# Indian Economy · GS - III

**Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements.**

| EXAM YEAR | PAPER | SUBJECT |
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| MARKS | WORD LIMIT |
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| 15 | ~250 words |

## Answer Hint

**India's unemployment measurement must capture not only open unemployment but also underemployment, disguised unemployment, seasonal work and labour-force withdrawal; a stronger system requires frequent, granular and multidimensional labour-market data.**

## Model Answer

### Introduction

Unemployment refers to the situation where persons willing and able to work do not obtain employment. In India, structural unemployment is significant because labour supply and available jobs often do not match in terms of skills, location and sector.

### Body

### Methodology of Measuring Unemployment

The National Statistical Office's **Periodic Labour Force Survey (PLFS)** is the principal source of labour-market information. It uses measures such as:

**Usual Status:** Determines a person's principal and subsidiary activity over a relatively long reference period.

**Current Weekly Status (CWS):** Classifies activity based on the preceding seven days and captures short-term unemployment.

**Current Daily Status (CDS):** Records employment status for each day of the reference week and captures intermittent unemployment.

The unemployment rate is generally measured as the proportion of unemployed persons in the labour force.

## Limitations

**Underemployment:** Persons working fewer hours than they desire may still be counted as employed.

**Disguised unemployment:** Particularly in agriculture, additional workers may contribute little or no marginal output.

**Discouraged workers:** People who stop seeking employment may fall outside conventional unemployment measures.

**Informal employment:** The methodology may not adequately capture quality, security and productivity of employment.

**Seasonality:** Short reference periods may produce significant variations in labour-market estimates.

## Improvements

Measurement should incorporate hours worked, earnings, employment quality and underemployment. Greater frequency of surveys, improved capture of informal and gig work, gender-disaggregated data and stronger administrative databases can improve labour-market intelligence.

## Conclusion

PLFS provides a robust framework, but India's changing labour market requires **multidimensional employment measurement** that captures not merely whether people work, but whether they have productive, adequate and decent employment.