



India and Unemployment

This editorial is based on [“A Hazy Picture on Employment in India”](#) which was published in The Hindu on 01/02/2022. It talks about the employment related data presented by the PLFS and the existing unemployment situation of India.

For Prelims: Economic and Social Development, Poverty, Inclusion, Demographics, Periodic Labour Force Survey (PLFS), Gross Value Added (GVA), Decennial Population Census, National Statistical Office (NSO), Female Labour Force Participation Rates.

For Mains: Employment as a Determinant of Growth & Development, Importance & Limitations of Economic Growth, Terms Related to Employment – Labour Force Participation Rate, Employment Rate, Working Age Population etc., Sectoral Distribution of Employment, Causes of Lack of Employment, Restructuring of Workforce.

The two important indicators of structural transformation in any economy are rates of growth and changes in the structural composition of output and the workforce.

India has experienced fairly consistent changes in the first indicator, especially after the 1991 reforms, but the trend in employment has not revealed any consistent or clear pattern.

Though the [Periodic Labour Force Survey \(PLFS\)](#) shows increment in worker to population ratio and narrowing of the gender gap in employment in recent past, the unemployment scenario of India still remains disappointing.

Indian Economy and Employment

What are the Economic Growth Rate Trends?

- The growth rate of the economy (measured by [Gross Value Added \(GVA\)](#) at constant prices) accelerated from 4.27% in the 20 years before the economic reforms to 6.34% in the 20 years following the reforms and to **6.58% between 2010-11 and 2019-20 at 2011-12 prices.**
- This growth trajectory was accompanied by a **steady decline in the share of agriculture** from 30% in 1990-91 to 18% in 2019-20 and a **steady increase in the share of non-agriculture output** in total economic output.

Who Tracks India's Employment Related Data?

- Two major sources of data on workforce and employment have been the [Decennial Population Census](#) and the nationwide quinquennial (5-yearly) surveys on employment and unemployment by the [National Sample Survey Office \(NSSO\)](#).
 - The quinquennial surveys of NSSO provide data for upto 2011-12 only. Hence, it was

replaced by the **Periodic Labour Force Survey (PLFS)**, started in 2017-18 on an annual basis.

- PLFS is India's first computer-based survey launched by the [National Statistical Office \(NSO\)](#) in 2017. It has been constituted based on the recommendation of a committee headed by Amitabh Kundu.
 - It **collects data on several variables** such as the **level of unemployment**, the **types of employment** and their **respective shares**, the **wages earned** from different types of jobs, the **number of hours worked etc.**

What are the Employment Trends?

- PLFS data show an **increase in the worker to population ratio (WPR)** from 34.7% in 2017-18 to 38.2% in 2019-20.
 - This is a **reversal of the previous trend** which showed a decline in WPR after 2004-05.
- The change also implies that **employment has increased at a much faster rate than growth in population.**
- The increase in WPR has been reported in the rural and urban population and in the male and female population.
 - This increase in WPR is even more significant as it has occurred in the midst of an increase in the labour force participation rate.

What are the Women-Specific Stats?

- **Female WPR ratio** increased from 17.5% to 24% between 2017-18 and 2019-20. The ratio, when multiplied by the female population, shows an **annual increase of 17% of women workers.**
- Another positive indication from PLFS data is that the gap between the male and female worker participation rate is narrowing down.
 - As **against 100 male workers, there were 32 female workers** in the workforce in 2017-18. This number increased to 40 in 2019-20.
 - Women constituted 24% of the workforce in the country in 2017-18 and **28.8% in 2019-20.**
- Also, the **unemployment rate in the female labour force in rural areas is far lower** than the male labour force, whereas the opposite holds true in urban areas.
 - This is despite the fact that the female labour force participation rate in rural India is 33% higher than the rate in urban areas.

How is the Actual Unemployment Scenario different from the Presented Data?

- **More Job Seekers than Jobs:** PLFS data shows that the number of jobs increased at a faster rate than the increase in the number of job seekers between 2017-18 and 2019-20.
 - But despite this, the **number of unemployed persons has increased by 2.3 million** between 2017-18 and 2018-19, mainly because of an **increase in the number of job seekers** (52.8 million) in these two years.
- **Decline in Salaried Workers:** The percentage of salaried people has **dropped from 21.2% in 2019-2020 to 19% in 2021**, which means that 9.5 million people have left the salariat and become jobless or part of the informal sector.
- **No Shift out of Agriculture:** The sectoral composition of the workforce shows that 45.6% of the workers in India are engaged in agriculture & allied activities, 30.8% in services and 23.7% in industry.
 - From 2017-18 to 2019-20, there has been **no increase in the share of industry and services** in total employment. This means that the **labour shift out of agriculture is not happening.**
- **Causes of Prevalence of Agricultural Jobs:** The young labour force, which is getting increasingly educated, sought more remunerative work outside agriculture but only a few succeeded.
 - This is because the **industry and services sectors have adopted capital-intensive** and, in many cases, **labour-displacing technologies** and production strategies.
 - This is getting further **aggravated with the rising adoption of modern technologies**

like [Artificial Intelligence \(AI\)](#) and [Internet of Things \(IoT\)](#).

What Steps Can Be Taken?

- **Rethinking Our Economic Development Models:** The rising share of industry and services in national income without a sizable increase in employment puts a serious question mark on the relevance of conventional models of economic growth and development.
 - Perhaps, there is a need to **rethink the conventional economic development models** and their **applicability for emerging economies like India**.
 - An optional approach can be to rethink our strategy of striving for an industry-led growth model and **explore a more relevant agri-centric model of economic transformation** to create more attractive, more remunerative and **more satisfying employment in and around agriculture**.
- **Generating Employment in Manufacturing and Services:** There is also an urgent need to generate much more employment in the manufacturing and services sector compared to the number of jobs they have offered in the recent past. This should include:
 - **Changes in labour** laws which discourage industry to adopt labour-intensive production
 - **Employment-linked production incentives**
 - **Special assistance for labour-intensive economic activities**
- **Decentralisation of Industries:** Decentralisation of Industrial activities is necessary so that people of every region get employment.
 - **Development of the rural areas will help mitigate the migration** of the rural people to the urban areas thus decreasing the pressure on the urban area jobs.
- **More Investments:** The private sector investment rate in India is declining — almost in a linear manner — since 2011. The employment scene will improve only if **private investment picks up**.
 - The government should also align technical and vocational education and make **enduring and long-term investments in human capital** through **good-quality education, skills, and on-the-job training**, as well as in basic social protection.

Drishti Mains Question

Discuss the unemployment scenario of India and what measures can be taken to tackle this unemployment wave.