

## THE PROBLEM OF UNEMPLOYMENT IN INDIA

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### ABSTRACT

Almost every nation today irrespective of whether it is a developed nation or an underdeveloped one, a first world country like France or a third world country like Nigeria suffers from the problem of perpetuating unemployment India being no exception to this. Our nation has been infested by unemployment and even after 7 decades of planned development, reforms, policies; not much impact has been brought onto the scene furthermore the nation continues to witness staggering cyclical fluctuations in the levels of unemployment. The major emphasis of this study is to fathom upon the trajectory of the unemployment problem in our country, major factors that have ensured its persistence and the present problems that are looming to be unleashed upon the apparatus of our economic structure. Also it highlights present attempts made by the government in the direction of reducing the magnitude of this problem and its effectiveness as well as some recommendations which can augment a better scenario for eradication of this major problem of Unemployment in India.

**Keywords:** Unemployment, planned development, cyclical fluctuations, reforms.

### INTRODUCTION

Unemployment is a pressing concern that affects not only the economic stability of a nation but also the well-being and dignity of its citizens. Despite India's impressive economic growth and development initiatives, the country continues to struggle with high rates of unemployment, which has significant implications for its socio-economic fabric. India's unemployment problem is a multifaceted challenge, shaped by a combination of historical, policy-related, and structural factors.

This study aims to provide a comprehensive analysis of the unemployment problem in India, tracing its trajectory over the years and examining the major factors that have contributed to its persistence. By exploring the causes and consequences of unemployment in India, this research seeks to identify potential areas for improvement and evaluate the effectiveness of recent government initiatives aimed at addressing this issue. The study will also highlight the importance of addressing employment as a critical component of India's economic development strategy, and provide recommendations for policymakers and stakeholders to promote employment generation and sustainable economic growth.

### TRAJECTORY OF UNEMPLOYMENT

This section undertakes an extensive analysis of the rates of unemployment in India over the years and will provide a brief portrayal of how this problem continues to pester our economy as well as play a major role towards hindering its growth and how it turns to be an obstacle for the people of the country to be able to live a decent life.

### 1950-70's

This era was marked a significantly low unemployment rate that was close to 2 percent, however the data is fragmented and highly unreliable as no measurement parameter was present for calculation of seasonal and disguised unemployment and so estimates of the time do not present a realistic picture of the unemployment problem.

### 1980's

This era was again marked by a low unemployment rate though again these measures were highly unreliable as the measurement parameters were infested with inadequacies the World Bank however during this time pointed at major structural unemployment being present within the nation.

### 1990's

This was the era in which the parameters of measurement as well as the methodology was enhanced to present a reliable picture of the extent of the unemployment problem the rate of unemployment was high at 7% as per official reports.

### 2000's

The rate of unemployment remained stagnant at 4-5% though there was a lot of frictional unemployment during this decade due to changing market scenario, and also a major shock came in the form of world recession of 2008.

### 2010's

Again during this time on an average the rate of unemployment was somewhere between 5-6% though the PFLS report of 2017-18 showed a bleaker condition at 6.1%.

### 2020's

The beginning of this decade was marked by the pandemic which drastically altered the entire economic structure of the country this caused huge turbulence across all sectors and lead to intensive changes in the employment composition of the country the unemployment rate during this time was also affected by the pressures from international geopolitical makeshifts and supply chain disruption and thus this was the reason behind major cyclical fluctuations as is evident in the table below:

**Employment Indicators viz., LFPR, WPR and UR according to usual status for persons of age 15 years and above since 2011-12 to 2022-23**

(in percentage)

Years		2011-12	2012-13	2013-14	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Labour Force participation Rate (LFPR)</b>												
<b>Rural</b>	Male	79.4	78.7	76.4	78.0	78.0	76.4	76.4	77.9	78.1	78.2	80.2
	Female	33.9	29.9	36.4	31.7	29.5	24.6	26.4	33.0	36.5	36.6	41.5
	<b>Total</b>	<b>57.9</b>	<b>55.5</b>	<b>58.8</b>	<b>55.8</b>	<b>54.8</b>	<b>50.7</b>	<b>51.5</b>	<b>55.5</b>	<b>57.4</b>	<b>57.5</b>	<b>60.8</b>
<b>Urban</b>	Male	73.7	73.2	74.0	69.1	73.6	74.5	73.7	74.6	74.6	74.7	74.5
	Female	19.1	17.8	19.7	16.6	20.1	20.4	20.4	23.3	23.2	23.8	25.4
	<b>Total</b>	<b>48.0</b>	<b>46.7</b>	<b>47.9</b>	<b>43.7</b>	<b>47.6</b>	<b>47.6</b>	<b>47.5</b>	<b>49.3</b>	<b>49.1</b>	<b>49.7</b>	<b>50.4</b>
<b>Rural + Urban</b>	Male	77.9	77.2	75.7	75.5	76.8	75.8	75.5	76.8	77	77.2	78.5
	Female	30.0	26.5	31.1	27.4	26.9	23.3	24.5	30.0	32.5	32.8	37.0
	<b>Total</b>	<b>55.4</b>	<b>53.1</b>	<b>55.6</b>	<b>52.4</b>	<b>52.8</b>	<b>49.8</b>	<b>50.2</b>	<b>53.5</b>	<b>54.9</b>	<b>55.2</b>	<b>57.9</b>
<b>Worker Population Ratio (WPR)</b>												
<b>Rural</b>	Male	77.5	76.1	74.3	75.7	75.6	72.0	72.2	74.4	75.1	75.3	78.0
	Female	32.5	28.7	35.1	30.2	28.1	23.7	25.5	32.2	35.8	35.8	40.7
	<b>Total</b>	<b>56.3</b>	<b>53.6</b>	<b>57.1</b>	<b>53.9</b>	<b>52.9</b>	<b>48.1</b>	<b>48.9</b>	<b>53.3</b>	<b>55.5</b>	<b>55.6</b>	<b>59.4</b>
<b>Urban</b>	Male	71.3	70.4	71.4	67.1	70.8	69.3	68.6	69.9	70.0	70.4	71.0
	Female	17.0	15.7	17.5	14.8	17.8	18.2	18.4	21.3	21.2	21.9	23.5
	<b>Total</b>	<b>45.8</b>	<b>44.2</b>	<b>45.5</b>	<b>41.8</b>	<b>45.0</b>	<b>43.9</b>	<b>43.9</b>	<b>45.8</b>	<b>45.8</b>	<b>46.6</b>	<b>47.7</b>
<b>Rural + Urban</b>	Male	75.9	74.5	73.5	73.3	74.3	71.2	71.0	73.0	73.5	73.8	76.0
	Female	28.5	25.0	29.6	25.8	25.2	22.0	23.3	28.7	31.4	31.7	35.9
	<b>Total</b>	<b>53.6</b>	<b>51.0</b>	<b>53.7</b>	<b>50.5</b>	<b>50.7</b>	<b>46.8</b>	<b>47.3</b>	<b>50.9</b>	<b>52.6</b>	<b>52.9</b>	<b>56.0</b>
<b>Unemployment Rate (UR)</b>												
<b>Rural</b>	Male	2.4	3.3	2.7	2.9	3.1	5.7	5.5	4.5	3.8	3.8	2.7
	Female	4.1	4.2	3.4	4.7	4.7	3.8	3.5	2.6	2.1	2.1	1.8
	<b>Total</b>	<b>2.9</b>	<b>3.5</b>	<b>2.9</b>	<b>3.4</b>	<b>3.5</b>	<b>5.3</b>	<b>5.0</b>	<b>3.9</b>	<b>3.3</b>	<b>3.2</b>	<b>2.4</b>
<b>Urban</b>	Male	3.1	3.9	3.5	3.0	3.8	6.9	7.0	6.4	6.1	5.8	4.7
	Female	11.2	11.7	10.8	10.9	11.2	10.8	9.8	8.9	8.6	7.9	7.5
	<b>Total</b>	<b>4.7</b>	<b>5.3</b>	<b>4.9</b>	<b>4.4</b>	<b>5.3</b>	<b>7.7</b>	<b>7.6</b>	<b>6.9</b>	<b>6.7</b>	<b>6.3</b>	<b>5.4</b>
<b>Rural + Urban</b>	Male	2.6	3.5	2.9	3.0	3.3	6.1	6.0	5.0	4.5	4.4	3.3
	Female	5.3	5.6	4.9	5.8	6.1	5.6	5.1	4.2	3.5	3.3	2.9
	<b>Total</b>	<b>3.3</b>	<b>4.0</b>	<b>3.4</b>	<b>3.7</b>	<b>3.9</b>	<b>6.0</b>	<b>5.8</b>	<b>4.8</b>	<b>4.2</b>	<b>4.1</b>	<b>3.2</b>

Source: (i) Labour Bureau Survey Reports for 2011-12 to 2016-17, and (ii) Annual PLFS Survey reports for 2017-18 to 2022-23

(Note: the results of Labour Bureau Survey are not comparable with the results of PLFS results due to the different survey methodologies)

## **FACTORS RESPONSIBLE FOR PERPETUATION OF UNEMPLOYMENT**

- Colonial inertia and its prolonged impact over the structures of the economic and administrative setups of our country has caused a setback to employment opportunities as the long years of exploitation and systematic subordination dismantled our industries and age old craftsmanship turning the economy into a fundamental agrarian one in structure which was immensely underproductive due to massive disguised unemployment and this turned out to be one the major problems for the policy makers to shift these disguisedly unemployed workers to productive avenues after independence.
- Policy miscalculation and implementation incompetence also contributed for the persistence of unemployment in India as initially after independence the popular opinion was that growth of country itself would lead to a trickledown effect which will increase the employment opportunities and reduce unemployment however this mythic optimism came crashing down as even till 1970's employment grew only by meager percentages the condition was also aggravated by implementation delays and incompetence which reduced the effectiveness of policy initiatives and further lead to rise of regional disparities.
- Imprudent management and external crisis also stagnated the efforts towards any substantial attempts towards unemployment eradication as the failure of the third five year plan (Gadgil Yojana) lead to intense disequilibrium in the economy and also the foreign aggressions of 1962,1965,1971 all contributed towards aggravating this crisis and delineated the economy from achieving its set targets.
- Political instability and geopolitical issues of the 1980's also caused a severe setback for many initiatives of employment generation and growth as the imprudent fiscal management of 1980's and geopolitical drag of the gulf war deteriorated the fiscal condition of the country and so this diverted the attention of the government from the employment issues to other aspects which further neglected the looming issue of employment.
- Capital intensive approach of industries during the second five year plan be it public or private consequently leading to modernizing industrial production via machinery hindered the possible employment generation opportunities which otherwise through emphasis on labor intensive approach could have been possible and would have revolutionized the entire employment composition of the country; however due to emphasis on machine oriented development in the initial five year plans this opportunity was lost.
- Structural incapacities have been another reason with far reaching impact over the employment scenario of the country the disequilibrium between the education setup and the skills required by the industries stands to be perhaps at the foundation of the problem the formal education fails to impart the necessary skills required to procure sustainable and adequately remunerative opportunities for a majority section of the population.
- The growing informalization of the labor workforce also leads to cyclical fluctuations in the unemployment rates as such employment avenues are majorly seasonal in character and so brings seasonal unemployment in its wake.
- High population growth rate off tracks the impetus of growth and so keeps the

economy stagnant and also increases the unemployment rate as the growth of labor workforce is higher than the rate of Job creation.

## RECENT GOVERNMENT INITIATIVES

Since growing unemployment stands as one of the major obstacle in the path of advancement and also its rise can cause internal anarchy and political instability. In order to prevent such conditions of mayhem the Government has now made unemployment eradication as one of its priority initiatives many of the policies have been launched with this objective in mind a few mentions are:

**Aatamnirbhar Bharat Scheme** which aims towards self sufficiency and building up of new domains of business and self employment opportunities about 27 lakh crores of funds have been dissipated for providing a stimulus to entrepreneurial activities which can foster high levels of employment generation.

The annual budget of 2023-24 has made a lot of emphasis on capital investment and has increased it by 33% to Rs 10 lakh crores so as to increase the multiplier effect and enhance job creation.

**Pradhan mantri mudra yojana** is an initiative aimed at providing self employment opportunities to the public by providing collateral free loans of up to Rs10 lakh so as to promote entrepreneurship and micro small and medium enterprises.

The production linked initiatives (PLI) schemes have a potential of creating 60 lakh new jobs in every sector.

**PM Gatishakti scheme** is quite an innovative approach as it collaborates both employment with sustainable growth, its mainly driven by the seven sectors Roadways, Railways, Airports, Ports, Mass Transport, and logistics infrastructure that aims towards creating new jobs along with promotion of clean energy that can boost production of renewable energy industries like solar, wind, tidal etc.

A huge stimulus of funds has been provided to Prime minister employment generation program of the ministry of micro small and medium enterprises, (MGNREGA) ,and Pandit Deen Dayal Upadhaya Grameen Kaushalaya Yojana of the ministry of rural development for more employment generation.

Also many flagship initiatives of the government like make in India, Start up India , Stand up India , Digital India , Smart City Mission, Atal Mission for rejuvenation and urban transformation, housing for all. All these missions are aimed at generating employment opportunities and fostering growth.

## RECOMMENDATIONS

Even though after several initiatives and years of implementation still the problem of unemployment as well as the factors that promulgate unemployment continue to persist and so this section brings towards highlighting some solutions which can form a basis towards an edifice of eradication of this problem from the nation.

- Improving bureaucratic effectiveness and systematically dismantling the networks of corruption and delays which can initiate a process of successful implementation of welfare and employment generation schemes and uplift the scenario towards a better future.
- Structural reorganization of the formal education setup and re-innovating its

foundation in consonance with the skills that are needed by the industry can actually help in bridging the gap between skills imparted into individuals and skills required for sustainable employment avenues.

- The government needs to focus its resources towards building a more conducive environment for business and entrepreneurial growth like creation of SEZ'S etc as such activities bring in a lot of FDI (foreign direct investment) and Greenfield investments that consequently lead setting up of manufacturing and assembling units of various MNC's and can provide a boost to employment and can also serve as a means to reduce regional disparities.
- Improvising policy initiatives of employment generation schemes like MGNREGA and PLI schemes with changes that enhance its scope and extent in a manner like increasing the guaranteed days of employment under MGNREGA to at least 9 months and increasing the remuneration and social security.
- Amending the conditions of dualistic development of rural and urban centers and bridge the disparities which create a chasm in rural and urban populace regarding employment opportunities and widen the scope of labor laws so as to create jobs which guarantee security, stability, esteem, and personal growth along with fulfilling conditions of safe working environments can boost employment tendency in rural areas towards formal sector.
- Focusing towards a more sustainable population policy which actually tries to reduce the magnitude of the pressure of population growth over economic development and reduce urgency of creating tremendous employment which under current scenario remains unattainable.
- Emphasizing on production by masses through making investments and promoting MSME's and Cottage industries since these have a huge potential of generating suitable employment opportunities due to their labor intensive character of production.

## CONCLUSION

Unemployment stands out to be one of the major problems hindering India's economic growth and also depriving the population of country of a life they deserve, there stand out to be many factors both historical and structural that have contributed to its aggravation ,however it is evident that attempts are being made into the direction of mitigation of the problem of unemployment if coupled with the changes and recommendations which was the major objective of this study then perhaps the problem of unemployment can finally be brought to a minimalistic tendency and there opening of new ventures for the people of the country.

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