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∞ CONTENTS OF ENGLISH PART - II ∞

S. No.	Title & Author	Page No.
12	A Comparative Study of Aggression between Contact Game and Non-Contact Game Players of Pune City <b>Mr. Sharad Arun Sawale</b>	67-71
13	Challenges of Digitalization in India: An Analysis <b>Dr. Shaveta Sharma</b>	72-76
14	Indian Agriculture and COVID-19 <b>Dr. Samadhan K. Patil</b>	77-80
15	Impact of Covid-19 on Employment Generation in Indian Economy <b>Jagdish Bhagwanrao Sable</b> <b>Prof. Dr. D. P. Takale</b>	81-87
16	A Study of Emotional Intelligence among Elementary Pre-Service Student-Teachers of Solapur District <b>Dr. Mahadeo Sadashiv Disale</b>	88-94
17	Challenges of COVID-19 Pandemic Situation on Indian Economy <b>Dr. Chalindrawar Ganesh Kishanrao</b>	95-101
18	Agro- Tourism: A New Path to Prosperous Rural Development <b>Dr. Maharudra Bibhishan Khose</b>	102-106
19	An Impact of Covid-19 Situation on Tea Franchise Business in Pandharpur City <b>Mrs. Savita D. Uppalli</b>	107-112
20	Impact of Covid- 19 Pandemic on Education System in India <b>Dr. Kapure Rahul Dnyaneshwar</b>	113-119
21	Effects of Covid-19 Pandemic on Grapes Farming in Maharashtra: With Special Reference to Tasgaon Tahsil <b>Dr. Vinodkumar Dhondiram Kumbhar</b>	120-122
22	Online Learning in India during Covid 19: An Evaluation <b>Mr. Ravindra Ramdas Borse</b>	123-129
23	Covid and Education Sector: Overall View <b>Dr. U. E. Salunkhe</b>	130-136

## 15. Impact of Covid-19 on Employment Generation in Indian Economy

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### **Abstract**

The Covid-19 and the resultant lockdown created impact on production, trading, informal self-employment, health services, transport, hotels, hospitality, tourism, marketing, communication, constructions, international trade and ultimately on income level and aggregate demand in Indian economy. The inter-state and inter-regional migration at large created psychological impact on social life which resulted into uncertainty, instability and insecurity. This situation also caused to problem of employment generation in Indian economy. The situation also led to growth of unemployment which resulted in reduction in real income of the consumers. Consequently, overall demand has been reduced and it has also led to unemployment in Indian economy.

**Key words:** COVID-19, pandemic, purchasing power, aggregate demand, employment generation.

### **Introduction**

The pandemic of Covid-19 and prolonged lockdown created multi-dimensional impact on Indian economy which can be described as: (i) supply side impact due to discontinued production in manufacturing sector; (ii) demand side impact due to reduction in income of people at large; (iii) impact on retail trading and informal self-employment due to restrictions on movements of the people; (iv) economic stagnation due to previous recession and further reduction in demand; (v) impact on transport, hotels, hospitality and tourism industries; (vi) impact on marketing, communication and constructions sector; (vii) impact on international trade and (viii) impact due to inter-state and inter-regional migration at large; (ix) impact on overall GDP growth in the economy; (x) psychological impact on social life resulted into uncertainty, instability and insecurity. This grave situation has led to problem employment generation and

ultimately it is resulted into growth in unemployment in Indian economy. This article is an exploration of the problem of employment generation in Indian economy.

### **Objectives**

1. To study the impact of Covid-19 on Indian economy.
2. To enunciate the concept of sustainable employment.
3. To analyse the impact of Covid-19 on employment generation in India.
4. To suggest the remedial measures for generation of employment.

### **Methodology**

This research paper is an exploration of the problem of employment generation prepared on the basis of secondary sources of information available in public domain in various forms.

### **Problem of Employment Generation**

Consequent upon the prolonged Pandemic situation, the problem of sustainable employment has become significant. Sustainable employment may be defined as timely, suitable, remunerative, regular and hygienic employment. It means, both the quantitative as well as qualitative aspects of development in employment have to be considered. In fact, generation of employment is a very important issue in the development of developing economies as it is the only way to alleviate poverty.

However, in India, this has not been considered as a separate issue in the policy framework of the economy. Since first five-year plans, the “trickle-down” approach was adopted and investment, production and economic growth have been considered as the driving forces of the economy. During the period of economic reforms and liberalisation, the issue of employment generation was completely neglected and unemployment was considered as an obviously inevitable part of economic growth in India. As a result, the problem of unemployment was reached to peak of its worst position by the time when the pandemic of Covid-19 reached India.

The pandemic of Covid-19 adversely affected the activities in agriculture, industrial, services, constructions, telecommunication, transport, hotels, hospitality and tourism sectors in India and created constraints by both supply and demand sides in Indian economy. Now the vicious circle has been created in the form of stagnation in economy, decrease in savings due to reduction in income, reduction in investment, reduction in production, and transactions, increase in unemployment, reduction in income and reduction in demand. This vicious circle further deteriorated the problem of sustainable unemployment in India.

### **Overview of Employment in India**

It is recorded in the 2<sup>nd</sup> Five Year Plan that, "the question of increasing employment opportunities cannot be viewed separately from the programmes of investment envisaged in the plan. Employment is implicit in and follows investment, and it is, of course, a major consideration in determining the pattern of investment. The plan involves substantial stepping up of investments and development expenditures itself means that it will raise incomes and increase the demand for labour all round." This statement is an indication of an approach of the policy makers in India.

The Task Force appointed by the Planning Commission under Chairmanship of Montek S. Ahluwalia mentioned in their report (in 2001) that, "the process of internal liberalization and globalization are creating an environment which is not conducive to expanding employment in the organized private sector. Existing industrial units are shedding excess labour in order to remain competitive and new technology, which is essential to ensure competitiveness, is typically more automated and therefore not job creating." It is also mentioned further that, "The rate of unemployment is increased in the 1990s from 6.03 per cent in 1993-94 to 7.32 per cent in 1999-00 and The growth of employment has dropped sharply from about 2.0 per cent per year in the period 1983 to 1993-94 to less than 1 per cent in the period 1993-94 to 1999-2000."

The task force further added that, "the 9 per cent GDP growth actually generates a labour deficit or "negative unemployment. Therefore, the growth rates of GDP between 8 per cent and 9 per cent are needed over the next ten years if we want to see a significant improvement in the employment situation." It is evident that, Indian economy achieved 8% average growth rate of GDP during 2007 to 2012 (in 11<sup>th</sup> Plan period), it could not result in the increase in employment.

### **Impact of COVID 19 on Employment and GDP Growth in India**

Indian Express, 4 June, Azim Premji University study showed that about half the workers lost employment in Bihar, Jharkhand, Madhya Pradesh and Odisha. Odisha 67%, Jharkhand 58%, Madhya Pradesh 48%, and Bihar 46% Casual workers worse. Centre for Monitoring Indian Economy (CMIE) estimated a loss of 122 million jobs in April 2020. Of this, 75 per cent were small traders and wage labourers. About 18 million each of salaried employees and entrepreneurs also lost work. The only category that gained employment was the farmers, whose number increased by 6 million (The Hindu Data Team, 2020 and ENS, 2020).

In India, Quarterly Growth Rate of GDP at Market Prices 2017-20 at initial stage in 2017-18 it was 6 % it corrected also 6%, Q2, Q3, Q4 the initial and corrected rate has no change and it was simultaneously 6.8%, 7.7%, 8.1% respectively. In year 2019-20, Q1 the GDP rate was 5 %, and it has declined at 3.1% rate , due to covid-19, impact in the year 2020-21, Q1, it was -24.9% (Arun Kumar, 2020).

Agricultural based economy provides employment opportunity and major share in Indian Economy, Agri and allied business contributes major share in agriculture of India. The Indian agriculture contributes major role in GDP as compared to other countries such as Brazil, China, Germany Japan, Russia and US. In the year 2019, the contribution of Agriculture in GDP was 15.96%, Industry sector 24.88% and service sector 49.88%.

### Determinants of Unemployment

Labour Force Participation Rate (LFPR) & Worker Population Ratio (WPR) are considered as the determinants of unemployment rate in Indian economy. However, these indicators seem too arbitrary and have no scientific base. The following table-1 shows the rates of LFPR and WPR at different point of time. It is an astonishing fact that, the labour force participation rate has been declined since 1993-94. This has affected the estimation of unemployment rate as it is the base for ascertaining the proportion of unemployed persons in the economy.

**Table-1: Labour Force Participation Rate (LFPR) & Worker Population Ratio (WPR)**

	1993 - 94				2009 - 10				2017 - 18			
	Rural		Urban		Rural		Urban		Rural		Urban	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	M	F
LFPR	87.6	49.0	80.1	23.8	82.5	37.8	76.2	19.4	54.9	18.2	57.0	15.9
WPR	86.4	48.7	76.8	22.3	81.2	37.2	74.0	18.3	51.7	17.5	53.0	14.2

Source: 12<sup>th</sup> Five Year Plan (Vol.3), T- 22.8 & 22.9, p.133 and Highlights, Annual Report (2019), Periodic Labour Force Survey (PLFS - July 2017 - June 2018), Ministry of S & P, Govt. of India.

### Unemployment Rate

The figures of unemployment rate are available in the Annual Report (2019), Periodic Labour Force Survey (PLFS – July 2017 – June 2018), Ministry of S & P, Govt. of India as shown in the following Table-2.

**Table-2: Unemployment Rate in India 2017-18**

Overall Unemployment Rate %		Educated Unemployment %				Youth Unemployment %					
Rural		Urban		Rural		Urban		Rural		Urban	
Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
5.8	3.8	7.1	10.8	10.5	17.3	9.2	19.8	17.4	13.6	18.7	27.2

Source: Highlights, Annual Report (2019), Periodic Labour Force Survey (PLFS – July 2017 – June 2018), Ministry of S & P, Govt. of India.

### Main Findings

1. According to the survey of Labour Bureau (2014), the overall Unemployment rate for persons aged 15 and above was 4.9 % (i.e. 4.7% in rural and 5.5% in urban areas). Whereas, as per the Periodic Labour Force Survey (PLFS – July 2017 – June 2018), the overall Unemployment rate for persons aged 15 and above is recorded 6.1% which is the highest ever since 1973.
2. As mentioned in the Economic Survey (2015-16), to exploit the demographic dividend and meet the growing aspirations of those entering the labour force, India's economy needs to create enough good jobs - jobs that are safe and pay well, encourage firms and workers to improve skills and productivity.
3. The Economic Survey (2015-16) also mentions that, contract workers increased from 12% of all registered manufacturing workers in 1999 to 25% in 2010. Large firms have benefitted from the growth of contract labour. As a result, contract labour has boosted manufacturing GDP annually by 0.5% between the period of 1998-99 to 2011-12.
4. Economic survey of Maharashtra, (2019-20,p.13) mentions that, Aurangabad Industrial City (AURIC) developed across 10000 acres, total investment is more than Rs. 5000 crores and employment generated is 2500. This shows that, with investment of Rs. 2 Crores, one single job has been created.
5. Major source of Income is self-employment for 52.2%, casual labour for 25% and regular wage/salary earning for 12.7% for rural households. Whereas, for urban

households, the proportion of self-employment is 32.4%, proportion of regular wage/salary is 41.4% and casual labour covers 11.8%.

6. Unemployment rates in urban areas are higher than those in rural areas.
7. The unemployment rates for females are higher than those for males in urban areas.
8. The unemployment rate among the youth was much higher compared to that in the overall population.
9. Among the persons of age 15 years and above, 97.3 % had no technical education i.e. 98.5% in rural and 94.3% in urban areas.
10. Among regular salaried/wage employment 71.1% had no written job contract 72.3 % Males and 66.8% females
11. Earnings from employment in rural areas regular wage/salaried employment for male is Rs. 13 to 14 thousand per month and for female is Rs. 8.5 to 10 thousand per month; whereas, in urban areas regular wage/salaried employment earnings for male is Rs. 17 to 18 thousand per month and for female it is Rs. 14 to 15 thousands per month.

#### **Policy Measures**

The Report on State of Working India (2019), Centre for Sustainable Employment, Azim Premji University has recommended for sustainable employment through a job guarantee programme in urban areas as under:

1. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) should be extended to urban areas also as an urban employment guarantee scheme.
2. Building maintenance and up-gradation of civic infrastructure like roads, footpaths, cycling paths, bridges, public housing, monuments, laying of cables, construction works and so on may be allotted under this job guarantee scheme.
3. Jobs of creation, restoration and maintenance of urban commons, green spaces and parks, forested or woody areas, cleaning of water reservoirs may be allotted under the job guarantee scheme.
4. Jobs of monitoring and supervising the environmental qualities and other aspects of quality of public goods may also be undertaken under the job guarantee scheme.
5. Jobs of assisting municipal offices, local public schools, health centres etc. may also be provided under the job guarantee scheme.



In addition to the above, the agricultural sector, rural development and environmental aspects should be considered as the primary concerns of the economy for generation of sustainable employment. The proportion of public investment should be increased in these sectors to a large extent considering their potential of creating jobs for rural masses.

The girls studying at secondary and higher secondary level may be provided proper training in the health services as a part of vocation education which would help them to get job in health services all over the world.

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