

## Government Initiatives for Employment Generation

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### ABSTRACT

India's unique growth trajectory, where the service sector has bypassed manufacturing, poses significant employment challenges. This paper examines unemployment in India, using National Sample Survey Organization (NSSO) definitions and data. Unemployment is defined as a situation where a person capable of working does not find employment at the existing wage rate. NSSO's three measures of estimating unemployment - usual status, weekly status, and current/daily status - provide a comprehensive picture. The Periodic Labour Force Survey (PLFS) 2017-18 reports a four-decade high unemployment rate of 6.1%, with urban areas at 7.8% and rural areas at 5.3%. The labor force participation rate has also declined. We analyze the government's initiatives to reduce unemployment over the last five years and explore new emerging areas of employment. Our study highlights the need for policy interventions to address India's unemployment challenges and promote inclusive economic growth.

**Keywords:** employment, growth, agriculture, gdp

## I. INTRODUCTION

Since, India is a labor abundant country so it is always desirable to absorb surplus labor in the growth process. Employment generation and rapid economic growth are two important policy issues for developing countries like India. The growth in any economy follows a certain path i.e. firstly the agriculture sector grows, then manufacturing sector and lastly the tertiary sector. Agriculture is the biggest employer in the primary stage of agriculture, later on labor shifts to the manufacturing sector as stated by Arthur Lewis. Manufacturing sector absorbs both skilled and unskilled labor. Lastly the tertiary comes forth to employ the skilled workforce. India's growth process has been somewhat different from the ideal one. In India Manufacturing sector has not grown at the stipulated rate; rather, it has been bypassed by the service sector. The service sector is unable to employ unskilled labor. The following table shows the share of different sectors in India's GDP:

Sectors	Share in GDP 2018-2019
Agriculture	15.87%
Manufacturing	29.73%
Service	54.4%

The present paper focuses on

- What is NSSO definition of unemployment
- What are NSSO data regarding unemployment
- What are the steps taken by the government to reduce unemployment in last five years
- New emerging areas of employment

**Defining Unemployment:** Unemployment is defined as a situation in which a person is capable of working both physically and mentally at the existing wage rate but does not get a job to work. NSSO (National Sample Survey Organization) developed three measures of estimating unemployment-

**Usual Status of Unemployment-** It is also known as open employment or chronic employment. The persons considered unemployed who had no gainful work during the 365 days preceding the day of survey and are seeking or are available for work.

**Weekly Status of Unemployment-** A person is said to be unemployed if he is not able to work even for a day during that week.

**Current/Daily Status of Unemployment-** If a person works for four hours or more during a day he is considered as employed for the whole day. The daily status of unemployment is considered to be a comprehensive measure of unemployment.

## II. UNEMPLOYMENT ESTIMATES OF NSSO

NSSO reports come once every five years (quinquennial basis). Last report of NSSO came in 2011-12 (68<sup>th</sup> round) and there was no report between 2012 and 2017. A new survey was initiated in 2017-18. In fact NSSO prepared a report on unemployment in the form of **Periodic Labour Force Survey (PLFS)**. This was the first comprehensive survey on unemployment after the 2016 demonetisation of large bank notes. PLFS is the first annual household survey of NSSO, conducted for July 2017 to June 2018. The report states that the usual status unemployment rate in India is a four decade high at 6.1% in 2017-18, 7.8% in urban areas and 5.3% in rural areas. Also, more people are withdrawing from the work-force as the labor force participation rate has also lowered.

According to an NSSO report unemployment has increased three times from 2011-12 to 2017-18. During the same period unemployment among the rural man has increased from 5 % to 17.4% and unemployment among the urban people has increased from 8.1% to 18.7%. There is a huge jump of joblessness from 2.2% in 2011-12 to 6.1% in 2017-18.

NSSO, Ministry of Statistics and Programme Implementation released the report titled “Key Indicators of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India” based on the information collected under 73<sup>rd</sup> round of its survey conducted during July 2015 to June 2016. Main findings of the survey revealed that about 11.3 crore workers were engaged in unincorporated non-agricultural enterprises (excluding construction) in the country during 2015-16.

**Percentage of Workers Engaged in Various Sectors (2015-16)**

Sectors	% of workers engaged
Trading	34.8%
Manufacturing	32.4%
Other Services(Banking, IT,ITES etc)	32.8%

Source: NSSO 73<sup>rd</sup> Round Report

Among the total number of workers estimated, 55% worked in urban areas and 45% worked in rural areas. From the above table it is clear that the manufacturing sector (which is considered to be the biggest employer) is creating only 32.4% of employment in unincorporated areas, it is a main lacuna of our growth process.

## III. STEPS TAKEN BY THE GOVERNMENT FOR EMPLOYMENT GENERATION

Government has taken various steps for generating employment in the country like encouraging the private sector of the economy, substantial expenditure on schemes like the Prime Minister’s Employment Generation Programme run by the Ministry of Micro, Small & Medium Enterprises, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA). In the last five years, the Government has formulated employment policies which have focused on self-employment, skill development, incentivizing employers to facilitate employment generation and promotion of export oriented manufacturing. Following are the programs initiated by Government to remove unemployment among the workforce:

Scheme/Programme	Starting date	Purpose
1. Skill India Mission	28 <sup>th</sup> August 2014	Skill Development in Youth
2. Make in India	28 <sup>th</sup> September 2014	Promoting manufacturing sector in India
3. PM MUDRA Yojana	8 April 2015	Loan to small businessmen from 50 thousand to 10 lakh
4. Start-up India	16 January 2016	To promote new enterprises

**Skill India Mission :** This campaign was launched with the objective to train over 40 crores people in India in different skills by 2022. It aims to provide employment for the youth by enabling them to undertake viable economic activities in the areas of textile, horticulture, fishing, and so on. Under Skill India Mission, Ministry of Skill Development and Entrepreneurship is implementing a flagship scheme known as Pradhanmantri Kaushal Vikas Yojana (PMKVY) 2016-20 with an objective to

provide skilling to one crore people under Short Term Training (STT), Recognition of Prior Learning (RPL) and Special Project (SP) with an outlay of Rs.12000 crore. Under PMKVY 2016-20 as on January 24, 2019 approximately 37.32 lakh candidates have been trained and out of these candidates 10.64 lakh candidates have been placed in various sectors across the country.

**The Make in India Initiative:** It was launched with the objective of job creation and skill enhancement in 25 sectors of the economy. The main focus was on to transform India in to a global design and manufacturing hub. The scheme focuses on the following 25 sectors of the economy: Automobiles (General Motors, Kia Motors and so on), Automobile Components, Aviation, Biotechnology, Chemicals, Construction, Defence Manufacturing, Defence Exports, Electronic Systems, Electrical Machinery, Food Processing, Agriculture Export, Information Technology, Leather Industry, Media and Entertainment, Mining, Oil and Gas, Pharmaceuticals, Ports and Shipping, Railways (e.g.Train 18), Renewable Energy, Roads and Highways, Space and Astronomy (Chandrayaan2 by ISRO), Thermal Power, Textiles and Garments, Tourism and Hospitality, Wellness and Healthcare (e.g.Patanjali group). The total employment generated in the Make in India sectors was 39.66 million in 2004-05 which increased by 164% to 104.89 million in 2011-12, mainly due to the big jump in the construction sector. The employment created in the Make in India sectors as a proportion of total employment was 8.6% in 2004-05 and 22% in 2011-12. **Although it is too early to assess the impact of Make in India initiative on employment.** The initiative is expected to create 100 million more new jobs in India by 2022. This programme aims to eliminate unnecessary regulations, shorten bureaucratic processes, upgrade infrastructure and open up new sectors to FDI.

**MUDRA (Micro Unit Development and Refinance Agency):** Pradhan Mantri Mudra Yojana (PMMY) has been initiated by Government for facilitating self-employment. Under this scheme loans are provided in three categories- up to 50,000 is given under sub-scheme 'Shishu', between Rs.50,00 and 5 lakh under the sub-scheme 'Kishore', and between 5 lakh and Rs 10 lakh under sub-scheme 'Tarun'.

Under PMMY collateral free loans upto Rs. 10 lakh, are extended to small/micro business enterprises and to individuals to enable them to setup or expand their business activities. Till 25<sup>th</sup> January, 2019, total 15.59 crore loans have been sanctioned under the scheme. According to a RTI (received on 8<sup>th</sup> July 2018), a majority of such loans, around 93 percent, fell in the lowest category of Rs.50,000 i.e. 'Shishu' category. According to the economist, Ajit Ranade, "Such micro loans are only useful for small businesses like single cattle dairy farmers or some "Thelawala", but it will not be sufficient to create substantial employment" (Business Today August 13,2018).

**Start-up Initiative:** This initiative has been taken with the dream to encourage the firms which are already in business, but due to scarcity of funds and facilities are not able to expand their business. A 'Start-up is defined as an entity that is located in India, which was opened less than 10 years ago and has an annual turnover less than Rs.100 crore. Besides, an entity shall be considered a start up if it is working towards innovation, development or improvement of products, or if it has a business model with high potential of employment generation. Under the start up initiative, eligible companies can get recognized as startups by Department for Promotion of Industry and Internal Trade (DPIIT), in order to access host of tax benefits, easier compliance, IPR (Intellectual Property Rights, Patent) fast tracking and more. The Start-up initiative was aimed to attract entrepreneurs to expand their business, increase their foreign exchange earnings in the long run and create more jobs. Startups are given income tax exemption for 3 years. Start-ups are given legal support in patent filing, they get 80% rebate in the expense of filing of patents. According to report, till January 2019, 6398 start up applications have been received, out of them 4127 start ups have been recognized. 1900 start ups have been eligible for tax exemption.

In fact this start up initiative has given boost to young entrepreneurs to materialize their dream projects into action. According to **Nasscom** report, "Startups are expected to create 250,000 jobs in India by 2020, up from 80,000 in 2017".

**Evaluation of Unemployment Pattern in India:** There has been jobless growth as revealed by report of 68<sup>th</sup> round of NSSO. The data showed that just 2.7 million jobs were created in five year period between 2004-05 and 2009-10, despite 8% growth in GDP. Some economist accepted the weak linkage between job creation and growth. The reason behind is that growth is based on capital intensive technology, which is substituting capital for labour.

Unemployment rate is much higher among young age people, particularly of highly educated people. With rise in education, the profile of new job seekers is varying. Besides, being highly educated their aspirations about the nature of work and remuneration is also getting high. In the absence of sufficient incentives. They are reluctant to be a part of labour force.

The unemployment rate for women had historically tended to be higher than the unemployment rate for men, perhaps reflecting the historical pattern that women were seen as secondary.

The education system in India is not such as creating skills in the youth to be suited for the employers' need. India is spending 2.7% of its GDP on education, but there is a lack of academic-industry linkage. Government should reorient the education system to be more employment friendly and adopt vocational training programmes. Better university-academic interaction or collaboration can make education more relevant. Government's initiatives such as Skill India, Start-ups etc are the steps to generate self employment opportunities. Enhancing digital literacy and strongly supporting the IT sector can help in job creation.

#### IV. NEW THRUST AREAS FOR EMPLOYMENT GENERATION

In the last five years, government has initiated many employment generating schemes mentioned above. However, factors such as declining growth of private of private consumption, slow increase in fixed investment and muted exports have contributed in the employment slowdown. Creation of new job opportunities is in the priority of government. In this line, India needs its manufacturing engine to fire. The World Bank's South Asia Economic Focus Spring 2018 Report stated that between 2015-25, India's working age population (those above the age of 16) is expanding by 1.3 million a month, India needs to create millions of job a year. Below are some thrust areas which can be relied upon for employment generation:

**Micro, Small and Medium Enterprises (MSME):** SMEs can be the biggest employer in Rural India. A fund can be set up for micro entrepreneurs in rural areas and thereby it can be monitored on how many micro enterprises are being set up.

In the same line, farm sector revival is of utter importance. Use of technology to boost up production, Co-operative farming, food processing industries and logistic industry are the new thrust areas in less skilled areas.

There is a need for facilitating farmers with personalized knowledge by village level agri-business entrepreneurs. Farmers' must be trained in new innovation skills related to crop production.

**Healthcare:** Healthcare comprises hospitals, medical devices, clinical trials, telemedicine, medical tourism, health insurance. Healthcare has emerged as emerged as one India's largest sectors- both in terms of revenue and employment. With supportive government policies, one lakh jobs are expected to be created from Ayushman Bharat, the National Health Protection Scheme. Increased incidence such as heart disease, obesity and diabetes are resulting in an increase in hospitalization, hence there is an increase in hospital jobs and demand for medical practitioners. In future, the government's push to improve affordable healthcare, establish new institutes and medical education will definitely play a pivotal role in growth of industry, as well as employment in this sector.

**E-Commerce:** It is also a new thrust area with large employment opportunities. E-commerce companies like Flipkart, Amazon, Snapdeal, Myntra and many more are creating new avenues for skilled workforce.

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