

Unemployment in India

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ABSTRACT

Not just in India, but around the world, unemployment is a serious problem. It is one of the main barriers to the development of our country. When talented and skilled people cannot find a suitable job for themselves for various reasons, this is referred to as being unemployed. The employment rate's effect on the growth of the economy as a whole is the focus of this research. The study concentrates on the present status of unemployment in both urban and rural areas and uses secondary data sources. This paper also discusses the economic issues caused by the high unemployment rate and suggests ways to improve the nation's employment situation. This paper focused on the current situation of unemployment and its various causes.

Keywords: *Unemployment, unskilled, employment, rural and urban.*

INTRODUCTION

When a person actively seeks jobs but is unable to do so, they are said to be unemployed. As an important indicator of the status of the economy, unemployment is often used. The rate of unemployment is the most widely used indicator of unemployment. It is calculated by dividing the total labor force by the number of unemployed people.

In purely economic terms, everyone who can work but cannot find a job is considered unemployed. Since it was first recognized in the 1950s, unemployment in India continues to be a source of concern. Until the initial 5-year plan was drafted in the years 1950–1951, the India Government had only a limited initiative for employment development during that time. With the help of this strategy, the medium-term perspective on reaching the goal of increasing employment and the labor force was improved overall and in specific sectors. The Seventh 5-Year Plan (1985–1990) was the first to place employment at the center of the growth technique. Employment was listed as one of the 3 vital dimensions of state policy in the Ninth 5-Year Plan (1997–2002), along with people, quality of regional harmony, and living. The Eleventh 5-Year Plan (2007–2012) was generally concentrated on "inclusive" progress, and conceived employment was seen as the main component of this. Consequently, since India's independence, the issue of unemployment has received significant attention.

REVIEW OF LITERATURE

(Nair, 2020) the purpose of this paper is to examine the factor important to unemployment and their impacts on the Indian economy. The study is concerned with the impact of employment rates on overall economic growth. In this study, data sources i.e., secondary data and the current unemployment status in urban and rural areas are the main research topics. The paper explores the impact of the high unemployment rate on the economy and makes recommendations for improving the condition of employment in the country.

(Kumar, & Shobana) This paper examines the situation and causes of unemployment in India within the current market context. It also examines the effects of different government initiatives aimed at reducing unemployment. The government is precisely worried about organizing jobs for young people and increasing levels of young people's unemployment due to not only social issues but also direct economic costs like scarcity, acid attacks, laborforce, drugs, inadequate education planning, inappropriate education system, neoliberal economic policy, and several poverty causes. It also recommends some resolutions to these urgent issues with unemployment.

According to a report from the UN and ILO, the unemployment rate was 7.11 percent in 2020. The study offers and enhances several strategies for India's current unemployment problem. (Kumar & Pandey, 2021) Examining the status of unemployment and its causes is the aim of the study. The government has taken steps in response to the unemployment issue and has made suggestions for solutions. This study uses a descriptive approach to analyze the problems regarding the PMEGP scheme and the government's efforts to address the issue of unemployment in the Indian economy.

Types of Unemployment

Structural Unemployment: Rooted in mismatches between the **skills possessed by the workforce and the requirements** of available positions, this form of unemployment highlights systemic issues within the labour market.

Cyclical Unemployment: Tied to economic cycles, this type escalates during economic downturns and diminishes during periods of expansion, showcasing the sensitivity of job availability to macroeconomic conditions.

Frictional Unemployment/Transitional Unemployment: Also called transitional unemployment, arising from the natural transition between jobs, this type reflects the temporary period individuals spend searching for new employment opportunities.

Underemployment: While not strictly unemployment, this concept pertains to individuals employed in positions that underutilize their skills or provide insufficient working hours, contributing to a sense of economic inefficiency.

Hidden Unemployment: Refers to individuals who are not actively seeking employment due to discouragement or other factors but could potentially enter the job market if conditions improve.

Disguised Unemployment: It arises because more labourers work in the factory/land than are required. Hence productivity i.e., **production per unit of labour will be less.**

What are the Major Causes of Unemployment in India

Population Size:

- India's substantial population amplifies the **competition for employment** opportunities, putting additional pressure on the job market.
- Managing this demographic challenge **necessitates a comprehensive approach to economic development** and job creation.

Skills Mismatch:

- A predominant cause, where the **skills possessed by the workforce may not align with the evolving demands** of the job market. Addressing this issue requires initiatives focused on enhancing education and vocational training programs.

Informal Sector Dynamics:

- The prevalence of the informal sector introduces complexities in tracking and addressing unemployment. Efforts **to formalise and regulate this sector** can contribute to a more accurate representation of employment conditions.

Policy Implementation Challenges:

- Well-intentioned policies may face challenges in effective implementation, impacting their ability to generate employment. **Streamlining policy execution** and ensuring alignment with ground realities are imperative.

Global Economic Factors:

- Influences from the global economy, such as **trade dynamics and geopolitical shifts, can impact India's employment scenario.** Crafting policies that enhance economic resilience to external factors is essential.

Impact Of Unemployment

The unemployment in any nation have the following effects on the economy:

- The problem of unemployment gives rise to the problem of poverty.
- The government suffers extra borrowing burden because unemployment causes a decrease in the production and less consumption of goods and services by the people.
- Unemployed persons can easily be enticed by antisocial elements. This makes them lose faith in the democratic values of the country.
- People unemployed for a long time may indulge in illegal and wrong activities for earning money which increases crime in the country.
- Unemployment affects the economy of the country as the workforce that could have been gainfully employed to generate resources actually gets dependent on the remaining working population, thus escalating socio-economic costs for the state. For instance, a 1 % increase in unemployment reduces the GDP by 2 %.
- It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading to losses to the human resources of the country.

RESULTS AND DISCUSSIONS

The PLFS aims to provide quarterly changes of various indicators of Labour market for urban areas and the annual estimate of different labour force indicators for both rural as well as urban areas at State/UT and all India level. The survey period of PLFS survey is 1st July to 30th June of next year.

As per annual PLFS report, the Labour Force participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) in usual status for persons of age 15 years and above were as follows:

Table 1: Unemployment rate

(in percentage)

Years	WPR	LFPR	UR
2017-18	46.8	49.8	6.0
2018-19	47.3	50.2	5.8
2019-20	50.9	53.5	4.8
2020-21	52.6	54.9	4.2

Source: Directorate General of Employment

The above table indicates that Labour Force and Work Force in the country increased steadily and on the other hand Unemployment Rate has declined.

Employment Indicators for Rural Sector

Labour Force participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) according to usual status for persons of age 15 years and above in Rural sector were as follows:

Table 2: Gender wise unemployment rate in rural India

(in percentage)

Years	WPR			LFPR			UR		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
2017-18	72.0	23.7	48.1	76.4	24.6	50.7	5.7	3.8	5.3
2018-19	72.2	25.5	48.9	76.4	26.4	51.5	5.5	3.5	5.0
2019-20	74.4	32.2	53.3	77.9	33.0	55.5	4.5	2.6	3.9
2020-21	75.1	35.8	55.5	78.1	36.5	57.4	3.8	2.1	3.3

Source: Directorate General of Employment

The data in the above table indicates

- Labour force and work force in rural areas of the country has increased.
- Unemployment Rate has declined to 2.4% in rural areas during 2020-21.

Employment Indicators for Urban Sector

Labour Force participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) according to usual status for persons of age 15 years and above in Urban sector were as follows

Table 3: Gender wise unemployment rate in urban India

(in percentage)

Years	WPR			LFPR			UR		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
2017-18	69.3	18.2	43.9	74.5	20.4	47.6	6.9	10.8	7.7
2018-19	68.6	18.4	43.9	73.7	20.4	47.5	7.0	9.8	7.6
2019-20	69.9	21.3	45.8	74.6	23.3	49.3	6.4	8.9	6.9
2020-21	70.0	21.2	45.8	74.6	23.2	49.1	6.1	8.6	6.7

Source: Directorate General of Employment

The data in the above table indicates Unemployment Rate has declining trend over the years in urban areas and stood at 5.4% during 2020-21.

Gender-wise Employment Indicators

Gender-wise data on employment indicators viz., LFPR, WPR and Unemployment Rate (UR) according to usual status for persons of age 15 years and above are as follows

Table 4: Gender wise unemployment rate in India

Years	(in percentage)		
	WPR	LFPR	UR
Male			
2017-18	71.2	75.8	6.1
2018-19	71.0	75.5	6.0
2019-20	73.0	76.8	5.0
2020-21	73.5	77.0	4.5
Female			
2017-18	22.0	23.3	5.6
2018-19	23.3	24.5	5.1
2019-20	28.7	30.0	4.2
2020-21	31.4	32.5	3.5

Source: Directorate General of Employment

The above table discloses that the gender wise classification of unemployment rate from 2017-18 to 2020-21 in India. It is found that in both male female employment growth rate has been declining trends in last six years period in India.

Table 5: Employment Indicators viz., LFPR, WPR and UR according to usual status for persons of age 15 years and above since 2011-12 to 2020-21

Years		2011-12	2012-13	2013-14	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Labour Force participation Rate (LFPR)										
Rural	Male	79.4	78.7	76.4	78.0	78.0	76.4	76.4	77.9	78.1
	Female	33.9	29.9	36.4	31.7	29.5	24.6	26.4	33.0	36.5
	Total	57.9	55.5	58.8	55.8	54.8	50.7	51.5	55.5	57.4
Urban	Male	73.7	73.2	74.0	69.1	73.6	74.5	73.7	74.6	74.6
	Female	19.1	17.8	19.7	16.6	20.1	20.4	20.4	23.3	23.2
	Total	48.0	46.7	47.9	43.7	47.6	47.6	47.5	49.3	49.1
Rural + Urban	Male	77.9	77.2	75.7	75.5	76.8	75.8	75.5	76.8	77
	Female	30.0	26.5	31.1	27.4	26.9	23.3	24.5	30.0	32.5
	Total	55.4	53.1	55.6	52.4	52.8	49.8	50.2	53.5	54.9
Worker Population Ratio (WPR)										
Rural	Male	77.5	76.1	74.3	75.7	75.6	72.0	72.2	74.4	75.1
	Female	32.5	28.7	35.1	30.2	28.1	23.7	25.5	32.2	35.8
	Total	56.3	53.6	57.1	53.9	52.9	48.1	48.9	53.3	55.5
Urban	Male	71.3	70.4	71.4	67.1	70.8	69.3	68.6	69.9	70.0
	Female	17.0	15.7	17.5	14.8	17.8	18.2	18.4	21.3	21.2
	Total	45.8	44.2	45.5	41.8	45.0	43.9	43.9	45.8	45.8
Rural + Urban	Male	75.9	74.5	73.5	73.3	74.3	71.2	71.0	73.0	73.5
	Female	28.5	25.0	29.6	25.8	25.2	22.0	23.3	28.7	31.4
	Total	53.6	51.0	53.7	50.5	50.7	46.8	47.3	50.9	52.6
Unemployment Rate (UR)										
Rural	Male	2.4	3.3	2.7	2.9	3.1	5.7	5.5	4.5	3.8
	Female	4.1	4.2	3.4	4.7	4.7	3.8	3.5	2.6	2.1
	Total	2.9	3.5	2.9	3.4	3.5	5.3	5.0	3.9	3.3
Urban	Male	3.1	3.9	3.5	3.0	3.8	6.9	7.0	6.4	6.1
	Female	11.2	11.7	10.8	10.9	11.2	10.8	9.8	8.9	8.6
	Total	4.7	5.3	4.9	4.4	5.3	7.7	7.6	6.9	6.7
Rural + Urban	Male	2.6	3.5	2.9	3.0	3.3	6.1	6.0	5.0	4.5
	Female	5.3	5.6	4.9	5.8	6.1	5.6	5.1	4.2	3.5
	Total	3.3	4.0	3.4	3.7	3.9	6.0	5.8	4.8	4.2

Source: (i) Labour Bureau Survey Reports for 2011-12 to 2016-17, and (ii) Annual PLFS Survey reports for 2017-18 to 2022-23

(Note: the results of Labour Bureau Survey are not comparable with the results of PLFS results due to the different survey methodologies)

The data in the above table indicates

- For Male, WPR and LFPR showed a significant rise over the years.
- For Male, unemployment rate has declined to 3.3% during 2020-21 from 6.1% in 2017-18.

For Female, WPR and LFPR has increasing trend and unemployment rate has declining trend

CONCLUSIONS

We can say that India's unemployment issue is now at a critical point. However, governments and local authorities should need to take these problems seriously and work to overcome unemployment in India. Also, the government should create employment opportunities for willing workers, increase the number of employment opportunities in rural areas, and enhance the interview process. Moreover, to fully resolve the issue of unemployment and overcrowding in India, we must first address the main issue of unemployment, which is a serious concern and significant challenge that must be recognized and also eradicated from the country.

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