Skilling Programmes in India

Overview

With more than 54% of its total population below the age of 25, India is undoubtedly one of the youngest countries in the world. With more than 62% of its population in the working age group (15-59 years) which is expected to bulge over the next decade, this demographic advantage if leveraged correctly could provide a massive boost to economic growth. This increase in labour force of India over the next 20 years (increase of 32%) will coincide with a decline in the industrialised world.

However, this opportunity could become a demographic liability if not tapped correctly and at the apt time. The challenge before India therefore is to arm this booming workforce with the right skills so that it becomes a productive asset. Currently, as per the India Skills Report 2018, only 45.60% of surveyed people were found to be employable – 47% among males and 40% among females. Only 4.69% of the total workforce in the country has undergone formal skill training, as compared to 75% in Germany, 80% in Japan and 96% in South Korea. Moreover, a skill gap study conducted by the NSDC over 2010-2014 illustrates that India faces an incremental skilled manpower requirement of 109.73 million. [1]

The quantum of the challenge facing India is clear. It is in this context that the Government has prioritized skilling through its flagship 'Skill India' mission and launched a number of initiatives across ministries and sectors to tackle this challenge.

Skilling Ecosystem in India

The formal skilling ecosystem in India is led by the Government of India and a number of Government Ministries. While a number of ministries implement their own specific domain-related skilling programmes, in particular the Ministry of Rural Development and the Ministry of Housing and Urban Poverty Alleviation, the sector is dominated by the Ministry of Skill Development and Entrepreneurship. This Ministry was formed in November 2014 when the

[1] National Policy for Skill Development and Entrepreneurship 2015.

Department of Skill Development and Entrepreneurship was upgraded to a full-fledged ministry. The role of the Ministry involves coordinating and evolving skill development frameworks, mapping of existing skills and certification, encouraging industry-institute linkages among others. Human Resource and Skill Requirement reports across 24 sectors were prepared which serve as a baseline for all skill development initiatives. The Ministry works primarily through the National Skill Development Corporation (NSDC), National Skill Development Agency (NSDA), and the Directorate of Training (DT). The roles and functions of these entities are mentioned below:

NSDC	• Public Private Partnership entity set up to promote and fund private training providers and set up Skill Development Centres. Funds to NSDC are received through NSDF • Facilitate setup of Sector Skill Councils (SSCs)which are autonomous industry-led bodies. SSCs design Qualification Packs (QPs) and National Operation Standards. • Implement major government skilling programmes such as the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and UDAAN
NSDA	• Autonomous Body registered under Societies Act to rationalize skill development schemes of India • Anchor and implement the National Skills Qualifications Framework (NSQF)
DT	• Training and Apprentice Divisions have been transferred from the Labour department from April 2015. • Comprises government and private ITIs, PPP skill schools and other institutions

The agents involved in the formal skilling ecosystem of India can be broadly classified into government and private sector actors. These agents do not function completely separate from each other, as a majority of government skilling involves Public Private Partnership (PPP) through the NSDC. The **National Policy on Skill Development and Entrepreneurship 2015** superseded the 2009 policy and laid down the roles and responsibilities of the agents involved in India's skilling ecosystem. Moreover, it also provided the framework for productive engagement of the private sector through PPP model.

- **Government Skilling**: The government promotes skill training through institutes such as Industrial Training Institutes (ITIs), Polytechnics, and Advanced Training Institutes (ATIs). In addition to this, the MSDE, Ministry of Rural Development (MoRD) and other ministries facilitate skill development schemes, that often involve private sector involvement through PPPs.

- **Private Sector Skilling**: Private Sector Training organisations as well as Industry In-house Training are the major avenues of skilling led by the private sector. Tata Trusts for instance has launched a comprehensive skill development that aims to train 100,000 persons on demand-driven vocational skills. The organization works with both State Governments as well as corporate bodies to provide a thrust to formal skilling.

Skill Development Schemes

The launch of the Skill India Mission in 2014 heralded a new chapter in the industry-centric skilling initiatives of the Central Government. In addition to the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), the flagship scheme of the MSDE, there are a number of other skilling initiatives implemented at an all- India level. The following paragraphs discuss a few of these schemes and their performance so far.

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 (MoRD). 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 and 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 60:40 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%.

Budgetary Allocation: The overall budgetary allocation for the scheme has been raised from Rs. 810 crores (2017-18) to Rs. 1200 crores (2018-19).

Performance: From the launch of the scheme in 2014-15 to December 31st 2017, 3.39 lakh candidates have been placed in jobs post-training. This implies that 62.2% of all individuals who underwent training, were placed. According to the 2018-19 Standing Committee Report on Rural Development (**Figure 1**), the best performing states in terms of placement proportion (over the same time period) have been Tamil Nadu (169.8%), Andhra Pradesh (99.97%), Odisha (96.65%), Jammu and Kashmir (83.04%) and Telangana (82.15%).[2]

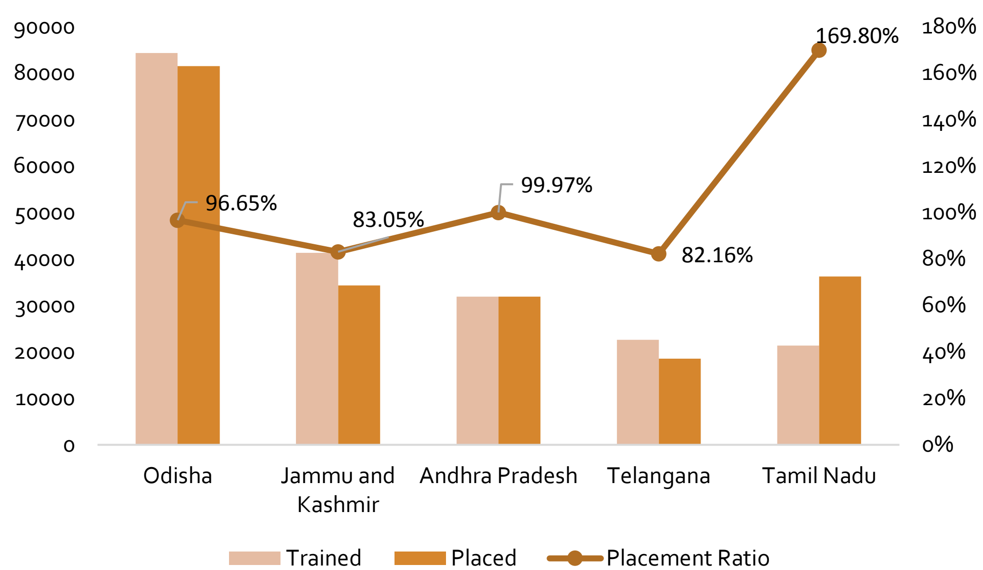

Figure 1: DDUGKY Scheme Performance: Top 5 States

Source: Report No. 46, Standing Committee on Rural Development, Demands for Grants of MoRD 2018-19.

2.Rural Self Employment Training Institutes (RSETIs): As part of the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM), RSETIs are set up in collaboration with banks and State governments, for the skilling of rural youth so that they can take up productive self-employment.[3] An RSETI is established in every district in the country, with the objective of upgrading skills and employability of rural youth so as to stem the unemployment problem. The lead bank of the concerned district is given the responsibility establishing and managing the RSETI. Successful completion of training is followed by the provision of credit-linked assistance by the banks to the candidates for their entrepreneurial ventures.[4]

[2] Report No. 46, Standing Committee on Rural Development, Demands for Grants of Ministry of Rural Development 2018-19.
[3] http://pib.nic.in/PressReleaseIframePage.aspx?PRID=1527402, as accessed on July 17, 2018.
[4] Lok Sabha Unstarred Question No. 241, answered on December 18, 2017.

Financial Allocation: The RSETIs are created and sponsored by banks in each district. The Ministry of Rural Development (MoRD) facilitates RSETIs in every district by providing funding and coordination support. The MoRD extends financial support towards a one-time capital investment up to Rs. 100 lakhs for each RSETI, as well as for reimbursing training costs for certain candidates.[5]

Performance: In the financial year 2017-'18, out of a total of 4.23 lakhs trained, 3.34 lakhs were settled; showing a success ratio of 78.96% (**Figure 2**). As shown in **Figure 3**, of these settled candidates, 1.52 lakhs have received credit linkage from banks. 60% of all candidates under RSETIs are women. Overall, since the inception of the scheme, 12.51 lakh candidates out of 16.97 lakhs have been settled; indicating a success ratio of 73.72%. [6]

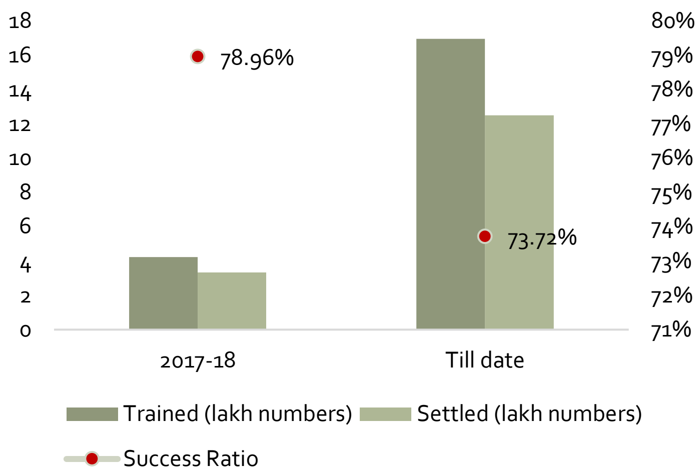

Figure 2: Assessing RSETI at All-India Level

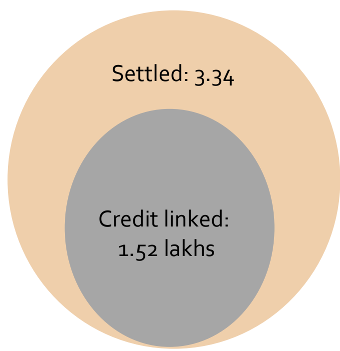

Figure 3: Evaluating RESTI by Credit Linkage

Source: PIB notification dated 3 April 2018

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 as a pilot scheme for 2015-16. In light of its strong performance, the Union Cabinet approved the scheme in the form of PMKVY 2016-20 for another four years with the mandate of providing skilling to 1 crore youth from 2016-2020. This scheme promotes free-of-cost skill development training through monetary rewards which are provided to the eligible candidates in addition to reimbursing the entire cost of training.

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[5] Standard Operating Procedures Manual for RSETIs Part-I, Ministry of Rural Development

[6] http://pib.nic.in/PressReleaseIframePage.aspx?PRID=1527402, as accessed on July 17, 2018.

Under the scheme, individuals with prior experience and skills will be assessed and certified as part of the Recognition of Prior Learning (RPL) component of the scheme. National Skill Development Corporation (NSDC) is the implementing agency for this scheme. MSDE monitors the activities of NSDC.

The Training Partners (TPs) 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 TPs also have to undergo affiliation by the concerned SSC.

Financial Allocation: The PMKVY (2016-2020) scheme is implemented by the Centre and States together. As a result, the scheme has two major components, the Centrally Sponsored Centrally Managed (CSCM) component and the Centrally Sponsored State Managed (CSSM) component. The former is implemented centrally by the NSDC and comprises 75% of the scheme targets as well as financial allocation. This CSCM component includes Short Term Training (STT), Recognition of Prior Learning (RPL) projects in addition to special projects. The CSSM component provides 25% of the funding as well as physical targets to the States/UTs. The State Skill Development Missions are mandated with providing quality skilling programmes and subsequent placements to the youth.

Budgetary Allocation: As mentioned above, the scheme was announced on 15th July 2015, 1000 crore was allocated (BE) for the scheme for 2015-16. For the period of 2016-2020, the scheme has been allotted a total outlay of Rs. 12,000 crores to achieve its targets. The funds allocated to the scheme have steadily risen from Rs. 900 crores in 2015-16 to Rs. 2173 crores in 2016-17 and Rs. 2356.22 crores in 2017-18. [7]

Performance: From its inception, as on 28th February 2018, approximately 46.75 lakh candidates have been trained or are undergoing training under PMKVY components of Short Term Training (STT) as well as Recognition of Prior Learning (RPL). The performance of the scheme can be further evaluated on the basis of placement ratios, or the ratio of candidates with placement offers of the total candidates trained. Under PMKVY 2015-16, 2.62 lakh of 19.8 candidates received placement offers, indicating a placement ratio of 13.23%. Under the PMKVY 2016-20, placement data is reported within 3 months of certification of candidate.

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[7] Report No. 36, Standing Committee on Labour, Report on Demand for Grants of Ministry of Skill Development and Entrepreneurship 2018-19.

Out of 13.97 lakh candidates under the STT component, 9.63 lakh have been certified and 3.49 have been placed; indicating a higher placement ratio of almost 25%. [8]

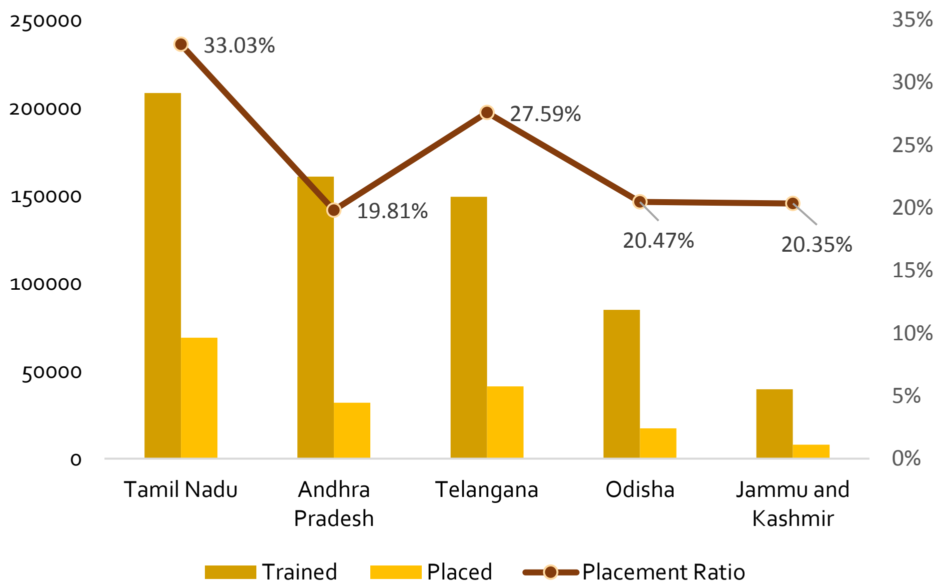

Figure 4: PMKVY-STT Scheme Performance: Top 5 States

Source: Report No. 36, Standing Committee on Labour, Report on Demand for Grants of Ministry of Skill Development and Entrepreneurship 2018-19.

A state-wise examination of placement ratio under the STT component of PMKVY (as per **Figure 4**) illustrates which states are performing better at skilling initiatives. Tamil Nadu with a placement ratio of 33% leads the way, with Telangana (27.59%), Odisha (20.46%), Jammu and Kashmir (20.35%) and Andhra Pradesh (19.81%). This ranking has been adjusted to include only states that have trained a minimum of 10,000 individuals under PMKVY-STT. [9]

[8] Ibid.

[9] Lok Sabha Unstarred Question No. 241, answered on December 18, 2017.

International Case Study: The South Korean Experience

South Korea's skill development strategy has been internationally acclaimed and often referred to as a successful model to emulate for other developing countries. The approach combined the roles of the government as well as the private sector through a legal mandate (Vocational Training Act 1967) that made it binding on all actors to work in tandem so as to eventually boost economic growth and reduce poverty. The initiative dates back to the years following the Korean War and had a big role to play in the post-war reconstruction, and eventual emergence of South Korea as an industrialised economy.

The government-led skilling and vocational training policy responsible for Korea's human capital development, is a model that can be adopted by other emerging economies like India. South Korea aligned and modified its skill development to suit the needs of its priority industries. Such a list of industries was arrived at by the government itself, by factoring in the country's production and natural resources potential. Skill development was then promoted in these industries (heavy and chemical, light-export oriented) through greater private participation.

The Korean model was novel and effective because the government played the lead role in planning, financing and regulating, while the responsibility for providing training was delegated to the private sector. The government first selected core industries for a particular time period, and then assessed the training capacity of employers in these industries. If the government identified a gap in training capacity, it would either support the industry in question or train human resource directly. The government promoted industry involvement in skilling through heavy state subsidies and other such incentives. Against the background of increasing globalization in the 1990s, the Korean government recognized the need to accord an even larger role to the private sector given the shift in industrial trends towards Information Technology (IT). The Workers Skill Development Act of 2004 further shifted the role of the state to fit the new environment; by completely dropping obligatory training regulations, increasing incentives to in-service training, and shifting from a supply-driven to demand-driven training mechanism.