

Cover Story : India Skilling

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The labour situation in India – one with an estimated 240 million additional skilled workforce requirement over the next 10 years and with 250 million workers currently untrained and underemployed – has all the makings of a socio-economic disaster. Over the last couple of years, policy makers have awakened to the reality of an outdated vocational training system that falls way short of the demand for skilled manpower.

People Matters talks to people from government, industry, industry bodies, public-private partnership forums and training companies to explore the collective response to this complex problem and the evolution of a USD 5 billion ‘skilling’ industry

India’s ambitious growth forecasts are partly based on what is commonly tom-tommed as the ‘demographic dividend’. India is a young country with over 65% of its population under the age of 35. The average age in India is 25 years, compared to China, where the average age is 35 years and Europe, America or Japan, where it is 40-45 years. This is expected to translate into higher growth, via improved output, production and consumption – a demographic dividend of sorts.

Behind this demographic dividend, however, is one major assumption – that the young population is productive enough to contribute to output and earns enough to contribute to consumption.

A big assumption that, considering, almost ironically, most industries are struggling to achieve their growth targets because of shortage of skilled labour. The current education system churns out students who are not immediately employable and skill up-gradation on the job is low, implying that a large section of currently employed labour possesses outdated skills.

In an economy where 90% of jobs are skills-based (as opposed to knowledge based), there are currently about 40 million registered unemployed people in India and probably another 260 million who are underemployed or unemployed in the age group of 18-50 years. Only 11% of people in this age group have any form of vocational training and among these, only a meagre 1.3% receives formal vocational training. All this at a time when the organised private sector is struggling to find skilled workers, which in turn is limiting its ability to compete on a global scale.

Estimates peg the incremental human resource required by 2020 to maintain 8.5% to 9% growth in the economy, at a staggering 240 million across various industries. Staggering, considering the entire country's employment exchanges gave about 200,000 jobs to the 40 million registered unemployed last year. The current vocational set-up in India, comprising of 7,500 Industrial Training Institutes (ITIs) and polytechnics, caters to only 2.5 million people, which further compounds the demand-supply gap in many sectors. Take the Indian automobile sector for instance. A report by the Society of Indian Automobile Manufacturers states the sector will see the creation of 5 million new jobs in the next three years, 60% of which will be skilled labour. And this figure will reach 25 million by 2016. With the current system failing to live up to expectations in providing a skilled employable workforce, where are these people going to come from?

Corporate India has taken steps to tackle this issue through various initiatives like hiring of skilled labour from overseas, in-house training, and partnerships with government, non-government industry organizations and educational institutions. These initiatives, however, do have their limitations - they are expensive and can only be implemented by large corporates who can afford such programs. Moreover, there is no standardization of the required skills for a particular sector, leading to a fragmented and ineffective skills training curriculum. Consequently, there has been an urgent need to standardize and revamp the current set-up.

Any comprehensive solution to the issue of skills development first needs to address the question of responsibility and execution framework. Leaving vocational training and skills development purely in public hands is a risky proposition in a country where bureaucratic apathy is well documented – and the results of leaving skills development in state hands for 60 years have not been pretty.

There are some who believe that while education is the responsibility of the government, the onus for 'skilling' lies entirely with industry and the individual. Such thinking too has some fundamental flaws. As a result of competitive forces, smaller companies will resort purely to poaching employees trained by industry leaders as opposed to going through the time and investment of training them. This could lead to a "prisoner's dilemma" of sorts – one with universal acknowledgement of the need for a trained workforce but little investment and effort in actually making this happen. At the heart of it is the understanding that while employees are a company's assets, just like plants and machinery, they are the only assets that can walk onto a competitor's balance sheet!

Further, on-the-job training limits individual development to a narrow set of skills, thus starving the broader economy of a workforce with generic skills and problem solving ability. Finally, the financial strength required for individuals to undergo skills training at private institutions – in the form of savings or access to educational loans – is very low, considering the economic background of most participants.

Attitudes and cultural moorings too, affect the supply side of the picture. In many communities, jobs in construction or textiles or hospitality are not desirable in spite of availability and improved pay scales. Cultural preference for 'white-collared' jobs mean families and communities invest in a few individuals to become graduates or engineers, often at the expense of keeping others completely out of the skills net.

Lack of placement agencies in the interiors of the country and lack of support for urban relocation further compound the problems of a broken skills supply chain.

Collective Response

The enormous scale, complexity and far-reaching social consequences of the demand-supply mismatch for skilled workers mean that the planned solution has to be ambitious in its targets and must involve all stakeholders – government, companies, job-seekers, NGOs and industry bodies. Over the last couple of years, there have been some major steps taken by policy makers and industry bodies as a collective response to the brewing skills crisis.

Primary among these policy initiatives is the formation of the National Skills Council (NSC) and the National Skills Development Council (NSDC). The NSDC was created in 2009 with a seed capital of Rs. 1,000 crores as a vehicle that channelizes funds, through equity and debt infusion, into appropriate private sector and on-governmental initiatives for skills development. It is a public-private partnership with prominent industry bodies holding 51% and the Government of India holding 49%. Dilip Chenoy, CEO & MD, outlines the targets for the NSDC, “The realization is there that NSDC has to skill 150-200 million people by 2022 and there will be a requirement of Rs.15,000 crore to achieve this feat. And therefore whatever bi-lateral, multi-lateral, and private sector investments are flowing in will be put into a channel and synergized so as to meet the objectives.”

Another big step in improving vocational training standards and output was the centre’s decision to provide financial support for the upgradation of the Industrial Training Institutes (ITIs) through Public–Private-Partnership. 1,396 ITIs have been proposed to be upgraded into ‘centers of excellence’ in specific trades and skills under PPP. Under the proposed scheme, the state government, as the owner of the ITI, continues to regulate admission and fees while the new management will be given academic and financial autonomy and the central government will provide financial assistance by way of seed money. The central government’s proposal also includes an interest-free loan of up to Rs.2.5 crore to each ITI for upgradation and revision of courses. It is envisioned to upgrade at least 300 ITIs every year under the PPP mode. Currently, between 250 and 300 ITIs have been ‘adopted’ by industry bodies FICCI and CII, who in turn have brought in industry members as sponsors.

When it comes to the more traditional and populist ‘grants’ from state governments (see exhibit A), almost every major state has set up their own skills mission bodies for effective allocation of grants and for bringing together job seekers, assessment companies, training companies and employers under the same umbrella. At the centre, about 18 different ministries have funds allocated for building skilled workforce in their respective sectors. Other popular schemes by the central government level such as the SGSY (Swarnjayanti Gram Swarozgar Yojana) of the Ministry of Rural Development or MES (Modular Employment Scheme) of the Ministry of Labour have made public money available for private delivery and are helping to create competition by attracting many vocational training players.

Game on...

Most crucially, on the training side, a few pioneering entrepreneurs have built capacity and capability in terms of curriculum and training programs, funding from private institutions, tie-ups with global education companies, setting up training infrastructure and creating a network of trainers (see section “Execution with Scale”). Each of these major players is targeting, over the next 5 years, to skill around 1 to 2 lac people annually through Government support or with retail programs, with price points of programs ranging between Rs. 2,000 to Rs. 250,000 depending on their skill level and complexity.

With the necessary economic growth, government intent, policy framework, industry readiness and training capability, all in place, the stage is now set for execution. The entire skills development and vocational training landscape is set to see an overall spending upwards of Rs. 25,000 crores (USD 5.5 bn) over the next decade – an amazing opportunity for entrepreneurs in the areas of skills assessment, curriculum building, training infrastructure, trainer networks and temporary staffing solutions.

The current framework also provides an opportunity for corporates to come together at the industry level and create training organizations that will cater to their collective needs. An interesting case in point is the Gems and Jewellery Export Promotion Council (GJEPC), which is one of the first beneficiaries of funding by the NSDC. The GJEPC has proposed to set up Indian Institute of Gems and Jewellery Jaipur (IIGJJ) in the Special Economic Zone for gems & jewellery at Sitapura in Jaipur. The institute is being set up with the objective of developing highly skilled manpower in jewellery designing & manufacturing and creating state of the art testing and R&D centre for the industry. IIGJJ estimates to train approximately 18,000 artisans, technicians and new entrants over the next 10 years to an industry that contributes 13% of the total export earnings of the country.

In spite of these initiatives, the cumulative targets set by various industry bodies and large training players still does not add up to more than 3 crore ‘learners’ over the next five years, when the stated policy target is almost double that number. This is where the efforts of disparate NGOs funded by governments, international aid bodies, NRIs and corporate trusts, come to the fore. An interesting model set forth is the one of SEWA (Self-Employed Women’s Association). Renana Jhabvala at SEWA elaborates, “SEWA works on the model of co-operatives and companies where women provide the share capital for the co-operatives and obtain employment from them; it has 12 lakh women members that SEWA encourages to build their own businesses and 120 co-operatives that provide financial services, child care services, and health services”.

SEWA was one of the first organizations to be selected for funding by the NSDC, for training rural women workers across 15 sectors. Such well-intentioned efforts can help fill the gap with socially relevant initiatives that may not be ‘attractive enough’ for private training companies and where government execution falls short of the mark.

Teething issues

Almost expectedly, there are massive teething issues. For a start, the large number of state and central government departments with funds for skills development create a confusing and opaque playfield. The NSDC has not been mandated to be the single point of co-ordination for all these funds and initiatives. The adoption of some of the ITI’s by industry bodies too has shown poor progress on account of administrative tussles, bureaucratic hurdles, poor infrastructure, and apathy from the ITI staff.

Government funding directly to training institutions instead of funding students is another issue. Manish Sabharwal, Chairman of leading temp-staffing solutions provider, TeamLease provides a pragmatic analysis: “We have not yet made enough progress in channelizing money directly to students rather than institutions - Delhi University and most ITIs still get less than 3% of their budget from student fees - but hopefully this will be the next wave of change,” he says.

Importantly, the presence of both ‘grants’ based approach and ‘funding’ based approach makes it more difficult for private sector training companies to come up with viable and long-term business models. Invariably, neither the final employer nor the trained employee pay for the training under grant schemes, creating a situation where employers would rather wait for the appropriate government scheme to come about instead of pro-actively investing in training solutions.

Finally, there is (questionably) the issue of a deep-rooted stigma in the Indian mindset against vocational training – one that is steeped in the assumption that vocational training leaves very few options open for higher education and social advancement. Majority of entrepreneurs and policy makers believe that once the public private partnership can deliver on quality output and jobs at an affordable price, such cultural stigma will begin to erode.

On the balance of it... The unprecedented growth in services over the last decade and in infrastructure and in manufacturing over the last 5 years have exposed the gaping deficiencies in the country's archaic skills development and vocational training apparatus. The response from government, policy makers and industry bodies has been well-intentioned and comprehensive, though a bit rough on the edges. While it takes time to align the system with the demands of the market and the complexity of the challenge, one thing appears certain – the response has to bridge the expected demand-supply gaps if we want to avoid converting the storytelling of our demographic dividend into a demographic disaster. Failure, it seems, is just not an option.

Cover Story - The Facilitators View



Organization's mandate

Dilip Chenoy: NSDC is mandated to do three different things. We have to create and set up institutions in places where none exist. Second is to enable institutions to train people in a sustainable manner so that they are employable. So we are not looking at things such as grants, aid or charity. It is really a business model to help people break the supply gap that exists. The third element is concentrating on the area of standards and accreditation. Under the National Skills Policy, NSDC is mandated to set up sectoral skills council, which will do a variety of work like developing labour market information system to understand where skills are required, what kind of skills are required, how are people to be trained, to act as a bridge in the whole apprenticeship training program between the trainee and the industry, and also ensure standards for the skill provided. Then we'll also look at certifying the agencies that will provide the training. So basically, we have to make the whole chain economically viable.

If you look at the magnitude, then we must have 150 million people trained over the next 15 years - that means roughly 25,000 people must be trained per day. The current industry efforts produce 100, 200 or 300 people being trained under their CSR programs. The scale is just not there. And the first thing that we are looking to do is create scale and scope of activities.

Supriya Banerji: CII brings in a regime between the industry and the government. Industry would not want to hire expensive skilled labour- especially the medium and small enterprises. If you ask an MSMEs or the new-age industries if they would want to hire labour which costs more than the traditional amount but can deliver better quality, they would probably hesitate. And that's exactly where all our efforts are concentrated - to make the MSMEs realize and bring in the acceptance of the benefits of having skilled labour. Unless industry pushes for hiring only certified skilled people, it will not create advantage. In fact, employers themselves should take

initiatives to send their people for skill training and development programs. That is where CII has taken the responsibility to make that shift happen.

Around 250 ITIs were adopted by CII and were put up for adoption by the private sector. ITI is the immediate solution to the basic minimum requirement for skill development. Existing ITIs run by the government were not very successful. The challenge is for industry to completely turn around the way these ITIs are running. The whammy in India is that there are not adequate trainers and this is another area industry must work upon - bringing in new trainers and re-training the existing.

The mechanism

Dilip Chenoy: Currently, most of the training programs are seen as charitable programs or as CSR activities, or the programs are funded by the government. But actually this can be converted into a business model. If you look at the government programs, their aim is to go and get people. But sometimes its value gets lost because it seems to be free. When the whole system is so disparate, how do you bring in professionalism? The only way to do so is to make sure the user pays for the training, but it is done in a manner that those who are under privileged and cannot afford it can be given scholarships. If the training is job-linked, you can get him a scholarship or a loan from the bank and then the employer takes the responsibility of deducting 'X' amount from his salary to pay back to the bank. So this way you can stretch your period a little more. The employer may not take the full amount but may just take the partial amount back. This will also bring in a bond between the employer and the worker.

The other thing is to move to a model where a 3, 6 or 9-month training program is broken down into smaller duration courses and sandwich the industry learning and training. Because many people don't want to go and learn skills for 3-4 months as they need to work. The loss of income during that period is a major deterrent for people from undergoing skills training.

Supriya Banerji: A large consumer durable company came to us and said they want to train all dealers who deal with their products. And they have a fleet of 40,000 dealers. They want to train the dealer staff not just for themselves, but also for the entire consumer durable industry. That awareness is probably coming in. Multinationals are picking this up much faster because they have done this in their home countries and other countries where they are present. Even big companies are becoming more aware.

The way we see it, manufacturing industry will be a little slow in adopting skill development because their needs are very different and difficult. Their needs are very reliant on machinery, which, because of changing technology, becomes obsolete very fast. So, the kind of training the manufacturing sector needs is higher. The services sector, on the other hand, is growing with the coming of sectors like retail, ITeS, hospitality etc. The demand for domestic services or office services is going to be huge in the future. Imagine the number of security guards India will need or basic car maintenance staff. So the absorption of skills in the services sector will be huge. But the manufacturing sector, that CII also represents in a large way will be slightly slow in adopting skill development measures.

The role of the CII will be to co-ordinate the needs of an entire industry and create programs in association with the NSDC to cater to the needs of the industry – all in an economically viable manner.

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