

INDIAN UNION BUDGET 2024-2025 AND UNEMPLOYMENT WOES IN INDIA

By
Mahwish Hafeez
Research Fellow
India Study Centre (ISC), ISSI

Edited by
Dr Khurram Abbas

September 23, 2024

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



Source: Zee Business

Introduction

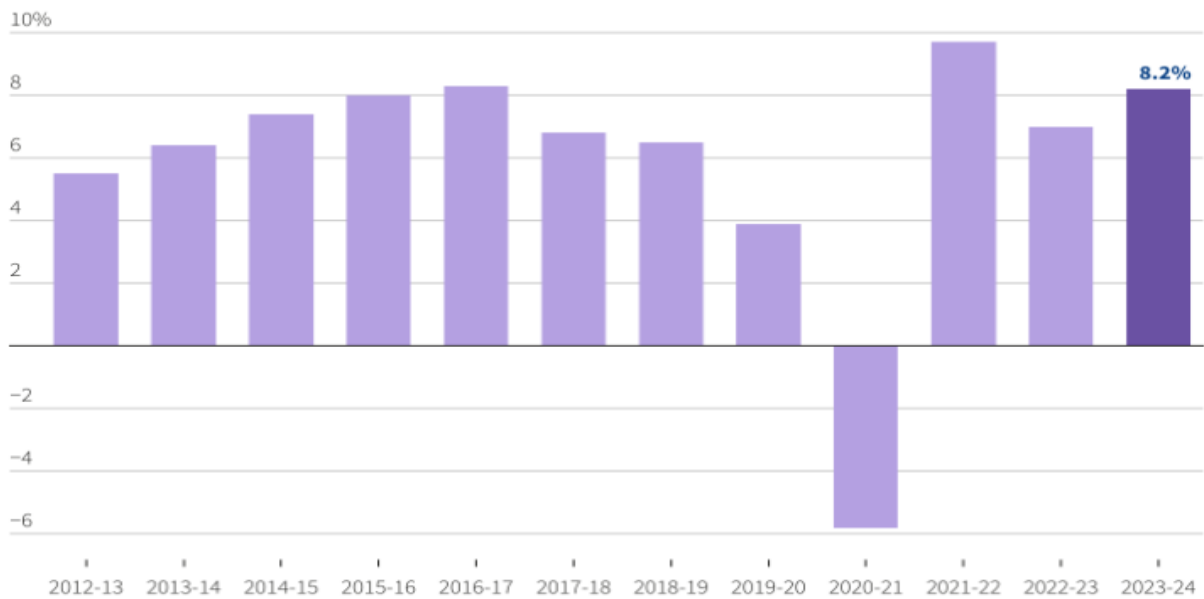
On July 23, 2024, Indian Finance Minister Nirmala Sitharaman presented her consecutive 7th Union Budget, and first in Prime Minister Modi's third term. Commenting on it, Prime Minister Modi said "today's budget will act as a catalyst in making India the world's third largest economy."¹

At present, the Indian economy is the fifth largest as it grew at a rate of 8.2 percent.² It is expected to grow between 6.5 to 7 percent in the current fiscal year. On the other hand, India is currently the world's most populous country with 1.4 billion people. Of these, around 40 percent are younger than 25 years of age.³

- 1 'India's Modi focuses on jobs creation in first budget after winning polls,' AP, July 23, 2024, <https://apnews.com/article/india-budget-modi-economy-271ff56a9a64501b5f71de189ee743cb>
- 2 'Modi government focuses on jobs creation in first budget after winning polls,' Diplomat, July 23, 2024, <https://thediplomat.com/2024/07/modi-government-focuses-on-jobs-creation-in-first-budget-after-winning-polls/>
- 3 'Can India's new budget tackle growing job crisis?', DW, 23 July, 2024, <https://www.dw.com/en/can-indias-new-budget-tackle-growing-job-crisis/a-69742500>

India's GDP growth accelerates

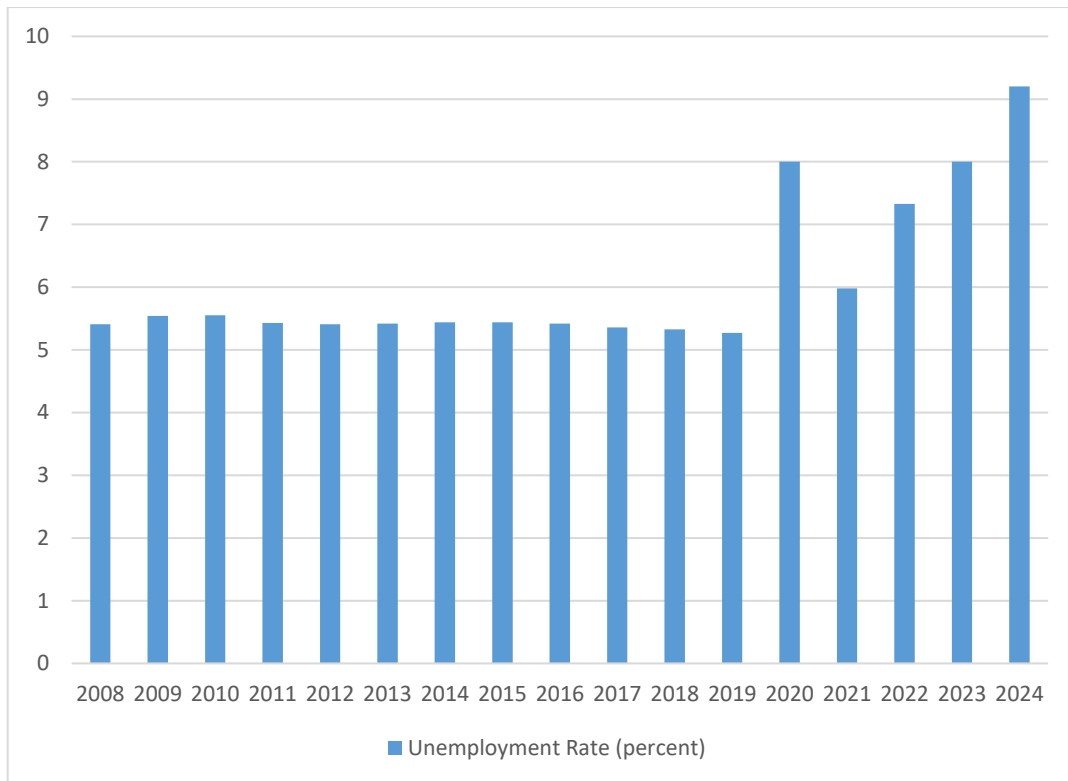
The Indian economy grew by 8.2% in 2023-24, showing an increase from the 7% growth in the previous fiscal.



Source: 'India's fast economic growth lays firm ground for next government,' Reuters, May 31, 2024, <https://www.reuters.com/world/india/indias-march-qtr-gdp-growth-78-yy-2024-05-31/>

Growing Unemployment in India

While the Indian economy is growing at an impressive rate, it is the issue of unemployment that has been a matter of deep concern for the Indian society. During the last 10 years of Bharatiya Janata Party (BJP) rule, the unemployment rate has grown from 5.44 percent to 9.2 percent, as indicated in the chart below. The unemployment rate has particularly climbed up during the second term of Mr. Modi's government:



Source: 'Unemployment rate in India (2008-2024): Current rate, historical trends and more,' *Forbes*, July 8, 2024, <https://www.forbesindia.com/article/explainers/unemployment-rate-in-india/87441/1>

India's working population increased from 61 percent in 2011 to 64 percent in 2021, and is expected to climb up to 65 percent in 2036. However, the ratio of youth involved in economic activities declined to 37 percent in 2022 from 52 percent in 2000.⁴ In June 2024, the female unemployment reached 18.5 percent as compared to 15.1 in June 2023, whereas, the rate of male unemployment stood at 7.8 percent compared to 7.7 in June 2023. The rural unemployment rate rose to 9.3 percent in June from 6.3 percent in May 2024. The urban unemployment rate rose to 8.9 percent from 8.6 percent.⁵

Throughout his election campaign, Prime Minister Modi focused on his anti-Muslim and anti-Pakistan rhetoric, while completely ignoring the real issues that the Indian society faced – including in particular the unemployment issue. Among other things, it was this evasion of the real issues that later resulted in lesser number of seats for the BJP than it expected.

What Does the Budget Offer?

⁴ 'Why is unemployment high among the youth? – Explained,' *Hindu*, March 31, 2024, <https://www.thehindu.com/news/national/why-is-unemployment-high-among-the-youth-explained/article68009891.ece>

⁵ "Unemployment rate rises to 8-month high of 9.2% in June: CMIE data," *Business standard*, July 4, 2024, https://www.business-standard.com/economy/news/unemployment-rate-rises-to-8-month-high-of-9-2-in-june-cmie-data-124070400250_1.html

In its latest budget for the fiscal 2024-2025, the Government of India has allocated INR 2 lakh crore for the creation of employment of some 41 million youth of the country.⁶ The budget has three schemes for employment-linked incentives. In the first plan, the government will give one-month wage to new entrants in three instalments up to INR 15,000, which is expected to benefit 21 million youth. In the second scheme, the government in its efforts for job creation in manufacturing will introduce incentives for both the employee and the employer for Employees' Provident Fund Organisation (EPFO) contributions in specified scale for the first four years. In the third scheme, the government will reimburse EPFO contributions of employees up to INR 3000 per month for 2 years for all new hires. This is expected to create 5 million jobs. Additionally, the government will give skill-education to 2 million youth over a period of 5 years, 1,000 industrial training Institutes will be upgraded, and women will be encouraged to become part of the workforce. For this purpose, more women hostels will be established. Loans up to INR 7.5 lakh for up to 25,000 students every year and financial support for loans up to INR 1 million for higher education in domestic institutions are all parts of the government's plans to address the growing unemployment.⁷

Reactions to the Budget

The budget garnered criticism from various quarters. The reaction from the Indian National Congress, which drew the attention of people, emphasized that the incentives given in the budget were actually the promises made by Congress party in its 18th Lok Sabha elections manifesto deserves special mention. Taking to his X account, Congress leader P. Chidambaram stated: "I am glad to know that the Hon'ble FM has read the Congress Manifesto LS 2024 after the election results. I am happy she has virtually adopted the Employment-linked Incentive (ELI) outlined on page 30 of the Congress Manifesto"..... "I am also happy that she has introduced the Apprenticeship scheme along with an allowance to every apprentice spelt out on page 11 of the Congress Manifesto."⁸

Head of the Azad Samaj Party, Chandra Shekhar Azad added: "I had a lot of expectations from the budget regarding the welfare schemes for youth, farmers, women but there was nothing in it...What will happen after the internship?... Steps have been taken to make the unemployed more

⁶ "Budget 2024 highlights: New employment-linked incentives for employees; ₹ 1.4 lakh crore allocation for education, employment, skill," *Hindu*, July 23, 2024, <https://www.thehindu.com/business/budget/budget-2024-live-updates-nirmala-sitharaman-union-budget-highlights/article68433121.ece>

⁷ "Key features of budget 2024-2025", *Ministry of Finance – Budget Division*, July 2024, <https://www.indiabudget.gov.in/doc/bh1.pdf>

⁸ "Union Budget 2024 – Glad FM Sitharaman read Congress 2024 manifesto after poll results, charges Chidambaram," *Deccan Herald*, 23 July, 2024, <https://www.deccanherald.com/business/union-budget/union-budget-2024-glad-fm-sitharaman-read-congress-2024-manifesto-after-poll-results-charges-chidambaram-3117586>

unemployed.” Similarly, CPI (M) General Secretary Sitaram Yechury expressed his dismay and said, “The issues like increasing unemployment, inflation and food prices were not addressed properly as they should have been.”⁹

Eminent economist Jayati Ghosh also criticized the government for not doing enough for the “desperate young people” of India who are in need of employment. She was quoted as saying that Rs 5,000 for an intern for 3 months is “nonsensical”“it really has to be a much bigger effort at job creation, including through public employment”. For Ghosh, the steps taken in the budget to check growing unemployment were ‘token measures’ that were copied from the Congress manifesto.¹⁰ For economists like Santosh Mehrotra, developing a labour-intensive manufacturing strategy was the answer to India’s unemployment woes, while, Lekha Chakraborty suggested training programs to address this issue.¹¹

Conclusion

The younger population in any country is an asset as they play a pivotal role in building a strong and prosperous future of the country. Unfortunately, in India, the young population has become a ticking bomb. It is not only India that is grappling with the problem of ever-increasing unemployment. The entire South Asian region is faced with this problem. In this regard, the World Bank has put the unemployment rate of South Asia at 4.6 in 2023.¹²

It may not be possible for any individual country to deal with this issue on its own. A collective response perhaps is the need of the hour. Revival of SAARC, an atmosphere of peace and security where countries of the region may be able to focus more on betterment of their people, particularly the youth, could be the answer. India, being the largest country in this region, shares the greatest responsibility in this regard. As is famously said “together we rise, divided we fall”, the salvation of South Asia, particularly of its youth, lies in peace, security, stability, economic growth, and shared prosperity.

⁹ “budget 2024 political reactions Live updates: India bloc to protest against ‘discriminatory budget in parliament,” *Mint*, 23 July, 2024, <https://www.livemint.com/politics/budget-2024-political-reactions-livenirmala-sitharaman-income-tax-infra-agriculture-qli-railways-india-modi-rahul-gandhi-11721580425559.html>

¹⁰ “Union Budget 2024 – Fails to address problems of unemployment, rising prices, farmer distress: Jayati Ghosh,” *Deccan Herald*, 23 July, 2024, <https://www.deccanherald.com/business/union-budget/union-budget-2024-fails-to-address-problems-of-unemployment-rising-prices-farmer-distress-jayati-ghosh-3118655>

¹¹ “Can India’s new budget tackle growing job crisis?,” *DW*, 23 July, 2024, <https://www.dw.com/en/can-indias-new-budget-tackle-growing-job-crisis/a-69742500>

¹² “Unemployment, total(% of total labor force) modeled ILO estimate) – South Asia,” *World Bank*, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=8S>