



# Auto industry needs skills strategy to stay competitive



■ Dilip Chenoy

The growth rate of the automobile industry at the beginning of this decade was around 13 percent. In 2010, it is likely to exceed 31 percent. During the next 10 years, it would grow at a higher pace than the last decade and touch a size of \$175-200 billion by 2022.

A number of new players, OEMs and component manufacturers have invested in India. Not only has the core industry changed but support and allied industries like logistics, design, R&D, sales and service, finance, and insurance have scaled up and adopted new business practices. Bus transport companies are now looking at a complete solution of vehicle, driver and maintenance and that too with close to 98 percent up time. A pick-up and drop facility would soon be the norm rather than the exception.

During the last decade, one of the industry's key competitive advantages was the availability of skilled manpower. SIAM estimates industry employment at around 13 million. However, the recent trends indicate that this advantage may not be sustainable unless remedial steps are taken.

What are these trends? First, there is the Quantity Challenge. The number of people required to sustain growth is an additional 35 million by 2022. Next, there is the Qualification Challenge. An IMaCS study, for the National Skill Development Corporation (NSDC), has identified a number of skill gaps that exist in various sections of the value chain in the supply industry, OEMs and component manufacturers and in the sales, service and support functions.

Thirdly, there is the Quality Challenge. Many graduates of ITIs, engineering colleges and other institutions are not readily employable and need retraining at substantial costs to be employable. There is an impact on the bottomline in more ways than one. Shortage of people has resulted in firms looking to existing employees in industry and incentivising them to move to positions by providing higher remuneration. This means wage levels are increasing across the same horizontal position.

Industry in existing locations and more so in new centers, Uttarakhnad and Gujarat, for example, are setting up training facilities so that they could have a work force. Further, productivity levels in India, as pointed out by IMAcS, are lower than Brazil, Mexico, Japan and USA.

The problem is more acute outside OEMs, both in the supply chain and also in the sales, support and services segments. Of the total employment, over or close to 70 percent is in the support function. Direct employment in OEMs, component manufacturers (tier I, tier II and tier III) and the basic raw material sector accounts for around 30 percent. Between 65 percent-85 percent of these, depending on the nature of the industry, are engaged in manufacturing. According to the IMAcS-NSDC study, auto OEMs would require 1.6 million, component manufacturers 5.7 million, raw material sector 4.4 million, and service sector 15.3 million. Additionally, over 5 million drivers would need to be trained.

In terms of qualifications in the manufacturing arena, close to 50 percent would be from it is or other vocational streams. About 25-30 percent would be diploma engineers or engineering graduates. The percentage of ITI and vocationally trained persons in service centers is around 65 percent. Graduates are preferred in dealership and auto finance companies.

The quality challenge is more severe. Due to the inability of the existing system to produce employable people, industry has taken a leadership role in adopting ITIs, partnering colleges, establishing their own training centers, and working with NGOs and other training partners to retrain persons who could be recruited. Many have launched CSR initiatives either at their place of work or at remote centers. Some have directly, or through their dealerships, started driver training schools. Some have started training service technicians or are working with partners to provide skill to work in factories, initially as apprentices and then as workers.

SIAM itself has a large driver training and refresher programme. These programmes are doing good work and annually training a few hundred to a thousand. But if we look at the numbers required, there is a huge disconnect. Unless industry members work together, the gap may not be bridged.

A number of initiatives need to be taken simultaneously. Industry has to work across the educational chain. Working with skill development and training institutes would address both short and medium term needs. For the longer term, there is a need to upgrade skills taught in vocational schools, ITIs, polytechnics, engineering colleges and other institutions of higher learning.

We need a clear strategy and a process. SIAM, ACMA and FADA have taken the first and crucial step to set up an Automotive Skill Development Council (ASDC). It is the first NSDC-approved skill council, under the framework of the National Skill Policy 2009. The ASDC needs to be operational. Key work areas and skill sets have been identified, drivers, service mechanics, sales persons and manufacturing workers. For each area, a hierarchy needs to be established, different levels of competencies determined and a curriculum framework devised. This has to be a participative process and done in 2-3 months.

The HRD Minister has stated that the ministry would adopt these qualification standards and like these to be developed for classes 9, 10, 11 and 12, as well at diploma and degree levels. Simultaneously, members need to identify supervisors who could be trainers and assessors in various trades. ASDC would then need to develop accreditation and certification procedures. Members should support this by ensuring they look for ASDC certification in the persons they hire. ASDC should also start train-the-trainer programmes. Another opportunity is collaboration among members who have adopted ITIs. A

working group could develop and implement agreed curriculum, assessment and certifying systems in adopted ITIs.

Industry should also set up large training centers to skill 3-4 million persons yearly as established capacity needs to be raised ten-fold. NSDC would be happy to catalyse and provide capital for these initiatives. For those who do not want to do this directly, they could work with their partners to set up such centers.

They can even assist NSDC partners as Ashok Leyland is supporting Gram Tarang and Tata Motors is helping B-Able. There are more NSDC partners like GRAS, Worksills India and others who are seeking support. A way to lend support to training initiatives would be to demand first-day and first-hour ready-to-work employees and pay a month's placement fee to these training institutes, and in the event that the training costs are higher than the one month fee, refund training fees to students after 12-18 months of service. This may serve as an excellent retention tool as well.

One of the biggest challenges is to attract people to work in this industry, specially, in difficult areas like welding, press shop and sales in tier-II or tier-III cities. Here, a partnership with NGOs would be highly beneficial. Work with them to spread the message across different villages and habitations to encourage youth to seek training and placement opportunities.

An important aspect would to convey lifelong learning and growth opportunities in the auto sector. There is a war for talent acquisition not only within the automotive industry but also among industries. Quality persons need to be attracted to the idea of working in the industry.

The action agenda could be summarized: operationalise ASDC, set up train-the-trainer centres, establish and/or support large-scale pan-India training ventures, leverage PPPs, explore partnerships with NSDC, encourage employee skilling opportunity programmes, work with NGOs and others to attract people to the industry and recruit, and insist on first-day, first-hour ready certified workers.

The ability of the automotive industry to grow and remain competitive in the next decade would depend on the ability to skill, attract, and retain talent. People would be the bed rock of competitive advantage going forward and individual efforts may not yield desired outcomes. There is a need to work collaboratively with a demand-led model that has scale and sustainability.

As NSDC Chairman Mr MV Subbiah said at the ACMA Annual Convention earlier this year, what is required is industry leadership for transforming the industry's fortunes. 2011 would be an opportune time to start addressing the challenges of the new decade.

*Happy New Year!*

*(The author is **CEO & MD, National Skill Development Corporation**. Views expressed are personal).*