

Job applicants at 24/7, which says only three of 100 are qualified. In the nation that made offshoring a household word, 24/7 finds itself so short of talent that it is having to offshore.

India graduates millions, but too few are fit to hire

Executives say schools are hampered by bureaucracy and a focus on rote learning rather than critical thinking

BY GEETA ANAND
Bangalore, India

CALL-CENTER company 24/7 Customer Pvt. Ltd. is desperate to find new recruits who can answer questions by phone and email. It wants to hire 3,000 people this year. Yet in this country of 1.2 billion people, that is beginning to look like an impossible goal.

So few of the high school and college graduates who come through the door can communicate effectively in English, and so many lack a grasp of educational basics such as reading comprehension, that the company can hire just three out of every 100 applicants.

India projects an image of a nation churning out hundreds of thousands of students every year who are well educated, a looming threat to the better-paid middle-class workers of the West. Their abilities in math have been cited by President Barack Obama as a reason why the U.S. is facing competitive challenges.

Yet 24/7 Customer's experience tells a very different story. Its increasing difficulty finding competent employees in India has forced the company to expand its search to the Philippines and Nicaragua. Most of its

FLAWED MIRACLE

The Journal is examining the threats to, and limits of, India's economic ascent.

8,000 employees are now based outside of India. In the nation that made offshoring a household word, 24/7 finds itself so short of talent that it is having to offshore.

"With India's population size, it should be so much easier to find employees," says S. Nagarajan, founder of the company. "Instead, we're scouring every nook and cranny."

India's economic expansion was supposed to create opportunities for millions to rise out of poverty, get an education and land good jobs. But as India liberalized its economy starting in 1991 after decades of socialism, it failed to reform its heavily regulated education system.

Business executives say schools are hampered by overbearing bureaucracy and a focus on rote learning rather than critical thinking and comprehension. Government keeps tuition low, which makes schools accessible to more students, but also keeps

teacher salaries and budgets low. What's more, say educators and business leaders, the curriculum in most places is outdated and disconnected from the real world.

"If you pay peanuts, you get monkeys," says Vijay Thadani, chief executive of New Delhi-based NIIT Ltd. India, a recruitment firm that also runs job-training programs for college graduates lacking the skills to land good jobs.

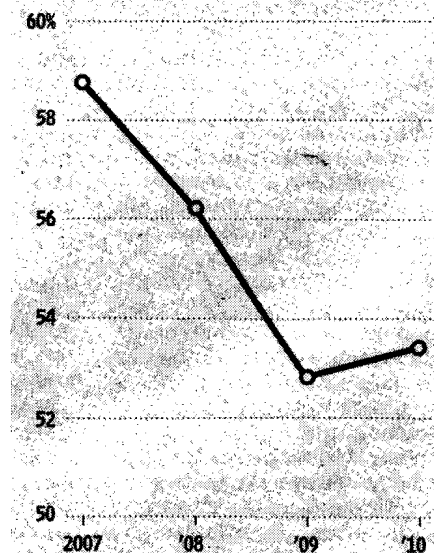
Muddying the picture is that on the surface, India appears to have met the demand for more educated workers with a quantum leap in graduates. Engineering colleges in India now have seats for 1.5 million students, nearly four times the 390,000 available in 2000, according to the National Association of Software and Services Companies, a trade group.

But 75% of technical graduates and more than 85% of general graduates are unemployed by India's high-growth global industries, including information technology and call centers, according to results from assessment tests administered by the group.

Another survey, conducted annually by Pratham, a nongovernmental organization that aims to improve education for the poor, looked at grade-school performance

Falling behind

Percentage of fifth graders in India who read on a second-grade level



Source: Pratham's Annual Status of Education Report

THE BIG READ

at 13,000 schools across India. It found that about half of the country's fifth graders can't read at a second-grade level.

At stake is India's ability to sustain growth—its economy is projected to expand 9% this year—while maintaining its advantages as a low-cost place to do business.

The challenge is especially pressing given the country's more youthful population than the U.S., Europe and China. More than half of India's population is under the age of 25, and one million people a month are expected to seek to join the labor force here over the next decade, the Indian government estimates. The fear is that if these young people aren't trained well enough to participate in the country's glittering new economy, they pose a potential threat to India's stability.

"Economic reforms are not about goofy rich guys buying Mercedes cars," says Manish Sabharwal, managing director of Teamlease Services Ltd., an employee recruitment and training firm in Bangalore. "Twenty years of reforms are worth nothing if we can't get our kids into jobs."

Yet even as the government and business leaders acknowledge the labor shortage, educational reforms are a long way from becoming law. A bill that gives schools more

to design their own curriculum, to be introduced in

and in

at engineering schools. He has been on five job interviews—none of which led to work. To make himself more attractive to potential em-

ployers, he has enrolled in a five-month-long computer programming course run by NIIT.

Mr. Singh and several other engineering graduates said they learned quickly that they needn't bother to go to some classes. "The faculty take it very casually, and the students take it very casually, like they've all agreed not to be bothered too much," Mr. Singh says. He says he routinely missed a couple of days of classes a week, and it took just three or four days of cramming from the textbook at the end of the semester to pass the exams.

Others said cheating, often in collaboration with test graders, is rampant. Deepak Sharma, 26, failed several exams when he was enrolled at a top engineering college outside of Delhi, until he finally figured out the trick: Writing his mobile number on the exam paper.

That's what he did for a theory-of-computation exam, and shortly after, he says the examiner called him and offered to pass him and his friends if they paid 10,000 rupees each, about \$250. He and four friends pulled together the money, and they all passed the test.

"I feel almost 99% certain that if I didn't pay the money, I would have failed the exam again," says Mr. Sharma.

BC Nakra, Pro Vice Chancellor of ITM University, where Mr. Sharma studied, said in an interview that there is no cheating at his school, and that if anyone were spotted cheating, he would be "behind bars." He said he had read about a case or two in the newspaper, and in the "rarest of the rare cases, it might happen somewhere, and if you blow [it] out of all proportions, it effects the entire community." The exam-

iner couldn't be located for comment.

Cheating aside, the Indian education system needs to change its entire orientation to focus on learning, says Saurabh Govil, senior vice president in human resources at Wipro Technologies. Wipro, India's third largest software exporter by sales, says it has struggled to find skilled workers. The problem, says Mr. Govil, is immense: "How are you able to change the mind-set that knowledge is more than a stamp?"

At 24/7 Customer's recruiting center on a recent afternoon, 40 people were filling out forms in an interior lobby filled with bucket seats. In a glass-walled conference room, a human-resources executive interviewed a group of seven applicants. Six were recent college graduates, and one said he was enrolled in a correspondence degree program.

One by one, they delivered biographical monologues in halting English. The interviewer interrupted one young man who spoke so fast, it was hard to tell what he was saying. The young man was instructed to compose himself and start from the beginning. He tried again, speaking just as fast, and was rejected after the first round.

Another applicant, Rajan Kumar, said he earned a bachelor's degree in engineering a couple of years ago. His hobby is watching cricket, he said, and his strength is punctuality. The interviewer, noting his engineering degree, asked why he isn't trying to get a job in a technical field, to which he replied: "Right now, I'm here." This explanation was judged inadequate, and Mr. Kumar was eliminated, too.

A 22-year-old man named Chaudhury Laxmikant Dash, who graduated last year, also with a bachelor's in engineering, said

he's a game-show winner whose hobby is international travel. But when probed by the interviewer, he conceded, "Until now I have not traveled." Still, he made it through the first-round interview, along with two others, a woman and a man who filled out his application with just one name, Robinson.

For their next challenge, they had to type 25 words a minute. The woman typed a page only to learn her pace was too slow at 18 words a minute. Mr. Dash, sweating and hunched over, couldn't get his score high enough, despite two attempts.

Only Mr. Robinson moved on to the third part of the test, featuring a single paragraph about nuclear war followed by three multiple-choice questions. Mr. Robinson stared at the screen, immobilized. With his failure to pass the comprehension section, the last of the original group of applicants was eliminated.

The average graduate's "ability to comprehend and converse is very low," says Satya Sai Sylada, 24/7 Customer's head of hiring for India. "That's the biggest challenge we face." Indeed, demand for skilled labor continues to grow. Tata Consultancy Services, part of the Tata Group, expects to hire 65,000 people this year, up from 38,000 last year and 700 in 1986.

Trying to bridge the widening chasm between job requirements and the skills of graduates, Tata has extended its internal training program. It puts fresh graduates through 72 days of training, double the duration in 1986, says Tata chief executive N. Chandrasekaran. Tata has a special campus in south India where it trains 9,000 recruits at a time, and has plans to bump that up to 10,000. Wipro runs an even longer, 90-day training program to address what Mr. Govil, the human-resources executive, calls the "inherent inadequacies" in Indian engineering education. The company can train 5,000 employees at once.

Both companies sent teams of employees to India's approximately 3,000 engineering colleges to assess the quality of each before

Left back

Among the U.S. and the four countries that are the fast-developing

BRIC nations, India has the highest percentage of young people, but relatively few enrolled in college.

POPULATION

Russia

■ 2009 population
141,850,000
people



14.1%

Brazil

193,733,795



17.3%

U.S.

307,007,000



14.1%

■ Percentage of population aged 15-24 (2000-2010)

SCHOOLS

Russia

Number of universities ranked in the top 500 in the world, 2010

2

Brazil

6

U.S.

154

India

2

China

22

ENROLLMENT

Russia

The number of people enrolled in a college or university per 100 college-aged people, 2007



75

Brazil



30

U.S.



62

India



13

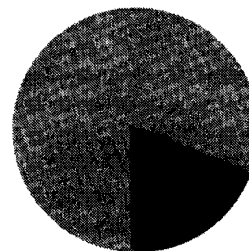
China



22

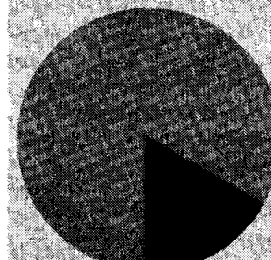
Source: United Nations (percentage of people 15-24 years old); Center for Global Education and the Institute of Higher Education of Shanghai Jiao Tong University (university rankings); World Bank (all others)

1,155,347,678



19.3%

1,331,460,000



16.9%

to India's approximately 1,155 million people, colleges to assess the quality of each before they decided where to focus their campus recruiting efforts. Tata says 300 of the schools made the cut; for Wipro, only 100 did.

Tata has also begun recruiting and training liberal-arts students with no engineering background but who want secure jobs. And Wipro has set up a foundation that spends \$4 million annually to train teachers. Participants attend week-long workshops and then get follow-up online mentoring. Some say that where they used to spend a third of class time with their backs to students, drawing diagrams on the blackboard, they now engage students in discussion and use audiovisual props.

"Before, I didn't take the students into consideration," says Vishal Nitnaware, a senior lecturer in mechanical engineering at SVPM College of Engineering in rural Maharashtra state. Now, he says, he tries to engage them, so they're less nervous to speak up and participate in discussions.

This kind of teaching might have helped D.H. Shivanand, 25, the son of farmers from a village outside of Bangalore. He just finished a master's degree in business administration—in English—from one of Bangalore's top colleges. His father borrowed the \$4,500 tuition from a small lending agency. Now, almost a year after graduating, Mr. Shivanand is still looking for an entry-level finance job.

Tata and IBM Corp., among dozens of other firms, turned him down, he says, after he repeatedly failed to answer questions correctly in the job interviews. He says he actually knew the answers but froze because he got nervous, so he's now taking a course to improve his confidence, interviewing skills and spoken English. His family is again pitching in, paying 6,000 rupees a month for his rent, or about \$130, plus 1,500 rupees for the course, or \$33.

"My family has invested so much money in my education, and they don't understand why I am still not finding a job," says Mr. Shivanand. "They are hoping very, very much that I get a job soon, so after all of their investment, I will finally support them."

—Poh Si Teng and Arlene Chang
contributed to this article.