



“India Needs to Align Labour Policies with Inclusive Employment Rich Growth Strategies”

Dr Kingshuk Sarkar,
Associate Professor and Area Chair,
General Management & Economics, Goa Institute of Management

“Green Jobs and Urban Construction Can Drive Inclusive Job Growth Across Skill Levels”

Intro: India stands at a crossroads in its journey toward inclusive economic growth. Despite impressive strides in sectors like IT and finance, the country grapples with deep-seated challenges in manufacturing, job creation and the integration of its young and female workforce. With millions of youth unemployed and gender gaps in labour force participation persisting, India faces a critical need for policy transformation. How can India break free from these structural barriers and harness its vast human capital? These and more answers lie in exclusive discussion between expert economist **Dr. Kingshuk Sarkar** and senior journalist **Mahima Sharma** as they reimagine growth strategies to build a sustainable future for India. This week’s **Socio-Economic Voices** at **Indiastat**.

MS: India's manufacturing sector contributes only about 17% to GDP despite the government's push for "Make in India." Given that India's labour productivity in manufacturing is just 11% of the U.S. level (ILO, 2023), what policy measures can close this productivity gap while maintaining employment elasticity?

Dr. Sarkar: Employment elasticity in Manufacturing is already very low (less than 0.5). Manufacturing sector prefers mostly labour-saving technology. To close the productivity gap in India's manufacturing sector while maintaining employment elasticity, a balanced set of structural, institutional and policy-level interventions is needed. The focus should be electronics, textile, auto components etc. in terms of skill formation and vocational training. India needs to encourage technology adoption in MSMEs through subsidies, shared infrastructure (e.g., industrial clusters) and access to digital tools. India needs to:

- Provide access to finance and incentives for productivity-enhancing investments, especially for small manufacturers.
- Use Production-Linked Incentives (PLIs) more effectively to reward both employment generation and productivity gains.
- Invest in logistics infrastructure, industrial corridors and smart manufacturing zones to reduce production and transport costs.
- Support automation where feasible, especially in quality control and supply chain management. This has to be done side-by-side, while ensuring reskilling pathways for displaced workers.

MS: As per RBI, why has India's employment elasticity to GDP declined to 0.18 despite economic growth, and what changes in labour policies can help promote job-intensive growth?

Dr. Sarkar: The paradox of declining employment elasticity (0.18 as per RBI 2024) despite robust GDP growth reflects a structural imbalance in India's growth model—where economic expansion is increasingly capital- and technology-intensive rather than labour-intensive. Sectors like IT, financial services and formal manufacturing are driving GDP growth, but they generate relatively fewer jobs per unit of output. Automation and digitisation further reduce the demand for low- and mid-skilled labour. India's manufacturing sector remains underperformed (only 17% of GDP) and informal micro-enterprises dominate with low productivity and stagnant employment growth. Skill gaps persist, especially among youth and rural workers, reducing their employability in high-growth sectors.

For creation of more decent jobs, India needs to :

- Prioritise textiles, food processing, construction, tourism, logistics and MSMEs through tax incentives, ease of doing business and targeted infrastructure.
- Expand public employment services, vocational training, apprenticeships and employment-linked skills tailored to local economies.
- Invest in rural infrastructure, green jobs and urban construction to stimulate job creation across skill levels.
- Integrate employment generation as a core metric in evaluating economic policies and industrial schemes (e.g., PLI schemes with employment targets).
- By aligning labour policies with inclusive, employment-rich growth strategies, India can reverse the trend of jobless growth and ensure its demographic dividend is not lost.

MS: India's female Labour Force Participation Rate (LFPR) for those aged 15 and above rose from 37.0% to 41.7% in 2023–24, according to PLFS. Given the dominance of informal and unpaid work among women, how can policymakers convert this rise into sustainable and quality employment?

Dr. Sarkar: The rise in India's female Labour Force Participation Rate (LFPR) to 41.7% in 2023–24 is encouraging, but the persistence of informal, unpaid or low-quality employment limits its transformative impact. For this increase to translate into meaningful and sustainable employment, policymakers must focus on improving the quality, security and dignity of work for women, beyond just quantity. Most of the increase occurred in self-employment and unpaid family labour. Women went back to agriculture as a fall-back option. These are all precarious employment. India needs to incentivise formal sector hiring through tax benefits or subsidies for firms that employ women in permanent, contract or apprentice roles. There is a need to Establish affordable and accessible childcare facilities (Anganwadis, workplace crèches), which enable women to take up full-time or better-paid work. State should support elder care and domestic services through skill certification and public-private partnerships, formalising these feminised sectors. India needs to provide stipends, safe transport and residential facilities in training centres to reduce dropout rates among women. India needs to formalise and scale up women-led SHGs by linking them to public procurement and value chains. There is need to enforce the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act effectively across all sectors. State needs to encourage flexible work arrangements (remote work, hybrid models, part-time) with job security and benefits.

A rising LFPR is only the first step. Without focused efforts to **raise job quality, reduce informality and dismantle structural barriers**, the gains may be superficial or even regressive. Sustainable inclusion demands that women's work be **recognised, fairly compensated and supported**—economically and socially.

MS: What structural barriers prevent effective youth integration into the workforce? And what strategies can address the 83% youth unemployment rate in India, as per the 2024 Employment Report?

Dr. Sarkar: India's youth unemployment crisis, with 83% of the unemployed being youth (India Employment Report 2024), highlights deep structural mismatches between education, skills and labour market demand. **The key hindrances are as below:**

1. Despite a growing working-age population, young people face multiple systemic hurdles in transitioning from education to decent employment.
2. Many youths, even graduates, lack market-relevant skills (technical, digital, soft skills). The quality of education and vocational training remains inconsistent, with limited industry linkage.
3. Formal job creation hasn't kept pace with youth entering the labour market.
4. Most new jobs are low-paying, informal, or insecure, offering limited upward mobility. There is an absence of structured career counselling, apprenticeships and job-matching services.
5. Youth from rural and marginalised backgrounds face greater information asymmetry and fewer opportunities.
6. Rural youth and young women lack access to digital tools, transport and safety infrastructure necessary for mobility and employability.
7. A bias for degrees over skills often leads to overqualification, where graduates reject or are mismatched with available work.

There is a need to align curriculum with industry needs via National Education Policy (NEP) reforms. India should:

- Expand dual training programs, internships and apprenticeships under the National Apprenticeship Promotion Scheme (NAPS).
- Improve the quality and scale of the Skill India Mission, focusing on soft skills, digital literacy, green jobs and emerging sectors.
- Must promote youth employment through investments in manufacturing, logistics, services and green infrastructure (solar, waste, EV sectors).
- Provide targeted access to credit, incubation, mentorship and e-market platforms through schemes like Startup India, MUDRA and PMEGP.
- Need to tailor programs for young women, Dalits, Adivasis and persons with disabilities with additional support on mobility, security and skilling.

In simple words, we need to accept that India's youth unemployment is not just a cyclical issue, but a structural and policy misalignment. Resolving it requires a multi-pronged strategy that not only expands employment but also builds capabilities. It also connects talent with opportunity and transforms aspirations into outcomes.

MS: What labour reforms or fiscal policies can incentivise businesses to formalise workers, considering 57.3% of India's workforce is self-employed and 18.3% are unpaid, without reducing employment?

Dr. Sarkar: The Economic Survey 2024–25 highlights a persistent informality challenge: 57.3% of India's workforce is self-employed and 18.3% are unpaid workers.

These figures underscore the prevalence of informal, vulnerable employment, which undermines income stability, productivity and social protection. To encourage formalisation without discouraging job creation, a combination of labour reforms, fiscal incentives and institutional support is essential.

– There is a need to ensure ease of compliance under the four new labour codes by streamlining licensing, registration and inspection norms, especially for MSMEs.

- Govt may think of incentivising registration by linking it to cash transfers, subsidised insurance and skilling schemes.
- The govt also needs to extend schemes like Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) that subsidise employer contributions to EPF for newly formalised workers and offer tax rebates or GST refunds for firms that onboard informal workers into formal payroll systems.
- Consider introducing deductions or exemptions in income tax or labour cess for formalising a threshold percentage of workers.
- Need is also there to support platform cooperatives and producer collectives (esp. in agriculture, crafts and urban services) that offer formalised working conditions and access to markets.

All in all, the goal should not be formalisation at the cost of job loss, but gradual, incentivised integration of informal workers into the formal economy. **This demands a carrot-over-stick approach—through fiscal support, ease of doing business, portable protections and inclusion of the self-employed**—to build a labour market that is both productive and equitable.

MS: What policy models should India adopt to provide financial security to gig and platform workers, projected to reach 23.5 million by 2029-30, while keeping the gig economy competitive?

Dr. Sarkar: These figures come from the NITI Aayog, 2022 report that faces a critical social protection deficit. As these workers operate outside traditional employer-employee frameworks, they are excluded from EPF, ESI, paid leave and health insurance. Addressing **their financial vulnerability while sustaining the flexibility and competitiveness of the gig economy requires innovative, hybrid policy models.**

India can draw on global precedents and emerging domestic frameworks to construct an inclusive, portable and sustainable safety net. **India's E-Shram portal** is a step toward building a centralised, portable database for unorganised workers. It must evolve into a full-stack social security interface, linking to health (ESIC), pension (NPS) and insurance schemes (PMJJBY, PMSBY).

In EU's Portable Benefits Model gig workers retain benefits (health, pension, training) regardless of platform or geography. India can replicate this portability across platforms via a central contribution system. India can adopt a contributory model where platforms pay a fixed proportion (e.g., 1–2%) of each transaction into a Gig Workers' Social Security Fund, possibly co-financed through government matching for low-income earners.

UK's "Worker" Category balances flexibility with rights like minimum wage, holiday pay and pension contributions.

Spain's Rider Law classifies delivery workers as employees, mandating social security and collective bargaining.

So in my experience, India could introduce a third legal category ("dependent contractor") with tailored rights—including access to social security, accident insurance and grievance redress—without full employee status. India must develop a low-friction, contributory and portable safety net, ensuring gig workers are protected without undermining the sector's dynamism. This requires legal innovations, public-private partnerships and digital architecture. These must embed security within flexibility—key to equitable growth in the digital labour economy. India must develop a low-friction, contributory and portable safety net. This would be ensuring gig workers are

protected without undermining the sector's dynamism. This requires legal innovations, public-private partnerships and digital architecture that embed security within flexibility—key to equitable growth in the digital labour economy.

MS: What are the key hurdles delaying the nationwide implementation of the four Labour Codes, and how do these delays affect investment in labour-intensive sectors?

Dr. Sarkar: Only 9 states have fully implemented the four Labour Codes (Industrial Relations, Wages, Occupational Safety and Social Security) as of February 2024, despite their passage in 2020. The delayed nationwide implementation reflects deep-rooted structural, administrative and political challenges.

Many states have delayed drafting or finalising rules, citing need for stakeholder consultations and political considerations. **Resistance stems from concerns about dilution of labour rights and potential job insecurity.**

- Full implementation demands modernised labour compliance systems, grievance redress mechanisms and inter-departmental coordination.
- Many states lack the IT infrastructure or trained manpower to transition from the existing regulatory framework.
- Businesses, especially MSMEs, are uncertain about new compliance obligations, definition changes (e.g., "wages") and overlapping timelines, causing pushback and delays.

MS: How can India balance job security and labour market flexibility, considering global evidence on thresholds for government approval on layoffs, as set by the Industrial Relations Code 2020 for firms with 300+ workers?

Dr. Sarkar: The present threshold is 100 workers. In IR Code 2020, it is increased to 300. It adds to the flexibility that the employers' organisations desired. Also, as the past experience shows, the Indian labour market has witnessed steady informalisation over the years despite this provision in the Industrial Dispute Act (IDA) 1947. There is inherent flexibility and there is no documentary proof that a few provisions in the IDA 1947 are inhibiting employment growth. Employers have always found ways of skirting these provisions in IDA 1947 through contractualisation and casualisation of the labour force. The Indian labour market is flexible and increasing the threshold from 100 to 300 would further enhance this flexibility.

MS: Trade union membership in India has declined by over 40% in the last two decades, with formal sector employment shrinking. However, new worker movements are emerging. How can collective bargaining evolve to address the changing nature of work, particularly in gig and platform economies?

Dr. Sarkar: There is no doubt that the trade union's bargaining power declined over the years as the formal labour force shrank. Trade unions mostly mobilised workers in formal sectors. Trade union penetration in the formal sector is very low. There are no perceptible signs of any trade union revival.

In recent times, the IT sector has seen large scale retrenchments but very few of those approached the labour administration. Trade union mobilisation has just recently started in the IT sector. In the gig and platform economy, workers' protests have been few and scattered too. Number of registered trade unions mobilising gig and platform workers is not that significant. Gig and platform workers are considered as part of the informal labour force.

Out of the four new labour codes, only Social Security Code 2020 has mentioned gig and platform workers and it has perceived gig and platform workers as informal workers. In fact, in gig and platform work, the employer-employee relation is itself a contested one. Employers of gig workers construed themselves as 'aggregators'. Under such a

context, gig and platform workers are finding it very difficult to mobilise and get registration under the Trade Union Act 1926.

Collective bargaining in gig and platform work, will only happen when employment relations are recognised. Otherwise, collective bargaining will elude gig and platform workers.

MS: Germany's co-determination model allows worker representation on company boards, leading to better employer-employee relations. Given India's history of labour strikes and weak dispute resolution mechanisms, what are the feasibility and challenges of adopting a similar model in India's industrial relations system?

Dr. Sarkar: In India, the scope of collective bargaining has significantly narrowed down over the years as informalisation became the norm even in formal sectors. Subsequently, the trade union's bargaining power suffered and incidences of strikes significantly declined.

In Germany, enforcement of labour laws is much better. So is the state of collective bargaining and workers' participation in management. Employment relations are more evolved and mature in Germany in comparison to India. Labour rights are seriously valued in Germany.

In India, the labour force is largely informal and the majority of workers are outside the scope of collective bargaining. Implementation of labour laws in India is fundamentally different from that of Germany. The size of Germany's informal economy is estimated to be 10.4% whereas that of India is 93%. Given such characteristics of the Indian labour market, the scope of collective bargaining is on a gradual decline. Informal workers are mostly not part of the bargaining council/forum. **To make collective bargaining relevant again in India, trade unions need to be very proactive and need to mobilise informal workers, particularly informal workers in formal sectors.** Trade union revival is crucial to ensure workers' representation in company's decision-making bodies.

About Dr Kingshuk Sarkar

Dr Kingshuk Sarkar is an Associate Professor and Area Chair, General Management & Economics at the Goa Institute of Management, Goa. Dr Kingshuk Sarkar had worked for the Govt. of West Bengal as a Labour Administrator for over two decades. He has done a PhD in Economics from the Centre for Economic Studies & Planning at Jawaharlal Nehru University, New Delhi. Earlier he completed a Master's in Economics from Kolkata University and MPhil in Economics from Jadavpur University. His areas of interest are plantation economics, labour economics, industrial relations, law and economics, labour administration, informal sector labour etc.

About the Interviewer

Mahima Sharma is an Independent Journalist based in Delhi NCR. She has been in the field of TV, Print & Online Journalism since 2005 and previously an additional three years in allied media. In her span of work she has been associated with CNN-News18, ANI - Asian News International (A collaboration with Reuters), Voice of India, Hindustan Times and various other top media brands of their times. In recent times, she has diversified her work as a Digital Media Marketing Consultant & Content Strategist as well. Starting March 2021, she is also a pan-India Entrepreneurship Education Mentor at Women Will - An Entrepreneurship Program by Google in Collaboration with SHEROES. Mahima can be reached at media@indiastat.com

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