

UNEMPLOYMENT IN INDIA: AN OVERVIEW OF CAUSES AND CONSEQUENCES

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ABSTRACT

Unemployment is one of the most serious socio-economic problems faced by India. Despite achieving considerable economic growth, the country continues to struggle with providing adequate employment opportunities to its rapidly growing population. Unemployment not only affects economic development but also leads to several social and psychological problems. This paper aims to study the major causes of unemployment in India and analyze its economic and social consequences. The study is based on secondary data collected from books, journals, government reports, and published articles. The paper finds that population growth, slow industrial growth, mismatch between education and employment, and technological changes are major contributors to unemployment. The consequences include poverty, inequality, social unrest, and reduced economic growth. The study concludes that effective policy measures, skill development, and inclusive growth are essential to reduce unemployment in India.

Keywords: Unemployment, Economic Growth, Poverty, Employment, India

1. INTRODUCTION

Unemployment refers to a situation in which people who are willing and able to work at prevailing wage rates are unable to find employment. In a developing country like India, unemployment has been a persistent problem for decades. Although India has witnessed rapid economic growth in recent years, job creation has not kept pace with the growth of the labor force. The problem of unemployment is more severe among youth, educated individuals, and in rural areas. Unemployment not only affects individuals but also hampers national development. Therefore, a detailed study of the causes and consequences of unemployment in India is highly relevant.

2. OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To understand the concept of unemployment in India
2. To analyze the major causes of unemployment
3. To examine the economic and social consequences of unemployment
4. To suggest measures to reduce unemployment in India

3. REVIEW OF LITERATURE

Several economists and researchers have studied the issue of unemployment in India. According to the Planning Commission, unemployment in India is mainly structural in nature. Todaro (2015) highlighted that population growth and rural-urban migration significantly contribute to unemployment. Datt and Sundaram emphasized the role of slow industrial growth and underemployment in the agricultural sector. Recent studies point out

that educated unemployment has increased due to a mismatch between education and market requirements. The existing literature shows that unemployment is a multidimensional problem requiring comprehensive solutions.

4. RESEARCH METHODOLOGY

The present study is based on **secondary data**. Data have been collected from:

- Government reports
- Economic surveys
- Journals and research articles
- Books and online academic sources

The study follows a **descriptive and analytical method** to examine the causes and consequences of unemployment in India.

5. CAUSES OF UNEMPLOYMENT IN INDIA

5.1 Rapid Population Growth

India's population is growing at a faster rate than employment opportunities. This puts pressure on the labor market and leads to widespread unemployment. India's population has grown rapidly over recent decades, from 1.24 billion in 2010 to an estimated 1.45 billion by 2025. Despite falling growth rates (from over 1.1% in 2018 to about 0.9% in 2025), the absolute increase adds millions of new entrants to the labor force each year. This rapid demographic expansion places pressure on job creation, as the economy must generate enough employment opportunities to absorb a growing workforce."

5.2 Dependence on Agriculture

A large portion of the population depends on agriculture, which is seasonal and offers limited employment opportunities, resulting in disguised unemployment. India's agricultural sector continues to be a major source of employment, with around 46% of the workforce engaged in agriculture and allied activities. However, this large share of labour contributes only about 17–18% of the country's GDP. This mismatch indicates that agriculture has low labour productivity compared to industrial and service sectors. Historically, the share of employment in agriculture has fallen slowly, but it still remains high relative to its economic output, leading to underemployment and disguised unemployment in rural areas. Structural transformation towards more productive sectors is essential for reducing unemployment and improving incomes.

5.3 Slow Industrial Growth

Industrial growth in India has been relatively slow and insufficient to absorb the rapidly growing labour force. The manufacturing sector contributes only about 15–16% of GDP and employs a limited share of the workforce. Labour-intensive industries have not expanded adequately due to infrastructure bottlenecks, high production costs, and global competition. Moreover, increasing automation and capital-intensive production methods have reduced employment generation. As a result, the industrial sector has failed to provide large-scale employment opportunities, leading to persistent unemployment and underemployment in the economy.

5.4 Defective Education System

The Indian education system suffers from several structural weaknesses that contribute to unemployment. The excessive focus on theoretical learning, lack of vocational and skill-based education, and poor alignment with industry requirements have resulted in widespread educated unemployment. Although the number of graduates has increased rapidly, employment opportunities have not grown at the same pace. Inadequate quality of education and neglect of entrepreneurship further worsen the problem. Therefore, reforming the education system to emphasize skills, practical training, and employability is essential for reducing unemployment in India.

5.5 Technological Changes

Technological change refers to the adoption of modern machinery, automation, digital technologies, and artificial intelligence in the production

5.6 Rural–Urban Migration

Rural–urban migration has increased significantly in India due to lack of employment opportunities and low incomes in rural areas. Census and labour survey data show that a large share of urban population growth is driven by migration. However, urban areas have failed to generate sufficient employment to absorb the growing labour force. As a result, urban unemployment and informal employment have increased, particularly among migrant workers. Rural–urban migration thus contributes to the problem of unemployment by intensifying competition for limited urban jobs rather than reducing rural joblessness.

6. CONSEQUENCES OF UNEMPLOYMENT

6.1 Poverty

Unemployment is a major cause of poverty, as unemployed individuals lack a stable source of income.

6.2 Income Inequality

Unemployment widens the gap between rich and poor, leading to unequal distribution of income.

6.3 Social Problems

Unemployment leads to social issues such as crime, frustration, alcoholism, and family problems.

6.4 Economic Loss

The economy suffers due to underutilization of human resources, resulting in lower national income.

6.5 Psychological Impact

Long-term unemployment affects mental health, leading to stress, depression, and loss of self-esteem.

7. FINDINGS OF THE STUDY

- Unemployment remains a serious challenge in India despite economic growth
- Structural and educated unemployment are prominent
- Lack of skill-based education worsens the problem

- Unemployment has serious economic and social consequences

8. SUGGESTIONS

1. Promote skill-based and vocational education
2. Encourage labor-intensive industries
3. Strengthen rural employment programs
4. Support MSMEs and startups
5. Improve quality of education and training
6. Implement effective population control measures

9. CONCLUSION

Unemployment in India is a complex and multidimensional problem. It affects not only economic growth but also social stability and individual well-being. Addressing unemployment requires coordinated efforts from the government, educational institutions, and the private sector. By promoting inclusive growth, skill development, and employment-oriented policies, India can effectively reduce unemployment and achieve sustainable development.

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