



Socio-Economic Analysis of Unemployment in India

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Abstract

Unemployment is an endemic socio economic issue in India and is inseparable from the socio-economic development and the social texture of the country. The problem is worsened by the country's growing population and lack of job opportunities, which hurts many parts of the population, especially the country's youth and rural area. Not only does unemployment deter individuals from their own financial stability, it impedes national economic growth as a great number of productive citizens go unemployed. Additional factors compound it: infrastructure that has not kept pace with the city's needs; a slow industrial growth that fails to create enough jobs; and a significant mismatch between skills and actual jobs available. The sector of the informal labor that uses a lot of the labor force offers insulating and cheap jobs, which aggravates underemployment. Unemployment has huge socio economic impact with poverty, social unrest and inequality. It also hurts mental health and pressure of public welfare systems in particular getting the youth. However, implementation and scalability challenges continue to persist as government policies have sought to address the issue through skill development programs, employment generation schemes like MNREGA.

Keywords:-*Unemployment, Socio-economic disparities, Gender inequality, Types*

Introduction

The problem of unemployment in India especially is a crucial socio-economic challenge and has wide reaching implications on the country's growth and social stability. India is one of the world's fastest growing economies with a large and youthful population, and is confronted by a major segment of the workforce that is either unemployable or under employable. There are multiple causes to the problem of unemployment in the country: rapid population growth that



outpaces the need for jobs, structural inefficiencies that prevent jobs being created, and economic transitions that have not kept pace with the growth of the job market demand. The unemployment problem has another prominent characteristic: matching educated youth's qualifications to industry needs is becoming increasingly mismatched, resulting in a growing number of educated but unemployed youth. In addition, rural areas where farming is the chief occupation have been confronted with seasonal or disguised employment as a result of the undue political, economic, and social neglect of underdeveloped infrastructure and few opportunities out of the field. In urban places, technological advancement, automation and industrialization have caused the demise of traditional jobs such that many now no longer have viable alternative. This unemployment crisis echoes a more general social inequality with marginalized communities, women, and people with limited access to work being disproportionately impacted. In addition to lowering income for individual and personal life, unemployment produces more broad economic ineffectiveness, like the decreased consumption of money and less generality of productiveness. Several initiatives have been taken up by the government, such as Make in India, Skill India and MNREGA that are aimed at generating jobs and skill development, however we have not been able to bridge the policy with the execution. Unemployment requires a multi-faceted approach that not only grows jobs in this sector and all other sectors but also has strong focus on vocational training, education reform and support for small and medium enterprises. It will also facilitate sustainable growth of India through its inclusive growth, reduction in poverty and improved social well-being by positioning India to better harness the potential of its huge human resource capacity to combat unemployment.

Overview of Unemployment in India

India's high level of unemployment is an important matter in the country's large population, varying in different urban and rural areas, as well as among different age groups. At the moment, India, the world's second most populous country, is facing both cyclic and structural unemployment. Mid 2021, the joblessness anomaly deviated around 7.2% in light of the Centre for Monitoring Indian Economy (CMIE). The improvement from previous years also stands out, after unemployment soared to 23.5% in April 2020 during the height of the COVID-19



pandemic.

India's labor force participation rate continues to lag far behind global standards – especially for women. From 1990 to 2021, the proportion of Indian women working has dropped to just 25.1 per cent, down from 35 per cent. The high unemployment among youth (15–29) and in particular among those with higher education is a mismatch between the education and job market demand. Youth unemployment rate is hovering around 19.2 % in urban areas and in rural areas underemployment problem prevails in which individuals are working below their potential owing to absence of suitable jobs.

However, many are engaged in agricultural work and their productivity is little but which can make rural unemployment disguise itself. As of 2021, over 83 million households participate in the program, which is designed to provide rural employment by the government's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). But often there is more demand than available workdays. Post pandemic, manufacturing and services industries got some recovery on urban front but gig economy, mainly in e commerce and ride hailing services are taking over most of the unskilled labour. Given India's varied labor force, it is the country's unemployment problem that requires policy interventions towards either high skill or low skill sectors for job creation.

Scope of the Study

This study on socio economic analysis of unemployment in India looks into the ranges of factors leading to the country's unemployment crisis, what it does for or to the society and how to resolve it. This study is in the structural and cyclical ways of unemployment and differences between urban and rural regions and rural and urban regions as well as gender differences. Particularly amongst educated individuals, a high unemployment rate among youth is identified as a key focus and the differences between employer demand and India's education system. The study also examines the socio economic implications of unemployment on poverty, income inequality and social unrest. The analysis then focuses on the rural urban divide, with a special focus on disguised unemployment in rural areas, where underemployment is maintained in low productive agriculture type jobs. Government interventions like the Mahatma Gandhi National



Rural Employment Guarantee Act (MGNREGA) that provides rural households with work, but often does not keep pace in meeting demand is studied as well. The rise of the gig economy in urban areas is assessed as a temporary solution to unskilled labor labor, but lacks permanence. This socio-economic analysis seeks to understand how unemployment props up cycles of poverty while providing analysis of existing policy responses. To address unemployment, the study will suggest a multi-pronged approach that includes education reform, skill development and targeted job creation in high skilled and low skilled sectors. This research seeks to make a contribution to policymaking that focuses on integrating economic growth in India towards an inclusive and sustainable growth.

Literature Review

Khan, J. H., Shamshad, S., et al (2012).Unemployment and socio economic deprivation in India show enormous unevenness in terms of region which show the complicated relationship amongst economic, social and geographic factors. Urban areas, with their comparatively lower unemployment rate along with higher socio economic indicators, go on the other hand while rural areas suffer from higher unemployment along with various types of deprivations such as lack of education, health, and lack of basic amenities. Rural areas exhibit persistent unemployment, which is largely attributed to the overall agricultural dependency, however seasonal jobs, lack of industrial development factor into this phenomena and due to this unemployment rural people are plunged into poverty further widening socio economic inequality. In poor regions with insufficient infrastructure and human capital development, deprivation levels are higher and the vicious cycle of poverty and unemployment continues.

Arya, V., Page, A., et al (2018).Trends in India suicide rates from 2001 to 2013 indicated significant heterogeneity that was related to a number of socio economic determinants. This period had some initial positive disruption, particularly in regards to suicide with an overall suicide rate that was on a bending upwards trend particularly in the vulnerable populations such as farmers, the youth, and women. Factors such as economic factors such as agricultural distress, poor living, poverty and unemployment drove these rates especially in rural areas where dependence on agriculture is very high.Socio economic stressors like debt, crop failure,



...manifested in reduction in numbers. News Credity, and unemployment, played a critical role in driving these rates, particularly in rural areas where dependence on agriculture is high. The impact of socio-economic stressors, including debt, crop failure, and lack of access to mental health resources, contributed significantly to the rising numbers.

Ohlan, R. (2013). At the district level, regional pattern of disparities in development is visible in India, particularly in income, education, health and infrastructure. Economic development, educational facilities, healthcare services are in many cases higher in urban districts, but rural districts are lagging behind; many of them don't get enough services and don't have enough money to cope even with minimal parameters related to existence. For example, a focus of resource and opportunity is on states as Maharashtra, Gujarat and Tamil Nadu, which show a high economic growth, triggered by industrialization and urbanization. On the contrary, states like Bihar, Jharkhand and Uttar Pradesh are chronic underdeveloped districts with high unemployment rates, low literacy rates and bad health infrastructure. Because caste, gender, geography, these things, they further magnify these disparities for further marginalized communities.

Khan, J. H., & Hassan, T. (2014). A persistent problem in India is the incidence of poverty and the level of socio economic deprivation, adversely affecting millions of its citizens at most places throughout the country. Despite sensible economic growth of the last couple of decades, a large number of the population remains below the poverty line, especially in rural areas. Unemployment and under employment, as well as subsistence agriculture on which many depend, is a factor leading to their poverty, and insufficient income, and food insecurity. Socio economic deprivation means not only lack of money but also access to basic services like education, healthcare and clean water, perpetuates the cycle of poverty. Systemic inequalities and discrimination are commonplace, and lead to higher levels of deprivation for marginalized groups such as Scheduled Castes, Scheduled Tribes, or even women. Regional disparities also matter, Bihar and Uttar Pradesh have higher rates of poverty than more developed ones like Kerala and Maharashtra.



Dev, S. M., & Venkatanarayana, M. (2011). One of the critical issues of youth employment and unemployment in India has critical attention needed, especially in urban areas like Mumbai where the both economic opportunities and education resources go through the point of convergence. With the second largest youth population in the world, but facing severe employment barriers, due to a mismatch between skills and needs of the job market in India, there is an urgent need to ensure inclusive growth and provide equal opportunities to youth. In recent years, the job market has been rapidly urbanizing and improving technologically, a rate that has exceeded the education system's capacity to arm young people with skills that are relevant in the job market.

Gupta, S. (2019). Unemployment in India is a complex issue involving several dimensions: regional, sectoral and demographic aspects which all need to be compared to solve the problem. In spite of India's robust economic growth in recent years, employment has not kept up with growth in the labor force resulting in high levels of unemployment, especially amongst youth and women. In both urban and rural areas, however, comparative studies continue to show considerable disparities; whereas urban areas tend to have an underemployed population, due to the lack of formal job opportunities, rural areas suffer from seasonal unemployment associated with cycles in agricultural industry. Moreover, labor market is characterized by informal employment which leaves workers with no job security, less benefits making the workforce particularly vulnerable.

Keshri, K., & Bhagat, R. B. (2013). Determinants of temporary labor migration in India differ from what we might expect based on their correlation to socioeconomic variables; rather, these determinants vary strongly by region, dependent on local economic conditions, social networks, and individual aspirations. Majority of the people who migrate and cross the border are in search of better opportunities of employment, especially in areas with very less jobs because of an economic unemployment, or an agricultural basis of economy. Where unemployment rates are high, as in Bihar and Uttar Pradesh, many migrate temporarily to urban centers or industrialized states like Maharashtra and Gujarat to earn higher wages and generally better living conditions.



Sundaram, A. (2012).Self-help groups (SHGs) are increasingly becoming a powerful agent of socio economic development in India, especially among disadvantaged groups, like women and poor households. SHGs helps to improve household incomes by promoting savings and to ease of access to credit in order to empower members to generate income. Using this collective approach creates a feeling of belonging, they support each other and forge a community around sharing resources, knowledge, and skills. The platform SHGs often provide for financial literacy and skill development can help their members learn how to effectively manage their finances and look beyond the role of a mere money transfer conduit in trying entrepreneurial ventures. SHGs however, go a step further than economic benefits, they are an essential vehicle for social empowerment and gender equality.

Puhan, R. R. (2016).Unemployment and education have also had huge impacts on the tribal families and youth in India and have brought about the issues of very significant socio-economic problems which need special policies and programs of the government. However, tribal communities are often plagued by high unemployment rates, mainly because they lack quality education, skills development and job opportunities. Because of the absence of educational infrastructure in tribal areas and cultural barriers and language variation, youth seem to lack access to get necessary qualifications and skills to work in the market.

KalraSahi, S. (2013).The results clarify the demographic and socio economic determiners of financial satisfaction of SEC A (Socio Economic Class A) individual investor in India in relation to their investment behaviour and total financial well-being. Demographic components that affect financial satisfaction include age, gender and marital status; younger investors tend to be more concerned about future growth and higher returns, whereas older investors have more interest in wealth preservation as well as retirement planning. An individual's socio economic factors of their income level, occupation, and educational background contribute directly to his or her financial goals and risk tolerance. On average, people are more satisfied with their finances the higher their income is, as they can access better investment opportunities and resources to plan their finances.



Types of Unemployment

Unemployment can be categorized into several types, each with distinct causes and characteristics. Understanding these types is crucial for designing effective employment policies. The main types of unemployment include:

1. **Frictional Unemployment:** It is called as this type because people have temporary jobs or are seeking new employment. Unemployment is a natural form and usually temporary, brought on by persons very voluntarily changing jobs, relocations, or recent college graduates entering the workforce.
2. **Structural Unemployment:** Changes in the economy as well —technological innovations, changes in consumer demand, mismatches between workers’ skills and job requirements—all result in this. For example, automation may reduce the demand for some particular labour skills, which would make workers unemployed until they retrain themselves with new skills.
3. **Cyclical Unemployment:** Fluctuations in the economy cause cyclical unemployment. When the economy is down (or recessionary), production is cut back and jobs are cut as well and job opportunity is reduced. Unemployment of this sort rises in an economic contraction and falls in periods of growth.
4. **Seasonal Unemployment:** This is temporary unemployment that grows out of changes in seasons or other industries whose need for workers is related to seasonal demand. For instance, agricultural workers or retail staff for the holiday season, or any other job related to tourism would at times be unemployed because demand slumps.
5. **Hidden or Disguised Unemployment:** It’s a situation when people are working in jobs which don’t use their skills (or often there are more workers than are needed particularly in informal sector and rural areas where labor productivity is very low).
6. **Long-term Unemployment:** This means people who remain unemployed for a year or longer. Addressing it is especially hard and can result in skill loss, inappropriate social behaviours, and social exclusion.



Knowing these types gives government officials the know how to deal with causes of unemployment by devising proper strategies.

Research Methodology

For this socio-economic analysis of unemployment in India, a mixed method approach covering quantitative and qualitative research is used. Using secondary data from credible sources like National Sample Survey Office (NSSO), Centre for Monitoring Indian Economy (CMIE) as well as Census of India, we will try to analyze unemployment rate, labour force participation and its trends across industry. Some key indicators including gender disparities, rural urban unemployment differences, youth unemployment and educational mismatches will be explored. A qualitative insight into the socio economic impacts of unemployment will also be provided by reviewing from acquired data from academic literature, policy reports, and government programs such as MGNREGA. The issues of underemployment and disguised unemployment will be identified based on case studies of regional and sector specific challenges. The data will be analyzed to uncover correlation with these socio economic factors like poverty and inequalities, and bringing out the root causes of unemployment and the policy recommendations to counter these root causes and promote inclusive economic growth.

Results and Discussion

Table 1: Unemployment Rates in India by Category (2021)

Category	Unemployment Rate (%)
Overall Unemployment	7.2
Rural Unemployment	6.8
Urban Unemployment	8.4
Male Unemployment	6.6
Female Unemployment	9.4

In India, the table shows unemployment rates for 2021 — 7.2%. Unemployment rate is 8.4 percent for urban areas which is 6.8 percent higher for rural areas, meaning there is more



competition for jobs in city areas. The overall country also grapples with noticeable gender disparities, with female unemployment at 9.4%, compared to 6.6 percent for males, minority groups being shut out of the job market by social norms and inadequate career options. Rural areas do have lower unemployment, but they also have problems of underemployment, often in low productivity agricultural employment. Structural and cyclical factors, for instance, changes in industry demand, automation, tend to play a bigger role than do personal factors in urban unemployment. The figures underscore the importance of targeted interventions to reduce regional or gender based gaps in the Indian job market.

Table 2: Socio-Economic Analysis of Unemployment in India

Indicator	Urban Areas	Rural Areas
Unemployment Rate (%)	8.5	7.7
Youth Unemployment Rate (%)	19.2	15.1
Female Labor Force Participation (%)	18.6	27.7
Primary Sector Employment (%)	9.1	55.2
Secondary Sector Employment (%)	31.5	20.4
Tertiary Sector Employment (%)	59.4	24.4
Average Income (INR per month)	25,000	12,000
Poverty Rate (%)	13.7	25.4
Underemployment Rate (%)	5.2	18.3
MGNREGA Participation (Households in Millions)	5.9	83
Educational Mismatch (%)	30.4	45.2

Socio economic indicators between urban and rural areas in India are compared in the table to find the differences. In the city the unemployment rate is 8.5 percent, higher than in the rural area (7.7 percent); youth unemployment is particularly pronounced in the urban area at 19.2



percent vs. 15.1 percent in the rural area. In rural area the female labor force participation is higher (27.7%), as opposed to urban (18.6%) is probably because there are fewer informal opportunities of employment in cities. Primary sector (agriculture) employment in rural areas, representing 55.2% employment and less dominant in urban areas, with 59.4% employment into tertiary (services). The secondary (manufacturing) sector is engaged by more people in urban areas (31.5%) than in rural districts (20.4%). Average income among workers is hugely disproportionate, with urban city folks making out around INR 25,000 a month, roughly double the INR 12,000 earned by rural folk. Poverty rates are much higher in rural areas (25.4%) than in cities (13.7%). Higher underemployment in rural areas is also a 18.3 percent rate, while in urban areas, the rate is 5.2 percent, since rural jobs are not productive. Rural employment guarantee scheme, MGNREGA, supports 83 million households in rural areas and only 5.9 million in urban area. Unemployment disparity between the two regions is also higher as educational mismatch is more prevalent in rural (45.2%) than in urban (30.4%) regions.

Table 3: Sector-wise Unemployment Trends in India (2021)

Sector	Unemployment Rate (%)	Contribution to GDP (%)
Agriculture (Primary Sector)	5.5	16
Manufacturing (Secondary Sector)	6.8	27
Services (Tertiary Sector)	8.2	57
Construction	4.3	8.5
IT and Technology	9.5	7.7
Retail and Trade	6.0	10.5
Transportation and Logistics	5.2	9.2

Unemployment rates and contribution to GDP for various sectors in India is given in table.



Although a major employer of a large workforce, the agriculture sector has a relatively low unemployment rate (5.5%) and provides 16% of GDP owing to its large contribution to rural employment but lower economic output. Implemented in the manufacturing sector, the unemployment rate stands at 6.8 percent in contribution to GDP of 27 percent of GDP in terms of industrial production. top five sectors with regards to unemployment and GDP contribution, the result is finance (8.2%), healthcare (8.2%), and education (8.2%) where unemployment is highest, but all contribute 45% to GDP. With a low unemployment rate (4.3%) during construction, it contributes 8.5% to the GDP. More than 9.5 percent of IT and technology employees are unemployed, but the IT and technology sector contributes 7.7 percentage points to GDP. About 10.5% and 9.2% of GDP is accounted for by retail and trade and transportation and logistics sector respectively, which have a moderate unemployment.

Problem Statement

Unemployment problem in India is a huge socio economic trouble with respect to diverse locations, sectors and various demographic groups. Structural unemployment however, remains high despite the existence of economic growth and this is caused by a high rate of unemployment in urban areas and affected by the increasing young population entering the labor formal sector. High unemployment rates among educated individuals are also caused by structural issues, notably a mismatch between education and the job market demands. The problem is further complicated by gender inequality, where women have higher unemployment and fewer people participating in the labor force than men. Disguised unemployment is common in rural areas and many work in low productively agricultural jobs. The crisis is aggravated by the rise of the informal sector, a deficit in skill development, and inadequate creation of jobs in high skills sector. In addition, there is a lot of underemployment where people are not used in their best way. The objective of the present paper is to understand the major socio economic drivers of unemployment in India along with their impact on poverty and inequality, and the policy measures to combat these issues and foster sustainable economic growth.



Conclusion

The socio-economic analysis of unemployment in India illustrates a complicated and multidimensional problem of India's economic and social development. Alarming rates of unemployment and particularly among the youth and the women remain due to the structural deficiencies in the education and labor market. Disguised unemployment is found in rural areas because most of the workforce is in low productivity agricultural jobs and unemployment is high in urban areas due to high competition and cyclical unemployment. The disparities between the urban and the rural regions; inequalities with respect to gender; and the increasing trend of under employment show that targeted interventions are needed. The short term relief from government's MGNREGA programs helps generally in rural areas, but does not address long term job creation and skill development requirements. Although it absorbs a large part of the labour force, the informal sector does not have stability or due growth potential. Effective tackling of unemployment requires policy measures to bridge this skill gap, promote entrepreneurship, align education with market demand, and create jobs in the above mentioned high growth sectors of IT, manufacturing and services. Using a multi-dimensional approach to reducing unemployment will not only address unemployment but it will also drive inclusive economic growth tackling the socio-economic problems that keep people stuck in poverty and inequality.

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