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A Study On Human Capacity Building In Logistics Sector Of India

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ABSTARCT

The rapidly evolving regulatory policies, mega infrastructure projects and several other developments in recent times have driven the Indian logistics market, simultaneously, also overcoming infrastructure-related constraints and logistics-centric inefficiency. A majority of players in road transportation, which contributes significantly to the transport and logistics sector, have been small entrepreneurs running family-owned businesses. Given their small scale and limited investment capability, most of their investments have been focused on short-term gains — being the key decision criterion. As a result, investments that pay off in the longer term, such as those in manpower development, have been minimal historically. While industry players have been incapable of investing in manpower development, the government has also given it inadequate attention.

1. INTRODUCTION

Poor working conditions, low pay scales relative to alternate careers, poor or non-existent manpower policies and prevalence of unscrupulous practices have added to the segment's woes creating an image of the segment that holds very few attractions for those seeking employment. This paper elaborates on the need for organised approach towards transport and logistics activities due to emergence of global third-party logistics (3PL) players and the demand for trained employees with specific skill sets that is expected to increase in the near future.

LOGISTICS SECTOR IN INDIA

The demand for logistics services has been largely driven by the remarkable growth of the Indian economy. The logistics sectors serves as the backbone for most of the major key sectors like retails, automobiles, pharmaceuticals etc, and we need to ensure its smooth functions. More and more organizations from these sectors are outsourcing their logistics requirements to third party logistics (3PL) players, so that they can concentrate on their core business activities.

Indian’s logistic sector is praised for accelerated growth, led by GDP revival, ramp up in transport infrastructure, e- commerce penetration, impending GST implementation and other initiative like “Made in India”. This offers opportunities across the spectrum for companies in transportation, storage, distribution and allied service. Indian logistic sector is estimated to have grown at a healthy 15% growth rate in the last five years. However, growth in sub-sectors varies, with the lowest being in basic trucking operations and highest in supply chain and e-tailing logistics. Some studies estimate the share of India’s logistics spends in GDP at 13% (versus 7-8% in developed countries). Comparisons with other countries shows inefficient are high in the Indian logistics sector.

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Infrastructural bottle necks across modes (rail, road, waterways) have stifled the sector's growth. Capacity constraints and inefficient can be noted from the high transit time in rail, thus leading to an average speed of 25km per hour. The road sectors are fraught with inadequate and low quality highway availability, thereby limiting the trucks size and impacting economies of operation.

Despite being an economical mode of transport, railways have lost the market share in fright movement to roads in the last few decades due to infra-capacity constraints. Compared to other countries India's rail share in good transport is approximately 31% which has come down from 60% in 1980's and 48% in 1990's. India has the least warehouse capacity with modern facilities and given the fragment industry state (large share with unorganized players) investment in infrastructure is almost absent at required scale. At this low penetration of new technology is the supply chain process is resulting in damage of goods. Another key constraint is administration delays. Despite being relatively low-cost country, logistics cost in India is higher due to administrative delays led by paper work leading to huge inventory investments and wastage and a complex tax structure.

With the passage of the time the scope of logistics was increased from basic transportation of goods to a spectrum of services. More and more players are entering the logistics industry making it more competitive in terms of time-bound service. The change in corporate business trends has given use to logistics outsourcing. The accelerated growth of logistics industry, coupled with an increasing trend to outsource warehousing activities has made India a vast and untapped market. Together, the major challenges faced by the industry are related to less quality infrastructure, unrealistic taxes, issues related to technology usage and last but not the least the shortage of skilled manpower.

SNAPSHOT OF FORECASTS IN REQUIRED LABOURFORCE

Much of the recruitment and job prospects in the logistics industry depend upon how macro-economic situation changes in India. However, inflow of new jobs will depend upon many other factors. With fast improving investment climate and MNCs bringing expertise in logistics area, we hope to improve on expertise, skills and new job generations. In the recent years, most of the hiring done was replacement hiring while a few were on new job roles. Although demand for skilled logistics professionals has grown during the past years, the employment was lesser than the growth rate, notwithstanding the industry trends. This is because of a guarded approach towards new hiring by the industry. This may sound paradoxical, but due to new trends in supply chain optimization, transparency, safety, integrated logistics solutions, logistics clusters, network optimization etc, there has been a demand for logistic professionals with new skills. However as a general supply chain perspective the growth in employment of the industry is going to manifold across all levels i.e. from delivery boys at the front to the supervisors and general and product line management level with the growth of E-commerce industry.

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INDIAN RAILWAYS

Indian railways is one of the world's largest employers. The railways play a leading role in carrying passengers across the length & breadth of the country. Quality of service needs to be improved markedly & this can be done through the skilling / up skilling of the new recruits & keeping abreast of technological changes Rail freight has grown at around 7 percent over the past five years & will continue to increase in the coming years with an increasing need for employable workforce. 31 percent share of total freight movement across all modes of transport are transported through rail yet constraints do exist requiring capacity enhancement plans .Though the roadways have increased in demand of transporting shipments, still is one of the fastest and most economical modes of transport. The projected workforce required by 2022 for Passenger Trains is estimated to be 14 lakhs and for Rail Freight the workforce required is estimated to be 2.19 lakhs.

ROAD TRANSPORT

NHDP reports that approximately 40% of passenger traffic are through roads & highways. This large number indicates that a stable and abled workforce is required to service the sector. NHDP reports that 65% of Freight is carried by road & this number will likely rise in the future with the necessity to reduce transit & shipping times, for which an abled & effective workforce is required. Poor state of road infrastructure requires rapid modernization. This can only be done through the employment of individuals all across the country. Sluggish industrial output has meant lesser goods to haul and static freight rates for the logistic firms affecting smaller players .Truck operators, especially small fleet owners (with six to 20 trucks), make up a major portion of the market & will require manpower as the sector grows & consolidates. The projected workforce required by 2022 for Road Passenger is estimated to be 84.96 lakhs in unorganised sector and 92.09 lakhs in organised sector, on the other hand for Road Freight by 2022 the workforce required is estimated to be 56.75 lakhs in unorganised sector and 56.68 lakhs in organised sector.

OTHER KEY SEGMENTS

PACKAGING

Annual turnover of Indian packaging industry is around $ 24 billion & this figure should rise in the coming years. There are approximately 22,000 companies requiring packaging professionals. The packaging education hence needs to be more specialized and engineering oriented. The increase in population of the middle class creates an immediate, direct & indirect need for more packaging professionals

The projected workforce required by 2022 for Packaging is estimated to be 1.28 lakhs in unorganised sector and 0.89 lakhs in organised sector

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COURIER SERVICES

Overall share of organized players is set to increase in the coming years on account of the increasing penetration of the banking, insurance, retail and telecom sectors. The industry is highly fragmented with more than 2500 express players and a few large sized players account more than half of the industry revenues. Rising fuel prices coupled with high levels of attrition in the workforce are a few of the challenges that need to be overcome

The projected workforce required by 2022 for Courier services is estimated to be 1.50 lakhs in unorganised sector and 2.36 lakhs in organised sector.

WAREHOUSING

Competition in organized retail & e-commerce websites centres around the speed at which a product ordered is delivered to the buyer leading to a need for readymade, skilled workforce. Better working conditions and career paths are long term challenges that need to be solved. The requirement of workforce is needed is in the unorganized sector, a backbone of the nation's logistic network

The projected workforce required by 2022 for warehousing is estimated to be 8.14 lakhs in unorganised sector and 0.76 lakhs in organised sector.

POSSIBLE SOLUTIONS TO SOME OF THE CHALLENGES

INFRASTRUCTURAL IMPROVEMENTS

Needless to say, infrastructure is the backbone of every country's growth and prosperity and for the logistics industry to flourish in the developed countries, special emphasis has to be laid on the enhancement of the infrastructural facilities. Particular focus needs to be given on building world-class road networks, integrated rail corridors, modern cargo facilities at airports and creation of logistics parks which need to be given a status equivalent to Special Economic Zones.

CREATING AWARENESS & ESTABLISHING TRAINING INSTITUTIONS

Overcoming the skill gap in Indian logistics industry requires establishing training institutions. It is necessary to realize the benefits which best practice in logistics can bring to the companies so that the overall service quality of the sector is improved. Gaps in training have to be filled not only at the entry level but also in the management cadre which could be made possible through specialized graduation and post graduation courses focused on Operations and Supply Chain management.

IMPROVING WAREHOUSING FACILITIES

Good storage and Warehousing facilities are essential to the growth of the logistics industry. With the increase in the transportation of perishable products, agencies associated with logistics will have to give a lot of importance to enhancing the Warehousing facilities. Warehousing will

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also need to go to the next level taking into account the changing dynamics of JIT manufacturing, global procurement and new models of sales and distribution.

ENCOURAGING RESEARCH AND DEVELOPMENT (R&D)

Emphasizing on R&D is essential mainly because it encourages the use of indigenous technology which can make the industry more cost competitive and it also leads to the improvement in services due to the use of better and more streamlined services. Particular focus needs to be given on research in process excellence which can help eliminate inefficiencies and bring Indian logistics on par with global practices.

2. CONCLUSION

As stated, the rapidly evolving regulatory policies, mega infrastructure projects and several other developments in recent times have driven the Indian logistics market, simultaneously, also overcoming infrastructure-related constraints and logistics-centric inefficiency. However as a general supply chain perspective the growth in employment of the industry is going to manifold across all levels i.e. from delivery boys at the front to the supervisors and general and product line management level with the growth of E-commerce industry and “Make in India” policy. In brief; ‘Make in India’ initiative to boost manufacturing sector and augurs well for Logistics : The Indian government recently launched the “Make in India” campaign to facilitate investment, foster innovation, protect intellectual property and build best-in-class manufacturing infrastructure in India. This campaign aims to make a sea change in the government’s attitude to reposition itself as a true business partner and not as a permit issuing authority. It pervades different sectors and will lead to significant investments and growth in the domestic manufacturing sector. Though it is too early to quantify any benefit, it is imperative that it will give a meaningful boost to the Logistics sector, given the scale of the initiative. E-commerce has emerged as a fast growing segment for logistics players with last mile delivery capability. Given the nascence of e-commerce in India and dominance of cash-on-delivery (COD), many online players set up their own logistics infrastructure. Third-party logistics providers (3PLs) have matured to the delivery mechanisms for e-commerce, and as e-commerce players attune to focusing on their core business, growth in delivering products bought online should be disproportionate for 3PLs. To note, Logistics cost in the total e-commerce merchandise value is estimated at 10%. To summarise, this paper insists to increase investments in the different segments of logistics sector especially in human capacity building to meet global standards. We need to emphasize the global strategy for sustainable urban transport through Restricting consumption of land and other resources. Increasing the efficiencies of energy use. Restricting emissions from fossil fuels and improving the social amenity value of urban areas. Thus supporting sustainable economic outcomes of the sector to contribute more - ensuring economic and overall development of the country.

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