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**Employment: Issues, Challenges, and Solutions from an Analytical Indian Perspective**

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**Abstract**

Employment is one of the most significant indicators of economic development and social stability in any nation. In India, employment generation has remained a central policy concern due to the country's large population, expanding workforce, and structural transformation of the economy. While economic growth has accelerated over the past three decades, employment growth has not always kept pace with the expansion of the labour force, resulting in persistent unemployment and underemployment (Mehrotra & Parida, 2019; Sharma, 2022).. This chapter analyzes the major employment issues in India, including unemployment, informal sector dominance, skill mismatch, and regional disparities. The study also examines the structural challenges affecting employment generation such as population pressure, technological change, and sectoral imbalance. Using secondary data and analytical insights, the chapter highlights the need for inclusive employment policies, skill development programs, and sustainable economic strategies. The study concludes by proposing policy measures aimed at strengthening employment opportunities through education, entrepreneurship, industrial development, and improved labour market institutions.

**Keywords:**

Employment, Unemployment, Labour Market, India, Informal Sector, Skill Development

**1. Introduction**

Employment plays a crucial role in economic development, poverty reduction, and social stability. In developing economies such as India, employment generation is closely linked to the broader goals of inclusive growth and equitable development (Sen, 1999) . Employment not only provides income to individuals but also enhances productivity, improves living standards, and contributes to national economic progress. India has one of the largest labour forces in the world. According to estimates by the National Statistical Office (National Statistical Office, 2020), the country's workforce has expanded rapidly due to population growth and demographic changes. The demographic dividend, characterized by a large working-age population, presents both opportunities and challenges (Bloom et al., 2003). While it can accelerate economic growth if productive employment opportunities are available, it may also lead to increased unemployment if the economy fails to generate sufficient jobs.

Despite sustained economic growth since the economic reforms of 1991, employment generation in India has remained uneven. The phenomenon often referred to as “jobless growth” has raised concerns among policymakers and economists (Kannan & Raveendran,

2009; Rodrik, 2016). Rapid technological advancements, automation, and structural changes in the economy have altered labour demand across different sectors (Autor, 2015). The agricultural sector still employs a large portion of the workforce, even though its contribution to the national GDP has declined significantly. At the same time, the manufacturing sector has not expanded sufficiently to absorb surplus labour from agriculture. As a result, many workers find employment in low-productivity informal jobs (Chen, 2012)..

This chapter examines employment issues in India from an analytical perspective. It explores the major structural challenges affecting employment generation and proposes policy solutions that can help create sustainable and inclusive employment opportunities.

## 2. Concept and Types of Employment

Employment refers to the engagement of individuals in productive economic activities that generate income or livelihood. Economists generally classify employment into several categories based on the nature of work and labour market conditions (Becker, 1993).

### 2.1 Full Employment

Full employment refers to a situation where all individuals who are willing and able to work at prevailing wage rates are employed. In practice, full employment does not mean zero unemployment but rather the absence of involuntary unemployment.

### 2.2 Unemployment

Unemployment occurs when individuals who are willing and able to work cannot find suitable employment opportunities. High unemployment rates often indicate structural weaknesses in the economy (Mehrotra & Parida, 2019).

### 2.3 Underemployment

Underemployment refers to situations where individuals work fewer hours than they are capable of or are engaged in jobs that do not fully utilize their skills and qualifications .

### 2.4 Informal Employment

A significant proportion of India’s workforce is engaged in informal employment characterized by lack of job security, low wages, and absence of social protection (Chen, 2012).

**Table 1: Types of Employment in India**

Type of Employment	Characteristics
Formal Employment	Regular wages, job security, social benefits
Informal Employment	Low wages, lack of protection
Self-Employment	Small businesses, agriculture
Casual Employment	Daily wage or temporary work

### 3. Employment Trends in India

India's employment structure has evolved significantly over the past several decades. While agriculture once dominated the employment landscape, the economy has gradually shifted toward industry and services.

However, the pace of structural transformation has been relatively slow compared to other emerging economies (Rodrik, 2016).. A large proportion of workers continue to remain in agriculture despite declining productivity.

**Table 2: Sectoral Distribution of Employment in India**

Sector	Employment Share (%)
Agriculture	42
Industry	25
Services	33

The services sector has become the largest contributor to GDP, yet it does not absorb labour at the same rate as manufacturing. This imbalance contributes to employment challenges (World Bank, 2019).

### 4. Major Employment Issues in India

Employment generation in India is influenced by multiple structural and institutional factors. Despite significant economic growth in recent decades, the Indian labour market continues to face several challenges that limit the availability of stable and productive employment opportunities. Rapid population growth, technological changes, and economic restructuring have altered the demand for labour across sectors. At the same time, labour market rigidities, skill deficiencies, and regional imbalances further complicate employment generation. The majority of the workforce remains engaged in informal and low-productivity activities, which provide limited income security and social protection. Understanding these employment issues is essential for designing effective labour policies and inclusive development strategies.

#### 4.1 Unemployment

Unemployment remains a persistent issue in India, particularly among educated youth (Sharma, 2022). The rapid expansion of higher education institutions has increased the number of graduates entering the labour market each year. However, the pace of job creation has not kept up with the growing supply of skilled labour. As a result, many educated individuals struggle to find employment that matches their qualifications and expectations.

Youth unemployment is particularly concerning because it represents a loss of human capital and economic productivity. According to labour market surveys, the unemployment rate among young graduates is significantly higher than among less-educated individuals (Agrahari et al., 2023). This paradox reflects structural inefficiencies in the labour market and highlights the need for better alignment between education systems and industry requirements.

Moreover, economic fluctuations and slow industrial expansion often exacerbate unemployment levels. In many cases, job seekers remain unemployed for extended periods, which may lead to skill deterioration and reduced employability. Addressing unemployment therefore requires coordinated efforts involving skill development, industrial growth, and entrepreneurship promotion.

#### **4.2 Informal Sector Dominance**

The dominance of the informal sector is one of the defining characteristics of India's labour market. A large proportion of workers are engaged in informal employment, which includes small-scale enterprises, casual labour, and self-employment activities. These jobs typically lack formal contracts, job security, and social protection benefits such as health insurance and pension schemes (Chen, 2012).

While the informal sector provides livelihood opportunities for millions of workers, it is often associated with low wages and poor working conditions. Informal workers are more vulnerable to economic shocks and income instability, particularly during economic downturns. The absence of regulatory oversight also limits the ability of workers to access legal protection and fair wages.

The persistence of informal employment is largely attributed to structural factors such as limited industrialization, low levels of skill development, and the dominance of small enterprises. Expanding formal employment opportunities requires policies that promote industrial growth, improve labour productivity, and encourage businesses to adopt formal employment practices.

#### **4.3 Skill Mismatch**

Skill mismatch is another critical challenge affecting employment generation in India. Many employers report difficulties in finding workers with the appropriate technical and professional skills required for modern industries (Tilak, 2018). At the same time, a large number of job seekers remain unemployed due to inadequate training and lack of market-relevant competencies.

This mismatch occurs because educational institutions often emphasize theoretical knowledge rather than practical and vocational skills. As a result, graduates may lack the technical expertise and industry exposure required in sectors such as manufacturing, information technology, and services.

Skill mismatch also affects productivity and competitiveness. Firms may experience lower efficiency due to inadequately trained workers, while individuals face limited career advancement opportunities. Addressing this issue requires strengthening vocational education systems, improving industry-academia collaboration, and expanding skill development initiatives (Mehrotra, 2014).

#### **4.4 Regional Disparities**

Employment opportunities in India vary widely across regions and states. Industrialized states such as Maharashtra, Gujarat, and Tamil Nadu tend to offer more employment opportunities due to stronger industrial and service sectors. In contrast, less developed states often face limited economic diversification and lower investment levels. Regional disparities in infrastructure, education, and industrial development significantly influence labour market

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outcomes. Areas with better transportation networks, educational institutions, and industrial clusters attract greater investment and job creation. Conversely, regions lacking these resources often experience higher unemployment and poverty rates (Planning Commission, 2013).

Migration patterns also reflect regional employment disparities. Workers from economically weaker regions frequently migrate to urban centers in search of better job opportunities. While migration can improve household incomes, it may also create challenges related to urban infrastructure and labour market competition. Reducing regional disparities requires balanced regional development policies, infrastructure investments, and incentives for industries to expand in less developed areas.

## **5. Challenges Affecting Employment Generation**

### **5.1 Rapid Population Growth**

India's population growth has significantly increased the size of the labour force over the past few decades. Each year, millions of young individuals enter the labour market seeking employment opportunities (Bloom et al., 2003). While this demographic expansion can potentially accelerate economic growth, it also creates immense pressure on the economy to generate sufficient jobs. If the economy fails to create adequate employment opportunities, the growing labour force may lead to higher unemployment and underemployment levels. This challenge is particularly evident in rural areas where agricultural employment opportunities are limited. Harnessing the demographic dividend requires strategic investments in education, skill development, and job creation initiatives.

### **5.2 Technological Change**

Technological advancement has transformed labour markets across the world, including India. Automation, artificial intelligence, and digital technologies have improved productivity and efficiency in many industries. However, these developments have also altered the demand for labour (Autor, 2015). Routine and low-skilled jobs are increasingly being replaced by machines and automated systems. As a result, workers with limited skills may face difficulties in securing employment. On the other hand, technology has created new opportunities in sectors such as information technology, digital services, and e-commerce. Adapting to technological change requires continuous skill upgrading and investment in digital literacy programs.

### **5.3 Low Industrial Growth**

Industrial growth plays a crucial role in generating large-scale employment opportunities. However, India's manufacturing sector has not expanded rapidly enough to absorb the surplus labour from agriculture (Rodrik, 2016). Limited infrastructure, regulatory barriers, and global competition have constrained industrial growth in certain sectors. Strengthening manufacturing industries through supportive policies and investment incentives is essential for job creation.

### **5.4 Educational Gaps**

Education is a key determinant of employment prospects. Although India has made substantial progress in improving literacy rates and educational enrollment, significant gaps remain in the quality and relevance of education (Tilak, 2018). Many graduates lack practical skills required by employers, leading to employability challenges. Strengthening vocational training and aligning educational curricula with industry needs can help address this issue.

## **6. Consequences of Unemployment**

Unemployment has far-reaching economic and social consequences that affect individuals, households, and the broader national economy. In a developing country like India, where a significant proportion of the population depends on regular employment for livelihood, unemployment can lead to severe socio-economic instability. Lack of adequate employment opportunities reduces income levels, increases poverty, and limits access to essential services such as healthcare, education, and housing. It also contributes to inequality and social exclusion among marginalized communities.

Moreover, unemployment affects economic productivity and national growth. When a large segment of the workforce remains unemployed or underemployed, the country fails to utilize its human resources efficiently. This results in reduced economic output and lower standards of living. The consequences of unemployment extend beyond economic issues and influence social stability, migration patterns, and community development. In the Indian context, unemployment particularly affects youth, rural populations, and individuals with limited education or skills. Addressing unemployment therefore remains a critical priority for policymakers aiming to achieve inclusive growth and sustainable development.

### **6.1 Poverty**

One of the most direct consequences of unemployment is poverty. When individuals do not have access to stable employment opportunities, their ability to earn income is significantly reduced. This leads to financial insecurity and an inability to meet basic needs such as food, clothing, shelter, education, and healthcare. In many cases, prolonged unemployment pushes families below the poverty line, especially in developing economies like India where social safety nets are limited. Unemployment also contributes to income inequality within society. While a section of the population benefits from economic growth and employment opportunities, unemployed individuals remain excluded from economic progress. This disparity widens the gap between rich and poor, thereby intensifying socio-economic inequality. In rural areas, unemployment often leads to seasonal poverty, particularly among agricultural labourers who depend on temporary or irregular work (Sen, 1999).

Furthermore, unemployment can create a cycle of intergenerational poverty. Children growing up in unemployed households often face difficulties in accessing quality education and healthcare due to financial constraints. As a result, their future employment opportunities become limited, perpetuating the cycle of poverty. Therefore, reducing unemployment is essential for effective poverty alleviation. Governments must focus on employment-oriented growth policies, skill development programs, and social protection measures to ensure sustainable livelihoods for vulnerable populations.

### **6.2 Social Instability**

Persistent unemployment can contribute to social instability and conflict within society. When a large number of people remain unemployed, frustration and dissatisfaction among the population tend to increase. This situation may lead to social unrest, protests, and political tensions. Unemployed youth, in particular, may feel marginalized and excluded from economic opportunities, which can increase the likelihood of social discontent (World Bank, 2013).

In many developing countries, unemployment is closely associated with rising crime rates and social disturbances. Economic hardship may push individuals toward illegal activities as a means of survival. Communities with high unemployment levels often experience increased

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levels of theft, violence, and other forms of criminal behavior. Unemployment also weakens social cohesion and trust in institutions. When individuals perceive that economic systems and government policies fail to provide equal opportunities for employment, they may lose confidence in public institutions. This erosion of trust can undermine democratic governance and social harmony. In the Indian context, regional disparities in employment opportunities sometimes lead to social tensions between different communities and states. Therefore, promoting inclusive employment policies is essential for maintaining social stability and strengthening national integration.

### **6.3 Migration**

Migration is another significant consequence of unemployment, particularly in developing countries like India. When individuals are unable to find adequate employment opportunities in their local areas, they often migrate to urban centers or other regions in search of better livelihoods. Rural-to-urban migration is a common phenomenon in India, driven largely by lack of employment opportunities in rural areas. Agricultural dependence, seasonal employment, and low wages encourage many rural workers to move to cities where industrial and service sector jobs are available. However, migrants often face numerous challenges in urban areas, including overcrowded housing, poor living conditions, and lack of access to social services. Many migrants work in informal sectors such as construction, domestic work, and street vending, where wages are low and job security is minimal (World Bank, 2012).

Migration can also have social implications for rural communities. The movement of working-age individuals from villages to cities may result in labour shortages in agriculture and disrupt traditional family structures. In addition, migrant workers often face social exclusion and discrimination in urban areas. Despite these challenges, migration also contributes to economic development through remittances sent back to rural households. These remittances help improve living standards and support local economies. Therefore, balanced regional development and rural employment generation are essential to reduce distress migration.

## **7. Government Initiatives for Employment Generation**

Employment generation has been a major policy priority for the Government of India in order to address unemployment, underemployment, and poverty. With a large and growing workforce, the government has implemented several programs aimed at creating job opportunities, improving employability, and promoting entrepreneurship. These initiatives focus on rural employment, skill development, industrial growth, and innovation-driven enterprises. By strengthening human capital and expanding economic opportunities, these programs aim to achieve inclusive and sustainable development. Over the years, employment policies in India have shifted from purely welfare-oriented approaches to more comprehensive development strategies that combine employment creation with skill enhancement and industrial expansion. Key initiatives such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Skill India Mission, Startup India, and Make in India have played significant roles in improving employment prospects across different sectors of the economy. These initiatives are designed not only to provide immediate employment opportunities but also to build long-term economic capacity. By addressing structural challenges in the labour market, the government aims to create a more dynamic and productive workforce capable of contributing to national economic growth.

### **7.1 Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted in 2005, is one of the largest public employment programs in the world. The scheme aims to provide at least 100 days of guaranteed wage employment annually to rural households willing to undertake unskilled manual work. MGNREGA was designed as a rights-based program to enhance livelihood security in rural areas while simultaneously creating durable assets such as roads, irrigation facilities, and water conservation structures (Government of India, 2005). The program has played a crucial role in reducing rural poverty and stabilizing incomes during periods of economic distress. It provides employment opportunities particularly to marginalized groups, including women, scheduled castes, and scheduled tribes. By ensuring minimum wage employment, the scheme also strengthens rural purchasing power and stimulates local economic activity. Another important aspect of MGNREGA is its contribution to rural infrastructure development. The construction of water harvesting structures, rural roads, and land development projects improves agricultural productivity and supports sustainable rural livelihoods. Despite challenges related to implementation and funding, the scheme continues to serve as an important social safety net for rural workers (Dutta et al., 2012).

## **7.2 Skill India Mission**

The Skill India Mission, launched in 2015, aims to enhance the employability of India's workforce by providing vocational training and skill development opportunities. The program seeks to train millions of youth in industry-relevant skills through initiatives such as the Pradhan Mantri Kaushal Vikas Yojana (PMKVY). The mission focuses on bridging the gap between the skills possessed by workers and the skills required by industries (Ministry of Skill Development and Entrepreneurship, 2015). India faces a significant challenge in terms of skill mismatch in the labour market. Many graduates lack practical skills needed for modern industries, which reduces their chances of securing employment. The Skill India Mission addresses this issue by promoting vocational education, technical training, and industry partnerships.

Training programs under the mission cover a wide range of sectors, including manufacturing, construction, information technology, healthcare, and hospitality. By improving workforce capabilities, the initiative aims to increase productivity and support economic growth. In addition, the program encourages certification and recognition of prior learning, enabling informal sector workers to gain formal recognition for their skills.

## **7.3 Startup India**

Startup India is a flagship initiative launched by the Government of India in 2016 to promote entrepreneurship, innovation, and job creation. The program aims to build a strong ecosystem that supports the establishment and growth of startups across various sectors of the economy. By encouraging young entrepreneurs to develop innovative solutions, the initiative seeks to generate new employment opportunities and stimulate economic growth. The Startup India initiative provides several benefits to entrepreneurs, including simplified regulatory procedures, tax exemptions, access to funding, and incubation support. The government has established startup hubs and innovation centers to provide mentorship, networking opportunities, and technical guidance to emerging businesses (Government of India, 2016; Ministry of Commerce and Industry, 2021). Startups play an important role in modern economies by introducing innovative technologies and business models. In India, the startup ecosystem has expanded rapidly in sectors such as information technology, fintech, biotechnology, and e-commerce. These enterprises not only create direct employment but also generate indirect employment through supply chains and supporting industries. By promoting

innovation and entrepreneurship, Startup India contributes to economic diversification and strengthens India's position in the global knowledge economy.

## **7.4 Make in India**

Make in India is an industrial development initiative launched in 2014 with the objective of transforming India into a global manufacturing hub. The program seeks to encourage domestic and foreign investment in manufacturing industries, thereby creating large-scale employment opportunities. Manufacturing is considered a key sector for employment generation because it has the potential to absorb a large workforce, particularly workers transitioning from agriculture. The Make in India initiative focuses on improving the ease of doing business, developing industrial infrastructure, and attracting foreign direct investment (FDI).

The program identifies several priority sectors, including automobiles, electronics, defense manufacturing, textiles, and renewable energy. By promoting technological advancement and industrial innovation, the initiative aims to enhance productivity and competitiveness in the manufacturing sector (Department for Promotion of Industry and Internal Trade, 2014). Furthermore, the expansion of manufacturing activities generates employment not only in factories but also in related sectors such as logistics, transportation, and services. Although challenges remain in terms of infrastructure and regulatory reforms, Make in India represents a significant step toward strengthening India's industrial base and creating sustainable employment opportunities.

## **8. Policy Recommendations**

Addressing employment challenges in India requires a multidimensional policy framework that integrates education, industrial development, entrepreneurship promotion, and skill enhancement. As the Indian economy continues to evolve, policymakers must adopt strategies that promote inclusive employment growth while improving productivity and workforce capabilities. The following policy recommendations highlight key areas that can significantly improve employment generation and labour market efficiency in India.

### **8.1 Strengthening Skill Development**

Skill development plays a crucial role in improving employability and enhancing workforce productivity in India. Despite the large labour force, a significant portion of workers lack the technical and vocational skills required by modern industries. This mismatch between the skills possessed by workers and the skills demanded by employers has created a major challenge in India's labour market. Strengthening vocational education and technical training programs is therefore essential to bridge this gap (Mehrotra, 2014).

Government initiatives such as the Skill India Mission and the National Skill Development Corporation (NSDC) have been launched to improve the employability of youth through industry-oriented training programs. These programs aim to provide practical skills in sectors such as manufacturing, construction, information technology, and healthcare. Expanding skill development programs in rural and semi-urban areas can help reduce regional employment disparities. In addition, stronger collaboration between educational institutions and industries is necessary to ensure that training programs align with labour market needs. Public-private partnerships can also play an important role in expanding training infrastructure and improving the quality of vocational education. By enhancing workforce skills, India can increase productivity, improve employment outcomes, and strengthen its position in the global economy.

## **8.2 Promoting Labour-Intensive Industries**

Promoting labour-intensive industries is an effective strategy for generating large-scale employment opportunities in developing economies such as India. Industries that require a high level of human labour relative to capital investment have the potential to absorb a large workforce, particularly workers migrating from agriculture to non-agricultural sectors. Sectors such as textiles, garments, construction, food processing, and small-scale manufacturing are particularly important in this context. India's manufacturing sector has the potential to generate millions of jobs if appropriate policy measures are implemented. Government initiatives such as the Make in India program aim to encourage domestic and foreign investment in manufacturing industries. Expanding industrial infrastructure, improving logistics networks, and reducing regulatory barriers can help attract investment and stimulate job creation. Labour-intensive industries are also important for promoting balanced regional development. Establishing industrial clusters in rural and semi-urban areas can reduce migration pressures on large cities while providing employment opportunities closer to workers' homes. In addition, supporting small and medium enterprises (SMEs) through financial assistance and technological support can enhance their capacity to generate employment. Strengthening labour-intensive industries can therefore play a critical role in addressing unemployment and promoting inclusive economic growth (World Bank, 2019)..

## **8.3 Supporting Entrepreneurship**

Entrepreneurship plays a vital role in economic development and employment generation. Small businesses, startups, and micro-enterprises contribute significantly to job creation, innovation, and regional economic development. Encouraging entrepreneurship can help reduce unemployment by enabling individuals to create their own employment opportunities rather than relying solely on wage employment. In recent years, the Government of India has introduced several initiatives to promote entrepreneurship, including Startup India, Stand-Up India, and the Mudra Yojana. These programs aim to provide financial support, mentorship, and regulatory assistance to new entrepreneurs. Access to credit remains one of the major barriers faced by small businesses in India, and improving financial inclusion can significantly enhance entrepreneurial activity (Audretsch & Thurik, 2004). Entrepreneurship development programs in universities and technical institutions can also encourage young people to pursue innovative business ventures. Additionally, promoting digital entrepreneurship and technology-based startups can create new employment opportunities in emerging sectors such as e-commerce, fintech, and artificial intelligence. By fostering a supportive entrepreneurial ecosystem, India can stimulate innovation, expand job opportunities, and strengthen economic resilience.

## **8.4 Improving Education Quality**

Improving the quality of education is essential for strengthening human capital and enhancing employment opportunities in India. Although school enrollment rates have increased significantly in recent years, concerns remain regarding the quality of education and the relevance of academic curricula to labour market requirements. Many graduates lack practical skills, problem-solving abilities, and industry-specific knowledge needed by employers. Education systems must therefore focus not only on increasing access but also on improving learning outcomes. Integrating vocational education and skill training into school and university curricula can help prepare students for employment in diverse sectors. Institutions should emphasize experiential learning, internships, and industry collaborations to ensure that students gain practical exposure to real-world work environments. Furthermore, investment in higher education and research can promote innovation and technological development, which

are critical for creating high-quality employment opportunities. Strengthening digital education infrastructure and expanding online learning platforms can also enhance access to quality education across different regions of the country (Tilak, 2018). Ultimately, aligning educational systems with labour market demands will improve workforce readiness, reduce unemployment among graduates, and support sustainable economic development.

## 9. Future Prospects of Employment in India

India's demographic dividend presents an opportunity for economic growth if the workforce is productively employed. Digital technologies, green industries, and infrastructure development may create new employment opportunities in the coming decades. However, achieving sustainable employment growth requires coordinated policy efforts focusing on education, innovation, and inclusive economic development (Bloom et al., 2003).

## 10. Conclusion

Employment generation remains one of the most critical challenges facing India's development trajectory. While the country has achieved substantial economic growth, the benefits of growth have not always translated into adequate employment opportunities for the expanding labour force. Structural factors such as population pressure, skill gaps, regional disparities, and technological transformation continue to shape labour market dynamics (Mehrotra & Parida, 2019). Addressing these challenges requires a multifaceted policy approach that emphasizes inclusive growth, human capital development, and industrial expansion. Strengthening vocational training systems, promoting labour-intensive manufacturing, and encouraging entrepreneurship can help generate sustainable employment opportunities. Furthermore, social protection measures and labour market reforms are necessary to improve working conditions and reduce vulnerability among informal workers. By adopting comprehensive employment strategies and investing in human capital, India can transform its demographic dividend into a powerful engine of economic growth and social progress.

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