

South Asia

Dec 2, '13

India squanders education potential

By Kunal Kumar Kundu

BANGALORE - The much touted BRIC story, wherein Brazil, Russia, India and China have been eulogized in no uncertain terms, based its India forecast assuming as given the country's ability to reap a demographic dividend. However, as with any other resource, harnessing the benefit of positive demography is dependent on the existence of robust institutions. Otherwise, all resource-rich countries, most notably in Africa, would be among the richest in the world. Unfortunately poor governance acts as a major hindrance.

India is not very different in this respect. For a country that boasts one of the world's youngest populations, and with nearly 12 million youths joining the work force every year, Indian policymakers are hardly doing anything meaningful to ensure that a better quality workforce enters the market.

In a scathing indictment of India's failing, a recent report by INSEAD Business School (in partnership with Adecco and Human Capital Leadership Institute of Singapore) that ranks countries in terms of the talent competitiveness of its human capital (Global Talent Competitiveness Index), India ranks a dismal 83rd out of 103 countries thus evaluated. India came in as the worst among the BRIC nations. While China leads with a rank of 47th, it is followed by Russia (at 51st) and Brazil (at 59th).

As per the report, talent shortage is threatening growth in emerging markets as half of India's GDP is dependent on services sector and there is a shortage of people with the necessary mid-level professional and vocational skills.

On the other hand, the report warns of a surplus of the low-skilled workers. Such a low level of skills will not even be adequate for a country that desperately needs to focus on manufacturing so as to allow women and rural Indians to take part in the growth process. Unfortunately, India is failing to get this right.

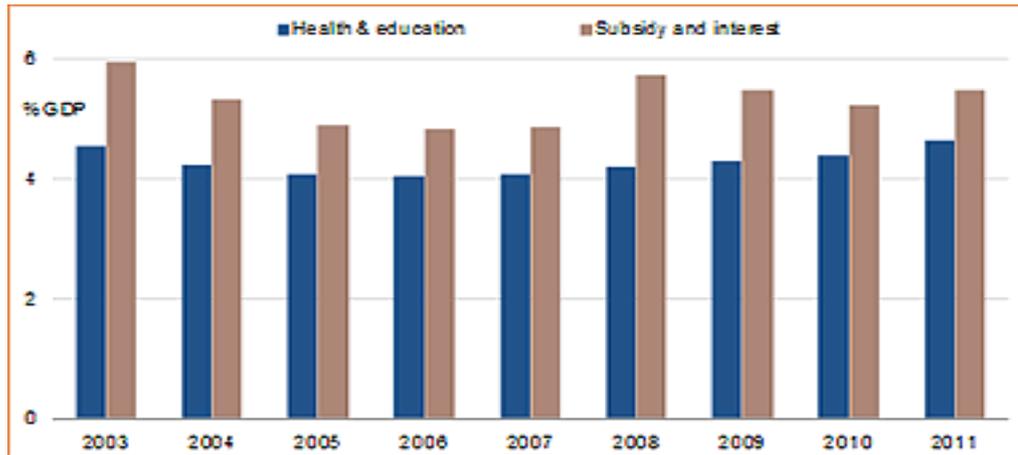
The Annual Status of Education Report 2012 (ASER) for rural India released earlier this year, brings forth the reality. As per this report, the 2012 results reconfirm a trend that was visible for the first time in 2011 - levels of reading and math at every level were not only poor but declining in many states.

Essentially, fewer children (in successive batches reaching the third and the fifth standard) are learning the basics of reading and mathematics. Interestingly, during 2008, the proportion of children at the 3rd standard who could read a first standard text was around 46%. This has now dropped to nearly 30%.

While a child in the third standard needs to be able to do a two-digit subtraction, the proportion of such students in the government schools who can recognize numbers up to 100 correctly has dropped from 70% to near 50% over the last four years. A similar trend is visible in fifth standard, where a child is expected to be able to read at least a second-standard text and solve a division sum.

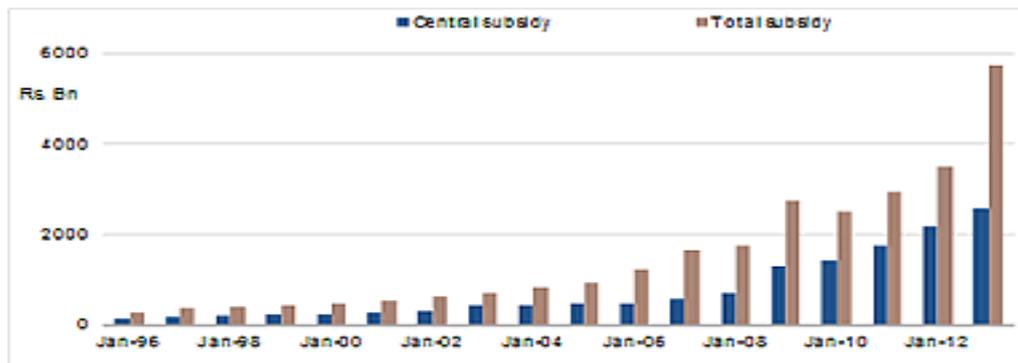
While policies in India are a dime a dozen, there's hardly any accountability that prioritizes outcomes, as has been highlighted by Swati Lodh Kundu on this site earlier this year (see [Fundamental errors in Indian education](#), Asia Times Online, May 31, 2013).

More importantly, despite lip service, education does not seem to be as much a priority for Indian policy makers as should have been the case. India's central government spends more on subsidies and interest expenses every year, than it does on health and education - two vital pillars that help any country harness its demographic dividend.



Source: RBI, IMF, author's calculation

The situation is likely to become starker, if one considers the subsidy expenses incurred by the various state governments in India. While, not much relevant state level data is available, total expenditure on subsidies has been rising at alarming levels, leaving very little headroom for other developmental needs.



Source: RBI, MOSPI

This is a logical outcome for a country that prefers to live beyond its means by spending more on non-merit subsidies than on merit ones. Nothing epitomizes this better than the recent decision by the government of India to spend 40 billion rupees (US\$645 million) less on education this year as it struggles to keep its fiscal deficit within the promised limit of 4.8% of gross domestic product. This step follows the earlier decision to roll over subsidies worth US\$15 billion to next year's budget.

While at the end of the day the government might still highlight the fact that it has been able to contain the fiscal deficit during the year within the promised limit, this comes at the cost of the future of the youth and the nation.

Kunal Kumar Kundu is Vice President and India Economist Societe Generale. The views express here are those of the author.

(Copyright 2013 Asia Times Online (Holdings) Ltd. All rights reserved. Please contact us about sales, syndication and republishing.)

