AI4India

FUTURE OF EMPLOYABILITY IN THE AGE OF AI

INDIA'S PLAYBOOK FOR STUDENTS, INSTITUTIONS, AND INDUSTRY

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NOTES

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Methodology: This report is synthesised using a multi-method research design, centred on a systematic review of over 85 structured, primary conversations. Our contributors represent a cross-section of the Indian economic landscape, including leaders from industry, academia, government, EdTech, staffing agencies, and student communities. This "multi-stakeholder" lens ensures the findings reflect the friction between classroom learning and workplace requirements.

Disclaimer: The views expressed in this report are solely those of the authors and reviewers and do not reflect the positions of any affiliated employers.

Confidentiality Note: All company-specific data and quotes have been anonymised to maintain compliance with corporate disclosure policies and confidentiality agreements, ensure neutrality, and prevent any perception of commercial advancement or opinion.

AI Usage & Ethics Declaration: In the spirit of the "AI-augmented capability" discussed in this report, the authors employed Generative AI tools (including OpenAI's GPT-5.2, Perplexity and Google Gemini) to assist in the thematic synthesis of interview transcripts, data structuring, and preliminary drafting. All AI-generated outputs were rigorously reviewed, fact-checked, and edited by human subject-matter experts to ensure accuracy, nuance, and contextual integrity. AI was used as a "co-pilot," but the strategic insights and conclusions remain entirely human-led.

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Alok Agrawal
Co-Founder
AI4India

AI is poised to fundamentally reset the landscape of employability. While the change may not be immediate, the long-term impact is undeniable, requiring a radical transformation of our education system at its core. As traditional curricula and degrees lose their relevance, a new era of opportunity will emerge — one that demands a workforce defined by human ingenuity, creativity, and complex problem-solving. In this future, we must all become lifelong students, returning to learn and reskill as industry evolves. Drawing on its ancient heritage of academic excellence, India has the potential to lead the world in bridging the gap between education and employability in the age of AI.

Shashi Shekhar Vempati
Co-Founder
AI4India

With the rise of the algorithm-driven economy and automation, AI can enhance efficiency, productivity, and create new classes of jobs, even as some traditional roles become redundant. AI and job creation can go hand in hand, which is crucial for India given its young and growing workforce. Academia and Industry need to work together to create an enabling environment for students to be ready to join the AI-era workforce. This collaboration is crucial if India is to get ahead of the AI adoption curve and prepare our youth for the new class of jobs/opportunities that will arise in this era of co-intelligence with interplay between AI and innately human intuition, creativity, and instincts.

Adarsh Lathika
Founder and CEO
Anatomy of Work

Across my conversations with students, educators, and industry leaders, one thing became clear: expectations from early-career professionals are rising faster than the structures meant to prepare them. Entry-level roles are becoming thinner, not because work is disappearing, but because routine work is being absorbed elsewhere. That shift quietly changes what employability means. Preparing people only to 'fit into jobs' may no longer be enough. We may need many more individuals who can create work — who can identify problems, assemble tools, and generate value rather than wait for formal roles to appear. This places new pressure on education, skilling, and leadership ecosystems to cultivate judgment, initiative, and responsibility, not just credentials. The question ahead is not whether AI will change work — it already has — but whether we are equipping people to adapt with agency rather than anxiety.

Gopal Devanahalli
President, Skilling
Wadhwani Foundation

Just as the internet, in the 1990s, transformed how we live and work, artificial intelligence is poised to reshape our world three decades later. Its implications for youth, skills, and jobs are profound. Realising this opportunity will require a coordinated response from Indian policymakers, industry, educational institutions, and citizens alike.

Krishnan Narayanan
Co-Founder and President
itihaasa Research and Digital

From my conversations with business leaders, two truths stand out. First, entry-level work is shifting from doing routine tasks to working with AI, including framing problems, checking outputs, and owning judgement. Second, enterprises must redesign roles: rewrite job descriptions, change hiring tests, and build fast, hands-on upskilling pathways so young people stay employable.

Jai Asundi
Executive Director
Center for Study of Science, Technology and Policy (CSTEP)

Artificial Intelligence (AI) has the potential to fundamentally transform society. How it impacts India is of great interest to many of us who have seen the potential and pitfalls of technology in a developing country such as ours. It is imperative that we pay particular attention to the details associated with the development, use, and governance of AI. An important perspective we must consider is the training and employability of students in this new age. We need to be able to match the interests of industry/employers and academia so that we are able to graduate model citizens of tomorrow. Leveraging AI for the same would be ideal, however, this will take strategic design and intent which this report covers. Great to see such efforts from AI4India.

The Convergence Of Three Crises

The urgency of this research stems from three intersecting crises that, if left unaddressed in 2026, carry the risk of a fundamental decoupling of Indian higher education from the global economy with a direct impact on the employability of an entire generation of fresh graduates.

1. Educational Institution Response Gap

Despite 60% of educational institutions permitting AI usage, a structural vacuum has emerged. With only 17% of academic faculty reporting advanced AI proficiency and a mere 6% satisfied with institutional resources, pedagogy has stalled while technology has accelerated. In this absence of a formal framework, students are navigating a "Shadow Curriculum" — learning informally, without mentorship, quality assurance, or ethical guardrails.[1]

2. Job Market Anxiety vs. Expectations Mismatch

Discourse on AI employment is currently trapped between apocalyptic warnings and techno-optimism. This obscures a critical misalignment: while employers are expressing expectations for AI-augmented human agency (adaptability and critical thinking), students are making defensive, fear-based career choices. This study seeks to bridge the gap between macro-level employment forecasts and the micro-level decisions of Indian students.

3. AI Capability-Access Inversion

Access to AI does not equal agency in the use of AI. While 53.5% of Indian students use AI daily, this usage is largely superficial. We are watching a generation adopt AI without the institutional scaffolding required to evolve from casual tool use into the creation of high-order, deployable projects demanded by the 2026 job market[2].

Why 2026 Is the Inflection Point for Employability in the AI Era

We are currently in a high-stakes "Policy Window." The decisions made in the next 18 months will determine India's trajectory for the next decade:

- **Shifting Employer Signals:** As hiring moves from "Credentials" to "Portfolio Evidence," academic institutions that fail to integrate AI-augmented workflows now will leave their 2025–2028 cohorts structurally unemployable in the AI era.
- **The Faculty Lead-Time:** Faculty development is not instantaneous. A delay in training today creates a multi-year lag in developing student capability, recovery from which may be nearly impossible.
- **Structural Risk to Students in Tier 2/3 Cities/Towns:** External support for AI capacity building and developing regional hubs that can serve Tier 2/3 cities/towns requires significant lead time. Without immediate mobilisation, the "Compute Ceiling" will harden, turning a temporary digital divide into a permanent economic chasm.

The Bottom Line:

India's window to move from reactive "banning" of AI within academic institutions to proactive "designing" of AI-enhanced curricula is fast closing. This study provides the roadmap to ensure Indian higher education shapes an AI-ready generation rather than perpetuate systemic inequalities within this fast-changing job market.

[1]EY-FICCI AI Adoption Survey 2025

Industry: Compressed Roles and New Hiring Signals

Workflows Are Compressing, Not Disappearing

Across sectors, AI is compressing workflows — reducing layers and changing what remains, rather than eliminating functions entirely. In planning, proposal writing, software engineering, and data analysis, work once distributed across large junior teams is now handled by smaller teams working with AI co-pilots and automation. There are fewer entry-level slots doing routine execution, but the jobs that remain require deeper judgment, contextual understanding, and system-level thinking.

From Credentials to Capability and Mindset

Employers consistently report that technical depth and degrees matter less than adaptability, curiosity, and cross-domain thinking. A moderate level of technical skill coupled with strong problem-solving, communication, and learning agility is often more valuable than advanced training without these traits. Portfolios — GitHub repositories, case studies, design work, documented experiments — are increasingly being used alongside or instead of resumes to evaluate readiness.

The Skills Map: What Employers Actually Priorities
AI Fluency Matters, but Critical thinking and adaptability leads

	Techsoft	Counsulting	Fianance/Bank	Retails/Ops	Non-Tech	Ed/Techlearn
AI Tool Fluency	Medium	Medium	Medium	Medium	Medium	Medium
Critical Thinking	High	High	High	Medium	High	High
Social Intel	Medium	High	Medium	Medium	Medium	Medium
Adapt/Learn	High	High	Medium	High	High	High
Domain Knowledge	Medium	Medium	High	Medium	Medium	Medium
Portfolio	Medium	Medium	Medium	Medium	Medium	Medium
Data & Analyst	High	Medium	Medium	Medium	Medium	Medium
System Thinking	Medium	Medium	Medium	Medium	High	Medium
AI Ethics	Medium	Medium	Medium	Low	Medium	Medium
Linguistics	Medium	Medium	Medium	Medium	Low	Medium

Figure 1: Illustrative map showing employer hiring priorities across six segments, revealing that critical thinking and adaptability are universally valued, while domain-specific knowledge importance varies by sector

At the same time, business uncertainty is slowing AI adoption. Many companies are still refining what "AI-ready talent" actually means for different roles, leading to vague job descriptions, legacy interview formats, and few AI projects scaling up beyond the pilot stage. The employers moving fastest are those that have answered three questions clearly: what AI will handle, where human judgment remains, and which capabilities matter most in an AI-augmented team.

[2] Lathika, A. (2025, December). The shadow curriculum: How students are rebuilding higher education with AI — Faster than institutions can respond.

Students: Access Without Capability

Tools Are Ubiquitous; Understanding Is Rare

India is among the world's highest users of AI in higher education: 53.5% of students report daily AI tool usage, and another 23.5% use AI weekly. Free-tier Gemini, Perplexity, open-source models, and older versions of Claude are available on most smartphones, thus levelling the access gap between a student in a Tier 3 town and a student in a top metro college[2].

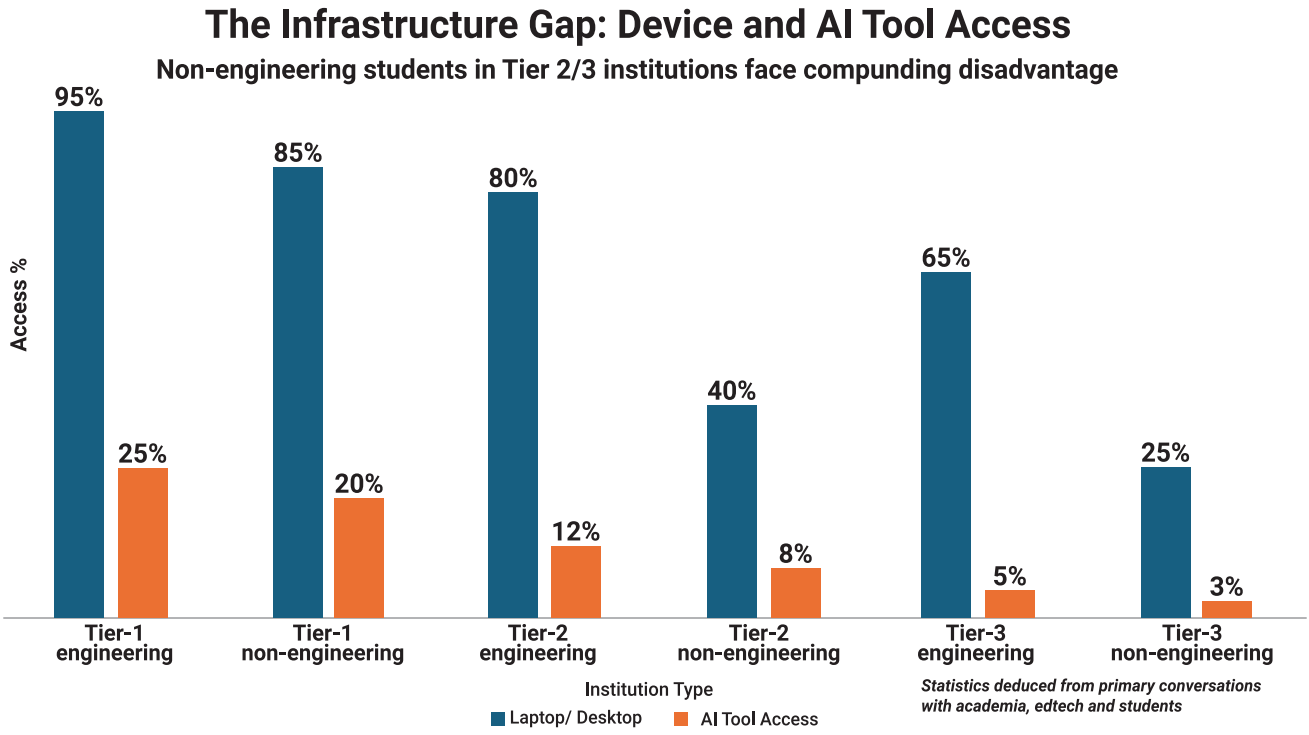

Figure 2: Infrastructure access disparities showing dramatic gaps in laptop ownership and institutional AI tool access, particularly affecting non-engineering students in Tier 2/3 colleges

However, usage depth is shallow. A majority of students use AI for summarising, quick explanations, and last-minute assignment support, while only 10–15% operate at a level where they iteratively refine outputs, critique model reasoning, and deploy AI in structured projects. This gap is primarily due to the absence of mentorship, curricular scaffolding, and exposure to high-quality problems with adequate real-world context.[3]

Hardware Inequality Defines the Scope of Learning

Device access has become a limiting factor on the quality of AI learning. Among engineering students in Tier 1 institutions, around 95% have a laptop or desktop, whereas among non-engineering students in Tier 3 institutions, only about 25% do. A student with only a smartphone cannot meaningfully code, train models, or build deployable projects, effectively excluding themselves from much of what employers recognise as employment-ready AI skill or capability.[3]

[3] Primary Research Synthesis (Nov–Dec 2025). These figures represent a qualitative synthesis of reported access rates from stakeholder interviews with EdTech providers and institutional leadership. The 70-percentage-point delta is a thematic deduction based on platform telemetry and faculty observations, highlighting the "Compute Ceiling" that restricts regional non-engineering cohorts to mobile-only, low-depth AI interactions.

Institutional access to paid AI tools is also skewed. Even in the most privileged cohorts, only a minority have institution-provided access to premium AI platforms. Device and compute inequality thus translates directly into "scope inequality": two equally motivated students diverge simply because one has access to premium tools on an appropriate compute device while the other lacks access to both.

Anxiety–Reality Mismatch

Nearly half of Indian students believe heavy reliance on AI is reducing their preparedness for the workplace. At the same time, their anxiety often does not map to actual job risk: students in relatively stable domains such as healthcare, education, and law frequently express as much fear as those in high-disruption areas like basic coding or content generation. Without grounded, domain-specific guidance, counselling and mentorship, students are abandoning promising paths to chase hype-driven courses, instead of building the durable capabilities that will matter most.[2]

Academic Institutions: Fear, Fragmentation, and the Assessment Crisis

Denial, Policing, and Paralysis

Faced with rapid student adoption of AI, many institutions have responded with denial ("AI is not our problem"), policing (bans, detection thresholds, punitive policies), or paralysis (committees and circulars without meaningful change). This combination drives AI usage underground: students continue to use AI tools unsupervised without guid ance, thus losing the chance to receive meaningful feedback on their use of AI.

The result is a trust gap with students treating institutional rules as obstacles as they look to work around them. There is little by way of guidance in these institutional rules on how to think and act responsibly with AI. Faculty, meanwhile, report genuine uncertainty: they are not trained in AI-aware pedagogy, have little clarity on how to redesign assignments, and often feel personally threatened by tools that automate parts of their expertise.

Geographic Inequality as the Primary Fault Line

The dominant divide in India's AI readiness is not simply rich versus poor, but Tier 1 metros versus Tier 2/3 towns. Tier 1 institutions have better access to industry mentors, updated curricula, GPU-enabled labs, and local employers who can feed real projects into classrooms; Tier 2/3 institutions often lack all four. Students in Tier 2/3 areas, therefore rely more heavily on social media, bootcamps, and informal networks for AI learning. This makes them more vulnerable to hype and makes it harder for them to derive substantial value from AI tools.

Table 1: The AI Readiness Level scores across institutional tiers, with Task Depth and Institutional Environment showing the largest gaps[4]

Institution Tier Dimension	Tier-1	Tier-2	Tier-3
Access	Medium	Low	Very Low
Usage frequency	High	Medium	Low
Task depth	Medium	Low	Very Low
Skill transfer	Medium	Very Low	Very Low
Institutional environment	Medium	Very Low	Very Low
Career clarity	Low	Very Low	Very Low
Project readiness	Medium	Very Low	Very Low
AI literacy	Medium	Low	Very Low
Composite score	Medium	Low	Very Low

Over time, this gap translates into a compounding advantage for Tier 1 students. A Tier 1 student with high-quality mentorship and project experience enters the job market several steps ahead, and this gap widens with each career transition. Left unaddressed, this geography-driven inequality will harden into a structural divide that cannot be closed by individual effort alone.

Assessment Has Decoupled From Reality

Underneath these patterns lies a deeper issue: assessment systems are measuring the wrong parameters. Traditional closed-book, memory-focused exams rewarded recall in a pre-AI world; they now say little about whether a student can frame problems, work with AI tools, evaluate outputs, or communicate reasoning. Banning AI during exams or adding AI-detection tools on top of unchanged assessments does not address this misalignment between assessment systems and the imperatives of AI.

Only a few institutions have begun shifting to process-based evaluation — requiring students to submit prompts, intermediate outputs, and reflections alongside final answers — but these are still exceptions. Without broad assessment reforms, academic degrees will increasingly lose their significance with employers, regardless of institutional prestige.

[4]The AI Readiness Level is a metric developed by AI4India.org. The disparity in AI maturity is a synthesised metric derived from 85+ primary stakeholder interviews. This substantial gap reflects a systemic divergence in AI adoption between Tier 1 and regional institutions across three vectors: (a) Faculty Pedagogy Redesign, (b) High-Compute Infrastructure Access, and (c) Institutional Policy Clarity.

Infrastructure: Four Factors that Shape Opportunity

The report identifies four infrastructure factors that now strongly influence who can develop AI-era capabilities:

- **GPU access determines what students can learn:** Without acess to GPUs or shared cloud compute, students cannot meaningfully experiment with training, fine-tuning, or deploying current-generation AI systems; they remain confined to chat interfaces and small-scale tasks.
- **Device access determines the scope of learning:** Students without laptops are effectively excluded from coding, systems design, and project-based learning; this "device divide" is especially pronounced for non-engineering students in Tier 2/3 colleges.
- **Localised datasets determine relevance:** Learning AI on Indian health, agriculture, logistics, and financial datasets builds domain awareness and employable skills; relying only on generic global datasets produces capabilities that are disconnected from local needs and realities.
- **Mentorship infrastructure determines the pace of learning:** Students with access to practitioners who show how AI fits into real workflows progress in weeks to a few months; those without such mentorship could waste valuable time guessing which tools and skills matter, thus inordinately delaying their pace of learning.

These factors are all addressable through coordinated investment and policy decisions and do not require deep technological breakthroughs.

What Students Can Do Now

Students need not remain passive during this transition; they can act even before systems fully adapt:

- **Use AI as a thinking partner, not a shortcut:** Treat AI tools as collaborators that help explore ideas, generate alternatives, and test understanding, while keeping human judgment at the centre.
- **Build portfolios that show real work:** Convert class assignments, internships, and self-initiated experiments into visible artefacts — code, models, case write-ups, design mockups — that demonstrate how AI was applied to meaningful problems.
- **Go deep into any one domain + AI combination:** Rather than chasing every new tool, pick a domain they care deeply about (finance, health, law, agriculture, education, design) and learn how AI is actually being used within that domain.
- **Seek mentors and peer communities:** Join or create groups — on campus or online — where one can share prompts, critique outputs, and get feedback from seniors, alumni, and professionals.
- **Replace headline-driven fear with informed action:** Study credible sector-specific trends and align preparation with the capabilities employers repeatedly highlight: critical thinking, adaptability, communication, and effective collaboration with AI tools.

Imperatives for Institutions, Industry, Edtech, and Policymakers

The report proposes a set of imperatives that align actions so that all stakeholders move in step rather than in isolation or at cross-purposes:

Policymakers should:

- Declare AI literacy a national baseline and integrate it across disciplines.
- Fund shared compute and device-support schemes to close hardware gaps.
- Incentivise assessment reform, not AI bans.
- Support Indic language AI ecosystems and Indian datasets. Set a goal for sovereign foundational models being developed by IndiaAI Mission to enable code generation using AI in any of the multiple Indian Languages.
- Professionalise AI pedagogy through recognised faculty certification.

Universities and colleges should:

- Shift from policing AI to teaching with AI via redesigned assignments and transparent usage norms.
- Guarantee a minimum level of device and compute access for all students.
- Invest in faculty confidence and communities of practice around AI-augmented teaching.
- Bring real Indian problems into classrooms through long-term regional partnerships.
- Align curricula and assessments with the skills and mindsets employers actually seek.

Industry and CHROs should:

- Rewrite job descriptions to describe AI-augmented responsibilities and required judgment.
- Adopt portfolio-based and task-based hiring processes.
- Launch AI apprenticeships that give early-career talent structured exposure to real workflows. Encourage employees to mentor students at local colleges.
- Co-design flexible micro-curricula with universities, using pre-approved “flex slots” inside core courses.
- Share anonymised use-case libraries and decision frameworks with educators and students.

EdTech and skilling platforms should:

- Reorient instruction away from standalone tool tutorials and toward capability-building that emphasises reasoning, evaluation, and multi-tool orchestration.
- Integrate real Indian projects and sectoral challenges into learning pathways.
- Create role-specific AI journeys for different professions rather than generic “AI for everyone” courses.
- Design mobile-first, multilingual experiences for low-bandwidth, Tier 2/3 contexts.

The Choices Ahead

India's future in AI employability remains open to deliberate choice. It is, fundamentally, about the choices that are currently being made about who gets access to meaningful learning, who has access to mentors and infrastructure, and which problem-sets are prioritised. Today, those choices are deepening a divide by concentrating opportunities in Tier 1 metros while creating structural disadvantages elsewhere.

However, better choices can be made to bridge this divide by leveraging tools, frameworks, and early success stories that already exist. By aligning students, institutions, industry, EdTech, and policymakers around a shared goal, the opportunity exists to turn India's latent talent into an AI-augmented dividend that is broad-based, regionally inclusive, and globally competitive. The challenge lies in coordinating action across stakeholders and in ensuring speed of execution to keep pace with the fast-changing AI technology landscape.

Scan the QR code to access the full, detailed version of the report.

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