

INDIA'S NEW EMPLOYMENT POLICY OUGHT TO FOCUS ON YOUNG ADULTS

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Those in their twenties suffer significantly greater unemployment and job frustration than others

Did you know that less than 10% of young adults (aged 20-29 years) in states such as Punjab, Haryana, and Tamil Nadu work on farms? And in Kerala, it is less than 2%. Did you know around 18% of young adults in Haryana and 20% in Kerala reported being in education in 2018-19? These estimates are based on our research using India's periodic labour force survey (PLFS) data.

Why are these numbers important? The government is in the process of setting up an expert committee for drafting a National Employment Policy. Its goal is to enable productive and sufficient job creation, a task that has proven elusive.

Two crucial aspects need attention while formulating a forward-looking policy. First, a less widely used but highly insightful measure, the employment- to-population ratio, and second, the regional employment profile of young adults (aged 20-29 years).

Employment as a share of the labour force is used more commonly but does not provide an accurate understanding of the demographic challenge facing India. The labour force is defined as the proportion of people in the working-age group who are working or looking for work. It leaves out adults who get discouraged and stop searching for work, and women who are not in paid work. In contrast, changes in the employment-to-population ratio tell us whether the economy is generating jobs fast enough to keep a constant proportion employed.

It is common to analyse the employment pattern of the entire employed working-age population, without paying attention to the age profile of the workforce. Young adults tend to be at the start of their career, some are still in higher education, their skills (or lack thereof) are more relevant to newer job roles, and they change jobs often. Policymakers should examine labour-market changes with a special focus on young adults.

Our estimates show that the employment-to-population ratio among young adults in India has declined to 43.4% in 2018-19 from 63% in 2004-05. This is a sharper fall than the decline to 64% from 74.5% for the 30-59-years age group over the same period. Among big states, the decline of young adults in jobs has been the fastest in Bihar, Uttar Pradesh (UP) and Kerala where less than 30% of young adults were in work in 2018-19.

Our sectoral analysis shows that a sharp decline in farm work among young adults mimics the pattern in more developed economies. To ensure that estimates based on the PLFS 2018-19 are not biased against farm employment, we also estimated and compared them with 2011-12 data from earlier National Sample Survey Office employment reports. In 2011-12, only 4.8% of young adults were in farm employment in Kerala, which fell to 1.8% in 2018-19. Even in UP, less than 1 in 5 young adults were working on farms in 2018-19. Unlike developed economies, however, non-farm employment as a proportion of young adults has not increased in all states. Tamil Nadu continues to have the highest ratio of non-farm employment of young adults at 41.5% in 2018-19, but the pace of increase has slowed, while in Karnataka it has risen rapidly. In Kerala and UP, that ratio has fallen over time. Further, unemployment among young adults

has risen by double digits in many states, the highest being in Kerala (nearly 20%). This is indicative of a mismatch not just of skills, but also between the aspirations of educated youth and their job options.

Not only has unemployment risen, the proportion of young adults in higher education has also jumped. Karnataka stands out on both these parameters with the lowest share of unemployment as well as a relatively low proportion of young adults in higher education, along with Tamil Nadu. In contrast, the less prosperous states of Bihar and UP have a higher proportion of young adults in education, 13.5% and 15% respectively, delaying their entry to the workforce.

Overall, with rising education levels, young adults look for aspirational jobs and are ready to wait for one that suits them, resulting in higher unemployment rates. The new employment policy needs to take this aspirational aspect into account. An excessive focus on labour-intensive manufacturing is unlikely to hold appeal among the educated youth. Alternatively, India's education system needs to be remoulded to reduce its focus on formal higher education and raise the profile (and appeal) of skill-based occupations and manufacturing work.

Also notable is a rise in the proportion of those engaged solely in domestic and care work, mainly young women, with the sharpest rise in Karnataka. This may mean that when family incomes rise, women irrespective of education levels drop out of paid work in the country. In Bihar and UP, the proportion of young adults in domestic work is as high as 40-45%. While this is a waste of India's demographic dividend, if young women return to the labour market, pressure on job creation would increase further.

Our research also shows that there is near zero reported unemployment among men after they cross over into their thirties, which suggests that they take up whatever jobs they find as they get older. Their employment patterns may not reflect their aspirations. A new employment policy, therefore, should pay close attention to the labour-market dynamics of young adults in India.

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