



## IMPACT OF YOUTH UNEMPLOYMENT ON ECONOMIC GROWTH IN INDIA

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### Abstract:

The "Youth bulge" or demographic "dividend," which is an increase in the proportion of the population that is young, appears to be one of the drivers of future global economic growth. It is often known that prolonged youth unemployment has detrimental effects on both individuals and society as a whole. It is a problem that both emerging and developed economies face. This study examines various labour force and workforce participation rates, including growth, employment elasticity, unemployment, joblessness, and working poverty. Because the backlog of unemployed people has been growing at an alarming rate over the past few years, the issue of unemployment has gotten worse everywhere in the world. According to a recent ILO research, the youth employment crisis might have long-term effects that take decades to manifest, putting a generation at risk of having insufficient opportunities for good work throughout their life and sowing disbelief in the political and socioeconomic structures.

**Keywords:** Joblessness, labour force, Workforce participation rates, Youth unemployment

### 1.0 Introduction

With an increased share and responsibility in the global economy, developing nations are gaining prominence in the global economy. For developing nations, addressing youth employment and unemployment is a difficult policy domain with less empirical data to guide policy formulation. Undoubtedly, the significance of youth unemployment cannot be overstated. Governments that have a long-term vision for the welfare and development of their nations are concerned with the most effective ways to integrate young people into the labour force, since they represent the potential and future of every nation. The subject has been explored in numerous business and policy venues and has garnered media interest.

This short essay aims to familiarise the reader with the subject. After giving a definition of youth unemployment, it gives a summary of the problem's scope, examines global employment trends, and goes over some of the primary causes and effects of young unemployment.

### 1.1 Definition of Youth Unemployment

Youth, according to the UN, is the age range of 15 to 24. Comparisons between countries are challenging since official statistics from different countries have different definitions. According to certain analyses, the youth are further separated into young adults (20–24 years old) and teenagers (15–19 years old). Certain writers contend that there are notable differences in the unemployment rates and obstacles faced by these two groups, which warrants the use of distinct strategies to mitigate unemployment.

The rates of youth unemployment vary significantly between nations. Figures representing youth unemployment as a percentage of the total youth population in various parts of the world are displayed below. The data demonstrates significant regional variations, with the Middle East and North Africa exhibiting consistently higher rates.

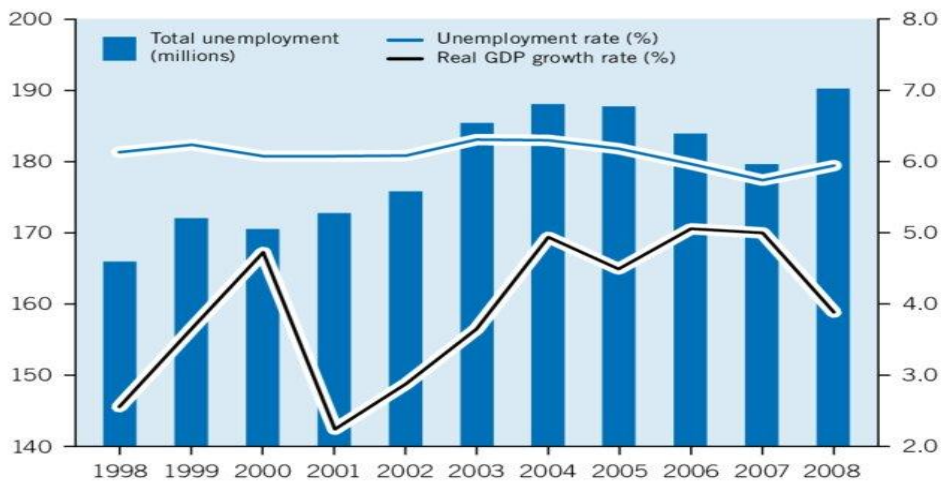
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Many times, the unemployed are members of certain groups, such as members of underprivileged communities, ethnic minorities, and high school dropouts (Freeman & Wise, 1982).

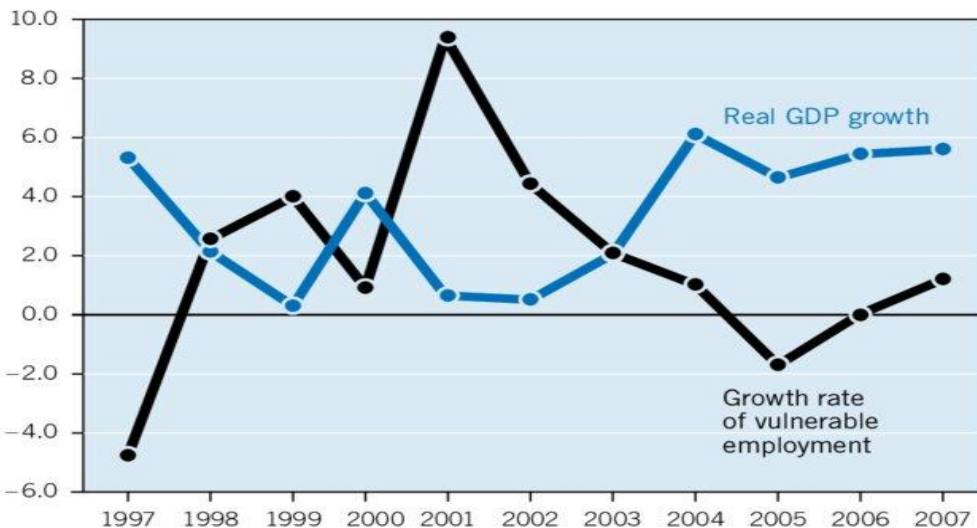
The fact that these populations generally have difficult socioeconomic circumstances emphasises how critical it is to address young unemployment. In addition to highlighting the stark geographical variations, figure 1's data also shows how persistently high youth unemployment has been. Comparing it to adult unemployment during the same dates and in the same places is depicted in the following image. The startling reality is that, for the past 20 years, juvenile unemployment has consistently been greater than adult unemployment. While industrialised nations and the European Union seem to have youth unemployment on average roughly two to two and a half times higher than adult unemployment, South-East Asia and the Pacific have the largest relative differences.

### 1.2 Global Employment Trends 2009



\* 2008 are preliminary estimates.

Source: ILO, *Trends Econometric Models*, December 2008, see also source of Table A1.



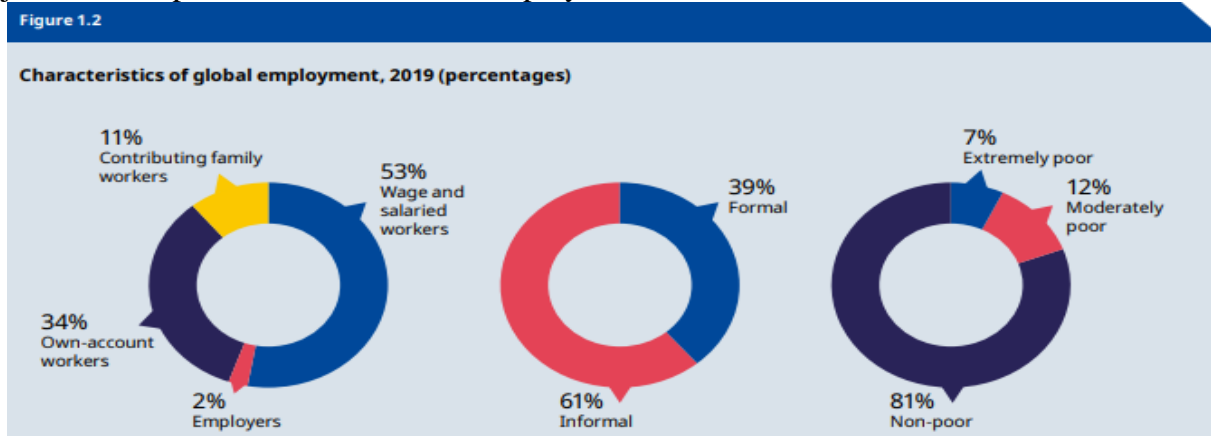
Source: ILO, *Trends Econometric Models*, December 2008, see also source of Table A1.

Ethnic minorities, high school dropouts, and people living in less affluent areas are among the groups that typically comprise the unemployed (Freeman & Wise, 1982). The fact that these populations generally have difficult socioeconomic circumstances emphasises how critical it is to address young unemployment. Figure 1's data not only highlights the stark geographical variations but shows the

persistently high rates of youth unemployment. Comparing it to adult unemployment during the same dates and in the same places is depicted in the following image. The startling reality is that, for the past 20 years, juvenile unemployment has consistently been greater than adult unemployment. The developed nations and the European Union appear to have young unemployment that is, on average, two to two and a half times higher than that of adult unemployment, with the largest relative differences found in South-East Asia and the Pacific.

### 1.3 Key Findings: World Employment and Social Outlook Trends 2020

- i. In 2020, there will be 2.5 million more people unemployed worldwide.
- ii. 2019 saw no change in the global unemployment rate of 5.4% following nine years of reduction.
- iii. Between the ages of 15 and 24, 267 million people do not have a job, are not in school, or are not receiving training.
- iv. People's ability to improve their lives through employment has become more challenging due to rising unemployment and a widening inequality gap.
- v. In middle-class and high-income nations, labour force growth is slowing down; hence, fewer jobs must be produced to maintain unemployment rates.



(Source: <https://Diligentias.Com/World-Employment-And-Social-Outlook-Trends-2020-Ilo/>)

### 1.4 Indian Scenario

- (i) As per the report, there has been a decrease in global worker inequality over the last 13 years due to the expansion of China and India.
- (ii) The distribution of worker income in these nations hasn't altered, nevertheless.
- (iii) Compared to the rest of the globe, South Asian nations like Bangladesh, Pakistan, and India have a larger gender pay disparity for labourers.
- (iv) In wealthy nations, the gender wage gap is 40%, whereas in these countries it is at 15%.

### 1.5 causes of youth unemployment in India

India's youth unemployment rate has been gradually increasing over time, made worse by the effect of COVID-19 on recruitment campaigns. According to the Periodic Labour Force Survey, which included all 22 states, the youth unemployment rate for those between the ages of 15 and 29 was 25.5% in the April–June quarter of 2021. Every state had a double-digit percentage for this age group of young people unemployed. In the June quarter of 2021–2022, India's overall unemployment rate increased to 12.6% from 9.3% in the previous quarter. Given that 50% of India's population is under 25, the country is a powerhouse in terms of the labour force, making the employment dilemma facing graduates there an odd predicament.



Of the 13 million individuals who enter the Indian labour force annually, just 1 in 4 management professionals, 1 in 5 engineers, and 1 in 10 graduates are considered employable, according to the World Economic Forum.

India is developing largest democratic country in a world. Also India is one of the fastest growing economies in the world today. In India, 63% population in the working age group (15-59years) and is projected than in 2026, this will increase to 68.4%. Such a big labour force, if properly utilized can be proof as demographic dividend. But in India cannot properly utilize a big labour force so youth unemployment is going to be a challenge for the current economy in India. There are more than 6 crores well educated youth in India who are unemployed. Unemployment rate in India is reported by the India ministry of labour, they mention that in India the data of employment has first fallen, then risen and then fallen again. The present paper has focused on causes of youth unemployment, various types of unemployment present scenario and some possible measures have been suggested.

### **1.6 Challenges of Youth Employment**

System due to lack of interface among different stakeholders viz. policy makers, industry, training Providers and educational institutions. The training institutes need to educate as per industries Requirements so that demographic dividend can be tapped fruitfully. It is expected that in a decade, 40 per cent of the 15-29 age group will enter the labour force, which needs to be provided with decent employment opportunities.

India is faced with a conundrum wherein young people are seeking employment yet the sector is hindered by a shortage of competent labour. Youth are unemployed due to this skill mismatch. Due to a lack of interaction between many stakeholders, including policymakers, business, training providers, and educational institutions, the education system is supply driven rather than demand driven. In order to effectively utilise the demographic dividend, training institutions must provide instruction in accordance with industry standards. Forty percent of the 15-to 29-year-old age group is predicted to join the workforce in ten years, thus good job prospects must be offered to them.

Moreover, India's manufacturing employment growth has not kept pace with expectations. The bulk of workers in rural areas are employed in the agricultural sector. Showing a very little amount of employment prospects outside the field of agriculture. Any alteration in labour force to the non-agricultural sector, as intended by the The 12th Plan suggests either having no work or low-productivity, low-paying jobs because of skill mismatches. Moreover, it is necessary to expand official employment, which is currently makes up roughly 8% of the labour force to Avoid having more young people enter the low-wage sector and keeping up a menial job. This raises the query, "Is India up to the challenge?"

### **1.7 consequences of youth unemployment in India**

According to a recent ILO research, the youth employment crisis might have long-term effects that take decades to manifest. This could put a generation at danger of having adequate job shortfalls throughout their lives and foster mistrust of the political and socioeconomic structures.

The largest democracy in the world is in trouble. There aren't enough jobs in India's economy for job searchers. An increase in unemployment could result in a shortage of products and services available in India.

The India unemployment status report for December 2021 was recently released by the Centre for Monitoring Indian Economy (CMIE). The country's unemployment rate in December, according to the study, was 7.91%. November had a 7% increase. The states with the highest unemployment rates were Jammu and Kashmir (15%), Jharkhand (17.3%), Bihar (16%), Rajasthan (24.1%), and Haryana (34.1%).



Conversely, the states with the lowest unemployment rates in India were Karnataka (1.4%), Gujarat and Odisha (1.6%), and Chhattisgarh (2.1%). A poor agricultural season, an overabundance of labour, and a delayed economic rebound are all contributing factors to high unemployment rates.

The COVID-19 pandemic has had a negative impact on the global labour market, leading to a large number of job losses and business closures. According to the CMIE, the jobless rate went up from 8.21% to 9.3% in urban areas and from 6.44% to 7.28% in rural areas.

The statistics may be explained by constraints, as Omicron instances have been increasing since December 2021. In several areas, a large number of services, including movie theatres, gyms, and schools, were forced to temporarily close. This led to an increase in the unemployment rate and had a substantial effect on economic activity.

But the COVID-19 epidemic is only partially to blame. Since the unemployment rate is one of the most important metrics for evaluating the state of an economy, the report also showed that there aren't enough jobs available in India right now for those looking for work.

Even if a single unemployed person has little impact on society, high unemployment rates in particular states can exacerbate the social effects of unemployment by occasionally leading to higher rates of poverty and poorer neighbourhoods. Inadequate housing, fewer leisure activities available, restricted professional prospects, restricted access to public services, and underfunded schools are all common in these high unemployment rate regions.

More people are earning less money as a result of unemployment. As a result, they will spend less money, which will lower their contribution to the economy in terms of the goods and services that are created and delivered. Put another way, the diminished spending power of jobless people results in further job losses for the companies that supply the items. As a result, a greater unemployment rate may cause a shortage of products and services available in India.

In addition to leaving a lasting impression, drug use and criminal activity have been linked to youth unemployment (O'Higgins 2007; Fougère, Kramarz, Pouget 2009). This is especially bad because the majority of young people without jobs are usually from groups with more serious socioeconomic issues (see Freeman, Wise, 1982). Youth bear additional costs to the extent that partial EPL reforms have forced young people into part-time employment. The least secure and least stable occupations are temporary ones, which offer less job security and lower income. Because of this, these workers frequently have limited access to credit and mortgages (Boeri 2009).

1. Companies frequently exhibit reluctance to convert temporary positions into long-term positions (Bentolila, Boeri, Cahuc 2010).
2. The lack of training that temporary employees frequently receive hurts their chances of finding long-term employment.
3. Those employed temporarily are most impacted by globalisation. It has been demonstrated that temporary employees play a major role in the labour market's response to offshore. Specifically, offshoring is linked to lower salaries and a higher likelihood of temporary unemployment for young people (Görg, Görlich 2011).

### **1.8 Way Forward**

The task of enhancing youth employability and enabling them to obtain decent jobs necessitates raising the standard of education, providing job training, upgrading skills, and fostering communication between policymakers, business, and training facilities. But as the 12 Plan outlines, this also necessitates the creation of sufficient, respectable jobs in the non-farm economy, primarily in manufacturing.

In the Indian context, the government has set a target of skilling 500 million people by 2022 and 50 million people in the 12th plan, with the aim of making the youth employable. The National Policy on Skill Development prioritises expanding training's reach, quality, quantity, and accessibility in



order to meet this goal. Various inventive approaches have been used to get to the challenging places. Mobile vans, simulation-based learning environments, and virtual classrooms are a few notable examples. The development of skills is being pursued through 23 Central Ministries. Employees are put through testing and awarded certificates of trained personnel in order to validate their earlier learning. There are generic programmes for improving young people's employability that are both group- and region-specific.

The National Skill Development Agency is tasked with keeping an eye on the nation's skill development efforts, operationalizing the National Skill Qualification Framework, which promotes aspirational skill development among potential trainees and allows for both horizontal and vertical mobility. The government launched the Standard Training & Assessment Reward (STAR) Scheme to support the underprivileged and encourage pupils. A reward of Rs 10,000 is given to the successful trainee. In addition, scholarships and other resources are given to pupils, especially those who attend schools in rural areas. Furthermore, an effort is made to connect training with industry requirements through sector skill councils.

The government is also attempting to increase rural workers' access to education and career training. This includes utilising panchayat-level Common Service Centres for training purposes as well as rural broadband networks to link isolated communities with educational opportunities. It is necessary to start the advocacy function in order to raise youth awareness of different plan schemes and vocational institutions. To ensure that the National Skill Qualification System is functioning, it is also imperative that the Sector Skills Councils be established and the National Occupational Standards be implemented as soon as possible. This would make it easier to modify the curriculum to meet the needs of the sector.

There is currently no systematic, scientific method in place to give labour market data regarding the supply and demand situation in the labour market to advise training providers, companies, prospective employees, and labour and training policy. The same needs to be implemented immediately. As part of the 12th Five Year Plan, the government unveiled new policies aimed at turning manufacturing into an engine of growth and creating jobs. The goal is to create 100 million jobs by 2022, mostly in labour-intensive manufacturing sectors like textiles, gems & jewellery, and the leather industry.

The industrial strategy offers self-employed individuals handholding in the form of finance availability as well as market and technical assistance, and the 12 Plan focuses on bolstering this even further.

In summary, an integrated policy focus on fostering growth that supports livelihoods should be prioritised in the upcoming years

Studies have indicated that a rise in unemployment worldwide is also associated with an increase in suicide rates. Young individuals who have greater financial responsibilities, the greatest levels of knowledge, or a better sense of self-efficacy based on prior success in a variety of settings, such as work and school, are more likely to have poorer mental health. They are probably more vulnerable to the negative psychological impacts of unemployment.

There is some evidence of a connection between young unemployed people and high blood pressure, notwithstanding the lack of substantial study on the impact of unemployment on physical health. In a five-year prospective study of school dropouts, young males with short-term jobs or no occupations during the research period showed a significantly smaller rise in systolic blood pressure than those without work for longer periods of time. In contrast, females did not exhibit similar disparities.

In addition, a long-term Irish youth research discovered that men without jobs had lower mean body fat than men with jobs. For female unemployed workers, different findings were observed. This could be explained by the fact that the person was unemployed, which led to poverty and malnutrition. The same study also discovered that young women without jobs performed much worse



on lung tests than those with jobs. This could be because women without jobs are more likely to smoke because they are unemployed, which impairs lung function. Furthermore, a thorough investigation has discovered a correlation between increased smoking and alcohol consumption and adolescent unemployment.

### 1.9 Conclusion

There is a serious employment crisis, particularly for young people. Global labour markets are marked by a decrease in the number of well-paying employment and a rise in the prevalence of low-paying occupations that are unstable. This has resulted in a rise in working poverty, which had imprisoned around one billion people and their families as of 2011. Due to the youth bulge, many developing nations are also dealing with unsettlingly high rates of youth unemployment and a rapidly growing pool of young workers in need of employment. Indeed, these are dangerous circumstances. Smaller and more irregular incomes are making it more likely for impoverished households to experience hunger and malnutrition, poorer health, lower educational attainment, child labour, unsupervised and even abandoned children, increased susceptibility to current and future shocks, and an increase in domestic violence. Dissatisfaction with the work market is causing unprecedented levels of civil unrest in societies as a whole.

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