

INVESTMENT RUSH

Car makers face a skill shortage rider in Gujarat

Finding enough people to fill prospective job openings a concern for firms that are setting up plants in the state

By MAULIK PATHAK
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AHMEDABAD

Gujarat expects to emerge as India's next automobile hub with Ford India Pvt. Ltd and PSA Peugeot Citroen both announcing large projects in the state in the last two months. They follow in the footsteps of Tata Motors Ltd, which moved its Nano project to Sanand three years ago after West Bengal proved to be inhospitable.

Investments in the auto sector in Gujarat, including a likely new plant by India's biggest car maker Maruti Suzuki India Ltd, could add up to ₹14,000 crore in the next few years and lead to a surge in employment opportunities.

"The auto sector of Gujarat, including ancillary units, has the potential to generate at least 100,000 new jobs in the next two-three years going by the number of auto companies rushing to the state," according to Amit Kapoor, honorary chairman of the Institute for Competitiveness, a think tank. Before firming up investments,

the companies as well as the Gujarat government would have factored in manpower issues, he said.

Companies that have approached the state for setting up plants include Bajaj Auto Ltd and Hero Moto Corp. Mint reported earlier this month on Hero Moto's plans to set up its fourth unit in Gujarat. The Business Standard quoted Rajiv Bajaj, managing director of Bajaj Auto, as saying in a 20 July report that the two-wheeler manufacturer planned to set up its fourth unit in Gujarat's Mundra area. The plant will also manufacture a passenger car the company is developing with Renault-Nissan, the report said.

Last week, Honda Motor Co. Ltd and Toyota Motor Corp. held preliminary talks with Gujarat on setting up plants, said a state government official familiar with the development, asking not to be named. Among other industries, Hindustan Aeronautics Ltd is also considering a project at Sanand. Mint could not independently verify the status of these projects.

Finding enough people to fill the prospective job openings is something that preoccupies the companies, since industries availing of government benefits—which constitute the incentives that encourage companies to choose the



Local employment: The Tata Motors plant in Sanand, Gujarat. Of their total 900 employees at Sanand, Tata has hired 800 local residents.

state—need to make sure that 80% of the workforce is made up of people from Gujarat.

An official of a company that has set up a special economic zone in Gujarat said the challenge is to find workers who have been domiciled in Gujarat for 15 years.

"The availability of skilled manpower is surely a matter of prime concern for us," said Michael Boneham, president and managing director of Ford India Pvt. Ltd. "We still have

three years before we can start production at our plant and we hope to resolve this issue with the support of the state government by then."

Both Ford and Peugeot officials have said they are working with the state government on setting up skill development centres through the public-private participation (PPP) model and working closely with Industrial Training Institutes (ITIs). An email sent to a Peugeot official remained un-

answered.

While the manpower requirement will depend on the level of automation and plant design, the state employment policy is playing a role in strategy.

"All the best people have been absorbed by the Tatas and Bosch Rexroth India Ltd at Sanand," said an official of an auto company evaluating the state for investment. "We will gather data of the available workforce and make a presentation to the state government at an appropriate time in future. We respect the law of the land. We have been assured all necessary support by the state and we will approach the government to help us whenever the need arises." Bosch is in the process of setting up a new hydraulics plant at Sanand.

Peugeot and Ford, with an investment commitment of ₹4,000 crore each, have also been allotted land in the same 2,200-acre industrial area at Sanand that is home to the Nano project.

Peugeot has expressed its interest in investing ₹250 crore to set up a skill development and research and development centre at Sanand, a senior government official has said. The company said recently that the new facility could generate as many as 4,000 jobs. Ford aims to employ about 5,000 at Sanand, he said. Mint wasn't

able to independently verify this.

Of their total 900 employees at Sanand, Tata has hired 800 local residents from the ITIs and through a training programme, another government official said. Other companies could also follow suit.

The next auto entrants into Gujarat are proposing larger plants with more workers than the Nano factory, said the company official cited above. He added that the ratio of skilled to unskilled manpower would be 60:40.

Maruti, which is looking at locations in north Gujarat for its new unit, hasn't yet decided on the project although Reuters reported 14 September that it will likely build a \$1.3 billion passenger car factory in the state, citing Japan's Kyodo news agency. The move will gather urgency as Maruti seeks to cope with a strike at its plants in Gurgaon and Manesar, both in Haryana.

"Assuming we do go to Gujarat, we will train people for the facility," said R.C. Bhargava, chairman of Maruti. "The state has training facilities."

With state elections scheduled next year, the government isn't likely to amend the stipulation on local employment, an industry expert said on condition of anonymity.

Shally Seth Mohile in Mumbai contributed to this story.

TALENT POOL

Government may offer specialized courses in auto skills development

By AMRIT RAJ & PRASHANT K. NANDA

NEW DELHI

The government wants to start specialized courses that will provide training in skills needed in the automobile industry, part of a wider effort to ensure the economy can take advantage of the expected influx of young people into the workforce.

At least 12 million are entering the job market every year in India, according to the labour ministry, and the number is expected to go up as the country seeks to speed up growth from the current 8% levels to 10% to try and spread the benefits of economic expansion across all sections.

Much of the jobs will be created in the auto industry, which is looking at emerging economies such as India for growth, with developed markets having plateaued.

Gujarat, for instance, may see at least 100,000 new job opportunities in the sector, given that the state government is making a determined effort to become an auto hub and has already been picked by Ford Motor Co. and PSA Peugeot Citroen as the location for their plants.

The Indian auto industry's annual sales rose 20% to ₹3.27 trillion in 2010-11 from the year before, according to the Society of Indian Automobile Manufacturers (SIAM), an industry lobby. This is expected to rise to four-fold by 2020, according to SIAM.

The initiative on auto skill courses is being led by the department of heavy industries (DHI) in collaboration with the finance ministry co-promoted National Skill Development

Corp. (NSDC).

The backbone of India's skill development system is the network of Industrial Training Institutes (ITIs) managed by the labour ministry. The polytechnics were set up by India's first prime minister Jawaharlal Nehru to create a pool of industrial foot-soldiers.

India has about 9,000 ITIs catering to 1.2 million students, according to labour ministry data. They will play a critical role in the introduction of the 21 courses designed by DHI with the support of automobile companies.

"The Indian car market alone is estimated to be one billion units by 2020 and a majority will be manufactured in our homeland," said Ambuj Sharma, joint secretary, DHI. "We cannot be slack in manpower, which will affect the sector and the economy."

The automotive service sector is facing a shortage of about 300,000 skilled workers, according to a recent survey by consulting and auditing firm KPMG. This could rise further, said Narayanan Ramaswamy, executive director at KPMG.

Meanwhile, NSDC has given shape to an Automotive Skills Development Council (ASDC), which will supervise the project. It will be undertaken in two phases—to begin with, pilot courses have been started for service technicians, machinists and drivers. "ASDC will certify students and institutes offering courses in this segment," said an NSDC spokesman. "We believe this certification will authenticate the course, content and improve the job eligibility of students."

NSDC has a mandate to train

about 150 million by 2022 in an array of sectors already facing manpower shortages. This is part of the larger national mandate to train 500 million in a decade to help staff manufacturing units.

The 21 courses will kick off in the next academic year as part of the second phase, Sharma said. They will be conducted by the ITIs, advanced training institutes and private colleges that offer automobile courses.

Once the students complete these courses, they will be evaluated by ASDC, said Vishnu Mathur, director general of SIAM.

Germany is among the developed markets that's hurting from a shortage of workers because of an aging workforce and declining enrolment in technical studies. The country needed at least 77,000 auto engineers last month, Bloomberg news agency reported, citing the VDI German engineering association.

The shortage may threaten the competitiveness of BMW, Porsche AG, Volkswagen AG and Daimler AG as they expand and boost development of electric vehicles, Bloomberg reported in August.

German auto makers are looking to counteract the trend by recruiting people outside the country from growth markets such as China and India.

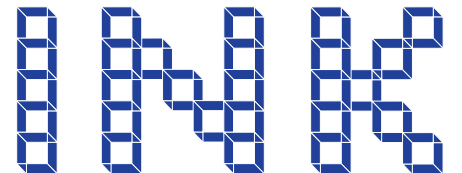
"When we talk about productive manpower, we refer to 18-40 age group and this is available in India. So, we will not be surprised to see German car makers sourcing manpower from our country. Others will also follow for sure," Ramaswamy added.

India could be a global source of skilled workers, said a spokesperson for Honda Siel Cars India Ltd, which has started a training centre close to its plant in Rajasthan that can be used by students from ITIs in the area for practical training.

"Efficient students can get absorbed by the company and when required they can be sent to various training programmes at our technical centres in Japan and Thailand," he said.

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