

Youth Unemployment in India: Structural Challenges and Policy Responses

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ARTICLE INFO	ABSTRACT
	<p>A major socioeconomic problem that is jeopardizing the country's long-term growth prospects and demographic dividend is the youth employment rate. Over 65% of India's population is under 35, putting the country at a turning point where the aspirations of millions of young people collide with a shortage of employment prospects.</p> <p>This study explores the causes, consequences, and potential solutions of youth unemployment with a focus on factors such as skills mismatch, a lack of job creation in critical industries, and structural issues in the education and vocational training systems. The study highlights the need for creative ways to improve alignment between educational outcomes and labor market demands and increase youth participation in the workforce.</p>

Introduction

India's population grew significantly from 1,028.7 million in 2001 to 1,210.9 million in 2011, an increase of over 181 million people in just a decade. Historically, the population has risen steadily since 1901, except for a decline between 1911-1921. With a large youth demographic, India stands out globally, as 66% of its population, approximately 808 million people, is under the age of 35. Even with a predicted decline, India will remain a young country by 2030, with 24% of its population, or around 365 million, in the 15-29 age group.

A major contribution of this study is its focus on youth employment, an area often overlooked in broader labor studies. Youth unemployment in India rose from 13.2% in 2011-12 to 17.8% in 2017-18, raising concerns about skill mismatches, jobless growth, and the limited capacity of new government initiatives to absorb young job seekers into the formal economy.

Additionally, this research explores the rapid expansion of the gig economy and self-employment post-2014, assessing whether platforms like Uber, Zomato, and Swiggy have created sustainable employment or simply replaced traditional wage jobs with more precarious forms of work. Unlike previous studies that focus purely on employment figures, this research also evaluates job quality, wage security, and the shift towards contractual and informal work.

Another key aspect of this study is the critical evaluation of government policies such as Make in India, Skill India, Startup India, and Atmanirbhar Bharat, assessing their effectiveness in generating employment compared to earlier schemes like MGNREGA and the National Skill Development Mission. It also looks at the political economy of employment, analyzing how changes in the economy affect public opinion and policy choices. This study offers important insights into whether India's employment situation has actually improved under the new government or if structural changes have only been made to cover up more serious employment issues. It does this by offering a comprehensive, data-driven, and comparative analysis.

Literature Review

Given its direct impact on political outcomes, social development, and economic stability, research on employment trends in India is essential. There is still a large research gap that thoroughly compares employment trends before and after the 2014 power shift, despite the fact that many studies have examined employment prior to 2014 and the policies put in place after that year. Existing literature either assesses the effects of post-2014 policies separately or concentrates on the employment environment during the UPA administration (2004–2014). Few studies, nevertheless, directly compare the ways in which the change in governance has affected labor market dynamics, employment trends, and job quality.

Because of its socioeconomic and political ramifications, youth unemployment has been extensively researched in India. The discussion covers a wide range of topics, such as skill mismatch, demographic shifts, policy evaluation, and labor market structural changes.

According to Kannan and Raveendran (2019), the problem of growing unemployment in the Indian economy is particularly evident during periods of strong GDP growth after 2014. Although economic output has increased, they argue that underemployment and informalization have worsened due to inadequate job creation, especially for young people.

In their 2021 study, Mehrotra and Parida examine youth unemployment and labor force participation rates (LFPR), particularly among those with secondary and more schooling. Their research shows that the steep rise in youth unemployment rates among degree holders is indicative of a widening gap between educational attainment and work prospects. Regional differences in career possibilities, low-quality education, and a lack of employable skills are the reasons they cite.

Vocational education and training (VET) is essential for lowering youth unemployment, according to Chatterjee, Murgai, and Rama (2015). They do note, however, that the Indian vocational system is not integrated with the business and has problems with funding, scalability, and young perception as a second-best option to formal schooling.

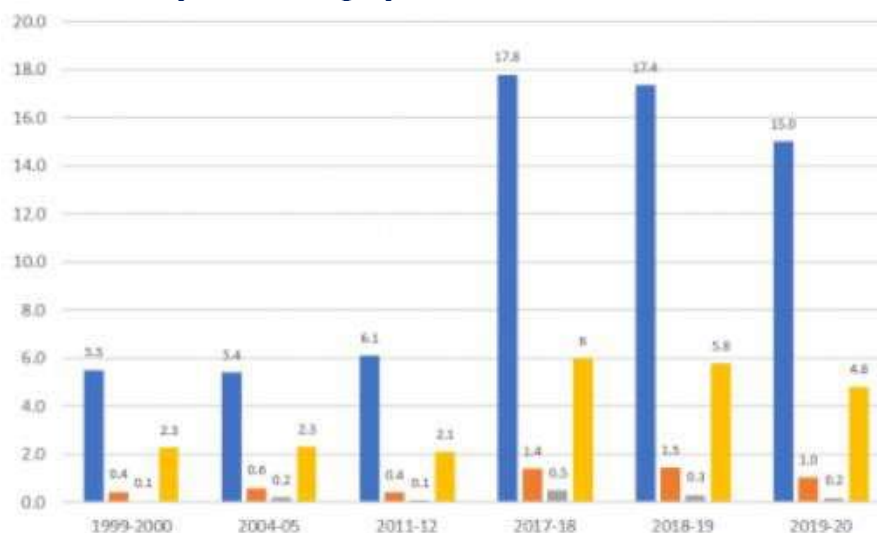
Taking a structural approach, Papola and Sahu (2012) contend that there has been a historical change in India's labor market from agriculture to low-paying, informal service jobs, with little integration into formal industry. Youth, who are more likely to be educated and seek out higher-quality employment, have been negatively impacted by this change.

The significance of initiatives like Skill India, Startup India, and PMKVY has been highlighted in Planning Commission and NITI Aayog reports from a number of years, while independent assessments (such as those conducted by the CAG and Centre for Policy Research) show conflicting findings. Even while gig work and entrepreneurship have grown, many young people are still not part of the formal economy or social security systems.

Essentially, the body of research indicates that youth unemployment in India is a result of deeper misalignments between market demands and education, low-quality jobs, and uneven regional development rather than just being a result of economic cycles. In order to evaluate the success of modern employment programs and to improve the transition of Indian youth from education to employment, further study is required.

This research fills that gap by examining key employment indicators across different sectors, including manufacturing, services, agriculture, and the gig economy, to determine whether overall job creation has improved or if structural changes have led to job informalization and instability.

Severity of the situation of youth unemployment



Key: 15-29 years (Blue), 30-59 years (Orange), 60+ years (Grey), 15+ years (Yellow)

Source: PLFS (Periodic labour force survey) and NSS (National Sample survey) Employment-Unemployment surveys.

Inference: The data and the graph depiction clearly state that unemployment has been increasing. Unemployment is maximum in the age group 15-29 years, followed by 15+ years, then 30-59 years and lastly 60+ years.

Economic, Social and Long-term implications

Economic Implications

Inefficient Use of Resources: High youth unemployment signifies a considerable loss in potential economic

output. When educated and skilled young people are either unemployed or underemployed, they fail to contribute to the economy, leading to inefficient use of resources.

Slower Economic Growth: Ongoing unemployment hinders economic expansion. With a large portion of the population not productively engaged, economic growth slows, and overall productivity declines.

Higher Dependency Ratios: Extended periods of unemployment can increase reliance on family support, adding financial strain to households and potentially exacerbating poverty levels.

Decreased Purchasing Power: Young people without jobs have less money to spend, which reduces their purchasing power and has a detrimental effect on consumer demand. This decline in consumption may hurt companies and impede economic expansion.

Social Implications

Social Unrest and Instability: Social instability can be brought on by high youth unemployment rates. Protests, strikes, and other types of civil unrest may result from frustration with job shortages.

Long Term Implications

Erosion and Skills Mismatch: Long-term unemployment can lead to a decline in skills, which eventually renders them outdated. This skill gap makes it more difficult for young people without jobs to reenter the workforce.

Decreased Employability: Young people's employability and career prospects are negatively impacted by a lack of relevant experience and opportunities for skill development during periods of unemployment.

The high unemployment rate among educated youth—24.5% for those with secondary education or higher, compared to only 7% for those with only primary education—was the main cause of the unrest. The educated youth feared being crowded out of even low-end jobs due to competition from overqualified candidates. The demonstrations brought attention to the dearth of jobs as well as the lack of good jobs that provide stability, security, and opportunities for career advancement. This situation highlights the structural issues with India's labor market, where job creation has not kept up with the country's large and highly educated youth population, even during times of economic expansion.

Impact on various metrics in the economy

1. **Income Levels:** Young women's income potential may be constrained by the concentration of secondary and agricultural jobs in rural areas as opposed to opportunities in the urban tertiary sector. **Consumer Spending:** Limited engagement in higher-paying tertiary sector jobs for young people in rural areas may lead to lower overall consumer spending.
2. **Poverty Rates:** The reliance on lower-paying agricultural and secondary sector jobs contributes to higher poverty rates among young women in rural areas.
3. **Economic Growth (GDP):** The dominance of the secondary sector in rural employment may hinder overall economic growth compared to the more productive tertiary sector in urban area
4. **Government Revenue:** Employment in lower-paying sectors like agriculture and construction among young people can lead to reduced tax revenue and increased reliance on government support programs.

Root cause of this situation

From the above table analysis, which provides diversified information across different age groups, rural and urban areas, male and female and different sectors, we make the following inferences -

Education System Issues

India's education system doesn't effectively prepare people for jobs that match the current economic demands. Even highly educated individuals struggle to find appropriate employment because there's no clear link between education and job opportunities.

Poor Job Planning

The government's job creation planning doesn't match the rapid population growth. Although many people enter the workforce each year, employment opportunities don't grow at the same pace.

Lack of Awareness about Job Opportunities

Many people aren't aware of the various career opportunities in fields like pharmacy, retail, telecom, and hospitality. People need to think broadly when choosing degrees and searching for jobs. Expanding networks and diversifying skills would help them explore more options.

Not Enough Training Centres

Unemployment is partly caused by the lack of training centers. Vocational training in areas like electronics repair would help students find jobs on their own, instead of relying on others for employment.

Growing Workforce

Since independence, India's population has grown rapidly, leading to a bigger labor force. However, the

number of jobs hasn't kept up with this growth.

Limited Jobs

There aren't enough jobs available, especially for young people. Many have to take low-paying, unskilled jobs in the informal sector, or turn to self-employment with very low earnings.

Dependence on Foreign Technology

India's preference for foreign technology has led to technological unemployment. This reliance on imported technology has worsened the unemployment situation.

Lack of Entrepreneurship

Most young people in India are trained to look for jobs, not start their own businesses. The focus on job-seeking, along with bureaucratic red tape, prevents the growth of self-employment.

Focus on Capital-Intensive Projects

The government has emphasized projects that use advanced machines and equipment, which are more capital-intensive. This has reduced the need for workers and led to unemployment, especially in a labor-surplus economy like India.

Slow Economic Growth

Although India's economy has grown and more jobs have been created, it hasn't been enough to solve unemployment. The economic growth rate has been slower than needed to provide sufficient employment opportunities.

Population Growth

India's rapidly growing population, especially in rural areas, contributes to youth unemployment. Many rural youths lack the necessary skills and knowledge, like English language proficiency, to compete for jobs.

Educated but Unemployed Youth

Many educated young people struggle to find jobs because they lack professional skills, training, and job search abilities. Many also don't know how to write a good resume or apply for jobs properly.

Labor Force Participation

This refers to the percentage of people who are either working or actively seeking work. A low participation rate indicates fewer people are engaged in or ready for work.

Poverty

Poverty is a key reason for unemployment. Many poor people lack the resources to pursue education and fall behind in the job market.

Illiteracy

Illiteracy is a major cause of unemployment. Many uneducated people are limited to low-paying primary sector jobs or remain unemployed, which is a significant issue for society.

Condition so far in India

Below listed are the already existing policies and plans that have been implemented in India to drive positive changes in the unemployment trends in India-

Aatmanirbhar Bharat Rojgar Yojana (ABRY): Launched in October 2020, this scheme incentivizes employers to create new jobs and restore employment lost due to the pandemic. By September 2023, 60.47 lakh beneficiaries had received benefits.

Prime Minister Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi Scheme): This scheme offers collateral-free working capital loans to street vendors to help them restart their businesses post-pandemic.

Pradhan Mantri Mudra Yojana (PMMY): Designed to facilitate self-employment by providing collateral-free loans of up to ₹10 lakh to micro and small enterprises.

Production Linked Incentive (PLI) Scheme: With an outlay of ₹1.97 lakh crore, this initiative seeks to boost manufacturing and has the potential to create 60 lakh new jobs over five years.

PM GatiShakti: A transformative infrastructure initiative focusing on seven key sectors—roads, railways, airports, ports, mass transport, waterways, and logistics. This clean-energy-powered project aims to foster economic growth, sustainability, and job creation.

Public Investment and Skill Development Schemes: The government is investing in large-scale projects and schemes like Prime Minister's Employment Generation Programme (PMEGP), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), National Urban Livelihoods Mission (DAY-NULM) Rural Self Employment and Training

Institutes (RSETIs), Skill Development Programs: To improve youth employability, the Ministry of Skill Development and Entrepreneurship (MSDE) is implementing programs such as: National Apprenticeship Promotion Scheme (NAPS) Pradhan Mantri Kaushal Vikas Yojana (PMKVY) Jan Shikshan Sansthan (JSS) Scheme, Craftsman Training Scheme (CTS) through it is, Flagship Initiatives for Employment Generation: Other flagship programs like Make in India, Start-up India, Stand-up India, Digital India, and Housing for All are aimed at creating job opportunities and promoting entrepreneurial ventures.

Proposed Solutions

1. Establish Community Engagement Units in Educational Institutions

Every educational institution should establish community involvement programs, like the National Cadet Corps (NCC), National Service Scheme (NSS), or other models, to give students hands-on learning experiences in their communities. Youth participation in social and community service will increase as a result, developing their talents and improving their employability.

2. Create and Institutionalize a Social Engagement Index

To measure and track youth participation in community and social engagement programs, develop a nationwide index. This will assist in assessing the efficacy of youth programs and highlight areas that need improvement, which will inspire young people to play a more active part in the workforce and civic engagement.

3. Increase Youth Access to Digital Platforms and the Internet

Encourage more business-to-business (B2B) and consumer-to-business (C2B) interactions by encouraging young people to use the internet to meet their information needs. This will increase the chances for young job searchers and entrepreneurs, particularly in developing industries.

4. Establish Data Centers and Mentoring Networks

To collect data on youth and support data-driven policymaking, establish data centers in the educational institutions in each district. Furthermore, finance and create networks that connect youth with mentors in a range of sectors, both locally and abroad, to assist them in advancing their careers and skill sets. Create systems for tracking dropouts and alumni.

5. Tracking System

Establish a tracking system for college and school dropouts and alumni to offer continuing financial assistance and counselling. Through ongoing engagement and re-entry into the workforce, this approach will guarantee that no young person is left behind in their educational or career journey.

Recent Developments

The predicted unemployment rate (UR) for youth aged 15 to 29 years was 12.9% in 2020–21, 12.4% in 2021–22, and 10.0% in 2022–23, according to the most recent Annual PLFS Reports. These figures show a downward trend in youth unemployment in the nation. Furthermore, for the 2020–21, 2021–22, and 2022–23 years, the estimated unemployment rate (UR) for people aged 15 and older, broken down by general education levels, was as follows:

General Education Level	(in %)		
	2020-21	2021-22	2022-23
Not Literate	0.4	0.4	0.2
Literate & Upto Primary	1.4	1.0	0.5
Middle	2.5	2.6	1.7
Secondary	3.8	3.4	2.2
Higher Secondary	6.6	6.3	4.6
Secondary & Above	9.1	8.6	7.3
All	4.2	4.1	3.2

Source: PLFS, MoSPI

A major political change occurred in India in 2014 when Narendra Modi's Bharatiya Janata Party (BJP) achieved a landslide victory in the general elections. With this, the Indian National Congress's (INC) ten-year administration came to an end, and a new era of governance centered on infrastructural development, economic expansion, and governance changes was ushered in. "Minimum government, maximum governance" is what the Modi administration pledged to implement, with a focus on economic recovery, efficiency, and transparency.

Key Sectors the Government Aimed to Impact were -

- Economy & Job Creation – Boosting manufacturing under "Make in India", fostering entrepreneurship with "Startup India", and easing business regulations.
- Infrastructure & Urban Development – Launching Smart Cities Mission, improving roads, railways, and expanding highways.

- Banking & Financial Inclusion – Introducing Jan Dhan Yojana to provide banking access to all, promoting digital payments, and improving access to credit.
- Agriculture & Rural Development – Initiating Pradhan Mantri Fasal Bima Yojana (crop insurance) and improving irrigation through Per Drop More Crop.
- Energy & Renewable Sector – Expanding solar energy production and pushing for rural electrification under "Saubhagya" scheme.
- Social Welfare & Healthcare – Launching Ayushman Bharat (world's largest health insurance scheme) and Swachh Bharat Mission (sanitation & cleanliness).
- Defense & Security – Strengthening military modernization, border security, and focusing on "Make in India" for defense manufacturing.
- Digital India & Technology – Pushing for e-governance, digital literacy, and improving broadband connectivity.

Employment Trends in India: A Comparative Analysis Before and After 2014

The employment landscape in India has undergone significant changes over the past decade, especially following the 2014 general elections, which saw the Bharatiya Janata Party (BJP) come to power under Prime Minister Narendra Modi.

Employment Trends: Pre-2014 vs. Post-2014

Youth employment has been one of the most debated aspects of India's labour market post-2014. The unemployment rate among youth (15-29 years) was 13.2% in 2011-12 but rose to 17.8% in 2017-18 as per the Periodic Labour Force Survey (PLFS) ([Forbes India](#)). Key reasons for the youth employment crisis were skill mismatch, Jobless Growth, Demonetization & GST Impact and Automation and Digitalization. However, youth entrepreneurship initiatives, such as Startup India and Skill India, have helped mitigate some challenges, creating new job opportunities in the gig economy.

There have been structural shifts in employment patterns-

Pre-2014: The UPA government (2004-2014) focused on rural employment through Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and promoted public sector hiring. However, industrial job creation was slow.

Post-2014: The BJP government pushed for private-sector-led growth, but formal job creation did not match expectations. There was a shift towards contractual and gig work, leading to job informalization.

Impact of Government Policies on Employment

Policies Before 2014 (UPA Era)

MGNREGA (2005) – Guaranteed 100 days of work to rural households, reducing distress migration.

Skill Development Mission (2009) – Focused on vocational training but lacked industry integration.

National Manufacturing Policy (2011) – Aimed to increase manufacturing employment, but did not take off as expected.

Policies After 2014 (BJP Era)

Make in India (2014) – Aimed at boosting manufacturing employment, but foreign investment led to automation-driven growth rather than direct jobs.

Startup India (2016) – Encouraged entrepreneurship, increasing self-employment opportunities.

Skill India (2015) – Improved vocational training, but employment linkages remained weak.

Atmanirbhar Bharat (2020) – Promoted local manufacturing, but job recovery was slow post-COVID-19.

Evaluating the Success of the New Government

Positive Outcomes:

- Higher overall employment
- Increase in self-employment & startups
- Rise of the digital economy & gig work opportunities Formalization through EPFO & GST registration

Negative Outcomes:

- Youth unemployment rose to 17.8% (2017-18) Manufacturing job creation remained weak
- Rising informal and gig work, fewer stable wage jobs Demonetization (2016) and GST (2017) led to short-term job losses

Conclusion

The analysis of youth unemployment in India reveals a complex interplay of structural, economic, and social factors that have led to persistent challenges in the labor market. Despite the increase in educational enrolments and various government initiatives aimed at job creation, a significant gap remains between education and employment opportunities, particularly for young people. Key observations highlight fluctuations in unemployment rates, underemployment issues, and a mismatch between the skills possessed by the youth and the demands of the job market.

The findings indicate that while there has been a decline in youth unemployment rates from 12.9% in 2020-21

to 10.0% in 2022-23, the journey to sustainable employment remains fraught with challenges. jobs has been made worse by the economic slowdown and demographic pressures, especially in rural areas where underemployment is common.

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