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Outsourcing to an Educated India

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The purpose of this study is to investigate why US companies outsource business opportunities to India. Every decision to outsource industry results in a significant job loss experienced in the United States; an example of this can be found in Detroit, Michigan with the loss of automobile manufacturing. This study compares the educational systems in both India and the United States and investigates whether cheap uneducated labor plays the driving role in the business decision to outsource in India. The findings show that the development of higher education is the primary reason companies seek business ventures and uneducated cheap labor is a complement.

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St. John Fisher College

Outsourcing to an Educated India

A Master’s Thesis submitted to

The Faculty of the Master of Science in International Studies Program

In Candidacy for the Degree of

Master of Science in International Studies

By

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April 2009
Abstract

The purpose of this study is to investigate why US companies outsource business opportunities to India. Every decision to outsource industry results in a significant job loss experienced in the United States; an example of this can be found in Detroit, Michigan with the loss of automobile manufacturing. This study compares the educational systems in both India and the United States and investigates whether cheap uneducated labor plays the driving role in the business decision to outsource in India. The findings show that the development of higher education is the primary reason companies seek business ventures and uneducated cheap labor is a complement.
Table of Contents

1. Introduction 1
2. Educational Structure 3
3. Educational Development Programs 9
4. Higher Education 16
5. Educational Challenges 20
6. Conclusion 27

Bibliography 31
I. Introduction

A day does not pass without a newspaper report citing another company that has started outsourcing technology or other business processes to India. The front page of the *NY Times* on April 6th, 2009 stated “Xerox increases outsourcing to India.”¹ This refers to Xerox paying $100 million over six years to outsource data-center services to HCL Technologies, one of India’s largest technology service providers. This endeavor will lead to significant job loss and continue the negative impact of Rochester job cuts; Xerox cut about 3,000 jobs in Rochester, NY last year.

EXEL Logistics announced in the middle of March their company vision of moving manufacturing, warehousing and contract logistic projects to India. In the past year they have consolidated current contracts with some of their major clients such as Toyota, DELL, IBM & SCM and moved them to India.² This consolidation caused over 2,000 jobs to be lost in the United States and an additional 2,000 contract workers to lose their jobs as well.

The corporate decisions of these two companies have resulted in US job losses and current projects will continue to push American jobs to India for both Xerox and EXEL. The basic idea is simple: go to India to save money. But is it the uneducated or the educated labor driving this trend? The United States government does not keep track of how many American jobs have gone overseas, but there are estimates that in just the last three years, as many as 900,000 jobs have gone to places like China, Russia, and India.

For many Americans the visual thought of India is one filled with poverty, disease and chaos. India has the second largest population in the world and along with it the highest illiteracy rate in the world. Most people see Indian educational levels as extremely low as compared with the United States; however, the findings within this paper indicate otherwise. India does have a lot of educational challenges, but it has made drastic improvements since the 1950s and graduates over a million college students each year. These graduates have a comparable education to United States college grads.

The United States in the 1970s & 1980s was booming with American manufacturing. General Motors was the largest employer in the United States with an average pay rate in the $20/hour range including benefits. Today, Walmart is the largest employer in the United States with an average pay rate around $8 and that does not include any type of benefit plan. This transition and the loss of American manufacturing to countries with cheap labor such as Mexico, China and India have created a branded picture for many Americans of globalization and outsourcing. The truth is today globalization is a lot more complex than years ago with increased opportunities due to technological advancements. Outsourcing is no longer just unskilled labor but could include anything from customer service to legal consultation.

This paper will analyze the educational structure, development programs, higher educational opportunities and educational challenges in India along with assessing their impact on a new business endeavor in India. Through this analysis I will conclude that the development of higher education is the primary reason that companies seek business ventures in India.
II. Educational Structure

The educational system in India has a parallel structure to the United States. An example of this can be seen with a five year old child. In the United States at the age of 5 the child would be getting ready to enroll in a kindergarten program, while in India the child would be enrolled in a Pre-Primary Class. The learning objectives for both kindergarten and pre-primary are centered on pre-writing, pre-reading and listening activities. While the classification of the names may appear different the learning standards are essentially the same. This holds true throughout the educational process of both countries. A typical American student would go from elementary school to middle school to junior high and finally graduate from high school. A typical Indian student would go from primary school for the first 8 years and then move on to secondary school for the final four. The learning expectations of an average student throughout their educational path in India are equivalent to the American students. Whether you’re graduating form an American High School or an Indian Secondary School both countries refer to this final year as 12th grade with an average graduation age of 18 years old.3 The expectation for graduation is that the students have obtained the knowledge, skills and abilities to enable them to continue on to a higher level education setting. Each of the countries offer opportunities for continued higher education at the College level containing both the undergraduate and graduate levels. The only differentiating piece within the basic structure is the grouping and definitions applied to the grade levels; the

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learning objectives are consistently the same from the beginning of the educational process to the graduation at 18 years.

The educational structure is a blue print for a national standard. However the reality for both the United States and India is a lack of consistency when discussing national standards. A strong example of this is the graduation rate at the secondary level in both countries. The graduation rate in the United States has improved in the last three decades. With the world’s largest population and a large struggling geographic lower class area India is averaging a 50% graduation rate.\(^4\) While it is easy to assess that the United States may appear more educated in actuality India has a similar educated population. However, India’s percentage is lower due to a high population of the economically lower class. When discussing education and success, it is apparent that one needs to define which geographic area is being referenced because the discrepancies can be significant. A general statement that the United States has better education is dependent upon which specific State and district is being discussed. An internationally recognized metric used to measure educational success in a geographic area is the drop out rate. For example, in the United States there is a geographic discrepancy between the drop out rate of 50% in Las Vegas compared to 10% in New York City. While New York City has one of the lowest drop out rates in the country, within this high level metric there are areas such as Brooklyn whose drop out rate can range up to 40%.\(^5\) This same example holds true to India where the drop out rate in the city of Maharashtra is 15% as compared to 50% in the city of Jharkhand. This example shows that rationalizing a countries education based upon a high level metric can lead to miss information. There is so much

\(^4\) Ibid., pp. 112-120.
\(^5\) Ibid., pp. 130-135.
geographic discrepancy with education across both countries it is necessary to fully research a specific area before an assessment can be made.

The role and quantity of teachers is an important piece to the educational structure of a country. While both the United States and India have made significant improvements towards increasing the enrollment rates the pupils per teacher rate has been a continual challenge in both countries. This is another example of geographic inconsistencies across both countries. In the United States the pupils per teacher rate is averaged around 32 to 1, while in the inner cities it’s averaged around 44 to 1. The same principle holds true in India where the average rate is 42 to 1. The big difference is the United States inner city average compared to struggling areas in India such as Bihar where the average rate is centered on 84 to 1. Both countries are experiencing the same geographic inconsistencies; however in India the geographic areas that contain a lower class are taken to an extreme. This lower class Indian extreme can be seen with the role of the teacher within these class rooms. In India the teachers within these lower class geographic areas take on a lot more roles and responsibilities than their middle to upper middle class counterparts. These teachers are often juggling one to five class rooms with no teacher’s aides or outside support. The needs of special educational students are not addressed, and, as a result most drop out after two years of education. The working conditions for these teachers is often viewed as barbaric and filled with limited class room resources. Any budget for a lower class school is allocated to pay the teachers salary leaving on average less than 1% to fill the class room with supplies. There are no job requirements for teachers in lower class areas; there is a never ending need as a result

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of a high turnover rate. The working conditions, number of students and lack of resources are the driving factors that cause an inexperienced teacher to become stressed.\(^7\) While the United States experiences a similar problem in inner cities, the role and working conditions are not as extreme. Even in economically challenged areas in the United States the teachers are required to have met specific standards before being hired. Another example of a major problem for an Indian teacher in an economically lower class area is often dealing with road conditions to travel to and from school. A lot of roads around these schools are not paved or have seen little maintenance over the years. This has caused a high teacher and student absence rate within these lower class school systems.

In any educational structure the teacher is the primary communicator of information to the students and it is imperative that they are well educated and the right fit for the school.

The educational structure in India is similar to the United States. Both have a series of educational governing bodies to ensure recognized standards are met before graduation occurs. The Central Board of Secondary Education (CBSE) is the main governing board of education in India. The Council of Indian School Certificate Examination (CISCE) is a board for Anglo-Indian Studies in India. It conducts two examinations: for the 'Indian Certificate of Secondary Education' and the 'Indian School Certificate'. The Indian Certificate of Secondary Education exam is a K-10 examination for those Indian students who have just completed grade 10, and the Indian School Certificate exam is a K-12 public examination conducted for those studying in grade 12. Apart from CBSE and CISCE each state in India has its own State Board of Education.

which looks after the educational issues. The National Open School also known as National Institute of Open Schooling was established by the Government of India in 1989. It is a ray of hope for those students who cannot attend formal schools. The International School controls the schools which are accredited for a curriculum of international standard. The concept of educational governing bodies is the same principle used in the United States. The use of governing bodies creates a defined educational standard that can be measured and increases the value of graduating. A measured form of education can continually be improved upon and controlled through the governing bodies. While the governing bodies between the United States and India may be different, the basic process is similar enough to determine that both have credibility. Graduation from a University in India or the United States should be recognized regardless of which country the graduation occurred because both programs were clearly defined and measured.

When looking at the educational structure of the United States and India, it is safe to say they are similar and both countries have a structured system for educating their children. The learning objectives for a 5 year old child until graduating at 18 are the same throughout an educational path in India or the United States. In both countries the opportunity for further education exists. The struggles and challenges of teachers in geographically lower class areas are similar. However, the Indian teachers see it at a more extreme level. India’s educational system is governed through regulating bodies ensuring recognized standards are met before graduation is allowed. The biggest finding in comparing educational structures of the United States and India is the geographic lower

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class educational systems of India are not just bad, but extremely disastrous in terms of drop out rate, absenteeism, pupils per teacher rate and class resources. If the biggest distinctions between educational structures lie in an extremely worse lower class educational system in India, how does this fact play into a business decision to relocate a company to India?

Low wages for uneducated workers offer no competitive advantage for a business to move. A general assumption is often made that lower class individuals will work for lower wages and India has a recognized large pool of this lower class. The problem is that any new business start up contains a high level of risk for failure within the first three years and a geographic area containing uneducated people will increase the risk for failure. The new business start up risk and the lack of talented people within a geographic area would not be reason enough to move. While the initial labor cost may be significantly cheaper, the training and maintaining of these uneducated lower class workers adds a lot of extra costs that often get overlooked.

A geographic area with uneducated people has limited supporting businesses to sustain a new industry within the area. An example of this can be seen if National car rental wanted to set up new business in an economically poor area of India. The economically poor area does not contain the necessary supporting businesses that are vital to the success of a car rental start up such as car dealerships, mechanics and insurance companies. Even if the new business venture is self sustaining such as an IT call center, problems still exist. There is a basic knowledge level that is needed to perform most jobs. On the job training does not mend years of unsatisfactory education. If a company does take the risk within one of these economically lower class areas, it is
importing managers from the United States at a high cost. If a manager from the United States gets sick or injured, he or she will need access to doctors and hospitals. The manager will have to adapt to a new culture and live within areas filled with possible random religious violence. There is no cost advantage to setting up a business in an economically poor area that has no development plans or expected growth.

III. Educational Development Programs

India’s educational development has made tremendous strides but because of the extremes of the geographic lower class there is still a lot of room for improvement. There have been many different development programs enacted to improve basic reading and writing skills. The success of these programs can easily be seen with the significant improvement in the literacy rate from 18% in 1951 to 65% in 2001. It’s hard to get excited over such a dramatic gain because one third of the population over 7 years old (over 300 million) are illiterate. There are over 42 million children in India between the ages of 6 and 14 that have never stepped foot in a school. While the numbers may appear overwhelming, the Indian government has made a commitment to enact programs to work on it along with receiving support from UNICEF.⁹

An example of the Indian government taking an aggressive approach at improvement can be seen in the Constitution of India; elementary education was made a fundamental right of children between the ages of 6-14 years. The Indian government since the 1980s has made basic education a priority throughout the country. In order to do

this, government spending on education was focused on increasing availability and student access to primary schools. The success is evident in the amount of primary schools that can be found in India. India has 688,000 primary schools and 110,000 secondary schools. According to statistics two thirds of children are enrolled in primary schools, but the figures are deceptive because many do not attend schools regularly. This is due to transportation issues as well as lack of support from economically poor families who do not see value in education.\textsuperscript{10} Half of all students from rural and tribal areas who begin their education drop out prior to the completion of their primary education.

Every educational study, whether independent or government based, has met challenges collecting statistics due to poor record keeping in economically lower class areas. The Indian government acknowledges problems with data collection but the process has been consistent so routine measurements can be assessed. The government has rolled out many plans to increase the percentage of elementary education. The development plans include: Sarva Siksha Abhiyan (SSA), District Primary Education Program (DPEP), Operation Blackboard and National Bal Bhavan program. These plans have been successful to a great extent with increasing student enrollment and the number of primary schools.

The Sarva Siksha Abhiyan (SSA) development program is focused on children of 6-11 years of age completing primary education by the year 2007 and all children of 6-14 years of age completing eight years of schooling by 2010. This plan covers the whole country with special emphasis on female education and education of

\textsuperscript{10} Ibid., pp. 60-75.
Schedule Caste (SC) and Schedule Tribe (ST) children and children with special needs.\textsuperscript{11} The SSA centers are mainly opened in the areas which have no current specialized programs or in areas that lack any primary schools. Within this program it offers specialized courses specifically reaching out to girls who are often a minority in many primary schools across India. This development program addresses the major issue of the lack of education within the age of group of 6-14 years old and puts a measurable goal around it. In addition to promoting education this development program reaches out to children with special needs and young girls. These two groups had previously been overlooked, and as a result were associated with a high drop out rate after two years.

The District Primary Education development program was launched in 1994 with the objective of universalization of primary education. Its main features are Universal Access, Universal Retention and Universal Achievement. It aims to insure that the primary education is accessible to each and every child of school going age, and to insure that once a child is enrolled in school, he/she is retained there. The final step is achieving a national goal of having each individual child having access to a school, staying in school and finally reaching their full educational potential. The main features of this program are construction of new class rooms, opening of non-formal schooling centers, setting up early childhood education centers, scheduling of teachers and providing education to the disabled children. The program has been successful. For example, 160,000 new schools and 84,000 alternative schools have been opened under this program. Since this program was enacted, there has been the construction of new 52,758 new schools. Over four million disabled students have been successfully enrolled into the

\textsuperscript{11} Ibid., pp. 78-81.
This development program has made tremendous strides in cutting down the obstacles that prevented children from going to school. For many children the idea of going to school is not a reality because there is no school to attend. Special needs children who often drop out after the first year are now being retained because their needs are now being met. Until these types of programs became established the disabled were rarely seen in schools especially in the economic lower levels, because the priority was basic education that did not include meeting any type of special needs requirement.

Operation Blackboard was started in 1987-88. The focus of this program was to improve human and physical resource availability in primary schools of India. According to this program every primary school should have at least two rooms, two teachers and essential teaching aids, for example a blackboard, chalk and erasers. This program has been viewed as successful even though no specific metrics have been notated to showcase improvements as compared to other development programs. However this program while lacking statistical data was consistently given credit for significant improvement by members of the educational governing bodies.

The National Bal Bhavan program was started with the aim of developing overall personalities of children regardless of their caste, creed, religion and gender. It supplements school education by helping children learn in a natural environment with emphasis on equality. The teaching takes place within a classroom led by a non biased specialist. Traditionally in India parental beliefs passed down to their children often contain negative judgments towards other classes, religions, races and even gender.  

12 "Kapila, Uma.," p. 22.
Historically there has been a vicious circle of cultural prejudices that get passed down. An example of the hatred and separation can be seen with all the serious acts of random violence that take place throughout India. The primary explanations used by the government of India to explain these sporadic violent outbreaks are: historical anger, political activities and differing religious beliefs. The National Bal Bhavan is taking tremendous steps in addressing issues that have historically plagued India. By educating children on equality this will knock down the walls of separation and lead to culture improvements for future generations in India.

UNICEF India has made its commitment to ensuring quality education and has assisted the Government of India’s development programs and has created their own to increase education. A strong example of UNICEF India’s cooperation with governmental development programs can be seen with their allocation of resources to support the Sarva Shiksha Abhiyan (SSA). One UNICEF development program is the “Quality Package”. The idea behind this program is to put a quality educational system in place that is both standardized and contains measurable goals. The need for the quality programs is the result of the poor working and learning conditions of the economically poor primary and secondary schools. The District Information System in Education (DISE), a UNICEF-supported initiative, was established as the official computerized database for monitoring key education indicators (gross/net enrolment, school infrastructure, teachers), covering 539 districts across India in 2005.\(^\text{14}\) The reason for the DISE system was to hold districts accountable that were economically disadvantaged and receiving government funds. The goal for the DISE is to track improvement. Another development program UNICEF

\(^\text{14}\) Ibid., 133-139.
India is working on involves collaboration with the Education Department of the Government of Gujarat. UNICEF has launched a Life Skills program in three districts of Gujarat, covering about 147 schools. A total number of 243 teachers have been trained. The four day training program equips the teachers with basic skills of self awareness, empathy, problem solving, decision making, effective communication, interpersonal relations, creative thinking, critical thinking, coping with emotions and coping with stress. The teachers are trained with the intent that they will internalize these skills and go back to the classrooms and put them into use in order to broaden the students’ education. This initiative is a pilot program targeted towards the un-experienced teachers to see if giving them basic teaching skills will cut down on turnover and increase the quality of education in the economically poor areas. This workshop pilot has already kick-started the process of turning class rooms into child friendly spaces, with no barriers between teachers and students. UNICEF has been a great resource with helping India to bridge the gap between the educated and uneducated.

The educational development programs in India have been successful in defining failure points within the educational system. There has been an enormous amount of success with these development initiatives in creating programs that address each failure point. In summary these programs have helped increase the level of education and provided new educational opportunities for many children that have been previously overlooked. Since 1951 there has been a positive trend of children receiving quality education. These new development programs since 1985 have been the catalyst for recent considerable improvement. With a large geographic lower class that holds the highest illiteracy rate in the world India still has a lot of work ahead. The government of India
has taken ownership of education and continues to stress the importance of developmental programs going forward and this belief is the reason why India has a positive educational trend.

How do these developmental programs translate to a business looking to relocate to India? These programs that have focused on education have been successful. From a business perspective these findings indicate a future opportunity dependent upon where the most programs are being implemented. The investments from the Indian government and UNICEF are indicators that the education level and quality of life will improve. It is up to the businesses to find the geographic locations that will have the best future outlook. These geographic locations will have individuals that have received to some degree a basic education. The increase in programs and education will result in continued foreign investment overall improving the economic conditions of the area.

A potential business investor searching for a new opportunity in India, such as Applebee’s looking to break into a new industry such as a national restaurant chain, will have to account for development programs. Applebee’s, to be successful, will need to do research into what geographic areas are being invested in with development programs by the government and UNICEF. An economically poor area could mean future dollars if the area is being developed. A developing area will have a low cost of entry and offer the potential for future gains based on businesses and Indians with money to spend. An economically poor area that contains no development programs and a forecasted future of no funding would be a poor investment. While the cost to enter this market might be low, the risk for success is not worth it, because there will be few who are sufficiently financially stable to support the business. In summary, if Applebee’s was ever serious
about investing in India, it would need to find an economically thriving area or a
developing area that offers future money. An economically poor area with no
development programs should be overlooked until investment is made from within India.
A sensitive business plan would also include an understanding of the religious and
cultural values of the countries perspective customers.

IV. Higher Education

Higher Education in India is one of the most developed in the entire world. The
United States is currently working with India to promote cross educational opportunities
for both Indian and American students to study abroad. There has been considerable
improvement in the higher education of India in both quantitative and qualitative terms.
In technical education, the Indian Institute of Technology (ITT), and, in management, the
Indian Institute of Management (IIMs), are world renown. Their names are among the top
higher educational institutes of the world. Additionally Jawaharlal University and Delhi
University are regarded as excellent higher educational institutes for doing postgraduates
programs. These two Universities are world known for their research programs in the
fields of science, humanities and social sciences. As a result, students from various parts
of the world are choosing to study in India.

Higher education in India starts after graduation from a Secondary school. On
average it takes 3 years for completing a B.A. or B.S. degree from a college in India,
pursuing an engineering degree would take four years. It would take five years (with six
months of additional compulsory internship) for completing a bachelor of medicine or
bachelor of law degree. Postgraduate courses generally are of two years duration. But
there are some courses like Master of Computer Application (MCA) that are of three
years duration. Those who cannot afford to attend regular classes, for various reasons, can pursue correspondence courses from various Open Universities and distance learning institutes in India. These alternatives are helping to make higher education a reality for many who cannot afford it. In India financial aid for higher education is not a norm, the total cost is absorbed by the student and support is usually given by the family. Higher education is not a reality for almost all economically disadvantaged students. This is a reason why so many economically poor students who are being successful in the classroom end up dropping out of school. The cost of higher education is another reason for the negative feelings between the economic classes.

Universities and Colleges are the main institutes of higher education in India. There are presently 227 government-recognized Universities in India: 20 Central Universities, 109 Private Universities, 11 Open Universities, and the rest State Universities. Most of these universities in India have affiliating colleges where undergraduate courses are being taught. Apart from these higher education institutes there are several private institutes in India that offer various professional courses in India. According to the Government Department of Higher Education, there are 16,885 colleges, 99.54 lakh students and 4.57 lakh teachers in various higher education institutes in India. The funding for higher education from the Central Government and the State accounts for only 30% of the amount needed to run the institutes. The majority of funding comes from the individual households. While the opportunities exist the cost associated

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16 Ibid., pp 27-34. Jawaharall University is a notable exception.
17 Ibid., pp 50-55. The operational definition for a lakh is a unit in the Indian numbering system equaling 100,000 and is commonly used by the Department of higher Education when reporting.
with attending is overwhelming for most. Currently only 25% graduating secondary school go on to pursue higher education opportunities.\textsuperscript{18}

One of the key players of the Higher Education System in India is the University Grant Commission of India. This is the only grant giving agency in the country and also responsible for coordinating, determining and maintaining the standards in institutions of higher education.\textsuperscript{19} Apart from the UGC there are various professional councils that are responsible for recognizing courses, promoting professional institutes and providing grants to undergraduate programs. The professional councils of India are made up of the following: All India Council for Technical Education (AICTE), Distance Education Council (DEC), Indian Council for Agriculture Research (ICAR), Bar Council of India (BCI), National Council for Teacher Education (NCTE) Rehabilitation Council of India (RCI), Medical Council of India (MCI), Pharmacy Council of India (PCI), Indian Nursing Council (INC), Dentist Council of India (DCI), Central Council of Homeopathy (CCH) and the Central Council of Indian Medicine (CCIM).\textsuperscript{20} The diversity of these councils shows quality standards throughout many industries and reflects highly skilled graduates capable of growing various industries.

The United States Educational Foundation in India promotes educational opportunities for both American and Indian students to study abroad. There are many Indian and United States institutions involved with this program. The United States has enough confidence in the higher educational institutions in India to develop this learning opportunity which is mutually beneficial to both countries. Some examples of American

\textsuperscript{19} Ibid., pp. 198-212.
\textsuperscript{20} Ibid., pp. 234-244.
Colleges involved with this foundation include Colgate, Harvard and Princeton. This clearly shows that if American Ivy League schools are encouraging participation to complement learning the quality of education must be at least parallel or affiliation would not exist.

In conclusion, today India is one of the fastest developing countries of the world with an annual growth rate ranging above 9%. To sustain that rate of growth, there needs to be an increase in the number of institutes and continued focus on the quality of higher education throughout India. Some current actions going forward according to the Prime Minister of India have been the announcement of eight new Indian Institute of Technologies, seven Indian Institutes of Management (IIMs) and five new Indian Institutes of Science, Education and Research (IISERs) and thirty new Central Universities. This was made public in his speech to the nation on the 60th Independence Day. The cost for education during the 11th Five Year Plan, which runs from 2007-08 to 2012-13, represents a four-fold increase over the previous plan and stands at Rs 2500 billion. The Indian government has recognized the need to increase spending on education and is taking measures to improve governmental support.

What value does India’s higher education offer businesses in the United States? Any business looking to invest doing a startup in a new country must look at the supporting resources. Who is ultimately going to run the business and support it at the local level? It is fine if the corporate office is geographically located in the United States but it’s cost effective to use local resources for management. Exporting managers usually involves a lengthy transition based on differing cultures, environment, religions and

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languages. The cost of exporting managers is high along with turnover. Managers from the United States experience problems with motivating, training and retaining workers. It is extremely vital begin a new business in a geographic location that will have skilled labor to run the business. There will be training and support from the United States corporate level but the final success of the startup will be dependent upon the initial skilled labor hired. The longevity will be dependent upon access to skilled resources outside the four business walls for support; an example of this is professionals such as doctors, engineers and lawyers. Local access to these educated professionals is often needed; for example if a building is going to be rebuilt based upon growth an architect would be brought in along with an engineering team. The bottom line for any company looking to do business in India is: yes, there are highly educated individuals graduating from institutions all over India.

The current Informational Technology industry has shifted to India as a result of a highly educated work force that is able to work for less than their American counterparts. These jobs take place in the form of call centers that feature customer service, help desk, credit processing, debt collection, tax preparation, sales and accounting. The list continues to grow with businesses taking advantage of the cost advantages of using Indian employees. Formerly businesses would heavily recruit American college graduates for these jobs to gain experience and grow within the business but globalization has made the Indian graduates a competitor for the American students.
V. Educational Challenges

Despite all the educational improvements made since 1950, there are millions of children who do not have access to education and will never experience the benefits it brings. There are 268 million illiterate people in India, unable to read, write or make a reasonable decision. Women receive on average only 1.8 years of schooling in India. In 75 percent of schools there is only one teacher for several classes.\(^\text{22}\) With the many positive trends and development programs how can these statistics published by the Indian Central government be correct and so extreme?

I began to understand the situation more fully when I read an interview between a government employee and a teacher. The government employee supported the Sarva Shiksha Abhiyan (SSA) initiative; the teacher was a primary education teacher from an economically challenged area called Mewat, Haryana. The teacher hid her face and would only go by her first name of Shashibala for fear of local violence against her. The teacher described her school as non-formal and containing only one classroom. She stated her current school has less than 1 percent to spend on class room materials, supplies and resources. The school’s budget pays the teachers salary; Shashibala stated that she feels guilty being paid, but her salary is just enough for her to pay the bills. Her classroom is described as dark, cold, dusty and having a barbaric look. Shashibala believes parents do not send their children to school past the primary level because they do not believe in secondary education, especially for girls. The government employee stopped Shashibala and stated that a number of efforts have been made by the government and non-government organizations to improve the district’s education. He then mentioned there

\(^{22}\) “Prasad, V.S” pp 58-59.
are 622 primary schools in the districts, and only 159 available schools for the secondary level. This recognized gap between primary and secondary availability hurts Mewat’s chances for future success in education. Such distorted statistics not only plague Mewat but are a consistent problem across the country. While the government employee conducting the interview is pictured next to a colorful banner promoting the Sarva Shiksha Abhiyan (SSA) initiative, unfortunately the promotion of universal primary education may be hurting secondary education and the development of a complete learning process. Because of the high number of primary schools and a lack of sufficient secondary schools, it gives the impression secondary schooling is not important. If a child is successful at the primary level the opportunity for continued education may not be a reality because a secondary school may not be found for miles around. While primary education teaches students the fundamental skills, these are not advanced enough to compete in a global environment such as India.

The Ministry of Human Resource Development’s Department of School Education and Literacy indicates that as many as two-thirds of those eligible for secondary education do not have access to a school. There was however, an adequate number of primary schools within these same areas. Although proximity was not an issue for primary schools, it became an issue for secondary schools. They were neither close by or easily accessible. As a result families within neighborhoods in outlying areas had a negative view towards secondary education. Their findings continually showed no problem in terms of primary schools with proximity of school to neighborhoods.

However, the secondary schools were very spread out and the lack of transportation made access to these schools impossible for most families; as a result, the families within neighborhoods in the outlying areas had a negative view of secondary education.\textsuperscript{24} The reason the primary schools had “no failure points” throughout the study was the large concentration of primary schools. “A failure point” was described as a distance too far for a child to travel. The ministry study highlighted the enrolment rate for elementary education in 2003-2004 being 85 percent, but for secondary education the enrolment rate was 39 percent. A root cause was not given, but it could be assessed that the decreased rate was derived by the decrease in school availability at the secondary level. This reemphasizes the need for a shift in educational focus by the government to be centered on a complete learning process from K-12.

India has had to make improvements in the development of secondary education. This can be seen in a report published by the Central Advisory Board of Education (CABE) committee. The report which was submitted to Arjun Singh, Union Minister of Human Resource Development, recommends measures to achieve universal secondary education by 2020, while pointing out the roadblocks on the way. The central government constituted CABE in July 2004.\textsuperscript{25} The report explains that primary education was a great starting point but with a global economy basic education of only 8 years of schooling does not prepare a child for a career. The report goes on to detail that secondary education is the catalyst for increasing higher education. The goal for India

\textsuperscript{24} Ibid., pp. 166-177.

should be focused on higher education and in order to achieve this expectation, 12 years of school is a necessity and not 8 years. The report is centered on establishing a new goal that will lead to more opportunities in the long run. The report concludes that without improving secondary education there can be no expectation of seeing a spike in the level of higher education. This report was the first time the government was forced to address the need for a complete learning process. The report’s emphasis on a coherent relationship between primary education and secondary education is key to understanding how more students can advance to a higher level of education.

It is evident that those who are left out of secondary education are more often than not from the lower class. These lower class geographic areas are focused on improving primary education. In a paper published in the Economic and Political Weekly in May 2005, political economist Manabi Majumdar shows how secondary education in India remains "highly selective based on her study of secondary education in Andhra Pradesh, Kerala, Maharashtra and Tamil Nadu. She writes, "…while the average level of high school completion is itself low in the state of Andhra Pradesh, some people suffer much more than others in this respect, on account of belonging to the 'wrong' caste, class, gender or location. Only 1 percent of rural women have finished high school in the state. Indeed, disparities in secondary participation between the haves and the have nots and between villagers and city dwellers appear so wide that they suggest the existence of two practically incomparable worlds of education in the same state." This statement is extremely relevant because even in a state with excellent development programs such as Kerala, two clear issues around secondary education exist and highlight these two distinct
worlds. The first issue is the access of secondary schools. Kerala is recognized as one of the top states in terms of availability of secondary schools, but ease of access in geographic lower class areas and rural tribal areas is sporadic. The distance for a child to walk to get to a secondary school in some economically lower class areas would take hours. Then is an expectation of the return walk home. The second issue is centered on quality. The secondary schools for the upper middle class and above do not face the same issues as the poor or lower class schools. Lower class secondary schools are constantly facing a struggle to fill a teacher's spot, many teachers quit because of overcrowded class rooms, lack of support and inadequate resources. There are two worlds, the haves and the have nots. However you define it, the quantity and quality are two key variables that widen the gap of secondary education from upper middle class to lower class.

Who is funding secondary education? The CABE report says that almost 25 percent of the secondary schools today are private, unaided schools whose clientele comes only from the privileged sections of society. Private education has always played an important role in India. There are different kinds of private secondary schools and are classified according to their source of funding. In Kerala and West Bengal, it's common to see private aided schools, which are schools run by private managements that receive government grants. Going by the Sixth All India Survey Data, the CABE report notes that private aided schools account for over 46 percent of all secondary school students. The CABE findings show that the educational differences are extreme between the privileged students and the economically deprived schools. There is a tremendous amount of

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resentment, jealousy and hatred from the lower class toward the privileged. This attitude is often passed down from parents to children and as a result any type of school issue, often distance or lack of resources, results in a parent’s quick decision to pull the child from the secondary school. Secondary education is not viewed by lower class parents as an opportunity for future advancement or a motivating tool for future achievement but scene as a waste of time. The basic thought among the lower class is: who cares about secondary education because the rich will not let you advance anyway so why waste your time. There are 13 million working children across India whose lives were scripted the moment they were born. These children will never have the opportunity for a better life or the ability to compete in a highly competitive global environment. This is because of a lack of secondary education.

When analyzing the educational challenges of a country with the world’s highest illiteracy rate it’s not hard to point out the negatives. The educational challenges show a dark picture of the basic learning process that is being evaluated. India has made educational advances, but needs to shift focus onto secondary education in order to achieve higher educational goals. India needs to repair the gap between the two distinct worlds of the haves and the have-nots. In order to do this India must address the quantity and quality issues of secondary education for the lower class. I believe India recognizes their weaknesses and is taking small steps in the right direction. India’s large population intensifies these issues.

What opportunities do educational challenges bring to a United States business looking at India as a potential business opportunity? The key finding here is the
VI. Conclusion

This paper has shown the basic educational structure in India is similar to the United States with educational standards and governing bodies ensuring accountability. The developmental programs have made a tremendous impact on increasing the overall education throughout India. The higher educational opportunities are respected worldwide. The educational challenges are obvious but recognized by the Indian national government with positive action being taken to make improvements going forward. This brings us back to our primary question: are foreign companies outsourcing business opportunities in India as a result of uneducated labor or based upon the educational development of a highly skilled workforce?

American manufacturers have been globally searching for decades to find the cheapest labor wherever they could find it. It may have cost hundreds of thousands of American jobs, but it is made American products more affordable. Is not that the American dream; cheap products? Many recognized companies are creating a whole new class of jobs in India.

Big business calls it outsourcing. This is not the old economy assembly line jobs, but jobs in the new global economy, anything that involves a computer or a telephone. If
you have an issue with your credit card, you will most likely be speaking to a customer service representative who lives and works in India. This same concept holds true when you call Delta Airlines, American Express, Sprint, Citibank, EDS, Xerox HD, IBM or Hewlett Packard’s technical support number, chances are you will be talking to someone in India. While the person you are speaking to may answer the phone with a name such as Tom or Karie, the reality is they are trained to select an American name. The name selection is part of the cultural training program and is a complex process. Every call center has specific accounts tied to a geographic region. The cultural training done in each call center is specifically designed to fit each geographic region. The cultural training includes watching movies, eating food, speech therapy, environmental awareness and any other specifics that will make them an expert in that geographic area. The American businesses, especially the call centers, have similar hiring standards but the Indian training is more specific and culturally sensitive. This attention to detail has created a “best in class” mentality and established a competitive advantage with a lot of IT industries. India has made it a priority to be number one throughout the different industries. The cost of living in India is substantially less than the United States and the average wages for highly skilled jobs such as legal and medical consultation are done at a remarkably lower wage scale. These two factors make India highly lucrative to US businesses.

India takes full advantage of the new global economy, but it is a country that often looks on the edge of collapse. Many Americans view India as a visual mess especially with the recent success of the film Slum Dog Millionaire and religious violence in Mumbai. However, to many American employers, India is heaven. It has a stable
democracy, an enormous English-speaking population, and a solid education system that each year produces more than a million college graduates. These graduates are all happy to work for a fraction of the salary of their American counterparts. This is the key driver of business opportunity in India: the skilled graduates willing to work for less than their American counterparts. In today’s global economy outsourcing can mean anything from IT, Customer Service, Debt Collection, Warehousing, Strategic Consulting, Tax Preparation, Legal Consultation, Medical Contract etc. It has endless opportunity across many industries. The movement is knowledge based. These businesses may utilize the uneducated labor pool to fill jobs but the contracts and business startups are a direct result of the development and higher level of education in India. If the current trend continues in India, with emphasis on educational development, I would forecast India utilizing China by outsourcing manufacturing and unskilled labor contracts. In today’s world India has a lot of manufacturing and unskilled labor contracts. The uneducated labor pool is a nice cost savings complement to the highly educated managers running the outsourced businesses throughout India. These same managers will still get outsourced business opportunities from the United States but will look for cost savings in China for uneducated cheap labor within the next 10 years.

While the United States has experienced job losses because of outsourcing to India, the reality has created recognition of the need for increased educational development in the United States. The United States is moving in the direction of a highly skilled work force. The need for education will continue to get greater. Globalization and technology have made just about any industry possible to be outsourced. This concept is why educational goals must be made a priority by the US
government as well as the state and local levels. If the United States fails to acknowledge globalization, it could end up in a similar state that India is currently in with an extreme separation between the economic classes. The United States government needs to stress the importance of education in order to compete in a global environment. To create jobs and keep industries within the United States, it will take more than education unfortunately. With talented institutes all over the world and ease of access to these highly educated individuals it will take more than education to improve the economic condition of the United States. The United States businesses need to take an approach similar to that of India by striving to be “best in class”, “world class” and “first class.” The Indian businesses are striving to be leaders of industry and have shown they have the educated people and are building the resources such as customized cultural training, to achieve its goals. This is the reason why the IT knowledge based industry is centered in India and has no real threats of losing it.

The economic impact on India is positive by helping the country to become more developed. India needs to continue to push economic development programs to break the barriers between the classes. If India’s managers begin utilizing cheaper labor options in China it will only strengthen the separation. India has made great strides with basic primary education and needs to have the same push for a complete learning process that emphasizes higher education. The cost of higher education is something that needs to be addressed and should be looked at bundling foreign business investment with support for higher education in order to increase opportunities for future employees.
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