

## **Implications of Skill Incongruity on Leveraging India's Demographic Dividend**

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**ABSTRACT:** *The burgeoning demographics unequivocally illustrates that India will continue to be a youthful nation and the principal supplier of human resources to the global workforce over the next few decades. A youthful populace is India's irrefutable demographic dividend. It bestows India with the vigor to develop into an international industrialized nucleus as well as a colossal end user of goods and services. If its human resources are not adequately equipped with employability skills for jobs, its demographic dividend may refurbish into a liability. Realizing the precision that employability of the youth is the derivative of adequate education, training and corporate readiness skills, this paper endeavors to best part how skill mismatch and shortage can upset the productivity growth which is decisive for India to augment its long-term growth. It also catalogs the sensible implications of the swelling skill incompatibility of working-age population on India's demographic dividend. To viaduct the gap between existing skills and what employers demand in the coming days, it is high time for the appropriate authorities to pay heed and make combined efforts by all the actors of the system.*

**KEYWORDS:** *Casualised Workforce, Demographic Dividend, Employability, Human Resources, Skill Incongruity*

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### **I. INTRODUCTION**

A good number of economies are witnessing increasing numbers of job vacancies but their unemployment rates are not going down. In some cases, they are even mounting. India, being an emerging economy, is also susceptible identically. The new observable fact is that many of the workers who lost their jobs to the economic down turn do not have the skills that the labour market now demands. These skill mismatches mean that unemployed people need much longer time to find a new job, which in turn drives up long-term unemployment. Skill mismatch entirely impairs the job creation landscape. This particularly affects the young people, who get most of their training and education before they start working or early in their careers.

As per a recent study by Boston Consulting Group, India will have a surplus of active population - about 47 million people by 2020. This phenomenon for a nation when major portion of its population is active (in the working age 15-50 years) is referred to as the stage of reaping the demographic dividend. During this phase most of the population contributes to the country's Gross Domestic Product. It's a phase of lower dependency ratio - that refers to the number of children or elderly dependent on each earning person. The lower the dependency ratio - the higher economic growth will be, all other things being equal. It is expected that this phase would soon start for India. When the developed nations of the world would be facing a decline in their 'working population', India would be at the stage of lowest dependency ratio.

In today's era of knowledge based economy, quality of workforce is more important than quantity. In fact having a lower head count of skilled manpower is much better than a manpower whose larger portion is unemployable. Considering the present situation, is this the future holds for India? And this is one of the biggest conundrums that we as a nation are ever going to face.

This paper documents the intensity of the skills gap in India, explains some of the drivers and determinants of the skills mismatch and unpacks the inherent implications of skill incongruity on leveraging India's demographic dividend. It concludes by pressing the need for a revisit of the skill-building initiatives by different nodal agencies in the country in order to make vocational training relevant for India's large casualised workforce and to forge new and different pathways for success i.e. school to work pathways where students can see a clear and transparent correlation between their program of study and tangible opportunities in the job market.

## II. THE DYNAMICS THAT GAVE IMPETUS TO EMPLOYABILITY

Employability refers to a person's capability for gaining and maintaining employment (Hillage and Pollard, 1998). For individuals, employability depends on the knowledge, skills and abilities (KSAs) they possess, the way they present those assets to employers. As such employability is affected by both supply-side and demand-side factors which are often outside of an individual's control.

The premise of employability has been in the compass of transcription for many years. However, its widespread usage and popularity in recent times can be attributed to the following factors:

- ✦ Globalization has transformed the world into a global village where people from diverse ethnic and demographic backgrounds are encouraged to work under the same umbrella.
- ✦ The increased image of work as a "rat race" in modern times, has led many to question their own attitudes to work and seek a better alternative; a more harmonious Work-life balance.
- ✦ The rat-race to vindicate one's employability better than others in the team which embraces people from diverse age-groups beginning with the silent generation, baby boomers, Gen X and also accommodating Gen Y which struggles to gel with one-another so as to attain the collective organizational goals in a high-growth potential country like India. The silent generation (people born between 1925-1945) and baby-boomer (people born between 1946-1964), follow a more autocratic and process oriented approach guided by strict rules whereas the Gen X (people born between 1965-1980) and Gen Y (people born after 1980), popularly known as the face book and twitter generation, believe in task accomplishment as they are driven more by result than the process. The younger generation thus demands for a more flexible approach in the workplace scenario in terms of flexi-timing, work from home via virtual private networks and the like, which directly questions the rules driven approach of the silent generation and baby boomers.
- ✦ The dynamic nature of employment policy, with greater than ever stress being given to skills-based solutions to economic competition and work-based solutions to social deprivation.
- ✦ The presumed end of 'careers' and 'lifetime job security', which is now applied only in a selected sectors to a fewer workforce.
- ✦ The all-inclusive uncertainty among employers as to the levels and types of jobs they may require to be fulfilled in the future.

## III. SALIENT ATTRIBUTES OF EMPLOYABILITY

<p style="text-align: center;"><b>EMPLOYABILITY ASSETS</b></p> <p>It comprise one's domain knowledge, skills and. These can be further categorized as:</p> <ul style="list-style-type: none"> <li>•Baseline Assets: Reliability and Integrity.</li> <li>•Intermediate Assets: Communication Skills and Problem Solving Ability and key Personal Attributes such as Motivation and Initiative taking ability.</li> <li>•High Level Assets: Team Working, General Awareness, Self Management, etc.</li> </ul>	<p style="text-align: center;"><b>DEPLOYMENT</b></p> <p>These are a linked set of abilities which includes Career Management Skills &amp; Soft Skills. It includes:-</p> <ul style="list-style-type: none"> <li>•Job Search Skills: - It involves one's ability to find suitable jobs.</li> <li>•Strategic Approach: - It involves one being adaptable to job market developments and being realistic about market opportunities, and being occupationally and geographically mobile.</li> </ul>
<p style="text-align: center;"><b>PRESENTATION</b></p> <p>Another key aspect of employability is being able to get a particular job, once identified. This includes:-</p> <ul style="list-style-type: none"> <li>•The presentation of CVs</li> <li>•The qualifications individuals possess, both academic and vocational</li> <li>•References and testimonies</li> <li>•Interview technique</li> <li>•Work experience and track record</li> </ul>	<p style="text-align: center;"><b>ACTUALIZATION</b></p> <p>It is the ability of a person to realize or actualize his/her Employability Assets. This includes:-</p> <ul style="list-style-type: none"> <li>• Personal responsibilities, disabilities, and household status etc.</li> <li>• External factors such as Macro-Economic Demand and the Pattern of Job openings in the job market, labour market regulation and employer recruitment and selection policy</li> </ul>

#### IV. TYPOLOGY OF EMPLOYABILITY SKILLS

**Cultural Skills:** Each organization gets job accomplished in a different way. Understanding how work gets done, decoding unwritten rules and navigating the unique culture of each workplace is a core employability skill according to high performing employers (Aring Brand 1998). These cultural skills include knowing how to navigate a particular workplace culture, for example how to know whom to invite and how, how to put ideas into a specific cultural context. Cultural skills also embrace knowing how to be effective with people coming from different cultures. Employers deem cultural skills the most difficult to teach.

**Interpersonal Skills:** Knowing how to listen, speak, present information. Employers regard interpersonal skills as next in order of difficulty to teach.

**Intra-personal Skills:** Knowing how to manage one's emotions, be at ease with uncertainty; manage resources such as time and money. Employers believe that these skills come from acculturation in families, and that these skills are extremely difficult to teach.

**Technical or Job Specific Skills:** How to operate specific tools, processes, machines, software, etc. required for a particular job. Employers consider these skills the easiest to teach.

#### V. TAXONOMY OF SKILLS MISMATCH

Skills gaps are more severe in some countries than in others. However, the followings are the ubiquitous types of skill mismatch that may cause problems in the job matching process:

##### TYPES OF MISMATCH THAT MAY CAUSE PROBLEMS IN THE JOB MATCHING PROCESS

TYPES OF MISMATCH		DEFINITIONS
<b>SKILLS MISMATCH</b>		<p>This is the mismatch between the skills (That is Generic, Technical and Soft Skills) held by workers and those required by their jobs. Skills mismatches involve:</p> <ul style="list-style-type: none"> <li>• Skill deficit (skill gap), where a worker's skills are not up to the requirements of the job;</li> <li>• Skill underutilisation (overskilling), which arises when skills exceed those required by the job.</li> </ul>
<b>QUALIFICATION MISMATCH</b>	<b>VERTICAL MISMATCH</b>	<p>This is the mismatch between educational qualifications (i.e. formal academic skills) held by workers and those required by their jobs. Two situations may arise:</p> <ul style="list-style-type: none"> <li>• Over-education, when a worker has more educational qualifications than those required;</li> <li>• Under-education, when a worker has low educational qualifications than those required.</li> </ul>
	<b>HORIZONTAL MISMATCH</b>	<p>A situation in which the level of education matches job requirements, but the type of education (e.g. field of study) is inappropriate for the current job.</p>
<b>SKILLS OBSOLESCENCE</b>		<p>A situation in which the level of skills and abilities of an individual required to maintain effective performance in his or her job deteriorates or becomes outdated over time.</p>
<b>REGIONAL AND SECTORAL MISMATCH</b>		<p>Depending on Regional and Sectoral Employment &amp; Unemployment Dispersion, this arises when the locations and sectors where job openings are available are poorly matched with potential employees.</p>

## **VI. CONTEMPORARY SCENARIO OF SKILL GAP IN INDIA**

The Economic Reforms of 1991 have changed the face of Indian job market. Industrialization, growth of public and private sector enterprises etc. boosted employment opportunities as well as better-paid jobs. Today, Companies are mushrooming like never before. We are outsourcing products and services to MNCs. Noticeably; there is no lack of opportunity. On the other hand, there is no shortage of professional degree holders. The number of higher education institutes has gone up. India is the third largest higher education market in the world producing 37 lakh graduates every year.

India's latest economic boom is mostly attributed to the size of educated knowledge workers it produces each year. However, companies – national and international are scared to offer jobs to Indian graduates. This is absolutely because of lack of job skills. Experts discourse that even after pursuing 15-16 years of formal education our graduates are still not fit for a job. They state, giving jobs to such people will destroy their hard earned brand name and reputation. The challenge at this juncture is not unemployment but unemployability. The undeniable veracity is that India is facing skills deficit.

This demands for an appropriate consideration of the situation from end to end; on one side of it there is an idle, untrained, and thus unemployable young graduate while on the other rests an unbalanced, barren and therefore unsustainable workforce- both, equally harmful to the development of Indian economy. Today the Indian job market is floating with promising offers in quantitative as well as qualitative terms. Even then millions of graduates remain unemployed. There may well be diverse reasons that add to this mismatched set-up but the most relevant of them is –lack of job-related skills.

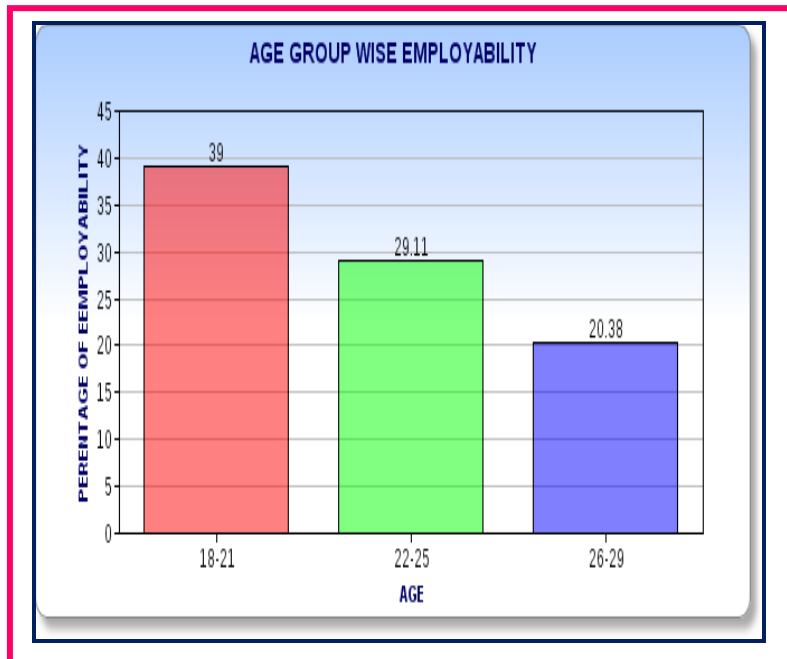
### **KEY POINTERS:**

- ❖ According to NASSCOM, only 10% graduates with non-specialized degrees are considered employable by leading companies.
- ❖ Of the total unemployed youth population of 232 million, a mere 2% enter the job market.
- ❖ As per McKinsey study reports, only a quarter of all engineers, 15% finance professionals and only 10% of graduates can be employed for general positions.
- ❖ As per India Labour Report 2007, unemployability is a bigger crisis than unemployment.
- ❖ Approximately 70% of the graduates in India have degrees in science, arts or commerce.
- ❖ The available figures say that of the 550,000 engineering graduates graduating every year, anywhere between 10% and 25% cannot be employed by any technology firm in the country.
- ❖ Twelve million young people leave school each year sans requisite vocational and life skills
- ❖ Consulting firm Aspiring Minds gives an even gloomier picture. In an employability study conducted last August, the firm found that merely 4.22% of engineering graduates are employable in product companies and only 17% in IT services.
- ❖ The employability of graduates varies from 2.59% in functional roles such as accounting, to 15.88% in sales related roles and 21.37% for roles in the business process outsourcing (BPO/ITeS) sector. A significant proportion of graduates, nearly 47%, were found not employable in any sector, given their English language and cognitive skills.
- ❖ There are 109 males to every 100 females in three-year degree programs. This is in contrast to the male female ratio of 1.96 for engineering graduates.
- ❖ For students residing or studying in smaller towns and cities (tier 2/tier 3), the maximum gap is observed in English and Computer skills.
- ❖ Despite the positive sentiment of the IT revolution, it is found that more than 50% graduates do not know how to perform simple functions like copy-pasting text nor are they able to differentiate between hardware and software.
- ❖ Not more than 25% of the graduating students could apply concepts to solve a real-world problem in the domain of Finance and Accounting. On the other hand, on average, 50% graduates are able to answer definition-based/theoretical questions based on the same concept.
- ❖ 41% of graduates employable in accounting roles hail from colleges beyond the top 30% colleges, whereas for the IT services sector this percentage is 36%.

The above insights provide a glimpse of the present skill levels of the young population in India. The top states where major part of the 'employable pool' comes from are: Punjab, Haryana, Delhi, Uttar Pradesh, West Bengal, Odisha, Andhra Pradesh, Karnataka and Tamil Nadu (Table 1).

**TOP STATES WHERE MAJOR PART OF THE 'EMPLOYABLE POOL' COMES FROM AND AGE WISE EMPLOYABILITY**

TOP STATES	RANKING
PUNJAB	1
HARYANA	2
DELHI	3
UTTARPRADESH	4
WEST BENGAL	5
ODISHA	6
ANDHRA PRADHESH	7
KARNATAKA	8
TAMIL NADU	9



Sources: Self-compiled from Whee Box Employability Test- Analysis, The India Skills Report 2014, CII, Table 1 (Left), Graph 1 (Right)

As per the data (Graph 1), maximum numbers of employable resources are present in the age group of 18-21 years. Out of total number of candidates in the age group of 18-21 about 39% are employable. They were closely followed by the age group 22-25 years of which 29.11 % are employable. Finally only 20.38% of the people in age group 26-29 years are employable.

**DEMAND AND SUPPLY OF SKILLS MISMATCH IN INDIA**

DEMAND OF SKILLS				SUPPLY OF SKILLS					
Employment in 2012 is estimated at 530,000	These jobs require either Technical or Soft Skills	Need workers with Varied, Flexible Skills.	→	Critical Thinking	Rote Learning	←	Youth are Trained	65% of the labour force is between 15 & 30 years old.	The Indian labour force is 484,343,281 in 2012
				Teamwork	Hierarchical				
				Multiple Languages	One Language				
				Customer Service	Rigid & Inflexible				

Sources: Self-compiled from <http://www.businessstandard.com/article/companies/india-s-job-creation-dips-by-21-in-2012-assochem-1121225000171> and <http://data.worldbank.org>

The top states (Table 2) where most students scored exceptionally well in English were: Rajasthan, Andhra Pradesh, Haryana, Uttaranchal, Punjab, Kerala and Karnataka. For Logical and Numeric Ability, the states (Table 2) which have the best of the talent are Rajasthan, Punjab, Tamil Nadu, Uttar Pradesh, Delhi, Haryana, Kerala, and Karnataka.

**STATE WISE SCORES IN ENGLISH AND LOGICAL AND NUMERICAL ABILITY**

TOP STATES THAT SCORED WELL IN ENGLISH	RANKING	TOP STATES THAT SCORED WELL IN LOGICAL AND NUMERICAL ABILITY	RANKING
RAJASTHAN	1	RAJASTHAN	1
ANDHRA PRADESH	2	PUNJAB	2
HARYANA	3	TAMIL NADU	3
UTTARANCHAL	4	UTTARPRADESH	4
PUNJAB	5	DELHI	5
KERLA	6	HARYANA	6
KARNATAKA	7	KERLA	7
		KARNATAKA	8

*Sources: Self- compiled from Whee Box Employability Test- Analysis, The India Skills Report 2014, CII, Table 2*

When assessed on Computer Skills the states that performed exceptionally well were (Table 3): Rajasthan, Punjab, Tamil Nadu, Uttar Pradesh, Delhi, Haryana, Kerala and Andhra Pradesh. When comparing the states that fared well in all the three sections the states (Table 3) that form part of that list are: Rajasthan, Punjab, Tamil Nadu, Uttar Pradesh, Haryana, Kerala, Pondicherry and Delhi.

**STATE WISE SCORES IN COMPUTER SKILLS AND IN ALL THREE CATEGORIES (ENGLISH, LOGICAL AND NUMERICAL ABILITY AND COMPUTER SKILLS)**

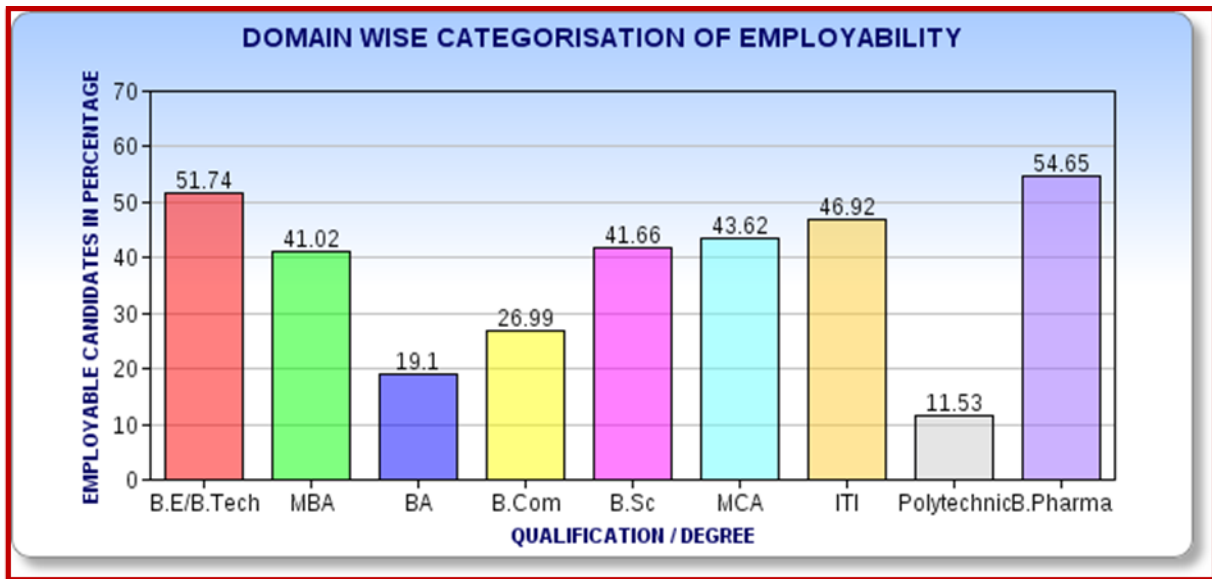
TOP STATES THAT SCORED WELL IN COMPUTER SKILLS	RANKING	TOP STATES THAT SCORED WELL IN ALL THREE CATEGORIES	RANKING
RAJASTHAN	1	RAJASTHAN	1
PUNJAB	2	PUNJAB	2
TAMIL NADU	3	TAMIL NADU	3
UTTARPRADESH	4	UTTARPRADESH	4
DELHI	5	HARYANA	5
HARYANA	6	KERLA	6
KERLA	7	PONDICHERY	7
ANDHRA PRADESH	8	DELHI	8

*Sources: Self- compiled from Whee Box Employability Test- Analysis, The India Skills Report 2014, CII, Table 3*

It can be divulged from Graph 2 that out of all domains, maximum percentage of employable skill was available in Pharma domain, followed by engineering. 54 percent of B.Pharma students are employable and the same was 51.74 percent for B.Tech students. The ITI, MCA and MBA candidates are next in the sequence with a percentage of 46%, 43% and 41 % respectively. The condition of pools for rest of the domains is grave. The domains that come under this category are Arts, Commerce, and polytechnics.



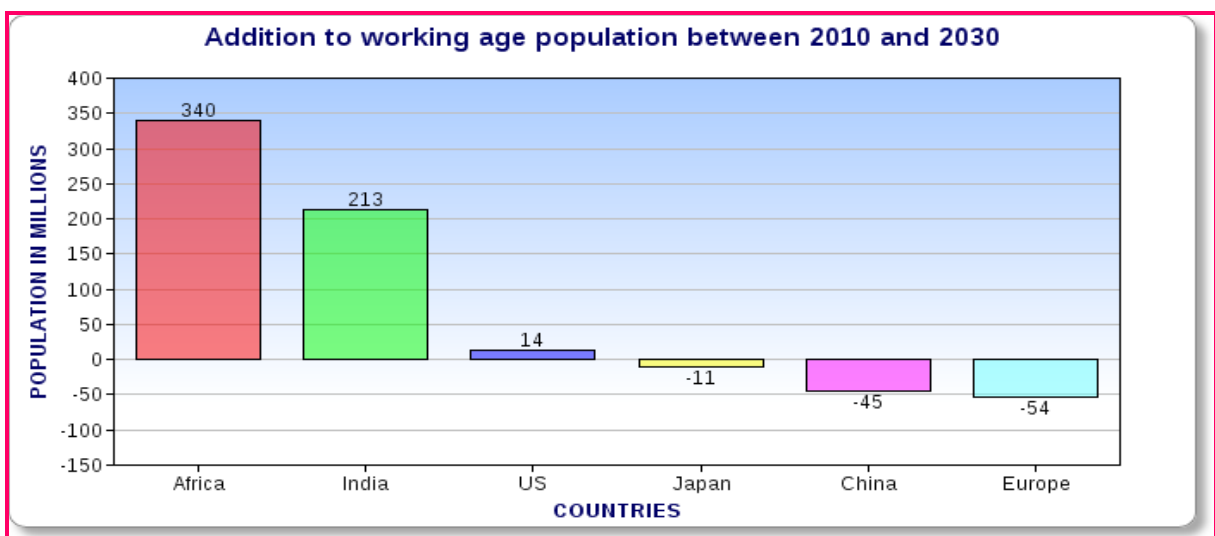
**DOMAIN WISE CATEGORISATION OF EMPLOYABILITY**



Source: Self- compiled from Wheel Box Employability Test- Analysis, The India Skills Report 2014, CII, Graph 2

**VII. INDIA'S DEMOGRAPHIC BOONS & ODDS**

- ✦ With its population estimate to grow from 1.2 billion in 2010 to 1.5 billion more or less in the next twenty years, India will become the world's most densely inhabited country by 2030.
- ✦ India is also set to become the largest contributor to the global workforce. Its working-age population (15-59 years) is likely to swell from 749 million to 962 million over 2010 to 2030.
- ✦ If the current trends in India's labour participation and unemployment rate continue, about 423 million in India's working-age population will be unemployed or unable to participate in the job market by 2030.
- ✦ 67 percent of India's employers report a serious skills gap, followed by Brazil with 57 percent
- ✦ If India's working-age population, its so-called demographic dividend, is productively employed, India's economic growth prospects will brighten. India can create jobs in the scale required on a sustained basis only with changes in its policy frameworks for education and workforce management.
- ✦ Since the job market is biased towards high-skill labour, the creation of jobs for low-skill labour, who would continue to dominate its workforce, will challenge India.
- ✦ Closing the skill gaps of its qualified workforce will be critical, as India depends more on human capital than its peer countries that have a similar level of economic development.
- ✦ The workforce will increase the most in states that are the poorest and offer the lowest employment opportunity. Creating jobs for the swelling workforce in these states will be a major challenge.



Source: UN World Population Prospects, 2008 Revision, Graph 3

## VIII. DRIVERS OF SKILL MISMATCH IN INDIA

**Underinvestment in training:** Skill mismatch can be caused by underinvestment in training. The idea of market under-provision of skills can be traced back to Pigou in 1912 (cited by Haskel and Holt, 1999) who argued that the additional transferable skills associated with training will raise the probability that a worker will be poached, thus reducing the likelihood that training will take place. Individuals may under-invest due to perceived high training costs, coupled with uncertain returns (Booth and Snower, 1996). Information gaps or inadequately structured education provision may also lead to incorrect investments on the part of students, while insufficient labour-market mobility can also lead to imbalances (Neugart and Schomann, 2002).

**Individual traits:** There may be some distinctive personal characteristics which make certain individuals more prone to mismatch than others. Particular groups may be more subject to discrimination in the labour market – young workers, older workers, females, ethnic minorities and the disabled – and this feature may also manifest itself in labour-market mismatch. Young workers are likely to be particularly prone to skill mismatch as new entrants into the labour market, and the finding that over-education is linked to a lack of work experience supports this hypothesis.

**Residual talent:** The teaching vocation, barring a few passionate individuals in the IITs, IIMs and some private institutions, is a job for the vacant residual talent in the employment market. The best engineering talent goes to the U.S. for higher studies and the cream of what remains is hired by the large corporates. After the small and medium enterprises complete the trawling, the leftover is looking for alternative sources of employment. Some of these people park themselves temporarily in teaching professions in private colleges or software training institutes. Over the next few months, they equip themselves with the requisite skills and look for opportunities in the mainstream employment market unless there are compelling reasons to stick to their current job.

**Unprogressive course curriculum:** Our method of teaching has the highest success percentage in the world in building literacy among people. But on one hand our course curriculum is not progressive; on the other the course delivery methods are equally aged. In today's times when world is employing more and more 'Technology' backed methods; most of our educational institutes still use the age old classroom delivery models which are geared towards teaching and testing knowledge at every level. Even the testing methodology is flawed; instead of testing the application of concepts, the power to memorize the concepts is tested. Preparation for most of the courses requires memorizing the notes and answering the questions. As most of the times students cram the notes to score well, retention of the concepts is not long lasting. Most of which is forgotten as the academic year ends.

**Poor career planning and decision making:** Above and beyond the content and delivery of Indian Education system, students are also concerned about the initial career decision making process. Our school education system does not ensure that the chosen stream matches the aptitude of students. No time is spent on assessing one's interest for a particular field and check if it matches well with the aptitude one has and the chosen field of study. Instead most students take decisions based on incorrect factors like most sought after course, job opportunities, parental and peer pressure.

## IX. IMPLICATIONS OF SKILL MISMATCH

Researches show that if we continue in the current pace, we would have a skill gap of 75-80% across Industry sectors. There will be people but with skills that corporate do not require, and jobs for which the right fit is not available. The economic impact of this vicious cycle is something one can estimate, but the social impact of having a powerhouse of educated yet frustrated youth who are directionless with no jobs in hand is unimaginable. The followings are the obvious implications of skill mismatch on India's demographic dividend:

- ✚ **Skill mismatch could re-establish equilibrium in productivity:** Employers will hire overeducated or over-skilled workers if they believe that such workers are more productive and the extra productivity is not outweighed by the higher wages required attracting such workers. They will also use the undereducated and under-skilled if the lower wage costs of such workers compensate for lower productivity.
- ✚ **Wages and attrition rates would continue to rise:** If the current trends continue, it is believed that skill mismatch would continue to plague the Indian labour market. The mismatch would persist to stem from skill shortages, where there are not adequate people with a specific type of skill to meet demand. For example, even at present, knowledge-based industries such as IT/ITeS have snags in recruiting the type of information technology specialists they need. A new generation of educated and skilled people, who are less in supply, will be required to spearhead India's transition to a knowledge-based economy. Consequently, wages and attrition rates would continue to rise in industries that face the skill mismatch.



- ✦ **Skill shortage could elevate inequality and inflation:** The bargaining power of companies with their skilled employees is severely restricted during phases of skill shortage. Wages hence increase at a greater rate than productivity growth. Excessive wage growth for a section of population would impact income inequality and inflation. Also, if shortages in skills are significant, companies would avoid investing in new technologies which may require a specific type of skilled labour. The companies would thus produce relatively less-differentiated and lower-quality products.
- ✦ **Disguised employment will persist in agriculture:** A large mass of undereducated, unskilled and hence unemployable labour is unable to meaningfully plug into the fast-growing service sector. Sans conscious policy efforts to enlarge the labour intensive industrial sector, a bulk of India's workforce would remain trapped in the agricultural sector.
- ✦ **Fiscal burden of a young and unemployed population:** If the Indian economy is unable to generate employment for its swelling working-age population over the next decade, the government will need to transfer more funds through social security schemes to provide income to the unemployed and underemployed. The likely increased transfers to employment-generating schemes would create a permanent fiscal burden and crowd out expenditures on education, healthcare and infrastructure. Although India, in contrast to Western economies, has a relatively younger population, the youth-dominated population will yield an economic dividend only if it finds gainful employment. If it does not, the economy will be fraught with social tensions and instability. India is currently addressing the issue of unemployment through social security schemes such as Mahatma Gandhi NREGA (National Rural Employment Guarantee Act), which is at best a 'stop-gap' solution.
- ✦ **Shortage of high-skill labour can restrain productivity and economic growth:** As the demand for skilled workers increases, if relatively low-quality workers are added to the workforce, they would drag down overall workforce quality and impact productivity growth. Further, skilled workers would have to put in longer hours for sustaining the current growth rate, which, in turn, would adversely affect their productivity. Thus, given its shortage of skilled workers, the growth in productivity of India's workforce could slow down in future. India will need to increase employment or productivity to maintain its current growth rate.
- ✦ **The benefits of labor-intensive growth cannot be reaped:** Taking a look at the skill supply side one sees exponential growth in the number of institutes and a steep decline in the quality of education being provided. Numerous engineering/computer education institutes are testimony to this fact. On one hand mushroom growth of vocational training institutes is skewing the skill distribution of the country; it is at the same time increasing the number of unemployable youth who are not fit to be absorbed by the market. This High rate of youth unemployment represents a wasted resource for developing economies like ours and limits the inputs available for urgently needed growth. Thus making it harder to realize the benefits of labor-intensive growth strategies.
- ✦ **Skill mismatch could falter long-term development:** An important thing to keep in mind is that growth phase does not stay for long. Research has shown that, it is a nation's success or failure in realizing the economic potential of young people during this 'low dependency ratio' period that can make the difference between sustained and faltering long-term growth.
- ✦ **Skill mismatch could fuel terrorism:** The new people who are being part of terrorism are no longer madarsa-educated, semi-literate individuals but can be from any segment of society. Even research says the same. A study conducted by two sociologists, Diego Gambetta and Steffen Hertog, on about 400 radical Islamic terrorists from more than 30 nations in the Middle East and Africa, born mostly between the 1950s and 1970s, showed that 20% of terrorist studied, were engineers and economic frustration was one of the push that made them go for terrorism.
- ✦ **Cost of recruitment could go up:** For example, if workers' skills do not match the requirements of their jobs, then they may need training for which the firm will have to bear part of the cost. It may necessitate the companies to adjust their recruitment, training and overall human resource strategy, or invest in a different mix of technology, capital and labour, so as to overcome the skill deficiencies.
- ✦ **Loss of competitiveness of firm:** We might expect that both skills shortage and skills gap can lead to a loss of competitiveness as wage rates are bid up and productivity lowered within industries where skill problems exist. Productivity may also be harmed as firms may be forced to place lower-skilled workers in skilled positions and/ or, if in an area with skills shortage, workers use their position to alter their terms and conditions inefficiently from a productivity perspective.

- ✚ **Disturbed business cycles:** Business cycles result in a continual change in the balance between labour demand and supply. Change happens in relation to the match between the stock of job vacancies and the skills of the unemployed, and to the flow of jobs and skills into and out of the labour market through job destruction, job creation, training and skills obsolescence. The impact of business cycles varies by sector and occupation. Volatility in cyclical excess product demand or supply is likely to influence labour-market outcomes in terms of more or less under- and over-education and under- and over-skilling.

## X. CONCLUSION

India has already marked its presence in the league of trillion dollar economies. In a time when Human Capital (Resources) is all set to surpass Financial Capital as the critical economic growth engine of the future, a country like India to collect its full demographic dividend, cannot afford a demographic shock – a skills gap. If the research findings are to be believed there would be a demand-supply gap of 82-86% in the core professions; IT industry would face the shortage of up to 3.5 million skilled workers. In short our markets will grow, creating an increase in jobs and need for skilled manpower, but against the demand there would be a scarcity of skilled workforce.

An array of steps are already being taken towards this direction, such as, the formulation of the National Skills Development Policy, delivery of Modular Employable Schemes, up-gradation of existing institutions through World Bank and Government of India funding, as well as up-gradation of training institutes under Public Private Partnership mode, setting up of the National Skill Development Corporation, and the plan to establish 50,000 Skill Development Centers. Apart from these, several ministries/departments and state governments are engaged in skill development initiatives. It is imperative that a happy marriage between the sources of Man-Power and the destination of Man-power is maintained.

For any country, the key to harvest its fullest demographic dividend lies in putting enough money into education and using the working age population to its fullest potential. Our education system should play an increasingly important role in our country's human capital value chains. Unless policymakers, companies, and academic institutions join hands to craft all-inclusive trendy human resource building strategies, we might end up in catching the wrong end of the stick i.e. - A Demographic Disaster.

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