



The employability paradox

Rethinking skill development as a national workforce priority for Viksit Bharat 2047

Executive summary



India's skilling challenge is entering a new phase. The country has built scale: more than 7.67 crore citizens have been formally skilled since 2014-15. Labour-market indicators have also improved, with unemployment reported at 5.0 % in August 2026. Yet only about 8.25 % of graduates are employed in roles aligned to their qualifications.

The central issue is therefore not simply the volume of training. It is the weak matching layer between education, skills and jobs. A degree is issued by an institution, a skill is certified by an assessor, and a job is offered by an employer, but these three signals often do not speak to one another.

Our analysis identifies three levels of the problem:

WHERE

the system leaks



school exposure,
tertiary education,
training, transition
into work and
retention.

WHY

it leaks



information gaps, access
constraints, financial
constraints, weak learning
and delivery models, and
fragmented governance.

WHAT

needs to change



outcome-linked funding,
portable credentials,
earlier employability,
scheme convergence and
longitudinal measurement.

For employers, the implication is equally important. Apprenticeships, skills-first hiring, recognition of prior learning and employer-led assessment can become core workforce tools rather than compliance activities.

The objective is not another standalone skilling programme. It is a system that can trace the learner from exposure to capability, from capability to employment, and from employment to retention and earnings.

India is skilling at scale. But are skills matching jobs?

India's headline labour-market indicators are improving. The problem is not simply that people cannot find work; it is that the work they find often has little relationship to what they spent years learning.

The Periodic Labour Force Survey (PLFS) for August 2026 shows unemployment at 5.0 per cent, labour force participation at 55.6 % and the worker population ratio at 52.8 per cent. A total of 56.2 crore people aged 15 and above were employed in the July-September 2025 quarter, with 8.7 lakh jobs added over the preceding quarter. On the supply side, more than 7.67 crore individuals have been formally skilled since 2014-15, supported by roughly Rs 34,000 crore of skilling-related expenditure across central ministries in FY 2025-26.

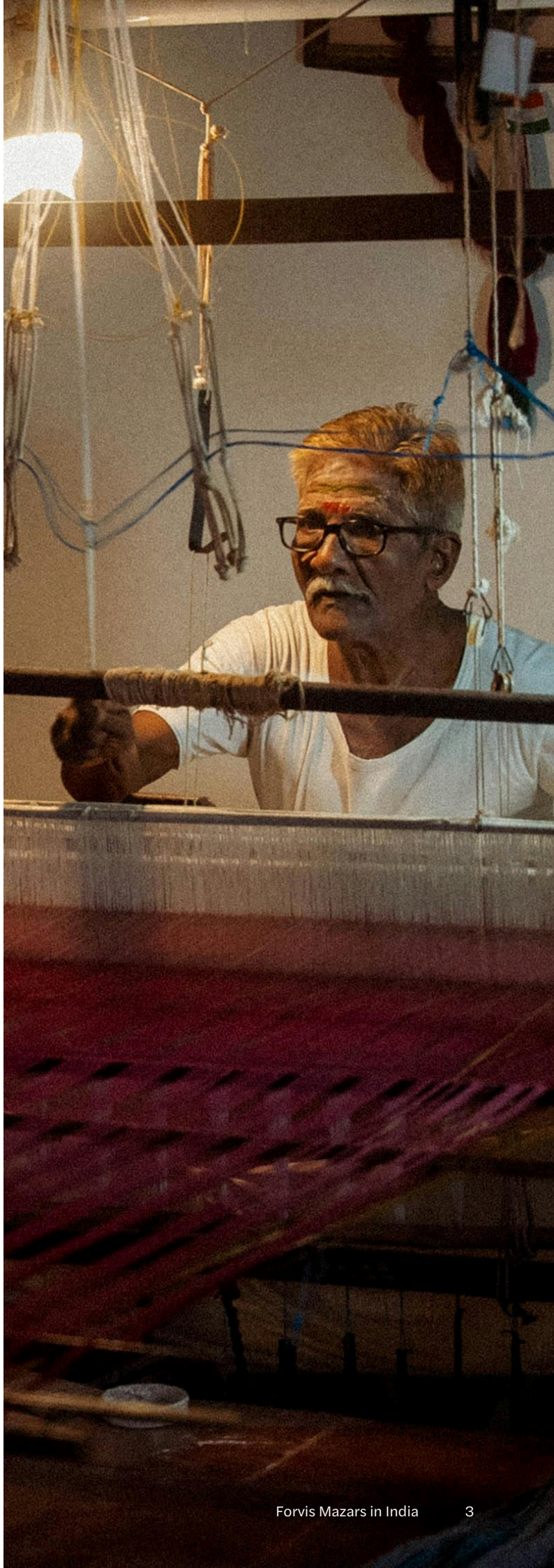
5.0% Unemployment rate,
August 2026

55.6% Labour force
participation, 15+

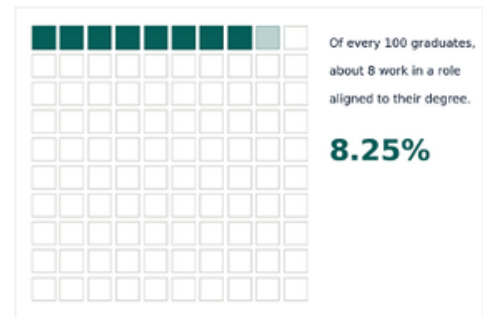
15.1% Youth unemployment,
15-29

8.9% Urban female
unemployment, rising

8.25% Graduates in aligned
roles



Set against that expansion, one number does not fit. NITI Aayog's Reimagining Skilling for Viksit Bharat@2047, citing the Economic Survey 2024-25, reports that only 8.25 % of graduates are employed in roles aligned to their qualifications. Graduate unemployment is 13%, and 20.4 % for graduate women.



This is the Employability Paradox:

employment is available and training capacity is expanding, but the matching layer remains weak. A degree is issued by an institution. A skill is certified by an assessor. A job is offered by an employer. In India, these three signals rarely speak to each other.

A note on the 8.25 per cent figure

This statistic originates in the Economic Survey 2024-25 and is carried forward by NITI Aayog. It measures alignment between qualification and role, not employment as such. A commerce graduate in a well-paid sales role is counted as unaligned. Read it as a measure of how weakly a degree predicts what a person ends up doing, not as a measure of graduate joblessness. The separate graduate unemployment figure of 13 per cent addresses that question.

Why the mismatch is structural, not cyclical

Three features of India's higher education system make misalignment the default rather than the exception.

India's higher education system was built to expand access and credentials — but it hasn't kept pace with what the job market now needs. Most students end up in broad, generic courses: of 3.4 crore undergraduates, over 2 crores are studying just BA, BSc or BCom. And the system rarely closes the gap this leaves only 16.7 per cent of institutions place most of their students within six months of graduating, and just a quarter give students real exposure to how industry works, made harder by the fact that over half of teaching posts in central universities sit vacant. The result is a system that has scaled well but hasn't scaled toward employability and graduates only discover the gap after they've already left.^[1]

The signal is a credential, not a capability. Degree-based eligibility norms in government and public sector recruitment restrict skills-based hiring and reinforce credential-driven pathways. That in turn reduces the incentive for institutions to invest in hands-on teaching and pushes the system to optimise for enrolment scale rather than job readiness.

^[1]^[1] <https://www.niti.gov.in/node/2397>

Where the system is falling short

The mismatch accumulates across five stages. Fixing the last stage alone cannot recover what was lost in the first.

The five leak points between school and sustained employment

1. School	2. Tertiary	3. Training	4. Transition	5. Retention	Cumulative outcome
Grades 6 to 12	Degree, diploma, ITI	Short-term training and RPL	First job or venture	6 to 12 month stay	Where the leaks land
8% of secondary and higher secondary schools offer National Skills Qualifications Framework (NSQF)-aligned skilling	80% of higher-education students cite lack of practical and industry exposure	4.9% of youth aged 15-29 have received formal vocational or technical training	47% of formal workers name lack of prior work experience or internships as the top obstacle	Placement tracked under PMKVY only to version 3.0; retention data is not systematic	8.7 crore young people aged 15-29 are not in education, employment or training, and only 8.25% of graduates hold an aligned role

Sources: MSDE via PIB; NITI Aayog (2026) drawing on MSDE State of Skills Survey 2024; Economic Survey 2025-26; Annual PLFS 2023-24.



Why this matters for India's economy

India's demographic advantage has a schedule. The working-age population is projected to exceed 98 crore within ten years and the demographic dividend is expected to peak around 2030, when close to 65 % of the population will be aged 15 to 59.

The ambition has also just been raised. In his 80th Independence Day address on 15 August 2026, the Prime Minister placed technology and innovation at the centre of the Viksit Bharat roadmap part of a seven-point “Sapta Dhara” framework and announced AI skilling for one crore youth over the next year, alongside a goal for India to lead in AI, quantum computing, robotics and data centres.

Alongside this, India's semiconductor ecosystem is moving from approval to production: three plants are already manufacturing and exporting chips, and five to eight more are expected within seven to eight years, backed by a Semicon 2.0 outlay of Rs 1,27,500 crore. These are the jobs of the next decade, and they demand a far higher floor of technical skill than most roles this paper has examined so far. If the system cannot close today's degree-job gap, closing tomorrow's more specialised one will be harder still.



The cost of getting it wrong – The impact



1. Lower participation

Women make up roughly half of India's working-age population; an economy cannot fully use its human capital while leaving that half under-deployed. Female participation has improved, but the gap with male participation is still wide, and progress hasn't kept pace. The Economic Survey 2025-26 is explicit that higher female participation isn't just good for equity, it's necessary to sustain high growth. So this isn't only a fairness issue — it's one of the fastest paths India has to higher growth.

2. Disconnected young people

Roughly 8.7 crore young people aged 15–29 are not studying, working, or in any training — a group larger than most countries, at the exact age when skills and work habits take shape. About 88 per cent of them are doing domestic duties, which means this is as much a women's participation gap as a skilling one — the same problem showing up twice. And the longer it goes unaddressed, the harder and costlier this group becomes to bring back in.

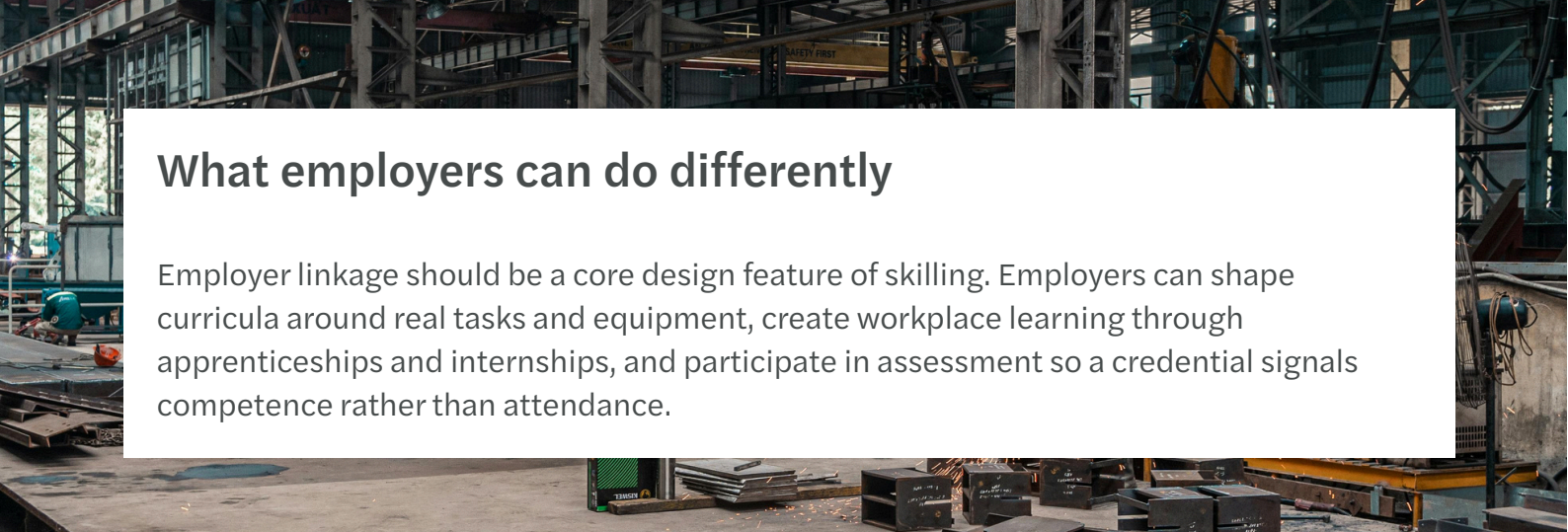
3. Lower earnings

NITI Aayog-cited survey evidence indicates an average starting salary of Rs 22,000 a month for a generic undergraduate without additional skilling versus Rs 29,000 with skilling. At an assumed 3.2 % annual growth rate, the difference compounds materially over a decade; meaning the cost of under-skilling is not a one-time penalty but a widening one.

4. Faster technology disruption

AI, automation, the shift to green energy, and changing supply chains are reshaping what jobs need — and they're moving fast. But training programmes, courses and certifications still take years to update. The longer that gap stays open, the less today's training tells us about tomorrow's jobs.

Put together, these point to a bigger goal than just cutting unemployment: making sure learning actually turns into real jobs, better pay, and people staying in the workforce.

The background of the top section is a photograph of an industrial setting, likely a steel mill or fabrication shop. It shows large structural beams, machinery, and a worker in the distance. A white rectangular box is overlaid on the left side of this image, containing the title and introductory text.

What employers can do differently

Employer linkage should be a core design feature of skilling. Employers can shape curricula around real tasks and equipment, create workplace learning through apprenticeships and internships, and participate in assessment so a credential signals competence rather than attendance.

What employers can do

1. India's next skilling phase must build employability, not just skills

- This means aligning public funding, education, training and employer practices around one common question: Does the individual move into sustainable, productive work? The priority should not be to create more programmes, but to make the existing ecosystem more connected, outcome-focused and responsive to employer demand.

2. Treat apprenticeships as a hiring channel

- The apprenticeship system has grown well over 43.47 lakh apprentices under PM-NAPS, plus 5.23 lakh more under NATS in FY25, with stipend transfers of over Rs 1,110 crore paid out directly. The real gap is employer participation, not the scheme itself. Only about 6,100 enterprises currently take on apprentices, against 5.2 lakh SMEs registered under Udyam so even a small rise in participation from these SMEs could add over 10 lakh apprentices. ^[1]

3. Build a skills-first hiring and development loop

- Hire on skills: rewrite select job descriptions around demonstrable tasks, use work-sample assessments, and recognise National Skills Qualifications Framework (NSQF)- and National Credit Framework (NCrF) aligned credentials where a degree isn't essential to the role
- Recognise existing capability: use Recognition of Prior Learning under Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and National Credit Framework principles to credit the workforce's existing skills, supporting internal mobility over unnecessary external hiring

4. Take part in the shifts already reshaping skilling policy

- Fund outcomes, not enrolments: when choosing a training partner or CSR programme, ask for their placement and retention numbers — not how many people they've trained.
- Start employability earlier: partner with a school or ITI running vocational tracks from Grade 9 onward, by offering internships, mentoring, or curriculum input.
- Converge schemes: manage apprenticeships and hiring through the Skill India Digital Hub instead of juggling multiple scheme portals separately — it cuts your own paperwork too.

^[1] <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2297204®=48&lang=2>

What India can learn from other countries



International examples are useful not as templates to copy, but as evidence of mechanisms that can be adapted to Indian conditions.

System	Core mechanism	Transferable lesson
Germany	Employers help design training, pay apprentices and take part in assessment.	Employer involvement helps ensure training matches real job needs.
Singapore	Near-universal SkillsFuture Credit entitlement; people receive training credits, while employment and wage outcomes are tracked after training.	Tracking outcomes helps improve courses and decide where funding should go.
Indonesia	Students can choose vocational education after Grade 9, with practical training and internships.	Dedicated vocational pathways can build job-ready skills at scale.
Australia	Students can enter vocational pathways early, with flexible qualifications that allow movement between routes.	Flexible qualifications make it easier to move between academic and vocational education.

Source: NITI Aayog (2026); Economic Survey 2025-26, Boxes XII.7 and XII.10.

Our 36-month agenda

India's next skilling phase needs a coordinated shift from training people to building employability. Our 36-month agenda outlines the actions needed across government, states, institutions and employers to make this shift.

Actor	0–6 months: Set the direction	6–18 months: Build the system	18–36 months: Scale what works
Government	Define a common set of employability outcomes and make them the basis for measuring skilling programmes.	Shift funding towards providers that demonstrate strong placement, retention and earnings outcomes.	Build a national outcome-tracking system that follows learners from training to employment.
States	Identify the skills and jobs most needed in each district.	Align training capacity with local industry demand and create stronger employer partnerships.	Build regional skills ecosystems around major industries and local economic opportunities.
Education & training institutions	Make employability a core part of every programme, including practical projects, career preparation and workplace exposure.	Co-design courses with employers and introduce more work-based learning.	Move from course completion to measurable employment outcomes as the core measure of success.
Employers	Identify roles where skills matter more than degrees and review hiring requirements.	Build apprenticeships, internships and work-based learning into talent pipelines.	Invest in long-term talent ecosystems, including skills academies, internal mobility and continuous reskilling.

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