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India is at a unique crossroads where it has the potential to leverage its demographic dividend. With a large proportion of people in the working-age bracket, the nation has the ability to greatly expand its economy. The Economic Survey 2023-24, gives an approximation of the jobs that economy needs to generate over years. With the share of agriculture in workforce gradually declining from 45.8 per cent in 2023 to one-fourth in 2047, it is estimated that the Indian economy needs to generate an average of nearly around 8 million employment opportunities in the non-farm sector until 2030 to cater to the rising workforce.

India is at an inflexion point in terms of its demographic transition. The share of its working-age population (between age of 15 years and 64) increased from 59 per cent in 2011 to 63 per cent in 2021 and is expected to remain stable over the next 15 years or so.

India expects to become the world's third largest economy (measured at market exchange

rates), by the end of this decade. Discussions across government (supported by NITI Aayog), have determined that India should strive to be a \$30 trillion economy (at prices of 2047) with annual per capita income of \$18000 per annum. From the perspective of the domestic economy, India's challenge is to increase real per capita income six-fold in the next 23 years. India has recorded real growth of 6 per cent moving average over the last three decades.

Our labour force is at the heart of this challenge. Faster and better growth will be reflected in more workers able to do better jobs at higher pay. In turn this requires better equipped workers who are absorbed by competitive firms, able to integrate with global markets via supply chains.

A careful understanding of the ongoing jobs debate makes it necessary to focus on the underlying measurement and definitional issues, which become important in analysing Indian case with global databases. For the all-important employment and unemployment subject, two important definitions of employment are provided. The first is the ILO near universal definition of employment– current weekly status (CWS) or “did you work at least 1 hour in the preceding week”. The second definition maybe unique to India: usual status (US)¹ or “what was your primary and secondary job more than six months in the preceding year?”

For emerging economies with a large fraction of workforce engaged in crop-agriculture like India, usual status is a more appropriate indicator of employment. This for the simple reason that a longer horizon of work better reflects the season-specific nature of agricultural employment. The definitional nuances make significant differences in our perception of the issue.

The Record

Today’s baseline for a big push on better jobs is quite positive. Data assembled by the Reserve Bank of India estimates that more than 8 crores (80 million)² employment opportunities were created from 2017-18 to 2021-22 translating to an average of over 2 crore (20 million) per year.

Similarly, the Periodic Labour Force Survey (PLFS)³ data shows that during the last 5 years, more employment opportunities have been generated compared to the number of people joining the labour force, resulting in a consistent reduction in the unemployment rate. This is a clear indicator of the positive impact of government policies on employment.

Labour Force Participation Rate (LFPR)⁴ for persons of age 15 years and above was 60.1 per cent during July 2023 - June 2024. Overall LFPR (usual status) for persons of age 15 years and above has increased from 57.9 per cent during July 2022 – June 2023 to 60.1 per cent during July 2023 – June 2024. Similarly, Worker Population Ratio (WPR)⁵ among persons of age 15 years and above in usual status has increased from 56.0 per cent during July 2022 – June 2023 to 58.2 per cent during July 2023 – June 2024.

Structural Dimension

The behavioural dimension relates to the structural transformation of the Indian economy. Let’s consider the change in structure of economic activity. India has had a slow start with industrialisation and hence the rate of absorption of workers released from traditional vocations has been slow. While expansion of non-agrarian activities picked up momentum post 1980s, leading to an acceleration in GDP, the economic transition could not keep up with the demographic transition. However, an improving employment-population ratio is observed in the last decade.

While this is progress, India’s past performance and that of its peers suggest that further improvement is possible and that if harnessed, this can become a growth driver.

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Second, in most economic models, real wages are linked to labour productivity, which means that the same work can be done by fewer people. In turn rising labour productivity typically reflects both what economists call improved human capital (better education, better health and better skills, as well as better work practices) and technology. Clearly in India's Amrit Kaal, India must aim for both rising earnings and more employment. This is both a motivation and a source of faster economic growth, and is thereafter essential for a strategy that aims to make the best use of India's human endowment.

The Record of Labour Productivity

Productivity and economic growth are two concomitant factors when it comes to addressing the issue of unemployment. India's long-term productivity record is good. This is what underlines the past record of maintained 6 per cent growth. Since a good part of output growth should ideally be attributable to growth in productivity, employment growth need not and should not keep pace with output growth. Hence the need for a growth acceleration.

Issue Areas

The Economic Survey 2023-24, gives an approximation of the jobs that economy needs to generate over years. With the share of agriculture in workforce gradually declining from 45.8 per cent in 2023 to one-fourth in 2047, it is estimated that the

Indian economy needs to generate an average of nearly around 8 million employment opportunities in the non-farm sector until 2030 to cater to the rising workforce.

Women and Youth

Female workforce participation rate in India confirms a positive structural shift. The increase in the female workforce participation (FWFP) rate from 24.5 per cent in 2019 to 37.0 in 2023 is quite remarkable, notwithstanding it being overwhelmingly in the agricultural sector, including own-account and unpaid family work. However accelerating women's participation rate is a major factor that requires policy attention, for both growth and inclusion.

Similar is the case of our youth. While we are trying to reap the favourable demographic dividend, first entrants or the *creme de la creme* of youth is a cross cutting and overarching issue. For the age bracket of new entrants to labour market, the unemployment rate has reduced from 17.8 per cent in 2017-18 to 10.0 per cent in 2022-23 (PLFS, MoSPI)⁶. Although the unemployment figures among the first entrants is a major concern; the steep fall over years shows promising trend, across states.

Keeping in mind, the educational achievements of the current labour force, an additional area of focus would be the issue of skill deficit.

Budget Response to Issue of Youth and Women

Employment incentives and skilling are at the core of the present Union budget. Three schemes for employment generation are part of the package that, for the first time, includes a wage subsidy for new entrants. To further push the agenda of women-led development and to improve female labour force participation, several notable initiatives including setting up of working women hostels, establishing creches, organising women-specific skilling programmes and promoting market access for women led SHGs/enterprises are laid out in the budget.

Smallness of Firms

Smallness of firms in India is another concern. Indian firms tend to be smaller in employment, grow more slowly, and are less productive than firms not just in the industrial West but also other emerging economies like China and Mexico. The

lack of size and the associated low productivity of firms in India limit their demand for workers. Promoting the proliferation of MSMEs along with targeted approach in scaling up the initiatives or have a gainful creative destruction, is required.

Growth and diversification of sustainable enterprises, especially in the MSME sector, are pivotal in facilitating resilient economic recovery and sustained employment generation in India. According to the latest available information⁷, there were 63.4 million unincorporated non-agricultural MSMEs in India in 2015–2016 (Ministry of MSME, Government of India, 2022). An overwhelming proportion of the enterprises – more than 99 per cent – are micro units.

While this may be indicative of the opportunities that the sector provides to promote entrepreneurship, especially in rural and semi-urban areas, the continued prevalence of such a trend, has severely impeded technological advancements and productivity growth in the MSME sector. This, in fact, has added to the huge productivity differentials between MSMEs and the large firms in the organised sector, contributing to increasing productivity and income inequalities. The present union budget identifies this caveat and addresses MSMEs as one of the key sectors that require immediate intervention.

Formalisation

Despite an improvement in employment conditions over time, jobs largely remain informal and of lower productivity. Over 90 per cent employment is informal, and 83 per cent are in the informal sector — it was close to 90 per cent in 2000.

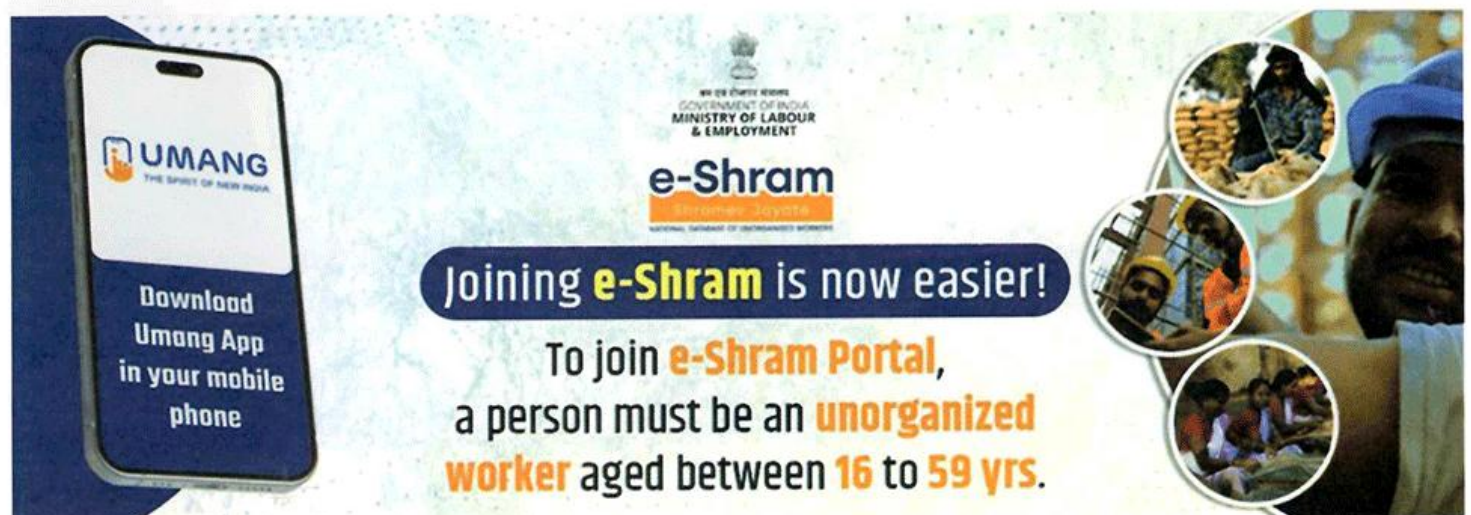
Robust wage growth, particularly of casual and lower strata of regular workers, strengthening of social protection, active policies for formalisation and boosting labour productivity will go a long way in improving the quality of employment.

Issue of Informality and Need for Non-farm Employment

Dominance of informality in composition of employment is evident in the sectoral distribution of workers. The employment pattern still remains skewed towards agriculture, which employs around 46.6 per cent workers (compared to 42.4 per cent in 2019). This calls for active steps to accelerate the creation of non-farm employment. Any solution to the unfolding labour market crisis will require private manufacturing firms to scale up their ambitions. A self-sustaining way to achieve that would be to incentivise exports.

Role of States

Labour and employment being a state level issue, we cannot discard the very important roles Indian states need to play in fostering employment generation. Further, the nature of and the future potential for economic growth will vary across Indian States because of their differences in the rates of demographic transitions. The growing population of the young in some of the States in the east and north of the country, notably Bihar and Uttar Pradesh, opens up a huge economic opportunity. It is also a serious policy challenge to create new opportunities that meet the rising expectations of the job aspirants. At the same time, for States such as Kerala and Tamil Nadu, which have an ageing population, there are limits to future growth based on labour-intensive sectors.



The advertisement features a smartphone on the left displaying the UMANG app interface with the text "Download Umang App in your mobile phone". In the center, the e-Shram logo is shown with the text "GOVERNMENT OF INDIA MINISTRY OF LABOUR & EMPLOYMENT e-Shram". Below the logo, a dark blue banner reads "Joining e-Shram is now easier!". Underneath, the text states "To join e-Shram Portal, a person must be an unorganized worker aged between 16 to 59 yrs." On the right side, there are three circular inset images showing people working in various settings, including a person in a blue cap and another person working with a tool.

Here, the States should be adequately motivated to curate and implement favourable policies. Policy making must continue to aim for an integrated labour market for the country, keeping in mind the volume of internal migration across states.

Remarks

India is at a unique crossroads where it has the potential to leverage its demographic dividend. With a large proportion of people in the working-age bracket, the nation has the ability to greatly expand its economy. Both central and state governments are working towards focused strategies that convert this demographic potential into an economic reality that makes India a developed society by 2047 and the third largest economy globally. □

Endnotes

1. It is based on principal status i.e. what was your main job (more than six months in the preceding year) and secondary status. The secondary status is asked of those

respondents who were unemployed or not in the labor force in the preceding year and were employed for at least 30 days. The combination of these two is usual status (US).

2. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2031529>
3. During 2017-2023, Principal Employment rose by over 80 million which at 3.3 percent annually is significantly higher than the estimated population growth during the same period. The annual PLFS data shows that unemployment rate has declined (for age group above 15 years) from 6.0 per cent in 2017-18 to 3.2 per cent in 2022-23.
4. Labour Force Participation Rate (LFPR): LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.
5. Worker Population Ratio (WPR): WPR is defined as the percentage of employed persons in the population.
6. <https://pib.gov.in/PressReleasePage.aspx?PRID=2038699>
7. https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/@sro-new_delhi/documents/publication/wcms_873755.pdf