

# An Analytical study of Unemployment in India

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## ABSTRACT

*The present paper attempts to study the rate of unemployment in India in last seven years and causes behind this sharp increasing rate. The study is completely secondary data based study which collects the information from published as well as from unpublished sources. It was found from the reports of International Labour Organisation 2012 and census 2011 that India inhabited the world's 17.5 percent of population out of which youth which comes under the age group of 15-24 years are 7.8 percent that is again maximum share of youth population across the world. The rate of unemployment is 6.1 percent in 2017-18 while it was 2.2 percent in 2011-12. It is found from the study that the unemployment is high in urban areas with 27.2 percent male and 18.7 percent female as compared to 13.6 percent male and 17.4 percent female workforce in rural areas. Illiteracy, unemployment and unawareness of entrepreneurship development programmes are the main causes of increasing unemployment problem in India. It was also found from the study that while Indian economy has been expanding by 7 percent annually means the fastest growing economy among the major economies of the world but its uneven growth and jobless growth has meant that there are not enough new jobs to keep the pace of development.*

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## 1. Introduction

Unemployment means a person willing to work but unable to find a suitable job at the ongoing wage rate. Our country is facing many problems but one of the serious problem is of unemployment which results other problems like poverty, malnutrition, underdevelopment of economy, corruption etc. Unemployment is a daunting problem for both the developed and developing countries. India is one of those developing countries which continue to have the problem of unemployment and underemployment despite continuous policy emphasis and programmes. The unemployment rate is defined as percentage of the number of persons unemployed to the persons in the labour force (which includes both the employed and the unemployed). This, in effect, gives the unutilised portion of the labour force. It is a more refined indicator of the unemployment situation in a population than the number of the unemployed per thousand persons in the population as a whole. Unemployment is increasing day by day in India. Now every people want a government job and for that they get it registered in employment exchange. Unemployment is one of the most important reasons for underdevelopment as human capital remains unutilized which not only affects the productivity of a country but results in many social and economic problems.

## 2. Cause of Unemployment:

**A) Increasing Population:** one of the most important reasons for the problem of unemployment is increasing population. Population growth is day by day increasing in India. India has maximum share of youth population in between age group of 15-24 years. There are many employment opportunities in India. But if population is increasing by the same rate than the next generation will face more problems of unemployment.

- B) Inflation** It means continuous rise in prices without increase in the production of goods and services which results the decrease in the real income of the people. In India during last decade there is sharp rise in prices which affects the economy as a whole. Wages and salaries are below the market rate. As population is increasing so supply of labour is high in the market as compared to the demand in the market which ultimately affects the wages and salary offered to the labour force. Due to which people who finds themselves to be more paid unable to adjust with low wages and preferred to be unemployed.
- C) Lack of effective economic and monetary policies:** Demonetization and GST were the two main financial sector reforms initiated by the Current government which affects the Indian economy for the short term.
- D) Poverty and Illiteracy:** Poverty and illiteracy both are the same side of the coin. They are the main reason for unemployment. There are many people poor in this country. So they do not have any sources for the employment or living. In our country most people are uneducated. They also constitute the main reason of unemployment. Uneducated people only involve in primary sector in large number and indulge themselves in wrong work which is very harmful for our society.
- E) Casualisation and Informalisation of Workforce** It refers to the situation when the percentage of casually hired workers in the total workforce tends to rise overtime. One of the interesting feature of Indian unemployment is that it constitute a major portion of irregular workforce whose contribution in

GDP is minimum. Even skilled workers in urban areas have to struggle for regular jobs.

- F) Lack of full employment in industries:** In the industrial segment, there is lack of full employment. There are not many mills and factories and the number of men employed in them is not large. Even the mills and factories that we have do not work to their maximum capacity either for lack of requisite machinery or for lack of adequate supply of materials.
- G) Lack of alternative opportunities for agricultural workers:** In the rural India, the picture is equally discouraging. Agriculture is the principal occupation of the majority of rural population. However, agriculture keeps the cultivators engaged for a limited part of the year. For many months every year the agriculturist remain idle and lives miserably.
- H) Poor condition of cottage industries:** In villages, unemployment is due to lack of cottage industries. The cottage industries are in a winding state. They give whole time occupation to only a fraction of the people who depend on them.

### 3. Government Initiatives and Policy Measures

Government of India has taken several policy measures to fight the problem of Unemployment. Some of the measures are as follows:-

- A) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** was enacted by the Central Government in 2005, aimed at improving living standards of the rural poor and providing social security to them by giving the adult members of every household at least one hundred days of guaranteed wage employment to unskilled manual work in a financial year. The Act succeeded in generating employment in more than 300 districts since it was launched. In the financial year 2013-14, 3,81,26,455 households were provided employment. Besides all these achievements, there are many issues faced by the government which are related to this scheme. In April 2011, the Central and the State Level authorities revised the policy and concluded that the budget of Rs.40,000 crore could have been utilized more efficiently with effective planning for curbing unemployment. Schedule one of this Act focuses on conservation of natural resources but evidences showed the destruction of natural resources in some areas where contracting was allowed and machinery was involved. To add on to it, the lack of adequate administration and technical knowhow at Block and Gram Panchayat has adversely affected the preparation of plan, security, appropriate monitoring and measurement of work. With proper implementation of this policy, the rate of employment generation could have been higher as compared to the four fold increase in the budget for this scheme since 2005.
- B) Regional Rural Banks (RRBs)** were established in 1975 with a view to develop the rural economy and to create a supplementary channel to the 'Cooperative Credit Structure' in order to enlarge institutional credit

for the rural and agriculture sector. The RRBs mobilize deposits primarily from rural/semi-urban areas and provide loans and advances mostly to the rural inhabitants. RRBs encourage entrepreneurship by giving credits in concessional rates. This increases the sense of security to the new entrepreneurs. RRBs also spruce the rural economy. However, some issues were observed in the implementation of this scheme. There are many restrictions in the credit policies which seemingly discourage the rural population to deal with these banks. These banks also follow strict and complicated procedure in deposits and advancing loans which is difficult for these people to understand and undertake. Thus the very purpose of employment generation has been compromised.

- C) Ministry of Micro, small and medium enterprises (MSME)** is regarded as the engine of economic growth and development. In India it has played a key role in generating job opportunities and promoting self-employment. MSME Act 2006 facilitates the development of both manufacturing and service sector and also enhances their competitiveness. They are spread across the country and boost the manufacturing of many products thus promoting entrepreneurship and also provide services to meet the local market needs. It is found that since they have limited financial resources they are unable to hire skilled and specialized workforce. This hinders technological advancement and expansion of the enterprise. Moreover these industries do not develop the skill set of the employed unskilled workforce thereby keeping their employability low.
- D) National Skill Development Mission** was initiated after the Twelfth Five Year Plan emphasized on bridging the skill deficit needed for jobs. This programme aims to skill 500 million people by the year 2022. The Prime Minister's National Council of Skill Development was set up as an apex organization to frame policies, give directions and provide vocational training in schools. To promote skill development in rural areas, Apprenticeship Training Scheme (ATP), Vocational Training Providers (VTP) and many other programmes were undertaken. Government has also decided to transform Public Employment Exchanges into Career Centers to provide guidance and career counselling to young people. National Multi-Skill programme called Skill India has been launched which focuses mainly on entrepreneurial skill development. The skill challenge has become acute for India, considering that the country has a large portion of its population below 25 years of age. Currently a major proportion of this population is not productively engaged in economic activities due to a 'skills versus jobs requirement' mismatch which leads to economically inactive working age group people affecting the economy and increasing unemployment.
- E) Swarna Jayanti Shahari Rozgar Yojana (SJSRY)** was launched in 1997 for urban poverty alleviation. The target of this scheme is the population living in urban areas below the poverty line. The key objective

of the Scheme is to provide gainful employment to the urban unemployed through the setting up of self employment ventures or provision of wage employment. Studies show that the training programmes for beneficiaries were organized by NGOs and other institutions which were not recommended in the SJSRY guidelines. Thus it is evident that this policy has been unable to generate the required level of employment due to several drawbacks.

#### 4. Review of literature

- A) Chandrasekhar et al., (2006).** Studied that the rate of unemployment in agriculture is falling very rapidly by year to year like as 7.5 % in 2004-2005 and 5.9 % in 2014-2015. In tertiary sector like engineering, medical, laws, rate of employment is higher than primary and secondary sector. Due to fall of agriculture sector, most people of rural areas remain unemployed approximately 5 months in a year. Manufacturing sector has 20.4 per cent total employment.
- B) Huggins,( 2008).** Asserted through his study that the reasons for unemployment are not one but many like increasing population, defective education system, excessive burden on agriculture, low productivity in agriculture sector combined with lack of alternative opportunities for agricultural worker, unskilled workforce etc. Though education level in the recent years has improved but skill development is still a crucial issue. India has the largest population of youth in the world.
- C) Lam, 2006; GOI, Planning Commission Report, (2010).** Found that the best solution to the problem of unemployment is encouraging entrepreneurship among the youth of country. Entrepreneurs generate employments to many in a country. They also promote capital formation and employ resources leading to add the value to a specific industry. They don't let wealth concentrate in a few hands, there is more equity in the distribution of wealth. Since 65 per cent of the population is below 35 in age, and if this young population would get into entrepreneurship, then more than half of unemployed population of India will get employed. Entrepreneurship not only creates wealth but creating jobs too.
- D) UN Labour report (2012)** found that Unemployment is a situation where in the person willing to work fails to find a job that earns him/her a living. Unemployment has been considered as one of the biggest problems of India. Unemployment in India is projected to increase from 17.7 million last year to 17.8 million in 2017 and 18 million next year. In percentage terms, unemployment rate will remain at 3.4 per cent in 2017-18. It is impossible to imagine a better India with such a big number of unemployed youth in the country.

**E) Santosh Gangawar Labour Minister(2017)** found that the consequences of increasing unemployment will be very severe if steps are not taken to curb the practice of depending on government jobs then time will come when our growth rate of production affects a lot as most of the youth depends upon the service sector.

**F) Aggarwal, Anil. Hindustan Times, (2018)** India has many things going in its favour. It holds the world's youngest population. It's poised to have the largest workforce by 2027 also blessed with abundant natural resources. Yet, it failed to realize its full potential and is still punching below its capacity and caliber.

#### 5. Objectives of the study

1. To study and analyze the increasing rate of unemployment in India.
2. To study the main causes of Unemployment problem in India.

#### 6. Research Methodology and Database

The study is exploratory cum descriptive in nature. This study is solely based on secondary data related to problem and causes of unemployment and initiatives of the Government of India. The requisite data have been collected from the newspapers, journals, internet, Hand Book of statistics of Indian Labour Law Book, reports of NSSO, covering 7 financial years starting from the year 2011-12 to 2017-18.

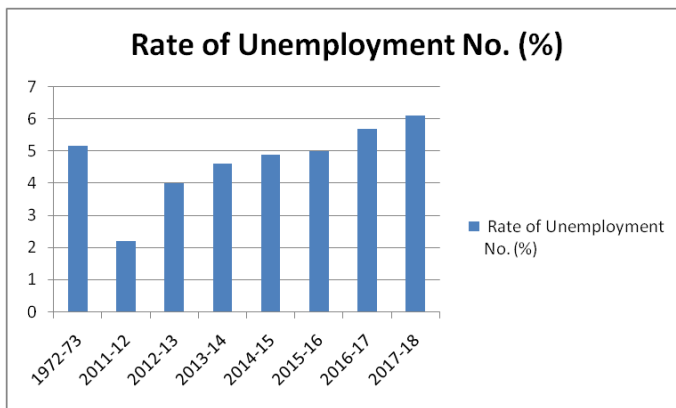
#### 7. Data Analysis:

India is the second largest populated country of the world after china. It has 17.5 percent population of the world and 1.21 crore people according to Indian census of 2011. In current scenario according to Indian Labour Report 2018 India has around 18.3 million people unemployed in 2017 and 18.6 in 2018. Table 1 showed the increasing trend of unemployment from year 2011 to year 2018 unemployment rate is increased from 2.2 to 6.1 percent in 2018.

Table 1: Rate of Unemployment in India in Percentage

Years	No. (%)
1972-73	5.18
2011-12	2.2
2012-13	4
2013-14	4.6
2014-15	4.9
2015-16	5
2016-17	5.7
2017-18	6.1

Source: Reports of NSSO 2018



Rate of youth unemployment in rural areas is shown in table 2 and rate of youth unemployment in urban areas is shown in table 3. Rural areas have 17.4 percent of male population and 13.6 percent of female population unemployed. While, in urban areas 18.7 percent of male and 27.2 percent of female unemployed. Facts proved that unemployment rate is higher in urban areas with 7.8 percent compared with 5.3 percent in rural areas. Though it was proved from the facts that most of our workforce is rural based apparently suggests a higher contribution of the rural economy to GDP than that of urban economy. Paradoxically, it is just opposite. Employing nearly half of workforce, the rural economy in India is contributing less than one fourth of GDP. Implying low productivity and low reward for work, leading to widespread poverty in rural areas. Tripura has the highest unemployment rate and Gujarat has least unemployment rate. In India, Kerala state has high women unemployment it can say approx 47.4 percent compared than men which has approximate 42.4. An assessment by NSSO National Sample Survey Office conducted between July 2017 to June 2018 showed unemployment was at its highest in over four decades.

Table 2: Rate of Youth Unemployment in Rural Areas

Years	Men	Women
2012-13	3.9	4.2
2013-14	4.7	4.6
2014-15	5	4.8
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	17.4	13.6

Source: Reports of NSSO 2018

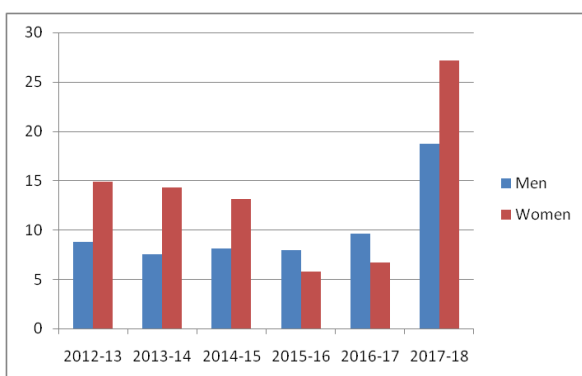
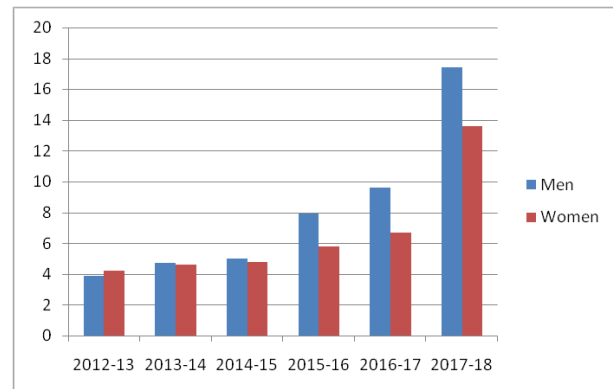


Table3: Rate of Youth Unemployment in Urban Areas

Years	Men	Women
2012-13	8.8	14.9
2013-14	7.5	14.3
2014-15	8.1	13.1
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	18.7	27.2

Source: Reports of NSSO 2018



### 8. Suggestions for the problem of unemployment:

Every country is trying to solve the unemployment problem in their own way. Establishment of Vocational and Technical training institutes were also started big factories should be attached to these colleges. More stress is to be given to practical side. Increased investment in heavy industries Investment in heavy and basic industries and consumer goods industries should be increased to provide more employment with more production. Revival of cottage and small scale industries Cottage and small scale industries should be developed. Subsidies and other incentives should be given to private sector. Modernization and mechanization of agriculture should be done. Wastelands should be utilized. Improved transport and communication Rural works programs should be increased means of transport and communication should be developed. Self-employment should be encouraged Government should take initiatives to encourage self-employment. Young entrepreneurs should be assisted with hassle free loans. The unemployed are a great worry to the Government. Government tried to give some relief to unemployed people, especially to ex-Service men, by opening Employment Exchanges, which are machinery for finding suitable employment for young men and women. Some Universities, too, have employment boards to help their graduates (and under graduates) to secure employment. Increase in national wealth through industrialization. The real remedy lies in an addition to the national wealth, in increased production of industrial goods. If there are more industries, there will be more avenues for employment, particularly for men and women with professional and technological training. Already the River valley projects and power-plant projects are finding employment for a large number of men but such type of proposals were not provide a complete remedy. They may have found Employment for some meritorious people which will not be a complete solution.

## 9. Conclusion:

One of the most disturbing problems in India has been the mounting rate of unemployment, both in the rural and urban sectors. In case of rural sector, there has been both unemployment and under employment. In urban sector, there has been both educated and industrial unemployment. Unless

unemployment problem is solved, the future of India cannot be bright. There will be no peace and prosperity in the country if jobless people do not get a proper channel. More attention should be given otherwise this problem can make jobless youths go to wrong direction.

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