

Vocational Education and Training and Labour Market Inequality

By Alexandre de Freitas Barbosa, Maria Cristina Cacciamali, Nandita Gupta, Ian Prates, Gerry Rodgers and Priscila Vieira

Project Paper H (d)

June, 2015

IHD/Cebrap Project Briefing Note 3

IDRC Project number 106919-002 (Institute for Human Development, New Delhi, India)

IDRC Project number 106919-001 (Cebrap, Sao Paulo, Brazil)

IDRC Project title: Labour Market Inequality in Brazil and India

Institute for Human Development, NIDM Building, IIPA Campus, IP Estate, New Delhi 110002

Centro Brasileiro Análise Planejamento Cebrap, R. Morgado de Mateus, 615, São Paulo - SP, 04015-051, Brazil

Contact: brazilindia@ihdindia.org

This report is presented as received from project recipient(s). It has not been subjected to peer review or other review processes.

This work is used with the permission of Institute for Human Development/Cebrap, New Delhi/Sao Paulo.

Copyright 2015, Institute for Human Development/Cebrap.

Abstract

Inequalities in labour markets are entrenched in both Brazil and India, though different in nature and degree. Over the last decade, vocational training has gained prominence in policy discourse and is seen as a facilitator of employment and social mobility. This review looks at the VET policies and institutions in Brazil and India, in order to understand the potential of VET as a tool for inequality reduction in the labour market.

Keywords: SENAI, SENAC, ITIs, ITCs, education, coverage

Vocational Education, Training and Labour Market Inequality: Experiences in India and Brazil

Inequalities in labour markets are entrenched in both Brazil and India, though different in nature and degree. Over the last decade, vocational training has gained prominence in policy discourse and is seen as a facilitator of employment and mobility. This review looks at the vocational education and training (VET) policies and institutions in Brazil and India, in order to understand their potential as a tool for promoting equality in the labour market.

All jobs require skills, in the sense of the abilities and knowledge that are applied on a regular basis at work. Even workers who are often considered as unskilled, such as agricultural labour or construction workers, in reality need a variety of specific skills. Some skills can be acquired fairly quickly, many require long periods of training, some can be learnt on the job, and others need significant theoretical learning. Skills can be generic or specific, and include not only technical abilities but also “soft” skills and social skills.

Formal vocational and training systems developed in both Brazil and India in the 1940s and have continued to expand. About a quarter of the workforce in Brazil receives some vocational training, essentially formal. In India the figure is about 10 per cent, but only a quarter of this is formal. In India the proportion is slightly higher for those aged 15 to 29 than for those aged 30 or more, so the coverage of training is expanding, but it remains small in relation to the labour market as a whole. In practice there is a threefold division between those with academic education, those with a vocational qualification, and those with neither. Of course, most of those without formal qualifications acquire skills of some sort, but they do so in informal ways, mostly on the job. The poorer and less educated essentially rely on informal training and are also concentrated in informal work thereafter.

The Brazilian VET system has three pillars: two have mainly focused on technical training and were introduced in the 1940s: the Federal Vocational and Technological Education Network (a vocational and technical training programme) and the S System (which trains in skills for the industrial sector, and for the commerce and service sectors). In addition, a parallel skill-building system provides short-term, non comprehensive vocational training courses.

In India, formal vocational training is largely delivered through the ITIs, ITCs and Polytechnics. These are institutes and centres that provide training in engineering and non-engineering trades, with courses that range from a couple of months to 1-2 years. Polytechnics provide longer, usually three-year programmes mainly in engineering trades. India has an additional system of imparting vocational education through the general schooling system (in selected schools). The importance of this approach varies from state to state, so VET is regionally very varied in terms of availability and quality. In addition there are numerous private training institutes, as well as initiatives of the non-profit sector (frequently associated with or supported by the government). Training in India is also delivered through some of the employment programmes, mainly in rural areas.

In both Brazil and India, formal VET does deliver better wages. In Brazil, those having received formal VET have higher incomes than those without VET, or who are currently receiving VET, whether they are wage earners, employers or self-employed (graph 1), although the differences are not very large. In India, among those who have completed middle and secondary schooling, VET leads to significantly higher wages in regular jobs.

Informal skills also provide advantages, but only for casual jobs (see table 1). The lowest incomes in India are systematically found among the untrained in casual work, and they constitute a majority of workers.

Widespread and equitable access to skills and capabilities would be an important step towards overcoming labour market inequality. But the main training systems in Brazil and India have not been designed with this goal in mind. The primary goal has been to build a skilled labour force, in order to support a process of industrialization and economic growth. The priority has been given to industry, and to other dynamic sectors of the economy, and in particular to the formal labour market. But this accounts for only a small share of employment in India, and while the organized sector is larger in Brazil, there too a large informal economy exists in parallel. In practice, the principal, institutional training systems have only reached a fraction of the labour market.

Because the training system only reaches some of those entering the labour market, in both countries educational credentials have become an important criterion to obtain access to formal training. As a result the training systems have been exclusionary, since considerable numbers of youths in both countries still do not reach the requisite levels of education. So VET does not compensate for unequal access to education, but merely mirrors it, and may even contribute to increasing inequality further. In addition, on the whole VET does not serve the top stratum of the labour market, which is reached through higher educational qualifications. So the training systems reflect and continue the prevailing hierarchical structures in the labour market.

Alongside these official training systems, there is a great deal of informal training in both countries. Indeed, in India, many more workers gain their skills through informal learning than through vocational training. But the effectiveness of informal training is clearly extremely variable, and returns to such training are often small. Moreover, the cleavages and differentiations of each society – like race, caste, gender, region or other factors – are replicated in access to such training.

These problems are widely acknowledged, and various attempts have been made to overcome them in both countries, and to deliver skills training at the lower-income end of the labour market. This is a huge challenge as more often than not these segments of the labour market consist of unskilled, unproductive and poorly-paid jobs. There is actually no assurance that access to new skills would improve the insertion of these workers in the labour market. But if programmes which try to remedy these problems are not devised and implemented – reaching larger social groups and with a wider scope – inequality is likely to increase further.

An important initiative in Brazil has been the introduction of a targeted programme, Pronatec, aimed at youths belonging to poor households. While the impact of Pronatec is still to be fully assessed, it does demonstrate the feasibility of targeted VET programmes of this type. Nevertheless, up until now, it is not clear that this programme has had an impact in terms of reducing inequality within the labour market, as most of the skills delivered seem to reinforce the position of the low-paid jobs in the occupational hierarchy. And although this is a large programme, it is still far from universal.

In India, while there is no programme on the scale of Pronatec, a variety of initiatives and programmes, not only in the public sector but also involving private groups, has aimed to reach lower income groups. One important existing such programme is the Aajeevika Skill

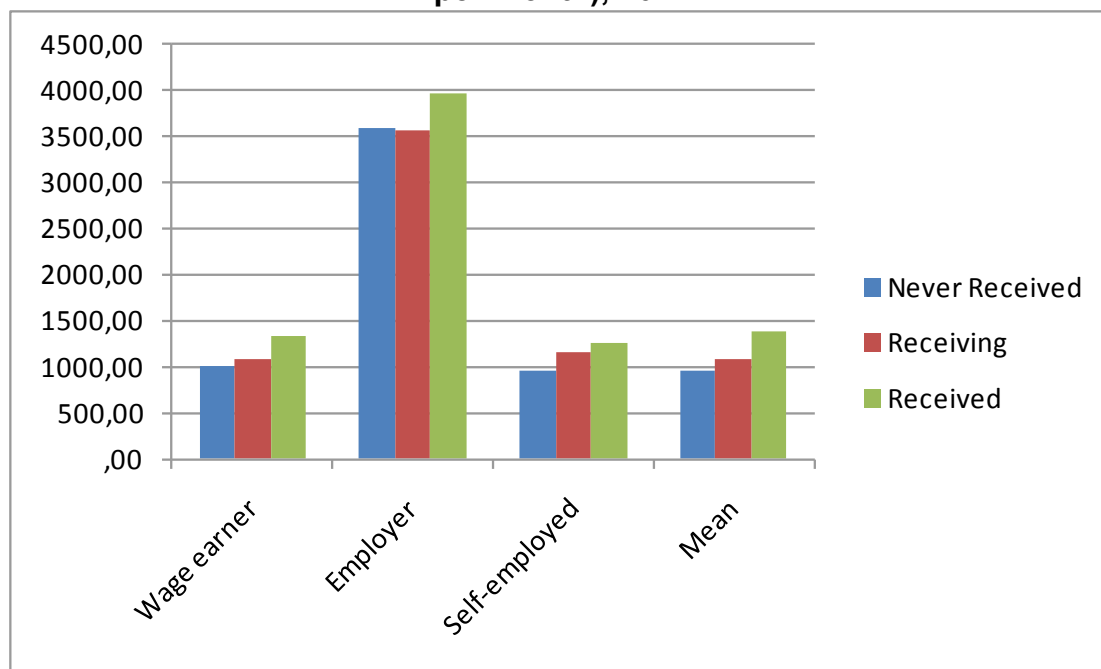
Development Programme (ASDP), which delivers training to rural youth. There is also scope to incorporate VET into existing large scale social programmes such as MGNREGA. This has already been promoted, but on a much smaller scale, by ASDP. Nevertheless, informal training continues to dominate the labour market.

Training programmes that specifically target low income groups face a variety of problems. They may be regarded as delivering second class skills, and have to overcome social resistance. They also need to be implemented on a very large scale. But above all they deliver skills into a labour market where there may not be any corresponding demand.

This is the Achilles heel of training programmes everywhere. In reality, it makes no sense to only tackle the supply side of the labour market. Skill development programmes devised for the poorest segments of the society need to be complemented by the creation of jobs that can actually lead to social mobility. And if such programmes function in an informal labour market, but deliver formal qualifications, then they have to be accompanied by measures to formalize the labour market itself. This has actually been the case in Brazil, where, contrary to a global trend, the labour market was formalizing until the recent recession. But it is now uncertain whether this process will continue in the face of negative growth and rising unemployment.

The more general point is that strategies for employment creation and skill development need to be coordinated. Complaints about poorly designed courses and curriculums, failure to link with industry demands, and other such problems are often a reflection of a gap between supply and demand. This is recognized in the recently launched Indian National Skills Development Mission, where there is coordination with the private sector to overcome a low-skill trap, and it is also a central issue in recent reforms of the VET system in Brazil. But this perspective needs to be extended to the labour market as a whole if vocational education and training efforts are to contribute in any meaningful way to a reduction in labour market inequality.

Graph 1: Income Level of Workers by Vocational Training in Brazil (in Reais per month), 2012



Source: Brazilian National Household Sample Survey, 2012

Table 1: Wages by Educational attainment and VET in India for Youth (15-29 years) (average wage per day in rupees)

	Educational attainment									
	Illiterate		Completed Primary		Completed Middle		Completed Secondary		Completed Graduation	
	Casual	Regular	Casual	Regular	Casual	Regular	Casual	Regular	Casual	Regular
Receiving formal VET	NA	NA	144	296	144	299	137	302	82	352
Received formal VET	200	270	218	374	221	377	225	394	150	489
Received non-formal VET	129	147	157	202	162	214	158	240	126	403
Neither received nor receiving VET	126	123	139	282	142	299	145	343	164	484

Source: Indian National Sample Survey, 2011-12