

EGROW Webinar Employment in India: Facts and Figures

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Low quality Jobs and Self-employment

- In recent years, employment generation has primarily occurred in low-quality wage jobs or self-employment in petty economic activities on urban fringes. Post-Covid, many workers have returned to agriculture, reversing earlier trends. Given these conditions, there is little basis for celebrating the employment growth claimed over the past four years

Working Poor

- The outcome is “Working Poor”
- Employment figure does not take into account the return/compensation aspect
- Poor hardly afford to remain unemployed

Labour Market Characteristics

- Declining output elasticity of employment generation
- Increasing informalization (within the organized sector too)
- Weak structural transformation
- Declining female labour force participation rate
- Skill/Education mismatch
- Labour market suffers from structural problems on both sides
- High level of open unemployment among educated youth

57% of Informal Workers are Self-employed

The majority of India's labour force (57%) is self-employed, a figure that has risen since 2020-21.

Male self-employed workers earn an average of ₹15,763 monthly, while females earn significantly less at ₹5,637, with 37% of self-employed women engaged in unpaid family labour.

Between July 2022 and June 2023, average earnings for the self-employed dropped by 3%, reflecting increased distress, largely due to the rising share of lower-paid female workers.

Casual workers make up 23% of the labour force

Casual workers make up 23% of the labour force and are employed on a daily basis without job contracts. As of June 2023, male casual workers earn ₹432 daily, while females earn ₹291. From July 2022 to June 2023, their earnings fell by 3%. Casual workers lack job security, are not covered by most labour laws, and have no access to institutional social security.

Regular workers make up just 21% of the labour force

Regular workers make up just 21% of the labor force, with 62% lacking a written job contract, 51% without paid leave, and 60% without social security. ASI data shows that the share of contract workers in organized manufacturing increased from 23% in 2002-03 to 40% in 2021-22. This indicates that regular employment is not rising, largely due to declining labour use in the organized manufacturing sector.

Relative share of regular workers very low

India's share of regular workers, at 23%, is exceptionally low compared to other developing countries. In Brazil, this figure is 68%, in China 54%, and even in Bangladesh, it stands at 42%, highlighting the significant disparity in regular employment across these nations.

Rise in number of Gig and Platform workers

- Also, India witnessed a significant rise in gig workers in last one decade and this is set to rise further in coming years. Gig workers are perceived as informal workers in Social Security Code 2020. Gig workers are encouraged to self-register in E-Shram portal introduced in August 2021. However, employment relations remain ambiguous in gig economy and gig workers don't get protection under existing labour laws.

The Key issue is Structural

The key issue is that India's labour market faces structural deficiencies. Occupational distribution hasn't kept pace with the sectoral distribution of national income. Surplus labour from agriculture hasn't been absorbed into organized manufacturing or the formal service sector. This failure to absorb labour has created a large reserve army of labour, significantly affecting both the quantity and quality of employment generation

Employment & Labour Reform

- Labour laws (particularly Section VB of Industrial Dispute Act 1947) are blamed for a deterrent for employment generation.
- Does facts and figures support this?
- Indian labour market is inherently flexible as evident in terms of kind of contractualization of labour force that happened over last three decades particularly in the organized sector.
- There are different nomenclature for workers (Contractual, casual, FTE etc) and gradual dymystification of employment relation and subsequent dismantling of such relation
- Example: Construction industry
- Very poor implementation of labour laws
- Developed capitalist countries have much more stringent labour laws

Projected Occupational Distribution 2047-48

Sector	2047-48 (Projected)
Primary	25.0
Secondary	24.0
Tertiary	51.0

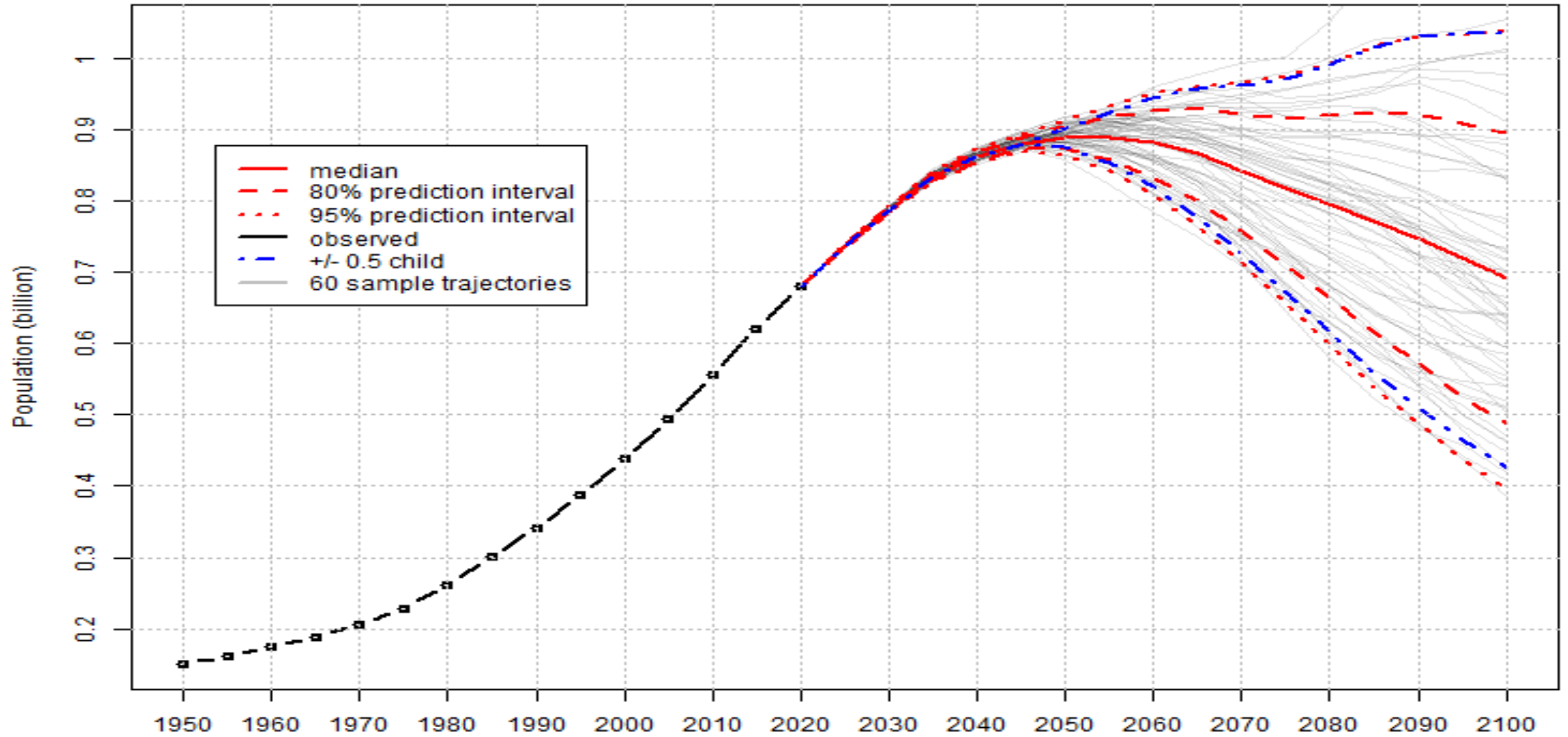
Projected LFPR

Labour Force Participation Rate in India is expected to be 48.50 percent by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. In the long-term, the India Labour Force Participation Rate is projected to trend around 50.50 percent in 2023, according to our econometric models. Further long-term projection put **India's LFPR at 52.5 percent in 2047.**

UN Projections

According to UN projections, India is expected to add nearly 273 million people between 2019 and 2050. United Nations projects India's population to be 1.64 billion by 2047, of which nearly 0.82 billion (50%) shall be residing in urban areas. India is also poised to become the most populous country in the world, surpassing China by 2027. At the current growth rate, India's population is likely to peak by 2047 at an estimated 1.61 billion, following which it will decline to 1.03 billion by 2100. This means, that when the 21st century ends, India may no longer be a country of a billion people, predicts a [Lancet study](#), published on 14 July, 2020. However, the shrinking of the population will begin only post 2046 and for the next 25-odd years India's population is expected to keep increasing.

India: Population (Age 25-64)



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United Nations, DESA, Population Division. *World Population Prospects 2019*. <http://population.un.org/wpp/>

Projections at 2047

The projected population of India in 2047 is 162,90,96,126. Population above 15 years of age would be 138,47,31,707. If the projected LFPR is 52.5 percent, the size of the labour force would be 72,69,84,146 which can be approximately taken as 726 million.

The present size of the labour force is 501 million. The projected size of the population in 2047 is 726 million. The addition to the labour force is 225 million.

Manufacturing

<u>Sub-sectors</u>	Potential employment generation (in millions)
Textile & garments	37.5
Automobile	17.5
Leather & footwear	12.5
Defence & aerospace	7.5
Pharmaceuticals	12.5
Electronics and IT renewable	7.5
Total	95

Manufacturing

Within the manufacturing sector, the following sub-sectors experienced a reasonable increase in total employment: textile, wearing apparel and leather products, paper and paper products, publishing and reprinting of recorded media, basic metals, motor transport and other transport equipment, furniture, medical and optical equipment, watches and clocks. Overall these sub-sectors accounted for more than 50% of employment generated in the overall manufacturing sector 2009-10. This trend should continue in the coming years also.

There are certain sectors in manufacturing that did not create enough employment in the last decade namely: food products and beverages, tobacco products, non-metallic mineral products, fabricated metal products. It is important that both central and state governments where these activities are located should give appropriate attention in terms of infrastructure, technology and credit so as to provide an enabling environment for creating more jobs in these sub-sectors under the manufacturing sector.

Non-manufacturing

Sub-sectors	Potential employment generation (in millions)
Construction	30
Agro-industries	20
Public infrastructure	17.5
Total	67.5

Non-manufacturing

Non-manufacturing employment increased by 9 million between 2000 and 2005 and further by 18 million during 2005-10. **Construction was the dominant sector in this rapid increase in employment while electricity, gas and water supply witnessed a relatively small increase. Rapid employment expansion in construction happened because of increased investment in the sector (the target of investment of \$500 billion in infrastructure during the eleven five-year plan was actually fulfilled). The pull of construction growth in both rural and urban India resulted in workers moving out of agriculture to a certain extent (14 million moved out between 2000 and 2005).**

Services

Sub-sectors	Potential employment generation (in millions)
Health & wellness	5
Tourism	7.5
Transport & logistics	7.5
IT & BPM	12.5
Total	32.5

Sub-sectors in Services

The contribution of services to employment in India is 25.3% in 2009-10 (while that of industry is 21.5% of which 11% is accounted for by manufacturing). The share of services to GDP is 55% in 2009-10 is more than double its employment share. During 2000-05, total employment in the service sector increased from 94.2 million to 112.8 million (an increase of 18.6 million). In the latter half of the decade, there was an increase of only 3.5 million. **Traditional services like trade and repair are the most important contributor to employment. It accounts for more than one-third of the total services employment in the economy. Most of the increase in employment for the sector was accounted for by retail trade. Out of 116 million employees in the service sector, retail trade alone contributed 35.7 million workers in 2009-10. However, output growth in this sector slowed down in the wake of Covid-19 pandemic.**

Banking and Insurance

This sector is expected to generate employment given the very low banking coverage in the country especially in the rural areas where two-thirds of the population are living. With still 50 per cent of the population outside banking coverage and the popularity of schemes like *Jan Dhan Yojana* catching up in recent times and the growth of branch networks in rural areas, the banking sector should see steady growth during the coming years.

At the same time, with growing income, there is a strong possibility that insurance services of all kinds- death, disability and health will expand as both public and private insurance companies deepen their penetration into the smaller towns and rural areas. In recent times. The central government has also announced a series of insurance schemes (like *Aam Aadmi Bima Yojana*) keeping in mind the needs of the lower-income group of the population. The expansion of banking and insurance services is in conformity with the objective of financial inclusion of the government will increase employment in this sector.

Real Estate, Renting and Business Activities

As construction activity expands, with private developers moving from large cities to smaller towns, real estate and renting services will record further growth with the corresponding investment in infrastructure and road enabling the backward and forward linkages between construction and real estate to flourish. The government's objective of developing 100 new smart cities in near future will further add this momentum. The same trend is also applicable for activities like IT, ITES, Consultancy services and Media and Entertainment.

Hotels and Restaurants

The expectation that tourism (which would consist of both hotels and restaurants, as well as transport services for tourists) would perform well did actually happen. This trend is likely to continue with both organized as well as unorganized segments of hotels and restaurants will continue to rise in coming years.

Sectors	Potential employment generation (in millions)
Education	17.5
Public health	12.5
Total	30

Projected employment generation envisages the creation of 225 million new manufacturing and service sector jobs by 2047: Source: Projection-based on current employment, growth trend, labour intensity

Name of the sector	Employment generation potential (in million)
Textile & garment	37.5
Construction	30.0
Automobile	17.5
Agro-industries	20.0
Leather & footwear	12.5
Pharmaceuticals	12.5
Defence & aerospace	7.5
Transportation & logistics	7.5
Electronics & IT renewable	7.5
Health & wellness	5.0
Tourism	7.5
IT & BPM	12.5
Public health	12.5
Education	17.5
Public infrastructure	17.5
30/10/2024	EGROW Webinar 11 October 2024
Total	225

Thanks a lot for your kind attention