



Breaking India's Jobless Growth Trap

This editorial is based on “[Welfarism is not the solution for India's job problem, skill creation is](#)” which was published in The Indian Express on 09/07/2024. The article highlights the urgent need to address India's unemployment crisis by implementing long-term job creation policies, emphasizing vocational training, wage subsidies, and basic income supplements to boost demand and create sustainable employment opportunities.

For Prelims: Share of Manufacturing Sector in India's GDP, [Economic recession](#), [Skill India](#), [Gig economy](#), [Industry 4.0](#), [Skill India Mission](#), [Pradhan Mantri Kaushal Vikas Yojana](#), [Apprentice Protsahan Yojana](#), [Production Linked Incentive Schemes](#), [e-SHRAM Portal](#).

For Mains: Reasons for India's Jobless Growth, Major Government Initiatives to Bridge the Employment Gap.

India's urban landscape is a canvas of ambition. Modern metropolises pulsate with economic activity, attracting a steady stream of young graduates seeking their fortunes. For countless young Indians, the **city lights represent the beacon of opportunity**. They arrive with dreams of a better life, fueled by years of education and ambition. However, these dreams are increasingly deferred by the harsh reality of urban unemployment.

India faces a critical challenge of creating [good-quality jobs](#), especially for its young population. This issue has persisted across decades, with **economic growth failing to keep pace with job creation**. India needs to shift focus on creating a **future-proof workforce** equipped to navigate the demands of the evolving Indian economy. By addressing this challenge head-on, India can ensure its cities remain engines of growth and opportunity for all.

Why Is India's Economic Growth Not Corresponding with Sufficient Job Creation?

- **Paradox of High-Skill, Low-Employment Sectors:** India's economic growth has been predominantly driven by **services and capital-intensive manufacturing sectors**, which typically generate fewer jobs relative to their economic output.
 - The [IT sector](#), for instance, contributes significantly to GDP but **employs only about 4.5 million people directly**.
 - This trend is further exemplified by the recent push for advanced manufacturing, such as in [semiconductors](#) and [electronics](#).
 - While these industries boost economic indicators, they **often fall short in creating large-scale employment opportunities**, particularly for the less skilled workforce.
- **Premature Deindustrialization and Its Impact:** India is experiencing premature deindustrialization, where the share of manufacturing in both GDP and employment begins to

decline at a **much lower level of per capita income compared to developed countries.**

- This trend, partly driven by **global competition and automation**, limits the ability of the manufacturing sector to absorb surplus labor from agriculture, traditionally a key pathway for job creation in developing economies.
- **Impact of Global Economic Trends:** India's job market is increasingly influenced by global economic trends. **Protectionist policies** in developed economies have affected India's export-oriented industries, impacting job creation in these sectors.
 - Moreover, global supply chain disruptions, **economic recession (over 4.25 lakh tech employees lost jobs in 2023)** have highlighted vulnerabilities in certain industries and their employment potential.
- **Skill Mismatch:** The rapid pace of technological change has created a significant gap between the skills demanded by the job market and those possessed by the workforce.
 - The 2015 Report on National Policy on Skill Development and Entrepreneurship had estimated that **only 4.7% of the total workforce in India had undergone formal skill training**, highlighting a severe shortage of job-ready skills.
 - Recent initiatives like **Skill India**, while ambitious, have struggled to meet targets and ensure successful job placements.
 - This mismatch **not only leads to unemployment but also underemployment**, where individuals work in roles below their qualification level or potential.
- **Informal Sector Dominance:** Over **90% of India's workforce is employed in the informal sector**, characterized by lower productivity, limited job security, and minimal social protections.
 - This prevalence of informal work not only affects job quality and worker welfare but also **hampers overall economic productivity and the ability to create sustainable, high-quality jobs.**
 - The **gig economy** and platform-based work have created new employment opportunities but also introduced job market precarity.
 - These platforms offer flexible work but often lack job security, benefits, and career growth prospects.
- **Demographic Dividend Challenge:** India adds approximately **12 million people to its workforce annually**, creating an immense pressure on job creation.
 - To absorb these new entrants and address existing unemployment, the economy needs to generate 10-12 million jobs per year.
 - However, job creation has consistently fallen short of this target.
 - This failure to harness the **demographic dividend risks turning it into a demographic burden**, potentially leading to social unrest and economic instability.
- **'Missing Middle' and MSME Subsidence:** India's industrial landscape is marked by a predominance of very small firms (with less than 50 workers) and a few very large corporations, with a **conspicuous absence of mid-sized firms.**
 - This 'missing middle' phenomenon **hampers job creation, as mid-sized firms typically have the highest potential for employment generation** and scaling up.
 - The **lack of adequate growth from small to medium enterprises stunts overall job creation** in the formal sector.
 - Also, the MSME sector, initially hit by demonetization and further exacerbated by the COVID-19 pandemic, continues to struggle in its recovery efforts, hampering job growth.
- **Impact of Automation and AI:** Emerging technologies, particularly automation and artificial intelligence, are reshaping the job landscape across sectors.
 - The McKinsey Global Institute estimates that **9% of India's workforce could be displaced by automation by 2030.**
 - While these technologies create new job roles, they often require high-skill levels, potentially exacerbating unemployment among less skilled workers.
- **Mismatch Between Academia and Industry 4.0:** India's traditional education system, often fails to equip students with the critical thinking and practical skills required in the modern job market.
 - The India Skills Report found that **only 47% of Indian graduates were employable in 2019**, highlighting a significant gap between academic qualifications and job readiness.
 - This mismatch not only leads to unemployment among graduates but also **creates inefficiencies in the labor market**, where companies struggle to find suitable

candidates despite a large pool of job seekers.

- **Regional Disparities in Growth and Job Creation:** Economic growth and job opportunities in India are **heavily concentrated in a few urban centers, leading to significant regional imbalances.**
 - This concentration creates migration pressures, with workers moving from less developed regions to urban areas in search of employment.

What are the Major Government Initiatives to Bridge the Employment Gap?

- **Skill Development and Training Programs:**
 - **Skill India Mission:** Launched in 2015, this flagship program aims to train millions of youth in industry-relevant skills through various schemes like **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)** and **National Skill Development Corporation (NSDC).**
 - **Apprenticeship Initiatives:** Schemes like **Apprentice Protsahan Yojana (APY)** incentivize companies to hire apprentices, providing on-the-job training and experience for young individuals,
 - Under this Scheme **50% of prescribed stipend** paid to the apprentices is shared by the Government of India.
- **Incentivizing Job Creation:**
 - **Aatmanirbhar Bharat Rojgar Yojana (ABRY):** Introduced during the pandemic, this scheme provides wage subsidies to employers who create new jobs and retain existing ones.
 - **Production Linked Incentive (PLI) Schemes:** These schemes offer financial incentives to companies in specific sectors (**like electronics, automobiles**) to boost domestic manufacturing and create jobs.
- **Fostering Entrepreneurship and Self-Employment:**
 - **Pradhan Mantri Mudra Yojana (PMMY):** Provides microloans to aspiring entrepreneurs for starting or expanding small businesses.
 - **Stand-Up India:** This initiative aims to promote entrepreneurship among women and Scheduled Castes/Scheduled Tribes by facilitating bank loans.
- **Addressing the Informal Sector:**
 - **e-SHRAM Portal:** This online platform aims to register informal workers, improving their access to social security benefits and potentially formalizing their employment.
- **State-Specific Initiatives:**
 - **Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan**

What Measures can be Adopted to Boost Job Creation in India?

- **Localized Skill Ecosystems:** Create micro-level skill development hubs aligned with **local industry needs.**
 - These hubs would offer tailored training programs based on the specific requirements of industries in each region, ensuring a direct pipeline of skilled workers to local employers.
- **Green Jobs Transition Fund:** Establish a dedicated fund to support workers **transitioning from carbon-intensive industries to green jobs.**
 - This fund would provide **retraining, relocation assistance, and temporary income support**, facilitating a smoother shift towards a sustainable economy while minimizing unemployment.
- **Gig Worker Cooperatives:** Promote the formation of worker-owned cooperatives in the gig economy. These cooperatives would **provide gig workers with better bargaining power, shared resources, and a safety net**, while still maintaining the flexibility of gig work.
- **AI Job Augmentation Program:** Implement a national program to train workers in AI-assisted job roles. Instead of viewing AI as a job destroyer, **this initiative would focus on creating new job categories that combine human skills with AI capabilities**, increasing overall productivity and employment.
- **Circular Economy Job Clusters:** Develop specialized industrial clusters focused on circular economy principles. These clusters would create jobs in **recycling, upcycling, and sustainable product design**, fostering a new sector of employment while addressing environmental concerns.
- **Micro-Manufacturing Networks:** Encourage the creation of decentralized, small-scale

manufacturing units connected through digital platforms.

- This network can be **led by MSMEs through credit guarantee schemes** that would **enable distributed production, reducing the need for large factories** while creating jobs in smaller towns and rural areas.
- **Nano-Entrepreneur Incubation Zones:** Establish specialized zones in tier-2 and tier-3 cities focused on nurturing ultra-small businesses.
 - These zones would provide shared resources, mentorship, and market linkages for **entrepreneurs starting with as few as 10-15 employees**, targeting rapid scaling to 40-50 employees within 1-2 years.
- **Precision Agriculture Employment Initiative:** Launch a nationwide program to train and employ youth in **high-tech, precision agriculture techniques**.
 - This would include drone operations for **crop monitoring, data analytics for yield optimization, and IoT-based farm management**, creating a new category of tech-savvy agricultural professionals.
- **Accelerating the Passage of DESH Bill:** Accelerating the passage of the DESH Bill, which replaces the Special Economic Zones Act, can create a flexible framework for attracting investments and generating employment.
 - It facilitates the development of **specialized hub development based on regional strengths through more GIFT Cities like Gujarat's**, while enabling partnerships with economically similar cities abroad.
 - Also, by integrating the **sister cities concept**, India can foster international economic cooperation, facilitating skill development, technology transfer, and market access.

Drishti Mains Question:

Discuss the challenges faced by India's job market in keeping pace with economic growth. What long-term policies can be implemented to address these issues?

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)**

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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