'Plus ça change...' New skills policy, patterns of skill formation and firms' strategies in India

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Question

• There has always been a policy focus on skills in post-independence India but with poor outcomes
• Increased emphasis in New Skills Policy 2009
• What are the elements of continuity and change?
• What are the prospects?
Skilling structure

- Vocational education as part of formal education, without certification: poor uptake (3% according to GOI report 2011)
- Industrial training Institute (ITI) and Polytechnic: after secondary and higher secondary education, with certification
- Apprenticeship scheme: all large public and private firms have to train ITI graduates for 1 yr; employers pay a stipend
Poor outcomes

- Capacity: 5.1 million; 10750 ITI (2275 public and 8475 private)
- Quality: poor infrastructure, instructors
- Relevance: of trades, syllabi, to employers
- Outcomes: 60% unemployed 3 yrs after completion; 2/3rd not in their trade; 1.94% employed by the firm (GOI 2011)
- Underutilisation
- Equity: disparity between regions in infrastructure and quality
- Poor coordination among multiple govt bodies
Policy focus on skills

• National Skill Development Policy 2009: 500 million to be skilled by 2022; 50 million by 2016-17

• Holistic and integrated policy influenced by skills ecosystem approach: engaging employers

• National Skill Development Council to coordinate various public-private initiatives on skill formation

• For economic development, social justice and equality
Governance of ITIs through PPPs

- Upgradation started in 2007
- Review of 100 PPP ITIs
- 27% improving, 73% lagging behind because of structural rigidity, incompetence or lack of commitment of the industry partner
- No accountability
- 'No economic incentive' for firms
- (Confederation of Indian Industry and Govt of India 2013)
Political economy of skills 1

• Power asymmetries within the workforce: only 7% of workers are formal, 93% are informal

• Power asymmetries between firms: large firms and more dependent firms - almost all manufacturing is in the informal sector: 85% of firms are own-account firms (home based, family labour); 10% employ less than 6 workers; 5% employ more than 6 but less than 20 workers

• Power asymmetry between state and capital

• Firms had little incentive to train; access informal labour and state trained graduates: only 17% of firms provide training, largely public sector and others such as Tata, Bosch

• Firms prefer to train casual labour on-the-job; hired and paid little, over many years the hardworking ones are assigned to older skilled workers
Political economy of skills 2

- Post-independence state and capital compromise was of state support to firms through subsidies and cheap inputs in return for industrialisation
- Firms took the former but resisted any form of regulation: socialised the risk but privatised the profit and channeled it into areas they were interested in
- None of the planning targets were met and state was blamed
- Organised labour demobilised in return for benefits: this weakened labour but also the state vis-a-vis the capital when a mobilised labour could have provided leverage to both
Conclusions

• Asymmetries have widened and incentives to train have decreased further
• Firms integrate the informal economy into the formal through outsourcing, subcontracting: access to skills without investment or risks
• 1980s, outsourcing from unionised to non-unionised sector; 1990s, rise in informal firms and informal employment
• 1991-98, increase in fixed capital, reduction in manual employment, increase of non-regular flexible workers; stagnating real wages, productivity gains reaped by employers
• For workers, on-the-job training without certification means nothing in the labour market or in an economy where all jobs created are informal