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**DAILY EDITORIAL
ANALYSIS**

TOPIC

**Revamping India's
Employment Landscape**

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REVAMPING INDIA'S EMPLOYMENT LANDSCAPE

Context

- The new government's top priority is to increase the rate of creating productive and quality jobs within the economy, and aiming to reduce the reliance on populist schemes that are resulting in severe fiscal stress.

About

- Unemployment is a critical issue that continues to challenge the economic landscape of India. As one of the world's most populous nations with a diverse workforce, fluctuations in the unemployment rate have far-reaching implications for the country's growth and development.

Unemployment Rate in India

- **Current Unemployment Rate:** According to data from the **Centre for Monitoring Indian Economy (CMIE)**, India's unemployment rate stood at **9.2%** in June 2024, representing a **sharp increase from the 7%** recorded in May 2024.
 - ♦ Notably, **female unemployment** reached 18.5%, surpassing the national average, while male unemployment was slightly higher at 7.8%.
- **Labour Participation Rate (LPR):** The LPR, which includes individuals actively seeking employment among the **working-age population (15 years and above)**, rose to 41.4% in June 2024. This is up from 40.8% in May and 39.9% in June 2023.
 - ♦ These changing trends in labour demand underscore the need for thoughtful policy measures to address economic challenges and ensure sustainable growth in both rural and urban areas.
- **Rural-Urban disparities narrow:** Unemployment rates in rural areas decreased from 5.3% in 2017-18 to 2.4% in 2022-23, while urban centres witnessed a decline from 7.7% to 5.4% during the same period, demonstrating a narrowing gap over the same period.
- **Gender and Youth Employment Improvements:** Encouragingly, there's a substantial reduction in female unemployment, dropping from 5.6% in 2017-18 to 2.9% in 2022-23. Moreover, youth unemployment rates declined significantly from 17.8% to 10% during the analysed timeframe.
- **Education and Employment:** PLFS findings highlight a surge in employment opportunities for educated individuals, with the employment rate for graduates rising from 49.7 per cent in 2017-18 to 55.8% in 2022-23, and for postgraduates and above, from 67.8% to 70.6%.

Historical Trends (2008–2024)

- **2008–2011:** During this period, India experienced relatively stable unemployment rates, hovering around 9%.
- **2011–2016:** The unemployment rate gradually declined, reaching its lowest point of 4.82% in 2016.
- **2016–2020:** However, from 2016 onwards, the rate started climbing again. By 2020, it had risen to 6.38%.
- **2020–2024:** The pandemic-induced economic disruptions significantly impacted employment. In June 2024, as mentioned earlier, the rate spiked to 9.2%.

What Reforms Needed?

- **Volatility-Reducing Policy Continuity** (Steady Supply-Side Improvements, and Flexible Inflation Targeting); **Caution with Drastic Reforms** like Political Costs of Reforms, Leveraging India's Strengths, Technology and Youth Advantage, Federal Structure and State-Level Reforms, and Multi-Level Government Participation, **Industry's Role** like Skill Development and Corporate Social Responsibility etc are crucial for the reforms.

Preconditions for Job Growth

- **Sustained High Growth:** The foundation lies in sustained high growth, especially in labour-intensive sectors. Manufacturing, services, and agriculture—all must grow and export.
 - ♦ Think of China's success: it first boosted agricultural productivity, keeping food prices in check.
- **Agricultural Productivity:** India, too, must focus on improving agricultural productivity. Better infrastructure, agritech adoption, and crop diversification are steps in the right direction.

- ◆ Climate-proofing agriculture becomes essential, given erratic weather patterns.
- **Flexible Markets:** Integrated and flexible markets can respond swiftly to food price shocks. Procurement from diverse regions ensures stability.
- **Avoiding Past Traps:** Government and Policy makers need to look where quality jobs abound, and economic distortions fade away.
 - ◆ **Black Economy:** High marginal tax rates once fueled a black economy.
 - ◆ **Talent Retention:** Talent flight is costly. Our 1.4-billion-strong population, brimming with youth, deserves opportunities at home.

Balancing Priorities

- **Stimulating Private Activity vs. Expanding Capacity:** The challenge lies in using rising revenues effectively. On one hand, we want to encourage private sector growth, but on the other hand, we need to invest in expanding infrastructure and capacity.
- **Fiscal Consolidation:** Managing government finances is crucial. By reducing deficits and ensuring responsible spending, we can improve India's credit ratings and reduce borrowing costs.
- **Direct Benefit Transfers (DBT):** As the economy grows and poverty decreases, targeted cash transfers become more feasible. However, policies should also address supply-side constraints to meet increased demand for goods.
- **Updating Targeting:** Regularly assessing and updating the targeting of welfare schemes ensures that benefits reach those who need them most.
- **Social Welfare Schemes:** Programs that create assets (such as infrastructure, education, or healthcare) for the poor will eventually reach saturation. When this happens, funds can be redirected to other essential public services.
- **Urbanization and Municipal Reform:** As cities grow, empowering local governments through better fund allocation and efficient administration becomes essential. This benefits the urban poor who rely heavily on public services.

Government Initiatives and Policy Impacts

- Government schemes such as Pradhan Mantri Mudra Yojana (PMMY) and Atmanirbhar Bharat Rojgar Yojana (ABRY) have disbursed substantial funds, fostering job creation and economic empowerment.
- Flagship programs like Make in India, Start-up India, and Digital India have also played pivotal roles in generating employment opportunities.

Challenges and Policy Implications

- **Gender Disparities:** The widening gap between male and female unemployment rates demands targeted interventions to empower women in the workforce.
- **Rural-Urban Divide:** Addressing disparities between rural and urban unemployment rates is crucial. Diversifying economic activities can create more opportunities and enhance financial resilience.
- **Skill Development:** Investing in skill development programs can bridge the gap between available jobs and the skills possessed by job seekers.

Policy Suggestions For The Government

- **'Raise the Rate', Not 'Create':** The new government, like a director with a fresh script, must prioritise the creation of productive and skillful jobs, and must focus on **'raising the rate' of job creation.**
- **Priority of Employment:** Employment is the first priority because it is necessary to prevent the economy from degenerating into the competitive sops of the seventies and all the economic distortions and stagnation they produced.
 - ◆ Employment prevents the economy from slipping into the quicksand of seventies-style populism. Back then, as multi-party competition intensified, populist schemes multiplied.
 - ◆ Public services suffered, investment lagged, and talent sought greener pastures elsewhere.

- **Fast-forward to Today:** Elections still feature populist promises, but voters are increasingly discerning. If people can actively participate in and benefit from development, they're less likely to fall for short-term gimmicks.
- **Government Services and Outsourcing:** While different levels of government need to expand their services, productivity tends to be higher in contract and outsourced government jobs.
 - ♦ It suggests that involving various sectors of the economy is essential for employment growth.

Conclusion

- India's unemployment rate is not just a statistic; it represents the **aspirations, struggles, and potential of millions**. For a 1.4-billion population, with the largest share of youth, creating more high-productivity jobs requires working on multiple fronts.
- India needs to prioritise policies that foster sustainable employment and uplift our workforce, with harmonising the **growth, productivity, and inclusivity** and prosperous future.

Source: BL

Mains Practice Question

[Q] In your opinion, what specific policies or strategies should the government prioritise to foster substantial job growth in the current economic landscape in India?

