

Opportunity of investing in higher education and skill development in India

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Abstract

India is endowed with surplus workforce, around 10 million people enter the workforce each year thereby surging the issue of unemployment and jobless growth. Transformation of this huge workforce into human resource may create an opportunity for India as the prevailing socio – economic condition, macro – economic condition and demographic dividend are imperative for India in relation to the other developed countries, thus, it will help to rejuvenate the economy and avail the opportunity of 21st century Knowledge Based Economy. Hence, human resource development has become prerequisite to achieve economic development of the nation which requires investment in the Education Sector more specifically the Higher Education Sector and Skill Development that increase productivity of labour force and reduce the demand – supply gap of labour and increase employment opportunity both in domestic labour market and in abroad. This paper end eavours to make a conceptual study regarding the opportunity of investing in higher education and skill development in Indian context. It also makes an attempt to reveal the prevailing demand – supply gap in the labour market and the actions recently undertaken to mitigate the employment issue over the future.

Keywords: employment, human resource, higher education, skill development, labour market

1. Introduction

Delivering quality education as well as skill is crucial for holistic development of a nation and is a key enabler for ensuring inclusive and sustainable development. In Indian perspective at prevailing socio-economic condition, expanding access to higher education and skill development would be one of the best ways to achieve the goal of economic development and enhance the Nation's competitiveness in the global economy and propels socio-economic development (Skill Development and Higher Education in India 2014) [9]. Employability of the growing young demography is an important factor in the economic development of India and the crisis of skill development and productive higher education have to be turned into opportunity to growth (C. Rangarajan, 2014) [10] at immediate full proof manner. Generally to achieve rapid economic development, country needs to raise the savings rate, investment rate and also need to see efficiency in use of capital to maintain that high level growth. These are subject to the growth of critical manpower or human capital which has the capacity to manage the limited resources and capital for higher level of output. That is where the importance of investment in higher education and skill development programmes exist. In India with the rapidly growing workforce there is an urgent need to take a look at the effectiveness of the current education system both for commencing economic and social structural changes. Though concerns are being expressed on the employability of the graduates who come out, merely increased in the volume of such educated labour force doesn't lead to economic growth contrary the economy gets caught in jobless growth. Therefore, more specifically the higher education that includes the professional and technical programmes should increase the

productivity and programmes or courses should be in line with the demand for the prevailing labour market. Indian education sector's market size in FY12 is estimated to be Rs 341,180 crore. The sector grew at a compounded annual growth rate of 16.5% during FY05-FY12. The higher education (HE) segment was at 34.04% (\$17.02billion) of the total size in FY10 and grew by 18.13% during FY04-FY10 (CAG Report). The Indian education market is expected to almost double to \$180 billion by 2020.

2. Review of Literature

Several related research journals have been reviewed as: In the modern world education is becoming the most important resource for economic and social development of countries, improving well-being and individual development of citizens. Education in every sense is one of the fundamental factors of development. No country can achieve sustainable economic development without substantial investment in human capital. Education enriches people's understanding of themselves and world. It improves the quality of their lives and leads to broad social benefits to individuals and society. Education raises people's productivity and creativity and promotes entrepreneurship and technological advances (Kumari, Sarma 2017) [7]. To maximize the effects of the education on the development of the human capital and on the economic development, certain rules must be followed: the quantity and the quality of the education measured in the number of years of studying; the percentage of the GDP allocated to education; the rate of scholastic participation, the results, the scholar performances must to be high and the educational offer must correspond to the current demands and to the perspective of the labor

market; the existence of a social and economic field, politically stable, and of an accelerated economic growth rhythm; the differences between revenues at an individual level need to correspond to the level of scholastic and professional preparation of the individual. The concept of human capital thence reflects the investment in education and the development of some competencies and skills necessary to accomplish a certain economic activity (D.M. Neamtu 2014) [8].

3. Objective of the Study

1. To delineate the need for investment in Higher Education and Skill Development in India
2. To explore opportunity of educating and skilling the people of India.

4. Higher Education for economic development in India

India has significant advantages in the 21st century knowledge race. It has a large higher education sector — the third largest in the world in student numbers (Philip G. Altbach 2005) [11], after China and the United States. India can be winner in this race by building a 21st century model for higher education that is of high-quality, yet equitable and affordable, and makes India a role-model for a higher education system that is not just the best in the world but the best for the world. To make it happens India needs enough universities that can support sophisticated research and technical – management institutions. Presently, there are a small number of high quality institutions, departments, and centres that can form the basis of quality sector in higher education. India educates approximately 10 per cent of its young people in higher education compared with more than half in the major industrialized countries and 15 per cent in China. Almost all of the world's academic systems resemble a pyramid, with a small high quality tier at the top and a massive sector at the bottom. India has a tiny top tier. None of its universities occupies a solid position at the top. A few of the best universities have some excellent departments and centres, and there is a small number of outstanding undergraduate colleges. The University Grants Commission's recent major support of five universities to build on their recognized strength is a step toward recognizing a differentiated academic system — and fostering excellence. At present, the world-class institutions are mainly limited to the Indian Institutes of Technology (IITs), the Indian Institutes of Management (IIMs) and perhaps a few others such as the All India Institute of Medical Sciences and the Tata Institute of Fundamental Research. These institutions, combined, enroll well under 1 per cent of the student population.

In university levels, too many of our universities are producing graduates in subjects that are not required by the changing job market, and the quality is also not what it should be. Higher education policy has to be driven by three 'E's: expansion, equity and excellence. Of these, the third E, 'excellence', is the most difficult to achieve. India cannot hope to be competitive in an increasingly knowledge driven world if our higher education institutions do not come up to the high standards of excellence needed to be able to be globally competitive. Table: 1 shows the India's rank in World University Ranking by QS.

Table 1: Top 10 Universities in India

Global Ranks by Quacquarelli Symonds (QS)		
Ranking Year 2017	Ranking Year 2018	Institutions
183	172	IIT-Delhi
219	179	IIT-Bombay
152	190	IISc Bangalore
249	264	IIT-Madras
302	293	IIT-Kanpur
313	308	IIT-Kharagpur
501-550	481-490	Delhi University
481-490	501-550	IIT-Guwahati

Source: QS World University Rankings 2018

As of 2016, India has 799 universities, with a break up of 44 central universities, 540 state universities, 122 deemed universities, 90 private universities, 5 institutions established and functioning under the State Act, and 75 Institutes of National Importance which include AIIMS, IIT's and NIT's among others.

4.1 Recent Initiatives in Higher Education Sector of India

For FY 2014-15 (Revised Budget), GoI allocated Rs. 23700 crore to the Higher Education Department hiked by 12.9% and for FY 2015-2016, the government allocated Rs 26,855 crore registering an increase of 13.31% — a little over last year's 12.9%. As the proposal undertaken by Union Budget 2014-15(Revised Budget) 5 more IITs have been established within 2016 in Jammu and Kashmir, Chhattisgarh, Goa, Andhra Pradesh and Kerala and 5 IIMs in Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra. The 10 institutes were allocated an initial sum of Rs.500 crore for FY 2014-15. Union Budget 2015-16 announced to set up an IIT in Karnataka and upgradation of Indian School of Mines, Dhanbad into a full-fledged IIT, capping a long standing demand for the people in Jharkhand, IIMs in Jammu and Kashmir and Andhra Pradesh. FM also announced setting up of Institutes of Science and Education Research in Nagaland and Odisha, Centre for Film Production, Animation and Gaming in Arunachal Pradesh and Apprenticeship Training Institute for Women in Haryana and Uttarakhand. The budget proposed to set up All India Institutes of Medical Sciences (AIIMS) in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh and Assam.

5. Skill Development for economic development of India

According to the Skill Development in India Report 2015, the skill development issue in India is pertinent both at the demand and supply level. Employment generation is definitely a big challenge given the enormity of population entering workforce each year. From the supply side, the issue is basically related to employability of the workforce due to varying reasons ranging from poor education, lack of training facilities, inadequate skilling, quality issues leading to mismatch of skill requirements, and poor perception of vocational skilling vis-à-vis formal education. These have inadvertently created skill shortages and also contributed to higher unemployment. Hence, both employment and employability are key factors of concern today. The current size of India's formally skilled workforce is very small. As per

the latest survey by the Labour Bureau for 2013-14, only 6.8 percent of persons aged 15 years and above have received or were receiving vocational training, of which only 2.8 percent was through formal channels while 4 percent was through the informal system. In contrast, skilled workforce in other countries is much higher – Korea (96%), Germany (75%), Japan (80%) and United Kingdom (68%) (National Policy for Skill Development and Entrepreneurship 2015).

5.1 Recent Initiatives in Skill Development of India

Skill India is a campaign launched by Prime Minister Narendra Modi on 15 July 2015, aim to train over 40 crore (400 million) people in India in different skills by 2022. It includes various initiatives of the government like National Skill Development Mission, National Policy for Skill Development and Entrepreneurship 2015, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Skill Loan scheme. As per the report unveiled by Ministry of Skill Development and Entrepreneurship on June 6, 2017 the status of Skill India can be summarized as follows;

- More than 1.17 crore people trained under MSDE programs
- 26.5 lakhs candidates trained under MSDE's flagship scheme PMKVY
- More than 4.82 lakh people were brought into the organized sector through the recognition of prior learning program under PMKVY Rubber Tappers, More than 250 Railway Porters and 1500 Employees of Rashtrapati Bhawan)
- More than 480 Pradhan Mantri centres for skilling and would be in each district of the country already been established.
- More than 1381 new ITIs have been opened with more than 5 lakh seats and the entire ecosystem of ITIs have been reinvigorated and reenergized

- More than 1 crore people have been trained under NSDC's inception

- Pradhan Mantri Yuva Yojana was also launched to promote young entrepreneurs and self-sustainability. Target to cover 14.5 lakhs over the next 5 years.

To boost Skill India Mission, GoI has set aside Rs 17,273 crore in Budget 2017-18, 16% higher than 2016-17's revised estimate of Rs 14,870 crore. In fact, MSDE has seen a 38% jump in its allocation for the next fiscal at Rs 3,016 crore, as compared with Rs 2,173 crore in the revised estimate of 2016-17.

6. Opportunity for India

As per the National Skill Development report 2015 India is one of the youngest nations in the world with more than 62% of its population in the working age group (15-59 years), and more than 54% of its total population below 25 years of age. Its population pyramid is expected to bulge" across the 15-59 age group over the next decade. It is further estimated that the average age of the population in India by 2020 will be 29 years as against 40 years in USA, Europe (46) and Japan (47). In fact, during the next 20 years the labour force in the industrialized world is expected to decline by 4%, while in India it will increase by 32%. This poses a formidable challenge and a huge opportunity. To reap this demographic dividend which is expected to last for next 25 years, India needs to equip its workforce with employable skills and knowledge so that they can contribute substantively to the economic growth of the country.

As per the skill gap study conducted by the National Skill Development Cooperation over 2010 - 2014, there is an additional net requirement of 109.73 million skilled manpower by 2022 across twenty four key sectors. It is shown in Table: 2.

Table 2: Incremental Human Resource Requirement across Sectors by 2022

S. No	Sector	Employment in 2013 (million)	Projected employment by 2022 (million)	Incremental requirement from 2013-2022 (million)
1	Auto and Auto Components	10.98	14.88	3.9
2	Beauty and Wellness	4.21	14.27	10.06
3	Food Processing	6.98	11.38	4.4
4	Media and Entertainment	0.4	1.3	0.9
5	Handlooms and Handicrafts	11.65	17.79	6.14
6	Leather and Leather Goods	3.09	6.81	3.72
7	Domestic Help	6	10.88	4.88
8	Gems & Jewellery	4.64	8.23	3.59
9	Telecommunication	2.08	4.16	2.08
10	Tourism, Hospitality and Travel	6.96	13.44	6.48
11	Furniture and Furnishing	4.11	11.29	7.18
12	Building, Construction and Real Estate	45.42	76.55	31.13
13	IT and ITES	2.96	5.12	2.16
14	Construction Material and Building Hardware	8.3	11	2.7
15	Textile and Clothing	15.23	21.54	6.31
16	Healthcare	3.59	7.39	3.8
17	Security	7	11.83	4.83
18	Agriculture	240.4	215.6	(24.8)
19	Education/ skill development	13.02	17.31	4.29
20	Transportation and Logistics	16.74	28.4	11.66
21	Electronic and IT Hardware	4.33	8.94	4.61
22	Pharma and Life Sciences	1.86	3.58	1.72

23	BFSI	2.55	4.25	1.7
24	Retail	38.6	55.95	17.35
	Total	461.1	581.89	120.79
	Removal of Duplication in Retail Sector	(10.37)	(21.43)	(11.06)
	Total Requirement	450.73	560.46	109.73

Source: Ministry of Skill Development & Entrepreneurship

7. Findings of the Study

The key findings of the study are arrayed in the following points:

- 1) Investment in higher education and skill that constitutes Human Resource Development in economics theory is a productive tool for economic development of the country. In Indian perspective observing the macro-economic scenario of present and future of the country, it is imperative for India to give importance in the Education Sector and Skill development to raise the productivity of the labour.
- 2) At present India has the second largest workforce in the world, each year 10 million people enters the workforce. From the supply side although India has surplus workforce but the levels of education and professional and vocational skills of the workers are extremely low. Less than 30 per cent of the workforce has completed secondary education or higher, and less than one-tenth have had vocational training, either formal or informal (National sample Survey Organisation 2014 (NSSO).
- 3) As per the National Skill Development report 2015 India is one of the youngest nations in the world with more than 62% of its population in the working age group (15-59 years), and more than 54% of its total population below 25 years of age. Its average age of the population in India by 2020 will be 29 years as against 40 years in USA, Europe (46) and Japan (47). In fact, during the next 20 years the labour force in the industrialized world is expected to decline by 4%, while in India it will increase by 32%. This poses a formidable challenge and a huge opportunity. To reap this demographic dividend which is expected to last for next 25 years, India needs to equip its workforce with employable skills and knowledge so that they can contribute substantively to the economic growth of the country.
- 4) As per the skill gap study conducted by the National Skill Development Cooperation over 2010 - 2014, on demand side there is an additional net requirement of 109.73 million skilled manpower by 2022 across twenty four key sectors of India (Table 2).
- 5) To compete and make space in the 21 century Knowledge Based Economy India has to give substantial boost to its Higher Education Sector and empowers its workforce with advanced skill. The prevailing mismatch between demand and supply of adequate education and skills in the labor market and the perceived shortage and poor quality of trained persons is likely to become an impediment in the path to sustained economic growth in the absence of timely corrective measures.
- 6) Global University ranking for 2018 by Quacquarelli Symonds only three India institutes namely IIT-Delhi (172), IIT-Bombay (179) and IISc Bangalore (190) are enlisted in the list of 200 Universities/Higher Education

Institutions. For Higher Education Sector more world class universities and institutions are necessary. Recently, in last few years, Government of India (GoI) has increased its budget allotment for Higher Education and also brought necessary reform in the sector.

- 7) For Skill development the GoI has introduced Skill India Mission which aims at skilling 400 million (40 crore) people by 2022 to bridge the demand supply gap in labour market and reduce unemployment rate thereby bringing economic growth. As on June 6, 2017
 - More than 1.17 crore people trained under MSDE programs
 - 26.5 lakhs candidates trained under MSDE's flagship scheme PMKVY.

8. Conclusion

Being developing nation India has been striving for fulfilling its commitment to accelerate its growth in all sectors. The rapidly growing population surely inhibits the economic growth by affecting the different macro-economic variables like population dynamics, employment, public expenditure and micro economic variables like education, health, standard of living, welfare etc. However, If India empowers its people with adequate Education and Skill this population can be transformed into world class Human Resource which not only helps accelerate the growth of India optimizing the utilization of other resources and bridging demand-supply gap in labour market but also help reap the benefits of Knowledge Based Economy by engaging the surplus human resource in the advanced countries who lacks it.

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