

# Innovations

## The Cobweb of skilling in India

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**Abstract:** India, with its young population, boasts a demographic dividend. However, this advantage is overshadowed by a persistent challenge - youth unemployment. Many scholars in India attribute mass unemployment to lack of skills or a mismatch between the skills that job seekers possess and those that the industry requires. While skilling the youth can provide them with valuable skills and improve their employability, it alone is not sufficient to solve the unemployment problem due to various economic and structural factors. This paper goes further and argues that the root cause of the problem is not just a lack of skills but rather the inherent instability of capitalist production, which cannot always guarantee full employment. Additionally, Indian institutions that address the unemployment problem may not be effectively addressing the issue, which compounds the problem.

**Keywords:** Unemployment, Skilling, Labour market, Capitalist production, Industry, Cobweb phenomenon

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### I. Introduction:

Lack of skills is often considered the main factor that affects employment levels in underdeveloped and developing economies, and many policy suggestions focus on providing the necessary skills for potential job seekers before they enter the job market. In India, both central and state government programs are centred around the idea of skilling the youth to address the problem of unemployment.

The primary objective of skilling the youth is to enhance their employability by providing them with relevant skills that are in demand in the job market. This approach is often seen to address unemployment and underemployment among the youth population, particularly in developing and emerging economies where there is a significant gap between the skills possessed by job seekers and the skills required by employers.

Skilling initiatives can take various forms, including vocational training programs, apprenticeships, on-the-job training, skill development centers, and specialized courses offered by educational institutions, government agencies, or private

organizations. These programs may focus on a wide range of sectors, such as manufacturing, construction, information technology, hospitality, healthcare, and various other industries. However, it is now becoming apparent that there is a need for a more comprehensive update, not just in terms of the job market but also in terms of what the education system provides for millennials and the youth.

***“Skilling is a necessary condition but not a sufficient condition to provide productive employment”.*** Let us try to understand why skilling, while being an important factor for making job seekers ready, is not a sufficient answer to the unemployment problem.

## **II. Limitations of Skilling as a Solution to Unemployment**

### **A. Supply-Demand Imbalance**

Let us for a moment assume that all the potential job seekers are updating all the skills that the labour market requires. Now can we guarantee employment for everyone? The famous cobweb phenomenon in the labour market comes with an explanation for this.

In labor markets, the Cobweb phenomenon refers to the cyclical fluctuations in wages and employment that can occur due to a lag between labor supply and demand. Suppose that there is an increase in demand for workers in a particular industry. Employers will respond by increasing their hiring, but because it takes time to train new workers and bring them up to speed, the initial increase in supply is not immediate. As a result, wages will initially rise as employers compete for the available workers. However, as time goes on, more workers enter the labor market in response to the higher wages, and there may be an oversupply of labor. This oversupply drives down wages, which can lead to layoffs and reduced hiring by employers. This, in turn, leads to a shortage of labor in the following period, which drives up wages again.

The cycle then repeats itself, with the labor market oscillating back and forth between periods of high demand and high wages, followed by periods of oversupply and low wages. The length of the cycle and the magnitude of the fluctuations can be influenced by various factors, such as the level of training required for the industry, the ease of entry into the industry, and the availability of substitutes for the labor supply. The Cobweb phenomenon in labor markets highlights the potential for instability in certain industries due to supply and demand lags. It can have important implications for both workers and employers, as well as for policymakers trying to manage the economy. This explanation is more suitable for explaining cyclical unemployment.

Very similar to this Marxian theory have the reserve Army concept.

According to Marx's labor theory of value, the concept of a reserve army of labor plays a crucial role in the functioning of a capitalistic economy. Marx believed that the reserve army was a necessary feature of capitalism, as it enabled employers to control wages and working conditions, and thereby maximise profits. Marx argued that the reserve army was created by the cyclical nature of capitalist production, which leads to periodic crises of overproduction and underconsumption. During times of crisis, production slows down and unemployment rises, leading to an increase in the reserve army. This, in turn, puts downward pressure on wages and allows employers to maintain control over the labor market. Marx believed that the reserve army was not only a result of economic fluctuations but also a deliberate strategy employed by capitalists to maintain their power over workers. By keeping a large pool of unemployed workers available, capitalists could prevent workers from organizing and demanding higher wages and better working conditions. The reserve army was also used to discipline the workforce, as workers who did not comply with the demands of employers could be easily replaced by those waiting in the reserve army.

Marx saw the reserve army of labor as a key feature of capitalist exploitation, as it enabled employers to maintain control over workers and extract surplus value from their labor. Marx believed that the only way to overcome the problems associated with the reserve army was to abolish capitalism and create a more equitable and democratic system of production and distribution. But capitalism is an undeniable reality that we must confront and operate within.

### **B. Structural Issues in the Economy**

Skilling initiatives face significant structural hurdles within the economy itself, hindering their ability to effectively tackle unemployment. A lack of robust overall economic growth and job creation, driven by factors such as stagnant investment and business expansion, can render skilling efforts futile as there may be a dearth of job vacancies to absorb the skilled workforce. Rapidly evolving technologies and automation are disrupting traditional job roles, potentially rendering certain skills obsolete before skilling programs can adapt, leading to mismatches between the skills imparted and those demanded by employers. Sectoral imbalances, with some industries thriving while others decline, can limit the relevance of skills targeted towards stagnant sectors. Additionally, the prevalence of informal and unorganized sectors, which may not require formal skills, can undermine the impact of skilling on overall unemployment rates. Labor market rigidities, such as restrictive labor laws and wage structures, also impede the efficient allocation of skilled labor to available job opportunities, creating pockets of unemployment despite skilling efforts.

### **C. Socio-economic Factors:**

Socio-economic factors pose significant barriers to the success of skilling initiatives in combating unemployment among the youth. Systemic discrimination based on gender, caste, ethnicity, or socioeconomic status can prevent certain marginalized groups from accessing skilling opportunities or securing employment, even after being skilled. Poverty and financial constraints can make it prohibitively expensive for economically disadvantaged individuals to enrol in skilling programs or pursue training opportunities. Geographic disparities, with skilling programs and job opportunities concentrated in urban areas, coupled with limited mobility due to financial or social constraints, can hinder the ability of skilled individuals from rural or remote regions to access employment. A lack of awareness and guidance about available skilling programs and potential career paths, particularly in disadvantaged communities, can lead to uninformed choices and mismatches between acquired skills and employment prospects. So, what shall we do? Leave the markets to *The Invisible Hand* and watch the fun? Then in the long run we will all be dead.

### **III. Potential Solutions and Complementary Approaches**

#### **A. Comprehensive Economic Development Strategies:**

Comprehensive economic development strategies that foster overall economic growth, job creation, and a conducive business environment are crucial complements to skilling initiatives in combating unemployment. Implementing policies that stimulate investment, entrepreneurship, and the development of high-growth industries can generate employment opportunities to absorb the skilled workforce. Prioritizing investment in infrastructure and key sectors with high employment potential, coupled with incentives to attract businesses to establish operations across regions, can address geographic disparities and create localized job opportunities. Supporting entrepreneurship, innovation, and the growth of small and medium enterprises can further drive job creation and enable skilled individuals to explore self-employment avenues. By combining skilling efforts with such holistic economic development approaches, governments can simultaneously enhance the supply of skilled labor and the demand for it, maximizing the impact of skilling programs on unemployment reduction.

#### **B. Addressing Socio-economic Barriers.**

To overcome socio-economic hurdles, a multi-pronged approach involving policy interventions, financial support mechanisms, improved access to resources, and targeted awareness campaigns is crucial. Providing financial assistance, scholarships, stipends, and tax incentives for employers can enable economically disadvantaged individuals to access skilling programs and employment. Expanding the reach of training facilities to rural and remote areas, offering transportation subsidies, and comprehensive support services like career counseling can improve access to resources. Conducting

targeted outreach, engaging community leaders, and leveraging digital platforms can enhance awareness about available opportunities. By addressing systemic discrimination, financial constraints, resource accessibility, and lack of awareness through such holistic interventions, skilling initiatives can become more inclusive and accessible, maximizing their impact on reducing unemployment across diverse socio-economic backgrounds.

### C. **Collaboration Between Stakeholders:**

Fostering collaboration and partnerships among key stakeholders is pivotal for maximizing the impact of skilling initiatives on unemployment reduction. Formal collaborations between government agencies, private industries, and educational institutions can ensure alignment between skilling programs and industry needs, facilitate practical training opportunities, and leverage diverse expertise and resources. Engaging local communities, grassroots organizations, and NGOs allows for tailored approaches that resonate with local contexts and cultural nuances, while raising awareness and providing support services. Public-private partnerships can harness private sector resources, infrastructure, and innovative financing models to scale up skilling efforts efficiently. Additionally, collaborating with employers, industry bodies, and trade unions facilitates the identification of emerging skill requirements and enables continuous skill upgradation mechanisms, promoting lifelong learning and workforce adaptability. By fostering such multi-stakeholder collaborations, skilling initiatives can create a supportive ecosystem that nurtures skilled individuals, facilitates their transition into employment, and promotes continuous skill development, ultimately enhancing their effectiveness in tackling unemployment challenges.

The current approach, where educational institutions are required to establish Memorandums of Understanding (MoUs) with industries, may perpetuate existing inequalities and disadvantages faced by government-run institutions. In the 21st century's competitive landscape, inequalities are already prevalent, and the process of seeking MoUs with industries may further exacerbate this divide. Well-established private universities and colleges, with their existing connections and resources, are better positioned to secure MoUs with industries. In contrast, government degree colleges often face challenges in establishing such collaborations, primarily due to a lack of resources and industry connections.

The argument that the faculty in government degree colleges may not be working at par with their counterparts in private institutions is not entirely accurate. Many government institutions have highly qualified and dedicated faculty members. However, the existing disparities in resources, funding, and industry connections create an uneven playing field. Institutions like Lovely

Professional University or Shiv Nadar University, which charge higher fees and have multiple industry connections, find it easier to forge industry-academia collaborations. This reinforces the existing inequalities, as students from less privileged backgrounds attending government institutions may not have access to the same opportunities for skill development and employment prospects.

Further, the term "skilling" often refers to the development of skills required for entry-level or lower-level positions within industries. While these skills are important, they may not necessarily equip students with the broader knowledge and competencies required for more advanced roles or higher-level employment opportunities. While academic institutions play a crucial role in providing theoretical knowledge, there is a need to bridge the gap between academic learning and industry-specific skills. We must recognise the limitation of skill set of teachers also. This is where the involvement of industry partners becomes vital.

The UGC's "Professor of Practice" initiative is a step in the right direction, but it should not be limited to certain universities. There is a need for a more widespread and collaborative approach to bring industry experts into the classroom to share their practical knowledge and expertise.

In China for example, there exists a robust and symbiotic cooperation between vocational colleges and enterprises, fostering a system that prioritizes the development of industry-ready graduates and encourages active collaboration between educational institutions and companies.

Technical and Vocational Education and Training (TVET) institutions in China are driven by a strong motivation to establish their own distinct brand identities and produce graduates who are highly employable and possess the relevant skills sought after by industries. This motivation stems from the close partnerships forged with enterprises, which extend beyond mere theoretical instruction. Companies actively collaborate with vocational colleges across various aspects, including curriculum planning, course development, and teaching methodologies. This collaborative approach ensures that students receive practical training and industry exposure through apprenticeships and other hands-on experiences, allowing them to acquire the necessary skills and knowledge required in their respective fields.

Furthermore, the evaluation and assessment of these vocational programs involve active participation from industry partners, ensuring that the curriculum remains aligned with the evolving needs and standards of the job market. Recognizing the importance of this industry-education cooperation,



local governments in China provide incentives and support to companies, encouraging them to actively engage in such collaborations. However, beyond these incentives, companies themselves recognize the significant stake they hold in nurturing and producing competent and qualified personnel to meet their workforce needs.

In China, the competition for skilled labor is intense, further driving companies to proactively collaborate with TVET institutions. Many companies directly entrust local vocational colleges with the development of specific training programs, essentially "ordering" a predetermined number of graduates with predefined skill sets and qualifications tailored to their unique requirements.

In the above mentioned context and issues it is crucial to recognize that the responsibility for skill development should not fall solely on educational institutions. Industries themselves must recognize their stake in nurturing a skilled and qualified workforce. They should actively engage in the process of skill development and knowledge transfer, rather than treating students merely as end-users or consumers of their products and services.

### **Conclusion:**

The crux of the issue lies more prominently on the demand side of the labor market rather than solely the supply side. Skilling initiatives, while essential, address only a portion of the problem from the supply perspective and fail to tackle the underlying demand-side constraints that perpetuate unemployment.

Policymakers often gravitate towards implementing measures that target the supply side of the equation, such as vocational training and skill development programs. However, these efforts alone are insufficient to bring about lasting change, as they do not directly address the fundamental lack of job opportunities and economic growth drivers that fuel demand for labor. The supply-side approach, while important, primarily focuses on enhancing the employability of individuals by equipping them with relevant skills. However, if the demand for skilled labor remains stagnant or inadequate, the impact of these initiatives is ultimately limited. Addressing the problem at its roots requires a concerted effort to stimulate job creation and foster an environment conducive to economic growth and investment.

Tackling the demand-side constraints involves a multifaceted approach that encompasses factors such as fostering entrepreneurship, attracting foreign direct investment, promoting inclusive and sustainable industrialization, and implementing policies that incentivize job creation across various sectors. This requires a comprehensive strategy that encompasses fiscal, monetary,

and structural reforms aimed at unlocking the potential for economic growth and job generation.

Many current skilling programs focus on imparting skills for specific manual or entry-level tasks, which may become obsolete or irrelevant in the rapidly changing job market. Attributing lack of skills as the primary reason for mass unemployment in an economy is a fallacy of composition. Even if every individual in the economy possesses the necessary skills, it does not guarantee employment opportunities for all. This fallacy arises when we mistakenly assume that what is true for an individual also holds true for the entire economy or society.

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