



EDUCATION AND SKILL DEVELOPMENT FOR FASTER ECONOMIC GROWTH IN INDIA



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ABSTRACT

This article highlight the key challenge faced by India due to demographic dividend and how to ensure a sufficient number of productive jobs in non-agricultural sector . Needless to say , the proposed shift out of agriculture should occur not as distress migration, but as a natural movement to higher paid employment in non- agricultural activity, some of which could be in rural areas itself through improved marketing and agro based activity. To lead the demographic dividend, India needs better education and skill development programmes to train the huge youth in the skills which are required by the industry. Indian governments have been attempting several measures to improve basic education and some achieved success, but vocational education and imparting skills remain a critical area of concern.

KEY WORDS: Skill development, education, employment Generation, Demographic Dividend, Sustainable Employment Opportunities, Skill Building.

INTRODUCTION

The global education agenda, embedded in the Education for All (EFA) Goals, and the Millennium Development Goals has emphasised the importance of reaching EFA rather than sustaining this achievement. As a corollary, the emphasis for external aid has also been on increasing aid to secure EFA rather than on the dangers of aid dependency in securing and sustaining EFA. The international architecture in support of education for sustainable development appears to have little interest in analysing these tensions between the pursuit of these rights-based EFA Goals, on the one hand, and the kind of economic growth and macro-economic environment that would be necessary to sustain their achievement. Investment in education to increase human development and economic growth, has gained the attention of economists and policy makers. Investment in education improved skilled labor that contributes to economic growth and competition, and quality of life standards. Both individuals and society gain economic benefits of higher

education gained by individuals. It affects the economic system directly and indirectly, as well as micro and macro level.

By 2020, India's population is expected to become the world's youngest~À more than 500 million Indian citizens will be under 25 years of age and more than two thirds of the population will be eligible to work. This means that a growing number of India's youth need the right educational infrastructure to develop skills and adequate opportunities to get employed or become entrepreneurs. The challenge Indian economy face is to ensure and creation of a sufficient number of productive job in the non-agricultural sector to absorb the expected increase in the labour force and also absorb surplus labour that must be shifted out of agriculture. The productivity in agriculture is relatively low and it is necessary to reduce the present underemployment problem and improvement in the real wages in this sector. Agricultural development will itself give rise to new demands for Non-agricultural



services and generate employment in agriculture-related sectors such as modernized marketing and agro-processing activity.

To overcome the present problem skilled building can be viewed as instrument to improve the effectiveness and contribution of labour to the overall production. It is an important ingredient to push the production possibility frontier outward and to take growth rate of the economy to higher trajectory. It is also believed that skill building could also be seen as an instrument to empower the individual and improve his /her social acceptance or value. Skill development in India is derived from the changing demographic profiles in India vis-à-vis China, Western Europe, and North America. These changing profiles indicate that India has a unique 20 to 25 years' window of opportunity called "demographic dividend". The demographic dividend is essentially due to following factors namely i) declining birth rates and ii) improvement in life expectancy. Alongside the global economy is expected to witness a skilled man power shortage to the extent of around 56 million by 2020.

The "demographic dividend" accounts for in India having world youngest work force with a middle age below that of China and OECD. So India needs to be exploited not only to expand the production possibility frontier but also to meet the skilled manpower requirements of in India and abroad. To strike this problem India needs better education and skill development and better labour ecosystem. To reap the benefit of demographic dividend the 11th five year plan had favored the creation of a Comprehensive National Skill Development Mission. As a result, a (i) PM's National Council (ii) National Skill Development Coordination Board (NSDCB),

(iii) National Skill Development Corporation (NSDC) was created in early 2008. Whereas, Prime Minister's National Council on skill development has spelt out policy advice, and direction in the form of 'core Principles' and has given a Vision to create 500 million skilled people by 2022 through skill system. NSDCB has taken upon itself the task of coordinating the skill development efforts of a large number of Central Ministries and States. NSDC has geared itself for preparing comprehensive action plans and activities which would promote PPP models of financing skill development.

OBJECTIVE

The main objective of the study is to analyze the relationship between higher education and skill development for economic growth

LITERATURE REVIEW

Different theories and models have used to examine the relationship between education and economic growth. Most of these studies emphasize the human capital accumulation as a source of economic growth while some others discuss human capital as an engine of economic growth for technological change. Using data for the period of 1948 to 1969, Jorgenson and Fraumeni estimated the impact of investment in education on U.S. economic growth. The results concluded that investment in education increases economic growth through accumulation of human capital. Ranis et al. estimated the links between human development showed by education, health development, and economic growth. Results for the link between economic growth and human development showed that economic growth had a positive and strong impact on human development.

Barro studied education as a measure of human capital development. The study estimated human capital shown by education as a determinant of economic growth. Results indicated that economic growth is positively related to starting level of average years of school attainment of adult males at the secondary and higher level. The results also demonstrated that the relationship between importances of school quality along with a determinant of economic growth is different in rich and poor nations.

Dowrick reviewed empirical studies that examined the relationship between economic growth and education and R&D (Research and development). These studies indicated that education and R&D are substantial sources to boost economic growth. Some studies published in mid 1990s stated that the relationship between economic growth and national educational attainment is not efficient. However, the posterior studies claimed that lack of efficiency in mentioned relationship is because of some factors such as poor institutional performance in less developed economies and a failure in estimation of international variation in educational quality.

Teles and Andrade estimated the relationship between government spending on basic education and economic growth using two models. Results indicated that agents' decisions over a lifetime were affected by basic education. Results also indicated that the relationship between government spending on basic education and economic growth could be either insignificant or negative in some cases. The reason for that could be government spending on basic education might discourage additional human capital accumulation.

Hanushek and Wobmann examined the role of education in promoting economic well-being focusing on

the role of educational quality. Results showed that the cognitive skills of population have strong relationship with individual earnings, the distribution of income, and economic growth. Interestingly, results indicated that recent situation is worse in developing countries than what is assumed based on school enrollment and attainment. According to Chlottman, utilization of infrastructure and technology requires a leading role of higher education in regional economic development.

SKILLS LED EMPLOYMENT

Unemployment rate of little more 1 percent from existing 7.8 percent would require a comprehensive strategy addressing the skill development needs for the workforce rendered unemployment due to technological obsolescence, Sectoral migrant workers from agriculture to industry and service sector, Informal sector workers whose productivity and quality needs to be improved in order to enhance their employability and incomes. A key challenge in the 12th Five Year Plan is how to ensure creation of a sufficient number of productive jobs and it has aimed at creation productive, gainful and sustainable employment opportunities with decent working conditions, therefore, Skills led employment generation is the sustainable employment generation strategy adapted to address the needs of the technology driven employment market in future. To benefit the people under the age group of 24 year and 30 years can be successfully reaped only through expanding education and skill development opportunities at a wider scale. This will include both software and hardware facilities, adequate number of trainers and life-long training opportunities. It is indeed a matter of concern that only 5 percent out of 470 million Indian workforces is vocationally trained.

CHALLENGES AND RECOMMENDATIONS ON SKILL DEVELOPMENT

The following were the skill development attentions given in the 12th five year plan are as follows.

1. Setting up of skill development centres through public- private participation (PPP):-

To encourage the concept of setting up new Skill Development Centers under PPP mode, central and state government should take 49 percent equity and 51 percent equity from Industry. While setting up the Skill Development Centers in different locations, the State Government can provide land under subsidized rate while the Central Government can provide funds for the capital equipments. This will motivate the industry players to be

involved in training the youth to meet the future skill demands. The private sector representation in joint council for vocational education should further be increased to involve them more in setting course content and curricula.

2. Vocationalisation of Government Schools:-

In next 5 years every government school should have vocational education department from class 9 onwards and plan should give 100 percent capital subsidy for vocational skill department.

3. Fiscal Incentive for Private Players:-

The Private training providers should be given fiscal incentives to attract large scale investment by private sectors in skill development such as given the infrastructure status which would make the training institutes to be eligible for 10 year income tax holiday, Exemption from service Taxes on fees charged, books and equipments and land to be provided on subsidized rate.

4. Greater Autonomy:-

Involvement of individual employers and industry associations in management of vocational training system will see a major spurt only if the government is willing to provide institutions greater autonomy. However, increased autonomy needs to be accompanied by greater accountability and performance must be measured on the basis of internal/ external efficiency indicators.

5. Skill Development Schools:-

Skill developed schools being set up by various ministries in sectoral parks should be formed jointly by the respective Ministry along with the state Government each giving 25 percent capital subsidy (total 50 %) for setting up training centers. All Industrial units in that park or industrial estate should jointly take 51 percent equity share in the training facility.

6. State Skill Development Corporation:-

Each state should be encouraged to set-up state Skill Development Corporation like National Skill Development Corporation (NSDC). 60 percent corpus should be given by Central Government and 40% by the state Government Skill development Centre should be set-up for a cluster of villages. Proposals from private sector should be invited by State Skill Development Corporations. The focus should be on trades like latest agri-practices, cattle rearing, poultry, piggery and value added products from agri or forest products of that area. Self employment of rural youth should also be focused. Entrepreneurial courses with banking technical inputs, marketing strategy should be part of the training curriculum.

7. Skill Development Voucher under NREGA:-

In addition to short term employment, skill training courses taken by the rural youth should be paid a payment under NREGA.

8. Training of Trainers:-

The 12th plan aims at massive teachers trainers programme to train at least 10 million trainers to train 250 million people across a wide range of trades. Since the Government resources will be a limiting factor for setting up such massive training infrastructure, public, private participation model and fiscal incentives proposed earlier should be given for setting up of trainers training institutions.

RESTRUCTURE OF EXISTING SKILL DEVELOPMENT MECHANISMS IN BOTH ORGANIZED AND UNORGANIZED SECTOR:

a) Developing Efficient and Fair Labour Markets for All Categories of Workers:-

1. Flexibility (in term of size and type of work force, duration of work and location of workplace) is required by employers to adjust to the changing market conditions, the workers need to provided with basic security (in term of statutory compensation in the event of closure or retrenchment or layoff, unemployment allowance, retraining and redevelopment facilities, access to social security).

This may require amendments to industrial disputes act 1947 and contract labour (regulations and abolition) act 970 and strengthening of social security schemes for both organised (like Rajiv Gandhu Shramik kalian yojana, facilities being provided by employee state insurance corporation (ESIC) and employees provident fund organisation (EPFO) etc.) and unorganised sector workers (like Rastriya swasthya bima yojana, Aam Admi Bima yojana, Indira Gandhi national old age pension scheme, newly announced Swabalamban pension scheme etc.).

- 1) Conditions of service for contract/casual workers need to improve.
- 2) Better enforcement of labour laws and regulations and strengthening of the competencies of the labour administration.
- 3) Simplification and rationalization of labour laws without compromising the interest of workers.
- 4) Observance of core labour standards.

b) Improving financial and regulatory ecosystem for the growth of enterprises:-

A vibrant manufacturing, especially, Small and Medium enterprises sector can play a key role in creating jobs and high economic growth. It has the potential to provide employment for the exceptionally large labour force that is still working in agriculture. Achieving and sustaining such growth and higher employment will required a boost in industrial and service growth, spurred by SME.

Several factors constrain the growth and competitiveness of Indian SMEs. Lack of access to adequate and timely financing is especially critical. Without it, borrowing becomes more expensive and profit margins are reduced, holding back the establishment of new units and the consequent increase in job creation.

The financing constraints can be attributed to a combination of factors that include policy, legal and regulatory framework (bankruptcy and contract enforcement), institutional weaknesses (absence of good credit appraisal), and lack of reliable credit information on SMEs.

It is, therefore, essential that regulations be made stable, predictable, and promote competition and investment. Excessive regulation can have the unintended effect of discouraging employment.

c) Sustainable livelihoods for alleviation of poverty:-

This is the essence of inclusive growth requiring strong boost to various employment promotion schemes for those workers who are at the bottom of the pyramid such as:

1. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which provides a legal guarantee of at least 100 days of wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work.

2. Swarnjayanti Gram Swarozgar Yojana covering all aspects of self-employment such as organization of rural poor into self help group (SHG) and their capacity building, training, planning of activities clusters, infrastructure development, financial assistance through bank credit, subsidy, market support, etc. The SGSY has been implemented in all states except Delhi and Chandigarh since 1999. It was primarily designed to promote self-employment oriented income generating activities for below poverty line households in the rural areas.

The scheme has been restructured as a National Rural Livelihood Mission (NRLM) which will function in a mission mode for target-based delivery of outcomes and follow a demand driven approach. The mission aims at reducing poverty through promotion of diversified and gainful self-employment and skilled wage employment opportunities to increase income of the rural poor on a sustainable basis. The mission will broadly adopt objectives such as universal social mobilization, formation of people's institutions, universal financial inclusion, training and capacity building, enhanced package of economic assistance for setting up of micro enterprises and larger role for self help groups (SHGs) level.

3. Swarn Jayanti Shahri Rozgar Yojana providing gainful employment to this urban poor.

4. A National Urban Employment Guarantee Scheme can be contemplated.

5. Innovative schemes to promote skill development like "Skill Development Initiative" (SDI), Kaushal Vikas Yojana (KVV) for setting up industrial training institutes and skill development centres in uncovered areas and skill development plan for districts affected by left wing extremism, would help.

CONCLUSION AND SUGGESTIONS

This study was motivated by doubts that have been raised about the role of education, skill development and human capital in economic development. These doubts come from a variety of vantage points ranging from whether the research has correctly identified the impact of education to whether other institutional aspects of countries might be more important. They also encompass concerns about whether or not we really know how to change educational outcomes, particularly in developing countries.

The UN and UNESCO discourses around 'Education and Training for Sustainable Development' are highly edu-centric; they expect education and training to raise awareness of sustainable development. But they have thus far paid little attention to the sustainability of the systems of education and training themselves.

Inadequate attention has been given to several sustainability dimensions of the relationship between education and skills development, on the one hand, and their surrounding environments, on the other. Such evidence as we have of the crucial two way relationships between education and training and their enabling (or indeed disabling) environments would suggest that further research would throw valuable light on the aspirations of young people and their families to sustain their commitment to basic and post-basic education.

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