

Human Resource and Skill Requirements in the **Leather and Leather Goods** **Sector** Executive Summary



N · S · D · C
National
Skill Development
Corporation

Disclaimer for the skill gap report :

NSDC engaged KPMG (KPMG Advisory Services Pvt. Ltd.) to prepare this report, which is based on independent research and analysis done by KPMG. This report is not based on, or derived from, any other report or research paper. Any similarity with any other paper may purely be a co-incident.

All rights reserved. All copyright in this report and related works is solely and exclusively owned by NSDC. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of NSDC.

This report is for information purposes only. While due care has been taken during the compilation of this report to ensure that the information is accurate to the best of KPMG's and NSDC's knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

KPMG and NSDC neither recommend nor endorse any specific products or services that may have been mentioned in this report and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed in this report.

Neither KPMG nor NSDC shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this report.

Industry Overview

The sector seems to be growing rapidly based on increased demand and the export potential but faces the challenge of 'employable' manpower

- Although the Indian leather/leather goods industry is registered with tepid growth of around 7 percent over the last five years (mainly due to recession in the export markets), the industry is expected to bounce back in line with the global recovery and witness growth of around 23 percent over the next five years.
- Growing quality consciousness and strict import quality benchmarks would require the industry to upgrade itself to best practices pursued globally.
- The industry is blessed to be endowed with raw material, livestock, skilled manpower, compliance to international standards and delegated support of allied industries, enabling it to become a pillar of the economy in terms of foreign trade, employment generation and growth.

Key Growth Drivers

▪ Demand drivers

- Rising disposable incomes over the long term are expected to drive demand for discretionary spend goods , such as high end shoes, wallets, handbags etc
- Growing fashion consciousness among the youth in rural India is expected to expand demand for value added leather goods into tier-II and tier-III towns.

▪ Supply drivers

- The huge pool of surplus skilled and unskilled labour coupled with increasing cost of labour in China is expected to give India an advantage in terms of labour
- The wide and diverse raw material base is expected to give India an advantage in terms of sustainability of production.

▪ Policy Drivers

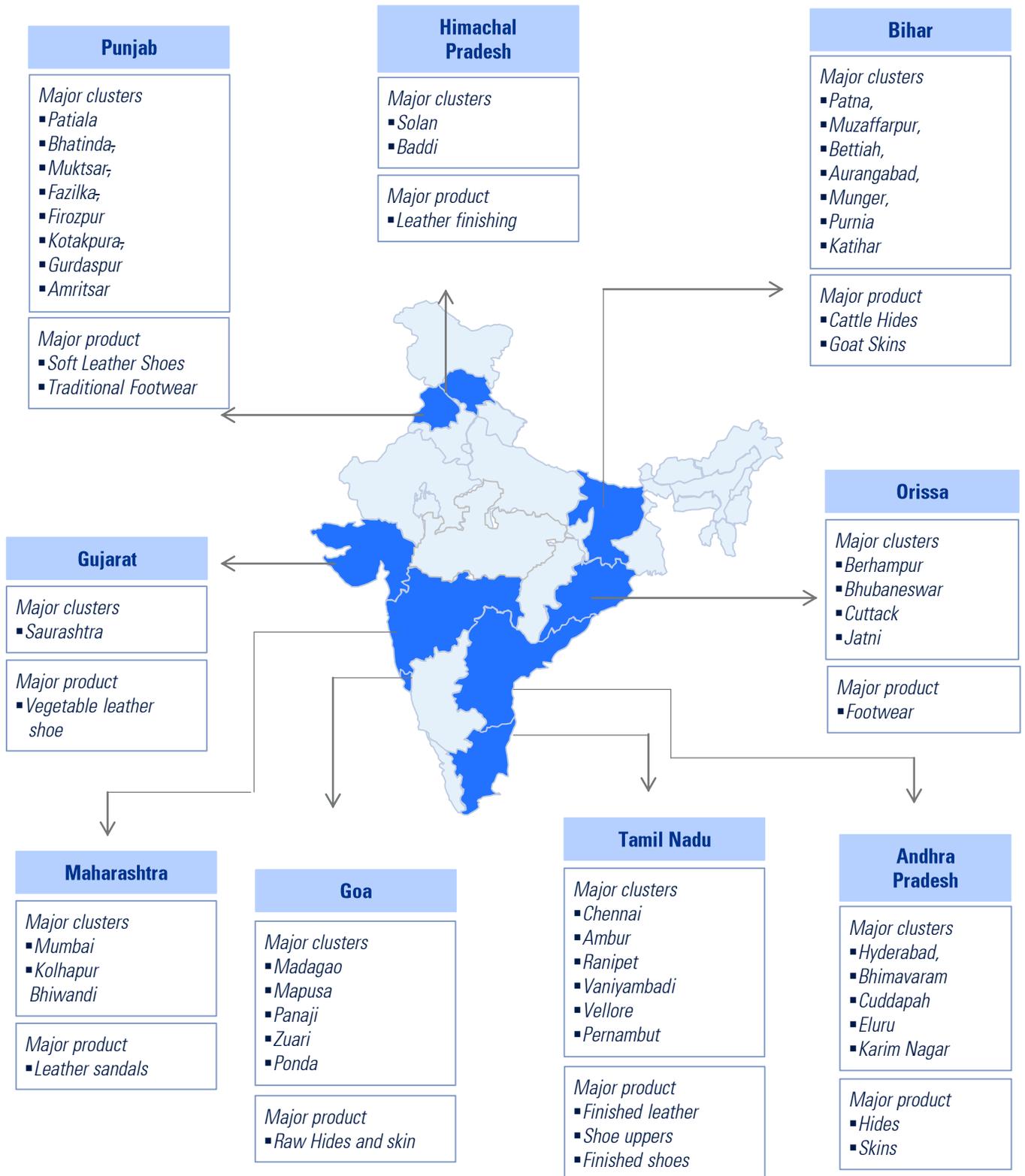
- The leather sector has been receiving favourable tax treatment in terms of sales tax, central excise duty and customs duty.
- The government has also allowed 100 percent FDI in the sector and 100 percent repatriation of profits and dividends, thereby incentivising foreign players to invest in the sector.

Concerns and challenges

- Although India has gradually liberalised its cumbersome compliance and documentation policies for global trade, it still lags behind most of the developed countries and even similarly placed developing countries.
- India's cost of logistics, as a share of the GDP, is one of the highest in the world (12–13 percent of the GDP) compared to the developed markets (below 10 percent of the GDP). This is reflected in the transportation cost per kilometre, which may hamper the industry's competitiveness as the industry is export-based and has to reach a wide retail market.
- The slow pace of reforms in the Indian power sector has had a specific detrimental effect on the leather industry in the form of additional cost of power back-up.

Demographic characteristics of workforce

Aspiration for employment and skill requirements depend on the nature of activities performed across the prominent clusters...



Source: KPMG in India Analysis as on 14 March 2014

Incremental Human Resource Requirement (2013-22)

Leather and Leather Goods sector is expected to create additional employment of ~3.7 million during 2013–22

	Employment (in million)			Employment growth 2013–17	Employment growth 2017–22
	2013	2017	2022	(In million)	(In million)
Finishing of leather	0.23	0.35	0.58	0.11	0.23
Leather goods	0.30	0.41	0.62	0.11	0.21
Footwear	0.78	1.01	1.44	0.23	0.43
Leather apparel	0.01	0.01	0.02	0.00	0.01
Micro enterprises in leather-based goods manufacturing (including artisans)	0.92	1.37	2.14	0.45	0.77
Unorganised sector employment in leather-based goods repairing (cobblers etc.)	0.85	1.27	2.01	0.42	0.74
Total	3.09	4.42	6.81	1.32	2.39

The period 2017–22 will see a marginally higher growth in employment vis-a-vis 2013–17 with the industry not expected to witness significant changes in operations through automation resulting in consistent employment elasticity factors over the next nine-year period.

Job role	Skill gap
Operators, cutters, stitchers, skivers, finishers	<ul style="list-style-type: none"> Entry-level operators have limited knowledge on machines handling and troubleshooting aspects Entry-level workers have very less awareness on hygiene and sanitation. This directly affects the productivity. Experienced procurement personnel are a rarity and mostly come from rural background with poor communication skills.
Designers/ sample developers (design and development)	<ul style="list-style-type: none"> Lack of knowledge on customer standards and new global market trends Experienced designers are scarce and switch jobs frequently Most institutes offer training in apparels. There is dearth of sector-specific designers
Quality controller	<ul style="list-style-type: none"> Lack the ability to undertake high-level due diligence required for quality checks
Supervisors	<ul style="list-style-type: none"> Lack the ability to handle contingencies, manage people and allocate work Lack of experience in handling machines
Production in-charge	<ul style="list-style-type: none"> There is scarcity of experienced planners and they usually lack people management skills Lack of understanding of the process
Merchandisers	<ul style="list-style-type: none"> Poor communication skills Unable to manage contingencies and handle high pressure situations at work

- Training institutes offer a wide variety of courses, which includes undergraduate, postgraduate, diploma and certificate courses in areas, such as footwear design and technology. Within design also, there are two types of courses — (i) technical design (which includes pattern making, cutting, designing) and (ii) style designers (fashion and trends)
- Typically course requirements for undergraduate, diploma and certificate courses is senior secondary education (10+2) while post graduate diplomas require a candidate to have qualified post graduation.
- Admission to B.Tech/M.Tech programmes is typically through entrance examinations and requires the candidate to have a background in science or engineering.
- Institutes are increasingly offering technology oriented courses such as CAD for the designing stream and training on modern machinery, due to growing automation in the industry.

Need for a practical curriculum at entry level

- Skill gap in the sector is most acute at the entry level, which includes shop floors, designers and merchandisers.
- Majority of this workforce lack basic technical skills and customer orientation.
- Hence, there is requirement of product specific training, which includes training on modern machinery.

Lack of premium attached to training for employers is a big challenge

- Due to the low operating margins of the sector, there is little or no premium attached to training during the initial years of the workforce.
- The firms also experience significant attrition during the initial year, which often offsets the investment in training.
- Most players provide training on the job through experienced staff or by hiring external trainers.

Need for standardisation in training curricula

- There is no single body that gives accreditation to leather sector courses across India. As a result of this, there is a wide variation in the curricula and quality of training received by workforce across India.
- A lot of them are looking at bodies such as SSC for standardisation and accreditation. Hence, there is need to improve coordination between the industry and the academia.

Need for motivating the workforce along with skill straining

- People often join courses to get a job rather than get skilled. Even after joining, there is often a mismatch between industry's pay and students' aspirations.
- While the training institutions may try to match the demand of the industry by taking in the requisite number of students for training but the real challenge is to motivate these students to take up the job and retain it

Creating awareness about the training opportunities amongst workforce

- The sector employs majority of people from the rural sections of the society, and most of them are illiterate. These people are unaware of the schemes and the support that government provides them.

Recommendation	Implications
Consolidation, integration and organisation of industry.	<ul style="list-style-type: none"> ▪ Though certain large players have gone in for consolidation by taking over smaller players, it is of prime importance for the industry to move from unorganised to organised ▪ Initiatives by government for continued liberalisation of foreign investment will enable the industry to establish larger scale and best practice driven companies
To have international standards and Quality Control.	<ul style="list-style-type: none"> ▪ International quality control needs to be adhered for exports such that the manufacturing quality of India meets with the international standards. ▪ Envisaged job roles as supervisors and quality control managers in various segments would be in demand
To design course content in alignment with global trends	<ul style="list-style-type: none"> ▪ Courses in design and development should be appropriately cover the global trends
Introduction of management principles in the curriculum	<ul style="list-style-type: none"> ▪ At the middle-management level there is a severe lack in understanding the management principles, which is required to be addressed.
Creation of training infrastructure	<ul style="list-style-type: none"> ▪ Set up and operation of training requires a long-term view and significant upfront investment making it akin to most sectors where government participation becomes necessary ▪ Industry players should attempt for creation of training infrastructure with the help of PPP initiatives. This will help in developing external training ▪ Establishment of a nodal leather training institute with adequate infrastructure with the help of industries/PPP initiatives
Provide incentives in the form of skills premium	<ul style="list-style-type: none"> ▪ Developing more credibility and enhancing perception of the utility of training through implementation of innovative training practices like apprenticeship. ▪ Monetary and progression incentives for trained vis-à-vis untrained personnel by companies.
Initiatives to make the industry lucrative to attract more manpower.	<ul style="list-style-type: none"> ▪ Greater investment is required from industry players in employee welfare and ensuring the basic safety systems are in place ▪ A closer look at pay and progression policies is also warranted — given that growth and profitability outlook for the industry is positive, sharing the benefits of growth with employees would be important
Government initiatives to develop infrastructure for growth of the industry	<ul style="list-style-type: none"> ▪ Development of enabling infrastructure will create the base for achievement of greater scale efficiencies. ▪ Encouragement of public private partnerships will ensure a faster pace of enabling infrastructure development



cutting through complexity

This report is prepared by KPMG Advisory Services Pvt Ltd (KASPL).

KPMG is a global network of professional service firms offering Audit, Tax and Advisory services with presence in 152 countries and a combined strength of nearly 145,000 people. In India, the firm provides services to Government, Indian and International companies through offices in Mumbai, Delhi, Chandigarh, Bangalore, Hyderabad, Chennai, Pune , Kolkata, Kochi and Ahmedabad.

KPMG is one of the first professional services firms to align its services and professionals along industry verticals developing an intensive understanding of different industries, providing clients with an informed view on specific issues and a tailored service response. KPMG is first advisory firm to establish Centre of Excellence in Education in India providing holistic support in funding, structuring and consulting solutions across strategy, process, people and technology in the sector.

KPMG has, over the years gained an expertise in the area of Education Advisory backed by capabilities such as

- Comprehensive and focused solution for education, Skill Gaps, research and training services combined with through insights and analysis from its Centre of Excellence for Education in India - networked globally
- Access to our wealth of knowledge – Thought leaderships, Industry monitors and database through our Education - Centre of Excellence in India
- A strong cross functional team with expertise of Consulting, Corporate Finance, Tax teams – focused on education sector
- 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

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

www.nsdcindia.org