



A study on “The Hurdles and Challenges with Skill Development in India”

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ABSTRACT

The Ministry of Skill Development and Entrepreneurship estimate the number of people who needed skills training was more modest – 126.87 million people in 34 sectors across industries by 2022, the top 10 sectors would account for 80% of the total requirement, it was estimated.

NSDC [National Skills Development Corporation] and the MSDE [Ministry of Skill Development and Entrepreneurship] have taken cognizance of this fact and are taking actions.

In India, there are a variety of skill development models – government-funded programmes that fully or partially subsidize training/apprenticeships, market-led trainings (where trainees pay for the course), market-led apprenticeships and industry-led/on-the-job training. The not-for-profit National Skill Development Corporation (NSDC) was set up as a public-private partnership (PPP) to stimulate private sector participation in the Indian skill development sector. A core role of the NSDC is, therefore, providing long-term development finance to organizations to build for-profit vocational training initiatives

Introduction: India’s goal of skilling 400 million people under the National Skills Development Program 2015 is too large and unattainable, a government-appointed committee has found.

The previous goal of skilling 500 million people, set in 2009 under the National Policy on Skill Development, was also fixed without any basis, the report by the Committee for Rationalization and Optimization of the Functioning of the Sector Skill Councils, issued April 25 said. Sector Skill Councils are autonomous, industry-led, sector-specific skill builders that ensure skills training meets employer needs.

The government has missed its skills training targets for each except one of the last five years, official data shows.

Why skill India?

About 64% of India's population is expected to be in the working age group of 15-59 years by 2026, according to Ernst and Young, a professional services consultancy. India is expected to have the largest workforce in the world by 2025, with an estimated two billion English-speaking people by the end of 2020.

By the same year, the world is expected to face a shortage of 56.5 million skilled workers, while India is projected to have a surplus of 47 million, Indian government statistics say.

Yet, 30% of India's youth are neither employed nor in education or training, Bloomberg reported on July 7. Unless employed gainfully, India's "demographic dividend" can turn into a socio-economic nightmare.

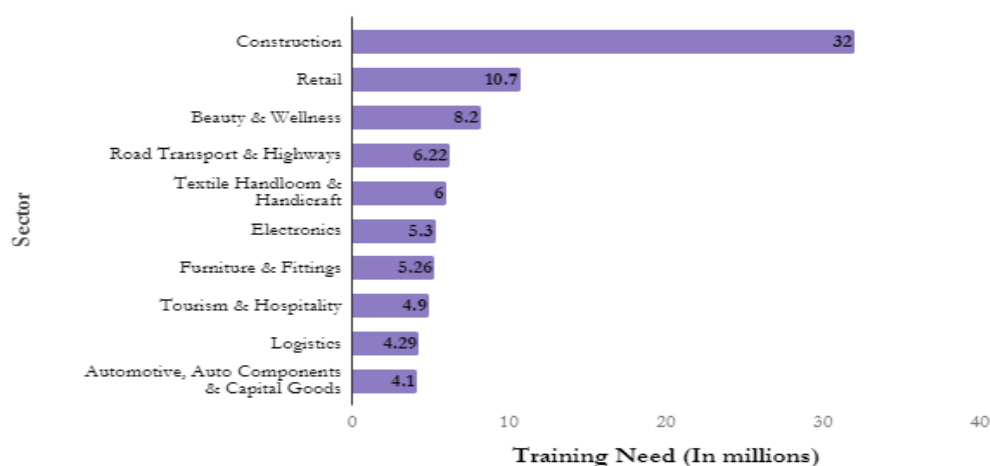
For instance, 4.69% of India's workforce is formally skilled, as against 52% in the US, 68% in the UK, 75% in Germany, 80% in Japan and 96% in South Korea. In fellow emerging economy China, skilled workers account for 24% of the workforce.

This is noteworthy because the largest contributor to India's economy, the services sector, requires highly-skilled workers. Manufacturing, which the government is seeking to boost through its Make in India initiative, also needs trained workers.

To address this imperative, Prime Minister Narendra Modi launched the Skill India program on World Youth Skills Day on July 15, 2015, announcing the aim to skill 402 million people by 2022.

The Ministry of Skill Development and Entrepreneurship's estimate for the number of people who needed skills training was more modest – 126.87 million people in 34 sectors across industries by 2022, its Annual Report 2016-'17 said. Of these, the top 10 sectors would account for 80% of the total requirement, it was estimated.

Top 10 Sectors Requiring Skilled Training (2017 to 2022)



Even as India struggles to provide basic skills to millions of potential job-seekers, it needs to address the challenge of automation and prepare to impart skills for jobs where humans will not be replaced by robots or algorithms.

No less than 69% of Indian jobs are susceptible to automation, the labour ministry told the Lok Sabha on March 27.

Automation is already affecting the manufacturing and engineering sectors; factory jobs are more vulnerable to automation than those in the IT companies, the *Economic Times* reported on June 28.

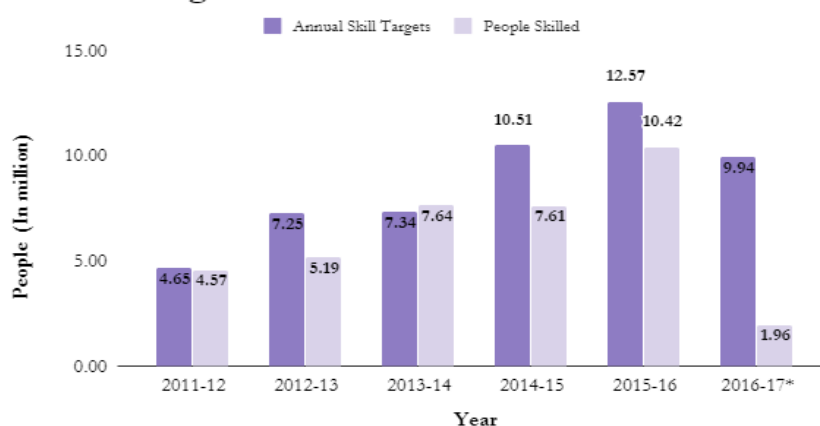
Government steps in

Mindful of the challenge, India issued a National Policy on Skill Development in 2009 with the aim of skilling 500 million people by 2022.

The 2015 National Policy for Skill Development and Entrepreneurship issued subsequently estimated the need to skill 402 million people over the next seven years – to train 104 million fresh entrants and re-skill/up-skill the existing 298 million farm and non-farm sector workforce.

However, the government has been unable to meet its annual targets – set by various ministries and departments – for any but one of the last five years.

Skill Targets And Achievements Across Ministries



The Ministry of Skill Development and Entrepreneurship achieved 58% of its total skills training target in 2015-'16, while the remaining 19 ministries together met 42%, the committee which studied Sector Skill Councils reported.

Challenges in Skill Development

- **Insufficient training capacity:** The training was not sufficient to ensure a job for those who got the training – and this is why the employability rate remains very low.
- **Lack of entrepreneurship skills:** While the government expected that some of the PMKVY-trainees would create their own enterprise, only 24% of the trainees started their business. And out of them, only 10,000 applied for MUDRA loans.

- **Low industry interface:** Most of the training institutes have low industry interface as a result of which the performance of the skill development sector is poor in terms of placement records and salaries offered.
- **Low student mobilization:** The enrolment in skill institutes like ITIs, and polytechnics, remains low as compared to their enrolment capacity. This is due to low **awareness level among youths** about the skill development programmes.
- **Employers' unwillingness:** India's joblessness issue is not only a skills problem, it is representative of the lack of appetite of industrialists and SMEs for recruiting.
 - Due to limited access to credit because of Banks' NPAs, investment rate has declined and thus a negative impact on job creation.

Key ministries responsible for sizeable employment generation such as human resources development, textiles, commerce and industry, and tourism have not been allocated the work of skill development, the report found. "Some ministries have been allocated role of 'employment generation' which, ipso facto, doesn't mean that they will do skill development also," the report said.

The report pointed out numerous shortcomings in India's vocational education and training systems, including: absence of nation-wide Vocational Education and Training standards, lack of an integrated on-site apprenticeship training, inadequate industry interface, insufficient financing of the Vocational Education and Training system, scarce training capacity, poor quality outcomes, and shortage of qualified trainers.

It found that many ministries imparting skills training are short of infrastructure and qualified trainers, and hence impart substandard training.

Sector Skill Councils, which are responsible for developing and conducting programs as well as assessing trainees, were themselves established randomly, the committee found. One of the criteria for establishing an Sector Skill Councils – that a sector have 1 million existing workforce – was itself not strictly followed. For instance, the Media and Entertainment Sector Skill Councils was created despite employing 400,000 people in 2013. The data used by the National Skills Development Council, which oversees Sector Skill Councils were based on a study "whose authenticity was difficult to establish," the report said, adding that setting up of Sector Skill Councils created "confusion and mess" instead of resolving any issues.

There are about 40 Sector Skill Councils covering high-growth sectors such as auto-motives, retail, healthcare, leather and food processing, and informal sectors such as beauty and wellness, security, domestic work and plumbing.

Targets were overblown, loans went unpaid

The committee said Sector Skill Councils proposed "huge physical targets" of training and certifying institutions and people – both trainees and trainers – on an "arbitrary basis," without formulating a sectoral labor market information system and sectoral skill development plan.

Fund allocation to Sector Skill Councils was based on achievement of these targets. Representatives of many Sector Skill Councils told the committee that these high targets were allocated arbitrarily by the National Skills Development Corporation and Sector Skill Councils were told to sign on the dotted lines so as to claim funding.

As a result, the quality of training, assessment and certification suffered even as targets were shown to have been achieved, the report noted.

The National Skills Development Corporation was set up in 2008 as a public-private organisation to generate skilled manpower. It gave soft loans, equity and grants to private-sector training partners.

Many of its initial loans of around Rs 1,500 crore – nearly equivalent to the cost of setting up an Indian Institute of Technology (Rs 1,748 crore) – were not paid back.

NSDC Loan Defaulting Companies
Everone Skill Development Limited
Gras Education Services Ltd
JobSkill Solution Pvt. Ltd
Vidyanta Skill Institute Pvt. Ltd
Institute of Advanced Security Training and Management Pvt. Ltd
Globsyn Skill Development Ltd
Involute Institution of Indust Training Pvt. Ltd
Microspin Works Pvt. Ltd
The Gems & Jewellery Export Promotion Council (IIGJ)
Smart Edusol Services Pvt. Ltd
Talent Sprint Private Ltd
ESMS E Source Consulting Pvt. Ltd
Saksham Training & Facility Management Pvt. Ltd
GOLS Skills Pvt. Ltd
TMI E2E Academy Pvt. Ltd
Companies With Restructured Loans
ILFS Skills Development Corporation Ltd
Empower Pragati Vocation and Staffing Pvt Ltd
Edubridge Learning Pvt Ltd
GRAS Education and Training Services Pvt Ltd

Source: Ministry of Skill Development and Entrepreneurship – Report of the Committee for Rationalization & Optimization of the Functioning of the Sector Skill Councils in its observation

“NSDC [National Skills Development Corporation] and the MSDE [Ministry of Skill Development and Entrepreneurship] have taken cognisance of this fact and are taking actions which are both supporting as well as penalising to ensure timely repayment,” Manish Kumar, CEO and MD, National Skills Development Corporation, told *IndiaSpend*. As of June 14, the total amount overdue to National Skills Development Corporation from its non-performing assets account stood at Rs 58.24 crore, he said.

“NSDC Training Partners service the loan as per the terms of the loan agreement with NSDC. NSDC has a rigorous system for project appraisal and consists of independent due-diligence and multiple levels of approvals by investment committees,” Kumar said. (The National Skills Development Corporation’s complete response to *IndiaSpend* is here.)

A revised estimate of the incremental human resource requirement during 2017-2022 is 103.4 million across 24 high priority sectors, as per the Ministry of Skill Development and Entrepreneurship’s annual report 2016-’17.

Incremental Human Resource Requirement Across 24 Sectors				
Sr.No	Sector	Projected Employment		Incremental Human Resource Requirement (2017-2022)
		2017	2022	
1	Agriculture	229	215.5	-13.5
2	Building Construction & Real Estate	60.4	91	30.6
3	Retail	45.3	56	10.7
4	Logistics, Transportation & Warehousing	23	31.2	8.2
5	Textile & Clothing	18.3	25	6.7
6	Education & Skill Development	14.8	18.1	3.3
7	Handloom & Handicraft	14.1	18.8	4.7
8	Auto & Auto Components	12.8	15	2.2
9	Construction Material & Building Hardware	9.7	12.4	2.7
10	Private Security Services	8.9	12	3.1
11	Food Processing	8.8	11.6	2.8
12	Tourism, Hospitality & Travel	9.7	14.6	4.9
13	Domestic Help	7.8	11.1	3.3
14	Gems & Jewellery	6.1	9.4	3.3
15	Electronics & IT Hardware	6.2	9.6	3.4
16	Beauty and Wellness	7.4	15.6	8.2
17	Furniture & Furnishing	6.5	12.2	5.7
18	Healthcare	4.6	7.4	2.8
19	Leather & Leather Goods	4.4	7.1	2.7
20	IT & ITeS	3.8	5.3	1.5
21	Banking, Financial Services & Insurance	3.2	4.4	1.2
22	Telecommunication	2.9	5.7	2.8
23	Pharmaceuticals	2.6	4	1.4
24	Media and Entertainment	0.7	1.3	0.6
	Total	510.8	614.2	103.4

The Ministry of Skill Development and Entrepreneurship has also distanced itself from the target of 500 million by 2020.

“The figure of 500 million was a part of the National Skill Development Policy of 2009 which provided for a review after five years,” Ministry of Skill Development and Entrepreneurship told *India Spend* in a statement. “The policy was duly reviewed and a new policy for skill development and entrepreneurship was launched in 2015, post the formation of the Ministry of Skill Development and Entrepreneurship.”

Kumar added that the 2015 policy identifies the challenge more clearly: the need to skill a huge workforce of which only 4.69% is formally skilled; and gives a clearer break-up – 104.62 million fresh entrants by 2022, in addition to 298.25 million existing farm and non-farm sector workforce. (Read the ministry response to *India Spend* here.)

Funds lined private pockets

The committee found that vocational trainers and assessing bodies were private entities who utilised government funds, but the youths who enrolled did not get proper training and were not placed. Nor were sector-wise skill needs met.

The National Skill Certification and Monetary Reward Scheme or STAR launched in 2013 by the National Skills Development Corporation was “very ill conceived” and poorly implemented, and displayed poor placement outcomes, the committee found.

STAR was a reworked version of the Skill Development Initiative Scheme launched in 2007 with an outlay of Rs 2,000 crore. Both functioned in parallel, with the only difference being that the former was implemented by the National Skills Development Corporation, the committee report noted.

Without evaluating STAR, the National Skills Development Corporation launched the Prime Minister Kaushal Vikas Yojana in July 2015 with a further outlay of Rs 1,500 crore. This “ambitious scheme” too was “badly implemented with very poor employment outcomes,” the report noted.

A programme called Recognition of Prior Learning – under which people with prior learning experience or skills were assessed and certified – was misused. People were certified “after giving 2-3 hours of training” in order to inflate numbers, the report noted.

Without rectifying any of the problems with Prime Minister Kaushal Vikas Yojana, the government launched “PMKVY 2.0” in July 2016, proclaiming an aim to skill 10 million youth during 2016-2020 and setting aside an outlay of Rs 12,000 crore. The professed aim was to overcome implementation challenges and “make it more effective, transparent and beneficiary oriented,” the ministry said in a reply to the Lok Sabha on March 15.

Of the 1.8m people trained under Prime Minister Kaushal Vikas Yojana during 2015-'16, 12.4% received placements; 8.5% of the 1.4 million people trained under STAR were placed, the committee found.

“The unmistakable conclusion is that an amount of Rs 2,500 crore of public funds was spent to benefit the private sector without serving the twin purposes of meeting the exact skill needs of the industry and providing employment to youth at decent wages,” the report stated.

Kumar of National Skills Development Corporation said, however, that low placement figures belie the real employment picture. “The objective of STAR and PMKVY 1.0 Scheme was to encourage skill development of youth by providing monetary rewards for successful completion of training,” he said, “The actual numbers will be many times higher but since training partners were not mandated to report back, only a few have shared placement data...”

He was alluding to the fact that under Prime Minister Kaushal Vikas Yojana (2015-'16) it was not mandatory for National Skills Development Corporation's training partners to report employment data, while Prime Minister Kaushal Vikas Yojana (2016-'20) made it mandatory.

Some action was taken against irregularities: five training partners and 11 skills training centres under Prime Minister Kaushal Vikas Yojana 2015-'16 were suspended for violating marketing guidelines, making mass or fake enrollments and not adhering to Prime Minister Kaushal Vikas Yojana branding, according to this reply to the Lok Sabha on February 8, 2016.

Training Partners Suspended Under PMKVY (2015-16)			
Sr. No.	Training Partner Name	Date of Suspension	Reasons of Suspension
1	Achariya Technologies	16th June 15	Violation of marketing guidelines
2	RVS Rise Skills Solutions PVT LTD	20th July 15	Mass enrolments
3	Central Footwear Training Institute (CFTI Agra Center)	10th Sep 15	Center did not exist at the SDMS Address Non-adherence to PMKVY branding Non-Availability of Training Documentation
4	IQBRI Telecom PVT Limited	9th Oct 15	Mass enrolment
5	Leela Foundation for Education & Health	10th Mar 16	Fake enrolments Non-adherence to PMKVY branding Non-Availability of Training Documentation

Nearly 40% of the enrolled trainees in skill development centres in three states – Uttar Pradesh, Haryana and Rajasthan – are ghost entries, the *Hindustan Times* reported on June 29. Following this, the ministry suspended allocation of new centres in these states.

Not enough trainers

The committee report highlighted that many ministries lack training infrastructure and impart substandard training. Some of the short-term courses offered are as short as eight hours and neither meet the skills needs of employers nor provide decent livelihood opportunities.

“The NSDC and SSCs [Sector Skill Councils] made a mockery of trainers training by giving fresh diploma and engineering graduates 2-5 day training to become a qualified trainer,” the report said.

India needs to train 20,000 skills trainers of various kinds every year, but currently has a capacity to produce 8,268, the committee reported, suggesting that trainers' selection criteria include basic entry qualification, pedagogy skills and minimum six months' industry experience.

Training Centres Suspended Under PMKVY (2015-16)					
Sr. No.	Training Partner	Center Name	Location	Date of Suspension	Reasons of Suspension
1	Skills Academy	Expert Solutions Institute	Sehore, MadhyaPradesh	12th Mar 16	Fake enrolments Center did not exist at the SDMS Address
2	All India Technical & Management Council (AITMC)	AITMC Chhattisgarh	Durg, Chhattisgarh	16th May 16	Fake enrolments Non-adherence to PMKVY branding guidelines Non-Availability of Training Documentation
3	IIMT Engineering College	IIMT Engineering College	Meerut, Uttar Pradesh	16th May 16	Fake enrolments Mass enrolments
4	Innovision Ltd	Innovision Training Centre	Durg, Chhattisgarh	16th May 16	Fake enrolments Non-adherence to PMKVY branding guidelines Non-Availability of Training Documentation
5	Innovision Ltd	Innovision Training Centre	Durg, Chhattisgarh	16th May 16	Fake enrolments Non-adherence to PMKVY branding guidelines Non-Availability of Training Documentation
6	Centum Workskills India Ltd	PMKVY -Lead Academy	Durg, Chhattisgarh	16th May 16	Mass Enrolments Non-adherence to PMKVY branding guidelines
7	GRAS Education and Training Services Private Ltd	GRASAcademy -Gaya Bihar	Gaya, Bihar	16th May 16	Fake enrolments and Fake attendance sheet Trainers was not aware of PMKVY guidelines
8	GRAS Education and Training Services Private Ltd	Paliganj Patna	Patna, Bihar	16th May 16	Fake enrolments Trainer was not aware of PMKVY guidelines
9	AISECT Skill Mission Society	AISECT Training Center-G265	Mehsana, Gujarat	16th May 16	Fake enrolments
10	AISECT Skill Mission Society	AISECT Training Center-G322	Mehsana, Gujarat	16th May 16	Fake enrolments
11	Aspire Knowledge and Skills	Aspire Knowledge and Skills - ChinchawadPune	Pune, Maharashtra	16th May 16	Mass Enrolments Non-adherence to PMKVY branding guidelines

The way forward

Prime Minister Narendra Modi's vision of making India the "skills capital of the world" seems a long way off. The committee has suggested a framework, though: "If we take it up as a national goal we can transform India into a developed country by 2040 and make it the "Skills capital of the world."

One of its key recommendations is implementation of "Reimbursable Industry Contribution" – 2% of industry's annual wage bill be collected to create the corpus for a National Skill Development Fund. Small, medium, large public and private enterprises employing 10 or more workers contribute to promote in-firm training as per industry's own requirement. The employers manage this fund through Sector Skill Councils, with their costs reimbursed depending on their annual training plans and performance.

“With this effort, the enterprises will be able to train youth according to their requirement, and over a period of time, we can think of an India, which will have 100% skilled manpower,” the report said.

CONCLUSIONS

A significant number of women have also been trained in unconventional roles, such as in the electronics and hardware sectors. On our paid courses, women account for 40% of trained candidates. Here too women are increasingly enrolling for unconventional job roles, such as field technician, organic grower and automation specialist.

- Skills survey: Surveys can be conducted to find the exact skill requirements from the employers. Analysis of such surveys would help in designing course structures of the training programs and thus standardized course curriculum or training delivery systems can be developed.
- India needs to learn from technical and vocational training/education models in China, Germany, Japan, Brazil, and Singapore, who had similar challenges in the past, along with learning from its own experiences to adopt a comprehensive model that can bridge the skill gaps and ensure employability of youths.

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