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# India at Work: Challenges and the Road Ahead

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Over the past two decades, India's economy has expanded steadily, with per capita income growing at about 5% per year (World Bank).[1] But behind this headline growth lies a more sobering story about jobs. The pace of employment growth has lagged far behind, at just 1.6% per year. Official estimates suggest that catering to the expanding workforce would require about 8 million non-farm jobs to be created annually, on average, until 2030 (Economic Survey of India, 2023-2024).[2]

Despite recent improvements in workforce participation — an increase of 10.5 percentage points since 2017 — there are key challenges to the creation of good-quality jobs. Agriculture and low-productivity self-employment still account for most jobs in India, even expanding their share in recent years. Indian growth has been services-led, but the segments of the sector that drive growth are not the ones that create jobs at scale. Manufacturing sector's share of employment, as well as its contribution to growth, has remained unchanged. Average real wages have been virtually stagnant due to low labour productivity, and most workers lack job security and social protection. Further, job creation in India is unevenly distributed across regions, with southern states and urban centres accounting for most of the increase in non-agricultural employment.

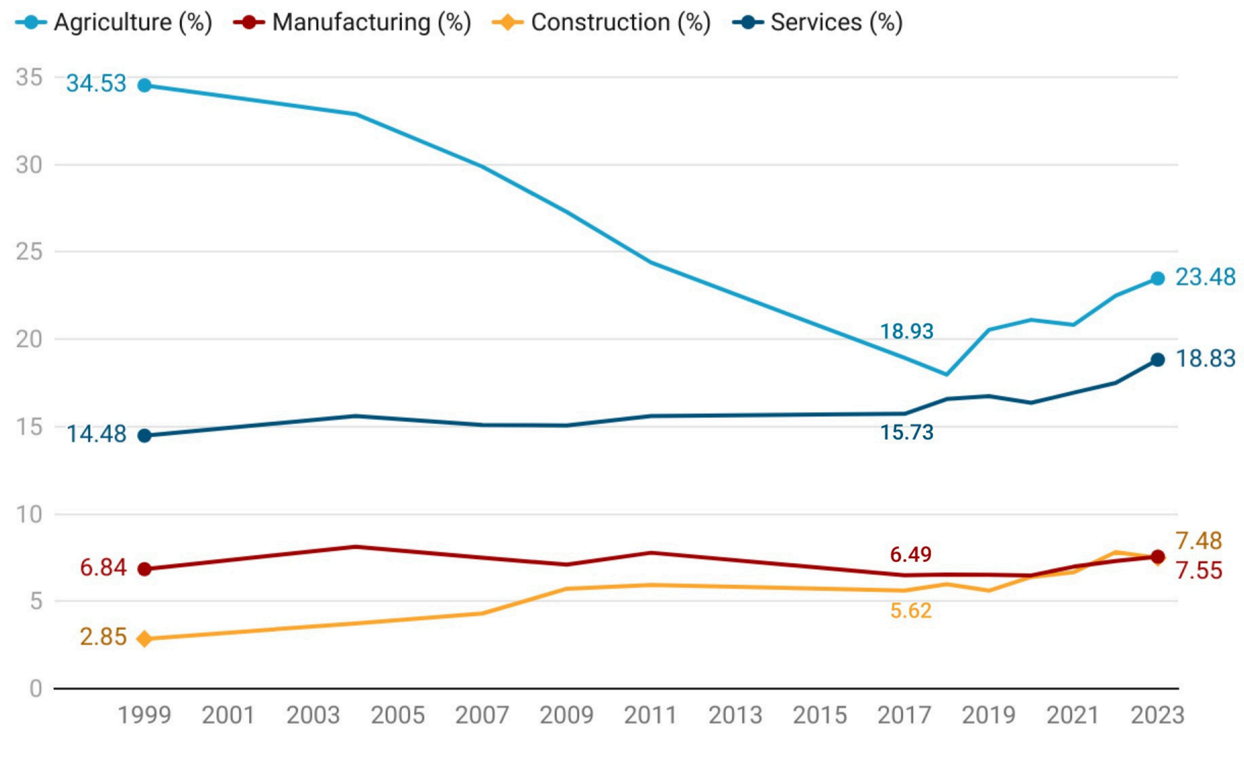
This report lays out six key insights about jobs and employment trends in India today. We begin with the biggest challenge: while job creation outside of agriculture is on the rise, it is still quite limited. Moreover, even within non-agricultural jobs, real wages and work productivity have stagnated over the past decade. This suggests two things: a) that jobs are not being created in relatively more productive sectors, and b) that the supply of workers looking for jobs in the non-agricultural sector exceeds the availability of these jobs. This is especially true for young people under 25: many have more education than ever before, but still struggle to find good work, either because there aren't enough opportunities, or they do not have the right skills. The jobs that do exist are often informal, meaning they lack basic protections like social security or health benefits. Women's employment, although increasing, is still very low. Women are a major source of untapped talent, and bringing more of them into the workforce is essential for India's future economic growth. Finally, growth has been highly uneven across the country. Just 13 cities have accounted for over half of India's growth, leading to unequal job opportunities and driving large numbers of people to migrate to a few urban centres.

To navigate these challenges, we need to address crucial questions: what policy levers can best unlock job-rich growth, improve job quality, and expand access to opportunity across regions? We hope this report sparks wider debate on the most urgent and impactful solutions.

# INSIGHT I: JOB CREATION HAS NOT BEEN BALANCED ACROSS SECTORS

Workforce participation has been rising in recent years, though at varying rates in different sectors (Figure 1). These trends over the last few decades reveal particular features of the structural transformation process of the Indian economy.[3]

**FIGURE 1. WORKFORCE PARTICIPATION BY SECTOR**




*Notes:* Manufacturing includes national industry classification codes for manufacturing, mining, waste and energy. Share of each sector is calculated over the total population in that year.

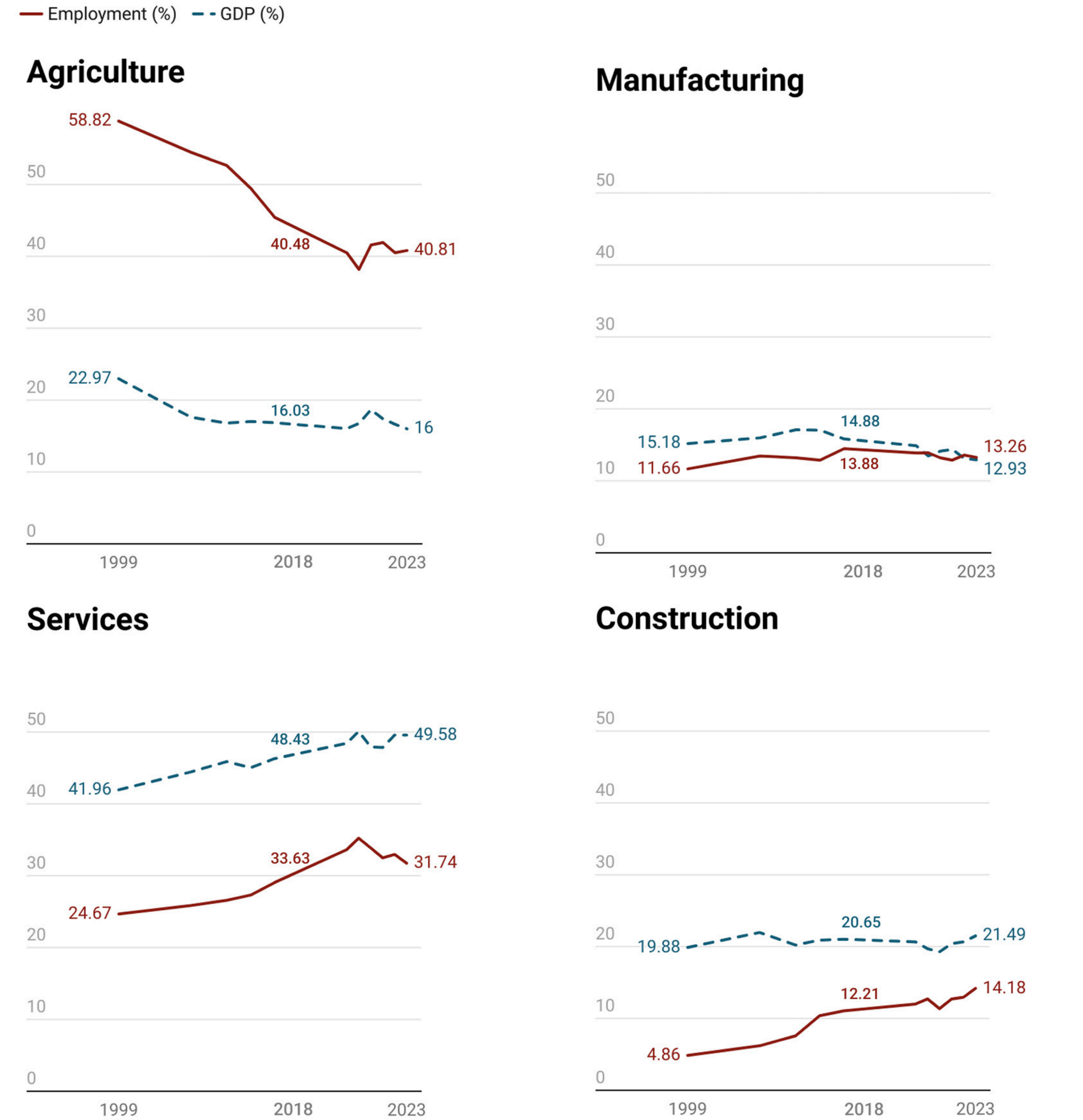
Source: Employment and Unemployment Surveys - National Sample Survey until 2017-18 and Periodic Labour Force Survey thereafter (weekly status, age 15-59).

## *India's structural transformation*

Starting in the late 1980s, as India underwent structural transformation, the share of agriculture in gross domestic product (GDP) dropped from 36% in 1980–81 to 16% in 2023–24. Over the same period, the share of services in GDP rose from 38% to 50%. For manufacturing, the contribution to GDP remained in the range of 13–17% (with some decline since 2010) while construction's contribution has remained stable between 18–21%. Hence, economic growth has largely been led by the services sector. However, in terms of sectoral shares of employment, in 2023–24, agriculture continues to employ about 40% of the workforce. Following agriculture, the second largest share of the workforce is in services (32%), with manufacturing and construction engaging 13% and

14%, respectively (Figure 2). Hence, while the services sector did create jobs, the quantum of jobs created has not been on par with the sector's contribution to GDP.

**FIGURE 2. SECTORAL CONTRIBUTION TO GROWTH AND EMPLOYMENT**

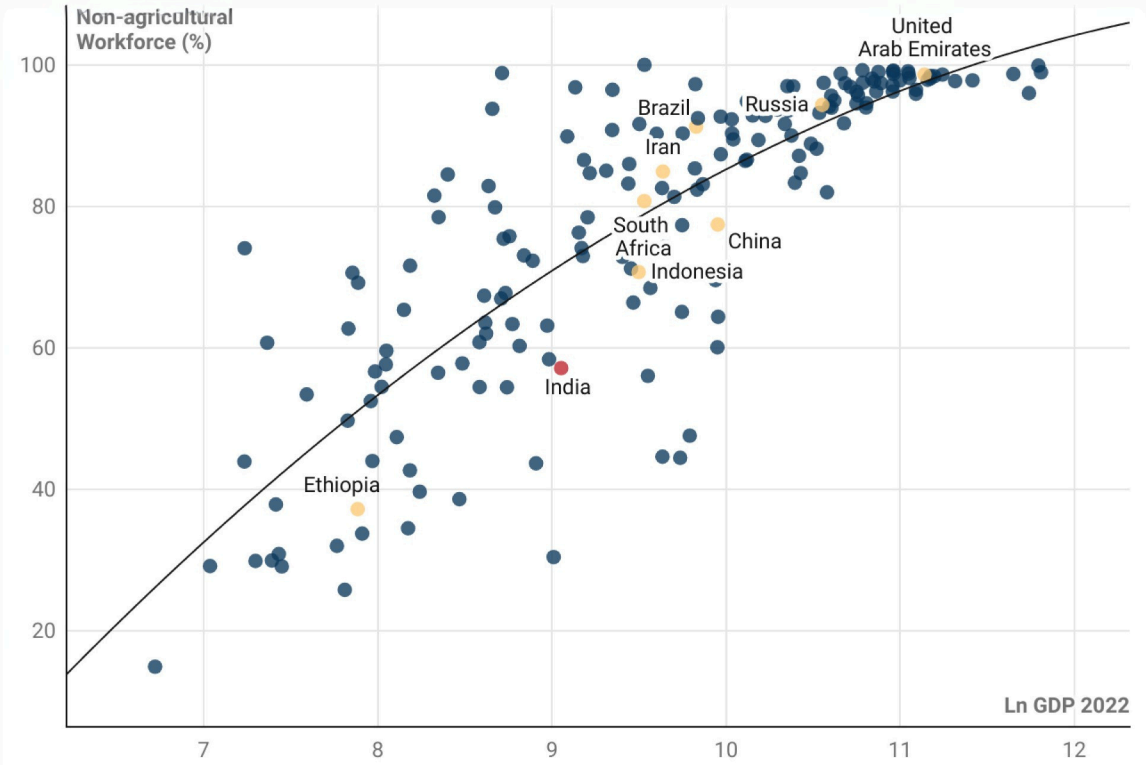



*Notes:* Agriculture includes farm cultivation, forestry, fisheries, and animal husbandry. Construction includes mining, electricity, gas and water. Employment contribution of a sector is calculated as a percentage over the total workforce in that year.

*Source*: (i) Employment data are from the EUS-NSS until 2017-18 and PLFS thereafter (weekly status, age 15-59). (ii) Contribution to GDP data are from the World Development Indicators (World Bank).

International comparison shows that the non-agricultural workforce in India continues to be lower than in countries with similar GDP per capita (Figure 3). The stagnation of manufacturing and growth in only a narrow set of services has resulted in a sluggish pace of non-agriculture job creation and curtailed labour productivity gains since agricultural jobs are less productive than non-agricultural jobs.

**FIGURE 3. NON-AGRICULTURAL WORKFORCE AND GDP PER CAPITA, INDIA VERSUS OTHER COUNTRIES (2022)**




*Notes:* GDP per capita (2022) data are in US dollars, 2021 constant prices (adjusted for purchasing power parity).

*Source:* World Bank.

**Box 1. High capital intensity of Indian manufacturing**

In Indian manufacturing, the capital-worker ratio has increased from 2.4 in 1981-1993 to 4.5 in 1994-2002 to 8.8 in 2003-2017 (Reserve Bank of India, 2022).[4] For several industries, India has been more capital-intensive than other countries at similar stages of development (Hasan et al. 2013).[5] Within industries, India has specialised in products that are relatively more capital-intensive than what is predicted by its per capita income. Even in comparison to China, a country with a higher per capita income, Indian production is more capital- intensive in industries such as paper and printing, chemicals, rubber and plastics, and so on.

As restrictive labour regulations drive up the effective cost of labour – despite the country's labour abundance – firms find it more cost-effective to engage in capital-intensive production. RBI data (2022) show that the wage-rental ratio has more than doubled between 1994-2002 and 2003-2017. In recent years, many states have amended labour laws in a pro-employer direction (Bhattacharjea 2021)[6] and other measures have been taken such as production-linked incentives in labour-intensive sectors like textiles. It remains to be seen whether these will drive an increase in labour intensity in Indian manufacturing.

In recent years, in fact, there is even some evidence of a reverse structural transformation, with the proportion of the workforce engaged in agriculture increasing from 43% in 2018–19 to 46% in 2023–24, according to PLFS reports.[7] This may be linked to the return of daily-wage migrants from urban centres to rural areas of origin, during the Covid-19 pandemic (Kaur and Shubham 2021).[8]

*Job creation going forward*

To absorb the rising workforce and facilitate structural transformation away from agriculture, the Economic Survey of India 2022–23 estimates that India needs to generate nearly 8 million non-farm jobs annually until 2030. Which non-farm sectors can be engines of job creation in the years to come?

There has been extensive debate on the forms of government support that should be extended to the manufacturing sector, and which sectors within manufacturing should be supported. One view suggests that India's comparative advantage lies in low-skilled manufacturing: thus, India should focus on incentivising producers in sectors such as clothing and footwear, not just to meet domestic needs but also to become leaders in export markets (Chatterjee and Subramanian 2020).[9] According to this view, India can still "catch the bus" for labour-intensive manufacturing, and put its huge, underemployed workforce on the factory floor (Dimble and Gulati 2024).[10] Rising geopolitical tensions and trade uncertainties also offer new opportunities for India as international firms sourcing products from China aim to diversify risk and build resilience in supply chains (NITI Aayog, 2025).[11]

However, most segments currently promoted by India's industrial policy are particularly capital-intensive, such as the large subsidies extended to chip manufacturing (Rajan and Lamba 2023).[12] According to the latest Index of Industrial Production (IIP) data, several labour-intensive segments of manufacturing experienced a decline over the last 10 years (2013–14 to 2023–24), such as textile (from 112.6 to 107.6) and leather (113 to 95).

On the other hand, given that technological advancements are making manufacturing more capital-intensive, some argue the potential for employment generation lies in services, particularly in emerging sectors such as banking and financial services, e-commerce, and healthcare technology (Observer Research Foundation, 2024).[13] India can potentially leverage its high-skilled and educated workforce to expand rapidly in these sectors.

Yet others contend that these two paths to economic growth are complements rather than incompatible alternatives (Eichengreen and Gupta 2011),[14] with linkages between services and manufacturing benefiting overall economic growth (Avdiu *et al.* 2022).[15]

In addition, there are calls for pursuing policies that directly promote job creation. For example, a change in the structure of interest rates, making capital costlier on long-term loans and cheaper on short-term working capital, could incentivise businesses to move away from capital-intensive projects and toward more employment-friendly ones (Bardhan 2024).[16]

## INSIGHT II: REAL WAGES ARE STAGNATING AND GROWTH IN LABOUR PRODUCTIVITY IS SLOW

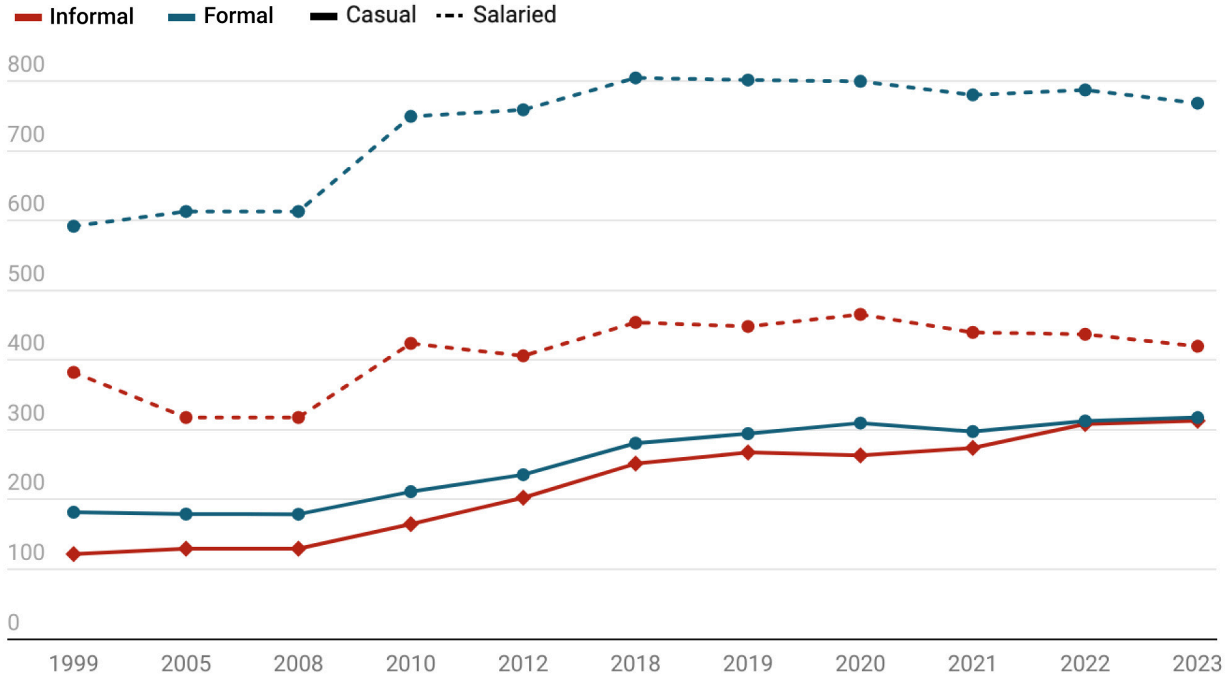
In recent years, gross domestic product (GDP) growth has not translated into growth in real wages.[17] Between 2021–22 and 2022–23, real GDP grew at 7% while real wages declined by almost 3%, on average. This gap suggests that there are key challenges to the creation of high-productivity jobs.

Workers in India are typically hired under one of two contracts — salaried, which offer a fixed monthly income, and daily-wage jobs, where workers are paid according to the number of days they work. Those with lower levels of education and in low-skilled occupations are mostly on daily-wage contracts. Another distinction is by the type of enterprise. Formal enterprises — with at least 10–20 workers — are more productive than informal enterprises. The proportion of the workforce engaged with the formal sector has remained in the range of 14–16% during 2017–2023. As expected, wages vary significantly across these categories of jobs. Average earnings for salaried workers are double those of casual workers, and workers in the formal sector are paid twice as much as those in the informal sector.

However, the *growth* in wages has been lower within high-wage, high-productivity jobs. During 2017–2023, the real wages of salaried workers declined overall (-1.6%), across both the formal (-4.5%) and informal sectors (-7.5%).[18] This stands in sharp contrast with casual workers, who experienced an increase of 23.2% in their real daily wages over the six-year period. The casual workers who benefit the most are those engaged in the informal sector, where real wages of casual workers rose by 24.4%, rather than those in the formal sector, where real wages rose by 13.1%. This could indicate that the relative demand for casual workers is greater than for salaried workers.

> There are longstanding bottlenecks in land, labour, and firm regulations, which increase the cost of doing business in India.

**FIGURE 4. REAL DAILY WAGES, BY WORKER AND ENTERPRISE TYPE**




*Notes*: (i) The base year is 2017. (ii) For conversion of nominal wages into real wages, Consumer Price Index UNME (urban non-manual employees) has been used for urban data and CPI RL (rural labourers) for rural data. (iii) Since Consumer Price Index UNME is not available for 2023-24, the latest year in this table is 2022-23 (iv) Formal sector includes enterprises with greater than 10 employees.

*Source:* EUS-NSS until 2017-18 and PLFS thereafter (daily status, age 15-59).

The stagnation of wages in the formal sector shows that there are key constraints to creating high-productivity jobs in the economy. This has important implications for average labour productivity in India, which, at US$10.7 per hour of labour input, is among the lowest in the world (ILOSTAT).[19] 98% of Indian firms have fewer than 10 employees (Economic Census, 2013); yet, they employ 75% of the non-agricultural workforce in the country (PLFS, 2019), implying that the majority of our non-agricultural workforce is stuck in relatively less productive jobs. Easing constraints to formal-sector growth is critical to transition our workforce from low-productivity to high-productivity jobs.

The sluggish pace of private investment in recent years shows that challenges to formal sector growth need to be taken seriously by policy (Gupta and Sachdeva 2025).[20] While there have been improvements in infrastructure, such as transport[21] and digital communications,[22] which support business logistics, investors may be deterred by policy uncertainties in the domestic and global contexts (Dhasmana 2025).[23] Further, there are longstanding bottlenecks in land, labour, and firm regulations, which increase the cost of doing business in India. We discuss each in turn.

## *Labour*

Labour is a concurrent subject, with both the Centre and states having the power to enact related legislation. India has a complex web of labour laws. Two of the prominent ones are the Industrial Disputes Act, 1947, which governs the procedures of hiring and firing workers and the closure of factories, and the Factories Act, 1948, which lays out various labour-related and workplace safety requirements. Since these are size-based regulations with low thresholds, firms are incentivised to remain small (Amirapu and Gechter 2014)[24] and/or to hire more contract workers (Chaurey 2015).[25] Hence, these regulations have had adverse effects on businesses (Besley and Burgess 2004).[26] Over the years, many states have implemented labour reforms by increasing firm-size thresholds for the applicability of labour laws (Prosperiti Insights, 2025),[27] thus lowering compliance costs for smaller firms, resulting in an increase in employment and output (Chakraborty and Mahajan 2025).[28] At the national level, in 2019–2020, 29 central labour laws were consolidated into four Labour Codes, broadly pertaining to wages, social security, industrial relations, and occupational safety, health and working conditions. Although not yet fully operational across the country, these Codes are expected to make compliance easier for employers. Other key changes include the *Jan Vishwas* (Amendment of Provisions) Act, 2023, which has decriminalised minor, technical or procedural defaults so that businesses can operate without fear of imprisonment on these accounts.

## *Land*

Land is a state subject, with its acquisition falling in the concurrent list. India inherited the framework for land acquisition from colonial times, in the form of the Land Acquisition Act, 1894. This outdated law was seen as unfair towards displaced farmers and tribal owners of land. The political turmoil culminated in an overhaul of the 1894 Act, and the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (LARR Act) was enacted in 2013. While this helped streamline acquisition processes and enhanced fairness and equity in terms of consent and compensation, it raised the cost of land for businesses, affecting competitiveness vis-à-vis other countries (Hoda 2013).[29] Challenges related to buying large plots of land in individual states have led firms to operate multiple small plants across many states, which reduces average firm productivity (Anand, Subramanian and Thomas 2024).[30] Various states (for example, Andhra Pradesh, Gujarat, Punjab, West Bengal) have undertaken land reforms (Lopes and Chari 2021),[31] allowing industries and non-farmers to buy large parcels of agricultural land for non-agricultural uses, which is expected to benefit large enterprises.

*Firm regulations*

Creating high-quality jobs requires there to be an enabling environment for businesses to set up and grow. Formally registered firms in India are required to abide by the rules and regulations set by the government. According to the World Bank Enterprise Surveys (2022),[32] senior management spends 13% of their time dealing with regulatory compliance, as compared to an average of 9.9% across South Asia and 8% for lower-middle-income countries. In addition to the challenges of entry and operation, there are barriers to exit, which in turn deter entry and lock resources in unproductive firms (Chatterjee et al. 2025).[33]

India's 'Ease of Doing Business'[34] reforms have focused on reducing compliance burdens, streamlining regulations and procedures, rationalising legal provisions, and creating online interfaces that reduce the costs of administrative processes. Given the stagnation of the formal sector, have the reforms gone far enough?

Creating a conducive environment for Medium, Small and Micro Enterprises (MSMEs) to expand is particularly important since they are an important source of large-scale employment generation in the Indian economy. The Economic Survey of India 2023–24 acknowledges that this segment continues to be constrained by extensive regulation and compliance requirements and bottlenecks in accessing affordable and timely funding.

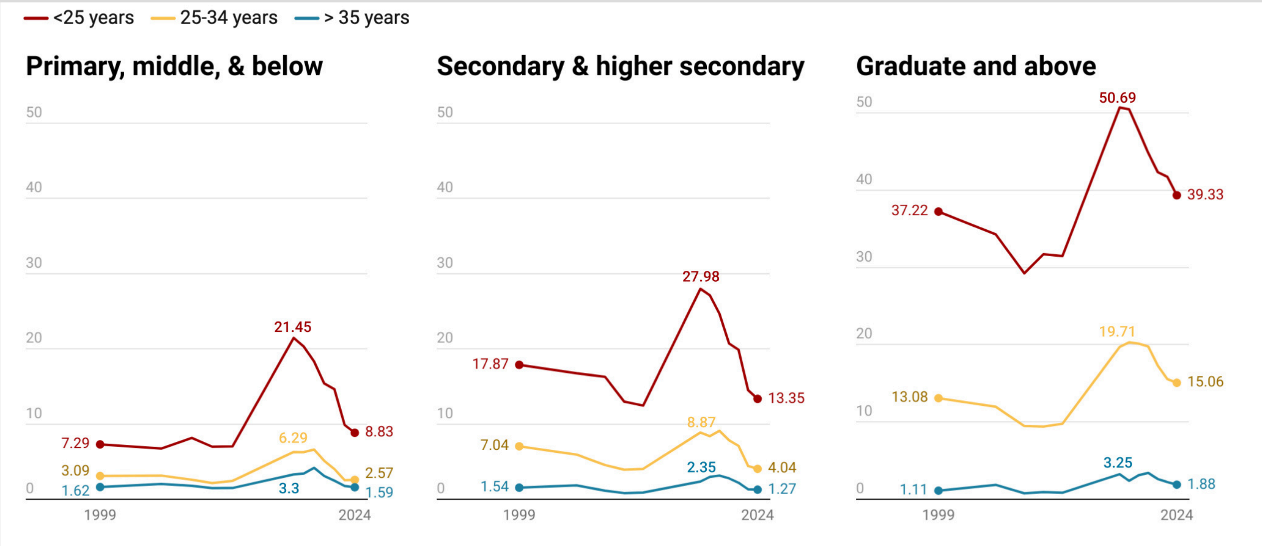
Further, there are challenges pertaining to market access, technology, skilling and infrastructure. McKenzie (2023)[35] has made a case for direct government support to firms in developing countries, such as in the form of subsidised loans, grants or training programmes. The Government of India has undertaken several related initiatives (Press Information Bureau, 2025)[36] that provide credit, equity, and tax benefits to MSMEs, as well as matching them with workers and reducing their costs of doing business. It would be very useful to have rigorous evidence on the effectiveness of these measures adopted in recent years. At the same time, regulations that unnecessarily burden the MSME sector also need scrutiny. For instance, under India's Apprenticeships Act, 1961, firms with more than 30 employees are required to have a fixed percentage of apprenticeships as part of their workforce. This requirement, as well as the mandate that firms pay up to three-fourths of the stipend (the difference being funded by the state), may be burdensome for small and medium enterprises. While this solution is meant to aid in skilling our workforce, it can also increase the compliance burden on small firms.

Overall, it is worth noting that while the Centre can provide broad direction, for a lot of these regulations, state governments are responsible for implementation. Hence, it is for states to identify the best approach to boost private investment in their context.[37]

# INSIGHT III: INDIA'S EDUCATED YOUTH LACK THE SKILLS FOR GAINFUL EMPLOYMENT

The Economic Survey of India 2024-2025, notes that one in two college graduates do not possess high competency or specialised skills, and hence, are employed in roles below the level of their educational qualifications. Besides underemployment, the mismatch between qualification-based aspirations and skill-based job market realities manifests in open unemployment among highly educated youth. Two-fifths of 15–24-year-olds with at least a graduate degree are out of work (Figure 5), even as overall unemployment rates have reduced by almost 5–10 percentage points over the last six years. Within the age categories of under-25 and 25–34 years, unemployment is 26 percentage points and 11 percentage points higher (an almost three-fold to four-fold gap), respectively, among people with graduate degrees when compared to those with only a secondary/higher secondary level of education. This implies that much remains to be done to tackle the problem of youth unemployment in the country.

**FIGURE 5. UNEMPLOYMENT RATES (%), BY AGE GROUP AND EDUCATION LEVEL, 2023-24**




*Source:* EUS-NSS until 2017-18 and PLFS thereafter (weekly status, age 15-59).

## *Skilling and education*

There is a pressing need to bolster the availability of high-quality skilling programmes that are aligned with industry demands. This has been the key objective of the National Policy on Skill Development and Entrepreneurship (NPSDE) of 2015.[38] Serving as an umbrella framework for all skilling efforts in the country, the NPSDE seeks to establish quality standards, improve industry engagement and expand apprenticeship opportunities. In addition to vocational training programmes covered under the NPSDE, the Government of India also supports apprenticeships through the National Apprenticeship Training Scheme (NATS), which was given an impetus in July 2024 with the launch of the NATS 2.0 Portal.[39]

Despite these efforts, public skilling programmes have had limited success: a study in Uttar Pradesh reveals that only 11% of graduates of industrial training institutes (ITIs) were able to find a job (TransRural Agri Consulting, 2023).[40] The limited success of the skilling initiatives could be due to the low quality of skills imparted, a mismatch between skills supplied and demanded by employers, placement options not meeting the aspirations of the trained candidates, and a lack of jobs in the economy in general. With regard to apprenticeships, these remain rather limited (Rajora 2024)[41] relative to the training needs of the labour market. Besides, it is unclear how effective apprenticeship is in comparison to generalised vocational training, given that the latter can provide workers with skills that have a higher degree of transferability across jobs (Bandiera et al. 2017).[42] Further, unlike vocational training programmes that usually provide certification, which can credibly signal skills to potential employers, apprenticeships tend to be more informal in nature and hence, less effective in improving job market outcomes (J-PAL, 2023).[43]

Recently, the Production-Linked Incentive (PLI) scheme has been expanded to Employment-Linked Incentives (ELI)[44] under the 2024 Union Budget. This includes three schemes that provide additional wages to all first-time employees entering the formal sector, support job creation in manufacturing, and incentivise the additional skilling and employment of 50 lakh persons.[45] By making firms responsible for providing skilling, these programmes could improve upon the poor outcomes of public skilling programmes.

Importantly, the effectiveness of any skilling programme is contingent upon foundational literacy and numeracy, which are acquired in school education. The Annual Survey of Education Report (ASER) repeatedly highlights deficits in age-appropriate learning outcomes among children. While the latest ASER (2024)[46] demonstrates some improvement in foundational learning, the levels continue to be rather low. For example, only about 45% of Standard V children (age 10–11 years) in government schools can read a Standard II (age 6–7 years) level text. Across India, less than a third of Standard V (age 9-10 years) students can do a basic subtraction problem. Enhancing the quality of elementary schooling is crucial to tackling India's skills problem. These issues are recognised by the National Education Policy (NEP), 2020,[47] which aims to reform the education system to deliver high-quality learning.

*Efficient matching of workers and employers*

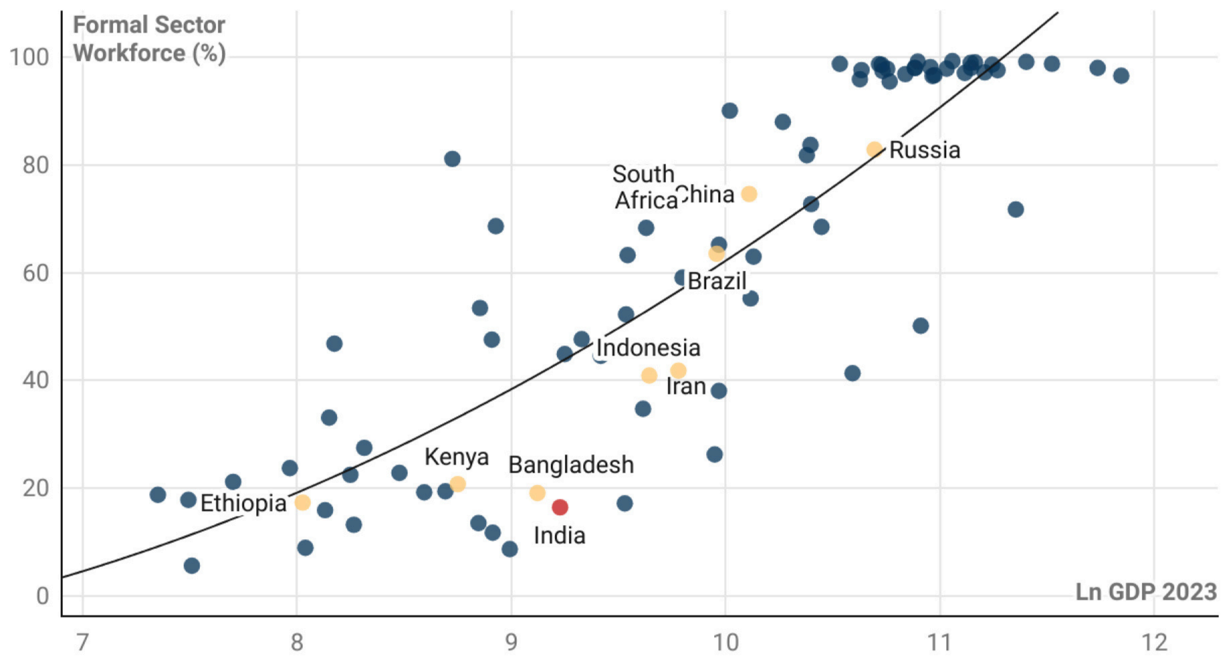
In addition to the widespread absence of high-quality, relevant skills, there are inefficiencies in matching the supply of skills in the labour market with the demand for those skills. Traditionally, people relied on their social networks to find both jobs and workers. However, in a tough market, competition for jobs may disincentivise information-sharing among social networks, leading to a decline in the overall quality of applicants and hires by firms (Chiplunkar, Kelley and Lane 2024).[48,49] This points towards a potential role for job portals that can facilitate the matching of job-seekers and jobs at scale. In addition to various fee-based portals in the private sector, the Ministry of Skill Development and Entrepreneurship runs ASEEM[50] (Aatamanirbhar Skilled Employee Employer Mapping) — an Artificial Intelligence (AI)-based Portal that aims to connect the demand and supply sides of the skilled workforce market. If widely used, such a database can provide important insights into unmet demand from employers (Press Information Bureau, 2020),[51] feeding into the design of public skilling programmes.

Further, bringing job seekers and employers together may not be enough if there are differences in the aspirations of the job seekers and the jobs available in the economy. Jobseekers may be less willing to take up or continue a job if it does not match their expectations (Chakravorty et al. 2021).[52]

## INSIGHT IV: THE VAST MAJORITY OF THE WORKFORCE LACKS SOCIAL PROTECTION

Greater contribution of the non-agriculture sector towards income and employment typically characterises the structural transformation process; however, this is truly a success when also accompanied by formalisation of employment. This is because formal jobs involve high-productivity activities. While there is no accepted definition of formal workers, salaried workers can be used as a proxy for formal job creation. Between 1999–2000 and 2018–19, the share of non-agricultural employment increased by 21 percentage points, but the share of salaried workers increased by only 11 percentage points. Hence, a large part of the newly created non-agricultural work was informal in nature. The share of the workforce employed in formal jobs is also substantially lower in India than in other countries with a similar level of per capita gross domestic product GDP (Figure 6). More recently, from FY 2019–20 to FY 2022–23, the percentage of the workforce engaged in salaried work declined from 30.3% to 27.7%.

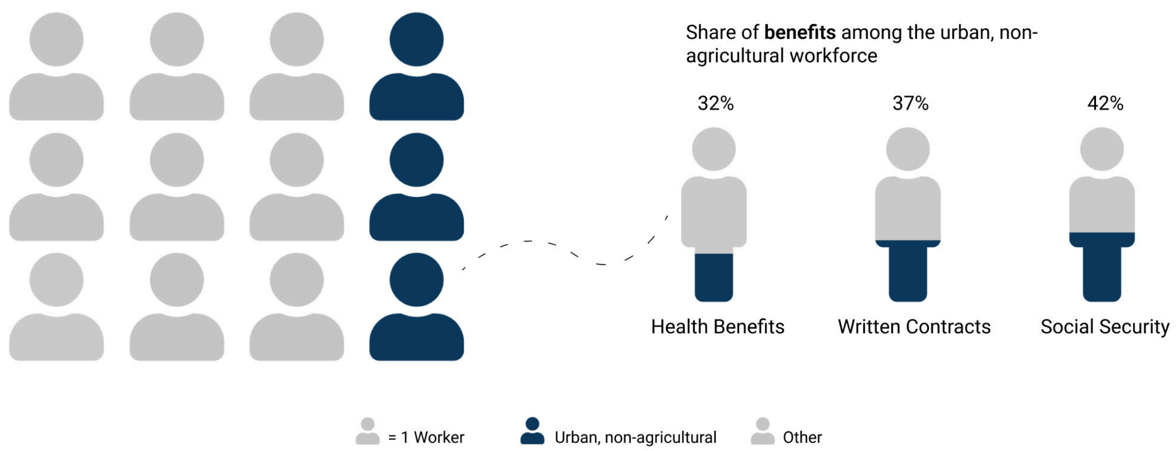
**FIGURE 6. FORMAL WORKFORCE AND GDP PER CAPITA (PPP ADJUSTED), YEAR 2023** [53,54]




Sources: Informal data is sourced from multiple national and international datasets. i) Global estimates are based on the ILOSTAT Database, using the current ILO definition of informal employment. ii) For India, data is drawn from respective NSS and PLFS datasets. iii) China's figures are taken from 'Informal Employment in Urban China: Measurement and Implications' (Park et al., 2013). iv) Data for South Africa and Ethiopia come from the World Bank's Human Capital Data Portal. v) Indonesia's information is provided by BPS-Statistics Indonesia. vi) For Iran, data is sourced from 'Economic Sanctions and Informal Employment' (Kelishomi & Nistico, 2024).

Another marker of formal jobs is the availability of social protection. Even among the urban, non-agricultural workforce (which constitutes 26.4% of the total workforce), only 37.2% had written contracts in 2023-24, 32% had health benefits, and 42% had social security.[55] Hence, a majority of the country's workforce operates under precarious conditions, characterised by low earnings and a lack of social protection.

**FIGURE 7. PROPORTION OF WORKFORCE WITH WRITTEN CONTRACTS, HEALTH BENEFITS, AND SOCIAL SECURITY**




*Source:* PLFS 2023-24 (principal status, age 15-59).

The emergence of the gig economy — "a labour market which features short-term, temporary work, characterised by independent contracting that happens through, via, and on digital platforms" (International Labour Organization, 2024)[56] — can further increase informality in the workforce. These platforms have created new opportunities to work flexibly and outside traditional employment structures, which can be invaluable for workers such as women with care responsibilities. However, gig workers are also more vulnerable to the lack of social protection.

Currently, the proportion of urban workforce employed on digital platforms remains small, at about 1.8% (Unni and Naik 2024).[57] A study in Brazil shows that platforms like food delivery apps may cause restaurants to substitute in-house, non-cooking staff with outsourced platform workers hours (Plotkin 2024).[58] This presents a complex landscape for policymaking and regulation as there is a need to balance enhanced protection for gig workers with job flexibility, in order to ensure long-term economic stability and worker welfare. While gig work, with its low entry barriers, benefits workers with limited outside options, it may also displace more formal jobs.

**Box 2. Safeguarding the welfare of informal workers**

The Code on Social Security, 2020 – one among the four Labour Codes – is an endeavour of the Ministry of Labour and Employment to amend and consolidate laws relating to social security, such that social security can be extended to all workers including those in the unorganised sector. Further, in August 2021, the Ministry launched e-Shram Portal, a national database of unorganised workers, in order to link them to social security schemes such as those pertaining to public insurance, housing and so on.

For the first time, the concept of gig and platform workers has been introduced, under the ambit of labour laws. Aggregators such as Uber are required to contribute a proportion of their annual turnover towards the Social Security Fund. While aggregators largely consider this initiative to be a game-changer as it is not feasible for them to directly provide workers with these benefits, there is a need to iron out implementation concerns such as the identification of eligible workers.

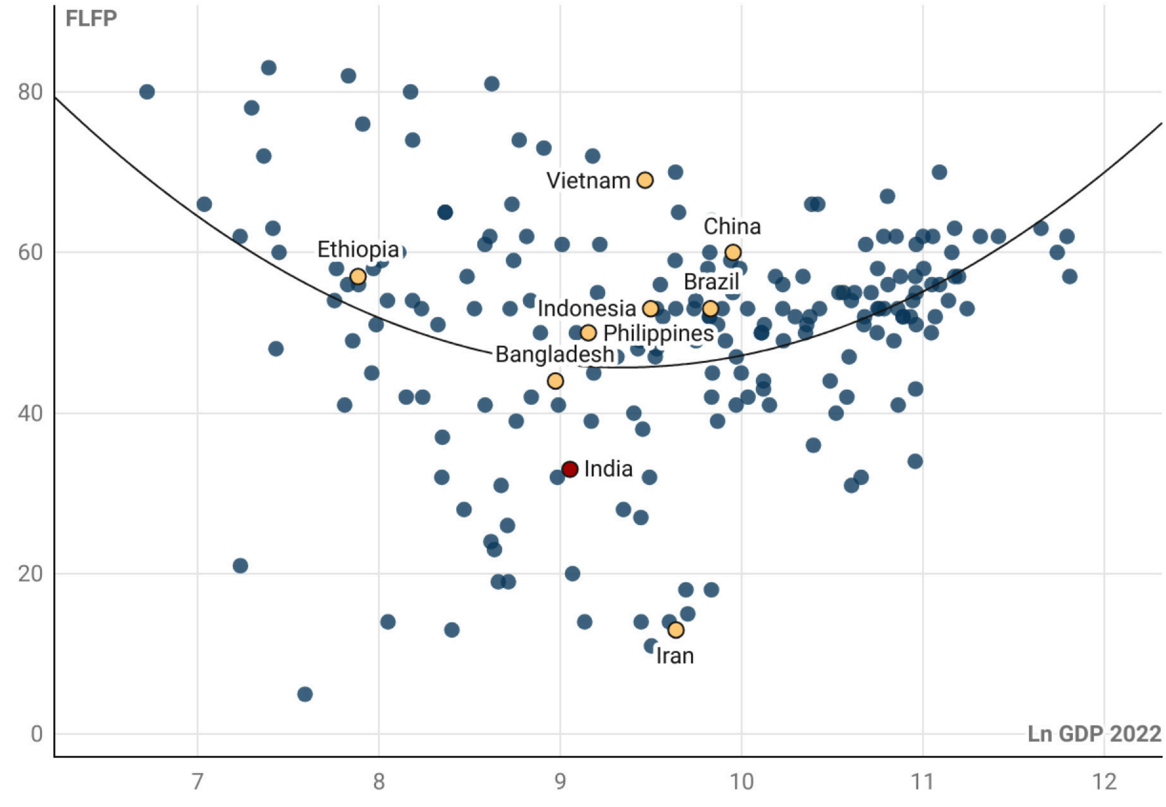
A notable pre-existing legislation is the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, which provides for the safety, health and welfare of this particularly vulnerable segment of unorganised workers. Under the Act, each state government is required to constitute a Welfare Board to provide and monitor social security schemes and welfare measures to the workers. The funds of the Boards come from a cess that is levied on the cost of construction incurred by employers on building and other construction works.

> A majority of the country's workforce operates under precarious conditions, characterised by low earnings and a lack of social protection.

# INSIGHT V: FEMALE LABOUR FORCE PARTICIPATION, WHILE INCREASING, REMAINS LOW

In 2023–24, the labour force participation rate among urban women stood at 29.3% and among rural women at 42.8%, as against 82.8% and 81.4% respectively for men. This national average labour force participation rate for women of 34% reflects an increase compared to previous years. However, India remains well behind other lower middle income countries such as Bangladesh (37%), the Philippines (47.2%), and Vietnam (68.5%), as we see in Figure 8 (World Bank Gender Data Portal, 2023).

**FIGURE 8. FEMALE LABOUR FORCE PARTICIPATION AND GDP PER CAPITA, ACROSS COUNTRIES** [60]

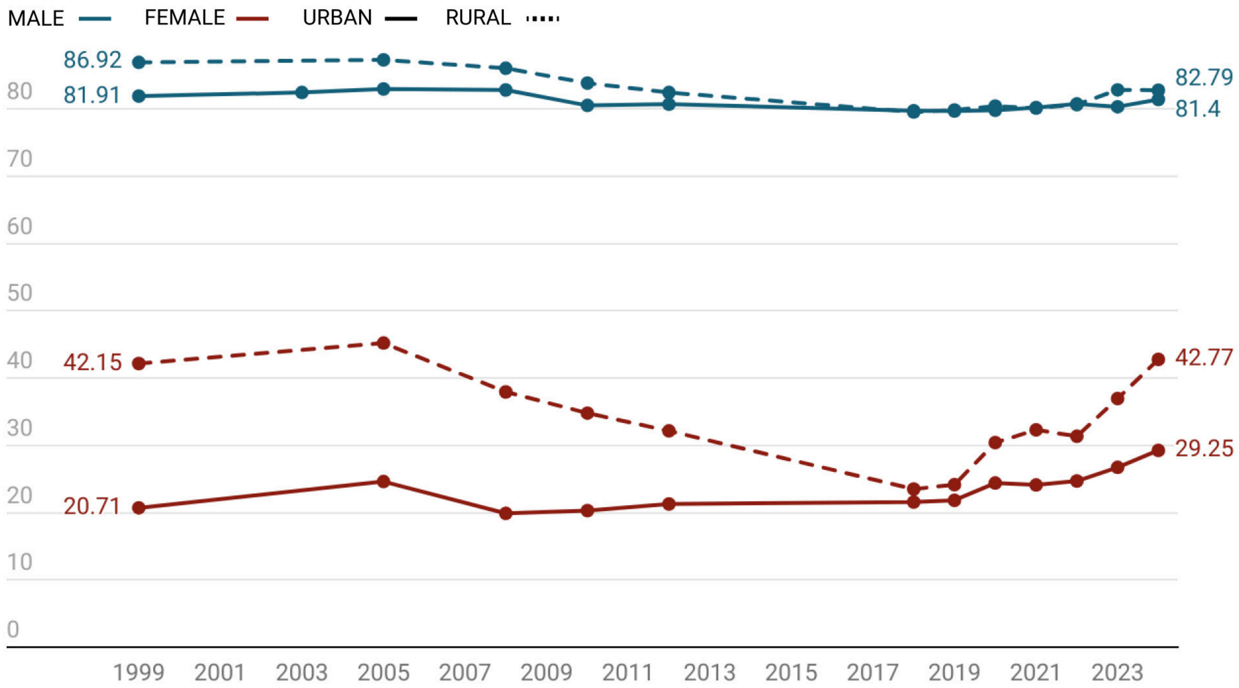



*Notes:* GDP per capita (2022) data are in US dollars, 2021 constant prices (adjusted for purchasing power parity).

*Source:* World Bank.

Taking a longer-term view, female labour force participation in India declined between 2004–05 and 2017–18, while the past five years or so have witnessed a reversal of this trend. Rural women have always participated in the labour market at higher rates than urban women, and it is this group that has increased labour force participation since 2018. However, the increase is driven by unpaid, low-productivity work (Deshpande 2025).[61]

**FIGURE 9. LABOUR FORCE PARTICIPATION RATES, BY GENDER AND REGION**




*Source:* EUS-NSS until 2017-18 and PLFS thereafter (weekly status, age 15-59).

## *Why don't more women work?*

A large body of research has explored the constraints on female labour force participation on both the supply and demand sides. The most prominent factor is social norms (Jayachandran 2021),[62] which manifest in different ways across the home, public spaces and the workplace, creating conditions that are unfavourable for women's work. Within households, pro-male bias limits investment in the human capital development of girls and makes them less likely to own assets. This is exacerbated by the penalty imposed by the marriage market on working women (Afridi et al. 2025),[63] and the lack of acceptance of hypergamy (Roychowdhury and Dhamija 2022).[64] Further, women disproportionately bear the burden of domestic and care responsibilities (Sarkhel and Mukherjee 2020),[65] leaving them with less time to engage in paid work. Outside the home, women face restrictions on mobility and threats to safety. Districts with higher rates of sexual violence have lower rates of female labour force participation (Chakraborty and Lohawala 2021).[66] Finally, many women acquire skills that are ill-matched to market demand, often because of social reasons that push them into getting skills for stereotypically female occupations. However, simply having quotas for women's participation in skilling programmes will not increase the supply of skilled female labour. There is a need to take cognisance of the multiple constraints faced by women and to account for these in the design and implementation of programmes.[67]

On the demand side, in the workplace, women are often discriminated against in the type of work assigned to them and opportunities for career progression, leading to a gender gap in earnings (Kunduri, Gupta and Kumar 2019).[68] Research has found that even when they enrol in public training and job placement programmes such as Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), women are less likely than men to receive job offers and less likely to take up any offers received (Moore and Prillaman 2019).[69] While the former is indicative of discrimination, the latter is attributed to the lack of support from family members and concerns about safety in urban areas. More broadly, a lack of quality job opportunities has hamstrung the increase of women in the non-agricultural sector. While countries like Bangladesh and Vietnam witnessed a growth in export-driven textile sectors (Rahman and Islam 2013),[70] accompanied by a rise in female employment rates, India failed to do so. In general, the small size of Indian firms, which makes employment conditions unfavourable for their entry (Chakraborty and Mahajan 2025), has contributed to the FLFP in India. Finally, women own only 13% of enterprises in the country (Economic Survey of India, 2013); increasing female entrepreneurship rates can provide an impetus to FLFP as a whole because women are known to hire more women (Chiplunkar and Goldberg 2024).[71]

### *What policy can do*

Complementary measures in this regard could include setting up public infrastructure in the form of crèches and working women's hostels, and enhancing safety in public spaces. While there are related announcements and some budgetary allocations (such as for PM Girls Hostels under the Department of Higher Education, in the Union Budget 2024–25), issues of quality and reliability persist. For instance, the National Crèche Scheme, the proper functioning of which can enable mothers to better manage dual responsibilities of paid work and childcare, is impeded by inadequate funding and lack of compliance with rules, leading to poor infrastructure for childcare that families find hard to trust. According to a February 2022 Circular of the Ministry of Women and Child Development (MWCD, 2022),[72] the number of functional crèches declined to almost a third between 2017–18 and 2019–20. The Union Budget 2025–26 states that MWCD plans to put together a national database of all working women's hostels and crèches in the country, both public and private, by employing a 'quality rating' system in collaboration with the Quality Council of India. Swift implementation of such measures can make a difference. In terms of women's safety in public spaces, the Nirbhaya Fund — a resource dedicated to this purpose — is reported to be grossly underutilised (Parliament of India, 2021)[73] over the years.

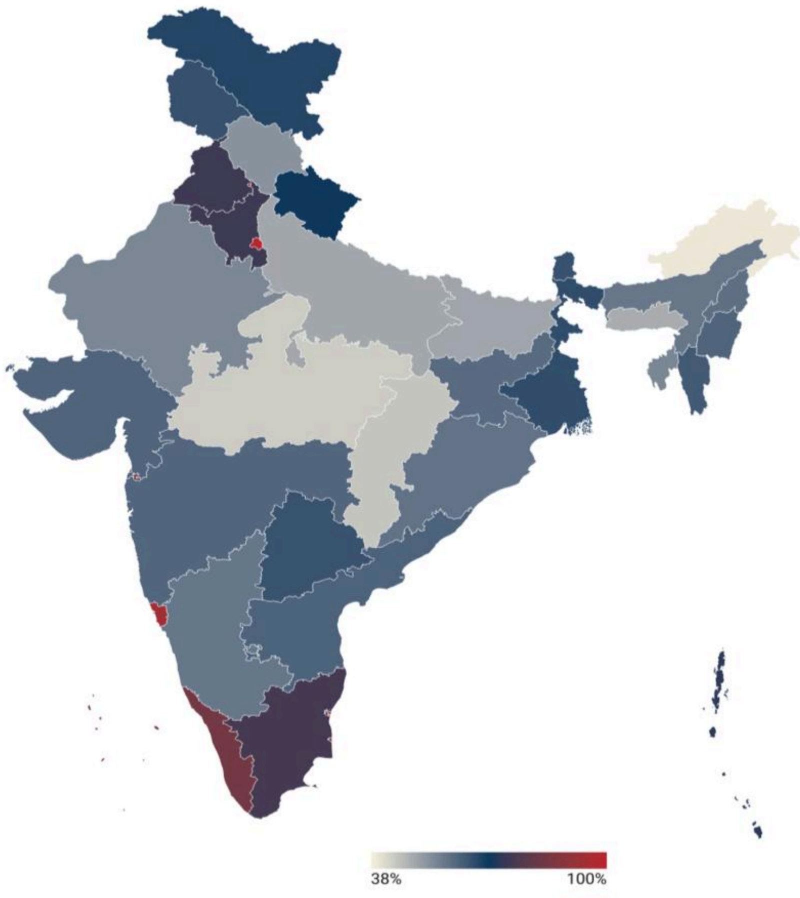
In the organised sector, a welcome step came in 2017 when the Maternity Benefit Act, 1961, was amended to increase paid maternity leave from 12 weeks to 26 weeks.

However, for the legislation to have the intended effect of improving labour market outcomes for women by addressing the "motherhood penalty", there is a need for complementary policies to reduce the cost burden of maternity benefits faced by formal firms (Bose and Chatterjee 2024).[74] Another effort to ensure a safe and conducive work environment for women was the enactment of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act in 2013, better known as the POSH Act. While the POSH Act enables the reporting of workplace sexual harassment cases, several firms remain non-compliant, by not setting up the mandated Internal Complaints Committee. While there is a need to improve enforcement (Chawla 2024),[75] regulations should not impose substantial costs of compliance on Small and Medium Enterprises (Bhalotra et al. 2024).[76]

## INSIGHT VI: REGIONAL DISPARITIES EXIST IN EMPLOYMENT

There is significant variation across Indian states in the rates of structural transformation. While states such as Goa and Kerala have relatively high proportions of their workforce in non-agricultural sectors, at 94% and 84% respectively, the figures are 44% for Madhya Pradesh and about 50% for Bihar and Uttar Pradesh. In terms of regional averages, the West is in the lead (72%), followed by the South (68%) and the North (63%), with the Eastern (58%), Northeastern (56%) and Central (44%) states lagging further behind.

**FIGURE 10. SHARE OF NON-AGRICULTURAL WORKFORCE ACROSS STATES**




When growth is concentrated in certain pockets of the country, migration can serve as a vital safety valve and development catalyst by moving labour from low-productivity regions to high-productivity regions. It can also spur the local economy through an increased flow of remittances, while also providing skills to migrant workers. Thus, well-designed policies that decrease frictions in migration, protect migrant rights, and channel remittances into productive investments can maximise these benefits and help rebalance regional development over time.

Internal migration can also address imbalances in demographic transition between North and South India, where the population of the south is ageing at a faster rate (Misra 2023).[77]

According to the latest available Census data (2011), there were 14 million inter-state migrants documented as moving for 'economic reasons', including employment and business. However, the Census is geared towards capturing permanent mobility and does not capture circular migration, which is an important aspect of work-related migration. Based on alternate methods, the Economic Survey of India, 2016-17, estimated the number of inter-state migrant workers to be close to 50 million (Tumbe 2023). [78]

An impediment to crossing state borders for work is that welfare benefits are administered at the state level, and state residents receive preferential treatment in accessing government employment and higher education (Sharma et al. 2017).[79] A policy measure that seeks to address this issue is the 'One Nation One Ration Card' (ONORC) scheme.[80] Launched in 2018, this central government programme allows beneficiaries of the Public Distribution System (PDS) to get rations from any fair-price shop in the country.

Migrants also face an issue with accessing affordable housing in urban centres. The Ministry of Housing and Urban Affairs launched 'Affordable Rental Housing Complexes' (ARHC)[81] in 2020, a sub-scheme of Pradhan Mantri Awas Yojna - Urban (PMAY-U), to provide dignified living to poor urban migrants near their workplace.

But are policies that facilitate migration enough to achieve balanced regional development? While migration to high-growth urban centres can offer opportunities, it also brings challenges such as congestion and environmental degradation. Addressing regional disparities, therefore, requires more than just enabling migration — it requires the creation of region-specific policies to promote job creation in less-developed regions. At the national level, initiatives like the Regional connectivity Scheme - Ude Desh Ka Aam Nagrik, better known as RCS-UDAN seek to bridge regional gaps by improving regional air connectivity and making travel affordable. New airports have been built in underserved areas to ease the movement of people. However, research shows that without adequate complementary initiatives to boost job creation in these areas, setting up infrastructure may not be enough to make these cities attractive for private investment (Mahajan et al. 2025).[82]

# LOOKING AHEAD: KEY POLICY QUESTIONS

The insights discussed in this report throw up some key questions around policy choices to foster growth of productive employment in the country.

**1. Where Will New Jobs Come From?**

- How can India meet the need for 8 million non-farm jobs annually?
- Which sectors should industrial policy prioritise — and what kind of support works best: broad-based reforms or targeted incentives?
- Can trade policy be reshaped to support domestic job creation?

**2. How Do We Enable Firm Growth?**

- What reforms to land, labour, and regulatory frameworks can spur formal sector expansion?
- What holds Micro Small and Medium Enterprises back from scaling up and creating formal jobs — and how can these bottlenecks be removed?

**3. Are Indian Workers Job-Ready?**

- How can skilling keep pace with industry needs and technological shifts like Artificial Intelligence?
- Should India double down on apprenticeships, vocational training, or both — and for which kinds of skills?
- What should be the role of the government in skilling and matching workers to employers?

**4. What Does Social Protection Look Like in the New Economy?**

- How can we extend protection to gig and informal workers without reducing flexibility?
- What can India learn from international models for providing worker social protection?

**5. How Can More Women Enter the Workforce?**

- What practical interventions — from childcare to workplace safety — can boost female labour force participation?
- How can firms be incentivised to offer quality jobs that don’t impose added costs?

**6. How Do We Tackle Unequal Regional Growth?**

- Should policy support place-based development, enable migration or both?
- How can state-level governance reforms attract more private investment?

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