



Indian Economy

Unemployment Rate in Urban Areas

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Why in News?

The Periodic Labour Force Survey (PLFS), conducted by the National Sample Survey Office (NSSO), recently released data for July-September 2023, shedding light on India's unemployment rate in urban areas.

What are the Major Highlights of the Recent PLFS?

- **Urban Unemployment Rate:** The unemployment rate in urban areas showcased a decline from **7.2% (July–September 2022)** to **6.6% (July–September 2023)**.
 - **Male:** Decreased from 6.6% to 6% in the given time period.
 - **Female:** Witnessed a more positive trend, marking a decrease from **9.4% to 8.6%** in the given time period .
- **Worker-Population Ratio:** The **worker population ratio**, percentage of employed persons in the population, in urban areas

increased from **44.5% in July-September, 2022 to 46% in July-September, 2023** for persons of age 15 years and above.

- **Male:** Increased from 68.6% to 69.4% during the given time period.
- **Female:** Increased from 19.7% to 21.9% during the given time period.
- **Labour Force Participation Rate:** The LFPR in urban areas increased from **47.9% in July-September, 2022 to 49.3% in July-September, 2023**
 - **Male:** Saw a marginal uptick from **73.4% to 73.8% during this period.**
 - **Female:** Exhibited a more **substantial increase from 21.7% to 24.0%.**

What is the Periodic Labour Force Survey?

- **About:**
 - Considering the importance of availability of labour force data at more frequent time intervals, **NSSO** launched **Periodic Labour Force Survey** in April 2017.
 - PLFS defines unemployment rate as the percentage of persons unemployed among the persons in the **labour force.**
- **Objective of PLFS:**
 - To estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, **Unemployment Rate**) in the short time interval of three months for the urban areas only in the '**Current Weekly Status**' (**CWS**).
 - To estimate employment and unemployment indicators in both '**Usual Status**' and **CWS in both rural and urban areas annually.**

What are the Related Key Terms?

- **Labour Force Participation Rate (LFPR):** It represents the **percentage of people aged 15 and above** who are either employed or unemployed but actively seeking work.
- **Worker Population Ratio (WPR):** This measures the percentage of employed individuals within the total population.
- **Unemployment Rate (UR):** It indicates the percentage of unemployed persons among those in the labour force.
- **Regarding Activity Status:**
 - **Principal Activity Status (PS):** The primary activity a person engaged in for a substantial period (during 365 days preceding the survey).
 - **Subsidiary Economic Activity Status (SS):** Additional economic activities performed, apart from the usual primary activity, for at least 30 days in the 365-day period before the survey.
 - **Current Weekly Status (CWS):** This status reflects a person's activities during the immediate past 7 days before the survey date.

What are the Major Issues Related to Unemployment in Urban Areas?

- **Structural Unemployment:** Urban areas often face a disparity between the skills possessed by the workforce and the skills **demanded by industries**.
 - The education system does not **align with the needs of the job market**, leading to a surplus of unskilled or under-skilled workers.
 - **Rapid technological advancements and changes in the economy** have led to the decline of traditional industries, resulting in job losses for many urban workers who lack the necessary skills for emerging sectors.
- **Informal Sector Dominance:** A significant portion of the **urban population is employed in the informal sector**, characterized by **low pay, job insecurity, and lack of social security benefits**.

- This sector often experiences seasonal fluctuations, leading to inconsistent employment opportunities.
- Many workers are **forced to accept jobs that are below their skill levels due to the scarcity of formal employment opportunities, leading to underutilization of human resources.**
- According to IMF, In India in terms of employment share the unorganized sector employs 83% of the workforce.
 - Also, there are **92.4% informal workers (with no written contract, paid leave and other benefits)** in the economy.
- **Demographic Challenges:** Rapid urbanization and population influx into cities have **outpaced job creation**, causing a strain on the job market and resulting in higher unemployment rates.
 - **Rural-to-urban migration** often leads to an oversupply of labour in cities, contributing to higher unemployment rates among migrant populations, further exacerbating urban poverty.
- **Credential Inflation:** Overemphasis on educational qualifications can lead to **situations where individuals are overqualified for available jobs**, leading to underemployment or unemployment.

Way Forward

- **Reformative Education:** Aligning education with the **current market demands by updating curricula to impart relevant skills, emphasizing vocational training, and promoting lifelong learning** to enhance employability.
- **Startup Ecosystem Support:** Fostering a conducive environment for startups by **providing financial incentives, reducing bureaucratic hurdles, and offering mentorship programs** to encourage entrepreneurship.
- **Pro-Employment Policies:** Formulating and implementing policies that promote job creation, including investment in infrastructure, industry-friendly regulations, and fiscal incentives for businesses generating employment.

- **Promoting Creative Economy:** Investing in cultural industries, arts, and creative sectors, supporting artisans, performers, and craftsmen to generate employment through cultural entrepreneurship.
- **Green Spaces and Urban Agriculture:** Promoting **urban agriculture and green spaces within cities**, creating employment in farming, gardening, and related eco-friendly activities.
 - Offering training in sustainable practices, landscaping, and urban forestry to create employment in the green sector
- **. UPSC Civil Services Examination, Previous Year Questions (PYQs)**
 - Prelims
 - Q. Disguised unemployment generally means (2013)
 - (a) large number of people remain unemployed
 - (b) alternative employment is not available
 - (c) marginal productivity of labour is zero
 - (d) productivity of workers is low
 - Ans: (c)
 - _____
 - Mains
 - Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. (2023)