

# Harnessing the Demographic Advantage

*K P Krishnan*



*To ensure mobility of Indian workers multi skill institutes in terms of Pradhan Mantri Kaushal Kendras (PMKKs) have been set up in 460 districts and more are being set up. This has led to a significant increase in capacity for skilling market relevant trades thereby improving the opportunities for accessing employment*

**I**ndia is passing through a demographic transition which makes India the youngest nation in the world with an average age of 29 years. This offers India the unique opportunity to provide skilled manpower not only to the rapidly growing domestic economy but also to the ageing economies of the west. As per Economic Survey 2016-17, for the first time since 1950 the combined working age (WA) population (15-59) of the advanced countries declined with both China and Russia experiencing fall of 20 per cent in their working age

population individually. On the other hand, India currently with around 28 per cent population in the youth category is witnessing an increase in its working age population which may saturate by 2040.

There is large heterogeneity among the states in their demographic profile and evolution. A clear divide exists between peninsular India (West Bengal, Kerala, Karnataka, Tamil Nadu and Andhra Pradesh) and the hinterland India (Madhya Pradesh, Rajasthan, Uttar Pradesh, and Bihar). While the peninsular states are exhibiting a pattern akin to the developed



The author is Secretary, Ministry of Skill Development and Entrepreneurship, Government of India.



economies, the hinterland states are relatively young and dynamic, characterized by a rising working age population.<sup>1</sup> However, to reap this demographic potential the young labour force needs to be equipped with employable skills and knowledge to improve productivity and competitiveness of the economy.

The India Skills Report 2018, brought out by Wheebox, indicates that only 46 per cent of youth coming out of higher educational institutes are employable. This raises the issue of skill gap; skill mismatch or skill shortage. There is a paradoxical situation with industry complaining of shortage of skilled manpower and large number of educated youth not getting suitable employment.

A Skill Gap Study by NSDC estimates an incremental human resource requirement of 109.73 million skilled manpower by 2022 in twenty four key sectors of the economy. This makes skill development integral to employment and necessitates economic growth strategies to drive employability and productivity.<sup>2</sup> A successful skill strategy needs to be complemented with creation of decent jobs including entrepreneurship opportunities across sectors so that livelihood creation becomes an outcome of economic growth. There is an emergent need to strengthen the entrepreneurship ecosystem to meet the aspirations of youth. In the last decade a number of initiatives have been undertaken to strengthen the skill ecosystem so as to harness the demographic potential and meet the aspirations of both economy and the youth. However, it is necessary to briefly look into the challenges to be addressed for optimally utilising human resources.



### Major Challenges

The challenges in the skill ecosystem are a consequence of the labour market conditions and requirement of rapid economic growth and impacts quality, access, outreach and relevance. Some of them are:

**A Skill Gap Study by NSDC estimates an incremental human resource requirement of 109.73 million skilled manpower by 2022 in twenty four key sectors of the economy. This makes skill development integral to employment and necessitates economic growth strategies to drive employability and productivity.**

1. Large pool of poorly educated youth
2. High demand for skilled manpower vis-a-vis low employability
3. Skilling formal school dropouts to provide them a second chance to acquire basic numeracy, literacy and functional skills for accessing jobs in the formal sector.

4. Limited and unequal distribution of training capacities vis-a-vis youth demographics.
5. Availability of good quality trainers due to lack of focus on development of trainers' training programmes and career progression pathways for them.
6. Multiplicity in assessment and certification systems leading to inconsistent outcomes and confusion to the employers.
7. Preponderance of informal/unorganised sector and mapping of existing skills and skills required.
8. Achieving convergence and coordination across sectors.

These challenges point to the fact that the growing Indian economy needs to meet the aspirations of its youth in a way that it fulfills the requirements of skill demand and supply of the domestic as well as the global employment market.

### Change in Governance Structure

Since the earlier governance



structure and the skill ecosystem remained fragmented with 21 Ministries implementing 40 schemes with different standards, inputs and norms, a dedicated Ministry of Skill Development and Entrepreneurship (MSDE) was formed in November 2014 as the nodal ministry for all skill development activities in India. To consolidate the infrastructure and programme to achieve optimum utilization of the existing skill development institutions such as Directorate General of Training, NSDC and NSDA and later many programmes such as Polytechnics, Jan Shikshan Sansthan and institutions such as NIESBUD and Indian Institute of Entrepreneurship have been transferred to MSDE. Many new initiatives have been undertaken since then. The new Governance structure as outlined in the policy is depicted below:

### Broad basing National Policy

The National Policy on Skill

**A new policy with focus on entrepreneurship also was launched in 2015 "National Policy for Skill Development and Entrepreneurship 2015". The policy has redefined the vision for Skill India in terms of creating an ecosystem of empowerment by Skilling on a large Scale at Speed with high Standards and to promote a culture of innovation based entrepreneurship which can generate wealth and employment so as to ensure sustainable livelihoods for all citizens in the country.**

Development 2009 has been revisited and a new policy with focus on entrepreneurship also was launched in 2015-"National Policy for Skill Development and Entrepreneurship 2015". The policy has redefined the vision for Skill India in terms of creating an ecosystem of empowerment by Skilling on a large Scale at Speed with high Standards and to promote a culture of innovation

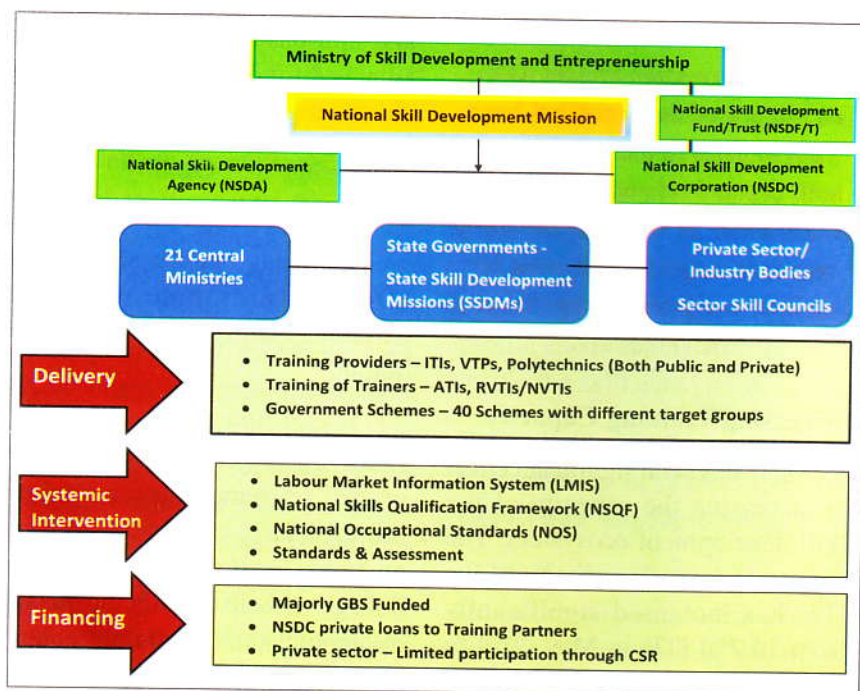
based entrepreneurship which can generate wealth and employment so as to ensure sustainable livelihoods for all citizens in the country. As a major policy reform, the Apprenticeship Act, 1961 was amended in 2014 after taking inputs of the industry to encourage industry participation and further increase the ambit of apprentices. The 2015 National Policy on Skill also recognizes the value of on-the-job training, by making apprenticeships in actual work environments an integral part of all skill development efforts.

### Systemic Interventions

Number of initiatives have been undertaken to improve the availability of information; synergy in delivery of training and standardization of competencies.

Vocational training should lead to decent employment. This depends on the availability of information about opportunities. A Labour Market Information System (LMIS), an integrated database has been put in place to make available both demand side and supply side information at one place including trends in wages; focus areas for skilled manpower, occupational shortages etc. This is a one stop window to help all the stakeholders viz. Trainees, Training Providers, Industry/Employers, Government Agency/Policy Makers, Assessment Agencies, Certifying Agencies, Funding Agencies, International Agencies, Sector Skill Councils, Labour Market Tracking Agencies and Placement Agencies to make appropriate choices.

To synergise the implementation of skill development schemes across Ministries/Departments







and States, the Common Norms have been notified. They mandate uniform input standards for skilling / reskilling / up skilling; outcomes for skill development; funding norms; fund flow; third party certification etc. This is likely to enable a common framework, improve quality and bring consistency across stakeholders.<sup>5</sup>

Millions of people in India acquire skills through non-formal channels without formal certification of their skills. These people are constrained to market their skills in the limited geographies and communities that know of them by word of mouth. A competency based framework NSQF has allowed all such skills to be tested and certified under Recognition of Prior Learning and is enabling millions of experientially skilled to derive proper economic and social benefits of their skills.<sup>6</sup>

All training programmes have been aligned with NSQF framework, requiring them to be industry validated. Over 2,611 QPs have been developed and validated by over 2000+ companies. NSQF also requires

revision of QPs every 3 years to ensure they are up to date with industry requirements.

The workers in the labour intensive sectors – Construction, Agriculture, Domestic Work, Healthcare and Gems and Jewellery are likely to be the biggest beneficiaries.

**Vocational training should lead to decent employment. This depends on the availability of information about opportunities. A Labour Market Information System (LMIS), an integrated database has been put in place to make available both demand side and supply side information at one place including trends in wages; focus areas for skilled manpower, occupational shortages etc.**

### **Increasing Training Capacity**

There has been significant effort in increasing the capacity of the skill development ecosystem. The long term training capacity of the ITIs has increased significantly from 10,750 ITIs in May 2014 to 14,276 ITIs in May 2018, a 56 per

cent increase in seating capacity to reach 30.73 lakh. The short term training has also increased tremendously to reach 16 lakh in FY 2017-18 from 3.34 lakhs in 2013-14 under PMKVY only. The PMKVY centres are spread across various states and UT's and efforts are made to make available the training facility in each district.

To ensure mobility of Indian workers, multi skill institutes in terms of Pradhan Mantri Kaushal Kendras (PMKKs) have been set up in 460 districts and more are being set up. This has led to a significant increase in the capacity for skilling market relevant trades thereby improving the opportunities for accessing employment. Besides these, programmes such as DDU-GKY, NULM, ISDS are also creating capacity for skilling rural and urban youth in generic and sector specific trades. The training capacity over the last four years has increased significantly to reach one crore per annum.

Moreover, e-marketplace and app based library have been launched for dissemination of skill content and curriculum.

### **Improving Quality and Relevance**

There has been a significant effort towards improving and enforcing quality norms in training output.

Over 5,000 ITIs and 15,000 training centers have been graded on parameters including infrastructure, equipment, trainers and past performance/industry linkages to help identify the quality differential among training centers. This would facilitate choice for the





prospective trainee and build in the competition. The strengthening of accreditation and affiliation norms for ITIs has improved the training infrastructure.

Further, a system of concurrent monitoring through SMART portal has been introduced for maintaining quality of training. Technology has been extensively used for the purpose of evaluation and monitoring including mobile app for center inspections, monitoring visits to assessments, allowing for real time monitoring of scheme progress.

The efforts for improved quality has led to increased placement percentage in both fee based training from 26 per cent to 50 per cent and grant based training (PMKVY) from 17 per cent to 60 per cent, even when the scale of operation of the schemes has increased. The private sector is partnering in the administration of ITIs for better industry connects and organizing local industry specific training.

Further, to improve the quality, special focus is laid on training of

trainers. In this respect, guidelines and norms have been brought in to standardize the process for trainers. Takshila portal has been launched to mobilize the trainers and assessors, capturing their

**Over 5,000 ITIs and 15,000 training centers have been graded on parameters including infrastructure, equipment, trainers and past performance/industry linkages to help identify the quality differential among training centers. This would facilitate choice for the prospective trainee and build in the competition. The strengthening of accreditation and affiliation norms for ITIs has improved the training infrastructure.**

profile and mapping their pathway inside the skill ecosystem.

#### **Formalizing the Informal Skills: Recognition of Prior Learning (RPL) and Apprenticeship**

In India, about 93 per cent are informally employed. Most of these have no formal vocational training blocking their pathways

to progression. To facilitate these workers and to map the skilling requirement of the informal sector a programme “Recognition of Prior Learning” has been introduced whereby the skills of workers are tested, assessed and certified. So far under the PMKVY, 9 lakhs have been skilled. Evaluation of trade learned skills and certification through assessment helps the trainees through increased mobility options to the formal sector employment. In certain cases, it has been observed that RPL certification has helped workers to negotiate better wages and opened possibilities for some vertical progression in their careers. In almost all cases, trainees have displayed enhanced self-confidence and pride through attainment of skill certificates.<sup>7</sup>

The Guru Shishya parampara has been an age old practice for transfer of skills. This tradition of skill development through on the job training has survived the test of time and found its place in the skill development programmes of various nations around the world. The apprenticeship model leads to the creation of an industry-ready workforce. Most countries around the world have implemented the apprenticeship model – Japan has over 10 million apprentices, Germany has 3 million apprentices and USA has 0.5 million apprentices, while India has only 0.3 million apprentices. This number is relatively low considering the huge population and demography of India with more than 300 million people in the age group of 18 -35 years.

As mentioned already, to promote apprenticeship as a mode of skill development, the Apprenticeship Act, 1961 was amended in 2014



### Schemes that facilitate a self-employed to become an entrepreneur

Name of Scheme	Eligibility	Nature of Assistance
Deen Dayal Antyodaya Yojana- to set up Rural Self Employment Training Institutes (RSETIs) for nurturing self-employed and entrepreneurs for micro-enterprises. -Ajeevika Grameen Express Yojana -Startup Village Entrepreneurship Programme	Rural BPL families- 50% of the beneficiaries SC/ STs, 15% minorities & 3% PwDs, preferably women headed families, women victims of trafficking, single women etc	NRLM encourages public sector banks to set up RSETIs in districts to transform unemployed rural youth into confident self-employed entrepreneurs through need-based experiential learning programme followed by systematic hand-holding support.  At least one member from each identified rural poor household, preferably a woman, is brought under the SHG network.
Pradhan Mantri Mudra Yojana	Refinance to micro finance units, CBs, RRBs, NBFCs etc	Bank Loans from Rs.50000 –Rs.10 lakh
Standup India	Green field enterprises of women, SC, ST entrepreneur	Bank Loans from Rs.10 lakh-Rs.1 crore
PMEGP	Individual above 18 years of age, Co-operative Societies, Self Help Groups, Trusts. Loan only for new projects that have not availed any govt subsidy	Rs.25 lakhs for manufacturing units and Rs.10 lakhs for service Units. Before margin money, EDP training of 10 working days for project cost more than Rs.5 lakhs and 6 working days training for project cost upto Rs.5 lakhs to the beneficiary is compulsory. Projects costing upto Rs.10 lakhs free from collateral security.
ASPIRE	Set up business incubators so that eligible youth can be adequately incubated in various skills and be provided the opportunity to set up their own business enterprises	Livelihood Business Incubators the quantum of assistance is one-time grant of 100% of cost of Plant & Machinery other than the land and infrastructure or an amount upto Rs.100 lakh, whichever is less and if set up in PPP mode one-time grant of 50% of cost of Plant & Machinery other than the land and infrastructure or Rs.50 lakh, whichever is less to be provided. For Technology Business Incubator the quantum of assistance is 50% of plant & machinery cost or Rs.30 lakhs whichever is less.
SFRUTI	To organize the traditional industries and artisans into clusters to make them, competitive and provide support for their long term sustainability	Heritage cluster (1000-2500 artisans ): Rs 8 crore Major cluster (500-1000 artisans): Rs 3 crore Mini cluster (Up to 500 artisans): Rs 1.5 crore
Coir Udyami Yojana( <i>SFRUTI for Coir Industry</i> )		Maximum admissible cost of the project is Rs.10 lakhs plus working capital, which shall not exceed 25% of the project cost.



**Table-1 Average Monthly Earnings**

	Self-employed	Regular wage/salaried	Contract workers	Casual labour
Persons in Work Force	46.6	17.0	3.7	32.8
Upto Rs.5000	41.3	18.7	38.5	59.3
Rs.5001-7500	26.2	19.5	27.9	25.0
Rs.7501-10000	17.4	19.0	20.3	12.0
Rs.10001-20000	11.1	23.6	11.0	3.5
Rs.20001-50000	3.5	17.7	2.1	0.3
Rs.50001-Rs.100000	0.4	1.4	0.1	0.0
Above Rs.100000	0.1	0.2	0.0	0.0

Source: Annual Employment-Unemployment Survey 2015-16, Labour Bureau

to enhance the scope of apprentices in non engineering trades also and to offer industry optional trades. Further, through Schematic intervention under the National Apprenticeship Promotion Scheme, financial assistance in the form of sharing of stipend (Rs 1500 per month) and basic (Rs 7500) training cost is provided to the employer.

A user-friendly online portal ([www.apprenticeship.gov.in](http://www.apprenticeship.gov.in)) has been launched in order to facilitate the easy processing of the entire apprenticeship cycle and for effective administration and monitoring of the scheme. The portal provides end to end service for the employer from registration and mentioning vacancy to submitting claims, and for the apprentice from registration to receiving and accepting offer letters online.<sup>8</sup>

MSDE is working towards promoting the skilling ecosystem through its initiatives to provide incentives to employers and creating a regulatory framework to promote compliance. It is felt that initiatives such as NAPS will enable creation of an industry-ready workforce and help to transform India into the 'Skill Capital of the World'.

### Making Skill Acquisition Aspirational

That skill is not very aspirational due to social stigma, i.e lack of lucrative wages and information asymmetry in the job market are key factors inhibiting move towards vocational education. Progression pathways have been

**A user-friendly online portal ([www.apprenticeship.gov.in](http://www.apprenticeship.gov.in)) has been launched in order to facilitate the easy processing of the entire apprenticeship cycle and for effective administration and monitoring of the scheme. The portal provides end to end service for the employer from registration and mentioning vacancy to submitting claims, and for the apprentice from registration to receiving and accepting offer letters online.**

created through NSQF for vertical and horizontal mobility between skills and the academic education system.

The Participation in World Skills competition and regional level skill competitions have provided a platform to get recognition and showcase excellence. In the

recent World Skill Competition 9 Medallions of Excellence, silver and bronze medals were won by young Indians in Abu Dhabi.<sup>9</sup>

For the first time, graduation ceremonies are held at ITIs and Skill centres to award certificates. The Kaushal melas are organized for motivating youths and their communities to make skill as an alternative career option. To complete the loop Rojgar melas are organized for ensuring access to better employment opportunities. The industry institute connect like in case of Centurion University facilitates better job access.

### Making India Skill Capital of the World

Indian workers have been migrating out of India for employment especially to the Middle East for blue coloured jobs, mainly construction and retail and to the European countries for technical skills. There has been a shift in emigration trend from relatively prosperous states such as Karnataka and Kerala to states such as Bihar and Uttar Pradesh. Uttar Pradesh has witnessed the highest emigration with 25 per cent of the total workers



migrating out of India for skilled and unskilled work belonging to the state<sup>10</sup>.

In order to facilitate mobility of Indian workers globally MSDE has set up with MEA India International Skill Center to provide skill training along with Pre departure orientation and basic language skills. The candidates in IISCs are provided an international certification facilitating global mobility. In addition to this, temporary employment opportunities have also been identified to provide international exposure and learning opportunities such as the Technical Internship and Training Programme (TITP) with Japan wherein technical interns are sent from India to the Japanese company for three years.<sup>11</sup>

### More in the Pipeline

The realisation of the potential of Demographic Advantage for accelerated economic growth requires appropriate skilling for increased access to jobs and enhanced productivity. Realising this potential in India is a mammoth task given the heterogeneous spread and poor level of education of the workforce. Although Government has put in place policy and institutional frameworks, the realization of this agenda requires active involvement of all the stake holders' viz., government, training providers, state and district authorities, industry and civil society.

Over the past 3 years, the skill development ecosystem has come a long way especially in terms of institutional frameworks and policy reforms, leading to better quality outcomes while achieving scale. Yet, there are still a few challenges which need to be addressed

### Integrating Micro Industries to Marketplace

The challenges akin to migration are a major hindrance for continued livelihood opportunities. With the advent of technology, creating and integrating more micro enterprises at village level to larger marketplaces may limit migration and increase the chances for continued livelihood. There is need to encourage states to take advantage of State component of PMKVY to have locally relevant skill training.

### Skill Wage Premium

Wage premium for skilled labour is still not a reality in the Indian industries which are more cost focused and thus unable to realize the benefits of a skilled workforce. The lack of any wage advantage, on one hand causes the students to directly seek employment as unskilled labor and learn on-the-job rather than undertaking a skill development programme. On the other hand, it causes the skilled candidates to either stay unemployed or opt for underemployment due to lack of apt employment opportunities.

### Informal and Unorganized Economy

To address the skill requirement of the informal sector there is need to generate accurate information of the skill demand/job opportunities through district level skill studies.

### Encouraging Private Sector Funding

Despite the efforts to encourage industry funding for skill development activities over the past decade, the response has been not very encouraging. While industries are a direct beneficiary of the skilled manpower, the skilling initiative has been entirely funded by government initiatives. We need

to explore various options such as reimbursable contributions, levies or even mandatory cess to determine how best to motivate the industries to voluntarily participate in skill development activities.

What emerges is that skill development alone is not sufficient; there is need for availability of quality employment requiring convergence across macro and labour policies and mapping of the jobs wage/self-employed created across sectors for continuous upgrading of the skill training programmes and keeping it industry relevant.

### End Notes

- 1 Economic Survey 2016-17
- 2 National Skill development and Entrepreneurship Policy 2015
- 3 National Skill Development Coordination Board, Planning Commission
- 4 National Skill Development Policy, 2009
- 5 Common Norms Gazette Notification 2014
- 6 National Skill Qualification Framework, 18 March 2015 - PIB
- 7 Rajesh Agrawal, 6 February 2017 – PMKVY: A perspective - PIB
- 8 Rajiv Pratap Rudy, 27 January 2017 - National Apprenticeship Promotion Scheme - PIB
- 9 Ministry of Skill Development & Entrepreneurship Felicitates WorldSkills 2017 Winners from India, 28 December 2017 - PIB
- 10 Global Skill Gap Study – Grand Thornton
- 11 Signing of MoC on Technical Intern Training Programme (TITP) between India & Japan, 18 October 2017, PIB

(E-mail: [secy-msde@nic.in](mailto:secy-msde@nic.in))