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State of employment in India

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Why is in news? State of employment in India: What a new report says about youths and women, concerns and caution

There have been “**paradoxical improvements**” in **labour market indicators** such as the labour force participation rate, workforce participation rate, and unemployment rate in India in recent years after long-term deterioration from 2000-2019.

The improvement has coincided with periods of economic distress, both before and during the Covid-19 pandemic, says the **India Employment Report 2024**.

About the report:

It is released by the **Institute for Human Development and International Labour Organisation** on March 26.

Seven labour market outcome indicators: (i) percentage of workers employed in regular formal work; (ii) percentage of casual labourers; (iii) percentage of self-employed workers below the poverty line; (iv) work participation rate; (v) average monthly earnings of casual labourers; (vi) unemployment rate of secondary and above-educated youth; (vii) youth not in employment and education or training.

Key findings of the report:

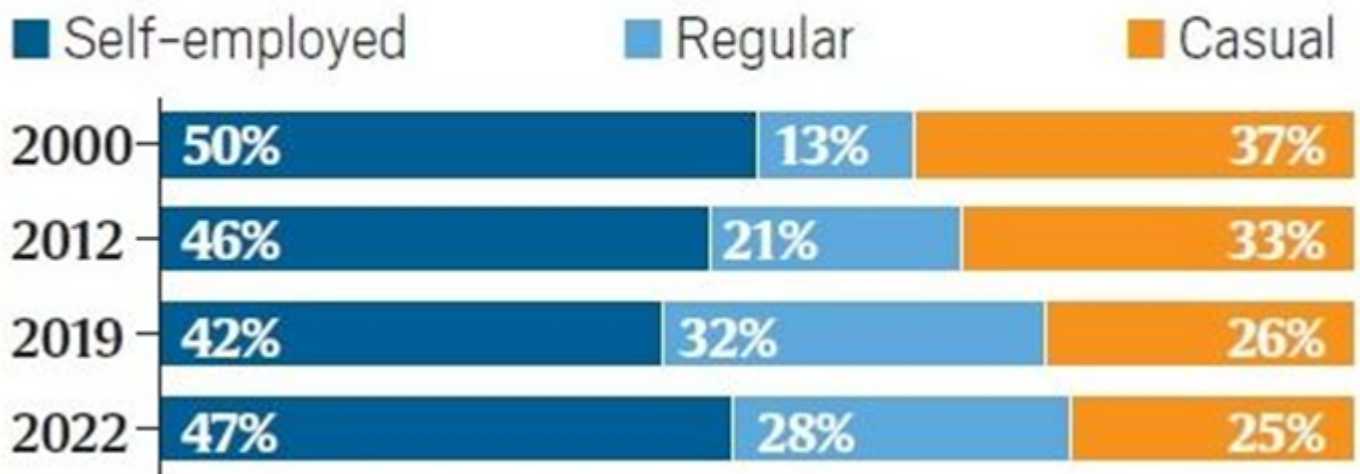
Concerns about poor employment conditions:

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STATUS OF EMPLOYMENT OF YOUTHS



Source: IHD-ILO India Employment Report 2024

The slow transition to non-farm employment has reversed; women largely account for the increase in self-employment and unpaid family work; youth employment is of poorer quality than employment for adults; wages and earnings are stagnant or declining.

The **'employment condition index'** has improved between 2004-05 and 2021-22.

But some states — **Bihar, Odisha, Jharkhand, and UP** — have **remained at the bottom** throughout this period, while some others — Delhi, Himachal Pradesh, Telangana, Uttarakhand, and Gujarat — have stayed at the top.

Employment quality:

Informal employment has risen — around half the jobs in the formal sector are of an informal nature.

Self-employment and unpaid family work has also increased, especially for women. Almost 82% of the workforce is engaged in the informal sector, and nearly 90% is informally employed, the report said.

Self-employment remains the primary source of employment — 55.8% in 2022. Casual and regular employment accounted for 22.7% and 21.5% respectively.

Casual employment consistently declined to 22.7% in 2022 from 33.3% in 2000.

Regular employment is generally seen as **providing better-quality jobs** due to the regularity of employment and associated social security benefits, while casual work is linked with relatively poor-quality jobs due to its irregular nature and lower daily earnings.

Participation of women:

The **female labour force participation rate (LFPR) in India remains among the world's lowest**.

Female LFPR declined by 14.4 percentage points (compared to 8.1 percentage points for males) between 2000 and 2019.

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The trend reversed thereafter, with female LFPR rising by 8.3 percentage points (compared to 1.7 percentage points for male LFPR) between 2019 and 2022.

There is a **considerable gender gap** — women's LFPR (32.8%) in 2022 was **2.3 times lower than men's** (77.2%).

India's low LFPR is largely attributed to the low female LFPR, which was much **lower than the world average of 47.3%** in 2022, but **higher than the South Asian average** of 24.8%, as per ILO data.

Structural transformation:

There has been a **reversal of the slow transition towards non-farm employment** after 2018-19.

The **share of agriculture in total employment fell** to around 42% in 2019 from 60% in 2000.

This shift was largely absorbed by **construction and services**, the share of which in total employment increased to 32% in 2019 from 23% in 2000.

The share of **manufacturing in employment** has **remained almost stagnant** at 12-14%.

Since 2018-19, this slow transition has stagnated or reversed with the rise in the share of agricultural employment.

Youth employment:

There has been a **rise in youth employment**, but the **quality of work remains a concern**, especially for qualified young workers.

Youth employment and underemployment increased between 2000 and 2019 but declined during the pandemic years. However, unemployment among youths, especially those with secondary-level or higher education, has intensified over time.

In 2022, the **share of unemployed youths** in the total unemployed population was 82.9%. The share of educated youths among all unemployed people also increased to 65.7% in 2022 from 54.2% in 2000.

The unemployment rate among youths was **six times greater** for those who had completed secondary education or higher (18.4%) and nine times higher for graduates (29.1%) than for persons who could not read or write (3.4%) in 2022.

This was higher among educated young women (21.4%) than men (17.5%), especially among female graduates (34.5%), compared to men (26.4%).

The unemployment rate among educated youths grew to 30.8% in 2019 from 23.9% in 2000, but fell to 18.4% in 2022.

Unemployment:

Unemployment is a term used to describe a situation in which **individuals who are willing and able to work are unable to find suitable employment opportunities**.

It is an important economic and social indicator that reflects the health of a country's labour market.

The **labour force** consists of all individuals who are **either employed or actively seeking employment**.

Those who are **not part of the labour force**, such as retirees, students, and those who have given up looking for work, are not considered unemployed.

Unemployed individuals are those who are currently not working but are actively seeking employment and are available to work. In other words, they are willing and able to work but do not have a job.

Types of Unemployment:

Frictional Unemployment: This type of unemployment occurs when individuals are temporarily between jobs or are transitioning from one job to another. It is often considered natural and even healthy in a dynamic labor market.

Structural Unemployment: Structural unemployment arises from a mismatch between the skills and qualifications of the workforce and the available job opportunities. It can be caused by changes in technology, shifts in industries, or changes in the geographical location of jobs.

Cyclical Unemployment: Cyclical unemployment is related to economic downturns and business cycles. When the economy is in a recession, businesses may lay off workers due to reduced demand for goods and services.

Seasonal Unemployment: This type of unemployment occurs when employment opportunities fluctuate with the seasons. For example, agricultural workers may experience seasonal unemployment during the off-season.

Unemployment Rate:

The unemployment rate is a widely used indicator that expresses the percentage of the labour force that is unemployed.

It is calculated by dividing the number of unemployed individuals by the total labour force and then multiplying by 100.

Reason for unemployment in India:

Disguised unemployment in agriculture: Most of the people involved in agriculture do not have adequate skill to take over jobs in another sector.

Poverty: Lack of access to education and vocational skill.

Emergence of new and disruptive technology: Evolution of AI, Block Chain, Big Data analytics, Quantum computing, etc. demand exceptionally different skill sets.

Concentration of Employment opportunities: More than 75% of the non-agricultural jobs are in urban areas which hold around 35% of the population only.

Health status of the demography: 14% of India's population is undernourished, according to 'The State of Food Security and Nutrition in the World, 2020' report, this impacts cognitive ability and economic productivity.

Weak industry-academia interlinkages to introduce job oriented courses. This means that industries and academic institutions do not collaborate on what skill sets to impart to the students so that they get the required skill set.

Steps taken by India:

Skill Development Programs (Skill India): The Skill India Mission is a flagship program that focuses on providing skill training to millions of Indians across various sectors and industries.

Make in India campaign promotes manufacturing and aims to transform India into a global manufacturing hub.

Rural Employment Schemes (MGNREGA): This program provides a safety net for rural populations and offers employment opportunities in various development projects, thus reducing seasonal unemployment and distress

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migration from rural areas.

Startup India: The Startup India initiative is designed to encourage entrepreneurship and support the growth of startups.

Labour Reforms: The Indian government has undertaken labour law reforms to streamline and modernize the labour market. These reforms seek to make it easier for businesses to hire and create jobs by simplifying labour regulations, improving the ease of doing business, and reducing compliance burdens.

‘PM-DAKSH’ (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi) Portal: Make the skill development schemes accessible to the target groups - Backward Classes, Scheduled Castes and Safai Karamcharis. Eligible target groups are provided with the skill development training programmes

Way forward:

There are **five key policy areas for further action:** promoting job creation; improving employment quality; addressing labour market inequalities; strengthening skills and active labour market policies; and bridging the knowledge deficits on labour market patterns and youth employment.

The **rise of artificial intelligence (AI)** could have an impact on employment, the report said, noting that the outsourcing industry in India could be disrupted because some back-office tasks would be taken over by AI.

Investment and regulations are required in the emerging care and digital economies, which could be an important source of productive employment. The lack of job security, irregular wages, and uncertain employment status for workers pose significant challenges for gig or platform work.

Economic policies are required to **boost productive non-farm employment**, especially in the manufacturing sector, with India likely to add 7-8 million youths annually to the labour force during the next decade.

More **support needs to be provided to micro, small and medium-sized enterprises**, especially by providing tools such as digitalisation and AI and a cluster-based approach to manufacturing.