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**Manoj Kumar Yadav**  
Associate Professor,  
Department of Economics,  
T.P. College, Madhepura,  
Bihar, India

## Problems and prospects of employment in India

**Manoj Kumar Yadav**

### Abstract

India's unemployment rate has significantly improved in the last few weeks, however, the paradigm shift is not only because of rising jobs but also due to the exit of a large number of people from the job market. India's unemployment rate fell to 6.67 percent in September from 8.35 percent in August, according to CMIE data. The unemployment rates for urban and rural areas in September was 8.45 percent and 5.86 percent, respectively. The fall in the unemployment rate seen in recent weeks is meaningless and misleading in the face of a falling labour participation rate and a falling trend in the employment rate. "This average has dropped to 40.45% for the period mid-August through mid-September. Rate of youth unemployment in rural areas is shown in table 2 and rate of youth unemployment in urban areas is shown in table 3. Rural areas have 17.4 percent of male population and 13.6 percent of female population unemployed. While, in urban areas 18.7 percent of male and 27.2 percent of female unemployed. Facts proved that unemployment rate is higher in urban areas with 7.8 percent compared with 5.3 percent in rural areas. Though it was proved from the facts that most of our workforce is rural based apparently suggests a higher contribution of the rural economy to GDP than that of urban economy.

**Keywords:** Employments, Urban and Rural, India, significantly and average

### Introduction

Our country is facing many problems but one of the serious problem is of unemployment which results other problems like poverty, malnutrition, underdevelopment of economy and corruption etc. Unemployment is a daunting problem for both the developed and developing countries. India is one of those developing countries which continue to have the problem of unemployment and underemployment despite continuous policy emphasis and programmes. The unemployment rate is defined as percentage of the number of persons unemployed to the persons in the labour force (which includes both the employed and the unemployed). This, in effect, gives the unutilised portion of the labour force. It is a more refined indicator of the unemployment situation in a population than the number of the unemployed per thousand persons in the population as a whole. Unemployment is increasing day by day in India. Now every people want a government job and for that they get it registered in employment exchange. Unemployment is one of the most important reasons for underdevelopment as human capital remains unutilized which not only affects the productivity of a country but results in many social and economic problems.

India's unemployment rate has significantly improved in the last few weeks, however, the paradigm shift is not only because of rising jobs but also due to the exit of a large number of people from the job market. India's unemployment rate fell to 6.67 percent in September from 8.35 percent in August, according to CMIE data. The unemployment rates for urban and rural areas in September was 8.45 percent and 5.86 percent, respectively. The fall in the unemployment rate seen in recent weeks is meaningless and misleading in the face of a falling labour participation rate and a falling trend in the employment rate. "The 30-day moving average of labour-force participation rate (LPR) as of September 20, was 40.3%. These compare poorly with the 40.96% penciled in August. The LPR seems to have peaked a month ago in the week ended August 16. Since then, it has dropped...the average LPR from June through mid-August was almost 40.9 per cent. This average has dropped to 40.45% for the period mid-August through mid-September.

A falling labour participation rate indicates that a smaller proportion of the working-age population is employed, or is unemployed and is looking for employment. In other words,

**Corresponding Author:**  
**Manoj Kumar Yadav**  
Associate Professor,  
Department of Economics,  
T.P. College, Madhepura,  
Bihar, India

people who are employed and those unemployed but are actively looking for employment together make the labour force. A shrinking labour force compared to the total working-age population is a sign of a deteriorating labour market. It indicates that people are so discouraged by the conditions that they prefer to sit out and not participate in the jobs market.

Unemployment and under-employment have been a long-standing problem in the Indian economy. The Indian labor force has been officially classified by the Indian government into three categories:

- Rural sector, which includes the farm labour.
- Urban formal sector, which includes factory and service industry labour with periodic salaries and coverage per Indian labor laws.
- Urban informal sector, which includes self-employment and casual wage workers.

The rural and informal sectors of the Indian labour market accounted for 93% of the employment in 2011, and these jobs were not covered by the then existing Indian labour laws. According to the 2010 World Bank report, "low-paying, relatively unproductive, informal sector jobs continue to dominate the [Indian] labor market. The informal sector dominates India's labour markets and will continue to do so in the medium term", states the World Bank, and even if the definition of the "formal sector is stretched to include all regular and salaried workers, some 335 million workers were employed in the informal sector in 2004–5.

While the Indian economy has been shifting from being predominantly agriculture employment-based to one where the employment is a mix of agriculture, manufacturing and services, the economy has largely seen a "jobless growth" between the 1980s and 2007. This jobless growth in the Indian manufacturing has been puzzling, and is in part linked to the productivity growth. The major industries that have seen growth in formal employment have been export-oriented manufacturing, software, and local services. However, the services-based industry has not been "particularly employment-intensive", and its rapid growth has not addressed the unemployment and under-employment problems in India – and the job needs of its growing population – between 1983 and 2010. The formal organized sector of the Indian economy grew rapidly in the 2000s, it did not create jobs and the growth was largely through capital intensive investments and labor productivity gains. The organised sector employment, actually "reduced dramatically between 2004–2005 and 2009–2010", especially when compared to 1999–2004 period if the NSSO reports for these periods were accurate.

### **Types of Unemployment in India**

#### **Disguised Unemployment**

- It is a phenomenon wherein more people are employed than actually needed.
- It is primarily traced in the agricultural and the unorganised sectors of India.

#### **Seasonal Unemployment**

- It is an unemployment that occurs during certain seasons of the year.
- Agricultural labourers in India rarely have work throughout the year.

### **Structural Unemployment**

- It is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market.
- Many people in India do not get job due to lack of requisite skills and due to poor education level, it becomes difficult to train them.

### **Cyclical Unemployment**

- It is result of the business cycle, where unemployment rises during recessions and declines with economic growth.
- Cyclical unemployment figures in India are negligible. It is a phenomenon that is mostly found in capitalist economies.

### **Technological Unemployment**

- It is loss of jobs due to changes in technology.
- In 2016, World Bank data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.

### **Frictional Unemployment**

- The Frictional Unemployment also called as Search Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.
- In other words, an employee requires time for searching a new job or shifting from the existing to a new job, this inevitable time delay causes the frictional unemployment. It is often considered as a voluntary unemployment because it is not caused due to the shortage of job, but in fact, the workers themselves quit their jobs in search of better opportunities.

### **Vulnerable Employment**

- This means, people working informally, without proper job contracts and thus sans any legal protection. These persons are deemed 'unemployed' since records of their work are never maintained.
- It is one of the main types of unemployment in India.

### **Causes of Unemployment in India**

The causes of high unemployment and under-employment in India are subject of intense debate among scholars. A group of scholars state that it is a consequence of "restrictive labor laws that create inflexibility in the labor market", while organized labor unions and another group of scholars contest this proposed rationale. India has about 250 labor regulations at central and state levels, and global manufacturing companies find the Indian labor laws to be excessively complex and restrictive compared to China and other economies that encourage manufacturing jobs. The Indian labor laws are "so numerous, complex and even ambiguous" that they prevent a pro-employment economic environment and smooth industrial relations. India needs "labour market reforms that address the needs of both employers and workers", and it should rewrite its labor laws that protects its workers, provides social security for workers between jobs, and makes compliance easier for the industry. The Indian labor laws are inflexible and restrictive, and this in combination with its poor infrastructure is a cause of its unemployment situation.

- **Increasing Population:** one of the most important reasons for the problem of unemployment is increasing population. Population growth is day by day increasing in India. India has maximum share of youth population in between age group of 15-24 years. There are many employment opportunities in India. But if population is increasing by the same rate than the next generation will face more problems of unemployment.
- **Inflation** It means continuous rise in prices without increase in the production of goods and services which results the decrease in the real income of the people. In India during last decade there is sharp rise in prices which affects the economy as a whole. Wages and salaries are below the market rate. As population is increasing so supply of labour is high in the market as compared to the demand in the market which ultimately affects the wages and salary offered to the labour force. Due to which people who finds themselves to be more paid unable to adjust with low wages and preferred to be unemployed.
- **Lack of effective economic and monetary policies:** Demonetization and GST were the two main financial sector reforms initiated by the Current government which affects the Indian economy for the short term.
- **Illiteracy:** Poverty and illiteracy both are the same side of the coin. They are the main reason for unemployment. There are many people poor in this country. So they do not have any sources for the employment or living. In our country most people are uneducated. They also constitute the main reason of unemployment. Uneducated people only involve in primary sector in large number and indulge themselves in wrong work which is very harmful for our society.
- **Lack of full employment in industries:** In the industrial segment, there is lack of full employment. There are not many mills and factories and the number of men employed in them is not large. Even the mills and factories that we have do not work to their maximum capacity either for lack of requisite machinery or for lack of adequate supply of materials.
- **Lack of alternative opportunities for agricultural workers:** In the rural India, the picture is equally discouraging. Agriculture is the principal occupation of the majority of rural population. However, agriculture keeps the cultivators engaged for a limited part of the year. For many months every year the agriculturist remain idle and lives miserably.
- **Poor condition of cottage industries:** In villages, unemployment is due to lack of cottage industries. The cottage industries are in a winding state. They give whole time occupation to only a fraction of the people who depend on them.

**Review of literature**

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed. A careful review of research, journals, books, dissertations, thesis and other sources of information about the problem to be investigated is one of the important steps in the planning of any studied.

Peek, P. and Devan, S. (2007) <sup>[1]</sup> focus on the employment and unemployment that make sense in an industrialized

society. The author gave a dialogue for the survival of youth and to survive, an unemployed person must have an income by hook or crook from any source. This paper focuses on the limitations and indicators of unemployment and describes the importance of motivation for getting employment and income for security which is an imperative factor which helps to capture the quality of job in developing countries.

Majumder, R, & Mukherjee, D. (2013) <sup>[2]</sup> explains how the economic growth depends on the contribution of youth. The rise of educated youth unemployment is giving birth to many social issues with full of tension in terms of conflict among the society and turning into a nightmare among the society. In this article, it mainly focuses on the issue of education that includes skill development and brings uncertainties among youth in India.

Motiram, S., & Naraparaju, K. (2014) <sup>[3]</sup> expand an amount of unemployment that takes into the ratio of unemployment in India. It establishes to realize the unemployment in India using the data from National Sample Surveys within the year of 1993-2012 on employment and unemployment. Furthermore, unemployment has come up to a greater extent among higher educated groups. The result shows that distribution of unemployment has also got worse over the period of time.

**Objectives of the study**

- To study the Problems of unemployment in India.
- To study the main causes of Unemployment problem in India.

**Methodology**

The study is exploratory cum descriptive in nature. This study is solely based on secondary data related to problem and causes of unemployment and initiatives of the Government of India. The requisite data have been collected from the newspapers, journals, internet, Hand Book of statistics of Indian Labour Law Book and reports.

**Result and Discussion**

India is the second largest populated country of the world after china. It has 17.5 percent population of the world and 1.21 crore people according to Indian census of 2011. In current scenario according to Indian Labour Report 2018 India has around 18.3 million people unemployed in 2017 and 18.6 in 2018. Table 1 showed the increasing trend of unemployment from year 2011 to year 2018 unemployment rate is increased from 2.2 to 6.1 percent in 2018.

**Table 1:** Rate of Unemployment in India in Percentage

Years	No. (%)
1972-73	5.18
2011-12	2.2
2012-13	4
2013-14	4.6
2014-15	4.9
2015-16	5
2016-17	5.7
2017-18	6.1

Source: Reports of NSSO 2018

Rate of youth unemployment in rural areas is shown in table 2 and rate of youth unemployment in urban areas is shown in table 3. Rural areas have 17.4 percent of male population and 13.6 percent of female population unemployed. While,

in urban areas 18.7 percent of male and 27.2 percent of female unemployed. Facts proved that unemployment rate is higher in urban areas with 7.8 percent compared with 5.3 percent in rural areas. Though it was proved from the facts that most of our workforce is rural based apparently suggests a higher contribution of the rural economy to GDP than that of urban economy. Paradoxically, it is just opposite. Employing nearly half of workforce, the rural economy in India is contributing less than one fourth of GDP. Implying low productivity and low reward for work, leading to widespread poverty in rural areas. Tripura has the highest unemployment rate and Gujarat has least unemployment rate. In India, Kerala state has high women unemployment it can say approx 47.4 percent compared than men which has approximate 42.4. An assessment by NSSO National Sample Survey Office conducted between July 2017 to June 2018 showed unemployment was at its highest in over four decades.

**Table 2:** Rate of Youth Unemployment in Rural Areas

Years	Men	Women
2012-13	3.9	4.2
2013-14	4.7	4.6
2014-15	5	4.8
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	17.4	13.6

Source: Reports of NSSO 2018

**Table 3:** Rate of Youth Unemployment in Urban Areas

Years	Men	Women
2012-13	8.8	14.9
2013-14	7.5	14.3
2014-15	8.1	13.1
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	18.7	27.2

Source: Reports of NSSO 2018

According to the Pew Research Center, a significant majority of Indians consider the lack of employment opportunities as a "very big problem" in their country. "About 18.6 million Indians were jobless and another 393.7 million work in poor-quality jobs vulnerable to displacement.

According to NSSO's report, the 2017–2018 "usual status" unemployment rate in India at 6.1%, a four-decade high, possibly caused by the 2016 demonetisation of large banknotes intended to curb the informal untaxed economy.

The report finds that India's percent urbanization and urban workforce has declined since 2012, which is contrary to all other studies on Indian urbanization trends, states. The NSSO report suggests the inflation-adjusted employment income of casual workers has dramatically increased while those of the salaried wage-earners has fallen during the 5-years of BJP government. The NSSO has also changed the sampling methodology in the latest round.

The report states that male youth had an unemployment rate of 17.4 percent and 18.7 percent in rural and urban areas, while women youth had rates of 13.6 percent and 27.2 percent respectively in 2017-18. However, the think tank of Government of India, NITI Aayog says that these are not official and the data is not yet verified. The Indian labor force is estimated to be growing by 8 million per annum, but

the Indian economy is currently not producing new full-time jobs at this rate. According to the ILO's World Employment Social Outlook Report, the unemployment rate in India has been in the 3.4% to 3.6% range over the Indian-government led 2009–2014 and the government led 2014–2019 periods. Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labor force.

**Government policies**

Government of India has taken several policy measures to fight the problem of Unemployment. Some of the measures are as follows:-

**Mahatma Gandhi National Rural Employment Guarantee Act 2005**

The Government of India has taken several steps to decrease the unemployment rates like launching the Mahatma Gandhi National Rural Employment Guarantee Scheme which guarantees a 100-day employment to an unemployed person in a year. It has implemented it in 200 of the districts and further will be expanded to 600 districts. In exchange for working under this scheme the person is paid 150 per day.

The Act succeeded in generating employment in more than 300 districts since it was launched .In the financial year 2013-14, 3,81,26,455 households were provided employment. Besides all these achievements ,there are many issues faced by the government which are related to this scheme. In April 2011, the Central and the State Level authorities revised the policy and concluded that the budget of Rs.40,000 crore could have been utilized more efficiently with effective planning for curbing unemployment. Schedule one of this Act focuses on conservation of natural resources but evidences showed the destruction of natural resources in some areas where contracting was allowed and machinery was involved.

- National Career Service Scheme: The Government of India has initiated National Career Service Scheme whereby a web portal named National Career Service Portal ([www.ncs.gov.in](http://www.ncs.gov.in)) has been launched by the Ministry of Labour and Employment (India). Through this portal, job-seekers and employers can avail the facility of a common platform for seeking and updating job information. Not only private vacancies, contractual jobs available in the government sector are also available on the portal.
- Deen Dayal Antyodaya Yojana: The Deen Dayal Antyodaya Yojana is a scheme that aims to help the poor by providing them industrially recognised skills. The scheme is implemented by the Ministry of Rural development. The purpose of the scheme is to eradicate both urban and rural poverty from the country by providing necessary skills to individuals that help them find well-paying job opportunities. This is aimed to be achieved through skill training and skill upgrading which enables the poor to get self-employed, elevate themselves above the poverty line, be eligible for bank loans, etc.
- Ministry of Micro, small and medium enterprises (MSME) is regarded as the engine of economic growth

and development. In India it has played a key role in generating job opportunities and promoting self-employment. MSME Act 2006 facilitates the development of both manufacturing and service sector and also enhances their competitiveness. They are spread across the country and boost the manufacturing of many products thus promoting entrepreneurship and also provide services to meet the local market needs. It is found that since they have limited financial resources they are unable to hire skilled and specialized workforce. This hinders technological advancement and expansion of the enterprise. Moreover these industries do not develop the skill set of the employed unskilled workforce thereby keeping their employability low.

- National Skill Development Mission was initiated after the Twelfth Five Year Plan emphasized on bridging the skill deficit needed for jobs. This programme aims to skill 500 million people by the year 2022. The Prime Minister's National Council of Skill Development was set up as an apex organization to frame policies, give directions and provide vocational training in schools. To promote skill development in rural areas, Apprenticeship Training Scheme (ATP), Vocational Training Providers (VTP) and many other programmes were undertaken. Government has also decided to transform Public Employment Exchanges into Career Centers to provide guidance and career counselling to young people. National Multi-Skill programme called Skill India has been launched which focuses mainly on entrepreneurial skill development. The skill challenge has become acute for India, considering that the country has a large portion of its population below 25 years of age. Currently a major proportion of this population is not productively engaged in economic activities due to a 'skills versus jobs requirement' mismatch which leads to economically inactive working age group people affecting the economy and increasing unemployment.

### Conclusion and Suggestions

Every country is trying to solve the unemployment problem in their own way. Establishment of Vocational and Technical training institutes were also started big factories should be attached to these colleges. More stress is to be given to practical side. Increased investment in heavy industries Investment in heavy and basic industries and consumer goods industries should be increased to provide more employment with more production. Revival of cottage and small scale industries Cottage and small scale industries should be developed. Subsidies and other incentives should be given to private sector. Modernization and mechanization of agriculture should be done. Wastelands should be utilized. Improved transport and communication Rural works programs should be increased means of transport and communication should be developed. Self-employment should be encouraged Government should take initiatives to encourage self-employment. One of the most disturbing problems in India has been the mounting rate of unemployment, both in the rural and urban sectors. In case of rural sector, there has been both unemployment and under employment. In urban sector, there has been both educated and industrial unemployment. Unless unemployment problem is solved, the future of India cannot be bright. There will be no peace and prosperity in the country if jobless people do not get a proper channel. More attention

should be given otherwise this problem can make jobless youths go to wrong direction.

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