

Cashing in on skills

Kalpana Pathak / Mumbai

With over 26 million graduates to be trained, more and more companies are launching skill training ventures

IL&FS will set up 100 ITIs in the next 5 years

Bharti Group's Centum Workskills to train 12 million people in 11 years

Kolkata-based Globsyn group to train 352,000 youth in the next decade

These are just three of the 18 joint ventures with the private sector that the National Skill Development Corporation (NSDC) has formed in its over one year existence.

Vocational training, the erstwhile CSR activity for companies, is now seen as a profitable venture. And the interest from private sector is evident— a market size between Rs 3 lakh crore and Rs 5 lakh crore to cash in on by delivering skill training.

Consider this: As per data from the planning commission, around 2 per cent of existing workforce in India has skill training against 96 per cent in Korea, 75 per cent in Germany, 80 per cent in Japan and 68 per cent in the UK.

So India by 2022, needs to create a pool of 500 million skilled workers against the present 40 million. "With around 50 existing players (including NGOs and local skill training institutes), there is room for 250 more such organizations," says Dilip Chenoy, Chief Executive Officer and Managing Director, NSDC.

NSDC— which was set up under the Centre's 11th Five-Year Plan with seed capital of Rs 1,000 crore from the government-- has a mandate to train people in 21 sectors identified by the government.

Against 12.8 million per annum new entrants to the workforce the existing training capacity in India is only 3.1 million per annum.

This shortage explains why the sector has seen emergence of companies like — IndiaCan (an Educomp and Pearson venture); Indiaskills (A manipal and UK-based City and Guilds venture); Teamlease and Indian Institute of Job Training and Aspire Human Capital Management.

These companies offer programmes ranging from operations in banking and insurance, sales, retail, information technology; soft skills and English learning.

“The opportunity in the market space is huge. Vocational education at present is over \$2 billion market. IIJT is focusing on curriculum, relevance and fungibility. We at present focus on courses in accounting and finance, hardware networking, retailing and customer service,” says Ashish Prasad, CEO, IIJT.

TeamLease Services and IIJT, have joined hands with the Government of Karnataka to create the Karnataka Employment Center (KEC), an employment exchange based on a public-private partnership. KEC will deliver the full range of services covering registration, assessment, counseling, training, certification and placement to ensure successful access to the job market for the youth of Karnataka. Teamlease and IIJT will also train and place 60,000 tribal youth in Gujarat.

However, these companies have an uphill task ahead. As Amit Bhatia, CEO Aspire Human Capital Management puts it, “India created a caste system in skills and branded vocational training as shudra of the system. The challenge at present is to restore the respect of vocational training. India, in this segment, needs to learn from Germany, Switzerland and Australia which have the best vocational training processes in place.”

Bhatia founded Aspire in association with 28 CEOs and strongly believes the Industrial Training Institutes (ITIs) system needs to be scrapped and vocational training being imparted at universities.

In May 2010, Aspire raised Rs 20 crore from US-based Foundation Capital. According to Bhatia, the vocational training market is very dysfunctional with no example of a successfully scaled company yet. “The government is working on a vocational training framework. Once that is out, it will be game changing for the sector. Winners in this sector are not yet born,” adds Bhatia.

Probably that is the reason why private equity players and venture capitalists are watching the space keenly.

“It is an unregulated sector and a huge market at the same time which facilitates the entry of private equity players. However, quality of training lacks. There are limited examples of scaling up which can happen only through franchising. Over the next decade, we see investments in this sector growing,” said Sandeep Aneja, managing director, Kaizen Management Advisors

These players charge anywhere between Rs 1000 and 10,000 based on the kind of courses they offer. Revenue model is largely through students; institutional training for government and training for corporations.

While most players have introduced courses only in finance, retail and soft skills, huge skilled workforce is required in agriculture, manufacturing and services sector which have not been addressed so far.