

Media Coverage

Publication	Date	Edition	Link	Headline
The National News	6 Dec 2020	Online	https://www.thenationalnews.com/business/economy/india-needs-to-address-its-unemployment-crisis-made-worse-by-pandemic-1.1123296	India needs to address its unemployment crisis made worse by pandemic



The pandemic has hit India's labour market hard.

Lockdowns in Asia's third-largest economy have shuttered businesses, triggered a mass exit of labourers from big metropolises, and forced the corporate sector to scale back drastically amid the continued economic uncertainty.

The economic slump, undoubtedly, is far worse than anything India has faced in its recent history.

But analysts say the country was already teetering on the verge of a labour market crisis. The pandemic has brought unemployment into sharper focus and India will have to address the issue of generating jobs in the near and long term as it tries to revive its battered economy, they say.

"India has always faced challenges when it comes to employing its citizens," says RP Yadav, chairman and managing director at Genius Consultants, a human resources company in Kolkata.

With a population of more than 1.3 billion, half of which is under the age of 25, one million people enter the workforce every month, according to government data. The

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country, however, has not generated new jobs at the same pace. Employment growth slowed to 2.8 per cent in the financial year to the end of March 2019, from 3.9 per cent recorded in the previous year, according to a study by CARE Ratings.

Mr Yadav says the government took some steps to address the unemployment challenge and “they were moving in the right direction [until] 2020 brought along a pandemic and changed the job creation and availability adversely”.

Those earlier steps included Prime Minister Narendra Modi's Skill India initiative. Launched in 2015, the programme had an ambitious target of training 400 million people in new skills by 2022. With the pandemic setback, much of the progress made on Skill India is lost, and experts argue that the country will have to do a lot more now to meet the needs of job creation and economic growth, which go hand in hand.

“In the last decade, the number of unemployed people has increased, making some of us wonder what went wrong,” says Neha Bagaria, the founder and chief executive of JobsForHer, an online portal that helps women start or restart their careers.

Exacerbating India's problems, the virus and lockdown effects have pushed the country into a rare recession. In the quarter between April and June – at the height of movement restrictions – the economy contracted by a record 23.9 per cent on the year.

As the government gradually allowed the economy to reopen, it was able to claw back some ground. The latest official figures show that gross domestic product contracted by 7.5 per cent in the quarter to September.

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Similarly, unemployment peaked at 23.5 per cent in April, and now stands at 6.8 per cent, according to data from the Centre for Monitoring Indian Economy think tank.

Before Covid-19, unemployment levels soared, hitting a three-year high of 8.45 per cent in October 2019, CMIE figures show.

India's GDP growth was also slowing before the pandemic hit, with the economy expanding just 4.2 per cent in the financial year to the end of March 2020, compared with a 6.1 per cent jump a year earlier, according to government data.

Economists say India needs GDP growth of at least 8 per cent to generate enough jobs for its young population and lift people out of poverty.

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A report by global management consultancy McKinsey says the negative impact of the pandemic is leading to “a clarion call” for India to put growth on a “sustainably faster track and meet the aspirations of its growing workforce”. McKinsey analysts say the pandemic could, in fact, be the catalyst India needs to finally take much-needed measures to boost job creation.

“The economic crisis sparked by Covid-19 could spur reforms that return the economy to a high-growth track and create gainful jobs,” McKinsey said in the report released in August. “Letting go of this opportunity could risk a decade of economic stagnation.”

The consultancy argues that the country urgently needs to take steps to address pre-pandemic trends of flat employment and slowing economic growth. It needs to create at least 90 million new non-farming jobs over the next decade for its workforce.

About half of India's population depend on agriculture for their livelihoods, though the sector's contribution to GDP over the years has declined to just 15 per cent, according to government data.

The woes of the sector are currently in sharp focus, as large-scale protests by farmers have rocked Delhi in recent weeks. The farming community is opposed to Modi government's new agriculture laws, which it says will hurt farmers' livelihoods.

Farmers camped in Delhi want the government to rollback reforms that will change rules around sale, pricing and storage of farm goods. Farmers fear they will lose protection as the government supports a free market mechanism.

McKinsey says India should be focused on sectors with higher productivity, including construction and manufacturing. There are also opportunities for India to compete with other Asian economies in areas such as electronics and chemicals manufacturing.

“[India] could also build on its traditional strength in IT-enabled services to reflect digital and emerging technologies like artificial intelligence and machine learning – based analytics,” according to McKinsey.

Work-from-home protocols, a rise in e-commerce, sharp growth in the payments industry and digital marketing in the wake of the pandemic have given India's technology sector a boost. Companies and recruiters say they are already seeing a pickup in tech-related jobs while other sectors languish.

“We all have witnessed tremendous growth of digital marketing in our country and during this pandemic, there was a certain demand of work and culture towards digitisation,” says Zainab Cutlerywala, HR manager at digital marketing firm Hats-Off Digital.

However, despite a pickup, demand for jobs far exceeds the number of opportunities available in the market, a reflection of the overall labour market conditions.

“We are receiving around 10 to 15 applications daily for jobs and mostly [candidates'] reason to search or switch to a new job is delayed salary payments or no salary, pay cuts, or layoffs,” she says.

“India has always faced challenged when it comes to employing its citizens”

RP Yadav, chairman and managing director at Genius Consultants

The healthcare sector too has seen a rise in employment opportunities in recent months.

As the population awaits a Covid-19 vaccine, the country's healthcare sector is opening up job opportunities for both "non-Covid and Covid-related health services and products", says Sunil Thakur, managing director of Quadria Capital, an Asian healthcare-focused private equity fund.

The historic skills mismatch in the Indian health sector is also a reason behind the surge in job opportunities, he adds.

The need of the hour is "reskilling, upskilling and deep-skilling of the population of India" to be able to meet the demands of digital companies – along with other sectors including healthcare – and drive these industries forward in India, and in turn the economy", Ms Cutlerywala says.

Sheetal Nair, the corporate head of securities services firm DSS Group, says "the biggest challenge when it comes to hiring is the skill and knowledge gap, which exists in the demand and supply of manpower".

A decade ago, the qualification for a security guard was basic understanding of English with a Class 8 school certification. That has now been upgraded to people with Class 10 school certificates and a basic understanding of operating computers, Mr Nair explains.

Ms Bagaria at JobsForHer agrees that education and retooling of skills need a lot of attention in India to equip the labour force for today's jobs market.

"Skill training needs to be imparted at the most basic level of the population, especially for those from poor socio-economic backgrounds," she says.

"Quality education will certainly create skilled youth who will be more employable and can create businesses that will generate employment opportunities for others as well."

Now is an opportune time to lay the groundwork for generating more lucrative jobs in India as 2020 has been a tough year for both employers and job seekers, she says.

One way to do is to make significant investment in developing India's physical infrastructure, which will put millions to work and generate economic activity, she adds. Inclusion of more women into the labour market will also help economic activity. The acceptance of the work-from-home model by India's corporate sector means potentially more flexible work opportunities for women in the country.

"Corporate India has already begun warming up to the remote working trend and is reinventing the workplace by leveraging cutting-edge technology," says Ms Bagaria.