

Employment Crisis in India

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India's Labour Market: Challenges and Policy Interventions

Context

- India's **working-age population** is **expanding rapidly**, but **job creation has not kept pace**.
 - **Automation, skill gaps, and structural issues** are limiting employment opportunities.
 - The **formal sector is unable to absorb surplus labour**, increasing reliance on **informal jobs and self-employment**.
 - Government initiatives like **PLI, ELI, and Skill India** aim to bridge this gap, but challenges remain.
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Challenges in the Indian Labour Market

1. Job Deficit

- India's **working-age population** increased by **9 crore**, but **formal sector jobs** increased by only **6 crore**.
- This results in a **deficit of 50 lakh jobs annually**.

2. Informal and Insecure Employment

- Most new jobs are in **self-employment (rural areas)** or **informal services**, lacking stability and social security.

3. Lack of Skilled Workforce

- **Less than 10%** of India's labour force has received **formal technical or vocational training**.
- A large section of **educated youth lacks industry-ready skills**.

4. High Labour Costs and Rigid Laws

- Stringent **labour laws increase hiring costs**, pushing firms towards **capital-intensive technologies**.

5. Mismatch in PLI Allocation

- **Over 50% of the PLI budget** is allocated to **high-value sectors** like **electronics, IT hardware, and drones**.
- However, **most new jobs** are being created in **food processing and pharmaceuticals**, leading to a **sectoral job mismatch**.

6. Short-Term Nature of Job Incentives

- **Employment Linked Incentives (ELI)** last only **2-3 years**, failing to ensure **long-term employment**.

Government Initiatives for Labour Market Improvement

1. Production Linked Incentive (PLI) Scheme

- **Launched:** 2020
- **Objective:** Boost **industrial growth** and make India a **global manufacturing hub**.
- **Focus Areas:**
 - Attracting investment in **high-tech industries**.
 - Strengthening **domestic manufacturing**.
 - Enhancing **India's global competitiveness**.

- Covers **14 critical sectors**.

2. Employment Linked Incentive (ELI) Scheme

- **Launched:** Union Budget 2024
- **Nodal Ministry:** Ministry of Labour and Employment
- **Objective:**
 - Boost formal sector employment.
 - Provide **comprehensive support** to workers and employers.

3. Labour Reforms - The Four Labour Codes

- **Code on Wages, 2019** - Simplifies wage regulations.
- **Industrial Relations Code, 2020** - Eases hiring and retrenchment.
- **Code on Social Security, 2020** - Expands social benefits.
- **Occupational Safety, Health, and Working Conditions Code, 2020** - Improves workplace standards.

4. Skill Development Initiatives

- **Skill India Mission (2015)** - National initiative for **skill training and employment**.
 - **PMKVY (Pradhan Mantri Kaushal Vikas Yojana, 2015)** - Standardization of vocational skills.
 - **PMEGP (Prime Minister Employment Generation Programme)** - Credit-linked subsidy for **self-employment** in the **non-farm sector**.
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Why is Job Creation a Challenge?

1. Rapid Technological Progress and Automation

- **AI and automation** are leading to **capital-intensive production**, reducing **labour demand**.

2. Capital-Intensive vs. Labour-Intensive Production

- **Capital-Intensive:** Industries rely on **machinery instead of human labour**.
- **Labour-Intensive:** Requires **more workers**, but is often less productive.

3. Cheaper Capital and Automation

- The **cost of machinery is falling**, making automation **more attractive** than hiring workers.

4. Skill Mismatch

- There is a **gap between available jobs and required skills**, reducing employability.

5. Lack of Policy Coordination

- Ministries focus on **their own budgets** without aligning **industrial growth with job creation**.

Solutions for Labour Market Improvement

1. Dynamic Policy Framework

- A **future-oriented workforce strategy** under **Viksit Bharat** is essential.

2. Linking PLI and ELI

- Aligning **industrial production incentives** with **labour skilling programs** will ensure a **steady supply of skilled workers**.

3. Graded Incentives in ELI

- Instead of a **flat subsidy**, provide **higher incentives for hiring and training skilled workers**.

4. Revamping Training Institutes

- Reward **institutions based on employment outcomes** and **market relevance of skills**.

5. Balancing Capital and Labour

- **Provide incentives for labour-intensive industries** and support firms in hiring through **tax benefits**.

6. Data-Driven Policy Approach

- **Track employment and skill development data** to make **evidence-based policy decisions**.

Conclusion

- **India's job market faces structural challenges** such as **automation, skill mismatch, and capital-intensive production**.
- **Government policies like PLI, ELI, and Skill India** are crucial but need **better coordination and long-term vision**.
- A **balanced approach between technological progress and employment generation** is key to **inclusive economic growth**.