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## India's unemployment is 6.66% as on 26<sup>th</sup> September 2020, but is this true or could it be even worse?

The unemployment rate in India reached 23.52% in April 2020 but it quickly came down to 8.35% in August and 6.66% in September. Just in April, there were 32.45 crore people unemployed out of 138 crores [population](#) residing in India. Bringing that huge amount down to 9.19 crores in mere 6 months, that too in the hard times of COVID-19 when most of the employers are suffering. The unemployment rate in India is monitored by the Centre of Monitoring Indian Economy (CMIE), who follows the years old methodology of calculating the unemployment rate. Due to pandemic, there are some uncertain factors which are overlooked in the old methodology.

[CMIE](#) conducts a survey of 43,600 households every month which makes it 10,900 households every week. CMIE's methodology does not consider people who are unemployed but not actively seeking jobs. CMIE's Consumer Pyramid Household Survey shows that while the count of employed decreased by 12.2 crores the number of people willing to work but not actively seeking went to 8.9 crores in April. Between May-August 2020, 59 lakhs [white-collar workers](#) lost their jobs. Furthermore, India adds 1.1-1.2 crore people into the workforce every year. The unemployment rate of 6.88% presented by CMIE might not show the complete picture of unemployment in India.

Another big issue overlooked by CMIE because of following the old unemployment calculation methodology is of disguised unemployment. Disguised unemployment is usually seen in developing countries with a vast population and huge agricultural labour market. [Disguised unemployed](#) is when a person is employed but their presence does not affect productivity. In India, the labour force surplus is pressurizing with low productivity and informal labour market. The agricultural labour market absorbs a considerable amount of labour. Disguised unemployment is also a huge burden on the economy of the country. As people are not improving any productivity and working below their capabilities the harmful effects to the economy might stay for a longer period. This kind of unemployment is difficult to identify and very harmful to the economy. As a country's economy depends on the optimum utilization of resources, disguised or hidden unemployed is a wasted resource for the country.

CMIE's methodology also forgoes people who are not seeking work or sick to work. As on 26<sup>th</sup> September 2020, India has more than 9.6 lakh active COVID-19 cases. All sick unemployed would not be considered while calculating the unemployment rate. On top of this, currently with pandemic's pressure there has been increasing [reverse migration](#). People from urban areas migrating back to their rural hometowns as well as citizens residing in foreign countries migrating back to India. This has caused immense pressure on the unemployment conditions of India. Furthermore, these people are accepting any job available to put the bread on their table. This is causing an underemployment situation throughout the country.

The [underemployment](#) situation is when a person accepts work below their capabilities. For example, a person with Engineering degree accepting the work of a cashier due to the inability to find work in their field. According to a joint report by the International Labour Organization and Asian Development Bank, 41 lakh young Indians lost their job due to COVID-19. The most affected sectors are construction and agriculture. At the same time, India's rural unemployment is decreasing faster than the urban unemployment rate. The [rural](#) unemployment of India decreased from 7.65% on 30 August 2020 to 5.85% on 26 September 2020. This rapid decrease is caused because of people moving back to farming but it also causes disguised and underemployment.

The official figure of 6.88% unemployment presented by CMIE is questionable. Many economists say the current figure is not correct as it does not take into account crores of unemployed joining agriculture sector. According to the [political economist](#) M K Venu, "the normal employment calculating methodology is broken down amid pandemic" This statement is completely correct but there are also numerous factors to consider before changing the complete methodology overnight.

Australia is suffering from a similar situation. Even [Prime Minister](#) Scott Morrison admitted the actual unemployment rate is higher than the official figure. Even with the same situation, Australia is not changing their unemployment calculation overnight as doing it would harm all the previous year's data. India might be riding the same boat as changing the complete methodology would seem to banish previous year's work.

But there might be the room for dual calculations. Following the old methods and also calculating with more suitable unemployment calculation fitting the current situation. If CMIE carries out two calculations it could derive a better answer. Calculating the [marginal increase](#) in productivity of different sectors in regards to newly employed people in that particular sector might provide a better understanding of the actual unemployment rate. In the end, the unemployment rate presented by CMIE might not be correct and the real unemployment rate of India could be far worse.



Figure 1: Picture of the article published by Nobat Newspaper