

Role of Corporate Social Responsibility in Adjustment of Skill Mismatch

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Abstract

Human Resource is an important competitive factor and the present problem with human resources in India is the lack of requisite skills for employability. India is an emerging country and is in transition from agriculture to knowledge based economy. The Corporate Social Responsibility is mandatory in India. The gap between the specific industry skill and the current skill is wide. The National Skill Development Corporation was formed through public-private partnership and funds are committed through mandatory Corporate Social Responsibility. This paper presents the emerging role of business enterprises in the skill development initiatives of government through Corporate Social Responsibility to address skill mismatch. The NSDC survey for the State of Andhra Pradesh in India establishes the net deficit of human resources with requisite skills is 24.8 lakhs. The corporate social responsibility is playing a major role in the overall development of the country by skilling India.

Keywords: Skill Development; Corporate Social Responsibility; Public-Private Partnership; Sector Skills Councils; Skill Gap.

Introduction

Human Resource is an important competitive factor in the development and growth of the country. Human Resources Capability refers to the abilities, skills and knowledge of the human resources in the country. The development of the humans in the country is an important function of the Government. The Human Development is the outcome of the design and execution of the skill development initiatives. Human Development is broader and includes capacity building, standards of living and employability (T.V. Rao, 1991). The present problem with human resources in India is the lack of requisite skills for employability.

The business enterprises were formed to provide services, products and benefits to the society. The main objective of business enterprises is to fulfill the wants and needs of the society. The input for business are derived from the society and brought before it in the form of services or products. The business environment is impacted by the society. Therefore, business is responsible to the society for development, growth and sustainability. The social responsibility of the business is derived from the concept of social justice, equal opportunity and economic equality mentioned in the Indian Constitution (Bhaduri and Selarka, 2016).

The term informal sector is synonymous with unrecognized part of the economy of the country. But, this sector is characterized by high employment, low productivity, lesser wages and compensation, difficulty in application of social security and less control of government. The sector attracts the attention of economists, sociologist, psychologist, law and management. The working classes present in this part of the sector are usually referred as informal workers or unorganized workers. The learning in this sector is not formal and no skill up gradation or certification

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is provided. Skill development plays a critical role in the economic and social development of formal and informal sectors. Skilled manpower is a key for leveraging the opportunities presented by globalization. An emerging economy such as India requires a large and skilled workforce (National Skill Development Mission, 2014). However, skill shortage is evident in every sector of the economy, and it is proving to be a roadblock to growth.

Methodology

The present paper is based on conceptual review of the existing literature on corporate social responsibility and the role of stakeholders to promote socio-economic growth of the society. The work is based on quantitative and qualitative tools for analysis. The Objectives were to review the role of corporate social responsibility, to study the method of National Skill Development Corporation for filling the skill gap by forging with Industry and conducting skill development initiatives with Industry support and to crystallize the role of Industry in partnering with Government for the society cause.

Overview

India is an emerging country and is in transition from agriculture to knowledge based economy. Therefore, the industry specific skill is the main focus issue in India. The skill development initiative is an important agenda on millennium development goals. The public and private sector are committed statutorily to CSR and comprises philanthropic, corporate, ethical, environmental and legal as well as economic responsibility. Prahalad (2010) propose the bottom of the pyramid approach and business enterprises through corporate social responsibility can reach the bottom for upliftment through ethical, environmental, social and legal commitment. Philip Kotler (2010) describes CSR as business initiative. But for Armstrong and Green (2013) it is an evolutionary concept and Frederiksen (2010) attempted to explain the concept from ethical perspective. The concept has transformed from philanthropic-religious to social-legal responsibility. The skill development initiatives are for livelihood and employment. Further, the importance of skill development initiatives in the inclusive development of the country is established by the studies of Ernst and Young (2013), Organization Economic Cooperation Development (2001) and United Nations Development Programme (2014). The Corporate Social Responsibility is

mandatory and compulsory under Company Law. The Corporate Social Responsibility comes with commitment of financial resources and the extent of funds spent on skill development programme.

Corporate Social Responsibility

India has a long tradition of caring for society. The monarch is the ultimate authority who patronized caring for the society. The concept of paternal philanthropy is practiced in India through formal or informal ways. The Kautilya's Arthashastra is a testimony of the duties of the ruler and public towards the society. The scriptures of all religions preach the importance for Government and business to follow ethical principles and caring for the society. Therefore, CSR refers to good governance. Keith Davies (1973), Bowen (1953) and Carroll (2009) were instrumental in developing the concept of CSR.

The term CSR itself came into common use in the early 1970s. The exploitation of society by the business and government for resources has made many sections of the society vulnerable. The development and modernization has disrupted livelihood of the peasants, traditional economic systems and family. The term charity shifted to philanthropy and to the present Corporate Social Responsibility.

In India, business cannot succeed unless there is social progress and sustainable growth. The term CSR in India is viewed from both ethical and philosophical dimensions. According to Aswathappa (2001), CSR is both comprehensive and philosophical term. CSR is multi-dimensional and comprises of philanthropy, charity, ethics, environment, economic and legal. The concept of CSR was developed by Organization for Economic Cooperation and Development (OECD) in 1976 and made efforts in popularizing the concept. Since then CSR has gained currency and was practiced by majority of the multinational enterprises. In India CSR is statutory under Company Law (Amended), 2013. The Department of Public Enterprises in India has issued guidelines for the public sector spending on CSR activities based on profit after tax (in Indian Rupees) viz. Less than rupee 100 crore 3%-5%, rupee 100 crore to 500 crore 2%-3% and rupee 500 crore and above 1%-2%.

In this regard, the Ministry of Corporate Affairs of Government of India has issued National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. The Clause 135 of Company Law, 2013 has made it mandatory for

companies with net worth of rupees 500 crores or more or turnover of rupees 1000 crores or more to spend 2 per cent of the average net profit for 3 years on corporate social responsibility activities.

The business enterprises benefit through better brand visibility, creation of social capital, partnerships with society, creation of business opportunities, relationships and nation building.

Demographics and Skills

India has one of the largest and youngest populations in the world. The estimated shortfall of 56 million young people by 2020 in the global workforce has to be filled by the expected surplus of 47 million young people from India. The average age in the middle of demographic boom is estimated at 29, and it will be the youngest workforce in the world. However, the main drawback is the lack of identifiable marketable skills. The gap between the specific industry skill and the current skill is wide. The main focus shall be on development of specific skills demanded by industry. The skill acquisition through formal means is inadequate to meet the demand of the industry. The role of skill development is supplemented by the business enterprises through Corporate Social Responsibility in addition to the Government efforts.

Skilling India Initiatives

Indian economy based on average growth rate of GDP was categorized as emerging economy. However, India is facing a peculiar problem of surplus manpower without sufficient compatible skills. In India formal or informal vocational training for youth is inadequate or minimal and is the lowest in the world. According to the figures available, the Vocational Education Training (VET system) has the capacity to train only 3 million youth against industry's requirement of 13 million annually. National Skill Development Corporation was formed through Government (49%)-Industry Confederation (51%) partnership. This Organization (NSDC) has been mandated by Indian Government to skill 150 million people in India by 2022. For building capacity in the vocational education training (VET), it is encouraging private sector investment and initiatives (in profit as well as non-profit enterprises) in training and skill development in 20 high growth sectors and the huge unorganized sector. The Government has contributed a corpus of Indian Rupees 1, 000 crores to start the process.

The typical structure for the implementation of the scheme is

1. National Skill Development Corporation, State Skill Development Corporation. Industry/ Employer.
2. State Skill Development Corporation - a. Project Management Team, b. District Implementation Unit c. Sector Specific Councils.
 - a. Project Management Team: Capacity Building and Promotion, Curriculum Building and Standardization, Industry Partnerships.
 - b. District Implementation Unit: Responsible for identifying the nodal industry association in each district, district level job fairs and capacity building and promotional activities.
 - c. *Sector Specific Councils*: Sector Specific Committees.

The national skill development through public-private partnership promotes Sector Specific Councils (SSC), and whose basic duties are quality assurance, capacity development, trainee placement, monitoring and evaluation, and collection and analysis of data about skills development. These Councils have all the stakeholders i.e. industry, labor and the academia. The Sector Specific Councils are autonomous, registered body. This model of skill enhancement and development was successfully implemented for human resource development in countries like Canada, UK, Australia, New Zealand, Netherlands, and South Africa.

Industry participation in the skill development is within the framework of Sector Skills Councils and funds are committed through mandatory Corporate Social Responsibility.

The duties, roles and responsibilities of sector skill councils are complementary to vocational education system. The targeted group is young generation, further the activity areas are

1. Conducting of Research
2. Improving techniques and
3. Building quality. The Sector Specific Committees are formed to support Sector Skills Councils and are responsible for certification, quality and standards and research and learning.

Skill Development In Andhra Pradesh

The NSDC survey for the State of Andhra Pradesh establishes the demand for human resources by the end of 2020 as 62.77 lakhs, whereas supply of such human resources is 37.97 lakhs and the net deficit of human resources is 24.8 lakhs. Further supply is high

from East Godavari, Anathapur and Guntur. The districts with skill gap or surplus manpower in the descending order are Visakhapatnam, Guntur, Nellore, East Godavari, Anathapur, Cuddapah and Krishna. The CSR is an initiative from business enterprises and through public-private or public-public initiative to reach the society. The skill gap problem is addressed by the business enterprises through skill development programmes. The Government of India has framed the National Skill Certification and Monetary Reward Scheme structured as Standard, Training, Assessment and Reward (Chenoy, 2014).

Objectives of Public – Private Partnership For Skill Development in Andhra Pradesh

1. To achieve the goal of the creation of best and skilled workforce in Andhra Pradesh
2. Industries could also play a proactive role in setting course curriculum.
3. The curriculum of syllabus should be updated as per industry specific requirements.
4. Skill development initiatives should be more employers driven and the Government should be involved only on policy.
5. Employers can develop their own Skill training schemes.
6. There should be awareness about government schemes and to coordinate accordingly for a public private partnership to engage more and more number of youth for employment.
7. Align with NSDC and state mission for integration with the skilling programmes.

Skill Development Initiative and Industry Role

The industry to fulfill its role of Human Development commits resources as a part of corporate social responsibility. The industry will need to commit itself to the initiative by signing an MOU with SSC to ensure industry participation. The industry will contribute further by participating in course content development, offering more apprenticeships to students, providing trainers for courses where there is shortage of qualified trainers and recruiting trained manpower from SSC affiliated institutions. SSC will enter into memorandum of understanding with the business enterprises. The incremental demand for skilled, semi skilled and low skill jobs in the next few years was estimated to grow at 59 percent, 18 percent and 23 percent respectively.

The sectors with high employment demand were identified by these Sector Skill Centers and in bifurcated Andhra Pradesh high employment demand areas are Construction, Hospitality, BFSI & IT/ITES Sector. The sector adjustments of workforce employment have seen migration from agriculture to service and manufacturing. The stagnation in manufacturing has resulted in lower employment demand. The employment in India is created more in service sector.

Procedure for identification of skill gap:

The incremental method is adopted in Andhra Pradesh to estimate the skill gap. The incremental demand for the workforce based on skilled, semi-skilled and minimally skilled was 59 percent, 18 percent and 23 percent respectively.

Step 1: Estimation of incremental demand for workforce sector wise, district wise and State wise.

Step 2: Projection of Incremental workforce availability for projected years is calculated.

Step 3: Incremental skill gap = Incremental demand for workforce–Incremental supply of workforce

The following sectors Construction, ITES/IT, Travel, Tourism & Hospitality and Real Estate were identified with highest incremental demand. The incremental workforce availability for projected years is calculated with qualitative and quantitative tools from Census Survey, 2011 for Andhra Pradesh (see Table 1).

District wise Skill Gap in Andhra Pradesh

The skill gaps based on incremental projection were mapped out for all the 13 districts in Andhra Pradesh. The district wise incremental demand for workforce (Table 2) is estimated as high in Visakhapatnam, East Godavari, Krishna and Chittoor.

The minimally skilled are found in agriculture and informal sectors of the economy. The problem is excess manpower with minimally skilled, in Srikakulam, East Godavari, Krishna and Chittoor and Srikakulam, Vizianagaram, East Godavari, Chittoor and Anantapur are projected with the problem the excess manpower with minimal skill in 2017-22. Further, East Godavari is likely to be with excess manpower in semi-skilled (-24 lakhs) and minimally skilled (-329 lakhs) categories but in skilled it has a shortfall of 121 lakhs.

The Guntur district (546 lakhs) has the highest shortfall in skills and East Godavari district (-126 lakhs) is the only district in the State with

Table 1: Skill Gap Estimate in Andhra Pradesh for 2012-17 & 2017-22 (in lakhs)

Category	Incremental Demand for Workforce		Incremental Supply of Workforce		Deficit Workforce	
	2012-17	2017-22	2012-17	2017-22	2012-17	2017-22
Skilled	41.41	23.74	2.85	1.24	38.35	22.50
Semi-Skilled	11.61	13.86	2.25	3.82	9.35	10.04
Minimal Skilled	9.75	10.04	32.86	30.67	-23.11	-20.67
Total	62.77	47.64	32.97	35.74	-	-

Source: Government of Andhra Pradesh Report on Skill Development, 2012

Table 2: District Level Skill Gap in Andhra Pradesh for 2012-17 & 2017-22 (In lakhs)

District	2012-17				2017-22			
	Skilled	Semi-Skilled	Minimally Skilled	Total	Skilled	Semi-Skilled	Minimally Skilled	Total
Srikakulam	99	15	-28	85	58	19	-34	43
Vizianagaram	129	39	19	187	87	41	-3	126
Vishakhapatnam	372	109	37	519	232	157	124	514
East Godavari	245	-48	-323	-126	121	-24	-329	-233
West Godavari	169	43	62	275	89	48	13	149
Krishna	217	32	-94	155	126	70	26	222
Guntur	179	101	266	546	92	117	288	496
Prakasam	134	76	160	371	74	79	166	319
Nellore	166	81	146	393	112	84	147	343
Chittoor	178	32	-54	156	108	37	-69	75
Cuddapah	125	60	134	318	71	75	171	317
Anantapur	147	37	35	220	71	35	-3	103

Source: Government of Andhra Pradesh Report on Skill Development, 2012

surplus manpower. Mechanization of agriculture work has left large size of surplus minimally skilled workers.

Conclusion

The skill development through corporate social responsibility is playing a major role in the overall development of the country. The demographic advantage in India can skewed in its favor with the right skilling. The industry initiative through corporate social responsibility may be channeled to improve the skill set of human resources in the country. The skill mis-match, industry wise is presently made on macro scale; the initiatives are planned at the micro-level. The planning mismatch between the macro and micro requirements are to be addressed in future, the percentage of skilled workforce has improved in the post-csr propelled skill development initiatives. In future, the rate of employment within the candidates who had undergone skill development training is to be measured.

The Organizations' financing the CSR programmes are spending to measure the impact of skill development programme on the socio-economic development of the candidates. The success of the programme is being measured based on the improvement of earning capacity of the person. The trend of overemphasis on skilling is rampant in India, the statutory obligation to spend a percentage of profits has it a business strategy for the Organization.

The high demand sector is concentrated for skill migration in manpower surplus districts of Andhra Pradesh. The post-bifurcation blues has created demand for construction in Guntur District of Andhra Pradesh, the Andhra Pradesh Skill Development Corporation is entrusted with task of coordinating the efforts of Industry, Delivery Partners and Government is administering the schemes sponsored through Corporate Social Responsibility. The excess manpower in the minimal skill category in particular is addressed through skill development programme initiated through CSR support. The agenda for future studies in this area is evaluation of such programme, re-skilling methodology and sustainability of skill programme.

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