

# **EXECUTIVE SUMMARY**

**Title:** Reasons Behind Rising Unemployment Among University Graduates in India

**Degree:** MSc Economics, The University of Manchester (2025)

## **Background:**

Graduate unemployment in India has steadily increased between 2011 and 2023, despite major expansions in higher education. This dissertation investigates the structural and macroeconomic factors driving this trend and evaluates whether public investment and growth have translated into meaningful graduate employment.

## **Methodology:**

The study employs **Fixed Effects Panel Data Regression** across 33 Indian states and Union Territories (2011–2023), supplemented with **Ridge Regularization** to manage multicollinearity. Explanatory variables include GDP growth, government expenditure on higher education, gross enrollment ratio (GER), labor market informality, sectoral employment shares, and regional income disparities. Findings are strengthened through robustness checks and complemented by qualitative case studies on skills mismatch, regional disparities, and sectoral absorption.

## **Key Findings:**

- **Jobless Growth:** GDP growth is positively correlated with graduate unemployment, showing expansion without proportional job creation.
- **Public Expenditure:** Higher government spending on higher education is linked to rising unemployment, reflecting inefficiencies and weak industry linkages.
- **Labor Informality:** Persistently high informality significantly drives graduate unemployment, with many graduates rejecting insecure, low-quality jobs.

- **Sectoral Effects:** Services sector growth correlates with higher graduate unemployment, while industrial sector employment has a strong absorptive effect.
- **Insignificant Factors:** GER and NSDP per capita do not significantly affect outcomes, highlighting that education access and income levels alone are insufficient.

### **Policy Implications:**

**Key Recommendations:** The study proposes the following measures to strengthen graduate employability and reduce jobless growth:

- Strengthening industry-academia partnerships to align curricula with job market needs.
- Expanding formal, skill-intensive industrial jobs beyond the oversaturated services sector.
- Implementing quality-focused reforms in higher education, moving beyond enrollment driven expansion.
- Promoting labor market formalization through incentives for SMEs, compliance reform, and better work graduate employability.

### **Contribution:**

This dissertation contributes to the literature by combining rigorous econometric analysis with qualitative insights, offering a comprehensive understanding of India's graduate unemployment paradox. It highlights the limits of education expansion without employability reforms and provides a policy framework relevant to emerging markets and adaptable to global employment-policy debates. This work also demonstrates my capacity to design and execute independent research, applying **advanced econometric methods** and communicating results as **actionable policy insights** relevant to both academic and professional contexts.