

LABOUR MARKET

Gol's employment schemes can help address India's labour market issues, although execution remains key

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Although India has added ~114 million jobs between 2017-18 and 2022-23, a bulk of these have been in the agri segment, where the VAPW has fallen. Helpers in HH enterprises have also risen sharply, whereas growth in salaried jobs has been quite sluggish.

While the overall unemployment rate is low as per the PLFS, that for the educated cohorts is very high, reflecting inadequate skills and lack of salaried job opportunities.

The Gol's recently-announced schemes can help address these issues, although execution remains key.



India is estimated to have created ~114 million jobs between 2017-18 and 2022-23, implying a CAGR of 4.4% (source: Periodic Labour Force Survey or PLFS), higher than that of 0.9% in population (source: UN) over this period, which boosted the worker-population ratio (WPR) and dampened the unemployment rate. The growth in the workforce was in line with that in the GVA during this period, implying an employment elasticity of unity.



While these trends point to a strong labour market, the headline numbers mask several underlying issues. For instance, nearly 53% of the job creation between 2017-18 and 2022-23 stemmed from the agriculture sector, which saw a decline in value-added per worker (VAPW), during this period. This implies a fall in labour productivity, thereby suggesting an increase in disguised unemployment in the sector.



Besides, the regular/salaried jobs rose at a tepid CAGR of 2.6% between 2017-18 and 2022-23, vis-à-vis the 6.4% growth in the self-employed segment, which was mainly led by the sharp rise in helpers in household enterprises, pointing to household stress and/or a lack of adequate salaried job opportunities.



While the unemployment rate (source: PLFS) declined to 3.2% in 2022-23 from 6.1% in 2017-18, that in the urban areas remain elevated at 5.4% (rural areas: 2.4%). Interestingly, unemployment levels were much higher among the higher educated cohorts (graduates: 13.4%) vis-à-vis illiterates (0.2%) in 2022-23, reflecting lack of salaried jobs and/or inadequate skills.



ICRA projects that ~7.0 million non-agri jobs/year will need to be created between 2024-25 and 2033-34, amidst challenges from technological advancements like Artificial Intelligence (AI) and automation. Besides, there is also a need to shift the excess farm labour to non-farm jobs, that have a higher VAPW.



The Government of India (GoI) has announced a three-part 'Employment-Linked Incentive' scheme and a skilling programme with a total outlay of Rs. 2.0 trillion over a period of five years in the FY2025 Budget. These measures aim to address some of the issues prevailing in the Indian labour markets.



Given the issues in the labour market such as sluggish growth in salaried jobs, low levels of formalisation, high unemployment rates for educated youth, and inadequate skills and the challenging task of creating a large number of formal sector non-agri jobs over the next decade, the GoI's schemes are a step in the right direction, even as the success would be contingent on their execution.

Note: Data for all years is for July-June period. We have used the PLFS data for our analysis.



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