

POLICY IMPLICATION TO ERADICATE UNEMPLOYMENT & ECONOMIC GROWTH IN INDIA

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Abstract:

The cause of high unemployment in India is a subject of intense debate among scholars. A group of scholars state that it is a consequence of "restrictive labor laws that create inflexibility in the labor market", while organized labor unions and another group of scholars contest this proposed rationale. India has about 250 labor regulations at central and state levels, and global manufacturing companies find the Indian labor laws to be excessively complex and restrictive compared to China and other economies that encourage manufacturing jobs. The Indian labor laws are "so numerous, complex and even ambiguous" that they prevent a pro-employment economic environment and smooth industrial relations. India needs "labor market reforms that address the needs of both employers and workers", and it should rewrite its labor laws that protects its workers, provides social security for workers between jobs, and makes compliance easier for the industry. This slow growth fails to provide enough unemployment opportunities to the increasing population. Constant increase in population has been a big problem in India. It is one of the main causes of unemployment. Agriculture is underdeveloped in India. It provides seasonal employment. Large part of population is dependent on agriculture. But agriculture being seasonal provides work for a few months. So this gives rise to unemployment. In big families having big business, many such persons will be available who do not do any work and depend on the joint income of the family. Unemployment is a curse to the society. It does not only impact the individuals but also the society as a whole. There are a number of factors that lead to unemployment. Here is a look at these factors in detail and also the possible solutions to control this problem.

Key Words:unemployment, society, population, agriculture.

Introduction:

People who are willing to work and are earnestly looking for job but are unable to find one are said to be unemployed. It does not include people who are voluntarily unemployed as well as those who are unable to seek job due to certain physical or mental health problem. There are various factors that lead to the problem of unemployment in the country. These include, slow

Industrial growth, rapid Increase in population, focus on theoretical education, fall in cottage industries, lack of alternative employment opportunities for the agricultural workers and technological advancement. Unemployment does not impact only the individuals but also the growth of the country. It has a negative impact on social and economic growth of the country, such as, increase in crime rate, poor standard of living, loss of skill, political instability, mental health issues, slow economic growth etc. Surprisingly, despite the negative repercussions it has on the society, unemployment is one of the most overlooked issues in India. The government has taken certain steps to control the problem; however, these have not been effective enough. The government should not just initiate programs to control this problem but also keep a check on their effectiveness and revise them if need be.

Types of Unemployment

The most accepted classification of Unemployment recognizes two broad types: Voluntary and Involuntary Unemployment.

Voluntary unemployment arises when an individual is not under any employment out of his own desire not to work. Could be from their total apprehension towards the concept itself, or it may be that an individual is unable to find work paying his desired wages and he doesn't want to settle.

Involuntary unemployment encompasses all those factors that prevent a physically fit individual willing to work from getting an appointment. According to John Maynard Keynes, "involuntary unemployment arises due to insufficiency of effective demand which can be solved by stepping up aggregate demand through government intervention". Involuntary Unemployment is further categorized into subheads;

1. Structural: Such employment stems from any structural change in the economy that leads to decline of specific industries. Long term changes in the market conditions, reorganization of the same, and sudden changes in the technological sector, creates a Skill Gap in the existing workers.

2. Regional: Globalization and relocation of jobs also leads to unemployment as workers are often unable to move to the new location where the employers currently hold positions.

3. Seasonal: In some industries production activities are season best and employment occurs only in peak seasons. Agro-based industries and tourism industries are examples of this form of unemployment.

4. Technological: This type of unemployment is either generated following the introduction of technologically advanced mechanization that renders manual labor redundant, or through inclusion of technology that the current labor force is ill-adapted to.

5. Frictional: This type of unemployment happens when the labor is either transitioning between jobs or is trying to find a job more suited to their skill set. Friction is generally referred to the time, energy and cost that a person invests while searching for a new job.

6. Educated: This form of unemployment happens when people with advanced degrees are unable to procure an engagement that is suited to their level of training.

7. Casual: Some occupations can only offer temporary employment to individuals and their engagements are subject to termination as soon as the demand subsides. Daily laborers who work on a day-to-day basis are example of such types of unemployment.

8. Cyclical: This type of unemployment refers to the periodic cycle of unemployment associated with cyclical trends of growth in business. Unemployment is low when business cycles are at their peak and high when the gross economic output is low. Several external factors like wars, strikes and political disturbances, natural calamities that affect business cycle are also contributors to cyclical unemployment.

9. Disguised: This is a scenario when more people are employed in a job than is actually required for it. This is hallmark of developing economies where availability of labor is abundant. It is primarily a feature of the agricultural and unorganized sectors.

Causes of Unemployment

Unemployment is a reason for alarming concern in India today. The root of the problem can be traced to a host of reasons that contributes collectively towards this problem.

1. Economic Growth without adequate employment opportunities: India's GDP projections for year 2017 is 7.5% but that growth does not currently translates into creating

more employment opportunities for the labor force of the country. In a survey conducted among a sample of 1072 companies across the nation and across various sectors, during the financial year of 2014-2015 only 12,760 jobs were created compared to 188,371 jobs in the year 2013-2014. In the year 2016, India's rural unemployment rate stands at 7.15% whereas unemployment rate in urban areas stand at 9.62%.

2. Education: Although literacy rates have risen in the last few decades, there still remains a fundamental flaw in the education system in India. The curriculum is mostly theory-oriented and fails to provide vocational training required to match up with current economic environment. The degree-oriented system renders itself redundant when it comes to producing human resources adept at fitting into specific profiles within the economy.

3. Population growth: Rapid growth of population has often been labeled as the major reason for increasing unemployment in the country. In the last ten years (2006-2016), India's population has increased by 136.28 million and unemployment is at a 5 year high in the financial year of 2015-2016. Current survey data revealed that at the all-India level, 77% of families do not have a regular salaried person.

4. Faulty Employment planning: The five-year plans implemented by the government have not contributed proportionately towards generation of employment. The assumption was that growth in economy will automatically generate enough employment. But in reality the scenario doesn't quite match up to the assumption and there have remained gaps between the required number of jobs and the actual numbers generated.

5. Drawback of Agriculture Infrastructure: According current statistics, agriculture remains the biggest employer in the country contributing to 51% employment. But ironically the sector contributes a meager 12-13% to the country's GDP. The problem of disguised unemployment has turned out the biggest contributor behind this deficit. Also the seasonal nature of employment in this sector builds up recurring cycles of unemployment for the rural population. Lack of proper irrigation infrastructures and outdated cultivation methods still used renders most of the agriculture land in India usable for cultivating just one crop a year. This is another contributing factor towards seasonal nature of unemployment in the sector.

6. Alternative opportunities: There has been a definite push towards providing the people employment by the agriculture-based industries with alternate methods of employment during the lull seasons. Skill-based trainings for their employment in other sectors are lacking till date.

7. Slow Industrialization: The industrial scenario in India is still slow to flourish. Agriculture still remains as the biggest employer in the country. People are not yet keen towards self-employment, especially in the rural sector, depending on existing employment opportunities.

8. Neglect of cottage industries: For landless people in rural areas of India, one of the major means of livelihood is the cottage industries like fabric and handicrafts. But these small-scale industries are adversely affected by larger more mechanized industries which out-competes them in productivity. As a consequence, it is becoming more and more difficult to sustain the cottage industries inciting loss of employment for many.

9. Lack of Investment: Inadequacy of capital investment persists heavily in India and that has been a key contributor in not generating enough industry that in turn provides employment to the labor force.

10. Immobility of Labor: One more factor that leads to unemployment is people not being interested to move for jobs. Responsibility and attachment to family, language barrier, religion and lack of transport are key contributing factors in this regard.

What says The National Sample Survey?

According to ILO, the NSSO surveys are India's most comprehensive as they cover small villages in remote corners and islands of India. However, this survey uses unconventional and India-specific terminology. It estimates the activity status of a person by different approaches i.e. "usual status" unemployment and "current status" unemployment. These estimates yield various forms of unemployment numbers, according to an ILO report, and the totals vary based on, factors such as whether a person has, for pay or no pay, "worked at least for 30 days during the reference period of 365", "worked for at least 1 hour on any day during the 7 days preceding the date of survey", and an estimate for "person-hours worked in the reference week" according to its statistical methods". From its sample survey, it estimates a wide range of employment and unemployment statistics, along with the total population of the nation, gender distribution, and a host of other data.

Unemployment and under-employment have been a long-standing problem in the Indian economy. According to a 2013 report by PravinSinha, the Indian labor force has been officially classified by the Indian government into three categories:

- Rural sector, which includes the farm labor
- Urban formal sector, which includes factory and service industry labor with periodic salaries and coverage per Indian labor laws
- Urban informal sector, which includes self-employment and casual wage workers

The rural and informal sectors of the Indian labor market accounted for 93% of the employment in 2011, and these jobs were not covered by the then existing Indian labor laws. According to the 2010 World Bank report, “low-paying, relatively unproductive, informal sector jobs continue to dominate the [Indian] labor market. The informal sector dominates India’s labor markets and will continue to do so in the medium term”, states the World Bank, and even if the definition of the “formal sector is stretched to include all regular and salaried workers, some 335 million workers were employed in the informal sector in 2004–5”.

Unemployment in India statistics has traditionally been collected, compiled and disseminated once every five years by the Ministry of Labor and Employment (MoLE), primarily from sample studies conducted by the National Sample Survey Office. Other than these 5-year sample studies, India has – except since 2016 – never routinely collected monthly, quarterly or yearly nationwide employment and unemployment statistics. In 2016, Centre for Monitoring Indian Economy – a non-government entity based in Mumbai, started sampling and publishing monthly unemployment in India statistics.

Solutions to Reduce Unemployment Rate: Collective efforts directed by the Government as well as citizens towards the following points might help alleviate the problem of unemployment in the country.

1. Increased Industrialization: One of the most sure-shot remedies of the unemployment situation in India is rapid industrialization. Increased number of industries translates effectively into increased number of employment opportunities. Due to the emphasis put on agriculture in our economy, industrialization still takes a backseat, with farmers not ready to give up land for establishing industries. They need to be encouraged with better incentives and guaranteed jobs for a member of the family in the newly established industry.

2. Emphasis on Vocational and Technical Training: The curriculum pursued in universities should be altered to focus more on practical aspects of learning. More institutions need to be established that offer vocational courses that will translate directly into relevant jobs.

3. Encouraging Self-employment: Self-employment should be encouraged more with introduction of liability free loans and government assistance for funding. Incubation centers need to be promoted to cultivate original business ideas that will be financially viable.

4. Improved Infrastructure in Agriculture: Time has come for the entire agricultural infrastructure in the country to undergo a serious overhaul. Better irrigation facilities, better farming equipment, dissemination of knowledge regarding multiple crop rotation and crop management should be focused on. This will lead to year round increased production of crops, generating employment throughout the year.

5. Inviting Larger Capital Investments: Although India's economic market is seeing increased investments from overseas investors owing to its cheap labor costs; a lot more is still need to bridge the gap of unemployment. Government as well as leading business houses of the country should seek to invite more foreign collaboration and capital investment in every sector.

6. Focused Policy Implementation: Subsequent policies have focused on the issues like poverty and unemployment, but the implementation leaves a lot to be desired. Schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Rajiv Gandhi SwavlambanRozgarYojna are examples of the initiatives that the government has undertaken to address the unemployment problem. The recent Make in India initiative is another such step that has heart in the right place. The government should seek to streamline its implementation strategies so that the benefit from such schemes may be maximized.

7. Population Control: It is high time the government of India should take stern steps to control the population of the country.

8. Education System: The education system in India focuses majorly on the theoretical aspects rather than skill development. The system must be improved to generate skilled manpower.

9. Overseas Companies: The government must encourage foreign companies to open their units in the country to generate more employment opportunities.

10. Employment opportunities: Employment opportunities must be created in rural areas for seasonally unemployed people.

Conclusion:

The problem of unemployment in the country has persisted since long. While the government has launched several programs for employment generation, desirable progress has not been achieved. The policy-makers and the citizens should make collective efforts in creating more jobs as well as acquiring the right skill-set for employability.

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