Food caFE DILIP CHENOY

Hunar hai to kadar hai

Sunil Jain finds out that's the tagline of NSDC's to-be launched ad campaign to glorify vocational skilling, a must if NSDC is to meet its target of skilling 55 million in a decade

Why are 2 lakh MBA seats in the country not finding any takers? Ditto for an equal, if not larger number of seats in engineering colleges across India. That, in a nutshell, is the logic behind the *hunar hai to kadar hai* (you will be respected if you have a skill) tagline of the ₹40-50 crore ad blitz the National Skills Development Corporation (NSDC) has got ready to glorify the idea of vocational skilling, NSDC chief Dilip Chenoy tells me over a breast of chicken at New Delhi's IIC.

Chenoy is running late, caught up, he tells me later, in a meeting of the Nehru Yuvak Kendra Sangathan to discuss the skilling being done by one of NSDC's training partners in Manipur—NYKS gives a scholarship for kids for 2 years to run youth clubs across the country and wanted skilling for them in the last few months to make them job-ready, once the ₹3,000 per month scholarship is over. Given that one of the issues raised was why cane chairs were not being used in the training centres in the Northeast instead of plastic ones, presumably that means the meeting went off well!

Though one hears a viable skilling model has yet to be arrived at—indeed we have the authority of the Boston Consulting Group to say so! (*http://www.financialexpress.com/news/column-making-skilling-viable-is-the-key/875387/0/*)—Chenoy remains optimistic. It is a challenge, he says, but it looks as if he may achieve his target. Over 20,000 persons got skilled in 2010-11 and 50,000 in the first half of this year, so the way the scaling up is happening… But is the model viable, I insist, since students are unwilling to pay and banks to give them loans? If the cost of a retail training programme is ₹20,000 and the first salary a retail executive can get only ₹4,000, why would he want to pay for training? And, if not, how can a training company be viable? An additional problem relates to where the skilling is required and where the jobs are. The kids are in rural India if you want to get a decent level of numbers, but the jobs are in urban areas by and large—given the higher costs associated with migrating and living independently in a city, the cost-benefit to a student is not high, at least in the initial years that matter.

Chenoy admits it is a challenge to ensure the viability of training partners—he has 36 of them already—and unless that happens, the entire programme goes for a toss. But he makes a few points that help keep the morale up. For one, once companies scale up, the costs go down by around 40-50%— so if you need to charge a student 5 months salary with one centre, this can go down to around 3 months salary if you have 3-4 centres. Two, banks are giving student loans and NSDC has worked out a model to deal with precisely this problem.

We juggle with the soup—mulligatawny for him and chicken sweet corn for me—and the garlic bread while Chenoy takes me through the maths. It's either him or I, or the fact that doing numbers over lunch is not a great idea, so I don't get the finer details of how the model works as it involves the probability of the student defaulting and the training company doing some "top-ups", but the long and short of it is that NSDC gives what it calls the First Loss Default Guarantee to the bank—it has already signed up with Central Bank of India for this and for every ₹100 crore it gives, the bank can give ₹4,000 crore of student loans at PLR+2%. Seems great, but given that the model hinges on the actual levels of default, not the one NSDC and the banks have assumed, it's a good idea to wait and watch. The way the model is supposed to work, if a course costs ₹20,000 to deliver, the student will pay ₹2,000 upfront and will get a bank loan for the rest—with a four-way agreement signed by the student, the training company, the hiring company and the bank, the loan has to be deducted from the salary.

Since NSDC allowed a moratorium for interest payments on the loans given by it, and that window gets exhausted by next year, I ask Chenoy as he's slicing his chicken, whether we'll see the first wave of defaults soon. Not really, he smiles, and rattles off names of training partners who have already begun paying back their instalments—9 of the 19 that are operational fall in this category. He talks of how corporates are now realising that skilling of the general population is good for their business and are now contacting his training partners for precisely this. Eureka Forbes, to cite one example, gave free cleaning equipment to one of them to train people on. One of the cleaning firms who use Eureka Forbes products called up the training company to work out a long-term relationship for sourcing trained employees—when the training firm asked for a ₹4,500 placement fee (to be able to meet part of its training expenses), the cleaning firm offered a fraction of this; Chenoy advised the trainer to reject the offer and, lo and behold, a better one was made; after two rounds of this, a more suitable fee has been negotiated! Godrej, Chenoy gives another example, has given one of his training associates several models of washing machines and air conditioners to train people on and has promised that its dealers will give top priority to hiring the trained manpower.

What would you do—I change tack since Chenoy refuses to admit to the slightest flaw in the model!—if you had to do it all over again? Is there anything you'd change? I'd have looked at ways to address the payment gap, he says. If any training programme costs more than the first 2-3 months of salary, he says, you have a problem. That's where the bank loans and leveraging of the First Loss Default Guarantee come in—in other words, NSDC is taking its learnings seriously. The other problem, he says, is that industry is willing to hire unskilled people and train them instead of paying for hiring skilled persons—this has to do with the large number of available people and the fact that, since attrition levels are very high (similar to BPOs, one of Chenoy's training partners tells me at an NSDC partners' meet a few days ago), companies don't want to invest in trained people. Which is why, Chenoy says, he's now forming Sector Skill Development Councils whose job is to approve curriculums for training and ensure the training partners for an industry vertical are delivering the right value—they also offer to give first priority to those people trained by NSDC training partners.

Despite this, the model may not be fully successful—one of the training partners told me the real pain point was to get the requisite number of students who need skilling (there's a big business opportunity here!) and, after that, to ensure they actually take up the jobs and, most important, stay on the job for 6 months to a year—the biggest tranche of money gets paid when the students have been with the company for a certain period of time. In which case, Chenoy may not be able to deliver on his stated goal, of returning the government the ₹1,000 crore-odd it plans to give NSDC for skilling 55 million people. But given the fact that the existing education programme isn't doing that well either—look at the extraordinary high proportion of graduates who are unemployable and in urgent need of 'repair' to use Teamlease's Manish Sabharwal's rather inelegant phrase—NSDC or some equivalent of it is the best shot we have at making India job-ready. So if the skilling gets done and is viable, a few thousand crore on NSDC eventually may not be a bad investment.

Which, we discuss, is what happens in Singapore, perhaps the most successful example of vocational education, since the government bears all costs and the skilling is free. There's something more important, Chenoy says as we tuck into our caramel custard, and that's to do with the fact that vocational education isn't looked down upon in Singapore. Why? Singapore, he says, has a limited number of seats for formal education, so like it or not, students who don't get in here have to opt for vocational education—in India, by contrast, with the mushrooming of MBA/Engineering institutes, parents prefer their children getting a 'proper' education, even if not in the best of colleges. Hence the *hunar hai* campaign he hopes to launch soon—the idea is to convince parents that vocational training which results in jobs is better than a formal education that doesn't end in a job (that's why the MBA/engineering seats are going abegging). In the future, he says, a share of the skilling budget will be earmarked for campaigns to give vocational education a good name. *Sar utha ke jiyo*!