Rising Gap between Low and High Skill jobs in India

Why in News?

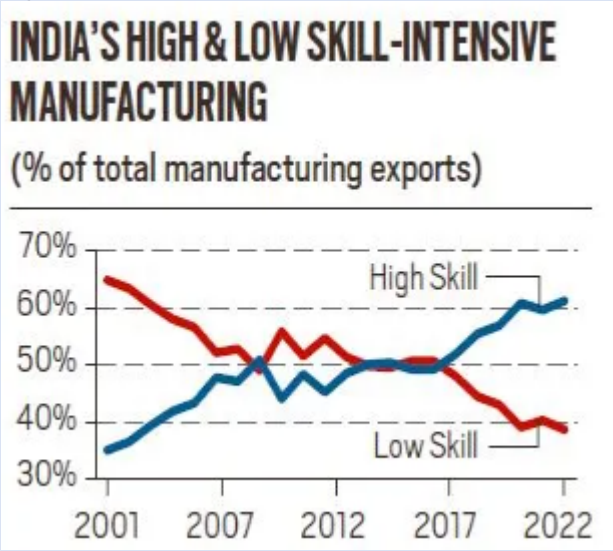
A new World Bank report released recently has highlighted the decline in low skill related jobs in India over the past decade.

What are Low and High Skilled jobs?

- **Low-skill labor** - This type of labor is characterized by routine tasks, limited skills, and lower educational attainment.
- Low-skilled workers are often employed in low-paid and insecure jobs in manufacturing and other sectors such as clothing, footwear, and light manufacturing.
- **High-skill labor** - This type of labor is characterized by advanced technical, academic, and interpersonal skills.
- High-skill workers often have skills like problem-solving, leadership, teamwork, and systems improvement.
- **Significance of low skilled jobs** - India's labor force is largely unskilled and about 80% of India's working-age population doesn't have a higher secondary education.

Status of Low and High Skill Gap in India

• India has not made optimal use of its vast unskilled labour resource to boost its low-skilled manufacturing base, compared to other countries such as Vietnam, Bangladesh and China.
• India has missed USD 60 billion in export opportunity in the low-skill manufacturing sectors such as textile and clothing.
• India’s share in global low-skilled exports is about 15% less than its share of the global labor force.
• As per OECD Trade in employment 2023, high-skilled jobs generated through manufacturing exports are rising and trade-related low-skilled job opportunities are rapidly moving to Vietnam and Bangladesh.

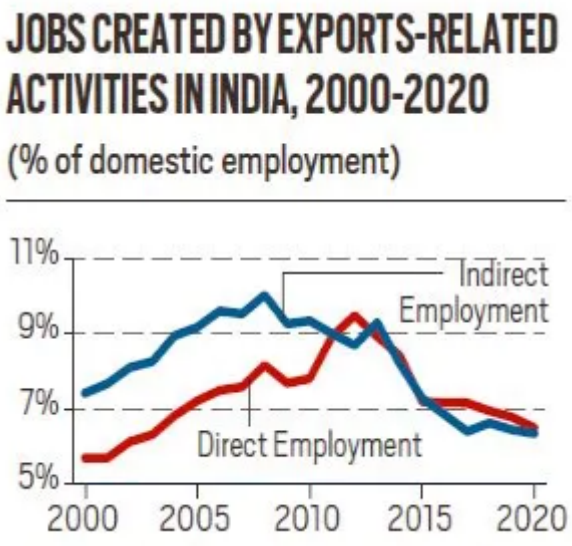


What are the reasons for the rising gap between low and high skilled jobs?

- **Decline in traditional industries**- Decline in industries such as apparel and footwear affected the millions of low-skilled workers.
- **Stagnant manufacturing** – Share of Manufacturing in GDP remains at around 14 % and well short of the targeted 25 %.
- This has exacerbated the divide between high-skilled and low-skilled jobs.
- **Dominance of service sectors** – India has emerged as a key market for multinational companies to establish data analytics and software development centres such as Global Capability Centres (GCCs).
- These sectors are less suited to absorbing large portions of the Indian workforce.
- **Weakening labour intensive jobs** – Increasing high-skill manufacturing in India's export basket affects the role of low skilled labour.
- **Global competition** – Stiff Bangladesh in textiles, Thailand in machinery, and Vietnam in electronics
- **Declining participation in Global Value Chains (GVC)**- Low participation in GVCs hampers the generation of sufficient trade-related jobs.
- **Declining international trade** - Tariff and non-tariff barriers have decreased India's international trade in goods and services.

The WTO Tariff Profile for 2022 also indicates that India's average Most Favoured Nation (MFN) tariff increased to 18.1 per cent, up from 17.6 per cent in 2019 and 13.4 per cent in 2016.

- High Tariffs on Input Materials has raised production costs, making Indian producers less competitive in international markets.
- **Reducing export-related jobs** - Direct employment linked to exports peaked at 9.5 % of total domestic employment in 2012 but fell to 6.5 per cent in 2020.



What are the measures taken to address the gap?

- **Promoting Textile sector** - Seven PM Mega Integrated Textile Region and Apparel

(PM MITRA) Parks has been planned to develop world-class textile sector infrastructure for a period up to 2027-28.

- **Development of Smart Cities** - 12 industrial smart cities under the National Industrial Corridor Development Programme (NICDP) have been approved.
- **Skill Development** - PM Vishwakarma scheme has been launched to encourage and develop the capacity of artisans.
- **Financial Support**– Under Pradhan Mantri MUDRA Yojana, institutional credit up to 20 lakh is provided to support MSME industries.
- **Tariff reduction** – In FY25 Union Budget, import tariff on various items, including medical equipment, mobile phones and related parts, critical minerals, and telecom equipment has been reduced.

What lies ahead?

- Simplify international trade procedures to improve participation.
- Reduce tariff to eliminate disparities and to lower costs for imported intermediate inputs.
- Create employment opportunities in the non-farm sector to accommodate the growing workforce.

Quick Facts

- **Global Capability Centres (GCCs)** - GCCs are offshore facilities that multinational corporations (MNCs) establish to manage business functions and processes for their parent organizations.
- They are also called Global In-house Centers (GICs).
- GCCs are often located in places with a lot of talent, and they use collaborative teams to create value and intellectual property.
- Leading companies from across the sectors have established major headquarters in India to manage core functions including design, inventory, supply chain management, and transportation through GCC.

Reference

The Indian Express | Disparities in Low and High Skilled jobs

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