

The Macroeconomics of Precarity: Redesigning India's Labor Reallocation Through Institutional Buffers

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Abstract

India faces a stark macroeconomic paradox: robust aggregate GDP growth alongside severe structural vulnerabilities within its youth labor market. Volatile consumption trends mask a deep crisis of labor precarity, underemployment, and educated youth distress. Millions are trapped in a non-productive “waiting economy” of competitive examination loops or unstable gig roles lacking social security. Simultaneously, critical public sectors suffer from acute workforce deficits. This article proposes a data-driven, gender-inclusive reallocation framework. By utilizing Digital Public Infrastructure, the state can dynamically absorb underutilized human capital into public service gaps, securing sustainable livelihoods. State-backed reallocative frameworks successfully absorb underemployed youth into stable livelihoods.

Keywords: Youth Unemployment, Precarity, Digital Public Infrastructure, Public Service Delivery, India.

1 Introduction: The Growth-Precarity Reality

On paper, India's macroeconomy looks spectacular. The Union Ministry of Finance continuously celebrates surging GDP numbers and a massive boom in youth-led consumption expenditure. Yet, these numbers tell a deceptive story. The record-breaking spending among India's younger generation is largely volatile and transient, failing to reflect stable, long-term disposable income. Beneath this shiny surface lies an agonizing crisis of underemployed graduates and systemic economic vulnerability.

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Classic human capital models assume that getting a degree automatically boosts an individual's productivity and earnings (Becker, 1964). However, our current formal market cannot produce secure, high-quality jobs at the scale required. This failure breaks that link, causing high educational attainment to paradoxically trap individuals in a stagnant "waiting economy" (Azim Premji University, 2023).

2 The Real Cost of a Stuck Workforce

This waiting economy forces millions of qualified youth to spend their best working years stuck in endless loops of preparing for public exams. They do this because they fear private-sector volatility. Those who do enter the workforce end up heavily concentrated in informal roles or digital gig platforms. According to the NITI Aayog Report on India's Booming Gig and Platform Economy, India's gig workforce hit 7.7 million in 2020-21 and is on track to triple to 23.5 million by 2030 (NITI Aayog, 2022).

While the latest Periodic Labour Force Survey (PLFS) Annual Report boasts a marginal dip in the national youth unemployment rate to 9.9%, it reveals that urban youth unemployment remains stuck at a brutal 13.6% (MoSPI, 2024). Left without institutional safety nets, these young workers live under extreme income anxiety. Their skills rot away during long periods of frictional unemployment. This economic stress transforms an active demographic asset into a massive societal liability.

Optimistic analysts celebrate this demographic spending wave, but the permanent income hypothesis reminds us that consumption fueled by unstable, gig-dependent income behaves fundamentally differently than consumption sustained by formal, secured wages (Friedman, 1957).

3 Ground Reality: Disconnection in the Rajasthan Model

To see how these macroeconomic frictions hit the ground, let's look at Rajasthan. Field observations in coaching hubs like Jaipur's Gopalpura Bypass or Kota uncover deep economic anxiety among youth. Interviews with local aspirants reveal a profound sense of temporal loss—what youth call "preparation fatigue"—where the fear of corporate layoffs makes five years of exam failure seem safer than a corporate desk job.

The state government attempted to address this stagnation by introducing the Rajasthan Youth Policy 2026 and a matching Employment Policy, aiming to create 15 lakh job opportunities by March 2029. The core of this strategy relies on an AI-driven digital upgrade—the Employment Exchange Management System (EEMS 2.0) portal—designed to link job seekers with institutional roles.

Yet, field validation shows a glaring disconnect: despite smart online portals, the state's massive underutilized human capital remains completely unlinked from actual institutional shortages. Short-term, ad-hoc contract positions continue to dominate, offering no fixed social safety nets, medical care, or long-term career paths. This gap confirms that digital portals alone cannot solve deep structural labor anxieties without direct state-backed reallocation mechanisms.

4 The Institutional Understaffing Crisis

While the supply side of the labor market wastes away in exam halls, the demand side faces a massive public service deficit. Vital administrative and pedagogical sectors operate with chronic staff shortages. Data from the [Unified District Information System for Education Plus \(UDISE+\)](#), uncovers an alarming institutional irony: even though India crossed a historic milestone of 10.12 million school teachers, roughly 9.83 lakh sanctioned teaching posts remain empty—meaning one in seven teaching positions is completely vacant (Ministry of Education, 2024).

In addition, UDISE+ analytics from IndiaSpend show that the number of non-teaching staff shrunk by 22% to just 720,000 (Ministry of Education, 2024). This leaves a meager ratio of only one non-teaching staff member for every 14 teachers (Ministry of Education, 2024). As a result, public school teachers spend their days drowned in administrative data entry instead of lecturing. This administrative burden destroys classroom instructional time and harms foundational student learning outcomes, threatening India's progress toward Sustainable Development Goal 4 (Quality Education).

5 Long-Term Macro Risks of Doing Nothing

Ignoring this structural mismatch invites fiscal disaster. This precarious, under-earning young workforce will eventually age out of the market. They will hit their senior years without personal savings, formal pensions, or healthcare safety

nets. The resulting geriatric healthcare burden will collapse state budgets. Short-term stipends or ad-hoc cash transfers are weak fixes. They fail to bridge the deep gap between labor supply and institutional demand. Looking globally, research on the middle-income trap warns that aggressively formalizing labor structures is a mandatory step to prevent long-term economic stagnation and crushing dependency ratios (Gill & Kharas, 2007).

6 Policy Roadmap: State-Backed Institutional Buffers

To break this cycle, India must build formal, socially secured reallocative frameworks that serve as dynamic institutional buffers. Drawing lessons from regional portals like Rajasthan's EEMS 2.0 system, the state can establish a self-sustaining reallocative mechanism:

- **Use Existing Digital Infrastructure:** Repurpose the National Career Service (NCS) Portal to map regional youth surpluses directly to localized public service vacancies in real time.
- **Deploy Formal Public Service Contracts:** Move distressed youth out of volatile gig setups and into structured public service contracts that guarantee baseline social protections, health coverage, and regulated wages.
- **Target the Administrative Burden:** Position this newly reallocated workforce to handle the routine administrative and data-entry loads currently crushing public professionals like teachers and frontline healthcare workers.
- **Account for Regional Gender Gaps:** Integrate Time Use Survey (TUS) metrics to account for regional time-use constraints and unpaid care burdens (MoSPI, 2024). This allows the state to build hyper-local, flexible matching slots that actively boost female labor force participation.

7 Conclusion

Moving workers out of precarious, informal roles into structured public service contracts does more than fill empty desks. It stabilizes permanent income and expands domestic market demand from the ground up. Financing formal social security is not a welfare drain; it is a highly productive macroeconomic

investment. By building robust institutional buffers, India can turn structural labor anxiety into stable, macro-level livelihoods, locking in its demographic dividend before the clock runs out.

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