



## UNEMPLOYMENT IN INDIA- ISSUES AND CHALLENGES

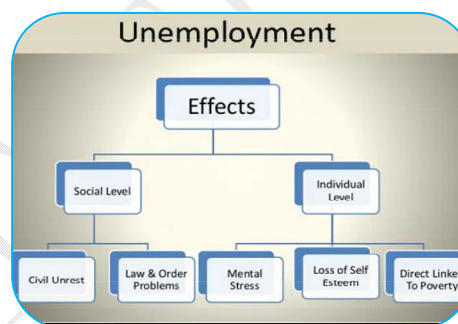
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### ABSTRACT

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. 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. 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.



**KEYWORDS:** economy , Social problem , current scenario.

### UNEMPLOYMENT

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. **National Sample Survey Organization (NSSO)** defines employment and unemployment on the following activity statuses of an

individual:

- Working (engaged in an economic activity) i.e. 'Employed'.
- Seeking or available for work i.e. 'Unemployed'.
- Neither seeking nor available for work.

The first two constitutes labour force and unemployment rate is the percent of the labour force that is without work. 
$$\text{Unemployment rate} = \frac{\text{Unemployed Workers}}{\text{Total labour force}} \times 100$$

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.

### OBJECTIVES OF THE STUDY

1. To examine the types of unemployment in India.
2. To examine the causes of unemployment in India
3. To examine the effect of unemployment in India
4. To analyze the government initiatives for reducing unemployment.
5. To suggest ways to reduce unemployment.

### METHODOLOGY OF THE STUDY

The study has made use of secondary data. The secondary data were drawn from various reports published by Government of India. The main sources of data on unemployment are the various surveys being conducted by the National Sample Survey Organization (NSSO), the population Census.

### TYPES OF UNEMPLOYMENT:

Having studied the meaning of unemployment, now let us discuss the various types of unemployment. Broadly, unemployment can be divided into two types: **voluntary and involuntary**. Types of Voluntary unemployment arises due to reasons that are specific to an individual, while involuntary unemployment is caused by a large number of socio-economic factors such as structure of the market, level and composition of aggregate demand, government intervention.

Unemployment is broadly classified in following categories.

This type of unemployment may be caused due to a number of reasons. For example, one may quarrel with the employer and resign or one may have permanent source of unearned income, absentee workers, and strikers. Involuntary unemployment occurs when at a particular time the number of workers is more than the number of jobs. Obviously this state of affairs arises because of the insufficiency or non availability of work.

### Structural Unemployment

This kind of unemployment occurs when there is any change in consumer demand and technology in the economy. When demand for labour falls short of supply of labour due to rapidly growing population and their immobility, the problem of unemployment appears in the economy. Besides, due to growing population, rate of capital formation falls down which again limits the employment opportunities, this type of structural unemployment is basically related to this category of unemployment.

### Cyclical Unemployment

When there is an economy-wide decline in aggregate demand for goods and services, employment declines and unemployment correspondingly increases. Cyclical unemployment is caused by the trade or business cycles. Cyclical unemployment results from the profits and loss and fluctuations in the deficiency of effective demand production and there is a general state of depression which causes unemployment periods if cyclical unemployment is longer and it generally affects all industries to a greater or smaller extent.

### Frictional Unemployment

This type of unemployment refers to a transition period of looking for a new job, for different reasons, such as seeking a better job, being fired from a current job, or having voluntarily quit a current job. The unemployment generated due to the change in market conditions is called frictional unemployment. Agriculture is the main occupation in India. The supply condition still depends on

weather and similarly demand conditions depend on availability of resources. Any change arising either of any or both creates a diversion from the equilibrium which results in frictional unemployment.

### Seasonal Unemployment

A type of frictional unemployment occurs in specific activities or occupations which are characterized by seasonal work. An example of seasonal unemployment is the joblessness during non-cultivation in rural areas. Seasonal unemployment occurs at certain seasons of the year. It is a widespread phenomenon of Indian villages basically associated with agriculture. Since agricultural work depends upon Nature, therefore, in a certain period of the year there is heavy work, while in the rest, the work is lean. For example, in the sowing and harvesting period, the agriculturists may to engage themselves day and night.

### Natural Rate Of Unemployment

The sum total of frictional and structural unemployment is referred to as the natural rate of unemployment.

### Open Unemployment

Open unemployment is to be distinguished from disguised unemployment and underemployment in that while in the case of former unemployment workers are totally idle, but in the latter two types of unemployment they appear to be working and do not seem to be away their time. When the labourers live without any work and they don't find any work to do, they come under the category of open unemployment. Educated unemployment and unskilled labour unemployment are included in the open Unemployment.nal

### CAUSES OF UNEMPLOYMENT IN INDIA

1. Population explosion and the lack of vocational and technical education are the leading cause of the problem.
2. People from rural areas have developed a tendency to migrate to the cities for office jobs. They find little interest in self-employment schemes.
3. Due to the lack of practical knowledge, thousands of graduates, post graduates, qualified engineers remain idle after completing their jobs.
4. Many people are physically weak and unfit for hard manual labour
5. Many people shy at this hard job of factory labour.
6. Some people have a weakness for white collared job. They prefer the security of a clerkship on small salary. They are against joining business that requires them to put some capital at risk. The uncertainties of business frighten them.
7. There are various social prejudices against certain profession. The son of a rich man will think that his prestige will be lowered if he sets up a shop in a street corner.
8. Though India has good progress in the sphere of industrialization, it has not equally distributed across diverse geographical locations of India. Industrialized regions cannot absorb many people.
9. There are few technical schools for vocational education. Therefore, the young men without specialized training cannot get jobs that require technical skill.
10. Some of the young men are turning to be anti-social out of their formation.

### EFFECTS OF UNEMPLOYMENT IN INDIA

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 gets 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 a 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 THE 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.

**Less demand for goods and services** – as in 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 enters 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 THE 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 employee's ability and also suffer stress and depression as employees is unemployed

Unemployment and poverty goes side by side. The problem of unemployment gives rise to the problem of poverty. Young people after a long time of unemployment find the wrong way to earn money.

To get rid from the unemployment stress, they accept alcohol or drugs. Unemployed youths accept suicide as the last option of their life Increase rate in Crimes. As the employed youth don't have anything to do they start doing robbery, murder etc. Health issues (i.e.) it affects mentally as well as physically. The standard of living of people remains low because of unemployment. Unemployment aggravates social unrest and economic imbalance of the country. Unemployment is the leading cause for depression among youth. Poor people, who are unemployed, find it difficult to manage the rising cost of basic necessities.

**Other factors:**

- Seasonal agriculture
- Rapid population growth
- Discouraged workers
- Gross domestic product (GDP)

- Inferior goods
- Labour force
- Normal goods
- Inadequate employment planning
- Defective education

#### STEPS TAKEN BY GOVERNMENT:

**Integrated Rural Development Programme (IRDP)** was launched in 1980 to create full employment opportunities in rural areas.

**Training of Rural Youth for Self-Employment (TRYSEM):** This scheme was started in 1979 with objective to help unemployed rural youth between the age of 18 and 35 years to acquire skills for self-employment. Priority was given to SC/ST Youth and Women.

**RSETI/RUDSETI:** With the aim of mitigating the unemployment problem among the youth, a new initiative was tried jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Syndicate Bank and Canara Bank in 1982 which was the setting up of the "RURAL DEVELOPMENT AND SELF EMPLOYMENT TRAINING INSTITUTE" with its acronym RUDSETI near Dharmasthala in Karnataka. Rural Self Employment Training Institutes/ RSETIs are now managed by Banks with active co-operation from the Government of India and State Government. By merging the two erstwhile wage employment programme – National Rural Employment programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) the **Jawahar Rozgar Yojana (JRY)** was started with effect from April, 1, 1989 on 80:20 cost sharing basis between the centre and the States.

#### Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA):

It is an employment scheme that was launched in 2005 to provide social security by guaranteeing a minimum of 100 days paid work per year to all the families whose adult members opt for unskilled labour-intensive work. This act provides Right to Work to people.

**Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**, launched in 2015 has an objective of enabling a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood.

**Start Up India Scheme**, launched in 2016 aims at developing an ecosystem that promotes and nurtures entrepreneurship across the country.

**Stand Up India Scheme**, launched in 2016 aims to facilitate bank loans between Rs 10 lakh and Rs. 1 crore to at least one SC or ST borrower and at least one women borrower per bank branch for setting up a green field enterprise. The underlying principles for the National Employment Policy may include enhancing human capital through skill development; creating sufficient number of decent quality jobs for all citizens in the formal and informal sectors to absorb those who are available and willing to work; strengthening social cohesion and equity in the labour market; coherence and convergence in various initiatives taken by the government; supporting the private sector to become the major investor in productive enterprises; supporting self-employed persons by strengthening their capabilities to improve their earnings; ensuring employees' basic rights and developing an education training and skill development system aligned with the changing requirements of the labour market.

#### 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.

Population explosion is one of the most important factor for the present unemployment problem, since the government may take an initiatives for the awareness of population control among the public's.

The Government should open more training centers for vocational education. Young men with special training from these centers can easily fit in any industrial undertaking.

The Government should try for rapid industrialization in under-industrialized regions of the country and create more opportunities for employment.

The village and cottage industry should be developed. If the villages become sufficient in their economy the villagers would not run to the cities in search of jobs.

Our young men should build up new industries, form co-operative societies and go in for agriculture.

Rural people should be taught better methods of agriculture. The cultivators can earn more by increasing the quantity and quality of crops. This can be done by implementing better irrigation methods, high quality seeds, etc.

Loan facilities should be extended among the unemployed youths so that they may set up small industries.

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. Unemployment is the situation when people are unable to find a suitable job or any kind of other occupation for earning the monthly income needed for the survival of their family. It's time for giving attention to this major issue of unemployment which can be the reason of destruction of a family and our country. Self-help is the best help. 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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