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**DAILY EDITORIAL
ANALYSIS**

TOPIC

**India's Demographic Dividend
& Employment Challenges**

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INDIA'S DEMOGRAPHIC DIVIDEND & EMPLOYMENT CHALLENGES

In Context

- With 63% of its population in the working-age group and a median age of 28 years, India has a unique opportunity to harness its demographic dividend. However, realizing this potential requires overcoming significant employment challenges.

Key Analysis

Economic Dimension:

- India is the world's **fastest-growing large economy** and the **fifth-largest economy** globally. The nation's **demographic dividend** presents an opportunity for sustained growth.
- At 55.2% in 2022 (ILO report), the LFPR is lower than desired. Economic growth has been driven by the **services sector**, which typically creates fewer jobs than manufacturing, resulting in a **decline in labour intensity**.

Challenges:

- Although India isn't experiencing jobless growth, the service-led growth pattern is insufficient to absorb the growing labor force.
- 45% of the workforce remains in **agriculture**, which only contributes 18% to GDP. This indicates low productivity and underemployment in agriculture.
- Around 19% of the workforce is employed in unorganized, non-agricultural sectors with low productivity.

Social Dimension (Labour Market)

- Sectors like **toys, apparel, tourism**, and **logistics** are labor-intensive and hold potential for job creation, but they remain underdeveloped.
- Only **4.4%** of the workforce (15-29 years old) is formally skilled, indicating a vast skill deficit. This hinders employability and economic productivity.

Challenges:

- The informal economy employs a large share of the workforce but suffers from **low productivity, lack of social security**, and **poor working conditions**.
- The backbone of employment, **Micro, Small, and Medium Enterprises (MSMEs)**, are reluctant to scale up due to compliance burdens from outdated labor laws.

Technological Dimension

- The **AI/ML revolution** poses a risk to repetitive, low-skill jobs, but also creates opportunities for **high-skill jobs** in emerging tech sectors.
- Despite India having the **second-largest talent pool** in AI globally, the current gap between demand and supply is 51% (NASSCOM).

Challenges:

- Low-skill jobs are increasingly under threat due to automation, especially in sectors like manufacturing and services.
- There is a need for large-scale **upskilling** to prepare the workforce for a **tech-driven economy**.

Policy and Governance Dimension

- The **impasse** over the implementation of new labor codes is creating uncertainty, especially in labor-intensive sectors. Reform in labor laws is essential to ease compliance for MSMEs and attract investment.
- India's economic growth has been capital-intensive, while labor-intensive growth is more suitable for its demographic profile.

Challenges:

- Much of the reform agenda, particularly in manufacturing and labor markets, requires action from **state governments**. **Coordination between the Centre and States** is crucial.
- The **Centre's influence in investments** crowds out states, leading to inefficiencies in resource allocation.

Government Initiatives

- **Make in India:** Aims to promote manufacturing in India, creating jobs in labor-intensive sectors.
- **Skill India Mission:** Focuses on **upskilling** the workforce to meet industry requirements, with a focus on youth and marginalized communities.
- **Production Linked Incentive (PLI) Scheme:** Provides incentives to companies in manufacturing sectors to boost production and job creation.
- **PM Gati Shakti:** Aims at **integrated infrastructure development** by coordinating between Ministries and States, enhancing logistics and connectivity.
- **National Apprenticeship Promotion Scheme (NAPS):** Encourages skill development through apprenticeship training programs with industry participation.
- **Startup India:** Supports entrepreneurs and MSMEs in creating new jobs, with a focus on innovation and technological development.
- **Atmanirbhar Bharat Abhiyan:** A comprehensive economic package focusing on self-reliance, including measures to support MSMEs and create employment.

Way Ahead

- **Accelerating Reforms at State Level:** States should lead the way in implementing labor codes to ease the regulatory burden on businesses and create an investor-friendly environment.
 - ♦ Encouraging states with strong manufacturing ecosystems to drive **labor-intensive industries** will help absorb excess labor from agriculture.
- **Addressing the Skill Gap:** Skilling must be seen as a **lifelong process**. **Public-Private Partnerships (PPPs)** must be scaled up to integrate **industry-relevant skills** into formal education and vocational training.
 - ♦ As AI/ML and automation expand, **upskilling** workers for **high-skill tech roles** is essential. Collaboration with tech companies will be crucial to build the required talent pool.
- **Boosting MSMEs:** Streamlining compliance processes and providing incentives for MSMEs to grow and scale will lead to more job creation.
 - ♦ Expanding access to affordable credit for MSMEs will help them invest in capacity expansion and improve productivity.
- **Leveraging AI/ML:** While AI/ML will create new jobs, India must ensure **appropriate regulations** are in place to govern their use. **AI/ML education** should be integrated into the national curriculum and skill development programs.
- **Promoting Labour-Intensive Sectors: Sectoral Focus:** Special focus should be placed on **high-growth potential sectors** like **toys, apparel, tourism, and logistics** to create jobs and absorb unskilled labor.
- **Value Chain Upgradation:** Gradually, sectors should move up the value chain, creating opportunities for **higher-paying, skill-based jobs** as the workforce matures.
- **Fostering Centre-State Cooperation: Collaborative Planning:** The Centre and States must work in tandem on **infrastructure projects** like PM Gati Shakti, ensuring that state governments have the **flexibility** to design and implement region-specific solutions.
 - ♦ Strengthening **fiscal decentralization** and empowering state governments to take ownership of job creation efforts will yield better results.



Mains Practice Question

[Q] How can India ensure that its workforce is equipped with the skills needed to thrive in the age of automation and AI?