An Exploratory Study on the Need for Skill Development in Retail Sector in India

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ABSTRACT

There is a huge demand for a qualified workforce, particularly in the situation of globalization and with an unprecedented pace of growth in the Indian economy. Skilled workforce availability is strongly linked to the type of vocational education and training scheme that exists in the nation. This paper shows the numerous public measures to develop skills by reviewing and evaluating the current programmes / schemes under different institutional arrangements to support a significant and employable system of skill growth. Thus, despite new institutional arrangements from the government and several existing schemes and programs working in the nation, it is discovered that skill deficiency is there at all levels. Finally, the paper attempts to define the constraints in the above context and proposes some mechanism for filling the current gaps in the region of skill growth. The present study is exploratory in nature and uses secondary sources of data collection.

1. Introduction

While the world population is ageing swiftly, India has a strategic edge in terms of demographic dividend, among the world’s youngest populations. Nearly three-fourths of the population in India is unskilled, however, the World Economic Forum’s Global Talent Risk Report (2011) warns that emerging nations such as Brazil and India will also have to face huge skill gaps due to lower level of employability. There is an enormous gap between the skillset that industry requires and those that the education system provides. Despite the toils of the National Skills Development Mission, the job of attaining the target of 500 million skilled workforces by 2022 appears intimidating. Several path-breaking public-private partnerships are leading essential changes, just like the National Skills Development Corporation (NSDC), by raising the supply of training providers. However, for this highly powerful goal to be accomplished, there are various elements of the job market that requires to be well understood.

The government’s announcement of the call to enable FDI in retail is already leading to important speculation about a rise in employment opportunities in this field (Sengupta, 2012). A direct outcome of FDI would be an increase in retail number and format, which could lead to job creation in various categories. This development brings with it an unprecedented need for nation-wide accessibility of skilled labour and an escalation demand for comprehensive skills training. Although there are many reports analyzing the overall skills development situation, the nature of the evolving retail sector demands a close examination of recruitment, employment and career development processes in the low-skilled sector.

According to CRISIL Opinion report (Srinivasan, Daniv & Hardikar, 2012), structured retail is one of the most advantageous sectors for skill development growth. The main cause is the high demand outlook which characterizes this sector. Since more than half of labour demand is at the stage of fundamental skills (NSDC, 2009) private players are forming themselves in the training space as a captivating sector. The heavy consumer focus, the need for good communication skills and other soft skills are another important motivator for training in the retail sector. It is evident that there’s a major gap in skill development in India, and that this gap needs to be tied for us to remain in the world market. The skill development situation offers itself as a splendid testing ground for public private partnership in providing training and ensuring employability of the workforce.

2. Literature Review

The current ranking of India in Industrial output is 11 in the World. The basis of any manufacturing organization is ruled by the money it is willing to invest and the kind of people who are going to work in it. For mutating the well-being of the production sector and to make it the most preferred stop for domestic as well as foreign investors and industrialists, it is very much essential to promote both fund based and non-fund based financial services. Manufacturing companies to resist the global competition, and to ensure their long term sustainability, have to expend in large quantity in setting up and developing its infrastructure, raw material, skill development of its manpower, and R & D (Goyal, Kaur, & Singh, 2015). Data of World Bank recommended that in 2013, the contribution of production sector to Indian Economy was just 13%. The overall contribution to GDP by manufacturing sector was just 28th. India’s contribution to World’s manufacturing is also very low with a contribution of just 1.8%. These statistics certainly show that India is terribly poor in manufacturing (Goyal, Kaur, & Singh, 2015). If India becomes a manufacturing destination that attracts investment from worldwide and national industrialists, it will create many job possibilities for our labour force (Goyal, Kaur, & Singh, 2015).

Vocational education and training is a vital element for socio-economic growth of any country. The countries that have adapted to the changing global situation by upgrading the vocational education and training sector to produce higher and specialized skills are a lot of prosperous as compared to others. India can also assimilate from their experiences by
scrutinizing the learning in the Indian context. Spatial factors are not identical as standard schools for vocational training schools (Cutshall, 2003). In technical schools, educational rooms and spatial design tend to be controlled by highly specialized equipment, furnishings, machinery and instruments required to adequately teach students (JISC, 2006; Cutshall, 2003). Construction and renovation choices, however, are being steered more and more by administrator and teacher demands for flexible areas, allowing spaces to be utilized for various reasons and groups of distinct sizes; and adaptable, allowing for time- and cost-effective building renovations or additions. Planning amenities for vocational training requires smooth design with long-term contemplation and associated changes in pedagogical methods and changes in labour market requirements (Wolff, 2002; JISC, 2006). For the learning environment to be effective, the design of the space must be coordinated with user needs and related activities, while maintaining physical, technological and spatial flexibility. Indeed, Jamieson (2000) who inspects space from the teacher perspective notes that the physical environment will influence how teachers fabricate activities. Therefore arguably the less specific the function attributed to space, the greater the chance for teachers to create different instructional settings.

From the employers’ perspective, employability is the inclination of the graduate to unveil attributes that employers foresee will be necessary for the future effective functioning of their organization (Harvey, 1997). Because of the emergence in short-term contracts, outsourcing, part-time work and home-working (Harvey, 2000) graduates need to be more flexible in response to the increasing amount of career modifications encountered through life for many individuals (Harvey, 2000a). This fresh cohort of flexible specialists has been called "flexexperts" by Vander Heijden (1996).

3. Objectives

1. To understand the reasons for the existence of skill gap in Indian retail sector.
2. To identify various initiatives taken for skill development under various institutional arrangements.
3. To understand various concerns and challenges in skill development in retail sector in India.
4. To provide various recommendations for skill development in India.

4. Research Methodology

The research paper is an exploratory research effort based on secondary data from newspapers, magazines, articles and media reports. Considering the objectives of the study, the aim of this research design was to be more accurate and to analyze the research study in depth. The secondary data available for the research was widely used.

5. Reasons behind the existence of skill gap in the retail sector in India

5.1 Employment in India by Industrial Sectors

According to the KLEMS India Database, a research supported by the Reserve Bank of India, the growth rate of total employment (in percentage) in the total Indian economy has shrunk in 2015-16 compared to its previous years. It is now down by 0.1 percent from a 2.4 percent growth in the early 1980s, with a hopeful 0.1 percent improvement over the previous year’s decline. Although this overall image includes several successful and other unsuccessful sectors such as agriculture. Sectors like Power & Energy, Media, Telecommunications, and Retail had little to no change in employment outlook. Whereas Travel & Hospitality, Agriculture, and Construction & Real Estate are taking huge employment hits in the neighbourhood of 4-7% drop.

As far as wage trends are concerned, according to Willis Tower Watson’s 2017 Salary Budget Planning Report, India is expected to raise wages by 2-3% for average performers in middle management, a stagnation or decrease in wage hikes in upper management, while a general average of 10% for junior management is expected. Energy, Retail, and FMCG are the industries with the largest hikes. Financial Services’ projected wage is lower than other industries, while the media and pharmaceuticals are expected to be lower than their wage hikes in 2017.

5.2 Concerns with Indian Employment Outlook

With a billion mouths to feed and almost 500 million in the Indian labour force, job development and support is the way out of the grim job outlook. While in many sectors the growth is largely positive, it’s just not enough and some of the culprits are evident, but not easy to solve. Although government promises and policies seem to be growing, the nation continues to suffer from large-scale unemployment, and the pledge of job creation continues to allude to the population. Here are some significant problems that plague the Indian job landscape, among others.

India has an enormous gap in skill. Table 1 shows how Indian working population, aged 15-59, falls into the educational range among the 470+ million labour-power.

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Number (in millions)</th>
<th>Share in Labour Force</th>
</tr>
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<tbody>
<tr>
<td>Illiterate</td>
<td>125.65</td>
<td>26.73%</td>
</tr>
<tr>
<td>Literate without formal schooling</td>
<td>2.12</td>
<td>0.45%</td>
</tr>
<tr>
<td>Below Primary + Primary</td>
<td>102.38</td>
<td>21.78%</td>
</tr>
<tr>
<td>Middle</td>
<td>76.08</td>
<td>16.18%</td>
</tr>
<tr>
<td>Secondary</td>
<td>52.39</td>
<td>11.14%</td>
</tr>
<tr>
<td>Higher Secondary</td>
<td>29.19</td>
<td>6.21%</td>
</tr>
<tr>
<td>Diploma/Certificate</td>
<td>6.02</td>
<td>1.28%</td>
</tr>
<tr>
<td>Graduate + Above</td>
<td>37.41</td>
<td>7.96%</td>
</tr>
</tbody>
</table>

Source: Planning Commission 2017

There is clearly a skill issue when more than 65% of your workforce is less than a high school pass, with almost 50% having primary or less education. And an absence of adequate skills may result in the absence of fair job opportunities.

The income distribution in India is still unequal. The Indian Middle Class (middle 40%) grew by just 102%, compared to an average of 187% for other parts of the globe between 1980 and
The retail sector is having one of the inflated incremental employment creations as sectoral employment base is expected to reach 56 million by 2022. Sales, store operations management, procurement, warehouse management, merchandising, etc. span the chances in the retail sector. Despite enormous job opportunities, the gap in employability remains a significant limitation as 74% of the workforce is at or below secondary education.

6. Initiatives towards skill development

NSDC was established as a Public Private Partnership (PPP) model under Ministry of Finance in 2008 with the aim of promoting the development of skills by catalyzing the creation of large, high-quality and profitable vocational institutions. In addition, the organization offers financing to create vocational training projects that are scalable and lucrative. Its edict also aims at empowering support systems that focus on quality assurance, information systems and either directly or through partnerships train the trainer academies. NSDC functions as a catalyst in skill growth by offering financing for skill training enterprises, firms and organisations. It also creates suitable models to stimulate, promote and coordinate initiatives in the private sector. The differentiated focus on twenty one sectors under NSDC’s purview and its understanding of their feasibility will build every sector enticing to private investment.

The perspective is to evolve partnerships with countless stakeholders and fabricate current efforts, instead of undertaking too many initiatives directly or duplicating efforts presently underway. The NSDC strives to increase the efforts needed to achieve the goal of skilling/upskilling 150 million people:

- Develop high-quality, ultra low-cost, creative business models.
- Attract substantial private investment.
- Ensure that its funds are mainly "recirculating," i.e., rather than granting loan or equity.
- Create leverage on its own.
- Build a powerful corpus.

The Indian government has taken measures such as the DeenDayalUpadhyayGrameenKaushalVikas Yojna (DDUGKY) and the Pradhan Mantri KaushalVikasYojana (PMKVY) to decrease this gap and improve the accessibility of individuals with the correct skill sets. The DDUGKY scheme, introduced by the Ministry of Rural Development in 2014, focuses on increasing rural youth’s employability. The second initiative was commenced by the ministry of skill development & entrepreneurship in 2015 to identify and standardize skills among the Indian youth.

6.1 Progress till 2017

In DDUGKY, the retail sector applicant registration was 56,200 – the highest among all sectors – until August 2017. In PMKVY, on the other side, 1,04,650 applicants were enrolled in short-term training programmes and by August 2017, 12,000 staff was registered for Prior Learning Recognition (PLR) certification. Many states have launched their own skill development programs other than DDUGKY and PMKVY. In addition, under their Corporate Social Responsibility (CSR) initiatives, companies also train individuals. Another 30,000-35,000 are estimated to be enrolled under these programmes by 2020.

Despite central government, state governments and corporations’ attempts, the number of trainees attained is lesser than the expected requirement. At the same moment, with an elevated attrition rate of 30-40%, the sector is also saddled. Consequently, the qualified resources fill only the vacancies resulting from attrition rather than meeting fresh demand.

6.2 Future Prospects for Retail Sector

The retail sector also has some positive aspects that make it favourable amongst other sectors:

- People get trained quickly as not much technical skill or set-up is required for majority of the entry-level jobs in retail.
- With retail expansion happening in tier 2, 3 & 4 cities, candidates won’t have to migrate to big cities for jobs.
- With high growth in the sector, hard-working candidates can mount the ranks quite swiftly and thrive in their careers.
- These benefits can be swayed and the basic skills must be edified as an optional vocational subject in schools in Standard X, XI and XII. This may offer a larger pool of candidates in the coming years.

In light of the industry’s growth and work force demand, it is recommended that the industry players support the initiative taken by the government with utmost sincerity, else the allocations and enrolments for the retail sector can bit by bit scale back, which will unfavourably affect the sector, bringing it back to where it all began.

The implementation of automation and AI systems will change the workplace over the next 10 to 15 years, according to McKinsey, as individuals increasingly communicate with ever-smarter machines. These technologies and the interaction between human and machine can bring various benefits in the form of higher productivity, GDP growth, improved corporate performance and new prosperity, but they will also change the skills needed by human workers. They did an assessment that highlights many similarities but also some variation in altering skill requirement patterns. For instance, while social and emotional skills are going to be in increasing demand across
the need for cognitive fundamental skills will only slightly drop back into retail. Smart automation and AI will prolong to reshape retailers’ income and margins as self-checkout machines replace cashiers, robots restock shelves, machine learning enhance client demand forecast, and sensors assist stock management. Companies will have to choose from five primary kinds of intervention as they construct their future workers, i.e. retraining, redeployment, hiring, contracting and releasing.

India has gradually developed as a knowledge-based economy owing to the profusion of competent, flexible and skilled human resources, according to the Knowledge Paper on skill growth in India (EY). There is, however, a need to further evolve and un fetter human capital to ensure the worldwide competitiveness of the country. Despite the compassionate stress deployed on education and training in this country, there is still an inadequacy of skilled manpower to address the mounting needs and demands of the economy. The government is devoted to start and achieve formal / informal skill growth of the working population through education / vocational education / skills training and other forthcoming learning techniques as an instant necessity that has arisen acutely from the continuing situation.

According to Planning Commission’s report India’s workforce was receiving only 10% of skill training in 2008, which was the least percentage in comparison to other countries like Korea(96%), Japan(80%), Germany(75%) and UK(68%). The skill development of the working population is precedence for the government.

6.3 Government initiatives to boost retail industry in India

The Government of India has taken numerous initiatives to boost the retail industry in India. Some of them are listed below:

- The Government of India may adapt the Foreign Direct Investment (FDI) rules in food processing, in a bid to allow e-commerce companies and foreign retailers to vend Made in India consumer products.
- Government of India has authorized 100% Foreign Direct Investment (FDI) in the online retail of goods and services through the automatic route, thereby bestowing lucidity on the enduring businesses of e-commerce companies operating in India.
- It is estimated that by 2022 India will need an additional 104 million people in the workforce with a further 298 million requiring an upgrade in training. With the aim of training 240,000 individuals in 2017-18, the National Policy on skills (2009) was set up to enlarge on outreach, equity and access of education and training, which it has intended to attain by establishing various industrial training institutes (ITIs), vocational schools, technical schools, polytechnics, and professional colleges to facilitate adult learning, apprenticeships, sector-specific skill development, e-learning, training for self-employment and other forms of training.
- Through all its projects, the government offers holistic assistance in the form of funding, infrastructure and policy support.

7. Concerns and Challenges in skill development in retail sector in India

7.1 Challenges for corporates

Industry players are spotted not being keen to pay any premium to trained candidates. The entry-level salary is also decided on the basis of exposure instead of skills learnt through such programmes. Therefore, the candidates are losing interest in such training programmes in the absence of recognition.

Besides retail, there also exist distinct sectors like business process outsourcing (BPO), telecom, insurance and e-commerce, which provide comparatively remunerative choices to candidates. Thus, the interest in working in retail seems to be low. This is further strengthened by the perception of candidates regarding job conditions in retail. The candidates cite long operating hours as physically and mentally exhausting.

7.2 Challenges for government

There are several difficulties ahead the government in providing the country's youth with quality skills training. These challenges include:

- Escalating capacity and capability of the prevailing system to ensure egalitarian access for all
- Maintaining quality and relevance.
- Generating effective between school education and the government’s skill development endeavours.
- Development of an organizational system for quality assurance, examinations and certification, affiliations and accreditation of research development.
- Mobilizing sufficient funding for financing skill development.

7.3 Recommendations for skill development in India

In India, about twelve million folks join the workforce annually comprising extremely skilled, skilled, semi-skilled and unskilled workforce. The last group constitutes a great mass of the population invading into the personnel. However, the present skill capacity of the country is about four million. Hence, skilling and technical education capacity must be magnified to about fifteen million.
In India, both the government sector and the private sector have perceived the vital role education plays in building a skilled workforce and successively boosting economic growth.

Some of the steps that the government can take to create skill training totally inclusive and attain the training targets are:

- The government provides worthwhile support to formal education at the school level. Along with formal education, the next affordable action, the government will take is to supply funding to vocational training.
- Women’s involvement in vocational training and education is particularly small compared to males. The combined attempts with local NGOs and panchayats to inform females and their families about the benefits of vocational education, which can lead to employability, are very crucial in order to boost enrolments.
- Current vocational education and training facilities can be greatly enhanced by setting standards, certifications and guidelines on the syllabus being taught, resulting in a more structured scheme for teaching faculty and training institutes.
- An option to set up a regional Career and Counselling Window where professionals may be provided to scrutinize its own capability and deliver to society in the most competent manner. The Career and Counselling Window could also be created at district level with a pool of psychology and skill planning professionals to help the initiative.

The need for the hour is to synergize attempts and resources to provide a viable platform for vocational training and growth of skills. The ideal approach ahead will be to hunt partnerships which will strengthen the method of quality and comprehensive education.

India has an upper hand of the “demographic dividend” (youth compared to the ageing population of developed countries), which might be refined to create skilled manpower among the near future.

The retail industry needs to step up efforts to support the existing skill development programmes. Effective talent management practices can assist with candidate retention as well as attracting people to the sector. To attract a lot of young personnel to the retail sector, trained candidates need some kind of recognition by firms. Given the lengthy hours and physically demanding tasks in the workplace, human resource policies based on recognition and rewards need to be refined and fully enforced.

8. Conclusion

Presently, 80% of India’s workforce (rural and urban) has no recognizable and marketable skills. Bridging this gap through multiple skill development projects could therefore make India the worldwide hub for skilled labour and also result in excess of about 47 million qualified labour (FICCI) in 2020. Despite various endeavours and investments in shaping the skills of a huge labour force there are grave drawbacks in the system. Even after the government funding so much in training costs and infrastructure, creation of robust workforce for the industry is still a fantasy. As a rapidly growing economy, India also requires Grey collar-knowledge workers in addition to white and blue collar, including ICT abilities, problem solving, analytical and effective communication skills, and rust collar-skilled grass root-level staff in currently unorganized sectors and un-benchmarked sectors such as construction, agriculture, and related trade. Government and industry leaders are perpetually from time to time launching new skill development initiatives however somehow it’s not reaching the casual workers who dominate the Indian workforce. Stakeholders (Industry leaders, Government etc.) have realized that none of them can work in seclusion. They will get to collaborate because the stakeholders are large. Mandatory monitoring and Quality Certifications ought to be in place which can guarantee high standards training programs with main target of enhancing the employability. Sector-specific Labour Market Information System (LMIS) is to be created at domestic and state level to reduce the skill mismatch that can aid in the accurate and realistic evaluation of economic trends and the labour market. Labour market evaluation to be carried out at local level, with the assistance of Sector Skill Councils (under the National Skill Development Corporation) by Area Specific LMIS. Supply and demand for skilled manpower can be mapped using Human Resource Planning (HRP), which is also one of the key elements. These exercises can help to anticipate skill gap over a period of time at different levels, sectors and geographical areas. A designated agency should work on generating information from the LMIS and HRP exercises. Government employers, national, state and local level training providers, trainees and prospective trainees should be disseminated with information so collated so that they can use it in their skill development plans. The information at National level can be disseminated by NCVT by receiving inputs from state and local levels. Counselling, placement and guidance can be provided by strengthening and upgrading the Employment Exchanges.

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