Unemployment Rate in Urban Areas

[Source: TH](#)

Why in News?

The [Periodic Labour Force Survey (PLFS)](#), conducted by the [National Sample Survey Office (NSSO)](#), recently released data for **July-September 2023**, shedding light on India's [unemployment](#) rate in urban areas.

What are the Major Highlights of the Recent PLFS?

- **Urban Unemployment Rate:** The unemployment rate in urban areas showcased a decline from **7.2% (July–September 2022) to 6.6% (July–September 2023).**
    - **Male:** Decreased from 6.6% to 6% in the given time period.
    - **Female:** Witnessed a more positive trend, marking a decrease from **9.4% to 8.6%** in the given time period .
- **Worker-Population Ratio:** The **worker population ratio**, percentage of employed persons in the population, in urban areas increased from **44.5% in July-September, 2022 to 46% in July-September, 2023** for persons of age 15 years and above.
    - **Male:** Increased from 68.6% to 69.4% during the given time period.
    - **Female:** Increased from 19.7% to 21.9% during the given time period.
- **Labour Force Participation Rate:** The LFPR in urban areas increased from **47.9% in July-September, 2022 to 49.3% in July–September, 2023**
    - **Male:** Saw a marginal uptick from **73.4% to 73.8% during this period.**
    - **Female:** Exhibited a more **substantial increase from 21.7% to 24.0%.**

What is the Periodic Labour Force Survey?

- **About**:
    - Considering the importance of availability of labour force data at more frequent time intervals, **NSSO** launched **Periodic Labour Force Survey** in April 2017.
    - PLFS defines unemployment rate as the percentage of persons unemployed among the persons in the **labour force.**
- **Objective of PLFS:**
    - To estimate the key employment and unemployment indicators (viz. [Worker Population Ratio](#), [Labour Force Participation Rate](#), **Unemployment Rate**) in the short time interval of three months for the urban areas only in the **'Current Weekly Status' (CWS).**

- To estimate employment and unemployment indicators in both '**Usual Status' and CWS in both rural and urban areas annually.**

What are the Related Key Terms?

- **Labour Force Participation Rate (LFPR):** It represents the **percentage of people aged 15 and above** who are either employed or unemployed but actively seeking work.
- **Worker Population Ratio (WPR):** This measures the percentage of employed individuals within the total population.
- **Unemployment Rate (UR):** It indicates the percentage of unemployed persons among those in the labour force.
- **Regarding Activity Status:**
  - **Principal Activity Status (PS):** The primary activity a person engaged in for a substantial period (during 365 days preceding the survey).
  - **Subsidiary Economic Activity Status (SS):** Additional economic activities performed, apart from the usual primary activity, for at least 30 days in the 365-day period before the survey.
  - **Current Weekly Status (CWS):** This status reflects a person's activities during the immediate past 7 days before the survey date.

What are the Major Issues Related to Unemployment in Urban Areas?

- **Structural Unemployment:** Urban areas often face a **disparity between the skills** possessed by the workforce and the skills demanded by industries.
  - The education system does not **align with the needs of the job market,** leading to a surplus of unskilled or under-skilled workers.
  - **Rapid technological advancements and changes in the economy** have led to the decline of traditional industries, resulting in job losses for many urban workers who lack the necessary skills for emerging sectors.
- **Informal Sector Dominance:** A significant portion of the **urban population is employed in the** informal sector, characterized by **low pay, job insecurity, and lack of social security benefits.**
  - This sector often experiences seasonal fluctuations, leading to inconsistent employment opportunities.
  - Many workers are **forced to accept jobs that are below their skill levels due to the scarcity of formal employment opportunities, leading to underutilization of human resources.**
  - According to IMF, In India in terms of employment share the unorganized sector employs 83% of the workforce.
    - Also, there are **92.4% informal workers (with no written contract, paid leave and other benefits)** in the economy.
- **Demographic Challenges**: Rapid urbanization and population influx into cities have **outpaced job creation**, causing a strain on the job market and resulting in higher unemployment rates.
  - **Rural-to-urban migration** often leads to an oversupply of labour in cities, contributing to higher unemployment rates among migrant populations, further exacerbating urban poverty.
- **Credential Inflation:** Overemphasis on educational qualifications can lead to **situations where individuals are overqualified for available jobs,** leading to underemployment or unemployment.

What are the Government's Initiatives Related to Employment?

- **Support for Marginalized Individuals for Livelihood and Enterprise (SMILE)**
- **PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)**
- **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**
- **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**

- **Start Up India Scheme**
- **Rozgar Mela**
- **Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan.**

Way Forward

- **Reformative Education:** Aligning education with the **current market demands by updating curricula to impart relevant skills, emphasizing vocational training, and promoting lifelong learning** to enhance employability.
- **Startup Ecosystem Support:** Fostering a conducive environment for startups by **providing financial incentives, reducing bureaucratic hurdles, and offering mentorship programs** to encourage entrepreneurship.
- **Pro-Employment Policies:** Formulating and implementing policies that promote job creation, including investment in infrastructure, industry-friendly regulations, and fiscal incentives for businesses generating employment.
- **Promoting Creative Economy:** Investing in cultural industries, arts, and creative sectors, supporting artisans, performers, and craftsmen to generate employment through cultural entrepreneurship.
- **Green Spaces and Urban Agriculture:** Promoting **urban agriculture and green spaces within cities**, creating employment in farming, gardening, and related eco-friendly activities.
- Offering training in sustainable practices, landscaping, and urban forestry to create employment in the green sector.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Disguised unemployment generally means (2013)

(a) large number of people remain unemployed
(b) alternative employment is not available
(c) marginal productivity of labour is zero
(d) productivity of workers is low

Ans: (c)

Mains

Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023)**

PDF Refernece URL: https://www.drishtiias.com/printpdf/unemployment-rate-in-urban-areas