

The Under-utilization of human capital

An inquiry into the under-utilization of India's human capital to bring its economic potential to fruition

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Extended Abstract

The purpose of this paper is to make a categorical assertion that a major cause of India's failure to realize its economic potential is primarily due to the underachievement of its human capital. Human capital is the stock of collective resources possessed by individuals or groups in a given population in the form of education, expertise, skills, knowledge, and capabilities. Realization of one's human capital through the development of one's intellectual, emotional, and physical capacities is essential not only to a productive, but also to a progressive economy. A great mass of human capital in India lies underutilized. India is the largest democracy in the world. It is home to the largest pool of young people in the world. It is bound to have the largest number of middle-income earners by 2030! While the sheer weight of number, in many respects, may instill a sense of optimism, as the population of India's young is bound to inflate the labour force, the underlying reality of its demographic landscape is a picture of disappointment and despondence.

A combination of factors has contributed to the disappointing state of India's overall human capital despite the country's ability to produce entrepreneurs, doctors, IT professionals, managers and engineers who are comparable to their counterparts in the developed world. Notwithstanding the median age of the population expected to be about 30 years in 2030, the seemingly apparent demographic advantage is beset with serious drawbacks such as endemic illiteracy, low public spending on education, dearth of widespread world class educational institutions, low overall human development, child labour, relative backwardness of women and limited healthcare in rural areas.

Consider the numbers:

- India is currently home to nearly 300 million illiterates;
- Indian government spends only 4% of its GDP on education;
- Out of the 12.8 million joining the workforce every year, only 8 or 9 percent have any skills;
- India ranks 136th out of 186 countries in the human development index—a composite measure of life expectancy, education and income levels – published by the United Nations;
- The number of child workers is around 17 million, but non-official statistics put the number close to 100 million;
- The lopsided gender ratio of 940 females to per 1000 males, and female literacy rate of 65.46% as against male literacy rate of 82.14% highlight relative backwardness of women; and
- The city dwellers have roughly about 200 physicians per 100,000 whereas rural dwellers have about 50-60 physicians per 100,000 show-casing physicians' preference to work in urban areas thereby limiting rural dwellers' access to healthcare.

The failure to tap into the enormous human capital poses employment challenges, encourages mass migration of rural dwellers into cities, and even creates environmental problems. In other words, the developmental challenges facing India are gargantuan! It is necessary to attack these problems on a war-footing as the country is in a race against time. This is possible only through the role of public institutions as human development is directly dependent on the policies that govern them and the actions that they implement.

This paper argues that human development in India is possible only through institutional reform and governance. For decades, one or the other has often been missing. If there was governance, then reform was hard to come by. If there was reform, then governance was either inappropriate or lacking. It is imperative that both these act in unison for any developmental change to come forth.