

Towards Strengthening the Role of Employers in Skill Development

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In order to understand the stupendous education and skill challenge India faces this note focuses on two dimensions: first, identifying the nature of the problem, and second the way forward. The first part focuses on the educational/skill level of the workforce, and the second on what needs to be done, especially by registered sector employers to address the labour market educational/skills challenge.

All those who enter the workforce must possess at least minimal levels of three kinds of skills: foundational or cognitive skills; soft skills or transferable skills; and finally, vocational skills. However, there seems to be a belief, in the citizenry and the state machinery, that skills mainly means vocational skills. That is why this note begins with the state of foundational skills of the workforce; soft skills are rarely imparted as part of the general academic education system or vocational education and training system (VET) system, and hence are not discussed. Besides, all VET of quality has three components: one, the theory of the trade; two, practical workshop experience in the training institution; and three, practical industry experience in a work environment. Almost none of the pillars of VET system offer all three, which is a very important reason the quality of VET remains of poor quality.

1. The Education of the Workforce

We begin by noting that 146 million (or 30%) of the workforce of 485 million in 2012 are illiterate. An additional 52 % (or 253 million) of the labour force are those only with education upto secondary level. (But 40% of this 52% have less than middle-level of education.¹) An additional 15 million have tertiary level technical education, about half of whom have diploma or certificate level and the other half of this group has graduate level technical education. In other words, barely 3% of the workforce has technical education at tertiary level, and another 7.2% has general academic education at tertiary level (Mehrotra, 2015).

NSS data allows an analysis of the workforce by three types of employment: self employed, casual labour, or regular salaried work. Over half of India's workforce is self-employed. It is not surprising that hardly any illiterates have regular salaried jobs. Most illiterate are either casual workers or in self employment usually engaged in low productivity work. Self-employment is one of the least important sources of work in more developed economies.

Just over half the workforce has education up to secondary level. Well over half of those who have education upto secondary level are self employed. However what is more worrying is that as many as 75 million of those with secondary education actually are in casual work. As we said, nearly half of the work force have secondary education but the fact is that nearly a third of those with secondary education are in casual work (without any social insurance) should worry policy makers.

The total number of those with higher secondary education (34.4 million) and those who have graduate level education and above (35.6 million) is roughly similar in the work force. What is notable, however, is that half of those with only higher secondary education are self employed – which, by and large, tends to be low-quality employment, employing low-technology and has low-productivity.

Under a third of those with higher secondary education are in regular salaried employment (while only 15% of those with secondary education have regular salaried jobs). However half of those with graduate level education or



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The views expressed in this article do not necessarily reflect the views of the V.V. Giri National Labour Institute.

above are in regular salaried employment. What is worrying is that nearly four million of those with higher secondary level of education are engaged in casual work.

What is important that a fraction of the schools provide access to vocational education, and the share of the workforce that has any formal vocational education or training is 4%. The rest who enter the labour market may or may not acquire any vocational training, even informally. And the total capacity of formal institutions in India to provide VET is well under 5 mn per annum, and that includes all the short term course of 3-4 months, which are far from adequate to provide VET of quality to school kids that have acquired poor quality education.

So clearly, the current work force is far from the quality that India needs if it is produce quality goods for export, whether labour-intensive or capital-intensive ones. It is merely good enough to work in small-scale, unorganized firms producing goods or providing services of low quality using low-technology inputs.

2. The Skills Challenge and the Way Forward

This note, for reasons of space, cannot go into the issues related to how to expand the provision of quality education of a general academic nature. However, it will examine the key issues with the TVET system in the country.

The vocational skills challenge

The country has five pillars in its TVET system. First, there are the secondary/higher secondary schools offering vocational education (mainly in service sector activities), which has only grown in the last 3 years. Second, there are the pre-employment Industrial Training Institutes (about 2300 public and 11000 or so private ITI), offering 1-3 year training in mostly manufacturing trades and some service trades to 15-18 year olds. There are also the 1300 polytechnics, also offering longer term training. Third, there are the recently created private vocational training providers (VTPs) incubated with public funds by the National Skill Development Corporation (created in 2010), all offering short-term training. Fourth, there are the 16 other Union government ministries, most of which offer short term training. Finally, there are registered firms that offer in-house, in-firm, enterprise-based training (which are very few in number).

In successful TVET systems, the system is run by employers. However, in India until the

middle of the 2000s organized sector employers were hardly interested in training within their own enterprises, let alone engage in the system outside their enterprises. However, very rapid GDP growth during 2000s led to a serious shortage of skilled staff. The government of India began to respond. For the first time in the history of India the 11th Five Year Plan (2007 to 2012) included a chapter on skill development, as did the 12th Plan. But the government- and supply-driven system was not going to change overnight.

Employers have remained resistant to contributing significantly to skill development. Private vocational training providers (VTPs) are not employers; their emergence is the main new development on India's TVET scene, and the main source of growth. The interests of the two - the private VTPs and of employers - are not necessarily in consonance. Such VTPs will train (whether using government funds or their own), regardless of whether their trainees ever get employment or not. The number of private ITIs did grow from under 2000 in 2007 to over 11,000 in 2014, but the Ministry of Labour responsible for them did not have the capacity to regulate them, hence the quality of output remains questionable. Nor does the Ministry of Skill Development and Entrepreneurship (MSDE), to which ITIs were transferred, have that capacity for regulation. Neither provided for industry experience as part of the training programme; very few provided soft skills. The apprenticeship - intended to practical industry experience - was, and still is, a standalone programme, not integrated into any training programme offered by pre-employment institutions.

The government also created a National Skill Development Corporation (NSDC) in 2010. But the so-called public-private partnership that NSDC was intended to be (with 49% of the equity contributed by the Government of India, and 51% shareholding from The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI) underwent mutation quite early. NSDC has remained almost entirely government-funded. There might have been rapid growth of NSDC-funded VTPs, but these VTPs offer at best courses that last 4 months, which is insufficient to equip fresh youngsters with skills that can make them employable. Three to four month courses are offered in other

parts of the world only for purposes of ensuring Recognition of Prior Learning (RPL). Hence, these short-term programmes should ideally be converted to RPL programmes, but after being radically restructured.

Government - and supply-driven systems of technical and vocational education and training (TVET) tend to fail, while employer-driven systems, which tend to be demand-driven, are more likely to succeed. For half a century after independence India hardly had a skill development (SD) system in place. With millions of children still out of school, the focus of governments was on ensuring all children at least completed elementary education. That stage has been achieved only within the second decade of this millennium.

Vocational education was practically nonexistent until the mid 1980s at school level. The industrial training institutes (ITIs) that came into existence in early 1960s hardly grew in number until 2007, and there were barely 250 000 odd apprentices in the formal economy (MOLE Annual Reports cited in Mehrotra, 2014). According to NSS data, only 2% of the workforce had received formal vocational training by 2004-5.

However, with GDP growth averaging 8.4% pa (Ministry of Finance, 2014) over 2003-4 and 2011-12, the demand for vocationally skilled staff grew rapidly. However, barely 16% of Indian registered companies (non-registered companies constitute 99% of all Indian enterprises) were providing enterprise based training in 2007, according to World Bank data. Registered companies had been free riders on the higher education system. The shortage of skilled personnel has raised input costs for them, so that slightly more of them are now providing in firm training (36% in 2014). However, this is mainly confined to the larger firms that can afford to invest in the infrastructure and trained human resources required to provide such



training. The smaller and medium enterprises are still struggling without skilled staff.

Given the limited progress since 2007, the number needing TVET is, we have estimated (Mehrotra, 2014), at least 20 million per year, but the system is barely churning out 5 million per year. The number to be trained is nowhere as high as the previous government policy believed (500 million between 2012 and 2022, as stated in the National Skills Policy 2009). Nor is the number even as high as 400 million (by 2025), as the current government has stated in the National Skills Policy, 2015. Nor is the number joining the labour force (for whom employment has to be found) anywhere close to the 12 million per annum that is repeated ad nauseum by policy-makers, industry and the media; it is no more than 2.5 million per annum.

The Way Forward in the Short-run

The challenge is stupendous in any case. This note is too short to spell out the structural policy changes needed to be initiated now to have effect in the medium-run. In the short run, without employer involvement the targets can never be met. The governments of states or India simply do not have enough resources in its budget to meet the skill needs of the country; the governments have to focus on ensuring quality general academic education for all to class 8, at the very least.

But employer involvement has to go well beyond the adoption of ITIs by CII and FICCI. It has to take the following five forms - and very urgently - all of which will require deft government consultations with registered employers, and facilitation (and a minimal amount of financing). Industry must be required to bear part of the costs as well, otherwise industry employers will have no 'skin in the game', and quality will suffer.

First, secondary schools, ITIs and private VTPs cannot expand capacity nor improve the quality of training because they are seriously short of industry-ready teachers/trainers. The MSDE is planning to take on retirees from industry and retired army personnel as trainers - a good first move but it has to go well beyond this action. However, industry help must also reach the 16 central government ministries (other than MHRD and MSDE) offering vocational training, which also need trainers. In addition, about 7000 secondary schools were approved (by March 2017) to offer vocational courses from

class 9 in government and CBSE schools in the last three years, who also need instructors, as do the ITIs and polytechnics. Industry and employers have to offer their staff as instructors to all of them. However, such instructors have to receive pedagogical training which can be provided in the National Institutes of Technical Teacher Training and Research (NITTTRs).

A second reason for the poor quality of our TVET is that trainees receive almost no practical training. No wonder industry complains that trainees coming from the TVET system have to be trained all over again. The constituent members of the Sector Skills Councils (SSCs, incubated by the National Skill Development Corporation), CII and FICCI have to offer to arrange this practical training for schools, ITIs and polytechnic. This should be a part of the deliverables of SSCs and industry associations, which chambers of industry should encourage. There is no such requirement upon SSCs for the last five years that SSCs have been in existence, despite the fact that they have been receiving funding from the government (for the first three years of their existence) (MSDE, 2016).

A third reason the quality of training is weak is that youth graduating from vocational schools, ITIs or polytechnics have no understanding of a work environment. This is because they have never experienced an internship while in the TVET system. Employers need to arrange internships through the auspices of SSCs, CII, ASSOCHAM and FICCI. This is also not part of the deliverables of SSCs or industry associations, which also chambers should encourage.

There is a fourth way in which industry should become a more responsible part of the TVET system in India. To ensure competency-based training, SSCs are currently responsible for preparing National Occupation Standards (NOS), which are a requirement of the National Skills Qualification Framework, but a NOS is not a curriculum, which MSDE (2016) showed have been written by international consulting organizations (rather than actual industry practitioners). There is need to prepare the competency-based industry-ready curriculum. If industry readiness is a demand of industry from trainees then employers need to get involved in the preparation of such curriculum.

The Central Institute of Vocational Education of NCERT in Bhopal is trying hard with limited staff to prepare the curriculum for secondary schools but it needs help, that can only come from industry. Similar help is needed by NITTTRs for polytechnics and the CSTARI (Kolkata) and Advanced Training Institutes for ITIs. But this is also currently not part of the deliverables of SSCs and of federations of industry associations.

Finally, industry needs to get directly involved in the assessment of trainees and students of vocational education, which should be a deliverable for SSCs and industry associations, which industry chambers should facilitate on a much larger scale than currently happening. But assessors themselves must be trained to be assessors, by industry and educators. Assessors can not be provided by standalone assessing companies that have sprung up in response to the demand for assessors from quickly-training VTP.

India cannot duplicate the dual educational system of Germany (which is a reason that Germany is a manufacturing giant), but we should certainly replicate the duality principle. This principle – theory plus practical training – underlies the SD systems in countries that have demonstrated success. None of the 17 line ministries of the central government that fund training will produce industry ready trainees without these 5 principles being adopted by industry and employers - in other words by ASSOCHAM, FICCI and CII, who were supposed to be co-financiers of the NSDC supported SSCs in the original scheme of things.

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