

By Invitation

Private Sector in Vocational Education

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The last twenty years of economic reforms have demonstrated that growth is a necessary but not sufficient condition for sustained poverty reduction. Sustainable poverty reduction needs access. Access comes from the 3Es (Education, Employability and Employment). This paper attempts to explore how privatization in vocational education can impact the quality and scale of vocational skills development in India. The paper formulates tangible ideas that will enable formulation of scalable mechanisms in overcoming the challenges that the vocational training organizations currently face. It also discusses issues of access, quality, efficiency and value of vocational education across various sectors, education qualifications and age groups.

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Introduction

A million people will enter the labour force in India every month for the next 20 years. This could lead to a potential disaster unless we create a powerful infrastructure and provide easy access to education and skills opportunities. And access comes from the 3Es (Education, Employability and Employment). Our vocational skilling system needs to deliver quantity, quality and inclusiveness and develop a trinity of cost, quality and scale in the skilling system.

53% of the employed youth in India suffer some degree of skill deprivation while only 8% of the youth are unemployed. 57% of India's youth suffer some degree of un-employability. The 82.5 million unemployable youth fall into three skill repair buckets:

Last mile repair (< 0.5 years) 5.3 million

Interventional repair (0.5-1 year) 21.9 million

Structural repair (1-2 years) 55.4 million

Last mile repair above suggests, simple training in certain basic business etiquettes, communication skills, soft skills

and certain generic skills which many of the educated people take for granted, be it even as simple as 'how to wear a tie'. This is exactly the kind of training which a candidate will get if he is given access to the workplace via apprenticeship programs. The source of the problems lies in the mismatch between demand and supply; 90% of the employment opportunities require vocational skills but 90% of our college/ school output has only bookish knowledge. High dropout rates (57% by Grade 8) are incentivized by the low returns of education; 75% of school finishers make less than Rs. 50,000 per year. The poor quality of skills/ education shows up in low incomes rather than unemployment; 45% of graduates make less than Rs 75,000 per year. The situation is becoming more urgent because agriculture is unviable; 96% of farm households have less than 2 hectares. 70% of our population and 56% of our workforce produce 18% of GDP. Demographics can be a dividend or a disaster because 300 million youth will enter the labor force by 2025. In fact 25% of the world's workers in the next four years will be Indian. We also believe that our 50% self-employment rate does not reflect entrepreneurship but our failure to create non-farm jobs and skills. The skill deficit hurts more than the infrastructure deficit because it sabotages equality of opportunity and amplifies inequality while

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poor infrastructure maintains inequality (it hits rich and poor equally)

The solutions will lie in fixing the challenges of "Matching demand with supply (Employment Reform)", "Repairing supply for demand (Employability Reform)" and "Preparing supply for demand (Education Reform)".

There are various reforms that can completely overhaul not only India's human capital ecosystem but its whole economy at a cost far lower than what the current policies entail.

Three Buckets of Reform

Broadly put, there are three buckets of reform:

- a. **MATCHING (EMPLOYMENT REFORM):** Better matching the available supply to the demand by removing the various market failures in India's employment/labor markets. This includes removing legislation that breeds unorganized employment, increasing the efficacy of within and across state infrastructure like employment exchanges to connect job seekers with employers, and much else. Most change in this bucket will be pivoted around a review of labor laws and labor infrastructure.
- b. **MISMATCH (EMPLOYABILITY REFORM):** This World -- repairing or fixing existing human capital for emerging requirements of a rapidly growing economy. This is particularly

important for the people already in the labor force in low productivity jobs or students who have finished formal education that did not give them the skills to get or keep a job.

- c. PIPELINE (EDUCATION REFORM): This is about re-orienting our education system to one that focuses on “learning for earning”. The current education system has many issues around regulation, curriculum, teacher training, etc. that sabotage work ready output.

In India, both the government and private sector have realized the crucial role vocational education plays in developing skilled manpower which would in turn boost economic growth of the country. The focus of this paper is to identify effective ways and means of vocational skills development plans between the government and private sector.

Private Sector in Vocational Training

India has a significant demographic dividend due to its large and growing population in the age group of 15 – 59 years.

India has a significant demographic dividend due to its large and growing population in the age group of 15 – 59 years. The large working age population is estimated to be upwards of 600 million currently and can make a significant contribution to the country’s growth if made productive.

The vocational training infrastructure in India consists mainly of government ITIs (Industrial Training Institutes) and ITCs (Industrial Training Centers), and is vastly inadequate to meet the varied skills required by the Industry. 90% of jobs today require skills where freshers out of schools / colleges possess 90% knowledge and 10% skills as almost all of them do not receive any kind of formal or informal vocational skills within our education system. This leaves a large gap to be filled and the private sector can play a key role in developing the vocational skills. However, the private sector players face many challenges in being able to develop a scalable model for vocational training. Private training providers are unable to setup adequate training facilities due to the lack of access to credit and financing of initial investments.

Another area of concern for private training providers is the level of government bureaucracy they have to face in order to register their training institution, accreditation and certification of courses thereby rendering many institutions unaccredited.

Other concerns faced by private training providers include that of finding skilled trainers, i.e., attracting job seekers into classrooms for training as there is very little prestige attached to vocational training. Another challenge faced by the private training providers relates to “who pays for the training”? High attrition makes employers unwilling to pay for training for candidates; they are willing to pay for trained candidates though. Candidates, on the other hand, are un-

willing to pay for training but ready to pay for a job. Third party financiers like micro-finance or banks are unwilling to lend for vocational training unless a job is guaranteed. The government wants to pay for outcomes and has not figured out how to do that effectively, efficiently or honestly. And training companies are unable to fill up classrooms because the many students who need skills or “repair” cannot afford their courses.

Vocational training is too subsidized to offer quality, too fragmented to offer scale and too isolated to be of real value as links to either employment opportunities or further education does not exist.

Repairing skills and matching them to the industry requirement is particularly important for those who are already in low productivity jobs in the workforce or students who have completed education but are unable to get a job.

The Three Values

Training should have three values; a) learning value, b) signaling value, and c) job value. Today our system fails on all the three counts because of:

- No linkage of financing to outcomes
- No separation of delivery from financing
- No or ineffective assessment entry gates for beginning
- Lack of credible exit gates for certification

- Lack of alignment; assessment, curriculum, certification, and jobs
- Lack of technology usage for learning administration, teacher training, and learning delivery
- Lack of blended apprenticeships

Signaling Value of Vocational Skills

Unlike top engineering and business schools that have tight entry gates but wide exit gates, or the chartered accountancy exam with open entry gates but very tight exit gates, our vocational training has wide entry as well as exit gates. Hence the signaling value of vocational skills in India is extremely low. Moreover, any vocational skill acquired does not have a prospect to be used as an entry gate to higher education. Having a functional qualification corridor is critical and the NSQF (National Skills Qualifications Framework), quality assurance framework that organized qualifications as per levels of knowledge, skills and aptitude would enable higher signaling of vocational skills. The framework will enhance mobility and also allow flexibility for the work force.

Apprenticeships to Job Seekers

Apprenticeships are a globally recognized vehicle for effective skill development.

Apprenticeships are a globally recognized vehicle for effective skill development because of the power of “learning by doing” and “learning while earn-

ing”. They change candidate’s resumes by giving them an opening balance of on-the-job experience and ensure relevant training because of direct employer involvement. But India’s apprenticeship regime is broken because we only have 3 lac apprentices; smaller countries like Germany and Japan have 6 and 10 million respectively. The fundamental reason for the success of an apprenticeship program is that it is based on combination of formal education (in a class room and on-line) and a program to gain field experience with workplace practice. During the formal educational phase, the candidate is provided training that is targeted at being effective on the workplace and during workplace phase of the program, the candidate is actually put to work and required to be productive on the job. The skills developed in such an apprenticeship program are therefore exactly what the industry (and the employer) needs. Further, the candidate leaves the apprenticeship program ready to take on the responsibilities of the job from day one. Such a program provides the necessary overlap between employability and employment, wherein, for job-ready employees.

In order to make the apprenticeship program viable, there are a few changes that should be incorporated to the Apprentice Act of 1961. These changes are:

- i. STIPEND TOO LOW: Stipend has now been set at the applicable minimum wage
 - ii. UPPER AGE LIMIT: Nobody more than 35 years of age will be appointed
 - iii. LOWER AGE LIMIT: Nobody less than 18 years of age will be appointed
 - iv. TRADE DEFINITION: Instead of all MES trades, appoint apprentices in 22 high employment trades
 - v. UPPER TENURE LIMIT: No Apprentice should be appointed for a tenure of more than 24 months
 - vi. LOWER TENURE LIMIT: No Apprentices should be appointed for a tenure of less than 3 months
 - vii. ROLL OVER RISK: No Apprentice after a 12 month combined tenure will be eligible for re-appointment
 - viii. GOVT. COLLABORATION: States and other central ministries (Urban Poverty, Rural Development, HRD, etc) to create linkages and scale
- The following could be immediate agenda:
- * Enforce the operating principles adopted by the Prime Ministers Skill Council for all government operated or funded skill programs
 - * Review the Apprentice Act of 1961 to explore “learning by doing” and “learning by earning”
 - * Encourage and incentivize the setting up of state skill missions. All delivery systems are in the hands of states
 - * Formally make government financing available for government and private delivery either through reimbursements or skill vouchers.
 - * Create a national framework and infrastructure for skill development

that aligns occupation codes, entry gate assessment and exit gate certification.

- * Converge all skill development programs into the modular employment schemes of the Ministry of Labor so curriculum is relevant and courses can be shorter.
- * Activate the National Skill Corporation to create project funding for corporate and individual ventures in skill development.
- * Allow the 100 day job and resources of NREGA to be used for providing apprenticeships and funding for individual skill development.
- * Reduce information asymmetry by creating a framework to rank or rate skill development institutions.

Student Financing

While vocational skills are required for most job roles, there are many job seekers that are unable to upgrade / develop their skills due to paucity of funds. Many state government and Central ministries are working towards being able to provide for such trainees and help them build their skills before they enter the job market.

The employer financing of training for fresh hires as distinct from training post hiring is sabotaged by three risks:

- a) Employers pay for training but the candidate does not get a job – learning risk
- b) Employer pays for training, the can-

didate gets a job but is not able to do the job – productivity risk

- c) Employer pays for training, the candidate gets a job, knows how to do the job but leaves – attrition risk.

These three holes in the bucket sabotage employer financing for freshers who cannot pay for themselves. So we need skill vouchers, scholarships or collateral free vocational loans. The only financial models for employers that are completely aligned to their financial interest are stipends for apprenticeships (allows a test drive) and reimbursements (are fund of student fees after the candidate has stayed with the employer for some time).

The skill voucher system enables a transparent, cashless transaction between the trainee and the training organization. A skill voucher is an instrument that is given to an individual which will enable him to obtain skills training from any accredited institute. Once the training is completed, the training institute can redeem the voucher for cash.

Countries such as Kenya, Paraguay, Austria, Australia, El Salvador, Peru have adopted the skill voucher mechanism to provide skills training to the job seekers. A case study on the success of the model used in Kenya is detailed in Box 1.

Third party financiers like micro-finance or banks are unwilling to lend for vocational training unless a job is guaranteed and guarantying a job may not be the right metric at the beginning. Banks require collaterals from students and / or their parents. The ones that need help

BOX 1 : Case Study on the Jua Kali Voucher Program in Kenya*

The Jua Kali Voucher program in Kenya is one of the most successful skills voucher program in the world.

The main objective of the program was :

- a. To upgrade skills of 10% of the micro and small enterprise(MSE) manufacturing sector .
- b. To increase access of MSEs to technology, marketing information and infrastructure
- c. To improve the policy and institutional environment.

The program was aimed at expanding the market for a broad range of training and other business development services, by catalyzing the demand for such services rather than through supply-side interventions. MSEs could purchase vouchers which entitled them to get training for their owners or workers at 10-30% of the value of the voucher. The vouchers could be redeemed in order to obtain training from any of the registered training providers. The training providers were diverse and included master crafts(wo)men, private training institutions, technology and financial institutions, consulting firms and individual trainers or consultants, apart from public-sector institutions.

An important role was played by allocation agencies who were Jua Kali associations, NGOs and others who coordinated with the players in the MSE sector and facilitated implementation of the scheme. The role of these allocation agencies was:

- a. To publicize the scheme amongst potential beneficiaries,
- b. to assist MSEs in filling in the voucher applications,
- c. To provide counsel to MSEs in selecting the most suitable and relevant type of training.

In compensation for these services, the allocation agencies received 3% of the voucher value. The pilot phase of the voucher scheme took place in the cities of Nairobi and Machakos, and covered the following sectors: textiles, woodworking, metalworking, motor vehicle mechanics and food processing .

A tracer study of the pilot phase carried out found that :

- a. The prime beneficiaries of the program were private training providers, some of whom earned up to KSh. 2 million through the vouchers.
- b. Public training providers generally did not gain as much from the scheme as they were not able to market themselves as well as the private training providers and did not have the resources to conduct many training courses before redemption of the vouchers.

Some of the positive impacts noted in the training providers included increased incomes, better networking, development of new training programs, and an increase in training resources and staff. Many of the allocation agencies were Jua Kali associations, which gained from increased income, new office space and equipment, extra publicity, networking and sponsoring of some of their members to participate in trainings or exhibitions. Interestingly, the study found that while the MSEs in the control group saw the mean of their sales decrease by 2%, which could be attributed to the deteriorating economic situation, the MSEs which participated in the training voucher program saw the mean of their sales increase by more than double: from KSh. 8,342 to 18,235 KSh. per month. The study showed that the beneficiaries performed better than the control group on almost all variables studied.

Source – Center for Civil Society Study on Skills Vouchers – Global Experiences

and funding for Skills Development may not have any support to provide to the bank. Thus, students cannot depend on banks or other third party financiers to aid their Skills Development.

Third party financiers like micro-finance or banks are unwilling to lend for vocational training unless a job is guaranteed

Entry level salaries for freshers at the bottom of the pyramid in India vary between Rs. 5000 and Rs. 15,000. Given the difficulty in tracking individuals and high job mobility, collateral free third party financing requires training that leads to jobs and short payback period; keeping costs of loans to three or four times exit salary with quality that leads to jobs is key to finding sustainable models. While quality is a challenge across the board, innovation in low cost delivery- costs are largely trainers, marketing and infrastructure – is possible with well designed government partnerships.

The Skill Voucher Scheme would work as a transparent mechanism to provide public funds for private delivery. This would also enable both the Public as well as the Private Sector to track the deliverables for each Skill Development Program.

Vocational Training Providers

The need for skills development in India is humungous and it would take many organizations together to start filling the skills gap. However, quality can-

not be compromised for want of quantity.

Employability is a bigger challenge than employment. Private training organizations should map industry requirement and provide training to job seekers that match what the industry requires and ensure the job seekers become employable. Every skills development program should lead to an apprenticeship and/or a Job, failing which the intent of providing skills is lost. Job roles need to be identified and defined such that the trainings are mapped to the Job roles. Right fitment of a job seeker's knowledge and skills to a job role is extremely important. If the job seeker does not fit the job requirement, he/she will not be productive in the job and thereby attrition would increase. Assessing a job seeker before he/she either takes up a skill development program or a job would enable training organizations to do a better match. There are many assessing companies that provide skills assessments; however private training organizations can build their own assessments in order to identify a job seeker's knowledge, skills and behavior.

Job roles can be mapped to sectors and industries in order to provide a better fitment. A top down approach to mapping the same is depicted in Fig. 1. The mapping helps develop an ideal candidate profile (ICP) which in turn is vertically mapped to a job profile, a sub function, function, industry and sector. An example of mapping a customer support executive in telecom industry is depicted in Fig. 2. These tools will enable private training companies to provide better skills and make the trainees effectively employable.

Fig. 1

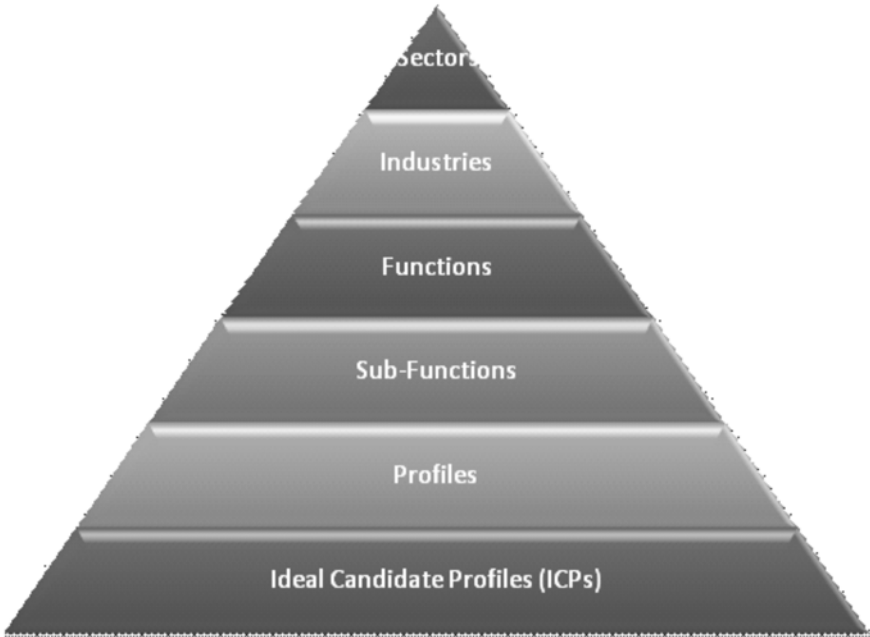


Fig. 2



Career Centers

The need of the hour is to utilize public infrastructure for vocational learning and create career centers that offer services such as registration with a unique candidate ID (this can get replaced once Aadhar/NPR covers all citizens), assessment, counseling, skill development programs, certifications, apprenticeships and jobs. We need to generate awareness of the opportunities amongst the learners and not every learner is exposed to options. We need to explore public private partnerships to bring in the best of the public and private sectors. Employment exchanges are at district headquarters and almost everyone who needs a job in the district is aware of them. On the other hand, a private organization has access to industry and is

better equipped at the systems and processes, thereby being able to provide effective and timely services to both the industry as well as to the job seekers. Karnataka is one such state government that has taken the initiative to “upgrade” its employment exchanges to human resource development centers (HRDCs) and that has brought about a huge change in the number of job seekers being given jobs through the erstwhile employment exchanges. Exchanges that earlier provided jobs to 50 – 60 candidates annually moved to providing jobs to over 2000 job seekers in the 1st year of operations. The industry started viewing the employment exchanges as a medium to identify manpower for their requirements. A *case study* of the upgrade of employment exchanges in Karnataka is attached in Box 2.

BOX 2 Case Study on Public Private Employment Exchange

Karnataka has over 34 Employment Exchanges, scheduled to cater to the employment needs of the job seekers and the employee needs of the organizations. However, this matching of demand and supply was not effective and the objective of the employment exchanges were not being met.

In 2009, Karnataka Vocational Skills and Training Development Corporation (KVTSDC), Department of Employment and Training (DET) and Teamlease Services Pvt. Ltd. Developed brainstormed to find possible solutions to the employment & employability problem in the state. Post multiple discussions and visits to district employment exchanges, Human Resource Development Center (HRDC) was conceptualized.

Objective of HRDCs :

- * To provide employability solutions to a wide range of job seekers. These may include:
 - o Commerce, Science and Art Graduates
 - o School drop-outs
 - o 10th / 12th pass students
 - o Skills up gradation of workers employed in various industries
 - o ITI Tradesmen.
- * To improve job seekers’ employability skills by optimally utilizing the infrastructure available at the exchange
- * Provide Assessment and Counseling solutions to the job seekers such that they:

- o Understand their current capabilities
 - o Understand gaps (if any) to meet industry requirements
 - o Provide job matching services to various jobs databases maintained by TeamLease and KVTSDC
 - o Identify competency gaps and provide Training, Apprenticeship to fill such gaps.
- * To establish relationships with local industries and understand their manpower needs
- * Build industry and job seeker linkages by providing periodic industry interaction to the job seekers
- * To empanel industry experts on board the employment exchange and seek their guidance in improving the services at the exchange
- * To build capacity for conduct of services like assessments, training and placements
- * To bridge the skill gap of Job seekers by focusing on various trainings like :
- o Employability
 1. English communication
 2. Digital literacy

Personality development

- o English language
 - o Information and communications technology
 - o Sales training for sectors like :
 1. Retail
 2. Automobile
 3. BFSI
 4. Telecom
 - o Customer service training for sectors like :
 1. ITES
 2. Retail
 3. Automobile
 4. Telecom
 5. BFSI
- * Use technology platforms to deliver and monitor training programs at the exchange
- * To provide state of the art infrastructure at the exchange
- * To be able to automate and centralize industry and job seeker databases for all stake holder use (KVTSDC, TeamLease, Industry, Candidates)

The Model :

- o Partnership – to upgrade employment exchanges as HRDCs
- o Participants – KVTSDC, DET- Government of Karnataka, TeamLease Services

Responsibilities of the Government :

- Infrastructure, provided and owned by Government
 - Interiors - uplift to the employment exchange premises
-

Electrical as defined

Electronic Equipment, Computers, AC's, Printer, LCD Screens

Furniture

- Branding support
- Operations support
- Recurring costs;
 - Salary, other bills
- TeamLease
 - People, processes, technology, business expertise
 - Manage day to day operations and be responsible for overall functioning of the centre
 - Deliver desired output for;
 - Registrations
 - Assessments
 - Counseling
 - Training
 - Placements
 - Demand Generation

Each of the employment exchanges now provides employment to over 1500 – 2000 job seekers every year across sectors such as IT , ITES, manufacturing, retail, telecom, hospitality, biotechnology, insurance, etc.

Employment exchanges are redundant in the current context. They do nothing but only register job seekers. However, most of the exchanges are situated in easily accessible locations, have decent infrastructure (though not kept properly) and awareness of the exchange is high. Instead of building new infrastructure, we should utilize the existing infrastructures such that neither the public nor private institution makes higher investments on hardware (infrastructure and other capital intensive requirements), but divert the resources on to software (people, processes, technology, output).

Women Participation

Women participation in vocational education and training is particularly low

as compared to men. We need to increase our focus on women skilling and employment. Though there is a small percentage of women getting skilled, their concentration is more in traditional skills like handicrafts, agarbatti making etc. This needs to change if we need to bring more skilled women workforce in the labor market.

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We need to :

- a. Increase access and options for women
- b. Provide career planning counseling close to their homes

- c. Increase participation by working closely with SHGs, NGOs etc.
 - d. Provide incentives to women for skilling and/or employment
 - e. Provide flexible training delivery and employment options (time, mode and content)
 - f. Provide adequate funding for women learners
- achieve growth with quality jobs. The vicious circle of insufficient education, poor training, low paying jobs entrap the worker. Connecting skills development to growth, employment and development strategies requires public organizations to work with private partners and develop policies that link education and skills development to the labor markets and make investments that generate future employment growth.

Start from the Start

Vocationalizing schools will create newer opportunities for students. Singapore takes 1/4th of all its 8th grade students for mandatory vocational training, eliminating any chance that they go to university. This is not entirely correct, especially in the Indian context, however we can create a model on these lines wherein we start providing vocational skills in schools. This is far more relevant now because India has successfully taken its gross enrolment ratio to over 100%, which means nearly everyone enrolls upto a certain grade. Students dropping out and even others can be given a chance to opt for learning vocational skills and over a period of time make them mandatory. Quality follows quantity and now that we seem to have resolved the quantity problem, we need to resolve the quality problem. It could help to tweak the Right to Education in a manner that shifts focus from enrolment to actual learning outcomes.

Conclusion

Investments in education and skills have long term gains and help economies

Skills development by itself will not lead to improved productivity and employment. Factors such as decent wage structures, health & safety standards, gender equality, conducive work environment etc. influence productivity of the workforce to a large extent.

Training for new skills gives opportunity for better career paths, higher income and employability. In addition, new skills are required for enterprises to remain competitive and be able to retain their workers.

A mismatch between skill demand and supply has high economic and social costs and results from and contributes to structural unemployment. Early identification of current and future skills needs is part of a forward-looking strategy that reduces skills gap. Industry participation is a must for providing practical exposure to the learners. Universities also need to take bold decisions, like opting for credit-based continuous and comprehensive evaluation at the undergraduate level of studies. This will ensure suitable opportunities for students to improve on their performance.