Indian Education Congress

‘Opportunities in Skills Space’

28th April, 2012

Dilip Chenoy
CEO&MD

For Private Circulation only
Agenda

• The opportunity landscape in the skills space

• NSDC initiatives – Creation and Funding

• NSDC: Promoting Social Entrepreneurs

• Sector Skill Council, Skill Gap Studies, Student Loans and Other International Interventions by NSDC in the Ecosystem
Agenda

The opportunity landscape in the skills space
India - the land of extremes
India: Land of World’s Largest Young Population

47.8% of India’s population is below 29 years increasing to 49.9% in 2021

- Where the Population of rest of the world is relatively old, India has a great opportunity to harvest its **Demographic Dividend**

- India should ensure that working population are skilled to meet requirements of the industries.

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However, Plagued by Inadequately Skilled Manpower

1. High drop outs in the education space
   - Source: MHRD, National Sample Survey Report No. 438 & Skills

2. Employability of the skilled a challenge
   - Only one in four engineering graduates in India is employable, based on their technical skills, English fluency, teamwork and presentation skills and of the 4 lakh odd engineering graduates, who graduate each year, only about 20% is good enough for India Inc.

3. Very low enrolments for VET
   - Source: The Human Development Report 2007-08: Unesco; iwatch

4. In service training levels very low in India
   - Incidence of Formal In Service Training in Manufacturing by Selected Countries, Selected Years
The Big Question in 2022

Total Population

1.2 Billion

Working-age Population

700 Million

Graduates

500 Million

???
Skills Shortages next 10 yrs estimated at 347 million

<table>
<thead>
<tr>
<th>Industry</th>
<th>Incremental requirement (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and Construction Industry</td>
<td>33.0</td>
</tr>
<tr>
<td>Infrastructure Sector</td>
<td>103.02</td>
</tr>
<tr>
<td>Real Estate Services</td>
<td>14.0</td>
</tr>
<tr>
<td>Gems and Jewellery</td>
<td>4.6</td>
</tr>
<tr>
<td>Leather and Leather Goods</td>
<td>4.6</td>
</tr>
<tr>
<td>Organised Retail</td>
<td>17.3</td>
</tr>
<tr>
<td>Textiles and Clothing</td>
<td>26.2</td>
</tr>
<tr>
<td>Electronics and IT Hardware</td>
<td>3.3</td>
</tr>
<tr>
<td>Auto and Auto Components</td>
<td>35.0</td>
</tr>
<tr>
<td>IT and ITES</td>
<td>5.3</td>
</tr>
<tr>
<td>Banking, Financial Services, and Insurance</td>
<td>4.2</td>
</tr>
<tr>
<td>Furniture and Furnishings</td>
<td>3.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
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<tbody>
<tr>
<td>Tourism and Hospitality services</td>
<td>3.6</td>
</tr>
<tr>
<td>Construction Material and Building Hardware</td>
<td>1.4</td>
</tr>
<tr>
<td>Chemicals and Pharmaceuticals</td>
<td>1.9</td>
</tr>
<tr>
<td>Food Processing</td>
<td>9.3</td>
</tr>
<tr>
<td>Healthcare</td>
<td>12.7</td>
</tr>
<tr>
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</tr>
<tr>
<td>Media and Entertainment</td>
<td>3.0</td>
</tr>
<tr>
<td>Education and Skill Development Services</td>
<td>5.8</td>
</tr>
<tr>
<td>Select informal employment sectors</td>
<td>37.6</td>
</tr>
<tr>
<td>Incremental</td>
<td>347</td>
</tr>
</tbody>
</table>

Source: IMaCS analysis
Current Landscape needs drastic capacity addition to meet future demand

Current capacity in skill development under various schemes, 2008-09

- MLE: 1.8
- Ministry of women & child development: 0.8
- Ministry of agriculture: 0.2
- Ministry of rural development: 0.2
- MSME: 0.2
- Other ministries*: 0.3
- Other private training providers: XX
- Total capacity in skill development: 4.3+

Eight-fold increase in capacity is required to meet aspiration

- Total demand by 2022: 526
- Reduction due to ageing/retirement**: 80
- Reskilling/upskilling of 90% of existing workforce (460 million): 414
- Addition to workforce @ 12.8 million per year: 192
- Total supply by 2022 @ current capacity: 65+

Business opportunity of ~ 1 20 Bn USD

*Includes ministry of housing and urban poverty alleviation, textile, health and family welfare, food processing industries, and others
**Assuming that the existing workforce in the age group of 45-59 will not be re-skilled
***Assuming training fee of Rs 2000 per student for the total demand estimated

Source: 11th five year plan, NCEUS report, McKinsey analysis
Agenda

NSDC initiatives – Creation and Funding
Government’s Co-ordinated Action in Skills Space

Prime Minister’s National Council for Skill Development
- Advisor to PM on skills
- 350 Million
- Government Initiatives
  - 17 Central Ministries

National Skill Development Co-ordination Board

Private sector initiatives
- Initial funding of ~ INR 1000 Crore received from the GOI and parked with the NSDF for use of NSDC;
- Current total Funding of Rs 2500 Crore
- 150 Million

NSDC structure
- NSDC is a Public Private Partnership created by the Ministry of Finance
  - 51% stake by industry
  - 49% stake by GOI

Multilateral, bilateral and private sector funding to NSDF
- Target skilling / up skilling 150 million people by 2022 by fostering private sector participation
The Right Steps Taken – We ‘Create’

- Principal Mission to Connect all the Stakeholders: Industry, training providers & Students.
- The success lies in the advocacy efforts. NSDC team actively advocates skill development participating in more than 15 seminars/conferences in a month i.e. 200 conferences a Year!
- The team actively seeks out sector specific proposals meeting more than 70 Corporates in a month.
- NSDC team helps to build up proposals, keeping the main focus on ‘Sustainability & Scalability’

Outcome: 89,971 students trained under industry certified courses, 71,513 students placed creating impact on 2,86,052 people*

* (considering an average person sustains a family of 4)

From 3 proposals approved in 2009, we have approved 57 proposals... Young Entrepreneurs are approaching us with their Innovative Business Models.
The Right Steps Taken – We ‘Fund’

- Every business takes 3-4 years to become profit making.
- Thus, NSDC provides ‘Patient Funding’ with a modest interest rate of 6% and 3 year moratorium.
- Reduces risk by providing ‘Patient Capital’
- Improve returns by providing viability gap funding.
- A structure of 75:25 funding model ensures commitment by Promoters
- Rs 1500 crore funding from NSDC would result these organizations in leveraging more than Rs 80,000 crore over next 10 years

Milestone Based Funding : NSDC Disbursement in tranche form, funding only on achieving the targets, ensuring proper utilization of capital.

Funding Big Scale Projects , Medium Scale and Start ups, thus maintaining a Diverse Portfolio
The Right Steps Taken - We ‘Enable’

- Approved 10 Sector Skill Councils, 11 are in pipeline
- Developing National Occupational Standards for 20 high growth sectors, study for dimensioning of Trainers
- Marketing Campaign to advocate Skill Development
- Enabling Vocational Loans for Students
- Developing Labour Market Information System
- Quality Assurance through ensuring alignment of training partners course curriculum with the Sector Skill Councils

TOWARDS CREATIVE CAPITALISM: An approach where Governments, Businesses, and Non profits work together to stretch the reach of market forces so that more people can make a profit by benefit, or gain recognition, doing work that eases the world’s inequities.
Current ecosystem: quantity, quality and qualification mismatch

Adapted from a presentation made by Nimesh Mehta at ISB
Ecosystem to align the 3Q’s with employment

Adapted From a presentation made by Nimesh Mehta at ISB

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1. Exciting Entrepreneurs: Highlighting, the demand supply gap

<table>
<thead>
<tr>
<th>Sector</th>
<th>Requirement (Million)</th>
</tr>
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<tbody>
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</tbody>
</table>

Total Requirement: 347 million new skilled persons (2008-2022)

Estimated Skill Gap in each sector in India (in millions)

- Level 1 & 2: 267 million (81%)
- Level 3: 47 million (14%)
- Level 4: 16 million (5%)

Annual Requirement: 1 million

Annual Skills Training Capacity available: 4.3 million

Huge Skills Training Capacity Gap: 22 million

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</tr>
<tr>
<td>Select informal employment sectors</td>
<td></td>
</tr>
</tbody>
</table>
2. Exciting Entrepreneurs: To Make It Sustainable and Invite The Best to Participate

- Response to the market needs
- Develop a strategy
- Create a knowledge base
- Excite entrepreneurs by bringing out the opportunity

- Share the risk
- Provide patient capital
- Develop non intrusive robust monitoring programmes
- Trust and transparency in the system
- Eco system to support the organization

- Go beyond the training, address issues of the ecosystem
- Develop partnerships, move beyond a pure funding relationship
- Focus on outcomes
### Status of Proposals

**As on March 30th, 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Training organisations</th>
<th>Sector skills councils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of proposals approved</td>
<td>57</td>
<td>46</td>
</tr>
<tr>
<td>Agreement signed</td>
<td>37</td>
<td>34</td>
</tr>
<tr>
<td>Disbursed (no of proposals)</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Total commitment till date</td>
<td></td>
<td>Rs 1356.42 Crore</td>
</tr>
</tbody>
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Robust process designed to ensure rapid turnaround in the process

Roles and responsibilities

• Final approval of proposals recommended by the PAC

• Recommend the proposal for approval by the Board or,
  • Consider proposal not worthy of further consideration

• Form a view on the proposal based on discussions after financial, technical and legal due diligence for discussion at the PAC

• Detailed evaluation of worthy proposals
  • Financial, technical and legal due diligence on the proposals

Board
Representatives of key stakeholders – both government and private sector
Chairman and CEO of NSDC

Proposal Approval Committee (PAC)
Diverse representation from the MoF, private equity, NGOs, industry

Proposal Evaluation Committee (PEC)
Due diligence partners
NSDC team

Proposal Introduction and evaluation – test of responsiveness, technical, financial and legal due diligence

Turnaround of < =3 months targeted for proposals
Our 46 Partners till Date: Running Company Owned Centres and Franchise Model

Training providers

In the education business

In unrelated businesses

Start ups

Large established corporates

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Industry is at a nascent stage with very few players of scale

<table>
<thead>
<tr>
<th>Leaders (e.g. NIIT)</th>
<th>Aspirants (e.g. India Can)</th>
<th>Boutique firms (e.g. Redwood Edge)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~ 50-60% of market</td>
<td>Companies with wanting to scale existing operations</td>
<td>Largely individual dependent</td>
</tr>
<tr>
<td>Wide geographic reach, healthy range of courses offered, typically across industries</td>
<td>Current focus on particular sectors</td>
<td>Looking for opportunities to expand</td>
</tr>
<tr>
<td>Strong connect with industry for placements</td>
<td></td>
<td></td>
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</tbody>
</table>

Huge demand for a brand of credibility and repute in this space
Agenda

NSDC: Promoting Social Entrepreneurs
Skill development attracting entrepreneurs

- Co Founded by two IIM-A graduates, Ms Surga (Ex Goldman Sachs and E&Y employee) & Mr Sreeraman (ex Microsoft employee & co founder of BrewHaHa entertainment).
- Training in Retail & BFSI sector.
- Plans to scale up training and cover 10 states targeting 10th & 12th Pass outs.
- Founder members are from IIT Madras and ex employees of IBM & Nvidia. They share a common belief of skill development, employability and social inclusion.
- The company uses technology based system in place for training and assessment. Currently training in IT, ITES and BFSI.
- Offers low cost technology solutions such as iPEARL & 10X Tracks learning relevant to Indian situation, bridging geographical barriers.
NSDC Partner : B-ABLE innovations to reach the last mile

Mobile Vans for training

Common Service Centers as training centres providing basic digital literacy at the doorstep of the rural population

Delivering training programs through Web-ex

Enabling technology : ERP & CRM Solutions to manage processes
NSDC Partner: Gras Academy Connecting with the Industry

Mock Job Interviews

Corporate Training

Guest Lectures by Industry Experts

Successful Job Drive for placements: Few Participating companies

- spice
- Vodafone
- Domino's Pizza
- Eureka Forbes
- Nava Barat Fertilizers Limited
- Barista Coffee
- HDFC Standard Life Insurance
- LAVATTA
- Big Bazaar
- Sar Utha Ke Jiyo

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IRRs of 25% possible through developing innovative models

<table>
<thead>
<tr>
<th>Innovative models need to be developed</th>
<th>. . . to make the economics attractive for private play</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased revenue</td>
<td>Current large-scale model</td>
</tr>
<tr>
<td>– Employer driven standards and strong</td>
<td>50,000/ yr</td>
</tr>
<tr>
<td>accreditation system differentiating</td>
<td></td>
</tr>
<tr>
<td>high quality play, ensuring employers</td>
<td></td>
</tr>
<tr>
<td>participation to pay placement fees</td>
<td></td>
</tr>
<tr>
<td>• Reduced costs</td>
<td></td>
</tr>
<tr>
<td>– Shorter duration courses customized</td>
<td></td>
</tr>
<tr>
<td>to the industry requirements, lowering</td>
<td></td>
</tr>
<tr>
<td>the overall costs</td>
<td></td>
</tr>
<tr>
<td>– Better operations through hub and</td>
<td></td>
</tr>
<tr>
<td>spoke model and multiple shifts to</td>
<td></td>
</tr>
<tr>
<td>reduce overall costs</td>
<td></td>
</tr>
<tr>
<td>– Ready-to-use curriculum and</td>
<td></td>
</tr>
<tr>
<td>consolidated train-the-trainer</td>
<td></td>
</tr>
<tr>
<td>programs, bringing down training</td>
<td></td>
</tr>
<tr>
<td>overheads</td>
<td></td>
</tr>
<tr>
<td>– Support from state government,</td>
<td></td>
</tr>
<tr>
<td>leveraging public infrastructure to</td>
<td></td>
</tr>
<tr>
<td>lower capex investment</td>
<td></td>
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</tbody>
</table>

Source: McKinsey analysis

<table>
<thead>
<tr>
<th>. . . to make the economics attractive for private play</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training capacity, #</td>
</tr>
<tr>
<td>Cost, Rs./student</td>
</tr>
<tr>
<td>IRR, %</td>
</tr>
<tr>
<td>Breakeven period</td>
</tr>
<tr>
<td>Capex</td>
</tr>
<tr>
<td>NPV</td>
</tr>
</tbody>
</table>
### Summary: The Indian context makes a foray into this space very attractive

<table>
<thead>
<tr>
<th>Industry Potential</th>
<th>Rs 1 Lakh Cr</th>
<th><strong>Implications for players</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current capacity</strong></td>
<td>4.3Mn; Need to increase 8x</td>
<td>+ Rapid growth</td>
</tr>
<tr>
<td><strong>Structure of industry</strong></td>
<td>Very unorganised; Few large players</td>
<td>+ Need for a brand of credibility</td>
</tr>
<tr>
<td><strong>Examples of business models</strong></td>
<td>Limited in India</td>
<td>- Limited examples of successful business models in India</td>
</tr>
<tr>
<td><strong>Regulations</strong></td>
<td>Unregulated</td>
<td>+ Allows a player to participate on their own terms</td>
</tr>
<tr>
<td><strong>Investment climate</strong></td>
<td>High focus</td>
<td>+ Both government and private equity money chasing this space</td>
</tr>
</tbody>
</table>

+ Rapid growth
+ Opportunities across all spaces
+ Need for a brand of credibility
+ First mover advantage
- Limited examples of successful business models in India
+ Allows a player to participate on their own terms
+ Both government and private equity money chasing this space
Different business models can be built

Illustrative

Option 1

Skills Centre of Excellence

Centre for Sales

Centre for Manufacturing

Centre for Services

Learning centre n

Innovative models can be developed depending upon requirements of the sector

Key activities

Research and development of content
Methodology
Train the trainer
Overall strategy and management

Sector specific centres of excellence
Focus on sector requirements
Regarded as best in class training centres for a particular sector/ function
Learning centres (owned) dispersed all over the country for sector/ functional expertise
Agenda

Sector Skill Council, Skill Gap Studies, Student Loans and Other International Interventions by NSDC in the Ecosystem
SSC – Certification and Accreditation Body

**SKILL DEVELOPMENT CYCLE**

1. Create Occupational Standards And Competency Levels for Job Roles (NVQF)
2. LMIS
3. Skill Development Plan
4. Accreditation of Training Institutes
5. Academies Of Excellence
6. Training Of Trainers
7 & 8. Guidelines and Participate In Assessments and Certification of Trainers and Trainees

SSC
<table>
<thead>
<tr>
<th>Approved by NSDC</th>
<th>SSC Proposals under evaluation/approval by NSDC</th>
<th>SSC Proposals in Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto</td>
<td>Textiles</td>
<td>Logistics &amp; Transportation</td>
</tr>
<tr>
<td>Security</td>
<td>Food Processing</td>
<td>Plumbing</td>
</tr>
<tr>
<td>Retail</td>
<td>Telecom</td>
<td>Domestic Workers</td>
</tr>
<tr>
<td>IT/ITES</td>
<td>Agriculture</td>
<td>Capital Goods</td>
</tr>
<tr>
<td>BFSI</td>
<td></td>
<td>Electrical Equipment</td>
</tr>
<tr>
<td>Media</td>
<td></td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td>Beauty &amp; Wellness</td>
</tr>
<tr>
<td>Gems &amp; Jewelry</td>
<td></td>
<td>Construction and Real Estate</td>
</tr>
<tr>
<td>Rubber</td>
<td></td>
<td>Foundry</td>
</tr>
<tr>
<td>Leather</td>
<td></td>
<td>Education &amp; Skills</td>
</tr>
<tr>
<td>Electronics hardware</td>
<td></td>
<td>Handicrafts</td>
</tr>
</tbody>
</table>

**Cumulative**

- Auto: 11
- Security: 5
- Retail: 15
- IT/ITES: 11
- BFSI: 26
Build career path for “Rejects”

<table>
<thead>
<tr>
<th>School Dropouts</th>
<th>ITI</th>
<th>Diploma</th>
<th>Advanced Diploma</th>
<th>Professional Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job Role</strong></td>
<td>Fitter/Helper</td>
<td>ITI Fitter / Machine Operator</td>
<td>Machine Operator / Production Supervisor</td>
<td>CNC Programmer / Design CAD /CAM</td>
</tr>
<tr>
<td><strong>Employment Opportunity</strong></td>
<td>SME</td>
<td>Manufacturing Sector, PSUs</td>
<td>Manufacturing Sector, PSUs</td>
<td>Specialized Industries Auto etc</td>
</tr>
<tr>
<td><strong>Starting Monthly Income (INR)</strong></td>
<td>2,000 – 3,000</td>
<td>4,000 – 5,000</td>
<td>6,000 – 8,000</td>
<td>8,000 - 10,000</td>
</tr>
<tr>
<td><strong>Monthly Income after 5 Years (INR)</strong></td>
<td>5,000 – 6,000</td>
<td>8,000 – 12,000</td>
<td>12,000 – 14,000</td>
<td>30,000+</td>
</tr>
</tbody>
</table>

The HRD system makes it almost impossible for a dropout to have a career progression into a white collar job, however skilled he may be.

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NSDC effort on Ecosystem interventions

Skill Gap Surveys and Other Studies

- Skill gap survey of 20 high growth sectors
- State Skill gap studies completed for Odhisa, North East States and for 5 other states of India are underway for next year.
- Study on labor market information system for India
- Study on building train the trainer capacity in India
- Engagement with States & Central Ministries

Special Initiative

- UDAAN- Program is a private sector led initiative to train and employ 8000 youth of J&K per annum over a 5 year period.
- A national awareness campaign through TV and Print to reach out to schools, colleges and training institutes in the length and breadth of the country.
- Partnership with various Banks to provide unsecured Vocational Loans ranging from Rs 5000 to Rs 150000
- Participation in World Skills
Creating an Enabling Environment- Skill Loans with CBI

Pilot Project
- Vocational Loan on a Pilot basis
- Loan would in the range of Rs.5000/- to Rs.1,50,000/-

Tripartite Agreement
- Operate through tripartite agreement amongst Student (Trainee), Training Provider and the Bank

Guarantee
- NSDC would stand as a guarantor for a certain percentage of the default

Discussions initiated with multiple public sector and private banks
International Cooperation

- **Australia**: Australia India Education Council
- **Finland**: Joint Working Group
- **Germany**: Indo German Working Group, IMoVE
- **Multilateral Bilateral Agencies**: World Bank, DFID, US India Education Forum
- **Singapore**
- **Switzerland**
- **UK**: UKIERI, UKISF, UKCES, INSSO
Cooperation possibilities

Vocational Training & Research

Innovation and Implementation

Vocational Training Providers

National Vocational Qualifications Framework

Sector Skill Councils

Institutional Building Capacity

- Labour Market Information Systems
- VET best practices
- Technology
- Pedagogy, e-content
- Set up large scale training centres
- Could begin by supplying Australian Companies in India
- Indian Framework in an International Context
- Train the trainers
- National occupation standards, Competencies
- Retail, Construction, Others
- Experts deputed
- Promoting acceptability

Cooperation possibilities
Thank you

Contact Information:

dilip.chenoy@nsdcindia.org
There are challenges in this segment but they can be dealt with

<table>
<thead>
<tr>
<th>Challenges</th>
<th>What we have heard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student mobilisation</td>
<td>“We don’t get jobs even after going through these courses”</td>
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<td></td>
<td>“My wages remained the same even though I was trained”</td>
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<td>“Institutes are mushrooming – how do I know which are the good ones?”</td>
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<td>Industry education</td>
<td>“We need to re-train these people, why should we pay them higher”</td>
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<td>“There are very few quality institutes today and very few have an idea of what we want”</td>
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<tr>
<td>Inadequate enabling environment</td>
<td>Lack of student loans for vocational courses</td>
</tr>
<tr>
<td></td>
<td>No standardization of curriculum or content</td>
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<tr>
<td></td>
<td>No certification or accreditation process</td>
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What India CEO’s say:

According to the 15th Annual Global Survey by PwC:

• 41% of the CEOs surveyed in India said that they cancelled or delayed a key strategic initiative because of skill shortage as against 31% in China and 24% global.

• Investment in skills and capability building remains a key requirement

• Indian CEOs were also more optimistic about talent availability and short-term growth prospects as compared to their global peers. Around 76% of Indian CEOs were willing to take the onus of training the available talent.

• They expressed interest in investing in vocational training programmes as compared to the 54% by their global peers.

PwC survey was conducted among 1,258 CEOs in 60 countries and included 76 from India