

# Skill Formation and Employment Assurance in the Unorganised Sector



सत्यमेव जयते

**NATIONAL COMMISSION FOR ENTERPRISES IN THE  
UNORGANISED SECTOR**

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2009

### **Previous reports of National Commission for Enterprises in the Unorganised Sector**

1. Social Security for Unorganised Workers, May 2006
2. National policy on Urban Street Vendors, May 2006
3. Comprehensive Legislation for Minimum Conditions of Work and Social Security for Unorganised Workers, July 2007
4. Conditions of Work and Promotion of Livelihood in the Unorganised Sector, August 2007
5. Financing of Enterprises in the Unorganised Sector, November 2007
6. Creation of a National Fund for the Unorganised Sector (NAFUS), November 2007
7. Report on Definitional and Statistical Issues relating to Informal Economy, November 2008
8. A Special Programme for Marginal and Small Farmers, December 2008

### **Previous Working Papers of the National Commission for Enterprises in the Unorganised Sector**

1. Measure of Labour Force Participation and Utilization, January 2008
2. Contribution of the Unorganised Sector to GDP Report of the Sub Committee of a NCEUS Task Force, March 2008
3. Definitional and Statistical Issues Relating to Workers in Informal Employment, January 2009.

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D.O.No.AKS/NCEUS/2009/  
Dated the 24th<sup>1</sup> April, 2009

Dear Prime Minister,

The Commission in its report on Conditions of Work and Promotion of Livelihood in the Unorganised Sector submitted in August, 2007 had, as a measure of increasing employability through skill development, reviewed the skill development initiatives undertaken in the country. The review brought out inadequacies of skill development programmes for the unorganised sector workers who have low levels of education.

The Commission is now submitting a comprehensive report on skill formation and employment assurance in the unorganised sector which brings out various aspects of the need and ways to enlarge the skill base of the economy, keeping in mind the large size, nature of growth and dynamics of the unorganised sector. It highlights the fact that while it is necessary to increase the number of skilled people in the economy, the overwhelming preponderance of the informal sector necessitates a view of the issue from the point of view of those in the informal sector. The Commission has suggested a detailed strategy and set of recommendations for revamping, expanding and reorienting the existing skill development system in India from this perspective.

The Commission expects that it would be possible to expand training to cover 50 per cent of the labour force within a reasonable time frame. This, in turn, would not only provide a firm anchor to the growth process, it would also help in spreading the benefits of growth to a much wider cross-section of the workforce.

Yours sincerely,

Arjun Sengupta

V K Malhotra  
Member Secretary

Dr. K P Kannan  
Member

Dr. T S Papola  
Member (Part-time)

Dr. R S Srivastava  
Member

B M Yugandhar  
Member (Part-time)

Dr. Manmohan Singh,  
Prime Minister of India,  
PMO, South Block, New Delhi-110011

# Preface

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The issue of skill building has been at the forefront of policy debates in recent years. India can take advantage of its young workforce and hence the demographic dividend, only if the workforce possess relevant skills and is ready to seize the opportunities arising domestically as well as in the international arena. Several committees/commissions/task forces have examined the issues related to skill formation and recommended to expand/upgrade the skill building efforts. However, most of these recommendations have generally remained focused on the formal sector.

It is in this context that the NCEUS has examined the issue of skill formation in the unorganized sector. The Commission has carried out a detailed analysis of the socio-economic characteristics of the skilled and unskilled persons based on the latest set of data from the Sixty-first Round of the National Sample Survey in 2004-05. It is estimated that only 11.5 per cent of those in the age-group 15-29 have received (or were receiving) any training, whether formal or informal. Only 2.5 per cent of total unorganised sector workers had formal training while 12.5 per cent had non-formal training. In the organised sector, 11 per cent workers had formal training and another 10.4 per cent had informal training. The Commission recommends the proportion of formal training to increase from 2.6 per cent of the labour force as per the NSS 2004-05 Survey to reach a level of 50 per cent of the labour force by 2021-22. Those targeted would include potential entrants into the labour force as well as the existing pool of workers whose skills require to be upgraded.

The Commission has examined the specific features of the skill formation process in the unorganized sector. In this context, it has underscored the need to understand the heterogeneity of the informal sector in India, which leads to a wide range of training needs, requiring analysis and policy formulation that is different from that of the formal sector. The informal sector is highly heterogeneous and encompasses a wide range of economic activities as well as people (i.e. workers, producers, employers) engaged in manufacturing/service activities under several types of employment relations and production arrangements. Some basic questions related to training and skill-building/ upgrading as applied to the informal sector, and which have been discussed in detail in this report, concern such aspects as: training for whom, for what, what kind of training and how best it can be provided.

The Commission has put forward a set of comprehensive recommendations for building a skill development and training system that explicitly focuses on the expansion of Vocational Education and Training (VET) for the informal sector workers who generally also have low levels of education. While doing so, we have deliberately not focused upon systems of formal training primarily intended for organised sector workers with reasonable levels of education. These systems of training are a subject of reform and have been discussed extensively in other reports.

A major highlight of this report is the proposed scheme of Skill Formation and Employment Assurance which provides entitlements to all registered youth in the unorganized sector to receive training through placements. The scheme will provide employment to poor persons for about six months and impart to them formal marketable skills. The scheme is intended for youth with at least primary but less than higher secondary levels of education. Further, it is largely intended to cover the poor youth. In the first phase, urban areas with inadequate employment opportunities may be focused. Pilot projects in some 50 non-metropolitan smaller towns with population between 50,000 and 5 lakhs may be taken up. This may be followed by the other segments of the eligible population, such as youth in the rural areas and larger towns. The financial provision per worker would be Rs

10,000/- which would cover on-the-job training/employment, cost of certification and cost of training/incentive to the provider/employer. The programme requires a one time financial outlay of Rs. 10,000 per worker, which is the same as that provided under the NREGA. A provision of Rs 10,000 crores over five years for this project would thus ensure additional training-cum-employment to one crore persons through this mechanism, augmenting the present training capacity by 2 million per year under the programme. A higher budgetary allocation would result in larger job creation. However, the success of the programme would crucially depend upon motivating the existing and newly created administrative mechanisms to effectively implement this proposal.

The Commission has studied the major institutional developments in the field of skill development in the last few months which has seen the setting up of the Prime Minister's National Council on Skill Development, the National Skill Development Coordination Board under the Planning Commission, and the National Skill Development Corporation under Ministry of Finance. These are welcome steps as they provide an institutional backbone for formulating policy guidelines, channelling funds and ensuring coordination in skill building efforts.

The Commission is confident that the country will not let go the present opportunity and take forward the programme of skill-building in a Mission mode. This will help the country achieve its goal of rapid and inclusive growth.

**Arjun Sengupta**

Chairman

National Commission for Enterprises in the Unorganised Sector

New Delhi  
April 24, 2009

# Acknowledgements

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The Commission wishes to acknowledge the contributions of a large number of persons in the preparation of this report. The members of the Task Force on Skill Formation in the Unorganised Sector made a valuable contribution by holding discussions and offering suggestions and written inputs. The Commission also benefited by the discussions in the Advisory Board. District-level studies were carried out for the Commission by the G.B.Pant Institute of Social Sciences, Allahabad, Debate, Bhopal, and North Eastern Development Finance Corporation (NEDFI), Guwahati.

Officials of the Government of India, particularly the Ministry of Micro, Small and Medium Enterprises and the Ministry of Labour and Employment provided relevant material and useful feedback to the Commission. Experts in the India office of the International Labour Organisation (ILO) and World Bank helped the Commission by providing information on a number of issues concerning skill formation, particularly the experiences of different countries. Editorial support was received from Dr.N.K.Nair. The Commission takes this opportunity to thank the above individuals/organizations.

We would like to place on record our deep appreciation of the contribution of the staff of the Commission towards preparation of this Report. Shri J.D.Hajela, Director bore the main responsibility for co-ordinating all the activities related to the preparation of this Report. Ms. Sumangala Damodaran, Consultant rendered valuable support in the analysis and writing of this Report. Professor Jeemol Unni and Shri Biswajeet Saikia contributed to the first draft of the Report during their stint as Consultants to the Commission. Excellent research assistance was provided by Ms. Swati Sachdeva, Shri Ajaya kumar Naik and Ms. T. Shobha Singh. Shri S.V.Ramana Murthy, Director provided critical assistance on statistical issues. Shri Savitur Prasad, Joint Secretary, Shri G.Sajeevan and Ashutosh Mishra, Directors in the Commission, Shri G.Raveendran, consultant, Shri D.P.Singh and Shri Suresh Kumar, Under Secretaries, and Shri H.S. Chhabra, Section Officer and the whole team of supporting staff provided excellent services in the functioning of the Commission in general and the preparation of this Report in particular.

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# 1

## Introduction

1.1 The National Commission for Enterprises in the Unorganised Sector has been constituted as an advisory body and a watchdog for the informal sector. It has the mandate to examine the status of the unorganised sector, analyse the constraints on the growth of the sector, and make necessary recommendations. The detailed terms of reference and composition of the Commission as well as its Advisory Board are given in Annexures 1 to 3 of this report.

1.2 India's growth achievements during the economic reform period have been documented extensively. In recent years the country grew at nearly 9 per cent per annum and real national income grew by 125 per cent during 1992/93 - 2005/06 compared to 93 per cent during the previous period of same duration. While these achievements are, no doubt, remarkable from a macroeconomic perspective, this Commission has documented other aspects of the development scene in India, viz. the preponderance as well as the perpetuation of the informal economy. The Commission estimated that the informal or unorganised workers constituted an overwhelming 86 per cent of total workers in 2004-05. Between 1999-2000 and 2004-05 what increased in India was the informal employment, both in the organised as well as the unorganised sectors. More than three-fifths of this workforce is self-employed. Of the remaining regular or casual wage workers, only half are employed in the organised sector. Given these trends, the bulk of employment is likely to be in the unorganised

sector of the economy, at least in the immediate years to come.

1.3 This Commission has, in its earlier report (NCEUS 2007), also highlighted the need for developing the potential and productivity of the huge workforce, from the point of view of both the economy as well as the individual. Several studies and policy documents have highlighted the acute mismatch between the workforce needs and the availability of skilled manpower to sustain the economy's growth rates. With a very low level of labour productivity, the need for large numbers of skilled people is felt more acutely in the context of the country's need to compete internationally in manufacturing as well as services and to emerge as a significant player in the knowledge economy. From the demand side, while the economy experiencing rapid growth, skill shortages emerged across the board, drawing our urgent attention to the problem of skill development. One estimate indicates the need for a 20 million increase in skilled workers by 2015 (CII-McKinsey Report '*Made in India: the next big manufacturing export story*' (October 2004) or incremental skilling of 1.5 million people every year.

1.4 The present report of the Commission brings out various aspects of the need for, and ways to enlarge the skill base of the economy, keeping in mind the large size, nature of growth and dynamics of the unorganised sector. It highlights the fact that while it is necessary to increase the number of skilled people in the

economy, the preponderance of the informal sector necessitates a view of the issue different from that of the organised sector. In other words, in order to increase the productivity of more than 9/10ths of India's workforce in, the nature of their participation in and linkages with the economy have to be explicitly kept in mind.

1.5 The role and performance of the existing skill development and training system have been extensively reviewed by a number of organizations and a number of proposals have been made within the governmental system to strengthen and expand the skill development system in the country. On August 15, 2007 the Prime Minister also announced a four-fold increase in the skilled manpower training capacity of the country as an integral part of the National Skill Development Mission.

1.6 In keeping with the urgency of massively expanding the skill base of the economy, the NCEUS constituted a Task force in June, 2005 on Skill Formation in the Unorganised Sector to consider the following aspects.

- Identify the characteristics and specificities of skill formation in the unorganised Sector.
- Review the existing arrangements for skill formation in the unorganised sector at the Central and state levels.
- Examine the adequacy of the training and skill development component of the current programmes of wage employment and self-employment and recommend measures for improving their effectiveness.
- Recommend measures for optimally utilizing the existing infrastructure for training and skill formation for addressing the needs of the Unorganised Sector.
- Identify the unmet as well as emerging demand for skill sets in an expanding and globalising economy and devise an institutional framework to rectify the mismatch between demand and supply of skills.
- Study the characteristics of urban employment and under employment and assess the potential of programmes of skill development as a strategy of employment generation in urban areas.

- Identify the best practices in the programmes of skill formation in the unorganised sector operated by the government and non-government organizations.
- Design a National Skill Development Initiative for the unorganised sector and suggest a strategy for its implementation.

1.7 The Task Force included several eminent people and received many valuable suggestions which are incorporated in this report. The Composition and the terms of reference of the Task Force is given in Annexure-4. The Draft Report and recommendations were also discussed with the Commission's Advisory Board. A number of comments/suggestions on the draft report were received which are summarized in Annexure-5

1.8 The report is structured as follows. The present chapter provides a brief introduction to issues in skill development in the informal sector and outlines the methodology of preparing the report. Chapter 2 reviews the role of knowledge based inputs (i.e. education, skills and technical education) in promoting growth, especially in the emerging knowledge economy, by highlighting the cases where the skills-productivity linkages have been experienced in developing economies such as in East Asia. The Commission also lays out a framework for looking at the issue of skills in the unorganised sector, from the point of view of those who are part of it.

1.9 A significant aspect of this report is a detailed skill profile of the Indian workforce, presented in Chapter 3. The Commission constructed a skill profile of India's workforce that encompasses both education as well as the knowledge acquired, through formal or informal means, that prepares an individual for a vocation or occupation. This profile bases itself on information regarding the level of marketable skills, both formal and informal, that are possessed by people in India according to NSSO surveys and assessments of the number of people trained through the various formal vocational skill acquisition programmes. It attempts to evaluate the level and kind of skill availability with estimates of the level and nature of demand for skills in the economy. It also looks at the relationship between the level of skills and educational profile of the workforce and also between skill availability, education and poverty. It demonstrates

that, on the one hand, a large part of the Indian workforce has low educational attainments and lacks even the basic foundational skills in the form of literacy and numeracy and on the other, India's skill base is mostly informal and thus it is difficult to adapt to the changing market and technological environments.

1.10 We have presented the salient features of different models of international skill development and training experiences in Chapter 4, which lays special emphasis on initiatives that have been seen for the unorganised sector.

1.11 The existing system of skill development and training in India, consisting of a large number of institutions, programmes and initiatives of the Central and state governments, as well as the private and NGO sectors, is reviewed in Chapters 5. Through this review, the aim of the Commission has been to collate a huge corpus of information collected from diverse sources and present it under a coherent framework. More crucially it brings out the key features of the skill development system

in India. It also aims to locate the possible reasons for the existing narrow skill base. Our review of the existing system in India also critically examines the issues raised by several governmental and international organizations.

1.12 Our focus on the unorganised sector and the perceived need to view skill development differently, given the preponderance of this sector in the Indian economy, enabled us to lay out a detailed strategy and a set of recommendations for revamping, expanding and reorienting the existing skill development system in India. These are presented in the last Chapter of the report. It envisions the setting up of a system that lays out clear guidelines and a coherent organizational framework for the country as a whole, focused on the decentralized, representative and need based delivery systems at the local level. The Commission believes that this suggested structure will be able to address the needs of a growing economy on the one hand and the huge workforce on the other.

# 2

## Skill Formation, Productivity & Growth - Issues in a Developing Economy

2.1 It is being increasingly argued that one of the prerequisites to enhancing the quantum and quality of employment in developing countries is adequate skill formation and training of the workforce. In more contemporary experiences of development, the case that is quoted widely is that of the countries of East Asia where, beginning from very low levels of training and skill acquisition, several countries made spectacular progress in providing these to very large segments of the workforce. This has also been held up as a textbook case of extraordinary achievements in human capital formation. In turn, the large scale training and skilling of the workforce is seen to have contributed substantially to the sustained economic success of these countries.

2.2 The term 'skills' is used to refer to a wide range of attributes in the literature and to that extent, there is no clear definition of a skilled worker. According to the World Employment Report (1998), the term '**skill**' refers to an acquired and practiced ability or to a qualification needed to perform a job or certain task competently. It is a multidimensional concept as most jobs require a combination of skills for adequate performance, ranging from physical abilities to cognitive and interpersonal skills.

2.3 According to the Planning Commission's Committee on India Vision 2020 **skill** can also be

perceived as the ability to direct human energy efficiently to achieve desired goals. It is one of the attributes that generate knowledge resources, the others being technology, organisation, information and education skill. While material resources are consumed when they are utilised, knowledge resources increase when shared and can be stored at negligible cost. (GOI/Planning Commission 2002b:26).

2.4 In practical terms, '**marketable skill**' is commonly understood to refer to any skill / expertise / ability that has market value or has the potential of being utilised for generating income/employment. According to the National Sample Survey Organisation (NSSO), any marketable skill, whether acquired through formal or informal means, irrespective of whether it is being marketed or not, whether the intention is to market it or not, is considered skill. In this sense, an inventory of such marketable skills provides information on the kinds of work that people can do, irrespective of whether it has been acquired formally or not.

2.5 However, when reference is made to levels of availability of skilled labour in the context of economic development, it is processes of formal skill acquisition and training for employment that become important. Developing countries tend to lag behind in making these processes available to

their populations. These processes of formal skill acquisition and training come from general educational systems and systems of technical and vocational education and training (TVET) that are linked to specific occupations. They include learning designed to develop the skills for practising particular occupations, as well as learning designed to prepare for entry or re-entry into the world of work in general. TVET includes both initial vocational training undertaken by young people prior to entry in to the labour market and continuing vocational training undertaken by adults whilst in work or during periods when they are economically inactive. In other words, it encompasses both **initial skills** development and various forms of **'Re-skilling'** and **'Up-skilling'**.

2.6 While retaining the practical definition of 'marketable skills' for detailing the skill profile of the Indian workforce in the following chapter, the Commission recognizes the issue of skill acquisition in its widest sense, to encompass education, pre-employment training, on-the-job training, continuous learning and retraining in the context of the linkages between skills, productivity and growth.

### Rationale for Skill Formation – The Skills-Productivity-Growth Link

2.7 In contemporary analyses of systems of skill development in developing countries, the commonly raised issues are: 1) Developing effective skill development and training systems in the interest of enhancing productivity and sustaining high rates of growth, 2) Changing skill requirements of economies that are witnessing fast changes in the nature of economic activity and work, 3) Matching skills to markets, 4) Financial sustainability of different skill formation systems and finally 5) Role of different agents (firms, private actors and the government) in delivering skill and training efficiently and effectively.

2.8 First, it is known that skills development is important because of its contribution to enhancing productivity at the individual, industry and also national levels. Enhanced skills enable individuals to be more productive and potentially generate higher incomes. Workforce skills make enterprises more productive and profitable, and help national economies raise production and create wealth. This takes place because of

complementarities that exist between physical capital and human capital on the one hand and between technology and human capital on the other. A higher level of skills which results in a higher level of human capital formation enables plants and machinery to be used more efficiently, raising the rate of return on investments. Similarly, without a skilled workforce, the returns from technological progress remain low. With the advancement of technologies, necessitating a high rate of labour turnover across industries and occupations, adaptability is crucial to keeping labour and capital employed and maintaining competitiveness.

2.9 The case of several countries in East Asia demonstrates the necessity as well as possibilities in this area for developing countries. Apart from universalizing primary education, achieving very high levels of secondary education and also vocational education within the secondary education system, countries such as South Korea, Singapore and Malaysia have achieved formal training of the majority of their population as well as high rates of employment of the trained workforce. A vast volume of literature on the sources of sustained high growth in these economies have located this growth in 'endogenous' processes that enable a highly skilled workforce to adapt technology to country requirements, innovate at the level of the enterprise and meet ambitious targets in a short period of time. While many of these systems were put into place at an early stage of their contemporary development, with some of these countries experiencing crisis, they also undertook overhauling of systems in tune with the needs of a globalised economy. In other words, the need for the skill mix to change at different levels of development and in response to different degrees of openness was recognized and responded to.

2.10 In contemporary production systems, the demand for skills has changed to some extent because of extensive changes that economies have seen as a result of greater integration with the world economy. Increased competition and the introduction of ICT have prompted enterprises to make fundamental changes in their internal organization and work practices, necessitating the existence and acquisition of specific skills in workforces that are required to be increasingly adaptable and flexible. Improved access, universal basic education and foundations of literacy offer essential first steps on the

path to becoming successful knowledge economies. But knowledge economies demand not just more education, but education and training that are also better and different. In the context of knowledge economy aspirations, the challenge of educational and vocational reform is therefore not just to *increase access* or even raise conventional tested achievements, but also to *change the nature* and *improve the quality* of learning, teaching and training so that they address knowledge economy objectives.

2.11 Fast changing knowledge economies call for new core competencies among all learners in the society. At the heart of these are longstanding “soft skills” such as communication, collaboration and teamwork. To these, can be added others such as the ability to create, apply, share and distribute knowledge; to convert tacit knowledge into explicit and formally codified knowledge that is easily transferable to others; to employ effortless use of advanced information technology; to work in teams that may be socially and psychologically heterogeneous; to have the capacity to re-skill and retrain as circumstances demand; to be able to participate in networks and develop the social capital that creates the learning and develops the resilience to cope with change; to cultivate a positive, opportunistic and entrepreneurial orientation to change; and to become committed to continuous and lifelong learning far beyond the years of formal education. This effort to see a change in the skill mix in fast changing economies has been recognized by South Korea, which has a Comprehensive Plan for Lifelong Education and Learning, which allows local communities in provinces to enter and exit the learning and training process in line with the requirements of the economy on the one hand and with their own need for improvement. Similarly, Singapore has made major changes in its skill strategy through the introduction of a National Continuing Education and Training Framework and a Lifelong Learning Endowment Fund.

2.12 Second, it is well documented in the literature that skill development is an area where typically markets might not deliver optimum volumes of skill that economies need. This is because of ‘externalities’ in skill and training provision, where if a private firm undertakes skilling of its workers, it might not be able to reap the benefits sufficiently if the worker leaves the firm. Another firm, on the other hand, might benefit without bearing

the cost if the worker joins the firm. Even though the specific industry will benefit if workers are trained for its specific needs, no particular private firm might be interested in providing the skills and training, resulting in its ‘under – provision’ if it is left entirely to market forces. While this is an argument that is crucial for any economy, this is considered to be especially relevant in small firm contexts. It is argued that the under-provision of formal training found in small and microenterprises is either due to ‘ignorance’ on the part of employers or ‘market failure’ due to a variety of supply and demand side features such as their short-term perspective which prevents the recognition of the longer term benefits of training. Therefore, even though there might be an explicit recognition of the need for skills enhancement, the issues of who will provide it, where it will be provided, who will bear the costs and so on become crucial considerations.

2.13 Third, while skill development is where public or collective institutions become necessary due to the externalities mentioned above, where the basic stimuli will come from to signal the extent of skill requirements, i.e., whether it should be demand led or supply led, are extremely important, particularly when we consider the financing aspect. Existing systems of formal skill provisioning in most developing countries are found to cover a very small proportion of enterprises and create large supply-demand mismatches, resulting in skill shortages even in the presence of significant unemployment. In the context of ‘new’ needs being perceived in a globalised economy, these skill shortages are considered to pose a potential hindrance to sustained economic growth. The issue of matching skills to markets has led to a call for dismantling existing systems of skill provisioning in many countries or an overhaul of TVET systems.

2.14 It is against this background that this report looks at the overall picture of skill acquisition and development and its link to employment and markets in the case of the unorganised or informal sector in India.

### **Skill Acquisition and Development – Specific Case of the Informal Sector**

2.15 In India, the discussion on the impact of existing skill delivery systems and what needs to be done hinges

critically on two major characteristics of the workforce: the preponderance of employment in the informal sector of the economy and a very large proportion of youth in the population, mostly belonging to the informal sector. It is also well known that the proportion of people who have had access to some kind of formal skill acquisition process is very low and that of those who have acquired employment as a result of this is even lower. While these aspects are presented in the next chapter, here we examine the specific characteristics of informal workforce with respect to the issues raised above.

2.16 This Commission's work has highlighted the salient features of the Indian workforce and brought out the structure of the large informal sector and workforce in India. In order to be able to focus the discussion on the skill needs of the informal sector and the workforce engaged in it, we briefly present these structural characteristics here.

2.17 The Commission has estimated that in 2004-05, total employment (principal plus subsidiary) in the Indian economy was 458 million, of which the unorganised sector accounted for 395 million, constituting 86 per cent of total workers. The Commission's estimates are direct ones from the NSSO, based on a consistent definition of the unorganised sector (NCEUS 2007). Our estimates showed that, between 1999-2000 and 2004-05, of the total incremental employment generated, only about 14 per cent was absorbed in the organised sector while 86 per cent was in the unorganised sector. In the years to come, as the Eleventh Plan document points out, the bulk of incremental employment is likely to be created in the unorganised sector.

2.18 Within this unorganised sector, wage-workers (i.e. those employed by others), constituted only 36 per cent of the workers, and the remaining 64 per cent were self employed.

2.19 While the agricultural sector still contributed the largest numbers in the unorganised sector, the proportion of non-agricultural workers rose from 32 per cent to 36 per cent between 1999-2000 and 2004-05. Agriculture sector, in turn, is constituted by unorganised workers who are self-employed (65 per cent) and casual workers (35 per cent). Even in the non-agriculture sector, nearly 72 per cent of the workers are in the unorganised

sector, an increase of 4 percentage points from 68 per cent in 1999-2000. These workers, in turn, are mainly the self-employed (63 per cent). The rest of the workers in the non-agriculture unorganised sector are more or less equally distributed between the regular (17 per cent) and casual categories (20 per cent).

2.20 In the same period, employment in the organised sector of the economy increased by 8.5 million or 16 per cent (from 54.1 million to 62.6 million), but the change in organised or formal employment was nil or marginally negative. Therefore, it was pointed out *that the entire increase in the employment in the organised sector over this period has been informal in nature i.e. without any job or social security. The Commission argued that this can be termed as informalisation of the formal sector; i.e., employment increase consists of regular workers without social security benefits and casual or contract workers again without the benefits that should accrue to formal workers.*

2.21 Three major structural features of employment in the Indian economy were highlighted by the Commission. First, the informal sector is hugely preponderant in the Indian economy. Second, the increases in employment have been of the informal kind. Third, within the informal sector, there is a huge preponderance of self-employed workers. Informalisation of the workforce is probably a feature that is here to stay, making the discussion below especially relevant.

2.22 Another structural feature that the Commission's work has highlighted is the heterogeneity of the informal sector itself. It analysed in detail the incidence and conditions of different types of informal workers, i.e., wage workers in the unorganised sector, self-employed workers in the unorganised sector and unprotected wage workers in the organised sector. Within the category of the self employed, there are different categories such as persons who operate farm or non-farm enterprises or engaged in a profession or trade, either on own account, individually or with partners, or home-based workers which include unpaid family workers also. The former has been referred to as independent self employed workers and the latter as dependent. The Commission estimated that within the 395 million people that constituted the unorganised sector in 2004-05, about 344 million were self- employed, of which 69 million were in the non-



agricultural sector. As a special category in terms of poor conditions of work and high levels of vulnerability, home-workers were estimated at nearly 8.2 million workers (or 12 per cent of the non-agricultural self employed workers) of whom about 4.8 million were women.

2.23 What this highly heterogeneous picture of the informal sector points towards is the fact that the nature and conditions of work in the informal sector are very different, and, therefore, lead to a wide range of training needs, requiring analysis that is different from that of the formal sector. Different kinds of workers in the informal sector are employed in production units with widely differing features and in a wide range of economic activities. They consist of different kinds of people (i.e. workers, producers, employers) in service activities or producing under varying types of employment relations and production arrangements. The basic questions of skill-building and training for whom, for what, what kind of training and how it can be best provided have somewhat different dimensions given this diversity in the informal sector. The Commission wishes to lay stress on this aspect, something that has been relatively neglected in the vast literature on existing skill development systems in India.

2.24 In the international literature on training needs and possibilities in the informal sector of developing countries, several sets of issues have been identified. The first relates to motivations of the people in the informal sector for training. Those working in the informal sector often see little need for further skills acquisition and have little knowledge about where to go even after the skills are acquired. This is true even for enterprises in the informal sector, often dismissed as 'ignorance' on the part of enterprise owners as well as workers. The principal problems of poor literacy and numeracy often prevent informal sector workers from participating successfully in conventional training programmes, even if they perceive the need. Training can also be prohibitive in terms of costs. Even token fees for the training can form a real barrier for participating in training. Working hours are often long and any time off from the productive work means loss of income, which affects the willingness to participate in a training programme, even if it is relevant and easily available. It is also unlikely that informal sector entrepreneurs will provide their workers time off for training. In fact, skilling workers may appear threatening

for the entrepreneurs because skilled and trained workers may demand higher pay, leave to work for competitors or establish enterprises themselves. The motivation issue, therefore, has to be kept in mind when designing training programmes for the informal sector.

2.25 The second set of issues relates to who require training and for what. Broadly, we can distinguish between own-account workers, workers in enterprises and entrepreneurs. In the informal sector, apart from the training needs of workers of different kinds, which might be essential for increased productivity, most of those who fall under the category of entrepreneurs may themselves need training and face the same kinds of motivational problems as those already mentioned above. It has often been argued that non-specialization (avoiding concentrating on a single trade) is the most commendable strategy for those who exist on the broad "underside" of the labour hierarchy and education and training need to be able to cater to them because, very often, survival requires constant search for new sources of income and the will and ability to be as flexible as possible. In the context of self-help organizations and networks, such training would imply that learning is not only generated in the process of production, but also takes place through other external mechanisms such as 'learning by negotiating' and 'searching for openings'. Learning would imply a process of becoming aware of the potential of a network or cluster of enterprises to solve problems, and acquiring those competencies that are needed to implement solutions. Additionally, the training would need to build up capabilities to shift from one profession to another, to obtain the freedom to make choices without losing status.

2.26 Third, the requirements in the informal sector in a range of activities or in micro-enterprise based production are a combination of 'social competencies' and technical skills that might be industry or trade based. Social competency, defined as 'the ability to co-operate, communicate and represent collective interests' is central to conducting a business as much as the technical aspects of the industry itself. All training programmes for such enterprises have to necessarily also develop literacy and cognitive competencies, as they facilitate the organisation of economic activities and are used to develop communicative skills. Further, even within small

enterprise based entrepreneurship, two distinctive categories are 'survivalist' entrepreneurs, lacking even basic literacy and women entrepreneurs who, in addition to most often lacking basic literacy and numeracy, face specific problem of mismatch between home duties and training. Training would involve, for all sets of people, a combination of 'social competencies' and technical skills and at different levels. For example, in many categories, a range of skills that enable mere survival or the ability to shift professions are essential as argued above. Systems of skill development, keeping informal sector workers in mind, would need to provide the whole range of these skills, from basic literacy and numeracy to technical training. This, in turn, is unlikely to be taken up by the private sector, as the workers concerned are at the bottom rung in the production hierarchy and encounter the worst terms of trade. In such cases, directed skill programmes may be focusing on a group approach and can not only enhance their productivity but also enable them to bargain for better terms.

2.27 Underlying all the issues raised above, however, especially in the case of the informal sector, is a basic question: do the skills that are perceived or found necessary in the informal sector have to be 'formally' provided? In other words, should skill development programmes for all these sets of workers be subject to processes of trainer accreditation and trainee certification? Should these be done at a centralized, nation-wide or state-wide level or should it be decentralized? Is the mode of working of the existing systems of informal on the job skill acquisition through the traditional methods sufficient? Apart from recognizing the heterogeneity of the informal sector, an understanding of the role that different segments of the sector play in the economic process is crucial to be able to provide an answer to this. This report puts forward concrete recommendations that deal with the centralization-decentralization issue as well as the formal certification versus informal provision, but here we flag off the analytical issues that are important in this discussion.

2.28 The previous section outlined the rationale for skill development in general and noted that it has been known to enhance productivity at the individual, industry and national levels. However, in the case of India, the results of studies that examine this relationship are

ambiguous. This ambiguity notwithstanding, there are some reasons why one might argue that formal skill acquisition in the informal sector, whether it is through general education, vocational education or work-place related skill acquisition with certification, can lead to enhanced productivity. First, the informal sector contributes substantially to national output in India and the organizational structures of the informal sector are very important in determining the structure of national output. In a situation where production technologies are changing very rapidly in both the manufacturing and service sectors, entrepreneurs and workers are very often required to adapt to changes and also acquire new skills. With changing technologies, the ability to cope with change is given by the skill base of the economy which has to expand, permitting increase in productivity across the board. Strengthening and widening of the education system as well as provision of skills to be able to adapt and change production systems or switch jobs become essential even for informal sector entrepreneurs and workers. For example, in a range of industries and services that use ICT, it might be broad based computer skills, communication and cognitive skills and knowledge of English that might be needed to access the labour market or even continue to undertake production in specific industries. Although the level at which skills have to be imparted might not be very advanced, certification becomes very essential in order to ensure minimum levels of skill that have the potential to enhance productivity.

2.29 Second, while the informal sector contributes substantially to national output, the heterogeneity of the sector results in a large range of vintages of technology used and products produced. Even across different market and consumer segments, quality standardization is essential to ensure effective marketing of the products of the sector and upgradation of skills is essential, along with other inputs, to achieving standardization. The viability of large parts of the informal economy might itself be contingent on the existence and provision of formal, standardised skills.

2.30 Together, the above two aspects suggest that for many in the informal sector, the acquisition of formal skills might be a necessary condition to gain entry into segments of the labour market that can potentially generate greater income or to be part of viable production systems

that can potentially result in better livelihoods. The Commission's analysis in the rest of this report strongly suggests that the formal systems of skill imparting are essential for the informal sector.

2.31 It is reasonably well established that in India, formal skill acquisition, through VET systems, has been hardly successful in helping those in the informal sector to get jobs, even at the very low levels at which they have been provided.

2.32 Literature looking into the reasons for low levels of skill formation in developing countries, identify the state run vocational education and training systems as being too supply driven and far-removed from market demand. It is suggested that they should be responding to market demand with a greater role for the private sector and for enterprises. There is an assumption here that by virtue of their closer contact with the market, an employer-operated training could be more efficient with private firms and small enterprises at their centre, coordinated through business associations and other such intermediary institutions. To use existing patterns of market demand alone to signal what the training needs of the economy are and also determine the outcomes of training initiatives will, however, bypass most members in the informal sector. The extent and quality of training is constrained by the nature of the economy and level of enterprise development. The largest part of the informal sector consists of workers/enterprises where private

initiative would not be forthcoming for skills up-gradation, as they are either out of the loop vis-à-vis the formal sector or are involved in ways that provide the cushion against adversity for the formal sector. In these cases, leaving them as they are, forming the base of the low cost economy, will serve the needs of the organised sector best. Further, even if private actors perceive the need for training, they might be too small in size to garner resources to provide/undertake training.

2.33 There is scope for upgradation in a range of informal sector activities where existing markets will not generate conditions conducive for training. These markets can be tapped only once the interventions have been made, requiring the active participation of public agencies. In a sense, therefore, a distinction has to be made between existing patterns of demand and potential demand which does not get expressed or is even perceived as existing. In fact, this typically exists in services like cleaning, housemaids and so on which are often considered low quality, low productivity work.

2.34 Despite all their weaknesses, we stress strongly that there is a need for public technical and vocational education establishments or other forms of collective organizations to play a definite role in finding new ways of teaching and learning to make them more relevant to the informal sector's needs. Given the large numerical presence of such self-employed workers, as has been pointed out earlier, this point is especially relevant.

# 3

## Skill Profile of the Indian Workforce

3.1 This chapter looks at the overall picture of skill acquisition and development of the unorganised or informal sector in India. In this report, we have used different measures of skill. The first is the level of education of the individual and the second being the extent of vocational training. Vocational training is broadly defined as training that prepares an individual for a specific vocation or occupation. The main objective of vocational education and training is to prepare persons, especially the youth, for the world of work and make them employable for a broad range of occupations in various industries and other economic sectors. VET aims at imparting training to persons in specific fields through providing significant 'hands on' experience in acquiring necessary skills, which make them employable or create for them opportunities of self-employment. Vocational training may be non-formal or formal. Since acquisition of skills through non-formal training is, by definition unstructured and since it is difficult to have a clear definition of skills, it is very likely the case that the surveys on which our analysis is based underestimate the extent of non-formal skill acquisition, especially in certain sectors such as agriculture. This caveat should be borne in mind while using the results shown below.

3.2 There has been no special effort on the part of the government to collect data on skills regularly as part of the administrative process. The

main source of data at the national level is the Directorate General of Employment and Training (DGE&T), Ministry of Labour. The other sources of data on skills are the recent ad hoc surveys of the National Sample Survey Organization (NSSO). The NSSO has asked questions relating to possession of skills in surveys of 1993-94, 1999-2000 and 2004-05. Each survey had a different scope, but taken together they give us some idea of the skill profile of the population.

3.3 This chapter bases itself on information regarding the level of marketable skills, both formal and informal, that are possessed by people in India according to NSSO surveys and assessments of number of people trained through the various formal vocational skill acquisition programmes. It attempts to evaluate the level and type of skill availability with estimates of the level and nature of demand for skills in the economy. It also looks at the relationship between the level of skills and educational profile of the workforce and between skill availability, education and poverty.

### Foundational Requirements: Literacy, Numeracy, Education

3.4 Education may be treated as the foundation for acquiring formal skills and also as creating generic skills. Education prepares a person to acquire different types of skills and higher forms of cognitive skills may require high levels of education. Thus, general education is highly

important in itself. However, we do not see general education as a substitute for skill acquisition since the latter prepares people to carry out specific tasks. It is, however, important to recognize the complementary relationship between different levels of education and different types of skills. In other words, some level of education may be seen as foundation for acquiring a specific type of skill. In order to emphasize on skill training it is important to have an idea whether the people have the basic foundation in terms of literacy and numeracy as well as absorptive capacity in terms of a particular level of education for a specific type of formal training. Thus, level of educational attainment of the population tells us about the generic and foundational skills residing in a population.

3.5 In 2004-2005 the share of population of 15 years and above who were illiterate or below primary education comprised 47 per cent (Table 3.1). This share was higher among women (58 per cent) and in rural areas. While 13 per cent of population had primary education 16 per

cent had middle level of education. The share of educated persons i.e. those with secondary and above was higher at 24 per cent. The share of educated persons is higher as expected among men and in urban areas.

3.6 One can expect a certain pace of cohort-wise improvement, but even among the 15 -29 years population, in 2004-05, educational attainment was still quite low with 31 per cent of them having below primary level of education and 38 per cent population with primary or middle level education only (Table 3.1). There is some improvement over the years. In 1993-94, in the age group 15-29 years, the share of persons educated up to below primary was 45.2 per cent while 32 per cent had passed primary or middle classes.

### Workforce and Educational Attainments

3.7 The Commission has, in its 2007 Report on Working Conditions, analysed the educational status of workers in the organised and unorganised sectors, formally and informally employed workers, by social and gender

Table 3.1: Educational Attainment of Persons (2004-2005)

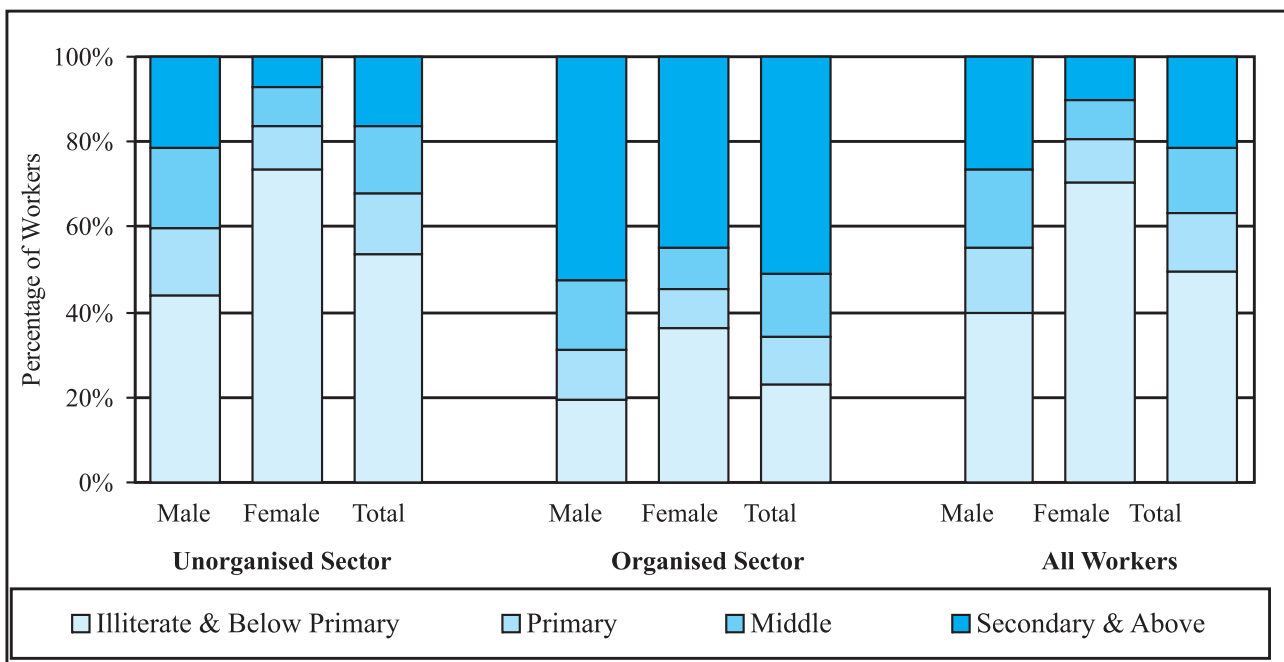
	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>15 and Above Years</b>									
Illiterate & Below Primary	44.5	67.7	56.0	19.7	35.6	27.1	36.7	58.3	47.2
Primary	15.3	10.8	13.1	12.6	12.1	12.3	14.4	11.2	12.8
Middle	19.1	11.3	15.3	19.4	16.8	18.2	19.2	12.9	16.2
Secondary & Above	21.1	10.2	15.7	48.3	35.6	42.3	29.7	17.6	23.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>15 -2 9 Years</b>									
Illiterate & Below Primary	27.8	47.7	37.6	13.7	20.1	16.6	23.2	39.6	31.0
Primary & Middle	43.9	33.8	38.9	37.6	33.2	35.6	41.8	33.6	37.9
Secondary	15.4	10.3	12.9	19.1	17.7	18.5	16.6	12.5	14.6
HS & Above	12.9	8.1	10.6	29.6	29.0	29.3	18.4	14.3	16.4
Technical	1.7	1.0	1.4	6.7	4.4	5.7	3.4	2.0	2.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

status etc. The educational status of workers in the organised and unorganised sector of the economy is given in Fig 3.1. The Commission, in the above report, expressed the view that low levels of education and skills are one of the primary reasons leading to a hierarchy of work relationships, segmentation of the workforce and vulnerability. *Improving the access of all sections of the population to quality education at least up to the secondary level must therefore be highlighted as one of the most urgent developmental requirements.*

miscellaneous category of 'Others'.<sup>1</sup> The above question enabled a categorisation of the population into those with skills and those without. On the other hand, it enabled analysis of the distribution of the population among select skill types and identified the predominant skills. Besides as it pertained to the entire population the skill of all segments of the population could be ascertained. However, the question on skill had two limitations. Firstly, it limited the skills to be chosen from a select 30 categories, leaving no scope for individuals to specify skills outside the given

Fig. 3.1: Educational Attainment of Workers Aged 15 & Above by Sectors, (2004-2005)



Source: Computed from unit level data of NSS 61st Round, 2004 - 2005, Employment-Unemployment Survey and adjusted for population

### Skill Base of Population in 1993-1994

3.8 The National Sample Survey on Employment and Unemployment, 50th Round, 1993-94 canvassed a separate question on skill along with the questions on education and technical education. The question on skill involved asking the respondents to choose from a given list of 31 skills types including an option 'No skill' and a

list, leaving them with no option other than to classify themselves with 'others'. Secondly, the skills asked in the 50th round were more in line with traditional skill set, barring certain exceptions. The skill set associated with the newer trades were not adequately represented. The survey did canvass a separate question on technical/vocational education leading to certificates, diplomas or

<sup>1</sup> The various skills included in the list were Stenographer; machineman; fitter, die-maker; electrician; repair of electronic goods; motor vehicle driver; fisherman; miner, quarryman; spinner including charkha operator; weaver; tailor, cutter; carpenter; mason; bricklayer; shoemaker, cobbler; moulder; blacksmith; goldsmith; silversmith; boatman; potter; nurse, midwife; basket maker, wick product maker; toy maker; brick maker; tile maker; bidi maker; book-binder; barber; mud-house builder & thatcher and Others.

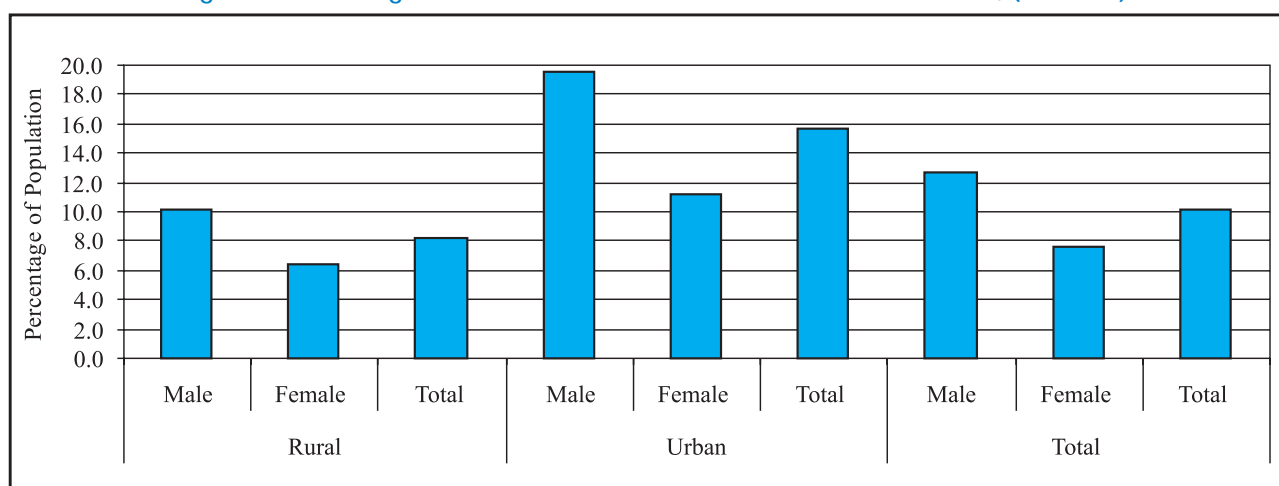
degrees which could be used to glean information on upper end skill acquisition.

3.9 Analysis of this data reveals that nearly 90 per cent of the total population did not have any skills. Approximately 10 per cent of population reported as having skills (91.2 million). The proportion of skilled workers in the workforce was very low (Fig 3.2). In rural areas, only about 10 per cent of the men (34.2 million) and 6.3 per cent of the women (20.3 million) possessed specific marketable (formal or non-formal) skills. The percentages are reported higher in urban areas, but still very low — only 19.6 per cent for men (24.3 million) and 11.2 per cent for women (12.4 million). However, as discussed earlier, these only refer to the lower level skills and not the skills of professional and more qualified workers.

was examined and taken as a guideline to classify the skills. The distribution of the population was explored to determine the educational levels. The skills wherein majority of population were illiterate & below primary educated and primary & middle educated, while low share of population were educated at secondary and above level were considered as skills which were predominantly informal. The skills wherein a substantial proportion of population had even secondary and higher education were classified as predominantly formal. The only exception was nurses and midwives which was classified as predominantly informal for rural and predominantly formal in urban areas.

3.12 Based on the above analysis the skills *considered predominantly informal* are: fisherman; miner, quarryman; spinner including charkha operator; weaver; tailor, cutter;

Fig.3.2: Percentage Distribution of Persons with Marketable Skills, (1993-94)



Source: Computed using unit level data of NSS on Employment and Unemployment, 50th Round, Schedule 10, 1993-94

3.10 Among the population with skills, the predominant group was tailors (17.1 per cent), followed by weavers (8.2 per cent). Other skills with share above 5 per cent were motor vehicle drivers, stenographers and bidi makers (Appendix Table A 3.1). Some other skills with a relatively high share of more than 2 per cent of the total were: carpenters, masons, mud house builders/thatchers, fisher men and basket/wick product makers.

3.11 For purpose of analysis the skills reported in the 50th round have been classified by us into predominantly formal and predominantly informal. The general educational attainment levels of the persons with skills

carpenter; mason; bricklayer; shoemaker, cobbler; moulder; blacksmith; goldsmith; silversmith; boatman; potter; midwife (rural); basket maker, wick product maker; toy maker; brick maker; tile maker; bidi maker; book-binder; barber; mud-house builder & thatcher and Others. Skills considered *predominantly formal* are: Stenographer; machine man; fitter, die-maker; electrician; repair of electronic goods; motor vehicle driver and midwife (urban). According to our categorization, in 1993-94, approximately 2 per cent of the population had predominantly formal skills, while 8.2 per cent of the population had predominantly informal skills. The

corresponding shares among the labour force were 4.2 per cent of mechanics and 8 per cent of electricians. Of the female and 15.3 per cent. (Table 3.2)

Table 3.2: Skills of Population in the Age Group 15 -29, (1993-94)

Skill	Rural			Urban			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Formal	3.9	0.5	2.2	9.7	2.7	6.4	5.6	1.1	3.4
Informal	10.6	10.7	10.7	16.3	15.0	15.7	12.3	11.9	12.1
No Skill	85.5	88.8	87.1	74.0	82.3	77.9	82.1	87.0	84.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

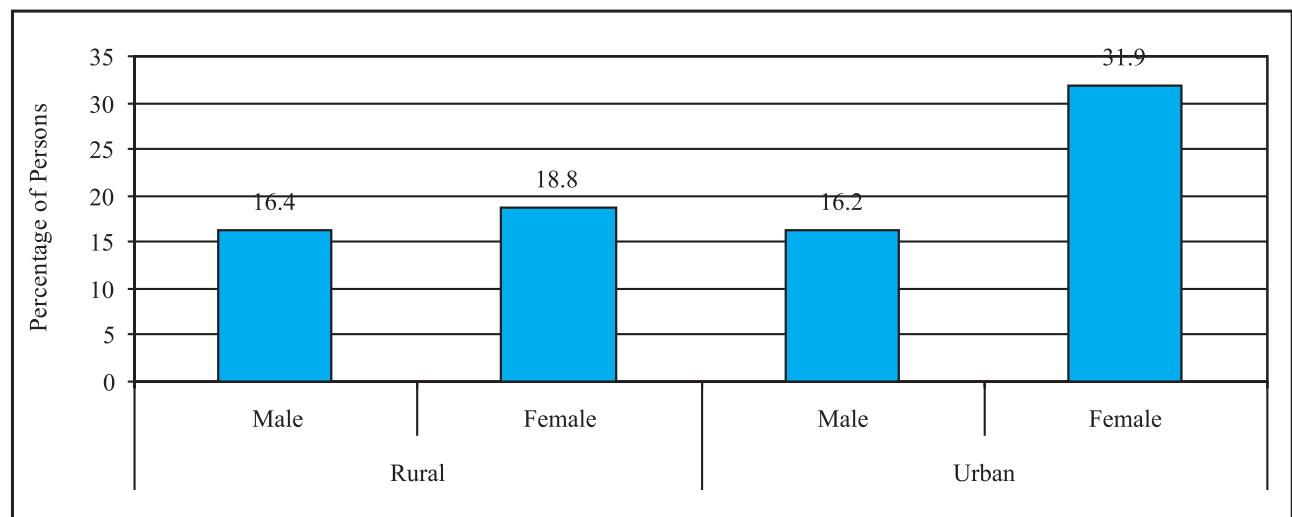
Source: Computed using unit level data of NSS on Employment and Unemployment, 50th Round, Schedule 10, 1993-94

### Skill Base of Unemployed 1999-2000

3.13 The NSSO Survey on Employment and Unemployment (1999-2000) had sought information on the skill levels of the unemployed only. The results showed that in rural areas, only 16.4 per cent of the male unemployed workers and 18.8 per cent of female unemployed workers possessed specific marketable skills (Fig. 3.3). The percentage of males unemployed in urban

unemployed in rural areas, 37 per cent possessed tailoring/cutting skills while 22 per cent could work as stenographers. Among the urban unemployed males, 18 per cent could work as stenographers, 9 per cent as mechanics, 8 per cent as electricians and 7 per cent as drivers. Of the females unemployed in urban areas, 30 per cent could work as stenographers and 22 per cent as tailors. More than 5 per cent of each of the four categories

Fig. 3.3: Percentage Distribution of the Unemployed by Marketable Skill, (1999-2000)



Source: Computed from NSS 55th Round, 1999-2000, Employment-Unemployment Survey.

areas was almost identical to that of rural areas. However, a significantly higher proportion of about 32 per cent of the female unemployed workers in the urban areas are reported to possess some skills. Among the rural male unemployed, 17 per cent possessed skills of stenographer, 12 per cent of drivers (vehicle or tractor), 9 per cent of

of unemployed had computer programming skills. However, on the whole more than 18 per cent of the unemployed possessed marketable skills.

### Skills among the Youth in 2004-2005

3.14 The NSS round 2004-05 collected information about the skill profile of the youth (15-29 years), with



enquiries as to whether the respondents had or were undergoing formal or non-formal training. Non-formal training includes both hereditary and other training. When the expertise acquired enabled him/her to carry out the trade or occupation of their ancestors over generations, it was considered a 'hereditary' source. Any other 'non-formal' vocational training received from other than the household members to pursue a vocation, whether hereditary or not, was considered 'other' sources. Formal vocational training is the training that took place in educational and training institutions which followed a structured training programme and led to recognized certificates, diplomas or degrees. Formal vocational training had the following characteristics: (i) Structured training programme towards a particular skill, and (ii) Certificate / diploma / degree received had recognition by accreditation agencies..

3.15 The 15-29 years age-group comprised 27 per cent of the total population of 1089 million as on 1st January, 2005 which is marginally lower than in 1993-94. It is estimated that on the whole, only 11.5 per cent of those in this age-group 15-29 have received (or were receiving) any training, whether formal or informal. Of those with informal or formal skill training, 33 per cent

have received or were receiving formal training accounting for 11 million (Table 3.3). A total of 3.9 million persons in this age group (about 1 per cent of the total) were receiving formal vocational training while about 2 per cent received formal vocational training, constituting about 3.8 per cent of the population with formal training (Fig. 3.4).

3.16 Gender differences in skill training are quite significant among the trained, both the informally and the formally. A lower proportion of women (8.9 per cent) than men (13.9 per cent) in both the rural and urban areas received vocational training (formal and informal) (Fig. 3.5). Formal skills were confined to 3.1 per cent women in this age group, compared to 4.5 per cent men. About 5.8 per cent women had informally acquired the skills compared to 9.4 per cent men. (Fig. 3.4).<sup>2</sup>

3.17 Urban/rural location provides another element of difference. While only 2.1 per cent of the youth population had acquired (or was acquiring) formal skill training in rural areas, this proportion was much higher at 7.6 per cent in urban areas. This difference, however, does not persist with respect to informal skill acquisition (which is in fact somewhat higher at 7.9 per cent of the

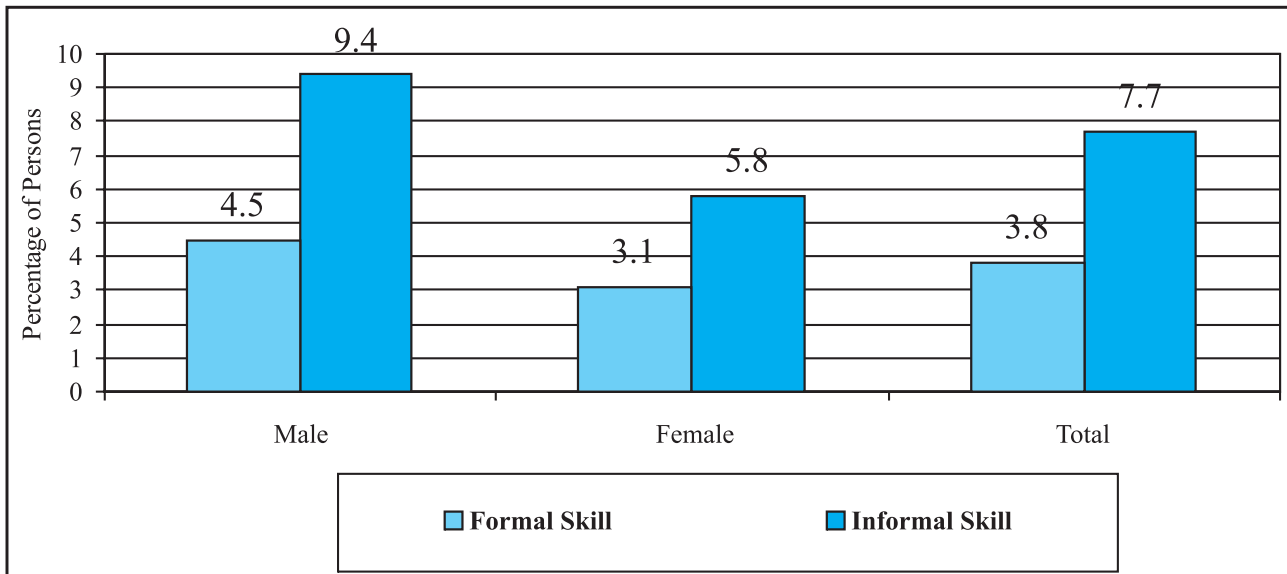
Table 3.3: Skill Levels of Population in the Age Group 15 -29 in 2004-05 (in millions)

Skill	Rural			Urban			Rural + Urban		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Receiving formal training	1.1	0.5	1.5	1.7	0.8	2.4	2.7	1.2	3.9
Received formal training	1.5	1.2	2.7	2.6	1.8	4.4	4.1	3.1	7.1
<b>Formal</b>	2.6	1.7	4.3	4.2	2.6	6.8	6.8	4.3	11.1
Hereditary	5.9	3.1	9.0	1.5	0.7	2.2	7.4	3.8	11.2
Others	3.8	2.9	6.7	3.0	1.3	4.3	6.8	4.3	11.0
<b>Informal</b>	9.6	6.1	15.7	4.6	2.0	6.6	14.2	8.1	22.3
No training	88.3	88.9	177.3	40.4	36.1	76.5	128.7	125.0	253.7
<b>Total</b>	<b>101.4</b>	<b>97.7</b>	<b>199.1</b>	<b>49.4</b>	<b>41.0</b>	<b>90.4</b>	<b>150.8</b>	<b>138.7</b>	<b>289.5</b>

Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

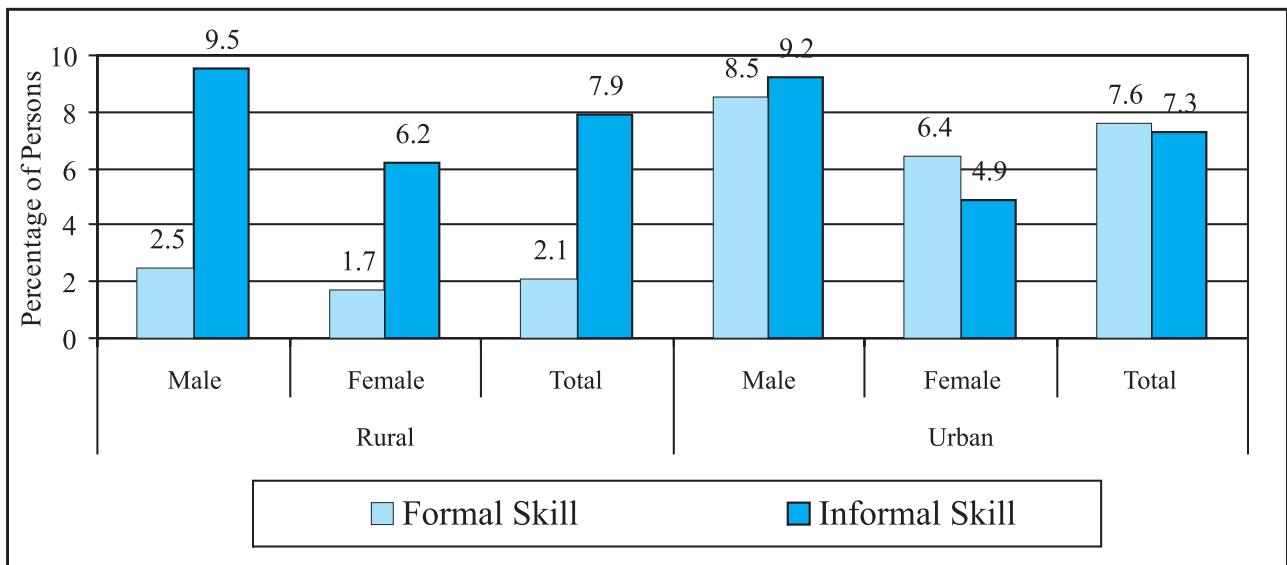
<sup>2</sup> In 1993-94, approximately 3.4 per cent of persons in the age group of 15-29 years had predominantly formal skills while 12 per cent of population had predominantly informal skills (Table 3.2). These cannot be strictly compared with 2004-2005 as the criteria of skill are different.

Fig. 3.4: Percentage of Population with Skills in the Age Group 15 -29, (2004-05)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

Fig. 3.5: Percentage of Population with Skills in the Age Group 15 -29 by Place of Residence, (2004-05)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

youth in rural areas, compared to 7.3 per cent in urban areas).

3.18 Across the states as well, the pattern of skill acquisition varies very significantly. We have focused (Table 3.4) on formal skill acquisition. The largest share of youth with formal skills was in Kerala (15.5 per cent),

followed by Maharashtra (8.3 per cent), Tamil Nadu (7.6 per cent), Himachal (5.60 per cent) and Gujarat (4.7 per cent). The lowest incidence of formal training was in Bihar (0.5 per cent). Among those trained or undergoing formal training, Maharashtra accounted for 21.7 per cent. Kerala and Tamil Nadu had more than 10 per cent share in the skilled youth with formal skills.

Gujarat and Andhra Pradesh too have a relatively higher share of skilled population in 15–29 age groups. Thus, the southern and western states form a continuous zone wherein the share of population with formal skills is relatively high. Together the six states accounted for 63 per cent of the formally trained people. These are primarily the states which have more industries, higher levels of education, and a higher availability of training infrastructure and training capacity both in the public and private sectors.

### Formal Training in Unorganised & Organised Sectors

3.19 In India, the discussion on the impact of existing

**Table 3.4: Percentage of Persons in Age-group 15 - 29 Years with Formal Training among the States, (2004-2005)**

State	Statewise distribution of Persons with	
	Formal Training (Per cent)	Percentage of Persons with Formal Training to Total State Population
J&K	0.4	2.0
Himachal Pradesh	1.0	5.6
Punjab	2.8	4.1
Uttaranchal	0.8	3.9
Haryana	2.8	4.5
Delhi	1.7	4.1
Rajasthan	2.5	1.7
Uttar Pradesh	6.9	1.7
Bihar	0.8	0.5
Assam	0.8	1.4
West Bengal	6.9	3.2
Jharkhand	0.8	1.3
Orissa	1.9	1.9
Chhatisgarh	2.0	3.5
Madhya Pradesh	3.4	2.2
Gujarat	6.6	4.7
Maharashtra	21.7	8.3
Andhra Pradesh	6.6	3.2
Karnataka	4.6	3.1
Kerala	12.2	15.5
Tamil Nadu	11.3	7.6
North-east	0.4	1.3
Union Territories	1.3	12.6
<b>Total</b>	<b>100.0</b>	<b>3.9</b>

**Source:** Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

skill delivery systems and what needs to be done hinges critically on the characteristics of the workforce, an overwhelming proportion of whom is employed in the informal sector of the economy. The estimates of formal/organised and informal/unorganised sector workers as per 55<sup>th</sup> and 61<sup>st</sup> Rounds NSSO Surveys show that more than 86 per cent of the employment was in the unorganised sector. The Commission has estimated that 135 million workers in the unorganized sector were in the age group 15-29. Among the 5.4 million workers who received formal training in this age group, 3.4 million workers, (63 per cent of the total trained people) belonged to the unorganised sector. This shows that the organised sector, for one or the other reason, is unable to absorb a majority of the formally trained youth who find a place in the unorganised sector. Given the characteristics of the formally trained at this point of time, these persons undoubtedly form an upper segment of the unorganised workforce.

3.20 Among the informally trained, 17 million were in the unorganised sector, compared to 1.9 million in the organised sector. As a percentage of the workforce, only 2.5 per cent of the total unorganised sector workers had formal training while 12.5 per cent had non-formal training. In the organised sector, 11 per cent workers had formal training and another 10.4 per cent had informal training (Table 3.5). It appears that a range of formal skills can be absorbed both in the upper segment of the

**Table 3.5: Percentage of Workers in Age-group 15 - 29 Years by Vocational Training Status (2004-2005)**

Usual Status	Formal	Non-formal	Total
Unorganised	2.6	12.9	15.4 (86.9)
Organised	10.1	10.7	20.8 (13.1)
<b>Total</b>	<b>3.6</b>	<b>12.6</b>	<b>16.1</b>
	Female		
Unorganised	2.3	11.7	14.03 (91.5)
Organised	14.2	9.4	23.61 (8.5)
<b>Total</b>	<b>3.3</b>	<b>11.5</b>	<b>14.84</b>
	Persons		
Unorganised	2.5	12.5	15.0 (88.4)
Organised	11.0	10.4	21.4 (11.6)
<b>Total</b>	<b>3.5</b>	<b>12.2</b>	<b>15.7</b>

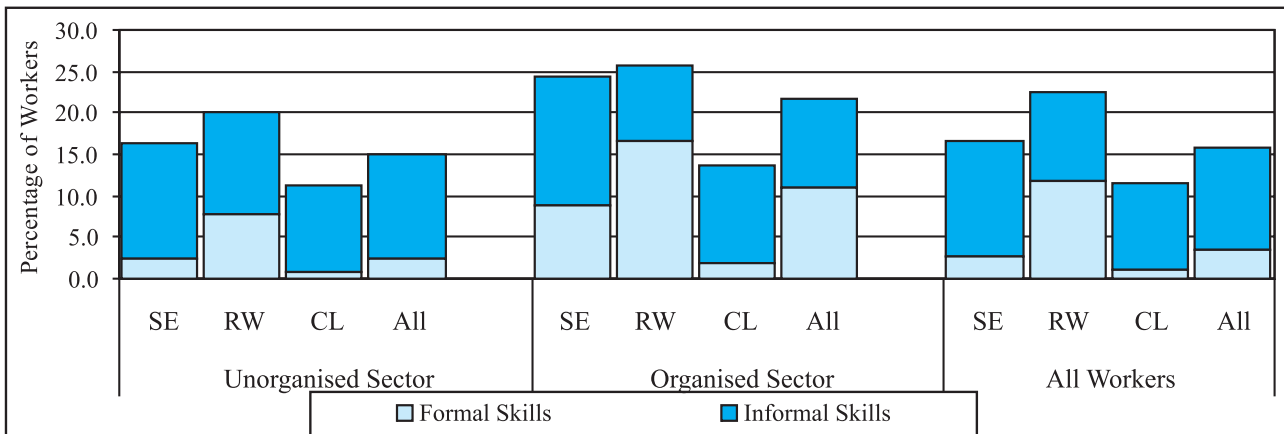
**Source:** Computed from unit level data, NSS 61st Round, 2004 - 2005, Employment-Unemployment Survey, adjusted for population.

unorganised sector as well as the organised sectors, and due to reasons of employment, a majority of such workers are absorbed in the unorganised sector. Later in this chapter we identify the characteristics and spread of skilled workers across the organised and unorganised sectors.

3.21 Among the youth in the age group 15 to 29 years about 53 per cent were workers, 3 per cent were unemployed, 20 per cent attended educational institutions and 24 per cent were non-workers. While 11.5 per cent of all youth received vocational training, about 17 per cent of the unemployed and 16 per cent of the workers did so. About 22 per cent of the regular workers and 16 per cent of the self employed received training (Fig 3.6). Across employment status, formal training is the highest

which absorb more formal training. This is evident by the fact that the share of workers with formal skills is higher in Health & Social Work, Real Estate, Finance, Education and Public Administration (Appendix Table A 3.2). It is however interesting to note that the shares of the formally trained in a few sectors such as education, public administration and construction are estimated as being higher in the unorganised sector. Although formal skills are more prevalent in the organised manufacturing sector, workers with any skill are more prevalent in the unorganised sector. The analysis also shows that the share of those with formal skills is negligible in several sectors including agriculture and private households with employed persons.

Fig. 3.6: Skills of Workers (15 - 29 years) by Employment Status & Sector (2004-2005)



SE= Self-employed; RW = Regular Workers; CW = Casual Workers

Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

among regular workers, followed by the self-employed, and lowest among the casually employed. Non-formal training is, however, the highest among the self-employed followed by the regularly employed and then the casually employed. It is noteworthy that the difference in informal training status across activity status is much smaller than formal training status.

3.22 This pattern replicates itself across both the unorganised and organised sectors, though the level of formal as well as overall training is higher in the organised sector.

3.23 The share of those with formal skills across industrial categories also indicates that there are certain industries, in both the unorganised and organised sectors,

3.24 Industries in which formal skills are low but the percentage of workforce with any skills is quite high, such as manufacturing, construction, trade, hotels, and community and personal services are clearly those where there is *prima facie* requirement of developing expanded formal training systems.

### Education & Skill Acquisition

3.25 If education is examined in conjunction with training, a pattern emerges. Non-formal training is higher among those with lower levels of education (up to middle) and declines thereafter. But the proportion of formally trained persons is higher among the higher educated youth. The incidence of formal skill training was only about 0.2 per cent among the illiterate youth.

This rises to 17.5 per cent in the case of those with graduate and above formal education. (Table 3.6). Difference by gender in this pattern is not high, though men at all levels of education tend to have a higher incidence of training.

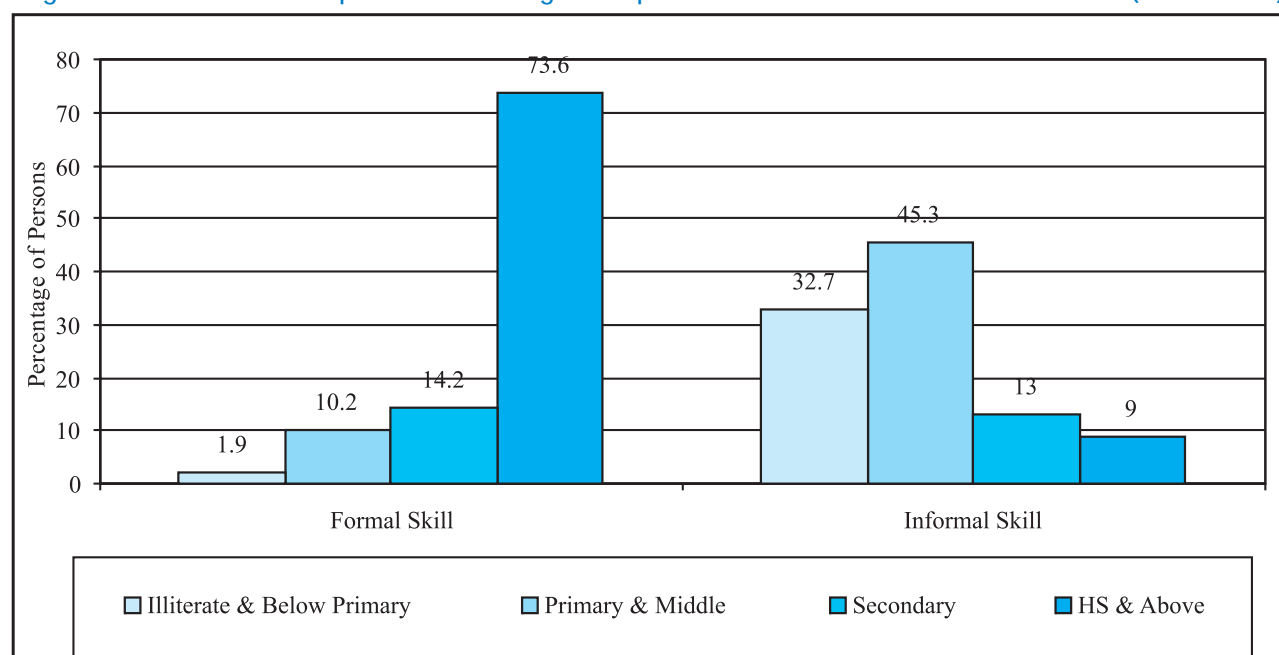
3.26 As Fig. 3.7 shows, 74 per cent of the formally trained persons have higher secondary or higher levels of education while, on the other hand, 78 per cent persons with informal skills have middle or lower level of education. The issue therefore is not that persons with

Table 3.6: Percentage of Persons in 15 - 29 Years with Vocational Training by Education & Gender (2004-2005)

Educational Attainment Levels	Males			Females			Persons		
	Formal	Non-formal	Total (With Skill)	Formal	Non-formal	Total (With Skill)	Formal	Non-formal	Total (With Skill)
Illiterate & Below Primary	0.3	10.7	11.0	0.2	6.4	6.7	0.2	8.1	8.3
Primary	0.6	12.2	12.7	0.5	6.7	7.3	0.6	9.7	10.3
Middle	1.2	10.6	11.8	1.5	6.4	8.0	1.3	8.9	10.2
Secondary	4.1	8.1	12.2	3.2	5.0	8.2	3.7	6.8	10.6
Higher Secondary	9.8	5.6	15.4	7.3	3.5	10.8	8.7	4.7	13.5
Diploma/Certificate	70.4	2.9	73.3	68.3	2.7	71.0	69.7	2.8	72.5
Graduate & Above	17.5	4.5	22.0	17.4	2.8	20.2	17.5	3.7	21.2
<b>Total</b>	<b>4.5</b>	<b>9.4</b>	<b>13.9</b>	<b>3.1</b>	<b>5.8</b>	<b>8.9</b>	<b>3.8</b>	<b>7.7</b>	<b>11.5</b>

Source: Source: Computed from unit level data, NSS 61st Round, 2004 - 2005, Employment Unemployment Survey, adjusted for population.

Fig. 3.7: Distribution of Population in the Age Group 15-29 across Education & Skill Levels (2004-2005)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey

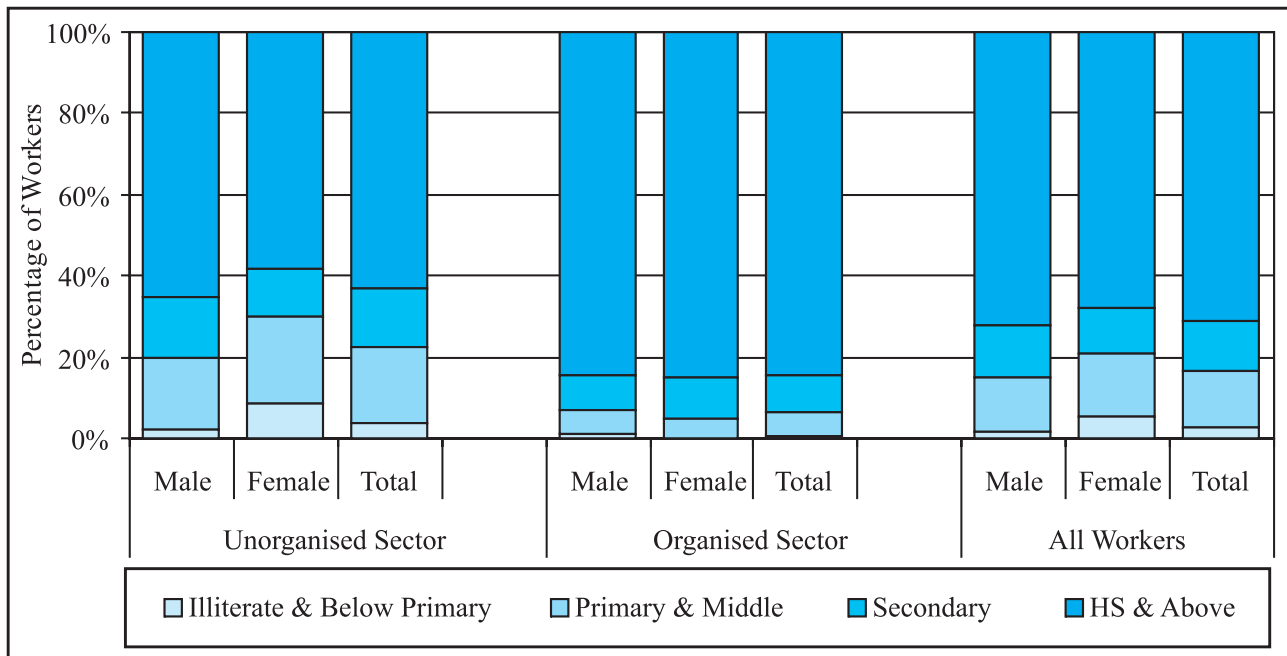
lower levels of education can not acquire skills, but that the existing training systems are oriented towards providing formal training only to those persons with higher levels of education.<sup>3</sup> Most vocational training programmes, including the ITIs, require at least secondary or higher secondary levels of education to be able to enroll in the programme.

3.27 The education and skill relationship prevails even within unorganised and organised sectors. But, as one might expect, there are some differences. In the organised sector, 94 per cent of the formally trained workers had secondary or higher educational levels (Fig. 3.8). But in the unorganised sector, this percentage was lower at 77 per cent i.e. in the unorganised sector slightly less than a quarter of the formally trained workers had middle or lower education. This percentage was higher among women, 30 per cent of the formally trained female workers have middle or lower education (compared to a figure of about 20 per cent for male workers).

## Trades & Formal Training

3.28 The NSSO provides information regarding the trades for which formal skill training has been provided to the persons in 15 – 29 years age group. The most sought after field of formal vocational training was ‘computer trades’ (nearly 30 per cent). For men the next most popular trades were electrical and electronics (18.2 per cent), followed by mechanical engineering (12.3 per cent), ‘driving’ (9.4 per cent), ‘civil engineering’ (4.7 per cent), health and paramedical (4.3 per cent) and office and business work’ (4.1 per cent). Among women there was concentration of vocational training in computers followed by ‘textile related trade’ (22 per cent). The next most popular trades among women are ‘health and paramedical’ and office and business work. While the overall preferences were not very different among men in rural and urban areas, the demand from rural female was a little different (Table 3.7). Among the female youth in rural areas, the first preference for vocational training was textile and related trades (31 per cent), followed by

Fig 3.8: Educational Levels of Usual Principal and Subsidiary Status Workers with Formal Skills (15-29 years) by Sector (2004-2005)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

<sup>3</sup> However, in spite of the improvement in the educational profile, there has been a fall in the level of overall skills, during the 11 year period for all categories of education and sex except for higher secondary and above.

computer trades (21 per cent), and health and paramedical trades (10 per cent). Among urban women it was computer related trades (39 per cent) followed by textile related (18 per cent) and health and paramedical trades (9 per cent).

are a handful of trades where the incidence of formal training is higher in the informal sector. These are: textile related trades; handicraft/artisan/cottage based production; and driving and motor mechanic work.

Table 3.7: Percentage of Persons in Age-group 15 - 29 Years Receiving/ Received Formal Vocational Training by Field of Vocational Training & Sex (2004-2005)

Field of Vocational Training	Persons	Population (15-29 Years)		Workers (15-29 Years)		Total
		Male	Female	Unorganised	Organised	
Mechanical Engineering	7.9	12.3	1.0	7.5	12.1	9.2
Electrical & Electronic Engineering	12.5	18.2	3.5	12.8	13.8	13.1
Computer Trades	30.0	29.9	30.0	23.5	32.3	26.8
Civil engineering and building construction related works	3.3	4.7	1.2	3.9	2.1	3.3
Chemical Engineering	0.3	0.5	0.0	0.1	0.2	0.1
Leather Related	0.2	0.3	0.1	0.4	0.0	0.2
Textile Related	9.8	1.9	22.2	11.7	4.4	9.0
Catering, nutrition, hotels and restaurant related work	0.9	1.1	0.6	0.6	0.9	0.8
Artisan/ craftsman/ handicraft and cottage based production work	1.9	1.5	2.5	2.8	0.9	2.1
Creative arts/ artists	1.2	0.8	1.9	0.4	1.3	0.8
Agriculture and crop production related skills and food preservation related work	0.6	0.7	0.4	0.6	0.3	0.5
Non-crop based agricultural and other related activities	0.5	0.5	0.5	0.7	0.5	0.6
Health and paramedical services related work	6.4	4.3	9.9	4.9	8.6	6.3
Office and business related work	4.8	4.1	5.8	2.9	4.3	3.4
Driving and motor mechanic work	5.9	9.4	0.5	13.0	5.6	10.3
Beautician, hairdressing & related work	1.7	0.0	4.3	1.7	0.2	1.1
Work related to tour operators/ travel managers	0.1	0.0	0.0	0.0	0.0	0.0
Photography and related work	0.1	0.2	0.1	0.4	0.0	0.2
Work related to childcare, nutrition, pre-schools and crèche	1.0	0.0	2.6	1.3	1.4	1.3
Journalism, mass communication and media related work	0.3	0.3	0.1	0.1	0.5	0.2
Printing technology related work	0.5	0.6	0.5	0.9	0.5	0.7
Other	9.1	7.9	10.9	9.9	10.2	10.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Computed from unit level data of NSS 61st Round, 2004 - 2005, Employment-Unemployment Survey and adjusted for population

3.29 An analysis of formal training among the workers shows that there are quite a few trades where training is concentrated among both organised and unorganised sector workers (Appendix Table A3.3). However, there

### Poverty & Formal Skills

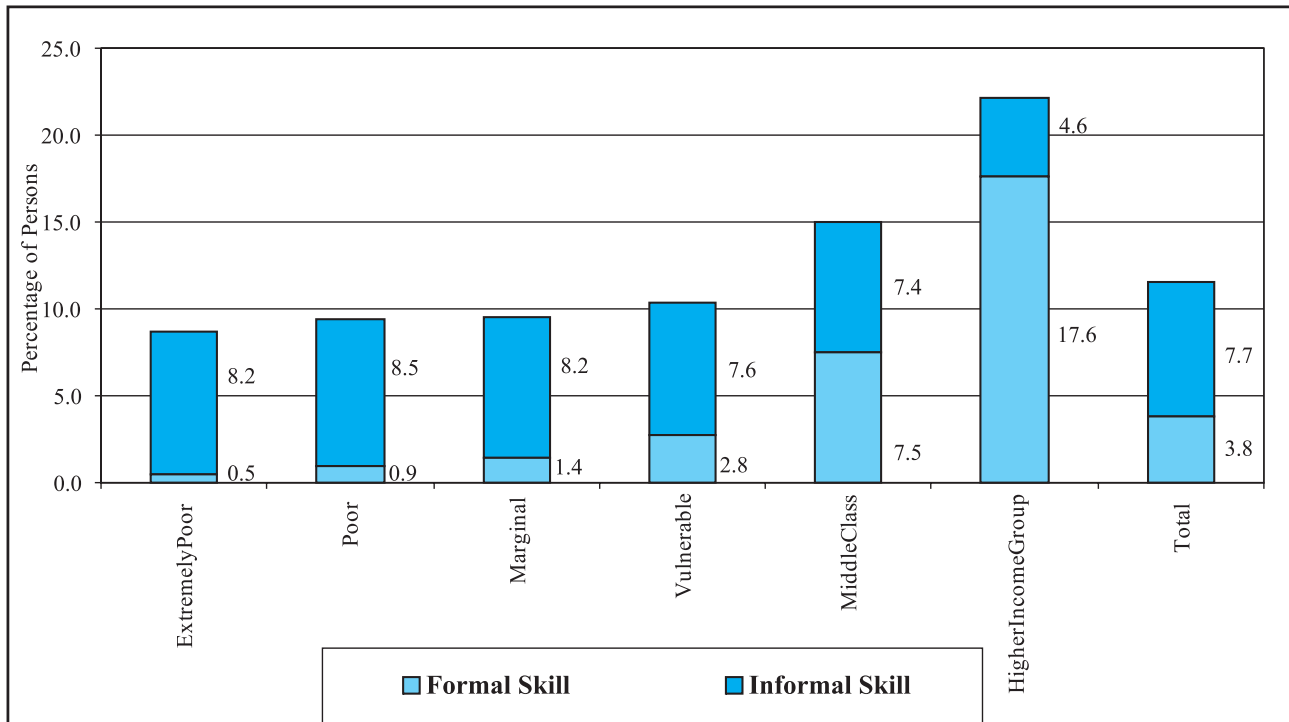
3.30 Poverty is undoubtedly a significant barrier in acquiring skills. A poor person has hardly any chance of acquiring formal skills. The incidence of training is fairly

high only for the middle and high income groups. Our analysis shows that 7.5 per cent of the middle and 17.6 per cent high income groups were formally trained (Fig. 3.9). Such a systematic association between income and

### Multivariate Analysis of the Factors Influencing Formal Skills Acquired

3.32 The above analysis shows quite clearly that the

Fig. 3.9: Percentage of Persons in the Age Group 15 -29 with Formal Skill in Poverty Groups (2004-2005)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

training status is not the case with non-formal training which is fairly dispersed across the lower income groups. While any formal training system has to overcome the barrier posed by the economic status of the potential trainee, possession of informal skills does not provide workers a way out of poverty.

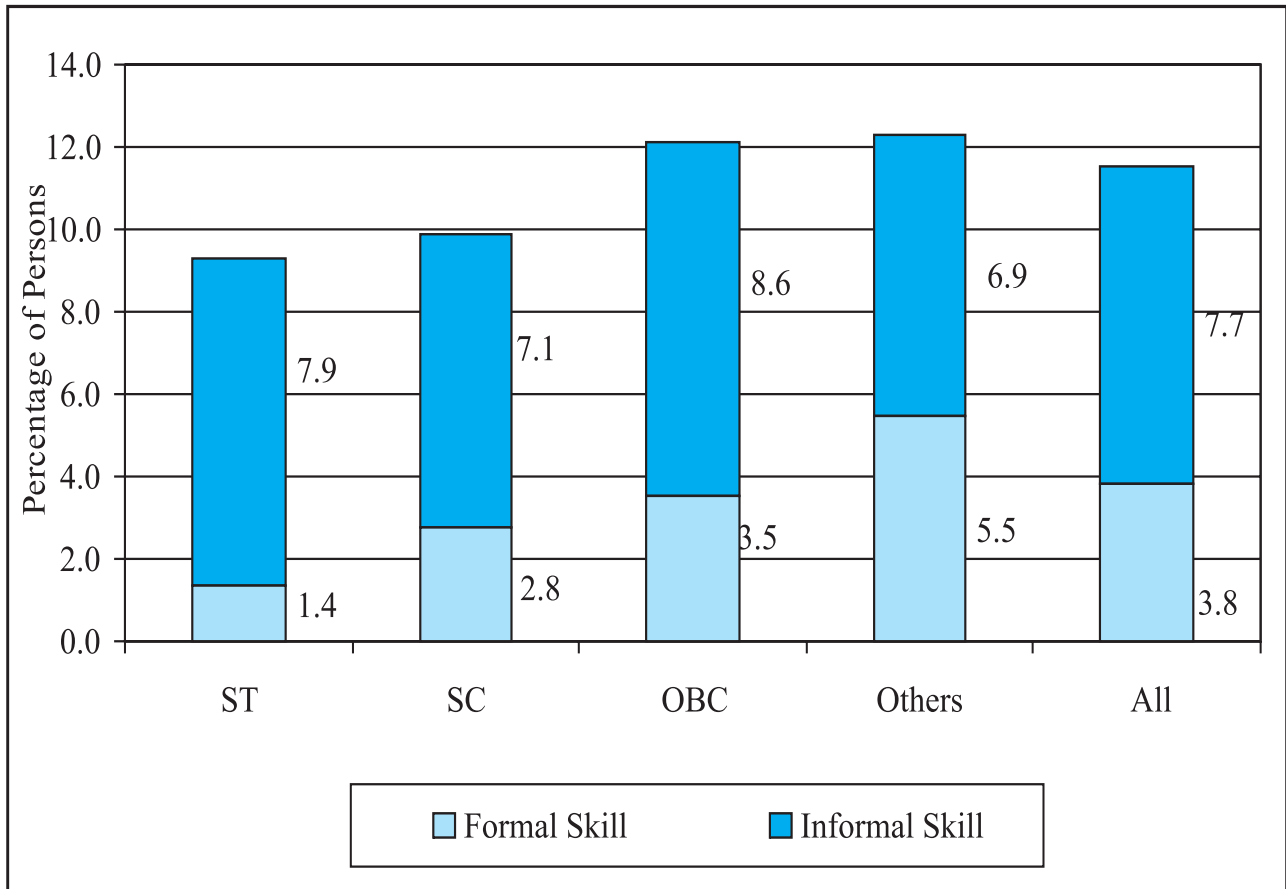
### Social Group & Formal Skills

3.31 The relationship between education levels and skills also vary across social groups. The share of persons with formal skills increases from STs, SCs, OBCs to Others in that order. Indeed it is only the general caste categories for whom the incidence of training is higher than the average of 3.8 per cent (Fig 3.10). As far as informal skills are concerned, there are difference across social groups. These are the highest among OBC persons (who form a large proportion of non-agricultural self-employed workers) and relatively the lowest among persons belonging to the general caste groups.

likelihood of being formally trained is higher for those with high levels of education, the economically better off, males, those living in urban areas, and those belonging to upper castes. One may like to know whether each of these factors exercise an independent influence on the probability of being formally trained after accounting for the influence of the other factors. Appendix Table A3.4 presents the likelihood of certain variables which impact the formal training by sex, residence and education. The reference variables are rural areas as place of residence, females among sex, illiteracy among education and below poverty line among poverty status. We observe that the likelihood that a person gets formal training is 91 per cent more if he comes from an urban area in comparison to his rural counterparts. Similarly, a male has a greater chance to be trained in comparison to his opposite sex. The likelihood of an educated person being trained is 300 per cent if he is educated up to middle and jumps to



Fig 3.10: Percentage of Persons with Skills in the Age Group 15 -29 for each Social Groups (2004-2005)



Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

2500 per cent if he is secondary educated as compared to illiterate persons. The social group also has an influence on the chances of being formally trained. The SC, OBC and Others all have a higher likelihood of being formally trained as compared to the STs.

### Supply of training: Training providers & Types

3.33 Given the requirement of availability of skilled labour in the context of economic development, it is processes of formal skill acquisition and training for employment that become important. The fact is that developing countries tend to lag behind in making these processes available to their populations. These processes of formal skill acquisition and training come from the general educational systems and systems of technical and vocational education and training (TVET) that are linked to specific occupations. It includes learning designed to develop the skills for practicing particular occupations,

as well as that designed to prepare for entry or re-entry into the world of work in general. TVET includes both initial vocational training undertaken by young people prior to entering the labour market and continuing vocational training undertaken by adults whilst in work or during periods when they are economically inactive. In other words, it encompasses both initial skills development and various forms of 'Re-skilling' and 'Up-skilling'.

3.34 The field of formal training obtained by the youth is related to the supply of training through the existing institutes of training. The NSS survey also enquires into the institutes from where the formal training was being obtained. The Industrial Training Institutes (ITIs) and the Industrial Training Centres (ITCs) provide the largest formal training base for about 7.88 lakh persons. Vocational education schools provided around 2 lakh training places, Institutions affiliated to the UGC

and the polytechnics provided about 6.15 lakh training places. About 2.2 lakh persons were being trained in tailoring, embroidery and stitch craft. Altogether, 39.2 lakhs or 3.92 million persons were receiving formal training at the time of the survey (Table 3.8).

formally trained have a fairly similar training background in both the organised and unorganised sectors. For example, 24.8 per cent of the formally trained in the unorganised sector and 22.4 per cent of the formally trained in the organised sector come from the ITIs. At

Table 3.8: Percentage of Persons in Age-group 15 - 29 Years Receiving Formal Vocational Training by Institute of Training & Sex, (2004-2005)

Institute of Training	Male	Female	Total	Male	Female	Total
	(in thousands)			(in per cent)		
ITI/ITC	704.31	84.60	788.91	26.1	6.9	20.1
Schools with Vocational Course	142.55	58.28	200.83	5.3	4.7	5.1
UGC	287.57	65.66	353.22	10.7	5.3	9.0
Polytechniques	219.27	<b>44.34</b>	<b>263.61</b>	8.1	<b>3.6</b>	<b>6.7</b>
Janshikshan	<b>15.69</b>	<b>25.09</b>	<b>40.78</b>	<b>0.6</b>	<b>2.0</b>	<b>1.0</b>
National Open	<b>2.39</b>	<b>4.80</b>	<b>7.18</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>
Hotel Management	<b>28.35</b>	<b>3.13</b>	<b>31.48</b>	<b>1.1</b>	<b>0.3</b>	<b>0.8</b>
Food Craft, Catering	<b>13.34</b>	<b>0.27</b>	<b>13.60</b>	<b>0.5</b>	<b>0.0</b>	<b>0.3</b>
CSISI/ DIC	<b>12.90</b>	<b>6.73</b>	<b>19.63</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
Fashion Technology Institutes	<b>0.47</b>	<b>9.56</b>	<b>10.03</b>	<b>0.0</b>	<b>0.8</b>	<b>0.3</b>
Tailoring, Embroidery, Stitch Craft	<b>21.16</b>	201.80	222.96	<b>0.8</b>	16.4	5.7
Nursing Institutes	<b>35.01</b>	59.58	94.59	<b>1.3</b>	4.9	2.4
Physiotherapy, Ophthalmic, Dental Institutes	<b>7.19</b>	<b>10.85</b>	<b>18.05</b>	<b>0.3</b>	<b>0.9</b>	<b>0.5</b>
Institute Diploma Pharmacy	<b>41.81</b>	<b>7.49</b>	49.29	<b>1.5</b>	<b>0.6</b>	1.3
Hospital & Medical Training Institutes	47.75	44.76	92.51	1.8	3.6	2.4
Nursery Teachers' Training Institutes	<b>5.31</b>	<b>25.32</b>	30.63	<b>0.2</b>	<b>2.1</b>	0.8
Training for Agricultural Extension	<b>13.75</b>	<b>4.71</b>	<b>18.46</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>
Carpet Weaving Centres	<b>0.00</b>	<b>4.82</b>	<b>4.82</b>	<b>0.0</b>	<b>0.4</b>	<b>0.1</b>
Handloom, Handicraft, KVIC	<b>0.07</b>	<b>0.63</b>	<b>0.70</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
Recognised Motor Driving Schools	73.18	<b>0.15</b>	73.33	2.7	<b>0.0</b>	1.9
Institute for Secretariat Practices	<b>5.85</b>	<b>26.27</b>	<b>32.11</b>	<b>0.2</b>	<b>2.1</b>	<b>0.8</b>
Recognised Beautician Schools	<b>0.00</b>	<b>28.97</b>	<b>28.97</b>	<b>0.0</b>	<b>2.4</b>	<b>0.7</b>
Institutes run by Companies, Corporations	91.69	45.81	137.50	3.4	3.7	3.5
Institutes for Journalism, Mass Communication	<b>32.98</b>	<b>2.46</b>	<b>35.44</b>	<b>1.2</b>	<b>0.2</b>	<b>0.9</b>
Other Institutes	895.11	461.32	1356.43	33.2	37.6	34.6
Total (excluding Unspecified)	2697.69	1227.36	3925.05	100.0	100.0	100.0
Total	2709.37	1234.36	3943.73			

Bold figures relate to inadequate sample size below 30

Source: Computed from unit level data of NSS 61st Round, 2004 - 2005, Employment-Unemployment Survey and adjusted for population

3.35 We have also analysed the type of institutions through which formally trained workers in the unorganised and organised sectors received training (Appendix Table A 3.3). Here again we notice that the

another end, 4.1 per cent of the formally trained in the unorganised sector and 3.8 per cent of the formally trained in the organised sector come from the vocational schools. There are a few differences, however. A higher proportion

of the trained workers in the organised sector are from the UGC institutions and the polytechnics. On the other hand, a higher proportion of those trained in tailoring, embroidery and stitch craft, and in handloom, handicraft are in the unorganised sector.

3.36 The source of formal training is quite different for young men and women. While about 45 per cent of formally trained men received their training from ITI/ITC, Polytechnics, or UGC recognized institutions, this percentage was only 15.8 for women (Table 3.8). On the other hand, 27 per cent women received training from institutes for tailoring, stitch-craft and embroidery, nursing and medical training and teachers' training.

3.37 Besides NSS, information on supply of training institutes and infrastructure is also available from government sources. The details are provided later in this report. While higher end technical education is provided by IITs, engineering institutions, medical colleges, polytechnics and so on, the ITIs/ITCs have formed the backbone of the system providing lower end formal training. There are around 6834 ITIs/ITCs in India with a seating capacity of about 0.9 million throughout the country. Of this, ITIs/ITCs in the southern states comprised nearly 38 per cent, with Andhra Pradesh accounting for around 12 per cent and Tamil Nadu around 9 per cent. The Apprenticeship Training Scheme of the government is available to 2.58 lakh workers. Vocational Schools offer places to about 1 million persons while polytechnics offer about 3 lakh places. There are a host of other public and private training providers for formal training.

3.38 MoLE estimates that there are only 2.5-3 million vocational education and training places available

in the country. As shown earlier, our direct estimates are that about 3.8 m were undergoing formal training at the time of the survey. Given that the duration of such training is often less than a year, we have estimated the annual training capacity to be about 5 million. Out of these, very few places are for those with low levels of education. While the overall formal skill levels are very low, the large numbers of people who drop out of school, in particular, do not have the necessary education and skills to be productively employed in the economy. This is undoubtedly a very serious challenge to the current growth and development process.

### Demand for training

3.39 There is no systematic assessment of the demand for training in the unorganised sector of the economy. Most assessments of such demand have been made by, or on behalf of, segments of (organised) industry. These do not go into the overall need to educate and train the predominantly informal sector labour force in India. However, almost all available reports (reviewed later in this report) pinpoint skill shortages and mismatches between demand and supply.<sup>4</sup>

3.40 We have examined the recent characteristics of the workforce in the organised and unorganised sectors, including those such as average education level, technical education, incidence of formal and non-formal skills and growth rate of employment (Appendix Table A 3.5). Broadly, at the high end of the workforce, we have segments requiring high levels of general education and/or technical education. Our primary focus is on segments of the workforce which have comparatively low levels of education, and who are currently with or without (formal/non-formal) skills. Among these segments, those with a

<sup>4</sup> The CII – McKinsey Report 'Made in India: the next big manufacturing export story' (October 2004) points out the big mismatch between the needs of the industry and availability of skilled human resources in India. The report states that if the Indian manufacturing sector has to grow at about 12 per cent per annum, it will be necessary for the education and training system to produce at least 1.5 million technically skilled people every year. It estimates that the country would need an incremental requirement of about 20 million skilled people by 2015. Similarly, the apparel industry alone requires 2 million skilled workers by 2010 and the present institutional structure is inadequate to meet the demand. The retail sector is another activity that reportedly requires large numbers of skilled people. The Retailer's Association of India has signed an MOU with Ministry of Labour and Employment to train the youth registered with the State Employment Exchanges. An estimate says (reported in Economics Times dated June 19, 2007) that there is an immediate requirement of 1.5 lakhs skilled people on the shop floor. A recent Study undertaken by Ernst & Young reports that 'by targeting the youth population in India, the Retailers will be investing in the future as they will be able to influence and create loyalty from the start' (Financial Express, June 8, 2007).

fairly high incidence of skills (predominantly non-formal) and rapid growth of employment are clearly those on which formal training initiatives would need to focus. Our analysis (based on Table A3.5, in the appendix) identifies the following trades on a prima facie basis as those in which an intensive effort to expand training would be required: Construction Workers, Stone Cutter; Salesmen, Shop Assistants, Related; Transport Equipment Operators; Tailors, Dress makers, Sewers, Upholsterers, Related; Production, Related (Others); Carpenters, Cabinet, Related Wood; Tobacco Preparers, Tobacco Product Makers; Hair Dresser, Barber, Beautician, Related; House Keeper, Matron, Steward, Cooks, Waiters, Bartenders; Stationary Engines, Equipment Operators, Material Handling, Loaders; Plumber, Welder, Sheet Metal, Structural, Metal Preparers, Erectors; Painting; Arts and Journalists. There are other sectors/segments which are also growing rapidly but where current levels of training are low. Examples of these trades are: Maids, Related House keeping Service (Others); Professional Workers, Others; Building Caretaker, Sweeper, Cleaner, Related. The potential/need of training in these sectors needs to be carefully examined.

### Regional Dimensions of “Demographic Dividend” & Training Capacity

3.41 A strong case for strengthening training capacity for the informal sector workers arises from the increasing requirement for skilled and semi-skilled labour from the rest of the world. India currently has a large emigrant worker population, of whom a large percentage consists of such workers. It is anticipated that in the years to come, with the projected increases in India’s labour force and the projected deficits in labour supply in developed regions/countries, Indian skilled/semi-skilled workers might play a more significant role in meeting the international deficits.

3.42 The Commission projected the increase in labour force till the year 2017, age group wise, at the state level. It is estimated that between 2006-07 and 2016-17, 52.9 percent of the total increase in labour force and 81.6 percent of the increase in the young labour force (15-29 years) will be in the Eastern and Central states (M.P., Chhatisgarh, Jharkhand, Bihar, Uttar Pradesh, West Bengal, Orissa, Assam and the Northeastern states), while the Southern and Western states will contribute to 28.9

percent of the total increase in labour force and -2.6 percent to the increase in the young labour force. The details are given in Appendix Table A3.6. It is to be noted that, at present, 57.1 percent of the formal training capacity is in the latter group of states whereas the former group of states have 28.1 percent of training capacity. Other private and NGO training capacity too follows a similar geographical pattern. It follows that a major effort will have to be made to boost training capacity in the lagging states, if the country is to reap the so-called demographic dividend.

### Training Targets

3.43 As discussed earlier in this report, the level of vocational skills in the labour force in India compares poorly with the position in other countries (Table 3.9). The Commission is of the view that the percentage of formally trained labour force should be raised to about 50 over the next three five year plans.

Table 3.9: Vocationally trained youth in Labour Force: International Comparison

Country	Age Group	Vocationally Trained (per cent of Those in labour force)
<b>India</b>	<b>20-24</b>	<b>5.06</b>
<b>Developing Countries</b>		
Botswana	20-24	22.42
Colombia(1998)	20-29	28.06
Mauritius(1995)	20-24	36.08
Mexico(1998)	20-24	27.58
<b>Developed Countries</b>		
Australia(1998)	20-24	64.11
Canada(1998)	20-24	78.11
France(1997)	20-24	68.57
Germany (1998)	20-24	75.33
Israel(1998)	18-24	81.23
Italy (1997)	20-24	43.88
Japan (1997)	15-24	80.39
Korea Republic (1998)	20-24	95.86
New Zealand (1997)	20-24	63.03
Russian Federation (1998)	20-24	86.89
Singapore (1998)	20-24	66.24
United Kingdom(1998)	20-24	68.46

**Note:** Only those who have received formal vocational training are shown as trained in this table. To the extent that training and skills in India are acquired through informal methods, including training in the family, the Indian figures are understated.

**Source:** Report of the Task Force on Employment Opportunities set up by the Planning Commission

3.44 In order to work out the annual and plan-wise targets, the Commission has estimated the labour force for the years up to 2021-22 using the last three rounds of the NSS and the population projections prepared for the Planning Commission. In order to provide formal skill training to half the labour force considerable expansion of training would be required. We estimate that during the Eleventh Plan, the annual training capacity would need to about 12.5 million (up from about 5 million currently). A further increase to 18 million would be required during the 12<sup>th</sup> Plan which will go up to 25 million during the 13<sup>th</sup> Plan. If these targets are achieved, then by the end of the 13<sup>th</sup> Plan, about half the total labour force of 623 million in 2021-22 would acquire formal skills.

3.45 It may be mentioned that the annual increase in the labour force is presently estimated at about 9.6 million which would fall to about 8 million by the end of the 13<sup>th</sup> Plan. The medium term strategy proposed by us would involve provision of training for both new entrants as well as those already in the labour force. As shown elsewhere in this report, the training of workers in the unorganised sector would require flexible delivery models which do not bank on fixed institutional capacity/infrastructure. The permanent training capacity in the system may not need to be raised beyond 10-12 million workers in the medium term.

## Conclusion

3.46 Although the Indian economy has experienced rapid growth over the recent period, the low levels of education and formal training of the workforce are a matter of concern. Workers without education and skills are stuck at the bottom of the labour market with low productivity and earnings. From the point of view of the economy, the lack of skills, the inability of the workers to adapt to changing technological and market conditions, and the existence of low productivity sectors can not but constrain the growth of the economy and lead to a lop sided growth structure in which the majority of workers are not able to participate effectively in the development process.

3.47 The economy has a small organised sector and a large unorganised sector. Workers – waged as well as self-employed in the unorganised sector- are worse off in terms of their educational and skill endowments. Most of the addition to the labour force is likely to be absorbed in the unorganised non-farm sector.

3.48 The formal skill training system in India was created to meet the needs of a growing factory system. It catered to a few trades and persons with secondary or higher education were eligible to undergo training. Over the years, this system itself has not been able to meet the changing needs of the organised sector. Moreover, since the organised sector itself has not shown significant growth in terms of employment, a majority of the trained persons have found employment in the upper segments of the unorganised economy. Formal training, which is accessed by a very low percentage of the population currently is directly related to the socio-economic status of the individual. To some extent, other skill needs of the economy are met through non-formal training, which is relatively more accessible to persons from lower socio-economic backgrounds but which suffers from a number of limitations. Moreover, even after taking into account the non-formally trained, skilled workers in the Indian economy are still small in number. There are many sectors where there is severe dearth of skills and in which the case for expanded formal training can be made out.

3.49 In this report, we have focused on the training needs of workers in the unorganised sector who have low levels of education and low level of formal skills. We are of the view that all entrants in the labour force must be equipped with a minimum level of education which must be gradually extended to secondary level. Simultaneously efforts have to be made to provide these workers with skill training through modular courses so that a significant part of the labour force can be imbued with formal marketable skills within a reasonable period of time. Unless this is done, this workforce will not be able to move on a trajectory of higher productivity and higher incomes, with deleterious consequences for the development of the economy as a whole.

Appendix Table A3.1: Skills across the Population (1993-94)

Skill	Number of Persons	Percent to total	Percent to total with skills
	(In lakhs)	(in per cent)	(in per cent)
<b>Stenographer</b>	<b>43.45</b>	<b>0.49</b>	<b>4.76</b>
Fisherman	21.01	0.23	2.30
Miner, Quarryman	8.36	0.09	0.92
Spinner	16.78	0.19	1.84
<b>Weaver</b>	<b>74.89</b>	<b>0.84</b>	<b>8.21</b>
<b>Tailor</b>	<b>156.04</b>	<b>1.75</b>	<b>17.10</b>
Shoemaker	7.69	0.09	0.84
Carpenter	29.25	0.33	3.21
Mason, Bricklayer	27.89	0.31	3.06
Moulder	2.70	0.03	0.30
Machineman	16.45	0.18	1.80
Fitter, Diemaker	11.43	0.13	1.25
Welder	8.27	0.09	0.91
Blacksmith	9.63	0.11	1.05
Goldsmith	7.81	0.09	0.86
Silversmith	2.36	0.03	0.26
Electrician	16.16	0.18	1.77
Repair Electronic Goods	9.72	0.11	1.06
<b>Motor Vehicle Driver</b>	<b>73.37</b>	<b>0.82</b>	<b>8.04</b>
Boatman	2.16	0.02	0.24
Potter	8.99	0.10	0.99
<i>Nurse, Midwife</i>	4.57	0.05	0.50
Basket, Wick maker	24.38	0.27	2.67
Toy Maker	0.34	0.00	0.04
Brick Maker, Tile maker	11.32	0.13	1.24
<b>Bidi Maker</b>	<b>41.72</b>	<b>0.47</b>	<b>4.57</b>
Book binder	1.25	0.01	0.14
Barber	13.49	0.15	1.48
Mud House builder & thatcher	36.15	0.40	3.96
Others	224.79	2.51	24.64
<b>Total With Skills</b>	<b>912.44</b>	<b>10.20</b>	<b>100.00</b>
<b>No Skills</b>	<b>8029.45</b>	<b>89.80</b>	
<b>Total</b>	<b>8941.89</b>	<b>100.00</b>	

Source: Computed using unit level data of NSS on Employment and Unemployment, 50th Round, Schedule 10, 1993-94

Appendix Table A3.2: Skills of Workers (15 - 29 years) across Industries &amp; Sectors (2004-2005)

	Unorganised Sector		Organised Sector		All Workers	
	Formal	Any Skill	Formal	Any Skill	Formal	Any Skill
Agriculture	0.8	11.0	3.5	13.1	0.8	10.9
Mining	<b>0.3</b>	<b>2.1</b>	<b>4.4</b>	<b>19.0</b>	<b>2.3</b>	<b>10.4</b>
Manufacturing	3.7	31.4	8.7	26.2	5.1	29.8
Electricity, Gas, Water Supply	<b>0.0</b>	<b>3.8</b>	<b>20.5</b>	<b>20.8</b>	<b>15.8</b>	<b>16.9</b>
Construction	2.6	14.0	1.8	8.5	2.4	12.7
Trade	4.2	13.1	14.8	26.1	4.7	13.7
Hotels & Restaurants	<b>1.7</b>	12.1	<b>8.6</b>	<b>14.8</b>	2.9	12.6
Transport	7.5	22.5	14.1	22.1	8.4	22.5
Finance	<b>18.9</b>	<b>20.6</b>	23.8	26.4	22.3	24.6
Real estate	19.0	30.6	32.1	34.2	24.2	32.1
Public Administration	<b>15.1</b>	<b>15.1</b>	12.1	14.9	12.1	14.8
Education	23.2	28.1	19.0	22.1	20.9	24.8
Health, Social Work	24.4	42.0	36.6	40.2	29.9	41.2
Community, Personal, Social Service	2.8	28.2	<b>11.5</b>	<b>22.3</b>	3.5	27.7
Private Households with Employed Persons	<b>5.5</b>	<b>8.9</b>	<b>0.0</b>	<b>7.0</b>	<b>5.5</b>	<b>9.0</b>
Total	2.5	15.1	11.1	21.6	3.5	15.8

Bold figures indicate sample size below 30

Source: Computed from unit level data of NSS 61st Round 2004 - 2005, Employment-Unemployment Survey.

Appendix Table A3.3: Percentage of Workers Receiving/ Received Formal Vocational Training in Age-Group 15 - 29 Years by Institutions &amp; Sector (2004-2005)

Institute of Training	Unorganised	Organised	Total
ITI/ ITC	24.8	22.4	23.9
Schools with Vocational Course	4.1	3.8	4.0
UGC	<b>1.9</b>	3.5	2.5
Polytechniques	2.3	5.5	3.5
Janshikshan	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>
National Open	<b>0.1</b>	<b>0.5</b>	<b>0.3</b>
Hotel Management	<b>0.1</b>	<b>0.5</b>	<b>0.3</b>
Food Craft, Catering	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>
CSISI/ DIC	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>
Fashion Technology Institutes	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
Tailoring, Embroidery, Stitch Craft	9.3	<b>2.6</b>	6.8
Nursing Institutes	<b>1.5</b>	3.7	2.3
Physiotherapy, Ophthalmic, Dental Institutes	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>
Institute Diploma Pharmacy	<b>0.8</b>	<b>0.9</b>	0.8
Hospital & Medical Training Institutes	2.3	3.0	2.6
Nursery Teachers' Training Institutes	<b>1.3</b>	<b>1.9</b>	1.5
Training for Agricultural Extension	<b>1.0</b>	<b>0.3</b>	<b>0.7</b>
Carpet Weaving Centres	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>
Handloom, Handicraft, KVIC	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Recognised Motor Driving Schools	10.2	3.4	7.6
Institute for Secretariat Practices	<b>0.5</b>	<b>1.7</b>	0.9
Recognised Beautician Schools	<b>1.0</b>	<b>0.2</b>	<b>0.7</b>
Institutes run by Companies, Corporations	2.8	5.0	3.6
Institutes for Journalism, Mass Communication	<b>0.2</b>	<b>0.5</b>	<b>0.3</b>
Other Institutes	33.7	38.4	35.5
<b>Total</b>	100.0	100.0	100.0

Bold figures indicate sample size below 30

**Source:** Computed from unit level data of NSS 61st Round, 2004 - 2005, Employment-Unemployment Survey and adjusted for population



Appendix Table A3.4: Logit Model: Dependent Variable Vocational Training  
(Have Training, Formal and Informal/No Training)

Variable	Coefficient	Odds Ratio
Constant	-7.298	
Sector		
Rural(R)	-	-
Urban	0.648*	1.913
Sex		
Female(R)	-	-
Male	0.133*	1.142
Education		
Illiterate & Below Primary(R)	-	-
Primary & Middle	1.177*	3.244
Secondary & Above	3.229*	25.243
Poverty Status		
Below Poverty Line(R)	-	-
BPL to 2*Poverty Line	0.457*	1.579
More then 2* Poverty Line	1.250*	3.492
Socio-religious		
ST(R)	-	-
SC	0.851*	2.342
OBC	0.684*	1.983
Others	0.529*	1.698

\*- Significant at .01

Appendix Table A3.5: Occupation of Workers by Education &amp; Skill (2004-2005) : Sector Status

Education	Mean Years of Education			Any Technical (15-29 years)			Any Skill 1999-2000 to 2004-2005			Growth Rate			Percentage Share				
	US	OS	All	US	OS	All	US	OS	All	US	OS	All	US	OS	Total		
	Occupation	US	OS	All	US	OS	All	US	OS	All	Workers	US	OS	All	US	OS	Total
Economists, Auditors, Social Scientists, Jurists	14.4	14.5	14.5	25.3	21.0	23.1	18.3	32.6	24.5	2.7	24.5	-0.4	6.3	2.7	0.2	1.3	0.4
Computing Machine Operators	14.2	14.4	14.3	39.6	51.9	48.2	80.5	66.3	71.4	11.3	71.4	9	12.4	11.3	0.0	0.6	0.1
Mathematicians, Statisticians, Related	14.1	15.4	15.1	47.0	65.8	61.8	51.9	36.0	38.7	15.5	38.7		13.1	15.5	0.0	0.4	0.1
Stenographers, Typists, Card, Tape Punching Operators	13.4	13.8	13.8	29.0	30.2	30.0	78.9	57.0	61.3	-5.2	61.3	-19.7	-1.5	-5.2	0.0	0.4	0.1
Physicians, Surgeons, Scientific Medical, Para Medical	13.3	14.9	13.8	60.2	76.2	64.8	33.2	46.4	36.8	3.5	36.8	5.5	-0.5	3.5	0.2	0.6	0.3
Teachers	13.0	14.2	13.9	12.8	22.1	19.3	28.7	22.2	25.3	5.7	25.3	7.6	5	5.7	0.7	10.8	2.1
Scientists, Architects, Engineers	11.9	14.0	13.7	61.1	75.6	73.6	67.0	32.3	40.5	-1.4	40.5	-9.6	0.4	-1.4	0.1	2.4	0.4
Book Keepers, Cashiers, Related Insurance, Real Estate, Securities, Business Service Salesmen,	11.4	13.5	12.8	13.2	10.4	11.2	27.5	45.2	35.9	4.4	35.9	3.3	4.8	4.4	0.1	1.4	0.3
Auctioneers	10.6	12.9	11.1	6.1	11.6	7.2	25.1	19.8	23.4	13.7	23.4	13.6	14.1	13.7	0.3	0.5	0.3
Clerical Related, Village Officials	10.1	11.3	11.1	5.4	5.9	5.9	9.4	18.1	15.7	-0.6	15.7	-5.2	0.2	-0.6	0.3	12.1	1.9
Money Lender Pawn Broker	10.0	8.0	9.9	4.5	0.0	4.5	13.0	0.0	12.5	5.5	12.5	7.5		5.5	0.0	0.0	0.0
Telephone, Telegraph Operators, Mail Distributors, Related	9.2	10.3	9.9	7.5	5.1	6.0	19.4	6.1	15.0	0.1	15.0	-0.2	0.2	0.1	0.1	0.8	0.2
Nurses, Other medical, Health Technicians	9.1	11.8	10.9	17.2	38.2	31.0	52.8	55.0	53.9	3.4	53.9	3.5	3.4	3.4	0.1	1.5	0.3
Elected Legislative Officials	8.5	11.2	10.6	7.4	3.9	4.7	0.0	9.4	8.2	2.8	8.2		2.8	2.8	0.0	0.1	0.0
Electrical Fitters, Related Electrical, Electronic	8.4	9.7	8.9	13.8	26.5	18.9	42.8	55.3	45.0	3	45.0	6	-0.7	3	0.5	2.1	0.7
Administrative, Managerial, Proprietor	7.8	13.5	8.9	5.7	22.0	8.9	23.8	27.8	24.2	5.9	24.2	5.8	6.1	5.9	3.2	5.0	3.5
Arts and Journalists	7.5	12.0	8.5	8.0	19.7	10.5	40.5	44.5	41.2	6	41.2	5.6	7.8	6	0.2	0.3	0.2
Transport Communication Supervisors, Transport conductors, Guards	7.5	11.8	10.1	1.1	7.7	5.1	19.9	4.0	15.8	0	15.8	0.8	-0.5	0	0.1	1.0	0.2
Wholesale/ Retail Trade, Manufacturers Agents, Technical Salesmen, Commercial, Travelers, Sales Worker (Other)	7.1	10.8	7.3	2.4	17.3	2.8	9.7	24.9	10.3	3.5	10.3	3.3	9.6	3.5	5.6	1.1	5.0
<b>Professional Workers, Others</b>	<b>7.0</b>	<b>9.1</b>	<b>7.5</b>	<b>3.9</b>	<b>15.3</b>	<b>6.4</b>	<b>21.9</b>	<b>34.4</b>	<b>24.3</b>	<b>8.7</b>	<b>24.3</b>	<b>8.8</b>	<b>8.2</b>	<b>8.7</b>	<b>0.2</b>	<b>0.4</b>	<b>0.3</b>

Education	Mean Years of Education				Any Technical (15-29 years)				Any Skill 1999-2000 to 2004-2005				Growth Rate				Percentage Share							
	US		OS		US		OS		All		US		OS		Workers		US		OS		Total			
	US	OS	All	OS	US	OS	All	OS	US	OS	All	US	OS	All	US	OS	All	US	OS	All	US	OS	Total	
Jewelry, Precious Metal Engravers	6.4	6.8	6.5	1.5	0.5	1.2	37.0	72.1	49.3	1.6	8.2	3.4	0.3	0.9	0.4									
Machine Fitters, Machine Assemblies, Precision Instrument Makers	6.2	10.0	7.3	5.7	34.4	13.8	36.0	52.9	38.7	2.3	-2.6	0.8	0.7	1.8	0.9									
<b>Plumber, Welder, Sheet Metal, Structural, Metal Preparers, Erectors</b>	6.0	7.3	6.4	4.4	13.6	7.1	36.8	52.9	39.3	8.7	-3.2	4.3	0.3	0.8	0.4									
Broadcasting Station, Sound Equipment Operator, Cinema Projectionists	5.5	9.5	6.5	0.2	11.7	2.9	14.9	50.8	17.6	-3.4	-2.7	0.0	0.0	0.0	0.0									
<b>Salesmen, Shop Assistants, Related</b>	5.5	9.8	5.8	1.4	7.0	1.7	6.5	16.9	7.2	11.6	2.8	10.9	2.9	1.2	2.6									
<b>Tailors, Dress makers, Sewers, Upholsterers, Related</b>	5.5	7.0	5.7	2.6	1.8	2.5	44.1	45.1	44.3	8.4	24.4	10	2.0	2.2	2.0									
<b>Painting</b>	5.3	5.6	5.3	1.5	3.0	1.7	21.6	13.8	20.0	6.5	4	6.1	0.3	0.3	0.3									
Protective Service Worker, Service Worker	5.3	8.8	7.9	0.5	2.7	2.2	6.4	13.3	10.8	-1.4	1.8	0.9	0.2	4.4	0.8									
<b>Hair Dresser, Barber, Beautician, Related</b>	4.9	4.6	4.9	1.9	0.0	1.8	43.5	0.0	43.1	5.3	5.3	5.3	0.6	0.0	0.5									
<b>Transport Equipment Operators</b>	4.9	7.5	5.3	1.6	7.6	2.4	27.4	31.0	27.7	6.5	0.7	5.6	2.6	2.6	2.6									
<b>Carpenters, Cabinet, Related Wood</b>	4.9	5.3	4.9	0.9	3.4	1.0	40.5	44.7	40.7	5.8	-2.7	5.3	0.9	0.3	0.8									
Hotel, Restaurant Keepers	4.6	9.3	4.7	0.4	0.0	0.4	11.6	49.0	12.4	4.4	-1.4	4.2	0.5	0.1	0.4									
Blacksmith, Tool Makers	4.4	9.1	5.8	2.0	16.4	6.2	29.3	32.1	30.0	3.9	-4.3	1.1	0.3	0.8	0.4									
Machine Tool Operators	4.1	4.9	4.3	1.0	1.3	1.1	18.3	4.8	15.4	-0.9	0.1	-0.7	0.6	0.9	0.6									
Food Beverage Processors	4.0	7.6	5.8	1.7	14.0	7.8	15.3	18.6	17.0	-3.4	-3.3	-3.3	0.2	1.0	0.3									
Metal, Wood, Chemical Preparers, Processors, Paper Makers	4.0	6.5	4.8	1.3	6.6	3.1	15.8	20.7	17.6	5	10.1	6.5	1.0	3.2	1.3									
<b>Production, Related (Others)</b>																								
Tanners, Felt Mongers, Pelt Dressers, Shoemakers, Leather Goods Makers	4.0	6.5	4.9	1.4	0.2	1.0	25.3	9.6	18.2	0.2	18	4.5	0.2	0.7	0.3									
<b>House Keeper, Matron, Steward, Cooks, Waiters, Bartenders</b>	4.0	5.1	4.3	0.9	3.2	1.6	13.6	10.3	12.6	7.4	3.7	6.1	0.5	1.4	0.6									
<b>Stationary Engines, Equipment Operators, Material Handling, Loaders</b>	3.7	4.9	4.2	0.5	3.1	1.6	7.8	13.0	9.8	9.5	8.6	9.1	0.5	2.7	0.8									

Education	Mean Years of Education			Any Technical (15-29 years)			Any Skill 1999-2000 to 2004-2005			Growth Rate			Percentage Share		
	US	OS	AI	US	OS	AI	US	OS	Workers	US	OS	AI	US	OS	Total
Spinners, Weavers, Knitting, Related	3.6	5.5	4.1	<b>0.4</b>	<b>1.4</b>	0.7	36.3	9.6	28.4	2.4	1.8	2.3	1.2	2.7	1.4
<b>Construction Workers, Stone Cutter</b>	3.4	3.4	3.4	0.4	<b>0.6</b>	0.4	11.7	9.8	11.3	9.6	8.6	9.4	3.1	6.9	3.6
Agriculture & Allied Labourers (Others)	2.9	4.2	2.9	0.4	2.5	0.5	10.9	13.3	11.0	2	1.5	2	63.6	10.0	56.3
<b>Building Caretaker, Sweeper, Cleaner, Related</b>	2.7	3.0	2.8	<b>0.5</b>	<b>0.2</b>	0.4	6.1	<b>3.5</b>	5.3	0.2	-1.1	-0.3	2.0	6.0	2.5
Cleaner, Related	2.6	3.5	3.2	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>1.2</b>	<b>5.0</b>	<b>3.3</b>	5.2	1.8	3	0.2	2.4	0.5
Glass Formers, Potters, Related	2.6	3.5	2.8	<b>0.1</b>	<b>2.0</b>	<b>0.6</b>	18.8	<b>11.3</b>	16.4	2.4	8.3	3.7	0.3	0.6	0.3
Launderers, Dry Cleaners, Pressers	2.5	<b>6.0</b>	2.6	<b>0.9</b>	<b>2.9</b>	<b>0.9</b>	25.2	<b>0.0</b>	24.7	-1.1		-1	0.5	0.1	0.5
<b>Tobacco Preparers, Tobacco Product Makers</b>	2.1	2.1	2.1	<b>0.4</b>	<b>0.0</b>	<b>0.3</b>	27.2	37.7	29.2	0.2	6.4	1.2	0.9	1.3	1.0
<b>Maids, Related House keeping Service (Others)</b>	1.9	5.6	2.3	<b>0.2</b>	<b>6.1</b>	<b>0.8</b>	<b>4.5</b>	<b>34.7</b>	6.1	9.1	-4	7.2	0.9	0.6	0.9
Miners, Quarrymen, Drillers, Related	1.7	3.9	3.0	<b>0.1</b>	<b>4.3</b>	<b>2.5</b>	<b>2.9</b>	<b>21.5</b>	<b>11.2</b>	3.9	2.6	3.2	0.1	1.2	0.3
<b>All</b>	3.8	8.5	4.5	1.4	11.5	2.8	15.1	21.6	15.8	2.9	2.9	2.9	100.0	100.0	100.0

Bold denotes inadequate sample size (below 30). Unorganised Sector (US); Organised Sector (OS)

Grey denotes occupations which have low mean years of education (less than middle - 8 years); low technical education (less than 3 per cent); presence of some skills; High Growth rate (above 5 per cent) in Unorganised Sector

**Peach** denotes occupations which have low mean years of education (less than middle - 8 years); low/absence of technical education (less than 3 per cent); absence of skills; High Growth rate (above 5 per cent) in Unorganised Sector.

Table A3.6: State-wise Total Labour Force &amp; Increase in Labour Force &amp; Training Capacity (per cent)

S. No.	State	% to Total Labour Force, 2006-07	% to Total Increase in Labour Force 2006-07 to 2016-17	% to Total Labour Force (15-29 years), 2006-07	% to Total Increase in Labour Force (15-29 years) 2006-07 to 2016-17	Seating Capacity in ITI/ITC *
1	Andhra Pradesh	8.6	5.8	8.8	2.3	12.1
2	Assam	2.3	3.3	2.3	4.8	0.6
3	Bihar	6.4	7.1	6.3	15.4	3.1
4	Gujarat	5.3	5.7	5.5	3.1	8.2
5	Haryana	2.1	3.1	2.3	2.8	2.9
6	Karnataka	5.7	4.6	5.6	-0.3	9.8
7	Kerala	3.1	1.2	2.7	-2.4	6.7
8	MP	6.0	7.0	6.2	9.6	3.5
9	Maharashtra	10.3	9.7	10.0	3.6	11.3
10	Orissa	3.8	3.3	3.8	3.4	8.3
11	Punjab	2.4	2.1	2.5	-0.4	3.3
12	Rajasthan	5.8	7.6	6.3	12.7	5.7
13	Tamil Nadu	6.6	1.9	5.9	-8.9	9.0
14	UP	14.4	19.0	14.7	31.7	7.0
15	WB	7.0	5.6	7.0	5.0	1.5
16	Jharkhand	2.5	3.3	2.4	6.4	2.2
17	Chhatisgarh	2.3	2.2	2.2	3.3	1.3
18	Uttarakhand	0.9	1.0	0.9	0.9	0.9
19	Other NE States	1.2	2.0	1.2	2.0	0.5
20	Others	3.3	4.4	3.4	4.9	2.0
	Total - South & West (1+4+6+7+9+13)	39.6	28.9	38.5	-2.6	57.1
	Total- East & Centre (2+3+8+10+14+15+16+17+19)	46.0	52.9	46.2	81.6	28.1
	<b>All States</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Based on Commission's projections

# 4

## International Experiences of Skill Development & Training

4.1 This chapter attempts to review international experiences of skill development and training delivery, keeping in view the issues that are important from a developing country context and more specifically from that of enterprises and workers in the unorganised sector. In Chapter 3, we have seen that, with 5.06 per cent who had vocational training as a proportion of the population in the age group 20-24 (Table 3.9), India fares poorly even in comparison to some of the developing countries such as Botswana, Colombia, Mauritius and Mexico, where the ratios were significantly above 20 per cent. In advanced countries, of course, the figures are mostly above 60 per cent, with the Russian Federation and the Republic of Korea having a staggering 87 per cent and 96 per cent respectively. The important question is whether it is possible for India to drastically change this situation with regard to skill development and training and whether international experiences can provide guidelines on the directions to be taken and pathways to be planned. This chapter tries to review the international experiences in skill development in general and in the informal sector in particular.

4.2 As pointed out in Chapter 1, the key considerations are the principles that dictate systems of training and skill development i.e., whether through the educational system or TVET systems, whether supply-driven or market demand

led, whether for employment confined to pre-employment training alone or also includes a process of continuous learning and re-skilling; who delivers the training and where; and modes of financing the programmes as well as the incentives. While the review below will examine different systems on the basis of the criteria mentioned, here we first briefly review the trajectory of skill development in the case of countries that have made the transition to high levels of development, both developed as well as developing.

4.3 In a typology developed by the ADB (Asian Development Bank, 2004) to discuss the relationship between skill development and training and levels of economic development, it has been suggested that levels of economic development roughly corresponded to certain levels of development of education and training. In the earliest stages, when the primary sector is predominant, manufacturing is characterized by labour-intensive activities and low value added production and competitiveness derived from low costs, basic education and adult education are the priorities. Higher education is limited to the gradual development of a basic skills formation for blue-collar workers. At the next stage, when the secondary sector becomes predominant, manufactured goods and service exports are high and production concentrates on high value goods and services, and when competitiveness is based

on high-technology, high value added goods, universal secondary education, worker upgrading, and technician training become the priorities. More specifically, apart from the universalisation of secondary education, there is a deepening of vocational and technical education at the post secondary levels and a widening of the skills to include teamwork and communication. There is also an increase in the incidence of enterprise level or on-the-job training. In the final stage characterized by innovation-driven growth, leading towards the knowledge economy, there is a need to increase the rate of innovation, adaptation and the commercial development of new technologies. At this stage, higher education with science based learning becomes the priority, along with research and development.

4.4 Typologies such as the one presented above help separate the different elements of skill up-gradation corresponding to different structures of production. As countries move from a low skill base to a high skill one, the skill-mix also tends to change and different levels of education and different types of training (with location being important) will have elements of skill development strategies for all levels of skills. However, the pathways followed by countries that have managed the transition to high levels of skills and which have in turn translated into high levels of development have been very different. This has been on the basis of the institutional structures put in place to impart different levels of education and types of skills in the economies.

4.5 The pathways followed by most of the OECD countries consist of broadening and universalizing access to education and evolving skill development systems that were variedly market led and state directed and also differently emphasized training in institutions and enterprises. They resulted in outcomes that were spread across long periods of time. The distinctly different paths followed by the East Asian countries and Japan, which achieved very high levels of education and skill development in a very short period of time, brought out the importance of conscious targeting, directed investments and strong regulation in skill development programmes. The review below have attempted to bring out the salient aspects of these different paths adopted.

4.6 It is useful to distinguish between public and private institutions for skill development and also on the basis of where the skilling process is located, i.e., within the enterprise/firm, in educational institutions and in institutions outside the firm. The Study Group set up for the Second National Commission on Labour has examined various systems of skill training in other countries. These training systems are found to be broadly of three types - "cooperative," "enterprise based" and "state-driven." The State driven system can be further demand driven and supply driven. These have been summarised in the Table 4.1 below.

4.7 In the cooperative system, there is no single institution responsible for the planning and delivery of training. Instead, the employers' organisation and trade unions cooperate strongly for producing the desired result. Germany is one of the successful examples of this system.

4.8 In the enterprise-based system as prevalent in Japan, the educational system provides a foundation of basic skills, which is then built upon by employers through intensive off and on-the-job training. While vocational and technical schools provide some initial training, the bulk of skills development is provided and financed by employers. Employees with few industry-specific skills on entry are moulded by the system into a highly skilled workforce that is very adaptable to change. This kind of system has come into existence in the context of very low turnover of the workforce, labour having long-term commitment to the enterprise and enterprises in turn wanting to invest in the labour force.

4.9 State-driven systems can be divided into two types. Education and training systems of the demand-led type, prevalent in the East and South East Asian economies, have to respond to rapid changes in the demand for skills. In this, the governments have played a key role, especially in meeting the demand for higher level skills. In the State-driven systems of the supply-led type, which were operational in many of the centrally planned economies of Eastern Europe and the erstwhile USSR, the training system was sustained through government financing. It puts little or no pressure on employers to train with the government taking on the prime responsibility of running training institutes.

Table 4.1: Training Systems

System	Countries	Main Feature/s
"Co-operative"	Austria, Germany, Switzerland, and many countries in Latin America countries	Pressures to undertake training resulting from strong co-operation amongst employers' organisations, the state and trade unions
"Enterprise-based" - Low labour turnover	Japan	Low labour mobility, lifetime employment for many staff, 'longtermism' arising from absence of stock market pressure, wage system based on seniority and enterprise-based trade unions
- Voluntarist	The United Kingdom, United States	Few institutional pressures on firms to provide training
"State-driven" a) Demand-led	Hong Kong, Malaysia, Republic of Korea, Singapore, Taiwan, China	State plays a leading role in coordinating the demand for and supply of skills, Operates in an open and competitive economic environment
b) Supply-led	Economies in transition, many developing countries especially in Asia and Africa	Government takes on a prime responsibility for formal sector training in training institutes, Little or no pressure on employers to train

Source: Second National Commission on Labour, World Development Report, 1998-99

4.10 The Asian Development Bank in its Report (ADB, 2004) classifies systems of skill formation according to training location. According to the report, training can be in schools as part of the formal education; in non-formal training centres outside the school system and within enterprises as discussed below:

### School-based Vocational Education & Training

4.11 *Comprehensive High Schools or Diversified Secondary Education*: Vocational skills are developed within secondary schools, typically called comprehensive or diversified secondary schools, as in the United States and Sweden. Students take practical courses according to their interest and aptitude in one single school attended by all students from a given geographical area, regardless of their career interests.

4.12 *Vocational and Technical Schools*: In the French model, vocational education takes place mainly in vocational or technical schools at the secondary level. These institutions run parallel to academic schools that prepare students for higher education. In France, after the age of 13 students are tracked into different types of schools. They may attend vocational schools for 2 or 3

years and earn a Vocational Proficiency Certificate or Vocational Education Certificate; a Vocational Baccalaureate may be earned after another 2 more years. These schools serve two purposes: (a) to prepare youth to work in skilled jobs, and (b) to cater to students that do not want to pursue long academic studies. A variant is the technical school (lycee technique), which combines academic study with technology. The main difference of these from vocational schools is the greater attention to academic subjects, and the less attention to specialised subjects. Graduates are usually trained for supervisory roles in factories or for highly skilled occupations, e.g. electronics and drafting. There are several cases of success with this approach in Asian countries where industrialisation has been rapid, such as in the Republic of Korea and in Taipei, China.

### Non-Formal Training Centres

4.13 *Vocational Training Institutes (or Technical Training Institutes)*: These are typically operated by ministries of labour (or community development), and are outside the school system. Training is thus provided for youth who have completed their formal education, and certificates, if conferred, are not recognised as from formal school



system. The training can be variable in length - from modular courses to short duration courses, lasting even 2-to-3 years. These training centres have the advantage of being focused on one purpose - 'training for work', and in theory can modify the content of training programmes more quickly than schools in response to changes in the labour market. The clientele may also be more serious about training, having completed their formal education and with reduced aspirations for moving up the educational ladder.

4.14 *The Latin American Model:* Training in most Latin American countries (main exceptions are Argentina and Mexico, which use vocational schools within the education system) is based at training centres, and are designed for both working adults and young school leavers. The various training centres are run (independently of the education system) by autonomous training agencies that maintain close links with industry through strong representation of employers on their governing bodies. Also significant is their financing, which is based on a payroll tax (about 1 per cent) paid by employers. These organizational features have enabled them to provide high quality training and respond dynamically and flexibly to changing demands of the labour market. The systems are separate from academic schools, thereby sheltering 'training-for-trades' from the prejudices against manual occupations and the attractions of higher education. The training levy provides financial stability and a long-range planning horizon. These financial and institutional arrangements have allowed the institutions to survive economic crises and fend off political interference.

### Apprenticeship Training (by Formal Sector Enterprises)

4.15 *The German Model:* This model draws heavily from the apprenticeship systems that developed in Europe from the middle ages through occupational guilds. The apprentice offers labour to a master craftsman in exchange for a small wage and on-the-job training. Because of its direct links with the labour market, the apprenticeship approach has proved to be quite efficient at transferring skills, especially when technology is stable or changing slowly. It is also largely self-financing and does not rely on public financing. At its most sophisticated

form, it has become complex and structured (as in Germany). The famous "dual apprenticeship system" of **skills training in Germany**, combines two basic models: centre-based training and enterprise-based training. The system is based on a longstanding tradition of apprenticeship that is firmly rooted in German corporate culture. Theoretical training for about one day per week is provided by public vocational training centres and practical training is provided within enterprises about four days per week. Apprentices sign an employment contract with an enterprise, which gives them on average 3½ years of formal training under the supervision of a certified master. Apprentices receive an allowance fixed by the collective agreement for each branch of training. The graduates receive a nationally recognized diploma. While a large part of this training is enterprise-based, it has evolved in response to co-operative behaviour and close co ordination among employers' associations, labour unions and public administration.

4.16 While these are the overall categories that can be seen in different countries, these systems cater mostly to formal sector enterprises. Below, we review the systems that have been tried out in the case of the informal sector.

### Training Systems for the Informal Sector

4.17 *Traditional (unregulated) Apprenticeship Training:* Unregulated apprenticeship training has evolved in the informal sector in many countries over decades. In fact, in many countries it may be the predominant form of training (e.g. in Sub-Saharan Africa and the Indian sub-continent). Typically, a written or oral agreement is concluded between a master craftsman working in the informal economy and parents or guardians, with the objective of the apprentice acquiring relevant, practical skills. Sometimes, the master receives a training fee, or the apprentice must earn the training in exchange for work or reduced wages. Training consists primarily of 'observing and imitating the master'. The apprenticeship may last for several years and is product specific. Traditional apprenticeship has several advantages over conventional training methods, but also has disadvantages, as seen in Table 4.2.

4.18 Nigeria, through its National Open Apprenticeship Scheme (NOAS), has recognized the role of the traditional apprenticeship system. The scheme

Table 4.2: Advantages / Disadvantages of Unregulated Apprenticeship

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- practical in orientation,</li> <li>- self-regulating and self-financing,</li> <li>- caters to individuals who lack the educational requirements for formal training,</li> <li>- serves important target groups (rural populations and urban poor), and</li> <li>- generally cost-effective</li> </ul>	<ul style="list-style-type: none"> <li>- gender bias (females rarely participate),</li> <li>- exclusion of applicants from very poor households,</li> <li>- perpetuation of traditional technologies,</li> <li>- a lack of standards and quality assurance</li> </ul>

involves the state encouraging employers, including those in the informal sector, to take on apprentices beyond their essential needs. Allowances are paid both to the trainee and to the master, and there is a system for monitoring the quality of training. What makes this system particularly interesting is that it has the informal sector producing state apprentices and “traditional” apprentices within the same workshop. For one group the master is being paid by the state, while the others pay for themselves and make their own traditional arrangements. The duration of training for the new apprentices is less than the customary group, and the state apprentices are encouraged to attend some off-the-job training on Saturdays. This system has not been dependent upon full-time institutional training, but on expanding access to training within industry — whether formal or informal.

4.19 Bangladesh’s *Underprivileged Children’s Education Programme (UCEP)* (World Bank Report, 2001) , established in the early 1970s, is an innovative programme designed for the informal sector that seeks to raise the living standards of poor urban children and their families. It focuses on the target group of working street children and aims to provide them with skills to enhance their employability in the local labour market, often in the informal sector. UCEP is conducted in 30 general schools for non-formal basic education working on three shifts per day in four major cities of Bangladesh. Total enrolments are about 20,000. Skill training is given in three training institutions working on two shifts each, training a total of 1,400 trainees. UCEP has extraordinarily high completion and employment rates for its graduates, both averaging about 95 per cent.

4.20 UCEP’s programme can be divided into three stages. (a) First stage is accelerated non-formal basic education starting at age 10 or 11. About half of the

graduates from the non-formal basic education programme are admitted into vocational training. (b) Second stage consists of fundamental skills training which may vary in length from six months to two years. (c) Third stage is placement in employment and follow-up on the job.

4.21 Factors that have contributed to making UCEP successful include:

- Providing students with a solid base of general education.
- Focusing on the target group, those who intend to enter the labour force after training as semi-skilled workers.
- Continuous linkages with industry, which ensure that trainees are trained in the knowledge, skills and attitudes sought by employers, and also that employers are aware of the competencies of UCEP graduates.
- Focus on acquisition of skills and competencies through highly structured, supervised individual “hands-on” instruction (rather than being driven by credentials and certificates).
- Rigorous follow-up of the graduates in terms of employment, earnings and performance on the job.

4.22 An aspect of informal employment that needs to be addressed in developing economies that underwent restructuring is that of retrenched employees, who fall back on the informal sector. An initiative that needs to be mentioned here is from China, where the Ministry of Labour and Social Security has introduced a re-employment training programme for the unemployed and laid-off employees, referred to as the Three Years Ten Million Re-employment Training Programme. During

1998-2000, this programme aimed at giving training to 10 million people, employees laid off from SOEs and the unemployed, in order to raise their vocational skills, generating market awareness and assist them towards re-employment. During the execution of this re-employment training programme, the Ministry set the 1-3-1 goal, i.e. each laid-off employee in an enterprise re-employment centre is entitled to one occupational guidance interview free of charge, three briefings of employment information, and one training opportunity free or partially free of charge. Vocational training centres, technical training schools under labour and social security departments, other training institutions, including those run by NGOs, the trade unions, the women's federations, and youth leagues, were the major institutions undertaking re-employment training workshops.

4.23 An important feature of this programme is that this training is extended explicitly to those whose economic position is below the socially acceptable levels. For example, in a certain province, those eligible for this training were those whose family average income is lower than the standard which qualifies for social assistance, or who are under a certain age (40 for males, 35 for females), and they can attend one vocational training course that is longer than a month, free of charge, if they can pass a given test. In another province, re-employment training and service are linked with the provision of basic living allowance in an effort to change the provision of basic living allowance to the provision of training opportunities and jobs. It is reported that about 75-80 per cent of the trainees can find satisfactory jobs or start up their own businesses. By the end of 2000, a total of 13.6 million laid-off employees, 11 per cent more than the set target, had been exposed to re-employment training.

4.24 Another major informal sector training initiative from China consists of the China Rural Employment Promotion Project. The participants are mainly local households in selected counties where micro-loans are provided as a means of supporting low-income households to be self-employed or to form partnerships in starting small businesses. The project provides vocational training to applicant households, helps them to make a business plan, and provides micro-lending and assistance in their

business operations.

4.25 A flexible skills training is an essential part of the project which focuses on resident communities and households. So training courses are organised near where they live. This enables training courses to be closely linked to local requirements. It combines theoretical teaching with practice, classroom presentation with follow-up and collective teaching with individual tutoring and combines training with employment support. The project also combines training with local industrialization. There are examples of counties that offer up to 3,000 Yuan to rural households that are willing to have jobs locally. This financial support helps them to be self-employed. It also serves as a launching fund to help them start up their own businesses. They are also entitled to preferential policies as they can be exempted from some fees and get free access to some facilities.

4.26 Kenya's *Jua Kali* (informal sector) project (Johanson & Van Adams, 2004), funded by IDA, is a well-quoted informal sector training initiative that is oriented entirely towards markets. It was aimed at: (a) providing skills and technology upgrading for about 25,000 informal sector manufacturing workers; (b) increasing the access of informal sector entrepreneurs to services; and (c) improving the policy and institutional environment by removing restrictive laws and policies. A key feature of the project is a voucher programme intended to introduce consumer choice, enabling informal sector operators to purchase the training wherever they want. Intermediaries / allocation agencies were selected by competitive tender to market, allocate, and redeem vouchers in a decentralized way throughout Kenya. Allocation agencies received a fee equal to 3 per cent of the value of vouchers issued. Vouchers could be used for any kind of training from any registered training provider. Over the course of the project, about 700 training providers became pre-qualified for providing training. By early 2001, some 18,000 training vouchers had been issued.

4.27 The impact of the project, evaluated through two studies, has been highly positive for the beneficiaries. Employment among the graduates had increased by 50 per cent compared with employment before training, and the income of surviving enterprises had also increased by 50 per cent. According to anecdotal evidence, some

participants who received a voucher for basic training have paid the full cost of more advanced training. One unexpected outcome of the voucher training programme was the emergence of a new kind of training provider - the skilled master craftsperson. The strong preference of *Jua Kali* workers for appropriate, accessible training by master crafts persons was revealed in the first phase of the project: 85 per cent of all vouchers went to pay for the services of master crafts persons, and only 15 per cent went to private and public training institutions.

4.28 Some important lessons include:

- (a) The use of a voucher mechanism enabled the project to stimulate demand for training, technology, management and marketing consultation among micro and small enterprises. A supply response has been generated and a training market established to address the needs of micro enterprises.
- (b) An unexpected impact of the voucher training programme was the emergence of skilled craftsmen as the leading providers of training. Entrepreneurs preferred the training services of master crafts persons in the informal sector to training in formal institutions. The training by master crafts persons was usually well adapted to the entrepreneurs' need for short duration, practical training. These training providers were previously invisible to agencies that wished to pay for these trainings directly.
- (c) The implementation experience underscores the importance/viability of appropriate management arrangements - a project for the private sector is best managed by the private sector, with government best playing a facilitator's role.

### Lessons from International Experiences

4.29 This chapter has outlined the major characteristics of international skill development and training experiences and systems. The review has brought out the lessons that can be drawn for a country like India with a very large informal sector and massive numbers of poorly educated people with a low level of formal skills.

4.30 It has been seen that comprehensive systems of skill development that exist internationally are primarily for the formal sector. In countries of East Asia,

characterized as state-led, demand driven systems, it is universalisation of basic education, enlarging the coverage of secondary education and developing a vibrant system of vocational education that laid the foundation towards specifically targeting skills designed towards the workplace. Strengthening the educational system and universalizing access is thus an essential prerequisite for widespread skill development, particularly when the skill mix requires changes to accommodate the needs of greater integration with the knowledge economy.

4.31 While training systems might be supported by the government, especially in a situation where externalities limit the extent to which private initiative is forthcoming, it is essential to tailor training to employment as much as possible. Evolving systems of apprenticeship and enterprise-based training that allow trainees to use their skills, with suitable incentives provided to employers and those trained, is essential. Further, training needs assessment needs to be a joint exercise between those who need trained manpower (employers), those who need to be trained (workers) and those who evolve systems and frameworks (the state), as successful experiences demonstrate.

4.32 Further, in rapidly changing economies which also undergo restructuring and retrenchment, large numbers of workers who hitherto belonged to the formal sector would become informal sector workers. Programmes of retraining such as those in China demonstrate that support from the government becomes essential to equip workers to make themselves available for the market by anticipating demand, which might not automatically take place.

4.33 Interesting experiences of the programmes designed explicitly for the informal sector in different countries might offer guidelines for a country like India to design a system. For example, making the local area or district the focus of training programmes for employment as in China will enable a matching of needs of people and that of the markets. Targeting training towards the poorest households and linking it up with employment in local areas is also a useful initiative for poor informal sector workers.

4.34 The lessons from international experiences notwithstanding, it also needs to be kept in mind that the

need for India is to achieve a major turnaround in its skill profile. The sheer magnitude means that no single experience might be directly relevant or replicable. This is because the 'initial conditions' that India is faced with are very different from those that confronted either the OECD countries or the East Asian economies as they went about developing their skill and training systems. These consist, first and foremost, of the preponderance of the unorganised sector and informal employment in the economy and an abysmally low level of formal skill

availability by even developing country standards. At the same time, a fairly elaborate structure of institutions and systems of education and training, exist in the country, although catering only to a small segment of the population. So while international experiences can provide ideas and guidelines on how to go about the formidable task of expanding the skill base of the economy substantially, the structure that needs to be evolved has to be specific and keeping in mind the structure and dynamics of the economy.

# 5

## System of Skill Development in India

5.1 Until now we examined the rationale and requirements of a suitable skill development system for the vast majority of the Indian workforce, located in the informal sector. We have also traced the contours of the availability of skills in the economy and the congruence between poverty, low levels of education and the skill deficit. These trends are seen despite a vast array of institutions and initiatives over the entire post-Independence period which have attempted to address the issue of generating the requisite skill base. It is essential to review these systems that exist as a result of direct state participation in the skilling process as well as through various non-state initiatives. This chapter evaluates separately government and non-government skill development systems that exist in India. Various programmes, their objectives, coverage, sectoral focus and modes of imparting are evaluated.

5.2 In India, skill formation is broadly through general education as a provider of generic skills. Vocational education and training provide marketable industry specific skills for better employability. Other than basic primary education, skill formation efforts consist of:

- Vocational education,
- Vocational training,
- Sector specific programmes to address issues of skill formation and enhancement

5.3 Within vocational training, we can distinguish between the formal system and the informal system, both of which take place under the aegis of the government as well as private and non-government agencies. Broadly, there are four systems that cater to training needs: the governmental formal training system, the governmental system that focuses exclusively on the informal sector, the non-government (private as well as NGO) network of formal training institutions and the non-government (mostly NGO-led) principally non-formal training programmes for the informal sector.

5.4 The Commission recognizes that these are not watertight compartments. The governmental systems rely on private or non-governmental training providers and trainers and there is a further step up in this direction as governments increasingly take on the role of facilitators and coordinators. Further, as seen in the previous chapter, systems of formal vocational training, however limited they are in terms of numbers in comparison to the size of the workforce, have resulted in only a small proportion of those trained being absorbed in the formal sector of the economy. Others, who have been formally trained, in fact, find jobs in the informal sector, possibly in the upper rungs, constituting in fact a part of the informal workforce, apart from the informally trained and untrained part of the workforce.

## Part A: Governmental Initiatives

5.5 In the present section we focus on governmental initiatives, both formal and informal, whereas the following one looks at the initiatives by the private sector and NGOs. At present, the total training capacity of the public sector is estimated to be around 3.8 million. The details are given in appendix 5.1 to the Chapter.

### Vocational Education

5.6 Vocational education remains within the broader school curriculum and involves provision of specific skills to increase employability of the students on completion of formal education. Vocational training is especially for a particular trade or economic activity and is conducted outside the schooling system. Box 5.1 illustrates the progress in vocational education in India.

5.7 There are three categories of vocational education prevalent in India today - at the lower school and 10+2 stages and at the specialised level. The system

of vocational education is administered by the Ministry of Human Resource Development. At the lower school stage, a scheme of pre-vocational education at lower secondary level was started in 1993-94 to impart simple marketable skills and to develop vocational interests. The centrally sponsored scheme of Vocationalisation of Secondary Education at +2 level is being implemented since 1988. The main objective of the scheme is to enhance individual employability, reduce the mismatch between demand and supply of skilled manpower and provide an alternative for those pursuing higher education without particular interest or purpose. The scheme is implemented in both formal and non-formal sectors. In the formal sector, the scheme is implemented by the State Governments at +2 stage of 10+2 scheme, through 9500 schools spread all over the country. The total training capacity is estimated at about 10 lakhs per annum. More than 150 courses are offered in 6 major disciplines covering the broad areas of agriculture, business and commerce, engineering, technology, health and paramedical services,

#### Box 5.1: Vocational Education in Indian Planning

In 1947, there were only 46 engineering colleges and 53 polytechnics with an annual intake of 6,240 students. Due to the initiatives taken during successive Plan periods, and particularly because of large-scale private sector participation, the number of All India Council of Technical Education (AICTE) approved technical and management institutions has risen to 4,791 in 2001-02 with an annual intake of 6.7 million students. Almost every Five Year Plan contributed to the strengthening of the vocational education system in the country. The Second Five Year Plan, for example, provided for the establishment of 38 junior technical schools for students in the age-group 14-17 and these numbers kept on increasing in the subsequent years. Vocationalisation of education at the higher secondary stage was one of the important reforms included in the Sixth Plan. Measures were initiated to establish the necessary links combining vocationalisation, skill training, in-plant apprenticeship and placement in gainful employment as composite parts of an integrated effort to raise the level of utility of the programme, and its wider acceptance and success. In the following Plans, facilities for vocational education were diversified into commerce and services. During the 9th Five Year Plan, the scheme for Vocationalisation of Education at 10+2 stage was introduced to regulate admissions at college level. The purpose was to divert at least 25 per cent students of 10+2 stage to self-employment or wage-employment, while providing them with vocational competence in a field of their choice.

The Tenth Plan has emphasized that vocational system should be a separate stream within the secondary education system, rather than being imparted through separate educational institutions. It should also establish greater linkage with vocational training and academic education to provide for vertical mobility for students aspiring for higher professional programmes in polytechnics, universities and engineering colleges.

The Eleventh Five Year Plan has recognised the importance of expansion and strengthening of the system of Vocational Education and Training (VET) in the country. It, inter-alia, provides for expansion of vocational training, modernizing ITIs, adding relevant skills, and public-private partnership model for training.

home sciences and services. These courses are selected on the basis of the assessment of manpower requirements through district vocational surveys. After the completion of a two-year course, the students can undergo a year's apprenticeship under the Apprenticeship Act.

5.8 The vocational education system suffers from deficiencies such as a low component of general education, poor linkages between the vocational education and general education streams and between the vocational education and vocational training streams. Further, the system of basic education itself needs to be strengthened in the interests of skill acquisition. Education being a foundational skill, the focus on skills needs to start at the level of basic education through enlarging access and improving quality.

5.9 It also needs to be noted that although the links between vocational education, vocational training and actual employment are considered to be weak, there is a paucity of information from the labour market. This has to be addressed adequately through evolving effective systems of feedback.

## Vocational Training

### *Formal Training Programmes*

5.10 The Ministry of Human Resource Development and the Ministry of Labour and Employment are the two major Ministries responsible for formal skill training. While the Ministry of Human Resource Development coordinates the development of technical education through degree courses, diplomas and certificates offered by universities, technical institutions and polytechnics, the Ministry of Labour coordinates the development of technical education through the Industrial Training Institutes and the Industrial Training Centres, as also the industrial apprenticeship system discussed below. Formal vocational training system demands a minimum level of education, generally higher secondary in the case of the systems coordinated by the MHRD and middle school in the case of the training systems coordinated by the MOLE, which, automatically implies the exclusion of those with lower levels of education.

5.11 **Ministry of Human Resource Development:** Polytechnics offer diploma-level courses to meet training

needs of manpower for industry at the supervisory level. The All India Council of Technical Education (AICTE) approves diploma programmes in engineering and architecture, hotel management and catering technology and pharmacy. There are 1244 polytechnics run by HRD Ministry with a capacity of over 2.95 lakhs offering three-year diploma courses in various branches of engineering with an entry qualification of High School. Besides, there are 415 institutions for Diploma in Pharmacy, 63 for Hotel Management and 25 for Architecture.

5.12 **Ministry of Labour and Employment:** The two flagship schemes of Directorate General for Employment & Training under Ministry of Labour and Employment are: Craftsmen Training Scheme (CTS) and Apprenticeship Training Scheme (ATS). The CTS provides institutional training whereas ATS is a combination of institutional as well as on the job training in which trainees are exposed to real life industrial environment.

5.13 **Craftsmen Training Scheme (CTS):** The CTS is implemented through 1987 ITIs run by the state governments. In addition, 4847 ITCs in the private domain implement the CTS on the same pattern as ITIs. Training courses are available in 110 trades. The courses aim to impart the basic skills and knowledge so as to prepare the trainees both for wage employment as semi-skilled worker or Junior Executives or for self-employment. The entry level qualifications for the trainees are: Age 14 to 40 years no upper age limit for women in women exclusive ITIs/women wings in general ITIs and education of 8<sup>th</sup>-12<sup>th</sup> class. The duration of the training varies from six months to 3 years depending on the trade chosen. A total of 9.33 lakhs training seats are available at the ITIs throughout the country (Government ITIs – 4.06 lakhs and private ITCs – 5.27 lakhs). Over 47,000 seats are exclusively for women trainees. Reservations for SC / STs, disabled, OBCs, ex-servicemen etc. are made as per government directives. About 70 per cent of the training period is allotted to practical training and the rest to subjects relating to trade theory, workshop calculation & science, engineering drawing & social studies. There is also the provision for grant of stipend and workshop uniform to all the trainees of Govt. ITIs.



5.14 All India Trade Tests of Craftsmen is conducted under the aegis of the National Council for Vocational Training (NCVT) and successful candidates are awarded National Trade Certificate (NTC) which is recognized for the purpose of recruitment to subordinate posts and services under the Central Government.

5.15 Apart from ITIs/ITCs, Craftsmen Training in 22 trades is also imparted through 6 Model Training Institutes (MTIs) attached to 5 Advanced Training Institutes (ATIs) and one Central Training Institute (CTI) under the DGE&T. Besides, National Vocational Training Institute (NVTI) and 10 Regional Vocational Training Institutes (RVTIs), with about 3000 training seats, have been imparting training exclusively to women. In order to reorient the training modules as per the changing skill requirements of the industries, Craftsmen Training on modular pattern is offered in 4 Model Industrial Training Institutes (MITIs) under DGE&T.

5.16 ***Apprenticeship Training Scheme.*** Formal apprenticeship, introduced through the Apprenticeships Act of 1961, requires employers in notified industries to engage apprentices in specified proportions of the workforce. Apprentices obtain training for periods ranging from six months to four years at the end of which they are tested by the NCVT. The successful candidates are awarded National Apprenticeship Certificates. Apprenticeship Training for the school leavers and ITI passed out persons is offered through a network of 23,800 establishments in 187 designated trades. As on 30<sup>th</sup> June, 2007 1,85,224 training seats for the trade apprentices have been utilised against 2,58,163 seats identified. The training is designed to utilize fully the facilities available in industry for imparting practical / on-the-job training in the industrial environment to the apprentices to enable them meet the requirements of the industry for employment. All India Trade Tests (AITT) for trade apprentices are conducted twice a year, and National Apprenticeship Certificates (NACs) are awarded. Stipend is paid as per the Government notification. Six Regional Directorates of Apprenticeship Training (RDAT) at Mumbai, Kanpur, Faridabad, Kolkata, Hyderabad and Chennai, have been set up for implementing the Apprenticeship Training in the Central Government PSUs/Establishments.

5.17 Assessments of formal training systems in India often argue that the quality of vocational training institutions is not very good. Evaluations of the ITIs have shown that there is a great variability in the quality of different ITIs reflecting differences across states and also the characteristics of individual ITIs. Many states have encouraged the creation of new ITIs to cover new areas but without adequate preparatory work or resource input or effective follow up action. The following deficiencies have been noted, with different points being emphasized in different reports, by the Special Group on Targeting Ten Million Employment Opportunities per year over the Tenth Plan period set up by Planning Commission, under the Chairmanship of Dr S P Gupta, Task force on Employment Opportunities set up by Planning Commission, under the chairmanship of Shri Montek Singh Ahluwalia, the National Knowledge Commission, the Eleventh Five Year Plan and the Task Force on Skill Development.

- Much of the training provided in the ITIs is for skills for which there is little demand. The curriculum has not been revised for many years and was therefore not attuned to current market requirements. Some revision has taken place recently but a lot remains to be done. One reason for the lack of attention to market requirements is the lack of involvement by the industry in the management of the ITIs.
- The transfer of skills too needs improvement and the testing process at the end needs to be made more reliable. All Government ITIs and private ITIs affiliated with the NCVT as well as the private training institutes running DOEACC accredited courses rely on formal certification by an independent authority. However, there is widespread perception amongst employers that students obtain certificates even though the actual skills acquired are very poor.
- The facilities and infrastructure in most ITIs are inadequate, with obsolete equipment in laboratories and workshops. Maintenance is also poor. These deficiencies reflect the scarcity of resources with the state governments in India.

They have been exacerbated by the tendency to create new institutions in places where they do not exist, even though existing institutions are under-funded and under-utilised.

- There is shortage of suitably trained faculty in most ITIs.
- There is hardly any follow-up of the trainees, and the courses remain rather obsolete and piecemeal. Placement of graduates is not a certainty.
- Most of the ITIs in the state sector and the institutes for advanced training and training of instructors under the Ministry of Labour, are organised as subordinate offices of the Government. These training and training related establishments should be restructured as “autonomous bodies”.
- The apprenticeship scheme too has its own share of problems. The major problem relates to the quality of training, which varies according to the nature of the firm. Bulk of the apprenticeship places are in public sector firms. Private sector firms generally do not comply with the requirements. One of the problems that have arisen is that apprentices view apprenticeship primarily as an avenue for subsequent employment rather than a mode of training. Although the law clearly does not entitle them to employment, the courts have interpreted the law to mean that apprentices must get preference in employment opportunities within the company where they were trained. This tends to discourage employers from fulfilling their obligations under the Act. The World Employment Report (ILO, 1998-99, p.70) notes that training systems in India are a typical example of Central Government driven, supply-led ones, with the Government taking on the prime responsibility for the formal sector training in training institutions. There is little or no pressure on employers to train. The Government of India too accepts this position (GOI, 2001, p.6.23). It has been noted by the Second National Commission on Labour that the apprenticeship system has inadequate

coverage of skill requirements, mismatch between demand and supply and lack of flexibility in the engagement of trade apprentices within the same trade group. It has also been argued that a predominant proportion of the educational and training resources of the formal institutional structure is somehow directed to the formal sector and the ‘upper end’ of medium and small-scale enterprises, many of them in the informal sector. There is a strong orientation towards the use of machines, a very marked gender division of training and curricula (an assumption that girls will go for beautician courses whereas boys will be fitters and motor mechanics). Further, the numbers trained are very low, as chapter 3 showed.

5.18 Several initiatives have been taken to strengthen the ITI system. These include: (i) Establishment and upgradation of ITIs in North-Eastern States, Sikkim and State of Jammu and Kashmir, (ii) Upgradation of 500 ITIs (100 from domestic funding and 400 from World Bank assistance) into Centres of Excellence and (iii) Upgradation of the remaining 1396 Government ITIs through Public Private partnership by providing interest free loans up to Rs. 2.5 crores per ITI.

5.19 The government training/skill-building efforts, such as the ones outlined above, have not been directed explicitly towards the informal sector, or at least not towards the most vulnerable informal workers. The above review of the governmental system of formal training demonstrates this. This has also been emphasized by the Second National Commission on Labour, which notes that the structural characteristics of the informal sector require specific interventions that take on board these characteristics. However, the district level studies conducted by the Commission show that very large numbers of people who pass out of ITIs, i.e., those who receive formal training either start their own enterprises or go for wage employment in informal sector. However, what is required are training schemes that take on board structural characteristics of the informal sector and target those at the lower ends.

5.20 Initiatives that target the informal sector are discussed in the following paragraphs.

## Informal Government Training Programmes

5.21 A large number of ministries / departments, commissions, councils, autonomous bodies and institutions as well as such bodies where there is a public-private partnership undertake informal skill development programmes which are targeted at either the smaller formal sector enterprises or the informal sector workers. Most of these schemes and programmes are administered at the field level by the respective departments and agencies of the Central/state governments or other non-government organisations identified for the purpose. The funds flow downwards and the state governments are usually assigned the task of implementing as well monitoring the skill formation programmes on a routine basis. Alternatively, there are a number of programmes for which the voluntary organisations are also entrusted the task directly by the Central Government departments.

5.22 The multiplicity of ministries, institutions and agencies that cater to skill development presently results in a plethora of initiatives that run independently with little coordination or standardisation. The initiatives by different ministries vary depending on their mandate, but the effect often remains piecemeal, although in the aggregate, the system is very large. *There needs to be a coordinating system that attempts to dovetail and consolidate these seemingly disparate programmes with common objectives. Recent policy responses have moved in this direction.*

5.23 Some of the major programmes/schemes under the aegis of different ministries under the governmental system that focus on skill development based principally on the needs of the informal sector are summarized below.

### Ministry of Human Resource Development

5.24 *Community Polytechnics* as a scheme started in 1978-79 under direct Central assistance by Government of India to harness the scientific / technical knowledge available with the polytechnics to secure community / rural development. Community Polytechnic activities are a part of an existing AICTE approved polytechnic. The polytechnic is entrusted to undertake rural / community development activities in its proximity through the application of science and technology, making use of infrastructure available in polytechnics. Presently, 669 diploma level institutions are implementing the scheme

of Community Polytechnics training about 3,31,000 trainees a year. The main activities of Community Polytechnics are:

- a) To provide training in need based, non-formal skills/trades to unemployed youth, women, SCs/STs, minorities, school dropouts and other disadvantaged sections of the community to enable them to obtain gainful self/wage employment .
- b) To develop and implement innovative and economical ideas for rapid adoption of the latest technology by the community in and around the community polytechnic (Technology Transfer).
- c) To provide technical/support services to the rural community.
- d) To disseminate information and create awareness regarding latest technology and its applications among the community.
- e) To undertake survey for ascertaining the felt needs of the community with regard to manpower training and adoption of affordable technology by the community.

5.25 There is no age and qualification bar for the trainees under the scheme. The skill development is imparted through short term training courses of 3- 6 months duration. However, no course fee is charged from the trainees.

5.26 *Jan Shikshan Sansthan (JSS)* is an institutional framework for offering vocational training programme to disadvantaged groups of adults such as neo-literates, less-educated slum dwellers, SC and ST and women etc. to raise their efficiency and increase their productive ability. It also provides academic and technical resource support to District Literacy Societies (Zilla Saksharta Samitis). NGOs having a three year old track record are identified for the implementation of such programmes as may be needed. Based on their location and past performance, JSSs are grouped in three categories and provided financial assistance accordingly.

5.27 *National Institute of Open Schooling (NIOS) [Continuing Education and Distance Learning]*: was set up in 1989 as an autonomous organization with a view to

provide a flexible educational opportunity for persons who wish to study and qualify for a better tomorrow. NIOS designs its own curriculum, prepares instructional materials in print and electronic modes, conducts examination and certifies students up to pre-degree level.

5.28 Keeping in view the needs of target groups, the thrust is on providing more vocational and community-oriented courses in addition to general and academic courses. NIOS offers several vocational courses up to pre-degree in the broad areas of Agriculture, Engineering and Technology, Health and Paramedical, Home Science, Computer Science and Information Technology, Library and Information Science, Business and Commerce, Secretarial Practice and other general, vocational and life enrichment areas. The NIOS operates its Vocational Education Programme through Accredited Vocational Institutes (AVIs) and Special Accredited Institution for Education of the Disadvantaged (SAIED) catering to the disadvantaged sections of the learners.

5.29 There are two types of Vocational Education courses offered by NIOS: (a) Package courses consisting of two or more modules / papers/subjects, a certificate which can only be given after passing all the modules / papers of a package course. The course is of a certificate or diploma level having duration of 6 months and more; (b) Stand-alone vocational subjects / courses are primarily offered through Accredited Vocational Institutes (AVIs) and can be combined with academic subjects along with a facility of credit transfer in lieu of one academic subject. However, a stand-alone subject can also be offered independently as a vocational course. As on February, 2007, the country had 999 vocational NIOS.

## Ministry of Labour and Employment

5.30 *Skill Development Initiative (SDI)* is a recent scheme, initiated in 2007, as a five year project. During this period one million persons would be trained or their existing skills tested and certified under Modular Employable Skills (MES) framework. The objectives of the scheme are (i) to provide vocational training to school leavers, existing workers, ITI graduates, etc. to improve their employability by optimally utilizing the infrastructure available in govt., private institutions and the industry. Existing skills of the persons can also be

tested and certified under this scheme, and (ii) to build capacity in the area of development of competency standards, course curricula, learning material and assessment standards in the country.

5.31 MES would benefit different target groups like: (i) workers seeking certification of their skills acquired informally, (ii) workers and ITI graduates seeking skill upgradation, (iii) early school drop-outs and the unemployed, and (iv) previously child labour and their families. The minimum age limit for persons to take part in the scheme is 14 years but there is no upper age limit.

5.32 The key features of the scheme are:

- Demand-driven short term training courses based on Modular Employable Skills (MES) decided in consultation with industry. MES is the 'minimum skills set' which is sufficient for gainful employment.
- Central Government will facilitate and promote training while industry, private sector and state governments will train the persons.
- Optimum utilisation of existing infrastructure to make training cost effective.
- Flexible delivery mechanism (part time, weekends, full time, onsite/ offsite) to suit needs of various target groups.
- Different levels of programmes (foundation level as well as skill up-gradation) to meet demands of various target groups.
- The services of existing or retired faculty or guest faculty to be utilized.
- Courses would also be available for persons having completed 5th standard.
- Testing & certification of skills acquired informally.
- Testing of skills of trainees by independent assessing bodies, which would not be involved in training delivery, to ensure that it is done impartially.
- The essence of the scheme is in the certification that will be nationally and internationally recognized.

5.33 The training under SDI scheme will be provided by various VTPs under Central Government, state governments, public and privates sector and industrial establishments. VTPs will provide counselling and vocational guidance, training facilities as per norms, impart good quality training, post training support to trainees in getting employment, maintain data base on trainees trained and the outcome of the training. They will track the trainees for three years or till they get gainfully employed. VTP will also be required to have close networking with the industry for immediate placement of the trainees. Following categories of Educational and Training Institutes having requisite facilities for conducting training courses would be eligible for becoming VTP for conducting MES courses: (i) Institutes (including autonomous institutes) set up by Central Government / State Governments / UT Administrations, (ii) Private Institutes of repute affiliated/ accredited to a Board / University / Council (NCVT, AICTE etc.) set up by Central Government / State Governments / UT Administrations, and (iii) Any other type of institutions/ bodies approved by Apex committee

5.34 The training fee has been set as follows: i. Rs. 500 per module for modules having duration up to 90 hrs; ii. Rs. 1000 per module for modules having duration from 91 to 180 hrs; iii. Rs. 1500 per module for modules having duration from 181 hrs to 270 hrs; v. Rs. 2000 per module for modules having duration more than 270 hrs. Candidates belonging to SC/ST category and women will be given relaxation of 25 per cent in training fee. In order to motivate trainees to take the training programme seriously, training fees of all those trainees who successfully complete the training would be refunded to them. Training cost @ Rs 15/- per person per hour will be reimbursed to registered VTPs in respect of those successful persons who got training from it. VTPs will reimburse training fee to the successful candidates. A one time advance of Rs. 3.00 lakhs will be paid to each govt. ITI so that they can start courses under the SDI scheme. Testing fee will be Rs 500/800. The testing fee will be reimbursed to all the successful persons who have received training from approved VTPs.

## Ministry of Micro, Small and Medium Enterprises

5.35 Over the last several decades, the Ministry of Micro, Small and Medium Enterprises (MSME) and its field institutions have been imparting training to the new entrants to the workforce aimed at developing skills, entrepreneurship and managerial capabilities. Some of these programmes are discussed below.

5.36 *Entrepreneurship Development Programmes (EDP)* are being organised by MSME-DIs as a regular training activity to educate the youth on various aspects that need to be taken into consideration while setting up small scale enterprises. The duration of these training programmes varies from 2-4 weeks are necessary with training fee at Rs 100/-. Trainees from weaker sections are given a stipend of Rs 500/- per trainee per month. No fee is charged from SC and ST candidates.

5.37 *Entrepreneurship Skill Development Programmes (ESDP)* are targeted at training unskilled and semi-skilled workers employed in small-scale industrial units in new skills and/or up-grading their technical skill and knowledge. However, some fresh educated unemployed youth also participate for learning the traits/skills of various trades in order to find employment opportunities or for starting their own ventures. Efforts are made to organise tailor made programmes for the skill development of the socially disadvantaged groups, particularly in less developed areas. The target group for these programmes are SC, ST, OBC, women, minorities and other weaker sections. These are also called 'Out-reach Programmes' as they are conducted in the rural/less developed areas. Training programmes are of 6 weeks duration with training fee at Rs 200/-. Trainees from the weaker sections are given a stipend of Rs 500/- per trainee per month. No fee is charged from SC and ST candidates. 46,418 persons were trained under EDP/ESDP in 2007-08. Training programmes are being conducted in 60 disciplines under EDP/ESDP. An amount of Rs 20 crores has been kept for skill development programmes for 2008-09 for training 90,000 persons.

5.38 The Ministry of MSME has decided to implement the scheme of Entrepreneurship Development Centres (EDCs) through Partner Institutes (PIs) in the PPP mode through the National Institute for Entrepreneurship and Small Business Development (NIESBUD). The scheme aims to develop such EDCs in each block to cover about 15 lakhs youths every year in addition to the 5 lakhs that the Ministry intends to train through the existing programmes. The idea is to identify institutes that can impart training by becoming the Partner Institutes to provide Skill Development Training in at least one identified product for each block.

5.39 The Ministry of MSME has proposed to promote skill development by setting up District Skill Development Centres (DSDCs) in 6000 blocks of the country. The DSDCs may be run by the Government while 6000 block level SDCs may be run by PIs.

5.40 The various training programmes run by the Ministry and the MSME-DIs are significant. However, the linkage of these programmes with markets and the private sector is yet to be fully achieved. Further, in many of the targeted industries, industrial organisation is characterised by clustering, which are administered by the cluster development programmes whose linkages with these schemes are often not clear. Existing cluster development programmes focus more on helping enterprises realise the importance of establishing linkages with each other, on evolving common marketing facilities and have relatively weak focus on skilling of the most unskilled workforce.

5.41 Apart from the institutional training programmes outlined above, there are several schemes that incorporate elements of skill development. These are discussed below.

5.42 *Prime Minister's Rojgar Yojana (PMRY)* was launched on 2nd October 1993 to assist educated unemployed youth to set up self-employment ventures. Initially, the scheme was implemented only in the urban areas of the country. Since 1994-95, it is in operation in both urban as well as rural areas. The Scheme also seeks to associate reputed non-governmental organisations in the implementation of PMRY Scheme especially in the selection, training of entrepreneurs and preparation of project profiles.

5.43 *KVIC's Rural Employment Generation Programme (REGP)* was launched with effect from 1st April, 1995 for generation of two million jobs in the rural areas of the country. The scheme is applicable to all village industries projects set up in rural areas. The eligible agencies under the scheme are (i) individuals (rural artisans/entrepreneurs) ii) institutions cooperative societies, trusts & SHGS for projects up to Rs. 25.00 lakhs.

5.44 PMRY and REGP have been merged forming Prime Minister's Employment Generation Programme (PMEGP) which is expected to increase the participation by and coverage of rural beneficiaries by KVIC and state governments in a more focused manner through rationalized implementation, training, monitoring and verification procedures to be piloted and coordinated by KVIC.

### Ministry of Housing and Urban Poverty Alleviation

5.45 *Swarna Jayanti Shahari Rozgar Yojana (SJSRY)* provides gainful employment to the urban unemployed/underemployed by encouraging self-employment ventures or provision of wage employment. The programme was launched in 1997 with a fund support on 75:25 basis between the Centre and the states. The programme is applicable to all urban towns in India and is implemented on a whole town basis with special emphasis on urban poor clusters. The scheme consists of two major components, viz. (i) The Urban Self Employment Programme (USEP), (ii) The Urban Wage Employment Programme (UWEP). Salient features of the Urban Self Employment Programme are:

- Assistance to individual urban poor beneficiaries for setting up gainful self-employment ventures
- Assistance to groups of urban poor women for setting up gainful self-employment ventures. This sub-scheme has been titled as "The Scheme for Development of Women and Children in the Urban Areas (DWCUA)"
- Training of beneficiaries, potential beneficiaries and other persons associated with the urban employment programme for upgradation and acquisition of vocational and entrepreneurial

skills. Training is imparted in the ITIs, polytechnics, Jan Shikshan Sansthan, engineering colleges or other training institutes.

- There is no minimum educational qualification for beneficiaries under this program. However, this scheme is not applicable to the persons educated beyond the 9th standard. The training and infrastructure support is as stated below:
  - Training cost per person Rs. 2,000/-
  - Training period 2-6 months subject to a minimum 300 hours
  - Tool kit worth Rs. 600/-

The annual targets under self employment under USEP/DWCUA and skill development training under training component have been fixed as 1,20,000 persons and 1,50,000 persons respectively in recent years.

### Ministry of Rural Development

5.46 The *Swarnajayanti Gram Swarozgar Yojana (SGSRY)* aims to bring the assisted poor families (Swarozgaris) above the poverty line by providing them income-generating assets through a mix of bank credit and government subsidy. The programme aims at establishing a large number of micro enterprises in rural areas based on the ability of the poor and potential of each area. The SGSY is financed on 75:25 cost sharing basis between the Centre and the states.

5.47 Training and capacity building of Swarozgaris is an important component of SGSY, under which 10 per cent of the financial allocation is earmarked for training and skill development. During 2007-2008 on an average 8.59 per cent of SGSY funds have been utilized for training of Swarozgaris. At the national level, 15 per cent of the funds under the programme are set apart for special projects having far reaching significance and which can act as indicators of possible alternative strategies.

5.48 As special projects, an innovative intervention for demand-based skill development training projects for increasing employability of rural BPL youth leading to their placement or self employment has been taken up at the national level. The emphasis of these projects is on

identifying demand driven skill sets in consultation with the industry/potential employers in and around the project areas and imparting training to rural BPL youth leading to their placement on completion of training courses. The processes involved in the model are partner / client identification followed by market scan and curriculum development, mobilisation, selection and training of rural poor and their placement and tracking.

5.49 Realizing the great potential in this strategy, 12 Placement Linked Skill Development Projects have been sanctioned with total project cost of Rs. 147.70 crores and beneficiary coverage of 2.79 lakhs rural youth. The average skill development training cost to be borne by the Government in these projects is about Rs. 5,000/- per head. Out of about 36,610 youth trained so far in these projects, more than 27,465 have found employment through successful placement at salaries ranging from Rs. 3000 to 4000 per month bringing them above poverty line. By March 2012, a total of about 2.5 million rural poor are planned to be covered by the Ministry of Rural development through similar skill upgradation programme/projects with guaranteed placement.

5.50 The Ministry has successfully initiated a Skill Development Programme for uneducated/low educated unemployed BPL rural youth through partnership programme with industry associations. A pilot project has been initiated for garment industry in association with IL&FS. To implement this programme, an SPV has been formed called APTEX, which is managed by industry representatives and professionals. The government plays only a supportive role. After the pilot phase, the programme would be expanded to cover at least 5 lakhs BPL youths with 100 per cent placement guarantee. Similar initiatives are being worked out for other sectors like textiles, leather, footwear, retail, etc. The Ministry also partners with banks for the RUDESETI model as discussed in the next para.

5.51 The Department of Rural Development had proposed setting up Rural Development and Self-Employed Training (RUDSETI) type institutes in all the districts in the country to provide skill training to rural poor. The first RUDSETI was established at Ujire, Karnataka, in 1982 jointly by Sri Dharmasthala Manjunatheshwara Educational Trust, Syndicate Bank

and Canara Bank. It chalked out an innovative approach to help the rural youth stand on their own feet by identifying opportunity avenues, train participants in developing the desired skills and assist them in their entrepreneurial activity. RUDSETI has developed a highly successful training module benefiting over 150,000 trainees. Over 66 per cent of the trainees have all successfully established entrepreneurial ventures. In the pre-training phase of the programme, candidates are selected on a scientific assessment of their abilities. The selected candidates are then given inputs on motivation, conviction, entrepreneurial competence and technical skill and know-how in the selected fields. Later, the training familiarizes them with the steps needed to set up their own business. The final phase covers several aspects of management. Apart from their educative and qualitative programme, the organisation is in constant touch with its students and is willing to support them for 2-3 years even after their training. RUDSETI also provides a helping hand to the candidates to come through their initial struggles in their ventures. The trainees maintain a good rapport with the RUDSETI even after their training and constantly seek guidance. Keeping in view the fact that most of the unemployed youth are from poor/middle class rural families, entire training is provided free of cost including free boarding and lodging.

5.52 Some of the typical EDPs for first generation entrepreneurs are:

- Agricultural EDPs - Agricultural and allied activity, dairy management, bee-keeping, horticulture, mushroom cultivation etc.
- Product EDPs - Dress designing for men and women, rexin based utility articles, agarbatti manufacturing, woollen knitting, bag making, fabricating cane furniture, bakery products etc.
- Process EDPs - Repairs of two-wheelers, pump sets, radio, TV etc., motor rewinding, multi-purpose mechanic, beautician course, photography and videography techniques, screen printing and photo lamination, watch and mobile repair, repair of domestic electrical appliances, computer and desk top publishing (DTP) etc.

5.53 The above are only a synoptic view of the existing schemes for skill development and training that have been

initiated by Government of India. As mentioned earlier, a number of other ministries/departments are also associated with skill development programmes which are catering to the requirements of specific sectors and target groups. For instance, the Development Commissioner (Handlooms) under Ministry of Textiles provides training to the handloom weavers. It has a number of Weavers Service Centres in various parts of the country which provide services to the handloom weavers. Similarly, Development Commissioner (Handicrafts) is conducting/supporting various promotional programmes for the handicrafts sector which include skill development / upgradation of artisans. Nehru Yuvak Kendra Sangathan (NYKS) under Ministry of Youth Affairs and Sports has 500 district level offices which, among others, conduct programme to improve the vocational skills of rural youth.

5.54 The Ministry of Women and Child Development is implementing a number of programmes aimed at training women in marketable trades and enable them to access remunerative employment opportunities or help them in setting up their own businesses. The Department of Science and Technology had initiated Vocational Training for Employment Generation (VoTEG) in January 2000 with support from UNDP to target the informal sector for training. The project evolved into SKILLS Project which takes a lead in adapting and implementing the 'franchise model' to skills required by the target segment of resource poor communities and less educated persons. The Ministry of Agriculture is training in the fields of agriculture/extension services, horticulture, animal husbandry, dairying and fisheries. The National Rural Health Mission and other programmes of Ministry of Health and Family Welfare have skill formation components built in to the overall schemes. The Ministry of Tourism is associated with training activities in areas of hotel management and catering. The Ministry of Food Processing Industries organizes training programmes relating to food preservation and food packaging to impart vocational abilities to the youth. Institutions like APEDA, NID, Coffee Board under Ministry of Commerce and Industry have skill development components embedded in to their programmes. Ministry of Social Justice and Empowerment and Ministry of Minority Affairs have training programmes to train people from their target



groups. In addition to these, a large number of training programmes are supported by NABARD for the agricultural sector and institutions such as NDDDB which work with informal sector workers.

### State Government Initiatives

5.55 As mentioned earlier on in the chapter, a significant part of the implementation of national level schemes takes place at the state level. In addition, several state governments have also initiated specific programmes for skill development in the informal sector. In Andhra Pradesh, for example, an Employment Generation Mission has been set up in the last few years by the State Government that works in a public-private partnership mode with the Collectors and Project Directors of DRDAs in the districts. Companies such as G-4 Securitas collaborate with the Mission in various ways ranging from mentoring, providing human and financial resources. A specific initiative that trained the rural youth in market linked opportunities for entry level jobs in the service sector resulted in placement with companies such as Mc Donald's, Café Coffee Day, Food World and so on. Training programmes for self-employment that focus on the informal sector are undertaken by schemes run by the governments of several states such as Rajasthan, Tripura and Maharashtra. States such as Orissa and Jammu and Kashmir have specific training programmes in the handicraft and artisanal sectors.

### Conclusion

5.56 Our review demonstrates that *the governmental system for skill development and training, while vast, is dispersed and characterised by overlaps and multiplicity of schemes. Further, the system that is in existence for the informal sector, while recognising some obvious needs of the sector such as certification of trainees, accreditation of trainers, broad basing and making flexible the actual training imparted and linking training to jobs, is again not conceptualised in a comprehensive manner.* The Second National Commission on Labour focuses its critique of existing systems on these characteristics, which this Commission also seeks to emphasise. Specifically, it is *stressed that the formal and informal systems of skill development need to be integrated with training being competency based, flexible, allowing easy entry and exit to trainees at different points in their lives and being subject to formal systems of accreditation and certification.*

5.57 At the level of implementation, the district level studies conducted by the Commission in Sehore, Allahabad, Shillong and Imphal show that, in spite of all the above mentioned schemes, both formal and informal, being in operation to different degrees in different places, the present facilities to impart skill development to workers are grossly inadequate. For example, in Allahabad, it was seen that at present only 12 - 15 thousand workers are trained every year with the contribution of the government system being about 55 per cent and private sector about 30 per cent while NGOs provide training to about 15 per cent workers. In Sehore, of an estimated 2.18 lakhs workers, who require training, the existing capacity can cater only to a few thousands.

### Part B: Private and NGO Initiatives

5.58 Review of governmental initiatives towards skill building, both in the formal and informal sector in the previous section, revealed the contours of the largest system of skill development in India. As was pointed out in chapter 2 a significant proportion of the workforce also gets trained in the private sector. The present section reviews some of the initiatives of the private and NGO sectors. The focus is on drawing out the salient features of such initiatives.

### Private Sector Initiatives for Skill Building

5.59 Broadly, the private sector initiatives can be categorised into four types. First is where private entrepreneurs or corporates establish training centres/institutes on a for-profit basis. Second, private corporations impart training to people who are absorbed as skilled workforce in their own production units. Third is where they enter into partnerships with public agencies and become the vehicles for training delivery and sometimes finance. Fourth, corporate houses set up public trusts or foundations with a development agenda to build the capacities of local communities to be self reliant systems that utilize human and physical capital in a sustainable manner as an integral part of their 'corporate social responsibility' (CSR) mandate. Here, we briefly summarise some of the major initiatives taken by the private sector.

5.60 Examples of the second kind of initiative, where skilled manpower trained by a private company is

absorbed within the company itself, are by companies such as Group 4 Securitas, Reliance and Kingfisher. Kingfisher runs a training academy (Kingfisher Training Academy) that caters to the hospitality industry, including aviation, tourism and hotels. It runs training modules of roughly a year's duration that train young people as airhostesses, flight stewards, and workers in the hospitality sector. Reliance Industries has started an initiative called **Reliance Global Services** to provide job oriented call center training. Group 4 Securitas conducts a two-week training programme for security guards before they are inducted into the workforce.

5.61 Examples of the third kind of initiative, involving public-private partnerships, are of the Construction Industry Development Council (CIDC), which has been set up jointly by the Planning Commission, Government of India and the Indian construction industry. CIDC, a group of industry and government representatives, has undertaken a programme to assess, build and certify skills in the construction trades so that the overall industry can have access to skilled labour of certified quality. TATA Motors has developed a training model in partnership with the CIDC. This partnership has effectively become a source of training for an entire automotive supply chain linked to their branded vehicles. Though it was originally developed as a closed programme that simply trained students to build quality vehicles, TATA soon realized the need to also train those who supplied the parts, sold and repaired their cars. The unique feature of these programmes is that they are private sector led, but not designed exclusively for the benefit of the designers or the funding organizations of the programme.

5.62 In the previous chapter, we referred to an initiative by the Andhra Pradesh Government involving a public-private partnership for training the rural youth for service sector jobs. This initiative, coordinated by the State Government, has the private sector undertaking training of youth for employment in the private service sector in companies such as McDonalds, Café Coffee Day, Food World, Futures Group, Pizza Hut, Microsoft, Dell, Wipro and so on.

5.63 There are also several initiatives where private foundations undertake training programmes as part of corporate social responsibility of corporations. The

Ambuja Cement Foundation (ACF) is the development initiative of the Gujarat Ambuja Cement Company and works at 11 locations covering nearly 700 villages of eight states. While some youth groups have been imparted training on bamboo crafts and furniture making, others were trained for repairs of TVs & mobile phones, driving, masonry, electrician, motor mechanic, welding and fabrication, carpentry and plumbing. Some others were provided training on small-scale enterprises, so as to enable them to establish their own small business. The efforts of ACF are to go beyond just imparting training in skills that the work market requires; training them in entrepreneurship is also provided. The youth are also supported to learn the procedures of approaching banks for loans and setting up their own enterprises.

5.64 The training initiative by the Confederation of Indian Industry (CII) is another example of the above. With the focus on shifting training from employment to employability perspective, the CII is presently piloting the 'Skills Development Initiative' as a solution to deliver a structured and scalable framework to impart skills to the unemployed / underemployed / uncertified workers, so that they develop as a quality human resource to meet the dynamic needs of the growing economy. This has been piloted initially in 6-7 urban as well as rural locations. The trades in which skills are imparted are chosen in response to the local demand requirements and the growth potential. There is no condition in regard to the social, economic or educational background of the trainees, who are selected on the basis of their aptitude and potential. Under this initiative, the skill-demand assessment is carried out, then the programme module formulated, along with identification of training centres and trainers, and finally, delivery of the capsule modules targeted to help the candidates gain employable skills. The skill trades are classified into blue skills (agriculture, health care, security services) / rust collar skills (construction, minor engineering, transportation) / and grey collar skills (ICT) etc. The existing training infrastructure, such as that available at ITIs, engineering colleges and vocational training institutes after regular hours, is sought to be utilized optimally. Services of faculty members of these institutions are utilized on an honorarium basis. The duration of the training course is 3-6 months. The contents of the training can be

customized to meet the requirements of an employer, who gives a firm commitment of employment.

5.65 A universal certification process is an important component of this initiative. There is an independent verification and a joint certification of the proficiency acquired by the trainees for which the CII has partnered with City & Guilds. The certificate given by City & Guilds is expected to have wide acceptability nationally and internationally and the CII is negotiating an arrangement with banks for underwriting a smart card to be given to the successful candidates to help them get financial linkages.

5.66 Another example of a CSR initiative by a corporate foundation is that of the Byrraju Foundation, set up by the Satyam group of companies, which seeks to providing training services in the areas of healthcare, environment, sanitation, and adult literacy. The Foundation currently works to transform 156 villages in 5 districts of Andhra Pradesh and impacts 800,000 people.

5.67 Dr. Reddy's Foundation, which is the Corporate Social Responsibility wing of Dr. Reddy's Laboratories, a leading pharmaceutical company of India, has started a programme called Livelihood Advancement Business School (LABS) which is a vocational and life skills training model that provides job-based skill development training to the poor youth in the age of 17-25 yrs over a period of 3-4 months. It is custom-designed for school dropouts, unemployed secondary school graduates, street youth, retrenched workers, migrant youth and resettlement community members from the poorest sections of the community. This demand-driven programme has trained over 36,000 youth (between the ages of 17 and 25) from the economically weak and placed them in the salaried formal employment sector. Over 100 major national and international corporations and business organizations and over 4,000 local small businesses and medium enterprises have provided entry level positions to the LABS alumni till date.

5.68 Private sector initiatives in skill building, as demonstrated above, tend to be more linked to industry demand and hence avoid the wastages associated with supply-led initiatives. However, as has been mentioned in chapter 2, these are likely to be forthcoming only in response to existing demand and where skilling is likely

to have a direct link with profitability. For a large segment of workers in the informal sector, these considerations are not enough and their skilling needs go far beyond those that are likely to be addressed directly by the private sector. Some of these concerns are taken up through NGO interventions which are described below.

### NGO Initiatives in Skill Building

5.69 NGO interventions range from offering NCVT approved formal ITI courses to a wide range of non-formal courses. Typically, NGOs devise their own curricula, provide their own training and have their own certification procedures. Very often, they have contacts with employers in the neighbourhood areas which provide placements for the trainees. It is often also reported that placement in jobs for those trained are high and that trained workers earn higher wages. A review of the working of the activities of the major NGOs initiatives reveals that there are two types of approaches being followed: (a) training only on basic or upgraded skills and then leave the trainees to seek wage employment or start their own enterprise, and (b) a 'holistic' package of skill development, basic entrepreneurship training and assistance in availing credit facilities etc. Some NGOs even 'handhold' the trainees for a certain period. Some of the major initiatives are summarised below.

5.70 *Goodwill International Association.* Goodwill International Association, based in Bangalore, was established in 1971 and imparts 'earning skills' to unemployed youth and school dropouts in various disciplines (at least 10<sup>th</sup> pass). Formal courses offered for training are of the ITIs affiliated to the NCVT, which comprise the fitter trade for boys and cutting and tailoring for girls. The non-formal vocational courses include fitting, welding, turning (boys), electrical and plumbing. The non-engineering courses include literacy, health education, craft (girls), medical attendant, machine mechanism, electrical etc. Around 60 per cent of the trainees under non-formal courses have been successful in obtaining jobs in various industries either on their own or through Goodwill's association. With regard to formal training for boys, the success rate in placement is 100 per cent. Goodwill has contacts with a number of engineering and garment industries and hospitals which help trainees to secure a job after completion of training. Attempts are

made by the Association to find placements for trainees in the industry as apprentices. Multi-skilling of the trainees provides them with ample opportunities to learn and move upward in employment hierarchy.

5.71 The training manual for formal courses is provided by the Directorate General of Employment & Training where as for non-formal courses the manual is prepared by Goodwill which has its own trainers and does not depend upon outsiders. For formal courses, certificate is provided by the government and for non-formal courses it is provided by the Association.

5.72 *Gram Vikas:* Gram Vikas is a secular, non-profit voluntary organization working in Orissa with the needy and weaker sections of the society to facilitate their development. It engages in activities aimed at improving the living conditions and the economic standards of the poorest of the poor. Gram Vikas provides training to landless unskilled labourers in masonry, stone dressing, wire binding, painting and plumbing. The target group is the landless village youth working as unskilled labour. Trained barefoot engineers and skilled masons contribute towards projects implemented by Gram Vikas itself on shelter related constructions works and also manage to get gainful employment in and around the villages once the project gets over. Skill training helps the people to bargain and secure better wages for themselves. It has been observed that most of the skilled masons managed to double their daily wage earning capacity over a period of two years.

5.73 Gram Vikas has its own trainers to provide training to the target group. Gram Vikas provides the technical back up support and the necessary credibility to trainees to establish their own micro enterprise. Follow-up surveys are conducted by Gram Vikas after at least two years of the completion of the training programme. Gram Vikas awards Certificate to each trainee on the completion of training.

5.74 An interesting NGO intervention that targets the informal sector is that of *Movement for Alternatives and Youth Awareness (MAYA Organic)*. Maya Organic is a not-for-profit company based in Bangalore working with informal workers in about 52 slums. It provides access to the working poor to skills up-gradation and learning. It recognizes that the unorganised sector, the organised

industry and the markets - each has specific needs as well as opportunities to offer and share with each other for growth and development. The model takes advantage of the large number of individuals operating in the informal economy by bringing them together as collective enterprises of 30-50 members / owners each to access the work opportunities available and by making continuous learning, social security and decent work conditions as inherent part of the organizational structure. It distinguishes itself from the existing member-based organizations in that all these collectives are profit centres of a particular sub-sector enterprise, which in turn ensures a certain visibility and organizational structure, thus far missing in the unorganised sector.

5.75 Maya Organic has been working in 4 sub-sectors and has registered four enterprises: lacquer ware, construction (painting, masonry, and carpentry), hospitality and services (domestic work, food industry and public place maintenance as well as gardening and waste management) and garments (home based garment workers and embroidery workers). Maya Organic encourages different kinds of vital networking between the collectives and markets. One central activity is the interaction with clients in the areas of information about changing market demands and quality feedback related to the products and services offered by the collectives. Equally important is the continuous interaction with resource pool (persons/ institutions/ material) which support the collectives in the areas of training, marketing, product and brand building and social protection; this ensures continuous product and service upgradation for better marketability. This form of networking and making the resource pool accessible to the collectives not only facilitates the process of continuous reflection on market trends and changes but also enhances empowerment.

5.76 As an active marketing agency, Maya Organic represents the various collectives under a brand in the market, ORGANIC, that represent not just products/ services but rather a development brand. It implies that every product/ service bearing the ORGANIC label has a developmental objective and connotes good work practices, high quality and professionally run collectives. It is responsible for developing and promoting the brand identity across different markets and clientele through

building networks with clients. Maya Organic also has a process of monitoring the collectives to ensure compliance with what the brand stands for.

5.77 In addition, *LabourNet*, an institutional network of markets and informal sector workers is a facilitating structure that routes jobs to workers, encourages skill development, influences policy and facilitates access to social security schemes for the construction workforce etc. It has evolved from the experiences of Maya Organic.

5.78 *Self Employed Women's Association (SEWA)* is an organisation of poor and self-employed women workers from the unorganised sector of the economy. SEWA's main goal is to organize women workers for full employment and self reliance and believes in capacity building as a strategy for making the poor women self-dependent. SEWA has the experience of skill formation in a variety of livelihood creation and supportive activities by imparting training on technical, managerial and behavioural skills. For more than 32 years now, SEWA has been working for poor, self-employed women in the unorganised sector of rural and urban areas. Today more than 9.6 lakhs poor women from five states of India are organised in the forms of Self-Help Groups (SHGs), co-operatives, associations, federations and even corporate entities. It has formed producer federations in each of the districts it works in.

5.79 The various sectors where SEWA works is construction (masonry, brick work, plumbing etc), production of traditional craft work, management of water supply by women, repairing & maintenance of hand pumps and pipelines, provision of health related services, basic skills in electrification, food processing and assembling of solar energy equipments.

5.80 SEWA's approach to organizing women for a particular trade has been demand driven and need-based. Even before designing the training modules, surveys are conducted to study the member's needs and skill assessment exercises are carried out to identify the areas where training is required. As a policy, SEWA uses training modules and curriculum for training through the SEWA Academy - the focal point for workers' education and capacity-building. Similar inputs are also available from relevant sister institutions of SEWA. Moreover, SEWA has district level teams of trainers and

coordinators who interact regularly and keep upgrading the training modules.

5.81 So far as technical skill training is concerned SEWA makes arrangements with external resource organizations and individuals, e.g. NIFT, Gujarat Agriculture University, CIDC etc. SEWA has established institutional linkages for various aspects of managing women's micro enterprises. Some of the institutions include Mahila SEWA Sahakari Bank, ICICI Prudential, Gujarat Alkalies and Chemicals Ltd., Central Marine and Salt Research Laboratory.

5.82 The above review shows that the non-governmental initiatives, whether by the private sector or by NGOs, address some of the deficiencies that exist in existing government-led systems. They provide training that is demand-led with signals being provided by the market. However, as was noted earlier, going purely through market signals will not address a lot of problems of the informal sector. NGOs adopt a more integrated approach, with emphasis across different kinds of organisations, but their interventions are too small and dispersed to make a significant impact in terms of numbers trained. Further, they suffer from the problems of inconsistent curriculum, lack of certification and standardisation that were noted earlier.

5.83 The focus of the Commission's work and recommendations in this report is to critically evaluate the extent to which the skilled workforce needs of the economy can be met through existing schemes and approaches. It must be mentioned here that in recent years, there have been several agencies and institutions that have undertaken similar reviews, underlined several inadequacies in existing systems and recommended reforming the system. Our review therefore evaluates the existing system keeping in mind other evaluations, critiques and recommendations. The salient features of these evaluations are described below.

### **Skill & Training System in India: Critical Evaluation & Salient Proposals**

5.84 Recently, the role and performance of the existing training system has been extensively reviewed and a number of proposals have been made to strengthen and expand it. These proposals readily recognize the

importance of skill development of workers in the unorganised sector but focus on the skill requirements for the organised sector. It is recognized that the present training system is supply-oriented and is not linked to emerging demand (by the organised sector) for skilled manpower. The proposals, therefore, make various suggestions for strengthening and expanding the present vocational educational and training system in the country.

5.85 The main proposals which we have examined in this report have been made by the Planning Commission's Task Force on Employment Opportunities and Task Force on Skill Development (subsequently also in the Eleventh Plan) and the MOLE Draft Skill Development Policy. In addition, the National Knowledge Commission, the World Bank and 2008-09 union budget also spells out some proposals. The targets proposed in the various documents perused by the Commission are quite general and range from about 15 million to 50 million annually. But in some cases only public sector training capacity or only organised sector worker coverage have been specified. There is general lack of clarity on the extent of coverage of unorganised sector workers. These reports have mentioned various financing mechanisms and have different emphases on the respective roles of the public and private sectors. Besides, these reports have suggested different apex level organizational structures to address the VET requirements. From the Commission's point of view, a major lacuna of these reports, as pointed out above, is that they focus mainly on the training needs of the organised sector (whether formal or informal). They also do not assess the existing training systems for the unorganised sector workers. As far as the Commission is concerned, we find that our broad approach as well as some of our key recommendations are similar to that of the Second National Labour Commission. We have gone beyond the recommendations of the Second National Labour Commission in several important respects.

5.86 Reports of most of the above mentioned commissions and committees characterize India's system of skill development and training as being government led on the one hand and supply driven and not linked to emerging demand (by the organised sector) for skilled manpower on the other. Most of them argue for reducing

the government's role and gradually allowing the private sector to take over the training delivery or reorienting systems of training in the PPP mode. The government's role is envisaged as a facilitator and for creating a larger framework for certification and accreditation. Within this broad approach, proposals vary among greater stress on general education in comparison to vocational education (World Bank), government's complete withdrawal from training delivery (Task Force on Employment Opportunities) and training to be necessarily paid for in the form of user fees by trainees.

5.87 Most of the proposals *focus on the skill requirements of the organised sector*. Issues of trainers' accreditation, certification of training, autonomous structure for skill development etc. that affect the quality of training for the organised sector are addressed by various reports. Informal sector characteristics, highlighted in Chapter 2 of this report, are considered only briefly by the Second National Commission for Labour and the MOLE's report. The fact that the informal sector's workers and entrepreneurs require formal training in order to improve productivity in both the formal and large informal sector is hardly recognised. That skill development for the informal sector has to be *structurally different*, on which this Commission lays great emphasis, does not receive serious attention by most critiques and proposals.

5.88 The Task Force on Employment Opportunities under the chairmanship of Shri Montek Singh Ahluwalia submitted that the Central Government should completely withdraw from delivery of vocational training services. It felt that the Central Government's role should be to monitor the institutions that set up standards of training, and evaluating and assigning rating to the private training establishments. It called for the ITI system to be restructured and additional resources provided to improve its output. Selected ITIs chosen for joint management with industry should be converted into autonomous bodies receiving government funds. Moreover, it felt that the existing policy of restrictions on charging fees should be removed. It also called for a centrally sponsored scheme or an aid institution like the UGC to be set up for the ITI's. It was in favour of imposing a small levy on companies to raise a skill development fund to finance

the ITIs with industry associations also having a say in allocations. It wanted graduates of ITIs and other vocational training institutions to be eligible for entry into polytechnics and +2 level medical and engineering courses. The Task Force recommended that all enterprises, irrespective of size and status, should be brought under the purview of Apprentices Act. It opined that the private sector involvement in training has been discouraged because of highly subsidized training services provided by the public sector which should change.

5.89 The Second National Commission on Labour recommended a new modular approach to vocational training, which would aid multi-skilling, impart skills attuned to the needs of the labour market, and in consonance with the latest technology. It called for the setting up of an independent regulatory authority to set the standards for skills required for a particular competency, programme implementation and accreditation of institutions imparting training programmes. It also favoured establishment of Block level vocational educational institutions in a phased manner in each block and emphasized that trade unions at the national, regional, industry and plant level should all have a say in the running of workers' education programmes. The Labour Commission recommended that for better matching of demand and supply a labour market intelligence system needs to be put in place for forecasting of marketable skills in both the organised and unorganised sectors. In order to provide for retraining of workers rendered surplus/obsolete by lay-offs, retrenchment and voluntary retirement schemes/early separation schemes, and training of labour in the unorganised sector, the Second National Commission on Labour recommended the establishment of a Skill Development Fund (SDF).

5.90 The World Bank in its recent report on VET in India has taken a different approach. It has argued that, going by the international experience, India would do well to not expand its vocational education system but focus on strengthening its general education system. As far as vocational training in public sector is concerned, major reforms at the policymaking and institutional levels would be required. The report emphasized that involving private sector in management would be critical if

institutions are to be responsive to labour market needs. The World Bank was of the view that the diverse training needs of the informal sector operators cannot be met by simply reorienting public training institutions. Instead of delivering training themselves, governments could focus on creating an environment to support non-public providers. While emphasizing the importance of informal apprenticeships for training in the unorganised sector, it suggests that the quality of such apprenticeship should be improved through a strategy revolving around traditional form of training, by upgrading the technical and management skills of the masters as well as their skills in pedagogy. Further, traditional apprenticeships should be linked with specialized training providers or master craftsmen, with the governments acting as facilitators. To assist the growth of private training provision, the report emphasized that the government should remove constraints on setting-up training institutions.

5.91 The National Knowledge Commission, in its recommendations on the vocational education and training system, favoured placing vocational education entirely under the Ministry of Human Resource Development (MHRD). It called for increasing the flexibility of VET within the mainstream education system and establishing links between the vocational education stream and school education as well as higher education, and making vocational training available in various literacy and adult education schemes. The National Knowledge Commission recommended that the government should aim to spend at least 10 – 15 per cent of its total public expenditure on education, on vocational education. It called for expanding VET capacity through innovative models such as public private partnerships, decentralized delivery, distance learning and computerized vocational training. It also called for enhancing the training options available for the unorganised and informal sectors. It also suggested that the skills required by the unorganised sector should be formally introduced in the curricula and practical training courses. The government should act as a facilitator and provide financial support for such courses. The existing Industrial Training Institutes (ITIs) and Industrial Training Centres (ITCs) should be improved through increasing their functional autonomy. An independent regulatory agency for VET should be established.

5.92 The Task Force on Skill Development set up by the Planning Commission has asked for a paradigm shift in the national policy on skill development with the private sector playing a lead role instead of the government.. The government's role would have to change from being a vocational training provider to a partner and facilitator. Moreover, the Task Force's emphasis is on a shift from the *supply-led* to a *demand-driven* approach. For vocational education, the Task Force has suggested that the nodal agency would be the Ministry of Human Resource Development but an interface between Vocational Education and Vocational Training would be provided at different levels. Recognizing the importance of skill development in agriculture and its vast potential, it has recommended that agriculture training institutes can be set up all over the country, in the PPP mode wherever possible, to empower persons dependent on agriculture. It called for a National Mission on Skill Development to be set up. As part of the Mission, the National Council of Vocational Training (NCVT) should be reconstituted and become the *sole* regulatory authority for Vocational Training. New institutions or Skill Development Centres (SDCs) could be opened on demand by the state governments in collaboration with the industry on a PPP basis. The Task Force left the issue of training in the unorganised sector, (where it was suggested that training centres be set up in clusters of villages, linked with rural business hubs and the development programmes of the local bodies, PPPs and industry) to be looked at by the Mission.

5.93 The Eleventh Five Year Plan has called for a "Skills Development Mission", with an outlay of Rs. 22,800 crores. The Mission will, among others, realign and reposition existing public sector infrastructure ITIs, polytechnics and VET in school to get into PPP mode and to smoothen their transition into institutions managed and run by the private enterprises or industry associations. It will encourage a move away from the system of funding training institutes to supporting the candidates. As a result, institutional funding could be limited to an upfront capital grant while recurring funding requirements could be met by appropriate disbursement to the institute at the end of successful certification. Public Private Partnership Mode will be the major vehicle for absorption of public expenditure in skill development in the Eleventh Five

Year Plan. Apart from the financial contribution from the government, the Plan calls for creating an enabling environment for private investment in skill training.

5.94 The Draft National Policy on Skill Development, prepared by the Ministry of Labour & Employment, has targeted to expand significantly the capacity of the national skills development system. The Policy envisages setting up of State Skill Development Councils, State Skill Development Boards and State Skill Development Corporations on the lines of their national counterparts. The Policy places the Ministry of Labour and Employment as the nodal Ministry for coordinating the efforts of skill development. The Ministry will also guide the formulation of a programme of action for implementing the Policy.

5.95 As part of the institutional restructuring, the Policy calls for the National Council of Vocational Training (NCVT) to be strengthened and reengineered with a broader mandate and expanded activities to play a pivotal role in skill development. A State Council for Vocational Training is to be remodelled in each State, which has similar functions as NCVT at the national level. The Policy envisages establishment of Sector Skills Councils (SSCs), in coordination with NCVT, as an institutional mechanism to facilitate greater and active participation of the social partners. Sector specific Labour Market Information Systems are to be established at national and state levels, and area specific LMISs at local levels.

5.96 The Policy aims to introduce 'competency focus' in the national skills development system. The Policy will focus on equalization of skills development opportunities for the socially disadvantaged communities with those of the rest of the population. Special efforts will be mounted to promote establishment of training facilities in deficient regions. The scheme of Modular Employment Skills would be expanded greatly to cater to the large size of the target group of drop-outs and out-of-school youth, including child labour. All efforts will be made to improve and strengthen informal apprenticeship arrangements in the unorganised sector and to upgrade and diversify their activities into modern skill areas. A special funding support scheme will be set up, which, among others, will help meet direct and



opportunity cost of skills training and lifelong learning in the unorganised sector.

5.97 It is clear from the above that almost all recent assessments (with the exception of the World Bank report) have favoured large expansion in India's skill development capacity. They have also all favoured a substantial increase in skill development capacity for informal sector workers. Some of the reports envisaged that this could be done by setting up 5000 Skill Development Centres. There are considerable differences between the recommendations in the management and financing models envisaged, with some of the reports visualising that the government will only play the role of facilitator, financier and coordinator. But their major focus is on the organized sector, which has a clear articulation of skill requirements and well established market links.

### District Level Studies of Skill Development System

5.98 The NCEUS's assessment of the needs of skill expansion in the informal sector makes it clear that these efforts will have to be sufficiently decentralized and grounded on smaller institutions at the local level. We have earlier shown that training institutional capacity is extremely limited in precisely those regions where demographic dividend is the highest. However, we have very little precise information on issues such as non-governmental formal and informal training capacity, its quality, the felt-need for training among potential trainees, employers, service demanders, and ground level views on how to expand a training system which can cater to this segment. In order to fill this gap, the Commission made an attempt to independently evaluate the existing system of skill development at the district level by commissioning four district level studies in Sehore district of Madhya Pradesh, Allahabad district of Uttar Pradesh, East Khasi Hills district of Meghalaya and Imphal West District of Manipur. The aim of these district level assessments was to estimate the existing training capacity for unorganised sector workers in the districts, including those run by the government, private sector and NGOs. These studies also tried to evaluate the quality and suitability of the training already available for informal sector workers, estimate the training needs of the district, suggest suitable ways for expanding training capacity in

the district in order to cover about half the workforce by 2025 and develop a blueprint for new institutions that may need to be supported, including the role of the public and private sectors, management and governance structures etc. The studies also tried to indicate the nature of public finances that may be required for different purpose including subsidies to private trainers or training facilities, direct provisioning of training services, and subsidies to trainees. The main conclusions emanating from these are summarized in the following paras.

5.99 These studies have emphasised the total inadequacy of training facilities for unorganised workers at the district level. Moreover, the quality of training also leaves much to be desired. The unorganised workers are acquiring training mainly through informal apprenticeships, with some contribution by government sponsored programmes and, to a lesser extent, by private courses which are designed principally for educated youth.

5.100 The studies have emphasized that the need for up-grading skills is felt acutely in both the rural as well as urban areas. Training strategies may, therefore, have to be formulated separately for the rural and urban areas. A training strategy for rural entrepreneurs / workers may involve a careful selection of the subjects for which training is to be imparted through non-conventional institutions. The potential for various skills in the rural areas may be identified and the entrepreneurs selected accordingly for imparting training. Certification of skills may be an integral part of the strategy so that the trained youth may use the certificate for getting employment elsewhere. A well thought-out strategy for marketing the produce of the unorganised sector entrepreneurs/workers, especially rural entrepreneurs, must be a part of the overall skill development strategy. In urban areas also, MES should be identified for imparting both short and long term training in such identified skills along with certification. Non-formal training programmes may also be initiated where the boys/girls pursuing their education may join after their study hours [usually in the evening] to learn certain specific skill which may help them in getting employment after completion of their studies.

5.101 The studies have called for setting up training facilities at a decentralized level, at least at the block level, to enable such workers to access them. Moreover,

they feel that the NGOs, PRIs and private sector should be actively associated if the desired expansion in training facilities is to be achieved. In respect of quality of training, it is felt that skills being imparted through the existing informal system should be certified and linkages between formal and informal institutions should be established to the extent possible.

5.102 The various studies have stressed identification of master trainers at village, block and district level, incentivising their training and linking them with formal training institutions. There is a felt need for a well designed training of trainers programme at formal institutions where these master craftsmen could be trained. Provision could be made for a one time grant to master trainers to upgrade their workshops.

5.103 The studies have also called for a nodal agency at district level to be set up to coordinate, implement, evaluate and follow up the skill development programmes. It has been suggested in the Allahabad Report that all those functions that has been stated in the SDI scheme of Ministry of Labour & Employment for the State Committee to be executed at state level may be assigned to the suggested District Skill Development Agency. This arrangement could substitute the role of the nodal ITIs as proposed in the SDI scheme. The nodal agency at the district level may manage, monitor and evaluate the ongoing training programmes in the district. It may also act as a Labour Market Information Centre, prepare a training map for the district and maintain a directory of potential trainers and trainees. It may also undertake periodic need / demand assessment of skills to help future expansion of training activities. The nodal agency may also co-ordinate between different line departments of the Central and state governments engaged in training and employment activities.

5.104 The Sehore Report suggested that at state level the nodal agencies for rural and urban sectors may be the Rural Development and Commerce and Industries departments respectively with the authority of coordination resting with State Planning Boards/ Commissions/Departments assisted by the Directorate of Economics and Statistics [DES]. At divisional level a Committee headed by the Revenue Commissioner may be constituted with collectors and other divisional level

officers as members to determine the strategy for implementing training programmes. A few NGOs of repute may also be incorporated as members. At district level, the District Planning Committee may be entrusted with the function of implementing the training programmes. A few sarpanches from strategic Gram Panchayats may be co-opted for suggesting skills keeping in view the grass-root realities. Similarly a few urban ward members may be involved for identifying specific skills for urban areas.

5.105 The two studies on the North Eastern region have also suggested setting up of training institutions in specific areas of interest to the two states. The study on East Khasi Hills district recommended setting a new training institution for the construction trades in the district as there is a large demand for construction workers in the North Eastern Region in general and in Meghalaya in particular. The study on Imphal district suggested setting up of an institution like the National Institute of Fashion Technology for the development of the handloom and handicraft sector in Manipur. It has also called for establishment of an institution for providing training in the food processing sector. The study also feels that the State Institute of Rural Development (SIRD) in Manipur could be promoted as a full fledged training centre in the form of an autonomous body.

5.106 Based on stake holder consultations, the studies have identified areas in which skill training of the informal sector workforce could take place. The Madhya Pradesh study identified the following skills in which training could be organized in the rural areas: animal and poultry rearing, repair and fabrication of agricultural implements, T.V. repair, preparation of bricks, plastic molded items and plastic cord, preparation of soyabean milk, preparation of tomato sauce, papad, bari, pickles, etc and masala grindings, manufacturing of wooden toys, training in computer operation, preparation of biscuit, sweets etc. decoration items, fancy jute bags, making of bangles etc. For urban areas, skills like auto repair, cell phone [mobile ] repair, furniture making and repair tailoring, tyre remoulding, zari work, repair of tractor trollies beauticians, preparation of gunny bags, manufacturing of cement products like tiles, pipes, security service etc have been identified.

5.107 The various studies have noted that there is strong gender bias in the existing training systems for informal sector workers. For example, apprenticeship systems were male oriented. They have, therefore, stressed the promotion of gender sensitive training strategies. The Madhya Pradesh study has specifically recommended that special training facilities may be arranged for girls so that the training venue may either be the same village or at most some nearby village. Similarly, post training work may be made available to women trainees near their place of residence.

5.108 An important recommendation emerging from the studies is that financial support may be provided to subsidise wage losses of unorganised sector workers during their training. Moreover, as part of the training strategy soft skills like marketing, communication, attitudinal and behavioural changes should also be imparted.

5.109 It thus emerges from these studies that the need for upgrading skills is felt widely among both the rural and urban workforce. For women, even more than men, it is important to establish training facilities which can upgrade skills close to their door-step in a flexible manner. As far as possible, skill development should be linked to certification (formal skills) and improved livelihoods/jobs. The decentralised training facilities can emerge in alternative ways but their development may need to be encouraged by a district nodal agency, which will also serve as a Labour Market Information Centre keeping records of potential trainees and trainers. The district agency would also be the appropriate body to do a need/demand assessment in order to guide skill expansion in the area. The nature of this nodal agency could be state specific and could link with the state level coordinating institution.

### Recent Government Initiatives for Expansion of Skill Training

5.110 We note that, on the recommendations of the different reports discussed earlier, Government of India has recently initiated a major restructuring of the skill development system in the country. The Prime Minister's National Council on Skill Development (NCSN) has been set up for giving policy directions and periodic review of skill development efforts to address the issue of skill development by expansion of training capacity in a mission

mode. The Council includes seven Union Ministers, Deputy Chairman, Planning Commission, Chairman of the NMCC, Chairman of the NSDC and six non-official experts in the area of skill development. The Council will be responsible for vision setting and laying down broad strategies for skill development.

5.111 The Council will be supported by a National Skill Development Coordination Board (NSDCB) which will be charged with the coordination and harmonisation of the Government's initiatives for skill development spread across the seventeen Central ministries and state governments with the initiatives of the National Skill Development Corporation (NSDC). The Board has been set up in the Planning Commission under its Deputy Chairperson. The NSDCB has thus emerged as the main body in the three tier structure put into place by Government of India which will oversee its skill development policies and bring about an accelerated growth of formal skill acquisition in the economy through the public and private sectors. At present the NSDCB has been allocated a sum of Rs. 300 crores to support innovative ideas by the ministries to expand skill training in the PPP mode.

5.112 The National Skill Development Corporation has been created by Ministry of Finance as a non-profit corporation to support the expansion of private sector initiatives in skill development. The Corporation will have an initial corpus of Rs. 15,000 crores, to which the Central Government has already contributed Rs. 1000 crores. The corporate sector, international development agencies and others are expected to contribute the remaining amount. At a meeting on the NSDC held in August 2008 and chaired by the Finance Minister, the private corporate sector has already announced its decision to provide 51 per cent of the equity base.

5.113 The principal function of the Corporation will be to provide financial support to private sector initiatives in skill development. The operational details and objectives of the Corporation have not yet been detailed. But it is proposed that the NSDC also be given some of the functions related to formulation of courses and certification; accreditation of training institutions, and creation of sector skill councils. The first meeting on the NSDC presided over by the Finance Minister has taken the decision to create fifty sector skill councils in high

growth sectors. It appears that the NSDC is being envisaged as a large body with several functions apart from financing private sector initiatives.

5.114 Given the urgency of skills development at a wide scale, the Commission welcomes the setting up of the NSDC. The Prime Minister's National Council on Skill Development has adopted a document outlining the Vision, Strategy and a set of Core Principles for developing skills in India.

5.115 The vision envisages designing an inclusive skill system for creating 500 million skilled people by 2022 and bridging the divides of gender, rural/urban, organized/unorganized employment, and traditional home-based and contemporary work place-based occupations. The system would focus on the outcomes, consumer choice and competition and will ensure dynamic adjustment of supply (trained candidates) to changes in demand (employment).

5.116 Overall, the strategy would focus on 'folding the future in' which would lead to innovative solutions being found for the issues faced. As part of the strategy, skills would be made fungible and bankable. The system would be made more open/flexible that allows individuals to accumulate knowledge and skills and convert them through testing and certification into higher diplomas and degrees. Making the process of skills acquisition bankable, especially for the poor will result in a demand-driven approach. Given the asymmetry in development across India, the strategy will focus on co-created solutions by working with the states, civil society and community leaders and not concentrate only on public-private partnership. The strategy would also emphasize game-changing delivery by, for example, making public institutions above high school levels available for skill development by private sector after school hours. This combination of public investment with private sector capacity would lower the cost of skill generation. Accelerated English learning classes would be included in vocational training curriculums and attempts made to incentivise English instruction.

5.117 The core operating principles for skill building programmes emphasize targeting market failure, decentralization, maximum use of existing physical infrastructure, focus on modularity, open architecture and

short-term courses, linking financing to outcomes, on-job-training and expanding formal employment. Government programmes must target the massive market failure in vocational training for labour market outsiders (less skilled, less educated, people from small towns, women, etc.) mostly via funding innovations. Financing of skill building must be separated from delivery and government money should be available for both private and public delivery thereby promoting choice and competition. All government financing should be linked to placement ratios and outcomes instead of input metrics as at present. Moreover, the bulk of financing must be made available directly to candidates as scholarships, skill vouchers, outcome-based reimbursements etc. Apprenticeships will be encouraged as these are powerful vehicles for skill development because of 'learning while earning' and 'learning by doing'. A large number of government buildings are available which could be put into an asset bank (with no transfer of title or ownership) and used for private and public skill delivery. Vocational training at present should focus on short, relevant and effective courses that get candidates into the workplace like the MES of Ministry of Labour & Employment. Skill building efforts must be accompanied by education reforms. The core principles must also include creation of a framework and infrastructure for information dissemination around key metrics for public and private training institutions including a voluntary rating and participatory ranking system. This should be accompanied by an effective assessment and credible certification system. Employment exchanges need to be restructured as career centers who will channelise candidates into jobs, apprenticeships and training.

## Conclusion

5.118 As shown in this chapter, the emphasis of the Governmental training system has mainly been on formal VET and training facilities show regional concentrations, with the southern and western region being better served. The training capacity is also very limited in comparison to the requirements. A large number of ministries and programmes are, however, also involved in providing informal training but due to lack of standardisation and quality, their impact is also limited. There are a variety of NGO and private sector initiatives in the area of skill

development. However, private sector initiatives are mainly focused on educated youth and both NGO and private sector initiatives currently have a very limited outreach and their spread is weaker in precisely those regions which are likely to witness faster labour force growth in future.

5.119 Recent changes introduced by government have been made with the purpose of providing greater cogency and coordination to skill development policies and programmes and to provide greater finance to worthy

private sector initiatives. The greater challenge is to assess “demand” and to make the right kind of training available at the grass-roots where informal sector workers live and work. The findings of the district-level studies sponsored by the Commission emphasize the importance of a decentralized training system going down to the district and the block levels. This approach is in consonance with the recommendation of the Second National Commission for Labour calling for block level vocational educational institutions.

## Appendix A5.1

### Skill Development Programmes being Organised/ Funded by Ministries / Departments of Central Govt. (Nos.)

<b>Total</b>	<b>3868300</b>
<b>Formal Training</b>	<b>2248100 (58.12 per cent)</b>
<b>1. Ministry of Human Resource Development</b>	<b>1295000</b>
-Vocationalisation of Secondary Education	1000000
-Polytechnics	295000
<b>2. Ministry of Labour &amp; Employment (DGET)</b>	<b>895000</b>
-Craftsmen Training Scheme (CTS)	406000*
-Apprenticeship Training Scheme (ATS)	258000
-Short Term Courses based on Modular Employable Skills (MES) (Target)	200000
-Crafts Instructor Training Scheme (CITS)	1000
-Advanced Vocational Training Scheme	30000
-Hi-tech Training Scheme	
- Women Training Programme	
<b>3. Ministry of Rural Development</b>	<b>3000</b>
-National Institute of Rural Development (NIRD)	3000
<b>4. HUDCO &amp; others in Construction sector</b>	<b>2500</b>
-Training by Construction Industry Development Council (CIDC)	2500
<b>5. Ministry of Heavy Industries &amp; Public Enterprises</b>	<b>10000</b>
-Counseling, Retraining and Redeployment of Rationalized Workers of CPSEs (Formerly NRF)	10000
<b>6. Department of Information Technology</b>	<b>41500</b>
-DOEACC - 'O' level	41500
<b>7. Department of Tourism</b>	<b>1100</b>
-Food Craft Institutes under State Governments	1100
<b>Informal Training</b>	<b>1620200 (41.88 per cent)</b>
<b>1. Ministry of Human Resource Development</b>	<b>517700</b>
-Community Polytechnic Scheme	331000

-Jan Shikshan Sansthan	180000
-National Institute of Open Schooling – <i>Distance Vocational Education Programmes</i>	6700
<b>2. Ministry of Textiles</b>	<b>40000</b>
-Decentralized Training Programme	
-Weavers' Service Centres	
-Cooperative Training	
-Powerloom Centres	
-Indian Jute Industries Research Association	
-Central Wool Development Board	
-Central Silk Board	
-Training Centres for Handicrafts	
-North –eastern Handicrafts and Handlooms Development Corporation	
Apparel Export Promotion Council (AEPC)	
<b>3. Ministry of Women &amp; Child Development</b>	<b>247000</b>
-Support to Training and Employment Programme for Women (STEP)	87000
-Swalamban (previously NORAD)	53000
-Training in Home scale preservation of fruits and vegetables (by Community Food and Nutrition Extension Units)	23000
-Central Social Welfare Board	24000
-Kishori Shakti Yojana, etc.	
-Other Programmes	60000
<b>4. Ministry of Agriculture</b>	<b>200000</b>
-Training in Agricultural Extension	
-Training in use of Agricultural Implements & machinery	
-Soil Conservation Training Centre	
-CFQC&TI	
-NPPTI	
-Cooperative Education and Training	
<b>5. Ministry of Food Processing Industries</b>	<b>2500</b>
Food Processing & Training Centres (FPTCs)	
Institutions like Central Food Technology Research Institute	
Paddy Processing Research Centre	
Council of Entrepreneurial Development Programme (EDP)	
<b>6. Ministry of Social Justice &amp; Empowerment</b>	<b>15000</b>
-National Institute of Mentally Handicapped	
-National Institute for the Orthopedically Handicapped	

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	<i>-Institute for Physically Handicapped</i>	
	<i>-National Institute for the Hearing Handicapped</i>	
	<i>-National Handicapped Finance and Development Corporation</i>	
	<i>-National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents</i>	
	<i>-National Scheduled Castes and Scheduled Tribes Finance and Development Corporation</i>	
	<i>-Rehabilitation Council of India</i>	
7.	<b>Ministry of Rural Development</b>	<b>200000</b>
	<i>-Swarnjayanti Gram Swarozgar Yojana (SGSY)</i>	<i>200000</i>
8.	<b>Ministry of Housing &amp; Urban Poverty Alleviation</b>	<b>150000</b>
	<i>-Urban Self Employment Programme under Swarna Jayanti Shahari Rozgar Yojana (SJSRY)</i>	<i>150000</i>
9.	<b>Ministry of Micro, Small and Medium Enterprises</b>	<b>180000</b>
10.	<b>HUDCO &amp; others in Construction sector</b>	<b>13000</b>
	<i>Building Centres of HUDCO</i>	<i>13000</i>
11.	<b>Ministry of Health &amp; Family Welfare</b>	<b>36000</b>
	<i>Basic Training of multipurpose health workers</i>	<i>20000</i>
	<i>Promotional training of Female Health Assistants</i>	<i>16000</i>
12.	<b>Ministry of Tribal Affairs</b>	<b>19000</b>
	<i>Vocational Training Centres (VTC) in Tribal Areas</i>	<i>19000</i>
	<i>*Excludes 5.27 lakh seats in ITCs</i>	



# 6

## Summary & Recommendations

### Introduction

6.1 This Commission has reviewed the role of knowledge based inputs acquired (i.e. education, skills and technical education). These inputs clearly play a very significant role in promoting growth, especially in the emerging knowledge economy. As shown by the Commission's earlier report (NCEUS 2007) these inputs are also important from the individual's point of view as they provide a basis for income and productivity growth.

6.2 The deficiencies with regard to education and skill development in India have been considered by the Commission in chapters 2 and 3 of this report. A large part of the Indian workforce has low educational attainment and even lacks basic foundation skills in the form of literacy and numeracy, although this may gradually change with improved access to elementary education. The skill base in India is mostly informal and thus difficult to adapt to changing market and technological environments. As far as formal skill training is concerned, the present system suffers from a number of deficiencies. Besides, the proportion of trained people is far below those achieved by a host of developing and developed countries. This, no doubt, has profound developmental implications both for the workers as well as the economy as a whole. From the demand side, with the economy experiencing rapid growth, skill shortages are

being experienced across the board and draw attention to skill development by industry federations, international organizations and national bodies.

6.3 The issue of skills has to be contextualized in India in terms of the specific characteristics of the workforce which is predominantly informal and engaged in the unorganised sector. More than three-fifths of this workforce is self-employed while of the remaining who are regular or casual wage workers, only half are employed in the organised sector. In the years to come as well, the bulk of employment is likely to be in the unorganised sector of the economy. Therefore, the skill requirements of the unorganised sector will have to be visualized quite differently from that of the organized sector. This report is an attempt in that direction.

### Approach of the Report

6.4 The present report has focused upon and discussed the skill-related issues of the unorganised workers in some detail. Formal training (i.e. training in a structured manner) has mainly been accessed by students / workers with secondary and post-secondary education. The chances of acquiring formal training are currently much lower for women, those with less than secondary education, the poor, and those from socially deprived backgrounds. Training capacity is currently located in a few Southern and Western states whereas the increase in labour force will

be in the eastern and northern states. The empirical, analytical and practical issues that pertain to skill development and training for the informal sector are indeed quite different from what is documented by the reviews by earlier commissions/committees. Some of these issues are briefly summarised as below, followed by a set of concrete recommendations for addressing them.

6.5 This Commission has underscored the need to understand the heterogeneity of the informal sector in India, which leads to a wide range of training needs, requiring analysis and policy that is different from that of the formal sector. At the same time, we recognize that addressing and attending to the training needs of those who operate in the informal sector will eventually lead to the generation of a pool of manpower that can cater to the priorities and structures of the formal sector as well. It is from this standpoint that we address the issues that come up when we discuss training in the informal sector and the suggested rubric of a structure for skill development in the economy.

6.6 The informal sector is highly heterogeneous, encompassing production units of different features and in a wide range of economic activities, as well as people (i.e. workers, producers, employers) working in service activities or producing under many different types of employment relations and production arrangements.

6.7 Some basic questions regarding training and skill-building or upgrading as applied to the informal sector are: for whom, for what, of what kind and how best it can be provided. As far as the motivation for training is concerned, those working in the informal sector may not immediately see the need for further skills acquisition. They may have little knowledge about where to go even if the skills are seen to be required. The principal problems of poor literacy and numeracy often prevent informal sector workers from participating successfully in the conventional training programmes, even if they perceive the need for training. Training can also be prohibitive in terms of costs – both direct and indirect. Even token fees for the training can form a real barrier for participating in training. Working hours are often long and any time off from the productive work means loss of income, which would affect the willingness of workers to join a training programme, even if it is

relevant and easily available. The training needs of different segments of the informal workers also have to be factored in. For example, the expansion of training needs to be gender equitable and gender sensitive, which can not be in the nature of stereotyped expansion alone or left entirely to the market. These issues, therefore, has to be kept in mind when designing training programmes for the informal sector.

6.8 Coming to the content of training, the competencies that are required in the informal sector in a range of activities or also in micro-enterprise based production are a combination of ‘social competencies’, including basic literacy and numeracy and the ability to seek out markets and negotiate as well as technical skills that might be industry or trade based.

6.9 A further set of issues relates to identification of relevant demand for training for unorganised sector workers. It is often suggested that the training should be responding to market demand with a greater role for the private sector and for enterprises. This is a very pertinent issue as state run vocational education and training systems tend to be too supply driven and far-removed from market demand. There is an assumption that by virtue of their closer contact with the market, an employer-operated training could be more efficient with private firms and small enterprises at their centre, coordinated through business associations and other such intermediary institutions. However, it is seen clearly that the impulses generated from the market to the products and services of the informal sector are often indirect. To use existing patterns of market demand alone to signal what the training needs of the economy are and also determine the outcomes of training initiatives will by-pass most members in the informal sector. Nor can it be expected that private enterprises would be forthcoming for skill upgradation for a large part of this sector. In fact, market development in a number of sectors is likely to follow the skill development initiatives for workers in this sector. Thus, expansion of skill upgradation of unorganised sector workers needs to follow an assessment of the social demand rather than existing market demand. This being the case, skill expansion in this sector will require the active participation of public agencies, while giving ample scope and opportunity to the private and non-

governmental actors, who wish to provide expanded opportunities for training to such workers.

6.10 This requires coordination between public agencies and private actors at all levels, including the decentralized ones, particularly at the district-level, in order to be able to arrive at realistic assessments of the training needs of those in the unorganised sector on the one hand and that of different areas and sectors, on the other.

6.11 Finally, even as we recognize the diversity of training needs and the differential perceptions and abilities to undertake training in the informal sector, it is necessary to assert that the skills that are perceived or found necessary in the informal sector have to be 'formally' provided as this involves processes of accreditation, certification and standardization that are essential for enhanced productivity, both in the informal and formal sectors.

6.12 Keeping the above issues in mind, the Commission has put forward recommendations below for building a skill development and training system that explicitly focuses on the expansion of VET for the informal sector workers who generally also have low levels of education. It may be noted that in doing so, we have deliberately not focused upon systems of formal training which are primarily intended for organised sector workers with a reasonable level of education. These systems of training are a subject of reform and have been discussed extensively in other reports.

## Recommendations

### I. Proposed Target

6.13 The share of persons having formal training is just 2.6 per cent of the labour force as per the NSS 2004-05 Survey. Based on the studies sponsored by the Commission which have assessed the demand for skill upgradation and the existing training systems, the Commission's review of VET experience and the link between VET and development, the Commission would like this rate of formal training to reach a level of 50 per cent of the labour force by 2021-22. The persons who would be targeted would include potential entrants into the labour force as well as the existing pool of workers whose skills require to be upgraded.

6.14 The 11<sup>th</sup> Plan has assumed vocational education to increase from 1 million to 2.5 million per year and vocational training capacity to increase from about 2.5 million to 10 million, to a modal mix of 12.5 million per year. This will raise the annual VET capacity to 15 million per year. The Commission estimates that if by scaling up the skill development programmes, the training capacity can be increased to 18 million by the beginning of the XII plan, the target of 50 per cent of formally trained labour force can be achieved by 2021-22 or within three plan periods. Although this is a long time frame, given the vast size of the untrained labour force as well as its other characteristics, this time frame is realistic.

6.15 The total labour force at that point is projected to be 623 million by 2021-22. Our assumptions imply an increase of formal trained labour force from 11 million in 2004-05 to around 310 million in 2021-22.

6.16 It may be noted that in the long run (by 2021-22), the annual increase in labour force would be about 8 million. Since the training programmes would have succeeded in covering the backlog, the long run VET capacity in the country may not exceed 12 million.

### II. Organisational Structure

6.17 Given the urgency of development of adequate skills in the economy at a wide scale, the Commission welcomes the setting up of the Prime Minister's National Council on Skill Development (NCSDD) to address the issue of skill development by expansion of training capacity in a mission mode.

6.18 As mentioned in para 5.111, a National Skill Development Coordination Board (NSDCB) has also been set up in the Planning Commission under the Deputy Chairperson, Planning Commission to coordinate skill development programmes in the public and private sectors. The NSDCB has thus emerged as the main body in the three tier structure put into place by the Government of India which will oversee its skill development policies and bring about accelerated growth of formal skill acquisition in the Indian economy through the public and private sectors. At present the NSDCB has been allocated a sum of Rs. 300 crores to support innovative ideas by the ministries to expand skill training in the PPP mode.

6.19 Given the enormity of the task and the deficiencies in the present institutional infrastructure for skill development in the unorganised sector, this Commission is of the view that the NSCDB should launch a *National Mission for Development of Skills in the Unorganised Sector*; to support skill development in the unorganised sector. Apart from coordinating the expansion of skill development in the unorganised sector in a mission mode, a certain quantum of funds should be at the disposal of the mission to support skill development in a responsive mode, focusing upon strengthening of institutional infrastructure, creation of labour market information systems etc. in a manner that is detailed below.

6.20 The principal function of the National Skill Development Corporation that has been created by the Ministry of Finance as a non-profit corporation is to support the expansion of private sector initiatives in skill development. While the private sector initiatives have greater capacity to undertake skill training in a self-financing mode and cater principally to educated youth, the Commission has shown that a number of NGO initiatives are underway which seek to provide skill development to unorganised sector workers in innovative ways. In the Commission's view, the main purpose of the Corporation should be to provide financial support to NGOs and non-profit organizations engaged in the training of informal sector workers, while the financial needs of for-profit training organizations should be catered to by banks and other existing financial institutions. The Corporation has also been given some other functions which we discuss later in this chapter.

### Vocational Training

6.21 The key requirements in a national skill development system are the identification, development and accreditation of the training providers and training institutions; development of suitable courses based on a careful assessment of needs and demands; ensuring that such a system meets the needs of potential trainees, and the certification of trainees. The expansion of formal training as envisaged in the targets mentioned above will require a manifold expansion in each of these tasks along with the development of fresh approaches which will increase the relevance of training both for the trainees

and the potential employers or users of services and products of the trained workers.

6.22 At present, the National Council for Vocational Training (NCVT) has been set up to advise the government on matters relating to vocational training, for accreditation of institutes and prescribing of standards and curricula under the Craftsmen Training Scheme (for the ITIs/ITCs). Courses under the CTS cater mainly to organised sector requirements. There is presently a void as far as training in short term courses for the unorganised sector is concerned. The MOLE has sought to fill this void through its modular employable skills (MES) programme and skill development initiative (SDI). The Commission views the SDI as a commendable initiative under which there is a positive effort to expand relevant skill training for school drop-outs and by backing this through the development of modular courses, registration of vocational training providers and certification by third party agencies. However, these developments are still limited and are within the framework of a national scheme. There is therefore the need for a national level structure that can provide the backbone to skill development in lagging areas and address the needs of course development, recognition and accreditation of training providers, and certification. These functions may be performed by the NCVT with enlarged scope and functions which will continue to play a pivotal role in providing a framework for formal skill development in the country. In other words, the NCVT may be identified as the primary agency charged with setting of standards, certification of skills and accreditation of providers for all certificate based training for which the minimum eligibility is less than higher secondary education. Alternatively, a new body with well defined statutory responsibilities may be charged with these functions.

6.23 In performing these functions, the NCVT will have to work closely in coordination with the private sector, with employer bodies as well as those who have experience in assessing training requirements of the unorganised sector. The DGET is developing a framework in which these stakeholders are closely involved with the expansion of training. Given the complexities of the task, the DGET has proposed the setting up of Sector Skills Councils. These Councils

should have adequate representation of stakeholders who understand sector-specific training needs for the informal sector as well.

6.24 The overlap of functions such as the formulation of courses and certification; accreditation of training institutions, and creation of Sector Skill Councils between the NCVT and the NSDC should be avoided, and the latter body should focus on financial initiatives as discussed earlier.

6.25 The Commission also recommends that a state level structure should be established in the states which will perform the same coordinating functions at the state level which the NSDCB will perform at the national level, within the overall framework provided by the Prime Minister's Council and guidelines set by the latter. This body should be fully responsible for making and implementing a training plan at the state level and coordinating and monitoring skill and training initiatives in the states. The Commission is of the view that given the vast nature of the task and the heterogeneous nature of the unorganised sector, training initiatives need to be decentralized to the State and sub-state levels. The SCVTs should have full responsibility for evolving a framework for curricula development which meets the local needs, developing a certification framework. Thus, in the Commission's view, while the NSDCB/NCVT will be responsible for overall co-ordination and the development of guidelines and curricula at the national level, the state level bodies and the SCVTs will undertake the relevant activities at the state level.

6.26 In the Commission's view, the expansion of skill development involving millions of people will require coordinated action between public and private agencies at the local level. The Commission is of the view that the skill development programmes for the unorganised sector should be operationalised by a District Skill Development Council (DSDC) which would be the most crucial link in the entire skill development framework. The DSDC will function under the District Planning Committee or Zilla Parishad and will be managed by an executive committee consisting of the major stakeholders in the skills arena at the district level. These would, typically, be employer's associations, prominent NGOs working in the district, representatives of artisans and members of the district administration. The main

executive of the district skill development agency should be a professional who is devoted full-time to the activities of the agency. The Commission envisages that the DSDC will be staffed with competent professionals and technical persons. In order to give greater operational flexibility to the DSDC, they could be registered as societies or non-profit companies. However, the exact organizational model for the DSDC including its management and pattern of stakeholder involvement may be kept flexible and may be decided by the state governments.

6.27 The DSDC will create a database of existing skills by undertaking skill mapping, assess training needs on the basis of existing as well as potential industrial and employment trends, formulate a district training plan involving all stake holders, ensure convergence of various training programmes, coordinate training activities of government departments as well as other training providers, monitor and evaluate training programmes, provide handholding to the trainees, and keep track of the trainees after completion of their training. The agency will assess the infrastructural needs for training and help in its proper maintenance. The agency will help develop a labour market information system which will consist of a data bank of training and training providers, along with requisite details of trainees, compilation of information of skill requirements in sectors and sub-sectors and also put into place a computerised MIS.

### *Vocational Education*

6.28 At the apex level, the Ministry of Human Resource Development will continue to coordinate the development of vocational education in the country. However at the district level, the DSDC may be given the task of dovetailing VE with training requirements. The capacity for vocational education needs to be increased significantly. This will have to be accompanied by making the course content more responsive to market demand. The industrial associations may be associated with formulation and revision of course curricula. Links should be established between the vocational education stream and school education as well as higher education. Students should be able to move between vocational and general education streams by providing them with multiple entry and exit options. Public expenditure on vocational education needs to be increased significantly.

The NSDCB can perform the task of coordination between vocational education and vocational training components. The State may design their own variants taking regional specifics into account.

### III. Expansion of Skill Development

6.29 In the existing training systems for the unorganised workers the government system finances and provides (on its own or with the assistance of private providers), either formal or informal training; or different types of private providers offer formal or informal training. The expansion of skill development for unorganised workers have to be formulated to reflect the needs of the economy and the strengths and weaknesses of the different types of training systems on the one hand and the realities of the unorganised sector on the other. This needs to be done through a combination of public and private sector initiatives, the latter term being defined broadly to include all types of non-governmental providers, (trainers, and others) involved in certification, accreditation etc. In the public sector, expansion of training can be done through consolidation, strengthening and expansion of the existing schemes that are already in existence and have been functional at the district level for some time now, by undertaking new initiatives, and also by integrating initiatives such as the cluster development programme of the MSME under it.

#### Consolidation & Strengthening of Training Programmes

6.30 The training system should link skill development with livelihood promotion. Skill development for the unorganised sector workers has to be seen as an integral part of livelihood support which includes a number of elements including identification of activities, credit and technological support, capacity building and backward/forward linkages.

6.31 The governmental system is a very large source of skill training for unorganised sector workers. Almost all large government livelihood promotion and developmental programmes have a training component; e.g. the rural development programmes involve training for SGSY beneficiaries. Some training is also built into the NREGP. The MSME trains under the PMRY and REGP and also through the MSME-DI. The Ministry of Health has training programmes for Anganwadi

workers and Accredited Social Health Activists (ASHAs) and so on. The stress is on providing short duration functional training. The advantage of this training is that it is linked to a specific livelihood based activity being undertaken or likely to be undertaken by the individual and often with different types of assistance/handholding. Government programmes rely on formal as well as informal trainers. Moreover, these programmes also reflect PPP mode as training in a number of instances is imparted by NGOs / private providers.

6.32 Further, there are many other livelihood promotion activities which are being carried out with the support of banks and NGOs. Prominent among these are the micro-finance based activities supported through the NABARD-SHG linkage programmes which also support training initiatives.

6.33 The main problems associated with these training programmes are that they are not linked to any standards, the quality is highly variable, there is no standard curriculum and usually there is no certification. In addition, the Government also extends informal sector training through the SSKs and Nehru Yuvak Kendras. However, the training under these programmes is also neither standardised nor certified. *It is recommended that the quality of training imparted under them should be improved and standardized and these schemes be integrated under the training plan of the DSDC. These schemes should also involve formal certification procedures to ensure standardization and minimum standards of quality. Over time, training under these programmes should be linked to the MES framework.*

#### The Skill Development Initiative (SDI) & the Entrepreneurship Skill Development Programmes (ESDP)

6.34 The Skill Development Initiative (SDI) scheme of the Ministry of Labour & Employment is a five year project during which one million persons would be trained or their existing skills tested and certified under Modular Employable Skills (MES) framework. The MES offers many elements which are appropriate to the development of training initiatives for the informal sector. Under the SDI, workers can be trained in formal institutions, or informally trained workers could take up a certification examination. Such workers could be offered facilities to go through a “finishing school” before taking

such an examination. Since the SDI and the MES framework can be adapted for training of all informal sector workers, the Commission is of the view that the SDI should be gradually strengthened and target under the scheme significantly increased along with budgetary allocations. Larger number of training providers and assessing bodies should be brought under its ambit.

6.35 Similarly, the Ministry of Micro, Small and Medium Enterprises is focusing on Entrepreneurship Skill Development programme (ESDP) in the unorganised sector conducted through MSME-DIs. Emphasis is on conducting outreach training programmes in backward areas, particularly for weaker sections of the society. Trainees from weaker sections are given a stipend. No fee is charged from SC and ST candidates. Training programmes are being conducted in 60 disciplines under ESDP. The Commission is of the view that this programme should be steadily expanded as it has the potential to provide relevant skills to a large number of target group beneficiaries in the unorganised sector.

### **Focused Approach towards Improvement in Training in Clusters**

6.36 The UNIDO and the MSME have identified about 6400 clusters in the country, of which more than 6000 are classified as low-tech and are certainly likely to be requiring skill upgradation. The following specific recommendations are being made with regard to dovetailing of the existing cluster development programmes in India and the proposed district level skill agency. First, it has to be recognized that an important component of development in the unorganised sector is that of clusters and a process of skill development focused at the district level has to explicitly take into account the needs of clusters in the district. Effective partnership needs to be established between the DSDC and all clusters in the district. The DSDC should consist of representatives from different stakeholders in the clusters that exist in specific districts and district cluster skill development plans should be evolved and dovetailed with cluster programmes run by different agencies such as UNIDO, NABARD, MSME, KVIC and so on. Alternatively, if cluster development programmes in districts are managed by a cluster officer, she/he has to be part of the DSDC along with the representatives from

different agencies that run cluster development programmes.

6.37 Second, in order to motivate cluster actors regarding the desirability of expanded skill development programmes, the methodology evolved by the UNIDO and the MSME's cluster initiatives to generate the conditions for concerted joint action among enterprises, and recognize the interdependencies between them and the advantages of joint initiatives, need to be expanded into the skills and training arena. Such initiatives are already in place for marketing and financing and can be easily extended to skills. This involves convincing entrepreneurs, artisans, industry associations and other cluster stakeholders about the desirability of investing in and undergoing training for sectoral upgradation and also evolving a system of incentives for participating in training programmes.

6.38 Third, there are several sectoral skill development programmes that are being conducted by different agencies that function as part of the industries that are organised in the form of clusters. For example, in the leather industry, institutes such as the Footwear Design and Development Institute and the Central Leather Research Institute conduct training programmes aimed at providing skilled manpower for the export segment of the leather industry. Many of these initiatives cater to the limited number of trainees and are often targeted at higher ends of the training spectrum, whereas the upgradation requirements of the industry need training at low value added levels in the chain, as in raw hide and skin collection or the production of semi-finished leather, where very large numbers of unorganised sector workers are employed. Such integration of training requirements of workers in the lowest level in the value chain with the more overtly perceived need for skilled workers at higher levels can take place only with more active intervention by state agencies working together with the cluster level organizations. District level subsidized institutions to train such lower level workers, set up under the DSDC in collaboration with cluster actors, can perform this role.

6.39 Fourth, the incentive structures and costs to be incurred by potential trainees have to take into consideration differences between clusters, i.e., artisanal, micro-enterprise based or mixed firm ones. For example,

purely artisan clusters will require co-ordination among artisans and recognition or education about the benefits of training, but costs will have to be borne by the state agencies under one of the programmes. Expenses and infrastructure for training of trainers can come under cluster based artisan improvement programmes that are located in clusters, again jointly under the cluster development programme and the DSDC. In the case of clusters where some larger firms dominate through value chain or subcontracting relationships, a method to divide costs of training by size of firm might need to be evolved along with positive incentives for firms that undertake training.

### Provision of Formal Training to Informally Trained Workers

6.40 The largest system of skill development for unorganised workers that is in vogue today is the informal training system in which workers learn some skills on the job from skilled workers/master craftsmen. Our analysis in this report shows that such training is spread across all major activity categories, includes workers with low levels of education and across the poorer segments. In other words, should the productivity and earning potential of such workers be raised through appropriate formal training, it would also have a major pro-poor impact.

6.41 The main advantage of the system is that workers combine learning with earning. The passage of skills from skilled worker to unskilled worker varied depending upon worker background (family or hired worker, male or female), type of industry or trade etc. A major potential constraint in this system is the static skill level of the worker with limited adaptations in a world of changing technologies/demand. No 'schooling' of the skilled worker is possible and he/she only learns while doing.

6.42 In order to address the existing problems with informal apprenticeship systems at the district level, crucial attention has to be paid to the issue of awareness and incentives to those who impart training (master craftsmen) as well as those that receive training (apprentices) in informal apprenticeship systems. First, it is essential that the formal certification systems being developed under the SDI are able to reach out to the informal training

system through the district level structure suggested earlier, or through specific schemes such as the SDI, the ESDP etc. The formal apprenticeship can be supplemented by including a component of specific training, for instance, on technical and theoretical skills that could be provided at the workplace or in a supporting centre, again using a system of incentives and possibly coordinated by boards such as KVIC, HHDC and so on. Formal training inputs can also be offered at the workplace through mobile units or trucks equipped with complete workshops that regularly visit workplaces and provide instructions on problems at hand. There can be incentives for the apprenticeships in the form of reimbursement of fees charged on completion of the course, low or no fees charged for those from SC/ST backgrounds, and so on.

6.43 Second, it is necessary to continuously upgrade skills of master craftsmen/trainers themselves in order to be able to cope with changing technology, fashion and shifting markets. This will involve sectoral initiatives that combine skill upgradation at a higher level with other sector-specific interventions such as technological upgradation and initiatives for expansion of scale under cluster development programmes. Some of these issues are dealt with by the SDI. But the Commission has recommended a full-fledged programme for taking informal training to the next level, while providing some form of employment assurance for a period during training to the trainee. The Commission has, therefore, proposed a programme for employment assurance and skill formation which are discussed below.

### Proposed Programme for Employment Assurance & Skill Formation

6.44 The Commission recommends that in order to operationalise the suggestions given in the earlier paras to strengthen and upgrade (formalize) the systems of informal training, a massive *Programme for Employment Assurance and Skill Formation with the aim to develop human capital through on-job-training* be launched. The scheme will provide employment to poor individuals for about six months and provide them formal marketable skills. This will help the trainees realize the importance of training. The proposed scheme is discussed in detail in the following paras.



### Goals and Objectives

6.45 Given the need to expand formal training in a demand oriented fashion and to provide some incentive for formal skill training to unorganised sector workers, the Commission proposes a scheme for Employment Assurance and Skill Formation to meet the twin purpose of skill development in a practical fashion, and for meeting employment needs of these workers.

6.46 The purpose of the scheme is to develop human capital through on-job training, while providing employment to poor persons for about six months; to train them and to provide them with formal marketable skills, so that at the end of this period, having been employed at least at the minimum wage, they qualify for regular employment or self-employment at higher wages utilizing the skills acquired. In that sense, the proposed scheme may also be considered as a programme for skill formation through apprenticeship and the six months' job at minimum wages may be regarded as "on job training".

### Eligibility

6.47 All young persons will be eligible under the scheme who: a) are in the age group 18-29, (b) are with at least primary, but not more than secondary level of education; and (c) have an economic eligibility depending upon location, as discussed below under the heads "Coverage" and phasing. Subject to this, and subject to training slots being available, the scheme may be seen as providing an entitlement to all registered youth to receive training through placements.

### Programme of Training

6.48 The scheme envisages dovetailing training / wage employment with existing schemes of the Ministry of Labour and Employment (Skill Development Initiative) and other schemes of Self- Employment and Entrepreneurship Development.

6.49 All employers willing to provide on-job training would be registered by the proposed SDS in its MIS. These employers could include all micro and small enterprises, master craftsmen and other skilled self-employed workmen, self-help groups, cooperatives, municipalities, government departments, public sector

undertakings and any other urban agency, whose bonafides in providing on-job training in designated skills could be easily accepted.

6.50 All workers seeking training in specific areas of their choice would also be registered under the scheme.

6.51 The allotment of workers to employers/trainers could be by mutual agreement or through employment exchange/placement centres in the district.

6.52 All employers/trainers would provide on-job training to the worker and a daily stipend not less than the declared minimum wage for unskilled workers. The daily working hours shall not be more than 8 hours and workers will be allowed weekly off.

6.53 Every worker under the scheme would be expected to undergo certification in the designated skill. For this purpose, this programme would be dovetailed with the Skill Development Initiative which is developing course curricula under the Modular Employable Skills Programme and certification norms for a wide variety of skills.

6.54 It will be the responsibility of the employer to provide employment for at least six months to the eligible worker. A mechanism will have to be set up to quickly arbitrate any possible infringement of the terms of this scheme by any of the parties involved.

### Coverage

6.55 The scheme is intended for youth with at least primary but less than higher secondary levels of education. Further, it is largely intended to cover poor youth. In urban areas, eligibility may be limited to those whose household income is less than Rs 7000 per month as on March 1, 2008. In rural areas, the scheme may cover youth from landless poor, marginal and small farmer households who are about 80 per cent of the total with the requisite educational eligibility. During 2004-05, an estimated 104 million youth in India had educational qualifications as per this scheme. Of them, about 30 per cent (33 million) were in urban areas and the rest (71 million) were in rural areas. About three-quarters of the urban youth were in smaller towns (less than one million population). About two-thirds of the youth in this category are in the labor force.

### ***Phasing of the Scheme***

6.56 At present, employment and income opportunities are distinctly higher in large towns. On the other hand, the training capacity is weaker in rural areas, particularly in poorer states. Since the scheme requires building up of administrative capacity in the districts, in the first phase we may start with urban areas with poorer employment opportunities and cover some 50 non-metropolitan smaller towns with population between 50,000 and 5 lakhs, as pilots. This may be followed by the other segments of the eligible population, such as the eligible youth in the rural areas and larger towns.

### ***Financing requirement***

6.57 The total financial provision per worker would be Rs 10,000/- which would cover (a) about six months of pre- or post-certification on job-training/employment for which the employer be provided Rs. 50 per day as subsidy towards stipend being paid to the worker (b) Rs 500 as the cost of certification, as provided under the SDI; (c) Rs. 1000, as cost of training/incentive to the provider/employer. The worker would have the flexibility of receiving training either pre or post-certification, or both. However, the subsidy towards the stipend would be back-ended in the case of the former; i.e. the employer would receive the stipend subsidy only if the worker is certified.

6.58 As indicated above, the programme requires a one time financial outlay of Rs. 10,000 per worker, which is the same as that provided under the NREGA. A provision of Rs 10,000 crores over five years for this project would thus ensure additional training-cum-employment to one crore persons through this mechanism, expanding the present training capacity by 2 million per year under the programme. A larger budgetary allocation would provide larger job creation. However, it will require galvanizing the existing and newly created administrative mechanisms to effectively implement this proposal.

### ***Benefit and Impacts***

6.59 The proposed programme will provide formal skills to those youth who are from the poorer sections and who have dropped out of school without achieving

higher secondary education. The scheme would provide the following principal benefits:

- Allow the hitherto unskilled and poorest individuals to acquire skills for employment and increase their employment potential and the wage earning capacity.
- Enhance the sourcing of certified skilled manpower in line with workplace requirements and customize skills, education and training to the requirements of the industry.
- Integrate unemployed poor into the mainstream of an expanding economy who can be fully employable on a sustainable basis without any further sop or subsidy.
- Further, the programme is quite flexible and can be applied differently in different contexts, within the same overall financial parameters.

6.60 The scheme envisages a demand driven training wherein the employers/industry would determine the skills required for their manpower.

## **IV. Training Providers**

6.61 Availability of quality trainers is generally perceived to be one of the main bottlenecks to expansion of skill development programmes. Hence a major effort is required to enhance their availability. A register of training providers should be prepared and updated as a part of the labour market information system. To provide training at block-level, the trainers will have to be from the local areas so that they would be willing to reside and provide training in those areas. Industry associations can help in training the trainers in their respective fields. MOUs could be signed by the NSDCB/NCVT with existing training institutions and industry associations for this purpose. Master crafts persons would also be a part of the mission to create a larger universe of trainers.

## **V. Training Infrastructure**

6.62 It has been observed that with devolvement of large number of functions and funds to the panchayati raj institutions, physical infrastructure is available at the block level which could be used for skill development programmes. However, the availability of infrastructure varies between blocks and may not be adequate for the

potential target trainees in particular blocks. Funds could be given by the DSDC for meeting deficiency of available infrastructure at block level. Such financial help could be linked to the number of potential trainees in that block.

## VI. Course Development and Assessment

6.63 Under the MES/SDI framework, modular courses are being developed in association with industry associations. These courses are available for adoption by any training provider. This process should be strengthened and the list of courses available for training be significantly enhanced. Such course material will have to be provided in local languages if skill development programmes' outreach has to expand.

6.64 Under draft NSDP of Ministry of Labour, while Sector Skills Councils are to assess the training needs of the organised sector Partnership Development Councils are to perform a similar function for the unorganised sector, at least initially. However, such an arrangement may create unnecessary confusion. Skill Sector Councils may look after the training needs of the unorganised sector also from the beginning.

## VII. Labour Market Information System

6.65 It is necessary to set up a Labour Market Information System (LMIS) at the national, state and district levels linking various trainers and the trainees. Such a system will help in linking the trainers and the trainees and also help in monitoring the training programmes. The DSDC will be performing the task at the district level. For this purpose, the states may consider remodelling the existing employment exchanges so that these can also take up the functions of tracking trainees, listing formal and informal training providers, and providing relevant placement information to both trainees and potential employers. Over a period of time, the LMIS systems could sell their services and be made financially viable. The systems at the state and national level will have to aggregate the inputs from the districts to arrive at the national scenario.

## VIII. Support to & Synergy with Private Initiatives

6.66 There are a vast number of private initiatives to support skill training. These include in-house training

by corporates, private for-profit training initiatives and private non-profit initiatives by foundations, trusts, NGOs etc. The government's approach towards these initiatives should be to provide them the maximum opportunity and flexibility for growth. While the public sector will, no doubt, like to rely on NGO/private agencies to front-end its training initiatives, special effort should be made to preserve the autonomy of those institutions which are trying to develop innovative models of training for unorganised sector workers. Support may be provided for such initiatives as well as other non-profit initiatives, in the form of subsidies for capital costs or coverage of finance, with proper incentives to expand their outreach among the weaker sections of the unorganised sector workers. The Commission had already envisages such a role for its proposed National Fund for the Unorganised Sector. This function must also be extended to the NSDC.

## IX. Addressing Gender Issues in Skill Development

6.67 The prevalent education and training system reinforce the cumulative disadvantage faced by women in the labour market. As shown in this report, women in the unorganised workforce have much lower levels of education and training than men. Further, in the unorganised segment, existing training is concentrated in certain gender stereotyped vocations, such as tailoring. There often a structural bias against women in the existing training systems. This is because gender stereotyping and discrimination results in their facing several obstacles such as lack of time and heavy domestic workload, distance to classes, male teachers/trainers, opposition from family members, and poor linkages with other development inputs, such as income generating programmes. Further, in situations where training provision is subject to minimum educational requirements as in the formal training system in India, this discriminates against women even more than men. In addition, since gender discrimination in the labour market restricts access to employment and results in lower remuneration in most types of employment, women themselves might not be motivated to enter training programmes. All the issues that affect workers in the informal sector, therefore, affect women within it even more intensively.

6.68 The Commission believes that the proposed expansion in training systems should pro-actively foster gender sensitivity and gender equity in training through proper design, advocacy, and incentives. Four broad sets of issues may be addressed here. First, the content of training programmes for women may need to integrate components of literacy, numeracy, business skills, confidence skills in a bigger way. Second, training for women is likely to be more effective when done in a formal, participatory way through groups. In a range of activities such as street vending, city cleaning services and domestic services, such interventions have resulted in better remuneration to those who organise in groups and this should include training. In fact, in urban areas, these groups can function as employment exchanges where women can be encouraged to register to undergo training and in turn be placed in employment at given terms. The Kudumbashree initiative in Kerala shows that this can be coordinated fairly effectively at the district or block level, without running into difficulties with fraudulent agencies. Third, programmes should address the special constraints faced by women in participating in training. This includes absence of mobility, need for child care and gender segregation. The training itself should mainly comprise modular, short-term courses with flexible entry and exit options and mobile training provision. Fourth, training women only in gender stereotypical activities has both specific and general ramifications, since such training not only would perpetuate gender segmentation, but also often leads to over saturation of trained women in low paid work. This does not mean that skills training should no longer be provided in areas around women's reproductive or conventional care role, but that the main consideration is for women to gain access to work which is better paid and with better conditions. Hence, women must also be encouraged to train for "hard" technical skills as well in areas such as agriculture, where their role as producers is far more significant today. Admittedly, NGOs may have a better niche in doing this.

## X. Financing

6.69 The significant expansion in VET will require a considerable up-scaling of financial resource commitment by the government and by the private sector and both these entities have signaled their commitment to increase their spending on skill training. The present

commitment of the Central government is to increase expenditure on VET to Rs. 22,800 crores during the 11<sup>th</sup> Plan. In addition, a sum of Rs. 300 crores has been committed to the NSDB and Rs. 1000 crores has been allocated to the NSDC. A large part of this allocation will go to support strengthening of VET infrastructure for training of workers for the organised sector through ITIs and Polytechnics.

6.70 This Commission has advocated that (i) a sum of Rs. 5000 crores be allocated to the NSDB for a National Mission for Skill Development in the Unorganised Sector for supporting the cost of setting up and operating the proposed institutional infrastructure for expansion of training initiatives at the district level and, (b) at least a doubling the existing training schemes under the SDI and MSME (Rs. 1000 crores; and (iii) Rs. 10,000 crores for the proposed Employment Assurance Scheme. In effect, the Commission's proposal implies a significant increase (to about Rs 40,000 crores) in the financial allocation for VET over the next five years. Given the strong positive externalities emerging from expansion of training, especially of the unorganised sector workers, this increase can be considered necessary. Moreover, if necessary, the resources can be raised through a levy on the turnover of companies to help partially meet the cost of skill development programmes. Tax concessions may also be extended for making contributions for skill development

## XI. Conclusion

6.71 This Report of this Commission has focused on the formal training of workers who are either employed in the unorganised sector, or are likely to join the unorganised sector as waged or self-employed workers. These are typically workers with low levels of education and economic wherewithal, a proportion of whom have acquired skills through informal training. We have shown in this report, that formal training has focused so far on those with better educational attainments (at least higher secondary education), coming from better-off segments of society. Although a majority of these trained persons are not absorbed in the organised sector, they would still tend to constitute an upper stratum of workers in the unorganised sector. Due to perceived skill shortages in the organised sector (for formal as well as informal

workers), most recent proposals have focused on higher end formal training, while recognising the need for training of unorganised sector workers. This Report, on the other hand, has based itself on the premise that there is also a very significant developmental need to improve the skill level of unorganised sector workers (both self-employed and waged) who are at the lower segment. We further showed that the characteristics and training needs of this segment of the workforce are quite different from the upper segment requiring significant differences in approach – in terms of content, institutional delivery etc.

6.72 Expanding the training for such workers would require active participation of different types of

stakeholders – government departments, trainers, private training providers, NGOs and employers. The financing and cost recovery models for such training would also be quite different. The Commission is of the view that if its recommendations, including the proposed National Mission, a fresh institutional approach and the Employment Assurance Programme are adopted, it would be possible to expand training to cover 50 per cent of the labour force within a reasonable time frame. This, in turn, would not only provide a firm anchor to the growth process, it would also help in spreading the benefits of growth to a much wider cross-section of the workforce.

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# Abbreviations & Acronyms

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ACF	Ambuja Cement Foundation
ADB	Asian Development Bank
AEPC	Apparel Export Promotion Council
AICTE	All India Council of Technical Education
AITT	All India Trade Tests
APEDA	Agricultural and Processed Food Products Export Development Authority
ASHA	Accredited Social Health Activist
ATI	Advanced Training Institutes
ATS	Apprenticeship Training Scheme
AVI	Accredited Vocational Institutes
BPL	Below Poverty Line
CFQC&TI	Central Fertiliser Quality Control & Training Institute
CIDC	Construction Industry Development Council
CII	Confederation of Indian Industries
CITS	Craft Instructor Training Scheme
CL	Casual Labour
CPSEs	Central Public Sector Enterprises
CSR	Corporate Social Responsibility
CTI	Central Training Institute
CTS	Craftsmen Training Scheme
DES	Directorate of Economics & Statistics
DGE&T	Directorate General of Employment & Training
DIC	District Industries Centre
DOEACC	Department of Electronics Accreditation for Computer Courses
DRDA	District Rural development Agency
DSDC	District Skill Development Council
DSDCs	District Skill Development Centres
DTP	Desk Top Publishing
DWCUA	Development of Women and Children in the Urban Areas
EDC / EDP	Entrepreneurship Development Centres / Programme
ESDP	Entrepreneurship Skill Development Programmes
FPTC	Food Processing & Training Centres
GOI	Government of India
HHDC	Handicrafts & Handlooms Exports Corporation
HRD	Human Resource Development
HS	Higher Secondary
HUDCO	Housing and Urban Development Corporation
ICT	Information and Communication Technologies



IDA	International Development Association
IIT	Indian Institute of Technology
IL&FS	Infrastructure Leasing and Financial Services
ILO	International Labour Organisation
ITC / ITI	Industrial Training Centres / Institute
JSS	Jan Shikshan Sansthan
KVIC	Khadi and Village Industries Commission
LABS	Livelihood Advancement Business School
LMIS	Labour Market Information System
MAYA	Movement for Alternatives and Youth Awareness
MES	Modular Employable Skills
MHRD	Ministry of Human Resource Development
MIS	Management Information System
MITI / MTI	Model Industrial Training Institutes / Model Training Institutes
MoLE	Ministry of Labour and Employment
MOU	Memorandum of Understanding
MSME	Ministry of Micro, Small and Medium Enterprises
MSME-DI	Micro, Small and Medium Enterprises-Development Institute
NABARD	National Bank for Agriculture and Rural Development
NAC	National Apprenticeship Certificate
NCEUS	National Commission for Enterprises in the Unorganised Sector
NCSD	National Council on Skill Development
NCVT	National Council for Vocational Training
NDDB	National Dairy development Board
NGO	Non-Governmental Organisation
NID	National Institute of Design
NIESBUD	National Institute for Entrepreneurship and Small Business Development
NIFT	National Institute of Fashion Technology
NIOS	National Institute of Open Schooling
NIRD	National Institute of Rural Development
NMCC	National Manufacturing Competitiveness Council
NOAS	National Open Apprenticeship Scheme
NORAD	Norwegian Agency for Development Cooperation
NPPTI	National Plant Protection Training Institute
NREGA	National Rural Employment Guarantee Act
NRF	National Renewal Fund
NSDCB	National Skill Development Coordination Board
NSDP	National Skill Development Policy
NSS / NSSO	National Sample Survey / Organisation
NTC	National Trade Certificate
NVTI	National Vocational Training Institute

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NYKS	Nehru Yuvak Kendra Sangathan
OBC	Other Backward Class
OECD	Organisation for Economic Co-operation and Development
PI	Partner Institutes
PMEGP	Prime Minister Employment Generation Programme
PMRY	Prime Minister's Rojgar Yojana
PPP	Public Private Partnership
PSU	Public Sector Units
RDAT	Regional Directorates of Apprenticeship Training
REGP	Rural Employment Generation Programme
RS	Regular Salaried
RUDESETI	Rural Development and Self Employed Training Institute
RVTI	Regional Vocational Training Institutes
SAIED	Special Accredited Institution for Education of the Disadvantaged
SC	Schedule Caste
SCVT	State Council for Vocational Training
SDC	Skill Development Centre
SDF	Skill Development Fund
SDI	Skill Development Initiative
SE	Self Employed
SEWA	Self Employment Women's Association
SGSY	Swaranjaynati Gram Swarozgar Yojana
SHG	Self Help Group
SIRD	State Institute of Rural Development
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SOE	State Owned Enterprise
SPV	Special Purpose Vehicle
SSC	Sector Skills Council
ST	Schedule Tribe
STEP	Support to Training and Employment Programme for Women
TVET / VET	Technical and Vocational Education and Training
UCEP	Underprivileged Children's Education Programme
UGC	University Grants Commission
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
UPSS	Usual Principal and Subsidiary Status
USEP	Urban Self Employment Programme
UT	Union Territory
UWEP	Urban Wage Employment Programme
VE	Vocational Education
VoTEG	Vocational Training for Employment Generation
VTP	Vocational Training Provider

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# Annexure 1

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## Terms of Reference of the Commission

The Government of India, constituted the National Commission for Enterprises in the Unorganised Sector (NCEUS) vide Ministry of Small Scale Industries Resolution No. 5(2)/2004-ICC dated 20<sup>th</sup> September, 2004, under the Chairmanship of Professor Arjun Sengupta. The Terms of Reference of the Commission are as follows:

- i. Review the status of unorganized/informal sector in India including the nature of enterprises, their size, spread and scope, and magnitude of employment;
- ii. Identify constraints faced by small enterprises with regard to freedom of carrying out the enterprise, access to raw materials, finance, skills, entrepreneurship development, infrastructure, technology and markets and suggest measures to provide institutional support and linkages to facilitate easy access to them;
- iii. Suggest the legal and policy environment that should govern the informal/unorganized sector for growth, employment, exports and promotion;
- iv. Examine the range of existing programmes that relate to employment generation in the informal/unorganized sector and suggest improvement for their redesign;
- v. Identify innovative legal and financing instruments to promote the growth of the informal sector;
- vi. Review the existing arrangements for estimating employment and unemployment in the informal sector, and examine why the rate of growth in employment has stagnated in the 1990s;
- vii. Suggest elements of an employment strategy focussing on the informal sector;
- viii. Review Indian labour laws, consistent with labour rights, and with the requirements of expanding growth of industry and services, particularly in the informal sector, and improving productivity and competitiveness; and
- ix. Review the social security system available for labour in the informal sector, and make recommendations for expanding their coverage

## Annexure 2

### Past and Present Composition of the Commission

The composition of the Commission is as follows:

**Dr. Arjun Sengupta**

Chairman,  
Centre for Development and Human Rights,  
New Delhi

**Chairman**

[From 20.09.2004 to 01.07.2005  
and from 17.11.2005 till date]

**Professor K. P. Kannan**

Fellow,  
Centre for Development Studies,  
Ulloor, Thiruvananthapuram 695011, Kerala

**Full-time Member**

[From 01.11.2004 till date]

**Professor Ravi S. Srivastava**

Professor,  
Centre for Studies in Regional Development,  
Jawaharlal Nehru University, New Delhi 110067

**Full-time Member**

[From 01.05.2006 till date]

**Shri V.K. Malhotra, IAS (Retd.)**

**Member Secretary**

[From 01.03.2006 till date]

**Shri B.N. Yugandhar**

**Member,**  
Planning Commission,  
New Delhi 110001

**Part-time Member**

[From 05.11.2004 till date]

**Professor T.S. Papola**

Director,  
Institute for Studies in Industrial Development,  
Vasant Kunj Institutional Area, New Delhi.110070

**Part-time Member**

[From 06.04.2005 till date]

**Dr. K. Jaishankar**

Former Vice Chancellor, Warangal University,  
Andhra Pradesh

**Full-time Member**

[From 01.12.2004 to 9.03.2006]

**Shri Bibek Debroy,**

Director,  
Rajiv Gandhi Institute for Contemporary Studies,  
New Delhi 110001.

**Part-time Member**

[From 27.10.2004 to 20.12.2005]

**Shri K.K. Jaswal, IAS (Retd.)**

**Member Secretary**

[From 01.11.2004 to 18.02.2006]

## Annexure 3

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### Composition of the Advisory Board

- 1. Professor Bhalchandra Mungekar,**  
Member, Planning Commission,  
Yojana Bhavan, New Delhi.
- 2. Swami Agnivesh,**  
President, Bonded Labour Liberation Front,  
13, South Avenue, New Delhi.
- 3. Professor Sheila Bhalla,**  
(Formerly Professor of Economics,  
Jawaharlal Nehru University, New Delhi)  
Institute of Human Development,  
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- 4. Professor Mahendra Dev,**  
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- 5. Ms. Madhu Kishwar,**  
Editor, Manushi  
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Delhi-110054.
- 6. Ms. Mirai Chatterjee,**  
Self-Employed Women's Association (SEWA)  
Opposite Victoria Garden, Bhadra, Ahmedabad-380001.
- 7. Shri Joginder Kumar,**  
President,  
Federation of Tiny & Small Scale Industries of India (FTSSI),  
General Metal Industries, B-189, Industrial Estate,  
Ludhiana, Punjab.
- 8. Professor Jean Dreze,**  
Delhi School of Economics, Department of Economics,  
Delhi University, Delhi-110007.
- 9. Professor Amit Bhaduri,**  
Council for Social Development,  
53, Lodhi Estate, New Delhi - 110003

# Annexure 4

## Composition and Terms of Reference of the Task Force on Skill Formation in the Unorganised Sector

A-25024/9/2005-NCEUS

Government of India  
National Commission for Enterprises in the Unorganized Sector

16<sup>th</sup>/19<sup>th</sup> Floor, Jawahar Vyapar Bhawan,  
1 Tolstoy Marg, New Delhi 110001  
Dated the 9<sup>th</sup> June, 2005

### ORDER

Subject: Constitution of Task Force on Skill Formation in the Unorganised Sector.

It has been decided to set up a Task force on Skill Formation in the Unorganised Sector.

2. The composition of the Task Force shall be as follows:
 

Shri K.K.Jaswal, Member Secretary, NCEUS	Chairman
Shri B.N.Yugandhar, Part Time Member, NCEUS	Member
Dr.Madhav Chavan, Director, PRATHAM	Member
Lt.General (Retd.) S.S.Mehta, Principal Adviser,CII	Member
Ms.Nalini Gangadharan, Executive Director, Dr.Reddy's Foundation	Member
Shri K.K.Mittal, DGE&T, M/o Labour & Employment	Member
Dr.S.D.Awale, Joint Education Adviser (Technical), D/o Secondary & Higher Education	Member
Shri Sharda Prasad, Labour Commissioner, Government of Uttar Pradesh	Member
Smt.Neelam Nath, Joint Secretary, NCEUS	Member Secretary

Shri J.D.Hajela, Director, NCEUS will provide administrative and secretarial support to the Task Force.
3. The Terms of Reference of the Task Force shall be as follows:
  - 3.1 Identify the characteristics and specificities of skill formation in the Unorganised Sector.

- 3.2 Review the existing arrangements for skill formation in the Unorganised Sector at the Central and State levels.
  - 3.3 Examine the adequacy of the training and skill development component of the current programmes of wage employment and self-employment and recommend measures for improving their effectiveness.
  - 3.4 Recommend measures for optimally utilizing the existing infrastructure for training and skill formation for addressing the needs of the Unorganized Sector.
  - 3.5 Identify the unmet as well as emerging demand for skill sets in an expanding and globalising economy and devise an institutional framework to rectify the mismatch between demand and supply of skills.
  - 3.6 Study the characteristics of urban employment and under employment and assess the potential of programmes of skill development as a strategy of employment generation in urban areas.
  - 3.7 Identify the best practices in the programmes of skill formation in the Unorganised Sector operated by Government and Non-government organizations.
  - 3.8 Design a National Skill Development Initiative for the Unorganised Sector and suggest a strategy for its implementation.
  - 3.9 To consider any other matter related with or incidental to the above Terms of Reference.
4. The Chairman of the Task Force may co-opt any other person as Member of the Group.
  5. The Chairman may invite specialists to particular meetings of the Task Force.
  6. The Task Force shall submit its draft report within six months of the issue of the Order and its final report within eight months.
  7. The expenses towards TA/DA of the official members of the Task Force shall be met by the Government Departments/Institutions to which they belong. The TA/DA of non-official Members and invitees to meetings will be paid by NCEUS as admissible to Grade I Officers of the Government of India.

(J.D.HAJELA)  
Director (NCEUS)

To

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**Copy to:**

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2. Secretary, Department of Secondary & Higher Education,  
Ministry of Human Resource Development,  
Shastri Bhawan, New Delhi 110001
3. Chief Secretary, Govt. of Uttar Pradesh  
Lucknow, Uttar Pradesh.

**Copy for information to:**

1. PPS to Chairman
2. PPS to Member Secretary
3. PPS to Member (K)
4. PPS to Member (J)
5. Director (MS)
6. Director (JDH)
7. Director (MK)
8. Deputy Secretary (SVRM)



# Annexure 5

## Summary of Comments by Central Ministries, State Governments, NGOs, Academia and others on the Draft Report on Skill Formation & Employment Assurance in the Unorganised Sector

S.No.	Organisation	Comments
I.	<b>Central Ministries</b>	
	1. Ministry of Micro, Small and Medium Enterprises	<ol style="list-style-type: none"> <li>1. The Ministry is in agreement with the Commission's view that formal systems of skill imparting are essential for the growth of the informal sector.</li> <li>2. Commission may explore the possible avenues/models through which skills development could be imparted in the informal sector and provide a framework for such programmes in the report.</li> </ol>
	2. Ministry of Communications and Technology, Department of Technology	No specific comments.
	3. Ministry of Tourism	<ol style="list-style-type: none"> <li>1. The Ministry of Tourism is alive to the need of upgrading the skills and building capacities of service providers of the industry. To this end, the Ministry has commenced the scheme of Capacity Building for Service Providers under which training are undertaken to cover a wide range of services. For the promotion of rural tourism, the Ministry extends assistance for capacity building in selected villages.</li> </ol>
	4. Ministry of Youth Affairs and Sports	<ol style="list-style-type: none"> <li>1. The Ministry has formulated a new scheme of National Programme for Youth and Adolescent Development. One component of this scheme is Youth Leadership and Personality Development which prescribes various skill development programmes for adolescent youth through NGOs. Nehru Yuvak Kendra Sangathan also conducts various personality development programmes to guide and empower the village community.</li> </ol>
II.	<b>State Governments</b>	
	1. Madhya Pradesh	<ol style="list-style-type: none"> <li>1. Employment Exchanges, by virtue of having a very systematic and classified database available with them, can function with close collaboration with proposed district level link of informal skill development plan. They can very well take up the role of a sponsoring agency in the scheme proposed by the Commission.</li> <li>2. Though Employment Exchanges have their own employment market information system which works reasonably well with public sector but is not very effective as far as private and unorganized sector is concerned. The present system will have to be modified, strengthened and revamped to enable it to take up additional responsibilities.</li> </ol>
	2. Punjab	<p>Programme for Employment Assurance and Skill Development</p> <ol style="list-style-type: none"> <li>1. Incentive of wage subsidy is attractive</li> <li>2. On-job training/employment should be post certification under SDI</li> </ol>

S.No.	Organisation	Comments
3.	Uttar Pradesh	<p>3. Pre-certification on job training/employment may be allowed where the VTP and the employer are the same unit.</p> <p>4. Monitoring of the training programme needs to be worked out</p> <p>5. Provision for certification need not be made under the scheme as it is already provided for under the SDI.</p> <p>1. The unorganized sector has to be provided with basic education, skill development, vocational training and credit facilities for its development, as has been correctly identified by the Commission in its report. The machinery responsible for this at the central, State and district levels needs to be effectively mobilised with the cooperation of the central and State Governments and the banking system. SHGs, and micro finance institutions should also be made a part of it.</p> <p>2. The unorganized sector is not the responsibility of a single Ministry but is the collective responsibility of all the Ministries/ Departments.</p> <p>3. In UP the Industries department is implementing a number of schemes for skill upgradation and employment generation in the unorganized sector.</p>
III.	<p><b>NGOs, Academia and Others</b></p> <p>1. Ms. Swaminathan, MIDS, Chennai</p>	<p>1. While the report has brought out very well the complex character of the unorganized sector, the recommendations do not reflect this complex understanding of the sector. The skill development programme to be instituted and operationalised has to be organically linked to the findings of the NCEUS.</p> <p>2. The Commission should do a minute scanning, scheme by scheme, of the GOI programmes to decipher whether, how far and which segment/category of the unorganized sector the GOI programmes, when operationalised, will address.</p> <p>3. NCEUS's recommendations should explicitly engage with the theme of monitoring, supervision and accountability of all skill development programmes that it recommends for the unorganized sector.</p> <p>4. The Chapter on International Experiences would have been more enriching if it had stressed in particular the authority structure, delivery mechanism, systems of incentive /disincentives, etc. that countries such as Germany, Japan and South Korea have put in place to operationalise their vocational education programmes.</p> <p>5. The report has very little to say on the issue of certification. Since, very rightly, the report stresses the need for formal certification of training for the unorganized sector, the operationalisation of the theme and scheme of certification merits elaboration.</p> <p>6. The report has very little to say, explicitly, on the role of the private sector in vocational training.</p>

S.No.	Organisation	Comments
2.	Ms Jeemol Unni	<ol style="list-style-type: none"> <li>1. Good report. However, the overall flavour in the recommendations is that the Commission accepts the broad contours of the Skill Policy and organizational structure which is being set up by the Govt.]</li> <li>2. The only new thing about Commission's recommendations is the Programme for Employment Assurance and Skill Formation. This is an innovative idea. However, the very bureaucratic emphasis on defining the employers and beneficiaries/trainees and the modus operandi of the programme is not likely to let this system bloom.</li> <li>3. It might be useful to scatter the report with examples of women's work and how would women fare in the new scheme.</li> <li>4. To get over the excessive emphasis on bureaucratic control it may be useful to give some specific role to NGOs, informal trade unions etc in the setting up or in helping the system reach the backward areas, poor, disadvantaged, women, etc.</li> </ol>
3.	Dr. Sandra Rothboek, ILO, Delhi	<ol style="list-style-type: none"> <li>1. The report could add a few things, particularly in the context of the informal and how learning within such a framework and with these groups is distinct from the typical rote learning of other educational systems.</li> <li>2. Skills cannot be isolated from a) health, b) livelihood/income and c) literacy and numeracy and d) empowerment. This framework is important to be added.</li> <li>3. Capability approach is crucial. The key to learning is to make use of the learning acquired for a) productive purposes and b) life by itself. This might be important also in the context of poor enterprises and unorganized sector per se.</li> <li>4. The Lifelong learning concept, policy and overall framework of Philippines may be studied in the context of the report</li> </ol>
4.	Federation of Tiny & Small Industries of India	<ol style="list-style-type: none"> <li>1. The Distance Education Programmes are very useful as the students can learn while they earn.</li> <li>2. Skill Development Programmes of Department of Science and Technology needs to be strengthened.</li> <li>3. The outcome of the scheme of training of retrenched workers should be examined. The scheme needs to be strengthened and coverage extended to more areas.</li> <li>4. The National Board may launch the mission for expansion of skill not only in the unorganized sector but also in the micro/small enterprise sector.</li> <li>5. A National level body should be created for accreditation of skill development training centres.</li> <li>6. Concrete steps may be taken for upgradation of skills of the micro-enterprise sector.</li> </ol>