

THE APPRENTICESHIP EMERGENCY

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About the Author



Manish Sabharwal is currently Chairman and co-founder of Teamlease Services, India's largest staffing and training firm. The firm has hired somebody every five minutes for the last five years but only hired 5 per cent of those who came to it for a job. It now runs 75 training centers and has over 75,000 employees in 770 cities/towns across India.

Earlier, he co-founded India Life, an HR outsourcing company in 1996 that was acquired by Hewitt Associates in 2002. Consequently, he was Managing Director of Hewitt Outsourcing (Asia) in Singapore for two years.

Manish is a member of the Prime Minister's Council on Skill Development and serves in various policy roles in the 3Es (education, employment and employability). He chaired a government panel on reforming India's apprenticeship regime. He got his MBA from The Wharton School at the University of Pennsylvania in 1996 and his Bachelor's Degree in Commerce from Shriram College, Delhi University, in 1990.

Policy makers in India today are facing an interesting question - which sectors will create what kind of jobs in the next 20 years? The answer to this question will, at a macro level, determine the future of the demographic dividend, but at a micro level, enable educators to align the ecosystem to deliver the kind of skills and education to young people far ahead of when they hit the labour markets.

The answer to this question is crucial because in India now the notion of district collectors distributing NREGS money as job creators is discredited!

But accepting that most attempts at job forecasting makes weather forecasting look like physics is difficult for economists and policy makers who build complex forecasting models. Flawed models - however complex - have dangerous consequences; the physics envy of finance led to huge losses because quantitative models used in calculations like Value at Risk or Credit Default Swaps were precise but incomplete.

A comprehensive and multi-decade review of attempts by many countries including the US, UK, India, Japan, etc. of long-term

job forecasting suggests that accuracy, in hindsight, has been poor. To be fair, just like the higher accuracy of weather forecasting in the very near term (one or two days), these models know where job demand will be in the next one or two years. But this is not enough to craft a long term education policy.

India is in a 'skill emergency'. Lots of ideas are on the table – in fact, they are falling off the table. We need an urgent dose of political courage to resolve regulatory bottlenecks at the intersection of the Ministries of HRD and Labour (NVEQF, Sector Skill Councils, etc) and State and Central Governments (Employment Exchanges, Apprenticeships, etc.). We don't need more money but surgery on how money is spent. Not more cooks in the kitchen but a different recipe.

Combining apprenticeships and NREGS would be a radical innovation at the intersection of education and employability. It would co-opt employers in ways that the government has never tried. And it would offer dropouts (50% of the 300 million children enrolled in school won't finish secondary school) and unemployable graduates (estimated at 58% of the 14 million students in 26,500 institutes of higher education) an alternate pathway to skills and jobs.

Economists calculate a 'Misery Index' for countries by adding the unemployment rate to the inflation rate. This index is a useful proxy for social pain but only makes sense with small numbers. India's high unemployment (26% if you add working poor to official unemployment rates) and inflation (close to double digits is what matters) make this index meaningless. NREGS has been an experiment in the name of misery but it's "above market" and "above productivity" wage has retarded rural non-farm job creation, sabotaged incentives to upgrade skills, find work and work hard. The safety net is becoming a hammock. But the optics of NREGS-type

programs make them political one-way streets and it's unlikely that we can junk or shrink it. However, even if we can't make it smaller, we should make it better.

Unemployment among graduates is higher than the overall unemployment rate for the country. More dangerously, unemployability of graduates is a serious concern because 80% of graduates have bookish knowledge, while 80% of jobs need skills. Non-engineering graduates – 85% of total graduates – are currently a policy orphan because they need the most help for employability but are not covered by either the Ministry of HRD or Ministry of Labour schemes.

Apprenticeships can prove to be the much-needed panacea here, and probably answer a large part of the question. Apprenticeships are an important part of most developed skill development regimes because they combine 'learning by doing' with 'learning by earning'. They are also useful in reducing the mismatch between supply and demand because they place employers at the heart of skill development. The speed limit of expansion of apprenticeships is also much higher than vocational educational theory classrooms because trainers with specific skills are available in the workplace.

Apprenticeship stipends enable one of the biggest contributions by employers to funding skill development. Apprenticeships also improve the matching of demand and supply; the Nobel Prize in Economics this year went to Peter Diamond for his work on search costs in labour markets that point to a greater role for apprenticeships because they increase signalling value and allows employers to take employees for a test drive. The most developed apprenticeship systems are in Germany, Australia, Japan, UK, and Singapore.

India has only 3 lakh formal apprentices because of outdated provisions of the

Apprenticeship Act 1961. Smaller countries like Germany and Japan have 60 lakh and 1 crore apprentices respectively. Things were not always this bad; our history has many examples of how statecraft was learnt by a prince serving an apprenticeship. Our language is peppered with terms like Ustaad, Mureed, Gurukul, Shishya, etc. that arise from a rich tradition of experiential learning.

Apprenticeships may account for 70% of competence development in many countries. But the biggest upside of the 'learning by doing' and 'learning while earning' of apprentices is placing employers at the heart of education; this reduces the importance of accurate forecasting because workplace exposure narrows the gap between labour supply and demand in real time.

India needs a new apprenticeship regulatory regime that clearly recognizes the following:

- Apprenticeships are classrooms, not employment
- Stipends are tuition subsidy and not salary
- Durations for different trades and candidates need to vary from 3 months to 3 years
- The partition between the jurisdictions of the Ministry of Labour and HRD is unnecessary because it creates policy orphans like non-engineering graduates and amplifies the apartheid between skills and higher education
- We need employer-sponsored programs that are allowed to outsource theoretical training
- We need educational institute-sponsored programs that are allowed to outsource practical training
- The current stick of jail is not working and capacity will be higher if employers are volunteers. Moving away from

the current license raj to nationwide permissions for national employers will increase capacity

- Removing the size ratios on apprenticeship programs run by employers will accelerate capacity creation because apprenticeships have a lower expansion speed limit than physical classrooms
- The most effective labour market subsidy is subsidizing stipends.

These reforms should be designed to counter current opposition. The first worry is that youth will be exploited with low stipends; many employers are willing to link stipends to a proportion of minimum wages. The second worry is permanent apprentices; employers could use biometric-candidate Aadhar numbers to ensure maximum terms. The third worry is that older people will use these programs; entry could be restricted to candidates younger than 35 years.

The final worry is that expanding the stipend subsidies currently offered would be a waste of government money but imagine if the cumulative 1.4 lakh crore NREGS spend had been available for formal apprenticeship stipends, beneficiaries would have gained skills, workplace-exposure and a higher probability of sustainable jobs. Either way, reforms should give employers who don't avail stipend subsidies more structuring flexibility than those that do.

Models that try to predict where jobs will be created in the next few decades have the efficacy of palm reading or astrology – this makes them unreliable input for decisions with long shadows. More than trying to predict the future, we should try architecting our education system to be self-healing in coping with changing employer needs. What better place to start than expanding our formal apprenticeships to 10 million youth?