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

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