

## CHAPTER - 7 : UNEMPLOYMENT IN INDIA

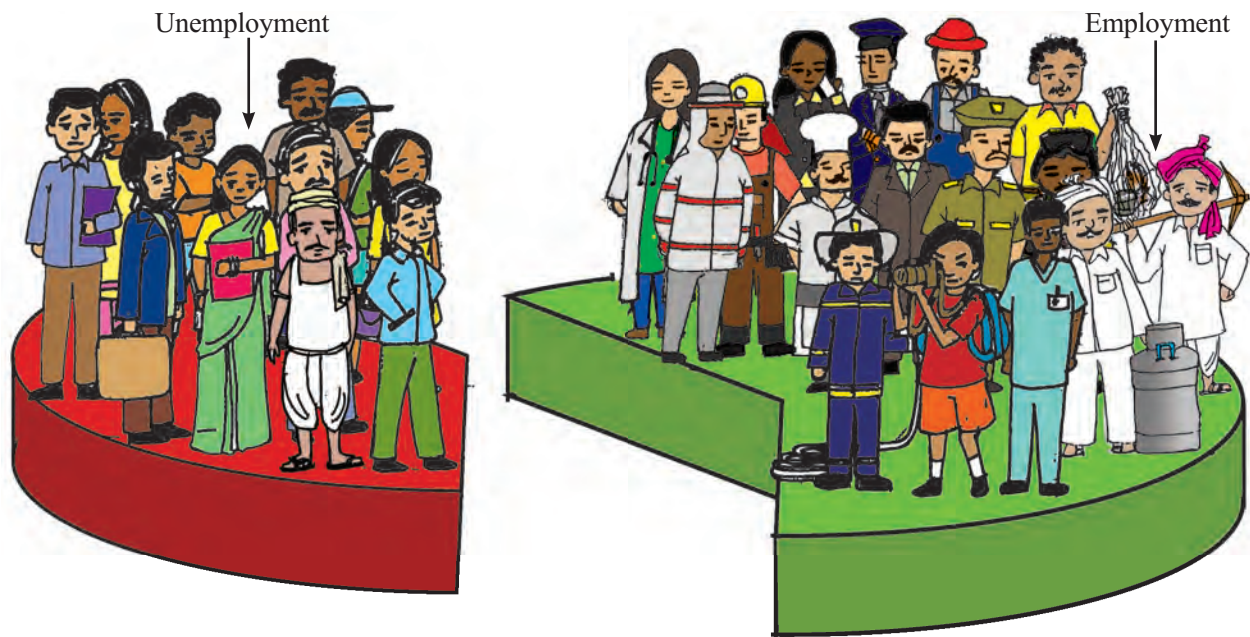


Fig. 7.1 : Unemployment in India

### Introduction :

India is a developing economy and one of the fastest growing economies of the world. The problem of unemployment is considered to be the biggest challenge to the development of India. Fig. 7.1 gives an idea about the problem of unemployment in India. Unemployment leads to a waste of human resources. Long term unemployment results in mass poverty and slow economic development. Mostly, young people face the problem of unemployment. Young people are a major human resource, key agents for social change and driving force for economic development and technological innovation. India has considerable young population hence unemployment among youth is the most critical challenge of the 21<sup>st</sup> century. There is an imbalance between employment opportunities and increase in population. This has resulted in large scale unemployment. So generally unemployed people are involved in unproductive work like gambling and indulge in anti-social and anti-national activities.

### Meaning of Unemployment :

Normally anyone who is not gainfully employed in any productive activity is said to be unemployed. In economics, unemployment is to be studied with respect to

- nature
- working age group
- demand for and supply of labour
- prevailing wage rate.

The rate of economic growth is not fast enough to generate adequate jobs to absorb the expanding labour force.

'Unemployment is a situation in which people in the age group of 15 to 59 years are able and willing to work at the prevailing wage but unable to get a job'.

For a person to be considered employed, it is essential that the person should be engaged in work for a minimum number of hours per week. According to National Sample Survey Organization (N.S.S.O.)

- In India, a person is considered unemployed if he works for less than fourteen hours per week.
- Those who work for 15 - 28 hours a week are considered as underemployed.

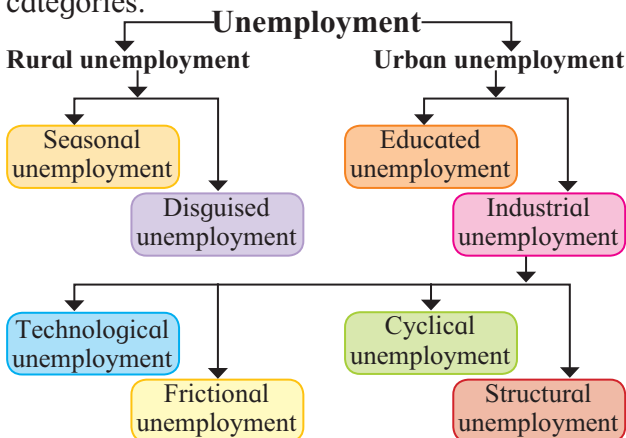
iii) Person working for eight hours per day i.e. 273 days of the year is considered 'employed' on a standard basis.

**You should know :**

- 1) **Involuntary unemployment :** It refers to a situation in which people are willing to work, but there is no work for them due to excess of labour force in relation to demand for labour.
- 2) **Voluntary unemployment :** It is a type of self unemployment where a person is fit to work but not willing to work.
- 3) **Underemployment :** It is a situation where a person's capacity to work is under utilised.
- 4) **Full employment :** It is a hypothetical situation in which all available resources are being used in the most efficient manner.

**Types of Unemployment :**

There are various types of unemployment. We can classify unemployment into various categories.

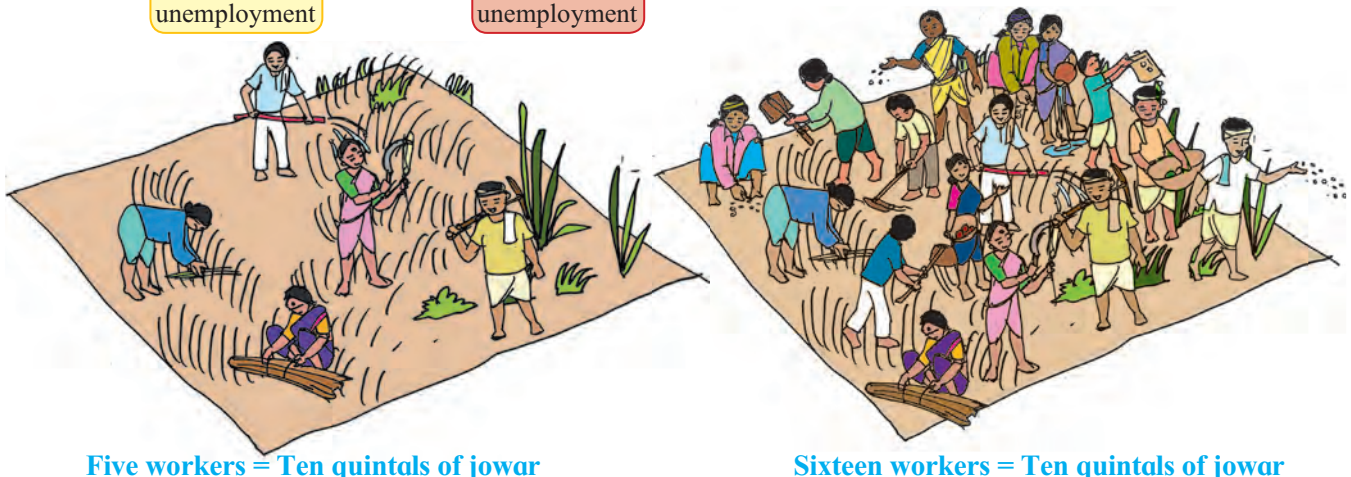


**A) Rural Unemployment :**

The unemployment found in villages is called rural unemployment. Following are the types of rural unemployment :

- 1) **Seasonal Unemployment :** A large number of people remain unemployed during the slack season or in the off season. Agriculture being a seasonal occupation, farmers have to depend upon monsoon for cultivation. Majority of the labour force in the agricultural sector remain unemployed for nearly 5-7 months in a year. Seasonal unemployment is also found in tourism, marriage bands, sugar factories, ice factory, fisheries etc.
- 2) **Disguised Unemployment :** It is also known as invisible unemployment. Disguised unemployment is generally found in villages in India. 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.

The excessive pressure on land leads to disguised unemployment in rural areas. It is estimated that nearly 20% of the labour force is disguisedly unemployed in rural areas. Joint family system, lack of alternative job opportunities result in overcrowding in agriculture. These are the main reasons for disguised unemployment.



**Fig. 7.2 : Disguised Unemployment**

## B) Urban Unemployment :

Urban unemployment refers to unemployment found in the urban areas i.e. towns and cities of the country. Following are the types of urban unemployment.

- 1) **Educated Unemployment :** When people are educated and willing to work but do not get jobs is known as educated unemployment. This type of unemployment is found among matriculates, undergraduates, graduates and post graduates. Casual approach to education, imbalance between job opportunities and number of educated youth, preference for white collar jobs, lack of employable skills, lack of awareness about available educational opportunities are the main reasons for unemployment among educated youth in India.
- 2) **Industrial Unemployment :** It refers to unemployment in the industrial sector. The unemployed workers may be skilled or unskilled. This is generally a form of **open unemployment**. Slow industrial growth, rapid growth of population, lack of training facilities, low adaptability to modern technology, inconvenient location of industries, low mobility of labour etc. are the main reasons for industrial unemployment.

### Following are the types of Industrial unemployment :

#### i) **Technological Unemployment :**

Technological unemployment arises because of changes in technology. Modern technology is capital-intensive and requires less labourers. When new techniques are introduced in the industrial sector, existing workers are displaced from their jobs due to

lack of proper training, e.g. computerisation, introduction of robotic technology etc.

ii) **Frictional Unemployment :** Frictional unemployment is caused due to breakdown of machinery, power failure, shortage of raw materials, strikes by workers etc. Frictional unemployment is temporary by nature.

iii) **Cyclical Unemployment :** Cyclical unemployment is the result of cyclical fluctuations in the level of business activity. The economy passes through phases of prosperity and depression. During the period of depression, effective demand falls which leads to a fall in the prices and profits earned by the producers. As a result, there is a corresponding decline in investment and production of commodities. A fall in production leads to a fall in employment. As a result, workers are thrown out of jobs during the period of depression.

iv) **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 or demand for a factor of production. Structural changes in the economy are caused by changes in government policies, shortage of capital, shifting of industry from one region to another etc. Structural unemployment is a long term phenomenon. Structural unemployment takes place because of a mismatch between the skills of workers and the jobs that are actually available, e.g. i) horse carts had been replaced by auto rickshaws. ii) introduction of computerised typing has caused unemployment among manual typists.

### Extent of Unemployment in India : Employment and Unemployment (in million)

Year	Labour Force	Employed	Unemployed	Unemployment rate in (%)
1993 - 94	381.94	374.45	7.49	2.0
1999 - 2000	406.85	397.88	8.97	2.2
2004 - 05	468.73	457.56	11.17	2.4
2009 - 10	472.32	462.49	9.84	2.1
2011 - 12	483.75	472.91	10.84	2.2

Table : 7.1

Source : Economic and Political Weekly (June 7, 2014)



**Do you know?****State-wise unemployment rates in India (2015-16)**

Ranks	State	Unemployment (Per 1000)	Ranks	State	Unemployment (Per 1000)
1	Tripura	197	16	Manipur	57
2	Sikkim	181	17	Odisha	50
3	Kerala	125	18	West Bengal	49
4	Himachal Pradesh	106	19	Meghalaya	48
5	Assam	96	20	Haryana	47
6	Arunachal Pradesh	89	21	Madhya Pradesh	43
7	Nagaland	85	22	Tamilnadu	42
8	Jharkhand	77	23	Andhra Pradesh	39
9	Uttar Pradesh	74	24	Mizoram	30
10	Jammu and Kashmir	72	25	Telangana	28
11	Rajasthan	71	26	Maharashtra	21
12	Uttarakhand	70	27	Chhattisgarh	19
13	Goa	61	28	Karnataka	15
14	Punjab	60	29	Gujarat	09
15	Bihar	60			

**Source :** Report on Fifth Annual Employment-Unemployment Survey (2015-16), GoI.

**Find out :** Calculate  $Q_2$  from the above data. Use the ranks of the States given as numerical data. Identify the state on the basis of the obtained partition value.

**Causes of Unemployment :**

Following are the major causes of unemployment :

- 1) Jobless growth :** Since independence, the rate of growth of employment in India has been considerably less than the rate of economic growth. Moreover, the rate of economic growth has not been adequate enough to absorb the increasing labour force. As a result, there is widespread unemployment.
- 2) Increase in labour force :** Death rate has rapidly declined without a corresponding fall in birth rate, therefore the country has registered an unprecedented population growth. This was naturally followed by an equally large expansion in labour force

leading to unemployment.

- 3) Excessive use of machinery :** In India, manpower is available in large quantities. Under these circumstances, the country would have labour-intensive technique of production. However, not only in industries, but also in agriculture, producers are increasingly substituting capital for labour. Where capital is in abundant supply, use of automatic machines and other sophisticated equipment is both rational and justified. But in India, this policy results in large scale unemployment.
- 4) Lack of skill development programmes :** Vocational skill development courses which are compatible to Indian industry are comparatively less in number. So, there is a dearth of skilled man power needed by the industry.
- 5) Expectations towards employment :** Educated youth in India aspire for white collar job. There is a lack of innovative and

entrepreneurial spirit to organize economic activities where they can be self-employed. Graduates prefer to remain unemployed till they get a job which is upto their expectations in terms of salary and nature of work.

**6) Seasonal nature of agriculture :**

Agriculture in India is seasonal by nature. It depends on monsoon. Lack of irrigation facilities, poor soil fertility, outdated production techniques, non-availability of certified seeds and fertilizers are the factors that reduce the capacity of agriculture for other gainful employment throughout the year. The labourers are employed only for a few months in a year. For the rest of the year, the labour force remains jobless.

**7) Slow rate of economic development :**

The overall economic development of India is very slow. Inadequate irrigation facilities, fertilizers, unsatisfactory growth of infrastructure are all due to inadequate industrial expansion. As a result, employment opportunities have not increased enough in the rural sector to absorb the growing labour force.

**8) Migration of rural population :** There has been a continuous migration of people from rural to urban areas in search of jobs. This has increased the problem of unemployment in urban areas.

**You should know :**

**Effects of Unemployment**

**Economic effects**

- 1) Waste of human resources
- 2) Difficult to implement welfare schemes
- 3) Poverty and income inequality
- 4) Growth of informal sector
- 5) High dependency ratio

**Social effects**

- 1) Social tension and unrest
- 2) Loss of human dignity
- 3) Helplessness

**You should know :**

**General Measures to reduce Unemployment :**

- 1) Development of agricultural sector
- 2) Provision for alternative occupation
- 3) Development of infrastructure
- 4) Reforms in the educational system
- 5) Development of Tourism
- 6) Use of labour-intensive techniques
- 7) Development of Information technology and communication
- 8) Provision for vocational training and skill development facilities
- 9) Rural industrialization
- 10) Motivation for self employment

**Specific Measures undertaken by the Government to generate employment opportunities :**

**1) Employment Guarantee Scheme (EGS) :**

Employment Guarantee Scheme was first introduced by the Government of Maharashtra on 28<sup>th</sup> March 1972. This scheme was intended to provide productive employment to the rural population and thereby solve the problem of rural unemployment and poverty. Under this scheme, government assures to provide minimum employment opportunities. Due to its success in Maharashtra, EGS was implemented in other states as well.

**2) Swarnjayanti Gram Swarozgar Yojana (SGSY) :**

This scheme was launched in April, 1999 after restructuring the Integrated Rural Development Programme (IRDP) and allied schemes. It is the only self-employment scheme for the rural poor in India.

**3) Swarna Jayanti Shahari Rozgar Yojana (SJSRY) :**

This scheme was launched

in December, 1997. It provides gainful employment to the urban unemployed and underemployed. It included self-employment, women self-employment programme, skill training for employment promotion and urban wage employment programme. For this scheme, Central Government shares 75% of the cost and State Government shares 25% of the cost.

**4) Pradhan Mantri Rozgar Yojana (PMRY) :**

This scheme is being implemented since 1993 to create and provide sustainable self-employment opportunities to more than one million educated unemployed youth.

**5) Training Rural Youth for Self-employment (TRYSEM) :**

It was initiated in 1979 with the objective of tackling unemployment problem among the rural youth. It aimed at training about 2 lakh rural youth every year to enable them to become self-employed. TRYSEM was merged into Swarnajayanti Gram Swarozgar Yojana in April 1999.

**6) Jawahar Rozgar Yojana (JRY) :**

On 1<sup>st</sup> April 1989, the Government announced a new wage employment scheme, the Jawahar Rozgar Yojana for intensive employment creation in 120 backward districts. It was restricted to rural area. With effect from April 1999, it was renamed as Jawahar Gram Samrudhi Yojana (JGSY).

**7) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) :**

Since 2<sup>nd</sup> October 2009, National Rural Employment Guarantee Scheme has been renamed as Mahatma Gandhi National Rural Employment Guarantee Scheme. This scheme provides at least 100 days of guaranteed wage employment in a financial year to at least one member of every rural household whose adult member volunteers to do unskilled manual work.

**8) Deen Dayal Upadhyaya Grameen**

**Kaushalya Yojana 2014 :** It is the most important placement linked skill training programme under the Ministry of Rural Development announced on September 23, 2014. The mission of this scheme is to reduce poverty as well as provide gainful and sustainable employment through regular wages. The focus of this programme is on the rural youth from poor families, in the age group of 15-35 years.

**9) National Policy for Skill Development and Entrepreneurship - 2015 :**

The first National policy on skill development was notified in 2009 to promote private sector participation via innovative funding models.

The objective of this scheme is to co-ordinate and strengthen factors essential for growth of entrepreneurship across the country. This would include :

- i) Promote entrepreneurship culture
- ii) Encourage entrepreneurship as a viable career option through advocacy
- iii) Promote entrepreneurship among women

**10) Start up India Initiative :**

It was introduced in January 2016 with an aspiration to impart more "strength and inspiration to the talented young generation of India to do something new for India and humanity."

**11) Pradhan Mantri Kaushal Vikas Yojana-(2016-20) :**

The objective of this scheme is to encourage skill development among youth by providing monetary rewards for successful completion of approved training programmes. The government has allocated a budget of ₹ 12,000 crores till 2020 for implementation of the scheme.

## EXERCISE

### Q. 1. Find the odd word out :

- 1) Urban unemployment -  
Educated unemployment, Industrial unemployment, Disguised unemployment, Technological unemployment
- 2) States with high rates of unemployment -  
Goa, Punjab, Maharashtra, Tripura
- 3) Employment Guarantee Scheme 1972,  
Jawahar Rozgar Yojana 1989,  
Swarnajayanti Gram Swarozgar Yojana 1999  
Development of Tourism

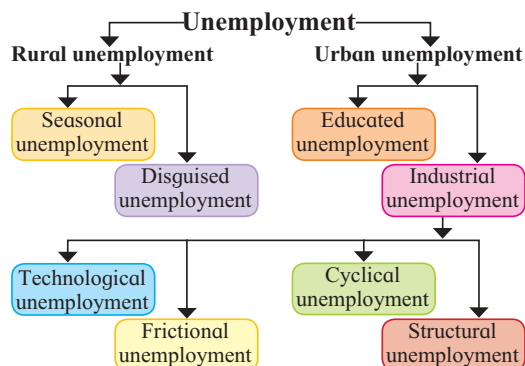
### Q. 2. Identify and explain the concepts from the given illustrations :

- 1) Hussain Shaikh employed seven workers less than the usual number of workers on his farm, in spite of this, output remained the same.
- 2) Use of new technology in the printing industry has led to unemployment among several workers.
- 3) Satish has completed his post graduation and is desperately expecting a job.
- 4) In certain agricultural areas of Maharashtra only kharif crops are grown, therefore employment is available till the month of October.

### Q. 3. Complete the correlation :

- 1) Seasonal unemployment : Tourist guides;  
 : Graduates
- 2)  : Disguised unemployment; Urban unemployment : Industrial unemployment
- 3) Frictional unemployment : Shortage of raw materials ;  : Fluctuations in business activity
- 4) MGNREGS : guaranteed wage employment;  
TRYSEM :
- 5)  : Waste of resources. Social effect : loss of human dignity

### Q. 4. Observe the following chart and answer the following questions.



- 1) Production does not increase if additional worker is employed and production does not decrease if worker is reduced from the work. Mention the type of unemployment.
- 2) A worker is thrown out of job because of computerisation. Name this type of unemployment?
- 3) Sharad was forced to return back to India from USA due to depression in IT sector.
- 4) In spite of being a graduate, Vasant is sitting idle at home.

### Q. 5. Find out $Q_1$ and $Q_3$ using unemployment rates as numerical data :

Year	Unemployment Rate %
2009	3.75
2010	3.54
2011	3.53
2012	3.62
2013	3.46
2014	3.41
2015	3.49
2016	3.51
2017	3.52

### Q. 6. Answer the following in detail :

- 1) Explain the types of Industrial unemployment in India.
- 2) Explain the causes of unemployment in India.
- 3) Explain the measures taken by the government to reduce unemployment.

