

Increase in skilled workforce and productivity of small enterprises can lead to substantial employment growth in India: NCAER Report

Strengthening employment opportunities in labour-intensive manufacturing and services sectors could help sustain GDP growth of 8%

Even 1% increase in access to credit increases expected number of hired workers by 45%

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A study titled “India’s Employment Prospects: Pathways to Jobs”, was released by the Vice Chairman of National Council of Applied Economic Research, Manish Sabharwal on 11th December, 2025. Authored by Professor Farzana Afridi and her team of researchers at NCAER, the report underlines the role of skilling and small enterprises as key drivers of job creation in the country. Further it highlights the need to overcome bottlenecks in increasing both the quality and quantity of workforce participation and labour productivity, says an NCAER report.

The report cites that the increase in employment is primarily due to the rise in self-employment, while transition to a skilled labour force has been slow. Strengthening employment opportunities in labour-intensive manufacturing and services sectors could help sustain GDP growth at around 8 per cent, consistent with the vision of Viksit Bharat, it says.

Launching the report, NCAER Vice Chairman, Manish Sabharwal said, “India is on track to become the world’s 3rd largest economy, and while its per capita GDP currently ranks 128th, this highlights valuable opportunities to prioritise employment and inclusive growth.”

“India’s self-employment dominance is due to economic necessity rather than entrepreneurial dynamism. Just like small farmers, most of the small enterprises function at subsistence level. India must confront the reality that its employment future is tied to the productivity of its smallest enterprises,” said Prof Afridi. The main challenge is that the unincorporated household enterprises operate with low levels of capital, productivity and technology adoption.

“Enterprises using digital technologies hire 78% more workers as compared to those not using tech. Even 1% increase in access to credit increases expected number of hired workers by 45%,” said the lead author.

Regarding persistent challenges in generating employment despite a distinct demographic advantage, the report says that on the supply side, India’s workforce could benefit greatly from upskilling, particularly with the advent of new technologies and AI. Medium-skilled jobs dominate employment growth,

especially in services, whereas manufacturing remains low-skill intensive. “Increasing the share of skilled work force by 12 percentage points through investment in formal skilling could lead to more than a 13% increase in employment in the labour-intensive sectors by 2030,” it says.

Simulations in the study show that increasing the formally skilled workforce under the moderate growth scenario could lead to significant job gains in the labour-intensive sectors. “Increasing the share of skilled workforce by 9 percentage points could generate 9.3 million jobs by 2030,” it says.

Discussing the report, Dr GC Manna, Senior Advisor, NCAER said the report highlights the key sectors with strong potential for driving employment growth.

Professor Aditya Bhattacharjea, Visiting Professor, Institute for Studies in Industrial Development, said, “The report places India in an international context and highlights areas where the country has unique opportunities for improvement and stronger alignment with global benchmarks.”

The report estimates the multiplier effects of inter-sectoral linkages to project that a moderate growth in Gross Output (GO) of the relatively more labour-intensive sub-sectors within manufacturing and services will lead to multi-fold job creation by 2030 –53% in the textile, garments, and related industries in manufacturing, and 79% more jobs in trade, hotel, and related services.

It recommends targeted interventions to unlock employment potential in specific sectors. In manufacturing, reorienting production-linked incentives towards labour-intensive industries such as textiles, garments, footwear, and food processing can yield higher job multipliers. In services, policy support for tourism, education and health can create large-scale, inclusive employment.

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