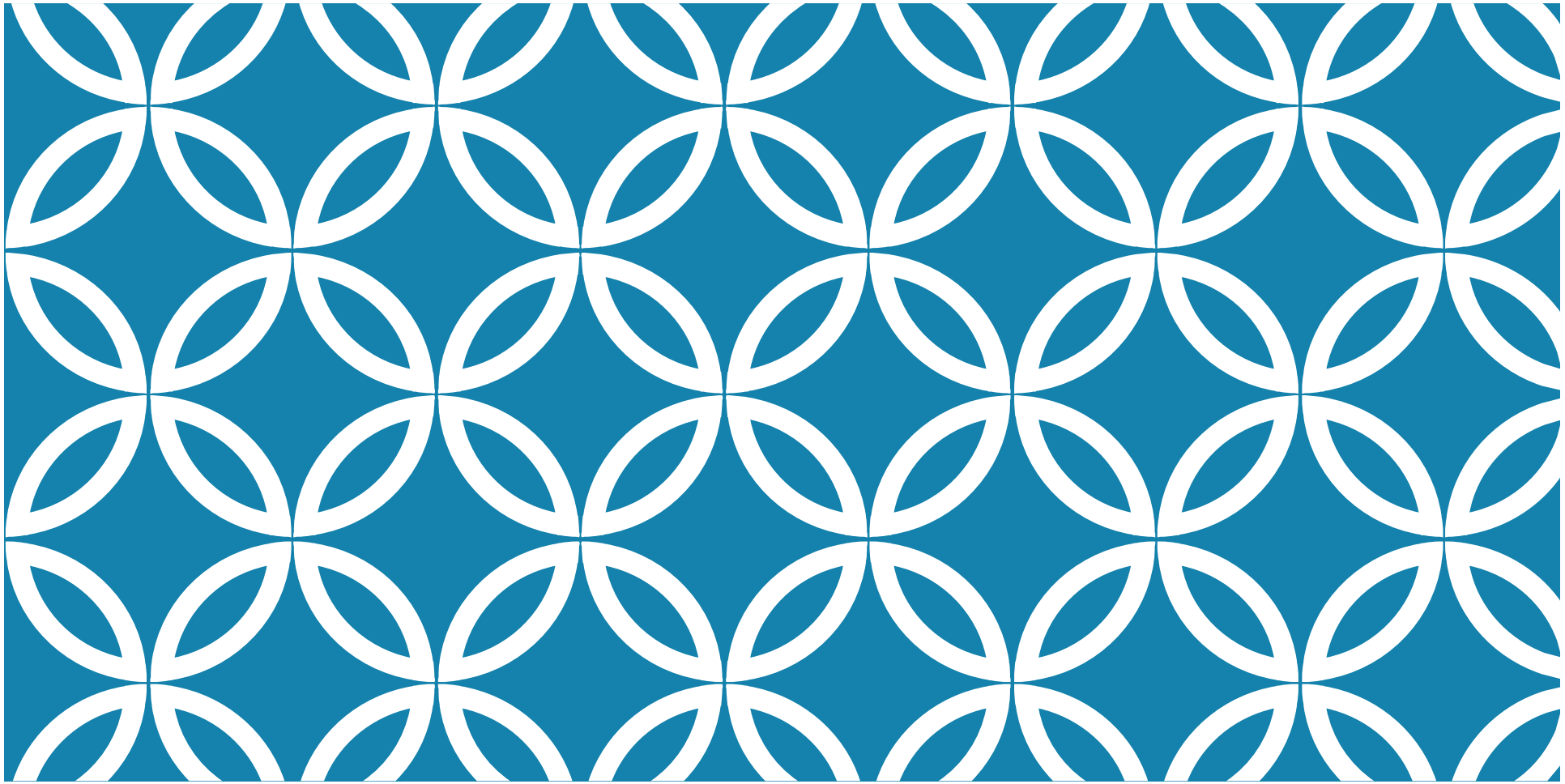


Implications of Skill Incongruity on Leveraging India's Demographic Dividend

DR. SUBHENDU KUMAR RATH

Introduction

- In today’s era of knowledge based economy, quality of workforce is more important than quantity.
- In fact having a lower head count of skilled manpower is much better than a manpower whose larger portion is unemployable.
- Skill mismatches mean that unemployed people need much longer time to find a new job, which in turn drives up long-term unemployment.
- Skill mismatch entirely impairs the job creation landscape.
- This particularly affects the young people, who get most of their training and education before they start working or early in their careers.
- Considering the present situation, is this the future holds for India?
- And this is one of the biggest conundrums that we as a nation are ever going to face.

The dynamics of Employability

- Employability refers to a person's capability for gaining and maintaining employment (Hillage and Pollard, 1998). For individuals, employability depends on the knowledge, skills and abilities (KSAs) they possess, the way they present those assets to employers.

- The premise of employability has been in the compass of transcription for many years. However, its widespread usage and popularity in recent times can be attributed to the following factors:
  - Globalization has transformed the world into a global village where people from diverse ethic and demographic backgrounds are encouraged to work under the same umbrella.
  - The increased image of work as a "rat race" in modern times, has led many to question their own attitudes to work and seek a better alternative; a more harmonious Work-life balance.

The Dynamics of Employability

- The rat-race to vindicate one's employability better than others in the team which embraces people from diverse age-groups beginning with the silent generation, baby boomers, Gen X and also accommodating Gen Y which struggles to gel with one-another so as to attain the collective organizational goals in a high-growth potential country like India.
- The dynamic nature of employment policy, with greater than ever stress being given to skills-based solutions to economic competition and work-based solutions to social deprivation.
- The presumed end of 'careers' and 'lifetime job security', which is now applied only in a selected sectors to a fewer workforce.
- The all-inclusive uncertainty among employers as to the levels and types of jobs they may require to be fulfilled in the future.

Salient Attributes of Employability

EMPLOYABILITY ASSETS It comprise one's domain knowledge, skills and. These can be further categorized as: •Baseline Assets: Reliability and Integrity. •Intermediate Assets: Communication Skills and Problem Solving Ability and key Personal Attributes such as Motivation and Initiative taking ability. •High Level Assets: Team Working, General Awareness, Self Management, etc.	**DEPLOYMENT** These are a linked set of abilities which includes Career Management Skills & Soft Skills. It includes:- •Job Search Skills: - It involves one's ability to find suitable jobs. •Strategic Approach: - It involves one being adaptable to job market developments and being realistic about market opportunities, and being occupationally and geographically mobile.
PRESENTATION Another key aspect of employability is being able to get a particular job, once identified. This includes:- •The presentation of CVs •The qualifications individuals possess, both academic and vocational •References and testimonies •Interview technique •Work experience and track record	**ACTUALIZATION** It is the ability of a person to realize or actualize his/her Employability Assets. This includes:- • Personal responsibilities, disabilities, and household status etc. • External factors such as Macro-Economic Demand and the Pattern of Job openings in the job market, labour market regulation and employer recruitment and selection policy

Typology of Employability Skills

- Cultural Skills: Each organization gets job accomplished in a different way. Understanding how work gets done, decoding unwritten rules and navigating the unique culture of each workplace is a core employability skill according to high performing employers (Aring Brand 1998).
- Interpersonal Skills: Knowing how to listen, speak, present information. Employers regard interpersonal skills as next in order of difficulty to teach.
- Intra-personal Skills: Knowing how to manage one's emotions, be at ease with uncertainty; manage resources such as time and money. Employers believe that these skills come from acculturation in families, and that these skills are extremely difficult to teach.
- Technical or Job Specific Skills: How to operate specific tools, processes, machines, software, etc. required for a particular job. Employers consider these skills the easiest to teach.

Taxonomy of Skills Mismatch

- Skills Mismatch
  - Skill Deficit (Skill Gap)
  - Skill Underutilisation (Over Skilling)
- Qualification Mismatch
  - Vertical Mismatch
  - Horizontal Mismatch
- Skills Obsolescence
- Regional and Sectorial Mismatch

Contemporary Scenario of Skill Gap in India

- According to NASSCOM, only 10% graduates with non-specialized degrees are considered employable by leading companies.
- Of the total unemployed youth population of 232 million, a mere 2% enter the job market.
- As per McKinsey study reports, only a quarter of all engineers, 15% finance professionals and only 10% of graduates can be employed for general positions.
- As per India Labour Report 2007, unemployability is a bigger crisis than unemployment.
- Approximately 70% of the graduates in India have degrees in science, arts or commerce.
- The available figures say that of the 550,000 engineering graduates graduating every year, anywhere between 10% and 25% cannot be employed by any technology firm in the country.

Contemporary Scenario of Skill Gap in India

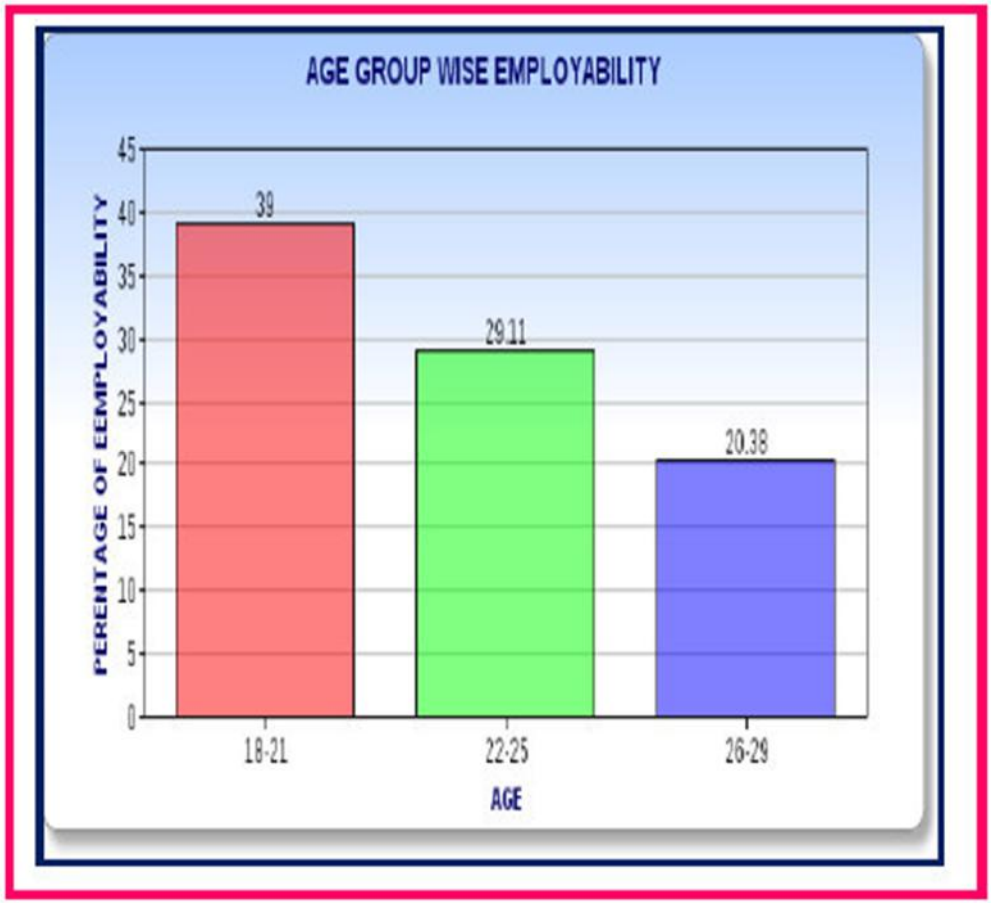
- Twelve million young people leave school each year sans requisite vocational and life skills
- Consulting firm Aspiring Minds gives an even gloomier picture. In an employability study conducted last August, the firm found that merely 4.22% of engineering graduates are employable in product companies and only 17% in IT services.
- The employability of graduates varies from 2.59% in functional roles such as accounting, to 15.88% in sales related roles and 21.37% for roles in the business process outsourcing (BPO/ITeS) sector. A significant proportion of graduates, nearly 47%, were found not employable in any sector, given their English language and cognitive skills.
- There are 109 males to every 100 females in three-year degree programs. This is in contrast to the male female ratio of 1.96 for engineering graduates.

Contemporary Scenario of Skill Gap in India

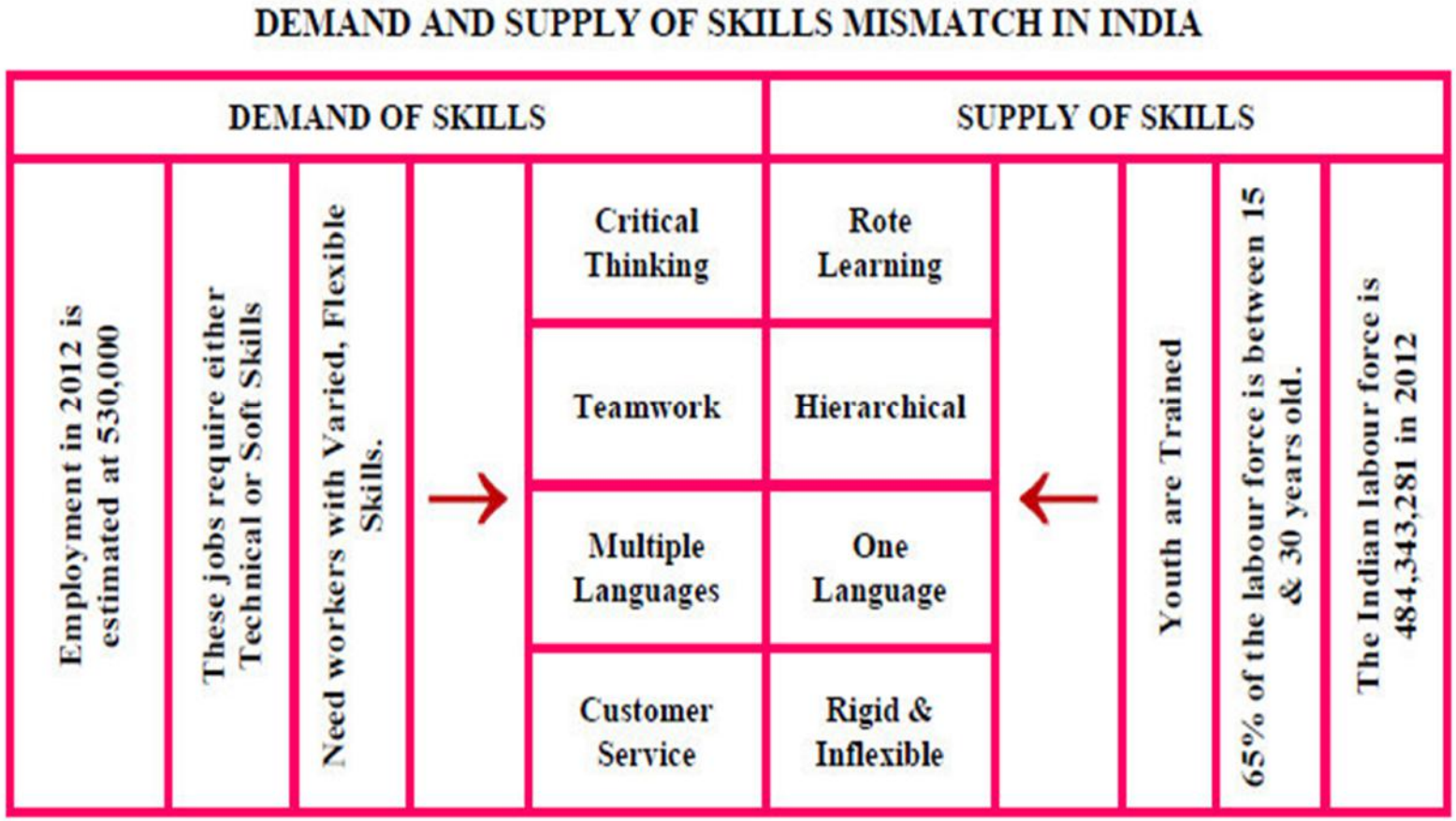
- For students residing or studying in smaller towns and cities (tier 2/tier 3), the maximum gap is observed in English and Computer skills.
- Despite the positive sentiment of the IT revolution, it is found that more than 50% graduates do not know how to perform simple functions like copy-pasting text nor are they able to differentiate between hardware and software.
- Not more than 25% of the graduating students could apply concepts to solve a real-world problem in the domain of Finance and Accounting. On the other hand, on average, 50% graduates are able to answer definition-based/theoretical questions based on the same concept.
- 41% of graduates employable in accounting roles hail rom colleges beyond the top 30% colleges, whereas for the IT services sector this percentage is 36%.

Top Indian States With Employable Pool

TOP STATES	RANKING
PUNJAB	1
HARYANA	2
DELHI	3
UTTARPRADESH	4
WEST BENGAL	5
ODISHA	6
ANDHRA PRADHESH	7
KARNATAKA	8
TAMIL NADU	9



Demand and Supply of Skills Mismatch in India



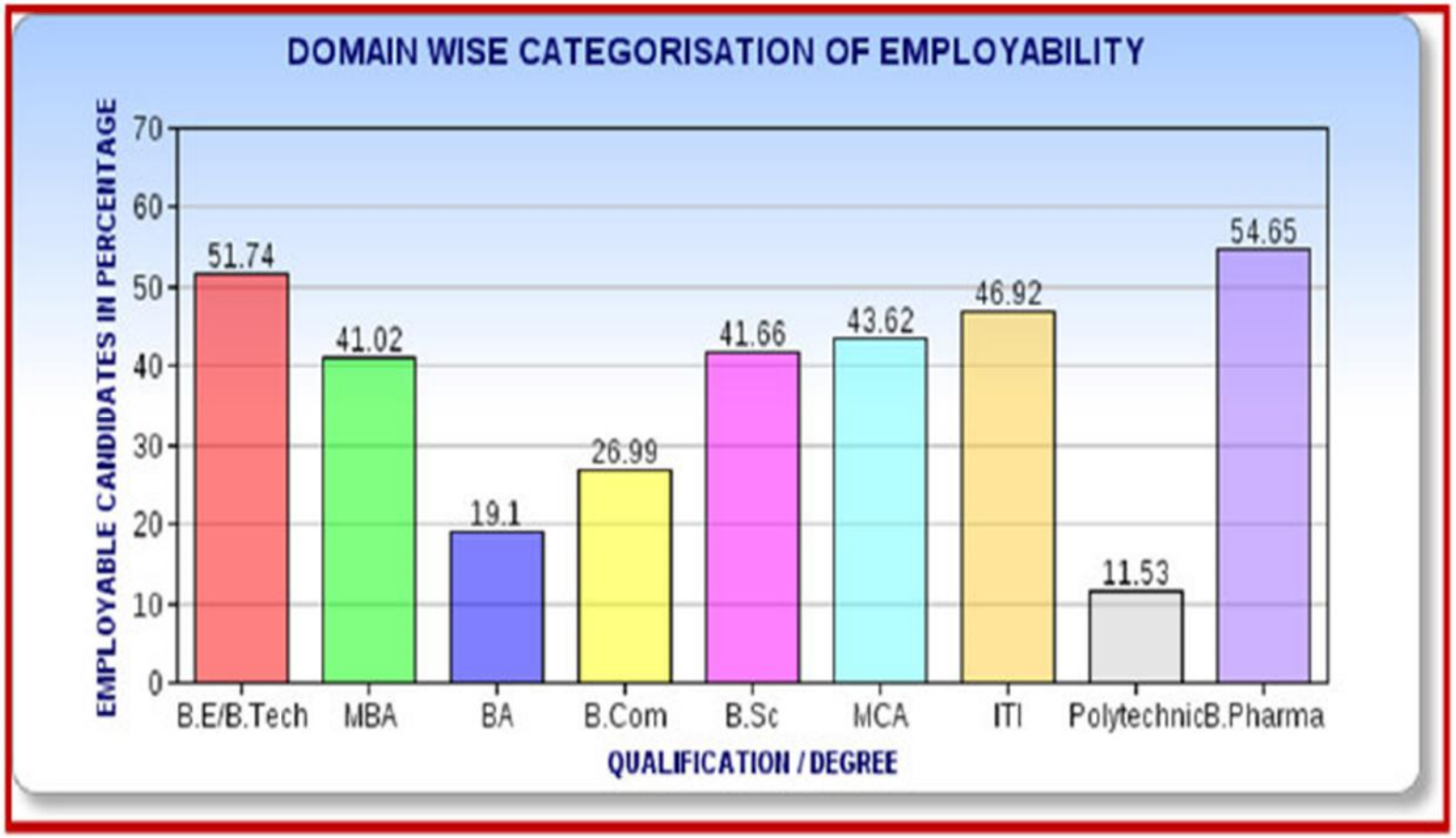
State Wise Scores in English and Logical And Numerical Ability

TOP STATES THAT SCORED WELL IN ENGLISH	RANKING	TOP STATES THAT SCORED WELL IN LOGICAL AND NUMERICAL ABILITY	RANKING
RAJASTHAN	1	RAJASTHAN	1
ANDHRA PRADESH	2	PUNJAB	2
HARYANA	3	TAMIL NADU	3
UTTARANCHAL	4	UTTARPRADESH	4
PUNJAB	5	DELHI	5
KERLA	6	HARYANA	6
KARNATAKA	7	KERLA	7
		KARNATAKA	8

State Wise Scores in Computer Skills and in all Three Categories

TOP STATES THAT SCORED WELL IN COMPUTER SKILLS	RANKING	TOP STATES THAT SCORED WELL IN ALL THREE CATEGORIES	RANKING
RAJASTHAN	1	RAJASTHAN	1
PUNJAB	2	PUNJAB	2
TAMIL NADU	3	TAMIL NADU	3
UTTARPRADESH	4	UTTARPRADESH	4
DELHI	5	HARYANA	5
HARYANA	6	KERLA	6
KERLA	7	PONDICHERY	7
ANDHRA PRADESH	8	DELHI	8

Domain Wise Categorisation of Employability



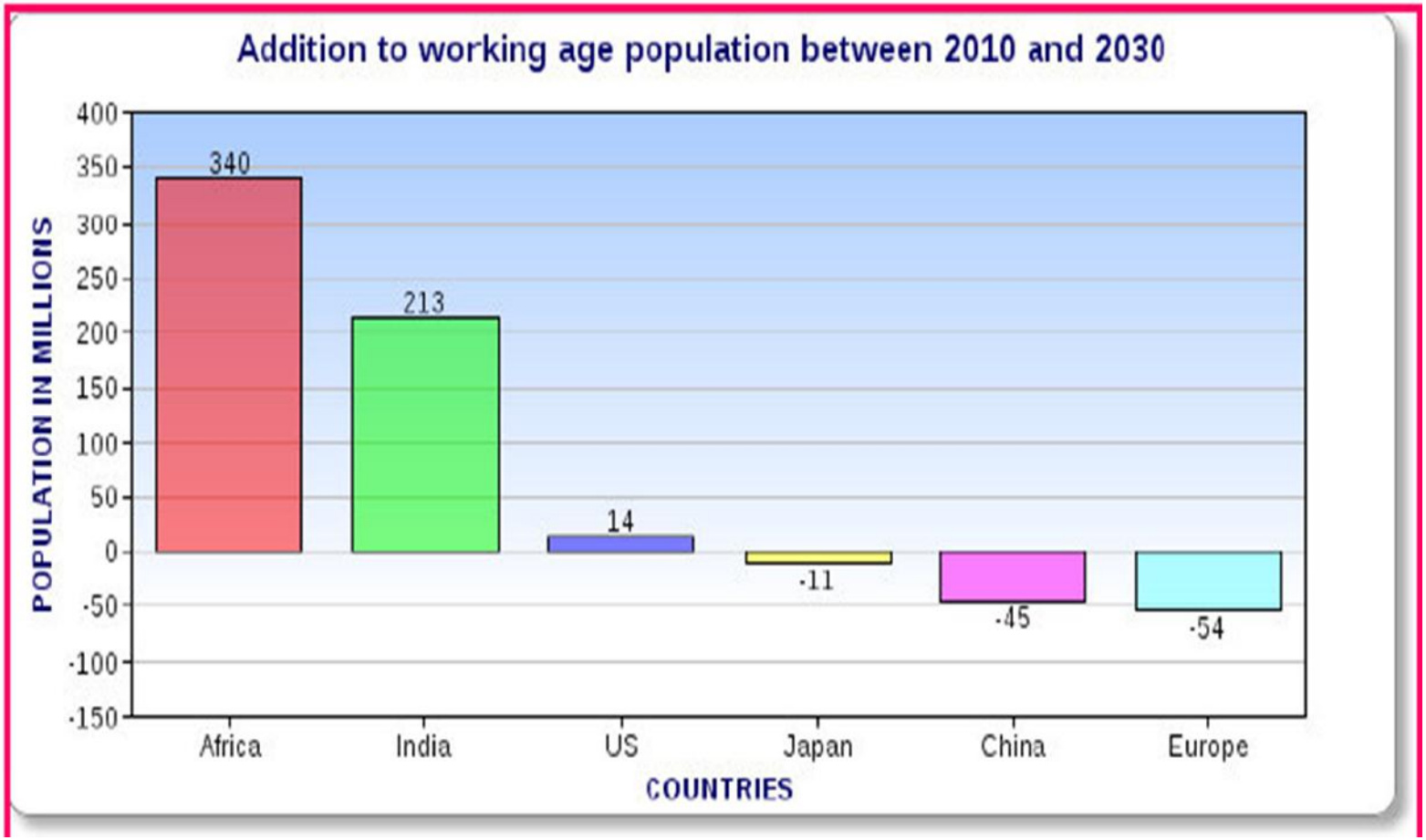
India’s Demographic Boons & Odds

- With its population estimate to grow from 1.2 billion in 2010 to 1.5 billion more or less in the next twenty years, India will become the world’s most densely inhabited country by 2030.
- India is also set to become the largest contributor to the global workforce. Its working-age population (15-59 years) is likely to swell from 749 million to 962 million over 2010 to 2030.
- If the current trends in India’s labour participation and unemployment rate continue, about 423 million in India’s working-age population will be unemployed or unable to participate in the job market by 2030.
- 67 percent of India’s employers report a serious skills gap, followed by Brazil with 57 percent

India’s Demographic Boons & Odds

- If India’s working-age population, its so-called demographic dividend, is productively employed, India’s economic growth prospects will brighten. India can create jobs in the scale required on a sustained basis only with changes in its policy frameworks for education and workforce management.
- Since the job market is biased towards high-skill labour, the creation of jobs for low-skill labour, who would continue to dominate its workforce, will challenge India.
- Closing the skill gaps of its qualified workforce will be critical, as India depends more on human capital than its peer countries that have a similar level of economic development.
- The workforce will increase the most in states that are the poorest and offer the lowest employment opportunity. Creating jobs for the swelling workforce in these states will be a major challenge.

India’s Demographic Boons & Odds



Drivers of Skill Mismatch in India

- Underinvestment in Training
- Individual Traits
- Residual Talent
- Unprogressive Course Curriculum
- Poor Career Planning and Decision Making

Implications of Skill Mismatch

- Skill mismatch could re-establish equilibrium in productivity
- Wages and attrition rates would continue to rise
- Skill shortage could elevate inequality and inflation
- Disguised employment will persist in agriculture
- Fiscal burden of a young and unemployed population

Implications of Skill Mismatch

- Shortage of high-skill labour can restrain productivity and economic growth
- The benefits of labor-intensive growth cannot be reaped
- Skill mismatch could falter long-term development
- Skill mismatch could fuel terrorism
- Cost of recruitment could go up
- Loss of competitiveness of firm

Conclusion

- India has already marked its presence in the league of trillion dollar economies. In a time when Human Capital (Resources) is all set to surpass Financial Capital as the critical economic growth engine of the future, a country like India to collect its full demographic dividend, cannot afford a demographic shock – a skills gap.
- If the research findings are to be believed there would be a demand-supply gap of 82-86% in the core professions; IT industry would face the shortage of up to 3.5 million skilled workers.
- In short our markets will grow, creating an increase in jobs and need for skilled manpower, but against the demand there would be a scarcity of skilled workforce.

Conclusion

- For any country, the key to harvest its fullest demographic dividend lies in putting enough money into education and using the working age population to its fullest potential.
- Our education system should play an increasingly important role in our country's human capital value chains.
- Unless policymakers, companies, and academic institutions join hands to craft all-inclusive trendy human resource building strategies, we might end up in catching the wrong end of the stick i.e. - A Demographic Disaster.
- It is imperative that a happy marriage between the sources of Man-Power and the destination of Man-power is maintained.

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