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# YOUTH UNEMPLOYMENT IN INDIA –ISSUES AND CHALLENGES

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**ABSTRACT**

*As experienced by many developing countries, India will have a relatively large working-age population (aged between 15 and 59 years), as compared to its dependent population (aged 0-14 and 60+) over the next few decades. This has been termed by some analysts as the 'youth bulge'. The changing age structure of its population has direct implications for economicgrowth.Analysts consider this period of a 'youth bulge' or demographic dividend to be a boom, during which the abundance of human capital can be used to fuel the growth of the country. The country's dependency ratio, that is, the ratio of the non-working age population to the working age population will decline. This implies an increase in the labour force participation rates for both young men and young women. This leads to a discussion on the increasing demand for labour but also focuses on the nature of the labour force and its employability.*

*Other things remaining the same, this demographic dividend can be optimally used in productive activities leading to overall economic development. However, if the resultant economic growth cannot generate enough productive jobs to employ this large young population then this large mass of frustrated unemployed youth will be a source of potential disaster. Therefore successful planning and strategies to educate, train and employ these unemployed youth have to be undertaken both by the Government and private sectors. This paper examines the prospects and challenges of the impact of demographic dividend in India with special reference to employment.*

*Key words:* **youth, demographic dividend, labour force participation rates, dependency ratio, employment.**

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**1.1 Introduction**:

The two most populous countries in the world today are China and India. The difference in the relationship between death rates and birth rates on the one hand and development on the other affects not just the rate of population growth but the age structure of the population also. The initial fall in infant mortality and improvement in child survival results in a population boom. Demographic trends suggest that both the size andage structure of the population (and therefore the dependencyratio) in all countries tend to change over time because of thenature of demographic transition.The bulge created by thebaby boom moves up the age structure, so that at some pointthe population in the working age is much higher thanit was previously or will be subsequently.The youth bulge is a common phenomenon in many developing countries, and in particular, in the least developed countries. It is often due to a stage of development where a country achieves success in reducing infant mortality.

**1.2 The Statement of the Problem:**

The 1970s marks the initiation of the demographic dividend phase-in India and the working age population started to increase. This phase is expected to last until the 2040s, which implies that India is currently in the middle of its demographic dividend phase. Demographic transition has two types of effect on economic growth: one, in terms of increasing workers-to-population ratio (or shrinking dependency burden of children and elderly);and two, an effect on labour productivity. China has a larger population than India now, but India is projected to have the largest population in the world by the end of the 2040s.However, if this large mass of young people cannot find employment and earn satisfactory income, they become frustrated and are likely to become a potential source of disaster. ***This leads to a discussion on the increasing demand for labour but also the nature of the labour force and its employability***. This paper highlights the problems of youth unemployment due growing mismatches in the demand and supply of education and skills, limited opportunities for remunerative jobs, gender discrimination and the quest for identity and dignity. If proper measures are not taken in advance this demographic dividend will have serious repercussions in terms of social instability and affect economic development and governance. Some analysts have termed this as a ‘demographic bomb’

**1.3 Review of literature**:

Recent economic history is replete with examples of economies that were supposed to have great potential but ultimately did not achieve rapid economic growth and improvements in standards of living. At the same time, we have instances of economies classified as basket cases that achieved rapid turnarounds. The key policy message is that India has to focus on an agenda to create productive jobs outside of agriculture, which will help us reap the demographic dividend and also improve livelihoods in agriculture.

This paper examines the impact of changing population age structure on economic growth in China and India. Various theoretical perspectives andsupporting evidence to emphasise the significance of harnessing the demographic dividendfor the sustenance of growth and development have been studied. The analysis informs that, unlike China, India's savings and growth potential, as well as the magnitude and timing of its firstdemographic dividend is adversely affected by the slow pace of fertility decline.

**1.4 The main issue:**

The 1970s marks the initiation of the demographic dividend phase-in India and the working age population started to increase. This phase is expected to last until the 2040s, which implies that India is currently in the middle of its demographic dividend phase. Demographic transition has two types of effect on economic growth: one, in terms of increasing workers-to-population ratio (or shrinking dependency burden of children and elderly); and two, an effect on labour productivity. China has a larger population than India now, but India is projected to have the largest population in the world by the end of the 2040s.However, if this large mass of young people cannot find employment and earn satisfactory income, they become frustrated and are likely to become a potential source of disaster. ***This leads to a discussion on the increasing demand for labour but also the nature of the labour force and its employability***. This paper highlights the problems of youth unemployment due growing mismatches in the demand and supply of education and skills, limited opportunities for remunerative jobs, gender discrimination and the quest for identity and dignity. If proper measures are not taken in advance this demographic dividend will have serious repercussions in terms of social instability and affect

economic development and governance. Some analysts have termed this as a 'demographic bomb'.

### 1.5 Objectives of the study:

1. To study the dependency ratio in India.
2. To analyze the labour force participation rates of both male and female youth in the rural and urban areas and in terms of social status.
3. To analyse the impact of this demographic dividend on employment.
4. To suggest policy measures

### Methodology and source

Different countries and different agencies categories youth under different age group. This paper considers youth as those aged between 15 - 29 years as defined in the National **Youth** Policy (2014-16). Many programmes of the Government of India aimed at youth also cover the age group of 15-29 years.Secondary data of the NSSO and United Nations Secretariat, are considered for this analysis

### 1.6 Data Analysis through the Empirical study

According to 2011 Census, youth in the age group of 15-29 years comprise 27.5% of the population of India. At present, about 34% of India's Gross National Income (GNI) is contributed by the youth, aged 15-29 years.(Population Census, 2011).In view of this the dependency ratio can be seen as follows:

**Table 1: Trends in the Dependency Ratio in India (Medium Variant)**

| Year | Dependency ratio | Child dependency ratio | Old-age Dependency ratio |
|---|---|---|---|
| 1950 | 73 | 67 | 6 |
| 1955 | 74 | 68 | 6 |
| 1960 | 76 | 70 | 6 |
| 1965 | 78 | 72 | 6 |
| 1970 | 79 | 72 | 7 |

| | | | |
|---|---|---|---|
| 1975 | 77 | 71 | 7 |
| 1980 | 74 | 67 | 7 |
| 1985 | 72 | 65 | 7 |
| 1990 | 69 | 62 | 7 |
| 1995 | 68 | 60 | 8 |
| 2000 | 64 | 56 | 8 |
| 2005 | 60 | 51 | 8 |
| 2025 | 48 | 36 | 12 |
| 2050 | 50 | 27 | 22 |

Source: Population division of the Department Of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects.

1. The dependency ratio has been fluctuating from 1950 to 1985 and starts decreasing from 69 in 1990 to 60 in 2005. It is projected to further fall to 48 in 2025.
2. The child dependency ratio is falling from 67 in 1950 to 56 in 2005 and further to 36 in 2025.
3. Similarly the old-age dependency ratio is steadily increasing from 6 to 8 during 1950-85 and to 12 in 2025.
4. Thus the demographic dividend has started from 1970's.

**Table 2: Participation of Youth in the Labour Force, 2011-16 (percent)**

| **Male** | | | | **Female** | | | **Person** | | |
|---|---|---|---|---|---|---|---|---|---|
| Age Group (Years) | LFPR | Student | Others | LFPR | Student | Others | LFPR | Student | Others |
| 15-19 | 30.99 | 65.99 | 3.02 | 14.12 | 58.47 | 27.42 | 23.35 | 62.58 | 14.07 |
| 20-24 | 74.33 | 23.94 | 1.73 | 26.2 | 14.52 | 59.29 | 50.54 | 19.28 | 30.18 |
| 25-29 | 95.85 | 2.85 | 1.3 | 32.75 | 1.32 | 65.93 | 63.65 | 2.07 | 34.29 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 15-29 | 63.38 | 34.5 | 2.12 | 24.07 | 25.66 | 50.27 | 44.36 | 30.22 | 25.41 |
| 30-59 | 97.79 | 0.03 | 2.18 | 38.84 | 0.05 | 61.11 | 68.5 | 0.04 | 31.46 |
| 15-59 | 82.65 | 15.2 | 2.15 | 32.53 | 10.98 | 56.48 | 58.04 | 13.13 | 28.84 |
| Total | 55.53 | 29.78 | 14.69 | 22.08 | 25.24 | 52.67 | 39.28 | 27.58 | 33.15 |

***Source:*** **Calculated from the Unit Record Data of the 68th Round on Employment and Unemployment, National Sample Survey Organization (NSSO), Government of India, New Delhi, January 2016-17.**

The above table reveals the following:

- Youth in the 15-29 year age group account for the lowest Lab our force participation rate of44.36 % as compared to LFPR in the other age groups.i.e 44.36% of the youth population in this category is either working or looking for jobs. To sum up we can say that 55.64% of youth are unemployed
- A gender-wise examination reveals that 63.4 per cent of the males and 24.1 per cent of the females among the youths are in labour force
- Further, the share of female students (25.66%). is also proportionately much less than that of their male counterparts. (34.5% )
- Thus, 50.27% of the female youths are neither in the lab our force nor acquiring any education. This high ratio of disparity of females shows the high degree of involvement of female youth in the home care economy.

**Table : 2 Activity Status of Youth (15-29 Years) by Social Group, 2011-16 (%)**

| **Social Group** | **LFPR** | **Student** | **Others** |
|---|---|---|---|
| ST | 56.14 | 22.96 | 20.9 |
| SC | 47.26 | 26.1 | 26.64 |
| OBC-Muslim | 43.52 | 22.92 | 33.56 |
| OBC-Others | 43.73 | 31.42 | 24.85 |
| OC- Muslim | 45.58 | 25.61 | 28.82 |
| OC- Others | 38.02 | 38.75 | 23.24 |

*Source:* Calculated from the Unit Record Data of the 68th Round on Employment and Unemployment, National Sample Survey Organization (NSSO), Government of India, New Delhi, January 2011-16.

The participation of youth in the social group as seen in the above table reveals that LFPR is highest among ST youth, (56.1%), followed by SCs at 47.26%, OBC-Muslims and OBC-Others, (at about 44 per cent each), and the lowest among OCs at 38%.

**Table: 3 Education-specific Unemployment Rates**

| **Education Levels** | **1993-94** | **2010-11** | **2015-16** |
|---|---|---|---|
| Illiterate | 0.59 | 1.02 | 1.72 |
| Up to Primary Level | 2.00 | 2.79 | 3.03 |
| Up to Middle level | 5.93 | 4.70 | 4.47 |
| Up to High School and Higher Secondary Level | 11.85 | 10.34 | 7.40 |
| Diploma and Certificate | 21.21 | 20.11 | 15.98 |
| Graduate and above | 23.82 | 21.45 | 19.86 |
| Technical degree | 7.69 | 18.21 | 20.79 |
| Diploma Not Equivalent to a Degree | 22.57 | 19.95 | 18.20 |
| Diploma Equivalent to a Degree | 23.75 | 20.17 | 17.03 |
| Total | 3.98 | 5.44 | 6.23 |

*Source*: NSSO Rounds on Employment and Unemployment in India

- The unemployment rate is also high (20.79%) among those having technical degreesfollowed by graduates (19.86%) and diplomas (15.98%)
- In fact, the unemployment rate among graduates with technical degrees jumped from 7.7 per cent in 1993-94 to 18.2 per cent in 2010-2011, and increased further to nearly 21 per cent in 2015-2016.
- The rate of decline in the incidence of unemployment has been substantive (ranging from 2 to 3 percentage points) for those with technical diplomas and high school graduates.
- The category of unemployed youth in recent years thus largely includes those having acquired middle level education as also those with technical degrees.

### 1.7 Findings:

On the basis of the above statistical data we can come to the conclusion that

1. The incidence of unemployment among the youths as compared to other age groupsis the highest.
2. Unemployment among the youth has been increasing over the years.
3. Unemployment rate is high among the educated.
4. With education attainment, the job aspirations increase and non-availability of jobs matching these aspirations leads to high educated unemployment.
5. It is more evident among the social groups that are socially and economically vulnerable.
6. From the gender point of view, the labour force participation rate of women is low and a sizable gender gap persists.
7. High unemployment rate in the initial years (15-19) could be due to the mismatch between job expectations and availability of jobs.

### 1.8 Challenges:

1. The challenge, therefore, is to create a large number of remunerative employment opportunities for youth.
2. Creating jobs for the educated unemployed youth in tune with their education.
3. Providing jobs in the informal sector with proper social security.
4. Providing safe and secure jobs for female youth in the rural and urban sector.

### 1.9 SUGGESTIONS:

This paper argues that the problem of youth unemployment may continue to become a serious policy issue in the near future.Based on the findings, the following recommendations are given:

- Create funding mechanisms to help youth for education.
- Rural industrialization with industries concentrating on sustainable use of local resources-storage and packaging units, food processing industries, weaving and craft units
- Fundamental education reforms to improve the quality of education
- Skill based education along with job placement should be part of the higher education.
- Skill improvement and vocational training courses

- Encouragement to self-employment opportunities - micro finance institutes should be encouraged for livelihood promotion

1.10 **Conclusion**

*This leads to a discussion on the increasing demand for labour but also focuses on the nature of the labour force and its employability. Other things remaining the same, this demographic dividend can be optimally used in productive activities leading to overall economic development. However, if the resultant economic growth cannot generate enough productive jobs to employ this large young population then this large mass of frustrated unemployed youth will be a source of potential disaster. Therefore successful planning and strategies to educate, train and employ these unemployed youth have to be undertaken both by the Government and private sectors.*

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