

India's Degree Trap: Why Government Jobs Should Look Beyond College Degrees

By Vatsalya Srivastava / 9 August 2026



As global job markets shrink, students aspire to a life beyond what a low-income economy can offer, and AI reshapes the nature of work, India's degree-obsessed system is due for a rethink. This piece proposes a radical change that will reduce the artificial demand fueling low-quality, overpriced institutions while giving students more practical fallback options.

A college degree is the ticket to a good life of prosperity and happiness. The type of life that comes from having a well-paying job and avoiding the drudgery of back-breaking physical labour. This was the promise. Most of us would be hard-pressed to recall a time when this promise held, perhaps when the country had a few thousand college graduates. But it is clear that it does not hold today and has not for a long time. Some claim it is because our degree holders are by and large unemployable; others point to jobless growth in the economy as the reason. Even so, holding at least a bachelor's degree continues to be a necessary condition for any decent job in the formal sector.

The resulting high demand is driving the proliferation of low-quality institutions (both public and private), higher fees, and unethical methods to increase chances of a student getting admitted. The result is a paradox: *the demand for degrees leads to precisely the outcomes that make them less valuable – both as a signal of quality in the job market and for socially desirable knowledge acquisition.* This is not a novel diagnosis; similar conditions have long existed in India and are increasingly common in many richer countries. But this paradox lies at the heart of higher education and should form the basis of any attempts at improving the prospects of the next generation.

Some International Context

The push for college education is a relatively recent phenomenon. As recently as the 1960s, only 7.7% of Americans had a college degree, going up to 10.7% in the early 1970s, with the proportion being around 40% today. Until around 1979, productivity or efficiency and wages grew at roughly the same rate. However, from 1979 to around 2019,

productivity increased by around 70%, whereas wages only grew by 12%. College graduates, who have historically commanded a wage premium (they get paid more than those who do not have a degree, have seen their wage premium stagnate over the last couple of decades. The premium, or the market value of a college degree, has fallen while the cost of getting one has increased at a rate of 41.7% faster than inflation. In more recent years, there are reports of up to 42% of recent graduates being underemployed and more than half of degree holders working in jobs that do not require degrees.

The economic logic for this long-term trajectory is deceptively simple: *as more and more people have degrees, it is increasingly difficult for degree holders to command a premium.* But as more people want degrees, colleges and universities can charge higher tuition fees. This disjuncture between labour markets, the decreasing value of degrees and continuing high demand for a college education is a widespread phenomenon, though some India-specific factors are worth looking into.

Some India-specific Context

In British India, agriculture and other older professions were failing, and practically the only way for someone seeking upward mobility was a job in the colonial establishment. Almost all respectable jobs in this setup required formal qualifications, with the most prestigious ones only open to those with college degrees. This created the foundation for the aspirational value of degrees in this country. It was not the demands of the private sector seeking higher productivity, like in the US, but the requirements of the colonial government, which wanted “*Indians in blood and colour, but English in taste, in opinions, in morals, and in intellect*” to fill up its ranks. While the requirements have been adjusted since independence, the fundamental dynamic has barely changed with one major exception. There are now many more people who have college degrees. The lure of a government job has persisted, but the probability of landing one has decreased by multiple orders of magnitude.

What is worse is the underlying inequality. The elites (or in some cases era-defining geniuses) who attended college in the 1930s, 40s, even the 70s are sending their children abroad, to very expensive coaching centres, homeschooling, and in some cases just outright buying seats to provide their children with a competitive edge in a market that generates more degree holders than high-quality jobs. All this while millions of families continue to feed their dreams with the old promise.

There are many nuances of educating and getting an education in an age where information is ubiquitous. Committees of government experts, academics, and think tanks will all weigh in with their thoughts in the months and years to come with suggestions to improve the institutional structure of education in the country. But the economy will not magically start creating new jobs by the millions. Jobs will be either too few, like in the past, or even if there is an exponential increase, especially in manufacturing, degree holders will not be the biggest beneficiaries.

Equally, the quality of education imparted at thousands of colleges across the country will not improve in a hurry. For far too long, many of our colleges have been like high schools in Kota. They do not exist to educate, but only to ensure that students meet requirements for the next step- a competitive exam that holds the key to a brighter future.

What then? In the spirit of striking while the iron is hot, here is a radical suggestion. It will break the link to our colonial past, and may also provide the impetus for the emergence of a more dynamic education system more likely to reflect the realities of the day.

The UPSC Exam

The selection process is designed to identify a few young ordinary Indians and transform them into officers of the state. Millions hope and pray, and a precious few get through with blood, sweat, and tears to show for it. It is, by all accounts, a rigorous exam and sets the benchmark for the selection process used for all other government positions. However, despite the immense faith the state (and many citizens) place in the exam and related selection procedures, it continues with an old colonial-era requirement. Only those with a bachelor's degree are eligible to take the exam (and many other exams for what are perceived to be prestigious government positions).

How about dropping the degree requirement to take the exam? If the exam is as rigorous as it is understood to be, why should it matter if someone who cleared it has a college degree? In fact, they should probably get more credit. The costs of making this change are almost negligible. Many college students already spend more time in coaching centres than in college classrooms. Some even decide which bachelor's degree to pursue based on the perceived chances of clearing the exam in that subject. None of this will change. But the demand for poorly structured degrees, especially those at expensive private institutions, will decrease. Most will still want to hedge their bets and prefer to get a degree, but with this change they at least have an out. Some may even choose to help in their family business while they prepare for the exam. Imagine a world where UPSC aspirants get diplomas in real-world skills at polytechnics and ITIs. A system that encourages students to develop applicable, industry-ready skills relevant to a low-income economy like India's while they pursue their moonshot of becoming a district magistrate.

Broken Windows

If someone breaks a window, the person has to pay someone to fix it. This person then buys cake, the baker then buys flour, and so on. So does breaking a window increase economic activity? No, even if it may seem so. If the window did not break, the owner could have used the money for something they wanted to do. This little nuance is why economists don't recommend sending out crowds to break windows during a recession. Many of our degree-granting institutions continue to exist because we continue to encourage breaking windows by mandating that young people wanting a prestigious government job get a degree. Without this requirement, they would actually do what they want with the time they would have spent meeting the administrative and mostly inane requirements of the institution.

The argument and the resulting suggestion for dropping a degree requirement can be extended to many other exams for government positions, especially the more prestigious ones for generalist administrators at the state level and in the public sector. There will need to be more careful assessment for more technical positions, but that should be part of a more detailed policy note than an opinion piece.

Second order effects – The Private Sector

The early decades after independence did not foster a sufficiently large, dynamic and independent private sector that could drive fundamental changes in this existing dynamic. By the time it was large enough to do something, more graduates were vying for jobs than the private sector could hire. In this short run, this benefited certain sectors, like IT, which built their business proposition on the back of low-cost labour. In the long run, this has meant that our private sector is stuck in this low-cost model that perpetuates itself. Most firms cannot figure out if a degree or a certificate holder (the standard requirement for almost all formal sector jobs) is smart or not, so they end up offering the average wage, which drives away the smartest ones as it is too low for them. This phenomenon still drives some of the best and brightest of the country to foreign shores, taking their ideas with them.

Further, the private sector, perhaps owing to its small size relative to the government for many decades, borrowed another colonial creation that has driven the demand for degrees. The segregation between degree-holding officers and the non-degree-holding workers, with very little, if any, upward mobility for the latter. Some even borrowed the nomenclature, like Tatas with its Tata Administrative Service (TAS). The US, at least until recently, has a rich history of janitors or mail boys who became CEOs. In 1907, Sidney Weinberg was hired as a janitor's assistant. He moved up to the mailroom, became a partner, and eventually served as the CEO of Goldman Sachs for nearly 40 years, transforming the firm into a Wall Street powerhouse. Barry Diller, the CEO of Paramount Pictures and Fox, began his entertainment career in the mailroom of the William Morris Agency. In India, there are few, if any, firms that allow talent to rise without a consideration for degrees. The rags-to-riches stories we do have, like those of Dhirubhai Ambani, are of people who shunned the existing rigid system and created something of their own.

The government dropping the degree requirement for its most prestigious exams would be akin to giving permission to the private sector to also chart its own course. If many youngsters in the country do not vie for degrees for the sake of meeting the eligibility criteria for government entrance exams, the private sector may be forced to develop mechanisms to identify talent that do not rely on the degree proxy. This may have the desirable side effect of firms being willing to pay higher salaries as they are more confident of the quality of the individuals they have hired based on their own assessment. With degrees not essential to the hiring process, the segregation of ranks based on degrees may also reduce, with a motivated plumber joining today having a reasonable shot at being the top dog in 30 or so years.

The time is now

This suggestion, even if it is implemented in its entirety, will not fix everything. Simple suggestions rarely do. But in terms of cost-benefits, this might yield the highest bang for almost no buck. The world we are in is changing at a rate faster than any in recent history. The world that absorbed much of our surplus talent is shutting its doors; our young are increasingly exposed to worlds which the reality of a low-income country can never match, and AI's continuous march, irrespective of whether the ongoing boom is a bubble or not, is going to require a radical rethink of what we mean by higher education. As one of the first steps, we should sever the links that keep us tethered to the colonial requirements of more than a 100 years ago.

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About the author



[Vatsalya Srivastava](#)

Vatsalya Srivastava is an adjunct professor at OP Jindal School of Government and Public Policy, Visiting Faculty at Master's Union, and Chief Strategy Officer at Aceworks Agribusiness.