

1. Executive Summary

National Skill Development Corporation (NSDC) had mandated KPMG Advisory Services Pvt Ltd to undertake a District-level Skill Gap Study of the state of Himachal Pradesh, involving various Departments of the Government of Himachal Pradesh, and Industry Bodies, as key stakeholders. The study focused on identifying district-wise incremental skilling requirements in Himachal Pradesh during the period 2012-22, for the potential growth sectors in the state. A roadmap for skill development initiatives in the state is proposed, with recommendations for key stakeholders. Extensive district level primary interactions including discussions with industries, vocational training providers and Government officers, were conducted. Focused group discussions were organized to understand youth aspirations towards employment. Global and Indian best practices in skill training have also been studied.

The demographic and social profile of Himachal presents a unique human resource opportunity for economic growth through manpower skilling. As per KPMG estimates, Himachal has a significant demographic dividend in the near term, with a rising working age population. Between 2012 and 2017, an additional 6.4 lakh¹ are expected to enter the working age group population followed by another 5.90 lakh during 2017-22² (these are Gross numbers, without netting off retirees). Considering the historical trends in labour participation rates of Himachal Pradesh, the state would witness a gross addition of 3.37 lakh and 3.10 lakh people to labour force (i.e. portion of the working age population willing to seek employment and work) during 2012-17 and 2017-22 periods respectively. Accommodating for retirement from the existing pool of labour force, Himachal is expected to register a net addition of 1.21 lakh to the labour force during 2012-17, and another 1.23 lakhs during 2017-22.

| Period | Demand for Human Resource due to new jobs created (Lakhs) | Gross Addition to Working Age Population-Supply (Lakhs) | Gross Addition to Labour Force – Supply (Lakhs) | Net Addition to Labour Force-Supply (Lakhs) | Gap between Demand & Net Supply (Lakhs) |
|---------|---|---|---|---|---|
| 2012-17 | 5.76 | 6.41 | 3.37 | 1.21 | 4.55 |
| 2017-22 | 6.38 | 5.90 | 3.10 | 1.23 | 5.15 |

Manpower supply has regional variations along social and gender dimensions in Himachal Pradesh. District-wise incremental supply estimates indicate significant regional concentration in the leading five districts of Kangra, Mandi, Shimla, Solan and Sirmour accounting for more than half of the total supply. Tribal regions like Lahaul and Spiti, areas of Chamba and Kinnaur have to be given special focus, considering the seasonal work-related migration, stemming from socio-economic backwardness and lack of sustainable local livelihood/employment opportunities in these areas.

Keeping in view the current position of the state, along with possible economic growth that could be facilitated in various sectors through favorable policies, an estimate of the additional increase in incremental manpower requirement during XII plan (2012-17) and XIII plan (2017-22) periods, would be over 5.7 lacs and 6.3 lacs respectively. In XII plan period, the targets of job opportunities to be created per annum could be set at around one lakhs on an annualized basis.

¹ KPMG Analysis

² KPMG Analysis

Incremental human resource requirements in the state have significant geographical and sectoral variations. Priority sectors from a manpower development perspective include Tourism, Communication, Construction, BFSI, Healthcare and Pharmaceuticals. Priority districts from a manpower development perspective include Hamirpur, Mandi, Solan, Sirmaur and Una

| District | Incremental Manpower Requirement 2012-17 | Incremental Manpower Requirement 2017-22 | Focus Sectors |
|----------------|--|--|---|
| Bilaspur | 45,806 | 51,781 | Construction and Construction based materials, Healthcare, Transportation and Logistics, Communication and BFSI |
| Chamba | 43,248 | 48,610 | Construction, Healthcare, Tourism, Communication and BFSI |
| Hamirpur | 73,767 | 83,249 | Construction, Communication, BFSI |
| Kangra | 33,954 | 34,603 | Fabrication of Metal products, Transportation and Logistics, Communication, Tourism, BFSI, Horticulture |
| Kinnaur | 14,290 | 16,343 | Apple Farming, Tourism, HydelPower, Construction |
| Kullu | 37,368 | 41,434 | Tourism, Construction, Banking and Financial Services, Horticulture |
| Lahaul & Spiti | 3930 | 4399 | Tourism, Hydel power, Construction |
| Mandi | 93,236 | 104,687 | Construction, Healthcare, BFSI, Communication |
| Shimla | 88,512 | 98,693 | Tourism, Healthcare, Construction, Communication and Banking |
| Sirmaur | 22,572 | 25,482 | Construction, Pharmaceuticals, Banking, Healthcare |
| Solan | 56,732 | 58,817 | Pharmaceuticals, Chemical and Chemical based products, Textiles, Manufacturing of Engineering products, Construction, Transportation and Retail |
| Una | 61,129 | 68,876 | Construction, Food Processing, Transport and logistics, Hospitality |

An overview of the current enrollment status across levels of education helps provide an estimate of emerging capacity gaps over the next decade or so. With current primary enrollments in Himachal Pradesh standing at 80 thousand, and middle school at 93 thousand, the enrolment trend at the primary level has gone down over the last decade. This is on an account of Outward migration over last ten years.

Enrollments in Himachal across Education Levels³

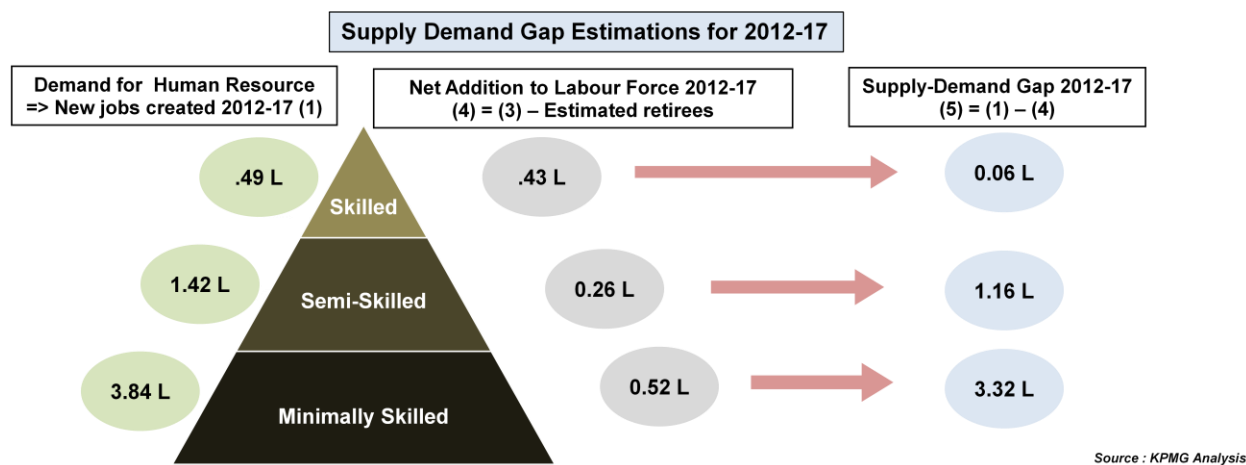
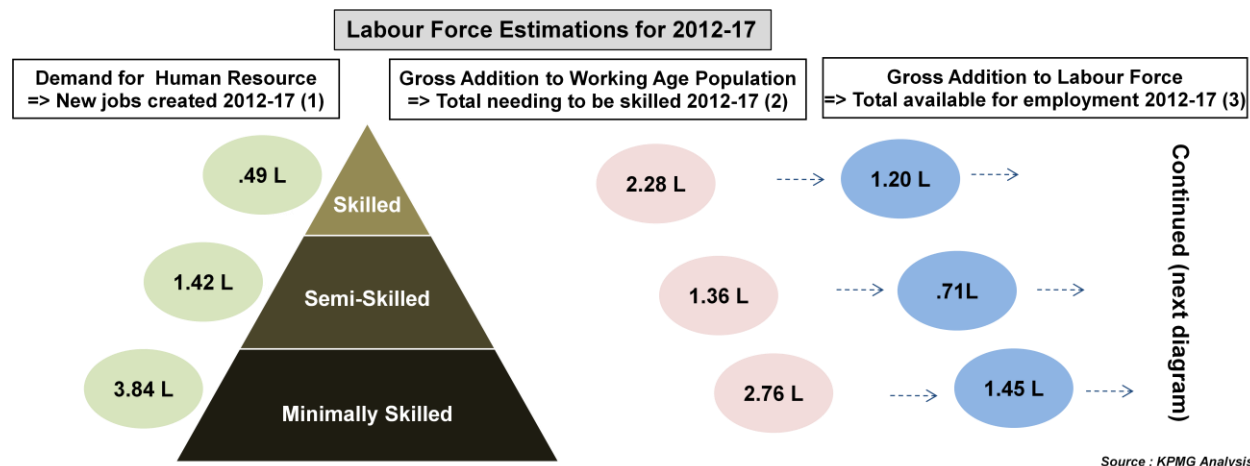
| Level | Enrollments per batch |
|---------------------------------|-----------------------|
| Primary | 0.80lacs |
| Middle | 0.93lacs |
| Higher/Senior Secondary schools | 1.1lacs |
| Higher Education | 0.51lacs |

Vocational education has a key role to play in the educational system of Himachal Pradesh. While dropout rates are witnessed after school education across the state, resulting in low enrollments in higher education, districts like Solan, Chamba and Kinnaur have considerably high dropouts even at the school level. Interventions in vocational education to bridge the gaps in the educational system (within the schooling stage itself) and provide seamless options for students to pursue vocational education, would be crucial in developing a holistic approach to address the skilling needs of the state. A comparison of vocational education capacities in the state would show that density of vocational infrastructure measured as number of seats available for 1000 people is high in the districts of Lahaul and Spiti, Hamirpur, Solan and Kullu. Level of private participation is low in all the upper Himachal districts. Capacity expansion in vocational education and augmentation of private participation is needed through region specific initiatives considering the current level of variations among the districts.

Assessment of existing training infrastructure in comparison to human resource demand over XII Plan period, indicates significant capacity expansion requirement for semi-skilled category through vocational education. Demand-Supply gap estimates indicates a need to improve participation rates in semi-skilled categories along with providing vocational skills to high skilled labour force as well, considering the high level of employment opportunities in semi skilled category within the state. Further, employability of highly skilled graduates is an issue owing to misalignment of courses with industry needs and poor quality of institutes. Issue of low employability of graduates has to be addressed through suitable up-skilling considering local industrial requirements in order to ensure availability of industry ready manpower.

³ KPMG Analysis

Himachal Pradesh Human Resource Supply-Demand Gap Estimations for 2012-17

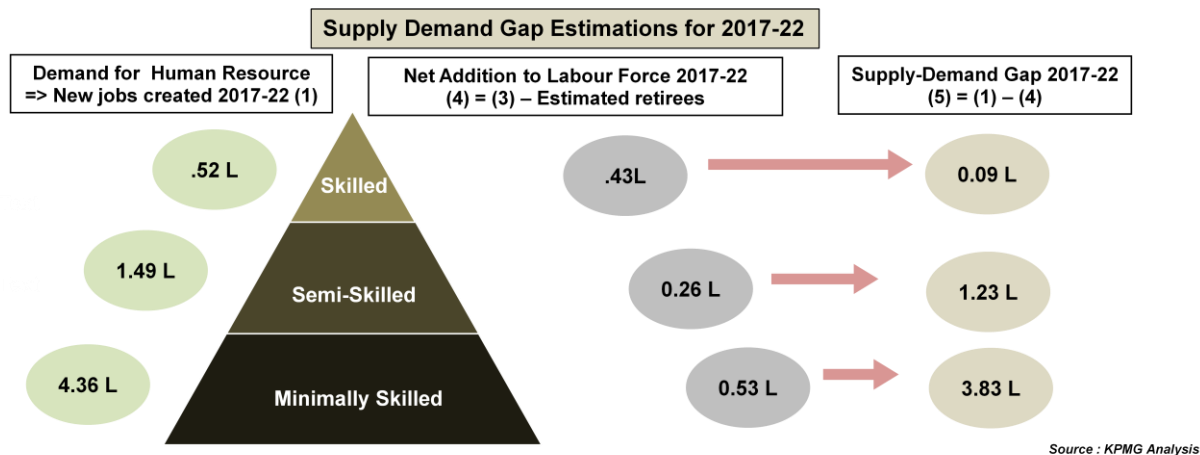
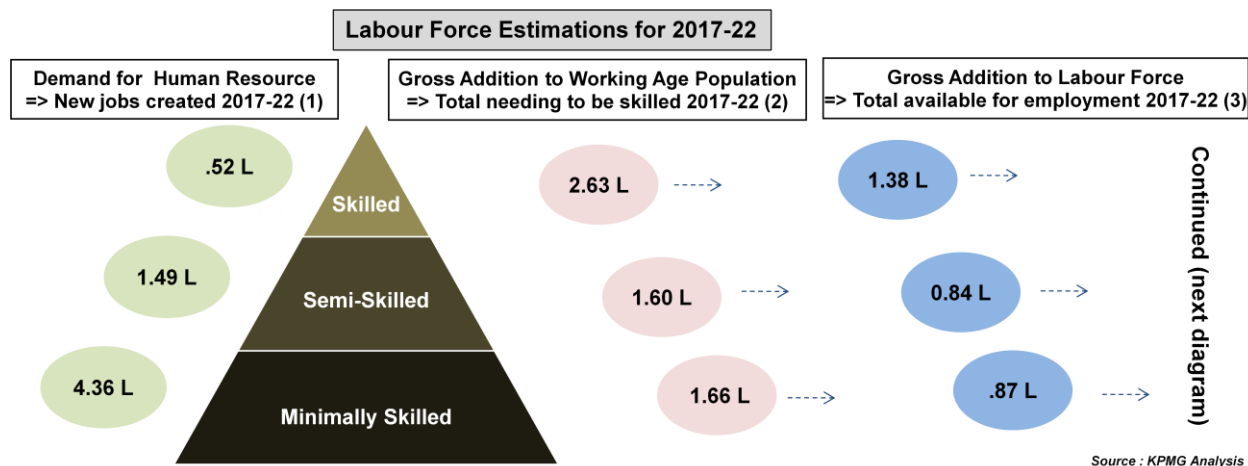


4. Net Addition to Labour Force: Gross Addition to Labour Force minus retirees – i.e. net new labour force available to meet new human resource demand arising from sectoral growth

5. Supply of Human Resource: Difference between Demand for Human Resource (1) and Net Addition to Labour Force (4)

Himachal Pradesh Human

Resource Supply-Demand Gap Estimations for 2017-22



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District level variations in Demand-Supply gap indicate the need for geography specific initiatives to address the skilling issues. Skill Category wise Demand-Supply gap estimations for the districts of Himachal Pradesh are presented in the table below.

| District Wise Supply- Demand Gap in Himachal Pradesh (2012-22) | | | | | | | | |
|--|---------------|---------------|-------------------|----------------|---------------|---------------|-------------------|----------------|
| Region | 2012-17 | | | | 2017-22 | | | |
| | Skilled | Semi Skilled | Minimally skilled | Total | Skilled | Semi Skilled | Minimally skilled | Total |
| Himachal | 43,476 | 26,005 | 52,513 | 121,994 | 43,942 | 26,284 | 53,077 | 123,304 |
| Bilaspur | 1548 | 2093 | 3161 | 6802 | 1564 | 2116 | 3195 | 6875 |
| Chamba | 1169 | 931 | 7295 | 9395 | 1182 | 941 | 7373 | 9496 |
| Hamirpur | 4339 | 3095 | 939 | 8373 | 4385 | 3128 | 950 | 8463 |
| Kangra | 7656 | 3693 | 12661 | 24010 | 7738 | 3732 | 12797 | 24268 |
| Kinnaur | 104 | 348 | 1496 | 1949 | 105 | 352 | 1512 | 1970 |
| Kullu | 1522 | 3043 | 4261 | 8826 | 1538 | 3075 | 4307 | 8920 |
| Lahaul and Spiti | 13 | 224 | 623 | 860 | 13 | 226 | 630 | 869 |
| Mandi | 5130 | 2249 | 11140 | 18519 | 5185 | 2274 | 11259 | 18718 |
| Shimla | 9969 | 2652 | 2471 | 15093 | 10076 | 2681 | 2498 | 15255 |
| Sirmaur | 1922 | 2275 | 5011 | 9208 | 1942 | 2300 | 5064 | 9307 |
| Solan | 7008 | 3173 | 558 | 10739 | 7084 | 3207 | 564 | 10855 |
| Una | 3074 | 2205 | 2942 | 8221 | 3107 | 2229 | 2973 | 8309 |

*(Indicates excess supply)

Youth aspiration study indicates a clear mismatch between student aspiration and job opportunities available in the state. Sectors such as Textile and Apparel, Transportation and Logistics and Construction need to work on building a positive image, and providing the right working environment/perks, to attract talent.

Interactions with industry in the state have revealed that challenges are often related to quality of the workforce, rather than quantity. Most of the industry personnel opined that quality issues in the state are two-fold - technical knowledge and soft skills/behavioral aspects - with prospective employees lacking in either, or both of them. Manufacturing industries are facing serious issues to employ appropriate manpower, as most skilled graduates prefer to work in services sector than in manufacturing.

Recommendations for stakeholders (Government, NSDC/SSC, Industry and Training Institutes) are aimed at developing a comprehensive approach for the skill development activities in Himachal Pradesh.

Key recommendations for the Government include:

- Building systematic mechanisms to identify and assist potential school dropouts transition into vocational programs
- Setting up of Anchor Institutes in more focus Industries and broadening their scope
- Focus on Enhancing Skill Training Capacities in Districts With Low Penetration of Vocational Education
- Technology enabled faculty development model

- Effective monitoring of the current schemes applicable in the State

Key recommendations for the Industry/Industry Bodies include:

- Aligning CSR Goals (especially mandatory 2% CSR requirement) towards skilling, and play an active role in PPP initiatives. Share annual plan of recruitment with government and industry nodal agencies for skilling
- Support training institutes in development/delivery of programs
- Align recruitment policies to ensure hiring certified manpower from Govt/SSC accredited training institutions
- Invest in up-skilling of existing manpower and formulate formal HR policies and mechanisms to encourage employees to train in institutions
- Improve the work conditions to reduce attrition by providing a part of compensation in form of accommodation

Key recommendations for NSDC include:

- Facilitating development of Curriculum and Standards for Focus Sectors/ Vocational Courses in Schools
- Promoting Private Sector Participation in Focus Sectors & Supply Clusters
- Quality standardization through Sector skill councils

Key recommendations for Training Institutes include:

- Focus on high growth/ aspirational sectors where student acquisition is easier –Construction, Communication, BFSI and Tourism
- Create capacities in districts with lower penetration of training infrastructure – Chamba, Shimla, Sirmaur, Kangra and Mandi. Districts where low penetration of training infra is coupled with high industry growth, are high potential for future growth of skilling
- Explore scheme-based training potential to address the skilling needs of under privileged/BPL population - key schemes with high training potential are SGSY, Construction and Agriculture)
- Emphasize offering accredited programs (SSC certifications) to ensure industry acceptance for certifications
- Leverage existing infrastructure to build optimal delivery models (ITI premises, GIDC space where offered, industrial space during lean production hours etc)
- Build industry linkages in areas of development and delivery of training programs- placements, curriculum formulation, apprenticeships, faculty training
- Engage credible local networks (SHGs, NGOs, student groups such as UDISHA groups) for student acquisition

District wise skill gap details and further detailed recommendations, are provided in the full report. We suggest that the recommendations of the study should be treated in totality by all the stakeholders, to realize the intended objective of a robust skill development ecosystem in Himachal Pradesh.

