Rising Unemployment - The Biggest Challenge before India

What is the issue?

- One of the top Twitter trends recently was "#modi_rojgar_do", that essentially asks PM Modi to provide more employment.
- In this backdrop, here is a look at the extent of the unemployment problem in India.

What is the unemployment scenario?

- Just before the Covid crisis at the end of 2019-20 financial year, India had around 403.5 million employed people.
- There were around 35 million (or 3.5 crore) openly unemployed people in the country.
- To this existing pool, each year India adds roughly 10 million (or 1 crore) new job seekers.
- But over the past year, several million have lost their jobs.
- As a result, as of January 2021, India had only about 400 million employed.
- But many seem to have regained employment as the economy has started recovering.

What is the concern then?

- At another level, the 400 million number also underscores the stagnancy in India's employment levels.
- Data also show that the total number of employed people in India had been steadily coming down.
- It was 407.3 million in 2016-17 and then fell to 405.9 million in 2017-18, and to 400.9 million at the end of 2018-19.
- In other words, even with India's economy growing before the Covid crisis, the employment situation was getting worse.
- That is why the total number of openly unemployed people became 35 million.
- Given that over the past 12 months, the total number of employed people has fallen, the total number of unemployed people will be anywhere between 40 to 45 million today.
    - Even this 45 million estimate only captures the openly unemployed people i.e. those who are seeking work and not finding it.

- The actual problem of unemployment is even bigger.

Why is unemployment a more serious issue?

- **LFPR** - Given India's population growth, each year there are close to 20 million (or 2 crore) people who enter the working-age population of 15 to 59 years.
- But not everyone seeks a job.
- If more and more of India's youth decides not to seek job, India's labour force participation rate (LFPR) falls.
- India has an LFPR of just about 40%.
- In other words, in India just 40% of the 20 million joining the working-age group each year actually come forward looking for a job.
    - Among women, this participation ratio is even lower.
- In most developed countries, it is around 60%.
- If 60% of all joining the working-age group looked for a job then India would have added almost 15 million each year to the pool of openly unemployed people.
- **Growth and employment** - Typically, fast economic growth takes care of unemployment worries.
- However, in India, one cannot assume this to be the case.
- In other words, just fast economic growth will not automatically resolve India's unemployment problem.
- This is because, even when India's GDP has grown rapidly in the past, it produced only a very small number of well-paying jobs.
    - In the ten years from 1999-2000 to 2009-10, India's total workforce increased by 63 million.
    - Of these 44 million joined the unorganised sector, 22 million became informal workers in the organised sector.
    - Also, the number of formal workers in the organised sector fell by 3 million.

How does the future look?

- In the coming financial year, India's GDP growth will show a sharp rebound, given a massive base effect.
- This offers some hope.
- However, that does not change the lop-sided manner in which India grows.
    - The GDP can continue to go up as more and more companies become more productive by replacing labour with capital (machinery).
    - But this will only deepen India's unemployment problem.
- There is another reason that may aggravate the problem at least in the short to medium term.

- The Union Budget for 2021-22 suggests that the government would not be the prime mover in the economy.
- The principle of "minimum government" essentially undercuts the government's role in directly creating new jobs.
- While on paper this makes sense, the timing is questionable. That's because –
    - the Indian economy is quite weak
    - the private sector has already shown its preference by choosing to cut jobs and boost its profits
- The private sector is likely to hold back from recruiting in big numbers in the next couple of years, waiting for Indians to regain their purchasing power.
- But, in the meantime, the unemployed will continue to swell up by the millions each passing month.
- All this remind that it is the rising unemployment, and not GDP growth, that is the biggest challenge before India now.

Source: The Indian Express

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