

Degrees, Dreams, and Delayed Employment: Analyzing the Voluntary Unemployment Paradox Among Urban Indian Graduates

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Abstract: *This paper examines the paradox of voluntary unemployment among urban educated youth in India, where an increasing number of graduates, despite a growing economy and ample job openings, choose to remain unemployed. Using a primary survey of 50 urban graduates, both recent graduates and those with 1-3 years of experience, this research adopts a mixed-methods approach, collecting socio-demographic data, salary expectations, and decision-making factors through a structured online questionnaire. The analysis, grounded in descriptive statistics and cross-tabulation, reveals that voluntary unemployment is strongly influenced by skill mismatches, high reservation wages, and social norms shaped by family and peer expectations. The findings suggest that bridging the gap between education and employment requires not merely job creation, but a simultaneous realignment of skills, salary expectations, and societal perceptions of work. The study concludes with evidence-based policy recommendations, including curriculum reform, structured career counselling, and improved job market transparency.*

Keywords: Voluntary unemployment, urban youth, skill mismatch, reservation wage, India

1. Introduction

The employment landscape in India presents a striking paradox: a nation experiencing sustained GDP growth of 6.5-7.0 percent per annum continues to struggle with disproportionately high unemployment rates among its most educated citizens. The Periodic Labour Force Survey (PLFS) 2023-24 and the India Employment Report 2024 (ILO and IHD, 2024) consistently document that individuals with secondary and higher education face substantially greater unemployment than those with little or no formal schooling, a pattern commonly described as the U-shaped unemployment curve.

India's higher education system now produces over 10 million graduates annually, with the Gross Enrolment Ratio projected to reach 28.4 percent in 2023 (AISHE 2023-24). Yet expansion of degree-granting institutions has not been matched by commensurate growth in high-quality formal-sector employment. Many entry-level positions in services, retail, business process outsourcing, the gig economy, and small enterprises remain unfilled by recent graduates, who frequently view such roles as low-status, inadequately compensated, or lacking in long-term career progression.

This selective rejection of available work gives rise to what economists' term voluntary unemployment, a state in which individuals choose to remain jobless rather than accept positions that fall below their reservation wage, their occupational prestige expectations, their preferred work-life balance, or their geographic preferences. This phenomenon is not a simple consequence of insufficient labour demand; rather, it reflects a complex relationship of structural, socio-cultural, and behavioural dynamics. The present study focuses on this behavioural dimension of unemployment among urban educated youth aged 20-30 years, drawing on

primary survey data from 50 respondents collected in 2026. The key objectives are as follows:

- i) To determine the frequency and nature of voluntary unemployment among urban educated youth and examine how salary expectations, reservation wages, and perceived job quality influence employment decisions.
- ii) To analyse the role of socio-cultural factors, family expectations, peer comparisons, and occupational prestige in shaping job acceptance or refusal behaviour.
- iii) To assess the degree of mismatch between educational qualifications and job market requirements and provide evidence-based policy recommendations for improving graduate job market outcomes.

2. Review of Literature

2.1 Theoretical Foundations

Human Capital Theory (Becker, 1964; Schultz, 1961) suggests that education enhances worker productivity and earnings. However, the Indian urban job market has increasingly disrupted this relationship. Sarkar et al. (2024) link underutilisation of human capital to macroeconomic productivity losses. Mehta and Singh (2022) further demonstrate that skill mismatches have intensified over time.

Job Search Theory (Mortensen, 1986; Pissarides, 2000) frames unemployment as a rational outcome of search under imperfect information. Workers compare offers against their reservation wage, the minimum compensation they are willing to accept, and continue searching if offers fall short. In urban India, reservation wages are compounded by education, family income, and social status expectations (Das, 2025). Chakraborty (2024) introduces the concept of an 'aspiration gap', wherein constant exposure to global success

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narratives via LinkedIn and Instagram inflates reservation wages far beyond local market realities.

2.2 Education-Employment Mismatch

Allen and van der Velden (2001) identify over-education, skill mismatch, and field mismatch as distinct forms of qualification- job inconsistency. India's rapid educational expansion has not been matched by quality employment growth, generating what Mehrotra et al. (2014) term 'jobless growth'. The India Skills Report 2025 (Wheebox) reports overall graduate employability at only 54.81 percent despite rising enrolment, confirming that credential inflation has eroded the signalling value of degrees. Agrawal (2013) highlights that graduates frequently lack practical skills.

2.3 Socio-Cultural and Prestige Influences

Employment decisions among urban graduates are deeply embedded in socio-cultural contexts. Deuchar (2023) and Sharma (2025) demonstrate that unemployed graduates maintain social dignity through unpaid activities while awaiting 'suitable' positions, framing voluntary unemployment as identity negotiation rather than inactivity. Mukherjee (2023) and Chakraborty (2024) document that parents routinely steer graduates toward IT, government, or banking roles, while peers set salary and status benchmarks via social media. Survey evidence from the present study indicates that 63.3 percent of respondents perceive certain jobs as socially undesirable in their social circles, and 56.7 percent actively avoid applying for such positions due to perceived low status, reinforcing cycles of voluntary unemployment.

2.4 Gender Dimensions and Mobility Constraints

Gender plays a critical mediating role in employment outcomes. Mukherjee (2023) and ILO and IHD (2024) document that female graduates face mobility constraints, safety concerns, and family-imposed role expectations that significantly restrict labour market engagement. NEET rates approach 40 percent among urban females, driven by commuting risks, safety concerns, and household responsibilities. Female respondents in the present study prioritise location (50.0%) and family approval (16.7%) more prominently than their male counterparts, consistent with the broader literature on gendered employment barriers in metropolitan India.

2.5 Psychological Consequences and Post-Pandemic Shifts

Prolonged voluntary unemployment carries high psychological costs. Ghosh et al. (2024) report that over 50 percent of educated migrant youth experience depression and anxiety directly linked to joblessness. Biswas (2024) connects frustration from unmet expectations to cycles of mental distress, while recent reports link unemployment to rising suicide rates, 7,034 cases in 2022 tied to joblessness and bankruptcy, underscoring it as a public health concern. The post-2020 period has introduced new drivers of voluntary unemployment: digital platform exposure has simultaneously expanded aspirational benchmarks and increased appetite for

remote and flexible work. Burnout aversion and wellness prioritisation have been identified as emerging refusal factors in recent literature, further complicating the standard human capital model.

3. Data and Methodology

3.1 Research Design

The study adopts a descriptive-analytical mixed-methods design based on primary data. Data were collected through a structured online questionnaire using Google Forms. The survey included closed-ended questions (Likert scale and multiple-choice) along with open-ended questions to capture qualitative insights into employment decisions.

3.2 Sampling and Data

Purposive non-probability sampling was used to target urban graduates aged 20-30 years who were unemployed or had recently made job decisions. The final sample consists of 50 responses. The study focuses on graduates from Tier-1 and selected Tier-2 cities, with data collected in 2026.

3.3 Variables and Analytical Framework

The dependent variable is voluntary unemployment, measured through job rejection behaviour and willingness to remain unemployed. Independent variables include education level, salary expectations, job preferences, duration of job search, skill adequacy, and socio-cultural influence. Data were analysed using percentage analysis and cross-tabulation in Excel, along with thematic analysis of qualitative responses.

4. Analysis and Findings

4.1 Demographic Profile

The sample is dominated by the 23-25 age group (45.5%), with females (63.6%) forming the majority. Most respondents are highly educated, with 67.3% holding a Master's degree.

4.2 Employment Status and Job Search Duration

Of the 50 respondents, 22 (44%) are currently unemployed, and 8 (16%) are employed; the remaining respondents are in a transitional state. Critically, 36 percent of unemployed respondents report they are not actively seeking employment, a strong indicator that a significant portion of observed unemployment is voluntary in nature rather than a product of insufficient labour demand. Among those engaged in active job search, 34 percent have been searching for 3-6 months, 20 percent for 6-12 months, and 10 percent for more than one year. These extended search durations, combined with the willingness to sacrifice income, are consistent with reservation wage theory predictions about rational, prolonged search behaviour.

4.3 Job Rejection Behaviour

A substantial proportion of respondents have rejected at least one formal job offer. The most frequently cited reasons for

rejection are: low salary packages, job-role mismatch with educational qualifications, poor work-life balance, unfavourable geographic location, and limited growth opportunities. This pattern confirms that voluntary unemployment is driven by job selectivity rather than job scarcity; graduates are not unable to find work; they are declining available work on qualitative grounds.

4.4 Salary Expectations and the Reservation Wage

The salary expectation data reveal a pronounced upward bias among educated respondents. The modal expectation falls in the ₹40,000-₹60,000 per month bracket, with a significant cluster expecting above ₹60,000. The cross-tabulation of educational qualification against salary expectation is presented in Table 1.

Table 1: Educational Level versus Salary Expectations

Education Level	Below ₹20k	₹20k-₹40k	₹40k-₹60k	Above ₹60k	Total
Bachelor's Degree	2	6	5	7	20
Master's Degree	0	4	10	11	25
Diploma / Other	1	2	1	1	5
Total	3	12	16	19	50

Source: Primary Data collected by authors.

The data confirm a clear positive association between educational attainment and salary expectations. Postgraduate respondents overwhelmingly expect salaries in the upper two brackets, with 44 percent expecting above ₹60,000, a figure that substantially exceeds entry-level market offerings in most Indian cities. This expectation-reality gap constitutes a primary driver of extended voluntary unemployment.

4.5 Willingness to Accept Lower Wages

Table 2: Employment Status versus Willingness to Accept Low Salary (₹15,000/month)

Employment Status	Yes	No	Maybe	Total
Employed	4	10	6	20
Unemployed	6	18	6	30
Total	10	28	12	50

Source: Primary Data collected by authors.

Table 2 illustrates that 60 percent of unemployed respondents explicitly declined the hypothetical offer of a skill-matched position at ₹15,000 per month, with a further 20 percent uncertain. The rejection rate among employed respondents is comparably high at 50 percent. This strongly supports the concept of voluntary unemployment: the majority of respondents prefer continued unemployment over accepting compensation that falls below their reservation wage, even when the role is skill-compatible.

4.6 Social and Family Influence

A majority of respondents report experiencing moderate to high pressure from family or social circles to 'wait for a better opportunity.' Thematic analysis of open-ended responses reveals three dominant narratives: parents advocating specifically for government, IT, or banking positions; peer benchmarking via social media, creating upward pressure on salary and status norms; and personal aspirations for roles commensurate with educational investments. These influences collectively function as a social mechanism that normalises and sustains voluntary unemployment as a culturally acceptable, even prudent, choice.

4.7 Skill Adequacy and Mismatch

A large proportion of respondents believe their academic qualifications provide only partial preparation for contemporary job market demands. Most have undertaken supplementary skill development- certifications, online courses, or internships, yet report continued difficulties in securing employment matching their credentials. This suggests that skill mismatch is not fully bridged by individual upskilling alone, pointing to systemic gaps between curriculum design and industry requirements that no amount of individual effort can fully compensate for.

5. Cross-National Comparison

Table 3: Voluntary Unemployment Among Educated Youth - BRICS Comparison (2024–2026)

Country	Est. Rate	Dominant Drivers	Key Distinction from India
India	15- 20%	Prestige norms, family expectations, and gig aversion	Reference country
Brazil	18- 24%	Wage expectations, urban safety, credential inflation	Violence-driven refusal more prominent
South Africa	35-45%	Racial inequality, prestige, and network deficits	Historical structural inequality dominant
China	14-19%	Hukou system, over-education, 'lying flat' movement	State control and cultural pushback
Russia	12-16%	Sanctions, brain drain, and low private-sector trust	Geopolitical and emigration pressure

Source: Compiled from various secondary sources (2024–2025)

The comparative data demonstrate that voluntary unemployment among educated youth is a broadly shared phenomenon across major emerging economies. A common structural pattern is discernible: rapid educational expansion, slow formal-sector job creation, and rising middle-class aspirations converge to produce selective job refusal. India's distinctive profile lies in the strength of family and prestige norms as behavioural mediators, a feature less pronounced in

China, where state policy constrains mobility, or South Africa, where historical racial inequality is the dominant driver.

6. Policy Implications

- **Curriculum and Skill Alignment:** Higher education should focus more on practical skills, digital

competencies, and communication rather than only theory. Industry collaboration, internships, and live projects can help reduce the education-employment mismatch. Effective implementation of NEP 2020 is essential.

- **Career Counselling:** There is a need for structured career guidance in all institutions. Programmes should include realistic salary expectations, industry exposure, and transition support to align graduate expectations with market realities.
- **Dignity of Labour:** Social stigma around jobs such as sales, services, and gig work must be reduced. Awareness campaigns should promote the value of all types of work to improve job acceptance.
- **Gender-Sensitive Policies:** Improving safety, mobility, childcare support, and flexible work options is necessary to increase female labour force participation.
- **Gig Economy Formalisation:** Providing income stability, benefits, and skill development in gig work can make it a viable employment option for graduates.
- **Job Market Transparency:** Clear hiring processes, salary disclosure, and regulation of job platforms can reduce uncertainty and improve job search efficiency.

7. Discussions and Conclusion

The findings suggest that voluntary unemployment among urban graduates is a structured and rational response to existing economic and social conditions. It arises from an education system that produces degrees without adequate skills, a labour market dominated by low-prestige jobs, and socio-cultural norms that discourage acceptance of “unsuitable” work.

The concept of reservation wage explains this behaviour, as many graduates, supported by families, can afford to delay employment and wait for better opportunities. However, social factors such as occupational prestige and family expectations further raise this threshold. Employment decisions are not purely economic but also linked to identity and social status.

Gender differences intensify the issue, as female graduates face additional constraints such as safety concerns, mobility restrictions, and family expectations. Post-pandemic changes, including digital exposure, preference for flexible work, and concern for work-life balance, have further increased selectivity among graduates.

This study highlights that voluntary unemployment among urban graduates is not merely a result of job scarcity, but a behavioural and structural response to labour market conditions. Three key insights emerge. First, reservation wages among graduates are significantly higher than entry-level opportunities, shaped by both financial expectations and social norms. Second, the education system fails to provide adequate practical skills, creating a gap between aspirations and employability. Third, gender-specific constraints further limit employment choices for women, reinforcing higher levels of unemployment.

The findings suggest that solving this issue requires more than job creation. It demands alignment between education and

industry, a shift in societal attitudes towards different forms of work, and stronger institutional support for fair and transparent employment practices. Without such changes, voluntary unemployment is likely to persist and grow alongside the expansion of India’s educated workforce.

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