Lee Kuan Yew School of Public Policy

Policy Solution Addressing India's Vocational Tertiary Education Attainment for India's Trade Sustainability

A Proposal Submission for Sustainable Trade Challenge

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Hao Nan — Master Student on Public Policy
haonan@u.nus.edu

Binil Mathew — Master Student on Public Policy
binil@u.nus.edu

Devyani Chaturvedi — Master Student on International Affairs
devyanichaturvedi@u.nus.edu

Word Count: 1063

NUS National University of Singapore

Excutive Summary

The Indian economy has witnessed rapid trade growth in the last decade. However, it now faces challenges impacting long-term sustainable trade illustrated by the Hinrich Foundation Sustainable Trade Index Report. A crucial challenge is Education Attainment.

In India, the labour participation is increasing drastically with almost 12 million people joining the workforce every year.[1] However, the productivity of this new workforce is low due to the lack of updated skill-sets. What's worse is the vast unorganised sector that contributes less to India's trade while the major export-oriented industries suffer from shortage of skilled labour, plus existing aimless skill development programs.

To improve labour skill-sets and furthermore the trade sustainability, this paper proposes a Vocational Tertiary Education Model using Social Impact Investment which allows formulation of an impact-guaranteed mechanism implemented both online and offline. By fulfilling the skilled labour demands of export industries, India would move towards sustainable trade.

[1] Suryatapa Bhattacharya, the India' Labor Force, The Wall Street Journal, https://blogs.wsj.com/briefly/2015/07/22/indias-labor-force/

I. Identification and Explanation of the Issue

This paper identifies India's low percentage rate in tertiary education enrollment and completion as a challenge. Under the Education Attainment Index, India scores 20, which is much lower than the average score of 38.42, though India has moved up seven places.

India enjoys enormous demographic dividend with more than 60% of its population being of working age. Economists predict that the average age of India's working population would be 29 by 2020, and the working population will continue to outnumber the dependent population till the mid-21st century.3 However, the World Bank in its report suggested that the new additions to the Indian workforce lack formal skills. In fact, only one in ten have received any form of skill training. Additionally, almost 93% of the labour-force is in the unorganized sector while India's major export products come from industries in the organized sector including automobile, petroleum, machinery, etc.4

To address these concerns and pursue sustainable trade, India requires a move towards extensive vocational skill provision to cultivate a competent labour-force. The World Bank report and Moberg and Johnson-Demen's research5 show vocational tertiary education does effectively contribute towards acquiring entry-level jobs which subsequently fulfil the labour demands of the market.

With over 330 universities and 1800 colleges, India has one of the largest higher education systems. However, those institutions only cater to 27% percent of youth. 6 The actual completion rate is even lower given the high drop-out rate, alongside the strong public criticism that the quality is not ideal for a growing economy like India.

II. Solution to the Issue

In order to improve India's vocational tertiary education, this paper proposes a model (Figure 1) that mobilizes the resources and capabilities of governments, third-party investors, and service providers like civil society organisations (CSOs) and social enterprises (SEs). As per

[2] The Economist Intelligence Unit, India Hightlights of Hinrich Foundation Sustaintainable Trade Index Report 2018, https://hinrichfoundation.com/trade-research/sustainable-trade-index/
[3] K.N.Pathak, Challenges of Skill Development in India, Press Information Bureau, Government of India, Special Service and Features, 26 October 2016, http://pib.nic.in/newsite/printrelease.aspx?relid=151988
[4] India Today Web Desk, India Today, https://www.indiatoday.in/education-today/gk-current-affairs/story/export-products-264482-2015-09-23
[5] Moberg, L. and Johnson-Demen, 2009, 'Evaluation Report: 'Small-Small Steps' to rebuild communities with YEP: NRC Youth Education Project In Liberia: Post Graduates and Income Generating Activities', Oslo.
[6] Eductaion Statistics, the World Bank Database, http://datatopics.worldbank.org/education/country/india

this model, the improvement of vocational tertiary education would increase the productivity of India's young labourforce, and, furthermore, increase India's trade sustainability.

1. Implementation By The Government

The Indian government in order to improve vocational tertiary education should employ the Social Impact Investment mechanism as per which they sign bonds with third-party investors and service providers through open bidding. Through these bonds, the government's planned social projects are pre-financed by investors and implemented by service providers under the pursuit of goals jointly set by three parties.

In case the goals are achieved, the investors would receive the payment-transfer from the government. If not, the investors would bear the loss. In this way, the investors would strive to control the implementation expenditures below the government's' planned budget and ensure the implementation to meet the goals. An independent evaluator would be hired by the government to assess the implementation outcome to help governments decide whether to transfer the payment.

By doing this, the quality of the service providers' implementation would be ensured, positively impacting on the labour-force participation rate as vocational training would decrease unemployment. The demands of the current major export-oriented industries and the planned future-oriented industries would also be aimed to meeting. India's trade sustainability would therefore be improved extensively.

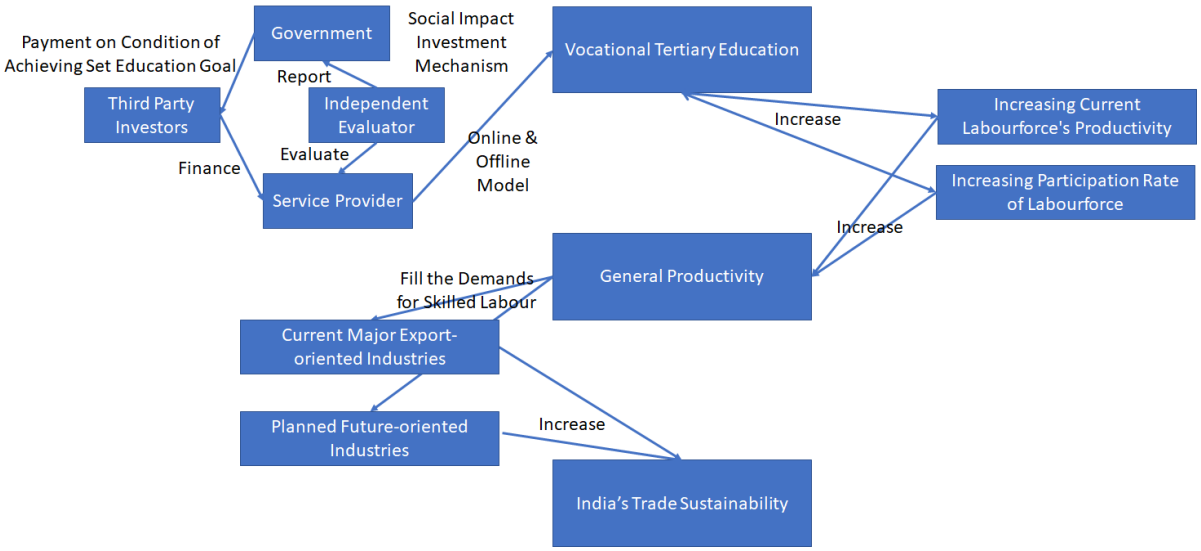

Figure 1

2. Implementation by the CSOs and SEs

The CSOs and SEs can implement the model above through performing four functions online and offline (Figure 2), namely vocational education and skill training training, job matching service, information service and assessment and certification service.

The online platform is message-based for 2G mobile phones and App-based for smartphones. Young labourers through these platforms would receive vocational education that is broken down and simplified with cooperation of prestigious vocational education institutions. Simultaneously, a job information portal would display the real industrial demands, assisting learners to set personal goals and even directly apply for vacancies.

The offline platforms would direct their focus towards short-term internship offered by the cooperation employers and the Skill Centres under India's National Skill Development Corporation. The offline platform would better enable learners to try out and practice the knowledge and skills learned online.

Going through the programs online and offline, the learners are able to apply for officially recognized vocational tertiary certificates after passing the assessment. Meanwhile, they are offered services for career information and job recommendation.

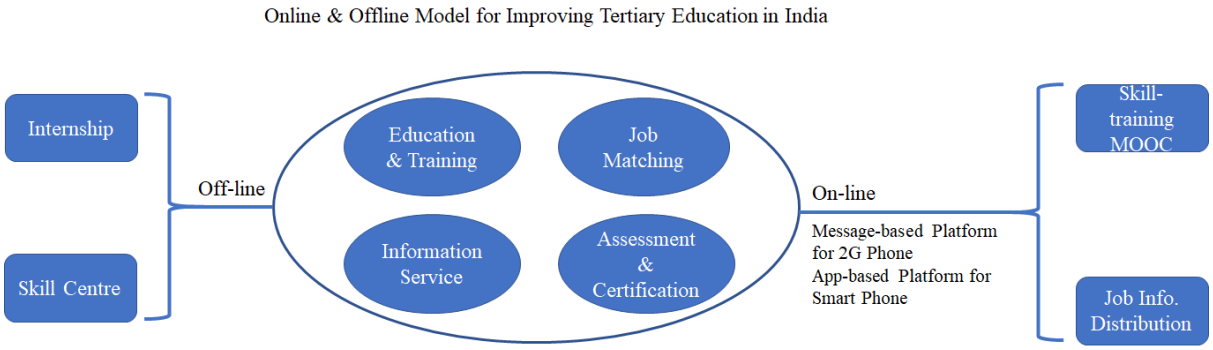

Figure 2

III. Critical Evaluation of the Solution

The policy aims for institutional collaboration ensuring skill development and trade sustainability. The investors engage businesses and offer them opportunity to receive skilled labour, ensuring that the curriculum complements prevailing market trends. This provides opportunities for entrepreneurs to rise alongside. CSOs and SEs help to align social impact work with the governmental policy, preventing multiple simultaneous programmes from running and diluting impact potential. The independent evaluator potentially mitigates the risk

of corruption, alongside checks and balances from the three parties. They have incentives to ensure appropriate funding utilization and adequately skilled students.

However, constrained by no valid source of motivations of students' drop-out, the model might not be effective enough to precisely address the issue. Furthremore, there is potentially a market bias as specific skills can be prioritised by partners, training more people in the skill than required. How to balance the demand and supply of the trained skills would be the direction for future efforts in the model-developing.