

Skilling India: Opportunities & Imperatives for the Private Sector

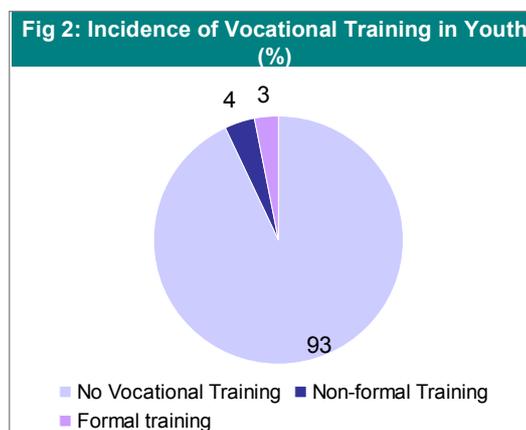
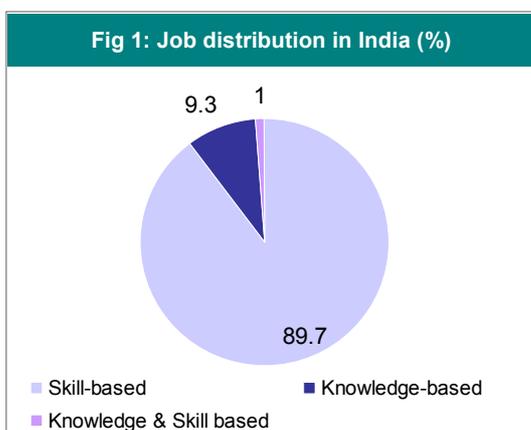
Demand for skilled manpower and the government's thrust on vocational training offers a sizeable opportunity to private players. However, there are challenges to creation of scale while ensuring sustained profitability. Players need to formulate an effective go-to-market strategy to address these unique challenges and enhance their chances of success.

India is known to possess a significant demographic dividend due to its large and growing population in the 15 to 59 year age group estimated to be upwards of 600 million currently. This large working age population can make a significant contribution to the country's growth provided it is equipped to be productive.

India's training infrastructure which mainly consists of government Industrial Training Institutes (ITIs) and Industrial Training Centers (ITCs) currently has a capacity of 3.1 Mn seats and is vastly inadequate to meet the diverse skill requirements of the population. While almost 90% of the 450 Mn jobs in India require vocational skills (*Figure 1*), currently only 7% of youth (15 to 29 years) receive any kind of formal or informal vocational training (*Figure 2*).

The target of training 500 Mn people by 2022 roughly translates to a Rs 21,000 Cr annual spending in vocational training every year up to 2022. While current activity levels across ministries and schemes are significantly lower, the opportunity is still large enough for the private sector to take serious notice.

It is therefore not surprising that many large players have already ventured into the vocational Training space. IndiaCan, the Pearson Educomp joint venture, is working in several government projects. Career Launcher, known to be a test preparation player, has also created a presence in this nascent market as Skill School. Other players in the career training space such as NIS Sparta and NIIT have also made their forays into this space. Apart from private players, a number of voluntary organizations have an established



Taking cognizance of this deficit between demand and supply, the government has set an ambitious plan of training 500 Mn individuals by 2022, translating to training 42 Mn a year. The 11th plan emphasizes on the need for Public Private Partnership (PPP) to make this a reality. The National Skill Development Mission, under the Prime Minister's Council has been entrusted with meeting 30% of this target by providing viability gap funding to the private sector. A number of schemes have been set up under various ministries to facilitate vocational training through PPP (*Refer to Table 1*).

presence in partnering the government in vocational training.

Table 1: Some Key Vocational Training Schemes & Current Participants

While private participation has been increasing, players are likely to be faced with several challenges as they try to build scale in this business. Some of these have been highlighted below:

Table 1: Some Key Vocational Training Schemes & Current Participants		
Scheme	Target	Current Participants (Indicative)
Swarnajayanti Gram Swarozgar Yojana (SGSY): Special Projects	BPL youth	<ul style="list-style-type: none"> > NIS Sparta > Career Launcher
Modular Employable Skills	Workers, school drop-outs and unemployed	<ul style="list-style-type: none"> > IL&FS > IndiaCan
Rajiv Udyogasri Scheme	Minimum 5th class pass outs in Andhra Pradesh	<ul style="list-style-type: none"> > IIJT > Satyam Foundation
Rajasthan Mission on Skills & Livelihood (RMoL)	Livelihood opportunities for the poor	<ul style="list-style-type: none"> > Career Launcher > IndiaCan > Aid-et-Action
Gujarat Tribal Development Dept.	43 tribal Talukas in Gujarat	<ul style="list-style-type: none"> > NIIT > Career Launcher

CURRENT CHALLENGES

Lack of uniform guidelines

Apart from the Ministry of Labour & Employment and the MHRD, there are 17 ministries that are currently working in the area of skill development. Several of these ministries are running one of more vocational training schemes that involve private partnerships. The guidelines for private players differ significantly from one scheme to the other. There are differences with respect to infrastructural requirements, limits on revenue per student, screening and approval criteria and terms for release of payments across schemes. Even for the same central government scheme, there could be varying terms and conditions across different states where it is being implemented. The resulting complexity for the private player is immense.

Linkage of Payments with Outcomes

The National Skill Development Policy released in 2009 emphasized on the need for linkage of payments to outcomes or placements after completion of training. Therefore most schemes tie in a part of their pay-outs to actual placements achieved after the training. In some schemes, the placement of the student may be verified anytime in a 1 year window after the completion of the training. Placing a large number of students and in some cases also having to ensure their employment up to a year can be a formidable task for private players.

Student Sourcing

This is probably the most fundamental challenge that most training providers face. Most of these institutes are set up in rural or semi-urban areas where accessing the catchment population is a challenge. The awareness about vocational training programs and resulting benefits are low. Drop-out ratios amongst students can be high as well since the student does

not attach much value to a training that is paid for by the government. Thus ensuring steady flow of enrolments and an acceptable level of capacity utilization is a constant challenge for training providers.

STRATEGIC IMPERATIVES FOR VOCATIONAL TRAINING PROVIDERS

Need for a large & distributed network of centers

As each center has a limited size, building scale in this business requires setting up of a large network of centers. This presents a huge operational challenge. The complexities of a typical franchising business that most career training & test preparation providers have experience with are further magnified due to the larger number of centers and their remoteness.

In order to overcome these challenges and enhance their chances of success, players need to formulate a holistic go-to-market strategy as they enter this space. Key strategic imperatives for a more effective roll-out have been highlighted below:

Selection of the right schemes

With pronounced differences in the guidelines across schemes and the size and nature of opportunity they offer, players need to be prudent with their choice of schemes as they build a presence in this market. Players need to carefully match their strengths to scheme requirement to be able to profitably meet the requirements of a particular scheme.

Companies like IndiaCan, a joint venture between Educomp and Pearson, has been one of the early movers in the PPP space, partnering with several state and central government schemes. For instance, it is working with the Directorate of Employment Generation & Training, Punjab, to offer courses across multiple locations in the state under the Modular

Employable Skills. In Rajasthan, it is working with Rajasthan Mission of Livelihoods (RMoL) to offer training across 5 districts and plans to expand to another 5. It is also partnering in other government initiatives in Gujarat, Madhya Pradesh and Rajasthan.

Linking of student profile & skill areas to industry requirements

As highlighted above, a significant portion of payouts today are linked with placements. It is therefore incumbent for players to establish the right industry linkages and ensure that their choice of students and skill areas are driven by industry requirements. Given the current shortage of skilled labour, the industry would benefit tremendously if their needs are addressed, creating the possibility of an added revenue stream for the vocational training provider.

Career Launcher's Livelihood Skills Program focuses on training underprivileged youth across multiple Government schemes. The courses offered are of about 2 to 3 months duration and offer training across several skills such as air-conditioning repair, refrigeration mechanics and plumbing.

Creation of the right marketing strategy

As in other businesses, attracting and retaining the customer are contingent on creation of an effective marketing strategy. In order to successfully source students, it is important to begin by building an effective location strategy to identify center locations with the requisite base of student population. To create awareness and effectively mobilize students, local partnerships at the grassroots need to be forged. Some players who have made a foray into the PPP space have found success in attracting students through awareness drives involving the village panchayats. They have also tied up with NGOs operating at the grassroots to gain access to the target population.

Finally to create sufficient pull and overcome issues of drop-outs, it is important to keep student aspirations in mind while prioritizing trades. For example, trades that involve exposure to computers and technology have been typically seen to attract students with greater ease.

Building Delivery systems and processes

The operational challenges of a large number of dispersed centers need to be handled through the

creation of the right delivery systems and processes. Players need to define their approach to center roll-out depending on the desired mix of owned & franchised centers and optimum use of technology. Processes for setting up of new centers and for monitoring of operational centers need to be clearly defined. Suitable systems to support and drive these processes need to be created to ensure effective operations.

Thus, formulation of an effective go to market strategy that incorporates the above strategic imperatives can help address the challenges that players face today. A well-thought strategy and structured approach to address the training requirement would provide players a significant edge over others in making a mark in the large vocational training space and in creating enterprise and social value.

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