

Policy Challenges to Deal with Young and Increasing Working-age Population

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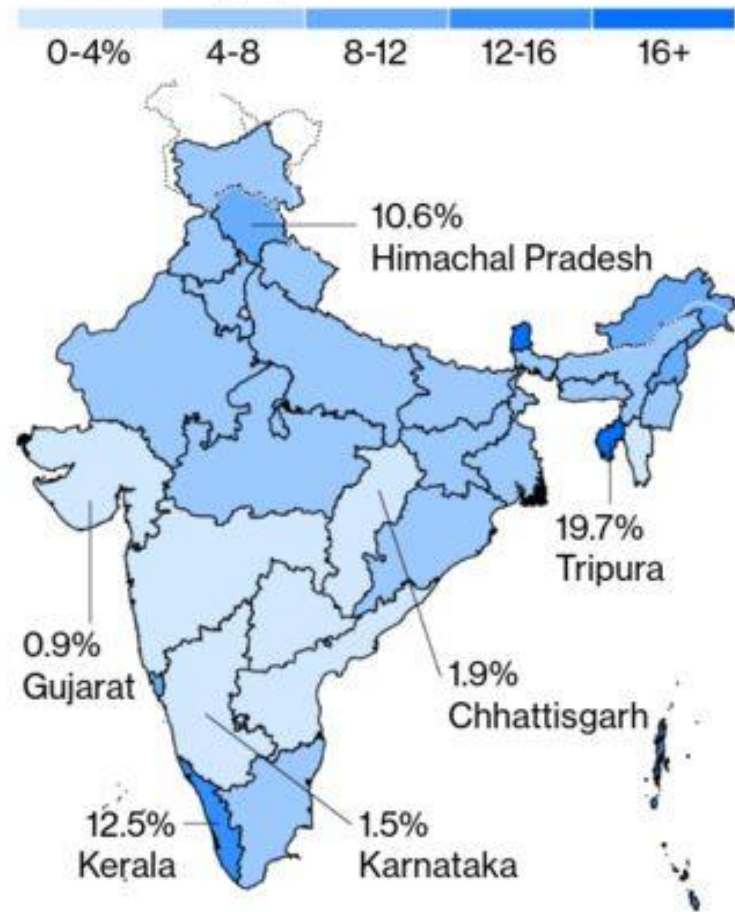
Indian Labour Market

- Should be understood as 28 state labour markets
- Peculiarly low labour force participation rate (approx. 50%) despite high economic growth
- Female labour force participation is falling with economic growth – a puzzle
- Some Hypothesis include:
 - Negative Cross Wage Elasticity of labour supply of wives (to husband's wages)
 - Rising costs of access to labour markets for women
- Job creation is an urgent policy priority for central and state governments
- India has the aspiration and potential to become the HR capital of the world

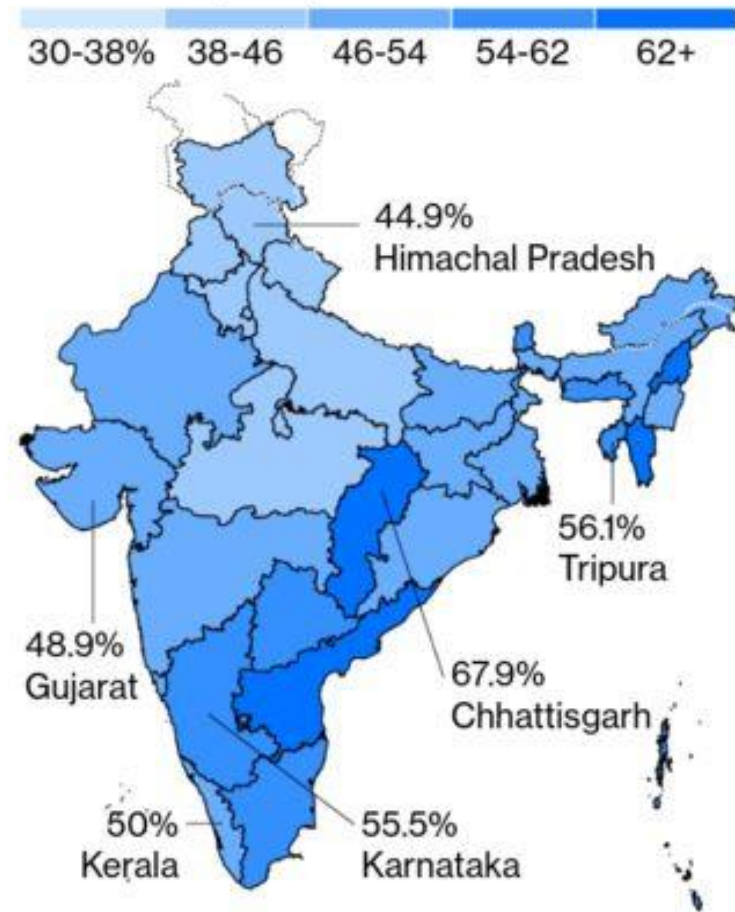
The Disunited States of India

Joblessness varies greatly depending on state-level policies, though labor participation is low nearly everywhere

Overall unemployment rate

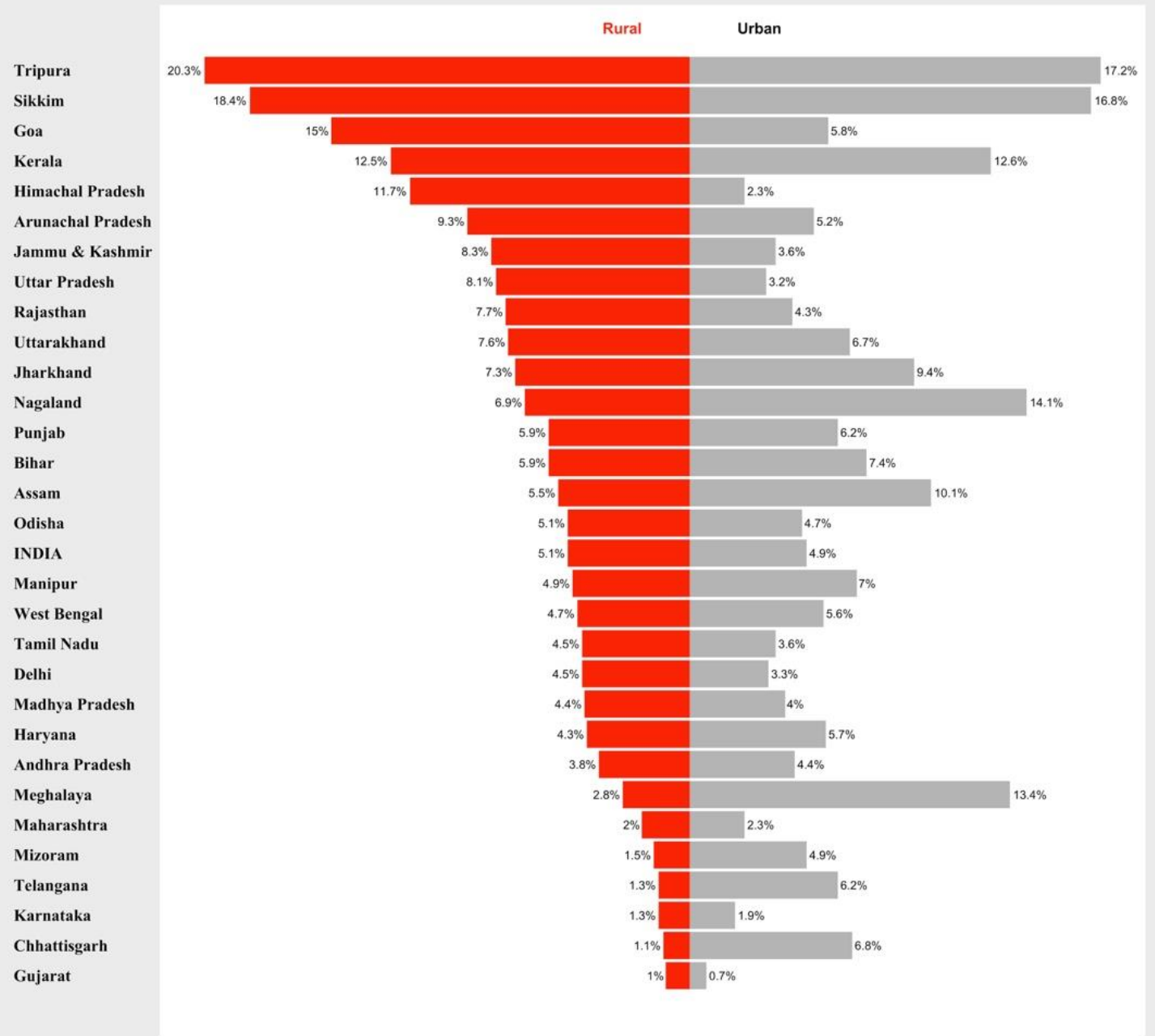


Labor force participation rate



Rural Vs Urban Unemployment

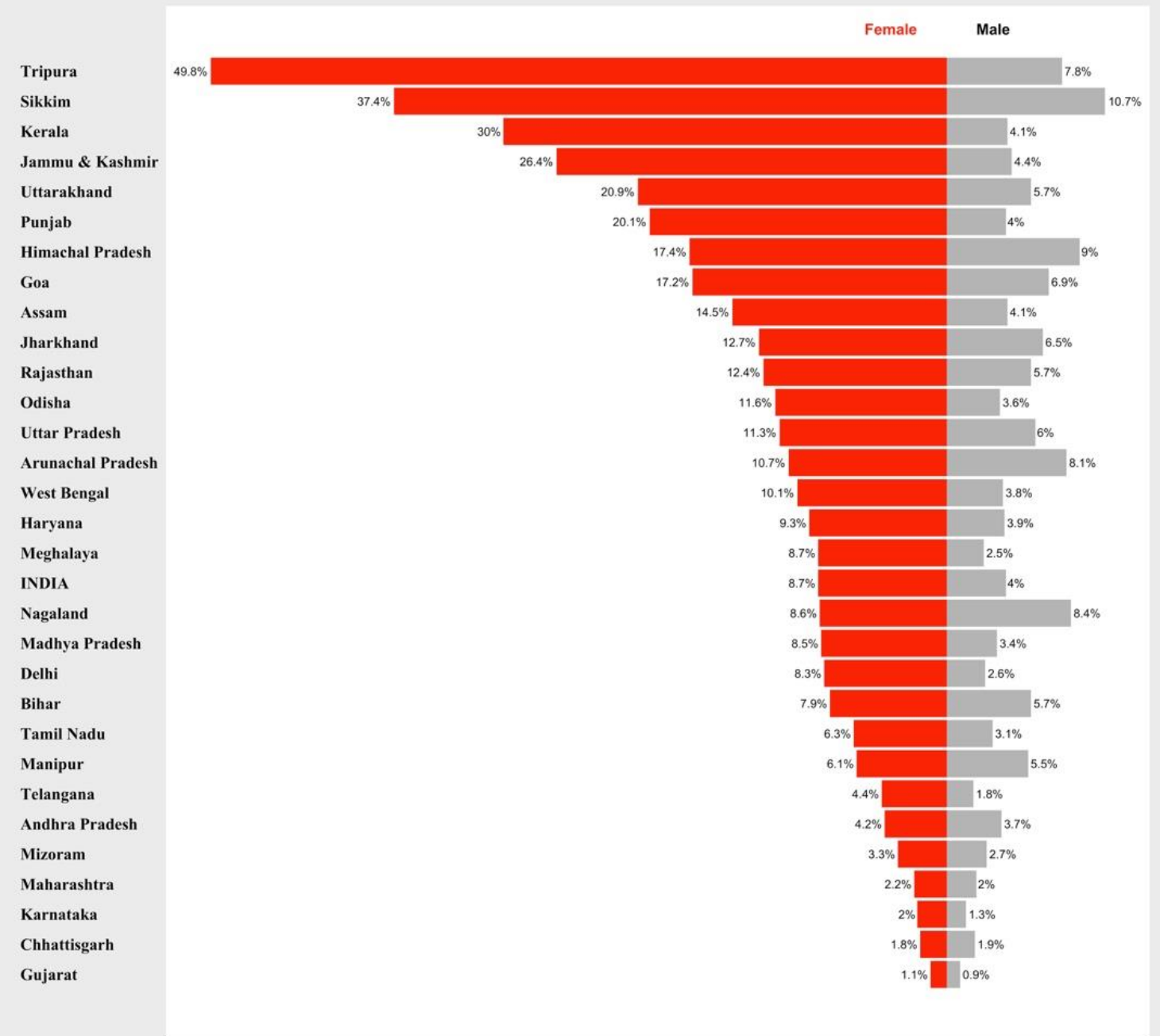
Rural vs Urban Unemployment rate



Note: Labour Force Parameters for persons aged 15 years & above according to Usual Principal Status Approach (ps).
 Data Source: Report on Employment-Unemployment 2015-16.
 Government of India, Ministry of Labour and Employment.

Female Vs Male Unemployment

Female vs Male Unemployment rate



Note: Labour Force Parameters for persons aged 15 years & above according to Usual Principal Status Approach (ps).
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Beyond National Statistics

BY GENDER

- Stark differences in the LFPR and unemployment rates for sex-disaggregated figures
- Unemployment rate for **females** ranges from 49.7% (Tripura) to 1.1% (Gujarat). Among **males**, it ranges between 10.7% (Sikkim) and 0.9% (Gujarat).
- States with high female LFPR (Chhattisgarh and Mizoram) have very low unemployment rates
- States that fare well on human development indicators have highest female unemployment (Tripura, Sikkim and Kerala)
- States which are generating jobs are also the most inclusive with extremely low female unemployment (Karnataka, Chhattisgarh and Gujarat)

BY PLACE OF RESIDENCE

- Striking difference in unemployment rate for rural and urban areas

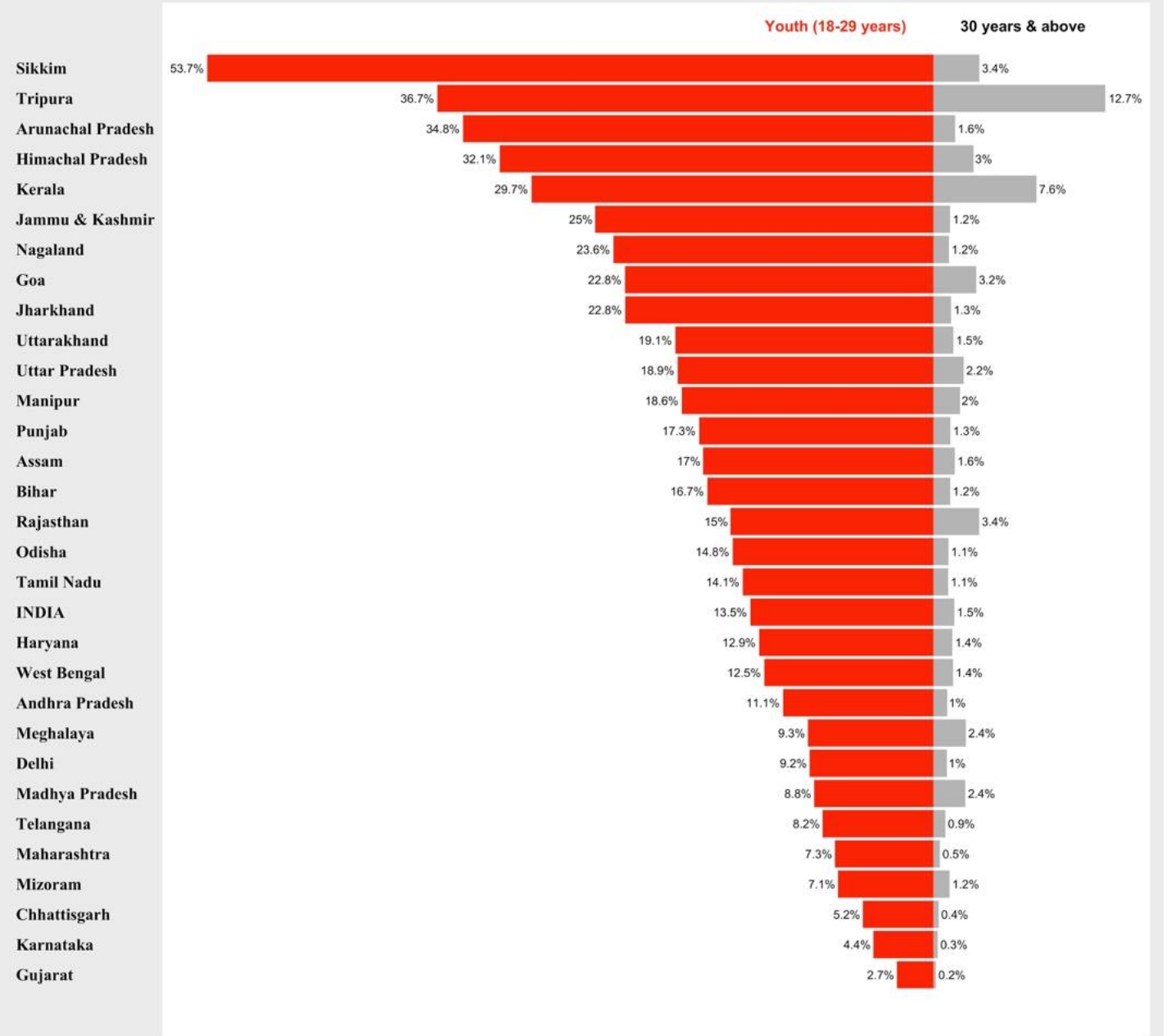
Need to study 28 State Economies

Ease of Doing Business & Growth

- **Dynamic states** which are actively improving their EoDB (Chhattisgarh, Karnataka and Gujarat) recorded the lowest unemployment rates.
- Wealth creation is leading to job creation.
- **Progressive states** that scored well on human-developed indicators (literacy and maternal health) don't seem to be great job-creators (Kerala, Tripura and Himachal Pradesh) and lagged in improving their business environment.
- State level employment variations are function of state policies.

Youth vs Older population unemployment

Youth (18-29 years) vs Older (30+ years) Unemployment rate



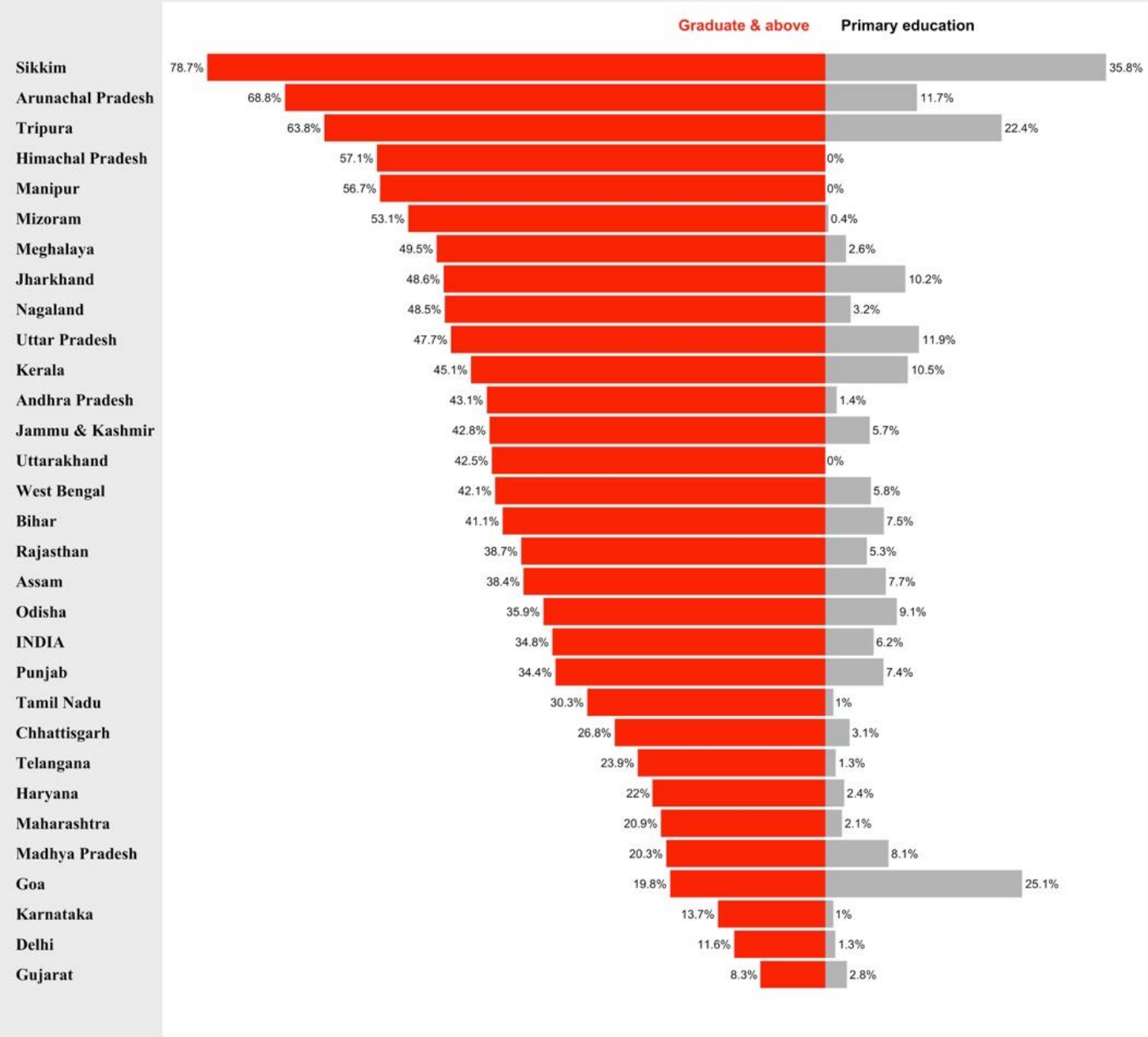
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Youth Unemployment

- India **shares the overall global phenomenon** of rising youth inactivity
- Higher youth unemployment rate (13.5%) in comparison to the older population (1.5%)
- Economically dynamic states which are creating overall employment, are also better at employing their youth (Karnataka and Gujarat)
- Low-ranking states on the EoDB Index (Kerala and Tripura) report high levels of youth unemployment
- Opportunity cost of waiting for a “good” job.

“Graduate” unemployment

Unemployment rate among Youth (18 to 29 years) Graduate vs Primary



Note: This is based on broad acitivity according to Usual Principal Status Approach (ps).

Graduate Unemployment

- Nature of youth unemployment in India is distinct from most developed economies, **uniquely concentrated among more educated Indians**
- OECD economies: higher educational attainment consistently leads to lower unemployment levels
- India: unemployment is high (34.8%) among youth who possess graduate (and above) degrees; lower for the uneducated youth (6.2%)
- *Mismatch between educational degrees and skills in the labour market*
- *Quality of education is a concern*
- *Expectations management of job seekers*

Need Higher Investments into Human Capital

- Health
 - New National Medical Commission
 - Ayushman Bharat – national health insurance scheme for bottom 2 quintiles
- Education
 - New Education Policy
 - Right to Education Act
- Gender
 - Mandatory paid maternity leave
 - Beti Bachao Beti Padhao (Save the daughters, Educate the daughters)
 - Improving sex ratios in most states

Migration

- Internal migration within states (rural to urban) is highest in magnitude
- Internal cross-state migration in response to emerging labour market opportunities
 - High skill migration into urban high growth clusters
 - Low skilled migration – from poor, low growth states to other states.
- Globalizing labour markets – a potential solution for economies with ageing population?
 - Political economy and uncertainty

Dhanyavad.
