

Educational Expansion and Rising Graduate Unemployment in 21st-Century India

■ Dr. T. K. Jayaraman

Introduction

The first quarter of the 21st century has been marked by two parallel trends in India: the rapid expansion of higher education and the persistence of high graduate unemployment. The number of Indian Institutes of Technology (IITs) has increased significantly from the four that existed in the early years after Independence. Regional Engineering Colleges (RECs) were upgraded into National Institutes of Technology (NITs), medical colleges expanded their intake, and professional streams such as pharmacy, nursing, allied medical sciences and healthcare proliferated.

Yet, paradoxically, unemployment among educated youth has remained stubbornly high. This article examines the structural imbalance between the expansion of

education and the creation of employment opportunities, the widening inequalities between urban and rural youth, and the emergence of Gen Z as both one of India’s greatest hopes and one of its most serious challenges.

Higher Education and Growing Unemployment

Table 1 provides information on trends in higher education over the past 25 years, covering engineering and technology, medical sciences and healthcare. This expansion reflects deliberate government policies aimed at upgrading RECs into NITs, establishing new IITs and increasing medical seats. The government also sought greater participation by the private sector by liberalising its entry into professional education across various fields.

Data on employment outcomes are presented in **Table 2**. Although employment rates were relatively encouraging during the first five years of the century, they subsequently declined, with the decline being somewhat less pronounced among MBBS graduates. This may partly be attributed to government initiatives aimed at expanding medical services in rural areas through government- and panchayat-controlled health centres.

Despite the expansion of higher education, graduate unemployment has increased. One important factor is the oversupply of graduates in traditional engineering disciplines such as civil, mechanical and electrical engineering, reflecting the limited absorption capacity of the manufacturing sector. In recent years,

crises surrounding the credibility and conduct of competitive entrance examinations have further aggravated the mismatch between educational qualifications and employment opportunities.

Table 3 highlights the urban-rural inequalities in the preparation of young people with higher-secondary qualifications seeking admission to colleges. The table presents striking differences between urban and rural youth. Interestingly, the overall gap is narrower in graduate unemployment, at around 7 percentage points, than in several other indicators of educational opportunity.

Urban, middle-class families continue to have greater access to elite institutions such as the IITs, NITs and leading medical colleges, while many rural youth have remained dependent on underfunded universities or informal employment. This widening inequality is a defining feature of Gen Z educational landscape.

Table 4, which examines the growth of informal-sector employment, presents another revealing picture. While the share of informal employment in the urban workforce is below 70%, it is around 85% in the rural workforce. The rural informal sector therefore accounts for a substantially larger share of employment than its urban counterpart. Even in 2025, approximately four out of five Indian workers remained in informal employment. This highlights the continuing mismatch between the expansion of formal education and the economy’s capacity to generate formal, productive employment.

Gen Z: Two Faces of India’s Youth

The term Gen Z refers broadly to the generation born between the late 1990s and the early 2000s. Today, this generation constitutes a large and increasingly influential section of India’s youth. It also embodies many of the country’s contradictions.

TABLE — 3 : Educational Attainment Gap

Indicator	Urban Youth (2025)	Rural Youth (2025)	Gap
Gross Enrollment Ratio (Higher Education)	51%	26%	25 percentage points
Graduate Unemployment Rate	22%	29%	7 percentage points
Access to Coaching/Private Colleges	68%	18%	50 percentage points
Digital Access (Internet Penetration)	78%	34%	44 percentage points

Source: Periodic Labour Force Survey (PLFS) and others: For details, contact author

TABLE — 4 : Informal Sector Employment Growth (2000–2025)

Sector	2000 Informal Employment	2015 Informal Employment	2025 Informal Employment	2025 Share of Total Employment
Urban Informal Sector	~120 million	~160 million	~190 million	~68% of urban workforce
Rural Informal Sector	~220 million	~250 million	~280 million	~85% of rural workforce
Total Informal Employment	~340 million	~410 million	~470 million	~80% of national workforce

~ = approximation

Source: International Labour Organization (ILO) and others. For details, contact author



There are, in effect, two faces of Gen Z. One consists of IIT and NIT graduates, MBBS doctors, pharmacy and nursing professionals and other highly trained young people who are globally competitive, digitally fluent and innovation-oriented.

The other consists of semi-educated, unemployed or underemployed young people, many of whom come from rural or economically disadvantaged backgrounds. Their frustration can manifest itself in protests, social unrest and, in some cases, susceptibility to disruptive or criminal influences. Their impatience with the existing political and institutional system can also translate into a desire for rapid political change between



irregularities, paper leaks as well as unemployment and perceived systemic failures reflected the anxieties of a generation whose educational aspirations have risen much faster than the availability of secure employment.

At the same time, the IIT Delhi convocation demonstrated the other face of India's youth: highly educated, ambitious and determined to contribute to technological and economic progress.

PM's IIT Delhi Convocation Address and Aspirations

The 57th Convocation of IIT Delhi just a week before the Independence Day, brought together more than 3,000 graduating students, including 587 PhD scholars. Prestigious distinctions, including the President's Gold Medal and Director's Gold Medal, were awarded to outstanding graduates. PM Narendra Modi addressed the graduates and inaugurated Param Prakash, a high-performance, AI-driven supercomputing facility at IIT Delhi's Sonapat campus, intended to strengthen research in artificial intelligence, data science and interdisciplinary innovation.

His address adopted language made popular by the present Gen Z youth. Expressions such as "First in my bloodline" were used to encourage pride in pioneering achievements in areas such as space technology, semiconductors and drones. He emphasised that graduates were not merely earning degrees but were also carrying forward the country's aspirations.

At the same time, he cautioned students against the distractions of social media, telling them that "Life is not a leaderboard." He also used humour to acknowledge the uncertainties facing young graduates, remarking, "I am not Baba Bageshwar to predict the future," while recognising that questions about jobs, start-ups and competitive examinations were inevitably on their minds.

The broader message was one of reassurance: India needs its educated youth, and their aspirations must be channelled towards constructive national development.

periodic elections, rather than waiting for the next constitutionally mandated electoral cycle.

This departure from India's long-established democratic practices and traditions has been discussed (see article on "Can India achieve high oncome status by 2047, the centenary year of Independence?", Business Economics, August 1-31, 2026) Nobel laureate in Economics, Professor Amartya Sen, including in his book *The Argumentative Indian* (2005).

The recent protests against competitive examinations brought this contradiction sharply into focus. The anger expressed by young people over examination

PM's Independence Day Address and Frustrations of the Youth

While the Delhi IIT convocation speech of August 8 celebrated the personal success of the graduates linking to national progress, the Independence Day address was full of anguish and sadness. He acknowledged youth frustration, warned against agitators seeking to topple governments outside elections, and offered free online coaching as balm. His sadness was palpable: "India's fastest growth coexists with fragile youth trust".

PM Modi's speech reflected the awareness of "technologically sophisticated unemployment", if AI skilling is not matched by job creation. He assured restoration examination credibility, which is the Achilles' heel of youth trust. Being aware of oversupply of skills in certain fields, he urged diversification into manufacturing and health care, which will be a new industry of its own.

The government's emphasis on artificial intelligence, quantum technology and robotics reflects an attempt to align India's educational system with the emerging technological economy. The proposed ₹1 lakh crore innovation fund and initiatives aimed at AI skilling for one crore young people are intended to build bridges between technological ambition and economic opportunity.

The Prime Minister's emphasis on innovation, manufacturing and healthcare also reflects an awareness that India's economic structure must diversify to absorb its growing pool of educated young people. The country must simultaneously address the issues, including credibility of the competitive examinations, the oversupply of graduates in certain traditional disciplines and the continuing brain drain of highly trained IIT and NIT graduates.

Conclusion

The first 25 years of the 21st century reveal a fundamental paradox. India has expanded higher education dramatically, yet graduate unemployment has remained stubbornly high. Gen Z youth from more fortunate urban based families continue to dominate access to elite educational institutions, while rural youth face significant disadvantages in educational quality, preparation and employment opportunities. Gen Z therefore embodies both aspiration and frustration. The IIT Delhi convocation celebrated innovation and technological achievement, while the wider debate over unemployment and examination irregularities reflects the anxieties of millions of young Indians who do not enjoy the same opportunities.

Unless the expansion of education is matched by job creation, institutional reform and greater sectoral diversification, India risks failing to

fully realise its demographic dividend. The way forward must reconcile aspiration with opportunity: innovation for the privileged, opportunity for the deprived and dignity for all. Only then can the vision of Viksit Bharat 2047 become a meaningful reality.

The 2047 goal is also linked to India's ambition to move into the high-income category based on the latest World Bank's classification criteria, released on July 5, 2026. With the current per-capita income (\$ 2,760 substantially below the high-income threshold (\$ 14,376, per capita) achieving that transition will require sustained economic growth at the annual rate of 10% to 12%, much larger than at the present 7%, higher productivity, better-quality employment and a much stronger manufacturing and services base.

Prime Minister Narendra Modi has described the 25-year period leading up to 2047—the centenary of India's Independence—as "Amrit Kaal", an era of national transformation. The stated objective is for India to become a developed nation by 2047 under the broader vision of Viksit Bharat.

For today's Gen Z, the year 2047 will mark a significant stage of their working and personal lives. Whether they look back on these decades as a period of opportunity or as one of missed potential will depend largely on whether India succeeds in converting its educational expansion into productive employment, inclusive growth and social mobility.

The central task, therefore, is not merely to educate India's youth, but to create an economy capable of employing, rewarding and retaining them. ■

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