

## **EDUCATION, EMPLOYABILITY, EMPLOYMENT, AND ENTREPRENEURSHIP: MEETING THE CHALLENGE OF THE 4ES**

*Yashodha Chopra*

*GMT College of Education, Ludhiana, Punjab, India*

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### **Introduction**

The poor functioning of the 3Es of education, employment and employability has resulted in growth not being translated into sustained poverty reduction in India. Added to this is the fourth E of entrepreneurship which, had it been effective, could have delivered the desired employment outcomes. India, like many other Asian countries, is going through five labour market transitions: farm to nonfarm, rural to urban, unorganized to organized, subsistence self-employment to decent wage employment and school to work. India's population, long considered a curse, has turned into a desirable demographic dividend. But a demographic dividend does not mean just people; it means skilled, educated or employed people. India became a middle-income country in 2007. In PPP terms, it became the third largest economy globally in 2013 after the United States and China. By 2028, it will be the world's most populous country. The labour force in the industrialized world will decline by about 4 percent in the next 20 years, but will increase by 32 percent in India. This challenge of jobs facing India is daunting. With the world's youngest population of 730 million people in the working age group of 15-59 years, India will have one million young job-seekers join its labor force every month for the next 20 years. Other countries, in the recent years China, have reaped rich dividends from this demographic transition by employing its young productively. To reap this demographic dividend which is expected to last the next 25 years, India needs to equip its workforce with employable skills and knowledge

### **Employability Reform Problems with Improving Supply for Employability**

The mismatch problem arises from the divergence in what employers are seeking in the candidates in addition to qualifications and the actual skills candidates have. This issue of employability skills is particularly important for those who are already in low-productivity jobs in the workforce or students who have completed their education but are unable to get a job. Improving the supply of educated people for employability is more than just qualifications. The issue of financing training requires to be addressed. Employers face three holes in the training bucket: first, they pay for training, but the candidates do not pass or complete the training successfully (learning risk); second, they pay for training, and the candidate completes it successfully but does not perform in the workplace (productivity risk); and third, employers pay for training, and the candidate completes successfully and is productive in the workplace; however, he leaves (attrition risk). So employers are not willing to pay for training upfront but they are willing to give apprenticeship stipends or reimburse candidates for fees they have paid if they stay with them for some time. Employers are willing to hire trained workers. Candidates, on the other hand, are unwilling to pay for training but ready to pay for a job. Third-party financiers like micro-finance or banks are unwilling to lend for vocational training unless a job is guaranteed. The government

financing is mostly towards inputs rather than towards outcomes. The comparative advantages of public and private sectors are not appropriately leveraged as considerable distrust exists with regard to the role of the private sector. This impedes effective structuring of PPPs and policy-based contracting arrangements. This mismatch between what employers want and what they get is exacerbated due to a hard partition between education and training. The qualification corridor to enable vertical mobility between certificates, diplomas and degrees does not exist. This lowers the social signaling value of vocational training. Students who have undergone vocational training find it difficult to revert back to general streams of education to acquire higher qualifications. A pathway for a gradual upgrading of skills and competencies even within the vocational stream is not very well organized. Competency assessment and performance management in employability skills are not an area that has been given adequate attention. In addition to qualifications, there are no concrete metrics that help employers and institutions assess the employability skills. In India, there is wrong balance between exit and entry gates in educational institutions. An educational institution can be like the Indian Institutes of Management (IIMs) or Indian Institutes of Technology (IITs) with tight entry gates and wide open exit gates or like the Chartered Accountant exam with wide open entry gates and tight exit gates. Currently, vocational training has wide open entry and exit gates. There is a lack of alignment between various parts of the skills, training and employment ecosystem that includes assessment, curriculum, certification and jobs. Unless training institutions are able to effectively take on board market demands and trends for skills, including employability skills in their curriculum and courses, and able to provide certification for well-defined skill sets, the employability mismatch will continue.

### **Possible Solutions for Education Reform**

The Right to Education Act (RTE) in India, although has a right reason, is a wrong thing. Universal access to elementary education needs to be assured to all students in the country; however, the Act includes provisions that are not conducive to the expansion of unregulated private provision. Although the Act includes a 25% reservation for children from disadvantaged backgrounds in private schools, it promotes ineffective regulation on private education institutions. It has decreed the dismantling of low-cost unrecognized private schools that have contributed to increasing enrolment ratios. The RTE Act needs a full-fledged review in terms of ensuring a broad base of quality elementary education that reaches all over the country in partnership between private and public sectors. The regulatory focus is also on inputs, such as minimum conditions that must go into a school rather than outputs in terms of successful education completion or quality. There is an urgent need to ameliorate the quality of school education rather than focus on the issue of vocationalisation. The issue of vocationalisation of school needs to be reviewed in the context of fast-changing technology and the market place that is calling for much higher-order foundational skills. It would be better to strengthen the quality of such foundational skills in school education that would provide an adequate base to students on which they can build specialized skills. This means focusing on the basics and fixing schools to make sure they impart adequate quality education to address the three Rs (reading, writing and arithmetic) along with communication skills and soft skills of curiosity, confidence, risk taking and team playing. The urgent need is thus one of creating a robust base of school education system that is aligned to the higher levels.

The creation of a qualification framework needs to address mobility of school dropouts, school completers and diploma holders to the world of degrees. This is proposed by the

National Vocational Education Qualification Framework that is currently under consideration. Such a framework also needs to consider community colleges and associate degrees. About 50% of college enrolment in the United States is in community colleges offering 2-year associate degree programmes. These programmes are not normal degrees on a diet but vocational training on steroids and act as a mezzanine layer that bridges the worlds of vocational training and higher education. India needs to create a regulatory framework for these new types of qualifications to flourish. The current regulatory regime is overly focussed on inputs and uses infrastructure such as land and building as a poor proxy for accreditation. The regulatory regime needs to shift its focus from inputs to learning and employment outcomes. It also needs to increase the flexibility of institutions to address issues of employability, and this includes recognition of prior learning, credit for apprenticeships and a pathway for the gradual upgrading of skills. Partnerships for education that legitimize the role and contribution of the private sector are crucial to build a robust pipeline of educated and trained people. Currently, schools and higher education need to be non-profit. But 90% of the capacity created in these sectors in the last 20 years has been for-profit in reality but complies with the non-profit structure on paper. This lower transparency is encouraged by court decisions that make a distinction between surplus and profit. This does not encourage the participation of legitimate private sector players to invest in the education sector. Regulation must be changed to formally and transparently allow corporations to invest in and contribute to the education sector. Making government funds available for private delivery of education and skills via vouchers or scholarships would amplify consumer choice, create competition and put pressure on institutions to perform. However, they require complex and effective arrangements for result-oriented contracting arrangements. It is time to expand unconventional modes of education and to open the way for innovative and cost-effective methods of delivery. Expanding distance education is an obvious avenue. In addition, recent times have seen the proliferation of on-line and virtual education avenues that need to be explored for their quality and for their role in increasing access to education and supply of high-quality instruction. Opportunities for increasing e-learning and satellite-based delivery must be reviewed to offer flexible options for workers already in the workforce and the geographically disadvantaged.

There should be a balance between the wish for foreign investment as a means to create more jobs and development of a national strategy to encourage national companies and small and medium enterprises (SMEs) to create more jobs for graduates and other skilled people. More efforts should go into the development of universities and technical colleges. Greater focus should be placed on the need for differentiation in higher education systems together with a strengthening of technical and vocational training, which is crucial for India's growth. National manpower planning should be more up-to date and data systems should be further improved. Curriculum should be more adapted to the real world. Cooperation with business should be much closer. HEIs should assist more in job-seeking in special dedicated units. The same units should provide support for alumni associations. More job counseling is essential to ensure an efficient transformation from education to work. And it is essential to conduct tracer studies.

### **Conclusions**

The reform of the 3E ecosystem in India is currently stalled. Public policy has not advanced this agenda as there is no Ministry of Employment. While the 3Es relate to horizontal issues,

the government is organized vertically. India's, and probably Asia's, 3E opportunity is probably one of the biggest entrepreneurial opportunities on the planet in the next 20 years. Most people focus on flow – the one million young people joining the labor force every month for the next 20 years – but a bigger opportunity is stock – retooling the 200 million who are already in the labour force but stuck at low productivity in farms and elsewhere. The solution lies in the creation of institutions which innovate at the intersection of the 3Es. Policy makers, parents, employers and children are looking for something that is part college, part skill centre and part employment exchange. Like all innovations, creating such an institution is difficult, takes time and needs resources. But this is not noble; it is necessary. It is late but not too late to change the tragic reality that the two most important decisions a child in India makes are choosing their parents and pin code wisely. Mughal Emperor Jahangir told his gardener in northern India that if a tree takes 100 years to mature, that is all the more reason to plant it as soon as possible. In other words, the best time to start changing our 3E system was 50 years ago. The second best time is today

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