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Youth employment and unemployment: an Indian perspective

Arup Mitra and Sher Verick
March 2013



DWT for South Asia and Country Office for India

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Preface

The International Labour Organization (ILO) is devoted to advancing opportunities for women and men to obtain decent and productive work. It aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues.

However, decent work remains elusive in many countries, particularly as a consequence of the global financial crisis, which has hit labour markets hard. As witnessed around the world, young people have suffered disproportionately since the onset of the crisis, which comes on top of the persistent barriers they experience in gaining a foothold in the labour market. This situation represents one of the greatest urgencies facing all countries.

This paper by Arup Mitra and Sher Verick provides important insights into the challenges facing young people in India in terms of underemployment, unemployment and the lack of job opportunities in the formal economy. The study highlights the diversity in outcomes for young people depending on their educational attainment, social status and where they live. Overall, the findings underscore the need for comprehensive approaches to promote more and better jobs for young people in India and beyond.

This paper is part of the ILO Asia-Pacific Working Paper Series, which aims to enhance the body of knowledge, stimulate discussion and encourage knowledge-sharing and further research for the promotion of decent work in Asia and the Pacific.

Tine Staermose
Director, ILO DWT for South Asia and
Country Office for India

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Abstract

Creating jobs for young people is a major challenge around the world, which has been further exacerbated by the global financial crisis that hit this group hard. In this broader global context, this paper presents a detailed profile of youth employment and unemployment in India, which has the world's largest youth population. Young Indians face major barriers because of poverty and low levels of human capital. Though educational attainment has risen quickly in recent years, gaining a foothold in the labour market remains elusive for many young Indians. In rural and urban areas, young males are usually employed in casual jobs, while their female counterparts tend to be self-employed. Although a large proportion of young rural women are employed in agriculture, rural males are increasingly turning to the non-farm sector. In comparison, young urban males are largely working in the services sector. Among young women, social conditions play an important role: labour force participation, for example, is higher among scheduled castes, scheduled tribes and other backward castes, especially in rural areas. In response to these challenges, policies should address the lack of productive employment opportunities for youth both in rural and urban areas. While skills development is crucial, these initiatives should be supplemented by more comprehensive programmes that target the most vulnerable and disadvantaged youth.

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The responsibility for opinions expressed in articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them, or of any products, processes or geographical designations mentioned.

Abbreviations

ILO	International Labour Organization
ITI	Industrial Training Institution
LFPR	Labour force participation rate
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
WPR	Worker population ratio

1. Introduction

Youth unemployment and underemployment is prevalent around the world because young people lack skills, work experience, job search abilities and the financial resources to find employment (United Nations, 2003; ILO, 2006; Matsumoto et al., 2012). In developing countries, this situation is exacerbated by poverty and the competitive pressures that result from a rapidly growing labour force. Moreover, the inadequacy of social protection schemes and active labour market policies means that young people in such economies have little support outside their family and friends. Globally, young people are, therefore, more likely to be unemployed or employed on more precarious contracts or in the informal sector.

This is the case even during good economic times. In the midst of a severe recession, youth find it increasingly difficult to both acquire a job as a new entrant in the labour market, particularly as a consequence of hiring freezes, and remain employed, since they are more likely to be laid off than workers with more seniority ('last in-first out') (Verick, 2009). According to ILO's Global Trends Report 2012 on Youth, nearly 75 million young people are unemployed across the world, which represents an increase of more than 4 million since 2007 (ILO, 2012).

These challenges are evident in India, which has the largest youth population in the world with around 66 per cent of the total population under the age of 35. According to 2010 population figures, one in five young people in the world is an Indian.¹ In this context, much is often said about a 'demographic dividend'; that is, the share of the working-age population increases resulting in a fall in the dependency ratio (the number of children and elderly being supported by workers). This has been a feature of the development success stories of countries such as those in East Asia that grew rapidly in the latter half of the 20th century. However, failing to provide opportunities for this bulge of young people as they enter the labour market risks a 'demographic disaster'.

In this regard, governments are rightly concerned about rising levels of youth unemployment and underemployment because of not only the direct economic costs, but also due to the social impact of joblessness as manifested by increased crime, mental health problems, violence, drug taking and social exclusion.² The uprisings of 2011, such as the 'Arab spring', are reflections of a disillusioned and disenfranchised youth, many of whom were unemployed or in jobs that did not fully utilize their skills and abilities. Spells of unemployment, particularly long spells, can lead to scarring effects and a higher likelihood of being unemployed later in life and a wage penalty (Bell and Blanchflower, 2009).

In recognition of the importance of the youth employment challenge in India, the Prime Minister, Manmohan Singh, stated at the 44th Indian Labour Conference in February 2012, 'Youth employment is a high-priority agenda item for our government. This can happen only if we equip our young people with skills that are required to meet the demands of our rapidly growing economy.'

¹Based on census figures provided by the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision, <http://esa.un.org/unpd/wpp/index.htm>.

² These direct economic costs include financing unemployment benefits, retraining schemes and other active labour market policies, and the loss in potential output resulting from lower employment rates. For a discussion on the costs of unemployment, see United Nations (2003) and Bell and Blanchflower (2009).

Against this background, this paper looks at the situation of youth in India in terms of different indicators of labour market outcomes. Section 2 addresses the labour force participation of young people in India. Section 3 delves further into the nature of employment and the employment profile, before section 4 moves to the challenge of youth unemployment in India. Section 5 presents an econometric analysis of the determinants of labour force participation of youth, while section 6 concludes.

2. How are youth participating in the labour market in India?

2.1 Labour force participation of youth in India

Different labour market indicators provide various insights into the overall situation facing young people in a country like India that, despite the strong economic growth rate, continues to be dominated by the unorganized sector. In defining youth for this analysis, this paper considers the following three age groups to highlight heterogeneity in labour market outcomes among young people: 15-19, 20-24 and 25-29.

As a first step, this section reviews labour force participation rates (LFPRs), which captures the number of young people who are either employed or unemployed (and searching for a job) as a percentage of the youth population. It should be stressed that the youth labour force participation rate typically falls as a country develops because young people increasingly enrol in secondary and higher education (ILO, 2012).

Table 1: Labour force participation rate (%) of youth and adults, 2009-10

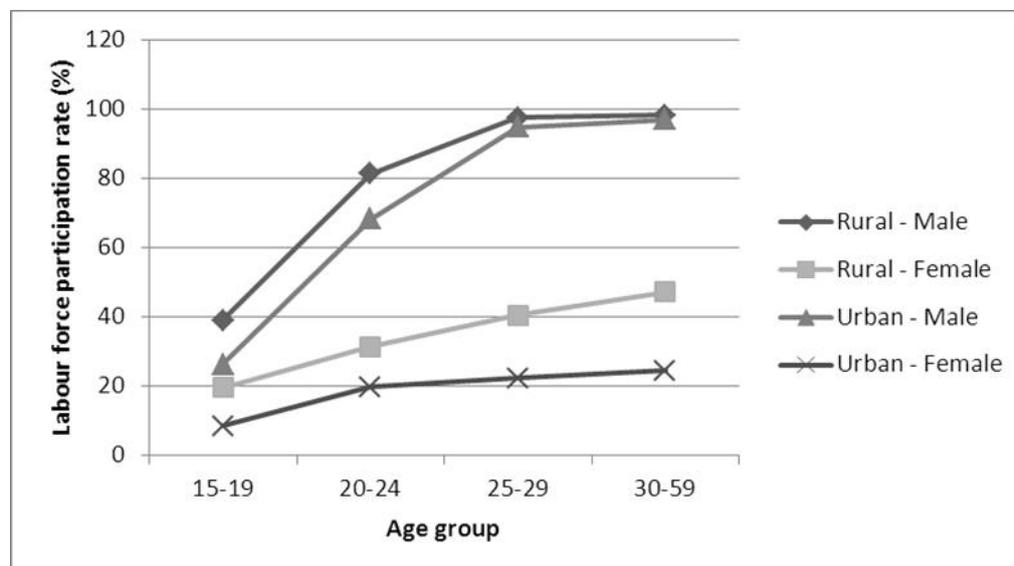
	Age category	Rural			Urban		
		Male	Female	Person	Male	Female	Person
Youth	15-19	39.0	19.5	30.4	26.3	8.5	18.3
	20-24	81.3	31.4	55.7	68.2	19.7	45.0
	25-29	97.5	40.4	67.5	94.7	22.2	59.1
	15-29	68.0	30.2	49.6	61.0	16.8	40.1
Non-youth	30-59	98.2	47.2	72.8	96.9	24.4	62.0
Total	15-59	84.8	39.9	62.6	80.9	21.0	52.3

Source: NSS 66th Round (2009-10), Schedule 10 - Employment and Unemployment

As highlighted in Table 1 and Figure 1, a sizeable percentage of male population in these age brackets are in the labour market. Even in the lowest age group among young men (aged 15-19), nearly 40 and 26 per cent are participating in the labour market in rural and urban areas, respectively. Though the labour force participation rate among the females is considerably lower than their male counterparts across all age groups, the differences across age-groups in the case of females is much smaller in magnitude than for males (17 and 7.6 percentage points for women in rural and urban areas versus

30.2 and 35.9 points for men in rural and urban areas). This suggests that social attitudes and norms tend to suppress the female labour force participation rate across all age groups, in addition to the effect of education enrolment on the participation rate of younger age categories.

Figure 1: Labour force participation rate (%) by age and location, 2009-10



Source: see Table 1.

We may further note from Table 2 that the labour force participation rate among the rural youth is highest in the scheduled tribe category. This is followed by the scheduled castes, which in turn exceeds the other backward caste category, while the general caste corresponds to the lowest participation rate. By and large, the same pattern is evident in urban areas with the exception of male scheduled tribes (Table 2). This pattern may be explained in terms of opportunities that different sections of the population are able to access, particularly in the context of livelihoods. How much effort an individual may have to put in to sustain consumption is a pertinent question. The scheduled tribe population, more so in rural areas, strives hard to access sources of livelihood and meet their consumption requirements, which is reflected in a higher work participation rate. In urban areas, possibly because of the practice of reservation in the formal sector and also because of the availability of manual jobs in the informal sector, the struggle is relatively less. Again, the decreasing pattern observed among different social categories, as we move from scheduled caste population to general category, can be explained as variations in human capital and quality of jobs. In the social categories are embedded a huge spectrum of attributes, which result in economic disadvantages/advantages.

Table 2: Labour force participation rate(%) among youth (15-29) by social categories, 2009-10

Social category	Rural			Urban		
	Male	Female	Person	Male	Female	Person
Scheduled tribe	74.2	47.5	60.6	53.8	20.6	38.0
Scheduled caste	72.1	31.1	52.1	66.4	20.1	45.0
Other backward class (OBC)	66.8	29.1	48.4	62.6	17.2	41.2
General	63.8	23.1	44.3	57.9	15.0	37.5
Total	68.0	30.2	49.6	61.0	16.8	40.1

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

2.2 Youth worker population ratio (WPR)

A narrower view on attachment to the labour market is provided by the worker population ratio (WPR), which is defined as the ratio of workers to the population of that age group (typically referred to as the employment-to-population ratio in the global context). In India, the worker population ratio among rural females in all the three age groups dropped in 2009-10 compared to the long-term trend perceived since 1993-94 (for both principal and subsidiary status) (Table 3).

Among rural males, the same pattern is observed except in the age group 25-29, where the principal status worker population ratio declined just marginally. Given the patriarchal system, the male worker population ratio is unlikely to perceive any major decline in the prime age group of 25-29. Even when productive employment opportunities are not available, males cannot afford to withdraw from the labour market. Instead, they get residually absorbed in a wide range of low productivity activities. On the other hand, the non-availability of productive employment opportunities over the long term may motivate women respondents to indicate that they are not in the labour market (a phenomenon also known as discouragement).

Table 3: Age-specific worker population ratio (%) in rural areas, 1993-94, 1999-2000, 2004-05, and 2009-10

Age group	Year	Rural male principal status	Rural male subsidiary status	Rural female principal status	Rural female subsidiary status
15-19	4	32.3	3.5	13.7	4.9
	3	45.3	4.4	22.2	9.7
	2	47.5	2.8	23.4	6.0
	1	52.3	5.4	26.4	10.4
20-24	4	74.7	2.1	22.5	7.0
	3	82.0	2.9	28.4	12.6
	2	82.3	2.1	31.0	9.9
	1	82.4	3.5	31.8	13.8
25-29	4	95.2	0.5	29.9	9.2
	3	95.6	1.0	36.7	14.6
	2	94.2	0.8	37.3	11.8
	1	94.7	1.0	35.4	17.1
15-59	4	53.7	1.0	20.2	5.9
	3	53.5	1.1	24.2	8.5
	2	52.2	0.9	23.1	6.8
	1	53.8	1.5	23.4	9.4

Note: 1 stands for 1993-94; 2 for 1999-00; 3 for 2004-05; and 4 for 2009-10.

Source: NSS rounds, 1993-94, 1999-00, 2004-05, 2009-10.

It may be argued that increased participation in education could be a major reason of decline in the worker population ratio in the age groups of 15-19 and 19-24 for both males and females. In this regard, the gross secondary school enrolment rate increased in India from 34.8 per cent for females and 55.5 per cent for males in 1993 to 60.4 per cent for females and 65.8 per cent for males in 2010, reflecting a rapid narrowing of the gender gap at this level of education. The gross tertiary enrolment rates increased considerably over recent decades from 4.1 per cent for females and 7.8 per cent for males in 1990 to 14.9 and 20.6 per cent in 2010, respectively.³

In the rural context, it is quite unbelievable that tertiary-level education was pursued so widely that it led to a major decline in the worker population ratio of older youth. Given conservative social

³Source: World Development Indicators online database; accessed 30 August 2012.

practices, this explanation of participation in higher levels of education, particularly in the case of rural females, does not seem tenable, and is indeed a topic of further research.

In urban areas, the worker population ratio also declined both among the males and the females in the age groups of 15-19 and 20-24, particularly in comparison to 2004-05 (Table 4). While the fall continues in the next age bracket (25-29) for females, a marginal increase is noted among urban males. It is rather difficult to use the explanation relating to education to justify this drop among females in this age bracket. On the contrary, the employment scenario is possibly becoming less favourable towards women workers. Notwithstanding the success stories of many women executives, economic growth is becoming more skill intensive and is possibly responsible for a drop in the worker population ratio of women. Even in the less skilled jobs, when opportunities shrink, it is the women workers who are fired first (Mitra and Mukhapadhyay, 1989). Since there is no evidence of a decline in the age at marriage between 2004-05 and 2009-10, the fall in the worker population ratio of women is, nevertheless, a surprise.

Several micro studies are of the view that single women migration is on the rise (Rajan, 2011), which might have led to an increase in the worker population ratio in urban areas given a drop in its rural counterpart. Since that has not happened, demand-side factors seem to have played a crucial role, indicating sluggish employment generation in the process of growth. It is needless to add that, even in the age group 30-34, the female worker population ratio has declined both in the rural and urban areas. This suggests that the argument of joining the labour market after completing the social responsibility of marriage and reproductive role is also not plausible.

Table 4: Age-specific worker population ratio (%) in urban areas, 1993-94, 1999-2000, 2004-05, and 2009-10

Age group	Year	Urban male (principal status)	Urban male (subsidiary status)	Urban female (principal status)	Urban female (subsidiary status)
15-19	4	22.3	0.8	6.1	1.5
	3	31.4	2.1	9.2	3.6
	2	30.3	1.1	8.7	1.8
	1	33.7	1.9	9.4	2.9
20-24	4	60.4	1.3	14.2	1.8
	3	66.2	2.2	15.5	4.6
	2	64.4	1.4	13.0	2.5
	1	65.4	2.0	13.6	4.4
25-29	4	90.3	0.3	17.0	2.6
	3	90.0	0.9	18.6	4.3
	2	87.8	0.5	16.1	3.3
	1	89.2	1.2	17.5	4.9
15-59	4	53.9	0.4	11.9	1.9
	3	54.1	0.8	13.5	3.1
	2	51.3	0.5	11.7	2.2
	1	51.3	0.8	12.1	3.4

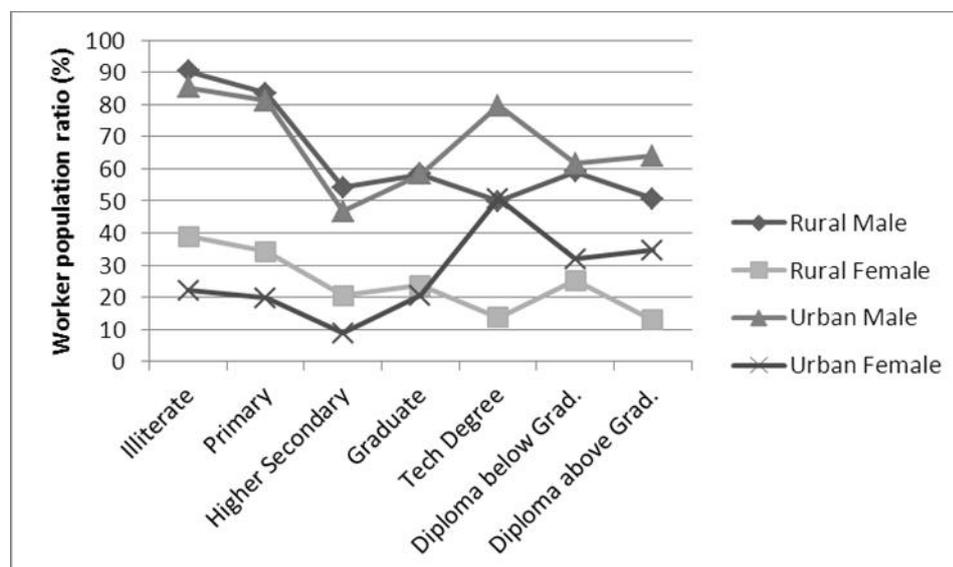
Note: 1 stands for 1993-94; 2 for 1999-00; 3 for 2004-05; and 4 for 2009-10.

Source: NSS Rounds, 1993-94, 1999-00, 2004-05, 2009-10.

With the level of education, the worker population ratio tends to decline, though at higher levels it again shows a rising tendency (Table 5 and Figure 2). The declining part can be explained by the fact that once a youth pursues education he/she does not participate in the labour market until the desirable level is completed. Also, the worker population ratio among the males in the rural and urban areas are almost similar across educational categories, though among females there are substantial differences, indicating lower ratios in the urban areas compared to the rural areas. Among the illiterate or those with lesser levels of education, the worker population ratio is high because of low incomes, implying a greater number of persons have to work to meet their consumption requirements. On the other hand,

with increased income only a few members within a household are required to work as the household can afford a higher dependency ratio.

Figure 2: Education and worker population ratio (WPR) (%), 2009-10



Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

Table 5: Youth worker population ratio (%) in rural and urban areas by educational attainment (15-29 years), 2009-10

Education level	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Illiterate	90.3	39.0	54.7	85.2	22.1	45.9	89.4	36.7	53.4
Primary	83.5	34.3	58.0	81.2	19.7	53.3	83.0	31.7	57.1
Higher secondary	54.2	20.5	40.3	46.8	8.8	29.5	52.0	16.5	36.8
Graduate	58.3	23.7	43.9	58.2	20.6	38.2	58.3	21.7	40.6
Tech degree	49.9	13.6	42.8	79.6	50.6	71.4	73.2	45.3	65.8
Diploma below Grad.	59.1	25.2	49.1	61.6	31.8	51.5	60.5	29.4	50.5
Diploma above Grad.	50.7	12.9	32.6	64.0	34.6	52.3	60.4	27.2	46.3
Total	64.8	28.8	47.2	56.4	14.4	36.5	62.3	24.7	44.1

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

3.Characterizing youth employment in India

3.1 The nature of youth employment

Given that one of the greatest challenges in India is the lack of decent work in the organized sector, it is crucial to look in further detail at the characteristics of youth employment. Looking at the nature of employment, almost half of the rural youth are self-employed (Table 6).⁴ However, among rural males, the relative size of regular wage and casual wage employment in the age group 25-29 is higher than the corresponding figure for all-age groups. A similar pattern is also distinct in the age group 20-24, implying that wage employment is relatively more prevalent among rural youth (male) compared with the rest of the rural male population. In the age bracket 15-19, only the share of casual wage employment is higher than the corresponding figure for the all-age average (individuals aged 15-59). Those who drop out from school early join as casual workers since many of these youth (especially males) may not meet the skills and experience requirements of regular wage jobs.

Among rural females, self-employment in the age group 20-24 is higher than the all-age average figure. On the other hand, the proportion of workers in casual wage in the same age group is lower compared to the all-age average. Since around these ages rural women are mostly engaged in reproductive activities, casual wage jobs are less preferred in comparison to self-employment, which can be conveniently combined with household duties. In the age brackets 15-19 and 25-29, however, more than 40 per cent of the women workers are in casual employment while more than 53 per cent have been engaged in self-employment.

Among urban males, an early drop-out from education means pursuing casual wage employment, as in this age bracket almost 35 per cent are engaged in such employment. With an increase in age, the regular wage share rises from 32 per cent in 15-19 age group to 44 and 49 per cent in the other two age groups, respectively. On the other hand, among urban females, an early drop out from education means a higher rate of self-employment, while those who complete higher levels of education tend to get regular wage employment. This category comprises almost half of the workers in the age brackets 20-24 and 25-29.

3.2 Employment profile across sectors

Young women are engaged more in the agriculture sector compared to males in rural areas (Table 7). However, it is interesting to note that, among young men and women, the share of the secondary sector exceeds that of the tertiary sector in rural locations. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), which involves construction activities, may be an explanation for the dominance of the secondary sector over the tertiary in rural areas. In other words, rural industrialisation does not seem to be the force behind this phenomenon (Goldar, Mitra and

⁴Self-employed = individuals working: in household enterprises (self-employed) as own-account worker; in household enterprises (self-employed) as an employer; and in household enterprises (self-employed) as helper.

Casual labour = individuals working as: casual wage labour in public works other than Mahatma Gandhi NREGS public works; casual wage labour in Mahatma Gandhi NREGS public works; and casual wage labour in other types of works.

Kumari, 2011). Indeed, looking at more disaggregated figures shows that the employment share for the construction sector is 13.9 per cent for young men (aged 15-29) in rural areas compared with 8.6 per cent for the manufacturing sector.⁵ In the case of young women, the situation is reversed: the sectoral share for the manufacturing sector is 10.8 per cent, while it is just 4.6 per cent for the construction sector.

Table 6: Nature of employment (usual status), 2009-10

Age group	Rural male			Rural female			Urban male			Urban female		
	Self-Emp.	Reg. Emp.	Cas. Emp.	Self-Emp.	Reg. Emp.	Cas. Emp.	Self-Emp.	Reg. Emp.	Cas. Emp.	Self-Emp.	Reg. Emp.	Cas. Emp.
15-19	46.6	6.1	47.2	53.8	3.2	43.0	33.3	31.6	35.1	48.7	27.6	23.7
20-24	46.4	9.9	43.8	56.9	6.4	36.6	33.8	43.5	22.7	33.5	50.9	15.5
25-29	48.4	10.4	41.2	53.2	5.9	40.9	33.6	48.9	17.5	35.7	47.4	16.8
15-59	53.4	8.6	38.0	55.8	4.2	40.0	41.1	41.9	17.0	41.3	39.1	19.6

Note: Self-Emp. = self-employed; Reg. emp. = regular wage/salaried employees; Cas. emp. = casual labour. Self-employed workers include individuals working in household enterprises as own-account workers; in household enterprises as an employer; and in household enterprises as a helper.

Casual labour category includes individuals working as casual wage labour in public works other than Mahatma Gandhi NREG public works; casual wage labour in Mahatma Gandhi NREG public works; and casual wage labour in other types of works.

Regular wage workers are those who are in regular employment including the long-term contractual category, drawing wages and salaries on a monthly basis.

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10

In comparison, the share of the tertiary sector in urban areas is higher than that of the secondary sector, in both the age groups of 20-24 and 25-29. However, for the age group 15-19, particularly in the case of females, the secondary sector share is much larger. Possibly, young women who join the labour market early get absorbed in home-based activities and other household manufacturing activities. More disaggregated data from the NSS indicates that the sectoral share in employment for the manufacturing sector is 27.1 per cent for young men and 34.5 per cent for young women in urban areas (aged 15-29).

Table 7: Sectoral employment shares (%), 2009-10

Age group	Rural male			Rural female			Urban male			Urban female		
	Prim.	Sec.	Ter.	Prim.	Sec.	Ter.	Prim.	Sec.	Ter.	Prim.	Sec.	Ter.
15-19	62.8	23.2	14.0	76.8	17.3	5.9	5.6	49.4	45.0	10.5	57.9	31.6
20-24	57.2	25.3	17.6	77.3	15.6	7.1	5.0	40.5	54.5	8.8	39.4	51.9
25-29	57.7	22.0	20.3	76.2	15.1	8.7	3.8	40.2	56.0	10.7	31.1	58.2
15-59	62.7	19.4	17.9	79.3	13.0	7.7	6.1	34.6	59.3	13.8	33.3	52.9

Note: Prim. = primary sector (agriculture); sec. = secondary sector (manufacturing and construction); ter. = tertiary sector (services).

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

⁵ Figures are not shown in Table 7.

4. Youth unemployment in India

Compared to advanced economies, overall rates of unemployment in developing countries are generally lower than observed in developed economies because most individuals cannot support themselves and their families through social protection schemes. However, at the same time, unemployment tends to be higher among youth. In this regard, the open unemployment rate in India, particularly in the age brackets 15-19 and 20-24, is extremely high among both males and females (Table 8 and Figure 3). In the next age group, it is lower with the exception of urban females. As expected, the unemployment rate on the basis of the current daily status is considerably higher reaching 22.1 per cent for urban women aged 20-24 (Table 8). It is also worth noting that the unemployment rate for youth (aged 15-24) has persisted at around 10 per cent over the last decade (10.1 per cent in 1999-2000 and 10.2 per cent in 2009-10), while it had dropped for older cohorts.

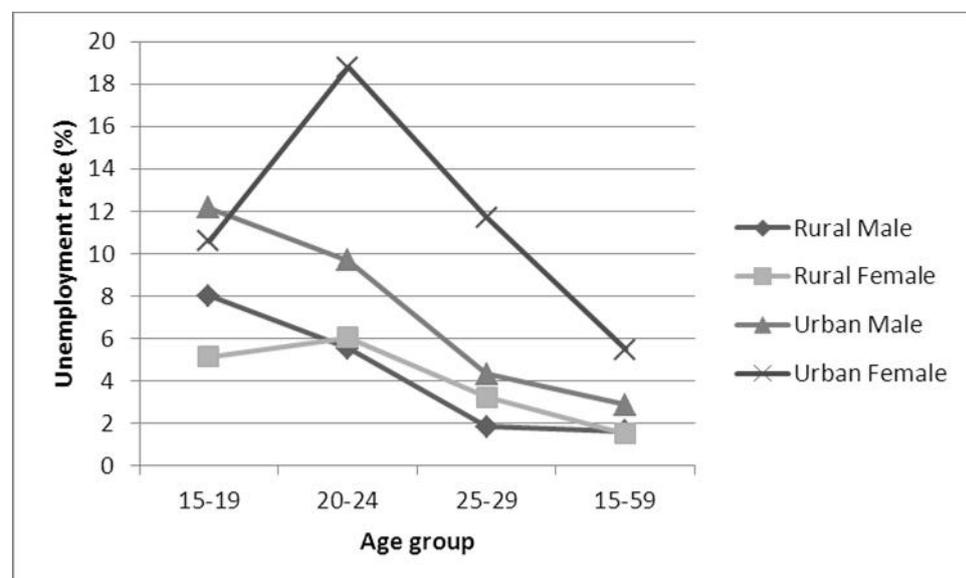
Table 8: Youth unemployment rate (%) (usual and current daily status), 2009-10

Age group	Usual status (UPSS)				Current daily status (CDS)			
	Rural male	Rural female	Urban male	Urban female	Rural male	Rural female	Urban male	Urban female
15-19	8.02	5.13	12.17	10.59	15.92	16.25	17.19	16.52
20-24	5.54	6.05	9.68	18.78	11.89	13.92	12.89	22.07
25-29	1.85	3.22	4.33	11.71	7.22	7.91	6.65	16.66
15-59	1.62	1.51	2.86	5.48	6.44	7.96	5.14	9.09

Note: The reference period for the usual status definition of unemployment is 365 days. It excludes individuals employed in a subsidiary capacity. The current daily status is based on the daily activity pursued during each day of the reference week.

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

Figure 3: Youth unemployment rate (%) (usual status), 2009-10



Source: see Table 8.

Such high unemployment rates reflect, at least partly, the mismatches between skills demand and supply. The skill levels of those who join the labour market early are low as they are often school drop-outs and haven't had the opportunity to undergo vocational training (Kumar, Mitra and

Murayama, 2012). Thus, it becomes difficult for them to find suitable employment, particularly in the early stages of their career when they lack adequate experience as well. However, with the dependency ratio expected to rise from 2040, India faces a pressing challenge to increase education and skill levels amongst its population to take advantage of this unique moment in its history.⁶ The scale of this challenge to improve the skills of its burgeoning labour force is significant. Employment strategies in India, therefore, need to prioritize youth employment issues.

Further, Ghose, Goldar and Mitra (2010) noted that, due to the rise in life expectancy, many elderly persons from low-income households have been compelled to participate in the labour market in search of a livelihood. This has resulted in stiff competition between the new entrants to the labour market and the elderly workers. In a desperate attempt to acquire experience, the younger workers have reduced their reservation wage which, in turn, has forced the incomes of the elderly workers also to decline. The insurgency issue is very much in the limelight, which is indeed related to the challenges of youth unemployment and underemployment (Magioncalda, 2010). Regions with inadequate employment opportunities have witnessed serious problems. Skills formation and job creation both have to be addressed simultaneously to contribute to the reduction in the intensity of the problem.

As witnessed in many developing countries, the unemployment rate increases with the level of education, which substantiates the fact that youth without education often belong to low income households and hence, cannot afford to remain unemployed for long (Table 9 and Figure 4). However, a high unemployment rate among educated youth may result in problems relating to insurgency, as mentioned above. Interestingly, it appears that a technical degree does pay off for males in the sense that these individuals have a lower unemployment rate than both general graduates and those with a diploma. This is only evident in the case of females in urban areas (women with technical degrees in rural areas have a very high unemployment rate of 80.2 per cent, though this figure is based on a small number of observations).

Table 9: Unemployment rates (%) (usual status) in rural and urban areas by educational attainment, 2009-10

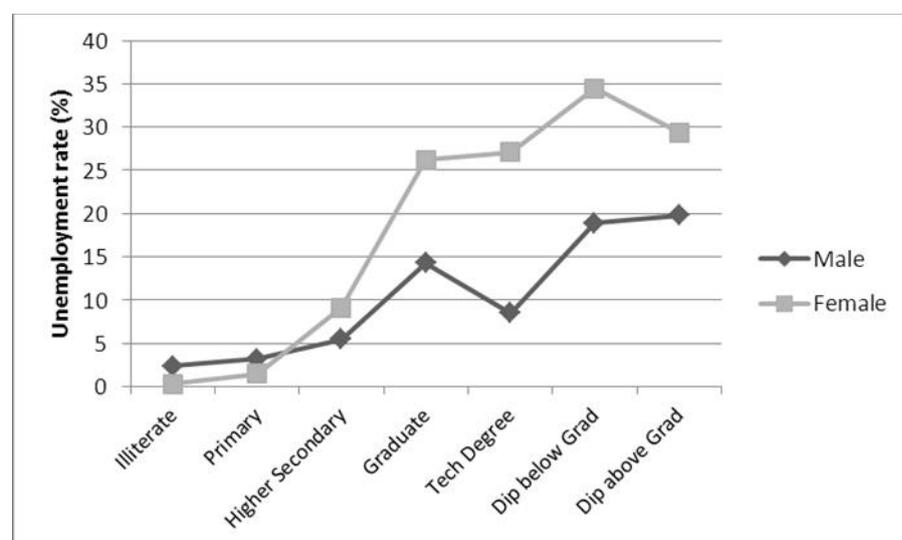
Education level	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Illiterate	2.1	0.1	1.1	3.8	2.7	3.5	2.4	0.3	1.5
Primary	2.9	1.4	2.5	4.1	1.8	3.8	3.2	1.5	2.7
Higher secondary	4.9	7.7	5.5	6.9	15.0	8.1	5.5	9.1	6.2
Graduate	15.4	27.9	18.6	13.3	25.0	17.0	14.3	26.2	17.7
Tech degree	15.3	80.2	29.6	7.2	17.0	9.4	8.5	27.1	12.6
Dip below Grad	22.1	50.6	28.4	16.5	22.5	17.8	18.9	34.5	22.3
Dip above Grad	30.2	49.4	34.9	16.0	23.5	18.1	19.8	29.4	22.4
Total	4.7	4.6	4.7	7.5	14.3	8.9	5.5	6.4	5.8

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

⁶ The dependency ratio in India was 55 as of 2010 (the ratio of individuals aged 0-14 and 65+ to those aged 15-64); however, as young people enter the labour market over the coming years, this ratio will continue to fall until it reaches 46 in 2040 (United Nations Population Division projections).

The general category recorded the highest unemployment rate in rural areas but not so in the urban context (Table 10). Possibly, rural youth in the general category are better educated and belong to higher economic background and, hence, can afford to remain unemployed for longer in order to search for better jobs. On the other hand, in the urban areas, the scheduled tribes (among males) and the other backward classes (among females) reported the highest unemployment rate. Otherwise, the urban unemployment rates in general have been higher than their rural counterparts.

Figure 4: Unemployment rates (%) (usual status) by educational attainment, 2009-10



Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10.

Table 10: Unemployment rates (%) (usual status) among youth (15-29) by social categories, 2009-10

Social Category	Rural			Urban		
	Male	Female	Total	Male	Female	Total
Scheduled tribe	4.8	2.2	3.8	12.3	12.9	12.5
Scheduled caste	4.6	4.4	4.5	7.1	11.0	7.9
Other backward class (OBC)	4.0	4.4	4.1	7.3	16.8	9.2
General	6.2	7.6	6.5	7.6	13.4	8.7
Total	4.7	4.6	4.7	7.5	14.3	8.9

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10

It is also interesting to note that, in the rural areas, the differences in male-female youth unemployment rates are nominal among the schedule castes, other backward classes and the general categories. However, among scheduled tribes, the female rate is only half the male rate. Among rural youth, women, therefore, seem to be working at least as intensively as the males once they participate in the labour market. On other hand, in urban areas, women can afford greater spells of unemployment. Social factors are important determinants of women employment, which is reflected in the high unemployment rates of young women in urban areas. Among the scheduled castes, the unemployment rate is the lowest, possibly because they belong to economically weaker sections. On the other hand, though economic conditions may not be varied between the general and the other backward classes, the youth unemployment rate among the females is sizably different, possibly because of differences in attitude towards women's work.

5. Econometric analysis of determinants of youth labour force participation

Given the broad patterns that we have observed in relation to youth labour market participation, a logistic regression is attempted below to highlight the impact of the following variables: age, gender, caste, sector and education. The dependent variable is discrete, taking a value of 1 for those who participate and 0 for those who do not participate in the labour market. While age is a continuous variable, gender dummy takes a value of 0 for males and 1 for females and sector dummy represents 0 for rural areas and 1 for urban areas. Besides, three caste dummies, SCDUM, STDUM and OBCDUM, representing scheduled castes, scheduled tribes and other backward castes respectively with general caste as the comparison category and six education dummies (EDU_i=1,...,6), representing primary, higher secondary, graduate, technical degree, diploma below graduate and diploma above graduate levels, with illiterates as the comparison category, have been included. In addition to the gender dummy and the sector dummy, an interaction of gender and sector dummies has also been included so that the same equation delineates the changes in the probability moving from rural males to urban males, rural females to urban females, rural males to rural females and urban males to urban females.

Table 11: Logistic regression: determinants of labour force participation of youth (aged 15-29), 2009-10

	Coefficient	Z	Dy/dx	Z
AGE	0.25	127.92	0.06	129.39
GENDERDUM	-2.16	-109.65	-0.45	-128.17
SECTORDUM	-0.32	-17.20	-0.07	-17.41
SECTOR*GENDER DUM	-0.41	-13.35	-0.09	-14.08
SCDUM	0.29	13.44	0.07	13.15
STDUM	0.39	17.03	0.09	16.58
OBCDUM	0.19	11.11	0.04	11.05
EDU1	0.09	3.28	0.02	3.26
EDU2	-0.93	-39.77	-0.22	-40.04
EDU3	-1.25	-37.69	-0.23	-51.26
EDU4	-0.93	-8.48	-0.18	-11.01
EDU5	-0.86	-15.17	-0.17	-19.02
EDU6	-1.10	-12.98	-0.20	-18.01
Constant	-4.16	-85.31		

Note: Log likelihood = -61412.812; Pseudo R² = 0.2718; LR chi²(13)=45,849.59; Number of observations =125,378; all the Z-scores are highly significant. Dy/dx refers to the marginal effect of the explanatory variables.

The gender dummy takes a value of 0 for males and 1 for females and sector dummy represents 0 for rural areas and 1 for urban areas. Three caste dummies, SCDUM, STDUM and OBCDUM, represent scheduled castes, scheduled tribes and other backward classes respectively with general caste as the comparison category. Six education dummies (EDU_i=1,...,6), represent primary, higher secondary, graduate, technical degree, diploma below graduate and diploma above graduate levels respectively with illiterates as the comparison category.

Source: NSS 66th Round, Schedule 10 – Employment and Unemployment, 2009-10, authors' calculations.

As shown in Table 11, the results tend to indicate that, except those with primary level of education, youth with higher levels of education have a lower participation rate compared to the illiterates. In terms of the latter, youth with at least a secondary education have around a 20 per cent lower probability of participation. Females show a lower participation rate compared to males with the lowest participation probability for urban females. Urban areas correspond to lower participation rates in general. All the three caste groups indicate a higher participation rate compared to the general castes. As expected, participation in the labour market tends to increase with age.

6. Conclusion

The aim of this paper is to provide a profile of youth employment and unemployment in India. A major long-term challenge in India is that many youth, because of poverty and poor human capital endowment, participate in the labour market at an early stage. They cannot afford to remain unemployed for long and, hence, pick up activities characterized by low labour productivity. In rural and urban areas, among the early labour market entrants, males are usually in casual wage employment, while their female counterparts tend to be self-employed.

Self-employment and casual wage employment comprise a large majority of youth employment. Agriculture employment is more prevalent for women in the rural areas, though rural males are increasingly turning to the non-farm sector as the possibility of gainful employment in the farm sector has been shrinking. However, how many non-farm jobs in rural areas are demand-induced is an important issue that needs further research. Given the macro evidence on the rural non-farm sector, expanding largely due to supply-side factors, it is difficult to suggest that rural youth are able to access sustainable livelihoods. On the other hand, in urban areas they are largely in the services sector in comparison to the secondary sector. Among young women, social conditions and norms play an important role in determining their labour market status. Labour market participation, for example, tends to vary across social groups. Among educated youth, the problem of unemployment can have serious repercussions in terms of social instability which, in turn, may affect governance and growth adversely. Thus, the challenge is to ensure that more opportunities are created in the formal economy, allowing for a smooth transition from school to work for India's youth.

In order to tackle the challenges of participation and job quality for the youth of India, policy interventions should promote a better quality education, on-the-job training, skill formation on the one hand and productive job creation on the other. For those who are in self-employment, credit assistance and marketing assistance can be of enormous help. Overall, however, experiences around the world have shown that comprehensive policies tend to work the best. For example, the Jovenes ('youth' in Spanish) programmes of Latin America are a well-known and much researched example of such a comprehensive approach. Starting in Chile in 1992, Jovenes programmes have since been established in Argentina, Colombia, the Dominican Republic, Panama, Paraguay, Peru and Venezuela (World Bank 2006). These schemes target unemployed and disadvantaged youth, who face considerable difficulties integrating into the formal labour market.

In the Indian context, significant emphasis has been placed on skills development. In this regard, the National Skills Development Policy (2009) sets a target of training 500 million skilled individuals by 2022, which will be reached by expanding public institutions in rural areas; using innovative delivery models; using skill development centres in rural areas to provide training information, guidance and delivery; involving panchayats and local government in skill delivery; improving access to apprenticeships and raising female participation in training (Ministry of Labour and Employment

2009). Moreover, the role of the Industrial Training Institutions (ITIs) is important in imparting technical skills to the youth and helping them access better sources of livelihood. Also, a quality education can counteract the social factors that hinder women's labour market participation.

At its 101st International Labour Conference in June 2012, the International Labour Organization adopted a Resolution calling for immediate, targeted and renewed action to tackle the youth employment crisis.⁷ On the whole, policies need to address the issue of low productivity employment among the youth both in the rural and urban areas. While broad-based skills development is crucial, these initiatives should be supplemented by specific programmes that provide comprehensive packages that target the most vulnerable and disadvantaged youth. This requires developing the right institutions and ability to deliver such programmes at the local level. Overall, the challenge is both in terms of job creation and the preparation of young people for the labour market to ensure that India's demographic dividend does not become the oft quoted 'demographic disaster'.

⁷ See http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm

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Youth employment and unemployment: An Indian perspective

Creating jobs for young people is a major challenge around the world, which has been further exacerbated by the global financial crisis. In this broader context, this paper presents a profile of youth employment and unemployment in India, which has the world's largest youth population. Young Indians face major barriers because of poverty and low levels of human capital. Though educational attainment has risen in recent years, gaining a foothold in the labour market remains elusive for many young Indians. In rural and urban areas, young males are usually employed in casual jobs, while their female counterparts tend to be self-employed. Although a large proportion of young rural women are employed in agriculture, rural males are increasingly turning to the non-farm sector. Among young women, social conditions play an important role in determining labour force participation. In response to these challenges, policies should address the lack of productive employment opportunities for youth. While skills development is crucial, these initiatives should be supplemented by more comprehensive programmes that target the most vulnerable and disadvantaged youth.

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