**Here we detail about the six causes of unemployment in India.**

**Cause 1# Lack of the Stock of Physical Capital:**

The major cause of unemployment and underemployment in underdeveloped countries like India is the deficiency of the stock of capital in relation to the needs of the growing labour force.

In the modern world, man by himself can hardly produce anything. Even the primitive man needed some elementary tools like the bow and arrow to engage in hunting for the earning of his livelihood.

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With the growth of technology and specialization, he needs much more capital with which to engage in the productive activity. If he is an agriculturist, he needs a piece of land and also a plough, a pair of oxen, seeds and some food grains and other necessities of life to sustain himself during the period of sowing to the reaping of the harvest.

In the industrial sector, he needs factories to work in and machines to work with. All these aids to production belong to the community’s stock of capital. Now, if the working force grows faster than the stock of capital of a country, the entire addition of labour force cannot be absorbed in productive employment because not enough instruments of production would be there to employ them. The resulting unemployment is known as the long-term or chronic unemployment.

A nation’s stock of capital can be enlarged by increased investment which, in the absence of any unutilized resources, requires additional saving on the part of the community. The concern of the classical economists was to ensure that the rate of capital formation was kept sufficiently high so that employment opportunities were successively enlarged to absorb the additions to the working force of a country as a result of population growth.

This is also the problem that the developing countries like India are facing today. In recent times, the labour force in India has been growing at more than 2 per cent per year, yet our rate of investment expressed as a percentage of our stock of capital has not been growing at a fast enough rate so as to keep pace with the growth of population.

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As a result, the country’s ability to offer productive employment to the new entrants in the labour market has been severely limited. This manifests itself in two things: first, the prevalence of large- scale open unemployment in the urban areas as evidenced by the statistics of employment exchanges; second, it manifests itself in the form of open unemployment in the rural areas as well as disguised unemployment in agriculture.

**Cause 2# Use of Capital-Intensive Techniques:**

An important factor responsible for slow growth of employment has been the use of capital-intensive techniques of production, even in consumer goods industries where alternative labour-intensive techniques are available. Even before 1991, under the Industrial Policy Resolution 1956, the development of consumer goods industries was left open for the private sector.

However, private sector prefers to invest in highly capital-intensive plants and equipment on the basis of technology developed in labour-scarce western countries. It is argued by them that the alternative labour-intensive techniques have low productivity and low surplus-generating capacity.

However, the important reason for the use of capital-intensive techniques has been the availability of cheap capital. Even firms in modern small industry sector which were expected to generate large employment opportunities have also tended to use capital-intensive techniques of production.

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