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India's Youth Employment Challenge: Falling Unemployment, Educated Joblessness and the Rising NEET Population

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Recent Developments:

- NITI Aayog has highlighted that around **8.7 crore Indians aged 15–29** were **Not in Employment, Education or Training (NEET)** in 2021, underscoring the gap between India's demographic potential and its effective integration into the labour market. The estimate is based on the **78th Round of the National Sample Survey** and was highlighted in the report *Reimagining Skilling for Viksit Bharat@2047*.
- The **PLFS Annual Report 2025** presents a more favourable headline picture: India's overall **Unemployment Rate (UR)** for persons aged 15 years and above declined to **3.1% in 2025**, while youth unemployment among those aged 15–29 declined to **9.9%** from 10.3% in 2024.
- However, the headline unemployment rate does not fully capture **labour-market exclusion, educated unemployment, underemployment, job quality and discouraged workers**, making a broader assessment essential for understanding India's employment challenge.

Understanding the Official Employment Picture:

What the Unemployment Rate Measures:

- The **Unemployment Rate (UR)** measures unemployed persons as a proportion of the **labour force**, which includes people who are working and those who are actively seeking or available for work.
- Therefore, a person who is neither employed nor actively seeking work is generally **outside the labour force** and does not enter the unemployment rate.
- According to **PLFS 2025**, India's UR among persons aged 15 years and above was **3.1%**, while the **Labour Force Participation Rate (LFPR)** stood at 59.3% and the **Worker Population Ratio (WPR)** stood at 57.4%.
- The improved headline indicators indicate stronger labour-market participation and employment, but they must be interpreted alongside the nature and productivity of the jobs being created.

Youth Unemployment and Educated Unemployment:

Youth Face a Disproportionate Employment Burden:

- Youth unemployment remains substantially higher than overall unemployment, with the **15–29 age group recording a 9.9% unemployment rate in 2025**.
- The **State of Working India 2026** report identifies the transition from **education to employment** as a major structural challenge because the expansion of higher education has not been matched by comparable growth in suitable graduate employment.
- Graduate unemployment is particularly severe among younger graduates, with nearly **40% of graduates up to age 25** reported as unemployed, compared with around **20% among graduates aged 25–29**.

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- This reflects **educated unemployment**, where increasing educational attainment does not automatically translate into employment because the supply of graduates can exceed the demand for appropriately skilled workers.

The Education–Employment Mismatch:

- India has expanded access to higher education, but **curriculum–industry mismatch, inadequate practical skills, limited vocational exposure and weak apprenticeship pathways** continue to constrain employability.
- The State of Working India 2026 notes that higher education has become increasingly accessible, while the transition from **learning to earning** remains difficult, particularly for young people entering the labour market for the first time.
- This creates a paradox in which **human-capital accumulation increases**, but employment opportunities do not expand at the same pace or in occupations matching acquired qualifications.

Quantity versus Quality of Employment:

Rising Employment Does Not Always Mean Rising Prosperity:

- India’s employment structure has improved in some respects, but the **quality, productivity, earnings and social-security coverage** of employment remain important concerns.
- In 2025, **regular wage or salaried employment** increased to 23.6% of workers, while self-employment accounted for 56.2%; agriculture still accounted for the largest sectoral share of employment at **43.0%**.
- The persistence of a large agricultural workforce is significant because agriculture contributes a much smaller share of national output than its share of employment, indicating a continuing **sectoral productivity gap**.
- A successful structural transformation therefore requires movement of surplus labour from **low-productivity agriculture towards higher-productivity manufacturing and modern services**.

Employment Quality and Social Security:

- The PLFS 2025 data also reveal that employment quality remains uneven because **58.2% of salaried workers lacked a written job contract**, 47.3% were not eligible for paid leave and 51.7% lacked access to specified social-security benefits.
- Thus, employment policy should focus not merely on the **number of jobs**, but also on **wages, productivity, formalisation, job security, social protection and career progression**.

Why Women Are Central to the Employment Challenge:

Female Labour Force Participation:

- India has recorded a substantial increase in **Female Labour Force Participation Rate (FLFPR)**, which rose from 23.3% in 2017–18 to 41.7% in 2023–24 according to the Economic Survey 2025–26.
- Nevertheless, women continue to face structural barriers such as **unpaid care work, limited mobility, safety concerns, inadequate childcare and inflexible employment arrangements**.
- PLFS 2025 reported that **44.4% of women outside the labour force cited childcare or personal commitments in homemaking** as the principal reason, demonstrating that female labour-market exclusion is partly shaped by social and institutional constraints.

NEET as a Better Measure of Labour Under-utilisation:

Meaning and Significance:

- NEET refers to persons who are **Not in Employment, Education or Training**, thereby capturing a wider form of labour-market disengagement than conventional unemployment.
- NEET includes both unemployed persons and individuals who are **outside the labour force**, including discouraged workers and persons unable or unwilling to participate because of social, economic or household constraints.
- The **PLFS 2025** recorded a NEET rate of **24.9% among persons aged 15–59** and **21.0% among persons aged 15–24**, demonstrating that a substantial share of the population remains disconnected from employment, education and training.
- The recently highlighted **8.7 crore NEET youth aged 15–29** should be understood separately because the figure is based on **2021 NSS data**, rather than being a direct 2026 population estimate.

Major Causes of Youth Employment Stress:

Structural Factors:

- **Skill mismatch:** Educational qualifications often do not correspond to market requirements.
- **Insufficient formal job creation:** High-productivity formal employment has not expanded rapidly enough to absorb the growing educated workforce.
- **Agricultural dependence:** A large workforce remains concentrated in relatively low-productivity agriculture.
- **Gender barriers:** Care responsibilities and social constraints reduce women's effective labour-market participation.
- **Informality:** Many workers remain without written contracts, paid leave or adequate social-security protection.
- **Regional disparities:** Employment opportunities, industrialisation, skill ecosystems and migration opportunities vary substantially across States.
- **Weak school-to-work transition:** Apprenticeships, career counselling, vocational education and industry-linked training remain insufficiently integrated.

Way Forward:

Policy Priorities:

- India should pursue **employment-intensive growth** by strengthening labour-intensive manufacturing, construction, tourism, logistics, textiles, food processing and modern services.
- **Skill development** should become demand-driven through stronger industry participation, apprenticeships, recognition of prior learning and local labour-market mapping.
- **Vocational education** should be integrated with mainstream education so that skill acquisition does not remain a parallel or inferior pathway.
- Women's employment requires **affordable childcare, safe transport, flexible workplaces, hostels and stronger social-security systems**.
- Government programmes should increasingly measure **employment outcomes, earnings and job retention**, rather than merely counting training completions or jobs generated.
- India should strengthen the transition from **agriculture to manufacturing and services** while simultaneously improving agricultural productivity and rural non-farm employment.
- A combination of **MSME support, credit access, digital infrastructure, entrepreneurship promotion and market linkages** can expand opportunities for first-time workers and self-employed youth.

Value Addition for UPSC:

Key Concepts and Data Points:

- **PLFS 2025:** Overall UR — **3.1%**; Youth UR (15–29) — **9.9%**; LFPR — **59.3%**; WPR — **57.4%**.

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- **NEET: 24.9%** for the 15–59 age group and **21.0%** for the 15–24 age group under PLFS 2025.
- **NITI Aayog:** Around **8.7 crore youth aged 15–29** were NEET in **2021**, highlighting the scale of youth disengagement.
- **State of Working India 2026:** Graduate unemployment remains particularly high among younger graduates, highlighting the persistent **education–employment mismatch**.
- **Useful analytical phrase:** India must move from “**job creation**” to “**productive, formal and future-ready employment creation**.”
- **Core UPSC argument:** A falling unemployment rate is encouraging, but it is insufficient as a standalone indicator because **labour-force participation, NEET status, employment quality, wages, productivity and social security** provide a more comprehensive assessment of India’s labour market.