

A Study on Impact of Unemployment on Indian Economy

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Abstract : The state of being without any work both for educated & uneducated person for earning one’s livelihood is meant by unemployment. Economists distinguish between various overlapping types of and theories of unemployment, including cyclical or Keynesian unemployment, frictional unemployment, structural unemployment and classical unemployment. Some additional types of unemployment that are occasionally mentioned are seasonal unemployment, hardcore unemployment, and hidden unemployment. This paper explores the job and unemployment status of young people in India in this context. It analyses trends in rates of labour force and workforce participation, unemployment, unemployment, working poor, elasticity of growth and jobs, etc. In addition, the paper includes policy proposals for increasing sustainable jobs and reducing youth unemployment. If measures are not taken to improve the educational achievement and skill development of the youth, the poor employability of the workforce would hamper the benefits due to demographic dividends.

Key words: Unemployment, labour, worker

INTRODUCTION

One of the most challenging problems faced by developed and developing countries alike is the increasing large number of unemployed young people. Failure to incorporate young people into the labour market has wider implications for countries' future growth and development. Therefore, the issue of youth employment and unemployment is prominently on the agenda of international development. In developing countries, the extent of the relationship between poverty and unemployment is often the subject of significant discussion. The root of the debate can be traced to the skepticism identified by successive labor force surveys in developed countries about the validity of low unemployment levels.

UNEMPLOYMENT RATE IN INDIA

The unemployment rate in India, amidst lockdown and restrictions on mobility, is 12.81% as of June 8th 2021 based on the data provided by the CMIE. Earlier, the unemployment rate in India shot up from 6.5 per cent in March 2021 to 8 per cent in April 2021, to 14.7% by May end, while the employment rate fell from 37.6 per cent in March to 36.8 per cent in April, says the report of CMIE – Centre for Monitoring Indian Economy. In 2020, the unemployment rate in India fell to 7% in September 2020 from the record high of 29% since the country went into lockdown from March 2020, However, it later increased to 9.1% in December 2020. The unemployment rate again declined to 6.5 per cent in January 2021 from 9.1 per cent in December 2020, while the employment rate surged to 37.9 per cent as compared to 36.9 percent. The lockdown to contain the coronavirus outbreak has forced many industries to shut down thus increasing unemployment across the country.

UNEMPLOYMENT RATE IN INDIA AS ON OCT 2022

STATES	RATE IN %
Andhra Pradesh	5.3
Assam	8.1
Bihar	14.5
Chhattisgarh	0.9
Delhi	6.7
Gujarat	1.7
Haryana	31.8
Himachal Pradesh	8.6
Jammu & Kashmir	22.4
Jharkhand	16.5
Karnataka	2.7
Kerala	4.8
Madhya Pradesh	0.8
Maharashtra	4.2
Meghalaya	3.6
Odisha	1.1
Puducherry	3.6
Punjab	9.1
Rajasthan	30.7
Tamil Nadu	3.3
Telangana	8.8

Tripura	10.5
Uttar Pradesh	4.2
Uttarakhand	3.4
West Bengal	4.8

Source: CMIE Database

TYPES OF UNEMPLOYMENT IN INDIA

In India, there are seven types of unemployment. The types of unemployment are discussed below:

1. **Disguised Unemployment:** This is a type of unemployment where people employed are more than actually needed. Disguised unemployment is generally traced in unorganised sectors or the agricultural sectors.
2. **Structural Unemployment:** This unemployment arises when there is a mismatch between the worker’s skills and availability of jobs in the market. Many people in India do not get job matching to their skills or due to lack of required skills they do not get jobs and because of poor education level, it becomes important to provide them related training.
3. **Seasonal Unemployment:** That situation of unemployment when people do not have work during certain seasons of the year such as labourers in India rarely have occupation throughout the year.
4. **Vulnerable Unemployment:** People are deemed unemployed under this unemployment. People are employed but informally i.e. without proper job contracts and thus records of their work are never maintained. It is one of the main types of unemployment in India.
5. **Technological Unemployment:** the situation when people lose their jobs due to advancement in technologies. In 2016, the data of the World Bank predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.
6. **Cyclical Unemployment:** unemployment caused due to the business cycle, where the number of unemployed heads rises during recessions and declines with the growth of the economy. Cyclical unemployment figures in India are negligible.
7. **Frictional Unemployment:** this is a situation when people are unemployed for a short span of time while searching for a new job or switching between jobs. Frictional Unemployment also

called Search Unemployment, is the time lag between the jobs. Frictional unemployment is considered as voluntary unemployment because the reason for unemployment is not a shortage of jobs, but in fact, the workers themselves quit their jobs in search of better opportunities.

CAUSES OF UNEMPLOYMENT

- Large population.
- Lack of vocational skills or low educational levels of the working population.
- Labour-intensive sectors suffering from the slowdown in private investment particularly after demonetization
- The low productivity in the agriculture sector plus the lack of alternative opportunities for agricultural workers that makes transition among the three sectors difficult.
- Legal complexities, Inadequate state support, low infrastructural, financial and market linkages to small businesses making such enterprises unviable with cost and compliance overruns.
- Inadequate growth of infrastructure and low investments in the manufacturing sector, hence restricting the employment potential of the secondary sector.
- The huge workforce of the country is associated with the informal sector because of a lack of required education or skills, and this data is not captured in employment statistics.
- The main cause of structural unemployment is the education provided in schools and colleges are not as per the current requirements of the industries.
- Regressive social norms that deter women from taking/continuing employment.

IMPACT OF UNEMPLOYMENT

The unemployment in any nation have the following effects on the economy:

- The problem of unemployment gives rise to the problem of poverty.
- The government suffers extra borrowing burden because unemployment causes a decrease in the production and less consumption of goods and services by the people.

- Unemployed persons can easily be enticed by antisocial elements. This makes them lose faith in the democratic values of the country.
- People unemployed for a long time may indulge in illegal and wrong activities for earning money which increases crime in the country.
- Unemployment affects the economy of the country as the workforce that could have been gainfully employed to generate resources actually gets dependent on the remaining working population, thus escalating socio-economic costs for the state. For instance, a 1 % increase in unemployment reduces the GDP by 2 %.
- It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading to losses to the human resources of the country.

GOVERNMENT INITIATIVE TO CONTROL UNEMPLOYMENT

The policies to reduce unemployment are highlighted below:

- In 1979 the government launched TRYSEM – Training of Rural Youth for Self-Employment. The objective of this scheme was to help unemployed youth of rural areas aged between 18 and 35 years to acquire skills for self-employment. The priority under this scheme was given to women and youth belonging to SC/ST category.
- The Government launched the IRDP – Integrated Rural Development Programme (IRDP) in the year 1980 to create full employment opportunities in rural areas.
- A new initiative was tried namely RSETI/RUDSETI in 1982 jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Canara Bank and Syndicate Bank. The aim of RUDSETI, the acronym of Rural Development And Self Employment Training Institute was to mitigate the unemployment problem among the youth. Rural Self Employment Training Institutes/ RSETIs are now managed by Banks with active cooperation from the state and central Government.
- The Jawahar Rozgar Yojana (JRY) was started in April 1989 by merging the two existing wage

employment program i.e. RLEGP – Rural Landless Employment Guarantee Programme and NREP – National Rural Employment Programme on an 80:20 cost-sharing basis between the state and centre.

- MNREGA – Mahatma Gandhi National Rural Employment Guarantee Act launched in 2005 providing the right to work to people. An employment scheme of MGNREGA aimed 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. For details on MNREGA check the link provided.
- PMKVY – Pradhan Mantri Kaushal Vikas Yojana was launched in 2015. The objective of PMKVY was to enable the youth of the country to take up industry-relevant skill training in order to acquire a secured better livelihood. For further details on Pradhan Mantri Kusal Vikas Yojana check the given link.
- The government launched the Start-Up India Scheme in 2016. The aim of Startup India programmes was to develop an ecosystem that nurtures and promotes entrepreneurship across the nation. Check detailed information on Startup India Scheme in the given link.
- Stand Up India Scheme also launched in 2016 aimed to facilitate bank loans to women and SC/ST borrowers between Rs 10 lakh and Rs. 1 crore for setting up a greenfield enterprise. Details on Stand-Up India is given in the linked page.
- National Skill Development Mission was set up in November 2014 to drive the ‘Skill India’ agenda in a ‘Mission Mode’ in order to converge the existing skill training initiatives and combine scale and quality of skilling efforts, with speed. Check the National Skill Development Mission in detail.

SOLUTIONS TO REDUCE UNEMPLOYMENT

- Every country is trying to solve the unemployment problem in her own way. Establishment of Vocational and Technical training institutes: The government should open Technical and Vocational colleges and manual labor should be made compulsory. Big factories

should be attached to these colleges. More stress is to be given to practical side.

- Increased investment in heavy industries: Investment in heavy and basic industries and consumer goods industries should be increased to provide more employment with more production.
- Revival of cottage and small scale industries: Cottage and small scale industries should be developed. Subsidies and other incentives should be given to private sector.
- Modernization of agriculture: Modernization and mechanization of agriculture should be done. Wastelands should be utilized.
- Improved transport and communication: Rural works programs should be increased means of transport and communication should be developed.
- Self-employment should be encouraged: Government should take initiatives to encourage self-employment. Young entrepreneurs should be assisted with hassle free loans. The unemployed are a great worry to the Government.
- Government tried to give some relief to unemployed people, especially to ex-Service men, by opening Employment Exchanges, which are machinery for finding suitable employment for young men and women. Some Universities, too, have employment boards to help their graduates (and under graduates) to secure employment.
- Increase in national wealth through industrialization: The real remedy lies in an addition to the national wealth, in increased production of industrial goods. If there are more industries, there will be more avenues for employment, particularly for men and women with professional and technological training. Already the River valley projects and power-plant projects are finding employment for a large number of men.

CONCLUSION

The rate of the employment is the important for the economy of the any country. The employed people have the capability to boost the economy and have

capable to use the resources available in country. In Indian context, as discussion has been made, it is found that the rate of the population is one of the vital factors to slow down the rate of employment. Now a days, educational exposure have increased many fold in India and youth are ready to take the new challenges in order to contribute in the growth and development of the country in addition to the self growth.

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