



India's Unique Job Crisis

For Prelims: National Statistical Office, Periodic Labour Survey, Employment in different Sectors, Types of Unemployment

For Mains: Significance of Agriculture Sector in Economy, Employment & Unemployment in India, Types of Unemployment

Why in News?

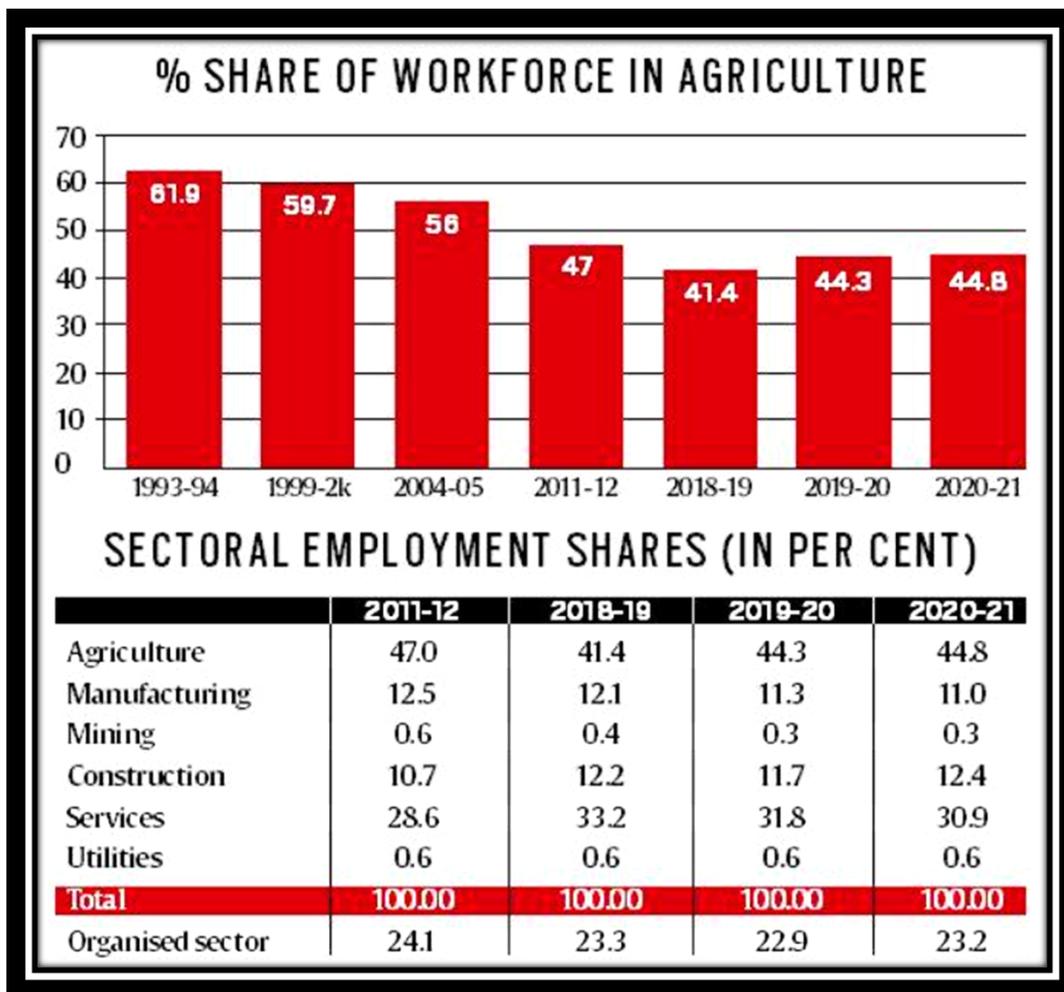
As per a recent study, there are **fewer people employed in agriculture today**, but the transformation has been weak.

- Those moving out of farms are **working more in construction sites and the informal economy than in factories.**

How much Employment does the Agriculture Sector provide?

- In 1993-94, agriculture accounted for close to **62% of the country's employed labour force.**
- The labour percentage in agriculture (based on data from the [National Statistical Office's Periodic Labour Force Surveys](#)), dropped almost 6% points by 2004-05 and 9% points over the next seven years.
 - The declining trend continued, albeit at a slower pace, in the subsequent seven as well.
- Between 1993-94 and 2018-19, agriculture's share in India's workforce **came down from 61.9% to 41.4%.**
 - It is estimated that given its level of **per capita GDP** in 2018, India's farm sector **should be employing 33-34% of the total workforce.**
 - 41.4% may not be a substantial deviation from the average.

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How has India's Employment Trends been?

▪ Agriculture:

◦ Reversal of Trend:

- There's been a **reversal of the trend** in the last two years, which has seen the share of those employed in farms **rise to 44-45% in 2020-21**.
 - This has primarily to do with the **Covid-induced economic disruptions**.

◦ Structural Transformation:

- Even the movement of workforce from agriculture that India has witnessed over the past three decades or more **does not qualify as what economists call "structural transformation"**.
 - **Structural transformation** would involve the **transfer of labour from farming to sectors** - particularly **manufacturing and modern services** - where productivity, value-addition and average incomes are higher.
 - However, the share of manufacturing (and mining) in total employment **has actually fallen along with that of agriculture**.
 - The surplus labour pulled out from the **farms is being largely absorbed in construction and services**.
- The **structural transformation process in India has been weak** and deficient.
 - There is movement of labour taking place away from farms - even if stalled, possibly temporarily.
 - But that surplus labour **isn't moving to higher value-added non-farm activities**, specifically manufacturing and modern services.
 - The labour transfer is happening within the low-productivity informal economy.

▪ Service Sector:

- The services sector **does include relatively well-paying industries** such as

[information technology](#), business process outsourcing, telecommunications, finance, [healthcare](#), [education](#) and **public administration**.

- The bulk of the jobs in this case are in **petty retailing, small eateries, domestic help, sanitation, security staffing, transport** and similar other informal economic activities.
- This is also evident from the low share of employment in [organised enterprises](#), defined as those engaging 10 or more workers.

How is the Information Technology Sector Emerging as a Job Provider?

- Between 2020-22, the **combined employee headcount** at India's top five IT companies (Tata Consultancy Services, Infosys, Wipro, HCL Technologies and Tech Mahindra) has gone **up from 11.55 lakh to 15.69 lakh**.
 - That's a jump of **4.14 lakh or nearly 36% in the period post the pandemic**, when most other sectors, barring agriculture, **were shedding jobs and slashing salaries**.
 - These five companies, put together, have more employees than the [Indian Railways](#) and the **three defense services, respectively**.
- Much of the IT sector's recent success is courtesy of [exports](#).
 - These have boomed due to **Covid's triggering increased demand for digitisation** even among businesses that were hitherto slow in adoption:
 - **India's net exports of software services** have surged from \$84.64 billion in 2019-20 to \$109.54 billion in 2021-22.

What could be done to Curb Unemployment?

- **Skills of Agriculture Labours:**
 - Schemes for **upskilling the workforce involved in the agriculture** sector should be prioritized by the government.
 - It would provide the **dual benefit** of enhancing the knowledge for efficient farming and also, in case the labour wants to switch careers, they can look for other superior areas of employment.
- **Promoting Labour Intensive Industries:**
 - There are a 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.
- **Decentralisation of Industries:**
 - **Decentralisation 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.
- **Government's Initiatives:**
 - [Support for Marginalized Individuals for Livelihood and Enterprise \(SMILE\)](#)
 - [PM-DAKSH \(Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi\)](#)
 - [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#)
 - [Pradhan Mantri Kaushal Vikas Yojana \(PMKVY\)](#)
 - [Start Up India Scheme](#)

What are different types of Unemployment?

- **Disguised Unemployment:**
 - It is a phenomenon wherein **more people are employed than actually needed**.
 - It is primarily traced in the **agricultural and the unorganised sectors of India**.
- **Seasonal Unemployment:**
 - It is an unemployment that occurs during **certain seasons of the year**.
 - **Agricultural labourers** in India rarely have work throughout the year.
- **Structural Unemployment:**

- It is a category of unemployment arising from the **mismatch between the jobs available in the market and the skills of the available workers in the market.**
- **Cyclical Unemployment:**
 - It is a result of the **business cycle, where unemployment rises during [recessions](#) and declines with [economic growth](#).**
- **Technological Unemployment:**
 - It is the loss of jobs due to **changes in technology.**
- **Frictional Unemployment:**
 - The Frictional Unemployment also called as **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.
- **Vulnerable Employment:**
 - This 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.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Disguised unemployment generally means (2013)

- (a) large number of people remain unemployed
- (b) alternative employment is not available
- (c) marginal productivity of labour is zero
- (d) productivity of workers is low

Ans: (c)

Explanation

- An economy demonstrates a marginal output that is gained by addition of one unit of labour. Disguised unemployment when productivity is low and too many workers are filling too few jobs.
- Marginal productivity refers to the additional output.
- Since, in disguised unemployment, more number of labour than required are already engaged in the work, the marginal productivity of labour is zero.
- **Therefore, option (c) is the correct answer.**

Mains

Q. Can the strategy of regional-resource based manufacturing help in promoting employment in India? (2019)

Q. Normally countries shift from agriculture to industry and then later to services, but India shifted directly from agriculture to services. What are the reasons for the huge growth of services vis-a-vis industry in the country? Can India become a developed country without a strong industrial base? (2014)

Source: IE

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