

Building human capital - I

India has a need for more trained and skilled people as much in its factories as in its corporate boardrooms. The three principal stakeholders that must address this agenda are the government, the educational institutions and the industry



HARISH MANWANI

ASIAN economies have emerged from the global financial crisis with a powerful story to tell. While the developed world is struggling, the developing and emerging (D&E) economies, particularly in Asia, stand out with their strong performance. It is now an accepted position that the economic centre of gravity is shifting to the D&E world. There is an increasing level of self-confidence, higher levels of investments and plenty of new opportunities. This changing landscape presents an exciting future for building the economic capital in developing countries like India. But underlying the growth in economic capital has to be an equally strong foundation of building the human capital of the nation.

Put simply, it is the development of our people that has to be at the heart of sustainable economic development. We must invest, nurture and support an environment that can harness the energies and aspirations of a vast majority of our people so that they can contribute to and benefit from this new phase of growth, and be a part of the exciting future.

India has to grow at a GDP growth rate of around 10% if it has to make a transition from a developing economy to a developed economy and alleviate poverty

This means that we must have an all-round growth in agriculture, manufacturing and services. This requires a substantial uplift in the skills and capabilities of our workforce as well as building higher levels of productivity and employability. But where do we stand on this critical input?

According to a McKinsey & Company report, India will need to up-skill or re-skill 500 million people by 2020 to meet its growth requirements. However, at current capacities we can train barely 50 million—an astounding gap of 90%! Similarly, the Xlth Five-Year Plan points out that only 2% of the existing workforce has skills training. Another report by Boston Consulting Group highlights that out of the 89 million people who are expected to join the workforce from 2009-13, over 47 million people will be school dropouts.

At higher levels, engineers graduating from India are far less than in the US, though we have a population four times that of the US. Research indicates that even out of these engineers graduating in India, only 25% are seen as employable in a global context. In sectors like IT where we pride ourselves for being at the leading edge, the number of PhDs we generate is only in the hundreds, far lower than the thousands in the US. This does not sound like a pretty picture.

We clearly have an urgent and important task ahead of us. India missed the Industrial Revolution. The gains from that decided the world order that consigned us to be a poor nation. As we took control of our affairs post-Independence, we became a developing nation. We grew in the initial years, but slowly and hesitantly. This growth has now accelerated. After



ROHINI PHORE

20 years of economic reforms, India is recognised as one of the high-growth economies with the potential to make the big leap from a developing to a developed nation within a generation. It is important that we do not miss this opportunity. The steps we take now will decide where we go from here, making this a defining moment in the life of India as a nation.

We have a large army of youth. But this demographic dividend can be encashed only if this large army is well-prepared to handle posts, positions and workstations—in offices, on shop-floors and on sites across the nation and indeed the globe. In a situation of rapid change, this preparedness must be fast-tracked to empower our people for the enormous opportunities that lie ahead of us.

In an increasingly interconnected world, our talent must be benchmarked against the best globally to consistently deliver world-class excellence. This is an ambitious

agenda but we will need nothing less to build India as an economic powerhouse, an India where our people are valued, sought after and always in demand. Delivering inclusive growth is possible only through the growth of our people. An equally important aspect of building human capital is creating the capacity for innovation. This can only be done when we embed 'creativity' into the DNA of our education system and reward innovation. This will build the much-needed intellectual capital, which is key to sustaining long-term economic progress.

India is not alone in facing a serious shortage of skills. This issue afflicts many Asian economies that have risen fast in recent years, leading to increasing demand for scarce human capital. India faces a skills challenge at two distinct levels. First, we must build business leaders to lead us through a changing and growing India. Second, we must simultane-

ously prepare the vast majority of our people to be employable across the spectrum of operational roles. Our primary and secondary school education has produced some of the best talent. But, to a large extent, we face a mismatch between school education and the skills required by the industry.

Many countries are already addressing this challenge on a war footing. Only last month, China launched a World Bank-supported technical and vocational education and training project in two key provinces to help schools connect their curriculums more closely with competencies sought by industry. This is to serve as a model for a national programme for all schools in China.

Indian businesses in general have been fashioned from a time when the tried and tested methods worked, when safe and secure tools were used to walk the slow and measured path. Indeed, businesses did not venture beyond

these confines under the licence-permit-quota raj of yesterday. None of this holds in the fast growing and globally connected India of today. We see rising aspirations and a sense of restlessness in the rapidly emerging Indian consumer class, which is confident and demanding. Companies are responding with speed and innovation as they compete to serve the new Indian consumer. This change runs concurrently with the swift movement of India from an agrarian economy to a manufacturing and services economy, a path uncharted, in terms of its magnitude, by other economies on the road to growth. This requires not just human skills development but also leadership development to steer India forward at an accelerated pace.

India needs trained and skilled people to operate efficiently and professionally as much on the shop-floor of its factories as in the boardrooms of its corporations. Right from the manager to the worker, our people must be empowered with the knowledge, the tools, the skills and the mindset to build world-class teams that can then deliver world-class performance. This is a monumental task.

We will need a comprehensive approach if we are to accomplish this in a reasonable amount of time. The three principal stakeholders that must collectively address this agenda must be the government, the educational institutions and the industry. There needs to be partnership and collaboration to enable an effective and integrated response to this challenge. A close public-private partnership can

change the entire ecosystem by uplifting the skills and capabilities of the nation on a scale that is required for our growth ambition. The government has an impor-

tant role to play in laying the foundations of this public-private partnership and building a system and standard of education that serves all classes of society and prepares them with skills at every level of the value chain. This will require a step change both in the quality of education and access to it at all levels—primary, secondary and higher education. The right to education is fundamental and the starting point for building human capital. We need to strengthen the educational infrastructure at the grassroots level to achieve nothing less than 100% literacy. The government is now beginning to address this and is encouraging public-private partnerships to allow corporations or NGOs to put up schools across the country. Some NGOs have already made significant contribution in this area. For example, Pratham through its Read India initiative conducts an accelerated learning programme for primary school children in 250 districts across 20 states.

We need to unshackle the school sector from bureaucratic red tape and allow both public and private schools to co-exist and compete. This has been said before but its implementation is the very foundation for building sustainable human capital with scale. The government must also ensure that education at the secondary level is tailored for developing employable skills on a mass scale. The increased investment by the government in the National Skills Mission is a very welcome and timely step.

(To be concluded)

The author is chairman, Hindustan Unilever Limited. This is the text of his Annual General Meeting address on 1 July 2010.