



## Tackling Unemployment Trap in India

**For Prelims:** [Underemployment](#), [GDP](#), [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#), [Periodic Labour Force Survey](#), [Unemployment](#), [Artificial Intelligence](#), [MSMEs](#), [Startup India](#), [Production Linked Incentive \(PLI\) Schemes](#).

**For Mains:** Status of Unemployment in India, Reasons and Consequences of Unemployment, Government Initiatives for Employment, and Measures Needed to Curb Unemployment.

[Source: IE](#)

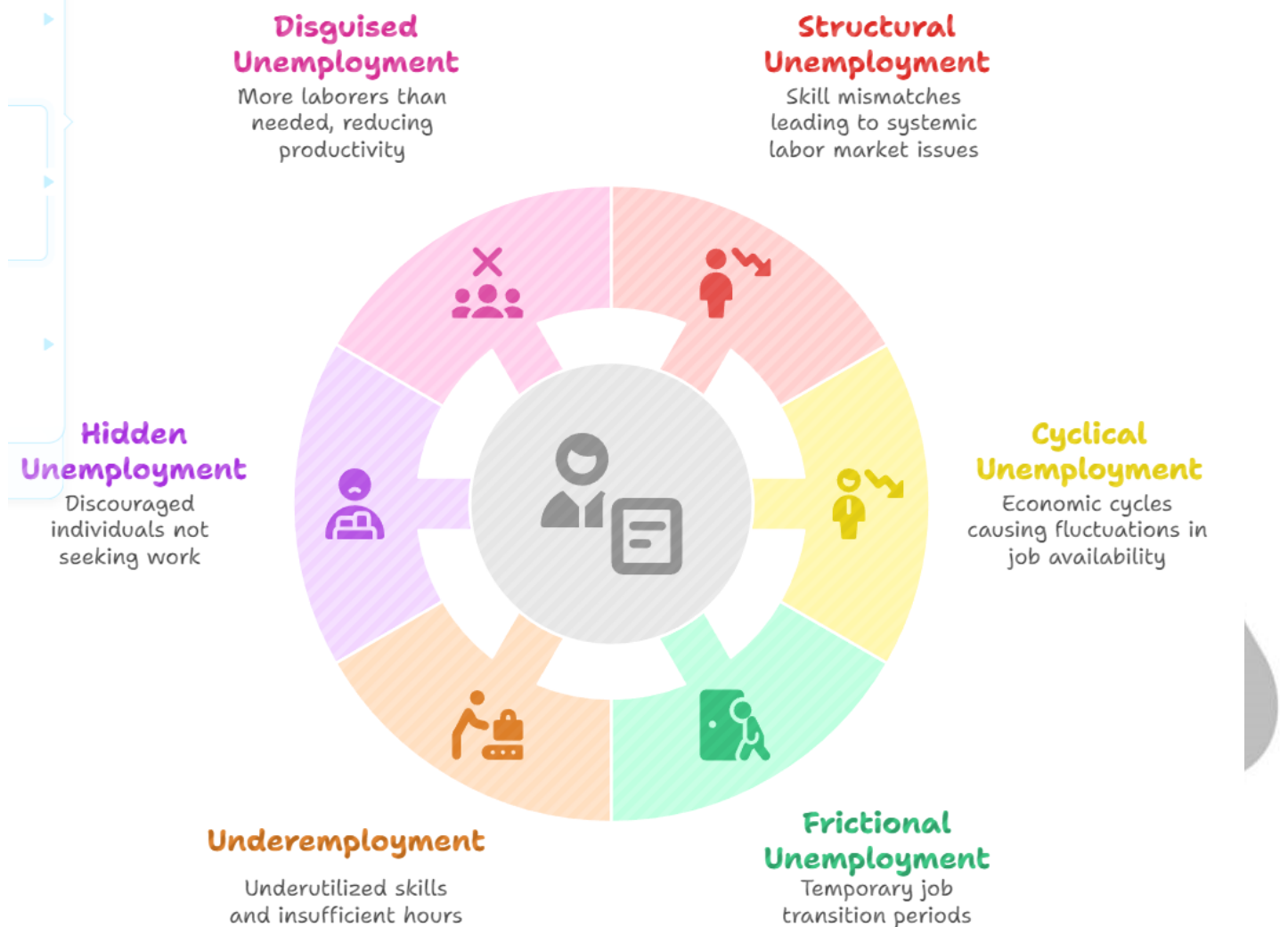
### Why in News?

As per a leading global financial services firm, India must grow nearly **twice as fast (around 12%)** to **generate enough jobs for its youth and address underemployment**, in comparison, the RBI projects only **6.5% GDP growth for FY25**, slightly above the **10-year average of 6.1%**, highlighting a significant growth-employment gap.

### What is the Status of Unemployment in India?

- **About Unemployment:** Unemployment is when an **individual who is not employed and is seeking employment**, cannot find work. Unemployment is a key indicator of the health of an economy. It is calculated as:
  - **Unemployment rate** = (Number of Unemployed Workers/Total Labour Force)×100.
    - The **total labour force** includes both **employed and unemployed** individuals, while those neither employed nor seeking work—such as **students**—are excluded.
- **State of Unemployment in India:**
  - **High Youth Unemployment:** As per the latest [Periodic Labour Force Survey \(PLFS\)](#), India's overall [unemployment rate](#) fell to **5.1%**, but among **15-29-year-olds** it remained much higher at **14.6%**.
    - The **India Employment Report 2024** by the **International Labour Organization (ILO)** highlights that one in every three unemployed persons in India is a youth.
  - **Comparative Context:** Asia's youth unemployment stands at **16%**, higher than the **US's 10.5%**, with **India, China, and Indonesia** facing the most pressing **youth job challenges**.
- **Types of Unemployment:**

## Types of Unemployment



## What are the Reasons for Unemployment in India?

- **Demographic Pressure:** The World Bank warns that South Asia, including India, is failing to capitalise on its demographic dividend, as employment grew only 1.7% annually (2000–2023) against a 1.9% rise in the working-age population, widening the employment gap.
- **Skill Mismatch:** Only 4.7% of India's labour force has received formal skill training, resulting in an underutilized workforce. The education system's gap in industry-relevant skills has created a paradox of high unemployment alongside talent shortages.
  - Educated youth often prefer [white-collar jobs](#) over [manual or blue-collar work](#), leading to high educated unemployment.
- **Jobless Growth:** India's economic growth of 6.5–7.8% is not creating enough jobs, especially in manufacturing, as India's global export share of only 1.8% limits manufacturing employment.
- **Gender Disparity:** Urban female unemployment (ages 15–29) is 25.7%, much higher than males at 15.6%, highlighting social and structural barriers to workforce participation.
- **Looming Technological Disruption:** The rise of automation and [Artificial Intelligence \(AI\)](#) threatens up to 69% of jobs in India (World Bank), particularly in manufacturing, data entry, and customer service, making reskilling and policy adaptation urgent.
- **Seasonal Employment and Agriculture Dependency:** In 2022–23, about 45.76% of India's workforce was in agriculture and allied sectors, offering mostly seasonal, underpaid jobs, while limited non-farm opportunities worsened rural underemployment and migration pressures.

# How does Unemployment Impact the Economy and Society?

- **Economic Stagnation:** Unemployment leads to lost **GDP** and wasted **human capital**, creating a cycle of low **demand** as reduced **consumer spending** forces further **business cutbacks**.
- **Increased Poverty and Inequality:** Joblessness directly causes **poverty** and widens **income gaps**, as **families** without stable **incomes** struggle to afford basic **necessities**.
- **Social Instability:** High **unemployment**, particularly among **youth**, fuels **social unrest, crime**, and **political instability** due to widespread **frustration** and **alienation**.
- **Mental Health and Skill Crisis:** Prolonged **unemployment** causes **psychological distress** and **deskilling**, eroding individuals' **employability** and **self-esteem** over time.
- **Fiscal Burden on Government:** Unemployment simultaneously increases **government spending** on **welfare benefits** while reducing **tax revenues**, worsening the **fiscal deficit**.

## Initiatives Taken by India to Generate Employment

- [PM-DAKSH \(Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi\)](#)
- [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#)
- [Start Up India Scheme](#)
- [Support for Marginalized Individuals for Livelihood and Enterprise \(SMILE\)](#)
- **PM SVANidhi Scheme:** Offers collateral-free working capital loans to street vendors to revive businesses hit by COVID-19.
- **PM Vishwakarma Scheme:** Provides end-to-end support to traditional artisans, promoting the Guru-Shishya parampara.
- **National Education Policy 2020:** Introduces vocational education from Class 9 to enhance youth employability.
- **Deen Dayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM):** Empowers rural poor women through Self-Help Groups, promoting sustainable livelihoods.
- **Pradhan Mantri Kaushal Vikas Yojana:** Focuses on industry-relevant skill training to improve youth employability.

## What Reforms are Needed to Tackle Unemployment in India?

- **Boost Labor-Intensive Manufacturing:** Focus on **high employment multiplier sectors** like **textiles, apparel, leather, food processing**, and **electronics assembly**, while improving **export competitiveness** through trade agreements.
- **Bridge the Skill Gap:** Align **education** with **market needs** by integrating **vocational and practical skills** (AI, data analytics, IoT) and expand **reskilling/upskilling programs** like [Mantri Kaushal Vikas Yojana \(PMKVY\)](#) for future-ready workers.
- **Support MSMEs:** Ease **credit access** and reduce **compliance** for [MSMEs](#), while promoting **start-ups** through [Startup India](#), mentorship, patent support, and a stronger **venture capital ecosystem**.
- **Address Underemployment in Agriculture:** Diversify the **rural economy** through **agro-based industries, food processing**, and **infrastructure projects**, while strengthening **alternative livelihoods** like [animal husbandry](#), **fisheries**, and **beekeeping**.
- **Strategic Government Initiatives:** Sustain **public investment** in **infrastructure** (roads, railways, ports, housing) and focus on **flagship schemes** like the [Production Linked Incentive \(PLI\) Schemes](#) to boost **manufacturing** and generate **employment**.

## Conclusion

Unemployment in India, especially among youth and urban females, remains a pressing challenge due to **jobless growth, skill mismatch, underemployment, and technological disruption**. Addressing it requires **high GDP growth, labor-intensive manufacturing, skill development, MSME support, rural diversification, and strategic government initiatives**, ensuring sustainable employment and

optimal utilization of the **demographic dividend**.

**Drishti Mains Question:**

Critically analyze the phenomenon of 'jobless growth' in India. Suggest measures to make economic growth more employment-intensive.

## Frequently Asked Questions (FAQs)

### 1. What is Unemployment?

Unemployment occurs when individuals willing and able to work at prevailing wages cannot find employment.

### 2. What is meant by 'jobless growth'?

Jobless growth refers to the phenomenon where the economy grows at a rapid pace but fails to generate proportional employment opportunities, especially in the manufacturing sector.

### 3. Why is there a significant gap between overall and youth unemployment rates?

While India's overall unemployment is 5.1%, youth unemployment stands at 14.6% due to skill mismatches, rapid workforce expansion, and insufficient entry-level job creation in organized sectors.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### **Prelims**

#### **Q. Pradhan Mantri MUDRA Yojana is aimed at (2016)**

- (a) bringing the small entrepreneurs into formal financial system
- (b) providing loans to poor farmers for cultivating particular crops
- (c) providing pensions to old and destitute persons
- (d) funding the voluntary organizations involved in the promotion of skill development and employment generation

**Ans: (a)**

#### **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)**

### **Mains**

**Q.** Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023)**

**Q.** The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favor of your answer. **(2015)**

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