Indian Labour Market

Why in News?

Recently 7th Periodic Labour Force Survey (PLFS) has been released for the period of July 2023 to June 2024.

What are the issues with the Labour Market of India?

- Indian labour market has a complex interplay of rural and urban trends, gender disparities, and the persistent struggle of India's youth to secure stable employment.
- **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 % the previous year.
- **Unemployment Rate** - UR for individuals aged 15 and above in the usual status stands at 3.2 %.
- **High Urban UR** - In rural India, the unemployment rate for men is 2.7 %, while urban men face a higher rate of 4.4 %.
- High rural participation is driven by necessity rather than opportunity, with much of the workforce engaged in small-scale subsistence farming.
- **High Urban Female UR** - In rural regions, female unemployment is just 2.1 %, while urban centres report a much higher 7.1 %.
- **High Rural Labour Force Participate Rate** - LFPR stands at 60.1 %, with rural areas reporting a higher participation rate of 63.7 %, compared to 52 % in urban regions.
- **High Rural Women LFPR** - Rural women have an LFPR of 47.6 % compared to their urban counterparts, where the rate drops to 28 %.
- In rural areas, women are predominantly self-employed in agriculture, which does not necessarily lead to better income or job security.
- **High Youth Unemployment** - For individuals aged 15 to 29, the unemployment rate stands at 10.2 %.
- Rural male youth unemployment is 8.7 %, while in urban areas, it rises to 12.8 %.

What are the causes for the labour market issues?

- **Dominance of agriculture** - 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.
- The reliance on agriculture in rural areas limits opportunities for diversification and income growth.
- **Seasonal Agriculture** - 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.

- **Cultural Barriers** - Gender disparity in both LFPR and UR reflects the cultural and economic barriers that prevent women from accessing formal sector jobs in cities.
- **Exploitative nature** - Rural women's self-employment is primarily in small-scale farming, limiting their participation in more diversified and higher-paying sectors.
- **Inequal Resource Accessibility** - Resources such as credit, land, and market linkages remain limited for women, further entrenching their roles in low-productivity agricultural activities.
- **Defective Education System** - This high rate of urban female youth unemployment underscores the mismatch between the education system and the job market.
- **Lack of Opportunities** - 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.
- **Skill Mismatch** - Many young women find themselves overeducated and underemployed, struggling to find jobs that align with their skill.
- **Under employment** - The rise in rural areas can be attributed to agricultural work, where underemployment remains widespread.
- **Capital Intensive Manufacturing** – This result in low employment creation despite high 7% economic growth.

What lies ahead?

- Better vocational training and education reform to bridge labour market gap and ensure that young people, particularly in urban areas, are better prepared for the jobs available in the market.
- Create more inclusive and dynamic labour markets, ensuring that economic growth benefits all segments of the population.
- Promote labour-intensive industries to generate jobs.
- Support the growth of micro, small, and medium enterprises (MSMEs) as job creators.
- Foster a culture of entrepreneurship and provide resources to support startups.
- Promote balanced regional development to reduce migration and create job opportunities in rural areas.

Reference

[Deccan Herald | India’s labour landscape]

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