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.

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**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 or 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.