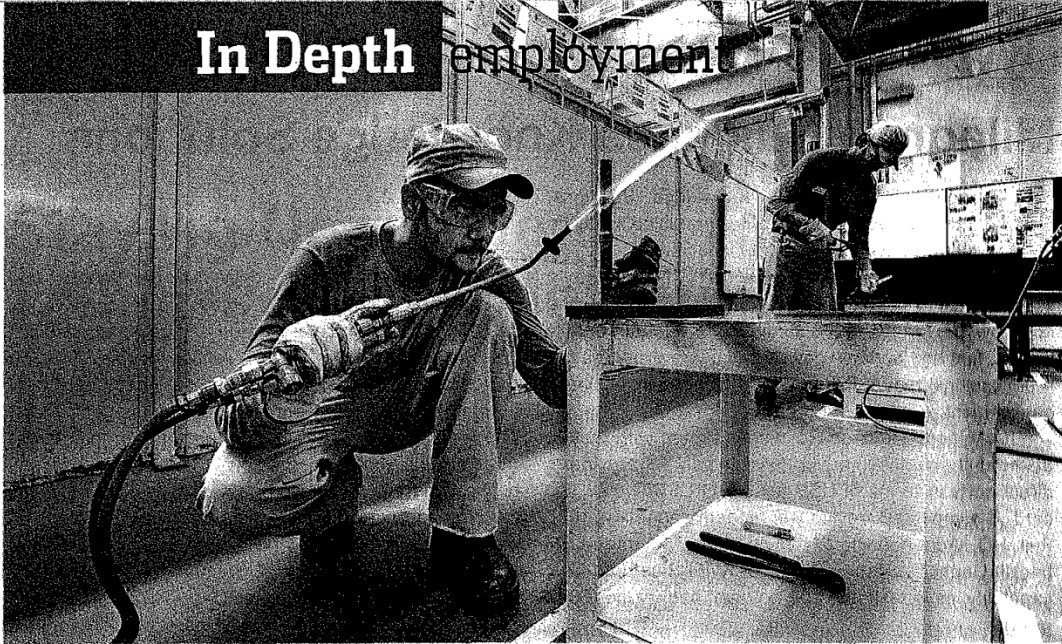


In Depth employment



A SKILFUL PARTNERSHIP

The public-private funding model boosts vocational training
by Dibyajyoti Chatterjee

EIGHTEEN-year-old Rahul Verma, a resident of east Delhi is the eldest of three siblings. His father is a peon in a government organisation and Verma is desperately looking for a job. Although he has studied up to Class 10, he doesn't have any vocational training. "I have no option but to work as a domestic help or as a labourer in some shop or the other," rues Verma.

He is not alone. There are many like him who have the basic education but not sufficient skills to get jobs. And therein lies the paradox. The National Skill Development Corporation's (NSDC) — a public-private partnership set up in 2008 to promote for-profit vocational institutes — analysis of the Indian labour market suggests that the country will need 244 million people across sectors and job categories over the next 10 years. If that number sounds too high, another report, by Kotak Securities, estimates that 11-13 million Indians will enter the work force every year over the next 15 years. That translates into some 180 million jobs. However, it does not mean all of these jobs will be easily filled. In the absence of requisite skills,

a considerable number of young people are likely to remain unemployed.

Consider this: at present there is a gap of about 12 million people in the grey- and blue-collared segment in the organised sector alone. A booming economy has ensured that more jobs are created in the manufacturing and services sectors, but there are not enough skilled people to hire.

Currently, government institutes such as the industrial training institutes (ITIs) and other initiatives of various ministries yield only half-a-million trained people every year as against a demand of about 50 million people. The government has tied up with private firms to modernise 1,396 of its 2,140 ITIs, and better management has led to higher enrollment, but it is not enough.

To improve the situation, NSDC has identified 26 companies with which it will partner to impart vocational skills. It aims to train 150 million skilled workers by 2022. That is still half of what will be required but at least it is a start. NSDC will provide these companies funds to create the necessary training infrastructure

and has made a commitment of Rs 1,019.82 crore for the project of which Rs 115.46 crore has already been disbursed. Private companies are aiming to set up 4,000 more ITIs and mini-ITIs (where a limited number of courses will be taught). According to Dilip Chenoy, managing director of NSDC, the objective behind these partnerships is to "create a pool of trained manpower and also enhance employability".

The New Game Plan

NSDC has worked out its 10-year business plan, with year-wise targets, money to be sanctioned and disbursed to partners, and the number of students to be trained by partner institutions. For instance, Pratham Education Foundation, a not-for-profit entity will train approximately 64,000 people in the first year and 1.69 million people over a period of 10 years, for a funding of Rs 10.60 crore from the NSDC. The partnering companies are responsible for student mobilisation, setting up of training centres and mini-ITIs across the country, creating training manuals, and, finally placements.

And big money has already been earmarked. In 2008-09, the government gave Rs 1,000 crore, and Rs 500 crore has been promised for 2011-12. The 13-member NSDC Board has approved 39 proposals for funding since April 2010. Of these, 33 are for training, and six are domain-specific skill projects. As of now, 21 proposals have received NSDC funding.

Most firms have identified manufacturing and services sectors as key areas of growth and the emphasis is clearly on creating blue-collar professionals. They aim to create talent pools from small towns and rural hinterlands, hence most training institutes will come up in those geographies. While companies invest large sums on on-the-job training for blue and grey-collared workers, they are beginning to realise that employing skilled workers saves both time and money.

"We will be setting up 100 mini-ITIs in the next 10 years of which 12 will be set up this year," says R.C.M. Reddy, managing director and CEO, IL&FS Skill Development Corporation, a subsidiary of IL&FS Education & Technology Services, and a partnering company of NSDC that aims to train 8,000 to 10,000 people in the first year, and 2 million over 10 years. The company plans to open these institutes in Tier-II and III cities such as Coimbatore, Rourkela, Bhillwara, etc., and will tap existing local government infrastructure to save on real estate cost.

"The combined capacity of all ITIs in the country which are improved through private companies is less than what the industry

requires. The construction industry itself needs over two million youth every year," adds Reddy. The company plans to spend Rs 250 crore on these mini-ITIs; it will receive a Rs 114-crore loan from NSDC spread over 10 years.

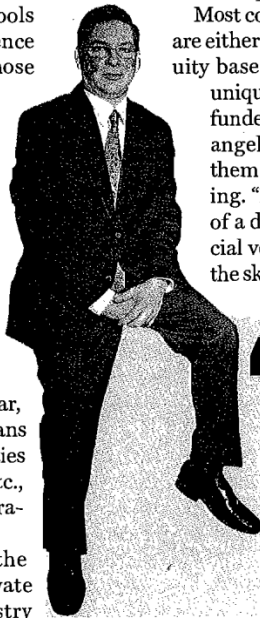
Thriving Business

Partnering with NSDC makes a lot of business sense for private companies. Consider this: vocational training is estimated to be a \$20-billion annual opportunity with 475 million people in need of training by 2022, according to a Kotak Securities report. "Sectors like auto, building and construction, textile and organised retail, along with the growth in the unorganised sector, will propel the demand for skilled labour," says Akhilesh Tilotia, author of the report.

Vocational education is outside the regulatory framework, so profit-making business models can easily be worked out. Manipal Group's IndiaSkills, Teamlease's IJIT, Mumbai-based Rustomjee Group and Educomp are a few prominent names in vocational training. This year, NSDC plans to add 30-35 more partners. With the huge government expenditure lined up, there are likely to be more takers.

In the near future, we can expect these businesses to tap capital markets, but NSDC's Chenoy is cautious. "It is too premature to discuss NSDC's equity dilution plans at this stage, since the joint ventures are still at a nascent stage." NSDC's equity in various partner companies is currently capped at 27 per cent. In its own Rs 10-crore equity base, the government holds 49 per cent.

Most companies funded by NSDC are either start-ups or have a low equity base. What makes this model unique is the way they are being funded. No venture capitalist or angel fund would have given them such an assurance of funding. "NSDC sees its role as that of a development bank or a social venture capitalist, active in the skills space. Which is why we



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managing director, NSDC



150
million. NSDC plans to train that many people over the next 10 years