



Labour market outcome for formal vocational education and training in India: Safety net and beyond



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Abstract This paper explores the safety net aspect of the labour market incentive for vocational education and training (VET) in the Indian context. Using two rounds of National Sample Survey data this paper explores the wage, unemployment, and status of employment of the individuals who participate in the labour market after completing VET. It is observed that there is a significant positive return of VET to the wages, and a significant number of individuals participate in salaried work. However, unemployment from VET is quite high, particularly for the individuals who have done VET courses which correspond to lower levels of general education. Institutional factors which may impact this labour market outcome are also explored for the Indian context.

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Introduction

Compared to other developing and developed countries, participation in formal vocational education and training (VET) has remained quite low in India (Tilak, 2002; UNESCO, 2011). However, there have been many developments since the period of the 11th Plan and with the formation of the National Skill Development Corporation (NSDC) and the National Skill Development Agency (NSDA). The Government of India started with the ambitious goal of fresh skilling/up-skilling or re-skilling of 500 million by the year 2022. The Ministry of Skill Development and Entrepreneurship was formed in 2014 to address the overarching skilling activities in the

country.¹ As per the National Skill Development Policy which the Ministry has brought out as part of its first policy goals in 2015, the skilling target has been revised to 402.9 million by 2022.² The Ministry of Skill Development and Entrepreneurship aims to bring convergence among various training programmes through implementation of “common norm” for the programmes. As per the cabinet notification, dated 27th December 2013, the entire education and training system of the country is going to adopt the National Skill Qualification Framework (NSQF), which is under the purview of the National Skill Development Policy. The Ministry is working on building a large infrastructure of training across the country

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¹ <http://www.skilldevelopment.gov.in/>.

² <http://www.skilldevelopment.gov.in/assets/images/Skill%20India/policy%20booklet-%20Final.pdf>.

through National Skill Development Corporation (NSDC) and Director General of Training (DGT).³ Along with creating infrastructure, the organisations under the Ministry are working on developing various institutional innovations for improving training programmes and their outcomes. Apart from these initiatives from the Union Government all the states have launched their respective State Skill Development Missions (SSDM).

While these massive skilling activities are taking place, it is necessary to understand whether there would be participation from students in a sustained manner so that the purpose of these initiatives is served. There are examples of many large interventions in the area of skill development, particularly in the developing countries, which have failed (Antoninis, 2001; Foster, 1965; King & Martin, 2002). The reason for these failures often is the lack of incentives for students to participate in these programmes. The programmes tend to fail if there is not enough demand for them from the students in a sustained manner.

Why people participate in VET: the incentive of safety net

A concept of “safety net” has been emerging, led in particular by Shavit, Arum, Muller, Ryan, and Werfhorst (Arum & Shavit, 1995; Ryan, 2001; Shavit & Muller, 2000; Werfhorst, 2002) on the individual’s incentive for joining VET. The main argument of the safety net concept is that individuals who are interested in a risk averse career choice would participate in VET. A risk averse choice means low unemployment possibility with a similar or a comparative low wage as compared to the alternative career choices. It follows from this argument that people with VET qualification are more likely to be in the workforce than people with corresponding general education at upper secondary or lower secondary level as the individuals who join VET are inclined to join the labour market immediately even at a lower wage than the plausible future wage of their counterparts who are continuing in the higher education stream.

Shavit and Muller (2000) argue that vocational education can act as a safety net since the unemployment rate is lower for VET trained manpower than graduates from non-vocational tracks at a comparable level. A similar argument is made by Arum and Shavit (1995). They argue that VET reduces the probability of unemployment, and the probability of employment in lowest paying jobs. Vocational education and training has been studied using multiple frameworks as well as in multiple contexts. However, the safety net theory is most conducive to reaching a general conclusion about VET (Ryan, 2001; Shavit & Muller, 2000; Werfhorst, 2002). The safety net theory also argues that people in VET are likely to get a wage similar to or lower than what people would get after higher education. Studies which do not claim to represent the safety net theory also take a similar stand (Kuczera, Kis, & Wurzburg, 2009). Thus, a higher chance of getting employment and a similar or relatively lower pay than what one gets after higher general education are considered as incentives to join VET,

according to the safety net theory. This suggests a trade-off between choices for low-risk low-pay and high-risk high-pay jobs.

In this article, an attempt is made to understand whether this kind of incentive for individuals who have joined the labour market after completion of VET exists in the Indian labour market. It can be argued that if there is an incentive of safety net already existing for the VET trained manpower in the labour market in India, the success of the initiatives taken for skilling, in terms of adequate participation, is more likely.

Moderating factor: institutional design

The extent to which VET would act as a safety net depends upon the institutional design around VET (Iannelli & Raffae, 2007; Shavit & Muller, 1998, 2000). Some research studies show that VET may not act as a safety net in certain contexts. For example Korpi, Graff, Hendrickx, and Layte (2003) show that though VET facilitates smooth transition from education to the labour force, there is no evidence that the unemployment rate is lower for VET trained manpower vis-à-vis comparable general education graduates. Psacharopoulos and Loxley (1985) in their seminal study under the patronage of the World Bank observed that in Tanzania and Colombia, graduates with both general education and VET take almost equal time to find employment (see also Tilak, 1988). Though these studies were not conducted to address the safety net proposition, the evidence from these studies does not bear out the proposition of the safety net.

These findings which contradict the proposition of the safety net can be attributed to the institutional design of the education system, and the education and labour market relation (Andersen & Werfhorst, 2010; Iannelli & Raffae, 2007; Shavit & Muller, 1998; Werfhorst, 2011). Shavit and Muller (1998) proposed and explained that two variables which make a difference in the labour market outcome for the VET trained manpower are: first, time duration for the course and extent of stratification of VET from general education; and second, occupational specificity of training and employer’s participation in it. It is to be noted that long duration of training tends to make VET more stratified. On the other hand, high employer participation tends to make the courses more “vocational specific”.

The term stratification refers to the extent and form of tracking in the education system. In a system which is highly stratified or which has long duration of training, students get separated early in the track and their curriculum is different from those in the general stream or other tracks, to a great extent. Generally, when this stratification resulting in early curriculum differences tends to be more prominent, inter-track mobility tends to be less likely (Nakamura, 2003; Shavit & Muller, 1998). Employer’s participation in training tends to create a dynamic linkage with the labour market. Industry need is clearly reflected in the training programmes and in the curriculum, i.e. courses become more “vocational specific”. High level of participation from the employers also tends to decide the scale of the training programmes, based on the market requirement. It also creates a direct placement linkage between industry and training programmes. Based on the hypothesis made by the seminal work of Shavit and Muller (1998), a substantial amount of comparative

³ DGT is the institution which takes care of a significant part of the training programmes in the country and has been in existence in India for more than 60 years.

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