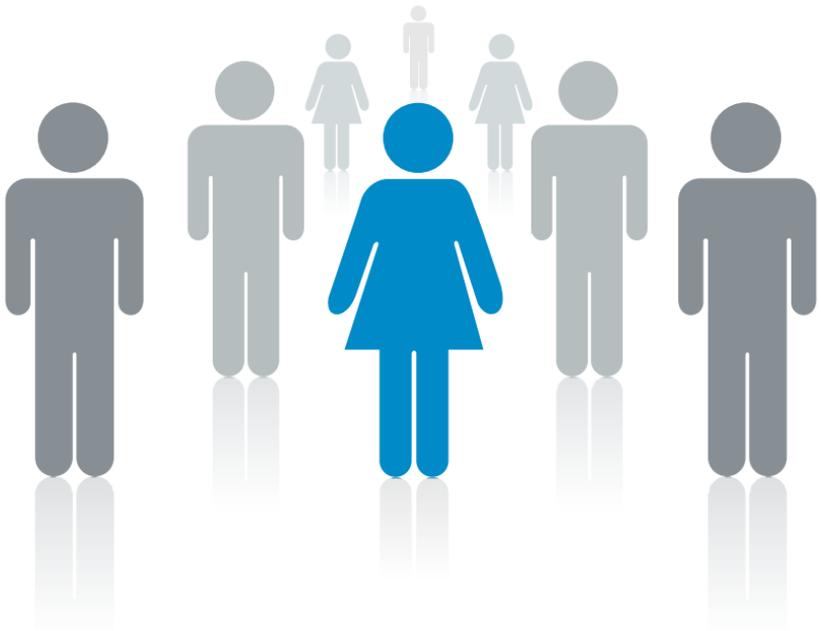


BUILDING HUMAN CAPITAL IN INDIA

Harish Manwani
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Building Human Capital in India

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Building Human Capital in India

Introduction

The 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 XIth Five Year Plan points out that only 2% of the existing workforce has skills training. Another report by Boston Consulting Group (BCG) 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 United States, 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 Information Technology where we pride ourselves for being at the leading-edge, the number of PhDs we generate in IT is only in the hundreds, far lower than the thousands in the US.

This does not sound like a pretty picture.

The Importance of Human Capital

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 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 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.

The Nature of the Skills Gap

India is not alone in facing a serious shortage of skills. This issue afflicts many Asian economies which have risen fast in recent years, leading to increasing demand for scarce human capital.

India faces a skills challenge at two distinct levels:

- a) We must build business leaders to lead us through a changing and growing India;
- b) We must simultaneously 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, the business did not venture beyond these confines under the license-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.

Bridging the Skills Gap

India needs trained and skilled people to operate efficiently and professionally as much on the shop-floor of its factories as it needs 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.

a) Role of Government – Enablers of change

The Government has an important 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 grass roots level to achieve nothing less than hundred per cent literacy. The Government is now beginning to address this and is encouraging public-private partnerships to allow corporations or non-governmental organisations (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.

At the same time, the Government needs to raise the bar on higher education. This entails increasing opportunities for enrolment as well as improving the quality of higher education. Key to achieving this will be to encourage private investment in higher education and also bring greater accountability among institutions for their performance.

On some of these, the Government has taken definitive steps. It is planning to start 16 new central universities, eight new Indian Institutes of Technology and seven new Indian Institutes of Management. To catalyse rapid growth, the Government is now encouraging private participation. While this is a good start, it still remains a hugely unexploited opportunity.

The Government is seeking to bring more transparency and accountability in higher educational institutions through a bold new regulatory regime, the National Accreditation Regulatory Authority. This is now setting the much needed direction towards a step change in building human capital.

b) Role of Educational Institutions – Strengthening employability

A Confederation of Indian Industry (CII) report, on the mapping of manpower skills in Maharashtra to the state's projected requirement by 2012, came up with some very pertinent recommendations on what educational institutions can do to enhance overall employability in India. These included:

- A farm-to-work programme so that those who are employed in seasonal, agricultural work can move to other jobs in between
- A school-to-work programme that can employ those who wish to join the workforce once they reach employable age
- Experiential learning programmes so that students can be better prepared to deliver when they start working
- Modular courses so that students can pick from an array of skills and train for any subset thereof to improve their employability

Through such initiatives we can ensure that the millions of able but unemployed youth can find meaningful and sustainable employment. For example, training of school dropouts through modular courses for specific jobs will enable 17 million young school dropouts to be gainfully employed.

The current educational institutions must embrace the culture of skills training so that it benefits the wider sections of society and addresses the big issue of employability.

India needs ITIs as much as it needs IITs. We need to accelerate access to technical training to address the key issue of skills development at the grass roots level.

E-learning is another big opportunity. With over 600 million live mobile connections and internet access rapidly connecting the country, there must be a creative use of technology to transform the access and cost of mass education while, at the same time, lifting the quality and consistency of teaching. This is yet another big idea whose time has come and only a collaborative approach between educational institutions, industry and the Government can provide the most impactful solutions.

c) Role of Industry – Commitment to human development

Corporates are beginning to recognise the huge importance of Corporate Social Responsibility. An equally important part of progressive corporations has to be a commitment to what I would like to call ‘Corporate Human Development Responsibility’.

In every single CEO survey, the war for talent features as the biggest challenge in fast growing economies like India. The

industry has a huge role and enlightened self interest in ensuring a robust pipeline of talent. Most progressive companies prioritise continuous training and development of their employees.

However, corporates must also actively commit resources – time, money and people – to innovatively collaborate with educational institutions so that academic curriculum is tuned to changing needs of the industry. This is hugely beneficial in preparing our young population for employment and also in expanding the talent pool, much needed for our fast growing economy.

Both local industry and multinationals operating in India have an equal responsibility for developing talent. Multinational corporations bring an outside-in approach from their experiences in different parts of the world and contribute to raising the bar locally by establishing global best-in-class practices. Equally, we are seeing the emergence of Indian multinationals and their key challenge is to rapidly build a world-class talent pool that allows them to compete on a global scale.

Leadership Development at HUL

As a multinational with a heritage of over 100 years in India, HUL has played a proactive role in grooming business leaders.

The first Indian chairman of HUL (then HLL), Mr. Prakash Tandon, was the founder of IIM-A, a distinguished institution of higher learning. More recently, HUL was a founding member of yet another fine institution, the Indian School of Business (ISB), Hyderabad. These institutions have provided the country countless business leaders.

HUL has a unique and well recognised management training scheme which recruits widely from various educational institutions across the country. We have groomed thousands of young graduates into eminent business leaders who are now serving both Unilever and the Indian industry. We have as many as 195 managers from India working for Unilever in key leadership positions across the globe. It is not surprising that we have been referred to as the 'leadership factory'. More recently, HUL has been recognised as among the 'top ten' companies for leadership development globally in a survey done by Hewitt Associates in partnership with *Fortune* and The RBL Group.

Building business leaders cannot be a casual exercise undertaken every once in a while. It has to be a part of the DNA of the organisation. At HUL, we have institutionalised the process of attracting, developing and retaining top talent. Some steps in this process are:

- Get them early
- Train them well

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- Build careers
 - Encourage diversity
 - Reward top performance
 - Instil values

It is our firm belief that business growth and people growth is intrinsically linked in a virtuous cycle where one cannot exist without the other.

The HUL Model

The HUL model of 'Human Capital Development' builds around three key pillars – leadership development, organisational readiness for the future and broad-based talent development.

Organisational readiness keeps us ahead in a market characterised by increasing competitive intensity, changing customer profile and rising consumer aspirations. This is a structured approach of addressing the gaps in the organisation in terms of people skills and capabilities in the context of our future ambition.

HUL has taken up several initiatives towards building broad-based local talent, both through its own business and also in the local communities where it operates.

We do capability building across functions and at every level of the organisation. For example, we have 'skills-maps' against which the workforce in our manufacturing units and our sales force are benchmarked. Besides on the job training, they undergo up to eight man-days of training every year. On a conservative basis, this implies a staggering one lakh man-days of training across the organisation every year! We have the same emphasis on skills training even in our extended sales and distribution network and invest another one lakh man-days of training every year.

We define education and skill development in terms of our ability to create employability. This year, we provided sales internship opportunities for more than 1000 students from Tier II and Tier III MBA colleges, exposing them to best practices in industry and providing them with valuable work experience, thus enhancing their employability. Similarly, through Project Shakti, we have trained 45,000 women in remote and rural villages to provide them income generating opportunities. This is a fine example of providing livelihoods by building skills and capabilities at the grass roots. The 'Samruddhi' programme of HUL is another such example of building capabilities among local communities by equipping young students with vocational skills in partnership with the NGO, Aide et Action.

We realise that these are, in a broader context, small steps. But many such small actions add up to make a big difference.

At HUL, we are committed to strengthening our efforts towards building 'human capital', which is the need of the nation today.

In Conclusion

The economic centre of gravity is shifting from the developed markets to the developing markets. This is a huge opportunity for the Asian economies and India in particular.

But underlying the growth in economic capital has to be an equally strong foundation of building the intellectual and human capital of the nation. This means investing in our people. We need to impart skills, training and education at all levels to match the needs of a changing India. Human capital is the pivot around which the long term transformation of our economy has to be shaped.

We need to enhance public-private partnership to further strengthen our systems and standard of education so that it serves all classes of society. A close partnership between government, educational institutions and industry can change the entire ecosystem and drive it towards uplifting the skills and capabilities of the nation and achieve this with a scale that is required for our growth ambition. Employability of our young population is a key prerequisite for employment generation.

It is equally important that we address our other key challenge – leadership development. This is vital if India is to be at the leading-edge of innovation and competitiveness in this increasingly interconnected world.

‘Human capital’ is key to realising the India of our dreams. HUL continues to be committed to ‘Corporate Human Development Responsibility’ and contributing to the broader national economic agenda.

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Hindustan Unilever Limited

Hindustan Unilever Limited, Unilever House,
B. D. Sawant Marg, Chakala, Andheri (E),
Mumbai - 400 099.