

SKILL DEVELOPMENT Holds Key to ECONOMIC DEVELOPMENT

How many times have we heard the term 'demographic dividend' and marveled at the prospect that this holds for India? And also wondered in the same breath whether the youth of this country would be able to take advantage of this opportunity that comes rarely in the history of a nation?

By Dilip Chenoy



As we get ready to usher in a new year, we must not lose sight of the fact that skill development and employability still remain key issues that we would need to address over the next decade in order to achieve our objective of becoming a developed country by the year 2022 when India will turn 75.

With a median age of 25 years, India currently has one of the youngest populations in the world. The forecast is that the country will have the world's largest working population by 2030. With the Indian economy on an overdrive, the demand for a skilled workforce is expected to increase manifold in the days ahead.

The challenge does not just end there. A solution also needs to be found to make our workforce more employable. It has been observed by software industry body NASSCOM, for instance, that of the 4-lakh odd engineering graduates who pass out every year, only about 20% would meet the requirements of India Inc based on their technical and presentation skills, their ability to

converse in English, and work as part of a team. Even the latest National Sample Survey data clearly underlines that only one in three among those aged between 15 and 29 is functionally literate.

As of today, a mere 2% of the Indian workforce is formally skilled. In-service training is received by only 15% of workers in the manufacturing sector for example. According to McKinsey, till 2008-09, that is, before the National Skill Development Corporation (NSDC) started functioning, the total training capacity in India was 4.3 million persons per year against 12.8 million youth joining the workforce annually. By way of comparison, 96% of the workers in South Korea receive formal skills training. In Japan, it is 80%, and, in Germany, it is 75%. The figure for the UK stands at 68%. As far as enrolment in vocational education and training courses is concerned, India has a net enrolment of 3.5 million per year compared to 90 million in China and 11.3 million in the United States.

The heartening news, however, is that skill development has now become one of the priorities of the Government, with the Prime Minister Dr Manmohan Singh setting the target to skill over 500 million persons by 2022. Seventeen ministries are already engaged in undertaking training initiatives that aim to raise the skill-sets of youth in different trades. The current efforts are directed to enhance coordination, set up new capacity and also improve quality.

The Prime Minister himself chairs the National Skill Development Council. The National Skill Development Coordination Board, chaired by the Deputy Chairman of the Planning Commission, promotes coordination among various ministries in the area of skill development.

The Government has, moreover, set up the NSDC in collaboration with industry to catalyse the private sector to increase its involvement in the task of skilling the nation. The NSDC's mandate is to train 150 million of the 500 million target set by the Government. The existing Government schemes are expected to create the balance 350 million employable youth by 2022.

Launched in October 2009, the NSDC is chaired by former Murugappa Group Chairman M V Subbiah and its chief role is to encourage both for-profit and not-for-profit enterprises to undertake training initiatives by providing them with funds for this purpose. Assistance is provided in the form of soft loans, equity and grants, or even a combination of one or more financing options.

Any organisation, including start-up ventures, having a scalable and sustainable business model that ensures the employability of the resources trained is eligible for funding by the NSDC. 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 capped at 27% of the total paid up capital. Grant funding is considered only in select cases.

The NSDC is also involved in constituting Sector Skill Councils (SSCs) that would establish quality standards for the segments they represent.

The proposed SSCs would develop skill competency standards and qualifications, as well as standardise the affiliation and accreditation process. They would set up labor management information systems to assist in the planning and delivery of training, besides identifying skill development needs and preparing a catalogue of skill types.

In 2010, NSDC funded many projects with the target of skilling more than 1.5 million youth in agriculture and allied activities, auto CAD, banking, construction, food processing, hospitality, as well as creating artisans for the gems and jewellery sector, over a 10-year period.

The NSDC Board further approved another 13 proposals where funding is to start soon. Combined, these 18 projects would train over 22 million youth over 10 years.

Some of the noteworthy projects that were approved included the NSDC's decision to form a joint venture with Centum Learning, an associate company of the Bharti Group, to train 11.57 million youth in different trades. As well as the formation of a Special Purpose Vehicle in partnership with IL&FS Education and Technology Services, the education infrastructure development initiative of Infrastructure Leasing & Financial Services, to jointly set up 100 skills schools in industrial clusters and economically backward regions nationwide for training 1.94 million youth for varied vocations over a 10-year period.

In the arena of Sector Skill Councils, the NSDC board approved the release of funds for the Automotive Sector Skill Council that is likely to come up soon. For 2011, our aim is to put in place a sustainable, demand-led, person-centric skill ecosystem in India in order to achieve the NSDC mandate of skilling 150 million by 2022 and also fulfill the Prime Minister's vision of contributing to the development of a 500 million skilled workforce in the country in the next 12 years.

We also propose to increase our focus on Sector Skills Councils in 2011 so that we can put in place the framework necessary for introducing a labor management information system in almost all the key sectors of the economy.

Technology would also play a facilitating role in reaching out to the corners of the country and also as an enabler to the entire skill development process. Digital content and simulators like those for driving, fork lift operators and welding will multiply. Perhaps, going forward, skill development would be the killer application – like gaming in Korea – for 3G / 4G in India. This is an opportunity for those in the digital learning space and also for new entrants. The opportunity is there for you to transform the skills landscape in India.

About the Author



Dilip Chenoy
CEO & MD of
the National Skill
Development
Corporation

digital **LEARNING**
January 2011