

UNEMPLOYMENT

INDEX

UNEMPLOYMENT	3
Types of Unemployment	4
1. Structural Unemployment	4
2. Cyclical Unemployment	4
3. Frictional Unemployment	4
4. Seasonal Unemployment	5
5. Disguised Unemployment	5
6. Open Unemployment	5
7. Underemployment	5
Causes of Unemployment in India	6
1. Sluggish Economic Growth	6
2. Overpopulation & Demographic Pressure	6
3. Seasonal Nature of Agriculture	6
4. Dominance of Informal Sector	6
5. Underperforming Manufacturing & Structural Imbalance	7
6. Mismatch in Education and Employability	7
7. Skill Gaps in Emerging Industries	7
8. Impact of Automation and Technological Change	7
9. Limited Accessibility & Social Barriers	8
PERIODIC LABOUR FORCE SURVEY (PLFS)	8
About PLFS	8
Major Reforms in PLFS from January 2025	8
Dissemination Structure After 2025 Reform	9
Activity Status Framework	9
Key Labour Market Indicators	10
Labour Force	10
Labour Force Participation Rate (LFPR)	10
Worker Population Ratio (WPR)	10
Unemployment Rate (UR)	11
AQEEs (All India Quarterly Establishment-based Employment Survey)	11
Centre for Monitoring Indian Economy (CMIE)	11

Government Initiatives to Tackle Unemployment in India	11
Employment Services & Job Matching.....	12
Rural Employment & Livelihood Support	12
Urban Employment & Livelihoods	12
Self-Employment Promotion	13
Skill Development & Employability.....	13

@WritEDREG

UNEMPLOYMENT

Unemployment is not merely the absence of jobs; it is a reflection of how effectively an economy utilizes its human resources. In any country, the **entire population** is first divided into two broad categories, those who are part of the **labour force** and those who are **not in the labour force**.

The **labour force** consists of people who are either:

- **Employed, or**
- **Unemployed but actively seeking work**

Those **not in the labour force** include children, elderly, homemakers, students, retired persons, or individuals not seeking employment.

An unemployed person is one who **does not have work but is willing and actively looking for work**. In statistical terms, even if a person fails to get employment for **even one hour during the reference period**, he/she is treated as unemployed.

Unemployment Rate measures the proportion of unemployed persons in the labour force:

$$\text{Unemployment Rate} = \frac{\text{Unemployed Persons}}{\text{Labour Force}} \times 100$$

Concept Box: Labour Force vs Workforce

- **Labour Force** = Employed + Unemployed (actively seeking work)
- **Workforce** = Only Employed persons
- **Not in Labour Force** ≠ Unemployed

India measures unemployment through multiple institutional mechanisms:

- **Census of India**
- **Periodic Labour Force Survey (PLFS)**, conducted by **NSO**
- **Directorate General of Employment & Training (DGE&T)** data from Employment Exchanges

Types of Unemployment

Unemployment in an economy does not take a single form. It varies depending on structural, cyclical and institutional factors.

1. Structural Unemployment

This is a **long-term mismatch** between job requirements and worker skills.

It arises due to:

- Technological change
- Change in government policy
- Skill mismatch
- Geographic immobility
- Wage rigidity

Jobs may exist, but workers lack the required skills or are located elsewhere. It reflects a **structural imbalance in the economy**.

2. Cyclical Unemployment

This occurs due to **business cycle fluctuations**.

- During economic boom → unemployment falls
- During recession → unemployment rises

It is caused by a fall in **aggregate demand**, leading firms to reduce production and employment. Common in developed economies with pronounced business cycles.

3. Frictional Unemployment

This is **temporary or transitional unemployment**.

It arises when:

- People switch jobs
- Enter or re-enter labour force
- Move between cities
- Lack information about vacancies

It exists even in a situation of **full employment** and is therefore considered normal.

Concept Box: Full Employment

Full employment does **not mean zero unemployment**. It means unemployment is limited to **frictional + structural unemployment**.

4. Seasonal Unemployment

Occurs when employment is available only during certain seasons. Common in:

- Agriculture
- Tourism
- Sugar industry
- Construction

It reflects the seasonal nature of economic activity.

5. Disguised Unemployment

Occurs when more workers are employed than actually required. It's characteristics include:

- **Marginal productivity = Zero**
- Removing some workers does not reduce output
- Common in **Indian agriculture**

It is a hidden form of unemployment typical in developing economies.

6. Open Unemployment

Open unemployment refers to the situation where individuals who are capable of working and are actively seeking employment are unable to find jobs.

7. Underemployment

Underemployment is a situation where a person is employed but **not fully utilized** in terms of skill, time or earning potential.

Examples:

- Skilled worker in low-paying job
- Graduate doing low-skill work
- Part-time worker wanting full-time job

Unlike unemployment, the person is technically employed but **economically underutilized**.

Causes of Unemployment in India

Unemployment in India is not merely a result of lack of jobs; it reflects **structural, demographic, sectoral and skill-related imbalances** within the economy. The problem is multidimensional.

1. Sluggish Economic Growth

India's economy, despite being one of the fastest growing globally, has historically struggled with **jobless or job-poor growth**.

- Growth has often been capital-intensive rather than labour-intensive.
- Manufacturing has not absorbed surplus labour from agriculture.
- Informal sector expansion has not translated into secure employment.

When economic growth does not generate proportional employment, structural unemployment rises.

2. Overpopulation & Demographic Pressure

India's rapidly growing population increases labour supply faster than job creation. A large youth population enters the labour force every year.

While demographic dividend is an opportunity, without sufficient job creation it turns into demographic stress.

3. Seasonal Nature of Agriculture

Agriculture in India remains largely seasonal and dependent on monsoons.

- Employment is available mainly during sowing and harvesting.
- During lean seasons, rural workers remain partially or fully unemployed.
- Leads to **seasonal and disguised unemployment**.

A significant portion of rural unemployment is rooted in agricultural underemployment.

4. Dominance of Informal Sector

A large share of India's workforce is employed in the **unorganised/informal sector**.

- Low wages
- Lack of job security
- Absence of social protection
- Gig work without long-term stability

Though technically employed, many workers face **underemployment and vulnerability**, blurring the line between employment and unemployment.

5. Underperforming Manufacturing & Structural Imbalance

India transitioned directly from agriculture to services without strong manufacturing expansion.

- Services contribute significantly to GDP.
- However, the sector does not absorb low-skilled labour adequately.
- Manufacturing share in employment remains relatively limited.

This structural imbalance reduces large-scale job absorption capacity.

6. Mismatch in Education and Employability

The education system often fails to equip students with industry-relevant skills.

- Many graduates lack practical exposure.
- For example, a large proportion of engineering graduates are considered unemployable due to skill gaps.
- Curriculum-industry disconnect persists.

This leads to **educated unemployment**, a major concern in urban India.

7. Skill Gaps in Emerging Industries

Rapid technological change has increased demand for specialised skills.

- Artificial Intelligence
- Data analytics
- Robotics
- Blockchain
- Advanced manufacturing

However, the labour force often lacks: Technical expertise; Soft skills; Digital literacy

8. Impact of Automation and Technological Change

Automation reduces demand for routine, repetitive jobs.

- Manufacturing automation
- Digital platforms replacing intermediaries
- AI-driven processes

While technology creates high-skill jobs, it displaces low-skill labour, leading to **technological unemployment**.

9. Limited Accessibility & Social Barriers

Several socio-economic constraints limit workforce participation:

- Illiteracy
- Poor communication skills
- Lack of childcare facilities
- Inadequate transport connectivity
- Gender-based discrimination
- Caste-based exclusion

These barriers disproportionately affect: Women; Rural populations; Marginalised communities

Thus, unemployment in India is also linked to **structural inequality**.

PERIODIC LABOUR FORCE SURVEY (PLFS)

About PLFS

The **Periodic Labour Force Survey (PLFS)** is conducted by the **National Statistics Office (NSO)** under the **Ministry of Statistics and Programme Implementation (MoSPI)** to generate reliable and high-frequency labour market indicators for India.

PLFS was launched in **2017** with the objective of:

- Providing **quarterly estimates** of key employment and unemployment indicators for urban areas in Current Weekly Status (CWS)
- Providing **annual estimates** for both rural and urban areas in:
 - Usual Status (ps+ss)
 - Current Weekly Status (CWS)

Till 2024:

- 25 Quarterly Bulletins were released (Quarter ending December 2018 to Quarter ending December 2024)
- 7 Annual Reports were released (July 2017 – June 2024)
- Annual reporting followed the July–June cycle

Major Reforms in PLFS from January 2025

The revamped PLFS aims to:

- Generate **monthly estimates** of key indicators at All-India level in CWS
- Extend **quarterly results to rural areas**
- Provide **annual estimates** in both Usual Status (ps+ss) and CWS

- Improve geographical representativeness
- Enhance statistical precision

Dissemination Structure After 2025 Reform

Monthly Estimates (New Feature)

From 2025:

- Monthly estimates of LFPR, WPR and UR
- Released at All-India level
- Based on CWS

The first monthly bulletin (April 2025) was scheduled for release in May 2025.

These high-frequency indicators enable **timely policy intervention** and better macroeconomic monitoring.

Quarterly Estimates (Expanded Coverage)

Earlier: Quarterly estimates available only for urban areas

Now: Quarterly estimates available for:

- Rural areas
- Urban areas
- Rural + Urban combined (All-India)

Shift to Calendar Year Reporting

From 2025 onwards: Annual PLFS results follow **January-December calendar year**

Earlier: July-June survey year

Purpose:

- Improved international comparability
- Faster statistical updation
- Better annual labour market analysis

Activity Status Framework

A person's activity status is determined based on a specific reference period.

- **Current Weekly Status (CWS)**
 - Activity status determined on the basis of the **last 7 days preceding the date of survey**.

- Used for monthly and quarterly estimates
- Captures short-term labour market dynamics
- **Usual Status (ps + ss)**
 - Activity status determined on the basis of the **last 365 days preceding the date of survey**.
 - Includes:
 - Usual Principal Status (PS)
 - Usual Subsidiary Status (SS)
 - Used for annual estimates
 - Captures long-term employment condition
- **Population Coverage**
 - All key labour market indicators under PLFS are generally reported for the **population aged 15 years and above**.
 - This is important while interpreting LFPR, WPR and UR.

Key Labour Market Indicators

Labour Force

Labour force refers to the part of the population which **supplies or offers to supply labour** for production of goods and services.

It includes:

- Employed persons
- Unemployed persons

Under CWS, labour force means persons who were employed or unemployed during the reference week.

Labour Force Participation Rate (LFPR)

$$LFPR = (Labour\ Force / Population) \times 100$$

Indicates the proportion of population participating in economic activity.

Released by:

- Gender
- Rural/Urban sector
- Age groups

Worker Population Ratio (WPR)

$$WPR = (Employed\ Persons / Population) \times 100$$

Under CWS, a person is considered employed if he/she worked for **at least 1 hour on any day during the 7 days preceding the survey**

Unemployment Rate (UR)

$$UR = (\text{Unemployed Persons} / \text{Labour Force}) \times 100$$

Under CWS, a person is considered unemployed if:

- Did not work even for 1 hour during the reference week, AND
- Was seeking or available for work

AQEEES (All India Quarterly Establishment-based Employment Survey)

- AQEEES provides **demand-side employment data**.
- Conducted by: **Labour Bureau (Ministry of Labour & Employment)**
- Covers 9 major non-farm sectors:
 - Manufacturing
 - Construction
 - Trade
 - Transport
 - Education
 - Health
 - Accommodation & Restaurants
 - IT/BPO

Centre for Monitoring Indian Economy (CMIE)

The **Centre for Monitoring Indian Economy (CMIE)** is a leading private limited company that functions as an independent economic research body and business information provider.

Unlike PLFS, which is conducted by the government (NSO/MoSPI), CMIE is a **private entity** that produces high-frequency economic data.

Government Initiatives to Tackle Unemployment in India

The Government of India has adopted a multi-pronged strategy to address unemployment by focusing on **skill development, livelihood creation, self-employment promotion, and wage employment guarantees**. These initiatives target both rural and urban labour markets and aim to improve employability as well as income security.

Employment Services & Job Matching

National Career Service (NCS)

The **National Career Service (NCS)** project aims to modernize employment services in India. Through the NCS portal, Model Career Centres and employment exchanges, it provides:

- Job matching services
- Career counselling
- Information on skill development
- Access to apprenticeships and internships

It acts as a digital bridge between job seekers and employers, improving labour market transparency.

Rural Employment & Livelihood Support

Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) (VB-G RAM G) Act

It guarantees **125 days of wage employment per year** to rural households willing to undertake unskilled manual work. It serves as a social safety net by:

- Providing income security
- Reducing seasonal unemployment
- Supporting rural asset creation

Aajeevika-National Rural Livelihoods Mission (NRLM)

NRLM focuses on mobilizing rural poor into Self-Help Groups (SHGs) and promoting sustainable livelihoods. It also includes placement-linked skill development for rural youth under **Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)**.

The scheme strengthens institutional platforms for income generation in rural areas.

Urban Employment & Livelihoods

Deendayal Antyodaya Yojana -National Urban Livelihoods Mission (DAY-NULM)

DAY-NULM aims to reduce urban poverty by:

- Promoting self-employment

- Providing skill training
- Supporting urban homeless through shelters
- Strengthening community-based institutions

It addresses structural vulnerabilities in urban informal employment.

Self-Employment Promotion

Prime Minister's Employment Generation Programme (PMEGP)

PMEGP is a credit-linked subsidy scheme that promotes self-employment by assisting artisans and unemployed youth in setting up **non-farm micro-enterprises**.

It encourages entrepreneurship and small-scale enterprise development.

Skill Development & Employability

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

PMKVY, under the Ministry of Skill Development and Entrepreneurship, provides industry-relevant skill training and certification to youth. It aims to bridge the gap between education and employment by enhancing job readiness.

National Apprenticeship Promotion Scheme (NAPS)

NAPS promotes apprenticeship training by providing financial incentives to employers:

- 25% of stipend (up to ₹1500 per apprentice)
- Basic training cost support (up to ₹7500)

This strengthens industry-academia linkage and hands-on skill development.

Future Skills PRIME

An initiative of the Ministry of Electronics and IT (MeitY), Future Skills PRIME focuses on reskilling and upskilling professionals in emerging technologies such as Artificial Intelligence and digital technologies, aligning the workforce with Industry 4.0 requirements.