

Chapter 71

UNEMPLOYMENT IN INDIA

Unemployment has been one of the most persistent and unmanageable problems facing India. At the same time, one of the objectives of Indian planning has been to remove unemployment and achieve full employment.

Nature of Unemployment in India

The unemployment problem of India is such that more has been written on it than that of any other country in the world, according to A.K. Sen.¹ Still there is no unanimity among the economists over the nature of unemployment in India. Sen distinguishes between the income aspect, the production aspect, and recognition aspect. On the other hand, Raj Krishna discusses four criteria of unemployment: time, income, willingness and productivity.² What Raj Krishna calls "willingness", Sen calls "recognition". We discuss these criteria one by one.

The time criterion refers to the number of hours or days spent in gainful work. A person is "severely underemployed" if he is engaged in gainful work for 28 hours or less in a week, and "moderately unemployed" if he is engaged for more than 28 hours but less than 42 hours in a week.

A person may be employed on some wage or income but the income which he earns may not be sufficient for him to rise above the poverty level. There are many persons in India who work full time in terms of hours per day (time criterion) but earn very little income so that they are still poor. They are hawkers, petty traders, workers in service and repair shops, etc., in urban areas and casual labourers in rural areas.

A person is considered to be underemployed if he "is forced by unemployment to take a job that he thinks is not adequate for his purpose, or not commensurate with his training." This is the willingness or recognition criterion. Under this criterion, there are also those "voluntarily" unemployed persons in urban areas who are searching for specific types of jobs because of their special educational qualifications

¹A.K. Sen, *Employment Technology and Development*, 1975.

²Raj Krishna. "Unemployment in India", *Economic and Political Weekly*, 3 March 1979.

or training. They refuse to accept jobs which they feel to be below their status and are dependent on their parents or relatives for financial help during this period of unemployment.

The productivity criterion refers to "disguised unemployment" prevalent among the self-employed and hired labour force in rural India. A person is said to be disguised unemployed if his contribution to output is less than what he can produce by working for normal hours of work per day.³

Sector-wise, unemployment in India is of two types: rural and urban. The majority of the population lives in rural India and is engaged in agriculture and allied activities. Due to a backward agriculture and the seasonal nature of agricultural operations, there is widespread open and disguised unemployment.

On the other hand, urban unemployment is of two types: industrial unemployment and unemployment among the educated. The increase in population, the seasonal nature of agricultural operations, the recurrence of drought or floods and the spread of urbanisation has led to migration of people from rural to urban areas. But the industrial sector has failed to expand along with the growth of labour force thereby increasing industrial unemployment.

With the rapid expansion of educational facilities, the number of educated persons has been on the increase. But the number of persons receiving formal education is much higher than those receiving technical education. So the number of persons seeking clerical jobs far exceeds those seeking technical jobs. As the conditions prevail in the country, it has not been possible to increase employment opportunities for both categories due to structural rigidities. Hence unemployment among the educated has tended to increase with the spread of education.

Extent of Unemployment and Underemployment in India

Due to conceptual and statistical difficulties, the estimates of unemployment and underemployment are neither accurate nor reliable. As the Report of the Committee of Experts on Unemployment Estimates (1970) observed: "It is our view that estimates of growth in the labour force, of additional employment generated in the plans and of unemployment at the end of the Plan period presented in one dimensional magnitude are neither meaningful nor useful indicators of the economic situation."

Despite these handicaps, we give below some estimates of employment and unemployment during the plans. But they just reflect the trend. The estimates of the Planning Commission at the end of each

³For detailed explanation refer to Chapter 2.

Five-Year Plan reveal that the total unemployment at the end of each Plan had been on the increase. At the beginning of the First Plan there were 3.3 million unemployed which increased to 5.3 million at the end of the Plan. The number of the unemployed increased to 7.1 million at the end of the Second Plan, to 9.6 million at the end of the Third Plan, and to 13.6 million at the end of the Fourth Plan. Since these estimates were uni-dimensional, they failed to show the extent of unemployment and underemployment in rural and urban areas. Hence they were discontinued from the beginning of the Fifth Plan.

Thereafter, the Planning Commission has been making estimates of the unemployed on the basis of the usual status (chronic), current weekly status (chronic for a week), and current daily status (both chronic and underemployed). In 1987-88, unemployment as percentage of labour force worked out to 3.77, 4.80 and 6.09 per cent according to usual, weekly and daily status respectively. In absolute terms, it was estimated at 11.53 million persons, 14.35 million persons and 6508 million persondays respectively for the three types of unemployment.

The estimates of the educated unemployed in India are neither accurate nor reliable because they are based on the figures available with the employment exchanges. There are two principal defects in the data supplied by the employment exchanges. One, not all educated persons get themselves registered with them. Two, many continue to be on the registers of the employment exchanges even when they get jobs because they are in search of better jobs. The number of educated job seekers registered in employment exchanges stood at 32.8 million in 1989 and their growth rate was 8.1 per cent between 1980-89.

Causes of Unemployment in India

The widespread unemployment in India has been due to a number of causes which are detailed below:

1. **Poverty.** Poverty and unemployment are like Siamese twins. A person is poor because he is unemployed. He is unemployed because he is poor. Being poor, he does not possess resources to be gainfully employed. This is illustrated by the incidence of unemployment in India in terms of monthly per capita expenditure as revealed by the 32nd round of National Sample Survey. Persons in the lowest expenditure group per capita per month had unemployed rates of 22.4 per cent in rural India and 29.2 per cent in urban India. As the per capita expenditure increases, the incidence of unemployment gradually declines. For instance, persons in the highest expenditure group of Rs 100 and above per capita per month had unemployment rates of 3.2 per cent and 4.9 per cent for rural and urban India respectively.

2. **Excessive Increase in Population.** India has been experiencing a population explosion since 1951-61. During 1951-91, population increased at an annual average growth rate of 2.1 to 2.2 per cent. With such a high rate of population growth the labour force has been increasing rapidly over the Plan periods. For instance, the labour force was expected to increase at an annual rate of 2.46 per cent for plus-5 age group, at 2.56 per cent for plus-15 age group and at 2.55 per cent for 15-59 age group between March 1985 and 1990. To absorb this large growing labour force, it has not been possible to generate so many employment opportunities. Consequently, unemployment and underemployment have tended to increase.

3. **Slow Growth of Indian Economy.** The increase in employment opportunities is intimately related to the growth of an economy. Despite more than four decades of planning, the Indian economy has grown at the trend growth rate of GDP of 3.71 per cent per annum from 1950-51 to 1989-90. The vast and varied natural resources of the country still remain underdeveloped and unutilised. The transformation of agriculture has been very slow. The development of the industrial sector has been sluggish. As a result, employment opportunities have failed to develop *pari passu* with the increase of labour force. In fact over the period 1978-83 to 1983-88, the growth rate of employment declined from 3.76 per cent to 2.18 per cent; and in services from 4.49 per cent to 2.06 per cent, but increased marginally in agriculture from 0.92 per cent to 0.94 per cent.

4. **Backward Agriculture.** One of the principal causes of widespread unemployment and underemployment in India has been the nature of agriculture operations. About 70 per cent of the population in the country is dependent upon agriculture which has low income per worker and per unit of land. This is because too many are engaged in agriculture, and being poor cannot use improved methods of cultivation. Moreover, agriculture is a seasonal occupation because irrigational facilities are not available throughout the year. Further, there is the absence of alternative or supplementary employment opportunities such as poultry rearing, dairy farming, bee-keeping, fisheries, food processing and other cottage industries due to poverty. Consequently, people in rural areas are chronically and partially unemployed. The green revolution in certain States of India has benefited the rich and large farmers more. The use of tractors by them has reduced the need for farm labour.

5. **Lack of National Employment Policy.** There has been lack of national employment policy in our Five-Year Plans. Except for men-

tioning a few schemes and projects in the various Plans, no specific policy was laid down to remove unemployment. Rather, the creation of employment opportunities was regarded as a by-product of development in the first three Five-Year Plans. Moreover, there has been the complete absence of any legal provision to implement employment generating schemes. There has also been no serious effort at manpower planning. As a result, in the absence of a clear-cut employment policy, unemployment and underemployment have tended to increase with each Plan.

6. **Existence of Excess Capacity in Industries.** The majority of industries in India have been operating under excess capacity since 1967. The main reasons for this tendency have been erratic power supply, transport bottlenecks, shortage of raw materials, industrial unrest, etc. As a result, industries are not in a position to work to their full capacity and hence they are not able to absorb enough labour.

7. **Emphasis on Capital-Intensive Techniques.** Since the beginning of the Second Five-Year Plan, industrial development in the country has been based mainly on the adoption of capital-intensive techniques of production which have failed to generate sufficient employment opportunities. The industrialists in India have been constantly resorting to "rationalisation, modernisation, automation mechanisation, market manipulation and other labour saving devices and thus the process of replacing of human labour by machines" has been a continuous one. Even the emphasis by the Government has been on the establishment of capital-intensive industries, irrigation projects, road-building equipment, etc., which fail to absorb enough labour force.

8. **Government Policy Towards Private Enterprise.** The policy of the Government towards the private enterprise is also not conducive to its growth. The private enterprise has to operate under strict Government control and regulation which enforces a rigid licensing policy and heavy Corporation taxes. Moreover, a price-wage spiral, as a consequence of inflationary pressures in the economy, further discourages private enterprise from starting new ventures and expanding the existing ones. All this has failed to create new employment opportunities.

9. **Defective Educational System.** Unemployment among the educated is due to defective educational system which the country inherited from the Britishers. It imparts general and literary education devoid of any practical content. No effort has been made to develop our educational system in keeping with the manpower requirements of the economy. The adoption of the "open door policy" at the secondary and university levels has created more unemployment among the educated. Such persons are fit only for white-collar jobs which are not available to all. No doubt for some time past the trend has shifted towards

commerce, engineering, medicine and other technical jobs, but due to the lack of a proper manpower planning unemployment is also found among them.

Policy Measures

Keeping in view the causes of unemployment and underemployment the following remedial measures are suggested:

1. **Changing the Pattern of Production.** Employment can be created by changing the pattern of production in India. Emphasis should be laid on the production of those goods which use more labour and less capital investments. In fact, such goods should be manufactured as are needed more by the masses so that they have a ready market.

2. **Adoption of Labour-Intensive Techniques.** Leaving aside such areas as pertain to heavy industries, defence, chemical, power generation, atomic and oil installations, etc., labour-intensive techniques should be adopted in new field of production. It may be what Schumacher termed "intermediate technology," or the adaptation of imported technology to the country's factor endowments so as to absorb more labour. For the creation of such employment-intensive techniques, R and D are needed on a vast scale.

3. **Encouragement to Small Enterprises.** Under the scheme of self-employment, tiny and small industries should be encouraged. For this, they should be provided liberal finance, technical training, raw materials and infrastructural facilities, including marketing of products. A study of Punjab reveals that Rs one lakh of investment in fixed assets provides employment to 15 workers in the small scale sector as against 3 workers in the large scale sector. Therefore, it is better to encourage the establishment of small scale industries which are employment-intensive.

4. **Full Utilization of Excess Capacity.** The Government should endeavour to remove such bottlenecks as power supply, raw materials and transport so that industries which are working below capacity should produce to their full capacity. This would not only increase output but also generate more employment.

5. **Policy of Decentralisation.** The lack of gainful employment in small areas has led to the migration of 'people to metropolitan areas in search for alternative employment. This has created the problems of urbanisation such as housing, water, transport, etc. It is, therefore, advisable to encourage the setting up of industries in and around small towns preferably relating to the local factor endowment, that is, sugar factories in areas growing sugarcane, cotton ginning, spinning and weaving factories around a cotton growing area, etc. The establishment of agro-based, cattle-based, or forest-based industries depending upon the nature of the local resources available near the rural areas would not