

## **Human Capital, Economic Growth and Wages in India: An Interrelationship**

**Kuldip Kaur\***

*There is a broad consensus in the academic literature that human capital is an important determinant of productivity and other economic outcomes, both at the individual and at the aggregate level and that its role is particularly crucial in today's knowledge driven economy in bringing change in technology and diffusion of technology. Human capital is broad and multifaceted concept encompassing types of investment in health and education of the people. In this context the study aims at examining the impact of different levels of education on the economic growth of 17 major states of India for the period 1999-00. At the level of the industry, it is likely that educated workers are likely to reap more financial benefits than the uneducated. So an attempt has also been done to test the relationship between wages of the workers and their education levels in major industry groups of India.*

### **I Introduction**

Investment in people is essential for growth and for policy of social cohesion. There is broad consensus in literature that human capital is an important determinant of productivity and other economic outcomes, both at the individual and at the aggregate level and that its role is particularly crucial in today's knowledge driven economy. It plays a key role in fostering technological change and diffusion of technology. It was the contribution of Schultz (1961) who coined the term human capital which focused on the fact that labour itself performed not one but two functions. One of these provided the usually recognized role of supplying physical labour. But with the progress of knowledge, it is the second role of labour which has come to occupy a dominant position namely that of helping the process of production and enhancing its productivity through application of knowledge and skills to the process of production. In fact, bringing about advances in technology itself requires application of knowledge for purposes of research and development.

Human capital is a composite concept that encompasses, interalia, educational attainment and health status of workers, yet in the literature,

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\* Reader, Punjab School of Economics, Guru Nanak Dev University, Amritsar 143 005.