Employment Scenario - Skilling India

What is the issue?

India's present demographic scenario calls for increased focus on skill development as demography brings a dividend only if the youth is trained properly.

What is India's current employment scenario?

- A minimum of 8 million new job seekers enters the jobs market every year.
- In 2017, only 5.5 million had been created, and the situation is worsening.
- The unemployment rate is the highest in 45 years now.
- The Indian youth has been affected the most, with the unemployment rate reaching 34% among the 20-24-year-olds in the first quarter of 2019.
- It stands close to 38% among the urban lot, according to the CMIE (Centre For Monitoring Indian Economy).
- According to the last 2018 Periodic Labour Force Survey (PLFS), the unemployment rate among the urban 15-29-year-olds was 23.7%.

What causes this?

- Only 7% of the people surveyed in the framework of the PLFS declared any formal or informal training.
- So, it may possibly be understood that this all-encompassing joblessness was due to the poor training of the youth.
- However, this does not explain the whole picture.
- According to a recent survey, 48% of Indian employers reported difficulties filling job vacancies due to talent shortage.
- The worst affected sector has been Information Technology (IT) which is also one of the strong points of India's economy.
- In IT sector, 1,40,000 skilled techies could not be recruited in 2018 despite the employers' efforts; 5,00,000 job offers 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% of the formally trained 15-29-year-olds were jobless.

What was the government's skilling plan?

- The government assumed that the above problem was because the trained youth were not well-trained enough.
- Hence came the “Skill India” programme, to train a minimum of 300 million skilled people by the year 2022.
- In 2014, the Ministry of Skill Development and Entrepreneurship was created -
    1. to harmonise training processes, assessments, certification and outcomes
    2. to develop Industrial Training Institutions (ITIs), the building blocks of skill development
- More courses and institutes of vocational training were created.
- Besides this, the main innovation of “Skill India” consisted in integrating “vocational training classes linked to the local economy.”
- This came with formal education from class nine onwards in at least 25% of the schools and in higher education bodies.
- A very important aspect of Skill India was its PPP (Public-Private Partnership) character.
- Companies were requested to earmark 2% 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 (PMKVY).
- Under this, the training fee was paid by the government.
- [The PMKVY’s budget was approximately Rs 12,000 crore for 4 years (2016-2020).
- Its main tool was the “short-term training”, which could last between 150 and 300 hours.
- It included some placement assistance by Training Partners upon successful completion of their assessment by the candidates.]

How effective were the measures?

- Against the target of reaching out to 300 million young people by 2022, only a mere 25 million had been trained under Skill India by the end of 2018.
- It was partly due to mismanagement and partly due to the fact that funds available were either not spent sufficiently quickly or too little was spent.
- Notably, in 2018, only 16% of the youth who had received formal training were funded by the government.
- The real problem is that those who have been trained do not 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% to 30%.
- Under PMKVY, 4.13 million people had been trained, but only 6,15,000 (15%) of them got a job.

What were the flaws in the approach?

- Firstly, the training was not good enough, and this is primarily why the employability rate remains very low.
- Secondly, the government expected that some of the PMKVY-trainees would create their own enterprise.
- But only 24% of the 6,15,000 mentioned above started their business. Out of these, only 10,000 applied for MUDRA loans.
- Thirdly, India's joblessness issue is not only a skills problem.
- It is also 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.

What is the way forward?

- Skill India may not be enough to create jobs if the economic slowdown continues, which needs to be addressed.
- In the long run, government expenditures in education should also substantially increase, to prepare the ground for proper skill training.

Source: Indian Express

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