



'An Analysis of India's Labor Market'

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The total employment growth in India has remained low despite strong economic growth of CAGR 7.0 percent between 2003-04 and 2017-18 and the pandemic has further accentuated this situation. Given the wavering pandemic, the growth recovery is likely to be fragmented in certain sectors. In addition, one shall witness a transformation in the nature of work and the skills required.

India has to be prepared to deal with the mammoth challenges as soon as the pandemic leaves behind a legacy of elevated joblessness and unequal opportunities.

Key highlights:

Unemployment:

- Unemployment rate declined to 6.57 percent during January 2022 after touching an all-time high of 23.52 percent during April 2020
- According to employment survey by CMIE, total employment remains below the pre pandemic levels by 7.8 million (between January 2020 and January 2022).
- Labour force participation: A concern
 - The labour force participation rate declined by close to 3.0 percentage points in the past two years
 - Large section of the people who have lost jobs during the pandemic are pessimistic about job conditions. Having no necessary schooling or job training, they have dropped out from actively looking for jobs
 - While the ratio of unemployed persons not actively looking for employment to the total population ratio rose to 1.4 percent in January 2022 as against 0.9 percent in January 2020, this ratio went up to 2.6 percent from 1.7 percent for the age group of 20-35 years during this period.

Quality jobs on the decline:

- Salaried jobs have dropped sharply since the onset of the pandemic. India is yet to see the return of 11.7 million salaried jobs lost since January 2020
- At the same time, employment has increased mainly amongst small traders, wage labourers, and farmers
- Lack of jobs has resulted in a rise of self-employment. Sharp rise in self-run businesses of taxi operators, barbers, gymnasiums, beauticians, estate agents can be seen
- **IT-ITES:** According to a report by CMIE, rising demand for the IT&ITES professionals from larger companies has resulted in double-digit growth in wages in this sector. However, this segment accounts for only 0.5 percent of the total employment.
- **Agriculture and others:** Since January 2020, agriculture has been the largest employer followed by the 'wholesale and retail trading' and 'real estate and construction' sectors. These three sectors have a predominant informal sector. Within agriculture, reverse migration has seen the biggest increase in employment of farm labourers, which are a part of daily wage labourers
- **Manufacturing:** The total employment in the manufacturing sector is almost 6.5 million lesser than the level in February 2020
- **Services industry** has to create over 8 million jobs to reach the pre-pandemic levels
- While the pandemic can be held responsible for the weak labour market, the slowdown in the labour market started much before the pandemic. The Periodic Labour Force Survey (PLFS) report in FY2019-20 shows that while unemployment dropped to 4.8 percent, this was along with a sharp increase in employment in agriculture to 45.6 percent, up from 42.5 percent in FY2018-19.

- One can witness a significant prevalence of disguised unemployment in certain sectors where people are probably working below their potential. The pandemic has only made the situation worse.

Rising discrepancies in opportunities:

Regional:

- Employment dipped sharply across the urban and rural regions
- Urban employment is yet to reach the pre-pandemic levels
- On the other hand, the availability of informal jobs in the rural sector, fewer lockdowns, and job support from the MGNREGA scheme have aided in a quicker rebound in rural employment since the pandemic.

Gender:

- A study investigating the differential impact of the pandemic shock suggests that more women lost jobs, compared to men, widening the gender inequality issue in the workforce
- The female labour force has declined by 10.3 percent since Oct-Dec 2019, while the male labour force has crossed pre-COVID levels by 1.4 percent during the same period.

Youth:

- Since the onset of the pandemic, employment for people between the ages of 20 and 44 years has seen a downward trend and India needs close to 20 million jobs to employ this young population to reach the pre-pandemic levels.

Challenges ahead:

- Due to the pandemic, several children have fallen out of the education grid, this disruption may have a long-term impact on students' aspirations and result in a hysteresis effect on education
- Given the increased adoption of labour-saving technologies by businesses during the pandemic and the demand for more efficiency and knowledge-intensive skills post pandemic - adopting a labour-intensive path to absorb India's massive low-skilled population will be difficult

The way ahead:

- Currently, India needs policies that can create jobs and prepare the workforce for the future
- The government will have to boost its focus on building both physical as well as digital infrastructure to create opportunities
- Government's PLI scheme covering 14 sectors is expected to generate over 6 million jobs in the next 5 years, which must be complemented with training and skill development programmes.
- India must tap into the opportunity of rising global demand for technical skills by improving its ability to deliver/export such services.

Read more: <https://www2.deloitte.com/in/en/pages/about-deloitte/articles/an-analysis-of-Indias-labour-market.html>

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