

## **HUMAN RESOURCE DEVELOPMENT WITH FOCUS ON SKILL DEVELOPMENT AND LABOUR FLEXIBILITY IN MSMEs**

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### **Introduction**

Indian Industries Association (IIA) is an apex body of MSME working exclusively for the promotion and development of this sector since 1985. MSME Sector has the second largest share of employment after agriculture. As per fourth all India Census of MSME, the Sector is providing employment to 6 Crore persons through 2.6 Crore enterprises. The Sector mainly provides livelihood to the weaker section of the society with women and members of minority communities and marginalised sections 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 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.

In terms of vote bank MSME sector accounts for about 28% of the total population of the country i.e. (2.6 Crore MSME+6 Core Employees) x 4 Minimum average size of the family members =34.4 crore people.

## **Proposed growth Target for 12th Five year plan**

During 12th Five year plan I propose to set target for net growth of MSME units at 5% per annum i.e (new enterprises + expansion of existing enterprises- Sickness/closure of MSMEs). If this target is achieved then MSMEs will generate 3000000 jobs per year and during the entire-12th Five year plan the sector will generate 1.5 crore jobs.

## **Key issues and suggestions thereof**

Based on the data/proposal stated above, the key issues related to Human Resources Development with a focus on Skill Development and Labour Flexibility in MSME alongwith suggestions thereof are as under:

### **1. Availability of Manpower and their Skill Development**

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:-

- 1 Short-term course run by Department of Agriculture Research & Education, Ministry of Agriculture Government of India.
- 2 Short term courses run by CFTRI & NGO promoted by Ministry of Food Processing Govt. of India.
- 3 Short term training organised by M/o Health & Family welfare.
- 4 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.

- 5 DOEACC 'o' Level and CEDTI Courses operating under Department of Information Technology, Government of India.
- 6 Apprenticeship Training Scheme (ATs) of Ministry of Labour (DGET).
- 7 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.
- 8 About 150 programme conducted by National Institute of Rural Development (NIRD), Ministry of Rural Development.
- 9 Skill Development Programme run by about 70 specialised institutions operating under Ministry of MSME, Govt. of India.
- 10 35 Types of programme run at 51 Training Centers operating under KVIC.
- 11 24 Weavers Service Centres, 13 Powerloom Centres and other specialised Centres under Ministry of Textiles for skill upgradation of workers in textile industry.
- 12 15 Food Craft Institutes under State Governments.
- 13 Vocational Training Centres (VTC) in Trival areas.
- 14 Short term programme run at Universities, Management Institutions and Technical Institutions.
- 15 Large number of Engineering and Mamnagement 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.

These large numbers of institutions though are providing training and issuing certificates but fails to enhance the employability. The reasons for this situation are as follows:-

- There is no check on the quality of infrastructure, competencies of the trainers, adherence to the curriculums and compatibility of the curriculums with industry requirements.
- Implementation of Apprenticeship Training System is cumbersome and involves un-necessary regulations.
- Institute-Industry interaction is negligible.

I therefore propose to plan suitable remedial measures for these bottlenecks during 12th Five year plan. Few suggestions are as under:-

- The recommendations of P.M Task force on Skill Development as enclosed at Annexure-I should be implemented.
- Certification system similar to credit ratings of Industries should be implemented for the training Institutions. Institutions below acceptable rating should not be allowed to run the training programme.
- Competencies of the Trainers should be evaluated periodically.

- The model of apprenticeship followed in Germany which has been adopted successfully in France, Switzerland, Austria, Denmark, Netherland and lately in China also may be studied and implemented in India.
- Training institutions should get jobs from Industry and get these processed in respective institutions by the trainees 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 institution and are involved in the management of the institution.
- MNREGA scheme should be extended to Micro& Small Enterprises. This will ensure employment beyond 100 days and the persons will be able to learn employable skills.
- Data of Unemployment Trained Manpower from all the institutions alongwith their address Telephone number , E-mail etc should be made available on a Single website/portal.

## 2. **Employment Practices & Laws.**

I would like to quote the extracts from the speech of Hon'ble Prime Minister which he gave on 23rd Nov 2010 on the occasion of 43rd Session of Indian Labour Conference as under :-

He said, “ We need to consider the possible role of some of our labour laws in contributing to rigidities in the labour market which hurt the growth of employment on a large scale. Is it possible that our best intentions for labour are not actually met by laws that sound progressive on paper but end up hurting the very workers they are meant to protect? Do we have empirical evidence on the changing nature of employment generation with changes in labour legislation, not just in our own country but in the neighbourhood as well? If we want to draw more and more workers into the organized sector where they can claim the benefits that currently cover such a very small proportion of our labour force, do we need to rethink the nature of the laws that enforce such benefits?”

We have been discussing the need of simplification of labour laws for MSME Sector for decades now. It is accepted and realised by one and all that the present Labour Laws as applicable to MSME are not in favour of both the industry as well as the workers. Hon'ble Prime Minister have expressed and raised some serious concerns on the issue which I feel need to be discussed in the Working Group on “Human Resource Development”.

Another elaborate exercise on this issue has been completed recently on the initiative of PMO and Ministry of MSME where in a high level Task

Force was constituted by the Prime Minister. Secretary, Labour and Employment was a member of this Task Force who also chaired the sub group of the Task Force on Labour. The PM Task Force have submitted following recommendations related to Labour issues:-

**“5.5 –** Recognising that the transaction cost for compliance of labour is disproportionately high for the MSMEs, the Task Force makes the following recommendations.

**5.5.1 –** All out efforts may be taken to get the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Amendment Bill passed. The amendment will increase the coverage of the Act to existing 16 Acts and ‘small’ establishments will cover employees between 10 to 40 workers as against 19 in the Principal Act. Further, the Ministries of Labour and Employment and MSME may jointly examine the feasibility and desirability of a separate legislation (Single & comprehensive) for MSE Sector.

**5.5.2 –** The ESIC and EPF Acts may be examined by the Ministry of Labour & Employment in consultation with stakeholder with a view to find if the social security objectives under these Acts could be met through other mechanisms. Further, the Ministry may also examine ways of utilizing Rs. 5000 crore lying unclaimed with EPFO for the welfare of workers and bring it for approval within 3 months.

**5.5.3 –** To reduce compliance costs, merger of ESIC and EPFO forms into a single form with separate entries for ESIC and EPFO and payment through a single cheque in respect of the deposits against three EPF Schemes may be done within 30 days.

**5.5.4 –** The Task Force noted that computerization of the activities of ESIC and EPFO is in process. The same needs to be expedited.

**5.5.5 –** The amendments in the Factories Act, 1948 may be undertaken in consultation with the Ministry of MSME and MSME Associations.”

It is recommended that the recommendations of the PM Task Force should be implemented at the earliest.

One of the welfare measure in Labour Laws relates to Social Security of the workers. All the provisions of Social Security are applicable to the workers engaged in organised sector which constitutes just 6% of the total workforce. MSMEs are also burdened with lot of regulations which they find difficult to comply. As such IIA have submitted the following proposal to the Planning Commission as well as to the Govt. of India.

“For so many decades we are struggling with two main issues i.e. availability of Social Security to all workers and simplification of Labour Laws for Micro and Small Sector. Both the issues are important but in political circles these are looked upon as contradictory to each other. Hence despite several rounds of discussions over the years only a small fraction of the total workforce Employed in MSE Sector is covered under the EPF and ESIC Schemes and MSE entrepreneurs are also burdened with several Labour Laws.

IIA therefore propose a solution to the problem as under:-

- 1 A Social Security tax i.e certain percentage of the sales turn over may be levied.
- 2 MSE's may then be exempted from payment of EPF, ESI, Gratuity , Bonus and submission of the related reports and returns except for proposed Social Security tax.
- 3 Every Worker may be issued an identification card which should be valid even on switching over the job. All the benefits may be provided to the worker and his/her family based on this card.”

IIA is carrying out a detailed study on this proposal which is likely to be completed by June 2011. It will be submitted to the Planning Commission as well as Ministry of Labour and Ministry of MSME.

The provisions in the factory Act to hold all Directors responsible for whatever happens in the organization and penalise them is also illogical. If this is logical then the law should be extended to entire Govt. Machinery also only then the implications of this law will be realised by the Government.

### 3. **Labour Flexibility**

In a rapidly changing business environment industry can not afford the Labour inefficiencies as well as surplus Labour. As such, ways are to be worked out where the interest of both the stakeholders are protected. I would suggest the following to address the issue :-

- Legalise the agencies to supply Labour on Contract for whatever period the industry needs. May be, the industry will be required to pay little extra money to hire such labour but industry will be able to afford this and the workers interest will also be adequately protected.
- The workers may be trained in Multi skills so that they are able to adjust as per the demand of the industry and will have better chance to be engaged permanently through the agency or within the organisation. Govt. may provide incentives for multi skill trainings to the agencies/industry.

4. **Productive and co-operative partnership between workers and the Management.**

I have a strong belief that no management would like to loose the workers so long the worker is sincere and productive. In MSME sector, especially due to the nearness of the owner and the workers, the bonding is more strong and workers & Management live like a family. The concept of Quality circles will further ensure meaningful participation of the workers in the enterprise management. Govt however is required to provide experts help to MSME to institutionalise the Quality Circles.