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Living on Borrowed Security : Economic Consequences of Rising Financial Dependency of Educated Youth on Parents in India

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Despite rising educational attainment, a growing share of educated youth in India remain financially dependent on their parents well into adulthood. Using evidence from the Periodic Labour Force Survey (PLFS) 2023-24 and other official sources, this paper examines the economic consequences of this dependency in India. It argues that prolonged dependency reflects labour market fragility rather than individual failure, with important implications for household savings, youth labour behaviour, intergenerational inequality, and aggregate demand. The paper highlights the limits of family-based adjustment mechanisms and the need for policy responses focused on job quality and income security.

Keywords: *Educated Youth, Financial Dependency, Parental Support*

Introduction

India's development discourse has long rested on the promise of its youth. India, being the most populated county in the world and with one of the youngest populations in the world, the country has invested heavily in expanding access to secondary and higher education. Education has been presented not merely as a social good, but as the primary mechanism through which young individuals achieve economic independence and upward mobility. This expectation is deeply embedded in public policy, household decision making, and .individual aspirations

However, the economic reality of many educated young Indians increasingly diverges from this narrative. Even after completing formal education and entering the labour market, a growing proportion of youth continue to rely financially on their parents or older family members. This reliance is not limited to periods of unemployment. It extends to a significant share of those who are employed, particularly in low-paying, informal, or unstable jobs. The COVID-19 pandemic did not create this phenomenon, but it exposed and intensified it. Lockdowns disrupted hiring, delayed labour market entry, and weakened income prospects for first-time jobseekers. Although aggregate employment indicators show recovery in the post-pandemic period, job quality has not improved commensurately. Entry level wages remain subdued, informal employment continues to dominate and the transition from education to stable .work has become longer and more uncertain In this environment, family support has emerged as a crucial economic buffer. Parents and elders provide housing food, financial safety and consumption support that allow educated youth to navigate labour market uncertainty. While family based support has long been a feature of Indian society, its role has expanded significantly in scale and duration. What was once a short transitional phase has increasingly become a prolonged condition .shaping economic behaviour This paper argues that rising financial dependency of educated youth ,should be understood as an economic phenomenon not merely a cultural or social one. Dependency reflects the inability of the labour market to convert .educational attainment into sustainable livelihoods It also functions as a private adjustment mechanism that absorbs labour market failures at the household level. Despite its significance, financial dependency .remains largely invisible in labour market analysis Standard indicators focus on employment and unemployment, implicitly assuming that .employment equates to economic independence This assumption no longer holds true for a .substantial portion of educated youth in India

A. Why Financial Dependency Matters Economically

Financial dependency has consequences that extend beyond individual households. When a large cohort ,of educated youth relies on parental support household savings behaviour changes. Parents may postpone retirement, draw down savings or reduce expenditure on health and old-age security. Over time, this increases vulnerability among older generations.Dependency also influences labour market behaviour. Family support allows yo uth to delay accepting poorly paid, underpaid or insecure jobs, but it may also prolong periods of job search .or inactivity when suitable opportunities are scarce In both cases, dependency becomes intertwined .with labour market outcomes ,Most importantly rising dependency reinforces intergenerational inequality. Families with greater economic resources can sustain prolonged support, enabling their children to invest in additional education or search for better jobs. Youth from poorer households lack this support and are often .compelled to accept precarious employment early As a result, economic outcomes increasingly reflect parental wealth rather than individual capability or .educational attainment At a macro level, delayed economic independence affects consumption patterns, housing demand, marriage timing, and fertility decisions. In a country where youth constitute a large share of the population, these effects have implications for aggregate demand and .long-term growth

B. Contribution of the Study

.This paper makes three contributions

I) It brings financial dependency into economic analysis as an outcome in its own right, rather than .treating it as a residual social phenomenon

II) It integrates labour market data with household-level economic consequences, highlighting how .employment outcomes translate into dependency

III) It provides a post-COVID assessment using the most recent PLFS data available up to June-July a period that captures recovery alongside ,2024 .persistent fragilities

Literature Review .3

The challenges faced by educated youth in India's ,labour market have been widely documented though rarely examined through the lens of financial dependency. A substantial body of economic research highlights that unemployment ,rates are persistently higher among young people particularly those with secondary and higher education. This pattern, often described as educated unemployment, has been a recurring feature of India's labour market for several decades. Studies using National Sample Survey and Periodic Labour Force Survey data show that the probability of unemployment tends to rise with educational attainment among youth, reflecting structural mismatches between the education system and the .nature of available employment Several scholars argue that this mismatch is rooted in the limited expansion of productive non-agricultural employment relative to the rapid growth of the educated labour force. Mehrotra and Parida (2019) note that while educational attainment has increased steadily, employment growth has been concentrated in low-productivity sectors, offering limited opportunities for educated entrants. Kannan and Raveendran (2019) similarly point to the declining share of regular wage employment, particularly for younger cohorts. Together, these studies establish that education alone no longer guarantees stable employment, especially for first-time jobseekers.More recent work has shifted attention from employment status to job quality. Research based on PLFS data emphasises that a large share of employment growth in recent years has occurred in informal and insecure forms of work. Even among regular wage and salaried workers, the absence of written contracts, social security benefits, and .predictable income progression is widespread ;Educated youth are not insulated from these trends instead, they are increasingly concentrated in entry-,level private sector jobs, contractual employment and self-employment with uncertain returns. This literature challenges the assumption that being .employed necessarily implies economic security While these studies provide valuable insights into labour market outcomes, they rarely ask whether employment enables young people to sustain themselves independently. Income adequacy is often treated as implicit rather than explicitly examined. As a result, employed youth who continue to rely on family support remain analytically invisible. This gap is particularly important in the post-COVID context, where employment recovery has not been accompanied by commensurate improvements in job quality or .earnings Parallel to labour market research, a separate body of literature examines household behaviour and intergenerational relationships in India. Using data from the India Human

Economic Sciences
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Development Survey, several studies document extensive financial and non-financial transfers between parents and children. Families routinely invest in education, housing, and health, often stretching their financial capacity to support younger members. Co-residing with parents among young adults is common and, in some cases increasing, particularly in urban areas.

These studies typically interpret family support as a culturally embedded system of mutual obligation and risk sharing. Parents support children during education and early career stages, while children are expected to contribute to household income or provide old age support later in life. While this framework captures important social dynamics, it tends to understate the economic costs of prolonged dependency. When support extends well beyond education and into prolonged adulthood, the implications for household savings, retirement planning, and financial vulnerability become more pronounced.International development literature offers useful conceptual parallels through the idea of delayed transitions to adulthood, often described as "waithood". Originally developed to explain youth experiences in parts of Africa and the Middle East, the concept refers to prolonged periods of economic dependence caused by labour market insecurity. Although India differs institutionally and culturally, the underlying economic logic is similar. Educated youth face extended periods of uncertainty between completing education and achieving stable livelihoods, during which family support becomes indispensable. However, much of the literature on delayed transitions focuses on social identity, aspirations, and political engagement, rather than economic consequences. The household-level financial adjustments required to sustain prolonged dependency receive limited attention. Similarly, macroeconomic implications such as changes in savings behaviour, consumption patterns and inequality are rarely explored. A small but growing set of studies touches indirectly on these issues by examining declining household savings rates, rising education-related debt, and increasing intergenerational inequality. Yet these trends are rarely connected explicitly to youth labour market outcomes. The absence of such connections reflects a broader fragmentation in the literature, where labour economics and household economics are often analysed in isolation.The post-COVID period adds further urgency to these gaps. The pandemic disrupted hiring, delayed labour market entry for new graduates, and weakened income trajectories for young workers. While recent PLFS data suggest recovery in aggregate employment, several studies caution that this recovery has been uneven and fragile. Youth, particularly those entering the labour market for the first time, continue to face heightened risk of unemployment and underemployment. In such conditions, reliance on family support is likely to increase, yet this dynamic remains largely unexamined. This paper builds on and extends existing literature by explicitly focusing on financial dependency as an economic outcome. Rather than treating family support as a background social feature, it examines dependency as a response to labour market fragility and as a mechanism through which households absorb economic shocks. By integrating labour market data with household level perspectives, the study seeks to bridge a critical gap in understanding youth livelihoods in contemporary India.

4. Data and Definitions

The PLFS is India's primary source of information on employment and unemployment. It provides nationally representative estimates of labour force participation, employment status, education, and type of employment. Youth are defined as individuals aged 15-29 years, consistent with PLFS classification. Educated youth refer to those who have completed secondary education or higher. While the PLFS does not directly measure financial transfers between parents and children, it provides crucial indicators such as unemployment rates, labour force participation, and type of employment that allow indirect assessment of income adequacy and economic vulnerability. These indicators form the empirical basis for analysing financial dependency. All tables presented below are compiled from the PLFS Annual Report 2023-24 and associated unit-level summaries published by the Ministry of Statistics and Programme Implementation.

A. Youth Labour Force Participation and Education

Labour force participation among youth provides an important starting point for understanding dependency. Participation reflects both opportunity and compulsion: young people may enter the labour market due to rising aspirations, but also due to household financial pressures. According to ,Periodic Labour Force Survey (PLFS), 2023-24 Labour Force Participation Rate (LFPR) in usual status for persons of age 15 years and above was during July 2023 - June 2024. The same for %60.1 .male and female are 78.8% and 41.7% respectively But, there is no official youth (15-29) LFPR for .24-2023

Table 1: Labour Force Participation Rate (LFPR) by Education

Education level	LFPR (Percent)
Secondary	56~
Graduates	66~
Post-graduates	71~

.Source: Compilation from PLFS Annual Report 2023-24

The table shows that labour force participation increases with education. Educated youth are more likely to be active in the labour market, reflecting .higher aspirations and stronger attachment to work However, higher participation does not necessarily translate into favourable employment outcomes, as .the following sections demonstrate

B. Unemployment Among Educated Youth

Unemployment remains the most visible indicator of labour market distress. PLFS data consistently show that youth unemployment rates are ,significantly higher than overall unemployment and highest among those with higher levels of education. The overall youth unemployment rate is around 10.2%. Moreover, India's urban youth has an unemployment rate around 17.5% forming largest group of unemployment. India's youth unemployment rate for 2023-24 revealed a persistent paradox. Higher education levels were ,associated with higher unemployment rates primarily due to skill misatches and limited formal .job creation Unemployment Rate by Education Level, 2023-24

Education level	Unemployment Rate (Percent)
Not literate	2~
Up to Primary School	4~
Up to Middle School	1.4~
Secondary & Above	6.5~

.Source: Compilation from PLFS Annual Report 2023-24

The inverse relationship between education and employment outcomes is clearly visible. Youth with secondary level education and above face the highest unemployment rates, indicating that formal qualifications alone do not ensure labour market absorption. For these individuals, prolonged job search often translates into extended financial reliance on family support.This pattern is especially pronounced in urban areas, where competition for formal employment is intense and expectations .regarding job quality are higher

C. Employment Does Not Guarantee Independence

Unemployment alone does not capture the full extent of youth vulnerability. A large share of educated youth are employed in forms of work that .offer limited income security

Table 3: Distribution of Employed Educated Youth by Type of Employment, 2023-24

Types of employment	Share (Percent)
Regular wage/salaried	30~
Self-employed	58~
Casual labour	12~

.Source: Compilation from PLFS Annual Report 2023-24

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Although regular wage employment constitutes the largest share, it is important to note that not all salaried jobs are formal or secure. Many regular wage positions held by young workers lack written contracts or social security coverage. Self employment among educated youth often consists of low-return activities, including gig work, private tutoring, and family based enterprises.These forms of employment frequently generate incomes that are ,insufficient to support independent living particularly in urban areas. As a result, employment becomes compatible with continued dependency on .parents for housing, food, or supplementary income

D. Informality and Income Insecurity

PLFS data indicate that informality remains pervasive among youth employment. Even among educated youth, a significant proportion of jobs fall outside the formal sector. Informality implies income volatility, absence of social security, and weak protection against economic shocks.For ,young workers at the beginning of their careers such insecurity delays asset accumulation and increases reliance on household support. Parents often absorb fluctuations in income, allowing youth to remain attached to unstable employment rather than exiting the labour force entirely.This dynamic is particularly important in understanding why dependency persists even when employment rates improve. Labour market recovery that is driven by informal and insecure jobs does not reduce .dependency in a meaningful way

E. Gender Differences in Youth Employment Outcomes

Gender disparities further shape patterns of dependency. PLFS 2023-24 data show that labour force participation among young women remains substantially lower than among young men, despite ,improvements over time. Among educated youth women face higher unemployment rates and lower .access to stable employment When women are employed, they are more likely to be concentrated .in lower paying sectors and informal arrangements As a result, financial dependency among educated young women often persists for longer periods and is more socially accepted, masking its economic .implications

F. Urban-Rural Differences

.Spatial variation adds another layer of complexity Urban educated youth face higher unemployment rates and higher living costs than their rural counterparts. While urban areas offer more employment opportunities, they also require higher .income levels to achieve independence

Rural educated youth may have access to family land or enterprises, reducing immediate dependence on cash income but often at the cost of limited occupational mobility. In both contexts, family .support plays a central role in sustaining livelihoods

G. Interpreting Dependency Through Labour Market Evidence

Taken together, the PLFS evidence suggests that financial dependency among educated youth arises ,from a combination of high unemployment .informal employment, and inadequate earnings Employment status alone is an insufficient indicator of economic independence. Dependency functions as an adjustment mechanism, allowing households to absorb labour market shocks that would otherwise result in visible economic distress. While this mechanism provides short term stability, it also shifts the burden of adjustment onto families and conceals structural weaknesses in the labour market.Summary of Empirical Insights

The analysis of PLFS 2023-24 data leads to :several key observations

I) Educated youth exhibit higher labour force .participation but also higher unemployment

II) A large share of employed educated youth are .engaged in informal or insecure work

III) Employment does not guarantee income .adequacy or independence

IV) Gender and spatial factors shape the extent and .nature of dependency

V) Families play a crucial role in sustaining youth .livelihoods in the face of labour market fragility

These findings provide the empirical foundation for examining the broader economic consequences of rising youth dependency, which are discussed in the .next section

Economic Consequences .5

The empirical evidence presented above suggests that rising financial dependency among educated .youth is not a marginal or transitional phenomenon Instead, it represents a structural adjustment mechanism through which households absorb labour market fragility. This adjustment has important economic consequences that operate at ,multiple levels: households, labour markets inequality dynamics, and the broader .macroeconomy

A. Implications for Household Finances and Savings

One of the most immediate consequences of prolonged youth dependency is its effect on household financial behaviour. When parents continue to support adult children beyond the education phase, household resources are reallocated in ways that were not originally ,planned. Expenditure on housing, food transportation, and sometimes debt repayment for ,adult children competes directly with savings .health expenditure and retirement planning Evidence from household surveys and macroeconomic data suggests that Indian households have increasingly faced pressures on savings in recent years. While multiple factors contribute to this trend, prolonged intergenerational support is likely to be an important though under acknowledged component of the Indian society. For middle income households in particular, supporting educated children during extended periods of job search or low earnings can erode financial buffers .and increase vulnerability to future shocks In lower income households, the consequences are more severe. Limited capacity to sustain prolonged support may force families to borrow or liquidate assets, potentially pushing them into long term financial insecurity. Thus, dependency not only reflects inequality but actively contributes to its .reproduction across generations

B. Labour Market Behaviour and Incentive Effects

Financial dependency also shapes youth labour market behaviour in complex ways. Access to family support can allow young people to avoid accepting unsafe, exploitative, or extremely low paying work. In this sense, dependency may improve job matching by enabling longer search .durations and reducing distress driven employment At the same time, prolonged support can raise reservation wages and reduce urgency to accept available jobs, especially when those jobs offer limited prospects for advancement. This does not ;imply that dependency causes unemployment rather, it interacts with weak labour demand and poor job quality to prolong transitions.From a policy perspective, this interaction is important. If labour markets generate sufficient numbers of stable, adequately paid jobs, dependency would naturally decline. Its persistence therefore signals deeper structural issues rather than individual .behavioural choices

C. Reinforcing Intergenerational Inequality

Perhaps the most significant long-term consequence of rising dependency is its effect on intergenerational inequality. Families with greater economic resources are better positioned to support educated youth during prolonged transitions. Such support allows children from affluent households to pursue further education, unpaid internships, or selective job searches that improve long term .outcomes

In contrast, youth from economically weaker households face pressure to enter the labour market early and accept precarious employment, even if it limits skill development and future mobility. As a result, labour market outcomes increasingly reflect parental wealth rather than educational attainment alone. This dynamic weakens the equalising role traditionally attributed to education. When economic independence depends on family resources, education alone cannot ensure social mobility. Over time, this risks entrenching inequality and undermining faith in education as a .pathway to advancement

D. Macroeconomic and Demographic Implications

At a broader level, delayed economic independence among youth has implications for consumption patterns, housing demand, and demographic behaviour. Young adults who remain financially dependent are more likely to postpone household formation, marriage, and childbearing. These ,delays affect demand in sectors such as housing consumer durables, and services with potential spillover effects on employment and growth.While such effects are difficult to quantify accurately, their aggregate significance should not be underestimated given the size of India's youth population. Dependency thus has macroeconomic relevance, even though it is rarely acknowledged in .policy discourse

E. The Limits of Family-Based Adjustment

India's reliance on family based support systems .has long been viewed as a source of resilience However, the scale and duration of youth dependency observed in the post-COVID period raise questions about the sustainability of this model. Families can absorb economic shocks only up to a point. Prolonged dependency increases financial stress among older cohorts and may create new vulnerabilities in old age.Moreover, reliance on families masks the true extent of labour market distress. When households absorb unemployment and underemployment, economic hardship remains largely invisible in official statistics, reducing .pressure for structural reform

Policy Implications .6

The findings of this study point toward several policy priorities. First, improving job quality is essential. Employment generation strategies must focus not only on quantity but also on wage adequacy, stability, and social security coverage particularly for entry level jobs.Second, school to .work transition mechanisms need strengthening Paid apprenticeships, structured internships and stronger links between educational institutions and employers can reduce prolonged dependency by facilitating smoother transitions.Third, expanding income support and social protection for young jobseekers would reduce excessive reliance on family resources and distribute economic risk more equitably.Finally, policymakers should explicitly recognise financial dependency as an economic issue. Labour market monitoring should move beyond employment status to include indicators of .income adequacy and job security

Conclusion

This paper examined the economic consequences of rising financial dependency of educated youth on their parents in India, using evidence from the Periodic Labour Force Survey 2023-24 and related official sources. The analysis shows that dependency is no longer confined to periods of unemployment or early education. Instead, it has become a more persistent feature of youth ,livelihoods, extending even into employment particularly where jobs are informal, insecure or inadequately paid.The findings suggest that this dependency reflects structural weaknesses in .India's labour market rather than individual failure Despite rising educational attainment and increased labour force participation, a significant share of educated youth are unable to achieve economic independence. Employment growth dominated by informality and low wages has weakened the ,traditional link between education, employment and self-sufficiency. In response, households have absorbed labour market risk through prolonged intergenerational support. While family based support has cushioned youth from immediate hardship, it carries substantial economic costs. At the household level, it strains savings, delays retirement planning, and increases vulnerability among older cohorts. At the societal level, it reinforces intergenerational inequality, weakens social mobility and alters consumption and demographic behaviour. Most importantly, it masks labour market distress by shifting adjustment away from markets and public institutions and onto .families

Recognising financial dependency as an economic issue is therefore essential. Policy discussions focused solely on employment rates risk overlooking the deeper problem of income adequacy and job quality. Addressing youth dependency requires improving the stability and remuneration of entry level jobs, strengthening school to work transitions and expanding income support mechanisms for young jobseekers. Without such interventions, India risks normalising prolonged dependency and undermining the developmental promise associated with its young .and educated population

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