WP-2011-009

Youth Employment and Unemployment in India

S. Mahendra Dev and M. Venkatanarayana

Indira Gandhi Institute of Development Research, Mumbai
April 2011
http://www.igidr.ac.in/pdf/publication/WP-2011-009.pdf

Youth Employment and Unemployment in India

S. Mahendra Dev and M. Venkatanarayana
Indira Gandhi Institute of Development Research (IGIDR)
General Arun Kumar Vaidya Marg
Goregaon (E), Mumbai- 400065, INDIA
Email (corresponding author): director@igidr.ac.in

Abstract

Increase in the share of youth population due to demographic 'dividend' or the 'youth bulge' seems to be one of the sources of future economic growth in India. Although with increase in school and college enrolment rates, the proportion of youth in the labour force has been declining, their high proportions in the labour force indicate that the problem of youth unemployment and underemployment would remain a serious policy issue for many more years to come in India. In this context, this paper examines the employment and unemployment situation of the youth in India during the last two-and-half decades viz., 1983 to 2007-08. It analyses the trends in labour force and workforce participation rates, unemployment, joblessness, working poor, growth and employment elasticities etc. The paper also offers policy recommendations for increasing productive employment and reduction in unemployment for the youth. The poor employability of the workforce would hamper the advantages due to demographic dividend if measures are not taken to improve the educational attainment and skill development of the youth.

Keywords:

Youth Employment, unemployment, skill development, joblessness, demographic dividend, literacy, school education, vocational training

JEL Code:

J21, J23, J10, J11

Acknowledgements:

Youth Employment and Unemployment in India

S. Mahendra Dev[*] and M. Venkatanarayana[⊗]

I Introduction

Young people are a major human resource for development, key agents for social change and driving force for economic development and technological innovation. But harnessing these resources is a major challenge. The youth challenge is considered as the most critical of the 21st century's economic development challenge.

Moreover, the decline in fertility rate has led to the bulge in working age population which is considered as the demographic dividend. It is a great concern that how this bulge in working age population presents the opportunities for growth and prosperity of a nation and the implications and opportunities of the bulge and how states are trying to respond. The critical aspects of the challenge are mostly related to labour market entry where young people encounter difficulties in finding and maintaining a decent job. The growing large number of unemployed youth is one of the most daunting problems faced by developed and developing countries alike (ILO, 2004, 2005b). Failure to integrate young people into the labour market has broader consequences for the future prosperity and development of countries. Thus the issue of youth employment and unemployment features prominently on the international development agenda.

It is a major focus of the Millennium Development Goals (MDGs) and was reaffirmed by the Ministers and Heads of Delegations participating in the High-Level Segment of the Substantive 2006 Session of the Economic and Social Council (ECOSOC) They committed to develop and implement strategies that give youth everywhere a real and equal opportunity to find full and productive employment and decent work[1].

In the International Labour Conference (ILC) 2005, the discussion on youth employment concluded that there were many young workers who did not have access to decent work. A significant number of youth are underemployed, unemployed, seeking employment or between jobs, or working unacceptably long hours under informal, intermittent and insecure work arrangements, without the possibility of personal and professional development; working below their potential in low-paid, low-skilled jobs without prospects for career advancement; trapped in involuntary part-time, temporary, casual or seasonal employment; and frequently under poor and precarious conditions in the informal economy, both in rural and urban areas (ILO, 2005a).

Youth, defined by the United Nations as persons between the ages of 15 and 24, is a transitional period from childhood to adulthood, represents almost 18 per cent of the current global population. About eighty-four (84) per cent of the world's youth live in developing countries (UN, 2007). According to ILO (2005b), in 2000 approximately a quarter of the world's estimated youth population, or 238 million youth, were reported to be living in

[*] Director (Vice Chancellor), Indira Gandhi Institute of Development Research, Mumbai
[⊗] Consultant, Centre for Economic and Social Studies, Hyderabad.
[1] On youth employment in developing countries and policies see Chambers and Lake (2002), Godfrey (2003), Lam (2006), Rosas and Rossignotti (2005).

extreme poverty[2]. Low-income countries and lower-middle income countries, which together account for 80 per cent of the world's population of young people, are highly concentrated in the regions of sub-Saharan Africa and South Asia (ILO, 2005b).

In 2005, around per cent of the youth population of the world lived in the Asian and Pacific region. India has the largest youth population in the world (UN, 2007). According to *the Census of India 2001*, the total population of India was 1,028.61 million. Nearly 40 per cent of the population was in the age group of 13 to 35 years. The number of youth aged 15 to 24 years was 195.07 million, which accounted for 19.0 per cent of the whole population. India contributes about 33 per cent of youth population in the developing Asian countries (ADB, 2008).

Increase in the share of youth population due to demographic 'dividend' or the 'youth bulge' seems to be one of the sources of future economic growth in India. The proportion of people in the age-group 15-24 years has increased over time. Although with increase in school and college enrolment rates, the proportion of youth in the labor force has been declining, their high proportions in the labor force indicate that the problem of youth unemployment and underemployment would remain a serious policy issue for many more years to come in India. The demographic dividend or youth 'bulge' is expected to increase the working age group and reduce the dependency ratio. In other words, the bulge in the working population will lead to acceleration in growth. However, recent studies have shown that the poor employability of the workforce due to deficit in educational attainment and health may hamper the advantages due to demographic dividend[3].

Since independence there has been a policy concern for youth in India. The Planning Commission of India has recognised youth as the most vital section of the community (Visaria, 1998). Also it had made a particular reference to unemployment among the problems faced by the youth[4]. Varied youth welfare activities, including the promotion of sports, have been designed and developed. However, the higher relative incidence of youth unemployment has not received adequate attention (Visaria, 1998).

The first National Youth Policy was formulated in 1988 in India. In 1985, the international year of the youth, the Department of Youth Affairs and Sports, Ministry of Human Resource Development, Government of India, initiated a proposal to formulate a National Youth Policy which materialsed in 1988. The National Youth Policy 1988 recognised that the most important component of the youth programme has to be the removal of unemployment. However, specific action has not been initiated to implement the objective of removing or even alleviating unemployment among the youth (Visaria, 1998). Again, National Youth Policy 2003 was designed to galvanize young people to rise up to new challenges. Recently the National Council for Skill Development (NCSD) in 2005 was constituted under the chairmanship of the Prime Minister. In this council Government of India has made skill development a major national priority especially for the youth. In this context, the President of India says "India is a nation of young people. India's demographic dividends can be realized only if the country invests in developing skills to make our youth employable. Through a planned investment in

[2] That is in households earning less than US$1 a day. If the broader US$2 a day poverty line is applied, the number jumps to 462 million youth living in poverty.

[3] On this see, Chandrasekhar et al (2006)

[4] Besides inadequate educational facilities and lack of opportunities for social development, national service and leadership (Visaria, 1998).

skill development, the country holds the potential to account for a fourth of the global work force by 2022, when India will mark 75 years of its independence".

In this context, the present paper examines the employment and unemployment situation of the all age groups for three and half decades (1972-73 to 2007-08) and for the youth for two and half decades (1983 to 2007-08).

The paper is organized as follows. The methodology followed and data sources used for the analysis are presented in the immediate following paras in this section and the second section presents the trends in the overall employment and unemployment situation in India. The third section delineates the characteristics of youth population especially the size of the youth and their human capital formation. The analysis on the youth labour market is discussed in the fourth section and the analysis of wage rate in the youth labour market is provided in the fifth section. The sixth section analyses the impact of economic growth on the labour market especially that of the youth labour market. The final section provides conclusions and recommendations.

Methodology and Data Source

The definition and age grouping of the youth may vary in different socio-cultural contexts across countries. The sociological viewpoint might wish to define 'youth' as the transition stage from childhood to adulthood. But the age at which this transition begins will vary greatly between societies and indeed within the same society. From the perspective of a critical stage in the lifecycle, the relevant age could be as low as 10 years to as high as mid to late 30s. However, differences continue to exist in the way national statistics programmes in different countries define and measure youth. The Government of India officially defines youth as persons between the ages of 13 and 35 years and it also varies depending on the programme. For instance, the National Youth Policy of India considers age group 10-34 as youth. The United Nations (UN) and the International Labour Organisation (ILO), however, defined the youth as persons between 15 and 24 years of age for cross-country comparison and analysis. In the present paper, the youth definition of UN and ILO is followed.

The present paper is mainly based on National Sample Survey Organisation (NSSO) quinquennial rounds of employment and unemployment survey data during the period 1972-73 to 2004-05. In some cases, we have also included 2007-08 annual survey on employment-unemployment. It may be noted that this survey is not strictly comparable with quinqennial surveys. Besides Census data is also used for estimating the actual number of working population. Both the published data as well as the unit record data related to NSS employment and unemployment survey is used for the analysis. For the analysis related to employment and unemployment situation of youth, the estimations are derived using unit record data of NSSO three quinquennial rounds of employment and unemployment surveys. Most of the analysis is based on the usual status (including both principal and subsidiary status).

II Employment and Unemployment Situation in India

In this section the analysis of the overall employment and unemployment situation in India is presented.

a. Labour Force Participation Rate

The labour force participation rate indicates about the percentage of population who are already engaged any kind of work and those who are ready to work given the employment opportunity. In other words the labour force includes both the workers or the employed and the unemployed. India would be the second largest country in the world in terms of the size of the labour force. There was around 469.96 million labour force constituting 43 per cent of the India's total population estimated at around 1092.9 million by the end of 2004 (as on 1st January 2005). In the recent period, by the end of 2007, the labour force in India has increased to 471.7 million.

The overall labour force participation rate (LFPRs) based on NSS usual status (includes both principal and subsidiary) shows that there has not been any steady decline or increase during the last three and half decades but it was fluctuating between 40 to 44 percent (see Table 2.1). However, a close look at the trend shows that during 1970s the LFPR had increased to its highest ever in 1977-78 and began to decline thereafter. During the 1980s decline in WPR continued till late 1990s. Between 1987-88 and 1993-94, although there was marginal increase in LFPR, there was a sharp decline of 2 percentage points between 1993-94 and 1999-2000. But the LFPR increased againbetween 1990-2000 and 2004-05 with sharp increase of 2.4 percentage points. Again during 2007-08 the LFPR has declined by 1.7 percentage points from the level of 2004-05.

Table 2.1: Labour force Participation Rates (LFPRs) in India

Year	Rural and Urban			Rural			Urban		
	P	M	F	P	M	F	P	M	F
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
1972-73	42.0	54.5	28.6	43.9	55.1	32.1	34.5	52.1	14.2
1977-78	43.9	56.0	31.0	45.8	56.5	34.5	37.5	54.3	18.3
1983	43.0	55.1	30.0	45.2	55.5	34.2	36.2	54.0	15.9
1987-88	42.2	54.5	29.0	44.3	54.9	33.1	35.6	53.4	16.2
1993-94	42.7	55.6	28.7	44.9	56.1	33.0	36.3	54.3	16.5
1999-2000	40.6	54.0	26.3	-	54.0	30.2	-	54.2	14.7
2004-05	43.0	55.9	29.4	44.6	55.5	33.3	38.2	57.0	17.8
2007-08	41.3	56.3	25.4	42.9	55.9	29.2	36.9	57.6	14.6

Note: Usual status including principal and subsidiary status.

Source: Visaria (1998) and NSS Employment and Unemployment Survey reports.

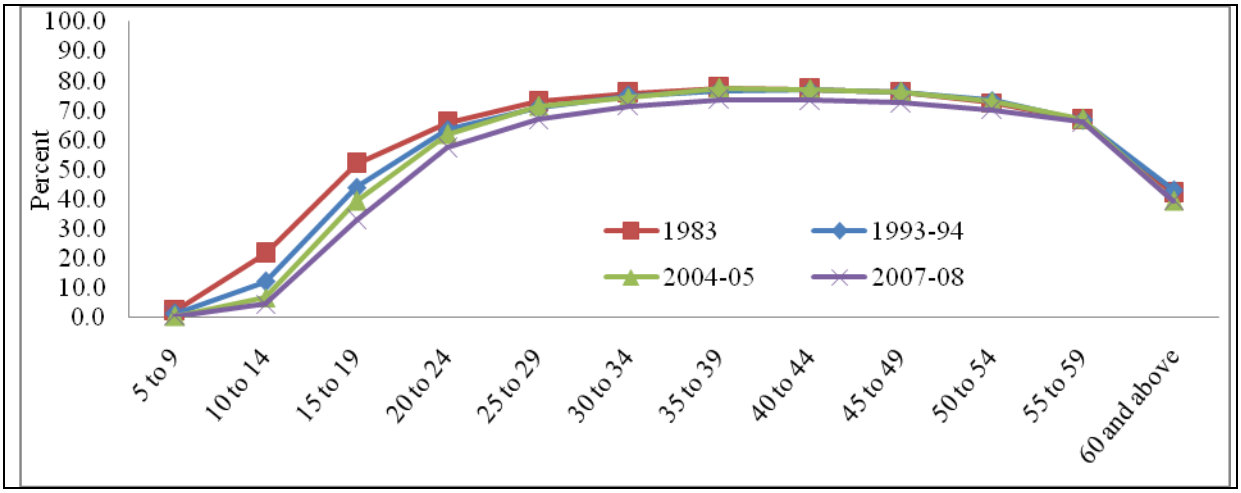
In fact the sharp decline in LFPR during 1990s could be partly due to increasing attendance rate in educational institutions. The same explanation may not withstand in the LFPR revival scenario given the continuous increase in the enrolment. Therefore one may have to search elsewhere the explanation for fluctuations in LFPR in the recent past.

There are rural-urban and male-female differences in labour force participation rates. The LFPR is higher in the rural areas when compared to urban and higher among the male population when compared to their female counter parts. There has not been any clear trend

of change in terms of declining or increasing rural-urban and male-female differences in LFPR.

The labour force participation rate (LFPR) by age group indicates that it is declining among younger cohorts below 30 years of age over the period and a slight increase in the older cohorts (see Figure 2.1). Owing to reshuffling of labour force across age groups, the overall participation rate remained the same. The explanation of increasing enrolment for declining LFPR may be applicable to younger cohorts. But one has to search explanation for increasing LFPR among the senior (30 + age) adult cohorts. It may be that the loss of income due to withdrawal of younger cohorts while attending education to the household has to be compensated. Moreover, the household has to increase its income level to invest in children's education. Therefore, the number of adults available in the labour market might have to increase.

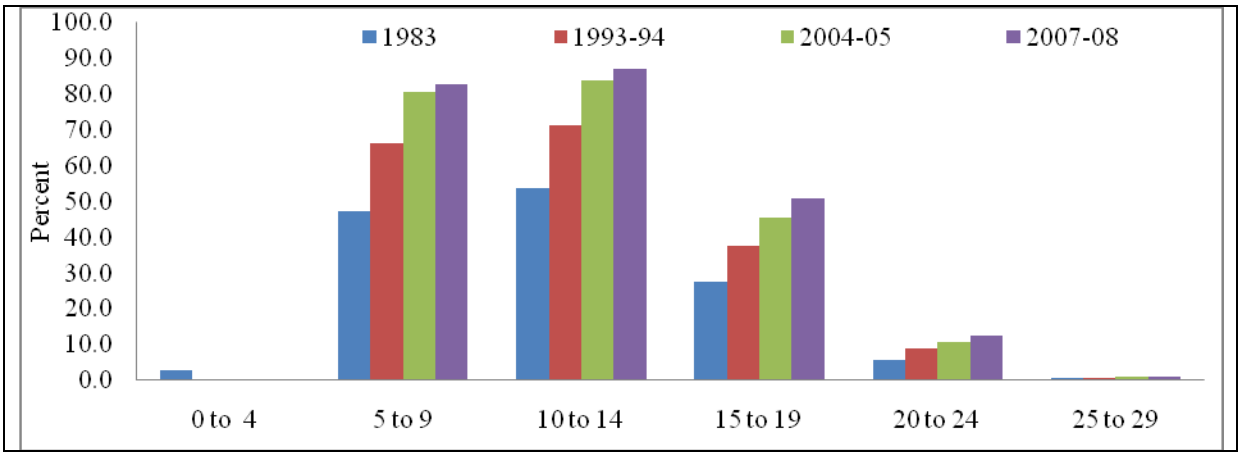
Figure 2.1: Labour Force Participation Rate (LFPR) in India by Age Group



Note: Usual Status (principal and subsidiary).

Source: Using NSS Employment and Unemployment Survey unit record data.

Figure 2.2: School Attendance Rate in India – Percentage of 5-29 age group Attending Educational Institutions (Usual Status)



Note: Usual Status.

Source: Using NSS Employment and Unemployment Survey unit record data.

The percentage of persons below 30 years of age attending educational institutions by age group indicates that it has been higher among 5 to 14 years age group and it increased over the period between 5 and 29 years of age (see Figure 2.2). The increase in the school attendance rate has a corresponding decline in labour force participation rate, as above (see Figure 2.1), in this young age cohorts.

b. Worker Population Rate (WPR)

The measure of work participation rate presents the percentage of persons who actually worked or employed in the total population. Work participation rate (WPR) excludes the percentage of unemployed from the labour force participation rate (LFPR).

In India there were about 459 million workers during 2004-05 consisting of 42 per cent of the country's total population and the workforce has increased to 461.4 million in 2007-08.

The trend in work participation rate during the last three and half decades shows that there has not been any sharp decline or increase; it remained between 40 to 42 per cent. But a close look at the trend shows a similar pattern observed in the case of LFPR. Clearly, during 1970s the WPR had increased to its highest ever and during the 1980s there was a decline that continued till late 1990s. The WPR declined to its lowest ever to 39.7% in 1999-2000 and revived between 1999-2000 and 2004-05 with an increase of 2.3 percentage points. But, it declined to 40% in 2007-08.

Table 2.2: Worker population ratios (WPR) in India

Year	Rural and Urban			Rural			Urban		
	P	M	F	P	M	F	P	M	F
1	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***	***11***
1972-73	41.3	53.5	28.2	43.5	54.5	31.8	33.1	50.1	13.4
1977-78	42.2	54.2	29.3	44.4	55.2	33.1	34.4	50.8	15.6
1983	42.2	53.8	29.6	44.6	54.7	34	34.3	51.2	15.1
1987-88	41.1	53.1	28.1	43.4	53.9	32.3	33.9	50.6	15.2
1993-94	42.0	54.5	28.6	44.4	55.3	32.8	34.7	52.0	15.4
1999-2000	39.7	52.7	25.9	41.7	53.1	29.9	33.7	51.8	13.9
2004-05	42.0	54.7	28.7	43.9	54.6	32.7	36.5	54.9	16.6
2007-08	40.4	55.0	25.0	42.2	54.8	28.9	35.4	55.4	13.8

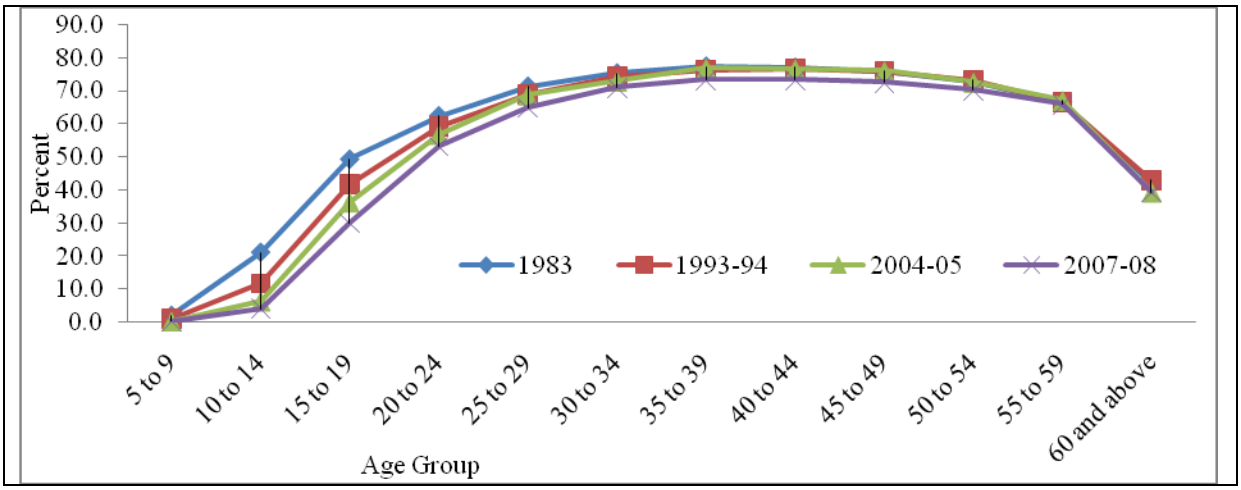
Note: Usual status including principal and subsidiary status.

Source: Visaria (1998) and NSS Employment and Unemployment Survey Reports.

As in the case of LFPR, the work participation rate (WPR) too is higher in rural areas than their urban counter parts and higher among males as compared to females. However, the trend shows that locational differences have always been higher than gender difference.

Though there is no drastic change in the overall work participation rate, the change is observed across age groups especially those of young age groups. The work participation rate (WPR) by age group indicates the pattern observed in the case of labour force participation rate (LFPR) i.e. it is declining among younger cohorts below 30 years of age over the period and a slight increase in the older cohorts (see Figure 2.3).

Figure 2.3: Work Participation Rate (WPR) in India by Age Group



Note: Usual Status.

Source: Using NSS Employment and Unemployment Survey unit record data.

c. Level of Unemployment

Unemployment is a daunting problem for both the developed and developing countries. India is one of those developing countries which continue to have the problem of unemployment and underemployment despite continuous policy emphasis and programmes to eliminate the problem[5].

The unemployment rate in India is measured in three ways based on National Sample Survey (NSS) data: based on usual status (US), current weekly status (CWS) and current daily status (CDS). The unemployment rate based on usual status indicates the magnitude of the persons unemployed for a relatively longer period[6] and approximates to an indicator of the chronically unemployed. The 'weekly status'[7] includes both chronic and intermittent unemployment of workers categorized as usually employed, caused by seasonal fluctuations in the labour market. The 'daily status' concept gives an average picture of unemployment on a day during the survey year. Unlike US and CWS which refer to unemployed persons, CDS refers to the person days unemployed[8].

---

[5] See Srinivasan (2008)

[6] Reference period 365 days

[7] This gives an average picture of unemployment for 7 days during the survey period. According to the current weekly status approach, a person was considered as unemployed in a week if he/she did not work even for 1 hour during the week but sought or was available for work for at least for 1 hour during the week.

[8] For measuring unemployment according to the current daily status approach, 7 person-days were assigned for a person for the 7 days preceding the date of survey and activity for each of the person-days was considered. A person who did not work even for 1 hour in a day was considered unemployed for the day if he/ she sought or was available for work for 4 hours or more, and was considered unemployed for half-day, if he/she sought or was available for work only for 1 to 4 hours. The estimate of person days unemployed on a day during the survey period is obtained by dividing the person-days unemployed in a week by 7

Table 2.3: Incidence of Unemployment in India by three Alternative Concepts

Year	Rural and Urban			Rural			Urban		
	P	M	F	P	M	F	P	M	F
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
Usual Status									
1972-73	1.6	1.9	1.0	0.9	1.2	0.5	5.1	4.8	6.0
1977-78	2.6	2.2	3.3	1.5	1.3	2.0	7.1	5.4	12.4
1983	1.9	2.3	1.2	1.1	1.4	0.7	5.0	5.1	4.9
1987-88	2.7	2.6	2.9	2.0	1.8	2.4	5.4	5.2	6.2
1993-94	1.9	2.2	1.4	1.1	1.4	0.8	4.4	4.0	6.2
1999-2000	-	-	-	-	2.1	1.5	-	4.8	7.1
2004-05	2.9	-	-	2.5	2.1	3.1	5.3	4.4	9.1
2007-08	2.2	2.4	1.7	1.6	1.9	1.1	4.1	3.8	5.2
Weekly Status									
1972-73	4.3	3.7	5.9	3.9	3.0	5.5	6.6	6.0	9.2
1977-78	4.5	4.4	5.0	3.7	3.6	4.0	7.8	7.1	10.9
1983	4.5	4.4	4.8	3.9	3.7	4.3	6.8	6.7	7.5
1987-88	4.8	4.8	5.0	4.2	4.2	4.3	7.0	6.6	9.2
1993-94	3.6	3.5	3.8	3.0	3.0	3.0	5.8	5.2	8.4
1999-2000	-	-	-	-	3.9	3.7	-	5.6	7.3
2004-05	4.4	4.2	5.0	3.9	3.8	4.2	6.0	5.2	9.0
Daily Status									
1972-73	8.3	7.0	11.5	8.2	6.8	11.2	9.0	8.0	13.7
1977-78	8.2	7.6	10.0	7.7	7.1	9.2	10.3	9.4	14.5
1983	8.3	8.0	9.3	7.9	7.5	9.0	9.6	9.2	11.0
1987-88	6.1	5.6	7.5	5.2	4.6	6.7	9.4	8.8	12.0
1993-94	6.0	5.9	6.3	5.6	5.6	5.6	7.4	6.7	10.5
1999-2000	-	-	-	-	7.2	7.0	-	7.3	9.4
2004-05	8.2	7.8	9.2	8.2	8.0	8.7	8.3	7.5	11.6

Note: Usual Status includes both principal and subsidiary.

Source: Visaria (1998) and NSS Employment and Unemployment Survey Reports.

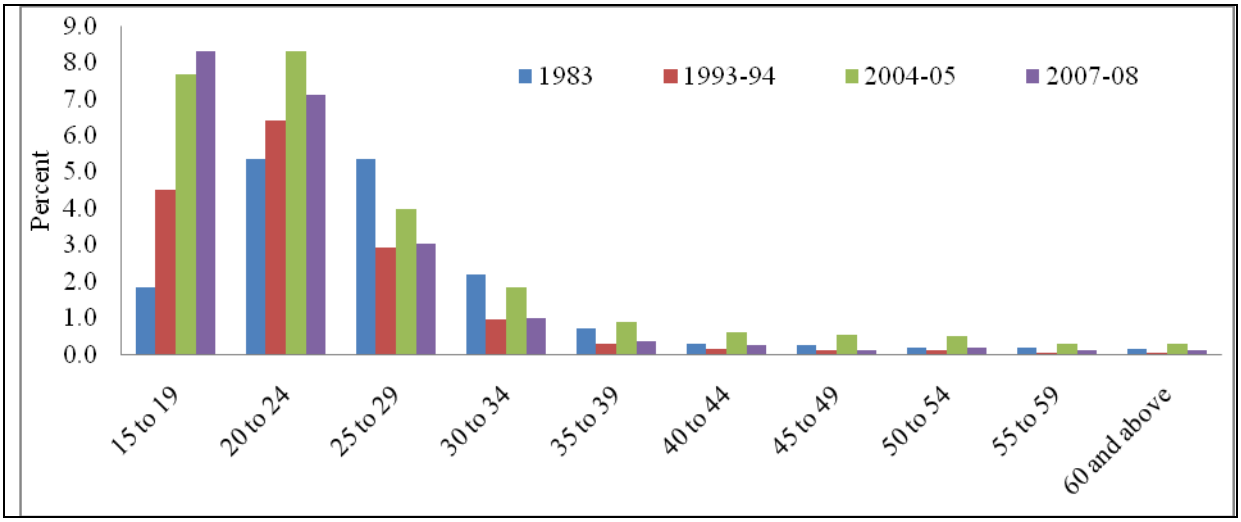
The unemployment rate is defined as percentage of the number of persons unemployed to the persons in the *labour force* (which includes both the employed and the unemployed). This, in effect, gives the unutilised portion of the labour force. It is a more refined indicator of the unemployment situation in a population than the number of the unemployed per thousand persons in the population as a whole.

According to usual status the present (chronic) unemployment rate in India is 2.9 percent of the labour force in 2004-05 and it is the highest ever recorded unemployment rate during the last three decades. Based on the usual status unemployment rate, there are about 13.4 million estimated chronically unemployed persons in India for the year 2004-05. The unemployment rate based on weekly status is 4.4 per cent of the labour force and it is higher than the usual status unemployment rate. The estimate based on weekly status unemployment rate indicates that there are about 19.7 million of unemployed person in India (2004-05). As per the daily status (CDS) the unemployment rate stands at 8.2 per cent which is the highest among the three alternative concepts in 2004-05.

The locational difference in terms of rural-urban unemployment rates shows an unusual pattern when compared to many other socio-economic indicators. It is observed that the unemployment rate is higher among urban labour force when compared to the rural ones. This pattern has been similar in three alternative concepts of unemployment and it has continued for the last three decades. When it comes to gender (i.e. male/female) differences,

the unemployment rate based on weekly and daily status shows that it is higher among the female labour force than their male counterparts but based on usual status there has not been any clear trend over the period for usual status.

Figure 2.4: Unemployment Rate in India by Age Group



Note: Usual Status.

Source: Using NSS unit record data.

The unemployment rate by fiver year interval age groups shows that it is the highest among the younger cohorts especially 15 to 24 years age cohorts (see Figure 4). In other words, the incidence or instances of those who are willing to work and available for the labour market but unable to find the work or employment is higher among the young (below 30 years) when compared to their seniors (30 + age). It is highest among the 20 to 25 years age cohorts. The situation of young jobseekers in comparison to adults seems to be hard.

III Characteristics of Youth in India

a. Size of the Youth Population

In order to understand the situation of young people in India, it is important to understand the rapid demographic changes that produced the historically unprecedented numbers of young people. These demographic changes potentially have important implications on the labor market opportunities, access to public resources, and access to family resources for youth.

The size of the youth population (15 to 24 age group) has increased three fold during last four decades of the 20th century. It increased from 73.22 million in 1961 to 195.07 million 2001. The projected estimations (RGI) indicate a further increase in the size of the youth population to 222.1 million in 2006 and to 239.77 million in 2011. The size of the youth population in India would be larger than the total population of many countries in the world.

The share of youth population in the total population in India increased from 16.7 per cent in 1961 to 20 per cent in 2001 and the projections show that it would further increase to 20.1 per cent by 2011. Both the size and share of youth population is increasing in India and it is a clear indication of bulging youth population in the country.

Table 3.1: Size of the Youth Population in India, 1961-2001

Year	Population (in Millions)				% of Urban		Growth		Sex Ratio		% of Youth in T P
	15 – 19	20 - 24	15 - 24	All Ages	Youth	All	Youth	All	Youth	All	
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***	***11***	***12***
1961	35.88	37.33	73.22	438.9	20.3		-	1.95	990	941	16.7
1971	47.47	43.10	90.57	548.2	23.6	20.2	2.15	2.20	935	930	16.5
1981	65.97	59.01	124.98	665.3	26.7	24.3	3.27	2.22	930	934	18.2
1991	79.04	74.48	153.52	838.6	28.3	25.7	2.08	2.14	925	927	18.3
2001	104.04	91.03	195.07	1028.61	-	27.8	2.42	1.93	907	933	19.0
2006*	119.05	103.05	222.10	1112.19	-	28.9	2.63	1.57	892	932	20.0
2011*	121.73	118.04	239.77	1192.50	-	30.0	1.54	1.40	907	932	20.1

Notes: **1**. Figures for 1981 exclude Assam whereas those for 1991 exclude Jammu and Kashmir; **2**. * Projected (RGI) figures; **3**. ***Youth*** is between 15 to 24 years age group; **4**. Growth is Population growth rate – Compound annual (CAGR); **5**. T P – Total Population.

Source: Visaria (1998); Census of India; Registrar General of India (RGI).

b. Human Capital of the Youth: Literacy and Educational Levels

Development economics now lays great importance on the concept of human capital. Education, defined in terms of literacy rate and schooling levels (enrolment ratios - in primary and secondary schools - mean years of schooling), is an important component of human capital. These indicators proximately represent the level of human capital in society.

Around 32.7 per cent of the 7 years and above age population in India found to be illiterates in 2004-05. The literacy rate for all (7 + age) population has increased from 47.8 percent in 1983 to 67.3 per cent in 2004-05, 19.5 percentage points increase during this two decade. While the adult literacy rate has shown 18.4 percentage points increase from 43.4 to 61.8 per cent, the youth literacy rate has shown 23.8 percentage points increase from 56.4 to 80.3 per cent during this period (Table 3.2). The youth literacy rate has always been higher than all (7+ age) and adult (15 + age) literacy rate. Moreover the rate of increase in terms of literacy rate during last two and half decades is higher among the youth when compared to all or adult population.

Table 3.2: Literacy Rate and Educational Levels of Youth Population in India

Age Group	Literacy	Formal Schooling					
		None	Below Primary	Primary	Middle	Secondary	Post-Secondary
1	***2***	***3***		***4***	***5***	***6***	***7***
1983							
All Population (7 + age)	47.8	54.2	14.6	14.1	9.2	6.1	1.8
Adult Population (15 + age)	43.4	58.7	7.9	12.3	10.6	8.1	2.4
Youth population (15-24 age)	56.4	44.9	7.6	15.6	17.6	12.4	1.9
1993-94							
All Population (7 + age)	57.4	43.8	17.4	13.9	11.6	10.2	3.1
Adult Population (15 + age)	52.1	49.1	9.8	11.4	12.7	13	4.0
Youth population (15-24 age)	67.8	33.1	8.5	13.5	20.8	21.4	2.7
2004-05							
All Population (7 + age)	67.3	35.1	15.9	16.3	14.7	13.6	4.4
Adult Population (15 + age)	61.8	40.5	7.7	12.8	16	17.3	5.7
Youth population (15-24 age)	80.3	21.4	7.1	15.2	25.4	27.0	3.9
2007-08							
All Population (7 + age)	70.8	30.2	1.0	16.3	17.2	16.0	5.8

Adult Population (15 + age)	65.5	35.5	1.0	8.1	13.6	17.3	7.3
Youth population (15-24 age)	85.4	15.2	0.6	6.6	15.4	26.7	5.8

Note: **1**. Figures presented above are in percentages; **2**. Secondary includes higher secondary below graduation; **3**. Rural-urban and male-female combined.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

The educational level among all age group population in general and among youth in particular has been increasing over time (see Table 3.2). The youth who had secondary and above education levels was about one-third of their population. One can notice from Table 3.2 that the percentage of youth population with lower levels of education (below middle) was declining during last two and half decades and those completed middle and other higher levels of education was increasing. It indirectly indicates that the dropout in the elementary education cycle has been declining.

Table 3.3: Percentage of Youth (15-24) Attending Educational Institutions in India

Year	Rural and Urban			Rural			Urban		
	Persons	Male	Female	Persons	Male	Female	Persons	Male	Female
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
1983	17.4	24.9	9.7	13.4	21.1	5.6	28.4	34.6	21.4
1993-94	24.1	31.2	16.4	19.5	27.5	11.0	36.5	40.8	31.5
2004-05	29.1	34.2	23.5	25.0	31.0	18.7	39.4	41.9	36.6
2007-08	32.8	37.3	28.0	29.0	34.7	22.9	42.2	43.6	40.6

Note: **1**. Youth refers 15 to 24 years age group population; 2. Usual status.

Source: National Sample Survey

The educational aspirations of the youth seem to be increasing over a period of time. About one-third of the youth population in India is attending educational institutions during 2007-08. It has increased from 17.4 per cent of their population in 1983 to 24.1% in 1993-94 and to 29.1% in 2004-05 and further to 32.8% in 2007-08 (see Table 3.3). The attendance rates are higher among the male and urban youth when compared to their female and rural counterparts respectively.

The improvement in attendance rate during the period between 1983 and 2007-08 is highest among the female youth especially urban female youth followed by rural female youth. The rate of increase in attendance rate was sharp and higher between 1983 and 1993-94 (the increase was about 6.7 percentage points) but that momentum has slowed down between 1993-94 and 2004-05 (5 percentage points). This slow down was more so among the male youth population and youth of urban locality. But the rate of increase was higher during nineties (i.e. between 1993-94 and 2004-05) than that of the eighties (i.e. between 1983 and 1993-94), for the female youth especially for those living in rural areas. The very low level of attendance rate in the initial point of time among the young females could have been partly responsible for the sharp increase. As a result both the gender (male-female) and locational (rural-urban) differences in attendance rate declined sharply between 1983 and 2007-08.

IV Youth Labour Market in India

One of the most obvious economic implications of changes in the absolute and relative numbers of young people is in the youth labor market. The way in which the increasing youth population is absorbed into or adjusted in the labour market is a matter of concern.

a. Work participation rate

As on 1st January 2005 the estimated total population (all Ages) is around 1092.94 million. The NSS 61st round estimates shows that the share of youth (15-24) in the total population is around 18.6 per cent and size of the youth population is 203.63 million. But the information based on the Registrar General of India's (RGI) population projections one would project the youth population at 215.5 million as on 1st January 2005 and it would be around 19.8 per cent of the total population of India.

The labour force participation (LFPR) and work participation rates (WPR) based on usual status among the youth population (15-24 age) in India were around 50 and 46 per cents respectively in 2004-05. Thus the size of the youth labour force i.e. the persons available for the labour market was 107.3 million and the size of the work force i.e. persons working or employed in one or other kind economic activity was 98.7 millions. The difference between labourforce and workforce indicates the unemployed (i.e. those who are willing to work and available for the labour market but could not find employment or work) which was about 8.6 million young persons (15-24) in 2004-05.

In the total unemployed (all age groups) estimated at 13.4 million in 2004-05, the share of youth (15-24 age) was around 64.1 per cent. In other words the lion's share of the unemployed persons in India was the contribution of unemployed persons in youth age cohorts.

The work participation rate among the youth (15-24 age) found to be higher than the overall WPR (all ages) but it has been lower than the WPR of all adult (15 + age) and senior adults (25 + age). This pattern has been observed in last two decades across locations (rural-urban) and gender (male-female). The work participation rate among the youth during the last two decades indicates that it has been declining (see Table 4.1). It declined 9 percentage points from 55.5 per cent in 1983 to 46.0 per cent in 2004-05. The decline in WPR during this period was sharper among the male youth (11.4 percentage points) in general and rural male youth (12.4 percentage points) in particular and the decline in WPR of female youth was very minimal. The WPR of urban female youth remained almost constant between 1983 and 2004-05. The decline in WPR was higher among the rural youth when compared to their urban counterparts.

Table 4.1: Work Participation Rate (WPR) of Youth in India

Age Groups		Rural and Urban			Rural			Urban		
		Persons	Male	Female	Persons	Male	Female	Persons	Male	Female
1		***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
1983										
Youth	(15-24 age)	55.5	62	37.8	71.0	76.8	56.2	39.3	47	16.8
Adult25	(25 + age)	69.1	72.4	58.9	91.5	92.3	89.4	46.2	52.5	25.3
Adult15	(15 + age)	65	69.3	52	85.3	87.7	78.5	44.1	50.9	22.5
1993-94										
Youth	(15-24 age)	50.1	64.7	34.1	56.1	70.2	41.0	33.8	50.3	15.1
Adult25	(25 + age)	68.9	72.5	58.4	92.1	93.2	88.8	45.1	51.7	25.4
Adult15	(15 + age)	63.4	83.8	42	67.8	86.4	48.7	50.9	76.8	22.3
2004-05										
Youth	(15-24 age)	46.0	60.1	30.7	50.6	64.4	36.0	34.2	49.7	16.1
Adult25	(25 + age)	68.1	90.6	45.4	72.3	92.0	52.8	56.8	86.9	25.0
Adult15	(15 + age)	61.9	81.8	41.4	66.2	84.1	48.2	50.3	75.8	22.6
2007-08										

Youth	(15-24 age)	41.0	56.8	23.8	45.0	60.4	28.3	31.2	48.1	12.5
Adult25	(25 + age)	65.5	91.0	39.9	69.6	92.5	47.1	54.9	87.3	20.8
Adult15	(15 + age)	58.7	81.3	35.6	62.9	83.5	42.2	48.2	76.1	18.5

Note: 1. Figure presented are in percentage; 2. Usual status including principal and subsidiary status; 3. Adult25 – Adults of 25 years and above age, Adult15 – Adults of 15 years and above age.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

Increase in attendance rate alone may not explain for the decline in WPR. Particularly, the highest improvement in the attendance rate during the period between 1983 and 2004-05 was among female youth but there was not corresponding sharp decline in WPR of female youth in this period. Therefore one may have to search the reasons elsewhere.

Employability

The concept of employability is gaining momentum in the labour market literature. It indicates the person's capability of gaining initial employment, maintaining employment and moving to new employment by choice. It depends on the knowledge, skills and attitudes possessed by the individual, and also the labour market information (Weinert *at al* 2001). There is a changing policy agenda related to labour market from the 'job protection' to 'security through employability'. The policy agenda needs to equip the job-seekers with skills that match the demand in the market. It is definitely a challenge in the context of increasing pace of globalization and technological change, both of which increase the job insecurity and job displacement where the unskilled are getting excluded from the labour market. Skill formation involves schooling, professional or technical education, and vocational training.

The level of human capital in terms of literacy, educational levels and specific skills raise the productivity and incomes of workers in the labour market. Though the literacy rate among the young workers seems to be better off than the other age groups, yet a large chunk, about one-fourth of them remained illiterate. Of the total young (15-24 age) work force in India, 25.9 per cent were illiterates and the remaining 74.1 were literates in 2004-05 (see Table 4.2). The improvement in literacy rate among the youth has shown a significant increase of about 26.4 percentage points during the last two decades, from 47.8 percent in 1983 to 74.1 percent in 2004-05. The improvement was higher (about 15.2 percentage points) during eighties i.e. between 1983 and 1993-94 than the improvement during nineties i.e. between 1993-94 and 2004-05 (about 11.1 percentage points).

Table 4.2.: Literacy Rate and Educational Levels of Working Youth in India

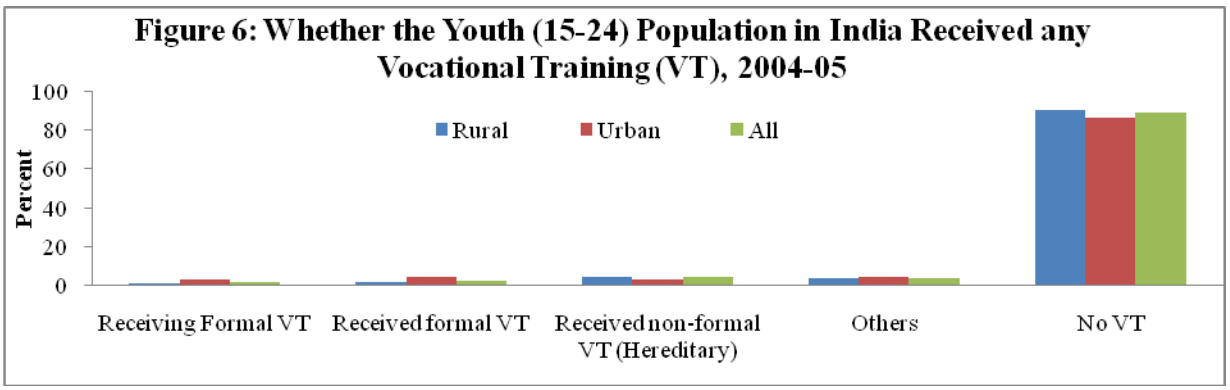
Age Groups		Literacy (%)	Formal Schooling (%)					
			None	Below Primary	Primary	Middle	Secondary	Post-Secondary
1		***2***	***3***	***4***	***5***	***6***	***7***	***8***
1983								
All Worker	(7 + age)	53.7	48.4	20.6	15.8	9.2	5.1	0.9
Adult Workers	(15 + age)	42.6	59.6	8.9	12.6	9.4	7	2.5
Young Workers	(15-24 age)	47.8	53.6	9.5	15.9	12.7	7	1.3
1993-94								
All Worker	(7 + age)	50	51.2	11.2	11.9	11.2	10.4	4.1
Adult Workers	(15 + age)	50.5	50.8	10.9	11.8	11.5	10.8	4.2
Young Workers	(15-24 age)	58.9	42.2	11	15	17	13	1.8
2004-05								
All Worker	(7 + age)	60.3	42.1	8.8	14	15.2	14.2	5.7
Adult Workers	(15 + age)	60.3	42.1	8.6	13.7	15.3	14.5	5.8
Young Workers	(15-24 age)	74.1	28.0	9.8	18.7	24.2	16.6	2.7
2007-08								

All Worker	(7 + age)	64.7	36.5	9.2	15.1	16.7	14.8	7.7
Adult Workers	(15 + age)	64.7	36.5	9.1	14.9	16.8	15.0	7.8
Young Workers	(15-24 age)	80.7	20.0	9.5	20.4	26.4	18.8	4.9

Note: **1**. Figures presented above are in percentages; **2**. Secondary includes higher secondary below graduation; **5**. Rural-urban and male-female combined.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

With respect to the levels of education among the youth workforce in India, only 4.9 percent of young workers had post-secondary level of education in 2007-08 (see Table 4.2). It is about 3.6 percentage point increase from the base 1.3% in 1983. The young workers those who had completed secondary level of education were about 18.8 per cent; it is 19.6 percentage points increase from 7% in 1983. About 24.2 percent of the young workers completed the middle school education. Those who had the education level middle school and above in the elementary school education formed about 21% and increased to 45% in 2007-08. It was 24 percentage points improvement in the young workers who completed elementary school education during the last two and half decades between 1983 and 2007-08.



The nature of labour market has been transforming from unskilled to highly skilled. There has been increasing demand for skilled labour and declining demand for the unskilled ones especially in the non-agriculture sector. The human capital in addition to literacy and education the possession of specific skills comes to advantage for the person in the labour market. However in the Indian context, skill formation for the youth seems to be a distant phenomenon so far. According to NSS 61st (2004-05) round, about 89 per cent of the youth have not taken any kind of vocational training and among the rest about half of them have received through hereditary practices (Fig.6). It indicates a negligible level of formal vocational training for the youth.

b. Distribution of Workers by the Status of Employment

The status of employment indicates that about 52.4 per cent of the youth workforce was self-employed in 2004-05, 34.4 per cent were casual labourers and the rest only 13.2 per cent were regular or salaried workers (see Table 4.3). When compared to the 'all' workers (all ages), the share of casual labourers was much high among the young workers and the share of self-employed and regular salaried was lower. During early 1980s to early 1990s, the share of casual labour among the young workers found to have increased, and between 1993-94 and 2004-05 it declined. Correspondingly the share of self-employment has declined in the same pattern. But the share of more secured employment in terms of regular salaried has slightly increased from 10.7 per cent to 13.2 per cent.

Table 4.3: Distribution (%) of Young Workers in India by Status of Employment

Sector	Status	1983		1993-94		2004-05		2007-08	
		Youth	All	Youth	All	Youth	All	Youth	All
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
Rural and Urban	Self-employed	55.6	57.3	54.3	54.7	52.4	56.9	49.8	54.7
	Regular Wage/Salaried	10.7	13.5	9.6	13.2	13.2	14.2	15.5	15.2
	Casual Labour	33.7	29.2	36.2	32.1	34.4	28.8	34.7	30.1
Rural	Self-employed	58.1	61.0	56.6	57.9	55.4	60.2	53.8	58.1
	Regular Wage/Salaried	6.3	7.2	5.1	6.5	6.7	7.1	7.6	7.5
	Casual Labour	35.6	31.8	38.4	35.6	37.8	32.7	38.6	34.4
Urban	Self-employed	44.1	57.3	44.0	42.2	40.8	45.4	35.5	43.1
	Regular Wage/Salaried	30.8	13.5	29.8	39.5	37.7	39.6	43.5	41.2
	Casual Labour	25.2	29.2	26.2	18.3	21.6	15.0	21.0	15.8

Note: **1**. Figures presented above are percentages; 2. ***Youth*** refers to 15-24 age group and All means all age groups (including 15-24); **3**. Usual status including principal and subsidiary status.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

When we consider rural and urban areas, the share of regular salaried was very high in the urban worker both among the young and all when compared to that of rural workers. The share of self-employed and the casual labour is higher among the rural workers when compared to that of their urban counterparts (Table 4.3).

c. Distribution of Workers by Industry Division

The distribution of young workers by industry division shows that they are concentrated in agriculture and allied activities. About 55 per cent of the young workers were employed in agriculture and allied activities in 2007-08 and the rest 45 per cent were employed in non-agriculture activities (see Table 4.4).

The share of agriculture in the youth workforce has declined from 68.6 per cent to 66.6 per cent during the period between 1983 to 1993-94: it was only a two percentage point decline. But a sharp decline in the share of agriculture was observed during the period between 1993-94 and 2004-05 from 66.6 to 56.7 per cent: it was about 10 percentage point decline. There was a 12 percentage-point decline during the period between 1983 to 2004-05, in the share of agriculture and corresponding increase in the share of non-agriculture in the youth workforce. It indicates that there has been a significant shift of youth workforce away from the agriculture to non-agriculture activities.

When compared to the decline in the share of agriculture in the total workforce (all age groups), it was marginally higher in the youth workforce.

Table 4.4: Percentage Distribution of Young Workers in India by Industry Division

Sno	Industry Division	***1983***	***1993-94***	***2004-05***	***2007-08***
1	***2***	***3***	***4***	***5***	***6***
Young (15-24 age) Workers					
A	Agriculture and Allied	68.6	66.5	56.7	54.4
B	***Non-Agriculture***	***31.4***	***34.5***	***43.3***	***45.6***
1	Mining and Quarrying	0.6	0.6	0.5	0.5
2	Manufacturing	10.6	12.0	15.0	14.9
3	Electricity, Gas and Water Supply	0.3	0.2	0.1	0.1
4	Construction	2.3	3.8	7.2	8.4
5	Wholesale Trade	6.3	7.2	10.8	10.6

6	Transport, Storage & Communications	2.5	2.2	3.7	4.3
7	Financial and Business Services	0.7	0.5	1.0	1.8
8	Community Service	8.2	6.9	5.1	4.9
All Workers					
A	Agriculture and Allied	69.9	64.9	58.5	57.2
B	***Non-Agriculture***	***30.1***	***35.1***	***41.5***	***42.8***
1	Mining and Quarrying	0.5	0.7	0.6	0.5
2	Manufacturing	12.3	10.4	11.7	11.5
3	Electricity, Gas and Water Supply	0.2	0.4	0.3	0.3
4	Construction	2.7	3.2	5.6	6.4
5	Wholesale Trade	6.4	7.4	10.2	10.3
6	Transport, Storage & Communications	2.2	2.8	3.8	4.2
7	Financial and Business Services	0.3	0.9	1.5	2.0
8	Community Service	5.6	9.3	7.7	7.6

Note: **1**. Figures presented in the table are percentages; 2. ***Youth*** of 15-24 age group and ***All*** represents all ages from 0 and above years which includes 15 to 24 age group; **3**. Usual status including principal and subsidiary status; Non-agriculture is sum of sub-sectors other than agriculture, sno 2 to 9.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

Within the non-agriculture, the sub-sector which commands large share of youth workforce next to agriculture was manufacturing (organized and unorganized) where about 15 per cent of the youth workforce was employed in 2004-05 (Table 4.4). It was followed by wholesale trade (10.8 per cent), construction (7.2 per cent) and community services (5.1 per cent). The change in the share of each sub-sector in the total youth workforce during the period between 1983 and 2004-05 shows that except in mining and quarrying, electricity, gas and water supply, and community and personal services in all other sub-sectors their share in the workforce has increased.

The sub-sector which gained most in terms of increase in the share of the workforce was wholesale trade (3.6 percentage points) followed by construction (3.4), manufacturing (3.0) and transport, storage and communications (1.5). Most of this change took place during the 1990s i.e. between 1993-94 and 2004-05. It is interesting to note that the youth's involvement in the community and personal services seems to be declining. While the share of community and personal services in the workforce of all age groups has increased during the period between 1983 and 2004-05 from 5.6 to 7.7 per cent, the sectors' share in youth workforce has declined from 8.2 to 5.1 per cent. The sectors which appear to be in favour of the young workers were manufacturing, construction and wholesale trade.

d. Youth and the Information Technology (IT) Sector

At this juncture it is important to examine the contribution of information technology sector to employment especially of the youth. In India, information technology (IT) is seen as a shortcut to rapid economic growth and development. India's aspiration to be an "IT superpower" and a "knowledge-based society" is now well recognized. Since the mid 1990s IT, a component of the service sector, has shown remarkable growth in terms of its value added. Employment in the IT sector has been growing at a rapid pace since 1996-97. The fast growth of the IT sector is in fact generating employment opportunities for educated and skilled labour in India and abroad. There are expectations that the growth of the IT sector may solve the employment problem in India. But its contribution to total employment is quite miniscule. Moreover, information technology is by its very nature an urban activity and employment opportunities in this sector are limited to the educated, especially those with technical qualifications and skills. Skilled workers live in cities and telecommunication

facilities, which are important for this sector, could be established much more easily in big cities.

Based on the NSS 61st round (2004-05) and 64th round (2007-08) employment and unemployment survey, the share of computer related services, a major component of broad IT sector, in the total adult workers (15 + age) was very much insignificant, about 0.18 and 0.32 percent only in 2004-05 and 2007-08 respectively (see Table 4.5). The percentage of those engaged in computer related services among the young workers (15-24 age) is lower than that of the young adults (25-34 age).

Table 4.5: Employment in Computer related Services (CS) in India

Age Group	% of CS in Total workers			% of Urban	% of Females	% of Age group
	Rural	Urban	All			
1	***2***	***3***	***4***	***5***	***6***	***7***
2004-05						
15 +	0.016	0.756	0.181	93.1	18.7	100
15 to 24	0.031	0.747	0.180	86.6	48.7	21.0
25 to 34	0.025	1.714	0.430	95.5	12.2	62.6
15 to 34	0.028	1.317	0.319	93.3	21.4	83.6
2007-08						
15 +	0.024	1.306	0.321	94.3	18.5	100
15 to 24	0.034	1.615	0.381	93.0	21.5	22.7
25 to 34	0.052	2.736	0.725	94.6	19.3	60.1
15 to 34	0.044	2.303	0.582	94.2	19.9	82.8

Note: Usual status including principal and subsidiary status.

Source: Computed using NSS 61st Round (2004-05) and 64th (2007-08) EUS unit record data.

The lion's share (around 95%) of those engaged in computer related services were concentrated in urban areas (Table 4.5). The contribution of young workers to the total workers in the computer related services was around 22 per cent. It was little higher than the youth share in the total workforce (20.5 per cent) and in the total population (18.6 per cent).

e. Unemployment among the Youth Labourforce

Unemployment is one of the main problems faced by the youth in the labour market. The employability will be low with lack of education and skills. The unemployment rate for the youth labour force in India is as high as 8 per cent according to usual status in 2004-05 and it shows an increasing trend over a period especially from 1983 (see Table 4.6). The unemployment rate varied with the concept of unemployment, literacy status and level of education. When compared to usual status it was higher in the weekly status (10.0 per cent) and the highest in the daily status (14.8 per cent). When compared with the overall unemployment rate presented in Table 2.4, the unemployment rate among the youth labour force presented in Table 4.6 was higher according to all the three alternative concepts and in all the time points.

Table 4.6: Unemployment rate among the Youth Labor Force in India by Literacy Status and Educational Levels

Educational Level	1983			1993-94			2004-05			2007-08		
	US	CWS	CDS	US	CWS	CDS	US	CWS	CDS	US	CWS	CDS
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***	***11***	***12***	***13***
All	5.3	9.1	14.8	5.6	8.2	11.8	13.7	8.0	10.0	7.6	10.1	14.1

Illiterate	0.9	4.2	9.9	0.8	3.2	6.8	9.3	2.2	4.7	1.4	4.4	8.9
Literates	9.8	13.6	16.3	8.6	11.3	14.7	17.6	9.9	11.6	8.9	11.2	15.1
Below Primary	2.9	6.1	11.9	1.9	3.8	8.1	11.4	3.7	6.0	3.6	6.6	12.1
Primary	4.9	8.2	12.0	3.3	5.8	9.5	12.8	4.7	6.6	4.6	6.9	11.6
Middle	11.3	15.3	13.8	7.1	9.7	13.0	19.1	7.2	9.1	6.9	9.0	12.9
Secondary	21.0	26.1	21.4	16.0	19.2	21.9	28.2	16.9	17.8	12.6	15.0	18.1
Post-Secondary	30.2	35.2	38.1	36.0	40.3	41.7	35.2	35.5	36.2	27.2	28.2	29.1

Note: **1**. Figure presented are percentages; **2**. This table represents those who are employed or working; **3**. ***Youth*** mean 15 to 24 years age group; **4**. Secondary includes higher secondary below graduation; **5**. Rural-urban and male-female combined; **6**. ***US*** – Usual status (including principal and subsidiary), ***CWS*** – Current Weekly Status, ***CDS*** – Current Daily status.

Source: Computed using National Sample Survey unit record data.

According to the literacy status of the youth labour force, the distinction in terms of unemployment rate between literates and illiterates was significant where the unemployment rate was higher among the literates than that of the illiterates. This pattern is observed across three alternative concepts of unemployment rate and all the three points of time during the last two decades period.

In terms of the level of education, the unemployment rate was the highest among the young graduates at 35.5 per cent according to usual status in 2004-05. Though the unemployment rate varies with the concepts of unemployment and the level of education of youth labour force, the difference in the unemployment rate between three alternative concepts seems to be declining from lower to the higher level of education.

f. Joblessness among the Youth

It may be noted that the efficiency of unemployment rate as a sufficient indicator for measuring the problem of youth in the labour market has been questioned for a long time (O'Higgins, 2008). The attention has been turned in fact to focus on the discouraged young workers who are excluded from the measures of youth unemployment. The discouraged young workers are those young people who are neither in education/attending educational institutions or employment, and they may not be actively searching work. They are not searching for work because they know or believe that acceptable employment is not available (O'Higgins, 2008). The broad or relaxed definition of International Labour Organisation (ILO) on unemployment rate in fact includes this category of people who are neither attending school/colleges nor employed. This category of youth is defined as jobless youth (see O'Higgins, 2008). The category of jobless youth in definition includes both the unemployed and those who are neither employed nor in educational institutions.

The joblessness among the youth in India seems to be significantly high where about one-fourth (25.9 per cent) of youth population was found to be jobless in 2004-05 (see Table 4.7). In absolute number, of the total 203.6 million youth population there are about 52.7 million jobless youth in India. The joblessness, however, is declining over a period of time. It declined from 41.8 to 25.9 per cent during the period1983 and 2004-05. It is evident that the joblessness among the youth is much higher than the incidence of unemployment. One must remember that the unemployment rate is for the labour force and the incidence of joblessness is for the population.

Table 4.7: Joblessness of Youth in India by Literacy Status and Educational Levels

Educational Level	1983			1993-94			2004-05			2007-08		
	All	Rural	Urban	All	Rural	Urban	All	Rural	Urban	All	Rural	Urban
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***	***11***	***12***	***13***
All	41.8	44.5	29.7	27.5	26.4	30.6	25.9	25.6	26.8	27.4	27.5	27.2
Not Literates	56.9	60.4	33.6	35.9	33.9	49.6	38.7	37.3	47.5	45.4	44.0	53.4
Literates	19.8	17.4	26.6	23.6	21.7	27.1	22.8	21.9	24.6	24.3	24.0	25.0
No Formal Schooling	-	-	-	-	-	-	-	-	-	45.2	43.8	52.6
Below Primary	13.5	12.0	26.8	29.5	27.2	37.7	30.1	28.8	36.3	35.6	35.0	38.5
Primary	20.8	18.1	29.1	27.5	24.3	37.1	26.4	24.9	31.6	31.1	29.6	37.5
Middle	21.8	20.1	24.0	21.3	18.8	26.9	21.4	19.3	26.7	22.8	21.3	27.0
Secondary	23.1	22.1	24.4	19.2	18.7	19.8	17.9	18.2	17.5	18.6	18.8	18.2
Post-Secondary	24.3	20.2	37.4	35.0	33.5	35.8	32.2	30.2	33.4	29.1	31.2	27.8

Note: **1**. Figure presented are in percentages; **2**. Usual status (including principal and subsidiary); **3**. ***Youth*** mean 15 to 24 year age group; **4**. Secondary includes higher secondary below graduation.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

The incidence of joblessness varied with the literacy status and level of education of the youth population. The incidence of joblessness between the literate and illiterate youth indicates that the joblessness was distinctively higher among the illiterates than that of the literates (Table 4.7). It is a distinct pattern when compared to unemployment rate between literate and illiterate youth.

In terms of the level of education, unlike the pattern of unemployment rate which was increasing with the level of education, the joblessness among youth was in fact declining with the level of education up to secondary level. But it was the highest among those who had post-secondary level education; it was 32.2 per cent in 2004-05.

V Wages and Earnings of Young Workers

Some other important issues are about the earning capacity of the young workers and how the labour market is valuing the labour and the skills of the young workers. Depending on the structure and traditions of different economies around the world, wage rates are either the product of market forces, i.e. supply of and deamand for labour, or wage rates may be influenced by other factors such as government interventions and tradition, social structure and seniority.

The average daily wage rate for all those adults (15 to 59 age) who are working for wage (including regular salaried and casual laborers) in nominal (or actual) terms was Rs. 104.4 in 2004-05 it was Rs. 37.3 in 1993-94 and Rs. 13.2 in 1983 (see Table 5.1). The wage rate for casual labourers is significantly lower than that of the other workers working for wages especially regular salaried persons. The average daily nominal wage rate for casual labourers was Rs. 51.2 in 2004-05, it was Rs. 21.5 in 1993-94 and Rs. 7.3 in 1983.

In terms of the 2004-05 prices, the real wage rate for the all the adult workers working for wages, was Rs. 50.5 in 1983 and it increase to Rs. 59.78 in 1993-94 and further increase to Rs. 104.4 in 2004-05 while for the adult casual labourers, the real wage had increased respectively from Rs. 27.8 to Rs. 34.4 and to 51.2 during the period (Table 5.1).

Table 5.1: Average Daily Wage Rates (Rs.) of Adult (15 to 59 Age) Workers in India

Sector/Gender	1983		1993-94		2004-05		2007-08	
	R	N	R	N	R	N	R	N
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***
All Workers								
All	50.5	13.2	59.8	37.3	104.4	104.4	120.7	135.7
Rural	36.8	9.6	42.9	26.8	71.2	71.2	79.9	90.3
Urban	79.1	20.7	99.0	61.8	168.4	168.4	202.8	227.1
Male	57.9	15.2	68.5	42.7	116.7	116.7	133.6	150.2
Female	28.6	7.5	35.7	22.3	67.1	67.1	78.9	88.7
Casual Labour								
All	27.8	7.3	34.4	21.5	51.2	51.2	64.7	73.0
Rural	26.4	6.9	32.8	20.5	48.8	48.8	60.8	68.7
Urban	37.3	9.8	45.3	28.2	68.1	68.1	90.5	101.3
Male	32.3	8.5	39.1	24.4	57.6	57.6	71.6	80.7
Female	19.1	5.0	24.9	15.5	35.9	35.9	46.9	52.9

Note: **1**. ***R*** – Real wages in terms of 2004-05 prices; ***N*** – Nominal or actual.

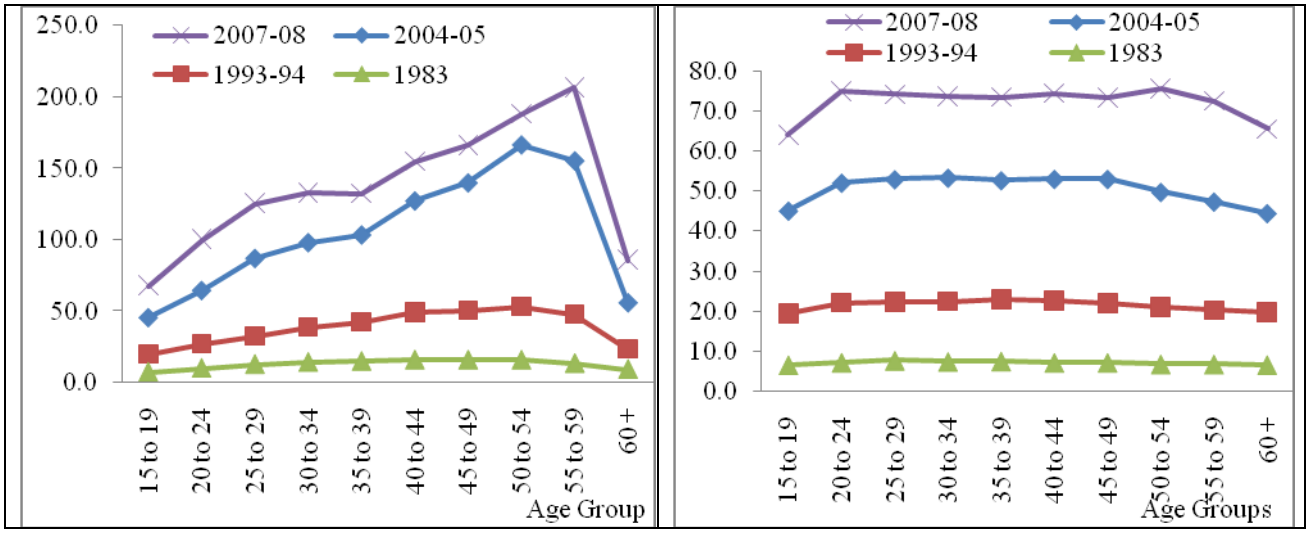
Source: Computed using NSS Employment and Unemployment Survey unit record data.

The average daily wage rate of adult workers varied across age groups and it showed increase with the higher age groups. The pattern is similar during the last two and half decades and for all the workers working for wage (regular salaried and casual labourers) in general and casual labourers in particular (see Figures 5.1 and 5.2). In other words the younger age group workers are paid lower wage rates when compared to that of their seniors. It indicates that the experience in the labour market comes to the advantage of the workers in terms of the wage rate.

The change in terms of increase in the daily wage rate during the last two decades appears to be phenomenal in nominal terms. The compound average annual growth of daily nominal wage rate for all those working for wage (including RS and CL) shows 10.1 per cent during the period between 1983 and 2004-05. But the part of this increment in the daily wage was taken away by the increasing inflation pressure, so that the growth of real wage in terms of 2004-05 prices, shows that it was only 3.4 per cent during the period. In case of the casual labourers the rate of growth in their nominal wage rate was about 9.2 per cent and for the real wage rate the rate of growth was about 2.9 per cent during the period.

Figure 5.1: Average Daily Wage Rate (Rs. 0.0) in India by Age Group: All Workers

Figure 5.2: Average Daily Wage Rate (Rs.0.0) of Casual Labourers in India by Age Group



Note: 1. All Workers refers to (Regular wage/casual labour and Casual Labourers); 2. Nominal terms.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

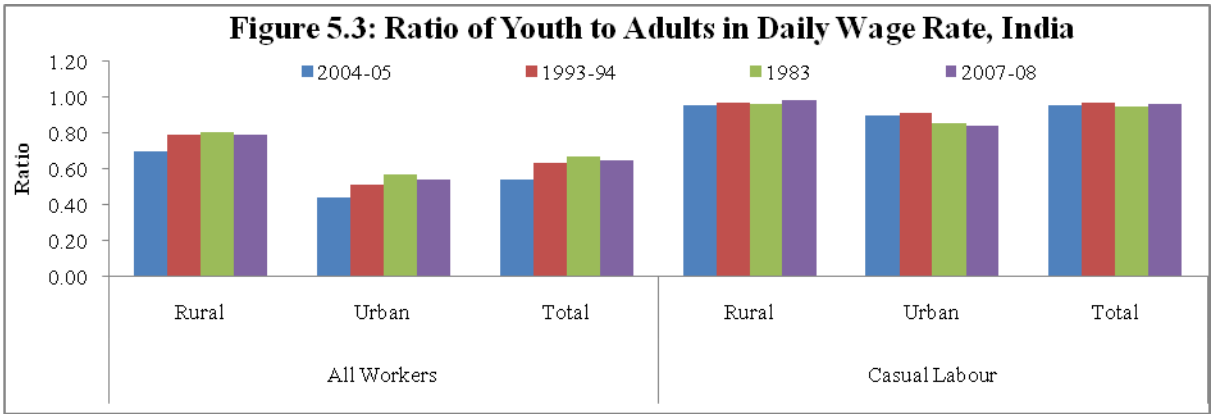
Table 5.2: Average Daily Wage Rates (in Rs.) for Young (15 to 24) Workers in India

Sector/Gender	1983		1993-94		2004-05		2007-08	
	R	N	R	N	R	N	R	N
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***
All Workers								
All	33.8	8.9	38.2	23.8	57.0	57.0	78.2	88.0
Rural	29.6	7.7	33.9	21.2	49.6	49.6	63.6	71.8
Urban	45.3	11.9	50.7	31.6	74.1	74.1	110.1	123.3
Male	37.5	9.8	41.6	25.9	60.5	60.5	81.1	91.2
Female	24.0	6.3	29.2	18.2	44.7	44.7	66.9	75.3
Casual Labour								
All	26.4	6.9	33.4	20.8	48.9	48.9	62.2	70.2
Rural	25.4	6.7	32.0	20.0	46.8	46.8	59.9	67.7
Urban	32.1	8.4	41.5	25.9	61.3	61.3	76.1	85.3
Male	30.1	7.9	37.3	23.3	53.5	53.5	66.9	75.5
Female	19.2	5.0	24.2	15.1	34.4	34.4	45.2	51.0

Note: **1**. ***R*** – Real in terms of 2004-05 prices; ***N*** – Nominal or actual.

Source: Computed using NSS Employment and Unemployment Survey unit record data.

The average daily wage rate for youth workers (15 to 24 age group) who are working for wage (including regular salaried and casual laborers) in nominal (or actual) terms was Rs. 57.0 in 2004-05, Rs. 23.8 in 1993-94 and Rs. 8.9 in 1983 (see Table 5.2). The wage rate for casual labourers is significantly lower than that of the other workers working for wages especially regular salaried persons. The average daily nominal wage rate for casual labourers was Rs. 48.9 in 2004-05, Rs. 20.8 in 1993-94 and Rs. 6.9 in 1983. The real wage rate in terms of the 2004-05 prices, for all the youth workers working for wages, was Rs. 33.8 in 1983 and increased to Rs. 38.2 in 1993-94 and to Rs. 57.0 in 2004-05. Whereas for the casual labourers among the young workers, the real wage had increased from Rs. 26.4 to Rs. 33.4 and to 48.9 respectively during the same period (Table 5.2).



The ratio of youth to adults in terms of daily wage rate show that there is increasing segmentation in case of all workers (regular salaried and casual labour) but in case of casual labour it is not so (Figure 5.3). In other words the increasing labour market segmentation between youth and adult workers is taking place only in case of regular salaried/wage employees. It indicates that work experience matters in wage rate especially of regular salaried/wage employees.

a. Working Poor among the Youth

Working poor is a term used to describe individuals who are employed but remain in poverty owing to different reasons. An attempt is made to examine the poverty levels among workers and derive the incidence of working poor among the youth workers in India[9]. A report by the International Labour Organisation (ILO) said despite Asia being home to global economic powerhouses, it also had more than one billion ‘‘working poor’’, who earned less than €1.55 a day. India is one of those Asian countries with a large number of working poor.

Table 5.3: Working Poor: Percentage of Workers Living in BPL Households

Group	2004-05			1993-94			1983		
	All	Rural	Urban	All	Rural	Urban	All	Rural	Urban
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
All Population	27.6	28.3	25.7	36.0	37.2	32.5	44.9	45.8	42.3
Youth Population	23.2	23.1	23.5	30.1	30.7	28.4	39.6	40.1	38.1
All Workers	25.2	25.3	24.6	34.5	35.4	31.3	44.0	44.9	44.3
Young Workers	26.3	25.5	29.5	34.1	33.7	35.7	43.6	43.6	43.7
Unemployed Youth	20.1	17.9	23.5	24.6	21.3	28.0	34.3	29.4	38.9
Jobless Youth	28.4	27.2	31.4	32.4	31.7	33.9	39.6	38.5	41.9

Note: **1**. Figure presented are in percentages; **2**. Usual status (including principal and subsidiary); **3**. ***Youth / Young*** mean 15 to 24 year age group; **4**. Secondary includes higher secondary below graduation.

Source: National Sample Surveys.

The head count ratio of poverty based on consumption of expenditure of the households indicates that about 27.6 per cent of the total population in India is poor in terms of income poverty in 2004-05 (see Table 5.4). Interestingly, the percentage of youth population living in poor households was 23.2 per cent. The percentage of persons living in below poverty line (BPL) found to be lower among the youth population than that of the all population. In contrast to the situation in the population, the percentage of workers living in BPL households was higher among young workers when compared to the average of all workers.

[9] See Sundaram and Tendulkar (2002 and 2004)

Among the workers, about 25.2 per cent of the all workers (all age group) were living in below poverty line (BPL) households whereas it was about 26.3 percent for the young workers.

Table 5.4: Distribution of Youth by MPCE Decile Class, India (2004-05)

Decile Class	Distribution of youth by Decile Class							Rates (%) by Decile Class			
	HH	Pop	Workers	Unemp	NLF	Students	Jobless	WPR	UR	Students	Jobless
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***	***12***	***11***
1	10	9.9	11.2	9.0	8.7	5.2	12.6	52.2	6.6	14.4	33.0
2	10	10.8	12.1	9.4	9.7	6.7	12.9	51.7	6.4	17.0	30.9
3	10	10.7	11.7	10.0	9.8	7.8	12.0	50.4	6.9	19.9	29.1
4	10	10.8	11.2	11.4	10.3	9.0	11.8	47.9	8.1	22.8	28.4
5	10	10.6	11.3	10.7	9.9	9.2	10.8	49.0	7.7	23.9	26.4
6	10	10.2	10.5	9.7	10.0	10.2	9.8	47.1	7.5	27.5	24.8
7	10	10.0	9.6	9.6	10.5	11.4	9.4	43.9	8.1	31.1	24.4
8	10	9.8	8.9	9.8	10.6	12.9	8.0	41.9	8.7	36.1	21.2
9	10	9.2	7.9	11.2	10.3	13.1	7.4	39.5	11.0	38.9	20.7
10	10	8.0	5.5	9.3	10.1	14.6	5.3	31.9	12.8	50.1	17.2
Total	100	100.0	100.0	100.0	100.0	100.0	100.0	46.0	8.0	27.4	25.9

Note: **1**. HH – Households; Pop – Population; Unemp – unemployed; NLF – Not in Labourforce; WPR; Work Participation Rate; UR- Unemployment rate; **2**. Usual status including principal and subsidiary; **3**. Rural and urban combined.

Source: NSS 61st (2004-05) Round EUS unit record data.

When we examine the distribution of youth by the monthly per capita consumption expenditure (MPCE) declile class of households, usually the average household size of the lower decile class household found to be higher than that of higher ones and hence the lower decile class households have disproportionately more number of people when compared to higher decile class households. Nevertheless the distribution of youth population and unemployed among the youth are not much different from the distribution of households across decile classes. But in the case of youth workers and the jobless youth, the lower MPCE classes are having disproportionately more number of youth workers and jobless youth than that of the higher MPCE classes (Table 5.4). Also the studying youth are also disproportionately distributed against the lower decile class households.

The work participation rate (WPR) population and the percentage of jobless in the youth population are distinctively higher in the lower decile class households but the unemployment rate is higher for higher decile class households. Usually the affordability of unemployment is lower among lower economic classes and higher among the economically better households. However, there should be a great deal of policy concern about the higher rate of joblessness among the lower decile class households. The high reserves of jobless youth may have to be either channeled into formal educational or training institution to equip them with human capital and skills which will fetch them in the labour market or into labour market while generating suitable employment opportunities.

Vulnerable Population among Youth

In order to have better policies, it is important to identify the vulnerable population among youth.

Fig. 5.4.

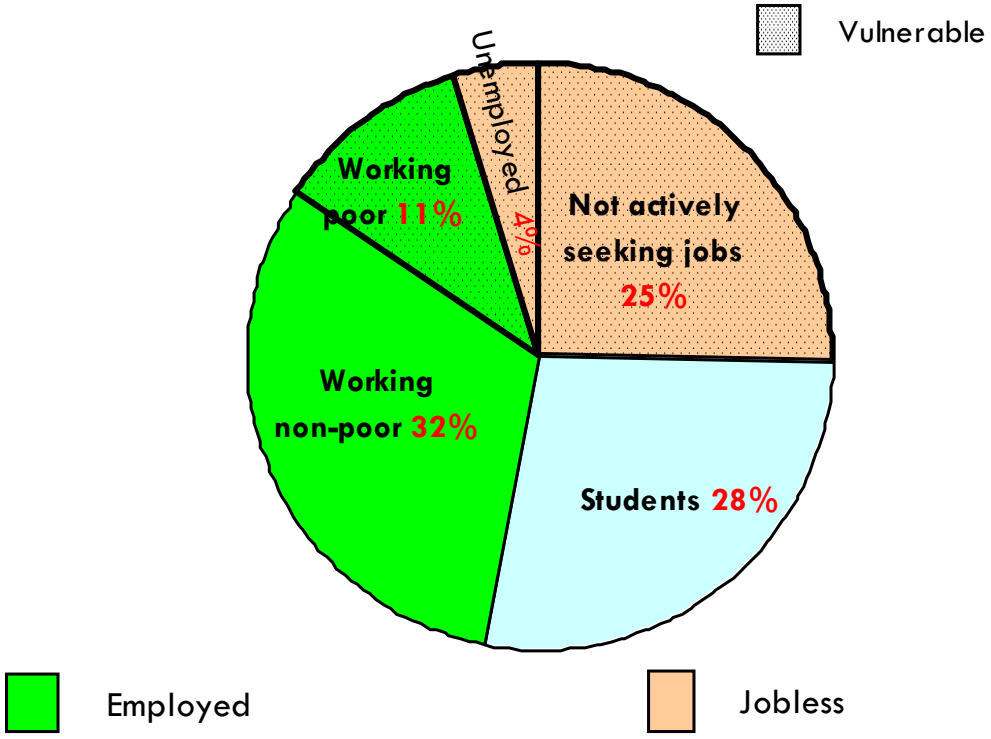


Fig.12 shows that India has about 40% of vulnerable population among the youth. It includes 11% of working poor, 4% unemployed and 25% non-actively seeking jobs. The policies on youth have to focus more on the 40% of the vulnerable among youth.

VI Growth of the Economy and Youth Employment

The objective of economic development is to provide people with basic necessities, and opportunities for meaningful employment. Expanding productive employment is central for sustained poverty reduction and for improvement in human development, as labour is the main asset for the majority of the poor. Labour absorption, in fact, depends more on the pattern of growth, on whether it is labour intensive or capital intensive.

Table 6.1: Growth Rate of Population, Labour/Workforce, Unemployed, Students and Jobless Youth, India

Period	Population	Labour Force	Workforce	Unemployed	Studying	Jobless
1	*2*	*3*	*4*	*5*	*6*	*7*
Young (15-24)						
1983-94	2.01	1.06	1.02	1.59	5.22	-1.98
1994-2005	2.59	2.03	1.80	5.40	4.37	2.04
1983-2005	2.31	1.56	1.42	3.52	4.79	0.06
All Ages						

1983-94	2.33	2.26	2.28	2.26	-	-
1994-2005	1.84	1.90	1.84	5.90	-	-
1983-2005	2.08	2.08	2.06	4.11	-	-

Note: Growth is Compound Annual (CAGR).

Source: Computed.

The growth of population for all ages declined in the 1990s as compared to that of 1980s (see Table 6.1). But for the youth, their population growth rate is increasing over a period and it was lower than population growth for all ages during 1980's but was higher during the 1990s. Moreover, the rate of growth in employment was always lying below their population growth rate. As in the case of youth population, the rate of growth in youth employment was higher in the 1990s than that of the 1980s. In fact, we observed a declining work participation rate among the youth over a period. Inspite of this, the employment growth was higher. This was due to higher population growth for the youth. Higher growth rate in youth population might have compensated for the declining WPR among the youth.

Table 6.2: Growth and Employment Elasticity of Youth in India

Period	GDP Growth	Employment Elasticity		
		All Workforce	Youth Workforce	Diff
1	***2***	***3***	***4***	***5***
1983 to 1993-94	5.2	0.437	0.195	0.45
1993-94 to 2004-05	5.9	0.314	0.307	0.98
1983 to 2004-05	6.9	0.300	0.207	0.69

Note: **1**. ***GDP*** – Gross Domestic Product; ***Diff*** – Difference in employment elasticity between all and youth employment.

Source: computed.

In general, it would be a potential threat in terms of unemployment and joblessness if the employment growth lies below the growth of population. In case of youth, increasing attendance rate in educational institution indicates that the bulging youth population, however, is partially diverted to educational institutions. But the increasing attendance rate is unable to absorb all the bulging youth. Those young people who are neither working nor attending educational institutions remain as either unemployed or jobless. The increasing unemployment rate and hence the high growth of the unemployed and jobless during 1993-2005 among the youth indicate a potential threat of higher youth unemployment and joblessness.

Table 6.3: Growth of Employment and GDP in India by Industry Division

Industry Division	All Workers			Youth Workers			GDP		
	83-94	93-05	83-05	83-94	93-05	83-05	83-94	93-05	83-05
1	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
Agriculture and allied	1.57	0.88	1.22	0.73	0.34	0.53	3.03	2.18	2.89
Non-Agriculture	**3.79**	**3.40**	**3.59**	**1.92**	**3.93**	**2.94**	**6.38**	**7.11**	**6.78**
Mining and Quarrying	6.24	0.42	3.22	1.15	0.13	0.62	7.03	4.50	5.43
Manufacturing	0.70	2.94	1.84	2.19	3.89	3.05	5.95	5.87	6.35
Electricity, Gas and Water	11.78	-0.79	5.16	-2.81	-4.42	-3.63	8.59	5.45	6.77
Construction	4.06	7.15	5.63	5.85	7.89	6.89	5.37	6.21	5.39
Wholesale Trade	3.71	4.85	4.29	2.34	5.62	4.01	5.40	7.70	6.87
Transport, Storage & Comn.	4.75	4.71	4.73	-0.04	6.73	3.37	5.77	9.75	7.62
Finance	12.10	6.68	9.29	-1.83	8.42	3.29	9.66	7.28	8.50
Community Service	7.27	0.11	3.54	-0.59	-0.96	-0.78	5.69	7.51	6.18

Note: **1**. Youth is of 15-24 age group; **2**. Employment is principal and usual status; **3**. GDP in constant (1993-94) prices.

Source: Computed based NSS for employment and CSO for GDP data.

The employment elasticity which indicates the responsiveness of employment growth to growth in GDP is lower during the post-reform period (i.e. between 1993-94 and 2004-05) when compared to the pre-reform period (i.e. between 1983 and 1993-94) for all workers (see Table 6.2). This situation has implications on the employment generating capacity of the increasing rate of GDP growth in India. Whereas for the youth workers it is otherwise – employment elasticity during the post-reform period is higher than the pre-reform period. It indicates that the growth of economy during the post reform is relatively favourable for growth of youth employment. However the employment elasticity of youth workers lies always lower than that of the all workers but the difference (ratio of youth to all) in employment elasticity between 'all' and youth narrowed down during the post-reform period when compared to that the of pre-reform period.

Table 6.3: Employment Elasticity in India by Industry Division

Industry Division	All Workers			Youth Workers		
	1983-94	1993-05	1983-05	1983-94	1993-05	1983-05
1	***2***	***3***	***4***	***5***	***6***	***7***
Agriculture and allied	0.516	0.405	0.420	0.240	0.155	0.182
Non-Agriculture	**0.593**	**0.478**	**0.529**	**0.300**	**0.552**	**0.434**
Mining and Quarrying	0.888	0.094	0.593	0.163	0.028	0.115
Manufacturing	0.118	0.500	0.289	0.368	0.662	0.481
Electricity, Gas and Water	1.371	-0.145	0.763	-0.326	-0.810	-0.537
Construction	0.756	1.152	1.045	1.088	1.271	1.278
Wholesale Trade	0.687	0.630	0.625	0.433	0.730	0.583
Transport, Storage & Comn	0.823	0.482	0.620	-0.007	0.690	0.442
Finance	1.252	0.917	1.094	-0.190	1.157	0.387
Community Service	1.277	0.014	0.573	-0.104	-0.128	-0.126

Note: **1**. ***All workers*** – all age group including youth; **2**. ***Youth workers*** - of 15-24 age group.

Source: Computed based on Table 18 above.

The employment elasticity by one-digit industry division indicates that it was higher in non-agricultural activities when compared to agricultural related ones in general and youth in particular (see Table 6.3). In other words the employment generating capacity/potential of GDP growth in non-agricultural activities is higher than that of the agricultural related activities. The employment elasticity of youth was, in both periods, lower than that of the all workers in both the agriculture and non-agricultural activities. While it was relatively lower in post-reform period than that of the pre-reform period in both the agricultural and non-agricultural activities for all workers, it was a complete turnaround for the youth workers especially in case of non-agriculture sector. Growth of economy particularly in non-agriculture sector during the post-reform had a higher employment generating capacity/potential especially for the youth. Very high employment growth potential sectors for the youth are found to be in construction activity, financial and business related services. Except the community services all the other tertiary/services sub-sectors and manufacturing also had higher employment generating potential for the youth.

VII. Summary and Policy Recommendations

A summary of the trends in youth labour market is given below.

(1) Labour force and work participation rates have fluctuated between 40 to 44 per cent during the last three and half decades. The share of youth outside labour force increased.

(2) The size of the youth population (15 to 24 age group) has increased three folds in the last four decades of the 20th Century. The projected population in 2011 is around 240 million youth population in the country.

(3) The literacy rate for youth population rose from 56.4% in 1983 to 80.3% in 2007-08. The percentage of youth attending educational institutions increased from 17.4% to 32.8% during the same period. Regarding employability, only 4.9% of young workers had post-secondary level of education in 2007-08.

(4) The self employed form the majority of youth workers (50%). Casual labourers form the next highest category among youth workers (35%). The share of youth regular salaried/wage employment increased over time.

(5) However, the share of agriculture in youth employment declined faster than adults. It was 54.4% for youth and 57% for adults in 2007-08. It is interesting to note the share of industrial sector increased faster for youth as compared to services. Unlike for adults, the share of industry for youth is higher than services in the year 2004-05.

(6) India has 459 million workers in 2004-05. Out of this, 423 million (92%) are unorganized workers. Most of the youth are also in the unorganized sector.

(7) The number of youth unemployed in India increased from 6.5 million in 1993-94 to 9.5 million in 2004-05 . Out of this, 61% are in rural areas while 70% of them are males.The youth unemployed make up almost half (49%) of the total unemployed despite the fact that, the youth share of the total adult workers was only 21%. The share of youth unemployed to adult unemployed declined from 52.2% in 1993-94 to 49.0% in 2004-05.

(8) Unemployment among youth is three times to that of adults for usual status. It is two times to that of adults for weekly status.

(9) Joblessness (27%) is much higher than unemployment rate. In absolute number, of the total 203.6 million youth

(10) Literacy and educational levels are increasing for Indian youth. However, we still have many illiterates and only few workers had education above secondary and graduation. About 89 per cent of the youth have not taken any kind of vocational training and among the rest about half of them have received through hereditary practices. It indicates a negligible level of formal vocational training from the youth.

(11) Wage levels of Youth Employed are lower than those of adults.

(12) 26% of youth employed suffer from poverty (around 22 million)

(13) Around 40% of youth population are vulnerable. They include 11% of working poor, 4% of unemployed and 25% of not actively seeking jobs.

(14) Unemployment of youth is only one of the problems of youth labour market. Since many of them are in the informal/unorganized sector, the income and productivity of workers,conditions of work and social security have to be improved.

Based on the summary, the following three recommendations are given.

(1) Appropriate Macro Policies

Appropriate macro policies are important for generating employment. In other words, one has to examine whether macro policies in India are pro-employment and pro-poor in the post-reform period.

Investments are important for higher growth which can improve employment if invested in labour intensive sectors. One of the reasons for the low growth in employment in the post-reform period could be low growth in public investment.

Fiscal reforms are supposed to reduce fiscal deficit, improve social sector expenditures and capital expenditures. These are expected to improve employment prospects. Recent improvements in tax/GDP ratio have increased investments and expenditures in social sectors.

Trade liberalization is expected to improve exports which can generate employment. However, it depends on whether the benefits percolate to unskilled workers or skilled workers. If only IT sector benefits, overall employment prospects are not bright. The evidence seems to suggest that the employment in organized sector manufacturing has not improved much.

Financial sector liberalisation led to decline in credit to agriculture sector, small and marginal farmers and weaker sections in the post-reform period. The micro credit movement is not a substitute for the agricultural credit by the banks (Shetty, 2003).

Regarding international experience, a study by Pasha and Palanivel (2003) on Asian countries show that the key macroeconomic determinants of the degree of pro-poor growth appear to be the rates of employment and agricultural growth. The study argues, given the inflation rates, that countries can be more flexible in their policy stance with regard to the adoption of more growth oriented as opposed to stabilization policies. Developing countries should learn from China on agricultural growth, rural non-farm employment, public investment and human development (see Rao, 2005). The impact of growth on poverty reduction is quite significant in China.

(2) Improvement in Education

India has not been able to take advantage of '**demographic dividend'** because of low education and skills. "It is important to realize however that we can only reap this demographic dividend if we invest on human resource development and skill formation in a massive way and create productive employment for our relatively young working" (Approach to 11th Five Year Plan).

Problems in education are: (i) access to basic education for the unreached and social groups; (ii) qualitative improvement to raise learning achievements;(iii) tackling high drop-out and low retention. Universalization of elementary education alone will not suffice in the knowledge economy. Modern industry needs higher education. One good sign is that the 11th Plan increases allocation from 8% to 19% of gross budgetary support in education. Measures to improve employability have to be improved. Even educated find it hard to get jobs as skills are not approriate for the jobs. Improvements in skills and vocational training are needed.

Universalization of elementary education alone will not suffice in the knowledge economy. A person with a mere 8 years of schooling will be as disadvantaged in a knowledge economy dominated by ICT as an illiterate person in modern industry and services. Secondary education is vital because it is in this age group that the child, particularly the girl child is extremely vulnerable and is pushed into child labour, early marriage or trafficking. The 11th Plan must therefore aim to progressively raise the minimum level of education to high school or Class X level. A major initiative for expanding secondary education up to class X, must be initiated in the 11th Plan and should include access to organized sports and games. However, the pace at which this expansion takes place will also depend on how quickly we can reduce the drop-out rates at the elementary stage.

There are emerging signs that rapid growth can result in shortage of high quality skills needed in knowledge intensive industries. One area of concern is that India is losing edge on the tracking of pure sciences. To continue competitive advantage and ensure a continuous supply of **quality manpower**, we need large investments in public sector institutions of higher learning. This should be accompanied by fundamental reform of the curriculum as well as service conditions to attract a dedicated and qualified faculty.

(3) Active Labour Market Policies

Skill improvement is one of the important things needed in active labour market policies. Expanding capacity through private sector initiatives in higher learning needs to be explored while maintaining quality. Conditions of work and promotion of livelihoods are important for raising the incomes of youth workers. Since majority are in the informal sector, protective measures are also required. Minimum Level of Social Security like life insurance, health insurance have to be given to unorganized workers.

Self help groups and micro finance institutes should be encouraged for livelihood promotion. Cluster development should be undertaken for improvement in productivity of self employed. Existing self employment programmes (e.g. Prime Ministers Rozgar Yojana and wage employment prograammes (National Rural employment Guarantee Scheme) should be strengthened.

Employability of youth has to be increased through skill development and vocational training. The Government of India has realized the importance of skills. The mid-term appraisal of 11th Plan says that 'improved training and skill development has to be a critical part of the employment strategy. A Coordinated Action Plan for skill development has been approved by the Cabinet to have a target of 500 million skilled persons by 2022. " A three tier institutional structure consisting of : (i) the Prime Minister's National Council on Skill Development, (ii) the National Skill Development Coordination Board, and (iii) the National Skill Development Corporation, has been set up to take forward the Skill Development Mission (p. 205, GOI, 2010).This is an important initiative.

To conclude, India is in the midst of a process where it faces the window of opportunity created by the demographic dividend. The 'demographic dividend' argument ignores the fact that available workers are not automatically absorbed to deliver high growth. Savings and investments may increase because of reduction in dependency ratio. However, 'deficit' in education and 'employability' of the workforce in India may hamper the advantages of this dividend. Related to this are problems of working poor, unemployment and joblessness

among youth. This needs to be remedied in order to take advantage of the opportunity of growth that the demographic dividend is supposed to give to India.

In this context, this paper highlights the issues and problems of youth population by looking at trends in youth labour market and population outside the labor force.

References

ADB (2008) **Asian Development Outlook 2008: Asian Workers**, Asian Development Bank, Hongkong.

Chambers, R. and A. Lake (2002) "Youth Business International: Bridging the gap between Unemployment and Self-employment for Disadvantaged Youth", *ILO Skills Working Paper-3*, Geneva: International Labour Organisation.

Chandrasekhar, C.P., Jayati Ghosh and A.Roychowdhury (2006), "The 'Demographic Dividend' and Young India's Economic Future", *Economic and Political Weekly*, No.49, Vol.41.

Godfrey M. (2003) "Youth Employment Policy in Developing and Transition Countries – Prevention as Well as Cure", *World Bank Social Protection Discussion Paper*, 320, Washington, DC: The World Bank.

GOI (2010), 'Mid-Term Appraisal of Eleventh Five Year Plan", Planning Commission, Yojana Bhavan, Government of India

ILO (2004) **Global Employment Trends for Youth**, Geneva: International Labour Office.

ILO (2005a) **Youth: Pathways to Decent Work: Promoting Younth Employment-Tackling the Challenge**, Geneva: International Labour Organisation.

ILO (2005b) "Youth Employment: From a National Challenge to Global Development Goal", Background paper contributed by the ILO to the G8 Labour and Employment Ministers' Conference**,** London, 10-11 March 2005, Geneva: International Labour Office.

ILO (2006) **Global Employment Trends for Youth**, Geneva: International Labour Office.

Lam, D (2006) "The Demography of Youth in Developing Countries and its Economic Implications" World Bank Policy Research Working Paper No. 4022, Washington DC: The World Bank.

O'Higgins, Niall (2008) "Youth Labour Markets in Indonesia, the Philippines and Thailand", Mimeo, University of Salerno.

Pasha, H.A and T.Palanivel(2003), 'Macro Economics of Poverty Reduction: An Analysis of the Experience in 11 Asian Countries', Discussion Paper No.3, UNDP Asia –Pacific Regional Programme on Macro Economics of Poverty Reduction.

Rao, CHH(2005), "Agriculture, Food security, Poverty and Environment", Oxford University Press, New Delhi

Rosas, Gianni and Giovanna Rossignotti (2005) **Guide for the Preparation of National Action Plans on Youth Employment**, Geneva: International Labour Organisation.

Shetty, S.L. (2003a), 'Credit Flows to Rural Poor'(mimeo), Mumbai : EPW Research Foundation.

Srinivasan, T N (2008) "Employment and Unemployment since the Early 1970s", in Radhakrishna (ed.) **India Development Report 2008**, New Delhi: O U P.

Sundaram, K and Suresh D Tendulkar (2002) "Working Poor in India: Employment-Poverty Linkage and Employment Policy Options", Discussion paper on Issues in Employment and Poverty, ILO, New Delhi.

Sundaram, K and Suresh D Tendulkar (2004) "The Poor in the Indian Labour Force", *Economic and Political Weekly*, November 24.

UN (2007) **Understanding Youth Issues in Selected Countries in the Asian and Pacific Region**, Economic and Social Commission for Asia and the Pacific, New York: United Nations.

Visaria, P. (1998) "Unemployment among Youth in India: Level, Nature and Policy Implications" *Employment and Training Paper 36*, Employment and Training Department, Geneva: International Labour Organisation.

Weinert, Patricia; Michele Baukens; Patrick Bollerot; Marina Pineschi-Gapenne and Ulrich Walwei (2001) **Employability: From Theory to Practice**, Transactions Publishers.