

SKILL DEVELOPMENT IN MANUFACTURING

(Unorganised Sector)

**Presentation by – Anil Gupta, President IIA
30th June 2011 at NSDC, Delhi**

1. BACKGROUND

As per fourth All India Census of MSME, the Manufacturing MSME Sector is providing employment to 3,04,06,585 persons through 74,53,396 enterprises out of which 10,35,102 are registered and 64,18,294 are unregistered enterprises. The data therefore shows that majority i.e 86.11% Manufacturing MSMEs are unregistered. As such on an average 4 persons are employed per manufacturing MSME Unit.

The Sector mainly provides livelihood to the weaker Section of the Society constituting more than half of those employed in this sector. Large numbers of Khadi Industries, Village & Coir industries, Handlooms and Handicraft industries, Sericulture, Wool industry, Power loom industry, Food processing industry and Rural industry segments in MSME sector helps to check migration of labour from rural to urban areas by gainfully employing people in villages.

Worldwide MSME have been accepted as the engine of Socio-Economic growth and for promoting equitable development. In India, MSME play a pivotal role in the overall industrial economy of the country. MSME in India accounts for more than 80% of the total number of industrial enterprises and produce over 8000 value added products.

The Sector is facing several problems such as sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increased domestic and global competition, fund shortage, and turbulent and uncertain market scenario etc. In spite of all these problems the sector has continued to contribute significantly in the socio-economic development of the nation and have registered higher growth rate compared to the overall industrial sector e.g. in 2007-08 the sector registered a growth rate of 13% which is 3% higher than the overall industrial sector growth rate. MSME sector has also contributed significantly for India to come out of the global financial crisis smoothly.

The Labour to capital ratio in MSME is much higher than large enterprises. Employment generation in MSME is higher because many of these enterprises do not have high level of automation or technology.

Indian Economy is slowly picking up strength. Globalisation and availability of cheap labour in India, is making our Country a destination of all sorts of outsourcing. Businesses are blooming and entrepreneurial activities are on a high. As such it is expected that MSME Manufacturing Sector will register a growth of 10-12 % in number of Units during 12th Five year plan. Assuring the growth on the lower end i.e. 10%, it is estimated that 7.5 Lakh MSME will be added every year generating 30 Lakhs jobs per year. Hence during 12th Five year plan MSME Sector will need 1.5 Crore Skilled/Semi-Skilled workers.

2. CURRENT STATUS

MSME employs Unskilled, Semi Skilled and Skilled Manpower. Till recently, unskilled manpower was available easily. For the last few years since Government of India launched its flagship programme MNREGA, the unskilled manpower is not available in adequate numbers even at higher than the minimum wages set by the respective state Governments. Availability of skilled manpower has been a regular problem in MSMEs mainly because the competent manpower either is not available or if it is available it is reluctant to join MSMEs. MSMEs, therefore have to train the unskilled/Semiskilled manpower as per their requirements. The lower grade people coming out of the schools / professional institutions only joins MSMEs. The MSME sector therefore is facing the shortage of competent / employable manpower. As such the main challenge during 12th Five year plan and beyond will be to make manpower available to MSME as per their requirements.

There is a large network of training institutions/schemes from where the need of the skilled/semiskilled manpower can be met for MSME Sector. About 8000 ITI's /ITCs are working in Government and Private Sector in India having seating capacity of 11,15,628. Apart from this various Skill Development and Training Programme are run by Ministries/Departments of Govt. of India. Few examples are:-

- 1257 Modular Employable skills (MES) Courses approved by NCVT run at several thousand centres all over the country and controlled by DGET, Ministry of Labour Government of India.
- Vocationalisation of Secondary Education (6800 Schools Covered), 1244 Polytechnics, 157 Vocational Training Centres run by NGO's Offering more than 250 courses, Distance vocational Education Programme, Apprenticeship Training for student of +2 Vocational stream etc run by Ministry of HRD Govt. of India.
- Skill Development Programme run by about 70 specialised institutions operating under Ministry of MSME, Govt. of India.
- Short-term course run by Department of Agriculture Research & Education, Ministry of Agriculture Government of India.
- Short term courses run by CFTRI & NGO promoted by Ministry of Food Processing Govt. of India.
- Short term training organised by M/o Health & Family welfare.
- DOEACC 'o' Level and CEDTI Courses operating under Department of Information Technology, Government of India.
- Apprenticeship Training Scheme (ATs) of Ministry of Labour (DGET).
- About 150 programme conducted by National Institute of Rural Development (NIRD), Ministry of Rural Development.
- 35 Types of programme run at 51 Training Centers operating under KVIC.
- 24 Weavers Service Centres, 13 Powerloom Centres and other specialised Centres under Ministry of Textiles for skill upgradation of workers in textile industry.
- 15 Food Craft Institutes under State Governments.
- Vocational Training Centres (VTC) in Tribal areas.
- Short term programme run at Universities, Management Institutions and Technical Institutions.
- Large number of Engineering and Management Institutions operating in Government and Private Sector.

Looking at the large Network of Skill Development Training institutions as stated above, there should not be a problem of availability of skilled manpower. Yet, it is a fact that the industry is not able to get ready to use manpower.

It is estimated that 31 Lakh vocational training seats for school pass outs are available in the country whereas about 1.28 crore persons enters the Labour market every year. To breach this gap an ambition Modular Employable Skills (MES) scheme has been launched by the Govt. of India for school drop outs.

3. THE CHALLENGES

1. The main Challenges pertaining to manpower in MSMEs are that of attracting good and skilled resources, providing a challenging role to maintain the involvement and interest level, defining career growth prospects and paying competitive salaries and perks.
2. The other Challenge is to assess the manpower need of MSME manufacturing Sector of various Skill sets required. It is difficult mainly due to large number i.e. 86.11% unregistered units. Various organisations are estimating the Skilled Manpower gap over the years e.g. N.S.D.C have projected Skill Manpower gap in the 10 leading Sectors of manufacturing to be 8.6 Crore by the year 2022. However, in my opinion all these estimates are not based on authentic data.
3. The Trained manpower available from a large network of professional institutions stated above is not employable due to poor Skill & knowledge levels. Since there is no provision for certification of the facilities available in the institution as well as that of the Trainers, hence the quality of trained manpower coming out of various institutions differ greatly.
4. The Modular Employable Skills (MES) scheme launched by Directorate General of Employment & Training (DGET) Govt. of India would have helped the Unorganised MSME Manufacturing Sector . However due to inherent shortcoming in the scheme, it has not picked up. Under the scheme central Government facilitate and promote training while industry, private Sector and State Governments provide training to the persons. MSMEs would have acted as an excellent Vocational Training Providers under the scheme but they are discouraged by the cumbersome procedure and the requirement of Bank Guarantee of minimum Rs. 50,000/- apart from the application fee of Rs. 2000/- As a result the scheme is being utilized by big Corporate for training the manpower for their in house use which otherwise they were doing with their own funds.
5. Implementation of Apprenticeship Training Scheme is cumbersome and involves unnecessary regulations. Hence this scheme is also required to be made suitable for MSME Sector.
6. The Govt. Labour Policy is another hindrance for unorganized sector due to which, MSMEs try themselves to be out of the ambit of the labour laws.
7. Lack of industry institute interaction is another reason for poor Skill levels attained by the trainees in professional institutions.
8. Assessment of training needs for vocational training, design of the curriculum and updating the curriculum as per the manpower needs of the unorganized Sector is another big challenge.

4. CENTRE & STATE EFFORTS

Scheme Launched by the Central Govt. for increasing the capacity and improving the quality of trained Manpower are good. The recent MES Scheme and PPP Scheme for improving the standards in ITI by forming Institute Management Committees (IMCs) are very well laid down on paper but lacks in proper implementation and monitoring.

State Govts are found to increase the number of institutions but without adequate infrastructure and staff. It is also observed that Skill Training is a low priority area for State Governments.

5. RECOMMENDATIONS

- Mechanism should be evolved to get all MSME manufacturing units registered so that an authentic data is available for assessment of trained manpower requirements and the skill sets.
- A comprehensive on line data of skilled manpower availability from all the institutions/sources should be maintained and updated regularly .This Data should be made available region wise/area wise. MSME Associations should be involved and strengthened to participate in this activity.
- Certification System similar to Credit Rating System applicable for industries should be implemented for training institutions /organizations. Institutions below acceptable rating should not be allowed to run the skill development programme. This certification system should have the provisions for testing the competencies of the trainers apart from setting standards for infrastructure facilities.
- The model of apprenticeship followed in Germany which has been adopted successfully in France, Switzerland, Austria, Denmark, Netherland and lately in China should be studied and implemented in India.
- Training institutions should get jobs from Industry and get these processed in respective institutions by the trainers under the guidance of expert trainers.
- Industry representatives in adequate numbers should be involved in Governing Councils/Management Committees of the institutions.
- Industry/Industry Associations may be encouraged to adopt Govt. training Institutions wherein they contribute to build the capacity of the institutions and are involved in the management of the institutions.
- Funds may be allocated to set up an organization under the ministry of MSME to assess the training needs, design of curriculums and update these from time to time.
- **Two flagship programme launched by Govt of India can help in filling up the gap of Skilled Manpower requirement of MSME Sector to a great extent i.e MES Scheme and MANREGA if extended to MSME. The recommendations in this regard are as under:**
 1. **MES schemes ideally suits to MSME to be registered as VTP's. However due to its cumbersome procedures and lack of awareness among MSME the scheme has not picked up with MSMEs. The scheme therefore should be made more**

user friendly for MSMEs. The procedural hassles should be minimized, bank guarantee should be exempted for MSMEs as is done in case of Govt. institutions and transparent system of payment of training fee to them may be devised.

- 2. MNREGA scheme if extended to MSMEs will ensure employment beyond 100 days and the persons will be able to learn employable skills. As on date , the scheme only helps in providing labour intensive work to the rural people.**