



## ECONOMICS

### CHAPTER 15. UNEMPLOYMENT IN INDIA – PROBLEMS AND POLICIES

Class: 11 (ISC)  
2021-22

#### Meaning:

Unemployment is a situation when there are some able-bodied persons who have the ability to work and are willing to work at the prevailing wage rate but are not able to find work which may yield them some regular income. Also known as involuntary unemployment.

Voluntary unemployment refers to those people who are voluntary unemployed by their choice. They may not work due to laziness or otherwise; they are not interested in any gainful job.

#### Types of Unemployment in Developed Economies:

##### 1. Cyclical Unemployment:

It is due to downswing and depression phases of business cycle. During the phase of depression level of economic activities are low, low income and low level of employment. It is caused by deficiency in aggregate demand. Therefore, production will be less than full employment output. Solution to Cyclical unemployment- Economic growth, increase in aggregate expenditure, increase in export of goods and services, lowering interest rates makes loans cheap which, in turn encourages spending.

##### 2. Frictional Unemployment:

It exists when there is lack of adjustment between demand for and supply of labour force. People leave jobs for many reasons, and it takes time to find new one because of lack of knowledge and mobility on the part of labour. This gives rise to temporary unemployment of those workers who are moving between jobs.

Frictional unemployment also occurs when students are looking for that first job or when mothers are returning to the workforce. It also happens when workers are fired or, in some cases, laid off due to business-specific reasons, such as a plant closure.

Solution to Frictional unemployment:

Improve the organization of employment market, Increase labour mobility –occupation and geographical.

#### Types of Unemployment in Underdeveloped Economies:

##### 1. Structural unemployment:

Structural unemployment refers to a situation when a large number of people do not get work because of limited job opportunities available. It arises from the shortage of capital equipment and other complementary resources. Structural unemployment is not a temporary phenomenon.

It is deep-rooted and chronic in nature.

In Structural Unemployment although jobs are available, there is a serious mismatch between what companies need and what workers can offer.

Solution to Structural unemployment:

Education/training: These training schemes need to focus on skills and qualifications which will enable the unemployed to find work in new industries. This could include the government paying for training schemes in skills which are in short supply. For example, vocational training such as



bricklaying/plumber/electrician or nursing. Housing subsidies with geographical unemployment, the government could offer housing benefits to help the unemployed take jobs in expensive areas of high employment.

It can be solved through economic development by increasing the production capacity in the economy.

### 2. Open unemployment:

Open unemployment refers to a situation when there are some workers who have absolutely no work to do. They are willing to work at the prevailing wage rate, but they are forced to remain unemployed in the absence of work. Open unemployment is largely found in urban areas and very limited in rural areas. Frictional unemployment, structural unemployment, cyclical unemployment are different types of open unemployment.

### 3. Disguised unemployment:

Disguised unemployment refers to a situation when the number of workers engaged in a job is much more than actually required to do the given work also known as hidden unemployment.

Disguised unemployment occurs when there are workers who are apparently working, but their contribution to output is nil or their marginal productivity is zero.

Overcrowding in agriculture due to rapid growth of population and lack of alternative job opportunities may be cited as the main reasons for disguised unemployment in India.

Disguised unemployment occurs because of four interrelated reasons:

- a. Availability of large labour force.
- b. Non-availability of alternative employment opportunities.
- c. Agriculture as a family occupation
- d. Small size of land holdings.

Disguised unemployment is the predominant form of unemployment in the agricultural sector of developing countries like India. This type of unemployment is also chronic, it can be eliminated only through economic development, when more employment opportunities are created in an economy.

### 4. Underemployment

Underemployment refers to a situation when the employed persons are contributing to production and income which is less than what they are really capable of. Labor that falls under the underemployment classification includes those workers who are highly skilled but working in low paying or low skill jobs, and part-time workers who would prefer to be full-time. This is different from unemployment in that the individual is working but is not working at their full capability.

Causes of underemployment are depression in the business cycle.

Solution for underemployment could be achieving higher economic growth, active reach of employment exchange etc.

### 5. Seasonal unemployment:

Seasonal unemployment refers to a situation when people get work during some days or months of the year, but not regularly throughout the year and, therefore, they are unemployed during some part of the year.

Seasonal unemployment takes place mainly due to lack of suitable alternative employment opportunities in the slack season. It occurs due to lack of productive work during certain periods of the year in view of seasonal character of certain industries or occupations.



Solutions to seasonal unemployment:

Diversification of economic activities, government creating jobs in the off-season by improving infrastructure.

#### 6. Educated unemployment:

Educated unemployment refers to unemployment among the educated people. Educated unemployment involves a great waste of valuable human capital.

Educated unemployment arise due to: Rapid expansion of educational facilities, mass education in India.

Faulty education system is also responsible for this problem. There is too much emphasis on general education rather than vocational education.

Solutions to educated unemployment:

Emphasis on vocational education. Institutions providing employment information and guidance should be strengthened and their activities should be properly coordinated with employment agencies.

#### 7. Technological unemployment:

Technological unemployment refers to unemployment that arises because of the use of labor-saving techniques. Technological unemployment occurs when developments in technology and working practices cause some workers to lose their jobs. These techniques are used because they are more efficient. Simply, the substitution of manpower with technology results in technological unemployment.

### **Causes of Unemployment**

#### 1. Low rate of economic growth:

Rate of economic growth determines the rate at which new jobs are created. The job opportunities created under Five-year plan have fallen short of the job requirements of the growing labour force. Moreover, the employment generation capacity is low due to slow growth rate of industrial, agricultural sector and use of capital-intensive technique.

#### 2. Low growth rate of agriculture:

Growth rate of agricultural sector has been low and slow implying that the growth rate of employment in the agricultural sector has been low. Agricultural sectors also face various problems like low productivity, shortage of funds, traditional method, seasonal in nature etc.

#### 3. Low rate of capital formation:

Low rate of capital formation has slowed down the growth potentialities in the agricultural and industrial sectors due to non-availability of machinery, power, transport and essential raw materials.

#### 4. Rapid population growth:

Rapid growth of population had directly added to the problem of unemployment by increasing the supply of labour force. Due to rapid population growth capital formation is also reduced. More population means more expenditure on consumer goods and on the provision of various facilities such as water, electricity, medical and education etc. this has reduced savings and investment and retarded the increase of job opportunities.

#### 5. Use of capital-intensive techniques:

Various macro policies of the government have encouraged the adoption of capital-intensive techniques despite availability of surplus labour in the country. Low interest rates, low tariff duties



on imports of capital goods, various concessions for investment etc., have made capital-intensive techniques relatively more attractive.

#### 6. Defective education system:

The education system is still based on traditional liberal lines. It is not related to the growing development needs of the country. It lays more emphasis on general education rather than vocational and technical education leading to growing educated unemployment.

#### 7. Failure to develop projects providing large employment:

The plans have not really been successful in developing projects which have large employment potential. The plans have not done well in developing flood control, drainage, rural electrification and other employment generating activities.

#### 8. Decline of Cottage and Small industries:

The industrial development had adverse effect on cottage and small industries. The production of cottage industries began to fall and many artisans became unemployed due to fall in demand and emergence of efficient modern industries.

#### 9. Migration of rural population:

There has been large-scale migration of people from rural areas to urban areas due to inadequate employment opportunities in rural areas and higher wages in the urban areas. But jobs are not available for all of them in the urban areas due to lack of skills required.

#### 10. Labour laws:

The government has been protecting the existing workers and their exploitation with the help of Minimum wage Act, workers compensation Act and other laws. High wages have kept the demand for labour at a low level.

### Special Employment Generation Programmes:

#### Skill Development and Employment

Imparting vocational education and skill development, vocational education is education that prepares people to work as a technician or to take up employment in a skilled craft or trade i.e tradesperson or artisan.

#### Skill India Programme:

It is a multi-skill India programme launched in March, 2015. It aims at providing training and skill for various occupations, both traditional like carpenters, weavers as well as new occupation like real estate, textile, gem and jewellery. This programme will help in getting more employment and improving entrepreneurship, leading to an improvement in economic conditions.

Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) aims to skill rural youth who are poor and provide them with jobs having regular monthly wages or above the minimum wages. It is one of the cluster of initiatives of the Ministry of Rural Development, Government of India that seeks to promote rural livelihoods.

#### Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is skill-based training scheme started by the government of India. Under the PMKVY 2.0 scheme, Indian nationals can join skill-based training course and pursue education with free of cost. This training will be provided in different industrial verticals through authorized training centers under PMKVY 2.0 scheme. It would ensure that the youth of India are trained for respective skills so as to earn better living thereby. It would be helpful both to unemployed and self-employed persons.



### Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

**MGNREGA** which has been hailed as the world's largest and most ambitious social project was designed with the following key objectives:

- a. This flagship programme of the government aims at providing livelihood security to rural households.
- b. Generation of paid rural employment of not less than 100 days for each worker who volunteers for unskilled labour.
- c. Proactively ensuring social inclusion by strengthening livelihood base of rural poor, empowerment of women.
- e. Creation of durable assets in rural areas such as wells, ponds, roads and canals.
- f. Reduce urban migration from rural areas.
- g. Create rural infrastructure by using untapped rural labour.

### Sampoorna Grameen Rozgar Yojana (SGRY):

SGRY was launched in September 2001. The objectives of the scheme are:

- a. To provide wage employment along with food security in the rural areas to BPL people.
- b. To create durable community, social and economic assets.

The scheme was merged with Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

### Prime Minister's Rozgar Yojana (PMRY):

PMRY was started in 2001 aiming to help educated unemployed youths in establishing self-employment units in industry, service and business sectors.

### INSTRUCTIONS TO STUDY THIS CHAPTER:

- Please read your book for detailed information of the above topics.
- The length of the answer depends on the marks in the question paper.
- Examples can be used to elaborate your points for this chapter.