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Understanding Global Employment Transformations and Implications for the Indian Economy: A Qualitative Content Analysis of the ILO Employment and Social Trends 2026 Report

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Abstract

This study examines global labour market transformations through a qualitative content analysis of the Employment and Social Trends 2026 report of the International Labour Organization, and explores their implications for the Indian economy. Despite the apparent stability in global unemployment rates, the analysis identifies persistent structural challenges, including high levels of informality, stagnation in employment quality, weak productivity growth, and increasing uncertainty driven by technological change and shifting trade patterns. Using a systematic thematic coding framework, the study synthesizes key dimensions: employment trends, job quality, economic drivers, technological disruption, and demographic dynamics, and contextualizes them within labour market realities of India.

The findings reveal that India faces a complex interplay of opportunities and constraints. While its demographic profile and strengths in digital services position it favorably in the evolving global economy, challenges of widespread informal employment, skill mismatches, and low female labour force participation continue to hinder inclusive growth. The study argues that traditional growth-led approaches are insufficient to address these issues and emphasizes the need for a structural and institutional transformation of the labour market. The paper contributes to both theory and policy by integrating global employment trends with country-specific analysis and offering evidence-based insights for inclusive labour market development. It concludes that long-term economic paths of India will depend on its ability to create decent work, enhance human capital, and build resilient labour market institutions in an increasingly uncertain global environment.

Keywords: *Artificial Intelligence, Employment Policy, Employment & Social Trends, Indian Economy, Informality, Labour Market*

Introduction

The global labour market is undergoing a profound transformation shaped by economic uncertainty, technological disruption, demographic shifts, and evolving patterns of international trade. The Employment and Social Trends 2026 report published by the International Labour Organization (ILO) provides a comprehensive empirical foundation to understand these dynamics and their implications for national economies. While global unemployment rates remain relatively stable at historically low levels, this apparent resilience masks deeper structural challenges, including persistent informality, stagnant productivity growth, and widening inequalities in access to decent work. These trends are particularly relevant for emerging economies such as India, where demographic advantages coexist with labour market vulnerabilities.

India represents a strategically significant case for examining global labour market transformations because it combines characteristics of both an emerging industrial economy and a rapidly expanding digital service economy. As one of the world’s largest labour markets, India’s employment trajectory carries broader implications for South Asia and other developing economies facing similar structural challenges. The country exhibits a unique coexistence of demographic expansion, technological acceleration, persistent informality, and uneven productivity growth, making it an important empirical setting for analyzing the interaction between globalization, labour market restructuring, and institutional adaptation. Furthermore, India’s policy responses to AI adoption, workforce reskilling, and employment formalization are increasingly influencing regional labour policy debates across South Asia.

A key insight emerging from the report is that economic growth alone is increasingly insufficient to ensure meaningful improvements in employment quality and social outcomes. Despite steady global growth projections, approximately 284 million workers continue to live in extreme poverty, and over 2 billion remain engaged in informal employment. This reflects a deceleration in structural transformation, where labour shifts toward higher-productivity sectors have slowed considerably. Such patterns are highly pertinent to the Indian economy, which continues to grapple with a large informal sector and uneven sectoral productivity (Mehrotra & Parida, 2019).

The report also highlights the growing significance of global uncertainty—mainly trade policy uncertainty, rising public debt, and geopolitical tensions—as critical determinants of labour market outcomes. Elevated uncertainty dampens investment, reduces job creation, and constrains productivity growth, thereby affecting employment generation in both advanced and developing economies. For India, which is deeply integrated into global supply chains and increasingly reliant on exports of services and manufactured goods, such uncertainty poses both risks and strategic opportunities. Existing literature suggests that trade openness can enhance employment quality and wage outcomes, but these benefits depend heavily on domestic institutional capacity and labour market policies (Goldberg & Pavcnik, 2007).

Another transformative force discussed in the report is the rapid advancement of digital technologies, particularly Artificial Intelligence (AI). While AI holds the potential to boost productivity and create new forms of employment, it also introduces uncertainty regarding job displacement, skill mismatches, and labour market polarization. For a country like India, with a large youth population and expanding digital economy, AI presents a dual challenge: leveraging technological opportunities while mitigating risks to employment, especially for low- and medium-skilled workers (Autor, 2015).

Demographic dynamics further complicate the employment landscape. The global labour force is experiencing divergent trends, with ageing populations in high-income countries and expanding youth cohorts in developing economies. India stands at the center of this demographic transition, with the potential to reap a “demographic dividend.” However, the realization of this dividend depends on the economy’s ability to generate sufficient high-quality jobs. Without adequate employment opportunities, demographic advantages may instead translate into higher unemployment, underemployment, and social instability (Bloom, Canning, & Sevilla, 2003). Moreover, the report underscores the shifting nature of global trade, including the rising importance of services and digitally delivered exports. Trade-linked employment continues to be a significant driver of job creation, accounting for a substantial share of global employment. India, as a major exporter of IT and business process services, is well-positioned to capitalize on these trends. However, declining foreign direct investment (FDI) flows and increasing trade fragmentation may limit these opportunities unless supported by robust domestic policies (UNCTAD, 2023).

Against this backdrop, a content analysis of the ILO’s Employment and Social Trends 2026 report provides a timely and relevant framework for examining the opportunities and policy implications for the Indian economy. By systematically analyzing the report’s themes—such as employment quality, informality, technological change, and trade dynamics—this study aims to contextualize global labour market trends within India’s socio-economic environment. Such an approach is essential for identifying strategic pathways that can enhance employment outcomes, promote inclusive growth, and strengthen institutional resilience in India.

Research Gap

Existing scholarship has extensively examined labour market transformation through the lenses of structural change, informality, technological disruption, globalization, and demographic transition. However, most studies investigate these issues independently or rely on country-level empirical datasets to explain labour-market outcomes. Limited attention has been given to systematically interpreting how major international policy reports synthesize these interconnected labour-market dynamics and what implications such synthesized evidence holds for emerging economies such as India. Although the International Labour Organization's Employment and Social Trends 2026 report provides one of the most comprehensive contemporary assessments of global labour-market developments, there remains a lack of scholarly studies that systematically analyze the report using a structured qualitative content-analysis approach and contextualize its findings within the institutional, demographic, and economic realities of India. Consequently, a gap exists in translating global employment-policy evidence into country-specific policy insights through a theoretically informed analytical framework.

The present study addresses this gap by conducting a systematic qualitative content analysis of the ILO Employment and Social Trends 2026 report and interpreting its implications for India through the perspectives of structural transformation theory, human capital theory, and institutional labour market theory.

Research Problem

Despite the increasing availability of global evidence on employment transformation, uncertainty remains regarding how emerging labour-market trends identified at the global level can be interpreted and translated into meaningful policy insights for developing economies such as India. Existing studies provide fragmented explanations of informality, technological change, demographic transition, and employment quality, but limited research has systematically examined how these issues collectively shape labour-market transformation from the perspective of a major international policy framework.

Research Questions

The following three research questions were raised in the current study:

1. RQ1: What major employment and social trends are emphasized in the *ILO Employment and Social Trends 2026 Report?*
2. RQ2: How do these identified trends relate to the structural characteristics of the Indian labour market?
3. RQ3: What policy implications emerge for employment generation, labour-market formalization, skills development, productivity enhancement, and decent work in India?

Research Objectives

The following four objectives were established to achieve in the current study:

1. To critically analyze the key global employment and social trends identified in the *International Labour Organization 2026 Report* and assess their relevance to the Indian labour market context.
2. To identify emerging opportunities for the Indian economy arising from technological change, global trade shifts, and demographic transitions.
3. To evaluate the policy implications of persistent challenges in India.
4. To propose evidence-based policy recommendations for enhancing decent work, productivity, and inclusive labour market development in India.

The rest of this paper is organized as follows: In the next section, literature & the methodology adopted in the current study is outlined, and the findings are presented. Next, the findings are discussed, delineating the major managerial & policy implications along with the limitations, and directions for future research. The final section comprises of the concluding remarks.

Literature Review

The evolving nature of global labour markets has attracted extensive scholarly attention, particularly in relation to structural transformation, technological change, globalization, and labour market institutions. This section synthesizes the key strands of literature relevant to the present study and situates the ILO (2026) report within these broader debates.

Structural Transformation and Employment Quality

Structural transformation—the shift of labour from low-productivity to high-productivity sectors—has long been recognized as central to economic development and employment generation (Lewis, 1954; Kuznets, 1973).

However, recent evidence suggests a slowdown in this process globally, particularly in developing economies. The ILO (2026) report highlights that the movement of workers across sectors has significantly decelerated, contributing to stagnation in employment quality and productivity growth. In the Indian context, this phenomenon has been described as "premature deindustrialization," where the manufacturing sector fails to absorb surplus labour from agriculture (Rodrik, 2016). Consequently, a large proportion of the workforce remains trapped in informal and low-productivity employment (Mehrotra & Parida, 2019).

Informality, Working Poverty, and Decent Work

Informality remains a defining characteristic of labour markets in developing economies. The ILO (2026) estimates that over 2.1 billion workers are engaged in informal employment globally, often lacking social protection and job security. Informality is strongly associated with working poverty and low wages, thereby constraining inclusive growth. Scholarly literature emphasizes that reducing informality requires a combination of institutional reforms, labour regulations, and economic diversification (La Porta & Shleifer, 2014). In India, informal employment accounts for a substantial share of total employment, highlighting the need for policies that promote formalization and improve job quality (Kannan & Raveendran, 2019).

Globalization, Trade, and Employment

Globalization and trade integration have significant implications for employment outcomes. The ILO (2026) report notes that approximately 465 million jobs globally are linked to foreign demand, underscoring the importance of trade in job creation. However, rising trade policy uncertainty and declining foreign direct investment (FDI) flows pose risks to employment growth. Theoretical and empirical studies suggest that trade openness can enhance productivity and wages but may also lead to labour market polarization (Helpman, 2018). For India, participation in global value chains (GVCs) has been uneven, with significant opportunities in services exports but limited integration in manufacturing (Goldberg et al., 2010).

Technological Change and the Future of Work

Technological advancements, particularly in artificial intelligence (AI), are reshaping labour markets worldwide. The ILO (2026) highlights that while AI has not yet drastically altered employment patterns, it introduces significant uncertainty regarding future job structures. Autor (2015) argues that technological change is more likely to transform jobs rather than eliminate them entirely, but it may exacerbate skill-biased inequalities. In India, the rapid expansion of the digital economy presents both opportunities for high-skilled employment and risks for routine and low-skilled jobs (Bessen, 2019).

Demographic Dynamics and Employment Challenges

Demographic trends play a critical role in shaping labour markets. While ageing populations constrain labour supply in developed countries, developing economies face the challenge of creating sufficient employment for a growing workforce. The ILO (2026) emphasizes that failure to generate quality jobs may hinder the realization of the demographic dividend. India's demographic advantage is widely recognized, but its benefits depend on investments in education, skills development, and labour market reforms (Bloom et al., 2003).

Critical Evaluation of Existing Literature

Although previous studies provide valuable insights into labour-market transformation, several limitations remain evident. First, much of the literature examines structural transformation, technological change, demographic transition, and labour-market institutions as separate phenomena, resulting in fragmented explanations of employment outcomes. Second, there remains considerable debate regarding the extent to which technological change generates employment opportunities or displaces labour, particularly in developing economies. Third, while substantial research has explored informality and employment quality in India, less attention has been devoted to understanding how global employment-policy assessments integrate these dimensions into a coherent framework for policy action. Furthermore, existing research tends to rely heavily on quantitative labour-market indicators, while comparatively few studies have examined how international organizations construct and communicate emerging labour-market challenges through policy documents. Consequently, there remains a need for research that systematically interprets global labour-market evidence and translates it into country-specific policy implications through a theoretically informed analytical lens.

Theoretical Foundations of Labour Market Transformation

The present study is theoretically anchored in the structural transformation perspective, human capital theory, and institutional labour market theory, which collectively explain the evolving dynamics of employment systems in developing economies. Structural transformation theory posits that economic development occurs through the movement of labour from low-productivity sectors, particularly agriculture and informal employment, toward higher-productivity industrial and service sectors (Lewis, 1954; Kuznets, 1973). However, contemporary labour markets increasingly exhibit “distorted transformation,” where economic growth does not necessarily translate into productive and formal employment generation. This theoretical lens is highly relevant to India, where rapid GDP growth has coexisted with persistent informality and underemployment. In addition, the study draws on Human Capital Theory, which argues that investments in education, skills, training, and knowledge accumulation enhance worker productivity and long-term economic performance (Becker, 1964). The accelerating adoption of artificial intelligence (AI), digitalization, and automation has intensified the importance of human capital development in determining labour market competitiveness. In the Indian context, the mismatch between emerging technological demands and workforce capabilities reflects a critical human capital challenge that may constrain the realization of the demographic dividend.

The study is further informed by Institutional Labour Market Theory, which emphasizes that labour market outcomes are shaped not only by market forces but also by institutional arrangements such as labour laws, social protection systems, industrial relations frameworks, and governance quality (North, 1990). The persistence of informal employment and working poverty in India demonstrates that labour market inefficiencies are deeply embedded within institutional weaknesses rather than purely economic deficiencies. Therefore, meaningful labour market transformation requires coordinated institutional reforms that align employment generation with social protection, skills development, and technological governance.

Collectively, these theoretical perspectives provide a robust analytical foundation for interpreting the ILO (2026) report and contextualizing global labour market transformations within the realities of emerging economies. The integration of these frameworks strengthens the study contribution by linking macro-level employment trends with institutional, technological, and human capital dimensions of labour market development. Table 1 presents a summary of key findings across the extant literature, while figure 1 presents an integrated conceptual framework of global labour-market transformation and Indian labour-market outcomes.

Table 1: Summary of Literature

Theme	Key Insights	Implications for India
Structural Transformation	Slowing sectoral shifts reduce productivity gains	Need for industrial policy and sectoral diversification
Informality	High levels of informal work limit job quality	Strengthen formalization and social protection
Trade & Globalization	Trade-linked jobs significant but uncertain	Enhance GVC participation, diversify exports
Technology (AI)	Mixed effects: productivity gains vs job risks	Invest in skills and digital readiness
Demographics	Potential dividend depends on job creation	Focus on youth employment and skills

Source: Author, 2026

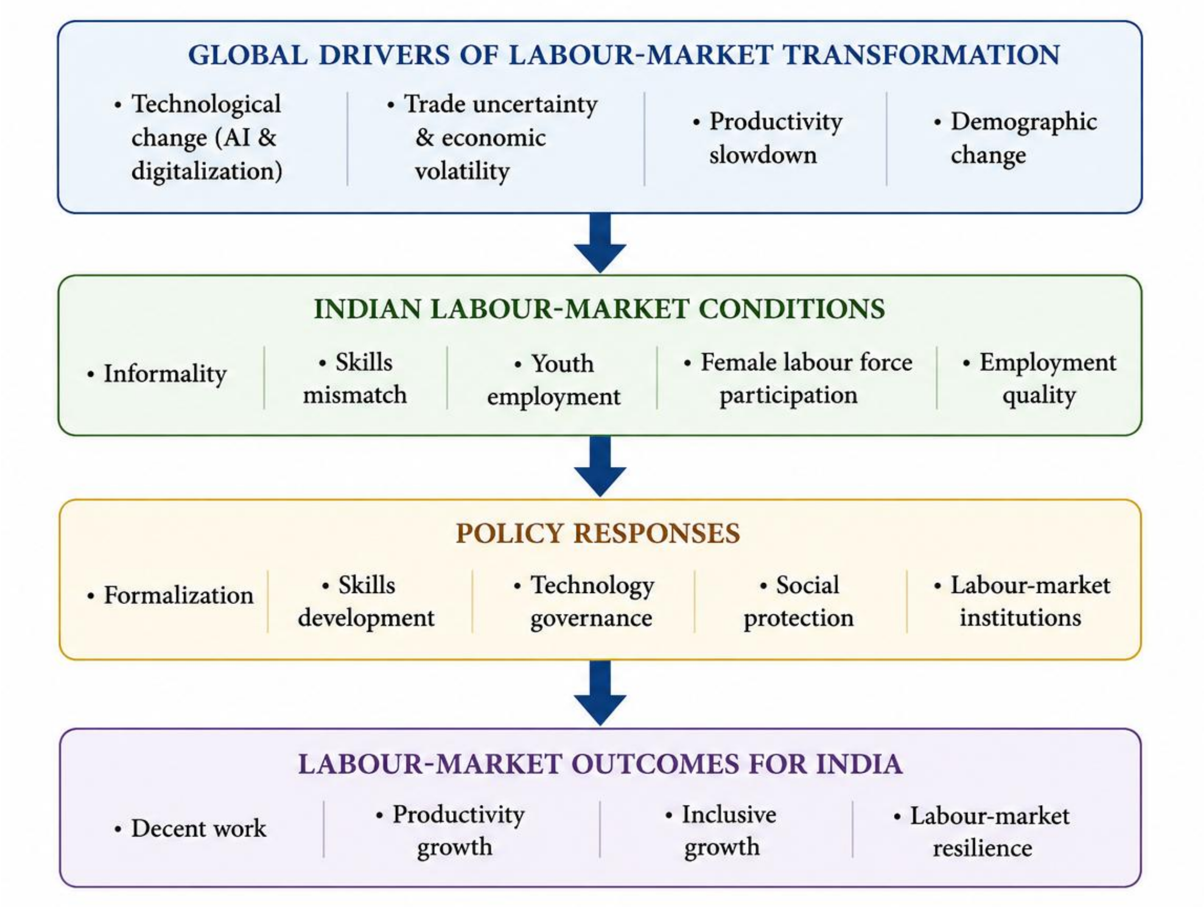

Figure 1: Integrated Conceptual Framework of Global Labour-Market Transformation and Indian Labour-Market Outcomes

Source: Author, 2026

Methodology

Research Design

This study adopts a qualitative content analysis approach to systematically examine the Employment and Social Trends 2026 report published by the International Labour Organization (ILO). Content analysis is particularly suitable for analyzing policy documents and reports, as it enables the identification of patterns, themes, and policy-relevant insights (Krippendorff, 2018). Further, the study is interpretive and exploratory in nature, aiming to bridge global labour market trends with national-level policy implications for the Indian economy.

Data Sources and Unit of Analysis

The study primarily relies on the *Employment and Social Trends 2026 Report of International Labour Organization* as the core document, complemented by extant literature on labour markets, technological change, and development economics. The analytical approach integrates deductive and inductive coding, allowing both theory-driven and data-driven insights. Further, the analysis was based on secondary textual data as presented in table 2.

Document Selection and Analytical Scope

The primary document analyzed in this study was the International Labour Organization - Employment and Social Trends 2026 Report. Particular attention was given to sections discussing global labour-market outlook, employment quality, productivity trends, trade and employment, demographic dynamics, and technological transformation. These sections were selected because they directly corresponded with the study objectives and theoretical foundations. To enhance analytical credibility and contextual interpretation, findings derived from the report were systematically triangulated with peer-reviewed literature, World Bank publications, UNCTAD reports, and recent labour-market evidence relating to India. Although the ILO report served as the principal unit of analysis, supplementary sources were used to validate interpretations and strengthen contextual relevance.

Table 2: Data Sources

Data Sources	Type	Purpose
ILO Employment and Social Trends 2026 Report	Core policy report	Primary dataset for global trends
Peer-reviewed journal articles	Scholarly literature	Theoretical grounding
Authoritative reports	Supporting records	Contextual validation

Source: Author, 2026

The unit of analysis consists of: (i) textual segments (paragraphs, sections, and thematic discussions), (ii) key indicators and statistical insights, and (iii) policy-relevant narratives. These units are extracted from relevant sections: (i) global trends and outlook, (ii) employment quality, (iii) trade and employment, and (iv) technology and labour markets. Moreover, the study employs a thematic coding framework derived from both theory and the structure of the ILO report as presented in table 3. Moreover, table 4 presents a coding example used in the study.

Table 3: Coding Framework

Code Category	Description	Key Indicators
Employment Trends	Labour force, unemployment, job growth	Unemployment rate, labour participation
Employment Quality	Informality, working poverty	Informal employment, wage levels
Economic Drivers	Growth, productivity, trade	GDP growth, productivity
Technology	AI and automation impacts	Job exposure to AI
Demographics	Labour supply trends	Youth employment, ageing
Policy Implications	Recommendations and risks	Institutional and policy responses

Source: Author, 2026

Table 4: Coding Example

Raw Text Segment	Initial Code	Theme	Interpretation for India
Growth insufficient to improve employment quality	Jobless growth	Economic Drivers	Indian GDP growth not fully translating into decent work
AI creates uncertainty for employment	AI exposure	Technology	Need for reskilling and digital readiness
High informal employment	Informality	Employment Quality	Persistent structural challenge

Source: Author, 2026

Analysis Procedure

The data analysis in this study follows a systematic qualitative content analysis approach designed to extract, organize, and interpret key themes from the ILO's Employment and Social Trends 2026 report. The process began with an in-depth familiarization stage, where the entire document was carefully reviewed to understand its structure, major themes, and underlying narratives related to global labour market dynamics. This initial reading enabled the identification of relevant sections such as global trends, employment quality, trade dynamics, and technological change, which form the analytical backbone of the study. Following familiarization, an initial coding process was undertaken. Textual segments—including paragraphs, statistical descriptions, and policy discussions—were systematically categorized using a predefined coding framework grounded in labour economics theory and the study's research objectives. Codes were assigned to recurring concepts such as informality, working poverty, productivity, artificial intelligence (AI), demographic shifts, and trade-related employment. This step ensured that the analysis remained both structured and theory-driven (Krippendorff, 2018).

Subsequently, these initial codes were refined and grouped into broader thematic categories. For example, codes related to job quality, wages, and informal employment were consolidated under the theme of “employment quality,” while those related to AI and automation were grouped under “technological transformation.” This thematic clustering facilitated a more coherent interpretation of the data and allowed for the identification of patterns and relationships across different sections of the report.

The next stage involved contextual interpretation, where the identified themes were critically analyzed in relation to the Indian economy. This step required linking global trends highlighted in the ILO report with India-specific labour market characteristics, such as high informality, demographic pressures, and sectoral imbalances. The analysis was further strengthened through cross-referencing with existing academic literature, enabling triangulation and enhancing the robustness of interpretations.

Finally, the synthesized findings were translated into policy-relevant insights. This involved mapping the identified global trends onto potential opportunities and challenges for India and deriving implications for labour market policies, institutional reforms, and economic strategy. Through this iterative and interpretive process, the study ensures a comprehensive and contextually grounded analysis of the selected document. *Annexure 01* presents the detailed coding structure used in the study, including themes, sub-themes, codes, descriptions, and indicators.

Validity and Reliability

Content validity is established through the use of a highly authoritative and globally recognized data source—the ILO’s Employment and Social Trends 2026 report. As an institutional publication grounded in extensive empirical modelling and international data, the report provides a reliable and comprehensive representation of global labour market conditions. Additionally, the coding framework used in the analysis is derived from well-established theoretical constructs in labour economics, such as structural transformation, informality, and technological change, thereby strengthening construct validity.

To ensure reliability, the study adopts a systematic and transparent coding procedure. The use of predefined categories and consistent coding rules minimizes ambiguity and enhances replicability. Each stage of the analysis—from coding to theme development—follows a structured protocol, reducing the likelihood of arbitrary interpretation. Furthermore, the iterative nature of the coding process, where themes are refined and re-evaluated, contributes to internal consistency. Triangulation is another key strategy used to enhance both validity and reliability. The findings derived from the ILO report are cross-validated with existing empirical and theoretical literature, ensuring that interpretations are not solely dependent on a single source. This comparative approach helps confirm the consistency of observed patterns and strengthens the overall credibility of the analysis.

Finally, reflexivity is maintained throughout the research process to mitigate potential researcher bias. By grounding interpretations in both empirical evidence and established theory, the study ensures that conclusions are analytically justified rather than subjectively derived. Collectively, these measures contribute to a robust and methodologically sound analysis that is both reliable and valid within the context of qualitative research.

Findings and Discussion

This section presents the key findings derived from the qualitative content analysis of the ILO’s Employment and Social Trends 2026 report and contextualizes them within the Indian economy. Using the established coding framework, the analysis identifies major thematic areas—employment trends, employment quality, economic drivers, technological transformation, demographic dynamics, and policy implications—and interprets their relevance for India.

Employment Trends and Labour Market Dynamics

The ILO (2026) report highlights that global unemployment is projected to remain stable at around 4.9%, despite economic uncertainty. However, this stability conceals underlying structural weaknesses, including weak job creation and declining labour force participation rates.

Recent evidence from Indian Periodic Labour Force Survey (PLFS) indicates improvements in labour-force participation but continuing concerns regarding employment quality, informal work arrangements, and gender disparities in labour-market participation[1]. While employment indicators have shown improvement in recent years, the challenge increasingly relates to the quality, productivity, and sustainability of employment rather than employment generation alone[2].

For India, this finding is particularly significant. While official unemployment rates may appear moderate, underemployment and disguised unemployment remain pervasive, especially in rural and informal sectors. The report's concept of the "jobs gap"—estimated globally at 408 million people—resonates strongly with India's labour market realities, where a large segment of the population is willing to work but lacks access to productive employment. The comparison is presented in table 5.

Table 5: Employment Trends – Global Insights Vs Indian Context

Dimension	Global Insight (ILO, 2026)	Implications for India
Unemployment	Stable at ~4.9%	Masks underemployment and informal work
Jobs Gap	408 million globally	Reflects hidden unemployment in India
Labour Force Participation	Declining globally	Low female participation in India
Youth Employment	High NEET rates (20%)	Severe youth employment challenge

Source: Author, 2026

The persistence of youth unemployment and NEET (Not in Employment, Education, or Training) rates is particularly concerning. India, with one of the largest youth populations globally, faces the risk of a "demographic burden" if sufficient employment opportunities are not created (Bloom et al., 2003).

Employment Quality: Informality and Working Poverty

One of the most striking findings of the ILO report is the stagnation in employment quality. Globally, over 2.1 billion workers remain in informal employment, and 284 million workers live in extreme poverty. This highlights that job creation alone is insufficient; the quality of jobs is equally critical.

In India, informality dominates the labour market, with a substantial share of workers lacking formal contracts, social protection, and job security. The slowdown in the transition toward formal and productive employment sectors, as highlighted in the report, mirrors Indian structural challenges that are summarized in table 6.

The persistence of informality in India reflects institutional and structural constraints, including weak enforcement of labour regulations and limited industrial expansion (La Porta & Shleifer, 2014). Addressing these issues requires targeted policy interventions aimed at formalization and social protection expansion.

Table 6: Employment Quality Challenges

Indicator	Global Trend	Indian Scenario
Informal Employment	2.1 billion workers	Majority of workforce informal
Working Poverty	284 million globally	Persistent low-income employment
Wage Growth	Stagnant globally	Real wage growth uneven
Job Security	Declining quality	High vulnerability in informal sector

Source: Author, 2026

Economic Drivers: Growth, Productivity, and Trade

The ILO (2026) report emphasizes that global economic growth remains resilient but insufficient to significantly improve labour market outcomes. Productivity growth, particularly in low-income and developing economies, remains weak, limiting improvements in wages and living standards. India faces a similar challenge. While GDP

[1] Government of India, Ministry of Statistics and Programme Implementation (MOSPI). (2024). *Periodic Labour Force Survey Annual Report 2023–24.*
[2] World Bank. (2024). *India Development Update.*

growth has been relatively strong, employment elasticity of growth remains low. This disconnect between growth and employment—often referred to as “jobless growth”—is a major concern. Table 7 depicts the identified major economic drivers and labour market outcomes.

Table 7: Economic Drivers and Labour Market Outcomes

Factor	Global Trend	Implications for India
GDP Growth	Moderate but stable	Strong growth not translating into jobs
Productivity	Weak in developing economies	Low productivity in informal sectors
Trade	465 million jobs linked to trade	Opportunity in services exports
FDI	Declining globally	Need to attract investment

Source: Author, 2026

The report also highlights the importance of trade-linked employment, particularly in services and digitally delivered sectors. India’s comparative advantage in IT and business services positions it well to benefit from these trends. However, declining FDI flows and trade uncertainty may constrain these opportunities.

Technological Transformation and AI

Technological change, particularly the rise of AI, is identified as a key driver of labour market transformation. While the report suggests that AI has not yet caused widespread job losses, it introduces significant uncertainty and may disproportionately affect youth and high-skilled workers. For India, this presents a dual challenge. On one hand, AI and digital technologies can enhance productivity and create new employment opportunities in sectors such as IT, fintech, and digital services. On the other hand, automation may displace routine and low-skilled jobs, exacerbating inequality. Such implications are depicted in table 8. The literature suggests that technological change tends to be skill-biased, favoring educated workers while disadvantaging low-skilled labour (Autor, 2015). This underscores the importance of education and skill development policies in India.

Table 08: Technology and Employment

Aspect	Global Insight	Indian Implication
AI Adoption	Growing but uncertain impact	Opportunity in digital economy
Job Displacement	Limited but emerging	Risk for low-skilled workers
Skill Demand	Increasing for high skills	Need for reskilling and upskilling
Youth Impact	High exposure to AI	Challenges for graduates

Source: Author, 2026

Demographic Dynamics and Labour Supply

The ILO (2026) report identifies demographic change as a critical factor shaping labour markets. While ageing populations reduce labour supply in developed countries, developing economies face the challenge of absorbing a growing workforce. Indian demographic profile offers a significant opportunity, often referred to as the “demographic dividend.” However, the realization of this potential depends on the creation of productive employment opportunities. Demographic trends and implications for India are presented in table 9.

Table 9: Demographic Trends and Implications

Dimension	Global Trend	Indian Context
Population Ageing	High in developed countries	Young population
Labour Supply	Declining globally	Expanding workforce
Youth Employment	Rising challenges	High unemployment risk
Demographic Dividend	Conditional	Depends on job creation

Source: Author, 2026

Without adequate employment generation, India risks experiencing rising unemployment and social instability, rather than economic gains from its demographic advantage.

Policy Implications for India

The findings suggest that India must adopt a multi-dimensional policy approach to address labour market challenges and leverage emerging opportunities as depicted in table 10. The ILO report also emphasizes that relying solely on economic growth is insufficient to achieve decent work outcomes. Instead, coordinated efforts involving governments, employers, and workers are required.

Table 10: Policy Implications for India

Policy Area	Key Actions
Employment Generation	Promote labor-intensive industries
Formalization	Strengthen labour laws and social protection
Skills Development	Invest in education and vocational training
Technology	Encourage digital adoption with safeguards
Trade	Enhance integration into global value chains
Institutions	Strengthen governance and labour market institutions

Source: Author, 2026

Taken together, the analysis reveals that while global labour market trends present significant challenges, they also offer opportunities for the Indian economy. The key lies in aligning domestic policies with global transformations. The projected opportunities and challenges are given in table 11.

Table 11: Opportunities vs Challenges for India

Opportunities	Challenges
Growth in digital services	High informality
Demographic dividend	Youth unemployment
Trade-linked employment	Trade uncertainty
Technological advancement	Skill gaps
Expanding global markets	Weak productivity

Source: Author, 2026

Conclusion

The evolving global world of work demands a fundamental rethinking of how economies pursue growth, productivity, and employment. This study underscores that the future of labour markets will be shaped not merely by macroeconomic performance, but by the quality of institutions, adaptability to technological change, and the capacity to manage structural transitions inclusively. For India, this moment represents a critical inflection point—where demographic potential, digital transformation, and global integration converge to create a narrow but powerful window for long-term economic repositioning. The challenge is not simply to generate employment, but to create pathways toward decent, productive, and resilient work that aligns with the aspirations of a rapidly evolving workforce. Theoretically, the study contributes to the growing discourse on labour market transformation by demonstrating that employment outcomes in emerging economies cannot be sufficiently explained through economic growth indicators alone. Instead, labour market resilience increasingly depends on the interaction between institutional capacity, technological adaptation, and human capital development. The findings therefore reinforce the importance of integrating structural transformation theory, institutional theory, and human capital perspectives in understanding the future of work within developing economies.

Moving forward, development routes of India will depend on its ability to translate global disruptions into strategic advantage. This requires a shift from reactive policy responses to anticipatory governance that is forward-looking, evidence-based, and inclusive. The future of work in India will be defined by how effectively it invests in human capital, strengthens labour market institutions, and fosters innovation while safeguarding equity. In this context, the pursuit of inclusive growth is not just a normative goal but an economic imperative. A labour market that is dynamic, equitable, and future-ready will ultimately determine India's position in the global economy and its capacity to sustain long-term development in an era of uncertainty.

Implications

The findings of this study highlight that Indian foremost challenge lies not in the availability of labour but in the creation of quality employment opportunities. The persistence of informality, working poverty, and underemployment implies that policy efforts must move beyond aggregate job creation toward improving the nature and productivity of employment. This necessitates a strategic focus on labor-intensive sectors, formalization mechanisms, and productivity-enhancing reforms, mainly in MSMEs and emerging service industries. Without addressing these structural constraints, India risks sustaining a dual labour market where growth coexists with vulnerability.

A second major implication relates to the alignment between skills, technology, and labour market demands. The increasing role of digitalization and artificial intelligence, as highlighted in the findings, suggests that India’s workforce must undergo rapid skill transformation to remain competitive. This requires a systemic overhaul of education and training ecosystems, emphasizing employability, adaptability, and lifelong learning. At the same time, policies must ensure that technological adoption does not exacerbate inequality by marginalizing low-skilled workers, thereby reinforcing the need for inclusive digital transition strategies.

Finally, the findings underscore the importance of institutional and policy coherence in managing demographic and global economic pressures. India’s demographic dividend can only be realized through coordinated interventions that integrate employment policy with trade, industrial, and social policies. Strengthening labour market institutions, improving female labour force participation, and enhancing integration into global value chains are critical to this process. In a context of rising global uncertainty, India’s ability to build resilient and inclusive labour market systems will determine whether it can convert current challenges into sustainable long-term economic gains.

Regional Implications for South Asia and HRM

Although this study focuses primarily on India, the findings carry important implications for Sri Lanka, particularly in relation to HRM, labour market governance, and workforce transformation. Similar to India, Sri Lanka is experiencing growing pressures arising from technological disruption, changing employment structures, youth underemployment, and skills mismatches. The increasing digitalization of work and the emergence of AI-driven labour market changes suggest that Sri Lankan organizations must rethink traditional HRM practices and move toward more adaptive, technology-oriented, and skills-driven workforce strategies.

From an HRM perspective, the findings highlight the growing importance of strategic talent management, continuous learning, workforce reskilling, and competency-based HR systems. Organizations will increasingly need to invest in digital capabilities, employee adaptability, and innovation-oriented work cultures to remain competitive within evolving regional and global labour markets. This is particularly relevant for Sri Lanka’s service-oriented sectors, including IT, tourism, financial services, and public administration, where technological transformation is accelerating rapidly.

The study also suggests that labour market informality and employment insecurity remain critical challenges for South Asian economies, including Sri Lanka. HRM systems therefore need to extend beyond traditional administrative functions toward broader employee well-being, social protection, and inclusive employment practices. Strengthening institutional HR policies related to flexible work, employee engagement, occupational resilience, and equitable access to training will become increasingly essential in ensuring sustainable workforce development.

At the policy level, Sri Lanka can draw important lessons from India’s labour market reforms and digital employment initiatives. In particular, the integration of skills development policies with national economic planning, industrial policy, and technological governance may provide a useful framework for improving labour productivity and employment quality. Consequently, the findings of this study contribute not only to employment policy discourse but also to the strategic evolution of HRM in emerging South Asian economies.

Limitations and Directions for Future Studies

This study is subject to several limitations that open avenues for future research. First, the analysis relies primarily on a single secondary source—the Employment and Social Trends 2026 report of ILO —which, while comprehensive, may limit the breadth of perspectives and empirical variation. Second, the qualitative content analysis approach, though suitable for interpretive insights, lacks quantitative or econometric validation, thereby restricting causal inference and generalizability. Third, the contextualization to India is based on interpretive alignment rather than primary data or country-specific micro-level datasets, which may overlook regional heterogeneity within India's labour market. Future research could address these limitations by incorporating mixed-method approaches, including panel data analysis, sector-specific case studies, and primary data collection. Additionally, comparative studies across emerging economies, deeper investigation into the impact of artificial intelligence on different skill groups, and longitudinal analyses of labour market transitions would further enrich understanding and strengthen policy relevance.

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Appendix 01: Thematic Coding Framework for Content Analysis

The following table presents the detailed coding structure used in the study, including themes, sub-themes, codes, descriptions, and indicative variables. This framework guided the systematic analysis of the ILO (2026) report and its contextual interpretation for India.

Theme	Sub-Themes	Code	Description	Indicative Variables / Indicators	Relevance to India
Employment Trends	Labour Market Dynamics	ET1	Overall employment and unemployment patterns	Unemployment rate, employment growth	Hidden unemployment, underemployment
	Labour Force Participation	ET2	Participation trends across demographics	LFPR, gender participation	Low female participation
	Youth Employment	ET3	Youth labour market challenges	NEET rate, youth unemployment	High youth unemployment
	Jobs Gap	ET4	Unmet demand for employment	Jobs gap, discouraged workers	Informal and disguised unemployment
Employment Quality	Informality	EQ1	Extent of informal employment	Informality rate, informal sector share	Dominant informal workforce
	Working Poverty	EQ2	Income insufficiency among workers	Poverty rates, wage levels	Low-income employment
	Job Security	EQ3	Stability and protection of jobs	Contract type, social protection	Weak job security
	Wage Dynamics	EQ4	Trends in wages and labour income	Real wages, labour income share	Uneven wage growth
Economic Drivers	Economic Growth	ED1	GDP growth and economic performance	GDP growth rate	Jobless growth concerns
	Productivity	ED2	Labour productivity trends	GDP per worker, output per worker	Low productivity sectors
	Trade and Employment	ED3	Role of trade in job creation	Export-related jobs, trade share	Service sector opportunities
	Investment Flows	ED4	Role of FDI and capital flows	FDI inflows, investment rates	Need to attract investment
Technology	AI and Automation	TE1	Impact of AI on jobs	Automation exposure, AI adoption	Risk to routine jobs
	Digital Economy	TE2	Growth of digital and tech sectors	ICT employment, digital services	Strength in IT sector
	Skill Demand	TE3	Changing skill requirements	Skill levels, education demand	Skill gaps and mismatch
	Job Transformation	TE4	Evolution of job roles	Task changes, job redesign	Need for reskilling
Demographics	Population Structure	DE1	Age composition of workforce	Youth share, ageing trends	Large youth population
	Labour Supply	DE2	Growth of workforce	Labour force size	Expanding labour supply
	Demographic Dividend	DE3	Economic potential of population	Dependency ratio	Opportunity vs risk
	Gender Dynamics	DE4	Gender disparities in labour market	Female LFPR, wage gap	Low female inclusion

Theme	Sub-Themes	Code	Description	Indicative Variables / Indicators	Relevance to India
Policy Implications	Employment Policies	PI1	Job creation strategies	Employment schemes	Need for labor-intensive sectors
	Formalization Policies	PI2	Reducing informality	Labour laws, social security	Expand formal sector
	Skill Development	PI3	Education and training policies	Training programs, education levels	Upskilling workforce
	Technology Governance	PI4	Managing AI and digitalization	AI policies, digital regulation	Inclusive tech adoption
	Trade Policies	PI5	Integration into global markets	Export policies, trade agreements	Strengthen GVC participation
	Institutional Strengthening	PI6	Governance and labour institutions	Policy frameworks, enforcement	Improve institutional capacity

Source: Author, 2026