



Employment Trends in India

For Prelims: [Employment](#), [National Sample Survey Office](#), [Pradhan Mantri Mudra Yojana](#), Principal employment, [Gig Economy](#), [Start-Up India Scheme](#), [SMILE](#), [Informal sector](#)

For Mains: Employment challenges in India, Unemployment in India, Government initiatives, Growth and Development

Source: [IE](#)

Why in News?

India has been witnessing a **significant surge in employment in recent years**, with the creation of over **80 million additional jobs between 2017-18 and 2022-23**.

- This rapid growth has sparked a debate, with narratives emerging around the underlying causes and the sustainability of this trend.

What are the Key Trends in Employment Growth?

- **Historical Growth:** Analysis using [National Sample Survey Office \(NSSO\)](#) data from 1983 to 2023 shows consistent growth in principal employment across all sub-periods.
- **Consistent Growth: Principal employment**, which measures those working for the bulk of the year, has grown consistently since 1983.
 - Principal employment **refers to the main job worked for the majority of the year**, while subsidiary employment is **typically part-time, of shorter duration, and in addition to the main job**.
 - Every sub-period under consideration has seen growth in principal employment, with no instances of jobless growth.
- **Significant Increase (2017-2023):** The period from 2017-18 to 2022-23 saw the fastest increase, with about 80 million additional jobs, translating to an **annual growth rate of 3.3%**.
- **Labour Market Indicators:**
 - Despite long-term deterioration since 2000, recent years have seen improvements in key labour market indicators such as [labour force participation rate](#), **workforce participation rate**, and [unemployment rate](#).
 - These improvements coincided with **economic distress periods, notably before and during the Covid-19 pandemic**.
- **Broad-Based Growth:** Employment growth has been well-distributed across rural and urban sectors, and various industries (**manufacturing, agriculture, construction, services**).
- **Women and Older People:** The employment growth has been highest for women, at over 8% annually.
 - Employment among those **aged 60 and above has also grown at around 4.5% annually**.
 - There are various reasons for this trend, including **increasing distress, improved access to resources like water and energy**, and greater flexibility in care-related work.

- The employment of older people has been increasing since the 1980s, possibly due to longer lifespans.

- **Employment Condition Index:**

- The index is based on seven labour market outcome indicators, including the percentage of workers in regular formal work, casual labourers, self-employed workers below the poverty line, work participation rate, average monthly earnings of casual labourers, the unemployment rate of educated youth, and youth not in employment and education or training.
 - The "[employment condition index](#)" has improved between 2004-05 and 2021-22.
 - However, some states (**Bihar, Odisha, Jharkhand, UP**) have remained at the **bottom throughout this period**.
 - Other states (Delhi, Himachal Pradesh, Telangana, Uttarakhand, Gujarat) have stayed at the top.

How has Employment Quality Evolved?

- **Rise in Informal Employment:**

- Around 50% of jobs in the formal sector are [informal](#).
- Approximately **82% of the workforce is engaged in the informal sector**.
- **Nearly 90% are informally employed**.

- **Dominance of Self-Employment:**

- A large part of the employment growth (44 million) is in the form of own-account workers and unpaid family workers.
 - This could be a result of government schemes like [Pradhan Mantri MUDRA Yojana \(PMMY\)](#), which have provided significant funding to this segment
- [Self-employment](#) is the **primary source of employment**, constituting 55.8% in 2022.
- **Casual employment (hiring employees on a work-as-needed basis)** accounts for 22.7%, and regular employment for 21.5%.

What is the Trend in Wages and Salaries?

- Aggregate [wages](#) and salaries have seen relative stagnation in recent years.
- From 2017-18 to 2022-23, the average annual growth of salaries and wages was **6.6% in nominal terms but only 1.2% after accounting for inflation**.
- While there is no apparent wage distress, there is also no significant improvement in living conditions.
 - Possible reasons include the dampening of wages due to a large influx of workers and stagnating labour productivity.

What are the Trends in Youth Employment?

- [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%, and the share of educated youths among all unemployed people increased to 65.7% from 54.2% in 2000.
- The unemployment rate among educated youths was **six times greater for those with 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%).

What are the Concerns Regarding Employment in India?

- **Growth of Informal Sector:** While the economy is growing, many new jobs are informal, lacking security, benefits, or minimum wage.

- **Quality of Jobs for Youth:** Though the unemployment rate might not be high, youth **employment is often of poorer quality.**
 - This means young people might be over-educated for the available jobs or find themselves in precarious situations like the [gig economy](#).
 - Challenges for gig or platform workers include **lack of job security, irregular wages, and uncertain employment status.**
- **Gender Gap:** Women's participation in the workforce hasn't grown as expected. Many end up in unpaid family work or low-paying self-employment instead of formal jobs.
- **Skill Mismatch:** The [education system](#) **might not be aligned with the current job market needs.**
- **Formalisation Challenges:** A significant portion of the Indian workforce remains in the informal sector.
 - This translates to **lower tax revenue for the government and limited social security benefits for workers.**
- **Job Automation:** As with many countries, automation poses a threat to certain sectors in India. This can lead to job displacement in industries like manufacturing.
 - The rise of [artificial intelligence \(AI\)](#) may impact employment, particularly in the outsourcing industry in India, where some back-office tasks could be taken over by AI.
- **Vulnerability to Economic Shocks:** Many of the workforce relies on informal or casual employment. This makes them **highly vulnerable to economic downturns or external shocks**, as seen during the Covid-19 pandemic.
- **High Demand for Government Jobs:** There is a significant demand for government jobs due to the lack of job creation in the private sector.
 - This situation underscores the appeal of stable employment provided by the government.

Government's Initiatives Related to Employment

- [Support for Marginalised Individuals for Livelihood and Enterprise \(SMILE\).](#)
- [PM-DAKSH \(Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi\).](#)
- [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\).](#)
- [Pradhan Mantri Kaushal Vikas Yojana \(PMKVY\).](#)
- [Start-Up India Scheme.](#)
- [Rozgar Mela.](#)
- [Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan.](#)
- [Direct Benefit Transfer Scheme.](#)
- [Pradhan Mantri Mudra Yojana.](#)

Way Forward

- **Promote Formalisation:** Implement strategies to incentivise informal workers to transition to the [formal sector](#), drawing on lessons from **Peru's National Strategy**.
 - **Peru's Policy Frameworks for Transition to Formality** (FSPs) and National Action Plans on Business and Human Rights (NBA and NAP) involve stakeholders in a decentralised approach, including the state, businesses, academia, workers, civil society, and indigenous peoples.
 - Streamline the **registration process for small businesses in the informal sector**. This encourages them to formalise, bringing them under the umbrella of labour laws and social security benefits.
- **Targeted Programs for Marginalised Groups:** Implement more targeted skill development programs for individuals from marginalised communities, similar to **SMILE initiative**.
 - This ensures inclusivity and empowers these communities to participate actively in the workforce.
- **AI and Automation Reskilling:** Prepare the workforce for the rise of automation by providing training programs in **areas like AI, robotics, and data science**.
 - This allows workers to adapt and contribute to the evolving job market.
- **Social Security Portability:** Design a portable social security system that caters to the needs of

gig workers and those transitioning between formal and informal sectors.

- **Entrepreneurship and Innovation:** Establish industry-specific startup incubators and accelerators.
 - Encourage the growth of **angel investor networks** that provide early-stage funding for promising startups.
- **Remote Work Opportunities:** Encourage companies to leverage technology and offer remote work arrangements. This expands job opportunities for individuals living outside major cities and promotes a better work-life balance.

Drishhti Mains Question:

Q. How does informal job growth affect stability and social security? Can promoting formalisation and AI reskilling ensure sustainable employment?

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. Pradhan Mantri MUDRA Yojana is aimed at (2016)

- (a) bringing the small entrepreneurs into formal financial system
- (b) providing loans to poor farmers for cultivating particular crops
- (c) providing pensions to old and destitute persons
- (d) funding the voluntary organizations involved in the promotion of skill development and employment generation

Ans: (a)

Q. Disguised unemployment generally means (2013)

- (a) large number of people remain unemployed
- (b) alternative employment is not available
- (c) marginal productivity of labour is zero
- (d) productivity of workers is low

Ans: (c)

Mains

Q. Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. (2023)