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# A Study on the Problem of Unemployment in India- Causes and Remedies

Anil Kumar<sup>1</sup> and Sakshi Pandey<sup>2</sup>

<sup>1</sup>Research Scholar, Department of Commerce, M.B.Govt.P.G.College, Haldwani

<sup>2</sup>Assistant Professor, Faculty of Commerce & Business Management, Amrapali Group of Institutes, Haldwani

**Abstract:** India being the largest democracy of the world and being one of the fastest growing economy in the world is facing the problem of unemployment from a long period of time. The problem was worst during the post-independence era and after independence various schemes and necessary provisions are taken by the government to tackle this. The government has launched various self-employment as well as credit linked schemes to assist people in starting their own business. This paper attempts to examine the status of unemployment its causes, steps taken by the government regarding this along with suggesting measures to overcome this problem.

**Keywords-** Unemployment, Indian Economy, Self-employment, GDP.

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## INTRODUCTION

The Indian economy is tackling with the problem of unemployment since its independence. At the time of its independence the total GDP was 2.7 Lakh Crore which accounted for 3 percent of world's GDP. India being a labor intensive economy isn't able to utilize its manpower as per the capacity and the ability. Further lack of skilled workforce is yet another reason behind the problem of unemployment. Unemployment can be defined as the state where a person who is willing to do a job and also possess the essential qualification for the same isn't able to find any job. Unemployment and poverty are the two major challenges that the world economy is facing. This problem is becoming a major and complex issue in the Indian economy as well. Unemployment and poverty is widely prevalent in the country and this trend is becoming worse. Unemployment is a curse which is causing loss of human resources to the nation. Unemployment causes a reduction in the purchasing power which in turn leads to financial degradation of individual. This in turn results in poverty followed by increasing burden of debt. In India majority of people are living in rural area where the major source of employment is agriculture. Few of the people residing in the rural areas are engaged in any kind of manufacturing or production oriented occupation. Government at the central and at state level has initiated various schemes and policies with respect to creation of employment opportunities in the economy. Concept of five year plan was one of the ways to curb down the unemployment. While looking at the five year plans only few of them can be considered as a successful while rest remained a failure, as the targets that were set was not achieved as per the planned estimate and as a result this concept was came into closure with the end of 12<sup>th</sup> five year plan whose duration was from 2012 to 2017.

## RESEARCH METHODOLOGY

The present study adopts a descriptive approach to examine the problem of unemployment in the Indian economy its issues and measures that are taken by the government with special reference to PMEGP scheme. The study uses secondary source of data from government websites, reports, research articles and journals.

## OBJECTIVES OF THE STUDY

The objectives of the present study are as follows-

- 1.To assess the present status of unemployment in India.
- 2.To examine the causes behind unemployment.
- 3.To examine the measures taken by government for curbing unemployment problem.
- 4.To provide necessary suggestions and policy implications for the removal of unemployment.

## UNEMPLOYMENT IN INDIA

**Table -1 Unemployment Rate in India**

Year	Unemployment Rate (%)	Annual Change	Year	Unemployment Rate (%)	Annual Change
2001	5.66	0.00	2011	5.64	0.00
2002	5.72	0.06	2012	5.65	0.01
2003	5.73	0.01	2013	5.67	0.02
2004	5.67	-0.06	2014	5.61	-0.06
2005	5.60	-0.07	2015	5.57	-0.04
2006	5.45	-0.15	2016	5.51	-0.05
2007	5.32	-0.13	2017	5.42	-0.09
2008	5.28	-0.04	2018	5.33	-0.09
2009	5.57	0.29	2019	5.36	0.03
2010	5.64	0.07	2020	7.11	1.75

### Source-

<https://www.macrotrends.net/countries/IND/india/unemployment-rate>

The table clearly shows that the rate of unemployment is showing an increasing trend over the past 20 years. There are only few exceptional years when there is a decline in the rate of unemployment. The unemployment rate was lowest in the year 2008 with 5.28% and was highest in the year 2020 with unemployment rate of 7.11%. the annual increase in the unemployment is showing an interesting fact in the year 2009 which is the highest increase after 2020. The reason behind this increase was the great recession which came in the year 2008 whose one reason was the case of the lemon brothers. The reason behind this situation the pandemic COVID-19, that caused loss of many jobs not only in India but across many countries in the world. People who were engaged in the manufacturing sector were hit by this pandemic and are unemployed as a result of it. Some of the major causes of unemployment are stated as under-

## CAUSES OF UNEMPLOYMENT

The reason behind the situation of unemployment in the Indian economy is that in our country majority of

population is engaged in agriculture sector, which is a seasonal occupation. By seasonal occupation it is meant that income of these people engaged in the agriculture sector directly depend on the production of crops from their fields which depends on seasonal fluctuations. If during one season the rainfall is low or there is a situation of drought arises, the people engaged in this sector will have to suffer from the problem of unemployment.

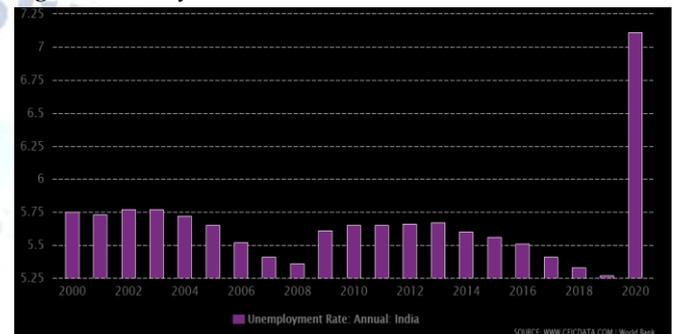
Another reason of unemployment is the low quality goods which are being manufactured by the locals. The prices of these commodities are quite high as compared to the substitutes available for them with better quality. Due to this reason people prefer to purchase from the outsiders, which cause loss of jobs or employment in industries. Being a diversified nation the pattern of demand in the Indian economy is also diverse, but the Indian manufacturers are seen to be failed to feel this requirement and as a result the consumers are shifting towards big brands from the MNC's.

Low income level is yet another reason of unemployment in the economy. due to low level of income the people in the country tends to create lower demand in the economy which in turns lowers the production capacity of the manufacturing sector causing cuts in jobs. Our manufacturing and automobile sector directly depends on the demand of the people of the country. So, if there is no demand or less demand there will be less job opportunities and which will lead to the problem of unemployment.

Lack of skilled manpower is also an important reason of the problem of unemployment in the country. Our education system emphasized much on the theoretical aspects and lays less emphasis on building and developing skilled human resources. When these unskilled human resources enter the industry to find job, they get rejected due to the reason of being unskilled. Many recommendations were made by various committees in respect of this problem, but due to lack of interest of the government at the central as well as by the state, these suggestions and recommendations were never came into real action.

The figure 1 is the graphical representation of the rate of unemployment over the past 20 years. It is clearly visible that there is a fluctuating trend in the rate of unemployment during the two decades. During 2000 to 2004 there was a constant rate of unemployment which

was prevailing in the economy, after 2004 there is a declining trend in unemployment till 2008. In 2008 the world faced the great recession whose impact can be seen in the indian economy as well and as a result the unemployment rate started to increase in the following years. The Modi government worked hard to bring FDI in the economy and as a result there was a decrease in the unemployment rate till 2019, but since the pandemic of COVID-19 the Indian economy has seen the highest rate of unemployment which is the highest in the last two decades. The lowest being in the year 2019 and highest in the year 2020.



Source-

<https://www.ceicdata.com/en/indicator/india/unemployment-rate>

### MEASURES TAKEN BY GOVERNMENT

Generation of employment opportunities with creation of skilled manpower and improving the employability is the major concern of the government. The Government has taken various steps to curb unemployment and for generating employment in the country like encouraging private sector of economy, launching various skill enhancement schemes like PMKVY, employment generation schemes like Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA. Prime Minister's Employment Generation Program (PMEGP) run by Ministry of MSME, and increasing public expenditure on schemes like Pt. DeenDayalUpadhyayaGrameenKaushalyaYojana (DDU-GKY) scheme run by Ministry of Rural Development ("Over 57 Lakh benefitted from job creation schemes since FY16: Govt," 2020), in this study prime focus is on the PMEGP scheme.

The Pradhan Mantri Employment Generation Scheme which was launched in the year 2008 is a flagship programme of the Ministry of Micro Small and Medium

Enterprises (MSME). It is a credit linked subsidy scheme aimed to generate self-employment opportunities through the establishment of micro enterprises in the non-farm sector by helping the traditional artisans. The brief achievement of this scheme with the number of jobs it created since its launch in the year 2008 till 2020 is given in the table 2. The table clearly indicates that this programme has generated many employment since its inception.

**Table 2- PMEGP All India Achievements**

Year	MM Subsidy Allocated (Rs Crore)	Estimated Employment Generated
2008-09	740.00	616667
2009-10	888.00	740000
2010-11	1154.40	962000
2011-12	1702.60	418833
2012-13	1228.44	428246
2013-14	988.36	378907
2014-15	1073.17	357502
2015-16	1013.53	278160
2016-17	1082.90	407840
2017-18	1170.00	387184
2018-19	2068.80	284856
2019-20	2396.44	257000

Source-[Press Information Bureau \(pib.gov.in\)](http://Press Information Bureau (pib.gov.in))

The table 2 shows the estimated employment generated and the sum allocated as margin money subsidy for the

achievement of the set target of job creation under the PMEGP. It is clearly shown in the above table that in the initial stage of the programme there is an incremental change in the number of estimated employment generated. In the financial year 2008-09 the subsidy allocated was Rs 740 crore and the estimated employment generated was 616667 and in the next financial year 2009-10 the number of estimated employment generated has shown an increase and reached too 740000 jobs. In the financial year 2010-11 the estimated employment generated increased by 30%. Since then there is a decline in the number of estimated job generations, except in the year 2016-17. In the financial year 2019-20 the number of estimated employment generated was lowest with only 257000 jobs.

To overcome from the situation of pandemic COVID-19 and to generate employment opportunities in the economy the central government announced a package of 20 lakh crore under the AatmaNirbhar Bharat Scheme, whose main objective was to push the economy out of the unemployment crisis and the monetary crisis. The sector wise allocation of the amount under the scheme is as under-

**Table 3- Sector Wise Breakup of Allocation Under AatmaNirbhar Bharat Scheme**

Sector	Banking	State Borrowing	Business & MSME	Agriculture	Social Sector (Including PMGKY)	Power	Housing	Tax	Health	Total
Allocation (Rs Lakh Crore)	5.22	4.28	3.675	3.48	2.08	0.9	0.7	0.5	0.15	20.986
Allocation as % of Total Package	24.4%	20%	17.2%	16.3%	9.7%	4.2%	3.3%	2.3%	1.8%	100%

Source- [Committee Reports \(prsindia.org\)](http://Committee Reports (prsindia.org))

Table 3 shows the sector wise distribution of the fund under the AatmaNirbhar Scheme. The highest allocation was made in the banking sector which is about 24% of the total sum allocated under the scheme followed by the state borrowing of 20%. The lowest allocation was made in the health sector with 1.8% which is 0.15 Lakh crore rupees of the total allocated money. Allocation to the industrial sector accounted for 17.2% and 16.3% to the agriculture sector.

## SUGGESTIONS AND RECOMMENDATIONS

1. Appropriate macro policies regarding youth employment.
2. Investment in labour intensive sectors to promote manufacturing industries.
3. Investment in skill and vocational training of youth.
4. Control measures to regulate population growth.
5. Employment opportunities should be provided as per the skill of youth.

## CONCLUSION

Being one of the fastest growing economies in the world, the Indian economy is facing the problem of unemployment and poverty. The two most dangerous problems which are needed to be solved as early as possible. There are many causes of unemployment, some of which are the poor quality of education system, lack of skilled manpower, low quality of goods, etc. The government at the central and state levels is making necessary provisions to curb this issue. PMEGP is one of the flagship schemes launched in the year 2008 which has somehow empowered the economy. The concept of AatmaNirbhar Bharat is yet another measure under which focus is put on making the country self-empowered and self-sufficient.

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