

Graduate Underemployment in the Modern Workforce: Causes, Challenges, and Corrective Measures

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Abstract

Graduate underemployment is becoming a significant issue in India as the job market evolves. While more students are earning degrees than ever before, many graduates continue to face difficulties finding positions that match their skills and qualifications. This paper explores the main causes of underemployment among graduates and suggests practical solutions to enhance their employability in India.

This study uses secondary research, drawing on doctoral theses, academic articles, and reports from organisations such as NASSCOM, ASSOCHAM, and NITI Aayog. The research shows a big gap between what higher education provides and what employers want. For example, only 7% of business graduates in India are considered ready to work right away, and almost 75% of engineering graduates lack the skills needed for direct hiring. Employers are often unhappy with how prepared graduates are, especially in areas like communication, problem-solving, professionalism, and practical workplace skills.

The study finds that academic degrees are important, but long-term employability also requires practical experience, industry exposure, strong communication and behavioural skills, adaptability, and ongoing learning. Working together, students, schools, employers, and policymakers can help reduce graduate underemployment and better prepare people for the workforce in India.

Keywords: Graduate Underemployment, Skill mismatch, Employability Skills, Industry–Academia Collaboration, Internships, Soft Skills, Lifelong Learning.

Introduction

India's job market is going through changes. With so many young people and more college graduates than before, finding the right job is still tough for many. In recent years, globalisation, new technology, and Industry 4.0 have changed what employers expect. Now, companies want graduates who not only know their subjects but also have practical skills, can communicate well, adapt easily, and solve problems.

Most colleges and universities in India still put more emphasis on theory and exams. While students learn about their subjects, many do not gain enough hands-on experience or the skills employers look for. Reports show that only **7% of management graduates** are ready to work right after college, and almost 75% of engineering graduates lack the skills needed for direct hiring. Employers also worry about graduates' communication, professionalism, and readiness for the workplace. This shows there is a big gap between what students learn and what companies need.

Underemployment is now a serious problem for graduates. Because of this gap, many end up in jobs that do not use their education or skills, and some cannot find work even with a degree. Employers now value practical experience, teamwork, critical thinking, digital skills, and a willingness to keep learning. Having a degree is no longer enough.

Therefore, this study aims to examine the causes of graduate underemployment in India, analyse statistical evidence of the employability gap, and suggest practical measures to improve graduate employability.

Review of literature

1. Arjita Singh (2023) – “Future Work Skills in Management Education: A Study of Bharatiya Management Thought for Managing the Future”
This study looks at the skills management graduates need to stay employable as the business world changes quickly. It points out that leadership, adaptability, lifelong learning, critical thinking, and ethical decision-making are all important for preparing graduates for future jobs.
2. Garima Hooda (2023) – “Impact of Skill Development Programmes on Entrepreneurship and Employment”
This research reviews how well government skill development programs help with employment and entrepreneurship. It finds that while programs like PMKVY have made people more employable, more involvement from industry and better awareness are needed to make these programs more effective.
3. Argha Chatterjee (2018) – “A Study of Employers' Expectation on Employability Skills of Management Graduates”
This study looks at the difference between what employers expect and the skills management graduates have. It stresses that employers value communication, teamwork, problem-solving, and professional behavior the most.
4. Remi Subhankar Mitra (2023) – “Effectiveness of the Theory of Planned Behaviour (TPB) Model in the Context of Entrepreneurial Behaviour”
This study explores how entrepreneurship education affects students' interest in starting their own businesses. It shows that training, optimism, and social support help motivate graduates to become innovative and self-employed.
5. Pallavi Ghosh (2022) – “A Study of the Gap Between Communication and Behavioral Skills Required by the Industry and Skills Possessed by Management and Engineering Graduates”
This research finds a big gap between the communication and behavioural skills employers want and what graduates actually have. It suggests that colleges should include soft skills, leadership, negotiation, and workplace communication in their courses.
6. Sandhya Singh (2023) – “Internships in Higher Education: Implications and Research”
This study looks at how internships help graduates become more employable by giving them real-world experience. It finds that internships close the gap between what students learn in class and what employers need, and also boost students' confidence.
7. Sundaresvaran Balakrishnan (2024) – “Impact of Industry–Academia Collaboration Strategies on Student Employability Outcomes”
This research shows how working with industries helps students get jobs. It finds that updating courses, offering internships, connecting with industry, and getting feedback from employers all make graduates better prepared for work.
8. Sanandi Sachdeva (2022) – “Determinants of Employability of MBA Graduates”

This study points out the main things that affect whether graduates get jobs, such as communication skills, business awareness, adaptability, emotional intelligence, and problem-solving. It says that getting a job depends on both academic degrees and professional skills.

9. Saurabh Kalra (2024) – “A Study of the Effectiveness of Blended Learning Approaches on Academic Achievement of Graduate Students”

This study looks at how blended learning affects students' grades and digital skills. It finds that combining regular teaching with digital tools helps students become more tech-savvy, engaged, and successful in their studies.

10. Shruti Srinivasan (2022) – “Effect of an Employable Skills Development Program on the Skill Development of Management Postgraduates”

This study reviews how well employability skill programs work when they use hands-on methods like simulations and group activities. The results show that these methods greatly improve graduates' communication, teamwork, people skills, and readiness for work.

Objectives

1. Examining reasons why graduates in India face underemployment.
2. Analysing the difference between what higher education provides and what industries expect from graduates.
3. Evaluating how skills like communication, leadership, problem-solving, and teamwork help graduates find meaningful jobs.
4. Assessing how practical learning, internships, and exposure to industry affect graduates' chances of getting jobs.
5. Examining how well partnerships between industry and academia prepare graduates for the changing job market.
6. Analysing what employers expect and how university graduates in India may lack some of these skills.
7. Comparing jobs that require academic degrees with those where practical skills are just as important or even more important.
8. Studying the trends and reasons behind graduate underemployment, using evidence from doctoral research, academic articles, and industry reports.
9. Identifying what students and educational institutions can do to improve graduate employability by developing skills and updating the curriculum.
10. Suggesting practical ways to reduce graduate underemployment and help graduates be better prepared for the workforce in India.

Analysis of Graduate Underemployment in India

4.1 Graduate Underemployment in India

Graduate underemployment is a growing problem in India's job market. It occurs when graduates accept jobs that do not match their education or skills. Unemployment means not having a job at all, while underemployment refers to a situation in which an employee's skills do not match the job requirements. Even though students are going to college, many still struggle to find jobs that fit their qualifications. Employers are looking for practical skills, workplace readiness, adaptability, and a willingness to learn, not just academic degrees. This gap affects not only graduates but also employers, educational institutions, and the economy. It lowers productivity, limits career growth, and creates a shortage of workers ready for

the job. Therefore, understanding the main reasons behind underemployment is important for improving job prospects for graduates in India.

4.2 Major Causes of Graduate Underemployment

Several educational, institutional, and labour-market factors contribute to graduate underemployment. The main causes identified are listed below.

1. **Skill Mismatch:** A major gap exists between what universities teach and what employers need. Higher education often emphasises theory, while employers want practical skills, critical thinking, analysis, and problem-solving. This leaves many graduates unprepared for workplace challenges.
2. **Communication and Behavioural Skill Gaps:** Many graduates have technical knowledge but lack strong communication, teamwork, leadership, adaptability, and professionalism. Employers increasingly value these skills, and they often matter more than grades when hiring.
3. **Limited Practical Learning:** Most academic programs focus primarily on classroom teaching and passing exams, with little hands-on learning. A lack of internships, training, or real-world projects often leaves graduates lacking confidence and struggling at work.
4. **Weak Industry–Academia Collaboration:** When schools and industries do not work closely together, there is a mismatch between students' skills and industry requirements. Students can miss out on real-world experience, internships, and opportunities to learn practical skills that match job needs.
5. **Outdated Curriculum:** Technology is changing fast, but school curriculums often do not keep up. As a result, graduates may finish their studies with knowledge that does not match what employers now expect.
6. **Changing Employer Expectations:** Modern employers no longer evaluate candidates solely on academic qualifications; they look for more than that. They want graduates who are ready for work, can adapt, use digital tools, think creatively, and solve real business problems. Artificial Intelligence, automation, cloud computing, and digital technologies have reshaped the labour market. Graduates are now expected to possess digital competencies, technological awareness, and the ability to continuously adapt to evolving workplace demands.
7. **Limited Entrepreneurship Education:** Higher education continues to prepare students primarily for salaried employment rather than encouraging them to start their own businesses or be innovative. Without enough training in business, finance, or entrepreneurship, graduates find it harder to create their own job opportunities. Learning does not end with obtaining a degree. Graduates who fail to continuously upgrade their technical knowledge, professional skills, and industry certifications often struggle to remain competitive and relevant throughout their careers.

The above factors suggest that graduate underemployment results from multiple interconnected causes. Research shows that graduate underemployment occurs for many interconnected reasons, not just one. Solving these problems means students, schools, employers, and policymakers all need to work together to close the gap between education and job market needs.

4.3 Statistical Analysis

Table 4.3.1: Key Graduate Employability Statistics (2020–2026)

The following statistics highlight the current state of graduate employability in India based on recent government reports and industry surveys.

Indicator	Report / Organization	Year	Statistics	Significance
Graduate Unemployment Rate	Periodic Labour Force Survey (PLFS) / AICTE	2020–21	19.6%	Indicates that graduates continue to face higher

				unemployment despite higher educational attainment.
Overall Graduate Employability	India Skills Report 2026 (ETS, CII, AICTE & AIU)	2025	56.35%	Shows that just over half of graduates possess the skills required by employers.
Workforce with Formal Skill Training	Periodic Labour Force Survey (PLFS), Ministry of Statistics and Programme Implementation (MoSPI)	2023–24	4.1%	Highlights the low proportion of formally trained workers, though improving over previous years.
Employer Dissatisfaction with Graduate Skills	FICCI–World Bank Employer Survey	2020	64%	Demonstrates the mismatch between graduate capabilities and employer expectations.
Employers Preferring Internship / Prior Work Experience	LinkedIn Workforce Reports / Industry Hiring Surveys	2023–24	90%+	Indicates that employers increasingly prioritise practical experience alongside academic qualifications.

Source: Compiled by the author using data from the Periodic Labour Force Survey (PLFS) 2023–24, India Skills Report 2026 (ETS, CII, AICTE & AIU), FICCI–World Bank Employer Survey (2020), and LinkedIn Workforce Reports / Industry Hiring Surveys (2023–24).

Interpretation:

The statistics indicate that although higher education enrolment has expanded significantly, graduate employability remains a challenge. Recent reports consistently show that employers value practical skills, industry exposure, and workplace readiness alongside academic qualifications, reinforcing the persistence of an employability gap in India.

Table 4.3.2: Employer Expectations vs Higher Education

Employer expectations have changed considerably over the last decade. The following comparison highlights the gap between higher education outcomes and industry requirements.

Employer Expectations	Current Higher Education	Gap Identified
Communication Skills	More focus on theory, but offer few chances for students to practice presentations or workplace communication.	Graduates often struggle with professional communication and interpersonal interactions.
Problem Solving	Assessment is largely examination-oriented and focuses on memorisation.	Students have limited exposure to analysing and solving real-world business problems.
Digital Literacy	Technology integration is limited, and curriculum updates are often delayed.	Graduates may lack proficiency in emerging digital tools, AI, and modern workplace technologies.

Industry Exposure	Internship opportunities, industrial visits, and live projects remain limited in many institutions.	Graduates enter the workforce with little practical experience and lower workplace readiness.
Adaptability	Learning is largely based on the syllabus, with little emphasis on fostering lifelong learning.	Graduates find it difficult to adapt to changing technologies, evolving job roles, and Industry 4.0 requirements.

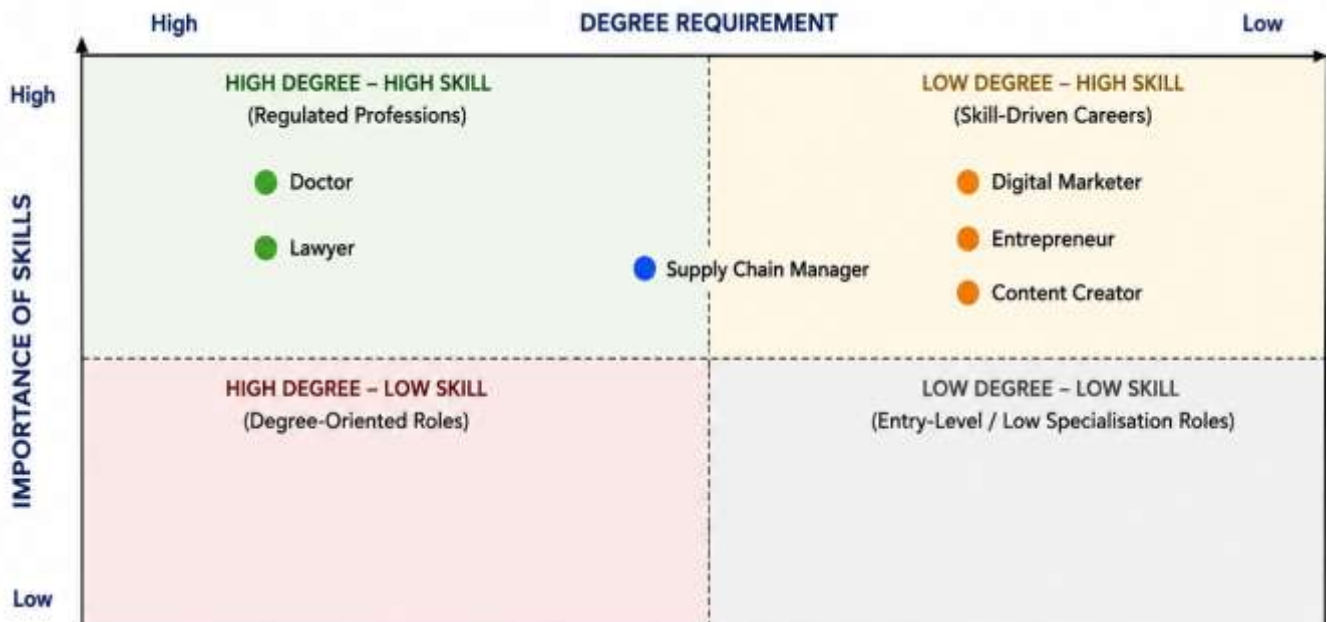
Source: Compiled by the author based on a review of doctoral theses, academic literature, industry reports, and employer surveys, including the India Skills Report 2026, FICCI–World Bank Employer Survey, and LinkedIn Workforce Reports.

Interpretation:

The above table highlights the gap between what employers want and what higher education provides. Universities mainly teach theory and test knowledge, but employers look for practical skills, strong communication, digital literacy, and workplace readiness. This difference is a key reason many graduates struggle to find suitable jobs.

Table 4.3.3: Degree Skill Matrix

The importance of degrees and practical skills differs across professions. The following matrix compares selected occupations based on their dependence on formal qualifications and applied competencies.



Profession	Explanation
Doctor	A medical degree is mandatory for professional practice, but clinical competence, diagnosis, and patient care are developed through practical training and experience.

Lawyer	A law degree is essential for legal practice, while career success depends on analytical thinking, advocacy, negotiation, and communication skills.
Supply Chain Manager	Academic qualifications provide the foundation, but employers value analytical ability, coordination, ERP knowledge, negotiation, and decision-making skills.
Digital Marketer	Practical experience, digital certifications, campaign management, and a strong portfolio are often valued more than a traditional academic degree.
Entrepreneur	Business success relies on innovation, opportunity recognition, leadership, strategic decision-making, and risk management rather than formal educational qualifications.
Content Creator	Creativity, storytelling, audience engagement, content strategy, and digital platform expertise determine professional success more than a formal degree.

Source: Prepared by the author based on findings from the reviewed literature, including doctoral theses, employer surveys, and industry reports discussed in this study.

Interpretation:

The Degree Skill Matrix shows that the role of academic qualifications differs across professions. For example, in fields like medicine and law, formal degrees are required to get started. On the other hand, careers such as digital marketing, entrepreneurship, and content creation value practical skills, work experience, and strong portfolios more. While a degree is still a valuable starting point in many jobs, long-term career success depends more on how well you can use your skills.

Summary of Findings:

The data show that the gap between what universities teach and what employers want creates graduate underemployment in India. While more people are earning degrees, employers expect practical skills, workplace readiness, good communication, and some industry experience. Fields like Medicine and Law require formal qualifications, but fields such as Digital Marketing and Content Creation value practical skills and continuous learning more. So, having a degree by itself is not enough. Therefore, to help graduates find better jobs, a combination of education, real-world experience, and skill-building is important.

Corrective Measures to Reduce Graduate Underemployment in India

Addressing graduate underemployment needs teamwork from both students and educational institutions. This study suggests the following steps to help graduates in India find better jobs.

Personal-Level Measures

- **Continuous Skill Development:** Students should keep working on their communication, teamwork, leadership, critical thinking, emotional intelligence, and professionalism to be better prepared for the workplace.
- **Promote Digital Literacy and Lifelong Learning:** graduates should build digital skills, earn industry-recognised certificates, and keep learning new things and skills to stay competitive as the job market changes.

- **Gain Practical Experience:** Students should take part in internships, training, real-world projects, volunteering, and other activities to connect what they learn in class with what is needed in the workplace.
- **Encourage Entrepreneurship:** Students should think like entrepreneurs by looking into new ideas, starting their own businesses, or considering self-employment, rather than only seeking regular jobs.

Educational Institution-Level Measures

- **Integrate Soft Skills into the Curriculum:** Colleges and universities should include communication, teamwork, leadership, ethics, and behavior skills as part of their regular courses.
- **Increase Practical Learning Opportunities:** Universities should offer required internships, apprenticeships, company visits, case studies, simulations, and hands-on learning to help students get ready for work.
- **Strengthen Industry–Academia Collaboration:** Educational institutions should collaborate with schools, and colleges should work closely with businesses by updating courses together, arranging company visits, conducting joint research, helping with job placements, and receiving regular feedback from employers to align what students learn with the needs of the job market.
- **Strengthen Career Guidance and Placement Support:** Schools and colleges should improve career counselling, mentoring, job placement help, resume workshops, practice interviews, and job skills training for students during their studies.
- **Strengthen Government and Industry Partnerships:** Schools and colleges should work with government and businesses to offer more apprenticeships, skill-building programs, startup support, job training, and work opportunities that fit today's job market.

Chapter Summary

To reduce graduate underemployment, both students and educational institutions need to work together. Students should focus on improving their practical skills, digital abilities, and habits of lifelong learning. At the same time, educational institutions can update their curriculum, work more closely with industry, and offer more hands-on learning experiences. The gap between higher education and labour market expectations can be bridged to help graduates' sustained career development

Conclusion

Graduate underemployment is now a major challenge for India's higher education system and job market. The study shows that even though more students are graduating, many still struggle to find jobs that fit their qualifications because what they learn in school does not always match what employers want. Employers today value practical skills, communication, digital literacy, adaptability, and work experience more than just academic degrees. The data also shows that, despite more students enrolling in higher education, employability is still a problem. This suggests that it is important to help students become ready for the workplace, not just increase the number of graduates.

Graduate underemployment can be solved by combining the efforts of students, schools, businesses, and policymakers. Students need to build practical skills and keep learning, while schools should work more closely with industry, update their courses, and offer more internships and hands-on experiences. If higher education aligns with the job market's needs, India can make better use of its young workforce, help more graduates find good jobs, and turn its large population into lasting economic growth.

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