



Unemployment in India

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For Prelims: Types of Unemployment in India, Support for Marginalised 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.

For Mains: Types of Unemployment in India, Causes and solutions of unemployment in India.

Why in News?

According to data from the [Centre for Monitoring Indian Economy \(CMIE\)](#), India's unemployment rate touched a four-month high of 7.9% in December 2021.

What is Unemployment?

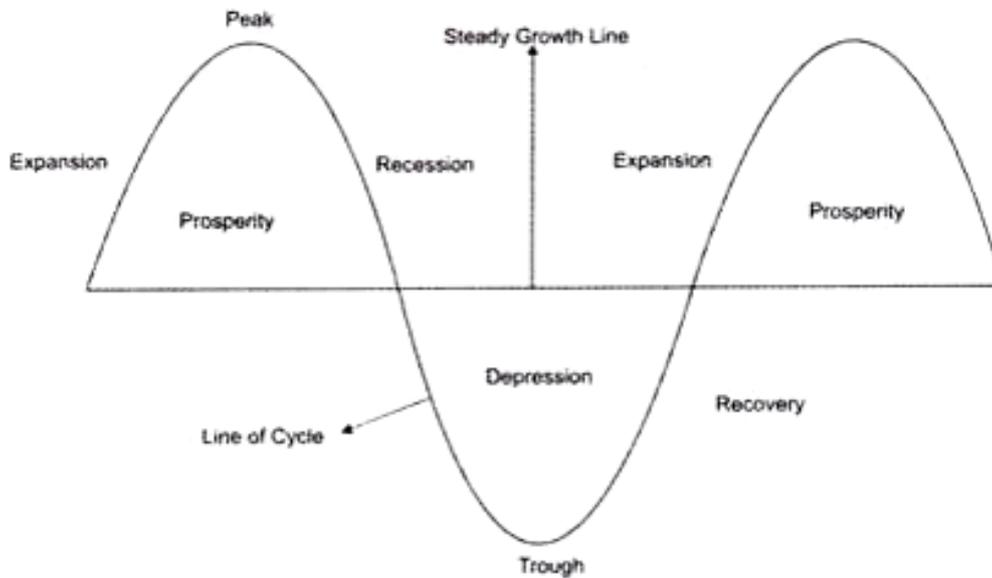
- Unemployment occurs when a person who is actively searching for employment is **unable to find work**.
- Unemployment is often **used as a measure of the health of the economy**. The most frequent measure of unemployment is the unemployment rate, which is the **number of unemployed people divided by the number of people in the labor force**.
- [National Sample Survey Organization \(NSSO\)](#) defines employment and unemployment on the **following activity statuses of an individual**:
 - Working (engaged in an economic activity) i.e., 'Employed'.
 - Seeking or available for work i.e., 'Unemployed'.
 - Neither seeking nor available for work.
 - The first two constitute labour force and the unemployment rate is the percentage of the labour force that is without work.
 - **Unemployment rate = (Unemployed Workers / Total labour force) × 100**

What are the 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 unorganised sectors of India.
- **Seasonal Unemployment:**
 - It is 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.
 - Many people in India do not get job 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.



Representation of Phases of a Business Cycle

▪ Technological Unemployment:

- It is a loss of jobs due to changes in technology.

▪ 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 the jobs.
- In other words, an employee requires time for searching for a new job or shifting from the existing to a new job, this inevitable time delay causes frictional unemployment. It is often considered voluntary unemployment because it is not caused due to the shortage of jobs, but in fact, the **workers themselves quit their jobs in search of better opportunities.**

▪ Vulnerable Employment:

- This means, people working informally, without proper job contracts and thus sans 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 Some of the Key Terms?

- **Unemployment Trap:** It is a situation where unemployment benefits discourage the unemployed to go to work. People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.
- **Harmonised Unemployment Rates:** It defines the unemployed as people of working age who are without work, are available for work, and have taken specific steps to find work.
 - The uniform application of this definition results in estimates of unemployment rates that are **more internationally comparable than estimates based on national definitions of unemployment.**
 - This indicator is measured in numbers of unemployed people as a percentage of the labour force and it is seasonally adjusted. The labour force is **defined as the total number of unemployed people plus those in civilian employment.**

What is the Measurement of Unemployment in India?

- National Sample Survey Office (NSSO), an organisation under the Ministry of Statistics and Programme Implementation (MoSPI) measure unemployment in India on the following approaches:
 - **Usual Status Approach:** This approach estimates only those persons as unemployed who had **no gainful work for a major time during the 365 days** preceding the date of survey.
 - **Weekly Status Approach:** This approach records only those persons as unemployed who **did not have gainful work even for an hour on any day of the week** preceding the date of the survey.
 - **Daily Status Approach:** Under this approach, the unemployment status of a person is measured for each day in a reference week. A person who has **no gainful work even for 1 hour in a day** is described as unemployed for that day.

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What are the Causes of Unemployment?

- **Lack of Education/Skills:** Huge workforce associated with [informal sector](#) due to lack of required education/ skills, which is not captured in any employment data. For ex: domestic helpers, construction workers etc.
- **Issues Regarding Joint Families:** In **big joint families** having big business, many such people will be available who are not employed and depend on the joint income of the family.
- **Rapid Growth of Population:** Constant increase in population has been a big problem in India. As with an increase in the labour force the rate of unemployment also increases due to the unavailability of required jobs.
 - It is one of the **main causes of unemployment.**
- **Dominance of Agriculture:** Still in India nearly half of the workforce is dependent on Agriculture.
 - However, Agriculture is underdeveloped in India. Also, it provides seasonal employment.
- **Fall of Cottage and Small industries:** Due to the current industrial development had adverse effects on cottage and small industries.
 - When the production of cottage and small industries fall many artisans as well as employees become unemployed.
- **Immobility of Labour:** Mobility of labour in India is low. Due to attachment to the family, people do not go too far off areas for jobs.
 - Factors like language, religion, and climate are also responsible for low mobility.
- **Defects in Education System:** Jobs in the capitalist world have become highly specialised but India's education system does not provide the right training and specialisation needed for these jobs.
 - Thus, many people who are willing to work become unemployed due to lack of skills.

What are the Impacts of Unemployment?

- The problem of unemployment gives rise to the **problem of poverty.**
- Young people, after a long time period of unemployment indulge in illegal and wrong activities for earning money. This also leads to **increase in crime in the country.**
- **Unemployed persons can easily be enticed by antisocial elements.** This makes them lose faith in the democratic values of the country.
- It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading losses to the **human resources of the country.**
- It also affects **the economy** of the country as the workforce that could have been gainfully employed to generate resources gets dependent on the remaining working population, thus **escalating socioeconomic costs** for the State. For instance, 1% increase in unemployment **reduces the GDP by 2%.**

What are the Steps Taken by the Government?

- **Integrated Rural Development Programme (IRDP):** was launched in 1980 to create full

employment opportunities in rural areas.

- **Training of Rural Youth for Self-Employment (TRYSEM):** This scheme was started in 1979 with the objective to help unemployed rural youth **between the age of 18 and 35 years** to acquire skills for self-employment. Priority was given to SC/ST Youth and Women.
- **RSETI/RUDSETI:** With the aim of mitigating the unemployment problem among the youth, a new initiative was tried jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Syndicate Bank and Canara Bank in 1982 which was the setting up of the **“Rural Development And Self Employment Training Institute”** with its acronym RUDSETI near Dharmasthala in Karnataka.
 - Rural Self Employment Training Institutes/ RSETIs are now **managed by Banks with active co-operation from the Government** of India and State Government.
- **Jawahar Rozgar Yojana (JRY):** By merging the two erstwhile wage employment programme – National Rural Employment programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) the Jawahar Rozgar Yojana (JRY) was started with effect from April, 1, 1989 on **80:20 cost sharing basis between the centre and the States.**
- **Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA):**
 - It is an employment scheme that was launched in 2005 to provide social security by guaranteeing **a minimum of 100 days paid work per year** to all the families whose adult members opt for unskilled labour-intensive work.
 - This **act provides Right to Work to people.**
- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY):** Launched in 2015 has the objective of enabling a large number of Indian youths to take up industry-relevant skill training that will help them in securing a better livelihood.
- **Start Up India Scheme,** launched in 2016 aims at developing an ecosystem that promotes and nurtures entrepreneurship across the country.
 - It also aims to facilitate bank loans between **Rs 10 lakh and Rs. 1 crore to at least one SC or ST borrower and at least one women borrower** per bank branch for setting up a greenfield enterprise.

What are some of the Recent Initiatives by the Government?

- **Support for Marginalized Individuals for Livelihood and Enterprise (SMILE)**
- **PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)**
- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**

What can be the Way Forward?

- **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.
- Entrepreneurs generate employment to many in a country, therefore, **government needs to encourage entrepreneurship among the youth.**
- **Concrete measures aimed at removing the social barriers for women’s entry** and their continuous participation in the job market is needed.
- Government needs to keep a **strict watch on the education system** and should try to implement new ways to generate skilled labour force.
- Effective implementation of present programs like Make in India, Skill India, Start up and Stand-Up India.

- **Drafting National Employment Policy:** There is a need for **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 labour and employment.
- The underlying **principles for the National Employment Policy may include:**
 - Enhancing human capital through skill development,
 - Creating sufficient number of 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 labour 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,
 - Ensuring employees' basic rights and developing an education, training and skill development system aligned with the changing requirements of the labour market.

UPSC Civil Services Examination, Previous Year's Questions (PYQs)

Mains

Q. “While we flaunt India’s demographic dividend, we ignore the dropping rates of employability.” What are we missing while doing so? Where will the jobs that India desperately needs come from? Explain. **(2014)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/unemployment-in-india>