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Long way to go



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As Vice Chancellor, University of Pune – the largest traditional university in the world – he brought about a metamorphic transformation of the university making it dynamic, vibrant, and socially conscious.

Left the Reserve Bank of India as Principal Adviser and Chief Economist after 31 years of service. While there, he played a significant role in macroeconomic policy making in India especially after the macroeconomic crisis in

1991. He later worked for the IMF as Adviser to Executive Director for India and as a Consultant to the Independent Evaluation office of the IMF.

He has also worked for the governments of Afghanistan and Ethiopia and Maharashtra.

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Is a recipient of over 25 national and international awards for his contribution to the fields of economics, education, literature, culture and social work.

Policy makers and thinkers today have come a long way from the Malthusian prognosis treating population growth as an inevitable curse which could be a major threat to civilization. Indeed, it is increasingly being recognized worldwide that it is not the size of the population that matters; it is the age structure and composition of the population that forms the basis of economic growth and development. In particular, the proportion of the working age group in the total population is seen as critical determinant of economic growth and development. In this regard the 'bulge' appearing in the middle part of the population pyramid is seen to be advantageous in delivering the so called Demographic Dividend, which may in fact, be defined as the actual or potential rise in the rate of economic growth due to growing share of

working class people in the overall population. As per India's current demographic profile (National Sample Survey, 2004-05), population of the age group 0-15 was 1,128 million while that for the age group 15-59, it was 687 million. The growth rate in the age group of 0-15 was 1.43 per cent per annum while in the age group 15-59, it was 2.29 per cent per annum. The demographic pyramid of India is thus bulging at the center while narrowing at the top and bottom. It is thus clear that, India is set to enter the phase of Demographic Dividend. By 2020, the average Indian will be only 29 years old, compared with 37 in China & USA, 45 in Western Europe and 48 years in Japan. In other words, the deceleration in population growth in India has been pushing down the dependency ratio i.e ratio of dependent to working age population. More and more

women are entering the work force, further lowering the dependency ratio. This implies that there would be large and growing labour force, which can be expected to deliver large scale spin-off in terms of growth and prosperity. This situation can possibly give India leverage in the global market by improving competitiveness. Considering all these favorable and fortuitous developments, many analysts across the world have started predicting India as a strong contender for the position of a 'Global Economic Superpower'.

distinction of housing the largest number of people below the poverty line in the world. Besides, wide inter-State disparities are visible in the poverty ratios across rural and urban areas as also in the rates of decline of poverty.

The Human Development Report 2009 indicates that the Human Development Index (HDI) for India at 0.612 in 2007, placed India at the rank of 134 out of 182 countries in the world. In terms of gender related development index, India ranked 114 out of 155 countries in 2007. India's HDI rank of 134 was lower than its per capita GDP

Harnessing India's Demographic Dividend

Is India really ready to seize this golden opportunity which nature is going to confer upon? Where do we stand today? Does India presently have adequate and appropriate mechanisms in place to absorb the potential gains in the form of Demographic Dividend? All these questions need be analyzed and addressed squarely.

Where Does India Stand?

In India, the real GDP growth rate has accelerated from 3.5 per cent per year until the 1980 to over 9 per cent per year in the three years ended 2007-08, making India the second fastest growing economy in the world next only to China. At the same time, while there has been a considerable decline in the poverty ratio during the 1990s, India continues to have a dubious



Eyes glistening with hope!

rank of 128, largely because of its low ranking on education and health. While the poverty ratio seems to have declined over time, malnutrition has remained high. Malnutrition, as measured by 'underweight children below 3 years' constituted 45.9 per cent of the relevant strata of India's population (National Family Health Survey 2005-06). Even worse, there is no significant change from its level of 47 per cent in 1998-99.

If we envision India becoming an economic super power harnessing the Demographic Dividend we will have to succeed in maintaining the momentum of economic growth and sustained growth is possible only if the growth process becomes “inclusive” – with involvement of all strata of the Indian society. This calls for a considerable strengthening and reform of our education system and skill building mechanisms.

Reform of Education and Skill Building

Education plays a vital role in the growth and development of any nation. It is increasingly being recognised that countries with the capacity to generate new knowledge and skilled human power are likely to have to have a comparative edge in attaining high economic growth and sustaining their growth momentum over those that do not. What education does essentially is to improve functional and analytical abilities of individuals. This opens up opportunities for individuals as well as groups to achieve greater access to employment opportunities and professional fulfillment. Moreover, education is not only an instrument of enhancing efficiency but is also an instrument of socio-economic transformation; it is an effective tool of widening and augmenting demographic participation and upgrading the overall quality of individual and societal life.

Challenges of education and Skill Building

What are the main challenges of the twenty first century with respect to higher education in



Quality is a very serious problem with the existing system of higher education in India. There are two major aspects to this problem. One, the curricula of most courses in most of the Universities are seriously out of alignment and two, a discomfortingly large proportion of college teachers are blissfully unaware of the advances in their own subjects.

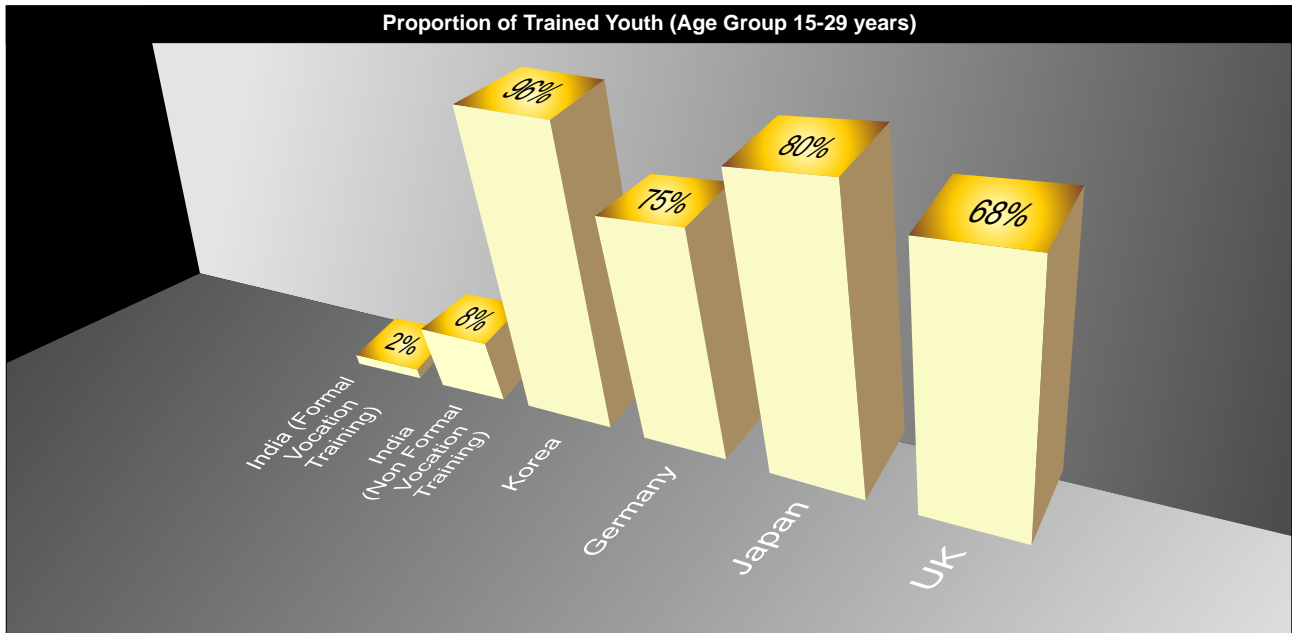
India? One can examine higher education in terms of three main dimensions: access, quality, and employability.

In the age group 18-23 years which is deemed to be the age group for higher education, the proportion of Indian youth that have access to higher education i.e., Gross Enrolment Ratio (GER), was around 11 per cent in 2005. This is exceptionally low in international comparison. For example, in US the GER in 2005 was as high as 83 per cent whereas even in EMEs such as China and Brazil, it ranged between 20 to 24 per cent. In India the problem of exceedingly low access to higher education is compounded further by multiple disparities such as the rural-urban divide, gender gaps (i.e., male-female) and social gaps (ie. SC/ST and others, as well as Muslims and non-Muslims). Illustratively, within the overall average GER of around 11 per cent, for SC/ST group it was only around 6.3 per cent whereas for Muslims it was around 6.84 per cent. For female Muslims the GER was placed at only 5.8 per cent whereas for female SC/ST group, it ranged only between 4.43 and 4.76 per cent. If further sub-division is made on the basis of poor and non-poor, GER for poor SC/ST works out to only 1.55 to 1.89 per cent whereas for the poor rural SC/ST group it turns out to be at abysmally low levels of only 1.11 to 1.35 per cent. Accordingly, the first challenge that we need to address is to increase access to higher education generally, with special focus on the disadvantaged and marginalised strata of the society.

The second challenge is that of improvement in the quality of higher education. Quality is a very serious problem with the existing system of higher education in India. There are two major aspects to this problem. One, the curricula of most courses in most of the Universities are seriously out of alignment and two, a discomfortingly large proportion of college teachers are blissfully unaware of the advances in their own subjects. Together these two issues have a perilous effect on the quality of higher education in India.

The third dimension of higher education is employability. In this regard the rift or the chasm between the evolving societal needs and the kind of higher education currently being imparted is widening. This raises the question of “relevance” of higher education that is being provided today. For example, a very good student from an excellent institution when employed by a good employer needs several months of training to be able to be functional. Training is certainly not a forte of these companies, but they have to do this to fully exploit the potential of their employees. Actually this should be a forte of educational institutions. This calls for a very substantial improvement in terms of University – Industry Interaction.

For a long time, skill development in India largely meant development of shop floor or manual skills. The NSS 61st Round results show that among persons of age 15-29 years, only about 2 per cent had received formal vocational training and another 8 per cent have received non-formal vocational training indicating that most young persons actually enter the world of work without any kind of formal vocational training. This proportion of trained youth is one of the lowest in the world. The global average is very high as compared to our existing scale average (i.e., Korea 96 per cent, Germany 75 per cent, Japan 80 per cent and 68 per cent in the U.K.) In India, nearly seventeen different Ministries/Departments of Government of India are imparting vocational training to about 3.1 million persons every year through Polytechnics and Industrial Training Institutes (ITIs). However, this effort is not sufficient, given the number of entrants to the workforce i.e., 12.8 million per year. Further, there are institutional limitations in the existing system. One, the unorganized sector which constitutes about 93 per cent of the workforce is hardly supported by any structured system of acquiring skills. By and large, skill formation takes place through informal channels only, with no linkages to the formal education. Secondly, (and alarmingly)



38.8 per cent of the Indian labour force is illiterate and about 80 per cent of the workforce in rural and urban areas does not possess any identifiable marketable skills. It is expected that in ageing global economies, skilled manpower shortage has been projected to be of the order 56.5 million by 2020. If India could upgrade the skills of its labour force, then globalization can potentially bring rich Demographic Dividend. Prime Minister Dr. Manmohan Singh has instituted a Skill Development Mission, with Plan outlay of Rs. 22,800 crore, for mass and rapid skill development. The structure of the Mission consists of National Council on Skill Development; National Skill Development Co-Ordination Board; and National Skill Development Corporation. The apex body shall steer the Mission by policy directions; Co-ordination Board shall coordinate between seventeen different Government Departments/Ministries for better utilization of resources and identifying focused areas while the Corporation set up by Finance Ministry shall act upon these issues in collaboration with private participants.

The demographic dividend is certainly a window of opportunity. Since the demographic transition is a dynamic process, this window may not be

available for a long time. Our own track record clearly shows that the States which are doing well in the field of education and skill building are generally progressive and prosperous. Also the democracy seems to have matured in such States and overall HDI is quite impressive, while those States which have lagged behind are beset with large scale poverty, unemployment, malnutrition, high child mortality besides political and social instability. In other words, if we fail to harness the Demographic Dividend to our advantage, we shall prove the Malthusian theory, turning thus the potential Demographic Dividend into a Demographic Nightmare.

To conclude, education and skill building hold tremendous promise for reaping the Demographic Dividend for our society and democratic polity, just as it poses formidable challenges to policy making for socio-economic development of our country. Time is on our side if we take the stakes seriously, but not for too long. Education and skill building deserve more of the nation's commitment, attention and resources. Let us resolve to work together to harness the Demographic Dividend to make India an economic powerhouse in none too distant future.



Global Update

- India and Bhutan intend cementing their ties by signing a dozen pacts including four memoranda of understanding for hydel projects. The two sides will also ink a pact on setting up a super-specialty hospital on the lines of the All-India Institute of Medical Sciences
- Italy sought investments from Indian car-makers and conveyed it would encourage Tata Motors and Mahindra & Mahindra to take over Fiat's unprofitable car unit in Sicily that is teetering towards a shutdown
- The UK Gross domestic product fell 0.2 per cent from the second quarter to third quarter
- The economy in the US expanded at 2.2 percent in the third quarter (from July to September) at a slower pace than anticipated as companies curbed spending and cut inventories at an even faster pace, reductions that have set the stage for an acceleration in growth
- Copenhagen climate change summit came to an end with 193 nations signed onto an agreement whose key elements include; 1. a goal to keep global temperature rise under two degrees Celsius, 2. \$100 billion in aid from industrialized countries to the developing world, 3. a concession from China to allow outside verification of its carbon emissions
- PetroChina Co. won the approval of the Canadian government for its \$1.8 billion bid to buy a stake in two Alberta oil-sands projects, its biggest North American acquisition
- Confidence among U.S. consumers improved in December for a second month as Americans grew less concerned about the immediate future, pointing to an economy that will keep expanding into 2010.
- Boeing Co., the U.S.'s second- biggest defense contractor, may lose as much as \$271 million in government payments for satellite launch services if Pentagon auditors conclude it

violated federal accounting rules

- The U. S. Commerce Department said it would impose anti-dumping duties of as much as 145 percent on Chinese steel-grating imports under a preliminary finding that companies sold the product at prices below fair value. Imports of the steel grating were valued at \$90.7 million in 2008. Chinese shipments of grating to the U.S. jumped more than 500 percent by volume and more than 900 percent by value from 2006 to 2008
- The cash price for iron ore delivered to China, the world's biggest buyer, rose to the highest this year after India raised taxes on its exports. The price of 62 percent iron-content ore delivered to Tianjin port increased 2.9 percent to \$112.10 per metric ton. The price has more than doubled from its 2009 low on March 27
- Japan asked India to sign the Comprehensive Test Ban Treaty (CTBT). However, India put the onus on the US and China, saying if they thought about ratifying it, India would consider it as well.

Market At Close	Dec-09	Pts Change	%Change
Asian Market			
Sensex	17401.56	769.55	4.63
Nifty	5187.95	246.2	4.98
Nikkei	10638.06	1556.54	17.14
Hangseng	21499.44	364.94	1.73
Shanghai Composite	3211.76	115.5	3.73
US Market			
DowJones	10547.08	82.68	0.79
Nasdaq	2291.08	115.03	5.29
European Market			
FTSE	5425.33	231.2	4.45
CAC	3953.36	274.13	7.45
DAX	6005.39	391.22	6.97

Source: Money control | Closing date: 29th December 2009