

A Comprehensive Study on Possible Causes of Employment Generation: India on the edge of unprecedented employment crisis

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ABSTRACT- India has recorded high levels of unemployment and low labor force participation rates in recent years even earlier than the onset of the COVID-19 pandemic and the lockdown. How does an episode of unemployment or loss of earnings affect family consumption expenditure is an important query for designing powerful protection nets. We use data on household-precise episodes of job loss and decline in income, from an in advance year (March-April 2019) to estimate the family response to employment shocks. We apply diff-in-diff and quantile regressions to a high-frequency panel records from a nationally representative survey of 1,75,000 households to estimate the impact of a job loss (and trade in income) on family intake expenditure—for urban and rural families, and households across one of a kind expenditure level. We find that loss of employment of an earning member leads to a massive instant decline in household consumption expenditure. The decline is much larger for urban households and families in the lowest and the maximum deciles of month-to-month according to capita consumption expenditure. long lasting expenses go down the most. Expenditure on health and education additionally is going down drastically and there is evidence of changes in discretionary expenses too, especially for city households. For households with only one earning member, borrowing does no longer growth after the job loss, suggesting credit constraints. government cash transfers assist rural families, as the beneficiaries show a smaller discount in consumption expenditure after the shock. Our findings highlight the high vulnerability of urban families to financial shocks and can inform the design and focused on of income support and other safety-net programs in India and different developing nations.

Key Words: employment shock, consumption smoothing, permanent income hypothesis, direct cash transfers, credit constraints, consumer spending.

INTRODUCTION: Since the beginning of planning in India, the youth have been recognised as "the most vital section of the community". (India, Planning Commission, 1952. p. 615). Among the problems faced by the youth, particular reference has been made to unemployment (besides inadequate educational facilities and lack of opportunities for social development, national service and leadership). Quite appropriately, the problem of youth unemployment has been recognised as an aspect of the national unemployment problem. However, the varied youth welfare activities, including the promotion of sports, have been designed and developed in a setting in which the much higher relative incidence of youth unemployment has not received adequate attention.

In 1985, the international year of the youth, the Department of Youth Affairs and Sports, Ministry of Human Resource Development, Government of India, initiated a proposal to formulate a National Youth Policy. The National Youth Policy, was tabled in the two houses of Parliament in late 1988. It has recognised that "the most important component of the youth programme" has to be the "removal of unemployment, both rural and urban, educated and non-educated". However, not much specific action has been initiated to implement the objective of removing or even alleviating unemployment among the youth, incorporated in the National Youth Policy of 1988. More recently, the "National Agenda for Governance", prepared by government, has proposed to harness the Youth Power ("Yuva Shakti"). The Agenda envisages "all necessary steps to mobilise" this "most idealistic, inspired and energetic section of our society in the mission of nation-building". For this purpose, the alliance partners propose to build a "national consensus for the creation of a National Reconstruction Corps aimed at environmental protection, ecological tasks, reclamation of waste land, including afforestation, and for spreading literacy".

OBJECTIVE OF STUDY:

The goal of the study on employment in various sectors of the economic system or post-covid situation of employment, India had been experiencing slower economic growth and rising unemployment – problems that were dramatically worsened by the pandemic and the ensuing lockdown. The number of workers vulnerable to the lockdown could reach 364 million or more, including those in casual work, self-employment and unprotected regular jobs (lacking social protection coverage). These workers could face cuts in working hours, layoffs, furloughs and reductions in incomes, and for some, this could continue beyond the lockdown. Building on the stimulus packages and other policy responses, economic recovery will require a strategy that restores jobs and supports incomes of both enterprises and workers – re-establishing supply lines

and building back demand, while protecting the health, rights and incomes of workers and their families, especially for migrant workers and those in the informal economy.

Current Employment and Unemployment Situation :

Current Employment and Unemployment Situation As noted earlier any vision of the future has to be rooted in the current reality and policies and processes have to be identified to bridge the gap between the current reality and the future vision. It is , therefore, essential to have an understanding of the broad employment picture as it exists today, which would also indicate the directions for improvement in future. Some aspects of the current employment scenario are listed below –

1. 7.32 % of the labour force, in the year 1999-2000, was unemployed. In absolute terms the number of unemployed stood at 26.58 million.
2. Since the above estimates are on Current Daily Status basis, the number of unemployed also includes the number of those who are underemployed in terms of underutilization of the labour time. But it excludes such underemployed who are working at very low levels of income and productivity.
3. Among the employed, the proportion of poor is as high as in the population at large, suggesting a large proportion of workers engaged in subsistence employment.
4. Only about 8 % of the total employment is in organized sector. More than 90 % are engaged in informal sector activities, which is, largely outside the reach of any social security benefits and also suffers from many handicaps in form of limited access to institutional facilities and other support facilities.
5. The educational and skill profile of the existing workforce is very poor.

Prior to the COVID-19 crisis, the Indian economy had entered a period of slower growth (Table 1). According to the IMF, over the period 2015-2019 growth fell from 8.0 to 4.0 per cent.² By 2018, the unemployment rate exceeded 6 per cent, while from 2012 to 2018, the youth unemployment rate more than doubled from 10 to 23 per cent. India faces longer-term labour market challenge, including slow and uncertain structural transformation. In 2017-8, 85 per cent of workers were in the informal sector and a further 5 per cent were employed in the formal sector but under informal conditions in that they lacked social protection or other employment-related benefits. There are also many gender disparities: women are less likely than men to participate in the labour force and young women have a higher unemployment rate than young men.

► Table 1. Slowing trend in economic growth, 2015-2020

Real GDP growth annual change %	2015	2016	2017	2018	2019	2020
IMF	8.0	8.3	7.0	6.1	4.2	1.9*
Ministry of Statistics and Programme Implementation	7.4	8.0	8.3*	7.0#	6.1@	5.0+

IMF: * - April 2020 estimate; MOSPI: * - Third Revised Estimates; # - Second Revised Estimates; @ - First Revised Estimates; + - Second Advanced Estimates

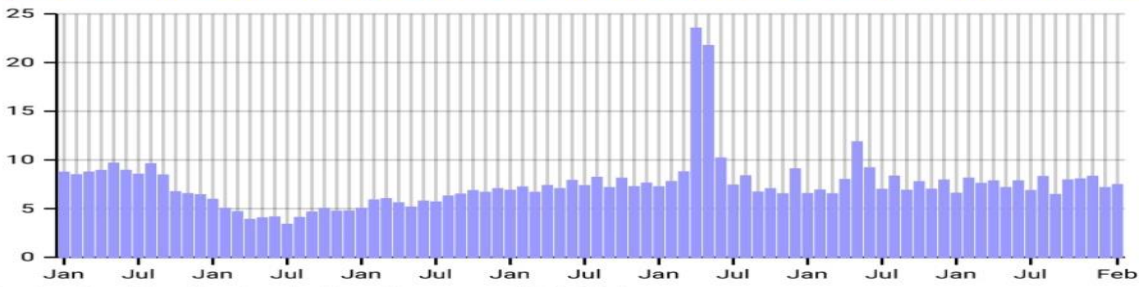


Unemployment Rate (%)

States (India)	Feb 2023
Andhra Pradesh	6.6
Assam	8.6
Bihar	12.3
Chhattisgarh	0.8
Delhi	8.6
Goa	11.1
Gujarat	2.5
Haryana	29.4
Himachal Pradesh	13.9
Jammu & Kashmir	17.1
Jharkhand	16.8
Karnataka	2.5
Kerala	5.6
Madhya Pradesh	2.0
Maharashtra	5.6
Meghalaya	4.1
Odisha	2.1
Puducherry	2.2
Punjab	8.2
Rajasthan	28.3
Sikkim	21.0
Tamil Nadu	3.0
Telangana	5.8
Tripura	11.7
Uttar Pradesh	4.0
Uttarakhand	2.3
West Bengal	4.4

Monthly time series

CMIE Series of Unemployment: unemployment rate (UER) (>=15) in Ind



Centre for Monitoring Indian Economy Pvt. Ltd.

Month	Unemployment Rate (%)		
	India	Urban	Rural
Feb 2023	7.45	7.93	7.23
Jan 2023	7.14	8.55	6.48
Dec 2022	8.30	10.09	7.44
Nov 2022	8.03	8.92	7.61
Oct 2022	7.92	7.34	8.19
Sep 2022	6.43	7.71	5.83
Aug 2022	8.28	9.57	7.68
Jul 2022	6.83	8.22	6.17
Jun 2022	7.83	7.32	8.07
May 2022	7.14	8.24	6.63
Apr 2022	7.83	9.22	7.18
Mar 2022	7.57	8.28	7.24

Sectoral impacts :The lockdown placed immediate restriction on economic activity, stifling both supply and demand.

Wholesale and retail trade – Restrictions on movement have had a direct impact on trade, and especially on retail trade the majority of whose workers are self-employed and make up 15 per cent of India’s self-employed. There will also be second-round effects from a slowdown in formal higherend activities in this sector that employ regular but unprotected workers.

Manufacturing – Manufacturing employs 22 per cent of regular but unprotected workers. Over recent years, Indian manufacturing had already experienced a slowdown due to a decline in both domestic demand and exports, along with the effects of the credit crunch. Between 2018-19 and 2019-20 the rate of growth of manufacturing gross value-added fell from 6.9 to 2.0 per cent.⁹ On top of this trend, COVID-19 hit Indian manufacturing hard. A UNIDO survey of 85 enterprises in April 2020, for example, showed that many had stopped production. These activities included manufacture of automotive components, bicycles, paper, textiles, and ceramics, as well as foundries, tea factories and rice milling. Businesses reported cash constraints, degradation of machinery and raw materials, and a reduced labour force as migrant workers returned to their regions of origin. Some, however, had innovated, such as a bicycle manufacturer who switched to producing ventilators.

► **Table 2. Employment by sector, 2017-18**

Sector	Share in total employment (%)	Share of women workers (%)
Accommodation and food service activities	2	17
Manufacturing	12	22
Wholesale and retail trade; repair of motor vehicles and motorcycles	10	11
Real estate; business and administrative activities	2	11
Construction	12	8
Arts, entertainment and recreation, and other services	3	33
Transport; storage and communication	6	4
Mining and quarrying	0	10
Financial and insurance activities	1	17
Agriculture; forestry and fishing	43	28
Human health and social work activities	1	49
Education	4	46
Utilities	1	7
Public administration and defence; compulsory social security	2	15

Source: Periodic Labour Force Survey 2017-18, extracted from ILOSTAT.

Construction – Construction employs 12 per cent of all workers and nearly 40 per cent of the casual labour force. In this sector, the impact was direct and immediate as construction largely ceased.

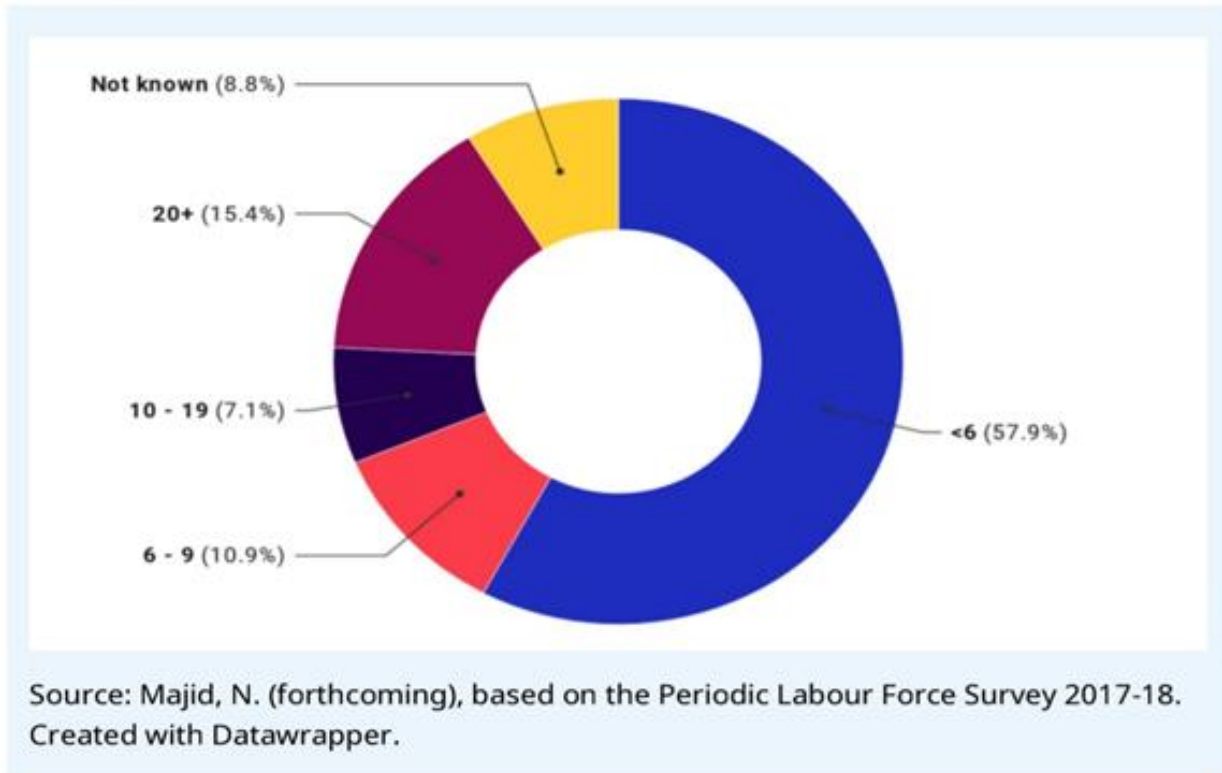
Agriculture – Agriculture relies heavily on casual labour and self-employment. Although not affected directly by the containment measures, the sector could become the refuge employer during the economic slowdown.¹¹ In some parts of the country, a large number of casually employed urban workers, particularly in construction, have returned to their villages. This will reduce remittances, while adding to the burden on rural areas in terms of both employment and food security.

Transport – Transport employs many regular but unprotected workers. During the crisis, workers have lost their jobs as long-distance movements of people and goods across state and district boundaries have been curtailed. However, some urban businesses still operate because of increased use of home delivery systems.

Domestic workers – In 2017-18, there were an estimated 4.9 million domestic workers, classified as regular but unprotected. Around two-thirds were women. These workers are vulnerable to second-round effects when households facing losses can no longer employ them. The most vulnerable are those who do not live on the premises.

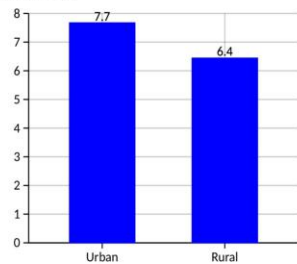
Smaller enterprises are highly vulnerable - The Indian economy is dominated by small and mostly informal businesses. Around 69 per cent of all businesses employ fewer than 10 people (totalling 325 million) while 58 per cent are micro-enterprises employing fewer than si

► **Figure 1. Employment by enterprise size, 2017-28**



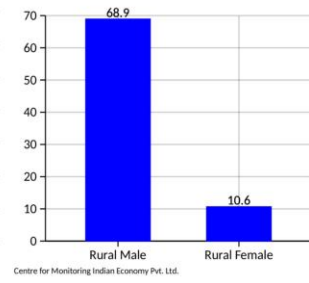
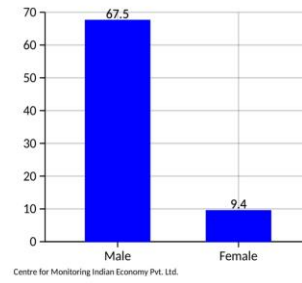
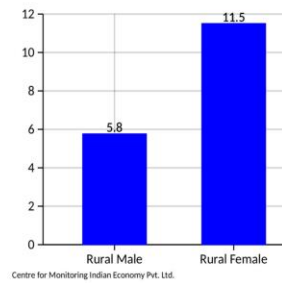
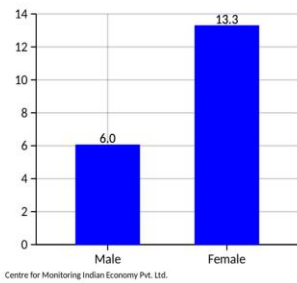
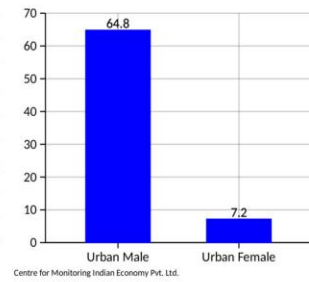
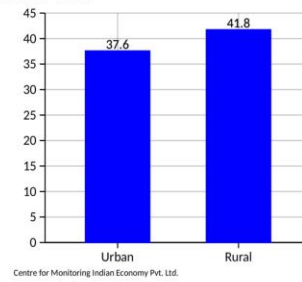
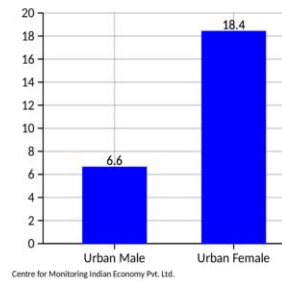
Unemployment Rate (UER)(%)

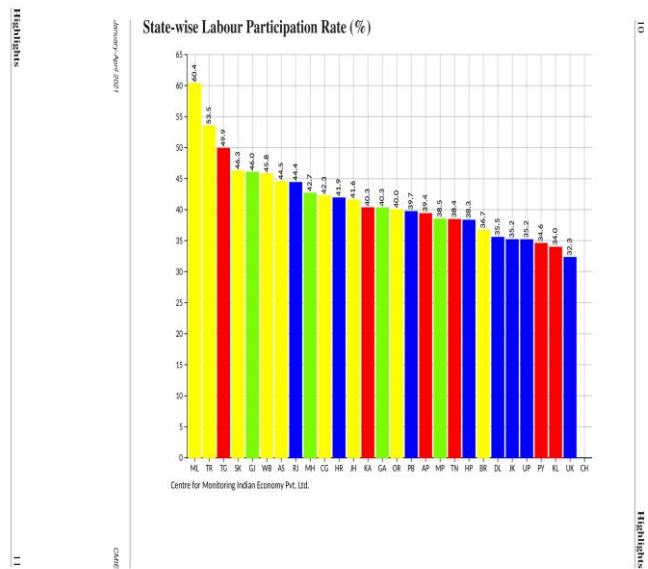
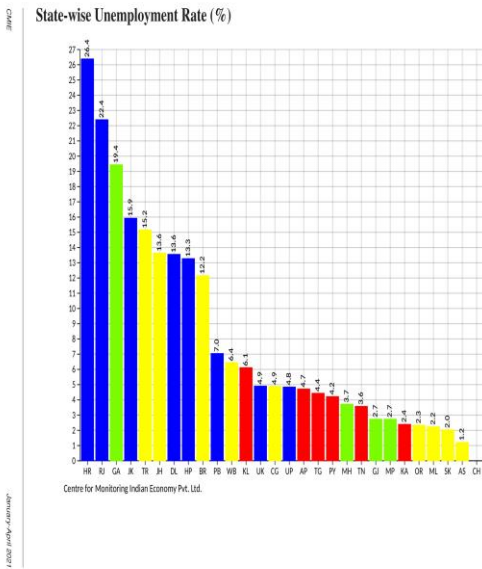
India: 6.83



Labour Participation Rate (LPR)(%)

India: 40.34

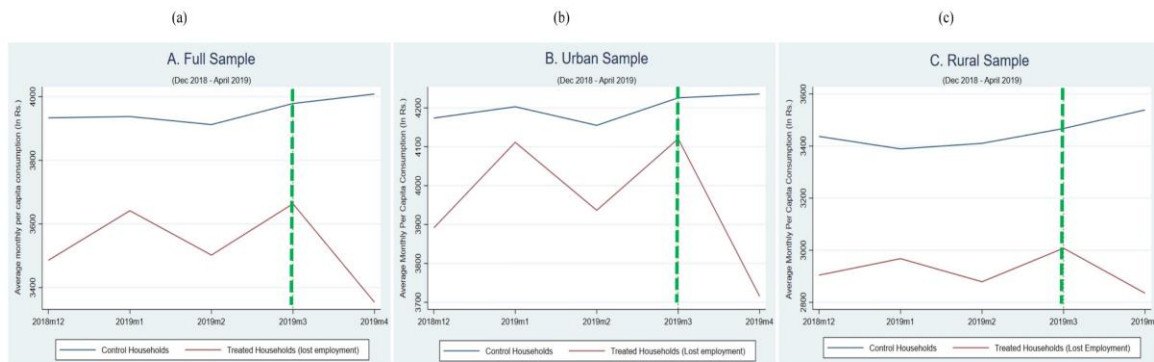




Econometric strategy

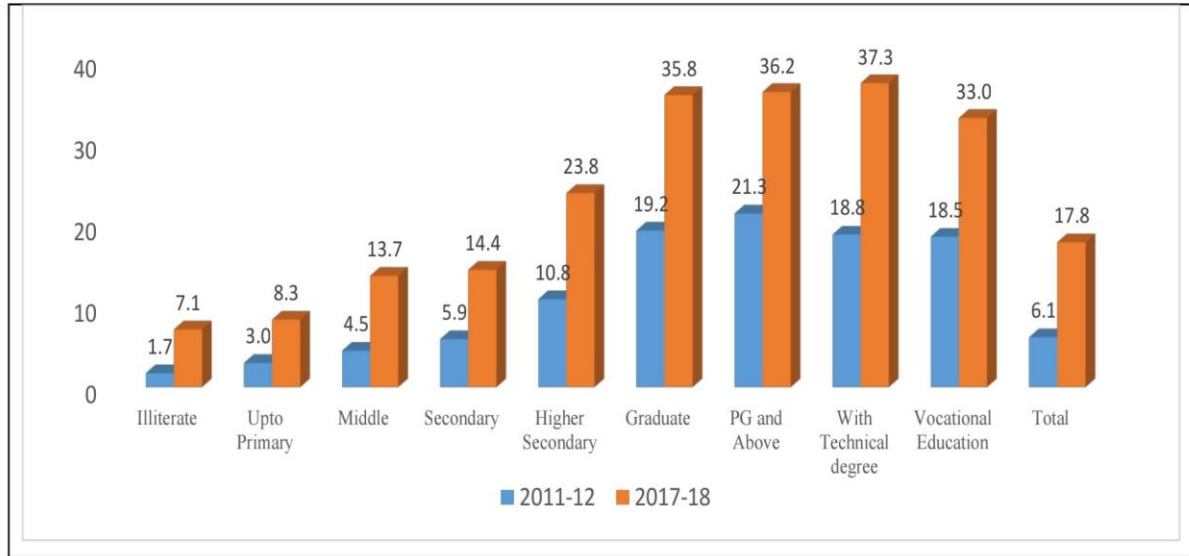
Difference in Difference (DID) method used to measure the immediate effect of a job loss on the family’s monthly consumption expenditure. We compare the total household expenditure in March 2019 (pre-treatment) with expenditure in April 2019 (post-treatment) for households that reported a reduction in the number of earning members in April (treated) with other households (control). We compare expenditure right before and after the job loss, to minimize confounding effects from other sources of variation in consumption across the two groups of households.

Figure 1: Parallel Trends in Average Monthly Per Capita Consumption (In Rs.) across treated and control households (Dec 2018-April 2019)



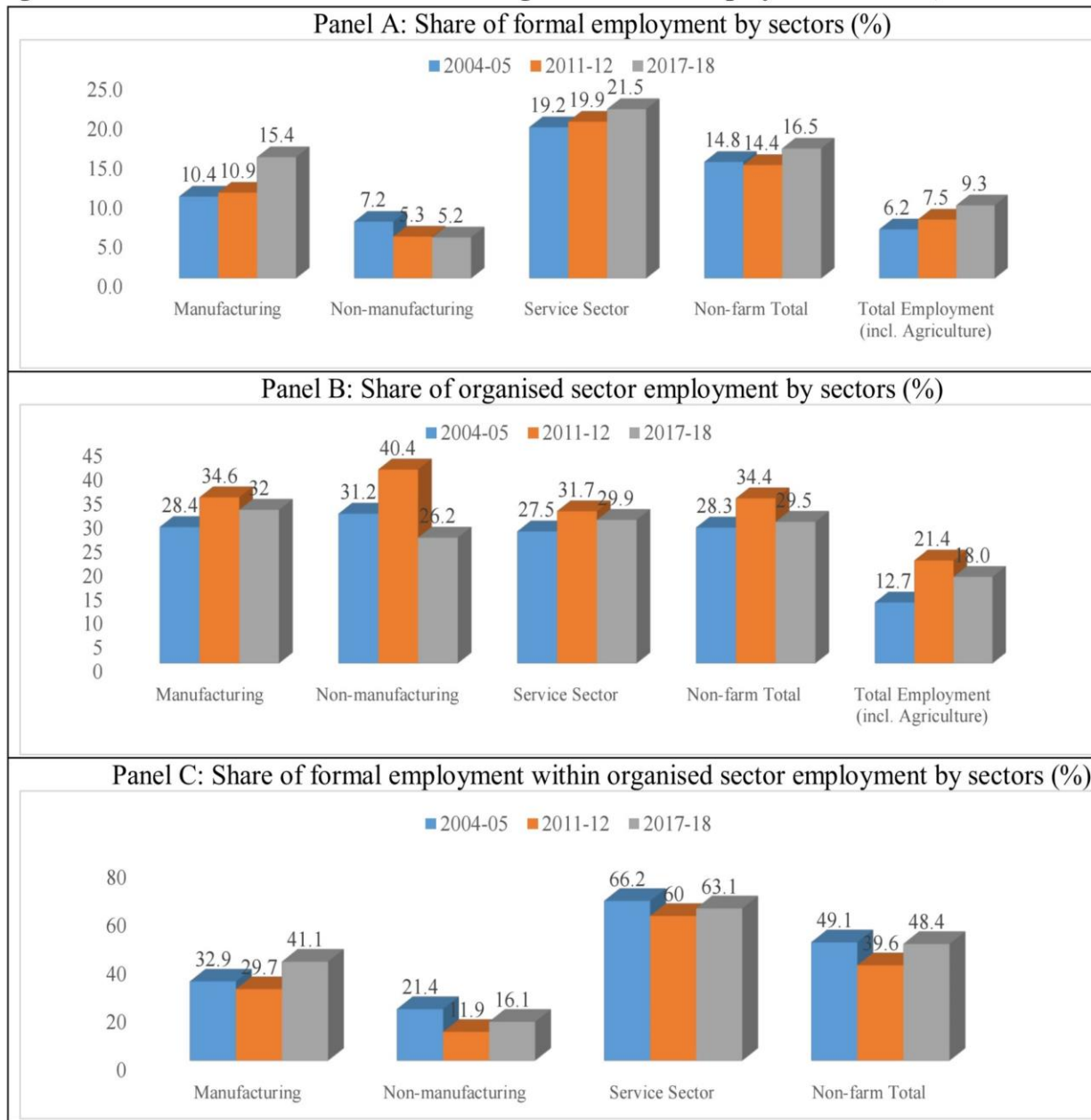
Note: The graphs above depict the trends in average monthly consumption expenditure per capita from December 2018 – April 2019 for households that experienced an employment shock in April 2019 (red line) and households that did not (blue line). The green dotted line marks the month of March 2019 when the shock occurred. The y-axis records the average monthly household expenditure in Rs. and the x-axis plots the months where 2019m1 refers to the first month of 2019, i.e. January 2019. Figure (a) represents the full sample, figure (b) represents the urban sub-sample and figure (c) represents the rural sample. (Colour print required)

Youth unemployment rates by level of education in India :



Sector-wise trends of formal and organized sector employment:

The increase in regular salaried workers and decline in casual employment are always desirable; because it is likely to increase the share of formal employment within the non-farm sector. This result is clearly visible (Figure 4: Panel A) in a rising share of formal employment in manufacturing (it increased from about 11to 15.5 percent during 2011-12 to 2017-18) and services (it increased from about 20 to 21.5 percent during 2011-12 to 2017-18). Although the share of overall formal employment in non-farm sectors increased marginally by 2 percentage points (Figure 4: Panel A), and share of formal employment within organized sector increased (Figure 4: Panel C), the share of informal sector still holds the major share of employment (90.7 percent overall and 83.5 percent in non-farm sectors) in India. This result suggests that a substantial change on the ground is yet to happen to reduce the volume of informality in India. We argue this could not be achieved without a structured industrial policy.



Types of unemployment crisis in India:

Disguised Unemployment: when organizations hire employees more than they need.

Structural Unemployment: when employees’ skillset mismatch with their job roles due to the unavailability of jobs in the market.

Seasonal Unemployment: when people do not have work during certain seasons of the year, like labourers in India rarely earn through daily wage jobs throughout the year.

Vulnerable Unemployment: when people are employed but informally- without proper documentation, job contracts, and their employment is not even recorded, and so they don't contribute to India's GDP.

Technological Unemployment: When people lose their jobs due to technological advancements. Eg:- manual processes replaced by digital and automation.

Cyclical Unemployment: When a massive number of employees are removed from the organization during recessions.

Frictional Unemployment: when people are unemployed for a short period while searching for a new job or switching between jobs. The reason for this type of unemployment is not a shortage of jobs, instead the employees themselves quit their jobs in search of better job opportunities.

Major Causes and impact of unemployment crisis in India:

Large population: India has crossed 1,389,456,823 population already with only \$1,877 (nominal; 2020 est.) \$6,284 (PPP; 2020 est.) per capita income.

Low or no educational levels: As per NSO's report, India's average literacy rate is 77.7%. The sad part is, almost 2 million graduates and half a million postgraduates are still unemployed in India.

Low employment skills: Around 47% of graduates in India are not suitable for any kind of job role.

Job opportunity & skills mismatch: According to a report, 48% of urban youth face the problem of landing a suitable job, 38% of those who are employed are dissatisfied with their current job.

Societal responsibilities for women: Only 19.9% of educated women in India are employed, as many of them are graduates but have to get married right after their graduation, others quit jobs due to family responsibilities or pregnancy and maternity gap.

Solutions to unemployment crisis in India:

1. Education

For every problem in the world, Education stands as the strongest solution. Education is the basic right of any citizen and it should be provided with minimum fees. Right from equal educational facilities, to skill-based and computer knowledge, the Education system can and should be improved.

2. Career guidance

Job seekers who are educated but could not figure the right career path should consult a career guidance expert. Every industry has numerous career opportunities but Indian workers lack complete awareness about the same. A career guidance expert can help job seekers understand the industry know-how, zero down on the best career option and choose the right career path for them.

3. Skill-based training

Every job role requires a specific skill set and every job seeker should get trained in those skills. Many EdTech startups provide career guidance with industry, job or company-specific training to hone organizational skills. These skills training sessions also include resume building training, interview preparations through mock interviews and everything that can help job seekers become employable.

4. Job referrals

Many job seekers fail to find the right place to work. Job referrals in top companies can help job seekers prepare and crack interviews accordingly. To eradicate unemployment, it is important for job seekers to find the right company and get placed with a deserved salary. This will minimize the frictional unemployment crisis in India.

Unemployment can also be eradicated if every fresher graduate is given an opportunity to work in the companies. Additionally, if job seekers receive the right career guidance, get trained and employable, then every top company would want to hire them. Education, career guidance, skill-based training can together solve the unemployment crisis in India.

CONCLUSION:

Here we summaries the findings, and see This time around, job losses and unemployment are being reported not only from urban centres but also from rural India, which has been affected more by the second wave than the first. Falling total employment is an unprecedented trend seen. Due to a decline of employment in agriculture and manufacturing and slow growth of construction jobs, the process of structural transformation, which had gained momentum post-2004-5, has stalled since 2012. Mounting unemployment of educated youth, and poor quality of non-farm jobs have caused an increase in the disheartened labour force. Though the share of

regular and formal employment increased marginally, most jobs are still generated by micro and small units of the unorganized and private sectors. In contrast, the number and share of informal jobs within government/public sector increased. Moreover, contract jobs and jobs without out any written job contract increased massively in both government and private sectors. Not surprisingly, real wages have not increased neither rural nor urban areas. A comprehensive employment policy combined with an industrial policy is necessary to address agrarian transformation, boost real wages in rural areas, ensuring industrial development, taking skill issues into consideration.

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