

## **CHAPTER-2**

### **Employment and Unemployment Scenario in India**

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Concepts of Employment and Unemployment

- Nature of Employment and Unemployment in India

Estimates of Unemployment in India

- Causes of Unemployment in India
- Consequences of Unemployment in India

## **CONCEPTS OF EMPLOYMENT**

A person engaged in a job, is called an employed person. He may be engaged in agriculture or business or profession or service. The structure of employment can be examined by dividing it as follows: Sectoral distribution of employment, employment in organised and unorganised sector, and rural and urban employment.

### **Sectoral Distribution of Employment**

Broadly, an economy is classified into primary sector, secondary sector and tertiary sector. Agriculture and allied activities like forestry, fishing, dairying, mining and quarrying are the economic activities of primary sector. Manufacturing, electricity, gas, water supply and construction constitute the secondary sector. The tertiary sector, also known as the service sector, includes trade, transport, storage, communication, financial services, social and personal services.

### **Employment in Organised and Unorganised Sectors**

The Indian economy is divided into organised and unorganised sectors. The unorganised sector in this country is quite large. Whole of the agriculture is in unorganised sector. Besides agriculture, most of the mining, constructions, trade, transport and communication, social and personal services are also in the unorganised sector. By and large, organised sector is restricted to manufacturing, electricity and financial services.

### **Rural and Urban Employment**

In rural sector, most of the employment is in agricultural and allied activities. Employment away from agricultural and primary activities, towards secondary and tertiary sector is rather small. In urban sector, most of the employment is in secondary and tertiary sectors. It implies

that in urban areas, most of the people are engaged in business, whether manufacturing or trading, profession and service. During the 1980s and thereafter, there is a shift of employment from rural to urban sectors, i.e., from primary to secondary and tertiary sectors.

## **CONCEPTS OF UNEMPLOYMENT**

In India, a person working 8 hours a day for 273 days in a year is regarded as employed on a standard person year basis. Thus, a person to be called an employed person, must get meaningful work for a minimum of 2184 hours in a year. The person who does not get work even for this duration, is known as unemployed person.

The **National Sample Survey Organisation** (NSSO) has developed and standardised the concepts and definitions of labour force, employment and unemployment, suitable to Indian conditions. These concepts have not only been adopted by the NSSO for conducting surveys on employment since 1972-73, but have also been accepted by the Planning Commission for analysing the dimension of the unemployment problem. *The three concepts of unemployment developed by the NSSO are: (i) Usual Status (US) Unemployment, (ii) Current Weekly Status (CWS) Unemployment, and (iii) Current Daily Status (CDS) Unemployment.*

**(i) The Usual Status** Concept is meant to determine the usual activity status — employed or unemployed or outside the labour force. The activity status is determined with reference to a longer period, say a year preceding to the time of survey. The persons covered by the survey may be classified into those working and/ or available for work in their principal activity sector, and those working and/or available for work in a subsidiary sector, that is, a sector other than their principal activity sector. Hence, within the usual status concept, the estimates are now derived on

the usual status as well as usual principal and subsidiary status basis. *The Usual Status unemployment rate is a person rate and indicates chronic unemployment because all those who are found “usually unemployed” in the reference year, are counted as unemployed.*

**(ii) The Current Weekly Status** concept determines the activity status of a person with reference to a period of preceding seven days. If in this period, a person seeking employment, fails to get work for even one hour on any day, he (or she) is deemed to be unemployed. *A person having worked for an hour or more on any one or more days during the reference period, gets the employed status. The Current Weekly Status unemployment rate, like the Usual Status unemployment rate, is also a person rate.*

**(iii) The Current Daily Status** concept considers the activity status of a person for each day of the preceding seven days. *A person who works for one hour but less than four hours is considered having worked for half a day. If he works for four hours or more during a day, he is considered as employed for the whole day. The Current Daily Status unemployment rate is a time rate.*

Out of the three concepts of unemployment, the Current Daily Status concept provides the most appropriate measure of unemployment. Raj Krishna states, "The daily status flow rate is evidently the most inclusive, covering open as well as partial unemployment. It is therefore the rate which is most relevant for policy-making".<sup>1</sup>

The Eleventh five year Plan has largely used the Current Daily Status (CDS) basis of estimation of employment and unemployment in

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<sup>1</sup> Raj Krishna, "The Growth of Aggregate Unemployment in India-Trends, sources, and Macroeconomic Policy Options", - World Bank Staff Working Papers, No. 638 (Washington, D.C., 1984), P.4.

the country. It has also been observed that the estimates based on daily status are the most inclusive rate of 'Unemployment' giving the average level of unemployment on a day during the survey year. It captures the unemployed days of the chronically unemployed, the unemployed days of usually employed who become intermittently unemployed during the reference week and unemployed days of those classified as employed according to the criterion of current weekly status.

### **Relationship between Economic Growth and Employment**

The size of employment in a country depends to a great extent on the level of development. Therefore, when a country makes progress and its production expands, employment opportunities grow. In India, during the past three decades or so, production has expanded in all the sectors of economy. However, during the planning period, unemployment in absolute terms has increased. This has happened because during the first three decades of economic planning, trend rate of growth was considerably lower than the targeted rate. Therefore, jobs in adequate number were not created. Further, economic growth by itself does not solve the problem of unemployment. Prabhat Patnaik has succinctly remarked, "A higher arithmetical figure of growth rate is neither a necessity nor sufficient condition for alleviation of unemployment".<sup>1</sup> In fact, there exists a real conflict between the objectives of economic growth and employment in the early phase of economic development. Examining this issue in the existing Indian context, Prabhat Patnaik has very correctly argued, "While growth per se means nothing for unemployment, this growth fetishism can be exploited by finance capital to wrest concessions to the detriment of employment objective..."<sup>2</sup>

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<sup>1</sup> Prabhat Patnaik, "On Changing Course: In India: An Agenda for 2004. (New Delhi Social Scientist – Sahmat, 2004), P.8.

<sup>2</sup> Ibid., P. 9.

B. Hazari and J. Krishnamurthy have brought out the conflict between growth and employment inherent in the Mahalanobis strategy which guided India's development efforts for about two decades.<sup>1</sup> Basic assumption of economic planning in India was that growth would automatically solve the unemployment problem. However, this was not to be so. Since the adoption of neo-liberal economic policies in India over the past one and a half decades, the government's obsession with the high rate of economic growth has made it completely oblivious to possible conflict between economic growth and employment. Hence, in recent years, growth in India has been mostly "Job less" and sometimes even "job loss". This is substantiated by the fact that during the 1990s and early years of the current decade, unemployed has increased.

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<sup>1</sup> B. Hazari and J. Krishnamurthy, "Employment Implications of India's Industrialisation: Analysis on Input- Output frame work,-Review of Economics and statistics, Vol. 52., 1970.

## TYPES OF UNEMPLOYMENT

Types and forms of unemployment may be studied as follows –

**Structural Unemployment.** Structural unemployment is the situation in which a country is unable in providing job to all job – seekers because the resource available in the country are limited. It refers to one more situations where the skills and location of unemployed workers do not match the unfilled vacancies. It can happen because investment has failed to keep pace with growth in labour force. The remedy calls for major investment in new industries, training of workers, or large scale migration from depressed regions.

Basically, India's unemployment is structural in nature. It is associated with the inadequacy of productive capacity to create enough jobs for all those who are able and willing to work. In India, not only the productive capacity is much below the needed quantity, it is also found increasing at a slow rate. As against this, additions to labour force are taking place at a higher rate on account of the rapidly growing population.

This sort of unemployment is not a temporary phenomenon in the sense that it will pass off on its own after a lapse of time. It is chronic. It requires, for its solution, the application of long-term measures for remedying the defects in economic structure. In other words, it is the development of the economy alone that can take care of structural unemployment.

While this is the basic nature of unemployment in the country, it has taken different forms, for example, disguised unemployment, underemployment and open unemployment. Besides, there are special

problems of unemployment, e.g., seasonal unemployment and educated unemployment.

**Disguised Unemployment.** This refers to the situation of unemployment that is not open for everyone to see; it remains invisible. For example, in Indian villages, where most of the unemployment exists in this form, people are found to be apparently engaged in agricultural activities. But such employment is mostly a work-sharing device i.e., the existing work is shared, how so ever large may be the number of workers. In such a situation, even if many workers are withdrawn, the same work will continue to be done by fewer people. It follows that all the workers are not needed to maintain the existing level of production. The contribution of such labourers to production is, thus, zero or near zero.

Here it may be useful to distinguish disguised unemployment from underemployment. The latter is defined as a situation when everyone, able and willing to work, gets a job. Or, when everyone who wishes to work at the going wage-rate for his type of labour, is employed. But the job is not according to his qualification and experience e.g., a person who is capable to be a manager, is working only as a clerk. In case of disguised unemployment, everyone only seems to be fully employed. It is so because larger number of workers than required is, sharing a given amount of work. As such, it appears that nobody is without work. But this, of course, conceals the fact that there is no full employment, as the workers are not working to their full capacity. The proof of this is that output does not fall even if a part of the labour-force is withdrawn. In the case of full employment, however, all the workers contribute to output, and a withdrawal of a part of the labour-force will cause a fall in production.

**Underemployment.** It is a situation under which employed people are contributing to production less than they are capable of. For example, a diploma holder in engineering, if for the want of an appropriate job, starts shoe-shining, may be said to be underemployed. Apparently, he may be deemed as working and earning in a productive activity and in this sense contributing something to production. But, in reality, he is not working to his capability, or to his full capacity. He is, therefore, not fully employed. Here, too, his underemployment is disguised.

- **Open Unemployment.** Under this category, fall all those who have no work to do. They are able to work and are also willing to work, but there is no work for them. Such unemployment is in the nature of involuntary idleness. They are to be found partly in villages, but largely in cities. Such unemployment can be seen and counted in terms of the number of such persons. Hence, it is called open unemployment. Open unemployment is to be distinguished from disguised unemployment and underemployment in the sense that while in the case of former, workers are totally idle, in the latter two types, they appear to be working and do not seem to be idling away their time.

**Educated Unemployment.** It is concerned with joblessness among the educated i.e., matriculate and higher educated. Of these, there may be some suffering from open unemployment. There may again be others who are underemployed or belonging to the category of what we have earlier termed as underemployment. The latter type of unemployed persons may not be getting work suitable to their qualification to enable them to make full use of their capacities. Mostly towns and cities are facing this problem of educated unemployment.

**Cyclical Unemployment.** Associated with the downswing and depression phases of business cycle, is to be found in capitalist or market-oriented developed economies. Caused by the lack of coordination among the innumerable decision-makers in the fields of savings and investment, the trade cycle, in its downward phase, renders many persons as unemployed. Falling income lowers the demand for goods and services. As a result, the economy produces less than it is capable of, aggravating further the employment-income situation. Keynes, who analysed this type of unemployment, came out with the solution of raising demand, even with public works programme on government account to give fillip to the sagging market and to raise the profitability or marginal efficiency of capital.

- **Frictional Unemployment.** This type of unemployment characterises developed economies as they push towards further development. At a higher level of development, many changes take place in the industrial structure of these economies, with old industries, contracting and dying out, and new industries coming up. This process seems to be endless. In fact, without this, no development is possible. The products, the resources and the technologies undergo changes, making the structure of an economy a picture of permanent changes.

In such a situation, it is necessary that workers move from industry to industry, leaving those which are decaying and joining those which are leading the way to further growth and which promise higher wages and rewards. In between the time of leaving and joining, the time for which the workers get no work, is a period of unemployment, called frictional unemployment. This period can be used for getting training and/or acquiring new skills. Such unemployment is, therefore, a necessary price for progress.

In India, such unemployment does not exist to an extent that might cause much concern. Here and there, one hears of new technology (e.g., computers) being introduced, displacing a certain number of workers. But this is not, in any sense, a big problem. This is so because the initial capital stock is very low and with agriculture predominant in India's occupational structure, there is very little diversification in Indian, economy, and, therefore, there cannot be much by way of changes in the economic structure, causing frictional displacement of workers.

**Seasonal Unemployment.** Seasonal unemployment is the unemployment caused by seasonal variations in production or demand or both. When the workers engaged in a particular work or occupation, get employment only for a limited period and remain idle for the remaining period, it is called seasonal unemployment. It is very common in Indian agriculture. Agricultural workers in India do not get work throughout the year. They remain unemployed for about three to four months in a year, unless they find some temporary employment during this period.

○ **Demographic Unemployment.** Demographic unemployment occurs when the number of new workers entering the labour force through natural increase or inward migration exceeds the number leaving the workforce. Demographic unemployment is, to a great extent, similar to structural unemployment and is very common in India. It is so because the rate of growth of population in India is much higher than that of employment opportunities. The number of job-seekers is more than the opportunities of employment available in the country.

**Technological Unemployment.** Technological unemployment is the unemployment caused by technical progress; the skills of particular types of worker are made redundant because of changes in the methods of production, usually by substituting machines for manual services.

## **NATURE OF EMPLOYMENT AND UNEMPLOYMENT IN INDIA**

A plan for economic development implies the utilisation of available resources in a manner which would maximise the rate of growth of output. This is essentially a long-term task; so is any policy intended to ensure conditions of full employment. Over a sufficiently long period, a policy of full employment does not conflict with that of stepping up the rate of development. It is now widely recognised that the problem of unemployment, especially in an under developed economy like ours, can only be solved along with intensive economic development. Over a short period of five years, however, there may be a degree of conflict as between the competing claims of capital formation at a rapid rate and the provision of larger employment. In determining the programme for the next five years, prime consideration is that at least the deterioration in employment situation should be arrested.

Ideally, educational development at higher level should, broadly be related to the pattern of jobs and the estimates of demand in the economy for educated manpower. This is important, both for the individuals and society as a whole. An individual is enabled to take decisions about future careers with the assurance that his training will be put to proper use and he would be productively employed. The gain to society flows from the fact that a timely review of educated manpower, required to achieve the varied tasks of economic development, makes it possible to provide adequately, yet not excessively, for the scale and pattern of educational development which will best serve the purpose. There are many uncertainties inherent in the task. Long term forecasts of the growth of the economy have to be made and in order to provide guidance for educational planning, it must be not only sufficiently detailed but fairly

authoritative also. Even when this condition is broadly realised, it is not easy to work out the implications for employment and the corresponding requirements of phased output from the educational system.

In the context of rapidly changing structure of our economy, significant changes are likely to occur in the employment pattern and potential of different sectors and activities as well as in the pattern of skill and manpower requirements. These changes would need to be regularly studied in the short, medium and long term prospectives so as to provide necessary input for planning the development of trained manpower at different levels. In this context, the Institute of Applied Manpower Research (IAMR), set up by Government of India in 1962, with the broad objectives of advancing knowledge on all aspects of human resource development, providing prospectives of the requirements of trained manpower for economic development and evolving the methods and techniques of manpower assessment, is expected to play a significant role. The Institute has been endeavouring to meet its objectives through programmes on research, training and consultancy on the basis of regular funding from the Planning Commission and sponsorship from other national and international agencies. The Institute is also implementing the National Technical Manpower Information Service (NTMIS) with the sponsorship from the Ministry of Human Resource Development. Nature of unemployment in India may now be summed up as under:

**Inadequate Work.** One aspect of the problem is the non-availability of work to the extent needed for entire labour-force. For those in disguised unemployment, it means that they are not getting work to engage themselves fully during their working hours. If they seem to be working, they are infact sharing the existing work. Actually almost each one is under-employed, so that none is working to one's full capacity.

Among them, there are some who are only seasonally employed. For rest of the time, they are either without work or do some other odd jobs or share with others on some other work. Disguised unemployment account for a major proportion of the work-force, mostly in agriculture and activities allied to it.

Besides those in disguised unemployment, there are those in open unemployment. These are the workers who just do not have any work to do. Such unemployed persons are also found mostly in the rural areas. Their number, taking both the rural and urban unemployed, though small as against those in disguised unemployment, is on the increase.

- **Low-Productivity Work.** Another aspect of the problem concerns income of those employed. Most of them are very poor because their earnings are very small, which in turn, are caused by low-productivity of their work. These poor people are working because they can hardly afford to remain unemployed and wait for high-paid jobs. They engage themselves in any work that comes their way and any income, they are offered. With labour-force increasing and productivity remaining almost the same, average income remains very small. The reality, however, is that most of such employed are no better than those totally unemployed, as both the categories of workers are living at subsistence level.

**Chronic or Structural.** Unemployment in our country is in nature, a chronic/ permanent one, and is rooted in the underdeveloped character of economy. It is the incapacity of our low-level economy to offer adequate work opportunities to labour-force that has given rise to this problem. It is, thus, the supply-side of employment-situation which is at fault. Unless the economy develops and per head capital increases, the deficient supply-side will continue.

## ESTIMATES OF EMPLOYMENT IN INDIA

In the recent past, there has been deceleration in the growth of employment in India in spite of the accelerated economic growth. It can be explained in terms of steady decline in employment elasticity in all the major sectors of economic activities, except in construction. Overall employment elasticity declined in India from 0.68 during 1983 to 1987-88, further to 0.52 during 1983 to 1993-1994 and again to 0.16 during 1993-94 to 1999-2000. As is clear from Table 2.1, the decline was quite fast in agriculture as it declined from 0.70 during 1983 to 1993-94 to 0.01 during 1993-94 to 1999-2000. According to T.S. Papole, the decline in employment elasticity in agriculture "is found to be due primarily to sharply declining and even negative elasticities in a few regions — Punjab Haryana and Uttar Pradesh — where the green revolution has resulted in significant yield and output growth".<sup>1</sup>

**Table 2.1: Employment Elasticities in Major Sectors**

Sector	1983 to 1987-88	1983 to 1993-94	1993-94 to 1999-2000
Agriculture	0.87	0.70	0.01
Mining and Quarrying	1.25	0.59	-0.41
Manufacturing	0.59	0.38	0.33
Construction	2.81	0.86	0.82
Electricity, Gas and Water Supply	0.30	0.63	-0.52
Trade, Hotel and Restaurant	0.87	0.68	0.62
Transport, Storage and Communication	0.47	0.55	0.63
Financing, Real Estate, Insurance and Business Services	0.49	0.45	0.64
Community, Social and Personal Services	0.52	0.68	-0.25
<b>All Sectors</b>	<b>0.68</b>	<b>0.52</b>	<b>0.16</b>
<b>Source:</b> Government of India, Planning Commission, Tenth Five year Plan 2002-07. Volume-1, Annexure 5, 6, P. 163.			

<sup>1</sup> T.S. Papole, "The question of unemployment" (ed.), The Indian Economy: Problems and Prospects (New Delhi, 2004) P. 354-5.

C.P. Chandrasekhar has also argued that economic growth in India in recent year has not led to much employment generation. He states, "India's trajectory of growth has not matched by employment generation. This will lead to social unrest unless the government rethinks its economic priorities.

For three years running, the rate of growth of Indian economy has been extraordinary. The growth rate of the Gross Domestic Product (GDP) is estimated at between 7.5 and 8.5 per cent in the years 2003-04, 2004-05 and 2005-06. While these figures conceal sectoral differences, such as the extremely poor performance of agriculture and the disproportionately high rate of growth of services, they are indeed remarkable. But the new evidences suggest that this may not help in resolving India's principal economic problems: its large population and growing reserve of unemployem<sup>n</sup>".<sup>1</sup>

Jeemol Unni and G. Raveendran in their study have shown how in the recent years employment trends have moved. They have noted on the basis of data on Full Employment-Unemployment (61<sup>st</sup> Round, 2004-05) conducted by the NSS that the workforce increased to nearly 457 million with a substantial unemployed population of 11 million. This implies that the number of unemployed persons grew substantially in this period compared to mid and late 1990s (1993-94 to 1999-2000)<sup>2</sup>

Their study also reveals sharp decrease in the rate of employment generation during the mid and late 1990s in both the rural and urban areas (see Table 2.2). The overall growth in employment declined from 2.01 per cent per annum during the period 1983 to 1993-94 to 0.98 per cent per annum during the period 1993-94 to 2004-05. As is clear from the

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<sup>1</sup> C.P. chandrasekhar, "Joblessness in a Thriving Economy", Forntline, March 24, 2004.

<sup>2</sup> Jeemol Unni and G. Raveendran, "Growth of Employment (1993-94 to 2004-05): Illusion of Inclusiveness?" Economic and Political weekly, January 20, 2007, P.196.

data contained in Table 2.2, growth rate of employment declined steeply in the rural sector during the period 1993-94 to 2004-05.

**Table 2.2: Growth Rates of Employment**

(Per cent change per annum)

Period	Rural	Urban	Rural-Urban Combined
1983 to 1993-94	1.72	3.10	2.01
1993-94 to 2004-05	0.47	2.70	0.98

**Source:** Government of India, Economic Survey 2006-2007, and Jeemol Unni and G. Raveendran, "Growth of Employment (1993-94 to 2004-05): Illusion of Inclusiveness?" Economic and Political Weekly, January 20, 2007, Table 1, P.186.

### Sectoral Distribution of Employment

Broadly, an economy is classified into primary sector, secondary sector and tertiary sectors. In table 2.3, estimates of employment have been provided by sectors. These estimates are based on the NSS data and have been prepared by the Planning Commission.

**Table 2.3**

#### Sectoral Employment by Current Daily Status (CDS)

Industry/Activities	(Percentage)			
	1983	1993-94	1999-2000	2004-05
1. Agriculture	65.42	61.03	56.64	52.06
2. Mining & Quarrying	0.66	0.78	0.67	0.63
3. Manufacturing	11.27	11.10	12.13	12.90
4. Electricity, Gas & Water Supply	0.34	0.41	0.34	0.35
5. Construction	2.56	3.63	4.44	5.57
6. Trade, Hotel and Restaurant	6.98	8.26	11.20	12.62
7. Transport, Storage & Communication	2.88	3.22	4.06	4.61
8. Financial Services	0.78	1.07	1.36	2.06
9. Community, Social & Personal Services	9.10	10.50	9.16	9.20
<b>Total Employment</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Source:** Government of India, Ministry of Finance, Economic Survey, 2007-2008, Table 10.10, P.247.

From, above Table, it is clear that there are four major sectors viz. agriculture, manufacturing, trade and community, social and personal services. These sectors together accounted for 86.84 per cent of employment in 2004-2005. Mining and quarrying; electricity, gas and water supply; construction, transport; storage and communication; and financial sectors together accounted for a mere 13.16 per cent of the employment in 2004-2005.

From employment data by sectors, it is clear that since 1983, there has been a decline in employment in agriculture in percentage terms. In fact, even the absolute number of employed workers declined in this sector over the six year period from 1993-94 to 1999-2000. However, agriculture has retained its predominant position as a provider of employment. In 2004-05, agriculture had accounted for 52.06 per cent of the employment.

In percentage terms, the importance of manufacturing sector as a provider of employment has not changed significantly. In fact, there was no improvement over the ten year period from 1983 to 1993-94. Thereafter, there is only a marginal improvement, as the percentage of employed workers in manufacturing sector rose to 12.1 per cent in 1999-2000 and 12.90 per cent in 2004-05.

Next in importance from the point of view of employment is trade, hotel and restaurant. In 2004-05, this sector accounted for 12.62 per cent of the employed workers as against 6.98 per cent in 1983. Thus, annual growth rate of employment in trade, hotel and restaurant sector was 4.01 per cent during the period from 1983 and 2004-05. In no other major sector, employment increased at this rate.

Community, social and personal services accounted for 9.24 per cent of employed workers in 2004-05. Employment in this sector increased from 9.10 per cent in 1983 to 10.50 per cent in 1993-94. Thereafter, employment in this sector declined and stood at 9.16 per cent in 1999-2000 and 9.24 per cent in 2004-05. Reduction in employment in this sector is the logical outcome of liberalisation policy.

Employment in mining and quarrying and electricity, gas and water supply remained 0.63 per cent and 0.35 per cent respectively in 2004-05. Construction accounted for 5.57 per cent of the employment in 2004-05 as against 2.56 per cent in 1983 and 3.63 per cent in 1993-94. Thus, employment in this sector increased significantly during the 1980s and 1990s. However, employment potential of this sector still remains limited. Transport, storage and communication are the important segments of infrastructure but their employment potential is rather limited. In 2004-05, this sector accounted for a mere 4.61 per cent of the employment. Likewise financial services, despite their strategic role in the economy, accounted for only 2.06 per cent of employment in 2004-05.

### **Employment in Organised and Unorganised Sectors**

Indian economy is divided into organised and unorganised sectors. Whole of the agriculture is in unorganised sector. Besides agriculture, most of the mining, manufacturing, construction, trade, transport and communication, social and personal services are also in unorganised sector. Organised sector is restricted to manufacturing, electricity, and financial services.

**Table 2.4: Employment in Organised and Unorganised Sectors**

Sector	Employment (Million)			Growth Rate per cent per annum	
	1983	1994	1999-2000	1983-94	1994-2000
Total Employment	302.75	374.45	397.00	2.04	0.98
Organised Sector	24.01	27.37	28.11	1.20	0.53
Public Sector	16.46	19.44	19.41	1.52	-0.03
Private Sector	7.55	7.93	8.70	0.45	1.87
Unorganised Sector	278.74	347.08	368.89	2.01	1.02
<b>Source:</b> Government of India, Ministry of Finance, Economic Survey 2001-2002, P.240.					

Organised sector employment in 1999-2000 was 28.11 million i.e., about 7.08 per cent of total employment. Despite economic reforms, employment in the organised sector has been declining in percentage terms. In absolute terms, employment in the organised sector was 24.01 million in 1983. It steadily rose to reach the level of 27.37 million in 1994 and further to 28.11 million in 1999-2000. The organised sector had accounted for 7.93 per cent of the employment in 1983. Thereafter, its share in total employment steadily declined to 7.3 per cent in 1994 and further to 7.08 per cent in 1999-2000. Moreover, growth rate of employment in the organised sector has shown a tendency to decline. Employment in the organised sector had increased at the rate 1.2 per cent per annum during the period 1983-94. Thereafter, most of the economic growth in organised sector has been jobless, as a result of which annual average rate of employment growth declined to 0.53 per cent during the period 1994-2000.

The organised sector is divided into the public sector and private sector. The public sector had accounted for 68.55 per cent of total employment in the organised sector in 1983. Its share in employment in the organised sector had increased during the period 1983 to 1994 and stood at 71.03 per cent. Thereafter, the government consciously pursued

the policy of reducing employment in the public sector and, as a result, employment declined from 19.44 million in 1994 to 19.41 million in 1999-2000. The private sector has always accounted for less than one-third of the employment in the organised sector. The government has admitted that the growth in private sector employment has failed to offset the effect of the slowdown in public sector employment since 1994. As stated in Economic Survey 2007-08, "Employment growth in the organised sector, public and private sector combined, declined during the period 1994-2005." This survey brings out clearly the dismal performance on employment generation front during the last decade. It also shows that employment generation front during the last decade. It also shows that employment generation is no longer a priority issue for government.

## **Rural and Urban Employment**

### **Rural Employment**

In rural sector, most of the employment is in agriculture and allied activities. During the 1980s, there was diversification of employment away from agriculture. It was generally considered to be a positive feature because it had resulted in the overall growth of rural employment in most regions of the country and was associated with a decline in the incidence of rural poverty. C.P. Chandrashekar and Jayati Ghosh contend, "The role of dynamic agriculture was significant only in states such as Punjab and Haryana where agricultural income had crossed a minimum threshold and where further increases in agricultural output were accompanied by labour displacement rather than greater labour

absorption. Outside this limited region, the pull was provided mainly by external stimuli”.<sup>1</sup>

During the 1980s, along with a rapid increase in subsidies, there was a steep rise in the expenditure on rural sector, by the State and Central governments. As a result of conscious policy of rural development, nearly 80 per cent of all new government jobs created during the decade occurred in rural areas.

This flow of public resources was mainly in two forms. First, there was an increased expenditure on rural development schemes with an explicit employment orientation. The second, there was increased expenditure on rural employment. This led to the creation of opportunities for diversification of non-agricultural self-employment. Obviously, jobs thus created, went to the better off and more powerful groups in rural society.

Over the 1990s, under neoliberal economic reforms, the government reversed several of its policies which had contributed to more employment in rural areas. Macro-economic strategy from 1991 involved cuts in Central government revenue expenditure on rural development in per capita terms. There were substantial reductions in public investment in infrastructure which adversely affected the non-agricultural employment in rural areas. Financial reforms effectively cut down the availability of rural credit, reducing scope for rural entrepreneurship development. Thus, possibilities of self-employment were curtailed.

According to the NSS, primary sector employment declined for both men and women in rural areas and the decline was sharp in the case of men. However, for men, the share of tertiary sector employment rose

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<sup>1</sup> C.P. Chandrashekar and Jayanti Ghosh, "The market has failed – A Decade of Neoliberal Economic Reforms in India"(2002), P. 142.

significantly. Apparently, this appears to be a welcome tendency. But in fact, the decline in primary sector employment during the 1990s was a reflection of the collapse of productive employment opportunities in rural areas generally, rather than rural dynamism.

### **Urban Employment**

Rate of employment growth in the urban areas declined sharply during the 1990s. Male work participation rate after fluctuating around 50 per cent for some years, declined to 47.8 per cent. For women also, there was some fluctuation in work participation rate, but finally the trend was of decline and the decade of 1990s ended with female work participation rate at 14.7.

The most disturbing feature of urban employment during the 1990s was deceleration in organised sector employment. In this period, though industrial growth has been rather slow, the service sector in which organised employment was based, was the most dynamic element in national income growth. True, in this period, private sector employment increased but that was not enough to compensate for the loss of employment in the public sector.

In urban areas, there has been speedy casualisation of male workers employment. The liberalisers admired this tendency considering it an indication of greater flexibility in the labour market. It is often assumed that the disguised unemployment or underemployment is a unique feature of rural economy. However, this is not true. Lately, it has been discovered that with the proliferation of informal activities, particularly in the service sector, considerable underemployment has become a reality.

## **ESTIMATES OF UNEMPLOYMENT IN INDIA**

Unemployment in underdeveloped countries is both open and disguised. Like all other underdeveloped countries, India presently suffers mainly from structural unemployment which exists in both the open and disguised forms.

Most of the unemployment in India is definitely structural. During the 1961-2001 period, population in this country had grown at an alarming rate of around 2.15 per cent per annum and with it, the number of people coming to the labour market in search of jobs had also increased rapidly, whereas employment opportunities did not increase correspondingly due to slow economic growth. Hence there has been "an increase in the volume of unemployment from one plan period to another"<sup>1</sup>. This unemployment, can be eliminated only by introducing certain radical reforms in the structure of economy. Apart from structural unemployment, there is Keynesian involuntary unemployment also which can be eliminated by increasing effective demand. For analytical convenience, we shall now classify unemployment in the country as: (i) urban unemployment, and (ii) rural unemployment.

### **Estimates of Unemployment (1972-73 to 1993-94)**

The unemployment rates by the three alternative concepts: the Usual Status, the Current Weekly Status and the Current Daily Status have become available from the various rounds of NSSO (National Sample Survey Organisation) surveys for the years 1972-73, 1977-78, 1983, 1987-88 and 1993-94. These are given in following Table:

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<sup>1</sup> Government of India, Planning commission, Eighth five Year Plan 1992-97, volume I, P.116.

**Table 2.5: Unemployment Rates by Sex, Residence and Status (per cent)**

Year	Unemployment Rate					
	Male			Female		
	UPSS	CWS	CDS	UPSS	CWS	CDS
<b>Rural :</b>						
1972-73	1.2	3.0	6.8	0.5	5.5	11.2
1977-78	1.3	3.6	7.1	2.0	4.1	9.2
1983	1.4	3.7	7.5	0.7	4.3	9.0
1987-88	1.8	4.2	4.6	2.4	4.4	6.7
1993-94	1.4	3.1	5.6	0.9	2.9	5.6
<b>Urban :</b>						
1972-73	4.8	6.0	8.0	9.0	9.2	13.7
1977-78	5.4	7.1	9.4	12.4	10.9	14.5
1983	5.1	6.7	9.2	4.9	7.5	11.0
1987-88	5.2	6.6	8.8	6.2	9.2	12.0
1993-94	4.1	5.2	6.7	6.1	7.9	10.4
<b>Source:</b>	Revised Report No. 406 (Result of 50 <sup>th</sup> Round of NSS) and Reports on Successive Rounds of NSSO Survey on Employment and Unemployment.					
<b>Notes:</b>	UPSS = Usual Principal and Subsidiary Status. CWS = Current Weekly Status CDS = Current Daily Status					

Above rates of unemployment do not indicate any clear trends over the period. However, if we compare unemployment position of 1993-94 with that of 1983 and 1972-73, we observe that there has been marginal decline in unemployment rates.

For the purpose of realising the goal of "employment for all" over a period, an assessment of the backlog of unemployment in the base year and likely additions to the labour force during the reference period has to be made. The Planning Commission estimated labour force and employment on April 1, 1992 to yield the magnitude of unemployment. Total employment in terms of the Current Weekly Status was estimated to be 301.7 million as against the labour force estimate of 319 million. Thus, backlog of unemployed persons in terms of the Current Weekly Status on April 1, 1992 was 17.3 million. According to the NSSO, about

2 per cent of those recorded as employed by the Current Weekly Status had worked for half or less half the time. They being severely underemployed, were included in the estimates of backlog for employment planning. Thus, according to the Planning Commission, those of the people who looked for full time new employment opportunities were around 23 million in April 1992.<sup>1</sup>

The Ninth Plan document has also provided estimates of incidence of unemployment and underemployment in 1993-94. These are based on data available from 50<sup>th</sup> Round of NSS on Employment and Unemployment. Table 4.15 from Ninth Five Year Plan 1997-2002, Volume I is reproduced below as Table 2.6. It shows combined incidence of unemployment and underemployment in 1993-94.

**Table 2.6: Combined Incidence of Unemployment and Underemployment: 1993-94**

Activity Status	Proportion of Labour Force	Remarks
1. Labour force	100.00	Working or seeking work on usual status basis.
2. Employed	89.55	Usually employed staying in work force when classified by their weekly status.
3. Unemployed	2.02	Incidence of open unemployment on usual status basis.
4. Under-employed	8.43	Usual status employed going out of work when classified by their weekly status.
5. Unemployed and under-employed (3 + 4)	10.45	Open unemployment on usual status and the incidence of loss of work by the usually employed when classified by their weekly status.
<b>Source:</b> Government of India, Planning Commission, <i>Ninth Five Year Plan 1997-2002</i> , Volume I, Table 4.15, p.198.		

<sup>1</sup> Eighth Five Year Plan, 1992-97 Volume I, P.120.

At all-India level, the estimates of current daily status unemployment indicate a worsening of unemployment situation during the period of economic reforms in all the four population segments viz, rural males, rural females, urban males and urban females. The increase in the current daily status unemployment rate between 1993-94 and 2004-05 was steepest for rural females (from 56 per thousand in 1993-94 to 87 per thousand in 2004-05). The second highest increase was in the case of urban females (from 105 per thousand in 1993-94 to 116 per thousand in 2004-05). These facts are well depicted in Table 2.7 given below:

**Table 2.7: Unemployment Rates (per 1000) for 1993-94 and 2004-05**

NSSO Round	Rural Males			Rural Females		
	US	CWS	CDS	US	CWS	CDS
1993-94 (50 <sup>th</sup> Round)	20	30	56	14	30	56
1999-2000 (55 <sup>th</sup> Round)	21	39	72	15	37	70
2004-05 (61 <sup>st</sup> Round)	21	38	80	31	42	87
NSSO Round	Urban Males			Urban Females		
	US	CWS	CDS	US	CWS	CDS
1993-94 (50 <sup>th</sup> Round)	45	52	67	83	84	105
1999-2000 (55 <sup>th</sup> Round)	48	56	73	71	73	94
2004-05 (61 <sup>st</sup> Round)	44	52	75	91	90	116

**Source:** Report of NSSO (61<sup>st</sup> Round in 2004-05) on Employment and Unemployment.

Most of the unemployment in urban areas is open and disguised. Unemployment of this kind is not only painful at personal level, but is also a source of social tensions. Despite this problem of unemployment, the government has not given adequate attention to it. Even the estimates of urban unemployment have not been prepared on a regular basis. However, the National Sample Survey Organisation (NSSO) has made the estimates of unemployment in different years. These estimates are surely not comparable. However, they suggest that unemployment in urban sector has fluctuated around 10 per cent of the labour force in

recent decades. This, at least, shows that there were no dramatic increases in perceived employment opportunities.

### **Industrial Unemployment**

Exact size of the industrial unemployment in India is not known because the necessary data for its estimation are not available. During the planning period, industrial sector has expanded and employment in this sector has steadily increased. As against 34.03 million workers employed in manufacturing sector in 1983, 42.5 million workers were employed in 1993-94 and 48.0 million workers in 1999-2000. This is surely a healthy development and reflects the progressive growth of employment in industrial sector in India. However, over the past three decades, unemployment in industrial sector has increased. This is the result of extremely slow growth rate of employment in organised manufacturing industry. It is observed that employment elasticity had significantly declined in manufacturing industry during the 1980s and 1990s. It was 0.59 in the period 1983 to 1987-88, from where it declined to 0.33 in the period 1993-94 to 1999-2000.

It is often contended that industrial unemployment has increased in the country specially because of the slow industrialisation process and inappropriate technology. Near stagnation in the industrial sector from the mid-1960s to early-1980s rendered various remedial measures ineffective. Concentration of industries in big cities is another major cause of this malady. Industrial concentration attracts labour force to these cities in a big way—much more than what the industries can absorb at any point of time. If the policy of dispersal of industries is adopted and a number of industries are set up in rural and semi-urban areas, this problem can be tackled satisfactorily.

## **Educated Unemployment**

Educated unemployment is, by and large, a part of urban unemployment. It is a very serious and menacing problem, yet the size of educated unemployment remains largely unmeasured. Hence the quantitative base for analysing the problem of educated unemployment is weak. Nonetheless, on the basis of information that is available, it is not difficult to understand the basic issues involved in the problem.

The Planning Commission's estimates suggest that at the beginning of 1980, approximately 34.72 lakh educated persons were unemployed. Using the same approach, in the Sixth Plan, unemployment among the educated people works out to 47 lakh in 1985 and 68 lakh in 1992. No estimates of educated unemployment are available for recent years. However, there are no reasons to believe that educated unemployment is now less than that was there on the eve of the Eighth Plan.

There are many causes of educated unemployment. The defective educational system, lack of aptitude and technical qualifications for various types of work among job-seekers and maladjustments between demand and supply of educated workers are some well-known causes of educated unemployment. But the major cause of unemployment in this sector is the same which explains the overall unemployment in the country. Over the years, economic growth in India has been very slow. It has been inadequate in the past to absorb all the educated persons. In fact, supply of educated workers has consistently moved ahead of demand so that educated unemployment has not diminished. This happened largely because of the wide gap between the private cost of education and the expected return from it. Thus, an unnecessarily large number of people pursue higher education. According to Blaug, Layard and Woodhall, the educated unemployment, in itself, is no proof of over investment in

education. Since it is caused by market imperfections, "the appropriate remedy might, therefore, involve an 'active manpower policy' designed to improve the functioning of labour markets rather than a contraction of upper secondary and higher education".<sup>1</sup>

### **Agricultural Unemployment**

Unemployment in agricultural sector may be classified into two main parts (*i*) seasonal unemployment, (*ii*) disguised unemployment.

#### **Seasonal Unemployment**

Seasonal unemployment in agricultural sector is a normal condition in India. In 2000-01, gross irrigated area as a percentage of gross cropped area was only 40.0 per cent. However, two or more crops are prepared on not more than 25 per cent cultivable land. This implies that farmers, cultivating approximately 75 per cent of the land, remain involuntarily unemployed for 3 to 4 months, unless they find some temporary employment in this period. Since the percentage of the lucky ones who manage to get some work in the off-season is quite low, the incidence of seasonal unemployment in the agricultural sector is obviously very high.

Agricultural labourers in India rarely work throughout the year. According to the Second Agricultural Labour Enquiry Committee, agricultural labour in this country had 237 days employment in 1956-57. However, considering the decline in employment elasticity, measured as the ratio of employment growth to the growth of value added, in the agricultural sector during the 1980s and 1990s, seasonal unemployment might have increased in recent years. The employment elasticity in agriculture was estimated to be 0.87 during the period from 1983 to 1987-88. It declined to 0.01 during 1993-94 to 2000-01.

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<sup>1</sup> M. Blaug, P.R.G. Layard and M. Woodhall, 'The Causes of Graduate Unemployment in India'. P.234.

## **Disguised Unemployment**

The Indian agriculture is characterised by the existence of considerable amount of surplus labour. However, no firm estimates of its size are available. From the information that is presently available, it appears that in the green revolution belt, there is no disguised unemployment. For past three decades, the demand for wage labour has increased in these areas. In all other regions, pressure of growing population has been increasing on land and when one notices too many people operating tiny agricultural holdings, one may believe that disguised unemployment still exists in these areas on a considerable scale. However, it would be wrong to jump to some hasty conclusion on the basis of mere impressions. The most well-known work in this area is that of Shakuntala Mehra.<sup>1</sup> Making some highly questionable assumptions (such as that there is no surplus labour on the large farms), she concluded that 17.1 per cent of the work force in agriculture was surplus. Her study further revealed that removable surplus labour was considerably more in certain States than in some other States.

## **CAUSES OF UNEMPLOYMENT IN INDIA**

Important causes of unemployment in India may be summarised as follows-

- **Jobless Growth.** Economic growth is usually expected to generate employment. However, in India, most of the economic growth has been jobless. For 30 years from 1950-51 to 1980-81, GDP growth rate was as low as 3.6 per cent per annum. At this rate of economic growth, many jobs could not be created. GDP growth accelerated to 5.6 per cent per annum in the 1980s and stayed at this level in the 1990s. At this higher

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<sup>1</sup> ShaKuntala Mehra, 'Surplus Labour in Indian Agriculture', Indian Economic Review, April 1966, Vol. I, No. 1, PP. III-129.

rate of GDP growth, one would normally expect that many new employment opportunities would be forthcoming. But this was not to be. During last two decades, there was a steep decline in employment-elasticity in almost all the major sectors. In the manufacturing sector, over the past two decades, employment elasticity declined from 0.59 to 0.33. Since 2000-01, under the influence of neo-liberal approach, the emphasis has continued to increase the efficiency. Thus, more and more labour displacing production techniques have been favoured and as a result growth has been jobless.

**Increase in Labour Force.** Since Independence, death rate has rapidly declined and the country has entered into the second stage of demographic transition. In India, demographic factor has operated in a direct manner. Over the years, mortality rate has declined rapidly without a corresponding fall in birth rate and the country has, thus, registered an unprecedented population growth. This was naturally followed by an equally large expansion in labour force. In Indian context, social factors affecting labour supply are also as much important as demographic factors. Since Independence, education among women has changed their attitude towards employment. Many of them now compete with men for jobs in the labour market. The economy has, however, failed to respond to these challenges and the net result is continuous increase in unemployment backlog. In rural areas, unemployment has increased mainly in disguised form, in urban areas it is open and visible.

○ **Inappropriate Technology.** In India, while capital is a scarce factor, labour is available in abundant quantity. Under these circumstances, the country should have labour-intensive techniques of production. However, not only in industries, but also in agriculture, producers are increasingly substituting capital for labour. In western

countries, where capital is in abundant supply, use of automatic machines is both rational and justified, while in India, on account of abundance of labour, this policy results in large unemployment.

According to W.A. Lewis, "In all those countries where unskilled labour is available in excess supply, great care is needed in exercising choice in respect of technique because monetary wage fails to reflect the real cost of labour. Lewis asserts that investment in such a situation in capital equipments may be profitable to individual capitalists, but it is certainly not beneficial to the society, because it increases unemployment and not production"<sup>1</sup>.

**Inappropriate Education System.** The education system in India is defective. It is, in fact, the same education system which Macaulay had introduced in this country during the colonial period. According to Gunnar Myrdal, India's education policy does not aim at the development of human resources. It merely produces clerks and lower cadre executives for the Government and private concerns. Myrdal considers all those who receive merely this kind of education not only as inadequately educated but also wrongly educated.<sup>2</sup> Any education system which fails to develop human resources properly, would need drastic changes.

○ **Neo-liberal Economic Policy.** With the introduction of neo-liberal structural reforms in India, income inequalities have increased. The estimates of consumption expenditure provided in *World Development Report*, 2006 show that Gini index of distribution of consumption rose from 29.7 in 1994 to 33.0 in 1999-2000. This implies that income inequalities have increased during the decade of economic reforms. Growing income inequalities generally lead to demand constraints and

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<sup>1</sup> W.A Lewis, 'The Theory of Economic Growth' (1956), P.356.

<sup>2</sup> Gunnar Myrdal, 'Asian Drama' (1968), P. 1647.

unemployment. In this period, due to liberalisation policy, all the consumer goods of elitist consumption were available and the rich eager to buy these things raised their consumption expenditure and created substantial effective demand. As a result, demand constraints, which in turn arrested the growth of output, cut down demand for labour. Hence, neo-liberal economic policy of the government aggravated the unemployment situation.

**Underdevelopment.** It is stressing that Indian economy, by and large, continues to be in a state of underdevelopment. The volume of economic activities, determined largely by agriculture, is low. The non-agricultural sector, in particular the modern industrial sector, which could provide increasing avenues of employment, is growing at a very slow pace.

This unfortunate situation of slow growth characterised the Indian economy even before independence. During the British period, the flourishing indigenous small-scale and cottage industries, were destroyed. Certain other policies also prevented the emergence of new industries. After the attainment of independence, there was a favorable atmosphere for rapid industrialisation but actual performance in this sector remained far short of the plan-targets and needs.

The slow capital formation over a long period also inhabited the growth-potential of activities in agricultural and industrial sector. Inadequacy of irrigation facilities, shortage of fertilizers and power, unsatisfactory transport facilities etc., all caused by the slow growth of capital-goods sector, have adversely affected the expansion rate of work-opportunities in agriculture. Similarly, the development of industries has also been hindered by the non-availability of machines, power, transport, essential raw materials, etc.

**Inadequate Employment Planning.** Employment planning in India has not contributed adequately to the solution of this problem. Employment till recently did not form an integral part of planning strategy in the sense that this objective was never quantified as a time-bound programme. No consideration was given in the plans for devising an appropriate wage-rate policy as an instrument of employment expansion or promotion of labour intensive techniques in a big way. Further, little has been done to utilise the labour surplus in villages. There is little that can be documented as a consistent and comprehensive programme of utilising labour or tackling the problem of unemployment.

- **Overall Inadequacy of Manning.** It has added the weak manpower planning i.e., balancing of manpower needs and supplies in the various branches of production, different regions of country and various skills. In some sectors of the economy, there is more than we need, while in others, there is less than required. So is the case with many regions and various skills. These imbalances have arisen in the sphere of educated and trained personnel. Even in those spheres, where large resources of the community were at stake, not much was done.

**Rapid Population Growth.** The rapid growth of population, in particular since 1951, has adversely affected the employment situation largely in two ways. In the first place, it has directly affected it by making large additions to labour force. Rate of job-expansion could never have been as high as population growth. To that extent, therefore, the population factor has contributed to the worsening of unemployment situation. Increase in labour-force has almost always been higher than the rate of population-growth. This means that population is becoming younger, requiring the creation of new job-opportunities at an increasing rate. Employment-expansion has not been sufficient to match the growth

of labour-force, and to reduce the backlog of unemployment. The result has been a worsening unemployment situation.

The second consequence of rapid population growth has been to worsen indirectly the unemployment situation by reducing the resources for capital formation. Any rise in population implies large additional expenditure on their rearing up, maintenance, education, etc. As a result, more resources get used in private consumption, (e.g., food, clothing, etc.) and in public consumption (e.g., drinking water, electricity medical and education facilities, etc). It has reduced the proportion of income to savings and investment. Population-growth has, thus, created hurdles in the way of fast growth of economy and job opportunities.

### **CONSEQUENCES OF UNEMPLOYMENT IN INDIA**

Unemployment is the root of a number of social and economic problems because when a person is unemployed or even underemployed, he or she is unable in managing bread and butter for himself and his family. It causes a bundle of problems. Some of the important problems are as under:-

**Poverty.** Poverty can be defined as a social phenomenon in which a section of the society is unable in fulfilling even the basic necessities of life. When a substantial segment of society is deprived of the minimum level of living and continues at a base subsistence level, the society is said to be plagued with mass poverty. In India, the generally accepted definition of poverty is based on the minimum level of living rather than a reasonable level of living.

The term 'Poverty' is used in two references - Absolute Poverty and Relative Poverty. Absolute poverty of a person means that his income is so meagre that he lives below the minimum subsistence level. He is not in

a position to fulfill his basic necessities. On the other hand, relative poverty means the inequality of income in the society. In the society, we find that some people are very rich while other persons are very poor. Form this point of view, we may say that USA is a rich country and India is a poor country.

Poverty line has been defined in India on the basis of nutrition intake. According to Indian Planning commission, it is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas. Poverty is the immediate consequence of unemployment because when a person is unemployed, he earns nothing and becomes poor. As per the estimates of 1999-2000, 26.1% of the total population of labour country was living below the poverty line. As per the estimates of 2004-05, 21.8% of the total population of country was living below the poverty line.

**Income Inequalities.** Unemployment causes income inequalities also. Indian economy is beset with gross economic inequalities. There are inequalities in income, with a very few cornering a very large chunk of total income and very large number getting a very small proportion. These inequalities are more severe in respect of the consumption level of the few at the top and the many at the bottom.

○ **Under-Utilisation of Resources.** An important economic consequence of unemployment is that a lot of resources available in the country remain under-utilised. Perhaps it is the reason why India is said to be a rich country, inhabited by the poor. We have vast natural resources but we are unable in utilising these resources to the desired extent. We fail to produce what we can and what we should. The single most important cause responsible for this situation is unemployment and underemployment.

**Social Problems.** Unemployment is the mother of a number of social problems, mainly because of two reasons: firstly, an unemployed person has nothing to do. He has no work to engage with. This situation causes dispute, misunderstanding, quarrels, etc. Secondly, an unemployed person has no source of income. In most of the cases, such persons fail to provide required food, clothes, shelter, medicines, etc for themselves and their family. It compels them to do what they do not like to do and should not do. It causes the crimes of theft, dacoity, robbery etc.

### **Suggested Remedial Measures**

In the light of above-mentioned causes of unemployment, we now discuss some of the measures that can help us in eradicating or minimising this evil.

- **Expanding Volume of Work.** Foremost solution to the problem of unemployment lies in enlarging the opportunities for work. This needs to be done to clear the backlog of unemployment and to provide jobs to the large additions being made to labour-force. The work to be expanded has to be both in the sphere of wage-employment and self-employment.

The ultimate avenue of more employment has to be found in the industrial sector, as also in the service sector. However, this will take time in India to materialise. Even the high industrial growth in recent years has not been of much help in this regard. Hence for a fairly long time to come, the key-role for employment needs to be assigned to the growth of agriculture. Significant contribution in this sphere can also be made by small-scale and cottage industries. Growth rate of economy has to be raised to a higher rate. However, in promoting an employment-oriented production-structure, it is important to ensure that it is consistent with the comparative advantage of the country and has a built-in bias for modernisation and technological upgradation.

**Raising Capital Formation.** It is also necessary that the accumulation of capital is stepped up. It helps employment expansion in two principal ways: *One*, it becomes possible to maintain the existing activities, as also to expand the current activities and to set up new ones. An increase in agricultural production depends much upon new irrigation facilities, more implements, etc. In the same way, setting up of industrial and service activities requires capital assets as buildings, machinery, etc. *Secondly*, capital formation directly generates employment in capital goods sector. The production of 'mother machines' i.e., the machines which produce machines, give rise to employment. This also provides capital goods for the production for consumer goods and services. *Thirdly*, a rise in capital formation will add to the capital stock of country. This will, by raising capital per worker, increase substantially the productivity of labour and raise the income of those who work.

An important thing about capital formation is that it should receive priority, both in timing and resources, so as to rapidly build up the capital stock right from the initial stage of development. India rightly started with the strategy of quickly building up the stock of capital in the country. This line finds its support in the models of Fieldman and Mahalanobis which show that a faster growth of employment would result if more investments are initially directed towards more capital-goods. It enables the country to realise ever expanding job-opportunities and at higher income-levels. Our country has already achieved a reasonable rate of capital formation. In the recent years, gross domestic capital formation rate has been around 24 per cent. This rate needs not only to be maintained but also to be stepped up to around 30 per cent.

**Appropriate Mix of Production Techniques.** It is also necessary to choose such a combination of capital-intensive and labour-intensive technologies of production as may generate maximum employment. On the face of it, labour-intensive activities such as cottage/household activities and also many agricultural operations, promise much by way of employment. But such an argument should not be carried too far. In the choice of technologies, another important thing to be kept in view is the total impact, direct and indirect, that a technology produces on employment. From this angle, capital-intensive technologies, are by and large, more employment-creating. This is so for several reasons: *One*, the secondary and tertiary employment-linkages are larger than in case of labour-intensive technologies. *Two*, labour when employed in capital-intensive industries, give rise not only to capital goods, but also generate employment in industries which provide inputs to them. Labour-intensive industries do not produce such like employment-effects. *Three*, capital-intensive technologies being more productive, give rise to large surpluses for additional investment. As such, these technologies become a continuous source of additional employment. *Four*, since capital-intensive industries ensure higher wages, these lead to higher demand for wage-goods. This in turn, leads to the generation of employment in consumer goods industries. One has to choose the right mix of technologies which may provide maximum employment at higher wage rates and provide surplus for further investment.

- **Special Employment Programmes.** Till the economy matures to a level where every one finds job as described above, it is necessary, as an interim measure, to undertake special employment programmes for those who do not get benefit from this type of growth in the short run. The number of persons to be helped in this way will be large. The need for

supplement programmes is all the more important for poor people, residing mostly in rural areas and small towns. There are large many seasonally unemployed, mostly those associated with agriculture, who need supplementary seasonal employment. Quite many, though employed such as artisans, do not earn enough to meet their needs even for necessities. They also need supplement employment.

Different types of people for whom special employment programmes are needed, are landless agricultural labourers, marginal farmers, village artisans, tribal people living in the remote areas of country as also the people living in the hilly areas. Specific employment programmes have to be such as suit specific group of people and specific areas. These programmes may be in the form of direct employment as rural capital works, or in the form of providing assets like animals, sewing machines, hand/power driven looms etc., or these may be in the form of the supply of infrastructural facilities like marketing, credit etc. to help them.

**Manpower-planning.** For achieving the aim of employment for all, it is necessary to manage human resources in a scientific manner. *One*, it is essential to adopt effective remedies to cut down the growth rate of population. This will no doubt reduce the growth rate of labour supply, not with standing only after some time, but it will make for the adoption for an appropriate employment policy and the solution of unemployment problem. *Two*, the supply of skilled labour needs to be tailored to the requirements of the rate and pattern of employment-oriented development. This should also take care for the imbalances. *Three*, while high-level skill-formation through education and training will be confined to a small proportion of labour-force, it is essential to improve upon the capabilities for the development of vast masses of people. *Four*, in

providing employment under special programmes, it is necessary to ensure that these accord with the characteristics of the target group/area as also with the overall development plans for various sectors.