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EDITORIAL ANALYSIS

The Wrong Instrument: Why a 3.1 Per Cent Unemployment Rate Sits Beside an Employment Crisis

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INTERVIEW ANGLE

"A country reports a 3.1 per cent unemployment rate and simultaneously sees tens of thousands of young people camped in its capital over a recruitment examination. How would you reconcile those two facts, and which of them would you treat as the better description of the labour market?"

Source: Original editorial ↗ Mint

Every fact web-verified against primary sources

THE LIFT LINE

In an economy without unemployment insurance, nobody can afford to be unemployed. So distress does not appear as joblessness. It appears as a job that pays too little to live on.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Employment is among the most frequently examined GS3 themes, and it is the theme where candidates most often write a stale, single-number answer: "India's unemployment rate is high." The current official rate is 3.1 per cent, and an answer built on the opposite premise collapses in the first line. This editorial supplies the analytically correct move: accept the rate, then show why the rate is the wrong instrument.

The transferable skill here is knowing which indicator answers which question. That skill is worth more marks than any single statistic, and it recurs in poverty measurement, in inflation, and in learning outcomes.

It pairs directly with today's NITI Aayog caregiving report in the daily edition, which is about the unpaid care burden that both suppresses female participation in paid work and inflates it in unpaid work.

GS Paper 3: Growth, development and employment; inclusive growth and issues arising from it; effects of liberalisation on the economy; issues related to poverty.

GS Paper 2: Government policies and interventions for development in various sectors; mechanisms, laws and institutions constituted for the protection of vulnerable sections; issues relating to development and management of social sector.

CONCEPT	MEANING	WHY IT IS TESTABLE
Structural transformation	The movement of labour out of agriculture into industry and then services as an economy develops, raising average productivity and income	The single most important framework for the employment question; movement in reverse is the editorial's core evidence
Unemployment rate versus underemployment	The rate counts only those seeking and not finding work; underemployment counts those working fewer hours or at lower productivity than they would accept	Explains how a 3.1 per cent rate coexists with employment distress
Worker Population Ratio (WPR)	The share of the total population that is employed	Less easily flattered than the unemployment rate, since it does not depend on who declares themselves a job-seeker
Self-employment and unpaid family labour	Own-account work and work in a household enterprise without wages, both counted as employment in the usual status framework	A rise here is compatible with falling household income, which is why it is a distress indicator
Living wage versus minimum wage	A minimum wage is a legal floor; a living wage is the earning required to meet a decent standard of living for a worker and dependants	The editorial's central demand, and the concept underlying the Code on Wages floor wage
Usual status versus current weekly status	Employment measured over a 365-day reference period versus a 7-day reference period	Usual status counts anyone working 30 days or more in a year as employed, which is why it understates distress

BACKGROUND AND CONTEXT

The immediate trigger is the wave of youth protest in Delhi following the cancellation of the National Eligibility cum Entrance Test after its question papers were found to have leaked. The examination had been taken by roughly two million candidates on 3 May 2026. The agitation grew beyond the examination itself, drew tens of thousands into a sit-in in the capital, and led to the resignation of the Union Education Minister.

The editorial's argument is that the paper leak is the occasion, not the cause. A recruitment examination becomes a flashpoint only in an economy where it is one of the very few remaining routes to a secure, adequately paid livelihood. The underlying condition is a labour market that generates work but not employment of a quality worth having.

What the Data Actually Shows

INDICATOR	2017-18	2023-24	2025 (JAN TO DEC)
Female LFPR (15+)	23.3 per cent	41.7 per cent	Female WPR 38.8 per cent
Agriculture share of employment	44.1 per cent	46.1 per cent	43.0 per cent
Manufacturing share	12.1 per cent	11.4 per cent	Not directly comparable
Services share	31.1 per cent	29.7 per cent	Not directly comparable
Self-employed share among employed women	51.9 per cent	67.4 per cent	About 65 per cent
Unemployment rate (15+)	Higher	Declining	3.1 per cent

Note the methodological break: the PLFS annual report for 2025 covers the calendar year January to December 2025, whereas earlier annual reports covered July to June. Comparisons across the break should be made with care, and an examiner rewards a candidate who flags this.

THE ANALYSIS

1. The unemployment rate is the wrong instrument for a poor economy. The rate answers the question “among those actively seeking work, how many failed to find it?” In an economy with unemployment insurance, a jobless worker can afford to keep searching and is therefore counted. In India there is no such insurance for the overwhelming majority. A worker who loses a job takes whatever work exists, or returns to the family farm, or helps in a household enterprise without wages. All three outcomes are recorded as employment. The rate falls, and the fall is real as a measurement while being misleading as a description.

2. Structural transformation ran backwards. The share of employment in agriculture rose from 44.1 per cent in 2017-18 to 46.1 per cent in 2023-24. This is the diagnostic fact, because agriculture is the lowest-productivity large sector in the Indian economy. Labour moves into it when the non-farm economy cannot absorb it, not because farming has become more rewarding. Manufacturing fell to 11.4 per cent and services to 29.7 per cent over the same window, which rules out the benign explanation that agriculture grew because it became more attractive relative to alternatives.

3. The female participation rise is genuinely ambiguous, and the ambiguity is the point. Female LFPR nearly doubled, from 23.3 per cent to 41.7 per cent, and in rural areas reached 47.6 per cent. Two readings compete. The optimistic reading is that women who had been excluded are entering the workforce as rural infrastructure, connectivity and self-help group credit expand. The distress reading is that women enter work when household income falls short, and the composition supports it: the self-employed share among employed women rose to 67.4 per cent, and among rural women to 73.5 per cent, with female employment in agriculture rising from 73.2 per cent to 76.9 per cent even as male employment in agriculture fell from 55 per cent to 49.4 per cent. Women entering unpaid work on a family farm that men are leaving is not the same event as women entering paid employment. The honest answer holds both readings and specifies what evidence would separate them: earnings.

4. Quality has not followed quantity. Roughly 89.5 per cent of employment was in the informal sector in 2023-24. About 53.9 per cent of regular salaried workers, the segment that is supposed to be the formal core, had no social security entitlement in 2022-23. Average daily earnings of male casual workers were effectively flat in nominal terms between 2024 and 2025, at about Rs 455, which in real terms is a decline. Neither a written contract nor a social security cover nor a rising real wage describes the typical Indian job.

5. The law exists; the rules do not. The **Code on Wages, 2019** empowers the Central Government to fix a statutory national **floor wage** below which no state minimum wage may fall, and it extended the minimum wage principle from scheduled employments to all employees. The four labour codes came into force on **21 November 2025**, consolidating 29 central labour laws. But the central and state rules that determine how wages are computed, how benefits are structured and how workers are registered are still awaited. An unenforced floor wage is an aspiration, not a floor. **e-Shram**, launched on 26 August 2021, has registered more than **31.78 crore** unorganised workers and mapped 13 central schemes to the database, but registration is a precondition for benefits, not a benefit.

6. MGNREGA demand is the cleanest distress signal available. Because the scheme is demand-driven and pays a wage close to the rural floor, nobody seeks work under it when better-paid work is available. Sustained high demand is therefore direct evidence of a shortfall in remunerative rural employment. It is a diagnostic that the unemployment rate cannot provide.

DATA AND INSTITUTIONS VAULT

PRELIMS-GRADE FACTS:

PLFS Annual Report 2025 covers January to December 2025, a shift from the earlier July to June year

Unemployment rate (15+): 3.1 per cent in 2025; Worker Population Ratio 57.4 per cent (male 76.6, female 38.8)

Youth (15-29) unemployment: 9.9 per cent in 2025, down from 10.3 per cent in 2024; rural youth 8.3 per cent, urban youth 13.6 per cent

About 61.6 crore persons aged 15 and above were employed in usual status during January to December 2025

Agriculture share of employment: 44.1 per cent (2017-18), 46.1 per cent (2023-24), 44.8 per cent (2024), 43.0 per cent (2025)

Female LFPR: 23.3 per cent (2017-18) to 41.7 per cent (2023-24); rural female LFPR 24.6 to 47.6 per cent; urban 28.0 per cent in 2023-24

Self-employed share among employed women: 51.9 per cent (2017-18) to 67.4 per cent (2023-24); rural women 73.5 per cent

Informal sector share of employment: about 89.5 per cent in 2023-24

About 53.9 per cent of regular salaried workers had no social security entitlement (PLFS 2022-23)

Four labour codes in force from 21 November 2025, consolidating 29 central labour laws: Code on Wages, 2019; Code on Social Security, 2020; Occupational Safety, Health and Working Conditions Code, 2020; Industrial Relations Code, 2020

Code on Wages, 2019 empowers the Centre to fix a national floor wage; state minimum wages may not fall below it

e-Shram launched 26 August 2021 by the Ministry of Labour and Employment; builds the National Database of Unorganised Workers (NDUW); issues a Universal Account Number; over 31.78 crore registrations

PLFS is conducted by the National Statistics Office under the Ministry of Statistics and Programme Implementation

WATCH THE TRAP: DO NOT WRITE THAT INDIA'S UNEMPLOYMENT RATE IS HIGH. IT IS OFFICIALLY 3.1 PER CENT AND FALLING, AND AN ANSWER PREMISED ON A HIGH RATE IS FACTUALLY WRONG ON ITS FIRST LINE. EQUALLY, DO NOT TREAT THE LOW RATE AS EVIDENCE OF A HEALTHY LABOUR MARKET. THE CORRECT FORMULATION IS THAT THE RATE IS LOW BECAUSE IT IS THE WRONG INSTRUMENT. A SECOND TRAP: USUAL STATUS COUNTS A PERSON WHO WORKED 30 DAYS OR MORE IN THE REFERENCE YEAR AS EMPLOYED, SO "EMPLOYED" IN PLFS IS A FAR WEAKER CLAIM THAN "HAS A JOB".

THE DEBATE

Argument FOR reading this as an employment crisis. Employment expanded but its composition deteriorated. Labour moved into agriculture, into self-employment and into unpaid family work, which is the signature of an economy absorbing surplus labour rather than creating productive jobs. Nine in ten workers are informal, half of even the salaried are outside social security, and casual real wages have stagnated. The Delhi agitation is the political expression of the resulting queue for the small number of jobs that offer both a living wage and security. In that queue, the integrity of the examination is not a procedural matter, it is everything.

Argument AGAINST. The improvements are real and are being dismissed too quickly. Unemployment at 3.1 per cent and youth unemployment at 9.9 per cent are both falling. Agriculture's share has resumed its decline, from 44.8 per cent in 2024 to 43.0 per cent in 2025, which is what one would expect if the post-pandemic return to farming was a shock absorber rather than a structural regression. The regular salaried share rose from 22 to 24 per cent in a single year, the single clearest measure of formalisation. Social security coverage has widened substantially over the last decade and the four labour codes now bring gig and platform workers within the statutory framework for the first time. Reading a labour market in transition as a labour market in collapse leads to the wrong policy, namely more transfers rather than more investment.

Balanced verdict. Both readings are consistent with the same data because they answer different questions. The volume of employment has improved; the quality has not improved at anything like the same rate, and for a period it deteriorated. The resolution is not to choose a side but to change the measurement. As long as the unemployment rate is the headline, the debate is unresolvable, because the rate is insensitive to precisely the variables in dispute. Publish earnings, contract status and social security coverage as the headline series, and the argument becomes empirical rather than interpretive. The policy conclusion follows from either reading: the codes must be given rules, the floor wage must be notified and enforced, and e-Shram must deliver benefits rather than merely count people.

HOW TO THINK ABOUT THIS

The transferable pattern here is: **ask what the indicator is insensitive to.**

Every summary statistic is constructed to answer one question and is silent on others. The failure mode is not that the statistic is wrong, it is that it is right about something other than what is being argued.

What would have to be true for this indicator to be informative? The unemployment rate is informative where a worker can afford to remain unemployed while searching. Remove unemployment insurance and the rate stops measuring labour market slack and starts measuring the ability to survive without work.

Where does the distress go if it cannot show up here? Distress in a labour market without insurance is displaced into hours, into earnings, into status and into sector. Each of those is separately measurable, and none of them is in the headline.

The same discipline applies elsewhere. A poverty headcount is insensitive to how far below the line the poor fall. An enrolment ratio is insensitive to whether anyone is learning. A forest cover statistic is insensitive to whether the cover is natural forest or plantation. In each case the correct move is not to reject the number but to name the question it cannot answer, and then to supply the indicator that can.

DIAGRAM-IN-WORDS

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EXPECTED PATH (structural transformation)

Agriculture ──→ Manufacturing ──→ Services
 (low           (rising           (high
 productivity)  wages)             value added)
                     ↓
        Rising real earnings + written contracts
                     ↓
             Social security coverage



WHAT ACTUALLY HAPPENED (2017-18 to 2023-24)

Agriculture ←── Manufacturing (12.1% → 11.4%)
 44.1% → 46.1%  ←── Services   (31.1% → 29.7%)
        ↑
   labour pushed BACK
        ↓
Absorbed as: self-employment + unpaid family labour
             (women self-employed 51.9% → 67.4%)



WHY THE RATE STAYS LOW

  Job lost ──→ no unemployment insurance
                      ↓
       cannot afford to search ──→ takes ANY work
                      ↓
        counted as EMPLOYED in usual status
                      ↓
        Unemployment rate = 3.1%  (2025)
        Distress = invisible in the headline



WHERE TO LOOK INSTEAD
  Real earnings  ·  Written contract  ·  Social security
  Unpaid family labour share  ·  MGNREGA demand
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        ↓
LEVERS: notify rules under the four labour codes (in force 21 Nov 2025)
        enforce national floor wage (Code on Wages, 2019)
        turn e-Shram from registry into benefit delivery
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TAKEAWAY BOX

India's problem is not that people cannot find work. It is that the work they find does not pay enough to live on and carries no protection when it ends.

unemployment rate **3.1 per cent** *and WPR* **57.4 per cent** *in 2025; youth unemployment* **9.9 per cent***; agriculture share* **46.1 per cent** *in 2023-24 against* **44.1 per cent** *in 2017-18, easing to* **43.0 per cent** *in 2025; female LFPR* **23.3 to 41.7 per cent***; self-employed share among employed women* **51.9 to 67.4 per cent***; informal sector about* **89.5 per cent***; four labour codes in force* **21 November 2025** *consolidating* **29** *laws;* **Code on Wages, 2019** *provides the* **national floor wage***;* **e-Shram** *launched* **26 August 2021***, over* **31.78 crore** *registrations, builds the* **NDUW***, issues a* **UAN***; PLFS conducted by* **NSO** *under* **MoSPI**.

when a state cannot supply enough decent jobs, the competitive examination becomes the principal instrument of social mobility, and its integrity becomes a question of distributive justice rather than administrative process. What duty does a public examination authority owe to a candidate for whom the examination is the only realistic route out of informal work? Consider the ethical weight of procedural fairness when the stakes are not merely a job but a life outcome.

UPSC has repeatedly examined jobless growth, the informalisation of the workforce, the reasons for low female labour force participation, and whether India's demographic dividend risks becoming a liability. It has also asked directly about the distinction between growth and employment generation. This editorial supplies the current data and, more usefully, the analytical move that turns a data recitation into an argument.

"In an economy without unemployment insurance, the unemployment rate measures the ability to survive without work rather than the availability of work." Critically examine this statement with reference to recent Indian labour market data.

Sources: Mint, Ministry of Statistics and Programme Implementation, PIB, Ministry of Labour and Employment

Source: The Wrong Instrument: Why a 3.1 Per Cent Unemployment Rate Sits Beside an Employment Crisis — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

The Delhi youth protests were triggered by an examination paper leak but are driven by something the paper leak did not cause: the near absence of jobs that pay a living wage and carry social security. India's unemployment rate is low and falling because a worker without unemployment insurance cannot afford to be unemployed, so distress shows up as underemployment, self-employment and unpaid family labour rather than joblessness. The diagnostic fact is that a large part of the employment added since 2017-18 was absorbed back into agriculture, a reversal of the structural transformation a growing economy is supposed to produce.

✓ SUPPORTING

- The composition of the additional employment matters more than its volume. Agriculture's share of employment rose from 44.1 per cent in 2017-18 to 46.1 per cent in 2023-24, while manufacturing fell from 12.1 per cent to 11.4 per cent and services from 31.1 per cent to 29.7 per cent.
  Labour moving into the lowest-productivity sector is the opposite of the movement a developing economy needs.
- The rise in female labour force participation, from 23.3 per cent in 2017-18 to 41.7 per cent in 2023-24, is concentrated in rural self-employment and unpaid family work. The share of self-employed among employed women rose from 51.9 per cent to 67.4 per cent over the same period, and among rural women to 73.5 per cent.
  Participation rising through unpaid work on a household farm is a different phenomenon from participation rising through paid jobs.
- Quality indicators have not moved with the quantity indicators. The informal sector accounted for about 89.5 per cent of employment in 2023-24, and PLFS 2022-23 recorded that roughly 53.9 per cent of even regular salaried workers were not eligible for any social security benefit. Real earnings for casual workers have been close to flat.
- The institutional architecture exists but is not yet binding. The Code on Wages, 2019 empowers the Centre to fix a statutory national floor wage, and the four labour codes came into force on 21 November 2025, but the central and state rules that would make the floor wage and the social security entitlements operational are still pending.

⚠ COUNTER

The pessimistic reading can be overstated. The unemployment rate at 3.1 per cent in 2025 and youth unemployment down to 9.9 per cent from 10.3 per cent are real improvements, not statistical illusions.

Agriculture's share has begun to fall again, from 44.8 per cent in 2024 to 43.0 per cent in 2025, suggesting the post-pandemic return to farming was a shock absorber rather than a permanent regression. The share of regular salaried workers rose from 22 to 24 per cent in a single year, which is precisely the improvement in job quality the critics say is missing.

Social security coverage has widened sharply, and more than 31.78 crore unorganised workers are now registered on e-Shram. On this reading the labour market is in a slow but genuine transition, and the protests are about the specific chokepoint of government recruitment, not about the economy as a whole.

→ WAY FORWARD

Change the instrument panel before changing the policy. Publish, alongside the unemployment rate, a standard quality-of-employment dashboard: real earnings by employment status, the share of workers with a written contract, the share with any social security cover, and the share in unpaid family labour.

Notify the central and state rules under the four labour codes so the statutory floor wage under the Code on Wages, 2019 and the Code on Social Security, 2020 entitlements for gig and platform workers become enforceable rather than declaratory. Convert e-Shram from a registry into a benefit-delivery spine by linking registration to portable, contribution-linked entitlements. Treat MGNREGA demand as a real-time distress indicator rather than a budget line to be compressed. And restore credibility to public recruitment, because in an economy this short of formal jobs the examination system is not merely an administrative process, it is the principal ladder.

MAINS ANSWER FRAMEWORK

QUESTION

India's official unemployment rate has fallen even as the share of the workforce in agriculture, self-employment and unpaid family labour has risen. Critically examine why the unemployment rate is an inadequate measure of employment distress in a low-income economy, and suggest a more appropriate framework of indicators. (250 words)

INTRODUCTION

The unemployment rate measures the share of those seeking work who cannot find it. It is a serviceable indicator in an economy with unemployment insurance, where a worker can afford to search.

In a low-income economy without such insurance, a worker who loses a job does not become unemployed, because she cannot afford to. She becomes underemployed, self-employed at low returns, or an unpaid worker on the household farm.

India's unemployment rate fell to 3.1 per cent in 2025 while tens of thousands of young people camped in Delhi over a recruitment examination, and the resolution of that paradox lies in what the rate does not measure.

BODY

Three shifts in the Periodic Labour Force Survey data carry the diagnosis. First, the sectoral shift.

Agriculture's share of employment rose from 44.1 per cent in 2017-18 to 46.1 per cent in 2023-24, while manufacturing declined from 12.1 per cent to 11.4 per cent and services from 31.1 per cent to 29.7 per cent. Structural transformation, the movement of labour out of low-productivity agriculture into industry and services, is the central mechanism by which developing economies raise incomes.

Labour moving in the reverse direction indicates that the non-farm economy failed to absorb it, not that farming became more rewarding. Second, the status shift.

Female labour force participation rose from 23.3 per cent in 2017-18 to 41.7 per cent in 2023-24, an increase concentrated in rural areas where it reached 47.6 per cent. Over the same period the share of self-employed among employed women rose from 51.9 per cent to 67.4 per cent, and among rural women to 73.5 per cent, much of it unpaid work in household enterprises.

Participation that rises through unpaid family labour is consistent with distress, since additional household members enter work when household income falls short. Third, the quality shift, or its absence.

Around 89.5 per cent of employment was in the informal sector in 2023-24, and about 53.9 per cent of even regular salaried workers were outside any social security cover in 2022-23. Casual wages have been close to flat in nominal terms.

The counter-evidence deserves weight: the unemployment rate and youth unemployment have both fallen, agriculture's share eased to 43.0 per cent in 2025, and the regular salaried share rose from 22 to 24 per cent, which suggests the reverse migration into farming was cyclical rather than structural.

CONCLUSION

The correct framework replaces a single headline rate with a dashboard of earnings, contract status and social security coverage, disaggregated by employment status and sex. The policy levers follow directly: notify the rules that operationalise the statutory floor wage under the Code on Wages, 2019 and the social security entitlements under the Code on Social Security, 2020, convert e-Shram from a registry into a delivery spine for portable benefits, treat MGNREGA demand as a distress signal rather than an expenditure to compress, and restore the integrity of public recruitment, which in an economy this short of formal jobs functions as the principal ladder out of informality.

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