



► Research brief

March 2021

► Young persons not in employment and education (NEET) in India: 2000-2019¹

1. The Original Context of NEET and Developing Country Conditions

India is a populous and growing economy. Around 90 % of all employment in the country is without any effective social protection². Unemployment rates that have traditionally been low in India started to rise from about 2016 and were over 6% in 2019. Around 30% of India's labour force, which on our estimates was approximately 490 million, was also under 30 years of age in 2019. Growth in India was high between 2000-2016 (over 7%) after which the economy started to slow down³.

During a growth slowdown employment issues associated with youth demand special attention. Young persons are the majority of the new additions to the labour force. A recession or serious slowdown of growth worsens their prospects of getting jobs. Those who do not succeed in getting jobs become unemployed or they drop out of the labour market altogether. Therefore, it is critical to examine youth of working age not in the education system, who are either seeking employment without success or are so discouraged that they are not seeking employment at all. This is the basis of the NEET indicator: Young Persons Not in Employment and Education or Training.

Many employment indicators used for the whole population can be reworked for a selected age cohort to represent youth⁴. Therefore, for example, unemployment rates, working poverty rates, labour force participation rates are

all employment-related indicators that can be calculated for youth as well as the whole population. Since working age populations exist both within and out of the labour force, it is possible to produce (composite) indicators like NEET, that capture the situation facing youth who are not absorbed in the economic process, both within and out of the labour force. The NEET indicator, used extensively in advanced economies and now often estimated for developing countries, adds the numbers of youth not in employment⁵ to the youth populations who are not in education and training.

This indicator has relevance, in both advanced and developing economies, but differences of economic structure in the two stylized worlds entail differences in interpretations. In a typical large developing economy, the process that produces unemployed and inactive *out-of-labour-force* youth is different from the one in a typical advanced economy. We need to take into account three stylized facts, that have a bearing on the NEET estimate in India.

- **Gender Gaps in Labour Force Participation:** We have high gender-based gaps in many indicators including labour force participation. Compared to advanced economies these gaps are very large.
- **Weak Social Insurance Systems:** The population coverage for a social insurance or benefits system in a country like India is much lower than in advanced economies. This affects the interpretation of the

1 This research brief was written by Nomaan Majid, Senior Employment Specialist, ILO Decent Work Technical Support Team for South Asia. Thanks are due to Abhishek Kumar who provided research assistance and to S Dasgupta and N O'Higgins who commented on some of the issues raised in it.

2 Majid (2019). Structural Change and Employment in India.

https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_735166.pdf

3 Data on value-added output has been subject to changes and shifts leading to problems that affect both levels and change (growth). While the employment situation even in the good growth period from 2000 to around 2016 was slowly improving, there has been a slowdown of growth since. The slowdown in growth witnessed after COVID-19 hit India in March 2020 was not only pandemic-driven or a consequence of policy response to the pandemic, it had started before.

4 There is a certain arbitrariness concerning the selection of a particular age cohort representing "youth". This problem obtains not just for "youth", but it is a general methodological one when we operationalize any idea empirically. So, for example, setting a poverty line has similar types of problems.

5 Youth unemployment is likely to capture the worst off amongst the labour force in countries where social insurance and benefits systems exist and returns to all employment are above a certain minimum level of welfare.

unemployed category because in such a situation - most persons who cannot afford to wait for jobs (who are in the majority) will do any job as part of survival strategies⁶.

- **Weak Education System:** Although education is increasing, we need to recognize that re-joining higher education by the young⁷ after failed job searches is more difficult in poorer countries like India than in more advanced economies. This affects the second component of NEET. The more difficult it is to return to the education/training alternative, the easier it is for people to dropout altogether.

We will try to argue in this paper that these features require one to interpret NEET and its components differently for large and poor labour surplus developing economies like India.

The first part of this paper looks at some *general* characteristics of the youth population and labour force in India. In the second section, we examine the NEET category and focus on some characteristics of each of its two components. The third section concludes. This paper uses the available employment data from 2000 to 2019 from the Indian NSSO (2000-2012) and PLFS (2018

-2019). Our NEET calculations are based on the Usual Status classification.

2. Population and Labour Force Amongst Young Persons in India

2.1. India is still a young country

While the share of youth as a percentage of the population has now started to decline in India, young people still have a very high population share whether we define youth as being in the age cohort 15-24 or 15-29. This high share of the young population-ranging from 41.1% in 2000 to 37.5 % in 2019 in the 15-29 group; and 28.5 % to 25.7% in the 15-24 group-means that the youth population cannot be treated like a special case. If the youth cohort shares were far smaller, like in many ageing economies, youth-related issues could be considered a special category with category-specific policy solutions. This is the first point. We are talking about very large population shares of youth, whatever youth cohort definition we select. The gender distribution of the 15 + population and trends are similar in the age cohorts. There are marginally higher population shares of men in the younger groups⁸, and this is a feature of the country's population structure.⁹

► Figure 1. Youth Age Cohorts as a % of 15+ Population



6 The effect is that the head count unemployed in such an environment underestimates economy-wide unemployment. This is precisely why some underemployed persons (i.e. working poor) are worse off on average than the unemployed. See N. Majid, 2014, Measuring Employment in Developing Countries, <https://ideas.repec.org/a/wej/wldecn/588.html> and N. Majid 2001, The Working Poor in Developing Countries, International Labour Review, Vol. 140 (2001), No. 4. <https://www.ilo.org/public/english/revue/download/pdf/index01.pdf>.

7 In fact, in some high-income countries like the UK during the growth slowdowns of the 1970s and 80s, because there was an accessible and relatively cheaper publicly subsidized higher education system in place, the second component of NEET was smaller and many could be absorbed into education. That absorption capacity for those who would otherwise be unemployed is of course no longer available in the same way today.

8 It follows that any major differences between men and women that emerges in the analysis of the youth population (or of NEET, as we will show later), cannot be attributed to population distribution differences.

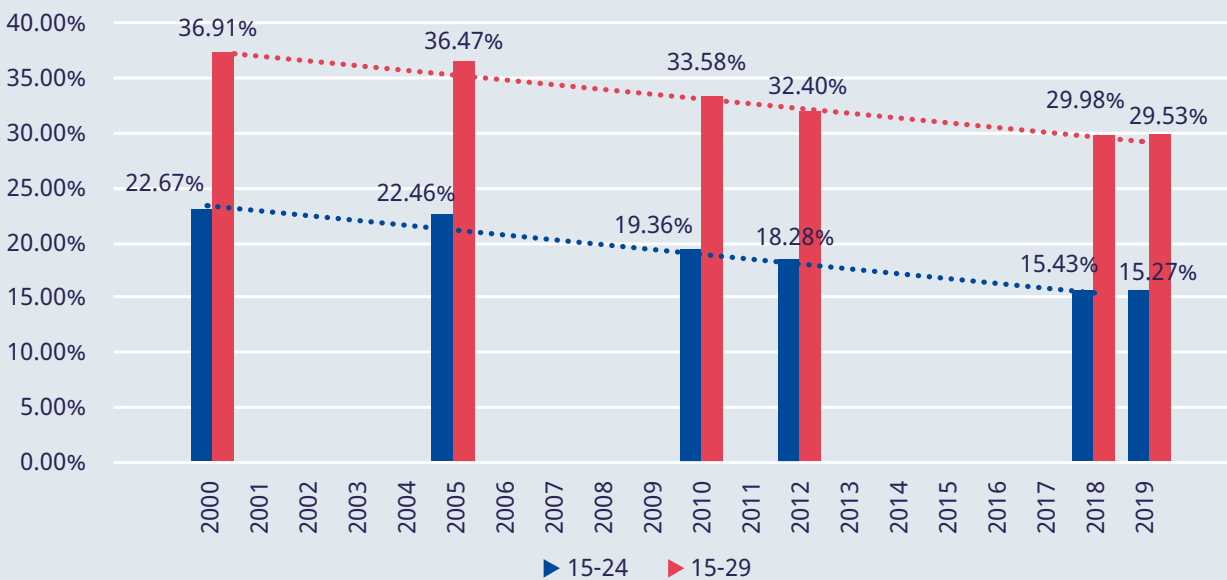
9 The employment data in the paper is NSS data for 2000, 2005, 2010, 2012 and PLFS data for 2018 and 2019 on UPS basis See. Concepts and Definitions used in NSS (mospi.nic.in). Correction factors need to be applied to data for generating absolute population adjusted numbers. India has not released a population Census since 2011. The Government of India National Commission on Population brought out Population Projections for India and States 2011 – 2036, Report of the Technical Group on Population Projections in November 2019. This allows researchers to make new correction factors. Where absolute numbers are reported these are based on new correction factors developed by us. These transformations have been done for the rural urban and male female divisions. Percentages also change marginally compared to those based on sample estimates. We also use the population projection adjusted estimates for ratios.

2.2. Labour force shares of youth are much lower than their population shares

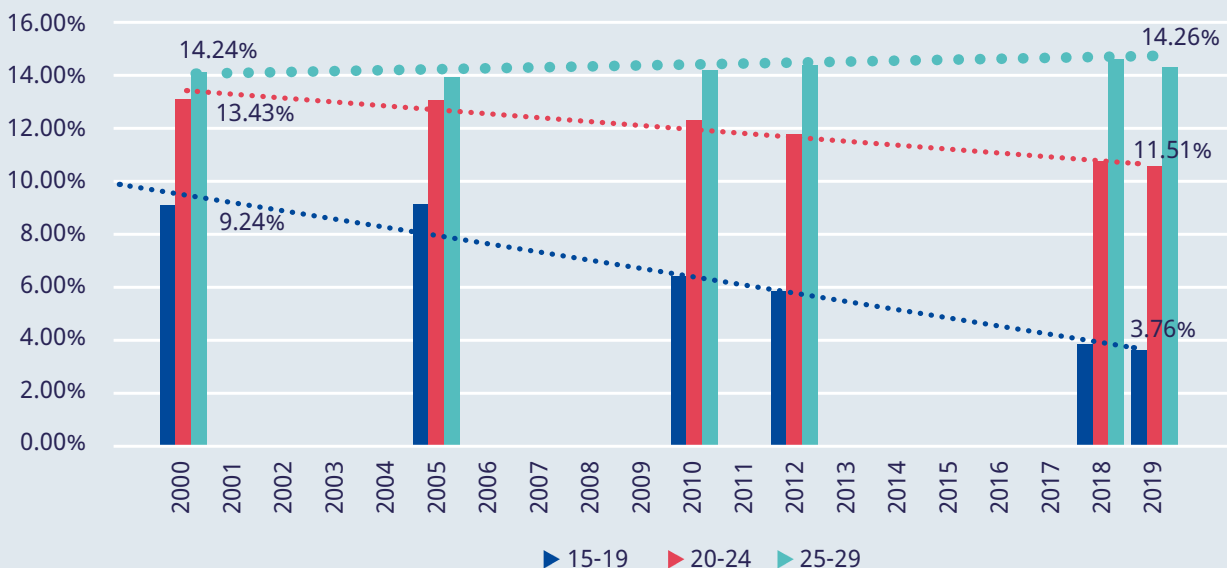
Like in population, youth cohort shares in the labour force also decline over time. Labour force shares are however lower and fall faster than the comparable population shares. In particular, it is the lower youth cohort (15-19) where the labour force share decline is manifest. The fast declining shares of youth in the labour force for the 15-24 cohort and the relatively slower declining share of the same youth cohort in population suggests that young people are getting out of the labour force faster than their population shares are declining.

Part of the decline with respect to the labour force is likely to obtain for a valid reason – increased engagement in higher education by school leavers. This withdrawal can be seen as being in preparation for joining the labour market later. However, part of the decline may well be due to increased inactivity with some people just dropping out. The fall in youth cohorts’ shares in the labour force are noticeable for both sexes given their participation in the labour market. That this participation is highly unequal between sexes is a separate but very important point for our later discussion.

► **Figure 2. Youth Cohorts I Share as a % of Labour Force**



► **Figure 3. Youth Cohorts II Share as a % of Labour Force**



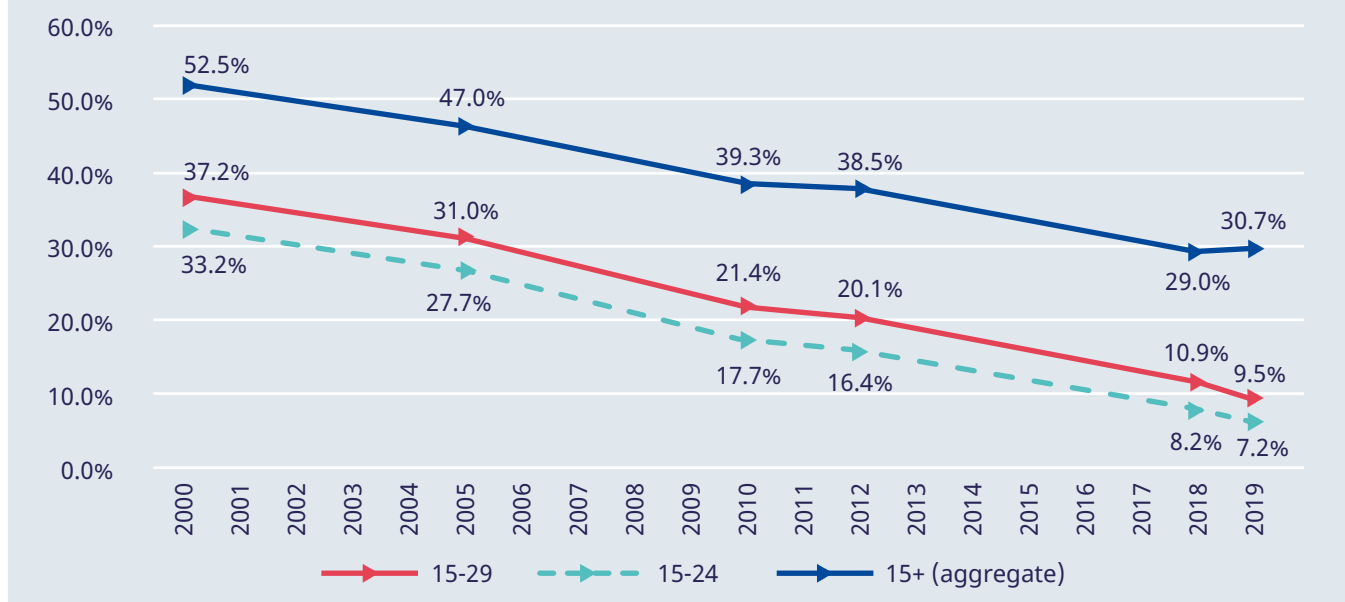
2.3. Declining labour force shares of youth are indeed affected by increased involvement of youth in education

The decline in the youth labour force shares, as argued above, is linked to education. Young people in India are increasingly engaged in education. The youth cohorts were far more educated in 2019 than they were in 2000. The rise of secondary and tertiary educated persons since 2000 and the decline in shares of illiterates plus primary educated youth cohorts has been rapid.

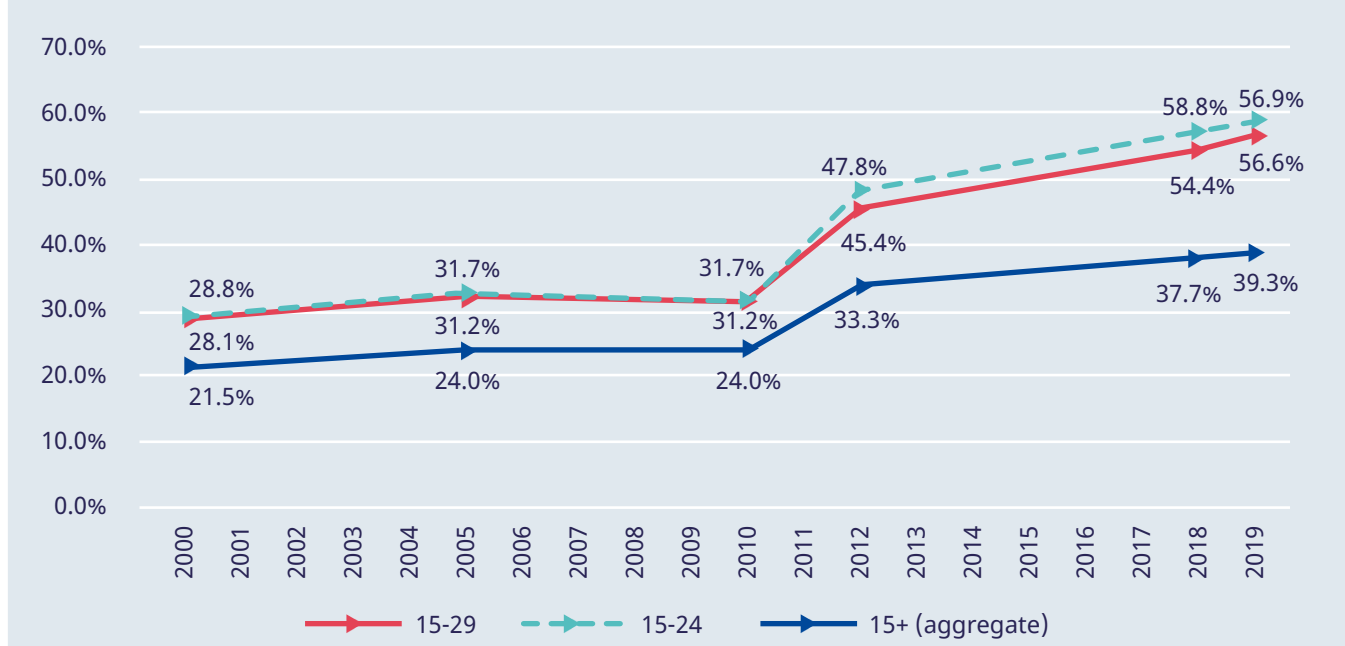
2.4. Labour force participation rates are falling on trend for all groups and the asymmetry between men and women's rates is dramatic

The level of the overall labour force participation rates is not low because of low participation rates for men but because of low participation rates for women, who are nearly half the 15+ population. This is a general phenomenon, which is valid at the youth cohort level as well. Male participation rates are generally much

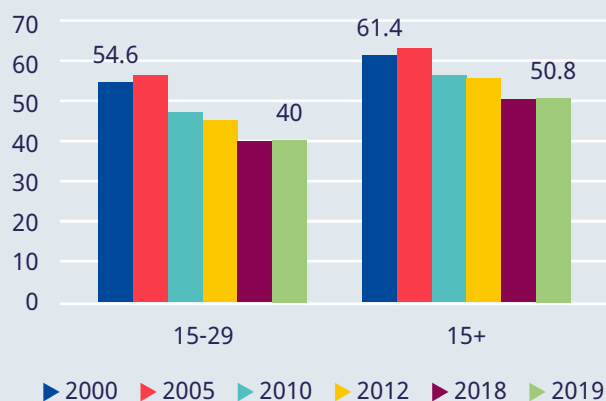
► **Figure 4. Persons with Less Than Primary Education as % of Population in Cohort**



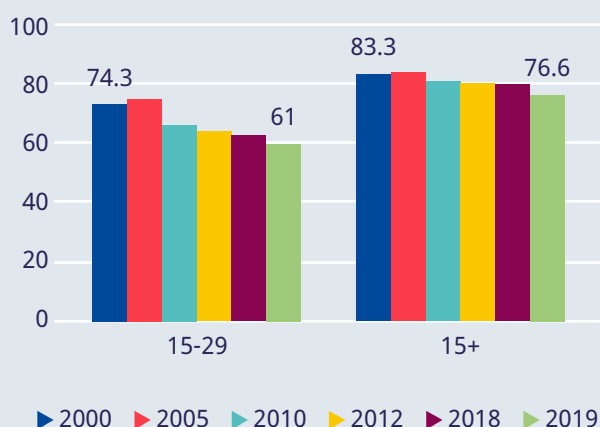
► **Figure 5. Persons with More Than Secondary Education as % of Population in Cohort**



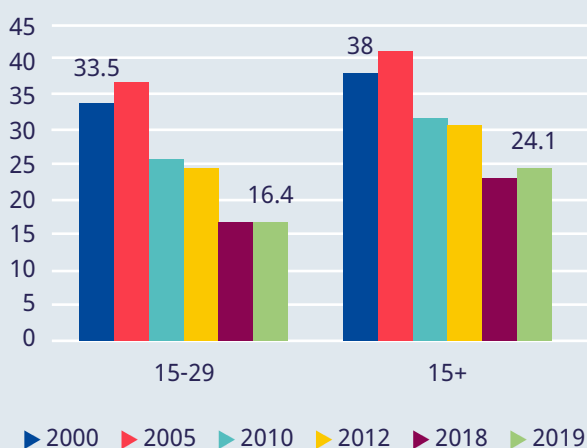
► **Figure 6. Labour Force Participation Rates (All)**



► **Figure 7. Labour Force Participation Rates (Male)**



► **Figure 8. Labour Force Participation Rates (Female)**



higher than the average but these too are falling over time. Women's participation rates are extremely low and also falling over time. This of course means that the share of women in the labour force (both in employment and in the unemployed) as a percentage of their 15+ population is low. As far as the labour force is concerned, both employment and unemployment are likely to be dominated by men in absolute terms as well as in terms of shares. It is the lower participation of women in the labour force, which generates their low shares in both employment and unemployment.

2.5. The lower participation rate for women does not mean that they are more involved in education than men

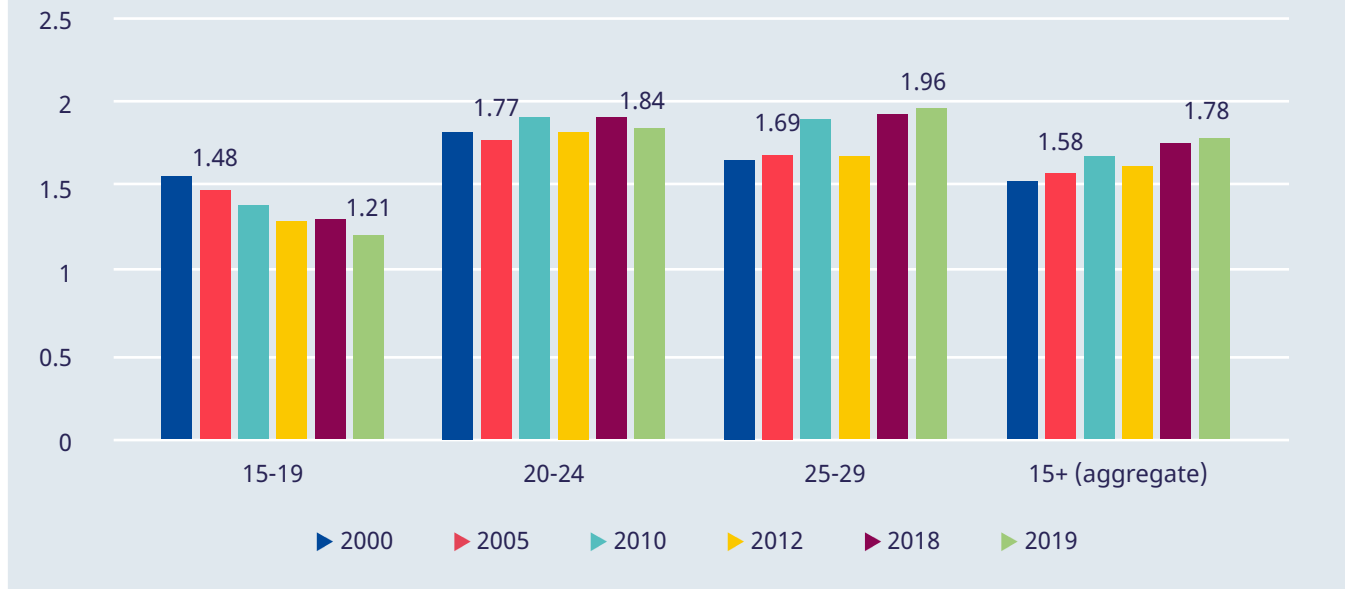
A very low participation rate for women means that many women are **absent from the labour force**. This is true for all adults but also true for youth cohorts. The explanation of the low level of the female participation rates is likely to be social and can significantly pertain to restrictions, safety as well as social exclusion. The declining trend of this rate may well also have other explanations¹⁰.

In fact, women are also disproportionately absent from education. The share of persons with less than primary education is a measure of detachment from education. A relative measure based on the ratio of these shares for women and men respectively can give us an idea of the extent of women's absence from education relative to men. A ratio greater than 1 means that there are more women who are in the low education category than men **in proportional terms**. The indicator in the figure below calculates the number of **less than primary educated persons** as a percentage of the total population in age cohorts for women, and divides it by the same for men. This ratio of relative illiteracy gives us a useful measure on the gender dimension of detachment from education systems. The ratio is always greater than one.

However while the ratio is also rising for the whole population over time, and arguably for the 25-29 age cohort, it fluctuates for the 20-24 age cohort and falls for the 15-19 age cohort. This means that as time goes on there will be a cascading effect of declines in this ratio in the 15-19 group on to the next two youth groups and ultimately the 15 plus population.

¹⁰ The explanation for declining participation rates for women may well have something to do with the rates being driven by rural areas. If poor households show a declining participation from women at the same time as increasing earnings or proxies for the latter then an argument can be made that women withdraw from the labour force with rising household incomes because home-work becomes more viable at given female wage rates.

► **Figure 9. Female : Male Ratio of Share of Illiteracy (Less Than Primary Educated) in Age Cohorts**

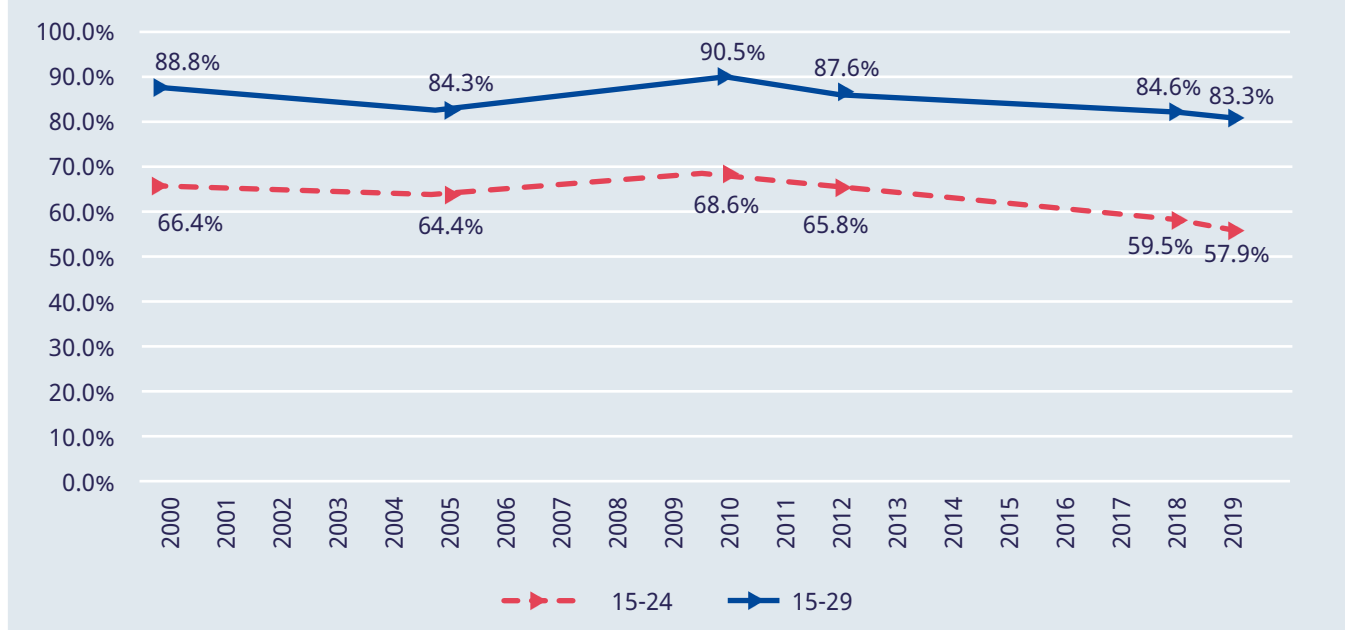


2.6. Youth shares in total unemployment are very high

Quite apart from the issues concerning the social and material status of the unemployed¹¹, unemployment

amongst youth is in part due to well-known reasons pertaining to skills mismatches, limited work experience, a higher tendency to shift jobs, as well as the important matter of jobs not being available for the young. However, what is critical to note is that a very high share of all the

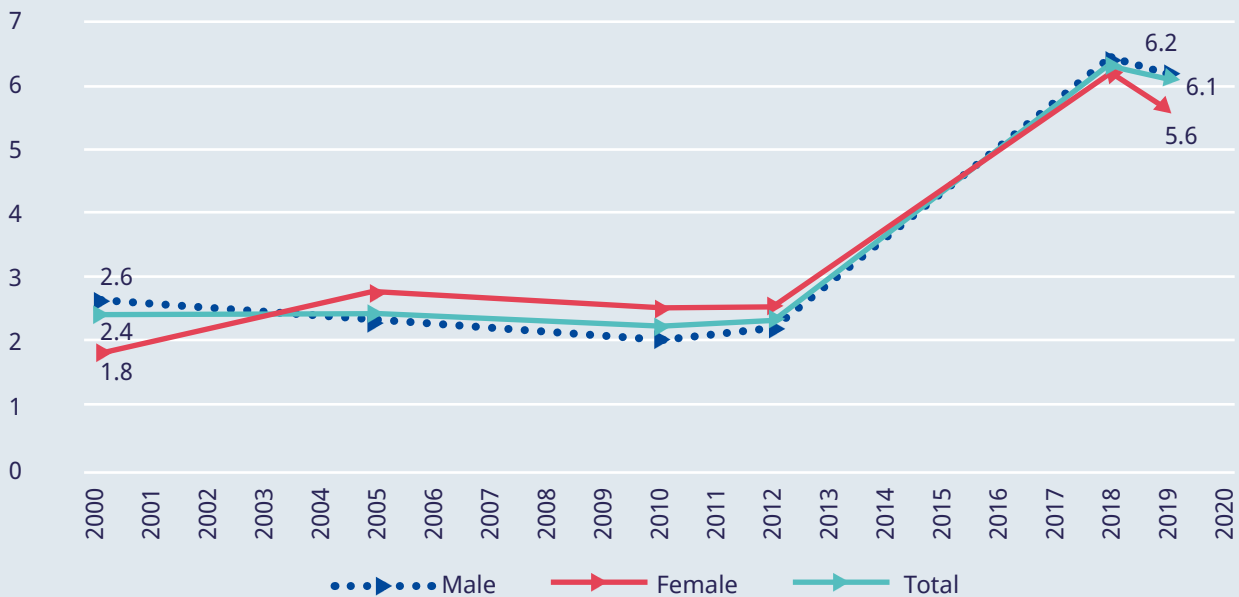
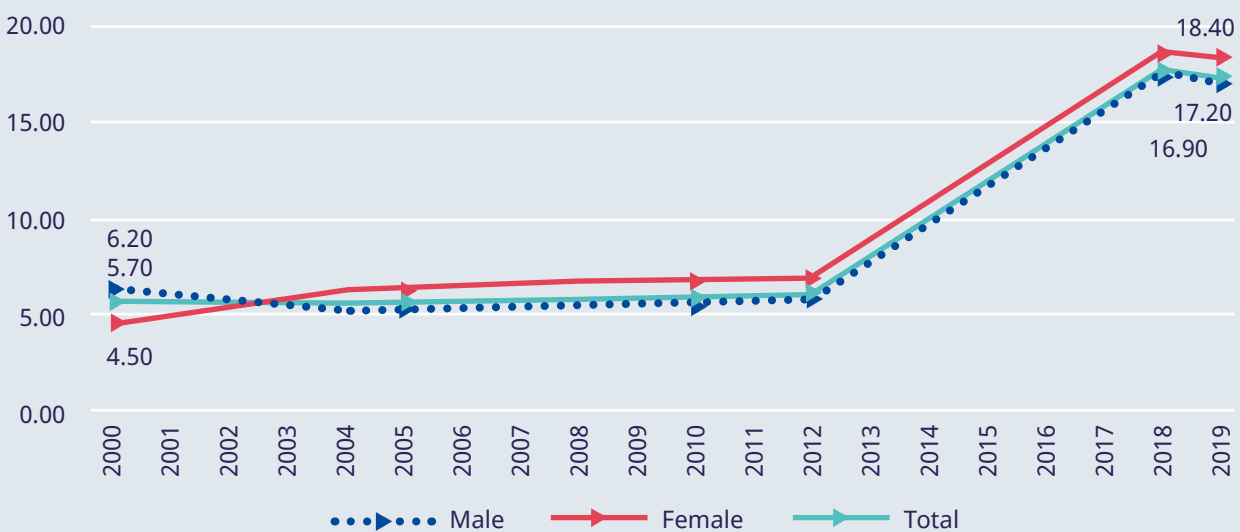
► **Figure 10. Unemployed in Cohort as a % All Unemployed**



11 Majid (2001). The Working Poor in Developing Countries: <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1564-913X.2001.tb00533>.

Majid (2015). On Measuring Employment in Developing Countries

<https://www.world-economics-journal.com/Journal/Papers/Measuring%20Employment%20in%20Developing%20Countries.details?ID=588>

▶ **Figure 11. Unemployment Rate 15 +**▶ **Figure 12. Unemployment Rate 15-29**

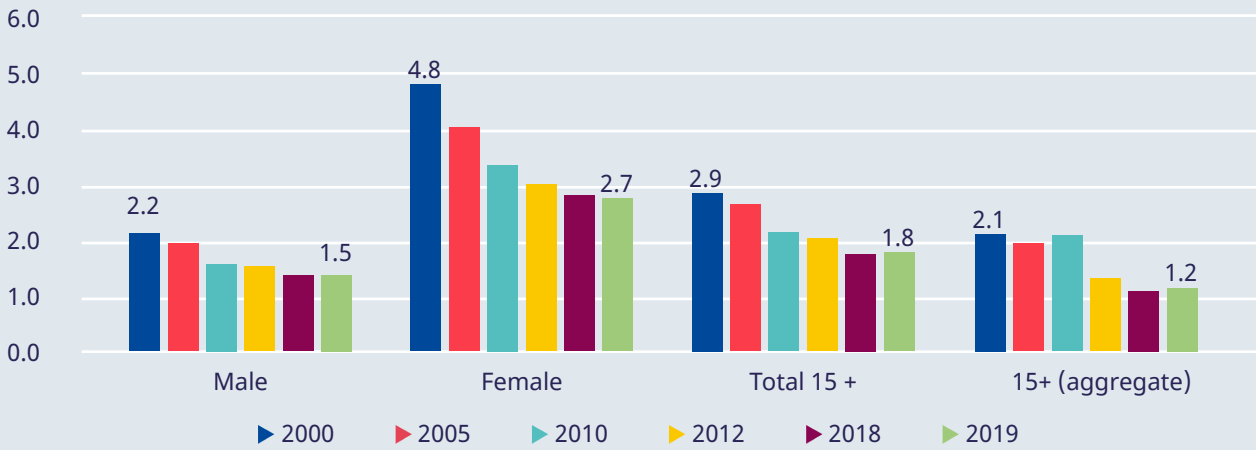
unemployed is in the youth cohort in India. While youth cohorts are now beginning to show declining shares in the total population, these are still early stages and their shares in population are still quite high. However, 83.3 % of the total unemployed in the country in 2019 were in the 15-29 youth cohort. The percentage for the 15-24 group is still over 57.9 %. Thus for about a 37.5 % population share (the 15-29 cohorts' share in the 15 plus population), we have an 83.3 % share in total unemployment¹².

2.7. The unemployed are far more educated than the average of 15 plus population

While education levels still have a way to go, it is clear that the unemployed are far more educated than the rest of the 15 plus population. This is a general characteristic of the unemployed, who are dominated by youth. The reason of course is that many unemployed are from backgrounds that can better afford education and wait for preferred

¹² It is important to note that while shares in total unemployed of youth populations are dominant majorities, the shares of the unemployed component in NEET is a minority component. We examine this matter in the following discussion on NEETs.

► **Figure 13. Unemployed with At Least Secondary Education as % of All Unemployed Divided by All Persons with At Least Secondary Education as a % 15 Plus Population**



jobs. There is a gender dimension to this, a greater proportion of women are post-secondary educated than men within the unemployed.

Figure 13 summarizes the information by taking the ratio of the educated (at least secondary education) in the unemployed divided by the educated (at least secondary education) in the entire adult population in each group (15 + population, male, female) respectively. Although the ratio declines over time, it is always greater than one.

A few points emerge from the preceding discussion of population, labour force, education and unemployment in India. These points are summarized below as we carry them into our discussion of NEET in the next section.

- India is still a young country although its population has now started to turn the demographic corner towards ageing. The youth cohort is a large share of the population in India.
- Labour force shares of youth are lower than their population shares because of increased involvement of the young in education.
- While population shares of women and men are nearly equal, women’s shares in the labour force are very low compared to men. This is because women’s participation in the labour force both in general as well as for the youth cohort is very low.
- Within youth cohorts, women are less in education relative to men.
- An exceptionally large majority of all the unemployed are within the youth cohort. This makes unemployment in the cohort, the core of overall unemployment in the country. This group is male- dominated.

- The education level of the unemployed is far higher than the 15 plus population as a whole.

3. NEETs in India

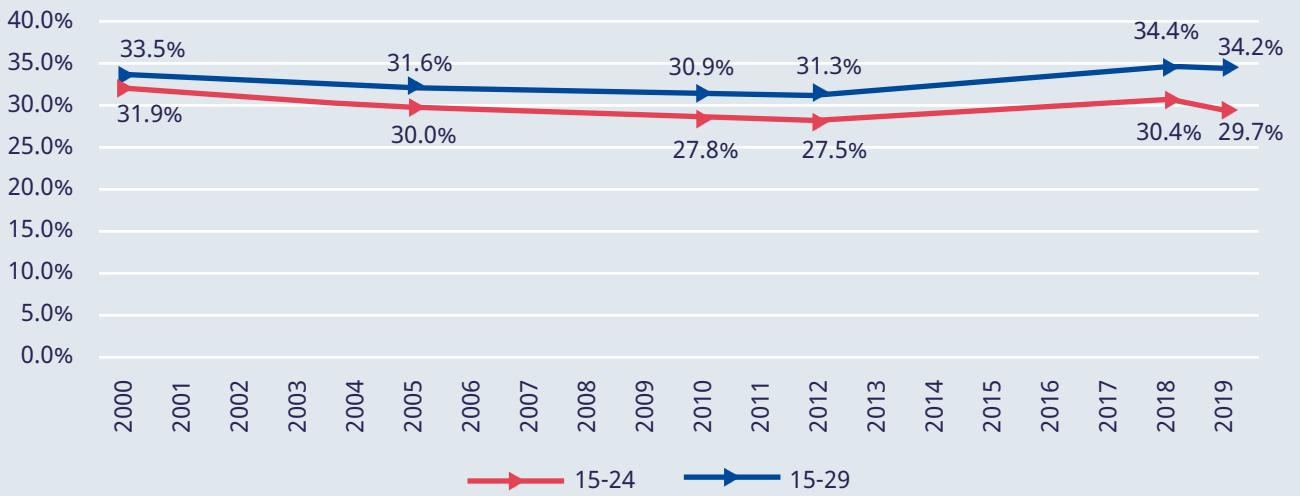
3.1. NEET Rates are very high- women’s NEET rates are more than 6 times those of men in 2000 and more than 4 times in 2019

We now take an overview of the Indian context within which we examine NEET¹³. The NEET as we stated is a concept that was originally used in advanced economies. The category takes a headcount of those youth who are not in employment (in the labour force these are the unemployed) and adds to its persons in the same age cohort who are also not in education and training (these would be out of the labour force). Let us call the “out of labour force” NEET-OLF.

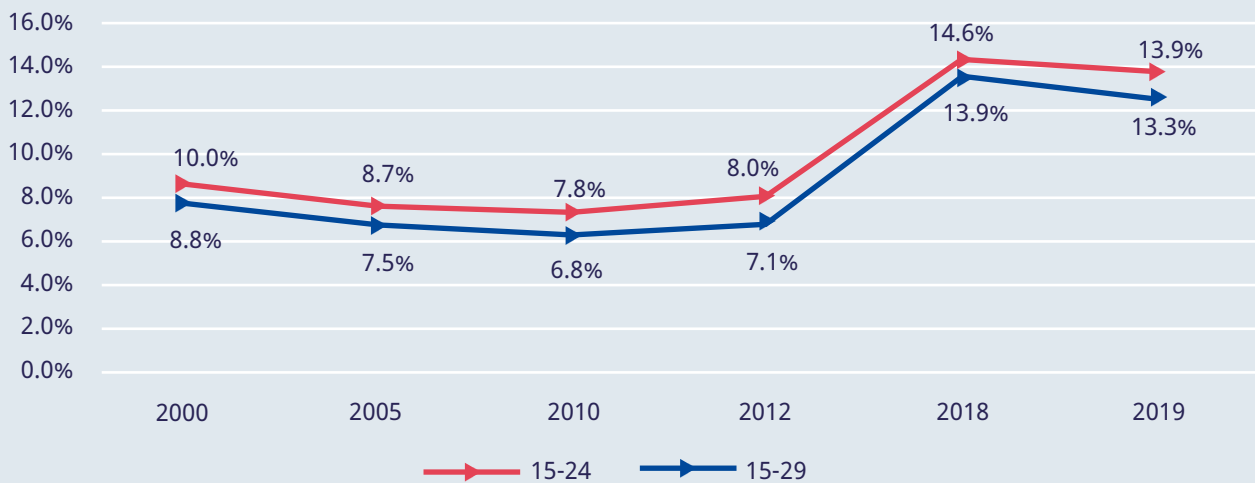
NEET rates are simply the NEET number divided by the size of the age cohort. The rates are calculated as shares of the age cohort and importantly not of the active population (labour force) as in unemployment rate measures. The NEET rate for the 15-29 cohort was around 33.5% in 2000, and 34.2% cent in 2019. The trend and pattern is clear. NEET rates in India are declining over time for the 15-24 group and rising slightly for the 15-29 group. However, these levels are high and show an asymmetry between men and women. It is clear from our estimates that women have higher NEET rates and dominate NEETs. Women’s NEET rates are several times those for men, and their shares in all NEET were approximately 86% in 2012.

13 Our calculations for the NEET are based on UPS.

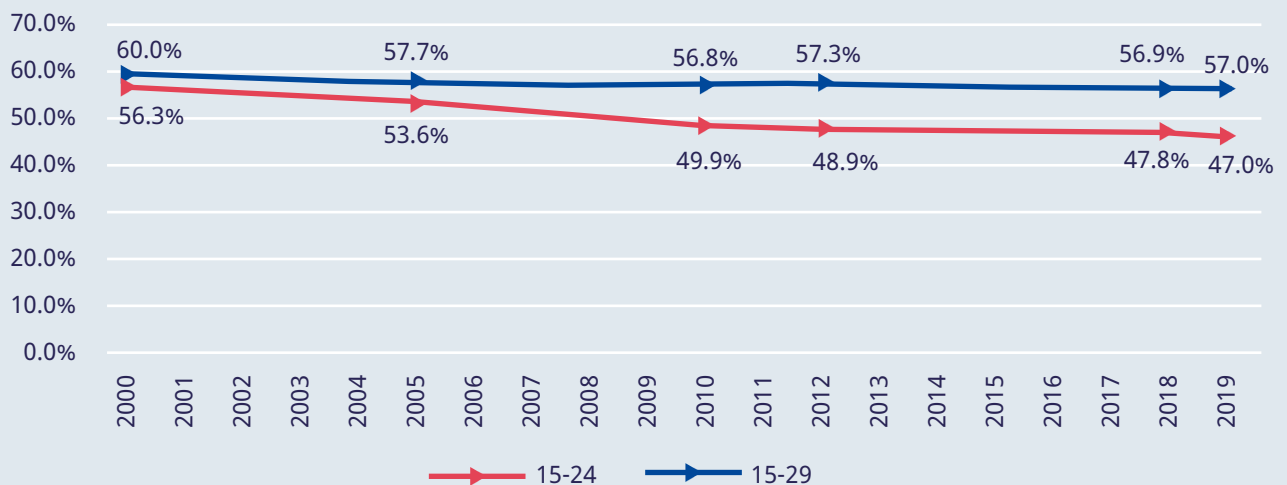
► Figure 14. NEET Rates All



► Figure 15. NEET Rates Male



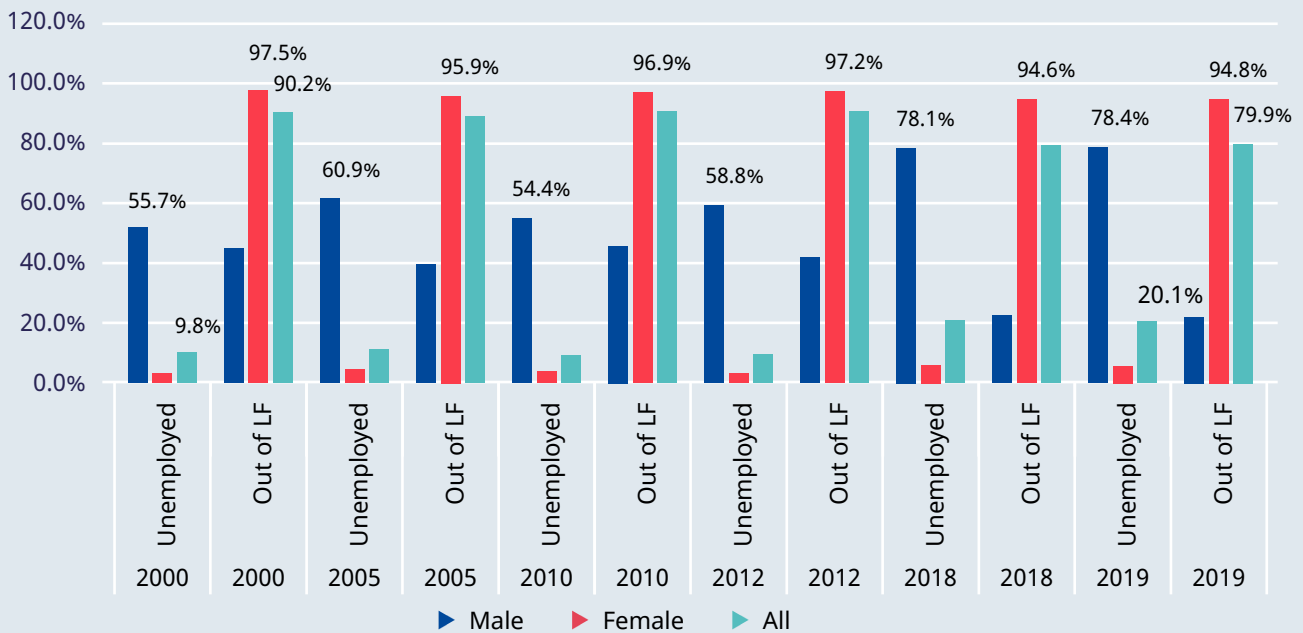
► Figure 16. NEET Rates Female



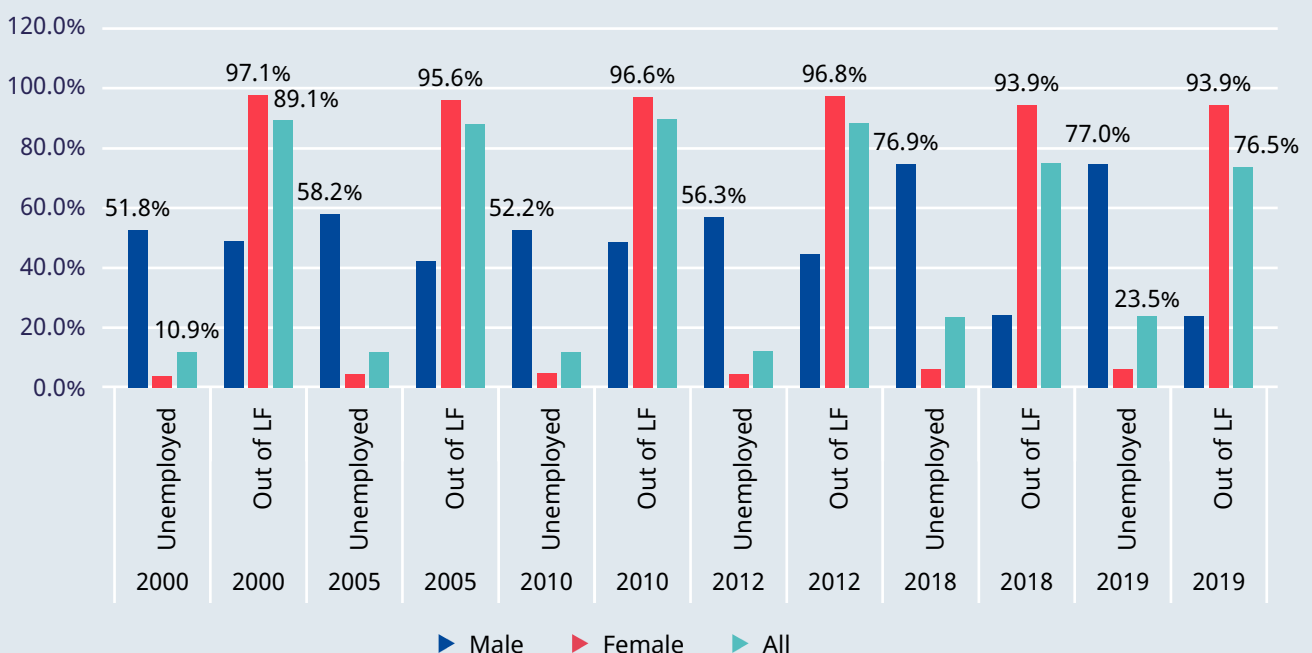
3.2. In India the Unemployed amongst NEETs are the minority sub-group dominated by men, the other group NEET: OLF (not in education and training and out of labour force) - is the majority sub-group and is dominated by women

One component of NEET are the unemployed in the age cohort - which we saw earlier cover a majority of all the unemployed in the Indian economy. The unemployed are of course a part of the labour force. This group is likely to be male-dominated because participation rates of men are higher. The other component of the NEET category are those who are not in education or training.

► **Figure 17. Youth 15-29 Percentage Shares of Unemployed (U) and Out of Labour Force and Education (Out of LF)**



► **Figure 18. Youth 15-24: Percentage Shares of Unemployed (U) and Out of Labour Force and Education (Out of LF)**



This component ought to have a dominance of women, both because of their lower labour force participation rates (which make them dominate the out of labour force group) but also because they are likely to have greater incidence of illiteracy (which makes them dominate the not in education and training part).

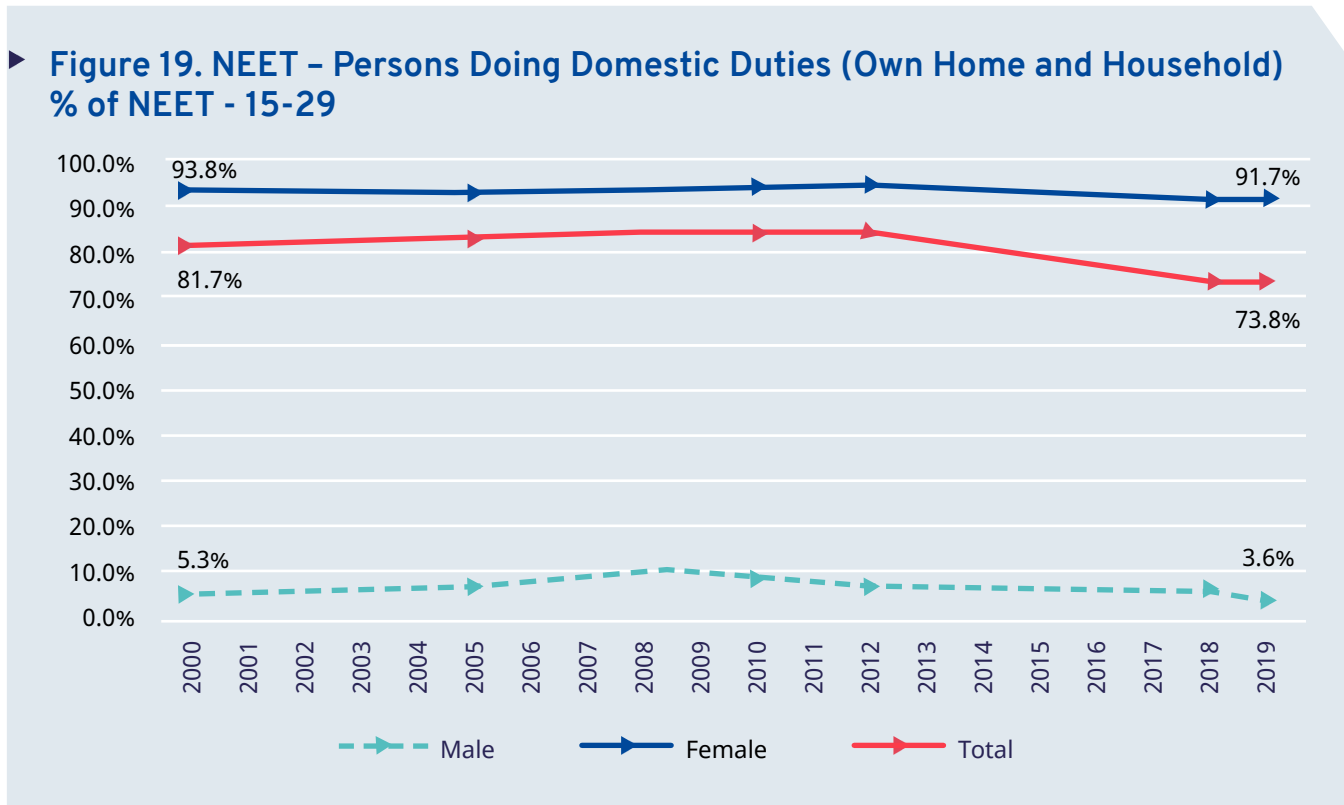
What is clear is that the **minority** NEET are the NEET-Unemployed group, and the **majority** NEET are the NEET-OLF group. Since women dominate the latter and men the former, NEET as a whole are dominated by women. Therefore, there is dominance of one component of NEET over the other; the majority part has a female majority and the minority part a male majority. It should therefore also be clear that in India NEET is not an 'unemployed dominated' category but the reverse, it is an out of labour force and not in education dominated category.

We find that the share of 15-29 NEET-Unemployed in all NEETs (which is the dominant majority of all unemployment in the country) was only around 9.8% in 2000, which increased to 20.1% in 2019. In other words, the unemployed young (who are themselves the majority in all the unemployed in India) are an increasing but a **minority part** of NEETs in India. This is important to note because it puts the unemployment problem and the youth unemployment problem in a quantitative perspective.

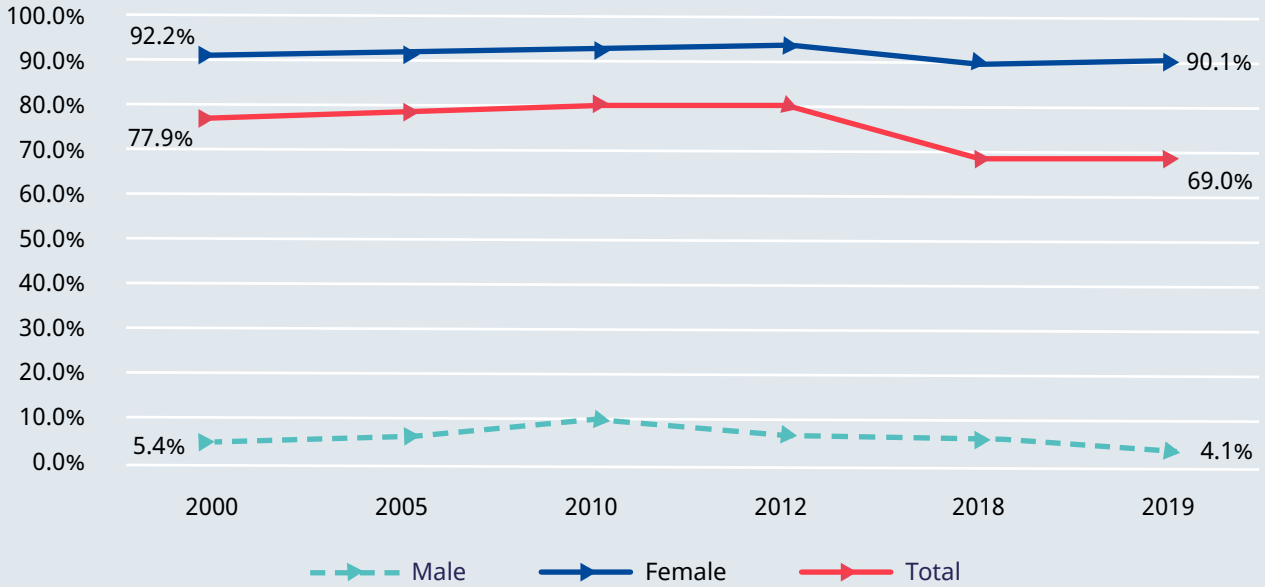
Only 20.1% of 15-29 NEET were, unemployed and these persons happen to be over 84% of the economy-wide unemployed and dominantly male. The percentages are slightly different for the 15-24 group but the same principle is at work.

3.3. A highly significant part of the female majority in NEET-OLF is not idle or inactive but is involved in household work

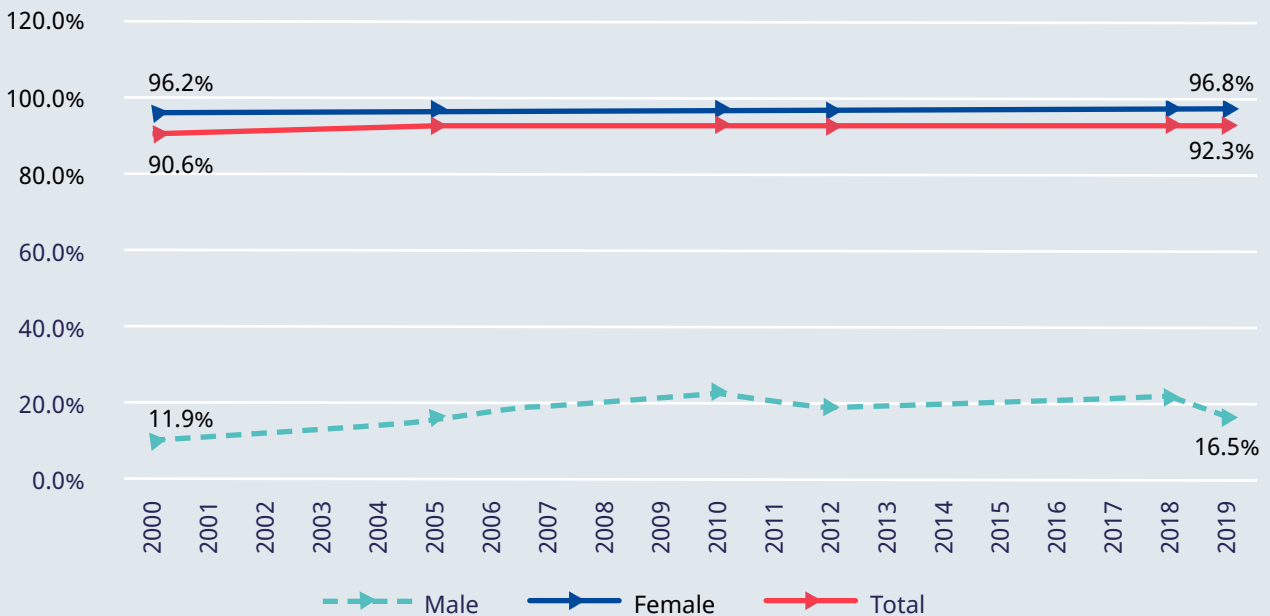
While a majority 86% of all NEET are women and 97% of these are in the NEET-OLF sub-group there is another feature of this -group that is critical to appreciate in the Indian context. Many women in NEET OLF are involved in domestic and household work for their own households. Care work is mostly internalized within household activities. This is not work like that of unpaid family helpers (who are counted in the employed). Thus, the extent to which this group can be classified as 'inactive' - being out of LF and out of education-poses definitional problems in the Indian context. If these numbers were compared to equivalent categories in typical advanced economies, we would on average find the inactivity label for the latter to be more appropriate.



► **Figure 20. NEET - Persons Doing Domestic Duties (Own Home and Household) % of NEET - 15-24**



► **Figure 21. NEET - Only Domestic Duties (Home and Household) as a % Out of LF 15-29**



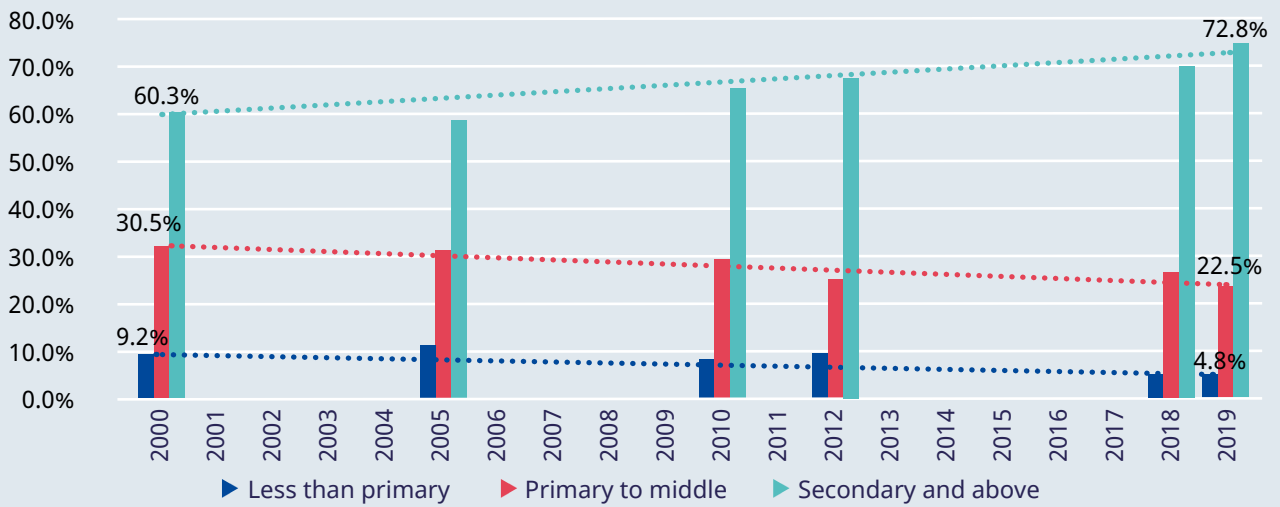
3.4. The minority male dominated NEET-Unemployed are increasingly becoming more educated and have higher education levels than the minority female dominated NEET-OLF

In 2000, NEET-15-29 Unemployed with secondary and above education were 60.3% of total unemployed in

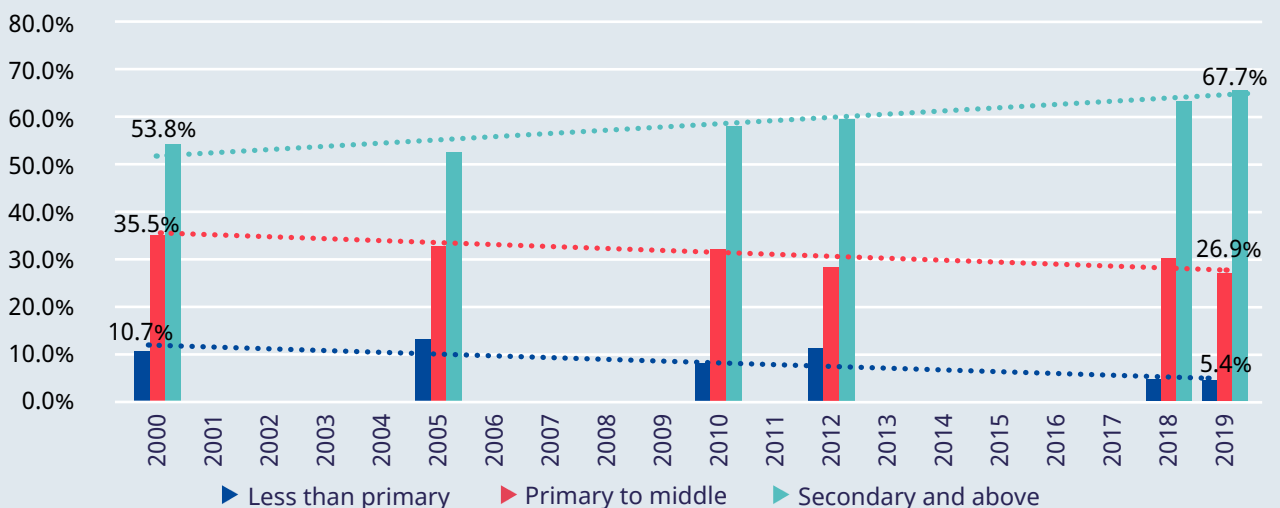
the category; in 2019 this percentage rose to 72.8%. So educated unemployed shares have risen further in the unemployed.

It is also clear that comparable estimates of the NEET-OLF show similar trends but much higher shares of low literacy groups and significantly lower shares of higher literacy groups than the NEET-Unemployed.

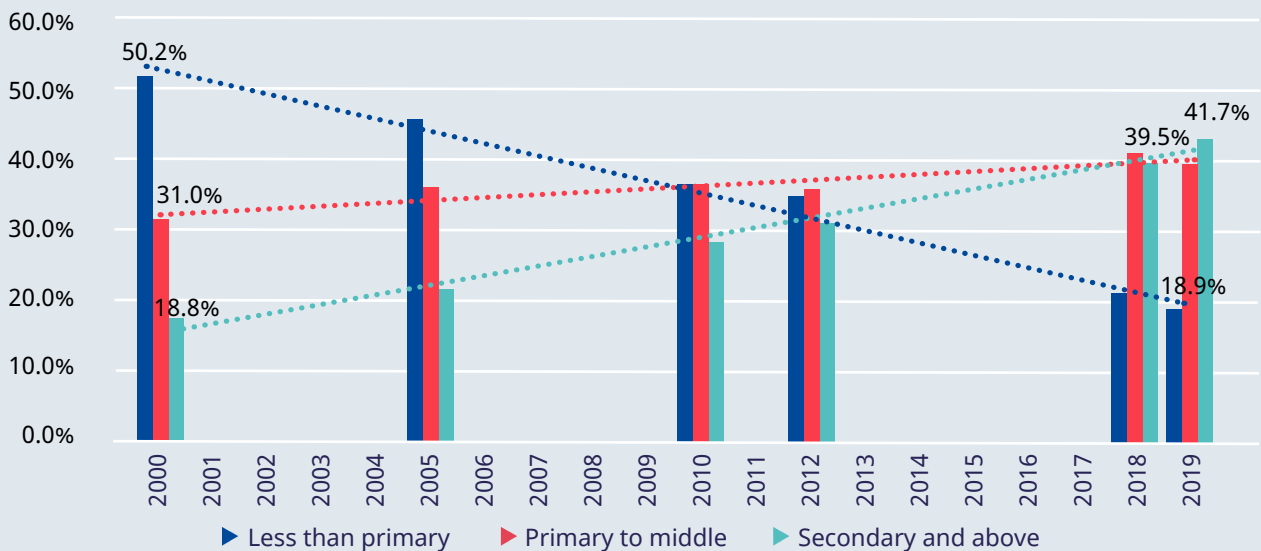
► **Figure 22. NEET Unemployed 15-29 % Shares by Education**



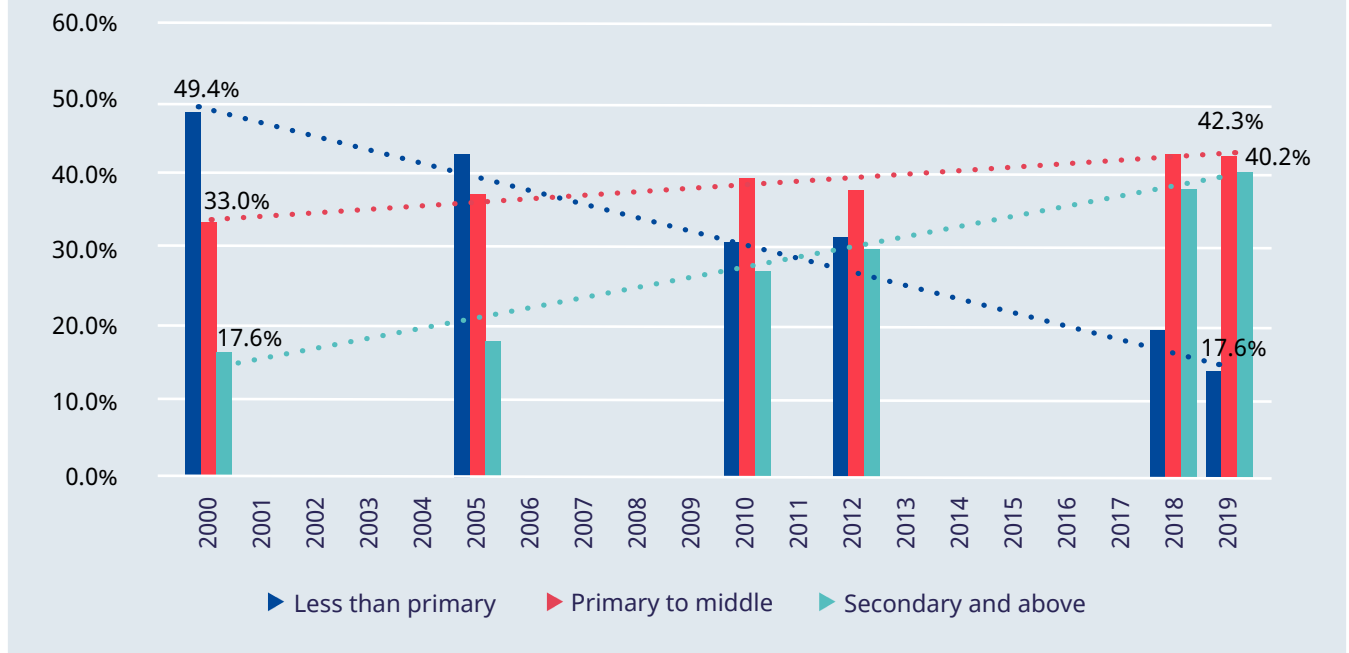
► **Figure 23. NEET Unemployed 15-24 % Shares by Education**



► **Figure 24. NEET-OLF 15-29 % Shares by Education**



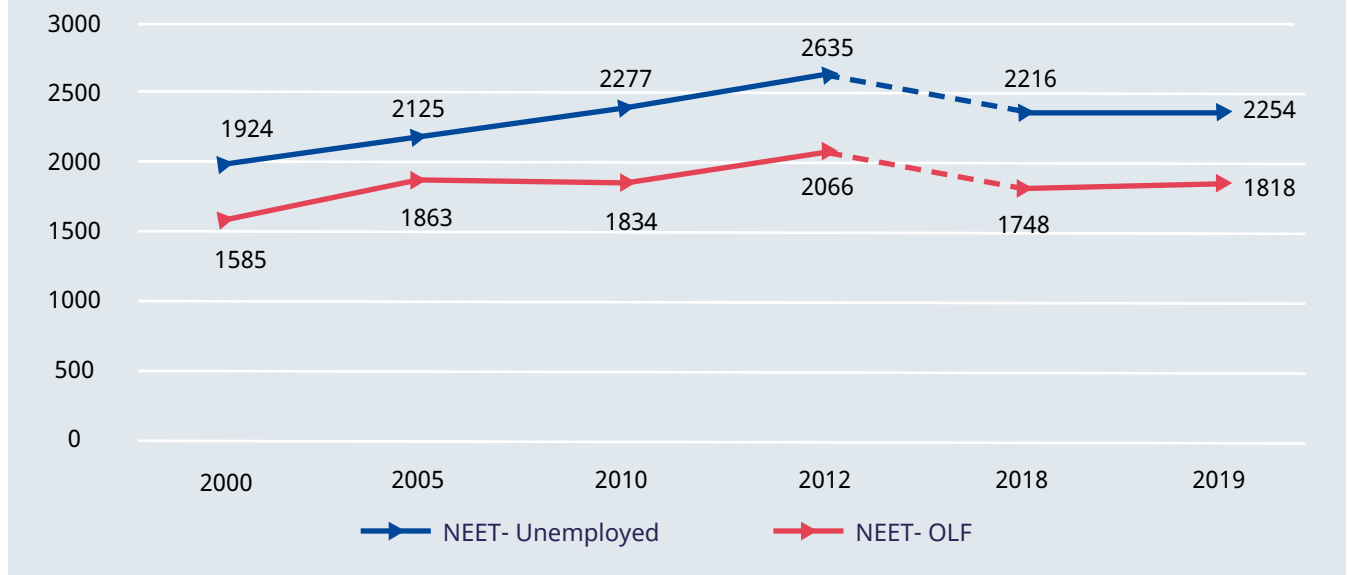
► Figure 25. NEET OLF 15-24 % Shares by Education



3.5. The male dominated, educated and minority sub-group of NEET, the NEET-Unemployed belong to households with a higher per capita consumption expenditure (MPCE) than NEET- OLF majority sub-group of NEET

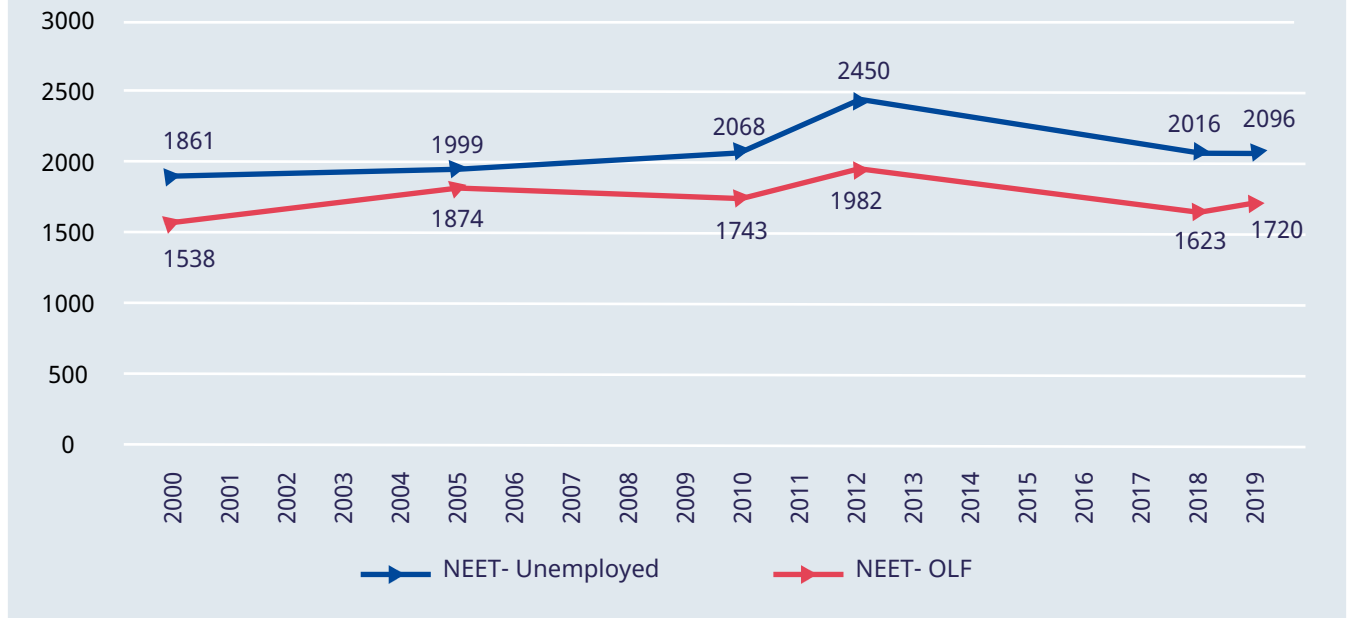
It is important to get a welfare perspective on these two groups of NEET. We do this by calculating Monthly Per Capita Household Consumption Expenditure (MPCE) of the NEET groups from NSSO data. The data show that the NEET-OLF group has the lower household per capita consumption than the NEET-unemployed¹⁴.

► Figure 26. Mean Household Per Capita Consumption Level (MPCE) of 15-29 NEETs



14 There is a change in the survey question on household consumption from 2012 to 2018, so the negative trend on data may not be accurate. Thus, there is a dotted line between 2012 and 2018. On the other hand, because the growth slowdown in India began from after 2016, there is an expectation that there is a fall in consumption.

► **Figure 27. Mean Household Per Capita Consumption Level (MPCE) of 15-24 NEETs**



3.6. Some final remarks

India is still a young country and her population and labour force shares of young persons are high. The increase in education over time has meant that labour force shares of youth are much lower than their population shares. India is also a developing labour surplus economy that faces the challenge of low rates participation of women in the labour force. With economic growth and development, we find that the already low labour force participation rates fall on trend for all groups. The asymmetry between men's and women's rates remains dramatic. The gender asymmetry of participation rates in India, explains why one component of NEET (NEET-U) is dominated by men; and the other component (NEET-OLF) is dominated by women. This means that NEET rates are much higher for women than they are for men. Youth shares in total unemployment are very high in India, and although unemployment rates are rising, the unemployed amongst NEETs are still by far the minority group. The unemployed tend to be far more educated than the average of 15 plus population. It is also the case that the NEET-Unemployed are more educated than the majority female-dominated majority NEET-OLF group. The latter group is also not "inactive" but is involved in working for the reproduction of the household including doing care work. Finally, the

NEET-U, belong to households with a higher per capita consumption expenditure (MPCE) than the majority NEET-OLF. Thus, the characteristics of NEET in India are that the minority male-dominated unemployed group is better educated and richer, and the majority female-dominated out of labour force group is less educated and poorer.

There is a strong rationale in many advanced economies - especially those with functioning social insurance systems, relatively developed education and training systems as well as lower initial gender-based gaps in labour force participation - to look at the two components of NEET as additive categories in social policy making. In poor developing economies with large youth populations, wide gender gaps in participation rates, unequal and inadequate access to education, and ineffective social welfare systems there is a special need to distinguish the two components of NEET. In India, which is a latter type of economy, the NEET category aggregates a minority unemployed group (that is a better educated, richer and male) and a much larger majority not in education and out of labour force group (that is less educated, poorer, and dominantly female) into the NEET category. Policy analysis with the objective of increasing the inclusion of youth in the labour market under such conditions, should benefit from separately examining components of NEET as well.



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