



**THE INTERNATIONAL MARKET FOR PUBLIC POLICIES
ON SKILLS DEVELOPMENT
THE SPECIAL CASE OF INDIA**

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TABLE OF CONTENTS

<i>1. The theoretical and historical context</i>	<i>4</i>
<i>2. Paris Declaration – How relevant to India?</i>	<i>6</i>
<i>3. Skills development policies in India</i>	<i>7</i>
<i>4. Why India must chart its own skills development path</i>	<i>10</i>
<i>5. Conclusions</i>	<i>11</i>

ACRONYMS

BRICS	Brazil, Russia, India, China, South Africa
CCI	Confederation of Indian Industries
FICCI	Federation of India Chamber of Commerce in Industry
IIT	Indian Institute of Information Technology
IIM	Indian Institute of Management
IISER	Indian Institute of Science Education and Research
IIT	Indian Institute of Technology
MSME	Micro, Small and Medium Enterprises
NSS	Indian National Sample Survey
OBE	Outcomes-Based Education
OECD	Organisation for Economic Cooperation and Development
PPP	Public Private Partnership
VE	Vocational Education
VET	Vocational Education and Training

Introduction

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 skills 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 no longer the case when considering developed and developing countries. This paper takes into account this difficulty in the contemporary partnership, and is a running theme throughout 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 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 skills development. Section 2 addresses the issue of how relevant the Paris Declaration on Aid Effectiveness is to India. Section 3 spells out the skills development policies in place in India. Section 4 spells out why India must chart its own path, and reasons thereof – primarily because India finds itself at a rather different juncture compared to most other BRICS economies. In fact, it is the only low-income country among BRICS, and therefore has a number of peculiarities deriving from its historical past of sixty years of development. It also lays out what might be possible areas of learning for India, even though there are significant peculiarities to India's development 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 related to the context: one is the difference in the existing education system between the ‘transferor’ and the ‘transferee’ country; the other is the difference between them in respect to industrial development and the organization of productive enterprises (in agriculture, industry and in the services sector). Philips and Och (2004) speak of four stages of borrowing: (i) Cross national attraction; (ii) Decision; (iii) Implementation; and (iv) 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 decisions 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 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. And 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, for 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% 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 as do the measures in place in Germany. 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 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, can have one of the most dangerous outcomes of the cross-national attraction processes, as pointed out by Philips and Och (2004). 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. 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 the larger scale, enthusiasm for the novelty of a market economy has also transferred 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. VET is an area of a soft skill, unlike a machine or a technology embodied in equipment that only requires know-how to be operated. Such a soft skill is bound in not only a 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 skills development 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 skills development and VET. The Paris Declaration on Aid Effectiveness (2005) 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 for their use of funds.

The Paris Declaration by OECD DAC donors of 2005 essentially argues that there is clear need for much greater coherence among bilateral and multilateral donors. This need for coherence is, the Declaration recognizes, 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 since the funding that other donors were providing was very limited, and the Indian government took the view that the transaction costs associated with 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 Vocational Education Training (VET) and skills development 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 skills development. This is precisely what India has done in developing the 11th Five Year Plan, a full skills development policy (see Chapter-5, Volume-1, Planning Commission, 2008).

However, given that 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 discussions 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) and some bilaterals with an exchange of visits (e.g. Australia, Germany), but not much else appears to be happening.

3. SKILLS 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.

3.1. Quantitative and Qualitative Deficiencies in Skills

The 11th Plan (2007-2012) has given a very high priority to Higher Education (see Chapter-1, Volume II, Planning Commission, 2008), with an increase in allocations to higher education by five times (in nominal terms) compared to the 10th Plan (2002-2007). Initiatives such as establishing thirty new Central universities, five new Indian Institutes of Science Education and Research (IISERs), eight Indian Institutes of Technology (IITs), seven Indian Institutes of Management (IIMs), and twenty Indian Institutes of Information Technology (IIITs) are aimed at meeting the challenges of skills 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 fourteen universities proposed in the 11th Plan and 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 in order to 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 15-29 years of age, only about 2% are reported to have received formal vocational training and another 8% 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% and 96% of the youth in the age group of 20-24. One reason for this poor performance is the near exclusive reliance upon a few training courses with long duration (two to three years) covering around 100 skills. In China, for example, there exist about 4,000 short duration modular courses that provide skills more closely tailored to employment requirements.

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 seventeen ministries and departments of the Government of India, 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% of the number of annual additions to the labour force.

A basic problem with the skills development system is that the system 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.

3.2. Skills Development Mission Strategies

It is for this reason that the Government of India announced in Budget 2007-2008 the creation of a Skills Development Mission – which has since led to the creation of three institutions, the PM's Skills Development Council, the Skills Development Board, and the Skills Development Corporation, the last on a private-public partnership basis. Its strategies will include the following, according to the 11th Five Year Plan:

Encourage Ministries to expand existing public sector skills 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 % thereof are skilled. The infrastructure should be shifted to private

management over the next 2-3 years. State governments must be guided as stimulators in managing this transition.

- Enlarge the coverage of the skills spectrum from the existing level. Skills Development programmes should be delivered in modules of six to twelve weeks, with an end of module examination/certification system. For calibrating manual skills, a four to six level certification system must be established based on increasing order of dexterity of the craftsman.
- Move from a system of funding 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:
 1. Stipend (monthly) to be paid to the trainee.
 2. Fee subsidization at the end of the programme to be given to the institute after placement.

3.3. Action Plan for Vocational Education

- Expand VE from 9,500 senior secondary schools to 20,000 schools. Intake capacity to be raised from 1.0 million to 2.5 million.
- All VE schools must engage in partnerships with employers for providing faculty/trainers, internships, advice on curriculum setting, and for skill testing and certification.
- Progressively move vocational education from an unviable two-year stream, commencing after Class X, to a stream that captures Class IX dropouts; later on, this process should commence from Class VII, capturing Class VI dropouts. Give emphasis to last mile employability related to soft skills through English language skills, quantitative skills, computer literacy, spreadsheet skills, word processing, computer graphics, presentation skills, and behavioural 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 jewellery; (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, including: (i) IT 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 and finance; and (x) education/skills development services.

The National Skills Development Corporation will be set up as Government Equity with a view to obtaining about Rs 15,000 Crore as capital from the government, the public and private sector, and bilateral and multilateral sources for the promotion of skills development. Corporation will deliver jobs that are required by the market by operating or partnering training programmes in areas related to the skills deficit .

4. WHY INDIA MUST CHART ITS OWN SKILLS DEVELOPMENT PATH

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 that context (that of the transferring country and of the transferee) is of paramount importance. There are essentially two kinds of differences that exist between OECD economies and India's economy that are relevant for the purposes of skills 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 work force. One-third of the nation's population was illiterate, according to the 2001 Census. School education for children between the ages of six and fourteen years of age 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 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), 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% of the entire workforce is employed in such unorganized enterprises (NCEUS, 2008). A very high proportion of the enterprises in the un-organized sectors are micro (less than ten employees) and small (between ten and fifty employees) enterprises. This alone makes the Indian non-agricultural sectors look very different from those existing in OECD countries. Small scale of un-organised enterprises in India also mean that their technology levels are quite low, implying that the corresponding VET that is imparted in the industrialized countries is likely to be rather irrelevant for these small scales, low capital intensity, 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 nineteenth or twentieth 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 skills 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. It may be that 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.

4.1. Possible areas of learning in skills development for India?

There is some possibility for learning to occur only between the formal sectors of OECD countries and India. The Federation of India Chamber of Commerce in Industry (FICCI) or Confederation of Indian Industries (CII) could possibly organize such an exchange in VET learning between corporations in India and those in OECD countries.

However, corporations in India invest precious little in VET generally, although they have limited apprenticeship programmes for their own staff and prospects. In fact, the perception of corporations in India is that VET is a function that belongs to the government, and it is the public sector that 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 corporations in India. Therefore, the lack of interest among Indian corporations 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, the government accounts for only 14% of its total VET expenditure in the economy; the rest is provided by the private sector. The internalization by Indian corporations 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 in times of crisis, such as the one currently facing the global economy. If restructuring of production enterprises and employment is required during an economic crisis, it is ensured that corporation owners and trade unions will 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 skills 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' skills development programmes.

Second, we have emphasized that context (of the transferor and transferee) is of paramount importance, and India's educational levels and industrial structure are quite different from that of OECD countries. Therefore, at the current stage of development India must chart its own path in respect of VET and skills development. India has formulated its own skills development policies quite recently, and those policies still need to be fleshed out in some

detail. Once those policies are elaborated, 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 Indian corporations and corporations in 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 initiative for further interaction forward.

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

Finally, we have suggested that the Skills Development Corporation, which was created as a part of the Skills Development Mission in India in 2008, will use the Public Private Partnership (PPP) model to promote the development of sector-specific councils in industry and the services sector. 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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