



Mains Practice Question

Q. Discuss the structural factors responsible for growth-employment mismatch in India and propose strategic interventions to ensure growth that is both robust and employment-intensive. **(250 words)**

19 Mar, 2025 GS Paper 3 Economy

Approach

- Introduce the answer by briefing about the growth-employment mismatch in India
- Highlight the Structural Factors Responsible for Growth-Employment Mismatch
- Suggest Strategic Interventions to Ensure Employment-Intensive Growth
- Conclude suitably.

Introduction

India has experienced **high economic growth (6.4% in FY25)**, but this has not translated proportionally into **job creation**. The phenomenon of **jobless growth** is a major concern, where GDP expansion has been driven by **capital-intensive industries, automation, and technology-led productivity**, rather than labor-intensive sectors.

Body

Structural Factors Responsible for Growth-Employment Mismatch

- **Capital-Intensive Growth and Automation**
 - **Rise of AI and automation** in industries like manufacturing, banking, and governance has **substituted low-skilled jobs** with high-tech, productivity-driven **operations**.
 - **Example: IndiaAI Mission and BharatGen (2024)**, which promote AI-driven governance, can reduce demand for traditional service-sector jobs.
- **Skill Gaps and Mismatch Between Education and Industry Needs**
 - India has a **predominantly unorganized workforce (90%)**, with **only 20% of the workforce formally skilled**.
 - **Tech-driven industries** such as **semiconductor fabrication, AI, and quantum computing** face a shortage of skilled professionals.
- **Digital Divide and Unequal Job Creation**
 - While urban India is benefiting from **5G rollout and the startup ecosystem**, rural India **lags in internet penetration and digital literacy**.
 - **45% of India's population (665 million people) lacks internet access (2023)**, limiting their participation in the **digital economy and e-commerce sector**.
- **Weak MSME Ecosystem and Credit Constraints**
 - MSMEs contribute **30% to GDP and 40% of exports**, but **only 20% have access to formal credit**, restricting expansion and job creation.
 - **CRISIL estimates** that only **2.5 crore out of 6.3 crore MSMEs** have availed formal credit, highlighting a significant financing gap.

- **Regulatory Bottlenecks and Rigid Labor Laws**
 - **Complex compliance requirements** discourage labor-intensive industries such as textiles, construction, and food processing from expanding.
 - **India's four labor codes** have been passed but **not fully implemented**, delaying labor market flexibility.

Strategic Interventions to Ensure Employment-Intensive Growth

- **Skilling and Workforce Transformation for Emerging Industries**
 - **Expand PMKVY (Skill India Mission)** with a focus on **AI, robotics, semiconductor design, and green energy**.
 - Strengthen **vocational education in schools and colleges**, integrating **Industry 4.0 skills**.
- **Strengthening MSMEs and Entrepreneurship**
 - Expand **ECLGS and MUDRA loans** to improve MSME liquidity and reduce collateral requirements.
 - Promote **technology adoption in MSMEs** through cluster-based development.
- **Boosting Labor-Intensive Manufacturing and Domestic Value Chains**
 - Implement **PLI schemes for labor-intensive sectors (textiles, food processing, leather, and handicrafts)** to generate large-scale employment.
 - Expand **plug-and-play industrial zones** to simplify business setup and encourage investment.
- **Promoting Rural Digital Inclusion and Gig Economy Jobs**
 - Accelerate **PM WANI Wi-Fi implementation** for rural areas to improve digital job accessibility.
 - Integrate **e-commerce and gig work opportunities for rural entrepreneurs** through platforms like **ONDC and UPI-linked fintech services**.
- **Reforming Labor Laws for Greater Flexibility**
 - **Fast-track implementation of the four labor codes** to encourage formal job creation.
 - Introduce **flexible hiring models** (gig economy regulations) to support **digital and platform-based employment**.
- **Incentivizing Green Jobs and Sustainable Growth**
 - Expand **National Green Hydrogen Mission** job training programs to enable workforce transition.
 - Promote **circular economy-based industries** such as **recycling, waste management, and sustainable packaging**.

Conclusion

To ensure **inclusive and employment-intensive growth**, India must **bridge the digital divide, reform labor policies, invest in workforce reskilling, and strengthen MSMEs**. By focusing on **labor-intensive manufacturing, domestic value chains, and green jobs**, India can achieve **sustainable and equitable economic growth**.