



OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

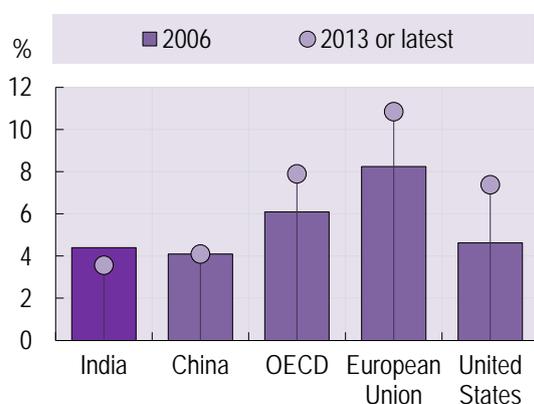
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Labour market performance in India

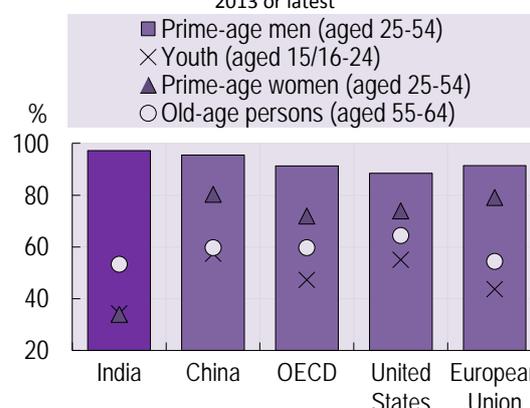
A. Unemployment rates

Percentage of total labour force^a



B. Participation rates by age groups

Percentage of the labour force of the indicated group, 2013 or latest^b



a) Administrative records in urban areas for China. For India, the data refer to 2005-06 for 2006 and 2011-12 for 2013 or latest.

b) The data for China refer to 2010 and for India to 2011-12.

Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>), Statistical Yearbook of China (Panel A) and census data (Panel B) for China and National Sample Survey (NSS) Rounds 62 (2005-06) and 68 (2011-12), based on current weekly labour force status, for India.

The sectoral composition of India's labour market is changing substantially

India's economic growth has slowed since 2010 in the aftermath of the global crisis, but growth is expected to pick up according to the May 2014 projections of the OECD Economic Outlook. The unemployment rate was 3.6% in 2012 in India, lower than in 2006 (4.4%) before the onset of the global financial crisis. The decline was larger in urban areas than in rural areas. For the first time, employment in agriculture has fallen despite strong population growth by 18 million since 2006. Its share of total employment has also fallen by 8 percentage points down to 47% in 2012. More than 44 million jobs were created in services and construction and marginally in manufacturing. In particular, the construction

sector absorbed a large number of male workers leaving low productivity farming jobs. The construction sector benefited from large public and private sector investments in infrastructure (airports, national highways), real estate, housing and development projects. Employment was also promoted by direct job creation programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). However, despite a job growth of 1.2% per year since 2006, the overall employment rate of the working age population fell by more than 4 percentage points to 53.5% in 2012 due to a decline in labour force participation (55.4% in 2012), in particular in rural areas. Moreover, job creation was not strong enough to absorb the large increase every year in the number of youth joining the labour force.

The labour force participation of women is low, especially in urban areas

India's labour force participation rate of 55% in 2001-12 for the working-age population (aged 15-64) is much lower than the OECD average (71%) and in several other emerging economies, including China (77%). This reflects a relatively low participation rate for Indian women, which since 2006 has declined by more than 6 percentage points to 29% in 2012, mostly reflecting a decline in rural areas while participation in urban areas remains below 20%. This decline also reflects the positive development of a rising share of young women who are staying on in education. This may lead to a subsequent rebound in female participation rates in the future in India as these women enter the labour market with higher educational qualifications than previous generations of women.

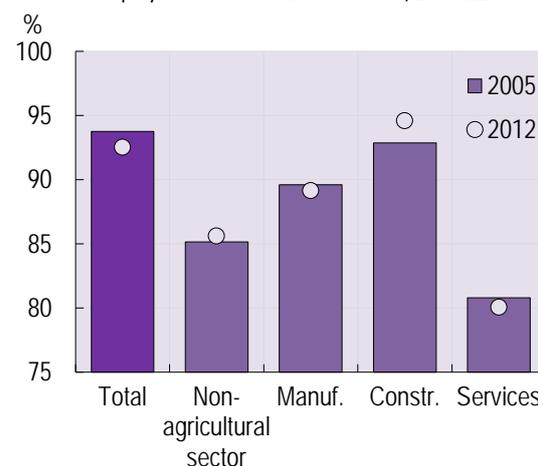
Despite rising school enrolment more generally among young people in India, more than one in four youth in 2011-2012 were not in employment, education or training (NEET) compared with an OECD average of 14%. Youth labour force participation in India is also low at 34% compared with the OECD average (47%) and China (57%).

Creating quality jobs, tackling informal employment and reducing large disparities in labour market outcomes remain major challenges

Improving job quality is another, related, challenge facing India as well as most advanced and emerging economies. The *2014 Employment Outlook* puts forward a new framework for measuring job quality along three dimensions: earnings quality (level of earnings and degree of inequality); labour market security (risk of job loss and income support available); and quality of the working environment (work demands and conditions, and resources and support available to cope with work demands).

In India, reducing informal work will contribute substantially to improving job quality. Informal employment represents 92.5% of total employment in 2012, 86% of non-farm employment and 95% in construction, with little change recorded since 2006. Furthermore, there are large regional differences in labour market outcomes.

Trends in informality in India
Workers with no social security benefits as a percentage of the employment of the indicated sector, 2005-12



Manuf.: Manufacturing; Constr.: Construction.
Source: National Sample Surveys rounds 61 (2004-05) and 68 (2011-12) based on principal and subsidiary status.

Improving the skills of young Indians is essential to reap the demographic dividend

As shown in the *2014 Employment Outlook*, having the educational qualifications and skills required by employers is the key to improving employment outcomes for youth and reducing skills mismatch. In the case of India, raising skill levels and access to formal employment would help ensure that it reaps the benefit of an increasing number of new entrants in the labour force – the so-called “demographic dividend”.

OECD Employment Outlook 2014 is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on India, journalists are invited to contact Mark Keese (+33 1 45 24 87 94; mark.keese@oecd.org) or Pascal Marianna (+33 1 45 24 92 23; pascal.marianna@oecd.org) from the OECD Employment Analysis and Policy Division.