

# The impact of Economic Slowdown on Unemployment

Remya R

Asst. Prof, Dept of Management, Kairalee Nikethan Golden Jubilee Degree College

**Abstract:** Unemployment is a negative phenomenon in any human society, as it adversely affect in different dimensions and directions. When someone loses a job, a family is affected. When many people lose their jobs, eventually the whole nation is affected. Workers lose income, while the country loses production and consumers spending. With such a strong impact, the unemployment rate is a key way to measure the state of the economy. This paper reviews that certain fundamental measures can be taken to revive the economic slowdown in India by raising the income levels of working population to boost growth. This paper is done on the basis of secondary data collected from various sources. Unemployment and poverty goes side by side. Young people after a long time of unemployment find the wrong way to earn money which causes social influence. **“India’s growth slow down set to deepen as consumers buckle”.**

**Keywords:** *Unemployment, Poverty, Capital-Intensives, Government, Human Capital.*

## I. INTRODUCTION

A man has to perform many roles in his life, the most curtail of which is that of an earning member. If a person refuses to work or fails to obtain work, he not only does not gain any status in the society but also suffer from several emotional and social problems. Unemployment occurs when a person is actively searching for employment, is unable to find work.

Unemployment is a major social issue in India. India had 31 million jobless people in the year 2018. The causes of high unemployment and under-employment in India is a subject of intense debate among scholars. A group of scholars state that it is a consequence of **"restrictive labour laws that create inflexibility in the labour market"**, while organized labour unions and another group of scholars contest this proposed rationale. India has about 250 labour regulations at central and state levels, and global manufacturing companies find the Indian labour laws to be excessively complex and restrictive compared to China and other economies that encourage manufacturing jobs. **According to the Economist** the Indian labour laws are inflexible and restrictive, and this in combination with its poor infrastructure is a cause of its unemployment situation.

Agriculture is the most labour absorbing sector of the economy. In recent years, there has been a decline in the dependence of population on agriculture partly because of disguised unemployment. Some of the surplus labour in agriculture has moved to either secondary or the tertiary sector. In the secondary sector, small scale manufacturing is the most labour absorbing. In case of the tertiary sector, various new services are now appearing like biotechnology, information technology and so on. The government has taken steps in these sectors for the disguised unemployed people in these methods.

There are multiple and complex causes behind youth unemployment. Among them, the quality and relevance of education, inflexible labour market and regulations, which in turn create a situation of assistance and dependency. This leads to lower economic roles when basic structural factors such as

lack of capital, use of capital intensive technologies, lack of access to land for agricultural house hold, lack of infrastructure, and long period of unemployment-workers can lose their skills causing a loss of human capital.

## II. REVIEW OF THE LITERATURE

Unemployment is a key economic indicator because it signals the inability of workers to readily obtain gainful work to contribute to the productive output of the economy. More unemployed workers mean less total economic production will take place than might have otherwise. And unlike idle capital, unemployed workers will still need to maintain at least subsistence consumption during their period of unemployment. This means the economy with high unemployment has lower output without a proportional decline in the need for basic consumption.

High, persistent unemployment can signal serious distress in an economy and it's no secret that entrepreneurs are pivotal to creating wealth and driving economic growth, innovation and employment. With the latest federal budget announcing that it will support small businesses, there has never been more support for entrepreneurs. Teaching children the skills to start, manage and operate their own businesses would be the first step in creating a more independent and driven generation of youth in India.

**“The RBI Annual Report”** also stated that it is difficult to disentangle the prevailing economic conditions from one another and diagnose whether the Indian economy is currently facing a soft patch, a cyclical downswing or a structural slowdown. It is indeed true that complex economic conditions can rarely be explained and defined in clear-cut terms but the fact of the matter is that the average Indian cares more about jobs and wages than the terminology used for describing the turmoil in the economy.

Rising unemployment and layoffs in certain sectors of the economy have not just created utter distress in the labour market but also shaken consumer confidence and choked demand. Rising unemployment is seen as a sign of a weak economy, with slow growth and little spending. That might cause action by the Federal Reserve, which has a mandate to help reduce unemployment, like increasing the nation's money supply, in order to boost the economy. On the other hand, if employment is rising and the economy is growing, that could cause fears of inflation and also could raise interest rate to slow down an overheating economy.

While internships can help lay the foundation for a career, unpaid placements can also leave interns embittered towards the concept of work. Interns must receive high standards of training and supervision, and organisations should offer some form of minimal pay to engage young adults.

In view of the growing problem of unemployment and under-employment prevailing in the country it is very difficult to make an estimate of the total number of unemployment in a country like India. As per the statement of the then Labour and Employment Minister in the Parliament, there was about 35

million unemployed person's in spite of 42.5 million new jobs created during 1951 and 1969.

Various agencies like **Planning Commission, CSO, and NSS etc.** could not provide any dependable estimate about the magnitude of unemployment in India. As per the estimates of unemployment made in the Five Year Plan the backlog of unemployment which was 5.3 million at the end of First Plan gradually increased to 7.1 million, 9.6 million and then to 23 million at the end of Second, Third and Three Annual Plans respectively.

The number of unemployed as percentage of total labour force which was 2.9 per cent at the end of the First Plan gradually increased to 9.6 per cent at the end of Annual Plans in 1969.

**The Committee of Experts on Unemployment under the Chairmanship of Mr. B. Bhagwat observed in its report (1973)** that total number of unemployed in 1971 was 18.7 million out of which 16.1 million unemployed were in rural areas and the rest 2.6 million existed in urban areas. Moreover, unemployment as percentage of total labour force was to the extent of 10.9 per cent in 1971 for the whole country.

**As per the Employment data**, the number of registered job seekers in India rose from 18.33 lakh in 1961 to 165.8 lakh in 1981 and then to 370.0 lakh at the end of March 1994. Total number of educated job seekers has also increased from 5.90 lakh in 1961 to 230.0 lakh in the end of March 1994, which constituted nearly 62 per cent of the total job seekers of the country.

At the end of January 1996, total number of registered job seekers in India was 368.9 lakh. As on 1st April, 1997, total number of unemployed persons in India was 7.5 million. **The International Labour Organisation (ILO) report World Employment 1995 observed** that 22 per cent of all male workers in India are underemployed or unemployed and the figure is rising. The employment in the modern sector in India grew only by 1.6 per cent per annum in 1980s, Underemployment in the rural areas also remained high.

### Measures to reduce youth unemployment

- Care must be taken to avoid promotion of welfare as a viable alternative to work. Youth allowances can set a dangerous precedent by encouraging the view that welfare is a necessity to fund their lifestyle. There needs to be a review of the length of time that young job seekers can claim unemployment benefits, or at least ensure that they are exploring all avenues for work.
- Career advisers at schools should be meeting students earlier on in their schooling to tap into their skills and help steer them on a career path. Students need to be provided with a sense of direction regarding career pathways and be made aware of the vast opportunities out there for them.
- There needs to be an increase in work experience opportunities for students across a variety of industries. Students should engage in a number of different workplace environments to get a real feel of what the workforce will be like. This will broaden their minds on the opportunities available and help provide them with a well-rounded sense of direction for their career path.
- Production technique should suit the needs and means of the country. It is essential that labour intensive

technology should be encouraged in place of capital intensive technology.

- The growth of population should be checked in order to solve unemployment, problem. Family planning programme should be implemented widely and effectively.
- The main objective of county's employment policy should be to increase employment opportunities and productivity of labour. Govt. should adopt a policy that provides employment to all people.

Most people in India are self-employed. They are engaged in agriculture, trade, cottage and small scale industries etc. These persons should be helped financially, providing raw materials and technical training. Seasonal unemployment is found in agriculture sector and agro based industries. **To remove this** agriculture should have multiple cropping, Plantations, horticulture, dairying and animal husbandry should be encouraged, and Cottage industries should be encouraged.

In five year plans more importance should be given to employment. The programmes like irrigation, roads, flood control, power, agriculture, rural electrification can provide better employment to people. Rate of capital formation in the country should be accelerated. Capital formation should be particularly encouraged in such activities which generate greater employment opportunities. Capital output ratio should be kept low.

Decentralisation of Industrial activity is necessary to reduce unemployment. If industrial activities are centralised at one place, there will be less employment opportunities in the under developed areas. So Govt. should adopt such policies which encourage decentralisation of industrial activity.

Industries in co-operative sector should be encouraged. **Kerala Govt.** set up a textile mill covering 600 unemployed persons on co-operative basis. This is a novel approach to fight against unemployment. Different State Govt. should take necessary steps in this direction.

Educational pattern should be completely changed. Students who have liking for higher studies should be admitted in colleges and universities. Emphasis should be given on vocational education. Qualified engineers should start their own small units. More employment exchanges should be opened. Information regarding employment opportunities should be given to people.

### III. NEED FOR THE STUDY

Creating new jobs is a crucial tasks and plays an important role in the economy. Drop in the financial market hits job market and creates unemployment. India has the largest population of youth in the world with about 66% of the population under the age of 35, so impact of declining financial market is worst in India. Though education level in the recent years has increased but skilled development is still a crucial issue.

Moreover, poverty, limited access to skill based education, work experience are some of the major factors that lead to unemployment and underemployment. Investors also use current unemployment statistics to look at which sectors are losing jobs faster. They can then determine which sector-specific mutual funds to sell. Unemployment negatively impacts the federal government's ability to generate income and also tends to reduce economic activity. When unemployment is high, fewer people are paying taxes to the government to help it run.

#### IV. OBJECTIVES OF THE STUDY

- 1) Encourage entrepreneurship
- 2) To consider the value of unpaid internships
- 3) To evaluate the distribution of welfare
- 4) To provide fair opportunities for youths who are facing unfavourable circumstances.
- 5) The rationale behind the high unemployment will impact the rise in education and household income, aspiration levels of educated youth have also raised.

#### *Suggestions*

- Change in industrial technique
- Policy regarding seasonal unemployment must be considered.
- Change in education system.
- More diversification of employment exchanges.
- Support from government assistance to self-employed people.
- Increase in productive employment.
- Increase in production.
- To increase the capital formation rate.
- Concentrating on employment programmes.
- Control the population growth.
- Decentralisation of industrial activity.

#### CONCLUSION

Unemployment is a serious and an important challenge which need to be looked and removed from the country. Government should implement job opportunities for the young youth who are willing to work. Educated youth is facing so many problems in find jobs and in starting their job career. The situation is serious because majority of the fresh graduates are not accepted in job market because the demand of experienced segments is high as compared to the fresh ones. It creates negative impact to unemployed as they are jobless and suffer from worse prospects to find new job and those who are employed feel less secure to keep their jobs in future due to unexpected circumstances of the economy.

There should be more job opportunities in the rural areas too and a system of giving opportunity of interview. Courses

should be arranged for the youth to motivate even if they aren't employed. On the other hand job opportunities are too low due to the over population and lack of resources, wages are also low.

Hence, the majority of the segments don't accept low wages and long working hours but most of them are having problems to get job even on less pay.

#### *References*

- [1] R. Ahuja, social problems in India (Rawat publications, Second Edition)
- [2] C.R Kothari, Research Methodology, Methods and Techniques (New age International Publishers, Second Edition, 2004)
- [3] <https://www.quora.com/Higher-Education/what-causes-high-unemployment-rate-among-Indian-graduates>
- [4] <http://nptl.ac.in/course/109103022/11>
- [5] [http://www.academia.edu/5579970/Unemployment Problems Amongst Graduates Of Higher Institutions](http://www.academia.edu/5579970/Unemployment-Problems_Amongst_Graduates_Of_Higher_Institutions)
- [6] <http://www.beeblog.in/2015/01/general-solutions-for-unemployment-in.html>
- [7] <http://www.beeblog.in/2015/01/unemployment-at-different-levels.html>
- [8] [https://en.wikipedia.org/wiki/Unemployment\\_in\\_India](https://en.wikipedia.org/wiki/Unemployment_in_India)
- [9] <https://www.livemint.com/opinion/columns/opinion-the-seriousness-of-the-problemof-unemployment-in-india-1564679281965.html>
- [10] <https://shodhganga.inflibnet.ac.in/bitstream/10603/70453/13/reference.pdf>
- [11] <http://www.economicdiscussion.net/essays/unemployment-essays/essay-on-unemployment-in-india/17631>
- [12] Abraham R. A. & Kumar, K. S. K. (2008). Multidimensional Poverty and Vulnerability, Economic and Political weekly, 43(20).
- [13] Bhasin, R. (2001). Urban Poverty and Urbanisation. Deep and Deep Publications. New Delhi.
- [14] Baster, N. (1972). Development Indicators-an Introduction, Journal of Development Studies, 8(3).
- [15] Basu, K. & Maertens, A. (2010). The Concise Oxford Companion to Economics in India. Oxford University Press, New Delhi.