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Unemployment and Youth Employment in India: Emerging Challenges

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ABSTRACT

Unemployment among young people has emerged as one of the most significant socio-economic challenges confronting the Indian economy. India possesses one of the largest youth populations in the world, providing an important demographic advantage for economic growth and development. However, the ability to convert this demographic potential into productive employment remains a major policy concern. Despite improvements in educational attainment, economic expansion and the development of new industries, a considerable section of India's youth continues to experience unemployment, underemployment, skill mismatches, informal employment and job insecurity.

Keywords: *Unemployment, Youth Employment*

Employment is one of the most important indicators of economic and social development. It provides individuals with income, economic independence, social identity and opportunities for improving their standard of living. At the national level, employment contributes to production, consumption, savings, investment and economic growth. Therefore, the availability of productive and decent employment opportunities is essential for achieving inclusive development. India is a developing economy with a large and relatively young population. Its demographic structure provides an opportunity to accelerate economic growth through the effective utilisation of human resources. A large working-age population can increase production, expand domestic markets, improve savings and strengthen the country's economic competitiveness. However, demographic advantage does not automatically translate into economic development. It depends on the ability of the economy to provide adequate employment opportunities and equip young people with the necessary education and skills.

Unemployment has become a serious concern among educated and uneducated sections of Indian society. Every year, millions of young people enter the labour market after completing school, college, technical education and professional courses. However, the growth of suitable employment opportunities has not always matched the increasing number of job seekers. Consequently, many young people experience prolonged job searches, temporary employment, low wages and employment below their educational qualifications. Youth employment is therefore not merely a labour-market issue. It is closely connected with poverty reduction, social equality, gender empowerment, regional development and national economic

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transformation. Addressing this challenge requires coordinated action by the government, educational institutions, industries and civil society.

YOUTH EMPLOYMENT INCLUDES:

1. Regular salaried employment.
2. Casual wage employment.
3. Self-employment.
4. Agricultural employment.
5. Manufacturing and industrial employment.

YOUTH UNEMPLOYMENT: RECENT POSITION

The Government of India reported that the youth unemployment rate for persons aged 15–29 years was 10.2 per cent in 2023–24 under the usual-status measure. The rate was 11.0 per cent among young women and 9.8 per cent among young men. The PLFS 2025 annual report subsequently reported a youth unemployment rate of 9.9 per cent. This is based on the January–December 2025 survey period and should not be directly combined with earlier July–June estimates without considering the change in survey period and methodology.

MAJOR TYPES OF UNEMPLOYMENT IN INDIA:

1 Educated Unemployment:

Educated unemployment refers to a situation in which individuals with school, college or professional qualifications are unable to find jobs appropriate to their educational background. The expansion of higher education has increased the number of graduates and postgraduates entering the labour market. However, the availability of suitable employment has not expanded at the same pace in every sector. Many graduates face difficulties because employers demand practical experience, communication abilities, technical knowledge and specialised skills.

2 Structural Unemployment:

Structural unemployment occurs when changes in the structure of the economy create a mismatch between available workers and the skills required by employers. For example, the expansion of information technology, automation, artificial intelligence and advanced manufacturing creates demand for specialised skills. Workers trained only in traditional occupations may find it difficult to move into these emerging sectors.

3 Seasonal Unemployment:

Seasonal unemployment occurs when employment opportunities are available only during particular seasons. It is common in agriculture, tourism, construction and certain traditional industries. Agricultural labourers may receive employment during sowing and harvesting seasons but remain unemployed or underemployed during other periods.

4 Disguised Unemployment:

Disguised unemployment occurs when more people are engaged in an economic activity than are actually required for the level of output. It is particularly visible in agriculture and small family enterprises. If some workers are removed without reducing total production, their contribution to output may be very limited.

5 Cyclical Unemployment:

Cyclical unemployment is caused by a decline in aggregate demand during economic slowdowns or recessions. When demand for goods and services declines, businesses may reduce production, postpone investment and dismiss workers. The COVID-19 pandemic demonstrated how an economic crisis can disrupt employment in manufacturing, hospitality, transport, tourism and informal activities.

6 Technological Unemployment:

Technological unemployment occurs when machines, automation or digital systems replace certain human tasks. Technology can improve productivity and create new jobs, but it can also reduce demand for workers in occupations involving repetitive and routine tasks. The challenge is to ensure that workers receive opportunities to acquire the skills needed for new occupations.

MAJOR CAUSES OF YOUTH UNEMPLOYMENT IN INDIA

Youth unemployment is the result of several interconnected economic, educational, institutional and social factors.

1 Rapid Growth of the Youth Labour Force:

India has a large population of young people entering the labour market every year. The economy must generate sufficient employment opportunities to absorb new entrants. When the number of job seekers increases faster than the creation of suitable jobs, unemployment and competition for available positions increase.

2 Mismatch Between Education and Employment:

One of the major problems in the Indian labour market is the gap between educational qualifications and industry requirements. Traditional education often gives greater importance to theoretical knowledge than practical training. Many graduates lack the technical, analytical and communication skills expected by employers.

3 Inadequate Vocational Education:

Vocational and technical education can connect education with employment. However, access to quality vocational training remains unequal across regions and income groups. Some training institutions lack modern equipment, qualified instructors and effective industry partnerships.

4 Limited Growth of Labour-Intensive Manufacturing:

Manufacturing can absorb large numbers of workers, including semi-skilled and moderately educated youth. However, the expansion of capital-intensive production and automation may limit employment growth in certain industries.

5 Dependence on Agriculture:

Agriculture continues to provide livelihoods to a substantial section of India's population. However, agricultural employment is often characterised by seasonal work, low productivity and uncertain earnings.

6 Slow Growth of Formal Employment:

Formal employment generally provides more stable wages, defined working conditions and access to social security. However, a large section of Indian workers remains in informal employment. Informal jobs may lack written contracts, paid leave, insurance and retirement benefits.

EDUCATED YOUTH UNEMPLOYMENT: A MAJOR CHALLENGE

Educated unemployment has become a major concern because education is generally expected to improve employment opportunities and social mobility. However, the relationship between education and employment is not automatic. The quality and relevance of education are important. The ILO–IHD *India Employment Report 2024* highlights the growing importance of educated youth in the unemployment profile. It draws attention to the difficulties faced by young people in transitioning from education to employment.

1 Reasons for Educated Unemployment:

1. Limited availability of suitable salaried jobs.

2. Excessive dependence on government employment.

3. Lack of practical and technical knowledge.

4. Mismatch between academic courses and industry requirements.

5. Limited internship and apprenticeship opportunities.

6. Competition for a small number of quality positions.

5.2 Consequences of Educated Unemployment:

Educated unemployment has several economic and social consequences:

- ❖ Waste of educational investment.
- ❖ Loss of human capital and productive potential.
- ❖ Financial dependence on families.
- ❖ Psychological stress and frustration.
- ❖ Delayed marriage and family formation for some individuals.

IMPACT OF DIGITALISATION AND ARTIFICIAL INTELLIGENCE ON YOUTH EMPLOYMENT

Digitalisation has transformed the nature of economic activities. The expansion of internet connectivity, smartphones, digital payments, e-commerce and information technology has created new employment opportunities. However, technological development also creates challenges for workers whose occupations involve repetitive and routine tasks.

1 Emerging Employment Opportunities:

1. Software development.

2. Data analytics.

3. Cybersecurity.

4. Digital marketing.

5. Online education.

6. E-commerce.

2 Artificial Intelligence and Automation:

Artificial intelligence can improve efficiency and productivity in several industries. At the same time, it may automate certain routine tasks in administration, customer service, data processing and manufacturing. The impact of AI will differ across occupations. Some jobs may disappear, some may change, and new occupations may emerge. Young people must therefore develop digital literacy, analytical thinking, creativity and the ability to work with emerging technologies.

3 Digital Divide:

Access to digital employment opportunities is not equal. Rural youth, economically weaker sections and students in institutions with inadequate infrastructure may face difficulties in accessing digital education and employment. Affordable internet, computer facilities and quality digital training are necessary to reduce this gap.

MIGRATION AND YOUTH EMPLOYMENT:

Migration is closely connected with employment opportunities. Young people often move from rural areas to cities and from less-developed states to economically developed regions in search of jobs.

1 Causes of Migration:

- Lack of local employment opportunities.

- Low agricultural income.

- Better wages in urban areas.

- Availability of educational institutions.

- Demand for industrial and service-sector workers.

2 Challenges Faced by Migrant Youth:

Migrant workers may face inadequate housing, uncertain employment, low wages, social exclusion and limited access to public services. The absence of reliable employment information and portable social-security benefits can increase their vulnerability.

3 Policy Measures:

The government should improve employment opportunities in rural and semi-urban areas, strengthen migrant-worker welfare systems and provide accessible skill certification and employment services.

ENTREPRENEURSHIP AND START-UP DEVELOPMENT:

Entrepreneurship is an important alternative to traditional wage employment. It enables individuals to establish businesses, generate income and create employment opportunities for others. India has developed a growing start-up ecosystem in technology, healthcare, education, agriculture, finance and other sectors.

GOVERNMENT INITIATIVES FOR EMPLOYMENT AND SKILL DEVELOPMENT:

The Government of India has introduced several programmes to improve employability, promote entrepreneurship and generate employment.

1 Skill India Mission:

The Skill India initiative aims to improve the skills of the workforce through vocational training and industry-oriented programmes. Its objective is to create a skilled workforce capable of meeting the requirements of different sectors of the economy.

2 Pradhan Mantri Kaushal Vikas Yojana (PMKVY):

PMKVY is designed to provide skill training and certification to eligible candidates. It seeks to improve employability through short-term training, recognition of prior learning and industry-relevant skills.

3 National Apprenticeship Promotion Scheme:

Apprenticeship programmes provide practical workplace training to young people. They help bridge the gap between classroom education and industrial requirements by allowing trainees to acquire practical experience.

4 Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA):

MGNREGA provides a statutory framework for wage employment to rural households whose adult members volunteer to undertake unskilled manual work. It supports rural livelihood security and creates community assets. Although it is not exclusively a youth employment programme, it can provide income support to rural households.

5 Start-up India:

Start-up India seeks to promote innovation, entrepreneurship and the development of new businesses through an enabling policy and institutional environment. It can help young entrepreneurs develop innovative business models and create employment.

CONCLUSION:

Unemployment and youth employment are among the most important development challenges facing India. The country possesses a large young population that can contribute significantly to economic growth, technological advancement and social transformation. However, the benefits of this demographic advantage depend on the availability of productive, decent and sustainable employment opportunities. The analysis shows that youth unemployment is influenced by several interconnected factors, including the mismatch between education and employment, inadequate vocational training, limited growth of labour-intensive industries, informal employment, gender inequality and regional disparities. Technological

transformation, artificial intelligence and the expansion of the gig economy have created new opportunities while also generating uncertainties in the labour market. The decline in the officially measured youth unemployment rate is an encouraging development. Nevertheless, policy attention must extend beyond unemployment statistics to include underemployment, job quality, wages, productivity, employment security and social protection.

India needs an employment-oriented development strategy that integrates economic growth with human-resource development. Educational institutions must focus on practical knowledge and employability, industries must create more productive jobs, and the government must strengthen skill development, entrepreneurship and social security. Special attention should be given to young women, rural youth, disadvantaged communities and first-generation job seekers. Strengthening MSMEs, expanding labour-intensive manufacturing, improving apprenticeship systems and promoting green and digital employment can help create a more inclusive labour market. Ultimately, the success of India's development journey will depend not only on the growth of national income but also on the ability to provide meaningful employment to its young population. Productive youth employment is essential for reducing poverty, strengthening social equality, improving living standards and achieving the vision of an inclusive and developed India.

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Conflict of Interest

The author declared no conflict of interest.

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