

The International Market for Public Policies on Skill Development: The Special Case of India

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The Paris Declaration on Aid Effectiveness (2003) focused the attention of both developing and developed countries on the need to ensure coherence between international partners in regard to policies in general. The implication of coherence in the area of skill development is that developing countries must first develop their own strategies and policy in this area, which would drive the agenda of the donor community. This would, to some extent, mitigate the adverse effects of an unequal partnership in the contemporary world. Historically, when learning across borders would take place, it was mostly between countries in Europe that were at relatively similar levels of development; this is not any longer happening in the case of developed and developing countries. This paper takes into account this difficulty in the contemporary partnership, and is a running theme in this paper. At the same time, it addresses the case of India, which is a large low-income economy, but rapidly growing and likely to become a middle-income country soon and is also seen as an emerging market economy (often bracketed with Brazil, China, Russia and South Africa, which together are called the BRICS economies).

In section 1, we lay out the theoretical issues, and more importantly, the issues that arise from the historical experience with learning across borders related to vocational education (VE) and skill development (SD). Section 2 addresses the issue of how the Paris Declaration on Aid Effectiveness is relevant to India. Section 3 spells out the skill development policies in place in India. Section 4 argues why India must chart its own path, and reasons thereof – primarily because India finds itself at a rather different juncture as compared to most of the other BRICS economies. In fact, it is the only country among the BRICS that has recently graduated from being a low-income country to a low-middle income country (2008)., and therefore has a number of peculiarities deriving from its historical past of 60 years of development. It also lays out what might be the possible areas of learning for India, even though there are significant peculiarities to

India's development in the past and its consequent current production and educational structure. Section 5 concludes by summarizing the arguments in the paper.

1. The Theoretical and Historical Context

'Context' is everything – this is a central argument of this paper. As many comparativists have argued, context is of crucial importance to the development of education systems and policies. Harold Noah reminds us that: "The authentic use of comparative study resides not in wholesale appropriation and propagation of foreign practices but in careful analysis of the conditions under which certain foreign practices deliver desirable results, followed by consideration of ways to adapt those practices to conditions found at home". (Noah, 1986, pp.161-162).

There are two aspects of context: one is the differences in the existing education system between the 'transferor' and the 'transferee' country; the other is the differences between them in respect of industrial development and the organization of productive enterprises (in agriculture, industry and in services). Philips and Och (2004) speak of four stages of borrowing: 1. Cross-national attraction; 2. Decision; 3. implementation; and 4. Indigenisation and internalization. The four stages of borrowing can lead to a VET module from a home country to be profoundly altered in the target country by the time policy or institution-related borrowing is complete.

It is, however, not always easy to identify unambiguous instances of such purposive cross-national association. One evident example would be the efforts made by the Japanese in the Meiji era (1868-1912) to discover what might be learnt and borrowed from the Prussian education system (Goodman, 1989); another would be the restructuring of the Japanese education system on the US 6-3-3 pattern after the Second World War (Shibata, 2001, pp. 206-210). The first is still evident in something as mundane as the Prussian-style uniforms worn today by Japanese schoolchildren; the second is evident in the present-day school structure and use of the terms 'junior high school' and 'high school'.

During the nineteenth century there was much mutual investigation between nations anxious to learn such lessons, with the principal 'target' countries being Prussia and France. Several significant British scholars were engaged at various times in the systematic study of education elsewhere (Philips and Och, 2003). Such detailed investigation has, of course, continued to our

own day. What might seem, however, to be an observable and straightforward international process (identification of successful practice – introduction into the home context – assimilation) in fact proves quite complex and poses a number of problems for the comparativist to tackle. As Noah and Eckstein put it: “It was one thing to assert that the study of foreign education was a valuable enterprise; it was quite another to believe that foreign examples could be imported and domesticated” (Noah and Eckstein, 1969, p. 21).

The ‘decision’ stage in this analysis consists of a wide variety of measures through which government and other agencies attempt to start the process of change. Included in this stage are several descriptors’ illustrative of decision based on the outcomes of cross-national attraction.

The first descriptor in the decision-stage is theoretical. Germany’s success in vocational education has attracted the attention of policymakers in Britain (UK) over a very long period. It has been the focus of HMI/Ofsted reports in the 1980s and 1990s. Its many good features have been identified and held up for emulation. Yet, there has been no real progress in implementing the particular style of partnership between government and employers that has underpinned the German approach and that in essence accounts for its success. And so the German example is used as a theoretical stimulus for change, as what is in effect an impossible goal for vocational education and training in the UK context, particularly given the different class connotations in the two countries (Tomlinson, 2001, p. 137), educational provision at different age levels, and social situations.

In Germany today, however, nearly 70 per cent of students participate in the ‘Dual System’ in their secondary schooling, which integrates both academic courses in the school and vocational training in a firm. Students, regardless of class, have a dual role as a trainee (*Lehrling*) and student (*Berufsschüler*). ‘Academic’ does not connote ‘high status’, and ‘vocational’ does not connote only ‘lower status’: both types of courses are required in the curriculum for the holistic education of a young person. The German ‘social partnership’, a crucial enabling structure of the system, supports this and the measures in place in Germany to support the system. Given the different political objectives of vocational training in the two countries, exact emulation of the German model would not be feasible in the UK.

India is rather similar in this respect to the UK, and a contrast to Germany. In India too as in the UK, there is a connotation of a high-low distinction between the academic and the vocational educational streams in the school system. The good news, however, is that the Indian National Council for Educational Research and Training (NCERT) has in 2005 put out a National Curriculum Framework that, if implemented, should ensure that this high-low distinction should slowly disappear. This would happen, it is hoped, as a result of the integration of the two streams and also the facility for a student to make a transition from one stream to the other, even after acquiring some work experience. It is precisely these kinds of peculiarities of national systems of VET that make learning across borders slightly difficult.

Another descriptor, the *quick fix* decision, Philips and Och (2004) point out, can have one of the most dangerous outcomes of the processes of cross-national attraction. A striking example in recent years has been the enthusiasm in South Africa for 'outcomes based education' (OBE), an approach to teaching and learning which was controversial in countries with a much more stable base to their educational provision than South Africa had in the immediate post-Apartheid period. The OBE has not worked well in the South African context because the essential infrastructure for an experiment on the scale envisaged was not in place and because insufficient regard was given to the contexts of implementation.

The emerging democracies of the former Soviet bloc have also suffered from quick fix solutions, often promoted by foreign advisers with a pet enthusiasm. On a larger scale, enthusiasm for the novelty of a market economy has transferred too to the education sector, where the operation of market forces has been regarded as a positive release from the restrictions of close state control but where uncertainty and insecurity have resulted, together with much inequality. Faith in the promise of privatisation has simply produced elites whose money could buy the advantages that particular educational provision might bring (foreign language instruction, business courses).

These kinds of mistakes suggest that developing countries have to be very careful indeed about the contextual specifics of a 'transferring' country. Vocational Education and Training (VET) is a soft skill, unlike a machine or a technology embodied in equipment, which only requires know-how to operate it. Such a soft skill is bound in not only country-specific cultural context, but also

its institutional structures, and requires much more careful choice in deciding whether a policy-learning opportunity exists or not, and whether policy-learning in SD will work in a new context or not.

2. Paris Declaration – How Relevant to India?

The Paris Declaration provides one guide to policy-learning across borders in all areas, including SD and VET. The Paris Declaration on Aid Effectiveness (2003) is focused on five mutually reinforcing principles: ownership by developing countries of their strategies; alignment of donors behind national development strategies; harmonization by donors amongst themselves to avoid duplication and high transaction costs; managing for results; and mutual accountability between donors and developing countries and transparency to each other other for their use of funds.

The Paris Declaration by the donors belonging to Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) essentially argues that there is a clear need for much greater coherence among bilateral and multilateral donors. This need for coherence, the Declaration recognizes, is called for by the fact that low income recipient countries already have limited administrative capacity, and multiple donor requirements of reporting make too many demands upon those limited capacities. This is only one of the reasons for the inefficiency of donor assistance. Another reason is that sometimes donors tend to follow inconsistent policies in relation to a sector, thus causing confusion in relatively weak recipient governments.

India had decided in the early part of this decade to ask all but five major bilateral donors (the US, Germany, the UK, Japan and France) to wind down their projects, and then depart. This decision was taken primarily because the funding that other donors were providing was very limited, and the Indian government took the view that the transaction costs related to dealing with such a large number of donors were too large for the sum of financial assistance involved.

Another critical element in the harmonization objective in the Paris Declaration relates to the need for encouraging developing country governments themselves to develop a sectoral policy (with or without the help of donors). This sectoral policy should guide the efforts of donors in

providing assistance, by ensuring a certain division of labour among the donors, so that the sectoral policy of the government is actually strengthened, and its implementation thereby supported.

The direct implication of this harmonization objective in the area of VET and SD is that each country must prepare its own policy in this area. This policy would then become the sole basis for getting the donors to formulate programmes and projects that would support and underpin this sectoral policy of skill development. This is precisely what India has done in developing a full skill development policy after the 11th Five Year Plan (see Chapter-5, Volume-1, Planning Commission, 2008) became public. This skill Development Policy was developed by the Ministry of Labour in consultation with a large number of stakeholders.

However, given that the donor assistance is, in any case, quite limited in scope and size relative to India's large economy, the role of donor assistance is likely to remain limited at best (see later discussion in this paper). In fact, in the area of VET it is even more limited. There are periodic interactions between the Indian Ministry of Labour (Directorate General of Education and Training (DGE&T)) and some bilaterals with exchange of visits (e.g. Australia, Germany), but not a lot else appears to be happening.

3. Skill Development Policies in India

It is not possible to locate the relevance of policy learning across borders in the case of India without articulating India's skill deficiencies, and its current policy to address those deficiencies.

Quantitative and Qualitative Deficiencies in Skills

The Eleventh Plan has given a very high priority of Higher Education (See Volume II, chapter 1). The 11th Plan (2007-12) has increased allocations to higher education by five times (in nominal terms) as compared to the 10th Plan (2002-07). Initiatives such as establishing 30 new Central universities, five new Indian Institute of Science Education and Research (IISERs), eight Indian Institutes of Technology (IITs), seven Indian Institutes of Management (IIMs), 20 Indian Institutes of Information Technology (IIITs) are aimed at meeting that part of the challenge of skill development.

The new government elected in 2009 has also announced (as part of its 100-day programme) to develop a “brain gain” policy to attract talent from all over the world into the 14 universities proposed in the 11th Plan to position them as ‘Innovation Universities’. It has also announced that the Foreign Providers of Higher Education Bill, which would create the legal framework for foreign universities to enter the Indian market to come and set up units in India – a bill that has been pending before the earlier Parliament for many months – will be passed by the new parliament elected in 2009.

The National Sample Survey (NSS) 61st Round results show that among persons of age 15-29 years, only about 2 are reported to have received formal vocational training and another 8 per cent reported to have received non-formal vocational training indicating that very few young persons actually enter the world of work with any kind of formal vocational training. This proportion of trained youth is one of the lowest in the world. The corresponding figures for industrialized countries are much higher, varying between 60 per cent and 96 per cent of the youth in the age group of 20-24 years. One reason for this poor performance is the near exclusive reliance upon a few training courses with long duration (2 to 3 years) covering around 100 skills. In China, for example, there exist about 4,000 short duration modular courses which provide skills more closely tailored to employment requirement.

In India, skill acquisition takes place through two basic structural streams – a small formal one and a large informal one. The formal structure includes: (i) higher technical education imparted through professional colleges, (ii) vocational education in schools at the post-secondary stage, (iii) technical training in specialized institutions, and (iv) apprenticeship training.

There are 17 ministries and departments of the Government of India which are imparting vocational training to about 3.1 million persons every year. Most of these are national level efforts and individually they are able to reach a very small part of the new entrants to the labour

force. Even collectively, they provide training to about 20 per cent of the number of annual additions to the labour force.

A basic problem with the skill development system is that it is non-responsive to the labour market, due to a demand-supply mismatch on several counts: numbers, quality and skill types. It is also observed that the inflexibilities in the course/curriculum set-up lead to over-supply in some trades and shortages in others.

Skill Development Mission Strategies

It is for this reason that the Government of India announced in the Budget 200-08 the creation of a Skill Development Mission – which has since led to the creation of three institutions, the PM’s Skill Development Council, the Skill Development Board, and the Skill Development Corporation, the last is on a private-public partnership (PPP) basis. Its strategies will include the following, according to the 11th Five Year Plan:

- Encourage Ministries to expand existing public sector skill development infrastructure and its utilization by a factor of five. This will take the VET capacity from 3.1 million to 15 million. This will be sufficient to meet the annual workforce accretion, which is of the order of 12.8 million. In fact, the surplus capacity could be used to train those in the existing labour force as only 2 per cent thereof are skilled. The infrastructure should be shifted to private management over the next 2-3 years. State governments must be guided as incentivizer to manage this transition.
- Enlarge the coverage of skill spectrum from the existing level. Skill Development programmes should be delivered in modules of 6 weeks to 12 weeks; with an end of module examination/certification system. For calibrating manual skills, a 4-6 level certification system must be established based on increasing order of dexterity of the craftsman.

- Move from a system of funding the training institutes to funding the candidates. Institutional funding could be limited to an upfront capital grant. Recurring funding requirement could be met by appropriate disbursement to the institute at the end of successful certification. Candidates from SC/ST/OBC/Minorities/BPL, etc. could be funded in two parts-
 - (i) Stipend (monthly) to be paid to the trainee
 - (ii) Fee subsidization at the end of the programme to be given to the institute after placement.

Action Plan for Vocational Education

- Expand VE from 9,500 senior secondary schools to 20,000 schools. Intake capacity to go up from 1.0 million to 2.5 million.
- All VE schools must get into partnership with employers, for providing faculty/trainers, internship, advice on curriculum setting, and in skill-testing and certification.
- Progressively move vocational education from an unviable 2-year stream, commencing after class 10, to a stream that captures 9th Class drop-outs and later on it should commence from Class 7, capturing 7th Class drop-outs.
- Give emphasis to last mile employability related soft skills, viz., English language skills, quantitative skills, computer literacy, spreadsheet, word processing, computer graphics, presentation skills, and behavioral and interpersonal skills.

The Mission will engage with ten high growth sectors in manufacturing and an equal number in services. The Mission's dialogue with private sector industry will be focused on:

(i) automobile and auto-components (ii) electronics hardware (iii) textiles and garments

(iv) leather and leather goods (v) chemicals and pharmaceuticals (vi) gem and jewelry (vii) building and construction (viii) food processing (ix) handlooms and handicrafts and (x) building hardware and home furnishings.

On the services side, ten high growth sectors have been identified separately, viz.(i) ITs or software services sector (ii) ITES-BPO services, (iii) tourism hospitality and travel trade (iv) transportation/logistics/warehousing and packaging (v) organized retail (vi) real estate services (vii) media, entertainment, broadcasting, content creation, animation (viii) healthcare services (ix) banking/insurance & finance (x) education/skill development services.

The National Skill Development Corporation will be set up with 51 per cent private equity and 49% Government equity with a view to obtaining about Rs. 15,000 crore as capital from governments, the public and private sector, and bilateral and multilateral sources for the promotion of skill development. The corporation will deliver on jobs required by the market through training programmes operated or partnered by it.

4. Why India must Chart its Own Path on Skill Development?

We have already seen in Section 1 that even among economies at relatively similar levels of development, there are difficulties in transferring experiences and lessons from one country to another. We have already argued in Section 1 that context (that of the transferring country and of the transferee country) is of paramount importance. There are essentially two kinds of differences that exist between OECD economies and India's economy which are relevant for the purposes of skill learning across borders. First, there are major differences between India and the industrialized economies in regard to level of educational development. India is still characterized by very high level of illiteracy among the workforce. One-third of the nation's population was illiterate according to Census 2001. School education for children between the ages of 6-14 years has still not been universalized. Learning levels in elementary education (Class I to VIII) are still very low. Vocational Education begins only at higher secondary levels

(Class XI to XII). There is, however, a proposal to initiate voluntary education at secondary level (Class IX to X), and perhaps to begin even earlier at upper primary levels (Class VI to VIII), as has been proposed in the 11th Five Year Plan. In fact, as we noted in the previous section, VET has been largely supply-driven as opposed to demand-driven. It has also not involved the private sector to any significant extent either in curriculum design or in funding such VET. The result is that placement of students graduating from ITIs in the private sector has left much to be desired.

The other big difference (between transferor and transferee countries), which is likely to restrict the scope and size of learning across borders from the OECD countries, is the difference in regard to industrial structure. The industrial and service sectors in India are categorized by informal employment in the unorganized sectors. In fact, 93 per cent of the entire workforce is employed in such unorganized enterprises (NCEUS Report, 2008). A very high proportion of the enterprises in the unorganized sectors are micro (less than 10 employees) and small (between 10-50 employees) enterprises. This alone makes the Indian non-agricultural sectors look very different from those existing in OECD countries. The technology levels are quite low in small scale unorganised enterprises in India implying that the corresponding VET that is imparted in the industrialized countries is likely to be rather irrelevant for these small scale, low capital-intensity and highly-labour intensive enterprises in the informal sector in India. Learning between OECD countries at an earlier stage of development might have been easier given that there were only minimal differences in industrial structure and technological level in the 19th or 20th century when these economies were trying to learn from each other.

It is for these reasons – the differences in context deriving from educational level and industrial structures – that it is necessary for India to chart its own path in regard to skill development. The real challenge in India in regard to vocational education and skill development is how to upgrade skills, technologies, and market shares for micro enterprises. Micro- and small enterprises in India suffer from exclusion from the credit market. It is not at all clear from these features of Micro, Small and Medium Enterprises (MSME) in India how policy

learning across borders in VET will at all apply here, and it is a good question as to whether there is anything to learn from the OECD countries. May be there are some limited policy lessons from China, since China has seen the re-emergence of a small-scale private sector since 1979, from a condition where the private sector did not exist.

Possible Areas of Learning in Skill Development for India

There is some possibility for learning to occur only between the formal sectors of OECD countries and India. Such learning in VET could possibly be organized by the Federation of India Chamber of Commerce in Industry (FICCI) or Confederation of Indian Industries (CII) between corporates in India and those in OECD countries.

However, corporates in India invest precious little in VET generally, although they have limited programmes of apprenticeship for potential staff who are working with them. In fact, the perception of corporates in India is that VET is a function that belongs to Government, and it is the public sector which should have the primary responsibility for VET. Unfortunately, the public sector's hitherto supply-driven approach to VET has not been very successful in meeting the needs and requirements of private corporates in India. Therefore, the lack of interest among Indian corporates so far in investing in VET has only undermined their long-term interests, while, at the same time underpinning, by default, the Government's supply-driven approach to the VET.

How large the gap between systems prevailing in, say, Germany and India is evident from the following. In Germany, only 14 per cent of its total VET expenditure in the economy is accounted for by the Government, the rest by the private sector. The internalization by Indian corporates of this simple fact can itself prove to be a major learning for the Indian corporate sector, but perceptions in the Indian corporate sector remain a great challenge for such learning

to actually take place. Similarly, Denmark has a remarkable system of cooperation between the captains of industry and its trade union leaders. This cooperation has been particularly useful at the time of crisis, such as the one currently facing the global economy, to ensure that if restructuring of production enterprises and employment is required at times of economy crisis, then owners and trade unions cooperate as closely as possible.

5. Conclusions

We can summarise the arguments in this paper as follows:

First, in line with the thinking underlying the Paris Declaration, developing countries will be able to draw the largest benefits of external assistance on VET and skill development by formulating their own policies in line with their own development strategies. That would enable the donors to harmonize their own efforts in the area of VET, and also contribute to the recipient countries' skill development programmes.

Second, we have emphasized that context (of the transferor and transferee countries) is of paramount assistance, and India's educational levels and industrial structure are quite different from that of the OECD countries. Therefore, at the current stage of development, India must chart its own path in respect of VET and skill development. India has formulated its own skill development policies quite recently, and those policies still remain to be fleshed out in some detail. Once those policies are fleshed out, it will be easier for external assistance to integrate with the programmes and projects that emerge.

Third, we have also argued that some limited interaction is currently possible between India Incorporated and corporates from the rest of the world. Bilateral and multilateral donors, currently located in India, can work through the Federation of India Chamber of Commerce in Industry (FICCI) and Confederation of Indian Industry (CII) to take this interaction forward.

Fourth, the 11th Five Year Plan has identified 10 growth sectors each in industry and services which may be of interest to bilateral and multilateral donors. They could look closely at the 20 growth sectors in total that have been identified in the 11th Five Year Plan Document, and consider where their enterprises might have a comparative advantage in offering assistance through VET and skill development.

Finally, we have suggested that the Skill Development Corporation that has been created as a part of the Skill Development Mission in India in 2008 will use the PPP mode to promote development of sector-specific councils in industry and services. Donors may consider some financial contribution to this PPP mode in relevant sectors of interest to the donor country in future.

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