



## Fixing India's Growth-Employment Mismatch

This editorial is based on "[Jobs: Bridging the gap between growth and quality](#)" which was published in The Hindu Business Line on 18/11/2024. The article brings into picture the paradox of India's economic growth, where rising GDP fails to translate into quality employment, with low workforce participation, widespread informal jobs, and limited skill development threatening equity and sustainability.

**For Prelims:** [Employment](#), [Labour force participation rate](#), [Youth unemployment](#), [GDP growth rate](#), [India Employment Report 2024](#), [Micro, small, and medium enterprises](#), [Economic Survey 2023-24](#), [Labor Codes](#), [Support for Marginalised Individuals for Livelihood and Enterprise](#), [PM-DAKSH \(Pradhan Mantri Dakshta Aur Kushalta Sampann\)](#), [Mahatma Gandhi National Rural Employment Guarantee Act](#), [Pradhan Mantri Kaushal Vikas Yojana](#), [Start-Up India Scheme](#).

**For Mains:** Current Status of Employment and Job Creation in India, Issues Related to Employment and Job Creation.

India's impressive economic growth hides a troubling paradox: **the lack of quality job creation for its workforce**. With **40% of working-age individuals disengaged from the labor market** and women's participation limited to low-productivity sectors, the **employment challenge is acute**. Informal work dominates, social security is scarce, and formal training remains inaccessible to most. Despite being a tech powerhouse, **a third of youth are neither studying nor working**. Bridging this gap **between growth and equity** is crucial for ensuring social justice and sustainable development.

### What is the Current Status of Employment and Job Creation in India?

- **Labour Force Participation Rate (LFPR):** The overall [labour force participation rate \(15 years and above\)](#) has increased from 49.8% in 2017-18 to **60.1% in 2023-24**.
  - The share of women in **salaried employment** has declined, while **self-employment** has surged (from 51.9% in 2017-18 to 67.4% in 2023-24).
  - Many women are engaged as **unpaid helpers in household enterprises or own-account workers**, highlighting limited job alternatives.
- **Informal Employment:** A significant share of the workforce continues to be employed in **informal enterprises** (proprietary and partnerships).
  - In 2023-24, **73.2% of workers were engaged in informal firms**, a marginal decline from 74.3% in 2022-23 but still higher than 68.2% in 2017-18.
- **Sectoral Distribution of Employment:** The share of workers in **agriculture** has risen from 44.1% in 2017-18 to **46.1% in 2023-24**, reversing the long-term trend of declining reliance on agriculture.
  - Employment in **manufacturing** has stagnated, remaining at around **11.4%** in 2023-24, compared to 11.6% in 2021-22.
- **Unemployment Trends:**

- The **overall unemployment rate (15 years and above)** has declined from 6% in 2017-18 to 3.2% in 2023-24.
  - [Youth unemployment](#) has dropped from 17.8% in 2017-18 to 10.2% in 2023-24, yet remains high.
- Unemployment is **disproportionately higher among the educated workforce**, with individuals having a secondary level of education or higher facing greater challenges in finding jobs.

## Why is India's Economic Growth Failing to Generate Quality Employment Opportunities?

- **Structural Issues in Job Creation:** Despite a robust [GDP growth rate](#) of around **6.5-7% in 2024-25**, India's job creation has not kept pace with its economic expansion.
  - According to the government's own labor force surveys, the country's worker-to-population ratio has declined from **38.6% in 2011-12 to 37.3% in 2022-23**, indicating a troubling trend where economic growth is not generating enough jobs for the increasing workforce.
  - Production processes are becoming increasingly capital-intensive and labor-saving, as noted in the [India Employment Report 2024](#), complicating efforts to generate employment.
- **Skills Mismatch Crisis:** India's education system **continues to produce graduates whose skills do not align with industry requirements**, creating a peculiar situation of simultaneous unemployment and unfilled positions.
  - The focus on theoretical knowledge over practical skills has created a workforce that requires significant retraining before becoming industry-ready.
  - Employability among engineering graduates stands over 60%, with only 45% meeting industry standards.
- **Gender Disparities in Employment:** India faces stark gender disparities in its labor market. While male Labour Force Participation Rate (LFPR) is a robust **78.3%**, **the female LFPR lags significantly at just 41.3%**.
  - This discrepancy **not only limits the potential workforce but also restricts economic growth** by not fully utilizing the talents and skills of half the population.
  - The decline in female workforce participation highlights systemic barriers that prevent women from entering or remaining in the labor market.
  - Addressing these disparities is crucial for **improving job quality and ensuring that economic growth benefits all segments of society**.
- **Policy Focus on Corporate Incentives Over MSMEs:** Government policies have largely favored large corporations through **incentives and subsidies**, often neglecting [micro, small, and medium enterprises \(MSMEs\)](#), which are crucial for job creation.
  - The focus on attracting foreign direct investment has not translated into substantial job creation within local economies.
  - For instance, while manufacturing has seen some growth due to initiatives like [Make in India](#), the benefits have **disproportionately favored larger firms rather than fostering a diverse array of job opportunities** across different sectors.
  - The [Economic Survey 2023-24](#) highlighted MSMEs' challenges, including formalization, financial access, market linkages, technology adoption, digitalization, infrastructure, and skilling gaps.
- **Digital Disruption and Traditional Job Displacement:** The rapid digitalization of India's economy is **disrupting traditional employment patterns faster than new job creation can compensate**.
  - While digital transformation creates high-skilled opportunities, it simultaneously eliminates numerous **middle-skilled jobs that historically provided stable employment**.
  - The gig economy's growth, though creating flexibility, has largely generated precarious employment without adequate social protection.
  - Gig economy workers reached 7.7 million in 2023 but over **77% of gig workers earn less than Rs 2.5 lakh annually in India**.
- **Policy Implementation Gap:** India's ambitious policies for employment generation suffer from poor implementation and coordination between center and states.
  - [Labor Codes](#), while **comprehensive on paper**, remain largely unimplemented due to state-level delays and bureaucratic hurdles.
  - Also, a large part of the informal workforce remains outside the ambit of these codes,

limiting their reach.

- **Regional Economic Imbalance:** Economic growth and job creation remain concentrated in a few **urban centers**, creating a severe regional imbalance in employment opportunities.
  - The **lag in development of tier-2 and tier-3 cities** as new growth centers has led to unsustainable migration patterns.
  - **State-level disparities in infrastructure and business environments** perpetuate uneven development.

## What are Government's Recent 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.](#)

## What Measures can India Adopt to Complement Economic Growth with Quality Job Creation?

- **MSME Ecosystem Transformation:** Create integrated digital platforms **combining GST, banking, and compliance for operational ease**, following a one-stop-shop model.
  - Establish **sector-specific clusters** with shared infrastructure, testing facilities, and common technology centers in every major industrial district.
  - Provide **targeted financial support through specialized MSME banks and fintech solutions** with simplified credit assessment.
  - Implement single-window clearance systems at **district levels with time-bound approvals and digital tracking.**
  - Set up **mentorship networks linking large corporations with MSMEs for technology transfer** and market access.
- **Skills-Education Integration: Mandate industry internships in the final year of all professional courses** with standardized assessment frameworks.
  - Create district-level industry-led skill councils to ensure **curriculum relevance and continuous feedback mechanisms.**
  - Introduce **digital skills, coding, and vocational training from secondary school level** with practical project-based learning.
  - Establish **real-time monitoring of training outcomes through industry partnerships and placement tracking.**
- **Local Economic Development:** Empower **city governments with financial and administrative autonomy** to create and implement local economic development plans.
  - Develop **specialized economic corridors linking tier-2 and tier-3 cities with integrated logistics** and industrial infrastructure.
  - Launch **Urban Employment Guarantee schemes** focused on municipal services, green infrastructure, and digital services.
  - Create **City Skill Development Centers aligned with local industry needs** and future growth sectors.
- **Advanced Manufacturing Push:** Create **integrated manufacturing zones with focus on both capital and labor-intensive sectors** for balanced growth.
  - Establish supplier development programs **linking large manufacturers with local MSMEs through technology and quality upgradation.**
  - Develop specialized workforce training programs for **Industry 4.0 technologies** while maintaining labor-intensive production lines.
  - Provide incentives for manufacturers maintaining minimum employment-to-investment

ratios in key sectors.

- **Social Security Modernization:** Implement portable universal social security through unified digital platforms linking all welfare schemes.
  - Create a **comprehensive gig worker protection framework** including minimum wage guarantees and health coverage.
  - Design special schemes for informal sector workers with **government co-contribution and easy enrollment**. Develop micro-insurance products for vulnerable sectors with simplified claims processes.
- **Rural Enterprise Development:** Transform **Gram Panchayats into micro-enterprise zones with simplified regulations** and basic infrastructure support.
  - Establish **Rural Business Hubs linking FPOs with food processing and retail chains through digital platforms**.
  - Create **Rural Technology Centers focusing on agri-tech, renewable energy, and rural services innovation**.
  - Develop specialized credit products for rural entrepreneurs through **SHG-Bank linkage with credit guarantees**.
- **Green Economy and Job Transition:** Establish green technology training centers focusing on **renewable energy, sustainable agriculture, and eco-friendly manufacturing**.
  - Create specialized funding mechanisms for green enterprises with relaxed collateral requirements and longer repayment periods.
  - Develop **green industrial parks with shared environmental infrastructure** and waste management facilities.
  - Launch skill development programs specifically for **green jobs including solar installation and EV maintenance**.
- **Service Sector Modernization:** Develop specialized training programs for high-growth service sectors like **healthcare, tourism, and education**.
  - Create service sector excellence centers focusing on global standards and best practices.
  - Create specialized courses for emerging service sectors like **wellness tourism**. Develop service sector export promotion strategies **focusing on India's competitive advantages**.

## Conclusion

India's employment challenge requires a comprehensive and multi-faceted approach. By addressing **structural issues, fostering skills development, promoting inclusive growth, and strengthening social security**, India can bridge the gap between economic growth and quality job creation. This will not only ensure equitable development but also position India as a global leader in human capital development.

### **Drishti Mains Question:**

Despite sustained economic growth, India continues to face challenges in creating quality and inclusive jobs. Analyze the key factors affecting job creation in India and suggest policy measures to address these challenges.

## 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)**

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**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)**

**Q.** The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favor of your answer. **(2015)**

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