

Variations in Economic Returns from Education

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- The returns from education in India's job market have climbed steeply since the turn of the 21st century, an analysis of the three rounds of the quinquennial employment survey by the National Sample Survey Office (NSSO) show.
- In 1999-2000, a graduate would earn 2.4 times the salary drawn by workers who had completed their schooling till class VIII. By 2011-12, the gap had widened, with the average graduate worker earning 3.3 times the average worker with basic schooling.
- Data show that while the earnings premium at higher levels of education has gone up sharply during the 21st century, the premium at lower levels of education has not. The premium for each level of education has been calculated with respect to the next level of education. The analysis considers only workers above the age of 25 to account for fluctuations in educational enrolments over time.
- The rise in premium for higher education and the stagnant, or even declining salaries, for workers with basic schooling may have two underlying factors. One, changes in technology have increased the demand for high-skilled and better-educated workers in India, as is the case across the world. Two, the decline in school learning outcomes in India, highlighted by successive reports from the Annual Survey of Education (ASER), may have led employers to discount the value of school education in the country.

The premium for higher education in India's job market has increased sharply

The figures denote the nominal monthly earnings (in rupees) of regular workers, and the educational premium (%) for each category of educational attainment.

EDUCATION	NOMINAL EARNINGS (2011-12)	PREMIUM (2011-12)	NOMINAL EARNINGS (1999-2000)	PREMIUM (1999-2000)
No formal schooling/illiterate	4,575	NA	1,941	NA
Till middle school	6,233	36	3,022	56
Secondary	9,252	48	4,478	48
Higher secondary or diploma	12,316	33	5,277	18
Graduate or above	20,431	66	7,345	39

Premium has been calculated as the %difference in earnings w.r.t. the next level of education. So the premium for a graduate is w.r.t. those with a HS/Diploma.

- Unfortunately, very few among those with a secondary or mid-school qualification opt for vocational training. Mostly those with higher secondary or graduation degrees tend to opt for formal vocational training, data show.
- Given the rising returns from education, it is not surprising that Indians, cutting across social groups, enrolled in greater numbers in educational institutions since the turn of the century, especially between 2004-05 and 2011-12. Nationally, the share of youth (those aged 15-24) attending educational institutions went up by 14 percentage points to 43.5%. Among OBCs (other backward classes), the rise was even sharper.
- However, among current wage earners, the share of the educated remains low, especially among marginalized groups. A majority of scheduled caste (SC) and scheduled tribe (ST) workers are illiterate, or lack formal schooling. Nearly a half of OBC wage earners also lack formal schooling. But among general category workers, less than one-fifth lacked formal schooling as in 2011-12.
- Among general category workers, nearly one-third were graduates, while a little over one-tenth of OBCs had a graduation degree. Among SC and ST workers, about 6% were graduates.
- While the share of graduate workers among the marginalized caste groups remains low, those who had earned their graduation degrees were more likely to find regular work compared to others.

Educated regular workers from marginalized caste groups earn significantly less than upper castes

The figures depict the nominal monthly earnings of regular workers with at least a graduate degree in 2011-12.



- The share of SC/ST/OBC graduate workers with a regular job was higher than that for general category workers, partly because there are fewer graduates among these communities, and partly because of reservations in government jobs.
- However, access to a regular job does not necessarily mean access to all social security benefits or similar earnings. Those from marginalized groups tend to have much lower salaries than general category workers, even for graduates, data show.
- While education may not entirely eliminate the privileges of belonging to a certain caste, it does help widen access to opportunities for the most underprivileged, data show.
- The upshot: widening access to high-quality education will be key to tackle social and economic inequality in 21st century India.
- Udayan Rathore is a research associate at the Delhi-based research group Collaborative Research and Dissemination.
- This is the second of a three-part data journalism series on jobs in India. The first part looked at the pace at which regular jobs are growing in India.

The premium on vocational training is high for those with lower levels of education

The figures denote the premium or extra earnings (in %) of workers with vocational training compared to workers without such training in 2011-12.

