

Labour market and Employment: Dynamics, Challenges and Policy Implications

Dr. Archana Kumari

Assistant Professor (Department of Management Studies), Centre for Research & Innovation (CRI),
Amritsar Group of Colleges (AGC), Amritsar (Punjab) India

Abstract

This study examines the framework of globalization, evolution of technology and socio-political shifts. It analyzes how employment is affected by globalization, technology and government policies, it examines how labour supply and demand interact and also the role of education and skill development. Key findings reflect long standing challenges such as youth unemployment, gender disparities, informal work and ad-hock work. In this regard, the instant article proposes a policy recommendation to foster inclusive, sustainable employment growth.

Keywords: Globalization, Technology, Gender disparities, Sustainable. Inclusive

1. Introduction

The labour market (or labor market in American English) **alludes** to the supply and **demand for labour**, where the supply of labour from employees meets the demand for labour from employers, influencing employment levels wage rates. Also known as job market.

The labour market, also known as the jobs market, refers to the supply of and demand for labour, and is reflected in several key indicators: Employment – number of people in paid work. Unemployment – number of people without a job who have been actively seeking work.

Age-Based Trends in Labour Force Participation

Youth (Ages 15–24)

- **Declining Participation:** In many developed countries, youth participation in the labour force has reduced significantly in the last few decades. The reason for this is the greater emphasis on higher education; young people are delaying entry into workforce because they prefer to continue their college studies or vocational training.
- **Unemployment and Underemployment:** Youth are also more likely to experience higher rates of unemployment and underemployment. They tend to fill low paying or temporary jobs, which can lead to challenges in achieving financial independence and stability.

- **Impact of Automation and AI:** As automation and AI disrupt entry-level jobs, youth may face additional challenges in finding employment. On the other hand, youth employment in tech-related fields (like software development, design, and data analysis) is growing.

Prime Working Age (Ages 25–54)

- **Steady Participation:** This age group, usually, has the highest and most stable participation rates. People in this range are more likely to be established in their careers or in full-time education.
- **Gender Gap in Participation:** In many countries, men historically had higher participation rates than women in this age group. However, this gap has narrowed over the years, as women are increasingly entering the workforce.
- **Increased Demand for Flexible Work:** With the rise of dual-income households, flexible working conditions and remote work have become important factors for this group.

Older Workers (Ages 55+)

- **Increasing Participation:** Labour force participation among older workers has been rising in many advanced economies, driven by increased life expectancy, financial insecurity (e.g., insufficient retirement savings), and policies that encourage older people to remain in the workforce.
- **Retirement Age:** In many countries, retirement ages are being pushed higher to address aging populations and pension sustainability.
- **Challenges for Older Workers:** Despite increased participation, older workers face higher risks of long-term unemployment, age discrimination, and job displacement due to automation.

2. Gender-Based Trends in Labour Force Participation

Women's Participation

- **Increasing Female Participation:** Over the past few decades, women's participation in the labour force has significantly increased, especially in developed economies. This increase can be attributed to higher educational achievement among women, changing social norms, and the rise of flexible working arrangements.
- **The Gender Pay Gap:** Despite increased participation, women often face lower wages than men for similar work. Gender discrimination, occupational segregation (e.g., more women in caregiving roles or lower-paying sectors), and career interruptions (e.g., due to child-rearing) contribute to this gap.
- **Work-Life Balance:** Women are disproportionately affected by challenges related to work-life balance especially in countries without robust parental leave policies or affordable childcare options. The lack of workplace flexibility can prevent women from reaching their full potential in the workforce.

Men's Participation

- **Declining Male Participation:** In some regions, there has been a steady decline in male participation in the labour market especially in developed economies. The decline can be attributed to factors like the shift from manufacturing to service-based economies (as manufacturing sectors have traditionally employed a large portion of men) and the rise of automation in male-dominated fields.
- **Involuntary Part-Time Work:** More men are working part-time or in temporary positions, often, due to lack of full-time opportunities in their industry.

3. Education-Based Trends in Labour Force Participation

Higher Education

- **Higher Participation with Advanced Education:** People with higher levels of education (e.g., bachelor's, master's, or doctoral degrees) tend to have higher labour force participation rates and lower unemployment rates. They are more likely to be employed in high paying, more stable jobs, and they face less job displacement from automation.
- **Skills Mismatch:** There is also a growing concern about the mismatch between the skills acquired in education systems and those demanded in the labour market, especially with the rapid technological shifts. Workers with outdated skills may find it difficult to secure employment even with higher education.

Lower Levels of Education

- **Lower Participation Rates:** Those with lower levels of education, such as high school diplomas or no post-secondary qualifications, often experience lower participation rates. They are more likely to be employed in low-paying, temporary, or manual labour jobs and are at higher risk of long-term unemployment.
- **Vulnerabilities:** This group faces vulnerabilities in the labour market as automation and global competition are increasingly replacing low-skill jobs.
- **Focus on Vocational Training:** There is an increasing emphasis on vocational and technical education to equip workers with specific, in-demand skills and improve their employability.

4. Regional Trends in Labour Force Participation

Developed Economies (North America, Europe, Japan, etc.)

- **High Participation, but Slow Growth:** Labour force participation rates are generally high in developed economies but have been stabilizing or declining slightly due to demographic changes (e.g. aging populations) and structural shifts (e.g. automation, service-sector dominance).

- **Youth Unemployment:** Many European countries have been grappling with high youth unemployment rates, particularly in Southern Europe (e.g., Greece, Spain), where economic crises have had long-term effects on job markets for younger workers.
- **Retirement and Social Security:** As populations age, more developed countries are facing issues related to pensions and retirement security, which are contributing to higher labour force participation among older workers.

Literature Review

According to Soumalya Bhattacharyya (2023), Keynesian economics stands as a pillar of influence, shaping the policies and interventions that nations employ to manage their economies. Named after the renowned British economist John Maynard Keynes, Keynesian economics argues that markets do not always naturally self-adjust to full employment and stability, instead it suggests that government intervention is often necessary to counteract economic slumps and maintain steady growth.

Dani Rodrik (2011) work sheds light on complex relationship between global economic integration and domestic labour markets. Rodrik points out that globalization often triggers shifts in employment patterns, notably, the decline of conventional manufacturing positions in developed nations because of offshoring and increased automation.

The "The Long Shadow of Informality: Challenges and Policies" report from the World Bank provides a straightforward explanation of how informal employment contributes to economic issues. When a large number of people hold informal jobs without formal contracts or benefits, it results in: reduced output (people are unable to work as effectively).

Sebastian Schneider & Matthias Pilz, **Publication:** *Prospects* (Springer) (2024) The study "India's labour market challenges: Employability of young workforce from the perspective of supply and demand" observes that many young Indians struggle to get skills that match employer.

Partha Pratim Mitra — *Skilling and Employability: Understanding Challenges in India with Special Reference to West Bengal*, (2018), The skills that people acquire and what employers require are not aligned. After imparting proper training through training program dropout rates are high. Even those with college degrees often don't have the right skills—like subject knowledge, communication, or basic maths and logic. Many skilled workers are still unable to find acceptable employment as a result.

Bino Paul, Ramesh C. Datta, Unmesh Patnaik, Saritha C. Thomankutty & Sumesh P. Soman — *The Dynamics of Indian Labour: Ramifications for Future of Work and Sustainability* (2023), They propose policies that increase human capital to lower the risk of non-absorption (people who cannot find work despite an abundance of labor); promote capital-labor complementarity, particularly in the "green/sustainable transition"; increase labor market flexibility in a humane way; fortify environmental standards; and incorporate decent work into sustainability transitions.

Objective of the study

1. To examine the labor market's current structural patterns and dynamics, including sectoral changes, demographic influences, and trends in both formal and informal employment.
2. To identify and analyze the main issues that affect employment, including job quality, informality, skills mismatch, and socio-economic disparities that impact labor force participation.
3. To assess current policy initiatives and make practical suggestions for boosting workforce competencies, fostering inclusive and sustainable labor market growth and improving employment outcomes.

Research Methodology

1. Research Design

This study adopts qualitative analysis to comprehensively understand labour market dynamics, challenges, and policy implications.

2. Data Collections

Secondary Data:

- Utilizes large-scale and nationally representative datasets such as the Periodic Labour Force Survey (PLFS), Annual Survey of Industries (ASI), Economic Survey reports, and International Labour Organization (ILO) databases to analyze employment patterns, formal and informal sector trends and demographic shifts.
- Review of government policy documents, reports from international organizations (e.g., World Bank, ILO), academic research papers and industry reports for insights on labour market challenges and policy effectiveness.

3. Data Analysis

Qualitative Analysis:

- Thematic content analysis of interviews and policy documents to identify recurrent themes regarding challenges like informality, skills gaps and gender disparities.
- Comparative analysis of policy frameworks to evaluate their effectiveness and identify gaps.

DATA ANALYSIS AND INTERPRETATION

1. The economic Survey 2024, tabled by Union Finance Minister Nirmala Sitharaman, revealed the job scenario in India and the steps, government plans to take, to meet the demands. The survey covered labour market, including Artificial Intelligence (AI), gig work and climate change.

This analysis is accompanied by an estimation of the yearly increase in employment opportunities necessary to accommodate the growing working-age population, the rising participation of women in the

labour force and the ongoing transition of labour away from agriculture. Furthermore, the agro-processing industry is identified as a promising avenue for generating employment in a practical and regionally decentralised manner.

India's workforce is nearly 56.5 crore, with more than 45 per cent employed in agriculture, 11.4 per cent in manufacturing, 28.9 per cent in services, and 13.0 per cent in construction, highlights the Economic Survey.

According to the survey findings, in terms of worker's **employment** status, 57.3 per cent of the total workforce is self-employed and 18.3 per cent is working as unpaid workers in household enterprises. Casual labour comprises 21.8 per cent of the total workforce and regular wage/salaried workers are 20.9 per cent of the total workforce. Gender-wise, it is the female workforce which is shifting to self-employment, while the male workforce's share has been stable. This is evident in the sharp rise in female LFPR in the past six years, driven by rural women joining agriculture and related activities.

The Economic Survey 2024 reports highlight substantial sectoral imbalances and the dominance of informal employment in India with nearly half the workforce in agriculture and a majority self-employed or casually employed. Rising female labour-force participation especially among rural women, alongside the shifting labour away from agriculture, underscores important demographic and structural changes shaping the evolving labour market.

2. The Economic Survey 2024-25, tabled in Parliament on January 31, 2025, has brought to light the alarming mismatch between the educational qualifications of India's workforce and the jobs they occupy. According to the Survey, a mere 8.25% of graduates are employed in roles that align with their qualifications which highlights a growing concern over the skills gap in the country's job market.

The India Employment Report 2024 by the International Labour Organization (ILO) states that about 90% of the workforce is involved in informal employment, accompanied by a significant decrease in regular employment since 2018. This widespread informal work presents a major challenge to job quality and security.

3. a) The Employment Linked Incentives (ELI) scheme, introduced in the Union Budget 2024, represents a transformative policy. The scheme introduces three new initiatives under the Employment Linked Incentive umbrella, as part of a broader package of five schemes announced in the Union Budget for 2024-25. This package is designed to support employment, skill development and other opportunities for 4.1 crore youth over the next five years, with a central allocation of Rs. 2 lakh crore. This ambitious plan aims to make a significant impact on the Indian job market and contribute to the overall economic growth of the country.

b. Furthermore, according to the ministry, the LFPR (Labour Force Participation Rate) for individuals aged 15 has increased from 49.8% in 2017-18 to 60.1% in 2023-24.

The worker-population ratio (WPR) rose from 46.8% to 58.2% during that same period, while the unemployment rate dropped sharply from 6% to 3.2%.

These indicators are seen to indicate a greater rate of workforce absorption into productive jobs. According to the International Labour Organization's *World Employment and Social Outlook 2024*, it was

reported by the ministry that the youth unemployment rate has reduced sharply from 17.8% to 10.2%, falling below the global average of 13.3%.

Under the National Education Policy (NEP) 2020 and the National Skills Qualifications Framework (NSQF), The employment landscape has been transformed by the rapid advancements in technology and the changing nature of work. To ensure that individuals are equipped with the necessary skills to thrive in the future, the establishment of a strong synergy between education and skilling initiatives is considered crucial. This panel discussion aims to explore the challenges and opportunities in bridging the gap between education and the requirements of the future workforce.

The goal is supported by the data and policy initiatives which show that latest reforms like the Employment Linked Incentive (ELI) scheme have had a positive impact on employment generation and workforce participation in India. Stronger workforce absorption and better labor market health are indicated by the increase in LFPR and WPR as well as the notable drop in unemployment and youth joblessness. Education, skilling, and employment needs have grown more aligned, as evidenced by these trends and policies under NEP 2020 and NSQF. When combined, they offer a solid basis for evaluating ongoing programs and developing workable plans to improve workforce competencies, stimulate equitable and sustainable labor market expansion and raise employment outcomes generally.

Findings:

1. India's workforce is estimated at **56.5 crore**, with **45% employed in agriculture, 11.4% in manufacturing, 28.9% in services, and 13% in construction**, indicating that gradual diversification from agriculture is being noticed.
2. The workforce is largely composed of 57.3% self-employed, 18.3% unpaid family workers, 21.8% casual labourers, and 20.9% regular wage earners, showing that informal employment is leading.
3. It has been found that only 8.25% of graduates are employed in jobs matching their qualifications, showing that a skills gap is being experienced and education–employment alignment is lacking.
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5. Employment opportunities are being generated in agro-processing, AI, gig work, and green sectors, providing new avenues for growth.
6. The Indian labour market is being characterized by rising participation, especially among women, though challenges related to informality, skill mismatch, and job quality are still being faced.

Conclusion:

It may be inferred that notable structural transformations are taking place in India's labour market. A gradual shift from agriculture to manufacturing and services is being observed, and new employment opportunities are being created in emerging sectors such as agro-processing, AI, gig work, and green industries. However, the dominance of informal employment and the presence of a notable skills gap are still being experienced, indicating that stronger alignment amongst education, skill development, and industry requirements is required. Although higher labour force participation, particularly among women, is being recorded, issues related to job quality, informality, and skill mismatch are still being faced. Hence,

sustained policy efforts and effective implementation of employment and skill initiatives are needed to ensure inclusive and sustainable workforce growth in the country.

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