



“THE ROLE OF MANUFACTURING INDUSTRIES IN SKILL DEVELOPMENT IN INDIA UNDER CORPORATE SOCIAL RESPONSIBILITY”

Mrs. Leena Deshpande

[P. R. No. 1501010], Bharati Vidyapeeth University, Pune.

ABSTRACT :

This article focuses on skill development in manufacturing sector and deals with the basic concerns like how and why industries need to play the bigger and important role in skill development area under CSR.

Introduction of Section 135 and Schedule VII in the Companies Act 2013 is the development of 4 years in India. The selected corporates which come under the purview of CSR act have to decide the focus areas under Schedule VII. It is been observed that some of the corporates have chosen skill development as one of the areas for CSR. The study of skill gaps, productivity issues, lower contribution of manufacturing sector to GDP and efforts of Govt. were studied in details by going through various reports. The skill development programmes of various corporates under CSR are also studied.

Skill gaps and unavailability of required skills are the main reasons for the lower productivity in manufacturing industries. India is a young nation but this demographic dividend has to be converted into skilled manpower by herculean efforts of industries, educational institutes and government by bridging the gaps between industry expectations and present vocational courses and syllabus. Industries can play important role in the form of becoming Industrial Partner in PPP model at Industrial Training Institutes, by opening technical incubators for startups and also in the form of opening Skill Centres under CSR initiatives.



KEYWORDS : Corporate Social Responsibility [CSR], Stake holders, Vocational Education Training [VET], MSDE, NSDC, GDP.

1. INTRODUCTION -

India's economy has changed significantly in the last 20 years. In an effort to sustain and increase current growth rate, the current government has started initiatives to boost high value sectors like 'Make in India' for Manufacturing and high employment through startup India, in recognition of the vital role of India's unorganized sector, which makes up 69 per cent of the economy.

India's economy has grown impressively, but it has to have dimension of inclusive growth. To increase the income level of the people from remote villages, there has to be basic infrastructure, water, internal roads, and improved techniques of agriculture. The youth in the villages as well as urban poor sections has to be better equipped with vocational skills. The employability of the youth has to be increased.

1.1 India is a young nation -

India has a demographic dividend compare to other countries. The average age of Indians is around 27 years. 12 million people get added to India's workforce every year. There are 711 million

people in India in the working age group of 15-19 years. They require training for additional or new skills for employability. India is young and ambitious country with skills at the top of its agenda.

Considering the growth of different sectors in India, It is estimated that more than 10 crores additional skilled individuals will be required across 22 key sectors by 2020. Manufacturing would roughly contribute towards half of these additional jobs.

Presently the manufacturing sector is adding around 17 % to GDP. The National Manufacturing Policy expects addition of 8% more contribution of manufacturing sector to GDP.

1.2 Low Productivity due to lack of required skills -

Though the Manufacturing sector is expected to contribute to GDP much more than the present, it has not been able to do so. Because the low productivity of India's workforce has held 'manufacturing' back despite high potential, an increase in working age population and globally competitive labour costs, according to study on *people productivity by the Boston Consulting*

Group [2012]. The dominant reasons of low productivity are- the 'skill levels' are not up to the required standard OR lack of required skills.

Indian manufacturing needs to eliminate the skill deficit and pump up investment in employee quality. It will help India to become powerful manufacturing nation.

2. VISION OF 'MAKE IN INDIA' -

To boost up the economy of India, the present Government has taken up different initiatives. 'Make in India' is the one of the important initiatives which has decided to give lift to the Manufacturing sector. The salient points of the vision of Make in India are as follows-

- a. India can become manufacturing hub considering the manpower and other resources. The other sectors like IT, Retail and Service are contributing to the country's Gross Domestic Product [GDP]. Similarly Manufacturing sector has high potential to contribute GDP up to 25% by 2020. The government would like to give boost to this sector through 'Make in India initiative,
- b. Unless there is employment guarantee the effort towards increasing employability through Skills Training has no meaning. The Government would be making efforts to create 100 million new jobs by 2020.
- c. Unless all the sectors of the society are included in the development process, the economic growth of this country will not be 'inclusive growth'. To include the rural migrants and urban poor in the social growth process, it is necessary to impart and create right skill sets among them. Through 'Make in India' initiative, the skill Training will be boost up.
- d. The manufacturing sector all over the world is experiencing paradigm shift due to change in technology and resources. Unless we adopt this culture of change in thinking and doing processes, and stick to the traditional way of doing things, we will be lagging behind the development in this sector. Through Make in India initiative, the government would like to support the technological changes. Our products will withstand the pressures of global competition through this.

3. CREATION OF SUITABLE SKILL SETS -

3.1 The perceived gap

It is necessary to evaluate present pattern of vocational and skill education. There is perceived gap between the curriculum that is taught in the educational institutes and the expectations of the industries.

3.2 Some of the facts about present education system

In spite of herculean efforts of increasing the level of education of the people, only 10% students complete Std. 10+ 2 stage. Out of these students around 62% students are Arts Graduate. Around 38% graduates are from Science, engineering, medical, management and other special fields.

3.3 Some of the facts about Vocational Education

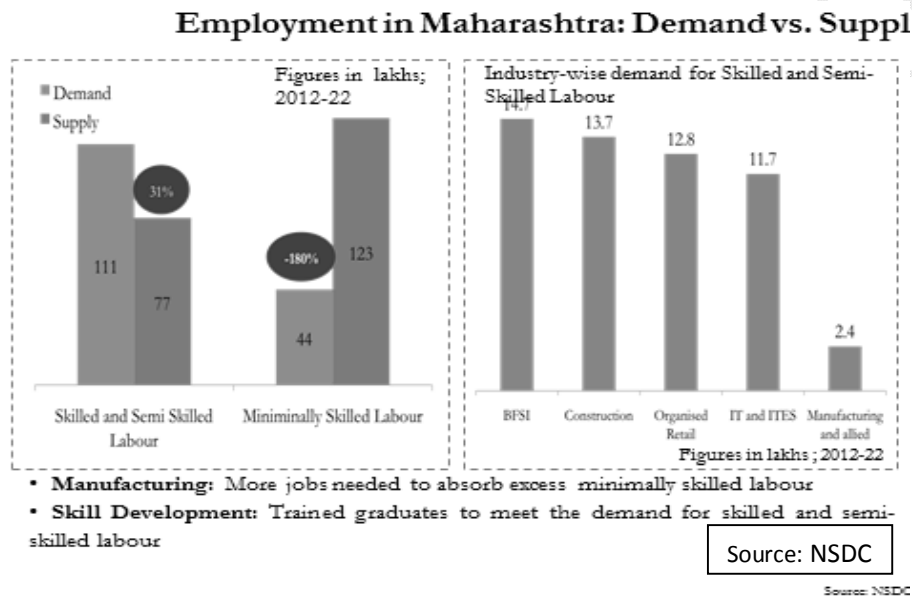
- a. In our country, for the last many years, to be precise since independence, we have not taken vocational education seriously. All over the world, there is ample choice for the youth between 15 to

35 years of age to choose appropriate vocation. There are more than 3000 vocational education Training programmes available. In our country very recently the efforts have been taken to start different Vocational courses.

- b. There are 11,964 [Government + private] Industrial Training institutes in India.They also provide limited no. of trades. There are only 73 engineering trades available.
- c. The unorganized sector in India is large. Around 93% workers work in this sector. They acquire skills through informal channels. They don't have any formal degree /certification with them.

4. NEED FOR CREATING COMPETENT AND COMPETITIVE WORKFORCE -

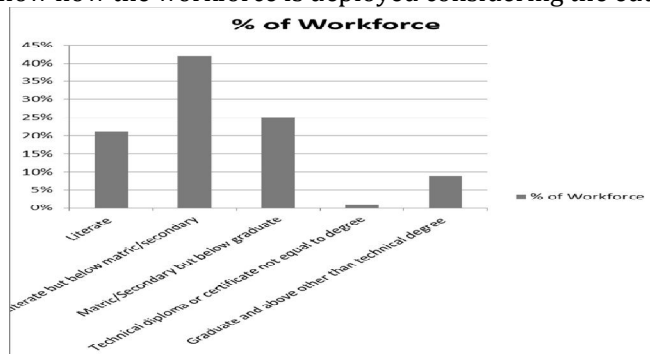
Let us take the example of Maharashtra by evaluating the employment situation in reference to the availability of the skilled and minimally skilled workforce.



The graphical presentation clearly indicates that there is demand for skilled workforce whereas availability of skilled manpower is much below than the required. It also shows that the demand of skilled and semi-skilled workforce is less in Manufacturing set up. The automation and the concepts like Industry 4.0 in manufacturing demands higher level of skills for which our Vocational/Technical skills training institutes need to be equipped.

5. DEPLOYMENT OF WORK FORCE IN INDIA -

It is interesting to know how the workforce is deployed considering the educational levels.



References: Business Standard – 15 July, 2015, Financial Express – 3 Aug, 2015

The study clearly indicates that the Graduate and Diploma Engineers secure less jobs compare to SSC and below graduate candidates.

Vocational Training in India perceived as a dead end with no existing linkages to the formal higher education system. For example, the student passed out from Industrial Training Institute remains as a worker in the industry with limited skills and with no career enhancement plans.

6. SKILL MINISTRY CAME INTO EXISTENCE -

Considering the urgent need of promoting skilling in India, the present Government has established the separate ministry for skills-

Functions of MSDE:

- Coordinate with stakeholders for bringing together skill development initiatives
- To launch the initiatives/ programmes to bridge the gap between demand and supply of skilled manpower.
- Expand entrepreneurship education
- **Promote public-private partnership in skilling [PPP]**
- Promote industry-institute linkage
- Promote market research and create training curriculum
- Assess and certify existing skill

7. Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

To bridge up the gap between the industries expectations about the skill level and the actual skill levels, the Skill Ministry of Govt. of India has launched the PMKVY scheme. It has ambitious target of covering 10 million youth in next 4 years. The individuals who have no formal certification in hand but are working in particular trade with certain skills will be certified under the programme- Recognition of Prior Learning.

8. Provisions under section 135 and schedule VII of Companies ACT 2013

The meaning and definitions of CSR in every country are different as the socioeconomic and environmental issues are different. In affluent countries poverty related issues are minimum so they give more emphasis on environmental issues under CSR. In India alleviation of poverty, inclusive growth, gender equality etc. are the major problems that are needed to be dealt with. Considering the enormous size of the population it is the greatest challenge to convert all the working population into productive population. The required skills training and the generation of the jobs are the answers to use demographic dividend meaningfully, otherwise the same can be turned into a huge problem. The meaningful employment would provide financial stability, income elevation of the families and that would lead to better quality life and sustainability.

India is the first country in the world where CSR has become mandatory for the corporates that are earning profits. The Ministry of Corporate Affairs enforced the CSR Act from 1st April 2014, Companies with the net worth of INR 500 crore or more, or a turnover of INR 1000 crore or more or a net profit INR 5 crore or more in a given fiscal year are required to contribute 2% of their average net profit over the past 3 fiscal years.

One such area that provides a win-win opportunity for companies such that it falls within the ambit of Schedule VII, and also provides long-term benefits to companies is skill development and vocational training. It has been termed as 'employment enhancing vocations skills' as one of the dozen plus core CSR areas in the Act.

9. WHY CORPORATES NEED TO CONTRIBUTE IN SKILL DEVELOPMENT -

- All over the world the manufacturing sector is experiencing paradigm shift in the manufacturing processes. The skill requirements have become complex and multiskilling has become the order of the day. Technology is changing and the concepts and processes like 'Industry 4.0' where Artificial Intelligence, Internet of things, prototyping, 3 D printing, etc concepts and technologies are included. Obviously to adapt these new concepts and technologies, new and advanced skills are required. Such kind of knowledge transformation and skills development will become the driving force to change the socioeconomic scenario of the country.
- India has become as a major investment destination for the Global Investors. This can be perceived as a crucial time for the nation to work on increasing its skilled manpower base. [Ref: India's CSR Reporting Survey 2016 by KPMG]

10. BENEFITS TO THE COMPANIES -

There are immense benefits to the companies, if they participate in designing industry specific courses for the enhancement of the specific skills. The skilled manpower contributes in terms of innovations in product development, Quality products and services and production processes. Innovations also help in time and cost saving in production processes. The alignment to International standards is possible when the required skill sets are available in the company. This certainly adds to the profitability of the company.

To this end, institutionalizing sector skill councils, greater participation of companies in designing curriculums and offering live projects will help in improving workforce skilling.

11. How Corporates can support skill development through CSR Initiatives -

Schedule VII of CSR act includes skill development as one of the important programmes under CSR. Few companies have started taking initiative by helping to start technical incubators in educational institutes to help the entrepreneurs to develop the new products, by starting industry specific courses to get the suitable manpower of required skill sets and by becoming industrial partners in developing educational institutes.

The corporates not only give financial help to such projects but they also transfer their technology and managerial skills to this development process. They not only support the skill Development initiatives of the government but generate good will in the community and also improve their brand image. They project themselves as responsible and well behaved corporates.

The corporates can contribute to Skill Development in following ways -

- a. Helping educational institutes to bridge up the gap between industries and institutes through industry and technological exposure to the lecturers, professors and students. Bharat Forge Ltd. Pune based manufacturing company runs talent Pipeline programme for the Engineering Colleges from rural areas. Under this programme the technical and soft skill training is provided to the students. The exposure to the industry is also given through Industrial Training. The professors are also given exposure by means of Training and Industrial exposure. Bharat forge also participates in the drives by CII like developing 'Employability Skills' of engineering students.
- b. Helping educational institutes in designing the syllabus and also by designing industry specific vocational courses.
- c. To be a part of Public Private Partnership [PPP] module by becoming Industry partner for strengthening of ITI set up by helping to improve infrastructure, quality education, training of instructors and through industry exposure. To cite an example, ITI set up by Bharat Forge in Pune, at Khed. Right from the building and infrastructure are developed in such a way that the students who are studying in this institute take pride and almost all the students get placed for the jobs in nearby industries. The ITI is considered as one of the best it is in India and has become Role model of Public Private Partnership. Similarly Volks Wagon, Tata Motors, SKF, Ashok Leyland, Bosch, Maruti, ICICI and Mercedes Benz are doing exemplary work in skill development.

- d. By setting up own foundation or fund training organizations and NGOs that are imparting skilling and employment options for differently abled, underprivileged, socially and economically challenged sections of society: For example, corporate houses that have set up their own foundations include names such as, Axis Bank Foundation, ICICI Bank Foundation,. Reddy's Foundation among others.[Ref: National Skills Network]
- e. Corporates can sponsor projects that have demonstrated high impact through innovative models and technology-enabled initiatives in skill development and vocational education.

CONCLUSION -

India is one of the fastest growing economies of the world. India's economy has grown impressively, but it has to have dimension of 'inclusive growth'.

Our population has grown beyond 132 crores. Out of 132 crores still majority people stay in the rural area and have limited sources of income and more than 27 crore people are below poverty line. The other side of the story is India is a young country and has demographic dividend of working population. *The economic survey for 2016-17* points out the changing trends in the world's working age population and how India's young working age population is likely to peak in 2020. India can provide skilled work force to the whole world. However, the Skill Development process has to be geared up. The Government has established Skill Ministry & various schemes to train the people.

Skill Gaps and unavailability of required skills are the main reasons for the lower productivity in manufacturing industries.. The role of Corporates in imparting skill education can be defined in specific way as – Skill development is included as important programme under Schedule VII of CSR Act 2013. This can be Win Win situation for the Industries, as they have an opportunity to transfer the technology and managerial skills to the skill training process to get the required skilled manpower. By doing this they will generate goodwill and the brand image in the community as they will be perceived as responsible corporates.

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