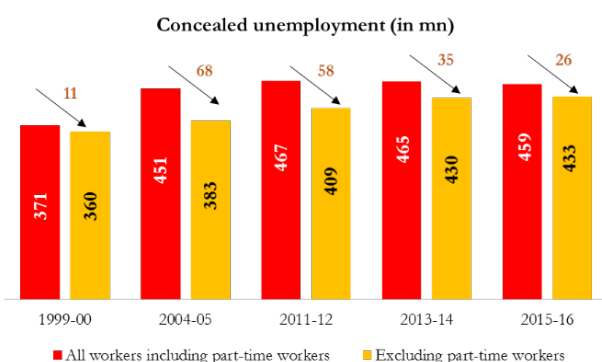
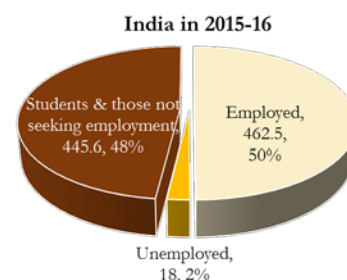


The world's largest workforce, but under stress

In 2015-16, **462.5 million** (mn) Indians formed India's workforce

- An equally large number – 445.6 million are either studying, or are 'out of the labour force' i.e. not seeking employment
- In comparison, India's unemployed are a tiny 18 million, but that number has gone up by 76% in the four years between 2011-12 and 2015-16
- **Concealed unemployment** is, however, the greater concern:



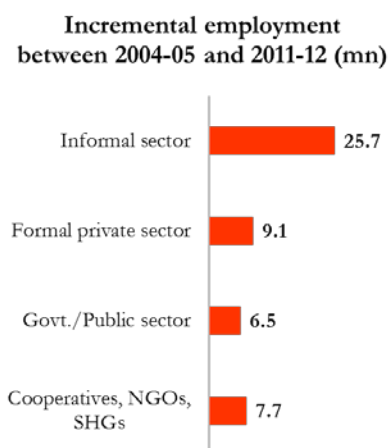
- 63 mn Indians considered employed do not regularly get paid in cash or kind (eg helpers in household enterprises). Put together with 18 mn, that places unproductive employment *and* unemployment at 17% of the current labour force.
- Another 110 mn (split almost evenly by gender) are, at the time of this study's base surveys, employed for short periods (under 6 months)

and 26 mn are in part-time/secondary jobs.

- Employment itself has stagnated in the 2010 decade, moving from 467 million in 2011-12 to 462.5 mn in 2015-16.

Predominance of the informal sector

- **The predominance of the informal sector as employer** – 180 mn versus just 30 mn in government jobs and an even smaller 19 mn employed by the private sector - is a key reason for job distress and lack of security nets. 72% workers in the informal sector are employed in enterprises that employ less than 6 people.
- The informal sector had accelerated its job creation - 25.7 mn added between 04-05 and 11-12; three times the 9.2 mn added by the private sector.
- Only 45% of all establishments (70 mn) have a fixed structure, lending itself further to the informality of employment in India.
- **The informal sector is characterised by lower levels of education than the formal** – about 90% are educated up to primary or higher secondary levels, with only a tenth graduates or post graduates.



Executive summary

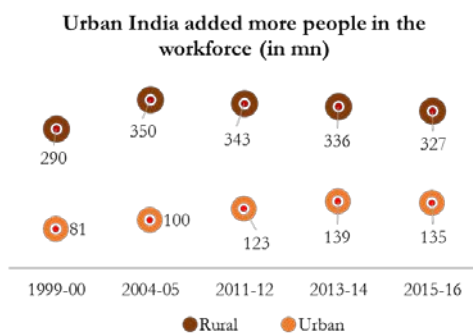
Regular salaried employment is the largest gainer

- The reality of a huge segment of workers, who are ‘self-employed’ – whilst down by 41 mn in the last 11 years, is still a huge 214.4 mn of the total. The bulk of these are ‘own account’ workers (i.e. work for themselves without any labour). Nearly 72% of the total establishments (~42 mn), are own-account - accounting for 44% of employment.
- **Regular salaried employees in India stand a whisker short of 100 mn** at 98.9 mn, up over 30% since 2004-05 (led by the private sector), but still a small component. Maharashtra, Gujarat and the three southern states of Tamil Nadu, Andhra (and Telengana) and Karnataka registered the highest increases. By contrast, UP and West Bengal saw rises in casual labour.
- **Over 90% of formal private sector employment, however, was added in seven years alone**, between 2004-05 and 2012, indicating fast acceleration, albeit from a low base.
- **By state, private sector share of employment, however, remains in the 12-15% range even at the highest levels** with states like Maharashtra, Haryana, Karnataka, Gujarat and Delhi leading the pack. Goa, at 34% is an outlier



Urban India is emerging as the fulcrum of job creation

- Whilst 59% of all establishments (70 mn, not including farming, defence and public administration) are still in rural India, the growth in the number of urban establishments, at 47% over 38% between 2005 and 2013 signals the increasing importance of urban areas as centres of job growth.



- Of these urban centres, **large cities (47 that are million plus in population) account for 35% of total urban employment**. Whilst the Mn+ cities that emerged in the decade of 2000 are key, so are others that have emerged since 2011. Rising urban to urban migration is another key trend. Illustratively, 6 of these 9 cities are in and around the Delhi and

Mumbai corridors.

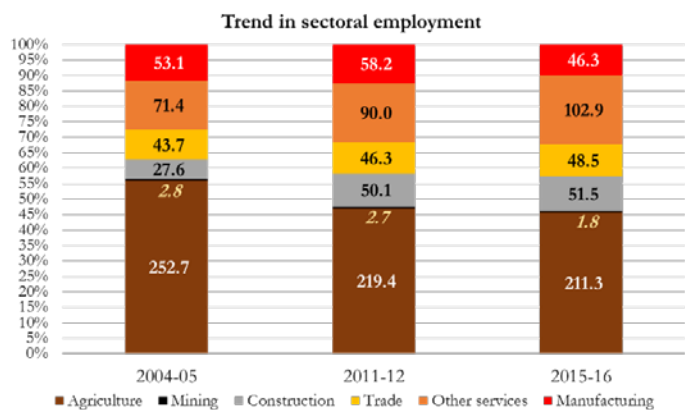
- **10 states in India account for 75% of all employment**, led by UP with 63.5 mn and including Maharashtra (45.8 mn), West Bengal (36.6 mn), Bihar (33.4 mn), Tamil Nadu (33.1 mn), Karnataka (27.3 mn), Rajasthan (26.5 mn), MP (24 mn), Andhra Pradesh (23.8 mn) and Gujarat (22.6 mn). Haryana (8.9 mn) and Delhi (5.6 mn) offer small employment numbers in comparison.

Executive summary

- Viewed as a percentage of total workforces in these states, Mizoram (0.8 mn, but 66% of the state's population), Chhattisgarh (12.9 mn, 66%), Jharkhand (15 mn, 64%), Meghalaya (1.3 mn, 62%) and Nagaland (0.8 mn, 62%) emerge as the leaders in employment generation.
- 10 states in India, however, account for 81% of private sector employment**
- Employment is not keeping pace** with the number of people being added to working age population in the states. The ratio of increase in employment to the increase in working age (above 14 years) population in states like UP, Gujarat, MP & J&K is negative, and states like Maharashtra and Haryana barely keep pace at 3% and 1%. Smaller states including the seven sisters in the North East do much better, but with much smaller populations.

Employment in the manufacturing sector has declined

- Agriculture is still the main employer with 211.3 mn Indians engaged in agriculture in 2015-16, much lower however, than the 252.7 mn registered in 2004-05.
- Services is now the second largest employer** after agriculture with 151 mn Indians employed in services (led by retail and wholesale trade), followed by construction at 52 mn
- The manufacturing sector, however, has shown a decline** from 53 mn to 46 mn in the decade through to 2015-16.
- Worryingly, only a small segment (13.88 mn) of manufacturing sector employment is in the formal, organised sector, which too, saw 20% of factories becoming non-operational in 2013-14.
- That said, given a secular rise in the number of workers in organised factories (from 11.79 mn in 2004-05 to 13.88 in 2014-15, the trend also points to a **larger number of people employed in potentially larger factories/set ups**
- Manufacturing hubs** by employment are limited to a few districts and concentrated on the Western and South-Eastern coast as well as some in the North. **The services sector hubs** are more widespread, and concentrated especially in the South and West.



More women with higher education are opting out of labour force

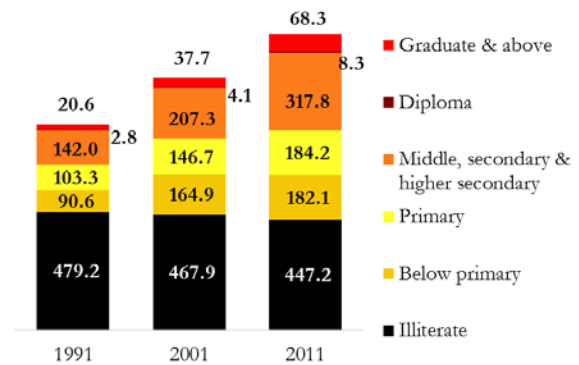
- The greatest concern – and potential opportunity – lies in the fact of declining participation by women in the workforce. **Only 35% working age women were employed in 2015-16, compared to 61% of working age men.**
- Rural India has seen a decline both in growth and numbers – from 35% of total workforce to 29% and from 101 mn to 95 mn. Urban India figures are a tad better –

Executive summary

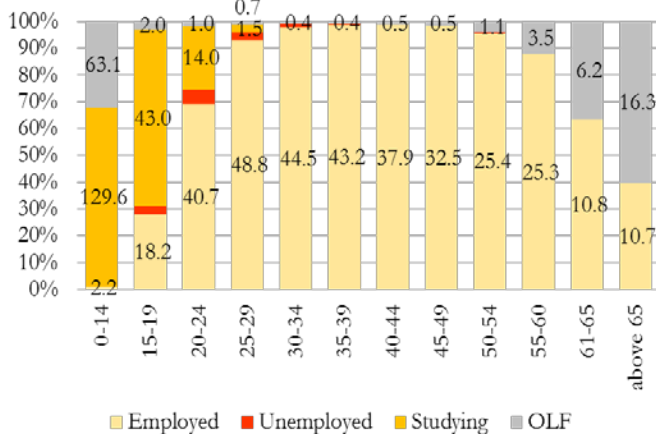
whilst participation has fallen from 22% to 18% of the total workforce, it has risen from 16 mn to 24 mn.

- The rural private sector saw declining women workforces, rising in the public sector, whilst urban India saw the private sector double participation, but with no change in share of total workforce.
- This is despite the fact that **they are better educated** – the number of graduates and post graduates are even by

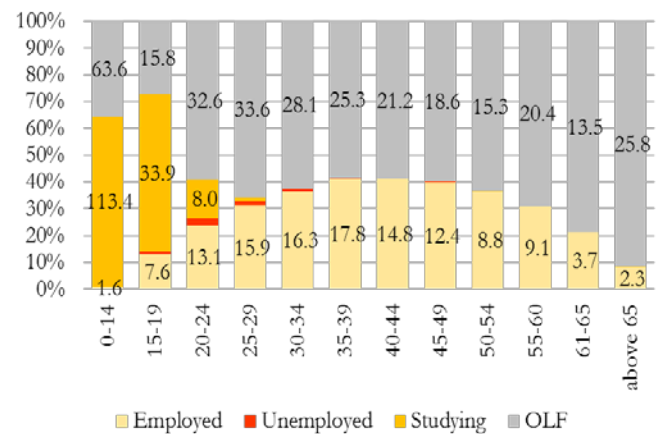
Educational qualification in India (in mn)



Age-wise occupation of men, 2011-12 (mn)



Age-wise occupation of women, 2011-12 (mn)



gender (3 mn each and 0.7 mn each respectively), **and getting married later** – 35% of urban women marry after 25 years of age, and 17% of rural Indians do so. The bulk of this decline is attributed to the fact that they are moving out of the labour force i.e. opting not to work, with most opting for household duties. Many more are of course also studying

- In contrast almost the entire incremental male population between 2004-05 and 2011-12 across age groups joined the workforce, excepting the age groups till 24 years, where they are opting for higher education.
- The answer is in the private sector** because over half the employed women in urban areas are regular salaried employees, a trend visible in no other segment.

Graduates and postgraduates are increasing in number, but low levels of education remain a concern

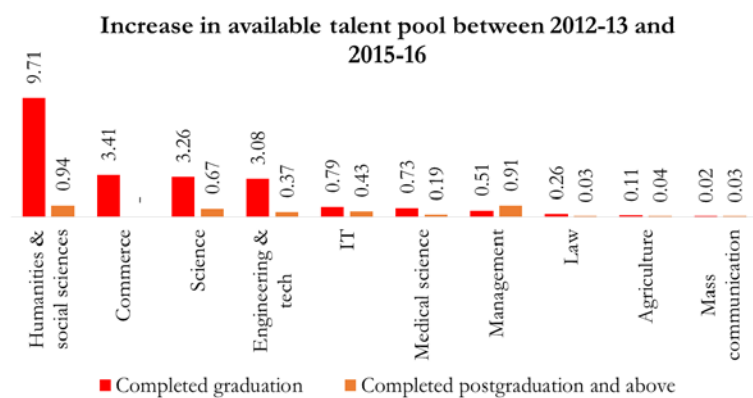
- The decade 2001-2011 added 31 mn graduates and post graduates to the potential workforce, and 110 mn with secondary/higher secondary education (this is the fat middle comprising the bulk of India's workforces).
- Whilst falling year on year, there are still **447 mn illiterates in India** – which, by linear projection, will fall, but to a still high 306 mn by 2021. About 140 mn illiterates formed a third of the workforce in 2011-12. While graduates and post-graduates have increased by 50% (to 32 mn) and nearly doubled (to 12 mn) respectively, in the period between 2004-05 and 2011-12, form less than a tenth of India's workforces today.

Executive summary

- In the four years to 2015-16, **25 mn Indians completed their graduation and 6 mn their post-graduation.**
- The most populous states have the greatest number of graduates and post-graduates. UP has almost 40 mn graduates/post-graduates (14.2 mn women), followed by Maharashtra at 34.6 mn (13.9 mn women). However, **no state has more than 8% of their workforce (Maharashtra) with this education profile.** In UP only 5% of the workforce are graduates and post-graduates. (These are purely quantitative assessments - this study does not speak to the quality of education).
- **A full quarter of the 18 mn unemployed in India are graduates or post graduates.** Nearly 15 mn grads and 4 mn post grads are also opting not to work.

Humanities is still the preferred subject of graduation; formal vocational training gaining momentum

- **The technically skilled talent pool with formal education,** either current or studying, is concentrated in a few states – Maharashtra, Andhra Pradesh, Tamil Nadu, Karnataka, West Bengal and UP.
- **Technology as well as medical graduates are concentrated** in the three southern capitals, Mumbai and Delhi. Mumbai and Delhi have the highest concentration of other education profiles.
- Specialised courses find greater traction in industry with much fewer from streams such as engineering, technology or medical sciences unemployed, compared to those with humanities or science degrees. Illustratively, 50% of those with humanities qualifications were employed in 2015-16, compared to 67.7% of medical students and 61% engineering or technology graduates.



- **Humanities is nonetheless the course subscribed to by the greatest number of students,** with almost 10 mn graduates added to the talent pool in three years till 2015-16, compared to 3 mn engineering or technology grads. **End outcomes however differ.** Many more of the latter are completing courses, with humanities reflecting a 6% de-growth.
- **Vocational training is catching up,** with 10-15% of working age population in each age band today vocationally trained. 78.3 mn Indians received vocational training in

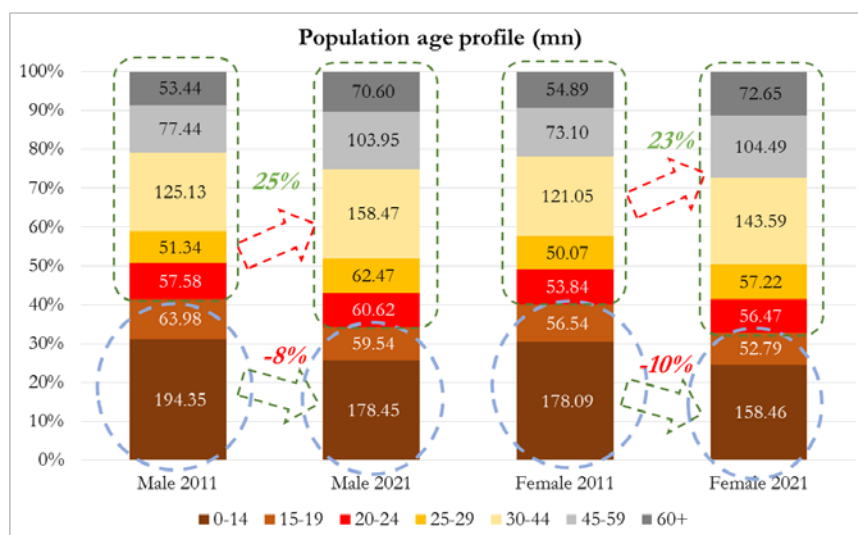
Executive summary

2011-12, up massively from 45.3 mn just two years prior. On the job training is the most active source of vocational training.

- **Those vocationally trained are more employable than graduates**, and also more keen to work. While 59% of graduates were employed in 2011-12 and 26% had opted not to work, the corresponding figures for those vocationally trained were 83% and 9%, respectively.
- Certain skill development streams are seeing higher levels of unemployment (computer trade for example – which is the most preferred field) than others, whilst others, such as those trained in textile-related work, printing technology or personal care are opting not to work.
- The mismatch between available jobs and job-seeker skill sets and experience is the key reason for unemployment. A mismatch in remuneration expectations – most so in rural India – is the other

In a business as usual scenario, India will need to create at least 40 mn more jobs by 2021

- By 2021, there will be another 173 mn Indians added to the 19+ age group, massively expanding available workforces and by corollary, the demand for jobs
- 117 mn more Indians will be urban (75 mn more will be rural), further accelerating the trend and pressure of job creation in India's urban centres
- 500 mn Indians will be employed, but 470 mn will opt not to work. The demand for employment will intensify if these numbers change. Another 400 mn will be studying, creating the next big wave of talent. The need to create the right academic curricula in line with tomorrow's expectations is urgent.
- 75% of all graduates and post graduates will be accounted for by ten states, led by Maharashtra, UP, Andhra and Karnataka.
- At 57%, the 'out of labour force' population is predominated by those illiterate; another 17% are those who have studied just up to the primary level. These numbers are projected to go to 49% and 18% respectively - again a need of the hour for policy makers and those in the education sector



International Market Assessment India Private Limited

107, Time Square
Sushant Lok I, Block B
Gurgaon 122002
Tel: +91 124 4591200 (Board)
Fax: +91 124 4591250
Visit us at www.ima-india.com