

## Concerns with Unemployment in India

### What is the issue?

India has no industrial policy or employment strategy to ride the wave of its demographic dividend.

### What is the status of open unemployment in India?

- When a country's labour force does not get opportunities for adequate employment, this situation is called open unemployment.
- This type of unemployment is generally found in the industrial sector (e.g., when workers of a factory are laid off due to its closure) and landless agricultural labourers in rural areas.
- The NSSO 2017-18 data have shown that while the open unemployment rate has now jumped to 6.1% in 2017-18.
- In the last 10-12 years, more young people have become educated.
- The tertiary education enrolment rate (for those in the 18-23 age group) rose from 11% in 2006 to 26% in 2016.
- The gross secondary (classes 9-10) enrolment rate for those in the 15-16 age group increased from 58% in 2010 to 90% in 2016.
- The expectation of such youth is for an urban, regular job in either industry or services, not in agriculture.
- The NSSO 2017-18 data shows that, as open unemployment rates increased, more and more people fell out of the labour force. i.e., they stopped looking for work.
- The result is that labour force participation rates (LFPR, i.e. those looking for work) for all ages, fell sharply from 43% in 2004-5 to 36.9% in 2017-18.
- This shows up in the growing numbers of youth who are **NEETs** - not in education, employment or training.
- These youth ("NEET" and unemployed) together constitute the potential labour force, which can be utilised to realise the demographic dividend in India.

### What does the sector wise unemployment rate reveal?

- Between 2004-05 and 2011-12, as many as 7.5 million new non-agricultural jobs were being created every year.
- The unemployment rate was only 2.2%.

- The volume of open unemployment was almost constant (at around 10 million) until 2011-12, but it increased to 16.5 million by 2015-16.
- Increased open unemployment, post 2011-12, suggests that those in education prior to 2011-12 would start searching for non-agricultural jobs but did not find them.
- The latest NSSO data suggest that this situation had worsened further by 2017-18.
- Across education categories, the unemployment rate rose over 2011-12 to 2016 from -
  1. 0.6% to 2.4% for those with middle education (class 8)
  2. 1.3% to 3.2% for those who had passed class 10
  3. 2% to 4.4% for those who had passed class 12
  4. 1% to 8.4% for graduates and
  5. 3% to 8.5% for post-graduates.
- The unemployment rate is even more worrying for those with technical education.
- The NSSO 2017-18 data show that the share of regular wage jobs is rising, especially in urban areas (and the share of self-employed and casual wage work falling).
- However, this rise is nowhere close to the number of educated youth entering the labour force.
- Between 2004-05 and 2011-12, the number of workers in agriculture fell sharply.
- Similarly, the number of youth (15-29 years) employed in agriculture fell from 86.8 million to 60.9 million (or at the rate of 3 million per annum) between 2004-5 and 2011-12.
- However, after 2012, as non-agricultural job growth slowed, the number of youth in agriculture actually increased to 84.8 million till 2015-16 and even more since then.
- These youths were better educated than the earlier cohort, but were forced to be in agriculture.
- Even worse, manufacturing jobs actually fell in absolute terms, from 58.9 million in 2011-12 to 48.3 million in 2015-16.
- This is shown by slowing growth in the Index of Industrial Production (IIP) and falling exports and investment-to-GDP ratio since 2013.

### **What are the concerns?**

- The number of new entrants into the labour force (currently at least 5 million per annum), and especially educated entrants into the labour force will go on increasing until 2030.

- It will thereafter still increase, though at a decelerating pace.
- Our demographic dividend will be over by 2040.
- China managed to reduce poverty sharply by designing an employment strategy, underpinned by an education and skills policy, aligned to its industrial strategy.
- Through this, it rode the wave of its demographic dividend.
- Unfortunately, India has neither an industrial policy nor an employment strategy to utilise its demographic dividend.

**Source: The Hindu**

