

'A mere 2% of Indian workers are formally skilled'

Q) What prompted the government to set up National Skill Development Corporation?

A) Only 10% of the 300 million Indians in the age group of 6-16 years is likely to complete school education and go for higher studies. While about 12.8 million youth enter the job market every year, net enrolment in vocational courses in India is about 3.5 million per year compared to 90 million in China and 11.3 million in the United States.

A mere 2% of Indian workers are formally skilled. In-service training is received by only 15% of workers in the manufacturing sector. Significantly, the bulk of the labour force in India – about 93% - who work in the unorganised sector are completely untouched by any kind of formal training. By way of comparison, 96% of the workers in South Korea, 80% in Japan, 75% in Germany and 68% in Britain receive formal skills training. NASSCOM asserts that of the 4-lakh odd engineering graduates who pass out every year, only 20% are suitable for India Inc based on their technical and presentation skills, their ability to converse in English, and work as part of a team.

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Dilip Chenoy
CEO and MD, NSDC

Launched in October 2009, National Skill Development Corporation (NSDC) is leveraging adequate skill opportunities and augmenting employability with the target of skilling 150 million people by 2022. It catalyses private sector involvement in the skills space through Public Private Partnership. Dilip Chenoy, CEO and MD, NSDC spoke to BE's Bappaditya Chatterjee about the progress on augmenting skilled manpower in India.

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Conscious of the key role that skills-related training can play in promoting the concept of inclusive growth, Prime Minister Manmohan Singh in August 2008 laid out the vision for skill development in India where NSDC plays an enabling role.

Q) NSDC carried out skill gap surveys in different sectors. What were its findings in brief? How do you measure a critical skill gap?

A) The study conducted by ImaCS on behalf of NSDC forecasts that there could be an incremental shortage of 240-250 million people by 2022 in 20 high growth sectors including auto, banking and financial services, organised retail, building construction, electronics and IT hardware, IT and ITes, health care and the unorganised segment. As per the report, this likely shortage could extend all the way from nurses, welders, carpenters, construction workers and bricklayers, to school teachers, film artists and IT professionals. The construction



sector alone may see a shortage of 33 million people by 2022. We are awaiting the final findings of other skills gap studies that have been commissioned.

Q) How has NSDC gone about making tie-ups with industry bodies and education institutions?

A) NSDC has provided assistance to its partners in the form of soft loans, equity and grants, or even a combination of one or more financing options, to ensure that money does not act as a constraint for starting skills-related training ventures.

As the NSDC sees itself as a "viability gap catalyst", the amount of funding could extend up to 75% of the project cost. The debt is offered at subsidised rates with other features like a moratorium built in depending on the nature of the project. Equity infusion by the NSDC is normally capped at 27% of the total paid up capital. Grant funding is considered only in select cases.

The minimum ticket size of a training proposal that the NSDC normally insists on for the purpose of funding is 100,000 people over a 10-year span. For the process of funding, the NSDC evaluates the 10-year business plan submitted by the prospective private partner, including non-government organisations, for its feasibility, sustainability and whether or not it meets its lending norms, and only then a decision is taken on whether the NSDC should fund the institution. Prospective NSDC partners also have to provide at least a 70% employment guarantee for students enrolling in their centres to be eligible for funding.

Q) What checks and balances are involved?

A) NSDC has evolved a monthly MIS dashboard to ensure that it is always in a position to find out how the partners are faring. There are monthly interactions with CEOs of NSDC partner institutions on their progress. Partners have to send quarterly reports on fund utilisation. NSDC has entered into arrangements with independent monitoring agencies to undertake process audits and undertake random visits to the partner centres. Partners have to provide us the names and contact details of the trainees so that we can get in touch with them directly to check the authenticity of the claims made by the funded institutions. NSDC is working closely with the

Prime Minister's Council on Skill Development to develop an online monitoring system.

Q) As an investment destination, how attractive is the skill providing sector for private players?

A) A recent study conducted by leading brokerage firm Kotak Institutional Equities, has forecast that the skills training segment is likely to become a USD 20 billion market over the next 10 years. Almost all our partners have projected very healthy returns on investment, running into high double digits.

Q) What has NSDC achieved and what are its forthcoming goals for the coming year?

A) Till date, the NSDC Board has approved the funding of 43 proposals, including 8 Sector Skill Councils. These 43 proposals would cumulatively skill nearly 60 million people by 2022. NSDC partners are likely to have a presence in 311 districts by March 2012. The number of operational NSDC-funded centres is expected to be around 1500 by the end of the current financial year.

NSDC has been working closely with commercial banks to develop a skill loan product that would make it easier for people even at the bottom of the pyramid to access skills-related training. An agreement has already been reached with the Central Bank of India in this regard as part of which students at NSDC-funded institutions can access skill loans from Central Bank. More such tie-ups are on the anvil. ■

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