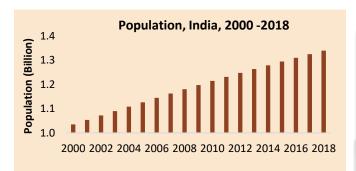
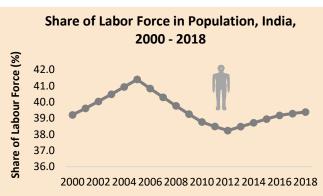
Is India's Labour Force Participation Rate Declining?

- o India is the second most populated country in the world after China.
- Between 2000 -2018, Indian population has grown at a CAGR of 1.44%, whereas the world population has grown at a CAGR of 1.23%.
- o In 2019, the population of the country is expected to be near about 1.4 billion.
- o A country with such a huge population can always be a significant source of labour pool.
- Abundant supply of labour can always be helpful for the growth of industries. More the numbers
 of labours, reasonable or cheaper will be the wages and lower will be the prices of products or
 services accordingly. This will increase the accessibility of the finished goods in international and
 domestic markets.
- Hence, it is expected that the huge source of labour can support India's economic growth.

Let us examine the matter detail...









The share of India in the world population has increased from **17.12** % to **17.78**% between 2000 to 2018.

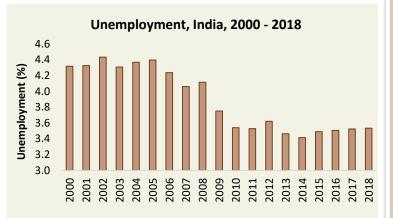
- ✓ People aged 15 to 64 years is said to comprise the working age population in India.
- ✓ The concepts of Working age population and Labour force are not the same.
- ✓ Working age population is the part of population which comprises of the people who are suitable for doing work.
- ✓ The maximum and minimum age ceiling may vary from country to country. In the less developed or developing countries, inclusion of younger age in the working population is common for providing financial support in the family.
- ✓ Labour force is the sum of employed and unemployed person who are willing to work.
- ✓ In India, between 2000 to 2018, the working age population has expanded at a CAGR of 1.95%.
- ✓ The share of working age in the total population has increased from 59.44% to 66.23% from 2000 to 2018.
- ✓ The Labour force in India has increased at a CAGR of 1.47% between 2000 to 2018.
- ✓ The share of labour force participation in the overall population which was 39.20% in 2000, increased to 41.29% in 2005 but fell to 39.38% in 2018.

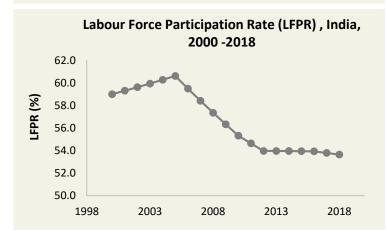
Which other indicators in the labour force are changing drastically?











- The numbers of employed persons have increased at a CAGR of 1.42% between 2000 – 2018, but compared to the expansion of overall and working age population, this growth is not significant.
- 62% in the working age population of India were employed in 2000. This figure fell to 56.4% in 2018.
- Though, the rate of unemployment has decreased over the years, it is found to be growing again since 2014.
- According to a latest report, in 2017 2018, the unemployment rate actually stood at
 6.1% which is the highest since 1972 -73.
- Labour force participation rate (LFPR) is the number of persons who are currently employed or actively looking for jobs.
- It represents the interest of an individual in the labour force to get a job, to be in a job or to continue with the current job.
- Over the years, along with the fall in labour force and employment rate, LFPR has also declined.
- The value of LFPR which was 59% in 2000 came down to 53.65% in 2018.

Possible reasons for lower labour force participation rate



Falling job opportunities: Along with the continuous economic growth (growth rate predicted to be 7.3% by March 2019), adequate job growth is not taking place. According to a report, in FY18, 70 lakhs jobs were removed from the economy.



Underemployment: Not enough desirable job for skilled and highly educated youth are available where they can utilise their skill set efficiently. This is leading to brain drain whereby educated youths are migrating to other countries of the western world.



Low wages: Low wages has been a persistent problem. The per capita income has increased at a CAGR of 9% in the last 15 years, but wage rate among the labours has not. According to a report, here 67% of the people earn only within INR 10000/month, whereas, the share of people earning between INR 50,000/month to 1,00,000/month is less than 3%.



Active presence of informal jobs: Almost 80% of the jobs are created in the informal sector, like agriculture, construction, small businesses etc. The proportion of self-employed, casual workers, contractual employment in such sectors is quite high. The opportunities may be higher to get jobs in such sectors, but work structure, longevity of jobs is highly unorganized.



Source: World Bank, International Data Base, LSI Research

