



# Educated, yet Unemployed: The crisis of rising unemployment among educated youth in India

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**Abstract:** This study investigates the growing unemployment rate among young educated individuals in India, a crucial problem affecting the socioeconomic advancement of the country. India's economy is growing quickly, yet many of its youthful, educated population do not have a job, creating a problem known as "jobless growth." The influence of automation, skill gaps between graduates and industry demands, and economic policies that have not produced enough job possibilities are some of the major aspects that this article examines concerning this phenomenon. Research shows that employment opportunities are poor for even those who graduate from elite universities. The study employs both quantitative and qualitative methodologies, utilizing information gathered from government surveys and case studies to examine patterns, reasons, and policy initiatives. Additionally, it offers policy recommendations to lessen the impact of this issue, including strengthening public-private partnerships, fostering balanced regional development, and improving skill development programs. The results highlight the need for comprehensive governmental action to utilize India's demographic dividend and solve this unemployment problem among educated youth.

**IndexTerms** - Demographic Dividend, Jobless Growth, Unemployment, Youth Unemployment

## 1.0 Introduction

India, with its vast and diverse population, has long viewed education as the cornerstone of its socio-economic development. It has always been perceived that a university degree is a ticket to upward mobility, promising a stable job, income, and a brighter future. However, the picture in recent times is quite different. According to the India Employment Report 2024 published by the International Labour Organisation (ILO) and the Institute of Human Development (IHD), young people in India make up nearly 83% of the country's unemployed workforce. Among those young people, the proportion of those with secondary or higher education has nearly doubled, from 35.2% in 2000 to 65.7% in 2022. According to the International Labor Organization, educated people in India are more likely to be unemployed than those without schooling. The jobless rate for graduates was 29.1 percent which is 9 times higher than 3.4 percent for those who cannot read or write. Furthermore, even the premier institutes of India like IITs and IIMs are struggling to provide placements for their students. An RTI revealed that 38 percent of graduates across 23 IIT campuses were not placed and remain unemployed. If top university students struggle to get employed, then the situation is more worrisome for students from tier 2 and tier 3 colleges. Unemployment hinders individuals' upward social mobility and can derail a country's economic and social progress. It is a more perilous problem when even the educated skilled youth are affected by it. Education and skill development are the backbone of economic development, without it no country can achieve the target of being a developed nation. It is the ticket towards employment that leads to financial security and social progress. Students pay huge costs and invest their time and energy to acquire education, if it is not giving them a significant ROI then our youth are staring into a bleak future. This phenomenon of unemployment amongst educated youth is alarming in a country like India, where nearly half of the population is under the age of 25.

## 1.1 Rationale of Study

The startling increase in youth unemployment in India among educated individuals, which defies the conventional wisdom that greater education brings steady job security and upward social mobility, is the impetus behind this study. Given India's youthful population makeup, this gap puts social mobility and economic advancement in danger. To better align education with industry requirements, enhance skill development, and create sustainable job opportunities—all of which will contribute to India's socio-economic stability—this research will examine the causes and implications of educated unemployment.

## 1.2 Research Objectives

- To show key trends of unemployment amongst the youth over the last two decades in India
- To identify the responsible factors for rising unemployment amongst educated youth in India
- To show the implications of rising unemployment amongst educated youth in India
- To analyze the policies/schemes/programs used by the government to tackle this crisis
- To give policy recommendations to mitigate the crisis of rising unemployment among educated youth

## 2.0 Review of Literature

According to the All-India Survey on Higher Education 2020–21, in India, 11.5 percent of students have enrolled at the postgraduate level, and around 79.06% of students have enrolled at the undergraduate level. 73.1% of enrolled students attend government universities (59%) and 34.5% attend government colleges (21.4%). Karnataka, Rajasthan, Tamil Nadu, Madhya Pradesh, Uttar Pradesh, and Maharashtra are the top six states in terms of student enrolment. In 2020–21, there were 95.4 lakh pass-out students, up from 94 lakh in 2019–20. Of these, 43% of universities and 61.4% of colleges are situated in rural areas. According to recent research, over 47% of Indian graduates are unfit for any type of industry position. About 66% of Indians are under 35 years old, and half of them are under 25. Tamil Nadu and Chattisgarh have the lowest unemployment rates, while J & K and Haryana have the highest rates. For India, educated unemployment poses a serious concern. There is a lot of hope that India's unemployment rate will rise thanks to NEP. Future requirements will be partly met by the subjects taught, especially vocational subjects, and the revisions recommended by NEP. However, NEP faces significant obstacles due to political agendas and the desire to privatization the Indian educational system. The unemployment rate among educated urban workers is significantly greater than that of educated rural workers. This policy has recommended several engaging vocational courses that should be taught in a way that gives students real-world experience and aids in their job search. This will contribute to a decrease in educated urban joblessness. Students from socially disadvantaged classes will undoubtedly benefit from and be elevated by the proper implementation of NEP, which offers skill-based education (Yadav, 2023). Dixit et al. (2011) noted that one major obstacle to sustainable education is educated unemployment. They linked this problem to a mismatch between education and the demands of the labor market, namely graduates' inclination for white-collar work.

Contributing reasons included the lack of career counseling and the preference for financial gain over career fit. To solve the issue, the study stressed the necessity of quick industrialization, the development of vocational skills, the promotion of self-employment, and government assistance. The Employment Exchange of India's most recent data states that over 1.5 crore people with graduate degrees or higher are unemployed. More than 1.17 crore of these 1.5 crore individuals are actively looking for work. Of all the groups of educated unemployed people, those with a doctorate or above had the highest unemployment rate. Additional evidence from Table 4 shows that most students in the 10th and 12th grades who are actively seeking employment are close to 2 crores. India's unemployment rate rises as educational attainment does, especially for women. In India, most employed people have only completed their primary school, and this pattern has persisted from 2011 to 2018. In India, educated unemployment is a complicated problem brought on by several interrelated variables. Student difficulties include debt loads, skill gaps, and inadequate mentoring. The administration faces challenges from the expanding population, environmental regulations, and pressures from the world economy. The unemployment crisis is exacerbated by employers who prioritize cost-cutting, contend with fierce competition, and struggle with a lack of skilled workers. Students should research potential careers, pick up skills needed in the field, and keep up with current developments in the world of work. The government needs to support entrepreneurship and make investments in technical education. Businesses might invest in thorough employee training and diversify their operations. Together, these parties may lessen the effects of educated unemployment and develop a stronger labor market (Mushtaq and Ansari, 2021).

Jeffrey (2009) mentions in his study that as in the past, a college degree no longer ensures safe, well-paying employment. Long-term unemployment affects the personal and social lives of many graduates. A growing sense of despair and disillusionment results from the discrepancy between educational goals and the realities of the work market. The conventional paths to social and economic mobility are under threat from the growth of work in the informal economy and the loss of government employment. Education should emphasize skills that are needed in today's workforce. Policies from the government should encourage the creation of jobs, particularly in the formal economy, and aid unemployed graduates. It is important to encourage young people to consider alternate professional pathways including entrepreneurship. Young people who experience unemployment must have the psychological and social effects on them recognized and treated. There is a serious discrepancy between young people's skill sets and what employers are looking for in employees. High unemployment rates are a result of this mismatch, which may hurt India's economic expansion. Majumder and Mukherjee (2018) advise the government to prioritize funding for training and education programs. This could help the youth equip themselves with the skills necessary to secure employment opportunities. The urgent need for reform in India's higher education system is highlighted in the article by Agarwal (2006). Even in the face of economic growth, higher education is still neither accessible nor of sufficient quality. The growing mismatch between the skills taught and the demands of the labor market is highlighted in the article. To Raise the general standard of higher education, it demands more financing, better governance, and an emphasis on research. The article also emphasizes the significance of ensuring inclusive growth by making higher education accessible to all segments of society.

The International Labour Organisation reports that young individuals in India who have completed more education have a greater unemployment rate than those who have not completed any education. In comparison to individuals who cannot read or write, the unemployment rate for graduates was nearly nine times lower at 29.1%, and for young people with secondary or higher education,



it was six times higher at 18.4%. The high and rising unemployment rate in India reflects the economy's inability to produce enough well-paying jobs in non-farm industries for newly educated young entering the labor force. Women have been hit hard. Additionally, the ILO has cautioned regarding the surge in so-called gig jobs or short-term, low-paying jobs like delivery drivers of food. The lines between independent contractors and employees are becoming hazier due to digital platforms, which pose additional risks to employees' health and working conditions (Roy, 2024). Ilchman (1969) mentions that the number of university graduates in India greatly outpaces the ability of the labor market to absorb them, according to the author, notwithstanding the country's ambitions for economic growth and development. The quick rise of higher education in India is one of the main causes of this dilemma. The perception that a college education is necessary for upward mobility, the lack of good alternatives for young people, and rising social ambitions are some of the reasons behind the exponential growth in the number of students enrolling in colleges. The report emphasizes how, despite several attempts to limit enrolments, the government has been unable to contain this growth. There are limited employment possibilities for graduates, especially in the sciences, arts, and commerce sectors. The number of government jobs, which were formerly a significant source of employment, is steadily declining. Furthermore, the expanding number of graduates has not been accommodated by the private sector. Addressing the problem of graduate unemployment has proven to be a challenging task for India's Five-Year Plans, which are designed to expedite economic growth and development. The initiatives may have increased economic development overall, but they have not resulted in an appreciable rise in employment opportunities for educated workers. The nation can utilize the potential of its educated youth and make a positive contribution to global development by enacting policies that work and opening new avenues for growth. CMIE figures show that in June 2024, the unemployment rate reached an eight-month high of 9.2%. Particularly in the informal sector, the unemployment numbers in India do not accurately reflect the reality of employment. A sizable section of the labor force works informally and frequently lacks steady employment, especially in lower-class homes. The situation of educated youth is frequently ignored in favor of unemployment statistics. As per the Centre for Sustainable Employment Study by Azim Premji University, a startling 42.3% of graduates under 25 do not have a job. Prolonged unemployment results from graduates' reluctance to take temporary or low-paying jobs. Notwithstanding the government's efforts to solve the problem—such as internship programs—problems still exist (Singh, 2024). Since 2000, there has been a decline in labor force participation and unemployment rates, with a notable spike in youth unemployment. Even while there has been significant improvement since 2019, most of the jobs are informal and unstable, raising concerns about the quality of jobs. There is a persisting disparity across social groups, a growing gender gap in the workforce, and the underutilization of young people with skills. The results highlight the multifaceted obstacles that India must overcome to establish equitable and long-lasting job prospects (Jigeesh, 2024).

Fernandes (2024) writes that the unemployment rate among educated youth has significantly increased, with about two-thirds of unemployed kids having completed at least secondary education. The quality of jobs is still a major concern, notwithstanding a minor rise in overall labor force participation since 2019. The predominance of informal employment, stagnant salaries, and a growing gender disparity in the workforce are all highlighted in the research. Furthermore, regional differences still exist, with some areas facing more severe unemployment issues than others. A startling 82.9% of the entire unemployed population are youths. The percentage of young people without jobs who have completed secondary education or above is rising, from 54.2% in 2000 to 65.7% in 2022, which adds to the pressure. Women have more difficulties than men do because of their higher unemployment rate—34.5% for women against 26.4% for men—especially recent graduates. The career opportunities and educational attainment are not aligned. The number of high-skill positions has climbed, but between 2019 and 2022, the trend reversed, resulting in a worrying growth in low-skill employment. The fact that a sizable percentage of educated kids lack even the most basic digital literacy abilities exacerbates this mismatch. Almost 90% of workers have informal employment, which is frequently characterized by low pay and unstable employment. Young people are disproportionately employed in low-skill informal occupations, low-wage jobs, and self-employed, unpaid family work, which lowers the quality of their work. The job market has a sizable gender disparity. The rate of female labor force participation (LFPR) is only 21.7%, while the rate for young men is 61.2%. Although there was a minor decrease in the difference between 2019 and 2022, women still face significant obstacles when trying to enter the profession. Employment opportunities are not evenly spread throughout India. Compared to the East and Central areas, the South, West, and North-East regions have a higher percentage of regular, formal, high-skill jobs. Because of this discrepancy, different regions of the country need to implement different policies to meet the different issues that young people confront. India's growth trajectory is "stunted," with services rather than manufacturing taking the lead. This inhibits the growth of jobs in industries that may employ a higher proportion of the labor force. This means that the complex issue of young employment in India needs to be addressed immediately. Increasing gender equality, closing the skills gap, raising the standard of employment, and putting in place sensible regional policies are all essential steps toward creating a more diverse and successful labor market (Naseer, 2024). The government's "Make in India" campaign has drawn investments, but not enough jobs have been created. It's possible that high-tech industries don't provide enough jobs and that labor-intensive industries like textiles are disregarded. India's business environment is still difficult because of things like complicated rules, minimal foreign direct investment, and sluggish private investment. The impact of the government's efforts to revive reforms in tackling the unemployment crisis is still unknown (Storey, 2024).

India's working population increased from 61% in 2011 to 64% in 2021, and it is expected to reach 65% by 2036. However, by 2022, only 37% of young people were employed. India's unemployment rate is 9.2%, up significantly from 7% in May 2024, according to CMIE. In June 2024, the unemployment rate for women was 18.5%, while it was just 7.8% for men, a considerable difference from the national average. In June 2024, LPR increased to 41.4%, while unemployment went up in both urban and rural areas (9.9% and 9.3%, respectively). These patterns show how important it is to implement thoughtful measures to combat

unemployment, especially for young people and those living in rural regions. To boost India's financial stability and generate more job possibilities, economic diversification is essential. The 2008–2009 Global Financial Crisis hindered economic expansion and decreased employment prospects. Demonetization (2016) resulted in temporary job losses and disruptions that affected the informal economy. The 2017 implementation of the GST caused temporary interruptions that affected jobs and enterprises. The COVID-19 2020 pandemic led to a spike in unemployment because of company closures. Elevated inflation diminished buyers' purchasing power, diminishing the need for products and services, prompting companies to reduce expenses, and increasing joblessness. Youth's employability is hampered by a lack of essential skills, particularly digital literacy. It is critical to implement focused policies to address these issues and give India's youthful labor force long-term employment prospects. Several policy recommendations are outlined in the ILO report to address India's intricate employment difficulties. These include increasing manufacturing, aiding small and medium-sized businesses, funding non-farm and agricultural industries, and advancing the green and blue economies. The research highlights the importance of investing in industries like as care and the digital economy, promoting inclusive urbanization, and guaranteeing strong labor laws to improve the quality of jobs. Policies that prioritize the inclusion of women, the development of skills for marginalized groups, and the eradication of prejudice are necessary to address labor market disparities.

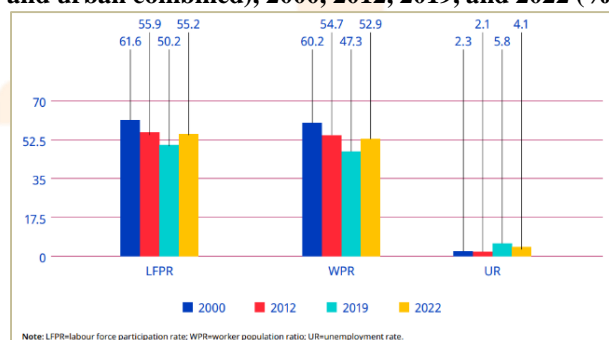
### 3.0 Research Methodology

The study uses both quantitative and qualitative methods, with a focus on secondary data analysis. The research employs both descriptive and analytical techniques to investigate the trends, causes, and consequences of unemployment amongst educated youth in India. To evaluate the success of government initiatives to boost employment opportunities during the past years, a thorough analysis was carried out. Economic conditions, the focus of policy, and the effectiveness of implementation were considered.

Unemployment trends were monitored using data from the Periodic Labour Force Survey (PLFS), the National Sample Survey Office (NSSO), and the Ministry of Labour and Employment. To comprehend the theories underlying educated unemployment and the elements that contribute to it, a survey of the literature was conducted. We also assessed the efficacy of government initiatives, and policies targeted at reducing unemployment. Supplementary data and analysis were sourced from reports issued by organizations including the World Bank, International Labour Organization, NITI Aayog, and the Centre for Monitoring the Indian Economy (CMIE). Case studies of prestigious Indian institutes where this phenomenon is prevalent were also included in the research. Finally, the study offers policy recommendations aimed at alleviating India's youth unemployment challenge based on the findings.

### 4.0 Empirical Analysis

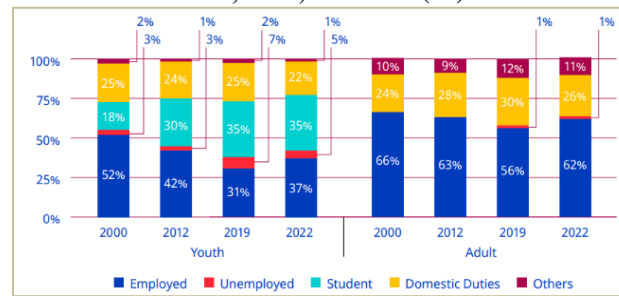
**Figure 1: Labor force participation rate, worker population ratio, and unemployment rate among persons aged 15+ (rural and urban combined), 2000, 2012, 2019, and 2022 (%)**



Source: ILO (2024)

In 2022, India's Labour Force Participation Rate for individuals 15 years of age and over was 55.2%, compared to the global average of 59.8%. Over the past 20 years, it has continuously decreased, going from 61.6% in 2000 to 50.2% in 2019 and then rising to 55.2% in 2022. A similar pattern was seen in the worker-population ratio, which fell from 60.2% in 2000 to 47.3% in 2019 before rising to 52.9% in 2022. The rate of open unemployment was very low, hovering around 2% between 2000 and 2012 before rising sharply to 5.8% in 2019 and then falling precipitously to 4.1% in 2022.

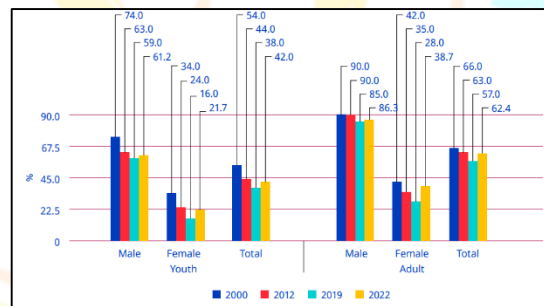
**Figure 2: Activity status of youth (aged 15–29) and adults (aged 30–59), by economic and non-economic activities, 2000, 2012, 2019, and 2022 (%)**



Source: ILO (2024)

The adult population is more involved in economic activity and domestic duties, whereas the youth population is primarily made up of students and unemployed individuals. The youth's participation in economic activities has decreased, and the number of them seeking education has risen continuously over time. Between 2000 and 2022, the percentage of young people pursuing education more than doubled, rising from 18% to 35%. However, there was a little reversal in the trend between 2019 and 2022. During the same period, the percentage of youth engaging in economic activities declined from 52% to 37%.

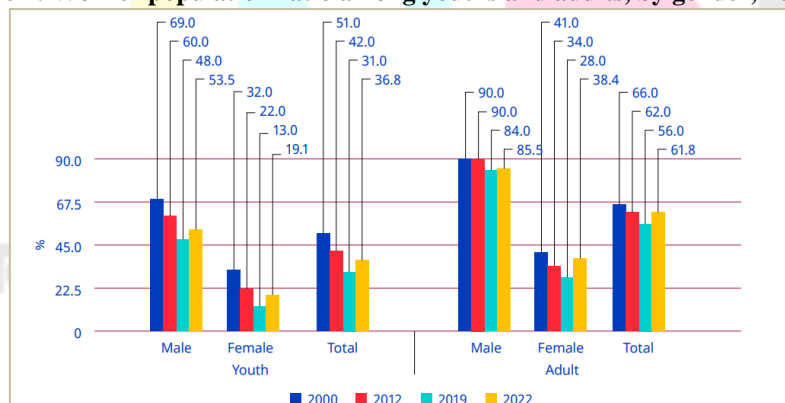
**Figure 3: Labour force participation rate of youths and adults, by gender, 2000, 2012, 2019, and 2022 (%)**



Source: ILO (2024)

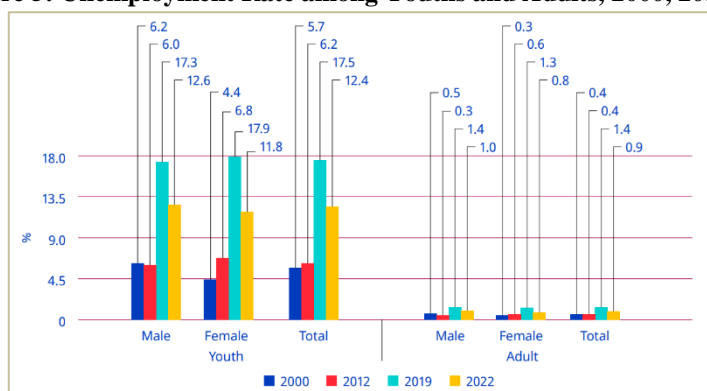
Youths' LFPR decreased over time. Between 2000 and 2022, the youth's LFPR fell from 54% to 42%, a 12-percentage point decline. Between 2019 and 2022, the trend of dropping youth LFPR reversed, with a higher increase among women than among males, especially in rural areas. However, even with the pandemic recovery, there was still a significant gender disparity in the LFPR, and it was still less than it was in 2000. Over the last 20 years, there has been a noticeable gender difference in the youth LFPR, with the female rate being significantly lower than the male rate. The LFPR of young males in 2022 was 61.2%, about three times more than that of women in the same age group (21.7%), and the gender difference held in both rural and urban areas.

**Figure 4: Worker population ratio among youths and adults, by gender, 2022 (%)**



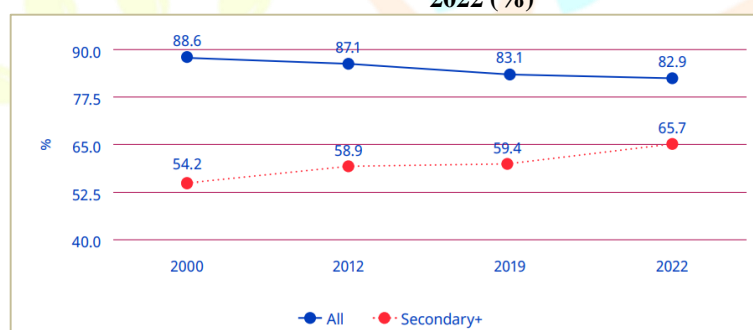
Source: ILO (2024)

Before the COVID-19 pandemic, the worker-population ratio for young people showed a downward trend between 2000 and 2019. This decline was significantly more pronounced among the 15–19 age group than it was among the 20–24 and 25–29 age groups. Between 2019 and 2022, the decrease in the worker-population ratio among young people reversed, and this pattern was nearly consistent across all youth groups. Compared to men, young women showed a significantly lower worker-population ratio, and during the previous 20 years, the gender gap narrowed only slightly. Over time, there was less of a gap in the worker-population ratios between young individuals residing in rural and urban areas. because of a decline in the proportion of workers among young people in rural areas, especially women.

**Figure 5: Unemployment Rate among Youths and Adults, 2000, 2012, 2019, and 2022 (%)**

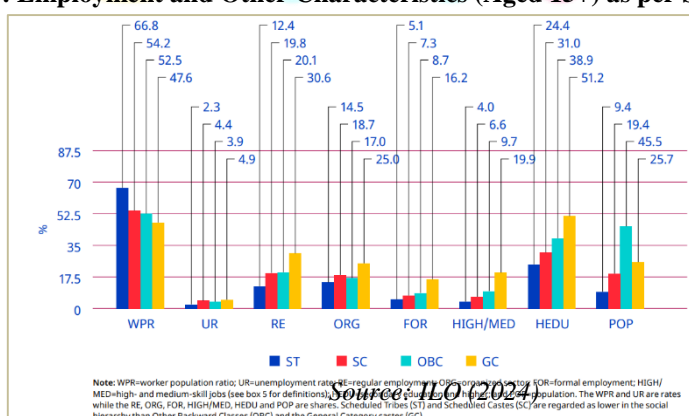
Source: ILO (2024)

In 2022, the anticipated youth unemployment rate in India was 12.4%, more than 12 times greater than the adult rate. In 2022, there were 14.5 million unemployed young males and 4.4 million unemployed women. In 2022, the female workforce participation rate increased, as previously discussed, leading to a lower unemployment rate for women (at 11.8 %) compared to men (12.6 %). This decrease in the youth unemployment rate occurred after it more than doubled between 2000 and 2019, rising from 5.7% to 17.5%. In contrast to prior years, when the unemployment rate for women was higher than that of males, this was a reversal. Young individuals in urban regions had a far higher unemployment rate than young people in rural areas, and younger youth had a higher unemployment rate than older youth.

**Figure 6: Share of unemployed educated youths (secondary or higher) in total unemployed persons, 2000, 2012, 2019 and 2022 (%)**

Source: ILO (2024)

The rate of youth unemployment rose as education level grew, with graduates having the highest rate and women having a greater rate than men. After rising from 23.9 percent in 2000 to 30.8 percent in 2019, the unemployment rate for young people with education plummeted precipitously to 18.4 percent in 2022. Among all unemployed persons, the percentage of educated young climbed as well, rising from 54.2% in 2000 to 65.7% in 2022. Women made up a higher percentage (76.7%) of the educated (secondary level or above) unemployed young than did men (62.2%). This suggests that young people in India are increasingly experiencing unemployment, particularly educated young people and women living in cities.

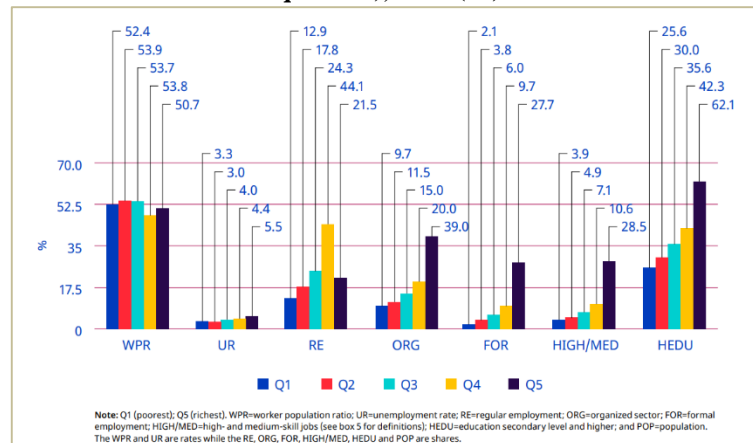
**Figure 7: Employment and Other Characteristics (Aged 15+) as per Social Groups, 2022 (%)**

Source: ILO (2024)



The Scheduled Castes and Scheduled Tribes have higher rates of employment due to economic necessity, but they are more likely to be employed in low-paying temporary casual wage jobs and informal employment. Despite affirmative action and targeted policies, the Scheduled Castes and Scheduled Tribes struggle to obtain better jobs.

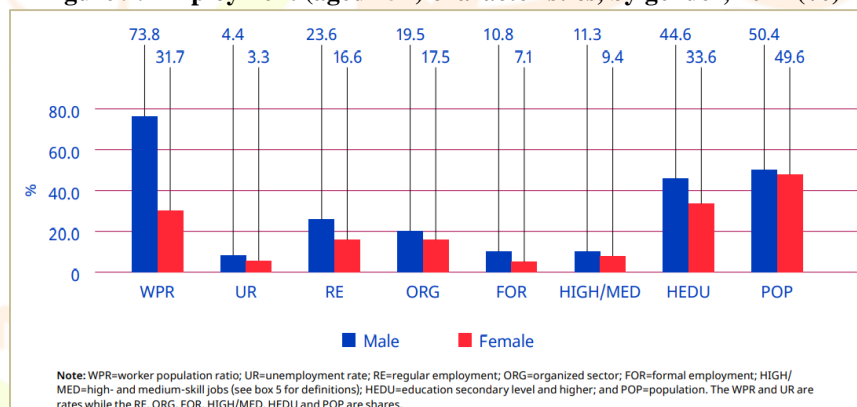
**Figure 8: Employment and Other Characteristics (Aged 15+) as per Income Class (monthly per capita expenditure quintiles), 2022 (%)**



Source: ILO (2024)

The labour market is significantly more unequal across the monthly expenditure quintiles when workers from lower-income categories have lower educational endowments than workers in higher-income categories; the former are more likely to work in casual, informal, and low-skill jobs, while those from higher-income categories engage in regular, formal, high- and medium-skill jobs that are of higher quality; workers from the highest income categories also have the lowest worker population ratio and the highest unemployment rate, suggesting that they can afford to wait longer for suitable jobs.

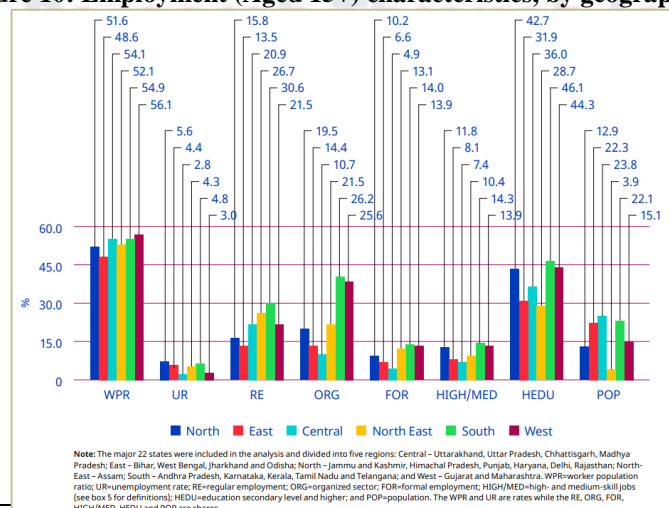
**Figure 9: Employment (aged 15+) characteristics, by gender, 2022 (%)**



Source: ILO (2024)

In developing countries like India, women are denied a lot of opportunities, especially in the labour market. This is due to deep-rooted biases in the social system of the country. Compared to males, women work far less and earn far less. In addition, a greater percentage of women than men work for themselves, informally, or in low-skill physical labour.

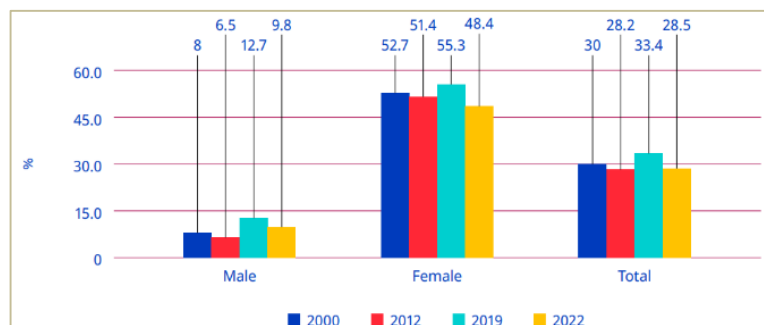
**Figure 10: Employment (Aged 15+) characteristics, by geographical region, 2022 (%)**



Source: ILO (2024)

There are significant regional differences in the Indian labor market. The share of regular, formal, and organized sector employment and high-skill jobs is significantly larger in the South, West and North-East regions than in the East and Central regions in 2022. Poor employment results can be found in several of the less economically developed states, such as Uttar Pradesh and Madhya Pradesh in the Central area and Bihar, Jharkhand, and Odisha in the East. It's also critical to note that, in comparison to the other regions, the population in the East and Central regions that was 15 years of age and older had comparatively low educational outcomes.

**Figure 11: Underemployment, and youth not in employment, education, or training (%)**



Source: ILO (2024)

Another comprehensive approach is to look beyond the educated unemployment rates, at underemployment or labor utilization, and youth not in employment, education, or training. According to the ILO (2024) Report, with 16.8% of workers, the underemployment rate was exceptionally high in 2022. The rate of underemployment was higher in urban than rural areas, and it was somewhat higher for women than for males. The underemployment rate increased significantly over time, rising from 13.9% in 2012 to 20.8% in 2019. Between 2019 and 2022, it decreased from 20.8% to 16.8%. Among young women, this volatility was far greater. South Asia has exhibited the greatest percentage of the youth population worldwide who are not in education, employment, or training, with an average of 29.2% between 2010 and 2019. In India, one in three young people lacked a job, education, or training; this percentage rose over time and was nearly equal in rural and urban areas. Compared to young men, young women were far more likely to be unemployed, undereducated, or not in training. Nearly five times as many women as males were unemployed, underemployed, or untrained in 2022; these women made up approximately 95% of the total. Compared to 18.5 million young males, 84.9 million young women were unemployed, underemployed, or not enrolled in school or training.

#### 4.1 Bleak Prospects of Placements in Premier Institutes of India

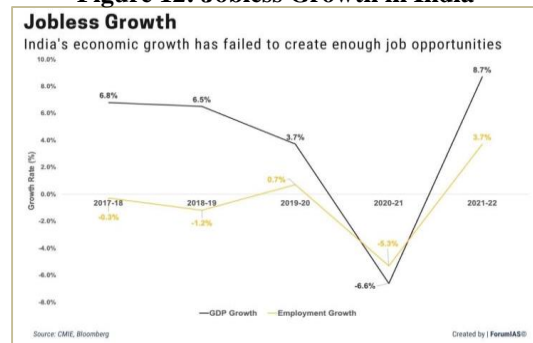
Indian Institute of Technology (IITs) come under Tier 1 institutes of India and are renowned as top engineering colleges of the country with leading campus placements for its graduates. However, a recent Right to Information (RTI) report by Dheeraj Singh, an IIT Kanpur Alumni, has raised concerns about the placement records of the IITs by revealing that in 2024, only 13,410 of the 21,500 students who registered for placements this year were able to find employment, meaning that 38% of them are still looking for work. Compared to two years before, when 3,400 (19%) students were placed, this is a significant increase. The problem was exacerbated by the fact that 22% of IIT Delhi students were unemployed five years prior, and 40% were still unemployed in 2024. In 2023, over 4000 students did not secure any placement, whereas in 2022, the number was 3000 students facing the same problem. IIT Delhi stated that they had reached out to their alumni network, seeking support for the current batch of students facing the brunt. Students' mental health is being impacted by the job placement crisis as well. This shows the tremendous level of stress and worry that students are dealing with.

It is not just the top engineering institutes, but also the top B-Schools of India that are facing the same crisis. Indian Institutes of Management (IIMs) are feeling the effects of over-hiring during the post-Covid job boom and the global slump. IIM Kozhikode's director, Debashis Chatterjee, stated, "When there's a crunch, companies tend to bet on tried-and-tested institutes. We are not worried about placing everyone, but people may or may not get the jobs they want." If the premier Tier 1 institutes of India are struggling to provide campus placements for their graduates, then the situation is much more gruesome for the remaining Tier 2 and Tier 3 institutes of India. This requires urgent intervention by policymakers to tackle this employment crisis.

#### 4.2 Causes of Unemployment Among Educated Youth in India

**a) Jobless Growth:** India is currently the fastest-growing economy in the world and is set to overtake Japan and Germany regarding aggregate GDP. By 2027 India is on its way to becoming the world's third-largest economy after the US and China. Yet, the story of the Indian Economy is not at all hunky-dory. In the Indian context, GDP growth is fuelled by low labour-intensive sectors like finance, technology, etc. Economists are terming it as "jobless growth" as the country is grappling with unemployment, particularly among its youth. There has been a decline in employment in labour-intensive sectors like textile, leather, apparel, etc. India has lost its market share in these industries to countries like Vietnam and Bangladesh.

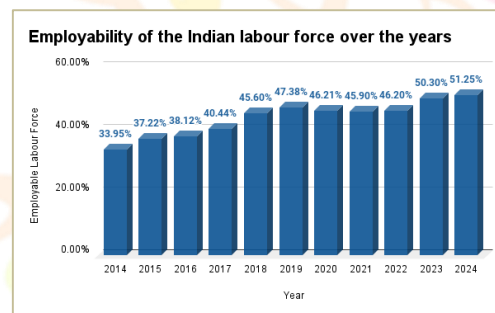


**Figure 12: Jobless Growth in India**

Source: CMIE, Bloomberg

According to CMIE, the Indian economy grew between 5-8% over the last three decades but job growth has been stagnant at about 1%. India has not been able to create employment opportunities in the manufacturing and services sector. The manufacturing sector has seen a drastic decline in terms of job creation. According to CMIE, the manufacturing sector employed around 51 million people in 2016-17 which had come down to 27.6 million in 2020-2021.

**b) Skill Mismatch between Job Seekers and industry requirements:** The difference between skills supplied by the education process and skills (skills that are deemed employable) demanded by employers leads to skill mismatch. There is a huge gap between the skills of job seekers trained by educational institutes and industry demands. Skills gap not only reduces chances of getting employment but creates a problem of underemployment, where people settle for employment opportunities that are below their qualifications.

**Figure 13: Employability of the Indian labour force from 2014 to 2024 (%)**

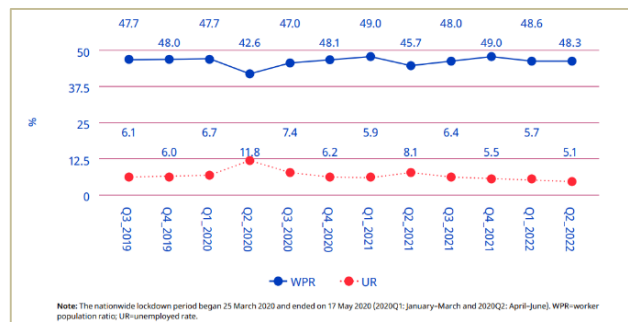
Source: India Skills Report Data (2022, 2024)

The employability of the Indian labor force has increased only slightly over the years. There is still a huge gap that needs to be covered to meet the standards set by employers. Educated people in particular face the brunt of skills mismatch resulting in low employability. It is a significant factor behind an increase in educated unemployment.

**c) Impact of AI and Automation:** The fourth industrial revolution which is spearheaded by advancements in Artificial Intelligence is going to tremendously impact the industries, businesses, and the workforce. AI has the potential to replace human workers which can be detrimental to countries like India, having a high population and at the same time struggling with high unemployment, especially the youth of the country. Digital Payments Company, Paytm laid off 1000 employees from its operation, sales, and engineering departments due to what it said was “AI-powered automation “targeted at cutting 10-15% of employees' costs. According to data put together by Xpchno for the Economic Times, companies like Facebook (Meta platforms), Amazon, Apple, Microsoft, Netflix, and Google (Alphabet) registered a 90 percent drop in active job postings in India in 2023. Experts believe these are the early signs of AI's Impact on the job market in India. According to the Economic Survey 2023-2024, the BPO (Business process outsourcing) sector is vulnerable to AI. AI revolutionising routine cognitive tasks through chatbots leading to significant job declines over the next few years. It also states that the use of AI in the service sector can reshape or even replace jobs.

**d) IT Sector Decline:** The Indian IT sector has been the leading provider of white-collar jobs to technology graduates. The hiring slowdown which can be attributed to weak demand and global tech slowdown is having a huge impact on the educated youth. In the financial year 2023-2024, Indian IT giants like TCS, Wipro, and Infosys witnessed a significant decrease in workforce. The combined workforce of these companies was reduced by around 64000 employees. The economic Survey for the financial year 2023-2024 said that hiring in the Information Technology sector is unlikely to pick up significantly.

**e) The Covid-19 Pandemic:** The COVID-19 pandemic and the ensuing lockdowns caused a pause in the structural trends in the labor market and employment following 2019. During the peak pandemic quarters of 2020 and 2021, the LFPR and worker population ratio had a dramatic fall, whilst the jobless rate increased. They bounced back in the ensuing quarters, returning to their pre-pandemic levels, and in the post-pandemic phase, they have continued to improve. The rise in women's employment in rural areas is primarily responsible for these shifts. Throughout the pandemic years and into 2022, there was a steady rise in the number of self-employed workers, especially among women and in vulnerable unpaid family work performed in rural areas. On the other hand, during the pandemic period, the number of persons working in regular formal, informal, and casual jobs expanded more slowly than it did thereafter, except for casual employment.

**Figure 14: Workforce participation rate, and Unemployment Rate (in %) from Q3'2019 To Q2'2022**

Source: ILO (2024)

**Table 1: Sector-wise breakdown of employed persons from 2019 to 2022**

	Employed persons				Additional employment		
	2019	2020	2021	2022	2019 to 2020	2020 to 2021	2021 to 2022
Regular employment	115.6	120.3	121.9	118.1	4.7	1.6	-3.8
Regular formal employment	47.5	48.7	52.4	51.6	1.2	3.7	-0.8
Regular informal employment	68.1	71.6	69.5	66.5	3.5	-2.1	-3.0
Casual worker	109.9	116.2	119.4	122.2	6.3	3.2	2.8
Self-employed	241.1	268.5	293.3	304.1	27.4	24.8	10.8
Own-account worker	170.1	179.3	193.5	195.5	9.2	14.2	2.0
Employer	10.7	11	11.3	13.9	0.3	0.3	2.6
Unpaid family worker	60.3	78.2	88.5	94.8	17.9	10.3	6.3
Total	466.5	506.1	534.6	544.5	39.6	28.5	9.9

Source: ILO (2024)

**f] Policy Failures:** Economic policies have the potential to make or break an economy. Good impactful policies can pave the way for an increase in economic growth, more job opportunities, and subsequently can unlock the treasures of economic prosperity. Unfortunately, in recent years, policy implementation has not been very effective in India. It started in 2016 when the government announced the demonetization of 500- and 1000-rupee notes overnight. Money is the lifeblood of an economy and the demonetization choked its supply resulting in economic loss. The twin shocks of demonetization and the introduction of the Goods and Service Tax (GST) have hurt the economic health of India. Credit markets rating agency, India Ratings, released a report mentioning that 63 lakh informal sector enterprises shut down resulting in a 1.6 crore job loss between the financial year 2015-16 and 2022-23.

During the monsoon session of Lok Sabha in 2023, the Government said that till March 2022 around 9 lakh posts were vacant. But it failed to provide numbers on how many vacant posts were filled. The government should speed up the recruitment process and fill the vacancies across its departments. Moreover, the Union government stated in the 2024 budget statement that 5.4 million people were reskilled and upskilled as part of the Skill India Mission, which trained 14 million people overall. However, there seems to be a gap between official government claims and actual conditions on the ground.

The Prime Minister of India asserted in August 2018 that "more than 70 lakh jobs were created in the formal sector alone" during the preceding fiscal year. However, according to a January 2019 report from the Centre for Monitoring Indian Economy (CMIE), up to 1.1 crore individuals lost their jobs in 2018, and the unemployment rate reached its highest point in 15 months in December 2018 at 7.4%. Based on the Labor Bureau's annual household surveys, there has been a consistent upward trend in India's unemployment rate from 2013 to 2014. To encourage employers to create jobs, the government launched Pradhan Mantri Rozgar Protsahan Yojana in July 2016. For three years, the Employers Provident Fund, or EPF, system allows new employees earning less than Rs 15,000 per month to have their employers contribute the full 12 percent. This is made possible by the national government. However, "at least 40 percent of the eligible employees in the country are still outside this scheme," in the words of All India Trade Union Congress secretary, Tapan Sen.

Most self-employed people are not job creators or entrepreneurs. There is a distinction between self-employment by choice and self-employment that is forced upon someone in the absence of formal employment. For most people in India, the latter is true. In India, "distress employment" is a common term for self-employment. This issue comes into clearer perspective when evaluated in light of the PM's claim that "If a person selling pakodas earns Rs 200 at the end of the day, will it be considered employment or not?". The former finance minister retorted to the PM on Twitter, saying that "by that logic, even begging is a job."

Under the banner of PMKVY, or Skill India, the government announced in July 2015 that 40 crore people would receive skill training by 2022. As per the March 2018 report released by the Parliamentary Standing Committee on Labour, over the period from February 2016 to November 2018, 33.93 lakh individuals were certified under the plan, out of which only 10.09 lakh candidates secured employment. Only 30% of trained individuals were placed during that time. False enrolments by private partners, who are eligible for 75% of the government subsidy on the approved fee of Rs 10,000 per candidate, have also been reported. Rather than providing skills that enable women to enter new job sectors like construction, electronics, IT services, and financial services,

PMKVY has trained thousands of women in traditional industries including weaving, garment, and retail. In India's rural areas, the handicrafts industry, which has the potential to improve current skills in an environmentally friendly way, is not well supported. The goal of the Make in India program is to "make India a global hub for design and manufacturing." However, data on manufacturing four years later indicates that there has been no growth in the industry. According to a Labor Bureau poll, the industry reported losing 87,000 jobs between April and June of 2017. According to a 2018 poll by the All-India Manufacturers' Organisation, MSMEs, the target of financing schemes targeted at job growth, have reported a steady loss in jobs and profits since 2014. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which was "one of the government's public wage employment programs which saw an increased participation from women," has been marginalized because the government pushed for entrepreneurship and self-employment. Programs focused on self-employment should supplement wage employment, but not at the expense of MGNREGA.

The current job crisis has been exacerbated by demonetization, the introduction of the Goods and Services Tax (GST), and agricultural distress; yet, the policy framework and how government policies are implemented fall short of meeting the needs of the country's unemployed and underemployed workforce, especially the educated youth of the country.

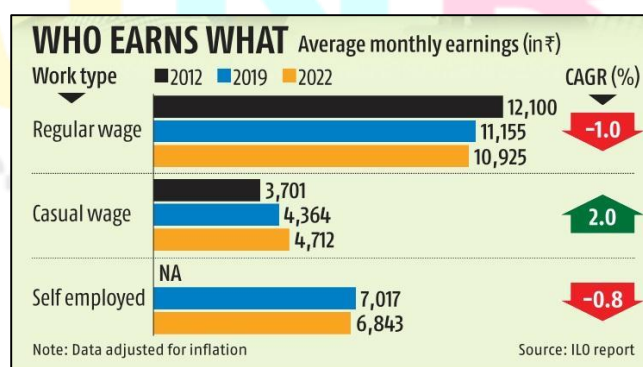
### 4.3 Impacts Of Unemployment Among Educated Youth In India

**a) Growing Regionalism:** Recently Karnataka government attempted to introduce a local quota for its local candidates in the private sector. It tried to mandate 50 percent local reservation for managerial positions and 70 percent for non-managerial positions in the private sector. Karnataka is not the only state that has tried to implement local reservation, other states have also attempted it. Andhra Pradesh also introduced the Employment of Local Candidates in Industries/Factory Act in 2019. It mandated a 75 percent quota for locals in jobs in local industries and factories, and projects taken under public-private partnership models. The law has been challenged before Andhra Pradesh High Court but the court is yet to hear the matter completely and it has noted that the state law may be unconstitutional. Similarly, other states like Haryana, Jharkhand, and Maharashtra have also tried to implement different versions of local quotas for jobs.

The question must be asked why the states are trying to take such drastic steps. Perhaps, the answer lies in India's increasing Unemployment despite the growing economy which along with high inflation results in inequality, low wages, and economic distress. The perturbing phenomenon is joblessness among the youth, and even the educated youth have not been able to escape from it. This is why the states are being forced to take drastic steps in the absence of clear policies taken by the central government to address and resolve the problem. The central government must address increasing unemployment and underemployment as matters of immediate concern and should prioritize policies that would generate job opportunities. Local quotas can lead to feelings of regionalism and us versus those conflicts between locals and migrants. In a linguistically and culturally diverse country like India, the Growing sentiments of regionalism can threaten the nation's political integrity.

**b) Increasing Inequality:** Though India is one of the world's fastest-growing economies, it is also one of the most unequal countries. According to the World Inequality Lab Report, the top 1 percent of income and wealth share (22.6 percent and 40.1 percent) is at the highest level in India. Rising joblessness and stagnant wages are contributing factors to rising inequality. Unemployment, particularly youth unemployment, has led to a decline in income and has forced people to take work that is below their capability and qualification. Wage growth has almost remained stagnant in India as employers often have an advantage in the abundant and ever-rising labor pool in India.

According to data provided by ILO, the average monthly earnings of regular salaried workers declined by 1 percent each year from 2012 to 2022. Rising unemployment, underemployment, and stagnant wages are fuelling inequality. A rampant inequality can suppress the demand for goods and services which can jeopardize the economic development of the country.



**c) Reverse Industrialisation and Increase of Agricultural workers:** Economic growth changes the structural aspects of an economy. A country with strong growth transforms itself into a developed nation. Its workforce moves from agriculture towards industries and growth in income is witnessed along with rising living standards. According to national accounts data released in 2023, the manufacturing sector accounted for 15.5 percent of the economy's output in 2003-04. It climbed to 17.2 percent in 2012-13 and further to 18.4 percent in 2017-18. After that, its share of GDP declined to 17.1 percent in 2019-20 before recovering to 17.7 percent in 2022-23. But it was still below the peak of 2017-18 and indicates a decline in the manufacturing sector. The growth in



the manufacturing sector was 7.8 percent annually between 2003-04 and 2012-13 and slightly increased to 9.1 percent between 2013-14 and 2017-18, but declined to a mere 3.4 percent between 2017-18 and 2022-23.

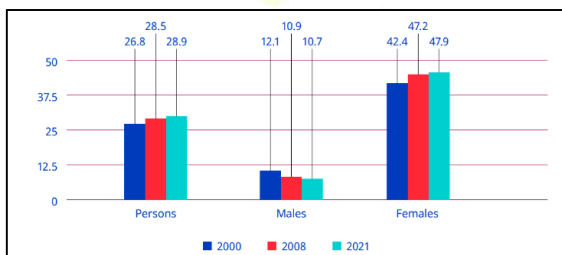
It indicates a slow de-industrialisation which is a worrisome sign for any economy. It is a serious concern for policymakers that India has not been able to accelerate its manufacturing growth despite schemes like Make in India and various PLI schemes. The decline of the manufacturing sector and the resulting job losses from it has led to an increase in the share of agriculture in total employment. A CMIE data from the consumer pyramid household survey showed that the share of agriculture in total employment had gone from 35.53 percent in 2017-18 to 36.1 percent in 2018-19 and then it increased further to 38 percent in 2019-20. According to CMIE the trends from CPHS are in sync with Periodic Labour Force Survey (PLFS) but migration toward agriculture was more under PLFS data. PLFS report showed a significant increase in employment in agriculture from 42.5 percent of total employment in 2018-19 to 45.6 percent in 2019-20. The distress in the manufacturing sector forced people to move into agriculture where wages are low. It reflects the reversal of development where workers are moving from industries toward agriculture. The shift of workers from highly productive sectors to low-productive agriculture is detrimental to the economic health of India. India would not be able to completely utilize its demographic dividend where the time and energy of its workers are invested in agriculture rather than more productive sectors of the economy.

**d] Migration:** Migration rates and the percentage of persons who migrated for work-related reasons have an impact on India's employment trends. Between 2000 and 2021, the migration rate grew slightly from 26.8% to 28.9%, but the trend for men and women was different, with men having a 1.4 percentage point fall and women experiencing a 5.5 percentage point increase. About 10.7% of all migrants in 2021 moved for work-related reasons, which can include moving for a job transfer, looking for a better job, moving close to their place of employment, or moving because their former place of residence did not offer enough job possibilities. This percentage, which is only 1.7 % among women and 49.6% among men. The proportion of states and union territories that was higher than the national average was the percentages for Delhi (87.1%) Karnataka (63.2%) and Maharashtra (59.5%).

**Table 2: Migration Rates (Geographic Divisions)**

State or union territory	Proportion of persons among the migrants who migrated due to employment related reasons among the males	Overall migration rate
Andhra Pradesh	46.9	31.6
Andhra Pradesh including Telangana	56.2	29.9
Assam	54.7	23.7
Bihar	39.6	14.5
Chhattisgarh	54.9	30.4
Delhi	87.1	27.6
Gujarat	51.4	31.9
Haryana	54.7	29.0
Himachal Pradesh	49.3	36.1
Jammu & Kashmir	38.3	22.1
Jharkhand	44.6	26.3
Karnataka	63.2	32.5
Kerala	37.2	41.2
Madhya Pradesh	50.9	31.8
Maharashtra	59.5	29.3
Odisha	46.4	33.1
Punjab	44.4	29.3
Rajasthan	46.5	28.5
Tamil Nadu	46.3	36.3
Telangana	56.2	25.2
Uttar Pradesh	35.9	28.4
Uttarakhand	48.8	26.0
West Bengal	45.5	31.7
All India	49.6	26.8

**Figure 15: Migration Rates (Gender Division)**



Sources: ILO (2024)

## 5.0 Policy Recommendations

The first step is to address lop-sided development policies. Growth and unemployment coexist in India due to imbalanced policies that create fewer jobs for new entrants in the job market. Policies that encourage balanced development across regions, including tier-2 cities and rural areas, should be put into practice to ease the burden on urban cities and provide job opportunities.

A separate ministry should be established for planning and implementing policies regarding the development of Artificial Intelligence Technology. To provide the workforce with the skills necessary to prosper in the AI-driven economy, the ministry might also oversee ensuring the development of AI education and training initiatives. AI tax should also be levied on companies using automation to replace workers and the rate should be stringent enough to discourage companies from arbitrarily laying off employees to increase their profit. Artificial Intelligence and Automation policies should be formed in such a way that AI is used to help workers increase their productivity and not replace them.

Government job vacancies across both state and central levels should be calculated and the number of vacancies must be put in the public domain. Both state and central governments should fast-track the recruitment process and fill the job vacancies. Moreover, policymakers should pass legislation mandating that a government job post cannot remain vacant and that the government is legally mandated to fill the vacancy.

In addition to giving graduates invaluable work experience, internships can help them acquire the skills they need to land a job. The unemployment rate may drop if certain internships result in work offers. All graduates who have not been able to secure a job should be allowed to up-skill themselves via a guaranteed internship program with a stipend. The government can itself provide such internships, or by partnering with private sector companies.

Access to public-private partnerships (PPPs) in education and healthcare can be increased and new job opportunities can be created by working with private sector organizations. Healthcare and education workers may guarantee they have the abilities required to fulfill the expanding demand for these services by making investments in their professional development. It is possible to make sure that healthcare and education personnel have the abilities required to meet the rising demand for these services by making investments in their professional development. PPPs can thus be used to enhance the way public services like healthcare and education are provided.

In tier-2 cities, infrastructure development can lead to the creation of new jobs in the transportation, construction, and other industries. Offering incentives to companies wishing to locate in tier-2 cities can boost employment and the local economy. The Gig Workforce in India has been growing rapidly in recent years and is expected to reach 23.5 million by 2030 from about 7 million in 2021. More benefits and job security may be available to gig workers if laws protecting their rights are put into place. Providing gig workers with training and development opportunities can help them become more skilled and earn more money. Tighter enforcement of labor regulations can guarantee that workers receive fair treatment and help safeguard their rights. Establishing a minimum wage can contribute to raising workers' standards of living and lowering income inequality. In order to guarantee that labour laws are obeyed and that workers' rights are upheld, enforcement measures should be strengthened. Educating employees about their rights and how to report infractions can be accomplished through awareness campaigns. Measures to increase female labor force participation should be undertaken. Women can better combine their obligations to their families and their jobs when there are accessible childcare options available. Women can work in more inclusive environments in the workplace when anti-discrimination laws are upheld. The government should also investigate the gender pay discrepancy. Increasing social security benefits can give unemployed individuals and their families a safety net. Affordably priced housing can ease the financial strain on unemployed individuals. Rural infrastructure development should be given importance. Increasing connectivity in rural areas can lead to the creation of new jobs in online services and e-commerce industries. Modernizing agriculture through investment can boost output and generate employment in the rural economy. Skill development should be promoted through vocational and technical studies. Graduates may find work more quickly if vocational and technical training programs are in line with business demands. Increased availability of technical and vocational training programs can assist people in gaining the skills necessary to be competitive in the labor market. Supporting and investing in startups can contribute to the growth of new companies and employment prospects. Fostering an atmosphere that is conducive to regulation for new businesses can promote innovation and entrepreneurship. Putting money into digital infrastructure—like data centers and broadband connectivity—can lead to the creation of new jobs in the technology industry. The public sector can increase productivity and generate new employment possibilities by implementing digital government services. Research and development expenditures have the power to spark innovation, launch new businesses, and generate employment. Promoting cooperation between academic institutions and business can hasten the commercialization of research results. Promoting collaborations between academic institutions and business sectors can assist in guaranteeing that graduates possess the abilities required to be successful in the labor market. Work-integrated learning initiatives can give students real-world experience and assist them in acquiring skills that are relevant to the workplace.

## 6.0 Conclusion and Implications

The problem of educated unemployment in India poses serious obstacles to the socioeconomic development of the country since it creates a contradiction of growth without sufficient job creation. This study has shown that even though India's economy is among the fastest growing in the world, the country still has a high unemployment rate among its educated youth. This problem is caused by several factors, including skill mismatches, economic policies that don't create enough jobs, and the development of automation and artificial intelligence. Research indicates that graduates from elite universities such as IITs and IIMs have poor career chances. This is indicative of larger systemic problems that impact graduates nationwide, including those from tier-2 and tier-3 colleges. The idea that a college education is essential for achieving both economic stability and upward social mobility is being challenged by this trend. There is an urgent need for policy reform in both the education and employment sectors, as evidenced by the mismatch between educational output and labor market demands. The main goals of policy interventions should be to promote entrepreneurship, improve vocational and technical training, and match school curricula with industry demands. To provide employment opportunities and promote a more inclusive labor market that takes advantage of India's demographic dividend, strong public-private collaborations are also required. Comprehensive labor changes are also required to provide fair pay and working conditions for gig workers and to protect them. Government agencies, academic institutions, and business partners must work together to establish a comprehensive plan that not only improves employability but also creates chances for meaningful work to address these issues. India can only hope to address the educated unemployment challenge and realize the full potential of its youthful, educated workforce by implementing such multifaceted techniques.

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