

Skill Development and Employment Generation Strategies for Enhancing Per Capita Income in India

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Abstract

The current economic landscape in India presents a pressing concern, a steadily increasing unemployment rate, which reached its peak last year. Escalating this issue is a significant disconnect between the skills imparted by the education system and the skillsets sought after by the industry. This disjuncture serves as the focal point for our research, as we look to scrutinize the prevalent challenges within India's employment sector and propose viable policy adjustments and implementations to address them. The Indian Employment sector encompasses organized, unorganized, and formal segments, our paper narrows its focus to the public sector and the issue of unfilled job vacancies. We conduct a comprehensive analysis of the unemployment problem and suggest some pragmatic solutions. Thus, the research yields a spectrum of recommendations aimed at bridging skill gaps, empowering marginalized communities, and fortifying India's economic standing. These recommendations encompass methods for job creation and entrepreneurship, initiatives for seamless school-to-work transitions, and enhancements in higher education quality. Although recognizing the rich diversity of India and its economic intricacies, we emphasise the need for policy adaptations tailored to regional specificities.

Introduction

The contemporary discourse on India's economic growth trajectory has prominently positioned the nation as a potential global economic giant. This perspective has been strengthened by economic dynamism, underscored by statistics such as India's equivalence to entire continents like Australia in absolute terms, with predictions of surpassing the US economy within a few decades.¹ On nominal GDP and per capita income, India is 15 years behind China.² Between 2011 and 2019, the country is estimated to have halved the share of the population living in extreme poverty - below \$2.15 per person per day (2017 PPP) (World Bank Poverty and Inequality Portal and Macro Poverty Outlook, Spring 2023). In recent years, however, the pace of poverty reduction has slowed, especially during the

¹ [Economic Times](#)

² [The Wire](#)

COVID-19 pandemic, but has since moderated in 2021-22. In FY 22/23, India's real GDP expanded at an estimated 6.9 percent.³ Growth was supported by robust domestic demand, strong investment activity bolstered by the government's push for investment in infrastructure, and buoyant private consumption, particularly among higher-income earners. These achievements, while laudable, invite critical scrutiny regarding their impact on inequality and poverty, particularly within the context of employment outcomes, encompassing job volume, quality, wages, and social security coverage.

India's per capita income, as per the latest study by SBI Research economists, is projected to surge from Rs 2 lakh (\$2,500) in FY23 to Rs 14.9 lakh (\$12,400) per annum by FY47.⁴ The government has set the ambitious target of becoming a developed economy by FY47. This aspiration was underscored by Prime Minister Narendra Modi in his Independence Day address, emphasizing that achieving a developed India in 2047 is a collective goal of 140 crore Indians.

Despite India's \$ 10 trillion economy in terms of PPP-based GDP estimates, it ranks as the poorest among G20 nations in terms of per capita income. This paradox emphasises the necessity for India, considering its population, to become the largest and the most economically prosperous country in the world. Achieving this goal is not merely about economic growth but also about elevating the standard of living for the majority of its citizens.

This research aims to investigate the link between per capita income, skill development, and employment generation within the Indian context. It seeks to address the pressing issues of skill development, the challenges it faces, and its implications for income disparities. Furthermore, it delves into the intricacies of employment generation, considering its significance as a means to alleviate poverty. By exploring these facets, this study endeavours to shed light on the complex relationship between economic growth, skill enhancement, and employment creation in India.

³ [World Bank](#)

⁴ [The Hindu](#)

Literature review

1. "A New Approach to Public Sector Hiring in India for Improved Service Delivery":

A 2016 article by Karthik Muralidharan, dives into the complex world of Indian public sector hiring. It reveals a world characterized by hiring inefficiencies, bureaucracy, and corruption, all of which culminate in delayed and opaque recruiting. Nonetheless, the public sector remains an important source of work prospects in India. Muralidharan's approach focuses on data-driven changes and technology integration to simplify the hiring process. The literature underlines the compelling need for transparent, efficient, and merit-based employment processes to boost service delivery, governance, and overall socio-economic development in India.

2. "Good Economics for Hard Times":

Abhijit Banerjee and Esther Duflo's book "Good Economics for Hard Times" investigates India's fascination with government jobs. They reveal a substantial wage and benefits gap between the public and private sectors, driving intense competition for government positions. This obsession results in extended periods of youth unemployment and hinders private sector growth due to a scarcity of skilled workers. Banerjee and Duflo's research emphasises the economic and social consequences of this preference, highlighting the need for a more balanced employment approach in India. Their insights are crucial for policymakers and stakeholders seeking to address employment disparities and promote economic growth.

3. "Workforce Development in India: Policies and Practices":

Shyamal Majumdar's paper, titled "Workforce Development in India: Policies and Practices," published by the Asian Development Bank Institute, plays a crucial role in understanding India's vocational and skill education sector. This paper carefully examines the policies and practices in place to improve the country's workforce development. It's a valuable resource for anyone interested in closing the skills gap and boosting employability in India. Furthermore, the paper provides useful recommendations for policymakers, educators, and business leaders

to create strategies that match workforce development with India's changing economic landscape.

4. "A Skilled Workforce for Strong, Sustainable, and Balanced Growth":

The paper "A Skilled Workforce for Strong, Sustainable, and Balanced Growth" by the International Labour Office, published in November 2010, has been critical in projecting a detailed understanding on the various aspects of workforce development. By presenting diverse examples from various countries, it offers invaluable insights into how nations have tackled skill-related challenges. The paper emphasises the significance of aligning skills development with economic growth goals and emphasises the need for comprehensive training strategies. It serves as a valuable resource for understanding global efforts to enhance workforce skills, providing a framework for creating policies and initiatives that bridge skill gaps and promote sustainable economic development.

Current State of Skill Development and Employment in India

Skill development in India is of importance due to its direct impact on poverty alleviation, inequality reduction, and economic growth. It offers a direct solution to the critical issue of low skills, which perpetuates socioeconomic disparities. Effective skill development initiatives can significantly reduce unemployment and underemployment, enhance productivity, and elevate living standards. UNICEF 2019 reports stats that at least 47% of Indian youth are not on track to have the education and skills necessary for employment in 2030.⁵

Investing in skill development aligns with economic rationality. Developing and updating individuals' skills not only bolsters their employability but also contributes to structural transformation and economic growth. Improved skills enhance labour productivity, rendering countries more competitive in the global arena. This process creates a virtuous cycle⁶ where the acquisition of relevant and high-quality skills leads to increased productivity, foreign direct investment, and, consequently, the

⁵ [Drishti IAS](#)

⁶ [World Bank](#)

creation of more and better employment opportunities. This, in turn, attracts additional public and private investments in the education and training systems, further amplifying employability and productivity for both the current and future workforce.

Despite the evident benefits of skill development, India faces substantial challenges. Basic literacy rates have declined, with children's reading abilities regressing to pre-2012 levels, affecting both government and private schools. The Education Ministry data reveals that India currently hosts 15 to 20 crore illiterate individuals.⁷ Additionally, the median dropout rate for children aged 15 and above has risen alarmingly to 7.5%, a stark increase from the previously reported 2.0%.⁸

On the other hand, Employment generation is crucial to the development goals of India and many other countries. It is critical for poverty reduction, especially in developing countries. In affluent countries, chronically high and growing unemployment rates have sparked anxiety, prompting a renewed emphasis on job creation as a primary policy goal.

Productive employment is especially important in emerging nations like India for alleviating poverty. The relationship between meaningful work and poverty reduction is generally recognized, making job creation an important component of social and economic development efforts. Addressing the problems of unemployment and underemployment has become a common priority of national governments and international organizations.

A prominent feature is the increasing prevalence of contractual hiring within most companies. Approximately 49 percent of businesses have adopted this approach as a strategic measure to curtail labour costs.⁹ Additionally, there is a growing trend of companies turning to freelancers as a means to

⁷ [The Hindu](#)

⁸ [ASER 2022 National Findings](#)

⁹ [ORF online](#)

further reduce hiring expenditures. The 'Future of Work in India' report by ORF underscores this transition in employment practices.

The Organization for Economic Cooperation and Development (OECD) has revealed that a significant 31 percent of Indian youth aged 15 to 29 are neither in education, employment, nor training (NEET).¹⁰ To address this challenge, it is essential to equip India's youth with the requisite education and skills. Furthermore, creating accessible and appealing job opportunities is pivotal. The need to involve the youth in the higher education set-up is further discussed in the recommendations.

The current scenario presents a futuristic growth rate in terms of the service sector and manufacturing sector. Companies in India are optimistic about the future and are open to the possibilities presented by the new technologies and digitisation. Along With these positive future expectations, the government must establish an ecosystem to better equip the workforce for changing skill and educational requirements.

A review of current policies

The Indian Government runs several programmes to improve the skills of the people and to increase the present employment growth rate.

The Pradhan Mantri Kaushal Vikas Yojana (PMKVY), a flagship initiative under the Skill India Mission, has emerged as a cornerstone in India's efforts to bridge the employability gap among its burgeoning youth population. Launched in 2015 by the Ministry of Skill Development and Entrepreneurship (MSDE), this policy has played a pivotal role in reshaping the nation's approach to skill development and job readiness.

PMKVY has a laser focus on delivering training that directly aligns with the current and anticipated needs of industries.¹¹ This ensures that young Indians acquire skills that are not only relevant but also

¹⁰ [ORF online](#)

¹¹ [PMKVY official](#)

in high demand, significantly improving their prospects of securing gainful employment. This program provides financial support, lays emphasis on acknowledging pre-existing skills and knowledge, and also provides facilities for standardized tests for skills assessment.

The Atmanirbhar Bharat Rojgar Yojana (ABRY)¹² is another government initiative aimed at promoting employment generation by providing financial incentives to employers and employees. Under this scheme, the government contributes to the Employees' Provident Fund (EPF) accounts of eligible new employees and employers, encouraging job creation in various sectors. The scheme's success could be well imagined by the staggering number of beneficiaries that exceeds 60 lakhs.

The Atal Innovation Mission¹³ is another example of a programme where the government tries to promote a culture of innovation and entrepreneurship by providing a platform for the generation and sharing of innovative ideas, alongside an incubator to mentor and support innovators. Start-up India¹⁴, launched in 2016, to promote start-up culture in India tries to support the early entrepreneurs by providing loan support, funding and tax benefits. Along similar lines, to look up the marginalized communities, the Government of India launched Stand-up India which facilitates bank loans for starting greenfield enterprises, fostering economic inclusion.

A step in the new transformative world of tech and the internet, the government launched Digital India¹⁵ to promote the digital savvy culture and spread digital literacy even to the marginalized and the rural population.

While the government schemes and policies have helped improve employment and skills among the citizens, there remain some loopholes which need to be fixed to substantially increase the implementation and efficiency of such policies. Such recommendations will be made further in the

¹² labour.gov.in

¹³ Atal Innovation Mission

¹⁴ Startup India

¹⁵ Csc.gov.in- Digital India

paper. It is of utmost necessity that a detailed look is to be made to the employment facet and how the current economic scenario is placed before making any policy recommendations.

Analyzing key areas/ factors of improvement

India's employment landscape is a multifaceted terrain characterized by a multitude of opportunities and obstacles. A substantial portion, roughly 80%, of the workforce operates within the unorganized sector, grappling with a lack of formal employment rights, benefits, and social safeguards. Moreover, over half of the non-agricultural labour force is occupied in the informal economy, primarily in low-productivity sectors such as construction. A pressing concern in the informal sector is the substantial unskilled labour force, where a mere 2% have undergone formal skills training.¹⁶ We, further, talk about the details concerning the employment situation in India, and factors affecting the dynamics of employment and then suggest potential policy changes.

Table 1. Sector-wise employment in India—millions, 2012.

S. No.	Sector-wise employment in India	Millions	Percentage
	Organised public sector		
	Central government	2.52	
I	State governments	7.18	(37.6%)
	Quasi-governments	5.8	
	Local bodies	2.11	
	Sub-total	17.6	
II	Organised industry and agriculture	17.3	(36.9%)
III	Organised private sector	11.9	(25.4%)
IV	Total organised sectors	46.8	(100%)
V	Total labour force	484	
VI	Employment in unorganised sectors	437.2	(90.3% of total labour force)

Note: Figures in brackets in I, II, III and IV are percentages to total employment in organised sectors. See Note at end on employment in unorganised sectors.

The Unorganized Sector and Skill Enhancement:

The dominance of the unorganized sector in India's labour force presents a formidable challenge. This sector predominantly comprises informal labourers who frequently grapple with marginalization concerning their employment rights and social protection. Furthermore, the lion's share of these

¹⁶ [United Nations](#)

workers toils in low-productivity spheres like construction. Addressing this formidable issue necessitates a concerted investment in skilling and training programs specially tailored to cater to vulnerable groups, including individuals with disabilities. Shockingly, out of 13.4 million employable individuals with disabilities, a staggering 9.9 million find themselves either unemployed or marginally employed.¹⁷ It is thus imperative to enact policy measures aimed at enhancing the skills and employability of this demographic.

The "Make in India" Initiative:

The "Make in India" initiative has emerged as a pivotal catalyst for economic growth and job creation. With a staggering \$222 billion in investment pledges, particularly in the electronics sector, this initiative holds the potential to spawn 28 million jobs and make a substantial 12% contribution to the nation's GDP. The adoption of cutting-edge Industry 4.0 technologies and government-driven skill development endeavours further amplify the prospects of this monumental initiative.¹⁸ Collaborative ventures with major international corporations bolster India's standing as a burgeoning manufacturing hub, offering a wealth of employment opportunities in high-value sectors.

India's employment landscape has undergone marked transformations over the years. In the late 1990s, railways, public administration, and defence accounted for a substantial share of salaried jobs. However, the tide of economic liberalization has shifted the sands, with manufacturing and services industries now occupying the forefront. Presently, over half of the salaried employment is attributed to the services sector, with manufacturing playing an equally significant role.¹⁹ As the employment dynamics continue to evolve, meticulous strategic planning and policy adaptations are warranted.

The primary driver of India's economic growth since the economic reforms of the 1990s has been the service sector. With remarkable advancements in the IT and technology industries, the service sector

¹⁷ [United Nations](#)

¹⁸ [United Nations](#)

¹⁹ [Hindustan Times](#)

now shoulders a significant portion of India's GDP, contributing approximately 50%. India's status as one of the world's largest exporters of IT and BPO services is evident in the estimated exports of \$157 billion²⁰ during the fiscal year 2021-22, comprising \$106 billion in IT services and \$51 billion in BPO services. Moreover, these sectors have played a pivotal role in both direct and indirect job creation, with an estimated 5.1 million jobs directly in the IT and BPO sector and over 12 million jobs indirectly generated.²¹

While talking about the dynamics of the private sector in India, the trajectory of job growth in this sector is intricately intertwined with overall economic growth and foreign direct investment (FDI). Notably, the approval of FDI in 2012 opened the doors for retail giants like Walmart, potentially generating employment opportunities numbering in the millions. Simultaneously, Indian companies investing abroad have made noteworthy contributions to job creation. However, within the public sector, challenges persist, including cancelled recruitment drives and lingering vacancies. Effectively addressing these issues assumes paramount importance in harnessing the full potential of the public sector's contribution to employment and economic growth.

Employment in the Public Sector:

While the public sector remains a potent source of employment, its role as a job provider has been dwindling. Government employment is tempting, especially for rural and urban youth. The craze for securing government positions can lead to negative consequences, including protracted periods of youth unemployment. According to the unemployment report published by the Centre for Monitoring the Indian Economy, the rate of unemployment for those in the age bracket of 20-24 stood at 41.9% in September 2022; it was 9.8% for those in the 25-29 years category.

This phenomenon has been aptly analyzed by Abhijit Banerjee and Esther Duflo, who underscore the disproportionate attractiveness of government jobs, given their higher salaries, job security, and robust benefits. This creates a situation where government jobs are highly coveted and scarce, leading many

²⁰ [INDIA@100- EY](#)

²¹ [MEITY- India](#)

youths to spend years pursuing them, often unsuccessfully, instead of engaging in more productive endeavours. The ensuing wait for these coveted roles carries economic and social ramifications in various forms as illustrated by Banerjee and Duflo. Abhijit Banerjee and Esther Duflo have highlighted that public-sector workers in India earn more than double the average wage in the private sector.²² The report published by the Seventh Pay Commission in November 2015 highlights the gap between public-sector jobs and private-sector job salaries. The report states: “According to the study the total emoluments of a General Helper, who is the lowest ranked employee in the government is ₹22,579, more than two times the emoluments of a General Helper in the private sector organizations surveyed at ₹8,000- ₹9,500.”²³

The impact of this government job obsession is multifaceted and far-reaching:

1. **Wasted Productivity Years:** Many young individuals spend the prime years of their lives chasing government jobs, often ending up without one. This not only hampers their personal growth but also represents a loss of productive potential for the nation.
2. **Social Stability Concerns:** Prolonged youth unemployment is detrimental to social stability. Frustration and idleness among the youth can lead to social unrest and a sense of disillusionment.
3. **Reduced Private Consumption:** The focus on government jobs leads to a large proportion of the youth being unemployed during their prime consumption years (Mint, 2023). As a result, they are unable to contribute to private consumption, which affects overall economic demand.
4. **Impact on Private Sector:** The excessive demand for government jobs can also impact private sector growth. It creates a situation where private sector jobs are often seen as less attractive,

²² [Economic Times](#)

²³ [Live Mint](#)

leading to fewer employment opportunities in the private sector. This, in turn, affects overall economic growth.

To address these challenges, India needs to reimagine its approach to employment and emphasise the importance of a balanced employment landscape. Strategic policies, investments in skill development, and a shift in focus towards productive private-sector employment are crucial in achieving inclusive economic prosperity and curbing youth unemployment.

In the context of skill development and employment generation, it is imperative to analyze the trajectory of jobs in the organized sector, as revealed by data collected from the National Pension System (NPS) in India. This data exhibits a noteworthy trend, particularly in the aftermath of the COVID-19 pandemic. Data emanating from the Employees' Provident Fund (EPF) casts a revealing light on the shifting contours of formal employment in India. The EPF scheme, introduced in 1952, serves as a retirement benefit scheme where both employers and employees contribute a certain sum monthly. It offers tax advantages and an attractive interest rate, positioning it as a critical element of the social security apparatus.

There has been a discernible increase in the number of Employees' Provident Fund (EPF) subscribers, indicating a growing presence of formal sector employment. This increase is substantiated by an average growth rate of 26.6%, which underscores the significance of EPF as a measure of formal employment. To comprehend the implications of this data, it is essential to delve into the fundamental aspects of EPF and its role in the social security landscape.

Recent data shows that CPSEs have witnessed a decline in total employment, with a staggering 2.7 lakh jobs lost since 2013. Individual analysis of CPSEs reveals that seven companies have experienced a significant reduction in their workforce over the past decade. Bharat Sanchar Nigam Limited (BSNL) led this list with a substantial decrease of approximately 1.8 lakh jobs, followed by Steel Authority of

India Limited and Mahanagar Telephone Nigam Limited (MTNL), both reporting over 30,000 job losses.²⁴ These employment trends in CPSEs illustrate the evolving landscape within the sector, characterized by a decrease in total employment and an increase in contractual employment.

This surge in EPF subscribers is not merely a statistical trend but signifies a shift towards formal employment, which comes with numerous benefits. Formal employment provides workers with job security, access to social security schemes, and opportunities for skill development. Moreover, it contributes to a more stable and productive workforce, ultimately benefiting the economy. As India continues to evolve, understanding the implications of these data trends and harnessing the potential of formal employment will be instrumental in shaping a brighter economic future.

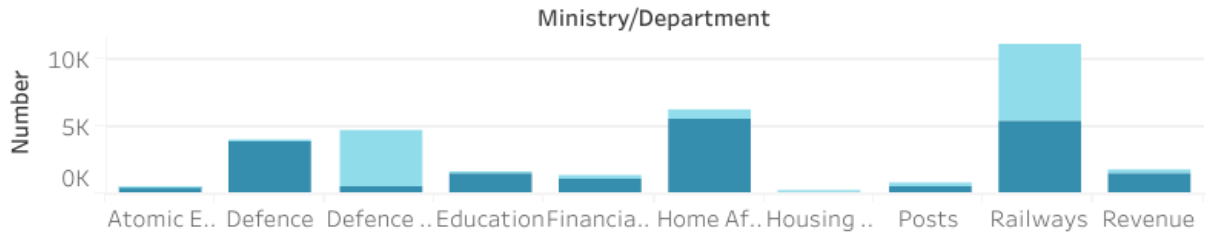
Addressing Vacancies and Disparities:

The pervasive disparities in employment opportunities, categorized by demographic distinctions, loom large within India's ministries and departments. Government data has laid bare the substantial backlog of unfilled vacancies across various departments, exposing yawning chasms in the availability of employment opportunities. This is well demonstrated by the illustrated graph drawn from data available on the MOPSI site for government data as well as by the fact that the Indian Railways has

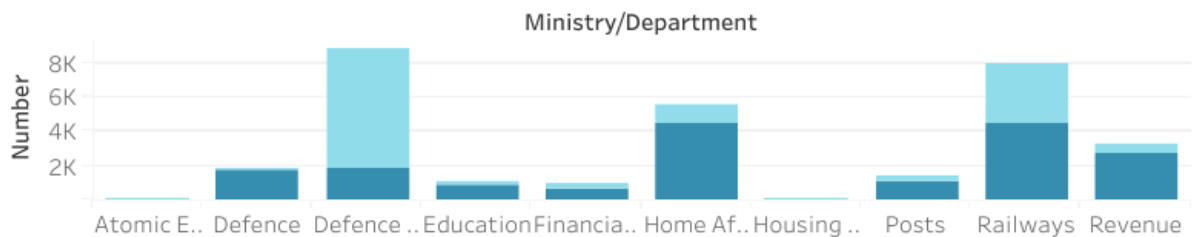
²⁴ [MOSPI- India](#)

3.12 lakh non-gazetted posts vacant according to government data.

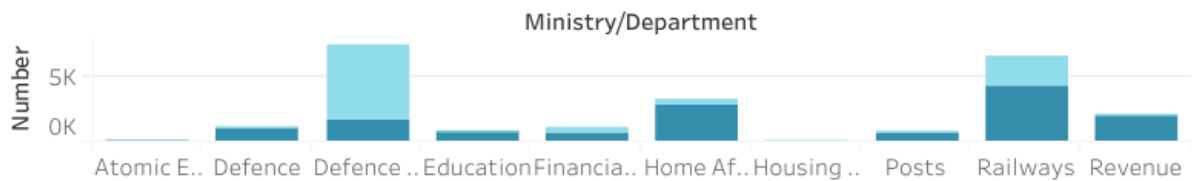
Unfilled Government Job Vacancies -OBC



Unfilled Government Job Vacancies -SC



Unfilled Government Job Vacancies -ST



Legend

■ Filled up ■ Unfilled

A noteworthy pattern that could be inferred from this dataset reveals a substantial prevalence of unfilled vacancies, significantly outnumbering the filled positions within the majority of ministry departments. This emphasises the existence of a pronounced disparity in employment opportunities and highlights the issue of vacant public-sector jobs. However, upon closer examination of the defence department, a contrasting scenario unfolds, where the ratio is inverted, indicating a surplus of filled positions compared to unfilled ones. This incongruity in vacancy fulfilment across the other ministries This disparity in vacancy fulfilment across ministries holds significant implications for employment

equality and underlines the need for targeted policies to address disparities in representation among marginalized communities in India's public sector.

These disparities flag the necessity for precision-guided policies aimed at rectifying representation imbalances among marginalized communities in the public sector.

Recommendations

India's trajectory towards economic growth and prosperity hinges on its ability to nurture a skilled and adaptable workforce. The recent allocation of resources in the 2023-24 budget for the education sector reflects a commitment to this goal. As per the projected population growth, it also becomes imperative that India creates 100 million more jobs by 2030.²⁵ In this section, we put forth a structured set of recommendations that are crucial for empowering individuals, fostering inclusive economic growth, and bridging the skill gap, thereby strengthening India's position in the global economy, leveraging budgetary provisions and research insights.

1. Strengthening the Economic Landscape: From Agro-based to Textile Reforms
 - a. Comprehensive Informal Sector Analysis: Before crafting targeted policies, the government should conduct an in-depth analysis of the informal sector. This analysis should encompass collecting clear and comprehensive data on employment patterns, challenges, and opportunities within the informal sector.
 - b. Promoting small enterprises: One key observation is that jobs are predominantly created by young and small firms, rather than large established ones, in more than 300 districts across India. However, the current trend of new firm entries is not robust enough to absorb the annual influx of approximately 10 million new workers into the labour force.

²⁵ [The Hindu](#)

- i. **Promoting SME Growth:** To bolster SMEs in India, the government must first nurture their growth and development. The government should incentivize entrepreneurship by providing mentorship programs, access to business training, and simplified registration processes. Encouraging informal sector enterprises to register with statutory authorities can bring them into the formal economy, enhancing their access to credit and government support. Moreover, addressing the credit gap is vital. Establishing dedicated funds or financial institutions for SMEs, simplifying loan approval processes, and enforcing regulations for timely payments from larger companies and government agencies can enhance SME financial stability.
 - ii. **State-Level Empowerment:** States should be encouraged to develop and implement their own MSME policies. These policies can include fiscal incentives and initiatives designed to meet the specific needs of their regions. States can learn from successful examples, such as the Mini-Cluster scheme in Haryana, the startup model in Telangana and Business Facilitation centres in Madhya Pradesh. These models can be emulated and adapted to other regions, fostering regional economic growth.
 - iii. **Digital Integration and Innovation:** The government should initiate awareness campaigns to promote the digitization of SMEs. Simplifying processes like obtaining the Udyog Aadhaar Memorandum (UAM) can ease their transition into the digital realm. SMEs should be encouraged to adopt modern technologies that can enhance productivity and competitiveness. This could include incentives for the purchase of machinery and equipment.
- c. **Providing more apprenticeship opportunities to the youth:** A report by Yes Bank highlights the disparity in the number of apprenticeships between India and the UK, with India having only about 3,00,000 apprentices compared to the UK's 9,00,000.²⁶ It emphasises the need for apprenticeships that blend formal education with paid employment, funded by the government. To expand apprenticeship opportunities, there's a recommendation to include institutes of higher education, which are currently under the Ministry of Human Resource Development, in the

²⁶ [ORF online](#)

National Apprenticeship Promotion Scheme. These institutes offer courses like Bachelor of Vocation (BVoc) and Diploma in Vocation (DVoc). Germany's dual vocational training program combines theoretical education with practical work experience, lasting 2-3.5 years, providing a head start for future employment.²⁷ India can also work on this front and improve by expanding and diversifying vocational training programs to align with industry needs and offering more hands-on experience.

- d. Agro-based reforms: The agriculture sector needs a lot of investment, and machinery improvement but some short-term reforms to improve the current dismal situation as follows:
 - i. University and Krishi Vigyan Kendra Involvement: The engagement of Agricultural Universities and Krishi Vigyan Kendras in establishing primary food processing units in the private sector is a promising step. Launching schemes to develop organic clusters and engaging region-specific private players in marketing and aggregation will significantly boost the agriculture sector. Partnering with existing industry players for secondary processing adds substantial value. This model can be scaled up by including the Panchayat's role to increase rural development and empower farmers.
 - ii. Promote the production of High-value return products: Encouraging the cultivation of high-oil content crops like Oleo Resins, known for their rapid growth cycles and high returns, is vital²⁸. This successful model should be extended to other suitable products, especially in regions like Uttar Pradesh, Bihar, and the Northeast, capitalizing on India's export potential. The government can further promote their production in viable areas by offering subsidies for seeds, fertilizers, and other essential resources.
- e. Textile sector reforms: The textile industry, one of the largest employers, contributes significantly to the nation's economy, with a valuation of \$24.3 billion.²⁹ Employing a vast workforce of 45

²⁷ [ORF online](#)

²⁸ [Employment Generation Strategies](#)

²⁹ [Invest India](#)

million people consistently demands skilled labour. To address this demand and ensure that workers possess the necessary expertise, the sector skill council should collaborate closely with industries to offer tailored skill development programs. These initiatives could also be integrated into the NREGA scheme, simultaneously upskilling labourers and providing employment opportunities. Incentivizing investment in workforce training is imperative for the textile and apparel sector's growth. By granting tax relief on skill development expenses, the government can encourage businesses to invest in improving the industry's competitiveness. Collaborating with State Governments to expand the "Plug and play" industries, which have already been established in UP, Tamil Nadu, is a practical approach. These projects can serve as valuable learning experiences, enabling scheme refinement before widespread implementation. To rejuvenate the textile sector and promote indigenous goods, the government should adopt a strategy similar to Turkey's. This involves focusing on providing tailored support to elevate Indian brands to international prominence, aligning with the "Make in India" initiative, and promoting exports of Indian products through active coordination with major international online marketing platforms, such as eBay and Amazon, is also a powerful strategy. This can be done through creating an online platform for the sale of Indian brands in the overseas market. Moreover, the government should consider permitting foreign direct investment (FDI) in single and multi-brand retail for Indian-owned apparel brands, subject to FIPB approval, to facilitate market access and expansion.

- f. **Boost Domestic Manufacturing:** Increasing the share of manufacturing in GDP offers multiple advantages, including productive capacity creation, labour deployment from agriculture, and global market penetration. The recent exposure of economies and companies to supply chain vulnerabilities, driven by factors such as the COVID-19 pandemic and geopolitical tensions, has prompted many firms to seek diversification of their supply chains.³⁰ Thus, to boost domestic manufacturing, India should focus on adopting new technologies and developing skilled human resources. This shift enables India to serve both domestic and global markets effectively. Telecom

³⁰ [India@100- EY](#)

communication facilities are mainly confined to big cities. Most of the State Electricity Boards are running in loss and are in deplorable condition.³¹ A detailed review should be carried out to assess the current state of electricity boards throughout India and accordingly, measures be taken. While the telecom tariffs in India are the lowest, the Electricity tariffs are being charged at substantially high rates under the commercial category. Therefore, the government should reduce the electricity tariffs as they become a hindrance in the setting up of manufacturing projects.

2. Enhanced Strategies for School-to-Work Transition

Effective transitions from school to the workforce are paramount. Students require guidance and opportunities for internships or apprenticeships, ensuring that they are well-prepared for the job market. This recommendation aligns with the need for smoother school-to-work transitions, ensuring that students are well-prepared for the job market. This also calls for the need for periodic revision of courses and training programs. This also advocates for a knowledge-sharing platform that facilitates collaboration among state and local governments and stakeholders. The identification of labour market issues critically rests on the availability of data, information and analysis.³² This also calls for the need to set up Labour Market Information Systems (LMIS) at state levels. While many countries have a single LMIS set up across the country, large countries like the USA have LMIS spread out state-wise. Thus, India should also open LMIS at the state level. These systems are instrumental in providing timely and relevant information to job seekers, education institutions, and employers.

3. Quality Improvement in Higher Education

The third recommendation addresses the pressing issue of the quality of higher education, particularly in private universities. To enhance the employability of graduates, it is essential to improve teaching standards and evaluation processes. Students get their degrees from the 282 private universities spread across the region of India.³³ While many students are graduated and qualified degree holders, they still

³¹ [Drishti IAS](#)

³² [ILO](#)

³³ [ORF online](#)

are miles away from getting a secured job as most of these universities are rolling out degrees without proper assessment of knowledge and skill. This problem also extends to the Industrial Training Institutes (ITIs). The fact that only 20% of its students find placements highlights the mismatch between the training provided and the skill that the industries are looking for.³⁴

Furthermore, the informal and unorganized sector primarily absorbs the majority of uneducated and untrained labour into low-efficiency employment roles. The current system of vocational education and training has an annual training capacity of around 3 million, against the 12 million who enter the workforce every year.³⁵ This persistent reliance on outdated training methods and the lack of exposure of trainers in this sector contribute to the growing issues of unemployment and underemployment. Enhancing their quality and increasing funding for state universities is vital to bridge the skill gap effectively.

Another aspect that needs improvisation is the outreach of such vocational programs at the state and local levels. Only 5% of the youth in the 20–24 year age group have received any formal training.³⁶ This requires enticing people to take up more training courses by marketing their relevance and significance for getting a secure job.

4. Nationwide Certification Provision

The fifth recommendation focuses on the creation of a nationwide certification system. Workers in the informal sector often lack recognition and access to further education. A national certification system can improve earning potential and contribute to economic growth.³⁷ This recommendation also advocates for a modular education system that offers flexible, short-term courses. For groups like women, the course timings should be set up when they have time and are not bound by familial obligations. The government has recently introduced the PM Vishwakarma scheme, which aims to

³⁴ [ORF online](#)

³⁵ [Asian Development Bank](#)

³⁶ [Asian Development Bank](#)

³⁷ [Asian Development Bank](#)

empower traditional artisans and enhance their skill sets. This initiative offers attractive incentives, including a training stipend of Rs 5,000 and a toolkit worth Rs 15,000, along with collateral-free loans of up to Rs 3 lakhs to support their businesses.³⁸ Additionally, participants will receive certificates and ID cards, providing official acknowledgement of their skills. Extending a scheme of this nature to the entire informal sector has the potential to improve the conditions of those engaged in informal employment.

Furthermore, to seize overseas employment opportunities, a targeted overseas training module is required. Identifying states with substantial migration and establishing training centres in those areas will equip the workforce with the skills demanded in foreign labour markets. This necessitates the creation of a national body for skill certification to lend credibility to the certification process. A nationally recognized certification will enhance individuals' employability in both domestic and international job markets. Promoting the National Skill Qualification Framework (NSQF)³⁹ will bridge the gap between general and vocational education, making skill acquisition and formal qualifications more accessible. Moreover, it will provide a channel for the recognition of skills acquired in the informal sector through Recognition of Prior Learning (RPL) to empower a larger section of the workforce.

5. Empower Vocational Rehabilitation centres

The sixth recommendation calls for increasing the number of Vocational Rehabilitation centres and enhancing outreach at the centre, state, and district levels. The 2023-24 budget provisions, coupled with international best practices, form the basis for these structured suggestions.⁴⁰ They have the potential to empower individuals, foster inclusive economic growth, and bridge the skill gap. Implementing these recommendations is vital to strengthen India's global economic standing and equip its workforce for the challenges and opportunities of the future.

³⁸ [Indian Express](#)

³⁹ [education.gov.in](#)

⁴⁰ [employmentnews.gov.in](#)

Currently, only 21 VR centres (1 centre for 12.8 lakh disabled people) are functioning in India while in the USA, there are 78 agencies (1 agency for 5.4 lakh disabled people). To reach the same ratio as that of the US, India needs to double its present capacity to at least 50 VR centres in India. This shows the dire need to open more centres to make people access the facilities.

6. Promoting Entrepreneurship:

Entrepreneurship is a key driver of job creation, especially through young and small firms. The main factors for improving the landscape of entrepreneurship include improving the business climate, rationalizing industry regulation and taxes, and scaling up investments in building accelerators and incubators.⁴¹ Thus, the following factors are essential:

a. Improving the Business Climate: A conducive environment for starting and running businesses is crucial. This includes reducing bureaucratic hurdles, streamlining regulatory processes, and ensuring ease of doing business.

b. Lowering Taxes: Reducing the tax burden on businesses, particularly startups and small enterprises, can incentivize entrepreneurship.

c. Increasing Funding and preventing Startup failure:

In recent years, India's startup scene has surged, outpacing China in creating unicorns with remarkable growth. India launched "Startup India" in 2016, with 26 states supporting entrepreneurship. The government's \$1.3 billion "Fund of Funds" invested \$480 million in 338 Indian startups, but it's dwarfed by China's \$320 billion funding. Consequently, Indian startups often seek funding from foreign investors⁴², including Chinese funds. This is due to the lack of funding provided by the government. Thus the government should increase the amount of funds allocated to 5 times the current allocation.

⁴¹ [The Hindu- Business Line](#)

⁴² [Business Today](#)

The government initiated programs like "TIDE 2.0," "Centres of Excellence," and "NGIS" to support startups, yet many still struggle. MIT Sloan research reveals a 50% failure rate within four years, mainly due to funding challenges.⁴³ In order to reduce the ratio of startup failures, the government of India can work on the Japanese model of CRD (Credit Risk Database). Japan has set a commendable precedent by collecting and analyzing SME data for two decades, leading to the development of the Credit Risk Database (CRD).⁴⁴ The collection, analysis, and dissemination of data on startup enterprises can significantly contribute to understanding the factors that differentiate successful startups from those that face challenges or fail to thrive. Thus, the database would be instrumental in dissecting the characteristics of SMEs to make more informed decision-making.

d. Expanding incubators and accelerators (especially to the rural regions):

Comparatively, the United States boasts a thriving startup ecosystem with over 7,000 incubators and accelerators, offering mentorship, networking, funding, and office space for entrepreneurs. These programs injected over \$20 billion in investment capital into startups in 2021. The US leads globally with around 72,560 startups. In contrast to this, India had only 718 incubators and accelerators (about 10% of the US) while had a whopping 92,683 startups as of February 2023.⁴⁵

Indian startups have received more substantial support from foreign private equity and venture funds than from domestic financial institutions. Prominent accelerators like Y Combinator, Techstars, and 500 Startups who have a strong presence in the US should be also brought to India. Y Combinator came to India for the first time in 2019.⁴⁶ In the first seven months of 2023, Indian startups received \$4.4 billion in private equity and venture capital funding, down from \$19.3 billion the previous year.

⁴³ [SAMRIDH- MeitY](#)

⁴⁴ [ADB Institute](#)

⁴⁵ [Business Today](#)

⁴⁶ [SAMRIDH- MeitY](#)

While India's startup ecosystem has made significant strides, there is a clear need to bolster domestic support and attract prominent accelerator players to ensure sustainable growth and reduced reliance on foreign investments. Also, the low number of incubators and accelerators calls for their expansion to at least 8000 incubators and accelerators. The government should set up more incubators (as mostly at present are located at IITs and other tech institutes). As per data from the Ministry of Micro, Small & Medium Enterprises, there are only 27 incubators all over India working in rural areas (prominently in the agro sector).⁴⁷ Thus, the government needs to set up more incubators in rural areas.

7. Diversify Services Exports

Diversifying India's services exports is crucial for sustained growth. While the IT and BPO sectors have been prominent, India should target skill-based and digitized services, such as healthcare and education. This diversification will help cater to global demands in these sectors.

In 2022, approximately 68% of India's population fell within the working-age group, and it is projected that India will contribute around 24.3% of the incremental global workforce over the next decade.⁴⁸ This demographic advantage is particularly significant given the ageing populations in developed countries, which are anticipated to pose challenges to labour supply in various sectors worldwide.

To illustrate the immediate and long-term opportunities, consider the global shortage of healthcare workers. By 2025, the United States is expected to face a deficit of approximately 446,000 home health aides and 95,000 nursing assistants.⁴⁹ Many of the OECD countries, who were already reliant on migrant health workers before the pandemic, implemented additional policy measures to ease their entry and the recognition of their professional qualifications, the report stated.⁵⁰ The demand for qualified healthcare professionals is on the rise, especially in developed nations with a higher proportion of elderly individuals. India can capitalize on this demand by enhancing its healthcare

⁴⁷ msme.gov.in

⁴⁸ [The Hindu](#)

⁴⁹ [MERCER](#)

⁵⁰ [ORF online](#)

service exports, thereby contributing to economic growth while addressing global workforce shortages in critical sectors.

Conclusion

In conclusion, this research paper has undertaken an exploration of India's workforce development landscape, providing valuable insights and policy recommendations. The Indian economy runs on its working citizens and thus the skill enhancement and employment provisions sound significantly important in ensuring the country's economic growth. The impact analysis of these recommendations is substantial. Firstly, the allocation of resources in the 2023-24 budget for the education sector signifies a significant commitment to bridging the skill gap and fostering inclusive economic growth. This financial backing will facilitate the implementation of innovative strategies for job creation and entrepreneurship, ensuring marginalized groups, such as youth and women, are integrated into the economic transformation. Moreover, the emphasis on soft skills integrated into curricula will empower vulnerable groups and improve their employability. Public-private partnerships will expand the reach and effectiveness of skill development programs, benefiting a wider demographic. Quality improvement in higher education, especially in private universities, will significantly boost graduate employability.

Overall, implementing these recommendations will fortify India's global economic standing, equipping its workforce to seize opportunities and confront challenges. India, if to be on the right path of economic growth, increased per capita income and effective efforts towards human development needs to foster inclusivity, enhance educational quality and align skills with industry needs.

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