

The Competitiveness Repository

India — Infrastructure Leasing & Financial Services Ltd (IL&FS)

Competitiveness is widely accepted as the key driver for sustaining prosperity and raising the well-being of the citizens of a country. Enhancing competitiveness is a long-term process that requires improvements across many areas and long-lasting commitments from relevant stakeholders to mobilize resources, time and effort. Accordingly, to make the right decisions, these stakeholders need information and data.

For more than 30 years, the World Economic Forum has studied and benchmarked competitiveness. From the outset, our goal has been to provide insight and stimulate discussion among all stakeholders on the best strategies, policies and activities to overcome the obstacles to improved competitiveness.

Against this backdrop, the Forum is taking the next step to inform the discussion on competitiveness practices among stakeholders by embarking on a project to build a **Competitiveness Repository** that compiles relevant information about practices that have aimed or are intended to build competitiveness. It will be complemented by a series of private events that provide a safe space for countries to better understand approaches that have worked elsewhere.

The platform will be built around a collection of practices collected through the completion of the template below. With this exercise, we seek to identify practices that:

- Had or are expected to have **system-wide impact**
- Are **scalable and potentially replicable** in other countries
- Have a **strong multistakeholder** component (they should rely on public-private collaboration and could include, for example, programmes and activities led or facilitated by government, but implemented or funded completely or partially by the private sector or civil society such as foundations, trust funds, etc.)

The practices collected will ideally follow the 12-pillar structure of the Global Competitiveness Index (GCI) Framework (www.weforum.org/gcr). They will include a variety of factors critical for competitiveness and offer a comprehensive tool to inform stakeholders about the different approaches for enhancing competitiveness in specific areas, as well as the key barriers to their implementation and factors that enabled change.

As well as reflecting the 12-pillar GCI structure, each of the practices will be structured along the following dimensions:

- A) **Background information about the practice**
- B) **Context and need for action**
- C) **Actions/activities adopted**
- D) **Role of the different stakeholders**
- E) **Results, lessons learned and additional information**

A) Background Information about the Practice

Title of the practice: IL&FS Skills (Infrastructure Leasing & Financial Services Ltd)

Country of practice: India

Status (implemented, ongoing, planned): Ongoing

Related area of competitiveness: Education & Training

B) Context and Need for Action

What was the situation/challenge that resulted in a need for this competitiveness practice?

Due to widespread migration and a youthful demographic profile, India will have 270 million more working-age people by 2030. From 2005 to 2010, each day almost 25,000 people moved in India from rural to urban areas, and more than 60% of its population is below the age of 40. According to McKinsey & Company (2013), Indian youths have an average of only 4.4 years of schooling. As a result, India faces the important challenge of providing its youth with skills that will appeal to employers and can contribute to India's growth and reduction of poverty.

Each year, more than 12 million people enter the labour market in India, but the Technical and Vocational Education and Training (TVET) system's capacity to train them is limited to only 4 million. A TVET sector report in 2005-2006 found that more than 60% of trained youth were still unemployed three years after graduation; close to two-thirds were not employed in their trade, and one-third were trained in obsolete trades. The skills gap facing India is therefore not only about scale, but also about reducing the mismatch between the skills taught and those in demand from employers. The vocational training sector also suffered from: (1) lack of information on the quality and effectiveness of training providers, (2) negligible involvement of industry in the vocational training system, and (3) lack of incentives to improve performance at the institutional level.

C) Actions/Activities Adopted

What were/are the main activities/actions of the competitiveness practice?

Many examples exist of providers and companies currently working to address this issue. A leading example is IL&FS Skills, founded in 2007 by a major infrastructure company to address the skills gap and to support the transition process by training rural young people in 16 strategic sectors. IL&FS Skills works closely with both the government and companies in the private sector to address the main deficiencies of traditional training bodies such as the Industrial Training Institutes (ITIs), Industrial Training Centre (ITCs) and other skill development programmes run by the government.

IL&FS Skills Development Corporation (ISDC) is a joint venture between IL&FS Education and the National Skill Development Corporation (NSDC). Through a unique public-private partnership (PPP) model, strategic partnerships were established by various stakeholders from industry, training bodies, non-governmental organizations, states and central government in order to provide skills training and greater employability.

As a result, IL&FS Skills managed to:

- impart skills desired by industry in a consistent manner and to a high standard, by providing industry-tailored training modules and supply-driven curricula in simulated environments
- mobilize pre-training and post-training monitoring for one year (including life-skills coaching, especially for those migrating from rural to urban areas; basic English; computer literacy and performance evaluation)
- scrutinize and assess students (vision, dexterity, mechanical aptitude, etc.) to assign them to the appropriate course
- Secure hiring commitments before student enrolment

IL&FS Skills operates institutes in 24 of India's 28 states and focuses on some of the hardest-to-reach youth – those from poor, rural households in less prosperous states like Orissa and Bihar. An industry-recognized curriculum is delivered by certified trainers using the latest technology (including audiovisual demonstrations) in simulated environments to ensure trainees are ready for employment.

D) Role of the Different Stakeholders

Which stakeholders have been involved (public sector, private sector, civil society, etc.) in the competitiveness practice?

Role of the public sector

The primary role of the public sector is in financing the initiative (joint venture). The NSDC is a 14-member board with five government nominees and nine private sector members, with the latter group including the chairman of the corporation. The National Skill Development Fund (NSDF) is a 100% government-owned trust that invests in the NSDC, and is set up as a non-profit company run by professional fund managers. It has also established Sector Skill Councils (SSCs) in 16 areas, five of which have begun operating to develop national standards, accreditation and a monitoring system (state- and industry-specific skill gap studies and labour market intelligence). IL&FS Skills also worked closely with the Ministry of Rural Development as well as local and state officials to successfully reach their target population and explain benefits and career prospects associated with IL&FS Skills courses.

Role of the private sector

IL&FS Skills works closely with employers in programme design and administration. By securing commitments to hire from employers (1,000 partner companies), IL&FS Skills tries to ensure it is offering the right training at the right time. So far, job placement and retention records seem to be very good and there is very positive feedback from employers about trainees possessing the required skills.

Role of civil society

A California-based non-profit corporation is also working with IL&FS Skills to support a training programme for the disabled.

E) Results, Lessons Learned and Additional Information

Implementation date of the competitiveness practice (start date, end date/estimated end date)

In 2007, IL&FS Skills was founded as a for-profit skills venture. In 2008-2009, the NSDC was founded and, in 2011, it selected IL&FS Skills from among 50 other private partners to receive public funding. The joint venture has been scaled up in more recent years, with the number and scope of the various partnerships and institutes increasing.

What were/are the resource requirements (human and financial resources) of the activity?

The cost of taking an unskilled young person to semi-skilled status was approximately 16,000 rupees (US\$ 297). The financing was split between the public sector (49%; under the Ministry of Finance) and the private sector (51%). IL&FS Skills also helps to fund the initiative through corporate social responsibility funds, philanthropy funds, and government and employer sponsorships for students in need and unable to afford tuition of approximately 10,000 rupees (US\$ 185).

What were the outcomes/results (expected or achieved) of the competitiveness practice both in terms of quantitative (metrics) and qualitative results?

To date, the results show 18 skill schools, 355 skill centres, 24 states, 100,000 students trained, and an 85% placement rate. The average wage starts at around 5,000 rupees per month (US\$ 100). IL&FS Skills, already one of the largest private training ventures in India, works with more than 1,000 employers, including 400 from the textile industry, 50 from the leather industry and 100 from the service sector.

The project will improve the employment picture for the vocational training system graduates by making the design and delivery of training more responsive to the demands of employers in the following trades: air conditioning/refrigeration, animation, automobile, business processes, computer technician, construction, financial services, healthcare, hospitality, leather, textiles and welding.

What are the main barriers/challenges to implementing the practice and their effect on implementation? How were these barriers overcome?

Overall, the focus on the informal sector (comprised of jobs not recognized as normal income sources) inherently makes the process more difficult, although it is of critical importance as it represents 90% of Indian employment (low productivity levels). This sector must play the role of a “market-maker” by providing financing, particularly in sectors where market mechanisms are ineffective or missing.¹

More precisely, some of the barriers the initiative faced were:

- Supply-side barriers: Some of the key problems faced by the private-sector training providers include lack of access to resources and regulatory barriers hindering entry into the training market. In addition, the financial barriers to private-sector supply of training in the informal sector represent a potential lack of incentive to undertake these activities.

- Demand-side barriers: low-wage, so informal-sector employees do not see the importance and need for skills training. A big challenge for IL&FS Skills will also be to gradually get a greater percentage of revenue from student fees to make the model truly sustainable (although sponsorships are a good, first step).

What have been the main enablers and their importance/relevance to the success of the practice implementation?

A main enabler has been the “hub-and-spoke” model. The 18 hubs (skill schools) are bigger than the spokes (skill centres), and have a larger number of courses in multiple areas. They provide services to the 355 spokes, which typically offer a limited number of courses. The hubs help with administration for the spokes, for example with job placement and training of trainers. The spokes refer students to the hubs for training that they cannot provide.

IL&FS Skills experiments with new teaching methods and technology. K-Yan, an IL&FS-patented product, is an integrated community computer that supports multiple peripherals and enables interactive learning in Urdu, Hindi, Marathi, Telugu, Tamil and Kannada languages. K-Yan can work with a computer, projector and television; it can also be used for Internet research and has helped to ensure quality and minimize cost.

IL&FS Skills tries to be rigorous in evaluating its efforts and ensuring its graduates are prepared to work. Training is certified by industry-recognized bodies and third-party institutions. Each IL&FS Skills school is being accredited under the government’s Skill Development Initiative Scheme, and programmes are being developed that are delivered and recognized by industry organizations.

What were the lessons learned from this activity?

“India’s transition to a knowledge-based economy requires a new generation of educated and skilled people. Its competitive edge will be determined by its people’s ability to create, share and use knowledge effectively. A knowledge economy requires India to develop workers who are flexible and analytical, and who can be the driving force for innovation and growth. To achieve this, India needs a flexible education system (VET) [Vocational Education and Training] that focuses on the informal sector and improving skills in rural areas to improve productivity.” (NSDC)

Endnote

¹ *Skill Development in India: The Vocational Education and Training System*, 2006. World Bank.

Website/links and/or references to published material

- <http://www.schoolnetindia.com/album/2011/Sep/FICCIglobalskillsumit/>
- <http://www.nsdcindia.org/about-us/organization-profile.aspx>
- <http://www.skilldevelopment.gov.in>
- <http://www.ilfsets.com/skilldevelopment/>
- http://mckinseyonsociety.com/e2e_casestudy/ilfs-india/3/
- http://www.mckinsey.com/features/education_to_employment