

Highlight

India has witnessed an average annual growth of 5 per cent in the last 2-5 years and manufacturing was hit the hardest. Manufacturing is considered as the biggest job creator however with the slowdown of economy and use of automation, the growth of employment has been 1.8 per cent. India has almost 50% of its population under the age of 24 years and this demographic dividend needs to be effectively utilised for faster economic growth. The country needs to grow by 7-8 per cent in order to generate enough jobs for the 12.8 million people entering the job market each year.

Nearly 12.8 million new entrants to the workforce are required by different industry verticals in the country while India's education and vocational training system churns out 3-4 million workers, leaving a yawning gap between demand and supply. Skilled manpower is emerging as the key challenge for many corporations and entities. There is a need to develop more flexibility in the offering of vocational courses and develop a module based curriculum in collaboration with industry so as to meet the needs of both target groups and the employers. This will help reduce the disconnect between industry and vocational training centres; as well as school education and vocational training, which has led to the training being less relevant to industry's needs, resulting in further alienating students from the vocational stream.

To meet the growing demand of skilled workforce and to maintain India's competitiveness in the global arena, the government has taken a number of skill development initiatives like Industrial Training Institutes (ITI's) and Industrial Training Centers (ITC's); many of whom are later upgraded through Public-Private Partnerships (PPP) model. Apart from this, several big corporate have also shown their interest in starting ventures in association with National Skill Development Corporation (NSDC). FICCI and CII also offer their support and services through policy advocacy, industry intervention and international collaboration.

However, there lies an inherent challenge in the sustainability of the models as there are significant variances in the technological and infrastructural capabilities, knowledge base of the trainers and methodologies of different training agencies located at different locations, catering to these diverse spheres.

The skill levels of the Indian workforce must be raised to improve the competitiveness, growth rates, job prospects and promote social inclusion. Onicra believes that as a part of the process it is imperative to raise the standard of Vocational Training Providers (VTPs) so as to attract more people into it. An outcome based approach needs to be followed so as to achieve a sustainable support system required for skill development. The training agencies must be evaluated on specific parameters pertaining to its course curriculum, theoretical as well as practical - knowledge of the trainers, technological capabilities, infrastructural capabilities, assessment and certification methodologies and placement record of the trained individuals. The evaluation will not only provide an assessment of existing systems and processes of the training agencies, it would also provide the stakeholders the information about the specific areas in which the training agencies should improve upon.

Background

Indian Skill Development Sector

Skill development is critically important for employment generation as well as the growth of the economy. As per the prediction of International Labour Organisation, it is estimated that by 2020, India will have 116 million workers in the age bracket of 20 to 24 years as compared to China's 94 million. It is further estimated that the average age in India by the year 2020 will be 29 years as against 40 years in the USA, 46 years in Europe and 47 years in Japan. In fact, in 20 years the labour force in the industrialised world will decline by 4 per cent, in China by 5 per cent, while in India it will increase by 32 per cent. This fact presents the biggest competitive advantage of India in the years to come. India has a large number of manpower but the industry is facing critical shortage in terms of skill and quality of manpower available.

Severe challenge is posed by lack of skilled manpower in India and hence an action oriented and integrated approach is required in order to sustain the growth story and to transform the skill development landscape. 80 per cent of India's youth are from low income families who have low quality of educational standards coupled with a high dropout rate beyond primary school stage. Also their knowledge in terms of various options related to skill training is minimal and are often unable to pay the admission fee for such training. It is critical for the country to make secondary education more job-oriented through skill training within the schools.

General Education Level of Labour Force in the age group (15-59)			
2009-10			
	Numbers (Million)	Share in Labour Force in age group 15-59 years (431.20 million) (Per cent)	Share in Labour Force (470.1 million) (Per cent)
Not Literate	125.70	29.10	26.7
Literate without formal schooling	2.10	0.50	0.5
Below primary + Primary	102.40	23.7	21.8
Middle	76.10	17.6	16.2
Secondary	52.40	12.2	11.1
Higher secondary	29.20	6.8	6.2
Diploma/certificate course	6.00	1.4	1.3
Graduate	28.00	6.5	6.0
Graduate and above	9.40	2.2	2.0
Total	431.20	100.0	91.7

Source: Computed from NSS (66th Round), 2009-10

According to the data, approx. 29 per cent of the labour force between the age group of 15-59 years is illiterate and an additional 24 per cent have received below primary or only primary level of education. In other words, well over half of the labour force between 15-59 years of age has extremely low levels of education or none at all. An additional 17.6 per cent had attained middle level education in 2009-10 and a further 12 per cent had attained secondary level education. In other words, the remainder of only 17 per cent has higher secondary and higher levels of education (including diploma/certificate, graduation, and post graduation levels of education). This low level of education also makes it more difficult to provide vocational training to youth who have not even completed elementary education. India has 20-25 per cent people in the age group of 15-24 years age group and this demographic dividend needs to optimally utilised through skill development. The

challenge lies in providing the required skill set else there is a high risk of growing unemployment and shortage of vocationally trained people in the labour market.

Overview of Vocational Training Industry in India

A vocational training is defined as training which prepares an individual for a specific vocation or occupation. It imparts training to individuals in specific field and also provides hands on experience in acquiring the necessary skills which make them employable and also provides an opportunity to become self employed. Vocational Education & Training (VET) institutions in India include the Institutes of Technology, Technical Universities, Polytechnics, etc. These are aimed at preparing students for entry into various areas like agriculture, business & commerce, humanities, engineering & technology, home science & health and para-medical skills, etc. Vocational training in India is being undertaken by the Directorate General of Employment and Training (DGET), under the Ministry of Labour and Employment (MoLE), Government of India (GoI).

According to the 12th Five Year Plan, only 10 per cent of the Indian workforce has formal skill training in the form of higher education, technical education or vocational training. In order to improve the skills of the Indian workforce, government has set up The National Skill Development Corporation (NSDC) under public private partnership. It aims at skill training for the private and the unorganized sector covering a wide range of economic activities and providing co-funding, training standards, quality assurance and support services.

Distribution of Formally and Informally Vocationally Trained Workers (PS+SS in the age group of 15–59)					
Within Primary, Secondary and Tertiary Sectors (per cent) in 2009–10					
	Agriculture and Allied	Manufacturing	Non-Manufacturing	Service	Total
Receiving formal vocational training	18.7	16.6	5.5	59.2	100
Received vocational training: Formal	7.8	19.8	8.1	64.3	100
Received vocational training non-formal, of which	31.9	35	11	39.7	117.6
<i>Received Vocational Training Non-Formal: Hereditary</i>	56.9	26.3	4.2	12.6	100
<i>Received Vocational Training Non-Formal: Self Learning</i>	26.4	33.5	9.2	30.9	100
<i>Received Vocational Training Non-Formal: Learning on the Job</i>	11.1	45.1	14.5	29.3	100
<i>Received Vocational Training Non-Formal: Others</i>	22	33.6	7	37.4	100
Total	26.3	31.4	8.7	33.1	100

Source: Computed from NSS (66th Round), 2009-10

As compared to India where only 2 per cent undergo formal vocational training, Mexico has 28 per cent of the population undergoing formal vocational training and Korea has 96 per cent. Germany, Indonesia, Japan, Korea, Israel and China have supported vocational education at the school level on a large scale since the decade of 1970s. In 2012-2013, of the 402,506 people trained as part of National Skill Development Corporation (NSDC) programmes, only 216, 741 could be placed in jobs. In 2011-12, NSDC trained 181,691 people, out of which 144,238 got jobs.

Total capacity of Industrial Training Institutes (ITIs) and Industrial Training Centres (ITCs) in India						
State	No. of Government ITIs	Seating Capacity of ITIs	No. of Private ITCs	Seating capacity of Private ITCs	Total no. of ITIs and ITCs	Total seating capacity of ITIs and ITCs
Northern Region	770	115122	1554	169041	2324	284163
Southern Region	361	86732	2660	289646	3021	376378
Eastern Region	194	47450	810	138989	1004	186439
Western Region	797	178862	740	68922	1537	247784
Total	2122	428166	5764	666598	7886	1094764

Source: Annual Report 2008–09, Ministry of Labour and Employment, Government of India, as of 31 December 2009

There have been some projects to implement a dual model of vocational training within the National Skill Development Initiative. Private sector and industry involvement is seen as crucial. According to the Annual report of MOLE, there are about 2122 Industrial Training Institutes (ITIs) and 5764 ITCs. The total seating capacity in these ITIs is 10.94 lakh (4.28 lakh seats in government ITIs and the remaining 6.66 lakh in private ITCs).

Government Policies and Initiatives

The government of India has recently taken a lot of initiative in order to promote vocational training and fulfil the increasing need of employable skills. The Prime Minister of India has suggested that **India should set a goal to create 500 million certified and skilled technicians in the country by 2022**. The Government has been steadily increasing the budgetary allocation for education and the country has also made significant strides in higher and technical education. Currently, the Government spends around 5 per cent of its GDP on education with FDI inflows at \$31.22 million during May 2012.

Ministry of Human Resource Development and Directorate General of Employment & Training are the two key government bodies in this sector. Government initiatives largely comprise of National Policy on Skill Development, Skill Development Initiative Scheme, Craftsmen Training Scheme, National Vocational Qualification Framework and National Vocational Educational Qualification Framework. Some of the initiatives taken by the Government are listed below:

- **Private Industrial Training Institutes** – In 2007, when the Government of India decided to initiate a Skill Development Initiative there were just under 2000 private ITIs in the country. However, in the wake of the Government’s focus on skill development in the 11th Five Year Plan, there took place a rapid increase in the number of private ITIs to nearly 6498 within three years. With the help of this initiative there has been an increase in the availability of the facilities for skill training however, the quality of training imparted is under review.
- **Private Partners of NSDC** – As part of the Government of India’s Skill Development Initiative (which started in 2007 with the 11th Five Year Plan), three institutions were created: the Prime Minister’s Skill Development Advisory Council, the National Skill Development Coordination Board (chaired by the Deputy Chairman, Planning Commission), and the PPP-based National Skill Development Corporation (NSDC). The NSDC is jointly funded by the private sector, and the Government of India (51 per cent private equity owned mainly by Confederation of Indian Industry, Federation of Indian Chambers of

Commerce and Industry, Association of Chambers of Commerce, and 49 per cent equity owned by the Ministry of Finance).

- **Establishment of New Polytechnics and Strengthening of Existing Polytechnics** – Government has proposed to establish 1000 Polytechnics in the country and to upgrade infrastructure of existing diploma level public funded Polytechnics by
 - providing financial assistance for modern equipment and replacement of obsolete equipments,
 - providing modern facilities for application of IT in teaching, learning and testing processes and
 - creating infrastructure facilities as well as introduction of new diploma courses

Challenges of Vocational Training System in India

Although India has already achieved notable success in creating a skilled workforce, there are still several serious challenges that the country has to overcome in order to achieve its goals. Some of these challenges are listed below:

- **Shortage of experienced and qualified Teachers** – Providing for trainers has always proven to be a bottleneck for vocational education reform. Faculty shortages and the inability of the educational system to attract and retain well-qualified teachers have been posing challenges to quality education for many years. The number of teachers in the system has not kept pace with the growth in student enrolments and this aspect needs considerable and concerted attention to ensure the sustainability of the higher education system.
- **Weak private and industry participation** – Without the support of business, practical training has become very problematic; besides, practical training conditions in the schools are far from satisfactory in fulfilling practical requirements. Currently, there is no law stipulating that enterprises are obliged to take part in pre-job vocational education
- **Outdated training modules and inadequate courses** – Most of the Vocational Education Training Institutes are characterized by structurally rigid and outdated centralized syllabi that do not have much sync with the prevailing market conditions.
- **Quality of training not in line with industry demands** – Disconnect in the skills imparted and skills required by the industry. Low relevance of the curriculum to industry requirements leads to unemployment even after receiving the formal vocational training.
- **The funding model used by the states is largely ineffective** –Although the resources available to the states are limited, no state seems to follow a transparent funding formula in funding vocational education or training. Once an institution begins to receive funding, subsequent funds are guaranteed irrespective of the institution's performance. The same levels of finance are allocated to poorly performing institutions with high drop-out rates as to those that maintain a high quality of teaching and performance.

Along with the challenges mentioned above one of the major risk is lack of monitoring mechanism that can regularly assess the performance of the ITIs and ITCs and the quality of training that is imparted. Also there is a need for extensive advertising and public information campaigns which appears to be necessary to counter the weak reputation of domestic vocational education.

Opportunities in the Industry

Vocational educational training industry is set to register rapid growth. Currently the market for vocational training is estimated at INR 90 billion and the same is estimated to grow with a CAGR of 25 per cent. Government has set a target of preparing 500 million skilled workers by 2022, as around 75-80 million jobs will be created over the next 5 years and 75 per cent of them will require vocational training. There is a strong call to action from the government and industry, which is evident in the formation of Sector Skills Councils for particular industries and the establishment of the National Vocational Education Qualification Framework. This will result in standardisation of curriculum, assessment methodology, infrastructure and training quality, etc. There will also be vocational training modules integrated into school and college curriculum, thereby providing a seamless linkage between vocational education and degree-based higher education.

Every year 5.5 million students pass out of Class X, of which 3.3 million go to Class XI, **leaving 2.2 million out of the education stream.** Those who drop out after Class VIII are approx. **20-21 million.** Urgent attention is needed for this 21 million target group so as to revamp the ITIs and fill the gap. Addressing this gap would require a massive scaling up effort through setting up green field and non-legacy vocational training centers. Without a doubt, a significant opportunity awaits India, if it is able to meet its skill development objectives through Vocational Education and Training (VET). A robust and relevant VET system can enable India to expand its pool of industry-ready manpower, especially for the bottom of the pyramid and lead to balanced, inclusive growth.

Analysis

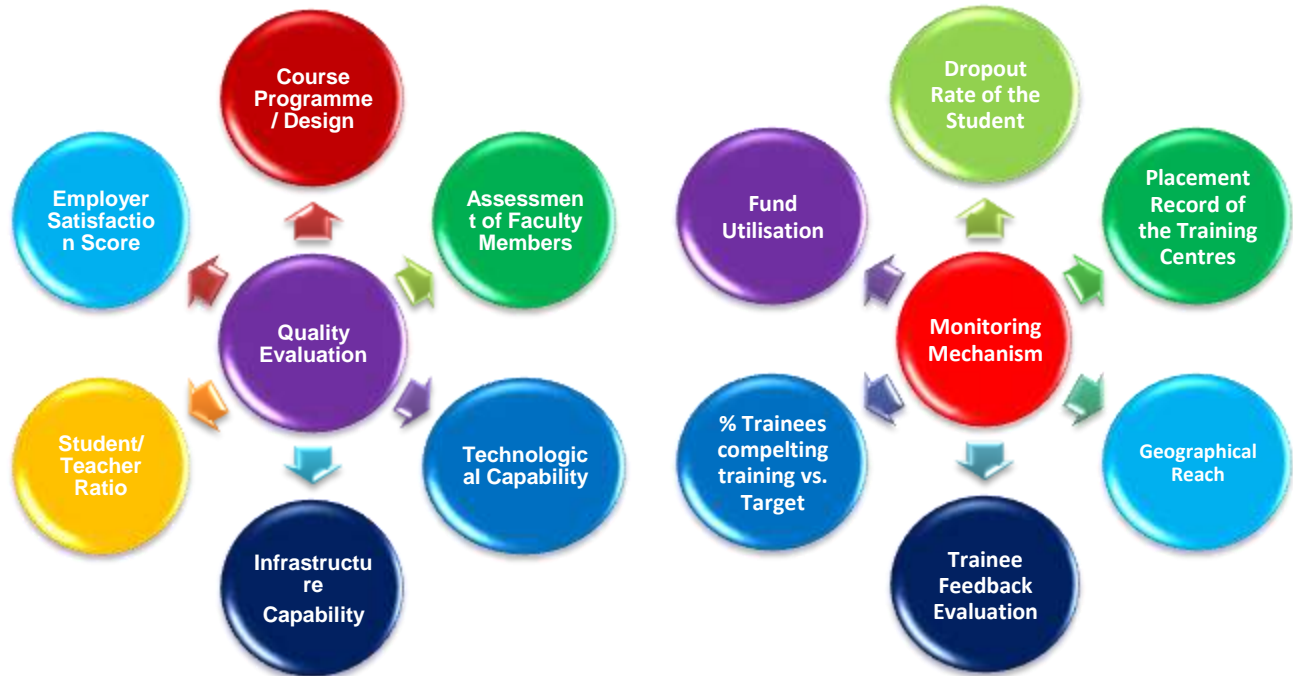
Strong mechanism for quality control and monitoring of vocational training institutes

India has witnessed a tremendously evolved skill development landscape in the past few years with a focused national policy in place. However, the challenge lies in the sustainability of the model. Some regions in remote rural locations are attracted towards a basic level training while others offer an industry specific training to urban hubs. Thus, there lies a variance in the technological and infrastructural capabilities, knowledge base of the trainers and methodologies of different training agencies located at different locations, catering to these diverse spheres.

Funding too has been a major threat to the sustainability of the PPP model as the question of who pays for training is still not clear. Many NSDC funded partners have established various innovative models of fund generation, such as a placement fee model in which the employer is paid a placement fee via a 10-20 per cent upfront payment and rest amount paid in installments. For such a model to sustain it is important that the NSDC training partners are efficient enough in getting the candidates placed. Thus it is important that the training agencies must be accountable and competent enough to impart the required quality training to the individuals.

Vocational training centres should send teachers to business locations on an annual basis for staying in touch with modern technological developments, technique and production. It is important to improve the content of the vocational training programme and syllabus in the form of modules to create access to advanced technology; ensure flexible, quick adaptation to changes in business technology and the labour market.

Onicra believes that a comprehensive quality control framework is required to assess training providers on three dimensions: process, input and output factors. A quality assurance framework needs to be developed to assess both the training provider and the trainees. Further, a nodal independent Coordinating Body can be set up, which oversees and coordinates vocational education and training in the country, and also plays a key role in quality assurance and monitoring of the vocational training institutes. A two-way framework needs to be developed which includes both evaluating the quality of the training institutes as well monitoring of the these institutes so as review the performance on a regular basis and improve the employability of the trainees.



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