

16. A STUDY ON THE CAUSES AND IMPACT OF UNEMPLOYMENT IN INDIA

Ms. SHRUTI NAIR, *Assistant Professor, Department of Economics, Ethiraj College for Women, Chennai.*

ABSTRACT

The rate of unemployment in India has been increasing over the years. The current paper aims to analyze the factors leading to unemployment and its impact on the Indian economy. The study focusses on how employment rate plays a major role in overall development of the economy. The study makes use of secondary data sources and focusses on the present scenario of unemployment in rural and urban areas. The paper analyzes how an increase in population, poverty, illiteracy, inflation and lack of full employment can lead to a slowdown in the growth of the economy. The paper discusses the problems faced by the economy due to high rate of unemployment and recommends strategies to improve the current status of employment in the country. Keywords: unemployment, population, growth, development

INTRODUCTION

When a person who is actively searching for employment is unable to find a suitable work, unemployment arises in the economy. The Indian economy is facing a major slowdown due to the increasing rate of unemployment. As India is a developing economy, nature of unemployment is quite different from the scenario of unemployment prevailing in developed countries. In India, unemployment exists in both rural and urban areas. The stagnant rate of growth and high rates of unemployment occurs as a result

of a shortage in capital equipment. Unemployment leads to under-utilization of labour and human capital resulting in lower productivity in the economy. This will further aggravate poverty, malnutrition and lower per-capita income of the population. However, frictional unemployment can be present in the economy with the rate of unemployment from two to three percent and is unavoidable. Despite the measures taken by the government to reduce unemployment rates, there exists an increasing trend in the rate of unemployment in the country.

OBJECTIVES

1. To analyze the current scenario of unemployment in rural and urban areas
2. To identify the causes of unemployment in India
3. To recommend strategies for improving the status of employment in the economy

REVIEW OF LITERATURE

Abraham Vinoj (2009) shows that when there is a distress, level of income falls below the sustenance level, and the proportion of population that is not working must enter the labour market for supplementing the household income. The distress that most commonly occurs in the agricultural sector leads to lower levels of productivity, lower income and stagnation. The paper shows that the income crisis that gripped farming led

to employment growth in rural areas. BairagyaIndrajit (2018) shows that the rate of unemployment was higher among the educated than the uneducated and the rate of unemployment increases with higher education levels. The paper analyzes the factors responsible for higher rates of unemployment in the economy. The article proves that as levels of education becomes higher, people tend to demand jobs with a good pay-scale and do not prefer jobs in the informal sector. The paper reinforces the need to enhance capital formation in order to reduce unemployment rate in India.

THE INDIAN SCENARIO

The huge population in India has led to a greater need for employment opportunities. However, the jobs available are lesser than the number of job-seekers in the country. The low level of education and vocational skills of the people have further led to an increase in unemployment rate. The society does not receive adequate support from the government and poor infrastructural facilities has created a situation of crisis in the economy. As India is a developing country with a majority of population living in the rural areas, people are more dependent on informal jobs that are irregular in nature with several health hazards. In the primary sector, a low productivity and lack of alternative opportunities for agricultural workers makes it difficult for transition from agricultural to industrial or services sector. A lower investment and inadequate growth of the manufacturing sector also restricts its employment potential.

The problem of unemployment leads to lesser rate of growth and development in the economy. It increases the level of poverty and malnutrition due to low or no income for the population, thus affecting the health status of the people.

GOVERNMENT INITIATIVES

The following are the initiatives taken by the government to increase employment opportunities in the economy:

- Integrated Rural Development Programme (IRDP): Launched in 1980, this scheme aims to create full employment in rural areas.
- Training of Rural Youth for Self-Employment (TRYSEM): Launched in 1979, this scheme aims to make unemployed youth in rural areas between 18-35 years to acquire self-employment skills.
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): This scheme, launched in 2005, aims at providing social security by guaranteeing minimum 100 days of paid work in a year to families that have adult members opting for an unskilled labour-intensive work.
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY): The scheme launched in 2015, aims to enable a large number of youth in the country to take up skills training required for industries.
- Start Up India Scheme: Launched in 2016, the objective of the scheme was to develop an ecosystem that promote entrepreneurship in the country.
- Stand Up India Scheme: Launched in 2016, the objective of this scheme was to provide bank loans from Rs. 10 Lakh to Rs. 1 Crore for atleast one SC/ST borrower and to minimum one woman borrower per branch of the bank to set up a greenfield enterprise.

Table 1 shows that the rate of unemployment is increasing over the years and shows the rise in the trend of unemployment from 2.2 per cent in the year 2011 to 6.1 per cent

TABLE 1: RATE OF UNEMPLOYMENT IN INDIA (IN PERCENTAGE)

YEAR	UNEMPLOYMENT RATE (IN PERCENTAGE)
2011-12	2.2
2012-13	4.0
2013-14	4.6
2014-15	4.9
2015-16	5.0
2016-17	5.7
2017-18	6.1

Source: National Sample Survey Office, 2018.

TABLE 2: UNEMPLOYMENT RATE AMONG YOUTH IN RURAL AREAS (IN PERCENTAGE)

YEAR	MALE	FEMALE
2012-13	3.9	4.2
2013-14	4.7	4.6
2014-15	5.0	4.8
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	17.4	13.6

Source: National Sample Survey Office, 2018.

Table 2 shows the rate of unemployment among the youth in rural areas. The rural area has an unemployment rate of 17.4 per cent among male population in 2017 and 13.6 per cent among female population as compared to 3.9 per cent in 2012 among male population and 4.2 per cent among female population.

TABLE 3: UNEMPLOYMENT RATE AMONG YOUTH IN URBAN AREAS (IN PERCENTAGE)

YEAR	MALE	FEMALE
2012-13	8.8	14.9
2013-14	7.5	14.3
2014-15	8.1	13.1
2015-16	7.9	5.8
2016-17	9.6	6.7
2017-18	18.7	27.2

Source: National Sample Survey Office, 2018.

Table 3 shows the rate of unemployment of youth in urban areas. The urban areas have an unemployment rate of 18.7 per cent among male population in 2017 and 27.2 per cent among female population as compared to 8.8 per cent in 2012 among male population and 14.9 per cent among female population.

CAUSES OF UNEMPLOYMENT IN INDIA

In India, the rate of unemployment has been increasing over the past few years in both rural and urban areas. This has led to a slow rate of growth in the economy and hinders economic development. The following are the main reasons for unemployment in India:

- **Higher population:** The rate of growth of population is increasing continuously for the past decades. The number of people in the country, especially the youth population, is much greater compared to the number of jobs available. This creates a situation of unemployment in the economy.

- **Poverty and Illiteracy:** One of the main reasons for unemployment is due to a lesser number of people being educated and literate. As they do not possess the skills necessary for employment due to low levels of income and standard of living, they often find it difficult to obtain jobs in the formal sector.

- **Inflation:** A continuous rise in prices without a proportionate increase in goods and services produced, leads to fall in real income in the hands of the public. When there is an increase in population, supply of labour is greater than the demand which has an adverse impact on wages. This leads to more people being unemployed as they are not satisfied with the current wages being offered to them.

- **Agricultural workers:** The people who are employed in the agricultural sector are employed only upto a certain period of time and are unable to find jobs for other parts of the year.

- **Casual and informal labour:** As the number of jobs available is much lesser compared to those who are in need of work, people tend to work in the informal sector which comprises of low and irregular wages.

- **Lack of full employment:** The industrial sector does not work to its maximum capacity due to lack of adequate machinery and supply of raw materials due to which they are unable to hire maximum workers in factories.

RECOMMENDATIONS AND SUGGESTIONS

The following are the suggestions made in order to reduce the problem of unemployment in India and to improve the status of workers:

- By providing adequate skill-based and vocational training, unemployed youth can obtain jobs in industrial and services sector.

- An increased investment from the government and diversification in the agricultural sector will not only increase productivity but also helps to reduce unemployment.

- Labour-intensive technology has to be adopted by the formal and informal sectors in order to increase employment opportunities in both rural and urban areas.

- An increased and continual growth in services sector can create greater employment opportunities for highly-skilled workers and improve the standard of living in the society.

- Improvement in education and health care services increases human capital formation and provides more employment opportunities to the public.

- On-the Job training and employment subsidies can be provided to the existing employees to improve their current skills and to increase job satisfaction and reduce shift from one job to another.

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