

Skilling Alone Won't Save Us: The Alarming Rise of Unsecured Jobs in India

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Manikantha Nataraj

September 6, 2024



The recent Rajendra Nagar calamity, where three Union Public Service Commission (UPSC) aspirants tragically lost their lives due to floods in Delhi, brought into the limelight the intense and often desperate pursuit of government jobs among India's youth, highlighting the broader socio-economic context, where a government job is perceived as a rare ticket to security, status, and upward social mobility. This desperation for government jobs comes from the rising concern of lack of secured employment opportunities in the country as indicated by the rise in informal jobs devoid of any tenured contracts, benefits such as dearness allowances, gratuity, pension schemes, health insurance, and paid leave among others.

According to the Centre for Monitoring Indian Economy (CMIE), the [unemployment rate of the country grew from 7% to 9% in June 2024](#). Far more alarming is the youth unemployment rate which is as high as [10% as of the end of 2023, and especially among the graduates, at 17.31%](#). (The employment and output related estimates are the authors' calculation using (1) the unit level data of two rounds of Periodic Labour Force Survey (PLFS) 2018-19 and 2022-23 and (2) the data published by National Accounts Statistics (NAS), respectively, unless specified otherwise.)

The Budget and Economic Survey 2024-25 despite its attention to the issue of unemployment has overlooked the question on secured employment. The authors' research findings suggest that the percentage of employed persons having access to neither any form of social security, tenured

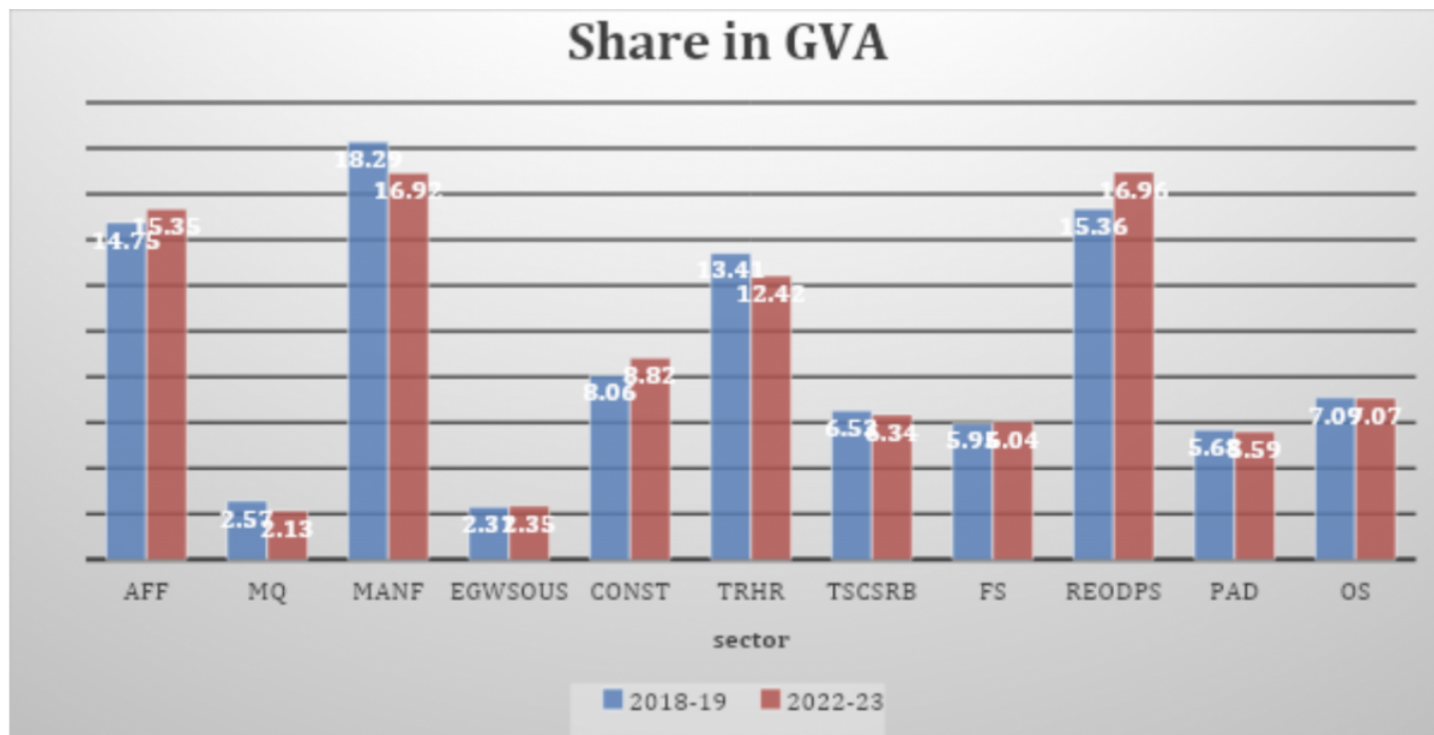
contract of at least a year and provision for paid leave is as high as 87% in 2022-23, an increase from 85% in 2018-19. In this regard the reduction in employment absorption in public sector and administrative jobs from around 2% to less than 1.5%, owing to sporadic recruitments and bureaucracy working with vacancies along with public sector disinvestment in the last couple of years further aggravates the crisis of lack of secured jobs.

The government posits the employment crisis as an issue of lack of skilled employees. This led them to introduce a stream of financial support schemes targeted towards skilling and training. However, according to the national classification of occupation, the share of employees already engaged in skilled jobs such as in legislative, administrative, medical, technical, professional and managerial posts, have witnessed a reduction from 18% in 2018-19 to 14% in 2022-23. This, when seen in tandem with an increase in the share of those with graduate degrees and above among the job seekers over the last few years, raises concern about availability of jobs for the already existing skilled and educated labour force.

Sectoral composition of output and employment

A perfunctory study of the latest National Accounts Statistics data reveals that India's labour force continues to rely on agrarian economy with its share in employment increasing from 40% in 2018-19 to 46% in 2022-23 while its share in output (Gross Value Added – GVA) dwindles around 15%. This indicates that, among other factors, the pandemic-stricken mass job losses in the urban service and manufacturing sector have pushed millions of footloose workers to migrate back to the agrarian economy. Moreover, the percentage share of the rural sector in the total workforce has witnessed an increase from a little above 70% to a staggering 76% during the same period, reflecting the rising (falling) significance of the rural (urban) sector in generating employment. These figures are estimated using the unit level data of PLFS 2018-19 and 2022-23.

While the share of employment in the construction sector increased from 11% to 13%, that of output hovered around 8%. At the same time, the manufacturing sector also saw its share in output and employment reducing from 18% to 17% and 13% to 11% respectively between 2018-19 and 2022-23.

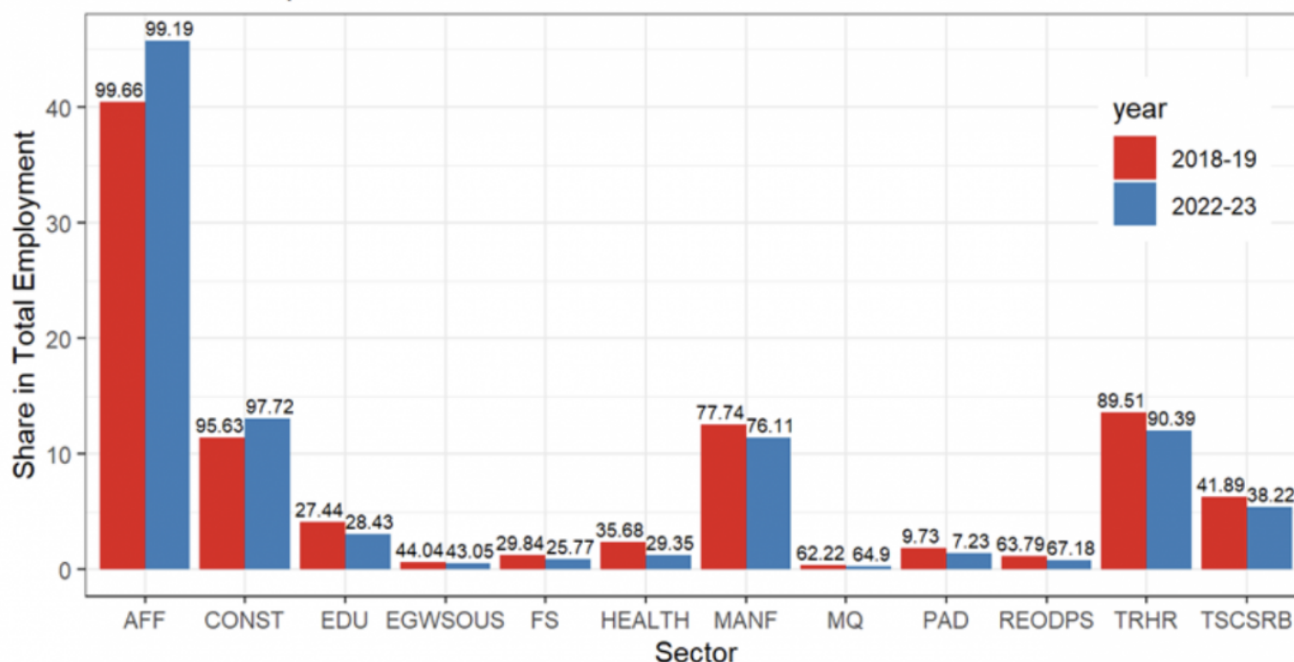


Source: Authors' illustration based on data collected from MoSPI (Note: AFF=Agriculture, forestry and fishing; MQ=Mining and quarrying; MANF=Manufacturing; EGWSOUS=Electricity, gas, water supply & other utility services; CONST=Construction; TRHR=Trade, repair, hotels and restaurants; TSCSRB=Transport, storage, communication & services related to broadcasting; FS=Financial services; REODPS=Real estate, ownership of dwelling & professional services; PAD=Public administration and defence; OS = Other Services (including health, education, personal care etc.)

On the other hand, the service sector is the major contributor to national output. But a disaggregated picture unveils various concerns. For example, the output share of real estate and professional services has increased from 15% to 17% over the same phase, however constituting not even 1% of total employment. For another crucial output contributing sector — wholesale and retail trade and repair service sector — the share in both output and employment has reduced from 13% to 12% and 14% to 12%, respectively. While the output share of sectors like transport, storage, and communication, and financial service remains steady at around 6% throughout 2018-19 to 2022-23, their contribution to employment share registered a decline from 6% to 5% for the former and that of the latter has shrunk below 1%.

Contribution to Employment and Extent of Informalization

A Sectoral Comparison over Time



Source: Authors' calculations and illustration using the unit level data of PLFS.

The figures above the bars depict the percentage of informal labour in total workforce of respective sector.

AFF=Agriculture, forestry and fishing; MQ=Mining and quarrying; MANF=Manufacturing;

EGWSOUS=Electricity, gas, water supply & other utility services; CONST=Construction;

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FS=Financial services; REODPS=Real estate, ownership of dwelling & professional services;

PAD=Public administration and defence; EDU=Education; HEALTH=Health

A clear picture of going back to the rural is observable here with three prominent patterns in the change of output and employment share since the pandemic. First, only the agriculture and construction sector have experienced an improvement during the last couple of years on both fronts. Second, almost every service sector's contribution to output and employment has reduced or remained stagnant at best during this phase. Third, the manufacturing sector is showing signs of crisis and has witnessed a stark decline in its contribution on both the fronts.

Increasing informalisation

With agrarian output increasing at a lesser rate than that of employment, it is probably indicating underemployment. Further, given that the entire agrarian sector is beyond the ambit of any labour legislation, the sector is bereft of any labour rights such as minimum wage, social security benefits and secured jobs. In other words, under the current institutional setting, any increase in employment in this agrarian sector will inevitably contribute to an increase in informalisation. Moreover, they predominantly constitute small own account enterprises working with less than five workers. Among them most are unpaid family members, usually women.

Construction, the other pivotal contributor to employment generation, is also highly informalized with its extent of informalisation marginally rising between 2018-19 and 2022-23. Further, trade, repair, hotels and restaurants, road transport, real estate, and professional services largely generate

informal jobs. Note that, sectors which have contributed significantly to overall growth during this period — all of them are highly informal and for several of these sectors informalisation has actually increased in the last two years. On the contrary, sectors where the percentage of informal labour is relatively lower are not generating enough employment. For example, railways, aviation transport, public administration and defense, education and health care sectors, are relatively formal but their contribution to overall employment is miniscule, hovering around 1 to less than 2% and indicates a further decline overtime. A welcoming exception is the financial service sector, where the extent of informalisation has reduced considerably but again its contribution to overall employment is also dismally low.

Policy response

From the finance minister's budget speech and the economic survey, the emphasis on skilling seems justifiable owing to the changing nature of work driven by technological advancement and overall digitalisation of the production process. However, historically technological advancement has raised concerns over employment prospects. Instances such as the introduction of assembly line during the Fordist era reducing the labour requirement per unit of output, job cuts of around 7,000 employees in 2018 in the power and gas division as part of the German based technological conglomerate-Siemens following its shift toward automation and digitalisation, or replacement of 60,000 workers in 2016 with robots at one of the Foxconn factories in Kunshan, China evidence that. Similarly, in India giant IT enterprises such as Infosys, and Cognizant have announced layoffs of over 10,000 and 7,000 employees respectively in the year of 2018-19.

The rationale behind this technology induced transformation in the production process is rooted in the market logic of cost minimisation and labour rationalisation. Under this situation, relative employment generating capacity of the output contributing sectors can get low by the very production mechanism itself. Hence, ensuring skill-based employability might not guarantee employment. Further, providing secured jobs adds cost to the private business entities which they might be able to afford but the market logic does not give them the reason to do so.

In this regard, digitisation and technologies used to reduce labour cost, be it by reducing the labour dependency and substituting with technologies and algorithms or be it by reducing the labour cost by cheapening the labour itself through informalisation, is more rational from the business point of view. Probably the solution remains in not only skilling people to increase their employability. It also requires a parallel push to increase the volume of jobs so that the decrease in recruiting capacity per enterprise can be compensated for with a greater number of enterprises. In this regard financial incentives alone to hire employees given to the private employers might not create enough jobs.

In short, the current scenario is as follows — growth-driving sectors are not creating enough decent jobs, other sectors absorbing large chunk of workforce are dominated by informal labour, sectors with relatively larger share of formal employment contribute minuscule portion to overall employment, and on the top of it, introduction of AI and IoT threatens the job prospects of even skilled workers.

Under such circumstances, unfortunately it seems like informality is here to stay, if not expand. Let us not forget that the demand for labour is closely tied with the demand of goods and services in general and India, due to its burgeoning inequality, has a very low domestic demand base. In the face of a global slowdown the perils only could be heightening.

Manikantha Nataraj is a doctoral candidate at the Department of Work, Employment and Organisation, University of Strathclyde, Glasgow. Saswata Guha Thakurata is an assistant professor of Economics at Azim Premji University Bhopal, Madhya Pradesh.