

# CHAPTER - I

## INTRODUCTION AND REVIEW OF LITERATURE



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### 1.1 INTRODUCTION :

Former American President Mr. Bill Clinton has aptly described unemployment as a serious and awful problem of the 21<sup>st</sup> century. The present U.S.A. President Mr. George Bush has also sacked one of his ministers for failure to reduce the incidence of unemployment in U.S.A.<sup>1</sup>

Growing Population, Poverty and unemployment are three basic problems in most of the under developed economies in general and India in particular. Unemployment is normally found in all economies irrespective of their level of development.

The topic '**unemployment and employment opportunities**' has been engaging the attention of the government, administrators, academicians, experts, planners, social and political thinkers in India since 1970.<sup>2</sup> P.M. *Pandit Jawharlal Nehru* has introduced economic planning in India in 1951. He was of the opinion that through planning and industrialization, the country would automatically solve the problem of unemployment. However, the number of unemployed people (skilled and unskilled) in urban and rural areas has been increasing throughout the four decades of planned development ( i.e. 1950-51 to 1990-91 ).

The policy of Liberalization, Privatization and Globalization was initiated in July 1991, along with the union budget presented by *Dr. Manmohan Singh*. The structural reforms in India started in 1980, but these reforms got a logical consistent shape since July 1991. In the post-Liberalization period, there has been marked

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increase in the growth of gross domestic product (GDP) but the employment situation has not kept pace with the growth process. It is clear from the National Sample Survey (NSS 50<sup>th</sup> and 55<sup>th</sup> round ) that unemployment rate is increasing in the post – reform period. The employment rate based on Usual Principle Status (UPS), Weekly status (WS) and Current Daily Status (CDS ) has increased from 5.6% in 1983 to 7.4 % in 1994 and further to 7.8 % in 1999-2000.<sup>3</sup>

In the 21<sup>st</sup> Century, the nation is undoubtedly grappling with the problem of unemployment. The problem has been worsened by the Voluntary Retirement Scheme ( VRS ) introduced in the Public Sector Banks, Privatization of public sector undertaking, Non-recruitment of staff by the central and state governments and the Retirement Provision introduced by the Central and State government. The present scenario is therefore very gloomy for the job seekers.

Under this scenario, Self–employment appears to be the better option for job-seekers in general and educated unemployed in particular. Human Development Report 1996,<sup>4</sup> has raised five questions regarding adverse effects of liberalization policy on unemployment, namely:-

- i) Are we promoting a jobless growth?
- ii) Are we not promoting a ruthless growth?
- iii) Is there going to be a voiceless growth?
- iv) Is not our growth going to be rootless growth?
- v) Are we promoting futureless growth?

The problem of educated unemployed is of recent origin. Both the Central and State Governments have a stress on the problem of educated unemployed. The problem of educated unemployed is in fact a problem of employment in all sectors of the economy. But the

employment includes even self-employment, which is neglected by job seekers. In fact, the educated unemployed has an opportunity in this regard. Therefore, the topic of research on " Educated Unemployment and Employment Opportunities in Wai Taluka " is of great interest and significance.

## 1.2 HISTORICAL BACKGROUND :-

The word " Unemployed " first came into common use in English speaking countries only towards the end of the Nineteenth century.<sup>5</sup> As a matter of fact, Dr. A Marshall did not refer to any Unemployment Problem in the first volume of his " Principles of Economics " which was published in 1890.<sup>6</sup>

Dr. Marshall might be true in those days but today, in our country, no other problem is so serious and sensitive as that of the unemployment. During the planning era, it was thought that, gradually, the number of unemployed would steadily decrease with the rapid growth of the country's economy.<sup>7</sup> and the country would reach the stage near full employment.<sup>8</sup> But even after four decades of planned development, the contemplated level of employment could not be reached. Therefore, the problem of unemployment is not new to India. It was present in pre and post-planned period. Even today, during the post-reform period, the gravity of the problem has increased enormously.

Today, our government (i.e., Central Government) has accorded top most priority for removing unemployment. The Tenth Five- Year Plan has accorded top most priority for unemployment problem.<sup>9</sup>

### 1.3 CONCEPTS AND DEFINITIONS OF UNEMPLOYMENT :

Following are the important concepts and definitions used in present research study –

1. Unemployment – has been defined as “ Involuntary idleness due to lack of work” ILO<sup>10</sup>
2. Unemployed – “ A man is only unemployed when he is both not employed and also has a desire to be employed “. Prof. A.C. Pigou<sup>11</sup>
3. Self-employment – “ A person who operates his own farm or non-farm enterprises or is engaged independently in a profession or trade on own account or with one or few partners is deemed to be self – employed in household enterprises.
4. Disguised unemployment – According to Ragnar Nurkse “ The marginal productivity of the worker is Zero or even negative”.<sup>12</sup>
5. Open unemployment – A person without work. It is involuntary unemployment.
6. Seasonal Unemployment – Unemployment caused due to variation in agricultural seasons. Generally in India agricultural labourer remains unemployed for 4 to 6 (Four to Six) months.
7. Under-employment - According to B Bhagvati Committee “ The persons who work for less than 14 ( fourteen ) hours per week or 2 hours per day may be called under employed ”.
8. Usual Principal status ( UPS ) – Chronic unemployment :- It is measured in terms of number of persons i.e. persons who remained unemployed for a major part of the year. This

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measure is more appropriate to those in search of regular employment ( e. g., educated and skilled persons ) who may not accept casual work. It is also referred to as " Open unemployment".

9. Weekly status Unemployment (WS) –It is measured in terms of number of persons who did not find even an hour of work during the survey week.
10. Daily status Unemployment (DS) - It is measured in person days or person years (i.e., person who did not find work on a day or some days during the survey week.
11. Labour force – Persons who were either ' working' ( employed) or seeking or available for work ( or unemployed ) constituted the term 'labour force'.
12. Rural Labour – Manual labour working in agriculture and or non – agricultural occupations in return for wages paid either in cash or in kind and living in rural areas is considered as Rural Labour.
13. Agricultural Labour – A person who is considered as engaged as agricultural labour, if he / she followed one or more of the following agricultural occupations in the capacity of a wage paid manual labour, whether paid in cash or kind or both.
  - (i) Farming (ii) Dairy-farming (iii) Production of any horticultural commodity (iv) raising of livestock, bees or poultry.
14. Educated Unemployment – A person whose educational level is secondary (Matriculate) and above.

In present study, educated unemployed means " those students who have passed their graduation (degree level) and above from Arts, Commerce and Science faculties ".

#### **1.4 NATURE AND TYPES OF UNEMPLOYMENT –**

The nature of unemployment in India is very different from the nature of unemployment in industrially advanced countries. In advanced countries, unemployment is due to deficiency of effective demand whereas in under developed or developing countries like India, the unemployment is mainly due to the shortage of capital and unused, under-used or misused natural resources on one hand and rapidly growing population on the other hand.

Broadly speaking unemployment in India can be broadly classified into three types viz.,

- A) Rural Unemployment
- B) Urban Unemployment and
- C) Educated Unemployment.

**A) Rural Unemployment** – Most of the unemployment in India is found in rural sector / agricultural and allied sector. It may be classified into two types.

*i) Seasonal Unemployment* – Unemployment caused due to variation in agricultural seasons. Generally in India, agricultural labour remained unemployed for 4 to 6 months in a year.

*ii) Disguised Unemployment* – Some persons particularly engaged in agriculture and allied sectors may appear to be working throughout the year. But in terms of production, productivity, income and time spent, the work they are carrying out may not be sufficient for them. It is known as *disguised unemployment*. According to NSS 50<sup>th</sup>



and 55<sup>th</sup> rounds, more than 2/3 labour force of rural area is generally known as disguised unemployed. As stated earlier, there is wide spread disguised unemployment in agriculture and allied sectors in rural India.

**B) Urban Unemployment** – Most of the unemployment in Urban sector is open and undisguised. Unemployment of this kind is not only painful at a personal level, but is also a source of social tension and growth in the number of criminals in urban area.

Broadly speaking urban unemployment may be classified in to two types viz.,

- A) Industrial Unemployment and
- B) Educated Unemployment.

**A) Industrial Unemployment** – In India, the industrial sector can be classified in to four segments as –

- i) Large scale / Heavy Industries.
- ii) Medium scale Industries.
- iii) Small scale Industries.
- iv) Tiny sector Industries.

The Industrial Sector, as it is known, comprises of Public Sector Undertakings ( PSU's ), large and medium sector and small sector and tiny sector. In the private large and medium scale sector (so called organized sector) unless one is exceptionally qualified and specialized in a particular field, the employment opportunities are almost non-existent. The growth in this sector is hardly 0.4% and its share in the total industrial employment is just 8%.

**Small Sector** – The so called unorganized sector has grown rapidly and powerfully since 1975 and presently, approximately 35

units are employing about 80% of the labour force in the whole industrial sector and thus creating the maximum employment opportunities in India. The small-scale sector is generally known as 'Unorganized Sector'.

Tiny Sector – It is the sector in which the investment in plant and machinery should not exceed Rs. 25 lakhs. It is also known as 'Micro – Enterprise Sector'.

**B) Educated Unemployment** – It is a recent phenomenon. Generally educated unemployment is found in urban and rural sector too. It has positive co-relationship between growth of education and educated unemployment in India.

**Definition** – Prof. Mark Blang, Layard and Woodhall has rightly defined it as "supply has consistently moved ahead of demand so that educated unemployment as a fraction of the stock of educated man power has remained constant".<sup>13</sup>

Less than hundred years ago, in the first half of the 19<sup>th</sup> Century, the view prevailed that unemployment was due to defects of individual character (skill)<sup>14</sup>. It was argued that men remained unemployed because they were unemployable. It is because they lack necessary training and aptitude to adapt themselves to changing Socio-economic conditions. This approach towards the problem had been abandoned long ago.<sup>15</sup>

After independence, the state has started to realise the importance of education in the national economy. Because of education, mobility and productivity of nations work force are improved.<sup>16</sup> Generally, education creates better informed and more skillful and adaptable people. It provides the basis for further training

or re-training and puts workers in a position to take advantage of developing job opportunities in an increasingly advanced technological sphere.<sup>17</sup>

During the first three five years plan period, there has been great expansion of educational facilities. The number of high / higher secondary schools in the country has registered four-fold increase. Simultaneously, there has been nearly a five-fold increase in the student population. Consequently, the number of matriculates / higher secondary and above passed job seekers at the employment exchange has also been increasing all along from 5.35 lakhs at the end of 1960-61 to 15.45 lakhs in 1970.<sup>18</sup>

The expansion of education in India and consequent urge of educated youth for jobs can be visualized from the Table No.1.1 below.

**Table No.1.1 – Number of educated Applicants on the Live Registers of the Employment Exchange.**

(Figures in , 000 )

Particulars	1970	1971	1972
a) Matriculates	1101.2	998.5	119.0
b) Under – graduates	443.9	395.1	529.0
c) Graduates and above			
i) Diploma Holders	47.3	47.3	48.4
ii) Engg. Degree Holders	276.5	232.3	333.4
iii) Others	212.7	171.6	268.4

Source- A survey of educated unemployed in Kolhapur city (unpublished), Dr. V. B.Ghuge and Dr.V.S. Shitole (Mar.1982)

Table 1.1 reveals that there has been a sharp increase in the number of educated applicants, including graduates,

undergraduates, engineers and diploma holders. The number of applicants having technical or professional qualifications was, however small as compared to other educated persons.

Unemployment in general, and educated unemployment in particular, increased enormously after 1971. The problem assumed serious proportions after 1972. The number of educated unemployment was 33.41 lakh out of total of 363 lakhs unemployed (About 10%) in 1991. The problem became more acute in states like Punjab, Maharashtra, Gujrat, West-Bengal and Kerala. All these five states are educationally sound.

**Table No.1.2 –Number of Job-seekers-Registered with Employment Exchange .( In Lakh)**

December end year	Educated (Skilled)			Total	Unskilled members	Total ( 5+6)
	Matriculate	Higher secondary	Graduates /Post graduates			
1971	12.97 (56.5)	6.05 (26.3)	3.94 (17.1)	22.96 (100.00)	28.04	51.00
1981	50.08 (55.5)	23.25 (25.8)	16.85 (18.7)	(90.18) (100.0)	75.66	165.84
1991	131.11 (58.4)	55.16 (24.6)	38.07 (17.0)	224.34 (100.0)	138.66	363.00
1998	157.83 (56.8)	70.21 (25.3)	49.85 (17.9)	277.89 (100.0)	123.00	400.90
<b>Compound Annual Growth Rate( % )</b>						
1961-71	10.9%	23.9%	21.5%	14.6%	8.5%	10.8%
1971-81	13.4%	13.1%	14.5%	13.5%	11.1%	12.3%
1981-91	10.1%	9.0%	8.5%	9.5%	4.6%	8.14%
1991-98	2.7%	3.5%	3.9%	3.1%	-	1.4%
<b>Note – Figures in the parentheses indicate percentage.</b>						

Source - (i) Quoted in Indian Economy- 47<sup>th</sup> edition 2003, R. Dutta and K.P.M. Sundharam (PP 391-392)

It is evident from the Table No. 1.2 that, the number of educated unemployed increased from 5.9 lakhs in 1961 to 278 lakh in 1998. A close study reveals that absolute increase among the unemployed took place in all the categories, but the compound rate of growth among graduates and post - graduates was faster than that among matriculates. As a result, among the educated unemployed the proportion of matriculate has gone down from 78.5% in 1961 to 56.8% in 1998, while that of graduates and post - graduates has risen from 9.5% in 1961 to about 18% in 1998. This situation highlights the fact that in order to secure a job, there is a tendency towards over - education in the Indian society.

The study also highlights the paradoxical manpower situation of surplus in certain category co - existing with shortage of others. There is unemployment among technically qualified persons on the one hand, while there is shortage of persons possessing critical skills essential for economic growth. For example, experienced electrical, electronic, computer engineers, mechanical, civil and automobile engineers are unemployed, likewise fitters, surgeons university, college, school teachers, trained teachers are also unemployed. Whereas some specific skilled persons like stenographers, accountants, army officer etc have been reported to be in short supply.

In short, the total number of unemployed has increased from 363 lakhs in 1990-91 to 409 lakhs in 1998. The number of the unemployed might be in the vicinity of 500 lakhs by 2001.

**Educated Unemployment In Maharashtra.**

The number of educated unemployed in Maharashtra has reached a staggering height of 37.86 lakhs by the end of 1996. On 1<sup>st</sup> of May 2003, the total number of educated unemployed in Maharashtra was 44,37,352. The break -up of educated unemployed in Maharashtra in 1996 is as under :-

**Table No. 1.3 Number of Educated unemployed on the Live Register of Employment Exchange in Maharashtra - 1996.**

Sr. NO	Educational Qualifications	No. of Educated Unemployed on Dec. 1996	% to total unemployed
1	Bellow S.S.C.(including illiterate)	9,31,639	24.60%
2	S.S.C passed Applicants	19,51,065	52.52%
3	H.S.C. passed Applicants	4,26,019	11.25%
4	Diploma Holder in Engineering	35,229	1.01%
5	I.T.I. Passed	98,541	2.60%
6	Total Graduates Applicants	3,10,488	8.20%
	(a) Engineering / Technical	15,529	0.41%
	(b) Medical Graduates	3377	0.09%
	(c) Other (All other graduates)	2,91,582	7.70%
7	Total Post-Graduates Applicants	31,190	0.82%
	(a) Engineering Technical	56	-
	(b) Medical	228	0.01%
	(c) Other (including all other)	30906	0.8%
8	Total (31 Dec.1996)	37,87,171	100%

Source - Economic Survey of Maharashtra - 1996 - 97 Bombay

Table 1.3 reveals that, 9.32 lakh (24.6%) were below matriculates 19.51 lakhs (52.5%) matriculate passed and 4.23 lakhs(11.25%) were H.S.C. Passed, 38200 (1.01%) unemployed were engineering graduates and the number of Industrial training Institute

(I.T.I) passed applicants was 98541 (2.6%). The number of engineering, medical and other post-graduate applicants was 31190 (0.82%). The other post-graduate applicants registered on Employment Exchange in Maharashtra were 30906 (0.8%) Total number of unemployed in Maharashtra state (educated and Un-educated) was 37,87,171 (100%) on 31<sup>st</sup> Dec, 1996. It has further increased upto 44,37,352 on 1<sup>st</sup> May 2003.

### 1.5 MAGNITUDE OF UNEMPLOYMENT IN INDIA :-

It is open secret that accurate figures about the magnitude of the rural, urban and educated unemployment are not available .However, committees and commissions appointed by the Government of India from time to time have made an estimation of the magnitude of unemployment.

Immediately after independence, the Bureau of Economics and Statistics of then Government of Bombay Presidency launched a sample survey in to rural and urban employment and unemployment in India.<sup>19</sup>

The NSSO conducted unemployment survey in the rural and urban households from the 11<sup>th</sup> to 17<sup>th</sup> round in a particular manner. This gave basis for estimating the average percentage of persons in the labour force fully employed, fully unemployed and the average extent of under - employed every quarter.

According to 'Agricultural Labour Enquiry committee' the level of rural unemployment was 28 lakhs at the beginning of the second plan. The committee of experts on unemployment viz., Bhagvati Committee estimated the number of rural unemployment in 1971 at 1.61 million. It was 10.9% of the rural labour force. Consequently, a committee of experts was set up under the

chairmanship of Prof. M. L. Dantwala to go in to the estimates of unemployment and suggest suitable changes in the methodology of data collection and tabulation for the purpose. The Committee stated that "It would be evident that a single numerical estimate of the unemployment can't be very meaningful for the conceptual reasons.<sup>20</sup> The level of unemployment and the size of labour force appear to change over different seasons of the year.

In 1977, NSSO released other types of estimates about rural unemployment in India. These estimates relate to (1) UPS - Usual Principal Status unemployment (2) WS - Weekly Status unemployment and (3) DS - Daily Status Unemployment. According to above types UPS was 2 million in 1972 -73, WS was 7.8 million and DS was as high as 8% of the labour force during the period.

In 1990-91, according to the Planning Commission estimates<sup>21</sup>, unemployment was quite high, both in rural and urban areas. As on April 1, 1996, the total unemployment in UPS was 13.09 million (number of male's unemployed was 9.13 million, more than the number of females unemployed (3.96 million). Rural male unemployment was higher (4.97 million) than urban male (4.16million) unemployment. Similarly the unemployment among rural females had doubled (2.66 million) as compared to the unemployed urban females (1.33 millions). The same thing is observed in case of WS and DS unemployment in rural India. Thus the magnitude of the rural unemployment is quite heavy and it is likely to continue in Eight, Ninth an even Tenth Five Year Plans.

It may be noted that all the four categories of unemployment (Male - Female, Rural -Urban) showed a declining trend during the period 1977-78 to 1993-94, but the trend got reversed



during the period from 1993-94 to 1999-2000. Open unemployment, as measured by UPS criterion, declined from 4.23 percent in 1977-78 to 2.56% in 1993-94 but indicated an increase of 2.81% in 1999-2000.

#### 1.6 RECENT TRENDS IN UNEMPLOYMENT IN INDIA :-

Since 1970 onwards, there has been a gap between increasing employment opportunities and increasing labour force which resulted in rise in backlog of unemployment. The absolute magnitude of unemployment in both, rural as well as urban area has been increasing over the years.

According to 43<sup>rd</sup> Round of the NSS, 1987-88, unemployment in absolute terms was estimated to be 12.43 million (UPS), 3.77%, 15.30 million (WS) 4.80%, and 18.95 million (DS), 6.9% respectively. The unemployment is found to be higher in rural than in the urban and for women than for men.

According to the 50<sup>th</sup> and 55<sup>th</sup> Round of NSS, the unemployment in absolute terms was estimated to be 20.13 and 26.58 million respectively. The unemployment rates estimated are 5.99% and 7.32% respectively. Thus during the post - reform period, the unemployment rate has shown increasing trend.

From the data provided in Table No 1.3 below, certain disturbing trends in the unemployment rates become evident in the post - reform period. Although the reforms were introduced in July 1991, the reform process actually got going by 1993-94. Therefore, a period from 1993 - 94 (50<sup>th</sup> Round) to 1999-2000 (55<sup>th</sup> Round) can be considered as period of Liberalization.

Table No. 1.4 Unemployment Rates:

Sr. No.	Particulars	Million Persons			Employment Growth Rate(%) per annum.	
		1983	1993-94	1999-00	1983-84 to 1993-94	1993-94 to 1999-00
<b>ALL INDIA</b>						
1	Population	718.20	894.01	1003.97	2.0	1.95
2	Labour force	251.33	335.97	363.33	2.43	1.31
3	Work force	239.57	315.84	336.75	2.7	1.07
4	Number of unemployed (2-3)	21.76	20.13	26.58	-0.08	4.74
5	Unemployment rate(%)	8.33%	5.99%	7.32%	-	-
<b>(A) Rural Area</b>						
1	Population	546.61	658.83	727.50	1.79	1.67
2	Labour force	204.18	255.38	270.39	2.15	0.96
3	Work force	187.92	241.04	250.89	2.40	0.67
4	Number of unemployed (2-3)	16.26	14.34	19.50	-1.19	5.26
5	Unemployment rate(%)	7.96	5.61	7.21	-	-
<b>(B) Urban Area</b>						
1	Population	171.59	234.98	276.47	3.04	2.74
2	Labour force	57.15	80.00	92.95	3.33	2.40
3	Work force	51.64	74.80	85.84	3.59	2.32
4	Number of unemployed (2-3)	5.51	5.80	7.11	0.49	3.45
5	Unemployment rate(%)	9.64	7.19	7.65	-	-

Source – Planning Commission (2001) Report of special Group of Targeting Ten Million Employment opportunities per year.

Table No.1.4- unemployment rates, depict the estimate of employment an unemployment on the basis of NSS data. The special

group has estimated the number of unemployed to be 26.58 million in 1999-2000 as against 20.13 million in 1993-94 (CDS basis). The growth rate of unemployed persons works out to be 4.74 per cent per annum for the period 1993-94 to 1999-2000, as against a decline in the number of unemployed persons during the period, 1983 to 1993-94. Thus it is clearly seen that, the unemployment rate which was 8.33% in 1983, declined to 5.99% by 1993-94, but increased to 7.32% percent in 1999-2000.

The present rising unemployment is primarily out-come of a declining job creating capacity of growth, observed since 1993-94. The employment growth fell to 1.07 p.c.p a from 2.7 p.c.p.a. in the past (between 1983-84 to 1993-94) in spite of acceleration in GDP growth from 5.2% between 1983 and 1993-94 to 6.7% between 1993-94 and 1999-2000. The Special Task Group Report mentioned. The employment elasticity of 0.52 during the 1980's and early 1990's went down to 0.16 in the late 1990. The organized sector's employment generating capacity came down to near Zero and has been negative in most cases in the public sector.

The inter-state employment rate shows greater regional disparities in 1999-2000 as compared to that in 1993-94. In 1999-2000, the unemployment rate in Kerala was 20.97 percent of the labour force and the lowest rate of 2.96 percent was observed in Himacal Pradesh.

In 1999-2000, the states which show higher unemployment rates than the national average of 7.32 percent are Kerala (20.97%), West Bengal (15.0%), Tamil Nadu (11.38%), and Assam and Andhra Pradesh (8.03%) each. On the other hand, the states which show low

unemployment rates include Uttar Pradesh (4.08%), Punjab (4.03%), Rajasthan (3.13%) and Himachal Pradesh (2.96%).

**(a) Unemployment Rate by Location (Rural and Urban):**

Since economic reforms process started on 21<sup>st</sup> July, 1991, we must consider and compare the NSS data of 1994 with NSS data of 1999-2000.

**Table No. 1.5 : Current Daily status Unemployment rates 1993-94 and 1999-2000.(%)**

Year	Rural Male	Rural Femal e	Total	Urban Male	Urban Female	Total
1993-94	5.6	5.6	5.5	6.7	10.5	8.6
1999-00	7.2	6.8	7.0	7.2	9.8	8.5

Source :- NSS (2000) quoted by K.Sundharam.

It would be clear from Table 1.5 that, daily status unemployment rate increases in respect of urban males from 6.7 to 7.2% but it registered a decline from 10.5% to 9.8% for urban females.

Unemployment rates have increased for both male and female sections of rural populations, but it is more marked for rural males on DS basis.

It simply means that economic reforms have benefited urban families when compared with their rural counterparts.

**(b) Unemployment Rates by Age Group -Youth Unemployment -**

Youth are defined as person in the age group 15-29. It may be noted that youth unemployment rate was of the order of 12.1% for India, 15.5% for urban areas and 11% for rural areas in 1999-2000. It may be worth recording that youth unemployment rate was higher in

1999-2000, than in 1993-94. So we can conclude that the policies of liberalization failed to tackle the problem of youth unemployment. The youth unemployment in the urban areas was 15.5% in 1999-2000 as against 15.0% in 1993-94 but unfortunately the youth unemployment rate in the rural area in India showed a significant increase from 8.6% to 11.0% during the period (1993-94 to 1999-2000).

**(c) Unemployment Rates by Level of Education :-**

The table No.1.6 below shows unemployment rates by level of education (as percent of labour force)

**Table No. 1.6 Unemployment rates by Level of Education : % to Labour force**

Sr. No	Level of education	Years		
		1987-88	1993-94	1999-2000
1	Not literate	1.1	0.2	0.2
2	Literate up to Primary (std. 0-4)	1.9	0.9	1.2
3	Literate up to Middle (std. 5-7)	5.3	3.4	3.3
4	Literate up to Secondary(std 8-10)	8.7	6.2	5.5
5	Literate up to Higher Secondary (std. 11-12)	--	8.7	7.8
6	Literate up to Graduates (+3) and above	9.9	9.3	8.8
7	All	2.7	1.9	2.2

Source :- Planning Commission (2001) Report of Task Force P -410

Table No. 1.6, Provides information about unemployment rates by level of education on the basis of UPSS criterion. As the level of education improves the rates of unemployment also increase.

The educated unemployed is defined as those people with education level of secondary and above. The interesting fact is that unemployment rate for the educated in 1999-2000 was more than three times the unemployment rate for the population as a whole. Hence we

can say that the growth of job opportunities was much less than the increase in the number of educated persons.

**(d) Area-wise Unemployment Rates among Educated youth (%) :-**

Data in Table 1.7 below reveals that educated unemployment in 1993-94 among the educated youth was 18.5% in 1993-94 (20.8% in urban areas and 17% in rural areas). It had indicated a decline and it was of the order of 14.8% in 1999-2000 (18.3% in urban and 12.5% in rural areas) This is clearly seen in following table no. 1.7.

**Table No. 1.7 - Unemployment Rates among Educated youth (%)**

Secondary Education and above				All types of Technical Education		
Year	Rural	Urban	Combined	Rural	Urban	Combined
1983-84	20.4 (2.5)	30.0 (10.7)	20.7 (4.2)	25.0	23.9	24.4
1987-88	15.9 (3.8)	16.6 (12.1)	16.2 (5.4)	24.0	20.7	22.1
1993-94	17.0 (2.9)	20.8 (10.8)	18.5 (4.6)	29.0	25.9	27.3
1999-2000	12.5 (3.7)	18.3 (11.2)	14.8 (5.4)	22.8	24.5	23.7

**Note:**(Figures in the parentheses indicate percentage to labour force)

Source - NSS Survey 39<sup>th</sup> Round, 43<sup>th</sup> Round, 50<sup>th</sup> Round and 55<sup>th</sup> Round (1999-2000) Report.

In the case of technical education, the incidence of Unemployment among the educated youth force with technical education was much higher at 27.3% in 1993-94 and it slightly declined to 23.7% in 1999-2000. It is argued that a care of the unemployment among the educated is vocationalisation of the educational system.

**(e) Educated Unemployment (sex and Location) basis :-****Table No. 1.8 - Usual status unemployment rates for educated males and females classified by Sex and Residence - 1993-94 and 1999-2000.**

Segment	Secondary and above		Graduates and above	
	1993-94	1999-2000	1993-94	1999-2000
Rural-Male	8.9	6.9	13.4	10.7
Rural-Female	24.3	20.4	32.3	35.1
Urban-Male	6.9	6.6	6.4	6.6
Urban-Female	20.7	16.3	20.3	16.3

Source :- NSS (2000) quoted by K. Sundharam (2001)

It would be clear from Table no.1.8 that UPS unemployment has decreased from 8.9 to 6.9% for rural males below Graduate level. And 13.4 to 10.7% in case of rural male graduates, while in case of rural female unemployment rate has increased from 32.3 to 35.1% for female graduates.

It would also be clear from Table no. 1.8 that UPS unemployment decreased from 20.7 to 16.3% for urban females with secondary and above education and from 20.3 to 16.3% for females with graduation and above. For all other groups, unemployment registered a decline among educated people.

**(f) Unemployment Rates by Household's monthly per capita Expenditure (1999-2000)% of Labour force.**

The unemployment rate is much higher in lower consumption classes than in the upper classes with a former recording a nearly 100 percent higher unemployment rate than that in latter.

This has significant implication for the population below the poverty line as shown below.

**Table No. 1.9: Unemployment Rates by Household's monthly per capita Expenditure**

Monthly per capital Expenditure In Rs. (RURAL)	Unemployment Rates (CDS)	Monthly per capita Expenditure in Rs (URBAN)	Unemployment Rates (CDS)
000 - 225	11.31	000 - 300	9.61
226 - 255	9.62	301 - 350	9.67
256 - 300	8.12	351 - 425	8.20
301 - 340	7.46	426 - 500	9.20
341 - 380	6.56	501 - 575	9.20
381 - 420	6.18	576 - 665	8.63
421 - 470	6.48	666 - 775	8.19
471 - 525	6.14	776 - 915	7.18
526 - 615	5.60	916 - 1120	6.65
616 - 775	6.06	1121 -1500	5.68
776 - 950	5.57	1501 -1925	4.67
950 and above	5.25	1926 and above	4.10
All	7.21	All	7.65

Source - NSS survey 55<sup>th</sup> Round (1999-2000).

**(g) Unemployment rates and Regional Differences:**

Data about 17 major States of the country pertaining to unemployment rates has been presented in Table No. 1.10 .

The data clearly states that, although during 1999-2000 the All India unemployment rate was 7.29 percent, States show very wide variations from about 3% in H.P. and Rajasthan to about 12% in TamilNadu, about 15% in west Bengal and about 21% in Kerala. The States like Kerala and West-Bengal which have highest literacy rate



and sharpest decline in poverty rate has also highest rate of unemployment.

**Table No.1.10- Unemployment Rates and Regional Differences.**

(Percent of Labour force):

Sr. No.	STATE	Unemployment Rates		
		1987-88	1993-94	1999-2000
01	Kerala	21.19	15.50	20.77
02	West Bengal	08.13	09.87	14.95
03	TamilNadu	10.36	11.44	12.05
04	Assam	5.9	8.03	8.03
05	Andhra Pradesh	7.35	6.69	8.03
06	Orissa	6.44	7.30	7.34
07	Bihar	4.04	6.34	7.32
08	Maharashtra	4.67	5.09	7.16
09	Haryana	7.59	6.51	4.77
10	Gujarat	5.79	5.70	4.55
11	Karnataka	5.06	4.94	4.57
12	Madhya Pradesh	2.86	3.42	4.60
13	Uttar Pradesh	3.44	3.45	4.27
14	Panjab	5.07	3.08	4.15
15	Rajasthan	5.74	1.33	3.06
16	Delhi	4.77	1.91	4.58
17	Himachal Pradesh	3.12	1.82	2.93
	All India	6.09	5.99	7.32

Note: ( State have been arranged in the descending order of unemployment rates for 1999-2000).

Source - National Sample Survey (2001) quoted by K. Sundharam (2003) P- 412

#### (h) Employment Requirement Estimates of the Tenth Plan –

The Tenth Plan (2002-2007) has set the target of absorbing all new entrants to the labour force during the next five years and removing unemployment by the end of the decade (2010).

**Table No. 1.11 – Employment Requirement Estimates of the Tenth Plan. ( in million).**

1.Labour force as on 31st March 2002	378.21 million
2.Employment available	343.36 million
3.Backlog of unemployed [1-2]	34.85 million
4.New entrants to the Labour force	35.29 million
5.Total job requirements [ 3+4 ]	70.14 million

Source – Quoted from K.P.M. Sundharam, Indian Economy pp – 966.

**[i] Future Scenario of Employment on the basis of the special Group Estimates for the Tenth and Eleventh Plan Period (2002-2012).**

**Table No 1.12 – Future scenario of employment generation in X<sup>th</sup> and XI<sup>th</sup> plan period :**

Sr N o.	Description	Unit	1999 to 2000	2001 to 2002	2006 to 2007	2011 to 2012	Growth over XI <sup>th</sup> plan % per annum
1	Labour force	Million	363.33	378.21	413.50	453.52	1.8
2	Employment	Million	336.25	343.36	392.35	451.53	2.7
3	No of unemployment	Million	26.58	34.85	21.15	1.99	-9.5
4.	Unemployment Rate4=(3/1x100)	%		7.32	9.21	5.11	0.44

Note –( On CDS basis)

Source – Planning Commission [2002] Report of special Group page–16

The special Group on Targeting Ten million Employment opportunities per year has argued that there is a need to supplement, the reform process by specific employment- based programme so that

unemployment is eliminated within a decade. The road map charted <sup>26</sup> by the special group is indicated in Table 1.12. If the course so designed by the Planning Commission Special Group is followed, then unemployment is likely to decline from 9.2% of the labour force in 2001-02 to 5.11 % by 2006-07 and would further fall to 0.44% by 2001-02 as shown above.

### 1.7 REASONS FOR / CAUSES OF GROWTH OF UNEMPLOYMENT –

The forgoing analysis of unemployment in India has made it evidently clear that the most of the unemployment in this country is structural. It's main reasons/causes are.

1] Population Policy – The high birth rate and declining death rate have been responsible for the mounting population which has accentuated the intensity of the problem of unemployment.

All the political parties accept in principle, the need for formulating a population policy for the country. But they differ in implementation of the population policy. All political parties (leftist, rightist and centrist) with an eye on their vote banks are reluctant to undertake bold measures to control growing population.

2] Ownership of means of production - It is really a paradox that our country is rich in respect of natural resources like land, water, minerals etc. It has ample human skills. But unfortunately these favourable factors are not exploited properly. This is a reason as to why it is ironically said that " India is a rich country inhabited by poor people".

The means of production are concentrated in a few hands with the result that a large number of the people have very meager resources at their disposal. This leads to forced unemployment.

3] Employment policy of the Government – The Governments at the central, state and local level do not accord an important place and the top most priority for generation of employment opportunity in the course of formulation and Implementation of various development plans and programmes.

The industrial recession at home and abroad and the Government disinvestment policy have made the situation more grave.

4] Faulty Education system – Over-emphasis on bookish education at the cost of professional, technical and employment oriented education has been one of the basic causes responsible for the growing educated unemployment.

Prof. Gunnar Myrdal, a renowned development economist, has aptly said that, “ the Indian educational system does not develop human resources.” It simply creates clerks.<sup>23</sup>

5] Sluggish Industrial Development - The Industrial development in the country has lagged behind the rapid spread of education. Modest development of small, cottage and medium industries has failed to absorb the growing number of educated youths.

6] Privatization Policy – The Policy of Privatization adopted by the Government after June 1991 has encouraged the use of high techniques which has further abridged the employment potentiality in different industries.

7] Increase in Labour force - During the last five decades both demographic and social factors have raised the rate of growth of labour force. Over the years, the mortality rate has declined without corresponding fall in birth rate, which caused increase in labour force.

Since independence, education among women has changed their attitude towards employment. Many of them now

compete with men for jobs in the labour market (social factor). It has also an effect on unemployment in India.

8] Inappropriate Technology – In India, where capital is scarce and labour is abundant factor, labour-intensive technology should be used in all sectors of the economy.

According to W. A. Lewis – " Investment in capital equipment may be profitable to individual capitalist, but it is certainly not beneficial to the society because it increases unemployment and not production "24

However, in fact, during economic reform period, we have used capital-intensive technology in almost all sectors, which has caused growing unemployment.

9] Inadequate Development of Non-Farm sector - Inadequate development of Non-farm sector in rural and urban area is also one of the major causes/reasons of unemployment in India. The decay of the cottage industries has worsened the problem of unemployment.

10] Other causes – Following are the other important causes of unemployment in rural as well as urban India – Inadequacy of working capital, immobility of workers, existence of joint-stock companies, partial mechanization of agricultural sector, inadequate infrastructure for industrialization and finally inadequate irrigation facilities.

### 1.8 CONSEQUENCES OF EDUCATED UNEMPLOYMENT :-

The educated unemployment has a bearing on the economy as described below.

**A) Economic consequences** - Loss of labour power is the direct effect, which adversely affects Production, Income, Saving, Investment and Employment etc.

**B) Social Consequences** - Social stability and security are adversely affected on account of swelling ranks of the educated unemployed. Evil consequences in the form of robbery, murders, criminal activities, addictions of different types are the off-shoots which endanger social harmony and national integration.

**C) Political Consequences** -The growing incidences of educated unemployment has been one of the reasons responsible for anti-social activities which endanger National Unity and Integration.

#### **1.9 EMPLOYMENT AND INCOME GENERATION PROGRAMMES :-**

The Center as well as State Governments have initiated different schemes with different objectives at different times. The Centrally sponsored wage employment and self-employment generation schemes are -

- (i) Employment Guarantee scheme of Maharashtra (EGS) 1972-73.
- (ii) National Scheme of Training of Rural Youth for Self-Employment 1979 (TRYSEM)
- (iii) Integrated Rural Development Programme 1980 (IRDP-1980)
- (iv) National Rural Employment Programme OCT-1980.
- (v) Rural Landless Employment Guarantee Programme RLEGP Aug.1983.
- (vi) Development of Women and Children in Rural Areas- 1982 (DWCRA).
- (vii) Jawahar Rozgar Yojana -(JRY) 1989-90.

- (viii) Employment Assurance Scheme EAS - 1993.
- (ix) Jawahar Gram Samruddhi Yojana (JGSY-1999).
- (x) Swaran Jayanti Shhari Rozgar Yojna - 1999.

### 1.10 Conclusion : -

To sum up, employment both, quantitatively and qualitatively seems to be the first victim of liberalization. Liberalization policy is a mixed blessing, it has opened the doors of prosperity, a higher standard of living, but at the cost of job security.

In modern times, GNP aspect is dethroned as an indicator of social progress, but experience of developed countries shows that rise in GNP and PCI helps to develop secondary and tertiary sector employment position. Economic growth in India has failed to solve the problem of unemployment because of slow growth. To achieve 3.1% growth in employment, based on employment elasticity, GDP growth of 8.2 percent is required. But the co-relation of production and employment is based on the investment decisions, choice of technology, pursuance of economic policies i.e., along with economic growth, other measures should be considered. Hence, the economic growth should be defined in terms of programmes towards reducing the incidence of unemployment.

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