

# Chapter 10

## Public–Private Partnership to Meet the Skills Challenges in India

Dilip Chenoy

### Abbreviations

AICTE	All India Council for Technical Education
BCG	Boston Consultancy Group
BFSI	Banking and Financial Services Industries
CII	Confederation of Indian Industry
ITI	Industrial Training Institutes
ITC	Industrial Training Centres
MLE	Ministry of Labour and Employment, India
MHRD	Ministry of Human Resource Development, India
MSME	Ministry of Small and Medium Enterprise
NASSCOM	The National Association of Software and Services Companies
NCEUS	National Commission for Enterprises in the Unorganized Sector
NCVT	National Council for Vocational Training
NSDC	National Skill Development Corporation
NSDCB	National Skill Development Corporation Board
NVEQF	National Vocational Education Qualifications Framework
SSC	Sector Skill Council

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## Background: Skills Challenge in India

In today's global economy, skills and knowledge are the driving forces of economic growth and social development for any country. Countries with higher and better levels of skills adjust more effectively to the challenges and opportunities of the world of work. It is also an acknowledged fact that the world population is ageing fast. By 2040, the global population aged 65 and above is expected to reach 1.3 billion – more than double of 530 million in 2010. This trend is expected to result in severe labour shortages across the world.

India, home to the second largest population in the world, has the distinct advantage of having one of the youngest populations globally. Statistically 49.9% of India's population would be below 29 years in 2021, leading to the possibility of 650 million people (a large number of them English speaking) being in the employable age of 15–59 years in a decade from now meeting the requirements of both the domestic and world economies.

Goldman Sachs predicts that India would become the third largest economy in the world by 2035, just behind the United States and the People's Republic of China. Globally, companies have their eyes set on India as a rapidly growing nation that is full of opportunities. The sheer scale of development and consequent domestic demand generated could drive growth for many years.

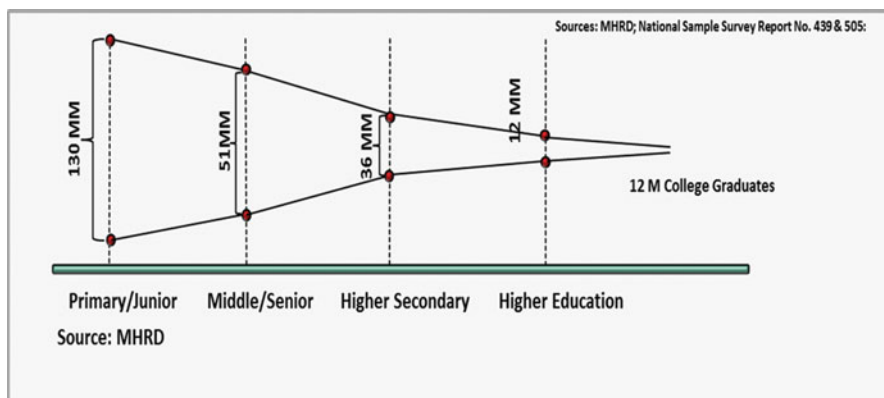
The labour market in India is undergoing a dynamic change. It is expected that over the next 15 years, 365 million people will be eligible to join the workforce. Over the next decade and a half, 11–13 million people are expected to look for employment opportunities each year (Government of India 2009).

Despite this huge labour pool, however, employability continues to be a major concern in India mainly due to the absence of a proper linkage between the formal education system and vocational training. High school dropout rates (up to 56.8%) and low turnout at the vocational training institutes add on to the challenge. Today, a mere 2% of the Indian workers are formally skilled. In-service training is received by only 15% of workers in the manufacturing sector. A significantly large bulk of the labour force in India – about 93% – works in the unorganised sector, without any formal training (Government of India 2007) (Fig. 10.1).

Fortunately, skill development has now become a key policy issue, with there being a renewed push on existing schemes by the central and state governments, and more importantly, the National Skill Development Mission taking on the ambitious target of skilling and upskilling 500 million people by 2022 in India.

## Winds of Change

Skill development initiatives in India have traditionally been led by the government, starting with the establishment of the Industrial Training Institutes (ITIs) in the early years of post-independent India to provide skilled manpower for meeting the needs of the country's fledgling industrial sector. Initially, they were run by the



**Fig. 10.1** High school dropout rates in India (Source: [MHRD](#))

centre government, but in the 1960s, they were transferred to the states. Over the years, in addition to the government-run ITIs, a number of private sector-run Industrial Training Centres (ITCs) were also allowed to set up. Since then, the ITIs and ITCs have grown in numbers with numerous vocational courses being added to cater to the changing needs of industry. Curriculum, too, has been changed at periodical interval to ensure that these facilities continued to be relevant for the private sector.

At the beginning of the last decade, however, many stakeholders had already started asking questions whether the ITIs and ITCs – as they were organised and run then – should be restructured with the help of the private sector to preserve their existence and meet the objectives for which they were established, in the first place, even in post-reform India.

## Public–Private Partnership (PPP): The First Experiments

Conscious of the need to involve the private sector in the modernisation of the ITIs, the government in the early 2000s decided to embrace the concept of public–private partnership in the ITIs, with the necessity for the PPP approach emphasised by the Prime Minister at an award function of the Ministry of Labour and Employment in New Delhi on October 4, 2004.

Subsequently, out of 1,896 ITIs, during the financial year 2005–2006 (April 01, 2005 to March 31, 2006), it was decided to upgrade 100 ITIs through domestic resources, 400 ITIs with World Bank assistance and, significantly, the remaining 1,396 through the PPP mode.

The scheme ‘Upgradation of 1,396 Government ITIs through Public–Private Partnership’ was launched in 2007–2008. Under this scheme, one industry partner is associated with each ITI to lead the process of upgradation. An Institute

Management Committee (IMC) is constituted or reconstituted with the industry partner or its representative as chairperson and registered as a society. An interest free loan of \$0.5 million is given directly to the Chairman of the IMC for upgrading training infrastructure. After keeping a certain amount as seed money (maximum up to 50% of the loan), the balance amount is planned to be utilised within a period of 5 years from the year of release (State Labour Minister Conference 2007).

Financial and academic autonomy is granted to manage the affairs of the ITI. State governments continue to have ownership of the institute and regulate the fees, and admission, except for 20% of the seats which are delegated to the management. A memorandum of understanding is signed among different stakeholders. Till September 2009, 721 ITIs had been covered under this scheme.

The total outlay of the scheme was \$710 million.

That's not all.

In May 2007, the government also made operational the Modular Employability Scheme (MES) under its Skill Development Initiative Scheme (SDI) to further the PPP agenda. SDI is a 5-year project during which one million persons are proposed to be trained and the existing skills are to be tested and certified. The objective of the scheme is to provide employable skills to school leavers, existing workers and ITI/ITC graduates to improve their employability by optimally utilising the infrastructure available in government, private institutions and industry. Skill levels of persons already employed can also be tested and certified under this scheme.

Public-private partnership is envisaged in the form of active participation of the industry/private sector in every stage of design and implementation of this scheme:

- Forecasting of emerging areas of employment at micro level
- Development of course curricula of various trades
- Development of instructional material for training
- Assist in the training of trainers, wherever required
- Making available their training and testing facilities, wherever required
- Provide on-the-job training in their establishments
- Development of assessment standards
- Monitoring and quality assurance
- Assistance in placement of graduates
- Provide trade experts to work as assessors of competencies
- Voluntary donation of equipment to the ITIs/other training institutions
- Providing guest faculty in new trades

In parallel, to address needs of sectors, different ministries, such as Ministry of Textiles and Tourism, launched their own version of PPP projects. Also Ministry of Rural Development as well as Ministry of Housing and Poverty Alleviation announced schemes of livelihood, by inviting the private sector to provide skill-based initiatives. Over a period time, multiple ministries had a variety of programmes, some run by the centre and other in partnership with the states. Simultaneously, the states also started skill development programmes in the PPP

mode as well. However, there was a felt need to increase capacity, align and coordinate the programmes and also focus on outcomes. State government in India has also taken PPP road. For example, Karnataka State has collaborated with Kangan University of Australia and TAFE Vocational Educational Institution for training programme for trainers, and Tamil Nadu State Government has established vocational training institute in PPP model in sectors like aviation and shipping.

### **Prime Minister’s Vision and National Policy on Skill Development, 2009: Unlocking the Potential of the Private Sector**

In August 2008, the Prime Minister outlined his vision for skill development in India. He stated that ‘experts have estimated that India has the capacity to create 500 million certified and skilled technicians by the year 2022’.

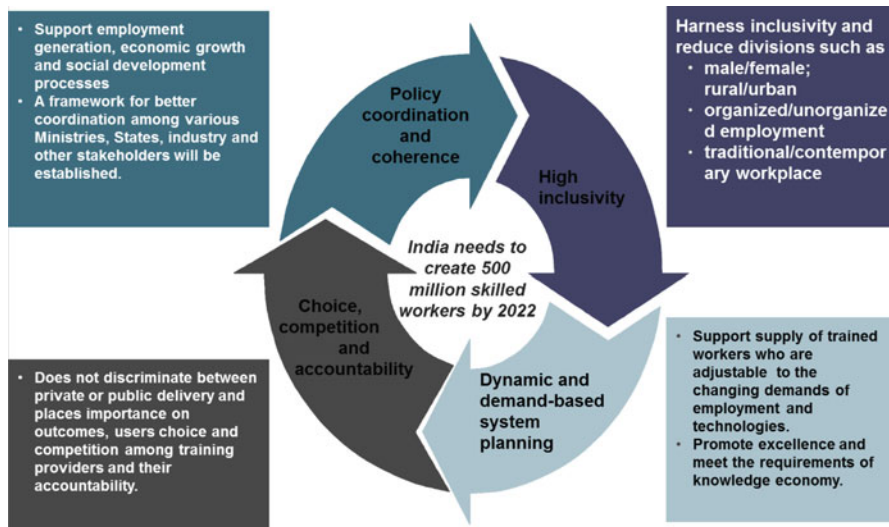
The Prime Minister also outlined the institutional structure at the national level for coordinated action in the skills space. This consisted of the establishment of a National Council for Skill Development, chaired by the Prime Minister himself, at the apex to lay down the broad framework for this arena, a National Skill Development Coordination Board (NSDCB) coordinated by the Planning Commission to combine public and private prongs of action and the setting up of a National Skill Development Corporation (NSDC) as a no-profit-no-loss company through the public–private partnership route to catalyse private sector involvement in the skills space.

In March 2009, the government announced a National Policy on Skill Development laying down the framework within which it wanted skills-related training to be conducted. The policy clarified the roles that different stakeholders – government, industry, trade unions and civil society – would need to play for the creation of a skills ecosystem in India.

Making a departure from the past, the 2009 Skill Development Policy clearly specified that skills-related training should become outcome focused and linked to jobs and employability. It said that skills should become fungible to allow for a seamless transfer from a vocational education stream to a formal education system.

The policy said that the government should complement private sector initiatives in skill development and emphasised the need for short-term, industry-relevant courses. Significantly, the policy also talked of encouraging innovation in delivery and more public–private partnerships in the skills space.

In January 2011, the government appointed Mr. S Ramadorai, Vice Chairman of India’s biggest IT software firm, Tata Consultancy Services (TCS), as Skills Advisor to the Prime Minister with the rank of a Cabinet Minister to provide an impetus to the skilling mission (Fig. 10.2).



**Fig. 10.2** Four main agenda of National Skill Development Policy, 2009 (Source: Pictorial depiction, Author 2012)

## National Skill Development Corporation (NSDC): Transforming the Skills Landscape

A unique experiment in the skills arena, NSDC was officially launched in October 2009 with a mandate to skill 150 million people by 2022 in 20 high growth sectors and unorganised sector (Government of India 2009) identified by the government and the informal segment through a three-pronged approach revolving around creating, funding and enabling sustainable skills training initiatives in the private space.

Structured as a PPP with government ownership restricted to 49% of the equity capital, majority ownership of the NSDC rests with the private sector with the shareholdings equally dispersed among 3 National Industry Associations/Chambers of Commerce and 7 sector-specific industry organisations. The funds for meeting the funding requirements, though, are made available to the NSDC through a trust called the National Skill Development Fund (NSDF). NSDC acts as an investment manager for the NSDF, whose corpus of \$330 million has gone up to \$550 million following the Finance Minister's announcement of a further infusion of \$220 million in 2012–2013. Going forward, the NSDF is envisaged to attract bilateral, multilateral and private funding (Fig. 10.3).

A not for profit (Section 25 Company under the Indian Companies Act), NSDC is a board-managed enterprise, with its 16 directors (6 from the government and 12 seats held by private sector shareholders) taking the final call on how best to structure the funding and which proposals should be financially supported by the organisation.

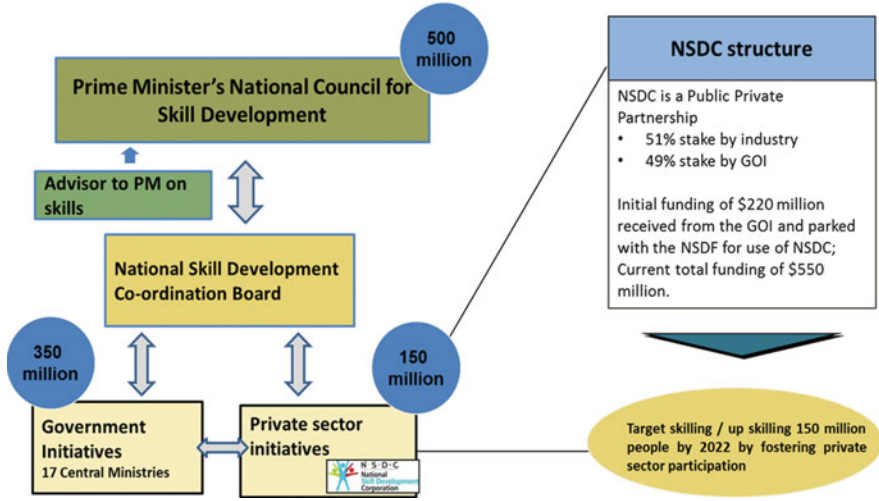


Fig. 10.3 NSDC ownership pattern (Source: Pictorial depiction, Author 2012)

Over the nearly two-and-a-half years that the NSDC has been operational, the Corporation has put in place a mechanism that would allow for the creation of demand-driven large (at least a 100,000 over 10 years), for-profit skills training ventures linked to jobs and employability, with the onus on the skills provider to ensure the employment of at least 70% of the people they trained (Fig. 10.4).

From big corporates such as Centum (Bharti Group), TVS, Future or NIIT to NGOs such as Pratham, or from educational institutions like the Centurion Group of Orissa to social entrepreneurs, there has been a growing interest among organisations to align with the NSDC to start sustainable skill development ventures.

Corporate groups have increasingly started seeing merit in setting up skilling ventures of their own or supporting the skills mission by hiring skilled workers at all levels. Enquiries on how organisations could associate with the NSDC have increased substantially, which, in turn, has resulted in more proposals being submitted and approved for funding by the NSDC Board.

Importantly, again, the proposals for skill development have encompassed diverse spheres and different geographies.

By seeing its role as that a social venture capital-cum venture debit/development bank and putting its own skin in the game through patient capital, flexible financial terms and also a transparent and time-bound project approval, funding and monitoring framework, the NSDC has enabled its partners to make a business out of skills. A recent report by Kotak Institutional Equities (2011) has forecast that skill development can become a \$20 billion business by 2022. Other reports have supported this market size.

Each skill development project proposal (including capex-heavy models generally oriented towards engineering/manufacturing skills) submitted to the NSDC is thoroughly evaluated by external financial and legal due diligence partners and then

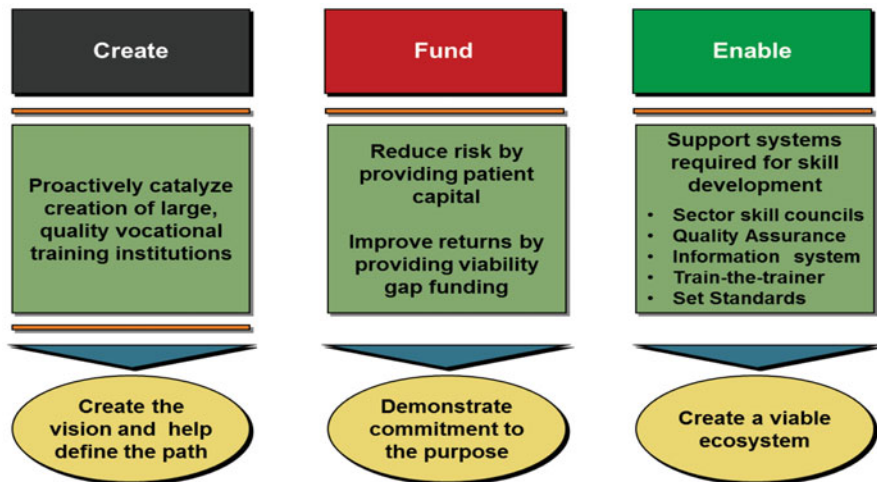


Fig. 10.4 Various roles of NSDC (Source: Pictorial depiction, Author 2012)

approved by an independent Project Approval Committee before the final sanction for funding is given by the NSDC Board. Each project is evaluated on the basis of several parameters that include assessing the market demand for trained manpower of the targeted sector, comprehensive evaluation of the course curriculum with more focus on practical training to meet industry standards and a study of the model followed for sourcing of trainers and collaborations with various corporates for placements to ensure that the business model is a holistic one (Fig. 10.5).

NSDC has established a comprehensive monitoring framework which is outcome focused and monitors projects at different stages of their life cycle. With such a system in place, information on various aspects, such as, for example, the sector-wise training done, social excellence and financial excellence of the various models and states where the model is successful and where it needs to be reworked, can easily be gathered. Such an analysis by the NSDC also comes in handy for a partner to develop models for the dynamic and ever-evolving skill development industry.

Till June 2012, the NSDC Board had committed funds to 65 projects, of which 52 are pure-play training proposals and 13 are Sector Skill Council initiatives. Till June 2012, NSDC partners had trained over 210,000 people across India and ensured jobs for over 160,000 of the young boys and girls who enrolled at their institutions to pursue skill development courses.

Against the NSDC's proposed investment of \$299.5 million in these projects, more than \$110 million would come from the private sector partners. During the course of a 10-year period, these projects would seek to raise more than \$16 billion from the skills ecosystem.

Till June 2012, NSDC partners had set up 3,788 physical and mobile training centres and established a presence in 365 districts nationwide. NSDC partners have rolled out 403 courses that meet the skill development requirements of both the



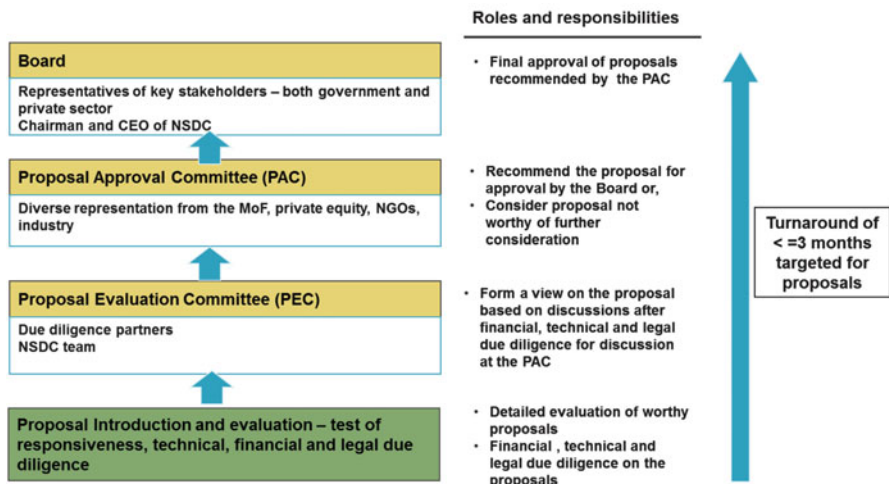


Fig. 10.5 NSDC funding pattern (Source: Pictorial depiction, Author 2012)

organised and unorganised sectors. Significantly, the capacity creation by NSDC partners has taken place not just in the bigger cities and towns but also in remote and far-flung areas and small towns and villages (NSDC 2012).

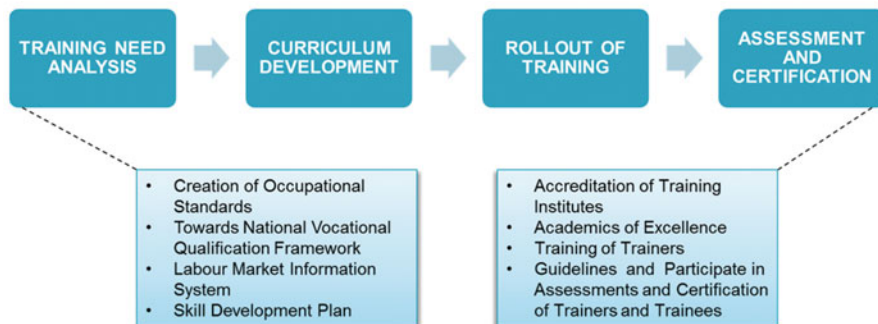
Special skills training initiatives of the NSDC have been helping youth in restive parts of north and north-east India to join the mainstream and participate in and contribute to the process of economic growth. NSDC has been able to get some of India’s biggest corporate groups interested in the private sector-led skills training programme for graduates and post-graduates in northern India. This initiative is targeted to scale up to 40,000 people in northern India being skilled and placed in jobs over a 5-year span.

In the north-east, nearly 200 people have already benefitted from the Youth Employability Skill (YES) project for which the NSDC is partnering the Ministry of Youth Affairs and Sports. This number would rise to 1,000 over the next few months.

NSDC is ensuring a transformation in the skills arena with a new class of social entrepreneurs emerging in India.

Rather than be a pure-play financial institution, though, NSDC continues to focus on creating a supportive ecosystem for skill development. The emphasis is on creating a social market for skills and skill development. This is a tougher challenge than just funding entities to skill people.

To establish the demand for skill, NSDC has been commissioning sectoral and state-specific skills gap studies. Through this initiative, NSDC has been able to provide existing and prospective partners not only sectoral but district-level demand and supply perspectives for creating sustainable vocational training capacities. Skills gap studies are also being undertaken and commissioned for other critical sectors of the economy and ones holding promise. NSDC has already completed skills gap studies for Orissa and the eight north-eastern states, and the



**Fig. 10.6** Various roles and responsibilities of Sector Skill Councils in India (Source: Pictorial depiction, Author 2012)

infrastructure sector. Such studies are now being initiated for many other states. A sports skills gap study is also being done.

Through the incubation of industry-led Sector Skill Councils (SSCs) and development of Labour Market Information Systems, the NSDC has put in place the bedrock within which all skills training is to be conducted. NSDC has been actively engaged in fast-tracking the establishment of SSCs and integrating the courses being run by our training partners with the respective SSCs to facilitate SSC-driven accreditation, assessments, certification and employment. Industry leadership is required to ensure that the Sector Councils function appropriately and industry plays an active role. The challenge is to work collaboratively (Fig. 10.6).

Many of the NSDC's partners have embarked on large-scale training projects capable of training a minimum of a hundred thousand or more persons in 10 years either on their own or through consortiums and ensuring that the lack of trained people does not come in the way of the growth of Indian industry. This is not easy. It requires new forms of working and partnerships.

At places, these organisations are even teaming up with ITIs and other existing institutions to use the latter's spare infrastructure for running their courses in order to keep costs down and be in a position to start operations quickly. In other areas, school and other public infrastructure are being used. Training centres are being opened across the length and breadth of the country, including in areas affected by extremism.

NSDC-funded institution Gram Tarang, for instance, operates centres in the Naxal-affected belt of Orissa. Another NSDC partner IL&FS ETS proposes to start skill schools in some of the most backward areas of India so that the recipients of the training are in a position to get jobs or become self-employed (Fig. 10.7).

Many enterprises such as Empower Pragati are even training people to become housemaids or drivers and also helping them find gainful employment. Training organisations are setting up rural BPOs to employ persons trained by them and adding to the revenue streams.

Companies are also coming up with innovative financing models whereby a part of the training costs of students are being taken care of by the potential employers of



**Fig. 10.7** NSDC partner Gram Tarang's training facilities

these trainees. Training firms are more often than not seeking potential trainees with employment letters from companies to mobilise students at their centres.

NSDC partners have been extensively using technology to skill people. Some partners are following a blended use of technology-based training (delivered through VSAT) and classroom or on-the-job training. Some of the partners adopting this approach are Talent Sprint, Orion, IIJT and Everonn. This ensures that while the country copes with a shortage of trainers at all touch points, youth are not deprived of quality that may be delivered through VSAT.

Many NSDC partners have also been using simulators to ensure that the trainee can experience the 'actual' feel of operating expensive machinery or measuring a person's blood pressure.

Nongovernment organisations have also begun looking at sustainable models so that their programmes can benefit more people. Grants are no longer being seen as the only mode of raising funds for their activities. Going forward, government programmes could move towards being scholarship or voucher-based funding with the students having the choice of institution that they wish to attend.

Educational institutions, too, are either starting separate courses for skill development or establishing exclusive facilities for skills-related training. A new category of social entrepreneurs is slowly but surely transforming the space.

## Key Learnings

In the last 2 years, the skill development landscape in India has evolved tremendously. With a focused National Policy, various changes have happened at the centre and state levels, involving the private sector at various stages.

However, the biggest challenge in the skills space still lies in reaching the masses with quality training while keeping costs low at the same time. Scaling up of sustainable models still poses a big challenge since each state and sector has different challenges to deal with. It has been seen that a 'Hub and Spoke Model' is emerging as an attractive model catering to small batch sizes. The spokes located in remote areas help in attracting students for providing basic-level training. The hubs offer industry-specific training and have better infrastructure, including, for example, high-end machinery and VSAT facilities.

The question of who pays for the training still does not have a clear answer. Is it the employers who get day-one ready-to-work employees, the students who are guaranteed placements after the training with substantial increment in the salary, or does the onus still lie with the government? NSDC-funded partners have been working on innovative models of payment, such as 10–20% of the fees being paid up front, with the rest either paid in instalments/on placement with a corporate. In some cases, part of the fees is recovered from the employers as a placement fee. In another initiative, a vocational loan product was developed with banks. This allows trainee to avail of an unsecured loan for as low as \$90.

Student mobilisation is also made difficult by the struggle vocational training in India faces to gain its due importance. In order to counter a misconception around skills that it is only meant for those who could not make it in the formal education system, NSDC has already started working on a Communications Campaign that would seek to glorify the pursuit of skills and explain to all stakeholders how a skilled workforce is absolutely essential for India to grow and prosper.

The proposed multilingual campaign will target all stakeholders – the prospective trainee, the society to which he/she belongs, corporates which would be hiring skilled workers, enterprises which would like to start sustainable skill development ventures, governments both at the centre and states and the media to highlight the importance of skilling in a nation's advancement. It is not an easy task as many stakeholders have to be aligned to make it successful. Although seen by many as a panacea for filling the classroom, it would be dangerous to pin all hopes on the campaign alone. Training organisations have to build connections with the heart and soul of the many young people in the country and learn to tailor their offerings to fulfil their aspirations and also to meet the needs of the employer.

To create an aspiration for skills, NSDC took on the responsibility of organising the Indian participation at the 2011 WorldSkills competition in London. A biennial event, WorldSkills is seen as a Skills Olympics and is designed to test the skills of people below the age of 23 in several disciplines from car painting to IT software. India took part in 15 skills at the London WorldSkills event. NSDC has already started preparing for the 2013 WorldSkills competition which would be held in Leipzig, Germany. The idea is to benchmark the progress in India with the rest of the world.

## **Conclusion and Recommendations**

The overwhelming response from the private sector to partner the NSDC is a clear proof of the fact that with a proper model in place, the public–private partnership approach can succeed. Over 2,000 employers are currently meeting their needs of skilled manpower from NSDC partners confident in the knowledge that the training imparted at NSDC-funded institutions has prepared the youth passing out of these centres to start contributing from day one onwards. The equity infusion by PE firms/leading philanthropic organisations or foundations, including the Michael & Susan Dell Foundation, in several NSDC partners is a very good testimony of the workability of the NSDC-funding model. NSDC partners have demonstrated that

skill development can become a sustainable business, with the potential to become the largest social enterprise sector, and should not be viewed from the prism of aid/charity/corporate social responsibility initiatives.

All said and done, though, there is no getting away from the fact that skill development still has to establish deep roots in India.

Skill development is a national priority and needs a coordinated approach by combining separate areas of government action on workforce participation, social inclusion and innovation so that policies on skills can connect with the wider economic, employment and social strategies.

While governments at the centre and states can provide an enabling environment, leadership has to be taken by employers and industry for the identification of competencies and development of competency standards, carrying out an analysis of skill demand, and development of curriculum. Facilitating training of trainers, helping in the delivery of training, monitoring and evaluation, participation in the affiliation and accreditation process, sharing of workplace experience, machinery and equipment, taking the initiative for setting up Sector Skill Councils and hiring skilled persons at all levels should also be taken care of by industry.

It is imperative that all stakeholders have financial stakes in the skills process for the evolution of a sustainable skill development model. Industries have to realise that collaborative partnerships benefit all. Sectoral models that plan for the workforce development of a sector have a far better chance of succeeding than individual company-related efforts.

Organisations have to leverage technology better as technology-led interventions dramatically increase scale, reduce cost and improve learning. Workforce planning should be forward looking and outcome based. The Employee Skilling Opportunity Programmes should be seen in the same light as ESOPs. Challenging HR and training departments to look at ‘outsourcing as a means to increase return on investment in training and development’ is probably going to be the next best practice. In today’s world, skilled people will make the difference. Last, but most importantly, skill development needs to become a CEO-level agenda and discussed in boardrooms. It is far too serious an issue to be the sole preserve of the HR/CSR cells of organisations. The speed at which this happens would determine whether a decade from now, India would still be counted as one of the fast-growing developing countries or an influential member of the First World.

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