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5. Mapping India's Employment Landscape - Economy

Recent waves of public debate, youth-led protests, and policy discourse have returned the question of employment to the centre of India's economic conversation. While aggregate GDP growth figures have remained relatively robust, persistent concerns about the quality, quantity, and inclusivity of employment creation raise fundamental questions about whether India's growth model is generating the jobs its young, expanding workforce needs and deserves.

1.Understanding Employment Indicators

Three primary statistical indicators frame the measurement of employment outcomes in any economy.

1. **Unemployment Rate (UER)** measures the percentage of the labour force that is actively seeking employment but unable to find it. It is calculated by dividing the number of unemployed persons actively seeking work by the total labour force. The UER, while widely cited, can be misleading in a country like India where widespread informality and the absence of formal social protection mean that very few workers can afford to remain openly unemployed — they take whatever work is available, however low-quality.
2. **Labour Force Participation Rate (LFPR)** measures the proportion of the working-age population that is either employed or actively seeking employment. A declining LFPR — particularly among women — signals that people are withdrawing from the labour market entirely, often due to discouragement, social norms, or the absence of suitable job opportunities.
3. **Employment Rate (ER)** measures the proportion of the working-age population that is actually employed. This is arguably the most comprehensive single indicator of employment health in an economy like India's, as it captures both unemployment and labour force withdrawal.

2.Key Employment Trends in India - 2016–17 to 2025–26

Data on India's employment landscape over the past decade reveals a troubling pattern beneath the headline GDP growth numbers.

1. **Overall decline in Employment Rate -** India's ER declined from approximately 42.7% in 2016–17 to 38.7% in 2025–26. Critically, the total number of employed persons did increase in absolute terms — from around 406 million to 438 million over the same period. However, this absolute increase masked the fundamental problem - employment growth failed to keep pace with the expansion of the working-age population. As more young Indians entered the working-age cohort each year, the share of the population actually employed fell — an outcome that represents a failure to absorb the demographic dividend.
2. **Gender-wise trends -** The gender dimension of this employment decline is especially stark. The male Employment Rate fell from approximately 70.5% to 64.8% — a significant decline — but the female Employment Rate collapsed even more dramatically, falling from around 11.8% to just 9.4%. India's female labour force participation is already among the lowest in the world relative to its income level. A further decline over a decade of ostensibly strong economic growth signals a deeply structural problem rooted in social norms, safety constraints, lack of childcare, and wage discrimination.

3. **Age-wise trends -** Employment rates declined across almost all age groups, with only the 25–29 and 55–59 age categories recording marginal improvements — the former possibly reflecting delayed workforce entry, the latter potentially reflecting older workers returning to employment out of economic necessity.
4. **Education-wise trends -** Employment rates fell across all education levels, though the steepest declines were among those with lower educational attainment. While higher education provided some relative protection, graduates themselves faced significant employment challenges — a phenomenon captured in the concept of educated unemployment that has become increasingly prominent in India's labour market discourse.

3.Major Reasons Behind India's Employment Challenges

1. **Jobless growth** is the central structural failure. Economic growth has been concentrated in capital-intensive sectors — financial services, IT, real estate — that generate high value-added but limited employment per unit of capital invested. The labour-intensive manufacturing sector, which historically drives employment-intensive growth in developing economies, has not expanded at the pace needed to absorb India's working-age population.
2. **Structural transformation bottleneck -** A large proportion of India's workforce — over 40% — remains employed in agriculture, a sector characterised by low productivity and underemployment. The transition to manufacturing and modern services has been slower than the structural transformation experiences of East Asian economies like South Korea and Taiwan at comparable stages of development, leaving large numbers of workers trapped in low-productivity, low-income employment.
3. **Skill mismatch -** India's educational system continues to produce graduates whose qualifications do not align with industry skill requirements. The result is a paradox in which employers report difficulty finding qualified workers while graduates report difficulty finding suitable employment — a structural mismatch that vocational training and industry-linked curricula have not yet adequately bridged.
4. **Globalisation slowdown -** Rising global protectionism, trade fragmentation, and India's non-participation in the Regional Comprehensive Economic Partnership (RCEP) have reduced access to export-led manufacturing value chains that have historically been the primary driver of employment-intensive growth in Asia.
5. **Technological disruption -** Automation and Artificial Intelligence are displacing routine and repetitive tasks across manufacturing, services, and agriculture, reducing the employment intensity of growth even as output expands. Managing this transition — creating new categories of employment faster than automation displaces old ones — is a defining challenge for India's workforce policy.
6. **Female workforce barriers -** Social norms, personal safety concerns, absence of quality childcare facilities, and persistent wage discrimination between men and women continue to suppress female LFPR far below both India's potential and international comparators.

4.Government Initiatives

1. **National Career Service (NCS) Project** provides a digital platform for job seekers to access career counselling, vocational guidance, and information on government and private sector vacancies.
2. **PM MUDRA Yojana** provides collateral-free micro-credit to small and micro enterprises, supporting entrepreneurship and self-employment.

3. **PM Kaushal Vikas Yojana (PMKVY)** delivers industry-relevant skill training to youth, improving employability.
4. **PM Vishwakarma Scheme** offers skill development, credit support, and market linkage to traditional artisans and craftspeople.
5. **PM SVANidhi** provides working capital loans to street vendors.
6. **DAY-NULM** supports urban livelihoods through skill training and self-employment facilitation.
7. **RSETIs** deliver entrepreneurship and vocational training in rural areas.

Why Employment Cannot Be Subordinated to GDP Growth

GDP growth measures the expansion of aggregate economic output but does not automatically determine how the gains from that output are distributed across the workforce. Sustained employment creation is the primary mechanism through which growth translates into poverty reduction, social mobility, domestic demand expansion, and political legitimacy. For India — with 7–8 million new labour market entrants per year — failing to create adequate quality employment is not merely an economic failure; it is a potential source of social instability, as demonstrated by the youth-led agitations that have repeatedly surfaced in the discourse around government recruitment, reservation, and job creation.

5.Way Forward

1. **Manufacturing competitiveness** must be significantly enhanced through PLI scheme expansion, labour law rationalisation, and export orientation to drive large-scale labour-intensive employment.
2. **Education-industry alignment** must be systematically institutionalised through industry-linked curricula, apprenticeship programmes, and quality vocational training at scale.
3. **Global value chain integration** — particularly in electronics, textiles, chemicals, and food processing — offers the most immediate route to large-scale employment generation.
4. **Female workforce participation** must be addressed through comprehensive policy packages - quality childcare, workplace safety, equal pay enforcement, and gender-sensitive transport infrastructure.
5. **Formalisation of employment** through expanded social security, employer incentives, and simplified labour compliance is essential to improving the quality — not just the quantity — of jobs created.

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