

Unemployment problems in India: A critical Analysis

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Abstract

In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force. This type of unemployment arises due to drastic changes in the economic structure of a country. These changes may affect either the supply of a factor or demand for a factor of production. Structural employment is a natural outcome of economic development and technological advancement and innovation that are taking place rapidly all over the world in every sphere. A significant majority of Indians consider the lack of employment opportunities as a "very big problem" in their country. About 18.6 million Indians were jobless and another 393.7 million work in poor-quality jobs vulnerable to displacement. The report finds that India's percent urbanization and urban workforce has declined since 2012, which is contrary to all other studies on Indian urbanization trends. The report states that male youth had an unemployment rate of 17.4 percent and 18.7 percent in rural and urban areas, while women youth had rates of 13.6 percent and 27.2 percent respectively in 2017-18.

Keywords: Unemployment, Critical, significant, majority

1. Introduction

In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force. This type of unemployment arises due to drastic changes in the economic structure of a country. These changes may affect either the supply of a factor or demand for a factor of production. Structural employment is a natural outcome of economic development and technological advancement and innovation that are taking place rapidly all over the world in every sphere. It is a situation in which people employed contribute less than their capacity to production. In this type of unemployment people are not gainfully employed. They may be employed either on part-time basis, or undertake a job for which lesser qualification is required. If unemployment continues to be a long term feature of a country, it is called chronic unemployment. Rapid growth of population and inadequate level of economic development on account of vicious circle of poverty are the main causes for chronic unemployment. Frictional unemployment is caused due to improper adjustment between supply of labour and demand for labour. This type of unemployment is due to immobility of labour, lack of correct and timely information, seasonal nature of work. etc.

The last three officially released NSSO survey and report on employment and unemployment were completed in 2004–2005, in 2009–2010, and 2011–2012. The 2011-2012 survey was initiated by the Congress-led Manmohan Singh's government because it was felt that the higher unemployment numbers in the 2009-2010 report may have been affected by poor monsoons, and an early survey might yield more accurate and better data. There was no NSSO survey between 2012 and 2017, and a new survey was initiated in 2017–2018. However, this survey uses unconventional and India-specific terminology. It estimates the activity status of a person by different approaches i.e. "usual status" unemployment and "current status"

unemployment. Unemployment and under-employment have been a long-standing problem in the Indian economy.

The rural and informal sectors of the Indian labour market accounted for 93% of the employment in 2011, and these jobs were not covered by the then existing Indian labour laws. According to the 2010 World Bank report, "low-paying, relatively unproductive, informal sector jobs continue to dominate the [Indian] labour market. The informal sector dominates India's labour markets and will continue to do so in the medium term", states the World Bank, and even if the definition of the "formal sector is stretched to include all regular and salaried workers, some 335 million workers were employed in the informal sector in 2004–5.

According to the Indian government's official statistics between the 1980s and mid-2010s, relying in part on the NSSO data, the unemployment rate in India has been about 2.8 percent, which states the World Bank, is "a number that has shown little variation since 1983". In absolute terms, according to the various Indian governments between 1983 and 2005, the number of unemployed persons in India steadily increased from around 7.8 million in 1983 to 12.3 million in 2004–5. According to the World Bank, these official Indian government "low open unemployment rates can often be misleading" and the official data does not reflect the unemployment and under-employment reality of the Indian population.

Jobless Economic Growth

There is unanimity amongst scholars that the organised manufacturing sector in India registered "jobless growth" during 1980-81 to 1990-91; while the average annual rate of growth of gross value added during this period was about 8.66%, the corresponding average annual employment growth was merely 0.53%." After the deregulation of the Indian economy in the early 1990s, four years saw a boom in formal sector employment. Thereafter, the Indian

economy has seen high GDP growth without a parallel increase in formal employment in the organized sector. This stagnation in formal sector employment, they state, has been attributed by some scholars to labour laws and regulations adopted since the 1950s that make inflexible labour market conditions and economic risks associated with offering formal sector employment. Other scholars contest that this hypothesis fully explains the unemployment and under-employment trends in India between 1981–82 and 2004–2005.

While the Indian economy has been shifting from being predominantly agriculture employment-based to one where the employment is a mix of agriculture, manufacturing and services, the economy has largely seen a "jobless growth" between the 1980s and 2007. This jobless growth in the Indian manufacturing has been puzzling, and is in part linked to the productivity growth. The major industries that have seen growth in formal employment have been export-oriented manufacturing, software, and local services. However, the services-based industry has not been "particularly employment-intensive", and its rapid growth has not addressed the unemployment and under-employment problems in India – and the job needs of its growing population – between 1983 and 2010. Even though the formal organized sector of the Indian economy grew rapidly in the 2000s, it did not create jobs and the growth was largely through capital intensive investments and labour productivity gains. The organised sector employment, actually reduced dramatically between 2004–2005 and 2009–2010, especially when compared to 1999–2004 period if the NSSO reports for these periods were accurate.

A significant majority of Indians consider the lack of employment opportunities as a "very big problem" in their country. About 18.6 million Indians were jobless and another 393.7 million work in poor-quality jobs vulnerable to displacement. The report finds that India's percent urbanization and urban workforce has declined since 2012, which is contrary to all other studies on Indian urbanization trends. According to NSSO's report's data, "the Modi government has unleashed the most inclusive growth anywhere, and at any time in human history – which is as unbelievable as the unemployment data it reports. The NSSO report suggests the inflation-adjusted employment income of casual workers has dramatically increased while those of the salaried wage-earners has fallen during the 5-years of BJP government. The report states that male youth had an unemployment rate of 17.4 percent and 18.7 percent in rural and urban areas, while women youth had rates of 13.6 percent and 27.2 percent respectively in 2017-18. However, the think tank of Government of India, NITI Aayog says that these are not official and the data is not yet verified. The Indian labour force is estimated to be growing by 8 million per annum, but the Indian economy is currently not producing new full-time jobs at this rate.

Review of Literature

The final and specific reason for reviewing related literature is to know the recommendations of the previous researchers for further research which they have listed in their studies.

Khan, J.H., & Hassan, T., (2012) analyze the patterns and levels of the socio-economic problem in India in also highlighted the stage of unemployment. It finds out the link between unemployment and socio-economy of a country. The paper reveals that the level of unemployment is

comparatively high in the northern parts of India and few north eastern states as compared to the southern part of India. It points towards that the level of socioeconomic lacking is high in the north-central states and finally in the northeast parts of the country. Therefore, it applies that the pattern of unemployment might have been increased mostly due to the high rate of rural unemployment, a number of families and population density, etc over the region. Motiram, S., & Naraparaju, K. (2014) ^[2] expand an amount of unemployment that takes into the ratio of unemployment in India. It establishes to realize the unemployment in India using the data from National Sample Surveys within the year of 1993-2012 on employment and unemployment. Furthermore, unemployment has come up to a greater extent among higher educated groups. The result shows that distribution of unemployment has also got worse over the period of time.

Gomathi, V. & Neela, M. (2016) ^[3] in the paper talks about quantity of problems faced at present by the Indians as the crisis of youth unemployment in the present situation. It explains the number of unemployed youths in the country has reached to an alarming proportion. Approximately, 600 million in India are below the age of 25 and roughly 40% of the Indian population is between 13 to 35 years. Therefore, this paper suggests that population of youth should be checked if not the youth in India will not be on right track. The problem may come up with the competition for youth unemployment, lack of job skills and skill-based jobs.

Methodology

The present study is based on the secondary data. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

Causes of Unemployment in India

The causes of high unemployment and under-employment in India are subject of intense debate among scholars. It is a consequence of "restrictive labour laws that create inflexibility in the labour market", while organized labour unions and another group of scholars contest this proposed rationale. India has about 250 labour regulations at central and state levels, and global manufacturing companies find the Indian labour laws to be excessively complex and restrictive compared to China and other economies that encourage manufacturing jobs. The Indian labour laws are "so numerous, complex and even ambiguous" that they prevent a pro-employment economic environment and smooth industrial relations. India needs "labour market reforms that address the needs of both employers and workers", and it should rewrite its labour laws that protects its workers, provides social security for workers between jobs, and makes compliance easier for the industry. According to the Indian labour laws are inflexible and restrictive, and this in combination with its poor infrastructure is a cause of its unemployment situation. This chronic unemployment is in some quarters attributed to the system of education prevailing in our country. Our education is too theoretical. It turns too many arts graduates and too few engineers. To make up for this deficiency Government has opened several technological institutes in different parts of India. However, this attempt, good as it is, will not solve the problem of unemployment. Already there are more technically trained men than there is employment

for them. In the industrial segment, there is the same 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. 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. 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.

Types of Unemployment in India:

Open Unemployment: 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. This type of unemployment can be seen and counted in terms of the number of unemployed persons. The labour force expands at a faster rate than the growth rate of economy. Therefore all people do not get jobs.

Disguised Unemployment: It is a situation in which more people are doing work than actually required. Even if some are withdrawn, production does not suffer. In other words it refers to a situation of employment with surplus manpower in which some workers have zero marginal productivity. So their removal will not affect the volume of total production. Overcrowding in agriculture due to rapid growth of population and lack of alternative job opportunities may be cited as the main reasons for disguised unemployment in India.

Seasonal Unemployment: It is unemployment that occurs during certain seasons of the year. In some industries and occupations like agriculture, holiday resorts, ice factories etc., production activities take place only in some seasons. So they offer employment for only a certain period of time in a year. People engaged in such type of activities may remain unemployed during the off season.

Cyclical Unemployment: It is caused by trade cycles at regular intervals. Generally capitalist economies are subject to trade cycles. The down swing in business activities results in unemployment. Cyclical unemployment is normally a shot-run phenomenon.

Educated Unemployment: Among the educated people, apart from open unemployment, many are underemployed because their qualification does not match the job. 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. Educated unemployment may be either open or underemployment.

Technological Unemployment: It is the result of certain changes in the techniques of production which may not warrant much labour. Modern technology being capital intensive requires less labourers and contributes to this kind of unemployment.

Structural Unemployment: This type of unemployment arises due to drastic changes in the economic structure of a country. These changes may affect either the supply of a factor or demand for a factor of production. Structural unemployment is a natural outcome of economic development

and technological advancement and innovation that are taking place rapidly all over the world in every sphere.

Underemployment: It is a situation in which people employed contribute less than their capacity to production. In this type of unemployment people are not gainfully employed. They may be employed either on part-time basis, or undertake a job for which lesser qualification is required.

Casual Unemployment: When a person is employed on a day-to-day basis, casual unemployment may occur due to short-term contracts, shortage of raw materials, fall in demand, change of ownership etc.

Chronic Unemployment: If unemployment continues to be a long term feature of a country, it is called chronic unemployment. Rapid growth of population and inadequate level of economic development on account of vicious circle of poverty are the main causes for chronic unemployment.

11. **Frictional Unemployment** Frictional unemployment is caused due to improper adjustment between supply of labour and demand for labour. This type of unemployment is due to immobility of labour, lack of correct and timely information, seasonal nature of work. etc.

Govt. Policies for Employment in India

Mahatma Gandhi National Rural Employment Guarantee Act 2005

The Government of India has taken several steps to decrease the unemployment rates like launching the Mahatma Gandhi National Rural Employment Guarantee Scheme which guarantees a 100-day employment to an unemployed person in a year. It has implemented it in 200 of the districts and further will be expanded to 600 districts. In exchange for working under this scheme the person is paid 150 per day.

Steps taken on Disguised Unemployment

Agriculture is the most labour absorbing sector of the economy. In recent years, there has been a decline in the dependence of population on agriculture partly because of disguised unemployment. Some of the surplus labour in agriculture has moved to either secondary or the tertiary sector. In the secondary sector, small scale manufacturing is the most labour absorbing. In case of the tertiary sector, various new services are now appearing like biotechnology, information technology and so on. The government has taken steps in these sectors for the disguised unemployed people in these methods.

National Career Service Scheme

The Government of India has initiated National Career Service Scheme whereby a web portal named National Career Service Portal has been launched by the Ministry of Labour and Employment India. Through this portal, job-seekers and employers can avail the facility of a common platform for seeking and updating job information. Not only private vacancies, contractual jobs available in the government sector are also available on the portal.

National Rural Employment Programme

The National Rural Employment Programme offers people from the rural areas an equal shot at job opportunities across the nation. The growing disparity in terms of personal finance between those in the rural and urban areas has increasingly led to people from the rural areas to move to the urban areas, making urban management difficult. The NREP aims to provide employment opportunities in the

rural areas, especially in times of drought and other such scarcities.

Deen Dayal Antyodaya Yojana

The Deen Dayal Antyodaya Yojana is a scheme that aims to help the poor by providing them industrially recognised skills. The scheme is implemented by the Ministry of Rural development. The purpose of the scheme is to eradicate both urban and rural poverty from the country by providing necessary skills to individuals that help them find well-paying job opportunities. The issue at hand, experts say, is not just of unemployment but intensive underemployment as well — people do not find jobs that they are trained for or meant to do. "It's not that you see job seekers thrown out on the road starving and begging, What is happening is that they might get jobs with lower salaries. It is not unemployment but underemployment — everyone will get a job but the salary will come down.

Conclusion

The effect has been devastating but the government policy measure does not show a way out. Experts have suggested that India needs to create jobs but that has not been done. There has been claims that MGNREGA has been funded again in view of the pandemic but the news from the ground tells a different story. "On paper, it shows that the work has been done but the people, when asked say that they have been asking for work but they haven't got anything yet. The government and the industry is trying to create a myth that there is a lack of skilled workers. To absorb the influx of labourers from the new generation and the ones released from agricultural sectors, the country will need about 12 million additional "gainful non-farm jobs every year starting in fiscal-year 2023, triple the four million non-farm jobs created annually between 2012 and 2018". "If an additional 55 million women enter the labour force, at least partially correcting historical under-representation, India's job creation imperative would be greater," said the report titled India's Turning Point, an economic agenda to spur growth and jobs.

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