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## UNIT 20 UNEMPLOYMENT

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### 20.0 OBJECTIVES

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This unit gives an overview of the problem of unemployment in India and the policy measures adopted to overcome this problem. On going through it you will be in a position to:

- 1 explain the meaning of unemployment;
- 1 identify the types of unemployment found in India;
- 1 describe the extent of unemployment in India;
- 1 identify the causes of unemployment;
- 1 examine Government policy for removing unemployment; and
- 1 explain different unemployment eradication schemes in India.

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## 20.1 INTRODUCTION

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Expansion of employment opportunities has been an important objective of development planning in India. Although there has been a significant growth in employment opportunities over the years, due to fast rising population, volume of unemployment has been on increase. Unemployment is a normal phenomenon in all market economies irrespective of their level of development. But in an underdeveloped economy due to widespread poverty unemployment is not only painful for the society but also implies wastage of resources, which could have been used more effectively for the development of the economy. Thus, fundamental objective for a developing economy like India is to achieve maximum possible employment.

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## 20.2 MEANING OF UNEMPLOYMENT

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In simple words a person, who is not gainfully employed in any productive activity, is called unemployed. Unemployment could be voluntary or involuntary. However, there is no scientific treatment with the help of which we can distinguish between voluntary and involuntary unemployment. Generally speaking people in the age group of 15-59 years are considered to be in the working population of a country and the concept of unemployment is restricted to this group of people only. That is, children and old persons are not included in the definition of unemployment. However, some economists suggest a broader definition. It should include (i) all persons (men, women and children) who are working and (ii) those not working, but are searching for work. There may be a section of society, which is not interested, in any gainful employment. There may be some people who may be interested in jobs at wage rates higher than those prevailing in the labour market. Persons falling in above two categories are called voluntarily unemployed.

Involuntary unemployment is characterised by a situation in which people are prepared to work at prevailing wage rate but they are not able to get employment.

In economics the term “unemployment” refers to only involuntary unemployment and not voluntary employment.

The problem of unemployment in underdeveloped economies is different from that in developed economies. In developed economies generally unemployment takes the form of cyclical unemployment or frictional unemployment. Cyclical unemployment arises due to cyclical movements in economic activities. Frictional unemployment takes place because of shift to a new technology. Thus, cyclical and frictional unemployment are temporary in nature.

On the other hand, the nature of unemployment in underdeveloped economies is basically structural in nature. In an under-developed economy the demand for labour is less mainly due to agricultural backwardness, undeveloped industries and small size of the service sector. Although the type of unemployment found in underdeveloped economies fits into the definition of involuntary unemployment, is much different from the nature of unemployment found in developed economies.

**Check Your Progress 1**

1) What is voluntary unemployment?

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2) What is involuntary unemployment?

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3) How is the nature of unemployment in underdeveloped economies different from that in developed economies?

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**20.3 NATURE OF UNEMPLOYMENT IN INDIA**

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In India the problem of unemployment is much more serious than what we find in developed economies. India is an under-developed though a developing economy. It is important to emphasise that unemployment in underdeveloped economy like India is not the result of deficiency in effective demand but in fact a result of shortage of capital equipment and complimentary resources. In India there are various types of unemployment. Generally speaking it takes the forms of rural unemployment and urban unemployment.

**20.3.1 Rural Unemployment**

Bulk of unemployment in India is found in the rural areas. There are two main aspects of rural unemployment: seasonal and chronic disguised unemployment.

Agriculture is the principal occupation in rural India. By nature agriculture is a seasonal occupation. Therefore bulk of rural population remains seasonally unemployed in the absence of alternative employment opportunities. It has been estimated that a sizeable portion of population engaged in agriculture remains idle for at least 5-7 months in a year.

Second aspect of rural unemployment is chronic disguised unemployment. As per the 1991 census report about two third of the population is engaged in the primary sector (agriculture and allied activities). Working population in agriculture is increasing consistently in absolute terms. While in 1951 over 100 million persons were engaged in agricultural sector, in 1997 their number rose to 237.31 million. Such a big increase in the working population engaged in this sector without there being a corresponding increase in the area of cultivation, has resulted in overcrowding in agriculture. This is a situation where even if surplus population is withdrawn from agriculture, production will not be affected (provided the remaining labour force works to the best of its abilities). Such a type of situation is described as disguised unemployment or underemployment. In the words of Nurkse, marginal productivity of surplus labour so defined is zero. The main problem in this type of unemployment is that apparently all persons seem to be employed but enough work is not available to all. An example will make this concept of disguised unemployment more clear. Suppose there are 10 persons working on the farm, while less work is available. This work is shared by all persons working on the farms, as there exists no employment opportunity. If some workers are withdrawn from the farm, those remaining at farm are able to accomplish the work and farm output does not get affected, such a situation is called disguised unemployment.

Another aspect of unemployment in rural areas, which needs special attention, is the educated unemployment. With the spread of education in rural areas, there has emerged a class in rural areas also which is literate and in some cases even highly educated. They find themselves misfit in usual agricultural operations. They remain idle in rural areas due to lack of employment opportunities outside rural areas.

Concept of rural unemployment is important to understand the phenomenon of rural poor. Unemployed or underemployed in rural areas constitute mainly the class of rural poor. This class mainly consists of landless labourers and marginal farmers. Therefore, solution for eradication of rural poverty lies in eradication of unemployment.

### **20.3.2 Urban Unemployment**

Whereas most of the unemployment found in rural areas is disguised, most of the unemployment in urban areas is open. Urban unemployment is a source of severe social tensions.

Urban unemployment can be of three types.

First kind of unemployment found in urban areas is of unskilled industrial workers. Such unemployment may be termed as blue-collar unemployment. Although there has been a significant expansion of industrial sector, industrial unemployment has expanded over the years. Various factors have contributed to this phenomenon.

- 1 Increase in economically active population in the country
- 1 Population in urban areas has grown faster than in rural areas, because of migration from rural to urban areas. In addition during off-season, agricultural labour shifts to urban areas to seek employment.

- 1 Concentration of industries in urban areas
- 1 Decay of cottage and small-scale industries in rural areas.

Second kind of unemployment found in urban areas is that of educated middle class. Such unemployment may be called white-collar unemployment. There are many causes of educated unemployment. Firstly, whereas there has been a very fast increase in educated population, thanks to fast expansion of educational institutions, technical education and training has lagged behind. Secondly, economic growth has been at a very slow rate. This has resulted in a very inadequate growth of employment opportunities, including engineers, technical personnel along with arts and commerce graduates and post graduates.

Number of educated unemployed was 2.44 lakh in 1951, which rose to 34.72 lakh in 1980, 47 lakh in 1985 and 68 lakh in 1992. According to Ninth Five Year Plan - “National Sample Surveys shows that over the period 1983 to 1993-94, the proportion of those educated to a level of secondary school or higher among the unemployed persons increased from 47 per cent to 64 per cent. While a high proportion of the literates among unemployed shows un-utilisation of scarce resources put in for education of the people, it also indicates a mismatch between the kind of job opportunities that are needed and those available in the job market. Clearly the increase of literates among the unemployed and further among the literate unemployed, of those with higher level of educational attainment points to the need for skilled jobs rather than the simple low productive manual labour that an illiterate has to resort to for a living”.

Thirdly, there are emerging trends of underemployment of those who are seeking job on part-time basis, while they pursue their studies. Such job seekers, if they do not get jobs of their satisfaction, could be called underemployed. There could be many others, who have completed their education, but are not able to get job to the best of their abilities and capacities.

**Check Your Progress 2**

- 1) What are the two main types of unemployment found in rural India?

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- 2) Explain the nature of disguised unemployment in India.

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3) What are the different kinds of unemployment found in urban areas?

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## 20.4 CAUSES OF UNEMPLOYMENT

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Foregoing analysis about trends and structure of unemployment in India, reveals the gravity of the problem. Now let us discuss the main causes of unemployment. These are :

- i) slow economic growth process,
- ii) rapid increase in labour force,
- iii) inappropriate technology, and
- iv) inappropriate education system and lack of manpower planning .

### 20.4.1 Slow Economic Growth Process

It is no doubt that the problem of unemployment is found in both developed as well as underdeveloped economies. Despite high incomes of these developed economies, problem of unemployment is prevalent there too. But the kind of unemployment found in underdeveloped countries is basically due to its low levels of development and slow growth process.

It is expected that as an economy grows, production expands and thus the employment opportunities. We find that in the past, after Independence there has been growth in production. As a result, absolute level of employment has also risen. But rate of growth in production has been less than the target. As a result, adequate number of employment opportunities could not be created.

But we should also keep in mind that growth alone is not expected to solve the problem of unemployment. Some economists have hinted at a possible conflict between employment and economic growth, in the early phase of development. In India also this conflict has been very apparent. In the early plans till sixth five-year plan this conflict was not recognized. As a result, although absolute level of employment increased, it was hardly sufficient to solve the problem of unemployment.

### 20.4.2 Increase in Labour Force

There has been significant growth in the labour force in the last fifty years, due to fast growing population. Since Independence, death rate has been declining very fast, without a corresponding fall in birth rate. As a result, population is growing at a very high rate; at present rate of growth of population is around 2%. This is naturally followed by fast expansion in labour force.

There is another factor, which has led to increase in labour force, due to urbanisation and changed attitude towards employment. After Independence, education among women has led to change in attitude of women towards employment. They now compete with men for employment. This phenomenon is more prevalent in urban areas.

Thus rapid growth in labour force can be ascribed to (i) fast growing population, (ii) changed attitude of women towards employment, (iii) failure of growth process to create sufficient additional jobs. All these factors have increased the problem of unemployment.

### **20.4.3 Inappropriate Technology**

We understand that, in India labour is abundant while capital is a scarce factor of production. Therefore, to solve the problem of unemployment, we need to adopt such a technology, which makes use of more labour and less of capital to produce a given level of output. But, it is unfortunate that not only in industries, even in agricultural production capital is substituting labour very fast. Thus, capital-labour ratio has increased in production process. Technological change has been labour-saving.

While making a choice about technology, normally western model is adopted. We understand that in the west, labour is scarce and capital is abundant. Therefore, for them appropriate technology is capital intensive. But in India we cannot justify the use of more sophisticated and round about methods of production, which substitute capital for labour. But adoption of such a technology has led to larger unemployment.

A pertinent question at this point is that why, despite abundance of labour, capital-intensive technology is adopted in India. This happens because rate of return on capital and labour are not market determined. While on the one hand, labour is assured of minimum wages, rate of interest is kept low arbitrarily. As a result, people are inclined to make more use of capital-intensive technology, as it is economically more viable. According to W.A. Lions, investment in such a situation in capital equipment may be more profitable to individual capitalist but certainly not beneficial to society because it increases unemployment.

Rigid labour laws in India have also contributed towards adoption of capital-intensive production process. On the part of industries, it is quite difficult to reduce number of employees. Once a person is recruited, most likely he/she will be retained for life. In addition, labour-unrest and lack of work-culture has increased inefficiency of labour. These factors, again, have provided incentives for addition of labour-saving technology.

### **20.4.4 Inappropriate Educational System and Lack of Manpower Planning**

We inherited educational system from our colonial rulers. Macaulay, who designed educational policy during the colonial period, had in mind the interests of British government. Macaulay designed a system, which could merely produce clerks and lower cadre executives for the British Government. Even after Independence,

there has been a fast expansion in the number of institutions, which impart education in arts and commerce. There has been a very little expansion in educational and training institutions providing technical, engineering and medical education. As a result, there has been a fast growth of unemployment among educated men and women, while shortage of technical and specialised personnel remained. Therefore, there is a need to change our educational system to an appropriate one, which takes into account needs of the society and develops human resources accordingly.

Moreover, there has been a total lack of manpower planning in India. For steady growth of any economy human resources play an important role. There should be long term planning for the provision of appropriate skills for meeting the requirements of development. No doubt there has been an increase in facilities for higher education, technical education, training in different fields, but they were not in accordance with development needs. The obvious result is surplus of manpower in some fields and deficit in others. We find widespread unemployment among graduates, postgraduates and even researchers in humanities while there is scarcity of physicians, engineers and technical personnel.

**Check Your Progress 3**

1) What are the main causes of the problem of unemployment in India? Explain.

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**20.5 MEASUREMENT OF UNEMPLOYMENT**

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According to the conventional and most commonly used concept, unemployment means involuntary idleness, i.e., the time, for which individuals are available for and willing to work, but are not able to find work. It does not include disguised unemployment or underemployment, i.e., a situation of work with very low levels of productivity and income.

In India the problem of unemployment is of much larger magnitude than conventionally measured unemployment. Persons belonging to low income households cannot afford to remain unemployed and therefore they may be engaged in any work that is available, even if it yields a very low income. Thus, rates of unemployment as measured conventionally are deserved to be relatively low. We understand that in self-employed sectors and primary sectors work sharing is very common. We also understand that in India these are the dominant sectors in terms of number of labourers. Thus measures of open unemployment are inadequate for the purpose of measuring and analysing the problem of unemployment in India. Giving recognition to this fact, National Sample Survey Organisation (NSSO) provides estimates of magnitude of unemployment on the basis of three different concepts. These three concepts of unemployment are as follows:



- 1) Usual Status (US) Unemployment
- 2) Current Weekly Status (CWS) Unemployment
- 3) Current Daily Status (CDS) Unemployment

### **20.5.1 Usual Status Unemployment**

A person is considered to be unemployed on usual status (US) basis if he/she was not working but was either seeking or was available for work for a relatively longer time during the reference year. Usual status unemployment rates could be regarded as a measure of chronic unemployment during the reference year. This measure provides the number of (chronically or over a long period) unemployed persons. This is the narrowest concept of unemployment, as estimate of unemployment given by this measure is lowest. This is obvious in a poor country like India, because very few can afford to remain without work over a long period and they take any work for short duration.

### **20.5.2 Current Weekly Status Unemployment**

In this measure reference period is one week-a person is considered to be unemployed by current weekly status (CWS), if he/she had not worked for even one hour during the reference week. CWS is also a measure of chronic unemployment but with a reduced reference period. This again is a narrow concept of unemployment but is little more comprehensive as compared to usual status unemployment. According to this a person would be considered employed even if he was unemployed for six days of the reference week and for the seventh day he worked for an hour. That is, a person according to this concept would be considered unemployed only if he had not worked for a single hour on any day of the week, but was seeking and available for work. It may be noted that this measure does not give number of unemployed persons. It is a measure of unutilised time in terms of person weeks.

### **20.5.3 Current Daily Status Unemployment**

Estimate of current daily status unemployment is made in terms of the total person days of unemployment. According to this concept, unemployment is measured as an aggregate of all the unemployment days of all persons in the labour force during the week under reference. Since this estimate includes both chronic unemployment as well as underemployment on weekly basis, this is the most comprehensive measure. It may be noted that this measure does not give the number of unemployed persons. It is a measure of unutilised time in terms of person days.

### **20.5.4 Magnitude of the Problem of Unemployment**

In the foregoing sections we have discussed about different concepts of unemployment. Now let us know about the magnitude of the problem and its other aspects.

Table 20.1: Population, Labour Force and Employment

(in million )

	1978 <sup>(a)</sup>	1983 <sup>(b)</sup>	1994 <sup>(a)</sup>	1997 <sup>(c)</sup>	2002 <sup>(c)</sup>	2007 <sup>(c)</sup>
Population	637.6	725.80 (2.92)	893.67 (2.00)	649.89 (1.89)	1027.61 (1.59)	1107.51 <sup>(c)</sup> (1.51)
Labour Force	262.57	289.08 (2.16)	367.39 (2.31)	397.22 (2.43)	450.23 (2.54)	509.35 (2.50)
Employment	255.46	283.22 (2.32)	359.98 (2.31)	389.72 (2.47)	443.60 (2.62)	509.35 <sup>(d)</sup> (2.80)
Unemployment	7.11	5.86	7.41	7.5	6.63	negligible <sup>(1)</sup>

- Notes:*
1. Estimates of labour force and employment are on usual status concept and pertain to 15 years and above
  2. Figures in Parentheses are compound growth rates in the preceding period.
    - a. As on 1st January
    - b. As on 1st July
    - c. As on 1st April
    - d. Required to attain near full employment.

*Source:* Ninth Five-Year Plan, (1997-2002) Government of India, Planning Commission.

Table 20.1 shows that as per usual status concept there has been a gradual increase in number of unemployed whereas the rate of growth of employment has not shown any improvement in the decade preceding 1994. Seventh plan target fixes the projected rate of growth of employment at 2.62% with number of unemployed declining from 7.5 million in 1997 to 6.63 million by the year 2002. Target for the year 2007 is to reduce unemployment to a negligible level.

As per the current weekly status concept, the number of unemployed persons has declined from 22 per thousand in 1983 to 14 per thousand in 1993-94 (see Table 20.2). It is important to note that incidence of unemployment has decreased during the last decade, with a sharper decline during the recent years. In 1993-94, 8.6% of the usually employed persons were out of work when seen on a weekly status basis as compared to 15.6% in 1983 and 14.6% in 1987-88.

**Table 20.2: Usually employed persons classified by their current weekly status:  
1993-94, 1987-88, 1983**

(Persons all India)

Activity according to current employed Weekly status	per thousand of the usually		
	1993-94	1987-88	1983
Employed	914	854	844
Out of work, due to being :	86	146	156
Unemployed	14	17	22
Not in labour force	72	128	133
All the usually employed	1000	1000	1000

The combined incidence of unemployment and underemployment among the labour force is shown in Table 20.3 given below. In this context we note that though open unemployment was only 2% in 1993-94, the incidence of unemployment and underemployment taken together was 10.45% in that year.

<b>Activity Status</b>	<b>Proportion of Labour force</b>	<b>Remarks</b>
1. Labour Force	100.00	Working or seeking work on usual status basis
2. Employed	89.55	Usual status 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
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

Source: Ninth Five-Year Plan, 1997-20002, Govt. of India, Planning Commission.

We have noted the extent of unemployment on the basis of usual status and current weekly status. But it would be important to note the number of days a person is employed in a year according to current weekly status concept. If a person is employed for 183 days, he is considered to be the main worker.

**Table 20.4: Persons Employed according to Current Weekly Status  
Concept distributed by number of days worked in a week**

<b>Days worked in a week</b>	<b>(Per thousand of employed)</b>						
	<b>Rural</b>		<b>Urban</b>		<b>All Areas</b>		<b>Persons</b>
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
0.5-1.5	5	11	33	14	5	12	7
1.5-3.5	28	87	14	59	26	84	44
3.5-5.5	67	246	37	183	62	239	118
5.5-6.0	27	36	35	38	29	36	31
6.0-6.5	873	620	911	706	878	629	800
	1000	1000	1000	1000	1000	1000	1000

*Source:* Ninth Five-Year Plan, 1997-2002, Govt. of India, Planning Commission.

In Table 20.4 we find that about 5% of persons, who are identified as employed by the current weekly status concept, get work for three days or less in a week. In the case of the rural female identified as employed on the same concept but getting work for less than half a week, being much higher at around 10 percent as may be seen from the table.

### 20.5.5 Education and Unemployment

Characteristics of the unemployed persons help in determining the nature of employment opportunities that need to be created to utilise the labour force that is seeking work. In regard to educational characteristics of the unemployed persons there has been a substantial change since the early eighties. Both the enumeration approach of the census in identifying the unemployed persons, and the sampling approach of the National Sample Surveys on Employment and Unemployment reveal a substantial increase of literate among the unemployed persons.

Year	Table 20.5: Education Profile of the Unemployed in India					
	Illiterate	Level of Education			Literate and Above	All Employed
		Primary Census of Population	Middle Population (all age group) <sup>1,3,4</sup>	Secondary		
1981	29.62	14.57	16.84	38.97	70.38	100.00
1991	19.56	12.17	20.89	47.38	80.44	100.00
Sample Surveys on Employment and Unemployment (15 years and above) <sup>1,2</sup>						
1983	6.10	19.32	27.58	47.00	93.90	100.00
1993-94	5.24	11.01	20.20	63.55	94.76	100.00

**Notes:**

1. The concept used for identifying the unemployed in the population census are not exactly the same as those used in National Sample Surveys on employment and unemployment.
2. Sample Survey estimates are according to usual activity taking into consideration the subsidiary economic status of persons categorised as “not working”.
3. Education level secondary and above includes also those literates assigned education status as education level not classifiable, in 1981 and 1991 census.
4. Information on 1991 census is based on advanced tabulation of 100% data for states with a the population below 10 million and 10% sample data for states with population 10 million and above.

*Source:* Ninth Five-Year Plan, 1997-2002, Govt. of India, Planning Commission

### 20.5.6 Higher Incidence of Unemployment Among Females

As is expected a much smaller percentage of the female population both in rural and urban areas (especially in urban areas) are in the labour force, i.e., working

or seeking/ available for work. In 1973, in rural areas, 38% of females and 65% of males were in the labour force. In urban areas the corresponding percentages were 17% and 60% respectively. But the point to note is that the incidence of unemployment, i.e., the percentage of unemployed weeks (or days) to the total weeks (or days) in the labour force, was distinctly higher for females compared to that for males. In 1972-73 in rural areas the percentage of unemployed person-days for females was 11 as against 7 for males. The corresponding figures for females and males in urban areas were 14 and 8. In 1993-94 also the same trend is revealed.

### 20.5.7 Regional Dimension in Unemployment— Ninth Five Year Plan

Normally a macro-perspective is presented in a macroeconomic framework with regard to unemployment. But it would be of interest and importance to understand the regional realities regarding unemployment. Ninth five year plan gives details for regional variations, which could be useful for employment planning. If we do not attempt a regional perspective, there is a danger that an important aspect will get suppressed in macroeconomic planning. For this purpose, for Ninth Five Year Plan (1997-2002), Planning commission has divided major states into four important categories on the basis of the characteristics of labour force and employment.

<b>Table 20.6: Regional Pattern of Unemployment Growth</b>		
<b>Sl.No.</b>	<b>Characteristics</b>	<b>States</b>
1. U.P.	Increasing unemployment and higher	Bihar, Rajasthan and labour force growth
2.	Increasing unemployment but low growth of labour force.	Kerala and Punjab
3.	Decreasing unemployment but high growth of labour force.	Assam and Haryana
4.	Decreasing unemployment and low growth of labour force	AP, Gujarat, Karnataka, MP, Orissa, Maharashtra, Tamilnadu and West Bengal

Bengal

In the first category come Bihar, Rajasthan and Uttar Pradesh which are expected to have a high rate of growth of labour force, whereas the rate of growth of employment is expected to be lower than the rate of growth of labour force which would mean increasing unemployment during the ninth five year plan.

In the second category come Kerala and Punjab, which are expected to witness not so high rate of growth of labour force. But these states are also expected to

witness increasing unemployment due to very low rate of employment growth during the Ninth Plan period.

In the third category we put Assam and Haryana, which are expected to witness a high growth of labour force, but rate of growth of employment is expected to be even higher as compared to rate of growth of labour force. This is expected to reduce the figure of unemployment.

In the fourth category come Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Orissa, Maharashtra, Tamil Nadu and West Bengal. These states are expected to witness a low rate of growth of labour force and rate of growth of employment is expected to be much higher than that of rate of growth of labour force. This would lead to a fall in unemployed labour force.

<b>Table 20.7: Projected Change in Unemployment in Ninth Plan in States by the Trends in Labour Force and Employment</b>						
<b>Characteristics of labour force and employment</b>	<b>State</b>	<b>Employment growth</b>	<b>Labour force growth</b>	<b>Unemployment</b>		
		<b>1997-2002 (Per cent per annum)</b>	<b>1997</b>	<b>2002</b>	<b>Change ('000 persons)</b>	
Increasing unemployment and high labour force growth	Bihar	2.30	2.58	2153	2980	827
	Rajasthan	2.84	2.88	1023	1228	205
	Uttar Pradesh	2.20	2.57	933	2337	1405
	<b>Region</b>					2437
Increasing unemployment but low growth of labour force	Kerala	1.43	2.30	1373	2151	778
	Punjab	0.73	2.27	380	1162	781
	<b>Region</b>					1559
decreasing unemployment but high growth of labour force	Assam	3.69	2.73	522	182	-340
	Haryana	3.67	2.99	96	-151	-248
	Andhra Pradesh	3.28	2.39	617	-979	-1596
	Gujarat	2.55	2.37	..	-233	-233
	Karnataka	3.01	2.4	..	-659	-659
	<b>Region</b>					
Decreasing Unemployment and low growth of labour force	Madhya Pradesh	2.71	2.39	1722	1428	-294
	Orissa	2.54	2.10	633	386	-246
	Maharashtra	2.70	2.26	..	-996	-996
	Tamil Nadu	2.2	1.98	28	-370	-398
	West Bengal		3.15	2.52	256	-655
-911	<b>Region</b>					-5333
	<b>All India</b>	<b>2.62</b>	<b>2.54</b>	<b>7500</b>	<b>6630</b>	<b>-870</b>

Source: Ninth Five Year Plan, 1997-2000, Govt. of India, Planning Commission

1) Explain three concepts of unemployment used in India for estimation of unemployment in India.

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2) Explain education profile of unemployed in India.

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3) Explain regional dimension in the problem of unemployment in India.

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## **20.6 GOVERNMENT POLICY TOWARDS UNEMPLOYMENT**

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India’s economic planning has always put removal of unemployment as one of its basic objectives. But we have not been able to provide a long-term employment policy until Sixth Five Years Plan.

### **20.6.1 Employment Policy up to Eighth Five Year Plan**

In the early days of economic planning economic growth was emphasized as the most important objective. It was thought that unemployment would automatically be tackled with economic growth. It was also thought that direct measures to eliminate unemployment could slow down the growth process. It was in the late seventies that more serious attempts were tried for a direct attack on the problem of unemployment. Sixth Five Year Plan document acknowledged the hard reality that despite growth, there has not been sufficient increase in employment opportunities. It clearly set two major goals of reducing under-employment for the majority of labour force and cutting down on long term unemployment.

In fourth FYP it was expected that there is a need to adopt a conscious approach

towards unemployment. It argued for comprehensive programmes of rural development, labour intensive public work programmes, application of labour intensive technology in industries and promotion of labour intensive industrial products for domestic and foreign markets. But this policy remained more on papers only as government did not change its policy regarding investment.

In fifth FYP also removal of unemployment was emphasised as a major objective. It considered that removal of unemployment is important from the perspective of distributive justice. For this purpose, and emphasis was also laid at generating self-employment opportunities.

In sixth FYP it was considered that employment opportunities had not adequately increased over the years. It was admitted that there is not much scope for creation of self-employment in the public sector. Therefore efforts should be made to influence demand and utilisation of manpower in the private sector. Self-employment in agriculture, small scale and cottage industries and non farm operations was emphasised.

Seventh plan although emphasised the role of agricultural sector for employment generation but it also considered that this sector alone cannot eliminate all unemployment. Therefore it emphasised at programme of rural development specially those of rural capital formation. Role of self-employment was also given a high priority.

Eighth FYP set the goal of employment for all, over a period. Outlining the strategy, Eighth Five Year Plan noted that “A high rate of output growth is necessary but not always sufficient condition for high growth of employment. A structure of growth with larger contribution of sectors having high employment content of output and use of production techniques favouring the use of labour greatly enhance the employment generation potential of growth. Employment growth has therefore to result primarily from the growth of the economy and restructuring of output composition of growth. There is no doubt that a larger and more efficient use of labour will accelerate the rate of growth itself but the latter would largely depend on the availability of other resources like capital and internal and external demand”.

It was said that employment potential of output growth can be raised by readjusting the composition and sub-sectors which can provide more employment for each addition in output. It was projected that during the eighth plan period total labour force will increase by 35 million.

It was said that if the goal of full employment is to be reached by 1997 the rate of growth of employment should be 4% per annum during eighth plan and if this goal is to be achieved by 2000 A.D. the employment growth should be 3% per annum. Regarding sectoral potential with regard to employment generation emphasis was laid down on agricultural development in the underdeveloped regions, employment in animal husbandry, fishery, horticulture etc. and regeneration of natural resources such as land and forests, rural and small scale industry, promotion of modern small scale industry etc.

### **20.6.1 Employment Scenario in Ninth Five Year Plan**



In an earlier section of this unit we learnt about the elasticity of employment. We noted that over the years the elasticity of employment has gone down. Overall elasticity of employment is expected to be .38 during Ninth Five Year Plan. That implies that one percent increase in GDP would lead to .38 per cent increase in employment. During Ninth Five Year Plan target growth rate is 7 per cent per annum, which would create employment opportunities by 55 million. During the Ninth Five Year Plan addition in labour force is expected to be 54 million. Thus during this period unemployment will fall by 1 million only. However, if we fall short of the GDP growth rate target than we might end up with higher figure for unemployment than before. Say if growth rate is 6.2 per cent per annum, unemployment will increase by 6 million rather than going down.

Table 20.8 given below shows the expected addition in job opportunities in different sectors of the economy. We note that bulk of the increase in job opportunities is expected to be in agricultural sector, that is, 28 million. This will be possible if this sector shows a growth rate of 4.5 percent per annum. This target seems to be very high (higher than growth rate of agriculture in any of the five year plans). Even Planning Commission has accepted that, achievement of 4.5 per cent growth of agricultural sector is going to be a difficult task.

**Table 20.8: Elasticity of Employment to GDP**

Sector	Employment Elasticity				
	1977-78 to 1983	1983 to 1987-88	1987-88 to 1993-94	1983 to 1993-94	1997 to 2002
Projected					
1. Agriculture	0.54	0.43	0.49	0.50	
2. Mining and Quarrying	0.79	1.00	0.35	0.63	0.60
3. Manufacturing	0.53	0.43	0.29	0.35	0.25
4. Electricity	0.63	0.69	0.37	0.51	0.50
5. Construction	1.00	1.00	0.00	1.00	0.60
6. Trade and Transport	0.67	0.63	0.56	0.59	0.5
7. Financing, Real Estate, Insurance and Business Services	1.00	0.82	1.00	0.95	0.53
8. Community,	0.67	0.39	0.82	0.62	0.50

Social and  
Personal  
Services

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<b>All Sectors</b>	<b>0.53</b>	<b>0.39</b>	<b>0.39</b>	<b>0.39</b>	<b>0.38</b>
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*Note:* Employment estimates are on usual status basis. (a) undefined for this period.

**Check Your Progress 5**

- 1) Give an overview of change in government policy on unemployment after sixth five year plan.

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**20.7 AN OVERVIEW OF EMPLOYMENT SCHEMES**

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There was no long-term policy towards unemployment until Sixth Five Year Plan. Initial years of planning were characterised by lack of any clear unemployment policy and economic growth was emphasised as the most important objective. It was thought that unemployment would automatically be tackled with economic growth. But despite economic growth, poverty of the masses could not be removed. Then it was realised that a sustainable strategy of poverty alleviation has to be based on increasing the productive employment opportunities. It was also realised that rural poverty is primarily due to low rural productivity and unemployment. Thus programme for eradicating poverty has to be based on improving productivity and increasing employment in rural areas.

Various unemployment alleviation schemes, which were started especially from sixth five year plan, were based on this philosophy. It was decided that employment generation schemes would involve:

- i) creation of productive assets in rural areas for improving productivity.
- ii) provision of employment to a segment of rural population, which needs subsidiary employment.

So far many schemes for rural employment have been adopted. A brief overview of these schemes is being attempted in the following paragraphs.

**20.7.1 National Rural Employment Programme**

National Rural Employment Programme (NREP) was started as a base of Sixth Five Year Plan and was continued under Seventh Five Year Plan also. It was implemented as a scheme sponsored by the union Government. But its financial

burden was to be shared between the union and state governments equally. Entitlement of each state to the central fund was based on (i) incidence of poverty, and (ii) population of agricultural labourers, marginal farmers and marginal workers.

Weightage of each of these two factors was equal, that is 50 per cent. Under the scheme a district level employment plan (disaggregated block wise) was prepared. An estimate was required to be made about the number of persons who would seek work under the scheme and work opportunities likely to be available. Accordingly programmes were formulated in NREP. According to Planning Commission, implementing agencies were required to give priority to work relating to social forestry and pasture development, soil and water conservation, irrigation, flood protection and drainage, field channels in irrigation command areas, construction and improvement of village tanks and ponds, schools and dispensary buildings and work to improve village environment, hygiene and sanitation.

The wage paid to workers covered under the scheme was to be at par with the minimum agricultural wage fixed for the area. Wages were paid partly in kind (food grains) and partly in cash. The NREP continued for 9 years and created 1774.13 million and 1477.53 million man-days of employment in Sixth and Seventh Five Year Plans respectively. Researchers have found these claims about employment generation to be exaggerated.

### **20.7.2 Integrated Rural Development Programme**

The Integrated Rural Development Programme (IRDP), was launched in 1978-79 on a pilot basis and extended all over the country in 1980-81. This programme was a part of the poverty alleviation programmes under Sixth Five Year Plan. It was designed to (i) identify families living below poverty line in rural areas and (ii) provide assistance to acquire productive assets or appropriate skills for self-employment, which would ultimately generate enough income of beneficiaries to rise above poverty line.

The IRDP Scheme, launched in the Sixth Five Year Plan, continues till date. During Sixth Five Year Plan a sum of Rs.1500 crore was provided and banks were called upon to provide another Rs.3000 crore for the programme. It aimed to cover 15 million families. During the Seventh Five Year Plan 18.2 million families and during 1990-96 (six years) 14.7 million families were assisted. However, exact amount of employment generated has not been estimated.

### **20.7.3 Rural Landless Employment Guarantee Programme**

The Rural Landless Employment Guarantee Programme (RLEGP) was launched on 15th August 1983. Objective of the programme was to create rural infrastructure with a view to expand employment opportunities for the rural landless. The scheme was aimed at providing guarantee of employment to at least one member of the landless households for about 100 days in a year. The programme was fully financed by the union government but its implementation was entrusted to the states. During the last two years of sixth five year plan, 260.18 million man-days of employment was generated under RLEGP. During first four years of

seventh five year plan 1154.39 million man-days of employment was generated. Despite a commendable performance compared to the targets, its restricted nature has been able to make a very marginal impact on rural unemployment.

From April 1, 1989 RLEGP was merged into Jawahar Rojgar Yojna.

#### **20.7.4 Jawahar Rojgar Yojna**

Jawahar Rojgar Yojana (JRY) was launched in the last year of the Seventh Five Year Plan, that is, February 1989. The primary objective of the programme was generation of additional employment on productive works, which would either be of sustained benefit to the poor or contribute to the creation of rural infrastructure. Union government contributes 80 per cent while states contribute 20 per cent for the scheme. Central assistance to the states is provided on the basis of portion of the rural poor in the state/union territory to the total rural poor in the country.

JRY covers all rural works, which result in creation of durable productive community assets. Preference is given to works, which benefits poorer sections. While making a choice about beneficiaries, preference is given to scheduled castes and scheduled tribes with 30 per cent reservation for woman.

In the first seven years of the JRY, 6201 million man days of employment was generated. So far as quantitative achievements in JRY are concerned, it does not seem to be much better compared to NREP and RLEGP. But qualitatively there are two important distinctions with JRY, which make it superior to NREP and RLEGP.

- 1) There is a preference for economically productive investments, especially, which enhance the productivity of land.
- 2) Panchayats are involved in planning and implementation of employment schemes.

#### **20.7.5 Training for Rural Youth for Self Employment**

Training for Rural Youth for Self Employment (TRYSEM) was initiated in 1979, with the objective of tackling unemployment problem among the rural youth. This objective was sought to be achieved by upgrading the traditional skills of rural youth belonging to families living below poverty line, with family income below Rs.3500 per year. While making selection of beneficiaries, members of scheduled castes and scheduled tribes were given preference. 9.4 lakh youths were actively trained in sixth five year plan and 4.64 lakh youth were self-employed. Among those trained, 34.8 per cent were women and 31.5 per cent belonged to the scheduled casts and scheduled tribes. During seventh five year plan 8.73 lakh rural youths from the families below poverty line were trained under this scheme. In the six year period from 1990-91 to 1995-96 this scheme has benefited 17.03 lakh rural youths.

#### **Check Your Progress 6**

- 1) Give a critical overview of the unemployment eradication schemes adopted in India.

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## 20.8 LET US SUM UP

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As the forgoing discussions reveal, significant efforts have been made, to attack the problem of unemployment directly. There does not seem to be much wrong in the formulation of the schemes. But in actual performance of these schemes, researchers have found that most of these programmes, which were meant to benefit the weaker sections of the society, were appropriated by the elites. This is so because, in these programmes, undue reliance is being placed on Panchayati Raj institutions, which are plagued with severe corruptions. In underdeveloped economies like India, problem of unemployment is widespread. It is found both in rural and urban areas. Slow economic growth process, increase in size of labour force, inappropriate technology and lack of manpower planning are mainly responsible for their problem. Different types of measurements are used to judge the extent of unemployment. It is of interest to look at the problem from various angles, namely education and unemployment, incidence of unemployment among females and regional dimension of unemployment.

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## 20.9 SOME USEFUL BOOKS

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Ninth Five Year Plan 1997-2002, Vol. I, Government of India, Planning Commission, New Delhi. Chapter IV, pp. 223-260.

Indian Economy, 1997, S.K. Misra and V.K. Puri, Himalaya Publishing House. Chapter: 9, pp. 147 -168.

M.L. Dentwala, 1993, Understanding Poverty and Unemployment in Indian Economy Since Independence (ed.) Uma Kapila, Academic Foundation, Delhi, pp.358 to 379.

Indian Economy, 1997 Ruddar Dutt and KPM Sundharam Chapter: 24, pp. 368-396.

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## 20.10 KEY WORDS

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**Blue Collar Unemployment:** Unemployment among skilled/unskilled manual labour.

**Disguised Unemployment:** A kind of unemployment found in underdeveloped countries. In the situation of disguised unemployment while work is available for less number of persons, more workers are working. Thus, even if some labourers are withdrawn from the work, total output will not reduce, provided the remaining workers work to their full capacity.

**Elasticity of Employment:** A measure of degree of responsiveness of employment to the changes in income/output. Elasticity may be measured as follows:

$$E = \frac{\% \text{ change in employment}}{\% \text{ change in output}}$$

**Manpower Planning:** An assessment of needs of the society, and developing human resources accordingly.

**Main Worker:** If a person is employed for 183 days in any particular year, he/she is considered to be a main worker.

**Person Weeks:** A person is considered to be working (that is employed) if while pursuing a gainful occupation, he has worked even for one hour on any one day during the week proceeding the date of the survey.

**Person Days:** The activity of the respondent is recorded for each day (in fact for each half-day) of the reference week and for working out the rate of unemployed person days, the aggregated count of unemployed days during the reference week constitutes the numerator and aggregated estimate of the total number of labour force constitutes the denominator.

**White Collar Unemployment:** unemployment among educated persons.

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## 20.11 ANSWER/ HINTS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) Voluntary unemployment is characterised by a situation when people are either not interested in any gainful employment, or are willing to work only at a wage rate higher than that prevailing in the labour market.
- 2) Involuntary unemployment is characterised by a situation in which people are prepared to work at prevailing wage rate but they are not able to get employment.
- 3) In developed economies, unemployment, which is cyclical in nature, is caused basically due to lack of effective demand and frictional unemployment because of shift to a new technology. On the other hand, in underdeveloped economies the demand for labour is less due to general backwardness in agriculture, industry and service sectors. All this unemployment is involuntary but is much different from unemployment found in developed countries.

### Check Your Progress 2

- 1) i) Seasonal  
ii) Chronic disguised unemployment
- 2) Refer relevant page of Sub-section 20.3.1
- 3) i) unemployment among unskilled industrial (blue collar) workers  
ii) unemployment among educated persons (white collar)  
iii) Students etc. seeking jobs on part time basis.  
iv) (for details refer Sub-section 20.3.2) unemployment

### Check Your Progress 3

- 1) Slow economic growth process
- 2) Increase in labour force
- 3) Inappropriate technology