

Regulator for Skill Providers

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The Skills Challenge

Supply side

- 24 million youth enter the 15+ age group every year
- 47% of children drop out at secondary school level
- Hence ~10-12 million youth enter the workforce every year
- Annual training capacity : 2.5 million

Large young population
Limited training capacity

Demand side

- India: estimated incremental skilled manpower requirement in 24 high growth sectors, until 2022 : 103 million
- Globally: net workforce shortfall is 32 – 39 million by 2020 (due to low birth rate and ageing population)

Significant skill demand
India and globally

Is there a market for skills in
India?

What does this market look like?

The Market for Skills : A Public Economics View

Skill Development

“Merit good” not “public good”

Large divergence between social and private costs/benefits

Market Failure

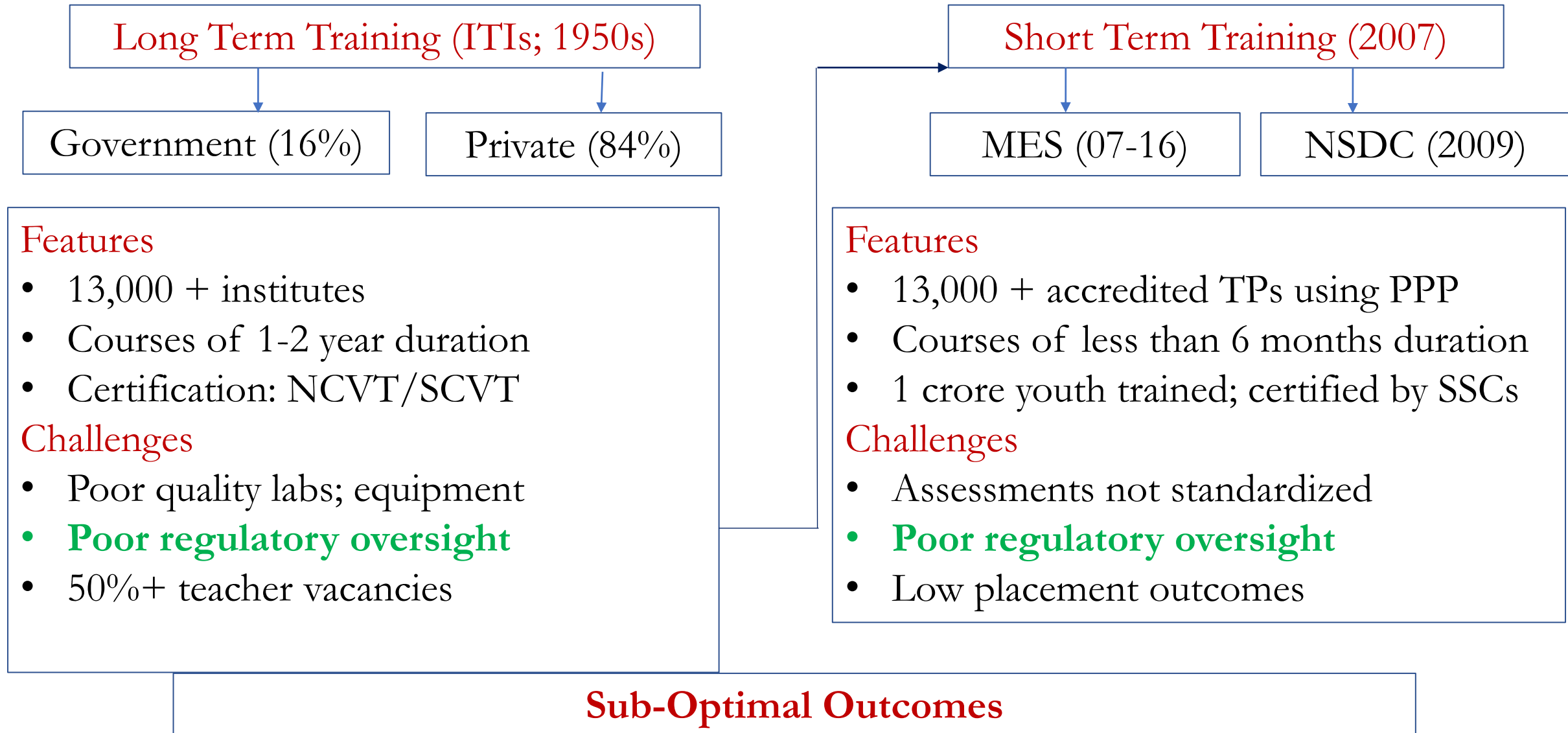
Case for ‘state intervention’, through ‘state provision’

‘State provision’ not necessarily ‘state production’

Strong case for state funding and private sector production

How has India's skills landscape evolved?

Evolution of Skill Infrastructure in India



Why Poor Outcomes?

- State funding with private production calls for different role of “state”
 - Ensuring value for public expenditure
- Factors of skill development
 - Target population likely to be vulnerable
 - Potential for collusive behavior
 - Conflict b/w developmental and regulatory role of state
- Training quality sought to be ensured through
 - Contracting or regulation
- Indian model was a hybrid
 - NCVT without regulatory power
 - Poor contracting & enforcement capacity of DGT & State Governments
 - Absence of regulatory oversight for short-term skilling (eg: SSCs)

Current Skills Regulatory Framework

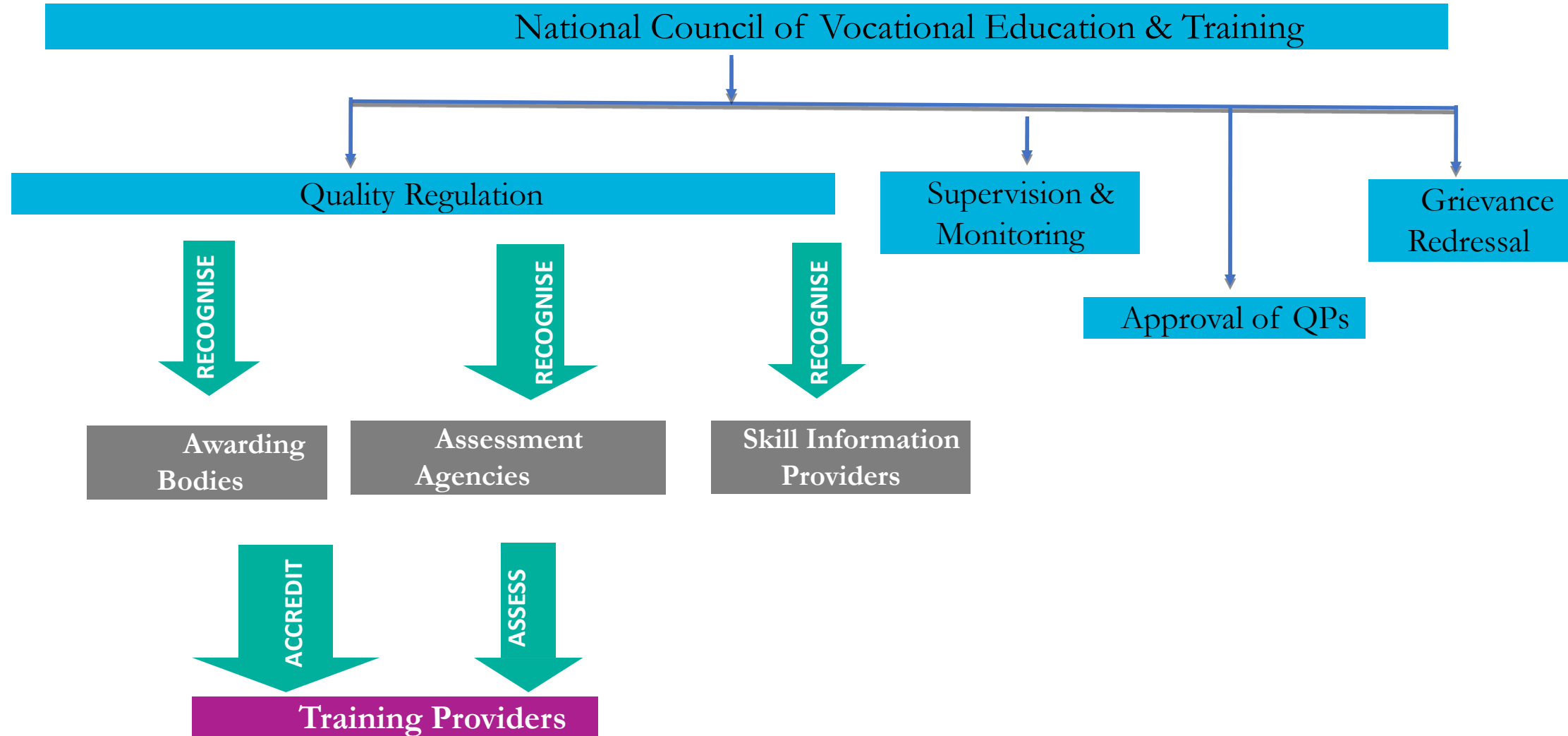
- NCVT
- NSDA
- NSDC/SSCs
- MSDE

NEED FOR A STRONG REGULATORY AND QUALITY ASSURANCE FRAMEWORK FOR ENTIRE SKILLS SYSTEM

Towards a New Regulatory Mechanism for Skill Development

- **Aim:** To establish an independent regulatory body, to govern the entire skills ecosystem
- **Functions:**
 - Regulate both long and short-term vocational training
 - Recognize and regulate
 - awarding bodies
 - assessment bodies
 - skill information providers
 - Impose penalties for non compliance

Proposed Mechanism for Skills Regulation



FSLRC Principles & Next Steps

- Clarity of regulatory purpose distinct from role of department
- Board composition and role
- Detailed provisions re legislative, administrative & judicial functions
- Mechanisms for accountability
- Immediate action is likely Union Cabinet Resolution
- Medium term full fledged parliamentary legislation

Thank You