

CAREERS

India's jobs vs education conundrum needs a deeper fix

The International Labour Organisation's recent report revealed the status of India's labour market. **Reji Varghese** writes about the issues covered by the report, including solutions.



India's youth population (age 15-29 years) is both a blessing and a burden. The country has a formidable demographic dividend, with approximately 7-8 million young individuals entering the labour market annually.

This youthful workforce has the potential to drive economic growth, innovation, and productivity. However, the recent India Employment Report 2024, jointly published by the International Labour Organisation and the Institute of Human Development, paints an alarming picture.

As per the report, India's youth account for almost 83% of the unemployed workforce, and the share of youngsters with secondary or higher education in the total unemployed youth has almost doubled from 35.2% in 2000 to 65.7% in 2022.

The need to create more jobs

The Indian economy grew at 8.4% in the fourth quarter of 2023. Still, despite this, joblessness has become particularly fraught as the country has struggled to generate enough jobs for the millions of young

Indians entering the labour market every year.

Pointing to high unemployment rates in India and its neighbouring countries, the World Bank has warned that the region risks "squandering its demographic dividend".

According to a study by D Tripathi Rao of the Indian Institute of Management, Lucknow, the country's economy is witnessing a stagnating employment growth rate, weakening employment elasticity, slow structural transformation, and brewing structural problems in the labour market, such as low female labour force participation and a rise in the unemployment rate with education levels.

Prepared in collaboration with researchers from Birla Institute of Technology and Science, Pilani and the Union Ministry of Agriculture and Farmers Welfare, the study points to a surge in output growth and employment from 1987-88

to 2004-05, followed by 'jobless growth' from 2004-05 to 2018-19 and a minor rebound thereafter.

Key findings of the ILO 'India Employment Report 2024'

■ **India's educated youth are more likely to be unemployed:** India has witnessed substantial improvements in education levels among its youth. Compared to their predecessors, today's youth attain higher levels of education. However, the ILO report has revealed that the prospects of securing employment are lower for educated youth than those with minimal education. The joblessness rate for graduates stands at a staggering 29.1%. This figure is nearly nine times higher than the unemployment rate for individuals who are illiterate, which stands at a mere 3.4%.

The situation is dire. To give examples, more than 93,000 candidates recently applied for 62 'peon'

posts in the Uttar Pradesh Police Department. They included 3,700 PhD holders, 5,000 graduates and 28,000 postgraduates. However, the job requirement had only minimum eligibility of education till Class 5.

The Staff Selection Commission, Multi Tasking Staff Exam, conducted in May 2023 in Uttar Pradesh received a mind-boggling 5.5 million applicants for group D positions such as peon, watchman, gardener, etc. Many applicants who had applied for these menial jobs had B-Tech, M-Tech, MBA, and MSc degrees.

■ **Skills landscape:** India's skills landscape has undergone a definite transformation in recent years. Efforts to bridge supply-demand gaps and address skill mismatches have been made, but a compelling need remains to enhance the relevance of skills training to meet industry requirements.

Many youth in India lack basic digital literacy skills, with 75% unable to send emails with attachments, 60% unable to copy and paste files, and 90% unable to perform basic spreadsheet tasks like putting a mathematical formula. Access to information and communication technology and bridging the digital divide must be done on a priority basis. Data shows that young people often struggle in their initial attempts to find employment and may end up in positions not aligned with their educational or skill background, particularly during an economic slowdown.

■ **Significant gender gap in the labour market:** India's female labour force participation rate (LFPR) remains among the world's lowest. Between 2000 and 2019, female LFPR declined by 14.4 percentage points (compared to 8.1 percentage points for males). The trend reversed after that, with female LFPR rising by 8.3 percentage points (compared to 1.7 percentage points for male LFPR) between 2019 and 2022.

Mission possible: Job creation for youth

The ILO report recommends five groups of policy measures.

1. Employment-intensive production and growth

■ (a) India will likely add 7-8 million people annually to the labour force during the next decade. The country must have a high, employment-intensive growth rate to absorb them along with the existing unemployed and underemployed youth. The employment creation agenda must be integrated with macro and other economic policies to create jobs in the non-farm segment. The manufacturing sector is one area where many jobs can be generated and, hence, must be prioritised.

■ (b) Support emerging employment-generating modern manufacturing and services sectors through appropriate policies and other benefits. Labour-intensive manufacturing sectors must be given importance to help absorb unskilled labour.

■ (c) Special focus must be given to micro, small and medium-sized enterprises. This will require closely examining local policies and the regulatory environment, support for marketing and technology enhancement (including digitalization and artificial intelligence) and a cluster-based approach to manufacturing.

■ (d) Increase agriculture productivity to generate more non-farm jobs and promote entrepreneurship.

■ (e) There is huge potential for employment creation in the green and blue (a sector that seeks to conserve marine and freshwater environments) economies. Support them with strategic investments, capacity-building initiatives and policy frameworks.

2. Improve the quality of jobs

■ The report mentions three ways to improve the quality of jobs:

■ (a) Invest in and regulate sectors likely to be important sources of employment for young people, such as the care sector and digital economy.

■ (b) An inclusive migration and urbanisation policy is required to cater to the expected high rate of urbanisation and the migration of youths from rural to urban areas. India is among the countries where significant international migration is taking place. 3.5 million people migrated abroad looking for work between 2010 and 2021, and the migration policy should support them, too.

■ (c) A minimum quality of employment is needed; basic rights of workers across all sectors must be secured with supportive labour policy and regulations.

3. Overcome inequalities

■ There are stark inequalities in the labour market and a pressing need to create good-quality employment.

■ The ILO report has six recommendations to improve the current situation:

■ (1) Create policies that increase women's participation in the labour market with quality work.

■ (2) Focus on policies and strategies that tackle the problems of youth who are unemployed, those who are not in education or training, and youth who have opted out of the labour force for various reasons.

■ (3) Quality and mainstreaming skills need to be introduced in education for inclusion of socially and economically poorer groups and to improve employability.

■ (4) Bridge the digital divide by improving access to information and communication technology.

■ (5) Concrete measures are needed to address labour market discrimination against women and marginalised social groups.

■ (6) Adopt regional-level policy approaches to reduce labour market inequalities across regions and states.

4. Effective systems for skills training and active labour market policies

■ The ILO report suggests three areas to focus on:

■ (a) Skills development and active labour market policies need to effectively bridge the supply-demand gap in jobs and make the overall labour market more inclusive. State governments must play a bigger and more targeted role by forging stronger partnerships with the private sector and other stakeholders.

■ (b) Greater effort is needed to connect the youth with work opportunities through the labour market and job search information, with handholding for youths from marginalised segments.

■ (c) The government should address the issue of unfilled vacancies in the public sector by leveraging technology, conducting efficient assessments, and implementing transparent and merit-based selection procedures.

5. Bridge the data deficit

■ The report says reliable labour market statistics are urgently required so policymakers can draft more effective policies. The labour market statistics currently available are unsatisfactory.

■ India's youth represent both a challenge and an opportunity. For India to harness its demographic advantage, policymakers, educators, and employers must collaborate to create an ecosystem that empowers youth and women, equip them with relevant skills, and ensure meaningful employment. The country stands at the crossroads of harnessing its demographic dividend or facing a demographic disaster.

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