

Understanding the impact of Unemployment in India: Effects and Controlling Measures

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Abstract - Unemployment has long been a big problem for India. The problem of unemployment is a global phenomenon, and international organizations predict an increase in unemployment in India over the next few years. One of the main reasons for unemployment is the lack of suitable jobs for people especially full-time work. Full-time employment opportunities are diminishing daily due to part-time and casual work. Negative trends in economic activity, the use of labor instead of capital, and an increasing supply of labor have been identified as causes of unemployment in India. India is facing a serious problem of unemployment day by day. This paper examines unemployment in India and its worst 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. The data regarding unemployment rate have been collected from secondary sources like World Bank database.

Keywords: unemployment, labour, worst scenario

I. INTRODUCTION:

Unemployment and poverty have always been a serious obstacle to economic development in India. Regional disparities are also important in this context. Economic reforms, changes in industrial policy and more efficient use of available resources are expected to reduce unemployment and poverty problems. Public authorities must also initiate long-term measures to combat poverty. The creation of employment opportunities and equity in the distribution of income are the two most important key factors in solving the two problems of unemployment and poverty.

Meaning and Types of Unemployment

The population of any country consists of two components (i) Labour Force (ii) Non-Labour Force. The labor force is all people who are working (i.e. engaged in economic activity) as well as those who are not working but are looking for or are willing to work at prevailing wages. This means that the labor force includes both the employed and the unemployed. The component of a population that is not part of the active population is the inactive population. It includes all those who are not working and are neither seeking nor willing to work. Unemployment can be defined as the state of unemployment for a person who is able and willing to work at current wages. It is involuntary and involuntary idleness. Simply put, an unemployed person is an active member of the workforce and is looking for work, but cannot find one. In voluntary unemployment, a person is out of work voluntarily or by choice, not working at prevailing or prescribed

wages. Either he wants a higher salary or he doesn't want to work at all. The involuntary unemployment on the other hand is the situation when a person is separated from remunerative work and devoid of wages although he is capable of earning his wages and is also anxious to earn them. It is the involuntary idleness that constitutes unemployment. Involuntary unemployment can be further divided into cyclical unemployment, seasonal unemployment, and structural unemployment, and frictional unemployment, natural rate of unemployment, disguised unemployment and under employment.

Cyclical Unemployment: Cyclical or demand deficient unemployment occurs when the economy is in need of low workforce. When there is an economy-wide decline in aggregate demand for goods and services, employment declines and unemployment correspondingly increases. Cyclical unemployment mainly occurs during recession or depression. This form of unemployment is most commonly known as cyclical unemployment since unemployment moves with the trade cycle. For instance, during the recent global slowdown in late 2008, many workers around the globe lost their jobs.

Seasonal Unemployment: This type of unemployment occurs in a particular time of the year or season and thus is known as seasonal unemployment. Seasonal unemployment is most common in industries like agriculture, tourism, hotel, catering etc.

Structural Unemployment: Structural unemployment arises when the qualification of a person is not sufficient to meet his job responsibilities. It arises due to long term change in the pattern of demand that changes the basic structure of the economy. The person is not able to learn new technologies used in the new expanding economic sectors and they thus may be rendered permanently unemployed. For instance, when computers were introduced, many workers were dislodged because of a mismatch between the existing skills of the workers and the requirement of the job. Although jobs were available, there was a demand for a new kind of skill and qualification. So, persons with old skills did not get employment in the changed economic regime, and remain unemployed.

Frictional Unemployment: Frictional unemployment occurs when a person is out of one job and is searching for another for different reasons such as seeking a better job, being fired from a current job, or having voluntarily quit a current job. It generally requires some time before a person can get the next job. During this time he is frictionally unemployed.

Natural rate of unemployment: the sum total of frictional and structural unemployment is referred as the natural rate of unemployment.

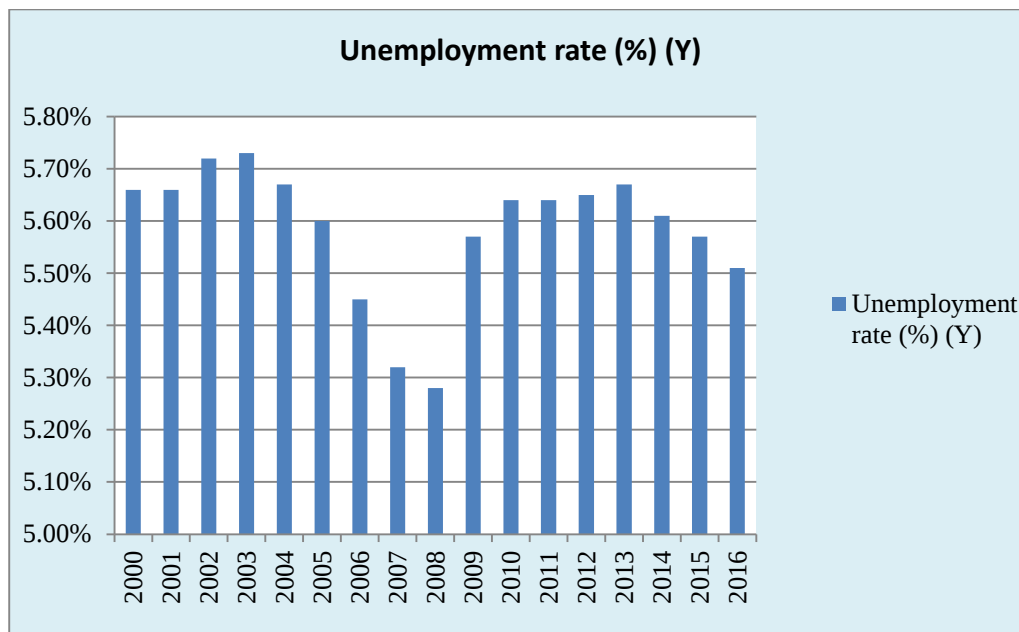
Disguised Unemployment: The unemployment which is not visible is said to be disguised unemployment. It occurs when a person doesn't contribute anything to the output even when visibly working. This happens amongst family labour especially in agriculture who are engaged on land but are not contributing to the given level of output. Thus their marginal productivity is zero.

Underemployment: When a person is engaged in the economic activity but that fail to provide him fully in accordance to his qualification and efforts. Thus it is a situation in which a person is employed but not in the desired capacity whether in terms of compensation, hours, or level of skill and experience. While not technically unemployed the underemployed often compete for available jobs.

Unemployment is a scary problem for both developed and developing countries. India is one of the developing countries that continues to have unemployment and underemployment problems despite its continued focus on policies and programs aimed at eradicating this problem. Despite various initiatives, the current unemployment rate in our country is 4.9%. In India, the unemployment rate measures the number of people actively looking for work as a percentage of the labor force. The unemployment rate for 201314 in rural India is 4.7% while the unemployment rate in urban India is 5.5%, which is relatively higher. The share of male and female labor force in rural India is 4.2% and 6.2%, respectively, while the proportion in urban areas is 3.9% and 12.4%. Interestingly, rural women have more jobs than urban men while urban men are ahead of their rural counterparts. The overall unemployment rate for men is 4.1% and for women is 7.7% nationwide. (Ministry of Labor and Employment 201314). Various strategies and proposals have been made to create jobs. Many employment programs and policies have been introduced and implemented to stimulate self-employment and help unemployed people to work in the public sector. It is believed that India's economic growth can be accelerated if human resources are allocated in a targeted and efficient manner. The economy of every country depends entirely on the youth jobs created in the country in question, instead, it holds the ultimate power over the development of the country. Unemployment is defined as people who have been unemployed and have been actively looking for work for a period of at least one month. The number of unemployed people fluctuates depending on the economy and other factors. The unemployment rate in India from 2000 to 2016 is shown in the table below:

Table 1: Unemployment rate in India from 2000 to 2016. (Bank, World Bank, 2016)

No.	Year	Unemployment rate (%) (Y)
1	2000	5.66%
2	2001	5.66%
3	2002	5.72%
4	2003	5.73%
5	2004	5.67%
6	2005	5.60%
7	2006	5.45%
8	2007	5.32%
9	2008	5.28%
10	2009	5.57%
11	2010	5.64%
12	2011	5.64%
13	2012	5.65%
14	2013	5.67%
15	2014	5.61%
16	2015	5.57%
17	2016	5.51%



Graph based on table 1

In recent years India is facing a major challenge of unemployment which is largely caused by broken down of government policies and a lack of skill training as well as skill education. India as a big country is strongly under the hang on of unemployment issue in general particularly in Kashmir region. Unemployment can endanger the growth and development of any nation but also gainful employment of every nation guarantees the development.

II.OBJECTIVES:

1. To highlight the main causes and impact of unemployment in India.
2. To examine steps taken by the government to boost employment rate.
3. To highlight the different measures for the control of unemployment in India.

III. METHODOLOGY:

The present study is based on secondary data, as it is quantitative in nature. The data can be obtained from different published and unpublished sources like Research papers, Articles, Magazines, Relevant websites available on internet, world bank census Etc.

❖ Causes of Unemployment in India

Lack of stock of physical capital

All economic activities require physical capital to produce them. A farmer needs a plough, tractor and other machines; an industrialist needs land, machines, minerals etc.; and service sector needs modern technology, buildings, tools, etc. All of this is physical capital. India has not been able to maintain its capital stock to fulfil the demands of a rapidly increasing population.

Population growth and Technology

As the focus on greater productivity increases, industrialists and employers prefer to employ machines over humans for various jobs. They cost lesser than employing labourers and produce more. However, a country like India with rapid population growth needs labour-intensive techniques instead of capital intensive techniques.

Dependence on Agriculture

A majority of India's population is still employed in the primary sector while the primary sector's share in GDP has consistently declined. This has led to disguised unemployment and greater urban-rural economic gap. Agriculture is also seasonal in nature which leaves a majority of the population vulnerable to seasonal unemployment.

Fall of Cottage and Small Industries

Many artisans and rural workers were earlier employed in cottage industries but since the market has been flooded with cheap goods from MNCs, cottage industries have lost their market, leaving many people unemployed.

Labour Mobility

India has seriously labour mobility issues since labourers often do not migrate to places where their skills might be better utilised due to language and cultural barriers, strong bonds with families, etc.

Social Norms

India has many regressive social norms. In many families, women are not allowed to work outside their homes. This makes many women unproductive economic capital. Due to the caste system, many people are confined to certain occupations even though they may be better suited for something else.

Low Economic Growth

Low economic growth along with high population growth causes an imbalance and creates a vicious cycle of poverty where demand for employment exceeds the supply of jobs.

Job Specialization

Jobs in the capitalist world have become highly specialised but India's education system does not provide the right training and specialisation needed for these jobs. Thus many people who are willing to work become an unemployable due to lack of skills.

❖ Impact of Unemployment in India

- There is a direct connection of poverty to unemployment in the country.
- Indulgence in illegal activities due to money shortage and thus increase in crime.
- They become antisocial elements and start losing faith in the government.
- Loss of human resources of the nation.
- Falling of GDP due to an imbalance between the demand and supply in the market.
- Increasing the socio-economic cost of the state government by bearing their expenses.

❖ Steps Taken by Government to Boost Employment Rate

The government came up with several schemes to boost the employment rate in the country. Some of them are –

1. Integrated Rural Development Programme, an initiative to create employment opportunities in rural areas. This became official in 1980 intending to provide full employment.
2. Training of Rural Youth for Self-Employment was another focusing on youth. The aim was to help unemployed rural youth from age of 18 till 35 years to adopt skills for self-employment opportunities. Though the emphasis was on SC/ST Youth and Women of the rural areas.
3. RSETI/RUDEST was an initiative by Sri Dharmasthala Manjunatheshwara Educational Trust, Syndicate Bank, and Canara Bank. The idea was to mitigate the unemployment problem among the youth. This became official in 1982 with the setting up of the Rural Development and Self Employment Training Institute. The acronym for it is RUDSETI and is looked after by banks with coordination with the Government of India and the State.
4. National Rural Employment program and Rural Landless Employment Guarantee Programme merged to form the Jawaharlal Rozgar Yojana. The JRY became official in 1989 with a cost ratio of 80:20 between the centre and the States.
5. Mahatma Gandhi National Rural Employment Guarantee Act is a 2005 scheme for creating employment. The schemes make sure to provide 100 days of paid employment to individuals from families willing to do unskilled labour-intensive work. The Right to work act comes under this scheme.
6. Pradhan Mantri Kaushal Vikas Yojana is a 2015 scheme to enable Indian youth to move towards industry-relevant skill training. This is to help them in securing a better livelihood for the future.
7. Start-Up India Scheme is another 2016 launched scheme for developing entrepreneurship opportunities. It aims to create an environment to promote and support entrepreneurship opportunities across the country.
8. The Stand-Up India Scheme is a banking scheme that provides loans between Rs 10 lakh to 1 crore to SC/ST and women borrowers. The target of each bank is to assign loans to each of the categories setting up a Greenfield enterprise.
9. National Skill Development Mission is a 2014 campaign that promotes the idea of 'Skill India'. The main agenda is to improve existing skill training initiatives and combine them. The scale and quality of skilling efforts, with speed, is what they want to work on.

❖ Measures to Control Unemployment in India

The increasing unemployment problem is definitely a serious for India. The solution may be finding out by doing some kind of efforts through government as well as responsible citizen of India. Without doing some efforts we cannot think of getting success in any field and this will also true for increasing population. We should handle the unemployment in such a manner that everyone gets a suitable job and help in increasing the growth of the country. Some important points may be given as follows:

1. Consider human being as a human and as a working unit. An employment is not necessary linked to a salary but a salary is necessary to keep the organization of a society in a good shape. We can work as artist, as a scientist, as a childcare person at home or at school etc. work should be a question of imagination and creativity. The financial system should change. A company that makes billions of profits should redistribute at least the sixty percent to this profit to the society.
2. since the reasons of unemployment depends upon country to country and we cannot generalize it for all. It also depends on the policy of government. In certain country have over population while certain have less population. In general rather than depending on government jobs, training should be given or encourage in such a way to develop entrepreneur skills and innovations so that all be aware, how to tackle the solution and manage in their own.
3. Government should reduce interest rates so that more people can start and do their business, to promote small scale enterprises and grant entrepreneurs tax exemptions.
4. Government should increase their spending or reduce the taxes etc. to create favourable business economic and job oriented market environment to reduce unemployment.
5. Highly qualified and highly skilled workers might travel and work in overseas countries that can offer better employment.
6. Educational institutions can teach students practical skills that will prepare them to be self employed, instead of seeking for paid jobs.
7. Many manufacturers in India have labour-intensive work like food processing, hardware, apparel, and more. They can create special package jobs for individuals.
8. The increase in government jobs in fields like health, police, education, and more.
9. There should be decentralized industrial activities for equal employment opportunities in regions.
10. Rural area development will control migration and reduce urban job pressure too. The youth should remain the centre of focus for entrepreneurship projects. Women should receive more liberation in workplaces.
11. The education system should focus on skill development more. A more effective scheme must be launched like Skill India, Start-up, and Stand-Up India.
12. Creation of decent quality of jobs in formal and informal sectors. There should be equity in the capital and labour market. Self-employment must get support as well as private sectors.

IV. CONCLUSION AND SUGGESTIONS:

Poverty can only be reduced when people are employed appropriately. Employment will lead to the eradication of poverty and crime from society. Over the past 20 years, India's workforce has grown by 2.5% annually. However, the employment rate increased at a rate of 2.2% per year. This shows that the number of unemployed people has increased. Despite its rich natural resources, its poverty paints a bleak picture of a dwindling rich nation. Before that, it was proven that unemployment is one of the main reasons behind committing crimes. Therefore, it is time for us to take innovative measures to combat unemployment and poverty. The first thing to do is increase production. To increase the employment rate, we must increase the production rate of the agricultural and industrial sectors. Encourage the development of small industries. When production increases, the demand for labor will also increase, leading to the employment of unemployed workers. Furthermore, labor demand is directly related to labor productivity. If workers are more productive, their demand will increase, which will lead to higher profits for employers. Therefore, we must increase the productivity of workers to increase their demand. We also need to encourage capital formation in activities that will create greater employment opportunities. In addition, about 62% of people in India are self-employed, most of whom work in the agricultural sector. The government has to provide better facilities for freelancers to increase their output (output). We also need to reform our education system. Attention should be paid to vocational education. Further institutions providing employment information and guidance should be strengthened. Their activities have to be properly coordinated with employment agencies. Under the five year plans government should give importance to such schemes and programmes which would raise the employment level. For eg: Development of irrigation, power, agriculture, forestry, soil conservation, and construction etc... If we take such measures then we will be able to solve the problem of unemployment as well as poverty. This will also result in the reduction of crimes in the society. Hence, we would be making India a better place to live in.

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