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EDITORIAL ANALYSIS

Skilling to Employment: 87 Million Young Indians Outside Work or Study

 BUSINESS STANDARD

28 August 2026

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CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

 linkedin.com/in/epicbharat

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Skilling to Employment: 87 Million Young Indians Outside Work or Study

 **Business Standard**

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GS3

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INTERVIEW ANGLE

"Only 8.25 per cent of Indian graduates work in jobs matching their qualification. Is that a failure of the education system, of the economy that was supposed to absorb them, or of the assumption that a degree should map to a job at all?"

Source: [Original editorial](#)

Business Standard

 Every fact web-verified against primary sources

THE LIFT LINE

India is training people for jobs in a sector that shed 9.7 per cent of its workers in a single quarter. The skilling is not the problem, and it is not the solution either.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Employment is the single most examined GS3 theme, and this editorial supplies fresh, official, checkable numbers on both sides of the labour market in one place. More importantly it models the **supply-versus-demand** distinction, which is what separates an analytical answer on jobs from a list of schemes.

GS Paper 3: Growth, development and employment; inclusive growth and issues arising from it; effects of liberalisation on employment. **GS Paper 2:** Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

BACKGROUND AND CONTEXT

Two datasets landed together and point in opposite directions from each other.

A new NITI Aayog report finds:

FINDING	FIGURE
Persons aged 15-29 outside education, employment or training	About 87 million
Graduates employed in jobs aligned with their qualification	8.25 per cent

The Quarterly Bulletin of Unincorporated Sector Enterprises, released by the **National Statistics Office** for **Q1 of 2026-27**, finds:

MEASURE	SEQUENTIAL CHANGE
Unincorporated non-farm establishments	Down 5.4 per cent
Employment in them	Down 9.7 per cent
Rural establishments	Down nearly 10 per cent
Rural workforce	Down 13.4 per cent
Manufacturing establishments	Down 8.6 per cent
Manufacturing employment	Down 12.1 per cent

THE ANALYSIS

The two numbers say different things, and the difference matters

87 million NEET youth is a quantity problem. It counts people who are neither building human capital nor using it. It is consistent with several explanations at once: too few jobs, jobs that pay below the reservation wage, discouragement, or care responsibilities keeping people, mostly women, out of the measured labour force.

8.25 per cent of graduates in aligned jobs is a quality problem, and a harsher one. These are people who **did** complete the education pathway. If nine in ten of them are not working in the field they trained for, the credential is not doing what it claims. That is not solved by producing more credentials.

The second number is the one that should unsettle policymakers, because the standard response to the first is more skilling, and the second says the pipeline output is already not matching the demand.

Why the enterprise data is the more important half

Employment growth is arithmetically the product of firms hiring. If the number of firms is falling and employment within surviving firms is falling faster, then **the absorptive capacity of the economy is contracting** while the supply of trained workers rises.

Note the internal structure of the contraction. **Employment fell 9.7 per cent against establishments falling 5.4 per cent.** Employment falling almost twice as fast as firm count means the decline is not only firms closing. **Surviving firms are shedding workers too.** That is a demand contraction, not a churn story.

And the rural numbers are worse than the aggregate on both measures. Rural establishments down about 10 per cent, rural workforce down 13.4 per cent. The unincorporated sector is where most rural non-farm employment lives, and it is precisely the destination for which skilling programmes prepare people.

A caution on reading these figures. These are **sequential**, quarter-on-quarter changes, not year-on-year. Unincorporated enterprise activity has a seasonal pattern, and the first quarter of a financial year in India carries both the pre-monsoon slack season and the agricultural cycle. Some part of the fall is seasonal. The magnitudes, and the fact that employment fell faster than establishments, are still large enough that seasonality alone is an unconvincing complete explanation. An honest answer states both.

The framing error the editorial is pointing at

Indian skilling policy has been built almost entirely as a **supply-side** intervention: train more people, certify them, and employment follows. The theory behind it is human capital theory, and it is sound as far as it goes.

But human capital theory describes the **return to skill given demand for it**. It does not create the demand. If the enterprises that would hire a trained electrician, tailor or machine operator are closing, then training more of them raises the number of qualified unemployed rather than the number employed.

This is why the editorial says skilling is only one part of the challenge. It is not an argument against skilling. It is an argument against treating skilling as the whole of employment policy.

The credential mismatch, looked at honestly

An 8.25 per cent alignment rate admits of several readings, and a good answer distinguishes them.

- **Course composition:** enrolment is heavily concentrated in general degrees, while hiring is concentrated elsewhere.
- **Quality:** the credential is not evidence of the capability it certifies, which is what employability surveys have repeatedly found.
- **Structural:** India's growth has been services-led and skill-biased at the top, generating large numbers of low-skill informal jobs and a relatively small number of graduate-appropriate ones, with a thin middle.
- **Measurement:** "aligned with qualification" is a strict test, and a graduate in a decent job outside their field is not necessarily a policy failure.

The first three are real problems. The fourth is a reason not to treat the number as more precise than it is.

DATA AND INSTITUTIONS VAULT

PRELIMS-GRADE FACTS:

NITI Aayog report: about 87 million people aged 15-29 are NEET, outside education, employment or training; only 8.25 per cent of graduates work in jobs aligned to their qualification.

Quarterly Bulletin of Unincorporated Sector Enterprises, Q1 2026-27 (NSO): establishments down 5.4 per cent, employment down 9.7 per cent sequentially; rural establishments down nearly 10 per cent, rural workforce down 13.4 per cent; manufacturing establishments down 8.6 per cent, manufacturing employment down 12.1 per cent.

NEET here means Not in Education, Employment or Training, an internationally standard ILO and OECD indicator. It is not the medical entrance examination.

The Annual Survey of Unincorporated Sector Enterprises (ASUSE) and its quarterly bulletin cover non-agricultural unincorporated enterprises in manufacturing, trade and other services. They exclude agriculture and the corporate sector.

NITI Aayog replaced the Planning Commission on 1 January 2015. Chairperson: the Prime Minister. It is an executive body, created by a Cabinet resolution, with no constitutional or statutory status.

The Periodic Labour Force Survey (PLFS) is India's official labour force survey, conducted by the NSO; it moved to a monthly release of key indicators in 2025.

Skill India Mission was launched in 2015; the nodal ministry is the Ministry of Skill Development and Entrepreneurship, created in 2014.

PMKVY (Pradhan Mantri Kaushal Vikas Yojana) is the flagship short-term skilling scheme; NSDC is a public-private partnership under the ministry; the National Council for Vocational Education and Training (NCVT) is the regulator, formed in 2018.

The National Credit Framework (NCrF) and NEP 2020 together seek to make vocational and general education credit-transferable, which is the structural response to the alignment problem.

*the **unincorporated sector** is not the same as the informal sector, though they overlap heavily.*

*“Unincorporated” is a **legal form** test: the enterprise is not a registered company. “Informal” is usually an **employment-conditions** test. An unincorporated enterprise can employ workers with written contracts, and a registered company can employ informally. ASUSE measures the first.*

NEET youth are not the same as unemployed youth. *The unemployment rate counts only those actively seeking work. NEET includes discouraged workers who have stopped searching and those out of the labour force entirely, which is why the NEET figure is so much larger and why it is the better indicator of wasted human capital.*

THE DEBATE

For prioritising skilling: the alignment figure shows the pipeline output is genuinely poor quality; employers consistently report difficulty finding job-ready candidates even in slack labour markets; and skilling is within the state's direct control in a way that private hiring is not.

For prioritising demand: you cannot train your way into a shrinking enterprise base; the sector that absorbs most non-farm workers contracted sharply in the latest quarter; and adding qualified workers to a market with no vacancies produces **credential inflation** rather than employment.

The reconciliation, which is the editorial's own position: these are complements, not alternatives, and the policy failure has been treating the first as sufficient. The stated objective must shift from **certificates issued** to **employability, earnings and livelihoods**, which are outcome measures that cannot be met by supply-side action alone. An honest evaluation of skilling would report placement and wage outcomes, not enrolment.

HOW TO THINK ABOUT THIS

The transferable frame: **for any market failure, ask whether the constraint is supply, demand, or matching.** They call for entirely different instruments.

- **Supply constraint:** not enough qualified people. Instrument: training.
- **Demand constraint:** not enough jobs. Instrument: enterprise growth, credit, demand stimulus.
- **Matching constraint:** qualified people and vacancies exist but do not find each other.
Instrument: information, placement, mobility, employment exchanges.

Indian employment policy has overwhelmingly deployed the first instrument. The evidence here suggests the binding constraint is currently the second, with a significant matching problem on top. **Deploying the right instrument against the wrong constraint produces activity without outcomes**, which is a fair description of the last decade of skilling metrics.

Carry this to health, housing and agricultural policy too. It generalises well.

WAY FORWARD

- ① **Change what skilling is measured on**, from certifications issued to **placement rate, wage at placement and wage after twelve months**. What is measured determines what is delivered.
- ② **Diagnose the unincorporated sector contraction** before responding to it, separating seasonality from a genuine decline, since credit, compliance cost and demand each call for a different remedy.

- ③ **Address the enterprise side directly**, through working-capital access for micro-enterprises and reduced compliance load, because employment policy that ignores employers is incomplete.
- ④ **Fix alignment at the course level**, using the National Credit Framework to make vocational credits portable into and out of general degrees, so students are not choosing between a credential and a skill.
- ⑤ **Disaggregate the 87 million**, because discouraged workers, unpaid carers and those in unrecorded work require different interventions and are currently a single undifferentiated number.

PYQ LINKAGE AND PRACTICE

Connects to standing themes on **jobless growth**, **demographic dividend**, and **the informal economy**.

Practice question: *“India’s employment challenge has been diagnosed as a skills deficit and treated as such. Examine whether the binding constraint is supply, demand or matching, with reference to recent official data.”*

Source: Skilling to Employment: 87 Million Young Indians Outside Work or Study — Ujjyari.com | Free UPSC & State PCS Editorial Analysis

● KEY ARGUMENTS AT A GLANCE

Business Standard argues that a new NITI Aayog report showing about 87 million people aged 15 to 29 outside education, employment or training, and only 8.25 per cent of graduates in jobs aligned to their qualifications, exposes a fundamental weakness in India's education-to-work transition, so the objective of education and skilling policy must move beyond producing certificates to improving employability, earnings and livelihoods, but that skilling is only one part of the problem because fresh National Statistics Office data show unincorporated non-farm enterprises and their employment contracting sharply, which means the jobs skilled workers are meant to enter are themselves disappearing.



SUPPORTING

- The qualification-mismatch figure is the sharper of the two headline numbers, because 8.25 per cent of graduates in aligned employment is a statement about the value of the credential itself rather than about the number of jobs.
- The Quarterly Bulletin of Unincorporated Sector Enterprises for the first quarter of 2026-27 records establishments down 5.4 per cent sequentially and employment down 9.7 per cent, with employment falling faster than establishments, which indicates surviving firms are also shedding workers.
- The contraction is sharpest exactly where skilling programmes are meant to deliver, with rural establishments down nearly 10 per cent and the rural workforce down 13.4 per cent, and manufacturing establishments and employment down 8.6 and 12.1 per cent respectively.



MAINS ANSWER FRAMEWORK

QUESTION

India's skilling policy has been framed largely as a supply-side intervention. Examine this framing in the light of evidence on youth outside education, employment or training and on the contraction of unincorporated enterprises. (250 words)

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CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

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