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WORKFORCE TRAINING

Allocation for skill development may not be enough to meet target

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Faced with the twin challenge of unemployment and job creation, the Central government's biggest concern is not just how it can boost new opportunities for India's burgeoning population of young people, but also how it can overcome the acute shortage of skilled labour.

"In the next five to 10 years, skill development and innovation activity in the country are expected to replace savings and investment rates as effective drivers of GDP growth," according to the macroeconomic framework statement that was presented along with the bud- get.

But the allocation made by finance minister Pranab Mukherjee -- a lone provision of `500 crore towards the National Skill Development Fund (NSDF)--may not be enough to meet the ambitious target of teaching skills to 500 million people by 2022, experts said.

India will need a budget provision of at least 10 times this --`4,000-5,000 crore-- every year to meet this target, according to Abhaya Agarwal, executive director at consultancy firm Ernst and Young.

Some 1,500 Industrial Training Institutes (ITIs) are planned to be set up and revamped.

The government will also require at least `7-10 crore for each institute, and the current pace of investment may not be sufficient to train 40 million people each year to meet the target, he said.

Agarwal also said that no budget provision had been made for the 50,000 skill development centres that the government plans to set up in "un-serviced", or low-opportunity, backward areas.

Half of India's population is under 24 years of age, which is perceived as a "huge demographic dividend". But slow investment means India may miss out on the opportunity to capitalize on new jobs offered by cross-border migration.

Mukherjee did, however, increase the education allocation by a quarter over last year to `52,057 crore.

"Over 70% of Indians will be of working age in 2025," he said. They will need basic education and skill training.

Leave aside upgrading skills, the government has failed to make the reforms needed to boost employment, said Ravi Shankar Prasad, spokesperson for the opposition Bharatiya Janata Party.

"The government's claim for GDP growth has been neutralized by inflation and there has been no incentive for infrastructure or power in the budget to create either growth or jobs," he said.

About 39.6 million people are unemployed in India, according to a labour ministry survey across 300 districts between April 2009 and March 2010, labour minister Mallikarjun Kharge told the Rajya Sabha last week. Mukherjee said in his budget that the government is to announce a manufacturing policy that will seek to boost the sector's share in GDP to 24% in the next decade from 16% now and lead to the creation of jobs.

India's 12-year training target initiated in 2008-09, has been split up among various ministries and departments besides public-private initiatives such as the National Skills Development Corp. (NSDC), which is funded by NSDF.

NSDC has a mandate to train 150 million people, while the labour ministry is expected to train another 100 million by revamping and creating new ITIs with government and World Bank assistance.

In 2008-2009, the government provided the first tranche of `1,000 crore towards NSDF. Of this, `658 crore has been spent on about two dozen projects that will create 40 million jobs in the next decade.

The government needs to blend employment opportunities with skill training amid high illiteracy and the school dropout rates.

Some 92% of India's 457.46 million workforce is employed in the informal sector, according to the 2008 National Commission for Enterprises in the Unorganized Sector (NCEUS) report.

Of these workers, 41.4 % are illiterate, while 11.6-14.5% have only completed their class V.

The corporate sector has welcomed the move to infuse money into NSDF and said this will encourage entrepreneurs to get into skill training.

“The current template could be scaled up to meet manpower (needs),” said R.C.M. Reddy, CEO, Infrastructure Leasing and Financial Services.

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