

# FACULTY OF JURIDICAL SCIENCES

# Lecture-32



# Causes of unemployment in India

## • Inadequate Economic Growth

- Indian economy is underdeveloped and role of economic growth is inadequate
- This slow growth fails to provide enough unemployment opportunities to the increasing population
- 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

- 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.
- 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

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

- 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.

- Oftentimes the demand for cheap, mass-produced goods outweighs the desire for goods that are handcrafted by those with very specific skill and expertise.
- 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**

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

- **Ineffective (or absent) Economic Planning**

- 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)
- 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**

- Culturally, attachment and maintenance of proximity to family is a major priority for many Indian citizens. The result is that people avoid traveling long distances from their families in pursuit of employment.
- Additionally, language, religion, and climate can also contribute to low mobility of labor
- 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 specialized, but India's education system does not provide the right training and specialization needed for these jobs. Thus many people who are willing to work become unemployable due to lack of skills.

- **Lack of essential skilling**

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

## **Impact Of Unemployment**

- The problem of unemployment gives rise to the problem of poverty.
- The government suffers extra borrowing burden because unemployment causes a decrease in the production and less consumption of goods and services by the people.
- Unemployed persons can easily be enticed by antisocial elements. This makes them lose faith in the democratic values of the country.
- People unemployed for a long time may indulge in illegal and wrong activities for earning money which increases crime in the country.
- Unemployment affects the economy of the country as the workforce that could have been gainfully employed to generate resources actually gets dependent on the remaining working population, thus escalating socio-economic costs for the state. For instance, a 1 % increase in unemployment reduces the GDP by 2 %.
- It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading to losses to the human resources of the country.

# **Government Initiative To Control Unemployment**

Several policies have been initiated by the government to reduce the unemployment problem in the economy. The policies to reduce unemployment are highlighted below:

- In 1979 the government launched TRYSEM – Training of Rural Youth for Self-Employment. The objective of this scheme was to help unemployed youth of rural areas aged between 18 and 35 years to acquire skills for self-employment. The priority under this scheme was given to women and youth belonging to SC/ST category.
- The Government launched the IRDP – Integrated Rural Development Programme (IRDP) in the year 1980 to create full employment opportunities in rural areas.
- A new initiative was tried namely RSETI/RUDSETI in 1982 jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Canara Bank and Syndicate Bank. The aim of RUDSETI, the acronym of Rural Development And Self Employment Training Institute was to mitigate the unemployment problem among the youth. Rural Self Employment Training Institutes/ RSETIs are now managed by Banks with active cooperation from the state and central Government.
- The Jawahar Rozgar Yojana (JRY) was started in April 1989 by merging the two existing wage employment programme i.e. RLEGP – Rural Landless Employment Guarantee Programme and NREP – National Rural Employment Programme on an 80:20 cost-sharing basis between the state and centre.
- MNREGA – Mahatma Gandhi National Rural Employment Guarantee Act launched in 2005 providing the right to work to people. An employment scheme of MGNREGA aimed to provide social security by guaranteeing a minimum of 100 days paid work per year to all the families whose adult members opt for unskilled labour-intensive work. For details on MNREGA check the link provided.
- PMKVY – Pradhan Mantri Kaushal Vikas Yojana was launched in 2015. The objective of PMKVY was to enable the youth of the country to take up industry-relevant skill training in order to acquire a secured better livelihood. For further details on Pradhan Mantri Kaushal Vikas Yojana check the given link.

- The government launched the Start-Up India Scheme in 2016. The aim of Startup India programmes was to develop an ecosystem that nurtures and promotes entrepreneurship across the nation. Check detailed information on Startup India Scheme in the given link.
- Stand Up India Scheme also launched in 2016 aimed to facilitate bank loans to women and SC/ST borrowers between Rs 10 lakh and Rs. 1 crore for setting up a Greenfield enterprise. Details on Stand-Up India is given in the linked page.
- National Skill Development Mission was set up in November 2014 to drive the ‘Skill India’ agenda in a ‘Mission Mode’ in order to converge the existing skill training initiatives and combine scale and quality of skilling efforts, with speed. Check the National Skill Development Mission in detail.