

Unemployment in India: A Conceptual Case Analysis

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Introduction

Unemployment is a term referring to individuals who are employable and actively seeking a job but are unable to find a job. Included in this group are those people in the workforce who are working but do not have an appropriate job. Usually measured by the unemployment rate, which is dividing the number of unemployed people by the total number of people in the workforce, unemployment serves as one of the indicators of a country's economic status.

Understanding Unemployment

Unemployment is a complex economic concept that is studied in depth by economists, policymakers, and social scientists. At its core, unemployment refers to a situation in which individuals who are willing and able to work are unable to find employment opportunities. People who have not looked for a job in the past four weeks but have been actively seeking one in the last 12 months are put into a category called the "marginally attached to the labor force." Within this category there have another category called "discouraged workers," which refers to people who have given up looking for a job. According to the Bureau of Labor Statistics (BLS) individuals aged 16 and above who have recently put hours into work in the past week, paid or otherwise, because of self-employment and that's why one could collocate "unemployment" with the term "employment".

Unemployment can have various negative impacts on individuals, families, and society as a whole. High levels of unemployment can lead to decreased incomes, increased poverty, and social unrest. It can also have long-term effects on individuals' mental health and well-being, as well as their future career prospects.

Governments and policymakers often implement measures to reduce unemployment, such as providing job training programs, increasing infrastructure spending, and implementing policies to stimulate job growth. However, reducing unemployment is a complex task that requires a multifaceted approach and the cooperation of various stakeholders, including businesses, educational institutions, and workers themselves.

Lockdowns have had a significant impact on employment. It measures implemented by governments to control the spread of the virus have led to widespread job losses, reduced

working hours and increased economic insecurity. The closure of non-essential businesses during lockdown has been a major cause of unemployment. Many business has forced to close permanently due to the economic impact of the pandemic, resulting in long-term job loss of jobs. The industries such as travel, hospitality and entertainment have been hit particularly hard, leading to significant job losses in these sectors.

Reason of Unemployment

Although there are many overlapping and interrelated reasons for unemployment in India, a few main ones can be pinpointed. This list, while not full, highlights many of the main reasons for India's high unemployment rate. There may also be additional aspects, many of which may not yet be known, that contribute to this issue.

Growth in the Population

Over the past 50 years, India's population has grown significantly. Only China has a larger total population than the United States, which is more than 1.3 billion. By 2024, India's population is expected to surpass that of China, and it will likely hold that position for the duration of the 21st century. The inability of the nation's economy to keep up with the rapid population growth results in a higher proportion of the people being unemployed.

Slowly Growing Economy

Economic growth in India is much slower than it could be because the country's economy is still in a relatively early stage of development. In other words, as the population grows, the economy cannot cope with the demand for jobs and a growing number of individuals are struggling to find employment. As a result, there are not enough jobs available nationwide.

Slow Industrial Development

Similar to the economy, industrialisation has grown significantly but at a relatively moderate rate. Nationally, there is a strong focus on industry, which has boosted the Indian economy; overall, industrial growth continues to produce comparatively fewer new job opportunities compared to population growth.

Lack of Physical Capital

Physical capital is required to generate all economic activities. A farmer requires a tractor, a plough, and other tools; an entrepreneur needs land, equipment, minerals, etc.; and the service industry needs cutting-edge technology, structures, tools, etc. It's all physical capital. India's capital stock hasn't been able to keep up with the requirements of a growing population.

Seasonality of Employment

A significant portion of the population finds employment in the agricultural sector in India, although this is only for a few months of the year. As a result, many agricultural employees go unemployed or have a low salary for a sizable period of the year. To enable meeting fundamental necessities, more reliable income streams are required.

Dependence on Agriculture

Despite the primary sector's declining contribution to GDP, the majority of people in India are still employed in it. This has increased the economic gaps between urban and rural areas and disguised unemployment. Because agriculture is a seasonal industry, the majority of people are susceptible to seasonal unemployment.

Neglect of Cottage Industries

One of the main sources of income for peasant farmers in rural India is cottage industries, including clothing and handicrafts. But larger, more automated industries that outperform these small-scale ones in terms of production have a negative impact on them. As a result, maintaining cottage industries is getting harder, leading to many people losing their jobs in rural areas.

Education

Despite an increase in literacy rates over the past few decades, India's educational system continues to be fundamentally flawed. The programme lacks the necessary vocational training to align with the present economic context and is primarily theory-oriented. When it comes to generating human resources skilled at slipping into particular roles within the economy, the degree-oriented system makes itself unnecessary.

Flawed Economic Planning

The five-year plans that the administration has established haven't made a meaningful contribution to job creation. The idea was that as the economy grows, enough jobs will inevitably be created. However, the scenario doesn't quite pan out as expected, and gaps between the required number of jobs and the actual figures generated have persisted.

Labour Immobility

According to their culture, maintaining close ties to their families is a top priority for many Indian citizens. As a result, many refrain from moving far away from their families in search of jobs. Language, religion, and climate are some factors that may also contribute to low labour mobility. As one might anticipate, unemployment increases when many people who could otherwise be qualified for work cannot travel to those positions.

Types of Unemployment

There are basically four types of unemployment:

(1) Frictional (2) Structural and (3) Cyclic and Seasonal unemployment.

1. Frictional unemployment

Frictional unemployment is a type of unemployment that occurs when people are temporarily without work because they are transitioning between jobs or are entering the job market for the

first time. It is sometimes referred to as "search unemployment" because it arises from the time and effort that people need to spend searching for a job that fits their skills and preferences.

Frictional unemployment is considered to be a natural and inevitable part of the labor market, as people change jobs or enter the workforce at different times and for different reasons. It can also be a positive sign for the economy, as it indicates that workers are confident enough in their job prospects to leave their current jobs and seek out new opportunities.

Factors that contribute to frictional unemployment include:

(a) Voluntary job separations: People may choose to leave their jobs voluntarily to pursue other opportunities or to take a break from work.

(b) Job search: People who are new to the workforce or who have been out of work for a while may need to spend time searching for job openings and submitting applications.

(c) Mismatched skills: Workers may need to acquire new skills or training to qualify for the jobs that are available in their area.

(d) Geographical mobility: Workers may need to relocate to a new area to find work, which can take time and effort.

Policies and programs that can help reduce frictional unemployment include job search assistance, training and education programs, and policies that promote labor mobility and flexibility.

2. Structural unemployment

Structural unemployment is a type of unemployment that occurs when there is a mismatch between the skills and qualifications of workers and the jobs that are available in the labor market. This type of unemployment is caused by long-term changes in the economy, such as technological advancements, changes in consumer preferences, or changes in the structure of the labor market.

Structural unemployment can be particularly difficult to address, as it often requires significant changes to the structure of the labor market and the skills and qualifications of workers. Some common causes of structural unemployment include:

(a) Technological changes: Advances in technology can automate certain tasks and eliminate the need for certain types of workers. For example, the rise of automation in manufacturing has reduced the demand for certain types of skilled labor.

(b) Globalization: The opening of global markets can lead to increased competition and changes in the structure of the labor market. For example, the outsourcing of certain types of jobs to other countries can reduce the demand for workers in certain industries.

(c) Demographic changes: Changes in the age, gender, or educational background of the labor force can lead to structural unemployment. For example, an aging population may lead to a decrease in the demand for certain types of labor. targeted support for industries that are experiencing structural changes, and policies that encourage innovation and entrepreneurship

(d)Changes in consumer preferences: Changes in consumer preferences can lead to shifts in the demand for certain types of goods and services, which can impact the demand for certain types of labor.

Policies and programs that can help address structural unemployment include job training and education programs that help workers acquire new skills and qualifications.

3. Cyclic Unemployment

Cyclic unemployment refers to the type of unemployment that occurs as a result of fluctuations in the business cycle. It is also sometimes referred to as "demand-deficient unemployment." During periods of economic downturns or recessions, businesses tend to cut back on their production and hiring, which leads to a decrease in demand for labor, resulting in unemployment.

Cyclic unemployment is typically caused by macroeconomic factors, such as a decline in aggregate demand or a contraction in the overall economy. This type of unemployment tends to affect a wide range of workers and industries and can be particularly severe during deep and prolonged economic downturns.

Cyclic unemployment can have a number of negative effects on individuals and the economy as a whole. Workers who lose their jobs due to cyclical unemployment may face long periods of unemployment and reduced earnings when they do find new jobs. This can lead to lower consumer spending, decreased tax revenues, and increased social welfare costs.

Governments and central banks often use a variety of policies to combat cyclic unemployment, such as fiscal stimulus packages, monetary easing, and job training and retraining programs. These policies are designed to boost demand for goods and services, encourage investment and hiring, and help workers acquire the skills they need to find new jobs in growing industries.

4. Seasonal Unemployment

Seasonal unemployment refers to the type of unemployment that occurs as a result of predictable changes in labor demand due to seasonal factors. This can include factors such as weather patterns, agricultural cycles, and holiday demand.

In industries such as agriculture and tourism, seasonal fluctuations in demand can lead to temporary layoffs or reduced working hours during off-seasons. For example, ski resorts may experience a decrease in demand for workers during the summer months when skiing is not possible, while farms may require more workers during the planting and harvesting seasons and fewer workers during the winter months.

It is typically short-term in nature, with workers being rehired when demand picks up again during peak seasons. However, it can still have negative effects on workers, particularly those who rely on seasonal employment for their income. It can also create challenges for employers who must manage their workforce and cash flow during periods of low demand.

To mitigate the effects of seasonal unemployment, some employers may offer year-round employment opportunities or provide training and support for workers to help them acquire new skills or find alternative employment during off-seasons. Governments may also provide support to workers and industries affected by seasonal unemployment through programs such as unemployment insurance, job training, and economic development initiatives.

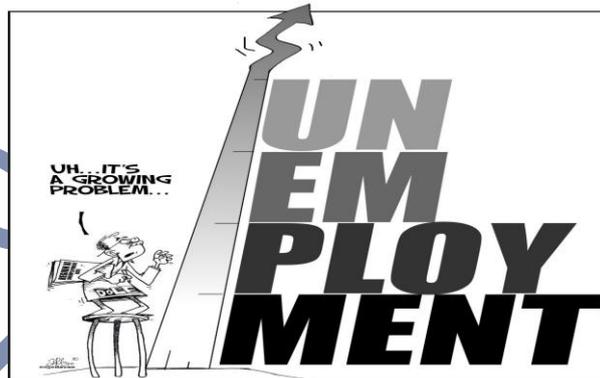
Long-term Unemployment vs. Short-term Unemployment

Unemployment that lasts longer than 27 weeks even if the individual has sought employment in the last four weeks is called long-term unemployment. Its effects are far worse than short-term unemployment for obvious reasons, and the following are noted as some of its effects.

- Some 56% of the long-term unemployed reported a significant decrease in their net worth.
- Financial problems are not the only effects of long-term unemployment as 46% of those in such a state reported experiencing strained family relationships. The figure is relatively higher than the 39% percent who weren't unemployed for as long.
- Another 43% of the long-term unemployed reported a significant effect on their ability to achieve their career goals.
- Sadly, long-term unemployment led to 38% of these individuals losing their self-respect and 24% seeking professional help.

Effect of Unemployment:

1. In Economy



One of the serious problems our country is facing is Unemployment. It has many impacts on the Government, firms and, of course the unemployed people themselves in the economy.

Here is an effect of unemployment on the Indian economy as it affects businesses, individual households, and even government finances. In particular, unemployment can lead to a decrease in revenue and an increase in costs. Additionally, it can cause businesses to shut down or reduce their operations due to lack of capital or workers. There is an effect of unemployment on the Indian economy as it affects businesses, individual households, and even government finances. Unemployment can lead to a decrease in revenue and an increase in costs. Additionally, it can cause businesses to shut down or reduce their operations due to lack of capital or workers.

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2. On the Government:

Less tax revenue - As few people are employed, according to the working, their income for which they will be earning on will have to pay tax. As a result, tax revenue in which the Government get will decrease and will have a greater impact on the government's finances.

Economic Growth - As only few people work in a job, Proper production of goods and services won't take place. As a result, it affects the lower in output of production, GDP, Government taxation and reverse affect their finances.

Higher supply-side cost - In a unemployment economy, When a person enters to a job, there will be lack in skill capacity. So, there needs teaching skills for them to be employed in a firm. The government will train the workers by spending more on worker's training and development which in turn leads to right worker for a right skill employed in a modern economy. There arises again drain on government finances.

3. On firms:

Low wage cost - In the unemployment in an economy, increases the supply of labour available for a work. Hence wage cost of employee decreases as employee is less scarce and more people are willing to get a job.

Less demand for goods and services - As in an unemployment economy more people will not gain more income. Due to scare of workers wage cost in a job, they have less disposable income. Spending on most goods and services will automatically fall. As a result, firms will incur low sales and there will be a fall in profits.

Higher training costs - As and when a new employee enter into a work field, there is in need of training as after a long time they might enter a workforce. Training new employees incur a high training cost.

4. On people:

Loss of skills - When a person enters a work place in a unemployed economy and starts working without the knowledge of skills and job, there is chances of a person either starts losing his skills and ability to work, and will stop working. Due to lack of skills, firms will need to spend money on retraining them.

Lower standard of living - In a unemployment in an economy, when a people suffer a low income, this reduces the purchasing power as there is loss of income which will directly affect the fall in the living standard.

Loss of confidence - There will be a loss of confidence in employees ability and also suffer stress and depression as employees is unemployed.

Other Factors Effect the economy:

- (a) Seasonal Agricultural.
- (b) Rapid Population Growth.
- (c) Low Quality of Education.
- (d) Discouraged workers.

(e) Inadequate Employment Planning.

Unemployment Rate of India:



Unemployment Rate in India:

According to the recent CMIE Report, the unemployment rate in urban areas increased to 10.09% in December from 8.96% the previous month while the rate in rural areas decreased to 7.44% from 7.55%. According to separate quarterly figures prepared by the state-run National Statistical Office (NSO) and released in November 2022, the unemployment rate decreased to 7.2% in the July-September quarter from 7.6% in the preceding quarter. Although India's unemployment rate has historically been high, it is predicted to rise in the next years. In fact, even if the nation's economy continues to expand at a healthy clip, the Organization for Economic Cooperation and Development (OECD) forecast that India's jobless rate will quadruple from 4 per cent to 8 per cent by 2022. From a 6% unemployment rate in 2017, India's unemployment rate would climb to 8.3% by 2022. According to the estimate, over the next four years, 10 million more people will join the ranks of the unemployed, bringing the total to 220 million by 2022. The government also forecasts that there will be 1 million additional job vacancies over this time period, but it also expects that the number of jobs would not be sufficient to counteract the population expansion in general.

CMIE's Data on Unemployment Rate in India:

The Centre for Monitoring Indian Economy, a private organization (CMIE), estimates India's unemployment rate in India is around 8.3% at present. It is 10.09% in urban India whereas only 7.44% in rural India. India's daily and monthly unemployment rates are made public by CMIE on 1st January 2023.

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

Urban-Rural Unemployment in India

Current Unemployment Rate in India:

As per the National Statistical Office's 16th Periodic Labour Force Survey, in the fiscal second quarter that ended on September 30, India's unemployment rate for those who are 15 years of age or older and live in urban areas dropped from 9.8% to 7.2%, indicating a sustained recovery from the coronavirus pandemic that had left millions of people without jobs. From July to September, the unemployment rate for females (aged 15 and older) in urban areas dropped from 11.6% to 9.4% and for males dropped from 9.3% to 6.6% a year ago.

State wise List of Unemployment Rate of India 2022

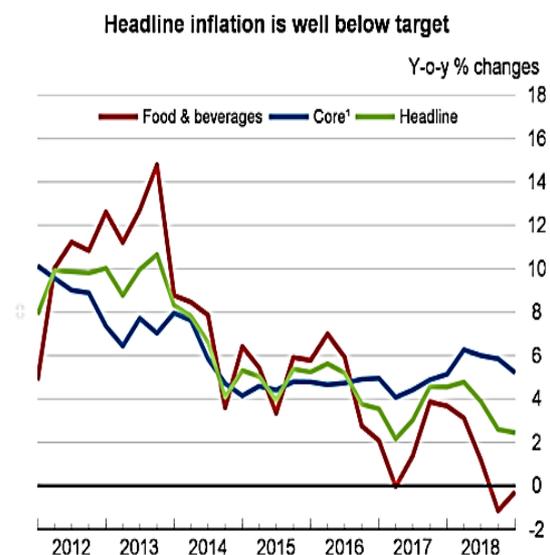
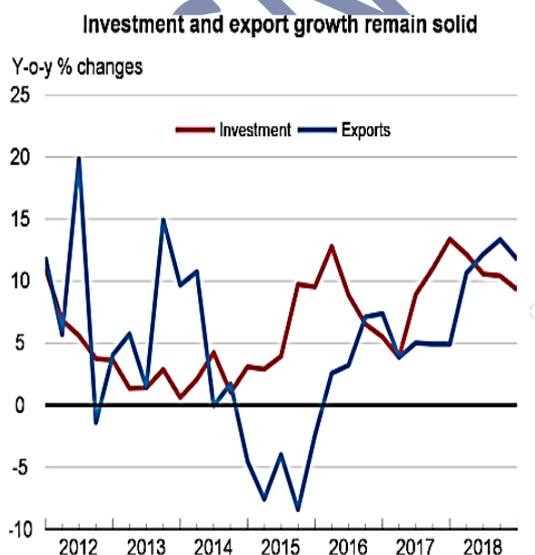
STATE	JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022	JUL 2022	AUG 2022	SEP 2022	Oct 2022	Nov 2022
Andhra Pradesh	6.2	7.1	9.2	5.3	4.4	4.5	5.8	6	4.8	5.4	9.0
Assam	8.5	10.2	7.7	1.2	8.2	17.2	3.7	NA	0.4	8.1	13.2
Bihar	13.3	13.9	14.4	21.1	13.3	14	18.8	12.8	11.4	15.0	17.3
Chhattisgarh	3	1.7	0.6	0.6	0.8	1.2	0.8	0.4	0.1	0.9	0.1
Delhi	14.1	9.3	8.9	11.2	13.6	10.2	8.9	8.2	9.6	6.7	12.6
Goa	11.6	12	12.7	15.5	13.4	5.5	13.7	13.7	10.9	NA	13.6
Gujarat	1.2	2.5	1.8	1.6	2.1	3	2.2	2.6	1.6	1.7	2.5
Haryana	23.4	30.9	26.5	34.5	24.6	30.5	26.9	37.3	22.9	31.7	30.6
Himachal Pradesh	13.8	11.8	11.7	0.2	9.6	10.7	6.3	7.3	8.6	9.7	8.8

Tamil Nadu	5.3	3.2	4.1	3.2	3.1	2.1	3	7.2	4.1	3.0	3.8
Telangana	0.7	12.9	6.5	9.9	9.4	10	5.8	6.9	8.6	8.8	6.0
Tripura	17.1	9.8	14.1	14.6	17.4	9.4	13	16.3	17	10.6	14.4
Uttar Pradesh	3	2.7	4.4	2.9	3.1	2.8	3.3	3.9	4	4.1	4.1
Uttarakhand	3.5	4.6	3.5	5.3	2.9	8.7	NA	NA	0.5	3.3	1.2
West Bengal	6.4	6.3	5.6	6.2	5.8	5.2	6.3	7.4	3.3	5.8	5.4
Jammu & Kashmir	15.2	13.2	25	15.6	18.3	17.2	20.2	32.8	23.2	22.6	22.4
Jharkhand	8.9	15	14.5	14.2	13.1	12.1	14	17.3	12.2	17.1	14.3
Karnataka	2.9	2	1.8	2.7	4.3	3.7	3.5	3.5	3.7	2.8	1.8
Kerala	5	5	6.7	5.8	5.8	5.3	4.9	6.1	6.4	4.8	5.9
Madhya Pradesh	3	2.8	1.6	1.6	1.7	0.5	1.9	2.6	0.8	0.8	6.9
Maharashtra	4.2	4.3	4	3.1	4.2	4.8	3.7	2.2	4	4.3	3.6
Meghalaya	1.5	1.4	2	2.2	4.1	2.3	1.5	2	2.3	3.5	2.3
Odisha	1.8	1	9.7	1.5	2.6	1.2	0.9	2.6	2.9	1.1	1.6
Puducherry	7.8	3.7	4.2	5.6	5.6	0.8	2.8	5.2	3.9	2.6	2.9
Punjab	9.3	9	6.9	7.2	9.2	8.5	7.7	7.4	7.2	9.1	7.8
Rajasthan	18.9	32.4	24.5	28.8	22.2	29.9	19.6	31.4	23.9	31.3	25.0
Sikkim	NA	NA	NA	8.7	7.5	12.7	6.5	NA	NA	3.9	5.7

Comparison of Unemployment of India with the Other Countries

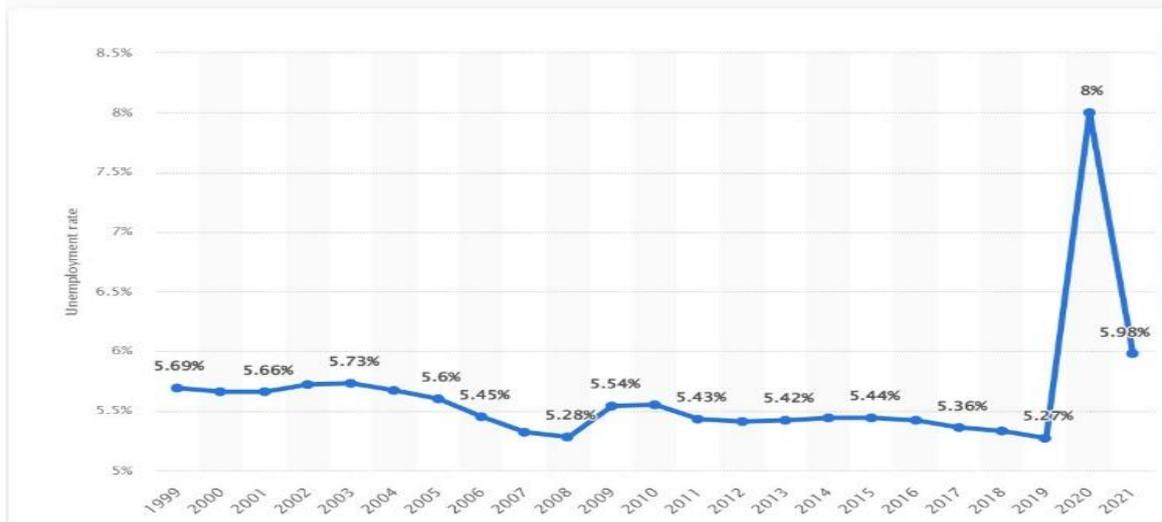
World Bank recently estimated that India needs to create 8.1 million jobs a year to maintain its employment rate, which has been declining. Given India's demographic dividend and urgency to create jobs, the manufacturing sector could prove to be a large employer that provides decent income opportunities.

- According to an OECD report on economic outlook released in May 2019, Economic growth will regain strength and approach 7½ per cent by 2020. The new income scheme for small farmers will support rural consumption. Investment growth will accelerate as capacity utilisation rises, interest rates decline, and geopolitical tensions and political uncertainty are assumed to wane. Lower oil prices and the recent appreciation of the rupee will reduce pressures on inflation and the current account.
- Monetary policy could be loosened somewhat as headline inflation remains well below target and inflation expectations are adjusting down. Rising public sector borrowing requirements reflect the implementation of new welfare schemes, sluggish tax revenue, and growing financial needs of public enterprises and banks. Reducing the high public debt-to-GDP ratio would require improving the collection of the Goods and Services



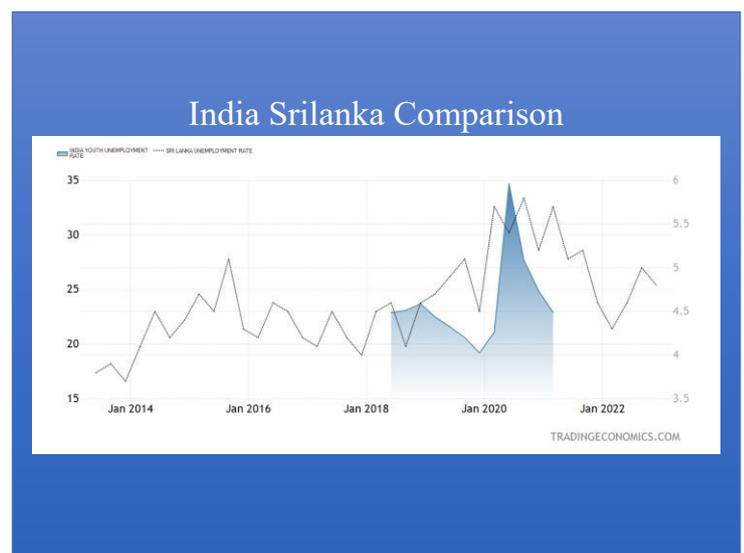
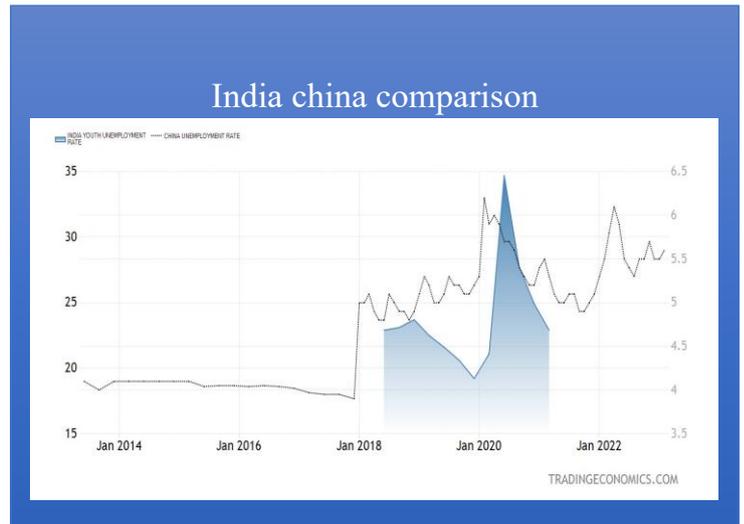
- Tax and broadening the personal income tax base. Ensuring a swift resolution of bankruptcy processes would help contain non-performing loans and boost productivity. (This is released in December 2022)

India: Unemployment rate from 1999 to 2021



ELSSN:2991

Similar Country Ranking	
Country Name	Unemployment Rate (%)
Djibouti	28.39%
Eswatini	25.76%
West Bank and Gaza	24.90%
Lesotho	24.60%
Republic of Congo	23.01%
Sudan	19.81%
Tunisia	16.82%
Sao Tome and Principe	15.91%
Cabo Verde	15.42%
Zambia	13.03%
Morocco	11.47%
Mauritania	11.46%
Georgia	10.66%
Nigeria	9.79%
Egypt	9.33%
Kyrgyz Republic	9.10%
Ukraine	8.88%
Angola	8.53%
Honduras	8.51%
Bolivia	8.51%
Uzbekistan	7.16%
Mongolia	7.08%
India	5.98%
Nicaragua	5.96%
El Salvador	5.94%
Kenya	5.74%
Sri Lanka	5.40%
Bangladesh	5.23%
Timor-Leste	5.07%
Ghana	4.70%
Indonesia	4.41%
Pakistan	4.35%
Bhutan	4.33%
Moldova	3.96%
Cameroon	3.87%
Papua New Guinea	2.75%
Philippines	2.41%

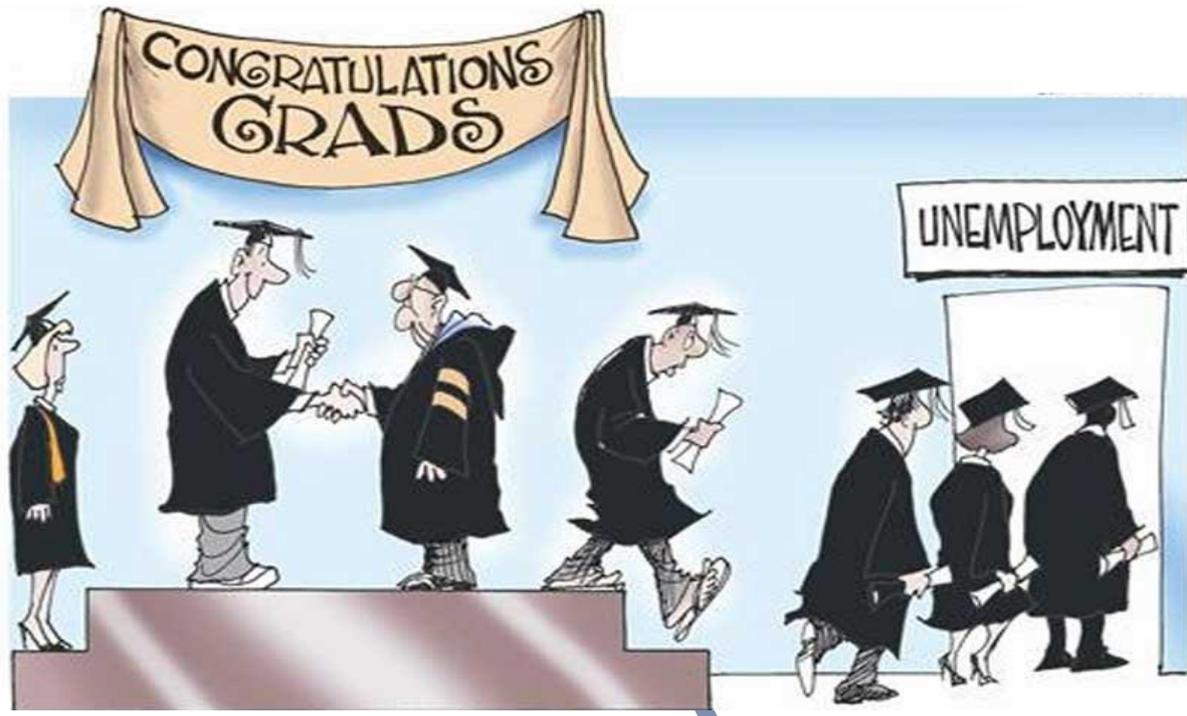


India Unemployment Rate - Historical Data		
Year	Unemployment Rate (%)	Annual Change
2021	5.98%	-2.02%
2020	8.00%	2.73%
2019	5.27%	-0.06%
2018	5.33%	-0.03%
2017	5.36%	-0.07%
2016	5.42%	-0.01%
2015	5.44%	0.00%
2014	5.44%	0.01%
2013	5.42%	0.01%
2012	5.41%	-0.01%
2011	5.43%	-0.12%
2010	5.55%	0.00%
2009	5.54%	0.13%
2008	5.41%	-0.16%
2007	5.57%	-0.03%
2006	5.60%	-0.01%
2005	5.61%	-0.02%
2004	5.63%	-0.01%
2003	5.64%	0.11%
2002	5.53%	-0.05%
2001	5.58%	0.01%
2000	5.56%	-0.18%
1999	5.74%	0.07%
1998	5.67%	0.05%
1997	5.61%	-0.13%
1996	5.74%	-0.01%
1995	5.76%	0.02%
1994	5.74%	0.05%
1993	5.69%	-0.04%
1992	5.73%	0.13%
1991	5.60%	0.13%

Here, through year wise the historical data of Unemployment rate in India is given till date and also the annual changes are mention beside that column.

2019-6162

Prevention of Unemployment



Fiscal policy can decrease unemployment by helping to increase aggregate demand and the rate of economic growth. The government will need to pursue expansionary fiscal policy; this involves cutting taxes and increasing government spending help to increase consumption, leading to higher aggregate demand (AD). With an increase in AD, there will be an increase in Real GDP (as long as there is spare capacity in the economy.) If firms produce more, there will be an increase in demand for workers and therefore lower demand-deficient unemployment. Also, with higher aggregate demand and strong economic growth, fewer firms will go bankrupt meaning fewer job losses.

- **Monetary policy**

Monetary policy would involve cutting interest rates. Lower rates decrease the cost of borrowing and encourage people to spend and invest. This increases AD and should also help to increase GDP and reduce demand deficient unemployment. Also, lower interest rates will reduce exchange rate and make exports more competitive. In some cases, lower interest rates may be ineffective in boosting demand. In this case, Central Banks may resort to Quantitative easing. This is an attempt to increase the money supply and boost aggregate demand.

Supply side policies for reducing unemployment

Supply side policies deal with more micro-economic issues. They don't aim to boost overall aggregate demand but seek to overcome imperfections in the labour market and reduce unemployment caused by supply side factors. Supply side unemployment includes:

- Structural
- Classical (real wage)

1. Education and training: The aim is to give the long-term unemployed new skills which enable them to find jobs in developing industries, e.g. retrain unemployed steel workers to have basic I.T. skills which help them find work in the service sector. However, despite providing education and training schemes, the unemployed may be unable or unwilling to learn new skills. At best it will take several years to reduce unemployment.

2. Reduce the power of trades unions: If unions can bargain for wages above the market clearing level, they will cause real wage unemployment. In this case reducing the influence of trades unions (or reducing Minimum wages) will help solve this real wage unemployment.

3. Improved geographical mobility: Often unemployed is more concentrated in certain regions. To overcome this geographical unemployment, the government could give tax breaks to firms who set up in depressed areas. Alternatively, they can provide financial assistance to unemployed workers who move to areas with high employment.

4. Improve labour market flexibility: It is argued that higher structural rates of unemployment in Europe is due to restrictive labour markets which discourage firms from employing workers in the first place. For example, abolishing maximum working weeks and making it easier to hire and fire workers may encourage more job creation. However, increased labour market flexibility could cause a rise in temporary employment and greater job insecurity.

Conclusion

Unemployed persons suffer from loss of income and from stress. An economy with high unemployment suffers an opportunity cost of unused resources. The adult population can be divided into those in the labour force and those out of the labour force. In turn, those in the labour force are divided into employed and unemployed. The unemployed can be counted even when a person is jobless, who is willing and able to work and who is also seeking and actively looking for a job. Otherwise, a person without a job is counted as being out of the labour force.

The unemployment rate is defined as the number of unemployed persons divided by the number of persons in the labour force.

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