

Are graduates facing unemployment? - The Hindu

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What historical patterns or socio-economic changes might have contributed to the consistently higher unemployment rates among highly educated individuals in India since the 1990s? How does the rise in the percentage of graduates in the labour force impact the unemployment rates and the job market?

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Rahul Menon

In 1932, the famous engineer and statesman M Visvesvaraya pointed to the high prevalence of unemployment amongst the educated, pointing out that "...the educated men of this country...is suffering most from lack of employment." Ninety years later, the actions of those involved in the Parliament breach have brought the question of youth unemployment to the fore once more. While Rahul Gandhi holds the present government responsible for rising youth unemployment, official data seems to indicate the opposite. The unemployment rate, which hit a high of 6.1% in 2017-18, has reduced to 3.2% in 2022-23, according to the latest data from the Periodic Labour Force Survey (PLFS).

Even though unemployment rates are low and have been falling since 2017-18, there exist significant disparities in the experience of unemployment. The highest rates of unemployment are faced by those who should face bright prospects in a growing economy: young highly educated workers.

This is not a problem that has arisen recently but seems to be a structural feature of the Indian economy. The economy faces problems in generating employment for young graduates, with the situation exacerbating in recent years.

This analysis looks at employment data from the 50th Round of the NSSO surveys – covering the period 1993-94 – to the PLFS surveys of 2022-23. Workers are classified according to the UPSS, which classifies individuals as employed or unemployed based on their labour force activity over the previous year. This analysis only focuses on individuals aged 18 to 65.

Education and unemployment

Figure 1 outlines the unemployment rates for the aggregate labour force of individuals aged 18 to 65. Unemployment rates had always been low since the early 1990s, jumping to a historical high of 5.77% in 2017-18. By 2022-23, the unemployment rate showed signs of reducing, falling to 3.15% for this cohort. While unemployment rates are currently higher than in previous decades, it has shown a reduction compared to 2017-18.

✿ A Flourish chart

Individuals with higher education have always faced higher unemployment rates than the rest of the population, a situation that has characterised the Indian economy since the 1990s. Figure 2 outlines the unemployment rates for those with graduate degrees. From roughly 9% in the 1990s, the rate fell to 7.66% in 2011-12, before rising to 17% in 2017-18 and then 13% in 2022-23.

✿ A Flourish chart

Figure 3 shows the unemployment rate for young workers aged 18 to 29 with a graduate degree. From 1993-94 to 2004-05, almost a fifth to a quarter of all young individuals with graduate degrees faced long unemployment spells of 6 months or more. The rate dropped to 20% in 2011-12, before rising to a staggering 36% in 2017-18. The rate has been reduced by 2022-23 with 27% of young graduates facing long spells of unemployment. Earlier, these high rates of unemployment were concentrated amongst a relatively small section of the labour force.

✿ A Flourish chart

In 1993-94, only 5% of the labour force were graduates, as shown in Figure 4. However, with the expansion of higher education, the share of graduates in the labour force has risen to around 15% by 2022-23. Thus, overall unemployment rates remain low even though graduates face high unemployment because the share of educated workers in the labour force is low. As enrolment rates continue to rise, the share of graduates in the labour force will increase, leading to increases in the aggregate unemployment rate. The problems of young job-seekers are not an aberration, but a worrying feature of the Indian labour market.

✿ A Flourish chart

The problem of youth unemployment is a serious issue. Much more work is required to outline the exact factors causing unemployment amongst the highly educated - be it the inability of the education system to impart the requisite skills, or the inability of the growing economy to generate enough jobs for the increasing numbers of educated job-seekers entering the labour force each year - to ensure that the aspirations of the youth are not thwarted and the potential of the demographic dividend is properly harnessed.

(Rahul Menon is Associate Professor in the Jindal School of Government and Public Policy at O.P. Jindal Global University)

