

A Cut Below

The skills shortage is costing India dear, yet remedies remain uncoordinated and young people's aspirations do not match reality

By SHAMNI PANDE

Santosh Kumar is a typical Indian electrician. Or plumber or local mechanic. The 24-year-old Gurgaon resident tried his hand at several odd jobs before he started training under his elder brother, himself a self-taught electrician, three years ago. Had it not been for his brother, says Kumar, he would have returned to his native Baloda village in Chhattisgarh to his eight-member family. "Today, I manage to earn up to ₹15,000," he says.

But, the thought of formal training has never crossed Kumar's mind. A more pressing matter surfaces as every month ends: "My elder brother is married and I now need to shell out ₹4,000 on rent," he says.

Kumar is but one among millions of untrained young people in the world's second-most populous country.

India's "demographic bulge" — the hundreds of millions of

young people who will flood its job markets in the next decade — is in danger of sliding into a lopsided paunch that will weigh the nation down and crimp its gross domestic product. The problem is simple: Indians are obsessed with textbook education and white-collar dreams. Most of them shy away from blue-collar careers that could guarantee them employment and income. The less formally-educated youth lack proper vocational training and are doomed to drift from one low-paying

WELL BELOW THE TARGET

The National Skill Development Corporation and various ministries met about 16.5% of their skilling target for 2012/13

8.5mn
people need training

1.4mn
people trained

stint to another. The cost is clear: the government or private institutions will have to spend at least ₹10,000 to train one person in the right skills. Even at this modest estimate, the bill works out to ₹530,000 crore. The challenge is obvious: how do you get all those square pegs out of their round holes?

According to the National Skill Development Corporation (NSDC), a public-private partnership tasked with funding and directing private skilling programmes, approximately 12.8 million people will join the job market every year in the coming decade. Despite the mounting urgency, progress towards the government's target is glacial. There is a lack of co-ordination between the private skill development organisations and 17 ministries who offer a multiplicity of programmes. Conflicting agendas threaten to undermine the goal.

"There are turf wars between ministries whose proposals run parallel to each other," says a senior executive at a leading skill develop-

Source: National Skill Development Co-ordination Board



SHANMUGAM S., 34yrs

QUALIFICATION

MA (History), University of Madras; Postgraduate Diploma in Computer Applications from a local computer centre

CURRENT JOB

Owner, Salon7, Chennai

He did not want to take up his family's traditional business of hair-dressing. He wanted to be a teacher, and he loved his history. After getting his MA, he taught at a higher secondary school in Chennai, and wanted to pursue a doctorate. His ₹4,000 salary was insufficient to support his family. He quit teaching and joined a consumer products company which runs a salon chain. He worked there for 10 years, earning ₹10,000 a month. He quit in 2012 and set up his own salon with a ₹13 lakh investment. The bulk of his monthly revenue of ₹1 lakh goes towards interest payments and working capital. He plans to open more shops. He still holds hope: he wants his two children to become doctors.

COVER STORY Skilling Crisis

KUNAL GOURAB, 27yrs

QUALIFICATION

B. Tech (Computer Science),
Guru Nanak Dev Engineering
College, Bidar, Karnataka

CURRENT JOB

Customer support officer at
Mahindra Satyam Business
Services Group (formerly
Mahindra Satyam BPO)

He takes home ₹25,000 a month, which he says is enough to pay the bills. However, his friends, who started out with him but joined IT companies, make over ₹5 lakh a year, while he makes ₹3.2 lakh. His original goal was not to work in a BPO firm. He would rather be in IT and networking, because "nobody wants to retire from a BPO". When he graduated from engineering school, the IT industry was still reeling from the global downturn. He says his education did not prepare him for the reality of business. But he does not regret studying engineering - there is nothing else he would rather have studied.



A. PRABHAKAR RAO/www.indiatodayimages.com

ment company who does not want to be identified. "Whom do we follow, and how do we make our training acceptable by all parties in India?"

For instance, the human resources development ministry, under Kapil Sibal, has started implementing its vocational education agenda through the National Vocational Qualification Education Framework, and the ministry of labour and rural development, led by Mallikarjun Kharge, has proposed a National Vocational Qualification Framework.

Ramadorai in charge

To facilitate coordination, S. Ramadorai, former CEO of software

services major Tata Consultancy Services, was appointed in February 2011 as advisor to Prime Minister, for the National Council for Skill Development. Ramadorai also oversees NSDC, and co-chairs the National Skill Development Co-ordination Board with Planning Commission Deputy Chairman Montek Singh Ahluwalia. Last year, Prime Minister Manmohan Singh proposed to set up the National Skill Development Authority (NSDA) as a

permanent body and an "attached office" of the Planning Commission. NSDA would be the main agency driving the government's skill development agenda.

The functions of the Council and Coordination Board would eventually be subsumed into the NSDA.

When asked about turf wars, Ahluwalia says: "There is always turf conflict in government... if you have a successful effort at coordination, you overcome it. The truth is that the

A LONG WAY TO GO Status report of the National Skill Development Corporation in January 2013



77
Training projects approved



18
Sector skill councils* approved



363,789
People trained



256,166
People placed

* Organisations that bring together industry, labour and academia to develop the workforce in various sectors

Source: NSDC, January 2013

COVER STORY Skilling Crisis

www.businesstoday.in/skills-gap



job that has to be done is huge, so we need to avoid duplication, bring in some rationality." (See interview, page 76.) Indeed, the task on hand is enormous: the 17 ministries, which has a target of training some 350 million by 2022, is woefully behind targets. Against a target of skilling 8.5 million people in 2012/13, just about 1.4 million have been trained by various ministries and NSDC by mid-November.

With two years of work involving

not be used for real estate or opening a facility," says R.C.M. Reddy, Chairman and Managing Director of IL&FS Education & Technology Services Ltd.

Even the big, successful players find the going challenging. "We do not open too many institutes, to save on real estate cost," says Reddy. He adds that they work in tandem with many states and even other private institutions, and use their facilities.

Sabharwal calls for "learning for

employment: 45 per cent of the country's graduates make less than ₹75,000 a year.

In Gurgaon, Kumar, the electrician, has not heard of training for uneducated people because even the government targets educated people. Most of its courses, whether short-term or as long as two years, require a basic education certificate. Of the 116 courses that a government-run Industrial Training Institute (ITI) can offer, only 20 are open to people who

GROWING SKILL GAP The expected shortfall in industries in 2022

Infrastructure

103mn

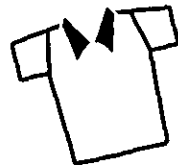
Auto & auto components

35mn

Building & construction

33mn

Textile & clothing

26.2mn

Transport & logistics

17.7mn

Organised retail

17.3mn

Real estate services

14mn

Health care

12.7mn

Food processing

9.3mn

Education & skill development services

5.8mn

Source: IMAcS, Aon Hewitt & NSDC

77 projects failing to deliver the goods, it appears that the only way NSDC will cross its milestones is to involve large private companies and institutions, which have the means and infrastructure, in connecting with industry, mapping demand and linking trainees with jobs. "It would be a struggle for the smaller players," says Manish Sabharwal, Chairman of TeamLease Services Pvt Ltd, a staffing company. In part, this is because a company can use an NSDC loan only for working capital, and equipment and machinery. "It can-

earnings". "In India, all policies are developed by the Centre, but implementation is in the hands of the states," he says. He says labour laws should be left to state governments so they can be customised for local industry. About 90 per cent of employment opportunities require vocational skills, he says, but 90 per cent of schools and colleges deliver only bookish knowledge.

IDFC's India Infrastructure Report, 2012, released this February, notes that poor-quality education leads to low income rather than un-

have studied up to Class Eight. The rest are for those who have studied at least up to Class 10. Things are slowly changing: government and private vocational training centres are increasingly offering courses designed to develop the skills of illiterate people in sectors such as animal husbandry, agriculture, construction and retail.

The overwhelming majority of Indian workers is like Kumar. According to the latest Economic Survey, even after 20 years of rapid economic growth, about 85 per cent

COVER STORY Skilling Crisis

G. KESHAV RAO

JOY KEZIA, 33yrs**QUALIFICATION**

M.Sc (Nursing), Omayal Achi College of Nursing, Chennai

CURRENT JOB

Nursing Co-ordinator, SRM Institute for Medical Sciences

of Indian workers are employed in the informal sector. One-third of the jobs in even the public sector were informal, when counted in 2004/05. Among non-agricultural wage earners, more than three-fourths had no written contract, 70 per cent were not eligible for paid leave, and 74 per cent were not covered by social security benefits. The need for training is acute: a seminal study by Boston Consulting Group, engaged by lobby group Confederation of Indian Industry in 2006/07, which is often referred to, noted some two in five in the workforce were illiterate and another 40 per cent were school drop-outs. Only about one-tenth had some vocational training, and a similar percentage had completed 12 years of schooling.

In his 2013/14 Budget speech in February, Finance Minister P. Chidambaram proposed an allocation of ₹1,000 crore for a skill development scheme that would offer an incentive of ₹10,000 to every individual who undergoes training. It is still unclear how this would be imple-

She got a B.Sc in Nursing from the Christian Medical College, Vellore, worked for three years, and then got an M.Sc in nursing. She then taught for a year and a half, which she found "depressing", as teachers and students were apathetic. Students lacked experience, as most colleges were not attached to hospitals. They learned by rote and didn't know basic anatomy. She says hospitals hire diploma holders at low salaries. There are no industry definitions of jobs and salaries in India, and demand is high in other countries. Many nurses get an M.Phil or a Ph.D and become trainers, but few hospitals value that kind of talent. Kezia is pursuing an MBA in Hospital Management at the University of Madras.

mented. Chidambaram also announced a 17 per cent increase in the allocation for the human resources ministry. Industry has welcomed these announcements. Although there are some fears that plans may get bogged down by bureaucracy or corruption, there is broad agreement that the direction is right.

Perception Problem

Budgetary allocations are only part of the solution. The government and educators need to persuade young people to benefit from vocational training and skill development programmes – a job easier said than achieved. Most aspirants want an IT job or an 'office' job, rather than blue-collar work.

Last year, Centum WorkSkills India, a training and skill development company and one of NSDC's biggest private partners, trained 82,000 people for plumbing, facility maintenance and security services, as also for basic, entry-level jobs in retail and hospitality businesses, and placed 63,000. Some 100,000 vacancies remained unfilled, Centum reckons. "I have jobs in facility maintenance that also involves cleaning toilets at offices and malls but people do not want these jobs," says Sanjeev Duggal, CEO and Director of Centum Learning, which has a majority stake in Centum WorkSkills.

Santanu Paul, Managing Director and CEO of another such company, called TalentSprint, says: "About 80 per cent of people only want 20 per cent of jobs in IT, which they see as their ticket to a better life." In short, blue collar jobs are not attractive to youth whose aspirations distort reality. "Our biggest challenge is overcoming the aspirations of youth," says Reddy of IL&FS Education, former Indian Administrative Services officer. "Most do not want training to become carpenters or fitters."

While attitudes are beginning to change in a small way (see *A Ray of Hope*, page 80), evidence suggests that young people still see little value

COVER STORY Skilling Crisis**"THE JOB THAT HAS TO BE DONE IS HUGE... WE NEED TO BRING IN SOME RATIONALITY"**

Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission and Chairman of the National Skill Development Co-ordination Board, spoke with **Shammi Pande** on skilling and the proposed National Skill Development Authority. Edited excerpts:

What does the proposed National Skill Development Authority (NSDA) hope to solve?

The purpose of the NSDA is to oversee skill development efforts of ministries. Its role will also be to sensitise states about the importance of skill development and to identify success stories and replicate them. Mr Ramadorai will be the head of the NSDA. I am sure that with his experience, we will get to a system of skill development that the private sector will find useful. Ultimately the test of skill development is employability.

But there are turf conflicts between the HRD and labour ministries?

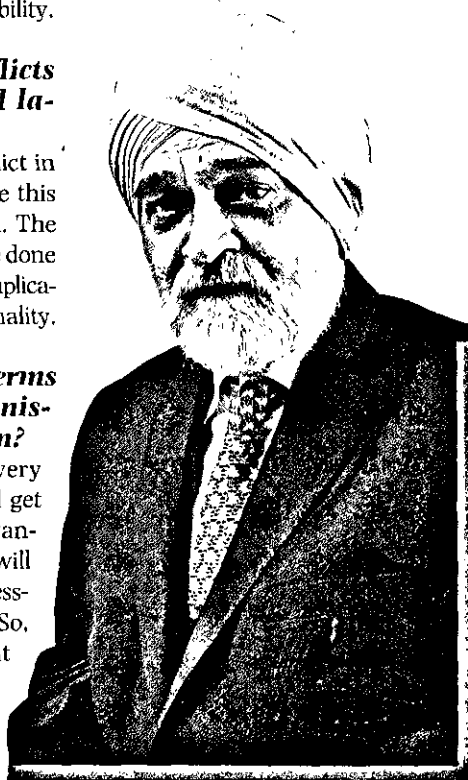
There is always a turf conflict in government. You overcome this through good coordination. The truth is the job that has to be done is huge so we need to avoid duplication and bring in some rationality.

What will it mean in terms of funding, as each ministry gets a separate sum?

The funds will remain. Every implementing ministry will get its own funds, but the advantage of the NSDA is that it will provide an independent assessment of what is working. So, we are really the ones that provide the money and will allocate funds to whatever is working.

But NSDC's funding, allocated in the last Budget, was held back?

I don't think the idea was that all skill development funding will be given to them and then they will allocate. That actually is with the Planning Commission and we allocate, but we would have a body (i.e. NSDA) with whom we will interact that will tell us what is working and what is not. NSDA will take an overview of NSDC as well. It would get reflected in the allocation decision.



SHEKHAR GHOSH

in vocational education or skill development programmes. A recent McKinsey report covering 8,500 respondents in nine countries, titled *Education to Employment*, notes that only 21 per cent of young Indians felt that education beyond the secondary level – whether vocational or academic – would not add value to their lives. Sixty-four per cent say a conventional education is more valued by society.

The report also says educators have an optimistic view of graduates' readiness for jobs. Seventy-two per cent of them were optimistic, compared with 42 per cent of employers and 45 per cent of youth. Interestingly, the report notes that a third of education providers are unable to provide job placement rates – indicating they don't have anything proud to report.

Recruiters, too, do not always value people who have vocational training but lack education. This is another reason many skilling companies are rejigging business models and focusing on college students. "We started by offering skill-building for entry-level jobs, but no one wants such talent," says Ravina Raj Kohli, who set up JobCorp Solutions Pvt Ltd in 2006 to provide skill development services to high school and college-educated people. Other companies, such as CoCubes.com and iSTAR Skill Development Pvt Ltd, also work with colleges.

Like with other market signals, there is something fundamental that such a tepid demand for vocational training shows. The reason may be that the benefits of training are often modest. Take the case of 19-year-old Chinampalli Balakrishna, from Kundurpi village in Andhra Pradesh's Anantapur district. After studying up to class 10, he took a two-year ITI course to train as an electrician, and made about ₹150 a day. A friend told him about another skill development course offered by the National Academy of Construction, Hyderabad. After the

COVER STORY Skilling Crisis

“Quality training - especially for marginalised youth - requires residential programmes, as they are far removed from what industry wants”

MUKTI MISHRA, Chairman, Gram Tarang Employability Training Services



ADITYA KAPOOR

that mere technical training will be of no help,” he says.

Despite their need for skilled workers, companies are not always willing or able to spend what it takes. The construction industry, for example, has huge demand for skilled workers, but most big builders rely on subcontractors and are often unable to implement clauses in project contracts requiring skilled workers. “We insist that we approve the engineer who will oversee the project,” says K.L. Gupta, Chairman and Managing Director of the GPL Group, whose businesses include construction. “But like many builders, we are unable to insist that all workers are qualified. Many end up learning on the job, as there is a severe shortage of talent.”

B.S. Nagesh, the retail pioneer who helped establish the Shoppers Stop store chain, says many companies hesitate to spend much on junior hires. “The retail industry requires trained entry-level talent, but many are averse to paying a premium for it because they see it as a cost due to the high attrition,” he says. He founded the Trust for Retailers and Retail Associates of India to empower retail employees, and is Chairman of the Retailers Association of India.

Attrition, says Nagesh, is caused by poor starting salaries and lack of proper career planning. Managers complain that people quit just because someone else is offering them ₹500 more, but the fact is that entry-level salaries have just not grown.

Perhaps no one is more painfully aware of this than Dilip Chenoy, Managing Director and CEO of NSDC. He

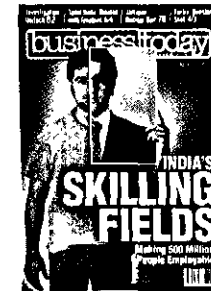
has already committed about ₹1,700 crore for skill training in companies. NSDC depends on funding from government and private organisations. The withholding of a ₹1,000 crore allocation made in Budget 2012/13 temporarily left the organisation with a corpus of ₹1,500 crore – less than its commitments to companies. The current Budget has proposed a fresh allocation of ₹500 crore, which will allow it to meet its commitments.

Who Pays for the Poor?

With a target of skilling 150 million by 2022 – the end of the 13th five-year plan – NSDC represents a sizeable subset of the national skilling target. An industry observer says that the organisation is constrained by funding problems and employer apathy. He adds: “We need to address a basic question: who pays for skill development?” Even poor people who pay for skill training need outcomes.

The government offers poor-quality training programmes that are free of charge, while private companies charge fees. “There has to be some thought given to the way one can manage the co-existence of free programmes alongside those that require students to pay,” says Girish Singhania, founder and CEO of EduBridge Learning Pvt Ltd, a company that seeks to provide training to rural youth and links them to jobs.

Many in the industry argue that segmentation is the only way out. “Right from our inception, three years back, we get into blue-collar training only if it is funded by the government,” says Sharad Talwar, CEO of IndiaCan, a



BT RETRO

In its April 3, 2011, cover story, BT reported that dozens of training companies were sprouting around the country, and that India was starting to train people on a scale large enough to alter the nation's future

three-month course, he got a job as an electrician with a private contractor. His cash income is still around ₹4,500 a month, though he gets free food and accommodation. He has a Provident Fund account, but he says he makes just enough money to live on, and cannot support his parents back home.

The skilling agenda seems to be in need of a public relations offensive. Ramadorai of the National Skill Development Council concedes that the entire effort – government and private agencies – is behind on targets, but adds: “We all need to collectively be part of advocacy and build an ecosystem for vocational education.” (See interview, page 82.)

Impatient Investors

Ramadorai has a plan, but says it could take “up to a decade” to be implemented. But investors – the 69 companies who are NSDC's partners – have put money into what could be a \$20-billion-a-year opportunity, as indicated in a 2010 report by Kotak Institutional Equities Research, titled *The Great Unskilled: Can We Fix It?*, and are getting impatient.

“We were supposed to have a campaign that would make vocational education aspirational,” says Kohli of JobCorp. In 2011, she set up a subsidiary called Jobskills, which got an ₹18.4-crore loan from NSDC to train 1.74 million people over 10 years for BPO and financial services jobs. “But nothing has happened. I have sunk in my money. Forget students, even many employers are unwilling to take on trained talent that comes at a slight premium.” Like her, many investors struggle with a host of hurdles such as poor-quality jobs and the challenges of migrant labour.

Migration is a factor that any strategy to achieve skilling targets cannot afford to ignore. Mukti Mishra, Chairman of Gram Tarang Employability Training Services, an NSDC partner, says many rural youth trained by his organisation have trouble adjusting to city life and return to their villages, even if it means going back to a region troubled by economic neglect and political violence.

According to the Kotak report, Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal will make for more than half of the 239

million people projected be added to India's population from 2009 to 2026. Not only do these states score low on many development indicators, they lag on economic parameters compared to, say, peninsular India. Unless there is significant job creation in the poorer states, workers will migrate from there in large numbers to the South and West.

Some argue that job opportunities should be created where labour is available. “Instead of bringing in newcomers, why are people who have existing infrastructure and experience not given preference,” asks Mishra of Gram Tarang. He says quality training – especially for marginalised youth – requires residential programmes. “They are so far removed from what industry wants ...

DEGREES OF OPTIMISM

Percentage of respondents in each category who say graduates are prepared for jobs. Interestingly, one-third of education providers cannot provide job placement rates

72%

Educators

42%

Employers

45%

Youth

Source: McKinsey

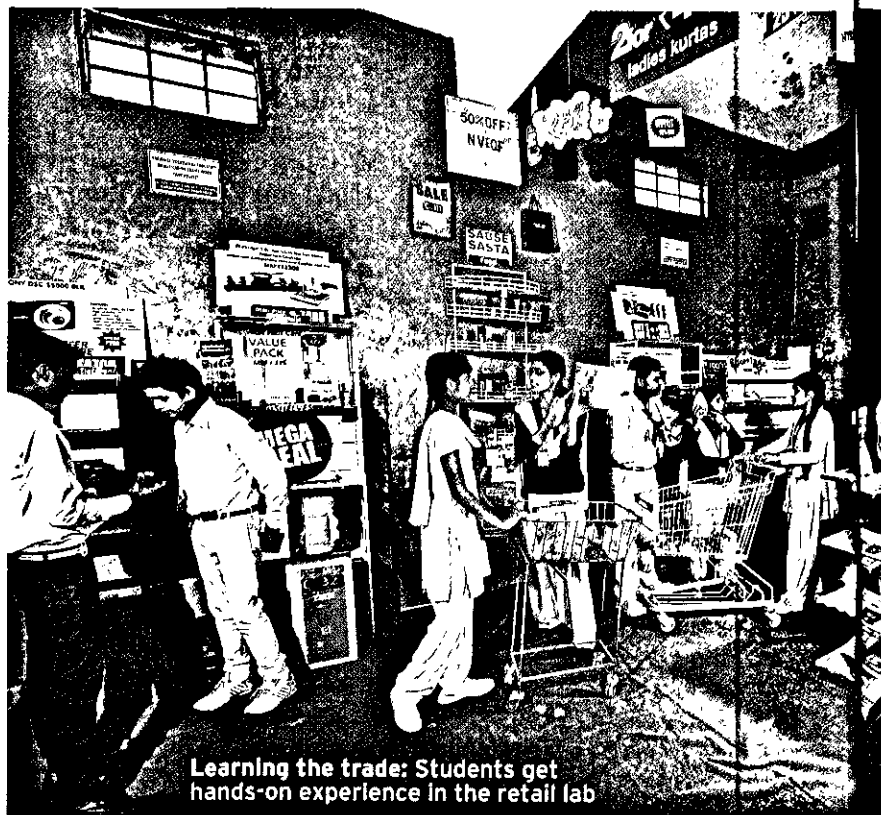
A Ray of Hope

How a Haryana school overcame students' and parents' negative perceptions, and popularised vocational programmes

Forty government schools in Haryana started offering vocational programmes in IT, retail, security and the automotive industry in September 2012. The response was slow to catch on, but build up it did. "We got over 700 requests," says Manoj Kumar, principal of the Government Model Senior Secondary School in Faridabad.

Students are excited about industry visits and assignments with companies. "This is great exposure," says 16-year-old Nidhi Jha, a Class Nine student in the school. "I found computers boring and heavy on theory. But now I know how to make presentations, open e-mail accounts and also what options there are in the IT industry."

Her school, which has more than 6,000 students, offers courses in IT and retail. "Schools offer up to Level 4, which equals the rigour and content of graduation-level



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Learning the trade: Students get hands-on experience in the retail lab

courses," says Ajay Mohan Goel, Director – Skills Colleges at the Wadhvani Foundation, a non-profit organisation that provides programme management support to the Haryana government.

The effort to weave vocational training into mainstream education is a pilot project of the human resources development ministry and the All India Council for Technical Education. Besides Haryana, the pilot runs in Assam and West Bengal.

Things did not start off smoothly. "There were few takers," says Rekha Menon, Programme Manager, Wadhvani Foundation. "We had to undertake massive education and marketing, as there were perception issues from parents and students."

For many students, vocational education is still not a serious option. "This is a good experience, but I still want to do my regular education and get a degree," says

Chanda Chauhan, who studies in Class Nine at the school. "I think I would have better options then."

But Wadhvani Foundation's mobilisation drive was so successful that demand for the courses exceeded the number of seats available. The foundation and the Faridabad school are now in talks to expand the programmes.

The government funds faculty and staff salaries, and the setting up of facilities such as a computer lab or simulated retail environment. The courses, free of charge, are a lifeline for some. "I cannot afford to study further," says Afroz Shaifi, a Class Nine student. "I lost my father at a young age, and I work part-time after school."

Employers who support this initiative seem happy, too. "We found our intern to be very good, and retail needs talent," says Ayush Mittal, Human Resources Executive at a Big Bazaar store in Faridabad.



SHEKHAR GHOSH

skilling joint venture of Educomp Solutions Ltd and Pearson Inc, the international education and information company.

But not everyone works that way. "We have so far steered clear of government-funded programmes, as for most of these it is not possible to deliver quality at low rates," says Surga Thilakan, co-founder and CEO, iSTAR

Skill Development. "We invest in good faculty and intervention programmes that make a difference."

Partnering with private companies is necessary if NSDC has to scale up, but it is fraught with risk. "We had to create capacity and get people in, so we approved what we considered promising projects, but now we are very cautious," says CEO Chenoy.

"We had to create capacity and get people in, so we approved what we considered promising projects, but now we are very cautious."

DILIP CHENOY,
MD & CEO, National Skill Development Corporation

NSDC nearly signed a deal with the scandal-ridden Everonn Education Ltd before its financial mismanagement came to light. NSDC had even given Everonn a loan, but has recovered most of it since.

Private companies have their own constraints. iSTAR had to revise plans as it suffered a funding crisis after a downturn in the microfinance industry in 2011. "Earlier, students could take loans for our programmes that cost ₹10,000, but then we had to offer cheaper and shorter courses," says Thilakan.

Many trainers have found that training alone does not attract students, and have begun to offer placement services. But structural

imbalances and crowding of programmes make many private investors wary. "I continue to be a believer, but I cannot overlook the challenges of this space," says Sandeep Sinha, co-founder, Lumis Partners. Private equity and venture capital funding have been declining in the sector.

If the government does not address the situation soon, the window of opportunity afforded by the demographic dividend just might slam shut. ♦

ADDITIONAL REPORTING BY K.R.

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Send your comments to editor.bt@intoday.com