



India's labour market shows significant signs of improvement

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The high economic momentum, enhanced connectivity with global supply chains and dynamic markets scenario creates opportunities for workforce, strengthen demand trajectory and a long-term virtuous cycle in the economy.

Creating more and better-quality jobs is of paramount importance for India's economic growth and development. Enhancing productive employment stimulates aggregate demand by increasing household incomes, which in turn fuels consumption, factory expansion and drives economic growth trajectory at the next higher level. Job creation is a key factor in reducing poverty and inequality. A fully employed workforce contributes significantly to social stability. By ensuring that there are ample job opportunities, the government can help maintain peace and cohesion within society.

In India, sectors such as manufacturing, infrastructure, construction, tourism, technology, and services hold immense potential for job creation. Encouraged investments in these areas, along with a conducive environment for startups and small businesses, is leading to an increase in employment opportunities in the country. The enhanced connectivity with the global supply chains along with increase in production possibilities vis-à-vis policy reforms such as make in India, Production Linked Incentives schemes have created enthusiasm in the labour market and a long-term virtuous cycle in the economy.

According to the Periodic Labour Force Survey's 'Annual Report 2022-23', the data on labor force participation rates (LFPR) pre COVID-19 (averaged over 2018-19 and 2019-20) and post COVID-19 (averaged over 2021-22 and 2022-23) pandemic shows an increase in the post-COVID period) compared to the pre-COVID average rate. Additionally, the post-COVID average LFPR is higher than the LFPR recorded during the COVID-19 period (2019-2020).

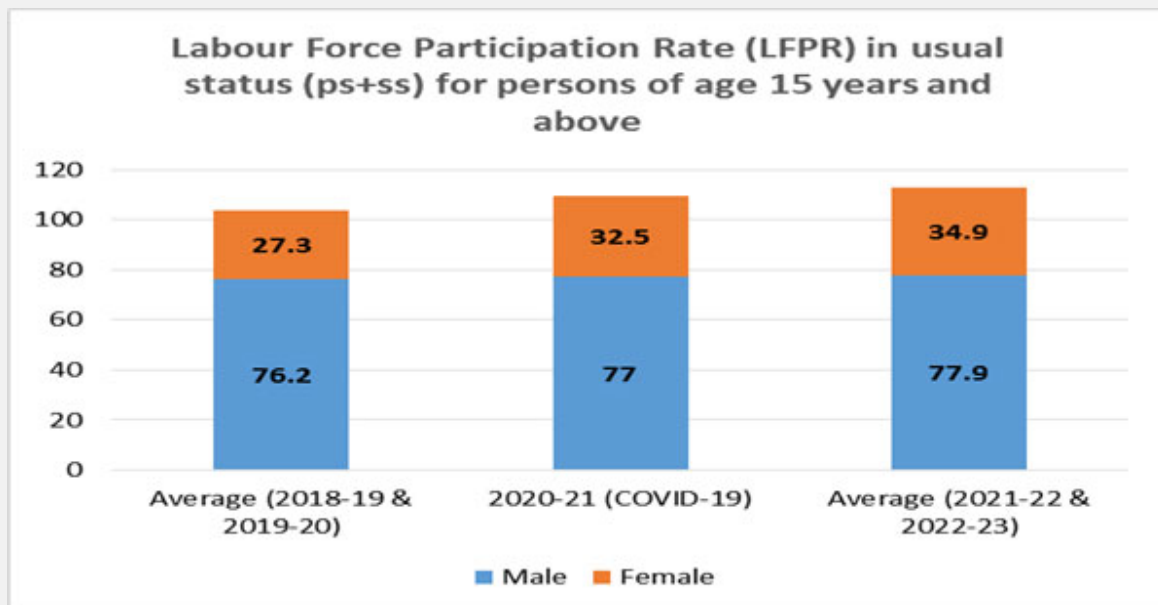
Labour Force Participation Rate (LFPR) in usual status (principal status and the subsidiary status) for persons of age 15 years and above of India (%)

Survey Period	2018-19	2019-20	Average (2018-19 & 2019-20)	2020-21 (COVID-19)	2021-22	2022-23	Average (2021-22 & 2022-23)
Male	75.5	76.8	76.2	77	77.2	78.5	77.9
Female	24.5	30	27.3	32.5	32.8	37	34.9
All India	50.2	53.5	51.9	54.9	55.2	57.9	56.6

Source : Compiled from Annual Report Periodic Labour Force Survey (PLFS) JULY 2022 - JUNE 2023

The labor force participation rate (LFPR) for males, females, and all persons (15 years of age and older) increased from 50.2% 2018–19 to 57.9% 2022–23. In 2018–19, the LFPR of males was 75.5%, and it increased to 78.5% in 2022–23. While for females, the rate has increased from 24.5% in 2018–19 to 37% in 2022–23.

Labour Force Participation Rate (LFPR) in usual status (principal status and the subsidiary status) for persons of age 15 years and above of India (%)



Source : compiled from Annual Report Periodic Labour Force Survey (PLFS) JULY 2022 - JUNE 2023

The labor market conditions have shown improvement through the increase in labor force participation rate and decrease in unemployment rate. The increased capital expenditure has played a significant role in improving the labor market scenario by generating more productive jobs. Skill development initiatives and vocational training programs have also contributed to upgrading and re-skilling the workforce.

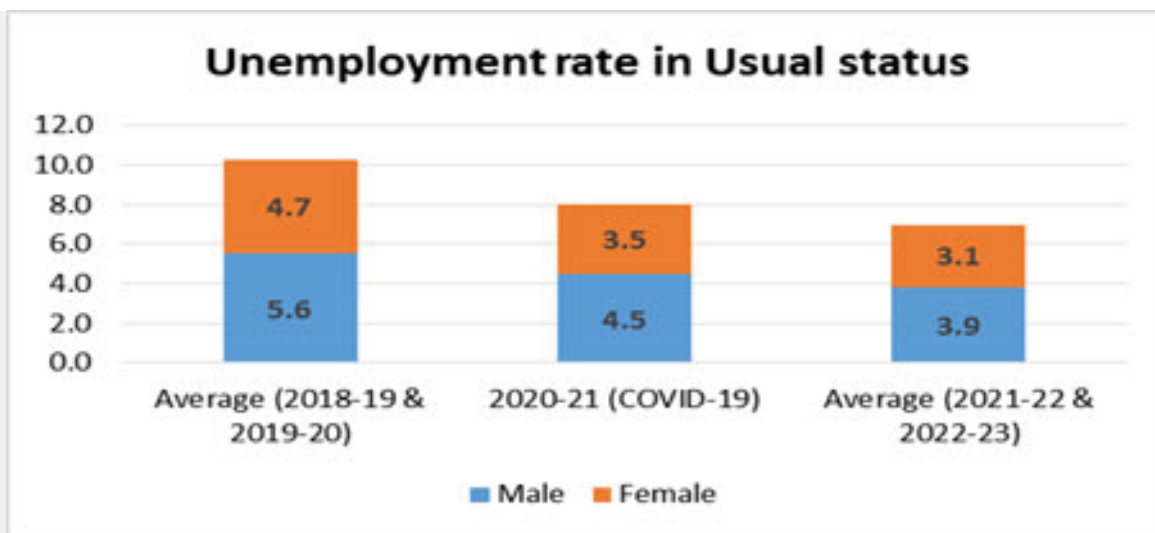
Unemployment rate in Usual status ((principal status and the subsidiary status) (%) for persons of 15 years and above of India (%)

Survey Period	2018-19	2019-20	Average (2018-19 & 2019-20)	2020-21 (COVID-19)	2021-22	2022-23	Average (2021-22 & 2022-23)
Male	6	5.1	5.6	4.5	4.4	3.3	3.9
Female	5.2	4.2	4.7	3.5	3.3	2.9	3.1
All India	5.8	4.8	5.3	4.2	4.1	3.2	3.7

Source : PHD research bureau, compiled from Annual Report Periodic Labour Force Survey (PLFS) JULY 2022 - JUNE 2023

While the unemployment rate reveals positive results; the unemployment rate for males, females, and all persons (15 years of age and older) declined from 2018–19 to 2022–23. In 2018–19, the unemployment rate for males was 6%, and it dropped to 3.3% in 2022–23. While for females, the rate has decelerated from 5.2% in 2018–19 to 2.9% in 2022–23. Overall, the unemployment rate has declined from 5.8% in 2018–19 to 3.2% in 2022–23.

Unemployment rate in Usual status of India(%)



Source : compiled from Annual Report Periodic Labour Force Survey (PLFS) JULY 2022 - JUNE 2023

On analyzing the pre- and post-covid unemployment rates of all persons, it reveals that in the post-covid period (average of 2021–22 and 2022-23) the unemployment rate of males at 3.1% has decreased relative to the pre-covid (average of 2018-19 and 2019-20) rate 4.7%. Moreover, the post-COVID average unemployment rate is lower relative to the COVID unemployment rate (2019–2020).

According to recent data, The Periodic Labour Force Survey (PLFS) for January – March 2024, released on 15th May 2024 by Ministry of Statistics and Programme Implementation, Government of India revealed that the urban unemployment rate declined to 6.7% in Q4FY24, compared to 6.8% in Q4FY23 for persons of age 15 years and above.

This improvement in the employment scenario is reflective of the strengthening economy and its ability to generate more job opportunities. The labour force participation rate (LFPR) in urban areas also saw a positive shift, rising to 39.5% in Q4FY24 from 38.1% in Q4FY23, indicating an increase in the number of people actively seeking work in urban areas.

Furthermore, the worker population ratio (WPR) witnessed a significant rise, climbing to 36.9% in Q4FY24 from 35.6% in Q4FY23, suggesting that a higher proportion of the working-age population is now employed. These figures suggest a promising trend in the labor market, highlighting the efficacy of economic policies and growth strategies implemented over the past many years.

This decline in unemployment can be attributed to various factors, including increased industrial activity, the rise of new enterprises, and the implementation of government initiatives aimed at boosting employment. It also underscores the importance of sustained economic growth and supportive policies in achieving long-term reductions in unemployment rates.

Further, the UN World Economic Situation and Prospects Report 2024 highlights that labor market indicators in India have shown significant improvement. This positive trend is attributed to robust economic growth and an increase in labor force participation. As economies worldwide recover from the impacts of the COVID-19 pandemic, more people are entering the workforce, and job opportunities are expanding.

Government's prudent policies and a focus on sectors such as technology, manufacturing, and services, the employment landscape is becoming more dynamic. These sectors are not only generating new jobs but also offering better quality employment with higher wages and improved working conditions.

In conclusion, higher labor force participation rates contribute to a more inclusive economic environment. As more individuals, including women and marginalized groups, join the workforce, it promotes greater economic equity and

social cohesion. This inclusivity helps in reducing poverty and narrowing income disparities, fostering a more balanced and resilient economic structure. The reduction in poverty is evident, as India has registered a significant decline in multidimensional poverty in India from 29.2% in 2013-14 to 11.2% in 2022-23 i.e. a reduction of 17.9 percentage points.

Looking ahead, maintaining this positive trajectory will be important for ensuring continued economic stability and improved living standards of the people. The focus will likely remain on fostering an environment conducive to job creation, skill development, and inclusive growth to build a Viksit Bharat by 2047. More and more focus on labor intensive economic activities such as development of the infrastructure, including industrial infrastructure and tourism infrastructure, and labor intensive sectors such as food processing, textiles, and leather would go a long way to strengthen the trajectory of job creation in India.

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