
Addressing India's Unemployment Crisis and Need for Structural Changes

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Abstract

The article outlines what plagues the Indian economy in its inability to generate meaningful employment for more than 600 million Indian youth. The article elaborates and suggests upon various new avenues of job creation and important sectors towards which the government policies should strive for in order to reduce youth unemployment. The article further argues whether Indians are suffering from unemployment or unemployability. The article simultaneously highlights the future prospects of jobs in India, and what role does education play in mitigating this crisis. Finally, this article concludes with the suggestion on key areas the policymakers should focus on to create jobs along with inclusive development and growth.

Introduction

The current Indian government came into power with a promise of creating twenty million jobs annually. With the unemployment rate at 6.1% at the end of the five year rule of the present regime, the young people of the country are despairingly heading into a depressing future. The National Sample Survey (NSSO) office survey- a central government agency which is under the Ministry of Statistics, –came out with the data that says that Indian youth is facing acute shortage of jobs, the highest since independence. What is surprising is that Indian economy has had an impressive 7% growth rate in the last two decades; in contrast to sharp growth rate the employment level has fallen to less than one percent and thus Indian young people are desperately searching for a job.

With the opening up of the Indian economy in 1991 the era of “Liberalisation, Privatisation and Globalisation” or popularly referred to as LPG, ushered in new ideals to bring in structural changes and removing rigidity which hampered India's economic reforms and performance. India was primarily an agrarian economy, the adoption of LPG led to more concrete opening up of Indian economy to the world economy and led to the development of the service sector which coincidentally became the biggest jobs provider. In any economy the usual three stages of growth follow a cycle of development of agriculture to manufacturing and to the service sector, but the Indian economy hardly strengthened its manufacturing sector and jumped directly to service sector. However the service sector despite having a GDP share of more than 50%,

employs only about 39% of the Indian labor forces. What is also known reality and problematic for the Indian economy is that a large number of labor forces is working in India's informal sector with the NSSO figure placing it at 425 million out of the estimated 472.7 million workforce. The conditions of people working in this sector are hazardous and some of the important issues which they face are problem of, low wages, discrepancies in wages of men and women and lacking basic working facilities, unhygienic working and living condition of the worker, lack of safety mechanism to reduce accident and life threats at work place. Lack of labour unions, civil and political rights, and contractual nature of jobs has tendered India's informal sector's workers to mercy of employers.

The Unemployment Paradox - Education and Skill Development

For Paulo Freire, education is a key instrument to enacting social justice and is a great multiplier to overcome social barriers, in a country like India which is divided on caste, class, religion, region and multiple intersections: education provides opportunities for students to achieve freedom, both intellectual and physical – the “indispensable condition for the quest for human completion.”¹ Education becomes the key to success and the antidote to end all problems of the society.

In India, seven million youth formally complete their college degree but only half of them are employable. The major challenge being inability to speak English and lack of cognitive skills which would make them industry ready, as outlined by the World Bank “only 2.3% of India's workforce has received some formal skills training”². The problem lies in the glaring absence of uniformity of India's educational system. With the multitudes of government and private schools and colleges operating, India lacks uniform education policy whereby every school board across regions follow a similar teaching and learning method with a similar medium of instruction. In some states English is not mandatory and regional language acts as medium of instruction. So when these students come out of college to find a job; their education makes them unfit for employment. Lack of basic vocational learning and skill acquisition also hampers their employability. Keeping this in mind the government in 2015 introduced skill development programme in schools from 9th standard which is a welcome step.

One of the main barriers to Indians being considered good workers are the lack of formal training and skills that equip them for the job that the market demands, especially with the emergence of new jobs due to the advancement of technology and new avenues of employment requiring a new skill set and knowledge. One reason for this is lack of good quality colleges and specialized universities which would train the youth for future jobs. India needs to invest heavily in such

¹ Aaron J. Hahn Tapper, (2013) “A Pedagogy of Social Justice Education: Social Identity Theory, Intersectionality, and Empowerment,” *Conflict Resolution Quarterly*, 30, No. 4,413.

² World Bank, (2017, June 23). Skilling India. *World bank*, retrieved from <http://www.worldbank.org>

educational hubs and institutions which promote technical know-how and basic skill development and expertise. The concept of interdisciplinary nature of market force has to be introduced. Research has to be strengthened and job creation ideas have to be promoted through start-ups and sustainable methods that integrate the rural and urban necessities. Another step government should include is providing help to students in rural areas to learn English, and it could begin by opening English teaching centre in such areas. The problem is not just limited to people belonging to arts or social science background but is afflicting the quality of engineers which India produces. According to a report India annually produces 1.5 million engineers of which “Only 7 per cent of the Indian engineers are capable of handling core engineering tasks”.³

This sentiment was also echoed by ‘minister of skill development and entrepreneurship’ when he said that ‘ it is due to this reason that they remained unemployable by the industries’. The Indian government taking cognizance of the matter opened the first Indian institute for acquiring skills in 2016, which was to be regulated by the government but run on a public- private partnership providing trainings for the jobs that the graduates will be taking up in the future, meeting the requirements of the job market. By the end of a two years period the number of such institute increased to 12.

The Need to Prioritise Job Creation

Given the fact that in India there are about 15-17 million new workers entering the job market every year, the policy makers and government need to equip these new entrants in the economy with requisite skills, education and training which will help in familiarizing them with usage of new technology and its demand while simultaneously aspire to create new jobs, for which the government and its agencies have to be willing to be open to new ideas, encourage innovations and encourage small businesses and entertain and invest in big ideas that have the potential to convert and leads to creation of pool of employment opportunity for the people. Apart from training and education provided to the youth, India needs to seriously rebuild its manufacturing sector. With “an estimated 117 billion dollars worth in projects and investment being scrapped”⁴ India needs to revamp, reform and transform its manufacturing sector, by doing so India could create millions of jobs and manufacturing could give impetus to ‘Make in India programme’ a flagship initiative of the government, which aims to “facilitate investment, foster innovation, enhance skill development, protect intellectual property & build best in class manufacturing infrastructure”⁵.

³ IANS. (January 19, 2018).Unemployable youth limit India's growth: Minister Hegde. *Business Standard* Retrieved from <https://www.business-standard.com>

⁴ Anand, N. (2018, April 5). Indian Companies have scrapped projects worth \$117 billion in just one year. *The Quartz*, retrieved from <https://qz.com/india>

⁵ Roy, S. (2016).Faltering Manufacturing Growth and Employment Is ‘Making’ the Answer? *Economic & Political Weekly*, vol Li no 13 retrieved from <https://www.epw.in/system/files/pdf/>

There is a very sharp distinction between the production level of modern and traditional services. Russel Green's opinion that "Modern services are technology-enabled, transportable, and tradable. They include financial intermediation, communication, computer services, business services and professional services. Because of links to technology and the trade, modern services perform much better than manufacturing: characterized by fast productivity growth and potential to leverage export markets for the growth. In India, communications, finance, and computer related services yield five or more times the output per worker than most traditional services"⁶ India should invest more in these industries which would give more job opportunities to young people.

After the World Economic Forum published its report on Future of Jobs, the Indian government through its flagship organization Federation of Indian Chambers of Commerce & Industry (FICCI) and its subsidiaries started identifying areas which could boost jobs and growth. They suggested reforms in major sectors like, Retail, Information and Technology and agreed that the Government should support competitiveness. Once companies restructure and emerge competitive, the focus will shift to job creation. The government should also decentralize its economy and give larger share to the states to attract potential investors and reduce red Tapism which will lead to 'ease of doing businesses. The recently introduced Goods and Service Tax (GST) is a good example but its modalities have to be simplified. Various government agencies and think tanks have identified some core areas like 'Big Data, Internet of Things (IoT), Data Science, and Machine Learning' which if invested properly could give employment to millions. India should also insist on the transfer of technology during Foreign Direct Initiative (FDI) deals in key sectors.

Small and medium business enterprises need to be encouraged and provided with support as these enterprises have the potential to create a large number of jobs. Agriculture has to be aided by scientific and technological advancements, farmers have to be trained to practice multiple cropping and plantations. Emerging sectors like apiaries, horticultures, dairying and animal husbandry has to be supported. Capacity building programmes and community building practices of co-operative farming, development of rural handicraft and indigenous knowledge has to be preserved and promoted. Government should invest more in welfare schemes like the Prime Minister's Employment Generation Programme (PMEGP), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) and Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM). These welfare schemes go a long way in alleviating poverty and securing the ideals of nations and helps in building the country robustly. There are various reports that indict

⁶Green, R. (2019) Structural Change Forecasts for India Exploring the Feasibility of 'Make in India'. *Economic & Political Weekly* vol LiV no 38 retrieved from <https://www.epw.in/journal/2019/>

that government has deliberately withheld the government jobs and despite thousands of positions being vacant, has not tried to fill it up. It needs to seriously reconsider this position and try to recruit young people as soon as possible.

Conclusion

India faces a serious problem of mass youth unemployment, though the economy is growing rapidly. The policymakers need to overhaul multiple sectors and urgent reforms need to be initiated. Along with the creation of jobs focus has to be placed on the demands of the job market and equip the labor force with ability laden with skills, creativity and utmost level of insight. The government should ensure that there is a decent amount of dignity involved at any workplace, the working conditions have to be respected following the ILO guidelines, and basic facilities must be available to all workers. With its slogan of ‘good days and development for All with All’ the government should strive to ensure and achieve that no person is discriminated against in securing quality education and decent work.

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