Youth Unemployment and the Household Cost

Mains: *GS II – Education and HR*

Why in News?

The latest Periodic Labour Force Survey (PLFS) data indicate that unemployment among 18–29-year-olds remains significantly high, particularly among tertiary-educated youth.

What is the issue?

- **Concerns in Measuring Youth Unemployment** – India's youth unemployment crisis is generally measured through a single indicator: the proportion of young people unable to find work.
- However, this approach captures only one dimension of a much wider socioeconomic problem.
- Unemployment among educated youth affects not only the individual seeking employment but also the household that has financed their education, supported their job search and often borne the financial cost of prolonged unemployment.
- Therefore, youth unemployment should be viewed not merely as a labour-market challenge but also as a household-level economic and social burden.
- **Beyond the Unemployment Rate** – The conventional unemployment rate includes people who are not working but are actively seeking and available for employment.
- It does not fully capture those who have withdrawn from the labour force because they have become discouraged or face barriers to employment.

- This distinction is particularly important for young women. Among tertiary-educated youth, a substantial proportion are Not in Employment, Education or Training (NEET).
- Among tertiary-educated young women who are NEET, a large majority are outside the labour force rather than formally counted as unemployed.
- Thus, the problem is not simply that educated young people cannot find jobs.
- It also includes young people who remain outside employment, education and training, sometimes because prolonged joblessness discourages active job search or because social and household constraints limit labour-force participation.
- **The Household Behind Every Unemployed Graduate** – An unemployed young graduate is rarely an economically isolated individual.
- In many cases, the family has made considerable financial and social investments in their education with the expectation that a degree will lead to stable employment, higher income and upward mobility.
- Around **15.4%** of Indian households have a tertiary-educated young adult aged 18–29.
- At the same time, about **20.8%** of households support at least one unemployed

tertiary-educated young adult.
- This creates a paradox. Families invest in higher education as a pathway to economic mobility, but when employment does not materialise, the expected economic return is delayed while the cost of supporting the young person continues.
- **Household Consumption Under Pressure** – The consequences are visible in household consumption patterns.
- Compared with households without an unemployed educated youth, households supporting one spend, on average, around ₹1,087 less per month on overall consumption and ₹710 less per household member.
- This indicates that unemployment can generate an indirect consumption shock for the entire family, extending the economic consequences of joblessness beyond the individual jobseeker.
- **Earning Capacity Determines the Ability to Wait** – The economic impact of unemployment is closely linked to the number and quality of earners within a household.
- Households supporting unemployed tertiary-educated youth have, on average, only **1.5** earning members, compared with two among households without unemployed educated youth.
- Around **14.4%** have no active earning member, while **39.5%** depend on a single earner.
- Further, nearly **62.5%** have no regular salaried worker.
- These figures reveal an important dimension of inequality in unemployment.
- A financially secure household with several earning members may be able to support a graduate during a prolonged job search.
- A household dependent on a single informal or low-income earner may not have the same capacity.
- Consequently, the duration of unemployment becomes as important as unemployment itself. For poorer households, prolonged job searching can quickly become financially unsustainable.
- **The Rising Cost of a Prolonged Job Search** – The transition from education to employment is not always immediate.
- Nearly **58%** of unemployed tertiary-educated youth have been searching for work for more than one year, while about **28.9%** have remained unemployed for more than two years.
- A few months of unemployment and two years of unemployment represent fundamentally different economic realities.
- Initially, families may rely on savings or reduce discretionary expenditure.
- But as unemployment persists, savings can decline, consumption can be compressed and household members may be forced to make difficult choices.
- **From Qualification Mismatch to Economic Insecurity** – Prolonged unemployment can also create a mismatch between qualifications and employment choices.
- A young graduate from a financially constrained household may eventually be compelled to accept any available employment, even if it is significantly below their educational qualifications.
- Thus, the choice is often not simply between a **“good job” and a “bad job**.”
- For economically vulnerable families, it can become a choice between **“any job**” and **continued economic insecurity.**

What are the broader social and economic consequences?

- **Reduced investment returns in education** – Prolonged unemployment can reduce the economic returns to investments in higher education.
- If educated youth remain unemployed for extended periods, households may question the value of additional education, potentially affecting future educational investment.
- **Affects social wellbeing –** Extended joblessness can delay important milestones such as **independent living, marriage and household formation.**
- Young adults who remain financially dependent on parents for several years may experience reduced economic autonomy.
- **Skill depreciation** – Persistent unemployment can contribute to skill depreciation.
- Skills acquired during education may become outdated when they are not used in productive employment, making eventual entry into the labour market more difficult.
- **Migration & Low quality Jobs** – Prolonged job searches can encourage migration or acceptance of insecure and low-quality employment.
- This may increase underemployment even when the headline unemployment rate eventually declines.
- **Unequal distribution of Burden** – Households with multiple earners, regular salaries and financial assets are better positioned to absorb unemployment than households dependent on a single earner or irregular employment.

What should be the employment policy?

- **Reduce Recruitment Delays** – Government recruitment examinations and selection processes can take considerable time.
- Delays caused by administrative bottlenecks, examination disruptions and prolonged selection procedures increase the period during which families must finance unemployed youth.
- Greater use of technology, transparent examination systems, fixed recruitment calendars and time-bound selection processes can reduce unnecessary waiting periods.
- **Strengthen the Transition from Education to Work** – Higher education institutions should build stronger links with employers through apprenticeships, internships, campus recruitment and industry-oriented curricula.
- The objective should be to reduce the gap between completion of education and entry into productive employment.
- **Focus on Employment Quality** – The objective should not merely be to reduce unemployment statistics.
- Policies must also address underemployment, low wages, job insecurity and skill mismatch.
- Otherwise, educated youth may move from unemployment to precarious employment without achieving genuine economic mobility.
- **Support Vulnerable Households** – Employment policy can also incorporate targeted support for households facing prolonged unemployment, particularly those with no regular salaried worker or only one earning member.
- Such support should complement, rather than replace, employment creation.
- **Improve Women's Labour-Force Participation** – The large share of tertiary-

educated young women outside the labour force highlights the need to address barriers such as unpaid care work, mobility constraints, workplace safety and inadequate childcare facilities.

- Increasing women's participation would strengthen both household incomes and India's overall economic potential.

What lies ahead?

- Youth unemployment in India is not merely a statistic concerning individuals who are waiting for jobs.
- It is also a measure of the financial resilience of households that sustain those individuals during the waiting period.
- India's demographic dividend will materialise only when young people can make a timely transition from education to productive and decent employment.
- Therefore, employment policy must focus not only on how many young people are unemployed, but also on how long they remain unemployed and who bears the cost of that unemployment.

Reference

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