

Unemployment**1. Unemployment and types**

Unemployment is a term referring to individuals who are employable and actively seeking a job but are unable to find a job. Included in this group are those people in the workforce who are working but do not have an appropriate job. Usually measured by the unemployment rate, which is dividing the number of unemployed people by the total number of people in the workforce, unemployment serves as one of the indicators of a country's economic status.

Types of Unemployment

There are basically four types of unemployment: (1) demand deficient, (2) frictional, (3) structural, and (4) voluntary unemployment.

1. Demand deficient unemployment

Demand deficit unemployment is the biggest cause of unemployment that typically happens during a recession. When companies experience a reduction in the demand for their products or services, they respond by cutting back on their production, making it necessary to reduce their workforce within the organization. In effect, workers are laid off.

2. Frictional unemployment

Frictional unemployment refers to those workers who are in between jobs. An example is a worker who recently quit or was fired and is looking for a job in an economy that is not experiencing a recession. It is not an unhealthy thing because it is usually caused by workers trying to find a job that is most suitable to their skills.

3. Structural unemployment

Structural unemployment happens when the skills set of a worker does not match the skills demanded by the jobs available, or alternatively when workers are available but are unable to reach the geographical location of the jobs.

An example is a teaching job that requires relocation to China, but the worker cannot secure a work visa due to certain visa restrictions. It can also happen when there is a technological change in the organization, such as workflow automation that displaces the need for human labor.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA
UNIT - III

4. Voluntary unemployment

Voluntary unemployment happens when a worker decides to leave a job because it is no longer financially compelling. An example is a worker whose take-home pay is less than his or her cost of living.

2. Reasons for unemployment

The Caste System

1. The caste system, a structure of social stratification that can potentially pervade virtually every aspect of life in India is a major factor in generating unemployment
2. In some locations, certain kinds of work are prohibited for members of particular castes. This also leads to the result that work is often given to members of a certain community, rather than to those who truly deserve the job those who have the right skills
3. The result is higher levels of unemployment

Inadequate Economic Growth

1. Indian economy is underdeveloped and role of economic growth is inadequate
2. This slow growth fails to provide enough unemployment opportunities to the increasing population
3. This means that as the population increases, the economy cannot keep up with demands for employment and an increasing share of people are unable to find work. The result is insufficient levels of employment nationwide.

Increase in Population

1. India's population is predicted to exceed China's by the year 2024; it will, furthermore, probably be the most populous country for the entirety of the 21st century.
2. As the country's economic growth cannot keep up with population growth, this leads to a larger share of the society being unemployed

Agriculture is a Seasonal Occupation

1. Agriculture offers unemployment for a large segment of the population, but only for several months out of the year.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

2. The result is that for a considerable portion of the year, many agricultural workers lack needed employment and income

Loss of Small-Scale/Cottage Industries

1. Industrial development has made cottage and small-scale industries considerably less economically attractive, as they do not offer the economies of scale generated by large-scale mass production of goods.
2. Oftentimes the demand for cheap, mass-produced goods outweighs the desire for goods that are handcrafted by those with very specific skill and expertise.
3. The result is that the cottage and small-scale industry have significantly declined, and artisans have become unemployed as a result.

Low Rates of Saving and Investment

1. India lacks sufficient capital across the board. Likewise, savings are low and the result is that investment—which depends on savings—is also low.
2. Were there higher rates of investment, new jobs would be created and the economy would have kickstarted
3. Also, there is lack of investment in rural areas and tier 2 and tier 3 cities as well, as a result of which there exists large untapped employment potential

Ineffective (or absent) Economic Planning

1. Problematically, there have been no nationwide plans to account for the significant gap between labor supply (which is abundant) and labor demand (which is notably lower)
2. It is crucial that the supply and demand of labor are in balance, to ensure that those who need jobs are able to get them; otherwise, many individuals will compete for one job.

Labor Immobility

1. Culturally, attachment and maintenance of proximity to family is a major priority for many Indian citizens. The result is that people

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

avoid traveling long distances from their families in pursuit of employment.

2. Additionally, language, religion, and climate can also contribute to low mobility of labor
3. As one might expect, when many of those who might otherwise be suited to jobs are unable to travel to reach them, unemployment is magnified

Job Specialization

Jobs in the capitalist world have become highly specialised, but India's education system does not provide the right training and specialisation needed for these jobs. Thus many people who are willing to work become unemployable due to lack of skills.

Lack of essential skilling

1. A study reveals that 33% of educated youth in India are unemployed due to a lack of future skills
2. Millions of students in our country even after finishing schooling, remain devoid of hands-on learning and robust practical knowledge.

3. Unemployment in India

- India's unemployment rate reached a high of 7.9% in four months according to the Centre for Monitoring Indian Economy (CMIE). A decreasing trend started emerging even before the economic activity was impacted by the new Covid 19 restrictions.
- The unemployment rate has risen to 7.9% as compared to 7% last year, whereas the rate in urban areas rose from 8.2% to 9.3%. Rural unemployment increased from 6.4% to 7.3%.
- India's Labor Participation Rate (LPR) decreased from more than 46% in 2016 to just over 40% in 2021.
- Therefore, 60% of the working population was either inactive or not looking for a job and hence dropping out of the labour market.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA
UNIT - III

Types of Unemployment

Unemployment can be grouped into various types based on the nature of work, the structure of the economy, the nature of the seasons, technological advancements in an economy, etc. Various types of unemployment are discussed below.

Frictional Unemployment

- It is when there is the least amount of unemployment prevailing in an economy due to workers quitting their previous jobs and searching for new jobs.
- One of the major causes of occurrence of frictional unemployment is lack of information about the availability of jobs and non-willingness of mobility on the part of workers (it means workers are not willing to travel to a distant place or a new state for employment).
- A frictionally unemployed person remains unemployed for a very brief period of time.

Cyclical Unemployment

- It occurs during the cyclical trends of booms and recessions of a business cycle.
- This type of unemployment occurs mainly due to either deficiency or fall in effective demand from consumers which in turn leads to a fall in production and low demand for labour.
- This type of unemployment occurs for a long period of time and workers remain unemployed during the entire phase of slowdown.
- The unemployment crisis due to the 2008 financial crisis is an example of Cyclical unemployment.

Voluntary unemployment

- It is when workers are either not seeking work or are in transition from one job to another.
- Voluntary unemployment is present all the time in an economy.
- As there will always be some workers, who quit their previous jobs in search of new ones

Involuntary unemployment

- It is when workers are actively seeking employment and are willing to work but are unable to get work.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

- Involuntary unemployment happens in an economy during the time of depression and decreases in aggregate demand for goods and services.

Structural unemployment

- It refers to a situation that arises as a result of a change in the structure of the economy.
- For instance, when an economy transforms itself from a labour-intensive to a capital intensive economy, structural unemployment happens due to the mismatch of skills.
- As a result, workers who do not know how to operate the new and advanced technologies will be removed.
- This type of unemployment happens as the current workers do not have the skills required by their employers.

Seasonal unemployment

- This happens during specific seasons of the year. It is more prevalent in sectors and occupations such as agriculture, holiday resorts etc., where production activities take place only in some seasons.
- Therefore, they offer employment for only a certain period of time in a year.
- People engaged in seasonal activities may remain unemployed during the off-season

Open unemployment

- It is a condition where people have no work to do. It is also known as naked unemployment.
- Here individuals are able to work and are also willing to work but there is no work for them.
- It is frequently found in larger cities and is less frequent in villages. Most of such individuals come from villages in search of jobs or might originate in cities themselves.
- Such employment can be seen and counted in terms of the number of such persons. Hence it is called open unemployment..

Under-employment

- It is a scenario where employed people are contributing to production less than they are capable of.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

- It can be estimated in terms of time, which is visible under-employment or type of work, which is invisible under-employment. Part-time workers come under this category.

Disguised Unemployment

- It occurs when a person is the one who seems to be employed but actually he is not. His/Her contribution to the total output is either zero or negligible.
- When more individuals are engaged in a job than the number actually required it leads to a state of disguised unemployment.
- It is mostly seen in rural areas such as in agricultural activities

Vulnerable Employment

- This means, people, working informally, without proper job contracts and thus get deprived of any legal protection. These persons are regarded as unemployed since records of their work are never maintained. It is one of the main types of unemployment in India.

Technological Unemployment

- It is unemployment that occurs as a result of the loss of jobs due to changes in technological developments.
- According to World Bank data, the proportion of jobs threatened by automation in India is 69% on a year-on-year basis.

4. Unemployment in Tamil Nadu

- Agriculture provides employment to many people in Tamil Nadu.
- Non-agricultural sectors do not generate enough employment for labor groups to change occupations.
- Most of Tamil Nadu's employment growth is contributed by the unorganized and unorganized informal sectors that provide low incomes.
- Employment Policy in Five Year Plans

1. 7th Five Year Plan 1985 - 1990

- On a general level basis, increasing the rate of employment growth

2. 8th Five Year Plan: 1992 — 1997:

- To generate 2% employment per annum by the year 2000
- Various employment schemes were developed for this purpose.

3. 9th Five Year Plan: 1997 2002;

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

- Attract public investment in agriculture
- Thereby creating excess employment

4. 10th Five Year Plan: 2002 - 2007:

- Creation of 10 million jobs per year
- Achieving 8% GDP growth
- Indirect generation through employment schemes

5. 11th Five Year Plan: 2007 - 2012

- Generation of urban (rural) employment
- Increasing employment in underdeveloped areas and sectors
- Extend employment insurance to the urban poor

6. 12th Five Year Plan; 2012 - 2017

- Increasing employment in the manufacturing sector
- Providing employment to 10 million more people

5. Effects of unemployment

- The problem of unemployment gives rise to the problem of poverty.
- Young people, after a long time period of unemployment indulge in illegal and wrong activities for earning money. This also leads to increase in crime in the country.
- Unemployed persons can easily be enticed by antisocial elements. This makes them lose faith in the democratic values of the country.
- It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading losses to the human resources of the country.
- It also affects the economy of the country as the workforce that could have been gainfully employed to generate resources gets dependent on the remaining working population, thus escalating socioeconomic costs for the State. For instance, 1% increase in unemployment reduces the GDP by 2%.

6. Bhagwati Group 1970

Purpose

The Government of India formed the Bhagwati Committee to assess the level of unemployment and devise measures to address it.

Recommendations:

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

1. To create a National Committee for Employment and Human Resource Planning.
2. Allocate a portion of the country's development resources and implement employment generation programs through additional taxation.
3. To undertake rural development projects on a large scale.
4. Priority should be given to labor intensive industries.
5. Working beyond specified hours should be prohibited.
6. Work week should be reduced from 48 hours to 41 hours.
7. To create an employment education node
8. Employment Insurance Scheme should be introduced.
9. A proper plan is essential to control population.
10. Priority should be given to backward communities.

SB Gupta Group - 2001

Set to explore ways to create 10 million jobs.

7. Rural Unemployment

Unemployment is a situation in which a person is actively searching for employment but unable to find work at the prevailing wage rate. It is a tragic waste of manpower and under utilisation of human resources. As long as there is unemployment, social problems cannot be stopped; and, economy cannot achieve development.

Causes for Rural Unemployment

1. **Absence of skill development and employment generation:** Lack of Government initiatives to give required training and then to generate employment opportunities.
2. **Seasonal Nature of Agriculture:** Agricultural operations are seasonal in nature and depend much on nature and rainfall. Therefore, the demand for labour becomes negligible during off-season. So, non-farm employment opportunities must be created.
3. **Lack of Subsidiary Occupation:** Rural people are not able to start subsidiary occupations such as poultry, rope making, piggery etc. due to shortages of funds for investment and lack of proper marketing arrangements. This restricts the employment opportunity and rural family incomes. Government must arrange funds for these people. However, as now they pay

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

huge interest to the local money lenders, for they are unable to get loans from formal sources.

4. **Mechanization of Agriculture:** The landlords are the principal source of employment to the farm labour. Mechanization of agricultural operations like ploughing, irrigation, harvesting, threshing etc. reduces employment opportunities for the farm labour.
5. **Capital-Intensive Technology:** The expanding private industrial sector is largely found in urban areas and not creating additional employment opportunities due to the application of capital intensive technologies. Government must establish firms to absorb surplus labour power.
6. **Defective System of Education:** The present system of education has also aggravated the rural unemployment problem. Large number of degree-producing institutions has come in the recent years. Students also want to get degrees only, not any skill. Degrees should be awarded only on the basis of skills acquired. The unemployed youth should get sufficient facilities to update their skills.

Remedies for Rural Unemployment

1. **Subsidiary Occupation:** To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations. Loans should be granted and proper arrangements should be made for marketing their products.
2. **Rural Works Programme:** Rural Works Programme such as (MGNREGA) construction and maintenance of roads, digging of drains, canals, etc should be planned during off-season to provide gainful employment to the unemployed.
3. **Irrigation Facilities:** Since rainfall is uncertain irrigation facilities should be expanded to enable the farmers to adopt multiple cropping. The increased cropping intensity creates additional demand for labour.
4. **Rural Industrialization:** To provide employment new industries should be set up in rural areas. This will open new fields of employment and also change the attitude of rural people towards work. For this, government has to do something. Private sector would not take up this responsibility.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

5. **Technical Education:** Employment oriented courses should be introduced in schools and colleges to enable the literate youth to start their own units.

8. Unemployment among educated people

Educated Unemployment in the Indian economy is such a type of unemployment where the educated people search for jobs according to their efficiency. However, in educated unemployment, the educated irrespective of their searches are unable to find desirable jobs. Structural unemployment can be referred to as educated unemployment in the Indian economy.

Reasons behind Educated Unemployment

The most concerning reason for unemployment or educated unemployment is the population growth in the Indian economy. The country also lacks investment in certain sectors, which lessens the job opportunities for educated job-seeking individuals. The Indian economy deals with educated job seekers who sometimes lack certain skills, which are required for a particular job. In most cases job seekers do not agree to join a job which has less value or salary. Another important cause for unemployment is the caste system, which acts as a barrier for the educated youth. In the Indian economy, rural talented individuals remain backwards due to a lack of proper training institutes in the rural areas.

Unemployment and its impact

Unemployment has a grave impact on the Indian economy according to the reports of the Centre for Monitoring the Indian Economy. The educated unemployment in the country has taken a paradigm shift, especially during the pandemic. Crime rate in the country has increased and the unemployed educated youth are more focused on addicts such as drugs or alcohol. In addition to that, the growing concern of poverty has led to a decrease in production rates in the Indian economy.

Initiatives of government to control unemployment in India

Government to tackle educational unemployment has launched initiatives and schemes. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched in 2015 to provide training and develop skills for better living. Start-up India Scheme of 2016 allows educated individuals to promote themselves as entrepreneurs. The National Skill Development Mission was launched in November 2014 to develop existing skills.

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA
UNIT - III

9. Employment Program – Evaluation and Shortcomings Causes of Program Failure

1. The project is not adequately funded.
2. A significant amount of the total funds were diverted to other projects.
3. Used to buy goods like cars, refrigerators, video cameras, term deposits (m) to invest in National Savings Schemes.
4. Foodgrains to be distributed under the RLEGP scheme have gone to the Public Distribution Corporation, other organizations.
5. The CAG report stated that wrong method was followed in calculating working days.
6. Many states calculate the wage expenditure by dividing it by the specified minimum wage rate. Working days have been calculated on a hypothetical basis.
7. Poverty in India is 21.9%.
8. Importance is given to food grain production. This has resulted in a decline in the amount of cultivated land.
9. Indirect selling of food grains (c) Smuggling
10. Not creating alternative sources of employment for rural people.
11. Not creating industrial structures in rural areas.
12. High student unemployment
13. Loans to the unemployed by banks have failed to create more employment.
14. The amount of subsidy given by the central government is decreasing.
15. Not properly supervising and administering the scheme

10. Ways to Eliminate Unemployment

Instructions:

1. Employment Schemes of Central and State Governments
2. Overseas employment agencies
3. Role of NGO
4. Promotion of self-employment
5. Regulation of vocational training programmes
6. Formulation of syllabus in modern manner
7. Bringing Small Enterprises in Villages
8. Regulation in Higher Education
8. Allocate more funds to the employment program

MANIDHANAHEYAM FREE IAS ACADEMY – TNPSC GROUP II & IIA

UNIT - III

9. Amendment of Labor Laws
10. Formulation of stringent laws
11. Policy of Free Trade
12. India's utilization of its own resource.
13. Lending at low rate of interest for development projects
14. Overinvestment
15. Creation of long-lasting assets
16. Initiation of some joint ventures in selected sectors
17. Building Entrepreneurship

11. Overseas Employment Agency

1. Appearance - 1978
2. The organization was established to help job seekers abroad (h) prevent them from being cheated by fake agents.
3. Encourages Indian workers to find employment abroad.

Objectives:

1. Acting as a recruitment agency for selecting Indian workers for overseas employment.
2. Carrying out joint industrial ventures abroad by itself or (a) on behalf of the Government.
3. Mobilization of necessary funds from overseas Indians for projects in India.
4. Heritage Taking necessary measures to intensify export of non-traditional goods.
5. Air travel Issuance of tickets on behalf of all foreign companies providing services such as transportation.
6. Provision of accident health insurance to overseas Tamils.
7. Issuance of foreign currencies to selected persons for foreign employment.
8. Finding qualified, experienced and committed manpower.
9. Provision of human resources required by domestic employers.
10. One-stop integration of foreign workers.
11. Certifications obtaining certifications from the most relevant authority bodies.
12. Provision of training facilities.
13. Provision of ticketing facilities.