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### Rethinking unemployment: A new vision from the perspective of education as an entitlement

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#### Abstract

The paper proposes that the capability deprivation in education as well as the lack of skill development in India has resulted in an inequality in employment expansion. It focuses on the widening inequalities in education and hence, employment in the post 2000 India. The shrinking of the organized sector and the prevailing shortages of the skilled labour with the substandard educational system of the country has certainly put the Indian economy in a vicious cycle. The expenditure on higher education seems to have been falling over the years and the deprivation is prevalent also in terms of low quality of education and the poor learning outcomes. The effects of the direct sectoral transition from the agricultural to the services sector in the economy and the repercussions of the same, within the roots of education as an entitlement has to be examined. In the age of demographic dividend, this is a precarious situation where the organised sector offers only less than 10% of the employment and there is lack of skill within the masses and a rising wage gap. There is a need to examine the so called dream run in the Indian economy post 2000's in contrast to the increasing nature of informality in the workforce participation and skill development of the masses. There exists a paradox of higher demand for skilled labour and shortage for skilled labour with a substantial rise in unemployment and an ever present underemployment. It is inevitable to analyze the degree to which the changing sectoral patterns are resulting in the informality of the labour force participation. The staggering base of the capability approach in the country, on the light of ongoing debates with respect to education as an entitlement must be used to formulate the way forward.

**Keywords:** Education, entitlement, labour force participation rate

#### 1. Introduction

"The impact of the economic growth depends much on how the fruits of economic growth are used. For a variety of historical reasons, including a focus on basic education and healthcare, the early completion of effective land reforms, widespread economic participation was easier to achieve in many of the East Asian and Southeast Asian economies in a way it has not been possible in, say, Brazil or India or Pakistan, where the creation of social opportunities has been much slower and that slowness has acted as a barrier to economic development" (Sen, 1999) <sup>[18]</sup>.

The widening inequalities in education can hamper the 'human development' <sup>[1]</sup> of the downtrodden sections of the society, which can further result in the unequal distribution and in the failure of redistribution. This is linked with the lower absorption capacity of the labour market in the Indian economy and the sectoral transition from the agriculture to the services sector. The shortage of the labour intensity in the services sector and the lack of expansion of the manufacturing sector has intensified the issue. The 'informal' <sup>[2]</sup> nature of the jobs in the

<sup>1</sup> The United Nations Development Programme defines human development as "the process of enlarging people's choices," said choices allowing them to "lead a long and healthy life, to be educated, to enjoy a decent standard of living," as well as "political freedom, other guaranteed human rights and various ingredients of self-respect." (UNDP, 1990)

<sup>2</sup> "The informal sector is broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees" (ILO, n.d.)

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country has also resulted in a greater degree of casualization and hence, exploitation followed by the reduction in the wages and benefits. The 'endogenous growth models' [3] clearly identifies the role of education in the enhancement of human capital formation. The planners realized the need and urgency to spend on education only on the third plan and the huge productive link between employment and education cannot be ignored. The effects of the direct sectoral transition from the agricultural to the services sector in the economy and the repercussions of the same, examined within the roots of education as an 'entitlement' [4] needs to be examined. The continued neglect of the public involvement in the crucial spheres such as education, health etc. is leading to a bias in the elimination of deprivation and enhancement of effective human freedoms in the country (Drèze & Sen, 2002) [3]. There is a continued debate on the richness of liberalism in its application to the normative approach to education. The first section of the paper deals with the nuances of the educational sector in the country and the second section analyses the effects of sectoral transformation in the midst of these issues. The paper further explores the issue of education bias with regard to the type of employment and the differential wages that proceeds from the same. In the last section, it is recommended as to how the economy should move forward in order to amplify its workforce with necessary skills and hence, lower the inequalities.

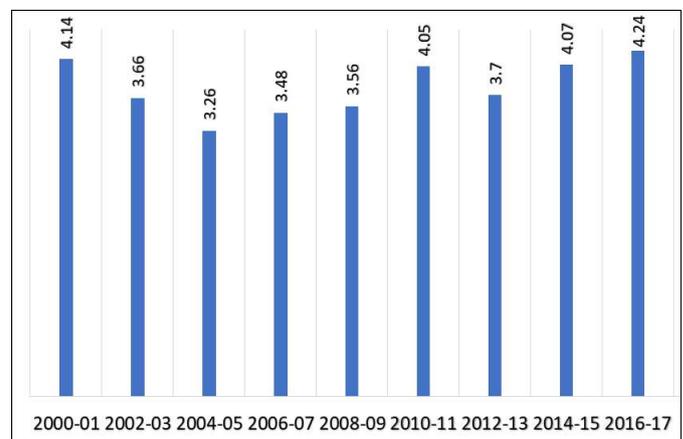
### Education- An Entitlement?

"The most distinctive feature of our economic system is the growth in human capital. Without it there would be only hard manual work and poverty...." – T.W. Schultz

The umbrella on the policies of education in the country falls under the National Policy on Education (1968), which was aimed for the eradication of illiteracy and the commitment to make free and compulsory education to children who are less than 14 years of age. In India, the combination of planning strategies and adoption of new economic policies have brought different nuances to education. The national policy of education (1986) strived to widen the realm of primary education via the schemes such as operation blackboard, which was a thrust towards literacy. The Kothari commission in 1966 recommended the govt. to spend 6% of the GDP for educational purposes, also asserting the need for vocationalization of secondary education and the promotion of higher education. Though the number of educational institutions increased significantly after independence, the access and opportunity of the same to all the sections of society remains a matter of great concern. And despite the increase in the gross enrollment ratio in the 1980's and 90's, there were huge drop-out rates at the primary level. The schemes such as District Primary Education Program (1994) and the Mid-day Meal (1995) etc. were implemented to combat the same (Varughese & Bairagya, 2020) [21].

The gross enrollment ratio of the students in primary

education have been showing a steady increase from 1950-51 to 1999-2000. A substantial improvement in the allocation of funds for elementary education (61% of total provision), along with the meagre increment in the secondary and higher education has laid the base for the goal of Education for All (EFA). This, along with the launch of Sarva Shiksha Abhiyan (SSA) tried to bridge gender and social gaps in the society. The enrolment in the upper primary and the higher secondary levels are also showing improvement, but there is a concern due to the high drop-out rate between every stage, that is, between the primary, upper primary and at the higher secondary levels. But this situation remains precarious as it is the secondary education or higher education that prepares the students for entry in the higher fields of work. In India, the Right to Education Act stands as a landmark judgement which provides free and compulsory education for all the children from 6-14 years of age. It was an ambitious programme aimed for bringing quality education to all students despite their social gaps. Though the act enables provisions such as physical proximity to school, infrastructural facilities, appropriate student teacher ratio etc., it has some serious shortcomings. It doesn't include the children between 0-6 and 14-18 years of age and it fails to bring out the norms which ensures the quality of public education. It also doesn't include special provisions within the act for the marginalised children to ensure their access towards quality education. The access and the quality of the learning levels and curriculum plays a vital role in enabling a significant learning. The effects of this act is slow and misguided in many states and in many areas and the high drop out before the completion of elementary education with many students outside the purview of the formal education system itself. The low salaries of teachers coupled with the lack of professionally trained ones along with the time consuming hiring process in schools creates some fundamental obstacles. The closure of public schools in some states along with the adoption of public-private participation in many states under the umbrella of privatisation has made education as a non-negotiable entitlement a distant dream. The effective delivery and monitoring mechanisms for this act is the need of the hour. In order for education to be considered an entitlement, it is imperative for the state to take complete responsibility and strengthen the public education system (Nawani, 2017) [14].



Source: (Budgeted Expenditure on Education) [5]

Fig 1: Total Expenditure on Education (States and Centre) as % of GDP

In India, the combination of planning strategies and

<sup>3</sup> The endogenous growth theories are considered "as state of the art tools in explaining economic growth. Two branches have developed pioneered by Romer (1990) and Lucas (1988). The former views economic growth as being driven by technological growth, facilitated by human capital as an input in the R&D sector, and the second sees human capital as a factor of production. The most compelling reason for the development of the latter is that they endogenize economic growth, that is they cause economic growth from within the model. This is contrary to the Solow (1956) model in which long-run economic growth is caused exogenously" (Fine, 2000)

<sup>4</sup> Entitlements are "the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces" (Devereux, 2001)

<sup>5</sup> (Ministry of Education, 2022)

adoption of new economic policies have brought different nuances in education. The number of educational institutions increased significantly after independence, but the access and opportunity of the same to all the sections of society remained a matter of great concern. And the planners were geared towards distributional justice from 1950's to 80's, but this approach took quite another turn after the post-liberalization period. The allocation of funds to higher education has been strikingly low post-1990's, and the implementation of the recommendations of the Education Commission (1964-66) for the allocation of 6% of the GNP on education by 1986 has remained on paper. As seen in figure 1, the priority acceded to education still shows a dismal trend. The educational capability that is left unaccommodated and unmet among the populace, can no doubt stifle the quality of manpower. (Prakash, 2007) [17].

### **The effects of sectoral transformation: examined within the roots of education as an entitlement**

“To understand the enormity of the employment challenge, we may consider the conditions that will have to be met to reach the rather modest goal of the Lewis Turning Point, the point at which there is neither surplus labour nor unemployment, in the next 15 years. This will require absorption of the entire incremental labour force of 8 million, a segment of the surplus workers (7 million) and a segment of the unemployed (0.9 million) every year. The challenge therefore is of absorbing around 16 million persons in new jobs at rising levels of productivity every year over the next 15 years” – (India Employment Report, 2016) [6].

Development economics, from its initiation in 1950's was concerned with the economic transition of labour from the agricultural to the non-agricultural sectors. According to Lewis, due to the lower cost of labour in developing countries, the surplus labour from the rural agricultural sector transition towards the urban industrial sector. This proceeds until the surplus labour is exhausted and then, the wages starts to rise (Lewis, 1954) [9]. The improvement in the educational capability and the skill-set of the workforce also carries great importance in this regard, which wasn't given due consideration by development practitioners back then.

There are scholars who acclaim the East Asian economies such as Taiwan, South Korea etc. and argue that it is the basic education and the greater demand of labour that has stimulated growth in those countries. From the period between 1965 to 1990, the 'high performing Asian economies' (HPAEs) could increase their annual average per capita growth rates and the poverty (the absolute number of poor below poverty line) levels have declined significantly. The investment in rural infrastructure, access to basic education and healthcare and the export oriented strategies, with their successful implementation through wise political designs have resulted in the stimulation of growth. The accumulation of human capital was considered an essential feature for the enhancement of economic growth and development. Due to the higher quality of education in those countries, there was an increase in labour and technological productivity, which further enhanced exports and promoted a virtuous growth path (Birdsall *et al.*, 1995) [1].

In India, there was an overall decline in the rate of growth of

employment from 1983-94 to 1994-2000. The stagnation in the agricultural sector is regarded as the major reason for the same. Though the growth of employment in the private sector showed a progressive trend post 1990's, and the growth in the public sector was negligible, resulting in low employment in the organized sector. This, in turn resulted in the low 'employment elasticity of output' [7]. The services sector seems to have been playing a major role in the generation of employment at the time; whereas, transport and communication, health and education, trade, restaurants and hotels etc. were identified as the forerunners.

In 2000's, it is argued that due to the higher GDP and the 'demographic dividend' [8] in the country, the quality of the labour-force was undergoing a rapid transformation. These arguments were based on NSSO reports and the trends in the process of labour absorption. Though the labour force participation showed a boom in early 2000's due to the growth in the non-agricultural sectors, it shows a sharp decline between 2004-05 and 2009-10. (NSSO, 2014) [15]. There are arguments that this fall is due to the larger decline in the workers engaged in the agricultural sector and a modest increase of the workers in the non-agricultural sector. Some authors link it with the rural distress where, the substantial increase in the labour force is due to the increase in female agricultural labourers under the 'Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)' [9] till mid 2000's. There was a steep decline of the same from 2004-05 and 2009-10, which is argued in context to an improvement in India's rural economy. The MNREGA is suggested to have brought increase in real wages and substantially improved the rural economy of the country, which resulted in the movement of rural women to household work.

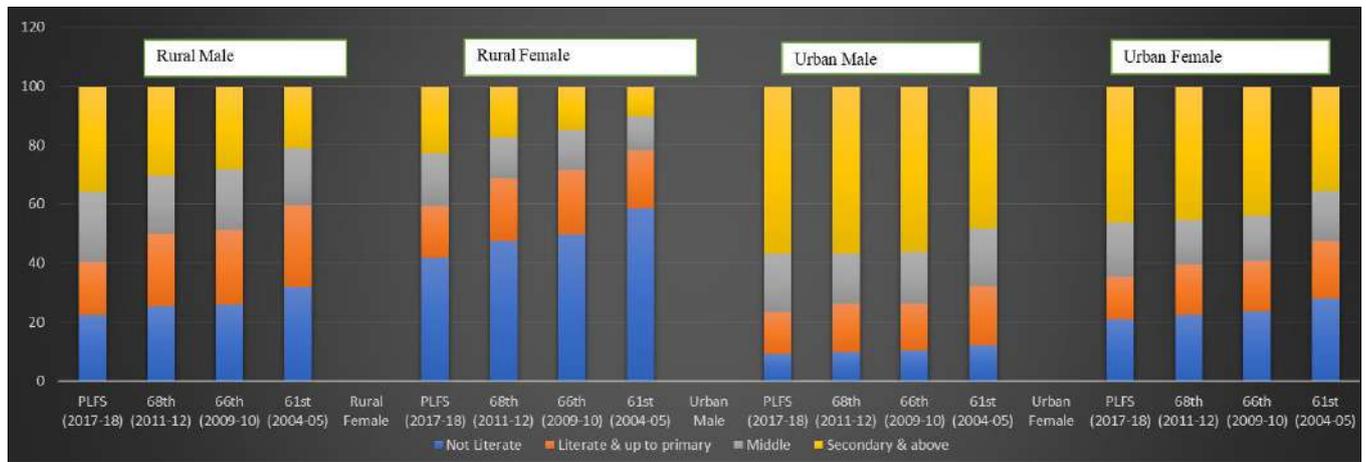
There are arguments that this shift is a sign of economic betterment, not of economic worsening. It is also proposed that the increase in the number of students in both the urban and rural areas in the second half of 2000's, and the growth of education beyond the secondary levels have had a larger impact in the same. Though the educational profile of the workforce also began to improve, the large number of illiterate workforce, and a greater number of educated unemployed with the female labourers mostly employed in the unorganized sector etc., the issue attains several dimensions.

<sup>7</sup> (Ministry of Education, 2022) Asure of the percentage change in employment associated with a 1 percentage point change in economic growth. The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as per cent of its growth (development) process” (Mishra & Sureh, 2014).

<sup>8</sup> “Countries with the greatest demographic opportunity for development are those entering a period in which the working-age population has good health, quality education, decent employment and a lower proportion of young dependents. Smaller numbers of children per household generally lead to larger investments per child, more freedom for women to enter the formal workforce and more household savings for old age. When this happens, the national economic payoff can be substantial. This is a "demographic dividend." ” (United Nations Population Fund, n.d.)

<sup>9</sup> “The MGNREGS Act aims at enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work” (Ministry of Rural Development & Centre for Wage Employment and Poverty Allieviation, 2014)

<sup>6</sup> (Payaswini Upadhyay, 2017)



Source: Author’s calculation from several NSSO rounds and (PLFS 2017-18) [10].

Fig 2: Percentage distribution of population by general educational level during 2004-05, 2009-10, 2011-12 and 2017-18 (15 years and above)

It can be assessed from the figure that though the illiterate population and those whose general educational level is up to primary level shows a declining trend in both urban and rural areas, the level of decline isn’t quite substantial especially of that of the rural female population. From 2011-12, the number of students continuing their education from the primary to the middle levels seems to be on the rise in the urban and rural areas. But, there is a stark contrast in the rural and urban areas on the percentage of students going in for secondary education and above. From 2011-12, the percentage of population opting for secondary education and above has been rising in rural areas. At the same time, such a stark increase in the percentage of population cannot be found in the urban areas.

When we answer the question of employability, the quantity and quality of education becomes crucial. And this must be followed by productive employment generation, for the same, the focus on the sustained pattern of growth becomes crucial (Ghosh & Chandrasekhar, 2007) [5]. The process of structural transformation was gaining momentum in 2000’s due to the progress in IT and IT enabled services. But given the lack of skills and stagnant industrial system in the country, the progress of the same seems have stalled from 2011.

**The Education Bias in Employment and Wages**

There was a significant decline in the employment elasticity with respect to growth in India from 2004-05, which was almost zero at 2011-12 and became negative afterwards. There seems to a distinction on the labour market based on the level of education, where the net loss in jobs during 2011-12 to 2017-18 was more prevalent in those with low levels of education. The employment opportunities also have a bearing towards social mobility and the income earning capacity, as the low levels of low earnings are closely associated with the level of employment. This also has an impact from the structural transformation of the economy, where there were significant job destruction in those sectors measured by high Gross Value Added (GVA) between 2011 and 2018. Job losses has mainly affected the less educated population in comparison to the educated, which is a concern. It is proposed that there is a need to strengthen the aggregate demand of the policy framework

which is transformative to the labouring poor, especially in the rural areas. (Kannan & Raveendran, 2019) [8].

The quality of employment can be measured by the types of employment (such as casual and regular employment) and by the security (formal and informal). The quality of the regular workers can improve with the increase in the levels of education of the workforce. But the staggeringly low levels of the manufacturing sector of the country and the lower absorption capacities in the sector provide a unique case in comparison to China and other East Asian countries. It can be said that unless for the massive expansion of the construction sector, the employment in the second half of 2000 would have faltered with the hurdles in the services led sector in the generation of employment (Thomas, 2012). But it is the services sector that generates formal and organized sector employment in the country. Moreover, the public sector generates only 13 percent of the non-farm jobs, whereas, the rest is being provided by private enterprises. There is an increasing nature of informality within the govt. service (where it increased from 19 to 36 percent from 2004-05 to 2017-18).

The basic preposition of the ‘Wage Report 2018’ published by International Labour Organization has been the low pay and inequalities in workforce participation which challenge the decent working conditions and the inclusiveness in growth. Though the real wages nearly doubled from 1993-94 to 2011-12 especially in rural areas and for casual workers, the wage inequality still remains high. The minimum wages act adopted in 1948 in India, is only for those working in “scheduled” employment. The minimum wage policy can bring social cohesion, whereas, it gives rise to balanced and sustained progress. (ILO, 2018)

Table 1: The Education Bias: The Growth of Employment with respect to Education

Employment	Not literate	Up to primary	Up to secondary	Higher secondary and above
1999-2004	-1.2	3.7	3.5	6.9
2004-11	-2.2	0.5	3.2	5.9
2011-18	-2.8	-2.6	2.3	3.4

Source: Author’s Compilation from NSSO rounds and PLFS

It is quite evident from the table that there is an education

<sup>10</sup> (Ministry of Statistics & Programme Implementation Government of India, 2019)

bias with respect to the level of employment. Despite the education levels, the falling growth of employment for the labour force from 2004-11 to 2011-18 is quite startling. The country generates positive rate of growth of employment only for those at least with a secondary level of education. Another important feature is that the regular/salaried workforce is mainly involved in the services sector (68%) followed by manufacturing (25%) and agriculture (2%). Though the salaried employment is increasing in the country, the post-economic reforms period is characterized by its casual and contractual nature as explained. These workers are mostly seen in the rural labour market (80%) whereas the urban labour market mostly consists of regular/salaried workers. Though wage rates have accelerated for all the sectors of the economy and for both regular and casual workers, there is huge disparity in the increase between different sectors. There are stark wage inequalities in the country where the highest educated people earn five times more than the those with the lower levels (ILO, 2018)<sup>[7]</sup>.

To raise the aggregate demand and hence, economic growth in the country, productive employment and increased wages is crucial. This is especially relevant as the brunt of the pandemic has mostly affected the vulnerable sections of the population. As countries move towards the path of import substitution, the pattern of growth of private sector investment is vital. The state of the labour market can make or break the economic development of the country.

### Conclusion

The employment elasticity of output in the services sector continues to remain low in the country. This, along with the wage inequalities, the lack of vocational education, skilled training and the non-industrialization creates a vicious cycle. The skill development and the improvement of the learning outcomes should be given due consideration from the grass root levels. The comparative advantage of the unskilled and the abundant labour resource in the country must be utilized for the enhancement of the capabilities of the people. The demographic dividend is to be tapped by the improved educational system from the elementary, primary and secondary levels and with the sound vocational education system. The Minimum wages of the country remains low when compared to other developed and developing countries, which can pave the way for greater inequalities and the reduction in capabilities of the people. In India, this carries great importance as the majority of the population comprises of wage employees. The widespread economic participation of the masses is essential for the economic development of any nation. Moreover, the balanced growth of all the sectors and the identification of the employment enhancing sectors can result in the efficient utilization of the demographic potential.

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