Indian labour Market

Prelims (GS - I) – *Economy and social development*

Mains (GS III) – *Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.*

Why in news?

In recent times India's job market is struggling to keep up with its growing young population, with automation and lack of skills make it challenging to create adequate jobs.

What are the issues in Indian labour market?

- **Job deficit** – Working-age population of India has increased by about 9 crores, while formal sector jobs rose by 6 crores, which is a deficit of 50 lakh jobs annually.
- **Inadequate formal employment** – Most of the recent increase in employment has come either from self-employment in rural areas or from informal services.
- **Lack of skilled labour force** – Less than 10% of our labour force has any formal technical or vocational training.
- The majority of educated youth in India do not possess skills that make them employment ready.
- **Inflated labour cost** – The long-standing issue of labour laws had artificially inflated the cost of labour and encouraged the adoption of capital-intensive technologies by firms.
- **Mismatch in PLI allocation** – The Production Linked Incentive scheme prioritizes high-value sectors like electronics, IT hardware, and drones with over 50% of the budget allocation.
- But most jobs are being created in industries like food processing and pharmaceuticals, not the high-value sectors.
- **Lack of sustainability in job creation** – Short -term subsidies under Employment Linked Incentive (2 -3 years) may not ensure durable employment or long -term skilling.

Government Initiatives for Improving Labour Market

PLI Scheme	• **PLI Scheme** – Production Linked Incentive Scheme • **Launch** - 2020 • **Objectives** – It aims to boost industrial growth and position India as a major manufacturing hub by focusing on, - Attracting investment in high-tech industries. - Strengthening domestic manufacturing capabilities - Enhancing India's global competitiveness. • PLI Schemes focus on 14 critical sectors
ELI Scheme	• **ELI Scheme** – Employment Linked Incentive Scheme • **Launched in** – Union Budget 2024. • **Nodal Ministry** – Ministry of Labour and Employment • **Objectives** – To boost employment in the formal sector. • To provide comprehensive support to both employees and employers To know more about this, click here
Labour Codes	• Code on Wages, 2019 • Industrial Relations Code, 2020 • Code on Social Security, 2020 • Occupational Safety, Health and Working Conditions Code, 2020
Skill India	• National Skills Development Mission was launched in 2015.
PMKVY	• Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was launched in 2015 for recognition and standardisation of skills.
PMEGP	• Prime Minister Employment Generation Programme (PMEGP) is a major credit-linked subsidy programme aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector.

Why are the challenges in job creation?

- **Rapid technological progress** – Rapid technological progress and advent of AI makes firms to move towards capital intensive production process.
- It leads to persistent and steady decline in the labour intensity of production across sectors.

Capital Intensity of Production *- Machinery dominates and less labour.*

Labour Intensity of Production *- Labour dominates and less machinery.*

- **Cheaper capital or machinery** – With advancements in technology the relative cost of capital or machinery falls and the firms adopt capital -intensive techniques to boost productivity and value -added at low cost.
- **Devaluing redundant tasks** – Tasks that are repetitive or less specialized become less valuable because machines can perform them more quickly and accurately.
- As technology advances, many tasks that were previously performed by humans are either automated or replaced by machines.

- **Lack of skill upgradation** – There aren't enough skilled workers available to match the demand for specialized jobs with advanced technical skills to work on high-tech machinery.
- **Lack of coordination among ministries** – Each ministry focuses on utilisation of its own PLI budget with little coordination with the ministries of labour and skilling.

What can be done to improve the labour market?

- **Dynamic policy framework** – To focus on creating a workforce for the future to advance the agenda of Viksit Bharat is critical.
- **Linking PLI and ELI** – Policymakers can consider linking the production and labour skilling strategies.
- It will ensure a pipeline of workers with requisite, complementary skills in these sectors.
- **Graded incentives in ELI** – Current structure of ELI incentives could be amended from flat to graded.
- Incentive transfers can be increased with each level of skills that is certified to support on-the-job training and upgrading of skills.
- **Revamp training institutes** – Rewarding the training institutes based on employment and earnings outcomes through skills that are linked to the projected future demand.
- **Investment in workforce** – As we collectively move up the production value chain, we must simultaneously invest in both the quantity and quality of our present and future workforce.
- **Balance capital and labour** – Incentives can be given to firms to adopt labour - complementary technologies and to reduce the relative cost of hiring through subsidies or tax credits.
- **Data -driven policy** - Track ELI interns and PLI outcomes longitudinally to evaluate effectiveness and adapt policies dynamically.

Reference

The Indian Express| India’s Job Market

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