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India's ITI at a Crossroads — Why PM-SETU Must Not Repeat the STRIVE Mistake

INDIAN EXPRESS

2 February 2026

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India's ITI at a Crossroads — Why PM-SETU Must Not Repeat the STRIVE Mistake

The Indian Express 2 February 2026 GS3 GS2

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INTERVIEW ANGLE

"India's demographic dividend requires a functional skill ecosystem, yet multiple large schemes have underdelivered. What structural reforms must PM-SETU incorporate to succeed where STRIVE and PMKVY fell short?"

WHY IN NEWS

The World Bank's USD 830 million PM-SETU loan for upgrading 1,000 government ITIs signals renewed political commitment to vocational education. But India's history of skill development schemes — from STRIVE to PMKVY — is littered with targets met on paper and ignored in practice. The question is not whether PM-SETU can improve India's ITIs, but whether it can finally close the skill-employment gap.

THE DEMOGRAPHIC DIVIDEND THAT ISN'T

India's demographic dividend argument runs as follows: with 65% of the population under 35, India has the world's largest working-age cohort entering peak productivity just as aging economies like China, Japan, and Germany face labour shortfalls. India should therefore become the world's factory — supplying skilled labour to global value chains while also building domestic manufacturing capacity.

The problem is that this logic assumes the workforce is actually skilled. The data suggests otherwise.

The India Skills Report 2025 found average employability across vocational streams below 50%. The **TeamLease Skills University** has documented that fewer than 25% of ITI graduates are directly employable in their trained trade without significant on-the-job remediation. A 2024 FICCI survey of manufacturing employers found that **skill mismatch** was cited as the top barrier to hiring — above even wage costs.

The demographic dividend, in short, is not an asset that accrues automatically. It has to be built. India has not built it.

THE STRUCTURAL FAILURES THAT PM-SETU MUST FIX

Failure 1: The Curriculum Time Warp

ITI curricula are governed by the **National Council for Vocational Training (NCVT)**, which updates trade syllabi through a notoriously slow, consensus-driven process. Many ITI trades were designed in the 1960s and 1970s for an industrial economy that no longer exists in the same form. The **"Fitter" trade** (one of the most enrolled) teaches manual fitting and assembly — skills that are still useful but represent perhaps 10% of what a modern CNC operator, robotics technician, or EV assembly worker needs.

Industry 4.0 has accelerated this obsolescence. A traditional automotive fitter may need upskilling in **EV battery systems, regenerative braking diagnostics, and BMS calibration** — skills that no current ITI curriculum covers in any meaningful depth.

Failure 2: The Missing Labour Market Information System

ITIs train for trades, not for jobs. Without a **Labour Market Information System (LMIS)** that signals to ITIs which skills are in demand, at what wage levels, and in which geographies, the curriculum is supply-driven. This produces the paradox of an overskilled welding workforce in states where welding automation is rising, while skilled data centre technicians or green energy maintenance workers are absent.

STRIVE (2017) did not build an LMIS. PMKVY did not build an LMIS. PM-SETU's documentation mentions "industry linkages" but does not specify how curriculum demand signals will flow from industry partners to ITI managements on a real-time basis.

Failure 3: The Principal-Agent Problem in ITI Management

A government ITI principal's career trajectory is determined by administrative seniority, not by placement rates. If 0% of students get jobs vs 100%, the ITI principal's salary and promotion prospects are identical. This is the principal-agent problem in its starkest form.

STRIVE attempted to fix this by introducing **performance-linked funding** for ITIs — institutions meeting placement and quality benchmarks would receive more funds. In practice, ITIs gamed the metrics (reporting placements that never materialised) while the government had no verification capacity.

PM-SETU's hub-spoke architecture could address this if hubs are held genuinely accountable for spoke performance through transparent, third-party-verified outcome data.

Failure 4: The Social Stigma Equation

India's aspiration is relentlessly degree-focused. Parents sacrifice significantly to send children to engineering or commerce colleges — regardless of the quality of those institutions — because a degree carries social prestige that a vocational certificate does not. The **NEP 2020** proposed "equivalence" between academic and vocational credentials (allowing ITI graduates to enter degree programmes). Implementation of this equivalence is patchy at best.

Until vocational certification carries earning parity and social recognition, the best students will avoid ITIs regardless of how well-equipped they are.

WHAT PM-SETU GETS RIGHT

The hub-spoke concentration is correct in principle. Spreading USD 830 million across 15,000 ITIs would mean Rs 60 lakh per ITI — sufficient for painting the walls and buying some new chairs. Concentrating on 1,000 ITIs (with 200 hub centres as genuine centres of excellence) allows meaningful transformation.

The 25% women's participation target is a rare example of gender mainstreaming in vocational policy. Women's ITI enrolment below 10% is both a social equity failure and an economic loss — studies consistently show that female technical workers have lower attrition rates and higher productivity in manufacturing settings.

The USD 680 million private capital target creates accountability for industry. If companies want to hire from ITIs, they must invest in making ITIs hire-worthy. This shifts the relationship from government subsidy to shared investment.

THE TEST: THE NUMBERS THAT MATTER IN 2030

PM-SETU's ultimate test will be: **How many PM-SETU graduates are employed in their trained field at wage premiums above non-trained workers within 12 months of certification?**

The World Bank's loan appraisal mentions annual targets of 1 million+ skilled workers. But "skilled" must be defined by employment outcome, not by certification. India has been very good at issuing certificates. It has been much worse at connecting them to livelihoods.

For UPSC aspirants: The PM-SETU question will appear in GS3 as "skill development" or "demographic dividend" — the answer must demonstrate understanding of the ITI ecosystem, the STRIVE precedent, the NCVT structure, and why previous schemes underperformed. A good answer acknowledges both the genuine innovation in PM-SETU's design and the structural risks that could undermine it.

UPSC RELEVANCE

PM-SETU (full form; USD 830M; 1,000 ITIs; 200 hub + 800 spoke; ADB joint; women 25%; private capital USD 680M; Ministry of Skill Development and Entrepreneurship); STRIVE (2017; World Bank; ITI upgradation); PMKVY (Pradhan Mantri Kaushal Vikas Yojana; free short courses; 13 million+ trained); NCVT (curriculum governance; trade syllabi); NEP 2020 (vocational-academic equivalence); LMIS (Labour Market Information System); India ITIs: ~15,000; India Skills Report; Seventh Schedule List III Entry 25 (education — Concurrent); Ministry of Skill Development and Entrepreneurship (2014).

India's demographic dividend — conditions for realisation vs demographic burden; structural failures of skill development schemes; Industry 4.0 and ITI curriculum relevance; private sector integration in vocational training; evidence from STRIVE and PMKVY. **GS-2:** *Concurrent List and centre-state roles in technical education; NEP 2020 vocational integration mandate.*

📌 FACTS CORNER — KNOWLEDGEPEDIA

PM-SETU VS PREVIOUS SCHEMES:

PM-SETU (2026): USD 830M; 1,000 ITIs; hub-spoke; industry-linked; 25% women target

STRIVE (2017): World Bank-funded; outcome-linked funding; mixed results; no LMIS built

PMKVY: Free short courses; 13M+ certified; placement rate <20% per evaluations

NSDC: National Skill Development Corporation — PPP body

INDIA'S SKILL ECOSYSTEM:

Total ITIs: ~**15,000** (12,000 private; 3,000 government)

NCVT: National Council for Vocational Training — curriculum body

SCVT: State Council for Vocational Training — state-level certification

Women's ITI enrolment: Below **10%** (target 25% under PM-SETU)

India's annual workforce entrants: **7-8 million** youth

Average employability of ITI graduates: Below **50%** (India Skills Report 2025)

INDUSTRY 4.0 DEMANDS ON SKILL:

Technologies: AI, IoT, automation, EV systems, green manufacturing

Gap: ITI trades (fitter, welder, turner) designed in 1960s-70s; minimal EV/AI content

OTHER RELEVANT FACTS:

Seventh Schedule List III Entry 25: Education (including technical education) in Concurrent List

Ministry of Skill Development and Entrepreneurship: Established **2014** (standalone ministry)

Germany's dual apprenticeship: Gold standard — combining classroom + workplace training

National Education Policy 2020: Targets 50% vocational exposure in schools by 2025

World Bank-India CPF FY2026-31: USD **8-10 billion per year** across sectors

Sources: Indian Express, World Bank, PIB

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