

# THE PROBLEM OF SKILLING INDIA

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Prime Minister [Narendra Modi](#), in his recent Independence Day speech, said, “We need to worry about population explosion”. These words stand in stark contrast to his previous references to India’s demographic dividend where the country’s population was seen as an asset. This shift reflects a new awareness, according to which demography brings a dividend only if the youth is trained properly. Without proper training, instead of benefits, the country gets massive joblessness — at least, this is what common sense suggests. Reality is more complicated.

A minimum of eight million new job seekers enter the jobs market every year. In 2017, only 5.5 million had been created, and the situation is worsening: Unemployment rate is the highest in 45 years today. The Indian youth has become the first casualty, with the unemployment rate reaching 34 per cent among the 20-24-year-olds in the first quarter of 2019 — it was 37.9 per cent among the urban lot, according to the CMIE. Official sources from the government of India do not give very different data: According to the last 2018 Periodic Labour Force Survey (PLFS), the unemployment rate among the urban 15-29-year-olds (a very large bracket) was 23.7 per cent. One may hypothesise that this pervasive joblessness was due to the poor training of the youth as only seven per cent of the people surveyed in the framework of the PLFS declared any formal or informal training.

But there is a paradox here: According to a recent survey, 48 per cent of Indian employers reported difficulties filling job vacancies due to talent shortage. The worst affected sector — which is also one of the strong points of India’s economy — has been Information Technology (IT), where 1,40,000 skilled techies could not be recruited in 2018 despite the employers’ efforts (a high proportion of the 5,00,000 job offers that had been made that year). Indeed, the CMIE reports show that the more educated Indians are, the more likely they are to remain unemployed too. The last PLFS for 2018 revealed that 33 per cent of the formally trained 15-29-year-olds were jobless.

The Modi government assumed that this problem crystallised because the trained youth were not well-trained enough. Hence, the “Skill India” programme, whose objective was “to train a minimum of 300 million skilled people by the year 2022”. In 2014, Modi created a Ministry of Skill Development and Entrepreneurship to harmonise training processes, assessments, certification and outcomes and, crucially, to develop Industrial Training Institutions (ITIs) — the building blocks of this endeavour. The Executive Committee monitoring the mission gathered representatives of nine ministries, as vocational training was seen at the intersection of different domains, including agriculture, information technology, human resources development.

Modi, who chaired the governing council and announced the setting up of 1,500 new ITIs and

50,000 Skill Development Centres, committed himself to “Skill India” in eloquent terms: “Today, the world and India need a skilled workforce. I also want to create a pool of young people who are able to create jobs. My brothers and sisters, having taken a resolve to enhance the skill development at a highly rapid pace, I want to accomplish this”.

Clearly, Modi saw “Skill India” as a plan complementary to another flagship scheme he launched in 2014 — “Make in India”, a policy inviting foreign investors, and, as a way to train entrepreneurs (as evident from the name of the ministry in charge of “Skill India”).

Besides the creation of more courses and institutes of vocational training, the main innovation of “Skill India” consisted in integrating “vocational training classes linked to the local economy” with formal education from class nine onwards in at least 25 per cent of the schools and higher education bodies. A very important aspect of Skill India was its PPP character: Companies were requested to “ earmark 2 per cent of their payroll bill (including for contract labour) for skill development initiatives”. In parallel, the ITIs were supposed to “tie up with industry in the relevant trades to improve placement opportunities for candidates”.

One of the most innovative dimensions of Skill India was the Pradhan Mantri Kaushal Vikas Yojana under which the training fees was paid by the government. The PMKVY’s budget was approximately Rs 12,000 crore for four years (2016-2020). Its main tool was the “short-term training”, which could last between 150 and 300 hours, and which included some placement assistance by Training Partners upon successful completion of their assessment by the candidates.

While the intentions of Skill India are commendable, the scheme falls short of the initial objectives. The target of this scheme was to reach out to 300 million young people by 2022, but only a mere 25 million had been trained under this scheme by the end of 2018. Partly due to mismanagement and partly due to the fact that funds available for “Skill India” were either not spent sufficiently quickly — because of a lack of candidates — or too little was spent. The money problem is evident from the graph and from the PLF Survey mentioned above which showed that, in 2018, only 16 per cent of the youth who had received “formal training were funded by the government”.

But the real problem lies elsewhere: Those who have been trained don’t find jobs. The number of those who have benefited from the Skill India scheme has increased, from 3,50,000 in 2016-17 to 1.6 million in 2017-18, but the percentage of those who could find a job upon completion of their training has dropped from more than 50 per cent to 30 per cent. If one focuses only on the PMKVY, the results are even more disappointing. Responding to a question in the Rajya Sabha in March 2018, the then minister for skill development, [Dharmendra Pradhan](#), told the House that in the framework of this programme 4.13 million people had been trained, but only 6,15,000 (15 per cent) of them got a job.

These limitations may be explained from three points of view.

First, the training was not good enough – and this is why the employability rate remains very low. Second, while the government expected that some of the PMKVY-trainees would create their own enterprise, only 24 per cent of the 6,15,000 mentioned above started their business. And out of them, only 10,000 applied for MUDRA loans —a drop in the ocean. Third, and more importantly, India’s joblessness issue is not only a skills problem, it is representative of the lack of appetite of industrialists and SMEs for recruiting. The decline of the investment rate is a clear indication that the demand is weak —hence huge idle capacities — and investing is not an easy thing to do anyway because of the limited access to credit that the accumulation of Non-Performing Assets has generated.

Skill India will not be enough to create jobs if the slowdown continues. But in the long run, Skill India will also not be enough if government expenditures in education remain low and if, therefore, the ground isn't prepared for proper training. In fact, under the Modi government, allocation for school education has declined from 2.81 per cent of the budget in 2013-14 to 2.05 per cent in 2018-19. It was above 3 per cent during UPA II.

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