



## 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?

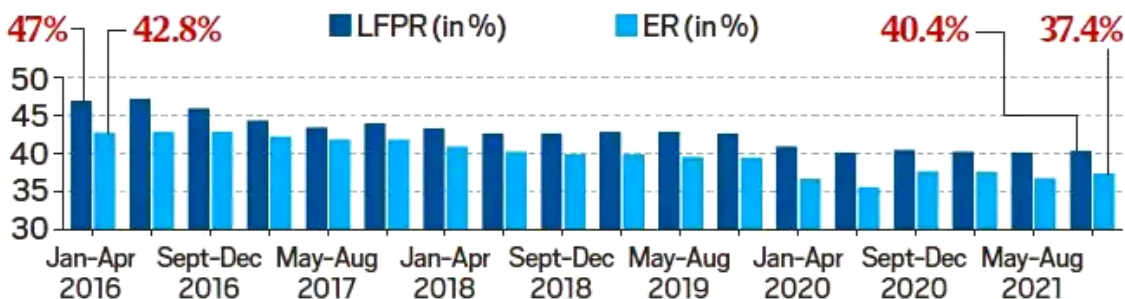
Recently, data from the [Centre for Monitoring Indian Economy \(CMIE\)](#) shows that **India's Labour Force Participation Rate (LFPR)** has fallen to **just 40%** from an already low **47%** in 2016.

- 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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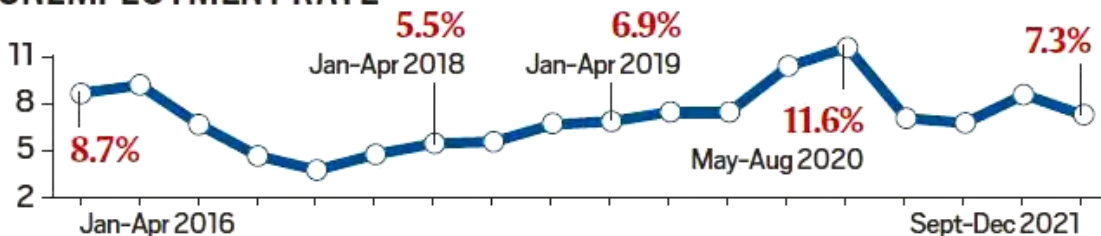
**CHART 1**

### LABOUR FORCE PARTICIPATION & EMPLOYMENT RATES



**CHART 2**

### UNEMPLOYMENT RATE



### 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)

- large number of people remain unemployed
- alternative employment is not available
- marginal productivity of labour is zero
- 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 Reference URL: <https://www.drishtias.com/printpdf/india-s-labour-force-participation-rate>

