

INDIA AIMS AT BECOMING GLOBAL HUB OF SUPPLY OF SKILLED MANPOWER

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[Abstract: Global economies would be needing high skilled labour increasingly and demand for low skills would decline. Situation would worsen in advanced economies because of demographic realities as the existing skilled workforce will retire and will not be replaceable in full. There is thus a need of global efforts to improve skills of labour across the disciplines and in an inclusive manner with a view to containing the polarization between the high skill high wage workers and low skill low wage workers. India is one of the advanced developing countries which would maintain its demographic advantage of having young work force capable of supplying labour to rest of the economies provided it is able to take up skill development programmes of its young people suiting the emerging needs of global economy. Government of India has placed in position a three tiered initiative led by the Skill Development Council of Prime Minister in partnership with industry and state governments to skill 500 million workers by 2022 with the objective of meeting not only the emerging requirements of Indian industry within but also aspiring to become a hub of supplying trained manpower globally. This paper is towards taking an overview of the arrangements; their strengths and achievements and also the challenges coming in the way.]

According to report brought out in June 2012, The McKinsey Global Institute (MGI)¹ has highlighted strains which have developed in the global labour market over the past three decades. As developing economies industrialized and began to compete globally on the strength of domestically and abundantly available labour at cheaper costs and developed countries increased their productivity by investing in labour-saving technologies and also by tapping low cost labour from global resources. Advanced economies are needing high-skill labour increasingly which is becoming scarcer by the day while demand for low skill labour has progressively declined. Labour's overall share of income has fallen and consequently inequalities are growing as lower skill workers including 75 million young people face unemployment, underemployment and stagnating wages. MGI finds these trends gathering momentum and spreading to developing economies, as the global labour force approaches 3.5 billion in 2030. Based on current trends in population, education, and labour demand, the report projects that by 2020, the global economy could face the following scenario:

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¹ http://www.mckinsey.com/mgireaearch/labour_market/theworld_at_work?p=1.

- 38 to 40 million fewer workers with tertiary education (college or postgraduate degrees) than employers will need, or 13 percent of the demand for such workers.
- 45 million too few workers with secondary education in developing economies, or 15 percent of the demand for such workers.
- 90 million to 95 more low skill workers (those without college training in advanced economies or without even secondary education in developing economies) than employers will need, or 11 percent oversupply of such workers.

The above scenario would be super-imposed by demographic realities such as population in China as well as in advanced economies would have increased percentage of aged and aging, reducing the growth rate of labour supply. Most of the addition to labour force would occur in India and other young developing economies in its neighbourhood. 360 million older people including 38 million college-educated workers, creating further short supply in skill labour; would not be part of labour force. Resultantly the report concludes that unless there is an immediate and massive global effort to improve work skills, there will be “far too few workers with advanced-skills needed to drive a high-productivity economy and far too few job opportunities for low skill workers”.

“For advanced economies, such imbalances would likely lead to more long-term and permanent joblessness. More young people without post-secondary training would fail to get a start in the job market and older workers drop out because they don’t qualify for jobs that are being created. The polarization of incomes between high-skill and low-skill workers could even become more pronounced, slowing the advance in national living standards, and increasing public sector burdens and social tensions. In some advanced economies, less skilled workers could very well grow up poorer than their parents, in real terms, highlights MGI. The report exhorts the developed economies to raise the share of graduates in science, engineering, and other technical fields; double the growth rate of post graduate education, retrain mid-career workers and allow more high-skill workers to immigrate. It is observed

that even such efforts would still leave a short fall of high skill workers as well as 20 to 23 million low skill workers.

MGI found that the challenge for developing countries could be even more daunting as there could be up to 58 million surplus low-skill workers in 2020 with a glaring need of up to 45 million medium skill workers i.e. these with secondary and vocational training.

Thus according to MGI report, following conclusions are inescapable:

- a) The supply of high skills workers is not keeping up with growing demand.
- b) Too many workers are left with inadequate or outdated skills.
- c) Slower growth, rising income polarization, growing pools of unemployed or under employed workers, and soaring social costs are real possibilities.

The findings of the McKinsey report are reflected in the happenings in developing and developed economies. Ever since the start of the great recession, the word that has dominated economic reports from the developed world is 'unemployment'. Millions have been laid off or prematurely retired, and rates of joblessness have reached levels not seen since the great depression. On the other hand millions of jobs have remained unfilled because of the lack of skilled workers². Failure to find skilled workers will hobble the very productivity growth essential for societies with ageing populations.

The boosting of secondary and tertiary education and specialised training that is required to meet the skill gaps requires time and investment. But with the exception of China, most governments are constrained by budget deficits; thus leaving mostly private enterprises to rise up to the task. China has been setting up new universities at the rate of one per month; but ageing population may dampen its plans to develop a highly skilled workforce. India has a set of problems of its own—resources and poor infrastructure. Against this backdrop, doubts remain about India's ability to follow through on plans to build 70 universities in a decade; not to say anything of

² [Business world in/en/story page/-bw/story-content/448647.446849](http://Businessworld.in/en/story/page/-bw/story-content/448647.446849)

concerns about the quality of education at these universities³. According to an assessment of intelligence council of U.S.⁴, China is expected to remain ahead of India until 2030 and thereafter gap would start narrowing down. The total size of the Chinese working age will peak in 2016 and decline from 994 million to about 961 million in 2030 and in contrast India's working age population is unlikely to peak till about 2050. Before peaking by 2030, China would have emerged as the largest economy, surpassing that of the United States. India, if it continues with its projected robust growth rate would be the third strongest economy. This assessment is conscious of many problems and traps in the path of India & China in their projected march: large inequalities between rural and urban sector and within societies; increasing constraints on resources such as food and water, and need for greater investment in science and technology. India's democracy provides it with safety valve for discontent in a way that China's one party a rule does not. This assessment also cautions that regional tensions between India and many of its neighbours could threaten India's rise; should such tensions explode in conflict and confrontation.

The caution with reference to china is that a sharp economic down turn propelled by a political or military crisis could quickly have broader regional and global effects. However, on business as usual assumption it has been reaffirmed that long term forecast show Indian economic power growing steadily throughout the 21st century and overtaking China at the end of the century because of China's maturing age structure. To maximize its advantage from the greater proportion of youths, India will need to (i) boost its educational system quantitatively and qualitatively (ii) make substantial governance improvements, particularly in containing corruption (iii) undertake large scale infrastructure programmes to keep pace with rapid urbanization and the needs of a more advanced economy.

Cavets mentioned above in relation to India's march towards steady and sustained economic growth are significant and failure on any front mentioned has potential of

³ *Ibid*

⁴ U.S. Intelligence sees India as economic powerhouse in 2030, China distant 'memory', The financial express. <http://www.financialexpress.com/news/us-Intelligence-sees-India-as-economicpowerhouse-in-2030-China-distant-memory/1043128/4>

derailing the march. Each one of these issues is a challenge to the political leadership particularly when viewed in the context of the conflicts among the nations which may emerge in view of challenging situations arising in these countries and some of such challenges may be arising out of the strains caused by the compulsions of globalised and competitive markets seeking to access resources and talents. Political leadership not only in India but elsewhere also would be called upon to bring about reorientation of institutional arrangements with a view to recreating equilibrium in fast track mode as the situations develop and call for global response. Even in their domestic jurisdictions nation states would be required to develop similar acumen in reorienting their domestic institutions to maintain equilibrium and by handling emerging conflict potentials deftly. Put simply, the political leadership would also have to develop appropriate skills of better understanding of global issues, economic exchanges, resource constraints and climatic changes and apply such skills equally deftly in relation to domestic jurisdictions as well. Such skills would be demonstrated by the political leadership in coming years by ensuring governance as appropriate and also by containing their own greed which is the root cause of corruption and as the leadership treads towards such a mode, issues of development of infrastructure matching the requirements of economic development and employment generation etc. would fall in place.

While expectations as above are laid on the political leadership, citizens of the nation states would be required to imbibe attitudes of appropriate skill development continuously in tune with the emerging requirements of the market which would be dictated by the opportunities and challenges of evolving technology. Skill development would not only be required in application and adaptation of technology but also in such professions which take a product from laboratory to market and to the consumers. Such professions would include technology communicators, innovators, entrepreneurs, finance and banking professionals, market analysts, market strategists, to name a few. Even the seemingly un related professionals in law and accountancy etc. would be required to reorient their skills in tune with the emerging business practices as dictated by market to ensure that all

the stake holders are assured of the enforcement of their rights in a transparent and equitable manner.

Skill development process in an organised manner in tune with the need of emerging markets and the developing technology and also with the objective of having optimum numbers in identified areas would necessarily be a co-ordinated effort of many stake holders including that of the vast streams of seekers of skills with a view to accessing decent living through a satisfying employment. Obviously national and state governments would be the primary stake holders to trigger the process and cohere the initiatives of other stake holders. Government in India has been conscious of the fact, much before the McKinsey report referred to earlier in this note, that by 2040, the global population, aged 65 and above, is expected to reach 1.35 billion more than double of 530 million in 2010 and such a trend would result in shortage of skilled workers in the world's largest economies including in India and China. India has the distinct demographic advantage maintaining mass of young population and thus has a potential of meeting the skill needs of other countries besides its own requirement. However, presently education system does not lay enough emphasis on imparting skill training programmes towards employable skills⁵. As described in this note earlier, more and more job opportunities would be skill based only. Resultantly, though millions of Indians remain unemployed or under employed; the country's lagging brick-and mortar industries had imported tens of thousands of Chinese workers on business visa, no less—to build and operate power plants, steel mills and telecommunication towers. Even in the coming up of Delhi Airport, Chinese labour participated. Such a situation is demonstrative of the fact that India face a potentially debilitating shortage of skilled workers. According to an estimate, only 5 per cent of Indian's 400 million strong labour force have received any formal training, compared with 70 per cent in Germany and 95 per cent in Korea. Across the board, the shortage of skilled labour has reduced productivity and cut into profits. Poaching workers from competitors has become a common practice that drives up wages, threatening to derail India's manufacturing revolution before it has

⁵ Knowledge paper on strategic and implementation framework for skill development in India, FICCI and resort & young, September 2011.

even begun. Such a situation has come by partly because of historical factors not resulting in a robust manufacturing sector. More than 50 per cent of Indian GDP is on account of service sector and the manufacturing sector contributes hardly 15 per cent. Although China's economy is only four times larger than India's, its manufacturing sector is 50 times larger. China has annual 500,000 vocational training centres compared with India's 10,000 ITI's and out-dated.

Recognising that country needs to train 500 million skilled labourers by 2022 to meet its requirement and also for attaining the status of world-wide sourcing hub, government of India has mobilized private industries to address the issue and has sought to embark upon for the country lucrative business opportunity estimated at more than \$20bn^{6,7} The Prime Minister's National Mission on Skill Development envisaged a three tiered structure for skill development, which comprises of Prime Minister's Council on Skill Development, The National Skill Development Co-ordination Board and The National Skill Development Corporation (NSDC)—a unique PPP enterprise. The vision outlined by the Prime Minister's council called for serious up scaling of the skill development targets and hence, as against 40 million people currently, who have received any kind of formal or non-formal training the vision envisaged creation of a pool of 500 million skilled people by 2022. This translates into a rapid escalation of the training and skill development capacity and a quantum leap in the number of trades, wherein training is currently being imparted through existing institutes. The vision also emphasises, a high degree of inclusivity with a view to address divides prevailing within Indian society. The vision of Council has found it imperative to engage with the private sector, through long term partnership to achieve synergy in delivery and implementation. With this objective in view NSDC has been mandated to skill 30 per cent of the overall target of 500 million people by the year 2022. In government skill development programmes are being run by 17 Ministries/Department in the centre⁸ Ministry of Labour and Rural Development

⁶ <http://www.globalperi.com/dispatch/news/region/asiapacific/India/110616/shiva-rules-India-economy-labour-shortage-vocational-training>.

⁷ Skill development, sector profile, FICCI, ficci.com/sector74/project_docs/sector_profile.pdf+education+and+skill+in+globalised+ec.

⁸ FM launches National skill Development corporation", http://www.nsdcindia.org/news_event/+m-contd...

have been entrusted with a target of 100 million each. The ministry of sports and youth affairs is scheduled to link 5.4 million members of Nehru Yuvak Kendras to skill development project and each of the ministries has target based on the number of personnel's that would be required in their respective areas in 10 years⁹. While launching the NSDC, Finance Minister had noted that large outlays were earmarked for skill development programmes of the ministries and he advised that in public interest the duplication is avoided between the work areas of the sectoral entities and NSDC.¹⁰ In reality ministries refuse to let go of jurisdiction and parallel discussion on same issues are not uncommon. Ministries of labour and HRD developed their own drafts on national framework for vocational education. Prime Minister's Council on Skill Development passed on the problem of reconciling the two frameworks to the Planning Commission, which also oversees the NSDC. The Commission offered a third set of recommendations which are not acceptable to either ministry. The divide among the ministries on the one hand and the planning commission on the other is around three issues.

First, the qualification for the skilling the Labour Ministry wishes skilling to link artisans, the unorganized sector, dropouts and the like. In the scheme of HRD, skilling would start in class 9 and thus would exclude 40 per cent of the targeted youth of 500 million. The formulation of Planning Commission is supportive of the stance of Labour Ministry.

The *second* problem issue is the setting of occupational standards. In the view of Labour Ministry, occupational standard be laid down by skill councils and notified by government. In the view of HRD Ministry, NSDC should be viewing the standards and be notifying the same. In the view of Planning Commission, the job of notification be left to Planning Commission. Labour Ministry is of the view that the job of notification is that of government and not of Planning Commission or that of NSDC.

launces-nsdc.aspx

⁹ Skill development centres remain a distant dream, Sreelatha Menon, Business standard, New Delhi May 24, 2012.

¹⁰ *Op. cit.* 8

The *third* issue of difference is assessment, accreditation and certification. In the view of Planning Commission and HRD, the job needs to be left jointly with industry and regulatory body. Labour Ministry has a different take. The matter has been left to the Prime Minister's Council and the council has sought the advice of Advisor to the council¹¹.

Despite hick ups, which are not entirely unanticipated, there has been steady take off by different implementing agencies. Since its launch in October 2009 by the Finance Minister, NSDC has got a substantial corpus of ₹2,500 corers. It has already 32 partners in training who are private entitles and have been funded while approval has been granted to 46 organizations for imparting training. 11 sector skill councils (SSC's) have also been approved and 4 out of these have been funded. Funding commitments of the order of ₹1,356 corers have been made. More than 1,81,000 have been imparted training and out of them more than 1,44,000 have been placed¹². Rural Development Ministry has trained 6,00,000 persons while labour ministry's claim is for training 2.7 million through their ITI's¹³

While the implementing agencies and those in government entrusted with the responsibility of achieving targets would be doing their best, it needs to be ensured that courses are designed to meet industry's needs and an effective certification system is placed in position so that employers recognize the value of trained and certified skilled workforce and are willing to pay higher for them than for those who went through informal apprenticeship. When India aims to become a source hub for meeting the requirement of skilled manpower globally, the institutions in vocational education need to integrate the demand of industries, services and vocations abroad. Employers situated abroad may be looking for skills which may not be presently needed within the country. Thus the skill developing institutions have to build capacities for meeting internal and external demands and turn out their

¹¹ Internal fight stop skilling targets, Sreelatha Menon, *Business Standard*, New Delhi. May 24, 2012.

¹² National skill development corporation: A Flawed structure? Dergjot kaushal, *Business Standard*, New Delhi. May 25, 2012.

¹³ *Op. cit.* 9

products with matching qualifications which may be required and the vocational institutions also continuously upscale their own training modules.

According to estimates of ICRA management services, India's construction industry will need 33 million more skilled workers such as crane operators, electricians, welders, masons etc; the textile and clothing industry will need 26 million workers who would include loom and sewing machines operators: the auto industry would need 35 more millions workers in various trades.¹⁴ Forbes¹⁵ has made projections of most critical job skills that would be required in 2013 which are in the areas of,

- i. critical thinking,
- ii. complex problem solving,
- iii. judgment and decision making
- iv. active listening
- v. computers and electronics
- vi. mathematics
- vii. operation and systems analysis
- viii. monitoring
- ix. programming and
- x. sales and marketing.

The above listing is in descending order of jobs on offer in the year 2013 under these broad headings. The projections made by Forbes suggest broad out areas of each of the above listed skills. Thus the institutions who are engaged in vocational and skill development training have to build such capacities according to their own competence and resources which are capable of meeting the emerging requirements in their area of expertise to cater to the immediate as well as future requirements. Set/ups at apex level like Skill Development Council, Skill Development Board and NSDC need to identify trades and within broad areas of disciplines for which the

¹⁴ Skill Development Landscape in India and implementing Quality skills, www.ficci.com/SPdocument/20073/macsc.pdf

¹⁵ *Op.cit* 6

training institutions in private sector and public sector should be working for capacity building and incentivize such efforts.

The simple fact about skill development is that it is not an easy business. There are many challenges to overcome, starting with convincing young people that a marketable skill can be more valuable than a college degree particularly when such a degree does not equip the student with sufficient computer literacy geared to critical thinking and analysis at least when industry considers three out of four engineering graduates unemployable. Over the years vocational training in India has been looked down upon and thought of something meant for those who are lower in social hierarchy. Among the middle class and also among the socially disadvantaged aspiring to be in the group of middle class, everyone chases a degree in Bachelor of Commerce or Bachelor of Arts etc., however, unemployable that makes him. There have been no visible efforts in the government or in the university system to encourage setting up of community colleges in India to confer a vocational “degree”. Situation is further compounded by the rigidity of systems so much so that those who enter vocational track for them it becomes difficult to get into university stream and vice versa. There are some initiatives on way to bring about the desired integration. ‘Time lease’ is working in Gujarat to set country’s first vocational university. ‘Global Talent Track’ in partnership with ‘CISCO system INC’ and some 900 colleges across 15 states, has tied up with the University of Kashmir to train degree students with the job skills that employers are looking for. Many more such efforts would be required to alter the tradition prevalent in the country which does not encourage convergence of the paths of skill development and education.¹⁵ Though, parents go to a great length and to the extent of borrowing money to see through their wards for obtaining a traditional degree in engineering or medicine yet when it comes to financing for vocational skills it is difficult to enthuse the students and their parents.¹⁶ Even the programmes which are government funded and are free for students are partly effective: such programmes get the students through the door, but do not get assured that their students would complete the course. Dropout rate

¹⁶ No country for easy skill development, Devjyot Chisel, *Business Standard*, New Delhi. May 26, 2012.

among students on complete scholarship is as high as 70 to 80 per cent. However, when students pay for their programmes, the dropout is substantially less.¹⁷

Entities imparting skill training, who over the years have built up scale and brand much earlier to the initiatives of NSDC, have better chance of doing well in meeting their targets than these who are yet to make a mark. For example NIIT has come to be recognized an established brand with satisfactory delivery systems and have been providing skill training to students in IT related technologies would be able to target mass of drop out after class X and XII from amongst low-to-mid income groups to drive skill business. For other partners of NSDC in this area task may be somewhat up hill.¹⁸

In the rural scene, the paucity of money at the hands of families may push the orientation of skill development somewhat lower in order of priority. Young people, desperate for jobs and a living may not understand the value of skill training to bring them into modern jobs market area. Entities operating in these areas have to work very deeply with local bodies, local civil society, government and industry. Such entities have to be equal parts sales men and social workers to get youth to enrol. After they are enrolled, they have to be cajoled to stay on to complete the programme, and then coach them on the importance of working without absenting themselves often—once they are on their employer's roaster. If such entities working in the rural areas are not able to build up their brand and name and make history for them, the support of corporates and share from government assistance would be difficult.

DN2012/09¹⁹, an ISID Discussion Note, advocates for the governments to reorder the entire educational network to make computer enabled so that the product of their institutions is well versed in computer literacy besides being proficient in their discipline of study and sufficiently equipped to interconnect their main discipline

¹⁷ *Op. cit* 6

¹⁸ *Op. cit* 16

¹⁹ "Information Explosion, Challenges and Opportunities", an ISID Discussion Note DN2012/19, M.M.K. Sardana.

with other disciplines on the bulwark of computer based programmes. Only on such a reordering of the educational network, the product of these institutions would be ripe for developing appropriate skills for emerging vacancies. As brought out in DN2012/09, Government of India and state governments have initiated some programmes. However, to meet the target of India for becoming international hub of technical manpower by 2022, a lot more needs to be done. 'Prime Minister's Council on Skill Development is yet to lay emphasis on reorientation of educational network in furtherance of its target of 500mn trained manpower by 2022.

Skill development profile of FICCI²⁰ lists out a number of initiatives of private sector companies such as Tata Motors, IL&FS, Fiat India, Bharti-Walmart, Jindals, Mahindra's, Volkswagen, Hero Group etc. Such initiatives laudable by themselves should be becoming more and more and the corporates would do well to view development of skills for current and future needs as a profitable business and thus investments made accordingly. An impression persists that there is the issue of convincing a seemingly reluctant industry to partner in skill building mission, to convert the need for a skilled workforce into significant demand that can be harnessed. There is lack of focus on skilling in small as well as large corporates. Industry demands but it has not reached a point where the individual will line up and pay to get skills developed. Industry does realise that it needs better skills but how much it is willing to spend on that is still unclear.²¹

Thrust for organised skill development, is, however, gathering momentum and soon more and more corporate entities would see the merit in lending their weight to the momentum as they realise that their own sustenance would rest on the availability of skilled workers in globalised network of production and services. Industry organisations have channelized the views of corporates to the government proposing that provisions of Apprenticeship Act be eased so that the industry is enabled to increase the intake of apprentices from existing 2.5 million to 30 million annually. In this connection, industry has advanced the example of Germany where

²⁰ *Op. cit* 7

²¹ *Op. cit* 16

60 per cent of the student population enters field of work as apprentice. Industry is being advised that while the changes in law may be considered in government, it should be lending its support to NSDC as a whole to concert the programme of skill development into industry supported movement rather than leaving it to a few entities as at present. Towards their end, industry is required to demonstrate through their will by setting up institutional mechanisms of their own to recruit more and more apprentices and invest in training. Industry should be giving up its attitude of complaining about lack of skilled workers and rather bear responsibility of training.²²

Government has been entering into several international collaborations with developed and industrialized countries in the U.K., Germany, Australia, New Zealand etc. to enable the technical training institutions of the collaborating countries to improve upon the programmes of training in tune with the emerging requirements of the market. Such collaborations would not only strengthen the vocational training centres but would also place in position competency and national occupation standards capable of being revised in the light of changing market dynamics. Advanced collaborating countries seek to enhance their global competence by leveraging India's skilled labour.²³

In its approach to the 12th plan²⁴, the Planning Commission on enhancing skills and faster generation of employment recognizes that with clear 'demographic dividend' India has the potential of expanding the production possibility but also can meet the skilled manpower requirements abroad. It recognizes that the three tier structure led by Prime Minister's skill council has laid the Institutional foundation for a more proactive role of public and private sector interaction and interface for harnessing the benefits of demographic dividend. Skill development is on the agenda of development programmes for the Centre as well as States. Many challenges on skill development exist and would merit attention in the 12th plan period. Planning

²² Apprenticeship Act Requires changes: Ramado Rai, August 5, 2012; news.in.msn.com/business/quick.

²³ *Op. cit* 7

²⁴ Approach paper—12th Five Year Plan; Planning Commission of India.

commission has rightly observed that so far the area of disseminating information about availability and effectiveness of training programmes has been over looked. In the absence of any effective mechanism to fill that gap, it is not possible to reassure that the system is responding to the employers' needs and corrective measures that need to be taken. There would be need to identify institutions to carry out impact evaluation studies/tracer studies/survey of vocational graduates from training institutes.

The simple fact remains that skills development is not an easy business. Not only is it a challenges to get prospective candidates into skill building institutes maintaining the principal of inclusive growth, industry has to get convinced across the board of benefits of skilled workers at higher wages and also towards its own responsibility in investing in training. Ministries of government are required to get over their jurisdictional squabbles and learn to submit to the directions of the Prime Minister's council where decisions should be emerging after taking into consideration views of all stake holders. Skill development is unique for India where India has distinct advantages of supplying the skilled labour force the world over on the wings of demographic advantage and also on the enabling infrastructure already available for accomplishing the task. Skilled man power supply is the business of future.