

Skill Development Scheme and Budgetary Allocation 2016

This brief attempts to analyze certain key skill development schemes operational within the country i.e. Deen Dayal Upadhyay Grameen Kaushal Yojana (DDU-GKY), Employment through Skill training and Placement (EST&P) and PMKVY. Another section of the brief examines the activities of NSDC. All four components would be analyzed on the basis of fund allocation, distribution of activities amongst states, and performance of the programme.

In India, 65% of the total population lies in the working age group of 15-64 years. An overwhelming component of the working age population i.e. 84 % is under the age of 25. This demographic bounty is only expected to grow in the coming years. **By 2020, the average age of population in India would be 29 years as compared to 40 years in US, 46 years in Europe and 47 years in Japan.** The country has a rich demographic dividend which can be reaped to maximise the growth potential of the region. Increasing the employability of the working age population is one of the crucial avenues through which both economic and human development can take place.

The quality of workforce is one of the vital components which define the employability of workforce. However, India faces key challenges in this field, specifically in terms of skill development. **Of the 256.72 million non farm workers only 5.4 % are formally trained or skilled. More importantly, overall only 4.69 % of the workforce in the country has gone through formal skill training, as compared to 96% in South Korea, and 52 % in America¹.** There is an obvious lack of skill development within the work force which needs to be met. At the same time, the projected human resource requirement across 24 sectors by 2022 is projected to be 581 million. Due to the massiveness of the task and its potential to generate mass employment, the skill development sector presents a classic case of challenge vs. potential.

Presently there are around 40 schemes under 18 ministries which concentrate on skill development. Government intervention alone is not enough to fully realise the skill development potential of the work force. The involvement of private sector is crucial for aligning the course curriculum, job roles, norms, standards provided under government's skill development schemes with industrial standards. In order to encourage private sector involvement in skill development, **the National Skill Development Cooperation (NSDC) - a 'not for profit' company was established by the Government of India in 2009.** The NSDC is also the implementing agency for some of the key skill development schemes like Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Standard Training Assessment and Reward (STAR)² scheme and UDAAN scheme.

In order to streamline the myriad skill development schemes, efforts and programmes within the country, the **Ministry of Skill Development and Entrepreneurship (MSDE) was established on 9th November 2014.** With its establishment, the entire corpus of Industrial Training Institute (ITIs) and Apprenticeship schemes were transferred to this ministry. The MSDE has also instituted its own flagship scheme Pradhan Mantri Kaushal Vikas Yojana (PMKVY) to promote skill development within India.

Schemes

The section focuses on the DDU-GKY, EST&P and PMKVY. The first two schemes have been operation for long time. They have been examined over the time period from 2011-12 to 2015-16. The activities of PMKVY have been examined over the past year.

1. **Deen Dayal Upadhyaya Grameen Kaushal Yojana:** DDU- GKY is a component of the National Rural Livelihood Mission (NRLM).It is a demand based skilling programme which is carried out in PPP mode through Public and Private Organizations registered with the Ministry of Rural Development. Skill training is imparted through local bodies know as Project Implementation Agencies (PIAs). The programme is implemented through a 3-tiered implementation model, involving the MoRD, State bodies and PIAs. Any organization that is a registered legal entity can enter into partnership with DDU-GKY as a PIA.

All rural candidates from poor households are eligible under this scheme, which focuses on rural youth between the ages of 15-35. The scheme carries with it a stipulation of mandatory placement for 75 % of the candidates. The minimum salary under this scheme is Rs 6000 or the State minimum wage, whichever one is higher

Financial Allocation: Allocation to states is done dependent on the state's poverty ratio and absorption capacity. The ratio of Centre State contribution under this scheme is 75:25 for all states except North-Eastern States, Sikkim, Himachal Pradesh and Uttarakhand where the ratio is 90: 10. For Jammu & Kashmir the Central share is 100 %.

2. **Employment through Skills Training & Placement Programme(EST&P):** EST&P is a component of the SJSRY/Deendayal Antyodaya-National Urban Livelihoods Mission (DAY-NULM).It is also a demand based scheme carried out in PPP mode. The institutes involved in the PPP mode are known as Skill Training Providers (STPs) which could range from Industrial Training Institutes (ITIs), Polytechnics, industry associations, skill training centres and NSDC amongst other organizations. The Training Providers (TPs) would have to be empanelled at the national level or state level.

Under this scheme the maximum cost support for each candidate is Rs 15,000 per candidate and Rs 18, 000 per candidate for North –East and Jammu& Kashmir States. For placement linked skill training, the STPs would be responsible for at least 50% percent placement. Each successful candidate who undergoes training under EST&P is awarded a certificate by a competent authority empanelled by the State.

Financial Allocation: The Central share to the States under NULM is tentatively allocated based on the urban poor population. Other factors like absorption capacity and special requirement are also taken into consideration. The ratio of Centre State contribution under this scheme is 75:25, for all states except North Eastern and Special Category States which include Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura Sikkim; Uttarakhand, Jammu and Kashmir and Himachal Pradesh, where the Centre State share is 90:10.

Release of Funds

This section outlines the funds released under DDU-GKY and EST&P component of NULM which have been discussed above. The release of funds is tracked between the years of 2011-12 and 2015-16.

(a) Total funds released under DDU-GKY³

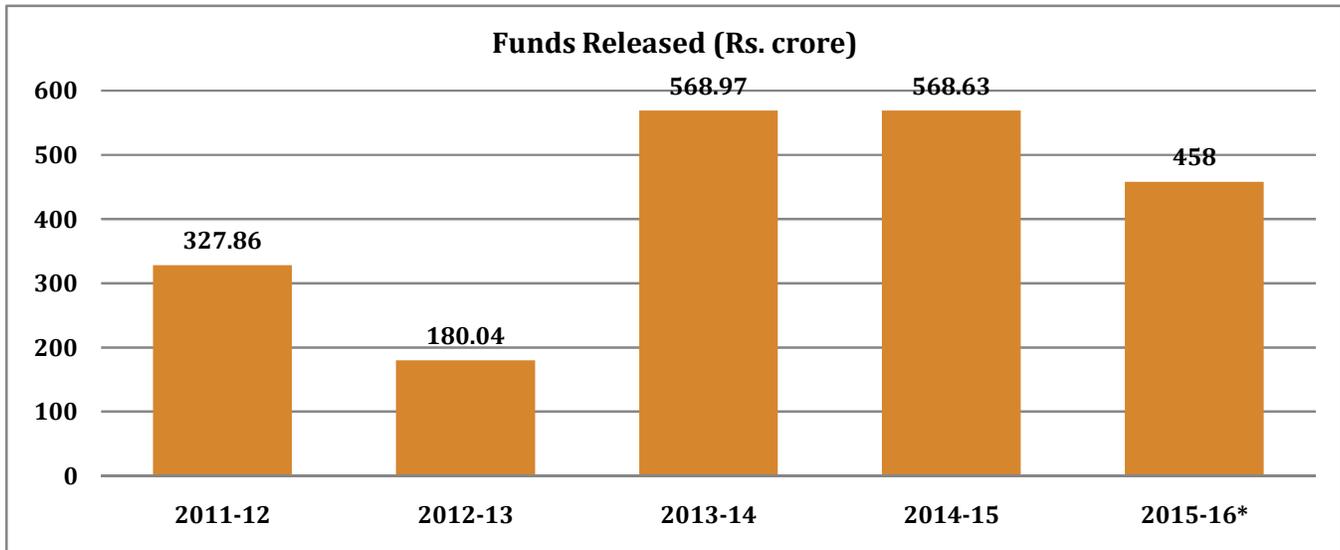


Figure 1: Funds Released under DDU-GKY from 2011-12 to 2015-16

The total funds released from 2011-12 to 2015-16 under DDU-GKY is 2,103.5 crore. As presented in the graph above the funds released decreased from 2011-12 to 2012-13 by 45%. However there was a huge leap in release of funds from 2012-13 to 2013-14 and the trend has remained consistent with slight variation over the years.

Funds released to States: As mentioned before under DDU-GKY, the funds allocated to the states are dependent on the strength of the rural poor population and the absorption capacity of the state. For the time period concerned, the states which have received the maximum amount of funds under the scheme are Uttar Pradesh, Andhra Pradesh, Karnataka and Kerala, accounting for almost 40 % of the total release of funds.

(b) Total funds released under ESTP/NULM⁴

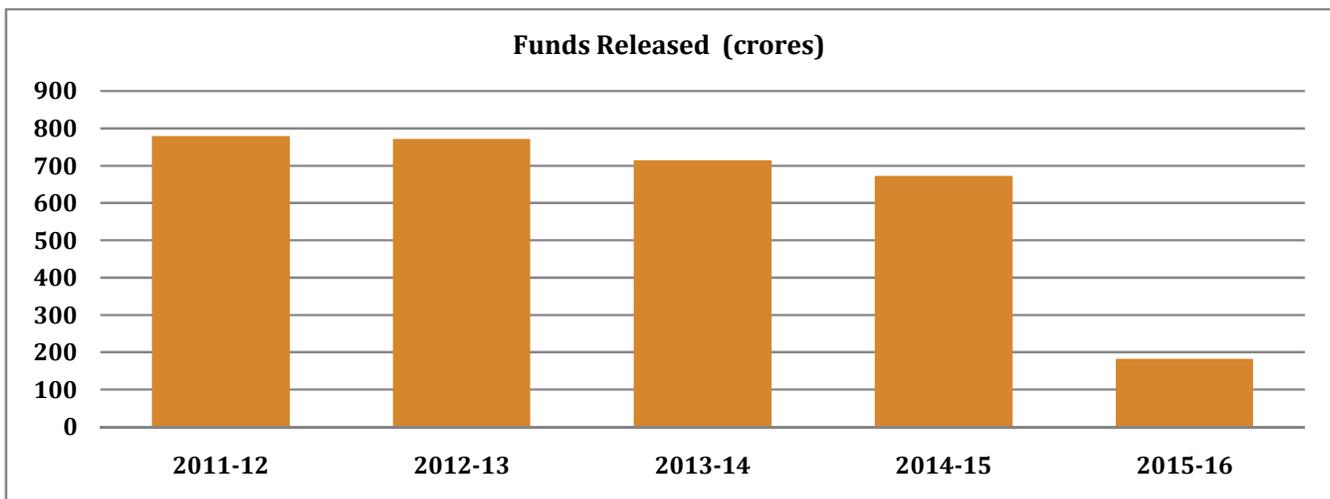


Figure 2: Funds Released under ESTP/NULM from 2011-12 to 2015-16

The total funds released under EST&P/NULM from 2011-12 to 2015-16 is 2,937.46 crore. The funds released have remained consistent over the years, except for the last two years. In 2014-15, the funds released decreased by 5 %. For the last year 2015-16, the funds released are considerably lower as compared to the other years. From 672.14 crore in 2014-15, the funds decreased to 200.12 crore in 2015-16. One major reason for the decline is that many states like Chhattisgarh, Gujarat, Haryana, and Karnataka have unutilized funds from the previous year.

Fund Release to States: The Central allocation under NULM is also decided on the basis of the urban poor population and the absorption capacity of the state. For the time period concerned, the states which have received the maximum amount of funds are Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal accounting for almost 40 % of the total fund release.

3. Pradhan Mantri Kaushal Vikas Yojana (PMKVY): This is the flagship outcome-based skill training scheme operating under the Ministry of Skill Development and Entrepreneurship (MSDE). It was launched on 15th July 2015. This scheme promotes skill training through monetary rewards which are provided to the eligible candidates. National Skill Development Corporation (NSDC) is the implementing agency for this scheme. MSDE monitors the activities of NSDC.

Under this scheme, monetary reward is provided to candidates who are trained by affiliated training partners and subsequently assessed by independent agencies. This scheme aims to cover 24 lakh people, with training of 14 lakh fresh entrants and certification of 10 lakh people under Recognition of Prior Learning (RPL). Candidates who have undergone skill training from an affiliated training partner can also avail of the monetary reward. **An average amount of Rs 8000 is provided as monetary reward; however sectors like manufacturing, plumbing and construction offer a higher reward.** The funds are transferred directly to the bank accounts of the beneficiaries /successful candidates. The identification of beneficiary would be done through the Aadhaar card.

The candidates/ trainees have to pay the training provider (TPs) for the course curriculum. However credit is provided to the candidates by the TPs. The training partners have to be affiliated by Sector Skill Councils (SSCs) to participate in the PMKVY scheme. SSCs are industry led autonomous bodies set up under the NSDC. They bridge the gap between the industry requirement of manpower and trainings provided for skill development. Government affiliated training partners also have to undergo affiliation by the concerned SSC.

Under PMKVY, there is no mandatory condition for placement of the trainees, however certain incentives are provided to the TPs for placement services. The incentives include a payment of Rs 475 per placed candidate in a batch that has achieved 70 % placements as against the total number of certified candidates. The TPs have to follow through with the candidate for three months and produce relevant documents for receiving payment.

Financial Allocation: No funds are transferred to the States under this scheme. The monetary rewards are sponsored by the Ministry of Skill Development and Entrepreneurship and are disbursed to the candidates through direct bank transfer.

Budgetary Allocation for PMKVY: As mentioned above, the scheme was announced on 15th July 2015, 1000 crore was allocated for the scheme for 2015-16. In the Union Budget 2016-17, the allocated amount has increased by 50% to 1500 crore.

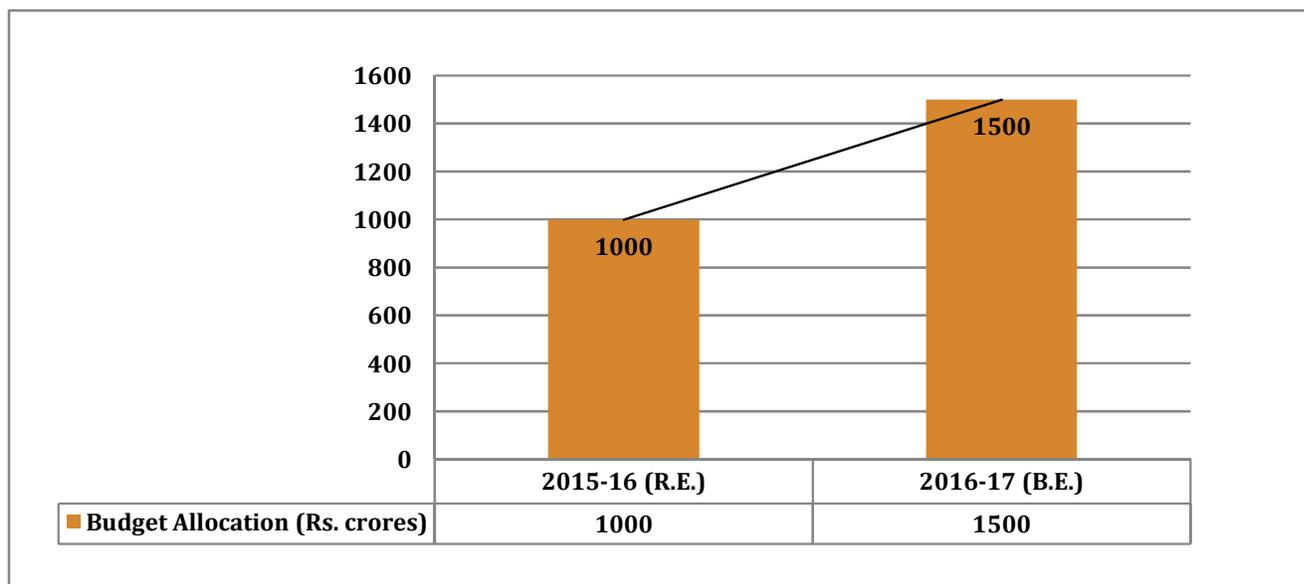


Figure 3: Budgetary Allocation for PMKVY for 2015-16, 2016-17 Source: Union Budget 2015-16, 2016-17

Performance of PMKVY

As per the latest data, there are a total of 11,55,270 persons who have been enrolled under the scheme, and 8,01,741 trainings have been completed. The top five states which have accounted for the maximum numbers are represented in the figure below.

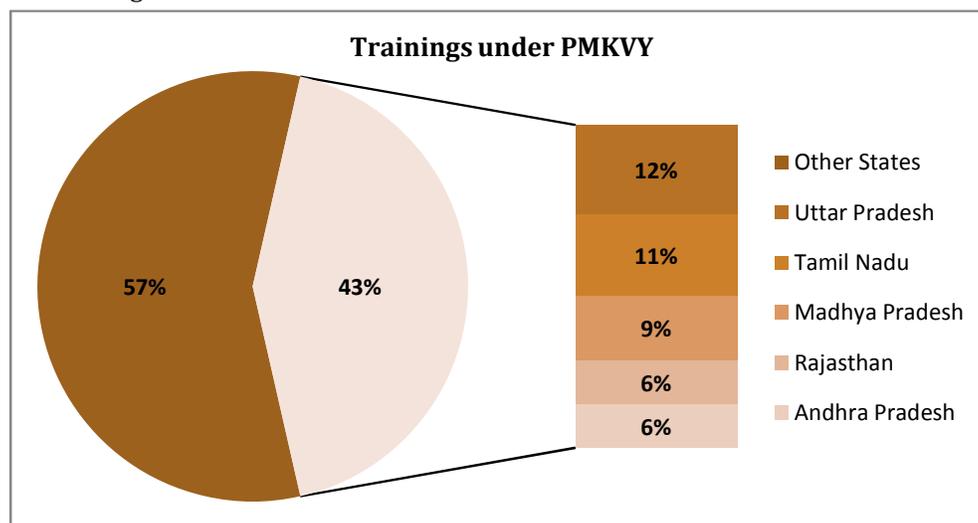


Figure 4: Select State wise distribution of trainings under PMKVY, Source Lok Sabha Unstarred Question 3, 24/02/2016

The top five states in which the maximum number of trainings has been conducted are Uttar Pradesh, Tamil Nadu, Madhya Pradesh, Rajasthan and Andhra Pradesh. The number of trainings in these states account for almost 43 % (42.9%) of the total number of trainings which have been conducted. Uttar Pradesh is at top of the list with a total number of 95,423 trainings completed, followed by Tamil Nadu (86,475), Madhya Pradesh (68,952), Rajasthan (46,926) and Andhra Pradesh (46,266).

The NSDC is a 'not for profit' company which was set up by the Central Government in 2009 , under Section 25 of The Companies Act 1956. **The organization was created to catalyze and promote private sector involvement in skill development.** The National Skill Development Fund (NSDF) is responsible for monitoring the activities of NSDC. The NSDF was set up as a Trust in 2008 under the Government of India. The funds which are utilized by NSDC are deposited under NSDF. An initial corpus of 995 crore was provided to the trust. The NSDF is responsible for raising funds from both government and non government sectors for the activities of NSDC.

NSDC actively supports private sector initiatives within the skilling sector through financial incentives in the form of loans, equities and grants. The private entities which are eligible for funding include industrial organizations, training and skill development organizations, non-governmental organizations, business associations and social entrepreneurs. The funding provided is for the purpose of creating a skills infrastructure and/or working capital requirement for skill development. The NSDC funding cannot be used for creation of immovable property such as land or buildings. For 'for-profit' private entities ,the funding provided would cover a maximum of 75% of the investment requirement ,for ' not-for-profit' entities the funding would be provided for a maximum of 85% of the investment requirement.

Fund Flow to NSDC: NSDC is an organization which runs in PPP mode. It receives its funds from NSDF. A brief overview is provided regarding the release of funds from the time period of 2010-11 to 2014-15. An initial balance of 200 crore was released to NSDC by NSDF with its creation in 2009.

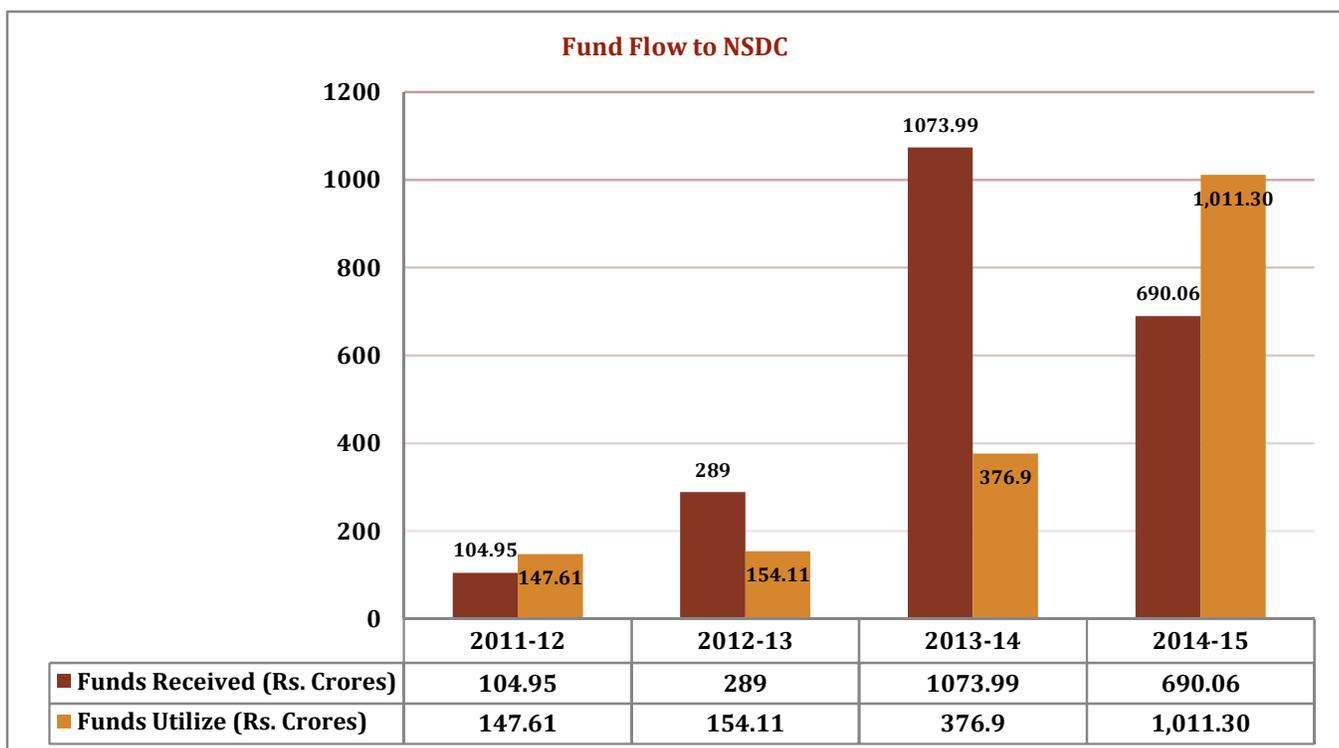


Figure 5: Fund flow from NSDF to NSDC from 2011-12 to 2014-15, Source: Report No. 45 of 2015, Compliance Audit on NSDF and NSDC

The total amount released by NSDF to NSDC for the time period between 2010-11 to 2014-15 was Rs 2157.97 crore. The spike in fund release especially for the year 2013-14 and subsequently was mainly because NSDC was declared to be the implementing agency for STAR and UDAAN for the years concerned. A total amount of Rs 1689.92 crore was utilized which presents utilization percentage of 78.30.

Training Partners: As per the latest data, there are 266 NSDC affiliated training partners in the country, spread across 525 districts. Uttar Pradesh and Maharashtra have the highest number of NSDC training partners with 182 and 164 training partners respectively.

Performance of NSDC

The long term target for NSDC is to skill 150 million people by 2022. **Between 2010-11 and 2014-15, a total of 5,396,722 people - 35.97% of the target in 22.73% of allocated time period have received training through NSDC.** The chart below depicts the number of people trained on an annual basis along with the number of placements which have been achieved through NSDC between 2010-11 and 2014-15.

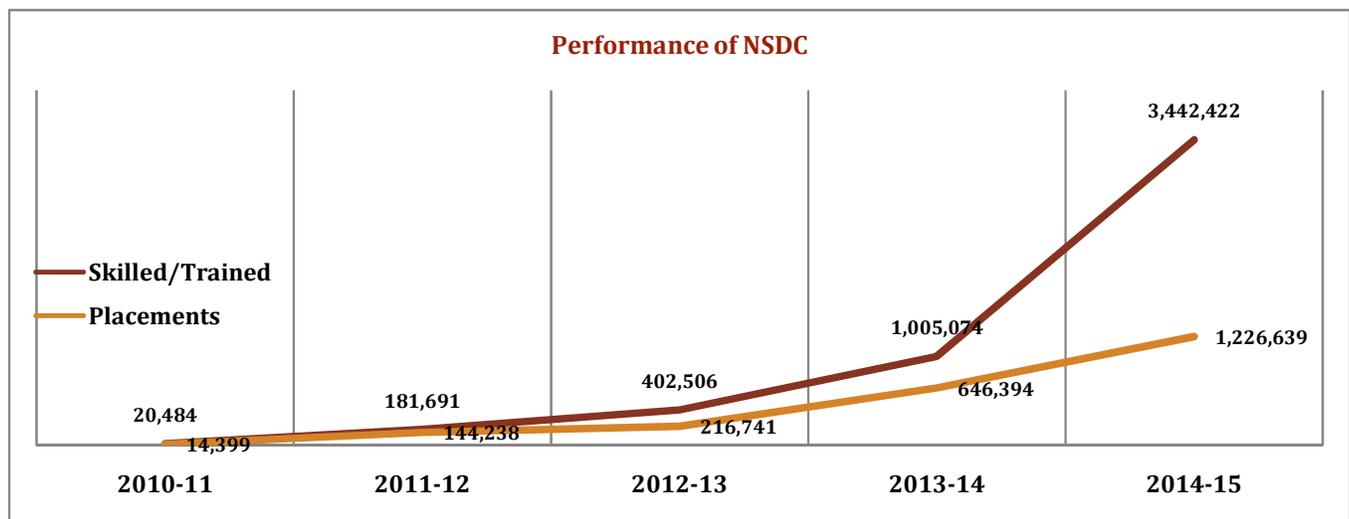


Figure 6: Annual numbers of skilled personnel along with the placements achieved between the years 2010-11 to 2014-15, Source Lok Sabha, Unstarred Question number 2573, 05/08/2015

As the figure represents, there has been an increase in the number of people trained throughout the years concerned. The period between the years of 2010-11 and 2011-12, has witnessed the maximum growth, from 20,484 people (2010-11) to 1,81,691 people (2011-12). The growth slowed down between the years of 2011-12 and 2012-13. However, it shot up again between the years of 2013-2014 and 2014-15 with more than a threefold increase from 10,05,074 to 34,42,422.

As far as the placements are concerned, the placement percentage i.e., the total number of individuals which are placed as compared to the total number of trained people, has always been higher than 60%, except in the year of 2012-13, when it reduced to 54%. The average placement percentage for the entire time period i.e. from 2010-11 to 2014-15 was 67.2%, which implies that the majority of people who are trained through NSDC acquire employment.

Conclusion

As mentioned above, there are a number of skill development schemes which have been operating in the country for a long time. For the purpose of this brief, two of the longest running skill development schemes i.e. DDU-GKY, EST&P have been analyzed along with the flagship scheme of the newly formed Ministry of Skill Development and Entrepreneurship. The contribution of the private sector in skill development has also been looked into, by examining the activities and performance of the National Skill Development Corporation. Over the years, skill development activities have increased and so has the number of skilled population. The expansion of skill development programmes under various ministries provides for holistic development of skilling activities held within the country. On the other hand, it also leads to a multiplicity of norms, standards, and course curriculums etc, which do not encourage uniform skill development across all sectors. **However, with increasing emphasis on skilling as an agent of human resource development, skilling programmes within the country are not only being expanded but they are also attaining a standardized nature.**

The Ministry of Skill Development and Entrepreneurship provides for a robust framework which can lead the way in creating consistency in skilling programmes. A Common Norms Committee has also been set up to bring about standardization and uniformity in the implementation of the various skills development schemes operating under the Central Ministries. **The Skill India campaign also aims to scale skilling initiatives with speed and standards.** Skilling activities have to be increased to fully exploit the demographic dividend however without a systemized approach to skill development; the potential of the working age population cannot be fully realized. **A standardized model of skilling operated by multiple ministries would increase the employability of the working age population both in terms of quality and quantity.**