

## UNEMPLOYMENT: STUMBLING BLOCK TO ECONOMIC GROWTH

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### **ABSTRACT**

*Future economic growth of India largely rests into skilled and capable workforce. An increasing share of the youth population with increased school and college enrollment rates is not less than an asset for Indian Economy. However, due to inelastic employment opportunities, a high proportion of educated youth does not find suitable work and hence adds to the problem of educated unemployment. What causes unemployment is regularly a subject of substantial open deliberation in the scholastic and strategy exploration. It is the ingrained certitude that each nation needs to accomplish complete avocation for its developing populace. In a significant number of nations, including India, the unemployment rate is still alarming. Many examinations have been directed till date to comprehend the real drivers of unemployment. This paper aims at giving a deep insight into the nature of unemployment in India, its various causes, impact on the economy and major steps taken up by government for reducing rates of unemployment in India.*

**KEYWORDS:** *Hidden Unemployment, Indian Economy, Underdeveloped, Economic Growth, Joblessness*

### **INTRODUCTION**

The issue of creating work opportunities for all the capable people willing to work is an issue primarily to all nations regardless of the fact that the nation is developed, developing or technically outdated. However, the extent of such a problem in an economy, its impact on society and causes of its existence may differ from place to place. On the basis of various studies so far, major causes of the existence of unemployment can be summarized as: (1) Unemployment accruing due to lack of effective demand, (2) Unemployment on account of outdated technology or lack or efficient resources for production, (3) Unemployment accruing due to the workforce being in the process of shifting from one job to another. The first major type of unemployment is common in almost all developed countries and a sort of recurring in nature. The second type can be seen in underdeveloped countries and third can exist in any type of economy irrespective of nature of economy. The objective of social approach in all nations, particularly in the propelled ones, has been to accomplish full employment by coordinating speculations along specific channels predominantly and by empowering capital arrangement.

For an Underdeveloped Economy like India, Unemployment, especially disguised unemployment has always remained a chronic social evil, a matter of concern and an area of analytical study about its causes and various solutions to tackle this problem. However, in India major steps for eradicating unemployment were taken only after formulation of planning commission. In First Five Year Plan drafted in 1950-51, reduction of unemployment and underemployment was one of the principal economic objectives. But in early stage of planning, it was presumed that employment generation is the consequence of economic development and hence it was not considered as one of the important objectives. In second five year plan, creating broad base for employment generation was considered as one of the four main targets to be achieved.

However the plan was not very successful in creating employment for all. In third five year many more people added to the work force along with those people who didn't found gainful employment in second five year plan, this worsen the situation further. It was only after fifth five year plan that unemployment and underemployment was considered as a major cause for poverty and a growth retarding factor. Hence time to time government has taken various initiatives in different plan periods for eliminating poverty from the country. (pandey)

## **TYPES OF UNEMPLOYMENT**

(Mengal) For numerous of us those idea for unemployment will be a standout amongst the individuals who don't have an occupation or, those who do not get any pay. Such a thought might apply generally to the uneducated people who would not be capable of finding a job. There are limitless number of individuals in rural and urban zones, who don't get compensation for their work. They are still considered as gainfully employed. (Ms. Richa Modiyani, 2015) We may broadly classify these unemployments as under:

### **Seasonal Unemployment**

It implies that there are some types of work for which demand do not remain consistent all through the year and tends to change with adjustment in the season. In other words, this is a situation when there is lack of demand in the economy for a particular kind of product at a specific point of time in a year, due to which demand for labour and capital in that business falls which cause seasonal unemployment.

The seasonal unemployment is pervasive in those businesses which are occupied with periodic manufacturing work. For example, horticultural industry wherein the interest for laborers is more amid reaping than is required in different months in a year. Equivalently, in case of Hotel industry, the interest for the cooking staff and additionally the housekeeping staff is all the more amid the pinnacle season when contrasted with the request in the off-season.

The seasonal unemployment implies the under-usage of labor as well as the assets utilized as a part of the creation. For example, the interest for woolen garments will be more in winters than alternate seasons and consequently the requirement for the capital assets and the labor in the yarn industry will be all the more amid this period.

The seasonal unemployment is pretty much unsurprising as it is known with sureness the era amid which the interest for the item changes. It is a type of basic joblessness wherein the economy structure changes as per the adjustment in the season, and subsequently the interest for the labor differs in like manner.

### **Disguised/ Hidden Unemployment**

(Dasgupta, 1956) The Disguised Unemployment refers to a situation where more than required people are working such that the marginal productivity of some workers is zero or approximately zero. In other words, even if some workers are removed from work, there will not be any reduction in total output.

More labor utilized on a solitary bit of work than really required is called as the hidden joblessness. The people who are utilized and stays inefficient all through the work is said to be disguisedly unemployed. For instance, suppose a land can be reaped by ten people successfully. However 14 specialists are occupied with a comparable sort of task, at that point the marginal productivity of extra four people will be zero as they will contribute nothing to the level of yield. Furthermore, along these lines, the evacuation of these additional specialists will prompt no adjustment in the aggregate

profitability even with no adjustment in the strategy for manufacturing. The hidden unemployment is especially predominant in the underdeveloped parts of the economy, for example, agribusiness, where a large number of people are engaged and the openings for work are few. It is extremely hard to track the hidden unemployment as it can't be measured and appeared in the official records.

### **Frictional Unemployment**

(Verma, 2011) Frictional unemployment is a type of permanent feature existing in every type of economy on account of people shifting employments, vocations, or areas. It can also be known as voluntary unemployment, because it is not caused by resentment but due to the process or a period of changing from one state or condition to another. Specialists who pay special mind to another activity when as yet holding their old occupations don't check under frictional joblessness. This kind of unemployment exists on account of the confound between the forces of free market activity in the job market.

### **Structural Unemployment**

Structural unemployment is a more drawn out, enduring type of joblessness caused by key moves in an economy and exacerbated by incidental factors, for example, innovation, rivalry and government strategy. Reasons why auxiliary joblessness happens in corporate laborers' absence of imperative employment abilities or that specialists live a long way from locales where occupations are accessible and can't draw nearer. Employments are accessible; however, there is a genuine criss-cross between what organizations require and what specialists can offer. (Restrepo, 2015)

### **Cyclical Unemployment**

The economy is subject to trade cycles, when rate of unemployment in an economy changes with peaks and troughs of trade cycle, then it is considered as cyclical unemployment. It is a temporary feature of any economy which arises during depression or recession phase of trade cycle and vanishes as soon as the economy starts to recover and move towards a period of boom. (Amadeo, 2017)

### **Technological Unemployment**

In present scenario of rapid innovations, production techniques tend to become obsolete at a faster rate. In such a situation, if a market is inflexible and labor is not versatile enough to adapt the changed techniques of production than in that case they lose their job. This type of unemployment exists due to rapid changes in technology, therefore named as technological unemployment. It can also be seen as a trend where machines are replacing labor and creating unemployment. (Pettinger, 2017)

## **CAUSES OF UNEMPLOYMENT IN INDIAN ECONOMY**

### **High Pressure of Population**

India is second most populated country in the world which causes the existence of excessive labor, especially in the agriculture sector. This excess labor adds to pressure on land and causes disguised unemployment. The population growth rate in India is very high as compared to a growth rate of job opportunities which causes employment elasticity to remain very low and hampers the overall growth rate of the economy. (Ritu, 2016)

**Lack of Vocational Education**

Education system in India is still theoretical, as a result of which every year a large number of graduates and postgraduates get their degrees but without any actual practical knowledge of field work due to which they add to educated youth unemployment. (Gyan, 2015)

**Low Rate of Capital Formation**

In an underdeveloped country like India, marginal propensity to save is very low due to many factors like ignorance of people, large family size leading to more consumption expenditure, inflationary pressure etc. As savings are low on one hand and banking credit facilities are not well developed on the other hand, rate of capital formation remains low, due to which employment opportunities also grow at very slow pace causing unemployment in the economy.

**Slow Growth of Industrial Sector**

Growth of employment avenues in India is very less because of stagnant growth of industrial sector. Despite of the emphasis laid on industrialization of economy, there is not very much progress in required direction.

**Immobility of Workforce**

Inflexibility of labor movement to far off places also creates gap between employment opportunities and employment seekers. This is mainly because people feel hesitant to go away from their family, because of attachment or due to difference in climate, language and culture of different places.

**IMPACT OF UNEMPLOYMENT ON ECONOMIC GROWTH**

- Unemployment is a social evil which keeps rate of growth of an economy at its low level. Growth rate of any economy can be measured by the total output of the economy during that period. If the rate of unemployment in an economy is high, then it means low levels of income in the hands of people, which leads to low level of savings and it further leads to low level of capital formation, low productivity and low output. A macroeconomic law known as Okun's Law named after economist Arthur Okun states that there is an indirect relation between unemployment and the rate of growth of an economy. In other words, if the unemployment rate in an economy increases, says by 1 percent than there will be decline in total output of the economy by 2 per cent. However, applicability of this law differs time to time and place to place. (HIGGINS, 2011)
- Confronting a higher rate of unemployment in the economy, business people's presumptions of employing an incompetent laborer in the quest and coordinating procedure are likewise higher, bringing about lower motivators to invest (and employ) since add up to return benefits will subsume a higher likelihood of training the laborer. Consequently, it leads to lower development rate and a much higher rate of unemployment. (António Neto, 2013)
- In any case, high rate of unemployment infers a wasteful utilization of assets furthermore, squandered work, not performed by the jobless, which can never be recuperated. Besides, high joblessness additionally infers a lower total demand; not exclusively lower consumption expenditure, hurting current development, investment of private entrepreneurs in physical and human capital is also additionally fallen, hurting future development potential. (David Castells-Quintana, 2012)

- High joblessness leads to high monetary burden, through lower salary incomes and higher expenditure on welfare of public. A higher monetary burden is probably going to diminish investment in the economy and to increase the burden of debt, which handicaps future development potential. (S. Chatterjee, 2007)
- Unemployment can prompt a disintegration of human capital; individuals jobless for long stretches may progress toward becoming inept, as their expert abilities end up noticeably out of date in a period of fast innovative change and quickly changing employment desires. (Pissarides, 1992)

## **SOME STEPS TAKEN BY GOVERNMENT TO CURB UNEMPLOYMENT**

### **Swarnjayanti Gram Swarozgar Yojana (SGSY)**

In April, 1999 the Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Woman and Children in Rural Areas (DWCRA), the Ganga Kalyan Yojana (GKY) as well as the Million Wells Scheme (MWS) were submerged into one and named as Swarnjayanti Gram Swarozgar Yojana. The scheme was launched to help rural people below poverty line by providing them incentives to indulge in self-employment activities. Incentives which are provided under the scheme include both easy availability of bank credit as well as government subsidy. Both central as well as state governments contribute towards this scheme on 75:25 bases. (yadav, 2010)

### **Sampoorna Grameen Rozgar Yojana (SGRY)**

On 25<sup>th</sup> September 2001, Government of India launched a centrally sponsored scheme for providing wage employment to rural poor with the primary objective of improving their nutritional level through food availability and also to ensure overall development of the rural areas. At the District level, the designation of assets and nourishment grains will be made based on the extent of country SC/ST populace in a region to the aggregate SC/ST populace in the State and converse of per capita generation of the farming laborers in that District. The SGRY will be available to all country poor who need wages and want to do manual and incompetent work in and around his town/environment. While giving compensation business; inclination might be given to agrarian breadwinners, non-rural incompetent workers, minor agriculturists, ladies, and individuals from Schedule Castes/Schedule Tribes. (Meghalaya, 2008)

### **National Food for Work Programme (NFFWP)**

Ministry of Rural Development along with State governments and planning commission recognized 150 districts of the country which are most backward and launched a centrally sponsored scheme in November 2004 named as National Food for Work Programme with the aim of providing additional employment with food security. This scheme was later incorporated into National Rural Employment Guarantee Act (Misra).

### **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

National Rural Employment Guarantee Act, which is popularly called as Mahatma Gandhi National Rural Employment Guarantee Act 2005 was initiated on 7<sup>th</sup> September 2005 with the aim to ensure work of all. Under this act, 100 days of assured employment is guaranteed to the unemployed people who are willing to work as unskilled manual worker. MGNREGA can be seen as an instrument of inclusive growth which mainly operates through village panchayats and focuses on empowering all those ignored and backward sectors of the economy by providing them living for

sustenance. (Shah, Mann, & Pande, 2012)

### **National Rural Livelihood Mission (NRLM)**

The Swarnjayanthi Gram Swarozgar Yojana (SGSY), a midway supported program of the Ministry of Rural Development (MORD), Government of India (GOI) has been rebuilt and executed as National Rural Livelihood Mission (NRLM) since FY 2010-11. The primary target of the NRLM is to eradicate unemployment through creative usage methodologies including preparation and association of the poor and their monetary and financial – incorporation. The NRLM is executed on a cost sharing premise between the Center and the States. (Jagadeeswari, 2015)

### **Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDU-GKY)**

On 25<sup>th</sup> September 2014 Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDU-GKY) was launched as an initiative of National Rural Livelihood Mission (NRLM) entrusted with the double destinations of adding assorted variety to the earnings of provincial poor families and takes into account the vocation desires of country youth centering between the ages of 15 and 35 years. A base position of 70% of the task focus of all students through the help of preparing accomplices also, manager engagement, with a base prescribed month to month pay of INR 6,000/- (fluctuating in view of preparing to obtain). Training, Uniform, Course material, lodging and board in case of residential programmes and reimbursements of expenses in non-residential programs are provided free of cost to the candidates. (Khuntia, 2017)

### **MUDRA Yojana**

In an underdeveloped country like India, small businesses play a key role in creating employment opportunities also it adds to the GDP growth of the country. Hence with the aim to generate self employment in the country, Modi Government launched MUDRA Yojana on 8<sup>th</sup> April, 2015. MUDRA which means Micro Unit Development and Refinance Agency aims to give framework rule to borrowers, which could help them to manage business properly. Improvement of standard arrangement of agreements overseeing loan availability to small scale units, which later will be the backbone of the smaller scale business. Designing and executing a credit ensure conspire for giving assurances to the advance given to miniaturized scale specialty units Creating a decent design to build up a viable framework for last mile credit conveyance to small scale specialty units under the plan of Pradhan Mantri MUDRA Yojana (PMMY). (Roy, 2016)

### **Pradhan Mantri Kaushal Vikas Yojana**

Government of India launched Pradhan Mantri Kaushal Vikas Yojana on 16<sup>th</sup> July 2015 under Ministry of Skill Development and Entrepreneurship with the aim to empower countless youth to take up industry-applicable ability that will help them in securing a superior occupation. People with earlier learning background or aptitudes will likewise be surveyed and affirmed under Recognition of Prior Learning (RPL). It also give Monetary Awards of Rs. 8000 per month to candidates undergoing Skill Certification which help them getting gainfully employed and increases efficiency of youth by boosting them for ability trainings. (Chaugule, 2015)

## **CONCLUSIONS & RECOMMENDATIONS**

Unemployment is the base of various social and financial issues, since when a man is jobless or even underemployed, he or she can't in overseeing livelihood for himself and his family. It causes a heap of issues. It leads to creation of income inequalities in the economy and widens gap between rich and poor. Most importantly due to

unemployment, a considerable amount of assets accessible in the nation stay under-utilized. Noteworthy answer for the issue of joblessness lies in expanding the open doors for work. This needs to be done to clear the excess of joblessness and to give employments to the extensive increases being made to the workforce.

In the youth labor market, Joblessness of youth is just a single of the issues. Since numerous of them are in the unorganized sector, the wage and efficiency of workers, conditions of work and government disability must be made strides. Ventures are imperative for higher development which can enhance work if put resources into work concentrated segments. One reason for the low development in work in the post reform period could be low development of investment. India has not possessed the capacity to exploit 'demographic dividend' due to low vocational training and abilities.

India has recognized that skill development is essential for achieving the target of full employment in the economy. It is imperative to acknowledge however that we can just harvest this statistic profit on the off chance that we contribute on human asset improvement and ability development in an enormous way and make gainful work for our generally youthful working". Aptitude change is one of the imperative things required in dynamic work approaches.

Growing limit through private segment activities in higher adapting should be investigated while looking after quality. States of work and advancement of vocations are essential for raising the livelihoods of youth laborers. Since greater parts of workforce are in the unorganized sector, vigilant measures are likewise required.

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