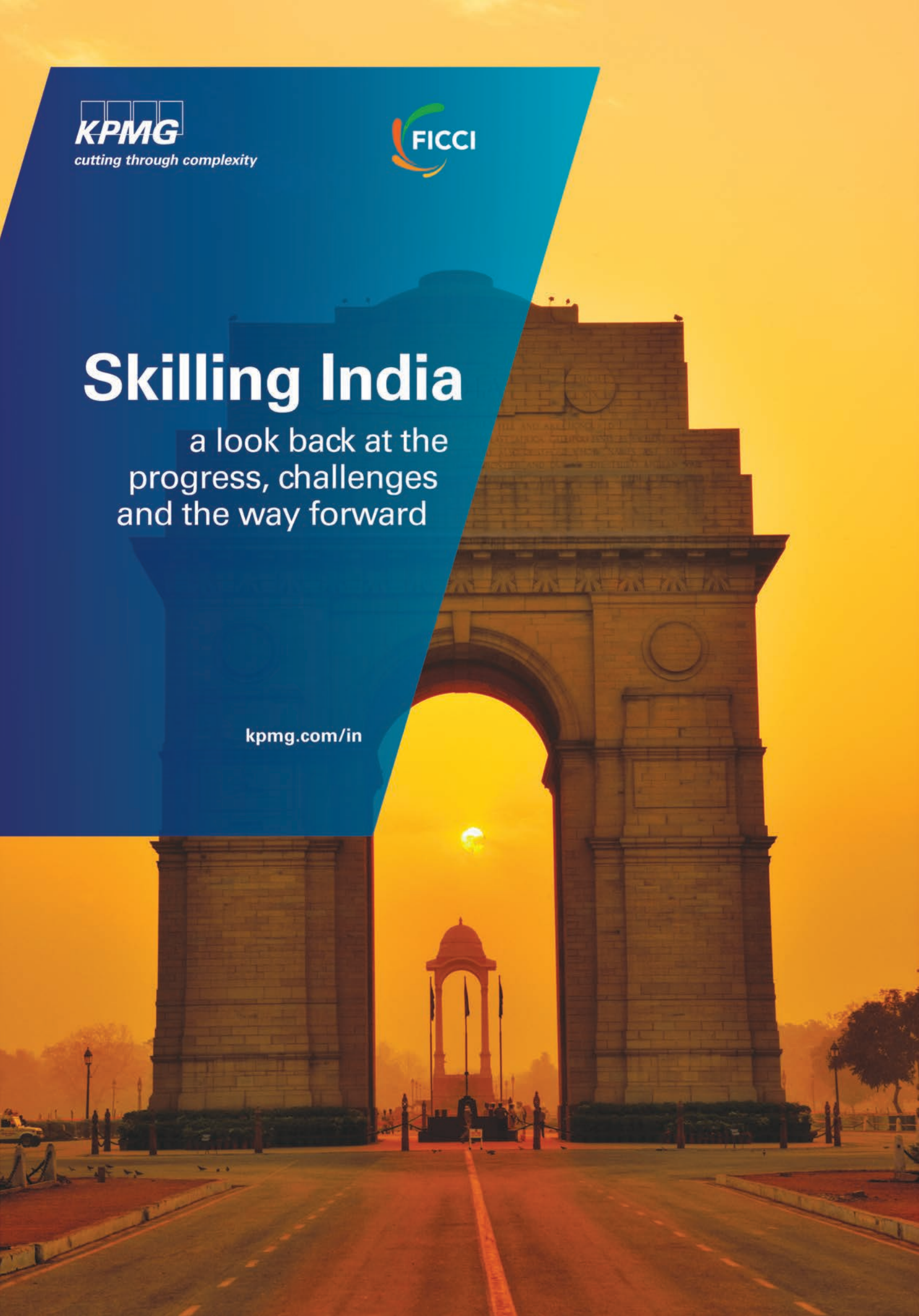


# Skilling India

a look back at the  
progress, challenges  
and the way forward

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# Foreword



**Dr A Didar Singh**  
Secretary General  
FICCI

The Indian skills ecosystem is maturing; and there is a strong intent from the new government to get all stakeholders aligned to the new ecosystem. However, coordination remains a key challenge. Clearly we need more action on the ground. We need to identify skilling models that are workable at ground zero; learn from the practitioners who made a real difference and from projects that are innovative and scalable.

It is not just for the economic benefit that India must skill its young population, it must do so for social reasons. Our aim should be to create quality and productive employment opportunities. There is need of creating conducive environment through several structural changes such as amendments to the labour regulatory framework, initiating steps to increase employment opportunities etc.

There is a need to create synergies between partners of the skills ecosystem i.e. stakeholders responsible from design to action. Stakeholders need to complement each other rather competing. While the government is primarily responsible for conducive policies, it is time for industry to lead the charge. FICCI believes that the extent of support needs to go even deeper and requires support from every stakeholder to make skilling our people a national movement. The time has come for all of us to value skills and pay for them.

The skill development initiative needs to dynamically align with the needs of the industry and work backwards to create training programmes. Technology can play a critical role by exploiting economies of scale and reach larger target audiences. When it comes to jobs, we shall look more into inclusive and sustainable skilling programmes which discourages migration. This is where livelihood and entrepreneurship also comes in. While addressing the industry needs vis-à-vis skill gaps, it is important to look at 'aspirations gap' of the youth too.

Through widespread advocacy, FICCI's vision is to catalyse 'skilling the nation' into a nationwide movement. The report discusses the opportunities available to the stakeholders of skills ecosystem to work in collaboration. This further

highlights the challenges and possible solutions for stakeholder to play their role more aggressively and contribute in making India a skills reservoir.

I am confident that the information provided in the report will prove extremely relevant to the stakeholders and stimulate thoughts to identify answers to critical challenges. It is evident that convergence of efforts at different levels will be the key for successful outcomes.

# Foreword



**Narayanan Ramaswamy**  
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Nothing short of a revolution is required in skilling and the vocational education space in India, which in my view has assumed critical proportions and might well determine the future growth of this country.

With the, now famous, demographic dividend, comes the big responsibility of providing employability to millions of youth from this country. Two reasons why this looks possible – one, India is turning out to be a high growth market – which will need employment in a big way. Second, with ageing world population, young India has an opportunity to be the global supplier of manpower. But the one factor that will seriously threaten this golden opportunity is not having the capability to cater to this demand. Skilling is the only answer to this.

This white paper traces the evolution of skilling in Independent India – which include various players such as policy makers, regulators, training providers, financiers and beneficiaries. The National Skill Development Policy 2009 is a turning point in the country's skill journey. It marked the beginning of some fundamental changes in the way vocational education was approached. Many important steps such as setting up Sector Skill Councils and creation of National Occupation Standards, skill gap studies across sectors and across geographies to understand youth aspiration, National Skills Qualification Framework, etc. have been taken up since then. National Skill Development Corporation – a PPP venture has also been successfully engaging private training providers in the skilling agenda.

The paper also has some important suggestions and recommendations for all stakeholders concerned to accelerate the pace of skill education in India. I truly believe this would help understanding the magnitude of the skilling agenda, the journey till date and the big task ahead of us.







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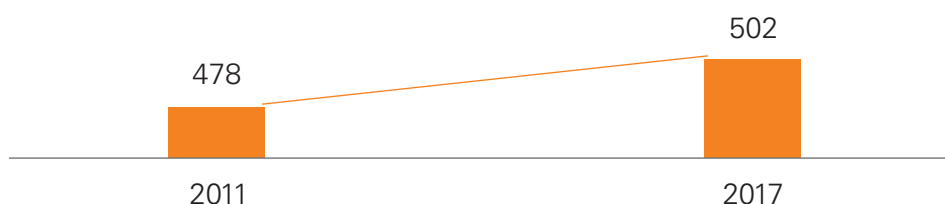
<b>AICTE</b>	– All India Council for Technical Education
<b>ATI</b>	– Advanced Training Institutes
<b>DGET</b>	– Directorate General of Employment and Training
<b>ITI</b>	– Industrial Training Institute
<b>ITC</b>	– Industrial Training Center
<b>MHRD</b>	– Ministry of Human Resource Development
<b>MES</b>	– Modular Employment Scheme
<b>MoRD</b>	– Ministry of Rural Development
<b>NCVT</b>	– National Council for Vocational Training
<b>NGO</b>	– Non Governmental Organization
<b>NOS</b>	– National Occupational Standards
<b>NSDA</b>	– National Skill Development Agency
<b>NSDC</b>	– National Skill Development Corporation of India
<b>NVEQF</b>	– National Vocational Education Qualifications Framework
<b>NVQF</b>	– National Vocational Qualification Framework
<b>NRLM</b>	– National Rural Livelihoods Mission
<b>PIA</b>	– Project Implementation Agency
<b>PPP</b>	– Public-private partnership
<b>PIP</b>	– Participatory Identification for Poor
<b>QCI</b>	– Quality Council of India
<b>QP</b>	– Qualification Pack
<b>RVTI</b>	– Regional Vocational Training Institute
<b>SME</b>	– Small and Medium Enterprises
<b>SC/ST</b>	– Scheduled Caste/ Scheduled tribes
<b>SSC</b>	– Sector Skill Council
<b>SSDM</b>	– State Skill Development Mission
<b>SCVT</b>	– State Council for Vocational Training
<b>UT</b>	– Union Territory





# 1 | Introduction

**Projected increase in Labour Force in millions<sup>1</sup>**



In the global skilling ecosystem, India occupies a unique and special place today. A developing economy with a population of 1.2 billion is by itself exciting<sup>2</sup>. To add to that, the average age of its population is estimated to be within 29 years for the next 6 years - this gives an envious edge over other nations. It is also estimated that by 2022, India will have the maximum number of working age population in the world (population between the ages 15 to 59) who could contribute to the economic growth of the nation<sup>3</sup>. We at KPMG in India believe that the global economy cannot ignore the Indian workforce.

The growth in the domestic industrial output only accentuated the crucial need for skilling India's working age population. The total projected increase in labour force during the Twelfth Plan period was estimated to be 477.9 million in 2011 (for the 15 and above age group) and is estimated to increase to 502.4 million by the end of 2017. The delayed global economic recovery has further added to the strain on employment across the globe and India is no exception. A lot of educated jobseekers are unable to find jobs or are settling for jobs below their capability and expectation.

When we combine the first-time job seekers (level-1 skill), up skilling and re-skilling requirements, the need for skills training acquires enormous magnitude and unprecedented urgency. Realising this, the government of India, through

<sup>1</sup> Planning Commission Report, 12<sup>th</sup> Five Year Plan

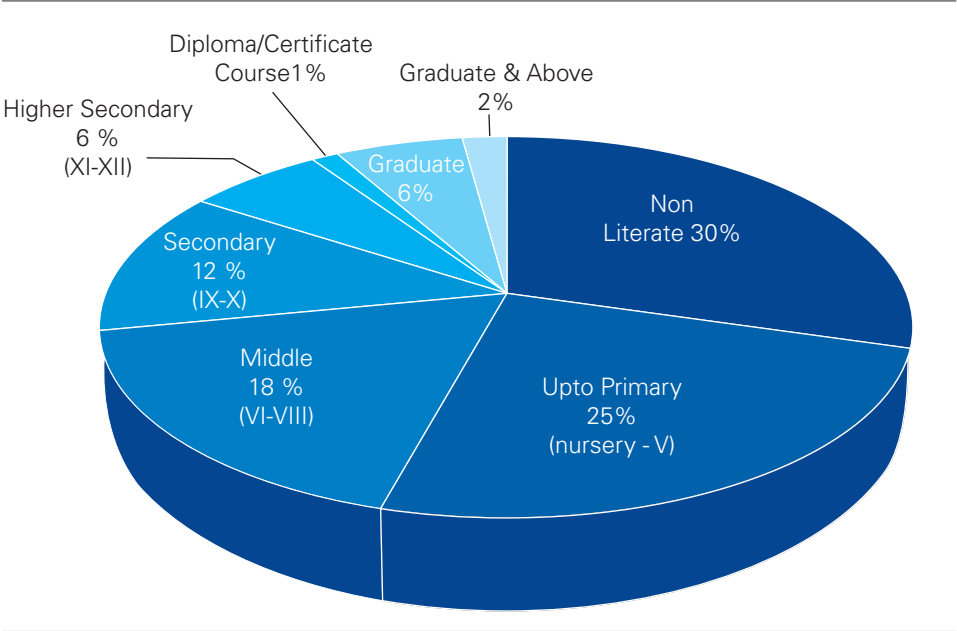
<sup>2</sup> World Bank Data

<sup>3</sup> Census of India 2011



different agencies is focussing on skill development and aims to train an ambitious 500 million people by 2022. This whitepaper is an attempt to trace these initiatives and deliberate on the potential going forward.

Education profile of labour force in India in 15-59 years age group (in %)<sup>4</sup>



According to 12<sup>th</sup> Plan Document of the Planning Commission, 85 per cent of the labour force in India has educational qualification up to secondary level within which 55 per cent have an educational qualification only up to the primary level and merely 2 per cent of its workforce has any vocational training. The government along with other agencies is trying to incentivise the students to enroll in higher education and vocational training with increasing demand for skilled labour.



<sup>4</sup> Based on (Table 22.19) of 12<sup>th</sup> Plan Document Volume III, Planning Commission





## 2 | Skill development ecosystem of the country

Modern vocational or skill education in India traces its origin to the Industrial Training Institutes (ITIs), setup under the Ministry of Labour and Employment. The ministry had also set up council for certification of those successfully trained in these institutes. Along with Industrial Training Councils (ITCs), the ITIs were the mainstay for vocational training in this country for about five decades. Thereafter, various other policies such as the Apprenticeship Act, 1961, National Skill Policy 2009 and more recently the National Skills Qualification Framework (NSQF) have defined the roadmap for skill development in India.

### **Apprenticeship Act, 1961**

This act was sanctioned to regulate programmes of training of apprentices and make it obligatory for employers in both public and private sector establishments to have training infrastructure as detailed in the Act. This was to ensure trainees get optimum access to real work environment and on-the-job training. The objective of apprenticeship was also to ensure employers get skilled workforce with adequate exposure to real work environment.

But this Act has not seen much success since of the 4.9 lakh seats available for apprenticeship, just about 2.8 lakh apprentices are trained annually.<sup>5</sup> This is largely due to inability of training providers to work together with employers as well as lack of participation from industry and employers. It becomes even more critical in manufacturing sector related courses where private sector has not been able to overcome infrastructure and learning equipment costs related challenges.

Recently, government has passed the amendment<sup>6</sup> to the existing act known as 'Apprentices (Amendment) Bill, 2014' to increase the number of skilled

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<sup>5</sup> Indian Express; Key labour reforms get Central push, July 31, 2014

<sup>6</sup> Live Mint; Lok Sabha clears changes to law on apprentices, August 14, 2014

manpower and provide industries with flexibility to hire apprentices as well as improve stipends specified to them. According to the Bill, the industry will have 2.5-10 per cent of the total workforce as apprentices.

The Bill aims to link the wages of apprentices to that of the semi-skilled industrial workers, and stipulate work hours and leave benefits at par with the regular workers from the organised sector. While allowing for industries to take more non-engineers as apprentices, depending on the nature of the job, it will also introduce new trades for apprenticeship training.

Implementation of this would be crucial in order to ensure employers' participation as well as facilitating work-environment exposure to learners.

### **National Skill Policy**

Formulated by the Ministry of Labour and Employment in 2009 the National Policy on Skill Development (NPSD) was in a way the first step towards a comprehensive effort towards skill development involving all stakeholders (government, industry, trade unions, and civil society) to create a skills ecosystem in India. It acts as a guide to formulate skill development strategies by addressing the different challenges in skill development. The objective is to empower the workforce with required skills, knowledge and qualifications to make the Indian workforce globally competent. Apart from this, it is mandated that the focus will be on increasing productivity of workforce in the organized and unorganised sector, increasing participation of women, youth, disabled and other disadvantaged sections. An assessment of targets is to be done every five years and accordingly realign the targets with the upcoming trends in the national and international ecosystem.

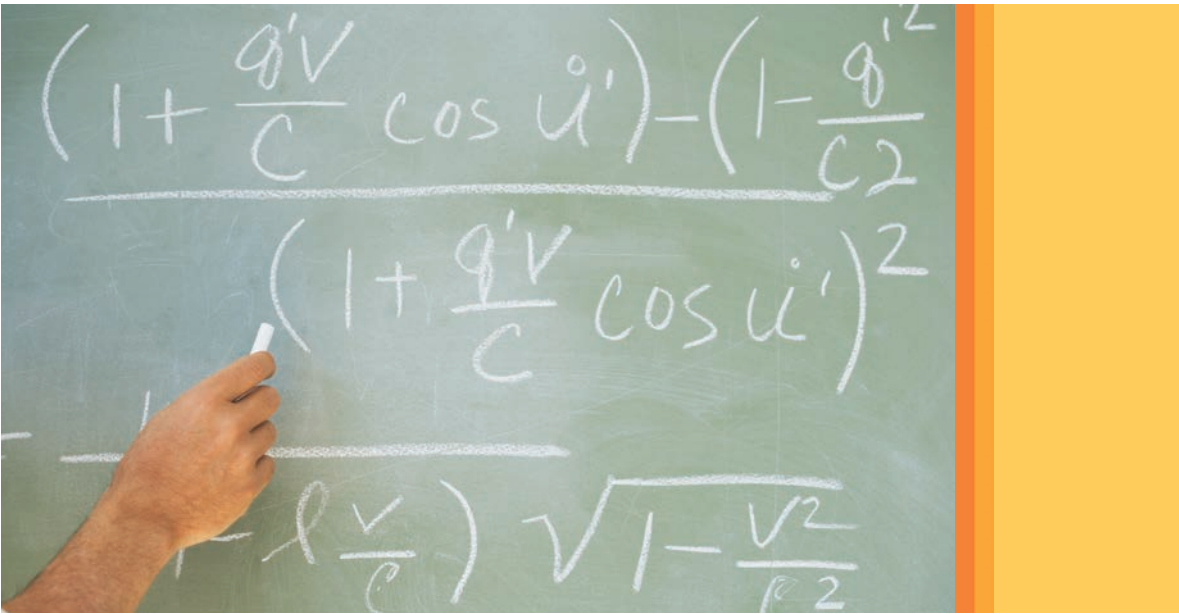
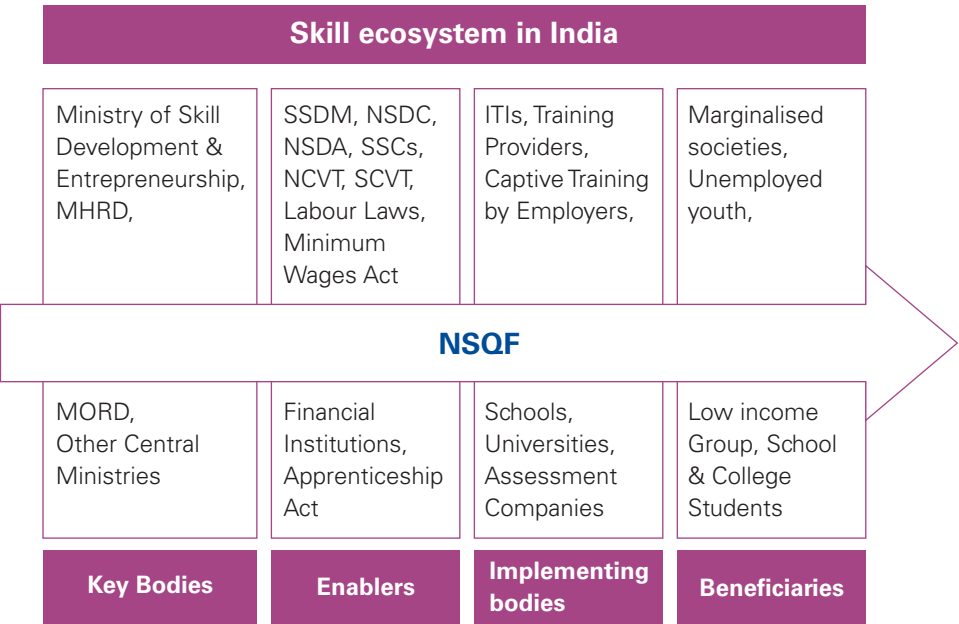
### **National Skill Qualification Framework**

Introduction of NSQF is a much-needed step in the right direction. With the mandate to standardise the academic delivery across training institutions and provide career pathways and employment-oriented courses, NSQF's implementation would be crucial. The newly formed Ministry of Skill Development and Entrepreneurship's ability to build consensus among all central and state government agencies, academic institutions and regulators apart from aggregation of all enablers and implementation agencies would be equally important for a successful adaptation. What must be propagated is the involvement of employers and industry in developing the framework at each level and how it is expected to make a difference in our education delivery and address skill gaps across industries and geographies. To enforce the framework, government would also need to evaluate the option of making it a mandatory requirement backed by a Qualification Authority. While complete integration with the formal education system may be a long term process as it would also require great deal of capacity building at implementing units and last mile level coordination - the government must initiate the process.

Recognition of prior learning (RPL) is another ambitious initiative and is expected to contribute heavily to the existing workforce, especially in the unorganised sector. SSCs have a vital role to play here and their ability to mobilise and create assessment opportunities would be extremely important. With the current scarcity of qualified assessment providers, it would need significant amount of industry support and capacity building.

### Defining the ecosystem

The economic growth in the country which has led to a huge requirement of skilled workforce has ensured that the ecosystem has larger participation from all stakeholders which include decision making bodies, enablers, implementing agencies and beneficiaries.



## 2.1. Key bodies of skilling

### **Ministry of Skill Development and Entrepreneurship**

While a lot of initiatives have been taken, skill development in the country has been plagued by multiplicity of agencies and duplication of efforts. To address this problem, Prime Minister Narendra Modi in June 2014 announced the creation of a first-ever separate Ministry of Skill Development and Entrepreneurship to promote entrepreneurship and skill development<sup>7</sup>.

The Ministry is conceived to encompass all other ministries to work in a unified way, set common standards, coordinate and streamline the functioning of different organisations working for skill development and at the same time be cost effective. One of the aims of the new ministry is to ensure that India meets its target of skilling and up skilling 500 million people in India by 2022 by integrating the government's efforts currently implemented by 21 ministries. To work towards fruition of these goals the recently-formed government at the center has entrusted the Ministry of Skill Development and Entrepreneurship to make broad policies for all other ministries' skill development initiatives and National Skill Development Corporation (NSDC).



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<sup>7</sup> The Economic Times; Narendra Modi appoints Sarbananda Sonowal minister for skill development, entrepreneurship, May 27, 2014



Mapping and certifying skills, market research and designing curriculum, encouraging education in entrepreneurship, make policies around boosting soft skills and computer education to bridge the demand and supply gaps are among the other goals.

Besides this, the NSDC formed in 2009 under National Skill Policy, which is a public-private partnership body mandated to skill 150 of the 500 million people by 2022 and the National Skill Development Agency (NSDA), an autonomous body formed in 2013 to coordinate the government and the private sector initiatives to achieve the skilling targets of the 12<sup>th</sup> plan and beyond has been subsumed under the Ministry of Skill Development and Entrepreneurship to give coherence to skill training efforts in the country.

### **Ministry of Human Resource Development**

MHRD governs polytechnic institutions with the current capacity of diploma level courses under various disciplines such as engineering and technology, pharmacy, architecture, applied arts and crafts and hotel management. As per AICTE Annual Report- 2011-12, total number of institutions is 3205 with intake capacity of 8,87,825. Another key initiative of MHRD is the scheme of Apprenticeship Training, which aims to provide practical experience to engineering graduates, diploma holders and students in 10+2, and make the trained candidates job ready as per industry requirements.

Apart from this, MHRD has also introduced vocational education from class IX onwards, provision of financial cost for engaging with industry/SSCs for assessment, certification and training.

### **Ministry of Rural Development**

'Aajeevika' is a skilling and placement initiative of Ministry of Rural Development (MoRD). The aim of the scheme is to impart specific set of knowledge and skills to rural youth and make them job ready. The scheme is catering to youth without formal education.

The scheme is an important part of Skill Development Policy and an integral part of the National Rural Livelihood Mission (NRLM). The scheme is implemented by Project Implementation Agencies (PIA) in the public, private or voluntary sector.

## Central Ministries

There are 21 Ministries under the central government who are also working for the purpose of skill development. There are two approaches that these Ministries have, one approach is by setting up training centres of their own for specific sectors like (Ministry of Labour & Employment, Ministry of Agriculture, Ministry of Health & Family Welfare, etc.). The second approach is by PPP (Ministry of Rural Development, Ministry of Women and Child Development, etc.)

Some of the schemes under three such ministries are:

**Ministry of Tourism**<sup>8</sup> - It launched a training programme called 'Hunar Se Rozgar Tak', to create employable skills among interested youth in the 18-25 years age range. The minimum qualification to be eligible for this scheme is class 8 qualified. The basic objective was to reduce the skill gap that existed in the hospitality and the tourism sector. The initiative initially covered only two trades namely food production and beverage services while housekeeping and bakery were added later. The training programmes related to the hospitality segment are conducted by the hospitality institutes sponsored by the Ministry of Tourism, by other institutes enlisted by and through State Governments /UT Administration, and by star classified hotels. There is no application or course fee which is charged to the applicant in this scheme.

While the Ministry of Tourism has put enough thrust on the 'Hunar se Rozgar Tak' scheme, the industry does not see significant value, and acceptability is seen as a major challenge. The course alignment with the industry requirement is therefore the need of the hour.

**Ministry of Textiles**<sup>9</sup> - Textile is the second largest employer after agriculture in the country. The workforce will increase from 33-35 million in 2008 to 60-62 million by 2022. The ministry has an Integrated Skill Development Scheme for the Textiles and Apparel Sector including Jute and Handicraft. The scheme aims to fulfill the need for skilled manpower to the textile and related sectors. The scheme aims at targeting 15 lakh people over the span of five years.

The segments covered under the scheme are textiles and apparel, handicrafts, handlooms, jute, sericulture and technical textiles. Under the scheme institutional bodies like SSCs for apparel, textiles and handicrafts under NSDC and Resource Support Agencies will be created. The bodies will be established for developing curricula, assessment, providing

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<sup>8</sup> Hunar se Rozgar scheme under CBSE Scheme of Ministry of Tourism

<sup>9</sup> Integrated Skill Development Scheme for the Textiles and Apparel Sector, Ministry of Textiles



certification and process for implementation of the scheme. The scheme further focusses on strengthening skill development through participation of private sector through PPP model, state government agencies and training initiatives of the ministry.

**Ministry of Tribal Affairs**<sup>10</sup> – Schedule tribes are categorised under most marginalised section of the society and are in need of overall social and economic development. The scheme aims at upgrading skills of tribal youths in modern or traditional vocations and help them with suitable employment.

Under the scheme training will be conducted through vocational training centres and recognised institutes. The training organisations will provide placement assistance to the trained candidates and provide financial assistance to self-employed candidates through National Schedule Tribe Finance Development Corporation (NSTFDC). The scheme provides fixed financial norms and no construction cost is provided. The scheme is implemented through state government, UT administration and NGOs.

## 2.2 Enablers

### State Skills Development Missions

Setting up of State Skill Development Mission (SSDM) at each state has been mandated to integrate and bring the required synergy among multiple state-run schemes. The body would act as a nodal agency to bring institutional mechanism to work along with NSDC, SSCs, training partners and other stakeholders apart from different ministries. SSDMs

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<sup>10</sup> Ministry of Tribal Affairs, Vocation Training Centres in Tribal Areas

has a mandate to drive ground level implementation and achieve economies of scale, SSDMs are also expected to lead mobilisation campaigns, awareness about skilling, engaging with private sectors and employers and focus on optimum capacity creation for state specific requirements.

SSDMs' ability to bring in the required focus and resources apart from working with multiple stakeholders would be the key to their success. With student mobilisation as a major challenge, they would need to effectively roll out campaigns to create awareness among youth and attract them to training centres. Their ability to work with district and block level departments to roll out outreach programmes is extremely important. One of the key challenges would be to sensitise local stakeholders about the need for single body coordination and roll out. For example, on the operational level they would need to engage with other state departments for seamless transition of existing schemes and aligning their courses with SSC led standards and certification process. SSDMs would also need to engage with scalable and quality training partners and drive outcome based training delivery with tight monitoring process in place.

### **National Skill Development Corporation (NSDC)<sup>11</sup>**

The National Skill Development Corporation India (NSDC) is a public private partnership organisation (now under the Ministry of Skill Development and Entrepreneurship) was incorporated in 2009 under the National Skill Policy. It's main aim is to provide viability gap funding to private sector in order to scale up training capacity. NSDC has 130 plus approved training projects across sectors, post right due diligence which are monitored on their financial and social targets. This becomes important in sectors where financial viability of sustainable scaled-up training infrastructure becomes challenging due to intrinsic nature of workforce and appeal related issues.

NSDC's mandate also involves capacity building by working with different stakeholders and identifying best practices to create an excellence model. NSDC has also been working to create awareness about skill ecosystem and has rolled out electronic and print campaigns apart from coming up with a reality show highlighting the need of skilling, called- *Hunarbaaz*. The show is expected to help millions of young Indians become aware of various ways in which they can upgrade their skills, become employable and commercially utilise their inventive genius to provide for themselves.

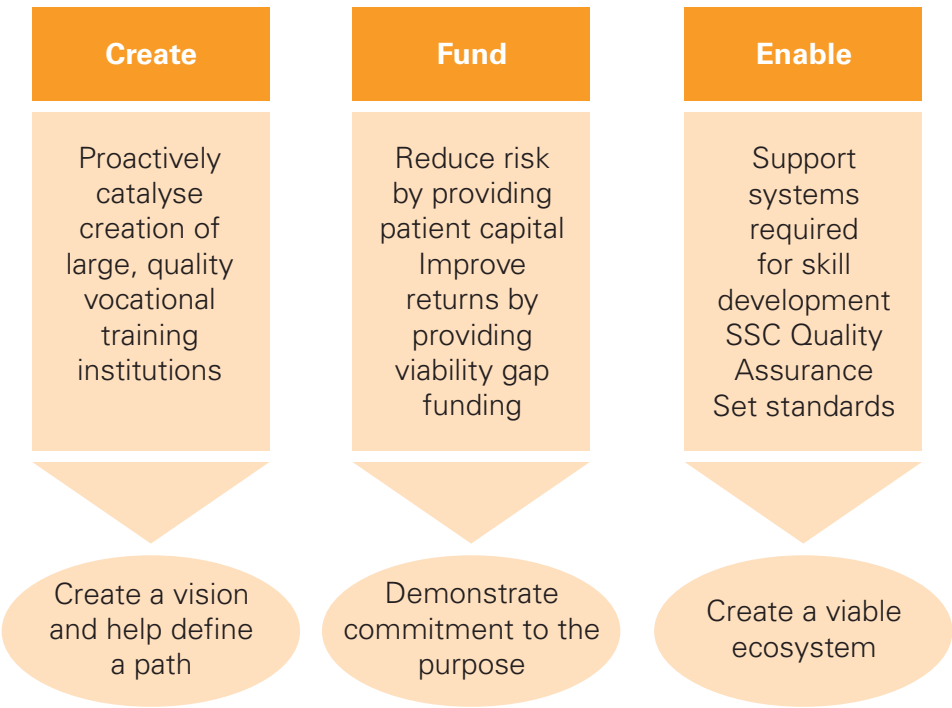
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<sup>11</sup> National Skill Development Corporation website



NSDC has also been entrusted to set up SSCs ensuring right representation of employers and extend financial support to operationalise them. It also undertakes research initiatives, pilot projects and skill gap studies to create a knowledge base for the sector.

The illustration below objectively defines NSDC’s role in creating, funding and enabling of quality vocational training institutions for sustainable growth.



NSDC is also managing two flagship initiatives of the government of India – STAR (Standard Training and Reward) and UDAAN. STAR scheme was rolled out by the Government of India with funding of INR 1000 crore to train one million youth in 2013-14. UDAAN is targeted towards the youth of J&K to get them involved in mainstream workforce by providing training and employment opportunities by tying up with leading corporate entities of India.

## **Sector Skill Councils**

At an annual addition of 9.25 million per year approximately 37 million jobs are expected to be created from 2012-13 through 2016-17.<sup>12</sup> Manufacturing would roughly contribute towards half of these additional jobs. Significant proportion of the jobs in these sectors would require a sector and skill specific trained workforce. These facts and figures are clearly indicative of the fact that India would need to revamp its skill development strategies with a focus on industry and an attempt to balance labour force demand and supply.

The National Skill Development Policy 2009 mandated NSDC to setup SSCs to bring together key stakeholders i.e. industry, work force and academia. As on date, NSDC has approved 31 SSCs. They are funded by NSDC for the initial few years and are expected to become financially self-sustainable as they grow.<sup>13</sup>

With a mandate to have fair representation of employers in terms of sub sectors, size and geography, SSCs are expected to ensure wider group of employers are a stakeholder to the ecosystem. One of the key deliverables of SSCs is to develop National Occupational Standards(NOSs) apart from empanelment of training partners and qualified assessment providers. With availability of trainers being a major challenge in scaling up the capacity, SSCs are also expected to play a crucial role in getting right industry support to facilitate training of trainers for their respective sectors.

With large number of training happening under different government schemes, it would be critical for SSCs to create awareness about standards and certification process and ensure these trainings are aligned with their processes. They would also need to engage actively with SSDMs apart from various central ministries to get their consensus and roll-out for the same. With more than 93 per cent of workforce employed in unorganised sectors, it's important for SSCs to reach out to SMEs and unorganised sector employers and get their buying over standards and certification process.

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<sup>12</sup> Working Group Report on employment for 12<sup>th</sup> Plan 2012-17

<sup>13</sup> Primary interviews with NSDC

To catalyse such a large ecosystem, SSCs would need to be supported with resource and most importantly realistic timelines. Being the only common thread between employers and rest of the skill ecosystem, they have a critical role to play and their recognition by wider stakeholder group is essential. Financial sustainability of SSCs is another key aspect and in case of absence of robust revenue models, they need to be supported adequately. While SSCs have been set up with initial support by industry and NSDC for first few years, they need to strengthen further in terms of resources and financial support with a long term view.

With a significant workforce in unorganised sector and yet to be formed framework authority, SSCs have their task cut out on outreach, awareness and capacity building. A worthwhile idea would be to extend their presence across states with necessary infrastructure coming from state government. This would help stimulate stakeholders at the implementation level and also fast track SSDMs' alignment with SSCs and training standards.

There has been a lot of debate over following other countries' skill councils or parallel bodies' model. India with a completely different ecosystem, much larger workforce, multi-stakeholders' involvement and dominance of the unorganised sector employment, would need to be dealt with much more objectivity. Obviously continuous exchange of ideas and exposure to best practices shall be encouraged and ongoing consultations are required there. Financial sustainability of SSCs is another key aspect and in case of absence of robust revenue models, they need to be supported adequately.

The Labour Ministry has formed a mentor council each for sectors such as automobiles and textile, to overhaul various courses run by the NCVT.<sup>14</sup>



<sup>14</sup> Labour ministry initiates steps for skill development; Business Standard, June 24, 2014

These mentor councils will have industry experts, academicians, representatives of industrial training institutes (ITIs) and professionals and will be instrumental in suggesting steps to scale up training of trainers with quality, identify and improve on-the-job training and placement of various courses approved by NCVT.

It is important to note that more clarity on mentor councils is desirable to gauge how different they would be from SSCs and avoid any duplication of efforts.

### **National Council for Vocational Training (NCVT), State Council for Vocational Training (SCVT) and Quality Control of India (QCI).**

Established under Ministry of Labour and Employment with a view to ensure and maintain uniformity in the standards of training all over the country, the National Council for Vocational Training was set up in the year 1956. This certifying body conducts All India Trade Tests for those who complete training in ITIs and awards National Trade Certificates to successful candidates. The Council has representation from central and state government departments, employers' and workers' organisations, professional and learned bodies, All India Council for Technical Education, scheduled castes and scheduled tribes, All India Women's Organisation, among others. The State Council for Vocational Training at the state levels and the sub committees has been established to assist the National Council.

Quality Control of India was set up jointly by Government of India and Indian industry as an autonomous body to establish a national accreditation structure in the field of education, health and quality promotion.

All institutions (Government and private ITIs) seeking formal affiliation from NCVT have to first get accreditation from Quality Control of India (QCI). The QCI team will then make formal criteria check with the institution to provide accreditation.

## **2.3 Implementing bodies**

### **Industrial Training Institutes (ITIs)<sup>15</sup>**

DGET which governs Industrial Training Institutions (ITIs) have been recently aligned with Ministry of Skill Development and Entrepreneurship. There are more than 10,000 ITIs with capacity of approximately 15 lakh seats. DGET also governs RVTIs (Regional Vocational Training Institutions) and ATIs (Advance Training Institutions) focusing on specialized and high-end skill sets and trainers courses.

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<sup>15</sup> Ministry of Labour and Employment, Lok Sabha unstarred question April 29, 2013



With the current seating capacity of 15 lakh for trainees at ITIs there is a need of almost 75000 trainers (considering 20:1 student/faculty ratio). DGET currently has 4328 seating capacity for trainers programme which hardly meets 20 per cent of total demand. This is distributed among Advance Training Institutions (ATIs), CTI, Chennai and RVTIs. Earlier ATI's also offered ITI courses but recently they have discontinued such courses and are using the capacity for instructor training. While some of ATIs have started double shift to increase capacity, this still falls short of the total requirement. Current duration of Trainer Course (one year) is again of shorter duration, considering the quality of intake coming from technical institutions, and needs to be revisited.

Entry criteria in ITI's are class 8 or 10 qualified, which is a challenge, considering the gaps in our school education. It would be pertinent to have a foundation course in ITI's where basics of trainees can be strengthened apart from the revisiting the duration of three years generalist course in trades which may be a bit longer considering employers' preference of specialised skill sets rather than generalist role.

With a significant part of employment generation happening in services sector, ITIs also need to revisit their courses offering to the sector.

Every year almost three lakh trainees go for apprenticeship with industry. While these companies have industry professionals, there is no provision of trained instructor during apprenticeship. While DGET's MES (Modular Employment Scheme) has more than 8000 training partners, not many of them are formally trained under any trainers' programme.









## 3 | Challenges<sup>16</sup>

### Mobilisation

Mobilisation of students to get trained has been a major concern. The traditional mindset, low willingness to migrate, low salaries at entry level, lack of recognition of long-term premium associated with skilling, inability to pay for training, lack of employers' endorsements and illiteracy have made the workforce less responsive towards skilling initiatives.

### Employers' buy-in

From an industry point of view and specifically in the unorganised segments the employer does not distinguish whether an employee has picked up skills on the job or he has acquired them through formal training and hence skill premium or any other financial incentives are lesser known components of the skilling ecosystem. Some of the known companies such as Larsen and Toubro have invested in their own skilling centres and are training people in very specific job roles such as bar benders, steel fixing and masonry.

The first therefore, is to get the industry and employer's proactive participation. In a country where approximately 93 per cent of employment comes from the unorganised segment it is an uphill task to sensitise the employers on the importance of the occupational standards, job roles and the qualification packs.

SSCs also face challenge when it comes to spreading awareness and popularising skilling initiatives to increase the reach and impact of skill development exercise. The issue is due to large employment happening in SME and unorganised sector where the employees are not sensitised about the new skill development ecosystem which includes the NOSs, QP and NSQF. SSCs

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<sup>16</sup> Primary interactions with stakeholders

therefore would need to scale themselves up to reach the employers in the unorganised sectors and encourage employers to have a certified workforce which would cost them a skill premium.

## Scalability

Getting the right kind of training partners, effective stakeholder management, obtaining buy-in from the corporate sector who didn't realise the opportunity in this space till very recently, scaling up and alignment of aspirations to current jobs is important.

The other issue is identifying the right training partner who can meet the requirement of the industry and can fit into the new skilling ecosystem. Scaling up of these partners is another challenge that needs to be addressed considering markets behave differently from state to state.

The skill development segment has been ignored in the past and has been looked at as a non-scalable model often due to high capital requirements and low return on investments. There are only a select few who looked at it as an entrepreneurial model. Issues in providing infrastructure, bank loans, seed for self employed candidates is another challenge that often mar the budding entrepreneurs in their micro enterprises. The issue of dependence is further categorised across rural and urban areas. In rural region it is the lack of awareness of self-credit/funding schemes run by the government, and other financial bodies. In urban regions, issue arises due to high operational cost which the entrepreneur bears added with cost of living.





## **Mismatch between youth aspirations and jobs**

Finding student to fill the classroom and getting the people to accept the job has been a difficult task. Skill gap studies conducted by NSDC across various states clearly depict such trends. Take for instance the construction sector in Punjab has been one sector that has significant jobs to offer but there are not many takers and hence it is the migrant population from eastern Uttar Pradesh, Bihar and Jharkhand who have been doing the job. Therefore the alignment of aspirations vis-à-vis jobs on offer is extremely important and could be achieved through proper counselling sessions. Stakeholders such as industry, NSDC, SSCs, training providers and the states would need to effectively collaborate create that kind of an ecosystem.

## **Ensuring minimum wages**

The Minimum Wages Act 1948 was formed to ensure minimum wages to skilled and unskilled labour giving jurisdictional power to central and state governments to decide the minimum wages. Depending on local factors such as essential commodities prices, socio-economic factors and paying capability among others, minimum wages differ in different part of the country. While the minimum floor revision has been discussed extensively and some of the state governments have also revised the floor to respectable numbers, implementation in spirit and practice is still a challenge.

While the organised part of the industry doesn't witness concerns over wages, with more than 93 per cent of employment happening in unorganised sector, it's a major dampener. With lesser awareness, plenty of work force chasing the same job, employers' unwillingness to pay scheduled minimum wages floor is prevalent. For example, primary interviews conducted by KPMG reveal more than 70 per cent of domestic workers across India earn less than INR 2,000 per month. While urban areas may report higher wages, rest of the workforce in tier II/III cities and other parts of the country still get paid lesser than minimum wages.

While the government is considering amendments to minimum wages act, employers' buying and enforcement of the same would be critical. While currently wages are linked with traditional categorisation of 'skilled', 'semi-skilled' or 'unskilled', government should ensure it is aligned with skill levels defined as per NSQF and recognition of higher level of skills in terms of minimum wages is noted. At the same time, wages would need to be revised periodically periodically as per current Consumer Price Index (CPI) to safeguard it from the impact of inflation.

The government would also need to bring changes in statutory structure to ensure enforcement ministry for the Industrial Disputes Act, Contract Labour Act and Minimum Wages Act are the same to save from any ambiguity and effective governance.

### **Labour laws**

Indian labour laws are considered one of the most complex, rigid and to a certain extent responsible for lower employment growth, lesser increase in per capita income and sluggish economic development. With more than 50 parliament acts and regulations governing employers in terms of their industry relations practice, the complex bureaucratic process and reporting mechanism has been a deterrent for the industry to either set-up fresh capacity or employ additional manpower in formal way. While organized sector and white collar jobs with lesser intervention as well as absence of trade unions, have had fat flexible governing guidelines and restrictions, unorganised sector having 93 per cent of current work force has been facing lots of challenges.

Industry has also voiced it as one of the major concerns before making investments, especially in the manufacturing sector which witnesses major hurdles in terms of retrenchment and lay-offs depending on their business cyclic requirement. Service sectors such as – hospitality, food and beverages and tourism industry which has significant seasonal and weekend based manpower requirement, is not allowed to recruit accordingly.

These restrictions have led to employers engaging in contract labour as well as misreporting of total employers' data to local government agencies. With some of the states making certain changes, one can clearly see they have had better economic growth compared to others who haven't made any progressive changes in their labour laws.

### **Lack of training infrastructure**

Apart from over 120 NSDC's funded training partners, there are multiple training agencies working with different government department as implementing partners. MoRD alone works with more than 1000 PIAs under its Aajeevika scheme. Recent trends show that large industry players like Mahindra and Larsen and Toubro have opened training centres to cater to the growing demand for trained labour. Another model of training being provided is a tie-up between an industry player and a university. For example - ICICI Manipal Academy for Banking and Insurance (IMA) is a joint venture of ICICI Bank and the Manipal Group.

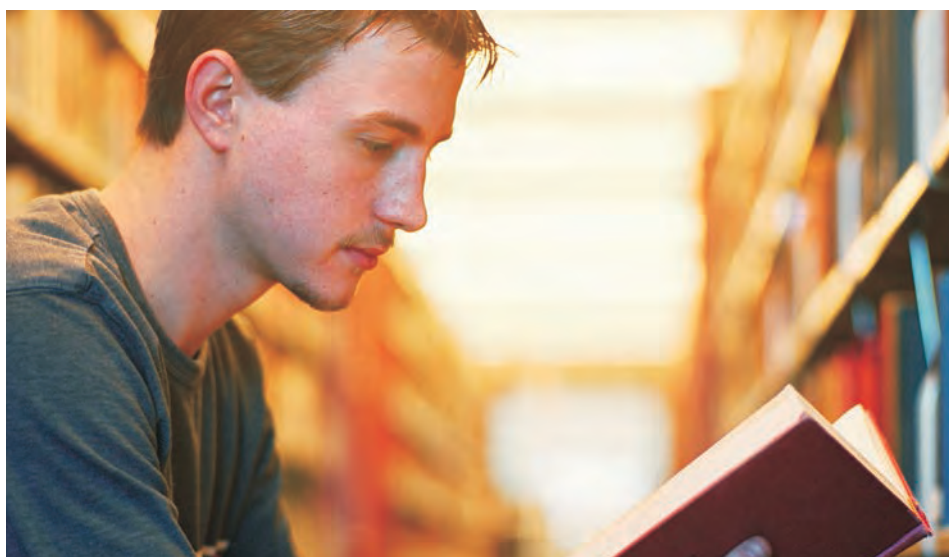
While the services sector due to lesser capital expenditure requirement and also backed by huge job creation in the last decade or so has seen significant capacity creation in training infrastructure, the manufacturing sector is yet to get the same focus.

As fee-based model still faces challenges due to unwillingness or inability of the students to pay for training, most of the training companies are largely dependent on government funded initiatives under public-private schemes. Working capital requirement and payment cycle are some of the key challenges here.

At the same time, many large employers have also set up their captive training facility to cater to skilling requirements for their workforce. Training providers also have been facing challenges in terms of employers' connect for accesses to on-the-job training and recognition of training by employers.

Besides this, parallel training schemes run by the government and NGOs sometimes at no fees and sometimes very nominal fee further keeps the students from enrolling in training institutes.

Infrastructure, both physical and manpower is an issue with training providers. They do not find the right trainers given the low incentives associated with teaching and also the remote locations that these institutes are located in. Also, quality trainers might be a big component in the overall cost structure for a training setup but their absence directly impacts the bottom line. Similarly, gestation periods are very high to achieve break evens unless it is an established brand. These institutes also lack the right kind of machinery to give students hand-on training. Curriculum in these training intuitions is often outdated and lacks the industry connects.



## International collaborations

The Australian Council for Private Education and Training (ACPET) had signed a Memorandum of Understanding (MoU) with the NSDC to meet India's skilling needs across 21 industries in November 2012. The MoU included a commitment to foster partnerships between Australian and Indian education and training providers, as well as exchanging information and perspectives on education, training and skills development. There are other such initiatives supported by UK India Education and Research Initiative (UKREI), Indo-German Tool room among others. Apart from funding support by multilateral bodies' like Asian Development Bank (ADB), World Bank, Department for International Development (DFID) and others. ADB and DFID in particular have funded for capacity building support to other key bodies in skill ecosystem like NSDA, NSDC and SSCs apart from supporting some of the state governments. Bodies like Technical and Further Education (TAFE), Indo-German Tool Room and foundations like Michael Susan Dell Foundation and Mahindra Rise have also supported multiple training initiatives across sectors along with a focus on the marginalised section.

While there are multiple programmes supported by international partners, largely collaborative efforts in establishing center of excellences, developing training content, master trainers' training, one of the practical challenges is absence of such large skill development initiative anywhere else in the world. It limits support to some of the key concerns in the Indian context such as mobilisation, employer support, etc.







## 4 | Recommendations

**Awareness** – There is a dire need to spread awareness about the need for skilling and the onus lies on all stakeholders:

**Government** – While the various bodies and schemes show the government’s intention to push the agenda of skill development the outcome has not been satisfactory primarily because of lack of awareness regarding these policies. There needs to be a concerted and combined effort from the governments at the state levels and the centre to spread awareness. For example, the SSDMs can be instrumental in creating awareness through campaigns in vernacular language through electronic and print medium for maximum reach to target segments. NGOs with their grass-root level outreach and community connects too can be engaged in mobilising awareness in remote areas. NSDC also needs to be strengthened further to ensure efforts to coordinate private sector and employers participation are in the right direction.

**Industry** – The industry needs to be educated about the benefits of a skilled personnel vis-à-vis an unskilled person as training leads to increased productivity among employees. The industry should work closely with the SSCs and also recognise the training done based on NOSs and thereby paying the skilled worker a premium.

**Counselling** – There has to be a paradigm shift in perception regarding vocational education and parents and students have to look beyond traditionally preferred jobs like engineers, doctors and lawyers. With the Indian economy on a vigorous growth path, demand for skilled personnel across various sectors and the government impetus on skill development the need for awareness and right amount of counselling at each level of mobilisation and academic set up is required.

Schools can play an important role in disseminating awareness about career paths to students should they choose to take up vocational courses. Instead of introducing them in class nine, by when the students generally would have started coaching for their engineering or medical entrances, it would be a good idea to introduce at an earlier stage in class 5 so that early exposure to the concepts of vocational education help them make an informed choice to take up vocational courses.

While there is a growing focus on mobilisation strategies by each concerned stakeholder, it would be equally important to engage with learners understanding their aspiration and aptitude for a particular sector or job role and set the job expectations right. It would not only help in getting right kind of resources for respective roles but also curb on drop-outs duration training as well attrition.

The Ministry of Labour and Employment's recent launch of National Career Services Project is a step in the right direction and its engagement model with different parts of the skill value chain would be crucial.

### **Curriculum change and linkage**

From integrating vocational education with the general education in schools and colleges to continuously updating the curriculums to incorporate the latest trends will help students gain relevance in their training process. More often than not, there is a mismatch between what the students study and the work profile they are offered post training, rendering their skill sets obsolete. While the process of integrating vocational courses with general education has begun even though it is at a nascent this process will need support from higher education institutions. Students who do take up vocational courses at the school level face hurdles during admission in universities as most of them do not recognize the courses. This deters the students from studying vocational courses and further strengthens the stigma associated with it. There has to be a seamless facilitation from secondary to higher education if a student chooses to study vocational courses.

### **Migration and training at sourcing cluster or geography**

Migration from rural to urban areas for jobs is a phenomenon that cuts across sectors and states. Most of the migrants who seek entry level jobs are often unskilled and the cost of living in urban areas and new environment deter them from taking up training. An integrated effort from employers, training providers and government bodies like Panchayats to train people at the source, i.e. cluster level or a specific geography could help mobilise more people to take up training. So it is win-win situation for both the employer and employees. Once the employees reach the cities for jobs, they don't have to invest in training and are paid premium salaries, and the employers get day-one ready employees and then cut down on

time and resources in training them. For example – primary interactions suggest that a majority of hospitality professionals hail from the north-eastern part of the country, so it is important that training centres are set up there so that more and more students take up training. Similarly for the domestic workforce, capacity creation has to be done in states like West Bengal, Odisha, Chattisgarh.

### **Up gradation of infrastructure and industry-academia connect**

While a lot of bodies have been created for skill development, some suffer from physical infrastructure and manpower crunch. For example, a lot of ITIs do not have the requisite machinery to give the students hands-on practical training. The industry has to step in here help support the infrastructure needed in the ITIs so that students can receive industry-relevant training. This will cut down the investment, both in terms of money and time in training when they hire someone with non-relevant skill sets and they get day-one ready employees. The industry's involvement at this level will also strengthen the industry-academia connect and can move away from the trend of captive skilling by few industry giants to industry's contribution to skilling initiative at large. For example – if a course in aviation is being run, the aviation companies could help training providers by giving access to aircrafts not in use so that candidates can gain practical insights while training.

Besides this, the industry could also help in offering apprenticeship jobs to the trainees with a stipend so that they can 'earn while they learn'.

### **Creating an ecosystem for self-employed individuals**

Some of the trades like unorganised retail and handloom handicrafts do not need training centres but support of an ecosystem. For example, sectors like handloom and handicrafts do not need a training centre. These are skills that are passed on from generation to generation and due to lack



of marketability and recognition, these skills run the risk of being lost, since the younger generation do not want to associate themselves with trades which neither give financial stability nor recognition. Hence, sectors like these need an ecosystem to sustain them. Artisans need to be provided with funds, market linkages and intelligence, a platform to market their products, education about raw materials and the products used and also how to market them. Educating the customer about the skill involved hence commanding a premium price for the product and promoting of fair trade practices to build awareness among artisans and customers alike of the benefits of using of eco-friendly products and processes is also important.

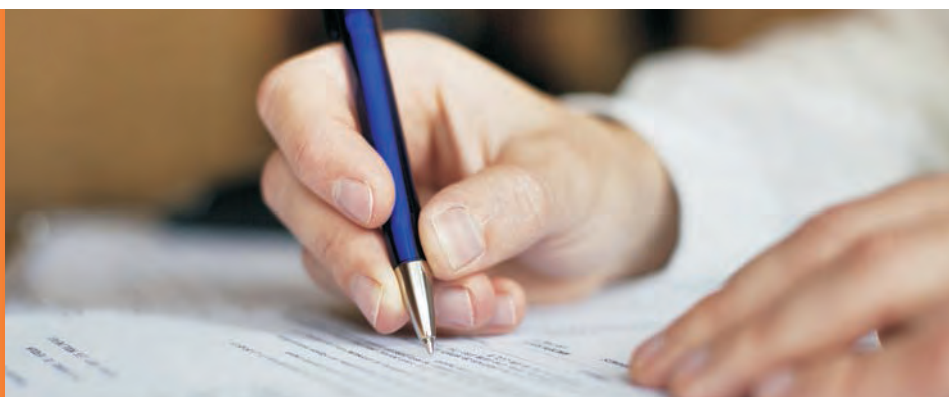
## Regulations

The government would need to reform labour laws and ensure revision of minimum wages act along with nationwide wage floor.

There have been some amendments made recently to three critical laws. The Union Cabinet cleared 54 amendments to the archaic Factories' Act, 1948, changes to the Apprenticeship Act, 1961 and the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.<sup>17</sup>

Amendments to the Apprenticeship Act will facilitate skill development with 500 new trades, including IT-enabled services, would be included in the scheme, allowing more employers to participate in training and employment of such workers.

A single body to enforce guidelines concerning labour and wages would be a much-needed step at the national level which will work with state governments towards implementation. While creation of a body to create guidelines is important, to ensure successful implementation sensitisation of the employers is crucial. The employers need to recognise the importance of training, dignity of labour and should be willing to pay the minimum wages and follow the rules to stipulate work hours accordingly.



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<sup>17</sup> Indian Express; Key labour reforms get Central push, July 31, 2014





## 5 | The way forward



Skilling has certainly seen a growing focus from government and other stakeholders and we hope it would have sustained attention from decision makers. While structurally the government has introduced a new Ministry of Skill Development and Entrepreneurship, further clarity on its operational mandate and alignment with other ministries' skilling programmes is still awaited. With a maze of schemes and training initiatives at multiple ministries, it would be imperative for the new ministry to streamline government focus and ensure efficient implementation in the right areas with optimum fund utilisation targets. With the recent announcement of ITIs and DGET being aligned with the new ministry, they would also need to revamp the existing massive infrastructure to make it industry relevant. Schemes like National Career Services Project by DGET and National Textile Policy targetting to create 35 million jobs are encouraging steps where effective implementation would be the key.

NSDC with its ambitious target and aggressive yet methodological scaling-up of training infrastructure in private sector has certainly played a vital role in energizing the space. At the same time, strengthening their training partners in terms of quality and sustainability would be critical in the next phase of growth. We hope with the new ministry in place, the government would let NSDC be a true public-private body supported with right resources.

NSDC would also need to get large training players backed by employers and industry to join the training industry as credibility and sustainable infrastructure would be the key to meet its target of 150 million training by 2022<sup>18</sup>. While by setting up 31 SSCs, they have laid the path for establishing training standards with employers at the fore front, ensuring financial sustainability of SSCs would be equally important.

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<sup>18</sup> India Vision 2020 Planning Commission of India (2002)

SSCs are certainly a welcome step and first of its kind initiative in the country. With their critical role in the whole set up, it would be very important for them to ensure maximum coverage of employers and their buying for training and standards. They have right representation of employers and industry associations and it is pertinent they leverage on them to expand their reach. With growing focus on quality and training assessment, they would also need to work extensively on creating a trainers' training ecosystem, apart from identifying qualified assessors from the industry. Geographical constraints, low attraction and lack of premium would be a concern and a sustainable approach would be required for the same.

Another key government initiative – 'Aajevika', which is a flagship initiative of MoRD, also needs to align itself with training standards and focus on outcome-driven funding. Right monitoring and striving for impact-based implementation is certainly required and we hope this is taken up sooner than later.

One key concern across stakeholders is employers' participation and buying of the whole initiative. While we have seen growing awareness and sensitisation among employers about training and up skilling, these are still early days and a wider consensus needs to be built. A guideline like compulsory requirement of skilled manpower for participating in government projects would be a good start to get employers' commitment to the sector.

Government's commitment to labour laws reforms and revisiting minimum wages act keeping NSQF as base for fixing wages and periodic revision taking inflation, CPI in account and having effective enforcement would be extremely important.

With a trained work force of 500 million, the nation is looking at creating a fine balance between quality and quantity, which would be vital to create a credible and sustainable reform.

The burgeoning youth, a concrete skill development policy in terms of Ministry of Skill Development and Entrepreneurship taking shape and increasing industry participation, factors that hold a promise of a skilled India which will not only cater to demands within but also globally.



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