

DYNAMICS OF UNEMPLOYMENT SITUATION IN INDIA

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ABSTRACT

Though India is one of the world's fastest growing country, the benefit of the high GDP growth reaching the population is debatable. Acceleration of employment generation comes with high economic growth. But studies show that in case of India, despite having high GDP growth, unemployment prevails. Unemployment has social and economic consequences. This makes it important that unemployment levels are reduced. The dynamics of unemployment-employment situation changes with time. The policies and programs implemented by government aims at reducing the unemployment levels. The success of such interventions can be seen in the estimates of unemployment rate. The present study aims to analyse the trends and patterns of unemployment in India during the period 1971 to 2019. It brings out key takeaways related to the employment-unemployment situation in India. The estimates help in understanding characteristics of labour market and several aspects like gender gap, educated unemployment, rural-urban unemployment and deficits in decent employment. Study shows that the labour market is characterised by high urban unemployment, youth unemployment, educated unemployment, dominance of agricultural sector in employment share, lack of coverage in social security benefits, gender discrimination in labour market and high informalisation. These areas require more focus. Also, data shows that the growth achieved by the country is not inclusive in nature.

Keywords: Unemployment, India, Labour Market, Educated Unemployment.

JEL CODES: J60, J63, J64.

Introduction

Unemployment is a state where "people are not working but are willing to work and are seeking work during the period of reference"(Prakash, 2002). One of the major challenges that hinders India achieving sustainable development is persisting unemployment in the economy. Though India is one of the world's fastest growing country, the benefit of the high GDP growth reaching the population is debatable. Unemployment has social consequences like erosion of human capital (Katarzyna Nagel, 2015), poverty (Atta & Cheema, 2014), brain drain (Maqbool, Mahmood, Sattar, & Bhalli, 2013), disharmony in society(Rubee Singh, 2018), health issues (Singh & Siahpush, 2015) and psychological issues (McQuaid, 2017). Economic consequences include hampered growth and development (Geeti Mehra, 2018), exploitation of labour through overworking and less wage rate(K. Maithily & Dr. R. Sheeba, 2020). Sometimes unemployment might force families to cut down expenses by denying education to children or reducing medical attention to family members. This compromises the next generation's capability to find suitable jobs. This hinders development of the country.(Atta & Cheema, 2014). Hence, these reasons make it important to maintain low levels of unemployment.

Acceleration of employment generation comes with high economic growth. But studies show that in case of India, despite having high GDP growth, unemployment prevails. The dynamics of unemployment-employment situation changes with time. The policies and programs implemented by government aims at reducing the unemployment levels. The success of such interventions can be seen in the estimates of unemployment rate.

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According to the Economic Survey 2018-19, the working age population in India is projected to increase by 95.6 million during the decade 2021-31. In the next decade (2031-41), it will increase by 41.5 million. This forecast highlights the importance of acceleration of employment growth in Indian economy (Report Summary Economic Survey 2018-19, 2019).

The present study aims to analyse the trends and patterns of unemployment in India during the period 1971 to 2019. It brings out key takeaways related to the employment-unemployment situation in India. The estimates help in understanding characteristics of labour market and several aspects like gender gap, educated unemployment, rural-urban unemployment and deficits in decent employment. These aspects can help in formulating appropriate policies to accelerate employment generation.

Review of Literature

Years of colonisation put India behind most economies of the world. Post-independence, India aimed to achieve industrialisation. Special focus was given on development of the economy. India's growth was impressive (Deepak Nayyar, 2006). The government's policies during this phase were protectionist in nature. However, after the BOP crisis hit in 1990-91, policy regime was changed. Liberalisation, globalisation and privatisation was aimed at (Paramjeet Kaur, 2007).

Unfortunately, despite having high growth rates due to change in policy regime, the economy failed to reduce unemployment rate. The growth achieved was due to expansion of information technology and electronic servicing (service sector). This was primarily a capital-intensive sector. Hence, creation of new jobs was very limited (Ratan Kumar Ghosal, 2004). Preference for organised sector jobs in the 1990s was listed as reason for the high unemployment rate in the economy. The deceleration of employment growth in this sector resulted in not meeting the increased demand for such jobs (Dev & Mahajan, 2003). When compared to 1973 to 1983, the all-India unemployment rate declined in the 1990s (Sarbari Behera, 2015).

A downward trend of employment growth was seen from 2004-05. That is the employment growth elasticity with respect to growth was very low in 2000s. In other words, "a one percent increase in economic growth resulted in less than one percent employment generation" (K P Kannan & G Raveendran, 2019). The Global Financial Crisis of 2008 resulted less growth and high unemployment rate (Kirandeep Kaur, 2014). In the recovery period after the crisis the country could get back to the pre-crisis GDP growth (Dholakia & Sapre, 2011). From 2009-10 to 2011-12 there was growth in employment opportunities. This was characterised as a "rebound" after the stagnancy experienced by the economy (Abhishek Shaw, 2013).

The theme of the 11th (2007-12) and 12th (2012-17) Five-Year Plans of India's planning commission was "Faster and More Inclusive Growth". However, studies showed that the growth achieved during the span of these FYPs was not inclusive (Fuad M. Kreishan, 2011) (Dr. G. V. Joshi & Mr. Krishna Prasad, 2014). According to the International Labour Organisation (ILO), from 2009 to 2016 the unemployment rate was declining slowly. But the rate started to increase in 2017. The GDP growth was hit hard by the economic changes like demonetisation in 2016 and the introduction of GST in 2017-18 (K P Kannan & G Raveendran, 2019) (Dr Rubee Singh, 2018).

Rural areas of India were categorised by distress driven employment'. Increasing self-employment, poor quality jobs being created, wages not showing a favourable increase etc. were observed in labour market. The decline in income of wage earners was forcing more people of the family to join the labour market (Vinoj Abraham, 2009). It was also seen that job destruction was happening more than job creation in rural areas (K P Kannan & G Raveendran, 2019).

In urban areas, educated unemployment was a major problem. Jobs that matched aspirations (wages or status) of educated were not created in the economy. Thus, the educated workforce of the urban areas couldn't find jobs suitable for them. Migration from rural areas also resulted in high unemployment in urban areas of the country (Sarbari Behera, 2015).

The issue of unemployment and underemployment was focused by policy makers and government. The issue of quality of the employment labour market offers also required attention. Poorly remunerated jobs, high informalisation etc. continued in the economy. Along with need to create more job opportunities, there was a need to improve the quality of employment opportunities (Mahendra Dev & Vijay Mahajan, 2003) (Jha & Mohapatra, 2020).

Causes of Unemployment in India

Different researchers identify different reasons as the main causes of unemployment in India. Exploratory research shows the following as the main causes.

- Growth of population(Rubee Singh, 2018)(Dr Aurangzeb & Asif, 2013)
- Illiteracy(Subhanil Chowdhury, 2011)
- Labour immobility- Proximity to family was important to the people and this discouraged them to move in search of jobs. (K. Maithily & Dr. R. Sheeba, 2020)
- Poverty leading to vicious cycle. When income was low, people cut down expenses for the education of children and for health care. This led to a vicious circle where these children were unable to find work in the future due to lack of qualification. (Rubee Singh, 2018)
- Educational systems failed to create qualitative workforce(Abhishek Shaw, 2013)
- Awareness about employment opportunities was low among the youth(Rubee Singh, 2018)
- Nil field experience among the labour force(Rubee Singh, 2018)
- Preference for regular salaried and organised sector jobs reduced the entrepreneurial activities among the youth(Rubee Singh, 2018)
- Corruption and poor economic conditions discouraged MNCs and foreign investments (Kirandeep Kaur, 2014)
- Slow growth in the industrial sector(Geeti Mehra, 2018)
- High migration from rural areas towards towns and cities(Dr Aurangzeb & Asif, 2013)(Sarbari Behera, 2015)
- Technological changes turning skills obsolete and also reducing number of people required for the job(Sarbari Behera, 2015)(Jha & Mohapatra, 2020)
- No proper planning from the side of government to build human capital (Geeti Mehra, 2018)(K. Maithily & Dr. R. Sheeba, 2020)

Inclusive Growth or Not?

The benefits of having high economic growth were not reaped by the working population of the country (Jeemol Unni & G. Raveendran, 2007).The working-age population is projected to grow to one billion in this decade. This means that an increase of 115 million job seekers is forecasted which makes it important to accelerate employment generation(Jha & Mohapatra, 2020).

The economy has been unsuccessful in transforming growth into development(Dixit & Ghosh, 2013). There was persisting poverty and deprivation in the economy which showed that the living condition of the people was not improving. It is the duty of the state to provide citizens with everything required to lead a decent life. For this economy should grow. Also, this growth should be linked with "distributional outcomes". Employment creation provides this link. As quoted in researches, "Neither in economics nor in politics was jobless growth sustainable. Through a virtuous circle of cumulative causation creation of jobs would reinforce economic growth" (Deepak Nayyar, 2006).

Research Methodology

To bring out key takeaways related to the employment-unemployment situation in India the present study analysed the trends and patterns of unemployment in India during the period 1971 to 2019. Several reports were analysed for this purpose. The trends and patterns of the year 2017-18 has been analysed based on the Periodic Labour Force Survey (PLFS)S 2017-18 and for the long-term comparison of trends and patterns of unemployment, the unemployment data published by the World Development Indicators of the World Bank which gives the ILO estimate of unemployment rate has been taken. Quarterly Bulletin of PLFS, Employment Exchange Statistics 2018 and Economic Survey 2018-19 were also studied.

Results and Analysis

India has the second largest population in the world. During 2017- 18, India had a population of 1074 million people and they were constituted in 257 million households. Around 794 million people of the total population were of the age 15 and above. The proportion of people in the age group 15-59 was 64.1% of the total population. The age group 15 to 29 which is categorised as youth forms 27.45% of the total population. Only 29.3% share of persons lived in urban areas. The average household size was 4.2. The size was smaller in urban areas than in rural areas.

- **Unemployment Rate and Labour Force Participation Rate**

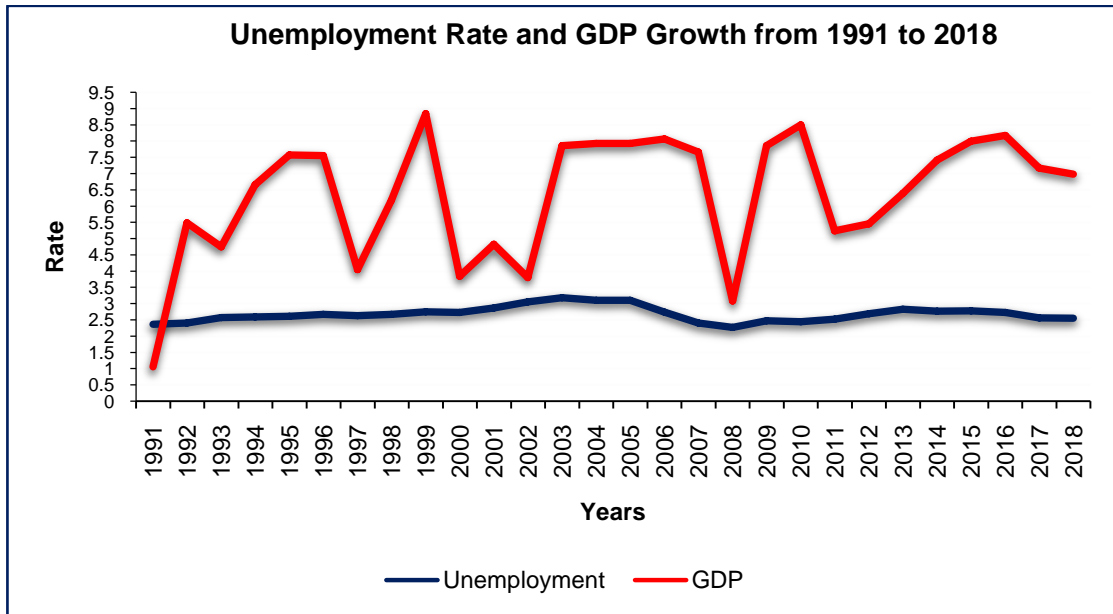


Figure 1: Unemployment rate and GDP growth from 1991 to 2018

Source: Graphical representation of data taken from World Bank by the author.

Note: Unemployment rate and GDP growth in %.

Since 1991, unemployment is increasing in India. The change in policy regime did not bring acceleration in employment growth. The unemployment rate was 2.4% in 1991 which reduced to 2.7 percent in 2000. From 1991 to 2000, the average unemployment rate was 2.6% with corresponding GDP growth 5.6%. Thus, the policy regime change has improved GDP growth. In 2001-2010, the average GDP growth and unemployment rate was 6.75% and 2.8% respectively. During 2003- 2005, the GDP growth was at 7.9%. However, the unemployment rate peaked during this period. The rate decreased from 3.10% in 2005 to 2.27% in 2008 along with a steep decline in LFPR. In 2008, the GDP growth declined drastically because of the global recession. Growth in GDP was 3.08% and the unemployment started rising. During the recovery period GDP growth bounced back to what it was previously. Unemployment once again started increasing gradually from 2009 to 2016. In 2017 and 2018, a slight decline has been recorded. The GDP growth from 2011 to 2018 averaged at 6.9%. The unemployment rate for the same period averaged at 2.7%. The data shows that even when the growth rate peaked at 8%, acceleration in employment growth was almost nil. This indicates ‘jobless growth’.

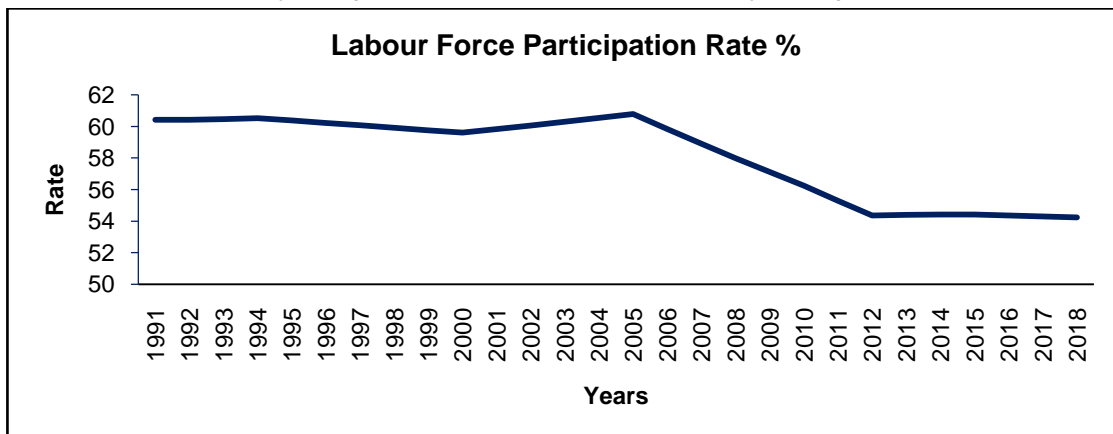


Figure 2: Labour Force Participation Rate from 1991 to 2018

Source: Graphical representation of data taken from World Bank by the author.

Figure 2 graphically depicts the change in Labour Force Participation Rate during 1991 to 2018. LFPR was around 60.42% in 1991. LFPR started rising in the year 2000 which continued till 2005. Post 2005, LFPR has been reducing. It declined to 54.367% in 2012. The rate of decline during this period was quite rapid. Since 2012, LFPR has been relatively stable. The reasons for decline in overall LFPR rate could be because people quit the labour market when they cannot find jobs. During the global recession and its recovery, many people lost their jobs in India. These people would have left the labour force.

The global economic slowdown that is happening since the past years and the weak economy of India due to changes brought by government is forcing people to quit seeking jobs. As more and more people are recognising the importance of being educated, they pursue higher education which delays their entry into the labour force. Decline in labour force participation of the youth is primarily happening due to this reason. All these factors contributed to reduction of LFPR.

• **Composition of Workforce**

Worker Participation Ratio (WPR) helps in understanding the situation of employment in a country. WPR has reduced from 42% in 1993-94 to 34.7% in 2017-18. This means that currently only thirty-five percentage of the population is employed. The gradual decline through the years increases the dependency of population on the working class

In 2017-18, the rural WPR and urban WPR was at 35% and 33.9% respectively. Male WPR in rural areas was lower than male WPR in urban areas. But the scenario reversed in case of female WPR. The all-India male WPR was 52.1%. Male WPR was significantly higher than female WPR. Only 16.5% of the total females were employed in the country. It was found that the male participation (among all age groups) was more than thrice the female participation. This implied that the gender gap existed in the labour market. The WPR among the youth has also declined significantly. In 2011-12, the rate was 41.9% and this has reduced to 31.4% in 2017-18. This shows that the people in the age group 15 to 29 are either getting education or training or they are not engaged in any economic activity.

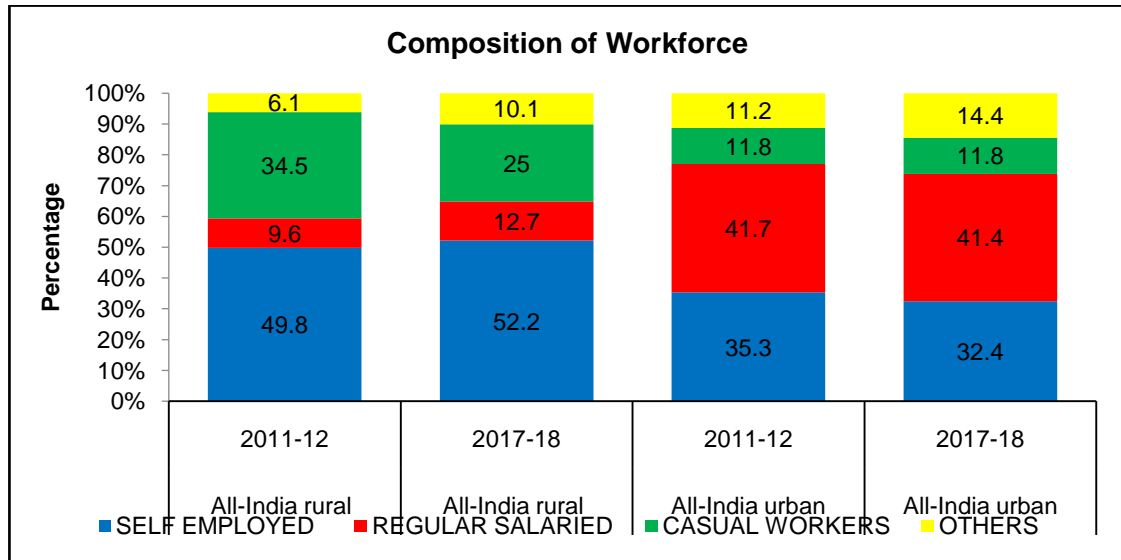


Figure 3: Composition of workforce in India

Source: Graphical representation of data taken from PLFS (July 2017 – June 2018) created by the author.

Self-employment has increased in rural areas and has declined in urban areas. In 2017-18, 37.8% was engaged in agriculture and related activities and 14.2% was engaged in non-agricultural activities (out of the 52.2% engaged in self-employment in rural areas).

New regular salaried jobs are being created in rural areas in the past years. Casual workers were declining in these areas. 12.1% of the casual workers were engaged in agricultural activities and 12.9% in non- agricultural activities in 2017-18. There was roughly no change for regular salaried and casual workers in urban areas which implied that new regular salaried jobs are not created in urban areas. An increase in the 'others' category was seen in both rural and urban areas.

According to the PLFS, “[AG]riculture sector [E]xcluding [G]rowing of [C]rops, plant propagation, combined production of crops and animals without a specialized production of crops or animals (AGEGC) and non-agriculture sector comprises the informal sector”. The proportion of people working in the informal sector is quite high in the country because around 71.1% of the male workers and 54.8% of the female workers belonged to the informal sector.

Only 28% earned above this minimum salary of 18000 prescribed by the 7th Pay Commission. A monthly salary of more than rupees 50,000 was earned by only 4% of the regular wage/ salaried workers. Regular wage/salaried employees in the non-agriculture sector were deprived from several social security benefits. Only 50.4% of these employees were eligible for any kind of social security benefits. Among regular wage/salaried employees, around 49% of male and 51.8% females were not eligible for any social security benefits according to PLFS of 2017-18. Compared to the previous rounds, data showed that more employees are being covered under social security benefits. The proportion of employees having a written job contract were only approximately 30%. All of this shows that the employment conditions prevailing in the economy requires a lot of improvement.

- **Pattern of Unemployment Rate- Gender-wise**

Table 1: Unemployment Rate % (Usual Status ps+ss) (Age group 15-59 (working age))

Round/PLFS	Year	Rural		Urban	
		Male	Female	Male	Female
27 th round	1972-73	1.2	0.5	4.8	6.0
32 nd round	1977-78	1.3	2.0	5.4	12.4
38 th round	1983	1.4	0.7	5.1	4.9
43 rd round	1987-88	1.8	2.4	5.2	6.2
50 th round	1993-94	1.4	0.9	4.1	6.1
55 th round	1999-00	1.7	1	4.5	5.7
61 st round	2004-05	1.6	1.8	3.8	6.9
66 th round	2009-10	1.6	1.6	2.8	5.7
68 th round	2011-12	1.7	1.7	3	5.2
PLFS	2017-18	5.8	3.8	7.1	10.8
PLFS	2018-19	5.6	3.5	7.1	9.9

Source: Adapted from Annual Report Periodic Labour Force Survey (PLFS) [(July 2017 – June 2018) and (July 2018 – June 2019)].

In all the years, urban unemployment (for both males and females) has been higher than rural unemployment rates. In rural areas, in most of the surveys, the male unemployment rate is higher than female. A corresponding decline in the female participation in the rural areas indicated that the low female unemployment rate in rural areas could be because of low participation. On the other hand, in urban areas, female unemployment rate has always been higher than male unemployment rate. This indicated that the labour market had more stringent rules for hiring women. The rounds 27th to 68th were conducted as a part of EUS which was replaced by PLFS 2017-18. In the PLFS, the methodology of the survey has been changed and different weights were used. This change makes it difficult to compare the data from EUS and PLFS.

According to the PLFS, unemployment rate has drastically increased in rural areas and urban areas. The reason for this increase is not solely the change in technique used but also the impact of the changes made in the economic and tax front. The decrease in GDP growth over the quarters of 2017 and 2018 resulted in loss of jobs and reduction of employment growth. The PLFS 2018-19 data shows that the unemployment rate for rural areas (male and female) and urban areas (females) has declined indicating that the economy could be recovering from the slow growth phase due to the changes made on the economic front. The unemployment rate for urban males remained the same.

- **State-wise Unemployment Rate**

The all-India unemployment rate was 6.1% in 2017-2018 according to the usual status (ps + ss). Such a high rate has never been observed since 1972. A proportion of the sudden hike in the unemployment levels was explained by the change in methodology of survey in PLFS. Changes brought about in the economy like implementation of GST and demonetisation have weakened the economy. This has impacted the GDP growth which was at 7.17% and the employment growth. The all-India labour force participation has decreased from 43% in 2004-05, to 40% in 2009-10 and then to 36.9% in 2017-18 according to the NSSO data. The decline in LFPR in all age groups shows that the weak economy is not able to provide jobs for the labour force seeking employment. This compels this section of the labour force to quit seeking jobs. The youth LFPR was 46.8% in 2009-10. This has declined to 38.2% in 2017-18. The decline is because more young people are pursuing higher education and training.

When compared to 2017-18, both female and male unemployment has increased in 2018-19. In 2018-19, the unemployment rate for male and female was 6% and 5.2% respectively. The overall unemployment rate has declined to 5.8%. In 2018-19, rural and urban unemployment has reduced. Also, WPR and LFPR has increased in the country (Annual Report -Periodic Labour Force Survey (July 2018 - June 2019), 2020).

Table 2 gives the highest six and lowest six state/union territories (unemployment rate) in 2017-18 based on usual status (ps+ss).

Table 2

Highest Unemployment Rate			Lowest Unemployment Rate		
S. No.	State/UT	Unemployment (%)	S. No.	State/UT	Unemployment (%)
1.	Nagaland	21.4	1.	Dadra & Nagar Haveli	0.4
2.	Lakshadweep	21.3	2.	Meghalaya	1.5
3.	Andaman and Nicobar Islands	15.8	3.	Daman and Diu	3.1
4.	Goa	13.9	4.	Chhattisgarh	3.3
5.	Manipur	11.6	5.	Sikkim	3.5
6.	Kerala	11.4	6.	Andhra Pradesh	4.5

Source: Data compiled from Annual Report of Periodic Labour Force Survey (PLFS) (July 2017 – June 2018) by the author.

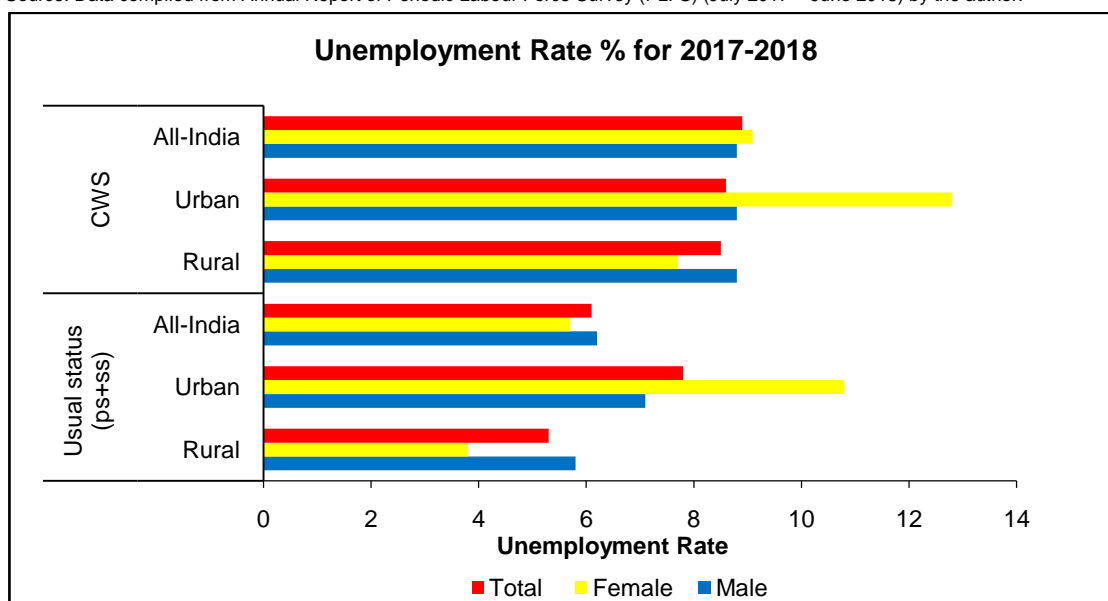


Figure 4: Unemployment rate for the year 2017-18

Source: Graphical representation of data taken from PLFS (July 2017 – June 2018) by the author.

Unemployment in urban areas was higher than rural areas. The urban unemployment rate was 7.8 percent and rural unemployment rate was 5.3 percent. The high urban unemployment remains a concern for India. Nagaland had highest rural unemployment and urban unemployment. The lowest rural unemployment and urban unemployment was reported in Dadra & Nagar Haveli. When joblessness is compared based on gender, men were more jobless than women. The all-India unemployment rate according to usual status among males and females were 6.2% and 5.7% respectively. Female unemployment is 0.3% higher than male unemployment when CWS is followed. Rural unemployment rate for men was 5.8% and for women it was 3.8% based on usual status. Female unemployment was lower. However, in urban areas with 10.8% unemployment, female unemployment is higher than male unemployment. Thus, for women in urban areas it was more difficult to find employment.

Male unemployment was highest in Nagaland. With 50.5%, female unemployment was highest in Lakshadweep. It was found that the highest female unemployment that was recorded in any state was more than twice the highest male unemployment.

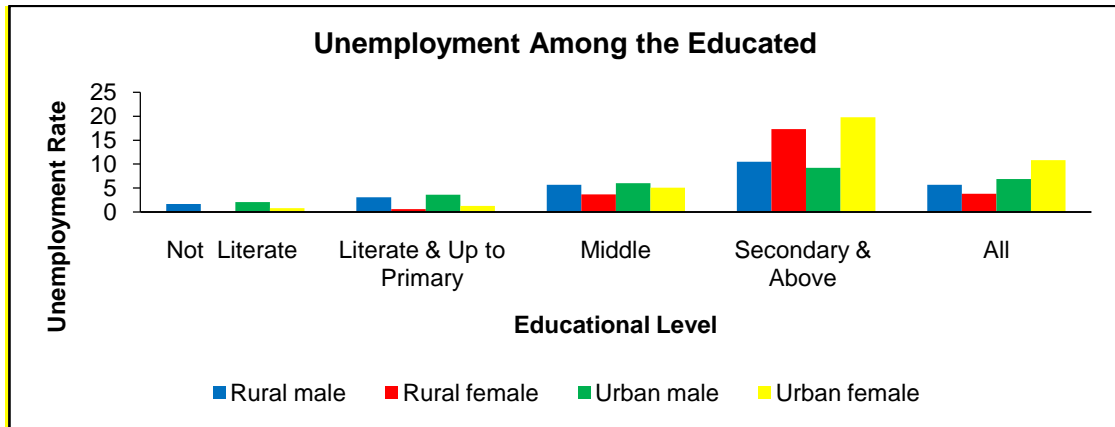


Figure 5: Unemployment rate according to educational level for the year 2017-18

Source: Graphical representation of data taken from PLFS (July 2017 – June 2018) by the author.

As can be seen in figure 5, as educational attainment of people increased unemployment increased. Illiterates found it easier to find jobs. Unemployment among men was higher than women in both rural and urban areas for people with secondary and below educational level, the situation was opposite for secondary and above education. Men with higher education found jobs easily. There was high unemployment rate among female with secondary and above education level. This implied that highly educated women encountered more barriers and problems in the labour market than the men. This again indicates that there is gender discrimination in the labour market. Around 17.8% youth (15-29 years) in the nation was unemployed in 2017-2018 with labour participation rate of 38.2%. Youth unemployment was approximately the same in both rural areas and urban areas. Youth unemployment was reported highest in Nagaland (56%). Unemployment was higher in female youth than males in urban areas. In rural areas, female unemployment was lesser than male unemployment.

The reason behind the increase seen in unemployment among the youth may be due to their increasing aspirations. The youth are willing to wait to find jobs that match their high aspirations. When the young attain higher education their perception towards jobs also changes. The preference towards regular salaried jobs in organised sectors is also high. Agricultural activities are no longer attractive. However, the job market is not very successful in creating employment opportunities that matches these aspirations. Among the social groups, the general category (also called others category) recorded the highest unemployment rate of 6.7% followed by schedule castes (6.3%), other backward castes (6%) and scheduled tribes (4.3%).

• **Sector-Wise Employment Growth in India**

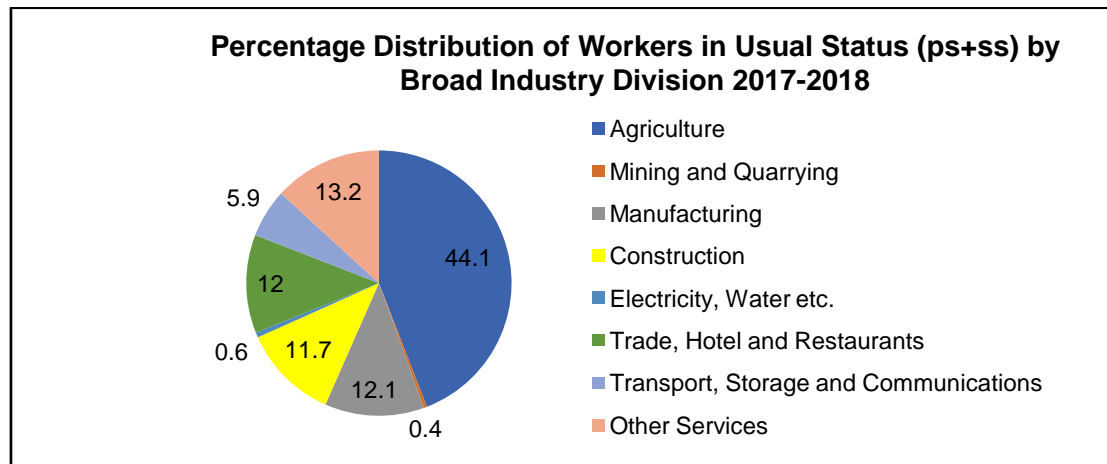


Figure 6: Percentage distribution of workers by Broad Industry Division for 2017-18

Source: Graphical representation of data from PLFS 2017-18 created by the author.

The PLFS has a broad industry division and workers are distributed into 8 categories based on the usual status. These categories are mentioned in figure 6. The figure shows that with 44.1%, agriculture is the largest employer. PLFS 2018-19 shows that employment in agriculture has declined to 42.5% which evidently showed the shift from being an agrarian economy. The decline in employment in agriculture has been absorbed by the categories - construction, trade, hotel and restaurants and other services which has seen a marginal increase in employment. All the other industry divisions employed the same percentage of people.

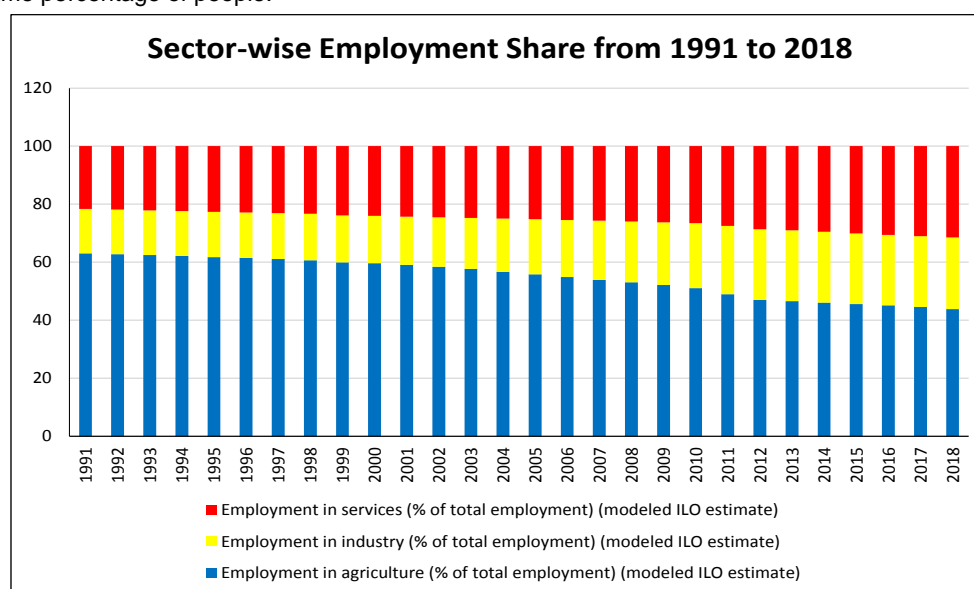


Figure 7: Sector-Wise Employment Share from 1991 to 2018

Source: Graphical representation of data from World Bank by the author.

Figure 7 shows the structural transformation that has happened in the economy from 1991 to 2018. Data from World Bank has been taken. In case of India, the shift is happening from being an agrarian economy to service dominant economy. Since 1991, agricultural sector was the largest employer and contribution towards Gross Value Added (GVA) was highest from service sector. According to the data from World Bank, in the year 2018, 43.86% were employed in agriculture, 24.69% in industry and 31.45% in service sector. The asymmetry in change in GVA/ output and employment share of different sectors can be seen in the economy. The percentage of employment in agricultural sector has declined by 0.662 percentage from 2017 to 2018. Industry and service sector share has increased by 0.21 and 0.45 percentage.

• Employment Exchanges in India

Ministry of Labour & Employment, Government of India published the report 'Employment Exchange Statistics 2018' in February 2020. According to the report, the number of employment exchanges across the country has increased to 997 in 2017. This was the highest number of exchanges operated in Uttar Pradesh followed by Kerala and then West Bengal.

Table 3: Job Seekers in Employment Exchanges (All-India) (in Lakh) (Year-end)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Registration	54.3	53.2	56.7	61.9	62.1	97.2	59.7	59.6	69.4	59.6	39.5
Placement	2.7	3	2.7	5.1	4.7	4.3	3.5	3.4	3.9	4.1	4.2
Vacancies Notified	5.3	5.7	4.2	7.1	8.2	6.8	5.1	7.6	8.1	14	8.1

Source: Adapted from Annual Report- Employment Exchanges Statistics 2018 by the author.

Registration is when a person seeking job applies for the job in the exchange. Placement is when an employer accepts a job seeker registered with the exchange for a remunerated job. Vacancies notified are the total number of job vacancies listed in the employment exchange. In 2017, out of the 39.5 lakh registrations, 24 Lakh were men and 15.5 lakh were women. The registrations have reduced since 2007. Whereas, placements and vacancies notified have increased over the years. Only 11% of the total 39.5 lakh registered seekers were placed indicating that employment exchanges should function more efficiently so that more job seekers are placed through these exchanges.

Conclusion

The estimates of PLFS and World Bank show that the unemployment rate has increased over the years. Increased unemployment rate along with decline in Worker Participation Ratio and Labour Force Participation Rate reveals that the situation of unemployment in the country is alarming. Data shows that growth in GDP is not resulting in employment growth which means that there is jobless growth. That is the growth achieved is not “inclusive”. The nature of unemployment in India has certain characteristics. In the year 2017-18, when the all-India unemployment rate stood at 6.1% with Nagaland reporting 21.4% unemployment rate. North eastern states – Nagaland, Manipur, Mizoram and Assam have very high unemployment rate. Thus, the regional disparity is high with north eastern states requiring more acceleration in employment growth. Focusing on infrastructural development in this area will help create more jobs.

The economy has high urban unemployment, youth unemployment and educational unemployment. The urban unemployment rate was 7.8% with highest urban unemployment was reported in Nagaland and Dadra & Nagar Haveli. Youth unemployment was 17.8%. The ability of the economy to generate jobs for the qualified workforce is questionable. Unemployment among illiterates is the lowest. Educated unemployment was highest in Kerala and Mizoram. Joblessness is high among males in India. However, there is gender gap in the labour market. The LFPR, WPR and unemployment rate proves that India is not providing a favourable environment for women to work. Finding a job is more challenging for women in urban areas than rural areas. Disparity in hiring process, wages and working conditions prevail. Additional growth can be achieved if the economy succeeds at reducing gender discrimination in labour market. Encouraging women entrepreneurship will help in this. Implementation of laws against gender discrimination in labour market more stringently is required.

Casualisation and informality in the labour market is quite high. This implies that low quality employment opportunities are created in the economy. Coverage of social security benefits is not very impressive. The dominance of agriculture sector in employment share is quite high with continuously declining GDP contribution from the sector. Industry sector requires a boost in employment growth acceleration. Initiatives like ‘Make in India’ needs more focussed attention. Labour intensive industries like paper products, textiles etc. should be made more competitive to help in boosting employment generation and growth in industry. To take advantage of the large number of employment exchanges operating in the country, a more transparent, coordinated and systematic approach of notification of vacancies and their placement should be put in place. Both creating qualitative workforce and creating job opportunities for this workforce should be given equal focus. The characteristics of the labour market that the data reveals, highlights the importance of focusing on the inherent problems of the labour market. This means that the structural dimensions of the labour market need to be taken care of. Removal of these inherent problems can reduce unemployment problem up to a certain extent. Along with that transforming growth into development so as to make growth inclusive is also important. For this a planned and long-term approach is required. Such an approach will help India maintain low unemployment levels.

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