

By Invitation

Linking Employment Services, Skills Development & Labor Market Needs: Issues for India

Paul Comyn

The Indian skills system has undergone a period of significant reform in recent years with a range of initiatives aimed at improving the supply of skills and increasing private sector involvement in the overall skill system. At the heart of these reforms is the assumption that improving the supply of skills will reduce mismatches with labor market demand. Whilst the role of public and private employment services in India is recognized, their potential to address youth unemployment, support the skills system and enhanced labor market functioning have not been fully developed. This article reviews major reform initiatives in the skills system, examines the delivery of employment services in India, and suggests ways through which employment services and skills development system can be better integrated to improve labor market outcomes for both employers and job seekers.

Paul Comyn is Senior Specialist, Vocational Training & Skills Development, ILO Decent Work Team for South Asia, ILO New Delhi. E-mail: paul.comyn@ilo.org

Promoting Youth Employment

Youth unemployment and underemployment is prevalent around the world because young people lack skills, work experience, job search abilities and the financial resources to find employment (ILO, 2009). In developing countries, this situation is exacerbated by poverty and the competitive pressures that result from a rapidly growing labor force. Moreover, the inadequacy of social protection schemes and active labor market policies means that young people in such economies have little support outside their family and friends. Globally, young people are, therefore, more likely to be either unemployed or employed on more precarious contracts and in the informal sector.

These challenges are prevalent in India, which has the largest youth population in the world with around 66% of the total population being under the age of 35 (representing over 808 million young people). According to 2010 population figures, one in five young people in the world is an Indian. These young people are much

more likely to be unemployed: looking at the age group 20-24 living in urban areas in India, 9.7% of young men and 18.7% of young women were unemployed in 2009-10. In comparison, the unemployment rate for Indians aged 30-34 reached only 1.2 and 3.4% for men and women, respectively (UN, 2010).

While India is experiencing a 'demographic dividend' due to the youth bulge, many young people struggle to acquire the right skills demanded by employers to successfully navigate the transition from school to work. Whilst the capacity of the skills system has increased, links between training institutions and employers remain weak with limited vocational counseling and job placement services further frustrating young people's efforts to join the labor market. Moreover, with the dependency ratio expected to rise from 2025, India faces a pressing challenge to increase education and skill levels amongst its population to take advantage of this unique moment in its history. However, the scale of India's challenge to improve the skills of its burgeoning labor force is significant. Whilst 12 million people enter the workforce each year (FICCI, 2010), less than 10% have had access to training (OECD, 2011) and whilst 90% of jobs require vocational training, only 6% of the workforce receives any form of workplace training (CII, 2009).

ILO (2012) noted that of the 17 million new formal sector jobs created during 2009-12, as much as 85 percent offer no employment benefits and social security. Until 2000, informal em-

ployment constituted 90 percent of the jobs sector but that number went down to 82 percent by 2011-12. So though ostensibly more formal sector jobs are being created, in reality many of those can be categorized as informal since they lack employment benefits and social security, support often delivered through public employment services.

Scaling Up Skills Development

The imperative of economic growth, combined with concerns over the social consequences of failing to offer livelihood opportunities to its large young population, led the Indian government to invest heavily in skills development and pursue new models to improve the quality and relevance of education and training. The Prime Minister's National Council on Skill Development has set a target of training 500 million skilled individuals by 2022 pursuant to the 2009 National Skill Development Policy (NSDP). The NSDP intends to meet the 2022 target by expanding public institutions in rural areas; using innovative delivery models such as mobile and decentralized delivery; using skill development centers rurally to provide training information, guidance and delivery; involving local municipal bodies (panchayats) and local government in skill delivery mechanisms; improving access to apprenticeships and raising female participation in training by introducing the Women's Vocational Programme (MOLE, 2009). Key recent developments include:

- Increased training infrastructure and seating capacity in both public and private institutions (ITI, ITC, Polytechnics)¹ with further expansion planned in the 12th Plan period.
- Expansion of the Modular Employability Scheme (MES) under the Skills Development Initiative (SDI) of the Ministry of Labor & Employment (MOLE).
- Diversification of curriculum and programs and a shift towards competency based training linked to National Occupational Standards (NOS) developed by industry through Sector Skills Councils (SSC).
- Stimulation of the private training market through funding of private training organizations through the National Skill Development Corporation (NSDC).
- Development of the National Urban and Rural Livelihood Missions both of which have significant training schemes likely to impact on the extent of publically funded training.
- Various new schemes of central and state ministries such as MSME, Textiles, Woman & Child Development, Agriculture which have increased the number of training places and encouraged different training and placement models amongst training providers.
- The NSDC STAR scheme which will further stimulate the private training

market through a voucher based entitlement for skills certification.

However, despite this expansion there remains a lack of consolidated data on the extent and nature of training places on offer, the total funding allocated to skills training and the outcomes of the different programs.

Challenges to the skills agenda

Despite this significant and growing interest in skills in India there remain significant challenges which restrict the skills system in India and weaken its efforts to promote more and better jobs for young people.

Policy making remains highly fractured with parallel initiatives and duplication of effort not uncommon.

First and foremost, the skills ecosystem in India remains highly contested. Fragmentation of decision-making is evident at both a national level, where 17 ministries and departments are involved in skills development (Planning Commission, 2008), and at regional level, where a similar breadth of structures and responsibilities exist. Whilst a number of state governments have established their own co-ordination bodies for skills development and vocational education programs (FICCI, 2010), policy making remains highly fractured with parallel initiatives and duplication of effort not uncommon. With a burgeoning number of schemes and mission mode projects that

¹ Industrial Training Institutes (public), Industrial Training Centres (private)

include skills training initiatives, there has been a parallel increase in attention to job placement and specific schemes to deliver employment services through these different and disconnected schemes. Given the urgent need for institutions to fulfill a leadership role, further activism by the National Skills Development Agency (NSDA) will hopefully bring more coherence to policy and programs in the skills domain, although the challenges of inter-agency coordination, especially at the local level, will not be easily resolved.

Secondly, as noted by the Planning Commission, the 'sheer magnitude of scale' and 'duplicated or excessive bureaucracy' are serious challenges to improving the quality and relevance of education and training in India (Planning Commission, 2009). Interventions and investment are required to address deficiencies in delivery and assessment methods, curricula and resource materials and infrastructure as well as the general lack of participation of the private sector and industry. Whilst the NSDC has made progress in engaging industry through formation of SSC, industry participation to date has not included worker organizations as an equal industry partner. Whilst SSCs have the potential to markedly increase the relevance of training delivered in the skill system, they will take time to become established as lead organizations and to complete development of sector specific standards, assessment and certification frameworks for their industries. Furthermore, whilst their focus to date has been understandably on sector standards and qualifications,

little effort has been directed towards developing career and vocational guidance materials for their sectors that links skills and employment needs in their sectors.

Thirdly, whilst the Indian apprenticeship system is well established and supported by legislative and administrative arrangements that span several decades, by international standards, it is underutilized, with inadequate incentives for employers, and insufficient structure and resources to link apprenticeships with career and vocational guidance services to the extent they exist. The NSDP recognizes the need to expand and strengthen both the formal and informal apprenticeship systems and considered introduction of 'dual-type' apprenticeship programs that combine on and off the job training. Whilst the 2009 Planning Commission review of apprenticeships (Planning Commission, 2009b) has led to a series of proposed changes to the Apprenticeship Act (1961) and Apprenticeship Rules (1992), anecdotal evidence suggests that many key stakeholders believe the proposed changes are mainly cosmetic and avoid the need for a more thorough and internationally relevant review of the apprenticeship system which sees such active labor market programs fully integrated into the school-to-work-transition system.

Fourthly, the need for more useful labor market information (LMI) for skills anticipation has also been recognized and is a clearly identified priority in the NSDP. Whilst an initial environmental scan of data on the supply and demand

for skills has been undertaken by the ILO with the active participation of constituents (ILO, 2012), further work is required to develop a national data model that outlines SSC responsibilities for sectoral analysis and gives greater clarity on institutional arrangements, including the role of labor exchanges as both users and producers of labor market information. Without a clearer understanding of the type of skills required in which sectors, a closer match between skills supply and demand will not be achieved.

There remains a question of the extent to which training programs lead to employment.

Finally, there remains a question of the extent to which training programs lead to employment. Whilst many of the recent major government training schemes have adopted a placement model with training providers expected to achieve placement rates at 70% or higher, and provide pre and post training support services that include career and vocational counseling, there remain concerns about the quality of placements themselves and the level of employment services provided by these training organizations, often with staff as poorly equipped to do so as the staff of government employment exchanges.

On the basis of the evidence available in the last decade, Meager (2009) noted that 'there appears to be an emerging consensus that job broking and matching services, information advice and guidance measures, along with some kinds

of targeted subsidy schemes have the most positive impact on conventional outcome measures (employment rates, subsequent earnings of program participants), while both direct job creation schemes and training/skills programs perform rather badly, unless they are small in scale and highly targeted in nature, and/or unless they are strongly 'market oriented' and linked to practical job experience in a 'real' employment environment' (Meager, 2009). This suggests that the skills and employment agenda in India should perhaps place greater emphasis on the need to first link job seekers with effective employment services before enrolling them in training programs.

Employment Services

The public employment service in India is managed by the Ministry of Labor & Employment (MOLE) and is known as the National Employment Service (NES). It came into the existence in 1945 for the purpose of resettling demobilized defence service personnel and discharged war workers in civil life through the network of employment exchanges. After Independence, the scope of exchanges was extended to cover employment services to all categories of job-seekers in early 1948 and in 1956 the day-to-day administrative control of exchanges was transferred to the State Governments/Union Territory Administrations (Chandra et al, 2006). The National Employment Service functions within the conceptual framework of ILO Convention No.88 on Public Employment Services and as such services are free. The functions of the NES are:

- Job seeker registration, renewal, updation and maintenance of records
- Collection of Employment Market Information (EMI) from the employers
- Provision of vocational guidance and career counseling
- Dealing with the notification of vacancies, making submissions and follow-up with the job-seekers
- Maintenance of MIS for service and information exchange within government
- Provision of comprehensive information on the Indian employment market for planning (MOLE, 2012)

The network of the NES consists of approximately 940 Employment Exchanges run by State Governments. The NES functions within the ambit of Employment Exchanges (Compulsory Notification of Vacancies) Act of 1959, whereby notification of vacancies arising in all the public sector establishments and non-agricultural establishments in the private sector employing 25 or more workers is compulsory. The act also makes it obligatory on the part of such employers to furnish employment returns which give information on employment, vacancies occurred, mode of recruitment of persons in the vacancies occurred, occupational distribution of employees and educational requirements for those occupations. From its inception, the NES restricted its activity to sectors of the economy covered under the Act, and as a result, attention was given mainly to registration and placement functions and

at the expense of data management, career counseling and vocational guidance. (Chandra et al, 2006).

Private Placement Agencies

Private placement agencies are also operating on a limited scale primarily in urban areas which cater to the requirements of the organized sector. Many of these agencies are very small, with one or two staff only, with most typically charging fees of varying amounts both from the jobseekers and employers. A recent review by the National Labor Institute estimated the number of private placement agencies to be approximately 800, with reports of false advertising and exploitation of jobseekers leading to increased calls for greater government regulation (NLI, 2013). Recently, efforts to improve regulation of private recruitment agencies have gathered pace in response to evidence of abuses in the market, and MOLE plan to introduce new legislation making registration of recruitment agencies mandatory, pursuant to ILO Convention 181. Concurrently, efforts to professionalize the industry have been led by the major private firms such as Randstad and TeamLeaseServices who with other major firms have established the Indian Staffing Federation (ISF) who support government ratification of C. 181 and increased investment in public employment services (ISF, 2013).

Constraints

The poor performance of employment exchanges has been recognized by both central and state governments in India.

The West Bengal Department of Labor for example notes that the exchanges are ineffective in discharging many of their core functions (West Bengal, 2013). It notes for example that exchanges 'lack any information regarding the demand and supply of the labor market as the Employment Market Information (EMI) system run by exchanges is ineffective in most of the states with delayed publication of inaccurate Employment Market reports' (West Bengal, 2013).

The brief notes further major issues which include 'outdated, non-transparent and time consuming service delivery system' through which most exchanges maintain manual, paper based records of both job seekers and vacancies and undertake job matching through manual searching. This leads to considerable delays in employers receiving candidate details months after notifying vacancies and limits the effectiveness of labor market reporting (West Bengal, 2013).

It has been recognized that there is in general no service culture and limited morale amongst staff, with low levels of professionalism compounded by poor quality facilities

Issues have also been raised about staffing arrangements in employment exchanges. Many exchanges are constrained by vacant posts, with existing staff limited by inadequate skills in the different components of employment services such as career and vocational guidance, employer liaison and client management. It has been recognized that

there is in general no service culture and limited morale amongst staff, with low levels of professionalism compounded by poor quality facilities (Chandra et al, 2006). This limited capacity is significantly challenged by the low levels of employability amongst jobseekers who register at the exchanges, with most registered candidates likely to be unskilled, with limited academic and vocational qualifications, and poorly developed job search skills. These often most disadvantaged clients thus receive little or no service from employment exchanges.

A further key issue confronting employment exchanges is the changing nature of the labor market and the rise of private employment services and recruitment agencies. Employment growth in India is greatest in the informal economy from enterprises not covered by the Compulsory Notification of Vacancies Act (1959). The decreasing share of formal employment, especially in the public sector, means the traditional client base of employment exchanges is shrinking. This client base has been further eroded by large public sector enterprises that established dedicated recruitment agencies to manage their recruitment such as the Staff Selection Commission, Railway Recruitment Boards and Banking Service Commissions (West Bengal, 2013). Recent judgments of the Supreme Court of India have also weakened the role of employment exchanges as employers are able to advertise vacancies in other media and consider candidates other than those proposed by employment exchanges (MOLE, 2013). As noted by Kuddo (2012), many jobseekers rely

solely on personal and family connections as the main way to find suitable employers, and many job placements occur without an intermediation role of PES.

Combined, these factors have severely constrained the potential share of the recruitment market for employment exchanges, and due to poor performance, over time employment exchanges have come to be seen by job seekers as centers where only wage employment in the public sector can be found. They are not considered a source of employment in the private sector nor a place where career and vocational counseling can be obtained or advice on self-employment options might be received.

Modernization

Leading from the review of the NES in 2006 (Chandra et al, 2006), MOLE has made efforts to secure funding for a large scale restructuring and strengthening of employment exchanges. However, whilst funding for the project was finally secured in 2013 under the title of the Employment Exchange Mission Mode Project (EEMMP), the scale of the project has been considerably reduced and is unlikely to comprehensively reform employment exchanges to the extent required. During this period however, a number of states have taken steps to strengthen employment exchanges.

In Maharashtra a web portal has been developed for the Department of Employment and Self-Employment (DE&SE) that provides free services like vocational guidance, job opportunities and

self-employment guidance to job seekers and is a single point of contact for the services provided by the Department. Different sections of the portal provide registration and update facilities to the job advertisements, departmental contact details, advice on possible jobs and occupations, special information for disabled persons. Candidates/registered youth can access different materials relevant to jobs, like coaching classes for competitive examinations, and information from various publications, news papers, TV & radio programs (NSDC, 2011).

Similarly, in Karnataka, the Karnataka Employment Centers (KEC) is the country's first employment exchange based on a public-private partnership. The first KEC was launched in July 2010 by TeamLeaseStaffingsolutions and the Government of Karnataka to ensure successful access to the job market for youth of the State with a plan to revamp about 30 employment exchanges. The new exchanges 'have an all-round view, covering five stages of recruitment — assessment, counseling, employability training (including English, soft skills, computer training), function and vertical training (finance/accounting, sales and marketing, retail and FMCG) and placement (Economic Times, 2010). KECs provide vocational training and employment to school dropouts, unemployed youth, ITIgraduates and existing workers.

Whilst other initiatives at the state level, including Haryana and Gujurat have improved service delivery in some states (see NSDC, 2011), the new National

Employment Exchange Mission Mode Project (EEMMP) is expected to have a major impact on the functionality of employment exchanges in the country. The EEMMP project will upgrade IT systems across the network of employment exchanges to 'provide speedy and easy access to employment related services and information to job seekers and employers in both organized & unorganized sector' (NGEP, 2012). In doing so, the initiative aims to enable employment exchanges to 'play a pivotal role in the modern Indian economy and flexible business environment' (NEGP, 2012). The 12th Five Year Plan signals this potential transformation by noting that 'all employment exchanges will come online, and act as pro-active counseling and placement centers' (Planning Commission, 2013: 159). Whilst this investment in IT infrastructure and online information and services is no doubt welcome, the capacity of front-line staff in the exchanges to provide services that support and compliment the new online system remains to be seen.

Conclusion

While broad-based skills development initiatives are necessary to provide access to those wishing to develop and upgrade their skills, training should not in itself be considered a guarantee of future employment unless supplemented by specific programs that provide comprehensive packages that target the most vulnerable and disadvantaged job seekers, including youth. This in turn requires developing the right institutions and ability to deliver such programs at the local level.

Given the myriad of programs and institutions that exist at the national, state and district levels in India, the integration of service provision to deliver complementary services to young people seems to provide the greatest chance of ensuring India's demographic dividend does not diverge into the oft quoted demographic disaster. This however will require an unprecedented level of cooperation amongst key ministries and programs so that a coherent system of employment services, involving both public and private agencies, can develop.

In the UK, as in an increasing number of other European countries, the public employment service has been recently merged with the agency responsible for social benefits in an attempt to increase the employment orientation of benefit recipients (Meager 2009). Whilst this level of convergence may not be feasible in India, there should at least be convergence between skills initiatives and those related to the provision of basic employment services of job broking and matching services, information advice and guidance measures.

It is worth noting that 'in other countries, the share of active labor market program resources devoted to training/skills measures has been declining in recent years, and the share devoted to other kinds of interventions associated with the 'work first' model (particularly job broking, job search support, advice and guidance, benefit incentives/sanctions) has increased' (Meager 2009 :21). Whilst it could be suggested that this shift is starting to occur in India, there remains

much work to be done before individual job seekers across the country can access quality information and employment services as part of the process of deciding which training course to enroll in.

References

- Chandra, A., Khanijo, M., Mamgain, R. (2006), National Employment Service: Perspectives on Development, International Labor Organization, New Delhi
- CII (2009), "Case for Setting up Sector Skills Councils in India", unpublished paper, New Delhi: Confederation of Indian Industry (CII).
- Comyn, P. & Verick, S. (2013), "Reaping the Benefits of the Demographic Dividend: Promoting Youth Employment in India through Skills Development", *Employment News*, No 38: 12-16.
- De Koning, J. (2007), "Is the Changing Pattern in the Use of Active Labor Market Policies Consistent with What Evaluations Tell Us about Their Relative Performance?", in de Koning, J (ed.), *The Evaluation of Active Labor Market Policies: Measures, Public Private Partnership and Benchmarking*, Aldershot: Edward Elgar.
- Economic Times (2010), "TeamLease Ties up with Karnataka Government to Revamp Employment Exchanges", Jul 26, accessed on 23 December 2013 at http://articles.economictimes.indiatimes.com/2010-07-26/news/27630488_1_employment-exchanges-teamlease-bangalore-centre
- FICCI (2010), *The Skill Development Landscape in India and Implementing Quality Skills Training*, New Delhi: Federation of Indian Chambers of Commerce and Industry/ICRA Management Consulting Services.
- ILO (2006), *Global Employment Trends for Youth*, International Labour Organisation, Geneva.
- ILO (2012), *Review of the Sources and Availability of Skill Development Data in India*, International Labor Organization, New Delhi.
- ISF (2013), "Objectives of the ISF", accessed on January 17 from Indian Staffing Federation at <http://indianstaffingfederation.org/obj.html>
- Kuddo, A. (2012), *Public Employment Services, and Activation Policies*, Washington DC: World Bank.
- Meager, N. (2009), "The Role of Training and Skills Development in Active Labor Market Policies", *International Journal of Training and Development*, 13:1.
- MOLE (2009), *National Skill Development Policy*, Ministry of Labor & Employment, Government of India, New Delhi
- MOLE (2012), "Employment Exchanges", Ministry of Labor & Employment Directorate General of Employment & Training, accessed on 12 January 2014 at <http://dget.gov.in/dex/nes.htm>
- NEGP (2012), "Employment Exchanges", National E-Governance Plan, accessed from www.negp.gov.in/index.php?option=com_content&view=article&id=220&Itemid=847 on 12 January 2012.
- NLI (2013) *ILO Convention 181: Issues and Challenges in the Context of Private Placement Agencies in India*, unpublished report, V.V. Giri National Labor Institute, Noida.
- NSDC (2010), *Human Resource and Skill Requirements in the Education & Skill Development Services Sector (2022) - A Report*, New Delhi: National Skill Development Corporation/ICRA Management Consulting Services Limited.
- NSDC (2011), *Concept Paper on Labor Market Information System*, New Delhi: National Skill Development Corporation.
- OECD (2011), *G20 Country Policy Briefs: India – The National Policy on Skill Develop-*

-
- ment, Paris: Organization for Economic Co-operation and Development
- Planning Commission (2008), Eleventh Five Year Plan, New Delhi: Government of India.
- Planning Commission (2009), Planning Commission Sub-Committee on Improvement in Accreditation and Certification Systems, New Delhi: Government of India.
- Planning Commission (2012), "Skills Development and Training Programs of the Central Government", accessed on 17 January 2014 from: http://planningcommission.gov.in/reports/genrep/rep_csa.htm
- Planning Commission (2013), Twelfth Five Year Plan: Social Chapters, New Delhi: Government of India.
- UN (2010), World Population Prospects: The 2010 Revision, United Nations Secretariat, New York.
- West Bengal (2014), "Restructuring and Modernization of Employment Exchanges", accessed on 17 January from http://wb.gov.in/portal/WBLabour/Employment/WBLCMSPortletLabourWindow;jsessionid=D81C1BC72D79B7E1006004B2A05369A7.node1?alf_name=restrc_modn.txt&dtname=Employment&action=e&windowstate=normal&alf_path=WebContent%2FDirectory%2FEmployment%2FOthers&mode=view