

**Problem of Unemployment in Indian Economy and Government Policy****Dr. Annaji Dayaram Madavi**

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**Abstract:** *Employment generation has become one of the major challenges facing Indian policymakers and has become more complex over the years. The country has seen significant improvement in literacy, schooling and higher education and skills and vocational education. So the number of job seekers is increasing day by day. For this type of employment, the pace of job creation has not been sustained. In this paper discuss about unemployment problem in Indian economy. This paper is based on secondary data collection method. Secondary data sources like journals, books, websites etc. are used. With the help of the data collected, it tried to find out the causes of unemployment in the Indian economy and the steps taken by the Government of India to reduce unemployment.*

**Keywords:** Unemployment, Indian economy, Indian Government Policy.

**Introduction:** Employment generation has become one of the major challenges facing Indian policymakers and has become more complex over the years. India has made significant improvements in literacy, schooling, higher education, skills and vocational education. So the number of job seekers is increasing day by day. For this type of employment, however, the pace of job creation has not been sustained. According to a 1969 Reserve Bank report, the number of unemployed in India in 1951 was 33 lakh. According to the Bhagwati Committee's 1971 report, 1 crore 87 lakh people were unemployed in India. According to the Planning Commission report in 1978, 2 crore people were unemployed in India. At the beginning of the Eighth Five Year Plan (1992), 2 crore 80 lakh people were unemployed in India. At the beginning of the Tenth Five Year Plan at the end of 2003, 4 crore 13 lakh people were unemployed in India. In 2004-05, 8.28% people were unemployed in rural and urban areas respectively. According to a report by the National Sample Survey Institute, there were 1 crore 8 lakh unemployed in India in 2011-12. India's unemployment rate rose to 7.2 percent in February 2019, the highest since September 2016, and up from 5.9 percent in February 2018. In the current year, India's unemployment rate was 7.14% in February 2023, rising to 7.45% in January 2023. The number of unemployed in the country has increased from 31.5 million in January to 33 million.

**Concept of unemployment:** The term unemployed is used to denote the situation of persons who can find employment for a shorter period of time than usual. such as part-time workers, seasonal workers or casual workers. The term can also describe the condition of workers whose education or training makes them unfit for their jobs. When the state of a person who is able to work is actively looking for work, but cannot find any work, he is called unemployed. According to the website [www.britannica.com](http://www.britannica.com) it is important to note that to be considered unemployed a person must be an active member of the labor force and looking for paid work.

Unemployment statistics are collected and analyzed by government labor offices in almost all countries of the world. It is considered a key indicator of economic health. Trends in unemployment and statistical differences between population groups are studied to reveal general economic trends and as a basis for possible government action. Full employment has been the goal of many governments since World War II, and various programs have been designed to achieve it. It should be pointed out that full employment is not synonymous with a zero-unemployment rate, since the unemployment rate at any given time will include some people who are between jobs and not unemployed in any long-term sense..

**Measurement of unemployment:** In India, the employment-unemployment survey is conducted by the National Sample Survey (NSS). Beginning with the 27th round in 1972/73, the Labor Force Survey was conducted every five years using a standardized concept and methodology based on the recommendations of a committee of experts (Planning Commission, 1970). Common state unemployment measures are defined over a one-year reference period. Measuring unemployment is a difficult task. In India's statistical system, the most comprehensive and reliable data on employment and unemployment is collected by the National Sample Survey Organization (NSSO). Based on different reference periods (one year, one week and each day of the week), NSSO provides four different measures of employment and unemployment. Some of the following methods are used to measure unemployment.



- **Usual Principal Status Unemployment (UPS):** Long-term unemployment is the term for those who are unemployed for a long period of time without looking for work. This figure measures the number of people who are out of work for a large part of the year. The Permanence of Employment (PERM) index is a measure of how many people are employed. It determines the standard activity status of an individual who is either employed or unemployed or out of the workforce. Can be classified as working or accessible to work in both their main and supplementary areas.
- **Weekly Status Unemployment:** Unemployment estimates are based on an assumption that a person will work for at least one week. A person who cannot work for even one hour during the survey period is unemployed. In other words, under this assumption, a person is considered to be working for the week even if he works only one day in the week.
- **Current Daily Status Unemployment:** For each day of the previous seven days, the algorithm calculates a person's activity status. Here one day is used as reference period. If a person is unable to find employment on a particular day or days during the survey week, he or she is considered unemployed. In most cases, a person working four hours or more is considered employed for a full day. The state of being unemployed is known as daily status unemployment.

#### Types of Unemployment in India:

- ✓ **Disguised Unemployment:** This is a phenomenon in which more people are actually employed than necessary. It is mainly found in agricultural and unorganized sectors of India
- ✓ **Seasonal Unemployment:** It is an unemployment that occurs during a particular season of the year. Farm laborers in India rarely have a year-round job.
- ✓ **Structural Unemployment:** It is a category of unemployment that arises due to the mismatch between the jobs available in the market and the skills of the workers available in the market. Many people in India are unemployable due to lack of required skills and low education level makes it difficult to train them.
- ✓ **Cyclical Unemployment:** This is a result of the business cycle, where unemployment rises during recessions and falls with economic growth. Cyclical unemployment figures are negligible in India. This is a phenomenon that occurs in most capitalist economies.
- ✓ **Technological Unemployment:** Technological changes are causing job losses. In 2016, according to World Bank data, the number of jobs threatened by automation in India was 69% annually.
- ✓ **Frictional Unemployment:** Refers to the time gap between jobs when a person is looking for a new job or changing jobs. In other words, it takes time for an employee to find a new job or move from an existing job to a new job, this inevitable time delay creates frictional unemployment. This is often considered voluntary unemployment because it is not caused by a job shortage, but actually, workers themselves leave their jobs in search of better opportunities.
- ✓ **Vulnerable Employment:** People work informally, without a proper employment contract and thus without any legal protection. These individuals are considered 'unemployed' as their work records are never kept. It is one of the main forms of unemployment in India.

#### Causes of Unemployment in India:

- **Lack of the Stock of Physical Capital:** A major cause of unemployment in developing countries like India is lack of capital stock in relation to increasing labor force requirements. With the increase in technology and specialization, more capital is required to engage in productive activities. If a country's labor force grows faster than its capital stock, the entire addition to the labor force cannot be absorbed into productive employment because there will not be enough means of production available to employ them.
- **Use of Capital-Intensive Techniques:** An important factor responsible for the slow growth of employment is the use of capital-intensive techniques of production. Firms in the modern small-scale industrial sector that were expected to generate large employment opportunities have tended to adopt capital-intensive techniques of production. The availability of capital encourages the modern small scale industrial sector to over-capitalize and use more capital-intensive methods of production, thereby reducing employment potential. A pertinent question is why capital-intensive techniques are used in industries even when there is a large labor force in the economy.



- **Inequitable Distribution of Land:** Another cause of unemployment in developing countries like India is the unequal distribution of land which leaves many agricultural households with inadequate access to land which is an important asset for agricultural production and employment. Subdivision of land under the pressure of rapid population growth since 1951 has reduced access to land for many agricultural households. As a result, many self-employed persons in agriculture have become landless agricultural laborers who suffer from chronic unemployment and underemployment.
- **Lack of Infrastructure:** A common factor contributing to mass unemployment is lack of infrastructure such as roads, electricity, telecommunications, highways, irrigation facilities in agriculture. Inadequate availability of infrastructure is a major hindrance in generating productive employment opportunities. Unemployment and under-employment in India is caused by more fundamental structural factors such as lack of capital, use of capital-intensive technology, non-availability of land for agricultural households, lack of infrastructure, rapid population growth resulting in large annual increases in the labor force.
- **Higher population:** The rate of population growth in India has been steadily increasing for the past few decades. The number of people in the country, especially the youth population, is very high compared to the number of jobs available. Due to this, the situation of unemployment is being created in the economy.
- **Agriculture is a Seasonal Occupation:** Agriculture in India is underdeveloped. Therefore, instead of getting full time employment from agriculture business, it provides seasonal employment. A large part of the population is dependent on agriculture. But as agriculture is seasonal, work is available for a few months. This leads to increase in unemployment.
- **Defective Planning:** Faulty planning is one of the causes of unemployment. There is a huge gap between demand and supply of labor in India. Neither scheme appears to have formulated any long-term plan to address unemployment.

**Government Policy to reduce unemployment:** Job creation and improving employability is a priority of the government. In line with this, the Government of India has taken various steps as follows for employment generation in the country.

- ❖ **Aatmanirbhar Bharat Rojgar Yojana (ABRY):** As part of Atmanirbhar Bharat Package 3.0 from 1st October 2020 to encourage employers to create new jobs with social security benefits and restore job losses during the Covid-19 pandemic. The scheme, implemented through the Employees' Provident Fund Organization (EPFO), seeks to reduce the financial burden on employers and encourage them to hire more workers.
- ❖ **Pradhan Mantri Mudra Yojana (PMMY):** Pradhan Mantri Mudra Yojana is being implemented by the Government for facilitating self-employment. Under PMMY, collateral free loans up to Rs. 10 lakhs, are extended to micro/small business enterprises and to individuals to enable them to setup or expand their business activities.
- ❖ **Garib Kalyan Rozgar Abhiyan (GKRA):** The government had launched a 125-day Garib Kalyan Rozgar Abhiyan (GKRA) to promote employment and livelihood opportunities for returning migrant workers, including rural youth, in selected 116 districts in 6 states of Bihar, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh.
- ❖ **PM Gati Shakti:** PM Gati Shakti is a transformative approach to economic growth and sustainable development. The approach is driven by seven engines: road, rail, airports, ports, mass transport, waterways and logistics infrastructure. This vision is supported by clean energy and education efforts that create massive job and entrepreneurial opportunities for all. With continued focus on the National Infrastructure Pipeline, the government has laid emphasis on railways, roads, urban transport, power, telecommunications, textiles and affordable housing.

The Government of India is encouraging various projects involving substantial investment and public expenditure on schemes like Prime Minister's Employment Generation Programme (PMEGP), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) & Pt. Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY), Deen Dayal Antodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) etc. for employment generation. Besides these initiatives, various flagship programmes of the Government such as Make in India, Start-up India, Digital India, Smart City Mission, Atal Mission for Rejuvenation and Urban Transformation, Housing for All,



Infrastructure Development and Industrial Corridors are also oriented towards generating employment opportunities.

**Conclusion:** Unemployment is one of the most serious and crucial problems facing India today. There are many reasons for unemployment. Various recommendations are proposed on problems such as controlling population, improving the quality of education at every level, proper training by the government. Educated youths should also change their thinking and consider self-employment rather than wasting their energies in searching for jobs and services here and there. India is a fastest growing economy. Ever since unemployment emerged as a challenge, the unemployment situation has improved tremendously. The government is implementing various measures to increase the employment rate and it has been successful to a large extent. Widespread skill development programs have gained popularity across the country. With better implementation of the above mentioned policies, the employment level can be significantly improved

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