State of (Un) Employment in India

What is the issue?

Centre for Monitoring Indian Economy (CMIE) data shows that India's labour force participation rate (LFPR) has fallen to 40% from an already low 47% in 2016.

What is LFPR?

- **Unemployment**- The term unemployment refers to a situation when a person who is actively searching for employment is unable to find work.
- **Labour force**- According to the CMIE, the labour force consists of persons who are of age 15 years or older, and belong to either of the following two categories
    - Are employed
    - Are unemployed and are willing to work and are actively looking for a job
- **LFPR**-The labour force participation rate indicates the percentage of all people of working age who are employed or are actively seeking work.
- It is calculated as the labour force divided by the total working-age population.
- **UER**- The Unemployment Rate (UER) is nothing but the number of unemployed as a proportion of the labour force.
- **Significance of LFPR in India-** In India, the LFPR is falling which in turn, affects the UER because LFPR is the base on which UER is calculated.
- Merely looking at UER will under-report the stress of unemployment in India.

> *The world over, LFPR is around 60%. In India, it has been sliding over the last 10 years and has shrunk from 47% in 2016 to just 40% as of December 2021.*

What is the correct way to assess India's unemployment stress?

- When LFPR is falling steadily and sharply in India's case, it is better to track the Employment Rate (ER).
- The ER refers to the total number of employed people as a percentage of the working-age population.
- The ER captures the fall in LFPR to better represent the stress in the labour market.

What is the reason for India's low LFPR?

- **Low level of female LFPR**- less than one in 10 working-age women in India are even demanding work.
- As per the World Bank data, India's female labour force participation rate is around 25% when

the global average is 47%.

- **Reasons**
  - Working conditions- law and order, efficient public transportation, violence against women, societal norms etc. are far from conducive for women to seek work
  - The other has to do with correctly measuring women's contribution to the economy.
  - It is also a question of adequate job opportunities for women.

References

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