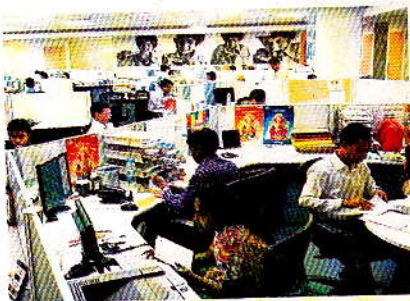


## Job Creation: Challenges & Way Forward

*Alakh N Sharma  
Balwant Singh Mehta*



*The government initiatives are in desired direction. However, much more needs to be done. Employment creation needs to be part of macro and other economic policies. Indian economy has not created enough jobs and to accelerate the process of job creation, different ministries need to include job creation in all their programmes and policies*

**I**ndia has the world's largest youth population comprising around one-fifth of the total world youth population. Indian youth can contribute to higher economic growth if properly absorbed in the labour market. More than half (60.3 per cent) of India's population falls within the 'working' age category of 15-59 years and about a quarter (27.5 per cent) in the 'youth' category of 15-29 years (Census of India, 2011). The youth population in India has grown at a higher rate annually (2 per cent) compared to overall rate of growth of population (1.6 per cent) between 2001 and 2011. India, as a result, adds around 10 million young people to the labour market every year. Thus, the country is experiencing a youth bulge which is much more pronounced in the northern and eastern backward states of the country. However, the number of jobs created each year is inadequate to absorb this growing population of youth in the labour market. The Indian government has introduced a number of employment generation schemes to address this problem, such as, Prime Minister Employment Generation Programme (PMEGP), Swaranajayanti Gram Swarozgar

Yojna (SGSY), Swarna Jayanti Shahari Rozgar Yojna (SJSRY), 'Make in India' and 'Skill India'. This short paper delineates the dimensions of the challenge of youth employment in the country and provides an overview of the measures being undertaken by the government. The data used in this paper are sourced from the fifth annual employment survey undertaken by the Labour Bureau of the Government of India, 2015-16. While, generally youth population comprises persons aged 15-29 years, in this paper we consider persons in the age group of 18-29 years. This is because only a small number of persons belonging to the age group of 15-17 years report themselves in the labour market. The challenge of employment thus largely concerns the youth aged 18-29 years.

### **Worker Participation Rate**

Worker Participation Rate (WPR) denotes the proportion of workers/employed persons to total population. In 2015-16, WPR for the youth was 39.2 as against WPR of 57.3 for the older age group of 30 years and above (Table 1). This is expected as a significant proportion of persons belonging to 18-29 years also attend educational institutions. It can also

Professor Alakh N. Sharma, currently Professor and Director of the Institute for Human Development (IHD), New Delhi, is a well known development and labour economist.. He has authored and edited a large number of books and papers in these areas. He is also the Editor of the Indian Journal of Labour Economics (IJLE), the quarterly journal of the Indian Society of Labour Economics. Dr. Balwant Singh Mehta is currently working as 'Fellow' and Post Doctoral Fellow' (ICSSR) at Institute for Human Development, New Delhi. He has worked extensively in the areas of various Human Development issues like employment, poverty, inequality, child well-being and information technology for development. He has published three books and more than 30 articles in various reputed journals and books His contribution in social science research is recognised by several international organisations..



be seen from Table 1 that WPR in rural areas is much higher than in urban areas. Further, WPR is around 3.5 times higher for young males compared to young females aged 18-29 years.

Around two-fifth of the workers aged 18-29 years were self-employed, as against around half for the workers above age of 30 years (Table 2). It can also be inferred from Table 2 that more and more youth are joining the labour market as regular and casual wage workers. This trend is visible in both rural and urban areas.

### Industrial Distribution

The industrial distribution of workers shows that the majority of persons in the age category of 18-29 years were employed in agriculture and allied activities (38.1 per cent) followed by trade, hotel and restaurant (19.4 per cent), construction (15.1 per cent), manufacturing (13.1 per cent) and other services. A comparison with the older age group of 30 years and above shows that younger people are joining

non-agricultural sectors such as construction, manufacturing and trade and related activities in greater numbers. This shift from agriculture is largely due to the fact that agriculture is not able to absorb more labour and because it does not offer remunerative jobs for the young entrants in the labour market who have better educational achievements.

### Unemployment Rate

Unemployment rate is the proportion of persons who were available for work but did not get work and are still seeking work. The unemployment rate for the youth belonging aged 18-29 years during 2015-16 was 13.2 per cent (Table 3), which was more than 8 times the unemployment rate of workers aged 30+ years (1.6 per cent). The unemployment rate for young females in the youth category was 20.0 per cent which is almost double



that of young males (11.3 per cent). Unemployment is higher in urban than in rural areas and for females compared to males. The unemployment rate among young females in urban areas is alarmingly high at 28 per cent (for young males it was 11.5 per cent). It is also important to note that although only a small proportion of young people belonging to age group of 15-17 years seek employment, the incidence of unemployment for this age group is as high as that of persons aged 18-29 years. The situation is similar for rural and urban areas as well as males and females.

**Table 1 Work Participation Rate (UPS) by Age Group, 2015-16**

Sector	15-17 years			18-29 years			30+ years		
	M	F	P	M	F	P	M	F	P
Rural	11.1	4.3	8.0	63.1	19.1	42.3	89.0	29.8	60.1
Urban	4.0	1.4	2.8	48.6	11.8	30.7	82.6	16.7	50.4
Total	9.3	3.6	6.7	59.3	17.1	39.2	87.1	26.0	57.3

Source: Labour Bureau, Report on Youth Employment and Unemployment Scenario, Vol II, 2015-16, Government of India

Note: UPS – Usual Principal Status; M-Male, F-Female, P-Persons.

**Table 2 Activity Wise distribution of workers (UPS) by different age groups, 2015-16**

	15-17 Years			18-29 Years			30 Years & above		
	R	U	R+U	R	U	R+U	R	U	R+U
Self Employed	40.8	30.9	39.7	40.5	33.3	39.0	51.2	43.4	49.2
Wage/ Salaried employee	5.1	18.9	6.5	14.1	37.6	19.0	10.5	33.8	16.5
Contract Worker	3.6	7.7	4.0	4.6	8.4	5.4	2.4	4.9	3.0
Casual Worker	50.6	42.6	49.7	40.8	20.7	36.6	35.9	17.9	31.0
Total	100	100	100	100	100	100	100	100	100

Source: Labour Bureau, Report on Youth Employment and Unemployment Scenario, Vol II, 2015-16, Government of India

Note: R-Rural, U-Urban



**Table 3 Activity wise distribution of workers (UPS) by different age groups, 2015-16**

Industry	15-17 Years	18-29 Years	30+ Years
Agriculture & allied	53.4	38.1	47.2
Mining & Quarrying	1.9	0.9	1.1
Manufacturing	14.5	13.2	9.6
Electricity, gas and Water Supply	0.2	0.6	0.6
Construction	14.8	15.1	10.0
Trade, Hotels and Restaurants	12.2	19.4	17.5
Transport, Storage and Communication	1.1	3.7	3.9
Financial, insurance, real estate and business services	1.4	8.3	9.2
Community, social and personal services	0.6	0.7	0.8
Total	100.0	100.0	100.0

Source: Report on Youth Employment and Unemployment Scenario, Vol II, 2015-16

Unemployment among educated youth is becoming increasingly more acute as the level of unemployment among youth rises with increase in the level of education (Table 4). Unemployment is 23 per cent among youth having a certificate course at undergraduate level or having diploma at graduate level, which increases to around 35 per cent for those who complete their graduate degree and above. It is also important to note that educated young females have significantly higher unemployment

levels as compared to their male counterparts.

More than one-third of educated females aged 18-29 years, having completed certificate course or diploma degrees at undergraduate and graduate levels are unemployed. The situation is acute for young women who are graduate and above – the unemployment rate in this category is around 48 per cent. This means that the Indian labour market is not only creating inadequate jobs, but

that discrimination prevails against females in recruitment and hiring practices in the labour market. An additional reason can be that jobs suitable for women are not being created or there is a lack of suitable infrastructure facilities, such as, transport, crèche facilities etc which could facilitate women's access to jobs. As a whole, it is clear that India has not been able to create enough jobs for its young people. The challenge in case of urban young females is particularly high.

**Table 4 Unemployment Rate (UPS) by Age Group, 2015-16**

Sector	15-17 years			18-29 years			30+ years		
	M	F	P	M	F	P	M	F	P
Rural	18.4	22.8	19.5	11.2	17.9	12.7	0.9	3.7	1.6
Urban	22.1	21.4	22.0	11.5	27.9	15.1	0.7	5.3	1.5
Total	18.8	22.7	19.8	11.3	20.0	13.2	0.9	4.0	1.6

Source: Labour Bureau, Report on Youth Employment and Unemployment Scenario, Vol II, 2015-16, Government of India

**Table 5 Unemployment Rate by Education level and Age Group (UPS), 2015-16**

Education	18-29 years			30+ years		
	M	F	P	M	F	P
Not Literate	4.0	6.2	4.9	0.6	3.0	2.2
Below Primary	4.8	5.8	5.1	0.6	1.9	1.6
Primary	5.5	8.0	6.2	0.6	2.3	1.0
Middle/Secondary/Higher	9.2	17.1	10.4	0.7	4.8	1.6
Certificate course at under-graduate level	21.3	31.3	23.5	0.6	11.2	2.4
Diploma at Graduate level	20.9	33.1	23.0	1.0	7.6	1.4
Graduate & above	29.7	47.7	34.8	2.3	13.5	6.2
All	11.3	20.0	13.2	0.9	4.0	1.6

Source: Labour Bureau, Report on Youth Employment and Unemployment Scenario, Vol II, 2015-16, Government of India



## Recent Government Initiatives

The government had earlier introduced several self employment schemes to promote employment for youth but the results have not been very satisfactory. Hence, several new schemes in recent years have been launched to encourage entrepreneurship among the youth, such as, 'Startup India' with Mudra (Micro Units Development and Refinance Agency), 'Stand-up India', Pradhan Mantri Mudra Yojana', 'Ease of Doing Business', 'Startup Village Entrepreneurship Programme' etc. A brief account of these schemes is given below.

### Startup India and Stand-up India

The government has initiated 'The Start-up India' and 'Stand-up India' in January, 2016 to encourage entrepreneurship by providing assistance such as tax benefits and a mega start-up fund of Rs 10,000 crores. The government has also taken various measures to improve the ease of doing business by building an enabling environment for Stand-ups by initiating a liberal approach in registration, legal formalities, regulatory control, tax concession, etc. India had about 4,700 Stand-ups by December, 2016. However, these schemes have not been able to provide the desired results as over 200 Stand-ups initiated have closed down within a year. Although it is argued that this is a natural progression and not more than 20 per cent of the Stand-ups survive a highly competitive market (India start-up outlook report, 2017), there is a need to pay more attention to the attribution rate. The 'Stand-up India' scheme was also launched in January, 2016 aimed to promote entrepreneurship among marginalized groups such as scheduled castes (SCs), scheduled tribes (STs), and women. As on December, 2016, the total number of loans sanctioned under Stand Up India Scheme were 15341 including 2055 women, 2568 SCs, and 718 STs (Ministry of Finance, GoI, 2017).

### Pradhan Mantri Mudra Yojana (PMMY)

The government also launched the Pradhan Mantri Mudra Yojana

(PMMY) in April, 2015, to provide access to institutional finance to micro/small business units. Under the PMMY three kinds of loans can be sanctioned which signify the stage of growth/development and funding needs of the unit – Shishu (Rs 50,000), Kishor (Rs 50,000 to Rs 5,00,000), and Tarun, (Rs 5,00,000 to Rs 10,00,000). The total amount of loans disbursed under the PMMY programme crossed Rs. 1.25 trillion as of March 2016. Out of 32.7 million borrowers, 30.3 million borrowers were in the Shishu category.

### Start-up Village Entrepreneurship Programme (SVEP)

In order to promote entrepreneurship in rural areas, the government is planning to launch the "Start-up Village Entrepreneurship Programme" (SVEP). The objective of the SVEP is to energize and streamline economic growth by providing necessary thrust from the grass roots, i.e. villages, towards creation of sustainable self employment opportunities. SVEP is expected to support creation and strengthening of about 1.82 lakh village enterprises in 125 blocks across 24 States in four years i.e. 2015-19. This is expected to create employment for about 3.78 lakh persons. This program can do much to enhance entrepreneurial opportunities for the growing number of rural youth if implemented properly.

### Conclusion

India is going through a phase of demographic transition due to which the proportion of youth in the total population is increasing. An increasing number of youth require good education and a steady creation of suitable jobs. As the analysis above shows, the challenge is indeed huge, particularly for the educated youth. It is unfortunate that while on the one hand India has one of the lowest participation rate for women in the world, on the other, the unemployment rates among the young women who are joining the labour force are extremely high. The government initiatives are in the desired direction. However, much more

needs to be done. Employment creation needs to be part of macro and other economic policies. Indian economy has not created enough jobs and to accelerate the process of job creation, different ministries need to include job creation in all their programmes and policies. It also needs to be mentioned that a large part of central and eastern India has not been able to experience growth and employment creation as in western and southern India. Such regional inequality needs to be corrected so that local youth are able to get employment in the regions itself. Further, there is need for suitable policies and programmes so that more and more women get employment. The country needs to move fast so that it realizes the demographic dividend. If it fails, the demographic dividend will turn into a demographic disaster.

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- (E-mail: [alakh.sharma@ihdindia.org](mailto:alakh.sharma@ihdindia.org)  
[balwant.mehta@ihdindia.org](mailto:balwant.mehta@ihdindia.org))