

State of Employment in India: Current State and Policy Recommendations

SANKHYA (संख्या)

“There cannot be a good plan for economic progress without adequate data and there cannot be adequate data without a good plan for collecting them...”

P.C Mahalanobis, Member, First Planning Commission of India & Scientist

PRESENT STATE OF EMPLOYMENT IN INDIA

The latest edition of the Periodic Labour Force Survey (PLFS) Annual Report 2023, released by the Ministry of Statistics and Programme Implementation (MOSPI), has highlighted positive shifts in the Indian labour market.

Labour Force Participation Rate (LFPR) has witnessed significant growth from 49.8% (2017-18) to 57.9% (2022-23), with women's participation rising from 23.3% to 37%.

Worker Population Ratio (WPR) has improved from 46.8% (2017-18) to 56% in 2022-23, with more women workers in rural India (40.7%) compared to women workers in urban India (23.5%).

Unemployment Rate (UR) for persons aged 15 and above reduced significantly from 6% (2017-18) to 3.2% (2022-23), with male unemployment at 3.3% and female unemployment at 2.9%.

Recently, the 11th Annual India Skills Report (ISR) 2024 was released, surveying over 3.88 lakh youths nationwide, which revealed favourable results for the future workforce of India.



The Wheebox National Employability Test (WNET) under ISR assesses the state of employability in India by evaluating young responders based on their job readiness.



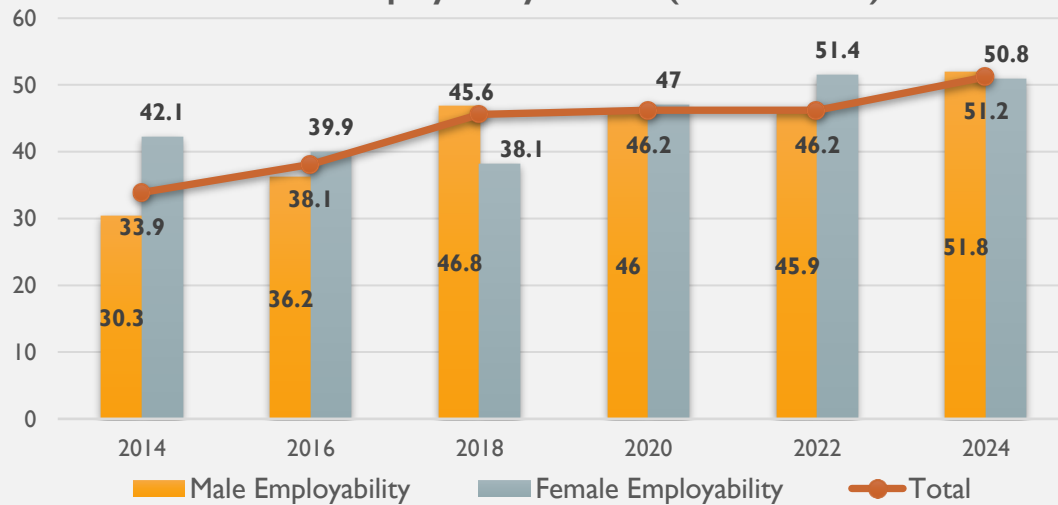
ISR's employability test focuses on 4 key dimensions namely – (a) English language skills; (b) cognitive abilities; (c) basic IT literacy; and (iv) behavioural dimensions.



ISR reveals that along with female employability improving from 42.1% in 2014 to 50.8% in 2024, female participation in the workforce also rose from 29% to 36%.

EMPLOYABILITY VIS-À-VIS EMPLOYMENT: FROM THE LENS OF GENDER

Growth of Employability in India (2014 to 2024)

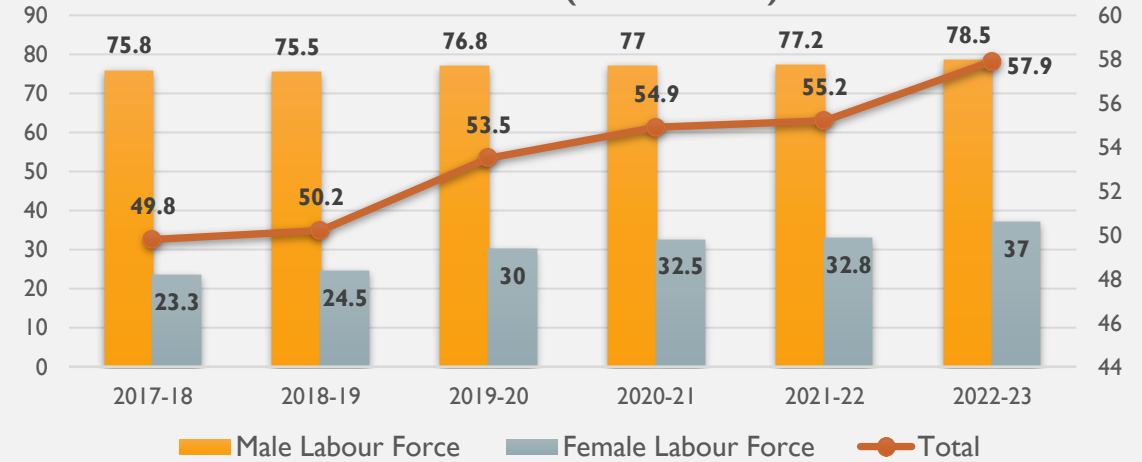


Source: India Skills Reports (2019 to 2024)

As per the India Skills Report, youth employability in India has had consistent growth over the decade, with both male and female employability standing abreast at 51.8% and 50.8%, respectively.

Further, the PLFS data indicates that there has been consistent growth in the overall labour force participation over the years in India. However, it also uncovers a concerning inequality within the Indian labour market

Labour Force Participation Rate (LFPR) for persons aged 15 and above (2017 to 2023)



Source: Annual Report PLFS (2022-23)

Although there has been a marked improvement in female labor force participation, a considerable gender disparity persists between male and female labour force, with female participation (37%) standing at less than half of male participation (78.5%) in the labour force.

Data from both reports emphasizes the strikingly low level of female participation in the labour force, despite their nearly equal level of employability compared to males.

MEASURING EMPLOYMENT: CHALLENGES & CONCERNS

Calculating the Labour Force & Unemployment Rate

Who constitutes the labour force ?

- Labour force consists of - a) Those who are workers i.e. employed; and b) Those who are 'seeking or available for work' i.e. unemployed.

How is the unemployment rate measured ?

- Unemployment Rate (UR) depends on 3 criteria as per ILO: a) not employed, b) availability, and c) active job search.
- UR in India is calculated as the percentage of persons available and actively seeking a job out of the total labour force.

How is an individual's activity status assessed?

- PLFS employs 2 approaches to assess an individual's activity status:
- Usual Status: Based on the activity pursued by the individual during the specified reference period of 365 days. Those engaged in economic activity for not less than 30 days would be considered employed under Usual Status.
- Current Weekly Status (CWS): Based on the activity pursued by the individual during the specified reference period of 7 days. Those who worked for at least 1 hour on 1 day during the reference period would be considered employed under CWS.

What are the implications ?

Excludes the '**potential labour force**' outside the labour force

- The emphasis on active job search or availability disregards those engaged in domestic duties who may not be available or actively looking for work owing to social constraints; graduating students who may not be currently available for work; and discouraged job-seekers who stopped the search due to lack of suitable jobs.

Does not take into account **underemployment**, specifically part-time workers who remain underutilized, reflecting the inability of the economy to generate adequate jobs. Hence, UR does not depict the comprehensive state of employment in a country.

This approach sets a low threshold for labelling an individual as employed. Although this methodology is designed to capture the extent of informal sector workers in India, it may end up giving an inaccurate state of unemployment and create issues relating to data reliability. Consequently, it could impede the ability to identify employment-related challenges and lead to ineffective policy formulation.

POLICY CONSIDERATIONS AND SUGGESTIONS

Methodology for measurement of labour force and recognition of underemployment

It is recommended that the methodology for measuring both the labour force and unemployment rate in India be broadened to encompass underemployment and underutilization of the labour force. Further, the potential workforce (graduating students, discouraged job-seekers, individuals facing social constraints, health issues, etc.) who are currently outside the labour force should be included within the ambit to provide a comprehensive view of the Indian labour market.

Lower Income tax rates for women

Economists and policymakers in the past have highlighted the importance of fiscal measures in increasing labour force participation of women. It is suggested separate and favourable tax benefits may be implemented for women. Lower income tax rates for women can help address the gender wage gap by increasing their take-home pay and improving their overall economic well-being.

Incentivising companies through benchmarking index

Government should establish a Gender Benchmark Index to assess the performance of top companies concerning gender inclusivity in the workplace. Companies may be evaluated based on factors such as the availability of childcare; work from home policies, paid parental leave (maternity as well as paternity); female representation in leadership roles; and POSH-compliant workplaces. The government may further introduce tax incentives or rebates for companies actively promoting gender diversity in the workforce

Comprehensive and Stringent labour market laws

Lack of stringent and effective labour market policies can contribute to the growth of the informal economy, where workers often have limited legal protections, lower wages, and unstable employment. While informal employment may provide some individuals with income, it typically lacks stability, benefits, and opportunities for skills development and career advancement. Further, it also heightens the risk of exploitation. Hence, comprehensive labour regulations are necessary to ensure all categories of workers are included and protected in the labour force market.

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appointments@bridgethinktank.com



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Sankhya* is an initiative of Bridge Policy Think Tank to create interface snapshots in statistics and policy analysis while promoting critical thinking and analysis.

** Sankhya means numbers and is also a school of rationalist Indian philosophy. According to Sankhya philosophy reliable knowledge comes from only three pramanas (proofs)- pratyakṣa ('perception'), anumāṇa ('inference') and śabda (āptavacana, meaning, 'word/testimony of reliable sources').*