment. People are employed but informally i.e. without proper job contracts and thus records of their work are never maintained. It is one of the main types of unemployment in India [7].
- e. Technological Unemployment: The situation when people lose their jobs due to advancement in technologies. In 2016, the data of the World Bank predicted that the proportion of jobs threatened by automation in India is 69% year-on-year [7].
- f. Cyclical Unemployment: Unemployment caused due to the business cycle, where the number of unemployed heads rises during recessions and declines with the growth of the economy. Cyclical unemployment figures in India are negligible [8].
- g. Frictional Unemployment: This is a situation when people are unemployed for a short span of time while searching for a new job or switching between jobs. Frictional Unemployment also called Search Unemployment is the time lag between the jobs. Frictional unemployment is considered as voluntary unemployment because the reason for unemployment is not a shortage of jobs, but in fact, the workers themselves quit their jobs in search of better opportunities [8].

### **3. Causes of Unemployment in India**

The major causes of unemployment in India are as mentioned below:

- Large population [9].
- Lack of vocational skills or low educational levels of the working population.
- Labour-intensive sectors suffering from the slowdown in private investment particularly after demonetization
- The low productivity in the agriculture sector plus the lack of alternative opportunities for agricultural workers that makes transition among the three sectors difficult.
- Legal complexities, inadequate state support, low infrastructural, financial and market linkages to small businesses making such enterprises unviable with cost and compliance overruns.

- Inadequate growth of infrastructure and low investments in the manufacturing sector, hence restricting the employment potential of the secondary sector.
- The huge workforce of the country is associated with the informal sector because of a lack of required education or skills, and this data is not captured in employment statistics.
- The main cause of structural unemployment is the education provided in schools and colleges are not as per the current requirements of the industries.
- Regressive social norms that deter women from taking/continuing employment [10].

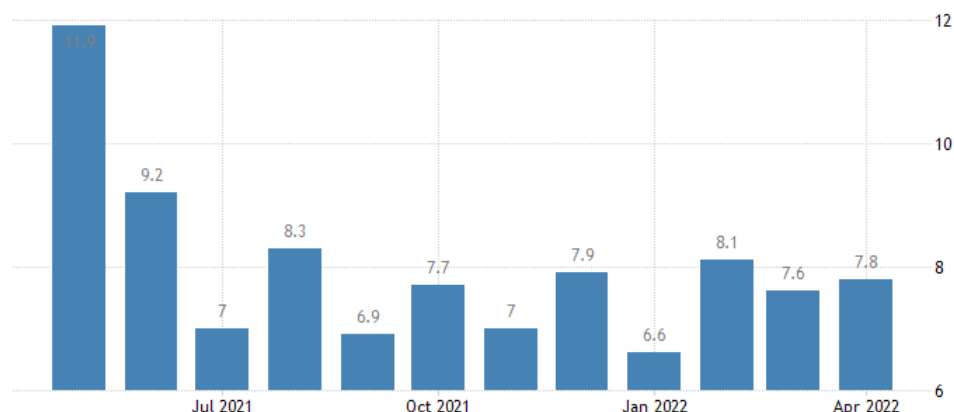
#### 4. Basic Patterns and Trends of Unemployment

The incidence of unemployment for the entire week is higher in urban areas than in rural areas, with the incidence being highest among urban females. Between 2018 and 2022, there has been an increase in unemployment in rural areas, the increase being sharper for females than males, while the unemployment in urban areas has reduced for both males and females [11]. As mentioned above, those unemployed on all seven days of the week are further classified in the NSS into eight groups based upon the duration of their current/in progress spell from exactly one week to more than a year. In terms of gender-wise differences, the Eastern and Southern regions of India have markedly higher incidence of unemployment among females as compared to males. Consistent with the all-India pattern, the share of those unemployed for longer-durations is higher in urban areas than in rural areas across all the regions. It is not clear that any discernible patterns with respect to the regional representation of those unemployed for shorter durations of two months or less.

In India, the unemployment rate is estimated by directly interviewing a large sample of randomly selected households [12]. Centre for Monitoring Indian Economy Consumer Pyramids panel of households includes over 174,405 households including over 522,000 members who are over 15 years old. A summarized unemployment in India (2018 – 2022) is given below [13]:

Actual	Previous	Highest	Lowest	Years	Unit	Frequency
7.80	7.60	23.50	6.50	2018 - 2022	percent	Monthly

The following graph shows the unemployment rate in India from July 2021 to April 2022



**Fig 1. Unemployment rate from July 2021 to April 2022**

Particulars	Last	Previous	Unit	Reference
<u>Unemployment Rate</u>	7.80	7.60	percent	Apr 2022

## 5. Removal remedies of Unemployment

Several policies have been initiated by the government to reduce the unemployment problem in the economy [14]. The policies to reduce unemployment are highlighted below:

- In 1979 the government launched TRYSEM – Training of Rural Youth for Self-Employment. The objective of this scheme was to help unemployed youth of rural areas aged between 18 and 35 years to acquire skills for self-employment. The priority under this scheme was given to women and youth belonging to SC/ST category.
- The Government launched the IRDP – Integrated Rural Development Programme (IRDP) in the year 1980 to create full employment opportunities in rural areas.
- A new initiative was tried namely RSETI/RUDSETI in 1982 jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Canara Bank and Syndicate Bank. The aim of RUDSETI, the acronym of Rural Development And Self Employment Training Institute was to mitigate the unemployment problem among the youth. Rural Self Employment Training Institutes/ RSETIs are now managed by Banks with active cooperation from the state and central Government.
- The Jawahar Rozgar Yojana (JRY) was started in April 1989 by merging the two existing wage employment programme i.e. RLEGP – Rural Landless Employment

Guarantee Programme and NREP – National Rural Employment Programme on an 80:20 cost-sharing basis between the state and centre.

- MNREGA – Mahatma Gandhi National Rural Employment Guarantee Act launched in 2005 providing the right to work to people. An employment scheme of MGNREGA aimed to provide social security by guaranteeing a minimum of 100 days paid work per year to all the families whose adult members opt for unskilled labour-intensive work. For details on MNREGA check the link provided.
- PMKVY – Pradhan Mantri Kaushal Vikas Yojana was launched in 2015. The objective of PMKVY was to enable the youth of the country to take up industry-relevant skill training in order to acquire a secured better livelihood. For further details on Pradhan Mantri Kushal Vikas Yojana check the given link.
- The government launched the Start-Up India Scheme in 2016. The aim of Startup India programmes was to develop an ecosystem that nurtures and promotes entrepreneurship across the nation. Check detailed information on Startup India Scheme in the given link.
- Stand Up India Scheme also launched in 2016 aimed to facilitate bank loans to women and SC/ST borrowers between Rs 10 lakh and Rs. 1 crore for setting up a Greenfield enterprise.
- National Skill Development Mission was set up in November 2014 to drive the ‘Skill India’ agenda in a ‘Mission Mode’ in order to converge the existing skill training initiatives and combine scale and quality of skilling efforts, with speed. Check the National Skill Development Mission in detail.

Like the above-mentioned schemes, there are various other schemes launched by the Government of India in order to address the social and economic welfare of the citizens and the nation [15].

Beside Government policies, there are so many ways to reduce the unemployment problem. Some of the significant steps that should be taken into consideration are as follows [16]:

- There are number of labour intensive manufacturing sectors in India such as food processing, leather and footwear, wood manufacturers and furniture, textiles and apparel and garments. Special packages, individually designed for each industry are needed to create jobs.
- Public investment in sectors like health, education, police and judiciary can create many government jobs.

- Decentralization of Industrial activities is necessary so that people of every region get employment.
- Development of the rural areas will help mitigate the migration of the rural people to the urban areas thus decreasing the pressure on the urban area jobs [17].
- Entrepreneurs generate employments to many in a country; therefore government needs to encourage entrepreneurship among the youth.
- Concrete measures aimed at removing the social barriers for women's entry and their continuous participation in the job market is needed.
- Government needs to keep a strict watch on the education system and should try to implement new ways to generate skilled labour force.
- Effective implementation of present programs like Make in India, Skill India, Start up and Stand-Up India.
- There is a need for National Employment Policy (NEP) that would encompass a set of multidimensional interventions covering a whole range of social and economic issues affecting many policy spheres and not just the areas of labour and employment [18]. The policy would be a critical tool to contribute significantly to achieve the goals of the 2030 Agenda for Sustainable Development.

## **6. Conclusion**

Unemployment in India has traditionally focused on summary indicators such as the unemployment rate, measured through various approaches provided by the National Sample Surveys (NSS): the Usual Principal Status (UPS), Usual Principal and Subsidiary Status (UPSS), Current Weekly Status (CWS), and Current Daily Status (CDS). Some of the features that this literature has highlighted include the following: as per the UPS, unemployment rate is small and stable, it is higher for the younger sections of the population, and the level of education is higher and poverty is lower among the unemployed as compared to the employed. Employment generation has been seen as imperative for tackling India's poverty and for effectively leveraging the expected rise in the country's share of working age population referred to as the 'demographic dividend' an issue that has attracted global attention. The employment scenario in recent years has shown some encouraging indications. Estimates of employment generated in the terminal year of the Sixth Plan show an excess over the targets for the year in India. On the industrial front, many fiscal incentives etc. are being discussed and given. They will certainly help to eradicate the unemployment. Some of the industries like cash crops,

plantation, food grains, mining, ceramics, glassware, brick making etc. are most employment intensive industries. Though some of the industries create very little employment within themselves, yet through the purchases they make from other industries, they are very employment intensive. So, such industries should be given fiscal incentives to develop their working, resulting thereby the increase in the employment. The third area of policy is science and technology, with the help of which intensiveness of employment can be improved considerably. But technology should be such that productivity is not low and employment generated is also not low. We can either get more employment by changing the ratio of investment in favour of whatever is more labour-intensive or within each sector we choose the more labor-intensive technology. First policy is the policy of product-mix which is more labour-intensive. Second policy is the policy of technology-mix within each industry, such as we get a little more employment in developing countries including India.

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