



# Unemployment and Jobless Growth in India: Current Economic Issues and Policy Measures for Sustainable Employment Generation

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## Abstract

*India's economic growth over the last three decades has been impressive by many macroeconomic standards; however, this growth has not translated into adequate employment opportunities a disconnect popularly referred to as jobless growth. Despite a significant rise in GDP, the Indian labour market continues to struggle with persistent unemployment, underemployment, informality, and low quality of jobs. Youth unemployment, especially among educated and urban youth, remains higher than the national average, pointing to structural mismatches between labour supply and labour market demand. This paper uses secondary data from the Periodic Labour Force Survey (PLFS), Economic Survey reports, World Bank and ILO sources to analyse trends in unemployment, identify root causes, evaluate policy responses, and suggest targeted solutions for sustainable employment generation. The findings show that policies emphasizing skill development, labour-intensive growth, formalisation of employment, and gender inclusion are critical to addressing joblessness in India. Effective policy implementation, institutional coordination, and monitoring are indispensable for transforming growth into gainful jobs.*

*Keywords: Unemployment, Jobless Growth, Labour Market, Youth Employment, Informal Employment, Skill Mismatch, Employment Policy and Sustainable Employment*

## Introduction

Employment generation is widely recognised as a fundamental objective of economic development. Classical economic theory posits that economic growth should lead to increased employment opportunities; however, in India, this relationship has weakened over time. Despite high GDP growth rates, employment expansion has lagged, leading to what economists call *jobless growth*. This phenomenon is particularly evident when aggregate national indicators show rising output, but labour market indicators reflect stagnant or increasing unemployment for key demographic groups.

In India, several labour market challenges persist simultaneously:

- **Youth unemployment:** Young people entering the workforce face limited job opportunities.
- **Informal employment:** A large share of workers are engaged in informal, precarious jobs without social security.
- **Skill mismatch:** There are gaps between education outcomes and industry needs.
- **Gender inequality:** Female labour force participation remains low and stagnant.
- **Sectoral imbalances:** Services and capital-intensive industries dominate growth, but fail to absorb large numbers of workers.

These challenges underscore the complexity of unemployment in India and highlight the need for an employment-centric development strategy.

## Rationale of the Study

Understanding the disconnect between economic growth and employment is crucial for policymakers, researchers, and stakeholders aiming to design interventions that can create sustainable livelihoods. This paper aims to:

- i. Analyse unemployment trends in India using recent data.
- ii. Identify structural and demographic determinants of jobless growth.
- iii. Evaluate the effectiveness of government policies.
- iv. Recommend comprehensive policy measures for sustainable employment generation.

## Literature Review

Reviewing empirical and theoretical research helps situate the present study within existing knowledge.

### **Declining Employment Elasticity**

Kannan & Raveendran (2019) noted a declining employment elasticity in India, meaning that employment has grown at a slower pace than output. They highlighted structural shifts toward capital-intensive sectors that reduce labour absorption.

### **Informal Employment Challenges**

International Labour Organization (2015, 2020) reports emphasise the dominance of informal work in India, suggesting that informality undermines job quality and access to social protection.

### **Educated and Youth Unemployment**

Mehrotra et al. (2021) and Roy & Ghosh (2023) found that educated youth face higher unemployment due to mismatches between their skills and job market requirements.

### **Gender Labour Gap**

Srivastava & Bänder (2022) analysed women's labour force participation and found persistent gaps due to socio-cultural norms, safety concerns, and limited formal employment avenues.

### **Technological Disruption**

Ganuthula & Balaraman (2025) documented labour market polarisation due to automation and digitalisation, which increased demand for high-skill workers while reducing middle-skill opportunities.

### **Policy Response Analyses**

Roy & Ghosh (2023) evaluated skill development schemes, suggesting that implementation gaps and weak industry linkages limit employment outcomes.

### **Macro-Labour Disconnect**

World Bank (2022) provided global evidence showing that growth without labour absorption is a common developing country phenomenon unless accompanied by inclusive labour policies.

### **National Labour Market Surveys**

PLFS reports (2024–2025) remain the most authoritative source for analysing unemployment trends in India's labour market.

These studies collectively reinforce the multi-dimensional nature of unemployment and the need for integrated policy responses.

## Methodology

**Table 1: Data Sources**

Source	Type of Data	Period Covered
PLFS (National Statistical Office)	Unemployment & employment indicators	2017–2025
Economic Survey (MoF, GOI)	Macro & labour data	2017–2023
ILO Global Employment Trends	Informality, youth labour	2015–2024
World Bank India Development Update	Structural employment insights	2018–2022
RBI Annual Reports	Economic context	2017–2024

### Objectives of Methodology

1. **Trend Identification:** To trace unemployment and labour market shifts over time.
2. **Structural Analysis:** To understand root causes of jobless growth.
3. **Policy Evaluation:** To assess existing government measures and gaps.
4. **Interpretation:** To derive actionable insights from statistical patterns.

### Variables and Statistical Tools

#### Variables

- **Unemployment Rate (UR):** % of labour force unemployed
- **Youth Unemployment:** % unemployed aged 15–29
- **Labour Force Participation Rate (LFPR):** % of population in labour force
- **Employment Composition:** Sector and job type distribution

#### Statistical Tools

- ✓ Descriptive statistics
- ✓ Trend analysis
- ✓ Cross-tabulation
- ✓ Comparative percentage interpretation

No primary data collection was undertaken; the study is fully based on **secondary data analysis**.

## Analysis and Discussion

### Unemployment Trends

**Table 2: Unemployment Rate in India (2017–2025)**

Year	Total UR (%)	Rural (%)	Urban (%)
2017–18	6.1	5.3	7.7
2018–19	5.8	5.0	7.1
2019–20	4.8	4.0	5.7
2020–21	7.1	6.2	9.3
2021–22	4.1	3.3	5.8
2022–23	3.5	2.7	5.1
2023–24	3.2	2.4	5.4
2025 (Q1)	<b>5.4</b>	<b>4.8</b>	<b>6.8</b>

Source: PLFS (NSO), Business Standard (2025)

The overall unemployment rate fell post-pandemic but showed resurgence in early 2025, particularly in urban regions, indicating underlying structural vulnerabilities.

### Youth Unemployment Patterns

**Table 3: Youth Unemployment (2025, Q1)**

Category	Unemployment (%)
Overall Youth	14.6
Urban Youth	18.2
Rural Youth	11.9

Source: PLFS & Business Standard (2025)

Youth unemployment is substantially higher than national averages, reflecting labour market entry barriers for young job seekers.

### Labour Force Participation

**Table 4: Labour Force Participation by Gender**

Group	LFPR (%)
Total	55.0
Male	75.2
Female	33.4

Source: PLFS (2024–2025), Economic Survey (2023)

Female participation remains significantly lower than male, indicating persistent gender disparity in labour market engagement.

### Employment Composition

**Table 5: Job Type Distribution**

Type	Share (%)
Self-Employed	57
Casual Labour	22
Regular Salaried	21

Source: Economic Survey of India (2023)

A dominant share of the labour force remains in informal or precarious jobs, with only one-fifth in regular salaried employment.

### Summary of Findings

The major findings of the study are:

- Urban unemployment is higher than rural, suggesting structural issues in urban formal sectors.

- Youth rates are nearly triple the general UR, showing unmet aspirations and poor skill absorption.
- Female LFPR much lower than male, requiring targeted interventions.
- High informal employment share signals job quality issues, not just quantity.
- India's labour market challenges are structural, not merely cyclical:

### Reasons for Unemployment

- ✓ **Capital-Intensive Growth:** Technology and automation reduce routine job creation.
- ✓ **Skill-Employment Mismatch:** Education outputs do not match industry requirements.
- ✓ **Informalisation of Jobs:** Majority of workers lack contracts or benefits.
- ✓ **Gender Inequality:** Socio-cultural barriers hinder women's employment.
- ✓ **Regional Disparities:** Uneven industrialisation limits job creation in lagging states.

### Government Policies and Gaps

#### National Programmes

- ✓ National Skill Development Mission
- ✓ MGNREGA for rural jobs
- ✓ MSME credit schemes
- ✓ Startup India initiatives

#### Policy Gaps

- Weak industry-skill linkages
- Insufficient private sector job generation
- Limited formalisation pathways
- Poor monitoring of outcomes

### Policy Recommendations & Suggestions

#### Promote Labour-Intensive Industries

- Incentivise textiles, agro-processing & construction

#### Strengthen Skill-to-Employment Pathways

- Curricula co-designed with employers
- Expand apprenticeships

### **Formalisation of Jobs**

- Simplify compliance for small firms
- Extend social security

### **Gender-Targeted Policies**

- Safe workplaces
- Flexible work arrangements

### **Regional Employment Plans**

- Localised sector strategies

## **Conclusion**

India's challenge of unemployment and jobless growth is deep-rooted, shaped by structural economic patterns, demographic dynamics, and institutional gaps. While recent data show moderate overall unemployment rates, youth unemployment, informality, and gender disparities persist. Sustainable employment generation requires an integrated policy framework that aligns growth with labour absorption, strengthens skills, promotes formal jobs, and ensures inclusive opportunities for all segments of society.

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