KHAITAN & CO ADVOCATES SINCE 1911

UPDATE

ERGO

Analysing developments impacting business

NAPS 2.0: KEY TAKEAWAYS FROM THE NEW SCHEME FOR ENGAGEMENT OF APPRENTICES

13 September 2023

By way of a notification dated 25 August 2023, the Ministry of Skill Development and Entrepreneurship, Government of India, issued Guidelines for Implementation of National Apprenticeship Promotion Scheme-2 (NAPS-2), which will replace the previous version of the scheme (NAPS-1) with effect from the above-mentioned date.

Background

The Apprentices Act 1961 (applicable to all sectors) requires establishments employing 30 or more workers (including contract labour) to engage apprentices within the band of 2.5% to 15% of the total strength of the establishment including contract labour, subject to a minimum of 5% of the total being reserved for fresher apprentices (non-graduate apprentices who have not undergone any institutional training or skill training) and skill certificate holder apprentices (persons holding a skill certificate for training of less than a year issued by an awarding body recognized under the National Skills Qualifications Framework).

The Government of India launched NAPS-1 and National Apprenticeship Training Scheme (NATS), with an aim of providing apprenticeship training. A covered establishment can enroll in either scheme for providing training to apprentices.

NAPS-1 v/s NAPS-2

NAPS-1 introduced a notable stipend cost-sharing model whereby the government would cover an amount equal to 25% of the stipend stipulated under the law for a particular kind of apprentice, subject to a maximum of INR 1,500 per month per apprentice. The scheme also enabled a tech-driven apprenticeship programme wherein an establishment would register itself on a specific portal (www.apprenticeshipindia.org), declare apprenticeship vacancies, and issue offer letters to selected apprentices. Moreover, NAPS-1 allowed sharing of basic training cost by the government in respect of apprentices who did not have any formal trade training, wherein the government would make necessary payment towards such cost to the entities enrolled as basic training providers (BTPs) under the scheme to the extent of INR 7,500 per apprentice and for a maximum of 500 hours / 3 months.

While NAPS-2 has also retained the stipend cost-sharing model as provided under NAPS-1, the key difference is that earlier, an establishment had to first pay the full amount of the prescribed stipend (including the government's share) to the apprentice and thereafter seek reimbursement from the government, while NAPS-2 only requires the establishment to pay 75% of the stipend to the apprentice through the mode of payment available on the apprenticeship portal, post which the government will initiate payment of the remaining amount directly to the apprentice through direct benefit transfer within 72 hours of the establishment's payment. That said, the partial stipend support will be available for only such apprentices who are not more than 35 years of age at the time of their registration on the portal. Notably, NAPS-2 has encouraged 'large private establishments' to forego the stipend support and bear the entire cost themselves. NAPS-2 has also done away with the mechanism of sharing of basic training cost with BTPs.

As regards issuance of contract in the prescribed form to apprentices (which is mandated under the law), NAPS-2 provides that establishments providing training to apprentices under the scheme will be able to issue such contracts to only those individuals who have updated their Aadhaar number and completed e-KYC on the apprenticeship portal.

As regards apprenticeship advisers, the role delineated thus far under NAPS-1 has been *inter alia* review and approval of contracts of apprenticeship, monitoring of the implementation of apprenticeship training, and review of claims from employers. NAPS-2 requires apprenticeship advisers to conduct physical verification of at least 10% of the establishments falling in their jurisdiction every quarter to ensure implementation of the apprenticeship training at the ground level. The scheme also states that these advisers will be able to look into the stipend payment lifecycle for establishments under their jurisdiction.

Comment

It is a positive step to introduce direct benefit transfer to meet partial stipend support without establishments having to apply for a reimbursement for the amounts equal to share of the government that have been paid by the establishments to the apprentice is indeed a positive step. Similarly, verification of the candidates through Aadhaar and e-KYC authentication would bring in more authenticity to apprenticeship training.

Having said that, establishments were hoping for an increased monetary support from the government under NAPS-2, considering the stipend rates stipulated under the Apprenticeship Rules 1992 and the provision therein regarding increment in the stipend rate equal to 10% in the second year of apprenticeship training and further 15% in the third year of apprenticeship training. An increased support would in turn have played a crucial role in ensuring that not only the establishments statutorily mandated to engage apprentices within the stipulated band, but also smaller establishments are encouraged to participate in making young individuals, industry ready. Further, while NAPS-2 has detailed provisions regarding the role of each stakeholder, the guidelines around inspection of establishments by apprenticeship advisers have not been delineated. However, it is hoped that the government would continue to engage with establishments in this regard as NAPS-2 moves forward in its implementation journey.

- *Anshul Prakash (Partner) and Deeksha Malik (Senior Associate)*

For any queries please contact: editors@khaitanco.com