



DIPLOMA IN RURAL DEVELOPMENT

DRD-03

Rural Social Problems

Block

3

RURAL UNEMPLOYMENT

Unit – 1

Types of Unemployment in rural India

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Causes and Consequences of Unemployment in rural India

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Employment Generation Programmes launched by the Government:

Achievements and Failures



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DIPLOMA IN RURAL DEVELOPMENT

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Unit-1

Types of Unemployment in Rural India



Learning Objectives:

After completion of this unit, you should be able to:

- *Explain the concept of unemployment in rural India*
- *Analyse different types of unemployment in rural India*
- *Understand the historical backdrop and theories of unemployment in India*

Structure:

- 1.1 Introduction
- 1.2 Types of Unemployment
- 1.3 Unemployment Scenarios in India
- 1.4 Theories of Unemployment
- 1.5 Let Us Sum Up
- 1.6 Key Words
- 1.7 References

1.1. Introduction:

The problem of unemployment is perhaps the most serious and crucial problem that India is facing in 21st century. The unfortunate situation of educated and uneducated youth of the country has resulted in deteriorating condition of law and order. Unemployment is a social scourge. It is wasteful and impoverishing and generates discontent, frustration and resentment. Ultimately, if not checked and reversed, it can lead to the disintegration or destruction of the society itself.

Unemployment causes permanent losses of output of goods and services. The unemployed are faced with financial insecurity, resulting in poverty and indebtedness. Certain kinds of



criminal activity are directly related to unemployment. Many studies have linked unemployment to family disruption, suicide, ill health (physical and mental), drug addiction, homelessness, malnutrition, poor prenatal care, school dropouts, racial and ethnic antagonism, and other social problems (see, e.g., Jahoda, 1982). Unemployment also differentially affects certain sectors of the population, so that disadvantaged minorities, those with little education, and youth, e.g., can suffer from rates of unemployment two to ten times the overall rate.

Forstater (1998) narrates unemployment also can destabilize business expectations, as fears of low demand cool private investment. Related to this, unemployment can also lead to technological stagnation. If, as Marx and others suggest, high levels of employment stimulate technical innovation, unemployment would be associated with less innovation. Firms with high and stable levels of demand have the resources and the incentive to support going high tech; with high unemployment and thus cheap labour, firms lack the resources and the incentive to retool. It has also been shown that unemployment leads to deterioration in labour skills. All of this suggests that unemployment may lead to lower productivity growth.

In Marx, unemployment serves several functions. First, it provides the system with a pool of available labour from which to draw when the pace of accumulation increases. Second, unemployment serves to discipline workers, who may not fear being laid off in an environment of full employment. Third, unemployment holds down wages, since one of the ways in which unemployment disciplines workers is to decrease their bargaining power and thus keep wages from rising. Thus, in this view, unemployment is not only a natural by-product of capitalism, it is essential to its smooth operation.

Further, economic growth by itself does not solve the problem of unemployment. Prabhat Patnaik has succinctly remarked, "*A higher arithmetical figure of growth rate is neither a necessary nor a sufficient condition for alleviation of unemployment.*" In fact, there exists a real conflict between the objectives of economic growth and employment in the early phase of economic development. The possibility of an increase in unemployment is not to be completely ruled out in a rapidly growing economy. Examining this issue in the existing



Indian context, Prabhat Patnaik has very correctly argued that, "While growth per se means nothing for unemployment, this growth fetishism can be exploited by finance capital to wrest concessions to the detriment of employment objective ... "

Unemployment in India is characterised by chronic (disguised) unemployment. Government schemes that target eradication of both poverty and unemployment (which in recent decades has sent millions of poor and unskilled people into urban areas in search of livelihoods) attempt to solve the problem, by providing financial assistance for setting up businesses, skill honing, setting up public sector enterprises, reservations in governments, etc. The decline in organised employment due to the decreased role of the public sector after liberalisation has further underlined the need for focusing on better education and has also put political pressure on further reforms. India's labour regulations are heavy even by developing country standards and analysts have urged the government to abolish or modify them in order to make the environment more conducive for employment generation.

B. Hazari and J. Krishnamurthy have brought out the conflict between growth and employment inherent in the Mahalanobis strategy which guided India's development efforts for about two decades. However, until the Five Year Plan 1978-83 was formulated, this conflict was not recognised by the government. The assumption of the Plans was that growth would automatically solve the unemployment problem. However, this was not to be. Since the adoption of neo-liberal economic policies in India over the past one and a half decades, the government's obsession with the high rate of economic growth has made it completely oblivious to possible conflict between economic growth and employment. Hence, in recent years growth in India has been mostly "**job less**" and sometimes even "**job loss**". This is substantiated by the fact that during the 1990s and early years of the current decade, unemployment has increased.

The ILO definition of unemployment covers people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight; or out of work and have accepted a job that they are waiting to start in the next fortnight.



ILO states that to be considered as being unemployed individuals must:

1. Have been out of work for 4 weeks.
2. Be able to start work in the next 2 weeks, so they must be readily available for work.
3. Workers only need to be available for work for one hour per week, so part-time unemployment is included in the measurement, though these workers are unlikely to claim unemployment benefit. This tends to make ILO unemployment much higher than the Claimant Count.

According to Experts, the Count of people being without a job is on the rise in India as economic slowdown and slower business expansion activities cast a shadow on employment generation, Indicating sluggishness in the country's job market, the International Labour Organisation (ILO) has said in its recent report that the unemployment scenario in India over the last two years has been showing a rising trend going by ILO's latest estimates, India's jobless rate could be 3.8% this year.

Ritu Mehrotra, VP Global HR and Talent Management of Bristlecone, a Mahindra Group company, said that due to migration to urban areas there is a sharp rise in the unemployment rate in rural areas as well. She told Government should step up their efforts to support skill and retraining activities to address the gaps between demand and supply of work skills and qualifications and to address long-term unemployment," Unemployment rate in India is showing an increasing trend since 2011 when it was 3.5%. The same rose to 3.6% in 2012 and climbed to 3.7% last year and jobless rate is expected to rise to 3.8%, according to the report 'Global Employment Trends 2014'.

According to the ILO report, it has been argued that India was experiencing 'jobless growth' due to the fact that total employment grew by only 1.1 million from 2004/05 to 2009/10 (based on the National Sample Survey), representing an employment elasticity of almost zero.

However, total employment in India expanded from 2009/10 to 2011/12 by a much healthier 13.9 million, "though many of these jobs are in the informal economy," it added.



1.2 Types of Unemployment:

Sociologists study social patterns that many people share. As the sociologist C. Wright Mills wrote over 40 years ago, if one person is unemployed, it is a personal problem, but if thousands of people are unemployed, their difficulty is a social problem. Sociologists look for root causes of such social patterns in the way society is organized and governed (Mills [1959] 2000a).

Nine important types of Unemployment found in Modern Societies are:

1. Voluntary unemployment
2. Frictional unemployment
3. Casual unemployment
4. Seasonal unemployment
5. Structural unemployment
6. Technological unemployment
7. Cyclical unemployment
8. Chronic unemployment
9. Disguised unemployment.

The various types of unemployment may be classified as follows:



1. Voluntary and involuntary Unemployment:

It is a situation when a person is unemployed not due to unavailability of jobs in the economy, but because of not being able to find employment of his/her own choice. Sometimes people reject employment opportunities if they do not receive desired wages or if they are not offered the kind of work they wish to do.

Voluntary unemployment may be a national waste of human energy, but it is not a serious economic problem with any social repercussions. Voluntary unemployment is consistent with the state of full employment.

An involuntary unemployment means a situation in which all able persons who are willing to work at the prevailing wage rate do not get work. Such people are (i) physically and mentally fit to work and are also (ii) willing to work at the going rate but are out of Job. Thus, their unemployment is involuntary (i.e., not voluntary) because they are rendered unemployed against their wishes. This type of unemployment is due to deficiency of aggregate demand sufficient to ensure full employment. It indicates excess supply of labour which the rigid wage-rate has failed to eliminate. In short, if involuntary unemployment exists, the economy cannot be said to be at the level of full employment equilibrium. It will indicate under-employment equilibrium in the economy.

2. Frictional Unemployment:

Frictional unemployment is a temporary phenomenon. It may take place in various ways. When some workers are temporarily out of work while changing jobs, it is called “frictional unemployment.” Similarly, strikes and lockouts may result in the suspension of work, and there may exist some frictional unemployment for the time being. To some extent, frictional unemployment is also caused by the imperfect mobility of labour. Factors inhibiting the geographical or occupational movement of unemployed workers into vacant jobs, thus, cause frictional unemployment.

According to economists like Keynes and Lerner frictional unemployment is a kind of unemployment, which is quite consistent with the condition of full employment in an economy. Frictional unemployment is due to difficulties in getting workers and vacancies



together. Hence the problem of frictional unemployment should be dealt with by some special devices for overcoming the mobility of labour such as spread of information about job opportunities, arrangement for jobs through employment exchanges, improvement in transport facilities etc., can help reduce the magnitude of frictional unemployment.

3. Casual Unemployment:

In industries such as building construction, catering or agriculture, where workers are employed on a day- to-day basis, there are chances of casual unemployment occurring due to short-term contracts, which are terminable any time. Thus, when a worker's contract ends after the completion of work, he has to find a job elsewhere, which he is likely to get depending on circumstances or he may get a fresh contract with the same firm when some new work is started. Similarly, there may be casual employment of extra workers in some places like dockyards during the rush of loading or unloading. Once the work is over, these extra workers become unemployed. Casual unemployment is also found in the film industry where junior artistes work on a casual basis. A specific solution to the problem of casual unemployment is very difficult to provide.

4. Seasonal Unemployment:

There are some industries and occupations such as agriculture, the catering trade in holiday resorts, some agro-based industrial activities, like sugar mills and rice mills, etc., in which production activities are seasonal in nature. So, they offer employment for only a certain period of time in a year. For instance, work in sugar mills lasts for about six months. Rice mills work for only a few weeks. Agriculture offers employment at the time of ploughing and as the unemployment of people engaged in such types of work or activities which cater to the seasonal demand. We may call it "seasonal unemployment." Even self-employed people may be seasonally unemployed, off the season.

Seasonal unemployment is found in any country, whether it is developed or underdeveloped. Seasonal unemployment implies not only an under utilisation of manpower, but also of capital stocks used in industries of a seasonal nature. This poses a serious problem of wastage of productive resources for an underdeveloped country which



is already deficient in capital resources. By making agriculture a full-time job through irrigation, fertilizers and mechanisation, the problem of seasonal unemployment of farmers can be solved. Intensive cultivation, double cropping, mixed farming, dry farming etc. can be of great help in this regard. This would not only solve the problem of unemployment but also increase national income and the welfare of the community. Promotion of small-scale industries, social overhead projects (like road-building, irrigation projects, etc.) can help in easing the problem of seasonal unemployment.

5. Structural Unemployment:

Due to structural changes in the economy, structural unemployment may take place. Structural unemployment is caused by a decline in demand for production in a particular industry, and consequent disinvestment and reduction in its manpower requirements. In fact, structural unemployment is a natural concomitant of economic progress and innovation in a complex industrial economy of modern times. For instance, with the economic expansion of a town, tongas may tend to go out of date with the introduction of auto rickshaws. Consequently, tonga operators may become unemployed.

They have to seek jobs in other fields. This sort of unemployment is structural unemployment, because the infrastructure of the transport system has changed altogether. In a depressed industry, structural unemployment takes place on account of change in the demand pattern. On the other hand, in its counterpart, where demand has favourably improved, structural employment is generated. Thus, the problem of structural unemployment resulting in a depressed industry can be solved by absorbing the displaced workers in the expanding industries.

Many times, on account of the locational patterns of industries, structural unemployment may have a geographical impact. In these regions, where specific depressed industries have much agglomeration, unemployment will tend to be high. Such a regional problem of structural unemployment can be solved through effective geographical mobility of labour or by establishing other industries in the depressed areas.



6. Technological Unemployment:

A kind of structural unemployment may take place in an economy as a result of technological improvement. Such unemployment may be described as technological unemployment. Due to the introduction of new machinery, improvement in methods of production, labour-saving devices etc., and some workers tend to be replaced by machines. Their unemployment is termed as “technological unemployment.” Technological unemployment is basically created by introduction of machinery. But, it is a temporary phenomenon. In the long run, the development effectuated by the use of more capital leads to diversification of activities and promotion of many allied industries which would create additional job opportunities so that the unemployed workers will be absorbed in a more remunerative way. In developed countries, technological unemployment poses no serious problem. This is because there is a gradual technological advancement and no sudden shift in their normal technology which is already at an advanced stage.

In underdeveloped countries, however, the technological problem is of a serious nature, where primitive techniques have been recently discarded and new capital intensive techniques of the advanced countries have been adopted. In the transition period, thus, artisans suffer the most. To ease the problem, therefore, new job opportunities on a large scale must be created simultaneously in other fields.

Technological advancement in a developing country creates not only the problem of technological unemployment but also causes the scrapping of existing old capital. For example, primitive equipment and cattle tend to be useless when there is mechanisation of agriculture. Technological unemployment can be solved only by the creation of new job opportunities, as fast as possible. U.N.O. experts, thus, advise that “Rapid economic development is paradoxically the greatest cause of and the greatest cure of technological unemployment.”

7. Cyclical Unemployment:

Capitalist-biased, advanced countries are subject to trade cycles. Trade cycles — especially recessionary and depressionary phases — cause cyclical unemployment in these countries.



During the contraction phase of a trade cycle in an economy, aggregate demand falls and this leads to disinvestment, decline in production, and unemployment. Lerner calls it “deflationary unemployment.” Keynes emphasised that depressionary unemployment is caused by the insufficiency of effective demand.

The solution for such cyclical unemployment lies in measures for increasing the total expenditure in the economy, thereby pushing up the level of effective demand. Easy money policy and fiscal measures like deficit financing have been advocated by Keynes in this regard. Since a cyclical phase cannot be permanent, cyclical unemployment or deflationary unemployment remains only as a short-term phenomenon.

8. Chronic Unemployment:

When unemployment tends to be a long-term feature of a country it is called “chronic unemployment.” Underdeveloped countries suffer from chronic unemployment on account of the vicious circle of poverty. Lack of developed resources and their under utilisation, high population growth, backward, even primitive state of technology, low capital formation, etc. are the major causes of chronic unemployment in underdeveloped economies.

9. Disguised Unemployment:

Unemployment may be classified into: (i) open, and (ii) disguised. So far, the kinds of unemployment which we have discussed are all related to open employment. The term “disguised unemployment” owes its origin to Mrs. Robinson, but received a meaningful interpretation and came to be extensively used in the theory of underdevelopment at the hands of Rosenstein-Roddan and Nurske. The term “disguised unemployment” commonly refers to a situation of employment with surplus manpower, in which some workers have zero marginal productivity so that their removal will not affect the volume of total output. Suppose a given land can properly be organised and cultivated by four persons very effectively.



1.3 Unemployment Scenarios in India:

Ten million Indians with graduate, post-graduate and technical degrees were looking for work, meaning that 15% of all Indians with the highest levels of education were seeking job as of 2011. Kerala had India's highest graduate unemployment rate at over 30 per cent.

The data emerges from new Census 2011 numbers analyzed by *The Hindu*. Of the 116 million Indians who were either seeking or available for work, 32 million were illiterate and 84 literate. Among literates, unemployment rates were higher among the better qualified, highest of all among the 7.2 million people with a technical diploma or certificate other than a degree. At all levels of education, unemployment rates were higher in rural than in urban areas. At every level of education, especially at the higher levels, female unemployment exceeded male unemployment. The 'unemployed' included those who were not currently working but were seeking or available for work, as well as those in marginal employment — meaning that they worked for fewer than six months in the year preceding the Census — who were seeking or available for work. Overall, India's unemployment rate grew from 6.8 p.c. in 2001 to 9.6 p.c. in 2011, based on official Census data. Unemployment grew faster for illiterates than for literates. In all, India had just 56 million graduates and post-graduates in 2011 and 12 million with a technical certificate or diploma equivalent to a graduate or post-graduate degree. Half of these with the highest level of education were classified as "main workers", meaning that they worked for at least six months in the year preceding the Census.

Unemployment rate in India rose to 4.9 per cent in 2013-14, mainly on account of increase in joblessness in rural areas despite the government's flagship employment scheme MGNREGA. According to the latest survey report by Labour Bureau, a wing of Labour Ministry, the unemployment rate inched up to 4.9 per cent at all India level last fiscal, from 4.7 per cent in 2012-13.



On the positive side, the unemployment rate dropped in urban areas to 5.5 per cent in 2013-14, from 5.7 per cent in the previous fiscal. Meanwhile, although 93 per cent of the households in rural areas benefited from MGNREGA, the unemployment rate increased to 4.7 per cent last fiscal, compared to 4.4 per cent a year ago. Unemployment rate among men increased to 4.1 per cent in 2013-14, from 4 per cent in 2012-13. Among women, it increased to 7.7 per cent last fiscal, from 7.2 per cent in 2012-13.

However, the unemployment rate among women came down to 12.4 per cent in urban areas, from 12.8 per cent in 2012-13. The study revealed that the Labour Force Participation Rate (LFPR) is estimated to be 52.5 per cent last fiscal, whereas the Worker Population Ratio (WPR) is estimated to be 49.9 per cent.

As many as 49.5 per cent people are estimated to be self employed, followed by 30.9 per cent as casual labour, 16.5 per cent wage/salary earners and the rest 3 per cent as contract workers.

About 60.5 per cent of people aged 15 years and above, who were available for work for all the 12 months during the period were able to get work throughout the year. In rural and urban sectors, this proportion was 53.2 per cent and 78.5 per cent respectively.

The 'Fourth Annual Employment & Unemployment Survey 2013-14' has been conducted in all the states/UTs by covering all the districts. The field work was executed from January to July last year. A total of 1,36,395 households were covered by the survey -- 83,385 in rural areas and 53,010 in urban areas.

Youth Unemployment Rate in India decreased to 12.90 percent in 2013 from 18.10 percent in 2012. Youth Unemployment Rate in India averaged 15.50 percent from 2012 until 2013, reaching an all time high of 18.10 percent in 2012 and a record low of 12.90 percent in 2013. Youth the Labour Bureau of Government of India reports Unemployment Rate in India. Not a cheerful scenario for over 2.6 lakh graduates aspiring for jobs in the State as Odisha almost topped the country with a high of around 15 per cent unemployment rate among graduates in 2014.

Such high unemployment rate among graduates could only be seen in Bihar and north-eastern States in the country. This shows how acute the joblessness among graduates is in a State enriched with natural resources vis-a-vis the northeastern States. Such a gloomy



scenario prevailing in Odisha job market has been brought to fore by the 2014 Labour Bureau Report, released.

As per the Bureau's report, when the total unemployment rate in 2014 in Odisha has been over 3 per cent, the rates among graduates and postgraduates were abnormally higher at 14.8 per cent and 8.2 per cent, respectively. This reflects the fact that skilled jobs are not on offer in Odisha. Gradual marginalisation of employment market looks evident as the placements made by employment exchanges in the State has dropped by a whopping 84 per cent during the period 2010-2014.

It's significant to mention that total jobseekers in employment exchanges in Odisha are much higher than Bihar (8.6lakh) despite lower population in job-seeking age-groups. However, placements made by Bihar stood at 3,600 in 2014. State's shrinking job-market looks clearly evident as the employment in organised sector (public and private) in 2012 had been over 19 lakh compared to mere 4 lakh in Bihar. The lower placements over the years in proportion to organised sector employment in Odisha indicate to the crunch in employment market here.

It needs mentioning that this vast drop in employment in organised sector in Odisha has been attributed to poor rate of job creation by the State Government and State public sector undertakings. Data is clearly evident as from around 6,000 job opportunities notified in public sector in 2001, it shrunk to mere 1,400-1,500 by the year 2014. The Government's drive to boost job creation through private sector comes a cropper as poor business environment leading to poor income saw the job creation in private sector shrinking to almost a half in 2014 from over 7,000 in 2009-10.

It seems realizing the pinch in employment scenario, Chief Minister Naveen Patnaik recently directed the departments like Education, Health, Agriculture, Panchayati Raj, Water Resources etc to launch a recruitment drive and fill nearly 40,000 vacancies at the State Government end within 180 days. This was interpreted by job experts here as the State again taking the lead as job-provider, which was abdicated a decade back following bleak State finances.

1.4 Theories of Unemployment:



Mouhammed, Adil. (2011) has analyzed different theories of unemployment. These are stated below:

(1) Classical Economic Theory:

The classical theory, as analyzed by Pigou (1933) and Solow (1981), argues that the labor market consists of demand and supply of labor. Demand for labor is a derived demand, obtained from the declining portion of the marginal product of labor. The demand curve is a negative function of real wage in that if wages increase the quantity demand for labor will decline and the opposite is correct. The supply of labor is derived from worker's choice whether to spend part of time working or not working (leisure). Supply of hours worked is a positive function of the real wage, because if the real wage rises, workers supply more hours of work. In equilibrium, demand and supply of labor are intersected at a clearing point that determines the equilibrium real wage rate and full employment. Unemployment, Sweezy (1940: 807) explaining Pigou's Theory of Unemployment, "apart from frictional obstructions... would be nonexistent.

If it were not for the fact that wage-earners habitually stipulate for a rate of wages higher than the 'equilibrium' level." Full employment does not mean that there is no unemployment. Still frictional unemployment does exist at the going real wage rate. For example, if a worker thinks that the disutility of work is greater than the benefit of work or the utility of the real wage, this worker will decide not to work. This type of unemployment is called voluntary unemployment. Frictional unemployment arises because of the dynamic nature of the labor markets, the availability of information, the search for better jobs, and random fluctuations in demand for labor such as closing of a plant and of opening of a new plant. Duration of frictional unemployment is determined by the unemployment insurance benefits and the speed of the information.

Wage reduction is not a competent policy to increase employment. The increase in wages is most likely due to increased labor productivity and wage reduction will reduce work intensity and productivity. Wage reduction will not force some capital intensive firms to



switch to labor intensive techniques in the short run. Higher wages should stimulate the substitution effect by employing more machines for labor. And this substitution will increase labor productivity and employment in the long-run.

(2) The Theory of Innovations:

Originally, this theory was developed by the German economist Von Mangoldt (Ekelund and Hebert 2007) wrote a book about entrepreneurial profits in 1855 and connected profits to risk. He provided several ways by which the entrepreneur can make profits. These ways are (1) finding particular markets, (2) acquisition of productive agents, (3) skillful combination of factors of production, (4) successful sales policy, and (5) innovations. And it is well understood proposition that entrepreneurial profits will increase employment (Mouhammed 2010). Schumpeter (1934) does not provide explicitly a theory of unemployment but his theory of the business cycle does demonstrate clearly how unemployment can be reduced. Innovation (see also Vecchi 1995) which creates more jobs relative to job destruction is the basic force beyond the increases in employment and the decreases in unemployment. When entrepreneurs innovate something new such as the production of a new product, the finding of a new market, the finding of a new method of production, and the introduction of new technologies and a new organization they increase investments to materialize those innovations. Domestic investment expenditures will increase demand on economic resources and will increase their prices. Other entrepreneurs will imitate the leaders by adopting the new innovations. Labor and materials will be employed to produce the new items. Consequently, wages will be increasing and unemployment will be declining, assuming that employment creation will outweigh employment destruction due to the new innovations (see also Mortensen and Pissarides 1998 and Manuelli 2000). Schumpeter started his analysis by explaining economic development. By development, which is the essential part of his endogenous dynamic economics, Schumpeter (1934: 83) means the “changes in economic life as are not forced upon it from without but arise by its own initiative, from within. Should it turn out that there are no such changes arising in the economic sphere itself, and that the phenomenon that we call economic development is in practice simply founded upon the fact that the



data change and that the economy continuously adapts itself to them, then we should say that there is no economic development.” Economic development which reflects new changes outlined below is not a phenomenon that can be explained by economic forces only, but it has to be explained by other forces that are external to the ones analyzed by economic theory.

(3) The Theory of Effective Demand:

Veblen points out that the volume of output is set to attain a satisfactory profit and is a manifestation of the predatory instinct of the vested interests which aim at domestic and international dominance. But how is this volume of production determined to achieve reasonable profits? Veblen gives a lucid answer. He accurately realizes, and before Lord Keynes reaches a similar conclusion, that vested interests determine the volume of output after taking into consideration the aggregate demand. As Veblen (1904: 195) explains: In part by actual increase of demand and in part through a lively anticipation of an advanced demand, aggressive business enterprise extends its venture". And the 'venture', of course, means extending production and operations, assuming the existence of a reasonable level of profits. The level of aggregate demand will provide the necessary increases in total revenues. On the other side, the cost of production has to decline. If revenue rises and cost declines, then the reasonable level of profits can be found. There are various forces in Veblen's work that reduce the cost of production. Technology increases production and reduce the cost of inputs used in the production process, and enterprises cut wages and increase productivity in order to cut cost per unit of output. Better technology can reduce the prices of capital goods, and government can cut taxes. Banks can reduce the interest rates as well. Administrative and insurance cost can be declined in order to stimulate business enterprises. The decline in costs, given rising revenues, will increase the profit level for Veblen. Consequently, higher profits will force the business enterprises to expand and employ more workers. Thus, employment will increase and the rate of unemployment will decline.

Keynes (1936) considers unemployment as an involuntary phenomenon. He thinks that employment is cyclical, generated by the deficiency of aggregate demand (Mouhammed

2010). Capitalists hire workers and invest to produce output when the expectations about the economy and profits are favorable. If expectations about the future are supported by reality, investments and employment continue rising until equilibrium is reached. This equilibrium is attained by the intersection of the aggregate demand and supply--the point of the effective demand—which may be less than the full employment equilibrium. If expectations about the future of the economy are not favorable, capitalists invest less and employ less number of workers. Hence, the equilibrium is achieved where cyclical unemployment exists. This unemployment is due to the deficiency of the aggregate demand, particularly investment expenditures.

(4) The Real Business Cycle Theory:

It is argued in this theory (Chatterjee 1995 and 1999) that the growth of productivity of input which revolutionizes technology is the main source of employment and unemployment. If the growth of output increases more than the growth of inputs then total factor productivity or the residual, has increased. If total factor productivity is not growing, then firms and the economy become inefficient. It follows that reallocation of labor and capital cannot be achieved and labor and capital will be used in less profitable opportunities. There are various causes for the slowdown in total factor productivity. Technology is not improving in the production of goods and services and workers' skills are not being enhanced. New products are not invented and when the prices of imported materials are increasing. Once total factor productivity is stagnating, the co-movements in other important variables will slowdown. For example, consumption expenditures will not increase above the trend, nor will investment spending. GDP and total hours worked will not be above the trend either. When consumption, investment, GDP, and hours of work decline, the Solow's residual, which represents the growth in labor productivity and is measured by the difference between actual and predicted productivity growth (or shocks), will decline. That is, there is no improvement in technology and productivity under this condition. Therefore, unemployment will increase.

Technology stocks are brought about by scientific and engineering development, by R&D, management techniques, and by industrial organizations that make inputs more productive.

In Schumpeter's terminology innovations are being introduced and are very effective in making the economy grow. Innovations and favorable technological shocks also reduce inputs and increase total factor productivity. In short, if shocks to productivity brought about by technological shocks do not exist, the unemployment will rise.



Gali and Rabanal (2004) contend that demand and monetary shocks affect the variables of the business cycle, including employment, by about 75 percent, where the technological shocks affect those variables by about 25 percent. Gali (1999) finds that the positive shocks in technology generate a decline in hours of labor and negative co-movement between technology shocks and productivity. For him, non technology shocks generated positive co-movement between hours and productivity. His results were not consistent with the real business cycle theory.

2.1 Reasons / Causes of Unemployment:



The major causes which have been responsible for the wide spread unemployment can be spelt out as under:

1) Rapid Population Growth:

The most fundamental cause of large scale unemployment in India is the high rate of population growth since the early 1950s and the consequent increase in its labour force. It was estimated that with the 2.5 per cent annual rate of population growth, nearly 4 million persons are added to the labour force every year. To provide gainful employment to such a big number is really a difficult task. In the first place, the growth of population directly encouraged the unemployment by making large addition to labour force. It is because the rate of job expansion could never have been as high as population growth would have required.

It is true that the increasing labour force requires the creation of new job opportunities at an increasing rate. But in actual practice employment expansion has not been sufficient to match the growth of the labor force, and to reduce the back leg of unemployment. This leads to unemployment situation secondly; the rapid population growth indirectly affected the unemployment situation by reducing the resources for capital formation. Any rise in population, over a large absolute base as in India, implies a large absolute number.

It means large additional expenditure on their rearing up, maintenance, and education. As a consequence, more resources get used up in private consumption such as food, clothing, shelter and son on in public consumption like drinking water, electricity medical and educational facilities. This has reduced the opportunities of diverting a larger proportion of incomes to saving and investment. Thus, population growth has created obstacles in the way of first growth of the economy and retarded the growth of job opportunities.

2) Limited land:

Land is the gift of nature. It is always constant and cannot expand like population growth. Since, India population increasing rapidly, therefore, the land is not sufficient for the

growing population. As a result, there is heavy pressure on the land. In rural areas, most of the people depend directly on land for their livelihood. Land is very limited in comparison to population. It creates the unemployment situation for a large number of persons who depend on agriculture in rural areas.

3) Seasonal Agriculture:

In Rural Society agriculture is the only means of employment. However, most of the rural people are engaged directly as well as indirectly in agricultural operation. But, agriculture in India is basically a seasonal affair. It provides employment facilities to the rural people only in a particular season of the year. For example, during the sowing and harvesting period, people are fully employed and the period between the post harvest and before the next sowing they remain unemployed. It has adversely affected their standard of living.

4) Fragmentation of land:

In India, due to the heavy pressure on land of large population results the fragmentation of land. It creates a great obstacle in the part of agriculture. As land is fragmented and agricultural work is being hindered the people who depend on agriculture remain unemployed. This has an adverse effect on the employment situation. It also leads to the poverty of villagers.

5) Backward Method of Agriculture:

The method of agriculture in India is very backward. Till now, the rural farmers followed the old farming methods. As a result, the farmer cannot feed properly many people by the produce of his farm and he is unable to provide his children with proper education or to engage them in any profession. It leads to unemployment problem.

6) Decline of Cottage Industries:

In Rural India, village or cottage industries are the only means of employment particularly of the landless people. They depend directly on various cottage industries for their livelihood. But, now-a-days, these are adversely affected by the industrialization process. Actually, it is found that they cannot compete with modern factories in matter or

production. As a result of which the village industries suffer a serious loss and gradually closing down. Owing to this, the people who work in there remain unemployed and unable to maintain their livelihood.



7) Defective education:

The day-to-day education is very defective and is confirmed within the class room only. Its main aim is to acquire certificated only. The present educational system is not job oriented, it is degree oriented. It is defective on the ground that is more general then the vocational. Thus, the people who have getting general education are unable to do any work. They are to be called as good for nothing in the ground that they cannot have any job here, they can find the ways of self employment. It leads to unemployment as well as underemployment. According to Gunnar Myrdal, India's educational policy does not aim at development of human resources. It merely produces clerks and lower cadre executives for the government and private concerns. With the expansion in the number of institutions which impart this kind of education, increase in unemployment is inevitable. It is so because education in arts, commerce and science will not ensure employment on account of its limited utility for productive purposes. Myrdal considers all those who receive merely this kind of education not only as inadequately educated but also wrongly educated.⁸ Myrdal's criticism of India's educational system is valid. If the problem of unemployment is to be solved in this country, radical changes will have to be made in the educational system. Any educational system which fails to develop human resources properly will not be able to provide employment to all those who have received it and, accordingly, would need drastic changes.

8) Lack of transport and communication:

In India particularly in rural areas, there are no adequate facilities of transport and communication. Owing to this, the village people who are not engaged in agricultural work are remained unemployed. It is because they are unable to start any business for their livelihood and they are confined only within the limited boundary of the village. It is noted that the modern means of transport and communication are the only way to trade and

commerce. Since there is lack of transport and communication in rural areas, therefore, it leads to unemployment problem among the villagers.



9) Inadequate Employment Planning:

The employment planning of the government is not adequate in comparison to population growth. In India near about two lakh people are added yearly to our existing population. But the employment opportunities did not increase according to the proportionate rate of population growth. As a consequence, a great difference is visible between the job opportunities and population growth.

On the other hand it is a very difficult task on the part of the Government to provide adequate job facilities to all the people. Besides this, the government also does not take adequate step in this direction. The faulty employment planning of the Government expedites this problem to a great extent. As a result the problem of unemployment is increasing day by day.

10) A lack of information, networks and connections among youth, especially youth from families lacking significant social capital:

Many young people lack knowledge of what the world of work is actually like, and have not given careful thought to their own potential career choices. They have not used their time in school to prepare appropriately for realistic career paths. They lack informal networks and connections that are traditionally the major source of information about job opportunities. And they do not know how to navigate the labor market to identify and pursue available jobs or to find and use the most relevant training resources.

11) A lack of skills relevant to the workplace:

Even those young people who have pursued a course of study with a specific career in mind often find themselves with general or theoretical knowledge that does little to prepare them for the actual tasks they will encounter on the job. This is partly the fault of school curricula and poor connections between employers and the educational system. Young

people also lack specific “21st century workplace skills” such as cooperation, communication, critical thinking, creativity, and a focus on the needs of the enterprise.



12) Inappropriate technology:

In India, while capital is a scarce factor, labour is available in abundant quantity. Under these circumstances, if market forces operate freely and efficiently, the country would have labour-intensive techniques of production. However, not only in industries, but also in agriculture, producers are increasingly substituting capital for labour. In the western countries, where capital is in abundant supply, use of automatic machines and other sophisticated equipment is both rational and justified while in India, on account of abundance of labour, this policy results in large unemployment.

According to W.A. Lewis, in all those countries where unskilled labour is available in excess supply, great care is needed in exercising choice in respect of techniques because monetary wage fails to reflect the real cost of labour. When labour is in excess supply at prevailing monetary rates of return, capital would not be considered productive, if it does the same work which labour also does with an equal amount of efficiency. Lewis asserts that investment in such a situation in capital equipment may be profitable to individual capitalists, but it is certainly not beneficial to the society, because it increases unemployment and not production.

2.2 Consequences of Unemployment:

Unemployment brings with it despair, unhappiness and anguish. It forces people to live their lives in a way they do not wish to – The life expectancy is negatively affected. High rates of youth unemployment represent both widespread personal misfortune for individuals and a lost opportunity for critical national and global economic development. Unemployment in youth has been shown to have lifelong effects on income and employment stability, because affected young people start out with weaker early-career credentials, and show lower confidence and resilience in dealing with labor market opportunities and setbacks over the course of their working lives.



Unemployment affects not just the person himself but also his/her family and in the long term process. The main consequences are as follows:

1) Mental health:

Mental health problems like: Low self-confidence, feeling unworthy, depression and hopelessness. With the lost income and the frustration involved in it, the recently unemployed may develop negative attitudes toward common things in life and may feel that all sense of purpose is lost. Frequent emotions could be – low self-esteem, inadequateness and feeling dejected and hopeless.

2) Health Problems:

Due to poor financial condition and extra burden on the individual that results in poor health condition. In order to cure the family members he borrows money in a high rate of interest. Again, the unemployment overall tension can increase dramatically general health issues of individuals. Research has shown that unemployed people are more likely to have poor health habits, characterized by excess drinking, smoking, lack of exercise, and a sedentary lifestyle. The fear of unemployment has been linked to increased cholesterol levels. The psychological risks accompanying unemployment are not only manifested in increased stress, but also in the increased risk of suicide.

3) Tension at home:

Unemployment is the mother of all troubles in the society. Due to poor economic condition there is frequent quarreling between husband and wife and other family members. Quarrels and arguments at home front which may lead to tension and increased numbers of divorces etc. When the breadwinner of a family loses his /her job, the effects of unemployment adversely hit the entire family. Steady source of income is extremely important for fulfilling all the needs of a family. But when this steady income comes to a halt, financial security is lost due to which the family suffers emotional, psychological and social disturbance. Whatever is the cause of unemployment, for a person willing to work,

this phase is extremely disheartening and it directly or indirectly affects the happiness and prosperity of the family.



4) Political issues:

Due to poor political policy and apathetic administrative measures, the young people are remaining unemployed for a longer time which results in frustration and depression. Due to unemployment, many people join Naxalites movement and they unnecessarily target the state apparatus. It is also observed that reservation policy of the country has detested some of the highly educated youth. They claim that the faulty policy of administrator has caused brain drain among the Indian youth. They are leaving the country because they are getting suitable employment in the state. Loss of trust in administration and the government which may lead to political instability

5) Tension over hike in taxes:

Unemployment also brings up discontent and frustration amongst the taxpaying citizens. In order to meet the demands of the unemployment fund the government many a times may have to increase the taxes thus giving way to restlessness amongst the taxpaying citizens.

6) Insecurity among family members:

Unemployment has certainly created tension among family members. The unemployed persons ask for money and food from the employed persons. If the number of unemployed person more in number that overburden the employed persons and create a conflict situation in the family. The prevailing unemployment and the plight of the unemployed people and their families may create fear and insecurity even in the currently employed people.



7) Crime and violence:

Increase in the rate of crime. One-way to explore the significance of violence as opposed to (or alongside) group membership is to explore the relationship between labour market status and interpersonal (not formally group organized) violence – there is a particularly relevant literature on employment and domestic, gender-based partner violence. The frustrations of unemployment and/or irregular employment have been linked to one form of violence without being mediated through organizations, i.e. to intimate partner violence. Due to unemployment, a young man loses his mental strength and becomes violent and commits several crimes in the society.

8) Suicide cases:

The leading states where unemployment caused suicides were West Bengal (1396), Tamil Nadu (994), Maharashtra (834) and Gujarat (765) between 2009 and 2011. In west Bengal, suicides under this category rose from 462 to 508 in 2011. Suicide, long associated with the plight of the unemployed, was exacerbated by the Great Recession that put millions of people out of work in India and around the world. In India, most of the suicide is committed when young people find it difficult to kill their times sitting idle. The vested interest does all things to stall economic reforms to create more unemployment in the country. The present Government wants to bring in privatisation and foreign direct investment to solve to some extent the chronic unemployment problem faced by the country. But the opposition parties are doing exactly the opposite to prevent the Government from achieving its objective.

9) Standard of living:

In times of unemployment the competition for jobs and the negotiation power of the individual decreases and thus also the living standard of people with the salaries packages and income reduced. Three predominant themes have been offered to explain the link between unemployment and poor standard of living poverty; psychological effects; and health related behaviours and lifestyle factors. Poverty reduces people's capacity to buy

nutritious food, housing and health care. Unemployment can indirectly affect health because of reduced participation in society or from the stress of financial strain. There is less convincing evidence about the health impact of changes in life-style after losing work. 'It is generally agreed that health-related behaviour change, either as a confounding factor or as an intervening variable, does not account for the impact of unemployment on health.

10) Employment gaps:

Sometimes the employee does not suit to the expectation of the employer. He loses his job because his job is completely depend on the pleasure of his boss is which further complicate the situation the longer the individual is out of job the more difficult it becomes to find one. Employers find employment gasps as a negative aspect. No one wants to hire a person who has been out of work for some time even when there's no fault of the individual per say. The unemployed is not able to put his/her skills to use. And in a situation where it goes on for too long the person may have to lose some of his/her skills.

11) Unemployment financial costs:

Unemployment imposes significant costs on the individual, the society and the country. Prolonged unemployment can lead to an erosion of skills, basically robbing the economy of otherwise useful talents. At the same time, the experience of unemployment (either direct or indirect) can alter how workers plan for their futures - prolonged unemployment can lead to greater skepticism and pessimism about the value of education and training and lead to workers being less willing to invest in the long years of training .

In many countries the government has to pay the unemployed some benefits. The greater the number of the unemployed or the longer they are without work the more money the government has to shell out.

Therefore, the nation not only has to deal with the lost income and decreased production but also with additional cost.



12) Spending power:

High long-term unemployment has usually negative consequence for people's purchasing power. Employment levels and average salaries can have a tremendous effect on economy-wide purchasing power. Taken in aggregate, the more people who are employed, and the more money they earn the more discretionary funds they will have to spend throughout the economy. Employment factors affect total purchasing power rather than causing a relative shift. Employment does not necessarily cause a currency to become stronger. The spending power of an unemployed person and his/her family decreases drastically and they feel alienated from the mainstream.

2.3 Globalization and Unemployment:

Recently, the unemployment problem has been attributed to the globalization process. For example, shifting production and outsourcing to other countries have generated a high rate of structural unemployment in the U.S. economy, which has contributed for the increase in the rate of unemployment. Appreciated dollar during the 1980s made American exports expensive in the world market, which reduced the export level, causing unemployment to increase in the exporting industries. But an appreciated dollar increased the imports from foreign countries, which raised the American rate of unemployment. Currently, the opposite has happened. The dollar has been depreciating against the major currencies, which have made the American exports cheaper globally. Hence, exports have increased and imports have become very expensive, which have contributed for increasing the level of employment. Over the last two decades one can contend that generally the transportation cost has been declining (before the increases in oil prices) and wages and taxes had been increasing before the Great Recession of 2007. These factors provided incentives for corporations to outsource their production tasks to other producers located in foreign countries. It is also true that these forces pushed corporations to relocate to other countries where wages and taxes are low relative to the United States of America. It follows that many American workers lost their jobs due to these corporate decisions. For example, due to outsourcing and relocation of firms a large number of workers lost their jobs from the states of Michigan and Ohio. Large corporations have also tried to increase their



efficiencies in order to make more profits in the long run by reducing the cost of production. Thus, they have been involved in downsizing their operations. This process of downsizing is actually aiming at cutting employment of labor. Consequently, structural unemployment rose due to this process. Globalization has also played a significant role in the development process of important countries such as India, China, and Brazil, to mention a few. These countries can compete with the United States of America and will be able to control a larger share of the global market. This will affect the American exports and employment negatively. But the process of globalization raises national incomes in many countries, a prosperity that will increase imports from the United States of America. Globalization also creates a competitive environment, forcing many corporations to be innovative. Hence, productivity and

2.4 Remedies of Unemployment in India:

The following are the remedies of unemployment:

1) Encouragement of Cottage and Household Industries:

Cottage Industries support a large portion of the rural population of India acting as one of the major sources of its economy, and are responsible for having hugely preserved the cultural heritage of India.... Not only do they help this country in maintaining a distinct identity of its own but also provide it with a unique platform to display its specialty whenever a tough competition is faced in the international markets. That is the only time when the indigenous goods can fairly compete with the foreign goods due to the impression of Indian culture that makes them unique.

In the Indian context, cottage and household industries which are often associated with agriculture play a vital role in the development of economy. Hence they should be given due encouragement. Basket making, brick-making, toy-making, beedi rolling, agarbati making, carpentry and furniture making, leather works, carving, smithery, and such other works are to be encouraged to keep our people engaged with work that fetch economic rewards.



2) Adoption of Labour Intensive Techniques:

Labour intensive techniques are more employment generating. Underdeveloped countries face the scarcity of capital and abundance of manpower. The capital labour ratio in these countries is very low. So, labour intensive technique is indispensable if the problem of unemployment and disguised unemployment is to be resolved. The use of labour intensive techniques will confer the benefits of decentralization and avoid the evils of factory system. These techniques are invariably associated with small and cottage industries and hence they can be fruitful in the establishment of an economically decentralized society. The present democratic governments have desired to attain decentralization with social justice. Labour intensive technique will be a useful method to raise the present level of consumption. These techniques tend to raise the level of wages. These increased wages will automatically be spent on consumption. In a sense labour intensive technique will ensure a higher level of consumption of the working classes.

3) Rapid Industrialization:

Industrialisation is an important driver of employment growth and poverty reduction in developing countries. At the early stage of transition from an agrarian economy to a modern economy, the manufacturing sector in the typical developing economy has greater potential to absorb surplus labour compared to the services sector, which in the typical low-income country is dominated by informal services. While it is feasible to move unskilled workers from agriculture into better-paid jobs in manufacturing activities, it is not feasible to move them into the formal services sector. Formal services sectors such as banking, insurance, finance, communications, and information technology are characterized by relatively low employment elasticity and also employment in these sectors requires at least upper secondary school level education. Unskilled workers can find employment only in only in informal services such as retail trade and distribution, passenger transport and construction where wages and productivity are often low. By contrast, employment in manufacturing, particular in traditional labour-intensive industries such as clothing and footwear, require mostly on-the-job training. To solve the problem of

industrial unemployment, remedy lies in stepping up industrial efficiency. It means that the expansion of existing and the development of new industries are urgently required. Some basic industries like iron and steel industries, defense, chemical, power generation and atomic etc., should be set up.

4) Population Control:

In developing economies majority of the population is illiterate. The burden of school age population has already shown signs of becoming unbearable. The proportion of children in schools is increasing fast and, vast numbers are still not covered. The absolute number of an illiterate person increases every year. This is only an indication of the wastage of human resources for want of appropriate development opportunities. Better-educated manpower aspires for occupations of greater prestige, which are opened up by the new development efforts. Because of its capital-intensive nature, the ability, of the new economy for employment generation becomes restricted. Simultaneously, it renders many of the old occupations out of day and redundant. As a result, under-employment and unemployment, including unemployment of educated persons, increases. There is thus wastage of even developed human capital.

There is no second opinion to say that population in India is rising at a very high speed. Unless this problem is not checked, the problem of unemployment cannot be solved properly. Efforts should be made to raise the agricultural and industrial production. Therefore, special drive should be made to make the programme of family planning a good success especially in rural and backward regions of the country.

5) Re-orientation of Education System:

Many social scientists and researches remarked that the present education system will not cater to large population to provide skilled occupation due to faulty education system. There should be reorientation of education system. The parents should not force their children to aspire for a single occupation which will develop frustration and depression among the youth mass in the state. They should open their choices according to their interest. As regards the problem of educated unemployment in urban areas, India should reconstruct and

overhaul the education system according to the changing environment of the country. There must be vocationalisation of education. Proper education should be imparted to the younger men who will be in position to start certain cottage and small scale industries of their own choice especially at village level.



2.5 Global Economic Recession and its Impact on Unemployment Problem in India:

According to Rucha Kanolkar, after facing the brunt of the Great Depression of 1930, the world economy again started to experience the current recessionary trend in its economic activity since 2007 along with a serious degree of financial turmoil. The current recession has once again shown its ugly need with a slump in aggregate demand in most of the developed and developing countries of the world especially in industries related to motor vehicles, electronics, consumer durables, textiles, realty sector etc. The first sign of recession was experienced in USA in December 2007 and that has gradually deepened in US and other countries of the world under the present regime of globalisation.

Indian economy has also started to face the brunt of global recession in 2008-09. As a result, the growth rate attained by the industrial sector has come down from 11.2 per cent in 2006-07 to mere 3.0 per cent in 2008-09. The global recession has seriously affected some of our export oriented industries leading to huge lying off of workers. India's export oriented leather industry employing 2.5 million workers would be forced to lay off around 5.0 lakh workers with the worsening scenario in USA and Europe. Similar threat is apprehended in vehicle industry, diamond Jewellery industry, garments industry, readymade garments industry, handicrafts industry etc.

Impact of the economic recession was also felt in terms of job losses in different industries. Industry Department opined the impact of job losses to the extent of over 10.0 lakh in the handicraft sector, another 10.0 lakh in the textile sector in the years that followed. The Labour Bureau of the Ministry of Labour, and Employment conducted a survey on the economic slowdown on employment in India. A sample size of 2581 units taken from eight major sectors, covering 20 centers across 11 states were taken up for the survey. The



survey report reveals that the total employment in all these eight sectors had come down from 16.2 million in September 2008 to 15.7 million by December 2008 showing a total job losses of 5.0 lakh during this three month period.

However, the scenario of lay-offs would be much more serious in the coming months. According to the latest study made by Citigroup, the country does not appear to have remained unscathed from the massive lay-offs witnessed throughout the world and the extent of unemployment could rise further with the home coming of migrant workers or declining remittances from abroad. The report further stated that although there is a job loss of about 5.0 lakh during the three month period (Oct—Dec. 2008), with export oriented sectors such as genes and jewellery and textiles being most impacted but this statistics only covers the organised sectors which comprises just 10 per cent of the country's work force close to 385 million.

Although India's unemployment rate is officially stated at 8.2 per cent but the extent of disguised unemployment prevailing especially in rural areas can magnify the problem into serious proportion. However, employment opportunities in 2009-10 were affected by the global financial crisis and economic slowdown in India. While comprehensive employment data for the year are not available, some sample surveys conducted by the Labour Bureau, Ministry of Labour and Employment, indicated employment losses in the wake of global financial crisis and economic slowdown. The Government was concerned about the possible impact of financial crisis on the Indian economy, including employment and several measures, financial and fiscal, were taken. Sample survey of the Labour Bureau indicated job gains in the sectors covered.

Thus, even on the basis of this small sample, estimated employment in the selected sectors had experienced a net addition of 1.51 lakh during the last one year from October 2008 to September 2009. However, the situation has improved in India in recent years due to stimulus packages provided by the government and improvement in global scenario.



Characteristics of Employment Policy Followed in India:

Since the inception of planning, the Government of India has been pursuing its employment policy for eliminating the problems of unemployment. According to Kanolkar, the following are of its broad characteristics:

(i) Multi-Faceted:

As the unemployment problem in India is multi-dimensional, thus the policy followed by the government to tackle this problem is multi-faceted our which constitutes many-sided approach. Thus the employment policy followed in India constitutes many sub-policies to tackle various forms of unemployment including under employment.

(ii) Emphasis on Self-Employment:

The employment policy of India has given utmost importance on self-employment as a small proportion of our labour force is engaged through wage employment and the majority (56 per cent) of the workforce is self-employed. Thus, the employment policy makes provision for training of skills, supply of inputs, marketing of products, extending loan etc. so as to make them self-employed in various activities, like agriculture and allied activities, village and small industries, non-farm activities and also in informal sector.

(iii) Emphasis on Productive Employment and Asset Creation:

Employment policy of our country lays stress on creation of productive employment and also on creation of assets for the poor workers.

(iv) Employment Generation:

With the growth of various sectors, the employment policy gave due stress an employment generation at a targeted growth rate fixed under different plans through different employment generation programmes like NREP, RLEGP, JRY etc.

(v) Special Employment Programmes:

Employment policy of India has incorporated different special employment programmes both for rural and urban areas. These include IRDP, TRYSEM, DWCRA, JGSY, JRY, EAS, AGSY, etc. for rural areas and PMRY, SJSRU, NRY etc. for urban areas.



(vi) Employment for the Educated:

Employment policy has made provision for tackling the educated unemployment prevailing both in rural and urban areas through employment schemes related to processing, banking, trading, marketing etc.

(vii) Manpower Planning:

The employment policy has taken certain measures for ensuring proper development of human resources and also through right deployment. Stress is given on attaining balancing of demand and supply of skilled manpower.

3.1 Employment Generation Programmes launched by the Government: Achievements, Failure and Success:

The Third Five Year Plan, the Government of India launched certain special programmes for removing unemployment problem in the country. With that purpose, the Government of India set up Bhagawati Committee to suggest measures for solving growing unemployment problem in the country. The Bhagawati Committee submitted its report in 1973 and suggested various schemes like rural electrification, road building, rural housing and minor irrigation works. Accordingly, the Government undertook various programmes to generate employment opportunities and to alleviate under-employment prevailing in the country.

These programmes were as follows:

(a) Rural Works Programmes:

This programme was undertaken to generate employment opportunities for 2.5 million persons and also for the construction of civil works of a permanent nature. But this programme generated employment only to the extent of 4 lakh persons only. The principal objective of rural works programme is to improve the quality of life of the rural people through the utilization of local resources and local leadership and public participation and to train the local people in the field of planning and implementation of self help projects.



(b) Marginal Farmers and Agricultural Labourers Development Agencies (MFALDA):

Marginal Framers and Agricultural Laborers Development Agency (MAFALDA) was also established with SFDA to assist the marginal farmers and agricultural laborers in maximum productive use of their small holdings and skills by undertaking animal husbandry horticulture etc. During the Fourth Plan this scheme was introduced for marginal farmers and agricultural labourers for assisting them with subsidized credit support for agricultural and subsidiary occupations like horticulture, dairy, poultry, fishery etc.

(c) Small Farmers' Development Agencies (SFDA):

The economic philosophy which led up to the launching of the Small Farmers' Development Agency scheme in 1971 is simply that special preferential arrangements are necessary for the supply of inputs to small farmers because the markets for inputs (and particularly credit which is the precondition of access to all material inputs and equipment) are imperfect and non - neutral. They discriminate systematically against the small producers both in respect of the quantity of inputs (credit) supplied to them as well as the price at which (or more generally the terms on which) they are made available to them in comparison with larger farmers .This scheme was also introduced during the Fourth Plan with the object to provide small farmers credit so that they, could avail latest technology for intensive agriculture and also could diversify their activities.

(d) Half-a million Job Programme:

To tackle the problem of educated unemployment, a special programme—“*Half a million job programme*” was introduced. In 1973-74, provision of Rs 100 crore was made and different states and Union Territories were asked to formulate and implement this scheme for securing employment opportunities for definite number of persons.

(e) Job education for unemployed:

In 1972-73, another programme for educated unemployed and for highly qualified engineers, technologists and scientists were prepared. Under this scheme, a sum of Rs 9.81

crore was allotted to the states which created 45,000 job opportunities for the educated persons.

(f) Drought Area Programme:

This programme was introduced for the economic development of certain vulnerable areas by organising productive and labour-intensive programmes like medium and minor irrigation, soil conservation, afforestation and road construction. During 1970-72, the government spent Rs 30.80 crore, generating employment about 4.70 million man-days and in 1972-73 by spending Rs 38.51 crore about 40 million man-days of employment was generated.

(g) Crash programme for rural employment:

This scheme was introduced in 1971-72 for generating additional employment through the introduction of various productive and labour-intensive rural projects. The main objectives of these programmes were to provide employment to 100 persons on an average to each block over the working seasons of 10 months in every year and secondly to produce durable assets. But the various schemes introduced during the Fourth Plan could not succeed in solving the problem of rural unemployment and underemployment.

Employment Policy in the Fifth Plan:

The Fifth Plan document laid emphasis on the generation of employment in rural areas and aimed at absorbing the increments in the labour force during the plan period by stepping up rates of public investment.

(h) Food-For-Work-Scheme:

This scheme was introduced in April 1977 for benefitting the rural poor and more particularly the landless agricultural labourers. Under this scheme, a part of wages those workers engaged in rural works was paid in terms of food grains. The Central Government supplied these food grains to the State Government free of charge. In this way off-season employments were made available to rural unemployed.



Employment Policy in the Sixth Plan:

The Sixth Plan in its Employment Policy admits, “In the field of employment the picture has been far from satisfactory. The number of unemployed and under-employed has risen significantly over the last decade. In the above context therefore our employment policy should cover two major goals: Reducing underemployment by increasing the rate of growth of the gainfully employed and reducing unemployment on the basis of usual status commonly known as open unemployment”.

(i) National Rural Employment Programme:

In October, 1980, the NREP replaced the Food-for-work programme. In this programme State Governments received central assistance both in the form of food grains and cash for undertaking productive works in the rural areas. During the Sixth Plan, total expenditure incurred by both the Central and State Government were of the order of Rs 1,837 crore and total food grains utilization was 20.57 lakh tonnes. Total employment generation under this programme during the Sixth Plan was 1,775 million man-days. During the Sixth Plan, overall employment increased by 35.60 million standard person year (SPY) as against the target of 34.28 million SPY. During the Sixth Plan the growth rate of employment was 4.32 per cent per annum. During the Sixth Plan other programmes like IRDP and RLEGP were introduced.

Employment Policy in the Seventh Plan:

During the Seventh Plan, the magnitude of employment requirement was worked out at 47.58 million. Accordingly, the Seventh Plan document mentioned: “It is expected that additional employment of the order of 40.36 million standard person years would be generated during the Seventh Plan with an implied growth rate of 3.99 per cent per annum. The special employment programmes of NREP and RLEGP would generate 2.26 million standard person’s years of employment in 1989-90. The employment generation of IRDP has been estimated as 3 million standard person’s years mainly concentrated in agriculture and other sectors”. Thus the Seventh Plan decided to supplement the efforts of employment generation by direct employment programmes like IRDP, NREP, RLEGP and TRYSEM.



(j) Integrated Rural Development Programme (IRDP):

The Sixth Plan proposed to integrate multiplicity of agencies for providing rural employment like Employment Guarantee Scheme, SFDA, MFALDA, Drought Prone Area Programme, Command Area Development Programme etc. Accordingly, on 2nd October 1980, the Integrated Rural Development Programme was introduced. This programme was a multi-pronged attack on the problem of rural development and was designed as an anti-poverty programme. During the Sixth Plan this programme was initiated in all the 5,011 blocks of the country. To implement this scheme one District Rural Development Agency was established in every district.

During the Sixth Plan, a sum of Rs 1,661 crore was spent on this programme as against the provision of Rs 1,500 crore and the total number of beneficiaries covered during the plan period was 16.56 million as against the target of 15 million. The Seventh Plan set a target to assist 20 million households under IRDP and the total allocation under this programme was Rs 3,474 crore. During this plan about 18.2 million families were assisted and about Rs 3,316 crore was utilized.

(k) Rural Landless Employment Guarantee Programme (RLEGP):

The Rural Landless Employment Guarantee Programme was introduced on 15th August, 1983 with the sole object of generating gainful employment opportunities, to create productive assets in rural areas and for improving the overall quality of rural life. In this programme preference in employment is given to landless labourers, women scheduled caste and scheduled tribes. This programme is funded fully by the Central Government. During the Seventh Plan, Rs 1,744 crore was provided by the central sector to generate 1,013 million man-days of employment during the plan period. But during the first three years of the plan Rs 1,743 crore was utilised and generated employment to the extent of 858 million man-days only. Thus 85 per cent of the target was only realised.

(l) National Rural Employment Programme (NREP):

The NREP was launched in October, 1980, and became a regular Plan programme from April, 1981. The NREP will be continued in the seventh Plan as an important component

of the anti-poverty strategy. NREP will have to be viewed as an integral part of the total package which would imply that an effort would have to be made to direct and monitor the wage employment opportunities accruing through this Programme to members of the target group including those identified for assistance under the IRDP. The same principle would apply in the choice of projects which would, therefore, have to take account of labour intensity of projects, their capacity to provide reasonably long spells of employment during implementation, direction towards poor, long-term income and employment generation potential, capacity to create a base for productive asset endowment and capacity for filling gaps in vital infrastructure.

The Seventh Plan had earmarked a total outlay of Rs 2,487 crore for the National Rural Employment Programme out of which centre sanctioned Rs 1,251 crore. The Seventh Plan sets a target to generate employment to the extent of 1,445 million man-days. But during the first four years of the Seventh Plan nearly Rs 2,940 crore were spent under NREP generating 1,447.7 million man-days of employment which has fulfilled plan target.

(m) Jawahar Rozgar Yojana (JRY):

Jawahar Rozgar Yojana was launched on 28th April, 1989 by the Prime Minister Rajiv Gandhi. Under the programme, all the existing rural wage employment programmes like National Rural Employment Programme and Rural Employment Committee Programme were merged. The programme (JRY) aims at reaching each and every panchayats of the country. In this programme 80 per cent of resources would be funded by the centre and the rest 20 per cent by the States. In the year 1989-90, the centre made a provision of Rs 2,100 crore.

In this programme allocation of funds to the State is being made in proportion to the size of their population below the poverty line. In this programme, on an average a village panchayat with its population of 3,000 to 4,000 people will receive between Rs 80,000 to Rs 1 lakh every year. It was also decided to provide employment to at least one member in each poor family for at least 50 to 100 days in a year.

Besides this, the National Scheme of Training of Rural Youth for Self Employment



(TRYSEM) was also introduced in the country. This programme was meant for generating self-employment opportunities by imparting training to the rural youths in various trades and skills. Thus considering all these programmes introduced in the employment policy of the country under different plans, it can be concluded that these programmes could not make much headway in solving both the rural and urban unemployment in the country.

Employment Policy in the Eighth Plan:

Although various employment generation schemes were implemented till the completion of the Seventh Plan, the problem of unemployment faced by the country still remains grave. Total unemployment in the country totaled 23 million in the year 1992. In 1981-91, the country registered a 2.1 per cent growth rate in population while the growth rate of the labour force was 2.5 per cent per annum. In 1991, the total population of the country was estimated at 837 million of which the labour force constituted about 315 million. Thus the growth of the labour force has been higher than the population growth but the growth rate of employment, which remained only 2.2 per cent per annum during the period 1971-91, has remained lower than of labour force.

It has been estimated that the country will have 94 million unemployment by the year 2002. Thus in Order to wipe out the projected unemployment in the country completely by 2002, the country should achieve the required annual employment growth rate between 2.6 to 2.8 per cent. As unemployment is a major socio-economic problem it must be tackled on a priority basis. At the outset of the Eighth Five Year Plan (1992-97), employment was estimated to be about 301.7 million. The open unemployment was estimated at 17 million, of which the educated unemployment accounted for 7 million. Severe under-employment was estimated as 6 million. Thus, the backlog of unemployment for planning purposes was thus reckoned at 23 million in April 1992.

As the net additions to labour force during the Eighth Plan and during the period 1997-2002 were estimated at 35 million and 36 million respectively, in order to reduce unemployment to negligible levels by 2002, the employment should grow at the average annual rate of about 2.6 to 2.8 per cent over the ten year period 1992-2002. Considering the

present unemployment scenario, the Eighth Five Year Plan sought to achieve 2.6 per cent rate of growth of employment, corresponding to an average annual growth rate of GDP of 5.6 per cent envisaged in the plan. Thus the Eighth Plan emphasized the need for a high rate of economic growth, combined with a faster growth of sectors, sub-sectors and areas which have relatively high employment potential for enhancing the pace of employment generation.

The Eighth Plan document has also identified various problems as factor responsible for the lower growth of employment in the country. These include:

- i. Mismatch between skill requirement and employment opportunities;
- ii. Low technology, low productivity and low wage;
- iii. Occupational shifts from artisanal of unskilled employment in agriculture;
- iv. Declining employment in agriculture; and
- v. Under-employment due to seasonal factors and more labour supply than demand.

Endorsement of New Employment Schemes by National Development Council and its Subsequent Launching:

The 46th meeting of the National Development Council (NDC), held on 18th September, 1993, unanimously endorsed three employment generating schemes, covering the rural poor, educated unemployment and women. Accordingly in 1993-94, two new programmes were launched in order to give a fillip to employment generation. These two programme included: (i) Employment Assurance Scheme (EAS), and (ii) Prime Minister's Rozgar Yojana (PMRY) for the Educated and Unemployed youth.

(i) Employment Assurance Scheme (EAS):

The Employment Assurance scheme was introduced on 2nd October, 1993 to make provision for "assured employment" for the rural poor.



The highlights of the scheme are as follows:

(a) Aim:

The scheme (EAS) was implemented in the 3,175 backward blocks with an aim to provide 100 days of unskilled manual work to all those who were eligible in the age group of 18-60 years.

(b) Features:

The scheme will provide unskilled manual work to rural poor with statutorily fixed minimum wages linked to the quantum of work done. Its funding pattern is 80: 20 by the Centre and the States respectively. The scheme is targeted at the poor especially during the lean agricultural season in rural areas.

The works undertaken are run departmentally and no contractors are hired. Part of the wages may be paid in terms of food grains. The collector of the district is assigned to oversee the performance. Under this scheme, applicants will be given a “family card” listing the number of days of employment under different programmes.

The objective of the scheme (EAS) is to create economic infrastructure and community assets for sustained employment and development. Specific guidelines had been sent by the centre to various states so as to ensure that the provision of employment under the scheme resulted in the creation of durable assets in each block where the scheme had been launched. The implementing agencies were made responsible for the payment of minimum wages according to the standard of performance under the scheme. A part of the wages were paid in the form of food grains not exceeding 50 per cent of the wages in cost. However, the payment of wages in terms of food grains has been made optional, depending upon the price of food grains in the open market.

(c) Achievements:

During the first year since introduction, i.e., during 1993-94 more than 49.5 million man-days of employment has been generated and nearly 1.7 million have been registered under the newly launched Employment Assurance Scheme (EAS). The states where maximum



number of man day of employment generated include Andhra Pradesh followed by Madhya Pradesh, Orissa and West Bengal. During the first eight months of 1994-95 about 115 million man-days of employment was generated under the EAS scheme. Among these states, about 2.9 million man-days of employment had been generated in Andhra Pradesh while the figure touched about 2.3 million in Madhya Pradesh. In Orissa, nearly 1.5 million man-days of employment were generated and the figure was almost the same in the case of West Bengal. In 2003-04, total man-days of employment generated under EAS was around at 37.28 crore. At the end of 2003-2004, EAS had generated total employment to the extent of 302.25 crore man-days, since its inception in October 1993.

(ii) Mahila Samridhi Yojana (MSY):

The Mahila Samridhi Yojana was also launched on 2nd October, 1993 in order to benefit all rural adult women. This scheme entitles every adult women who opens an MSY account with Rs 300 to get an incentive of Rs 75 for a year. The MSY is aimed at empowering rural women with greater control over household resources and savings. It is now implemented through post offices. At the end of October 1995, a total of 1,25,423 accounts had been opened under the scheme.

(iii) Prime Minister's Rozgar Yojana (PMRY):

On 2nd October, 1993, the Government introduced another new employment oriented scheme—Prime Minister's Rozgar Yojana (PMRY) under the on-going Eighth Plan. The scheme is specially designed for educated unemployed youth which will provide employment to more than one million persons by setting up seven lakh micro enterprises during the Eighth Five Year Plan in industry, service and business. The scheme initially covered urban areas only during the 1993-94, subsequently covered both the urban and rural areas. The scheme but involved an expenditure of 540 crore to meet the capital subsidy, training and administrative cost during the remaining period of the Eighth Five Year Plan.

The scheme provided a loan, up to a ceiling of Rs 1 lakh in case of individuals. If two or more eligible persons enter into a partnership, projects with higher cost can be assisted

provided the share of each person in the project cost did not exceed Rs 1 lakh. An entrepreneur is required to contribute 5 per cent of the project cost as margin money in cash. Subsidy at the rate of 15 per cent of the project cost subject to a ceiling of Rs 7,500 per entrepreneur was provided by Central Government. All those who undertook Government sponsored technical course for a minimum duration of six months besides matriculate and ITI diploma holders were be eligible for the scheme. Under the PMRY, unemployed educated youth between the 18-25 years age group and of families with annual income up to Rs 24,000 along with certain educational and other criteria were eligible for such assistance.

In 2003-04, total micro enterprises developed under PMRY was 1.2 lakh and total employment generated was 1.8 lakh. At the end of 2003-2004 PMRY has developed micro enterprises to the extent of 17.2 lakh and generated employment to the extent of 24.82 lakh since its inception in October 1993. Under PMRY, the Government assisted 20 lakh youth for self-employment during the Tenth Plan.

(iv) Jawahar Rozgar Yojana (JRY):

Moreover, the achievement of Jawahar Rozgar Yojana JRY in respect of employment generation was 782 million man- days in 1992-93 and 1,026 million man-days in 1993-94. The 1994-95 budget provide for Rs 70.1 billion and set a target of employment generation at 980 million man-days, against which the achievement of JRY in 1994-95 was 952 million man-days. In 1998-99, the target of employment generation under JRY is fixed at 396.6 million man-days but during 1998-99, the achievement was 375.2 million man-days. Under JRY, about 50 per cent employment generation during 1998-99 came from SC/ST group.

(v) Nehru Rozgar Yojana (NRY):

Nehru Rozgar Yojana (NRY) contemplated by the Ministry of Urban Affairs was designed to create employment opportunities for urban poor. This programme was launched in October 1989 with the objective of providing employment opportunities to the unemployed and under employed urban poor. The Yojana is applicable to household living below the

poverty line in urban slums and within this broad category, SC/ST and women constitute a special target group.



Nehru Rozgar Yojana consists of three sub schemes:

- (a) Scheme of Urban Micro Enterprises (SUME),
- (b) Scheme of Urban Wage Employment (SUWE) and
- (c) Scheme of Housing and Shelter Upgradation (SHASU).

So far, 6.55 lakh beneficiaries have been assisted in setting up of micro enterprises under SUME. About 541.52 lakh man-days of work have been generated through the construction of economically and socially useful public assets under SUWE and SHASU till 1994-95. Under NRY, total number of families assisted was 2.37 lakh in 1992-93, 1.52 lakh in 1993-94, 1.25 lakh in 1994-95 and 0.6 lakh during 1997-98 as against the target of 1.2 lakh. Total man-days of employment generated under NRY was 140.5 lakh in 1992- 93, 123.7 lakh in 1993-94, 92.9 lakh in 1995-96 and 44.6 lakh during 1997-98 as against target of 135.8 lakh. In December, 1997, this programme was amalgamated with SJSRY.

(vi) Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP):

The Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) was launched in 1995-96 with a specific objective of effective achievement of social sector goals, community empowerment, employment generation and skill upgradation, shelter upgradation and environmental improvement with a multi-pronged and long-term strategy.

The Programme covered 5 million urban poor living in 345 class II Urban Agglomerations (towns) with a population of 50,000 to 1, 00,000 each. There was a provision for Rs 800 crore as central share for the entire programme period of 5 years. In 1995-96, Rs 100 crore was allocated for the programme. The programme benefitted about 150 lakh urban poor in 1996-97. As on October 1996, over 14,000 and 1, 00,000 beneficiaries had been identified

for self-employment and shelter upgradation respectively. In December 1997, this programme was amalgamated with SJSRY.



(vii) The Swarna Jayanti Shahari Rozgar Yojana (SJSRY)/National Urban Livelihoods Mission (NULM):

The Swarna Jayanti Shahari Rozgar Yojana (SJSRY) which subsumed the earlier three urban poverty programme viz., Nehru Rozgar Yojana (NRY), Urban Basic Services for the poor (UBSP) and Prime Minister's Integrated Urban Poverty Alleviation Programme (PMIUPEP) came into operation from December 1997. This programme sought to provide employment to the urban unemployed or underemployed poor living below poverty line and educated up to XI standard through encouraging the setting up of self-employment ventures or provision of wage employment.

The scheme gives special impetus to empower as well as uplift the poor women and launches a special programme, namely, Development of women and children in Urban Areas (DWCUA) under which groups of urban poor women setting up self-employment ventures are eligible for subsidy up to 50 per cent of the project cost. An allocation of Rs.181.0 crores was provided in 1999-2000 (BE). In 1998-99, the DWCUA scheme had assisted 0.01 lakh women related to their self-employment schemes. During 2001-02, Rs 168 crores was allocated against which Rs 45.50 crore was spent. In 2002-03, all allocation of Rs 105 crore was provided against which Rs 74.0 crore was spent.

Two special schemes of SJSRY include—the Urban Self-Employment Programme (USEP) and the Urban Wage Employment Programme (UWEP). SJSRY is funded on 75: 25 basis between Centre and States. During 1997-98, 1998-99 and 1999-2000, a sum of Rs 102.51 crore, Rs 162.28 crore and Rs 123.07 crore respectively were spent in the States and Union Territories under different components of SJSRY.

About the performance of SJSRY, total number of beneficiaries under USEP was 0.04 million in 1998-99 and 0.10 million in 2003-2004 and total number of persons trained under USEP was 0.05 million in 1998- 99 and 0.12 million in 2003-2004. Again, total



man-days of employment generated under UWEP was 6.60 million in 1998-99 and 10.14 million in 1999-2000 and 4.56 million in 2003-04. The number of urban poor assisted for setting up micro/group enterprises in 2005-06 was 0.9 lakh against a target of 0.80 lakh. The number of urban poor imparted skill training in 2005-06 was 1.42 lakh against a target of 1.0 lakh.

Budget allocation for the SJSRY scheme for 2011-12 is Rs 813.0 crore of which Rs 676.80 crore had been utilized till February 16, 2012. During 2009-10, as reported by States/UTs, a total of 28,613 urban poor have been assisted in setting up individual enterprises, 13,453 urban poor women have been assisted in setting up group enterprises and 27,463 urban poor women have been assisted through a revolving fund for thrift and credit activities and also 85,185 urban poor have been imparted skill training. A total of 3,63,794 beneficiaries have been assisted in the year 2011-12.

NULM:

SJSRY was replaced by the NULM in September 2013. It aims to provide gainful employment to urban employed and under employed. The NULM will focus on organizing urban poor in SHGs, creating opportunities for skill development leading to market based employment, and helping them to set up self-employment ventures by ensuring easy access to credit. The NULM aims at providing shelter with basic amenities to urban homeless. It also plans to address livelihood concerns of urban street vendors. During 2013-14, Rs 720.43 crore was released and the number of persons skill trained and assisted for self-employment was 6, 83,452 and 1, 06,250 respectively.

(viii) The Swarnajayanti Gram Swarozgar Yojana (SGSY) and NRLM:

SGSY was launched in April, 1999 and is the only self employment programme currently being implemented. It aims at promoting micro enterprises and to bring the assisted poor families (Swarozgaris) above the poverty line by organizing them into Self Help Groups (SHGs) through the process of social mobilization, training and capacity building and provision of income generating assets through a mix of Bank credit and Government

subsidy.



The scheme is being implemented on a cost-sharing ratio of 75: 25 between the Centre and the States. Since inception of the Scheme up to December, 2012 a total allocation of Rs 42,16,842 crore was made available by the Centre and the States which formed 42.05 lakh SHG's and assisted 168.46 lakh Swarojgaris. The SGRY restructured as National Rural Livelihood Mission (NRLM). The SGSY is restructured as National Rural Livelihood Mission (NRLM) and it has been renamed as Ajeevika and now being implemented in mission mode across the country since 2011.

The main features of Ajeevika are:

- (a) One women member from each identified rural poor household to be brought under the SHG network;
- (b) Ensuring 50 per cent of the beneficiaries from SC/STs, 15 per cent from minorities, and 3 per cent persons with disability while keeping in view the ultimate target of 100 per cent coverage of BPL families;
- (c) Training for capacity building and skill development;
- (d) Ensuring revolving fund and capital subsidy;
- (e) Financial inclusion;
- (f) Provision of interest subsidy;
- (g) Backward and forward linkages and
- (h) Promoting innovations.

The objective of NRLM is to ensure that each family, once it is in the SHG network for a period of 6- 8 years, it is able to achieve household food security and have 3-4 stabilized livelihoods through a strong convergence with panchayati raj institutions (PRIs).The mission has covered 97,391 villages and mobilized around 20 lakh SHGs, of which 3.8 lakh are new. During 2013-14, Rs 22,211.18 crore of SHG bank credit has been disbursed.

For 2014-15, Rs 3,560 crore has been allocated to NRLM.



(ix) Sampoorna Grameen Rozgar Yojana (SGRY):

The Sampoorna Grameen Rozgar Yojana (SGRY) was launched in September 2001. The schemes of Jawahar Gram Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS) have been fully integrated with SGRY. The objective of the scheme is to provide additional wage employment along with food security creation of durable community, social and economic assets and infrastructure development in the rural areas. The scheme envisages generation of 100 crore man-days of employment in a year. The cost of the programme is to be shared between the Centre and the State on a cost sharing ratio of 87.5 : 12.5 (including food grains component).

In 2005-06, 82.18 crore person-days of employment were generated with the centre releasing Rs 5497.43 crore as cash component and about 37.30 lakh tonnes of food grains to the states and UTs. Besides, under special component of SGRY with the states/ UTs meeting the cash components, centre released 15.64 lakh tonnes of food grains to the 11 calamity affected states. In 2007-08, up to December 31, 2007, the number of person days of employment generated under SGRY was 11.60 crore while the centre's contribution in terms of cash and food grain component up to December 31, 2007 were Rs 1,142.27 crore and 9.55 lakh tonnes.

(x) Mahatma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA):

The National Rural Employment Guarantee Act Scheme (NREGS) was formally launched on February 2, 2006 by Prime Minister Manmohan Singh at Bahdlapalle Gram Panchayat of Anantpur district of Andhra Pradesh marking an important milestone of the UPA Government's efforts to provide jobs to the rural poor. The Act passed in August 2005 was launched in 200 districts and has been expanded to 330 districts in the second phase and by next four years, i.e., by 2008-09 all the districts was covered under the Act.

This is for first time a job guarantee scheme has been introduced in the country. Under this

Act, one member of each of the country's 150 million rural households will have the legal guarantee to get at least 100 days of employment at minimum wages of Rs 65 for one person in each household irrespective of poverty levels. Thus this Act provides a social safety net for the vulnerable groups of people of our society and thereby makes an attempt to attain growth with equity.

The main features of this Act are:

- (a) NREGA is not just a scheme but an Act providing legal guarantee to work.
- (b) Any adult person in the notified are willing to do unskilled manual work, can apply for registration with Gram Panchayat. The Panchayat will then issue a job card to that person and the person will be entitled to apply for employment.
- (c) The registered persons will then have the legal right to demand employment.
- (d) The person will get the right to get employment within 15 days of their demand.
- (e) The person will get the right to receive unemployment allowance if the employment is not given within 15 days.
- (f) One third of the beneficiaries will be women.
- (g) Employment will be given within 5 km. of the applicant's residence, else additional wags will be paid.
- (h) Panchayati Raj Institutions ((PRIs) will have the principal role in planning, monitoring and implementation.
- (i) The beneficiary will get the right for statutory wages.
- (j) The beneficiary will get the right to worksite facilities like drinking water, sheds for children and first aid.

The Centre is bearing 80 per cent of the total cost of the programme and the State Government will have to play a crucial role. The wage component of the implementation of this Act will be borne by the centre and cost of materials and other components of the

work would be shared between the Centre and the State Governments. Thus this flagship programme of the government aims at enhancing livelihood security of households in rural areas by providing at least one hundred days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work with the stipulation of one-third participation of women.

The MGNREGA provides wage employment along with focusing on strengthening natural resource management through works that address causes of chronic poverty like drought, deforestation and soil erosion and thereby encourage sustainable development. The two-pronged objective of the Act are firstly to ensure food security through employment generation and secondly, creation of permanent assets.

However, the successful implementation of NREGA depends on two important factors, i.e:

- (i) The efficient and regular functioning of Panchayati Raj institutions and
- (ii) Proper use of the Right to Information Act.

However, the most striking feature of this Act, it is the first attempt of its kind at the national level to work out an employment guarantee programme with 80 per cent central funding and with its legal force which makes it quite different than that of other employment generation schemes introduced earlier in the country. The MGNREGA, being a demand driven scheme, has its definite focus on works relating to water conservation, drought proofing, land development, flood protection/control and rural connectivity in terms of all-weather roads. Of the Rs11,300 crore allocated for NREGA in 2006-07 (BE) Rs 6,714.98 crore was released up to January 31, 2007.

Till January 31, 2007, about 3.47 crore job cards have been issued and of the 1.50 crore households, who have demanded employment, 1.47 crore households have been provided employment under the scheme. Under this scheme, up to December, 2006 of the 53.56 crore person-days of employment generated, 21.13 crore were for women, and of about 5.81 lakh work taken up, 2.34 lakh were completed.



As against the employment demanded by 2.61 crore rural households, 2.57 households have been provided wage employment during 2007-08. A budget allocation of Rs 12,000 crore (including NER Component) was made for 2007-08 and Rs 10,501.02 crore has been released till 30.01.2008. The Government is now considering a proposal of raising the number of days of guaranteed jobs from 100 days to 200 days.

In 2007-08, the IT-enabled network of India Post has been successfully utilised for disbursement of wages to the beneficiaries of NREGA in 19 districts of Andhra Pradesh and in all 22 districts of Jharkhand. The scheme is also operative in Karnataka, Madhya Pradesh, and West Bengal. In 2008-09, the Government has stepped up the allocation for its flagship programme of rural employment scheme NREGA by over 65 per cent to Rs 26,500 crore. The additional amount of Rs 10,500 crore has been provided to meet the additional requirement of NREGA Scheme.

Under phase II, 130 additional districts were notified and brought under its ambit with effect from April 1, 2007. Under the programme, so far 293.46 lakh jobs have been provided to households. In 2008-09, the entire Sampoorna Grameen Rozgar Yojana (SGRY) was subsumed in NREGA Scheme. The coverage was extended to all the rural districts of the country in 2008-09. At present, 619 districts are covered under NREGA. During the year 2008-09, more than 4.51 crore households were provided employment under the scheme. As against the budgeted outlay of Rs 33,000 crore for the year 2013-14, an amount of Rs 25,894.03 crore has been released to the states/UTs till January, 2014.

The number of households covered under the scheme increased considerably from 3.39 crore in 2007-08 to 4.47 crore in 2008-09 and then to 4.78 crore in 2013-14 with an average wage employment of 46 person days. Out of the 219.72 crore person days of employment created under the scheme during 2013-14, 23 per cent and 17 per cent were created in favour of SC and ST population respectively and 53 per cent were in favour of women. Thus NREGA provides a social safety net for the vulnerable groups of people of our society and thereby makes an attempt to attain growth with equity.

The MGNEGA is thus playing an important role in improving the livelihood security as well as improving the resource base at the rural level. At national level with the average wage paid under the MGNEGA increasing from Rs 65 in 2006-07 to Rs 115 in 2011-12, the bargaining power of agricultural labourer has increased as even private sector wages have increased as shown in many studies. Improved economic outcomes, especially in watershed activities, and reductions in distress migration are its other achievements. Wages under MGNREGA are indexed to the consumer price index for agricultural labour (CPI-AL). Recently the government has taken some initiatives under MGNREGA to make it much more effective and transparent.

These are:

- i. The basket of permissible activities has been expanded to make it more meaningful.
- ii. Electronic fund management system (FMS) in all states has been initiated in a phased manner to reduce delay in payment of wages.
- iii. Additional employment over and above 100 days per household is notified in drought-affected talukas or blocks are now permissible.
- iv. Provision has been made for seeding in Aadhaar into the MGNREGA workers records in order to prevent leakage.
- v. Convergence of the MGNREGA with the total Sanitation Campaign (TSC) has been undertaken.

While commending the success of MGNREGA, Prime Minister Dr. Manmohan Singh recently observed that *“MGNREGA has brought momentum in the financial inclusion of our rural population. Besides direct financial benefit, the scheme has given many indirect benefit to the people and brought down the migration graph”*.

Nothing that more than four crore accounts have been opened in banks besides those in post offices, the Prime Minister observed that, “these bank accounts will assist the government in reaching the incentives of the Direct Benefit Transfer Scheme to the rural population. Moreover, the use of information technology in MGNREGA at many levels has helped making governance better and increase accountability and transparency in



government work. There are enough proofs that the scheme has helped to a great extent in getting the small and very small farmers a better produce by increasing land productivity and water conservation.”

Thus it can be observed that with better planning of project design, capacity building of panchayati raj institutions (PRTs), skill up-gradation for enhanced employability, and reduction of transaction costs, gaps in scheme implementation could be plugged to a greater extent and the assets so created could make a much larger contribution towards raising land productivity and improvement of living conditions of rural people in general.

Employment Policy in the Ninth Plan:

The Draft Approach Paper of the Ninth Plan gave due recognition to the problem of unemployment. With that purpose, the Approach Paper has incorporated one of its Objectives as “Giving priority to agriculture and rural development with a view to generate adequate productive employment and eradication of poverty.” The four dimensions of state policy as reflected in the strategy of the Ninth Plan has incorporated “*generation of productive employment*” as one of those dimensions. Accordingly the Ninth Plan has incorporated a primary objective to generate greater productive employment in the growth process of various sectors and by adopting labour intensive technologies in the unemployment prone areas. In order to enhance employment opportunities for the poor, the Ninth Plan has undertaken a National Employment Assistance Scheme, recognising the high incidence of under-employment and increasing casualization of labour.

The Approach Paper of Ninth Plan also mentioned that “Improvements in quality of employment can be achieved only in a situation of rapidly growing productivity to which the labour can lay a just claim. However, it is not merely enough to create the right kinds of employment opportunities, but also to provide the people with the human capital by which they can take advantage of these opportunities. Education and skill development are essential features of such empowerment. Free and compulsory education of children supported by an adequate midday meal programme in schools is the first step towards this end. In addition, special programmes will have to be implemented to develop skills,

enhance technological levels and marketing channels for people engaged in traditional occupations.”

“There is no simple or unique correlation in the short-run either in theory or in Indian experience between the rate of growth of output and the rate of growth of employment.”

Under the present context, the growth process should be restructured in such a way so that employment opportunities grow at an accelerated pace and the country become successful to achieve the goal of full employment in the early part of new millennium.

In this connection, the Planning Commission has suggested the following measures to be adopted during the Ninth Plan period:

- (a) Attainment of economic growth would be mostly from those sectors which have high employment potential.
- (b) High priority would be accorded to attain growth and lines of production with high employment intensity along with the maintenance of demand-supply balance.
- (c) Discouraging unnecessary and indiscriminate increase in capital intensity and encouraging the adoption of production techniques with higher employment potential per unit of capital.
- (d) Lastly, reorienting public sector investment towards those sectors having employment bias and influencing private investment decisions to adopt technologies with high employment potential.

Again the draft Ninth Five Year Plan (1997-2002) approved by the National Development Council (NDC) on 19th February, 1999 has given priority to reduce the extent of unemployment and it has set a target to generate 50 million jobs during the Ninth Plan period.

Employment Policy in the Tenth Plan:

The Approach Paper to the Mid-Term Appraisal of the Tenth Plan has reiterated that employment growth should exceed the growth of labour force to reduce the backlog of unemployment.



Employment strategies advocated in the Approach Paper include:

- i. Special emphasis to promote public investment in rural areas for absorbing unemployed labour force for asset creation.
- ii. Identification of reforms in the financial sector to achieve investment targets in the Small and Medium Enterprises (SME) sector.
- iii. Large scale employment creation in the construction sector, especially for the unskilled and semiskilled.
- iv. Necessary support to services sector to fulfill their true growth and employment potentials and greater focus on agro-processing and rural services.

Thus the employment strategy in the Tenth Plan needs, therefore, to focus on adequate employment growth and on the qualitative aspects of employment. In order to enable the poor to access the opportunities and to ensure consistency between the requirement and availability of skills, emphasis will need to be placed on required skill development. Thus the Tenth Plan document observed that the current backlog of unemployment at around nine per cent, equivalent to 35 million persons, is too high and every effort needs to be made to not only arrest the rising trend, but to actually reduce it during the Tenth Plan period itself.

On the whole, the Tenth Plan aimed at the creation of approximately 50 million employment opportunities during a period of 5 years, of which 30 million will be created from normal process of growth and rest 20 million will be created from special initiatives. The result of the 61st NSSO round show that above 47 million persons were provided employment during 2000 to 2005.

Employment Policy of the Eleventh Plan:

Generation of employment opportunities for the growing number of unemployed and new entrants to labour force is a great challenge. Doubling the growth of agricultural GDP to 4



per cent per annum will improve employment conditions in agriculture by raising real wages and reducing the number of underemployed in agricultural sectors.

The Approach Paper to the Eleventh Plan targets generation of additional employment opportunities in services and manufacturing, in particular, labour intensive manufacturing sectors such as food processing, leather product, footwear and textiles and in service sector such as tourism and construction. It also calls for elimination of distorting fiscal incentives which foster capital intensity, infrastructure investment, removal of distortions that hinder competition, prevent entry and discourage graduation from unorganised to organised status; and greater emphasis on vocational training and skill development to improve employability of youth.

As Village and Small Scale Enterprises (VSE) will have to provide most of the employment during the Eleventh Plan, the Approach Paper also calls for redressing the problems faced by VSE units and home based workers, especially women which include non availability of timely and adequate credit, unrealizable or absence of power supply, requirement of permission from a number of government agencies and burden of multiple inspections. However, some direct employment will be available in the social sector, i.e., on health and education. Besides the wage employment programme like NREGS will also improve employment scenario considerably.

In this connection the Economic Survey, 2007-08 observed “the Eleventh Plan envisages rapid growth in employment opportunities while ensuring improvement in quality of employment. It recognizes the need to increase the share of regular employees in total employment and a corresponding reduction in casual employment. The employment Generation strategy of the Eleventh Plan is also predicted on the reduction of under employment and movement of surplus labour in agricultural sector to higher wage and more gainful employment in the non-agricultural sector. Agriculture sector is projected to generate no increase in employment during the Eleventh Plan period. Employment in manufacturing is expected to grow at 4 per cent while construction and transport and communication are expected to grow at 8.2 per cent and 7.6 per cent respectively. The



projected increase in total labour force during the Eleventh Plan in 45 million. As against this, 58 million employment opportunities would be created in the Eleventh Plan. This would be greater than the projected increase in the labour force leading to a reduction in the unemployment rate to below 5 per cent.”

But if we take into account the increasing participation of women, the total projected increase in labour force during the Eleventh Plan will be nearly 65 million. If we add the present backlog of unemployment of 35 million at the end of Tenth Plan then the total job requirements during the Eleventh Plan would be around 100 million. But as 58 million employment opportunities will be created in the Eleventh Plan this would leave nearly 42 million workers to be absorbed in the non-agricultural unorganised sector, which is, no doubt, a difficult proposition.

If we consider the performance of the last decade with a negative employment growth in the organised sector, then the Eleventh Plan is too ambitious by expecting generation of 15 million jobs from the organised sector and in total generating 58 million employment opportunities during the Plan. Thus the estimates made by the planners are found highly unrealistic and over-optimistic considering the ground realities.

Critical Evaluation:

It is important to make critical evaluation of the employment policy followed in India both in terms of achievements and failures. Undoubtedly some increase in employment has taken place in all the sectors of the country since 1951, more specially in recent times. The average growth rate of employment per annum from 2.7 per cent during 1983-94 to 1.0 per cent during 1994-2000. During 1998-99 and 1999-2000, the overall growth rate of employment in the organised public and private sector remained negative. Moreover a significant portion of the employment generated has been able to benefit the poor and weaker sections of the population and helped a number of them to reach above the poverty line. However, improvement that has taken place on the employment front can be considered inadequate for the growing number of unemployed. The large number of people still lying below the poverty line is a pointer to such inadequacy. Even then it is quite

important to point out some of the positive and negative aspects of the policy of employment followed by the government.

Positive Aspects of the Policy:

Since the inception of planning, the broad perception of employment generation followed in our country has been found largely correct. The following four components of the employment policy usually favoured employment generation on a major scale. Firstly, since the second plan, our policy has been approaching to the long term perspective of full employment at higher incomes.

Development of modern industries along with capital goods industries including infrastructure would strengthen the economy and help reach high income employment at a later stage. Secondly, provision has been made for the promotion of labour intensive small scale and cottage industries. Thirdly, considering the inadequate employment growth achieved through industrial activities, the policy devised special employment programmes for generating jobs work to rural and vulnerable sections of population. Fourthly, employment policy pursued in the country helped to attain self-employment of a faster rate than wage employment.

Weaknesses of the Policy:

However, the employment policy followed India is not free from faults. The faults are mostly related to its unsatisfactory implementation and inadequate employment orientation as discussed in the following manner. Firstly, unsatisfactory implementation of the policy has been mostly related to long term slow growth of the economy, widespread industrial sickness and retrogression in growth in industrial sector since mid- sixties.

Moreover, it was also related to slow and poor execution of special employment programmes. Secondly, the faults in the employment policy are mostly related to inadequate attention to full employment except in the Ninth and Tenth Plan, where measures like too much emphasis on capital intensive investment and lesser emphasis on labour intensive investment, inadequate steps to absorb labour surpluses and inadequate

arrangement for manpower planning educated and skilled personnel were taken.



Employment Policy of the Twelveth Plan:

Narendra Modi government brought holistic and multi-dimensional policies such as 'Skill India', 'Mudra Bank', 'Start-Up India' and 'Stand-up India' in last two years and has been working towards eradication of unemployment," Shah was addressing a convention here of Pramod Mahajan Skill and Entrepreneurship Mission, a state government initiative on the lines of the Centre's 'Skill India'.

"Today, majority of people are dependent on agriculture. However, the farming sector is not profitable and that is why to lessen the dependency on farming, the Skill India, Stand up India, Start up India schemes were launched." All these schemes are directly related to the 'Make in India' initiative, which is being instrumental in eradicating unemployment," Before the present NDA rule the country was trapped in uncertainty for 30 years, and after all these years, the Modi government, which got complete mandate, is working towards resurrection of the nation." To fight the issues in any nation, political will and determination play a major role

India is rapidly becoming world's biggest economy and even leaving behind China ."This is happening because, Modiji starts thinking where others stop,"

"In 2015, coal, electricity, automobile, export of software, urea production increased in leaps and bound," he said.

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