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GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



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National
Skill Development
Corporation

Transforming the skill landscape

Human Resource and Skill Requirements in the Leather and Leather Goods Sector

(2013-17, 2017-22)



cutting through complexity

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Executive Summary

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

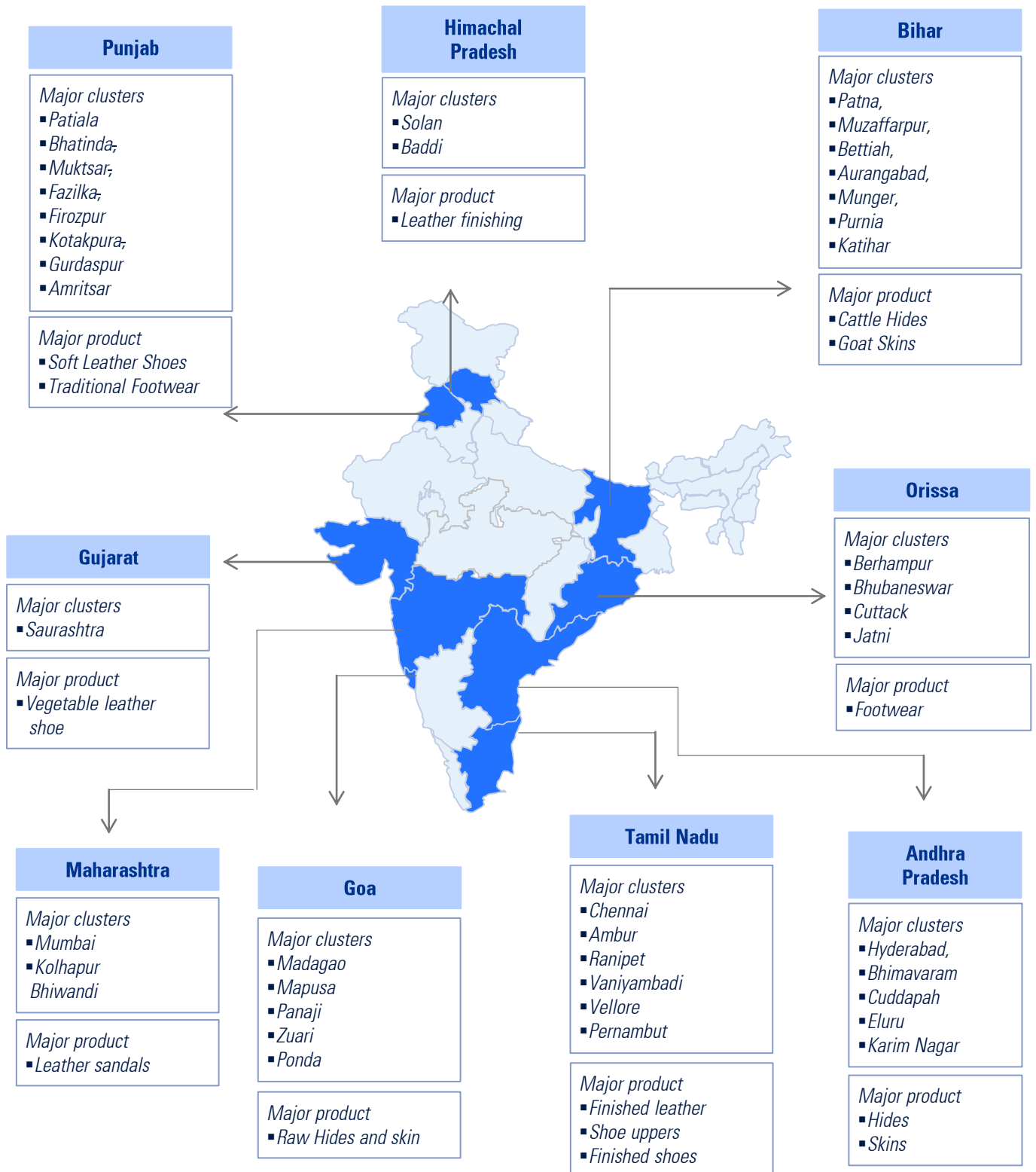
- The leather sector has been receiving favourable tax treatment in terms of sales tax, central excise duty and customs duty.
- The government has also allowed 100 percent FDI in the sector and 100 percent repatriation of profits and dividends, thereby incentivising foreign players to invest in the sector.

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.

Select recommendations & implications

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

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Abbreviations

CAGR	Compounded Annual Growth Rate
CLC	Calcutta Leather Complex
CLE	Council for Leather Exports
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HRD	Human Resource Development
LIDCAP	leather Industries Development Corporation of A.P
MSME	Micro, Small and Medium Enterprises
NIC	National Industrial Classification
NSDC	National Skill Development Corporation
SIPCOT	The State Industries Promotion Corporation of Tamil Nadu Limited
SPS	Sanitary and Phyto-Sanitary Standards
SSC	Sector Skill Council
UPSIDC	Uttar Pradesh State Industrial Development Corporation)

Context and approach

<p>Brief background</p>	<p>NSDC had conducted sector-wise skill gap studies for 19 high priority sectors in 2008–09 .</p> <ul style="list-style-type: none"> ▪ KPMG has been engaged as a consultant to help evaluate the skill gap across 25 sectors and develop actionable recommendations for its stakeholders. ▪ Mandate includes sector and sub-sector level analysis, demand-supply projection, estimation of incremental man-power requirement between 2013-2017 and 2017-2022, identification of key-employment clusters, and SWOT analysis of each sector ▪ Study also aims to take qualitative insights from stakeholders on enablers and challenges for each sector, way forward in terms of specific policy level actionable recommendations,
<p>Inclusions over the previous study</p>	<ul style="list-style-type: none"> ▪ Study led by industry – Sector Skill Councils and a panel of professionals from different sub-sectors were consulted for their inputs on industry trends, key takeaways in terms of skill requirement, qualitative insights to understand specific interventions required for each sector and to validate the quantitative results and recommendations ▪ 6 sectors were added to the list of NSDC priority sectors for studying the skill gaps <p>Updated study also includes</p> <ul style="list-style-type: none"> ▪ Identification of top 20 job-roles in each sector, case studies around good training practices, sub-sector level indicators and growth factors ▪ Study also includes understanding of existing training infrastructure, work-force characteristics and employment clusters, ▪ Macro economic factors, central and state governments policies and their envisaged impact ▪ Synchronisation of the sector wise demand from the district level skill gap studies ▪ Recommendations for key stakeholders - Industry, NSDC, Training organizations and Government ▪ Environment scans every year till 2015-16 including SWOT analysis for the sector

Industry classification

Finished leather

Structure of the leather industry

Leather goods

Footwear

Leather garments

NIC codes for sector classification

Primary Sector

1511 Tanning and dressing of leather; dressing and dyeing of fur

- Production of hides and skins as part of ranching
 - Production of hides and skins as part of slaughtering
 - Manufacture of leather apparel
 - Manufacture of imitation leather not based on natural leather
- 15111 Flaying and curing of raw hides and skins
 15112 Tanning and finishing of sole leather
 15113 Tanning and finishing of industrial leather
 15114 Scraping, currying, tanning, bleaching, shearing, and plucking and dyeing of fur skins and hides with hair on them
 15115 Finishing of upper leather, lining leather and garment leather etc.
 15116 Embroidering and embossing of leather articles
 15119 Other tanning, curing, finishing, embossing etc. of leather

1512 Manufacture of luggage, handbags and the, such as saddler and harness

- Manufacture of leather wearing apparel
 - Manufacture of leather gloves and hats
 - Manufacture of footwear
 - Manufacture of saddles for bicycles
 - Manufacture of precious metal watch straps
 - Manufacture of non-precious metal watch straps
 - Manufacture of linemen’s safety belts and other belts for occupational use,
- 15121 Manufacture of travel goods, such as suitcase, bags, holdalls etc.
 15122 Manufacture of purse, ladies’ handbags, artistic leather presented articles and novelties
 15123 Manufacture of saddlery and harness
 15129 Manufacture of other consumer goods of leather and substitutes of leather

1520 Manufacture of footwear

- Manufacture of footwear of textile material without applied soles
 - Manufacture of plastic footwear parts
 - Manufacture of rubber boot and shoe heels and soles and other rubber, footwear parts
 - Manufacture of wooden shoe parts (e.g., heels and lasts)
- 15201 Manufacture of leather footwear, such as shoes, sandals, similar footwear and leather-cum- rubber/plastic cloth for sandals and similar footwear
 15202 Manufacture of footwear primarily made of vulcanised or moulded rubber and plastic
 15209 Manufacture of other footwear NEC

Industry overview

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

Overview:

- 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.
- Key segments for human resource development in the industry include:
 - Finished leather
 - Leather footwear
 - Leather goods
- There is a huge skill gap in various parts of the leather goods value chain, which need to be addressed. This includes the leather goods sector as well as ancillary industries, such as tanneries, and sales channels, such as modern retail, including organised market and e-commerce.
- Growing quality consciousness and strict import quality benchmarks would require the industry to upgrade itself to best practices pursued globally.
- Over and above QAQC (Quality Assurance/Quality Control) practices, there is a growing need to train more specialised staff with technical skills and capability of working on imported machines in specific sub-segments as the industry transitions from a cottage-based model to a factory model.
- Focus also needs to be shifted to the front-end staff for developing customer relationship management skills for maintaining sustained healthy relationships with the institutional players, such as foreign luxury brands, global retailers and the domestic corporate retail chains.
- The role of well-versed senior-level executives in strategy and business development is also seen to be critical in this regard.
- Companies are increasingly realising the potential of employing women workforce, and to enhance their prospects and spur growth of this sector specific programmes for women need to be brought in

Growing domestic/export demand

- Demand growth for leather goods is expected from footwear, bags, purses, furniture etc. all driven by the Indian consumption boom
- Penetration of export markets is expected to rise in the wake of increased sourcing by global retail majors, such as TESCO, Wal-mart etc. along with luxury brands, such as Gucci, Louis Vuitton.

Growth in organised retail

- Organised retail is expected to grow at a CAGR of 25 percent to reach USD200 Billion by 2020.
- Improvement in the supply chain infrastructure at the back-end and sourcing by the retailers for their global operations will spur the sector to higher growth levels.

Advantage of leather goods

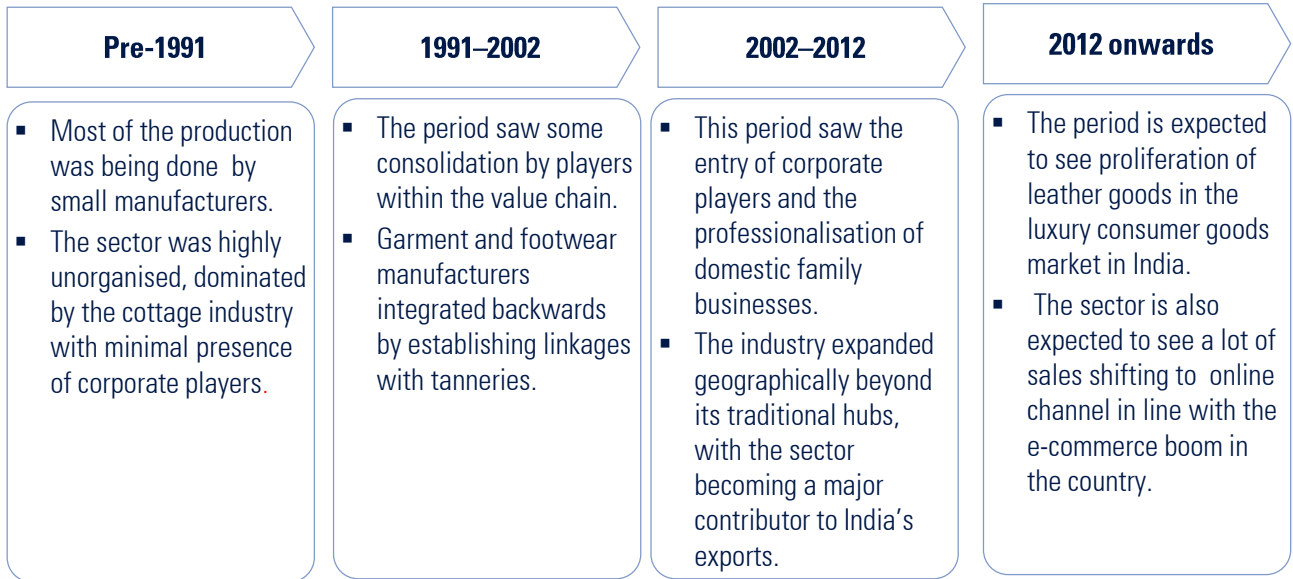
Supply factors

- India has a large and diverse livestock base, which secures the industry in terms of raw material requirement
- India also has a large pool of skilled and unskilled labour that can increase its competitiveness in the global market, in terms of cost.

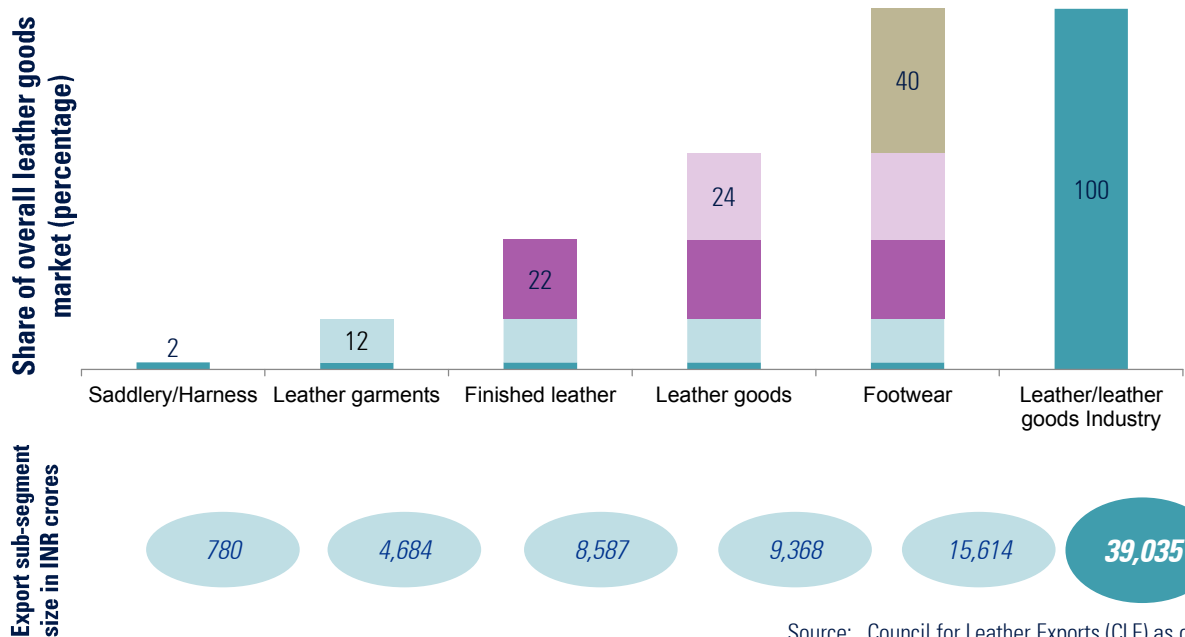
Policy support

- The government has given several fiscal support measures to the SMEs in the industry in the form of excise cuts, duty rebates and interest subvention.
- Recent policy measures have also focused on the development of leather clusters, Mega Leather Parks and development of design and training institutes.

Evolution of India's leather and leather goods industry



Share of sub-segments in India's leather exports

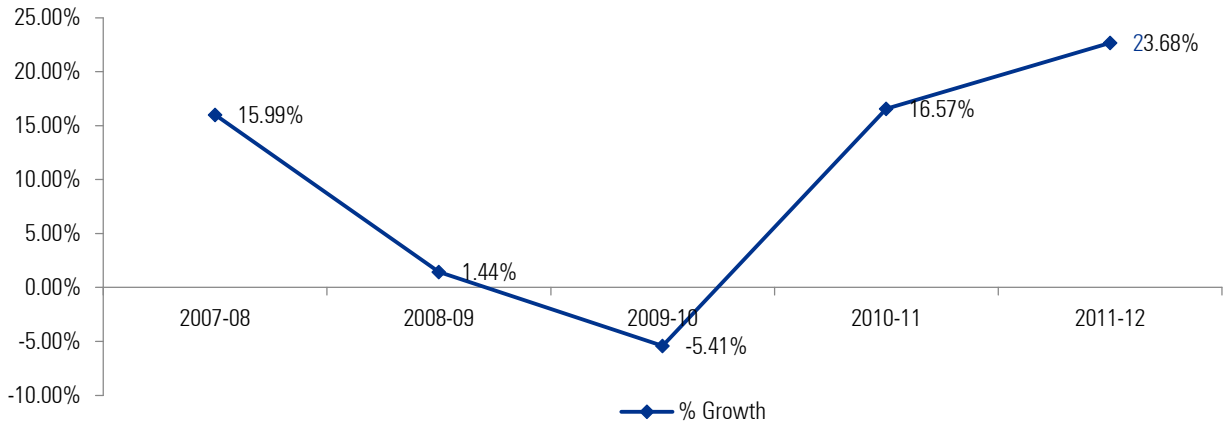


Source: Council for Leather Exports (CLE) as on 16 Mar 2014

- 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.
- The top 10 players in terms of export are: Tata International Ltd., Florind Shoes Ltd., Punihani International, Farida Shoes Ltd., Mirza Tanners Ltd., T. Abdul Wahid & Company, Hindustan Lever Ltd., Super House Leather Ltd., RSL Industries Ltd. and Presidency Kid Leather Ltd.

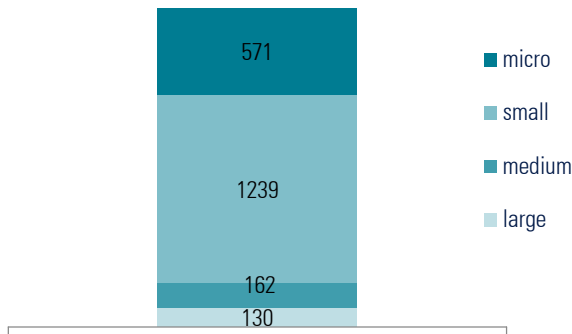
Source: Indo Italian Chamber of Commerce (IICC), Indian Leather and Tanning Industry, 2010

Growth of leather and leather goods industry (percent arrived based on exports in USD million)



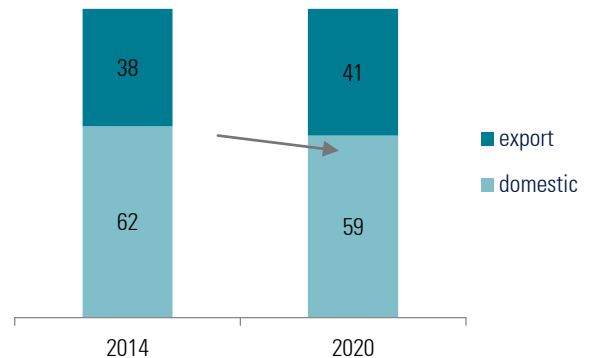
Source: Central Leather Export, Council; Planning Commission, 2013

Leather industry: scale of manufacturing units



Source: Leather and leather products industry in selected Asia-Pacific countries — 'An In depth Study of Competitiveness'

Leather industry: domestic v export (percentage share)



Source: Central Leather Export, Council; Planning Commission, 2013

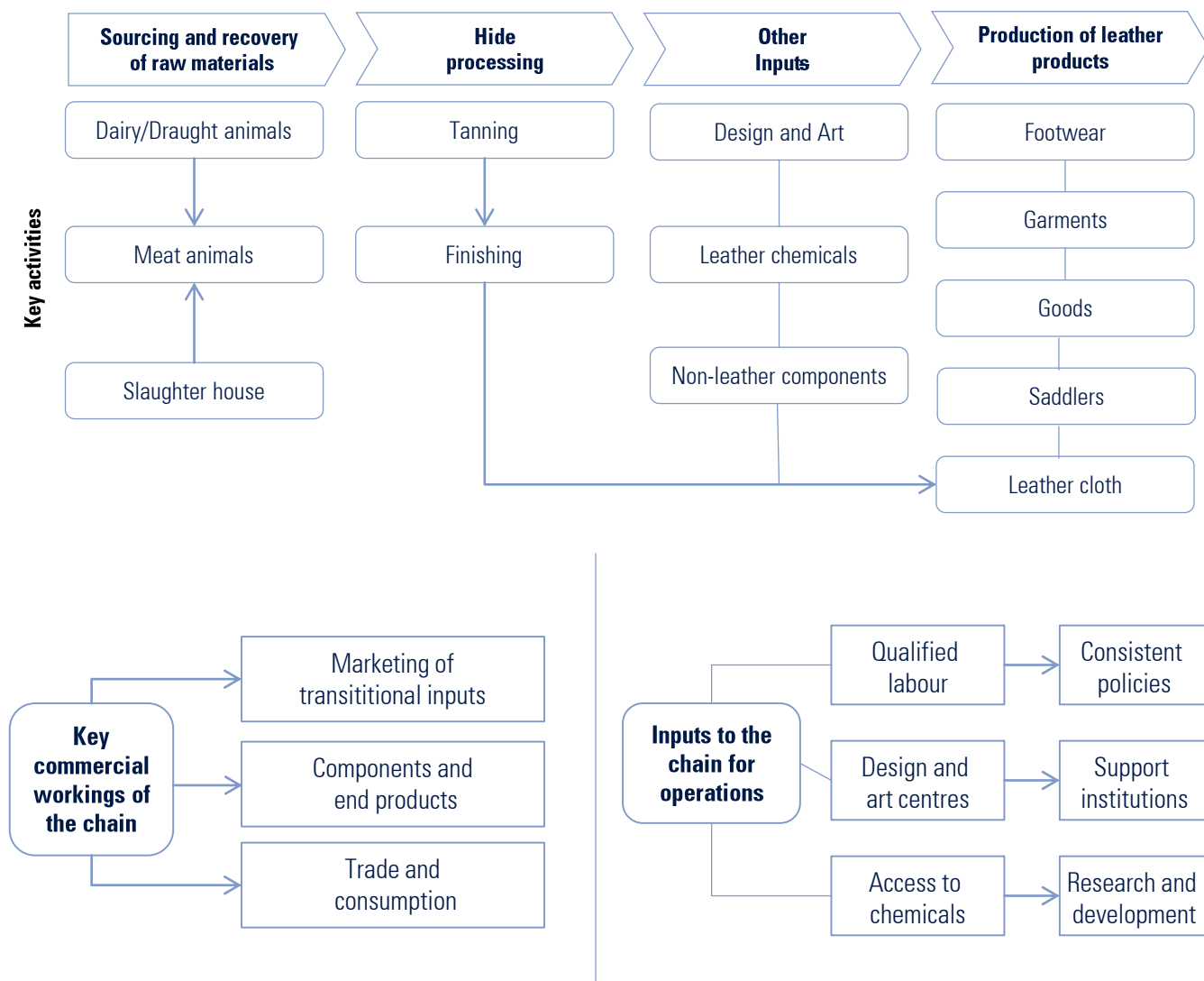
- Today the leather industry produces approx. INR1055 billion worth of leather in various forms. Out of this, INR661 billion (62 percent) is consumed domestically and the remaining is exported (37 percent). This share of consumption and export is estimated to change and in 2020 India will account for INR1.4 trillion (59.1 percent) worth of domestic consumption and earn INR673 billion (40.9 percent) worth from exports.
- Indian leather industry is increasing focus on the US and the Euro market. Though there is a slowdown in the market, focus still lies to capture the erstwhile Chinese market share in those countries. Further, the increase in production costs and shortage of labours in China has also led to opening of a corridor for the India market.
- The leather industry in India is stretched over organised as well as unorganised sector subjugated by the presence of family businesses. The small scale, cottage and artisan sectors occupy over 90 percent of the total production in India.

Source: Central Leather Export, Council Planning Commission

Industry overview

Leather goods industry can be identified as a value add segment corresponding to livestock

Value chain — leather goods industry

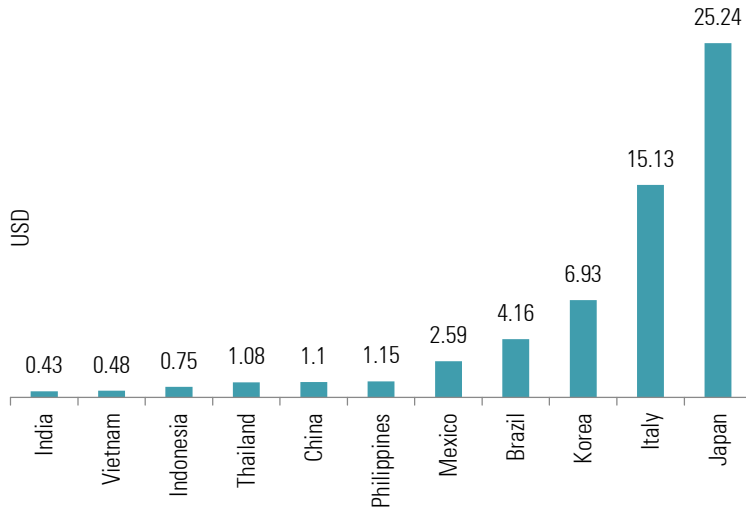


- The leather industry utilises the by-products of slaughterhouses and converts the raw material into various types of leather and end products. The leather production-consumption chain consists of three processing stages, requiring different combinations of materials, inputs, labour and capital.
- The first phase is the recovery of raw materials that has straight link with animal production activities. Hides and skins are recovered from dairy, draught animals or animals from slaughter houses.
- The second phase is leather tanning and finishing, which involves severe capital investments.
- The third phase is the making of leather products, which is a labour intensive process.

Source: 'Strategies for Enhancing the Competitiveness of Leather Industry in India' as accessed on 16 Mar 2014

India's leather industry has the lowest cost structure in terms of labour in the world..

Leather industry: worker cost/hr (2008)

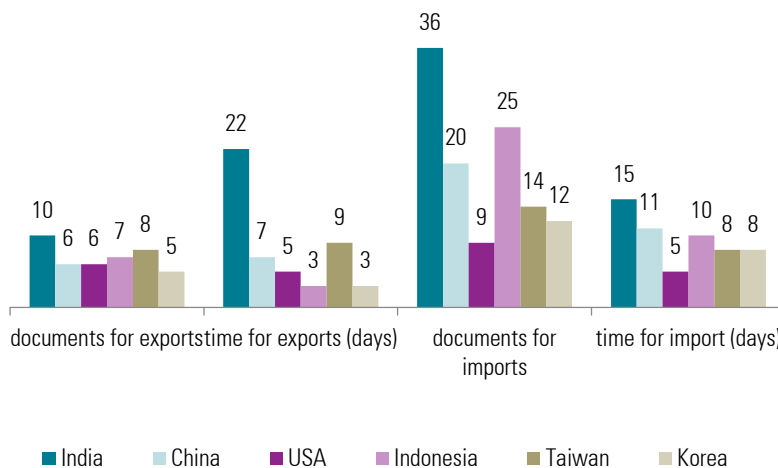


Global competitiveness

- India has the most inexpensive labour force in the leather industry thus, making it highly competitive in the global leather goods trade.
- India's labour cost structure is also very less when compared to other emerging economies, such as Brazil, Mexico, Philippines and China.
- The leather industry in India mainly derives its labour advantage due to its cottage-based model of work consisting of many small enterprises outside the purview of the organised market.
- The loss of efficiency in terms of production and use of capital in this kind of decentralised model is more than made up by the labour gains hence, making Indian leather exports overall competitive

...but, the Indian leather industry faces a number of challenges in terms of ease of doing business.

Ease of trade: India v competition

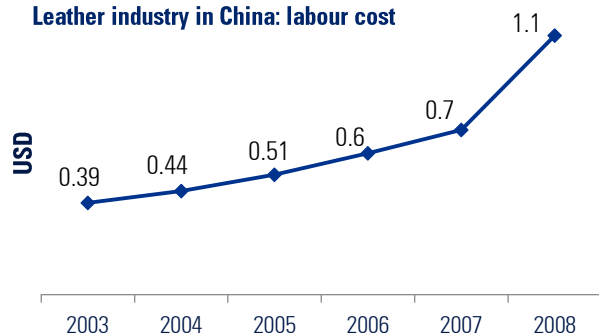


Global competitiveness

- 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.
- The extended bureaucratic procedures and hurdles have resulted in significant time over-runs and increased turn-around time.
- India is mainly an export hub and consists of small enterprises; the delays and additional costs in terms of trade facilitation result can hamper the sector's competitiveness in world trade.

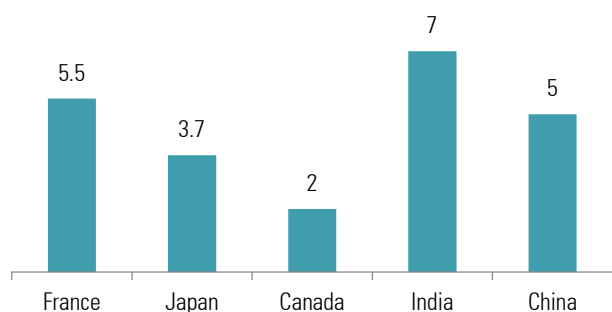
China's rising labour cost can give India an edge in the leather goods sector

Leather industry in China: labour cost



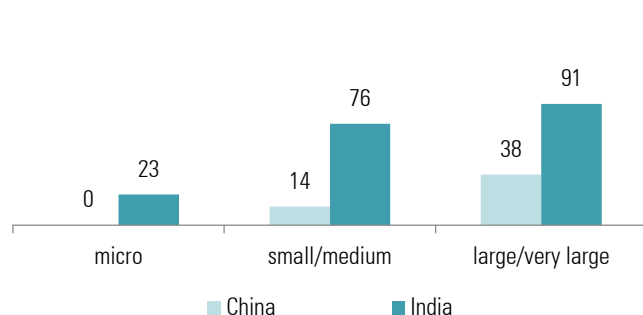
..coupled with logistics cost ,which are one of the highest..

Logistics cost (cent/km)



..along with undependable electricity power supply leading to additional back-up costs..

Percentage share of firms owning generators



Increasing labour cost in China

- China's labour cost in the leather industry has nearly tripled in a period of five years given the emergence of new industries , such as electronics and hi-tech devices.
- This opens up opportunities for countries, such as India, to tap the trade that may flow out of China due to the increased labour cost, provided that the other factors of production remain same.

High logistics cost in India

- 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.

Lack of power infrastructure in India

- 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.
- This has a serious effect on the industry as majority of the firms are small enterprises and the additional cost-can be high due to lack of scale of the enterprise, thus hampering the cost competitiveness.

Supply and demand forces along with favourable government policies are aiding industry growth

Key factors shaping sector competitiveness

Demand drivers

- India will soon have a demographic sweet-spot with a huge share of young population that will increase demand for essential products.
- 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 wide and diverse raw material base is expected to give India an advantage in terms of sustainability of production.
- 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
- Retailers are also pushing leather goods through alternate channels, such as online retail thereby driving consumption from a supply side. With e-commerce penetration expected to increase rapidly in India, the market for leather goods is further expected to expand.

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 set up an 'India Opportunities Venture Fund' to provide venture capital/angel funding for players in the sector to scale up.
- 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.
- Additionally, the government has also incentivised setting up of industrial parks, design institutes and other technical support institutions to aid value addition in the sector.

Concerns and challenges faced by the leather industry

Stringent environmental norms

- Leather factories wreak havoc on the environment.
- Increasing cost of production per unit area of finished leather.
- Expansion of production capacities — issue in Tamil Nadu due to local laws despite compliance
- Increasing demand of raw material — raw hides, skins and semi-finished leathers
- Groundwater near tanneries has been found to contain highly elevated levels of lead, cyanide and formaldehyde.

Technology issues

- Low level of technology in small tanneries
- Varying levels of technology in the factories depends on the size of the factories.

Increasing cost of production

- Poor capacity utilisation in most tanneries leading higher financial cost and overheads.

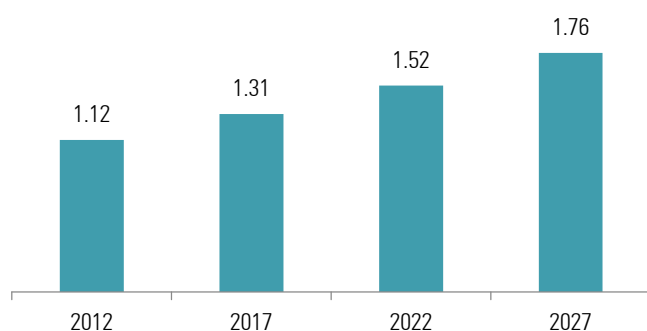
Other concerns

- Low quality of shoes — threat of shift in production to other areas or countries where wages levels are low if the quality is maintained at same level.

Policy	Modality
Integrated development of leather sector	<ul style="list-style-type: none"> ▪ The scheme is a part of the tenth plan and is being expanded into the eleventh plan with the inclusion of more units. ▪ The scheme would provide assistance in the form of investment grant at 30 percent to SSI and 20 percent to non-SSI subject to a ceiling of INR2 crores.
Leather training complex (Nellore)	<ul style="list-style-type: none"> ▪ The project initially proposed as part of the tenth five-year plan has been carried forward to the eleventh five-year plan. ▪ The Government of Andhra Pradesh has transferred the requisite land to LIDCAP, the nodal agency implementing the project. ▪ A provision of INR29 crores has been approved for development of the infrastructure of the tanning park.
Establishment of branch of FDDI at Fursatganj	<ul style="list-style-type: none"> ▪ The institute would be a branch of the Footwear Design and Development Institute, Noida, and would be equipped with the latest facilities to provide training of international standards ▪ The assistance to the project is to the tune of INR13 crores spread across the tenth and eleventh five-year plans.
Footwear complex	<ul style="list-style-type: none"> ▪ This is an ongoing scheme of the tenth five-year plan and aims to build a footwear complex near Chennai on 153 acres of land and provide infrastructure facilities for large footwear manufacturing units. ▪ Infrastructure development towards design and development centres, display centre, warehousing, common power plant etc would be provided. ▪ State Industries Promotion Corporation of Tamil Nadu is the nodal implementing agency and the scheme has been provided an amount of INR3 crores across the tenth and eleventh five-year plans.
Saddlery development	<ul style="list-style-type: none"> ▪ Harness and Saddlery comprise a wide range of products. The industry has identified to upgrade and develop skilled manpower, standardise and develop components, accessories and tools, low cost indigenous machinery and improve the production techniques and processes — as major areas of concern. ▪ International Institute of Saddlery Technology and Export Management, a SPV under the guidance of IIT Kanpur would continue to provide the skilled human resources to meet the growing manpower demand of the sector.
Support to artisans	<ul style="list-style-type: none"> ▪ There are various clusters in India making traditional footwear and leather goods. The aim of the component is to promote the clusters at various forums as they form an integral part of the rural Indian economy and has immense for generating local employment and enhance exports. ▪ The artisan clusters would be supported for enhancing their designs as per the changing trends and fashion and aid them in establishing market and financial linkages.
Human resource development	<ul style="list-style-type: none"> ▪ HRD mission would target non-traditional potential workforce in rural areas. The project would train individuals to make them ready to work in medium and large enterprises in rural India ▪ The scheme would lay stress on skill development especially cutting and stitching. Besides, training for skill upgrade of people already employed with the industry would be undertaken.

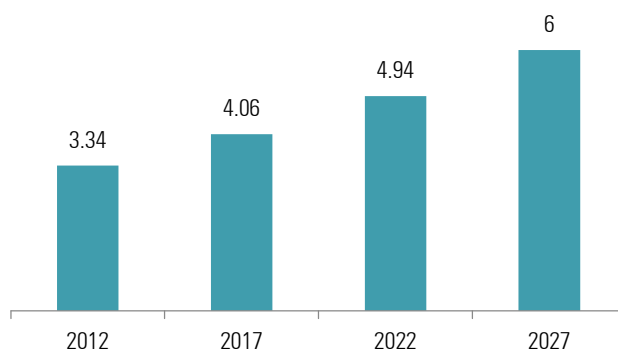
..with increasing penetration expected in domestic

Share of FW in PFCE (percentage)



..as well as the export markets..

Leather exports from India: global share



Current issues affecting the sector

Access to capital

Taxation and regulation

Shortage of skilled labour

Technology and design gaps

Low value addition

Expanding domestic market

- The expected share of footwear in the private final consumption expenditure is expected to increase from 1.12 percent in 2012 to 1.76 percent in 2027.
- This trend coupled with an overall consumption growth expected in the economy is likely to give a boost to the leather industry in India.

Expanding export market

- India's share of the total world leather export market is expected to grow up from 3.34 percent in 2012 to around 6 percent in 2027.
- This is expected to be driven by growing trade liberalisation and a shift towards factory-based manufacturing from a cottage-based one.

Issues affecting the leather industry

- Due to the lack of scale the cottage industries face trouble in raising cheap capital as they have to majorly depend on bank loans.
- The complex taxation and regulatory structure poses significant compliances burden on the small enterprises.
- The absence of institutional mechanisms to add skills to the resource base has led to a shortage of skilled workers in the sector.
- The absence of the latest technological and design interventions has not enabled India to make the jump to the high margin value added leather product segment.

Industry overview

SWOT analysis

Strengths	<ul style="list-style-type: none"> ▪ India's current and expected demographic dividend is expected to provide a huge pool of cheap skilled and unskilled labour. ▪ India's diverse agro base with huge presence of livestock, such as sheep, cow, goat, buffalo etc. secures raw material for the industry. ▪ The government's policy measures in terms of export subsidies, interest subvention, duty benefits etc. have enhanced competitiveness. ▪ The Indian leather industry has shown the capability to quickly adapt to global best practices and has also become a sourcing hub ▪ The Indian leather industry has gradually moved up the value chain by transitioning from just tanned leather to value added goods.
Weaknesses	<ul style="list-style-type: none"> ▪ The lack of investments in infrastructure over the last decade has resulted in increased logistic and transportation costs for the sector ▪ India mainly being a leather exporting country is exposed to the fluctuations of the global market, which can hamper planning. ▪ Given the constraints in terms of capital, infrastructure and skilled manpower, few Indian standards are outdated, which hamper exports ▪ The huge pool of surplus labour make the industry less factory-intensive thereby losing out on production efficiencies
Opportunities	<ul style="list-style-type: none"> ▪ The large and growing domestic market in India provides ample opportunity for the industry to expand its presence in the coming years. ▪ The growing fashion consciousness among the youth especially in tier II/III cities is an emerging opportunity for the leather industry. ▪ The leather industry is currently labour intensive, but with increased mechanisation and use of IT, cost efficiencies can be obtained ▪ The sudden emergence and rapid growth of e-commerce in India favours the growth of the industry as leather goods can be transported easily ▪ The growing overall consumption coupled with increasing luxury consumption provides a large market for value added leather goods.
Threats	<ul style="list-style-type: none"> ▪ The large presence of unorganised players in the industry may lead to India missing out on the benefits of scale and size. ▪ As majority of the businesses are family owned and access to cheap capital , such as private placement, ECBs etc. may not be possible. ▪ The increasingly strict export norms and standards may lead to additional compliance costs for the export dependent leather industry. ▪ The traditional competition from China and the emerging competition from eastern-Europe and other South Asian countries may be a cost factor ▪ The poor network of product development centres, design studios and training institutes may hamper India's grow in the premium segments.

Sources: KPMG in India analysis

Sub-sectoral overview

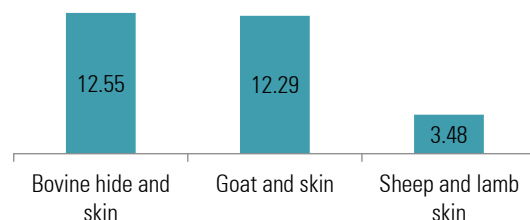
Sub-sectoral overview

Finished leather

Industry structure

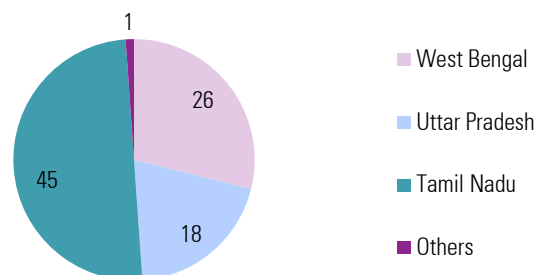
- India has among the biggest livestock population globally, providing a strong raw material base in cow, goat, buffalo and sheep leather.
- In terms of raw material accessibility in pieces, India is endowed with 12.55 percent of Bovine hides and skins, 12.29 percent of goat and kid skins, and 3.48 percent of sheep and lamb skins in the world.
- The variety of finished leather goods comprise of classic finishes (polish, glazed, aniline, patent), matt surfaces (suedes, nubuck), nappa, burnished.
- Amongst the main producers of finished leather in the world, the Indian has a long tradition of supplying high-quality leather for the globe.
- Indian tanning industry produces more than two billion square feet of leather per annum. The industry has the tanning capacity to fulfill 10 percent of world's leather requirements.
- Major tanning hubs in the country are Ambur, Ranipet, Chennai, Kolkata, Kanpur, Jalandhar etc. There are roughly 2091 tanneries in the country — 45 percent in Tamil Nadu, 26 percent in West Bengal, 18 percent in Uttar Pradesh.

Raw leather India: percentage share of world



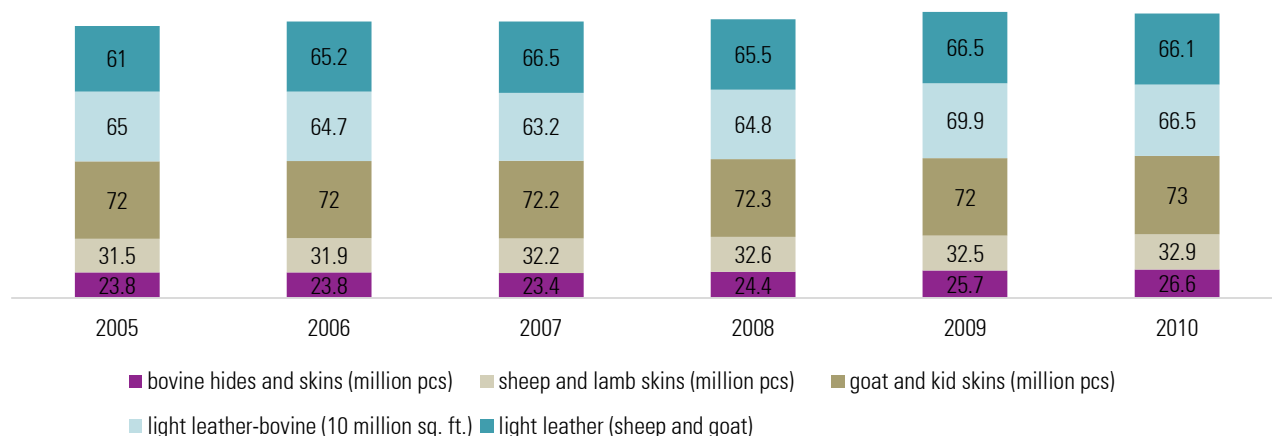
Source: Council for leather exports

Tanning hubs: production share



Source: 'Council for leather exports' as on 14 Mar 2014

Production trends: finished leather goods



Source: Council for Leather Exports as on 14 Mar 2014

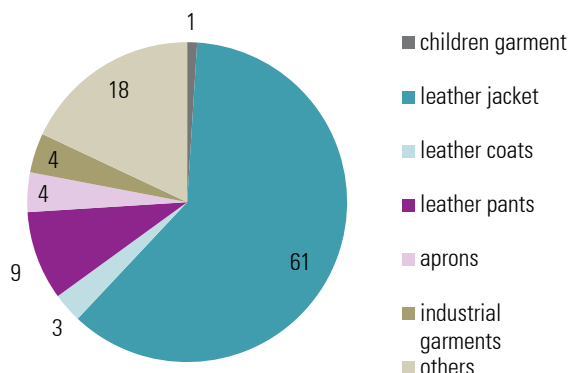
Sub-sectoral overview

Leather garments

Industry structure

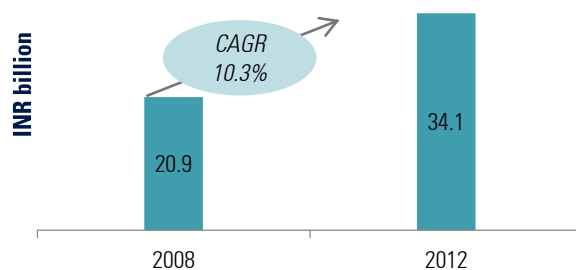
- India is the second largest producer of leather garments, next to China. Leather garments form a significant segment of the industry in India.
- Leather garments manufacturing capacity is estimated to be 16 million pieces per annum. India produces diverse types of leather garments i.e., jackets, long coats, waist coats/shirts, pant/shorts, motorbike jackets, industrial leather garments, leather aprons etc.
- It is a subject of great delight that the Indian leather apparels are making giant strides in the world of fashion. National Institute of Fashion Technology and National Institute of Design lends design support to the industry. These institutes provides well-trained personnel and creative designers to the industry.
- India's export of leather garments improved from INR20.9 billion in 2008 to INR34.1 billion in 2012, growing at a CAGR of 10.28 percent. It accounts for 11.28 percent in India's total leather trade.
- India's ranking as the third-largest global supplier of leather garments is only going to strengthen given the availability of quality raw material coupled with skilled craftsmanship.
- Major brands, such as Armani, Zenga, Abercrombie & Fitch, Marco Polo, Mango, Colehaan, Andrew Maarc and Guess source leather garments from India.

Leather garments: export share



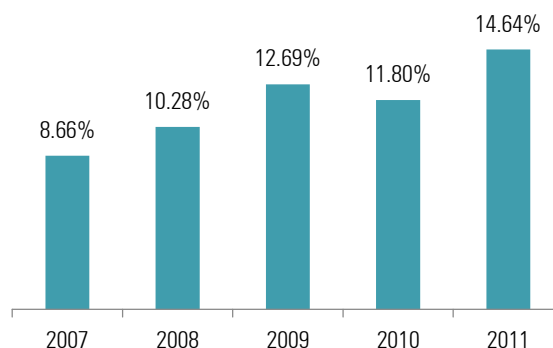
Source: Council for Leather Exports as on 14 Mar 2014

Leather garments: exports



Source: Council for Leather Exports

India's share of global imports: Trends



Source: Council for Leather Exports as on 14 Mar 2014

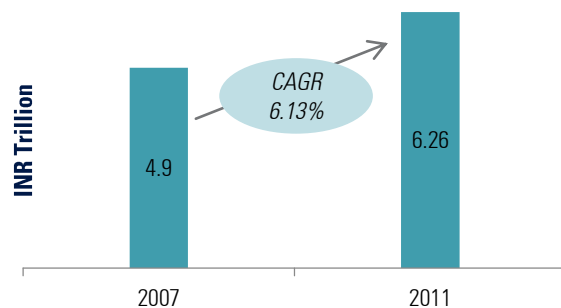
Sub-sectoral overview

Footwear

Industry structure

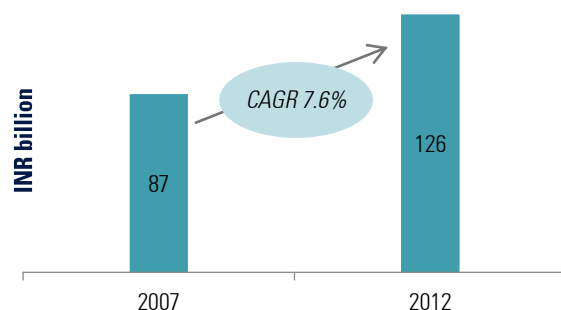
- The footwear sector is a very noteworthy segment of the leather industry; fairly it is the engine of development for the entire Indian leather industry
- India is the second largest global maker of footwear after China, accounting for 13 percent of global footwear production of 16 billion pairs. India produces 2065 million pairs of footwear, of which about 115 million pairs are exported. Thus, approx. 95 percent of its production is met domestically.
- The major production centres in India are Chennai, Ranipet, Ambur in Tamil Nadu; Mumbai in Maharashtra, Kanpur in U.P., Jalandhar in Punjab, Agra, Delhi, Karnal, Ludhiana, Sonapat, Faridabad, Pune, Kolkata, Calicut and Ernakulam
- Footwear exported from India are dress shoes, casuals, moccasins, sport shoes, horrachies, sandals, ballerinas, boots, sandals and chappals made of rubber, plastic, P.V.C. and other materials
- The footwear sector is now de-licensed and de-reserved, paving the way for growth of capacities on modern lines with state-of-the-art machinery. To further assist this process, the government has permitted 100 percent foreign direct investment through the automatic route for the footwear sector
- The global import of footwear (both leather footwear as well as non-leather footwear) has increased from INR4.9 trillion in 2007 to INR6.26 trillion in 2011, growing at a CAGR of 6.13 percent
- During 2011, the India's share in the global import is 1.92 percent. Footwear is the engine of growth of the leather industry in India. India's export of footwear was valued at INR126 billion in 2012–13, accounting for a share of 41.14 percent in India's total export from the leather sector. India's footwear export (leather, uppers and non-leather) is grew at a CAGR of 7.59 percent in the last five years

Footwear: Global imports



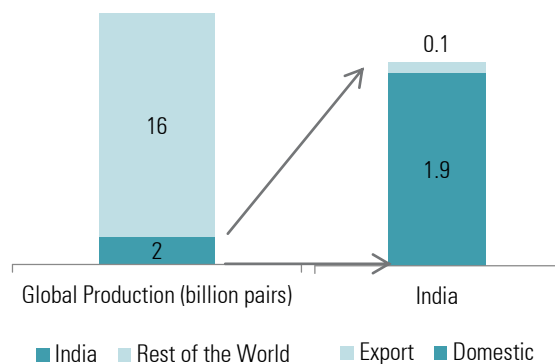
Source: Council for Leather Exports as on 14 Mar 2014

Footwear: India exports



Source: Council for Leather Exports as on 14 Mar 2014

Footwear: Global and India production



Source: Source: Council for Leather Exports as on 14 Mar 2014

Sub-sectoral overview

Leather goods

Industry structure

- **Leather goods** is another sub-sector of the industry with production capacity of approx. 63 million pieces annually.
- The different types of leather goods and accessories made in India are trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, hand bags, shopping bags, wallets, purses, pouches, passport holders, credit card holders, diary covers, leather belts, caps etc. India also makes leather upholstery — Sofa seat covers, car seat covers etc.
- There has been a constant fluctuation in the export of leather goods from India. One of the main reasons for that is the Europe recession. As the Euro Union is gradually crawling out of recession and economic slump, exports are also growing again.

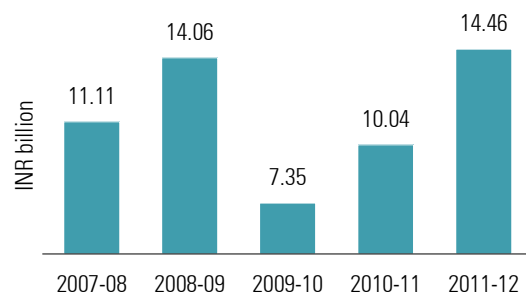
Leather gloves:

- Leather gloves of all categories, such as fancy/fashion gloves, sports gloves, industrial gloves and other leather gloves is a thrust product among the items of small leather goods being manufactured and exported from India.
- India is the fourth-largest exporter of leather gloves to the world. India produces about 52 million pairs of industrial gloves annually. India offers the world the largest technically trained manpower in leather craft at the most competitive costs.

Saddlers and harness

- Saddlers and harness goods are being manufactured in Kanpur for more than last 100 years. The saddlers manufacturing started in the 19th century at the British Indian Corporation in its Copper Alan branch in Kanpur and simultaneously the British Government started the Ordinance Equipment Factory at Kanpur to cater to the needs of the Army.
- By virtue of Kanpur's specialisation in vegetable tanned buffalo hides, and due to the presence of trained manpower, this has become the most important centre for the manufacture of saddler goods in India. In fact, Kanpur is the only centre in India that produces harness and saddler goods. Almost all the units operating in Kanpur are 100 percent export-oriented.

Leather goods: Export fluctuations



Source: Council for Leather Exports as on 14 Mar 2014

Product-wise export of gloves (2012) (Pieces)

Industrial gloves	108,706,249
Fancy/fashion gloves	1,704,898
Sports gloves	150,139
Other leather gloves	839,703
Total	111,400,989

Source: Council for Leather Exports as on 14 Mar 2014

Exports of saddlers and harness (in pieces)

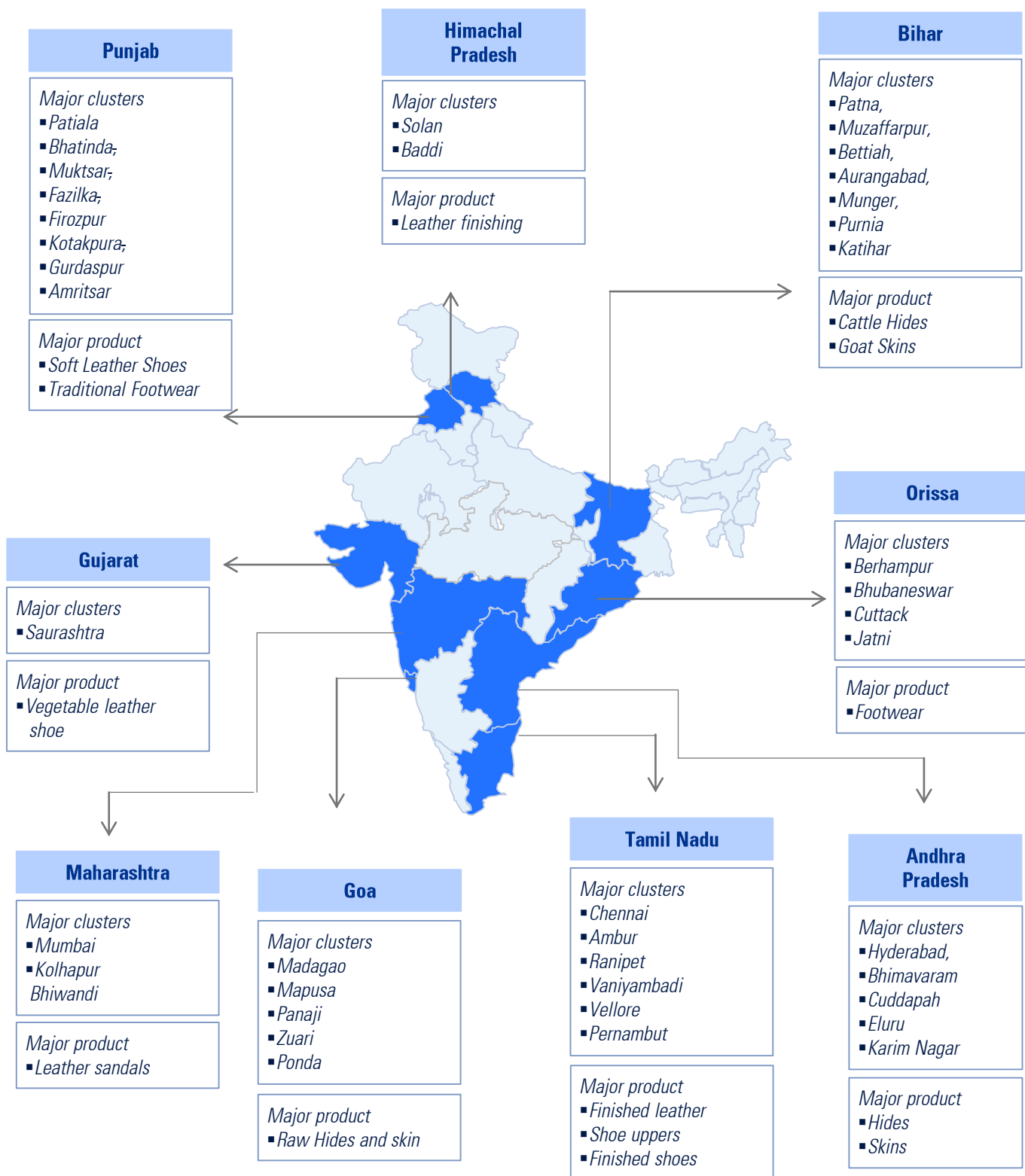
Non-leather harness/saddlers/bridles	10,996,324
Saddlers/bridles	2,941,884
Harness	4,459,858
Total	18,398,066

Source: Council for Leather Exports as on 14 Mar 2014

Geographical clusters

Geographical clusters

West Bengal and Tamil Nadu are the major leather hubs in India in terms of export earnings and employment



Source: KPMG in India Analysis as on 14 March 2014

Considering growth potential, every state has made significant investments for focused infrastructural growth of the sector.

States	Leather industry: projects and investments
Andhra Pradesh (AP)	<p>Leather clusters: The Andhra Pradesh Government is planning to revive the leather industry in the state by promoting seven leather clusters for providing basic infrastructure to artisans and small and medium enterprises.</p> <p>LIDCAP: The Leather Industries Development Corporation of Andhra Pradesh is the nodal state agency responsible for the development of the sector by coordinating the efforts of SMEs and artisans and creating the necessary infrastructure.</p> <p>Leather Parks: In a bid to promote leather exports, the Andhra Pradesh Government has proposed to develop 94 leather industrial parks in the state in a phased manner with an estimated investment of about INR400 crores.</p>
Karnataka	<p>The Karnataka Leather Industries Development Corporation Ltd. (LIDKAR) was established by Government of Karnataka in 1976 with the main objective of overall development of the leather industry in Karnataka and upliftment of socio-economic conditions of leather artisans in the state.</p> <p>Training Program: Skill development programs, industrial visits and study tours are conducted.</p> <p>Self-employment programs: Market linkages in the form of sales kiosks and access to sale outlets are provided by the corporation to the artisans.</p> <p>Business promotion activities: The corporation ensures adequate publicity for the marketable goods in the form of ads and mobile publicity.</p> <p>Infrastructure development: Establishment of R&D centres, living cum work shops and mini leather parks are established in thrust areas.</p> <p>Welfare programs: Life insurance schemes, death funds and reward and recognition schemes are run by the corporation to provide adequate support to the artisan network.</p>
Maharashtra	<p>The Leather Industries Development Corporation of Maharashtra is the nodal agency in the state responsible for driving the leather industry.</p> <p>To arrange procurement and supply of raw material for those engaged in the Leather Industries or to make necessary arrangement for the production of leather goods.</p> <p>To ensure quality control in order to get qualitative product. To take necessary steps for improvement in production techniques.</p> <p>To assist and act as an agent for sale of finished products by opening of show rooms, exhibition counters within and outside the state.</p> <p>To promote the sale of finished leather goods in foreign market. To arrange and manage training facilities in production and marketing.</p> <p>To give financial assistance, loans, subsidy for rendering any legal service, transport, leather and other industries, agricultural and other sectors for over all development of said community.</p> <p>To raise the funds from central govt., state govt. and other financial institutions, banks, corporations, etc. at central and state level for implementing the schemes for the artisan community.</p>

Source: Select State Government Department Websites, KPMG Analysis

States	Leather industry projects and investments
Tamil Nadu	<p>This was an ongoing scheme of the tenth plan and aimed to build a footwear complex near Chennai on 153.65 acres area and provide infrastructure facilities for housing large footwear manufacturing units. Infrastructure development towards design and testing centres, display centre, warehousing, common power plant etc. was to be provided.</p> <p>SIPCOT has only been able to construct common infrastructure and DIPP has decided to recover. The balance of the government grant is lying with the implementing agency with penal interest. Also, since the leather industry has shown no interest in establishing units in this location, it may not be feasible to continue the scheme during the next plan period.</p>
West Bengal	<p>West Bengal is one of the leading manufacturers of value added leather products with inherent advantages in blue goat skin and skilled craftsmen.</p> <p>Kolkata, the state's capital, is the second most important tanning -centre n the country. About of 22–25 percent of the country's tanning is done here through 500 odd tanneries majority of them being small.</p> <p>The state's exports of leather goods constitute about 55 percent of India's total leather goods export with the Topsia-Tangra-Tijala belt being a major sourcing hub for Couch, Gucci and Marks & Spencers.</p> <p>The CLC (Calcutta Leather Complex) located at Bantala and spread over 450 acres is the major integrated leather centre in the state with end-end production being done here. The state government has also initiated creation of another cluster at Shantiniketan with assistance from the MSME.</p>
Uttar Pradesh	<p>In a bid to promote leather production in the state, the government recently sanctioned over 900 acres of land for setting up two leather parks, in Sandila, Hardoi and at Ramaipur in Kanpur. Expected to attract an investment of INR2,000 crores, the state-of-the-art leather clusters are expected to be completed in approximately four years.</p> <p>The clusters would be operated under the mega-cluster model and the UPSIDC (Uttar Pradesh State Industrial Development Corporation) would be the nodal implementing agency.</p> <p>The proposed integrated leather parks will be equipped with state-of-the-art infrastructure, technology and production chain to meet the demands of domestic markets and standards for export. In a bid to promote the small and medium scale leather processing units, the government has also said 50 per cent space will be set aside for units in this category, to carry out their production activities at the leather clusters.</p> <p>To mitigate pollution and ensure environment conservation, leather clusters will also be given facilities for treating effluents generated in the parks. Provisions for rain water harvesting, warehousing, raw material banks, exhibition centre, design centre and human resource development are also proposed in the clusters. A government release issued on Wednesday also said each park will have to attract an investment of INR1,000 crores and create employment for nearly 10,000 people .</p>

Source: Select State Government Department Websites, KPMG Analysis

**Incremental human
resource
requirement
(2013-17, 2017-22)
and skill gaps**

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

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 sector currently employs over 3.09 million employees and is slated to employ more than 6.8 million employees by 2022. This implies additional creation of ~3.7 million jobs in the nine-year period.

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.

Mapping the most critical job roles in the various sub-sectors of leather and leather goods sector

Understanding the top critical job roles in various sub-sectors of leather and leather goods industry		
Sub-sectors	Top critical job roles	Description
Leather footwear	Entry-level and experienced (operators, cutters, stitchers, skivers, finishers)	<p>Cutters</p> <ul style="list-style-type: none"> ▪ The individual, as a part of the job role, lays out, marks, and cuts leather or non-leather material into parts for articles using cutting dies. ▪ Critical component of the role is to position leather/non-leather for cutting to ensure good number and quality of cut pieces, reducing wastage and providing higher accuracy. ▪ Competence to follow design patterns and related instructions ▪ Selects and estimates the material required for making different components of leather goods ▪ Competencies to match the components as per the design and requirements ▪ Knowledge of various hand tools, equipment and machinery ▪ Competence to handle various machine operations and maintain the quality of leather to maintain the right grade <p>Stitchers</p> <ul style="list-style-type: none"> ▪ Competence to follow design patterns and related instructions ▪ Knowledge of various hand tools, equipment and machinery ▪ Competencies to match the components to avoid any rejections and avoid wastages ▪ Competencies to assess the quality defects arising from the previous operations. ▪ Competencies to stitch the components as per the design and requirements <p>Operators (other operators, skivers, finishers)</p> <ul style="list-style-type: none"> ▪ Competence to follow design patterns and related instructions ▪ Knowledge of various hand tools, equipment and machinery ▪ Competence to handle various machine operations and maintain the quality of leather to maintain the right grade ▪ Skiving leather edges with skiving knife to reduce thickness of different sections to be joined together. ▪ Knowledge of preparation and application of cementing solution by brush at skived portion for joining, taking care not to splash solution on leather surface while joining ▪ Gluing of lining to leather parts and sews sole, upper and other components by hand or sewing

Mapping the most critical job roles in the various sub-sectors of leather and leather goods sector

Understanding the top critical job roles in various sub-sectors of leather and leather goods industry		
Sub-sectors	Top critical job roles	Description
All sub-sectors	<p>Middle-level to experienced (Line supervisors, quality controllers, production in-charge)</p>	<p>Supervisors</p> <ul style="list-style-type: none"> Role of supervisors is crucial since they handle a large number of personnel and machinery in the tannery operations. Operators who are experienced with around more than 15 years of experience may move to the level of supervisors based on vacancy. School drop outs, secondary or higher secondary is the qualification for this role. <p>Quality controllers</p> <ul style="list-style-type: none"> Competence to maintain the quality of the leather without damaging the leather Vocational/Diploma candidates with relevant experience or experienced operators move to the level of quality controllers. <p>Production in-charge</p> <ul style="list-style-type: none"> Production planning and to ensure quality and timeliness of delivery Cross functional coordination to achieve production targets Competence to overcome production bottlenecks such as machine breakdown Organisational and planning skills to plan, monitor and alter production schedules when necessary
All sub-sectors	<p>Top-level to experienced (Design heads, merchandising managers, quality heads. Admin)</p>	<ul style="list-style-type: none"> Possess strong operational and managerial skills They manage teams of workers and deal with personnel issues such as the recruitment, training and discipline. They ensure that workplace health and safety requirements and productivity targets are met and maintain computerised administration and automated systems. Possess skills relating to familiarity with various modern equipments, new technologies and industry specific safety and security practices Possess skills relating to customer relationship and managing the accounts handled by them. Possess skills relating to marketing and understanding the market requirements with innovations in selling techniques.

Source: KPMG in India analysis as on 18 February 2014

A changing environment has resulted in significant skill gaps across levels

Job roles	Skills required	Skill gap
Operators, cutters, stitchers, skivers, finishers	<ul style="list-style-type: none"> ▪ Ability to understand variations and take corrective actions ▪ An extensive understanding and knowledge on how to handle machines and troubleshoot ▪ Ability to understand and adapt to new productions processes and technologies ▪ Critical component of the role is to position leather/non-leather for cutting/stitching the right part together/finishing of leather with appropriate levels of accuracy to ensure good number and quality of pieces, reducing wastage and providing higher accuracy. ▪ Awareness in hygiene and usage of safety equipment's before handling chemicals and the products 	<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 since training provided to process line workers is time consuming and eats into the production time. ▪ Experienced procurement personnel are a rarity and mostly come from rural background with poor communication skills. ▪ Process line machinery is imported and experienced operators with hands-on-experience in operating them is lacking.
Designers/ sample developers (design and development)	<ul style="list-style-type: none"> ▪ Thorough understanding of the organisation's production processes ▪ Strong knowledge of market trends and new technologies in the sector ▪ Ability to design products based on customers' core and secondary requirements ▪ Strong knowledge and understanding of varying national and international standards ▪ Fashion designers must possess knowledge of fashion illustration, styling, global design trends (as per seasons) and consumer types, garment construction, application of computer-aided designs in patterns and different types of fabrics and their usage ▪ Pattern makers/computer-aided designers require skills in preparing advanced industrial flat patterns and cutting techniques ▪ Efficient in using computer-aided design software 	<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

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Significant skill gaps exist among supervisors, inspectors and quality controllers due to varying quality levels among all importing countries.

Job roles	Skills required	Skill gap
Quality controllers	<ul style="list-style-type: none"> ▪ Understanding quality assurance processes and the ability to follow the inspection manual ▪ Ability to identify deviations from the company-prescribed quality levels and report to quality inspector ▪ Ability to conduct quality audits at various levels of the production process and test products on various specifications <p>Quality controllers:</p> <ul style="list-style-type: none"> ▪ Knowledge of quality control processes, inspection systems, defects and remedies in products ▪ Managerial capabilities to maintain work ethics and social compliance <p>Laboratory technicians:</p> <ul style="list-style-type: none"> ▪ In-depth information on the physical and chemical properties of leather ▪ Testing of durability, heat resistance and washing techniques to meet clients requirements 	<ul style="list-style-type: none"> ▪ Lack the ability to undertake high-level due diligence required for quality checks
Supervisors	<p>I. Knowledge and experience:</p> <ul style="list-style-type: none"> ▪ Knowledge of the production process of in their respective department (tannery, finishing, footwear making, apparel making and leather goods making) ▪ Awareness on the leather technology being used, its capacity and productivity ▪ Ability to understand and adapt new production processes and technologies ▪ Experience in identifying and rectifying defects in products <p>II. Leadership capabilities and team management:</p> <ul style="list-style-type: none"> ▪ Ability to plan work, manage people, and handle contingencies ▪ Ability to understand variations and take corrective actions ▪ Ability to meet production requirements as per orders ▪ Coordinate with workers and production managers 	<ul style="list-style-type: none"> ▪ Lack the ability to handle contingencies, manage people and allocate work ▪ Lack of experience in handling machines

Source: KPMG in India Analysis as on '10th March 2014'

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Lack of knowledge of job among production managers and merchandisers

Job roles	Skills required	Skill gap
Production in-charge	<ul style="list-style-type: none"> ▪ Ability to plan work and manage people ▪ A strong knowledge of the organisation’s production process ▪ Ability to handle and manage contingencies ▪ Knowledge and experience requirements: ▪ Raw material management — purchase, utilisation and inventory to ensure availability ▪ Financial management ▪ Cost control ▪ Production and productivity ▪ Quality control ▪ Energy management ▪ Personnel management 	<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"> ▪ Strong verbal communication skills ▪ Ability to handle customers and appropriately answer their queries ▪ Deep understanding of the organisation’s production process and the ability to control its execution ▪ Thorough knowledge on market trends and new technologies in the sector ▪ Knowledge of quality standards, pricing, distribution channels and trade models ▪ Awareness on product specifications, properties of fabric, labeling and packaging ▪ Ability to handle logistics, export marketing, retail management, supply chain systems and inventories ▪ Ability to plan and execute orders as per clients’ requirements ▪ Negotiation skills ▪ Management of database of buyers and clients 	<ul style="list-style-type: none"> ▪ Poor communication skills ▪ There is dearth of experienced merchandisers and the existing one switch jobs frequently ▪ Unable to manage contingencies and handle high pressure situations at work

Source: KPMG in India Analysis as on ‘10th March 2014’

Industry trends and issues are likely to necessitate a big improvement in the present skill set

Increasing penetration of organised retail

- Growth in super markets and hyper markets supported by favourable FDI policies are expected to shift large amount of leather good sales to this channel.
- This will spur demand for purchase, warehouse, logistics, operation and supervisory roles in the industry mainly at the entry level.
- Significant rise in the number of jobs is also expected at the retail shop level in the form of sales personnel and customer relationship executives, who will need to be trained about the product portfolio being handled.
- Add-on human resource requirements, such as cashier, security etc, will also spur job growth in the sector.

Increasing proliferation of e-commerce

- With increasing presence of e-commerce players, number of consumer segments are expected to shift to the online channel.
- Footwear/leather goods being a logistically friendly commodity, unlike durables or expensive electronics, is expected to play a big role in e-commerce.
- This trend is expected to create some demand for highly-skilled personnel in management roles (procurement, operations, business development) who can tap this new channel of sale.

Stricter standards for exports

- With increasing liberalised trade, India is expected to play a major role in the global leather export goods market.
- However, the western markets driven either by domestic laws or protectionism is expected to impose stricter quality and SPS (Sanitary and Phyto-Sanitary Standards) norms.
- This trend is expected to create jobs in the areas of compliance and quality (Quality Assurance/Quality Control) across the value chain; from sourcing of raw leather to shipment of finished goods.

Increasing participation of women in the workforce

- Women have traditionally comprised 30 percent of the workforce in the leather industry.
- They have traditionally been active in the labour intensive roles, such as stitching, cutting etc in the cottage/SME dominated leather industry.
- With more mechanisation expected in the industry along with a shift away from the labour intensive model, the retraining of women in the generic factory skills to compensate for the loss of opportunity in the traditional sphere is expected.

Industry trends and issues are likely to necessitate a big improvement in the present skill set

Growing mechanisation in the industry

- With progressive changes in the demand for leather industry, such as increased exports to high end markets, sourcing of global brands and a growing luxury market, the industry is also expected to shift to more mechanisation and a factory model from a cottage-based model to derive production efficiencies
- This would make artisanal skills in the community irrelevant in the new context and hence, would call for significant investment and development to make the personnel skill ready for employment in the industry
- Roles , such as supervisor, fitter, machine operator along with other conventional factory roles in storage, transport etc can be expected to be created

Increasing consumption of luxury goods

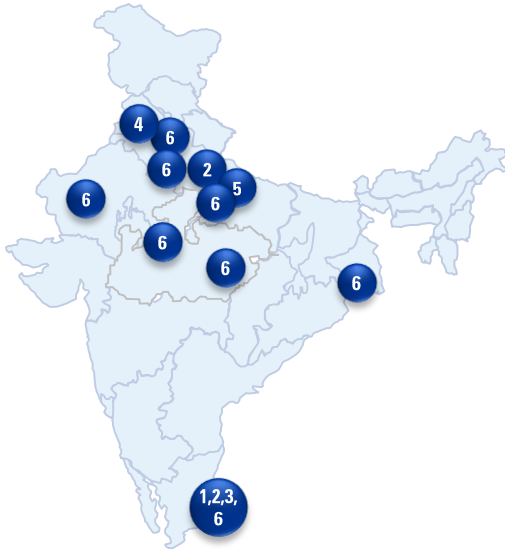
- India is fast becoming a major destination for luxury goods ranging from jewellery, automobiles and high-end electronics
- Luxury brands around leather, such as Louis Vuitton, Gucci, etc. are expected to increase their presence in India in the coming years given the increasing presence of super rich in the country
- This trend will call for a separate channel for the sale of these luxury goods in India given the need to maintain the premium image of the product
- This will in turn mainly create new jobs in the latter part of the value chain (especially in retail) in the form sales executives, customer handling personnel who need to be acquainted with selling skills to high net worth individuals

Presence of modern technical support institutions

- The leather industry in India in its endeavour to leapfrog to the next level of growth has identified development of value-added products with higher margins as one of the key drivers of growth
- This calls for establishing modern technical support institutions, such as designing studios and product development centres, which can leverage the technological breakthroughs and bring tangible benefits to the leather sector.
- This trend is expected to create jobs around design, such as use of CAD, CAM etc. and around sector specific research and development, such as leather technology, process engineering etc.

Training Infrastructure

Key training institutes



1 Central Leather Research Institute (CLRI), Chennai

- Founded in 1948, CLRI is the national apex body for leather sector development in India. It deals in areas, such as workforce training, developing new technologies, planning and consultancy.
- CLRI is headquartered in Adyar, Chennai, and has five regional centres in Kolkata, Kanpur, Jalandhar, Ahmadabad, and Mumbai.
- CLRI provides Bachelor's and Master's courses in leather technology. It also conducts programs and trainings in areas such as leather technology, footwear science, Computer Aided Design (CAD) for garments, CAD for fashion design and leather goods design.

2 Central Footwear Training Institute (CFTI), Agra

- Established in 1963 under the 'Small Industries Development Organisation', CFTI Agra was established as Central Footwear Training Centre, Agra.
- It became an autonomous body in 1996, and started functioning as CFTI.
- The campus is spread over 7,500 square metres and has separate sections for designing, clicking, closing, lasting, testing and CAD training.
- CFTI Chennai, on similar lines is an autonomous Institution under Ministry of Small Scale Industries, Government of India, develops Human Resource for Footwear Industry since 1957.

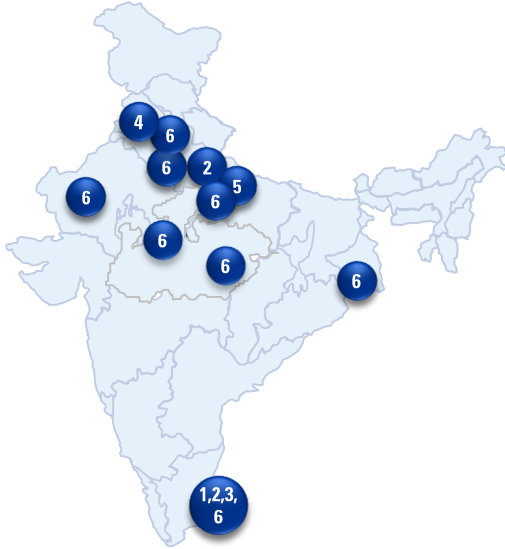
3 Indian Institute of Leather Products (IILP), Chennai

- Established in 1992, IILP was set up with the primary objective of training people for the footwear, garment and goods industries.
- It is controlled by leather bodies such as Council for Leather Exports (CLE) and CLRI.
- It offers master technician and career courses in areas, such as leather footwear, leather garments and leather goods.

4 Government Institute of Leather and Footwear Technology (GILFT), Jalandhar

- Established in 1934, GILFT is amongst the oldest leather training institute in India. It works under the administrative control of the Department of Technical Education and Industrial Training Punjab and is governed by the Ministry of Technical Education.
- The institute imparts diploma-level training in the leather technology and leather technology for footwear.

Key training institutes



5 Government Leather Institute (GLI), Kanpur

- GLI was established in Kanpur in 1916, and was formerly known as the Government Leather Working School.
- It offers courses in areas, such as leather technology (tanning), saddler and export management with three years duration.

6 Footwear Design and Development Institute (FDDI)

- The first campus of FDDI was setup in Noida in 1986. The other campuses are located at Fursatganj, Chennai, Kolkata, Rohtak, Chhindwara, Jodhpur and Guna. Another campus at Kozhikode with a capacity to accommodate 800 students is planned.
- FDDI has 3,200 students and faculty/staff members in eight campuses across India. Courses offered include Diploma in Footwear, Advanced Diploma in Footwear Designing and Post-graduate Diploma in Footwear Technology and Management.
- Typically, campuses are established over 15–20 acres space with infrastructure such as labs, auditoriums, lecture theatres and workshops with modern machinery.

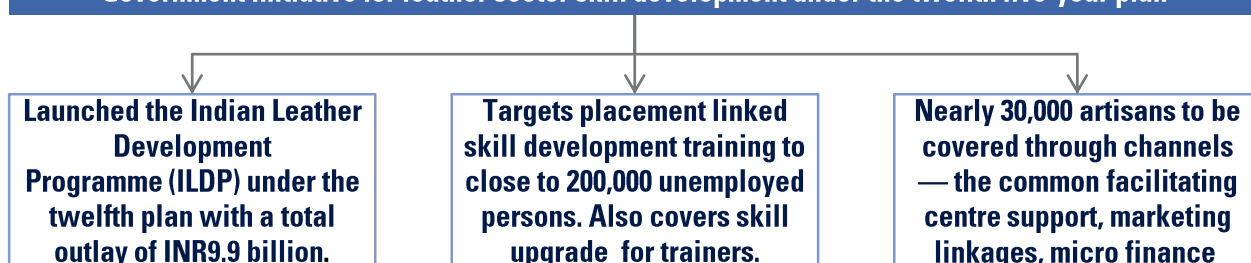
- Training courses can broadly be divided into two main categories — designing or production/technical courses. Apart from these, several institutes such as CLRI also offer high-end research programmes in the leather sector.
- Growing use of leather and growing awareness of latest trends — domestically and internationally is driving a lot of youngsters to take up training in leather product designing.

Some other training institutes

Name	Areas of training	Locations
NB Institute for Rural Technology	Leather technology	Amtali (Tripura)
Government Leather Institute	Leather technology, footwear technology (CAD), saddler technology and export management	Etmadpur, Agra (Uttar Pradesh)
National Institute of Fashion Technology	Fashion technology and design	Chennai (Tamil Nadu), Delhi, Kolkata (West Bengal), Gandhinagar (Gujarat)
Karnataka Institute of Leather Technology	Training regarding leather and footwear technology; leather crafting	Bangalore (Karnataka)
IL&FS and NSDC	Initiative to provide training in leather and other areas through vocational colleges; industry specific skills training	Across Clusters in India
Anna University	Courses in leather technology	Chennai (Tamil Nadu)
Institute of Government Leather Working School	Leather technology	Mumbai (Maharashtra)
College of Leather Technology	Leather technology	Kolkata (West Bengal)
Dr. B.R. Ambedkhar Regional Engineering College	Leather technology	Jalandhar (Punjab)
Central Footwear Training Centre	Footwear technology	Chennai (Tamil Nadu)
TUV SUD laboratory for Leather and Footwear Testing	Training in quality standards and compliance	Ambur (Tamil Nadu)

- 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 the 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.

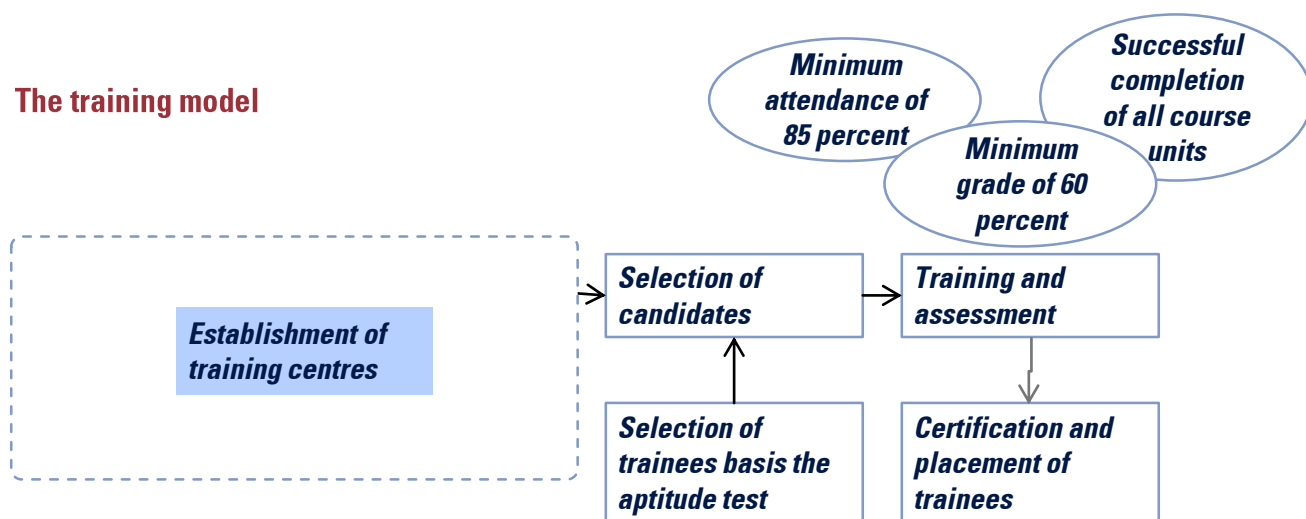
Government initiative for leather sector skill development under the twelfth five-year plan



Placement Linked Skill Development Programme (PLSDP)

- The PLSDP was launched by the Government of India to impart basic skills to operate on shop floors to unemployed persons. The objective was also to cater to the growing workforce requirement of the leather/footwear industry.
- The FDDI, in association with the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, has participated in the PLSDP for the sector.
- Eligibility criteria requires candidates to be of minimum 18 years old, should have reading and writing capability along with aptitude or should be nominated by a participating industry.
- Selection of trainers is done through a screening committee constituted by representatives of local district administration, local industry and DIPP.
- The training is provided through established FDDI centres in major leather clusters such as Agra and Kanpur. As of March 2011, the FDDI had already trained more than 10,000 youth under this program.

The training model



Name of course	Duration	Eligibility	Batch size
Basic cutting operator course	4 weeks	Aged minimum 18 years and ability to read and write.	30
Basic closing operator course	4 weeks	Aged minimum 18 years and ability to read and write.	30

- While the courses being offered are quite basic in nature, areas, such as lasting, finishing, costing, quality checking, leather grading and sorting have been identified as key areas where training could be imparted.

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.
- Since, the need is more acute for entry-level staff, which is typically less educated, trainers would need to be good in terms of their soft skills and handholding the trainees through the learning process.

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.
- The work can be quite demanding and stressing, especially while working in tanneries and leather production houses. It is important that the entry-level staff are made aware of the working conditions and other expectations well in advance to minimise attrition during the initial years.

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.
- Also, the varying quality of training does not ensure either standard job role or pay for the trained students.
- 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 training

- 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
- There is need to build awareness about the demands of the job as well as typical career path to deal with these issues.

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.
- Hence, awareness among students about the benefits of training has to be created through media campaigns to tackle perception problem.

Recommendations for key stakeholders

Acceleration of the drivers of *consolidation, integration and organisation* in the industry.

- Industry is largely fragmented leading to small entrepreneurs holding a major share in the industry
- The small scale and unorganised nature of the industry for instance, has led to a situation where small entrepreneurs neither have the capacity nor the inclination to invest in human resource development
- Pay scales and the work environment in the industry have also not been very attractive resulting in a situation where the segment has almost come to assume the image of one, which is the last resort for a serious career seeker

Recommendation 1: Consolidation, integration and organisation of industry.

- 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
- Development of robust clearing mechanisms will help the industry

Industry to gear up to meet the global trends: The government, industry and training system linkage needs to improve to develop world-class products.

- Students trained in ITIs and other vocational training institutes lack awareness about the global trends hence, there is a need for constant guidance through training
- With many global brands coming into India, there is an increasing need for quality testing and supplying quality products to the companies.
- Introducing standard manufacturing process, such as lean in curriculum, will help the trainees reduce wastages during the production process.
- Including basic management principles in the engineering and technical curriculums improve their knowledge in knowing the overall principles and practices.
- The government can incentivise the industries, which help to do this by giving it tax breaks for adopting such a practice.

Recommendation 2: To have international standards and Quality Control.

- 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

Recommendation 3: To design course content in alignment with global trends .

- Courses in design and development should be appropriately cover the global trends.

Recommendation 4: Introduction of management principles in the curriculum

- At the middle-management level there is a severe lack in understanding the management principles, which is required to be addressed.

Creation of *robust institutional framework* for creating manpower in the sector.

- Increased number of jobs and preferences amongst L1 workers in the service industry such as in retail, banking and IT
- Increased number of school dropouts/people at a larger level have high school/graduation as the highest levels of education
- Amongst the L3 workers with higher education requirements, there is growing interest towards degrees, such as MBA and other engineering degrees

Recommendation 5: Creation of training infrastructure

- 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
- Support should be provided for good training curricula
- Private entrepreneurs to set up commercial ventures and provide training

Creation of Incentives for development of skills of employees engaged in leather industry.

- While establishment of institutional infrastructure for training would address the supply creation concerns, there is a need for explicit creation of demand for training. While intuitively, the very existence of skill gaps suggests the existence of demand for training; the stakeholders who require training in many cases do not have any incentive and/or inclination to be trained.
- Similarly, at the factory workforce and supervisory levels — it is sheer inertia arising out of the prolonged period of working in the traditional manner that makes it challenging for the employees to upgrade their skills.

Recommendation 6: Provide incentives in the form of skills premium

- 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.
- SSC should initiate the establishment of a certification/grading system and its recognition in the recruitment and progression of employees in the companies.

Undertaking of initiatives to make the industry lucrative.

- Infrastructure creation is poor thereby giving way to issues in providing a good work environment, pay, career progression and amenities
- Insufficient addition of manpower to the sector, key reason being the poor image and consequent lack of attractiveness for the new career seeker
- No proper training methodologies and lack of knowledge of the employee about the sector and the benefits derived out of the sector

Recommendation 7: Initiatives to make the industry lucrative to attract more manpower.

- 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
- While implementing these improvement initiatives is critical, it is equally important to communicate improvements to the target group of recruits

Establishment of *appropriate channels* of placement for employees

- Most of the recruitment happens through campaigns in villages, referrals, govt. training institutes and agents, the demand seems to be existing across.
- Training providers have been unable to meet the growing needs of the people.
- A better tracking tool for skill requirements can help workers to choose the desired courses

Recommendation 8: Online Portal assisting job search

- An IT application for updates on vacancies in leather manufacturing organisations would assist workers in searching jobs. Enrolment of job seekers as well as employers can be managed by the SSC that serve as centres of excellence for the leather sector.

Development of *adequate Infrastructure* for enabling growth of the Industry.

- Infrastructure and leather machinery in ITIs and ITCs offering courses in tanning, finishing, dyeing, printing and processing operations are not of latest technology. With increased automation and changing technology, there is requirement of constantly upgrading the skills amongst operators and supervisors.
- Lack of enabled infrastructure to ensure quicker deliveries and faster movement of goods from the respective clusters for deliveries or getting raw materials.

Recommendation 9: Government initiatives to develop infrastructure for growth of the industry

- 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.
- Rationalisation of distorting regulations/policy framework for example, rationalisation of indirect tax regime will necessitate building larger warehouses and enable achievement of scale economies.



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



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