

Skill Development for a Competitive Economy in India: Anticipating and Matching Labour Market and Skills Needs

Gipson Varghese

Introduction

With an increasing global competition, rapid technological intensification and highly young population, skill development for an advanced and competitive India has come to the forefront of policy debates. It's high time for India to invest highly for providing learning opportunities for all sections of society, because India has a great shortage of skilled workforce in all sectors. From the time of independence, various policies have taken to reduce the gap between rich and poor through the provision of literacy programmes. Till now we have seen various educational reformations for the betterment for educational standards of youth and adult who are out of schooling provision. But, evidences show that our society faces an acute problem of unemployment which is the direct cause for the poor living standard of people.

Global economic crisis have caused several economic and social challenges in both developed and developing countries by lowering industrial production, slowing exports, increasing unemployment rate, serious drop in investments etc. Interestingly, the recent trends of Indian economy show that the country is less adversely affected by the negative shocks of the global economic crisis because of limited integration of financial markets and serious global checks over growth and investment spending in export-oriented sectors (Pradhan, J P, 2009: Ghosh, J, 2009). Though the financial sector does not have serious short-term impacts, it is an opportunity to look into other development sectors, especially social welfare services (education, health etc.) because a joint report by the United Nations and the Asian Development Bank (ADB) warns that the global economic crisis could trap an additional 21 million people in the Asia-Pacific region in extreme poverty, living on less than \$1.25 a day (UN-ADB Report, 2010).

India is a country with vast resources, both natural and human resources. But, sad to say that we are unsuccessful in utilizing these resources. Statistics shows that IT sector can gain a lot for India by providing best services and new technologies. Together with IT, other areas of service sector also boost up the economic strength. But we are unable to compete with other international giants. Because we are acknowledging only less than one fourth of our capacities. If we have better plans and programmes for a better human resource management, India would grow fast. To that end, we need to develop more 'education power houses', which would equip the unskilled and under-privileged.

Indian economy is considered as one of the fastest growing economies globally. In addition to a steady growth pattern, India is going to become a super power with its high-tech talents. One of the greatest advantages for the Indian economy

is the sustained growth of the workforce population. It is estimated that from a 77.5 crore in 2008 the Indian working population is expected to increase to 95 crore in 2026. This trend is so significant when we compare the graying economy in all Western and European countries. It is also reported that by 2020, the average Indian will be only 29 years old, compared to 37 in China & US, 45 in West Europe and 48 in Japan. The crucial point here is to sustain a skillful and competitive labour force through better education and other learning programmes.

Education and Development

In development literature, education is considered to be an important factor for socioeconomic development because 'we live in an age when there is great optimism about the power for education to influence the well-being of individuals and nations' (Lauder, 2006). Modern society has benefited more from education. But at the same time there are social problems which may prevent education being given to all. Social and economic growth will be at a risk without basic education. 'Educational equality is treated as one means of reducing economic and social inequality' (Singh, 1997). As a social process, education helps to achieve social cohesion and equality in society. Therefore, acquiring 'education for all' has become the primary concern in the process of growth and development for all developing countries. In addition to the country-wise planning, achieving universal primary education has become the second most objective of the Millennium Development Goals (MDGs) of the United Nations (2007).

Since education and skill formation have helped technological development, policy makers have understood the role played by education in imparting information to the society for all-round development. 'The education and training of men and –although often neglected- of women contributes directly to economic growth through its effects on productivity, earnings, job mobility, entrepreneurial skills, and technological innovation. In addition, education has important indirect effects, as female participation in schooling slows population growth and spreads better health and nutrition and practices' (Aggarwal, 1990). Experiences from the development patterns of many Western and European countries reveal the fact that if education is properly imparted, socio-economic growth and equality can be attained. The development process of the Asian Tigers also shows that proper economic and human capital policies and practices enhance the society.

In social science research, there is a strong link between investment in education and economic growth for both individuals and countries and more stress is given for a reasonable investment in education and training in response to

technological advancements (Denison, 1962 in Rubenson, 2006). In countries like India, with plenty of human resource, increased investment in education is essential to boost-up the growth and development. According to Dreze and Sen (2002), 'development is the creation of freedom and opportunities- freedom in the form of literacy, social and cultural freedom and opportunities for economic development'. Education is, therefore, been regarded as an important agent of rapid growth with equity. While explaining the reasons for East Asian 'economic miracle', Andy Green (2007) has pointed out five areas such as: culture, geography, geopolitics, historical timing and policies, the latter including both economic and social policies, including education, the most prominent are those which focus on economic and human capital formation policies.

There have been several educational programmes in India, even from a precolonial period. Though those programmes were to impart education to people, a system was developed to create privileged people with better information, where the majority was unable to access education. Even today, our education system supports those who are able to access. Though the accessibility is a crucial point, it is also important to look into the quality of education that the state is providing. At present we have a high rate of unemployment. In addition to a high unemployment rate, our system also faces high rate of drop-out and also a similar situation of out-of-school symptom. These occur even when we have several programmes to attract students to schools. It is now right to evaluate our educational programmes to know whether our system produce pupils according to the needs of the society. An examination of these trends would indicate a fact that there is a lag between the supply and demand of skilled people.

While Indian economy is progressing, the needs of the society and the demand of the economy would also change. Our educational system should also provide skilled and competent man power to face these radical changes. For that we need more learning programmes to equip all sections of the society. Vocational education and training programmes should get adequate consideration and the importance can only be understood if there is a proper mechanism to study and anticipate the labour market needs. In order to maintain an inclusive society, lifelong learning programmes should also be given prominent importance. According to OECD report 'at a time when it is so important to invest in knowledge, skills and capacities that are relevant to economies and societies, particular pressures will be faced in those systems which rely on a major component of work-based training as part of vocational education and training at the secondary or tertiary levels' (OECD, 2009).

For a sustainable development process, we need a system to identify and

anticipate labour market needs. At present we have only programmes to identify and provide skills. Since the need of the economy is changing, the needs of the changing situations would be different from now. Then the skill and capacities of the personnel would be different. In order to understand the development process and the emerging needs, we need a system to anticipate and plan such educational programmes. 'A windfall awaits those looking for lucrative employment avenues with just four sectors --IT, telecom, banking and healthcare -- expected to generate over five lakh jobs by March next year', says experts (Indian Express Finance, 2010). Experts continue to say that 'at various global consulting firms, financial year 2010-11 comes with huge job opportunities across sectors and different hierarchical levels in companies'.

Skill development for a competitive economy

Skills matter: skills mean employability and mobility. They are critical drivers of economic and social growth. A strong skills base is pivotal to jobs, to productivity and to our national prosperity. Together with the provision of learning new skills, skills upgrading and acquisition of new skills are very important. To support the young economy, our educational institutions (power houses) need to impart knowledge and skills for a rapidly changing economy and society. Education has always been a critical investment for the future, for individuals, for economies and for societies at large (Ischinger, Barbara, 2009). At present, India requires various lifelong learning programmes to support the growing number of workingage people. A lifelong approach for India is relevant thorough planning updated educational opportunities for children, vocational education and training for those who are out-of-school provision as well as to for those who were unable to learn. Towards an aim of preparing a skilled manpower, the Government of India has set up National Skill Development Coordination Board (NSDCB).The broad objective of this board is the 'creation of a pool of skilled manpower in numbers with adequate skills that meets the employment requirement across various sectors of the national economy', (Planning Commission, 2009). There are several boards and commissions to prepare skill development programmes and the vision for this initiative is as follows;

Massive Ambition: Our aspirations must exceed our current resources. Our vision should create 500 million skilled people by 2022.

High Inclusivity : We must design the skill system for inclusivity and to deal with the divides of gender, rural /urban, organized / unorganized employment, and traditional /contemporary work place.

Dynamic and Self-healing: The system must be designed so that supply (trained candidates) adjusts dynamically to changes in demand.

For a dynamic, inclusive and a competitive economy, we need to promote learning programmes to impart needed skills and competences. Systematic approach to understand the needs of the society would help us to understand that we have to prepare both students and working class community. Because, our society is rapidly changing where opportunities would be available for all. Skills are important for the Indian economy due to several reasons:

Economic reasons: to make the economy more competitive and advanced

- we need high quality and more innovative products delivered by higher skilled people
- we need to encourage creativity and entrepreneurship
- we need economic restructuring (for a recovery from crisis)
- to solve the skill mismatch in the labour market
- to absorb the opportunities in the high-tech market and to strengthen the economy with new business opportunities

Social reasons: to maintain social cohesion

- most of the people are not sufficiently skilled (1.3 million unskilled and unqualified school dropouts and illiterates), therefore it is very important to provide opportunities for low skilled people to upgrade, adapt and widen their skills portfolio
- only one fourth of people have high level qualifications and at the same time they are likely to upgrade their skills and follow lifelong learning

Demographic trends: for an inclusive society

- Indian society is benefiting the demographic dividend (with more than 50 per cent of working aged population), therefore suitable and relevant skills need to be imparted.
- Among the workforce of 400 million, 30-35 percent is female, and within this section, only 20 percent work in urban India particularly in the IT BPO Industry, therefore more gender participation is inevitable for a sustained and equitable society.

Together with the socio-economic and demographic trends, there are some specific reasons which promote the need for 'right' SKILLS.

Skills;

- for a productive and satisfactory work
- moving us out of recession into recovery
- best guarantee of our ability to sustain our growth and secure lasting economic success
- important for personal development and well-being

- adds to employability- better paid work + productive and Satisfied

Suggestion to anticipate labour market needs

From the above said facts it is evident that Indian economy is growing steadily and rapidly but the prosperity would be sustained only with the support of a skilled labour force. It is also evident that we have a powerful labour force and a functioning system but we lack something. After a systematic analysis of the present status, I have found that we lack a co-ordination of academic institutions (those who are providing skills) and the labour market (employers who absorb the skilled personnel). It is also understood that the existing educational institutions are not providing the employable or necessary skills. Therefore, I would like to argue for a system for matching and an anticipating labour market and skills needs.

Why a matching of labour market and skills needs is important? It is so important because the present statistics depicts the fact that the unemployment rate is rapidly increasing and many lose jobs. At the same time there is an increased growth of performances of the secondary and the tertiary sectors of the economy (especially the service sector). It shows a mismatch with the demand for and the supply of skills.

Why an anticipation of labour market and skills needs is important? The growth and development pattern of the Indian economy and society clearly depicts that we need to be prepared for the future, more specifically, anticipation of skills for a better labour market. The economy is growing and will be so competitive in the coming years. Therefore it is important to analyze the trends of growth of different sectors and to anticipate new and important skills suitable to the emerging market.

References

- Aggarwal, J.C. (1990) Educational Reforms in India World Perspective: A Comparative Study of Education for All By 2000 AD and National Policy on Education (Doaba House: Delhi).
- Dreze, Jean and Sen, Amartya (2002) INDIA Development and Participation. (Oxford University Press: New Delhi).
- Green, A and A.W. Little, et. al. (2007) Education and Development in a Global Era: Strategies for Successful Globalization. (Department for International Development: Educational Papers, UK).
- Indian Express Finance (2010) 'Jobs galore in FY 2010-11', Sunday April 11, 07:40 PM, available online at <http://in.biz.yahoo.com/100216/50/bav3c1.html>
- Ischinger, Barbara (2009) 'Investing and Innovating in Education for Recovery' in Education at a Glance
- Lauder, H, Brown, P, Dillabough, J and Halsey, A.H (2006) Education, Globalization and Social Change (Oxford University Press: UK).

OECD, 2009, Globalisation and emerging economies, Policy Brief
Planning Commission, 2009, COORDINATED ACTION ON SKILL
DEVELOPMENT

Pradhan, Jaya Prakash (2009) How Did Decoupled Become Coupled? India's
Miracle Growth Drops, *Economics, Management & Financial Markets*, Sep2009,
Vol. 4 Issue 3, p37-43

Rubenson, K (2006) Constructing the Lifelong Learning Paradigm: Competing
Visions from the OECD and UNESCO. In Ehlers, S (Eds.), *Milestones towards
Lifelong Learning Systems*, (Danish University of Education Press: Copenhagen
NV).

Ghosh, J and C. P. Chandrasekhar (2009) The costs of 'coupling': the global
crisis and the Indian economy. *Cambridge Journal of Economics*, Vol.33, p725-
739

Singh, R.P and Shashi Prabha (1997) Equality in Education: Present Position
and Future Trends. In R.P.Sinha (Eds.) *Inequality in Indian Education*, (Vikas
publishing House Pvt Ltd: New Delhi).

UN-ADB (2010) *Asia- Pacific MDG Progress Under Threat from Global Economic
Crisis-ESCAP, ADB and UNDP*. Joint report calls for strengthening social
protection. Available online at [http://www.adb.org/Media/Articles/2010/13160-
asian-developmentgoals-threats/asian-mdg-threats.pdf](http://www.adb.org/Media/Articles/2010/13160-asian-developmentgoals-threats/asian-mdg-threats.pdf) (accessed on 18
February 2010).