

## SUMMARY SECTOR ASSESSMENT: EDUCATION

### A. Sector Performance, Problems, and Opportunities

1. Kerala's education and health profile is among the best and most equitable in India. According to the 2011 Census, its literacy rate was 94% against the all-India average of 73%. Kerala's gender gap in literacy rates was 4% (96% for males and 92% for females) while the all-India gap was 16% (81% for males and 65% for females). Urban literacy (94.9%) and rural literacy (93%) are almost at par in Kerala. Among the 14 districts, Kottayam has the highest literacy rate (97.2%) and Wayanad the lowest (89%). Kerala is the only large Indian state with a favorable sex ratio.<sup>1</sup> The infant mortality rate at 12 per 1,000 is the lowest in India. The decadal rate of population growth during 2001–2011 was 4.9%, while the national average was 17.7%. Of Kerala's population of 33 million, 40% is under the age of 25, against 50% for India overall. According to the Planning Commission of India, the poverty headcount ratio in Kerala was 12% in 2009–2010, compared with the national average of 29.8%. Kerala is one of the most urbanized states in India, with 47.7% of the population residing in urban areas.

2. Even though Kerala's education, health, and poverty profile is good, paradoxically it has poor unemployment indicators. In 2011–2012, the state's unemployment rate was 7.4%, more than triple the national average of 2.3%. Moreover, contrary to expectations, the overall unemployment rate increases with the level of education. According to recent estimates, it was 6.1% for those with primary education, 12.4% for secondary school graduates, 33.7% for higher secondary school graduates, and 26% for degree holders.<sup>2</sup> Even though the education and health indicators for women and men are almost at par, women lag behind in terms of work force participation and employment levels.<sup>3</sup>

3. As shown in the problem tree, several factors are responsible for the problem of high unemployment, especially "educated unemployment." On the supply side:

- (i) Kerala's post-basic education—i.e., higher secondary (grades 11 and 12) and undergraduate education—does not include any career counseling or opportunities for vocational training. Most graduates lack fluency in English and familiarity with basic information technology (IT) skills—two critical requirements for most jobs today. Given the poor quality of teaching in most schools and colleges, and inadequate links with the job market, many students, especially those from poorer sections, see little benefit in continuing with education. There is a high attrition rate, particularly for male students, from the secondary (grades 9 and 10) to the higher secondary level, and then to the undergraduate level. In the absence of suitable vocational training opportunities, a high proportion of women (as compared with men) continue with higher education, which lowers their relative workforce participation.<sup>4</sup> Unfortunately, since these higher degrees are not very relevant from the market perspective, the women are unable to

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<sup>1</sup> According to the 2011 Census, there were 1,084 females for every 1,000 males in Kerala, against the national figure of 934. Puducherry, which is a union territory, has a sex ratio of 1,038 males to 1,000 females.

<sup>2</sup> Government of Kerala. 2012. *Table 1, Kerala State Skill Development Preliminary Report, 2012*. Thiruvananthapuram.

<sup>3</sup> According to the 66th round of the National Sample Survey, 2009–2010, the female workforce participation rate (per 1,000 persons aged 15–59 years) in Kerala was 221 (all-India figure: 243) and the male workforce participation rate was 677 (all-India figure: 764).

<sup>4</sup> Demand Analysis (accessible from the list of linked documents in Appendix 2).

compete for good jobs.<sup>5</sup> Introduction of career counseling and vocational training at the level of post-basic education is therefore critical for “preventing” the problem of low employability, and preparing the youth for the world of work.

- (ii) Kerala’s technical and vocational education and training (TVET) programs are largely government-run and have not kept pace with the changing needs of the state in terms of capacity, quality, or types of vocational trades offered. The state has 612 industrial training institutes (ITIs) and industrial training centers with a combined annual intake potential of 67,000. However, each year, they get nearly five times that number of applications. Kerala has 250 registered vocational training providers, but only 70 are operational. In addition to expanding training capacity, Kerala’s TVET system needs to be revamped in line with the changing economic structure of its economy.

4. In addition to the supply-side factors pertaining to the quality and skills of the workforce, Kerala is also constrained from the demand side:

- (i) Between 2004 and 2011, the share of the primary sector in the state’s gross domestic product (GDP) declined sharply from 17.9% to 9.5%.<sup>6</sup> Falling agricultural productivity, neglect of public investment, and inadequate diversification of agriculture have resulted in the exit of a large number of workers, especially poor women, from this sector. The 2013 Kerala Skill-Gap Study, commissioned by the National Skill Development Corporation (NSDC), estimates that nearly 0.8 million workers will exit the agriculture and allied sectors as well as mining and quarrying over 2012–2022. This large group needs to be retrained and linked to alternative employment options.
- (ii) The share of the secondary sector in state GDP declined from 22.5% to 20.2% between 2004 and 2011. This has significantly constrained the creation of productive jobs within the state. A large number of Keralites have traditionally migrated out of India, especially to the countries of the Middle East, in search of work.<sup>7</sup> However, owing to a combination of factors—changing policies toward migrant workers in the Middle East, comparable lifestyles in Kerala, and increasing cost of emigration—many Keralite overseas workers are returning home. This growing trend (estimated at 1.1 million annually) poses additional challenges for the state government in terms of providing reskilling opportunities and jobs to returning migrant workers, who are usually poor and not very qualified to begin with.<sup>8</sup>
- (iii) The share of the service sector in state GDP rose from 59% to 70% between 2004 and 2011. However, the youth are unprepared for these jobs since very few vocational courses focusing on services are offered at present. The ITIs continue

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<sup>5</sup> Nearly 61% of those registered in Kerala’s live employment register are females. This in turn pushes up the level of “educated unemployment.”

<sup>6</sup> The primary sector includes agriculture, forestry, and fishing; the secondary sector: construction, manufacturing, and mining and quarrying; and the tertiary sector: hospitality, transport and communication, trade, banking, insurance, public administration, and other services.

<sup>7</sup> In 2011, the volume of remittances to Kerala was around \$8 billion or 31% of state GDP. Nearly 90% of the migrant Keralites have traditionally been employed in the Middle East countries.

<sup>8</sup> According to the 2011 Kerala Migration Survey (by the Center of Development Studies, Thiruvananthapuram), around 73% of the migrants are either illiterate (9%) or have studied only until grade 12 (64%).

to teach traditional trades—e.g., welding, fitting, auto mechanic, electrician, sheet metal molding—for which job opportunities within Kerala are stagnant, and which are of little interest to women. Further, few nationally recognized private providers, capable of providing quality vocational training, are operating in Kerala.<sup>9</sup>

5. While the relative economic shares of the primary, secondary, and tertiary sectors have changed rapidly since 2004, their employment shares (32.3% primary, 28.5% secondary, and 39.2% tertiary) have not changed accordingly. This has led to a mismatch between labor demand and supply per sector, and a big overall gap between the level of skills demanded by the market and those supplied by school and college graduates.

6. The 2013 Kerala Skill-Gap Study estimates huge incremental staffing demand during 2012–2022: 1.1 million skilled, 1.3 million semiskilled, and 0.9 million minimally skilled workers.<sup>10</sup> The incremental demand for skilled and semiskilled workers is high in banking, finance, and services (19%), building and construction (13%), and communication (12%), followed by manufacturing (7%), IT or IT-enabled services (6%), retail (3%), and health care (3%). The category “select informal sectors” includes industries like security and surveillance, facilities management and housekeeping, which are important from the angle of skills enhancement, especially for those who are not very educated or qualified. Predictably, the highest demand for minimally skilled workers is in building and construction. Unfortunately, most Keralites are averse to this sector. It is estimated that 60% of the 2.5 million migrant workers who have come to Kerala from other states of India are employed in this sector. Given the high demand for trained workers in building and construction, it is important to inform Kerala’s youth about the range of jobs (including high-end jobs such as quantity surveyors, building supervisors, and computer-aided designs) on offer in this sector.

## **B. Sector Strategy**

7. To solve the problem of “educated unemployment” and restore Kerala’s position as a human resource hub for India and the global market, the state government launched the Kerala State Skill Development Project in July 2012 to “enhance the employability of the state’s youth and create opportunities for productive employment”.<sup>11</sup> Two subprograms tackle the supply-side problems. The Additional Skill Acquisition Program (ASAP), designed by the Department of Higher Education and the Department of General Education seeks to address the “preventive” dimension of low employability by providing additional vocational training and career counseling to students enrolled in government and government-aided higher secondary schools and undergraduate colleges (i.e., post-basic education) outside regular academic hours and during vacations. The vocational courses are identified, designed, and delivered in consultation with industry and sector skills councils (SSCs). Competent public and private training providers are being engaged to provide accredited training. The acronym ASAP appropriately captures the proactive nature of this initiative.

<sup>9</sup> S B Global is the first Kerala-based private training institution to be approved by the NSDC as a skills development partner. It has centers in Kochi, Kottayam, Thrissur, and Kannur. Other NSDC partners with operations in Kerala include Future Sharp, Indian Institute of Job Training, and Talent Sprint. It is expected that ASAP will bring in more private training providers.

<sup>10</sup> Government of India, National Skill Development Corporation. 2013. *District-wise Skill-Gap Study of Kerala, 2012–2022*. Delhi.

<sup>11</sup> The state government’s sector strategy is laid down in two main documents: (i) Government of Kerala. 2012. *Kerala State Skill Development Preliminary Report, 2012*. Thiruvananthapuram and (ii) Government of Kerala. 2012. *Additional Skill Acquisition Program for Kerala, 2012*. Thiruvananthapuram.

8. The Additional Skill Enhancement Program (ASEP), designed by the Department of Labor and Employment and the Department of Local Self Government, seeks to address the “curative” dimension of the low-employability problem by focusing on reskilling nearly 4.3 million unemployed youth who are registered with employment exchanges. This will involve reform of ITIs and technical facilities. The Kerala Academy for Skills Excellence acts as the nodal agency for program implementation. It plans to establish “academies of excellence” focusing on construction and nursing through public–private partnerships. ASEP also plans to reform and transform the employment exchanges at Kollam, Ernakulam, and Kozhikode into employability centers to align these with the changing market needs.

9. The skills training target for the 12th Five-Year Plan period (2012–2017) is 0.31 million for ASAP and 1.17 million for ASEP, which takes the total for the Kerala State Skill Development Project to 1.48 million. The Government of India and the state government have requested Asian Development Bank (ADB) assistance to strengthen and scale up ASAP since it aims to tackle the problem of low employability early on by complementing post-basic education with additional vocational training so that graduates are market ready. Details are provided in the Report and Recommendation of the President and the Program Soundness Assessment.<sup>12</sup> While ASAP focuses on students aged 15–24 enrolled in government and government-aided schools and colleges, ASEP focuses on unemployed people aged 18–35.

10. The Department of Local Self Government has been running the *Kudumbasree* (meaning prosperity of the family) Mission since 1998 to empower poor women through community-based action focusing on provision of microcredit, skills training, and development of productive livelihoods. It has 3.9 million members and covers more than 50% of the households in Kerala. It is the largest women’s empowerment project of its kind in India, and possibly the world. In addition to state government initiatives, central government schemes such as the National Rural Livelihood Mission of the Ministry of Rural Development and the Integrated Skill Development Scheme of the Ministry of Textiles also focus on the poor and women.

11. Besides addressing the “preventive” and “curative” aspects of supply of skilled manpower, the state government is also focusing on stimulating the demand side. It has taken several measures to strengthen Kerala’s physical infrastructure, promote investment, and establish industry parks and technology hubs to catalyze the economy and create more jobs. For example, under the IT Policy of 2012, IT parks have been established in Thiruvananthapuram, Ernakulam, and Kozhikode to encourage technology start-ups and create jobs within the state. The Kerala State Industrial Development Corporation is promoting a National Investment Manufacturing Zone in Kochi, an Electronic Hardware Park in Kochi, a Light Engineering Industrial Park in Palakkad, and a Life Sciences Park in Thiruvananthapuram. 14 theme-based industrial parks have been planned in fields such as garments, marine–seafood, rubber, and food processing. An international Apparel Park has been established in Thiruvananthapuram. India’s first Export Promotion Industrial Park has opened in Ernakulam, as has India’s first Infotainment Park, the Film and Video Park, at Thiruvananthapuram; and India’s first Food Processing Industrial Park at Malappuram.

12. While Kerala may have a narrow manufacturing base, it has shown good growth in the tertiary sector. As reconfirmed by the demand analysis done for this project, and the NSDC’s skill-gap analysis, the vocational courses offered by ASAP in communication; banking, finance, and insurance; hospitality and tourism; health care; and basic electronics are in areas with

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<sup>12</sup> Program Soundness Assessment (accessible from the list of linked documents in Appendix 2).

strong growth prospects (see table).<sup>13</sup> By attracting private training providers who can offer more such vocational training, ASAP will expand the career options for Kerala's youth, especially women, both in and outside the state.

<b>Focus of Additional Skill Acquisition Program's Vocational Courses<sup>a</sup></b>	
<b>Sector</b>	<b>Courses</b>
Communication	Vocational courses for basic information technology, data entry operators, mobile communication, PC hardware and networking, optical fiber communication, mobile handset sales, and various jobs relating to business process outsourcing
Banking, finance, and insurance	Vocational courses to train as certified capital market professionals, mutual fund and insurance agents, banking service associates, loan advisors, accountants, and customer-care executives
Allied health care	Certificate courses to train as dental assistants, community nurses, and palliative care assistants
Hospitality	Certificate courses to train in hospitality management, food and beverages, front office management, and housekeeping operations
Electronics	Certificate courses to train in electronic product testing and printed circuit board manufacturing
Other growth areas	Certificate courses to train as retail associates, plumbing associates, media correspondents, and junior rubber technicians

<sup>a</sup> Being offered as of June 2014.

Source: Asian Development Bank.

### **C. Asian Development Bank Sector Experience and Assistance**

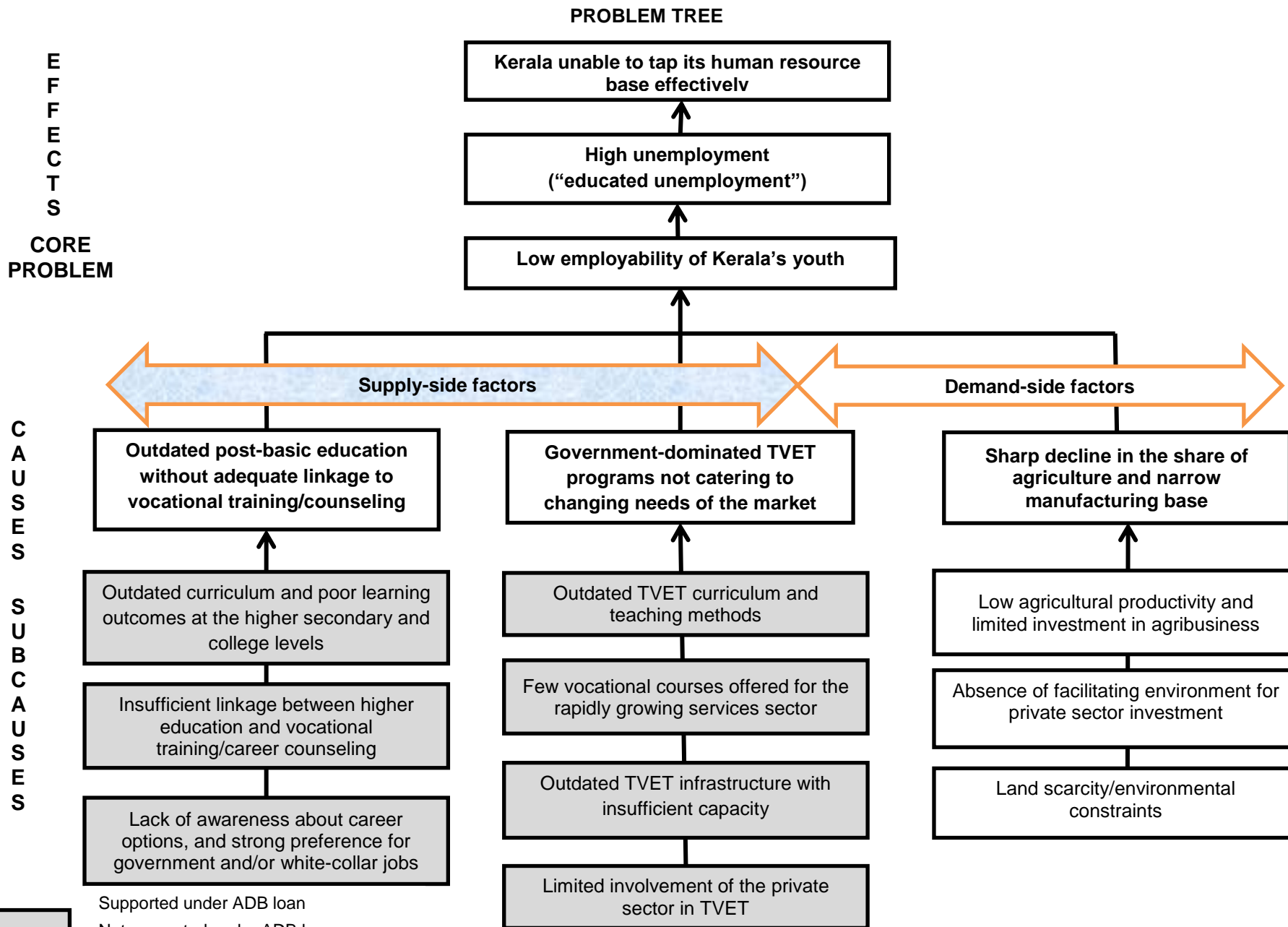
13. While ADB has much experience in the education sector in countries such as Bangladesh, Nepal, and Sri Lanka, in addition to countries in other regions, it is relatively new in this sector in India. ADB's first loan for skills development and reform of secondary education to India, Supporting Human Capital Development in Meghalaya, was approved in September 2013. It aims to enhance the employability of Meghalaya's youth by improving the quality, access, and delivery of its secondary education (grades 9–12) and TVET programs. It will also catalyze participation of private training providers, engage with SSCs, and support employment-linked training for the youth of Meghalaya. The loan is currently under implementation. Lessons learned in terms of engaging with private training providers, undertaking district-wise skill-gap analyses, and tracer studies to track the outcomes and results of vocational training programs will be applied to the proposed loan for Kerala.

14. Nationally, ADB is providing technical assistance (TA) to two apex bodies: the NSDC,<sup>14</sup> which was established in 2009 to facilitate public–private partnerships in skills development, and the National Skill Development Agency,<sup>15</sup> which was established in 2013 to coordinate the skills development programs of central ministries and state governments, and ensure convergence across the initiatives of the public and private sectors. The synergies between these TA activities and the proposed loan for Kerala are being tapped. For example, under the 2011 TA, ADB is working with the NSDC to assist construction and health care SSCs in preparing detailed national occupation standards, qualification packs, and accreditation frameworks. The TA will facilitate partnerships between ASAP and these two SSCs, which hold tremendous relevance for Kerala.

<sup>13</sup> Demand Analysis (accessible from the list of linked documents in Appendix 2).

<sup>14</sup> ADB. 2011. *Technical Assistance to India for Skill Development for Inclusive Growth*. Manila.

<sup>15</sup> ADB. 2014. *Technical Assistance to India for Capacity Building of the National Skill Development Agency*. Manila.



Supported under ADB loan

Not supported under ADB loan

TVET = technical and vocational education and training.

Source: Asian Development Bank.