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India's SKILLS-JOBS Mismatch Dilemma

INDIA'S LABOUR MARKET IS EXPOSING A GROWING MISMATCH BETWEEN UNIVERSITY DEGREES, EMPLOYABLE SKILLS AND THE JOBS AVAILABLE TO YOUNG GRADUATES

In the late nineteenth-century fiction of Bankim-chandra Chattopadhyay, *Muchiram Gurer Jibon-charit*, Muchiram tries his luck at securing a job in the British Collectorate. Many learned Bengalis, fluent in English, had also applied for the same post. Yet the Colonial Sahib dismissed all of them saying, "It is not the learned man who is fitted for this job, so you can go, babu." Muchiram got the job because the job of receiving petitions from peasants in the courtroom or collecting land revenue did not require a highly educated person.

This story comes to mind when one thinks about the current state of India's labour market. According to the Economic Survey 2024-25, only 8.25 per cent of Indian graduates are employed in "high competency" skilled occupations classified as matching their graduate-level skills, while more than half are in elementary or semi-skilled jobs, indicating working below their potential.

In many cases, young people fail to get jobs because they are overeducated for the available work. When they do find employment, in many cases their university education proves to be of little practical use. Each year, millions of graduates and post-graduates enter India's labour market, but the creation of suitable graduate-level employment has not kept pace with the workforce supply.

The question is: why are our youngsters unable to put their university education to use in the labour market? I am not speaking here of technical education, although the same problem of skill mismatch exists there as well. My focus is on general undergraduate and postgraduate education.

EMERGING ISSUES

Is the problem one of labour demand or labour supply? From the demand side, employers are seeking workers who have the skills to perform the job. From the supply side, many argue that university education is excessively theoretical. Students do not acquire marketable skills. As a result, they are unable to present themselves effectively in the labour market. Therefore, the university curriculum needs radical reforms. For example, instead of overloading the curricula with teaching Milton, Byron, or Rabindranath in literature courses, universities should introduce core courses on how to write feature articles. In mathematics and economics departments, students should be trained to handle big data. At the same time, courses should be introduced to prepare students to work with artificial

intelligence. Many universities in India and abroad are already moving along these lines.

MARKET-ORIENTED EDUCATION

Although there is a growing trend for market-oriented education, there is a problem with this line of thinking. Once a syllabus begins to move in a market-oriented direction, it may become difficult to arrest that flow. Many university teachers may not have the experience or even the inclination to provide this kind of practical training. A distinguished professor of English may teach Tennyson's poetry with dedication and passion, but may not feel the same enthusiasm for teaching students how to write popular journalistic articles.

INDIA RISKS CONTINUING TO PRODUCE DEGREES WITHOUT DIRECTION AND ASPIRATIONS WITHOUT OPPORTUNITY

Thus, the problem of skill match in the labour market remains unresolved. An employer has the responsibility to find the right match of workers for the job in his business. By interviewing a university graduate, a perceptive manager should be able to understand how her/his talents should be used. A philosophy graduate with leadership potential may be trained and appointed as a junior manager at a modest salary, perhaps eliminating the need to hire an expensive MBA graduate.

At the same time, job seekers on the supply side must also take responsibility. They need to shape their résumés in line with labour market demands. An English graduate seeking a journalism job will attract more attention by highlighting her/his published fea-

ture articles rather than essays on Shakespeare. Muchiram understood this: though nearly illiterate, he instructed the person writing his job application not to use correct and polished English.

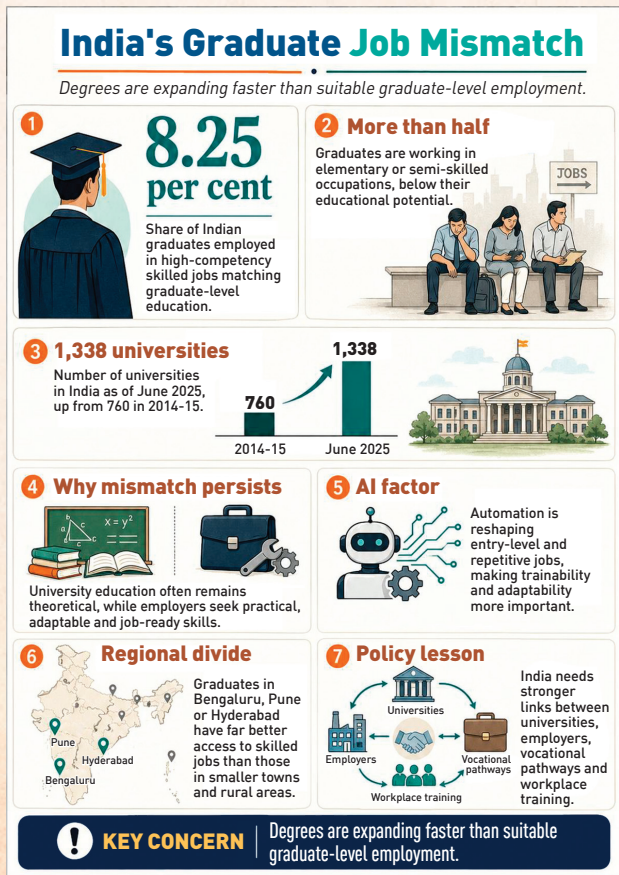
QUALITY OF EDUCATION AND SIGNALLING

Let us now turn to the quality of higher education. Universities today face increasing pressure to expand enrolment. Apart from a few well-known institutions, many universities have fallen prey to this tendency. Grade inflation is another growing concern. As a result, marks and degrees no longer reliably signal quality, making it difficult for employers to distinguish between candidates. This is a slippery slope. As academic standards decline for universities, the demand for their graduates will weaken, eventually eroding the credibility of these institutions in the labour market.

BREAKDOWN OF THE LABOUR MARKET

One of the central principles of economics is that market equilibrium emerges from the interaction of demand and supply. This principle works remarkably well when markets function efficiently. However, in recent years, the labour market has not operated according to this rhythm. Industries seek skills that universities are often unable to provide. Yet, if a proper match between skills and jobs were achieved, young people's earnings could have risen substantially.

Then, why are our youngsters not acquiring the right skills on their own? Why do they continue to pursue degrees that may not help them in the labour market? In a research paper co-authored with Anurag Banerjee and Elisa Keller, we showed that acquiring such marketable skills involves both high cost and uncertainty. After investing significant effort in learning a specific skill, one may discover that demand for it



has already vanished. That may be a reason why students continue to pursue a general line of education.

AI AND STRUCTURAL CHANGE

The problem has compounded with the advent of AI, which is beginning to automate many repetitive jobs. At the same time, many public and private universities have been established. According to the Press Information Bureau, the number of universities in India rose from 760 in 2014-15 to 1,338 as of June 2025. In such a situation, government intervention is necessary to regulate this vast university system. After consulting experts, the government could determine which universities should become centres of research and excellence, and

where practical and vocational education should be introduced.

It is worth noting that in countries such as Germany and the Netherlands, with stronger vocational pathways and closer links between education and employers, skill mismatch is managed more effectively than in India, though mismatch occurs even there. Governments in these countries regulate the quality of educational institutions through public funding, accreditation, institutional differentiation, and strong vocational pathways. India may also need this kind of regulatory

intervention. The government can also establish training centres where job seekers can learn new technologies.

SHOULD UNIVERSITY EDUCATION BE LIMITED TO A SYLLABUS?

I recall my days at Presidency College, where my teachers often went beyond the syllabus. One macroeconomics teacher would discuss topics not directly relevant to the undergraduate curriculum. Initially, this baffled me. The top student in the class engaged actively with the teacher, while others struggled to follow. In retrospect, this experience proved invaluable. By the time I reached postgraduate studies, many of the concepts were already familiar. What had seemed irrelevant earlier became foundational.

This experience demonstrates that university education should not be confined to a rigid syllabus. Students should be exposed to a wider intellectual horizon that fosters curiosity and creative thinking.

LIMITS OF MARKET-RELEVANT EDUCATION

Universities are not merely skill factories. They are centres of imagination, critical thinking, and intellectual culture. These attributes may not translate immediately into job descriptions required by an employer, but they matter profoundly in the long run. A literature student may not "use" Milton directly in the workplace, but learns interpretation, communication, and sensitivity to language. A philosophy student learns clarity of thought and ethical reasoning. These are not

terribly new insights. A literature student may not "use" Milton directly in the workplace, but learns interpretation, communication, and sensitivity to language. A philosophy student learns clarity of thought and ethical reasoning. These are not

narrow skills—they are enduring intellectual assets.

SKILLS AND TRAINABILITY

Employers often demand "skills," but what they truly need is trainability, this is the ability to learn and adapt. In a rapidly changing labour market, specific technical skills can quickly become obsolete. What matters more is the capacity to acquire new skills. Learning is not necessarily an individual process alone. A workplace can be turned into a space of shared collaborative learning. Fierce competition in the workplace could often thwart such shared cooperative learning. However, developing empathy for colleagues, mentoring junior staff members, and interpersonal communication skills can mitigate the harsh competition in the workplace and make colleagues realise that the workplace is not a place of a "zero-sum game" where one worker's success is another's failure.

EMPLOYER RESPONSIBILITY

Employers, too, have a role to play. Many firms demand "job-ready" graduates but invest little in training. They expect universities to bear the entire burden of skill formation. It may be rewarding for employers to invest in apprenticeships, internships, and on-the-job training. Partnerships with universities can bridge the gap between theory and practice. Short internships, data literacy workshops, and structured mentoring programmes can help align education with employment. This would benefit the employers in terms of better skill-match which could boost their productivity and profit.

REGIONAL INEQUALITY

India's labour market is highly heterogeneous. There is a sharp rural-urban divide. A graduate in Bengaluru, Pune, or Hyderabad has very different opportunities compared to one in a small town in Bihar, Odisha, MP or West Bengal. Many capable graduates in rural areas may lack networks, English fluency, or the mobility required to access urban job markets. Also, rural labour markets are narrow and undiversified. Most job opportunities are concentrated on agriculture, low-skilled services, informal work and government schemes (e.g. MGNREGS). Someone with a graduate degree may find it difficult to get a job locally. The cost of migration to cities, both economic and social, can be substantial which may impair social mobility. In a research article with Yoseph Getachew, we have discussed how such adjustment costs of mobility contribute to persistent inequality.

LESSONS FROM MUCHIRAM

What does Muchiram teach us in today's rapidly changing labour market? Not that education is irrelevant, but that the key lies in aligning skills with the tasks at hand. For this, our youngsters must keep the windows of their minds open. Universities, employers, and policymakers must recognise their shared responsibility. Without that, India risks continuing to produce degrees without direction and aspirations without opportunity.

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