



Unemployment in India

For Prelims: [Periodic Labour Force Survey \(PLFS\)](#), National Sample Survey Office (NSSO), [Covid-19 pandemic](#), [Worker Population Ratio](#), [Labour Force Participation Rate](#).

For Mains: Unemployment in India, Major Issues Related to Unemployment in India.

Source: MOSPI

Why in News?

According to the [Periodic Labour Force Survey \(PLFS\)](#), conducted by the **National Sample Survey Office (NSSO)**, in 2023, India's unemployment rate has dropped significantly, marking the lowest in the past three years.

- The PLFS gives estimates of Key employment and unemployment Indicators like, the **Labour Force Participation Rates (LFPR)**, **Worker Population Ratio (WPR)**, **Unemployment Rate (UR)**, etc and the **Activity Status- 'Usual Status'** and **'Current Weekly Status'**.

Note

- **Labour Force Participation Rate (LFPR):** LFPR is defined as the percentage of persons in the labour force (**i.e. working or seeking or available for work**) in the population.
- **Worker Population Ratio (WPR):** WPR is defined as the percentage of employed persons in the population.
- **Unemployment Rate (UR):** UR is defined as the percentage of persons unemployed among the persons in the labour force.
- **Activity Status- Usual Status:** The activity status of a person is determined based on **the activities pursued** by the person during the specified reference period.
 - When the activity status is determined based on the reference period of the last 365 days preceding the date of the survey, it is known as the **usual activity status of the person**.
- **Activity Status- Current Weekly Status (CWS):** The activity status determined based on a **reference period of the last 7 days preceding the date of the survey** is known as the **CWS** of the person.

What are the Key Highlights of the Report?

- **India's Unemployment Rate:**
 - India's unemployment rate for individuals aged 15 and above has dropped to **3.1% in 2023**, marking the lowest in the past three years.
 - The unemployment rate was at **3.6% in 2022 and 4.2% in 2021**.
 - There is a decline in the **unemployment rate among females to 3% in 2023 from**

3.3% in 2022 and 3.4% in 2021.

- Similarly, for males, it decreased to 3.2% in 2023 from 3.7% in 2022 and 4.5% in 2021.

▪ **Recovery in Employment Scenario:**

- There is a **recovery in the employment scenario** post the impact of the [Covid-19 pandemic](#), with increased economic activity after the lifting of lockdowns by the Centre and states.

▪ **Urban and Rural Unemployment:**

- Urban areas witnessed a **reduction to 5.2% in 2023** from 5.9% in 2022 and 6.5% in 2021, while **rural areas experienced a decrease to 2.4% in 2023** from 2.8% in 2022 and 3.3% in 2021.
- The LFPR in Current Weekly Status (CWS) for individuals **aged 15 and above in urban areas rose to 56.2% in 2023**, showing an upward trajectory from 52.8% in 2022 and 51.8% in 2021.

▪ **Economic Growth:**

- This positive employment data comes on the heels of recent reports indicating India's economic **growth surging to 8.4% in the third quarter of 2023-24**.
- Sectors such as manufacturing, mining & quarrying, and construction played a pivotal role in driving this growth, as per data released by the NSO.
- The NSO's second advance estimate pegs India's growth at **7.6% for the entire fiscal year 2023-24**, surpassing the initial projection of 7.3% released in January 2024.

What is the Periodic Labour Force Survey?

▪ **About:**

- The [National Statistics Office \(NSO\)](#) is conducting **PLFS** to produce **annual statistics of employment and unemployment** characteristics for both rural and urban areas, along with quarterly estimates for urban areas.
 - The first annual report based on the data collected in PLFS during July 2017- June 2018 was published in May 2019.

▪ **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 is Unemployment?

▪ **About:**

- Unemployment refers to the **condition where individuals capable of working are actively seeking employment** but are unable to secure suitable jobs.
- An unemployed person is someone who is part of the labour force, and possesses the requisite skills but currently lacks gainful employment.
- Basically, an unemployed person is someone of **working age, jobless, able and available to work, and actively looking for a job**.

▪ **Measurement of Unemployment:**

- The unemployment in the country is commonly calculated using the formula:
 - $$\text{Unemployment rate} = \left[\frac{\text{Number of Unemployed Workers}}{\text{Total Labour Force}} \right] \times 100.$$
 - Here, the 'total labour force' includes the employed and the unemployed. Those who are neither employed nor unemployed — students, for example— are not considered a part of the labour force.

▪ **Types of Unemployment:**

- **Structural Unemployment:** Rooted in mismatches between the **skills possessed by the workforce and the requirements** of available positions, this form of unemployment highlights systemic issues within the labour market.
- **Cyclical Unemployment:** Tied to economic cycles, this type escalates during economic downturns and diminishes during periods of expansion, showcasing the sensitivity of job

- availability to macroeconomic conditions.
- **Frictional Unemployment/Transitional Unemployment:** Also called transitional unemployment, arising from the natural transition between jobs, this type reflects the temporary period individuals spend searching for new employment opportunities.
- **Underemployment:** While not strictly unemployment, this concept pertains to individuals employed in positions that underutilize their skills or provide insufficient working hours, contributing to a sense of economic inefficiency.
- **Hidden Unemployment:** Refers to individuals who are not actively seeking employment due to discouragement or other factors but could potentially enter the job market if conditions improve.
- **Disguised Unemployment:** It arises because more labourers work in the factory/land than are required. Hence productivity i.e., **production per unit of labour will be less.**

What are the Major Causes of Unemployment in India?

- **Population Size:**
 - India's substantial population amplifies the **competition for employment** opportunities, putting additional pressure on the job market.
 - Managing this demographic challenge **necessitates a comprehensive approach to economic development** and job creation.
- **Skills Mismatch:**
 - A predominant cause, where the **skills possessed by the workforce may not align with the evolving demands** of the job market. Addressing this issue requires initiatives focused on enhancing education and vocational training programs.
- **Informal Sector Dynamics:**
 - The prevalence of the informal sector introduces complexities in tracking and addressing unemployment. Efforts **to formalise and regulate this sector** can contribute to a more accurate representation of employment conditions.
- **Policy Implementation Challenges:**
 - Well-intentioned policies may face challenges in effective implementation, impacting their ability to generate employment. **Streamlining policy execution** and ensuring alignment with ground realities are imperative.
- **Global Economic Factors:**
 - Influences from the global economy, such as **trade dynamics and geopolitical shifts, can impact India's employment scenario.** Crafting policies that enhance economic resilience to external factors is essential.

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

- Aligning education with the current market demands by updating curricula to impart relevant skills, **emphasising vocational training, and promoting lifelong learning** to enhance employability.
- Fostering a conducive environment for startups by providing financial incentives, reducing bureaucratic hurdles, and offering mentorship programs to encourage entrepreneurship.
- Formulating and implementing policies that promote job creation, including investment in infrastructure, industry-friendly regulations, and fiscal incentives for businesses generating

employment.

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)

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