

Unemployment: as a Measure of the Health of the Indian Economy

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SUMMARY

Unemployment is a powerful and major factor in determining the economic efficiency. Unemployment comes from different causes. The major causes of unemployment in India are the lack of the stock of physical capital, use of capital intensive techniques, inequitable distribution of land, rigid protective labour legislation, large population, low or no educational levels and vocational skills of working population, inadequate state support, legal complexities and low infrastructural, financial and market linkages to small/ cottage industries or small businesses, inadequate growth of infrastructure, low investments in manufacturing sector, low productivity in agriculture sector combined with lack of alternative opportunities for agricultural worker and so on. Beside this, the syllabus taught in schools and colleges, being not as per the current requirements of the industries. This is the main cause of structural unemployment.

INTRODUCTION

Unemployment occurs when a person who is actively searching for employment unable to find a suitable work. Unemployment is used as a measure of the health of the economy. National Sample Survey Organization (NSSO) defines employment and unemployment in three categories, such as working (engaged in an economic activity) i.e. 'employed', seeking or available for work i.e. 'unemployed' and neither seeking nor available for work. The unemployment rate is the number of unemployed people divided by the number of people in the labor force.

$$\text{Unemployment rate} = (\text{Unemployed Workers} / \text{Total labour force}) \times 100$$

Types of Unemployment in India

- 1. Open Unemployment** is a situation where in a large section of the labour force does not get a job that may yield them regular income. Here, the labour force expands at a faster rate than the growth rate of economy. Therefore all people do not get jobs.
- 2. Disguised Unemployment** is a situation of employment with surplus manpower in which some workers have zero marginal productivity. It is generally traced in the agricultural and the unorganised sectors of India because of overcrowding in agriculture due to rapid growth of population and lack of alternative job opportunities.
- 3. Structural Unemployment** is a natural outcome of economic development and technological advancement and innovation due to drastic changes in the economic structure of a country. Many people in India do not get job due to lack of requisite skills and poor educational level.
- 4. Seasonal Unemployment** occurs during certain seasons of the year. In some occupations like agriculture, holiday resorts, ice factories etc., production activities take place only a certain period of time in a year.
- 5. Cyclical Unemployment** occurs during recessions and declines with economic growth. In India it is negligible. It is a short-run phenomenon that is mostly found in capitalist economies.
- 6. Technological Unemployment** is loss of jobs due to certain changes in the techniques and technologies of production. Modern technology being capital intensive requires fewer labourers and contributes to this kind of unemployment. For an example, in 2016, World Bank data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.
- 7. Voluntary Unemployment** happens when people are not able to find employment that matches their expectations. It is functionally a type of frictional unemployment.
- 8. Frictional or Search Unemployment** refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs. It is caused due to improper adjustment between supply of labour and demand for labour. . It is often considered as a voluntary unemployment because it is not caused due to the shortage of job, but in fact, the workers themselves quit their jobs in search of better opportunities.
- 9. Institutional Unemployment** explains how interference in the labor market can create unemployment. The government set taxes, create price floors or price ceilings, and indirectly support other factors of institutional unemployment such as labor unions.

10. Vulnerable Unemployment means, people working informally, without proper job contracts and thus sans any legal protection. These persons are deemed ‘unemployed’ since records of their work are never maintained.

11. Underemployment is a situation in which people employed contribute less than their capacity to production. For example a Post Graduate may work as a clerk.

12. Educated Unemployment may be either open or underemployment. Faulty education system, mass output, preference for white collar jobs, lack of employable skills and dwindling formal salaried jobs are mainly responsible for unemployment among educated youths in India.

13. Casual Unemployment may occur due to short-term contracts, shortage of raw materials, fall in demand, change of ownership etc.

14. Chronic Unemployment continues to be a long term feature of a country due to rapid growth of population and inadequate level of economic development on account of vicious circle of poverty.

India Unemployment rate from 1991 to 2019:

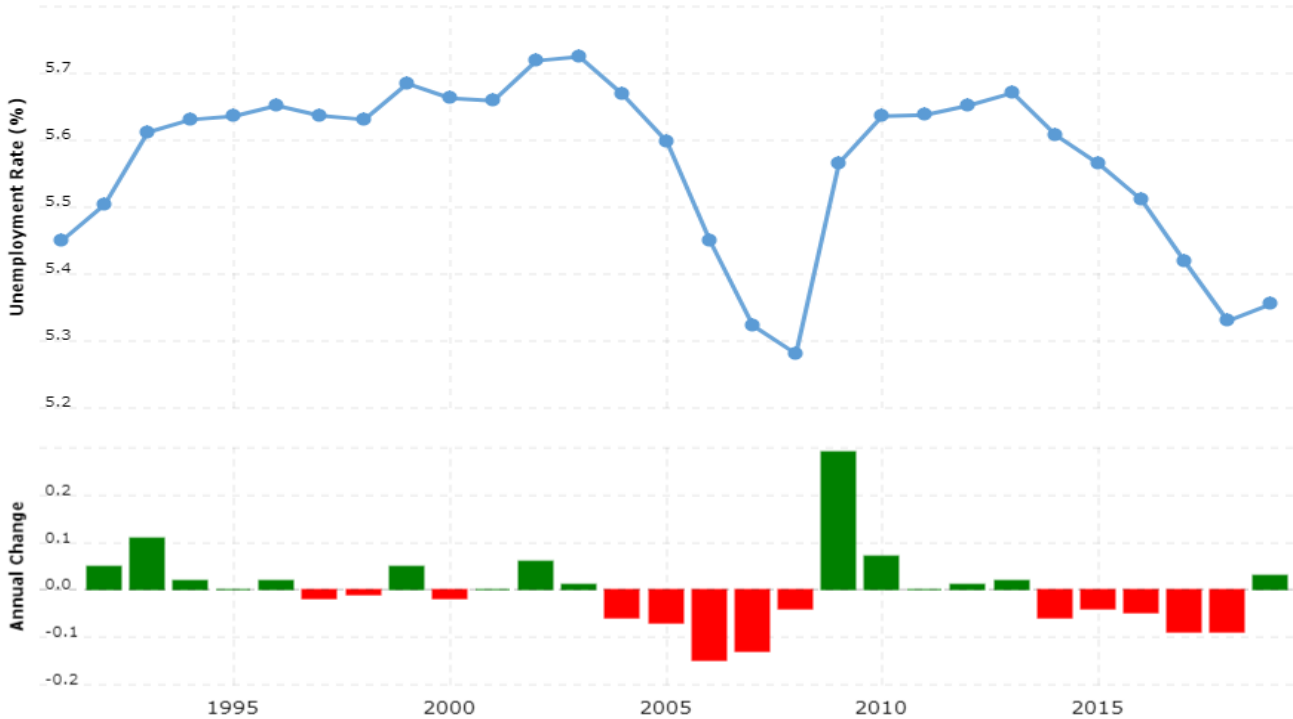
The World Bank provides data for India from 1991 to 2019. The average value for India during that period was 5.57 percent with a minimum of 5.28 percent in 2008 and a maximum of 5.73 percent in 2003.

Year	Unemployment rate (%)	Annual Change in unemployment rate (%)	% of Total Labour force ages 15-24 (%)	Annual Change in Youth unemployment rate (%)
2019	5.36	0.03	23.34	0.49
2018	5.33	-0.09	22.85	0.13
2017	5.42	-0.09	22.72	0.14
2016	5.51	-0.05	22.58	0.24
2015	5.57	-0.04	22.34	0.27
2014	5.61	-0.06	22.07	0.22
2013	5.67	0.02	21.85	0.46
2012	5.65	0.01	21.39	0.56
2011	5.64	0.00	20.84	0.54
2010	5.64	0.07	20.30	0.63
2009	5.57	0.29	19.67	1.17
2008	5.28	-0.04	18.50	0.39
2007	5.32	-0.13	18.11	0.05
2006	5.45	-0.15	18.07	-0.03
2005	5.60	-0.07	18.10	-0.07
2004	5.67	-0.06	18.16	-0.03
2003	5.73	0.01	18.20	0.06
2002	5.72	0.06	18.14	0.25
2001	5.66	0.00	17.89	0.06
2000	5.66	-0.02	17.83	0.08
1999	5.69	0.05	17.75	0.18
1998	5.63	-0.01	17.56	0.04
1997	5.64	-0.02	17.53	0.08
1996	5.65	0.02	17.44	0.12
1995	5.64	0.00	17.33	0.09
1994	5.63	0.02	17.24	0.10
1993	5.61	0.11	17.14	0.36
1992	5.50	0.05	16.79	0.18
1991	5.45	0.05	16.60	0.18

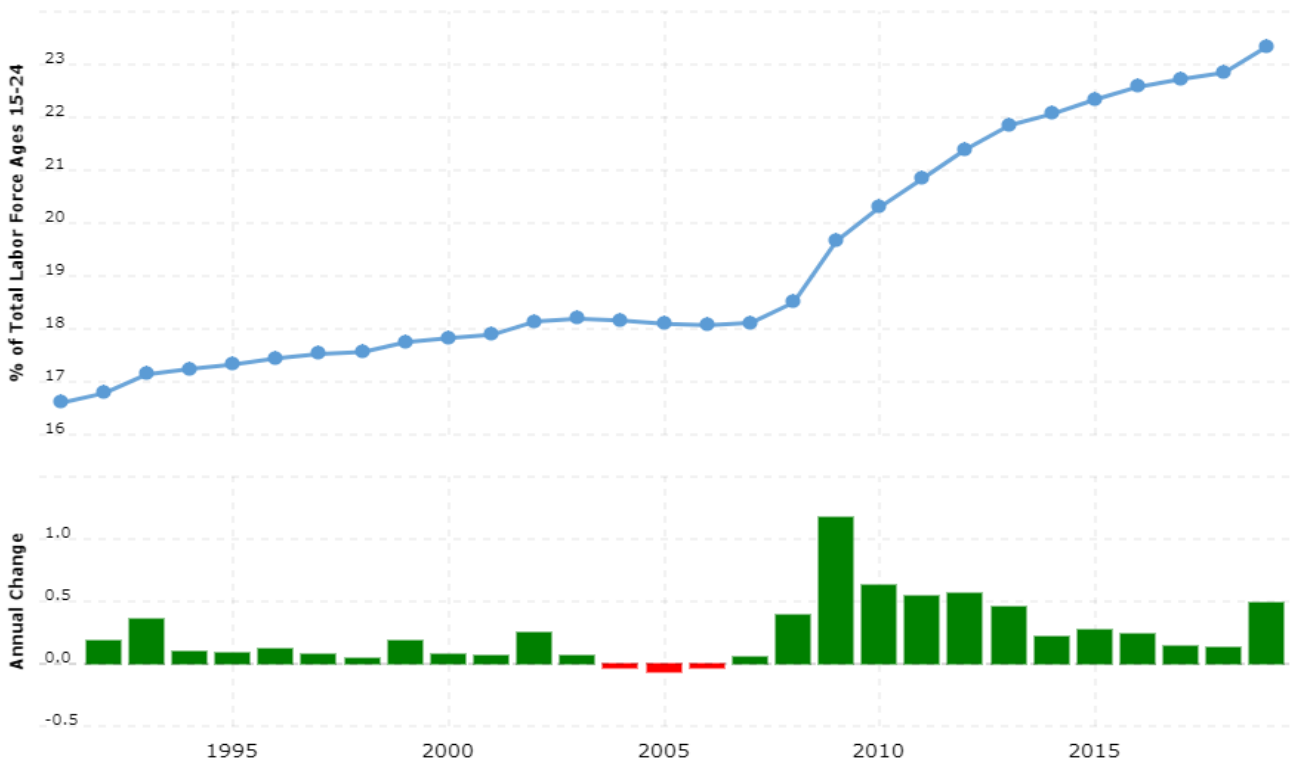
Source: World Bank, 2019

India unemployment rate for 2019 was **5.36%**, a **0.03% increase** from 2018. Youth unemployment rate refers to the share of the labor force ages 15-24 without work but available for and seeking employment. India youth unemployment rate for 2019 was **23.34%**, a **0.49% increase** from 2018.

A. Annual Change with Unemployment Rate from 1991 to 2019:



B. Annual Change with Percentage of Total Labour Force Ages 15-24 from 1991 to 2019:



Role of agriculture for generating employment opportunities:

An important factor responsible for unemployment is the neglect of agriculture for generating employment opportunities. Agriculture, modern mechanization of various agricultural operations despite the existence of surplus labour has reduced the employment-augmenting effect of new high-yielding technology involving the use of HYV seeds, fertilizers and pesticides. This has prevented the generation of enough employment opportunities in rural areas. Another cause of unemployment prevailing in India is inequitable distribution of land so that many agricultural households have no adequate access to land which is an important asset for agricultural production and employment. Agriculture though containing surplus labour can generate employment opportunities if proper strategy for its development is adopted. Irrigation requires more labour for watering the fields, since output per hectare on irrigated land is much higher; more labour is used for harvesting and threshing the crop. The new agricultural technology, commonly called green revolution technology, involving the use of HYV (High Yielding Varieties) seeds, double or multiple cropping greatly enhances the opportunities of employment generation in agriculture. For an example of large employment generation in agriculture is the experience of Punjab, Haryana and Western U P.

Steps Taken by Government:

- Integrated Rural Development Programme (IRDP) was launched in 1980 to create full employment opportunities in rural areas.
- Training of Rural Youth for Self-Employment (TRYSEM) was started in 1979 to help unemployed rural youth. RSETI or RUDSETI (Rural Development And Self Employment Training Institute) was launched with the aim of mitigating the unemployment problem among the youth.
- Jawahar Rozgar Yojana (JRY) was started with effect from April, 1, 1989 by merging the two wage employment programme – National Rural Employment programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP).
- Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) is an employment scheme that was launched in 2005 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.
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY), launched in 2015 has an objective of enabling a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood.
- Start Up India Scheme was launched in 2016 aims at developing an ecosystem that promotes entrepreneurship across the country.
- Stand Up India Scheme was also launched in 2016 aims to facilitate bank loans between Rs 10 lakh and Rs. 1 crore to at least one SC or ST borrower and at least one women borrower per bank branch for setting up a greenfield enterprise.
- National Employment Policy (NEP) would be a critical tool to contribute significantly to achieve the goals of the 2030 Agenda for Sustainable Development. The underlying principles for the National Employment Policy may include enhancing human capital through skill development, creating sufficient number of decent quality jobs for all citizens in the formal and informal sectors to absorb those who are available and willing to work, strengthening social cohesion and equity in the labour market, convergence in various initiatives taken by the government, supporting the private sector and self-employed persons by strengthening their capabilities to improve their earnings.

CONCLUSION

The problem of unemployment gives rise to the problem of poverty. People after a long time of unemployment indulge in illegal and wrong activities for earning money. This leads to increase in crime in our country. Unemployed persons can easily be engaged by antisocial elements. This makes them lose faith in democratic values of the country. It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading losses to the human resources of the country. 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. Entrepreneurs generate employments to many in a country; therefore government needs to encourage entrepreneurship among the youth.

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