



Youth Unemployment in India: Navigating the Workforce Dynamics

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Abstract

India has a huge youth population and is currently in a situation where demographic advantage can make a huge difference in economic growth if harnessed effectively. However, the country has been facing significant challenges in providing adequate employment opportunities for its upcoming younger workforce. The government has been constantly vocal on skill-based learning, and steps have been taken to formalise employment and skill-based learning, however, a large number of individuals have been employed or engaged in the informal sector. Also, the rise in higher education enrolment has not necessarily been capable enough of translating into better job prospects, leading to an increasing number of overqualified yet unemployed youth. There can be many factors responsible for this.

Therefore, in an attempt to understand the complex work dynamics of youth employment in India, this paper takes a closer look at the overall employment scenario in India while trying to bring light to the issues in youth employment and work preference of Indian youths entering

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the workforce. It also offers a set of suggestions aimed at creating newer opportunities for young people, improving the entrepreneurship ecosystem, and fostering an environment where socio-cultural barriers are eliminated.

Keywords: *Employment, Economy, Youth Unemployment, Workforce Dynamics.*

1. Introduction:

India is the most populated country in the world, with a population of 1.4 billion, out of which more than 27.2 % of the population are youth. (MoSPI, 2024). The economy is rising and has achieved, on average, more than a 6% growth rate in the past four decades. Currently, the country is the fifth-largest economy, in terms of dollars, and is expected to grow at a significant pace in the coming years. Earnest and Young predicted that the country is on the verge of becoming the third-largest economy by 2027. The average age of the country, in 2025, stands at 29.5 years, compared to China's 39 and Japan's 49.5. The number of children peaked in 2007 and is gradually declining. The number of 15-year-olds peaked in the year 2011 and is also gradually declining. The country being so rich in human resources has an upper hand when it comes to its overall development with suitable plans and policies. But sadly, looking at the current scenario of employment in the country, one may say that the efforts of the government have not been on par with the powerhouse India possesses regarding its human resources.

This human resource is ready to get into the workforce in the days to come, and therefore, it puts pressure on the government and business organizations to use it. As it is a human aspect, there always exists a complexity that needs to be understood. The creation of employment opportunities is a mammoth task that ensures economic growth and social stability in addition to boosting consumer spending in India. The workforce of the country is divided into three major categories: the agriculture and allied sector, the industrial sector, and the service sector. The agriculture sector is the least contributor in terms of GDP in the country, but contrarily, this is the sector that employs more than 45% of the workforce (Press Information Bureau, 2025).

The country has also seen a structural transformation of employment from the agriculture and allied sectors to the industry and service sectors in recent years. It is also observed that most of the rural workers employed in India are either self-employed or casual labourers. These labourers constantly migrate from their state to another place in search of employment. The workers are mostly from the states of Bihar, Jharkhand, Uttar Pradesh, Orissa, and West Bengal. The country supports this migration with suitable road and rail connections. This informal sector is the backbone of the country when it comes to employment. The country has been emphasizing formalizing this workforce with the introduction of Goods and Service Tax, digitalization of financial initiatives, and state support in the field of agriculture and allied services. Different schemes have also been launched by the government in support of people engaged in agriculture, such as the Kisan Credit Card, Fasal Beema Yojana, Gram Sadak Yojana, Seechai Yojana, etc.

The country also sees a gender gap in employment, with women mostly receiving the blows with huge disparities in the wages paid (MoSPI, 2024). Additionally, the country is struggling significantly to create jobs for the youth. People engaged in jobs are working either out of the subject they studied or are under-employed or simply unemployed to a large extent. This, in turn, leads people to accept jobs that don't fit their qualifications. The positive picture here, is that, the gender disparities are slowly decreasing as the Labor Force Participation among females grew by one percent and stood at around 24 percent in 2022 due to supportive measures (Press Information Bureau, 2025). However, the availability is still scarce, looking into the massive population of the country. There has always been a link between education and employment levels going hand in hand, or at least there are notions of this belief. It is seen that both education and training contribute to wage and earning differentials in an economy (Srivastava, 2008; Mincer, 1974). This Paper, therefore, attempts to understand the current scenario associating employment in India, with an emphasis on understanding the issues in youth employment, employment trends, and factors affecting youth employment.

1.2 Issues in Youth Employment and Work Preferences:

Youth unemployment refers to people in the workforce aged 15 to 24 without a job and actively seeking jobs (United Nations, 2003). Generally, the youth unemployment rate is always higher than the adult unemployment rate, and the Indian workforce is the largest one in the world. The youth unemployment rate was around 10 percent in 2005, although they have not consistently reported numbers to the United Nations throughout time. India, as a country, hasn't been able to make good use of this demographic dividend. For the past decades, youth unemployment has been around 22 percent (IHD&ILO, 2024).

Even with a significant rise in employment levels in the recent past, youth employment is much likely to be in the vulnerable (Informal) occupations. Youth earnings are far lower than the adult population in the country. There has only been a marginal gap between youth earnings from wage employment and self-employment, indicating poor conditions for work. It is also observed that the youths have been relatively less engaged in the agriculture sector, and as youths grow and acquire knowledge, it is less likely that they will be further engaged in the agriculture activities. They prefer non-farm activities or other tertiary activities such as trade, hotels and restaurants, public administration, health and education, transportation, storage, and communication.

In recent years, there has been a rise in young individuals continuing their education and obtaining more degrees merely because there are no job possibilities available. On the contrary, educated youths have experienced much higher levels of unemployment. Youth unemployment is directly proportional to the level of education, with the highest rates among those with a graduate degree or higher. In 2022, the unemployment rate was 18.4 percent among people with at least a higher secondary education and 29.1 percent among people with at least a degree or above, but only 3.4 percent among people who do not know how to read or write.

Regarding women, India has a significant number of young women of young women neither in education nor working or training. It is seen that Young women are less likely than young men to be employed, educated, or trained. This is especially true

for older youths. In 2022, women were about five times more likely than men to be unemployed (48.4% vs. 9.8%), accounting for approximately 95% of the youth population (IHD & ILO, 2024).

Another important factor to be considered is technological change, which has actively affected the demand for skills and certain employment types. The youths are mostly engaged in high to medium-skill jobs compared to the older people. This high demand is from manufacturing jobs. Youths not at par with the technology are automatically eliminated.

India has a significant amount of educated youths that are not in the working population. When asked about their choices, it is seen that many of them are inclined towards securing government jobs, despite the fact that there opportunities are very limited. This has created an unemployment that is not accounted as they still fall under the category of “students”. A striking example of this trend can be seen in states like Bihar and Uttar Pradesh, where significantly qualified individuals, including PhD holders, are applying for jobs of lower grades, such as peons or clerks. These positions require a mere basic education, often not more than 10th grade.

Recently, as a case in point, the SSC MTS 2023 recruitment examination was held in Uttar Pradesh. According to The Economic Times (2024), a whopping 5.5 million applicants competed for Group D jobs, of which, many were engineers, MBAs, and even Civil Judges. These roles are far below their educational qualifications. This reflects a deep-rooted preference for job security over skill development or entrepreneurship. This trend also highlights a concerning mindset: Instead of upskilling or exploring alternative career paths, many young people are choosing to remain unemployed, dedicating years to preparing for government exams. This not only pulls back their potential but also exacerbates the employment crisis in the country.

Another important phenomenon observed in India’s employment landscape shows the challenges faced by the youths joining private companies. This is the problem of overtime and high-pressure work environments. India is one of the most overworked labour forces globally, with an average work week of nearly 47 Hours. On average, an Indian IT graduate gets far lesser remuneration than

his counterpart abroad for the same set of jobs. The demanding nature of jobs in India with peanuts in the name of salaries, toxic work culture, and extreme hierarchies lead to disputes within the organisations. Often, the organisation does not give importance to it due to the fact that there is an oversupply of job seekers due to the increasing population entering the workforce. This creates negative emotions and fear when it comes to jobs among the youths, making them not choose the privates and rather prepare for the government sector with a relatively easy work environment. This again creates a rise in the unemployment levels in the country.

1.3 Employment Trends and Labour Market Indicators for Indian Youths

The employment condition in the country can be understood with the help of the Annual Employment and Unemployment Report, published by the Periodic Labour Force Survey (PLFS), where a comprehensive analysis of India's labour market is done. The report focuses on key indicators such as the Labour Force Participation Rate (LFPR), Workers' Population Ratio (WPR) and Employment Rate (UR). For this study, the indicators associated with the youth population have been taken into account, comprising the age group of 15-29 years old. These have been discussed as under:

A. Labour Force Participation Rate (LFPR):

The Labour Force Participation Rate (LFPR) measures the proportion of the population who are either working or actively looking for work. The following table (Table 1.1) shows the Labour Force Participation Rate for persons based on usual status (ps+ss) for a period of three years, obtained from PLFS 2021-22, PLFS 2022-23 and PLFS 2023-24 at the all-India level.

The data shows that for the population range of 15-29, the LFPR of males remains relatively higher across all the years and sectors than that of females. Male participation saw a slight decrease from 65.5% in 2022-23 to 65.1% in 2023-24 in rural areas. Female participation remains much lower, though it has seen an improvement from 22.3% in 2021-22 to 30.8% in 2023-24 in rural areas and from 20.2% to 23.8% in urban areas. The overall

LFPR (male + female) has increased from 42.6% to 46.5%, with improvements noticeable in the rural areas.

The male LFPR, higher than that of the female, indicates an increasing rise in male participation in economic activities. This deeply rooted gender disparity may be due to reasons like limited opportunities for females, lack of work-life balance, socio-cultural barriers, and education levels, among others.

Table 1.1. Labour Force Participation Rate (LFPR) of youth of age 15-29

Labour Force Participation Rate (LFPR) of youth of age 15-29									
	PLFS (2023-2024)			PLFS(2022-23)			PLFS(2021-22)		
Sector	Male	Female	Person	Male	Female	Person	Male	Female	Person
Rural	65.1	30.8	48.1	65.5	25.8	45.9	62.1	22.3	42.6
Urban	59.9	23.8	42.6	58.4	20.8	40.7	58.9	20.2	40.6
Rural + Urban	63.5	28.8	46.5	63.5	24.5	44.5	61.2	21.7	42

Source: Annual Report, PLFS, 2023-24

B. Workers' Population Ratio (WPR):

The Worker Population Ratio (WPR) measures the percentage of people aged 15 years and above that are actually working out of the total population of that age group. The difference between LFPR and WPR is that the former includes people looking for work also; however, WPR only focuses on the current working population. It simply measures the employment levels in the population. The following table (Table 1.2) shows the Workers Population Ratio (WPR) for persons based on usual status (ps + ss) for a period of three years, obtained from PLFS 2021-22, PLFS 2022-23 and PLFS 2023-24 at the all India level.

The data shows that for the population range of 15-29, the WPR of males remains relatively higher across all the years and sectors than that of females. In rural areas, in 2023-24, 59.5% of males were in the workforce compared to 28.3% of females. Female participation saw a rise to 28.3% in 2023-24 from 20.4% in 2021-22. In urban areas, the WPR for males is 52.2% and for females is 19%, with a slight improvement from the previous year. Overall,

the WPR stands at 47.4% in 2023-24, showing a significant improvement in the participation rate over the previous years.

The gap between the male and female WPR is significant, showing a persistent gender imbalance in the employment levels. This may be again due to several factors like stagnant opportunities available for women, lack of suitable jobs, and concentration of women working population in a small range of activities such as hospitality, education, health, among others.

Table 1.2. Workers Population Ratio (WPR) of youth of age 15-29

Workers Population Ratio (WPR) of youth of age 15-29									
	PLFS (2023-2024)			PLFS(2022-23)			PLFS(2021-22)		
Sector	Male	Female	Person	Male	Female	Person	Male	Female	Person
Rural	59.5	28.3	44	60.1	23.9	42.3	55	20.4	38
Urban	52.2	19	36.3	50.3	16.3	34.3	49.6	15.9	33.6
Rural + Urban	57.3	25.6	41.7	57.3	21.9	40.1	53.5	19.1	36.8

Source: Annual Report, PLFS, 2023-24

C. Unemployment Rate (UR):

Unemployment Rate (UR) refers to the percentage of the population in the workforce (either working or actively seeking work) who are unemployed. It shows the percentage of people wanting to work but not finding work. Even the slightest decline in the overall unemployment rate suggests improvements in the availability of jobs. The following table (Table 1.3) shows the Workers Population Ratio (UR) for persons based on usual status (ps + ss) for a period of three years, obtained from PLFS 2021-22, PLFS 2022-23 and PLFS 2023-24 at the all India level.

The data shows that for the population range of 15-29, from 11.4% in 2021-22 to 8.7% in 2023-24, the UR of male Rural has seen a significant improvement. However, marginal improvement is seen in females, with 8.5% in 2021-22 to 8.2% in 2023-24. Similarly, in the urban areas, the UR of the male improved from 15.8% to 12.8%, and the UR of the female improved from 21.6% to 20.1%. It is also noticed that the UR of females in urban areas is higher than that of males, showing lesser opportunities for females in urban

areas. Overall, the unemployment rate for youth is 10.2% in 2023-24, with females having a higher rate (11%) than males (9.8%).

The persistent gap in female unemployment may indicate precarious employment opportunities for women. This structural gender based disparity also indicates that women want to work, however, they face obstacles in finding jobs. The small decline in the overall unemployment rate may also indicate a recovery in low-paying or informal jobs.

Table 1.3: Unemployment Rate (UR) of youth of age 15-29

Unemployment Rate (UR) of youth of age 15-29									
	PLFS (2023-2024)			PLFS(2022-23)			PLFS(2021-22)		
Sector	Male	Female	Person	Male	Female	Person	Male	Female	Person
Rural	8.7	8.2	8.5	8.3	7.4	8	11.4	8.5	10.6
Urban	12.8	20.1	14.7	13.8	21.7	15.7	15.8	21.6	17.2
Rural + Urban	9.8	11	10.2	9.7	10.6	10	12.6	11.8	12.4

Source: Annual Report, PLFS, 2023-24

1.4. Factors Affecting Youth Unemployment:

Some of the factors associated with youth unemployment in India are attributed to the following reasons as suggested by the Institute for Human Development and International Labour Organization. (2024):

- 1. Inability to reap demographic dividend:** India is still on track to benefit from the demographic dividend. India's population is largely of working age, and the country is predicted to benefit from demographic dividends throughout the next decade. Every year, approximately 7-8 million young people enter the labour force, with the potential to provide a demographic dividend for India. However, the country is at an inflection moment since the youth population, at 27%. The country's inability to cope with this huge population is one of the factors of increasing youth unemployment.
- 2. Low youth labour force participation rate:** This is mostly caused by the educational attainment of young people and young people who are not employed. Youth labor market engagement has been significantly lower than that of adults

and has been dropping since 2009, mostly because of their education attainment. It is also crucial to understand that the rise in unemployment from 2012 to 2019 can be attributed to a percentage of young people—primarily women—who choose not to enter the workforce.

3. **Participation in family work:** Young people's activity levels show that family work is primarily done for free. Adolescents are more likely than adults to work in traditional jobs, and they are less likely to work for themselves. The percentage of underpaid family workers among self-employed individuals is significantly higher for young people than for adults.
4. **Lesser participation in the agriculture sector and gender disparities:** Although there is a clear gender imbalance, the structural characteristics of young employment point to a lower representation in the agriculture sector. Youth participation in agriculture has decreased compared to industry and services. Youth are more likely to participate in non-farm activities as they get older and more educated. Compared to young males, young women are more likely to work in agriculture. There is a significant gender disparity in favor of men in tertiary sector activities like trade, lodging and dining, public administration, healthcare and education, transportation, storage, and communication. Youths left agriculture significantly more frequently than adults did between 2000 and 2019, however, the COVID-19 epidemic halted the long-term trend of young job growth in non-farm sectors.
5. **Quality of youth employment:** The sectors and areas where the youth are employed are vulnerable in nature. They are generally employed in lower-quality jobs than adults. While youth wages tend to increase with age and experience, they remain lower than adults across all employment categories. It is also seen that there is a very minimum gap between daily wage employment and self-employment, indicating unsuitable conditions for work.
6. **Youth not engaged in any economic activities:** India has a significant amount of population of youths and especially women who are neither in education, employment, nor

training (NEET). An approximate figure is that one-third of youths fall into this category. This has been increasing since the year 2000. Young women are more likely to be NEET than young men. In 2022, data showed that women, in proportion, are more than five times NEET than their male counterparts (48.4 percent versus 9 percent). The reason for this includes youths preparing for government exams in India, higher expectations, inavailability of skill training institutes, remoteness of location and unwillingness to join any of the work force.

7. **Changing pattern due to the COVID-19 Pandemic:** During the COVID-19 epidemic, young labor market statistics deteriorated, especially during peak periods. Following the lockdowns, the young labor market started improving. However, this movement resulted in increased labor force participation, mostly in low-quality jobs. During the pandemic, self-employment increased significantly, while household unpaid work, particularly among rural women, remained the poorest kind of employment. There was also a decrease in the number of young people with regular paying occupations. Also, young people increased their work in subsistence agriculture and low-wage construction while remaining relatively constant in the industrial sector.
8. **Regional differences:** States in India differ in their regional employment trends and results for young people. States differ from one another in terms of employment outcomes and potential demographic advantage because they are in distinct stages of demographic transition. Youths do poorly in Bihar, Jharkhand, Uttar Pradesh, Rajasthan, Madhya Pradesh, Assam, Odisha, and West Bengal, all of which also have a significant potential demographic advantage.

1.5 Conclusion and Suggestions

The economic benefit that arises by using the working age population in India is immense if harnessed effectively with the help of comprehensive policies and plans. However, the current employment scenario presents a complex picture with high rates of unemployment among the youths with fewer job opportunities

available and significant gaps between educational qualifications and job opportunities.

The informal sector of the country still continues to be the backbone of the country, but the low-paying jobs do not attract the educated youths, especially in the agriculture sector. Gender based differences have also been a major socio-cultural factor that has exacerbated the employment crisis. The government have come up with various programmes for enhancing the skills of the youth, however, accountability is often seen missing. During these strenuous situations, encouragement of self-employment, promotion of startup-ecosystem and creation of incentives for innovation play a crucial role in tackling the problem more sustainably. Also, addressing gender disparities, improving working conditions and ensuring better wages for young workers is crucial in creating a more inclusive labour market. Additionally, special emphasis is to be given on technology leverage so that the skill gaps can be addressed.

Finally, unemployment in India is a huge task for the government and people of India, and with the age of digitalisation, people have to be on par with the technology in demand. Multidimensional efforts has to be made, such as more efforts should be put into creating access to the new age technology, especially in rural areas, integrating educational reforms, gender inclusive jobs, skill enhancement, ease of doing business, real-time monitoring of labour data, access to financial institutions and intermediaries, more efforts should be put on manufacturing sector, and accountability should be set at the grassroots level with the implementation of government programmes. By empowering its youth, India can reap its demographic dividend and attain economic growth with social equity.

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