



Vocational Education and Training Market in India

2014

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Executive Summary

Global Context

- Only X% of India's youth and X% of its total working age population have received vocational training, which is significantly lower than the skilling levels achieved by developed countries
- India is expected to have XXX million in the working age population by 2030, and potentially become a global labour hub, and a key supplier to the ageing developed countries of Germany, UK, USA and Japan if its workforce is skilled appropriately
- Taking into account these demographic factors, the GoI has announced an ambitious target to train 500 million people by 2022, a sharp increase over the X.X million people who currently enrol for vocational training every year

Current State

- The existing infrastructure in ITIs and polytechnics needs to expand XX in order to accommodate current annual demand; the private sector has been at the forefront of capacity expansion
- While vocational training through ITIs/ITCs and polytechnics is regulated by the Ministry of Labour & Employment and Human Resource Development and other bodies, it is relatively less organised as compared to the K-12 and higher education segments, which has impacted its growth potential
- In spite of this, the vocational training segment is expected to double in size in the next X years and reach USD X.X billion in 2018, the highest share in the unorganised segment

Major Trends

- Increased participation of private players, emphasis of PPPs to bridge the funding gap and increased participation of foreign countries to address the growing supply-demand imbalance in VET facilities are the major trends
- There is growing interest in the unorganised soft skills sector among investors, given their shorter gestation period and the relatively low barriers to entry
- The labour market is re-orienting itself towards a common evaluation and certification framework in order to make technical training flexible and improve the employability quotient of trainees

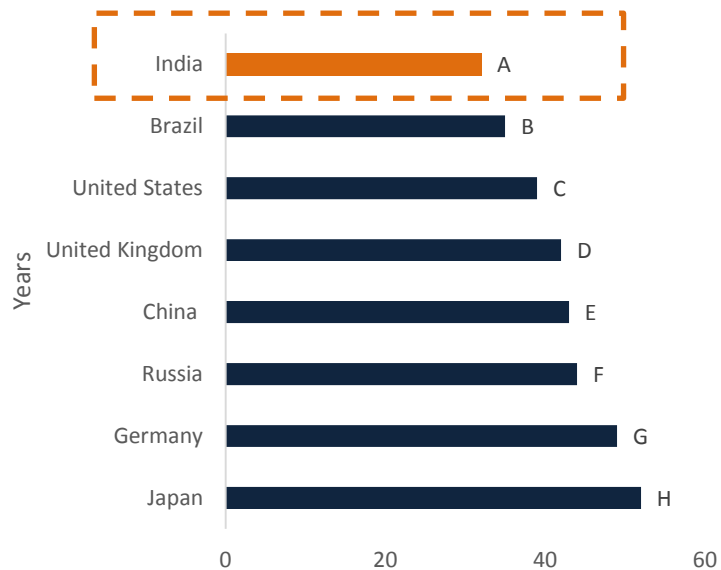
Recommendations

- Investors should focus on the industrialised states of Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu since they are among the leading states with a strong demand for VET given the employment options available
- The soft skills segment should be targeted given its tremendous growth potential, especially English Language Training (ELT), followed by air hostess & beauty care sectors which has subsequently attracted considerable investor attention

Introduction

India's favourable demographic structure is expected to make it a global labour hub in the next two decades...

Projected Median Age - 2030¹

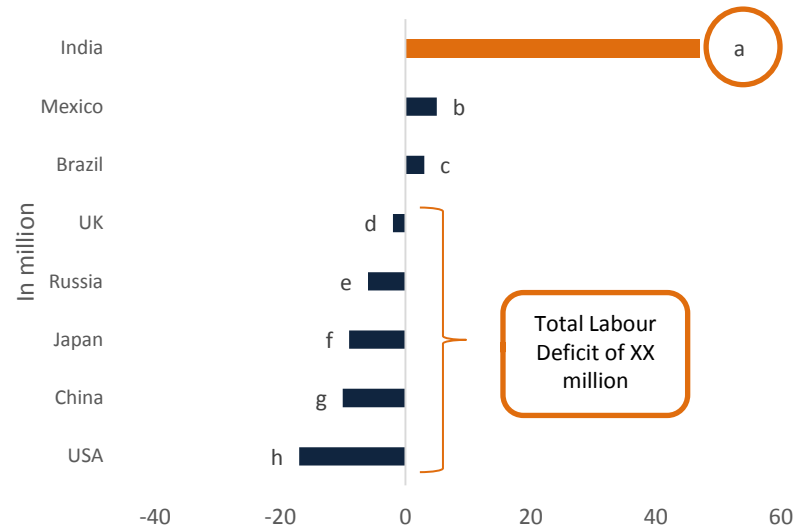


Although India's population is ageing, from a median age of XX years in 2001 to XX years in 2011 and estimated to reach 'A' years in 2030, the country's labour force will continue to expand¹

- The number of people in the working age of 15-59 years is poised to grow X.XX times in the next 17 years to reach a total of XXX million in 2030²
- In contrast, the combined labour forces of the top 5 global economies (barring China) (USA, Japan, UK, Germany, France) will be XXX million during the same time period³

Source: FICCI, Ernst & Young

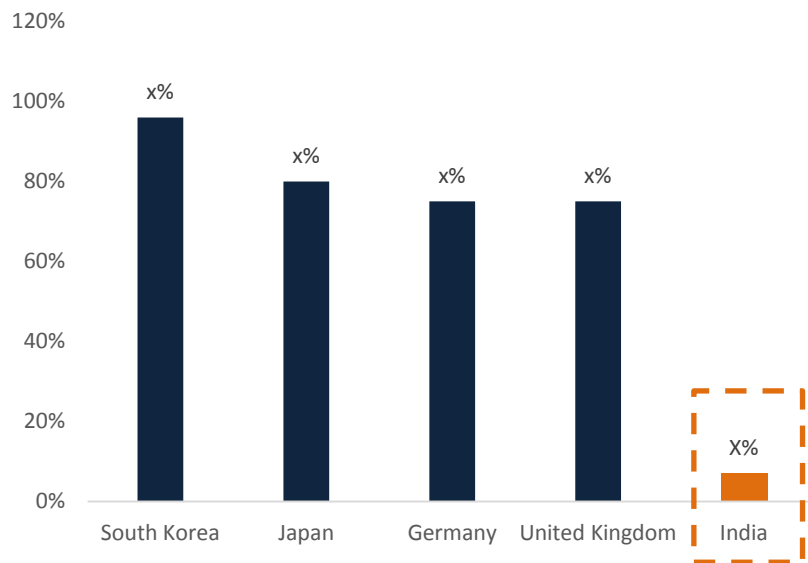
Shortfall and Surplus of Labour Across Countries - 2020¹



- In the lead up to the 2020 Tokyo Olympics, to meet the demand of labour shortages, traditionally rigid immigration laws in Japan have been relaxed to allow highly skilled foreigners to permanently reside in the country after staying in Japan for X years⁴
- Russia introduced a law in July 2010 that grants special three-year visas to "highly qualified specialists" (those who earn more than USD XX,XXX a year) will be extended to create more favourable conditions to a wider category of high-calibre foreign workers⁵
- The US government is planning to allow X million spouses of foreign workers employed in high-tech fields in the country. It is a step towards easing restrictions on immigration of high skilled foreign workers⁶

...however, the lack of formal vocational education and training poses a major challenge to attaining this goal

Formal Training of unskilled workers – Global Comparison⁷



- Only X% of India's youth and X% of the country's total working population have received vocational training⁸, significantly lower than the skilling levels attained by the developed economies of South Korea, Japan, Germany and the UK
- Hereditary learning is the source of needed skills for X.X%, while learning on the job imparts skills to X.X% of the population between 15-59 years. In the age group of 15-59 years, only X.X% people have acquired formal vocational training⁸



X.X

Million workers enrolled in vocational training each year



XX.0

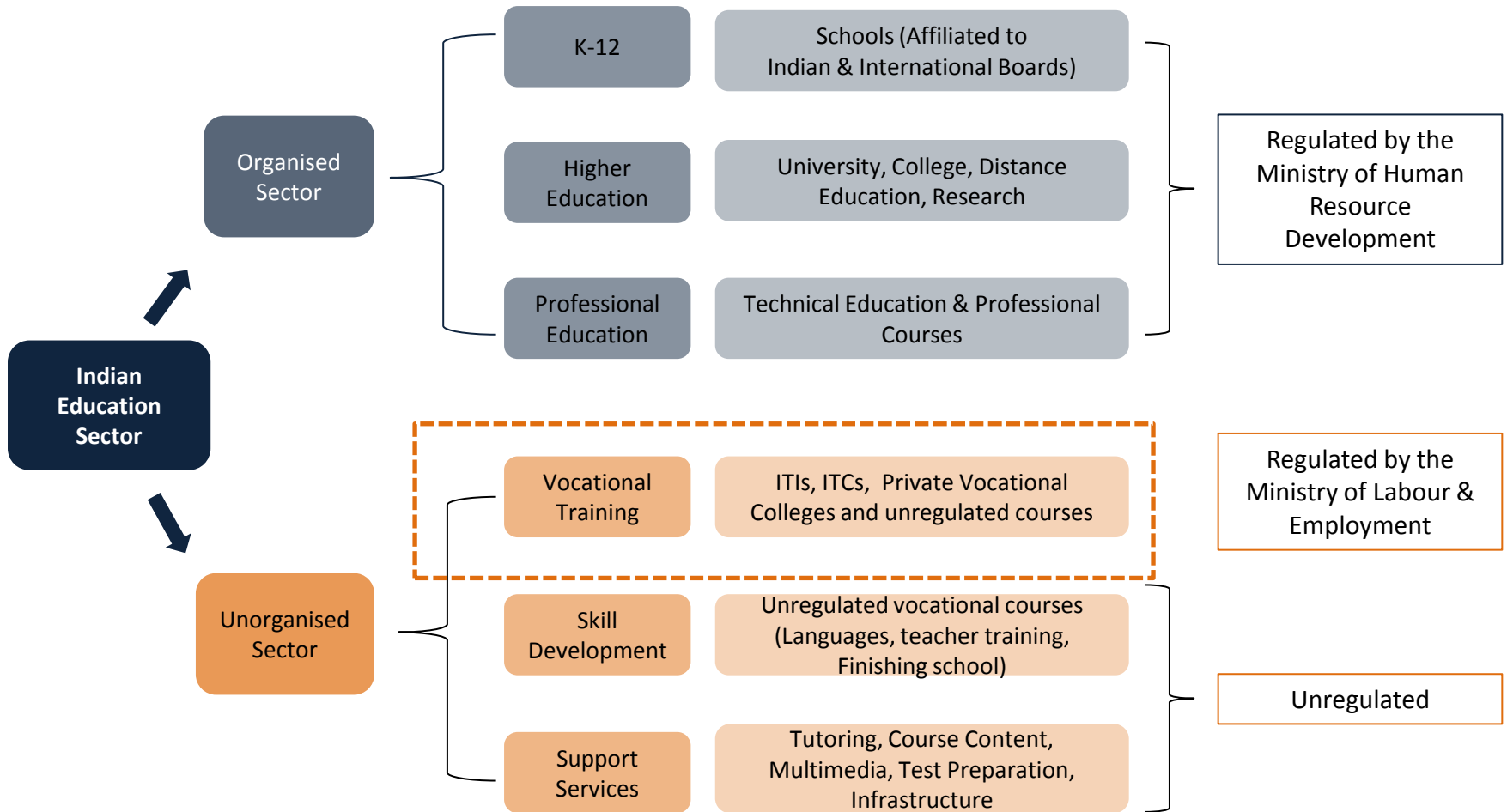
Million workers enrolled in vocational training each year

- XX% of labour force in the unorganised sector in India have not received formal training⁹
- China plans to increase its student enrolment in vocational training programmes to XX.X million by 2020 as compared to XX.XX million in 2013. In order to address the expansion plans, China's health department in planning to convert XXX universities to vocational colleges¹⁰

Source: IDFC

Market Overview

The lack of organisation in the vocational training and skill development segments has restricted their growth in comparison to the organised sector...

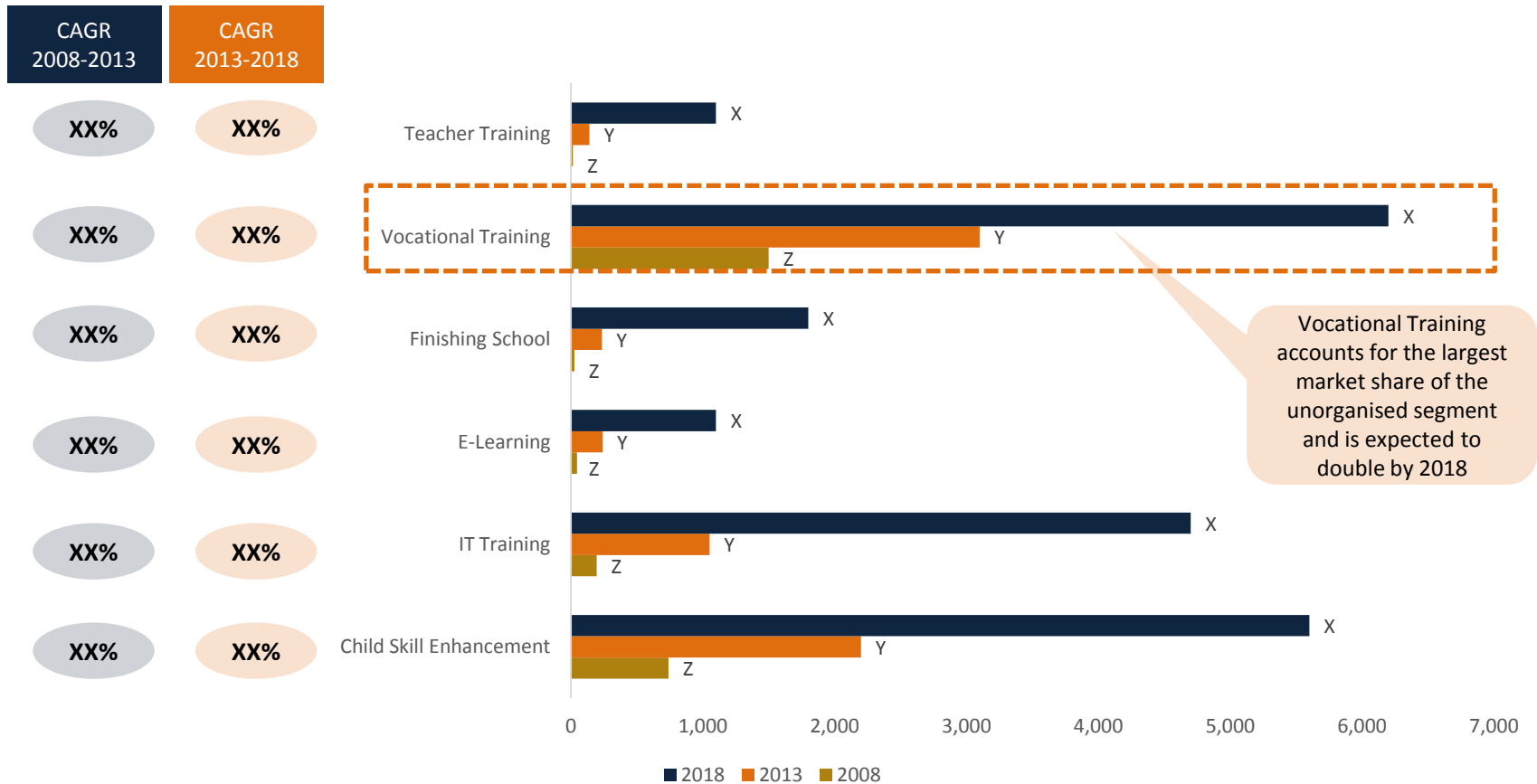


In contrast to the organised sector, which has benefitted from the regulatory oversight and funding provided by the MHRD, the vocational training segment has been inadequately supervised and poorly funded in the past. Skill development and support services have predominantly remained in the private domain

Source: PwC

...however, the medium term growth prospects for the unorganised sector is quite compelling, led by the vocational training segment

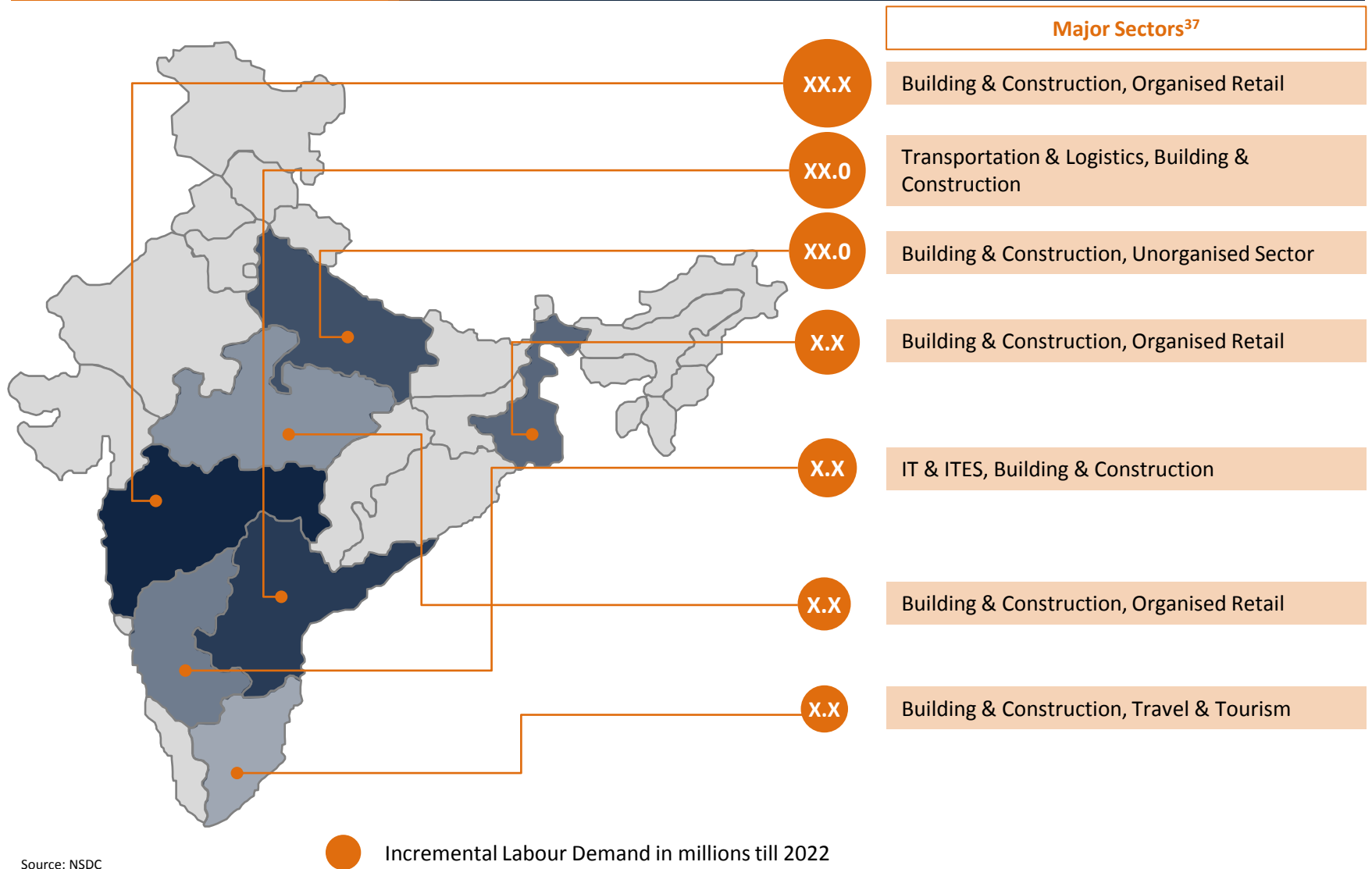
Vocational and Skill Development Market in India (USD Million)²⁴



The vocational training market constitute a miniscule portion of the overall education market in India. In comparison, the K-12 market in India was estimated at USD XX billion in FY2012 and is predicted to clock turnover worth USD XX billion in FY 2016²⁵, more than XX the size of the vocational training segment

Source: Salvus Capital Advisors

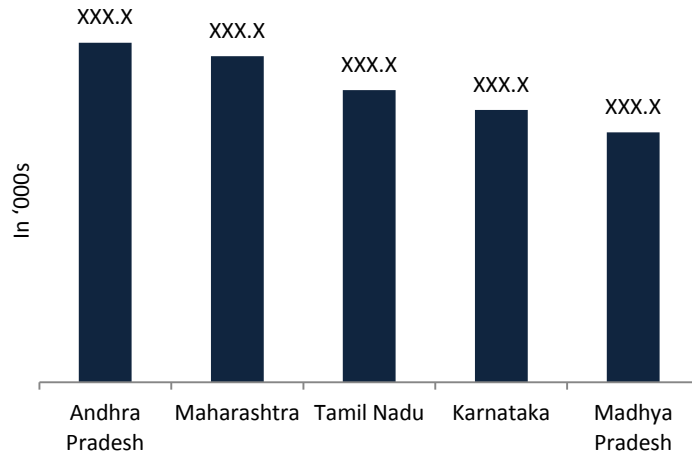
The most industrialised and heavily populated states are expected to drive demand for skilled labour...



Source: NSDC

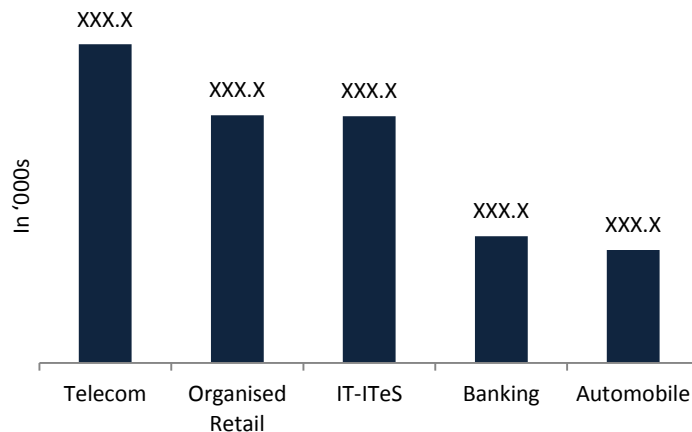
...prompting the NSDC to focus its activities on these states and sectors

Top States - People Trained by NSDC (Till FY2015)³⁸



- The incremental skilled labour force requirement in Andhra Pradesh is expected to reach X.X million by 2022³⁹
 - ✓ With increasing urbanisation, the building and construction market is predicted to drive XX% of the incremental demand for skilled labour force in the state³⁹
- Maharashtra is a major contributor to the industrial output accounting for XX% of India's national revenue⁴⁰
 - ✓ Engineering companies have increasingly favoured the state but the supply of skilled manpower has been a major challenge

Top Sectors - People Trained by NSDC (Till FY2015)³⁸



- India is set to become a manufacturing hub for telecom infrastructure equipment. Currently, India is the second largest communication market in the world
- The sector is also facing an acute shortage of skilled labour mainly in the services verticals such as customer care, operations and technical requirements
- The service sectors (retail, IT/ITeS and banking) have received a lot of attention from NSDC, highlighting the efforts of the government to transform India into a global services hub





Source: India Skills Report 2015

Private sector giants are increasingly tying up with the government or running their own initiatives for skill development...

Sector	Company	Initiative	Rationale
Construction	Larsen & Toubro	Established Construction Skills Training Institutes (CSTIs) to impart short-term vocational training. The training period ranges from XXX hours spread over 1 month to XXX hours spread over X months based on the nature of trade ⁴¹	<ul style="list-style-type: none"> The construction market is facing acute labour shortage due to social schemes such as the MNREG Act which has disrupted the supply of labour from rural areas Labour shortage has increased the cost of construction labour over XX%⁴⁸
	XL TJAYPEE	A joint venture between Bhullar Educational Services Private Limited and Jaiprakash Sewa Sansthan (JSS), to create international standard vocational education and training centres in India ⁴²	
Electronic Goods	Godrej Industries	Has tied up with The George Telegraph Training Institute to provide vocational training courses in air-conditioning, refrigeration and washing machine technology. A X month internship at Godrej is also a part of the course curriculum ⁴³	<ul style="list-style-type: none"> The consumer electronics and durables market is expected to reach USD XX.X billion by 2015⁴⁹ Rural sales is expected to increase by X%-XX% by 2015⁵⁰
	Samsung Electronics Co. Ltd.	Has collaborated with the Ministry of Small and Medium Enterprises to set up a technical school in New Delhi. The centre would offer specific training on repair and troubleshooting for consumer electronics product such as home appliances, mobile phones and television ⁴⁴	
Automotive	Maruti Suzuki India Ltd. (MSIL)	Has tied up with XX ITIs since November 2010, and has placed nearly XXX students in its service network. The company plans to increase its network to XX ITIs and absorb XXX-XXX more ITI students ⁴⁵	<ul style="list-style-type: none"> Lack of labour shortages in the automobile sector is leading to lack of productivity and loss of competitiveness on the global front
	Volkswagen India	Has launched a Mechatronics Apprenticeship Programme in Pune, a three year programme aimed at training youth in the manufacturing and production processes of the automobile sector ⁴⁶	
	TATA Motors	Collaborating with NSDC to design curriculum that will be included in automobile skills as one of the vocational subjects for 11 th and 12 th standard students in some government schools ⁴⁷	

Source: News Articles

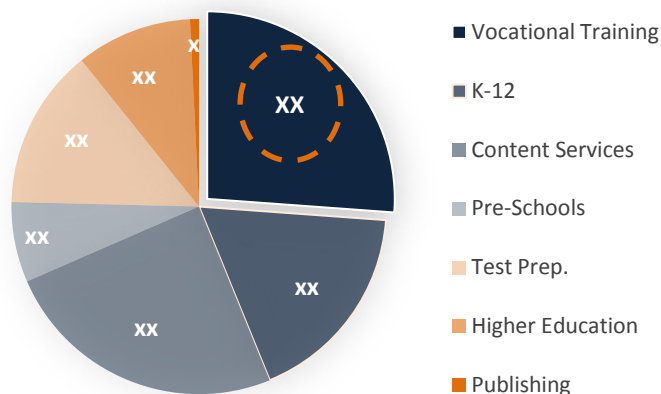
A number of foreign countries have also shown keen interest in playing a leading role in the skill development of the country

Country	Focus Sectors	Co-ordinating Organisations	Rationale
 United Kingdom	<ul style="list-style-type: none"> English Language Training Apparel Leather 	<ul style="list-style-type: none"> British Council UK India Business Council Apparel Training & Design Centre IL & FS Education 	<ul style="list-style-type: none"> Language training comprises XX% of the vocational training market in India. Revenues expected to grow at XX% CAGR to reach USD X.XX billion in 2015⁵⁸ Tap opportunities in the global leather market and especially to counter China which is facing acute labour shortage
 Germany	<ul style="list-style-type: none"> Engineering Industrial Automation Automobile 	<ul style="list-style-type: none"> Federal Institute for vocational education and training (BIBB) International Marketing of Vocational Education (iMove) NSDC 	<ul style="list-style-type: none"> German automobile companies are scaling up their presence in India and want to develop a large pool of skilled resources to meet their labour needs German engineering and machinery exporters have increased localisation to counter their Chinese counterparts
 Australia	<ul style="list-style-type: none"> Telecommunications Retail Sports 	<ul style="list-style-type: none"> Australia-India Bureau for Vocational Education and Training Collaboration (BVETC) 	<ul style="list-style-type: none"> Tap growing opportunities within the sporting industry which is expected to grow at a CAGR of X% till 2015⁵⁹ India's organised retail sector is expected to expand from X% of the total market to XX% share by 2023⁶⁰
 New Zealand	<ul style="list-style-type: none"> Agriculture & Food Processing Media & Entertainment Healthcare 	<ul style="list-style-type: none"> Education New Zealand New Zealand Tertiary College India India New Zealand Education Council 	<ul style="list-style-type: none"> Explore synergies in the agricultural sector, especially food processing which is growing at XX% annually⁶¹ Demand for healthcare personnel will increase exponentially as healthcare spending in the country increases

Source: News Articles

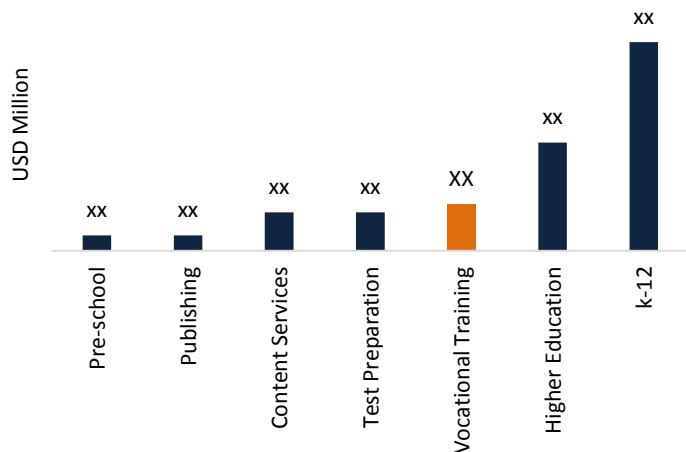
Vocational Training has attracted the maximum attention outside the organised sector from investors...

Investment Deals by Number (2010-13)⁶²



- The education sector in India has expanded exponentially, on account of an increase in household spending on education from X% of the monthly household expenditure in 1993-94 to X% in 2011-12⁶³
- Driven by the success of larger players in the unorganised sector, venture capitalists have increased their focus on non formal business models such as vocational training, content development services for K-12 and higher education
- While the vocational training sector has attracted the maximum number of deals, most of the transaction sizes were small in comparison to the K-12 and higher education sectors, which are more capital intensive segments

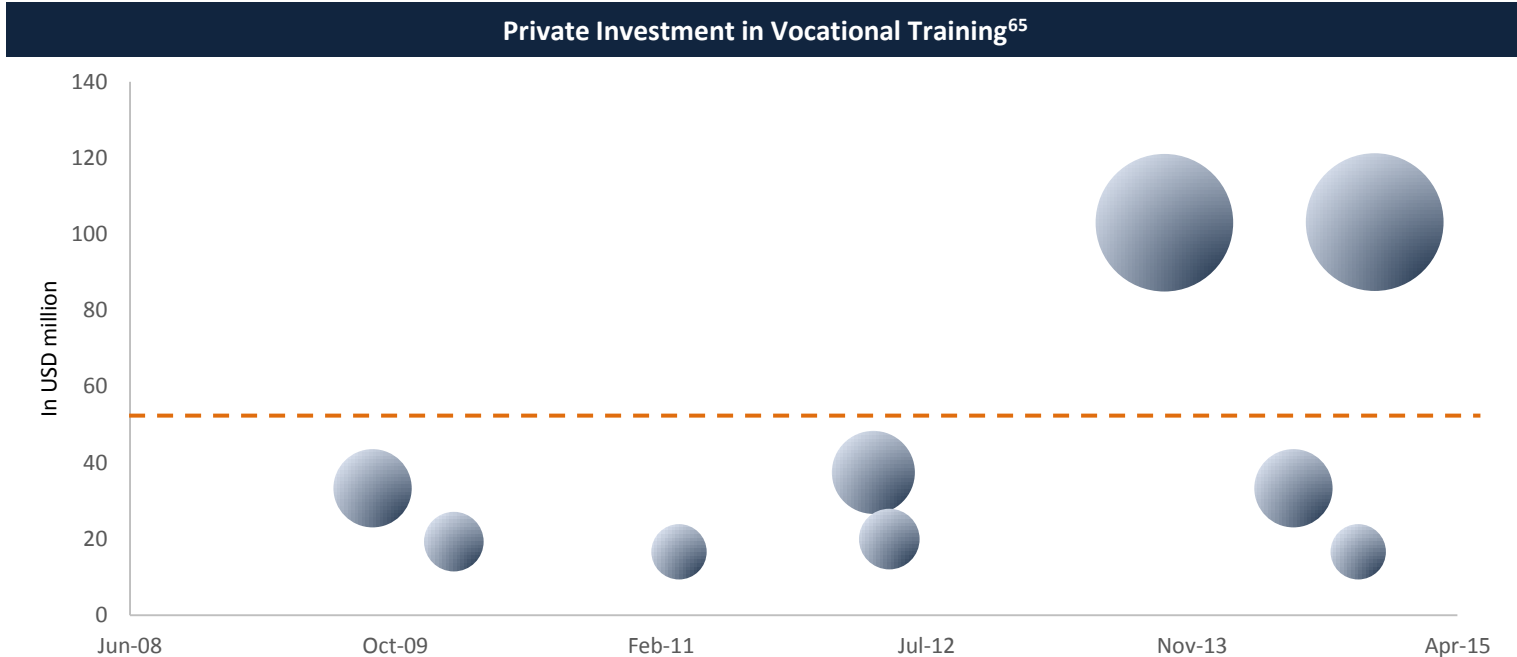
Investment Deals by Value(2010-13)⁶²



- The K-12 and higher education segments have dominated the investment landscape in the education sector, accounting for XX% of the deals by value in 2010-13
- PE funds have accounted for XX% of the funds invested into the sector, but their interest seems to be declining, on account of fluctuations in policy and below-average performance of listed companies in the sector⁶⁴
- On the other hand, venture capitalists seem to gain traction, having been involved in XX deals in 2012 as compared to X in 2010⁶⁵

Source: Intellectap

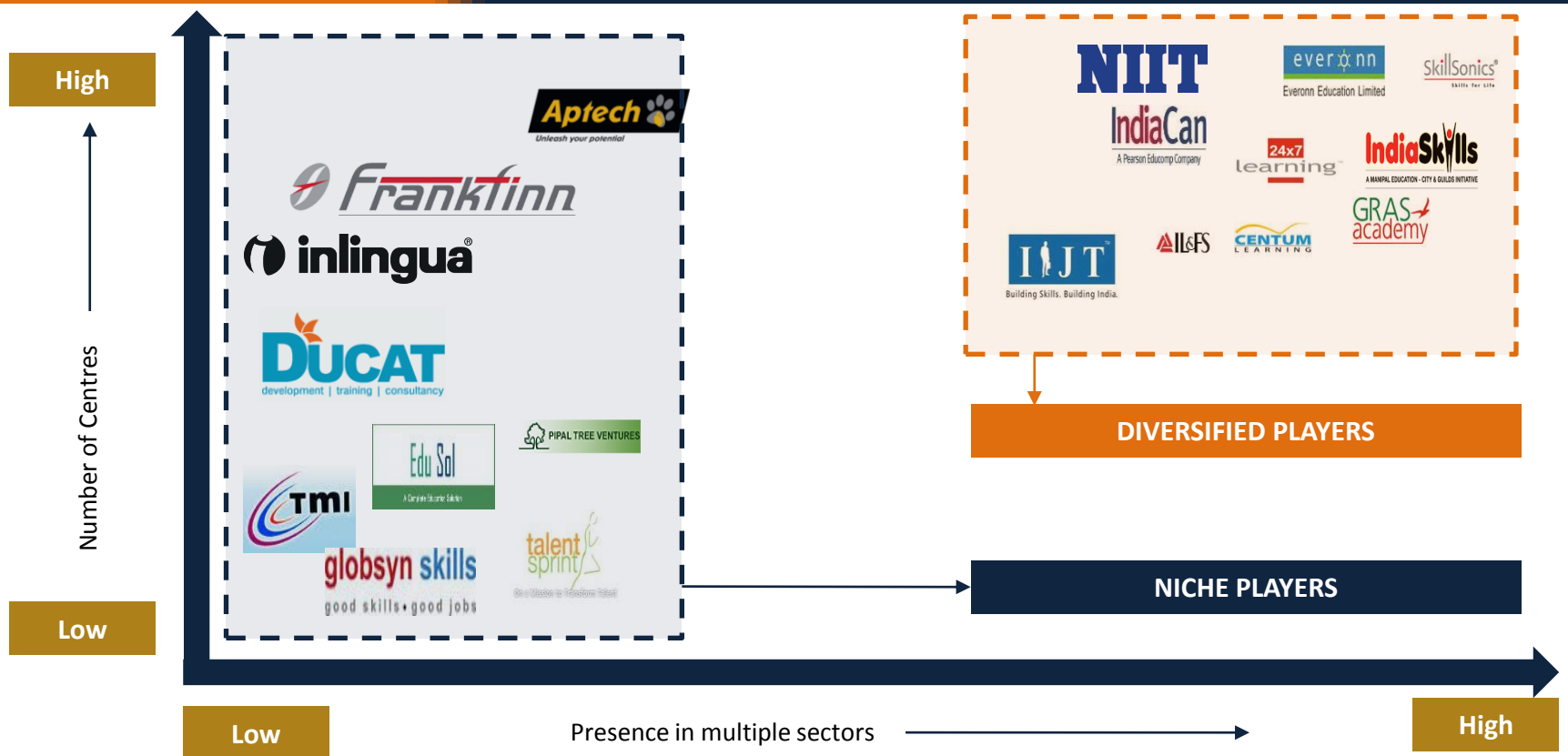
...barring some of the larger investments made by Not-for-Profit organisations, the majority of deals in the Vocational Training segment have been of smaller sizes



- The majority of deals have been in the sub USD X million range. Established players such as Core Education and Technologies Limited, ITM Group and NIIT have attracted PE funding while other major deals such as ITM Group's have been aimed at greenfield projects
- In terms of sector focus, high growth and labour intensive sectors such as construction, automobile, healthcare, retail, IT/ITeS and hospitality have attracted the maximum investments
- Asian Development Bank (ADB) accounted for the largest investments in the vocational training market in 2013 and 2014
 - ✓ In November 2014, ADB provided a USD XXX.XX million loan to the Kerala government to provide employment opportunities to the youth by imparting vocational training in English language, IT skills and relevant vocational skills⁶⁶
 - ✓ In October 2013, ADB invested USD XXX million to improve secondary education and vocational training in Meghalaya in order to help students find better job opportunities after graduation⁶⁷

Source: News Articles

The competitive landscape is characterised by diversified and niche players...



- The large diversified players are playing a key role in partnering government bodies such as NSDC to drive PPP led programmes. NIIT, Everonn, IL &FS, Centum are closely involved in driving several initiatives to meet NSDC's goal to train XXX million people by 2022
- Niche players usually have limited scale with fewer than XX centres. Larger players such as Frankfinn and Aptech are in the process of diversifying into non-core areas such as English training to leverage their scale

Source: Company Websites, Alchemy Analysis

Trends and Challenges

Vocational training in India is being led by employability considerations with multi-channel delivery models and PPPs gaining popularity to bridge the demand-supply gap

Growing Public Private Partnerships

- The existing capacity of vocational training institutes in India needs to expand more than three-fold in order to bridge the existing gap. The NSDC is leveraging PPPs to achieve its target of training XXX million workers by 2022
- Other ministries and state governments are also tying up with the private sector to drive their own programmes
 - ✓ Ministry of Labour and Employment,(MoLE) has signed MoUs with Tata Sons, Flipkart, Raymonds and the Gujarat Industrial Power Company Ltd (GIPCL) to design training programmes at ITIs
 - ✓ The Government of Madhya Pradesh has tied up with IGNOU to provide vocational training to the youth in the state

Focus on International Tie-ups

- The Central Board of Secondary Education (CBSE) has tied up with The Central Institute of Technology (CIT), Australia to offer specialized vocational courses in Standard XI and XII on a pilot basis in XXX schools across India
- SkillSonics has partnered with Swiss Mechanical and Electrical Manufacturing Industries (Swissmem) and Swiss Federal government Institute for Vocational Education and Training (SFIVET)

Emergence of New Sectors

- Beyond ITIs, a number of niche sectors with high employability have attracted the unemployed youth, especially in rural areas:
- ✓ A significant proportion of rural males are enrolling for motor driving courses given the growing demand for drivers in urban areas, along with the non-requirement of educational qualifications
 - ✓ The drive for financial inclusion has increased the number of banks in rural areas, with the rural branches tending to hire local people with basic computer knowledge to act as their Customer Service Point (CSP)

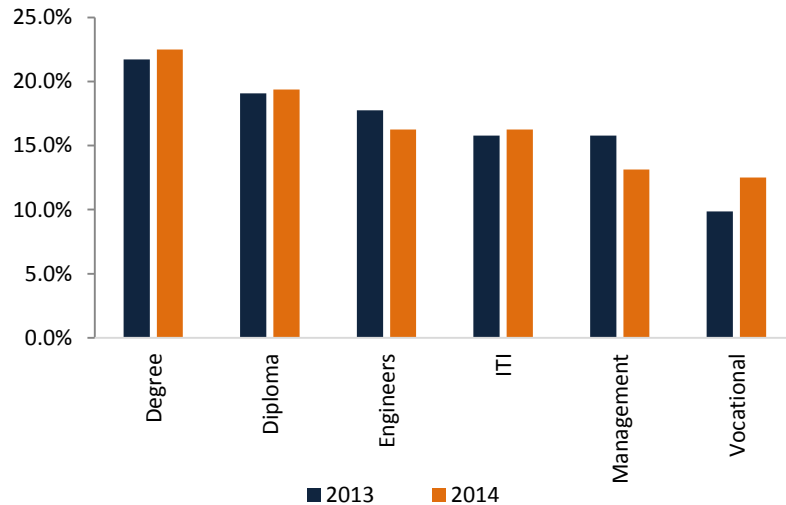
Online Training Courses

- Massive Open Online Courses (MOOCs), in VET offer an alternative to lecture-mode classroom instruction using digital content, given its scalability
- Currently over 10 million students have already enrolled in online vocational courses across the globe with Indian students accounting for the second largest pool of students attending MOOC courses
- TalentSprint and Dezyre.com are some of the major players that have entered the online vocational training segment in the last few years

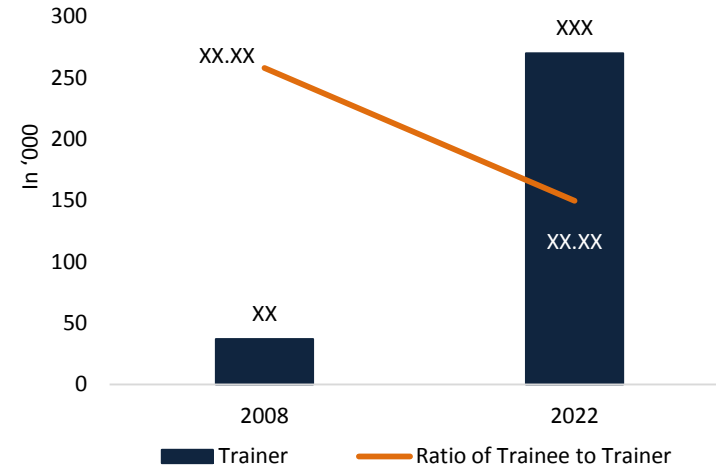
Source: News Articles, Alchemy Analysis

Traditional course curriculum and shortage of vocational trainers are inhibiting the growth potential of VET in India...

Comparison of Employability across Disciplines⁶⁸



VET Trainers in India – Current and Projected⁷⁰



- Outdated curriculum in ITIs/ITCs and other vocational schools, out-of-sync with the current industry requirements has adversely impacted the employability of trainees, which in turn has had a negative impact on the popularity and acceptability among the unemployed youth
- The employability of vocationally trained people is only XX.X%, only half that of degree holders⁶⁹

- There is a critical shortage of VET trainers in the country with the Trainee to Trainer ratio at XX.XX in 2008. To achieve the recommended ratio of XX.XX by 2022, an estimated additional XXX,XXX trainers would be required (ITI – XXX,XXX and other vocational streams – XXX,XXX)⁷¹
- Pearson, a major UK-based learning company has tied up with MART, an Indian knowledge-based consulting company to launch an initiative - 'Creation of Vocational Trainers in Rural India' with funding from UK India Education and Research Initiative (UKIERI)

Source: The India Skills Report 2014, Wheelbox. Overcoming India's Skill Challenge - Accenture

Contact



Niladri Paul

T: + 91 (0) 343 255 5846

M: +91 (0) 980 008 6550

Email: niladri@alchemy-research.com

www.alchemy-research.com