

Executive Summary

Graduate unemployment has emerged as a persistent structural challenge in India despite rapid economic growth, rising educational attainment, and expanding higher-education enrolment. This working paper examines the determinants of graduate unemployment in India over the period **2011–2023**, focusing on the interaction between macroeconomic conditions, labour-market dynamics, education-related factors, and policy interventions.

The study employs a **panel-data econometric framework** using annual data and applies **fixed-effects estimation** alongside **ridge regression techniques** to address multicollinearity and isolate the relative influence of key explanatory variables. The analysis integrates quantitative modelling with institutional and policy context to provide a comprehensive assessment of graduate unemployment trends.

The results indicate that **economic growth alone has been insufficient to absorb the expanding pool of university graduates**. While GDP growth shows a statistically significant association with graduate unemployment outcomes, its effect is moderated by structural labour-market rigidities and limited sectoral absorption capacity. Employment shares in the services and industrial sectors exhibit stronger explanatory power, highlighting constraints in the creation of suitable high-skill jobs. Public expenditure on higher education shows mixed and statistically weak effects, suggesting that increased spending has not consistently translated into improved graduate employability. Indicators related to educational expansion and regional income levels further reinforce the presence of structural mismatches between higher-education output and labour-market demand.

The findings further suggest that **skill mismatches and demand-supply imbalances** play a central role in sustaining graduate unemployment. Expansion in higher education has outpaced the creation of suitable high-skill employment opportunities, particularly in non-urban and informal labour markets. The analysis underscores the limitations of policy approaches that focus solely on educational expansion without parallel reforms in labour-market institutions, industrial policy, and skill alignment.

From a policy perspective, the paper emphasizes the need for **integrated labour-market and education reforms**. Key recommendations include strengthening university-industry linkages, improving labour-market information systems, promoting regionally balanced job creation, and aligning higher-education curricula with evolving industry and technology demands. The findings also highlight the importance of targeted interventions that address structural barriers to graduate employment rather than relying exclusively on aggregate growth strategies.

Overall, this paper contributes to the literature on labour economics and development by providing empirical evidence on the structural drivers of graduate unemployment in an emerging economy. It offers policy-relevant insights for governments, educational institutions, and employers seeking to improve graduate labour-market outcomes in the context of rapid economic and technological change.