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## More young urban Indian men appear to be studying longer, not looking for jobs: New research

Researchers looked at 2004-05 NSS data and 2017-18 labour force survey to find men in 20-29 age group in states like Bihar and Jharkhand either take an informal job or remain unemployed.

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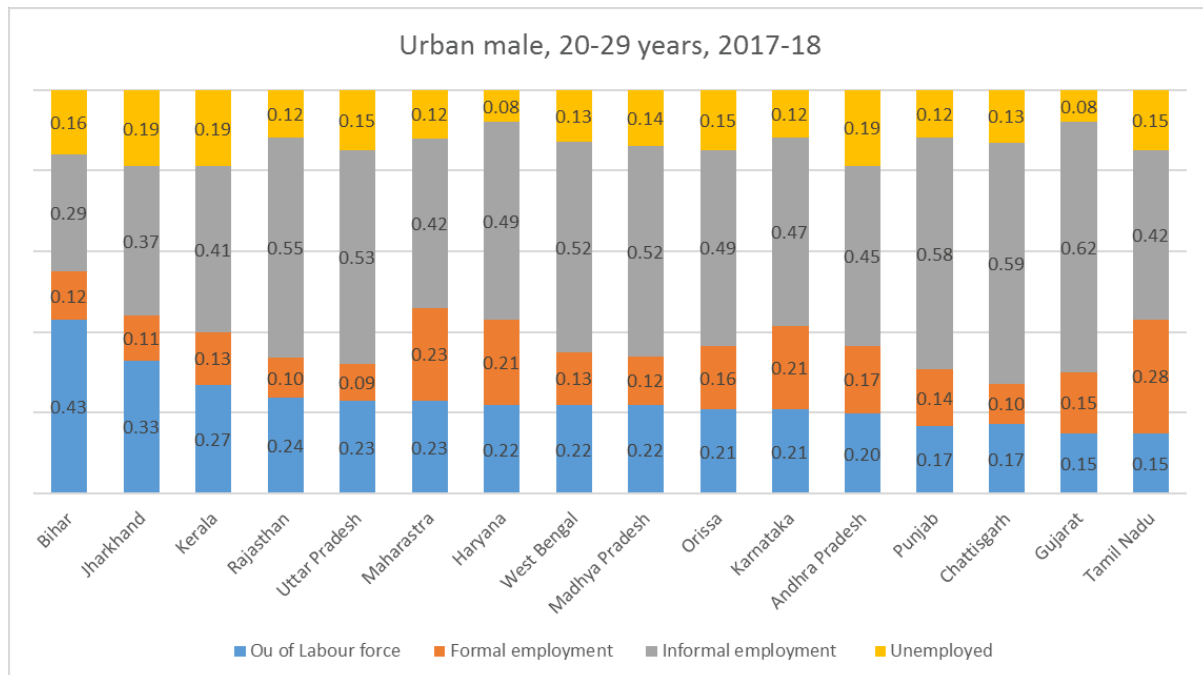
Representational image | Dhiraj Singh | Bloomberg

By the end of this decade, India will boast about having the largest working-age population in the world. Regional variation in terms of development, economic structure, education and culture are significant in this diverse nation. Young adults are the driving force that will shape India's future. And decent job opportunities for them will form India's identity and prosperity.

The future of India in the aftermath of the Covid pandemic crucially depends on how regional job markets fare, how many people participate in economic activity and what kind of jobs are on offer. This is especially important for young adults who are entering the employment market for their first job. In the initial years of their working life, they keep looking for better opportunities while also settling into their family lives. The past experience provides some helpful insights.

This article focuses on young men in urban India in the age group of 20 to 29 years. Using data for [2004-05](#) from the 61st round of NSS' Employment-Unemployment Survey and [2017-18](#) Periodic Labour Force Survey, we divide the men in this age group into those who are not looking for work (out of labour force), those employed in the formal sector (a job with a formal contract and social security), those employed in the informal

sector, and those who are yet to find a job (unemployed). The state-level data reflect only people who are currently residing there and not those who have migrated to other states.



### Educated and unemployed

Twenty-two per cent of young men were not looking for work in 2017-18, up from 14 per cent in 2004-05. In both the years, a vast majority of them, over 87 per cent, were in education. It would, therefore, prima facie appear that more young men are staying longer in education now. Surprisingly, however, a higher proportion of men in the laggard states with lower average educational levels were not looking for work and enrolled in education. For example, Jharkhand and Bihar have a disproportionately higher share of young men – 33 per cent and 43 per cent, respectively, who were out of the labour force. In contrast, in Gujarat and Tamil Nadu, only 15 per cent of young men were not looking for work.

What does this statistic mean? First, it appears that it takes longer to complete degree-level education in states such as Jharkhand and Bihar, given the poor functioning of the local education system. For example, 15 per cent of young men in the age group of 20-29 in Bihar report having completed higher secondary, are currently attending education, presumably to complete their degree, and are not looking for work. In contrast, in prosperous states such as Tamil Nadu, the same proportion is only about 5 per cent. Second, young men may continue to stay enrolled in educational institutions or in training institutes to prepare themselves for the public sector competitive exams, hoping for a lucrative government job. Third, they may be disillusioned with poor local job opportunities, and stay enrolled in some form of education until they can migrate to other states.

### Late entry, poor savings

Why is it important to understand how many young people do not participate in the job market? A significant delay in joining the labour market implies a later than usual start to their working life. This can have potentially adverse consequences for lifetime earnings and the kind of jobs they hold over the course of their working life. Moreover, a

higher proportion of young adults not looking for work increases the dependency burden on the working population. It may also result in a superficial decline in unemployment rates since it is calculated as the unemployed population as a share of the population who are working or looking for work.

In addition to 22 per cent who were not looking for work in urban India in 2017-18, further 14 per cent were unemployed in 2017-18 — a 7 per cent increase from 2004-05. The highest proportion of unemployed in 2017-18 was in Jharkhand, Kerala, and Andhra Pradesh at 19 per cent, followed by Bihar at 16 per cent. Even in relatively prosperous states, unemployment rates were well above 10 per cent. Some of this unemployment could have been temporary due to the adverse consequences of demonetisation of November 2016.

### **Strengthening the formal sector**

More than half of the unemployed young adults in India have completed a diploma or hold a degree. If highly educated men have a preference for jobs in the formal sector, then it is imperative that job opportunities in the formal sector expand rapidly. Else, unemployment rates would go up further. A delay in the formal job market recovery from the pandemic would only make things worse for young educated men, causing a delay in their entry into jobs and subsequent reduction of their overall lifetime earnings.

On a positive side, the share of young men employed in the formal sector doubled to 16 per cent in 2017-18 compared to 8 per cent in 2004-05. The surge is led by the states that have seen an expansion of IT/ITES and financial services – Tamil Nadu, Maharashtra, and Karnataka. Tamil Nadu has seen the steepest jump from 12 per cent of young men employed in the formal sector in 2004-05 to 28 per cent in 2017-18. At the other extreme, in urban Uttar Pradesh and Rajasthan, only 9 per cent of young men work in the formal sector. Compared to their record of a mere 3 per cent of young men employed in the formal sector in 2004-05, it is a significant jump nonetheless.

### **A disturbing trade-off**

Finally, the share of young men in urban India employed in the informal sector in the 20-29 age group fell sharply from 71 per cent in 2004-05 to 48 per cent in 2017-18. All of this drop, however, cannot be considered as a genuine improvement in labour market outcomes. For example, the lowest proportion of young men employed in the informal sector were in urban Bihar and Jharkhand — at 29 per cent and 33 per cent, respectively. This hides the disturbing fact that a sizable proportion of young men in these states were either not looking for work or were unemployed. In contrast, in Gujarat, where unemployment was low and a vast majority was in the job market, 62 per cent young men held informal jobs. Overall, there appears to be a trade-off between either taking up a job in the informal sector or staying unemployed and/or dropping out of the labour market.

Streamlining and strengthening the quality of local/regional education systems, expanding the formal sector and encouraging industries that generate jobs should be India's topmost priorities.

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