

# Skilling and Entrepreneurship: Re-Imagining India

Dr KP Krishnan looks at India's existing - and emerging - landscape for skills acquisition

India's greatest opportunity, and its greatest challenge, is its population. With average job creation hovering at 3-4 million for the last few years – compared to a required 10-12 million – jobless growth is a reality. Millions come into the workforce each year, but too few find work. Business managers would agree that finding individuals with the right skill sets is one of the biggest trials they face, but from a national perspective, the problem escalates many times over. A higher skilled workforce is required for greater levels of productivity, and therefore more effective utilisation of capital. In India, though, the issue extends beyond numbers and the economy with huge social and political consequences. Encouragingly, however, the government has acknowledged the depth of the problem, and is taking policy initiatives to address the issue.

Over 2012-22, India will need 100 million skilled workers - but each year, 5-7 million youngsters are entering the workforce with almost no skills or education



## THE INDIAN MARKET FOR SKILLS ACQUISITION

A 2012 Ministry of Finance study forecast that, in the decade to 2022, the incremental skilled human resource requirement in 24 sectors, accounting for ~95 per cent of GDP, would be in the range of

100 million. On the supply side, meanwhile, 54 per cent of India's population is below 35, but 47 per cent of all children drop out of school at the secondary level. This implies that 5-7 millions youngsters will enter the workforce each year with almost no education or skills. These numbers suggest that there should be a 'natural market' for skill acquisition in India, but that is in fact not the case. Like basic education, skills acquisition is what economists term a 'merit good' and not a 'public good': its consumption cannot be characterised by non-rivalry and non-excludability. The overall social benefits of skills acquisition exceed the private benefits, which leads to them being under-supplied. Consequently, the state must have a role in its provision – as it does in most countries. Yet state provision does not necessarily mean state production: while the state must fund it, the private sector can be (and in India, mainly is) responsible for its actual production and delivery.

### ***The challenging state funding and private sector execution***

The problem with this model is that, while the government is used to being a producer of services (how well or badly it does this varies by sector), it falls short in terms of the regulatory/oversight capacity needed to ensure the supply of high-quality, private-sector skills training. On paper, the National Council for Vocational Training (NCVT) is meant to regulate the sector, but it was neither designed nor has the capacity for enforcement. The



task then falls on a host of central and state Directorate Generals of Training, who themselves lack capacity to do so. Moreover, a bulk of the target population comprises poor and vulnerable people, who are prone to engaging in collusive behaviour with small, private service providers, many of whom have a decidedly short-term mindset. For instance, if 30 people sign up for a course, they might agree to split the fees paid for by the government, that the provider receives, and to not hold any classes.

## EVOLUTION OF THE INDIAN VOCATIONAL/SKILLS EDUCATION LANDSCAPE

Skills training can be either short-term (6 months or less), or long-term (1 year or more) – in which case it is referred to as vocational education training, or VET. In the 1960s, India started to focus heavily on the capital goods sector and the creation of big engineering PSUs, which gave a push to both the IITs (to meet the country's higher-end engineering needs) and the ITIs (to train factory supervisors and workers). Initially, the ITIs were almost exclusively government-run, and many were located in towns with a major PSU presence. They would have large tracts of land, well-constructed buildings, but also poor-quality labs and equipment (which became increasingly outdated with time) and critically, huge teacher vacancies. The situation in private ITIs was worse on nearly all counts, though today, of the ~14,000 NCVT-approved ITIs, roughly 84 per cent are private, with the cash-strapped state governments accounting for the remaining 16 per cent.

For a host of reasons, the vast majority of these institutions are poor in terms of outcomes; the quality of teachers is a notable cause. These are perhaps the only institutions where the trainers are formally required to have only the same qualifications

**The existing VET system has long been dysfunctional, but the Skill India Mission is looking to plug certain gaps in it**



as their students. However, there are also some outstanding private-sector institutions, such as NTTF, Don Bosco Technical Institute, and Tata Strive. One ITI in New Delhi works closely with Maruti Suzuki, producing excellent graduates, while in the financial service space, ILFS runs a centre in Okhla with 150 per cent placement rates. In all of these cases, on-the-job training is built strongly into the programme.

### **Public sector weakness overlaid by private sector apathy**

Recognising that long-term VET is often constrained by capacity issues, the government in 2007 launched a ten-year Modular Employability Scheme (MES) to meet India's more immediate skills requirements. The 2007 Budget also announced the creation of the National Skill Development Corporation (NSDC). The MES primarily focussed on short duration skills, and it spurred an entire ecosystem of private training providers, as well as assessment and certification agencies. In total, there are now over 13,000 NSDC-affiliated training agencies, and more than 3.7 million people have been trained, assessed and certified to date. In 2009-10, the Centre created a framework for Sector Skill Councils, which are industry/employer-led bodies – presently numbering over 40 – with responsibility for helping to establish curricula, source the course material, and for assessment, certification and regulatory issues.

So far, though, these councils have yielded only poor employment outcomes, with placement rates of about 24 per cent. Partly, this is because the private sector has not taken the councils very seriously, refusing – despite repeat follow-ups – to send senior managers for interaction meetings. This is in marked contrast to countries like Germany, Australia, Canada and the UK, where chambers of commerce, or craft guilds single-handedly decide on curricula and certification, and where the government's role is solely to recognise the awarding bodies, rather than delving into the content of the training itself.

### **The government's response: the Skill India Mission**

Resultantly, even leaving aside the issue of quality, India is an order of magnitude short of where it needs to be in terms of skills training even in terms of sheer numbers. In a fresh attempt to overhaul a legacy system, the Ministry of Skill Development was created in 2014, and the Skill India Mission formally launched a year later. Broadly, the Mission seeks to bridge the gap between the economy's demand for millions of skilled employees (and the supply of millions of raw workers), and the ~1.6 million that get produced by the formal VET system annually. Skill India aims to create massive short-duration skill-development capacity, including through established Government of India programmes like the PMKVY and the DDUGKY. In terms of quality and employability, it seeks to use the NSDC as an implementing agency (in place of government agencies); leverage the sector skill councils to improve employer connect; give a push to apprenticeship; and create a non-statutory regulator for quality enforcement.

### **Building bridges across skills and education**

A third, critical aim of the Mission is to overcome the fact that in India,

skill acquisition is not something aspirational. While this is the case in most other countries, here, there are serious historical and social factors that exacerbate the problem – and worse, skilled and non-skilled workers in this country tend to start at the same wage level. To get past this, the Mission seeks, at one level, to build educational mobility, which would mean, for instance, enabling a VET certificate-holder to transition into either a higher-secondary school programme, or even to work towards an engineering diploma or degree. (The initial work towards this end-goal has now begun.) At another level, it looks to raise the profile of skills training through the use of brand ambassadors, playing up events such as graduation ceremonies, and by creating global opportunities for skilled Indians. For example, India is the first country to sign a formal agreement with Japan on its Technical Intern Training Program (TITP) programme – a mechanism of international apprenticeship, but also a way of importing skilled labour into Japan. (4 ITIs are now recognised by the Japanese authorities under the TITP.) Significantly, too, the German regulators recently recognised a 3-year certificate programme by Coimbatore-based skilling centre, GDTI, as preparation for employment in Germany. 11 more such agreements are in the pipeline.

### ***Apprenticeships: a key part of the puzzle***

In the OECD countries, apprenticeships are really the backbone of skill development. From a business angle, their appeal is clear: whatever a person's qualifications, one can only truly assess a candidate on the basis of their work. Apprenticeships therefore allow firms to see people at work, decide who to employ, and let the remaining apprentices go. Equally crucially, they are an excellent way of creating a

## **M**aking skills acquisition something aspirational is a key imperative for the government today



wage premium for skills. In India, however, this is an area that sees only limited traction, mainly because employers view it as being heavily regulated – administered, as it is, by the Labour Department. Moreover, prior to 2014, the laws around apprenticeship involved tight control over the course content and structure. What has gone largely unnoticed, however, is a 2014 amendment that completely rewrote the law, removing much of the heavy-handed regulation that previously existed. Further, in 2015, the Centre launched the National Apprenticeship Promotion Scheme (NAPS), where the government co-pays 25 per cent of the monthly stipend of every apprentice hired by a private- or public sector employer. There are still relatively few takers of the NAPS, but the programme can succeed with greater employer connect.

### **THE NEED FOR A MANY HEADED HYDRA**

#### ***Sorting distribution...***

Ramping up vocational training will remain a big part of the government agenda. However, this is much more than just a 'numbers game', especially given the huge difficulties with the distribution of VET capacities in terms of disciplines. Currently, for instance, a disproportionate number of electricians are being produced, mainly because the capital investment required is

low – and not because the market requires these skills on such scale. Geographically, too, distributions are skewed: Jaipur, for instance, has the highest concentration of ITIs per square kilometre, mostly because the state government pays service providers a per-student fee, and many respond by setting up small centres, including for trades that find few or no takers.

#### ***... prioritising soft skills...***

There has also been little attention paid, thus far, to soft skills and life skills, all of which feed into employability: it is rare, for example, to find a driver who turns up in time, well-dressed and clean, and who can read a map. All of this will take time to correct, but the process has begun. (On a related note, there is a move towards creating a voucher-based system, so that the money goes to trainees into trainers, which improves the incentives for acquiring marketable skills.)

#### ***...and teaching skills***

At another level, the government is working on a labour market information system, which combines both micro- and macro tools, and it is now building an Institute of Training of Trainers (ITOT), which channels of a whole stream of high-quality trainers directly from the workforce, including from the Armed Forces. There will also be much greater focus on quality and employability through better employer connect, which is currently an area of weakness. Finally, there is a plan to set up a statutory regulator for quality assurance – the discussions have begun, and there should be forward movement on it in the year ahead. ■

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*This article is based on discussions at IMA's 21st Annual CEO Roundtable in December 2017 with Dr KP Krishnan, Secretary, Ministry of Skills and Entrepreneurship, Government of India*