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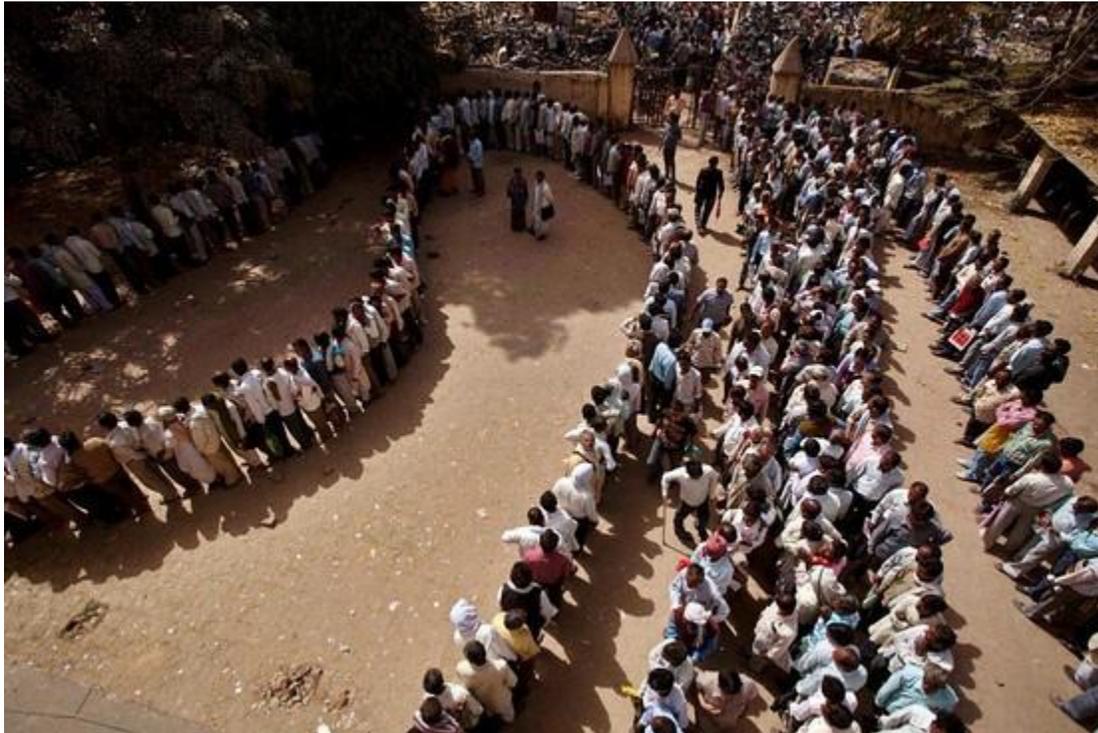
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## Young, Jobless and Indian

By Kunal Kumar Kundu



*Rajesh Kumar Singh/Associated Press*

*Unemployed Indians stood in a queue at the Employment Exchange Office in Allahabad, Aug. 29.*

The global crisis, caused largely by the developed world's financial excesses, and the ensuing balance sheet repairing have battered the world economy in a way not seen since the Great Depression. And globalisation has meant that countries and economies not party to the excesses have also been impacted.

One of the hardest hit segments of the world population is its youth, who are finding it increasingly difficult to get jobs. The developed world has been most affected. According to recent data from Maudlin Economics, youth unemployment in the U.S. is more than 17%. Youth is defined as those aged 15 to 24. The situation is worse in Europe, where youth unemployment in Greece is approaching 60%. Spain follows a close second with 55%, while Portugal and Italy are at around 35% and France is a little over 25%.

This is not only a developed market problem. The pain reverberates even in the generally faster growing emerging markets. Take India, one of the youngest countries in the world, where youth accounted for 20% of the total population in 2011, according to the Registrar General of India. More importantly, the dependency ratio – the number of children and elderly people per working-age person — declined 21% over the last three decades. In China, the ratio declined 31%, but in the U.S. and Europe it dropped 1% and 7%, respectively, and in Japan it increased 8%, according to United Nations figures. At this rate, India will have the lowest dependency ratio out of these countries and regions by 2030. By that year, India's working age population is expected to expand to 131% of the 2010 workforce.

However, youth unemployment remains high in India, and it hasn't been helped by the global crisis. The latest World Development Report by the World Bank says India's youth unemployment — as a percentage of the youth work force — was 9.9% for males and 11.3% for females in 2010. In 1985, the figures were 8.3% and 8%, respectively. Youth unemployment in India, like most countries, has consistently been above the national average. But of late, the data indicate rising youth unemployment, now virtually 50% more than the national average, or total unemployment rate.

The National Sample Survey Organisation found that India's unemployment rate fell to 6.6% in 2009-10 from 8.2% in 2004-05. The general perception is that unemployment in India is high, but the actual numbers seem reasonable. That's because self-employment accounts for about 60% of India's employed population.

Given the lack of viable employment opportunities, a large number of Indians opt for self-employment. And a big chunk of this includes low-paying activities like hawking magazines and flowers at traffic signals. Casual workers — who get jobs at times and remain unpaid at other times — account for 30%, while only 10% of the working population are regular employees. Given the scarcity of opportunities, higher youth unemployment shouldn't come as a surprise.

But rising youth unemployment in a country that is expected to reap the demographic dividend is a concern. The latest NSSO survey shows there has been a drop in the labor force participation rates — as in, those who are willing to work — among the youth. Many young people are delaying their entry into the workforce, partly because they are extending their years of education. This at least is positive as it indicates a higher degree of skill formation in the young laborforce.

The desire to acquire better skills is reflected in a substantial spurt in education loans in India. Reserve Bank of India data show that outstanding educational loans (in the personal loan category) more than doubled in the past four years. And a growing number of educational loans are turning into non-performing assets, particularly in the last few years. According to the Indian Banks' Association, education loan NPA accounted for 6% of outstanding education loans as of March 2012, sharply up from 2% in March 2008. The spurt in defaults can to a large extent be attributed to the difficult employment environment in India, especially for students looking to enter the job market as the economy slows.

The rising demand for education clearly shows that young people are looking to move away from menial and low paying work to jobs that require comparatively higher skill sets. When distinguishing between levels of literacy and youth unemployment, various NSSO surveys reveal one common thread: Unemployment is lowest among the illiterate population. That's because this segment is more willing to work as laborers and in low paid menial jobs. Not surprisingly, youth unemployment is the highest among young graduates, which is a clear indication of the lack of employment opportunities for educated youth.

Although India's manufacturing and service sectors have been growing faster than agriculture for many years, they failed to wean people from agriculture at the necessary pace, leading to lopsided employment distribution. As of 2007, just over 50% of total employment in India was associated with agriculture, while industry accounted for around 20% and services 30%.

The number of people still engaged in agriculture in India doesn't compare too favourably with its emerging market peers. To raise industry's contribution to GDP and move the disproportionately large number of people engaged in agriculture to industry requires a greater focus on manufacturing. It also requires reforms in the labor market, greater transparency in land acquisition and realistic environmental policies, as well as availability of quality education. It would be easier to move people from agriculture to industry through appropriate skill development programs, rather than to the service sector directly.

The challenge for the government is to ensure that appropriate policies are framed and meticulously implemented to meet the future aspirations of India's youth. The adverse impact of the global crisis sends out a strong message. India has its work cut out.



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