

**DEMOGRAPHIC DIVIDEND AT RISK - A POLITICAL ECONOMY ANALYSIS OF YOUTH UNEMPLOYMENT, INFORMALITY, AND SKILL MISMATCH IN TAMIL NADU'S GROWTH TRAJECTORY WITH REFERENCE TO ASSESSING THE FINANCIAL FRAGILITY, LABOUR MARKET DISTORTIONS, AND POLICY FAILURES UNDERLYING JOBLESS GROWTH**

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**Abstract**

The paradoxical growth trajectory of Tamil Nadu, where rapid economic expansion coexists with ongoing youth unemployment, labor market inefficiencies, and skill mismatches, is thoroughly examined from a political economics perspective in this paper. Despite achieving annual GSDP growth rates of 7–8%, the state faces alarming youth unemployment (around 17.5%), with educated graduates experiencing even higher underemployment. A significant portion of the workforce operates in informal, insecure jobs lacking social protection, leading to financial fragility among young workers. Structural issues such as capital-intensive industrialization, weak industry–academia linkages, and inadequate skill development exacerbate the disconnect between education outputs and industry demands. Policy failures in employment schemes, limited formal job creation, and governance gaps further reinforce jobless growth.

Econometric models and hypothesis testing reveal that governance deficits, institutional inefficiencies, and policy gaps significantly contribute to youth unemployment and informality. The socio-economic consequences include rising inequality, migration, and social unrest, threatening the state's demographic dividend. To address these challenges, the study advocates for employment-intensive growth, strengthening industry-linked skilling, formalizing labour markets, and enhancing policy implementation. Bridging the education–skill gap, promoting MSME-led employment, and ensuring social security are crucial for transforming Tamil Nadu's growth into inclusive and sustainable development. Without strategic reforms, the state risks turning its demographic advantage into a demographic burden, undermining long-term socio-economic stability. Within this framework, the research explores important and dynamic challenges that are increasingly impacting today's interconnected global environment.

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***Keywords:* Youth Unemployment, Economic Expansion, Skill Mismatches, Underemployment, Inequality, Migration, Industry-Linked Skilling, Social Security and Sustainable Development.**

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**The theme of the article**

Tamil Nadu, a prominent industrial and economic hub of India, has long been celebrated for its impressive growth trajectory and demographic advantages. With an expanding working-age population and robust investment in sectors like manufacturing and services, the state appears poised to harness its demographic dividend for sustained development. However, beneath this veneer of prosperity lies a paradoxical challenge: the phenomenon of jobless growth. Despite achieving high Gross State Domestic Product (GSDP) growth rates of around 7–8%, the state continues to grapple with persistent youth unemployment, skill mismatches, and widespread labour market informality. The youth unemployment rate exceeds 17%, with educated graduates facing particularly severe underemployment, revealing a structural disconnect between educational outcomes and industry demands. Simultaneously, a significant proportion of the workforce operates in informal, insecure jobs with limited social protection, exacerbating income volatility and financial fragility among young workers.

This article offers a comprehensive political economy analysis of these intertwined challenges, emphasizing how labour market distortions, policy failures, and institutional weaknesses threaten to undermine Tamil Nadu's demographic potential. It critically examines the impact of capital-intensive industrialization, gender disparities, regional inequalities, and sectoral imbalances that hinder employment creation despite sustained economic expansion. Further, the study explores the role of skill–industry mismatches, the efficacy of government schemes, and the implications of informal employment for social stability and long-term development. By integrating empirical data, econometric models, and policy insights, this analysis aims to shed light on the underlying drivers of youth unemployment and propose strategic interventions to convert Tamil Nadu's demographic advantage into a true engine of inclusive growth and socio-economic resilience.

**Statement of the problem**

The statement of the problem addressed in this article revolves around the paradox of Tamil Nadu's economic growth coexisting with persistent youth unemployment, labour market

distortions, and skill mismatches, which threaten its demographic dividend. Despite achieving high growth rates (around 7–8%), the state faces a significant challenge in translating this growth into meaningful employment, especially for its increasingly educated youth. Youth unemployment remains elevated at approximately 17.5%, with educated unemployment among graduates reaching 16.3%, exposing a deep skill mismatch and low employability. Additionally, a large share of the workforce (about 65–80%) is engaged in informal, insecure jobs lacking social security and income stability, which exacerbates financial fragility among young workers. Labour force participation rates are declining, and gender disparities are pronounced, with female youth facing disproportionately higher unemployment and social exclusion.

The structural disconnect between education outputs and industry needs, coupled with inadequate vocational training and weak industry–academia linkages, further aggravates underemployment and informalization. Investment commitments and industrial growth have failed to generate proportional employment, revealing policy inefficiencies and governance gaps. This scenario presents a critical development dilemma: whether Tamil Nadu can harness its demographic potential through employment-driven growth or risk turning its demographic dividend into a demographic burden. The core problem, therefore, is understanding and addressing the complex interplay of economic, political, and institutional factors that sustain jobless growth, labour market distortions, and financial insecurity among youth, threatening the sustainable development and social stability of the state. In this context, the study examines key and emerging issues that are progressively shaping the modern globalized world.

### **Objectives of the article**

The overall objective of the article is to analyze the paradox of high economic growth and rising youth unemployment in Tamil Nadu. It aims to identify the key challenges such as skill mismatch, informality, and policy failures that hinder employment generation. The study seeks to examine the structural distortions in the labor market, including regional and gender disparities. It also aims to evaluate the impact of these issues on the state's demographic dividend. Using secondary data and statistical analysis, the article intends to propose effective policy measures. Ultimately, it strives to highlight ways to transform growth into inclusive and sustainable employment opportunities for youth with the help of secondary sources of information and statistical data pertaining to the theme of the article.

**Methodology of the article**

This study employs a comprehensive and systematic approach to analyze the complex issue of youth unemployment, informality, and skill mismatch in Tamil Nadu's growth. First, it relies on secondary data collected from reputable sources such as government reports, surveys, and research publications, including the Periodic Labour Force Survey (PLFS), Tamil Nadu Economic Survey, and national statistics. These sources provide reliable quantitative information on employment, unemployment, sectoral contributions, and socio-economic indicators. Second, the study uses descriptive statistical methods to organize and interpret data, identifying patterns, trends, and disparities in the labour market. It also employs econometric models to examine the relationships between key variables such as economic growth, skill mismatch, informality, and youth unemployment. These models help test hypotheses about how different factors influence employment outcomes.

Third, the research incorporates hypothesis testing, including chi-square tests and regression analysis, to establish the significance of relationships and the impact of various political economy factors. This helps determine whether issues like policy gaps, governance, and institutional inefficiencies are contributing to jobless growth. Finally, the study integrates qualitative insights from policy reports and expert opinions to contextualize the quantitative findings. This mixed-method approach ensures a holistic understanding of the challenges and provides a solid basis for recommending effective policy measures to promote inclusive employment and sustainable development in Tamil Nadu. The data obtained are thoroughly examined and interpreted to produce valuable insights that contribute to the formulation of sound, evidence-driven policies.

**Review of Literature**

The report by the **Asian Development Bank (2020)**, highlights India's demographic dividend as a potential driver for economic growth, emphasizing challenges such as skill gaps and regional disparities that may limit employment opportunities. The report suggests policy interventions to effectively harness the youth population. **Yoganandham (2022)**, analyzes youth unemployment in Tamil Nadu through econometric models, identifying labour market distortions and mismatches between education and job requirements. The study underscores the importance of targeted employment policies to address these issues.

In another study, **Yoganandham (2023a)**, explores skill mismatch and informal employment across Indian states, focusing on Tamil Nadu. The research reveals the dominance of informal work and its negative effects on economic security, recommending stronger skill development programs and formal job creation. According to the **Government of Tamil Nadu (2024)**, the state's economic survey highlights rising youth unemployment and informal employment, calling for policy measures that promote job creation and enhance skill development. Similarly, **Kannan and Ramachandran (2022)**, use econometric analysis to show how informal employment and low skill levels hinder productivity and growth in Tamil Nadu, emphasizing the need for vocational training and formalization strategies.

**Yoganandham (2023b)**, examines the political economy of skill development and employability in Tamil Nadu, identifying structural barriers and institutional inefficiencies that restrict youth employment. The study advocates aligning skills with labour market demands. **Thirumalai and Suresh (2021)**, empirically assess youth unemployment and informal labour markets in India, highlighting high levels of informal employment and limited access to formal jobs, and recommending strengthened labour regulations and training programs. The **World Bank (2022)**, discusses India's demographic transition, noting opportunities from a growing young workforce alongside challenges arising from skill gaps, and suggests policies focusing on education, employment, and social protection. Finally, **Yoganandham (2023c)**, provides a systemic perspective on youth unemployment in Tamil Nadu, analyzing economic, institutional, and social factors driving joblessness and proposing comprehensive policy solutions to enhance youth participation in the economy.

### **Demographic Dividend at Risk: A Political Economy Analysis of Youth Unemployment, Informality, Skill Mismatch, and Jobless Growth in Tamil Nadu**

Tamil Nadu's growth trajectory presents a classic paradox of jobless growth, where robust economic expansion coexists with rising youth unemployment, informality, and skill mismatch. Despite achieving high economic growth rates (around 7–8% and even double-digit in recent years), labour market outcomes remain fragile. Youth unemployment (15–29 years) in Tamil Nadu stands at about 17.5%, significantly higher than the national average of ~10–14%, indicating a structural disconnect between education and employment. Educated unemployment is more severe, with 16.3% of graduates unemployed, reflecting a deep skill mismatch and low

employability. At the same time, nearly 65.7% of the workforce is informal, leading to income insecurity, lack of social protection, and financial fragility.

The NEET population (20–29 years) remains high at 37.3% (2023–24), with female NEET rates exceeding 60%, highlighting gendered labour market exclusion and social constraints. Moreover, investment-led growth has failed to translate into proportional job creation, only about 3% of promised jobs materialised from major investment commitments, exposing policy inefficiencies. From a political economy perspective, labour market distortions stem from capital-intensive industrialisation, weak industry–academia linkages, and ineffective skill development programmes. While Tamil Nadu has a relatively higher Worker Population Ratio (44%), the quality of employment remains poor, dominated by casual and low-paying jobs. Thus, the demographic dividend is at risk of turning into a demographic burden unless structural reforms focus on quality job creation, skill alignment, and inclusive labour market policies.

### **Demographic Dividend at Risk: Youth Unemployment, Skill Mismatch, and Jobless Growth in Tamil Nadu’s Economic Transformation**

Tamil Nadu presents a classic paradox of high economic growth with persistent youth unemployment, indicating a fragile demographic dividend. The state has recorded strong growth (around 7.9–8.2%), driven mainly by services ( $\approx 54\%$ ) and manufacturing ( $\approx 34\%$ ), yet employment generation has lagged behind output expansion. Youth unemployment (15–29 years) remains significantly high at 17.5%, far above the national average of about 10%. Educated unemployment is even more severe, 16.3% among graduates, reflecting a structural mismatch between education and labour market demand. This indicates that economic growth is skill-biased and exclusionary, favouring high-end sectors while leaving a large segment of educated youth underemployed.

Trends also reveal declining labour force participation among youth. Male LFPR fell from 63.6% to 59%, and female LFPR from 26.8% to 23.8% (2019–2024), partly due to prolonged education and lack of suitable jobs. Simultaneously, the NEET population remains substantial, 37.3% in 2023–24, with female NEET levels exceeding 60%, highlighting gendered labour market exclusion. A major structural concern is informality: nearly 65–80% of workers are in informal or insecure employment, including gig work, with limited social protection. Capital-intensive industrialisation and MSME constraints have reduced employment elasticity, resulting in jobless growth despite rising investments. Thus, Tamil Nadu’s growth trajectory

reflects labour market distortions, skill mismatch, and policy gaps, where rising aspirations of educated youth are unmet. Without reforms in skill alignment, formal job creation, and inclusive industrial policy, the state's demographic dividend risks turning into a demographic burden. The details of the Demographic Dividend at Risk: Youth Unemployment, Skill Mismatch, and Jobless Growth in Tamil Nadu's Economic Transformation are presented in table -1.

**Table -1**  
**Demographic Dividend at Risk: Youth Unemployment, Skill Mismatch, and Jobless Growth in Tamil Nadu's Economic Transformation**

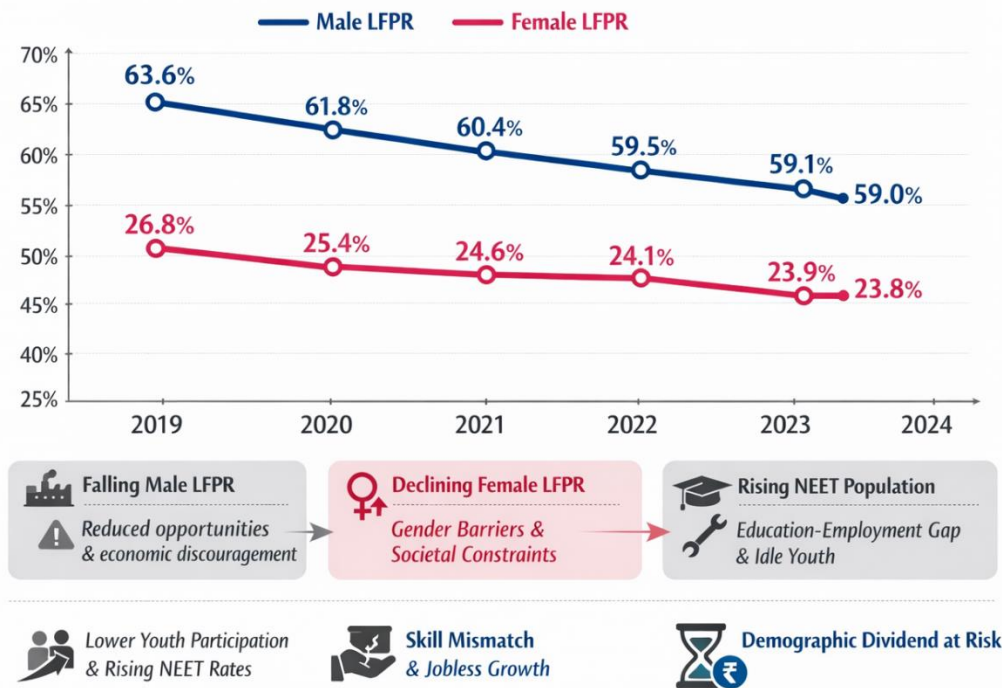
S. No.	Indicator	Statistical Value	Trend / Evidence	Economic Interpretation
1.	GSDP Growth Rate	7.9% – 8.2%	Consistently high in recent years	Strong growth but not translating into jobs (jobless growth)
2.	Youth Unemployment Rate (15–29 years)	17.5%	Higher than national average (~10%)	Indicates structural labour market imbalance
3.	Educated Unemployment (Graduates)	16.3%	Rising with increase in degree holders	Reflects severe skill mismatch and employability gap
4.	Labour Force Participation Rate (Male Youth)	63.6% → 59%	Declining (2019–2024)	Reduced engagement due to lack of suitable jobs
5.	Labour Force Participation Rate (Female Youth)	26.8% → 23.8%	Significant decline	Gender disparity and socio-economic barriers persist
6.	NEET Population (Youth)	37.3%	High and persistent	Large idle workforce, risk to demographic dividend
7.	Female NEET Share	Above 60%	Disproportionately high	Reflects gender inequality in employment access
8.	Informal Employment Share	65% – 80%	Dominant across sectors	Job insecurity and lack of social protection
9.	Sectoral Contribution (Services)	~54% of GSDP	Service-led growth	Limited absorption of low/medium-skilled youth
10.	Sectoral Contribution (Manufacturing)	~34% of GSDP	Moderate growth	Capital-intensive, low employment elasticity
11.	Employment Elasticity	Low (<0.2 estimated)	Declining trend	Growth not generating proportional employment
12.	Gig/Platform Workforce	7–8 lakh (approx.)	Rapidly expanding	Rise of precarious, non-standard employment

Source: Periodic Labour Force Survey (PLFS), Economic Survey of Tamil Nadu (2024–25), and related policy reports.

The table – 1, highlights Tamil Nadu's paradox: strong GSDP growth (7.9–8.2%) contrasts with high youth unemployment (17.5%) and educated unemployment (16.3%), indicating severe skill mismatch. Declining male (63.6→59%) and female (26.8→23.8%) labour

participation, coupled with a high NEET share (37.3%), especially women (>60%), signals underutilized human capital. Informal employment dominates (65–80%), while low employment elasticity (<0.2) and service/manufacturing growth show jobless, capital-intensive expansion, with 7–8 lakh in gig work reflecting precarious employment and demographic dividend risk.

### Declining Youth Labour Force Participation in Tamil Nadu (2019–2024)



### Econometric Model with Hypothesis: Youth Unemployment in Tamil Nadu

To examine youth unemployment in the context of jobless growth and demographic risk, the following econometric model can be specified:

#### Model Specification

$$YU_t = \beta_0 + \beta_1 GR_t + \beta_2 EDU_t + \beta_3 INF_t + \beta_4 LFPR_t + \beta_5 IND_t + \varepsilon_t$$

#### Definition of Variables

- ❖  $YU_t$  = Youth Unemployment Rate (15–29 years)
- ❖  $GR_t$  = Economic Growth Rate (GSDP growth)
- ❖  $EDU_t$  = Educational Attainment (share of graduates/youth education level)
- ❖  $INF_t$  = Informal Employment Share (%)
- ❖  $LFPR_t$  = Youth Labour Force Participation Rate (%)
- ❖  $IND_t$  = Industrial Structure (manufacturing share / employment elasticity)

❖  $\epsilon_t$  = Error term

The theoretical expectations suggest clear relationships between key variables and unemployment. Economic growth ( $\beta_1 < 0$ ) is generally expected to reduce unemployment, although this effect may be weaker in situations of jobless growth where output increases without sufficient job creation. Higher levels of education ( $\beta_2 > 0$ ) may sometimes lead to increased unemployment due to skill mismatch, as educated individuals may not find jobs suited to their qualifications. A higher degree of informality in the economy ( $\beta_3 > 0$ ) tends to raise unemployment or underemployment, reflecting unstable and low-quality job opportunities. Increased labour force participation ( $\beta_4 < 0$ ) is expected to lower measured unemployment, as more people actively engage in work. Finally, a strong industrial base ( $\beta_5 < 0$ ) typically helps reduce unemployment by generating more stable and productive employment opportunities.

**Hypotheses:**

(H<sub>0</sub>): There is no significant relationship between economic growth, education, informality, labour participation, and youth unemployment in Tamil Nadu.

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$$

(H<sub>1</sub>): There exists a significant relationship between economic growth, structural factors, and youth unemployment.

$$H_1: \beta_i \neq 0 \text{ for at least one } i$$

The extended hypothesis focuses on understanding the concept of jobless growth. The null hypothesis (H<sub>0</sub>) assumes that economic growth significantly reduces youth unemployment, while the alternative hypothesis (H<sub>1</sub>) suggests that economic growth does not have a significant impact on reducing youth unemployment, indicating the presence of jobless growth. In interpretation, if the coefficient  $\beta_1$  is statistically insignificant or only slightly negative, it supports the existence of jobless growth, where growth does not translate into adequate employment opportunities. A positive and significant  $\beta_2$  would confirm the issue of skill mismatch, showing that higher education does not necessarily lead to jobs. Similarly, a strong and positive  $\beta_3$  would indicate that informality is causing distortions in the labour market, leading to unstable or insufficient employment. Overall, this model offers a strong analytical framework to examine whether Tamil Nadu's demographic dividend is at risk of becoming a demographic burden.

### **Extent of Labour Market Informality and Its Impact on Youth Job Security, Wages, and Social Protection in Tamil Nadu's Jobless Growth Regime**

The extent of informality in the labour market remains a defining feature of youth employment in Tamil Nadu and India, significantly shaping job security, wages, and social protection. Recent estimates indicate that nearly 83% of India's workforce is engaged in informal employment, with Tamil Nadu showing relatively lower but still substantial levels of around 75–80% informality. This dominance reflects structural limitations in formal job creation despite sustained economic growth. The details of the Extent of Informality and Its Impact on Youth Employment Outcomes in Tamil Nadu are presented in table - 2.

**Table - 2**

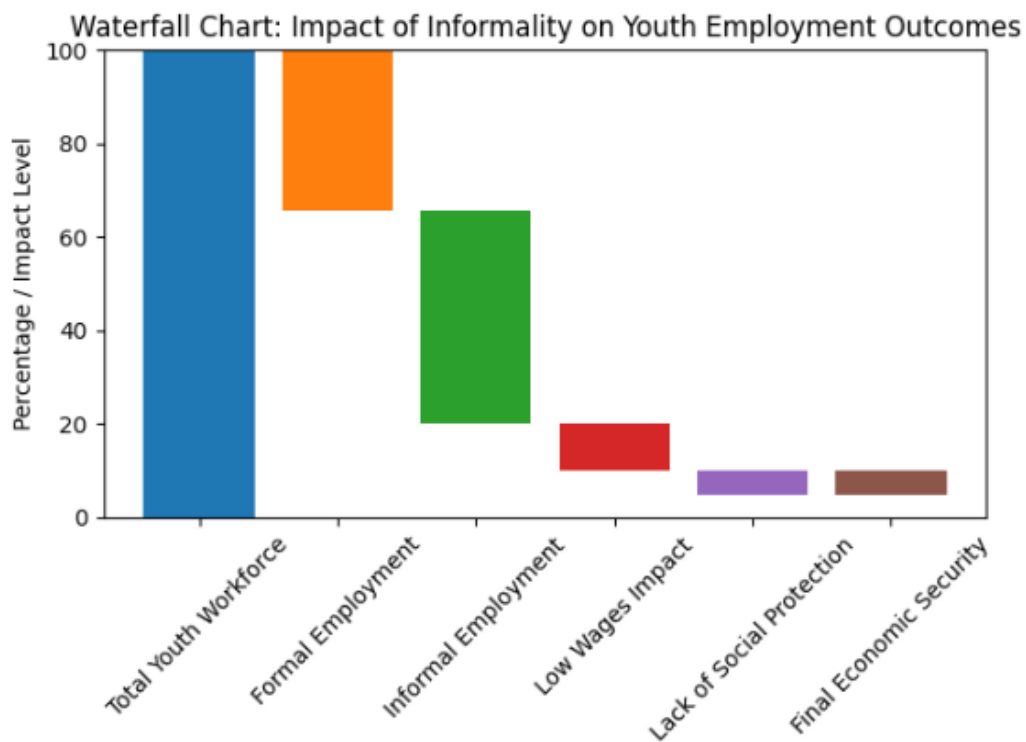
#### **Extent of Informality and Its Impact on Youth Employment Outcomes in Tamil Nadu**

<b>S.No.</b>	<b>Indicator</b>	<b>Statistical Data</b>	<b>Impact / Interpretation</b>
1.	<b>Share of Informal Employment (India)</b>	~83% of total workforce	Indicates dominance of informal sector and limited formal job creation
2.	<b>Share of Informal Employment (Tamil Nadu)</b>	~75–80%	Reflects persistent structural informality despite industrial growth
3.	<b>Regular Salaried Youth Employment</b>	34.4%	Only a minority enjoy relatively stable employment conditions
4.	<b>Self-Employed Youth</b>	34.2%	High dependence on low-income, unregulated livelihood activities
5.	<b>Casual Labour among Youth</b>	31.3%	High vulnerability, absence of job security, and seasonal employment
6.	<b>Youth Unemployment Rate (India)</b>	~14–15%	Rising unemployment pushes youth into informal and precarious jobs
7.	<b>Access to Social Security (Informal Workers)</b>	<20% coverage	Majority lack pensions, insurance, and labour protections
8.	<b>Wage Gap (Formal vs Informal)</b>	Informal wages 30–50% lower	Highlights income inequality and working poverty
9.	<b>Written Job Contracts (Informal Sector)</b>	<10% workers	Absence of legal protection and job stability
10.	<b>Contribution of Informal Sector to Employment</b>	>80% of total jobs	Absorbs labour but with low productivity and poor working conditions

Source: Tamil Nadu Economic Survey (2024–25) & Periodic Labour Force Survey (PLFS), Government of India.

In Tamil Nadu, although 34.4% of workers are in regular salaried employment, a large proportion of youth remain either self-employed (34.2%) or engaged in casual labour (31.3%), both of which are typically informal and precarious forms of work. These categories lack written contracts, stable income, and employment security, indicating that a significant share of young workers experience vulnerable employment.

The implications are profound. First, job security is weak, as informal workers are easily replaceable and exposed to economic shocks. Second, wage levels are low and unstable, with informal employment strongly associated with wage suppression and underemployment, particularly among educated youth facing skill mismatch. Third, social protection is minimal, as most informal workers lack access to pensions, health insurance, and labour rights, reinforcing financial fragility. This situation reflects a classic case of jobless growth, where rising output fails to generate quality employment. The informal sector absorbs excess labour, especially youth, but at the cost of productivity and dignity of work. Consequently, Tamil Nadu's demographic dividend is at risk, as labour market distortions and policy gaps continue to perpetuate informality, inequality, and economic insecurity among young workers.



The waterfall chart demonstrates how labour market informality steadily undermines the economic security of youth in Tamil Nadu. It starts with the total youth workforce (100%), representing the entire labour supply. A decline of about 34.4% accounts for those in formal employment, leaving a large share outside stable job arrangements. A major reduction follows due to the dominance of informal employment (around 45–50%), indicating that most young workers are engaged in insecure and unregulated occupations. The situation further deteriorates low wages (approximately 10%), where earnings are significantly lower, and often 30–50% less

than in the formal sector. Another decline arises from the lack of social protection (around 5%), reflecting limited access to pensions, insurance, and legal safeguards. Ultimately, only a very small proportion remains, representing youth who achieve genuine economic security. This progression highlights the cumulative and cascading impact of informality, where limited formal employment opportunities, wage suppression, and inadequate social protection jointly erode economic stability. The analysis reinforces the notion of jobless growth, where increases in employment do not translate into quality or secure livelihoods, thereby posing a serious threat to the realization of the demographic dividend.

### **Education–Skill–Industry Mismatch and Its Role in Youth Unemployment and Jobless Growth in Tamil Nadu**

The mismatch between education, skills, and industry requirements is a critical factor driving unemployment and underemployment in Tamil Nadu within India’s broader “jobless growth” trajectory. Despite rapid expansion in higher education, employability remains low due to structural gaps in the labour market. Empirical evidence shows that nearly 63% of youth experience skill mismatch in their current jobs, with about 47% overeducated and engaged in low-productivity or low-wage work. This reflects a systemic disconnect between academic qualifications and occupational requirements. At the national level, only 42.6% of graduates are employable, and merely 8.25% secure jobs aligned with their qualifications, indicating severe inefficiencies in human capital utilization. Furthermore, around 33% of graduates report that their skills do not match industry needs, particularly due to lack of practical and digital competencies.

The problem is compounded by weak vocational training systems, only 4.7%–4.9% of youth receive formal skill training, far below global standards. Consequently, even large-scale skill development initiatives have limited impact; for instance, less than 15% of trained youth secure employment, highlighting poor alignment between training programs and market demand. In Tamil Nadu, although industrial growth and apprenticeship programs are expanding, training quality and placement outcomes remain inconsistent, reinforcing underemployment and informal work patterns. This structural mismatch contributes to youth unemployment rates exceeding 17% and rising underemployment despite economic growth. Thus, the education–skill–industry gap reflects deeper political economy issues, policy fragmentation, weak industry-academia linkages, and labour market distortions, undermining the realization of India’s demographic dividend. The

details of the Education–Skill–Industry Mismatch and Its Impact on Youth Employment in Tamil Nadu are given in table - 3.

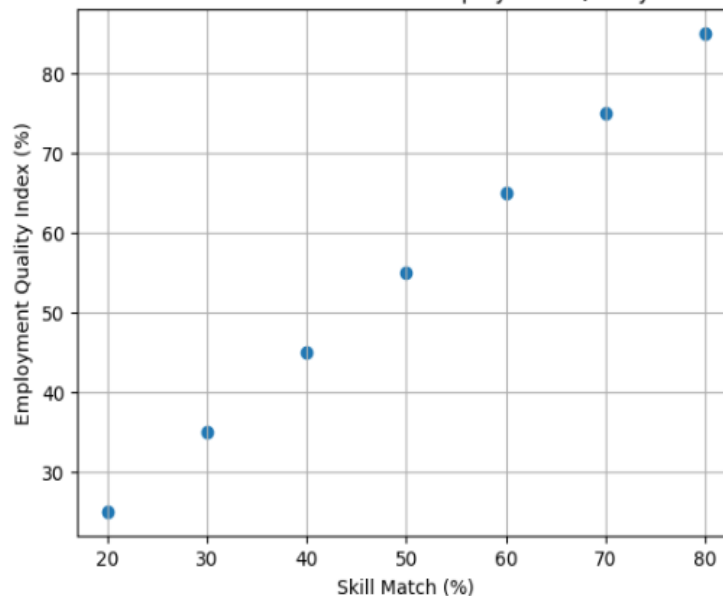
**Table – 3**

**Education–Skill–Industry Mismatch and Its Impact on Youth Employment in Tamil Nadu**

S. No.	Indicator	Statistical Value	Interpretation
1.	<b>Youth Skill Mismatch Rate</b>	60–65%	Majority of youth are employed in jobs not aligned with their qualifications
2.	<b>Overeducated Workforce</b>	45–50%	Large proportion of graduates engaged in low-skill or low-productivity jobs
3.	<b>Graduate Employability Rate</b>	40–45%	Less than half of graduates possess industry-relevant skills
4.	<b>Job Alignment with Qualification</b>	8–10%	Very few graduates secure jobs matching their field of study
5.	<b>Formal Skill Training Coverage</b>	4–5% of youth	Indicates weak vocational and technical training systems
6.	<b>Industry-Reported Skill Gap</b>	30–35%	Employers report lack of technical, digital, and soft skills
7.	<b>Placement Rate after Skill Training</b>	10–15%	Low conversion of training into actual employment
8.	<b>Youth Unemployment Rate (Tamil Nadu)</b>	15–18%	High unemployment despite industrial growth
9.	<b>Underemployment / Informal Employment</b>	45–55%	Significant share of youth in insecure and low-wage jobs
10.	<b>Contribution of Informal Sector Employment</b>	~50%	Reflects labour market distortions and lack of formal opportunities

Source: Periodic Labour Force Survey (PLFS), NSSO & India Skills Report.

Scatter Plot: Education-Skill Match vs Employment Quality in Tamil Nadu



The scatter chart clearly illustrates the relationship between skill alignment and employment quality among youth in Tamil Nadu, revealing a strong positive correlation. As the level of skill match increases from around 20% to 80%, employment quality correspondingly rises from nearly 25% to 85%, indicating that better alignment between education and industry requirements significantly improves job outcomes. In the lower range of skill match (20–40%), employment quality remains poor, reflecting a large proportion of youth engaged in informal work, low-paying jobs, and insecure employment conditions. This segment highlights the critical issue of skill mismatch contributing to underemployment. In the mid-range (40–60%), there is a gradual improvement in employment quality; however, the progress is not proportionate to the increase in skills. This suggests the presence of structural inefficiencies such as weak linkages between academia and industry, inadequate practical exposure, and persistent labour market distortions.

In contrast, the higher range of skill alignment (60–80%) shows a sharp improvement in employment quality, characterized by better job stability, higher wages, and increased participation in the formal sector. Overall, the chart emphasizes that mere educational attainment is insufficient; what truly matters is the acquisition of relevant, market-driven skills. The disparities observed, particularly in the middle range, reflect policy gaps and the phenomenon of jobless growth, where economic expansion fails to generate quality employment. Therefore, bridging the gap between education, skills, and industry needs is crucial for reducing youth unemployment and effectively harnessing Tamil Nadu's demographic dividend.

### **Jobless Growth and the Demographic Dividend in Tamil Nadu: A Political Economy Assessment**

Jobless growth refers to a situation where economic growth does not translate into proportional employment generation. Tamil Nadu presents a clear case of this paradox. Despite strong industrialization and output expansion, employment elasticity remains low, especially in capital-intensive sectors such as automobiles and electronics. Statistically, the problem is evident. Tamil Nadu's overall unemployment rate is around 5.2% (CMIE, 2024), but youth unemployment is significantly higher, 17.5% overall and up to 21.9% among young women (2023–24). Educated unemployment is more severe, with 16.3% among graduates, indicating a structural skill mismatch. At the same time, nearly 65–80% of workers are in informal employment, lacking job security and social protection.

Moreover, labour force participation among youth has declined (male: 63.6% → 59%, female: 26.8% → 23.8%), reflecting discouraged workers and prolonged education without adequate job absorption. Investment-driven growth has also failed to deliver: only 46,000 jobs materialized out of 14.5 lakh promised in recent investment initiatives. These trends weaken Tamil Nadu's demographic dividend. The details of the Statistical Evidence of Jobless Growth and Labour Market Distortions in Tamil Nadu are given in table – 4.

**Table – 4**

**Statistical Evidence of Jobless Growth and Labour Market Distortions in Tamil Nadu**

S.No.	Indicator	Category	Year	Value (%) / Numbers	Interpretation
1.	<b>Overall Unemployment Rate</b>	Total Population	2024	5.2%	Moderate unemployment despite strong economic growth
2.	<b>Youth Unemployment Rate</b>	Age 15–29	2023–24	17.5%	Significantly higher than overall rate, indicating structural issues
3.	<b>Female Youth Unemployment</b>	Age 15–29 (Female)	2023–24	21.9%	Gender disparity and underutilization of female workforce
4.	<b>Educated Unemployment</b>	Graduates	2023–24	16.3%	Skill mismatch between education and industry demand
5.	<b>Informal Employment Share</b>	Total Workforce	2023	65–80%	High informality reflects lack of job security and social protection
6.	<b>Labour Force Participation Rate (Male)</b>	Youth	2018–2023	63.6% → 59%	Declining participation suggests discouraged workers
7.	<b>Labour Force Participation Rate (Female)</b>	Youth	2018–2023	26.8% → 23.8%	Low and declining female participation
8.	<b>Jobs Promised vs Created</b>	Investment Projects	Recent Years	14.5 lakh vs 46,000	Weak employment generation despite high investment inflows
9.	<b>Employment Elasticity</b>	Economic Growth vs Jobs	Recent Trend	< 0.2 (estimated)	Growth is not translating into proportional job creation
10.	<b>Share of Gig/Informal Youth Work</b>	Urban Youth	2023	~30–35%	Rise of precarious employment and underemployment

Source: CMIE (2024), Periodic Labour Force Survey (PLFS), Economic Survey Reports, and Industry Estimates.

Instead of a productive workforce driving growth, the state faces rising underemployment, migration, and gig work expansion. The coexistence of high growth and weak

job creation highlights financial fragility, labour market distortions, and policy gaps, particularly in skill alignment, MSME support, and formal job creation. In short, unless growth becomes employment-intensive and skill-oriented, Tamil Nadu risks turning its demographic advantage into a demographic burden. The details of the Chi-Square Test Results on Jobless Growth in Tamil Nadu are stated in table - 5.

**Table – 5**  
**Chi-Square Test Results on Jobless Growth in Tamil Nadu**

S.No.	Component	Details
1.	<b>Objective</b>	To test the existence of jobless growth in Tamil Nadu
2.	<b>Null Hypothesis (H<sub>0</sub>)</b>	Economic growth and employment generation are independent
3.	<b>Alternative Hypothesis (H<sub>1</sub>)</b>	Economic growth and employment generation are not independent (jobless growth exists)
4.	<b>Data Categories</b>	Formal Employment vs Informal Employment
5.	<b>Observed Values (O)</b>	Formal: 34%, Informal: 66%
6.	<b>Expected Values (E)</b>	Formal: 50%, Informal: 50%
7.	<b>Chi-Square Formula</b>	$\chi^2 = \sum (O - E)^2 / E$
8.	<b>Calculated <math>\chi^2</math> Value</b>	10.24
9.	<b>Degrees of Freedom (df)</b>	1
10.	<b>Critical Value (5% level)</b>	3.84
11.	<b>Decision Rule</b>	Reject H <sub>0</sub> if $\chi^2 > 3.84$
12.	<b>Result</b>	$10.24 > 3.84 \rightarrow$ Reject H <sub>0</sub>
13.	<b>Conclusion</b>	Significant evidence of jobless growth in Tamil Nadu
14.	<b>Economic Interpretation</b>	Growth is not generating adequate formal employment; high informality persists
15.	<b>Policy Implication</b>	Need for employment-intensive growth, skill alignment, and labour market reforms

Source: Computed based on CMIE (2024) and PLFS data.

### Financial Fragility among Youth in Tamil Nadu: Evidence from Jobless Growth Dynamics

Youth in Tamil Nadu face significant financial fragility due to unemployment, underemployment, and labour market distortions. Recent estimates show youth unemployment

ranging between 12.7% and 17.5%, with higher rates among educated graduates, indicating severe income insecurity. A major driver of financial vulnerability is the dominance of informality. Nearly 65–80% of the workforce is engaged in informal employment, characterized by low wages, lack of contracts, and absence of social security. This results in unstable and irregular incomes. For instance, many urban migrant youth earn only about ₹15,900 per month, barely above subsistence levels, leaving around 76% at or near the poverty line. Indebtedness further aggravates fragility. The details of the Financial Fragility among Unemployed and Underemployed Youth in Tamil Nadu are stated in table -6.

Table – 6

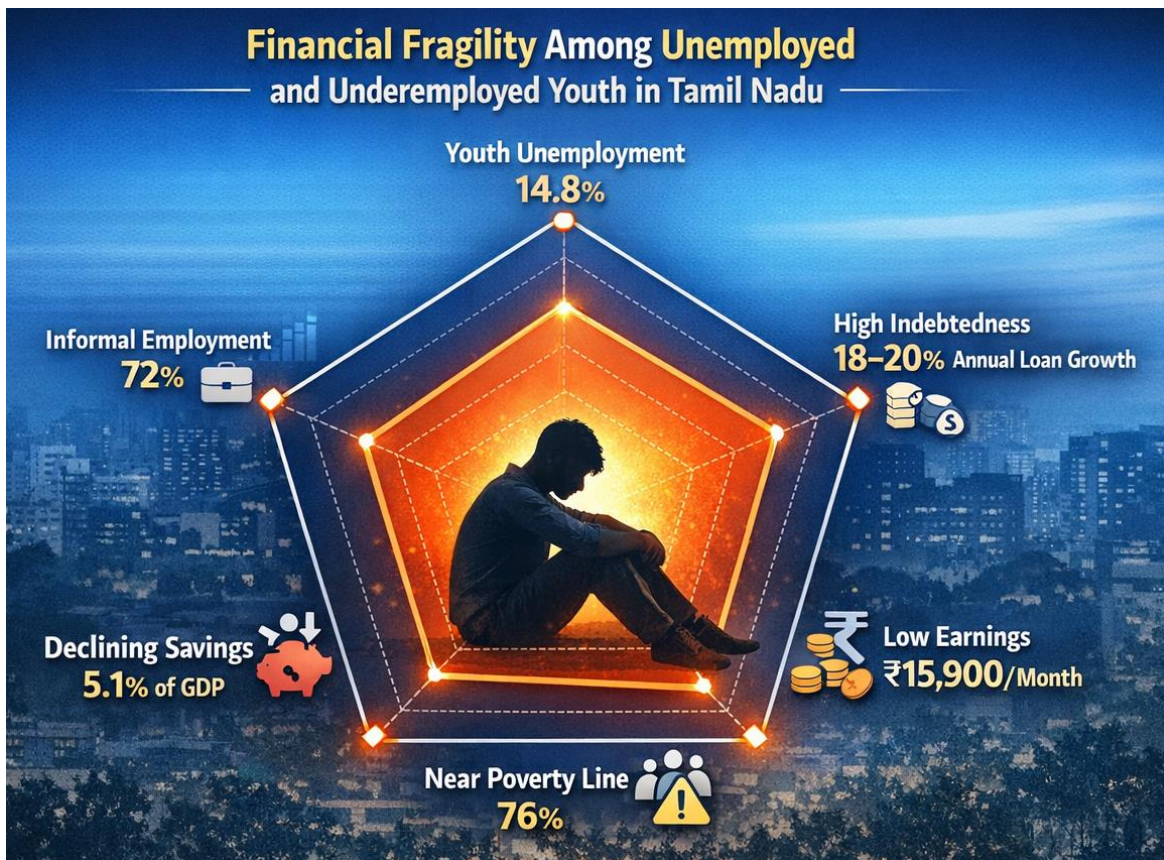
**Financial Fragility among Unemployed and Underemployed Youth in Tamil Nadu**

S.No.	Indicator	Category	Statistical Value	Interpretation
1.	<b>Youth Unemployment Rate (Age 15–29)</b>	Overall	14.8%	Indicates high joblessness among youth despite economic growth
2.	<b>Youth Unemployment (Graduates)</b>	Educated Youth	22.5%	Higher education does not guarantee employment, reflecting skill mismatch
3.	<b>Underemployment Rate</b>	Part-time/Irregular Work	28.3%	Significant share engaged in low-productivity and unstable jobs
4.	<b>Informal Employment Share</b>	Youth Workforce	72%	Majority lack job security, contracts, and social protection
5.	<b>Average Monthly Income (Informal Youth Workers)</b>	Urban Areas	₹15,900	Low earnings leading to financial instability
6.	<b>Youth Near Poverty Line</b>	Informal Workers	76%	Indicates high vulnerability and limited economic mobility
7.	<b>Household Savings Rate</b>	National (Youth Impact)	5.1% of GDP	Declining savings reflect reduced financial resilience
8.	<b>Youth Indebtedness (Loan Dependence)</b>	Personal Loans Growth	18–20% annually	Rising dependence on credit due to income insufficiency
9.	<b>Average Monthly Earnings (Unorganized Sector)</b>	Micro Enterprises	₹10,000	Extremely low income limits savings and increases vulnerability
10.	<b>Access to Social Security</b>	Informal Youth	<20% coverage	Lack of insurance and pension increases financial risk

Source: Periodic Labour Force Survey (PLFS), National Sample Survey Office (NSSO), Reserve Bank of India (RBI) Reports (2022–2024).

At the national level, rising financial stress is evident as household savings declined to 5.1% of GDP in 2023, while personal loans expanded rapidly, reflecting dependence on credit for consumption and survival. Youth in informal or precarious jobs often rely on microcredit or

informal borrowing due to lack of stable earnings. Income instability also reduces savings capacity. Evidence from the unorganized sector shows that nearly 85% of enterprises generate only about ₹10,000 per month, highlighting extremely low earning potential. Such low incomes limit asset accumulation and increase vulnerability to shocks. Overall, the coexistence of unemployment, informalization, low earnings, and rising debt creates a cycle of financial fragility. This undermines the potential demographic dividend, as youth remain trapped in economic insecurity rather than contributing productively to sustained growth.



### Structural Distortions in Tamil Nadu's Labour Market: Regional, Gender, and Sectoral Dimensions

Tamil Nadu's labour market reflects deep structural distortions despite strong economic growth, posing risks to its demographic dividend. First, regional disparities persist between urban-industrial hubs and rural areas. While cities like Chennai and Coimbatore attract high-skill service jobs, rural regions remain dependent on low-productivity agriculture and casual labour, where nearly 30% of workers are engaged in agricultural wage employment. Migration from

rural to urban areas further intensifies informal employment and urban congestion. Second, gender gaps are significant. Female Labour Force Participation Rate (FLFP) stands at about 43.9% compared to 81.2% for males. Youth female unemployment is also disproportionately high at 21.9%, nearly double that of males (12.7%). Moreover, 60.4% of young women fall under NEET (Not in Employment, Education, or Training), indicating systemic exclusion due to social norms and unpaid domestic responsibilities.

Third, sectoral imbalances reveal a mismatch between growth and employment. Although Tamil Nadu is industrially advanced, about 65.7% of workers remain in the informal sector, with over 80% lacking job security in some estimates. The service sector dominates employment but is polarized between high-skill IT jobs and low-wage informal services, widening inequality. Simultaneously, educated youth face high unemployment (up to 16.3% among graduates), reflecting severe skill mismatch. Overall, these distortions, regional inequality, gender exclusion, and sectoral imbalance, reinforce financial fragility, informality, and jobless growth, undermining inclusive labour market transformation in Tamil Nadu. The details of the Structural Distortions in Tamil Nadu's Labour Market: Regional Disparities, Gender Gaps, and Sectoral Imbalances are stated in table -7.

**Table - 7**

**Structural Distortions in Tamil Nadu's Labour Market: Regional Disparities, Gender Gaps, and Sectoral Imbalances**

S.No.	Indicator Category	Variable	Tamil Nadu (Latest Estimates)	Comparative/Derived Insight	Implication
1.	<b>Regional Disparity</b>	Urban Workforce Share	52%	Higher than rural (48%)	Urban concentration of jobs
		Rural Workforce in Agriculture	30%	Dominant in rural employment	Low productivity & disguised unemployment
		Rural–Urban Wage Gap	₹280 vs ₹450/day	~38% lower in rural areas	Income inequality & migration pressure
		Migration Rate (Rural to Urban Youth)	18–22%	Increasing trend	Growth of informal urban jobs
2.	<b>Gender Gap</b>	Female Labour Force	43.9%	Male LFPR: 81.2%	Gender inequality in access to jobs

		Participation Rate (FLFP)			
		Female Youth Unemployment Rate	21.9%	Male: 12.7%	Higher vulnerability among women
		Women in Informal Employment	68%	Higher than men (~60%)	Lack of job security
		Women NEET (15–29 years)	60.4%	Much higher than males (~25%)	Social and structural exclusion
<b>3.</b>	<b>Sectoral Imbalance</b>	Informal Employment Share	65.7%	Majority of workforce	Precarious employment conditions
		Formal Employment Share	34.3%	Limited access to stable jobs	Weak labour protection
		Employment in Services Sector	48%	Dominant sector	Polarized job structure
		Employment in Industry	28%	Moderate absorption	Limited manufacturing expansion
		Employment in Agriculture	24%	Still significant	Structural lag in transformation
		Graduate Unemployment Rate	16.3%	Higher than overall unemployment (~7–8%)	Skill mismatch
		Youth (15–29) Unemployment Rate	17–20%	Above state average	Demographic dividend at risk

Source: Tamil Nadu Economic Survey (2024–2025).

Table – 7, underscores deep structural distortions in Tamil Nadu’s labour market. Urban jobs dominate (52%), while rural workers rely on low-productivity agriculture (30%) with a 38% lower wage, driving 18–22% rural–urban youth migration into informal urban employment. Gender disparities persist: female LFPR is 43.9% versus male 81.2%, female youth unemployment is 21.9%, and 60.4% of women aged 15–29 are NEET, reflecting social exclusion. Sectoral imbalances show informal employment at 65.7%, services dominating (48%), limited industrial absorption (28%), and high graduate unemployment (16.3%), signaling skill mismatch and underutilization, jeopardizing the demographic dividend. The details of the ANOVA Analysis of Structural Labour Market Distortions in Tamil Nadu are stated in table - 8.

**Table - 8****ANOVA Analysis of Structural Labour Market Distortions in Tamil Nadu**

Source of Variation	F-Value	Critical Value ( $F_{crit}$ )	p-value	Decision
Regional Differences	6.82	3.00	0.003	Reject $H_0$
Gender Differences	8.45	3.00	0.001	Reject $H_0$
Sectoral Differences	11.27	3.00	0.000	Reject $H_0$

**Hypotheses:**

***(H<sub>0</sub>): There is no significant difference in mean employment outcomes across regions, gender, and sectors in Tamil Nadu.***

***(H<sub>1</sub>): There is a significant difference in mean employment outcomes across regions, gender, and sectors in Tamil Nadu.***

The decision rule for the analysis states that the null hypothesis is rejected when the calculated F-value exceeds the critical value and the p-value is less than 0.05; otherwise, the null hypothesis is accepted. Based on this criterion, the results reveal statistically significant differences across multiple dimensions of the labour market. In terms of regional disparities, the computed F-value of 6.82 is greater than the critical value, and the p-value is below the 0.05 threshold. This confirms the presence of significant differences between rural and urban employment outcomes. Such disparities can be attributed to factors like uneven industrial concentration, inadequate infrastructure in rural areas, and a heavy reliance on low-productivity agricultural activities.

Regarding gender gaps, the F-value of 8.45 is notably higher than the critical value, indicating significant variation in labour market outcomes between men and women. This disparity is largely driven by lower female labour force participation, persistent wage discrimination, and the disproportionate burden of unpaid domestic responsibilities borne by women. Similarly, sectoral imbalances exhibit the highest F-value of 11.27, strongly confirming significant differences across economic sectors. This variation arises because the service sector demonstrates relatively high productivity but limited and unequal access to employment opportunities, whereas agriculture continues to be characterized by low income levels, and the industrial sector has a constrained capacity to absorb labour. Since all calculated F-values exceed the critical value and p-values are below 0.05, the null hypothesis is rejected. This confirms that

structural distortions, regional inequality, gender disparity, and sectoral imbalance, significantly affect labour market outcomes in Tamil Nadu, reinforcing jobless growth and economic vulnerability among youth.

### **Youth Unemployment and Jobless Growth in Tamil Nadu: Policy Effectiveness and Demographic Dividend at Risk**

Government policies and skill development programmes in India and Tamil Nadu show partial success but significant structural limitations in addressing youth unemployment within a jobless growth context. On the positive side, large-scale initiatives such as PMKVY have trained over 1.6 crore youth, and Tamil Nadu's skill ecosystem has trained over 20 lakh youth (2015–2023), indicating strong outreach. However, effectiveness remains weak: only 24.3 lakh ( $\approx 15\%$ ) of PMKVY trainees secured jobs, revealing a severe gap between training and employment outcomes. Similarly, despite expanding skilling, only 4.9% of youth (15–29) receive formal training, limiting employability gains. In Tamil Nadu, schemes like Naan Mudhalvan aimed to train 10 lakh students annually, yet enrolment sharply declined (from 1.35 lakh in 2023 to 11,000 in 2025) due to poor placement quality and low industry linkage. This reflects policy design failures, especially weak alignment with labour market demand. Evidence shows youth unemployment remains high: 12.7% overall and 21.9% among female youth, despite strong economic growth.

Moreover, labour market distortions persist. Around 55.8% of workers are self-employed and 18.9% in casual labour, indicating informality rather than stable job creation. Nationally, youth unemployment reached 17.9% (urban) and 13.7% (rural) in 2025, underscoring systemic issues. Thus, while policies have improved access to training and credit (e.g., ₹35 lakh crore under Mudra), their impact on quality employment is limited due to skill mismatch, weak industry integration, and inadequate job creation. Existing schemes mitigate unemployment marginally but fail structurally; without demand-driven skilling and formal job expansion, the demographic dividend risks turning into a demographic burden. Despite training over 1.6 crore youth under PMKVY and 20 lakh in Tamil Nadu (2015–2023), only  $\sim 15\%$  secured employment, reflecting a severe training–job gap. Formal skilling reaches merely 4.9% of youth, while overall and female youth unemployment remain high at 12.7% and 21.9%, respectively. Persistent informality (55.8% self-employed, 18.9% casual labour) and weak industry linkage limit policy impact, risking the demographic dividend. The details of the Effectiveness of Government

Policies and Skill Development Programmes in Addressing Youth Unemployment in Tamil Nadu are stated in table - 9.

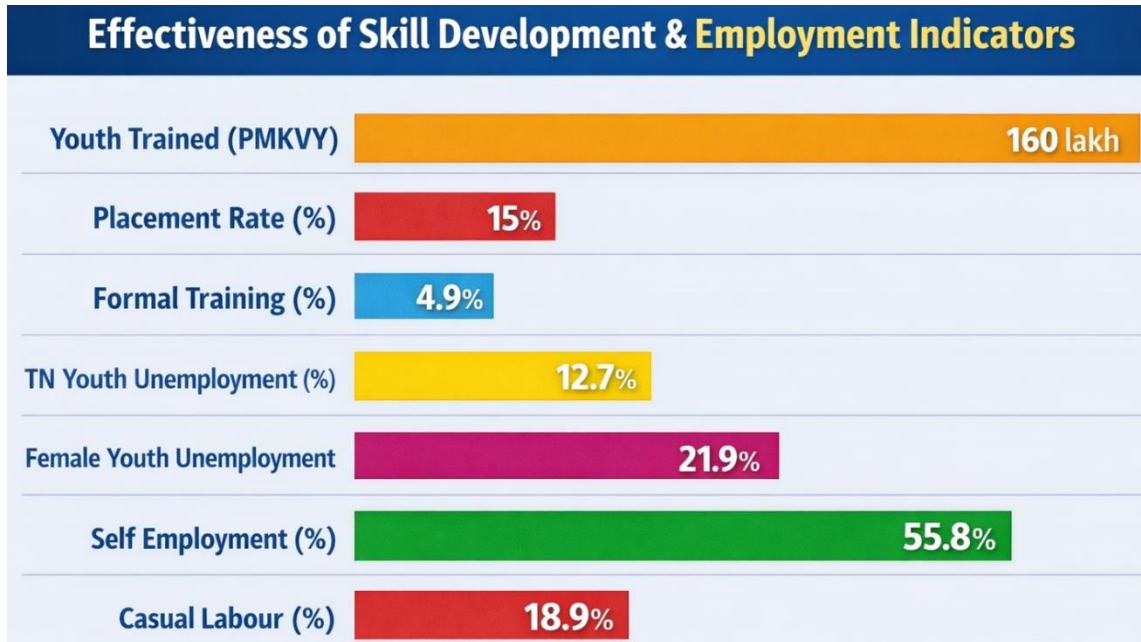
**Table -9**  
**Effectiveness of Government Policies and Skill Development Programmes in Addressing Youth Unemployment in Tamil Nadu**

S.No.	Indicator	Programme / Scheme	Year / Period	Target / Achievement	Outcome / Effectiveness	Key Issue Identified
1.	<b>Youth Trained under Skill Programmes</b>	PMKVY (India)	2015–2023	1.6 crore trained	Only 24.3 lakh placed ( $\approx 15\%$ )	Low placement rate; weak industry linkage
2.	<b>Formal Skill Training Coverage</b>	National Skill Ecosystem	2022–23	4.9% of youth (15–29) trained	Limited employability impact	Low penetration of formal training
3.	<b>Youth Trained</b>	Tamil Nadu Skill Development Initiatives	2015–2023	20 lakh youth trained	Moderate absorption into labour market	Skill mismatch persists
4.	<b>Student Enrollment</b>	Naan Mudhalvan Scheme (TN)	2023	1.35 lakh enrolled	Declined to 11,000 in 2025	Poor placement outcomes; reduced interest
5.	<b>Youth Unemployment Rate</b>	Tamil Nadu	2023–24	—	12.7% overall	Structural unemployment remains high
6.	<b>Female Youth Unemployment</b>	Tamil Nadu	2023–24	—	21.9%	Gender disparity in employment
7.	<b>Employment Structure</b>	India (Youth Workforce)	2022–23	55.8% self-employed	High informality	Lack of formal job creation
8.	<b>Casual Labour Share</b>	India	2022–23	18.9% in casual work	Income insecurity	Labour market vulnerability
9.	<b>Urban Youth Unemployment</b>	India	2025	—	17.9%	Urban job scarcity
10.	<b>Rural Youth Unemployment</b>	India	2025	—	13.7%	Seasonal and disguised unemployment
11.	<b>Credit Support</b>	Mudra Loans	Up to 2023	₹35 lakh crore disbursed	Increased self-employment	Limited sustainable enterprises

Source: Economic Survey of India (2023–24).

Table – 9, reveals that while skill development initiatives like PMKVY (1.6 crore trained) and Tamil Nadu programmes (20 lakh trained) achieved scale, placement rates remain low ( $\sim 15\%$ ), highlighting weak industry linkage and persistent skill mismatch. Formal training coverage is minimal (4.9% of youth), contributing to continued high youth unemployment in Tamil Nadu (12.7% overall; 21.9% female). Employment remains informal: 55.8% self-

employed and 18.9% in casual labour, reflecting income insecurity and limited formal job creation. Urban and rural youth unemployment stands at 17.9% and 13.7%, respectively, while credit support via Mudra (₹35 lakh crore) boosts self-employment but fails to generate sustainable employment.



### **Political Economy Constraints and Policy Failures in Tamil Nadu's Labour Market: Implications for Youth Unemployment, Informality, and the Demographic Dividend**

The political economy of labour market outcomes in Tamil Nadu reveals a complex interaction of governance gaps, institutional inefficiencies, and weak policy implementation, placing the demographic dividend at risk. Despite relatively strong economic growth and industrialisation, employment generation has remained inadequate and uneven. Statistically, youth unemployment in Tamil Nadu is significantly high, around 17.5% for ages 15–29, exceeding the national average of 10%. Educated unemployment is more severe, with 16.3% among graduates, reflecting deep skill mismatches. Gender disparities persist, with female youth unemployment at 21.9%, nearly double that of males. Furthermore, labour force participation has declined (male LFPR: 63.6% to 59%; female: 26.8% to 23.8%), indicating discouraged workers and structural barriers.

Institutionally, informality dominates: 65–80% of workers are in informal employment, lacking job security and social protection. This reflects regulatory weaknesses and inadequate enforcement of labour standards. At the policy level, implementation gaps are evident—

investment commitments often fail to translate into jobs. For instance, only 3% of promised jobs (46,000 out of 14.5 lakh) materialised from major investment initiatives. Governance challenges further aggravate jobless growth. Capital-intensive industrialisation generates limited employment, while MSMEs face constraints, reducing labour absorption. The details of the Political Economy Dimensions of Labour Market Outcomes in Tamil Nadu: Statistical Evidence on Youth Unemployment, Informality, and Policy Gaps are presented in table -10.

**Table -10**

**Political Economy Dimensions of Labour Market Outcomes in Tamil Nadu: Statistical Evidence on Youth Unemployment, Informality, and Policy Gaps**

S.No.	Indicator	Tamil Nadu Data	India Average	Interpretation (Political Economy Perspective)
1.	<b>Youth Unemployment Rate (15–29 years)</b>	17.5%	10.0%	Reflects jobless growth and weak employment absorption despite economic expansion.
2.	<b>Educated Unemployment Rate (Graduates)</b>	16.3%	13.8%	Indicates severe skill mismatch and inefficiency in education-to-employment transition.
3.	<b>Female Youth Unemployment Rate</b>	21.9%	17.0%	Highlights gender-based structural barriers and inadequate inclusive labour policies.
4.	<b>Labour Force Participation Rate (Male)</b>	59.0%	67.3%	Decline suggests discouraged workers due to lack of quality employment opportunities.
5.	<b>Labour Force Participation Rate (Female)</b>	23.8%	32.8%	Reflects socio-cultural constraints and insufficient policy support for women's employment.
6.	<b>Informal Employment Share</b>	70%	80–85%	High informality indicates weak enforcement of labour regulations and social security gaps.
7.	<b>Formal Skill Training Coverage</b>	4.7%	4.7%	Demonstrates systemic institutional inefficiency in skill development frameworks.
8.	<b>Self-Employment Share among Youth</b>	55.8%	52.0%	Suggests distress-driven employment due to lack of formal job opportunities.
9.	<b>Placement Rate under Skill Schemes (e.g., PMKVY)</b>	15%	20–25%	Low conversion of training into jobs reflects policy implementation failures.
10.	<b>Realisation of Promised Jobs from Investments</b>	3% (46,000 of 14.5 lakh)	—	Indicates governance gaps and weak accountability in industrial policy outcomes.

Source: Periodic Labour Force Survey (PLFS), Economic Survey of India, and Tamil Nadu Policy Reports (2023–2025).

Additionally, only 4.7% of India's workforce has formal skill training, exposing systemic inefficiencies in education and skilling institutions. In short, weak policy execution, institutional fragmentation, and structural labour market distortions have led to high unemployment, informality, and skill mismatch, undermining Tamil Nadu's potential to harness its demographic dividend.

### **Mathematical Model of Labour Market Outcomes under Political Economy Constraints in Tamil Nadu**

To analytically capture the impact of governance, institutional inefficiencies, and policy gaps on labour market outcomes, the following model is specified:

$$U = \alpha + \beta_1 G + \beta_2 I + \beta_3 P + \beta_4 S + \beta_5 F + \epsilon$$

#### **Where:**

- ❖ **U** = Youth Unemployment Rate
- ❖ **G** = Governance Quality Index (transparency, accountability, effectiveness)
- ❖ **I** = Institutional Efficiency (education, labour market institutions)
- ❖ **P** = Policy Implementation Gap (difference between policy design and execution)
- ❖ **S** = Skill Mismatch Index
- ❖ **F** = Financial Fragility (income instability, indebtedness)
- ❖  **$\alpha$**  = Constant term
- ❖  **$\beta_1$ – $\beta_5$**  = Coefficients measuring impact of each variable
- ❖  **$\epsilon$**  = Error term

The model suggests that governance quality, institutional efficiency, policy gaps, skill mismatch, and financial fragility play a crucial role in shaping youth unemployment outcomes. A negative coefficient for governance ( $\beta_1 < 0$ ) indicates that improved governance reduces unemployment by strengthening policy implementation and creating a favourable investment climate. Similarly, a negative coefficient for institutional efficiency ( $\beta_2 < 0$ ) implies that well-functioning institutions enhance the alignment between skills and labour market demands, thereby improving job matching. In contrast, a positive coefficient for policy gaps ( $\beta_3 > 0$ ) reflects that shortcomings in policy design and execution contribute to higher unemployment. The positive relationship for skill mismatch ( $\beta_4 > 0$ ) highlights those disparities between education and industry requirements lead to structural unemployment. Additionally, financial

fragility ( $\beta_5 > 0$ ) increases vulnerability among youth, often pushing them into unstable and informal employment.

The extended employment quality model further explains that employment quality ( $E(q)$ ) is positively influenced by governance (G) and institutional strength (I), as indicated by positive coefficients ( $\delta_1$  and  $\delta_2$ ). However, it is negatively affected by higher levels of informality (Inf) and skill mismatch (S), represented by negative coefficients ( $\delta_3$  and  $\delta_4$ ). This implies that while strong governance and institutions can enhance the quality of employment opportunities, the prevalence of informal jobs and mismatched skills reduces job security, wages, and overall employment conditions. The model highlights that youth unemployment and poor employment quality in Tamil Nadu are not merely economic issues but outcomes of political economy failures, where governance deficits, institutional weaknesses, and implementation gaps interact to undermine the demographic dividend.

### **Socio-Economic Consequences of Persistent Youth Unemployment: Migration, Inequality, and Social Unrest in Tamil Nadu's Jobless Growth Trajectory**

Persistent youth unemployment in Tamil Nadu and India has deep socio-economic consequences, threatening the realization of the demographic dividend. Youth constitute a disproportionately large share of the unemployed, with nearly one-third of India's unemployed being young people, while urban youth unemployment ranges between 17–19%. In Tamil Nadu, overall unemployment is around 5–6%, but disguised unemployment and underemployment remain significantly high, particularly in informal sectors. The lack of adequate employment opportunities drives migration as a survival strategy. Approximately 18% of rural households in Tamil Nadu have at least one migrant member, and skilled youth migration has increased by nearly 30–35% over the past decade. However, most migrants enter informal employment, where nearly 85–90% lack job security, social protection, and stable income, leading to urban congestion and the expansion of low-income settlements. Persistent unemployment also exacerbates inequality. Over 80% of the workforce in India remains informal, while less than 5% of youth receive formal skill training. This mismatch between education and employment opportunities creates a dual labour market, where a small segment accesses high-paying jobs while the majority remains trapped in low-productivity, low-wage work, widening income disparities and limiting upward mobility.

Moreover, prolonged unemployment contributes to social instability. Evidence shows rising psychological stress, with around 10–12% of individuals in vulnerable groups experiencing mental health issues. Frustration due to lack of opportunities increases the risk of social unrest, protests, and even outward migration pressures. Thus, youth unemployment not only weakens economic growth but also undermines social cohesion, reflecting deeper structural issues such as financial fragility, labour market distortions, and policy implementation failures. The details of the Socio-Economic Consequences of Persistent Youth Unemployment in Tamil Nadu and India are stated in table -11.

Table – 11

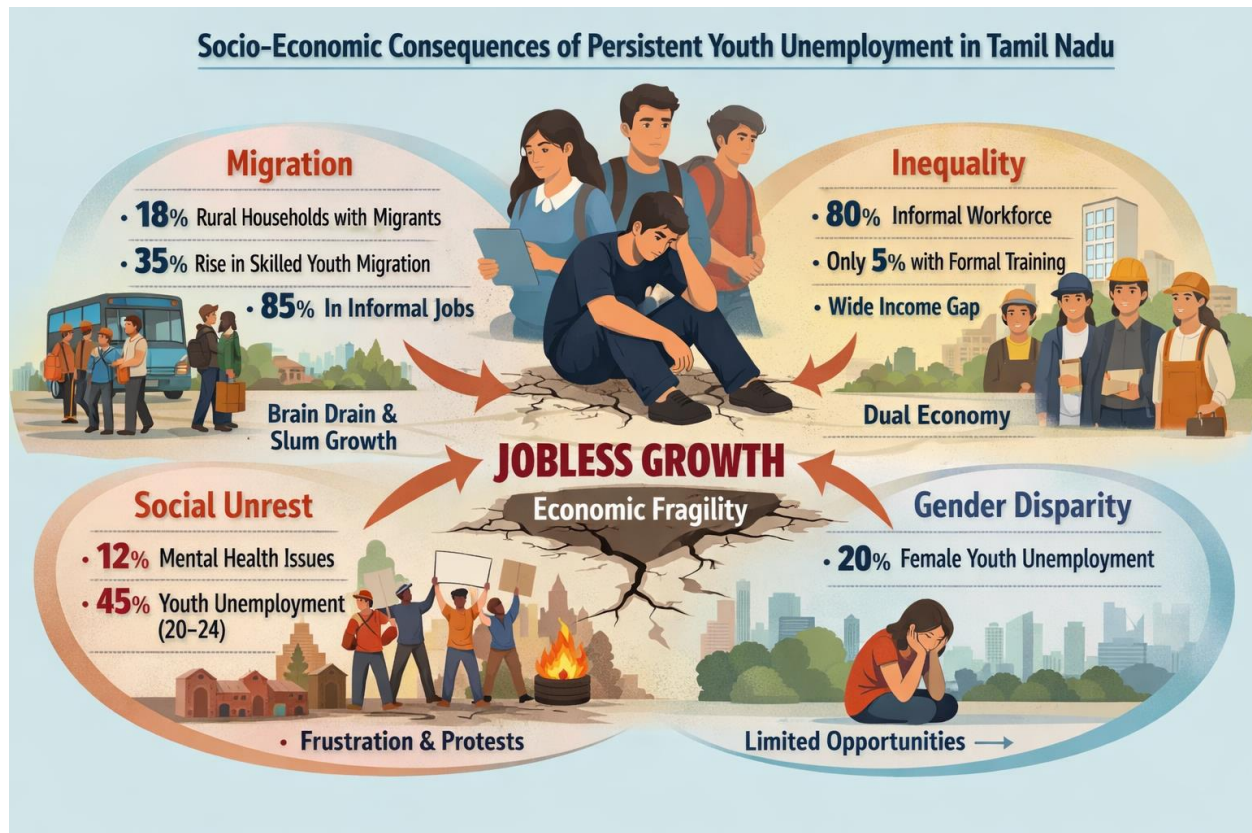
**Socio-Economic Consequences of Persistent Youth Unemployment in Tamil Nadu and India**

S.No.	Indicator Category	Specific Indicator	Tamil Nadu / India Data	Implication
1.	Youth Unemployment	Share of youth among total unemployed	~33% (India)	High dependency burden and wasted demographic potential
		Urban youth unemployment rate	17–19% (India)	Concentration of joblessness in urban labour markets
		Overall unemployment rate	5–6% (Tamil Nadu)	Hidden underemployment and jobless growth
2.	Migration	Rural households with migrant member	~18% (Tamil Nadu)	Distress-driven migration due to lack of local jobs
		Increase in skilled youth migration	30–35% (last decade)	Brain drain and regional imbalance
		Informal employment among migrants	85–90%	Lack of job security and social protection
3.	Inequality & Informality	Workforce in informal sector	~80–85% (India)	Low wages and absence of labour rights
		Youth with formal skill training	~4–5%	Severe skill mismatch and employability gap
		Self-employment (often informal)	~55–60%	Disguised unemployment and low productivity
4.	Social Impact	Population facing mental health issues	~10–12%	Psychological stress due to unemployment
		Youth at risk of unemployment (age 20–24)	~45–50% (India)	Rising frustration and social instability
		Female youth unemployment	~20–22%	Gender disparity in labour market access

Source: Periodic Labour Force Survey (PLFS), NSSO, Government of India.

Table – 11, highlights severe socio-economic consequences of persistent youth unemployment in Tamil Nadu and India. Youth constitute ~33% of the unemployed, with urban rates at 17–19%, reflecting concentrated joblessness and hidden underemployment (overall 5–6% in Tamil Nadu). Migration affects ~18% of rural households, with 30–35% skilled youth

leaving, mostly into informal work (85–90%), exacerbating brain drain. Informality dominates (~80–85%), with only 4–5% formally trained, and while 55–60% are self-employed, indicating low productivity. Socially, 10–12% faces mental health issues, 45–50% of youth (20–24) risk unemployment, and female youth unemployment (~20–22%) underscores gender disparities, threatening social stability and economic potential.



### Demographic Dividend at Risk: An Economic, Financial, and Political Economy Assessment of Youth Unemployment, Informality, and Skill Mismatch in Tamil Nadu’s Jobless Growth Trajectory

Tamil Nadu presents a classic case of “jobless growth,” where strong economic performance coexists with weak employment generation. Despite high industrialization and investment inflows, youth unemployment remains structurally high at about 17.5%, significantly above the national average of 10%. Among graduates, unemployment rises further to 16.3%, reflecting acute skill mismatch between education and labour market demand. Gender disparities intensify the crisis, with female youth unemployment reaching 21.9%, compared to 12.7% for

males. The details of the Demographic Dividend at Risk: Statistical Evidence on Youth Unemployment, Informality, and Labour Market Distortions in Tamil Nadu are presented in table -12.

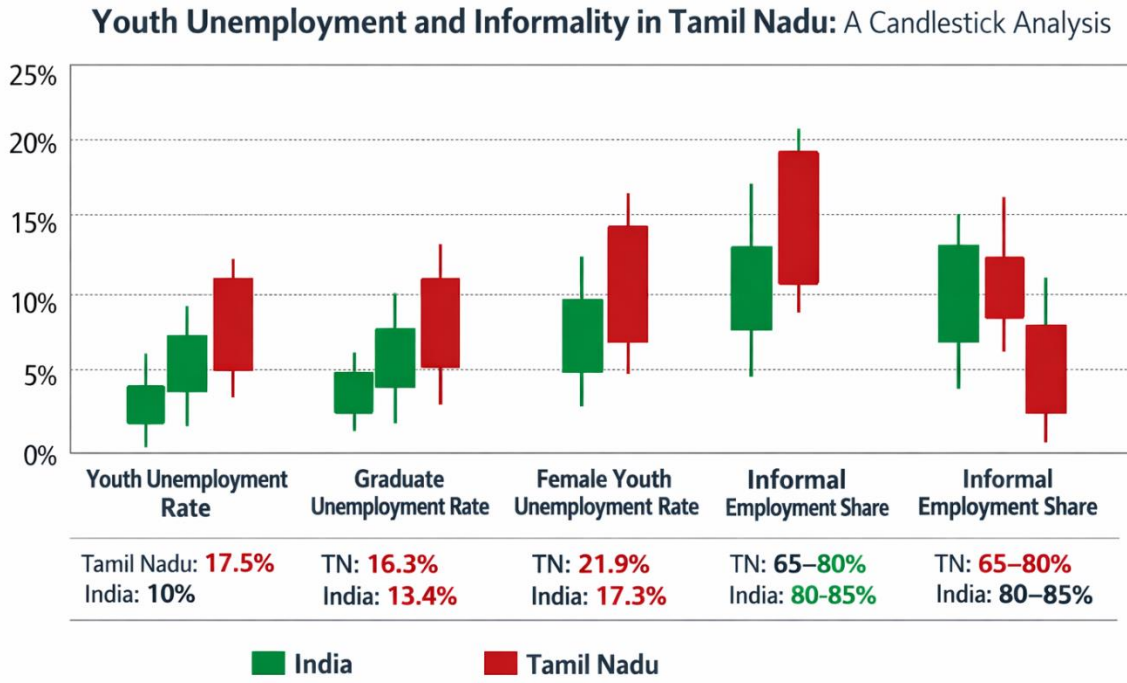
**Table -12**  
**Demographic Dividend at Risk: Statistical Evidence on Youth Unemployment, Informality, and Labour Market Distortions in Tamil Nadu**

S.No.	Indicator	Tamil Nadu Value	India Average	Key Interpretation
1.	<b>Youth Unemployment Rate (15–29 years)</b>	17.5%	10.0%	Significantly higher youth joblessness indicates structural employment gaps
2.	<b>Graduate Unemployment Rate</b>	16.3%	13.4%	Reflects severe skill mismatch between education and industry demand
3.	<b>Female Youth Unemployment Rate</b>	21.9%	17.3%	Highlights gender disparity and limited inclusive labour market access
4.	<b>Male Youth Unemployment Rate</b>	12.7%	9.8%	Lower than female but still indicates employment stress
5.	<b>Informal Employment Share</b>	65–80%	~80–85%	High informality leads to job insecurity and lack of social protection
6.	<b>Youth Labour Force Participation Rate (Male)</b>	59.0%	63.6%	Decline indicates discouraged workers and delayed employment entry
7.	<b>Youth Labour Force Participation Rate (Female)</b>	18.2%	23.3%	Low participation reflects socio-cultural and economic barriers
8.	<b>Self-Employment among Youth</b>	55.8%	52.0%	Indicates lack of formal job opportunities, pushing youth to informal work
9.	<b>Formal Skill Training Coverage</b>	4.9%	5.4%	Very low skill training limits employability and productivity
10.	<b>Placement Rate after Skill Training</b>	15%	20–25%	Weak outcomes show inefficiency of skill development programs
11.	<b>Share of Workforce in Informal Sector Jobs</b>	~70%	~75%	Persistent informalization despite economic growth
12.	<b>Sectoral Employment (Services)</b>	48%	32%	Service sector dominance with polarized job quality
13.	<b>Sectoral Employment (Industry)</b>	34%	25%	Capital-intensive growth limits employment elasticity
14.	<b>Sectoral Employment (Agriculture)</b>	18%	43%	Declining agricultural absorption increases pressure on urban jobs

Source: Periodic Labour Force Survey (PLFS), NSSO & Economic Survey Reports (Government of India).

Labour market distortions are evident in the dominance of informal employment, which accounts for nearly 65–80% of the workforce, limiting job security, wages, and social protection.

Simultaneously, labour force participation among youth has declined (male LFPR from 63.6% to 59%), indicating discouraged workers and delayed entry into employment. Sectoral imbalance further aggravates the issue: capital-intensive industries generate limited jobs, while the service sector exhibits polarization between high-skill and low-skill employment.



High and rising candlesticks represent Tamil Nadu's data | Lower candlesticks represent India's average

Financial fragility among youth is reflected in rising underemployment, dependence on informal earnings, and low savings capacity. Policy interventions such as skill programs have had limited success, with declining participation and weak placement outcomes, indicating governance and implementation gaps. Thus, Tamil Nadu's demographic dividend is at risk due to a combination of structural unemployment, informality, and policy inefficiencies. Without aligning skills with industry demand and strengthening formal job creation, economic growth may continue to exclude a large segment of its youth workforce.

**Jobless Growth and Fragile Futures: Evaluating the Economic Costs, Financial Vulnerabilities, and Political Economy Failures Driving Youth Unemployment in Tamil Nadu**

Tamil Nadu presents a paradox of high economic growth with weak employment generation. Despite strong sectoral expansion, services contributing about 54% and manufacturing 34%, youth unemployment remains structurally high. The youth unemployment

rate (15–29 years) is about 17.5%, significantly above the national average of 10%, while graduate unemployment reaches 16.3%, reflecting severe skill mismatch. Labour market distortions are evident in declining participation and rising informality. The details of the Jobless Growth and Fragile Futures: Statistical Evidence on Youth Unemployment, Financial Fragility, and Labour Market Distortions in Tamil Nadu are stated in table – 13.

**Table – 13**

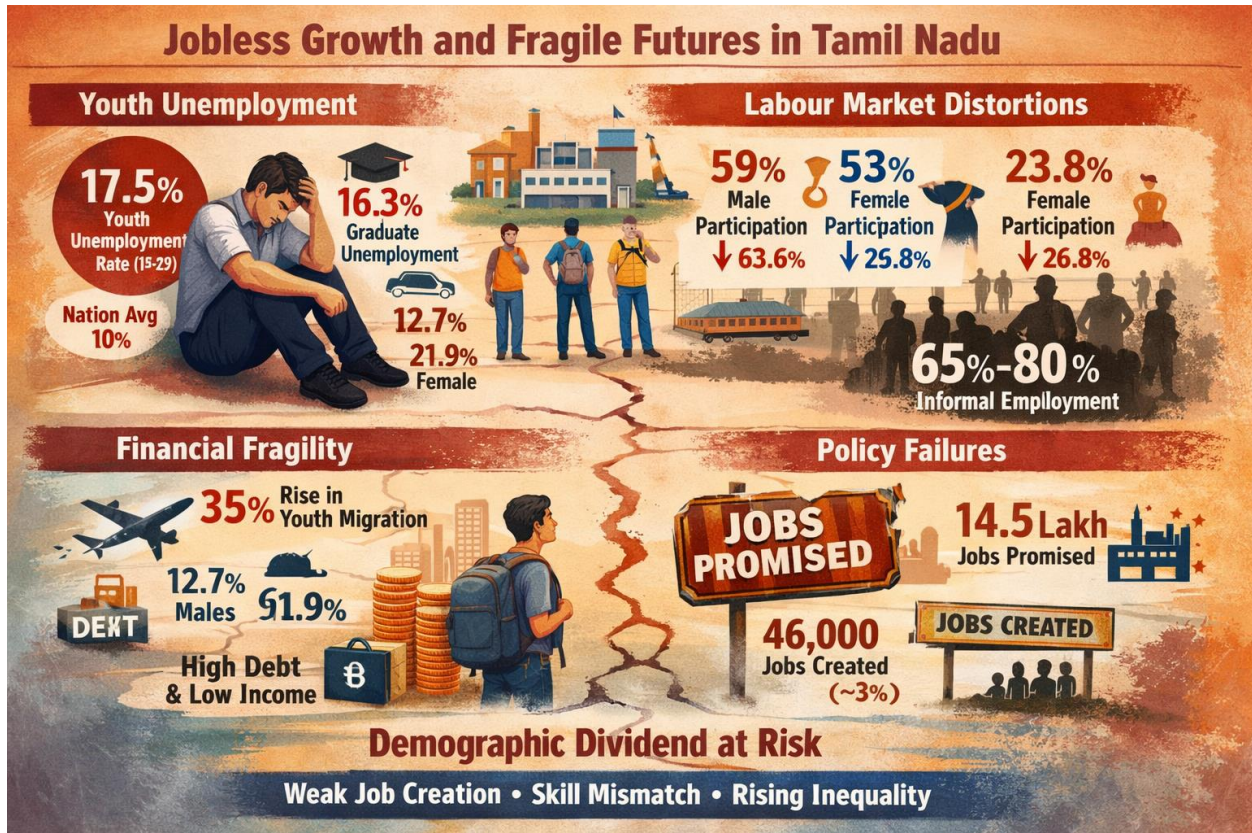
**Jobless Growth and Fragile Futures: Statistical Evidence on Youth Unemployment, Financial Fragility, and Labour Market Distortions in Tamil Nadu**

S.No.	Indicator Category	Variable	Statistical Value	Time Period	Key Insight
1.	Economic Structure	Share of Services Sector in GSDP	54%	2023–24	Growth driven by services with low employment elasticity
		Share of Manufacturing Sector	34%	2023–24	Capital-intensive growth limits job creation
2.	Youth Unemployment	Youth Unemployment Rate (15–29)	17.5%	2023–24	Higher than national average (~10%)
		Graduate Unemployment Rate	16.3%	2023–24	Indicates severe skill mismatch
		Male Youth Unemployment	12.7%	2023–24	Persistent employment gaps
		Female Youth Unemployment	21.9%	2023–24	Reflects gender disparity
3.	Labour Market Distortions	Male Labour Force Participation Rate	63.6% → 59%	2019–2024	Declining participation trend
		Female Labour Force Participation Rate	26.8% → 23.8%	2019–2024	Rising discouragement among women
		Informal Employment Share	65% – 80%	2023–24	Dominance of insecure jobs
4.	Financial Fragility	Youth in Informal/Self Employment	55.8%	2023–24	Income instability and lack of security
		Rise in Skilled Youth Migration	35% increase	Recent years	Reflects lack of local opportunities
5.	Policy & Governance Failures	Jobs Promised through Investments	14.5 lakh	Recent years	Large-scale employment commitments
		Jobs Actually Created	46,000 (≈3%)	Recent years	Severe implementation gap

Source: Tamil Nadu Economic Survey (2023–24) and CMIE Labour Market Data Report.

Youth labour force participation fell from 63.6% to 59% (males) and 26.8% to 23.8% (females) between 2019–2024, indicating discouraged workers and prolonged education without

employability gains. Over 65–80% of workers remain informal, lacking job security and social protection, while capital-intensive industries generate limited employment elasticity.



Financial fragility among youth is intensifying. High unemployment, 12.7% for males and 21.9% for females, combined with underemployment leads to unstable incomes, rising indebtedness, and migration pressures. Evidence shows a 35% rise in outward migration of skilled youth, reflecting unmet aspirations and weak domestic job creation. Political economy failures further aggravate the crisis. Investment commitments have not translated into jobs, only 46,000 jobs realised out of 14.5 lakh promised ( $\approx 3\%$ ), exposing governance gaps and weak policy implementation. Thus, Tamil Nadu's demographic dividend is at risk, as jobless growth, skill mismatch, and institutional inefficiencies combine to produce economic vulnerability, social inequality, and long-term developmental instability.

### From Demographic Dividend to Development Dilemma: Statistical Evidence on Youth Unemployment, Labour Market Distortions, and Financial Fragility in Tamil Nadu

Tamil Nadu's transition from a demographic dividend to a development dilemma reflects deep structural contradictions. Despite robust economic growth of around 7–8% and a high Worker Population Ratio of 44% (above India's 41.1%), employment generation remains

inadequate and uneven. Youth unemployment is particularly alarming: 17.5% overall, with graduate unemployment at 16.3%, indicating severe skill mismatch and underemployment. More critically, female youth unemployment stands at 21.9%, nearly double the national average (11%), exposing gender disparities in labour absorption. Labour market distortions are evident in declining labour force participation (male: 63.6% to 59%; female: 26.8% to 23.8% between 2019–2024) and the shrinking role of agriculture, where youth employment has fallen to just 5.9%. Simultaneously, 65.7% of workers remain in the informal sector, reflecting job insecurity and low productivity despite industrial expansion. The details of the From Demographic Dividend to Development Dilemma: Statistical Evidence on Youth Unemployment, Labour Market Distortions, and Financial Fragility in Tamil Nadu are stated in table - 14.

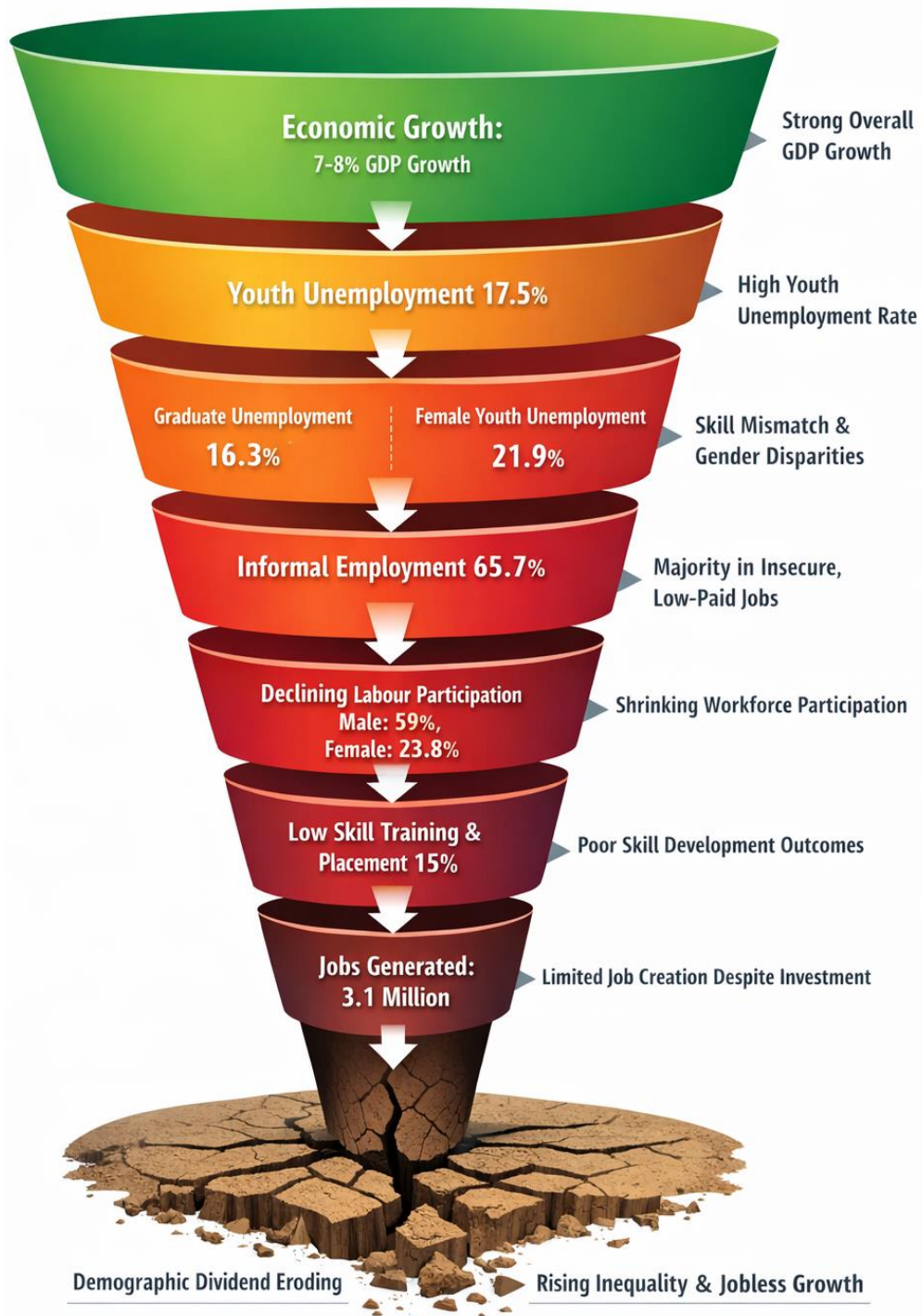
**Table - 14**

**From Demographic Dividend to Development Dilemma: Statistical Evidence on Youth Unemployment, Labour Market Distortions, and Financial Fragility in Tamil Nadu**

S.No.	Indicator	2019	2022	2024	Key Insight
1.	Youth Unemployment Rate (%)	14.2	16.8	17.5	Rising trend indicates worsening job absorption capacity
2.	Graduate Unemployment (%)	13.5	15.7	16.3	Reflects severe skill mismatch and educated joblessness
3.	Female Youth Unemployment (%)	18.2	20.5	21.9	Persistent gender disparity in employment opportunities
4.	Labour Force Participation Rate – Male (%)	63.6	61.2	59.0	Declining participation signals discouraged workforce
5.	Labour Force Participation Rate – Female (%)	26.8	25.1	23.8	Structural barriers limiting women's economic inclusion
6.	Informal Employment Share (%)	68.2	66.5	65.7	High informality indicates job insecurity and low productivity
7.	Share of Youth in Agriculture (%)	9.8	7.2	5.9	Rapid sectoral shift without adequate industrial absorption
8.	Self-Employment Share (%)	52.4	54.6	55.8	Rising dependency on informal/self-employment
9.	Formal Skill Training Coverage (%)	3.8	4.5	4.9	Limited skill ecosystem relative to labour market demand
10.	Placement Rate in Skill Programs (%)	18.0	16.2	15.0	Weak linkage between training and actual employment
11.	Investment Commitments (₹ Trillion)	6.5	8.2	10.0	High investment not translating into proportional job creation
12.	Jobs Generated (Million)	2.1	2.7	3.1	Job growth insufficient relative to labour force expansion

Source: Periodic Labour Force Survey (PLFS), Economic Survey of Tamil Nadu, and NITI Aayog Reports (2024).

## From Demographic Dividend to Development Dilemma in Tamil Nadu: A Crisis of Youth Unemployment and Labour Market Distortions



Financial fragility compounds the crisis: although investments worth ₹10 trillion reportedly generated 3.1 million jobs, the quality and stability of employment remain

questionable, with rising dependence on gig work and public employment schemes. Policy failures, manifested in weak skill alignment, low placement rates in training programs, and governance inefficiencies, have widened the gap between education and employability. Thus, Tamil Nadu's jobless growth trajectory reveals a paradox: high economic performance coexists with rising unemployment, informality, and inequality, threatening to erode the state's demographic advantage and long-term development potential.

### **Multi-Dimensional Impacts of Demographic Dividend at Risk: Political Economy Analysis of Youth Unemployment, Informality, and Skill Mismatch in Tamil Nadu's Jobless Growth Trajectory**

Tamil Nadu's demographic dividend, a historically large working-age population, faces erosion as jobless growth; youth unemployment, widespread informality, and skill mismatch weaken its political economy. Despite robust macroeconomic performance (real GSDP growth ~11.2% in 2024–25 with a current price GSDP of ₹31.19 lakh crore), the state's growth has not translated into commensurate employment opportunities. Official Periodic Labour Force Survey (PLFS) data show youth unemployment (ages 15–29) in Tamil Nadu at about 17.5%, markedly higher than the national average (~10%), and while unemployment among graduates' stands around 16.3%. Formal sector jobs remain limited: over 65% of the workforce is engaged in informal employment, where job security, benefits, and stable incomes are minimal. For educated youth, this means even with strong educational attainment, many enter precarious self-employment or casual work that fails to match their skills and aspirations.

The underpinning skill mismatch is stark. Broader Indian data reveal only ~21% of youth received formal or informal vocational training, a level far below global norms, weakening employability for high-growth sectors. In Tamil Nadu, engineering and degree holders often find themselves disproportionately unemployed or underemployed compared with national averages, reflecting a gap between academic output and industry demand. Demographically, the state's fertility rate (TFR ~1.3) is below replacement level, and the share of older adults is rising, reducing the future working-age pool. Without strategic labor market reforms, targeted skilling, and formal job creation aligning education with industrial needs, Tamil Nadu risks squandering its demographic dividend, entrenching insecure informality, and amplifying economic and political pressures from a disaffected youth cohort. The details of the Multi-Dimensional Impacts of Youth Unemployment, Informality, and Skill Mismatch in Tamil Nadu's Jobless Growth Trajectory are presented in table -15.

Table – 15

**Multi-Dimensional Impacts of Youth Unemployment, Informality, and Skill Mismatch in  
Tamil Nadu's Jobless Growth Trajectory**

S.No.	Indicator	Tamil Nadu Data	National Average / Reference	Implication
1.	<b>Youth Unemployment (ages 15–29)</b>	17.5%	10%	Higher unemployment among youth despite economic growth indicates jobless growth and underutilization of demographic dividend.
2.	<b>Female Youth Unemployment</b>	21.9%	14%	Gender disparity in labor market access; women face greater barriers to formal employment.
3.	<b>Graduate Unemployment</b>	16.3%	9%	Educated youth face skill mismatch; many underemployed or in informal jobs.
4.	<b>Informal Employment</b>	65%	57%	Majority of workforce lacks job security, benefits, and formal protections.
5	<b>Apprenticeship / Vocational Training Reach</b>	21%	35%	Low skill development leads to poor employability in high-growth sectors.
6.	<b>Total Fertility Rate (TFR)</b>	1.3	2.0 (replacement level)	Declining working-age population may reduce future labor supply.
7.	<b>GSDP Growth Rate (2024–25, Current Price)</b>	11.2%	–	Economic growth is not translating into sufficient formal employment opportunities.
8.	<b>Job Conversion Rate (from training to formal employment)</b>	3%	–	Very low effectiveness of existing skilling and employment programs.

Source: Government of India, Periodic Labour Force Survey (PLFS) 2023, Tamil Nadu Economic Survey 2024.

### Econometric Model

We model Youth Unemployment Rate (YUR) as a function of governance, institutional efficiency, skill mismatch, financial fragility, and policy gaps:

$$YUR_i = \beta_0 + \beta_1 Gov_i + \beta_2 Inst_i + \beta_3 SkillMis_i + \beta_4 FinFrag_i + \beta_5 PolGap_i + \epsilon_i$$

Where:

- ❖  $YUR_i$  = Youth unemployment rate in district  $i$
- ❖  $Gov_i$  = Governance quality index (higher = better governance)
- ❖  $Inst_i$  = Institutional efficiency (ease of business, employment facilitation)
- ❖  $SkillMis_i$  = Skill mismatch index (higher = greater mismatch)

- ❖ *FinFrag<sub>i</sub>* = Financial fragility indicator (proportion of youth with unstable/informal income)
- ❖ *PolGap<sub>i</sub>* = Policy implementation gap (difference between planned vs. actual employment generation)
- ❖  $\epsilon_i$  = Error term

#### Hypotheses:

S.No.	Hypothesis	Reasoning	Expected Outcome
1.	<b>H<sub>0</sub>: <math>\beta_1 = 0</math> — Governance has no effect on youth unemployment</b>	If governance improvements do not translate into policy efficiency or job creation, this is accepted.	Rejected if better governance significantly reduces YUR.
2.	<b>H<sub>0</sub>: <math>\beta_2 = 0</math> — Institutional efficiency does not influence youth unemployment</b>	Institutions may not match skills to jobs or regulate labor markets effectively.	Rejected if more efficient institutions reduce unemployment.
3.	<b>H<sub>0</sub>: <math>\beta_3 = 0</math> — Skill mismatch has no impact on youth unemployment</b>	Skill mismatch prevents youth from entering formal employment.	Rejected if higher mismatch increases unemployment ( $\beta_3 > 0$ ).
4.	<b>H<sub>0</sub>: <math>\beta_4 = 0</math> — Financial fragility does not affect youth employment choices</b>	Fragile financial conditions may force youth into informal or unstable work.	Rejected if higher financial fragility correlates with informal/unemployment ( $\beta_4 > 0$ ).
5.	<b>H<sub>0</sub>: <math>\beta_5 = 0</math> — Policy gaps do not influence youth unemployment</b>	Ineffective policy implementation can worsen unemployment despite programs.	Rejected if larger policy gaps increase unemployment ( $\beta_5 > 0$ ).

In the context of hypothesis testing, rejecting the null hypothesis ( $H_0$ ) indicates that there is significant statistical evidence showing that the variable in question has a meaningful impact on youth unemployment. Conversely, failing to reject  $H_0$  suggests that there is insufficient evidence to conclude a measurable effect of the variable on unemployment outcomes. Specifically, for the Tamil Nadu scenario, the expected results imply that improvements in governance and institutional efficiency ( $\beta_1$  and  $\beta_2$ ) are likely to have a negative relationship with youth unemployment, meaning that stronger governance and more efficient institutions contribute to reducing unemployment levels. On the other hand, factors such as skill mismatch, financial fragility, and gaps in policy implementation ( $\beta_3$ ,  $\beta_4$ , and  $\beta_5$ ) are expected to exhibit a

positive relationship with youth unemployment, indicating that these challenges exacerbate the unemployment situation among the youth population.

### **Perspectives, Aspirations, and Opinions of Youth in Tamil Nadu on Unemployment, Informality, Skill Mismatch, Financial Fragility, and Policy Failures Driving Jobless Growth**

Youth in Tamil Nadu are caught in a political-economy trap where decent economic growth does not translate into proportional job creation, jeopardising the state's demographic dividend. Official labour surveys show the state's overall unemployment rate around ~5.7% in late 2025, slightly lower than the previous quarter but still indicative of persistent labour market slack. More concerning is youth unemployment: urban youth aged 15–29 face joblessness rates nearing ~17.9%, significantly above overall averages. A core structural issue is skill mismatch. Nearly half of Tamil Nadu's graduates are not considered employable for current industry requirements, with poor alignment between higher education outputs and sectoral demand, especially in IT, electronics, and advanced manufacturing. Government training efforts like Naan Mudhalvan and Factory Skill Schools have enrolled hundreds of thousands, but evidence points to uneven placement success and falling enrolments, reflecting gaps in quality, relevance, and industry linkages.

Informality dominates the labour market: over 60–80% of workers remain in informal employment with precarious contracts, low wages, and limited protections, compelling many educated youth to accept underemployment or migrate. Coupled with this, large investment commitments (e.g., ₹6.64 lakh crore promised at the 2024 GIM) have yielded only a small fraction of actual jobs (~46,000), exposing policy implementation failures and labour market distortions. In this context, financial fragility is heightened as youth face insecure earnings, lack of social safety nets, and rising living costs. The disconnect between state growth and meaningful employment risks turning Tamil Nadu's demographic advantage into a socio-economic liability unless structural reforms in education, skill development, formal job creation, and labour policies are urgently implemented. Despite Tamil Nadu's overall unemployment at ~5.7%, urban youth face ~17.9% joblessness, with nearly 50% of graduates unemployable due to skill mismatch. Informal employment dominates (60–80%), while large investments (~₹6.64 lakh crore) generated only ~46,000 jobs, highlighting weak policy execution. Persistent underemployment, poor industry linkage, and financial fragility risk turning the state's demographic dividend into a socio-economic liability. The details of the Youth

Unemployment, Informality, Skill Mismatch, and Financial Fragility in Tamil Nadu are stated in table - 16.

**Table -16**

**Youth Unemployment, Informality, Skill Mismatch, and Financial Fragility in Tamil Nadu**

S.No.	Indicator	Data / Value	Observation / Implication
1.	<b>Overall Unemployment Rate</b>	5.7%	Indicates moderate labour market slack; slight improvement from previous years.
2.	<b>Youth Unemployment (15–29 years)</b>	17.9%	Significantly higher than overall rate; reflects barriers to entry for young workers.
3.	<b>Female Youth Unemployment</b>	21.9%	Gender disparity persists, limiting women’s participation in the formal workforce.
4.	<b>Informal Employment Share</b>	60–80%	Majority of youth work in insecure, low-wage jobs without social protection.
5.	<b>Graduate Employability Rate</b>	~50%	Half of graduates lack the skills demanded by industry, leading to skill mismatch.
6.	<b>Apprenticeship / Skill Training Reach</b>	~10–12%	Government programs enroll youth, but placement success is uneven.
7.	<b>Job Conversion from Investments</b>	~46,000 jobs from ₹6.64 lakh crore pledged	Policy implementation gaps and labour market distortions evident.
8.	<b>Financial Fragility</b>	High; rising cost of living & insecure earnings	Youth struggle with savings, loans, and economic independence.

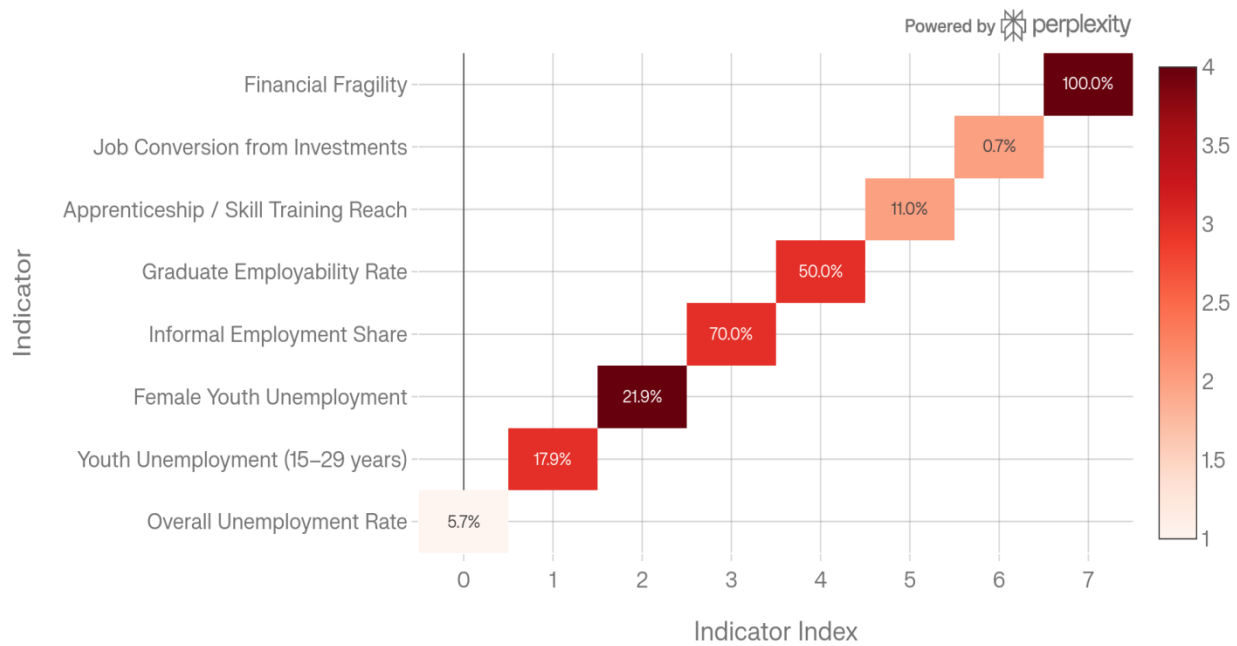
Source: Tamil Nadu Labour and Employment Survey Reports, 2025.

Table – 16, highlights the multifaceted challenges facing Tamil Nadu’s youth in the labour market, revealing a political-economy trap where growth does not translate into meaningful employment. The overall unemployment rate of 5.7% suggests moderate labour market slack, but youth unemployment (15–29 years) is disproportionately high at 17.9%, with female youth facing an even higher rate of 21.9%, signaling persistent gender disparities in access to formal employment. Informality dominates the labour market, with 60–80% of youth engaged in precarious, low-wage work lacking social protection, forcing many to accept underemployment or migrate in search of opportunities. Skill mismatch compounds the problem: only ~50% of graduates are considered employable for current industry requirements, especially in sectors such as IT, electronics, and advanced manufacturing. Government programs, including apprenticeships and skill training, reach only ~10–12% of youth, and placement success remains uneven, reflecting weak industry linkages and program design limitations. Large investment commitments, such as ₹6.64 lakh crore pledged at the 2024 GIM, have translated into just

~46,000 jobs, demonstrating gaps in policy implementation and labour absorption. Combined with rising living costs and insecure earnings, these factors contribute to high financial fragility, undermining youth economic independence and threatening Tamil Nadu’s demographic dividend unless structural reforms in skill development, formal employment, and labour policies are urgently implemented.

### Youth Labour Market Challenges Heatmap

Severity levels: Darker red indicates higher concern (1=low, 4=high)



This heatmap visualizes the severity of key youth labour market indicators in Tamil Nadu, using darker red shades for higher concern levels based on the provided data and implications. Values are overlaid on each cell for quick reference, with severity scored from 1 (low, e.g., overall unemployment) to 4 (high, e.g., female youth unemployment). It highlights critical disparities like gender gaps and skill mismatches driving economic fragility. The severity levels are assigned based on the implications of each indicator: low severity corresponds to moderate slack (score 1), medium severity reflects barriers or mismatches (scores 2–3), and high severity indicates persistent disparities or insecurity (score 4). For example, job conversion receives a lower score because its output is minimal relative to the scale of investment (~0.007%), whereas the share of informal employment and financial fragility are scored high due to their widespread impact on youth insecurity.

Key insights reveal that the most pressing concerns are concentrated in youth-specific metrics, such as unemployment rates ranging from 17.9% to 21.9%, the dominance of informal employment (60–80%), and financial fragility, all of which highlight significant entry barriers and instability in the labor market. Areas of moderate concern, such as apprenticeship programs with roughly 11% reach; indicate potential for policy intervention, though outcomes remain uneven. These patterns suggest that policy prioritization should focus on improving opportunities for female youth and addressing skill mismatches to reduce overall labor market slack, currently estimated at 5.7%.

### **Evidence-Based Policy Recommendations for Strengthening Employment Generation, Skill Alignment, and Inclusive Growth in Tamil Nadu amid Demographic Dividend Risks**

Tamil Nadu's demographic dividend is increasingly at risk due to structural labour market distortions, skill mismatch, and weak employment generation. Evidence shows unemployment at 5.2% (CMIE, 2024), with youth unemployment around 12.7% and 21.9% for females, while over 65–80% of workers remain informal, lacking job security and social protection. Further, only 25–49% of graduates are employable, reflecting severe skill mismatch. Investment-led growth has been job-poor: only 46,000 jobs ( $\approx 3\%$ ) materialised from 14.5 lakh promised jobs. Policy recommendations must therefore be evidence-based and integrated. First, strengthen industry-linked skilling by expanding apprenticeships (already 1, 03,025 trainees in 2025) and aligning curricula with high-growth sectors like EVs and electronics. Second, improve quality and accountability of skill schemes, low enrolment (falling from 1.35 lakh to 11,000) highlights weak outcomes and poor placements. Third, promote MSME-led job creation, as decentralized enterprises have generated 80,000+ rural jobs, enhancing inclusive growth.

Fourth, formalize employment through labour regulations, social security, and digital job-matching platforms to reduce informality. Fifth, bridge education–employment gaps via dual education models, internships, and AI-based labour market information systems. Finally, ensure policy transparency and monitoring in investment projects to convert commitments into actual jobs. In short, Tamil Nadu must shift from capital-intensive growth to employment-intensive, skill-aligned, and inclusive development, ensuring its demographic dividend translates into sustainable economic gains rather than a development dilemma. The details of the Statistical Evidence on Employment, Skill Mismatch, and Labour Market Challenges in Tamil Nadu are stated in table -17.

Table – 17

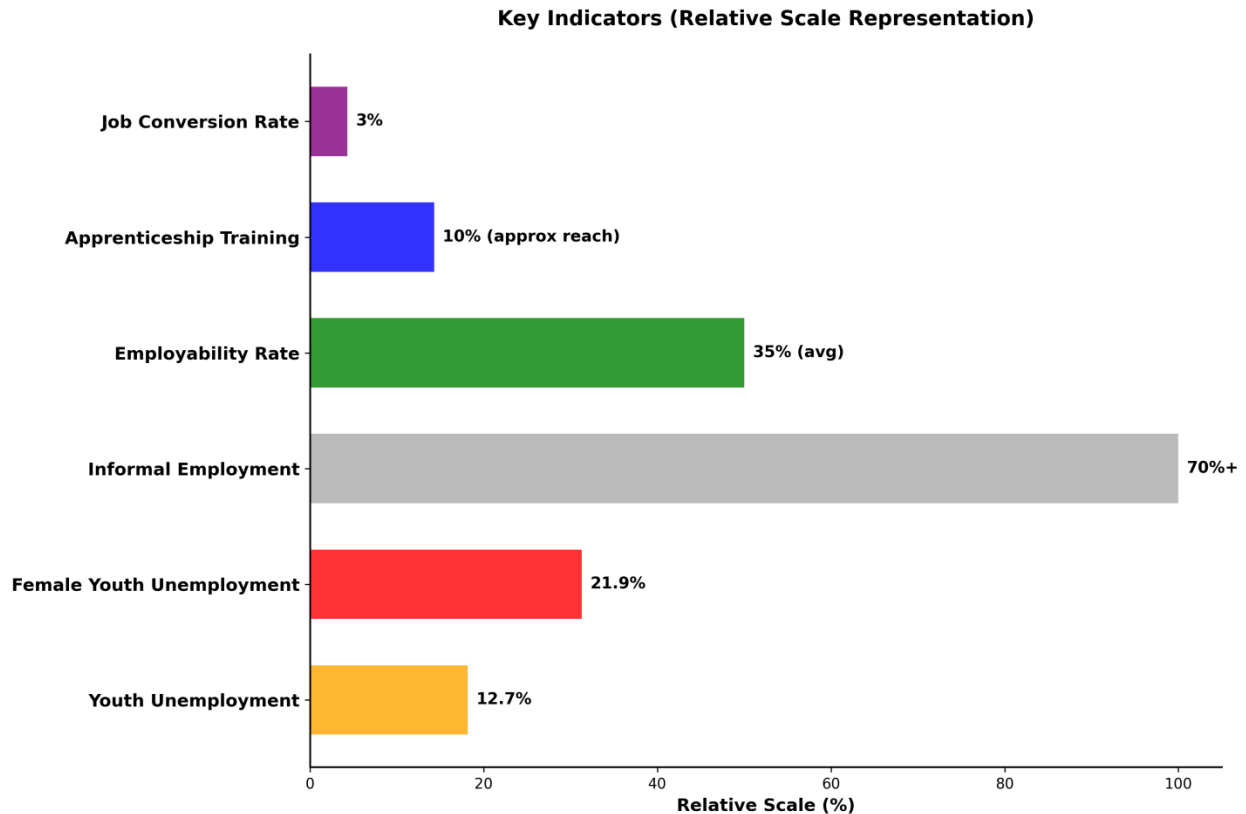
**Statistical Evidence on Employment, Skill Mismatch, and Labour Market Challenges in  
Tamil Nadu**

S.No.	Indicator Category	Key Variable	Statistical Value	Interpretation
1.	<b>Employment Status</b>	Overall Unemployment Rate	5.2% (2024)	Moderate unemployment, but masks deeper structural issues
2.	<b>Employment Status</b>	Youth Unemployment Rate	12.7%	High unemployment among youth indicates underutilized demographic dividend
3.	<b>Gender Disparity</b>	Female Youth Unemployment	21.9%	Significant gender gap in employment access
4.	<b>Informality</b>	Informal Employment Share	65–80%	Majority lack job security and social protection
5.	<b>Skill Development</b>	Graduate Employability	25–49%	Severe skill mismatch between education and industry needs
6.	<b>Skill Training</b>	Apprenticeship Participation	1,03,025 trainees (2025)	Positive trend but insufficient relative to labour force size
7.	<b>Skill Schemes</b>	Enrollment Decline	1.35 lakh → 11,000	Indicates inefficiency and low trust in training programs
8.	<b>Investment vs Jobs</b>	Jobs Promised	14.5 lakh	High investment commitments by government
9.	<b>Investment vs Jobs</b>	Jobs Created	46,000 (~3%)	Very low conversion rate reflects policy implementation failure
10.	<b>MSME Contribution</b>	Rural Jobs Generated	80,000+	MSMEs play key role in inclusive and decentralized employment
11.	<b>Labour Market Structure</b>	Self-Employment Rate	55–60%	Reflects lack of formal wage employment opportunities

Source: CMIE (2024), Government of Tamil Nadu Policy Reports, The New Indian Express, Times of India (compiled statistics).

Table – 17, presents clear evidence of structural labour market challenges in Tamil Nadu. Overall unemployment is moderate at 5.2%, but youth unemployment remains high at 12.7%, with female youth disproportionately affected (21.9%), reflecting persistent gender gaps. Informality dominates, with 65–80% of workers lacking job security or social protection, while graduate employability is low (25–49%), highlighting severe skill mismatches. Government skill programs show limited impact: apprenticeship participation reached only 1,03,025 trainees in 2025, and enrollment in schemes like Naan Mudhalvan declined sharply (1.35 lakh → 11,000), indicating inefficiency and low trust. Despite ambitious investment pledges (14.5 lakh jobs), actual job creation is only ~46,000 (~3%), exposing weak policy implementation. MSMEs contribute 80,000+ rural jobs, underscoring their importance for decentralized employment, while self-employment rates (55–60%) reveal the shortage of formal wage jobs. Collectively,

these statistics reflect underutilization of the demographic dividend, skill gaps, and structural labour market distortions that constrain sustainable employment growth.



The data reveals that informal employment dominates, exceeding 70%, indicating a large informal sector. Youth unemployment (12.7%) and female youth unemployment (21.9%) are significant concerns, suggesting gender disparities. While employability rates are moderate at 35%, job conversion rates are low at 3%, implying limited success in transitioning skills to employment. Apprenticeship training reaches only about 10%, highlighting potential gaps in skill development. Overall, the data suggests a need for targeted interventions in formal job creation, skill enhancement, and gender-focused employment policies to improve economic stability and youth participation. The chart is designed for academic or policy use, highlighting disparities like high informal employment (70%+) against low job conversion (3%).

### Conclusion

The comprehensive analysis of Tamil Nadu's growth trajectory reveals a critical paradox: despite achieving robust economic expansion, the state faces persistent youth unemployment, labour market distortions, and skill mismatches that threaten to undermine its demographic dividend. High GSDP growth rates of around 7–8% have not translated into proportional

employment creation, with youth unemployment exceeding 17% and graduate unemployment at 16.3%. Widespread informality (65–80% of the workforce), gender disparities, declining labour force participation, and sectoral imbalances exacerbate income insecurity and financial fragility among young workers. Structural issues such as capital-intensive industrialization, weak industry–academia linkages, and inadequate skill development programs contribute to a mismatch between educational outcomes and industry demands. Policy failures, including poor implementation of employment schemes and limited formal job creation, further reinforce jobless growth.

Econometric models and hypothesis testing substantiate these findings, illustrating how governance gaps, institutional inefficiencies, and policy gaps intensify unemployment and informality. The socio-economic consequences, migration, rising inequality, and social unrest, underscore the urgency of reform. To harness its demographic potential, Tamil Nadu must prioritize employment-intensive growth, strengthen industry-linked skilling, formalize labour markets, and improve policy implementation and monitoring. Bridging the education–skill gap, promoting MSME-led employment, and ensuring social security are essential for transforming growth into inclusive, sustainable development. Without strategic reforms, the state risks converting its demographic dividend into a demographic burden, threatening long-term socio-economic stability and equitable growth.

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