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Policy Report

Role of Skill Development in India's Future: Assessing the India Skills Report, 2019

**LexQuest Foundation
March, 2021
New Delhi, India**



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Acknowledgments:

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About the Organisation:

LexQuest Foundation (LQF) is an independent, non-profit, research, and action organization, established in 2014, in New Delhi. We are striving to create, advocate and implement effective solutions for a diverse range of development issues.

To endorse participative governance, we engage with a broad spectrum of stakeholders, from various sections of the society, to ensure that policy-making remains a democratic process. We utilize pragmatic and futuristic research to disseminate actionable knowledge to decision-makers, experts, and the general public.

Our key activities include capacity and skill-building workshops, policy advisory programs, public outreach, and stakeholder consultations. We collaborate with the government, other organizations, and individuals for impactful policy formulation and execution.

By employing sustainable and equitable solutions through our multidisciplinary, intersectional initiatives and programs, we are constantly working towards creating empowered communities.



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Background



Image Source: The Hindu

India, one of the most populous countries in the world, can accrue a lot of benefits from its labor market. Several countries such as Japan and Italy are facing the quandary of the aging population and their impact on the economy. But India with its young population comprising more than 60% of the total population is an exception. There lies the **immense potential for India to be the largest provider of skilled labor to the world**. After opening up the economy, the Government realized the significance of skill



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development in the country, as it plays a significant role in increasing employment opportunities for the population.

"India Skills Report" 2019 provides **in-depth data on the skill level of the supply side and the needs of the demand side of the talent supply chain.**

The Report is vital for comprehending the progress of skill development in the country. It is used by both the Centre and State governments to analyze the progress of their policies and to address shortcomings in improving employable talent. The Report is a joint initiative of PeopleStrong (Global Talent Assessment Company) in association with the Confederation of Indian Industry (CII) along with partners such as UNDP, AICTE, and AIU. The Report has covered 29 States, 7 Union Territories, and 3000+ educational institutions across India to assess over 3.5 lakh candidates on parameters like knowledge, skill aptitude, and behavioral components. It has also surveyed over 100+ employers spread across different sectors such as Manufacturing, Information Technology Enabled Services (ITES), Information Technology (IT), Banking, Financial Services, and Insurance (BFSI), etc., to garner the trends on job demand and potential hiring intent.



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Findings of the India Skills Report



Image Source: Hindustan Times

The Report points out that there has been a **gradual increase in the percentage of employable students from 33.95% in 2018 to 47.38% in 2019**. Female employability has shown a positive trend- increasing to 45% in 2019 from 40% and 38% in 2017 and 2018 respectively. However, the trend for **female participation in the workforce is highly fluctuating** every year. In the current Report, it stands at 25% compared to 23% in 2018 but below 29% in 2014. This is reflective of the **existing gender disparity in the Indian labour market and the government's failure to minimize the gap over the years**. The employability levels of B.E/B.Tech



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and B.Sc graduates increased from 51.52% in 2018 to 57.09% in 2019 and 33.62% in 2018 to 47.3% in 2019. But the employment levels of MBA and Polytechnic graduates have reduced to 36.44% and 18.05%. The **decline is despite the increase in MBA colleges in the country**. This is primarily **because the increase in quantity could not deliver the requisite quality**.



Image Source: Deccan Chronicle

Even with the economic slump, the hiring intent of companies has increased from 2% in 2014 to 15% in 2019, which is a positive sign for the economy. Engineering and general graduates constitute 45% of the total hiring of companies. There **is a rise in demand for Industrial Training Institute (ITI) and Management graduates while the demand for polytechnic graduates has considerably fallen**.



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Despite the lack of prominent institutions such as IITs or IIMs, there have been positive growth in employable talent in Tier II and Tier III cities. **Maharashtra continues its position as the State with maximum hiring capacity and Andhra Pradesh as the State with the maximum supply of employable talent.** The BFSI, Software & Hardware industries and Manufacturing emerged as the sectors with the highest hiring capacity.

The report also points out that 84% of the student population is interested in taking up work as interns while only 37% of organizations offer any internship opportunities. This **discrepancy takes away the chance for budding professionals to gain practical knowledge in their respective fields of work before they can start working formally.** As per the report, around 70% of first-time job seekers expect their salary to be two lakhs or more. Although this figure is lower compared to developed countries, it is presumed to increase as the level of skills improves. As the world undergoes a digital transformation, the demand for skills is going to change inexplicably. It is the government's responsibility to keep a check on the rising demand and provide infrastructure and other facilities to facilitate the changing nature of such demands.



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Analysis of India Skills Report 2019



Image Source: DD News

The Report lucidly explains the progress of skill development in India. The high employability rate among students reflects two things; **the success of the skill training initiatives of the government and the lower dropout rate from educational institutions**. The consistent progress of skill training helps in various ways. The foremost amongst these is that it provides a solid foundation for initiatives like Make in India and Atal Innovation Mission which in turn contribute to more employment opportunities. Make in India, the flagship initiative of the government has had a positive influence on the progress of Micro, Small, and Medium Enterprises (MSMEs) in the country. But the success of these schemes is



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dependent on the progress of skill development in the country as the **shortcomings of our skill development policies will be reflected in the progress attained by these initiatives.**

It's not a secret that **India's manufacturing sector hasn't grown at a rate comparable to its services sector.** Causes for this dismal growth include lack of skilled workforce, red tape, shortage of domestic industries, etc. The Report highlights positive growth in skills but **on the manufacturing front, India still lags.** By using various schemes of the government, skilled workers can be enabled to start their sustainable ventures. Various cases (especially the South East Asian countries like China, South Korea, Taiwan, etc.,) around the world have shown that foreign companies have influenced the origin of domestic startups. There is now an increasing trend of shifting manufacturing units of multinationals to countries other than China. If the government takes note of the problem areas from the Report and addresses them through efficient implementation, **then India has the potential to be at par with China as the major outsourcing destination for manufacturing industries.** The rise in the employability potential of graduates from streams such as B.E/B.Tech and B.Sc is not surprising as **these are increasingly more relevant with the advent of and rising prospects in the development and application of Artificial Intelligence (AI) technology.**

There exists a positive correlation between skill training and the personal growth of an individual which also gives individuals more thrust in their careers. **Skill training can also solve the problem of disguised**



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unemployment, rampant in the agricultural sector by providing labor opportunities to shift to other lucrative sectors.



Image Source: UN Volunteers

Increasing hiring intent among the companies highlights the development of necessary attributes among the labor force. Higher hiring means a higher demand for jobs that encourages people to shift from the primary sector to other sectors. Gender disparity in labor force participation has been pointed out as a major cause of concern by the Report. This mainly happens because of the prevalent belief that girls don't need to attend school coupled with the lack of proper infrastructure in schools which is responsible for the high dropout rate amongst girls at the secondary school level. The government is the only major player that can address the gender-based challenges roadblocking women's participation in the



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workforce of the country. The **existing employment & skill training policies undertaken by the government can be considered gender blind**, as it is argued that **when formulating the programs or schemes, policymakers tend to ignore the norms and constraints faced by the women in our society**. By not taking into account these factors, the impact of these programs is minimized. It's indeed the responsibility of the **government to comprehend the problems faced by the women and design the skill training programs to suit their needs**. Gender equality goes hand-in-hand with development as countries with **smaller gender-based labor participation gaps tend to lead a country to a stronger economy**.

The India Skill Report 2019 isn't as comprehensive as expected and has some drawbacks. Primarily, the response from the poorer States in the Report is below par. The **Report fails to acquire adequate data from States such as Madhya Pradesh, Jharkhand, and Assam**. Thus, the government is unable to recognize the progress of skill development in these States. Moreover, **there is no mention of the progress of skill development in the agricultural sector**, even as more than 60 percent of the population relies on agriculture. The Report fails to assimilate the progress of skill development in this sector, lack of which can hinder the sector's growth in the long run. The lack of response from the Public Sector Undertakings (PSUs) in the Report is also a pressing concern. One of the main reasons for PSUs failing to cope with the standards of MNCs and other private companies is the lack of skills among their workforce.



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The Report could have been put to use effectively, only if it covered more responses from the PSUs.



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Policy Recommendations

At the time of a constantly changing economic environment, several measures can be undertaken by the government to improve the scope of skill development in the country:

- Regular update of the curriculum in the educational institutions to meet the demands of the industries.
- Separate skill training programs catering to rural & urban women and illiterate & uneducated women should be adopted by the government to decrease the gender gap.
- Career council centers should be set up at colleges, schools, training centers, etc., to ensure the benefits of the government skill training schemes reach the targeted section. The career council centers can play a crucial role in facilitating skill training. They can assess the abilities, values, and interests of students and give out possible career options. They can also provide information about schemes and policies which can be availed to achieve career goals.
- Facilitating the transition of workers from conventional jobs to gigs can be a new way of ensuring reliable job opportunities. Gigs are types of employment opportunities where the working arrangement is limited to a certain period, based on the needs of the employer. Although gigs can often pay more, lack of clarity on benefits and legal framework is creating confusion among the workers. The government can facilitate the workforce by providing a proper legal framework in this regard. Since India will be one of the largest talent



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supply countries, our government should set a trend by providing a healthy environment for future jobs.

The India Skill Report gives positive signs for the prospects and opportunities of skill development in the country. But various disparities, especially in gender, should be duly addressed through coordinated efforts from the government and other stakeholders. India is facing the **highest unemployment rate in 45 years and skill development can play a huge role in addressing the challenge of training an employable population**. The government's vision of a \$5 trillion economy requires the per-capita income of people to be on the higher side which can happen only when people get employment that can consequently demand and utilize their skills and useful talent. The future of meaningful employment and skill training in India depends largely on the actions of the government policies and we will have to realign our policies to suit the needs of the future markets and economies.



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