

# Nature and Extent of Unemployment in India

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## Abstract

Unemployment is not only a problem in itself but also mother of all problems existent in the society and nation as a whole. In any nation where unemployment is a permanent phenomenon, all other problems cannot remain far behind. Unemployment exists in many forms. It exists in all developed and underdeveloped economies in variable proportions. In case of an underdeveloped economy, it exists in forms of structural unemployment and disguised unemployment, along with cyclical and frictional types of unemployment in small measures. Present paper studies various bases on which unemployment is defined along with different types of unemployment existing in Indian economy.

**Keywords:** Unemployment, Types, Bases of Unemployment

## Introduction

Unemployment can be considered as the root cause of all major problems of the world. At any point of time, at least some people are always unemployed. They act as an unsatisfied force that may either be used for productive purposes or negative ones. Unemployed people live under impression that government, economy, society and whole world is acting against them. They tend to be negative in most circumstances which may create many unwanted situations both for people, who are unemployed and economy and the nation they are part of. So, it is imperative to look for the ways which can provide employment to unemployed workforce.

In a common parlance, unemployed means not earning anything, basically money through any productive activity; but technically, there are several reasons which may render a person unemployed or owing to which a person remains unemployed.

## Need of the Study

There are many researches on the topic of unemployment, which focus on various parameters related to unemployment and its occurrence along with types. Unemployment is a problem that takes almost half of the energies of any nation to arrive at some fruitful solution; yet, it is the problem which stands as it was.

Unemployment has become a regular feature of underdeveloped nations owing to lack of employment opportunities. Government of these nations fails to take necessary steps for generation of employment opportunities. Moreover, the employment opportunities that are generated by the government fail to provide employment for entire workforce of the nation. Underdeveloped nations do possess required capital to start various developmental activities that can generate the required amount of employment in their respective economies. Problem of unemployment is a serious problem in underdeveloped nations. Therefore, unemployment should be studied on regular basis, to find various measures to reduce its magnitude in economy.

The main reason for existence of large-scale unemployment in India is its high birth rate. Every year new slot of workforce is added to the existing workforce of India. The problem of unemployment has acquired a vicious nature and there exists a high backlog of unemployment. Any addition to this backlog further aggravates the already grim situation of unemployment. Present paper endeavours to discuss the nature causes and extent of unemployment in India. It also suggests some fruitful solutions to the problem of unemployment.

## Literature Review

Literature review shows the previous track record of researches and helps trace the future track of research

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work that can be undertaken by research scholars. A brief description of some of the important works of research has been given as under.

John A. Rockwell (2013), in his paper based on the contribution of unorganized sector in Indian economy, has focused on the generation of employment in Indian economy. Unorganized sector has provided employment to the teeming millions of India. But employment generated by this sector is relatively of insecure nature and provides lower wage rates in comparison to the organized sector. Economic reforms have been responsible for lower wage rates and retrenchment in organized sector of the economy.

Divyang Nath Verma (2015) has done his research on the implications of economic reforms and has forcefully put forward maxims and three pillars of economic reforms namely privatization, liberalization and globalization, which have brought about short-term improvements in employment scenario of the economy. Even after increased amount of foreign direct investment in economy, employment could not receive benefits of the foreign direct investment done in Indian economy. Increase in domestic investments went in vain and did not bring desired results for labour force of the economy. This calls for collaborating economic reforms with political and administrative efforts to bring about stabilization in the economy. Moreover, reforms should also be targeted to bring about desired improvements in governmental machinery so that adopted reforms can be implemented in an efficient manner.

Raksha Pal Sharma (2015), in her article based on technological advances and the employment generation, has discussed the beneficial effects of technological advances in the field of employment generation. According to her paper, technology and its usage in productive activities of all the sectors lead to more and more adoption of capital-intensive techniques of production, which lead to further downsizing of economic activities. In her view, technology should be used in a manner so that it does not reduce number of people getting employment; secondly, more and more people should be provided training in latest technology and its usage so that people and their labour do not become obsolete.

## Types of Unemployment

### Cyclical Unemployment

Cyclical unemployment is basically associated with cyclical fluctuations that take place in business activity of any nation. These fluctuations are popularly known as business cycles. Business cycles are predominantly a phenomenon of industrial nations. When fluctuations occur in business activity of any nation trade cycles or business cycles take place. As a result of these cycles, there is a tendency among investors to reduce investment and as a result producers produce less. When less production is to be done, less amount of labour is required by the producers. This phenomenon leads to a lot of unemployment and this type of unemployment is called cyclical unemployment.

### Technological Unemployment

This type of unemployment normally exists in advanced nations of the world. Businessmen of these nations have lot of capital resources, so they use better and better quality of technology in their business ventures. This in turn leads to very high use of machines in the process of production. Single machine can perform work of many people, resulting in large-scale loss of jobs. This type of unemployment is called technological unemployment.

### Frictional Unemployment

Labour is a factor of production that is not perfectly mobile. When owing to any given circumstance, labour is unable to grab a job that is available to him, and he is unable to go for that job owing the constraints of shifting and going through the whole process of leaving the job, this very unemployment is called frictional unemployment. In other words a person needs to look into several factors before leaving any job and take up the new one. All these problems and many other factors which come in way of labour while taking some outstation job, or the time period when a person remains unemployed

while shifting from one job to another, are referred to as frictional unemployment.

### Structural Unemployment

In many economies of the world, there is a scarcity of capital and when there is a scarcity of capital, economies fail to invest in capital and machinery as per the required amount. Economies which have less capital and more population and higher rate of growth of labour force find it difficult to accommodate whole of its labour force in some productive activity. The type of unemployment which exists owing to the above-stated condition is called structural unemployment.

### Voluntary Unemployment

In some cases, unemployment may not happen owing to any of the above-stated reasons and may simply occur owing to lethargy or unwillingness of workers. When workers do not offer services at wage rates that exist in labour market because they hold that they are being offered lesser amount of wages for their labour, it is called voluntary unemployment.

### Involuntary Unemployment

Involuntary unemployment in any economy takes place, when people are ready to work at the existing wages in labour market, but they do not get employment. Involuntary unemployment may exist in any economy due to trade cycles or defective policies of the government. It is known as involuntary unemployment.

### Disguised Unemployment

Disguised unemployment is a phenomenon that exists in underdeveloped economies, where there is a scarcity of capital and as a result they suffer from low rate of capital

formation. Consequently, these types of economies find it difficult to employ their labour force in some productive activity; as a result, a large chunk of people are either employed in lesser productive activities or in the activities where they seem to be employed but not contributing anything to production; for example, agricultural sector where more people are employed than required.

### Causes of Unemployment

Following are the causes, which can be held responsible for the high level of unemployment in India:

- Low productivity of already scarce capital.
- Jobless growth where GDP growth does not lead to the equal amount of employment opportunities.
- Increase in labour force beyond the capacity of economic resources to accommodate them.
- Low margin of savings owing to low level of wages.
- Inappropriate technology which does not take into consideration the amount and type of labour force.
- Inappropriate educational system, which does not take into consideration the all-round development of students and just make them mug up answers and help them pass exams.
- No provision for vocational training in schools.
- Non-uniform growth of agriculture in different states of India.
- Weakness in planning. For example, in India, planners did not make provisions that industrialists should use labour-intensive techniques of production, so that they can produce maximum employment opportunities.

### Extent of Unemployment

The following section discusses the extent of unemployment in Indian economy.

**Table 1: Unemployment Rates of Males and Females on Usual, CWS and CDS Basis**

	Males			Females		
	Usual	CWS	CDS	Usual	CWS	CDS
Rural Areas						
1993-94	2.1	3.9	7.2	1.5	3.7	7.0

	Males			Females		
	Usual	CWS	CDS	Usual	CWS	CDS
2004-05	2.1	3.8	8.0	3.1	4.2	8.7
2009-10	1.9	3.2	6.4	2.4	3.7	8.0
2011-12	2.1	3.3	5.5	2.9	3.5	6.2
Urban Areas						
1993-94	4.8	5.6	7.3	7.1	7.3	9.4
2004-05	4.4	5.2	7.5	9.1	9.0	11.6
2009-10	3.0	3.6	5.1	7.0	7.2	9.1
2011-12	3.2	3.8	4.9	6.6	6.7	8.0

Note: 1. Unemployment rates are number of persons/person days unemployed per 100 persons (or person days)

2. CWS: Current Weekly Status

3. CDS: Current Daily Status

Source: NSSO 61st Round on Employment and Unemployment conducted in July 2004-June 2005 and NSSO 66th Round (2009-10) and NSSO 68th Round (2011-12).

As we can see from the Table 1, data pertaining to unemployment for 50th round of NSSO which was conducted in the year of 1993-94, data of unemployment as per 61st Round of NSSO that took place in 2004-2005 and unemployment as per 66th Round of NSSO (2009-10)

have been given. It also presents data on unemployment according to the survey of NSSO in 2011-12. Data were collected on basis of Usual Status of economic activity (US), Current Weekly Status of economic activity (CWS) and also pertaining to unemployment on current daily status (CDS) of economic activity.

**Table 2: Employment and Unemployment by Usual Principal Status**

	1983	1993	1999-2000	2004-05	2009-10	2011-12
Labour Force (million)	277.34	343.56	377.88	428.7	438.9	447
Workforce (million)	269.36	333.54	367.37	415.0	427.9	434.6
No. of Unemployed (million)	7.98	9.02	10.51	13.7	11.0	12.4
Unemployment Rate (As percentage of Labour Force)	2.88	2.62	2.78	3.19	2.51	2.77
<i>Rate of Growth (% per annum)</i>						
	1983 to 1993-94	1993-94 to 1999-2000	1999-2000 to 2004-05	1999-2000 to 2011-12		
Labour Force	2.06	1.60	1.3	0.60		
Workforce	2.09	1.57	1.1	0.65		

Source: Various Rounds of NSSO Surveys on Employment and Underemployment.

Table 2 puts forward data pertaining to unemployment on usual principle basis in different years. According to Table 2, total labour force possessed by India

was 447 million; however, workforce was 434.6 million and there were 12.4 million people who were unemployed.

**Table 3: Combined Incidence of Unemployment and Underemployment**

Activity Status	Proportion of Labour Force	Remarks
Labour Force	100.00	Working or seeking work on usual status basis.
Employed	89.55	Usual status employed staying in workforce when classified by their weekly status.
Unemployed	2.02	Incidence of open unemployment on usual status basis.
Underemployed	8.43	Usual status employed going out of work when classified by their weekly status.
Unemployed & Underemployed	10.45	Open unemployed on usual status and the incidence of loss of work by the usually employed when classified by their weekly status.

Source: Compiled from Planning Commission, Ninth Five Year Plan (1997-2002), Vol. I, February 1999.

According to Table 3, combined incidence of underemployment and unemployment in India was 89.55 percent on basis of usual principle status and 10.45 percent of people were unemployed under open unemployment basis.

## Conclusion

As a concluding remark, we may say that there is existence of various types of unemployment in Indian economy. Economy of India is in a transition phase and a large amount of its labour force is engaged in agricultural sector. It suffers from disguised unemployment in agricultural sector and structural unemployment is its permanent feature, because the growth of labour force on

per year basis is far greater than rate at which jobs are being created in economy. To counter all these types of unemployment, the government of India needs a definite strategy and proper implementation of the policies to generate employment opportunities in the economy.

## References

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- Various rounds of NSSO Surveys on Employment and Underemployment.
- NSSO 61st Round on Employment and Unemployment conducted during July, 2004 to June, 2005 and NSSO 66th Round (2009-10) and NSSO 68th Round (2011-12).