



Mains Practice Question

Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. (Answer in 250 words, UPSC Mains 2023)

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Approach

- Introduce the answer with briefly defining the structural unemployment.
- Discuss the reasons behind structural unemployment in India.
- Conclude with a solution based approach.

Introduction

Structural unemployment is basically an involuntary unemployment that occurs because of a structural change in the economy, such as the development of a new technology or industry or due to the mismatch in skills possessed by the populations and the job available in the market.

Body

Major reasons for structural unemployment in India include labour market rigidities, geographic mismatch, agriculture dependency, infrastructure bottlenecks, and regulatory challenges.

Methodology adopted to compute unemployment in the country

- **Computation by NSSO using:**
 - **Current Weekly Status (CWS):** Under this, a shorter reference period of a week is adopted. Individuals are counted as employed if they have worked for at least one hour on at least one day in the preceding seven days. For example, Labour Force Participation Rate in CWS in urban areas for persons aged 15 years and above increased to 48.2 per cent in the October-December quarter of 2022.
 - **Usual Principal and Subsidiary Status (UPSS):** It is determined based on the activity one spent the most time in the previous year.
 - **Current Daily Status:** It indicates the number of people who did not find work for one or more days in a week.
- **Labor Bureau Surveys:** Labor Bureau conducts survey to obtain data on unemployment and employment in India. For example, All-India Quarterly Establishment-based Employment Survey (AQEES).

Way forward

- **Increase in Frequency of Surveys:** It is important to ensure timeliness and updating of the surveys as increased frequency provides better understanding of changing employment trends.
- **Modernizing Agriculture:** Increase in investment in agriculture could have a multiplier effect through backward and forward linkages, e.g., promoting cold storages.
- **Incorporation of Informal Sector:** More than 80 percent of the labour force is employed in

informal sector which needs to be incorporated in the formal sector.

- **Seasonal Adjustments:** Improve seasonal adjustment techniques to account for the impact of agriculture and other seasonal employment trends.

Conclusion

To address unemployment in India, we must refine how we measure it. This includes using alternative data sources, addressing skill mismatches, considering seasonal variations, tackling underemployment, and leveraging technology for accurate policy interventions.

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