Building Inclusive and Sustainable Employment in India

The editorial is based on "Debunking the Myth of Job Creation," published in The Hindu on 13/08/2025. It highlights the persistent challenges in job creation in India and emphasizes the need for more inclusive, skill-focused policies to ensure sustainable job creation and economic empowerment across the country.

For Prelims: **Skill India, Pradhan Mantri Kaushal Vikas Yojana**, **Make in India program**, **EPFO**, **Atal Pension Yojana**, **PMGDISHA**

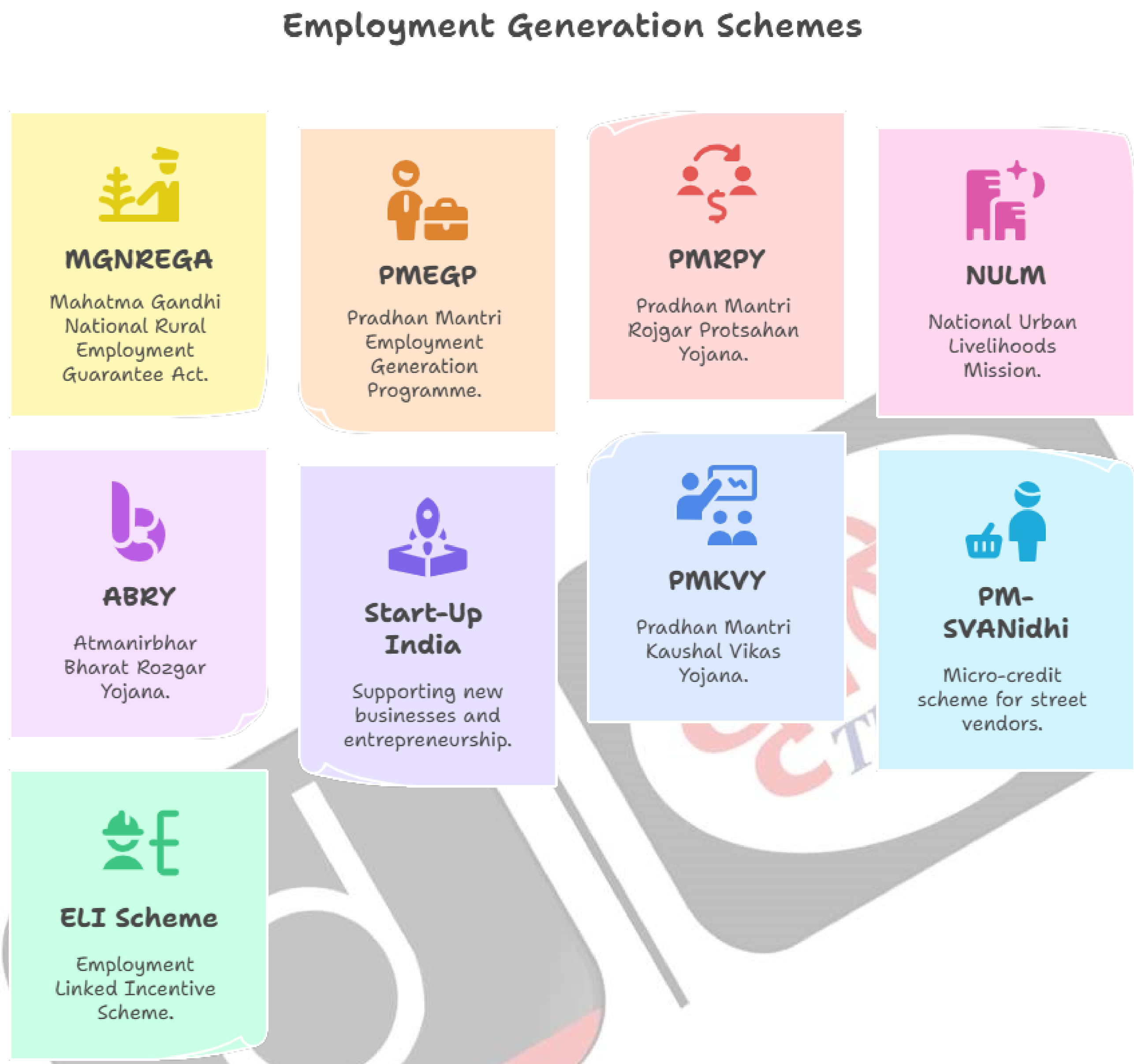
For Mains: Employment Generation in India: Related Challenges & Way Forward

India has seen a **significant increase in employment in recent years**, driven by various government initiatives aimed at job creation. However, issues such as skill mismatches, wage disparities, and the dominance of the informal labor market continue to limit the creation of more sustainable and inclusive employment opportunities. To address these challenges, **India needs policies that focus on skills development and inclusivity, ensuring the generation of quality jobs across sectors**.

What is the Current Status of Employment in India?

- **Labour Force Participation Rate:** As per **PLFS** data (July 2023-June 2024), the Labour Force Participation Rate (LFPR) for individuals aged 15 years and above has i**ncreased from 49.8% in 2017–18 to 60.1% in 2023–24**.
    - During the same period, the **Worker Population Ratio (WPR) rose** from 46.8% to 58.2%.
    - **Female Labour Force Participation Rate (FLFPR)** has increased from 23.3% in 2017-18 to 41.7% in 2023-24.
    - Notably, **female unemployment has dropped** significantly from 5.6% to just 3.2%, reflecting a shift toward greater inclusion and economic empowerment.
- **Formalization of the Job Market:** Net additions to **EPFO** subscriptions have more than doubled, rising from 61 lakh in FY19 to 131 lakh in FY24, indicating the formalization of the job market.
    - The **proportion of self-employed workers in the workforce has risen** from 52.2% in 2017-18 to 58.4% in 2023-24 which reflects the growing entrepreneurial activity and preference for flexible work arrangements.
    - Moreover, **around 80% of India's labour force is employed in the informal sector**, and the remaining 20% in the formal sector (2021).
- **Sectoral Employment Trends:** According to the **Economic Survey 2024-25** agriculture sector's share in employment was 44.1% in 2017-18, which has increased to 46.1% in 2023-24.
    - In comparison, **the industry and services sectors saw declines in employment share**, with manufacturing falling from 12.1% to 11.4%, and services from 31.1% to 29.7% during the same period.
- **Unemployment Rate:** The Unemployment Rate, for individuals aged 15 years and above, has

steadily **declined from 6% in 2017-18 to 3.2% in 2023-24**.
  - Despite the significant decline, challenges such as **skill mismatches, informal sector dominance, and underemployment** continue to persist in the labour market.



What are the Key Challenges Affecting Employment Generation in India?

- **Jobless Growth:** India’s economic growth is increasingly decoupled from employment generation, leading to jobless growth.
  - Sectors like **IT and finance show rising GDP contributions while absorbing fewer workers**, reflecting capital-intensive rather than labor-intensive growth.
    - For example, according to a recent research, between 2011 and 2021, India's **GDP growth rate was around 5.3%** on average, while the **employment growth rate was a mere 0.39% per annum**, highlighting a significant gap between economic expansion and job creation.
  - While recent growth in formal jobs, as noted by the EPFO, indicates growth, it still falls short of the estimated 7.85 million **non-farm jobs needed annually by 2030** to productively engage the growing working population.
- **Slowdown in the Manufacturing Sector:** Manufacturing, historically a key job generator, has

not experienced the level of expansion needed to absorb India’s growing labor force.

  - The focus on services and technology-led growth has shifted attention away from manufacturing, which typically creates more jobs.
  - According to the ILO report, **post-2019, there has been a significant decline in non-agriculture employment**, with the manufacturing sector being the worst affected.
    - Despite efforts like the **Make in India campaign**, the employment share of the manufacturing sector has **remained stagnant at 12-14%**, with a large portion of the blue-collar workforce still earning insufficient wages.
- **Skill Mismatch & Employability Crisis:** Despite the growing number of graduates, a significant portion of the labour force is underemployed in semi-skilled or elementary jobs.
  - The **Economic Survey 2024-25** reveals that **only 8.25% of graduates are employed in roles matching their qualifications**.
    - Moreover, 53% of graduates and 36% of postgraduates are employed in lower-skill jobs, which reflects the inefficiency of India's **education-to-employment pipeline** and the persistent mismatch between available jobs and workers' skills.
  - **Less than 5% of India’s workforce undergoes formal skills training**, compared to 80% to 96% in Japan and South Korea.
- **Gender Disparity in Workforce Participation:** Despite the significant improvement in FLFPR, the female labour force participation rate in India is still half of the LFPR of men and far **below the global average of female LFPR of 47.2%**.
  - While recent policies and economic reforms have attempted to increase female participation, social norms, safety concerns, and the lack of support for working women (e.g., childcare facilities) continue to restrict their entry into the workforce, especially in formal sector jobs.
    - 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.
- **Gaps in Formalizing Informal Sector:** As per the IMF, the **informal sector continues to employ more than 80% of India’s workforce**, but it remains largely excluded from policy benefits like social security, job stability, and formal contracts.
  - The **informal sector contributes about 45% to India's total GDP**, highlighting its crucial role in the economy. While **formalization efforts are underway, they have been limited**, leaving informal workers vulnerable to low wages and job insecurity.
    - Additionally, the growing gig workforce, which now includes approximately **12 million workers as of fiscal year 2024–25**, faces similar challenges.
  - Also, while there have been efforts to extend social security to informal workers, such as the **Atal Pension Yojana**, which has **enrolled over 8 crore subscribers as of July 2025,** challenges persist in ensuring comprehensive coverage and effective implementation.
- **Digital Disruption and Job Displacement:** The rapid advancement of digital technologies, particularly **AI** and automation, **is significantly transforming India's job market.**
  - While these technologies offer opportunities for innovation and efficiency, they also pose challenges, especially for workers in traditional and low-skilled roles.
    - In August 2025, **TCS announced the layoff of over 12,000 employees**, approximately **2% of its workforce.** The company attributed this decision to skill mismatches and the increasing adoption of AI technologies.
  - A report by the McKinsey Global Institute estimated that **automation could displace up to 60 million workers in India's manufacturing sector by 2030**, with significant impacts on jobs in textiles and electronics.
- **Geo- Economic Shifts and Rising Trade Tensions:** The ongoing US tariff imposition has impacted India’s trade and industrial employment.
  - The **Asian Development Bank (ADB)** has revised India’s GDP growth forecast for FY26 downward to 6.5% from an earlier 6.7%, citing the negative effects of US tariffs on India's exports and industrial output.
    - These trade disruptions can **potentially trickle down to industrial employment, particularly in sectors reliant on global trade**, such as **textiles, electronics, and manufacturing.**
- **Climate Vulnerability and Livelihood Threats:** **Climate change** poses significant risks to livelihoods, especially for informal workers who are often the most vulnerable.
  - Between 2001 and 2020, **India lost approximately 259 billion labor hours annually**

due to climate impacts, with extreme heat alone accounting for a loss of 181 billion labor hours.
        - This **disproportionately affects informal workers**, particularly those working outdoors in agriculture, construction, and **other labor-intensive sectors**, where they lack adequate protection against the climate's harsh effects.

What Strategies Can be Adopted to Enhance Job Creation and Workforce Development in India?

- **Strengthen the Formalization of the Informal Sector:** Given that the informal sector employs a large portion of India's workforce, it is crucial to formalize this sector by ensuring access to social security, job stability, and formal contracts.
    - Offering **incentives to businesses that transition from informal to formal employment** structures can create stable and secure jobs while integrating workers into the formal economy.
        - The **e-Shram portal**, **as a national database for unorganized workers**, plays a key role in formalizing the sector by connecting workers to social security benefits, skill development programs, and formal employment opportunities.
    - Increasing access to microfinance, **collateral-free loans, and credit facilities for small businesses** will enable the informal sector to grow while providing workers with more secure jobs.
        - This will ensure that informal workers have access to basic benefits like health insurance, pension schemes, and minimum wages.
- **Service Sector Modernization:** To drive economic growth and create quality employment, modernization of India's service sector is essential.
    - Focus **should be placed on high-growth service sectors such as healthcare, tourism, and education**, with a strong emphasis on equipping the workforce with job-ready skills tailored to industry demands.
    - Establishing centers **dedicated to fostering global standards** and best practices in service delivery will ensure that workers are trained to meet international benchmarks.
    - Additionally, **India can introduce specialized training programs for emerging sectors like wellness tourism**, addressing the increasing demand for skilled workers and creating new job opportunities in these fields.
- **Enable Women's Participation in the Workforce:** A holistic, systemic approach is needed to increase female workforce participation.
    - Programs like **MUDRA Yojana** and **Mahila Shakti Kendras** that provide collateral-free loans and skills development should be expanded to ensure economic empowerment of women.
    - **Small and medium enterprises (SMEs) can play a crucial role by implementing practices such as offering gender-neutral pay**, equal promotion opportunities, and safe working environments.
        - Successful examples, like **Even Cargo (a women-driven logistics company) and Farm Didi (a rural women-led food startup),** should be replicated to empower women in both urban and rural areas.
- **Accelerate Implementation of Labor Codes for Flexibility and Inclusivity:** India must accelerate the implementation of its **labor codes** to ensure they are more inclusive and adaptable to the needs of today's evolving job market.
    - Also, **greater flexibility in gig employment**, contractual labor, and informal work can provide legal protections such as social security, healthcare benefits, and pension schemes.
    - Simplifying the **labor code to promote ease of doing business, while protecting worker rights**, will encourage formalization of employment, making it more attractive for employers to create quality, well-paying jobs.
- **Strengthening Public-Private Partnership (PPP):** PPPs play a pivotal role in creating sustainable employment opportunities by leveraging both public sector support and private sector innovation.
    - Through PPPs, the government can partner with private enterprises to implement skill development programs, **establish vocational training centers, and create job**

opportunities in sectors such as infrastructure, manufacturing, and services.
        - Initiatives like the **Skill India Mission and PMKVY** benefit from private sector expertise, ensuring that the training provided aligns with industry needs and enhances employability.
    - PPPs can also foster entrepreneurship by **supporting small businesses and startups**, ultimately leading to job creation and economic growth.
- **Promoting Rural Entrepreneurship:** To foster economic growth in rural areas, it is essential to promote rural entrepreneurship by providing financial support, skill development, and market access.
    - **Creating rural innovation hubs, supporting local agro-based industries**, and integrating digital technologies can enhance productivity and business sustainability.
        - These efforts will help create jobs, reduce migration to urban areas, and tap into the untapped potential of rural India.
    - **Common Service Centres (CSCs)** can further **support rural entrepreneurship by providing digital infrastructure, training, and access to government services,** helping create jobs, reduce urban migration, and **unlock rural India's potential**.
- **Enhance Digital Literacy and Technology Adoption:** With increasing job opportunities in the digital economy, investing in digital literacy programs, particularly for women and rural youth, is crucial.
    - Providing **access to technology and online learning platforms** will help workers adapt to the digital economy.
        - Under the **PMGDISHA**, approximately 7.35 crore candidates were registered, and 6.39 crore individuals received training in digital literacy.
    - Encouraging **Micro, Small, and Medium Enterprises (MSMEs)** to adopt digital technologies will enhance productivity and create more jobs in the formal economy.
- **Nurturing a Green Workforce for a Future-Ready India:** To build a sustainable and future-ready workforce, it is crucial to invest in green energy jobs.
    - For instance, **Andhra Pradesh has set an ambitious target of creating 3 lakh green energy jobs** over the next five years, and this model can be replicated by other states to drive **employment in renewable energy sectors, such as solar, wind, and energy efficiency**.
        - By fostering a **green workforce**, India can contribute to sustainable development and create long-term employment opportunities aligned with global environmental goals

Conclusion

India's future employment generation hinges on the **3Es: Enablement through policy reforms and infrastructure development, Empowerment via skill development, entrepreneurship, and digital literacy, and Equity by ensuring opportunities for all.** By equipping the workforce with relevant skills and addressing sectoral imbalances, **India can build a dynamic, equitable workforce, driving long-term economic growth and sustainability**.

Drishti Mains Question

Discuss the key challenges in job creation in India and suggest strategies for sustainable and inclusive employment.

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. 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)**

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)**

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