

# The Wire News India, Latest News, News from India, Politics, External Affairs, Science, Economics, Gender and Culture

thewire.in/labour/budget-2024-a-lacklustre-response-to-indias-deepening-employment-crisis



The finance minister in the Union Budget 2024, after years of apathetic neglect and macroeconomic policy indifference meted to critical government voices, implicitly acknowledged the nature of structural gaps observed in India's 'jobless growth' trajectory, which has continuously observed a higher output-employment gap, and a weakening trend in macro-labour productivity levels. The Narendra Modi government has remained more focused in countering critical voices or sending Directorate of Enforcement (ED) officials for 'fear' and 'punishment' than addressing the reasons that humbled the Bharatiya Janata Party (BJP) during the recent polls.

Through specific fiscal interventions aimed at 'nudging the corporate industry' to hire more workers, in the form of 'apprenticeship', internship and other skilling-centred programmes, the Modi government, in its third elected term, seems to have suddenly woken up from deep slumber, projecting "deeper awareness" on how critical issues like high youth unemployment (along with issues like rural distress, high food inflation) are not just critical economic policy issues to deal with for an emerging economy like India, but how they also have a structural electoral impact in recent (and most likely future) polls.

In a democratic-republic, such an electorally sound feedback information system, where voters clearly 'tell' the government 'what to prioritise' may of course be well received (and is to be celebrated), however, to what extent there is serious intellectual prowess in the

government's policy making knowledge system, or in its 'intent' and capability attached in addressing the issues at hand (when it promises to do), requires some critical reflection and soul-searching.

The issue here is not so much on 'intent' but on policy and its application — whether the consequential links to applied policy are consistent (or convergent) with their intended goals.

So far, the intellectual bankruptcy afflicting the government's core economic policy think tank, which is orbited by ignorant *bhakt*s rather than serious, intuitive minds, reflects how difficult it is to ascertain whether the current government, despite its prospective pitch for creating 'jobs', is actually aware of the complex problems at hand — such as high youth unemployment, high informality, deep structural underemployment, and widening rural-urban disparity in employment patterns — visible across a disjointed, asymmetric labour market.

For the government, good quality employment generation has been a key electoral promise, however, despite claims of creating more than 70 lakh jobs in the financial sector in 2017, a report by the National Sample Survey Office (NSSO) revealed a stark rise in unemployment, which tripled from 2.1% in 2012 to 6.1% in 2018 and further increased to 7.4% in 2019.

The numbers on employment creation and on unemployment action have been muddied by different government-backed surveys and 'new' studies that are keener in proving an alternative narrative (to present a favourable image for the government) than ascertain the real issues facing the employment landscape.

Let's look at the macro-data more closely.

Overall employment growth, initially low at 1.7% per annum between 1993 and 2004, slowed sharply after 2004 and turned negative post-2011. This decline was largely due to the exclusion of '*unskilled*' and '*low-skilled*' workers from the job market. Employment for *unskilled workers* fell consistently from 1993 to 2017, and *low-skilled* employment growth turned negative between 2011 and 2017. Even employment growth among *skilled* workers saw a significant deceleration after 2011, indicating that job creation was insufficient even for this group.

Now, we agree, the normative, applied, and policy-based understanding of 'skilled', 'semi-skilled' and 'unskilled' jobs remain a debatable issue which merits a separate discussion in a complex, deeply fractured and heterogeneous labour market scenario like India. This conceptual issue and more contested issue of 'skilling' is further complicated by the nature of widespread informality, poor implementation of MWAs (Minimum Wage Acts), and socially identified indignation experienced towards 'work', beyond a higher acad-industry gap (making those educated too less functional in competitive job market), making any degree of government program based 'skilling' for better employment creation an impossible task.

Targeted efforts in certain sectors may probably work sometimes — when it comes to competitive skilling efforts — but the evidence on that needs to be studied before crores of tax-payer money is put in for a new policy ‘lobbying group’ to make hay out of it. PLI, Make in India, Digital India etc. are all soap operas where enough tax-payer money has yielded little dividends, coming at the cost of the ‘poor’ (since essential revenue expenditure for centrally funded schemes was slashed)

Where ‘skilling’ works is in the conscious training of workers in specific sectors where they are either already hired or are being trained to be hired after a robust, more structured filtering mechanism. Smaller, more industrialised nations like Japan, South Korea, Vietnam and Taiwan have been more successful at this — educational training has been embedded in ‘skill-focused learning’, making those coming out of the educational assembly line more ‘employable’.

In the Indian scenario, neither of those responsible for designing or managing the (higher) education landscape have focused much on creating a more robust link between academic-industry for higher employability, skill-based oriented learning, nor the industry (as a whole) has invested itself in doing so (barring those working in labour intensive sectors of employment).

Most private sector investors, corporate giants have preferred to invest in greater capital investment targeted or aimed solely for investible profitability than in creating ‘labour’ value of production within/across the sector (this is what the CEA in the recent Economic Survey also envisions to highlight). But this has been a well-known problem for years now.

The key question is how the Modi government remained ignorant of this while doing very little to either attract labour-intensive private capital, or in incentivising (via fiscal measures) ‘job’ creating sectors. On the contrary, this government has done everything possible to disrupt, and gradually destroy the (preexisting) human capital formation system, safeguarded by public education, research development-based funding through limited spending on both human capital needs (education, healthcare) and social security (those in need of employment-based safety nets like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)).

### **Embracing an ‘exclusive’ pattern of economic growth backing private investor profitability than public goods deliverance**

Late development economist Ajit Ghose’s critical 2023 paper highlights a pattern of “exclusive growth” in India’s economy since the early 1990s, benefiting primarily the urban rich. Ghose had observed that *skilled* employment continued to grow, albeit insufficiently, while *low-skilled* workers faced increasing exclusion from the job market.

Under Prime Minister Modi, the employment rate among *semi-skilled* workers has declined even more rapidly, particularly in areas that previously saw job creation.

This decline is compounded by deeply exploitative worker contracts (evident in self-employment and casual work, which are more unorganised and informal) and a demand-side crisis that has hindered the success of supply-side economic policies, even with more rhetorical programmes such as the 'Make in India' campaign and the Production-Linked Incentive (PLI) scheme.

But these government promoted schemes have had limited appeal and consequential significance in both, creating skilled-jobs for those seeking employment in manufacturing-allied sectors or in terms of creating the expected sectoral growth (through a direct, subsidised and fiscally targeted government push) that was expected.

What is more unclear is the consequential link between 'skilling India' and/or 'employing India', which is rarely studied or investigated from an incoherent, confused macroeconomic policy agenda. The evidence on this continues to be weak, despite the lacs of crores being poured by successive governments.

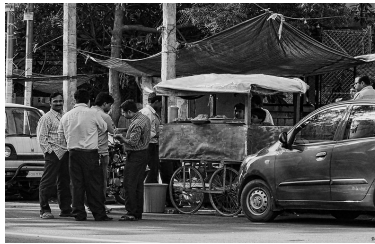
Established in 2014, the Ministry of Skill Development and Entrepreneurship absorbed the National Skill Development Corporation (NSDC) and other programmes with the ambitious goal of training 300 million people by 2024. However, despite partnering with various organisations and raising awareness, these programmes have not been as effective as envisioned.

Experts and more intuitive macroeconomics (observing sectoral trends and employment-output linkages) argue that traditional degrees and government's own skilling programmes no longer guarantee good, organised employment, whereby, the current education system is outdated, and not job-oriented with the demands of the industry and tech-restructured employment landscape. This is evident as only a small percentage of candidates certified by the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) programme have secured jobs, underscoring the fundamental challenges in existing skilling initiatives.

The Economic Survey 2023-24 highlights a critical issue here: 65% of India's population is under the age of 35, and many lack the skills needed by a modern economy. The survey also states that only about 51.25% of the country's youth is deemed employable, meaning that approximately one in two graduates are not readily employable straight out of college. This issue is further supported by the India Skills Report (ISR) 2024, which reveals that only 50.3% of graduates from higher educational institutions are considered employable.

A skill gap study conducted by the NSDC from 2010 to 2014 projects that by 2025, India will need nearly 109.7 million additional *skilled* workers across various sectors, while highlighting the critical issue of widening skill gap-where the average Indian worker is competitively 'as

skilled' and 'employable' as a foreign (more competitive partner) worker in the same occupation and employment category.



## ALSO READ

The Jobless Growth of Unorganised Enterprises Is Worrisome  
[View More](#)



A comparable classification of 'competitive' skilling — for better productivity gains — which makes educated (and lesser educated) citizenry more functionally literate and capable of higher, more decent, secured wage employment remains more critical in the way forward. Market design and policy interventions need to be framed around these concerns.

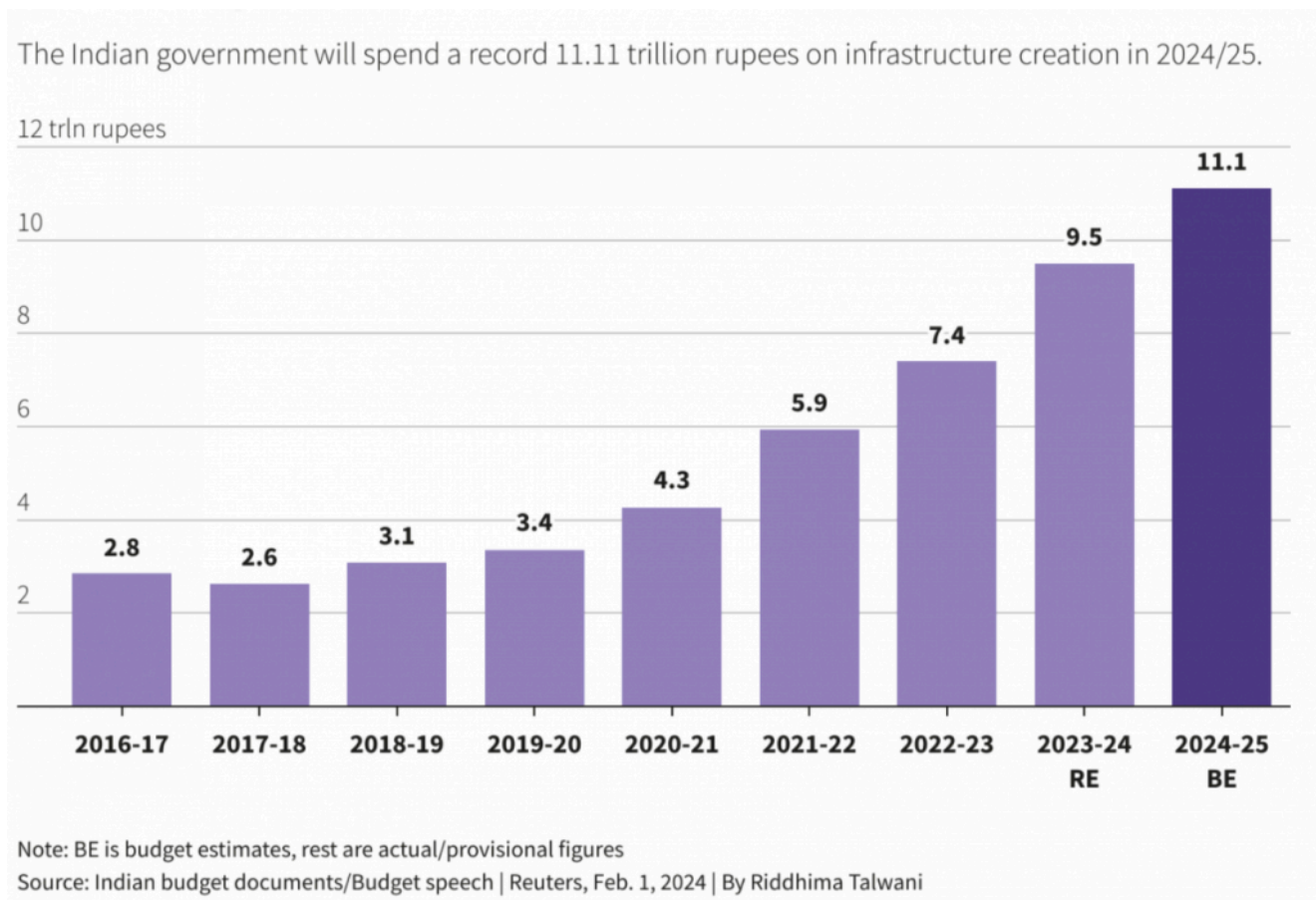
However, the current government has done almost nothing in either acknowledging or ensuring this—the most this Budget provides is an electorally forced acknowledgment of the seriousness of India's macro-employment challenge (making Indian workers less competitive and functionally literate/skilled globally). But there is no serious effort in fiscal application anywhere (from a closer look at the fiscal maths) in getting a narrower focus on either human capital formation or in creating a job-centered medium to long term industrial policy.

Human capital investment with higher, medium to long term fiscal interventions, while taking the private sector along (not being dependent on it) remains key—the government so far has done the reverse.

Despite substantial increases in outlays of capital expenditure — from Rs 465,277 crore in 2015-16 to Rs 11,11,111 crore in the current Budget — social spending for human capital formation has not kept pace. This imbalance underscores the challenges in addressing the skill-gap effectively. While the government has introduced various policies aimed at self-employment, promoting export-based manufacturing, and incentivizing employers, these efforts have yet to produce the desired outcomes.

The disconnect between rising capital expenditure and stagnant social investment has impeded the success of these schemes. While capital investment outlays increased in the 2023-24 Budget, less than 20% of CapEx was allocated to the social sector. The 2023-24

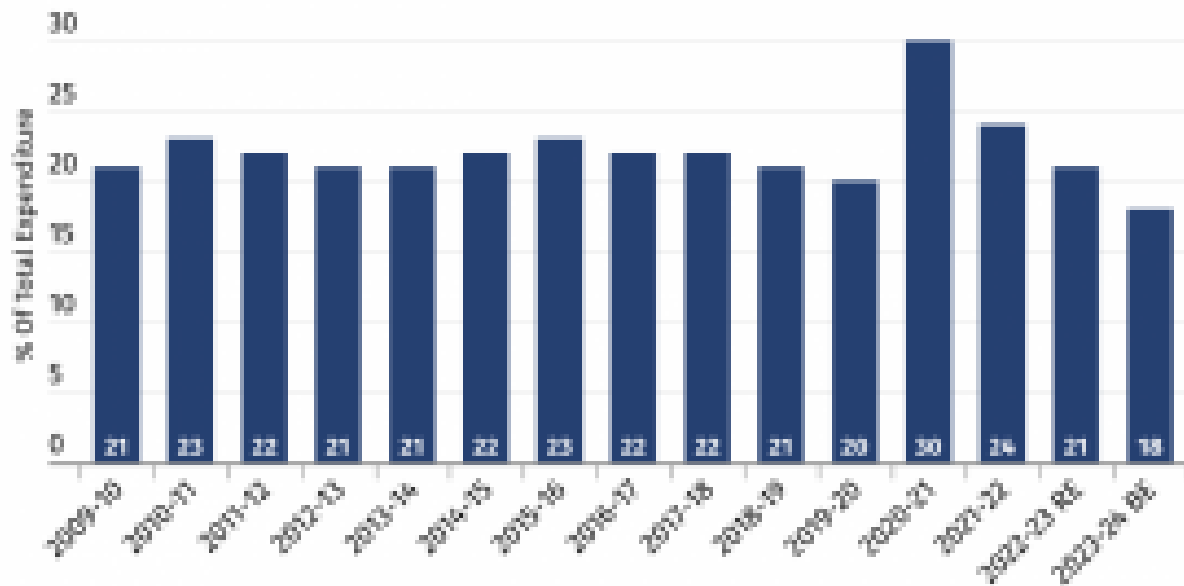
Budget witnessed a further decline to 18%. Without corresponding increases in social spending to support these initiatives, the government's efforts to bridge the skill gap and prepare the workforce for modern economic demands remains insufficient.



Increasing Capex Over the Years. Source: Reuters

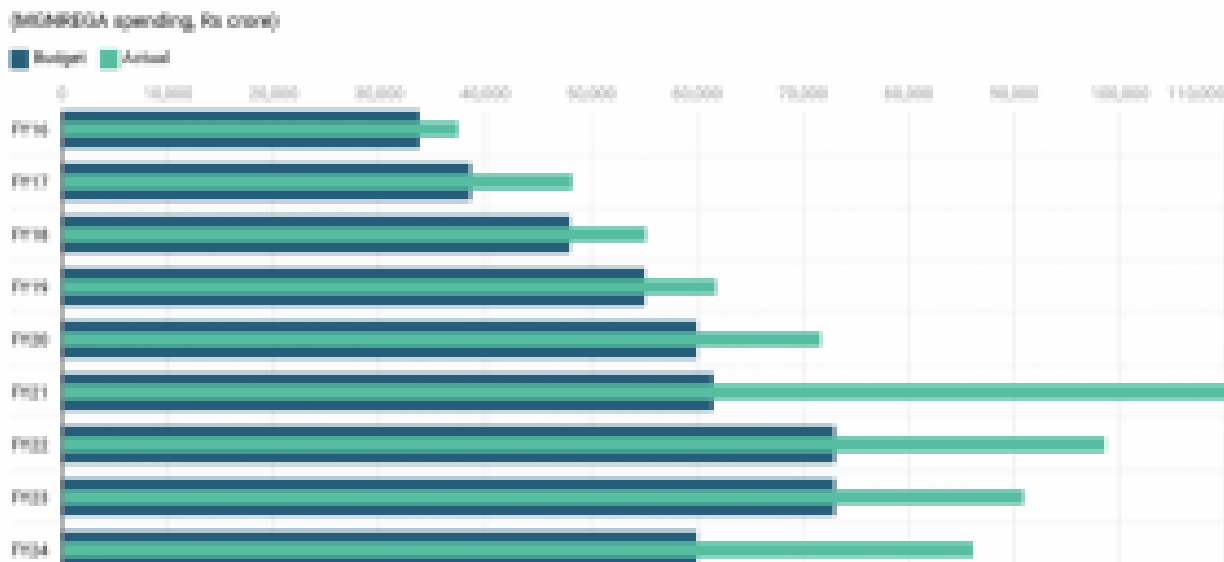
Additionally, investments in social sector employment schemes have drastically reduced and shifted towards newer initiatives. This redirection of funds away from established employment programmes has further complicated efforts to tackle the unemployment crisis. The diminishing support for traditional schemes, combined with rising unemployment rates and the influx of young people into the workforce, underscores the need for a more balanced and effective approach to address India's employment and skill development challenges.





Social Sector Expenditure as a proportion of Total Union Government Expenditure. Source: IndiaSpend

One significant scheme, the MGNREGA, which guarantees 100 days of wage employment per year to every rural household willing to do unskilled manual work, saw a similar trend. Although demand for MGNREGA work peaked at 133 million people during the Covid-19 crisis, it has since decreased to 93 million in 2023. This figure, however, remains 15% higher than the average demand observed between 2014-15 and 2018-19. Budget allocations for MGNREGA between 2019-20 and 2023-24 have been consistently lower than revised estimates, with the 2022-23 and 2023-24 allocations being one-fourth and one-third, respectively, of the previous year's revised estimates.



As the government refocuses its strategy on skill development in the Budget 2024-25, several new initiatives are being introduced. Notably, a new scheme aims to equip 20 lakh young individuals with essential skills over the next five years. Additionally, the finance minister has announced revisions to the model skilling loan scheme, increasing the loan amount to up to Rs 7.5 lakh.

Despite these increased investments in skill development programmes, significant challenges remain. A key concern is the persistent mismatch between the skills being taught and the actual demands of the job market. This misalignment between rising capital expenditure and insufficient social investment continues to impede efforts to effectively scale successful programmes and address critical skill gaps.

[Also read: Skill India Mission: Short Courses, No Employable Skills and a Lack of Jobs](#)

And therefore, while the government's emphasis on *skill development* represents a rhetorically positive shift, the actual, measurable effectiveness of these new initiatives may remain weak, and largely depend on overcoming ongoing challenges like high unemployment.

To truly bridge the skill gap and enhance employment prospects, a more cohesive approach towards functional literacy and competitive skilling is needed — one that aligns training programmes with job market needs, ensures sustainable funding, and integrates robust mechanisms for tracking progress and impact.

Addressing these issues, fiscally, and through greater private sector partnership for job/labour intensive sectors will be crucial for turning ambitious plans into tangible outcomes and fostering a workforce capable of meeting the demands of a modern economy.

*This article has shared research inputs, economic data provided by CNES InfoSphere team.  
Research Credits: Bhanavi Behl and Aditi Desai.*