



ORIGINAL RESEARCH PAPER

Economics

SKILL DEVELOPMENT IN INDIA: FILLING THE GAPS TO SURGE AHEAD

KEY WORDS: Skill Development, Structural Unemployment, Inequality, Productivity, Human Resource, Training, Unorganised Sector

Dr. Sanchita Ghosh Chowdhury

Assistant Professor of Economics Xavier Institute for Tribal Education, Gamharia, Jharkhand.

ABSTRACT

India needs to get back to the growth track. To become a 5 trillion dollar economy by 2025, the required growth rate is predicted to be more than 20 percent. At the same time, India is plagued by the twin problems of inequality and unemployment. The current pandemic is making the situation worse. Therefore, together with strategising for future growth, India also needs to focus on curing herself of her maladies. Although, the skill development initiatives of the Government of India aims at neutralising the twin problems of inequality and unemployment, their performance outcomes have been below expectations. The article attempts to explore the real issues behind the slow performance of India's skill development initiatives and tries to prescribe possible solutions to overcome them. In doing so, India will be able to initiate a more realistic approach towards her 5 trillion dollar dream.

INTRODUCTION:

Skill Gap in India: A Case of Structural Unemployment

India has set up an aim to become a 5 trillion dollar economy by 2025. Right now the situation looks tough! The growth rate needed to achieve this target seems to be quite out of reach, considering that a lot of focus is right now on controlling the pandemic rather than on devising growth strategies. The fact that the pandemic is going to be with us for some time now alienates the target further. The economy is slowly recovering from the lockdown but incomes are still low in almost all sectors. An International Labour Organization (ILO) report¹ says "in India, with a share of almost 90 per cent of people working in the informal economy, about 400 million workers in the informal economy are at risk of falling deeper into poverty during the crisis". According to an article by Financial Times², "The Centre for Monitoring the Indian Economy (CMIE) estimates about 140m people have lost jobs, pushing the unemployment rate up to 26 per cent from 8 per cent before the crisis". All this point towards a falling demand scenario in the near future and makes the target seem impossible even in nominal terms (with the help of inflation). Coupled with this, are the already existing problems of inequality and unemployment, the latter being largely structural in nature.

One of the ways, to reach closer to the 5 trillion dollar economy by 2025, it seems, is to give a big boost to the demand. This necessitates that we give an equally big boost to employment. But pandemic aside, India was already suffering from a moderately high unemployment. In India, nearly 8 percent people were unemployed in December 2019 (CMIE)³. Further, the Report of the Committee on Unorganized Sector Statistics (2012)⁴ mention that in India nearly 93 percent of the total employed work for the unorganised sector at uncompetitive wages. To grow at the desired rate, India needs to purge herself of these maladies. The government has already initiated the National Skill Development Mission in 2015 with an aim to enhance employability and labour productivity and therefore fight the twin ills of inequality and unemployment. However, results are slow and below expectations. To achieve the desired results an analysis of the nature of India's unemployment and the roots of its inequality needs to be carefully examined.

The Root Cause

India's unemployment is not really a problem of job creation. India is creating enough jobs. It is just that we don't have the right people to employ. The unemployment in India is widely structural in nature. A lot of our productive sectors like infrastructure, automobile and auto-components, textile and clothing, transport and logistics, organised retail, real-estate services, health-care and food processing have huge

shortfalls in employment simply because of the lack of employable people. The annual report⁵ (2018-19) of the Ministry of Skill Development and Entrepreneurship, Government of India, has estimated the requirement of incremental human resources in different sectors with a total of an additional 103.4 million people across 24 sectors. Worth mentioning among them are building, construction and real estate with an additional human resource requirement of 30.6 million by 2022, retail with a requirement of 10.7 million followed closely by logistics, transportation and warehousing with 8.2 million and textiles and clothing with a requirement of 6.7 million people. However, these sectors require appropriately trained and certified employees who can add to the current sector productivity. That is till now, rare, and the existing gap is the proof of that.

Further, data published by the World Bank⁶ says that more than 23 percent (2019) of our workforce comprises of youth aged between 15 and 24. It can be surely assumed that most of these youths are completely unskilled or under-skilled; leading to low wages and restricted employability yielding low productivity. In support, the annual report⁵ (2018-19) of the Ministry of Skill Development and Entrepreneurship, Government of India, says that agriculture is burdened with over employment to the tune of 13.5 million people.

Hence, the skill development programmes need to be carefully tailored to prioritise the current needs of the economy in terms of trained human resource which shall prove to be the most productive. This may boost both sector productivity and therefore sector output together with the much desirable boost in incomes. Additionally, such programmes will have to be carefully monitored so that they are able to keep the economy in the planned growth path and globally competitive.

Analysing the Gap and Bridging It

The mismatch between the skills required by the employers and those that are being made available through our skill development programmes can be attributed to 4 major causes.

1. Requirement Analysis:

According to the Skill India performance appraisal by Civildaily⁷, while 62.18 percent people were certified under the Standard Training Assessment and Reward programme in 2014, only 8.5 percent of them were placed. This huge gap between skilling and employing is probably due to an absence of appropriate requirement analysis. According to the same report⁷, training under the Pradhan Mantri Kaushal Vikas Yojana overshot its target by training 1.8 million people. This too could be detrimental as the additional supply of

required labour would be far above its demand, resulting in both unemployment and falling wages.

The skill development programmes need to be carefully monitored with respect to the regional requirements and the existing educational infrastructure of the locality. For example, after receiving a certification if a person is required to travel out of his state to look for a job, it might be far less rewarding. Instead, if the skill development institutes could examine the local skill requirements and tailor their courses accordingly, both labour and industry productivity could be boosted within a short period. Employers could hire locally and employees wouldn't need to leave state, reducing costs hugely for both and thereby improving their incomes.

2. Content Revision:

Globally, the rate of innovation has increased immensely. Products, processes and technology are becoming outdated every few months. Hence, skill requirements have become dynamic. In this scenario, a careful judgement of the direction of innovation and a prediction of future skill requirements becomes necessary for a successful skill development initiative. However, that isn't easy! For example, according to the annual report (2018-19) of the Ministry of Skill Development and Entrepreneurship³, Government of India, Livelihood Business Incubators were set up for the mobile repairing sector under which training was provided to participants. In the present times, with mobile phone prices sliding heavily downwards and the rate of product innovation being quite high, the repairing industry is fast disappearing, thus making this a dying skill. Further, a look at the courses offered by universities and vocational training institutes will point towards a raging gap in this respect. For example, except a few elite universities, most others do not offer interdisciplinary courses. Again, the syllabus taught at the school and college levels haven't been updated for years! The Ministry of Skill Development and Entrepreneurship, Government of India, claims to have successfully initiated 235 private sector partnerships for training and capacity building, each to train at least 50,000 persons over a 10-year period. This could remove the existing skill gap in India to a large extent, with the correct content revision.

3. Formal Orientation of Existing Skills:

A lot of skilled labour in India is considered unskilled due to lack of certification. I know of an electrician by whom my family vouches, who has learnt the trade from his father and the skill has been handed down through generations. Amazingly, he has also kept himself updated on the changes in technology. However, he is restricted to working as a daily wage labour and that too in private capacity, working whenever work is available. These informally skilled people face two major problems; one, work is not only temporary but also uncertain and two, during crisis periods, financial, medical or otherwise, they find themselves without any economic support. If brought into the mainstream with a formal certification but without much money and time involved, these people could add to the current productivity of our economy. However, the major difficulty will be to trace such talent! An enrolment scheme could be devised for this purpose.

4. Formalising the Unorganised Sector:

The unorganised sector in India is large. According to the Report⁴ of the Committee on Unorganised Sector Statistics (2012), about 93% of the total employed in India works for the unorganised sector. Leading amongst them are Agriculture and allied activities with 99% informal workers, wholesale and retail trade with 98%, Hotels and Restaurants with 97%, construction with 92% and manufacturing with 87% informal employment. Apart from these, employment as household help, private tutors, catering services, artists etc have 100 per cent informal employment. Such informal sectors suffer from

several drawbacks. Major amongst them is the fact that the employees are mostly unskilled or semi-skilled, supply is often greater than the demand and remuneration is mostly based on bargaining skills. Without any formal pay structure, the workers often face economic deprivation. Another drawback is that since employment is temporary in nature in this unorganised sector, the turnover rate of employees is quite high. Organisations often complain that employees work at low wages until they complete their job training and then quit and join a new firm at slightly higher pay. As a result few firms are interested to invest in training and development of employees, resulting in low productivity and high costs for the activity and low standard of living for their employees.

A step ahead would be to try to formalise these sectors and bring all under the same economic umbrella. Formalising employment will improve wage rates and hence standard of living, it will increase employee retention and therefore boost productivity across these sectors. Organisations will be able to enforce continuation contracts and ensure that trained employees do not quit.

CONCLUSION

The potential gain from India's Skill Development initiative is huge. If properly managed, it can provide the Indian economy with the much needed thrust. India's biggest advantage is its young workforce and therefore India is at that crossroad where the path that she chooses will be critical in determining her future potential. Perceptive amendments of academic course content together with careful planning of skill training programmes could give India the required spurt of boosters that will help to launch her into the fastest growth orbit.

REFERENCES

1. International Labour Organization (ILO) (2020): "ILO Monitor: COVID-19 and the world of work", Second edition, 7 April 2020, retrieved from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_740877.pdf, (accessed on 22/06/20)
2. Kazmin, Amy and Singh, Jyotsna (2020): "India: the millions of working poor exposed by pandemic, New Delhi, April 30, 2020, retrieved from <https://www.ft.com/content/dec12470-894b-11ea-9dcb-fe6871f4145a>, (accessed on 22/06/20)
3. Centre for Monitoring Indian Economy(2020): "Unemployment Rate in India", retrieved from <https://unemploymentinindia.cmie.com/>, (accessed on 20/6/20).
4. National Statistical Commission, Government of India (2012): "Report of the Committee on Unorganised Sector Statistics", retrieved from <https://www.lmis.gov.in/sites/default/files/NSC-report-unorg-sector-statistics.pdf>, (accessed on 22/06/20)
5. Ministry of Skill Development and Entrepreneurship(2019): "Annual Report 2018-19: Progressing Towards An Empowered India", Retrieved from [https://www.msde.gov.in/assets/images/annual%20report/Annual%20Report%202018-2019%20\(English\).pdf](https://www.msde.gov.in/assets/images/annual%20report/Annual%20Report%202018-2019%20(English).pdf), (accessed on 22/06/20)
6. Macrotrends(2020): "India Youth Unemployment Rate 1991-2020", retrieved from <https://www.macrotrends.net/countries/IND/india/youth-unemployment-rate>, accessed on 22/06/20
7. Civildaily(2017): "Skill India (performance appraisal), September 15, 2017", Retrieved from <https://www.civildaily.com/skill-india-performance-appraisal/#:~:text=Conclusion,and%2096%25%20in%20South%20Korea,> (accessed on 20/06/20)