

India's Employment Crisis

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India's Employment Crisis: Bridging the Skill and Job Gap

Context

- **India's working-age population has grown by 9 crore since 2017-18, but formal sector jobs increased by only 6 crore, creating an annual shortfall of 50 lakh jobs.**
 - Most new jobs are in the **informal and self-employment sectors**, leading to concerns about **job quality and security**.
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Rising Capital Intensity in Production

Why is Capital Intensity Increasing?

- **Labour-intensive industries** are shifting to **capital-intensive production** due to:
 - **Demand-side factors:** Need for **higher productivity and cost efficiency**.
 - **Supply-side factors:** **Shortage of skilled labour** forcing automation.

Impact on Employment

- **Services Sector:** High GDP contribution but limited job creation.
 - **Manufacturing Sector:** Stagnant growth despite industrial policies.
 - **Agriculture Sector:** Declining share in GDP, pushing surplus labour into informal jobs.
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Skills Deficit and Employment Readiness

- **Less than 10% of India's workforce** has formal technical or vocational training.
- A **skill gap** exists between education and job market needs.
- **Technological change** is making low-skill jobs obsolete, reducing demand further.

Key Need: Continuous skilling and upskilling programs to ensure workforce adaptability.

Government Strategies for Job Creation

1. Production-Linked Incentive (PLI) Scheme

- Boosts **high-value production** and **investments**.
- **Over 50% of funds** allocated to **electronics, IT hardware, and drones**.

Challenge: Labour-intensive industries are underfunded despite high job creation potential.

2. Employment-Linked Incentive (ELI) Scheme

- Provides **government cash transfers via EPFO** to promote private-sector hiring.

Challenges:

- **Short subsidy period (2-3 years)** threatens long-term job sustainability.
 - **Lack of tracking mechanisms** for employment outcomes.
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Policy Recommendations

1. Align Skilling with Industrial Policies

- **PLI incentives** should be linked to **skilling initiatives**.
- **Better coordination** between Labour, Skill Development, and Industry ministries.

2. Reform ELI for Sustainable Jobs

- Shift to a **graded incentive structure** based on **skill levels**.
- Extend benefits to **training institutes** linked to employment outcomes.

3. Labour Market Reforms

- **Easing restrictive labour laws** can encourage hiring.
- **Flexible regulations** can prevent over-reliance on automation.

Conclusion

To achieve **Viksit Bharat**, India needs a **comprehensive employment strategy** that balances **production growth** with **workforce development**.

A **skilled, future-ready workforce** is essential for **sustainable job creation and economic growth**.



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