

A Review of Skill development and MSMEs in Gujarat

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Abstract:

Gujarat is at the forefront as far as entrepreneurial activity is concerned and is home to a diverse range of industries, which include the MSMEs. As MSMEs are subject to the vagaries of the global economy, the need to be globally competitive in terms of quality of output, timely delivery, and innovative approach and cost effectiveness gains significance. Today one of the biggest challenges facing industry the world over and MSMEs in particular is availability of skilled manpower. India and especially Gujarat is no exception and despite having 5% of the population, there is a dire need to get the right talent that will be a deciding factor for the success of any enterprise. This paper looks at the present status as well as the potential of encouraging Skill development to meet the needs of the MSME sector in the state

Keywords: Human Resources, MSME, Public Private Partnership (PPP), skill Development

Overview of the MSME Sector in Gujarat:

Hirway has stated that from 2000 to 2008, India's GDP grew at 7.68 compound annual rate of growth (CARG) while Gujarat's SDP rose at 10.76 CARG. During this period, the secondary sector in the state grew at 11.16% and the tertiary sector at 10.27%, against the corresponding all-India rates of 8.31% and 7.68%. If Gujarat is at the forefront in attracting investments for industrial development, the MSME sector has made significant contribution in its double-digit growth. MSMEs typically have grown from trading in commodities, to low value addition to high value addition requiring highly skilled labour. As per the figures given in the Report by the Industries Commissioner of 2009, 2.3 lakh working MSMEs gave employment to 12.9 lakh persons of which 81% were from the urban areas and 19% from the rural areas rural areas. If the caste-wise break-up is to be seen, it is General category 42%, Scheduled caste 11.2%, Scheduled Tribe 16.5% and Other Backward Castes 29.9%.

By nature, MSMEs are heterogeneous, dispersed and may be also be unorganized with diverse types of production units ranging from traditional crafts to high technology industries that serve as ancillaries to large industries. The traditional segments include power-looms, handlooms, handicrafts, food processing, coir, sericulture, khadi, village industries, wool, often seen as rural livelihoods. However, they embody the spirit of entrepreneurship and innovation.

Overview of the Availability of Human Resources in Gujarat:

There are over 7 million students enrolled in different higher education courses in different disciplines. However, it is found that most students who qualify from these institutions prefer to join large companies or other secure jobs rather than take the plunge in a startup or small company. It is ironical that MSMEs being more labour intensive in nature, are the second largest employer after agriculture and hence their need for labour and the opportunities they offer are tremendous. The end result is that MSMEs take to hiring semi skilled or unskilled workers and invest a considerable amount of time, money and effort in providing them the necessary on the job skills.

Unfortunately, the returns on such investment do not bear fruit for long as these persons then gain employable skills at the cost of their MSME employer and therefore are ready material for the larger and more established companies to poach upon. Are MSMEs therefore to become the de facto training grounds for the large sectors without being able to reap the benefits of their investment? Another trend in the past was that large a number of manual workers were drawn from hitherto backward states as Bihar and parts of Eastern Uttar Pradesh. However, the Central and State governments have been encouraging investors to set up industries and hence creating job opportunities in these areas has resulted in migrant labour from these areas returning to their own homes. This is adding to the large human resource crunch in Gujarat. The situation is expected to be further exacerbated as efforts are on to ensure all part of India get the benefits of development. While this is a welcome effort on the part of the Government of India and the concerned state governments,, it is likely to seriously affect the availability of manpower in Gujarat.

Besides unskilled persons,, even those students who come with qualifications, degree, diploma or ITI, need a good amount of in-company training before they are ready to contribute to the company's operations. Here again with all the inputs of the employer, the employee gains critical employability skills and depending upon his capabilities is poached by another employer offering better monetary returns and/or more secure employment.

Coupled with this is the efforts of the state government to invite investment from across the world through its Vibrant Gujarat initiatives. This would translate into large-scale demand for ready skills of an international standard.

It is not possible to prevent or lower the attrition rate especially in the case of younger employees and fresh applicants. The urgency however, is therefore to ensure a large pool of trained manpower available to industries at all levels therefore becomes imminent.

Irony of Unemployment:

While on one hand, we are looking at a human resource crunch for industries and especially for the MSME sector, the employment scenario on the other hand needs to be considered. Hirway and Shah show that in Gujarat (2008-09) that though the non-primary sectors i.e. manufacturing and services contribute more than 85% of the State Domestic Product (SDP), their contribution to employment is only 45% of the workforce and the remaining 54.4% is from the primary or agriculture sector. Further there is a tremendous gap between productivity of labour in the primary and non-primary sectors, i.e. 1% of gross state domestic product (GSDP) is produced by 3.34% of the workforce in the primary sector whereas 1% of GSDP is produced by 0.54% of the workforce in the non-primary sectors which translates into one-seventh that of the primary sector.

The good news however is that Gujarat had lower unemployment rates compared to the rest of India. The rural rates were particularly much lower, 6.0%, 1.0% and 4.0%, respectively for men, women and for both, against the corresponding all-India rates of 10.1%, 4.1% and 7.1%, respectively. Urban unemployment rates in Gujarat, though much higher than those in rural areas, were lower than the corresponding all-India rates.

The discussion regarding the 'demand and supply' on employment is common. However the concern regarding employability of Indian youth including those in Gujarat needs to be looked at as a key issue. Un-employability seems to be a much wider in its proportions than unemployment. Employability is estimated to be only 13-14% in India and Gujarat figures are in line with this trend. "Un-employability indicates that, skill deficit could be more dangerous than infrastructure deficit as it indicates inequality." The need is therefore to overhaul the education and training system, if this issue is to be tackled effectively. It is estimated that the skill deficit repairing costs could be pegged at Rs.4.90 lakh crores over two years.

Studies points out that, 53 per cent of employed youth suffer some degree of skill deprivation; 57 per cent suffer from some degree of un-employability. This situation perpetuates inequality of opportunity. The remedy for this is not just financial or budgetary allocations but also large-scale structural changes in the education system.

About 90 per cent of the employment opportunities require vocational skills and correspondingly about 40 per cent of the working people in the 15- 70 age group were found to be illiterate and only 7 per cent in the 15-29 age bracket were found to have received some form of vocational training or technical education. According to some estimates, by spending just 10 per cent of GDP(Rs. 4,90,00 crores) on skill repair , the country would be able to generate extra income of 61 per cent of GDP (Rs. 17,51,487 crore) for the current unemployable youth.

It has been estimated that India will face huge skills gap in some job categories due to low employability over the next 20 years and this is going to be coupled with huge global labour shortage. Despite high unemployment, the global economy has entered a decade of unparalleled talent scarcity, which can adversely affect economic growth in both developed and developing countries.

A report of the World Economic Forum shows the magnitude of an impending global labour shortage by analysing talent shortages across 22 countries and 12 industry sectors and argues that talent mobility can stimulate economies in both developed and developing countries. The workforces of India and Brazil will grow by more than 200 million people over the next two decades. By 2030, the developed world will need millions of new employees to sustain economic growth. Of these, the United States will need 26 million employees by 2030, and Western Europe will need 46 million employees if they are to sustain their average economic growth rates of the past two decades.

By the year 2050, it is estimated that the global population of 60 years and older will exceed that of 15-years-old or younger for the first time in history. Hence the high unemployment rates of today actually mask longer-term talent shortages that may affect both developing and developed countries for decades. In most developing countries — not affected by demographic shifts — strong economic growth and the limited employability of the workforce will lead to large skills gaps in some job categories. Nations and industries will be particularly challenged by the shortages of highly skilled talent. In today's global and fast-changing business environment, access to highly skilled people, i.e. those who possess essential expertise is crucial to succeed and grow. Some industries, such as business services, IT and construction, are likely to experience significant skills gaps. Countries, as Japan, Russia and Germany, will face shortages of highly skilled employees in many industries.

The solution to this global talent crisis can be increased mobility among countries. Contrary to conventional wisdom, greater mobility can benefit not only nations that receive talent, but also countries from where talent is drawn, especially large ones such as India. Countries need to prepare for demographic shifts and a fast-changing labour market environment by defining adequate education and migration policies. Thus, this global crisis can actually turn out to be a great opportunity for countries like India and its large young population.

While the need for skilled manpower is required, there is also the need for managerial and supervisory skills. According to Banerjee and Khajuria (20130) it is found that many enterprises fail due to “Managerial incompetence” as they are unable to manage their human resources effectively. Thus, while developing entrepreneurial skills, developing the human resource management skills are of upmost importance irrespective of the domain knowledge the entrepreneur or manager belongs to. Entrepreneurial training imparted by CED develop entrepreneurs in state at urban and rural areas should also focus on the HR management component to ensure that human capital is managed effectively.

Current Status of Education in Gujarat and Initiatives of the Government of Gujarat:

The current rate of literacy in Gujarat stands at 79%, which is slightly above the all India rate of 74%. Table 1 below indicates the number of educational institutions in the state. Some of the national level institutes of repute include Indian Institute of Management, Indian Institute of Technology, Nirma Institute, PDPU and many more. The state government has permitted the setting up of private universities under Private Universities Act 2009, thus giving a push to the number of seats available in management, engineering, pharmacy, medical, nursing and many other disciplines. What is important to ensure however, that quality of education is not sacrificed at the altar of quantity of seats.

Table 1: Educational Institutions in Gujarat

Government Schemes	Number of Institutions
Universities, Research Institutes, Institutes of National Importance	62 (Including IIT Gandhinagar, IIM Ahmedabad and NIT Surat)
Govt. Colleges	71
Grant in Aid Colleges	356
Self Financed Institutions	605

SOURCE: NSDC Report 20121

Gujarat has been both an entrepreneurial as well as a knowledge society with comparable educational infrastructure of repute. During 2001-11 the Government of Gujarat has begun various initiatives in higher education and technical education. Continuous efforts directed towards enhancing the capacity and quality of education has resulted in substantial increase in number of students from other states coming to Gujarat to access quality education. As per 2010-11 statistics, Gujarat has over 8.9 lakh enrolments in higher education across various streams and its position is eighth amongst all states in India. Faculty wise breakup of enrolments in Gujarat brings out clear focus that the state has emphasized upon improving technical education over the years with Engineering/Technology enrolment proportions higher than the national average.

The Knowledge Consortium of Gujarat was established by the Department of Education, Government of Gujarat it “envisions to generate and provide ideas and paradigms for achieving excellence in education, educational management and policy framing for education in general and higher education in particular so as to ensure that Gujarat carves a unique niche for itself in the global knowledge society in the 21st century.”

However, besides having a large pool of engineers, manager and supervisors, the need is to have an even larger pool of shop-floor workers. Hence, the emphasis should be on increasing the quantum and quality of vocational training. This is the strategy used by many developed nations as Germany and Switzerland, which has focussed a great deal on VET or Vocational Education and training. Our Industrial Training Institutes (ITIs) are the institutions that need to be further developed and their functioning enhanced. In various policies enunciated by the state government in the Vibrant Gujarat presentations, it is the intention to create “industry responsive, readily employable, skilled manpower.” The State government has introduced various schemes for training of industry responsive manpower. Currently Gujarat has 738 ITI(s) with a total seats of 149,545 seats.

The State Government for its part is seized of the matter and the State Industries Department is setting up Skill Upgradation Centers (SUC) for MSME manpower in GIDC Estates. It is hoped that this would create “industry responsive and employable manpower” for the MSMEs in the area.

The approach of cluster development has resulted in 83 product multi location industrial clusters e.g. Foundry cluster in Ahmedabad and Rajkot, Electrical Engineering Cluster in Baroda, Textile and Diamond Cluster in Surat, Ceramic Cluster in Morbi and Kadi, Cotton-Ginning, Pharmaceutical Cluster in Ahmedabad and Baroda, Celium Husk Cluster in Unjha-Mehsana.

In its efforts to internationalise its industry in Gujarat, MSMEs would have a strategic role and an excellent opportunity as ancillaries and vendors to these units. Hence, the need to promote technological capacity building, which translates into good quality, timely delivery and effective customer support, is crucial.

Under the scheme of assistance to MSME under the Industrial Policy 2009 for Skill Enhancement, 50% of fees, subject to maximum Rs. 5000 per person are payable for a minimum one week duration training of skill up-gradation in MSMEs in a programme conducted in institutions suggested by an Anchor Institute or specialized institution in specific sector will be reimbursed. The minimum batch size for such training assistance should be 25 trainees. Further, Assistance for Contract/ Sponsored research work from any industrial unit / Industry Association to recognized R&D Institution/ technical colleges approved by AICTE, will be considered @ 50% of project cost, excluding cost of land and building, subject to maximum Rs. 50 lakhs.

The Centre for Entrepreneurship Development (CED) the first of its kind set up in Gujarat with branches in many districts is also aimed at increasing private participation in vocational education. A large number of prospective entrepreneurs are given intensive training in running an enterprise and provided support in formulating their project proposals.

There is a big opportunity for private players to contribute to the education sector by participating in the Public Private Partnership (PPP) for setting up institutions for imparting degree, diploma, and vocational skills and even at the school level. Currently seven PPP initiatives have been approved with players including General Motors, Tata Motors Pvt Ltd and Powai Labs. Employability enhancement measures through initiatives like UDISHA (Universal Development of Integrated Employability Skills through Higher Education Agencies) and finishing school, language training programs (SCOPE) are undertaken by the state Government. Apart from initiatives to provide “skill” based training to employees, the state government has also initiated measures to provide flexibility in curriculum selection for students across levels of higher education Initiatives like Choice Based Credit System (CBCS), CoE in vocational education ,Active Learning Methodology(ALM), – a practical learning approach etc. have been introduced to increase the quality of education that is being imparted and to make it more relevant and interesting for the learner..

There is also a need to increase the accessibility of education and training for disadvantaged groups. Special training programs for girls in schools through Gujarat Knowledge Society are being organised in collaboration with training partners like IL&FS, NIIT and HCL.

Training Opportunities in MSMEs:

While the ‘employability’ problem is a phenomenon in a growing economy, it has serious implications for the prospects of MSMEs. As a growing economy the recent tendency in India is towards polarization of development, which also implies much greater migration towards the pockets of development. We see this even in certain regions of Gujarat, which are comparatively less industrialised. It is seen that enhanced opportunities and greater communication facilities contribute to greater attrition. The impact of attrition can be brought down only through a greater skilling process.

This happens only at a much lower rate among SMEs due to: 1) poor capacity of these units to spend on training; and 2) limited incentive on the part of labour to go for such training.

However, in MSMEs, owner manager spends considerable amount of time and effort in on-the job training of unskilled workers in the hope of making suitable for his job requirement. It is also the experience of many employees that smaller companies because of their flexibility provide a much more all-round experience of the business than larger companies that are typically well structured and department oriented. However, because of the lower resources available to MSMEs for formalised skill training and up-gradation, industry associations and Chambers of Commerce can play a proactive role in organising these programmes within various industrial estates.

Conclusions and Recommendations:

There is a huge disparity between the current educational system and the demands of the industry. This is the root cause of the skills problem in the Indian labour market and industrialised states as Gujarat are facing the brunt. The problem can be tackled by a combined initiative from the government as well as private sector participation. The role and potential of the private sector both in education and skill generation needs to be enhanced. With the shortage of capacity in the Indian educational system, besides the quality of education, there is great scope for a much closer interface between industry and vocational training. Industry should take leadership in skills training, qualification and assessment as is the case in developed countries. This strategy is an imperative if the education system is to industry required skills in this increasingly globalised world.

The requirement for Apprentices to be given opportunities under the Apprentices Act can be used very fruitfully by industries especially by the MSMEs to train and prepare their future manpower requirements as per their requirements. More support from the State government in terms of providing subsidies for the stipend would greatly encourage both employers and job seekers to utilise this opportunity to contribute to skill enhancement

While it is conventional to human resource development to treat entrepreneurs and workers as two entirely distinct categories, in the present globalised context this difference is reducing as in many cases the employee in later years turns into an entrepreneur, a shift which is increasingly taking place in the IT sector. On the other hand, entrepreneurs who are unable to sustain their business returning to the ranks of employees is also common. It is essential that public policy should be able to maintain the pool of value creators in our society by supporting the entrepreneurial resources and hence consistently evolving and innovative approaches to MSMEs.

Advantage Gujarat with its entrepreneurial spirit, comparatively good governance, large Diaspora, techno savvy youth now needs to move from the present mindset of Jugaad to the Jhakaas level of giving world class products. For that to happen we need human resources with top global level skills and with an approach for continuous learning. While government would be providing the infrastructure and the eco system, the role of large industries, MSMEs, industry associations and Chambers of Commerce would be invaluable in both designing of course curricula, as well as providing students with practical exposure during their training. The efforts of the GTU Innovation Council to encourage industry institute interaction are laudable. It is hoped that these initiatives would catch on and we would have our own Gujarat Model of Skill Development to show case to the world.

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