

SKILL DEVELOPMENT & the IT sector

Much of the change in the world's perception and outlook about India can be attributed to India's performance in the IT and ITES sectors. India is recognised as a powerhouse of talent and skills. The Indian IT sector is expected to reach a size of USD 100 billion by the year 2010, and contribute to 7 per cent of India's GDP and 30 per cent of foreign exchange inflows. IT exports are increasing at a rate of 30 per cent an annum, and at USD 35 billion account for more than 20 per cent of India's total export earnings. The World Bank rates India as the world's leading offshore development centre for IT. However, the Indian IT industry is concentrated in a few cities, with Bangalore and Hyderabad leading the way. The industry is also fragmented with top 25 companies contributing to more than 65 per cent of the total business by volume and value. Liberalisation of the economy is enabling more businesses computerize their operations. Zero import duty has been allowed on software imports. The use of computers as an educational tool is increasing. Sale of computers in the household segment is increasing. Stricter enforcement of anti-piracy laws has helped in reducing illegal copying and piracy of software.

However, there is a mismatch in the labour market; large amounts of unskilled and unemployable labour vis-a-vis a huge demand gap for simple types of skills which needs to be corrected. The correction is not impossible because India also faces a unique opportunity. It has the

youngest population in the world; this means that India has the unique opportunity to complement what an ageing world needs the most, the productive worker. First, unskilled labour has to be skilled. This requires trainers and training infrastructure. Second, their skill has to be recognized and accepted by the potential employers. This requires credible certification of the skills acquired by labour. An added advantage of certification is that labour markets become integrated. With markets opening up and investments going to nearly every state in India, it will be possible for the weaker sections of society to migrate, with basic qualifications and skills. In a fast globalising world, most parts of the country are moving at a fast pace towards a cosmopolitan culture, where almost anyone from anywhere in the country can settle quickly and go about doing his or her own work.

It is universally accepted that people with adequate education and skills training are more capable to adopt new technology and become more productive than people with just basic knowledge. A livelihood can be made sustainable, when a person can cope with or recover from stress and shocks and maintain or enhance his assets and capabilities, whilst not undermining the natural base. According to the International Labour Organization (ILO), decent work means productive work in which rights are protected and generates an adequate income with social protection. Vocationally

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trained people can expand the range of activities that they can engage in and earn a 'decent and comfortable' living. It can help to reduce economic disparities, empower disadvantaged and marginalized groups, reduce unemployment, and build social order. It increases productivity, empowers individuals to become self-reliant and stimulates entrepreneurship. Developing knowledge, skills and attitudes (KSA) for utilization and management of natural resources for sustainable production of goods can eventually lead to achieving development goals.

IT use positively affects the performance indicators of the factories that invest in IT. Greater IT use is associated with better performance and factories that use IT earn higher profits, employ more people and offer greater remuneration for lower hours of work. Therefore if some firms do not invest in IT intensively, it must be because of constraints that prevent them from adopting the best available technology. The major barriers to IT use are opposition from labour unions, irregular power supply and lack of skilled personnel, in that order. IT use impacts organisation structure and how firms that use IT could use technology to streamline activity and increase productivity. Penetration across units results in networking advantages. The benefits of using IT show up only after there is a critical mass of firms and units that get computerised. Therefore some firms wait for this critical mass before they spend on IT infrastructure. It is here that the government can play a very positive role in overcoming this sluggishness in the adoption of IT. IT is an effective tool in all development policy to eradicate poverty and unemployment and take India forward.

In a recently released study on IT use, the India Development Foundation comes out with some fascinating results. Maharashtra and Delhi do well, but Andhra Pradesh and Tamil Nadu fare rather poorly in IT penetration in industry. Cities in the North do better compared to towns in the South and the west. In Indian manufacturing units, firms that used IT registered higher profitability and greater worker productivity. The counter intuitive finding is that for India, IT using companies employ more people. Also the total number of workers, both skilled and unskilled, is higher for IT using firms. The ratio of skilled to unskilled labour is higher with IT use. Most companies reported that their

labour unions were sceptical about the use of IT since it is thought to be labour substituting. However, the study demonstrates that IT use actually increases employment.

What is also critical to note is that the knowledge and the software sectors would generate incremental growth in employment that understandably has not been seen in the past. An earlier IDF study on trade in services estimated that the output multiplier for IT and ITES is 4.2. With a compounded annual growth rate of 28 per cent during the last 5 years, the IT-ITES industry's contribution to India's GDP is expected to rise to 7 per cent by 2008-09 against that of 4.8 per cent in 2005-06. It would be important for the IT sector and Indian industry at large to ensure that these benefits are seen as tangible by the larger constituency. The need for better infrastructure is particularly important to enable wider IT use.

A prosperous economy provides countries with much needed resources to strengthen and expand existing school facilities, and a solid education system helps to generate the capacities and talents to stimulate and sustain economic growth. Simply increasing the level of schooling among the general population does not necessarily lead to a booming economy. Workforce development programs need to focus on what is being taught in schools and how these skills connect to other sectors such as the economy, health, and the environment. Above all, creativity, innovation, and ingenuity must be fostered and rewarded.

By far the most urgent need of industry in general and IT use in industry in particular is the need for skilled manpower. This would be the greatest constraint one would imagine holding back IT penetration in Indian industry. Skilling requires greater access to education in rural areas where we find IT usage also poor. Through IT education and IT reach, industry would make industrial growth inclusive. Therefore, in addition to a re look at labour laws, better infrastructure and more reliable power, what is required is a large scale skilling exercise that enables a large labour force enter new markets.

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