



In 2009 the Indian Ministry of Finance established the National Skill Development Corporation (NSDC) as a public-private partnership to address skills shortages in key sectors of the economy. Since then the NSDC has worked with industry-led Sector Skill Councils (SSCs), including an IT skills council, to encourage and coordinate private sector skills training initiatives across the country through subsidised loans, technical advice, training targets and curricula. The SSC approach makes the NSDC responsive to industry needs. As of July 2019, the NSDC has a network of 443 training partners operating 8,503 training centres across India.

The problem

India has a large and growing working-age population, but a big proportion needs reskilling or upskilling. 62% of the population is working age (15-59 years), with 12 million people joining the group each year.¹ Though this group is increasingly well-educated, there is a skills gap in the labour market.

Since the 1990s the Indian economy has transformed with the rapid growth in the ICT and service sectors alongside the relative decline of manufacturing and engineering. A 2013 report found that 47% of Indian graduate degree-holders were unemployable.⁴ In 2015, the Ministry of Skill Development and Entrepreneurship (MSDE) estimated that by 2022, the economy will need an additional 110 million skilled workers across 24 key sectors, and nearly 460 million people needed upskilling or reskilling.³

Previous attempts at skills development in India have had limited success. Government-led skills training programmes were siloed across ministries, and private vocational courses were expensive. This meant programmes could not reach the scale needed. Previous attempts at skill development were more focused on the declining sectors, never ICT and service sectors.

Solution

To tackle the problem, the government established the *National Skill Development Corporation (NSDC)* in 2009 with the aim of upskilling the Indian labour market. The NSDC acts as a 'system steward' to mobilise private sector investment in skills development programmes, as well as provide funding.⁵ The NSDC provides funding for eligible private sector training providers through subsidised loans, equity, grants, and other financial incentives such as tax breaks. It also

provides support services, including setting curricula, faculty training standards, technology platforms, and standards and accreditation systems developed in partnership with industry associations.

The NSDC is a non-profit, public-private partnership (PPP). The government, through the Ministry of Skill Development and Entrepreneurship, holds 49% of NSDC's shares. The remaining 51% of shares are held by private sector firms.^{6,7} The aim of the PPP model is to leverage private sector expertise and investment to increase the quality, scale and responsiveness of training programmes to industry skills needs. Firms are also incentivised to invest in the NSDC through tax-free investments.

A key feature of the NSDC is its relationship with industry-led Sector Skill Councils (SSCs). The NSDC established 37 autonomous, industry-led SSCs spanning a range of economic sectors including construction, agriculture, healthcare and IT. Skills Councils develop industry and occupational standards, conduct skills gap analysis, and develop curricula for training centres. Particular attention is paid to the training of disadvantaged social groups. The IT training programmes cover basic digital skills through to more advanced courses on technologies including big data, cyber security, cloud computing and machine learning. Mr Gaurav Jain, a former consultant to the Joint Secretary of the Ministry of Skill Development and Entrepreneurship, explained: "Teaching curricula are developed by the industry, based on what employers value. Every curriculum expires after 2-3 years, at which point the SSC reviews it and revises the content."

Private sector training providers need NSDC accreditation to be eligible for subsidised loans and technical assistance to set up training centres. Private sector providers receive the NSDC's 'Training Partner' affiliation and funding if they fulfil certain criteria, including contributing to training costs, a commitment to train a certain number of people, and a guarantee to place at least 70% of trainees in jobs post-training. NSDC loans to training providers are subsidised, and include an initial moratorium period where no interest is charged.⁹ While the option to be a non-funded NSDC Training Partner is available, most organisations apply for NSDC loans given their favourable terms.

Training providers then offer either grant-based or fee-based courses to recipients. Grant-based courses are free for recipients, and providers are reimbursed for the cost of training by NSDC. Fee-based courses require recipients to pay. There are pros and cons for both as Mr Jain explains: "If people pay, they're incentivised not to drop out and find employment. If it's free, people might enrol even if they're not interested."

The NSDC looked to international best practice in its design. Policymakers visited Brazil, the Philippines, the US, the UK and Australia to learn from their national skills development programmes. In 2016 the NSDC collaborated with the UK to develop 'transnational skill standards' to ensure that Indian skills are recognised globally.¹⁰ In 2017 the Technical Intern Training Programme (TITP) was established which allows skilled Indian workers to work and receive further training in Japan.¹¹

Impact

Since it was established, the NSDC has built a network of 443 training partners operating 8,503 training centres across India. By February 2019, 9.95 million people had been trained through fee-based courses, and 4.91 million have been placed into jobs (49.3%).¹² But the job placement rate is still low. Mr Jain explained: "There is a stigma associated with vocational training among young people and their parents." To tackle the stigma efforts were made to boost the profile of vocational education and motivate learners. These included public relations campaigns with high-profile cricket players and actors, with the important message that vocational training was a worthy aspiration.

Risks and lessons

While approaches to skills development will vary from country to country, Mr Jain insists that other countries can learn from India's experience. It is important to get the right balance between private and public interests when creating a dynamic market of accredited providers. There must be some governmental oversight, but not so much as to make the system too bureaucratic. This, according to Mr Jain, is the very tricky balance that determines the success or failure of any PPP. Another key lesson is that curricula typically expire after just 2-3 years, so constant engagement with industry is therefore needed to keep them relevant to industry needs.

This case study benefited from inputs from Mr. Gaurav Jain.

Mr Jain is a former Consultant to the Joint Secretary of the Indian Ministry of Skill Development and Entrepreneurship (MSDE), which works closely with the NSDC.

Endnotes:

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