

Exploring Earnings and Education Disparities in India across Region, Caste, Religion and English Language Ability

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The present paper estimates the extent of disparity in earnings across location, caste, religious and English language ability groups. Using IHDS-2005 data, gross private returns to education are estimated by applying Heckman selection model. Results confirm that returns to education increase with level of education across various groups. Both gross (and net) returns to elementary education are low across different groups, indicating low quality of basic schooling. Returns to higher education vary ranging from -29.10 per cent (-26.9 per cent net returns) among the Dalit-Adivasi workers with the highest returns of 38.2 per cent (34.08 per cent net returns) among fluent English ability group. This is in contrast to Duraisamy (2002) reporting the highest returns to secondary education between 1983 and 1993-1994. In a decade's time, with transformations in the economy and in labour market, higher education especially with English language ability brings in highest returns. Discrimination of caste and minorities influencing earnings is dominant in urban than in rural areas.

I Background

Human capital is embodied in human beings in the form of skill and knowledge, and fosters productivity of an individual. This capital is in substantial part a product of thoughtful investment though much of it is called consumption. Direct expenditures on education, health and internal migration take advantage of better opportunities. Schultz (1961) describes five ways through which investment in human capital lead to higher productivity, viz., health facilities and services which improve life expectancy at birth; on-the-job training; formal education; study programmes for adults such as extension programmes; and migration of individuals and families to adjust to changing job opportunities.

Becker (1975) in his seminal work, provided with empirical analysis of human capital formation in a demand-supply framework with special reference

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