

Rural Unemployment in India: Causes and Solutions

Dr. Ashok Kumar ¹

Abstract

Rural unemployment along with urban unemployment is termed as one among the serious problems in India, since it creates a ripple effect across the economy. Apart from the personal loss to individual and their family, it results in lower purchasing power (economically), consumption of goods and services will go down. These will lead to lower consumption of goods production. Lower production leads to lower contribution to revenue to country and it finally affect the economy of India. Unemployment wasn't widespread in rural areas, since most people were engaged in agriculture which helped them earn a living. Despite droughts, people continue to pursue agriculture. But with the advancement of technology through industrial civilization, textile mills and others sort of factories began to grow in India during British era. Though it led to mass migration of people to rural areas, drought like conditions and lack of income from agriculture created huge unemployment among rural youth.

Keywords: *rural unemployment, economic, causes, solutions, goods, civilization, industrial, youth.*

¹ Assistant Professor, Economics, Pt. L.M.S. Sri Dev Suman Uttarakhand University Campus, Rishikesh, Dehradun, Uttarakhand

Introduction

With the advancement of medical technology, several serious diseases were eliminated and life span expansion as indirectly raised the rural population. India near about two lakh people are added yearly to our existing population such increase has adversely affected the unemployment situation largely in many ways. Primarily,[1,2] the growth of the population directly added another large group to already expanding labour force, leading to the mismatch. Finally, the rapid population growth reduced the resources for capital formation for a particular project. For example, the government had to spend more on education, health, electricity, food, water etc. Thus, growth of population has created many hurdles. Agriculture is the primary source of employment as most of the rural people are engaged directly as well as indirectly employed in agricultural operations. But, due to monsoon and climate change, agriculture is slowly becoming a seasonal activity. How? During the sowing and harvesting period, people are fully employed and the period between the post-harvest and before the next sowing there isn't any work. Besides, Indian farmers continue to employ unscientific methods of agriculture. [3,4]As a result, the agricultural yields are poor and wastage of land and water resources. With the poor production, leading less labour, more and more people are unemployed.

Apart from agriculture, village or cottage industries were other sources of employment. But with rapid industrialization, these industries were destroyed leading to large scale unemployment among the youth. The Indian education system is poor in terms value addition. Apart from basic tools, none of the syllabus are worthless. The day-to-day education is very flawed and is confirmed within the four corners of the class room. [5,6] Since it aims to acquire a certificate, they aren't skilled or job oriented. Not just schooling, even university level education is not job oriented and they are just degree oriented. It is defective on the ground that is simpler than vocational. Experts from the field of education point out many diploma and certification lack even the basic criteria for even self-employment.

India lacks transportation facilities in rural areas, owing to this reason; the villagers who aren't engaged in agricultural related activities continue to remain unemployed. Besides, they cannot travel to places where employment is available, they are confined within the limited boundary of the village or the nearest villages.[7,8]

The Mahatma Gandhi National Rural Employee Guarantee Scheme (MGNREGA) has generated more rural employment than any other government scheme or private initiative in the history of independent India. But the MGNREGA has several flaws which are leading the fall the scheme. It has created an imbalance among the landless poor and their employers (agricultural land owners, labour contractors, landlords), making it favourable towards the latter. Besides, it has raised rural incomes; it has decreased distress migration to the cities. But it indirectly reduced the numbers of the reserve army of labour, and also increased the cost of labour.

Offering solutions to rural unemployment in India must have three dimensional approach. Firstly, adequate changes must be brought in the form of quality of Indian education. Indian government should select a committee which includes value and skill based syllabus in schools and universities. Because almost all the syllabus taught is of no use to the industrial needs. Indian government should encourage and develop the agriculture based industries in rural areas by offering incentives, interest free loan for seasonal unemployment people. Besides, more assistance must be offered to self-employed people in the area of cottage and small scale industries etc. These persons should be helped financially, providing raw materials and technical

training. Unemployment means a person willing to work but unable to find a qualified job. Our country is facing many problems but one of the serious problem is of unemployment. Many graduates, doctors, engineers, scientist are unemployed or working underemployed. Due to unemployment we are wasting our country's human resource. [9,10]

The unemployed rate in between age group 15- 29 has been increased since 2009-2010. According to the Global Employment Trends 2014 the unemployment rate has raised to 3.8%, last year it was 3.7%. The International Labour Organisation (ILO) has said in the recent report that India has shown rise in the unemployment in the last two years.

If the problem of unemployment is solved it will help in development of the country. With Population of 1.20 billion in our country the unemployment rate is increasing day by day. The problem of unemployment is rising but still many industries are facing the problem of skilled candidate for their company. There is a boom of software companies, Outsourcing companies in India, but still facing the problem of unemployment. [11, 12]

Here are some of the reasons why there is unemployment in India

1. There are employment opportunities in India, but the rising population problem creates the unemployment. If the population grows in the same rate the next generation will face more problems of unemployment. If there is vacancy for 1 position 100 or 1000 apply for the position and only one gets the job and others remain unemployed.
2. Inflation
3. Indians don't take jobs which are below their grades. Many find it difficult to work at the below qualification level job.
4. Low wages or salary below the market rate.
5. Many big industries look for the skilled candidate only, for their company.
6. Recession
7. Many Employers give preference to the experienced candidates only and not the fresher.
8. Not enough or new jobs: As per the experience & analysis from Get Sarkai Naukri, number of new government jobs is decreasing every year. Government is not able to create enough jobs keeping in mind the Indian population.
9. Slow business expansion[13,14]
10. Advanced Technology: Earlier for a task hundreds or thousand people were required to do a work but now due to the advanced technology only one person can do many people's work. With the advanced technology companies are hiring few persons to operate the machine. Give a command on computer and the work is done this has cut off the employment of many.
11. Corruption: In Government sector and in some private sector people get the job by giving the bribe. Even though the candidate is not that qualified but if he gives the bribe he gets the job. So to get a government job give a bribe. The qualified candidate remains unemployed as no money to give the bribe.

Problems caused due to unemployment

- Unemployment and poverty goes side by side. The problem of unemployment gives rise to the problem of poverty.
- Young people after a long time of unemployment find the wrong way to earn money.
- To get rid from the unemployment stress, they accept alcohol or drugs.
- Unemployed youths accepts suicide as the last option of their life
- Lower economic growth
- Increase rate in Crimes. As the employed youth don't have anything to do they start doing robbery, murder etc.
- Health issues i.e it affects mentally as well as physically[15,16]

Discussion

The National Rural Employment Programme offers people from the rural areas an equal shot at job opportunities across the nation. The growing disparity in terms of personal finance between those in the rural and urban areas has increasingly led to people from the rural areas to move to the urban areas, making urban management difficult. The NREP aims to provide employment opportunities in the rural areas, especially in times of drought and other such scarcities. The Deen Dayal Antyodaya Yojana is a scheme that aims to help the poor by providing them industrially recognised skills. The scheme is implemented by the Ministry of Rural development. The purpose of the scheme is to eradicate both urban and rural poverty from the country by providing necessary skills to individuals that help them find well-paying job opportunities.

This is aimed to be achieved through skill training and skill upgrading which enables the poor to get self-employed, elevate themselves above the poverty line, be eligible for bank loans, etc

Various experts highlight the role of rural nonfarm sector of the economy in improving the level of employment and consequent levels of living of the rural households. The understanding of employment in rural economy is further strengthened by observing the sector-wise [17,18] disaggregation. Agriculture is the prime occupation in the rural areas. Besides being the food-giver, about one third of non-farm output and 48.7 per cent of non-farm employment in the country is generated by the rural sector. Similarly, the share of the rural sector in generation of employment and NDP in the manufacturing sector is noticeable but not sufficient to be the driver of the favourable structural transformation. Also, the rural service sector is the weak link. Though rural construction sector was gaining importance in terms of increasing proportion of contribution to NDP and employment, whether such employment generation is sustainable and gainful is debatable. Educational qualifications determine the kind of employment/career one takes up. Often the relationship between less education and low paid labour jobs is directly proportional. Further, in case of women, the low paid labour jobs are more exploitative. This indicates engagement of women in less-paying and more laborious jobs, often referred to as marginalization of women labour. This trend has been the same overtime since 2004-05. Further, another fact of non-availability of remunerative jobs for educated women in rural areas is seen from the study. It was found that women with higher education (secondary and above), the level of unemployment exhibited higher rates than their male counterparts. This is a clear case of unemployment wherein the persons do not find appropriate jobs.[19,20] On the other hand, for males, the rate of unemployment has been increasing across all categories of educational

qualifications.

Engagement of more labour in the non-agriculture sector could be understood as one of the reasons behind the same. The households with employment of casual nature had declined. Since the overall engagement in the agriculture sector declined, so did the casual labour (agriculture) household. However, self-employment in nonagriculture sector had declined. This is a matter of concern especially, when the intellectuals across streams are recommending promotion of non-farm employment and self-employment as a way out of the economically vulnerable agricultural sector. Efforts are required to firstly identify the seriousness of the issue of unpromising structural shift of workforce across sectors, the rising unemployment and marginalization of women labour. Policies to create more employment in rural areas are crucial as they house majority of the population.[21,22] Rural industrialization and setting up of service sector in rural areas, especially larger service provider companies could turnaround the rural economy. Further, since more of the educated laid unemployed, the government needs to emphasize on policies which would promote mandating educational degrees/diplomas that would cater to the sectors that are in alliance to the policies that would be focusing on employment generation in rural sector. This would indirectly ease the burden on the urban economy as the spills of unemployed labour force from rural areas could be avoided.[23,24]

Results

Even before COVID-19, the unemployment rate touched a peak in 2017-18 at 6.1%. The urban unemployment rate was 7.8% and the rural unemployment rate was 5.3%. While the unemployment rate declined to 5.8% in 2018-19 and 4.8% in 2019-20, urban unemployment declined marginally to 7.7% and 6.9%, respectively. It was stubbornly around 7-8% during 2021 and later. If we consider the current weekly status quarterly unemployment statistics for urban areas, it was 9.4% in January-March 2021 and rose to 12.6% in April-June 2021.

As per the Centre For Monitoring Indian Economy, the average urban unemployment rate remained higher at 9.04% in 2021 and above 7% in January-February 2022. Meanwhile, the rural unemployment rate rose to 8.35% in February 2022 after mild fluctuations around 5-7% since June 2021 (8.75%). Seen by any measure of unemployment or the statistical sources, urban unemployment is of grave concern, at least since the pandemic.[25,26]

Does a satisfactory system of unemployment relief exist? Unlike in China, the labour laws do not expressly provide for unemployment benefits. However, under the Employees' State Insurance Act (ESIA), 1948, the Rajiv Gandhi Shramik Kalyan Yojana (RGSKY) provides unemployment allowance to involuntarily unemployed insured persons who have made contributions for two years to ESI. The cash relief is at the rate of 50% of the last average daily wages for the first 12 months and 25% for the next 12 months. It covers unemployment due to retrenchment, closure or permanent invalidity. It provides medical care during unemployment tenure and vocational training.[27]

In 2018, the government introduced the Atal Beemit Vyakti Kalyan Yojana (ABVKY) under which unemployed insured persons are provided allowance at the rate of 50% of the average per day earning of the claimant for 90 days on a pilot basis for two years. This was extended during the COVID-19 period.

Under the Industrial Disputes Act (IDA), 1947, industrial establishments employing 100 or more workers must pay retrenchment compensation of 15 days of average pay for the completed years of service to workers in case they lose jobs due to government-sanctioned

workers' retrenchment or closures of establishments. Here, the burden of unemployment allowance is transferred to the employer. Employment-intensive industries like construction and services are excluded.

Though the Social Security Code (SSC), 2020, included unemployment protection in its definition of 'social security', it did not provide for a scheme for the same. When quizzed by the Parliamentary Standing Committee on this omission, the government said: "Unemployment allowance is already provided for under the ESI Act. For the unorganized workers' basic social security has been taken care of in the proposed code." It is another matter that the ESIA, despite a more inclusive coverage of 10 or more workers than the Employees' Provident Fund Act (20 or more workers), covers fewer workers thanks to its limited and slow expansion of districts in India.

On the other hand, many States amended Chapter VB of the IDA to apply it to establishments employing 300 or more workers and offer higher retrenchment compensation rates of 45-90 days of average pay for every completed year of service. The Central government has retained the existent paltry retrenchment compensation benefits in the Industrial Relations Code (IRC). So, it is a double whammy for the organised sector workers.[28]

We have used the Annual Reports of the Employees' State Insurance Corporation (ESIC) and the Standard Note on ESIS, as of July 1, 2021, to analyse the working of unemployment allowance schemes. Under the RGSKY, from 2007-08 to 2019-20, 13,341 insured persons availed of unemployment allowance (1,034 insured persons per year). To put this in context, 0.043% (13,341/3,09,66,930) of the employees availed of unemployment allowance during this period. Further, the unemployment allowance's share in total cash expenditure of ESIC ranged from 0.25% to 0.99%.

The incredibly low off-take means that RGSKY is not successful. How can the government argue that this scheme will take care of unemployment contingencies for insured workers, let alone for all workers and persons waiting to enter the workforce?

Under ABVKY, from July 1, 2018, to March 31, 2020, 120 claims were made, which means a meagre average daily cash relief of ₹ 73.33. During COVID-19, the government extended ABVKY from July 2020 to June 2021. Only 45,311 persons benefited from an average daily cash relief of ₹ 147.65. So, these schemes did not matter to the organised sector workers even during the pandemic. These facts strengthen the case against the government's sole reliance on these schemes. If this is the plight of workers in the so-called organised sector, one shudders to imagine the deprivations of those rendered workless.

On the other hand, during the pandemic, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) played a significant role in providing if only modest relief to millions of workers. Economists have shown that relief to workers does not cost much as a proportion of GDP. It is much lower than the relief given to corporates. Yet, governments of all hues have been continuing with their neoliberal policies with abandon.[29]

The SSC offers the vague promise of schemes to the unorganised workers. It has no concrete provision relating to unemployment allowance for workers of the organised sector. The hire and fire reforms in the IRC will accentuate unemployment, especially in urban areas. The SSC must be amended to provide for a universal unemployment allowance scheme with tripartite contributions to be determined by an actuary — the second National

Commission on Labour in 2002 recommended an unemployment scheme for organised workers financed by employers, workers and the government.

Retail inflation has been hovering around 6% and the wholesale price index around 12%. The EPFO reduced its interest rate to 8.1% for 2021-22. Add to this the higher level of unemployment. Laws and welfare schemes must offer relief to marginalised workers who are reeling under multiple blows. An urban employment guarantee scheme should be framed to alleviate the sufferings of workers in the urban labour market.

Conclusions

The Sudden Rise of Rural Unemployment', the report states India's economy was adversely affected by the pandemic, and almost all sectors and industries were impacted, especially the MSME sector, which faced a huge setback.

The report, based on a survey, said most of the respondents believed the reason behind the high unemployment rate is the lack of employment opportunities available in the areas concerned. The survey covered 1,100 business leaders between August 1 and September 10. They include those in sectors such as banking and finance, construction and engineering, education/teaching/training, FMCG, hospitality, HR solutions, IT, ITeS, and business processing outsourcing, logistics, and manufacturing, among others.

The report further showed more than 57 percent of the total respondents strongly agreed that the revival of MSMEs would aid in improving the current employment situation.

About 14.3 percent of the respondents believe the reason behind rural unemployment was the lockdown restrictions, and another 14.3 percent said it was due to the rise in the COVID-19 cases, according to the report. The remaining respondents believed it is a result of all reasons mentioned above that led to a spike in unemployment in rural areas, it added.

Meanwhile, the report found that over 85 percent of respondents stated the manufacturing sector, which has been witnessing a slowdown, has been a major contributor to the rise in unemployment in the rural areas.

As factories and production are one of the major contributors of rural employment, and with the pandemic halting businesses, the manufacturing sector has majorly impacted rural unemployment compared to the service sector, it said.[30]

Solutions to the unemployment in India

1. The very first solution for the unemployment is to control the rising population of our country. Government should motivate people to have small families. Indian government has started initiatives to control the population but still the population is rising.
2. The quality of Indian education should be improved. The current education system is not upto the level. Government should keep a strict watch on the education system and try to implement new ways to generate skilled labour force. Government should select a committee to look after the schools and universities. The syllabus taught is of no use to the industries so the education should be as per the current requirements of the industries. Before completing the education a practical knowledge should be given.

3. Also today's youth should join the institute or select the course where proper training is given and the course is as per the current industries requirements. Take the course as per your interest and which will bright your future.
4. Government should encourage and develop the agriculture based industries in rural areas so that the rural candidates don't migrate to the urban areas. More employment should be generated in rural areas for the seasonal unemployment people.
5. Rapid Industrialization should be created.
6. Development of the rural areas will stop the migration of the rural people to the urban cities and this will not put more pressure on the urban city jobs.
7. Government should allow more foreign companies to open their unit in India, so that more employment opportunities will be available.[30]

References

1. Papola, TS (1 May 2014). An assessment of labour statistics system in India (PDF). Country office New Delhi: International Labour Organization, United Nations. Retrieved 9 November 2018.
2. ^ Abhishek Shaw (19 October 2013). "Employment Trends in India: An Overview of NSSO's 68th Round". *Economic and Political Weekly*. 48 (42): 23–25. JSTOR 23528568.
3. ^ NYAY works against jobs, Mahesh Vyas, *Business Standard* (1 April 2019); for its methodology see Unemployment, CMIE, Mumbai (2019)
4. ^ Vyas, Mahesh (2018). "Using Fast Frequency Household Survey Data to Estimate the Impact of Demonetisation on Employment". *Review of Market Integration*. PAGE Publications. 10 (3): 159–183. doi:10.1177/0974929218816586. S2CID 158873708.
5. ^ The jobs data mystery: Understanding India's big crisis in a fraught poll season, *The Economic Times* (10 April 2019)
6. ^ A Statistical Embarrassment, Surjit Bhalla, *The Indian Express* (April 13, 2019)
7. ^ Indira Hirway (2002). "Employment and Unemployment Situation in 1990s: How Good Are NSS Data?". *Economic and Political Weekly*. 37 (21): 2027–2036.
8. ^ Yoshifumi Usami; Vikas Rawal (2012). "Some Aspects of the Implementation of India's Employment Guarantee". *Review of Agrarian Studies*. 2 (2): 74–93.
9. ^ <https://www.cmie.com/>
10. ^ World Employment Social Outlook 2018, ILO United Nations, Geneva, pages 5-7, 40-41, 56-58
11. ^ NSSO survey faces an end, panel to opt for a more robust tool, *The Economic Times* (7 July 2017)
12. ^ Govt to conduct annual job survey, labour bureau study not realistic: Panagariya, *The Hindustan Times* (6 June 2017)
13. ^ Combating Youth Unemployment in India, Pravin Sinha (March 2013), Friedrich-Ebert-Stiftung, Berlin, Germany

14. ^ World Bank (2010), India's Employment Challenge – Creating Jobs, Helping Workers, New Delhi: Oxford University Press, ISBN 978-0-19-806351-3, page 3
15. ^ World Bank (2010), India's Employment Challenge – Creating Jobs, Helping Workers, New Delhi: Oxford University Press, ISBN 978-0-19-806351-3, page 8
16. ^ a World Bank (2010), India's Employment Challenge – Creating Jobs, Helping Workers, New Delhi: Oxford University Press, ISBN 978-0-19-806351-3, page 41-43
17. ^ Raj Krishna (1973). "Unemployment in India". *Economic and Political Weekly*. 8 (9): 475–484. JSTOR 4362385.
18. ^ K. P. Kannan and G. Raveendran (2009). "Growth Sans Employment: A Quarter Century of Jobless Growth in India's Organised Manufacturing". *Economic and Political Weekly*. 44 (10): 80–91. JSTOR 40278784.
19. ^ Verma, Rubina (2012). "Structural Transformation and Jobless Growth in the Indian Economy". In Chetan Ghate (ed.). *The Oxford Handbook of the Indian Economy*. Oxford University Press. doi:10.1093/oxfordhb/9780199734580.013.0010.
20. ^ Bhalotra, Sonia R. (1998). "The Puzzle of Jobless Growth in Indian Manufacturing". *Oxford Bulletin of Economics and Statistics*. Wiley. 60 (1): 5–32. Doi:10.1111/1468-0084.00084.
21. ^ Kambhampati, Uma S. (2002). "The software industry and development: the case of India". *Progress in Development Studies*. SAGE Publications. 2 (1): 23–45. Doi:10.1191/1464993402ps028ra. S2CID 154823616.
22. ^ K. V. Ramaswamy (2015). *Labour, Employment and Economic Growth: The Indian Experience*. Cambridge University Press. pp. 57–61, 71–76. ISBN 978-1-107-09680-6.
23. ^ Mukherjee, Soumyatanu (2014). "Liberalisation and Jobless Growth in Developing Economy" (PDF). *Journal of Economic Integration*. Center for Economic Integration. 29 (3): 450–469. doi:10.11130/jei.2014.29.3.450.
24. ^ A Sampling of Public Opinion in India: Optimism persists, but concerns about terrorism and Pakistan loom large, 2019 polls, Kat Devlin; Survey Results Kat Devlin and Courtney Johnson, Pew Research Center, Washington, DC (25 March 2019)
25. ^ "India's unemployment rate hit four-decade high of 6.1% in 2017-18, says NSSO survey". *BusinessToday.in*. 31 January 2019. Retrieved 14 March 2019.
26. ^ "By hiding unemployment data, the government will not help the economy - or itself". *The Telegraph*. Calcutta. 17 January 2019. Retrieved 20 February 2019.
27. ^ Unemployment in India: The real reason behind low employment numbers, *Financial Express*, Avik Sarkar (28 February 2019)
28. ^ Madan Sabnavis (31 January 2019). "NSSO data confirms India's jobs crisis: Unemployment at 45-year high of 6.1 percent, way out is to make economy grow". Retrieved 31 January 2019.
29. ^ Tandon, Rajguru. "India Needs 10 Million Jobs Per Annum Till 2030 To Counter Unemployment". *BW Businessworld*. Retrieved 25 February 2019.
30. ^ "Jobs data not finalised: Government after NSSO 'Report'". *The Economic Times*. 1 February 2019. Retrieved 14 March 2019.