

The Educated Unemployed: Evaluating the Effect of PMKVY on Employment Outcomes for India's Educated Youth

Aditi Tiwari¹, Aditi Thakur², Upama Paul³

¹ BA (Hons.) Economics Shri Ram College of Commerce, University of Delhi, New Delhi,
110007

² BA (Hons.) Political Science, Banaras Hindu University, Varanasi, 221005

³ Master of Public Administration, Jahangirnagar University, Savar, Dhaka 1342, Bangladesh

Corresponding author: Aditi Tiwari; email id: tiwariadi207@gmail.com

Corresponding Author's Contact Number: +91 8448876460

Abstract

India's unemployment sector showcases an unusual trend. Unemployment rises with education rather than falling. This study is being conducted to find whether the source of this issue lies in the demand side or the supply side of the sector. The supply side predicts that the issue lies with the lack of skills within the youth. Whereas the demand side of the issue states the problem lies in the volume of formal wage jobs present in the economy. We find through our research that available evidence is stronger in support of the demand side explanation of the problem. This evidence is presented through the administrative and audit reports of Pradhan Mantri Kaushal Vikas yojana, the periodic labour force data and the CAG's 2025 report. The analysis relies on aggregate secondary data rather than individual level data, therefore these findings are presented as associations and not established causal effects. The study showcases how while upskilling is important, it is not enough to solve the problem of educated unemployment within the country.

Keywords: Educated unemployment, Periodic Labour Force Survey, skill development, PMKVY, labour demand

1. Introduction

India is currently facing a paradoxical phase where it remains one of the largest economies of the world but the quality and structure of its demographic dividend raise concerns about the sustainability of this growth.

It is facing an alarming rise in educated unemployment with recent reports showcasing educated youth forming two thirds of the unemployed in India. The recent Periodic Labour Force Survey of 2025-2026 shows that the unemployment rate for young people of 15-29 years is notably higher. The journey from getting right industry-oriented skills to landing up a good job is still quite uneven. In 2025 over 46000 graduates and post graduates applied for sanitation jobs in Haryana and even 12000 professionals competed for peons' posts in Rajasthan- showcasing the crisis of underemployment. Therefore, the real question to be posed here is that - Is this issue mainly due to skill mismatch or structural failure? Does the current curriculum need to be updated in line with current advancements or Is there a need to analyse the concrete outcomes of government schemes or policies related to education and jobs in India?

1.1 Why PMKVY Is a Useful Test Case

PMKVY offers a real life case study for this question because it directly reflects insights on gap in between education and employment in India. Providing industry equipped training and certifying the youth clearly should indicate in rise of educated employment in India. However, this is only one side of the picture, the other side shows divergence between the intended objectives and real outcomes.

The programme's own administrative record shows certification increasing to 4.9 million candidates between FY2020–21 and FY2024–25 while reported placement fell from 216,102 to just 309 over the same period, before the indicator was dropped from reporting altogether in FY2024–25. This showcases a consistent pattern with the paper's hypothesis. This study does not see this record merely as a programme audit finding, but it considers it as relevant evidence for answering the central research question.

1.2 Research Gap

Existing assessments of PMKVY and related skill development initiatives mainly provide measures at the program level such as number of enrolments, trainings and certifications. This gives us a picture of what is actually happening but no information is given about the program's real concrete impacts. Even the evaluators who actually gather information on placement do it only till knowing if there was any job placement and once the candidate get placed there is any designated authority to assess the quality of the job and salary. This research therefore does not examines whether individual training aligns with the market labour dynamics and also help in explaining how the training system actually works.

In contrast, the proposed study tries to fill this gap in assessing the PMKVY programme by focusing on the outcome of the probability of employment, and examining if the findings of such assessment fit the theory of skill gap or labour market deficit explanation of educated unemployment.

Consequently, the unit of evaluation moves from "how many people were trained" to "whether the training increases chances of landing a desirable job."

1.3 Research Questions

The primary research question that the research is seeking answers to is the degree to which participation in PMKVY effects the employment of educated youth in India, and whether the patterns seen are due to the skill gap or the lack of matching formal jobs.

Further, the research will try to examine whether participation in PMKVY really helps in improving the employment results of youth, and if these results continue to hold importance even when accounting for variations in individuals entering the program. The research seeks to find out if there is a correlation between PMKVY participation and employment chances. Whether beneficiaries are getting relevant jobs according to their skills and education, or being forced into unrelated and lower-skilled sectors ie, underemployment is also a concern of the study.

1.4 Hypotheses

H1: Participation in PMKVY increases the chances of getting employed for educated youth, however, its impact on earnings and employment quality is restricted by the shortage of formal salary-based jobs in comparison with the number of suitable applicants – that is, training influences who gets selected in already available jobs rather than creation of new jobs.

H0: Participation in PMKVY does not have any statistical relationship with employment outcomes of educated youth after accounting for differences in participants and non participants in the programme.

1.5 Importance of the Study

While much of the extant literature and official reports focus on asking the question of "how many people has PMKVY trained," this study is aimed at asking "whether the said training has made any influence on the odds of employment that it was meant to affect and if not, what stops that from happening." This is important for a current policy decision of whether the Indian government skilling expenditure is best utilized by increasing the training capacity or by focusing on job creation and placing of candidates. Such an assessment can help policymakers identify the existing skilling systems gap and ensure that proper mobilization of public resources should be done to produce meaningful employment outcomes.

2. Literature Review

India's skill-development policy can be seen from a supply-side perspective (Sharma, 2018). The status of the jobs, wages, or career progression do not match the job seekers' worth and expectations. A lot of young people are unemployed or underemployed as their abilities have mismatched employers' requirements (Singh et al., 2023). The skill India mission launched The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) which works on boosting employability through short-term training, assessment, certification, recognition of prior learning, and placement-oriented implementation (Guidelines | PMKVY - Pradhan Mantri Kaushal Vikas Yojana, 2021). However, the hypothesis of this proposed study is that the continuous unemployment of educated youth represents a demand-side shortage of appropriate formal jobs.

2.1 Theoretical perspectives

There are a few theories that tried to explain the relationship between skill and job. This article explains the educated unemployment from Keynesian Theoretical view. Here is a brief summary of other theories and Keynesian theory:

Human capital Theory, Signaling and sorting, Job search, reservation wages, and qualification mismatch and Demand-side and structuralist perspectives

Human capital Theory: Proper training can raise productivity and thus increase employment because it improves the skills of the trainees and provides job-relevant knowledge to them. This is the concept Human-capital theory predicts (Becker, 1964). According to Ahamad and Rajesh Kesari vocational education in India adds practical and job-oriented training to improve employability, income, and job stability. At the same time, they are trying to ensure the training quality and curriculum that can align with the industries (Ahamad & Kesari, 2023). Training increases quality; it improves skills. But employment depends on the matter that whether the skills can be used in appropriate employment opportunities (Palmer, 2007).

Signaling and sorting: Arrow presents training not as a way of learning skills that being better workers, but as a filtering process through which employers label talent which exists previously (Arrow, 1973). Spence also explains academic credentials as necessary signals which provide job providers the information of workers' capabilities (Spence, 1973). Certifications offer minimum competence without increasing adequate productivity. This concern follows from the documented focus on quality of provider, institutional mechanisms, and alignment with employer requirements (Bansal and Bala, 2023)

Job search, reservation wages, and qualification mismatch: The theory of job searching focuses on reservation wages, search time, information, and characteristics of job vacancies. Educated youth may turn down a low-end job if the wages, security and prospects are not commensurate with their qualifications and expectations (Zhao et al., 2025).

Demand-side and structuralist perspectives: Employment is treated as a constraint from the perspective of demand side by the number of jobs and composition of environment that firms and local economic structure created. If there is weak demand in industries and service sectors, training cannot help expanding formal employment (Aboobaker and Michell, 2022).

Keynesian Demand-Side Labor Market Theory

This theory gives the framework of the demand-side foundation to understand educated unemployment in India. Because, the theory tells us that unemployment persists when the economy does not generate sufficient employment opportunities. It is a complete challenge towards the classical assumption that the economy will automatically move forward with full employment (Davidson, 2017). The weakness of the expected demands of firms represents a low equilibrium of full employment. In that case, workers' capabilities and willingness for work can not affect them in a good way.

Although skill gaps and weaknesses in employability increase unemployment, employability actually depends on aggregate consumption, investment, and production. The hurdles eventually remain in unavailability of suitable jobs, rather than workers' quality and availability (Sheehan, 2009; Guerrazzi, 2023). Employment in the market depends on the actual demand conditions of the firms. Thus, flexible wages and employment cannot be created automatically (Sheehan, 2009).

The Keynesian theory can be useful for this study because PMKVY trains youths and this training improve their capacity. But this does not ensure to create formal employment that completes match with their quality. Consequently, the following 3 outcomes can be faced by trained and certified graduates- a suitable employment, an employment with lower wages and opportunities, or unemployment because of the unavailability of suitable vacancies. If a post is vacant administratively, that does not mean it would be a realistic substitute for the formal well-matched job. That means lowering expectations does not eliminate unemployment. (McCall, 1970). In that case, available jobs do not match the demand of the workers and unemployment persists. Keynesian analysis connects demand deficiency with the unemployment equilibrium, and it depends on the goods market conditions (Guerrazzi, 2023).

Theory	Core Argument
Human capital theory	Training improves skills, which creates productivity that consequently allows employment prospects for workers.
Supply-side critique	'More trained workers' does not mean 'more jobs'.
Demand-side critique	Employment depends on the job creating firms.
Job-search theory	Jobs may exist, but workers select jobs based on wages, security, working conditions, and environment.
Signaling theory	Certification may provide confirmation of a pre-existing skill and quality without even actually increasing productivity.
Skill-mismatch	Skills and qualifications from the demand side do not always match the requirements of the jobs/supply side.
Keynesian demand side theory	Aggregate demand influences production, which eventually demands more labor, and consequently employment levels grow.

Finally, according to 'Keynesian Demand-Side Labor Market Theory' it can be inferred that training from PMKVY does not create local formal jobs. But it does not mean that the skills are irrelevant. This training session actually improves the quality of job seekers, but it cannot independently create job vacancy, adequate security, and proper job environment.

2.2 Empirical studies evaluating different Labour market policies and their results

The rationale behind PMKVY and other government employment schemes is that skill enhancement and training can provide better job opportunities for the aspiring youth. Effectiveness of the programs cannot be measured solely by enrolment, training, or courses, but also by how these translate into productive output in the job market and improved income opportunities.

The Indian Institute of Public Administration (2016-2020), in its report, mentioned that out of 2.29 million trainees, approximately 1.10 million got placed, resulting in a placement rate of only 48 percent. It highlighted skill mismatch and larger variations in sectoral and regional demand. On the positive side, it also reported an increase in average monthly wages by 112% compared to earlier.

Outcomes were concentrated in fewer sectors like electronics, apparel, IT, and ITeS. Although PMKVY adopted an inclusive approach in training, certification and enrollment, there was still reluctance from migrants and women. The data on participation of different groups in enrollment and training is as follows:

- Women: 48.7%
- SC: 12.43%
- ST: 4.8%
- BPL: 46%
- PWD: 0.9%

The World Bank Group, in its research on active labour market policies (2017) in developing countries, emphasizes that labour policies revolve around four pillars:

1. Supply of labour, which includes training, skill development, and vocational courses;
2. Demand from employers, driven by investments and subsidies;
3. Mediator/provider, i.e., government and recruitment agencies that help bridge the gap between job seekers and employers;
4. Assistance programs by governments that encourage job hiring; (McKenzie, 2017)

In 3 out of 9 studies, it found that vocational training statistically improved employment, with an average increase of about 2-3 percent. It stressed on the fact that traditional ALMPs failed to produce the expected employment effects on earnings, resulting in only a 2 percent increase in employment due to factors like lack of skills and worker-employer mismatch.

To turn these skill development efforts into actual employer demand, focus should be given to structural, sectoral, and spatial mismatches. ALMP evaluation must shift from measuring program outputs to assessing sustained labour-market outcomes.

NSDC and Sambodhi Research (2019) studied the impact of PMKVY 2.0 on youth employment using Propensity Score Matching to compare PMKVY participants with a similar non-participant group.

Key findings of the study suggested that:

- Training and certifications increased employment by 9% (training 8% and certification 2%), suggesting higher demand for training than certification alone;
- Trained individuals earned 15% more on average than their non-trained counterparts;
- 47.5% of trained and certified individuals reported working in the domain in which they were trained;
- However, there was weaker placement assistance, with only 41% of trained and certified persons getting placed;

This report highlighted the need for job counselling, Rozgar Mela, and employment fairs to convert this positive labour-force potential into sustainable, relevant, and quality employment.

An article published by the **Press Information Bureau** (22 July, 2026) highlighted that among short-term training respondents, employment opportunities increased by 188%, aiming to connect training with actual labour market demand. The Government of India and NSDC have exchanged an Memorandum of Understanding (MoU) for establishing a Skills Outcomes Fund on 15th July, 2026 with a proposed corpus of approximately ₹530 crore. The Fund seeks to mobilize Government support, Corporate Social Responsibility investments and philanthropic capital to support over two lakh youth through industry-aligned skills, employment, entrepreneurship and sustainable livelihood pathways.

Answering questions in the **Rajya Sabha on the effectiveness of PMKVY 4.0** (July 2025), The Minister of State (Independent charge) in the Ministry of Skill Development and Entrepreneurship, Shri Jayant Chaudhary, publicly stated that:

- 94% of employers surveyed by NITI Aayog preferred to hire trained employees;
- 52% of the candidates who were placed in full time/part time employment, oriented under the Recognition of Prior Learning (RPL) component received higher salary or felt that they will get higher salary compared to their un-certified peers;
- Over 400 AI training centres, 5G cyber hubs, and green hydrogen training hubs are being established to ensure that trainees gain real-world exposure and industry experience.

3. Research Methodology

3.1 Research Design

This study has been based on quantitative empirical research, designed to examine the relationship between skill development, participation and employment outcomes among the educated labour force of India. The study is observational, i.e. it is based on aggregate secondary data. It is not suited with establishing a causal effect with PMKVY participation and employment. Rather it test observed patterns and whether they are more suited with demand side or supply side explanation of the issue.

3.2 Data Sources

Data Source	Purpose	Time Period
Periodic Labor Force Survey (PLFS), Ministry of Statistics and Program Implementation	Employment status, unemployment, wages, education, gender, location and industry characteristics	PLFS reports multiple years
PMKVY administrative/monitoring data, MSDE	Training, certification, placement and program characteristics	FY2020–21 to FY2024–25
CAG Performance Audit of PMKVY (2025)	Independent assessment of implementation, placement and institutional linkages	Audit period per CAG report, published 2025
MSDE Annual Reports	Program design, targets, implementation and outcome indicators	Multiple years, as cited

The study has primarily been drawn upon the following sources:

The PLFS is a source of government verified information on labour market nuances, while PMKVY data provides the programme level information on training, certification and placement.

3.3 Study Population and Sample

The primary subject of the research is educated youth between 15–29 years of age in India. The analysis will focus particularly on individuals with secondary education or above, with additional analysis for graduates and postgraduates where sample size permits.

3.4 Ethical and Data Considerations

The study will rely mostly on officially published and anonymised secondary data gathered from different sources and reports available in the public domain. No personally identifiable information will be collected or used in the paper. All estimates and programme statistics will be appropriately referenced to their original government sources.

4. Findings and Analysis

In this section of the study there is an analysis of the results from two different evidences described in the methodology. The first one is the Periodic Labour Force Survey data 2025-26. Through this we will establish individual employment patterns, job quality and wages. The other data set is the Pradhan Mantri Kaushal Vikas Yojana administrative and monitoring records and the CAG's 2025 performance audit which will help us examine the outcome of the programme's certification, placement and sectoral absorption. These two data sources allow us to examine the cause of unemployment amongst the educated youth and provides the answer to whether the issue lies on the demand side or the supply side.

One of the most distinct patterns visible in PLFS data is that unemployment rises with education rather than the opposite. The usual status unemployment rate stands as follows

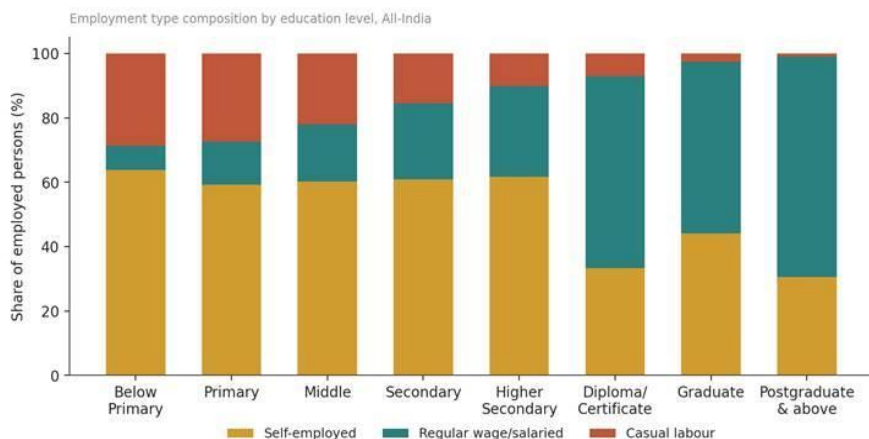
Education Level	Unemployment Rate (%)	LFPR (%)	WPR (%)
Below Primary	0.22	61.2	61.0
Primary	0.66	69.3	68.8
Middle	1.59	61.7	60.7
Secondary	1.93	50.7	49.7
Higher Secondary	4.38	48.1	45.9
Diploma/Certificate	8.64	80.6	73.6
Graduate	13.03	66.2	57.5
Postgraduate & above	12.39	71.0	62.2

Through this we can clearly see that a graduate is roughly fifty nine times more likely to be unemployed than someone with below primary schooling. This result is unusual for a skills gap account under which the ones who do not have much education or skill should find it harder to find work

4.1 Job Quality: Formal Work Remains Scarce Even for Graduates

The data suggests that across the economy, only 21.8% of employment is regular wage or salaried work, 58.4% is self-employment and 19.9% is casual labour. Only 53% of the educated and skilled youth have a formal regular wage job whereas the remaining 44% are self-employed and roughly 3% work casually. Nearly half of employed graduates still outside the kind of formal job their degree targets.

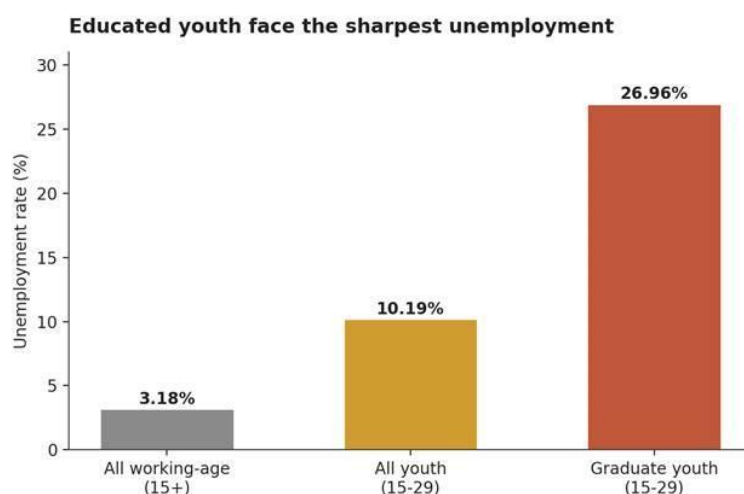
Formal 'regular wage' jobs stay a minority even for graduates



The share of regular wage employment does rise steadily with education, from 7.4% at the below primary level to 68.5% among postgraduates, which shows that credentials do help workers move toward formal employment where it exists. Yet the graduate segment sits at only 53.3% below diploma and certificate holders and well below postgraduates. That pattern fits a labour market in which the supply of graduates has outrun the supply of graduate appropriate formal jobs, pushing a substantial share of them into self employment or a longer search rather than into the formal roles their degrees were meant to lead to.

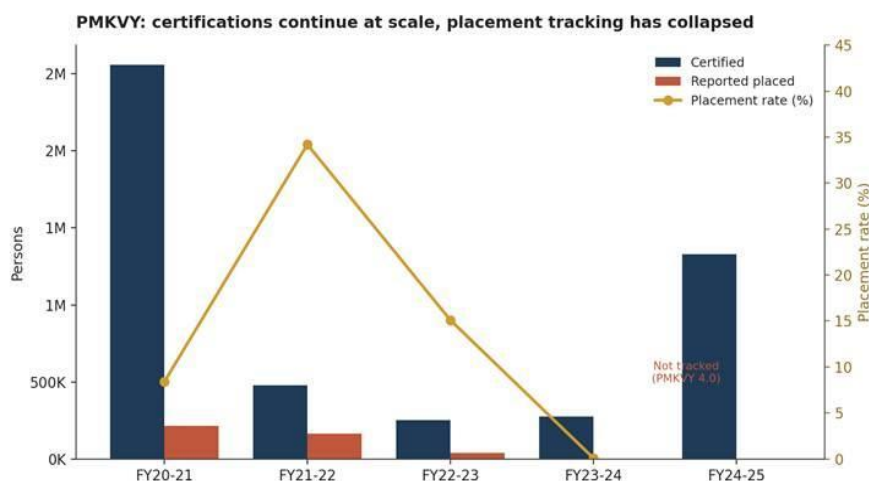
4.2 The Educated Youth Crisis

The gradient is sharpest among young workers precisely the population PMKVY targets. Overall youth unemployment stands at 10.2%, already about three times the working age average of 3.2%. Among graduate youth specifically, the rate rises to 27%. More than one in four graduate job seekers is without work. This is the population at the heart of the paper's research question, and it is also the population for whom additional skilling has the least room to help.



4.3 PMKVY's Supply Side Response: Certification Without Placement

PMKVY has certified 4.9 million candidates between FY2020-21 and FY2024-25. In case of a skills gap issue, a programme certifying millions of candidates would have been expected to showcase a stable placement outcome. Instead, reported placement collapsed over the same stretch from 216,102 in FY2020-21 to just 309 in FY2023-24 even as certification continued. By FY2024-25, PMKVY 4.0 had stopped tracking short term training placement altogether.



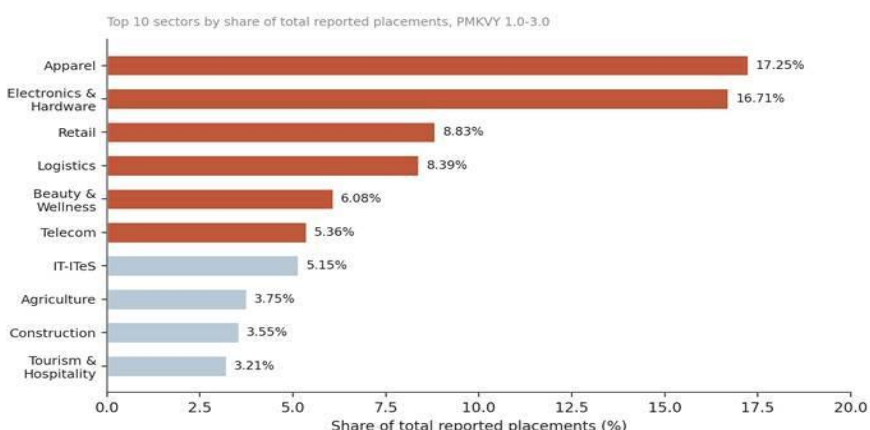
Even in the years placement was still being tracked, outcomes were low and volatile. 8.4% in FY2020-21, a brief rise to 34.2% in FY2021-22, then 15.1% in FY2022-23 after which placements totally collapsed to 0.1% in FY2023-24. Overall, in the four years, only about 11.7% of certified candidates were reported placed.

The administrators of the PMKVY scheme discontinued reporting placement data after FY2023-24. One of the implications of this can be that the low placement numbers became too uncomfortable to report. But since no reason has been announced for the discontinuation, other explanations cannot be ruled out.

4.4 Where Placements Do Occur: Entry-Level, Informal-Adjacent Sectors

PMKVY placements are usually in entry level roles which are concentrated more in the informal sectors of the economy (based on reports of PMKVY 1.0-3.0 for which the placement data is available). The top six sectors of reported placements are apparel, retail, electronics & hardware, logistics, beauty & wellness and telecom. These six sectors together account for approximately 62% of the reported placements. There needs to be more of a move towards more formal salaried sectors of the economy.

PMKVY placements concentrate in entry-level, informal-adjacent sectors



5. Limitations

1. The study is limited by its reliance on secondary data. No primary interviews or surveys were conducted, instead, the study derives its insights from various reports and indices available in the public domain on the topic.
2. PLFS data is cross sectional data and not time series data. Therefore, we cannot say anything about labour over time.
3. The PLFS-PMKVY comparison in this section is structural and aggregate and thus cannot be linked at an individual level.

4. PMKVY's sector wise placement shares carry no wage data, so the concentration in informal adjacent sectors is a qualitative cross check against the PLFS earnings findings, not a wage matched one.
5. Since we are using aggregate level secondary data for analysis and not individual data, it cannot be used to establish a causal effect between PMKVY and employment outcomes. The paper is used to study and identify patterns consistent with different theories of educated unemployment.

Nevertheless, the study provides a critical and useful analysis of the policy gaps and the steps required to further strengthen the reach of the schemes. It examines the implications of the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) for graduate youth in the nation, with a focus on assessing the effectiveness of the scheme.

6. Discussion

The question we are trying to answer through this research was whether the persistent unemployment amongst the educated youth is due to a skills issue or volume of jobs in the economy. Three strands of evidence, read together, are more in tune with demand side explanation rather than a supply side one but they do not eliminate the space for alternate arguments.

1) The gradient runs the wrong way for a skills-gap story

If this was a supply side issue, the data should have shown that unemployment falls with education as more schooling will lead to higher skills. Our analysis shows the opposite. Unemployment rises with education and peaks at graduate and post graduate level. This indicates the presence of a demand deficit account. Workers who do not have a lot of formal training may not always have the time and resources to be able to wait around for a job profile which suits them and may go for whichever casual wage labour is available to them. Whereas the more skilled youth might be able to sustain a long job search to find something which suits them and are thus recorded as unemployed as they wait.

2) Formal job scarcity, not credential scarcity, constrains graduates

Assuming the issue was a lack of skills amongst the youth, trained labour should be concentrated more in casual sector or self-employment. PMKVY should then be able to shift these individuals towards regular wage formal jobs. Whereas the data shows us that the issue lies not in the ceiling set by how many regular wage jobs exist rather than how many workers qualify for them. It is also evidenced by the massive difference in the number of people PMKVY certifies v/s the number of candidates they have managed to place.

3) PMKVY's own outcomes contradict the skills-gap premise

PMKVY is a direct test of the skills gap account. If the issue laid with lack of skills, providing and upskilling so many individuals should have resulted in most if not all of them getting placed. But in reality the placement rates were constantly low and fell to zero before the programme stopped measuring. The programme is constantly training more people each year and not able to provide them enough formal salaried jobs.

4) Alternate explanations

Our analysis cannot rule out the existence of parallel explanations of the issue such as wage expectations, geographical mismatch, job preferences, informality or inadequate labour demand. Since these do not explain the correlation between formal education and unemployment records. Therefore, these can be considered in addition to the demand side answer rather than instead of it.

Taken together the two datasets our more indicative towards the idea that educated unemployment persists in India mainly because of a lack of formal, regular wage jobs which match the candidates qualifications. The issue appears to lie not in the skill level but in the volume and composition of labour demand. This doesn't translate to the idea that upskilling programmes are useless but that that they are not enough to solve the problem of unemployment.

7. Policy Recommendations

- 1) Placement Tracking - It is important to restore audit and report placements by PMKVY which was dropped in FY2024-25 reporting. The policy makers need to be able point out the loop holes and re design the policy which cannot be done without having real

- 2) and reliable data on the issues. Reinstating placement indicators is a precondition for further policy formulation.
- 3) Job creation – There is a need to refocus funding towards producing subsidies and/or other tax rebates to help small businesses grow and create more jobs. A good solution is to invest more in medium industries which require less training and more labour.
- 4) Redirect Training - The current reported placements are more focused on casual entry level and low skill sectors such as apparel, logistics, retail etc. It is important to provide more certifications that translate into more formal well paying jobs in sectors such as finance, engineering etc.
- 5) Tracking wages and job quality - It is also important to track not just job placement but also wages, contract retention and job quality. This data can help translate more placements towards the formal sector and find and fix issues within the upskilling model. Monitoring these outcomes will also help us understand the role of alternate sources of the issue such as geographical barriers, job preferences etc.
- 6) Upskilling as a complementary action - Since the primary constraint is lack of jobs, it is important to treat upskilling as a complementary help and not the sole solution to the employment issue.
- 7) Prioritise labour intensive sectors - In current times, it is important to promote sectors which are more labour intensive and therefore not under a lot of threat from AI.

The most important agenda for the policy makers should be to invest and participate in policies which aid job creation and strengthen employ linkages in the economy. The primary policy metric needs to be job creation and not training and certification.

8. Conclusion

This research set out to figure out the source of youth educated unemployment in India. This study shows that the issue is more in accordance with a demand side explanation wherein the problem lies in the lack of formal salaried jobs present in the country. Through the different datasets we have managed to bring out three conclusions. One of the first conclusions being that employment and education share an inverse relationship. Secondly, that there is an overall lack of formal salaried jobs even in already employed and skilled youth. Thirdly it is very

important to continue recording and auditing placement reports to fix the loopholes and improve PMKVY to help its upskilling mission. This result is more associational than causal due to the data sources being aggregate level secondary data and not individual data.

The research indicates that simply upskilling won't solve the country's issues. The constraint here is a lack of formal salaried jobs that persists in our country. To solve the issue of youth unemployment job creation is the most important policy initiative which needs to be undertaken is job creation. Schemes such as PMKVY can be used as a complement to help people gain better wage placements but it is not a solution which will improve the overall issue. Treating upskilling as the issue rather than job creation may lead to creation of even a larger volume of educated unemployment.

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