

Human Resource and Skill Requirements in the **Auto & Auto Components Sector**

Executive Summary



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National
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Policy interventions in land acquisition and taxation are stimulate the Auto and Auto Components sectoral growth India...

Key Growth Drivers

India and other BRIC nations would emerge as major manufacturing hubs due to the availability of cheap labour and other favourable investing environment. More companies are looking at India as a manufacturing base and shifting their operations from Europe to India, and other south-east Asian countries.

Many global auto component manufacturers have manufacturing presence in India either through joint ventures or otherwise. A good number of auto component manufacturers are focusing on exports as excise duty is very less in complete knocked down (CKD) units.

The sales growth is not uniform in all sub-segments. two-wheeler segment is expected to grow at CAGR of 11 percent. Passenger car and commercial vehicles have much less growth expectation at 8.6 percent and 8.1 percent.

India's Competitive Advantage

India allows 100 percent FDI for the automotive sector and the its approval is through an automated route with minimal requirement of government permissions

automation and operational efficiency, an addition of one manpower at the OEM would lead to generating eight jobs at the vendor's end.

India has highly developed transport facilities with multiple ports capable of handling large shipping vessels. Chennai, Ennore, Mangalore, and Mumbai are the large ports close to automotive clusters in south and west India

Land acquisition norms

Due to lack of implementation of standardised processes relating to land acquisition as well as difficulty in approaching the concerned department/ ministry/organisation at the right time, it becomes difficult to acquire the required land at a number of locations

Taxation complexity

Tax laws in India are believed to be one of the most complex laws across the globe. The cars registered in one state should be sold in the same state to avoid double taxation. Further, the taxes applicable at different states are different.

Increasing cost pressure

There exists inefficiency in operations due to lack of clear definition of processes in auto component manufacturers leading to increased cost. Significant value of auto components are imported. This puts cost pressure with exchange rate fluctuations.

Sources: KPMG in India analysis

Demographic characteristics of workforce

Direct employment in the sector is expected to be nearly 15 million by 2022...

Sub-sector	Employment (In million)		
	2013	2017	2022
OEM	1.87	2.04	2.23
Auto component manufacturers	4.81	5.99	7.26
Service centers	2.80	3.10	3.44
Dealerships	1.50	1.68	1.95
Overall sector	10.98	12.81	14.88

- Industry growth, changing technology, growing economy, larger income at disposal and lowering first-hand life-cycle of cars have triggered requirements for fresh skilling and up-skilling in the sector.
- By 2022, nearly 15 million people are expected to be employed in automobile sector directly in the industry

Geographical Distribution of Employment



Haryana leads in the production of passenger cars, motorcycles, tractors and accounts for 50 % of total passenger cars and two-wheelers production in India.

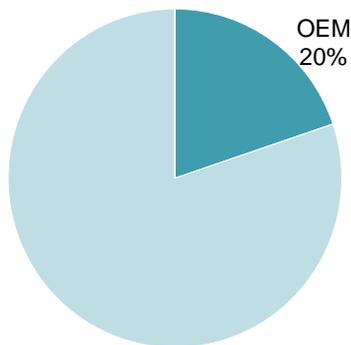
Sources: Industry Interactions; KPMG in India analysis

Demand Analysis

The additional requirement for labour is expected to grow to

The calculation for additional requirement is done on the basis of growth rate of 8.5 percent in OEM and 14.1 percent in auto components till 2017 and a growth rate of 9.2 percent and 15.6 percent thereafter. The labour elasticity is estimated to be 0.25 and 0.4 for auto OEM and components till 2017, which is expected to drop to 0.2 and 0.25 thereafter due to improved production techniques and automation. The baseline employment for each sub-sector is estimated on the basis of primary interactions with industry experts and secondary research from industry bodies.

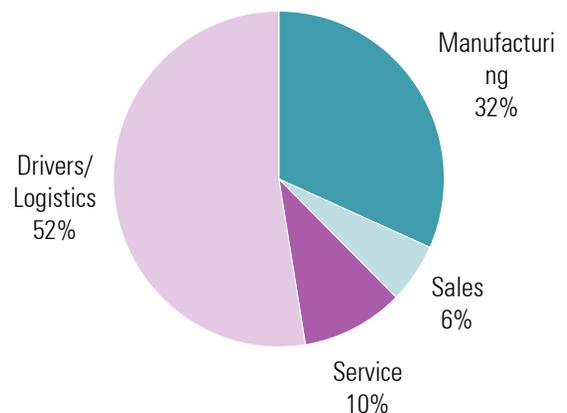
Manufacturing workforce distribution



Auto Components
80%

- Out of 7.6 million employed in manufacturing, 72 percent of the employees are working in component sub-sector. Even in auto component manufacturing companies, a majority of the workforce is employed in tier-III and raw material manufacturing companies.
- By 2022, the share of employees working in auto component manufactures is expected to reach 80 percent from current 72 percent. This increase is due to faster growth rate and higher labour elasticity of auto component manufacturers when compared to automobile OEM. The share of contract workers has increased from around 40 percent in 2008 to 56 percent in 2014. This is expected to stabilise around 65 percent in 2022.

Auto sector workforce distribution

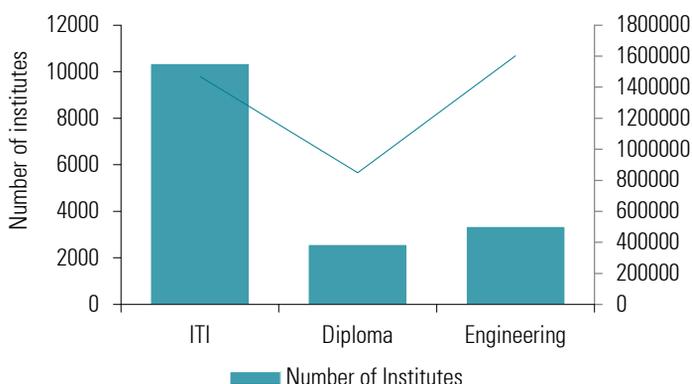


- 19.1 million people employed in automobile sector directly or indirectly. This includes manufacturing in OEM, Auto components, raw material factories, automobile dealers, service centres, and other enabler sectors. Presently, more than 70 percent of the auto component companies are SMEs. Access to capital, technology and the high rate of interest would limit their growth. Further, the automotive sector has 56 percent of workforce which is second highest after telecom sector.
- By 2022, the employment in this sector is expected to reach 38 million. The incremental employment is higher in indirect employment, which is expected to go up to 68 percent of the total employment

Supply & Training Infrastructure

Higher investment required for creating training capacities is a key challenge in the sector

Higher Education/ITI s



- Although there are many private engineering colleges, the number of private institutes providing education in Diploma/ITI is limited.
- Most of the existing demand is fed by the government institutes which are not effectively run to provide industry-fit employees. Further, the courses are not updated with the change in technology implemented at the plants.

Skill gaps in the Auto OEMs sub-sector

- Insufficient industry knowledge and technical knowledge pertaining to vehicles is limited
- Insufficient skills for maintaining the required service levels and customer satisfaction levels
- Civil engineering and project management skillset for building plants
- Skills to handle sophisticated software for design, such as Pro-e, Catia, unigraphics, etc.
- Programming skills for handling Computerised Numerical Controllers (CNCs)
- Supply chain skillset to understand and apply concepts such as kanban, Just In Time (JIT)
- Skills set to improve production operations such as Total Productive Maintenance (TPM)

NSDC Training Partner Capacities

Select NSDC training partners

Training institute	Capacity in lakhs
GRAS Hospitality	0.30
Pratham	2.50
Centum (Work Skills)	30.08
Laurus Edutech	3.93
Future Sharp	0.70
TVS	0.43
Jetking	9.00
Skill Source	4.20
Aptech	0.39
Don Bosco	2.75
CAP WDI	1.28
Involute	1.41

- Most of the commercial vehicle manufacturers have started providing courses on commercial vehicles drivers and other allied courses.
- The automobile OEM and tier-I auto component manufacturers employ high capital expenditure in their plants and expect high productivity. Many of these companies have in-house training facilities for up-skilling and fresh skilling.

Recommendation	Implications
Promotion of trainings for developing automotive design and related skills	<ul style="list-style-type: none"> Although it is a niche segment, jobs in this area would be extremely critical to the competitiveness of the firm and the employees can expect a premium in salary.
Promotion of courses providing new skill requirements in Service centres	<ul style="list-style-type: none"> Jobs in automobile service centre is not career many aspire to pick up. But, recent changes in vehicles has forced only well trained persons to repair the vehicles who are very short in number
Promotion of manufacturing related courses in auto clusters	<ul style="list-style-type: none"> Promotion of courses related to manufacturing in clusters would have immense potential for satisfying job demands in varying levels of skills.
Promotion of small and medium scale enterprises	<ul style="list-style-type: none"> Promotion of SME sector including lower tier automobile company will create jobs at entry level and strengthen the auto component base of India.
Promotion of research in electric vehicle design and production	<ul style="list-style-type: none"> If the government pursues it mission of selling 6–7 million electric vehicles till 2020, a lot of jobs is expected in this domain. At present, only a handful of electric vehicle designs are available
Promotion of soft skills related courses for shop floor employees	<ul style="list-style-type: none"> Courses in soft skills and behaviour would limit the extent of damages caused
Promotion of training for commercial vehicle drivers	<ul style="list-style-type: none"> Initiatives, such as SAFE from SIAM should be encouraged and scaled up to bridge the already existing gap in numbers.



cutting through complexity

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- Working closely with Central Govt., MoHRD, State Govts, Apex bodies and funding agencies
- Use of robust proprietary tools and methodologies assuring quality delivery to our clients

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