

# A Study on Employability and Skill Gap in India: Private & Public Sector in Higher Education

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**Abstract:** The India Skills report 2022, states that 46.2% of India's youth are highly employable. The study looks at the role of private vs public universities towards employability of youth in the different states of India.

**Keywords:** employability, skill gap.

## 1. Introduction

The role of human capital in the process of economic development has been mentioned over and over again in the existing literature on 'economics of education', starting from G.Becker (1964).Conventionally skilled labour, which is a form of human capital contributes to the process of development by raising productivity and initiating technological progress.

In today's world the importance of skilled workforce in the process of economic development has got amplified due to globalization and the IT (information technology) revolution. Constant innovation and a steady supply of skilled workforce are necessary components for the sustenance of further growth. A steady supply of skilled labour can attract investment of other countries, which can the capital scarce developing countries in the process of development. In case of India formation of skill may contribute to inflow of capital as well as creation of employment. So, the third contribution of human capital formation is that it attracts investment. In the India skill report 75% of employers identified a skill gap. India therefore requires to concentrate on skill development in the field of higher education. Though a lot of government initiate is there private sectors participation is also needed. This paper looks into the influence of private and public universities on states employability.

## 2. Literature Review

The role of private sector in the field of education is also not an unexplored area. Education is a commodity, which has many characteristics of a public good. Hence investment in the supply of, any form of education is mostly a public investment. Investment in the demand for education, by an individual is a private investment. This does not mean that private investment in the supply side of education is absolutely absent. The issue of private vs. public investment in the supply side of education has been discussed over and over again. A bulk of writing on this topic in however on the funding of schools. According to

Adam Smith, Universities were not functioning properly as they were not competitive. Nisbet Galtcher. Ron Glalter, Tim Brighence, Alister Macbeth (1995) speaks of the importance of private and public participation in the case of school education. They also point out the effectiveness of quasi-markets, i.e., regulated markets in case of school education. Howard Glennester (1991) in 'quasi markets for education' looks into the scope of quasi markets in the field of education. John E Chubb and Terry M Moe (1998) talks of the greater efficiency of private schools in comparison to the public schools. The reason for the greater effectiveness of the private schools in comparison to their public counterparts being, that private schools are market controlled while public schools are controlled by government policy.

Though private vs. public funding of education debate has mostly revolved around the funding of schools, the issue of the funding of the universities or institutes of higher education has not been neglected. Starting with Adam Smith to Howard Glennester (1991), Geoff Whitty (1997) the issues of universities have been dealt with. According to Adam Smith, Universities were not functioning properly as they were not competitive. He stated that the failure of universities were more like the failure of a monopolistic competition to give an efficient solution. As a solution to the problem of failing universities Smith suggested that universities should be made more competitive and they should compete among themselves for students. He further added that the curriculum of the universities should not be decided by the faculty rather they should be determined in accordance to the demand of the students. He also suggested that the fees of the faculty should be dependent on the fees paid by the students, and then the faculty members will have an impetus to teach better. Mill also believed that the influence of external factors resulted in the failure of universities. Like Smith he also believed that the teachers should be paid from fees paid by the students. Another important contributor to the existing literature on the economic models of universities, Velben gave an economic model of university behaviour. In his model though he looks upon universities as non profit institutions, he talks of the existing competition among universities to attract donors. His model deals with the process by which the universities select the institutional goals, academic policies, internal resource allocations in terms of motives of the discretionary officials and

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Table 1

State	No. of Private Universities	No. of State Universities	No. of Central Universities	Public Universities	Total	Rank (Total)	Rank on Employability	% Employability	Rank Public Universities
Andhra Pradesh	6	27	3	30	36	7	7	57.2	4.5
Delhi		11	7	18	18	9	6	57.5	9
Gujrat	50	29	1	30	80	1	9	52.6	4.5
Haryana	25	20	1	21	46	6	10	51	8
Karnataka	23	45	1	46	69	3	5	57.2	1
Kerala		15	1	16	16	10	3	64.2	10
Maharashtra	21	25	1	26	47	5	1	66.1	6
Tamil Nadu	4	22	2	24	28	8	8	56.3	7
Uttar Pradesh	32	33	6	39	71	2	2	65.2	2
West Bengal	11	36	1	37	48	4	4	63.8	3

Source: Authors Compilation

the degrees to which each group of such officials is able to influence university decisions. Another model of university which is worth mentioning is that given by Galbraith (1967) where he talks of the conflict between the academic community and business community in influencing the functioning of the university in an industrial state.

Though these models on universities don't deal directly with the efficiency of public vs. private universities throw indirect hints regarding this issue. In fact, the competitive functioning of the universities, students' demand oriented courses or market oriented courses, payment of salary to the faculty members from fees collected all indirectly suggest that private universities would be more efficient. Moreover, the investment decision in the supply of education is always influenced by individual decisions of investment in education i.e. the demand for education. Tapas Mazumdar in his book titled 'Investment in Education and Social Choice' points out that the efficiency of an investment decision in the supply of education depends on the demand for education by individuals. This indirectly suggests that private institutes of higher education are more efficient as they are market oriented. On the other hand writers like Mark Olssen (1996), cites the example of the education system of New Zealand that the public provision of education can be efficient and it also ensures equity.

Glenn Christo (2000), point out that there exists mismatch in skilled labour market of India. Pravin Vasaria (1998) talks of the required changes in the higher education system in India. Prasant Kothari (2005) in 'An Uneducated and Outdated Education System' points out that outdated education system is responsible for the shortage of skills in India. Raghuram Rajan (2006) in his article 'India Needs to Solve the Bangalore Bug' talks about the role of private institutes of higher education in solving the problem of skill shortage in India. Devesh Kapu, Pratap Bhanu Mehta (2004), in 'Indian Higher Education Reform: From Half Baked Socialism to Half Baked Capitalism' cites that since 1960 the number of seats in private engineering colleges have increased from 15 to 86.4%. On the other hand, N. Raghurajan (2006) in 'Ugly Face of Knowledge Economy' states that private institutes of higher education have not helped much in improving the condition of higher education in India. The issues revolving around the standard of Indian Universities, Public vs. Private sector in higher education in India has been discussed in articles like, 'Academic Standards in Indian Universities Ravages of Affiliation' by Amrik Singh., 'Universities as Public Institutions' by Andre Beteille,

'Building World Class Universities' by Rishikesh T. Krishnan. The issue of state vs. Market as a policy maker in higher education has been discussed by Jandhyala B.G. Tilak, (2005), 'Higher Education in Trishanku'. Errol D'Souza discusses the impact of privatization of higher education on social equality in the paper 'Markets and Equity in Education'. 'Higher Education Policy Many Contradictions' by Pawan Agarwal discusses the effects of liberalization on higher education in India. He points out liberalization can improve the quality of higher education in India. Writers like Rajesh Kumar Sharma, Pulapre Balakrishnan are of the opinion that the presence of private sector in the field of higher education would prove to be counterproductive.

### 3. Analysis and Conclusion

Based the India skills report the top ten states based on employability have been considered. The number of private and public sector universities have been recorded from UGC and Ministry of Higher education. The rank correlation between number of universities and employability for the top ten states was calculated. The rank correlation is 0.042424 and the rank correlation between rank based on number of public universities and employability .02. This shows that university education is possibility not contributing much to generating employable workforce. The Rank correlation is even lower in case of public sector universities. There is therefore the need to emphasize of skill development oriented higher education system so that India is able to cope up with the need a steady supply of skilled, employable workforce.

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