

THE RIDDLE OF GAINFUL EMPLOYMENT IN INDIA



As we celebrate 2024 International Youth Day on August 12, Saikrishna Nanduri discusses in this blog the challenges of youth unemployment and ways of addressing them.

CONTEXT

We expect continued economic growth in India due to the change in population age structure, known as the [demographic dividend](#). The productivity of the nation's working population is predicted to increase per capita income, making the demographic dividend beneficial. According to the Economic Survey 2018–19, [this dividend would peak around 2041, when the working-age population would be 59% of the total population in India.](#)



ARE WE TAKING ADVANTAGE OF DEMOGRAPHIC DIVIDEND?

To take advantage of this situation, our country must provide [productive employment](#) to the working population without falling into the pitfall of [underemployment](#). Between 2019 and 22, [there was a steady rise in low-skilled employment compared to high and medium-skilled positions](#). While the share of self-employed individuals is increasing, the share of regular employment is dropping during this period. It is very disheartening to learn that, in the past decade, the average monthly real earnings of salaried and self-employed persons either declined or remained stable, while the wages of [casual workers](#) slightly increased.

We are experiencing a paradox here. On the one hand, the country is poised to harvest the demographic dividend phenomenon at least for another 15 years, whereas on the other hand, [the quality of employment measured in terms of increasing real earnings over time, availability of skilled](#)

jobs, proportion of actual work hours against available work hours etc., is not up to par. Is our country taking advantage of the demographic dividend phenomenon? Perhaps the answer is 'not yet'.

ARE WE CREATING ENOUGH JOBS OR ECONOMIC OPPORTUNITIES?

On average, India adds 7–8 million youth to its labour force every year. Are the regular jobs created for youth sufficient? The answer is an unequivocal no. Are we at least creating employment opportunities in the informal sector or economic opportunities dubbed self-employment? May Be. However, the employment data certainly does not speak well about our situation.

India's unemployment rate increased at a compound annual growth rate of almost 14% between 2000 and 2019. In 2022, the country's youth unemployment rate was twelve times higher than that of adults. While there is still a difference in the estimates of employment generation and unemployment between the ILO and RBI KLEMS (K-capital, L-labour, E-energy, M-materials, and S-purchased services) data sets, the main question still stands: are we providing enough economic opportunities for the young people entering the workforce each year? It won't do to satisfy ourselves with "reduced unemployment" by using calculation gimmicks to increase the number of people who work for themselves.



However, no institution or data set can contest the trends of increasing unemployment, underemployment, and falling earnings, though the percentage points can vary a bit. The "advantage demographic dividend" would be lost if we were unable to provide jobs or other economic possibilities, which would lead to a more serious problem of economic stagnation. Whatever the case, neither I nor any of the agencies would want to witness years of "social unrest triggered by unemployment" in this nation.

Anyone who follows employment discourses would concur that the government and other stakeholders in India face challenges in creating jobs due to seasonal employment-induced sporadic income inflow, a lack of gainful employment or productive employment opportunities (particularly in rural areas, which are the epicentres of unemployment), and outmigration from the agriculture workforce.

WHAT IS THE PATH TO VIKSIT BHARAT 2047? WHERE ARE WE?

In 2023, India became the fifth-largest economy in the world (overtaking the UK), and it is expected to overtake Japan and Germany and reach the third spot by 2027. While the government is trying to accelerate the journey to Viksit Bharat through capital expenditure and digital governance, strong domestic consumption demand and investment are fuelling economic growth. However, it appears the economy is not yet air-bound, and we are still on the runway to take off. Fast-moving consumer goods (FMCG), construction electronics, renewable energy, health and insurance, and information technology are the sectors of the Indian economy that are expanding at the fastest rate. All of these, with the exception of the first two, are in the service industry. In 2023–2024, the services sector accounted for 54.86% of India's gross value added, while agriculture and industries contributed 17.59% and 27.55%, respectively. Engagement of youth in these areas is envisioned to trigger not only economic growth but also gainful employment—a win-win path to Viksit Bharat.

Despite multiple skilling programs in the country that have gained pace and accelerated, we are witnessing jobless growth. We believe that technological interventions will drive economic growth and create job possibilities for India's youth. However, the seemingly counterintuitive tendency of diminishing human capital use in economic operations cannot be overlooked. Though we all believe in India's capabilities and have envisioned Viksit Bharat by 2047, the way to this goal remains unclear, at least as a democracy. Given China's sociopolitical certainty (described as "clockwork"), it is anticipated that even if India's manufacturing expands at 8% per year until 2050 and China's stagnates at 2022 levels, India's manufacturing size in 2050 will still be less than China's in 2022.

Surprisingly, numbers about self-employment are always increasing in our data, especially leading up to elections and other significant national and international events. I'm wondering if such statistics genuinely reflect any gainful employment in both rural and urban locations. For instance, agriculture contributes roughly 15% of India's GDP, which is one-third of the country's entire labour force. This situation speaks poorly of the productive employment opportunities that agriculture provides to the labour force. What is the path out for human resource migration from agriculture? Optimism about "self-employment" and cheering MSMEs' contributions to the Indian economy may still be valid today. However, remaining with this belief system in the future without a clear direction would not benefit us. At this juncture, we should ask ourselves certain critical questions, such as:

1. Which areas of self-employment can genuinely provide gainful employment?
2. Which economic activities can provide stable incomes?
3. How will these economic activities address the gaps in existing supply chains?
4. What ecosystem support is required for businesses to thrive and continue to grow while creating jobs?

THE RIDDLE!!

The only half-solved Indian socioeconomic riddle is our awareness of these unemployment-related challenges, as well as our comparative advantage in the global economy due to the demographic dividend. We are living in an age of great advantage, with the demographic dividend, consumption

demand, investments, and numerous government policies propelling the economy forward. In today's ever-changing business environment, boom and bust cycles (of market trends) endure months or a few years, as opposed to decades or centuries earlier. Thus, it is not surprising that we are not very clear on how to use our demographic dividend to the best of our benefit, which industries to invest in, and how to support that growth by merging the demographic dividend with the growth sectors. A few ways to solve this riddle include:

Decentralised self-employment plans

On the lines of 'Disaster Management Plans' and 'Climate Adaptation Plans' developed at the lowest administrative units, we need to develop 'Self-Employment Plans' for each district or municipal corporation in the country. It should clearly capture a district's resources and demographic advantage and also articulate the options for engaging human resources in priority sectors and economic activities. This necessitates a rural-urban continuum approach, rather than seeing human resources and other resources as separate contexts. While the 'Disaster Management Plans' and 'Climate Adaptation Plans' are largely paper tigers (not to mention the excellent achievements of many district administrations in the country), the necessity for 'Self-Employment Plans' is here and now, lest we slip into times of social unrest.

Create an enterprise support ecosystem in each district administrative unit

In addition to the plans, it is also essential that we create a favourable ecosystem for enterprise promotion in rural and peri-urban areas. India boasts the world's second-largest startup incubation system, but it has become mired in the 'bottom of the pyramid' paradigm, in which a large rural majority is viewed as consumers rather than providers to the economy. It is important to change away from this perspective and appreciate the critical role of both rural and urban youth in economic activities. It is also time to align diverse economic prospects along the rural-urban (rurban) human-resource continuum, including self-employment and entrepreneurial opportunities. This requires a systemic effort to identify stakeholders, market inefficiencies, and opportunities to address supply chain gaps through self-employment activities. Support system solutions should not just be limited to capacity building and financial access; they should also ensure a fair playing field for rural and peri-urban firms when competing with capital-intensive corporate systems.

Service sector offerings in the agriculture sector

Given the fact that any country has more mouths to feed than hands to produce, the expectation of an abnormal increase in revenues from agriculture is by far a distant dream and will remain so for the coming decades. It is time to overcome this psychological block and support the agricultural services industry by involving farmers, encouraging them to serve consumers, and increasing the producers' share of the consumer rupee. It is time to strengthen the role of farmers in primary processing, the supply chain of food processing industries, and the various services demanded by consumers, including farm-to-table services. It is time to reverse the famous "bottom pyramid" phenomenon, which is seen as a huge opportunity for the world's richest companies by tapping into low-income markets. It is time to focus on the agricultural-allied activities and secondary agriculture outlined in the Farmers Income Doubling Report Volume 9 (February 2018).

Type A: Value Addition in Primary Production Systems, e.g., Input Centric, Harvest Centric, or Post-Harvest Centric

Type B: Alternative Enterprises, e.g., hydroponics, agritourism, palmyra palm products, aloe vera products, NTFPs, bamboo, etc.

Type C: Enterprises from crop waste, e.g., cotton stalks, biogas, leather extracts, rice husk in fibre boards, coconut shell, and areca nut leaves

A significant portion of MSMEs' success in India can be attributed to the rise of ancillary units linked to nationalised industries in the first few decades of independent India. It is essential to revisit the industry-ancillary unit paradigm and try to replicate it in food processing businesses in order to integrate farmer livelihoods into the expanding food processing industries. However, given the prominence of private firms in this area, it is not as simple as we would want. Perhaps we should adopt gradual policy steps and chart the course.

ENDNOTE

To summarise, we are at a period of not just enjoying our demographic dividend but also considering how to put this advantage to use in terms of productive employment. It is necessary to make systematic efforts to address the current difficulties rather than simply shifting the numbers from job employment to self-employment. We need bold, comprehensive, and continuous efforts to ensure that our periods of unemployment-induced social instability do not reoccur. This is not only the government's obligation but also our social responsibility to take action on it.

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Note: Views are of the author and not the organisation he is associated with.

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