



India's Labour Force Participation Rate

For Prelims: India's labor force participation rate (LFPR), Types of Unemployment in India, Initiatives taken by Government to deal with Unemployment

For Mains: Types of Unemployment in India, solutions of unemployment in India

Why in News?

Recently, data from the [Centre for Monitoring Indian Economy \(CMIE\)](#) shows that **India's Labour Force Participation Rate (LFPR)** has fallen to **just 40% from an already low 47% in 2016.**

- This suggests not only that more than **half of India's population in the working-age group (15 years and older) is deciding to sit out of the job market**, but also that this **proportion of people is increasing.**

What is LFPR?

- According to the CMIE, the labor force consists of people **who are 15 years or older**, and belong to either of the following two categories:
 - Are Employed
 - Are unemployed and are willing to work and are actively looking for a job.
- These two categories have people **“demanding” jobs**. This demand is what LFPR refers to.
- Thus, the LFPR essentially is the percentage of the **working-age (15 years or older) population that is asking for a job**.
 - It represents the “demand” for jobs in an economy.
 - It includes those who are employed and those who are unemployed.
- The **Unemployment Rate (UER)**, which is routinely quoted in the news, is **nothing but the number of unemployed (category 2) as a proportion of the labor force**.
- In India, the LFPR is not only lower than in the rest of the world but also falling.
 - In India, it has been sliding over the **last 10 years and has shrunk from 47% in 2016 to just 40% as of December 2021**.

Why is India’s LFPR so low?

- The main reason for India’s LFPR being low is the **abysmally low level of female LFPR**.
- According to CMIE data, as of **December 2021, while the male LFPR was 67.4%, the female LFPR was as low as 9.4%**.
- In other words, **less than one in 10 working-age women** in India are even **demanding work**.
- Even if one sources data from the [World Bank](#), India’s female labor force participation rate is **around 25% when the global average is 47%**.
- The reasons for low women LFPR is essentially about the working conditions — **such as law and order, efficient public transportation, violence against women, societal norms** etc. — being far from conducive for women to seek work.
 - Further, lot of **women in India are exclusively involved within their own homes** (caring for their family)

What is Issue with LFPR calculation?

- **Unemployment Rate** only measures person who are unemployed, but it didn’t calculate the total people have stopped demanding work.
 - Typically, this happens when people of the working-age get disheartened from not finding work.
- Thus, it is better to track another variable: **the Employment Rate (ER)**.
 - The ER refers to the total number of employed people as a percentage of the working-age population.

What are Different Types of Unemployment in India:

- **Disguised Unemployment:** It is a phenomenon wherein **more people are employed than actually needed**.
 - It is primarily traced in the agricultural and the unorganized sectors of India.
- **Seasonal Unemployment:** It is unemployment that occurs **during certain seasons of the year**.
 - Agricultural laborers 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.
 - Many people in India do not get jobs due to lack of requisite skills and due to poor education level, it becomes difficult to train them.
- **Cyclical Unemployment:** It is a result of the **business cycle, where unemployment rises during recessions and declines** with economic growth.
 - Cyclical unemployment figures in India are negligible. It is a phenomenon that is mostly found in capitalist economies.

- **Technological Unemployment:** It is the **loss of jobs due to changes in technology.**
 - In 2016, World Bank data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.
- **Frictional Unemployment:** Frictional Unemployment, also called Search Unemployment, refers to the **time lag between the jobs when an individual is searching for a new job** or is switching between jobs.
- **Vulnerable Employment:** This means people working informally, **without proper job contracts and thus lacking any legal protection.**
 - These **people are deemed 'unemployed' since records of their work are never maintained.**
 - It is one of the main types of unemployment in India.

What are Recent Initiatives taken by Government?

- [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](#)

Way Forward

- **Promoting Labour Intensive Industries:** There are several labor-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.**
- **Decentralization of Industries:** 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.
- **Drafting National Employment Policy:** There is a need for a National Employment Policy (NEP) that would encompass a set of multidimensional interventions covering a whole range of social and economic issues affecting many policy spheres and not just the areas of labor and employment.
 - The underlying principles for the **National Employment Policy may include:**
 - Enhancing human capital through skill development.
 - Creating enough 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 labor market.
 - Coherence and convergence in various initiatives taken by the government.
 - Supporting the private sector to become the major investor in productive enterprises.
 - Supporting self-employed persons by strengthening their capabilities to improve their earnings.

UPSC Civil Services Examination Previous Year Questions (PYQs)

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)

- An economy demonstrates disguised unemployment when productivity is low and too many workers are filling too few jobs.

Source: IE

PDF Referenece URL: <https://www.drishtias.com/printpdf/india-s-labour-force-participation-rate>