



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2017; 3(4): 747-749  
[www.allresearchjournal.com](http://www.allresearchjournal.com)  
Received: 22-02-2017  
Accepted: 23-03-2017

**Anala Upadhyा**  
ITM-B School, Chennai, Tamil Nadu, India

**Sruthy Unnikrishnan**  
ITM-B School, Chennai, Tamil Nadu, India

## A study of unemployment in India, causes and implication

**Anala Upadhyा and Sruthy Unnikrishnan**

### Abstract

In 1930s through research conducted by the Works Progress Administration and the Census Bureau, the modern meaning of unemployment emerged. Under this definition people who are not working but having an ability are actively looking for work are included as unemployed. Unemployment is the biggest problems in the economy. It also can be defined people who have capacity and skill to work but they can't find a job in a workforce. There are two major causes for unemployment i.e., social problem and wrong government policy's. Social problem may be because of continues increasing population which leads to more demand for limited number of jobs. The cause for wrong government policy creates economic problem like rise in inflation, company's threats, etc.

**Keywords:** Types, effects, prevention, trends, unemployment

### Introduction

The national unemployment is defined as “the percentage of unemployed workers in the total labour force”. Unemployment refers to the number of workers who are actively seeking for a job and currently not receiving any sort of remuneration or wages. Unemployment can also be stated as when a person is looking for an employment is unable to get the job due to workers mind sets as to not satisfy with the number of working hours and due to lack in skill capacity amongst the workers. When unemployment separates people from the workforce, there is a chance of affect among family as well as physical health. A low level of unemployment will justify the human cost alone (an important public policy priority). But to the broader society, unemployment also includes economic costs. An economic resource is going unused, when many of the people are unemployed but has ability and want to work cannot find the work.

### Effects of unemployment in economy

One of the serious problems our country is facing is Unemployment. It has many impacts on the Government, firms and, of course the unemployed people themselves in the economy.

**On the Government:** Less tax revenue – As few people are employed, according to the working, their income for which they will be earning on will have to pay tax. As a result, tax revenue in which the Government get will decrease and will have a greater impact on the government's finances.

Economic Growth – As only few people work in a job, Proper production of goods and services won't take place. As a result it affects the lower in output of production, GDP, Government taxation and reverse affect their finances.

Higher supply-side cost – In an unemployment economy, When a person enters to a job, there will be lack in skill capacity. So, there is in need of teaching skills in order for them to be employed in a firm. The government will train the workers by spending more on worker's training and development which in turn leads to right worker for a right skills employed in a modern economy. There arises again drain on government finances.

**On firms:** Low wage cost –In the unemployment in an economy, increases the supply of labour available for a work. Hence wage cost of employee decreases as employee is less scarce and more people are willing to get a job.

**Correspondence**  
**Anala Upadhyा**  
ITM-B School, Chennai, Tamil Nadu, India

**Less demand for goods and services –** As in an unemployment economy more people will not gain more income. Due to scare of workers wage cost in a job, they have less disposable income. Spending on most goods and services will automatically fall. As a result, firms will incur low sales and there will be a fall in profits.

**Higher training costs –** As and when a new employee enter into a work field, there is in need of training as after a long time they might enter a workforce. Training new employees incur a high training cost.

**On people:** Lower standard of living – In a unemployment in an economy, when a people suffer a low income, this reduces the purchasing power as there is loss of income which will directly affect the fall in the living standard.

**Loss of skills –** When a person enters a work place in a unemployed economy and starts working without the knowledge of skills and job, there is chances of a person either starts losing his skills and ability to work, and will stop working. Due to lack of skills, firms will need to spend money on retraining them.

**Loss of confidence –** There will be a loss of confidence in employees ability and also suffer stress and depression as employees is unemployed

#### Other factors

- Seasonal agriculture
- Rapid population growth
- Discouraged workers
- Gross domestic product (GDP)
- Inferior goods
- Labour force
- Normal goods
- Inadequate employment planning
- Defective education

#### Prevention of economy from unemployment

Based on the club report, the government of India took the following measures to prevent unemployment:

- **Rural works program:** This programme was on the construction of civil works of permanent nature such as rural housing, construction of roads.
  - **Agro service centres:** It focus to help in workshop establishing, organising agricultural machinery and technical services which provides self-assistance to unemployed.
  - **Crash Programme for rural employment:** To generate additional employment through a network of rural projects is the primary objective of this scheme. The other Solutions to the unemployment in an economy is:
1. Control the rising population of our country. The Government must motivate people to have small families.

2. The quality of Indian education should be improved. Before completing the education a proper practical knowledge should be given so that people will get to know before getting into the field.
3. Rapid Industrialization should be created.

**National Rural employment programme:** This program was established in 1980 and was a centrally organised programme with assistance at 50%. Its aims at strengthening rural infra-structure by creating community assets.

Pradhan Mantri Gramodyog Yojana. It was started in 2001. Its objective is to make development in village level in few critical areas. Eg. : health, primary education, drinking water with a objective of improving of living standard in rural areas and provide employment.

#### Current situation of unemployment in the economy

The current unemployment rate reduced to 4.6 %. That's close to the 4 present natural rate of unemployment. If unemployment is less than that, businesses can't find enough employees to keep operating at full capacity. And a future of a business will be in risk.

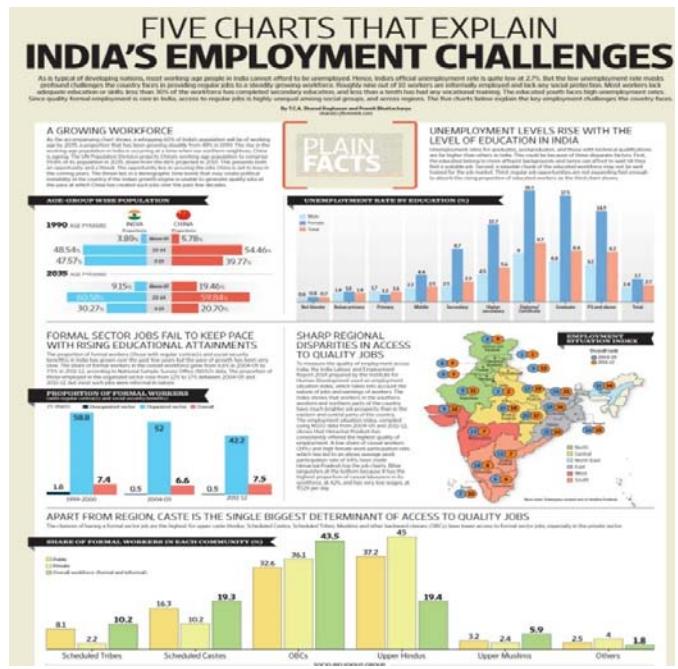
The real unemployment rate is 9.3 %. That includes those who are underemployed. The people who have given up looking for work. They are included in the real unemployment rate.

#### 2016 unemployment rates in month wise

- **January and February:** The unemployment rate fell to 4.9%. Losses in mining and manufacturing were offset by gains in construction, retail, health care, and the leisure / hospitality industry.
- **March and April:** Unemployment raise slightly to 5.0%.
- **May:** The jobless rate fell to 4.7%.
- **June, July, and August:** The unemployment rate was 4.9%.
- **September:** The unemployment rate rise to 5.0%.
- **October -** The rate returned to 4.9%.

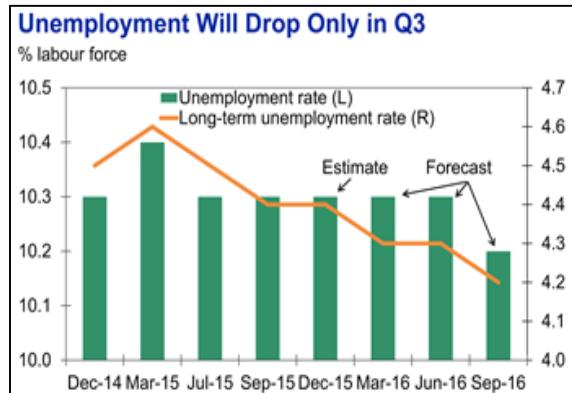
This shows that the current rate came down to 4.9 from 9.3. The current situation is balanced. In India it is quit lower than any other place it is 2.7 percentages only. That because India is a developing nations, most working-age people in India cannot afford to be unemployed. Hence, India's official unemployment rate is quite low. But in case of low rate of unemployment for the steadily growing workforce, the country faces more challenges in providing regular jobs for employees. Due to lack adequate education or skills, the employees in the workforce has less than 30% who have completed secondary education, and less than a 10% had any type of training. Hence, the high unemployment rates was faced by educated youth. Since employment quality is rare in India, access to regular jobs is highly unequal among social groups and across regions.

The charts below explain the key employment challenges the country faces



Source: UN, India labour and employment report 2014.

From this we can see that unemployment will affect not only individual, but also the government, society, family etc. The employment in the economy should be balanced; it should not be too higher or too low. The balanced economy can make a normal profit in production using a correct work force.



Source: Insee, Moody's Analytics.

## Conclusion

Unemployed person suffer from loss of income and from stress. An economy with high unemployment suffers an opportunity cost of unused resources. The adult population can be divided into those in the labour force and those out of the labour force. In turn, those in the labour force are divided into employed and unemployed. The unemployed can be counted even when a person is jobless, who is willing and able to work and who is also seeking and actively looking for a job. Otherwise, a person without a job is counted as being out of the labour force. The unemployment rate is defined as the number of unemployed persons divided by the number of persons in the labour force.

## Reference

1. Boundless. Types of Unemployment: Frictional, Structural, Cyclical. Boundless Economics Boundless,

08 Aug. 2016. Retrieved 02 Jan. 2017 from <https://www.boundless.com/economics/textbooks/boundless-economics-textbook/unemployment-22/introduction-to-unemployment-102/types-of-unemployment-frictional-structural-cyclical-390-12487/>

2. <http://www.yourarticlelibrary.com/unemployment/unemployment-forms-effects-and-prevention-of-unemployment-in-india/4639/>
3. Internet article -Kimberly Amadeo
4. Newspaper articles.