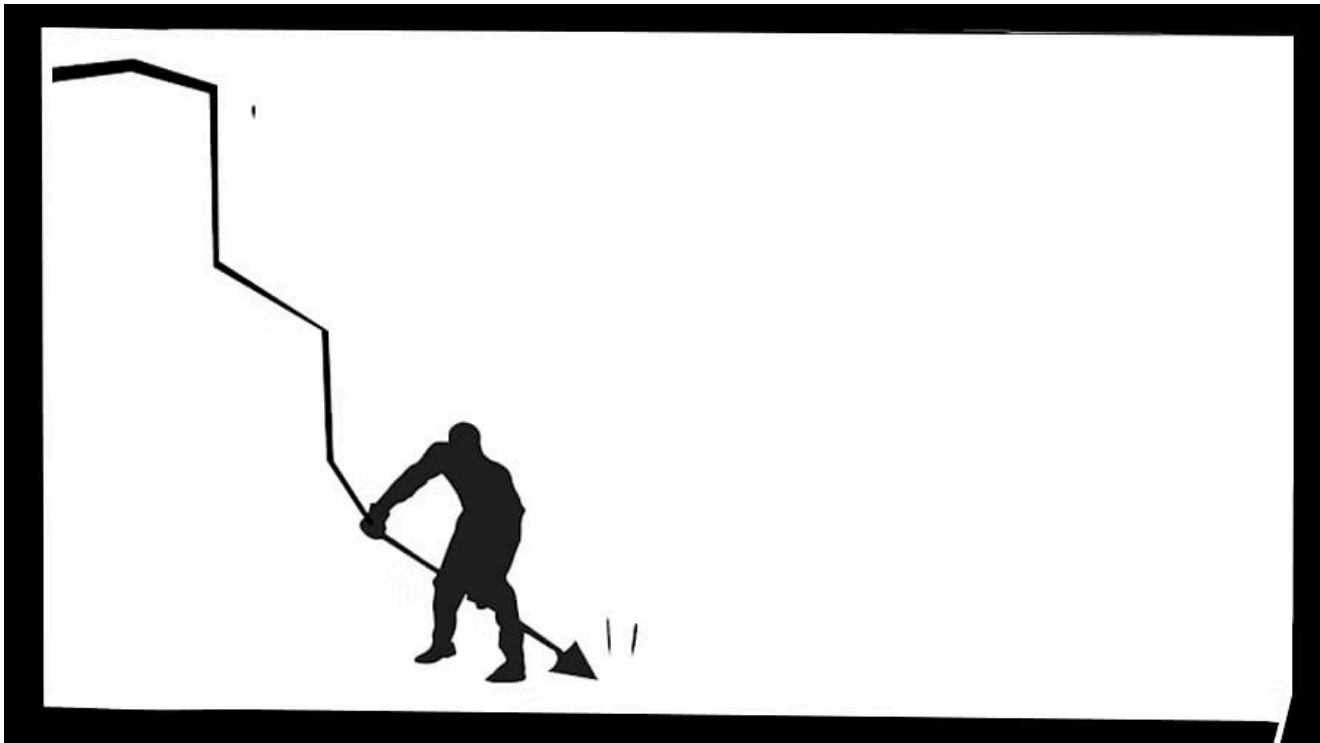


Why India must worry about its labour landscape

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India's disjointed labour markets continue to grapple with the structural challenges of unemployment and underemployment, as highlighted in the Periodic Labour Force Survey (PLFS) 2023-24 annual report.

The report provides an in-depth analysis of the state of employment, labour force participation, and the contrasting dynamics between farm and non-farm employment. It sheds light on the broader health of India's labour market, revealing a complex interplay of rural and urban trends, gender disparities, and the persistent struggle of India's youth to secure stable employment.

According to the PLFS 2023-24 data, the unemployment rate for individuals aged 15 and above in the usual status stands at 3.2 per cent. While this figure may seem relatively low, a closer examination reveals significant differences between rural and urban areas. In rural India, the unemployment rate for men is 2.7 per cent, while urban men face a higher rate of 4.4 per cent.

The contrast is more pronounced for women. In rural regions, female unemployment is just 2.1 per cent, while urban centres report a much higher 7.1 per cent. This urban-rural divide highlights a critical challenge: urban economies, despite greater access to non-farm jobs, are

struggling to create sufficient employment opportunities for women. For men, rural areas dominated by farm employment offer more opportunities, though often in low-productivity and underemployment settings.

The labour force participation rate (LFPR) in India also presents a nuanced picture. For individuals aged 15 and above, the LFPR stands at 60.1 per cent, with rural areas reporting a higher participation rate of 63.7 per cent, compared to 52 per cent in urban regions. This disparity reflects the continued dominance of agriculture in rural employment.

Agriculture has long been a key source of jobs, particularly for rural populations, but the sector's productivity and potential for economic growth remain limited. High rural participation is driven by necessity rather than opportunity, with much of the workforce engaged in small-scale subsistence farming.

The seasonal nature of agricultural work often leaves workers underemployed during non-harvest periods, contributing to rural labour market volatility. While farm employment provides a safety net for many rural households, it often translates to lower income levels and fewer opportunities for skill development.

A significant revelation from the report is the stark gender disparity in both labour force participation and unemployment. Rural women have an LFPR of 47.6 per cent compared to their urban counterparts, where the rate drops to 28 per cent. This difference reflects the cultural and economic barriers that prevent women from accessing formal sector jobs in cities. In rural areas, women are predominantly self-employed in agriculture, which does not necessarily lead to better income or job security.

The exploitative nature of rural women's self-employment, primarily in small-scale farming, limits their participation in more diversified and higher-paying sectors. Access to resources such as credit, land, and market linkages remains limited for women, further entrenching their roles in low-productivity agricultural activities.

Another concerning trend highlighted in the report is the high rate of youth unemployment, especially in urban areas. For individuals aged 15 to 29, the unemployment rate stands at 10.2 per cent. The rural-urban divide is stark in this demographic as well. Rural male youth unemployment is 8.7 per cent, while in urban areas, it rises to 12.8 per cent.

For women, rural female youth unemployment is at 8.2 per cent, but it jumps to a striking 20.1 per cent in urban areas. This high rate of urban female youth unemployment underscores the mismatch between the education system and the job market. As more young people pursue formal education, particularly in urban areas, the job market has not kept pace in creating opportunities that match their qualifications. Many young women find themselves overeducated and underemployed, struggling to find jobs that align with their skill levels.

Despite these challenges, the report also notes gradual improvements in labour force participation. In the past year, rural male participation increased to 63.7 per cent, which may be attributed to government initiatives aimed at improving rural employment through self-employment schemes and promoting rural industries. Programmes like Atmanirbhar Bharat and Pradhan Mantri Mudra Yojana have sought to encourage entrepreneurship and boost job creation, particularly in non-farm sectors. However, the success of these initiatives remains suboptimal at best.

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The report also touches on the persistent issue of underemployment in India's labour market. The worker population ratio (WPR) for individuals aged 15 and above saw a slight rise to 57.1 per cent in 2023–24, up from 56.0 per cent the previous year. However, this increase does not necessarily indicate full employment. The rise in rural areas can be attributed to agricultural work, where underemployment remains widespread.

Seasonal fluctuations in farm work mean that many rural workers are only partially employed for much of the year, contributing to a labour market that is characterised more by subsistence than productive, growth-oriented employment. For women, particularly in rural areas, the WPR also remains low, reflecting the broader issue of underemployment in the agricultural sector.

Youth unemployment remains particularly acute in urban areas, where young people, especially women, are struggling to find meaningful work. This is not just a reflection of limited job creation but also a sign of the growing disconnects between skills imparted by the education system and the industrial needs of the job market. The report highlights the need for better vocational training and education reform to bridge this gap and ensure that young people, particularly in urban areas, are better prepared for the jobs available in the market.

The reliance on agriculture in rural areas limits opportunities for diversification and income growth, while urban areas, despite offering more non-farm employment opportunities, are struggling to provide jobs for women and young people.

Addressing these issues will require a concerted effort to create more inclusive and dynamic labour markets, ensuring that economic growth benefits all segments of the population. There is a lot more that government intervention can do to correct these structural imbalances, provided there is an explicit will to do so.

(The writer is professor, dean, and director, Centre for New Economics Studies, O P Jindal Global University)