

Unit 5

I. Choose the correct answer. (Each question carries one mark)

1. Who can work better in the following:
 - a) A sick person
 - b) An Unhealthy labourer
 - c) A person with sound health**
 - d) None of the above
2. India's literacy rate in 2013,
 - a) 70 %
 - b) 71 %
 - c) 74 %**
 - d) 73 %
3. What per cent GDP as estimated by the Tapas Majumdar Committee should spend for education.
 - a) 4 %
 - b) 6 %**
 - c) 8%
 - d) 5 %
4. Education for all,
 - a) Still not a distant dream
 - b) Still a distant dream**
 - c) Dream Only
 - d) None of the above

II. Fill in the Blanks. (Each question carries one mark)

1. Investment on Education is considered as one of the main sources of Human Capital
2. Government of India has also started levying a 2 percent of cess on all union taxes.
3. The revenues from education cess has been ear marked for spending on elementary education
4. Health expenditure directly increases the supply of healthy labour force.
5. The contribution of the educated person to economic growth is more than that of an illiterate person.

III. Match the following (each question carries 1 mark)

1) More contribution to National Income	1] Global Growth Centres
2) Deutsche Bank	2] India and the Knowledge economy.
3) World Bank	3] Literacy Rate
4) Educational Achievements	4] illiterate person
5) Better Gender Equity	5] A positive Development
	6] Skilled Labourer
	7] A Negative Development

1) More contribution to National Income	Skilled Labourer
2) Deutsche Bank	Global Growth Centres
3) World Bank	India and the Knowledge economy.
4) Educational Achievements	A positive Development
5) Better Gender Equity	Literacy Rate

IV. Answer the following question in a word / sentence each. (Each question carries one mark)

1. State the need of investment on human capital.

Investment in education is considered as one of the main sources of human capital. There are several other sources as well.

2. Why individuals spend money on education?

Spending on education by individuals is like spending on capital goods by companies with the objective of increasing future profits over a period of time. Likewise, individuals invest in education with the objective of increasing their future income.

3. Expand NCERT.

National Council of Educational Research and Training

4. State the reasons for migration.

People migrate in search of jobs that fetch them higher salaries than what they may get in their native places. Unemployment is the reason for the rural-urban migration in India.

5. Expand UGC.

University Grants Commission

6. What is the Literacy Rate of India as per 2001 census?

Male: 68.4% and Female: 45.4%

7. Expand ICMR.

Indian Council for Medical Research

V. Answer the following question in four sentences each. (Each question carries two marks)

1) State the meaning of human capital.

Societies need sufficient human capital in the first place—in the form of competent people who have themselves been educated and trained as professors and other professionals. In other words, we need good human capital to produce other human capital (say, doctors, engineers...). This means that we need investment in human capital to produce more human capital out of human resources.

2) What are the two major sources of human capital in a country?

Investment in education is considered as one of the main sources of human capital. There are several other sources as well. Firms spend on giving on-the-job-training to their workers. This may take different forms: one, the workers may be trained in the firm itself under the supervision of a skilled worker; two, the workers may be sent for off-campus training.

3) What are the indicators of educational achievement in a country?

Generally, educational achievements in a country are indicated in terms of adult literacy level, primary education completion rate and youth literacy rate.

4) Bring Out the differences between human capital and human development.

Human capital considers education and health to increase labour productivity. Human development is based on the idea that education and health are integral to human well-being because only when people can read and write and the ability to lead a long and healthy life, they will be able to make other choices which they value.

5) What factors contribute to human capital formation?

Economic growth means the increase in real national income of a country; naturally, the contribution of the educated person to economic growth is more than that of an illiterate person. If a healthy person could provide uninterrupted labour supply for a longer period, then health is also an important factor for economic growth.

6) What are the various forms of health expenditures?

Preventive medicine (vaccination), curative medicine (medical intervention during illness), social medicine (spread of health literacy) and provision of clean drinking water and good sanitation are the various forms of health expenditures. Health expenditure directly increases the supply of healthy labour force and is, thus, a source of human capital formation.

VI. Answer the following question in twelve sentences each. (Each question carries four marks)

1) Education is an important input for the development of the nation. How?

Investment in education is considered as one of the main sources of human capital. There are several other sources as well. Investments in health, on-the-job training, migration and information are the other sources of human capital formation. Spending on education by individuals is like spending on capital goods by companies with the objective of increasing future profits over a period. Likewise, individuals invest in education with the objective of increasing their future income.

India recognised the importance of human capital in economic growth long ago. The Seventh Five Year Plan says, "Human resources development (read human capital) has necessarily to be assigned a key role in any development strategy, particularly in a country with a large population. Trained and educated on sound lines, a large population can itself become an asset in accelerating economic growth and in ensuring social change in desired directions."

2) How does investment in human capital contribute to growth?

Human capital treats human beings to an end; the end being the increase in productivity. In this view, any investment in education and health is unproductive if it does not enhance output of goods and services.

In the human development perspective, human beings are ends in themselves. Human welfare should be increased through investments in education and health even if such investments do not result in higher labour productivity.

Therefore, basic education and basic health are important in themselves, irrespective of their contribution to labour productivity. Therefore, basic education and basic health are important in themselves, irrespective of their contribution to labour productivity. In such a view, every individual has a right to get basic education and basic health care, that is, every individual has a right to be literate and lead a healthy life.

3) Bring out the need for on-the-job-training for a person.

Firms spend on giving on-the-job-training to their workers. This may take different forms: one, the workers may be trained in the firm itself under the supervision of a skilled worker; two, the workers may be sent for off-campus training. In both these cases firms incur some expenses.

Firms will, thus, insist that the workers should work for a specific period, after their on-the-job training, during which it can recover the benefits of the enhanced productivity owing to the training. Expenditure regarding on-the-job training is a source of human capital formation as the return of such expenditure in the form of enhanced labour productivity is more than the cost of it.

- 4) How government organisations facilitate the functioning of schools and hospitals in India?

The Constitution of India mentions the functions to be carried out by each level of government. Accordingly, expenditures on both education and health are to be carried out simultaneously by all the three tiers of the government.

In India, the ministries of education at the union and state level, departments of education and various organisations like National Council of Educational Research and Training (NCERT), University Grants Commission (UGC) and All India Council of Technical Education (AICTE) regulate the education sector.

Similarly, the ministries of health at the union and state level, departments of health and various organisations like Indian Council for Medical Research (ICMR) regulate the health sector.

- 5) Explain the need for acquiring information relating to health and education expenditure.

People spend to acquire information relating to the labour market and other markets like education and health. For example, people want to know the level of salaries associated with various types of jobs, whether the educational institutions provide the right type of employable skills and at what cost.

This information is necessary to make decisions regarding investments in human capital as well as for efficient utilisation of the acquired human capital stock. Expenditure incurred for acquiring information relating to the labour market and other markets is also a source of human capital formation.

- 6) Discuss the need for promoting women's education in India.

The differences in literacy rates between males and females are narrowing signifying a positive development in gender equity; still the need to promote education for women in India is imminent for various reasons such as improving economic independence and social status of women and also because women education makes a favourable impact on fertility rate and health care of women and children. Therefore, we cannot be complacent about the upward movement in the literacy rates and we have miles to go in achieving cent per cent adult literacy.

VII. Answer the following question in twenty sentences each. (Each question carries six marks)

- 1) Discuss the following as a source of human capital formation. [1] Health Infrastructure [2] Expenditure on migration.

Preventive medicine (vaccination), curative medicine (medical intervention during illness), social medicine (spread of health literacy) and provision of clean drinking water and good sanitation are the various forms of health expenditures. Health expenditure directly increases the supply of healthy labour force and is, thus, a source of human capital formation.

People migrate in search of jobs that fetch them higher salaries than what they may get in their native places. Unemployment is the reason for the rural-urban migration in India. Technically qualified persons, like engineers and doctors, migrate to other countries because of higher salaries that they may get in such countries. Migration in both these cases involves cost of transport, higher cost of living in the migrated places and psychic costs of living in a strange sociocultural setup. The enhanced earnings in the new place outweigh the costs of migration; hence, expenditure on migration is also a source of human capital formation.

- 2) Examine the role of education in the economic development of a nation.

Education provides knowledge to understand changes in society and scientific advancements, thus, facilitate inventions and innovations. Similarly, the availability of educated labour force facilitates adaptation to new technologies. Empirical evidence to prove that increase in human capital causes economic growth is rather nebulous.

This may be because of measurement problems. For example, education measured in terms of years of schooling, teacher-pupil ratio and enrolment rates may not reflect the quality of education; health services measured in monetary terms, life expectancy and mortality rates may not reflect the true health status of the people in a country.

Using the indicators mentioned above, an analysis of improvement in education and health sectors and growth in real per capita income in both developing and developed countries shows that there is convergence in the measures of human capital but no sign of convergence of per capita real income. In other words, the human capital growth in developing countries has been faster but the growth of per capita real income has not been that fast. There are reasons to believe that the causality between human capital and economic growth flows in either directions.

That is, higher income causes building of high level of human capital and vice versa, that is, high level of human capital causes growth of income.

- 3) Trace the relationship between human capital and economic growth.

India recognised the importance of human capital in economic growth long ago. The Seventh Five Year Plan says, “Human resources development (read human capital) has necessarily to be assigned a key role in any development strategy, particularly in a country with a large population. Trained and educated on sound lines, a large population can itself become an asset in accelerating economic growth and in ensuring social change in desired directions.”

It is difficult to establish a relation of cause and effect from the growth of human capital (education and health) to economic growth but we can see in Table 5.1 that these sectors have grown simultaneously. Growth in each sector probably has reinforced the growth of every other sector. Two independent reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in human capital formation. Deutsche Bank, a German bank, in its report on 'Global Growth Centres' (published on 1.7.05) identified that India will emerge as one

among four major growth centres in the world by the year 2020. It further states, "Our empirical investigation supports the view that human capital is the most important factor of production in today's economies. Increases in human capital are crucial to achieving increases in GDP."

With reference to India it states, "Between 2005 and 2020 we expect a 40 per cent rise in the average years of education in India, to just above 7 years..." World Bank, in its recent report, 'India and the Knowledge Economy —Leveraging Strengths and Opportunities', states that India should make a transition to the knowledge economy