

India: From an outsourcing hub, to a global repository of talent

The country needs to develop talent in semi-urban and rural areas to cash in on the '40 million jobs' opportunity arising out of workforce shortages in the developed world

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The outsourcing boom of the 21st century has undoubtedly transformed India. From a developing country, we are today an emerging economy and a super power in the making. Over the last few years, India has clearly moved up the offshoring value chain - from being a low-cost destination to a knowledge hub to the world.

The outsourcing boom has begun to play a large role in India's growth process. Today, 5.2% of the country's GDP comes from export of IT and IT-enabled services (ITES).

While the sheen is unmistakable in our early accomplishments, we certainly need to look deeper. Despite 60 years of independence, our system does not ensure 'education for all'. Out of the 200 million children in the age group of six to 14 years, 59 million children are not attending school in India. Even those who get educated are often not employable.

Every year, 300,000 engineering graduates and approximately 2 million graduates pass out of colleges. But only 10-15% of graduates are suitable for employment in offshore IT and BPO industries. Nearly two-thirds of the 300,000 engineering graduates need to be reskilled, so that they can get jobs in the IT industry.

Even those who find jobs need to undergo training and be re-skilled. Today, India needs to skill/re-skill 1 million working executives. Emerging sectors such as retail, banking, financial services and insurance (BFSI) industries are facing acute shortage of manpower. The banking industry, which currently employs 900,000 people, is expected to add 600,000 more over the next five years. But it's unclear how this increased demand will be met.

The shortage of skilled talent threatens to slowdown the Indian IT and ITES industry, if the education system does not keep pace with the rising talent needs. As per estimates, by 2010 the industry will need approximately 850,000 additional skilled manpower.

While this is the India-side of the story, the growth paradigm of the developed world requires fuel of another kind – they need knowledge workers and skilled professionals. The developed world’s requirement of skilled professionals is only going to increase with time. By 2020, the developed world will have a shortage of 40 million working people, says a report--*India’s New Opportunity-2020*, brought out by the All India Management Association (AIMA), the Boston Consulting Group (BCG), the High Level Strategic Group and the CII.

The developed world is already finding it difficult to find talent. A recent study undertaken by global HR consultancy Manpower Inc--*Talent Shortage Survey; 2007 Global Results*, says 41% of employers worldwide are having difficulty filling positions due to lack of suitable talent available in their markets. The countries hit by this acute talent shortage are – Costa Rica (93%), the USA (62%), Japan (61%), New Zealand (62%) and EMEA (31%). Talent shortage appears to be the least problematic in India (9%), Ireland (17%) and China (19%), points out this survey.

For the developed world, this is a serious matter. Manpower shortages can cripple economic growth. It can escalate wage rates, thereby reducing the competitiveness of these countries. Blessed with surplus workforces, countries like India and China can certainly meet the manpower shortages of today’s developed world.

India is facing a peculiar manpower paradox – while it is a young country (over 50% of its population is below the age of 25 years), even domestically it is facing a shortage of skilled manpower. Despite the increase in jobs, educated unemployment in India is on the rise. By 2012, India could have an unemployed population anywhere in the range of 19 to 37 million, the largest share of which will be educated youth. By 2020, India is estimated to have surplus working population of 45-50 million people.

The manpower crunch in India is more serious than we think. The reason – while urban India has witnessed a stupendous growth in jobs, in much of India children still drop out from school, girls are still not sent to school and youngsters are forced to take up jobs instead of completing their graduation. Clearly, the way out of this paradox is to begin work at the very grassroots – India’s semi-urban towns and villages.

This is where India requires substantial public-private partnerships. At NIIT, we are undertaking initiatives to generate skilled manpower resources at small towns and villages. In August this year, we inaugurated our first Model District Learning Centre at Chhindwara in Madhya Pradesh. The District Learning Centre (DLC) is geared towards fostering talent and skilled manpower resources

for global readiness. Over 4,000 students graduate every year from the Chhindwara district.

The centre has been designed to create an ambience of an urban training facility and uses state-of-the-art technology – fully-networked classrooms, machine rooms, labs, library, VSAT connectivity, high-bandwidth internet, amongst other learning resources.

To begin with, the DLC will provide intensive training programmes to over 200 students a year and will work towards increasing the capacity by another 200 students in the next two years. Once the model is tested, NIIT plans to roll out similar initiatives in other districts of the country. These graduates will be equipped with various skills, such as IT and communication skills (verbal and written), professional life and business etiquette skills that will enable them to accomplish gainful employment and secure future.

Chhindwara sets the tone for unleashing the hidden potential of semi-urban towns, by bringing the energy of their youth into the mainstream. Besides this, Hole-in-the-Wall Education Ltd (HiWEL), an NIIT venture, will also setup several Minimally Invasive Education (MIE) Playground Learning Centres (PLCs) in different villages of Chhindwara to promote computer education among school kids in the district.

HiWEL PLCs provide free and unsupervised access to computers for children belonging to economically and socially-marginalised populations, in remote rural locations and urban slums. HiWEL PLCs that come with the unique Minimally Invasive Education approach, encourage children to self-organise and take responsibility for their own learning.

Clearly, the existing education and training infrastructure cannot meet all the manpower needs. We need to begin from the primary schools in villages and cities, work with underprivileged children and encourage them to get educated. We need to change our education system and focus on job-oriented courses.

India needs a sharp focus on global talent development. This can be done by making education and vocational training more market-driven.

If the education system does not transform itself, we may lose out to other BRIC economies, particularly China and Russia. In terms of sheer numbers, the opportunity lost can be huge. As per estimates, remote services could bring in \$133-315 billion of additional revenue into the country every year and create an additional 10-24 million jobs (direct and indirect) by 2020.

The task of developing global talent can be approached in two ways—by companies or training institutes going global in order to develop talent in those nations, and by developing talent indigenously. At NIIT, we are working on both these models of Global Talent Development.

Education and vocational training need to be aligned with market demand. This can be done by mapping the demand for professionals today and by projecting future demand and working towards enhancing the skill-sets needed for these jobs. At NIIT, we have tied-up with the ICICI Bank (for IFBI) to train people for the banking sector and with IIMs to hone managerial talent (NIIT Imperia). We now plan to take this approach forward to other sectors, such as retail, banking, insurance etc.

While India has some natural advantages—it has the world’s largest English speaking country¹--countries like China are working overtime to cash in on the global labour crunch. A fifth of the Chinese population² is learning English. British Prime Minister Gordon Brown has said that the total English-speaking population in China will outnumber the native speakers in the rest of the world in two decades.

Therefore, there is a pressing need to act fast. From an outsourcing hub, India needs to transform itself into a repository of talent that can feed global demands for skilled workforce. The real India continues to live in its villages and towns. We need to reach these areas with the right education models, so that people who graduate from these small towns too can find jobs at MNCs, BPOs, KPOs and the like. For, that will be true development of India.

¹ <http://yaleglobal.yale.edu/display.article?id=4947>

² The Economist, issue April 12th 2006