

Policy Brief

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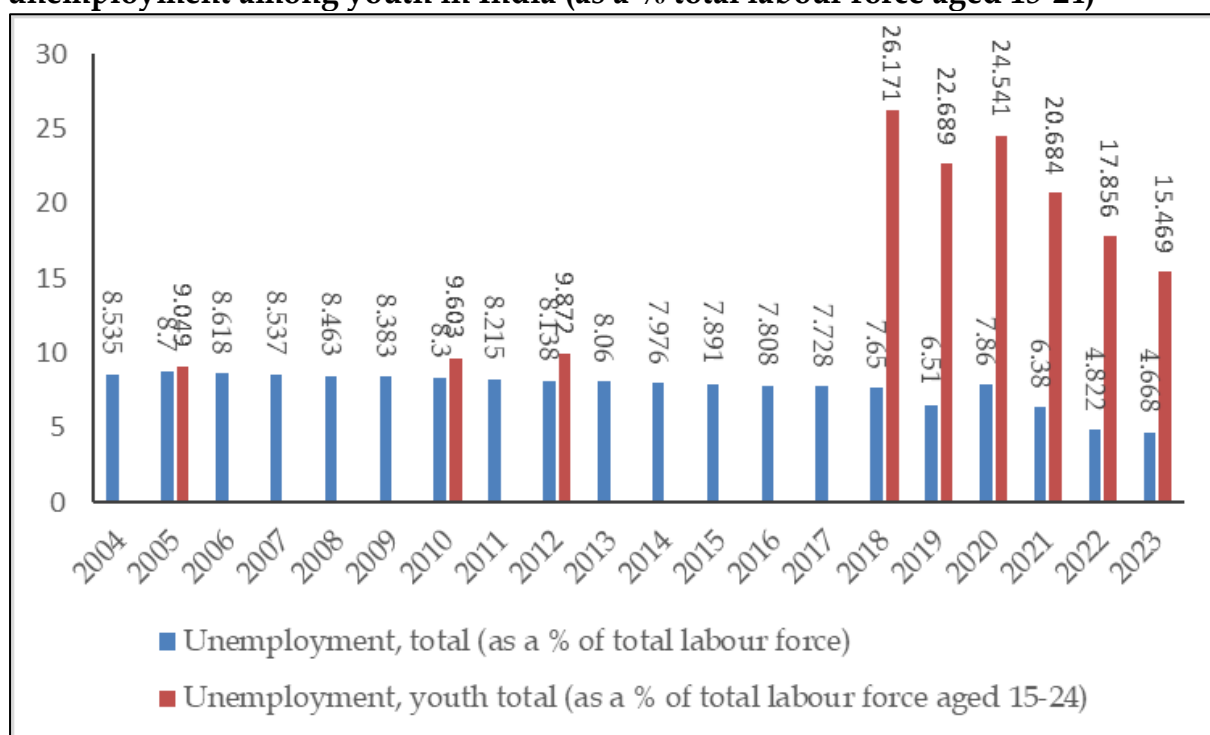
Unlocking Potential, Unleashing Opportunities: A Policy Dialogue on Employment in India

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Introduction

India has exhibited an extraordinary growth trajectory in the last couple of years despite severe global headwinds. In fact, the ruling party's return to power for a third time in the General Elections of 2024 has been partly attributed to India's economic performance. However, one of the biggest critiques of this growth trajectory has been that it has not generated adequate employment. Infact, rising unemployment was repeatedly brought up during many a discourse during the recently concluded election campaigns. As the most populous nation in the world with a diverse workforce, fluctuations in the unemployment rate have far-reaching implications for India's growth and development. Figure 1 shows that even though unemployment in India has reduced since 2004, it decreased at an extremely slow pace since 2014, with the only exception of 2019 when it fell more than 1 per cent. In 2020, as a result of the COVID 19 pandemic, the rate of unemployment went up by 1.30 per cent. However, the government managed to reduce unemployment in 2021 and 2022, and even managed to bring it down lower than pre-pandemic levels. This said, unemployment level among youth, between ages 15 and 24 years, has more than doubled in 2018 compared to 2012, and although it has decreased gradually over subsequent years, it still remains high at almost 15.47 per cent in 2023.

Figure 1: Rate of unemployment in India (as a % of total labour force) viz-a-viz unemployment among youth in India (as a % total labour force aged 15-24)



Source: Collated from World Bank



A report by the International Labour Organization (ILO) and the Institute for Human Development (IHD), released in 2024 pointed out that between 2012 and 2019, employment grew only at a negligible rate of 0.01 per cent even though the Gross Value Added (GVA) grew at 6.7 per cent, with a gradual shift from low productivity agriculture sector to relatively higher productivity sectors such as constructions and services sector.¹ This trend, though, was reversed for a short while after the slowdown in the economy post the COVID 19 pandemic of 2020, when a large portion of the workers from several sectors including construction and services shifted back to agriculture. The report further stated that the growth in employment compared to growth in GVA in the manufacturing sector was 1.7 per cent compared to 7.5 per cent in 2012-2019 and 3 per cent compared to 3.5 per cent in 2019-2022. The corresponding figures for the services sector stood at 2.9 per cent employment growth and 7.5 percent GVA growth in 2012-19 and 2 per cent GVA growth and 1.1 per cent employment growth in 2019-2022.

On the other hand, the Periodic Labour Force Survey (PLFS) Annual Report 2022-2023 conducted by the National Sample Survey Office (NSSO) suggests that there has been an increasing trend in Labour Force Participation Rate (LFPR) and Worker Population Ratio (WPR), and decreasing trend in Unemployment Rate (UR), all for persons of age 15 years and above in between July 2022 and June 2023.²

Government initiatives towards reducing unemployment in India

Post the COVID 19 pandemic, the Government of India had undertaken several measures and initiated several programmes to increase employment opportunities and the standard of employability. The Aatmanirbhar Bharat Rojgar Yojana (ABRY) (under the Atmanirbhar Bharat package 3.0) was launched with effect from 1st October, 2020 to incentivise employers for creating new employment along with social security benefits and restore the loss of employment during Covid-19 pandemic.³ This scheme is being implemented through the Employees' Provident Fund Organisation (EPFO) and seeks to reduce the financial burden of the employers and encourages them to hire more workers. Till 31st March 2024, a total of INR 10,188.50 crore has been provided through 1,52,517 establishment to 60.49 lac beneficiaries.⁴ The Garib Kalyan Rojgar Abhiyaan

¹ India Employment Report 2024: Youth employment, education and skills, Geneva: International Labour Office (can be accessed at https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/@sro-new-delhi/documents/publication/wcms_921154.pdf)

² PIB Press Release 1966154 (can be accessed from <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1966154>)

³ PIB Press Release 1807656 (accessed on <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1807656>)

⁴ Ministry of Labour & Employment, Government of India, Aatmanirbhar Bharat Rojgar Yojana (ABRY) (accessed from <https://labour.gov.in/aatmanirbhar-bharat-rojgar-yojana-abry>)

(GKRA) for 125 days of work was implemented from 20th June 2020 till 22nd October, 2020 for boosting employment and livelihood opportunities for returnee migrant workers and similarly affected persons which provided a total of 50.78 crore person-days employment with a total expenditure of INR 39,293 crore.⁵ The Prime Minister Street Vendor's AtmaNirbharNidhi (PM SVANidhi Scheme) to facilitate collateral free working capital loan to street vendors to restart their businesses, which were adversely impacted during the Covid-19 pandemic was started in June 2020 and 83.67 lakh loans have been sanctioned under the scheme till January 2024.⁶ The Pradhan Mantri Mudra Yojana (PMMY) was implemented by the government for facilitating Micro, Small and Medium Enterprises (MSMEs) to access collateral free loan of up to INR 10 lacs enabling them to setup or expand their business activities. Under the PMMY, more than INR 27.75 lac crore has been disbursed benefitting 47 crore small entrepreneurs since its inception till March 2024.⁷ The Ministry of Finance (MoF) data further shows that of the 44.46 crore loans sanctioned in 2023 (till 24th December 2023), 30.64 crore loans (accounting for 69 per cent of the total loans) were provided to women entrepreneurs. This apart, the Stand-up India programme which provides loans to promote entrepreneurship amongst women, Scheduled Castes (SC) and Scheduled Tribes (ST) categories to help them in starting a greenfield enterprise in manufacturing, services or the trading sector and activities allied to agriculture sanctioned 2.09 lac loans, of which 1.77 lac (accounting for 84 per cent of the total amount) were provided to women entrepreneurs.

The Government of India is further promoting other projects which involve substantial investment and public expenditure on schemes like the Prime Minister's Employment Generation Programme (PMEGP), the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pandit Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), and Deen Dayal Antodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) which are run by different nodal ministries. Furthermore, various other programmes and infrastructure project such as the PM GatiShakti programme, the National Infrastructure Pipeline and other Production Linked Incentive (PLI) schemes are expected to collectively generate employment and boost output in the medium to long term through multiplier-effects.

⁵ PIB Press Release 1813766 (accessed from <https://rural.gov.in/en/press-release/programmes-garib-kalyan-rojgar-abhiyan>)

⁶ PIB Press Release 2004080 (accessed from <https://pib.gov.in/PressReleasePage.aspx?PRID=2004080#:~:text=Since%20inception%20of%20the%20scheme,scheme%20is%20at%20Annexure%2DI.>)

⁷ Financial Express, 19th March 2024, "Over Rs 27.75 lakh crore of loans disbursed under MUDRA loan scheme" [online] (accessed from <https://www.financialexpress.com/business/sme/over-rs-27-75-lakh-crore-of-loans-disbursed-under-mudra-loan-scheme/3430826/#:~:text=In%20the%20financial%20year%202022,of%20Finance%2C%20as%20on%2024.11.>)

The government is proactively working on enhancing the employability of youth in India. Several skill development and training programmes are organised through the National Apprenticeship Promotion Scheme (NAPS), Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Jan Shikshan Sansthan (JSS) Scheme and Craftsman Training Scheme (CTS) through Industrial Training Institutes (ITIs) to create skilled workers and trained personnels.

A report by the SKOCH Group suggested that these efforts led to generation of 51.4 million person-years⁸ of annual employment between 2014 and 2024.⁹ The report further added that of these, credit led intervention such as the PM MUDRA Yojana contributed nearly 31.6 million person-years of employment annually on average since 2014 while governance-led initiatives like the Swachh Bharat Mission and the Pradhan Mantri Awas Yojana added nearly 19.8 million person-years of employment.

Going forward

Based on data and analysis of different experts it appears that the government has made some progress in bringing down unemployment and creating an employable workforce. However, the government efforts still fall short in creating the desired quality and quantity of jobs.

Ms. Trinh Nguyen (The Print, May 27, 2024) recommends that India needs to create 115 million (11.5 crore) jobs by 2030 i.e. around 16.5 million (1.65 crore) jobs per year to absorb the underutilised workforce and the incoming labour force.¹⁰ She added that while India employs a large chunk of the its skilled population in the services sector, its semi-skilled and low-skilled population are often overlooked in the process. To achieve better result, India needs to lay equal emphasis on other sectors, specifically the manufacturing sector which can absorb a large portion of the unskilled and semi-skilled work force. Expanding the manufacturing sector can also be an alternative and an upgrade for the workforce engaged in agriculture and construction works.

⁸ A person-year is a unit of measure that measures the amount of work undertaken by a person in a period of one year, expressed in terms of hours.

⁹ Rajora S., 13th May 2024, "Nearly 51 mn person years of employment created annually in last 10 years", Business Standard [online] (accessed from https://www.business-standard.com/economy/news/nearly-51-mn-person-years-of-employment-created-annually-in-last-10-years-124051301193_1.html)

¹⁰ Nguyen, Trinh, 27th May 2024, "India mustn't skip the manufacturing train. Services alone won't tap into demographic dividend", The Print [online] (accessed from <https://theprint.in/opinion/india-mustnt-skip-the-manufacturing-train-services-alone-wont-tap-into-demographic-dividend/2092764/>)

A PHD Chamber of Commerce and Industry (PHDCCI) report has suggested that MSMEs and start-up firms can play an important role in self-employment and furthering job creation.¹¹ These enterprises can also help in upskilling of the young work force through internships and apprenticeship programmes. The PHDCCI report further suggested that “...the National Employment Policy should incorporate a quarterly target-based approach to enhance employment; setting up startup incubation centres and technology development centres with industry involvement at educational institutions to boost employability; strengthening workforce absorbing sectors, among the government, private and self-employment sectors and fulfil all the vacant positions at the Centre and State department; strengthening of university-industry linkages; boosting R&D and innovation in industry to motivate industry to become a workforce absorbing sector and publication of quarterly national data on labour force participation and employment status in public domain.”

Ghosh et al. (2024) suggested identifying employability gap through collaboration of the government with educational institution and employers, curriculum adjustments in institutions to match the requisite skill desired by the labour market, focussing on mentorship programmes, creating an enabling condition for natural transitions in the employment sectors, support and incentivise the start-up ecosystem and entrepreneurship through government initiatives to further employment specially for greater participation of the female work force, encourage private-public partnership for developing programmes to train and upskill a job ready workforce, creating policies to better manage skill development and apprenticeship programme run by the government, and negotiation of mutually beneficial trade agreement by the government to provide access to demand intensive market to create more jobs in the export oriented manufacturing industries.¹²

A webinar was hosted by the Policy Consensus Centre was held on 25th June 2024 titled “Unlocking Potential, Unleashing Opportunities: A Policy Dialogue on Employment in India” to examine the current problem of unemployment in India, the extent of the problem, the current challenges, and possible solutions that policymakers can consider. The panel comprised of Mr. Vinod Kumar, President, India SME Forum; Mr. Saugata Bhattacharya, Former Senior Vice President and Chief Economist, Axis Bank; Dr Srinath Sridharan, Policy Researcher & Corporate Advisor; Ms. Mitali Nikore, Founder, Nikore

¹¹ BW BusinessWorld, 11th June 2024, “Handhold MSMEs, Boost Apprenticeships To Create Employment In India: PHDCCI” [online] (accessed from <https://businessworld.in/article/handhold-msmes-boost-apprenticeships-to-create-employment-in-india-phdcci-522752>)

¹² Arya Roy Bardhan, Debosmita Sarkar, Soumya Bhowmick and Nilanjan Ghosh, India Employment Outlook 2030: Navigating Sectoral Trends and Competencies, April 2024, Observer Research Foundation (accessed from <https://www.orfonline.org/public/uploads/upload/20240413120459.pdf>)

Associates & Consultant, World Bank; and saw participation from industries, academia, and policy enthusiasts. The discussion was moderated by Ms Nirupama Soundararajan, Co-founder and Partner, Policy Consensus Centre.

Outcome of the Discussion

The discussion focussed on how employment is defined in India, the extent of unemployment in India, data anomaly on unemployment and job creation in India, reasons for the government's inability in generating requisite number of jobs, job creation viz-a-viz entrepreneurship, role of MSMEs and emerging sectors in employment generation and immediate steps that the government can take in creating jobs. The recommendations from the seminar are presented below.

- All the discussants unilaterally agreed that collecting data on employment in India is a complex process and involves inconsistent parameters, while results are calculated using different methodologies. Such inconsistencies affect data analysis and hinder effective policymaking. The panellists also agreed that although the government has been more proactive in collecting and publishing employment data on periodic manner, usage of multiple methodologies by different public and private agencies create confusion among end users of such data. The government must initiate further dialogues with experts and stakeholders to arrive at a scientific and robust data collection and analysis mechanism for implementing effective policymaking and create trust among consumers of such data.
- It was widely discussed and agreed that the job of the government should play the role of a facilitator in filling up public posts and job vacancies. For this, the government needs to develop a better mechanism to announce and advertise job vacancies through the use of modern technology and media. Concomitantly, the Government of India should work with State Governments and local administrations to fill up administrative roles lying vacant for a longer duration of time. Technology should be utilised to create a single window to advertise vacancies at central, state, district and local administrative level. Policymakers must develop a mechanism to fill up such vacancies in a time bound manner. Government should further ensure that the employment generation is not for mere optics and rather helps in increasing per capita income and overall value addition in the economy. The focus should be on creating gainful livelihood rather than creating survival employment.

- There is a need for a change in cultural and societal mindset towards employment in the country. It was discussed that most youth in India are attracted either towards government jobs or corporate jobs. While government jobs are favoured for their job security and authority by job seekers, corporate jobs are preferred mostly for big money and the glamour associated with big offices. The MSME sectors has the potential to generate huge employment in India as it requires regular supply of large human capital. However, it lacks the panache and glamour of the corporates and hence fails to attract enough talented youths into its fold. It would help if the government engage and utilise the MSME sector in running apprenticeship and skill development programmes to better connect with the youth in the country. Moreover, if training and internship with MSMEs are counted as additional credits for employment and higher studies in India, it could be an excellent opportunity for MSMEs to engage with the young job seekers in India. On the other hand, educational institutions should create awareness among students to dissociate any stigma on working with MSMEs.
- The Make in India initiative of the Government which was started to boost the manufacturing sector should focus on creating more assembly line jobs in MSMEs to absorb more unskilled and semi-skilled workers and help in upskilling such workers through on-job experience. This exercise has even worked for Vietnam establishing a vibrant manufacturing sector in the past. Expanding the manufacturing sector can also be an alternative for the workforce engaged in seasonal agriculture and construction works and an upgrade quality of living among them.
- It was unilaterally agreed that the government's push towards entrepreneurship and self-employment is highly commendable. To better push self-employment and entrepreneurial drives, the government should initiate credit guarantee schemes (similar to the Guaranteed Emergency Credit Line provided earlier for Covid affected sectors) for better access to finance, proper laws around peer-to-peer lending, soft touch compliance, and streamlined taxation policies for start-up MSMEs. MSME associations can set up network for job seekers to connect them with such start up MSMEs and their founders. MSMEs can be highly effective in driving up women participation in the labour workforce in the country. The government may also consider formulating differentiated labour code for small industries to help them reduce compliant costs.
- The discussants also raised the issues of rising unproductivity in India due to the rising discrimination of migratory labour in the talent market which has been observed in both public and private sectors in several states in the last few years. It was suggested that the Central Government must work closely with State

Governments to ensure that such discriminations in the labour market are eradicated. At the same time, the government must ensure to bring ease of migration for livelihood and formulating non-discriminatory labour laws. State Governments and local administrations must ensure ground level implementation of such laws for maintaining equality for all employees in a workplace across the country. Hyperlocal strategies need to be worked out through consultations between the Centre, States and local administration to encourage seamless labour migration.

- Course curriculums in technical institutions should focus on developing practical curriculums that promote technological innovation, inculcates critical thinking and encourages entrepreneurial advancement over outsourcing talents. Moreover, educational institutions must focus on developing curriculums based on the requirements of job market and upon forecasting of upcoming requirements of future. Moreover, educational institutions should avoid creating unachievable and imaginary expectations among students while preparing them for job placements and the employment market.
- Policymakers need to focus outside the traditional services sector in India that is dominated by the IT and ITES industries to expand the ambit of the services sector and increase employment in the country. The Budget of 2022 envisaged developing a vibrant animation, visual effects, gaming, comic, and extended reality (AVGC-XR) sector in India that would develop India as an alternative creative hub. The AVGC sector does not necessarily need workers with technological background and hence can serve as alternative avenue for youth coming from non-IT background. Further, with the development of artificial intelligence and web3 technologies these fields have immense potential to attract talented and creative youth to create a niche alternative services sector in India. The Central Government should consider focussing on training and skilling youths on the AVGC-XR industry which can create an alternative services industry and develop India as an AVGC-XR hub.
- Women safety must be of utmost concern for increasing women participation in the workforce. This means organisations need to ensure that women do not feel physically or mentally harassed at their place of work. Workplaces should develop basic CARE infrastructure such as separate restrooms, feeding rooms for nursing mothers, and separate sanitised washrooms for women workers. Flexible working hours, creches for kids and dedicated safe transportation for women working late hours would also encourage more women to be part of the workforce.



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