

**UNEMPLOYMENT OF THE EDUCATED IN INDIA :
A MANIFESTATION OF PLANNED IRRATIONALITY**

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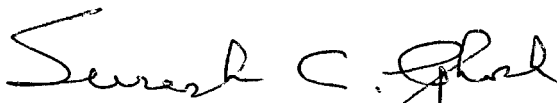
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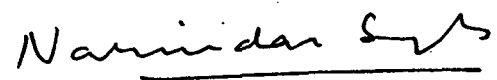
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DECLARATION

Certified that the dissertation entitled, 'Unemployment of the Educated in India : A Manifestation of Planned Irrationality,' submitted by Manabendra Mishra is in fulfilment of eight credits out of the twenty-four required for the degree of Master of Philosophy of this University. The dissertation has not been previously submitted for any other degree of this University or any other University and is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.


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C O N T E N T S

	Page Numbers
	ACKNOWLEDGEMENTS
CHAPTER - I	: INTRODUCTION 1 - 25
CHAPTER - II	: THE PERSPECTIVE AND THE PREMISE 26 - 43
CHAPTER - III	: THE STRATEGY OF DEVELOPMENT 44 - 84 Tables 1 - 6
CHAPTER - IV	: THE EXPANSION OF EDUCATION 85 - 110 Appendix 110a - 110c Tables 1 - 9
CHAPTER-V	: THE INTERACTION 111 - 124
	BIBLIOGRAPHY 125 - 130

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Manabendra Mishra
(Manabendra Mishra)

The investigation will be most educational when it is most critical, and most critical when it avoids the narrow outlines of partial or 'focalized' views of reality, and sticks to the comprehension of 'total' reality.

- Paulo Freire^{*}

* Paulo Freire, Pedagogy of the Oppressed, Penguin Books, Harmondsworth, 1980, p.80.

CHAPTER I

INTRODUCTION

INTRODUCTION

Any plan which exploits the raw materials of a country and neglects the potentially more powerful manpower is lop-sided and can never tend to establish human equality.

- Mahatma Gandhi

1. The Problem

Since the traditional economic theory assumes labour to be homogeneous, the problem of unemployment figures in it as a problem of absorbing an undifferentiated labour mass. This assumption of homogeneity of labour could be fairly realistic in the past when skills were not much differentiated nor was the process of schooling segmented into specializations particularly at the higher level. But the progress of industrialization and the spread of schooling have made today's labour force greatly differentiated in terms of skills and abilities. This makes for the simultaneous surpluses and deficiencies in the supply of different types of labour. The problem of absorbing the increasing labour force accordingly becomes more difficult. Even so, the problem of an overall and more or less chronic excess of qualified job seekers over opportunities available is assuming alarming proportions everywhere these days. To this phenomenon, India is no exception.

The unemployment of the educated is only a part of the larger problem of general unemployment because the educated or the youth constitute only a part of the labour force in general waiting for jobs. Since labour is differentiated today and the particular sectors of the economy only employ workers of specific skills or qualifications, the educated youth as a category of labour wants entry to only particular sectors of the economy. Hence while a low level of general employment has to share the blame for some unemployment of the educated, any rise in the level of general employment cannot necessarily altogether guarantee job opportunities for all categories of the educated youth. Thus not only employment in general but also employment in particular sectors must be considered so as to be able to analyse and arrest the problem of the educated unemployed. In addition to it, the educated unemployed are more articulate in their protest against the prevailing system than can be the illiterate masses. Also the problem of the unemployed of the educated has implications both for the economy (with regard to employment) and for the society (with regard to its bearing on education being construed as a social process). So in all countries today, the problem of unemployment of the educated gets more attention.

Whatever might be the motivations behind pursuing education, the unemployment of educated persons occurs only if the number of jobs (which match to such qualifications) available lags behind the number of jobs required. Thus it is an ex-poste

event, that takes place after completion of a certain stage of education thus belying the ex-ante calculations or expectations. Education also influences the number and types of jobs required. Several explanations are given for this mismatch between jobs required and jobs created. We wish to put this problem in the broader framework of the economic system itself and the values that it breeds. The fact of rapidly swelling educated unemployed goes hand in hand with the expansion of formal corporate sector, and this crisis is organic. It is not a question of just an addition to the labour force as manifest in this kind of unemployment. We hope to be able to show that the problem of the educated unemployed is a by-product of the very way the economy operates or is guided to operate.

Some Relevant Statistics

According to Mark Blaug¹, on a conservative estimate, there were about half a million educated unemployed in India in 1967. This would equal to 6-7 per cent of the total stock of the educated labour in the country at the time, it was also equal to nearly two-thirds of the annual output of matriculates and graduates. Blaug estimated that the number of educated unemployed doubled by 1970 (in comparison to that in 1967) thus reaching one million. This would be larger still if we were to include people who did only part-time jobs just to earn something instead of sitting idle. The Directorate General of

1. Mark Blaug and Others (ed.), The Causes of Graduate Unemployment in India, Allen Lane, The Penguin Press, London, 1969, p.1.

Employment and Training, Ministry of Labour of the Government of India publishes reviews every year about the employment situation and the number of job-seekers in the country. In its latest issue published in 1981 for the year 1977-78², one finds that in June 1978 the number of educated job-seekers registered with employment exchanges all over the country was 60.48 lakhs.

The striking feature of the problem that emerges from the data provided by the D.G.E.&T. is that the number of such job-seekers increased by 12.2 per cent between June 1977 and June 1978 whereas employment in the organized sector of the economy increased by 3.5 per cent only in the year 1977-78. This shows how the backlog of unemployment increases year by year. The backlog problem comes in the wake of unemployment in each year. On the other hand, as Blaug estimated in 1970, matriculates and graduates taken together constituted less than 4 per cent of the entire labour force of India. So an increase of 100 in the number of labour employed in general could open up employment avenues for only 4 educated people. This shows the fantastic rate by which general employment or absorption of labour in general should take place so as to eliminate the vast mass of the educated unemployed. This brings in the issue of the basic strategy of development itself, i.e. whether it should be growth-oriented or job-oriented? Of course, in the organized sector, educated labour constitute a better part of the labour force

2. Employment Review, 1977-78, published by Directorate General of Employment and Training (D.G.E.& T.), Ministry of Labour, Government of India, New Delhi, 1981, p.79, Table 23.

even though their share in the total labour force of the country is insignificant (only 4 per cent). Another report³ of the same Directorate shows that the total number of educated applicants (labour) registered with the employment exchanges stood at 77 lakhs in June 1980 (as on 30.6.1980).⁴

The data provided by the Directorate⁵ shows that within the group of the educated work-seekers, the number of graduate and post-graduate work-seekers increased by 14 per cent between June 1976 and June 1977, the number of under-graduates increased by 13.5 per cent during the same period, and the number of matriculate job-seekers increased by 9 per cent. The maximum percentage increase among the sub-groups of educated job-seekers occurred in the sub-group of graduate and post-graduate job-seekers. Thus securing a job (of one's expectation and choice) is becoming increasingly difficult at higher stages of formal education.⁶

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3. "Some Important Employment Service Statistics, Summary upto the End of December 1980" (mimeo.) released by Government of India, Directorate General of Employment and Training, Ministry of Labour, New Delhi, 1981.
 4. We shall examine the limitations of such data in Chapter 3. At the moment, it may be noted that one finds a steady increase in the figures of Live Register showing that instead of the backlog of unemployment being cleared, what happens is the rise in this backlog in the successive periods.
 5. Employment Review, 1977-78, n.2.
 6. The Sixth Five Year Plan (1980-85) document shows that the rate of unemployment is the highest (26.97 per cent) for graduates and above among the group of educated unemployed. We shall discuss this point further in Ch.III.

2. Related Problems

One upshot of this mismatch between jobs required and jobs created is the continuous upgrading of the minimum qualifications for a given job. Since there is normally a large number of qualified persons, the employer also finds it possible to recruit highly qualified persons for the same job since there are always many in the queue who would prefer taking an undergraded job (in comparison with their qualifications) to getting no job at all. This phenomenon leads to a progressive devaluation of education. Ronald Dore⁷ sums up this phenomenon by saying that more certification becomes mere certification. On the other hand, because of continuous upgrading of qualifications, one feels pressurized into the next phase of education with the hope of getting the job as desired and after completion of that phase, one still finds it increasingly difficult to get into the job of one's choice or expectation. Education also affects the type of jobs demanded for. The net effect of all this is a continuous devaluation of education. To the extent that education is a social process, its devaluation becomes a social problem. This calls for the consideration of the problem of educated unemployed in all seriousness.

One would expect that in the face of an increasing number of idle educated young people, wage rates decline sufficiently so as to make higher qualifications no more lucrative. This is based on simple economic laws of supply, demand, price determination. But in India, the structure of wages is more or

7. Ronald Dore, The Diploma Disease, Education, Qualification and Development, George Allen and Unwin, London, 1976.

less rigid, it is atleast inflexible downwards and the force of custom in hiring and firing personnel also contributes to this inflexibility of wages. Rohini P. Sinha commented, "India's labour market is highly structured in the sense that a very large portion of it is removed or insulated from market influences of supply and demand. The insulation is effected by the structure of job rights and privileges within the firm. Employment in public sector which is a very large proportion of total non-agricultural employment in India is largely of this kind".⁸ To this may be added Dore's analysis of the Late Development Effect.⁹ Dore believes that other things being equal, the later in world's history development of a country starts, the more widely educational certificates are used for occupational selections partly in emulation of advanced country standards and partly because of the need for economic take off and hence the faster becomes the rate of qualification inflation. Also, as Blaug¹⁰ believes, in India, the salary is determined more by the nature of work than by the contribution of the worker to the produce or the marginal product. So even though a higher qualified person raises production only marginally or the increment in production due to a more qualified labour is negligible, such qualified persons are still demanded by the employers.

8. Rohini P. Sinha, "Manpower Crisis", in Seminar, 120, August 1969.

9. Ronald Dore, n.7, Ch.VI.

10. Mark Blaug, n.1, Ch.X.

Of course a graduate today earns less than what he earned a decade ago. This is the case in real terms also owing to continuous inflation. But this decline has never been fast enough to weaken the incentives to acquire still more schooling. Rather one finds a perverted relationship between the lowering of the reward of such qualifications and the spurt of such qualifications. This means that even though the same degree brings in a salary (or reward) less than what it could bring in earlier, yet the lure of modern sector jobs compels one to go for this degree in the first place and then again go for the next degree to secure the same job as he finds that the first degree is not enough to ensure desired job. The pressure for schooling is steadily increasing. The qualification inflation assumes greater degrees day by day. Continuous and increasing unemployment of the educated youth in turn devalues such qualification-oriented schooling. The net result of this is the qualification increase and devaluation of education occurring in a circular way and this makes the problem of educated unemployed still worse. Still dangerous is the fact that while Mrs. Joan Robinson could perceive a mass, disguised unemployment during the Great Depression of the 1930's as a temporary phenomenon, unemployment and under-employment of the educated labour leads to the phenomenon of devaluation of education which is not transitory or temporary, but chronic and is steadily worsening day by day. There is nothing in the offing to suggest a reversal of this trend. So long as the number of idle manpower

goes on increasing, devaluation of education can hardly be arrested.

The problem of the educated unemployed in India, to put it in very simple terms is a problem resulting from the fact that the number of jobs required (which result from the supply of education) is far greater than the number of jobs created (which depend on a host of factors, the most important of all being the strategy of development). So we should examine the forces behind both the educational expansion and the process and direction of economic development to see which of the two blades of the pair of scissors is more responsible than the other.

3. The Demand Side: Education

Edwards and Todaro¹¹ cite the following reasons for increasing demand for additional post-literacy education: (i) the income differential between modern and traditional sector employment is artificially high. So education which is a passport to getting a job in the modern sector is increasingly demanded. Though the existence of unemployment limits the chance of getting such a job even after completion of this education, yet it does not eliminate it altogether. As Ronald Dore¹² also points out, in India, a graduate entering a civil service in the 1970s could expect his income to be twelve times the average per capita income of India. (ii) Employers give preference to

11. Edgar O. Edwards and Michel P. Todaro, "Educational Demand and Supply in the Context of Growing Unemployment in Less Developed Countries" in World Development, 3 and 4, 1973.

12. Ronald Dore, n.7, Ch.I.

the better educated even though additional education adds only marginally to productivity. (iii) The portion of the costs of education which are borne privately is usually nominal. (iv) Higher education is more subsidized than is primary education. All these together suggest that the privately perceived benefits may exceed the private costs of education even though the net social benefits are very low or even negative.

Supply of Education — The Indian Experience

Despite the fact that those who pursue formal education upto higher stages in India find it increasingly difficult to secure a job, there has been steady increase in the demand for education for the reasons cited above. But what is still more interesting is the fact that the supply of education has increased more than proportionately to the increase in demand for education. Let us examine how the supply of education or educational expansion which is by and large a result of public policy, has responded to the private demand for education.

Amartya Sen¹³ estimates that between 1950-51 and 1968-69, enrolment in schools went up by more than three times and that in universities and institutions of higher learning by nearly five times. Even between 1960-61 and 1968-69, while primary enrolment rose by 60 per cent, that in university and higher education registered a rise of 128 per cent. Also the total direct

13. Amartya Sen, "The Crisis in Indian Education", in Problems of University and Higher Education in India, Institute of Advanced Studies, Simla, 1976.

expenditure on education in India was well over 1 per cent of the national income in 1968-69. Indeed it is commonly accepted that educational expansion¹⁴ is one of the few priority areas in public policy in Independent India, in which the targets have been overfulfilled.¹⁵ Since educational expansion shares the responsibility for the problem of educated unemployed, this fact adds to the irrationality. Education in India being subsidized to greater degrees at higher levels and the enrolments in higher education having increased more rapidly than that in primary education, the share of higher education in the total educational budget has been steadily increasing at the cost of primary education. This is so despite the fact that there was already a very low level of literacy in the beginning of planning in India (17 per cent in 1951). Thus it shows that public policy instead of putting a check on demand for post-literacy education has rather over-reacted to such demand.

The forces behind this are to be traced in the socio-cultural milieu and the political arena of the country. There is irresistible demand for education in general. As Blaug sums up the situation, "Education is like the arms race: nobody gains and everybody runs in order to remain in the same place".¹⁶ We may note here that it would be better to use

14. We shall examine the nature, degree and direction of educational expansion in India (particularly during the last two decades) in greater detail in Chapter IV.

15. The reasons for this will be explained in Chapters IV and V.

16. Mark Blaug, n.1, p.36.

the term 'qualification' (as used by Ronald Dore) in place of 'education'. After all education is a wider term and a wider social process than is qualification. But so far as higher education is concerned it is mainly a demand of the middle-classes. It is a demand of those who have already jolly well attained primary education without trouble. Even while taking note of the adverse consequences of indiscriminate expansion of higher education, the policy makers have failed to address themselves to the problem of employing this increasing number of high qualified persons.

Amartya Sen comments on the public policy (with regard to higher education) in India as follows: "The pressures for higher education is, of course, basically a middle-class demand, but given the nature of Indian politics today, all political parties including those of the Left, have been inclined to champion middle-class causes To put it provocatively, the right to higher education is the right of the educationally privileged to study further at the expense of the society irrespective of one's academic abilities and it is a right that is exercised by throwing children out of schools".¹⁷

As an example, we may cite the case of the Education Commission's Report of June 1966. The calculations of manpower requirements were done by a joint team of London School of Economics and Indian Statistical Institute in collaboration

17. Amartya Sen, n.13.

with the Perspective Planning Division of the Planning Commission of India. The calculations were done taking the employment pattern of 1961 as the base and assuming that as net output in each sector and in each branch of manufacturing increases, so proportionately will be the employment of educated manpower. Also the calculations were based on lofty projections of a 6.6 per cent growth rate for the economy between 1960-61 and 1975-76 and 7 per cent for the period 1961-1986. Also a 10 per cent annual growth rate in organized manufacturing, construction, banking and insurance was envisaged.¹⁸ But they turned out to be gross overestimations. Also the existing backlog of unutilized manpower was not taken into account. Even allowing for all the flaws of the manpower forecasting approach, and accepting these estimates to be proper, the Education Commission still found that the actual expansion of higher education was too fast. Hence it recommended a policy of relative deceleration of the rate of expansion of higher education.

However, the Parliamentary Committee that was instituted in April 1967 to consider the Report of the Education Commission turned down the recommendation of the Commission on the ground: "...We believe that every effort should be made to provide

18. See Tyrrell Burgess, Richard Layard, Pitambar Pant, Manpower and Educational Development in India, 1961-1986, Oliver and Boyd, London, 1968, Part I, Section 3.

admissions to institutions of higher education to all eligible students who desire to study further".¹⁹ This, the Committee advocated in the wake of economic recession that had already set in since 1965-66 and a fall in the projected growth rate of 12 per cent in industrial production. Thus the scope for additional employment was limited during the preceding two years, and there was need for checking the indiscriminate and the fast expansion of education. Despite all these, the Committee advocated an open door policy at the higher levels of education ignoring the fact that such unrestricted expansion will lead to further increase in educated unemployed. It is interesting to note that this did not stop the Parliamentary Committee from simultaneously advocating universal primary education as its first priority. The Committee sidetracked the fact that an unrestricted expansion of higher education will mean diverting resources from the task of expanding primary education. The relative expansion of levels of education are also to be considered.²⁰

This example shows that the part of the problem of educated unemployed in India (which is due to over-expansion of education) could be solved by a wiser public policy with regard to expansion of education. And expansion of higher education

19. Report of the Committee of Members of Parliament on Education, 1967, Government of India, Ministry of Education, New Delhi, 1967, p.(iv).

20. Blaug also points out that underinvestment in primary education (relative to higher education) is not peculiar to India. It is true of every country now. This is partly because of the reliance on the manpower forecasting approach. See Mark Blaug, Education and the Employment Problem in Developing Countries, Macmillan, Delhi, 1980, Ch.I.

is a planned action of the government. The problem of the educated unemployed in India being partly due to this wrong policy clearly points to a planned irrationality. As we move further we shall come across further evidence of planned irrationality.

With this reflection on the demand for jobs by the educated labour (which is governed by both the demand for education and the supply of education), we now pass on to the question of supply of jobs or the employment opportunities created in the economy. The latter brings in questions of economic growth, strategy of development, the extent and direction of employment opportunities, the distortions in the labour market and the efforts made so far to expand the employment pool in India.

4. The Supply Side: Strategy of Development

Orthodox economics considers growth as an increase in the GNP. As Narindar Singh²¹ points out the concept of growth does not take into account the composition of what passes for the GNP, what types of goods and services are produced and how these are produced. The question of what is produced and how it is produced has much to do with the question of distributive justice or the sharing of the existing GNP and the increments made in the GNP. But the misleading objective of a mere increase in the GNP (in the context of goals of economic growth)

21. Narindar Singh, Economics and the Crisis of Ecology, Oxford University Press, Delhi, 1978, pp.81-82.

plagues the minds of western economists and also planners in underdeveloped countries even today. Consequently the rise in investment and in turn in output is given priority and the question of jobs for all in effect dismissed as being of no consequence. Investment per se, is supposed to create employment opportunities. But the amount of employment that a particular type of investment generates is not given serious consideration. So the nature of investment itself is not examined. But the problem of educated unemployed with its increasing intensity and wide ramifications calls for an examination of the nature of investment. Employment opportunities created are determined by the nature of investment which is a function of the strategy of development. So in the ultimate analysis, the problem of educated unemployed can be linked to the strategy of development. And this strategy of development in turn could be either labour-intensive or capital-intensive.

An increase in output via a capital-intensive technology is feasible only at the cost of employment. A capital-intensive technology deprives some labourers of employment though it ensures a rise in output. The unemployed labour do not have the income to buy a part of the GNP. Though the capital-intensive technology helps realize an increase in the GNP, the gains are shared inequitably for the very mechanism of this increase in the GNP, has left a vast mass unemployed.

Despite its adverse effect on employment opportunities and sharing of the GNP, the capital-intensive technology receives additional support from the proponents of human capital theory. Their pre-occupation with the conventional capital-output model prompts them to recommend increase in capital both in its quality and quantity to raise output. Human capital is construed as an additional factor of production contributing to rapid growth particularly of industrially advanced countries. So instead of looking into the creation of maximum number of jobs, their perception of growth relates to only increase in GNP via highly capital-intensive industries and they recommend creation of highly skilled manpower (through formal education) to run such industries. In a way this again gives them the rationale for emphasising an expansion of education particularly higher education, for higher education is supposed to breed this skilled manpower.

A. Some Statistics on Employment and Unemployment

With this understanding of the role of strategy of development we take stock of the situation of employment in India. As we know, despite all the lofty pronouncements of targets of employment generation, the backlog of unemployment as estimated by the Planning Commission increases in successive Plans. The backlog was five million at the beginning of the Second Five Year Plan (1956), ~~at the beginning of the Fourth Five Year Plan (1956)~~, at the beginning of the ^{Annual} ~~Fourth Five Year~~ Plans (1966), this figure had doubled to ten million or about

5 per cent of the total labour force.²² In the Draft Five Year Plan, 1978-83, the Planning Commission had estimated assuming the labour force participation rate to be the same as in 1972-73, that the labour force in 1978 would be 265.3 million implying an annual addition of the order of 5 million. The 27th round of National Sample Survey Organization (October 1972-September 1973) collected data on employment situation in the country. It found that during this period, the number of people chronically unemployed (i.e. those who had practically no work continuously over a long period and who were seeking or were available for work) was 4 million. A repeat survey was conducted by the NSSO for the period July 1977-June 1978 (the 32nd Round). Some preliminary results based on the first sub-round (July 1977-September 1977) as released by the NSSO show that on any day of the survey period an average of 167.1 lakh persons of age 15-59 were unemployed in the sense that they were not gainfully employed and were either actually seeking work or were available for work if work was offered.²³ We may note here that chronic unemployment is a very small part of the Indian unemployment problem, because very few remain unemployed throughout the year. In fact a sizeable portion of the labour force in the countryside work in agriculture under "disguised unemployment" and their number is not included in the figures for open unemployment.

22. Quoted here from Blaug, n.1, p.2.

23. Figures quoted here from Employment Review, 1976-77 (p.60), 1977-78 (pp.75-77), see n.2.

If the number of persons registered with the Employment Exchanges (as job-seekers) and such number as revealed by the D.G.E.&T. of the Ministry of Labour is taken as the indicator of the extent of unemployment in India, then one finds that this figure stood at 162 lakhs at the end of December 1980. This figure was 52.48 lakh on the 31st March 1972. Thus it rose by three times (from 52 to 162 lakhs) within only eight years.

The underdeveloped countries in general suffered from an average 10 per cent rate of unemployment in the 1970s. In the face of this high unemployment rates, the stock of matriculates and graduates in India has been growing at a rate of about 6 per cent per annum since the Plans began. Unemployment in India mainly takes the form of a long period of waiting before a person emerging from the educational system finds a job. Blaug estimates the average waiting period of a graduate to be about 6.5 months and that of a matriculate to be about 17 months in India.²⁴ This fact prompts the eligible students to go for a higher stage of education rather than sit idle.

The D.G.E.&T. publication furnishes the following informations:²⁵ (i) the fresh registration made during every year, (ii) vacancies notified to the employment exchanges, (iii) placements made through the employment exchanges and (iv) the ratio of vacancies notified to fresh registration and (v) the ratio of placements made to fresh registration for the period 1972 to 1978. One finds that over this period,

24. See also Tyrell Burgess and Others, n.18, Section 4.

25. n.2, pp.82-83., Table 25.

vacancies notified to the employment exchanges every year constituted, on an average, about 14 per cent of the registrations (for jobs) made with the employment exchanges every year. This shows how insignificant has been the creation of employment opportunities in comparison with the number of persons, seeking employment. The percentage of such people who are actually absorbed in employment (i.e. the ratio of placements made to fresh registrations as shown in column 6) is even less and it is about 8 per cent every year over the period 1972-78. This is the grim picture of the unemployment in general. Before we go over to the analysis of employment opportunities in different sectors or industries, we should note the reasons why modern sector offers less employment opportunities than does the traditional sector.

B. The Scope for Employment

The employment opportunities in the modern sector are artificially restricted largely because, as Edwards and Todaro²⁶ believe, (i) factor prices are distorted, capital being underpriced and labour being overpriced, favouring labour-saving methods of production, (ii) technologies are often borrowed from advanced countries where labour is a relatively scarce resource, (iii) job specifications require excessive education partly in emulation of advanced country standards and partly because the educational system itself is overproducing. The net effect is that the modernization goals for economies today

26. Edwards and Todaro, n.11.

recommend building enclaves of highly capital-intensive industries and growth of modern sector ensures economic growth only at the cost of employment. A capital-intensive strategy of development (by ensuring building of such industrial enclaves) fits into these ideas of modernization. In this regard we may note that the ILO reports show that GNP has increased faster than employment in all countries of world during the last two decades. This shows how the current modernization goals resort to increasingly capital-intensive technologies or strategy of development only to curb the employment opportunities.

Such type of industrialization also leads to the tenacious unemployment in the rich countries and this in turn puts pressure on the service sector. In advanced countries today, service sector absorbs the maximum proportion of the labour force.²⁷ In underdeveloped countries like India, the lack of industrialization and the tendency for adopting labour-saving technologies in whatever industrialization that has taken place, leaves services as the only sector which can absorb the bulk of the educated manpower. It is alleged that the public sector in India is overstaffed to disguise visible unemployment.

27. Employment and Economic Growth, International Labour Office, Geneva, 1964.



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The D.G.E.& T also provides informations²⁸ on the employment in the organized sector classified by broad industry divisions and in respect of public and private sectors.²⁹ In the organized sector, community, social and personal services accounted for the maximum share in employment generation both in the years 1977 and 1978. This industry division (i.e. services) in the public sector accounted for as much as 69.18 lakhs out of a total of 144.41 lakhs of persons employed in all the industry divisions in the public sector in 1978. Thus in the public sector, services alone accounted for about 50 per cent of the total employment generation. But services sector which is already overstuffed can no longer offer an avenue for the employment of rapidly swelling manpower nor can help the industry division for the very technology this division adopts is not favourable for labour absorption.

5. The Proposal

We consider the problem of educated unemployed as a manifestation of planned irrationality both in respect of expansion of education and the strategy of development. The problem is further accentuated by even the quality and content of education imparted in India. Gunnar Myrdal comments that it

28. n.2, pp.15-16, Table 4.

29. These employment data are collected under the Employment Market Information (EMI) Programme of the D.G.E.&T. of the Ministry of Labour. EMI programme covers data relating only to the organized sector of the economy. The frame of reference, the concepts used in the collection of such data and the limitations of such data shall be discussed in Chapter III.

is plain 'miseducation' —given the modernization and development as the goals, the wrong types of abilities and wrong attitudes are imparted or preserved.³⁰

On account of these considerations, we wish to examine the nature of the problem of educated unemployed in India in depth and relate it to the broader structure of our economy and see whether it is (i) the educational system (and its effect on the type and the number of jobs demanded) and the demand for and supply of education and the resultant demand for jobs or (ii) the interaction between the native status quo and the world capitalist system (with its decisive effect on the strategy of development) that is responsible for this problem. To study this interaction, we shall consider in depth the strategy of development and the nature and direction of investment in an underdeveloped country like India. This in turn shall help us in emphasizing the urgent need for expansion of employment opportunities in the unorganized sector (both self-employment and work-employment).

6. The Plan of the Paper

Since we have proposed to identify an element of planned irrationality, it would be in fitness of the things to start the discussion by outlining our perspective and value-premise. To this task will be devoted Chapter II. The value-premise

30. Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, Penguin, Harmondsworth, 1968, Vol.III, Ch.XXIX.

that would guide us in judging the related aspects of the problem of educated unemployed, will be specified in this chapter. We shall also briefly note the nature of prevailing socio-economic structure and of the economic strategies employed by those in power. The points of irrationality both in respect of expansion of education and the strategy of development will be noted in this chapter which will be pursued further in the next two chapters.

Chapter III will be devoted to the discussion on the strategy of development. We shall, first, comment on the concept of economic growth as it is being treated in orthodox economics, the broad pattern of industrialization that is taking place in the countries of today. Then we shall go over to the Indian context. This section will pursue further the points raised in the first section and shall throw some light on the nature and scope of employment opportunities and the extent and trend of unemployment in India from the available statistics. We shall note the lessons from the experience of other countries as well as of India in the final section of this chapter.

This will take us to the other side of the problem — the demand (for jobs) side as determined by expansion of education, which will be taken up in Chapter IV. First, we shall comment on the role of education perceived by sociologists, political scientists etc. and this role as treated in the literature on economics of education.

Secondly, we shall examine the statistics relating to the expansion of education in India. This chapter will end with an appraisal of the Indian experience in this regard.

In Chapter V we shall try to synthesise the two main themes viz. the strategy of development and ^{the} expansion of education. The interaction between these two factors and its impact on deciding the nature and degree of unemployment of educated shall be brought into focus here. We hope to show that there is a lack of coordination between these two important facts in planning and its implementation in India. Our discussion shall end with outlining our conclusions and our perception of the prospects of the solutions of the problem under study.

CHAPTER II

THE PERSPECTIVE AND THE PREMISE

THE PERSPECTIVE AND THE PREMISE

The only way in which we can strive for objectivity in theoretical analysis is to lift up the valuations into the full light, make them conscious and explicit, and permit them to determine the viewpoints, the approaches and the concepts used.

- Gunnar K. Myrdal*

We have set for ourselves the task of examining the problem of the educated unemployed in India. Some of our general observations were spelt out in the preceding chapter. Before we proceed to examine the problem under study it would be worthwhile to outline our perspective and the value-premise that will guide us in analysing and commenting on the economy, education and their interaction in India in the rest of this work. In view of this, this chapter would start with outlining our perspective. Then the value-premise would be clarified. Further we shall make a brief analysis of the course and direction of economic development in India in line with Gunnar Myrdal. Finally we shall note the points of irrationality that we propose to substantiate in the next two chapters.

* Gunnar K. Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, Penguin, Harmondsworth, 1968, Vol.I,p.33.

1. The Perspective

In examining the problem under study, we would adopt a holistic perspective. A holistic perspective as understood here would mean a perspective of reality in the construction of which nothing that can be shown to be significant is left out of account.¹ This obliges us to study the problem in relation to its significant associations with other social phenomena. The holistic perspective obliges us to examine the problem in depth and identify the broad socio-economic and political dimensions of the problem. It also obliges us to put the problem in the context of other socio-economic phenomena observed inside the country and abroad. Towards this end, we wish to make a modest attempt to examine the nature of the prevailing socio-economic structure and of the economic strategies employed by those in power. In particular, this is aimed at critically examining the nature of industrialization that is taking place in underdeveloped countries in the post-war period.

Gunnar Myrdal dubs the kind of industrialization experienced by these countries as 'imitative industrialization',² which is modelled on ideas and experiences borrowed from advanced industrialized countries even though the conditions

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1. Narinder Singh, "Towards a Holistic Social Enquiry" (mimeo), January 1981.
 2. Gunnar K. Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, Penguin, Harmondsworth, 1968, Vol.II, Ch.XXIV.

greatly differ between these two types of countries. We shall come to this point and the implications of such an industrialization later in this chapter. At the moment we may note that of the different aspects of the wider strategy or course of economic development, industrialization (its type and nature) is the most important aspect in relation to the problem of unemployment particularly of the educated. So we would try to examine the logic behind such an industrialization. At the first instance, one may argue that possibly there is an alliance between the domestic decision makers and the forces operating in international environment. So the problem of educated unemployed in India cannot be studied in isolation from external factors. Our holistic perspective shall help us in analysing the causes and consequences of this problem in the context of the prevalent order both within the country and abroad.

2. The Value-Premise

Since we wish to show that the problem under study points to a manifestation of 'planned irrationality', we should now define our 'rationality' and make clear in what sense we feel that the irrationality that we intend to identify is planned.

'Rationality' has to be defined in terms of a fundamental value-premise which itself has to be taken for granted. For its validity can neither be established logically nor denied. In other words, it is a sort of a 'logical primitive' which serves as a "starting point" of analysis but is not itself a part of it. Such a value premise for the purpose of our study

would mean the full utilization of human resources. To be more precise, the full utilization of human resources particularly those which involve investment in educational and training facilities is the criterion in terms of which the direction and result of economic development and expansion of education would be judged as rational or otherwise. Any strategy of development which does not presume this utilization to be of primary importance would be irrational. Since the problem of the educated unemployed is the undesirable consequence of both the strategy of development and the expansion of education, we would argue that we have been irrational on both these fronts and consequently the full utilization of human resources becomes difficult to achieve.

But both the strategy of development and the expansion of education (and particularly, the pattern of this expansion) result in this country from a great deal of deliberation, estimations and planning. Besides, they are shaped by policy decisions taken mostly in government bodies. Thus, the irrationality becomes 'planned' because of the role assigned to 'economic planning' by this country. The detailed aspects of the strategy of development like pattern and direction of industrialization, priorities in public investment and expenditure; and that of the educational system like the degree and direction of its expansion, the content of education — all these are largely planned in India. In the semi-planned economy

(if not the centrally planned economy like that of the U.S.S.R.) of ours, the acts of irrationality in all these aspects can be traced to the mistakes in planning of the respective aspects as well.

3. Imitative Industrialization

Gunnar Myrdal opines that the industrialization that is taking place in the South Asian countries is largely a duplicate of the pattern of industrialization prevailing in the West. The diverse positive effects of industrialization which he refers to as 'spread effects' are not realized in these countries because the socio-economic, cultural and political set up is altogether different in these countries. As he comments:

'This lesson has been forcefully demonstrated in the limited experience of South Asian countries with rationalized and highly organized modern industries. The small islands within which Western forms of economic organization have been imitated have not made much lasting impression on the sea of tradition surrounding them.' 3

In his view, in the first instance, underdevelopment of the countries concerned is taken to mean that there is too little of industry. This being the notion in South Asian countries, industrialization assumes significance in the development plans. Since the goal of modernization and the complex ideas associated with^{it} are generally accepted by the elite here, an enthusiasm for industrialization necessarily

3. Ibid., p.1197.

originates from this goal. The general clamour for industrialization is based on the view that modern industry will provide employment for an underutilized labour force now engaged in agriculture, it will radiate stimuli throughout the economy, it will raise productivity, national output and income. Since the elites here and in the West interpret western economic history in the same fashion, the present high level of productivity, income and other economic changes of the West are attributed to forces supposed to have been set in motion by the industrial revolution. The economic success of Soviet Union through rapidly developing modern and heavy industries further serves as the empirical argument for industrialization. The industrialization drive receives further filip from a desire to reverse the colonial pattern that restricted the growth of manufacturing and heavy industry—a restriction which is interpreted as one main reason for economic stagnation during the colonial rule. Also the observation that the rapidly swelling population in the wake of already existing underemployed labour force in agriculture cannot be productively engaged in agriculture any more provides a rational basis for the efforts made by these countries to industrialize as quickly and rapidly as possible.

In India, the industrialization drive gathered momentum for all of the above reasons. Further the Soviet experience was cited here as a rationale in favour of heavy and modern industries. Thus the case for the priority of "basic industry"

is often stated in terms of developing a "self-reliant" economy. P.C. Mahalanobis, the chief architect of India's industrialization plan thus stated the case for heavy industry as: 'In a big country it is possible and desirable to push back the manufacturing process to the utmost limit in order to expand continually its capacity to make investments increasingly out of its own domestic resources'⁴. Industrialization following the line of the West has thus taken place in India.

But the effects of this imitative industrialization were not positive or beneficial for the mass. Modern industry is inherently capital-intensive and it creates a dichotomy between technologies used in the newly emerging modern industries and the traditional industries. Since little creativity is applied to develop technology suited to the domestic conditions particularly those emanating from an abundance of labour, the choice in this industrialization is either to borrow the foreign technology (capital-intensive) or to reject modern industry altogether. The former choice is being resorted to in India. Concentrating skills in large-scale capital-intensive enterprises, as is done in India, may speed up the growth of industrial output but it does not serve the purpose of improving institutional framework and diffusion of skills in the labour force as is desired while schooling/training the labour. In

4. P.C. Mahalanobis, "Industrialization of underdeveloped countries - A Means to Peace", Bulletin of the Atomic Scientists, Vol.XV, No.1, January, 1959, p.15, Quoted here from Myrdal, n.2.

effect it implies a perpetuation of a modernized enclave economy familiar from colonial economic experience. But this strategy sidetracks the many social and institutional inhibitions and oppositions and hence it makes the task for the planner rather simpler.

So far we have noted three important features of imitative industrialization viz. (a) capital-intensity, (b) lack of participation or general effect on the labour and (c) building of industrial enclaves. Further, the very low level of industrialization coupled with its bias in favour of labour-saving techniques means that industrialization in India had and can have little, if any, effect on expanding the employment pool or changing the occupational or sectoral distribution of labour force.

Such industrialization also exerts some negative effects on employment. The extension of modern industrial enterprise can be expected to entail some rationalization of established industry in the modern or quasi-modern sector. Rationalization normally implies that less labour is used to produce a given quantity of output. Even if output is increased, labour requirements will not grow proportionately, and in some cases, may actually diminish. This is one backwash effect (with respect to employment) on existing industries. More serious backwash effects are implied in industrialization when existing manufacturing enterprises are pushed out of business altogether or when modern technology-based industrial products outcompete

goods produced by traditional methods in small-scale enterprises and crafts and thus displace some labour engaged in the traditional sector. This points to the fourth feature of imitative industrialization — job destruction.

With regard to the general expansionary momentum that industrialization is expected to generate, it may be noted that conditions prevailing in the West in their initial phase of industrialization were not only different from that prevailing in India now but also were more suitable to work out the mechanism through which this momentum was felt. Even in the West, the spread effects came in phases, through obstacles and over time. So the assumption that industrialization will engender a similar (similar to the West) and virtually automatic-mechanism of growth as is held by planners in South Asian countries is not well-founded. In fact experience shows that industrialization in India had very little effect on creating new spirit of rationalism, work discipline, enterprise (as was expected) in the labour force largely because the cultural, social and economic setting in which this was implanted was not responsive to it.

All these factors together lead to a situation where imitative industrialization has created only few large industrial enclaves without any substantial effect on structural changes in the economy and with a rather adverse or negligible effect on employment generation. Myrdal further warns, "There is an obvious danger that the industrial starts now planned

will perpetuate this [enclaves] colonial pattern".⁵

We have discussed Myrdal's points rather in considerable detail with a view to emphasizing that the strategy of development pursued in India (and most of the South Asian countries alike) was not carefully chosen in view of the radically different conditions and responses that the planners have naively lost sight of. Also it brings into focus the point that even though employment was considered a major goal, the strategy was not decided in close association with the objective of generating the maximum employment. The discussion in this section is couched both in our perspective and the premise just outlined. We shall pursue this discussion in a slightly different form in Chapter 3. As proposed earlier, we would note the points of irrationality (which we would substantiate in the next three chapters) in this chapter to which we now turn.

4. Points of Irrationality

The problem of the educated unemployed in India has to be explained in terms of both the expansion of education and a relative contraction of employment opportunities. So both education and our kind of economic growth share the blame. In this section we shall briefly mention the points of irrationality as we perceive them in respect of both. These points will be further elaborated and substantiated in the next three chapters.

5. Gunnar Myrdal, n.2, p.1197, in italics in the original.

A. The Strategy of Development

We shall judge the rationality of the strategy in terms of whether it meets the end of employment of maximum number of people. Employment of the maximum or mass participation is an end in itself in our perception. The strategy of development adopted in India could be said as irrational since it has failed to achieve this target i.e. offering employment to the maximum number of labour in general. In particular, the strategy seems to be more irrational for the educated youth. Since schooling is expanded at rather increasing rates, schooling is linked with preferred modern sector jobs, our strategy of development has not been appropriate for having failed to generate required number of jobs in the modern sector.

The path of economic development is guided both by forces operating within the economy and by the decisions taken at the appropriate level. But even in a semi-planned economy like ours, such decisions are taken after much deliberation and estimation.

If the net result is only an increase in the backlog of unemployment in successive plan periods, there can be little doubt that the strategy of development is to blame for this.]
When one takes cognizance of the seriousness of the problem of the educated unemployed, one would definitely go for more labour-absorbing techniques of production even if it yields some relative loss to the class who ~~owns~~ the means of production. This sacrifice by a class of people has to be made

for the solution of a problem (as is the problem of educated unemployed) which is not only accentuating over time but also becoming a challenge to the social system. | Admittedly, the frustrations and protests of the educated unemployed have already created some social tensions in India and things would be still worse soon. |

The irrationality in this respect is to be identified in both our thinking and action. As far as the first point is concerned, it relates to the way 'employment' is treated in orthodox economics and such a treatment as has been endorsed in our development plans. The question of employment has not figured prominently in orthodox economics. We shall discuss this point and the alternative theories of labour market that have emerged, in our next chapter (Chapter 3). At the moment, it may be noted that, orthodox economics treats labour just as a factor of production only, the primary goal being the process of production and so the right to participation in production process was never recognized as the primary goal. | A mere increase in the GNP has been identified with the apparently laudable objective of economic growth and the available means to achieve this or the alternative ways are not judged seriously. A preoccupation with the mere increase in the GNP has made orthodox economics uncritical of strategy of development. |

This view of employment generation is largely reflected in the fact that in the development plans of India, employment has been construed as the natural outcome of production or more investment. Thus the emphasis has been laid on the latter

without considering the employment opportunities that any such production or investment creates. Employment has not been treated as an end in itself. This points to our irrationality of thought.

The irrationality of action naturally stems from the irrationality of thought. Based on the orthodox economic view of employment, the strategy of development instead of being modified for more labour-absorption has in fact become essentially labour-displacing. Even though the employment of the educated and the uneducated finds mention as a national objective in official documents, no serious attempt has been made to enhance the employment opportunities. In our later analysis, we shall see that both our lack of questioning of the validity of such a concept of growth and our subjugation to forces operating within the society have led to taking such wrong decisions with regard to the problem of the type under study.

B. The Quality and Quantity of Schooling

The quality and spread of education, in our analysis, also share the blame for the problem under study. But since education has come to mean only formal schooling and qualification earning, we would prefer to dub this type of education as schooling.⁶ This point will be further taken up in the chapter on education (Chapter 4).

6. Also see Chapter I, Section 3.

The content of such education in India and other underdeveloped countries alike is such that it divorces the educated from manual work, self-employment or independent enterprise. Education has turned out to be a formal package of knowledge. But it hardly contributes to development of spirit for enterprise, curiosity or initiative in the minds of those who are educated. Ronald Dore comments in this regard: 'More qualification earning is mere qualification earning — ritualistic, tedious, suffused with anxiety and boredom, destructive of curiosity and imagination; in short anti-education'.⁷ But such qualities are more essential than ever before since acquiring a job in the modern sector has already become difficult for the educated youth. Since our kind of education has failed to breed such qualities we may say that the content of education that is being imparted in India points to our irrationality. Secondly academicians and policy-makers alike have admitted that the quality of education has deteriorated in India over time.

But these two points have not countered the general expansion of such formal schooling. It is interesting to note here a point made by John Sheehan.⁸ As he observes, the governments in all countries today have a 'passive' policy of meeting the social demands for education. This policy is based

7. Ronald Dore, The Diploma Disease, Education, Qualification and Development, George Allen and Unwin, London, 1976, Preface.

8. John Sheehan, The Economics of Education, *George Allen and Unwin,* London, 1973, Ch.II.

on the implicit assumption that the students or the individuals look carefully at the labour market (unemployment or similar adverse signals) before making educational decisions. So the government should consider the social demand for such education as an outcome of rational calculations and hence should intend to meet this demand. But it is ignored that institutional factors creating inflexibilities in absolute and relative wages can speak very little on skill shortages etc., and that considerations like family pressures, lack of imagination and lack of opportunity considerably influence such educational decisions. Consequently the government, instead of seeking to influence people's demand for the various types of education, rather follows an open-door policy for the expansion of education. Sheehan cites two examples in this connection. The Robbins report on the future of higher education in Great Britain offers what is perhaps the classic description of the social demand for education, which is implicit in its declared policy that, 'courses of higher education should be available for all those who are qualified by quality and attainment to pursue them and who wish to do so'.⁹ An OECD report on educational policy in the Netherlands offers a similar example in stating that, 'if a sufficiently qualified citizen stands at the door of any type of school he must be admitted, and it is the responsibility of the appropriate government to anticipate his requests so that school capacity

9. Higher Education, Report of the Committee under the Chairmanship of Lord Robbins, HMSO, London, 1963, p.8.

will be adequate to accomodate him'.¹⁰ The Indian experience also amply demonstrates such an open-door policy — an example of this being the report of the Parliamentary Committee that examined the recommendations of Education Commission (1964-1966), as noted earlier (Chapter 1).

There is an important implication of such a policy when the government shys away from the responsibility of changing the pattern of enrolment between different levels of schooling or reallocating the resources among levels and types of schooling in a more egalitarian manner. In India, higher education has expanded more rapidly than primary education, even though two thirds of the country's population are still illiterate. The government's positive response to expansion of education (so much so that actual expansion very often even exceeds the anticipated expansion) and the wrong allocation of resources within the hierarchy of schooling in India are two main points of irrationality.

The irrationality is further manifested in the fact that in India the access to such education by students of different economic and social background has been widely different and discriminatory in favour of those who are otherwise privileged in terms of their economic or social background. Thus the expansion of education has not been democratic in nature.

10. Education Policy and Planning: Netherlands, OECD, Paris, 1967, p.27.

C. The Schooling and Job Selection Link

The high wage and other benefits available to those employed in the modern sector make jobs in this sector relatively lucrative and attractive and these are considered to be a reward for high educational qualifications that enable a person to secure such a job. Since there are always many such qualified persons competing for such jobs, the employers find it convenient to raise the minimum qualifications or eligibility conditions for such jobs so that the degree itself does the first task of screening. When this continues, it is only the higher qualified persons who stand better chances of getting such jobs. The level of degree or qualification thus becomes the most important determinant in the selection for jobs from the point of view of the job-seekers. From the employer's side schooling or degree serves only as a screening device or a process of elimination rather than selection. Thus the link between schooling and acquisition of a job continues unabated and a higher degree makes the link stronger. Another reason for such a link is, as J.P. Naik¹¹ emphasizes, that in the present recruitment system in India, extra-academic attributes hardly matter for a candidate's selection. This further enhances the need for formal schooling or degrees. In our view, linking the selection for jobs to formal schooling ignoring extra-academic attributes is one point of irrationality.

11. J.P. Naik, "The Problem", in Seminar, August 1969.

This irrationality is further reinforced by the effect such higher qualifications exert in changing wages in the modern sector. Even though the raising of qualification is a screening device, those who are finally employed, try to raise their wages to a level acceptable in relation to their qualification. Of course, their attempt involves continuous negotiations and bargain with the employer. But since employees in the modern sector are more articulate in their demands and are normally the privileged group of the society, they largely succeed in their attempt. Thus we find that even though a higher degree does not mean a substantial increment in the marginal contribution of an employee, yet the going wage rate adjusts itself (less than proportionately) to such higher qualification. So the lure of modern sector never falls short of expectations of those who try for it. This, together with the link that works between formal schooling and selection for jobs as we have noted earlier, ultimately exert pressure for expansion of education. Ironically, the government overreacts to such demand for education in India.

In the next two chapters, we shall examine these points of irrationality. The final chapter (Chapter 5) will be devoted to explaining the interaction of economy and education and the social forces that ^{influence} the nature of such interaction.

CHAPTER III

THE STRATEGY OF DEVELOPMENT

THE STRATEGY OF DEVELOPMENT

We also know that once production has been so organized as to leave a fairly large number of people unemployed, it becomes almost impossible to redistribute income to those who are not even participating in the production stream.

- Mahbub ul Haq*

The problem of the unemployment of the educated is to be explained both in terms of the demand for educated labour as manifested in the labour market or in the general picture of the economy, and the supply of educated labour as decided by the educational system. The demand side involves, at the simplest level, the actual demand for different categories of labour. At a more complicated level, the demand side will involve the nature and direction of investment, and the techniques of production which decide the demand placed on the labour market for the educated labour. The investment pattern can in turn be traced to the nature, and type of goods that is being produced and the priorities in the general development plan in the case of a planned economy. So in the ultimate analysis, the demand for educated labour can be linked with the strategy of development pursued for the economy. The strategy in turn involves questions like the way employment is being

* Mahbub ul Haq, The Poverty Curtain: Choice for the Third World, Columbia University Press, New York, 1976, Ch.II.

treated as an objective in the economy, the general pattern of consumption and production which is largely governed by the pattern of income distribution and the interaction between different conflicting social forces and national objectives.

Keeping these points in view, we have chosen to focus on the strategy of development as a major parameter of the economic system and the larger social system as well, that decides the demand for educated labour. This chapter is devoted to a detailed discussion of the strategy of development.

This chapter is divided into two major sections. The first section is devoted to a critical discussion of the strategy of development in the light of three issues, namely the growth-employment nexus in orthodox view, the theories of labour market and some experiences about modern technology. The second section deals with this problem in the Indian context, and takes up in particular the question of unemployment in the Indian plans. The pattern of employment and unemployment in India as it emerges from the statistics we have gathered to this effect is also elaborated and provisions for and the prospects of employment in the sixth plan are examined.

The Theories and Implications

This section will cover a critical discussion on the strategy of development. We would start with evaluating the concept of economic growth as it is developed in orthodox economics. Then we shall link it to the question of employment. The ~~alternative~~ theories of labour market will be discussed in the second section.

Finally we shall cite some examples of how modern technology exerts adverse impact on employment generation.

1. Growth-Employment Nexus: The Orthodox View

In examining the concept of economic growth as it is being treated in the orthodox economics, we ought to focus on two main points namely how the question of employment figures in such discussions of growth and what are the implications of a growth path modelled on orthodox economics for the employment pool at the first instance and for the question of poverty and inequality as a consequence. This is in line with our value-premise we spelt out earlier (Chapter 2) that the employment of the maximum number of people is the criterion in terms of which we shall judge the strategy of development as rational or otherwise.

A. The Concept of Economic Growth

Orthodox economics considers economic growth as a mere increase in the Gross National Product. Economic growth is defined as an increase in the total volume of goods and services produced in the economy within a particular reference period. Economists however make a distinction between economic growth and economic development. For example, Meier and Baldwin define economic development as a process whereby an economy's real national income increases over a long period of time.¹

1. G.M. Meier and R.E. Baldwin, Economic Development: Theory, History, Policy, Asia Publishing House, Bombay, 1970, p.2. However in the light of the development experiences of the post-war period, G.M. Meier qualifies the definition with the stipulation that the number below 'an absolute poverty line' does not increase, and that the distribution of income does not become more unequal. See G.M. Meier, Leading Issues in Economic Development, Oxford University Press, New York, 1976, p.6.

Economic development is understood as a broader term than economic growth. Economic development adds the goals of economic and social changes (institutional changes) to the goal of increase in the GNP. In a positive sense, economic growth is a narrower concept than economic development. Also on normative grounds, economic development would embrace manifold social and economic changes while economic growth may brush aside these issues. But this is not to say that orthodox economics has, within its ambit, enough room for discussing the broader social set-up and different social process.

In fact, mainline economics does not go beyond making such a distinction between the two terms. Orthodox economics, has, as its main focus of study, economic growth only. The large body of growth models and the discussions on secular and sustained increases in the GNP that constitute orthodox economics leave the various aspects of economic development for sociologists etc. So in essence, orthodox economics treats economic growth as the sustained increase in the total i.e. the GNP and hence is concerned with product and productivity only. Even in common parlance, both the terms — economic growth and economic development — are used interchangeably and thus economic growth understood as an increase in the GNP becomes the goal of the economy. Further we may note that in the countries of today, economic development appears to be a prominent national objective in planning, but the strategy that is pursued, to this end is essentially couched in a conception

of economic growth only. Hence our evaluation of the strategy of development can, legitimately, be linked to the concept of economic growth.

The preoccupation of orthodox economics with such a narrow concept of economic growth leads to a situation where the question of what are actually produced and how are these produced lose their importance. Even the concept overlooks the environmental decay or the ecological crisis that increasingly threatens the survival of mankind now. Further this concept fails to identify the national waste or the goods and services that ought not to be produced, as it does not address itself to the question of the composition of the GNP and the quality of life for the individual and for the society as a whole. Narindar Singh comments,

"Economists simply sweep all waste under the carpet rather grandiloquently designated as the Gross National Product. The GNP, as it is lovingly called, epitomizes the modern morality, and, as Professor Galbraith has emphasized, even St. Peter is assumed to ask applicants nothing but what they have done to increase it. It is not surprising therefore that national economic success has been identified with mere statistical GNP; few questions about the content of this are ever asked." 2

The composition of the GNP has to be seriously considered since the type of goods and the way they are produced together describe the repercussions of production

2. Narindar Singh, Economics and the Crisis of Ecology, Oxford University Press, Delhi, 1978, pp.81-82.

and growth on the environment and ecology. So the idea of growth has to involve itself with the composition of GNP and the quality of life. Wilsher and Righter rightly comment: "The whole point, however, is to give the idea of growth a qualitative determination, for there are always many things that ought to be growing and many things that ought to be diminishing." ³

The nature or type of goods or services produced have a still greater role to play in creating employment opportunities. For example, certain goods like refrigerators and automobiles etc. are by nature such that they can be produced only by use of sophisticated machine tools and are labour-dispensive in their production. Even though such goods cater to the needs of privileged few particularly in the underdeveloped countries and production of such goods generates very little employment opportunities compared to the initial outlay of capital and monetary investment; they do are produced and they do raise the GNP in a perceptible way. When the GNP is measured in money terms the goods figure in this GNP as some monetary values only and their nature is lost sight of. Wilsher and Righter aptly remark: "Particularly when econometricians and statisticians deal with them, goods even cease to be anything identifiable and become GNP, imports, exports, savings, investment, infrastructure, or what not." ⁴

3. Peter Wilsher and Rosemary Righter, The Exploding Cities, Andre Deutsch, London, 1975, Chapter X.

4. Ibid., Chapter XIII.

B. Employment — the Missed Focus

We have argued that employment of the maximum number of people is an end in itself. But orthodox economics, being preoccupied with the increase in the GNP and the ways and means to achieving this thus addresses itself to only the questions of product and productivity. In this schema, labour is treated only as a factor of production. Consequently, the implications of the process of production for the quality and quantity of labour employed are not well understood. Labour figures in this discussion more or less in the same way as other factors of production are treated in this discussion. So the process of production is not the main focus. Rather orthodox economics would argue that expansion of production is commensurate with expansion of employment. In keeping the expansion of production as the target and the ways and means to ensure this secularly and globally, as the exercises in economic theorization; orthodox economics loses track of one important fact that even without further expansion of production, more of jobs can be created by changing the strategy of development in favour of labour-absorption. In other words, orthodox economics attempts to resolve the problem of unemployment by saying that investment per se would create employment opportunities.

This idea does not seem to be tenable in view of the fact that modern economies experience a type of unemployment which, as we shall try to establish in this chapter, is more due to the very nature and direction of investment as such

than ~~is~~ due to lack of investment as would otherwise be emphasized by orthodox economics. This also opens up the issue of how goods are produced in the economies of today's world.⁵ It may be seen from the foregoing discussion that the reasons for underscoring the importance and urgency of employment in orthodox economics can be traced to the way economic growth is being defined therein.

In its analytical framework, orthodox economics seeks to explain employment in terms of its concepts of competitive equilibrium and marginal productivity. Unemployment results, in its view, from distortions in the market — in the pure and undiluted form of free capitalist market. So employment can be mitigated by the market mechanism (through wage adjustments) when it is left to itself. The distortions in the market result from government interventions, labour immobility, urban-rural wage differentials, inflexibility of wages etc. Further orthodox economics assumes that individuals participate in the production as equals and have free choice in respect of employment. There is no political content in the relationship among the capitalist countries — rich and poor capitalist countries alike. This analysis of orthodox economics leads one to believe, as Martin Cornoy rightly observes: "The orthodox or neo-classical theory of development is rooted in capitalist ideology and tied closely to an idealized capitalist organization of production. It has an a historical approach

5. This point would be dealt in further detail in the next section.

to economic change and views the problem of low-income countries as a lack and lag of the qualities that make high-income countries relatively wealthy."⁶

The assumptions of homogeneity of labour in early orthodox economics was modified during the last two decades by the human capital theory to touch upon the skill differentials and the educated labour as one category of labour. However, this version also rests on the neo-classical models of free capitalist economies and hence it treats the unemployment of the educated in the same way as it does so for labour in general. The human capital theory would trace educated unemployment to distortions in the market mechanism of adjusting rewards (wages) for different levels and types of skills or degrees. For educated unemployed, the orthodox economics would put the blame on the unemployed himself for having taken wrong decisions in investing in his education, i.e. choosing the right type of educational stream and the amount of education. The less educated have more probability of being unemployed since they lack the proper set of characteristics to be employed given the conditions of the economy.

This view of educated unemployed in orthodox economics, in turn, would find a solution to the problem in either correcting market distortions or in providing workers with type of characterisation including amounts and kinds of schooling, which will increase their probability of employment or in both.

6. Martin Cornoy, Education and Employment: A Critical Appraisal, UNESCO, Paris, 1977, Chapter I.

In Cornoy's⁷ view, as far as the link between increased education and overall unemployment is concerned, orthodox economics does not show a clear-cut link. But orthodox economics does recommend continuous investment in schooling. It even foresees that expansion of education will raise productivity and in turn economic growth and thus shall raise overall number of jobs. In another way, education will reduce fertility, and ease the pressure for jobs by reducing population in the long-run. Thus the orthodox view of human capital theory finds no fault with education as such excepting of course, that education turns rural underemployment into urban open unemployment.

C. Implications

We have briefly noted in the preceding section that the question of how the goods and services are produced in the economy has not received ~~its~~ due emphasis in orthodox economics. We open up this question for further discussion now. The question essentially remains — how the goods and services are chosen for production and is actually produced. This involves the question of strategy of development.

The strategy of development could be either capital-~~intensive~~ or labour intensive. Allowing for the minimum capital input that is inevitable for production of a particular commodity, we can still say that the same amount of the commodity may be produced by employing more labour with the same stock of capital. In fact, despite the non-substituability between capital and labour, in most of the cases, more of labour can be employed to raise the same output instead of adding to

7. Ibid.

capital stock. However, additional labour may mean a costlier affair than would mean additional capital. But whereas a labour-absorbing technique shall offer right to share the final product to more number of people, a capital-deepening technique shall offer more profit to the employer or the producers. Thus an increase in output via a capital-intensive technology is feasible only at the cost of employment.

A capital intensive technology deprives some labourers of employment though it ensures a rise in output and profit. The unemployed labour do not have the income to buy a part of the GNP. Even though the limited goal of increasing the GNP is realized yet the gains (from such increase) are shared inequitably as less people are involved in this task (i.e. employed) and hence less people acquire the right to share the increments made in the GNP.

In this process, the inequality of wealth and income among classes of people is further accentuated. The increasing capital-intensity in production process rather deprives a greater proportion of the labour force of such a claim to development and instead of correcting the existing inequality it only accentuates it further. In simple terms more unemployment means more poverty and greater degree of economic inequality among people. This fact calls for a redefinition of the development question.

In this process of production, the unemployment of the educated results from similar reasons as those account for

unemployment in general. Further the fact that educated labour has already drained some resources and hence involves some social cost shows how this problem ought to be treated even more seriously than the unemployment of labour in general. The human capital theory being developed in the neo-classical scheme, treats educated labour only as an improved factor of production i.e. better than an uneducated labour. Instead of looking into the fuller utilization of this human resources, it is rather more concerned with highlighting and estimating the contribution of such improved labour to the GNP. Thus both orthodox economics and human capital theory ignore the paramountcy of the question of creation of maximum number of jobs. Human capital theorists support a capital-intensive industrialization and recommend creation of highly skilled manpower (through formal education) to run such industries.

The story goes even further. So long as the output rise is the supreme and singular goal, a capital-intensive strategy of development would continue to appear as rational since it ensures such a rise in output and greater amount of profit for the producers. Rising profit is the prime mover for economic activities in a capitalist economy. The world economic order primarily being capitalistic in nature, has always lent its support to such capital-intensity since profit is increasingly assured in this process.

Historically, merchant capitalism later grew into capitalism as a production relation dividing the society into two

principal economic classes. The paramountcy of profit-earning was recast in the light of raising production and productivity to finally raise the total i.e. the GNP. Rapid industrialization via capital-deepening was then cited as the main path to such economic growth. Poverty was then posed as the reflection of the smallness (in comparison to population) of the size of the cake, (i.e. the GNP). In essence, the way the cake is shared lost its significance. Rather solutions to poverty were found in increasing the size of the cake. Consequently, the problem of massive unemployment is burried in the much talked-about problem of poverty and a solution to this has been found in additional investment or physical capital assets so that some labour can find employment and the size of the cake can be increased.

But capital does not grow in undifferentiated forms. The form of capital has much to do with the amount of labour it can absorb for operating it. In modern economies, capital formation takes place in forms which become increasingly sophisticated and labour-displacing. So higher growth rate achieved through greater capital formation of this type may mean only greater magnitude of the unemployment problem and thus such a growth rather pulls more of the common mass down to the level of poverty.

This is how technological unemployment — a point raised by Keynes⁸ fifty years ago, has become the reality now all over

8. John Maynard Keynes, "Economic Possibilities for our Grandchildren."...

the world and more so in rich countries. Consequently the rich countries which suffered from temporary or cyclical unemployment are now faced with technological unemployment. The magnitude of unemployment becomes chronic and is built into the system. So we would do well to blame not the lack of capital but the form in which it grows. What is needed is not just capital, but capital of the right kind that is capital which absorbs people and does not throw them aside. Ivan Illich⁹ explains the inegalitarian nature of modern strategy of development in terms of energy-intensity. He views that energy intensity is inherently inegalitarian. Condemnation to redundancy is one of the form of inequality.

Mark Blaug¹⁰ while analysing the problem of educated unemployed in developing countries traces the reasons for the phenomenon to a lack of capital formation in the Third World. However, he takes care to emphasize that the form in which capital grows is a function of the prevailing economic order. The greater is the economic inequality, the greater would be the tendency towards capital-deepening and hence accentuation of the unemployment problem. So Blaug suggests, "a more equal distribution of income would work to increase the level of employment by altering the pattern of consumption in a labour-using direction."¹¹ But this is one thing which cannot

9. Ivan D. Illich, Energy and Equity, Rupa, Calcutta, 1974.

10. Mark Blaug, Education and the Employment Problem in Developing Countries, Macmillan, Delhi, 1980.

11. Ibid.

be hoped to be realized since the status quo would not wish for shrinking its economic gains.

The conventional capital-output models (with its emphasis on GNP increase and a naive attempt to solve unemployment by expanding capital) suit the interests of the status-quo. So under conditions of world capitalism in general and the power of the 'native' status-quo in particular to divert resources towards building capital-intensive industrial enclaves, one cannot hope that such a labour-using reorientation of the socio-economic structure can be achieved. The underdeveloped countries are integrated to the world capitalist economy so much so that they follow the same strategy of development as do rich countries.¹²

The problem of unemployment of the educated becomes all the more intractable in this process of development. While skilled manpower is the much sought-after input for such an economic development, the strategy of development is such that it makes such skilled manpower even redundant.) At the first stage, unskilled labour found it difficult to secure a job, now even skilled or educated labour is in no better a position to earn a livelihood.) The plight of the highly qualified labour in the underdeveloped countries is borne out by the fact of a continuous outflow of such talents to advanced industrialized countries in search of an appropriate placement. This is precisely what has come to be known as "Brain-drain". [Within the country, students with technical degrees switch over to

12. This point will be further taken up in Chapter V.

general administrative jobs or semi-skilled jobs in the service sector having failed to secure a technical job befitting their degree because of the pace and pattern of industrialization. } For rich countries, the problem has an additional dimension. The introduction of computer, digit control machines and of late, the Robots (on the ground that these will raise national product and productivity) makes even the high quality manpower completely redundant.

In underdeveloped countries, the choice for the educated is limited mostly to modern sector where the scope for employment is far less than what it is in traditional sector. Consequently the educated youth finding himself unable to go back to the countryside (because of values ingrained in him through modern education) either goes for another degree or becomes a social outcaste. We shall discuss this point in greater detail in the next chapter.

2. Alternative Paradigms

The neo-classical view of the development problem dominated the discussions of economics until after the 2nd World War. It is interesting to note that in the post-war period, on the one hand, the neo-classical theory was modified to incorporate the case of differentiated labour mass in terms of human capital theory which claimed itself to be an improvised version of the orthodox theory; on the other, it is during this period that neo-classical theory has been subjected to criticism. The main strands of criticism are contained in the Dualistic Theories of

Labour Market and the Radical Theory of Production and Labour-Market Segmentation. We have noted in rather considerable detail, the important points that neo-classical theory has glossed over in the preceding section. In this section we shall discuss the two main alternative paradigms of labour market that have come up in the post-war period.

A. Dualistic Theories of Labour Market

The Dualistic Theories of Labour Market analyse the labour market in terms of the concept of economic dualism. The theory was developed by J.H. Boeke¹³, B. Higgins¹⁴, and U.H. Myint¹⁵ in forms that were slightly different from each other. Dualism suggested that the economy is divided broadly into two distinct sectors namely the traditional sector and the modern sector and the nature of the labour force or of the organizers of production are inherently different from each other between these two sectors. In this version, the modern sector pays relatively high wages, uses modern technology, and is capital-intensive, the traditional sector deploys labour-intensive and primitive technology.

13. J.H. Boeke, Economics and Economic Policy of Dual Societies, New York, 1953.

14. B. Higgins, Economic Development: Principles, Problems and Politics, New York, Norton, 1959.

15. U.H. Myint, The Economics of Developing Countries, New York, 1964.

Technological dualism has led indirectly to a 'job competition' model of the labour market developed by Thurow and Lucas¹⁶. According to this model, productivity is an attribute of jobs, not people. Jobs that involve the use of a lot of modern capital equipment are high productivity jobs. The workers for such jobs are hired through a selection on the basis of the background characteristics of workers such as race, sex, education, age, psychological tests, previous experiences etc. Then the selected workers acquire the cognitive skills necessary to raise their productivity upto the level of productivity of the job through formal and informal training programmes.

Thus technological dualism and the job competition model argue that wages are determined by the productivity of the jobs or the nature of jobs which in turn is determined by the level and type of technology associated with it. Consequently wages are linked to the technology instead of being affected by the supply of labour or the length of the queue for jobs. Unemployment is a function of investment in physical capital and capital-intensivity of that capital.

In this model education plays an ambiguous role. Since productivity depends on technology and the wage is linked with the technology, education neither raises productivity nor does it affect the employment opportunities or the wage-rate.

16 J. Thurow, . . . and R. Lucas, P. "The American Distribution: A Structural Problem", (Hearing before the Joint Economic Committee), Washington, 1972.

Schooling only places a labour higher up in the queue for jobs and affects the fact of who is finally being selected. Thus schooling has only distributional consequences (who will be employed and unemployed), but it does not affect wage levels of educated labour or economic growth.

Further the job competition model views the inflexibility of wages as a product of the way the capitalists run labour markets. First, the technology is chosen in line with the technology used in the highly industrialized countries. Secondly, jobs are associated with particular technology and finally a rather fixed wage corresponds to each level or type of technology. Thus the wage-rate, the nature of job and the number of workers that will be employed are more or less fixed for each technology and are the product of capitalist decisions. Therefore, unemployment is a function of capitalist decisions, not the decisions of a labour-influenced government. While the orthodox model would ascribe the inflexibility of wages to government interferences, in the dualistic model, this inflexibility is attributed to the capitalist decisions.

B. Radical Theories of Production and Labour Market Segmentation

The radical theories are explicitly historical and focus on the historical nature of the struggle between workers and owners of capital. In this respect, it differs from orthodox models. In the radical theories, the basic social relation of production under capitalism is neither the price mechanism as would say orthodox models, nor technology as would be emphasized by the dualist theories but the relation of capitalist to the

labourer which in the present circumstances, finds its expression in the relation of labour to management.

The radical view¹⁷ is developed in the context of labour market in the model of labour market segmentation. The labour market segmentation version has as its primary unit of analysis, groups or classes of labour (not individual labour) who face objectively different labour market situations. Thus there is a number of labour market segments and these segments differ from each other in respect of nature of job, security of employment, hiring practices and supervision etc. The choice of each labour is restricted to one particular labour market segment unlike free mobility of labour as would be presumed by orthodox economics. Employment, unemployment and underemployment are primarily exercises in political power. The relative strength of workers' organization in bargaining with the capitalists and managers is the primary determinant of the extent and pattern of unemployment.

The historical analyses done by segmentation theory intend to trace how it is the strategy of the capitalists to divide the workers that has made this segmentation possible. Workers of different segments compete against each other for security of employment and a better share in the total wage bill only to weaken their final collective bargaining power. The same thing

17. See M. Carter and M. Cornoy, "Theories of Labour markets and Worker productivity", Palo Alto, Centre for Economic Studies, 1974.

extends to educated labour. The educated workers are alienated from the uneducated workers. The privileged bargaining position and working conditions of educated workers (particularly in the modern sector) allures labour to get schooled/trained in order to compete for such jobs.

The employers seek to keep a reserve army of the unemployed so that wages could be kept low and the best labour can be employed from among this reserve to ensure productivity. This process is extended to educated labour and a reserve army of educated unemployed would mean, for the employer, deploying only the most qualified labour and hopefully, gaining in productivity also. So unemployment of both the educated and the uneducated ultimately benefit the capitalist employer. The different versions of segmentation theory pose different factors as the principal determinants of wage but they concur on at least one point that employment structure is not an economic issue but is rooted in the socio-institutional set-up.

The radical theories visualize the state as an apparatus for serving the capitalist interests and perpetuating the segmentation of the labour market. The state's policies serve to keep the wages low, to have a vast army of skilled and unskilled labour and to allow for capital-intensive technology. In this mechanism, even a considerably low wage fails to ensure full employment since the capitalist's technology increasingly becomes labour displacing. The state strives to suppress labour unrest and labour demand that otherwise would thwart the capitalist earning.

Thus, employment policy in the segmentation model focuses on the nature of labour markets rather than on the characteristics of workers in those markets. In case of educated unemployed, it analyses the changing nature of jobs held by secondary and university graduates rather than examining the nature of their education, or the 'mismatch' of education and jobs. The Gordon, Reich, Edwards¹⁸ version of segmentation theory argues that it is the profit maximization by capitalists not the efficiency of production that determines the organization of production, the division of labour and the structure of employment and unemployment. The little labour mobility that the state can bring about within the same employment structure, is an intergenerational mobility by providing more schooling to the workers and the poor.

3. Modern Technology: Some Experiences

In the preceding section, we brought the role of technology into sharp focus in the context of discussing theories of labour market. In this section, we shall pursue it further to see how powerful is the labour-displacing effect of modern technology.

The tendency towards capital-intensification, colossal profit earning and labour displacement — the unpleasant

18. D. Gordon, M. Reich, R. Edwards, "A Theory of Labour Market Segmentation", *American Economic Review*, Vol.LXIII, No.2., May 1973, pp.359-365. Also see R. Edwards, M. Reich and D. Gordon, Conference on Labour Market Segmentation, Harvard University, Lexington, 1975.

experiences about modern technology as far as employment is concerned is exemplified by the changes in Ford Motor Company between 1903 and 1963 as explained by Galbraith. He points out these changes as: (a) Over these sixty years there has been a remarkable increase in the span of time for production of one car as the beginning of an enterprise is separated from the completion of a job. (b) A vast increase in capital used in production. (c) A vast increase of inflexibility because of the complex system of production. (d) Increasingly specialized man power on machinery, planning and also on forecasting (e) A vastly different type of organization to integrate all the small bits (phase) of one work. Galbraith aptly remarks, "So complex, indeed, will be the job for organizing specialists that there will be specialists of organization."¹⁹ The necessity for long-range company.

The most important of all these changes is that while in 1903, the company's capital investment per workplace was only £ 100 and the total asset was \$ 30,000, now the capital investment per work-place (or the assets employed per person) is almost £ 10,000 (100 times the 1903 figure) though the company's assets have increased to \$ 6,000 million (2 lakh times the asset position in 1903).²⁰ This shows how powerful is the bias of modern technology in favour of capital-intensification. Still more glaring is the example of modern

19. J.K. Galbraith, The New Industrial Estate, Oxford and IBH Publishing Co., Calcutta, 1967, pp 11-12.

20. Ibid.

petrochemical complexes costing \$ 24 million and creating only 40 jobs.²¹ Even the Pilkington Glass Company spent \$ 500 million in R and D alone some years ago to develop a sheet glass plant that offers employment to no more than 36 people.²²

The immediate and direct benefits of massive profit accrue to the producers and hence is the ongoing business of labour-displacement. Also certain concessions offered by economic policies of modern world make deployment of additional capital more profitable. As Wilsher and Righter comment, "At the sametime, the tax concessions, special exchange rates, subsidized interest charges and other devices used to attract the investment in the first place often make capital relatively cheap, and reinforce the already powerful bias towards labour-saving which is embodied in most modern technology."²³

The modern technology becomes increasingly labour-dispensive and deprives increasing number of people of their claim to development. The experiences in this regard are similar for both the developed world and the Third World. Unemployment rate works out to be about 30 per cent in many so-called developing countries. Non-agricultural openings in eight out of ten African countries studied in the 1960s remained

21. Barbara Ward, Forward to Mahbub ul Haq, The Poverty Curtain: Choice For the Third World, Columbia University Press, New York, 1976, p.(X).

22. Quoted here from Narindar Singh, "A Reckoning Without the Host". A book Review.

23. Wilsher and Righter, n.3, Ch. XIV.

either stagnant or actually shrank, despite the fact that several of them recorded overall economic growth of upto 8 per cent per year. | The ILO reports point out that all over the world, during the last three decades, GNP has increased faster than employment opportunities thus pointing to labour-displacement. | The developed countries experienced a cyclical and short-lived unemployment of an order of about 5 per cent two decades ago. | But now they are also faced with a chronic and high level of unemployment. | The United States of America and the United Kingdom are now in the grip of massive unemployment and high inflation. |

The rising unemployment and increasing inequality are two main features of modern economies. Poverty is the inevitable consequence for the common mass. Inequality is remarkable both within the country and among countries. We may take up the case of food production. A.H. Boerma, Director General of WHO summed up the inequality of distribution (consumption) of world food production saying, ("the 374 million tons of grain used annually for live-stock feed in the rich countries in 1969-71 is greater than the total human consumption of cereals in China and India together". | Indeed it is not exactly food shortage but poverty embedded in under or unemployment which is the root cause of malnutrition (in most of the underdeveloped countries). This fact leads us to question the obsession with "more" (production). The real

question for today's world is not 'more' of production but distribution of whatever is being produced. As long as 'more' understood as growth was happening, distribution could be ignored. Now not even that and henceforth, probably no more the obsession with 'more' would gain popular support. Such is the capital-intensity of modern technology that it throws overboard man's rudimentary need-employment of his physique and mind to earn a livelihood.

With this reflections on the role that the strategy of development has been assigned in conventional economics and the role that it plays in the modern world, we go over to the discussion of strategy of development pursued in India and its impact on educated unemployed.

The Indian Context

The foregoing section discussed in detail the question of strategy of development. The theories that address themselves to this issue were examined. Also the implications of those theories were brought into light. Further we attempted to take a world view of how production is being carried on today and what are the implications of the 'modus operandi' of the world economic order for the problem of unemployment of labour in general and the educated youth in particular. Against this backdrop, it is worthwhile to examine the Indian experience and to see if the Indian view and the practices have been substantially

different from the world view or world economic order. With this objective in mind, we shall first note the way 'unemployment' has figured in the Indian plans and development strategy. Secondly we shall examine the pattern of employment and unemployment of both the educated and the uneducated from the statistics we have gathered for this purpose. We shall conclude with a note on the proposals for and the prospects of solving the unemployment problem as envisaged in the Sixth Five Year Plan.

1. Development and Employment: The Indian View

Employment has been spelt out as an objective in the Five Year Plans of India. But until the Draft Sixth Year Plan, 1978-83 was formulated, employment never figured as a major objective in the Plans. Nor was the strategy of development employment-oriented.

As early as 1944, the Bombay Plan drawn up by the industrialists stressed the need for employment in saying: "of all the measures that we suggest for raising the general level of income in India, provision of fuller scope for employment is the most important."²⁴ The First Five Year Plan of India also noted: "A development Plan is essentially an effort to create conditions for full employment."²⁵ The Planning Commission estimated the backlog of unemployment at the

24. Nabagopal Das, Unemployment, Full Employment and India, Asia Publishing House, London, 1960, pp.77-78.

25. First Five Year Plan: A Draft Outline, Government of India, Planning Commission, New Delhi, 1951, p.19.

beginning of the First Plan to be 33 lakhs which rose to 53 lakhs at the end of the Plan. At the end of the Second Plan it was 71 lakhs and it rose to 96 lakhs at the end of the Third Plan. By the time the Annual Plans ended, it stood at 126 lakhs and the Fourth Plan ended with a backlog of unemployment of 140 lakhs.²⁶

The Second Five Year Plan was the first carefully worked out Plan. It had emphasized rapid industrialization with priority being assigned to heavy industries. The Mahalanobis Planning model constituted the core of the Plan. The industrialization drive was justified on the ground that its trickle-down nature will finally improve the lot of the masses. No doubt a large expansion of employment opportunities was set as an objective. But the path to achieving this was sought primarily in industrialization. The section on employment in the Plan document²⁷ was rather ambiguous as to how this will be met. However the Second Plan admitted that the backlog of unemployment from the First Plan will continue. As the document said: "It is likely, however that the plan will not have a sufficient impact on the carryover of unemployment of the earlier period."²⁸

26. These figures are quoted here from M.L. Jhingan, The Economics of Development and Planning, Vikas Publishing House, New Delhi, 1980, p.610.

27. Second Five Year Plan Document, Government of India, Planning Commission, New Delhi, 1954, Ch.II.

28. Ibid.

The Third Plan was rather much less ambitious in its employment targets. I.M.D. Little commented: "My main conclusion is that the (Indian Third) plan is insufficiently bold in its attack on underemployment."²⁹ The Annual Plan made no special effort for employment generation. The Fourth Plan continued the message of the Annual Plan with emphasis on agriculture and irrigation. However, some special employment programmes were initiated in the Fourth Plan but it had little dint on the total unemployment situation at the end of the Plan. In Gunnar Myrdal's view, despite the emphasis on creation of employment opportunities, the more sophisticated plans, as worked out in detail, set employment targets at less and less ambitious levels. The Plans usually look into providing employment only to those who are likely to join the labour force during the Plan period. So the idea is only to check further deterioration in the employment situation. Myrdal aptly remarks: "In no other respect is preservation of the status quo an almost declared objective of planning."³⁰ Even such low targets are not fulfilled and the backlog increases in the successive plan periods. The procedure in the Plans was first, to decide investment pattern and then estimate employment that will flow from this. T.N. Srinivasan comments:

29. I.M.D. Little, "A Critical Examination of India's Third Five-Year Plan", Oxford Economic Papers, Vol.XIV, No.1, February, 1962, p.24.

30. Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, 1968, Vol.II, p.963.

"However, most of the other exercises were in the nature of estimating the employment likely to be created by the quantum and pattern of investment decided on other grounds, rather than determining the investment needed to produce a specified volume and pattern of employment. Thus employment schemes proposed in the plans were more like frills added to their structure." 31

The Fifth Plan had as its objective removal of poverty and attainment of self-reliance. However, employment was not treated as the integral part of the effort to remove poverty. Even the Draft Fifth Plan noted:

"Providing for greater employment is a very important consideration for the Plan. But sufficient care should be taken to ensure that employment provision does not become an 'end in itself'. The erosion of investible resources must be prevented in order that the economy can create the needed amount of extra capital to sustain a higher level of living for all concerned." 32

This not only runs counter to our value premise that employment should be treated as an end in itself, but also once again shows how the Plan follows the orthodox model that investment and capital formation should be the starting point and this will expand employment opportunities. The Draft Fifth Plan

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31. T.N. Srinivasan, "Income Distribution: A Survey of Policy Aspects", Sankhya (The Indian Journal of Statistics), Series C, Vol.36, Parts 2 and 4, June and December 1974, pp. 369-96. Also reprinted in C.D. Wadhva (ed.), Some Problems of India's Economic Policy, Tata McGraw-Hill Publishing Company, Delhi, 1978, p.262.
 32. Draft Fifth Five Year Plan, Government of India, Planning Commission, Vol.I, Ch.II, item 2.82. The expression 'end in itself' even appears in italics in the original to emphasize this point.

attributed the past failure in removal of poverty to inadequate rate of growth and inequality. But the fact that unemployment is a major factor behind this was not recognized therein. In Srinivasan's view "Yet, ironically, the strategy of development of the Draft Fifth Plan in terms of investment allocation and of the economic policy frame is broadly similar to ~~the~~ strategy that has been pursued since the Second Plan."³³ We shall comment on employment prospects in the Sixth Plan in a separate section.

2. Employment and Unemployment in India:

Pattern and Trends

The statistics relating to employment and unemployment in India raise two fundamental questions viz. (i) whether the concepts of employment, unemployment and underemployment as are used in collecting such data are valid for the Indian conditions (ii) the consistency and comprehensiveness of the data.

As far as the first question is concerned, we may note that The Committee of Experts of Unemployment Estimates (1970) found the Planning Commission estimates to be unsuitable. Their report noted: "In the light of what is said above, it is our view that estimates of growth by the Plans and of unemployment at the end of the Plan period, presented in one-dimensional magnitudes are neither meaningful nor useful

33. T.N. Srinivasan, n.31.

as indicators of the economic situation. We recommend this practice be given up."³⁴ The aggregative estimates of unemployment were discontinued from the beginning of the Fifth Plan. In the Five Year Plan (1978-83), the estimate of unemployment and underemployment was made separately for rural and urban areas on the basis of the classification made in the NSS 27th Round (October 1972-September 1973). Accordingly, the estimates were based on a three-fold classification: Chronic, weekly and daily. This also forms the basis for estimates of labour force, unemployment etc. in the new Sixth Five Year Plan, 1980-85.

The decennial censuses, the National Sample Survey and the Employment reviews of the D.G.E.& T., Ministry of Labour are the three principal sources of labour statistics in India. The concepts used in the censuses and the NSS have undergone changes over time. The Censuses record changes in labour statistics over each decade and on the other NSS statistics are gathered at irregular intervals. The D.G.E.& T. statistics gathered under the Employment Market Information Programme, their limitation notwithstanding, are the regular, periodic (annual) source material and hence show some consistency. The statistics on employment and unemployment in India that

34. The Report of the Committee of Experts on Unemployment Estimates, Planning Commission, Government of India, New Delhi, 1970, p.31.

we shall examine in this section are those provided by the D.G.E.&T. publications.³⁵

A. Employment Statistics

Tables 1 and 2 throw some light on the pattern of employment in the organized sector. These data are collected under the EMI Programme of the D.G.E.&T. EMI Programme covers data relating only to the organized sector of the economy which inter-alia covers all establishments in public sector irrespective of their size and non-agricultural establishments in private sector employing 10 or more persons. While data from all the public sector establishments and those ordinarily employing 25 or more persons in the private sector are being collected under the provisions of Employment Exchange Compulsory Notification of Vacancies (EE(CNV)) Act, 1959; the same from private sector establishment employing 10 to 24 workers are collected on a voluntary basis. The D.G.E.&T. Reviews recognize the limitations of such data.³⁶ Some of the limitations of this data are:

1. Certain sectors are not covered in this data,³⁷
2. Since the

35. Amartya Sen makes a comparison between all these three sources and notes the limitation of the data furnished by each source. See Amartya Sen, Employment, Technology and Development, Clarendon Press, Oxford, 1975, Appendix A.

36. See Employment Review 1977-78, D.G.E.&T., Ministry of Labour, Government of India, New Delhi, 1981, Ch.III.

37. The sectors of employment thus excluded are: (a) Self-employed or independent workers, (b) part-time employers, (c) agricultural and allied operations in the private sector except for plantations (d) household establishments (e) non-agricultural establishments employing less than 10 workers in the private sector (f) Defence forces and (g) Employment in Indian embassies/Missions abroad, Ibid.

Employer's Register maintained by the employment exchange which constitutes the basis for such employment data ~~is~~ not being fully updated, there may be undercoverage of employment. 3. In respect of non-responding establishments, the employment data ~~are~~ are estimated and hence may not tally with the actual picture, 4. Employment generated by temporary crash programmes etc. might have entered into the employment reporting by the employer.

However, these data are useful for our purpose for two reasons viz. 1) The educated labour seeks jobs in the organized sector only. The employment in the organized sector is more stable and secured. 2) Since Indian agriculture is already reeling under disguised unemployment and the small private sector establishments are normally out of the purview of planning; it is only in terms of employment in the organized sector that we should test the employment generating potential of Indian planning and more so for the educated youth.

Table 1 shows that employment in the organized sector increased from 120 lakhs in 1961 to 215 lakhs in 1978, over this period the annual growth rate in this employment was about 3 per cent. The private sector raised its employment by only 2 per cent per annum. The bulk of additional employment was generated in the public sector.

Table 2 gives a sector-wise break-up of employment in the organized sector. It follows from this table that the bulk of additional employment between 1969 and 1978 was created in the tertiary activities both in private sector and public sector.

In view of slow pace and capital intensity of industrialization, the pressure for employment particularly of the educated is thus finally exerted on the service sector.

B. Unemployment Statistics

The unemployment statistics are compiled from the Live Register of Employment Exchanges. Although these statistics provide a broad indication of the unemployment situation in the organized labour market, yet they suffer from the following limitations: 1. All the unemployed persons do not register themselves with the Employment Exchanges. 2. All the persons registered with the Employment Exchanges are not necessarily unemployed. Quite a few of them are already employed but register their names for better and stable jobs. 27 per cent of such persons were found to be on the Live Register of Employment Exchanges in a study conducted by the D.G.E.&T. in 1972-73. 3. Many students who normally are not considered to be part of the labour force, also register themselves for employment assistance primarily with a view to gaining seniority in registration. As per the study conducted in 1972-73, students constituted 7 per cent of the Live Register. 4. Some work-seekers might have registered their names with more than one Employment Exchange. 5. The trends in the size of Live Register are also affected by such factors as the number of Employment Exchanges, the prescribed period of renewal of registration and in the short run, the volume of demands placed by the employers.

Even after one has excluded 27 per cent as employed job-seekers and 7 per cent as students as noted above, thus excluding about one-third, one finds that educated unemployed figure comes to about 50 lakhs in June 1980 (Table 4). Again this itself may be an underestimation due to the limitation (1) above. Secondly the educated job-seekers here refer normally to those who reside in urban areas and have access to Employment Exchanges. The educated and uneducated job-seekers in the rural are largely excluded from these figures. Thirdly, these unemployment statistics do not touch upon the under-employed labour in the countryside. However, the continuous increase in the number of educated applicants on the Live Register only points to the deepening crisis of educated unemployed.

Table 3 shows that the total number of work-seekers on the Live Register increased from 15.61 lakhs in 1961 to 162 lakhs in 1980 i.e. by 10 times within about two decades. Even though part of this spectacular growth may be due to opening of new exchanges, greater and better reporting etc., yet the fact that 113 lakh people are looking for jobs through the employment exchanges (which means they are seeking placements in the organized sector with which normally the Exchanges deal) when the total organized sector employment was only 214 lakhs as were in 1978, shows how serious the problem is.

Table 4 gives a more grim picture for the educated job-seekers. A ^{thirteen}~~ten~~ times increase in their number between 1961 and 1980 is something to be reckoned with. The per centage

increase at the various levels of education shows that the graduate and the post-graduate work-seekers are increasing faster in number than matriculate job-seekers. The educated job-seekers constitute about half of the total number of job-seekers on the Live Register over the period 1961-80. But this should not mean that half of the labour force is educated. In fact, most of the job-seekers (registering with the Exchanges) come from urban areas where literacy and higher education rates are higher than rural areas.

Table 5 brings the dim employment prospects into sharp focus. As it shows, during the period 1971-78, vacancies notified in each year constituted about 14 per cent of the fresh registration made in that year. The actual placement was even low which works out to be about 8 per cent of fresh registrations each year. This shows how grim is the picture of employment particularly for the educated.

3. A Note on the VI Plan

The Sixth Five Year Plan (1980-85) followed the same method as did Fifth Plan and the earlier Sixth Plan (1978-83), in estimating labour force etc. The NSS 27th Round and 32nd Round formed the basis. However, the Sixth Plan analysed the problem of absorption of young entrants by general educational attainments. These are presented in Table 6. It may be seen from this table that whereas the rate of unemployment among the illiterate was only 4 per cent, it was 8.2 per cent among primary and middle, but rose sharply to 21 per cent among young persons with higher

secondary educational level and was about 27 per cent among youth with educational attainment of graduation and above. This shows how it becomes increasingly difficult to get into a job of one's choice at higher levels of education — a point we noted from the D.G.E.&T. data in the Introduction. Moreover, the educated youth category (secondary and above) constituted 11.5 per cent of the total youth labour force but it accounted for one third of the total unemployment. This once again points to the imperative of solving the problem of educated unemployed.

The employment policy of the new Sixth Plan follows the policy outlined in the Sixth Plan document (1978-83) prepared by the previous Government and it also attempts a reconciliation of the output and employment objectives. Also the Plan's emphasis on irrigation, development of power, encouraging higher labour absorption by rapid expansion of small-scale manufacturing and services sector are sound. But the Plan suffers from two major flaws: (i) Even with the best of its estimation of labour absorption, it still finds that the total backlog of unemployment which is about 12 million at the beginning of the Plan period will remain almost 12 million at the end even. It once again points to the planned effort to check only further deterioration on this front but not to solve it altogether — a point we noted in the preceding section. (ii) The Plan is very weak in respect of educated unemployed. Of course, the Sixth Plan has a package of employment programmes namely (a) The Integrated Rural Development Programme (IRDP), (b) The Operation Flood II Dairy

Development Programme, (c) National Rural Employment Programme (NREP), (d) Fish Farmers' Development Agency (Programme), (e) Employment Guarantee Schemes and other special employment schemes of some State Governments, (f) Programmes for development of village and small industries etc., which will have some positive effect on employment generation. But the only programme that relates to youth as such is the National Scheme of Training Rural Youth for self-employment (TRYSEM) programme which is again confined to the rural youth. Thus no serious effort has been considered for the urban youth or explicitly for the educated unemployed. Ruddar Datt comments: "Lastly, the new Plan has woefully failed to tackle the problem of educated unemployment." 38

The number of educated unemployed is estimated to be 34.72 lakhs in 1980 in the Plan which shall rise to 46.56 lakhs by 1985. The Plan seeks to tackle the problem from the supply side by encouraging vocationalization of curricula, multiple entry to schooling, correspondence courses etc. But the choice of technology and the level of investment in various sectors has not been geared to creating more employment for the educated. Ruddar Datt further comments: "The question, therefore, is not one of vocationalization of the educational system, it is also one of restructuring the economy to increase its capacity to absorb skilled labour." 39

38. Ruddar Datt, "Employment Policy Under Sixth Plan", in Mainstream, Vol.XIX, No.47, July 25, 1981, p.23.

39. Ibid.

4. The Appraisal

It is now time to find the convergence or otherwise in the approach to unemployment that guides the world economic order and planning in India. In our view the section on the Indian context only further corroborates what we have said about the strategy of development in the first section of this chapter.

As far as the concept of economic growth is concerned, Indian planners have largely followed the orthodox view. Further, employment was treated as the inevitable outcome of sustained investment in the public sector and the private sector. Rooted in this view was also the industrialization drive of India particularly since the second Five Year Plan. Thus essentially speaking, employment has not been treated as an end in itself in the Indian Planning.

Myrdal's points on imitative industrialization which we noted in Chapter 2 are further substantiated from the statistics we have examined. Rapid industrialization in India has finally offered no more than only one crore of jobs in the organized sector over a span of almost two decades i.e. 1961-1978 (Table 1). The Sixth Five Year Plan (1980-85) also recognized the limited impact of the organized sector in improving the employment situation when it noted that the organized sector is able to absorb only 12 per cent of the increase in the labour force.

The alternative labour theories like the Dual Technology model does apply to the Indian conditions since the growth of modern sector by draining resources from the traditional sector is the remarkable feature of our kind of economic development. The Labour Segmentation Theory also largely holds good in India when we find the inflexibilities in the wage structure and the difference in relative wage movements (upward) among different sections of employees.

It is important to note that only after about two decades of planning that the Government intended to examine whether the concepts of and methods of measuring unemployment etc. are suitable for the Indian conditions by appointing an Expert Committee in 1968. Even as far as the educated unemployed are concerned, excepting verbose talks about making education job-oriented etc., no serious effort has been taken so far to employ those whom the system has already produced or is continuing to produce.

All these point to the irrationality of thought and action in India. This, taken with the nature of international economic order makes one even more sceptical of whether the problem can be solved in the immediate future. With this reflections on the strategy of development and its effect on the problem under study, we now turn to the other side of the story — the expansion of education.

Table 1

Employment by Sectors (The Organized Sector Only)

End-March Of	Employment (in Lakhs)			Percentage Change Over the Previous Year		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1961	70.5	50.4	120.9			
1963	79.5	54.6	134.1	7.1	5.8	6.5
1965	89.6	60.4	150.0	6.0	4.5	5.3
1967	96.3	66.8	163.2	2.7	(-)1.9	0.8
1969	100.3	66.0	166.3	2.3	1.2	...
1971	107.1	67.4	174.5	3.2	0.7	2.5
1973	119.75	68.44	188.24	5.9	1.1	4.1
1975	128.68	68.04	196.71	3.0	0.2	2.0
1977	138.76	68.67	207.44	3.6	0.3	2.5
1978	144.41	70.43	214.84	4.0	2.5	3.5

Source: Compiled from Employment Review, D.G.E.& T., Ministry of Labour, G.O.I., New Delhi, 1961-66, 1966-67-77-78.

Table 2
Employment in Primary, Secondary and Tertiary Sectors
(organized sector only)

Employment (in lakhs) as on 31st March of each year

	Public Sector				Private Sector				Total			
	1969	1972	1975	1978	1969	1972	1975	1978	1969	1972	1975	1978
1. Primary	4.3 (+3.6)	5.4 (+17.1)	10.34 (+49.5)	13.56 (+124)	12.3 (-3.9)	11.6 (-3.6)	9.41 (+0.2)	9.80 (+1.2)	16.7 (-2.1)	17.0 (+2.2)	19.74 (+4.9)	23.66 (+7.5)
2. Secondary	11.3 (+4.6)	13.4 (+8.0)	15.26 (-2.9)	19.54 (+9.2)	38.2 (+1.6)	40.3 (+0.3)	41.47 (+1.0)	43.55 (+3.7)	49.4 (+2.3)	53.7 (+2.1)	56.74 (+2.8)	63.10 (+5.6)
3. Tertiary	76.8 (+1.7)	84.1 (+2.2)	93.52 (+2.8)	101.03 (+2.5)	14.0 (+4.5)	14.2 (+1.1)	15.88 (+3.0)	16.24 (+0.4)	90.8 (+2.1)	98.3 (+2.9)	104.41 (+2.8)	117.27 (+2.3)
4. Construction	..	..	9.56 (-2.4)	9.98 (-1.1)	..	..	1.27 (+4.7)	0.83 (+0.0)	..	..	10.83 (-2.5)	10.80 (-2.4)
5. Total			128.68 (+2.0)	144.41 (+4.0)			68.04 (+0.3)	70.48 (+2.5)			196.71 (+2.0)	214.84 (+3.5)

Note: 1. Figures in parentheses indicate changes over the preceding year.
2. For 1969-72, the secondary sector includes construction.

Source: Employment Review, D.G.E. & T., Ministry of Labour, G.O.I.,
New Delhi, 1969-70 — 77-78

Table 3
The Total Number of Work-seekers on the Live Register

Age-group	No. in lakhs as on 31st December of each year																			
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
1. Below 14 :							0.07	0.04	0.05	0.08	0.17	0.24	0.14	0.15	0.25	0.24	0.10			
2. 15 to 19 :							6.2	6.31	7.12	8.58	11.21	14.11	17.84	18.81	24.79	28.75	22.16			
3. 20 to 24 :							13.71	15.62	18.19	21.34	26.04	35.60	40.03	41.11	37.27	30.55	53.75			
4. 25 to 34 :							5.71	6.38	7.15	8.5	10.94	14.53	19.20	20.13	25.95	32.25	28.02			
5. 35 to 44 :							1.33	1.40	1.36	1.77	2.07	3.69	3.95	3.43	4.24	5.09	4.49			
6. 45 to 54 :							0.3	0.29	0.28	0.35	0.46	0.69	0.91	0.61	0.67	0.80	0.59			
7. 55 & above :							0.05	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.08	0.14	0.09			
8. Total	15.61	18.54	24.83	24.53	23.96	24.69	27.42	27.03	34.23	40.68	50.99	68.96	82.17	84.32	93.26	97.84	109.24	113.46	143.34	162.00

Note: The total may not add up on account of rounding off

Source: Employment Review, D.G.E. & T., Ministry of Labour, G.O.I.,
New Delhi, 1961-66, 1966-67 — 1977-78

Table 4

No. of Educated Work-Seekers as on the Live Register

	No. in lakhs as on 30th June of each year																		
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1980
1. Matriculates	4.47	5.31	6.0	5.99	5.90	6.05	6.81	7.71	8.75	9.98	11.91	14.85	18.73	21.84	24.06	27.26	29.72	32.62	42.22
							(2.4)	(3.2)	(3.4)	(4.2)	(4.2)	(2.7)	(26.1)	(6.6)	(10.1)	(3.3)	(9.0)	(9.8)	
2. Intermediates (under graduate)	0.69	0.73	1.08	1.28	1.70	1.90	2.11	2.59	3.56	3.95	5.29	6.64	9.78	10.78	11.01	12.50	13.26	15.53	19.82
							(10.7)	(2.6)	(37.5)	(10.9)	(33.9)	(25.5)	(47.4)	(10.2)	(2.2)	(3.5)	(6.1)	(7.1)	
3. Graduates	0.50	0.81	0.70	0.73	0.79	0.92	0.92	1.21											
								(31.3)											
4. Post graduates :						0.13	0.17	0.16	1.87	2.33	3.33	4.64	6.75	7.70	8.35	9.59	10.99	12.33	14.58
						(31.3)	(-8.9)	(35.4)	(24.6)	(43.6)	(39.3)	(45.6)	(4.2)	(8.4)	(14.8)	(14.0)	(12.8)		
5. Total	5.61	6.86	7.79	8.01	8.40	8.88	10.02	11.68	14.18	16.26	20.54	26.12	35.25	40.32	43.42	49.34	53.91	60.48	76.62

* Figures in parenthesis indicate changes over the preceding year.

Source: Employment Review, B.G.E. & T., Ministry of Labour,
G.O.I., New Delhi, 1961-66, 1966-67—1977-78.

Table 5
Fresh Registrations, Vacancies Notified etc. 1971-78
(January-December)

(in lakhs)

Year	Fresh Registration during the year	Vacancies Notified to Employment Exchanges	Placements made through Employment Exchanges	<u>Percentage of</u> Vacancies notified to fresh registrations		Placements made to fresh registration
1971	51.30 (13.6)	8.14 (9.4)	5.07 (13.3)	15.9		9.9
1972	58.27 (13.6)	8.59 (5.6)	5.07 (.)	14.7		8.7
1973	61.45 (5.5)	8.71 (1.4)	5.19 (2.4)	14.2		8.4
1974	51.76 (-15.8)	6.73 (-12.7)	3.97 (-23.5)	13.0		7.7
1975	54.44 (5.2)	6.82 (1.4)	4.04 (1.8)	12.5		7.4
1976	56.19 (3.2)	8.46 (24.0)	4.97 (23.0)	15.0		8.8
1977	53.25 (-5.2)	8.03 (-5.0)	4.62 (-7.1)	15.1		8.7
1978	61.44 (15.4)	8.31 (3.4)	4.61 (-0.2)	13.5		7.5

Note: Figures in parenthesis indicate percentage variations over the previous year.

Source: Employment Review, D.G.E.&T., Ministry of Labour, G.O.I.,
New Delhi, 1976-77 (p.66), 1977-78 (p.82)

Table 6

Distribution of Youth Labour Force and Unemployment
by Educational Levels as per the Sixth Plan Estimates

Educational Level	Percentage Share in		Rate of Unemployment
	Labour Force	Unemployment	
Illiterate	48.9	25.0	3.97
Primary and Middle	39.6	41.8	8.17
Secondary	8.8	23.8	21.05
Graduates and above	2.7	9.4	26.97
Total	100.0	100.0	7.75

Source: Cited here from Ruddar Datt, "Employment Policy Under Sixth Plan", Mainstream, Vol.XIX, No.47, July 25, 1981.

CHAPTER IV

THE EXPANSION OF EDUCATION

THE EXPANSION OF EDUCATION

It is only the right type of education, provided on an adequate scale, that can lead to national development; when these conditions are not satisfied, the opposite effect may result.

*

- Education Commission (1964-66)

Education is both a cause and consequence of social change and development. It can be a cause of social change since in its broader sense it is a social process, a social institution with a value-system and definite purposes to serve. By the same logic, education or for that matter, changes in the content, quality and direction of education are very much effected by changes occurring in the broad social set-up or the value-system embedded in a particular type of society. We can further say that the path of educational development is largely determined by the dominant value or the interests of the dominant class in the society. This point is to be borne in mind, since as we shall examine in this chapter, the actual changes in the quality, content and direction of education may differ from the desired changes as professed by policy-makers or thinking people.

While quality and content of education do not directly come under the focus in discussions on economic issues, the quantity of education or the nature, direction and pace of

* Education and National Development, Report of the Education Commission (1964-66), India, N.C.E.R.T., New Delhi, 1970, Vol.I, p.9.

expansion of education are very much an economist's concern. This is not to say that the quality and content of education are not relevant for economic issues. Indeed as far as our present work is concerned, quality and content of education should be an integral part of our discussion as we have proposed to make a holistic discussion of the problem of educated unemployed in India.

The purpose of differentiating these two aspects of education is that while the quantitative aspects of expansion of education are directly evidenced by relevant statistics, the qualitative aspects are only indirectly evidenced by what we have referred to in the Introduction, after Ronald Dore, as the devaluation of education. So in this chapter our task is three-fold. First, we shall briefly comment on the role assigned to education in the literature on economic and social development. Second, we shall examine the expansion of education in India from the available statistics. In the final section, we shall bring into focus, the differences between the desired changes and the actual changes in education in India.

1. The Role of Education

The role of education in maintaining and improving the social structure has been highlighted by different writers in history. The role of education in maintaining and changing body polity is also recognized in this century. And the most recent recognition is the role of education in economic development of a country as highlighted in the vast literature on the

economics of education and human capital theory. But the difference between the perception of the first two roles of education and that of the third is, that while education is understood both as a process and product of society and polity and it is recognized that it cannot have an autonomous role to play to bring about change in the latter; in the context of economy, education is supposed to raise the pace of economic development and thus is treated as an independent social and economic institution. In this section we shall briefly comment on the relevance of education to society and polity under the heading 'general view'. The interaction between education and the economy will be taken up in greater detail in the second part, i.e. 'the economist's view.

A. The General View

In a broad sense, education consists of formal, non-formal and informal learning processes and hence can be identified with socialization. In a narrow sense, education is only a part of the socialization process. Socialization is the whole process of learning skills, styles of life in order to play the different social roles in different spheres and periods of life. But at the same time, education can impart new skills or knowledge for changes in the society and thus the motivation and awareness for social change and development can originate from education. But to the extent that education as a social institution is only a sub-system of the larger social system, it can bring about changes only

when the larger social system or the class of people who represent and manage the system permit education to do so. When this fact is taken into account, we can say that education can bring about social changes, or cause social development only within the constraints of values practised by the dominant class of the society or the policy makers of a nation.

In common parlance education is considered as a vehicle for social change, and is thereby understood as a broad social process aimed at not only disseminating the existing and acquired knowledge, but also creating an awareness, motivation and drive for such social changes. But education that actually expands in the countries of today's world is not the type of education just noted, but it is only a formal package of knowledge, scientific skills and knowhow. In effect it is an expansion of formal schooling only. Ronald Dore would take it further to say that it is in fact a qualification inflation.¹ We have noted this fact here to show that the relevance of education for social and political changes as professed by some writers is no more the case with the countries of the world today. We intend to say this much only that the actual expansion of education taking place in today's world is not of the type which is being highlighted while justifying such an expansion. This dichotomy will be clearer when we shall examine the Indian experience later in this chapter.

1. Ronald Dore, The Diploma Disease, Education, Qualification and Development, George Allen and Unwin, London, 1976, Ch.I

B. The Economist's View

The role of education in economic development² came into focus with the origin of human capital theory and the emergence of the discipline of economics of education. The Human Capital Theory was developed as an explanation for the observed discrepancy between the performance of the U.S. economy and the rate of growth of traditional inputs over the fifty odd years ending 1929. The discrepancy showed that there is a part of this impressive growth which is not explained by the conventional factors of production or inputs. This residual of growth was then ascribed to investment in human capital in the form of expenditure on education and health, better living conditions and so forth. This explanation was felt to be validated by the experience of Japan and Germany in the post-war period. Empirical evidence seemed to support the theoretical argument advanced for the U.S.A. A point was therefore made to the effect that human capital was the 'missing link' in the underdeveloped countries and only if enough of it could be accumulated by them, they would also demolish poverty barrier. The different approaches to the human capital theory concurred on at least one point that education has a significant role to play in the economic development. The theory was developed with a particular 'frame of reference' embracing select advanced industrialized countries but was generalized so as to be applicable to all other countries including those of the Third World.

2. Economic Growth and Development as understood in orthodox economics. See also Ch.III.

A more or less spectacular expansion of education has been there in most of the Third World countries, and therefore a corresponding accumulation of human capital. But we are still not sanguine about the performance and prospects of these economies. However this fact has not refrained most of the economists from overemphasizing the role of education in the development of the underdeveloped countries where the situation is vastly different from that in countries for which the theory was found to be empirically valid. In fact there is a lack of symmetry in such a generalization of the human capital theory. The theory was used to explain what was taken to be a historical fact concerning the experiences of some industrialized countries before and after the Second World War. But in regard to the Third World, it was used to anticipate economic development or what was thought to be economic development. Thus a theory which primarily sought to explain an observed phenomenon within a particular historical-cultural context, was generalized to show a line of causation even within a different economic-political and social context.

The concept of human capital seeks to work out two types of links — one at the micro level and the other at the macro level. At the micro level it relates the earning power to the development of human potential. In other words, a prospective increase in the earning power of a person is sought to be related to the investment in his potential in the form of expenditure on education and health. At the macro level, the technology and scientific know-how used by an economy are said

to be indicative of the quality of human capital and a general rise in the quality and quantity of such technology and scientific know-how or a growth of manpower is believed to be contributing significantly to the increase in the gross output of the nation. The main thrust of the argument forwarded by the human capital theory is that the expansion of education is an unmixed blessing for the individual and for the nation.

The human capital theory involves three main terms, namely, economic growth, human potential (skill, efficiency) and education. We have reservations about the way all these three terms are defined in this theory. The concept of economic growth is treated in greater detail in Chapter 3. We shall comment here on human potential and education.

Different economists have attempted to measure the stock of human capital. Some of the major areas of activities or expenditure which improve human potential are: (1) health facilities and services, (2) on-the-job training including apprenticeship, (3) education, (4) study programmes for adults and extension programmes notably in agriculture, (5) migration of individuals and families to adjust to changing job opportunities.³ The literature on the economics of education mainly stresses education and research as the source of creation of human capital. Education here is treated as formal education

3. See Mark Blaug (ed.) Economics of Education, Penguin Books, Harmondsworth, 1972, Vol.I, p.22.

only and is supposed to raise the efficiency of labour. In such a line of causation, it is ignored that the role of innate talent apart, even the efficiency generated through formal education depends much on the society we are talking of or the historical stage of development an economy is placed at. The efficiency or competence of labour depends on, in addition to educational preparations, aptitude, motivation, the opportunity to work and supervision. Further as Ginzberg⁴ opines, the fact that educational degrees act as passport to prestigious positions (modern sector jobs) which were denied to the people of erstwhile colonies is recast in the light of treating education as a pre-condition for competence.

This emphasis on formal education even discounts the contribution of on-the-job training and apprenticeship to improvements in labour productivity and competence. As Ginzberg comments, "Among the difficult challenges that developing nations face is the need to adjust their training and rewards system so that many of the skills the society sorely needs can be acquired on the job, which often is the only way in which specific skills can be acquired."⁵ This will involve a lot of institutional changes in the qualification-oriented recruitment system, as is prevalent in these countries. Even with regard to formal education, the human

4. Eli Ginzberg, Manpower for Development, Perspectives on Five Continents, Praeger, New York, 1971, Ch.I.

5. Ibid.

capital theory does not take cognizance of the fact that there is a wide range of variations about the quality, content and purpose of formal education within and between countries.

The weakness in the conventional human capital theory notwithstanding, the economists would favour an expansion of formal education when they ignore the specific economic-political-social conditions of underdeveloped countries and the problems of ever increasing idle manpower and the concomitant problem of devaluation of education. With respect to the growth-education nexus, John Sheehan after analysing the two main types of studies done in this regard viz. Residual Approach Studies and the Aggregate Production Function type of Studies, concludes that both the studies do not go beyond showing a correspondence between education and growth. As he comments: "At the end there is surprisingly little to say about education and economic growth... And it should be remembered that the analysis of the dynamic process of social and economic interaction which is economic growth is something much more than the comparison of a series of observations in various countries at various points in time."⁶ Balogh and Streeten are also critical of finding a direct link between education and the economic development. As they observe: 'But the wrong kind of education, or the right kind unaccompanied by the required complementary actions, can check or reverse the process of development'.⁷ Some more reasons for expansion of

6. John Sheehan, The Economics of Education, George Allen and Unwin, London, 1973, p.69.

7. T. Balogh and P.P. Streeten, "The Coefficient of Ignorance", Bulletin of the Oxford University Institute of Statistics, Vol.25 (1963), No.2, pp.97-107. Also in Mark Blaug, n.3, Vol.I.

formal education shall be cited in the next section, i.e. the expansion of education in India.

2. The Expansion of Education in India

The general view and the economist's view explained in the preceding section point out the rationale behind the expansion of education in general in developed and the underdeveloped countries alike. Even though such an argument in favour of an expansion of education is not fully correct as we noted, the fact remains that an irresistible demand for additional post-literacy education is observed in all countries today. This trend remains irreversible even in the face of increasing unemployment of both the educated and the uneducated labour. We may repeat here some of the reasons for such demand as we have noted in the Introduction.

(i) The income differential between modern and traditional sector employment is artificially high. So education which is a passport to getting such prized jobs in the modern or corporate sectors of the economy is increasingly demanded. The unemployment of ^{the} educated limits the chances of getting such a job but it does not eliminate it altogether. In fact one goes for a higher degree with the dual objective of utilizing his otherwise idle time (due to unemployment) and raising the prospects of securing such a job.

(ii) Employers give preference to the better qualified even though additional education adds only marginally to productivity. Such a preference is partly justified in so far

as education is linked to competence and efficiency as we noted earlier. Secondly the degree itself also acts as a screening device in selecting few out of the large number of applicants. The Screening Hypothesis or Credentialism developed by K.J. Arrow⁸ and others, in fact seeks to negate the contribution, if any, of education to raising productivity. Instead it maintains that education is merely a selection device for employers who are ignorant of the worker's potentialities at the time of hiring. Degree here acts as a convenient proxy for expected competence.

(iii) The portion of the costs of education which are borne privately is usually nominal. Educational facilities are provided mostly by the government in less developed countries. The contribution in terms of fees etc. by the individual is always much less than the total expenditure on the corresponding level of education. This coupled with a prospective increase in earning induces the individual to go for education.

(iv) Higher education is more heavily subsidized than is primary education particularly when we consider the absolute amount involved. Consequently there is inducement for obtaining higher degrees at relatively less cost. No doubt the cost of higher education for an individual is higher than for secondary education in absolute terms. But in relative

8. K.J. Arrow, "Higher Education as a Fitter", Journal of Political Economy, July, 1973, pp.193-276.

terms, his sacrifice becomes less at higher levels of education due to increasing public subsidy.

All these together suggest that the privately perceived benefits may exceed the private costs of education even though the net social benefits are very low or negative. The rate of return approach to the study of private benefits of education initiated by J.R. Walsh⁹, popularised by G.S. Becker¹⁰ and further pursued by Mark Blaug¹¹ etc. attempt to calculate the private benefits from education. In Sheehan's¹² view, the large number of such studies differ in their concepts, assumptions, sampling and methods and derive different private rates of return. But in general, all these studies have found a 10 per cent private rate of return on various levels of education which compares favourably with the interest rates of most ordinary times and is often in excess of the rate of return on investment in physical capital. This, together with the fact that education has some consumption benefits which are not covered in the private rate of return calculations show

9. J.R. Walsh, "Capital Concept Applied to Man", Quarterly Journal of Economics, February, 1935, pp.255-85.

10. G.S. Becker, Human Capital, Princeton University Press, Princeton, 1964.

11. Mark Blaug, "The Private and Social Return on Investment in Education: Some Results for Great Britain", Journal of Human Resources, II(3), 1967, pp.330-46.

12. John Sheehan, n.6, Ch.III.

how great this inducement will be to go for education. But this is only one part of the story. The other part describes the general clamour for education created by the policy-makers themselves.

The role of education for social change and development is emphasized by the policy-makers without a clear perception of the quality and content of education that would be really relevant in this task. The economists amplify this argument by emphasizing the contribution of educated manpower, skills and technical know-how to economic growth. The manpower forecasting serves their purpose.

In most of the underdeveloped countries, the manpower planners are assigned the precise job of making demand estimates of such manpower which is recognized to be a pre-condition for rapid growth. The manpower planners work with fixed coefficients. In Ginzberg's opinion, "they escape the trouble of knowing (in fact they cannot know) where, when or how much gain in utilization of human resources will be made, by projecting the data they have, even though in many instances such data are insufficient to provide a sound basis for calculating future changes".¹³ In effect they fail to take stock of economic dynamism or to think of improving the existing resources. Manpower forecasting more often than not makes

13. Eli Ginzberg, n.4, Ch.I.

overestimations of such manpower requirements in view of the pace and pattern of industrialization and growth that the LDCs experience. However the manpower planning approach serves as only another positive factor for rapid expansion of education particularly higher education.

In our view all these factors explicitly contribute to the rapid expansion of education in India during the last three decades. We shall now examine the pace and pattern of this expansion from the available statistics. The implicit social forces, as different from explicit factors just noted, will be discussed in the section devoted to an appraisal of the Indian experience.

The statistics discussed here are those gathered mainly from the reports of Ministry of Education. 'Education in India' is an annual publication of the Ministry. Both or either of the volumes of this report were consulted for each year. Also some occasional reports were consulted. The reports published by the University Grants Commission speak more on higher education in India and the three All-India Surveys of Education conducted by the N.C.E.R.T. speak more on school education. We would discuss the statistics under three major headings, namely, 1. Increase in the number of institutions by stages of education; 2. The growth of student enrolment at different levels of education; 3. The growth and share of educational

expenditure by heads of charge.¹⁴ The discussions on primary education and adult education will be taken up in the third section of this chapter.

A. Increase in the Number of Institutions

Table 1 shows the increase in the number of institutions from 1950-51 to 1976-77. It includes only recognized institutions. The total number of institutions has more than doubled from about 2.86 lakhs to 6.50 lakhs during this period. A break-up of this growth in terms of stages of instruction indicates some interesting points.

The number of universities has increased by four times, that of colleges for general education by about seven times, and those for special/other education by fifteen times. In contrast primary schools have only doubled in number, and the number of high schools have increased by six times. Schools for vocational education have more or less stagnated in its expansion. Schools for social and other education have rather declined in number over this period. The school education as a whole only doubled in this period whereas the higher education increased by almost 10 times. Of course, the base figures were greatly different. But it does not preclude us from saying that primary education has not received its due share in expansion of educational institutions particularly since the

14. An explanatory **note** to the tables is provided in the Appendix.

literacy rate was only 17 per cent in 1951 and is 36 per cent in 1981. During the period of 1965-66 to 1976-77, school education rather showed a decline (which was partly due to a large decline in the number of institutions for social/other education) whereas institutions of higher education increased by 50 per cent in number.

Three main findings emerge from these tables. First, higher education has expanded faster than primary and secondary education. Second, schools for vocational and professional education have not shown any sign of expansion and that for adult education has actually declined in number. Third, colleges for general education and those for professional education expanded by a more or less same pattern and degree.

B. Growth in Enrolment

Table 2 shows the number of students enrolled at different levels and types of education. The total enrolment of students increased from about 5 crores in 1960-61 to 14 crores in 1976-77 thus registering a growth of about 3 times. The enrolment in higher education has increased five-fold and that in school education by only 3 times during this period. Enrolment both in vocational/professional schools and in schools for special/other education has declined over this period.

Even during 1965-66 to 1976-77 enrolment in schools increased only by a half whereas that in higher education doubled. Thus we find that there is a correspondence between

our main findings in respect of growth of institutions and growth of student enrolment.

Table 3 gives the combined picture of institutions and enrolment in higher education based primarily on the U.G.C. report. We may note here that the figures for number of colleges given in the U.G.C. report are different from those given in the Ministry Report (Table 1). However, both show a similar trend in growth.

C. Growth of Expenditure on Education

The statistics of expenditure on education in India are gathered mainly from the annual publications of 'Education in India' of the Ministry of Education. As shown in Table 4, the total direct expenditure on all types of education rose from about Rs.145 crores in 1955-56 to about Rs.1793 crores in 1975-76 thus registering a growth by more than 10 times over a span of two decades. A report of the Ministry¹⁵ shows that the total expenditure on education constituted 3.1 per cent of National Income in 1977-78. For all states and union territories taken together the percentage of educational expenditure to the total budgets of states and union territories together was estimated at 25.6 per cent in 1978-79 and it was 3.29 per cent of the central budget. Table 5 shows the percentage share of different sources of expenditure on education. The share of

15. India Country Paper, G.O.I., presented in a Seminar in Dacca in 1979.

government funds in the total educational expenditure steadily increased from 1950-51 to 1970-71, and it stood at 78.5 per cent in 1975-76. This shows the extent to which such massive expenses as are incurred on education are very much a concern of the government and hence of rationality or otherwise of planning.

Some interesting points emerge from Table 6. The expenditure on higher education as a percentage of G.N.P. steadily increases over the period 1950-51 to 1975-76. The share of higher education in the total educational expenditure also increased steadily, over this period. It rose from 15.8 per cent to 26.7 per cent. Whereas per capita expenditure on all education rose by only 9 times from Rs.3.18 to Rs.28.70, that on higher education rose by 15 times from Rs.0.50 to Rs.7.63. This together with the fact that an increasing portion of overall expenditure on education is incurred by the government itself (Table 5) only show that the increments in government assistance go more to higher education and less to primary education. Thus not only higher education was more subsidized than primary education in the beginning, but also it is increasingly subsidized in India over the three decades at the cost of primary and secondary education.

With these remarks on educational expenditure, we end our observations on the statistics relating to expansion of education in India. We shall take up some more aspects of this

expansion in the next section which will consist of an appraisal of the Indian experience.

3. An Appraisal of Indian Experience

In this section, we shall comment on the quantitative and qualitative aspects of expansion of education in India. Our discussion on the former will be based on the broad conclusions we arrived at in the preceding section. We begin with this discussion.

Planned educational development started in India three decades back. A number of objectives were set for education which aimed at accelerating the pace of social and economic development. India launched its educational plan when she had only 16 per cent literacy among its people and a low level of industrial and scientific know-how. But the educational development over these three decades mark some irrationality as we shall point out now.

Regarding the number of institutions, we noted that higher education has moved much ahead of school education. To the extent that educational institutions can grow in number subject to the approval and recognition by relevant government bodies in India, we may say that the rather sluggish growth of primary schooling system is an act of irrationality in educational planning. The constitutional directive of a universal and compulsory elementary education upto the age of 14 is yet to be achieved. Table 7 shows that the enrolment at primary stage as

a percentage of the corresponding age-group population reached a substantial figure of 82.4 per cent 1976-77. But we may note here that the constitution set this goal for middle school education as well. John Kurien observes that enrolment figures in these official documents are often inflated.¹⁶ It is worthwhile to note that in 1976-77 while 82.4 per cent of the corresponding age-group (6-11) population enrolled themselves for primary education, only 36.3 per cent were enrolled for the middle education. This points to the massive drop-outs in primary education. As the government admits in a report¹⁷,

"for every 100 children that enter class I, 60 drop out at the end of primary stage (Class V) and 75 drop out by the end of middle stage, i.e. class VIII. This high proportion of drop-outs has remained almost unchanged during the post-independence period and the problem has remained intractable."

Educational planning has not been able so far to check the drop-outs.

The greater expansion of higher education relative to primary education in India can be shown to be irrational in terms of some of the studies undertaken about the social rate of return at different levels of education in India.

16. John Kurien, "Towards Universal Elementary Education: Promises and Performance", in Economic and Political Weekly, Vol.XVI, No.40, October 3, 1981.

17. See n.15.

The studies done by Mark Blaug¹⁸ and others, and Nalla Goundan¹⁹ may be noted here. Without going into the details of how these were calculated and the fallacies involved therein, we may note here that in both the studies, social rate of return to school education was greater than that of higher education excepting that the social rate of return on engineering degrees (in the Blaug team's calculation) is almost equal to that on school education. This exception even corroborates another irrationality. This means, even though, the rate of return on engineering degrees is comparable with that on school education, we find that in India, higher education at the general level (non-technical) has expanded more than technical education. So, in India, irrationality is observed both in respect of levels of education and between sectors (streams) of education at the same level of education.

Another point of irrationality is evidenced by a neglect of adult education. In a country like India where the majority of the population are illiterates and live in the countryside, the role of adult education in their personal and social improvement can hardly be discounted. But it is striking to note that the number of adult education schools/literacy centres

18. Mark Blaug, P.R.G. Layard and M. Woodhall, The Causes of Graduate Unemployment in India, The Penguin Press, London, 1969, Table 9.1 and 9.2, pp.218-19.

19. A.M. Nalla Goundan, Education and Development: A Study of Human Formation and its Role in Economic Development in India (mimeo), 1965, Table 2, p.352.

and the number of people enrolled therein is hardly significant in comparison with other types or stages of education. In fact expenditure on adult education constitutes roughly 0.2 to 0.3 per cent of the total expenditure on education during the period of 1950-51 to 1975-76. Table 8 gives a picture of adult education. It was only on 2nd October 1978 that any serious attempt was made in this direction with the launching of the National Adult Education Programme which has a target of covering 65 million adults particularly in the age-group of 15-35 by 1982-83.²⁰ We should note that in developed countries the working labour has a reasonably high level of literacy and education in general. So higher education there serves the purpose of raising their productivity further. But in India, productivity can be raised substantially even with just primary education expansion particularly in the rural areas where the working population is mostly illiterate. Primary education and adult education which is less costly and covers a greater mass of people should be expanded on a priority basis.

The neglect of the vocational education is another pointer to the irrationality in educational planning. The pattern of growth of such institutions, enrolment and its share in total educational budget remained the same since Plans began. The neglect of vocational studies has in fact put extra pressure for expansion of general education at secondary and higher stages.

20. See A.R. Kamat, "One Year of Adult Education" in Economic and Political Weekly, Vol.XIV, No.51&52, December 22-29, 1979.

This pressure increases again due to unemployment of those who receive general education.

The forces behind such a discriminatory expansion of education are not far to seek.²¹ The favour to higher education and the neglect of primary, adult and vocational education are but the two sides of the same coin. Higher education expands, as we noted in the Introduction, mainly in response to the demand by the middle class people. Also private bodies take more interest in opening more colleges rather than schools since under the present social and political set-up, colleges become a convenient field for exercise of political and social interests. A preoccupation with orthodox economics, a reliance on human capital theory and manpower forecasting approach serve as further rationale behind such an expansion. But this is commensurate with the strategy of development that the dominant class or the policy-makers who represent this class, adopt in India. All these forces act together in perpetuating this trend of educational expansion in India.

The qualitative aspects of education in India also do not offer signals for complacency. The content and structure of educational system as envisaged by the colonial rulers to create a body of bureaucrats, still continues in India in its essence. It is a pity that no serious effort has been made by the leadership to bring about changes in the quality and content of education.

21. See Krishna Kumar, "The Bureaucratic Imagination" in Economic and Political Weekly, Vol.XVI, No.35, August, 29, 1981.

The Education Commission (1964-1966) noted in this connection:

"Judged from this [the negative role that education can play] point of view, it becomes evident that the present system of education, designed to meet the needs of an imperial administration, within the limits set by feudal and traditional society, will need radical changes if it is to meet the purposes of a modernizing democratic and socialist society — changes in objectives, in content, in teaching methods, in programmes, in the size and composition of the student body, in the selection and professional preparation of teachers, and in organization. In fact, what is needed is a revolution in education which in turn will set in motion the much desired social, economic and cultural revolution." 22

More than a decade has passed since the Commission made this recommendation. But we feel that no serious changes have been made in the structure, content and quality of education in India so far.

The course content, the value-system contained in the educational set-up are not relevant to our type of society and economy. Modelled as they are, mostly on Western concepts, they have lost significance for a country like ours which is completely different in its structure and direction from the West. Gunnar Myrdal rightly opines that it is plain "mis-education".²³ The quality and content of education imparted in India is such that it divorces the educated from a spirit for manual work, free enterprise and an interest in the development of the mass of

22. Education and National Development, Report of the Education Commission, 1964-66, N.C.E.R.T., New Delhi, 1970, Vol.I, p.9.

23. Gunnar Myrdal, Asian Drama: An Inquiry into the poverty of Nations, Penguin Books, Harmondsworth, 1968, Vol.III, Ch.XXIX.

the people. It is needless to say that such education has finally produced educated men with degrees only but not with a critical outlook to question the dominant theories or the practices of it. Nor do they have the concern or competence for bringing about social changes. But at the same time a number of such objectives has been set for education.

The National Policy on Education declared in 1968 highlighted all the goals of education including equalization of educational opportunity. The policy noted:

"The Government of India is convinced that a radical reconstruction of education on the broadlines recommended by the Education Commission (1964-66) is essential for economic and cultural development of the country, for national integration and for realising the ideal of a socialistic pattern of society." 24

But no serious step has been taken in this direction so far.

Even whatever quality of education existed earlier, it is deteriorating further over time in India. L.N. Agarwala points out the declining standard of education in India. N.B. Bhatnagar²⁶ points out that nearly sixty per cent of the

24. National Policy on Education, 1968, Ministry of Education, Government of India, New Delhi.

25. L.N. Agarwala, "Raising Educational Standards", Indian Educational Review, 1972, Vol.XXIV.

26. N.B. Bhatnagar, "New Systems of Education", Educational Quarterly, 1975-76.

graduates neither have an aptitude for nor genuine interest in doing B.A., M.Sc., M.A. etc. V.V. John²⁷ would say that the educated needs re-education. The net result of all these is a devaluation of the reward and relevance of the degree in India.

27. V.V. John, "Attitudes" Seminar, August 1969.

APPENDIX

An Explanatory Note on the Tables

The educational statistics are gathered mainly from the Ministry of Education's publications. The Ministry's annual publication entitled, "Education in India" presents these statistics in almost the same form as is shown in the tables. There were slight differences in the form of its presentation in different years. But the definition of stages of instruction/types of institutions remains the same excepting for some variations while treating schools for vocational education and special/other education. The following explanatory notes are provided in the Ministry's publication.

1. These statistics relate to recognized institutions only. Recognized institutions are those in which the course of study followed is that prescribed or recognized by the Government, or by a University or by a Board of Secondary and Intermediate Education constituted by law and which satisfy one or more of these authorities, as the case may be, that they attain to a reasonable standard of efficiency. They are open to inspection and their pupils are ordinarily eligible for admission to public examinations and tests held by the Government, or the University or the Board.

2. The Academic Year in these tables is taken to coincide with the financial year i.e. from April 1 to March 31 of each year. The enrolment figures relate to enrolment as on the 31st March of each year.

3. Colleges for general education include all arts and science colleges at the degree and the post-graduate level. The professional college category consists of all agriculture, engineering, law, medicine, veterinary colleges and those engaged in teaching commerce, teacher's training courses, forestry, physical education and such other courses. Colleges for special/other education consist of colleges of home sciences, music, dance and other fine arts, oriental studies, sociology etc.

4. Schools for vocational and technical education includes all schools imparting teaching in subjects of agriculture, engineering, commerce, arts and crafts, forestry, medicine and veterinary, physical education training, teachers' training and technical and industrial training. Schools for the handicapped, social workers, oriental studies as also those which are engaged in teaching music, dance and other fine arts and social (adult) education schools come under the category of schools for special/other education.

5. In expenditure data, indirect expenditure includes expenditure on direction, on administration, inspection, buildings, scholarships and hostel charges etc. The expenditure on salaries of teaching staff alone constitutes about three fourths of the total direct expenditure on education. Indirect expenditure which directly helps the poor and the needy students make for only 20-25 per cent of total expenditure on education. We may note here that in view of this fact, any rise in

expenditure on education (unless the pattern or the break-up of this expenditure is analysed) should not mean that education is becoming increasingly accessible to by the poor students by almost the same proportion.

The Ministry of Education has introduced a revised system of collecting and presenting educational statistics for the year 1976-77 published in 1979 and the new system will continue as per the stipulation. However statistics for the whole period 1950-51—1975-76 can be comparable.

Table 1
Number of Institutions

Type of Institutions	1950-51	1955-56	1960-61	1965-66	1970-71	1976-77
1. Universities + Institutions deemed to be univ. + Institutions of national importance	27	32	45	80	100	124
2. Board of Secondary and/or Intermediate Education	7	11	13	28	37	41
3. Research Institutions	18	34	41	39	49	47
4. Colleges for General Education	498	712	874	1673	2598	8529
5. Colleges for Professional Education	208	346	755	2775	3056	
6. Colleges for Special/other Education	92	112	187	1253	1285	
7. Post Basic, High/Highest Secondary Schools	7288	10838	17257	27477	36738	43775
8. Middle/Senior Basic/Junior High School	18596	21730	49663	75798	90621	108602
9. Primary/Junior Basic/Basic Primary School	209671	278195	230399	391064	408378	457324
10. Pre-Primary School	303	630	1909	3235	9874	6509
11. Schools for Vocational Education	2339	3074	4145	2775	2337	26348
12. Schools for Special and other Education	52813	50987	67084	220800	100412	
TOTAL	286860	325217	472655	727262	682493	651299

Source: Education in India, Ministry of Education, G.O.S.,
New Delhi, 1950-51 — 76-77.

Table 2
Number of Students

Type of Institution	1950-51	1956-56	1960-61	1965-66	1970-71	1976-77
1. Universities + Institutions deemed to be univ. + Institutions of national importance	: 31231		78381	136332	201170	270285
2. Board of Secondary and/or Intermediate Education	: ..	573966	..	..	..	..
3. Research Institutions	: 634		2952	2008	2605	2770
4. Colleges for General Education	: 310323		698632	1119096	2234208	
5. Colleges for Professional Education	: 54150	93898	194291	615785	764853	
6. Colleges for Special/Other Education	: 7387	13135	25297	96308	108901	
7. Post Basic, High/Higher Secondary Schools	: 3159501	4713557	7511514	12393850	16018164	20042852
8. Middle/Senior Basic/Junior High School	: 2072508	3812292	10610878	16724745	20146369	25147547
9. Primary/Junior Basic/Basic Primary School	: 18351894	22919734	26642348	37119803	41153274	48612998
10. Pre-Primary School	: 21640	45828	122184	215005	276748	423429
11. Schools for Vocational Education	: 187194	262465	401274	247031	8165863	981404
12. Schools for Special and other Education	: 1404443	1487878	1689651	1791947	1232245	

Source: Education in India, Ministry of Education, G.O.I.,
New Delhi, 1950-51 — 76-77.

Table 3

Institutions and Enrolment in Higher
Education: Growth in Numbers

Year	Number of			
	Universities	Institutions deemed to be Universities	Colleges	Students
1950-51	..	..	695	..
1954-55	31	..	913	260175
1961-62	49	..	1783	663661
1963-64	55	7	2111	842110
1968-69	76	10	3112	1566103
1971-72	86	9	3896	2065041
1974-75	102	9	4170	2366541
1977-78	105	10	4375	2564972
1979-80	108	11	4558	2648579

Source: 1) University Grants Commission Report, 1975-76, 1976-77, 1979-80.

2) J.N. Kaul, Higher Education in India, 1951-71, I. I. A. S., Simla, 1974.

Table 4
Expenditure on Education by Heads of Charge (Rs. in Crores)

Heads of Charge	1950-51	1955-56	1960-61	1965-66	1970-71	1975-76
1. Universities + Institutions deemed to be univ. + Institutions of national importance	: 4.90	7.98	14.44	38.94	70.88	134.25
2. Board of Secondary and/or Intermediate Education	: 0.53	1.32	2.41	4.83	10.70	20.35
3. Research Institutions	: 0.62	1.39	2.70	1.82	2.87	9.60
4. Colleges for General Education	: 7.17	11.64	20.92	38.33	94.18	175.63
5. Colleges for Professional Education	: 4.20	7.00	15.80	40.97	90.30	150.83
6. Colleges for Special/other Education	: 0.22	0.36	0.91	..	1.89	3.10
7. Post Basic, High/Higher Secondary Schools	: 23.04	37.61	68.91	137.69	270.00	493.56
8. Middle/Senior Basic/Junior High School	: 7.69	15.40	49.92	84.28	170.93	340.96
9. Primary/Junior Basic/Basic Primary School	: 36.48	53.72	73.45	128.72	234.56	446.91
10. Pre-Primary School	: 0.12	0.25	..	1.13	1.90	3.30
11. Schools for Vocational Education	: 3.69	5.45	..	..	8.59	13.42
12. Schools for Special and other Education	: 2.30	2.65	..	8.03	4.17	7.14
Total (Direct)	: 90.96	144.80		493.79	961.06	1792.51

Note: The figures from the original source are rounded off (in crores) here.

Source: Education in India, Ministry of Education, G.O.I.,
New Delhi, 1950-51 — 75-76.

Table 5

Progress of Expenditure on Education By Sources

Year	Percentage of total expenditure coming from				
	Govt. Funds	Local Body Funds	Fees	Other Sources	Total
1950-51	57	11	21	11	100
1955-56	62	9	20	9	100
1960-61	68	7	17	8	100
1965-66	70	6	16	8	100
1970-71	72	6	15	7	100
1975-76	78.5	..	..	..	...
1977-78	79.5	..	..	..	...

Source: 1) Annual Report, 1970-71, Ministry of Education, G.O.I.

2) Education in India 1976-78, A Report presented at a Conference in Geneva, Ministry of Education, G.O.I.

Table 6

Expenditure on Education

Year	Expendi- ture on all types of edu- cation (in Rs. million)	Expendi- ture on higher educa- tion (in Rs. million)	Expendi- ture on total edn. as % of GNP	Expendi- ture on higher edn. as % of GNP	Expendi- ture on higher edn. as % of total expendi- ture	Per Capita Expendi- ture on all education (Rs.)	Per Capita expendi- ture on higher edn. (Rs.)
1950-51	1143.8	180.5	1.3	0.2	15.8	3.18	0.50
1955-56	1896.6	365.9	2.0	0.4	19.3	4.84	0.93
1960-61	3443.8	769.4	2.6	0.6	22.3	7.91	1.76
1965-66	6220.2	1571.5	3.0	0.8	25.3	12.82	3.24
1969-70	9909.5	2904.3	3.2	0.9	29.3	18.70	5.48
1975-76(P)	17482.0	4674.0	2.9	0.7	26.7	28.70	7.63

Note: (P) = Provisional and does not include expenditure on Direction and Inspection, Buildings, Hostels, Scholarships, Equipment and Other items (about 7-8% of total expenditure)

Source: Country Report for India, presented at Colombo in 1978, Ministry of Education, G.O.I., New Delhi.

Table 7

Enrolment in Classes in 1976-77

Classes/Age-Groups (Years)	Enrolment (in lakhs)			Percentage of Enrolment to the Population of the Corresponding Age-Group		
	Boys	Girls	Total	Boys	Girls	Total
I - V 6-11	462.93	263.73	690.66	99.2	64.7	82.4
VI -VIII 11-14	113.71	53.16	166.87	47.8	24.0	36.3
IX -XI/ XII 14-17	54.75	21.64	76.39	25.1	10.8	18.2
University Stage 17-23	26.95	9.53	36.48	7.3	2.8	5.1

Source: Education in India, 1976-77, Ministry of Education
and Social Welfare, G.O.I., New Delhi, Vol.I, p.38.

Table 8
Social (Adult) Education

Year	No. of Schools	No. of Literacy Centres/Classes	No. of Adults on Rolls in		No. of Adults made literate during the current year	Expenditure (in Rs.) from				Total Expenditure
			Schools	Literacy Centres/Classes		Govt. Funds	Dist. Board Funds	Municipal Boards	Other Sources	
1950-51	192	48364	4298	1251723	601525	7032199	6415	208606	220708	7467863
1955-56	671	45420	21063	165764	545221	8929115	2368	294087	450992	9696562
1960-61	..	62815 ¹		1494706	1637541	8756726	225000	290080	98210	10190016 ²
1965-66	..	217912		1637541	N.A.	4803844		585270	150352	5542466 ³
1971-72	..	30501		525183	N.A.	16890266		N.A.	N.A.	22736018
1975-76	..	17774		439034	N.A.	34802592		N.A.	N.A.	42055140

- Notes: 1. From 1960-61, the No. of schools for adult education and the literacy centres/classes are lumped together. So the corresponding no. of adults on rolls means the no. as are both in schools and centres/classes.
2. The expenditure data shown for 1960-61 is that for 1961-62.
3. For the years 1965-66, 71-72 and 75-76, the total expenditure includes expenditure on all schools like social (adult), oriental studies schools.

Source: Compiled from Education in India, Ministry of Education, G.O.I., New Delhi, 1950-51 — 75-76.

Table 9
Distribution of Expenditure on Education in Various Heads
(Rs. in Crores)

Sub-head	1st plan 1951-56	2nd plan 1956-61	3rd plan 1961-66	Annual plans 1966-69	4th plan 1969-74	5th plan 1974-79	Revised 5th Plan 1974-79
1. Elementary Education (including pre-school education)	85 (56)	95 (35)	178 (30)	65.3 (20)	249 (30)	743 (43)	410 (32)
2. Secondary Education	20 (3)	51 (19)	103 (18)	52.6 (16)	140 (18)	241 (14)	250 (19)
3. University Education	14 (9)	48 (18)	87 (15)	77.0 (24)	195 (25)	337 (20)	292 (23)
4. Social Education (youth services etc.)	5 (3)	7 (2)	29 (3)	5.8 (2)	17 (3)	70 (4)	55 (4)
5. Miscellaneous	9 (3)	23 (8)	64 (11)	30.7 (9)	89 (11)	177 (10)	122 (10)
6. Total General Education	133 (87)	224 (82)	484 (79)	240.8 (75)	680 (87)	1562 (91)	1129 (88)
7. Technical Education	20 (13)	49 (18)	125 (20)	80.7 (25)	106 (13)	164 (9)	156 (12)
8. Total Education	153 (100)	273 (100)	589 (100)	312.5 (100)	786 (100)	1726 (100)	1285 (100)

* Figures in parentheses indicate percentage to total educational expenditures.

- Sources: 1. Education in the Fifth Five Year Plan (1974-79) p.84.
 2. Draft Fifth Five Year Plan (1974-79), Part II, p. 207.
 3. Fifth Five Year Plan, 1974-79, p.78.

CHAPTER V

THE INTERACTION

THE INTERACTION

It is evident that the doctrine of general interdependence—everything depends on everything else—can become a perfect excuse for doing nothing.

- Mark Blaug^{*}

Having discussed in detail the relevant parameters of the economic and educational systems so as to explain the complexity of the phenomenon of the educated unemployed we should now try to see how the two systems interact with each other. In particular, we shall be concerned with the Indian experience. We shall discuss the education-economy nexus in general in the first section. This nexus, as it obtains in India will be taken up in section two. The alternative views and suggestions for the solution of the problem will be taken up in the third section. Finally, we shall put forth our own assessment of the prospects of the solution of the problem under study.

1. Education-Economy Nexus

The education-economy nexus works out in different ways at micro and macro levels. For an individual, the economic benefits of an additional degree may serve to be the primary consideration. But when the same decisions multiply, what

* Mark Blaug, Education and the Employment Problem in Developing Countries, Macmillan, Delhi, 1980, p.13.

results is a mismatch between the number of particular types of jobs demanded and the absorptive capacity of the economy. This opens the questions of how the system allows for the perpetuation of such a mismatch and why the individual decisions are not changed in the light of the picture that obtains at the macro level.

We have earlier argued that the economic and non-economic benefits of the organized modern sector and the relatively secured rights, privileges and pecuniary gains available therein are the incentives impelling individuals to go for such jobs. Since schooling is linked with the selection for such jobs, formal qualification continues to be by and large the principal criterion of selection. This creates additional demand for schooling.

But these processes are not class-neutral. In a society where not only is the income distribution greatly skewed, but the societal set-up is hierarchial too, the socio-economic background of those who are involved in this process as students, teachers, job-seekers, employers or even the nature of the government do affect these processes. So there is built-in inhibitions to a fair play of potentialities in deciding access to education, jobs or other economic and non-economic benefits. This complex relationship only brings home another point, that the education-economy nexus is no more in the nature of a simple link between levels of qualification/training and productivity or life time earnings.

It is in this changed set-up and in the changed nature of the education-economy interaction that many of the riddles complicating the problem of the educated unemployed lie. Moreover, education and the economy, are not two autonomous sub-systems of the larger social system. They work in conjunction to create the problem of educated unemployed. While the structure, content and direction of education responds to the economic organization and the changes in it, the economic organization itself is affected by the quality of education of the values that the spread of education create in the society. But when the mode of the interaction is such that it only aggravates the problem of the educated unemployed, logically one would say that those who manage the two sub-systems are silent over the matter since their own position is not threatened in this process or rather is made more secure. So the vested interests of education and economy are to blame for this problem. The government is to blame particularly in planned or semi-planned economies. If the government is allowing for the perpetuation of this problem, then the logical inference would be that either it is succumbing to the pressures of vested interests, or the interest of the people who represent the government are congruous with such vested interest. We feel persuaded that this role of the government is precisely what speaks of planned irrationality in India. This fact brings in the deeper questions of social forces and vested interests inside the country.

This is why we intended to reflect upon the status quo while analysing the problem of the educated unemployed. Within the limits set by such a discussion, we are led to emphasize that the problem of the educated unemployed in India as elsewhere is rooted in the whole social set-up. Identifying the lack of industrialization (without examining its nature and direction), population increase, spread of education, poor resource-base of the economy (in creating jobs), a mismatch between job aspirations and achievements or for that matter the heightening of such expectations due to formal schooling—all taken together explain the phenomenon only partially. No doubt, each of these factors contributes to the accentuation of the problem. But correcting and co-ordinating all these factors with a sense of urgency and seriousness is the one thing which most of the semi-planned economies like India have not done so far. This fact, in our analysis, further gives the case for finding an explanation of the problem under study in the integration of the domestic set-up to the world economic order.

The burden of this section is that neither the education-economy nexus is a simple one, nor the mode of their interaction is always intended to serve the larger mass. Secondly, in this interaction lies the reason why the problem of educated unemployed is and should be treated more as a larger social problem. With this reflections, we now turn to such interaction in the Indian context.

2. The Indian Context

The mode of interaction between education and the economy in India is deeply embedded in the peculiar socio-economic and cultural set-up of the country and the problem of the educated unemployed itself makes the tie between education and the economy even stronger.

Starting with the economy first, we saw in an earlier chapter that the strategy of development pursued in India was not favourable to labour absorption in general and to the employment of the educated in particular. The pattern of industrialization which was treated as the pace-setter for rapid economic expansion overlooked the peculiar socio-cultural institutions of India. Consequently, it had little effect on employment generation. The Indian view of the growth-employment nexus has remained largely the same as the orthodox economics. Consequently employment of the mass did not receive its due attention in the Indian plans.

But the fact of merely subscribing to this orthodox view is not the entire story. The heavy industrialization satisfied the interests of established capitalists. The neglect of agriculture, village-based industries made the hold of the rural oligarchy over the mass in the countryside even stronger. This is where the social forces took precedence over the goals of equity, justice and mass participation in deciding the course and direction of economic development.

The virtual stagnation in the rural life, society and economy has led to increasing flight of labour to the urban areas. The breaking of joint family and to some extent, education, have prompted the unemployed or underemployed labour to move to cities in search of non-agricultural jobs in the organized sector. In the face of this swelling demand for jobs in the modern sector, the organized sector employment has expanded very sluggishly. Unemployment becomes the inevitable outcome for both the urban dwellers or the educated and the migrants from the countryside. The educated labour after failing to secure a job falls victim to demoralising effects and becomes a political accomplice or social outcaste. The migrant villager is forced to earn a livelihood in the fringe of the cities either in traditional urban industries or as a daily wage labourer.

Education in India is responsible for this crisis in several ways: 1) whereas the limited scope for employment in the organized sector in the face of ever increasing demand for such jobs calls for diverting the educated labour to self-employment, the quality and content of education in India is such that it hardly ingrains spirit and enthusiasm for self-employment. 2) The spread of higher education at the cost of primary education creates only an angry band of educated unemployed whereas the expansion of primary education could have exerted direct and immediate effect on productivity and some institutional changes in the countryside and probably in doing so could have partly checked the flow of labour to the cities.

3) In India, the existence of 'child labour' creates an opportunity cost in going for primary schooling. This together with other economic reasons largely account for the high drop-out rates in schools.¹

Education and the economy link is made stronger in India by continuously raising minimum qualifications for organized sector jobs—a fact common to all underdeveloped countries with the inevitable consequence of devaluation of education. The deterioration in the quality of education occurs for an additional reason that since, in India, most of the lucrative modern sector jobs are filled up by a separate recruitment examination along with a stipulation of a minimum qualification, the student's perception is that the degree for the sake of the degree only is to be obtained to satisfy the eligibility condition for such jobs and the actual competition (fair or unfair as the case may be) lies in the separate selection test. This reduces the seriousness in academic involvement of the students.

The plight of the educated worker is even more serious than that of the uneducated workers. The educated worker sets his target high and reconciles to the downward revision of job expectations only under compulsion and thus becomes a disgruntled member of the society. The uneducated worker has at least one advantage of gaining psychological satisfaction from

1. See Child in India, UNESCO, Paris, 1979.

the present occupation. While the educated worker is condemned to moving down the ladder, the uneducated labour is at least stable at a point however low it might be. From the side of the economy, the educated and the uneducated labour face two objectively different situations. No doubt in the initial stages of imitative industrialization, some of the educated labour secure jobs by displacing the unskilled labour but as the tendency towards capital-deepening and building of industrial enclaves rules the game, the educated labour is also condemned to redundancy.

The increasing unemployment of the educated which is, at the first instance, the result of the interaction of economy and education in India, (as elsewhere also) itself becomes a strong pressure for higher education since the ever diminishing modern sector jobs in relation to demands for them only enhances the crucial role that higher qualifications play. This is in fact the reason why the unemployment of the educated in India which became quite perceptible in the 1960s gave rise to tremendous pressure for higher education in the 1970s.

In this race for jobs, gradually, unfair practices creep in and the questions of productivity, potentiality of any aspirant, even the real value of his degree get diluted. This increases uncertainties in securing jobs and in turn, this puts further pressure for higher qualification with the vain hope that probably this higher qualification will largely compensate for such factors.

The neglect of employment in general and of the educated in particular, growth of formal sector by draining resources from the traditional sector, the wrong course of economic development, the misdirected expansion of an already irrelevant educational set-up as are observed in India are all but part of the same story—the interplay of social forces to the final advantage of the already advantaged. With this reflections on the Indian situation, we pass on to examining emerging views on this problem.

3. Emerging Views

The development experience of the post-war period, the contradiction of rapid expansion of schooling even in the face of rising unemployment, the widening inequality are some of the important issues that have already become a puzzle for some economists, educationists, sociologists etc. Hence a new thinking on economic and educational system and their interaction has already started.

As far as the strategy of development is concerned, the concept of intermediate technology of Schumacher,² and appropriate technology of Stewart³ explain why the technology should be different for different countries and how the under-

2. F. Schumacher, Small is Beautiful: A Study of Economics as if People Mattered, Blond Briggs, London, 1973.

3. F. Stewart, Technology and Underdevelopment, London, 1977.

developed countries have to devise technology appropriate to their conditions. Amartya Sen's⁴ concept of indigenous technology is also an attempt in this direction.

Critics also point out the mistake of underdeveloped countries in going for western model of economic development. Gunnar Myrdal's analysis of South Asian countries⁵ is of course, a seminal work in this respect. Also the orthodox view of economic growth has been increasingly subjected to criticism. A broader approach to the complex issue of economic development is emerging.

The alternative theories of labour market like Technological Dualism and the Labour Market Segmentation⁶ seek to point out the unrealistic assumptions of orthodox theories and give an alternative explanation for wage and employment determination.

The general clamour for more and more resources notwithstanding, the critics of schooling make a bold exposition of the lacuna³ in the schooling system and its interconnection with the

4. Amartya Sen, Employment, Technology and Development, Oxford Clarendon Press, Oxford, 1975.

5. Gunnar Myrdal, Asian Drama: An Inquiry into the Poverty of Nations, Penguin Books, Harmondsworth, 1968.

6. See Chapter III.

economy. Criticisms of schooling as being 'a great training robbery',⁷ or as a 'massive screening device',⁸ are the pointers in this respect. Writers like Samuel Bowles and Gintis⁹ attack the human capital paradigm from a Marxian point of view. We have of course Ivan Illich's work¹⁰ pointing out evils of modern schooling.

The discriminatory nature of expansion of education to the ultimate advantage of the privileged few is also subjected to criticism by writers like Samuel Bowles and Jagdish Bhagwati.¹² Bhagwati links the incidence of unemployment to the family and economic background.

Also explanations for the phenomenon of educated unemployment are coming up. But a comprehensive analysis is yet to come,

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7. I. Berg, Education and Jobs: The Great Training Robbery, Praeger, New York, 1970.
 8. Ronald Dore, The Diploma Disease: Education, Qualification and Development, George Allen & Unwin, London, 1976.
 9. S. Bowles and H. Gintis, "The Problem with Human-Capital Theory: A Marxian Critique", American Economic Review, May, 1975, pp.74-82.
 10. Ivan D. Illich, Deschooling Society, Penguin Books, Harmondsworth, 1979.
 11. Bowles and Gintis, n.9.
 12. J. Bhagwati, "Education, Class Structure and Income Equality", in World Development, May, 1973, pp.1-32.

probably it would be difficult to develop given the complex nature of this problem. Martin Carnoy¹³ explains the problem in terms of the very nature of capitalistic path of development in what he calls Low-Income Countries (LICs).

Thus the economy-education nexus and the interpretation of this nexus by the human capital paradigm are increasingly questioned particularly during the last decade. The ever increasing educated unemployment has raised the question of what went wrong in the conventional thinking. And of course, some critics are worried over the possible consequences that would follow if the larger social system fails to contain the social dislocations resulting from this problem.

4. The Prospects

The solution of a problem depends on both the nature of the complex set of reasons that together give rise to this problem and the commitment and competence of the person, agency or the institution who is doing the job of solving the problem. Viewed from this angle, the prospects of the solution of the problem of unemployment of the educated in India depends on the whole set of socio-cultural, economic and political factors, and the commitment, if there is any, of the government.

But if our analysis of the complex mechanism behind this problem is correct and if we recognize the tremendous and inescapable pressure that the vested interests exert in deciding

13. Martin Carnoy, Education and Employment: A Critical Appraisal, UNESCO, Paris, 1977, Ch.II.

the course of action in the educational system and in the economy independently and in conjunction with the government, then we cannot escape the note of pessimism in assessing the prospects of its solution. The direction given to the economy and education both at the private enterprise level and in government quarters will, in all probability, remain unchanged in the foreseeable future because of the nature of our society and economy. Consequently the problem will further baffle the educated at the first instance and the planners at the next stage.

In our view, the most striking feature of this problem in India is the vicious circle of unemployment and consequent pressure for higher education which is nothing more than investment in idle resources. Unless and until the chain is broken at some point or other, the problem will continue to accentuate itself. The piecemeal works by the government will only partly slow down the rapidity of this accentuation, but it will not be able to stop it altogether. This once again demands a very radical solution which will consist of a package of measures to make necessary changes in the values, institutions, the direction of education, the strategy of development etc. in the lines we have explained in this paper.

This will be nothing more than a mere rhetoric unless the cause is championed by bold leadership and a strong and unrelenting commitment to a more egalitarian society. But to be pragmatic, this is the one thing which is yet to be experienced in India and in all likelihood will not be

experienced in the not-too-distant future. J.P. Naik, the leading educationist of India was definitely clear about this fact when he commented more than a decade ago as follows:

"But we seem to have become powerless to control the situation. Those who see and realize the dangerous consequences (of the accentuation of this problem) are powerless to act, and among those who have the power to act, some are too delighted with the immediate gains of political support to care even for the not-too-distant future, while others devoutly wish for an accentuation of the evil because an educated unemployed tends to turn, first pink and then red." 14

The picture is no better today than when the foregoing was written about a decade ago. The only change that has occurred is, perhaps, that the problem is gaining attention in discussions. Earlier it was a large socio-economic problem. But now it is even more than that. It increasingly affects all types and classes of people in some way or other.

In this essay, we have attempted an analysis of the problem of the educated unemployed in India by treating it first as a universal phenomenon and then as a part of the general problem of unemployment. The different strands of thought that we put forth at different sections of this paper, are not claimed to be unique or novel. We only tried to coordinate these points to make a holistic analysis of this problem and to show it as a manifestation of planned irrationality.

14. J.P. Naik, "The Problem" in Seminar, Vol.120, August 1969.

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