

UNEMPLOYMENT IN INDIA

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Abstract — This paper examines unemployment in India and its current scenario. It also discusses the various government policy initiatives taken to curb unemployment and its impact. The paper also suggests policy recommendations to improve the current situation of unemployment prevailing in India.

Index Terms — Youth Unemployment, Unemployment Rate, Government Policies to Curb Unemployment.

I. INTRODUCTION

Unemployment in India remains a subject of concern since it was first recognized in 1950s. During that period; the Government of India had only few initiatives of employment generation until the first Five Year Plan was drafted in the year 1950-1951. This plan laid the foundation for overall and sectorial development in a medium term prospective for achieving the goal of employment growth and increasing the labour force. For the first time, in the Seventh Five Year Plan (1985-1990), employment was placed at the core of development strategy. In the Ninth Five Year Plan (1997-2002), employment was identified as one of the three important dimensions of state policy with others being quality of life and regional balance. The Eleventh Five Year Plan (2007-2012) mainly focused on 'inclusive' growth and conceived employment as the key element of the same. Thus unemployment has received great importance in the development agenda of India since Independence.

Despite these initiatives, the present unemployment rate in our country is at 4.9%. In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force. The unemployment rate for the year 2013-14 in rural India is 4.7% whereas in the share of urban India is 5.5% which is comparatively higher. The proportion of male and female workforce in rural India is 4.2% and 6.2% respectively while it is 3.9% and 12.4% respectively in Urban India. It is interesting to note that rural females are more employed than their urban counterpart whereas urban males lead their rural counterpart. The overall unemployment rate among male is 4.1% and 7.7% in female across the country. (Ministry of Labour and Employment Bureau 2013-14). Various strategies and proposals have been implemented to generate employment. Many employment programmes and policies have been introduced and undertaken to boost self-employment and help unemployed engage in public works. It is believed that India's economic growth can be accelerated if human resources are purposefully and efficiently allocated.

II. OBJECTIVES

1. To examine the current scenario of unemployment in India.
2. To analyze the government initiatives for reducing unemployment.
3. To suggest ways to reduce unemployment.

III. CURRENT SCENARIO OF UNEMPLOYMENT IN INDIA

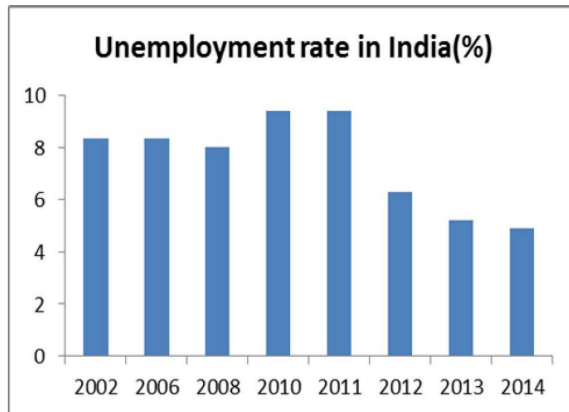
Among the states and Union Territories of India, Gujarat had the lowest unemployment rate of 1.2% followed closely by Karnataka at 1.8%, Maharashtra and Chandigarh at 2.8%, Madhya Pradesh at 2.9% and Telangana at 3.3% while Sikkim had the highest at 15.8%¹. In the northern India, the unemployment rate is quite high, Jammu and Kashmir at 10.5%, followed by Himachal Pradesh at 7.5%, Rajasthan at 6.5%, Punjab at 5.8%, Delhi at 5.2% and Haryana at 4.8%. According to the survey², 49.5% persons were estimated to be self-employed under the Usual Principal Status (UPS) Approach followed by 30.9% as casual labour. Only 16.5% were wage/salary earners and the rest 3% covered contract workers. Under Agriculture, Forestry and Fishing sector, 46.9 per cent persons are estimated to be employed. It shows that majority of the workforce are employed in the primary sector. Studies also show that 41.9% employed persons are self-employed followed by 34.9% as casual workers, remaining 23.1% as wage/salaried employee and contract category worker for the age group 18-29 years.

Unemployment Rate in India decreased to 4.9% in 2013 from 5.2% in 2012. It averaged 7.32% from 1983 until 2013, reaching an all time high of 9.4% in 2009 during recession and a record low of 4.9% in 2013 (Ministry of Labour and Employment, India). Youth Unemployment Rate in India decreased to 12.9% in 2013 from 18.1% in 2012. It averaged 15.5% from 2012 until 2013, reaching an all time high

¹ Fourth Annual Employment and Unemployment Survey Report, Ministry of Labour and Employment

² ibid

of 18.1% in 2012 and a record low of 12.9% in 2013 (Labour Bureau of Government of India).



IV. GOVERNMENT INITIATIVES AND POLICY MEASURES

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 (MGNREGA) was enacted by the Central Government in 2005, aimed at improving living standards of the rural poor and providing social security to them by giving the adult members of every household at least one hundred days of guaranteed wage employment of unskilled manual work in a financial year. 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 provided employment.³ 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 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 were involved. To add on to it, the lack of adequate administration and technical knowhow at Block and Gram Panchayat has adversely affected the preparation of plan, security, appropriate monitoring and measurement of work. With proper implementation of this policy, the rate of employment generation could have been higher as compared to the four fold increase in the budget for this scheme since 2005.

Regional Rural Banks (RRBs) were established in 1975 with a view to develop the rural economy and to create a supplementary channel to the 'Cooperative

Credit Structure' in order to enlarge institutional credit for the rural and agriculture sector.⁴

The RRBs mobilize deposits primarily from rural/semi-urban areas and provide loans and advances mostly to the rural inhabitants. RRBs encourage entrepreneurship by giving credits in concessional rates. This increases the sense of security to the new entrepreneurs. RRBs also spruce the rural economy. However, some issues were observed in the implementation of this scheme. There are many restrictions in the credit policies which seemingly discourage the rural population to deal with these banks. These banks also follow strict and complicated procedure in deposits and advancing loans which is difficult for these people to understand and undertake. Thus the very purpose of employment generation has been compromised.

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 becomes acute for India considering that the country has a large portion of its population below 25 years of age. Currently a major

⁴ For detailed description refer
<https://www.nabard.org/English/rrbs.aspx>

³ For detailed description refer nrega.nic.in

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.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was launched in 1997 for urban poverty alleviation. The target population is the urban poor living below the poverty line. The key objective of the Scheme is to provide gainful employment to the urban unemployed through the setting up of self-employment ventures or provision of wage employment. Studies show that the training programmes for beneficiaries were organized by NGOs and other institutions which were not recommended in the SJSRY guidelines. Thus it is evident that this policy has been unable to generate the required level of employment due to several drawbacks.

V. SUGGESTIONS

Despite the measures taken by the government, India remains a country experiencing severe unemployment problems. This section seeks to propose strategies for reducing unemployment in India.

It is desirable to reduce tax rates and increase government spending which will eventually increase the aggregate demand and the rate of economic growth. Lower tax rates increase the disposable income of people and thus increase consumption and purchasing power leading to higher aggregate demand (AD).

The interest rates should be decreased which would lower the cost of credit and encourage people to spend and invest. Also, the exchange rates would get reduced and which would lead to increase export. Reduction of income tax would work as an incentive for the unemployed as well as employed. It is an attractive proposition which motivates the unemployed to join the labour market and the existing workforce to strive harder. Lower Corporation Tax encourages the young entrepreneurs to start their own ventures.

Government should invest more in human capital development to increase the employability in our country. It should also emphasis more on imparting quality education to the people. Education should be imparted in such a way that it should empower the

youth with the necessary skills which can make them employable.

It has been observed that unemployment is especially concentrated in certain regions. In order to overcome this geographical disparity, the government could incentivize firms to set up operations in these areas by giving tax breaks. Alternatively, financial assistance can be provided to unemployed workers who moved to established areas which have high employment.

Vocation courses are recognized as an important part of under-graduation and post-graduation collages. Government should emphasis in inculcating these courses in the primary level and makes it compulsory part of the curriculum so that people so that people become proficient in their early stage of life. Career Counseling should be provided within the school and should reach all the students.

CONCLUSION

India is a fast growing economy. There has been enormous improvement in the unemployment scenario since the time it was recognized as a challenge. The government is implementing various measures for increasing the employment rate and has succeeded to a great extent. Participation of women and the marginalized groups speaks about the success of the policy measures. The wide spread skill development programmes have gained popularity across the nation.

With better enforcement of the strategies mentioned above, the employment level can be significantly improved.

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