

Unemployment Problem and Tourism Industry in India: A Qualitative Study

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Abstract

This paper analyzes the role of tourism industry in reducing the problem of unemployment in India. Tourism industry is a labour intensive industry. This qualitative study is purely based on the information collected from different sources like websites, articles published in reputed national and international journals, news papers and reputed reference books related to this field. Unemployment is a curse of developing countries like India but tourism industry has an interesting employment multiplier i.e. 2.36. So there is a possibility of employment of large number people in the industry directly or indirectly. The potentiality of this industry in India is very large due to its natural, geographical and historical background. At this time India stands third in tourism after jam & jewelry and readymade garment. The position of tourism industry, one of the fastest growing industries in world, in respect of globe is just below the oil and automobile industry. So the author recommends the development of tourism industry in India by improving infrastructure to get rid of unemployment.

Key Words:- Tourism, Unemployment, Demographic Transition, Employment Multiplier

Introduction

In ordinary parlance unemployment is a situation of individuals' joblessness at the prevailing wage rate. Lord Keynes expresses that unemployment is the result of deficiency in effective demand in advanced economies. Machine becomes idle as a result of deficiency in effective demand. In consequence of machines' idleness demand for labour falls. It implies that there exists a positive correlation between effective demand and employment. According to Lord Keynes, unemployment may be arrested by keeping the level of effective demand sufficiently. This type of unemployment shown in the advanced countries is termed as cyclical or frictional unemployment by Keynes. In developing or underdeveloped economy Like India, cyclical or frictional unemployment is not more serious. Such type of countries are suffering from the problem of chronic under-employment or

disguised unemployment in the rural sector and also suffering from the urban unemployment among the educated class. It should be noted that unemployment problem in underdeveloped or developing countries is not the consequence of deficiency of effective demand but due to shortage of capital equipment or other complementary resources. To combat the situation, the economy should create higher rate of saving for capital formation by managing resources tactfully.

Tourism is one of the fastest growing industries in the world presently. It has become one of the most significant industries across the world. Now its position in respect of world is just below the oil and automobile industries. Tourism industry creates sufficient employment opportunity and brings foreign currency. The receipt from international tourism provides a valuable source of earnings from many countries both developed as

well as developing. Tourism provides more sizeable earnings than primary products. The income from tourism tends to increase at a higher rate than merchandise export and it is an assured changed of financial flow from developed countries to developing countries, raising the latter's export earnings and rate of economic growth.

The income from foreign tourism in the form of foreign exchange adds to the national income and as invisible export, reduces the loss in the overall financial position. The invisible which come from transport and shipping, banking and insurance, income on investments, etc., utilized by tourists visiting the host country, influence the balance of payments of the country.

The foreign exchange earnings from tourism which were estimated at Rs. 1063 crores in 1981 increased to Rs. 1189 crores in 1985, Rs. 1856 crores in 1987 Rs. 2456 crores in 1990. Rs. 3249 crores in 1995. Rs. 4105 crores in 2000. Rs. 5238 crores in 2004.

Tourism facilities such as hotel, public transport, museums, clubs, and sports complexes, National parks are also used by domestic tourists and visitors although a significant portion of the costs is borne by foreign tourists. Tourism also contributes to tax and indirectly through property profits and income taxes. Tourism provides employment. Tourist expenditure not only supports the tourist but also helps indirectly to support many other industries, which supply goods and services to the tourist industry. Thus the money spent by the tourists after a series of transfer over a period passes through all sectors public utilities, primarily made available for

foreign tourists are widely by other sectors of the economy.

Another important economic effect of tourism is related to regional development of isolated and economically under developed areas. Many of such regions having high scenic beauty and culture attractions can become areas of great interest for tourists bringing property to the local people. Khajuraho which is now an internationally famous spot was a remote an unknown small village about 20 years ago. The development of Khajuraho as a world famous tourist resort has resulted in the acceleration of many economic and social activities, providing employment and prosperity to a large population of the area. Similarly, with a view to bring development and prosperity, a number of under developed regions have been developed for attracting tourists.

Another major direct economic effect of tourism is related to employment. Most of the developing countries are facing problems of unemployment and under unemployment. The tourist industry is a valuable source of employment to a large number of people from the unskilled to waiter, cooks, managers, executives in hotels, roads, airports, water supply and other public utilities, the basic infrastructures for tourism promotion creates jobs for thousands of skilled and unskilled workers.

Review of Literature

Fazili and Ashraf (2004) suggests that for development of tourism industry in India required establishment of a National Tourism Board which can only overcome the conflicts between various agencies involved in this industry. Konar (2004) opines in his study that as a labour

intensive industry (employment multiplier is 2.36) tourism in India has a great potentiality to absorb many unemployed people. He also argued that the development of this industry is mainly depends on country wide infrastructural development. Anbuselvam and Namasivajam (2005) thinks that foreign tourist arrivals in terms of share in the national arrivals is encouraging, there is scope for improvement matching the potential. Barai and Rao (2005) emphasizes on medical tourism in their study because many foreign tourists are come India to treat and check their health. So development of tourism industry includes also improvement of medical infrastructure. Sathyanarayana and M. V. Raghavulu (2005) explains in their study that the development of tourism industry means adequate hotel accommodation, better transport facilities, medical and communication facilities at multi languages allocate the huge budgetary allocations. The Central and State Govt.'s should allocate huge budgetary allocations for this industry, to solve the problem of unemployment. Sinha (-----) argues that since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourist industry. Patel (2012) thinks that the development of tourism is a very complex process of interaction among many players, who have shared the responsibility concerning the environmental, social and economic sustainability of this lucrative sector. Dayananda (2014) supposes that tourism has become one of the major

sectors of the economy, contributing to a large proportion of the National income and generating huge employment opportunities. It has become the fastest growing service industry in the country with great potentials for its further expansion and diversification. Tourism industry is capable to generate employment to both skilled and unskilled workers, directly and indirectly. Venkatesh and Raj (2016) recommends in their study that the effective development of the potentials in the tourism industry, government should formulate and design policies related to development of travel industry as well as travel education scenario in India.

In this paper it has been tried to find out the causes of unemployment in India and the role of tourism industry in reducing the unemployment problem in India. It also tried to discuss elaborately the nature of unemployment problem in South Asia as well as India and also discussed about the development of tourism industry in India after independence. The purpose of this comparative analysis is to find out the role of tourism industry in India to reduce the number of unemployed people.

Objective of the Study

The objectives of this paper are:

- a. To portray the unemployment scenario of South Asia and India, emphasizing nature and causes of the problem.
- b. To discuss about the extent of unemployment in India.
- c. To review the development of tourism industry in India after independence.
- d. To analyze the role of tourism industry in employment generation as well as plummeting unemployment.

Methodology

This qualitative study is purely based on the information collected from different sources like websites, articles published in reputed national and international journals, news papers and reputed reference books related to this field. Phase wise discussion of different aspects relating to unemployment and tourism industry of India has been done to realize the objectives of the study. Finally the author reaches to the conclusion and recommends something for betterment of tourism.

Discussion

Scenario of South Asia and India

Most of the countries of South Asia viz. India, Pakistan, Bangladesh, Bhutan, Nepal, Sri Lanka are passing through the second stage of demographic transition. In this stage countries must suffer from the problem of population explosion, unemployment and slow rate of economic growth. Out of 1.4 billion people of South Asia, 60 per cent are in the working age group. Only 66 per cent of the total working age group participates as labour force. Employment growth rates are lower than GDP and labour force growth rates. Agriculture is the main occupation of the people, although it suffers from the lack of investment and low productivity. One third of the total population of South Asia is in poverty. Illiteracy in South Asia is also a matter of great concern. In South Asia major portion of the total unemployed is youth. In the year 1997, 70% of the total unemployment of Sri Lanka is youth, 58% of the total unemployment of India is youth and 45% of total unemployment of Pakistan is youth. Declining trend of employment in public sector during the past decade dampens the prospects of

employment of educated youth. Employment provided in the private sector is mostly in the semi-skilled or low-skilled section. In the year 1997, 41% of the total Higher Secondary passed youth of India was unemployed. In South Asia women have limited opportunity to get themselves employed. Two third of South Asia women are engaged in agriculture and agriculture related activities. Women form the majority in the informal sector, although they are failed to get reasonable opportunity and wages. In the year 2009-2010 male and female unemployment rate in South Asian countries shown in the Table 1. The table shows the highest unemployment rate (8%) of women in Sri Lanka (8%) and Bangladesh (8%), the lowest in Nepal (1%) and Pakistan (1%). In case of male unemployment, Sri Lanka and Bangladesh rate (4%) is highest and Pakistan is lowest (1%).

Table 2 shows overall unemployment rate of South Asian countries in the year 2013-2014. The highest rate of unemployment is 6% in Pakistan and lowest in Nepal, 2.7%. Unemployment rate in India is 4.9% in the year 2013-2014. The unemployment rate of India has risen from 6% in 1994 to 7.32% in 2001 though it reduced to 4.9% in 2014 (The Economic Survey of India). W.T.O has failed to generate more employment in South Asia because of the unilateral trade measures adapted by the developed countries.

India which is a thickly populated country in South Asia has a very large labour force. The quality and productivity of the labour force is poor and low. Only 8% of the total work force is engaged in the organized sector and 92% is engaged in the unorganized sector. Work force of the organized sector contributes nearly 40% of

national output. The status of the labour in the organized sector is reasonably good but the working condition in the unorganized sector is extremely bad. Under-privileged workers, child labours are the majority in the unorganized sector. The fastest growing industry in India is I.T. In the year 2002-2003 it earns revenues of Rs 11,700 crores. In the year 2004 the industry alone created 1.85 lakh jobs in Karnataka. Though the majority of the jobs are in Bangalore, the largest numbers of jobs were lost also in Bangalore. During the post liberalization and globalization period, the number of jobless workers in Karnataka is about 3 lakh. The number of closed state-enterprises in Karnataka is 27. 65 per cent of workers become contract workers in Mumbai. Employees of public sectors are forced to take VRS. The situation which implies the job security of workers is losing in India. Massive migration of labourers from rural area to urban area is a serious problem of the Indian economy. Out of total rural labour force of Orissa, 60% have migrated due to loss of jobs.

Extent of Unemployment in India

The backlog of unemployment at the beginning of the First Five Year Plan was 3.3 million to which were added 9.0 million new entrants during this period. The Plan provided additional employment to 7.0 million, thus leaving a backlog of 5.3 million at the beginning of the Second Five Year Plan. In the subsequent plans, the backlog has been continuously increasing, since the new jobs created during each plan period invariably fell short of new entrants to the labour force. A projection of National Sample Survey (NSS) on unemployment reveals that 16 million persons were unemployed and 12

million persons were estimated to be severely under-employed during the year 1990. It implies that the total backlog of unemployed persons in the beginning of the Eighth Plan period (1992-1997) is 28 million (Table 3). The net additions to the labour force during 1990-1995 had been expected to be 37 million. So the total number of jobless persons during the Eighth Plan period (1992-1997) would be around 65 million. It is further expected that in the next five years, i.e., during 1995-2000, labour force would increase by 41 million. Hence by the year 2000 AD, the total number of job seekers would be around 106 million. The Planning Commission, therefore, concludes, "Employment growth in the aggregate over the estimated employment of 300 million in 1990 would have to be about 4 per cent compounded per annum if the goal of providing employment for all is to be achieved by the end of the Eighth Plan and over 3 per cent per annum if it is to be attained by 2000AD".

As per the estimates the backlog of unemployment at the beginning of the Ninth Five Year Plan was estimated to be of the order 34-35 million. The labour force was projected to increase by about 36 million during 1997-2002. Thus, the total number of persons requiring employment would be 70 million over the period 1997-2002.

The Tenth Plan aimed at creating 50 million jobs during the plan. The result of the 61st round of the NSSO shows that about 47 million persons were provided employment during 2000-2005. Thus, the aggregate employment generation of 47 million work opportunities during 2000-2005 was fairly close to the target of 50 million opportunities.

The Eleventh Plan (2007-2012) aimed at generation of 58 million work opportunities. The NSSO survey shows an increase in work opportunities to the tune of that 18 million under the current daily status between 2004-05 and 2009-10. However, the overall labour force expanded by 11.7 million. That means new entrants to job markets were considerably less than the job created during this period leading to a fall in unemployment in absolute terms by 6.3 million. This lower labour force can be attributed to the fact that more youth were busy in education and lower labour force participation among working-age women.

Table 4 shows the year wise registration, placement, notified vacancies, submission made and live register during the period 2006 to 2013. The numbers of unemployed persons (live Register) are decreasing every year during the period 2006 to 2009 but it increases gradually subsequently during the period 2010 to 2013. It was lowest in 2009 (3,81,52,200) and highest in 2013 (4,68,02,500). The nature of year wise registration during the studied period is volatile though an increasing trend is noticed during the period 2008 to 2012. But on an average 53 lakh to 97 lakh unemployed persons register their names in each year of study as job seekers. In the year 2012 maximum unemployed persons, about 97 lakh registered their names with various employment exchanges of India. The placement was maximum (5,09,600) in the year 2010. The placement shows an increasing trend in year 2006, 2007 and 2008 but it decreased slightly in the year 2009. In the year 2010, placement was maximum; subsequently it decreases during the period 2010 to 2013. Number of notified vacancies increases during the

period 2006 to 2011 except the year 2009. In the year 2011, number of notified vacancies was maximum (8,19,700). But after the year 2011 it decreased in every year. Year wise figures of 'Submission made' shows a volatile trend during the study period 2006 to 2013. It was maximum in the year 2011 and minimum in the year 2009. The above discussion expresses the gravity and extent of unemployment in India.

Tourism Industry and Employment Generation

Tourism is one of the fastest growing industries in the world presently. It has become one of the most significant industries across the world. Now its position in respect of world is just below the oil and automobile industries. Tourism industry creates sufficient employment opportunity and brings foreign currency. To enhance national income, tourism plays a vital role. National integration and national understanding is maintained by the tourism industry. It plays a vital role in economic development of a nation, socio-culture and preservation of heritage. Tourism is an extremely labour-intensive industry with high linkage effect. As the world's largest export industry, tourism accounts for about 8% of the total world's largest export, more than 30% of the international trade in services, 10.7% of the global work force and about 12% of world GDP². According to the world Tourism Organization (WTO), in the year 2020 tourism will be an industry earning five billion dollars a day. The economies of the countries like Hong Kong, Singapore, Sri Lanka and small islands like Mauritius, Fiji, Malta largely depend directly or indirectly on this industry.

India is the sixth largest country in the world after China, Canada, Brazil, USA and Australia. The country is the mother of two primitive civilizations of the world. One is the Indus Valley civilization and the other is the Aryan civilization. India with her vast area, with her physical size and appearance, heritage, cultural, splendid natural resources, coastlines, minerals, forest cover, old and antique buildings, the Tajmahal, one of the seven wonders of the world, monuments, beautiful temples and mosques, forts, hill stations, scenic beauty, springs, rivers, Canals, ponds, dams, flora and fauna, gardens, historical places, wild life sanctuaries can easily find a permanent place in the firmament of the tourism industry³. The Government of India recognized tourism as an industry in the year 1967, establishing a department called 'Tourism and Civil Aviation Department'. From this year the development of tourism in India is started. The Government of India declared the year 1991 as a year of tourism, to give more impetus on tourism development. A report of the ministry of Tourism and Civil Aviation reveals that India's gross foreign exchange earnings from tourism was Rs. 283 crores in the year 1997-'78. In the year 2013 India received 5.9% more foreign tourists than the previous year. Share of business still confines to only about one per cent of the world's total tourist trade. In the year 1950 the total arrival of tourists in India was 15000. Up to the year 2013 the figure reached in 6.97 million. Now tourism industry is the third largest foreign exchange earner by producing gems and jewelry and readymade garments in India. Most of the tourists coming to India belong to the countries – UK, USA, Sri

Lanka, Germany, France, Japan, Canada, Italy, Malaysia and Singapore.

The role of tourism industry in generation of employment is very significant. Tourism is a labour intensive industry. So a large number of jobseekers can get employment in this industry. According to a report from the Ministry of Tourism, Government of India, number of people already employed in the industry is more than 7 million. The number is about 2.4% of Indian total labour force. People directly or indirectly depends on tourism industry in India is around eleven million. Tourism Industry creates employment especially for hoteliers, restaurant-owners, guides, local shopkeepers, merchants etc. The remarkable feature of the industry is that it employs a large number of both educated and uneducated women. Both skilled and unskilled women are employed in this industry. Women, in fact, outnumber men in hotels, airline services, travel agencies, handicraft and cultural activities⁴. The estimated employment multiplier figure in the tourism industry is 2.36. It means direct employment of 100 persons in tourism industry which create job for 136 persons in other sectors of our economy. From the view point of employment generation, this multiplier is very attractive than other industry-multiplier.

Conclusion

Unemployment problem in India is a matter of great concern like poverty, illiteracy, malnutrition etc. The nature of the problem is severe in a developing country like India. In India the number of unemployed persons is increasing consistently. Organized sectors fail to create sufficient employment opportunity to absorb the unemployed labour force.

After independence, Government of India has taken many steps to tackle the problem. But these efforts have failed to solve the alarming problem of unemployment because the main cause behind this problem in India is population-explosion. In this context, tourism industry can play a vital role in India economy. Tourism industry is a labour-intensive industry and its employment multiplier is 2.36. A large number of unemployed persons can be employed by this industry. The Government should take necessary steps for development of tourism industry. The Central Government

and State Governments should allocate huge budgetary allocations for tourism industry. And the cooperation and co-ordination on the part of the Central and “State Governments, local authorities and local people is needed for the development of the industry. The development of tourism industry mainly depends on adequate hotel accommodation, better transport facilities, medical and communication facilities etc. The Government should take necessary steps to improve these facilities for the growth of tourism industry in India.

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TABLE 1
Female & Male Unemployment Rates in South Asia, 2009-2010

Countries	Female (%)	Male (%)
Bangladesh	8	4
India	4	3
Nepal	1	2
Pakistan	1	1
Sri Lanka	8	4

Source: National labor force and household survey 2010

TABLE 5.2
Unemployment Rates in South Asia, 2013-2014

Countries	Rate (%)
Bangladesh	4.5
Bhutan	2.9
India	4.9
Nepal	2.7
Pakistan	6.0
Sri Lanka	4.4

Source: www.tradingeconomics.com

TABLE 3
Projection of Unemployment for 1990-2000

	Millions
1. Backlog of employed in the beginning of 1990	28
2. New entrants to the labour force during 1990-1995	37
Total unemployed for the 8 th Plan (1+2)	
3. New entrants to the labour force during 1995-2000	65
	41
Total unemployed for the 9 th Plan	106

Source: Compiled from the Planning Commission, 8th Plan & 9th Plan.

TABLE 4
Job-Seekers of all categories registered with the Employment Exchanges in India
(Figures in Thousands)

Year	Registration	Placement	Vacancy Notified	Submission Made	Live Reg.	% of Pl./Sub.	% of Pl./Vac. Notified	% Incr. in L.R over Prev. Year
2006	7289.5	177.0	358.2	3029.5	41466.0	05.8	49.4	5.4
2007	5434.2	263.5	525.8	3666.1	39974.0	07.2	50.1	-3.6
2008	5315.7	304.9	571.0	3345.6	39114.9	09.1	9.1	-2.1
2009	5693.7	261.5	419.5	2589.3	38152.2	10.1	62.3	-2.5
2010	6186.0	509.6	706.9	3747.1	38826.9	13.6	72.1	1.8
2011	6206.3	471.5	819.7	5142.9	40171.6	09.2	57.5	3.5
2012	9722.2	427.6	682.8	2982.2	44790.1	14.3	62.6	11.5
2013	5969.4	348.5	510.7	3002.1	46802.5	11.6	68.2	4.5

Source: DGE & T, Ministry of Labour, Govt. of India, New Delhi