

**Free E-Book**



# Unemployment in BIHAR

A Complete Study

**66th & 67th**

**B.P.S.C Mains Examination**

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*While the unemployment rate in the state averaged 46% during April and May 2020, the peak months of the lockdown, the all-India unemployment rate in the same period was 24%. Though the unemployment rate in the state has since then come down to 12%, it is much higher than the all-India estimate of 6.7% at the same time.”*

**“CMIE (Centre for Monitoring Indian Economy) : May 2020**

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## Unemployment...?

Unemployment occurs when a person who is actively searching for employment is unable to find work. The U.S. Bureau of Labor Statistics (BLS) has a more specific definition:- ‘‘People who don’t have a job, have actively looked for work in the past four weeks, and currently are available for work.’ The BLS also includes people who are temporarily laid off and are waiting to be called back to that job in unemployment statistics.

Unemployment is often used as a measure of the health of the economy. The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labor force.

$$\text{Unemployment rate} = (\text{Unemployed Workers} / \text{Total labor force}) \times 100$$

National Sample Survey Organization (NSSO) defines Employment and Unemployment on the following activity statuses of an individual:

Working (engaged in an economic activity) i.e. 'Employed'.

Seeking or available for work i.e. 'Unemployed'.

Neither seeking nor available for work.

The first two constitutes labor force and unemployment rate is the percent of the labor force that is without work.

### Measurement of Unemployment in India

National Sample Survey Organization (NSSO) defines employment and unemployment on the following activity statuses of an individual. NSSO, an organization under MoSPI – Ministry of Statistics and Programme Implementation measures India’s unemployment on three approaches:

1. **Daily Status Approach:** Unemployment status of a person under this approach is measured for each day in a reference week. A person having no gainful work even for one hour in a day is described as unemployed for that day.
2. **Weekly Status Approach:** This approach highlights the record of those persons who did not have gainful work or were unemployed even for an hour on any day of the week preceding the date of the survey.
3. **Usual Status Approach:** This gives the estimates of those persons who were unemployed or had no gainful work for a major time during the 365 days

### Types of Unemployment in India

In India, there are seven types of unemployment. The types of unemployment are discussed below:

1. **Disguised Unemployment**- This is a type of unemployment where people employed are more than actually needed. Disguised unemployment is generally traced in unorganised sectors or the agricultural sectors.
2. **Structural Unemployment**- Structural unemployment is one of the main types of unemployment within an economic system. It focuses on the structural problems within an economy and inefficiencies in labor markets. Structural unemployment occurs when a labor market is not able to provide jobs for everyone who is seeking employment. There is a mismatch between the skills of the unemployed workers and the skills needed for the jobs that are available. It is often impacted by persistent cyclical unemployment. For example, when an economy experiences long-term unemployment individuals become frustrated and their skills become obsolete. As a result, when the economy recovers they may not fit the requirements of new jobs due to their inactivity.
3. **Seasonal Unemployment**- That situation of unemployment when people do not have work during certain seasons of the year such as labourers in India rarely have occupation throughout the year.
4. **Vulnerable Unemployment**- People are deemed unemployed under this unemployment. People are employed but informally i.e. without proper job contracts and thus records of their work are never maintained. It is one of the main types of unemployment in India.
5. **Technological Unemployment**- The situation when people lose their jobs due to advancement in technologies. In 2016, the data of the World Bank predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.
6. **Cyclical Unemployment**- Cyclical unemployment is a type of unemployment that occurs when there is not enough aggregate demand in the economy to provide jobs for everyone who wants to work. In an economy, demand for most goods falls, less production is needed, and less workers are needed. With cyclical unemployment the number of unemployed workers is greater than the number of job vacancies.
7. **Frictional Unemployment**- Frictional unemployment is another type of unemployment within an economy. It is the time period between jobs when a worker is searching for or transitioning from one job to another. Frictional unemployment is always present to some degree in an economy. It occurs when there is a mismatch between the workers and jobs. The mismatch can be related to skills, payment, work time, location, seasonal industries, attitude, taste, and other factors. Frictional unemployment is influenced by voluntary decisions to work





based on each individual's valuation of their own work and how that compares to current wage rates as well as the time and effort required to find a job.

### Unemployment Trap and Harmonized Unemployment

This is a situation when a person gets used to not working. The benefits of being unemployed get heavier and the individuals feel demotivated to work again. This is a common case when the income is low and the efforts needed to work are high. Harmonized unemployment rates refer to unemployed individuals in their working age who are looking to find work. This estimate of the unemployment rate is more relevant internationally as it calculates the % of the labor force seasonally.

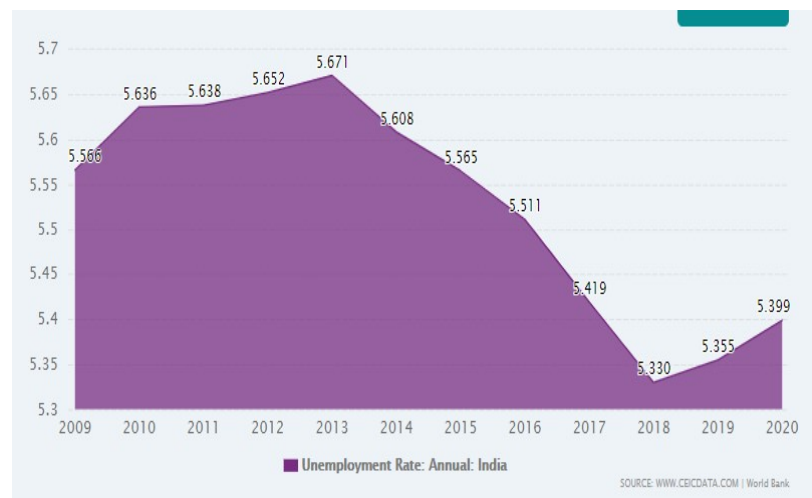
### Measurement of Unemployment in India

The Ministry of Statistics and Programme Implementation monitors the National Sample Survey Office. They follow certain approaches to measure unemployment in India. They are –

1. **Usual Status Approach** – This approach only considers individuals unemployed who have been majorly not working during the 365 days before the survey date.
2. **Weekly Status Approach** – This approach considers individuals unemployed if they have not been working for hours or a day before the survey date.
3. **Daily Status Approach** – This approach considers an individual unemployed even if he did not work for an hour on a particular day.

### Alarming situation in India..?

*India Unemployment Rate increased to 7.11 % in Dec 2020, from the previously reported number of 5.27 % in Dec 2019. India Unemployment Rate is updated yearly, available from Dec 1991 to Dec 2020, with an average rate of 5.65 %. The data reached an all-time high of 7.11 % in Dec 2020 and a record low of 5.27 % in Dec 2019. The data is reported by World Bank. In the latest reports, India Population reached 1,355.00 million people in Mar 2021. The country's Labor Force Participation Rate dropped to 46.29 % in Dec 2020. The lockdown to contain the CORONA VIRUS outbreak has forced many industries to shut down thus increasing unemployment across the country.*

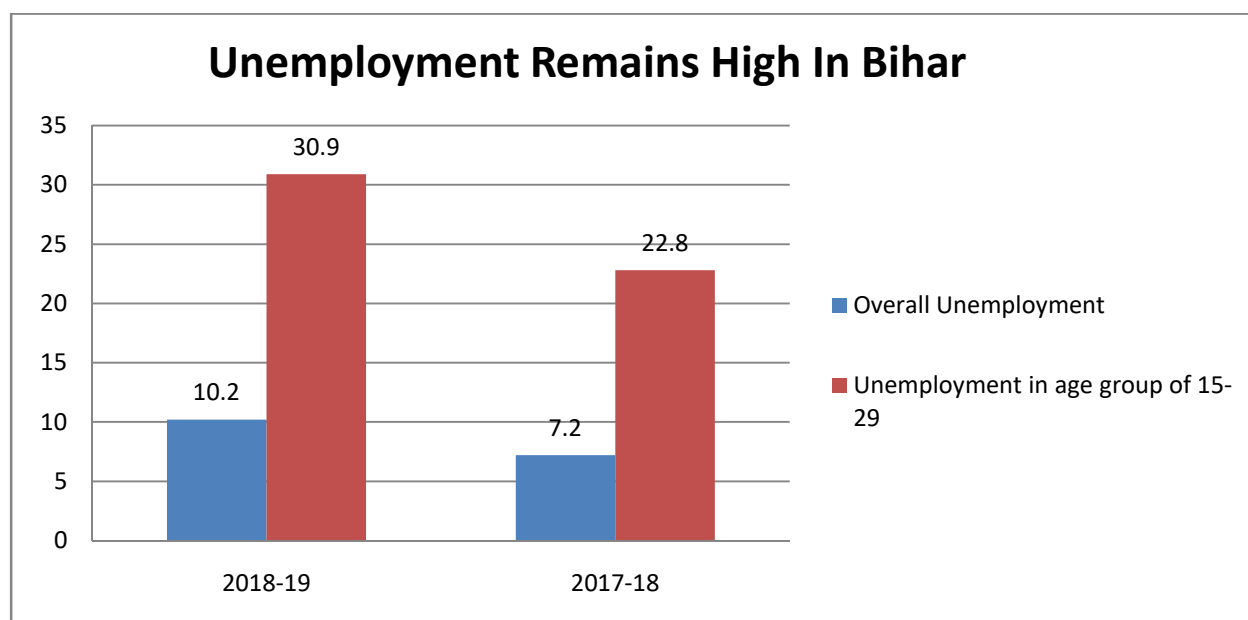


## Unemployment Status in BIHAR

(1) The employment rate in Bihar was 33.8 per cent in September 2020, which means that only one in three adult Biharis is employed.

(2) Data from the National Sample Survey showed that Bihar's unemployment rate rose in 2018-19 to **10.2** per cent, as against **7.2** per cent in the year-ago period. At the same time, the overall unemployment rate for the entire country fell to **5.8** per cent from 6.1 per cent the year before.

But more worryingly, the data showed that Bihar had one of the highest unemployment rates in the age-group of 15-29 years — **30.9** per cent in 2018-19, as against **22.8** per cent in the year-ago period. This data point could have worsened in subsequent years.



(3). After the lockdown brought high-scale economic disturbances during April and May 2020, the unemployment rate in Bihar shot up to 46 per cent, while the all-India unemployment rate in the same period was 24 per cent, according to the Centre for Monitoring Indian Economy (CMIE). With a gradual easing in restrictions, the unemployment rate in Bihar dropped to 12 per cent, but, even this is much higher than the all-India estimate of 6.7 per cent at the same time.

(4) Bihar's unemployment rate is higher than the all-India average. According to the 2018-19 Periodic Labor Force Survey (PLFS), the official source of employment

statistics in India, the unemployment rate in Bihar was **10.2%** in India, way above the all-India average of **5.8%**. A comparison with previous Employment Unemployment Surveys (EUS), the predecessor of the PLFS, and the 2017-18 PLFS shows that joblessness in Bihar has been worsening vis-a-vis the rest of India. In 2004-05, Bihar's unemployment rate was 0.8 times the all-India unemployment rate. This ratio has increased over the years. It was 1.6 in 2011-12, 1.2 in 2017-18, and 1.8 in 2018-19.

(5) Only **10%** of jobs in Bihar are salaried jobs. According to the 2018-19, PLFS, **23.8%** of India's workers had a salaried job. This number was just **10.4%** for Bihar. In 2011-12 people of Bihar with salaried job was **5.8** per cent, **13.1** per cent in 2017-18 and declined to **10.4** per cent in 2018-19. In 2004-05, nationally **14.3** per cent people in the country were salaried, **17.9** per cent in 2011-12, **22.8** per cent in 2017-18 and **23.8** per cent in 2018-19.

(6) The status of employment for women was also a concern. The worker population ratio, which denotes how many people in a given population set are employed, was just **3.9%** for rural women in Bihar against the national average of **24.6%**. Put simply, this meant that at all-India level, nearly every fourth rural woman was employed but in Bihar only about 4 in every 100 rural women found a job.

(7) The worker population ratio (WPR) for male workers in rural Bihar was 64%, about 8 percentage points lower than the all-India average. The WPR for female workers was abysmally low at **3.9%** in rural Bihar. In 2017-18, **55.9%** males were self-employed and the share of casual labor at **32.1%** was significantly higher than the all-India level (24.3%).

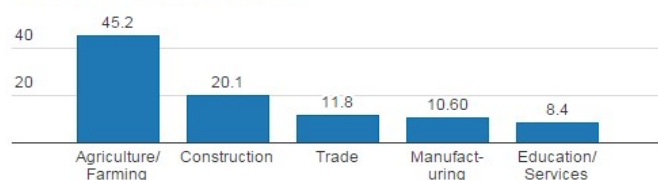
(8) Fewer young people – yet fewer jobs. Although Bihar has one of the lowest proportion of young people, unemployment for them (15- to-29 age group) is higher at 17.5% than the national average of 13%. The unemployment rate for those above 30 is 1.4%, according to labor data, the same as the national average.

(9)As in other parts of the country, educated and qualified youngsters are more unemployed in Bihar than youth who are illiterate or with low education.

(10) Most of Bihar's youth are engaged in agriculture, followed by construction and trade.

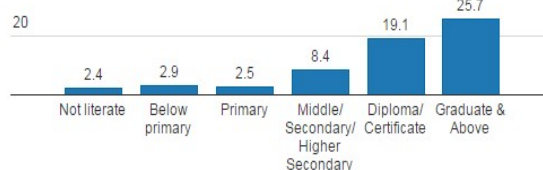
**Employment Of Bihar Youth, By Occupation**

\* Figures in % of youth in each occupation



**Unemployment In Bihar, By Education Level**

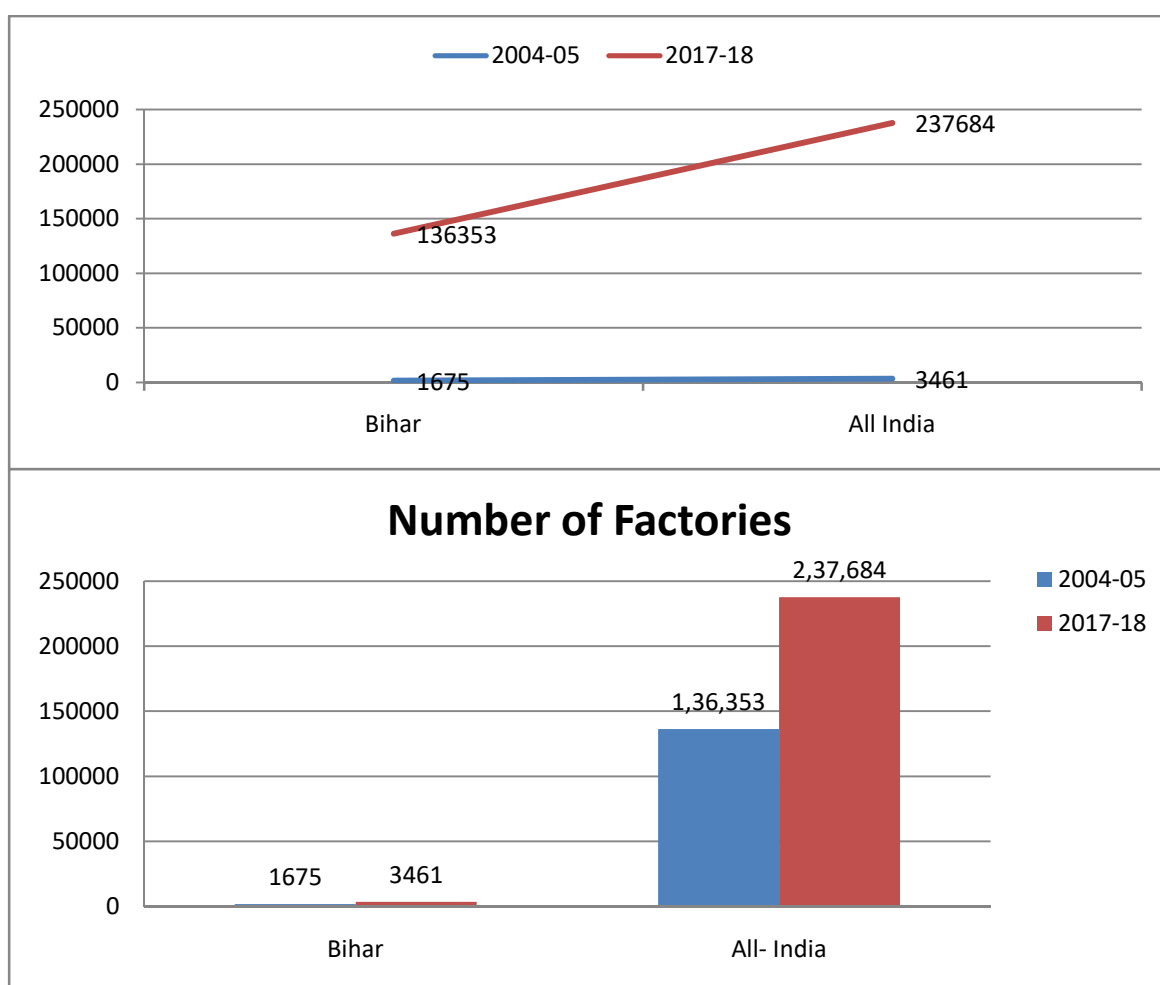
\*Figures in % of people (ages 18-29) unemployed at each level



In Bihar, the biggest employment generating industry for working males was agriculture, forestry and fishing, accounting for nearly 45% of all employment. Construction and manufacturing sectors together accounted for every fourth job for men. In the case of women, while agriculture remained the top employer (nearly 54%), every fourth job was found in the education sector. On an average, a factory in Bihar employs only 40 workers, which is almost half of the all-India average (76.7 workers) and one-third of a factory's employment-generating capacity in Haryana (120.7 workers).

## Causes of Unemployment in BIHAR

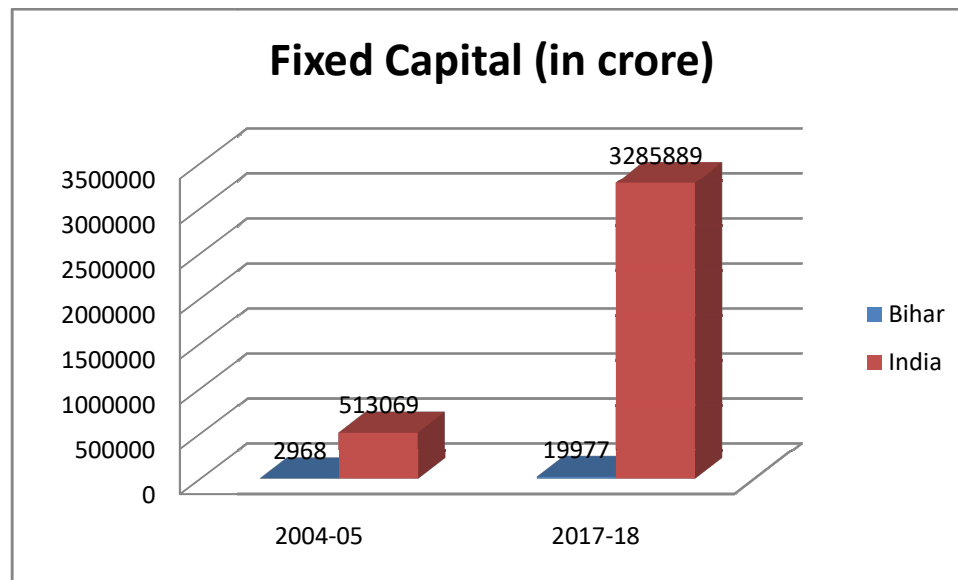
- (1) Less number of industries- To curb the chaos created by the Corona Virus crisis, Indian states are formulating their strategies to open doors for various companies and to attract foreign investments. But, Bihar has a low share of factories in the country. The table provides a tally of number of factories as compared to all over India.





Again, this is fallout of the lower share of manufacturing in GSDP. Manufacturing has the potential of attracting higher investment which in turn generates more employment. The government hence needs to focus on providing the right incentives to empower it, suggests a CARE Ratings report. Adding to it, the low share of manufacturing also gets reflected in the low quantum of fixed capital in the state which is just 0.6 per cent of total.

Present Chief Minister of Bihar, Nitish Kumar once said in a statement in 2018 that Bihar lacks big industries due to its geographical location. He said that state is not able to set up big industries as it was landlocked and stressed on the need of encouraging small industries in such a situation. Associate Professor, Chirashree Das Gupta at JNU, in her essay wrote that bifurcation of the state is one of the reasons that industrialization has slipped off from Bihar.



*“Bifurcation led to not only a decline of industry in Bihar, it also drastically altered the regional representation of different industries. Currently, food, tobacco, leather and non-metallic mineral products make up the base of present industry in Bihar. What has been lost is the industry based on coal, refined petroleum products, basic metals, motor vehicles and trailers, all of which were salient feature of the industrial map of erstwhile Bihar.” she writes.*

Echoing the same thought, Prof. Pavnesh Kumar says, “Exactly, because the mines for raw material for industries like coal, zinc, iron etc are situated in Jharkhand. Moreover, 60 per cent of the GDP of Bihar comprises of service sector and only 23 per cent comes

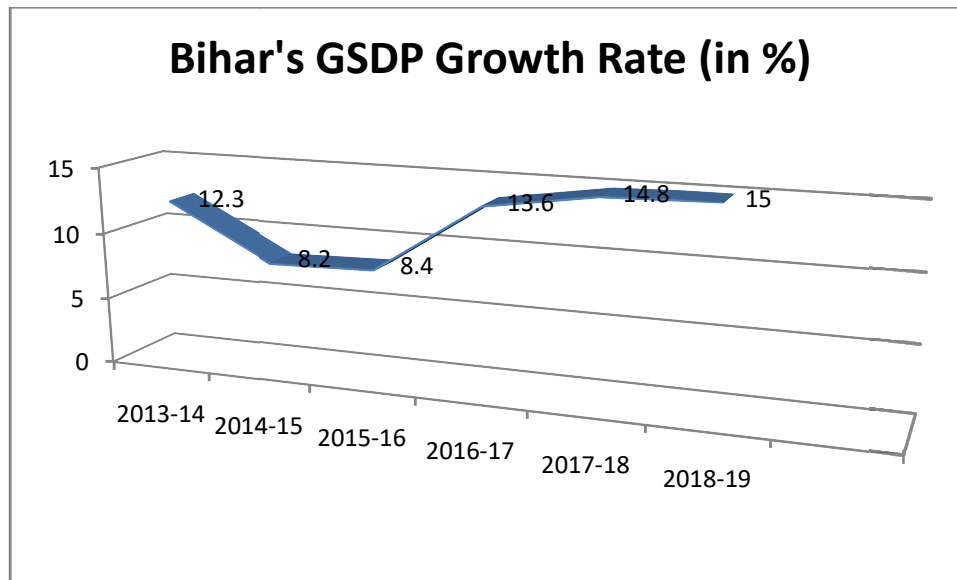
from industry. The major developed cities are now located in Jharkhand. So, demand of industrial product is less in Bihar as compared to Jharkhand.” Besides geographical reasons, there are many other factors such as poor infrastructural and policies, scanty natural resources, and lack of skilled manpower which often explains lesser industrialisation in the region. But, most of the heavy industry after bifurcation of the state went to Jharkhand making agriculture overcrowded due to the dearth of employment opportunities.

On the other hand, Bihar as a state is way behind among other regions including Jharkhand, which bagged fifth position in ease of doing business ranking 2019. “Due to corruption, lack of infrastructure, lack of administrative reforms, law and order problems, and lack of political will has made setting of enterprises in Bihar a tough turf. Its rank is 26 out of 36 states and UTs (2019), and even the neighboring state Jharkhand is ahead of us,” exclaims Prof. Kumar.

Suggesting the future course of action, Dr Singh proclaims, “Bihar lags in the ranking for State Investment Potential Index (2018) and State Competitiveness Index (2017), amongst other rankings of Indian states. To make the state more competitive and investment friendly, the public investment in the transport sector in Bihar which has almost tripled from FY13 to FY20, needs to be enhanced. Currently, it is far below the national average in terms of length of national highways and railway tracks.”

(2)Poverty and low per capita income- Due to poverty, students lacks good and quality education which further leads to unemployment. Due to unemployment poverty rises, so it creates vicious cycle. In 2011-12, Bihar remained one of the poorest states in the country, with 33.7 per cent of its population below the poverty line. Economists and analysts say though there may have been some improvements in the subsequent years, demonetisation and now the Covid-19 pandemic may have pushed more people below the poverty line. Shaibal Gupta, founder member secretary of the Asian Development Research Institute (ADRI) in Patna, said demonetisation was like a “monetary Covid” that may have increased poverty levels in the state.

Care Ratings, in a 30 October report, estimated that the per capita GSDP of Bihar was at Rs 46,664 in 2019-20, only 35 per cent of the national average of Rs 1,34,226. In 2011-12, its per capita GSDP was at 34 per cent of the national average, reflecting negligible improvement, despite the fact that the state’s economy grew at a faster pace than the overall Indian economy.



“Bihar remains one of the most populous states with the lowest per capita income. A lot needs to be done to lift the economy to a higher level,” the report said.

(3) Rise of unemployment due to massively hit informal workforce- The lockdown imposed after the outbreak of pandemic affected the informal workforce of Bihar massively. This is approximately 94 per cent of the total workforce in Bihar. Also, a huge influx of migrants during the initial phase of lockdown added to the woes. This has led to another major wave of unemployment in the state.

(4) Deterioration of rural economy due to pandemic- Bihar has faced large-scale disruption of economic activities as the production units were shut. This further led to the extinction of small-scale cottage industries. This implies a permanent loss of the productive capacity of the Bihar economy, states Asian Development Research Institute (ADRI), which worked extensively on the economic survey. According to the institution, Bihar economy is likely to contract by 15 to 18 percent in 2020.

*“In the case of Bihar, the public investment accounts for a major part of the total investment and this component will decrease substantially in 2020-21, as state finances will be much stressed due to the crisis. The resulting negative overall growth rate of Bihar economy under reasonable assumptions will be approximately between minus 15.0 to 18.2 per cent,” revealed the Asian Development Research Institute (ADRI) report.*

(5) Inadequate state support, legal complexities and low infrastructural, financial and Market linkages to small/ cottage industries or small businesses, making such enterprises unviable with cost and compliance overruns.

(6) Huge workforce associated with informal sector due to lack of required education/skills, which is not captured in any employment data. For ex: domestic helpers,

(7) Low productivity in agriculture sector combined with lack of alternative opportunities for agricultural worker which makes transition from primary to secondary and tertiary sectors difficult.

(8) Regressive social norms that deter women from taking/continuing employment.

(9) Low productivity of labor- The low productivity of labor also leads to a lower level of compensation to the workers in Bihar. For instance, a worker in a factory in Bihar received Rs 129,600 per annum as wages, salaries and bonus, a third of the prevailing compensation level in neighboring Jharkhand (Rs 373,800) and Maharashtra (Rs 344,000), the two best performing states in India. At the national level, the average compensation per annum was Rs. 252,800.

## **Impact of Unemployment in Bihar**

(1) Migration to other states- when it comes to migration, Bihar tops the country with the highest percentage of migration taking place every year. According to 2011 census, 32.3 per cent people in Bihar migrated to other parts of the country for job and employment followed by Odisha at 31.5 per cent.

(2) The problem of unemployment gives rise to the problem of poverty in Bihar.

(3) Young people after a long time of unemployment indulge in illegal and wrong activities for earning money. This also leads to increase in crime in the country.

(4) Unemployed persons can easily be enticed by antisocial elements. This makes them lose faith in democratic values of the country.

(5) It is often seen that unemployed people end up getting addicted to drugs and alcohol or attempts suicide, leading losses to the human resources of the country.

## **Way Forward**

### *(1) Challenges and steps need to be taken in the revival of local economy*

The state does not have major fund access due to lack of industries and is primarily dependent on government funds. In such circumstances, responsibility for reviving sectors rests majorly on the shoulder of state government. This has been further explained in the ADRI report. It states that Bihar has been heavily dependent on central transfers and grants for resources, which was 77.6 per cent in the year 2018-19. This significant reduction in the revenue collection of the central government will affect the state finances badly. Hence, Bihar needs to explore the possibility to generate more revenue from its own sources. It was noted that growth of the state depends heavily on increasing fiscal capacity of the state government. This indicates that the state government and sectors have a bigger role in reviving the economy.

On the other hand, the crisis gives an opportunity to revisit the functioning of lower-level bureaucracy for efficient implementation of the government policies. First of all, the government has to work on increasing purchasing power and have to provide employment. Here, MGNREGA, a demand-based employment programme can be an effective short-term relief measure for providing employment, especially for the rural and unskilled workforce.

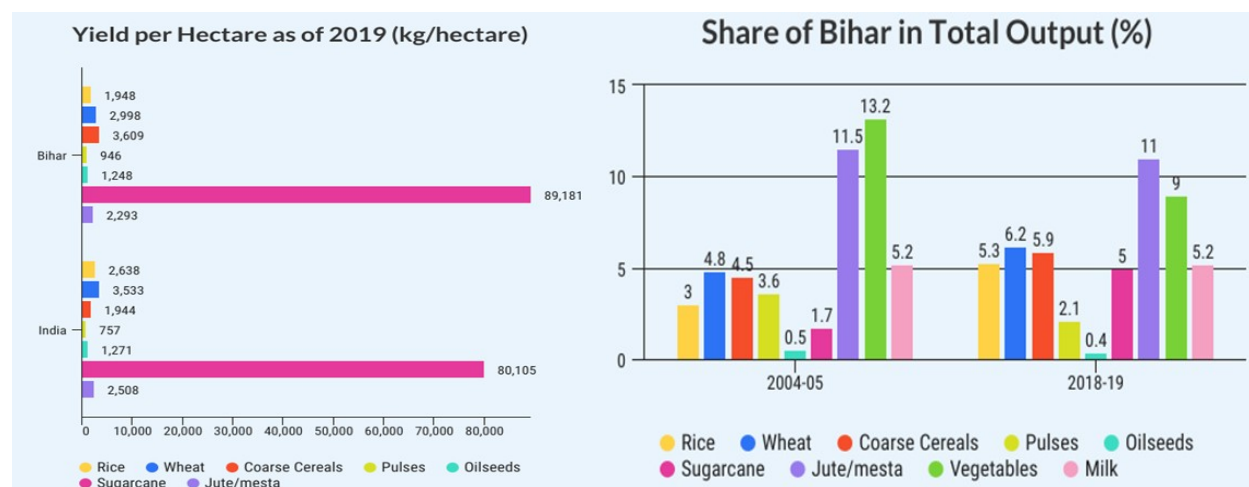
## *(2) Agriculture as a booster shot for economy*

In Bihar, the biggest employment generating industry for working males was agriculture, forestry and fishing, accounting for nearly 45% of all employment. Construction and manufacturing sectors together accounted for every fourth job for men. In the case of women, while agriculture remained the top employer (nearly 54%), every fourth job was found in the education sector.

Bihar is a leading producer of vegetables, jute, and mesta. In addition to this, it is also known for Shahi litchi from Muzaffarpur, Zardalu mango from Bhagalpur, and Katarni rice. A table here shows how Bihar is progressing in contributing as an agrarian economy over past few years.

The table also indicates there is a lot of scope of improvement, as the share in total output is still lower when compared to the demographics. But, the fact that they have been increasing yield per hectare bears testimony to efforts they have put in. It also shows the natural advantage of fertile land of this region which are fed by rivers. Here is another table indicating a comparison with the national average.

As per the analysis of CARE Ratings, productivity in Bihar is higher in coarse cereals, pulses, and sugarcane compared with all India average which is very encouraging. However, a lot of this has been achieved by very high use of fertilizers which is 70 per



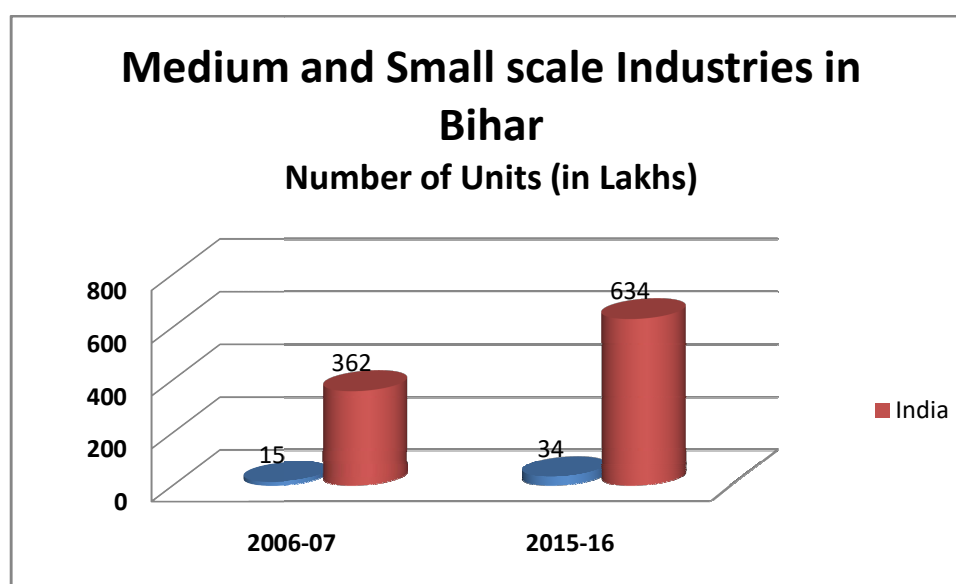
cent more than the national average. In case of Bihar, it is 227.3 kg per hectare against



the national average of 133.1 kg per hectare in 2018-19. Adding his views, Dr. Singh claims that agriculture sector can be game changer for the upheaval of Bihar economy. He claims, “We also believe that the agriculture reforms announced by the government will help farmers to access markets, realise better price for their products, encourage investments, and more importantly bring about standardization in quality for exports. The agriculture sector of Bihar is likely to receive a boost through this.”

### *(3) Measures boosting entities of manufacturing*

The number of new projects announced has been on hike, which adds in the efforts to make a progressive Bihar. This in turn had put in more investments in the state. According to the data, it was 3 per cent of total in the country compared with 1.5 per cent 15 years back. Hence, it can be said that focus on manufacturing and development of more projects can lead to revival of the economy.



Overall Bihar stands at number 8th when it comes to medium and small-scale industries. Out of 5.4 per cent of the MSMEs, Bihar employs nearly 5 per cent of the total employed under this classification. However, the share of total investments under this classification is low at 1.3 per cent which saw a decline of 1.8 per cent in 2006-07.

Professor Kumar says that Bihar will be benefitted if the state focuses on manufacturing and setting up more micro units. According to him, the MSME sector will give some respite from the bigger issues related to unemployment. “As per the latest data there are 8.23 lakhs MSME units in Bihar. Out of which 8.05 lakhs are micro enterprises, 0.17 lakhs is small, and 0.16 lakhs is medium enterprises. It means major chunk in MSME sector is of micro-enterprises. This sector can hence become a growth engine of Bihar,” he suggests.

Along with manufacturing, the progress in infrastructure indicators such as power, roads and highways, railway tracks, and communication connections all show that there is a lot of scope for further improvement. Export is another sector that can add value to the economy. As Bihar is surrounded by land on all four sides, exports from the state have accounted for only 0.53 per cent of all-India exports in 2019-20. This share has marginally improved from 0.3 per cent in 2013-14, but there is still scope for improvement, states CARE Ratings.

Overall, a lot needs to be done to revitalize the economy of Bihar as it is one of the most populous states with lowest per capita income. Agriculture being one of its strength, the increased production can contribute in the fair shares of GSDP. It is currently higher than the national average. The state government also needs to improve rank in doing business to generate investments.

#### *(4) Manufacturing could be key for job creation*

The Care Ratings report also pointed out that Bihar has a low share of India's factories — only 1.5 per cent as of 2017-18 — and will need to improve.

“This is a fallout of the lower share of manufacturing in GSDP, given that manufacturing has the potential of attracting higher investment, which in turn generates more employment... The government needs to focus on providing the right incentives to enable the same,” the report said.

#### *(5) Public investment in sectors like health, education, police and judiciary can create many government jobs.*

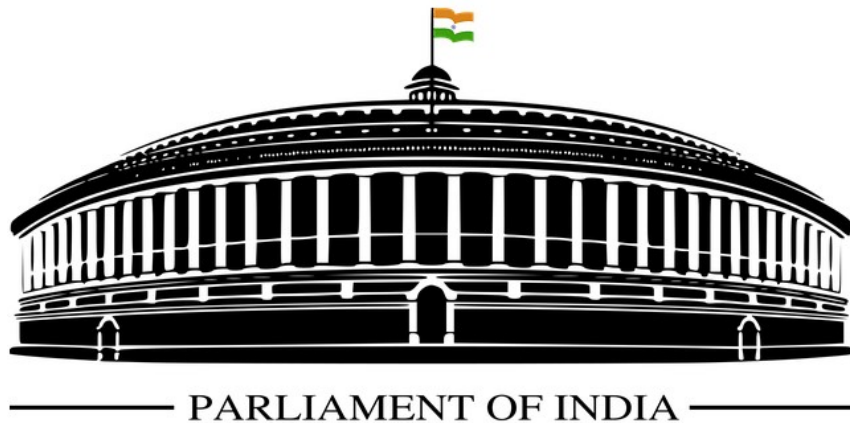
### **Schemes of Govt. of Bihar to enable the better Employabilty in Bihar.**

The State Government has launched special schemes/ programs/ policies to enable the youth of Bihar become self-reliant by improving their competency through creating opportunities for education and skill development and better employability. These schemes include -

1. Bihar Student Credit Card Scheme.
2. Mukhyamantri Nishchay Swayam Sahayata Bhatta Yojana.
3. Bihar Start Up Policy.
4. Kushal Yuva Program Skill Training Scheme.

5. Provision of free internet facilities through Wi-Fi in all Government universities and colleges in the state.
6. Mukhyamantri Yuva Udyami Yojana.
7. Mukhyamantri Mahila Udyami Yojana.
8. Saat Nischay Yojana Part 2.
9. Mukhyamantri Ati Pichda Varg Udyami Yojana (CM EBC Entrepreneurship Scheme).
10. Mukhyamantri Anusuchit Jati Evam Anusuchit Janjati Udyami Yojana (CM Scheduled Caste and Scheduled Tribes Entrepreneur Scheme).
11. Mukhyamantri Harit Krishi Sanyantra Yojana.
12. Bihar Berojgari Bhatta Yojana.
13. Bihar Skill Development Mission (BSDM).
14. Single Window Assistance.
15. Handloom Archaeological Schemes.
16. Implementation Of National Mission On Food Processing.
17. Aao Bihar Scheme.
18. Mukhyamantri Samekit Hastkargha Vikas Yojana.
19. CM Micro & Small Industries Cluster Development Scheme.
20. Chief Minister's Tasar Development Scheme.
21. Integrated Development Food Processing Sector Yojana.

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# UNEMPLOYMENT





# Unemployment Speaks in BIHAR

