

Research Note
on

Strategies to deal with Youth Unemployment

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At a Glance

- The UN defines ‘youth’ as persons between the age group of 15 and 24 years. But, in India, the persons between the age group of 15 and 29 years are considered youth.
- Recent International Labour Organisation (ILO) studies reveal that the global working age-population was 5.7 billion (both women and men) in 2018 and about 21% of the world’s youth were not in employment (or in education or training) in 2018.
- Youth constitute nearly 27 to 28% of the total population of India in 2018. Unemployment rate was 6.1% for all ages in 2017-18. Persons of age 15 years and above (considered as working age population) accounted for more than 70% of the population.
- Unemployment rate among the youth (in India) in 2017-18 has been 17.4 % among the rural male, and 13.6 % among the rural female. On the other hand, it is 18.7 % among urban male and 27.2 % among urban female.
- To capture the demographic dividend, a *National Youth Policy (2014)* has been formulated, which outlines a holistic vision for the youth of the country to empower them to achieve their full potential. Towards making the youth employable, the Policy identified *inter alia* three priority areas such as education, employment and skill development and entrepreneurship for creating a productive youth work force in the country.
- Strategies to deal with youth unemployment include -
 - *Skill India Mission* under which about 48 programmes are being implemented such as *Pradhan Mantri Kaushal Vikas Yojana (PMKVY)*; National Apprenticeship Promotion Scheme; Rural Self-Employment and Training Institutes (RSETI), *Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)*, etc.
 - a dedicated Ministry of Skill Development and Entrepreneurship (created in 2014),
 - focus on vocational education, more training-based and job-oriented courses and syllabus, etc.,
 - formulation of a new National Education Policy,
 - *Startup India* to promote entrepreneurship,
 - MGNREGA, MUDRA Yojana, National Career Service (by Ministry of Labour & Employment), Atal Innovation Mission, etc.

Introduction

Youth is the most energetic and productive sections of a society. Their useful engagement or employment while can transform the society, economy and development landscape. If left unemployed, they can create social unrest.

Given that India lies on the cusp of a demographic transition, with 65% of its youth today in the working age group,¹ it is both an opportunity and challenge to capture this demographic dividend.

While all efforts are being made to ensure that youth have the appropriate education, skills, health awareness and other enablers to productively engage themselves and contribute to the economy, **youth employment remains a global challenge and India is no exception.** Thus, multi-pronged strategies are imperative to address the challenge of youth unemployment, thereby paving the way for sustainable growth and development.

Defining Youth and Employment

The United Nations defines ‘youth’ as persons between the age group of 15 and 24 years. But, in India, the persons between the age group of 15 and 29 years are considered youth.² However, in general parlance and particularly in the context of employment, ‘youth’ is referred to persons between the age where they leave compulsory education and the age at which they seek their first employment.

Similarly, statistics on employment and labour force participation are based on certain established definitions. For example, the 19th International Conference of

¹ Ministry of Skill Development and Entrepreneurship - Background, Homepage of the Ministry - <https://www.msde.gov.in/background.html>

² As defined in the National Youth Policy 2014. However, in the National Youth Policy 2003, ‘youth’ was defined for the persons between 13 and 35 years of age.

Labour Statisticians (ICLS) held in 2013, refers 'employment' to activities performed for others in exchange for pay or profit. And, definition of 'work' refers to the production of services even for own use including the unpaid care work.

A recent International Labour Organisation (ILO) study estimated that the global working age-population to be 5.7 billion (both women and men) in 2018.³

About 21% of the world's youth were not in employment (or in education or training) in 2018⁴. This implies that more than one-fifth of all young persons in the world are idle (neither actively participating in the labour market by having a job nor acquiring new skills).

This calls for urgent action to improve youth's access to decent jobs and capacity-building.⁵ A striking gender difference is also revealed. Among the youth not in employment, education or training, over 30% are young women (in 2018), compared to 13% of young men. While it may be interpreted that young women face more difficulties to have access to the labour market, it could also be the case that women participate more in unpaid work.

India's Demographic Dividend

Youth constitute nearly 27 to 28 % of the total population of India.⁶ The National Youth Policy, 2014 estimated that by 2020, the total population of the country is likely to exceed

³ International Labour Organisation; Geneva, *World Employment Social Outlook: Trends 2019*, p.5. Further, ILO estimated working age population for the people aged 15 years or older. It is because, ILO does not apply an upper age limit when determining the working-age population given that a large proportion of the world's population does not enjoy old-age benefits. Thus, they have no choice but to work for as long as they are able to. Further, in countries where old-age benefits are available, retirement age varies widely. Therefore, any cut-off point would be arbitrary.

⁴ Brief on "Labour Market Access - A Persistent Challenge for Youth Around the World" (ILO STAT - *Spotlight on Work Statistics*, March 2019)

⁵ The share of youth not in employment, education or training is 21 % in 2018, compared to 22 % in 2008, meaning that progress during the past ten years was only marginal (ILO).

⁶ Government of India, Ministry of Statistics and Programme Implementation; *Annual Report - Periodic Labour Force Survey (PLFS), July 2017 - June 2018*, published in May 2019 (brought out by the National Statistical Office).

1.3 billion. With a median age of 28, the working population is expected to increase to 592 million by the year 2020.⁷

While the contribution of the youth to the Gross National Income (GNI) of the country was about 34% of in 2014, with increased working population India stands to benefit from this huge demographic dividend by channelising the potential of the sector by increasing their labour force participation and productivity.

Youth Employment and Unemployment in India

The share of persons aged between 15-29 years, who are considered as youth in India, is nearly 27 to 28% of the total population in 2018 and unemployment rate was 6.1% for all ages in 2017-18.⁸

Persons of age 15 years and above accounted for more than 70% of the population. Unemployment rate among the youth in 2017-18 has been 17.4 % among the rural male, and 13.6 % among the rural female. On the other hand, it is 18.7 % among urban male and 27.2 % among urban female.⁹ There is no denying that unemployment rate, particularly among the youth in India, has been alarming. But, many studies and data also show that good number of jobs have been created in different sectors of economy in the last few years.

For example, Employees Provident Fund Organisation (EPFO), Employees State Insurance Corporation (ESIC) and National Pension Scheme (NPS) witnessed addition of a good number of subscribers to these schemes every month. Increased government spending, rise of independent work and an enabling

⁷ The National Youth Policy 2014, p.10.

⁸ Government of India, Ministry of Statistics and Programme Implementation; *Annual Report - Periodic Labour Force Survey (PLFS), July 2017 - June 2018*, published in May 2019.

⁹ In the labour force surveys conducted, four different approaches are adopted for determining the activity status of a person on the basis of the activities pursued by the person during certain reference period: (i) Usual Principal Activity Status/ Usual Status (ps); (ii) Usual Status considering Principal and Subsidiary Statuses (ps+ss); (iii) Current Weekly Status (cws); and (iv) Current Daily Status (c ds).

environment for entrepreneurship have also contributed to the creation of jobs for the youth in the country.

However, given the sheer number of youth in the country, and their aspirations for better jobs, higher incomes, decent working conditions, etc. it remains a huge challenge before the policy-makers to translate this opportunity and capitalise on this demographic dividend.

Strategies to deal with Youth Unemployment in India

As one of the youngest nations in the world with maximum youth (about 65%) in the working age group, the leaders and policy-makers have accorded highest priority to youth employability, their skill development, enterprising avenues, etc. The *National Youth Policy 2014* enumerates five objectives along with areas of action to empower the youth to achieve their full potential. The Policy also identified *inter alia* three priority areas such as education, employment and skill development and entrepreneurship for creating a productive youth work force.¹⁰ The details of the objective, priority areas and future imperatives are given in the table below.

Objective	Priority	Future Imperatives
1. Create a productive workforce that can make a sustainable contribution to India's economic development	Education	<ul style="list-style-type: none"> • Build system capacity and quality • Promote skill development and lifelong learning
	Employment and Skill Development	<ul style="list-style-type: none"> • Targeted youth outreach and awareness • Build linkages across systems and stakeholders • Define role of government vis-à-vis other stakeholders
	Entrepreneurship	<ul style="list-style-type: none"> • Targeted youth outreach programmes • Scale-up effective programmes to

¹⁰ The five objectives outlined in the National Youth Policy 2014 include - i) Create a Productive Workforce; ii) Develop a strong and healthy generation; iii) Instill social values and promote community service; iv) Facilitate Participation and Civic engagement; and v) Support Youth at risk and create equitable opportunity for all.

		build capacity <ul style="list-style-type: none">• Create customised programmes for youth entrepreneurs• Implement widespread monitoring & evaluation systems
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Education: Education is the most important tool that empowers the individual and enhances his capability and employability. Thus, it is essential to have access to high quality education and be able to develop the necessary skills that are required by the labour market to ensure that they are gainfully employed. The Government has placed a lot of emphasis on reforming the education system and devising appropriate policies for the various youth segments such as vocational education, academic-industry collaboration, inter-disciplinary approach, more training-based and job-oriented courses and syllabus, etc. A new National Education Policy is now being formulated, taking into account the changing needs of the society and people.

Skills Development: To ensure employability and also address demand-supply mismatches in the labour market, youth must have skills that are relevant to the employment needs. The Government of India has adopted skill development as a national priority and have launched the *Skill India Mission*. Besides, a dedicated Ministry of Skill Development and Entrepreneurship was created in 2014.

Entrepreneurship: Promoting entrepreneurship is essential for enabling the youth to productively contribute to the economic development of the country. As per the National Youth Policy, 2014, about 50% of the labour force is self-employed, and SMEs employ about 15% of the labour force. The Government of India has accorded priority to entrepreneurship through various measures such as *Startup*

India, Mudra Scheme, etc. to train and finance entrepreneurs. The Ministries of Skill Development & Entrepreneurship, and Micro, Small & Medium Enterprises (MSMES) along with other Departments and Agencies are vigorously pursuing the agenda of promoting entrepreneurship among the youth.

Skill India Mission: Under this Mission, the Government of India is implementing various programmes through many of the Central Ministries/Departments for skill development. Major Schemes include: *Pradhan Mantri Kaushal Vikas Yojana (PMKVY)*; National Apprenticeship Promotion Scheme; Rural Self-Employment and Training Institutes (RSETI), *Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)*, etc.

These schemes impart employable skills to the youth through short-term and long-term programmes. There are more than 15000 Industrial Training Institutes (ITIs) functioning in the country. The Directorate General of Training is also providing various vocational/skill training programs through a network of 15 National Skill Training Institutes (NSTIs) and 18 National Skill Training Institutes (Women) (NSTIs-W) in various urban and rural areas of the country. The trainees trained by the NSTIs during 2016-17 are 27410, and during 2017-18, 29345 trainees.¹¹

Initiatives to Promote Entrepreneurship

With the intention of building a strong eco-system for nurturing innovation and Startups in the country, the Government of India had announced the *Startup India* initiative in January 2016. Through this initiative, the Government makes

¹¹ Question No. 1220, Rajya Sabha, answered on 13 February 2019.

every effort to empower Startups to grow through innovation and design and to accelerate spreading of a Startup movement in the country. Some of the major structural and policy changes since the announcement of the Startup India include the following: -

- **Definition of Startups amended and Recognition Process made simpler:** Acknowledging the long gestation period for Startups, the definition has been amended. For recognition, no letter of recommendation from an incubator/industry association shall now be required.
- **Compliance regime now based on Self-certification:** Compliance norms have been eased in order to reduce the regulatory burden on Startups thereby allowing them to focus on their core business.
- **Startup India Hub has been operationalised** in April 2016 to resolve queries and provide handholding support to Startups.
- **Assistance provided for Patent Benefits:** Panels for patent and design applications and also for Trademarks applications have been constituted for assistance to Startups in filing Intellectual Property (IP) applications and to fast track the process of patent filing and acquisition. A scheme for Startups Intellectual Property Protection has also been launched.
- **Norms of Public Procurement have been relaxed:** Norms of public procurement have been relaxed for micro and small enterprises and have been provisioned in the Procurement Policy of Ministry of Micro, Small and Medium Enterprises (MSME)
- **Tax benefits extended:** Tax benefits such as Tax Exemption, Tax Exemption on Capital Gains and Removal of Angel Tax have been introduced.
- **Fund of Funds for Startups (FFS) established:** A 'fund of funds' of INR 10,000 crores to support innovation driven Startups has been established which is being managed by SIDBI.
- **Learning & Development Module launched:** Startup India has launched an interactive online learning and development module to educate Startups and aspiring entrepreneurs.
- **Establishment of Tinkering Labs:** As per the Startup India Action Plan, more than 5000 Tinkering Labs are being established.
- **Establishment of Incubators:** New Incubation centres are being established under *Atal Innovation Mission* across India through financial support. The incubators would provide necessary infrastructure and assistance to Startups in their early stages of growth.
- **Research Parks set up:** The objective of setting up Research Parks is to propel successful innovation through incubation and joint Research and Development (R&D) efforts between academia and industry.
- **Startups in the Biotechnology Sector promoted:** A Biotech Seed Fund has been created to provide financial support to varied initiative in the biotechnology sector.
- **Technology Business Incubators (TBIs) set up:** Technology Business Incubators are also being set up.

- **Startup India Yatra launched:** The *Startup India Yatra* is a platform which aims to help entrepreneurs (especially from non-metropolitan cities) realize their startup dream.
- **NIDHI (National Initiative for Development and Harnessing Innovations) for funding support:** It aims at providing a range of funding support to Startups from idea to market.
- **Many States with Startup Policies:** Since 2014, many States have formulated their Startup Policies. These States are - Andhra Pradesh, Assam, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Telangana, Uttar Pradesh, Uttarakhand and West Bengal.
- **State Startup Ranking 2018:** With the aim of fostering competitiveness and to propel the States to work proactively towards promotion of their Startup ecosystems, the States Startup Rankings have been undertaken.
- **Ease of Doing Business Rankings:** India's rank in the World Bank's Ease of Doing Business 2019 has further climbed 23 places to 77 among 190 countries from 100 in 2017.

Further, an Entrepreneurship Development Scheme is currently being developed by Ministry of Skill Development and Entrepreneurship.¹² The scheme is being designed around the following major elements:

- *Educate and equip potential and early stage entrepreneurs across India*
- *Connect entrepreneurs to peers, mentors, incubators*
- *Support entrepreneurs through Entrepreneurship Hubs (E-Hubs)*
- *Catalyse a culture shift to encourage entrepreneurship*
- *Encourage entrepreneurship among underrepresented groups*
- *Promote Entrepreneurship amongst Women*
- *Foster social entrepreneurship and grassroots innovations*

Several initiatives have been taken in the last few years to promote entrepreneurship and though that to help generate employment. Programmes like the Atal Innovation Mission, the Mudra Scheme, etc, are also meant to help address the issue of unemployment.

Atal Innovation Mission (AIM) : The Atal Innovation Mission (AIM) is a flagship initiative of the Government to promote innovation and entrepreneurship across the length and breadth of the country. AIM, as a scheme under the NITI Aayog, has been

¹² As per the Homepage of the Ministry of Skill Development and Entrepreneurship. - <https://www.msde.gov.in/background.html>

envisaged as an umbrella innovation organization that would play an instrumental role in alignment of innovation policies between central, state and sectoral innovation schemes incentivizing the establishment and promotion of an ecosystem of innovation and entrepreneurship at various levels. More than 2400 Atal Digital Labs have been approved across the country to create scientific temperament among the youth. This will boost self-employment.

MUDRA (Micro Units Development & Refinance Agency Ltd.): The *Pradhan Mantri MUDRA Yojana (PMMY)* launched in 2015 provide for loans to the non-corporate, non-farm small and micro enterprises. MUDRA has been formed with the primary objective of developing the micro enterprise sector in the country by extending various support including financial support in the form of refinance, so as to achieve the goal of funding the unfunded. MUDRA loans are now extended for a variety of purposes which provides income generation and employment creation in manufacturing, services, retail and agriculture and allied activities. The programme has benefited 12.27 crore loan accounts with a sanction of nearly Rs. 5.71 lakh crore in the last three years. It has also resulted in benefiting about 3.50 crore new loan accounts/ entrepreneurs, thereby providing employment to a large number of people across the country. (Ref. Annual Report 2017-18, p.29.)

National Career Service: The Ministry of Labour and Employment is implementing the National Career Service (NCS) project for providing a variety of employment related services for youth such as career counseling, vocational guidance and information on skill development courses, *etc.* It envisaged a digital portal that provides a nation-wide online platform for job seekers and employers. It also facilitates organisation of job fairs and envisaged setting up of Model Career Centres (MCCs) to deliver employment services using technology and 107 MCCs are now being operationalised under the scheme.

Other Strategies to address Unemployment:

These apart, numerous other strategies have also been adopted to address the greater challenge of unemployment in the Indian economy. While the Micro, Small and Medium Enterprises (MSMEs) sector has been given further impetus, facilities have also been provided for greater investments in the Agriculture sector, particularly agro-based industries and food processing industries. Targetted programmes for employment generation, focus on synergy between different

sectors of economy, women's participation in the economy, *etc.* have been accorded priority. Recently the enhanced surcharge on foreign portfolio investments announced by the Budget 2019-20, has been rolled back. This is no doubt going to promote more investment in India, thereby having the potential to create more jobs.

Role of Parliament

Parliament of India has always remained at the forefront of addressing the socio-economic challenges the country and its people face. Given the importance of engaging youth and addressing the challenges of unemployment, our parliamentarians have regularly aid the Government to bring about new strategies from time-to-time. Besides making the Government implement relevant strategies and policies, our Parliament has also enacted the Mahatma Gandhi National Rural Employment Guarantee Act way back in 2005 to enhance the livelihood security of people in rural areas by guaranteeing 100 days of wage employment in a financial year.

These apart, Parliamentary Committees such as Finance, Labour & Employment and Rural Development have also been keeping a constant watch on the implementation of various programmes and policies so as to ensure that all dimensions of youth unemployment are addressed on a continuous basis.

Summing up

Young people are a major human resource for development. They are the key agents of social change and the driving force of economic development and technological innovation. Their rightful engagement or employment in different

sectors - economic, education, agriculture, social, industry, services, etc. - is no more an option but a compulsion so as to channelise the strength and power of the youth for the growth and development of the country. While all-round efforts are being made to deal with the increasing youth unemployment crisis, support from the private sector and awareness among all the sections of society and their contribution in this direction will go a long way.