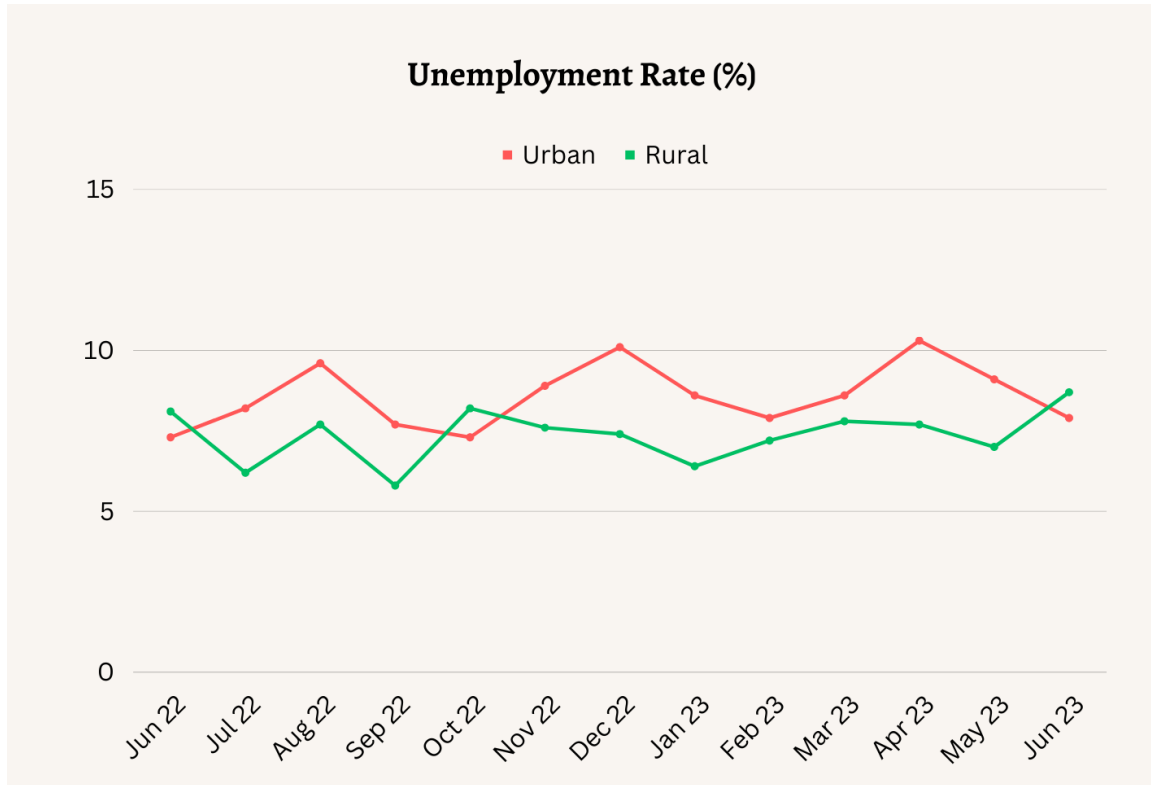




Data Dive - Rural and Urban Unemployment Diverge for the First Time in 2023

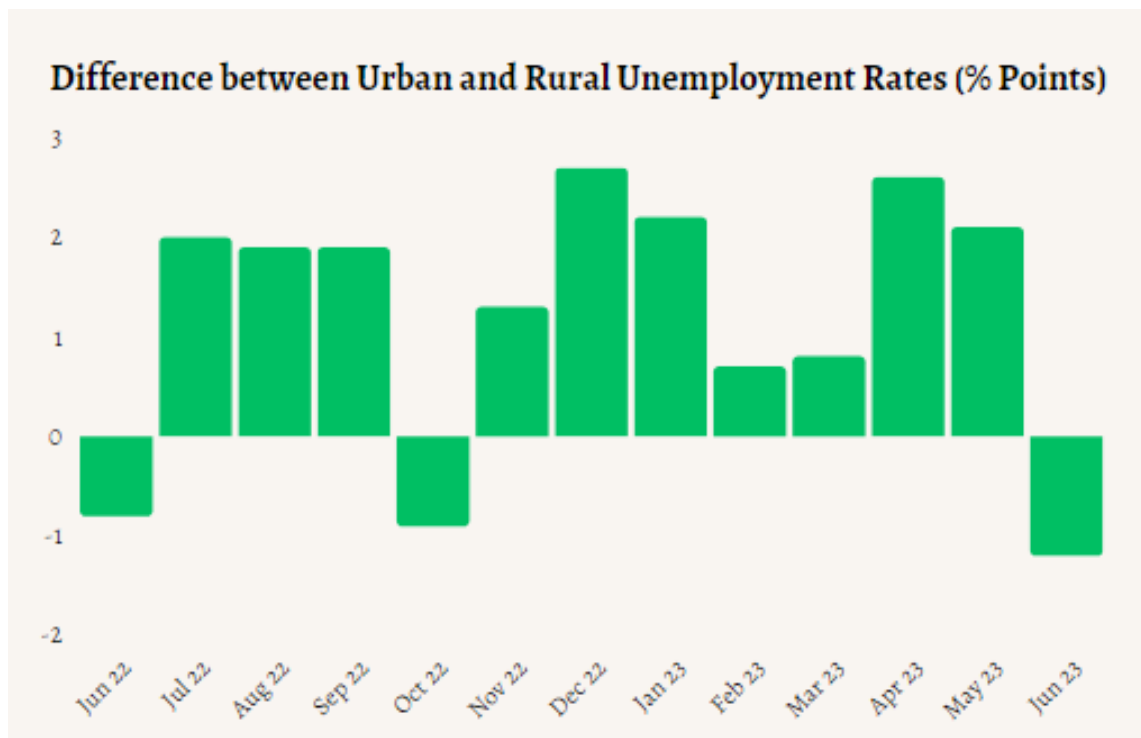


(source: [Centre for Monitoring Indian Economy](#))

After a gap of 8 months, rural unemployment overshot the urban unemployment rate in India. Nearly 5.5 million youth were put in the unemployment pool in rural India whereas 1.7 million unemployed urban youth gained employment in June 2023. This is the first time in 2023 that the rural and urban unemployment rates have shown an inverse relationship between them. This is also the first time since October 2022 that rural unemployment rate is more than the urban unemployment rate. Since June 2022 (as the graph below depicts), this is only the third time that the rural unemployment rate has been more than its urban counterpart. There are two key takeaways from the trends observed in the unemployment rates:

- 1. Rural India will Push More Youth to Migrate to Cities:** Usually, as seen in the graphs, urban unemployment rate is more than rural unemployment rate. This is because rural India has a traditional source of employment- agriculture and allied activities-along with multiple job guarantee schemes from the government. However, agriculture, because of its basic nature, is unable to support the incoming pool of youth with employment each year. This pushes them to migrate to cities in search for job opportunities in the secondary and tertiary sector. While this has been the trend in India (especially after the 1991 liberalisation), a rise in rural unemployment rate with a *simultaneous* drop in urban unemployment will make the city more attractive for the aspirational rural youth.

Increasingly, agriculture has been stagnating in terms of its capacity to provide jobs to youth. As this Economic Times [article](#) suggests, only 4 million crop cultivation jobs were added in 2022, which is lower than the previous two years, representing a lower capacity of agriculture to be a source of employment for rural youth every year.



2. Dropping Labour Force Participation: The increase in unemployment rate has not resulted in a similar increase in absolute number of unemployed youth. While 13 million jobs have been lost in June, only 3 million people have become unemployed in the same time period. This means that 10 million people who lost jobs last month have decided to stop looking for jobs, that is, exit the labour market. The labour force participation rate has also dropped from 40% in the last two months to 38.8% in June (which is its lowest). Females seeking jobs will be the worst impacted by this trend as the female labour force participation rate has been dropping for a few years in India, as was explained in our previous edition of [Data Dive](#).

Author: Tushar Singh, Pratham