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The Failed Promise of Higher Education

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Indian families invest in higher education, trusting it will deliver good jobs for their children. But with jobs growing scarce, work that is available matching neither qualifications nor aspirations, and graduate earnings stagnating, this bargain has broken down.

For nearly four decades, Indian families have invested unprecedented sums in higher education, convinced that degrees will deliver secure, salaried employment. Today, that promise is increasingly difficult to keep. As graduate earnings stagnate and salaried jobs become scarce, parents and young graduates find themselves in a dilemma. Should they wait for the kind of salaried jobs that justify years of educational investment, and if so, for how long? Or should they accept whatever work is available, even if it falls well short of their aspirations?

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The 'cockroach' protests captured this growing frustration. What began as protests over irregularities in examinations and paper leaks quickly became a broader expression of disappointment with an education system and labour market that no longer seem able to deliver on their promises, giving voice, in more ways than one, to this disheartened demographic.

College Expansion

Youth unemployment is not a new phenomenon in India, as the State of Working India 2026 report shows (Azim Premji University 2026). In 2023, about 40% of young graduates were unemployed; not very different from the 35% recorded four decades earlier in 1983. Among graduates aged between 25 and 29 years, the unemployment rate was lower-20%. But this was still higher than that of the older cohorts and non-graduates. More importantly, this 20% in 2023 was much higher than what it was 40 years ago in 1983-12%. This indicates that, for the older cohort of graduates, the incidence of unemployment is higher now.

The crisis of graduate employment today is magnified for two reasons. First, the substantially higher unemployment rate for the 25- to 29-year-olds today than in 1983. And, second, the expansion of higher education and increased tertiary enrolment rates means that the absolute number of the affected demographic is far larger than it was in 1983.

As of 2023, India had 63 million graduates, a 12-fold increase from the 5 million recorded about 40 years earlier. An increase in the number of colleges and a steady increase in household incomes during this period made education far more accessible and affordable. Consequently, enrolment rates climbed steadily-among men aged 15 to19 years, it rose from 49% in 1983-84 to 73% in 2023-24; among women, the increase was even steeper, from 38% to 68% over the same period.

> In 2023, the top three employers of young men, whether graduates or not, were the same-agriculture, trade, and construction.

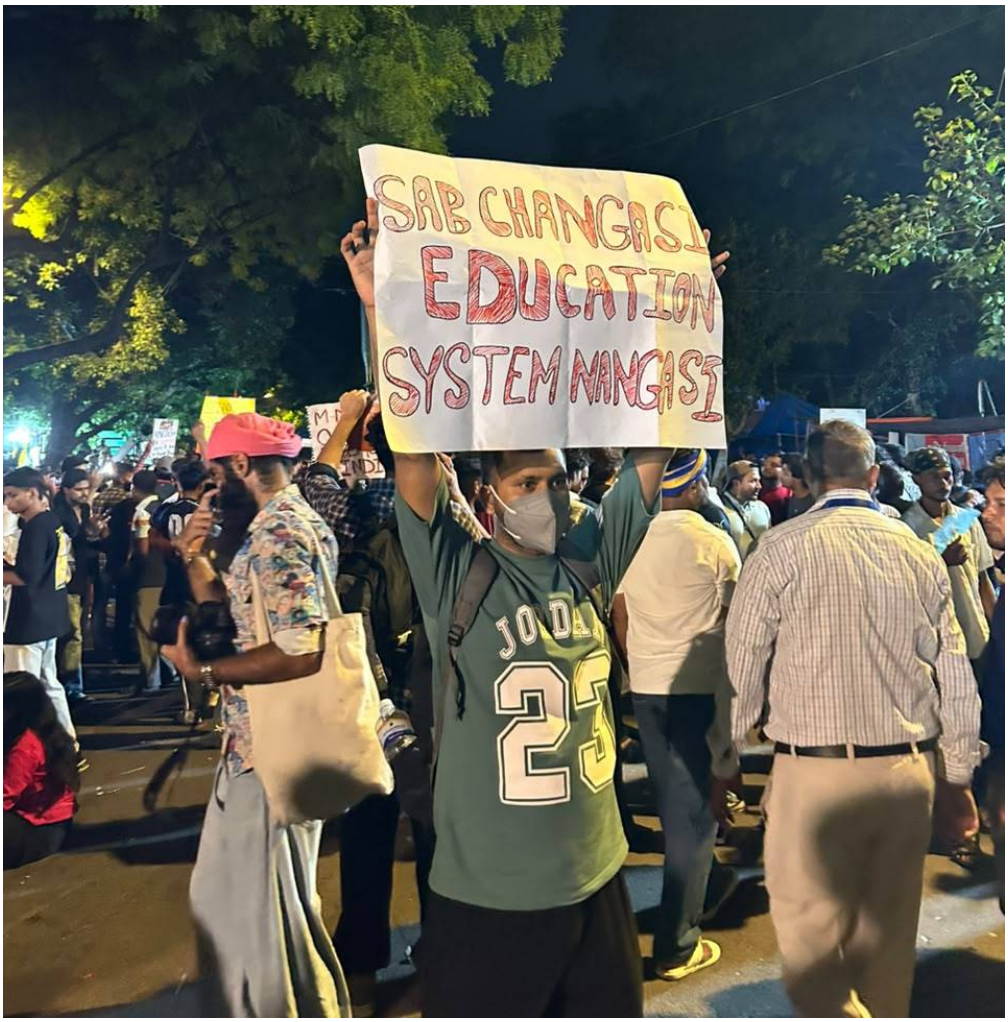
For most families, higher education offered the promise of a secure job with a high salary for their children. The huge increase in salaries, particularly in the services sector, around the period of the economic boom between 2003 and 2008, fueled largely by information technology (IT), further buttressed this promise. From 2004 to 2011, average earnings of graduate men aged 20 to 29 years rose to more than Rs. 20,000 per month in real terms, and grew at a rate of 4% per annum. Higher education was naturally seen as a pathway into these jobs, justifying the large expenditure both in terms of money and time.

Education accounts for a large share of household expenditure. Professional degrees such as engineering and medicine are expensive. In 2017-18, a medical degree cost approximately Rs. 97,400 and an engineering degree about Rs. 72,000 annually. For families in the lower end of the income spectrum, this cost is anywhere between 1.2 and 0.8 times their annual per capita expenditure. Given this substantial investment, e, it is only natural that households will wait for the right kind of job-one that justifies both the forgone earnings during education and the direct financial cost of obtaining a degree.

Waiting For What?

Yet, the labour market offers few such opportunities. In his ethnographic essay, "Timepass: Youth, Class, and Time among Unemployed Young Men in India", Craig Jeffrey, writing more than a decade ago, talks about two kinds of waiting (Jeffrey 2010). One, the waiting for success by Indian parents as they invest in their child's education in anticipation of securing a good job in the future. And the other, the waiting of young men and women for the salaried job of their aspirations. In the India of today, these two forms of waiting have come to collide as college graduates and their parents wait for jobs that do not seem to materialise.

In many ways, it is this collision that we now see taking place in the "cockroach" protests. India's youth see themselves as victims of an educational system, a labour market, and a state that has failed them.



Tracking young male graduates for a year after they first report as unemployed, the State of Working India 2026 report finds, based on the Centre for Monitoring Indian Economy's household survey data, that about half eventually find some kind of work and only around 7% land a permanent, salaried job within that year. The rest cycle through informal, casual, or otherwise precarious arrangements that do not necessarily match the credentials they carry.

The Economic Survey 2024-25 notes that only about 8% of graduates hold jobs that actually correspond to their educational qualification, with over half of graduates and roughly 40% of postgraduates being classified as underemployed.

Comparing the major industry of employment between graduates and non-graduates reveals an important insight. In 2023, the top three employers of young men, whether graduates or not, were the same-agriculture, trade, and construction. Neither were their employment arrangements within these industries very different. Nor, despite the industries being the same, were their occupational profiles very different.

> For graduate men, salaries have fallen, recording an average annual growth rate of -0.1% in the six years since 2017.

For instance, as we report in the State of Working India 2026 report, about 40% of young graduates in construction were working as casual labourers, with their primary occupation being elementary labour or building trade workers. Similarly, in retail, nearly 70% of young graduates were employed as salespersons-either self-employed, unpaid family workers, or salaried workers.

What about earnings? The returns to higher education have also become less generous than before. Although graduates continue to earn roughly twice as much as non-graduates at the time of entry to the labour market, with that gap widening further over their career, the premium itself has stalled in the last few years.

In Table 1, we show how graduate premiums have grown in different time periods. The period between 2004 and 2011, coinciding with India's post-liberalisation growth phase, largely through the IT boom, saw the period of highest earnings growth, men and women, old and young alike. Since then, entry-level salaries for young male graduates have grown much more slowly. In fact, for graduate men, salaries have fallen, recording an average annual growth rate of -0.1% in the six years since 2017.

Table 1: Growth in Graduate Earnings, by Gender and Level of Education (Percent per annum)

	20-29 year olds			30 - 64 year olds		
Men	Below Secondary	Higher Secondary	Graduate & above	Below Secondary	Higher Secondary	Graduate & above
1993-2004	0.4	0.0	2.8	1.3	2.1	4.30
2004-2011	4.0	2.7	3.4	1.7	1.2	2.4
2011-2017	2.8	0.9	-0.8	1.0	0.0	-0.8
2017-2023	0.4	-0.7	-0.1	-0.8	-0.8	-0.3
1993-2023	2.0	1.0	1.9	0.9	0.8	2.0
Women						
1993-2004	-1.2	-2.3	2.4	-0.9	2.9	3.9
2004-2011	4.9	2.7	4.1	2.3	0.2	2.5
2011-2017	4.4	0.7	-0.7	1.0	-0.7	-0.1
2017-2023	-0.6	-0.4	1.0	-0.5	-2.5	-0.4
1993-2023	1.4	-0.02	2.6	0.3	-0.3	2.13

Sources and notes: NSS EUS, PLFS various rounds. Darker shades represent higher annual rate of growth.
This table corresponds to Table 3.3 in the State of Working India Report 2026.

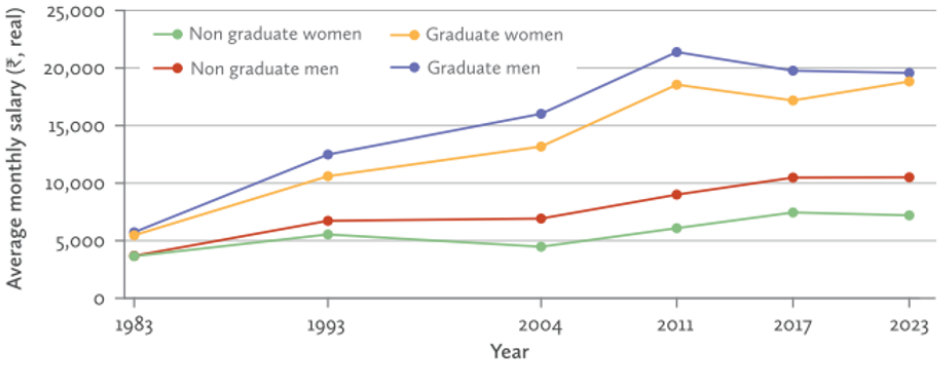
So, a young graduate man earns slightly less today than their counterpart in 2011 (Figure 1). One might ask if this slowdown in returns is a result of the failure of graduate education to sort workers into higher paying industries.

Using a decomposition technique, we find that in reality average wages for graduates have compressed (that is, fallen) in all industries, contributing more to an overall earnings squeeze rather than any compositional change in industries. The wage compression accounts for more than 90% of the fall in average earnings between 2011 and 2023, while changes in the type of industries and jobs (professional, blue collar, or casual labour) explains only about 10% of the wage decline. So, it is not the case that graduates find themselves in the wrong kinds of jobs, but rather graduate jobs themselves have become less rewarding.

The expansion of higher education coincided with a period when India's structural transformation slowed (Basole 2021). Consequently, manufacturing alone could not absorb the massive influx of educated workers and much of employment growth occurred in construction and low-productivity services. The economy produced more graduates without generating a comparable expansion of graduate-intensive

occupations.

Figure 1: Earnings of Graduates and Non-Graduates (1983-2023, Real Earnings, Men and Women)



Sources and notes: NSS EUS, PLFS various rounds. Data pertains to young (20-29) men and women. Earning are deflated using CPI-R and CPI-U with base year 2020. This figure corresponds to Figure 3.15 in the State of Working India Report 2026.

Even for those who manage to secure salaried employment, stable labour market attachment is far from guaranteed. High attrition has become a defining feature of many entry-level jobs in sectors such as retail, customer services, and manufacturing, where workers frequently leave within a few months of joining.

For young graduates, this means that obtaining a job is only one part of the challenge. It is equally difficult to remain in employment that offers reasonable wages, opportunities for career progression, and acceptable working conditions. The result is a labour market characterised not only by unemployment and underemployment, but also by repeated transitions between jobs, periods of inactivity, and fresh rounds of job search.

Aspirations, Attrition, and Skill Mismatch

Separate industry-led surveys (such as the Confederation of Indian Industry-backed India Skills Report) suggest that while employability has been climbing for years, there are persistent employer complaints about workplace readiness and industry-specific skills for graduates. A recurring finding is that a large share of undergraduate and postgraduate curricula is seen by employers as out of step with what industry actually needs.

A widely cited World Bank-Federation of Indian Chambers of Commerce and Industry employer survey of engineering graduates (Blom and Saeki 2011), conducted more than a decade earlier, found that 64% of employers hiring fresh engineering graduates were only "somewhat satisfied" with their skills or worse, with the gap concentrated not in technical knowledge but in soft skills-communication, teamwork, and higher-order problem-solving.

From the perspective of young graduates, however, the mismatch is experienced somewhat differently. The Unstop Talent Report 2026 (Acharya 2026), based on a survey of over 37,000 students and 500 human resource leaders found 73% of undergraduates expect a starting salary above Rs. 5 lakh a year, but only 40% of freshers actually secure such an offer. They reflect the substantial investments that households make in higher education and the long-standing promise that a degree will lead to stable, well-paying employment.

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The disconnect often becomes evident in conversations with young job seekers. One young engineering graduate from Rajasthan we met at a recent mass recruitment drive organised by a staffing agency in Bengaluru described a familiar arc. After completing his degree in Jaipur, he migrated to Bengaluru in search of better opportunities. Nearly a year later, after an extended period of job search, he had only recently secured a short-term internship, which he felt was well below his qualifications and career aspirations, with a stipend that barely covered Bengaluru's cost of living.

While many recruiters complain about "unreasonable" aspirations, "lack of discipline/commitment", in conversations with young job seekers and workers we hear about low pay, irregular payments, long working hours, and bad working conditions.

The recent protests in Noida highlighted this (Rajalakshmi 2026). With no revision of minimum wages for several years, workers had begun to feel the pinch of rising inflation, compounded further by the LPG crisis, leading to widespread protests. While skills mismatch and employability are important concerns, the fact that graduates continue to find it difficult to not just get good jobs but also jobs that pay decently points towards scarcity of jobs and bad pay being a larger issue than "excessive" aspirations and unemployability.

For the last four decades, the Indian state and the private sector encouraged higher education, asking its young people to study more and acquire degrees that would make them more employable and competitive in the labour market. Families, seeing these promises being fulfilled at that time, accepted this bargain, investing in education believing that it would provide security and upward mobility. A highly connected demographic also meant growth in aspirations as they witnessed the prospects and potential of salaried employment.

While the expansion of higher education represents one of independent India's great developmental achievements, this expansion without a corresponding expansion of good jobs has transformed hope into frustration. Unless labour market opportunities begin to match educational aspirations, the crisis facing India's graduates will not simply be one of unemployment.

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The views expressed here are personal and do not represent those of Azim Premji University.

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