CHAPTER - I

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"To a people famishing and idle, the only acceptable form in which God can dare appear is work and promise of food as wages".

M. K. Gandhi

Thus bemoaned, Mohandas Karamchand Gandhi, the man of all ages, on seeing his brethren, struck by poverty due to unemployment that stalked the length and breadth of this sub-continent in the pre-independent era. Even after six decades of his demise, his words ring true across the world and around the world as the much expected and touted liberalization and globalization policies failed to serve to say.

Employment is not a crisis pertaining to our country alone. It has assumed global proposition. In many developed countries, it is pathetic to say. Barack Obama, the President of United States promises thousand and odd times, job creation and jumpstart, reinvestment and recovery but nothing has been materialized till date. Though millions of dollars has been siphoned into giant sized companies and corporate from the Federal Reserve for
recovery and sustainability of jobs, survival of people still evade and challenge the Big Brother. Even oil Sheiks of Arab countries who roll on wads of currencies and gold are now made to sit up and stare as their shopping malls and hotels built by millions of dollars for foreign tourists remain deserted due to the global economic crunch.

The sensex that lollopped into a big balloon burst as a bubble that sent even the haughty European Union and hawkish Americans across the world to dizzying ground level to see the reality. Every other day in the United States and Europe thousands of people are rendered jobless and left in the streets to mend their own way. Hence, the problem of unemployment which has been considered as a yoke on the economic progress of the developing and underdeveloped countries is now choking and throttling the neck of even the advanced countries. The French taking to streets demanding jobs and crying hoarse over salary cut, the youth of Greece scorching the public property to vent out their disappointment due to their inability to get proper placement, the industriously established and industrious Japanese sleeping in the park as they have been left homeless because of being sacked out of job, the otherwise self contented and secured Germans queuing into the community kitchens to feed their pet animals are some of the resultant consequences of unemployment around the world.
When the economic meltdown scorches down all and sundry, India remains somewhat balanced. Thanks to its sustainable resources and its people's less dependence on foreign soul for money power. Further our economy, although appear to rely more on industries and foreign investment is still rooted in agriculture and agricultural based industries.

While considering the situation around the world, unemployment which was considered a stigma in India, now seems to be an-easy to solve problem but no more a crisis. India which was once looked down for its every growing population, by the nations of the world is being now looked up for its measured advancement in many spheres by turning the curse of population into blessing of human resource.

1.1 EDUCATION AND ECONOMIC DEVELOPMENT

Economic development is influenced by many complex factors; these may be categorized into-growth of labour force, accumulative of reproducible capital, technical progress and increase in stock of knowledge and skills available in the community. Several studies have stressed the important contribution that education makes to economic development. While, the importance of education in economic development has been realized by the earlier economists, Adam Smith through Alfred Marshall.
Economics of education as a branch of study can be dated with the famous presidential address of Prof. T.W. Schultz. With massive investment in human development can change a country’s comparative advantage and thus promote economic growth. In this context, this paper analyzes Primary education development in Tamil Nadu.

1.2 HUMAN DEVELOPMENT

Development today is human development. The accent is on the formation of human capabilities such as improved health, Knowledge and skills and the use to which these put in order to improve the quality of life. The development paradigm puts the focus of development on people and their participation.

Till recently, development was taken to mean economic development, expressed in terms of development theories and growth models and indicators like Gross National Product and Per Capita Income. Now, it is correctly perceived that development is a multi-dimensional process, which also involves social and distributive justice.

Human development implies that people are Alpha and Omega of development. Undoubtedly, human development and people’s participation
go together. The Third World sees people as its greatest asset and believes that true development must center round people. As the UN Human Development Report put it, “development must be participatory and for this people must have the opportunity to participate and to invest in the development of their capabilities. They also must have the opportunity to put their capabilities to use, to be fully involved in all aspects of life, to express themselves freely and collectively.”

1.3 EMPLOYMENT

Unemployment and under-employment constitute one of the major problems of labour surplus economies. For a long time unemployment and under-employment were regarded primarily as symptoms of economic underdevelopment and the remedy was sought through promoting rapid economic development. Employment creation has always been the focus of planning and provision of employment opportunities to the work force which is vital for livelihood security. This has become imperative keeping in view the structural transformation in the economy which in the wake of reforms is driven by competitiveness and efficiency with the emphasis on employability and possession of skill sets. The priority is to provide jobs to the majority who lack the required skills and who form part of the labour
surplus pool abundant in the rural areas. The population and labour force in India as per the census reports are shown in the table 1.1.

### TABLE 1.1

POPULATION AND LABOUR FORCE : CENSUS ESTIMATES OF TAMILNADU.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>484.08</td>
<td>558.59</td>
<td>624.06</td>
</tr>
<tr>
<td>Labour force (20-59 years)</td>
<td>234.41</td>
<td>287.34</td>
<td>335.83</td>
</tr>
<tr>
<td>No. of workers</td>
<td>202.00</td>
<td>242.00</td>
<td>278.00</td>
</tr>
<tr>
<td>Proportion of labour force to total population</td>
<td>48.40</td>
<td>51.44</td>
<td>53.81</td>
</tr>
<tr>
<td>% of workers top labour force</td>
<td>86.21</td>
<td>84.22</td>
<td>82.78</td>
</tr>
<tr>
<td>% of non-workers</td>
<td>13.79</td>
<td>15.78</td>
<td>17.22</td>
</tr>
</tbody>
</table>


1.4 TYPES OF UNEMPLOYMENT

**Educated Unemployment**

'Educated unemployment' means the unemployment problem faced by the literate people. Especially, those who have attained the minimum level of education, namely, S.S.L.C. (Secondary school Leaving Certificate). Even those who have acquired a higher level of education, namely, a bachelor's or a master's degree remain unemployed and get included in the category of the educated unemployed.
Technically Educated Unemployed

Under this category come the people who remain unemployed with technical and professional qualifications.

Voluntary and Involuntary Unemployment

This term describes a situation which arises during the period of cyclical unemployment in an advanced economy in which there is no social security system of unemployment benefit; and a person thrown out of work, has to make a living somehow or other by means of his own efforts.

Rural Unemployment

Rural unemployment mainly refers to unemployment in the agricultural sector. In the rural areas, increasing population implies an increasing pressure on land. This pressure on land has resulted in an increase in the number of agriculturalists and this largely has contributed to the problem of disguised unemployment and seasonal unemployment.

Urban Unemployment

The problem of unemployment in the urban areas is called urban unemployment. This is mainly of two kinds:
1. Unemployment among the industrial labourers and
2. Unemployment among the educated middle class\(^1\).

**Disguised Unemployment**

This concept was originated by Ragnar Nurkse in his book “Capital formation in underdeveloped countries”, 1953. It is also known as “Surplus Man-power”. The term refers to that amount of idle work force in terms of man equivalent hours which may exist either during the peak of agricultural work or any other economic activity.

**Frictional Unemployment**

Frictional unemployment is a feature caused by improper adjustment between supply and demand for labour.

**Full Employment**

Full employment means utilization of all available sources in the country.

The researcher has chosen only the problems and prospects of educated unemployed in Erode District of Tamil Nadu.

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EMPLOYMENT EXCHANGE STATISTICS

Employment exchange statistics, besides the fact that the registrations are purely voluntary, sheds some light on the unemployment situation prevailing in the State. The ‘Number of applicants on the live register’ indicates not only the number of unemployed persons but also their educational levels. A total number of 35 employment exchange offices are functioning in the State as at the end of 2005-06. The number of ‘applicants on live register’ as on 31st March 2006 was 37.67 lakhs which had declined from 38.35 lakhs in the previous year. This reduction in the backlog of employment exchanges clearly points out the self-confidence and potential of the labour force is getting a job. Of the total 37.67 lakh applicants, women accounted for 41.5 per cent (15.63 lakhs). Number of registrations effected during 2005-06 was 6.37 lakhs as against 4.83 lakhs in 2004-2005. Vacancies notified to these exchanges during the current year was 24500, for which 16200 were placed in employment. The percentage of placement to registration during 2005-06 was 2.54 percent as against 1.6 to 2004-2005.
TABLE 1.2

EMPLOYMENT EXCHANGE STATISTICS IN TAMIL NADU

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2004-2005</th>
<th>2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employment Exchange Offices</td>
<td>No</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>2. Registrations effected</td>
<td>'000's</td>
<td>483.0</td>
<td>636.9</td>
</tr>
<tr>
<td>3. Vacancies notified</td>
<td>'000's</td>
<td>38.0</td>
<td>24.5</td>
</tr>
<tr>
<td>4. Placements made</td>
<td>'000's</td>
<td>18.0</td>
<td>16.2</td>
</tr>
<tr>
<td>5. Applicants on Live Register</td>
<td>'000's</td>
<td>3835.0</td>
<td>3767.4</td>
</tr>
</tbody>
</table>

Source: Directorate of employment and training, Chennai-22.

14. LITERACY LEVEL IN TAMIL NADU

Tamil Nadu has a longstanding commitment to education and ranks third in terms of overall and female literacy rate due to the efforts made through various plans. The district wise analysis shows that literacy rate is the highest in Kanniyakumar district (88%) and the lowest in Dharmapuri district (59%). The table 1.3 shows the literacy level in Tamil Nadu.

TABLE 1.3

JOB SEEKERS: BY EDUCATION LEVEL (END OF DECEMBER)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>% share</th>
<th>2005</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSLC or equivalent</td>
<td>12.84</td>
<td>42.5</td>
<td>7.74</td>
<td>31.4</td>
</tr>
<tr>
<td>PUC / Under Graduates</td>
<td>8.08</td>
<td>26.7</td>
<td>7.39</td>
<td>30.0</td>
</tr>
<tr>
<td>Diploma Holders</td>
<td>1.93</td>
<td>6.4</td>
<td>2.34</td>
<td>9.5</td>
</tr>
<tr>
<td>Graduates</td>
<td>6.12</td>
<td>20.3</td>
<td>5.88</td>
<td>23.9</td>
</tr>
<tr>
<td>Post Graduates</td>
<td>1.23</td>
<td>4.1</td>
<td>1.27</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30.21</td>
<td>100.0</td>
<td>24.62</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Directorate of employment and training, Chennai-22.
The educational level of job seekers as per the live register indicates that nearly 65 per cent of them had studied above SSLC or equivalent qualification. By the end of December 2005, total number of educated job seekers was 24.62 lakhs as against 30.21 lakhs in the corresponding period of the previous year. Immediate absorption of the Graduates by the Private sector and Multi National companies especially in the IT and ITES had enforced this impact. Job seekers with SSLC or equivalent qualification accounted for a major share of 31.4 per cent followed by HSC or equivalent (30.0%) and Graduates (23.9%).

1.7 UNEMPLOYMENT RATE

National sample survey has also estimated the unemployment rates in usual status, current weekly and current daily status, as in the case of employed. As per NSS, the unemployment rate is defined as the number of persons unemployed per 1000 persons in the labour force (include both employed and unemployed). This rate may be considered as a more refined indicator to assess the unemployment situation than the proportion of unemployed which relates to the number of unemployed per 1000 population. The unemployment rates for the years 1999-2000 and 2004-2005 are as follows:
TABLE 1.4

UNEMPLOYMENT RATE PER ‘000’ LABOUR FORCE IN INDIA

<table>
<thead>
<tr>
<th></th>
<th>Usual status</th>
<th>Current weekly</th>
<th>Current daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>20</td>
<td>12</td>
<td>44</td>
</tr>
<tr>
<td>Urban</td>
<td>40</td>
<td>35</td>
<td>52</td>
</tr>
</tbody>
</table>

Source: NSS 55th and 61st results

The reduced unemployment rates in usual status and current weekly status are given in from the above table. However, rural unemployment rates by current daily status had increased visibly while the urban had a fall. In rural areas, current daily status unemployment rate is a significant indicator. Though chronic unemployment has come down, to a mentionable extent due to various schemes implemented, the rise in the current daily status unemployment calls for appropriate employment strategies.

1.8 THE CAUSES OF EDUCATED UNEMPLOYMENT

Educated unemployment is caused by a number of economic, demographic, educational and attitudinal factors which are reviewed briefly below.

The most dominant cause of educated unemployment seems to be, the stagnation in economic growth. Studies of Organisation for Economic
Co-operation and Development (OECD) nations have shown that low aggregate demand and sluggish economic growth have contributed to educated unemployment, although they have failed, to explain why the lack of jobs has affected the younger educated more than the adults. Two different explanations have sometimes been used to explain the above-mentioned phenomenon.

According to the first, the wages of the younger educated lot has risen too fast by comparison with the wages of adult workers, thus pricing them out of the market. The second explanation stresses the very effective protection enjoyed by many adult workers against dismissal. Because of high pay, action, and collective bargaining, the greater part of the adult labour force (25 and above age-group) can be considered as a quasi-fixed production factor, thus letting the burden of the adjustment to the diminishing demand for labour fall on the “additional” worker, or in other words, the recent entrants to the labour force who are educated and young.

Population growth also contributes to educated unemployment. Population affects labour supply in an economy. As a result of the post-war baby boom and the increasing propensity of young women to seek work, the annual increase in the number of job seekers in nine EEC nations is estimated 8 lakhs in 1980 as against 3 lakhs between 1960 and 1970.
Observers are quick to point out that countries with the lowest unemployment rates (West Germany, Sweden and Switzerland) are also those least affected by post-war baby boom.

In developing countries population has been growing at a rate faster than the rate of employment. This means that more people are coming into the labour force and becoming unemployed. There is also a disparity in the age structure of the population in developed and developing economies. Developing countries of 1960 had more than 60 per cent of their population below the age of twenty-five compared with less than 50 per cent for the developed countries in 1900. Such a young population can be expected to have at least two economic consequences. First, the dependency ratio will be larger. Second, the new entrants to the labour market (mostly the educated) for skilled jobs will outnumber those in the older age brackets by an ever larger margin. So unless the expansion of jobs is faster, the new entrants to the labour market have a higher probability of being unemployed.

The point made above takes an added significance when it is related to the rapid growth of educational facilities in developing countries. Studies done by Kaser (1966), World Bank (1960) show that primary education in developing countries, has been expanding more rapidly but from a lower
base than in the developed countries, whereas secondary education has been growing at the same rate but from a higher base.

Clearly, the rapid expansion of education in the developing countries must be reflected in an increased number of educated entrants to the labour market. It follows that not only are first-time entrants to the labour market much more numerous than those withdrawing from the market, but also they have received more formal education. Now, more educated entrants to the labour market will expect jobs similar to those held by comparatively educated workers in the recent past. So it is not surprising that many LDCs are experiencing high rates of educated unemployment.

High rates of urban unemployment in LDCs is attributed to rural migrants who flock to the city for better employment prospects.

Various theories on rural-urban migration have stimulated considerable empirical activity, both econometric and descriptive. Recent surveys of the rapidly expanding literature provide a fairly clear view of the determinants and consequences of migration and of the characteristics of the migrants (Carynnyk Sinclair, 1974, Brigg, 1973, and, Connell and others, 1976).

Field studies and econometric exercises point consistently to the importance of the economic motive in the decision to migrate. The field...
studies, for example, invariably report that migrants cite the possibility of higher incomes or better jobs as the primary reason for migration. And, in the econometric exercises income or wage differentials usually emerge as the most important explanatory variables in the estimated functions. Some studies, for example, Barnum and Sabot (1977)⁹, have demonstrated the importance of the expectation of employment as a separate explanatory variable in the manner predicted by the Harris-Todaro theory. The field studies have also demonstrated conclusively the marked concentration of migrants within certain population groups. Migrants are usually under thirty years of age, and better educated than non-migrants. This available evidence points out that it is this group who add to the unemployment problem in urban labour markets.

The hiring practices of public sector undertakings in the LDCs have also been cited as a reason for educated unemployed.

In most developing countries, public enterprises make up a significant proportion of wage employment. Since public sector employment is also relatively skill-intensive, the public sector is often the dominant employer of educated labour. The significance of this point is that public pay scales are generally thought to be unresponsive to changes in labour market conditions, in a competitive labour market, rigid wages results in unemployment.
Perhaps the most conclusive evidence that the rigidity of public sector pay scales has distorted the market for educated labour is found in the job preference of the unemployed.

1.3 PROBLEMS OF UNEMPLOYMENT

Unemployment is a serious social and economic problem that causes the following.

1. Stress and strain
2. Low level status in family and society
3. Anti-social activities
4. Dependence
5. Committing suicide
6. Frustration
7. Misuse by politicians
8. Petty crimes
9. Drinking, gambling and other bad habits.
10. Psychological problems,
11. Inferiority complex
12. Postponement of marriage
13. Wastage of valuable human resource

So under employment is better than unemployment.