



Addressing Youth Unemployment in India: The Need for Skill Development

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ARTICLE DETAILS

Research Paper

Accepted on: 18-02-2025

Published on: 14-03-2025

Keywords:

Employment Policy,
MGNREGA, Rural
Employment, Skill
Development,
Unemployment.

ABSTRACT

Unemployment, particularly among India's youth, presents a persistent challenge, despite the country's demographic advantage as the world's largest young nation. This study explores the dynamics of unemployment, focusing on the mismatch between job creation and the rapidly growing workforce. The issue is particularly acute in rural areas, where a large portion of the population remains unemployed or underemployed, exacerbated by a lack of employable skills and limited educational opportunities. India's workforce, despite its size, faces significant skill gaps, limiting its ability to meet the demands of an evolving economy. This paper examines the root causes of unemployment in India, highlighting the role of education, skills, and entrepreneurial capabilities in determining employment outcomes. The study also assesses various government initiatives aimed at tackling unemployment, such as the *Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)*, which guarantees 100 days of unskilled work to rural households, and other self-employment programs that aim to promote entrepreneurship and skill development. The findings underscore the need for enhanced vocational training, better alignment between education and industry requirements, and

increased awareness of government schemes that support employment. In particular, rural regions require targeted strategies to develop non-agricultural sectors and create sustainable job opportunities. Collaborative efforts between government, private sectors, and educational institutions are crucial to addressing the unemployment crisis. By investing in skill development, fostering entrepreneurship, and improving access to quality education, India can effectively utilize its demographic dividend, ensuring a more inclusive and sustainable economic future.

DOI : <https://doi.org/10.5281/zenodo.15030077>

INTRODUCTION

Unemployment and underemployment are common among young people all around the world because of lack of necessary skills, work experience, job search ability and financial resources to find work.

Creating jobs for young people is a big challenge all around the world, which has been compounded by the global financial crisis. "Today, nearly one in every five people on the planet is between the ages of 15 and 24, with 85 percent of them living in developing nations, where many of them are particularly exposed to extreme poverty". As a result, the nature of unemployment in developing countries differs dramatically from that in developed countries. Providing jobs, securing livelihoods, and increasing people's earnings are some of the most important developmental goals that governments attempt to achieve.

According to the 2011 census, the unemployment rate in rural area was 7.15 percent, whereas it was 9.62 percent in urban areas. The Indian economy enjoys a demographic advantage in the shape of a favourable population profile. India is the world's largest young nation, with 877 million individuals of working age. According to the IMF, India's yearly growth rate might increase to 2% if the demographic dividend is properly utilised. Despite the fact that India is a low- and middle-income country with a factor-driven economy, it has outperformed most of its counterparts in terms of economic and entrepreneurial performance, as seen by its GDP's growth rate, which has been hovering between 7.5 percent and 9.7 percent since 2000. Even throughout the global financial crisis, India's economy outperformed the major world countries, growing at a rate of around 7%. This is simply reflection of the



entrepreneurial spirit that emerged in India after liberalisation in the early 1990s. Every year, about 13 million people enter the job market in India, while the global labour shortfall reached 47 million in the year 2020. However, the youth's skilling and employability are critical to the country's growth potential. There is a need to improve the country's education system so that the labour force receives the proper training and skills. In order to achieve this, India's government has launched a number of projects aimed at educating and empowering the country's working-age population, particularly the country's rural youth.

Problem of Unemployment in India

The driving force of tomorrow India is today's youth, who are frequently defined between the ages of leaving compulsory education and the age at which they find their first job. When the world's second most populous country is experiencing a shortage of competent labour in almost all sectors of activity, something is clearly wrong with the way it has been managing its people resources. Poverty and lack of human capital are significant challenges for young Indians. Despite the fact that, educational attainment has risen rapidly in recent years, many young Indians still have struggle to find work. Backwardness is determined not by a country's lack of resources or capital, but rather by its society's lack of entrepreneurial talent.

According to 2011 Census of India, 51 percent of population is under the age of 25, while 66 percent is under the age of 35. Youth account for 27.5 percent of the population, with ages ranging from 15 to 29, and they provide 34 percent of the country's gross national income. Around 80% of workforce in both rural and urban areas lacks distinct employable skills (NSSO 61st Round on Employment and Unemployment). The country's demographic dividend and improved literacy among youth, unemployment remains the country's biggest concern.

India is having over 1.2 billion people, as well as having the world's youngest population and the biggest number of individuals in the working age group. But, vast majority of our workforce is experiencing enormous scarcity of employable ability and expertise. Our youth will undoubtedly tip the economy in the right way if they have access to good education, job opportunities, and health care. Due to lack of job opportunities millions of unemployed teens mainly in rural and semi-urban areas having higher/professional education are getting frustrated due to only looking for white-collar profession.

Rural Unemployment in India

India has demographic dividend, with more than half of its population falling into the working age group of 15 to 59 years, essential to engage them meaningfully to accelerate India's economic growth and development. Soon India will have working-age population of 65 percent and surplus labour force of 56 million people. Rural areas account for up to 74% of all unemployed and underemployed people. Overall employment growth has been progressively falling, failing to keep up with population and labour force growth. The country's issue is to provide adequate and appropriate skills to this excess labour force so that they can earn a better living for themselves and the country. Our current capacity for skill development programmes is for 3 million people, with a goal of increasing that to 500 million by 2022. Unemployment is recognised as one of the most serious challenges that obstructs livelihood. The nature of unemployment in India differs from that of other countries. Unemployment has taken alarming proportions and is posing serious threat to people's lives. Individuals in rural areas are overwhelmed by impoverished conditions. It is having negative impact on the lives of the people involved. Extending employment opportunities particularly for poor will save millions of rural families. A country's economic progress is determined by its citizens' abilities and the application of information that they have inherited or gained. Optimal human resource use unquestionably contributes to significant degree of economic progress. Unemployed human resources indicate that a segment of population is unable to earn their living.

Declining Agricultural Labour Absorption

It is imperative to generate employment in agriculture and industry in this country to feed the hungry poor of the rural areas. Agriculture is the lifeline of rural India and the need to make it more viable and profitable is undeniable. The reduction in the agricultural sector's share of total GDP from 45 percent to 13 percent has not been accompanied by a major drop in the proportion of people who rely on agriculture for their living. With agriculture's labour absorption nearing a halt, the expansion of India's labour-intensive, non-farming sector is considered as potential to protect people from massive rural unemployment and underemployment problem. Non-farm activities in rural regions play important role in delivering production inputs, consumer products, and services to rural households, opening up a wide range of off-farm secondary and tertiary self-employment opportunities that can be coupled with farming. Modern agriculture and non-agricultural operations require higher levels of skills, professional capabilities, and up-to-date knowledge of the trade and marketing networks, as opposed to traditional



agriculture, which accepts illiterates and semi-literates. As a result, training, skill development, and technology up-gradation have become the most essential requirements for people living in rural areas seeking employment in the non-agricultural sector.

Employment Policy in India

Unemployment has been a long-standing, stubborn, and explosive issue. Any employment policy should address both the quantitative and qualitative aspects of the labour market. This means that the essentials of employment policy must include an increase in the labour force participation rate, a quick growth of job options, and an increase in worker productivity. Because India's unemployment problem is multi-faceted, the government's policy to address it is multi-faceted as well, resulting in a multi-faceted approach. As a result, India's employment strategy is divided into several sub-policies to address various types of unemployment, including underemployment.

- a. Focus on self-employment: India's employment policy has prioritised self-employment, as wage employment is a minor fraction of the workforce, with the majority (56%) being self-employed. The employment policy includes things like teaching people new skills, giving them the tools they need, marketing their goods, making it easier for them to get loans, and other things that give people the tools they need to work for themselves in a wide range of areas, such as agriculture and related fields, small businesses, non-agricultural activities, and the informal economy.
- b. Focus on productive employment and asset development: The employment policy of our nation prioritises the generation of productive jobs and the creation of assets for disadvantaged workers.
- c. Job Creation: As many industries grew, the employment strategy focused on creating jobs at a set growth rate set by many plans through different employment generation programs, such as *NREP*, *RLEGP*, *JRY*, and others.
- d. Employment for the Educated: Employment policy has instituted measures to tackle educated unemployment in rural and urban regions via initiatives in processing, banking, trading, and marketing.
- e. Manpower Planning: The employment strategy has implemented several measures to ensure the effective development and utilisation of human resources. The necessity of attaining equilibrium between the demand and supply of skilled labour is highlighted.



Since the inception of planning, the prevailing perception of employment creation in our country has been deemed largely accurate. The subsequent four elements of the employment policy generally promoted extensive job creation. Initially, since the implementation of the second plan, our policy has been directed towards a long-term objective of achieving full employment with increased salaries. The advancement of modern industries, including capital goods sectors like infrastructure, will enhance the economy and facilitate the acquisition of higher-paying employment in the future. Secondly, the government has implemented measures to support labour-intensive, small-scale, and cottage industries. Third, due to insufficient employment growth from industrial activities, the plan implemented targeted employment programs to offer jobs to rural and marginalised groups. Fourth, the nation's employment regulations facilitated the attainment of self-employment at a more rapid pace than wage employment.

Initiatives for Employment in Rural India

Unemployment and poor income severely affected the purchasing power of rural people which has negative impact on their quality of life. Addressing this major issue government has introduced number of initiatives to create employment in rural areas. The National Sample Survey (NSS) has reported rural unemployment increased from 7.2% in 2000 to 8.1% in 2010. India's right based rural employment guarantee scheme has created monumental impact in rural employment over a period of time. The *MGNREGA* was passed in 2005 with the goal of implementing a large-scale, demand-driven programme created massive unskilled labour employment which also has indirect effect on enhancing agricultural output and reducing land degradation. The program establishes global precedent by guaranteeing rural households the right to 100 days of unskilled manual labour. Although it has yielded outstanding outcomes, the legislation nevertheless poses significant design and administration issues. Despite the fact that the *MGNREGA* focuses on the constructive absorption of under-employment and surplus labour force in rural regions by providing minimum 100 days of direct supplementary wage employment generation in rural families but the fall in person-day employment has become greater concern.

The Indian government has developed numerous programmes aimed at eliminating rural unemployment by emphasising job opportunities and promoting rural life stability. The *National Rural Employment Programme (NREP)*, which began in 1980, aimed to use unemployed and underemployed individuals to generate communal assets. The *Rural Landless Employment Guarantee (RLEG)*, which aimed to provide 100 days of guaranteed employment to one member of every rural landless household, was implemented in 1983. The *Jawahar Rozgar Yojana (JRY)* was established in 1989 to alleviate poverty by providing



additional job opportunities for the rural impoverished during agricultural off-seasons. The *Employment Assurance Scheme (EAS)*, which was launched in 1993, focused on creating jobs during lean agricultural seasons, providing the rural poor living below the poverty line with additional income opportunities. While boosting skills for long-term employment, the *Jawahar Gram Samridhi Yojana (JGSY)* aimed to build demand-driven community infrastructure and durable assets at the village level. The *Swarna Jayanti Gram Swarozgar Yojana*, a comprehensive self-employment initiative aimed at organising the disadvantaged into Self Help Groups and provide funding, marketing assistance, and training, was launched that same year. The *Sampoorna Gramin Rozgar Yojana (SGRY)* merged *SGSY* and *EAS* in 2001 to focus on producing community assets and paying jobs while simultaneously The *National Food for Work Program (NFWP)*, which began in 2004, sought to create assets and higher-paying jobs in underserved communities. Established in 2006, the *National Rural Employment Guarantee Scheme (NREGS)* provides 100 days of paid employment for every rural household, boosting both employment and communal asset creation. Furthermore, beginning in 2008, the Prime Minister's Rural Employment Generation Programmes aimed to establish new self-employment firms in both rural and urban areas, thereby creating jobs. Finally, the 2012 Prime Minister's Shram Awards Scheme recognises outstanding performance by employees in the public and private sector. These programs work together to increase livelihood stability, provide social safety nets, and empower rural communities by creating long-term job possibilities.

Skills Gap Analysis and Challenges in India

Most developing countries' skills development programmes are ill-equipped to tackle these problems and provide adolescents with the necessary work skills. Because it breaks across organisational boundaries, serves to varied clientele and involves multiple delivery modes, and its market features are always changing, skills development is the most complex sub-sector to structure and administer in the education sector.

According to the India Skills Report 2015, India lags behind the curve in terms of skill development. Only around one third of all students searching for jobs in the labour market have the necessary skills to meet the employers' requirements. Many reports reveal that, India has ample manpower, but they are not skilled enough to find work. A skill gap is a significant disparity between the workforce's required skills and their current qualities and capabilities. In our country, there is huge skill gap between the kinds of skill young people gain from their education and trainings and the need of labour industries.



The challenges faced in skill development have been given below:

- a. **Inadequate capacity:** The current infrastructural facilities provided in educational institutions nationwide are inadequate, considering the significant demand for qualified labour. There is a limited number of highly skilled and qualified educators available.
- b. **Mobilization:** Individuals engaged in skill development often maintain a relatively conventional perspective. The process of enrolling students in vocational education and training has become challenging.
- c. **Scalability:** For a model to be successful, it is essential to secure broad support from diverse stakeholders. The absence of corporate support is causing these projects to advance at a sluggish pace.
- d. **Misalignment of skills:** Numerous challenges exist concerning the skills demanded by businesses and those provided by educational and training institutions. The limited interaction between industry and faculty results in the skill sets provided by educational and training institutions not consistently aligning with employer requirements. Consequently, despite the individuals' skills, they face challenges in securing employment. It is essential for industry experts to be involved in the creation of the skill development curriculum.

According to the Planning Commission's 12th Plan Document, 85 percent of India's workforce has secondary school education, with 55 percent having only primary school education and only 2% having vocational training. But country's economic growth requires more of vocational skill manpower to work in production industries and service sectors. This demand-supply mismatch not only impedes economic development, but also limits the economy's overall inclusive growth. To bridge this widened skill gap, government made number of skill development initiatives by establishing skill building institutions and encouraged formal vocational educational institutions with importance to strengthen the facilities and infrastructures.

What needs to be done for Youth Employability

India's overall position in the 2016 Global Youth Development Index report has demonstrated a notable enhancement in its youth development metrics. The report indicates that there is a pressing need for enhancement in youth development levels in India, especially concerning the areas of health, education,



and employment. Enhancements in these sectors will significantly enhance India's prospects for capitalising on a substantial demographic dividend.

There is no doubt, an appropriate plan to engage and utilise the human resources meaningfully will yield better results in economic development of any nation. In the case of India having abundant youth energy need to evolve suitable policy and programmes to mainstream the younger generation in capitalising in productive activities. Therefore, it is crucial to mitigate difficulties pertaining to youth and enhance capacity, recognising youth as a national priority. By the end of the first quarter of the 21st century, India's demographic will be mostly youthful, with over 500 million inhabitants under the age of 25, and more than two-thirds of the population will be of working age. This indicates that the nation must implement an appropriate strategy to capitalise on the demographic dividend by developing sufficient educational infrastructure, vocational institutions, and targeted programs to train and integrate individuals in productive employment sectors. The significant disparity between individuals with access to education and skill development opportunities and those without must be diminished. In this direction, honourable Prime Minister of India always in his speech emphasising and encouraging capacity building institutions, entrepreneurship organisations and financial institutions to put efforts enabling youth to become entrepreneurs or work in the service sectors. The government of India has implemented several key schemes in this area, including *Make in India*, *Digital India*, *Skill India (PMKVY)*, *Startup India*, *Stand Up India*, *Mudra Yojana*, *Khelo India*, *Rashtriya Yuva Karyakram*, and *Beti Bachao Beti Padhao*. These major schemes already launched and encouraging youth strive to become innovative entrepreneurs.

In order reap the full benefits of the above schemes, the government both at the centre and states need to create awareness and motivate the young generation to come forward avail the benefits of schemes and start economic units. It requires an eco-system, capacity building and conducive environment for entrepreneurship.

Creating a skill ecosystem that works together

The fact that many people don't know about the opportunities that are out there and that the government has many skill-building programs is a big problem that makes it hard for these programs to work. Non-governmental organisations, government entities, the corporate sector, and social enterprises must collaborate to meet the demand for competency-based, skill-oriented training and placement. This includes capacity building, promoting entrepreneurial initiatives, and enhancing skills in agricultural and



allied practices within a cooperative ecosystem. Enhancing human capital through skill development is essential for the nation's economic growth. Corporate social responsibility teams are significantly impacting the empowerment of rural youth in their communities through collaborations with ITI and polytechnic institutions located in rural areas. Students are encouraged to recognise their interests and develop a range of in-demand skills that lead to tangible results in the real world.

Need for Capacity Development

Capacity development is the process of establishing and enhancing the skills, instincts, abilities, processes and resources that organisations and communities require to survive, adapt and succeed in today's fast-paced environment (Ann Phibin, 1996). It is a combination of knowledge and self-practice skills. Capacity building helps an individual to develop potential quality to think, plan and act innovatively in organising livelihood activities and create support mechanism for self and for others. Individuals, groups, organisations, institutions and systems can benefit from capacity building by improving their social and methodological competences and capacities, allowing them to better recognise and prioritise their requirements in order to master life and development tasks. Capacity building is a gradual process that affects all elements of development and enables communities to access skills and resources that empower people and give them more control over their lives. Training is one method or component of capacity-building exercises that takes care of inputs and learning in a classroom or other controlled environment between the participant and facilitator, and it can be a very effective tool for developing entrepreneurship capacity among unemployed rural youth including women.

Conclusion

The issue of unemployment, particularly among India's youth, remains a significant challenge despite the country's potential for rapid economic growth, driven by its demographic advantage. India has one of the world's largest youth populations, offering vast potential to drive economic development. However, there is a clear mismatch between the demand for skilled labour and the quality of education and training systems, which hampers the country's ability to fully leverage its demographic dividend. This challenge is particularly severe in rural areas, where much of the workforce remains unskilled or underemployed.



The research shows that while India has progressed in addressing unemployment through various government initiatives like the *MGNREGA*, these programs alone do not address the underlying issues. Although *MGNREGA* successfully provides temporary employment to millions of rural households, it primarily focusses on unskilled labour and does little to improve the long-term employability of the workforce. Similarly, while self-employment programs offer benefits, they often lack crucial support systems such as training, marketing, and financial assistance, which are necessary for sustained entrepreneurial success.

A key takeaway from this research is the need for a comprehensive, multifaceted approach to tackle unemployment, integrating educational reforms, vocational training, and grassroots skill development. The current education system fails to adequately align with industry requirements, resulting in a workforce that, although educated, lacks the practical skills required for available jobs. Vocational training and skill development programs, particularly in rural areas, need to be expanded and improved to prepare the youth for emerging sectors such as manufacturing, services, and technology.

The study also emphasizes the importance of promoting entrepreneurship as a means to create jobs, especially in rural and semi-urban areas. Government initiatives like "*Make in India*," "*Skill India*," and "*Start-up India*" are positive steps, but they require more emphasis on capacity-building, infrastructure development, and increased awareness to achieve their full potential. Entrepreneurship in non-farm sectors can provide a sustainable alternative to agriculture, which is increasingly unable to absorb the growing rural labour force.

While India's demographic dividend presents a unique opportunity for economic growth, its benefits can only be fully realised through comprehensive policy reforms and a focused approach to skill development and job creation. Collaboration between the government, private sector, educational institutions, and civil society is essential for bridging the skill gap, fostering entrepreneurship, and creating sustainable employment. With strategic investments in human capital, India has the potential to transform its youth into a driving force for economic growth, leading to a more inclusive and prosperous future.

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