

# Human Resource and Skill Requirements in the **Gems and Jewellery**

## Executive Summary



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## Industry Overview

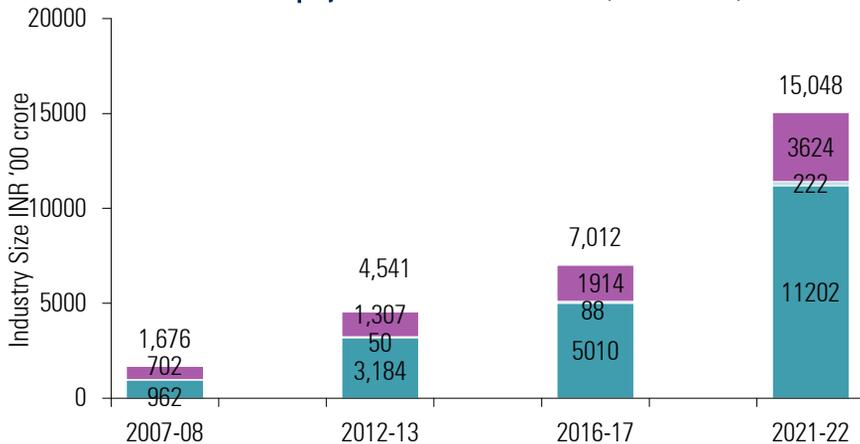
The estimated market size of Gems and Jewelry sector is expected to be in excess of INR 30,096 billion by 2022...

### Key Growth Drivers

- With a market size of almost INR 4,54100 crore, the sector has a sizeable share of the GDP at ~5.9 percent, apart from large-scale employment generation and foreign exchange earnings.
- A share of wallet analysis reveals that jewellery accounts for more than a fourth of the discretionary spending by consumers in India. This coupled with rising income levels in India is a major growth driver
- India has an estimated 229 million women aged 20–49. The number of women, the key customer category for jewellery, who are employed in professional sectors is rising very fast
- With more than 300 million people in the 25–29 age group in the period 2011–21, 150 million weddings are expected to take place in this period
- Tier-III inclusion. With landlords and money lenders being the primary source of financial credit in such areas, jewellers have emerged as an alternative, providing investment options through gold jewellery.

### Size and growth of the sector in the coming years

Historic and projected domestic market size (INR '00 crore)



Source: KPMG Analysis

Indian gems and jewellery sector has grown at a CAGR of 22 percent, albeit at current prices, in the last five year period from FY08 to FY13. This has largely been driven by the gold jewellery segment in terms of share (81 percent of the market in FY13) but on a growth rate basis, diamond jewellery has been the faster growing segment

In the coming years (2013–17), the sector is expected to grow at a slower pace due to increased import duty and enforcement of the 80:20 export rule.

### Notable trends

**Increasing organised share in jewellery retailing**

**Increasing purchase of jewellery through online stores**

**Changing occasions of use**

**White wave'**

**Increasing mechanisation in organised manufacturing space**

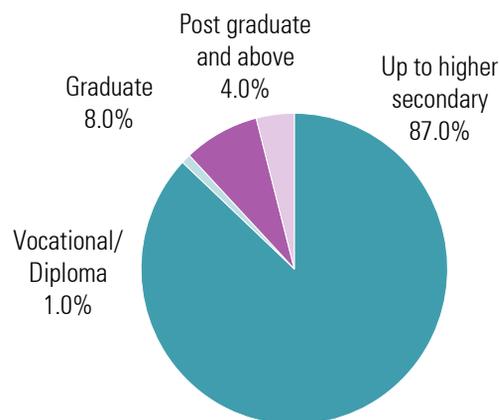
Sources: KPMG in India analysis

### Processing and manufacturing sub-sectors

Stone processing and jewellery manufacturing units typically employ men from the economically weaker section of society. They are aged between 18–40 years and are school dropouts with minimal education. This is largely due to the low entry barrier for jobs in such units.

Recent years have seen an increase in the hiring of women in manufacturing units due to the rising prominence of wax work where speed and delicate handwork, characteristic of females, is key.

Within jewellery manufacturing, manpower for roles with a higher skill requirement are typically sourced from the Bengal region while other roles are staffed from local areas.



Source: KPMG Analysis

- Processing and manufacturing sub-sectors of the gems and jewellery industry are fast losing their attractiveness as employers of choice in the youth's minds. This is primarily driven by the high-stress nature of the sector, health and safety concerns in the workplace, and the relatively low remuneration-to-effort-required ratio.
- Given the high requirement of working capital, employers typically have limited resources for investment in the working environment.
- Attrition in terms of exits from the sector have traditionally been on the lower side (~1 percent).

### Retail sub-sector

The lion's share of the 350,000 jewellery retail outlets in the country are small-scale independent outlets run on a proprietorship or partnership model. Typically, such an outlet employs about three people viz. a proprietor, sales executive and a helper.

Traditionally, the sub-sector workforce has been dominated by males, although recent times have seen an increasing share of women. Additionally, unlike the processing and manufacturing sub-sectors there is a higher educational background requirement in the sector in recent times. This is driven by the share of sales function in the workforce.

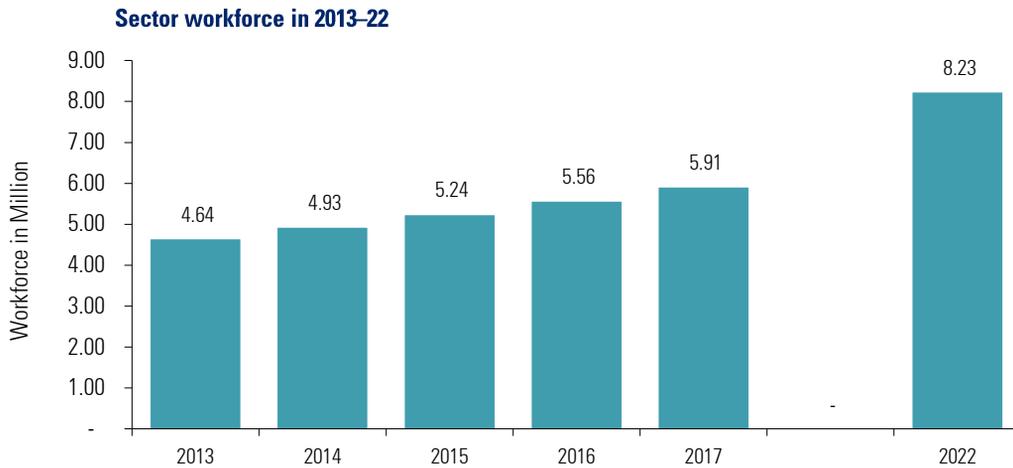
With such high value of the products on offer, the expectations of the clientele need to be understood and met by the customer facing staff. Therefore, employers are increasingly seeking two skills in the employees that they hire viz. customer service orientation and speed and ability to grasp and gain knowledge about the product portfolio in the sector to establish a connect with the customer.

Considering the skill set required in jewellery retail is similar to that in retail segments of other sectors, employers are seeing a greater churn between the luxury, accessories and apparel retail. This attrition, pegged between 25–30 percent annually, is primarily due to a lack of focus on social security and lack of visibility on career progression.

Sources: Industry Interactions; KPMG in India analysis

# Incremental Human Resource Requirement (2013-22)

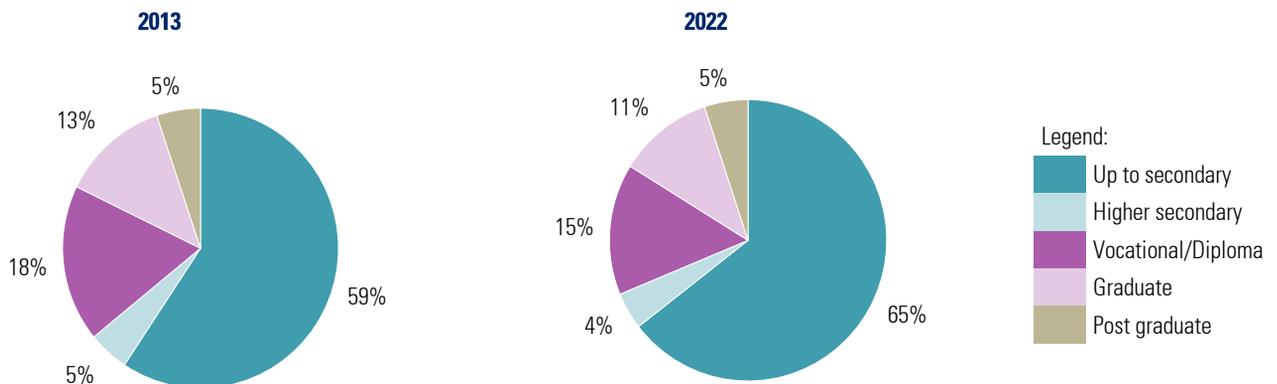
## The sector will create ~3.59 million additional jobs till 2022



Source: Primary Interactions, KPMG Analysis

The sector currently employs more than 4.64 million employees and is slated to employ more than 8.23 million employees by 2022. This implies additional creation of ~3.59 million jobs in the nine-year period.

The period 2013–17 will see a slower rate of growth in employment vis-a-vis 2017–22 due to the repercussions of the global recession of 2008–09. The sector will bounce back and will require more workforce in the latter period viz. 2017–22.



Source: Primary Interactions, KPMG Analysis

An analysis of the breakup of workforce by educational background highlights increasing share of employees with minimal education requirement. This indicates that roles on the shop floor, which typically require no prior formal education, will see an increased demand of manpower compared to managerial roles.

In the manufacturing sub-sector there is little private investment on the manpower supply side, the sector is dominated by public institutions and government-run skilling schemes. The linkages between the industry and the institutes need to be strengthened with a general mistrust reflecting on both sides for the other. The institutes perceive a lack of respect as their trained graduates are not given a premium over untrained employees. The industry believes the quality of trained graduates coming through from institutes is not up to expected standards.

### Employers engaging in training

The larger players in the organised space have taken steps to ensure their workers are quipped with the right skill sets and environment to foster a positive growth in productivity and output. With formally structured programmes for their periodic intake and regular skill upgrade plans for existing workforce, such initiatives have added value to the quality of work in terms of the finished products.

### Non-standardisation of training curriculum and standards

Given the fragmentation and significant share of unorganised players in the sector, OJT model is the most prominent one in play. Entry level resources are hired as trainees and undergo an apprenticeship under semi-skilled and/or skilled workers who are responsible for imparting requisite skills and experience-based knowledge to them.

### Training requirements for traditional artisans

The industry has seen an increasing shift to wax techniques from metal. Metal work in mould making and setting is far more difficult than working on wax in terms of skill requirement and time required. However, the industry is facing a paucity in the availability of workers skilled in metal work. Courses need to be designed around this and other such industry requirements, by the training side to train the required supply to meet the demands of the industry.

### Low premium attached to prior training and skill development undertaken by candidates

Most employers in the organised space have in-house training programmes. They typically retrain their workforce upon hiring them, indicating that training curriculum needs to be re-aligned with prevalent industry standards. This creates a mismatch between entry-level employee aspirations and the industry's pay scales on offer.

### Challenges in establishing training infrastructure

- The raw materials and machinery costs are very high, driving up the costs associated with establishment of training institutes.
- The lack of quality trainers is another challenge faced by training institutions. Trainers are typically skilled workers with 10–15 years of experience in the sector. While they may be excellent workers themselves, a lack in the ability to teach and impart knowledge in a productive manner is felt.

### Select skill and training infrastructure for the sector -

**Indian Diamond Institute (IDI), Surat**

**Indian Institute of Gems and Jewellery (IIGJ), New Delhi**

**Gem Testing Laboratory (GTL), Jaipur**

**Jewellery Product Development Centre, Delhi**

**Gemological Institute of India, Mumbai**

**Gemological Institute of America (GIA)**

| Recommendation  | Implications   |
|---|--|
| Promotion of awareness and training of the workforce on health and safety issues              | <ul style="list-style-type: none"> <li>▪ Issuing of safety kits to workers with daily-use equipment such as goggles, gas masks, gloves, lab coats, etc.</li> <li>▪ Incorporating safety measures on the shop floor, imparting knowledge and training in safe workplace practices will reduce negative impact on health and help in retaining current workforce as well as attracting new youth</li> </ul>  |
| Improvement in workplace infrastructure viz. working conditions and environment               | <ul style="list-style-type: none"> <li>▪ Better planned and equipped workplaces will help employers in retaining the current ageing workforce such that the incoming intake is able to learn quickly by leveraging their experience and knowledge.</li> <li>▪ The benefits for both employees and employers from the Tanishq Karigar Centres serve as an example for the industry.</li> </ul>  |
| Setting up of training centres around alternative and current sources of manpower             | <ul style="list-style-type: none"> <li>▪ Such training centres will provide an avenue to increase awareness and attract new youth to the sector by showcasing career progression opportunities. This would further enable the industry with access to a larger talent pool mitigating the effect of reducing inherited skills.</li> </ul>  |
| Sensitization of employers to invest in training/skill upgrading initiatives                  | <ul style="list-style-type: none"> <li>▪ Increasing awareness of the benefits of formal employee training programme will lead to greater interest from the employer side.</li> <li>▪ Partaking in skill development initiatives in the work place is expected to lead to lower workforce turnover and a higher quality in output.</li> </ul>   |
| Development and pilot of skill development models in conjunction with industry and institutes | <ul style="list-style-type: none"> <li>▪ Institutes may focus on enrolment and basic classroom teaching covering properties of metals and their use in the industry, health and safety in the workplace, process chain in relevant sub-sectors, etc.</li> <li>▪ The industry on their part can contribute by providing students with simulation training in their factories.</li> <li>▪ Such an association between manufacturers from the industry and training institutes draws on the strengths of both partners.</li> <li>▪ The youth are provided with a better perspective on the industry and workplace characteristics, bridging the gap in employee and employer expectations as well.</li> </ul> |



*cutting through complexity*

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**Narayanan Ramaswamy**

Head – Education Advisory

KPMG India

(+91) 44 3914 5208

email: narayananr@kpmg.com

**Madhavan Vilvarayanallur**

Director – Education

Advisory, KPMG India

(+91) 44 39145286

email: vmadhavan@kpmg.com

**Gaurav Kumar**

Associate Director – Education

Advisory, KPMG India

(+91) 124 3345203

email: gauravkumar1@kpmg.com

For more details please contact:



**N · S · D · C**  
**National**  
**Skill Development**  
**Corporation**

**National Skill Development Corporation**  
Block A, Clarion Collection, (Qutab Hotel)  
Shaheed Jeet Singh Marg  
New Delhi 11 0 016  
Tel : +91-11-47451600  
Fax : +91-11-46560417  
Email : [skillgapstudies@nsdcindia.org](mailto:skillgapstudies@nsdcindia.org)

[www.nsdcindia.org](http://www.nsdcindia.org)