



## The State of Youth Employment in India

*This editorial is based on [“The crisis of youth unemployment”](#) which was published in *The Hindu Business Line* on 20/08/2024. The article highlights India's severe youth employment crisis, marked by high unemployment and underemployment among the educated, especially young women, and calls for urgent policy reforms.*

**For Prelims:** [Periodic Labour Force Survey](#), [Demographic dividend](#), [Pradhan Mantri Kaushal Vikas Yojana](#), [National Skill Development Corporation](#), [Yuva: Prime Minister's Scheme For Mentoring Young Authors](#), [Sarva Shiksha Abhiyan \(SSA\)](#), [Right To Education \(RTE\) Act](#) [Pradhan Mantri Kaushal Vikas Yojana](#), [Digital India Programme](#), [PM Gati Shakti Scheme](#)

**For Mains:** Unemployment and unemployment trends and regional and gender disparity.

India's anticipated [demographic dividend](#) has deteriorated into a severe **demographic disaster** as the country faces an **unprecedented youth employment crisis**. Despite higher educational attainment among the youth, job opportunities remain scarce, resulting in high unemployment rates, particularly among urban youth and young women.

Recent data from [the Periodic Labour Force Survey](#) reveals that the employment scenario for youth remains dire, with a **worker-population rate** for youth **40%** lower and an unemployment rate nearly **three times** that of older age groups.

The situation is worsened by a notable **mismatch between educational qualifications and available job opportunities**, with highly educated individuals, particularly women, experiencing the highest unemployment rates. Addressing this issue necessitates a thorough investigation to develop effective solutions.

### What are the Current Trends of Youth Employment in India?

- **Youth Unemployment Crisis:**
  - **High Youth Unemployment Rates:** Unemployment rates among youth (ages 15-29) remain significantly higher than those for the general population. In 2022, the unemployment rate for urban youth was 17.2%, compared to 10.6% in rural areas.
    - The situation is particularly severe for young women, with an unemployment rate of **21.6% versus 15.8% for young men**.
  - **Education Impact:** Higher educational attainment among youth is paradoxically linked to higher unemployment rates. For instance, in 2022, the unemployment rate was **18.4% for those with secondary education** or higher, and **29.1% for graduates**, compared to just 3.4% for illiterate individuals.
  - **NEET (Not in Employment, Education, or Training) Rates:** A significant proportion of young people are **neither employed, nor in education, nor in training**.

- According to the India Employment Report 2024, **one in every three** youngsters falls under the NEET category as on 2022.
  - The women in the NEET category are almost five times more than their male counterparts.

- **Gender Disparity:**

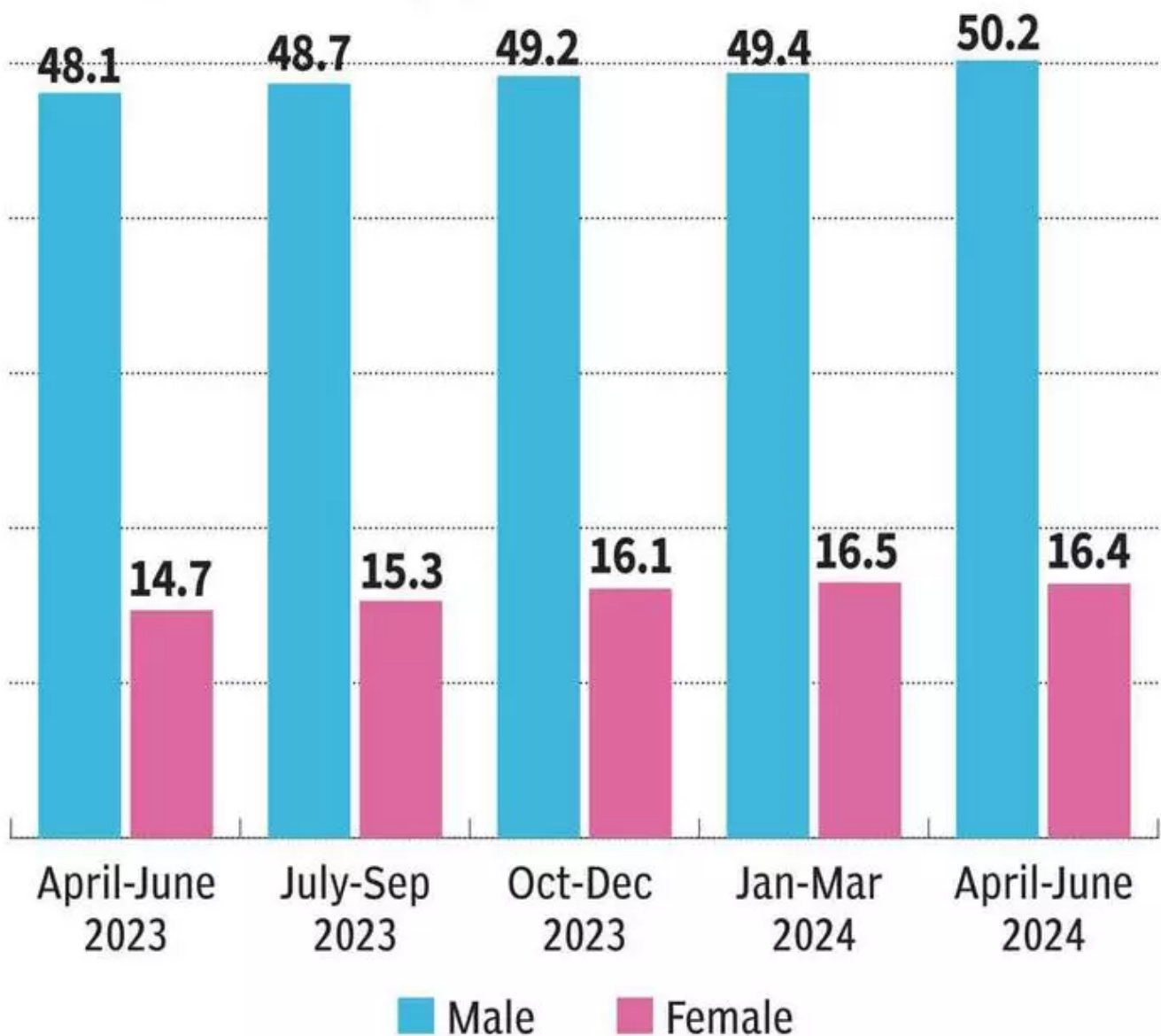
- **Work Participation Rates:** Urban male youth have work participation rates more than **three times higher than their female counterparts.**
- **Unemployment Rates for Women:** Young women face consistently higher unemployment rates than young men, averaging around **50% higher.** For example, 34.5% of female graduates were unemployed in 2022, compared to 26.4% of their male peers.
  - Educated young women experience the highest unemployment rates, with 34.5% of female graduates unemployed.

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# Gender disparity

CHART 2

Urban youth worker population rate (%)



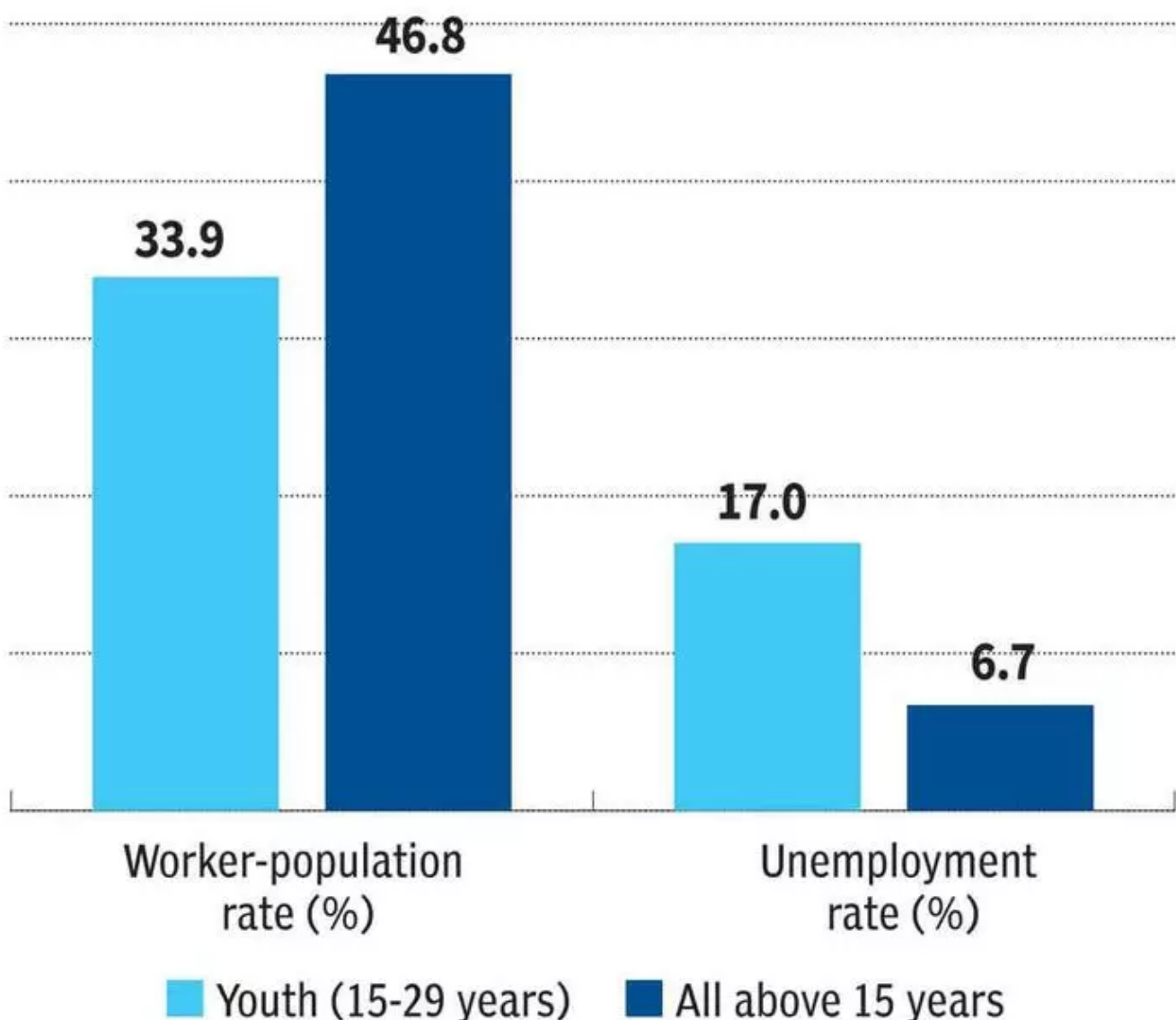
- **Regional Variations**

- **Disparities Across States:** Employment conditions vary significantly across different states. High unemployment rates and low work participation are particularly prevalent in states such as **Bihar, Uttar Pradesh, Jammu and Kashmir, Uttarakhand, Rajasthan, Odisha, Kerala, Himachal Pradesh, and Assam.**
  - Moreover, there is a clear positive relation, indicating an increase in unemployment rates in highly urbanised States. This explains the high degree of unemployment in States like Goa and Kerala — both highly urbanised — and low unemployment in States like U.P., Jharkhand and Madhya Pradesh.
    - **Urbanised States have smaller agrarian and agrarian-dependent sectors** and hence have a relatively smaller source of informal jobs available.

# Youth disadvantage

CHART 1

## Urban employment conditions in April-June 2024



### What is the Potential of India's Demographic Dividend?

- **Youth Population:** India has a significant demographic advantage, with over 50% of its

population under the age of **25 and more than 65% below 35 years old**. This creates a large pool of potential workers who can contribute to economic growth and productivity.

- **Workforce Growth:** The working-age population in India is expected to increase by about 200 million people by 2030, adding to the economic potential of the country.
- **Innovation and Entrepreneurship:** According to the [Global Entrepreneurship Monitor \(GEM\) 2023](#), India has a robust startup ecosystem, with over 70,000 startups recognized, many of which are led by young entrepreneurs.
  - **Startup Growth:** Government initiatives like [Startup India](#) have supported the creation of over 80,000 startups since its launch in 2016, fostering a culture of innovation among the youth.
- **Digital Economy:** The [IT and digital services sector](#) in India contributes about **8% to the GDP, employing over 4.5 million people**. The rise of digital platforms has created numerous job opportunities in IT, [e-commerce](#), and digital content creation.
- **Internet Penetration:** As of 2024, India has over **800 million internet users**, indicating a vast digital market and potential job opportunities for the tech-savvy youth.
- **Global Competitiveness:** India ranks **43rd out of 63 countries in the World Economic Forum's Global Competitiveness Index 2023**, reflecting the growing skills and potential of its workforce to enhance global competitiveness.
  - **IT Outsourcing:** India remains a leading global hub for IT outsourcing, contributing around 55% of the global market share in IT services, largely due to its skilled and young workforce.

## What is Unemployment?

- **About:**
  - Unemployment refers to the condition where individuals capable of working are actively seeking employment but are unable to secure suitable jobs.
- **Measurement of Unemployment:** The unemployment in the country is commonly calculated using the formula:
  - **Unemployment rate** =  $[\text{Number of Unemployed Workers} / \text{Total Labour Force}] \times 100$ .
    - Here, the '**total labour force**' includes the employed and the unemployed. Those who are neither employed nor unemployed — students, for example — are not considered a part of the labour force.
- **Types of Unemployment:**
  - **Structural Unemployment:** Rooted in mismatches between the skills possessed by the workforce and the requirements of available positions, this form of unemployment highlights systemic issues within the labour market.
  - **Cyclical Unemployment:** Tied to economic cycles, this type escalates during economic downturns and diminishes during periods of expansion, showcasing the sensitivity of job availability to macroeconomic conditions.
  - **Frictional Unemployment/Transitional Unemployment:** Also called transitional unemployment, arising from the natural transition between jobs, this type reflects the temporary period individuals spend searching for new employment opportunities.
  - **Underemployment:** While not strictly unemployment, this concept pertains to individuals employed in positions that underutilize their skills or provide insufficient working hours, contributing to a sense of economic inefficiency.
  - **Hidden Unemployment:** Refers to individuals who are not actively seeking employment due to discouragement or other factors but could potentially enter the job market if conditions improve.
  - **Disguised Unemployment:** It arises because more labourers work in the factory/land than are required. Hence productivity i.e., production per unit of labour will be less.
- **Causes of Unemployment:**
  - **Population Size:** High population increases job market competition, necessitating effective economic and job creation strategies.
  - **Skills Mismatch:** Workers' skills often do not match job market needs, highlighting the need for better education and vocational training.
  - **Informal Sector Dynamics:** The large informal sector complicates unemployment tracking; formalizing this sector can improve employment data accuracy.
  - **Policy Implementation Challenges:** Even effective policies may struggle with execution;

- aligning policies with real-world conditions is crucial.
- **Global Economic Factors:** Global trade and geopolitical issues affect employment; policies should build economic resilience against external factors.

## What are the Implications of Youth Unemployment?

- **Economic Implications:**
  - **Inefficiency in Resource Utilization:** High youth unemployment represents a significant loss of potential economic output. Educated and skilled young individuals who remain unemployed or underemployed do not contribute to the economy, leading to inefficiencies in resource utilization.
  - **Lower Economic Growth:** Persistent unemployment hampers economic growth. With a substantial segment of the population not contributing productively, the economy faces slower growth rates and reduced overall productivity.
  - **Increased Dependency Ratios:** Prolonged unemployment can result in a higher dependency on family resources, increasing the financial burden on households and potentially leading to greater poverty levels.
  - **Decreased Purchasing Power:** Unemployed youth have **lower disposable income**, which reduces their spending power and affects overall consumer demand. This reduction in consumption can impact businesses and economic growth.
- **Social Implications:**
  - **Social Unrest and Instability:** High levels of youth unemployment can lead to social unrest and instability. Frustration over a lack of job opportunities can manifest in protests, strikes, and other forms of civil unrest.
- **Long-Term Implications:**
  - **Skills Mismatch and Skills Erosion:** Prolonged unemployment can lead to skills erosion as the workforce's abilities become outdated. This skills mismatch makes it harder for unemployed youth to re-enter the job market.
  - **Reduced Employability:** A lack of relevant experience and skills development during periods of unemployment can further reduce employability and career prospects for young individuals.

## Government's Initiatives Related to Employment

- [National Youth Policy-2014](#),
- [Pradhan Mantri Kaushal Vikas Yojana](#),
- [National Skill Development Corporation](#),
- [YUVA: Prime Minister's Scheme For Mentoring Young Authors](#),
- [Rashtriya Yuva Sashaktikaran Karyakram Scheme](#)
- [Support for Marginalised Individuals for Livelihood and Enterprise \(SMILE\)](#).
- [PM-DAKSH \(Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi\)](#).
- [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#).
- [Start-Up India Scheme](#).
- [Rozgar Mela](#).
- [Indira Gandhi Urban Employment Guarantee Scheme- Rajasthan](#).
- [Direct Benefit Transfer Scheme](#).
- [Pradhan Mantri Mudra Yojana](#).

## What Steps Should Be Taken to Improve Youth Employment?

- **Expansion of Public Employment Opportunities:** Develop urban-specific public employment schemes similar to MGNREGA (as it is limited to rural areas only), targeting infrastructure and service sectors. Consider strategies to revive and expand public sector job opportunities, ensuring

better job security.

- **Remote Work Opportunities:** Encourage companies to leverage technology and offer remote work arrangements. This expands job opportunities for individuals living outside major cities and promotes a better work-life balance.
- **Inclusion Growth and Gender Equality:** Implement policies promoting gender equality and empowerment, ensuring equal access to education and employment.
  - According to International Labour Organization estimates, **only 24% of women were participating in the workforce in 2022**, so getting more women to enter the workforce will be pivotal for future growth.
- **Enhanced Skill Matching:** Revise **educational curricula** and **vocational training programs** to better match industry needs. Foster collaborations between educational institutions and industry to ensure training programs are relevant.
- **Promotion of Entrepreneurship and Infrastructure Investment:** Provide tax breaks, subsidies, and access to funding for young entrepreneurs.
- **Youth Outreach Programs:** Develop specialized outreach programs to inspire and support young entrepreneurs. These should include mentorship, access to capital, and business development services tailored to the needs of young entrepreneurs.
- **Capacity Building:** Implement effective programs to build entrepreneurial capacity among youth, including training in business management, financial literacy, and innovation.
  - **Youth-Focused Social Security:** Develop social security safety nets specifically for young people to ensure financial stability during job transitions.
  - **Digital and Gig Economy Integration:** Develop policies to provide job security, social security benefits, and fair wages for gig workers. Expand training in digital skills to prepare youth for the growing tech sector.
- **Improved Policy Implementation:** Strengthen mechanisms for monitoring the effectiveness of employment schemes and policies. Establish **feedback mechanisms** to continually adapt and improve policies based on **real-world outcomes**.
  - **Make in India, Digital India, and Skill India:** Continue to support and scale up successful initiatives like Make in India, Digital India, and Skill India, which are aimed at boosting employment and skill development among youth.

## Conclusion

India has the largest youth population in the world which is poised to increase further in the coming decade. More than 65% of India's population is below the age of 35 years. It is indeed vital to utilise this demographic dividend and channel the youth and their creative energies for nation-building. For this it is essential that the economy supports the increase in the labour force and the youth have the appropriate education, skills, health awareness and other enablers to productively contribute to the economy and Nation building.

### Drishti Mains Question:

Discuss the concept of the demographic dividend and explain why it has turned into a demographic disaster in the context of India's current youth employment scenario. What measures can be taken to reverse this trend?

## UPSC Civil Services Examination Previous Year Question (PYQ)

### Prelims

**Q. Pradhan Mantri MUDRA Yojana is aimed at (2016)**

- (a) bringing the small entrepreneurs into formal financial system
- (b) providing loans to poor farmers for cultivating particular crops
- (c) providing pensions to old and destitute persons

(d) funding the voluntary organizations involved in the promotion of skill development and employment generation

**Ans: (a)**

**Q. Disguised unemployment generally means (2013)**

(a) large number of people remain unemployed

(b) alternative employment is not available

(c) marginal productivity of labour is zero

(d) productivity of workers is low

**Ans: (c)**

**Mains**

**Q.** Most of the unemployment in India is structural in nature. Examine the methodology adopted to compute unemployment in the country and suggest improvements. **(2023)**

**Q.** The nature of economic growth in India in recent times is often described as jobless growth. Do you agree with this view? Give arguments in favor of your answer. **(2015)**

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