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India's Employment Challenges: An Overview

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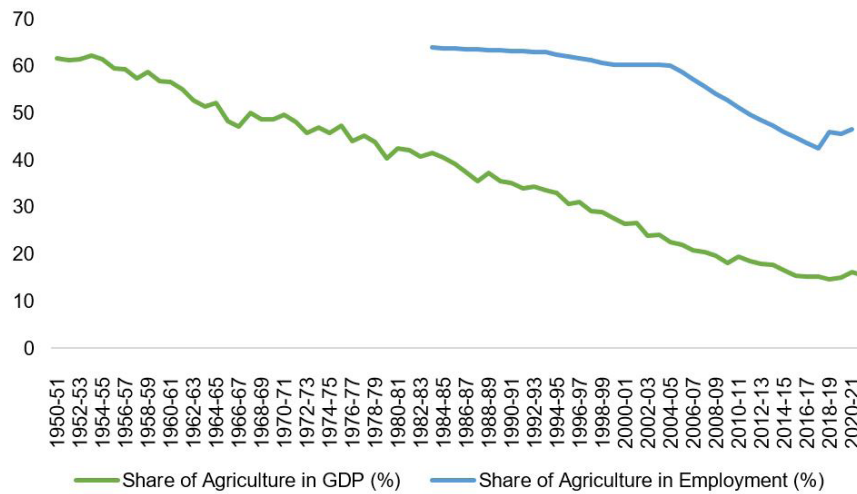
This article gives an overview of the employment situation in India. The burden of unemployment is disproportionately borne by the youth, the educated, disadvantaged social groups among graduates, and particularly the women among them. Although most workers earn only subsistence wages, there has not been a meaningful rise in the minimum wage. Our findings suggest that the employment situation is far more distressing than indicated by the headline numbers.

1. Introduction

As the coronavirus (COVID-19) pandemic and health crisis recede in India, the focus of policymakers has been on getting the economy back on track. One of the main policy issues to be addressed is the creation of decent jobs for the working population. Some commentators have labeled India's post-liberalization regime as one of "jobless growth" (Thomas 2012). Recent studies have also estimated a fall in total employment between 2011-12 and 2017-18 (Mehrotra and Parida 2019), a phenomenon which has been labeled as "job-loss growth." The rise in unemployment and the preponderance of low productivity and precarious jobs have emerged as important challenges faced by India's policymakers. Other challenges include the segmentation of the labor market along the axes of caste and gender and a low participation rate of women in the labor force. This study provides an overview of these four closely intertwined employment challenges and discusses policy tools that can be used to address them.

2. Agrarian crisis, informal economy, and precarious work

The issue of structural imbalance is central to the employment challenges faced in India. While the share of agriculture in India's gross domestic product (GDP) is approximately 15 percent, it is much lower than agriculture's share of employment, which was approximately 45 percent in 2020-21 (Figure 1). The agrarian crisis has worsened the problem of a disproportionate workforce in agriculture. While there are several dimensions to the agrarian crisis, it is primarily a problem of viability attributed to the massive presence of smallholders in Indian agriculture. With fragmentation and subdivision of land among family members, the average land size has decreased over the years; the latest records show that the average cultivated land size in India has fallen to one hectare. Official data have also shown that a large proportion of smallholders can no longer sustain their households with the income from crop cultivation. The issue of dwindling incomes is a product of the sharp rise in costs of cultivation and the fluctuating prices of crops.

Figure 1: Percentage share of agriculture in GDP and employment from 1950 to 2021

Source: Reserve Bank of India

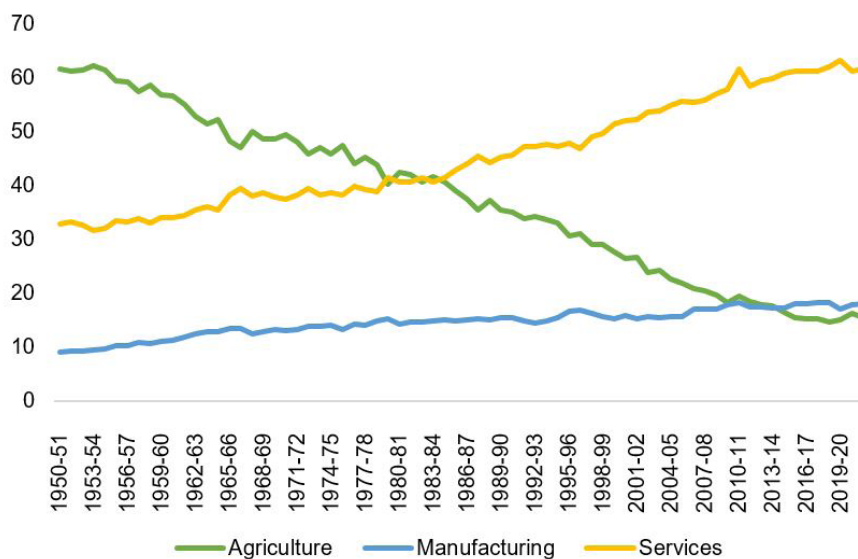
The literature notes the state's role in aggravating the agrarian crisis. Against the backdrop of the food crisis in the 1960s, India put in place a robust new agricultural policy that aimed to increase food grain output through the provision of subsidized inputs, accessible credit, high-yielding varieties of seeds, assured procurement of food grains, and protection from the vagaries of international markets. The new agricultural policy—also known as the “green revolution”—not only paved the way for food security, but also provided livelihoods to millions of Indian peasant households. When India liberalized its economy in the 1990s, it was believed that state intervention would be needed in agriculture to make way for trade openness, and that market-determined operation would better serve the growth of the agricultural sector. However, evidence from the post-reform period instead shows a significant worsening in farmers' well-being (Vakulabharanam and Motiram 2011).

The agricultural crisis led to a large-scale migration of workers from rural areas to urban industrial areas and metropolitan cities. However, a large number of migrant workers only managed to find jobs in unorganized enterprises or that were informal in nature. Informal jobs typically lack documented job contracts, that provide few benefits, such as health care, pension, or maternity leave, and that often do not fall within the ambit of minimum wages. The official data from the latest Periodic Labor Force Survey (PLFS) in 2020-21 reveals that approximately 70 percent of India's nonagricultural workforce is employed in the informal sector, and approximately 64 percent did not have a written job contract. More than half of this workforce was not eligible for social security benefits. Most informal jobs do not pay well; our analysis of official data reveals that

approximately 67 percent of Indian workers earned less than INR 10,000 a month.¹⁾ The precarious nature of informal jobs in urban India was highlighted during the COVID-19 pandemic and the lockdown in 2020 when millions of migrant workers were forced to walk hundreds of miles to return to their villages after being faced with economic uncertainty and distress in cities. Their distress was worsened when policymakers failed to provide any immediate support citing a lack of data on the number of migrants. The migrant crisis of 2020, which witnessed the loss of hundreds of lives to exhaustion and road accidents, thoroughly exposed the extent of precarity of the urban informal economy.

The share of manufacturing in the GDP has remained stagnant at around 18 percent for the last decade (Figure 2). The employment share of this sector was around 12 percent in 2019-20. Over 80 percent of employment in the sector was generated by informal enterprises. Informal manufacturing enterprises in India are often small in terms of total number of workers and capital, and most of them are unregistered. The sharp decline in public investment and the state's abdication from the sphere of industrial policy is an important reason preventing the growth of the manufacturing sector (Thomas 2019).

Figure 2: Percentage share of agriculture, industry, and services in GDP from 1950 to 2020



Source: Reserve Bank of India

1) Based on the exchange rates in November 2022, INR 10,000 is approximately 123 USD or 164,230 KWR.

3. Segmentation of the labor market

While the labor markets are segmented on various aspects across the world, the Indian case of segmentation in the labor market additionally follows the axis of caste. As a social institution, caste influences the labor market in multiple ways. The historically deprived communities—particularly the Scheduled Castes (SC) considered “untouchables” before the practice was abolished in the Indian constitution—have continued to fare poorly than other social groups in terms of education, formal training, and assets. This finding was borne out by nationally representative survey data and ethnographic accounts that revealed that historically deprived communities continue to be disproportionately represented in jobs that are hazardous, are characterized by social stigma, and are considered “dirty” (such as in the waste management sector).

The data from PLFS 2019-20 showed that approximately 38 percent of SC were involved in work in “elementary occupations,” as opposed to the 14 percent communities from the “upper castes” who did the same. Elementary occupations include jobs such as cleaning and helping, garbage collection, agricultural labor, and other forms of strenuous manual work. Caste has been identified as a cause of discrimination in the labor market. Several studies have noted that even after controlling for education, skills, and other relevant variables, historically disadvantaged groups receive significantly lower wages than “upper caste” groups. Gender is another important cause of segmentation of the labor market. Studies have found a disproportionate presence of women in certain occupations and industries, such as the garment industry, or in sectors like healthcare and education. But apart from these sectors, the presence of women is far lower than their overall population share. The literature on gendered aspects of the labor force in India also provides evidence of gender inequality in earnings and identified the potential role of gender-based discrimination in employment and earnings.

4. Rise in unemployment

Owing to the inadequate generation of well-paying jobs even during periods of high growth, millions of workers in India have continued to rely on the agricultural sector and the informal economy as a source of livelihood. The rise in open unemployment in the country is an important concern. The unemployment rate in India is measured using two concepts: the weekly status and the usual status. Unemployment by the usual

status refers to chronic unemployment that spans several months over the preceding year, while weekly status refers to unemployment in the preceding week. According to a report by PLFS—an official household sample survey on employment—the usual status unemployment rate in 2017-18 was at a four-decade high of 6.1 percent, and the weekly status unemployment rate was nearly 9 percent. Although the unemployment rate was marginally lower in 2020-21, it remained high.

Considering specific population groups shows even more alarming unemployment figures. As much as 17 to 18 percent of the youth, the formally trained, and those with graduate degrees (or above) were unemployed in 2017-18 (Tables 1 and 2). While the overall unemployment rates were higher for men and the relatively advantaged social group, the picture changes dramatically when we look at formally trained or educated persons. 21 percent of SC graduates and 23 percent of SCs who received formal vocational/ technical training were unemployed, and these rates were around 8 percentage points higher than the rates for the non-SC-ST-OBC group. Graduate women fared even worse than graduate men in finding work, with 26 percent of such women unemployed in 2017-18. The unemployment crisis was more severe for SC and ST graduate women, with the gap between these women and forward castes graduate women at 12 percentage points. Formally trained SC men and women also faced higher unemployment rates than their forward castes counterparts, with a gap of around 9 percentage points. Among graduates and the formally trained, SC men and women also experienced the highest rise in their unemployment rates over the six-year period. Even after attaining higher education and/ or training, individuals who belong to disadvantaged social groups seem to face more obstacles in getting jobs.

Table 1: Percentage of unemployment rates in 2017-18

Social group	Graduate and above			Formally trained		
	Male	Female	Person	Male	Female	Person
ST	14.6	33.5	18.9	9.9	12.5	10.4
SC	18	33.3	21.4	22.6	25.2	23.4
OBC	15.8	29.5	18.7	17.3	24.7	19.4
Others	10.6	21.5	13.1	13.6	16.6	14.5
Total	13.7	26.4	16.5	16.5	21.4	17.9

OBC: Other Backward Classes; SC: Scheduled Castes; ST: Scheduled Tribes; Others: residual category

Source: Authors' calculations using PLFS 2017-18 data

Table 2: Percentage of unemployment rates in 2017-18 for graduates and formally trained persons

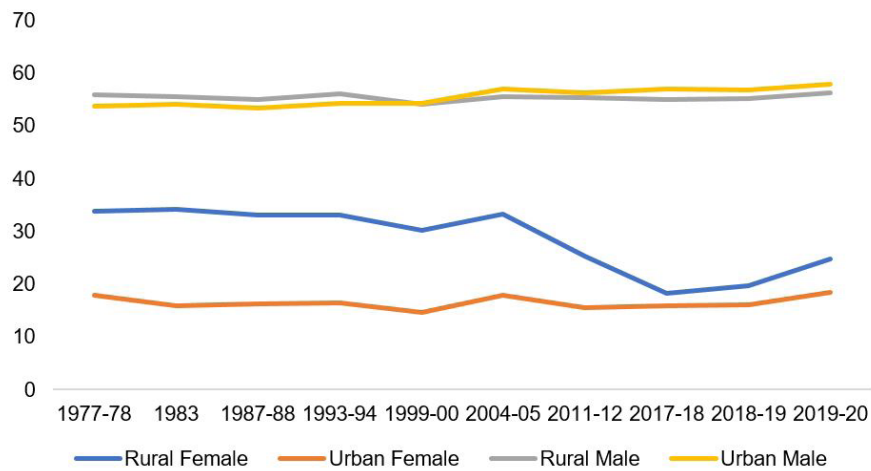
Social group	Population			Youth (15-29 years)		
	Male	Female	Person	Male	Female	Person
ST	5.1	2.6	4.3	14.1	7.6	12.2
SC	6.8	4.9	6.3	18.1	16.7	17.9
OBC	6.1	5.7	6	17.7	19.1	17.9
Others	6.4	8.1	6.7	19.2	23.9	20.1
Total	6.2	5.7	6.1	17.8	17.9	17.8

OBC: Other Backward Classes; SC: Scheduled Castes; ST: Scheduled Tribes; Others: residual category

Source: Authors' calculations using PLFS 2017-18 data

5. Female participation in the labor force

A striking feature of the Indian labor market is that the female labor force participation rate (FLFPR) has been low and on a broadly declining trend for the past few decades (Figure 3). It has declined in rural areas and stagnated in urban areas. The declining trend in FLFPR is consistent across data sources and surveys, although levels differ. This trend is despite high economic growth rates, decline in fertility rates, and rise in educational attainment of girls and women. In 2017-18, only 25 percent of women in the working-age group (15-59 years) participated in the labor force in 2017-18, as against 80 percent of working-age men. Various explanations have been advanced. Rising landlessness and declining labor absorption in agriculture has affected women more severely (Rawal and Saha 2015). Other explanations that have been advanced include increasing participation in education, rising real wages due to which women withdraw from the workforce, increased pressures of unpaid socially reproductive labor, and social and cultural barriers that magnify the effects of the other factors.

Figure 3: Percentage of labor force participation rates from 1977 to 2020

Source: NSS EUS and PLFS

It needs to be noted that the conventional definition of labor force participation excludes unpaid domestic work and the free collection of goods, such as firewood and water. Women comprise an overwhelming majority of the persons who undertakes such activities. It has been rightly pointed out that these activities produce essential goods and services that are used by household members and should, therefore, be recognized in the definition of work (Hirway 2015, Mondal, et al. 2018).

Furthermore, participation in paid employment may not necessarily mean empowerment on its own (İlkkaracan 2012). An increase in paid employment may not improve women's welfare if they are employed with poor pay and working conditions and face the double burden of domestic work (Elson 1999). Policies that bear this mind while aiming to increase women's participation in the workforce would be more effective in empowering women.

6. Discussion

The data from recent surveys on the labor force survey indicate overall several trends that included a shrinking labor force and workforce, rising unemployment, low and falling real wages, and worsening job security. At the disaggregated level, systematic differences by gender and caste existed in these trends. For instance, although

the incidence of unemployment is high among graduates, historically deprived social groups, particularly women, bear a disproportionate burden of unemployment. And while the average earnings of the self-employed is low, the gender earnings gap in this section of the workforce is very high. What are the processes underlying these trends?

The recent rise in unemployment has been accompanied by falling levels of capital utilization and rising food stocks, which point to inadequate aggregate demand in the economy. The insufficient demand is due to loss of purchasing power of the masses, driven by dwindling profitability in agriculture; falling or stagnant real wages; worsening income distribution; increasing concentration of income among the richest and in urban areas; and shocks to the economy through demonetization and an untimely and poorly implemented goods and services tax (Anand and Azad 2019). The slowdown in the economy since 2018 and the COVID-19 pandemic have further worsened the job situation in India.

A look at the sector-wise trends in output and employment also gives insights into the job situation today. Labor absorption in agriculture has declined over the years, as a result of pauperization of the peasantry, falling per capita land size, increasing land concentration and rise in mechanization (Anand 2018). The rising incidence of displacement on account of development projects has added to the problem. In manufacturing, output and productivity have increased at a much faster rate than in employment (Basole and Narayan 2020). There is also a trend of informalization of the workforce through contracting and sub-contracting chains (Srivastava 2016).

The rise in unemployment and economic distress also provides fertile grounds for divisive politics, which conveniently blames the 'others' for 'stealing jobs'. This trend is visible in the rise of xenophobic and anti-immigrant politics across the world. In India, shrinking job opportunities are often blamed on reservations and people migrating from other states. This has led to demands for adding communities to the list of reserved categories, and reserving jobs for locals. Data shows a decline in the share of public sector employment from 11 percent in 2011-12 to 7 percent in 2017-18. This is consistent with the trend of absolute decline in employment in India's largest public sector employers such as the Indian Railways, India Post, State Bank of India and other nationalized banks (Nath 2019). Given the rapidly shrinking pool of government jobs, adding more groups to the list of reserved categories (either on the basis of caste or economically weaker sections) cannot provide relief from the crisis of joblessness.

In recent years, self-employment has been touted as the answer to India's job crisis. Evidence shows that a

very large majority of the self-employed are in a precarious situation and survive on very low earnings. Only a small minority of the self-employed are 'owners' and have high earnings. Similarly, a majority of the regular wage/ salaried workers do not have decent pay or job security. Only a small proportion (0.2 percent) earn over Rs. 1 lakh per month.

There are also systematic differences by gender in participation in the labor force and earnings. In framing policies to address gendered disparities in the labor market, it is important to recognize that the domestic sphere, the labor market, and socio-religious relations are deeply connected. An understanding of these relations would help to arrive at effective policies that increase women's participation in the paid workforce. At the same time, it needs to be recognized that female participation in the workforce may not be emancipatory by itself, unless accompanied by decent pay and working conditions.

There are several ideas in the public domain as to what can be done to improve labor market outcomes. These include public investment in a green energy program (Azad and Chakraborty 2018); extending employment guarantee to urban areas (Basole, Idiculla, et al. 2019); universalizing basic services (Abraham, et al. 2019); providing fair wages to workers (Piketty 2016); and strict adherence to the principle of equal pay for equal work - across gender and caste - to bridge the persistent gaps. Economic policies, however, are not determined in the realm of ideas alone. The 'captains of industry', as Kalecki discussed, are opposed to government interventions directed towards creating jobs (Kalecki 1943/1971). New forms of mobilization may be needed to tip the policy scale in favor of the workers.

7. Conclusion

According to official figures, India is ranked among the fastest growing economies in the world. In spite of and perhaps because of the nature of growth, unemployment has risen, real wages have stagnated and even declined for certain sections, and job security has worsened. Systematic differences also persist by caste and gender in employment and earnings. A change in policy outlook is imperative, so that the challenges facing the current and potential workers in India are effectively addressed.

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