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## PANDEMIC & ISSUES OF EMPLOYMENT

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### Abstract:

*In the initial years of development planning, unemployment was not considered as a major problem. It was assumed that reasonable growth rate and labour-intensive sectors would prevent any increase in unemployment. In the coming years the labour grew more rapidly than the increase in employment due to the structural changes. Demand of labour from other than agricultural sector lagged far behind labour supply in India. Today India is a young and vibrant nation with nearly 64 percent of its population in the working age group 15-59 years. The size of the working age population in India will continue to grow till 2050 as estimated by World Bank. It also states that from 2020 onwards, the population of the young will begin to decline in India. This window of demographic dividend has to be utilized with the help of dynamic policy making and its implementation.*

*The unemployment rate as estimated in Periodic Labour Force Survey (PLFS) for the years 2017-18 and 2018-19 is 6.1 per cent and 5.8 per cent respectively. In the age group of 15 years and above, unemployment rate for different level of education is, 14.4 percent (post graduate & above), 16.9 percent (graduate) and 17.2 percent (diploma & certificate course). These unemployment rates saw a surge due to the onset of novel coronavirus which struck India on 27<sup>th</sup> January, 2020. On 24 March 2020, there was a nationwide lockdown due the fear of spread of coronavirus. The impact of the lockdown was felt on our way of living, livelihoods and the economy. There is a dire need to revive the economy with effective monetary and fiscal policies and at the same time to take advantage of the window of opportunity. India needs to absorb as well as create educated and skilled workforce with the help of investment in human capital and by creating employment opportunities in non-agricultural sectors - industry and services.*

**JEL Classification:** J11, J20, J21, J24

**Keywords:** unemployment, education, demographic dividend

### INTRODUCTION:

India is a uniquely diversified nation which encompasses nearly 1.4 billion people and stands second in the world just behind People's Republic of China. India is witnessing the demographic transition with 64 percent of its population falling in the age brackets of 15-59 years and people falling in the age group 60 years & above merely account for less than 10 per cent. This transition can be fruitful for India only if this human capital is tapped correctly. There is a need to direct policies and schemes to increase the worker population ratio to transcend India towards the path of

growth and development. We have a huge responsibility in the coming years to direct this transition in the right manner with the help of collaboration of industrial and educational institutions.

The world was hit by SARS-Cov-2 (severe acute respiratory syndrome coronavirus 2) when China notified a new type of Coronavirus, on January 7, 2020. This disease brought everything to a halt and severely affected the economies around the world. India recorded its first positive case of COVID-19 in Kerala in January 2020. That was the beginning of the spread of Covid 19 in India which later transformed into a full-blown pandemic. Due to the infectious nature of this virus extreme measures were taken to control its spread. In this process almost all the economic activities were shackled due to the restriction on the movement of people.

Livelihood of people is affected all around the world, especially in India due to one of the world's strictest lockdown. This led to exponential descent in the employment status be it self-employed, regular wage/salaried employees or casual labour. The industrial and the service sector was worst hit due to its contact-sensitive nature. There is a dire need to pull India back on track and to inject the economy with various stimulus boosters.

#### **UNEMPLOYMENT AND ITS ASSESSMENT:**

Unemployment is a state wherein an individual has made the efforts to acquire a job but is not employed at the moment. It's important to note that this individual should be willing to work with the current working conditions and accepts remuneration put forward for the job. Unemployed and employed worker excluding the persons neither seeking or available for work comprises labour force of a country. Unemployment is an economic cost to a country in terms of poverty, inequality, physical & mental health, living standards, growth & development, political instability, et cetera. Employment data is crucial in indicating the economic growth and development of a country.

#### **Measurement:**

In India, employment data is collected by the Ministry of Labour and Employment in its annual Employment - Unemployment Survey and also by Ministry of Statistics and Programme Implementation in its Periodic Labour Force Survey (annually & quarterly). In collecting the employment data, three approaches are followed: usual status approach (ps+ss), current weekly status approach (CWS) and current daily status approach (CDS). These approaches follow either major time criterion or priority criterion that is the reference period of one year, one week or one day.

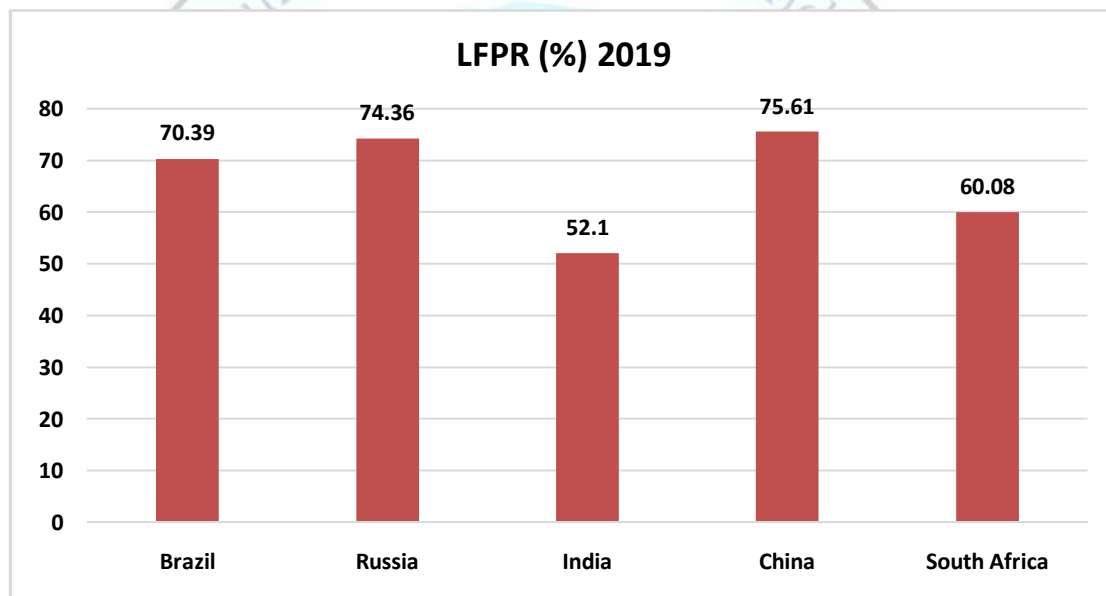
The method of measurement of employment has been questioned on various parameters. Firstly, the sample size taken for the collection of data is minuscule in contrast to the population of India. For example, in the Annual 2018-19 Periodic Labour Force Survey conducted by National Statistical Office, 1,01,579 households (55,812 rural and 45,767 urban) consisting 4,20,757 persons (2,39,817 rural and 1,80,940 urban) were surveyed. Can the result of this sample size represent the

whole population of India which is nearly 1.4 billion? Parameters such as quality of work and job, minimum income, productivity and the capacity to provide a standard of living to the population is missing in the currently conducted surveys. These parameters are imperative if a country is seeking to achieve economic growth as well as economic development.

### Employment Data Analysis:

Labour force of a country includes the workers who are employed as well as those who are seeking and willing to get employed. The Labour Force participation Rate (LFPR) refers to the percentage of labour force in the total population. Thus, it indicates the total percentage of working age population available to contribute towards the economic activities in various sectors. The importance of LFPR cannot be underrated as it forms the basis for making various policies and schemes targeted towards the current as well as projected supply of labour.

The following graph shows the comparison of Labour Force Participation in BRICS countries:

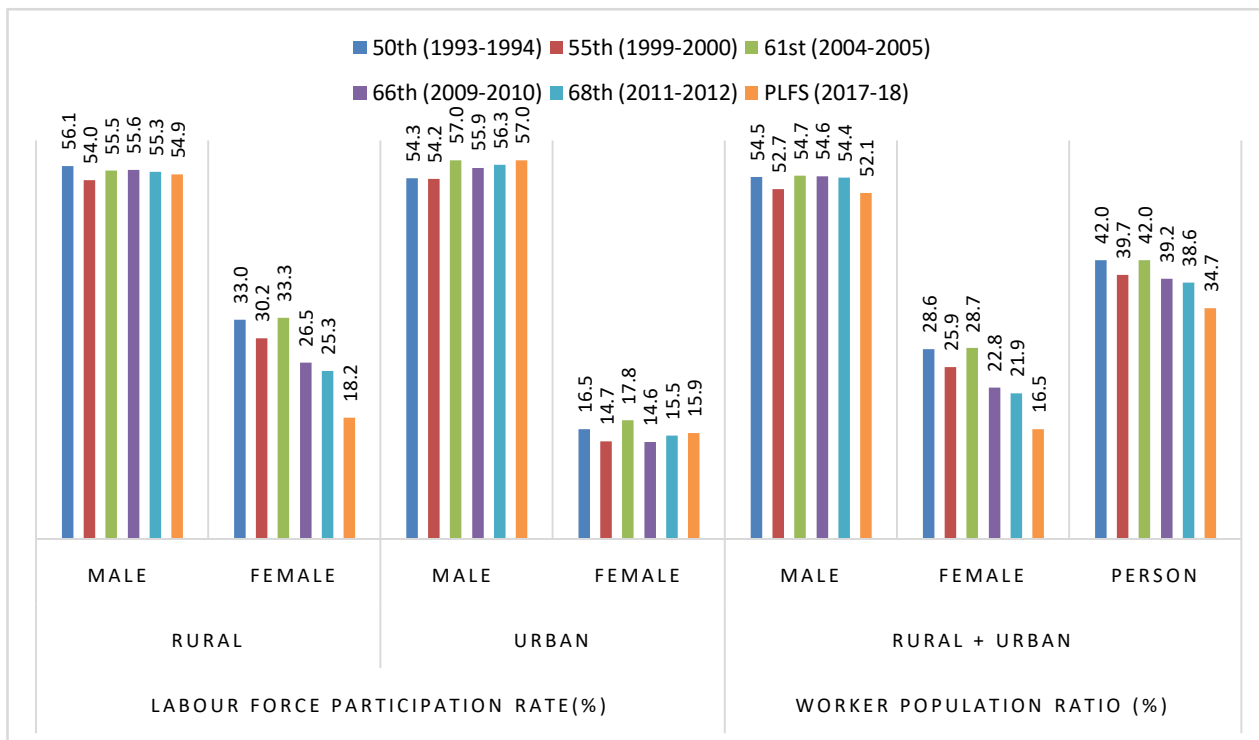


Source: (Data Commons, 2019)

India is witnessing a demographic transition which will enormously increase the labour force participation on the other hand China and Russia will face demographic ageing and the dependency ratio will increase in the coming years. The coming years are tremendously crucial to reap the benefit of demographic dividend and to lead India on the path of becoming a developed nation.

Worker Population Ratio (WPR) is another vital indicator to study about the total number of employed persons in a country. It is calculated by dividing number of employed persons by the total population. It represents the workers who are contributing towards the economic growth of a country by participating in various economic activities.

### Analyzing LFPR and WPR of India:

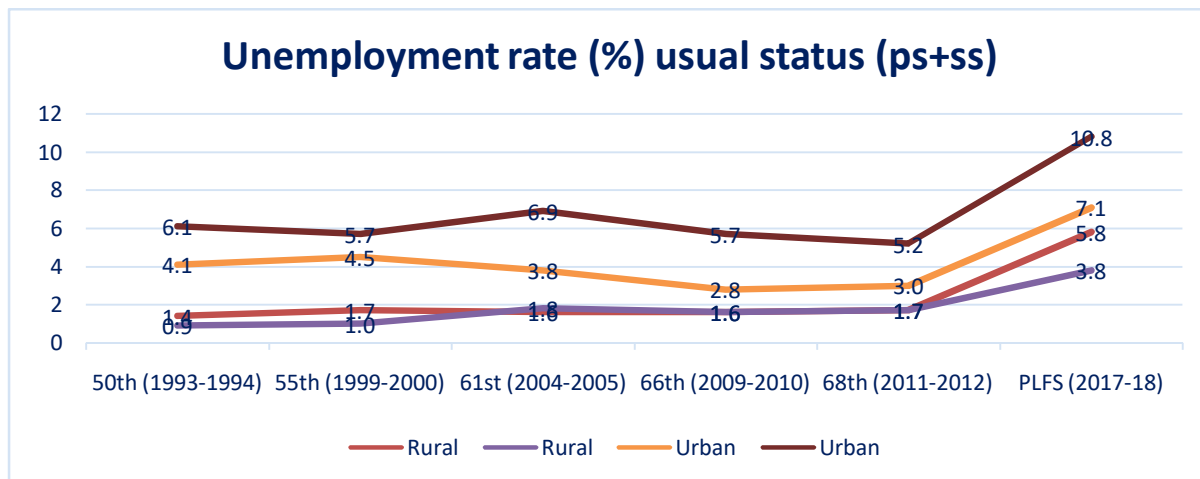


Source: Periodic Labour Force Survey, 2019, pg.51, 56

The above graph illustrates the Labour Force Participation Rate as well as Worker Population Ratio in India. These indicators represent the supply of labour (employed + unemployed) and the workers actually employed in the specified population. The graph prominently indicates the difference between male and female participation rate in the economy. Females in the rural areas participated better than the urban females, it can be due to their engagement in agriculture and allied activities. After 2004-05, there was a sharp decline in the rural & urban female participation rate, it can be seen especially in the rural women working in agriculture. Rural women are majorly engaged in agriculture and construction, whereas, urban women are engaged in manufacturing, trade, hotel & restaurant and other services. Male participation rate has also been stagnant and is marginally declining. Majority of the rural males are in agriculture and construction whereas Urban males are mainly in manufacturing, construction, trade, hotel & restaurant, transport, storage & communication & other services. Despite of declining fertility rates and high enrollment in education, low and declining participation rate of females is a cause of concern.

India opened its door to liberalization, globalization and privatization in 1990's, it was aimed at boosting the economy with foreign trade and investment. But in spite of output and investment boom, the growth of industrial and agriculture marginally increased and failed in creating and absorbing the labour force.

### Unemployment rate in India:



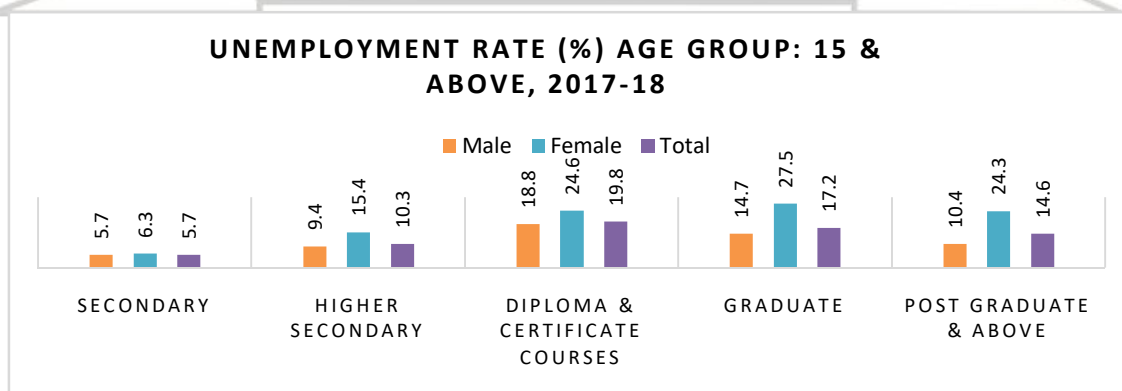
Source: Periodic Labour Force Survey, 2019, pg.83

Unemployment rate indicates the number of persons who are not engaged in any economic activity but are available for work. These persons are those who are included in labour force but are unable to find any work. The above graph shows the rising unemployment in rural, urban male & female. This rate implies that the above labour force failed to get an employment for even 30 days in the reference period of 365 days. Unemployment rate is the highest for the urban females, followed by urban males.

Male Labour force participation rate has remained dormant from 1993-2018, but the unemployment rate has increased many folds particularly in urban male at 7.1percent (2017-18) and rural male at 5.8 percent (2017-18). This clearly indicates loss of jobs and means of sustenance.

Despite the rising GDP growth rate year after year, such dismissal rate of unemployment is being faced. Is India facing jobless growth? There has been a severe decline in the job creation especially after 2005-08, it clearly indicates that various employment policies have failed to achieve its goal.

Another major cause of concern is that the unemployment rate is higher among the educated as compared to the uneducated. One of the major reasons is that younger population does not want to settle for an informal or low paying job.



Source: PLFS, 2017-18.

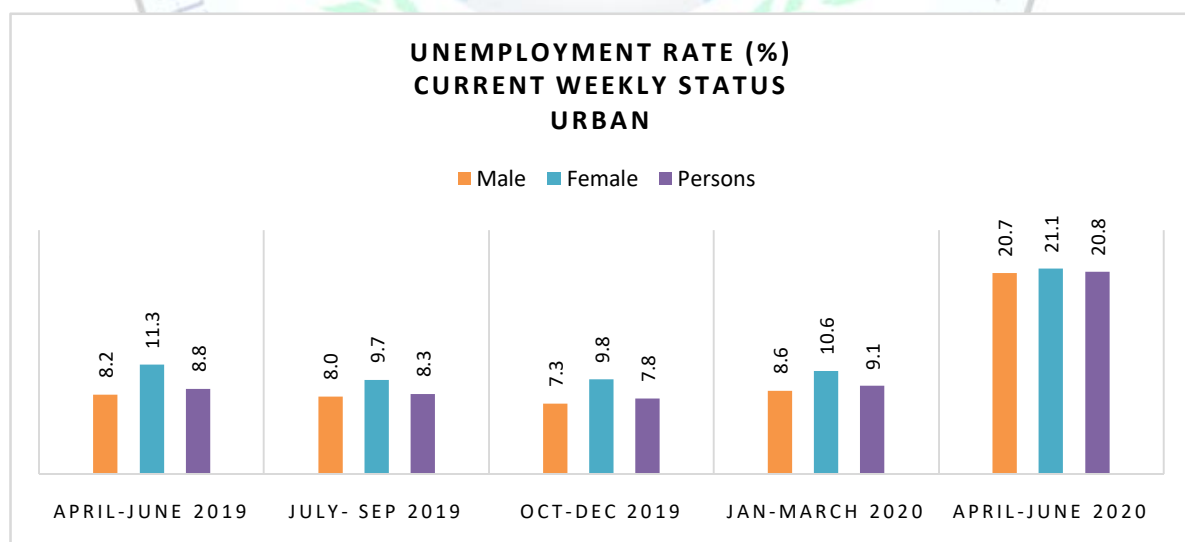
The above bar graph shows the unemployment rate in terms of level of education. Disturbingly the unemployment rate is higher in the higher levels of education besides the female unemployment rate is much higher than the male counterparts. Education plays the most vital role in the growth and development of an individual. A general aspiration of an educated person is to get a certain standard of living with a sense of job security. After looking at this data, a student might think twice before enrolling in a college. Low educational standards are another reason for the unemployment of the educated. The mismatch in the requirements of industrial and educational institutions puts the burden on the students and their job security.

Can we afford to ignore the consequences of this anomaly, the straight answer is no! The demand and supply of labour is highly mismatched mainly due to skill shortage and at the same time there is greater need to create and modernize jobs with more focus on training, internships and apprenticeships. The primary, secondary and the tertiary sector needs balanced growth and the capacity to absorb the young labourforce.

#### Main concerns:

1. Unemployment rate has increased for male & female population in both rural and urban areas particularly after 2011-12.
2. Female labour force participation rate and worker population ratio has remained low and is declining.
3. The urban unemployment is higher than the rural unemployment.
4. Anomaly of unemployment of the educated especially in female population.

#### Unemployment before & during Covid-19:



*Source: PLFS, APRIL-JUNE 2020.*

The labour force as illustrated in the above graph indicates that they did not get employment for even one hour on any day in a week. Covid-19 surfaced in India in January 2020, and its instant

effect can be seen in April-June 2020 data. In all the quarterly PLFS surveys, one thing that stands out is the unemployment in female population. The Industrial & manufacturing sector, wholesale & retail, real estate, construction, trade, hotel & tourism seems have been massively harmed on the employment front.

The pandemic has caused the loss of jobs in all age groups. The already declining unemployment rate has been given impetus due to the pandemic. The impact of complete lockdown and travel restrictions, one of the strictest in the world, was devastating both for the human beings and the economy. The above stated main concerns are likely to increase by many folds due to the pandemic. The need for government intervention is more than ever.

### **SUGGESTIONS:**

Education and employment go hand-in-hand in any economy. Education acts as an enabler for the economic growth & sustainable development of a country. It significantly contributes not only to the personal development of an individual but also in the quality of labour force, its productivity & performance and building of human capital. Providing quality education & job creation is the only remedy in solving the problem of unemployment, poverty and inequality. There is a need for productive policies directed towards creating a developmental curriculum in schools and college which will reform the labour force.

The foremost step in reforming education is the allocation of sufficient funds to education. The expenditure on education as a per cent of GDP is negligible in India. From 2014 to 2019, it was merely 2.8% of GDP, in 2019-20 it was increased to 3% and to 3.5% in 2020-21. A country where population in the age-group of 15-59 years is nearly 64%, can this little allocation help India walk the path of socio-economic development.

Increase in capital expenditure in education sector will help to improve the infrastructure in schools and colleges both in rural and urban areas. At the same time, teachers and instructors should be highly qualified who can teach the concepts beyond the books so that the transition from education to employment is productive. Schemes directing towards providing educational resources to economically weaker section free of cost should be tabled. Teacher Training programme should be held regularly and if possible, in partnership with developed & developing countries. Research should be promoted in various areas for both the students and the teachers. The importance of skill development and vocational training has been realized around the world for meeting the demand of labour market as well as for employment protection.

Balanced growth is essential in the primary, secondary and tertiary sectors to tackle the problems of joblessness, poverty and socio-economic inequality. Entrepreneurship education and inter-disciplinary research should be promoted in the educational institutions. This will enable the students to face the nature and realities of the real world. This requires support from Central & State

Government and universities to avoid the Malthusian nightmare.

Expansion and diversification in the industrial and manufacturing sector has lagged as compared to services sector in terms of output and employment. Industrial production and manufacturing are indeed capital-intensive industries but one cannot deny the employment absorption capacity it can create. The usual transition of a country from developing to developed nations has taken place from agriculture to industrial and then service sector. In case of India, transition has been straight from agriculture to service sector and the need for industrial revolution is long due.

The concept of minimum wages needs to change from mere sustenance to providing a sustainable standard of living. The aim should not be to protect from poverty and providing hand to mouth but to provide a better life and livelihood in the society. Strengthening of labour unions can a tool to maintain the wages, working conditions, social security, medical insurance & benefits through collective bargaining.

The impact of pandemic has been felt in all age groups and all economic activities. It has caused loss of jobs, halt in learning, training & development and reduced standard of living. Problems faced by the younger generation in their formative years cannot be put in numbers. Online learning and classes have helped a certain section to an extent but digital divide was felt by many. Heavy responsibility lies on the educational institutions to cater to these students and make them job ready. Practical learning in areas like behavioral science, finance, economics, commerce and general science should start in the formative stage of learning process. Technical and vocational skill development programme for all age groups should be promoted by the educational institutions, state and central government.

Public spending is required to boost the economy with liquidity injections. The circular flow of money needs to start which will create increase demand, consumption and investment. This will create a multiplier effect which in turn help the economy to jumpstart. The role of private sector cannot be ignored, tax relaxation and incentives should be provided by the government. Loan facility to MSME sector (Micro, Small & Medium industries) should be made available and provision tax holiday as well.

## **CONCLUSION:**

India holds a comparative advantage in the coming years, provided it is utilized. Focus should be on economic development of the people of India and not just sheer GDP growth rate. Balanced growth in primary, secondary and tertiary sector has to be achieved with special economic stimulus in education sector. Covid-19 has pulled the world economy aback but the with vaccination rolled out there is still hope for a faster recovery. The urgent requirement in India is to achieve full vaccination rate in India and walk towards the path of development.



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