International Research Journal of Human Resources and Social Sciences
ISSN(O): (2349-4085) ISSN(P): (2394-4218)
Impact Factor- 5.414, Volume 5, Issue 02, February 2018
Website- www.aarf.asia, **Email** : editor@aarf.asia , editoraarf@gmail.com

HUMAN CAPITAL AND SKILL DEVELOPMENT: EMERGING ISSUES IN INDIA

Jitendra Pradhan (Ph.D. Research Scholar)
Labour Enforcement Officer (Central), Angul, Odisha
Ministry of Labour and Employment, Govt. of India

ABSTRACT

The study focuses on three main themes critical for leveraging human capital for the success of the "Make in India" initiative i.e. Skill development and Human Capital Management. Skill development of the large talent pool is seen as the most critical lever in delivering manufacturing excellence under the "Make in India" initiative. This theme details the key challenges and interventions undertaken to address the skill demand-supply gap. Viewpoints in the report highlight the future needs and areas that need immediate attention. Building people capability India is fast becoming a popular destination for career opportunities. The manufacturing sector is competing for talent with other sectors such as IT/ITES, Service, etc. This theme enumerates the challenges of talent attraction, employability and retention for OEMs as well as its partners in the ecosystem. Harmonious industrial relations are the nerve center for delivering manufacturing excellence for OEMs and its partners in the eco-system. This theme required constructs in changing times.

Keywords: Skill Development and Human Capital Management

Introduction

The concept of 'pro-poor growth' envisages acceleration of economic growth and concomitant growth in employment. In the context of India's robust economic growth of last two decades, several critical issues have drawn the attention of researchers and practitioners concerned with management of human capital. In the background of 'pro-poor growth' paradigm, factors like 'jobless growth' and 'labour market mismatch' have raised several challenges for effective management and utilization of human capital. The issues have been aptly described by the recent initiatives of Indian policy planner in the following paragraph.

'India is one of the few countries in the world where the working age population will be far in excess of those dependent on them and, as per the World Bank, this will continue for at least three decades till 2040. This has increasingly been recognized as a potential source of significant strength for the national economy, provided we are able to equip and continuously upgrade the skills of the population in the working age group. In recognition of this need, the Government of India has adopted skill development as a national priority over the next 10 years. The Eleventh Five Year Plan detailed a road-map for skill development in India, and favoured the formation of Skill Development Missions, both at the State and National levels. To create such an institutional base for skill development in India at the national level, a "Coordinated Action on Skill Development" with three-tier institutional structure consisting of the Prime Minister's National Council on Skill Development, the National Skill Development Coordination Board (NSDCB) and the National Skill Development Corporation (NSDC) was created in early 2008.

The main functions of the National Council on Skill Development is to lay down overall broad policy objectives, financing and governance models and strategies relating to skill development to integrate with national level skill gap for better management of human capital.

The paper envisages identifying issues relating to emerging macro and micro economic eco-system and its impact on human capital management eco-systems in India

Human Capital Management

Human capital management (HCM) is an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment.

An organization that supports HCM provides employees with clearly defined and consistently communicated performance expectations. Managers are responsible for rating, rewarding, and holding employees accountable for achieving specific business goals, creating innovation and supporting continuous improvement. (Gangopadhyay, 2004)

HCM is the part of enterprise resource planning (ERP) that deals with employee records. The records provide managers with the information they need to make decisions that are based and data. HCM software streamlines and automates many of the day-to-day record-keeping processes and provides a framework for HR staff to manage benefits administration and payroll, create map out succession planning and document such things as personnel actions and compliance with industry and/or government regulations.

The August 17, 2010 headline in India's Economic Times announces: "India's economy to become world's fastest growing economy by 201 percent." The article goes on to say that "driven by a sterling demographic dividend, continuing structural reform and globalization, India is poised to accelerate its growth rate even as China will cool down to a more sedate 9 percent by 2012." From renewable industries to logistics, information & communication technology (ICT) and construction, India's demand for higher skills occurs at a time when 90 percent of India's population works in the informal sector, much of it consisting of basic agriculture and services such as automotive repair and logistics that have traditionally required low skills and pay low wages.

The additional skill needs to satisfy the nation's more sophisticated demand for automobiles, travel and tourism, health care, ICT, and many other sectors seem staggering. For example, India's National Skill Development Corporation (NSDC) has forecast an incremental shortfall of 240-250 million people by 2022 in high growth sectors of the Indian economy and

the informal (unorganized) sector, the biggest generator of employment in the country (Hazarika,2011).

However, skill gaps in the informal sector have to close if growth is to be inclusive and provide opportunity for the majority of India's young people. The Indian Confederation of Industries (CII) is conducting analysis of skill needs in various high growth sectors and already has completed a number of studies that confirm that skills gaps in employability, soft, technical, and English language skills are extensive and are found at all levels of enterprises – from entry level to professional and upper levels and with all levels of education –basic through university. This finding is echoed by the World Economic Forum's Global Talent Mobility report. A recent and rigorous analysis by the World Bank finds serious skills gaps among India's engineers, who, according to employers, lack "all important" soft skills and higher order thinking skills.

(Blom and Saeki, 2011).

A 2011 survey by Manpower Group found that 67 percent of employers in India surveyed report they have difficulty in filling jobs, placing India second highest and immediately behind Japan in their survey of 40 countries. This number, according to the Manpower report, is a dramatic surge of 51 points in one year over a 16 percent difficulty rating for 2010. The most difficult to fill jobs, according to employers on a global basis are technicians, sales representatives, and workers in the skilled trades.

Increasing the skills of India's labor force has to happen on two fronts – upgrade skills to help improve the productivity of the vast majority who now work in the informal sector and produce more people with the higher level skills needed for productivity improvements in the booming formal sector. "As India embraces global technology, skill enhancement becomes mandatory to improve technology and productivity.

The Confederation of Indian Industry (CII) states that skills gaps remain one of the major constraints to continued growth of the Indian economy. The mismatch between supply and demand for skills has consequences: in 2010 some 63 million people will be unemployed. This is more than the entire population of the UK, France and Italy. During roughly the same time period, Tata consultancy Services was scouring the country so as to triple its existing workforce

of 72,000 to try to reach its financial goals in the next four years (Morris, 2006). The increase in employment opportunities is projected to grow almost exponentially, according to the various CII forecasts. For example, in the renewables sector experts forecast a nine-fold increase in employment to 20 million jobs by 2030. At the present time, industry finds it difficult to employ the graduates passing out of the Universities as well the ITI's, as they often do not have the requisite skills.

According to the CII, hidden underemployment is probably as large as unemployment. The enormous numbers of un-and under employed can become a demographic boon – but only if the skills gaps are closed. In his article, "The India Skills Gap," Richard Morris (2006) suggests that a part of the skills gap problem is that 40 percent of people over 15 years of age are illiterate, and fewer than 10 percent of India's youth go on to higher education. With half of India's population under the age of 25, closing the skills gap will require a transformation of how the country's young people are educated and prepared for work.

A national effort appears to be underway to close the skills gap. India's National Skill Development Corporation is conducting skills gaps analyses in most of India's states and in high growth industry sectors. The Federation of India's Chambers of Commerce & Industry is bringing industry and academia together to bridge the skills gap. City and Guilds, the UK workforce powerhouse, is working with the EU and CII to close the skills gap in four different types of workforce:

1. White collar salaried professionals;
2. Grey collar knowledge workers who need ICT and problem solving skills;
3. Blue collar workers who perform manual labor and earn hourly wages who need shop floor and manufacturing skills.
4. Rust collar, consists of skilled workers who now work in the informal sector in construction, agriculture, and related trades. According to CII this segment is mainly comprised of school dropouts with no employable skills. CII states the majority of the Indian population is covered under this category, and will be the special focus of the CII's Skills Development Initiative.

India's labor market – Overview

India's population is the second largest in the world. Of the total population (2011 estimated) of 1,189,172,906 billion, an estimated 500 million is in the labor force. The current estimates approximately 4.2 million in rural areas are unemployed, with 308 million unemployed in urban areas. The country's unemployment rate for youth aged 15-24 is highest for all age groups (Dev and Venkatanarayana, 2011). There are no agreed upon estimates for underemployment, but underemployment is likely much higher according to Watch, a Mumbai-based voluntary association. (Aggarwal, 2010). The India it is often argued that unemployment is not a true indicator of the gravity of the unemployment problem, since 52 percent work in agriculture, 14 percent industry, 34 percent services. The 90 percent of the labor force works in the informal sector. In India, half the population is under 25 years of age. Sixty percent of India's workforce is self-employed, many of whom are very poor nearly 30 percent are casual workers. Only about 10 percent work in the formal sector, of which 40 percent are employed in the public sector.

India's industry includes traditional village farming, modern agriculture, textiles, chemicals, food processing, steel, pharmaceuticals, transportation equipment, automotive, cement, mining, petroleum, machinery, and cement, software, and ICT services. GDP per capita is $3500. Services are the major source of economic growth; they accounts for more than half of India's output

Over 70 percent of the labor force in the formal and informal sectors is either illiterate or educated below the primary level 61percent of people over 15 can read and write. Estimates of youth unemployment (Ray and Chand, 2004) but it is likely that actual figures are much higher, if underemployment is included of the 300 million children between 6-16 only 10 percent will complete high school and go on to further education and training. The improvement in literacy rate among the youth has shown a significant increase of about 26.4 percentage points during the last two decades, from 47.8 percent in 1983 to 74.1 percent in 2004-05 (Dev & Venkatnaryana, 2011). India has the highest percentage of youth in extreme poverty, as compared to China, Nigeria, Congo, Bangladesh and other countries. (Sarkar, 2007)

What are the skills that young people need to have and to what extent are they lacking these skills? Although the skills gaps in the table below show skills gaps for new engineering graduates from the perspective of would-be employers, (Blom and Saeki, 2011) this list of skills gaps is useful for several reasons:

1) Skill criticality was factored using regression analysis,

2) Employability skills are shown to be Factor 1, demonstrating that the soft skills are the most important gap from the perspective of Indian employers even though their applicants have completed tertiary education.

3) Engineering is a core capacity that is applied in many different industries, such as automotive, construction, IT, logistics, renewable energy, and

4) Though these skills were identified by employers as most lacking in new entrants to engineering occupations, the core employability and communication skills would help youth do more productive work and presumably better paid work in the informal economy as well where entrepreneurship, soft skills and technical skills are also in demand (Sarkar, 2007). For example, the logistics skills gaps study finds that the entire sector must transform itself from closely held "Mom and Pop" businesses with relatively low skills to the high skills demanded by industry. It is often observed that getting technicians with the right skill set is a problem.

The table below confirms that the employability skills (sometimes called core, applied or soft) are strikingly similar, and that differences show up in the various technical skills required by employers in the various sectors of India's economy. It seems that, like their peers in other countries, employers want to hire first for attitude, and then for technical abilities.

Core Employability Skills	Professional Skills	Communication Skills
Integrity, Involvement with Process and product quality	Formulate and solve technical/engineering problems	Written Communications
Self-Discipline	Design a system, component, or process to meet desired needs	Reading
Reliability and entrepreneurship	Use appropriate Tools, equipment, technologies	English language skills
Self-motivation, flexibility, creativity	Apply knowledge of mathematics, science, engineering	Verbal communications

Teamwork and empathy	Customer Service	Advanced computer skills
Understands and takes direction		

Source: Blom, Andreas and Saeki, Hiroshi. April, 2011. Employability and Skill Set of Newly Graduated Engineers in India.

The National Skill Development Corporation (NSDC) is on a mission to curb India's major issue of employability i.e. lack of skilled labour. Industries and companies all over India want to employ skilled manpower and this demand is growing due to massive industrialization in India.

The government's decision to introduce FDI in retail in India is an example of the efforts to infuse more industrialization and thereby try and boost India's economy. It just left to the mercy of time to see whether such efforts will reap the desired benefits or not.

But, the major issue is that the skill gap that needs to be bridged in order to compliment or match other efforts in the process of boosting the country's economic growth. In simple terms skill gap is the space between demands of skilled manpower and the availability or supply of such skilled workforce. In order to take effective measures to close the skill gap, it is essential to work on a well-structured and properly planned path and one of the pivotal factors is the structured – planned effort is analysis of the skill gap in the country.

While NSDC already has partners like Future Sharp to provide vocational training and skill development to Indian citizens, there are other industries and corporations as well who have chipped in to support the NSDC by helping in doing a skill gap analysis in various states of the country.

Considering the ever increasing population of India and other related concerns, it could be a very difficult task to do proper analysis and study. Let's just hope that this mammoth task of can be accomplished to the best of the efforts and the NSDC can get good enough, if not accurate, statistics to work with.

A Case for Human Capital Management: 'Skill Enhancement for TIME (Telecom. Internet, Media and Edutainment)' in India

India has gradually evolved as a 'knowledge-based economy' due to abundance of capable, flexible and qualified human capital. With constantly rising influence of globalization, India has immense opportunities to establish its distinctive position in the word. However, there is a need to further develop and empower the human capital to ensure the nation's global competitiveness.

Despite the emphatic stress laid on education and training in this country, there is still a shortage of skilled human resources to address the mounting needs and demands of the emerging economy like TIME sector. As an immediate necessity, there is dedicated initiative to achieve formal / informal training of skilling 150 million people by 2020.

As a part of innovation, several experiments conceptualized by e-learning delivered by a massive open online course (MOOC) can effectively add to the existing channels of management of human capital. MOOC programmes are aimed at unlimited participation and open access via web. Currently experiments are providing skilling and updating of skills in TIME space. Similar innovation can be initiated from other sectors and it will definitely enhance employability of large number of Indian population in the coming years.

Conclusion

Closing the skills gaps of India's youth so that they can take advantage of the increased demands for higher skilled jobs in the booming economy will require a complete overhaul of the country's vocational and technical education system. For inclusive growth, the education and training system must provide easy horizontal and vertical mobility. Movement from vocational school to technical college and university should be as seamless as possible. Many industries and occupations facing critical shortages and gaps in skills are not as sought after by youth, possibly because of low pay, prestige, or working conditions. Fortunately for India, the Federation of Industries and Employers are identifying skills gaps and academic institutions and industry federations are building bridges to link universities to industry needs. It is argued that

there is not enough evidence of the serious efforts of developing bridge between secondary schools, vocational schools and industry. It would seem that more bridges are needed to prepare those young people who cannot go to university but who could fill many of the skilled technical jobs in India's booming economy.

References

1. Aggarwal, Megha. 2010. Plugging the Skills gap. India Together. Newsletter.
2. Blom, Andreas and Saeki, Hiroshi. 2011. Employability and Skill Set of Newly Graduated Engineers in India. World Bank Policy Research Paper 5640. CIA Factbook: India
3. Confederation of Indian Industry: 2008. Skill Gaps in Indian Automotive Service Sector. Conducted by KPMG.
4. Confederation of Indian Industry. October, 2010. Human Resource Development Strategies for Indian Renewable Energy Sector. Final Report
5. Confederation of Indian Industry. 2007. Skill gaps in the Indian Logistics Sector: A white paper. Conducted by KPMG.
6. Dev, Mahendra S. and Venkatanarayana, M. 2011. Youth Employment and Unemployment in India. Indira Gandhi Institute of Development Research, Mumbai.
7. Economic Times. India to become world's fastest growing economy by 2013-15: Morgan Stanley. August 17, 2010. Available online at:Federation of Indian Chambers of Commerce and Industry (FICCI). 2006? Industry-Academia Convergence "Bridging the Skill Gap." Mumbai.
8. Gangopadhyay, Abhijit. , 2004 Mismatch in Labor Market: Asian Experiencepublished by APO, Tokyo
9. Hazarika, & Namrata Kath. 2011. Reduced skill gap among SMEs to promote inclusive growth. An interview with SME Times.

10. Higher Education Forum. 6 March 2010. Skills Gap Survey for the Indian Banking, Financial Services, and Insurance Sector. Westat India and 1SOS'

11. Manpower Group. 2011. Talent Shortage 2011 Survey Results.

12. Morris, Richard. 2006. The India Skills Gap. The skills gap which threatens the IT boom in India. National Skill Development Corporation Automotive Sector Forecast.

13. Ray, S. and Chand, R., Socio-Economic Dimensions of Unemployment in India, NSSO, New Delhi. Available online at: mospi.nic.in/mospi_seminarseries_nov04_4_1_final.pdf

14. Sarkar, Tirthajyoti. 2007. Higher Educational Reforms for Enhancing Youth Employment Opportunity in India. 2007 CIPE International Essay Competition.