

Indian Labor Market Challenges And The National Education Policy



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The committee for Draft National Education Policy under the Chairmanship of Dr. K. Kasturirangan submitted its report on the May 31, 2019. The Educational Policy committee seeks to address the access, equity, quality, affordability and accountability issues faced by the educational system of India. The present paper attempts to relate the report's approach and recommendations with the reality of the multi-segmented labor market prevailing in the country. In Chapter 20 of the report there is mention of integration of vocational education into all schools, colleges and universities. However, there is no special chapter in the report to analyze industry-academia collaboration and to address the huge unemployment problem prevailing in the country. In India, about 93% of the workforce is employed in the informal economy, which contributes about 60% of the GDP. Labor productivity is low in this sector because investment and level of technology are low. Informality of employment and poverty of workers' households go together. The movement of workers between formal and informal sectors is explained in Arthur Lewis' two sector model and Bacchetta's multi-segmented labor market model. The present paper attempts to place the draft National Education Policy (2019) in the context of these models. Initiatives under 'Skill India' mission are also examined in the analysis. Data from reliable sources are taken for the present study. Some policy recommendations and suggestions for further research are given at the end of the paper.

Keywords: National educational policy, Labor market models, Skill India projects.

INTRODUCTION

When the much awaited National Education Policy (NEP) came out on May 31, 2019, after four years in the making there was a mixed reaction from educationists, economists, business leaders and policy makers. The present paper attempts to evaluate the policy in the context of growing inequality of employment, poverty of workers' households, increasing unemployment and 'Skill India' initiatives. The paper is divided into three parts. In the first part, a brief account of challenges of NEP in enhancing social justice in an unequal and discriminatory social system of India is discussed. In the second part increasing unemployment, inequality of employment, poverty of workers' households because of lack of minimum wages regulations in the context of Arthur Lewis' two sector model and Bacchetta's multi-segmented labor market model are explained. In the third part initiatives under 'Skill India' mission are analyzed in the context of NEP program. In the conclusion some recommendations and suggestions for further research are given.

1. NEP IN THE CONTEXT OF SOCIO-ECONOMIC REALITIES IN INDIA:

A national policy on educational development is an essential aspect of a liberal democracy aiming at

providing economic prosperity and social development for the citizens. Following this, the first Education Commission was set up in 1948 under the chairmanship of Dr. S. Radha krishnan. Then there was Kothari commission in 1964, National Knowledge Commission in 2007 and Yashpal Commission in 2009. There was announcement of National Policy on education in the years 1968, 1986 and 1992. In order to formalize and develop superior educational institution, the All India Council for Technical Education and the University Grants Commission were set up in 1945 and 1956 respectively. In the three categories of school education, college level education and specialized professional education, there has been a remarkable progress over the years in India. For example, the number of colleges increased from 600 in 1947 to 41435 in 2016 and the number of universities increased from 20 to 753 during the same period. In the era of globalization and debates on meaning of a knowledge society, these trends of progress are quite understandable. In this trend, the draft National Educational Policy (2019) has emerged. An evaluation of this policy may be made in the context of challenges from socio-economic realities observed in the country.

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The NEP(2019) is silent on the issue of reservations in education for the Schedule Castes (SC), Scheduled Tribes (ST) and Other Backward Classes (OBC) and it evades elaboration on the contributions from and priority on ensuring social justice in the educational system and institutional practices (*Frontline*, 2019). The lofty national reform objectives of Dr. B.R.Ambedkar and the spirit behind the recommendations of Mandal commission seem to have been diluted. The phrase 'reservation policy' has not been mentioned even once in the report and the focus is on the so-called 'merit based' admission in educational institutions. The socio-economically and educationally disadvantaged groups among the ST, SC and the Muslim minority community continue to display low educational rates in spite of decades of development efforts in the country. The Public-Private Partnership (PPP) model of educational development has led to increasing commercialization of education. The progress of Right To Education (RTE) Act of 2009 seems to be slow and uneven the country. Another concern is the decline in standards especially in government schools and other educational institutions. The issue whether the Center should impose its educational priorities on the States when education comes under the concurrent list is debatable. What is the objective of educational reform? Ultimately, it is to train the young for gainful employment. It is reported that unemployment in India is the highest now in the past 45 years. Informal sector employment and underutilization of labor are serious issues, which need to be addressed. We move to this in the next section, where informality of employment, lack of minimum wages regulation and the fragmented nature of labor market are discussed.

2. INFORMALITY OF EMPLOYMENT IN MULTI SEGMENT LABOR MARKET:

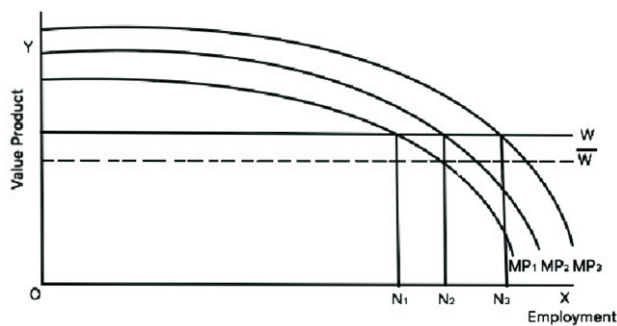
Management Guru Peter Drucker observed that scientific management was the "most powerful as well as the most lasting contribution America has made to western thought." Frederick Taylor's "scientific approach" to management is well known (Taylor, 1919). In fact, Taylor stripped the workers of both knowledge and power and elevated the professional manager to the top with all the control of production process. The major objective was efficiency and growth of the organization. Elton Mayo gave an alternative to the "bossism" recommended by Taylor's scientific management approach. The significant message of Mayo's soft approach was that workers value respect for individual's dignity and creative relationship in the work place. Scientific management approach of Taylor and human relations approach of Mayo are often described as opposite stands. In fact they are

complementary. One common theme in these and other approaches in management studies and practice is the crucial role of workers' education in enhancing efficiency and productivity. Education plays a vital role in growth of organizations and progress of countries. Economists, especially development economists give a lot of importance to study education's role in economic development of countries.

Development economics or economics for development emerged during the post- World War II period in response to the major challenges of that time namely decolonization of countries mainly in Asia and Africa, increasing expectations of people in the newly emerged nations for economic progress and prosperity and a general shift in focus on poor countries by the super powers of the time namely the Soviet Union and the USA in the context of the ongoing cold war in many parts of the world. International organizations like the IMF, the World Bank and the UNO allocated funds for research on problems of poor countries. Economists and other social scientists of these organizations, universities and research institutions began giving increasing attention to issues of underdevelopment.

A brief review of one of the most influential insights on development of backward economies provided by development economists and sociologists may be mentioned here. Arthur Lewis provides one such influential model of economic development in a poor country which has "an unlimited supply" of labor. (Lewis, Arthur, 1954). One can see a "widow's cruse" of workers in developing countries like India, consisting of farmers, casual laborers, petty traders, domestic workers etc. almost everywhere in rural and urban areas. These unskilled or semi-skilled workers are under employed mostly in rural and semi-urban areas. The marginal productivity of labor among these workers is low because of low level of technology and traditional management practices. Rural wages are also low and there is a substantial surplus which is taken away by the employer or the capitalist. When the surplus is reinvested in economically productive activity by the capitalist, then there would be an upward shift in the marginal productivity curve. Wage level remaining the same (or with a small improvement from w^- to w) the size of the capitalists' surplus would increase. When this surplus is again reinvested, there would be continuous improvement in economic condition as shown in the following diagram:

There is increase in employment from N_1 to N_2 and N_3 because the increase in the size of the capitalists' surplus is reinvested in economically productive activity. There is improvement in the condition of the workers'



condition also because the wage level increases from low. This is an instance of virtuous circle of prosperity. If this process happens then the underdeveloped countries will be lifted out of backwardness. However, in reality this process does not happen because of adverse political and social factors found in these countries.

One major challenge in developing countries like India is that labor market is highly segmented. In Lewis' model there is movement of labor from traditional (agricultural) sector to modern (industrial) sector as the surplus is reinvested in economically productive activities. The Lewis' two sector model does not fully explain the realities obtained in developing countries like India.

In India, about 93% of the work force is employed in the informal economy, which contributes about 60% of the GDP. The recently released Periodic Labor Force Survey (PLFS) says alarming facts about labor market in the country. The PLFS data shows that male unemployment is 18.6% and female unemployment is 27.2% in 2017-18. This is the worst job crisis during the past five decades and there is no anti-incumbency factor in general elections (*Economic Times*, 2019). It seems that Indian economy managed to maintain less unemployment during the license-permit raj of Nehru's democratic socialism experiment. Jobless growth and sometimes job destroying growth may be explained, to some extent, in terms of informality of employment and lack of minimum wages provisions in the Indian labor market. It is disappointing to note that minimum wages are not paid in most places of work in developing as well as developed countries. The concept of Peoples' Capitalism is debated to highlight the issue of miserable condition of workers' households. Gainful employment with a compensation adequate to meet the requirements of workers/households, ensuring food, clothing and shelter, decent working condition, job security and provisions for educational and health needs of the families are some of the essential features of Peoples' Capitalism.

Peoples' capitalism does not mean a socialistic redistribution of nation's assets and a scheme of production based on common ownership of means of production. It is a plan to promote capitalist development through more efficient distribution of income and wealth. Corporate Social Responsibility (CSR) expenditure on labor welfare can play a positive role to bring about peoples' capitalism. Ensuring minimum wages in all work places is an essential requirement in promoting labor welfare. It is disappointing to note that minimum wages are not paid in many places of work both in developed countries and developing countries. Two studies, One on Walmart employees of the USA and another an Indian garment industry workers, are taken for consideration in explaining the condition of workers who are denied minimum wages in spite of government's efforts. The relevant studies are given below and the numbers explain the condition of workers. In a study "*Walmart on tax day - How tax payers subsidize America's biggest Employer and Richest family*" (2014) it is explained how U.S. taxpayers subsidize Walmart's low wages and low benefits for the workers. Many Walmart workers are paid \$9 per hour and they work 34 hours in a week. It means a Walmart worker takes home only \$15,912 per year. If he is unmarried, he would be eligible for three out of five public assistance programs for which a single person is eligible. A worker who is married and with two children would qualify for all the eight of such programs. Some of these eight programs are food stamps, medical aid and subsidized education. Walmart is the largest private employer in the U.S.A. with 1.4 million employees. Walmart employees are paid too little that many of them depend on many taxpayer-funded programs mentioned above. It is estimated that about \$6.2 billion of taxpayers' money goes to support the low paid Walmart employees annually. Walmart earned a net profit of \$16 billion during 2014-15. Ironically, a part of it comes from Walmart's sale of goods to the Government, which supports the low paid Walmart employees (among others) through the programs mentioned above.

Similar studies on the workers of, for example, Reliance Company or Tata Company in India are not available. We do not know about details of Indian taxpayers money going to support the welfare programs whose beneficiaries may be low paid employees of, for example, Reliance, among others. The study on Walmart says that Walmart captures about 18 percent of food stamps market in the U.S.A. We do not know which Indian company captures what percentage of goods and services market created by the welfare programs of the government. One may argue that this is

all in the game of the market mechanism. However it should be emphasized that minimum wages if not living wages must be paid to workers. There is a study “*Wage Structure in the Indian Garment Industry*” (2013), based on a field survey conducted on readymade garment factories located in Gurgaon, Bangalore and

Tirupur. Qualitative data based on personal interview of major actors like garment workers, trade union leaders, employers, government functionaries of labor department and health and safety department and social workers is provided in the study apart from quantitative data.

TABLE 1: GARMENT INDUSTRY WAGE STRUCTURE AND CONDITIONS OF WORK IN GURGAON

Working Conditions	Tailor	Supervisor	Checker	Ironer	Stitcher	Helper	Piece Rate Worker
Employment Category (Casual/ Contract)	Casual/ Contract	Regular	Contract	Contract	Casual/ Contract	Contract	Contract
Type of Skill (Skilled/Semi-Skilled/ Unskilled)	Skilled	Skilled	Semi-Skilled	Semi-Skilled	Skilled	Semi-Skilled	Semi-Skilled
Educational Qualification	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)	1) Class 1-8 (95% of workers)
	2) No Education /Class & and above (5% of workers interviewed)	2) No Education /Class & and above (5% of workers interviewed)	2) No Education /Class & and above (5% of workers interviewed)	2) No Education/ Class & and above (5% of workers interviewed)	2) No Education/ Class & and above (5% of workers interviewed)	2) No Education/ Class & and above (5% of workers interviewed)	2) No Education/ Class & and above (5% of workers interviewed)
Basic Wage	6500	7000	5500	5300	NA	5200	5400
Over-Time Rate (Monthly)	1620	1800	1380	1320	NA	1320	1380
PF	12%	12%	12%	12%	12%	12%	12%
ESI	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Maternity leave	Yes (One and half months will pay)	Yes (One and half months will pay)	Yes (One and half months will pay)	Yes (One and half months will pay)	Yes (One and half months will pay)	Yes (One and half months will pay)	Yes (One and half months will pay)
Bonus	No	No	No	No	No	No	No
Accident Insurance	No	No	No	No	No	No	No
Performance rewards	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)	Rs.200 (Attendance Rewards)
Wage Revision	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)	Once a Year and highly Irregular (Rs.400-700)
Paid leave per year	15-18 days	15-18 days	15-18 days	15-18 days	15-18 days	15-18 days	15-18 days
Sick leave	Rarely (Without pay)	Rarely (Without pay)	Rarely (Without pay)	Rarely (Without pay)	Rarely (Without pay)	Rarely (Without pay)	Rarely (Without pay)
Sexual Harassment	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The study points out that there is no national level data pertaining to wage structures in the garment industry. There is no national data also about the total number of each category of garment workers like tailors, stitchers, cutters and ironers. These garment factory workers make clothes with global brands like GAP, Next, Marks and Spencer, Adidas, Nike and Puma. But they suffer in various ways in the work place. The study says that

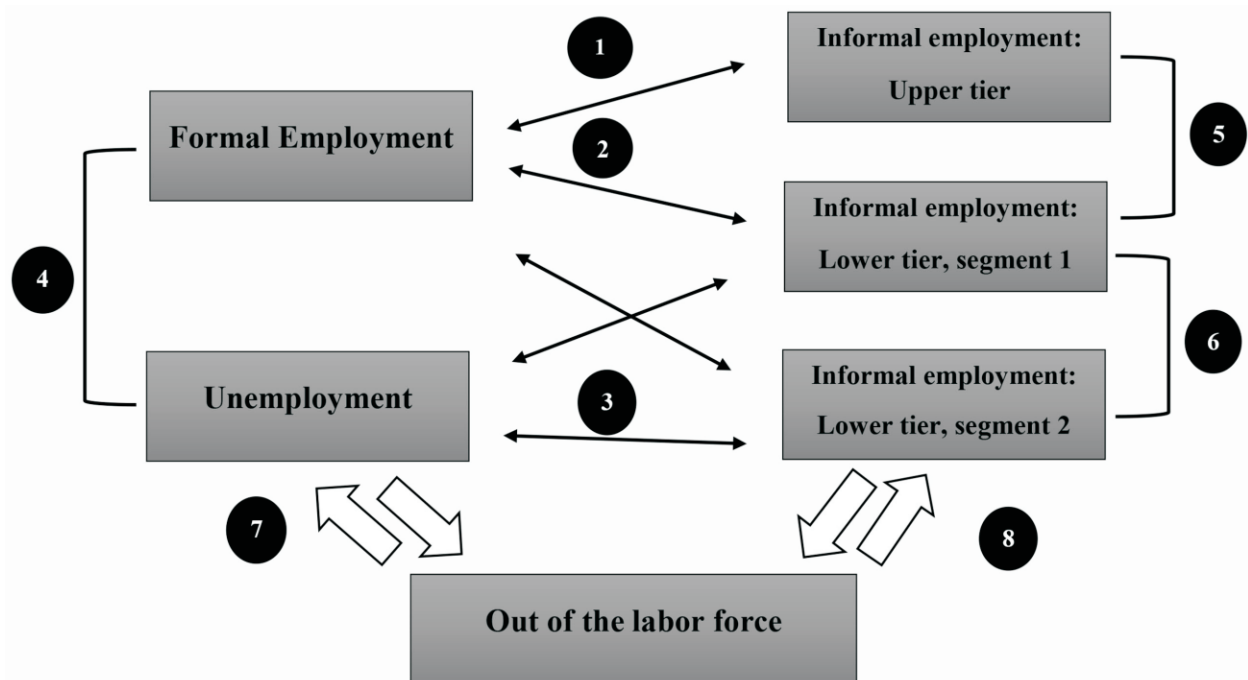
there is huge presence of minimum wage violations, non-payment, under payment and late payment of basic wages as well as illegal overtime wages, theft of social security benefits, threats to break union formation and sexual harassment of female workers. As per the study, a tailor gets Rs. 8120 per month. If he is married and has a child, then he and his family would be coming under below poverty category, which is defined as \$2 per day

per head. He becomes a member of 'working poor' group widely found in developing countries like India. Soon after independence, The Minimum Wages Act of 1948 was enacted and thereby, India became one of the first countries in Asia to make such a law. But soon India became one of the most complex minimum wage systems in the world with about 1700 prevailing rates at national regional and sectoral levels. Reports say that efforts are being made to bring an Act to empower the Central government to fix uniform wages for all sectors nationwide. Ensuring minimum wages for informal sector employees is a huge challenge. About 93 percent of the workforce in the country is engaged in the informal sector where conditions of work like wage level, job security, number of hours of work and social security facilities are less helpful to workers than those obtained in formal sector. Most workers in the sector have skills but not certification to prove evidence of their skill. This deprivation makes them more vulnerable in the labor market. They need training and certification to get empowered in the market to demand and get the wage they deserve. Skill development will not only make them more assertive and successful in obtaining

higher compensation but also economically more productive to add more value to the economy.

Informality of employment, ineffective and inadequate minimum wages provisions affect the workers' household adversely pushing them to the category of 'working poor' in the country. The vulnerability of workers increases when they move between formal and informal sectors as explained in the Bacchetta's multi-segmented labor market (Bacchetta Marc et al 2009). The distinction between formal employment and informal employment of workers is somewhat is unclear and fuzzy. Development economists and institutions supporting development in poor countries supposed that with dynamic development, informality in labor market would disappear. It did not happen as expected. There are three views on the informal economy namely, dualist, legalist and structuralist, each emphasizing one aspect of the informal sector. Bacchetta's model explains the dynamics of its creation and presence in the different segments of the labor market and the movement between formal and informal economy. The following diagram explains this dynamics.

Figure 1: Multi- segmented labor markets



Note: The chart presents the different labor market flows in the presence of multiple informal economy segments. The following flows are represented: (1) transition between formal and upper-tier informal employment to avoid taxes and regulation; (2) transition between formal and lower-tier informal employment; (3) transition between lower-tier informal employment and unemployment to queue for formal jobs; (4) transition between formal employment and unemployment where appropriate benefit systems are in place; (5) transition between upper and lower tier informal employment, for instance due to upskilling; (6) transition between different lower-tier informal economy segments due to a switch in networks; (7) transition between inactivity and the formal labor market; (8) transition between inactivity and the informal economy.

In the Indian context, this dynamics assumes higher level of complexity due to the presence of socio-economic group and the educationally disadvantaged in the country. There are institutional characteristics, individual characteristics, firm-specific characteristics, market conditions and life cycle considerations. Workers in the informal economy, in general, face several entry barriers that restricts their choice of opportunities in formal as well as informal areas to improve their conditions. They lack information regarding job opportunities in other geographical areas. They lack marketable skills to enhance their employability. The NEP has to address this issue. In the 484 page report one finds very few references on this crucial issue. There is not a single chapter on industry academia interaction. 'Skill India' initiatives need support from educational policy of the country.

3. SKILL INDIA INITIATIVES AND THE NEP

India is a country of 1.3 billion people with a distinction of being the fastest growing major economy. The latest Periodic Labor Force Survey (2017-2018) point out two major concerns namely, the shrinking size of labor force and the rising unemployment. The labor force participation rate in the earlier survey in 2012 was 55.5 per cent, which has shrunk to 49.7 per cent in 2018. It means the percentage of people seeking work has fallen. Further, there is an absolute decline in the number of workers from 467.7 million in 2012 to 461.5 million in 2018. The issue of educated unemployment has never been as acute as now. The significant fact is that the unemployment rates increase as the levels of education go up. The highest rate is among diploma and certificate holders (19.80 per cent) followed by graduates (17.2 per cent) and post graduates (14.6 per cent). It means there is a need to examine the connection between education and employment (*Business Line*, 2019). About 10-12 million young people enter job market every year. Where is the government-corporate-academia partnership to generate enough jobs? The NEP should address this issue. A report points out that only 4.69 per cent of India's labor force has some kind of formal training whereas it is 75 per cent in Germany, 80 per cent in Japan and 96 per cent in South Korea (*Financial Express*, 2018). Skill development and certification are necessary to enable workers to get good jobs. It may be mentioned that on July 15, 2015 the Prime Minister launched "Pradhan Mantri Kaushal Vikas Yojana (PMKVY)" expecting to make India "the human resources capital of India." The target is to train 40 crore people in various skills by the year 2022. The National Skill Development Corporation (NSDC) claims to have trained during three years 2015-2018, only about 2.5 crore people through 527 PMKV centers the country.

The training is given relevant to 252 job roles, which include masonry, carpentry, welding, healthcare, hospitality, retail etc. However, a report says that only 12.4 per cent of the people who received such training could find jobs. (*Business Line*, 2018). It means jobs seem to be elusive even after training. At the same time workers with necessary training and skill are needed. The situation seems to be ironical.

CONCLUSION

The main arguments of the paper may be recapitulated. High levels of unemployment, lack of minimum wages provisions in the context of segmented labor market in the country were highlighted. The need to make 'Skill India' project a success to enhance the socio-economic conditions of the people is emphasized. The draft National Education Policy of 2019 submitted recently seeks to address the access, quality, affordability and accountability issues of the educational systems of the country. These issues are important but at the same time, the challenge to ensure social justice and economic prosperity especially among the working class is the need of the hour. The NEP should enhance government-industry-academia collaboration to upskill workers and ensure good jobs to the youth, who come out of educational institutions. Skill India projects and NEP should go together to ensure economic growth as well as economic development in the country. This exciting area of policymaking needs further study and research.

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