



Tackling Unemployment in India: A Multifaceted Challenge

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Abstract

Unemployment remains a weighty issue in India, affecting its socio-economic development despite rapid economic growth. This research article explores the causes, impacts, and potential solutions to the unemployment problem in India, incorporating data from the Periodic Labour Force Survey (PLFS) conducted by the Ministry of Statistics and Programme Implementation (MoSPI) and the International Labor Organization (ILO). The study highlights key challenges, such as population growth, education-employment mismatch, and technological changes, and proposes strategies to address these issues through skill development, entrepreneurship promotion, and economic reforms. Additionally, recent trends showing a decline in unemployment rates are analysed to understand the factors contributing to this improvement.

Introduction

Unemployment in India is a multifaceted issue with deep-rooted causes and significant consequences for the country's economic and social fabric. Despite being one of the fastest-growing economies in the world, India faces persistent challenges in providing sufficient employment opportunities for its vast and diverse population.

India's high population growth rate results in millions entering the workforce each year. The job creation rate fails to keep pace, leading to a significant employment gap. According to the World Bank, India's population grew from 1.26 billion in 2011 to approximately 1.42 billion in 2024, with an annual growth rate of around 1.1% in recent years. The PLFS 2022-23 report indicates an overall unemployment rate of 7.2%, reflecting the ongoing challenge of job provision for a rapidly growing population.

A large portion of India's workforce is engaged in agriculture, which is dependent on monsoons and market fluctuations. This sector experiences significant seasonal and disguised unemployment, particularly in rural areas. According to the Census of India 2011, agriculture employs over 50% of the country's workforce but contributes only around 15% to the GDP. This imbalance indicates the over-reliance on agriculture for employment, leading to underutilization of labor and low productivity in the sector. Rural unemployment stood at 6.3%, compared to 8.8% in urban areas, as per the PLFS data. Recent data suggests that as of 2023, approximately 45% of India's workforce is still employed in agriculture, highlighting the persistent dependency on this sector.



The Indian education system often does not align with industry needs. Graduates possess degrees but lack practical skills, leading to underemployment and unemployment among the educated youth. According to the PLFS 2022-23, the unemployment rate among graduates was 17.2%. Additionally, the All-India Survey on Higher Education (AISHE) 2020-21 reported that only about 47% of graduates in India are employable as per industry standards, highlighting a significant gap between education and employability. Furthermore, the India Skills Report 2021 found that only 45.9% of Indian graduates were considered employable by the industry, underscoring the severity of the mismatch.

Periodic economic slowdowns, both global and domestic, adversely affect job creation. According to the World Bank, India experienced a significant economic slowdown in 2020 due to the COVID-19 pandemic, with GDP growth contracting by 7.3%. This contraction led to job losses across various sectors, exacerbating the unemployment situation.

Automation and digital transformation, while enhancing efficiency, lead to job redundancies. Many traditional roles are being replaced by machines, resulting in structural unemployment, particularly among workers with outdated skills. Recent statistics from the National Association of Software and Service Companies (NASSCOM) suggest that the IT-BPM (Information Technology-Business Process Management) sector in India employed around 4.47 million people in FY2020-21, representing a growth of 2.3% compared to the previous year. However, this growth is slower than the historical average due to increased automation and artificial intelligence adoption in various industries.

The growth in per capita income is associated with changes in employment, output per worker, and population structure both overall and by sector over the past four decades. The data indicates that output per worker and shifts between sectors are the main contributors to gross value added, highlighting structural changes in the economy. These changes include a significant decline in agricultural wage growth and a gradual shift towards the non-farm sector. Despite an acceleration in Gross Value Added post-reforms, this has not translated into employment growth. Additionally, there is a mismatch between the labor force entering the job market and those employed, resulting in a negative contribution of employment to the overall gross value added of GDP. (*B. Padhi and H. Sharma, 2023*). The notable observation here is that structural change in India has progressed slowly, with a larger-than-expected proportion of the workforce still employed in agriculture. Table 3 presents the sectoral employment shares for 2011–2012 and 2018–2019 (defined by usual principal status). The data reveals a decline in the agricultural workforce, an increase in construction employment, stagnation in manufacturing, and the most significant growth in the service sector. (*Basole, 2022*)



Impacts of Unemployment

➤ Economic Implications

High unemployment rates strain public finances through increased welfare and unemployment benefits. It reduces overall economic productivity and growth as a significant portion of the labor force remains unutilized.

➤ Social Issues

Unemployment leads to various social problems, including poverty, crime, and social unrest. Joblessness, particularly among youth, can result in frustration and contribute to rising crime rates and anti-social behaviour.

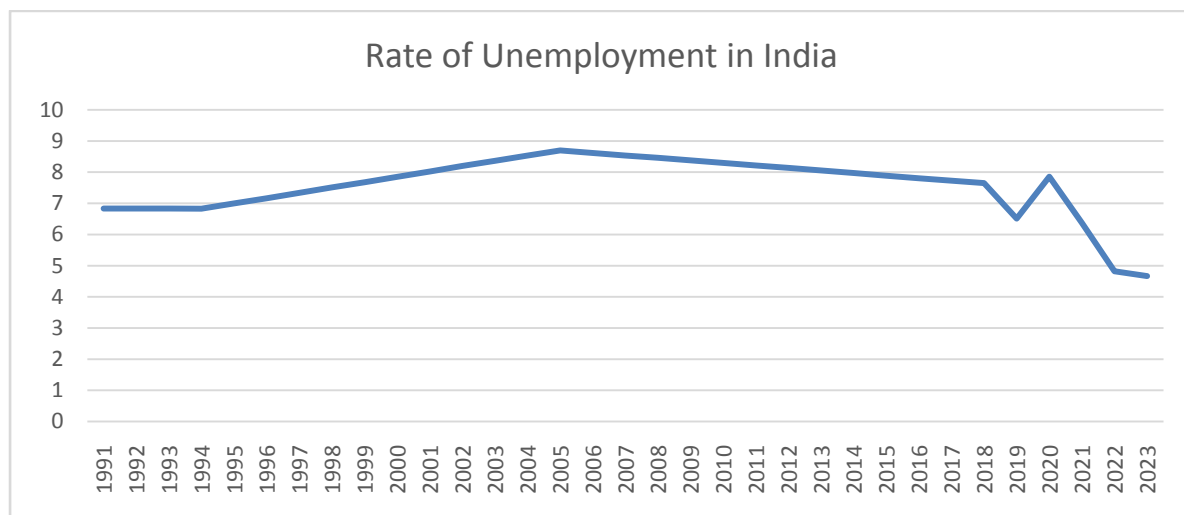
➤ Mental Health

Prolonged unemployment can have severe psychological effects, leading to stress, depression, and a decline in self-esteem. The lack of financial stability and purpose adversely impacts individuals' mental health.

➤ Migration

Unemployment in rural areas often forces people to migrate to urban centres in search of better opportunities, leading to overpopulation in cities and the creation of slums with inadequate living conditions.

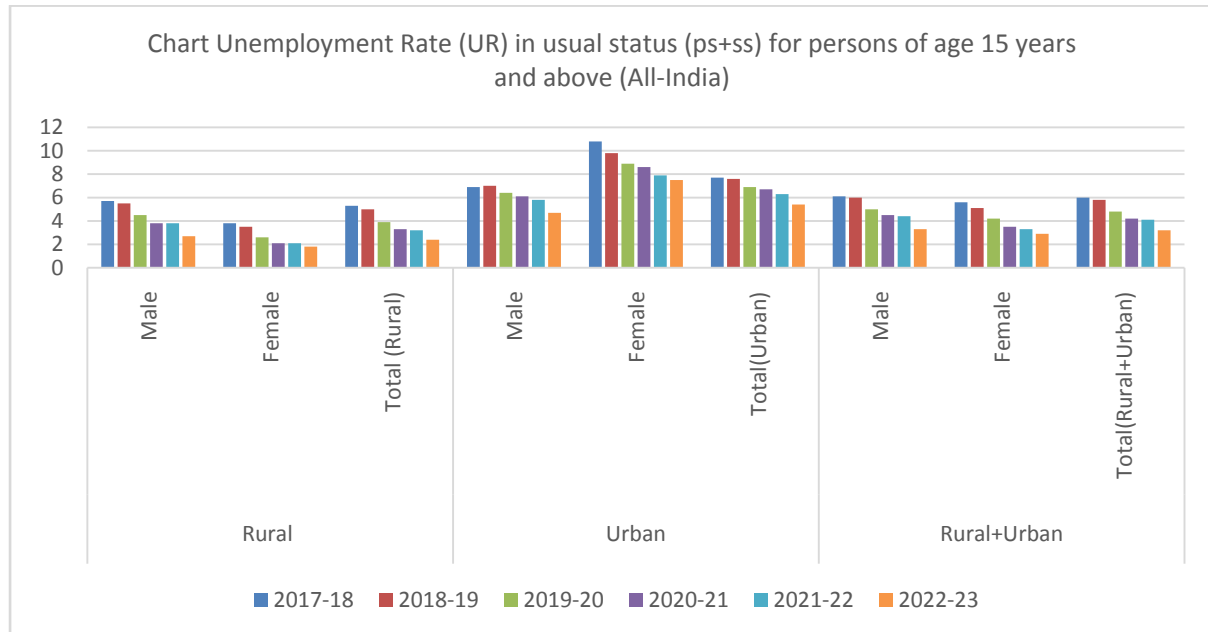
Unemployment Data from PLFS and ILO:



Graph-1, Source: International Labour Organisation (ILO)

Graph-1 plots annual unemployment rate as a percentage of the total labour force from 1991 to 2023, based on the ILO estimates. In early 1990s unemployment rate remained at 6.8% which gradually increased upto 7.8% by 2000 and continued increasing till the peak at 8.7% in 2005. In late 2000sa slight declined had been witnessed which moderately dropping to

7.9% by 2015 and it kept declining to 6.5% by 2019. Due to Covid-19 pandemic and Lockdown rate of unemployment increased to the level 7.86% in 2020. Whereas, we have seen a sharp decline during period 2021-23 upto 4.67%.



Graph-2, Source: Periodic Labour Force Survey (PLFS), National Sample Survey Office (NSSO)

In rural areas, the unemployment rate (UR) dropped from 5.3% in 2017-18 to 2.4% in 2022-23, while in urban areas it decreased from 7.7% to 5.4%. For males in India, the unemployment rate fell from 6.1% in 2017-18 to 3.3% in 2022-23, and for females, it decreased from 5.6% to 2.9%.

Recent Decline in Unemployment Rates:

In recent years, the increasing role of information and communication technology (ICT) has created opportunities for investment in agricultural scaling, which can enhance mechanization and productivity in the sector. To improve agricultural productivity and employment, efforts should focus on better production and marketing systems, technology diffusion, and sharing information about effective farming practices. As the economy transitions towards Industry 5.0, the growing capital-intensive manufacturing sector could drive structural transformation and become a key source of employment. The ongoing advancements in ICT and digital technologies can be integrated across sectors to aid in skill development, create decent jobs, and ultimately enhance employment elasticity in the economy. (B. Padhi & H. Sharma, 2023)



➤ **Economic Recovery Post-Pandemic:**

The COVID-19 pandemic caused significant economic disruptions, leading to widespread job losses. However, the gradual lifting of restrictions, resumption of economic activities, and government stimulus packages have facilitated economic recovery. Sectors like manufacturing, services, and retail have rebounded, leading to job creation.

➤ **Government Initiatives and Reforms:**

Government schemes such as Make in India, Atmanirbhar Bharat (Self-Reliant India), and Production-Linked Incentive (PLI) schemes have incentivized domestic manufacturing and attracted foreign investments. These initiatives have created jobs across various sectors, contributing to the reduction in unemployment rates.

➤ **Increase in Informal Sector Employment:**

The informal sector, which constitutes a significant portion of India's economy, has seen a resurgence. Small businesses and self-employment opportunities have increased, providing livelihood options to many who were previously unemployed.

➤ **Boost in Rural Employment:**

Rural employment schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) have provided consistent employment opportunities in rural areas. Additionally, better monsoon seasons have led to improved agricultural output, indirectly creating more rural jobs.

➤ **Technological Adaptation and Digital Economy:**

The pandemic accelerated the adoption of digital technologies, leading to new job opportunities in the tech sector. E-commerce, digital payments, and IT services have seen significant growth, creating employment in urban and semi-urban areas.

Potential Solutions

➤ **Skill Development**

Revamping the education system to focus on skill development and vocational training is crucial. Government initiatives like the Skill India Mission aim to equip individuals with industry-relevant skills, making them more employable.

➤ **Entrepreneurship Promotion**

Encouraging entrepreneurship can create new job opportunities. Government schemes like Start-Up India provide financial assistance and support to budding entrepreneurs, fostering innovation and job creation.



➤ **Agricultural Reforms**

Modernizing agriculture through technological interventions and better infrastructure can reduce disguised unemployment. Diversifying rural employment through agro-based industries can also provide alternative opportunities.

➤ **Economic Reforms**

Policies aimed at economic growth and industrialization can generate employment. Investment in infrastructure projects, manufacturing, and services can create millions of jobs. Special economic zones (SEZs) and industrial corridors can attract foreign investment and boost job creation.

➤ **Labor Market Reforms**

Simplifying labour laws and improving labour market flexibility can encourage businesses to hire more employees. Ensuring social security and job security can make the labour market more attractive for workers.

➤ **Promotion of Digital Economy**

Leveraging the digital economy and promoting IT and IT-enabled services can create numerous job opportunities. Government initiatives like Digital India aim to boost the digital infrastructure, creating jobs in the tech sector.

Conclusion

Unemployment remains a significant hurdle in India's path to sustained economic growth and social development. Addressing this issue requires a comprehensive strategy involving educational reforms, skill development, economic diversification, and robust policy measures. By fostering an environment conducive to job creation, India can mitigate the unemployment problem, ensuring inclusive growth and prosperity for all its citizens. The recent decline in unemployment rates is encouraging and highlights the positive impact of economic recovery, government initiatives, and technological adaptation. Continuous monitoring and adaptive strategies will be essential to maintain and further this positive trend.



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Appendix:

1. International Labour Organisation (ILO); Rate of Unemployment in India:

year	Unemployment, total (% of total labour force) (modelled ILO estimate)
1991	6.838
1992	6.838
1993	6.838
1994	6.83
1995	6.998
1996	7.165
1997	7.339
1998	7.511
1999	7.68
2000	7.85
2001	8.022
2002	8.202
2003	8.368
2004	8.535
2005	8.7
2006	8.618
2007	8.537
2008	8.463
2009	8.383
2010	8.3
2011	8.215
2012	8.138
2013	8.06
2014	7.976
2015	7.891
2016	7.808
2017	7.728
2018	7.65
2019	6.51
2020	7.86
2021	6.38
2022	4.822
2023	4.668



2. Unemployment Rate (UR) in usual status (ps+ss) for persons of age 15 years and above All-India {Periodic Labour Force Survey (PLFS), National Sample Survey Office (NSSO)}

Indicator	Rural			Urban			Rural+Urban		
	Male	Female	Total (Rural)	Male	Female	Total(Urban)	Male	Female	Total(Rural+Urban)
2017-18	5.7	3.8	5.3	6.9	10.8	7.7	6.1	5.6	6
2018-19	5.5	3.5	5	7	9.8	7.6	6	5.1	5.8
2019-20	4.5	2.6	3.9	6.4	8.9	6.9	5	4.2	4.8
2020-21	3.8	2.1	3.3	6.1	8.6	6.7	4.5	3.5	4.2
2021-22	3.8	2.1	3.2	5.8	7.9	6.3	4.4	3.3	4.1
2022-23	2.7	1.8	2.4	4.7	7.5	5.4	3.3	2.9	3.2