

# Analysis of the Unemployment in India: Causes and Solutions

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**ABSTRACT:** *Rising youth population share due to the generational' dividend 'or' youth bulge 'appears to be one of India's sources of potential economic development. Although the proportion of youth in the labor force has decreased with the rise in school and college enrolment rates, their high proportions in the labor force indicate that the problem of youth unemployment and underemployment in India will remain a serious policy issue for several more years to come. 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, underemployment, 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.*

**KEYWORDS:** *Youth Employment, unemployment, skill development, joblessness, literacy, vocational training.*

## INTRODUCTION

Younger folks are an essential human resource for growth, a key driver of social change and a driver of economic innovation and industrial innovation. But it's a big challenge to harness these tools. The challenge of youth is regarded as the most important economic growth challenge of the 21st century. In addition, the drop in the rate of fertility has contributed to the bulge that is called the demographic dividend in the working age population. It is a great concern that how this bulge in the population of working age poses the possibilities for a nation's growth and development and the bulge 's effects and opportunities and how states are trying to react. Much of the crucial aspects of the problem are linked to entrance into the labor market, where young people find it challenging to find and retain a decent job.

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. Table 1 has been showing the some of the causes of the unemployment [1].

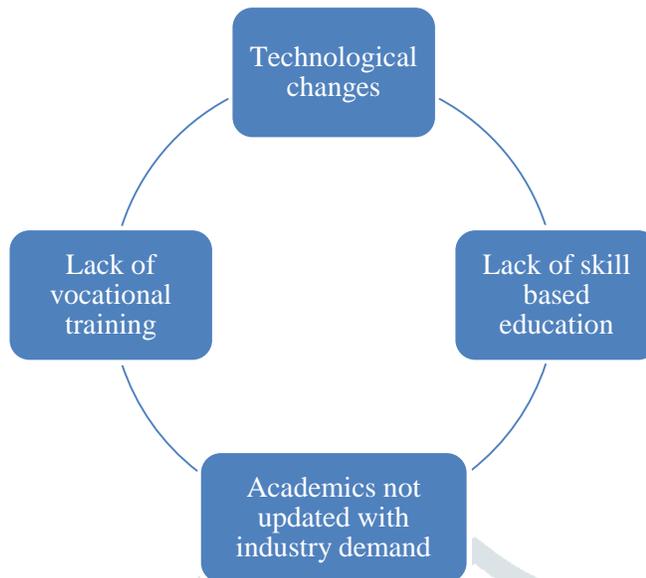
Some analysts argue that the poor are too poor to remain unemployed and that, regardless of the level of compensation, their low income levels force them to work. In addition, many of the few that are categorized in the workforce surveys as underemployed are believed to be the better-off. This view questions the validity of the now contract provides of unemployment as well as labor force that were established after the 1930s Depression in western nations and have since been decided to adopt and promulgated in developing nations by international organizations such as the International Labor Office.

**Table 1: Some of the Causes of the Unemployment**

|    |  |
|----|--|
| 1  | High growth rate of the population     |
| 2  | Slow rise in employment opportunities  |
| 3  | Low rate of saving and investments     |
| 4  | Capital intensive production technique |
| 5  | Lack of vocational Education           |
| 6  | Lack of proper manpower planning       |
| 7  | Inefficiency of public sector          |
| 8  | Negligence of the private sector       |
| 9  | Negligence towards agriculture sector  |
| 10 | Low mobility of worker                 |
| 11 | Lack of Infrastructure facilities      |

India has witnessed several stages of social and economic change. Each and every phase has its own pros and cons. A responsible and progressive society should be keenly watchful of the different changes in society [2]. Analyzing the changes and promoting favourable changes is also important, while at the same time imposing effective control over the negative aspects of the changes. Increasing the use of alcohol and drugs for abuse and its social impact is such a major problem that urgent and effective action needs to be taken.

This research aims to demonstrate that the traditional approach to unemployment quantification can provide accurate prediction of the undervaluation of labour available time in a country with adaptation; the data demonstrate a strong association among unemployment and poverty in India with appropriate tabulation as well as analysis, even though poverty is definitely more prevalent than joblessness. Scientific data is also utilized to support an earlier hypothesis that the designation distribution of workers, particularly the preponderance of self-employed as well as family helpers among employees, is a protective factor for the low rates of inequality reported in labor market surveys of many developing nations (such as India). Figure 1 is explaining the causes of the unemployment in India [3].



**Figure 1: Main Reason of the Unemployment in India**

Unemployment is a multifaceted process, since it affects both the country's economic activity and the social fabric of society. Thus, these two dimensions generate uncertainty and require extensive research to be adopted to solve this question. Every policy maker, either from fiscal policy or monetary policy, has the main objective of achieving high economic growth. There are several determinants that are responsible for sustaining a country's growth rate. High unemployment rates are one of them. An inverse relationship exists between economic growth and the rate of unemployment. As unemployment decreases by 1%, the GNP increases by 3%. Fast economic growth continues to be the key focus of economic policies, contributing to the need for more jobs through the construction of investment programs. So unemployment, with economic and social consequences, is a global phenomenon.

### REVIEW OF LITERATURE

Maguire, Sue et al told that youth unemployment is on the rise since 2008, when the recession began. The drastic increase in the number of young people not in jobs, education or training is even more troublesome, which has led to widespread concerns about the effect on social stability and the fears of lost generation. Given the severe disparities between Member States in the degree of youth unemployment, it is clear that no single labor market strategy would be sufficient across the EU. Opportunities for shared learning on how to tackle youth unemployment can, however, exist. This Platform, through case studies in England, Belgium, Spain, Poland and Ireland, investigates youth unemployment in the EU. It also discusses the dual vocational training system in Germany as one possible solution [1].

Rivot, Sylvie et al revealed the basic difference between the employment types as there are different type of the employment exist in the economy. The paper found the main featured difference between the involuntary and voluntary unemployment. The voluntary unemployment includes the various type of the causes like the inadequate qualification, bargaining of the wages and others. We have to set aside the question of a local drop in nominal wages in order to understand involuntary unemployment correctly: the problem is the impact of a general decline in money-wages on the long-term state of expectations. Significantly, following the General Principle, Keynes abandons this language and consequently refers to the distinction between systemic unemployment and unemployment with demand deficiency.

Himanshu has reevaluated the consequence of the employment and the unemployment as given by the national sample survey organization. The data has given a clear indication about the high employment rate after the independence and the slow or lay off period between the 20014 to 2008. The data also given an indication about the change in pattern of the employment rate during the both of the period in addition to the pattern of the work force changed. This period is highly influenced with industrialization revolution because of the technology change. The broad variations seen after 1993-94 tend to be the product of the migration of a substantial section

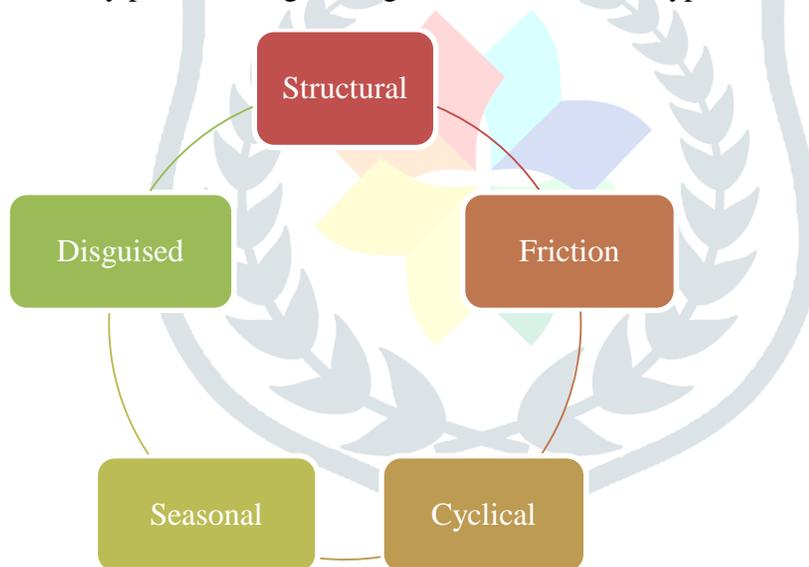
of the vulnerable group and the informal sector into and out of the labor market in a period of increasing overall economic growth. The paper ends with a brief discussion of the findings of the 2009-10 survey recently published[4].

## DISCUSSION

### 1. Types of the unemployment

The India has a great population and after so many years of the independence, Indian economy is still struggle to generate the adequate job pool in order to accommodate the increasing population of the India. The china is the only one country ahead of the India in term of the population but a fine estimation about the population growth have revealed that India will be on the top in the list of the most populous country by 2045. The Indian economy is depends upon the agriculture sector mainly as 70 percentage of the population are being engaged themselves in the agriculture and allied sectors. The allied sectors of the agriculture have covered the area of the animal husbandry, horticulture and fisheries [5].

As the technology has grown in India, many small, medium and micro industry were not able to coup with the fast changing pace of the modernization and as a consequence of this, many such type of industries have to shut down because of the unavailability of the skilled worker and also lack of the fund to convert the exiting industries into modern one. Same problem has to face by the employees of these industries, they have left with two options, and either upgrades their own skills in accordance with the modern technology in order to search for new employment or looking something else for their living [6]. Moreover, agriculture is highly unreliable and unpredictable occupation as it mostly depends upon the weather condition as rain pattern, type of the soil, drought prevalence condition in any particular region. Figure 2 has shown the types of the unemployment in India.



**Figure 2: Types of the Unemployment**

Basically, unemployment has been categorized in two broad categories as the voluntary and involuntary unemployment. In the involuntary employment, an individual neither doesn't want to do a job nor looking for job while in other category of the unemployment, an individual want to do a job and aggressively searching for a job but does not able to find a job. Apart from this, National sample survey organization has defined the unemployment as the condition when an individual does not able to find a job for at least 2 hours in a single day then he considered as the unemployment [6]. This definition has expanded on the average basis for the week and even for the month. According to United Nation, if an individual between the age group of the 15 to 25 does not able to find a job considered as the unemployed.

Depends upon the prevailing condition, unemployment may be categories and explained according as mentioned here

### *1.1. Disguised Unemployment:*

This type of the unemployment have seen in the agriculture sector as this type of the unemployment have employed more people than needed in actual. This might have seen that a farmer family is engaged in a small piece of the land and more painfully is that income generated over this land is not sufficient for the basic requirement of the family

### *1.2. Structural Unemployment:*

The structural unemployment situation has seen when the requirement of the job and worker's skill does not match and this difference become the biggest hurdle to get a job. The market is changing very fast and new skilled job have emerged on the daily basis market, therefore an employee need to upgrade their skill regardless of his current profile in order to remain in the businesses.

### *1.3. Seasonal Unemployment:*

Some of the business depends upon the particular season and the worker's skill needed only that time. These work are not able to get the work through the whole year.

### *1.4. Vulnerable Unemployment:*

Given this unemployment, people are called unemployed. People are hired but informally, i.e. without proper contracts of employment, and so records of their jobs are never kept. It is one of India's key forms of unemployment.

### *1.5. Technological Unemployment:*

This unemployment generates because of the high pace of the technological advancement and whole trend of the industry have to change in to new technological based industry.

### *1.6. Cyclical Unemployment:*

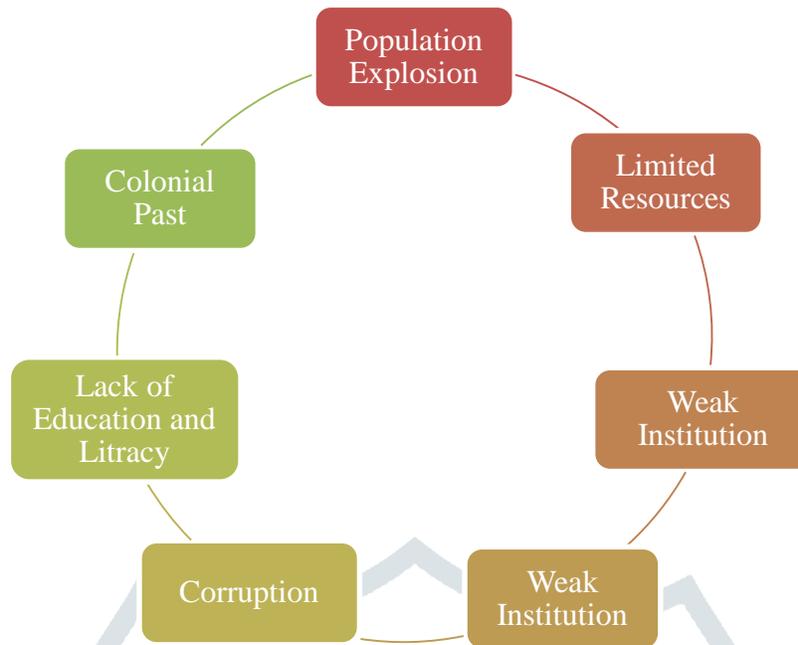
Unemployment has been triggered by the market cycle, where the number of unemployed heads increases during recessions and decreases with economic growth. In India, cyclical unemployment statistics are marginal.

### *1.7. Frictional Unemployment:*

This situation can be explained as the situation between the changing and searching between the switching of the job. This also known as the search unemployment. This type of the unemployment falls in the category of the voluntary unemployment as it is people's choice to change the new job after quitting their previous jobs.

## *2. Causes of the unemployment*

There are many causes that lead the unemployment in a country. The main reasons that promote the unemployment is the high population and less exposure of the educational and vocational training. India is land of the diversification. There was a time when the India is considered as the land of the gold because easy availability of the living [7]. But after the advent of the British and mughal, a lot of money has take away from the India apart from this they have destroyed the many small industry of India upon which the people was dependent. The British destroyed the economy most by introducing the machine made cheap product in Indian market and take away the money of the Indian people after selling those product. Figure 3 has shown the main causes of the unemployment.



**Figure 3: Causes of the Unemployment**

The impact of the British was so deep that after the independence India has to fight with the problem of the unemployment rigorously and have to do lot of the work to make rebirth of the small and medium industry as these industry was the back bone of the India that time. After independence, population of the India also increased very fast but the industrial growth was not able to match with the population growth in addition to this, exposure of the education was not being available to all the population. There was any marginalized and deprived section of the society, which doest even have the exposure of the elementary education [8].

The frame work was made for the Indian growth after the independence was excellent but still there were some flaws that have stopping the progress of the India . The one of the flaw was the not properly control over the corruption as the money allotted for public services was not properly spend for the same objectives against which it is being issued. The Indian government has done a good work in the past to pave the way for the Indian people's growth and even present government is also doing the work with same motive. The government of the India has come up with a number of the policy and program to increase the growth of the country and it is possible only by people will get the employment.

### 3. Government initiative to address the unemployment

The Indian government has taken the initiative of the Integrated Rural Development Program (IRDP) in 1980 in order to create the job opportunities in the rural India. Again, government targeted the rural youth between the age group of 18 to 35 by introducing the training of Rural youth for Self employment program. On the April 1, 1989, jawahar rojgaar yojana was strtred to give a boost for the youth of the nation. Later, one more highly decorated yojna was implemented that is the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) [9]. This scheme has given the guarantee for the minimum of the 100 days to the people who the income below the certain level. The present government has come up with the job oriented schemes such as Pradhan Mantri Kaushal vikas Yojna (PMKVY), start up India and stand Up India and many more.

## 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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