

Skill Development in India: A Move Towards Realization of Benefits of the Demographic Transition

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Abstract

The data collected from various statistical reports reveals that over the next decade India will have a surplus manpower of 4-5 crore. This demographic dividend that India is very proud of will become a challenge in itself if the country doesn't get its act together and train its labour force as per the ever changing global needs. The success of our demographic dividend lies in our skilled and trained manpower. Skills and knowledge are the driving forces of economic growth and social development for any country. The contemporary focus on skill building or skill development in India is derived from the changing demographic profiles in India vis-à-vis China, Western Europe, and North America. These changing demographic profiles indicate that India has a unique 20 to 25 years' window of opportunity called "demographic dividend". Skill building can be viewed as an instrument to improve the effectiveness and contribution of labor to the overall production. It is as an important ingredient to push the production possibility frontier outward and to take growth rate of the economy to a higher trajectory. Thus there is an urgent need to provide this youthful manpower with skills and ability to tackle global challenges which would not only accelerate the pace of the country's economic growth but directly/indirectly help in improving their lot, thereby, leading to sustained economic development.

KeywordsDemographic Dividend, Skill Development, PMKVY, NSDC, NSDCB, NSQF, NMSD, Make in India, Digital India.

1 Introduction:**1.1 The Demographic Dividend****a) Meaning:**

As defined by the United Nations Population Fund (UNFPA): “The economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older).”

Simply put a demographic dividend is the freeing up of resources for a country's economic development and the future prosperity of its populace as it switches from an agrarian to an industrial economy. In the initial stages of this transition, fertility rates fall, leading to a labor force that is temporarily growing faster than the population dependent on it. All else being equal, per capita income grows more rapidly during this time too. A country with both increasing numbers of young people and declining fertility has the potential to reap a demographic dividend.

b) Demographic Dividend in the Indian Context:

The large proportion of young people in least developed countries creates an opportunity to realize a demographic dividend. The demographic dividend is essentially due to two factors:

- Declining birth rates and
- Improvement in life expectancy.

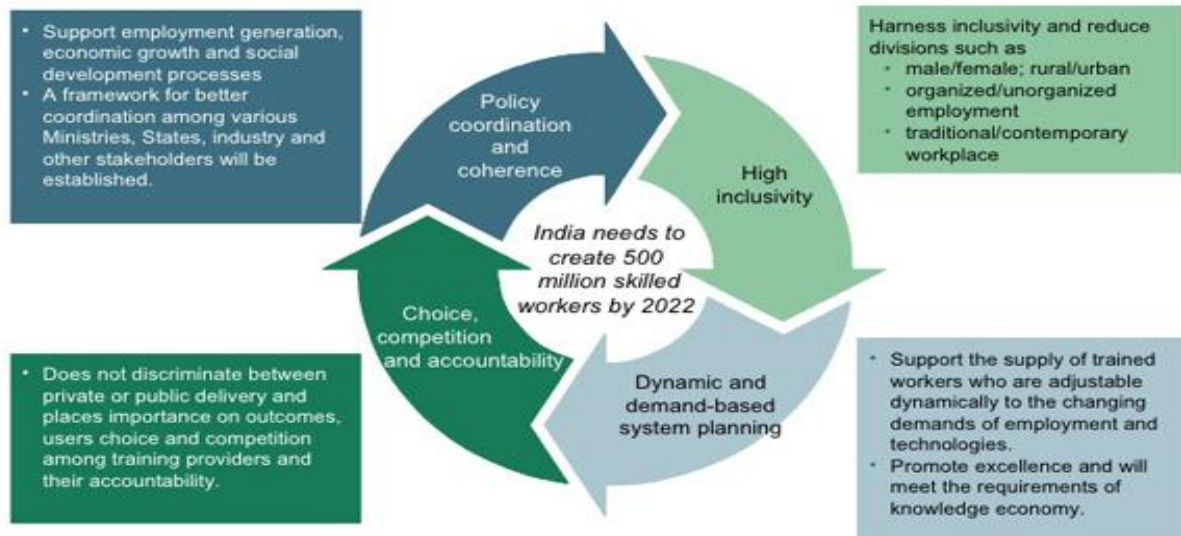
The declining birth rate changes the age distribution and makes for a smaller proportion of population in the dependent ages and for relatively larger share in the productive labor force. The result is low dependency ratio which can provide comparative cost advantage and competitiveness to the economy. The “demographic dividend” accounts for India having world’s youngest work force with a median age way below that of China and OECD Countries. Alongside this window of opportunity for India, the global economy is expected to witness a skilled man power shortage to the extent of around 56 million by 2020. In near future India will be the largest individual contributor to the global demographic transition. A 2011 International Monetary Fund Working Paper found that substantial portion of the growth experienced by India since the 1980s is attributable to the country’s age structure and changing demographics. Thus, the “demographic dividend” in India needs to be exploited not only to expand the production possibility frontier but also to meet the skilled man power requirements in India and abroad.

To reap the benefits of “demographic dividend”, the Eleventh Five Year Plan had favored the creation of a comprehensive National Skill Development Mission. As a result, a “Coordinated Action on Skill Development” with three-tier institutional structure consisting of

- i) PM’s National Council
- ii) National Skill Development Coordination Board (NSDCB),
- iii) National Skill Development Corporation (NSDC) was created in early 2008.

Whereas, Prime Minister’s National Council on Skill Development has spelt out policy advice, and direction in the form of “Core Principles” and has given a Vision to create 500 million skilled people by 2022 through skill systems (which must have high degree of inclusivity), NSDCB has taken upon itself the task of coordinating the skill development efforts of a large number of Central Ministries/Departments and States.

The National Skills Policy broadly defined 4 major areas for India to achieve its target for 2022



Enhanced Role of private sector critical to success

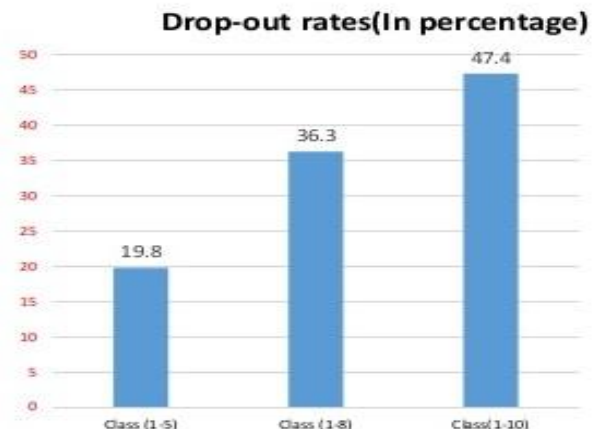
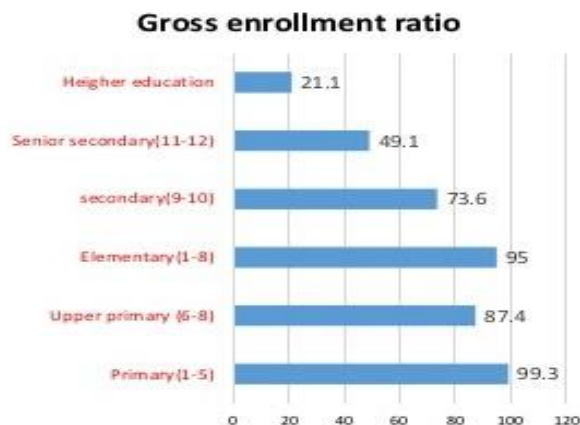
Source: GSS Session-I, Strategy for Skill Development

1.2 Current Situation of Skill and Education in India

a) In India

The current education system does not focus on training young people in employable skills that can provide them with employment opportunities, and a large section of India's labor force has outdated skills. With the expected economic growth, this challenge is going to only increase further, since more than 75% of new job opportunities are expected to be skill-based. The government, thus, is strongly emphasizing on upgrading people's skills by providing vocational education and training to them. About 63% of the school students drop out at different stages before reaching Class X. Only about 2.5 million vocational training seats are available in the country whereas about 12.8 million persons enter the labour market every year. Even out of these training places, very few are available for early school dropouts. This signifies that a large number of school drop outs do not have access to skill development for improving their employability. The educational entry requirements and long duration of courses of the formal training system are some of the impediments for a person of low educational attainment to acquire skills for his livelihood. Further, the largest share of new jobs in India is likely to come from the unorganized sector that employs up to 93 per cent of the national workforce, but most of the training programs cater to the needs of the organized sector.

The truth of education



Source: Ministry of HRD, Government of India, 2014

b) India and Rest of the World

A majority of Indian workforce does not possess marketable skills which is an impediment in getting decent employment and improving their economic condition. While India has large young population, only 5% of the Indian labour force in the age group of 20-24 years has obtained vocational skills through formal means whereas the percentage in industrialized countries varies between 60 % and 96%.

2PradhanMantriKaushalVikasYojana(PMKVY)

2.1The Scheme:

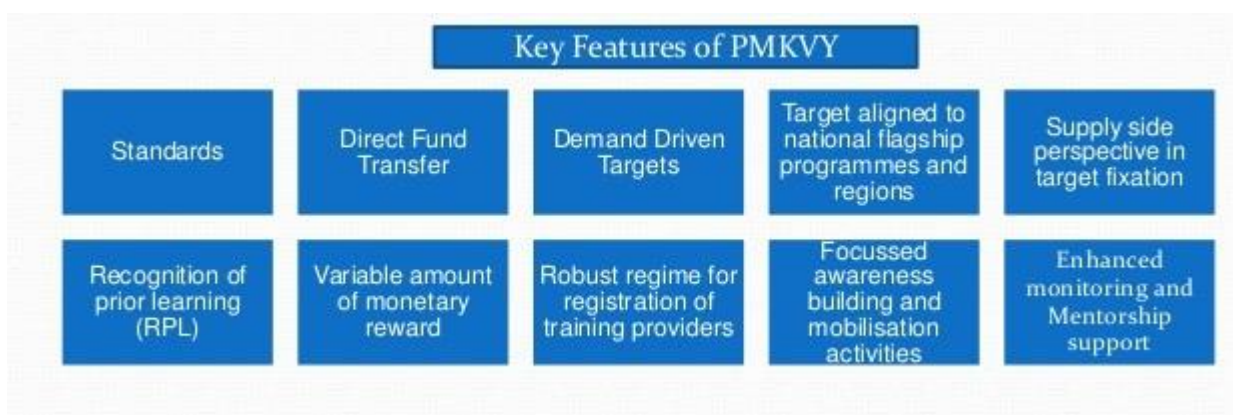
The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi, gave its approval for the *PradhanMantriKaushalVikasYojana* with an outlay of Rs.1500 crore. Department of Skill Development & Entrepreneurship formally came into being on the 31st July 2014. PMKVY is a flagship scheme for skill training of youth to be implemented by the Ministry of Skill Development and Entrepreneurship through the National Skill Development Corporation (NSDC).

The scheme covers 24 lakh persons. Skill training under it is based on the National Skill Qualification Framework (NSQF) and industry led standards. Under the scheme, a monetary reward will be given to the trainees on assessment and certification by third party assessment bodies. The average monetary reward would be around Rs.8000 per trainee. The programme aims to impart skill training to youth with a focus on first time entrants to the labour market and class 10 and class 12 drop outs.

2.2 Key Features of the Scheme:

- ❖ The Skill Development Initiative Scheme is 100 % centrally sponsored scheme.
- ❖ Demand driven Short term training courses based on Modular Employable Skills decided in consultation with Industry.

- ❖ Central Government facilitates and promotes training while State Governments, private sector and industry provide training to the persons.
- ❖ Optimum utilization of existing infrastructure available to made training cost effective.
- ❖ Courses are available for persons having completed 5th standard and onwards.
- ❖ Testing of skills of trainees by independent assessing bodies, including industry organizations such as FICCI, CII, etc. which do not involve in training delivery, to ensure an impartial assessment by the employer itself.
- ❖ Flexible delivery mechanism (part time, weekends, full time).
- ❖ Different levels of programs (Foundation level as well as skill up gradation) to meet demands of various target groups.
- ❖ Training is provided by registered Vocational Training Providers (VTPs) under the Govt., Private Sector and Industrial establishments.
- ❖ Testing of skills of an individual acquired informally in competency and issue of certificate on qualifying it successfully.
- ❖ The certification by NCVT which is recognized nationally and internationally for gainful employment.
- ❖ During XI Plan period (2007-2012), against an approved outlay of Rs.550 crore, an amount of Rs.407 crore was spent and 13.67 lakh persons were trained or directly tested under the scheme. Cabinet Committee on Skill Development has approved the continuation of SDIS for XII Plan period with certain changes on 13.08.2013.
- ❖ Existing skills of the persons can also be tested and certified under this scheme.
- ❖ The on-line implementation of the SDI Scheme through the Web-Portal has been launched since 1st January, 2012.



Source: Presentation for Skill Development Scenario in Ranchi

2.3 Allocation of Funds:

- Out of the total outlay of 1120 crore rupees to be spent on skill training of 14 lakh youths, 220 crore rupees has been allocated for recognition of prior learning.
- 67 crore rupees has been allocated for awareness building and mobilization efforts. Mobilization would be done through skill *melas* organized at the local level with participation of the State Governments, Municipal Bodies, *Pachayati Raj* Institutions (PRIs) and community based organizations.
- 67 crore rupees has been allocated for mentorship support and placement facilitation for trainees.
- 150 crore rupees has been allocated for training of youth from the North-East region.

Skill training will be imparted on the basis of demand assessed from the recent skill gap studies conducted by the NSDC for the period 2013-17. For assessment of demand of Central Ministries/Departments/State Governments, industry and business would be consulted. A demand aggregator platform would be launched for the purpose very soon.

The target for skilling would be aligned to demand from other flagship programmes launched in recent times such as Make in India, Digital India, National Solar Mission and *Swachh Bharat Abhiyan*. Skill training under the new scheme will primarily be focused on a first time entrants to the labour market and primarily target Class 10 and Class 12 drop outs.

2.4 The Plan of Action and Monitoring of the Scheme:

- The scheme is being implemented through NSDC training partners. Currently NSDC has 187 training partners that have over 2300 centres.
- In addition, Central / State Government affiliated training providers would also be used for training under the scheme.
- All training providers will have to undergo a due diligence before being eligible for participating under this scheme.
- Focus under the PMKVY would be on improved curricula, better pedagogy and better trained instructors.
- Training would include soft skills, personal grooming, behavioral change for cleanliness, good work ethics. Sector Skill Councils and the State Governments would closely monitor skill training that will happen under PMKVY.
- Skill Development Management System (SDMS) would be put in place to verify and record details of all training centres a certain quality of training locations and courses.
- Biometric system and video recording of the training process would be put in place where feasible.
- All persons undergoing training would be required to give feedback at the time of assessment and this would become the key element of the evaluation framework to assess the effectiveness of the PMKVY scheme.
- A robust grievance redressal system would be put in place to address grievances relating to implementation of the scheme.
- An online citizen portal would be put in place to disseminate information about the scheme.
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2.5 Objectives of The Scheme:

- To provide vocational training to school leavers, existing workers, ITI graduates, etc. to improve their employability by optimally utilizing the infrastructure available in Government, private institutions and the Industry. Existing skills of the persons can also be tested and certified under this scheme.
- To build capacity in the area of development of competency standards, course curricula, learning material and assessment standards in the country.
- Priority will be given to covering those above the age of 14 years who have been or withdrawn as child labour to enable them to learn employable skills in order to get gainful employment.

3National Mission for Skill Development (NMSD):

The Ministry of Skill Development and Entrepreneurship (earlier Department of Skill Development and Entrepreneurship, first created in July 2014) was set up in November 2014 to drive the 'Skill India' agenda in a 'Mission Mode' in order to converge existing skill training initiatives and combine scale and quality of skilling efforts, with speed. The Ministry, therefore, proposed to launch the National Mission for Skill Development (NMSD – known henceforth as, the Mission), to provide the overall institutional framework for rapid implementation and scaling up of skill development efforts across India. The vision, objectives and design of the Mission, draw on the lessons learnt from the implementation of skill development efforts over the past decade. It seeks to provide the institutional capacity to train a minimum of 300 million skilled people by the year 2022.

Current Skills Stakeholder Ecosystem

India now has a separate **Ministry for Skill Development & Entrepreneurship**, that is conceived to integrate the efforts & streamline the functioning of different stakeholders working for Skill Development and set common standards



Source: www.centumlearning.com

- a) **Mission Statement:** “To rapidly scale up skill development efforts in India, by creating an end-to-end, outcome-focused implementation framework, that aligns demands of the employers for a well-trained skilled workforce with aspirations of Indian citizens for sustainable livelihoods.” (Data from NSDA reports)
- b) **Objectives of the Mission**
 - i) Create an end-to-end implementation framework for skill development, which provides opportunities for life-long learning. This includes: incorporation of skilling in the school curriculum, providing opportunities for quality long and short-term skill training, by providing gainful employment and ensuring career progression that meets the aspirations of trainees.
 - ii) Align employer/industry demand and workforce productivity with trainees’ aspirations for sustainable livelihoods, by creating a framework for outcome-focused training.

- iii) Establish and enforce cross-sectoral, nationally and internationally acceptable standards for skill training in the country by creating a sound quality assurance framework for skill training, applicable to all Ministries, States and private training providers.
 - iv) Build capacity for skill development in critical un-organized sectors (such as the construction sector, where there are few opportunities for skill training) and provide pathways for re-skilling and up-skilling workers in these identified sectors, to enable them to transition into formal sector employment.
 - v) Ensure sufficient, high quality options for long-term skilling, benchmarked to internationally acceptable qualification standards, which will ultimately contribute to the creation of a highly skilled workforce.
 - vi) Develop a network of quality instructors/trainers in the skill development ecosystem by establishing high quality teacher training institutions.
 - vii) Leverage existing public infrastructure and industry facilities for scaling up skill training and capacity building efforts.
 - viii) Offer a passage for overseas employment through specific programmes mapped to global job requirements and benchmarked to international standards.
 - ix) Enable pathways for transitioning between the vocational training system and the formal education system, through a credit transfer system.
 - x) Promote convergence and co-ordination between skill development efforts of all Central Ministries/Departments/States/Implementing agencies.
 - xi) Support weaker and disadvantaged sections of society through focused outreach programmes and targeted skill development activities.
 - xii) Propagate aspirational value of skilling among youth, by creating social awareness on the value of skill training.
 - xiii) Maintain a national database, known as the Labour Market Information System (LMIS), which will act as a portal for matching the demand and supply of skilled workforce in the country. The LMIS will on the one hand provide citizens with vital information on skilling initiatives across the country. On the other, it will also serve as a platform for monitoring the performance of existing skill development programmes, running in every Indian state.
- c) **National Skills Research Division (NSRD)**, under NSDA will be established to serve as the apex body for providing technical and research support to the Mission. This institution will act as a think-tank for Ministry of Skill Development and Entrepreneurship and be the core skill development hub, which will connect implementation of the Mission with academic research and data.
- d) **National Skill Development Corporation (NSDC)** will support the Mission through capacity building initiatives and support private training partners.

e) **Financing:**

The implementation of skilling activities under the Mission will be as per the budget provisions of various schemes under their respective heads of account. The administrative expenses of the Mission will be borne from the budget of Ministry of Skill Development and Entrepreneurship. The IFD of the Ministry will function as the finance wing of the Mission. The administrative support to the Mission will be provided by the Ministry.

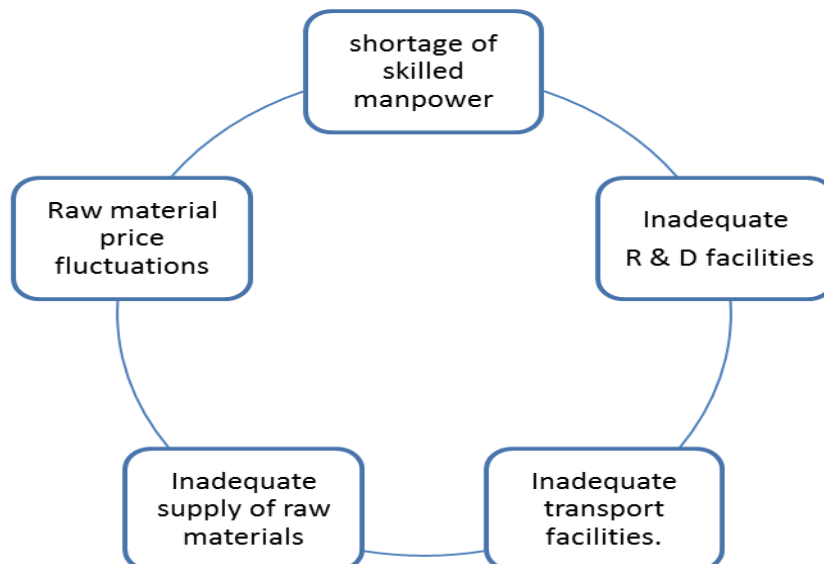
Seven sub-missions have been proposed initially to act as building blocks for achieving overall objectives of the Mission. They are:

(i) Institutional Training, (ii) Infrastructure, (iii) Convergence, (iv) Trainers, (v) Overseas Employment, (vi) Sustainable Livelihoods, (vii) Leveraging Public Infrastructure.

4 **Key Challenges and Concerns:**

- ❖ **Pre dominance of an unorganized sector:** 84% of the unorganized sector outside the purview of labour laws.
- ❖ **Inflexible labour laws:** Examples of it are the Contract Labour (R&A) Act, Apprentices Act, Industrial Disputes Act, etc.
- ❖ **Skill Mismatch:** Unemployment is high among educated unemployed; 90% workforce outside the coverage of formal training.
- ❖ **Quality and Availability of trainers:** Non availability of quality trainers and poor salary structure.
- ❖ Making Vocational skills Aspirational.

Key Challenges



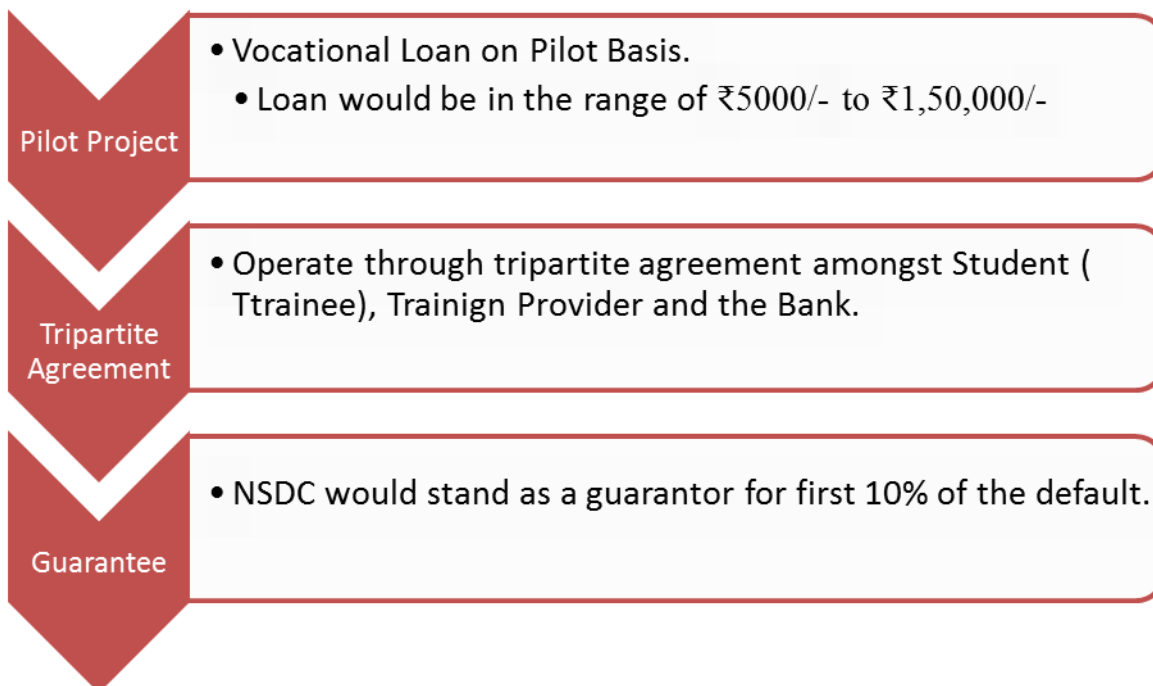
Source: Authors own creation

- ❖ Reward for trained manpower, Compensation for trained resources.
- ❖ One of the major challenges is that skilltraining efforts cut across multiple sectors and require the involvement of diverse stakeholders such as: multiple government departments at the Centre and State levels, private training providers, educational and training institutions, employers, industry associations, assessment and certification bodies and trainees. All these stakeholders need to align their work together in order to achieve the target of 'Skill India'.
- ❖ Equipping the workforce with the skills required for the jobs of today and those of tomorrow is a strategic concern in the national growth and development outlook.
- ❖ The globalization of markets is accelerating the diffusion of technology and the pace of innovation. New occupations are emerging and replacing others. Within each occupation, required skills and competencies are evolving, as the knowledge content of production processes and services is rising.

5 Strategic Framework for Skill Development:

- ✓ Broad availability of good-quality education as a foundation for future training;
- ✓ A close matching of skills supply to the needs of enterprises and labour markets;
- ✓ Enabling workers and enterprises to adjust to changes in technology and markets;

Attempts to create “enabling” environment- Skill loan being introduced with the Central bank of India



Source: Global Skills Summit 2011

- ✓ Anticipating and preparing for the skills needs of the future.
- ✓ In coordination with other partners, Government should develop labour market information products to assist with selecting relevant education and employment opportunities.
- ✓ Employment counsellors can visit students beginning in middle school and again in high school to provide awareness of occupational forecasts and related skills requirements.
- ✓ Government and its partners may facilitate Career Fairs.
- ✓ Government should provide information sessions for high school students to ensure they are aware of student financial assistance support so that they are able to consider post-secondary education regardless of their financial situation.
- ✓ There is a need to facilitate experiential learning opportunities so as to provide on job experience to students before they enter the real market. It will also help in strengthening the job readiness of the students.

5 Conclusion:

India is one of the youngest nations in the world, with more than 54% of the total population below 25 years of age and over 62% of the population in the working age group (15-59 years). The country's population pyramid is expected to bulge across the 15-59 age group over the next decade. This demographic advantage is predicted to last only until 2040 (Census 2011). India therefore has a very narrow time frame to harness its demographic dividend and to overcome its skill shortages. India needs to focus on implementing the right kind of training techniques and prepare its workforce for employment both at home and across the world. Gross domestic product can increase ~ 3% by 2035 if India improves significantly on skills training. Introduction of employer engagement through the development of Sector Skills Councils is a positive step. However, more needs to be done to incentivize vocational training and adequately reward workers who have undertaken skills development programs. Any country's prosperity depends upon how many of its people are in work and how productive they are, which in turn rests on the skills they have and how effectively those skills are used. Skills are a foundation of decent work. Good-quality primary and secondary education, complemented by relevant vocational training and skills development opportunities, prepare future generations for their productive lives, endowing them with the core skills that enable them to continue learning. Skill building could also be seen as an instrument to empower the individual and improve his/her social acceptance or value. There's a need to simultaneously enhance the responsiveness of education and training systems to changes in skill requirements and to improve access to training and skills development to realize the benefits of this demographic transition.

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