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my view

A VISIBLE HAND

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INDIA'S MISSING JOBS

So many job positions open, so many people unemployed. This is a peculiar conundrum that dogs the Indian economy today.

Talk to any entrepreneur/business leader and you are likely to hear a gripe about a shortage of skilled candidates for different types of positions. Let me tell you three such stories I encountered last week.

Ashutosh Sharma (name changed) is a senior manager and member of the executive team in a large private sector airline. I spoke to him about the mismatch between several thousand unemployed Indian pilots on the one hand and the high incidence of foreign pilots on the other. He told me first that there is a distinction between those who fly on the right side of a fixed wing air- craft--first officers--and those who fly on the left--captains. While first officers are predominantly from India, he believes that more than 30% captains carry a foreign passport. The Indian aviation industry is growing at an 18% clip per year and is among the fastest growing airline sectors in the world. Each year, India adds about 200 aircraft and this necessitates about 2,000 more pilots. Perfect opportunity, you would think, to have 2,000 high paying jobs made available to Indians every year. And yet, more than 10 years after the take-off of Indian aviation, we are dependent on lateral hires from abroad as captains.

Ashutosh believes this is because training is very expensive, Indian candidates who satisfy safety and eligibility standards are too few and a wider ecosystem beyond commercial airlines (such as private, corporate and shared jets) does not exist.

Kiran Patil, vice-chairman of Ghatge Patil Industries, and I frequently interact during intervals at a common board that we sit on. Ghatge Patil, based in Kolhapur, is slowly making its way up the manufacturing value chain. It started as a machine shop 50 years ago and has now diversified into making precision valves for the oil and gas industry in addition to the traditional foundry. Kiran tells me that he has had a devil of a time hiring and retaining contract employees in his foundries. Employees jump to other firms for a small difference in wage. He thinks the change began with the shift in Maharashtra politics about 10 years ago that discouraged migrants and has been compounded by the job guarantee programme.

My brother-in-law, Shyam Sunder, a Wharton graduate, set up a wealth management and financial advisory firm six years ago. He is constantly on the watch for young, energetic financial sales executives and finds the going difficult.

With the mushrooming of business schools around the country, a ready supply of young financial product salespersons should logically not be a problem. Shyam thinks there is a problem of “scarcity among plenty”. Individual companies will have to keep tweaking their business models to be able to afford their share of the best, scarce talent, he says.

Of course, these are merely three vignettes of specific situations. One has to be careful not to draw too many generalizations from them. But the fact remains that these are symptomatic of the opportunities for employment that are going a begging.

Our collective understanding of the labour market in India has made marked progress over the last several years. Most agree that the labyrinthine and obsolete web of labour regulations need to be simplified. Received wisdom today correctly identifies better matching, improved skills, financing for training and ultimately universal primary education as underlying drivers of an improved labour market. **The National Skill Development Corporation (NSDC) that I critiqued for speed in a column a year ago has materially increased its pace in handing out loans (though not equity). Slowly but surely some things are happening across labour market verticals.**

It is time to focus some attention on the cholesterol choking an improved market within each market vertical. Part of the problem is that it is not clear whose job this is. Take, for example, the development of a broader aviation market in India. Is this the Directorate General of Civil Aviation's (DGCA) job to propose or is it the private sector's? Can the DGCA function as regulator and champion at the same time? One clear conclusion is that in industries in which there is a regulator, the regulatory function should be fully separated from the industry expansion and promotion function. The government can be made more approachable with this change. A parallel change that the private sector can make is to create and enhance associations and industry bodies for each industry. These associations working with their

respective champions in government can then create a better ecosystem for each industry which includes a smoother, less friction ridden labour supply chain.

India will need to make big and small changes to make its labour supply chain smoother than it is. That is the only way to make the demographic dividend a reality.

PS: "Great acts are made up of small deeds."--Lao Tzu.

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