

Improving India's human capital by enhancing investment in the early years of children's development ^[1]

Author: Suri, Shoba

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EXCERPTS

“Early childhood development is a smart investment. The earlier the investment, the greater the return.”

—James Heckman

India's development trajectory is critically linked with investments in healthcare and education. Achieving the Sustainable Development Goals (SDGs) is firmly anchored in investing in human capital and inclusive growth. To reap the demographic dividend, the government is committed to improve the outcomes in education and skilling and provide affordable healthcare to all. It is known that ending poverty is linked with strategies for improving health and education and reducing inequality. Child development is part of the life course, including preconceptual health and well-being of adolescents and continuing into the next generation of young people who grow up and become parents. The pandemic has caused disruption in the health, economy, and education of young people and continues to unfold in new psychological and academic trajectories.

As early as 1776, Adam Smith identified the abilities of individuals as a source of economic progress for the country, termed as 'Human Capital'. Much later in the 1920s, Alfred Marshall noted the 'the long-term nature of investments in human capital and the family's role in undertaking them'.

Intervening and investing across the life course have lifelong intergenerational and triple dividend benefits—now, into future adult life, and for the next generation of children. Economist James Heckman suggests making greater investments in young children to see greater returns in education, health, and productivity.

Promotion of health and well-being across the life course requires interventions through services and programmes of several sectors, including health and nutrition, education, and child and social protection, in the context of a supportive environment of policies, cross-sectoral coordination, and financing. The Lancet elicits the model life cycle approach (figure 1), from pre-conception to adolescence indicating both the protective and vulnerability factors across the life course.

Intervening and investing across the life course have lifelong intergenerational and triple dividend benefits—now, into future adult life, and for the next generation of children. Economist James Heckman suggests making greater investments in young children to see greater returns in education, health, and productivity. A research study on African-American preschool children living in poverty indicates a return of 7 to 10 percent per year return on investment in early childhood programmes. Investing at birth until five years brings higher returns of 13 percent per year, and greater social gains. The Heckman's curve (figure 2) shows highest economic return from early investment on childhood learning.

According to UNICEF, 'Investing in Early Childhood Development is one of the most cost-efficient and powerful strategies to achieve fair and sustainable development'. A decennial review on return of investment in education by the World Bank estimates a 9 percent a year global rate of return with an extra year of schooling. Women benefit with higher average rates of returns on schooling indicating that there is a need to prioritise women's education. The US data indicates a strong correlation between healthcare expenditure and the economic indicators of income, GDP, and labour productivity.

Looking at the returns on education in India, a recent report indicates a low rate of return for education at 7.6 percent. In India, there are over 43 per cent of children under the age of five at risk of not fulfilling their full developmental potential due to poor nutrition, poverty,

and lack of early stimulation. The National Education Policy 2020 looks at transforming early childhood education with an emphasis on 'Early Childhood Care & Education'. India ranks 116th amongst 174 countries on the Human Capital Index[1] 2020 based on survival, health, and education, with a slight increase in score to 0.49 from 0.44 in 2018. The pandemic has risked the little progress made in building human capital, disrupting health services and pushing more than a billion children out of school.

The 2019-20 national survey shows worrying trends in malnutrition and reversing progress towards meeting the goal of ending hunger, making efforts for achieving food security due to the pandemic even harder. India is home to three percent of the global malaria burden and more than one-fourth of the tuberculosis cases. India's spending of its GDP on health and education is a mere 1.26 and 3 percent respectively. The Economic Survey indicates high out-of-pocket expenditure (OOPE) on health contributing to India's poverty. It suggests to re-prioritise public health expenditure to reach the goal of 2.5 percent as envisaged by the National Health Policy 2017 to help reduce OOPE to 30 percent of healthcare spending as opposed to the 65 percent currently.

India's spending on healthcare is the lowest amongstst the BRICS and other developing nations (figure 3) leading to serious supply-side deficits of health facilities and professionals.

India stands lowest on density of doctors per 1,000 people at 0.8 as compared to China at 2.0. India also has a high infant mortality rate of 28.7 (per 1000 births) next to Pakistan at 56, amongst the South Asian nations. Looking at the education sector, the literacy rate for India is at 78 percent as against global average of 86 percent. It is home to 37 percent of the global total of illiterate adults in the world. As per the India Skills Report 2021, there is a decline in percentage of employability score from 46.21 in 2020 to 45.9 in 2021 owing to lack of skill sets. The pandemic has led to rise of unemployment, India having the highest unemployed people at 10.4 percent in June 2021 as compared to neighbouring Bangladesh, Sri Lanka, and, Pakistan at 4.19, 4.20, and 4.45 percent respectively. Skill training can tackle the unemployment situation, unfortunately, only two percent of our workforce has had skill training.

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Literacy is one of the most essential indicators of the quality of a country's human capital. India has made significant progress in improving literacy over the years, but it continues to be home to 313 million illiterate people; 59 percent of whom are women. According to the Household Social Consumption—Education data, there is a stark urban-rural divide, with 57.5 percent having completed secondary education in urban areas as compared to 30.6 percent in rural areas. The percentage having completed higher level of education ranges from 5.7 in rural to 21.7 percent in urban areas. Even though the gender gap in literacy rate in India has declined, a 16.9 percent gap still exists amongst males and females.

The pandemic has created further challenges to the education system with closure of schools and use of digital technology in education. It has deepened the digital education divide due to regional and household disparity in access to smart phones and internet. Less than 15 percent rural Indian households have internet access as opposed to 42 percent of their urban counterparts. According to the annual status of education report (rural) 2021, only 18 percent of the rural children attend online classes. Even though 90 percent of the households have mobile phones, only 62 percent have a smart phone mostly with the head of the household, thus, limiting access for educational purposes.

The gaps in the expenditure on social infrastructure like health and education are evident. The Government of India has been announcing various schemes/initiatives to strengthen human capital—Ayushman Bharat Yojana, National Education Policy, Atmanirbhar Bharat Yojana, Samagra Shiksha, and the Urban Learning Internship Programme. There is a need to strengthen the delivery mechanisms of the government initiatives to ensure transparency and accountability. Protecting and investing in people's health, education, and skilling is vital for reducing income inequality, and sustained inclusive economic growth. A strong social infrastructure is also the key to achieving the Sustainable Development Goals. Thus, to reap the benefits of the demographic dividend, proper investments in building the human capital of next generation citizens is the need of the hour.

Region: Asia ^[3]

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