



## Workforce Up skilling in MSMEs: Effectiveness, Challenges and Outcomes – A Descriptive Study

Dhanjoy Kumar

Research Scholar, Department of Management, RKDF University, Ranchi

### Abstract:

*This descriptive study explores the critical role of workforce up skilling in enhancing the performance and sustainability of Micro, Small, and Medium Enterprises (MSMEs). As global markets evolve rapidly due to technological advancements and changing consumer demands, MSMEs face mounting pressure to improve productivity, remain competitive, and adapt swiftly. Up skilling—equipping employees with relevant, updated skills—is increasingly seen as a strategic solution to these challenges. The study investigates the effectiveness of up skilling programs by examining improvements in individual performance, organizational productivity, innovation, and employee engagement. It also highlights common barriers such as limited financial resources, lack of access to training infrastructure, and skill mismatches. Drawing from global case studies and institutional reports, the study identifies best practices in skill development that have led to measurable business growth and enhanced worker satisfaction. Ultimately, this research underscores the importance of targeted, context-sensitive training programs as a means to strengthen MSMEs' resilience and long-term success. The findings serve as a valuable resource for policymakers, business leaders, and educators aiming to promote inclusive economic development through workforce enhancement in the MSME sector.*

**Keywords:** Workforce Up skilling, MSMEs, Productivity, Employee Development, Skills Training.

### Introduction:

The global economy is undergoing significant transformation driven by technological advancements, automation, digitalization, and shifting consumer expectations. In this changing landscape, the competitiveness of businesses is increasingly tied to the knowledge and skills of their workforce. For Micro, Small, and Medium Enterprises (MSMEs), which account for approximately 90% of businesses and more than 50% of employment worldwide, this reality is especially critical.

Workforce up skilling, defined as the process of enhancing employees' existing skills or providing them with new competencies to meet current and future job demands, has emerged as a vital strategy for MSMEs to thrive in today's dynamic markets. However, the implementation and effectiveness of up skilling programs in MSMEs vary significantly across regions and industries due to constraints such as limited resources, insufficient institutional support, and varying degrees of awareness.

### **Significance of the Study:**

This study is significant because it directly supports the sustainable development of MSMEs by exploring a key factor—workforce up skilling—that influences their ability to compete, adapt, and grow. It contributes to academic literature, policy discourse, and practical interventions aimed at strengthening one of the most vital sectors of the global economy.

### **Objectives:**

This descriptive study aims to provide a comprehensive overview of workforce up skilling in MSMEs by addressing three key dimensions:

1. The effectiveness of up skilling efforts;
2. The common challenges MSMEs face during implementation; and
3. The outcomes observed in terms of performance, productivity, and competitiveness.

**Understanding Workforce Up skilling:** Workforce up skilling involves targeted learning interventions aimed at improving employees' competencies to better align with evolving job requirements. These interventions may include technical training, digital literacy programs, soft skills development, vocational certifications, and industry-specific education. In the context of MSMEs, up skilling is not just about improving operational efficiency; it is also about enabling workers to contribute to innovation, quality improvement, and customer satisfaction. Moreover, in a post-pandemic world characterized by remote work, e-commerce, and green technologies, up skilling is vital for long-term sustainability and resilience.

### **Importance of Upskilling for MSMEs:**

MSMEs face unique challenges in terms of scale, resources, and reach. Up skilling provides them with a competitive edge through:

**Enhanced Productivity through up skilling:** One of the most direct benefits of workforce up skilling in MSMEs is a tangible increase in employee productivity. Workers who receive targeted training are more capable of performing their tasks accurately and efficiently, which reduces operational bottlenecks and enhances overall workflow. For instance, a report by the International Labor Organization (ILO) observed that up skilling programs in small manufacturing firms led to significant improvements in both output quality and production speed (ILO, 2021). Trained employees are also better at problem-solving, resulting in fewer delays caused by miscommunication or errors. In MSMEs, where each worker often performs multiple roles, the value of cross-functional up skilling cannot be overstated. A well-rounded, knowledgeable workforce ensures that production or service delivery does not halt when a single employee is absent or overwhelmed. Therefore, up skilling not only improves productivity but also adds agility to business operations.

**Increased Innovation and Entrepreneurial Capacity:** Innovation is a key driver of growth and differentiation in today's fast-changing business environment. However, innovation in MSMEs often remains untapped due to skill limitations within the workforce. Up skilling can bridge this gap by fostering a culture of innovation and continuous improvement. Employees who are trained in areas such as digital literacy, data analysis, customer engagement, or lean manufacturing are more likely to propose new ideas, improve existing processes, and contribute to the development of new products or services. Research by the OECD (2020) indicates that MSMEs that invest in employee training report higher rates of innovation compared to those that do not, especially in sectors like ICT, textiles, and food processing.

Furthermore, a skilled workforce is better positioned to identify market gaps and technological trends, enabling MSMEs to stay ahead of their competitors. Innovation does not necessarily mean large-scale R&D; in MSMEs, it often manifests as incremental changes and localized solutions—which are more feasible and often more impactful in resource-constrained settings. Therefore, up skilling serves as a catalyst for grassroots innovation within MSMEs, empowering them to adapt and thrive in competitive markets.

**Adaptability in a Dynamic Economic Environment:** The ability to adapt to change is a survival skill for any business, and even more so for MSMEs, which often operate with thin margins and are highly susceptible to external shocks such as economic downturns, technological disruption, and global pandemics. A trained workforce is inherently more adaptable because it is better equipped to deal with changes in job roles, technologies, and market demands. For example, during the COVID-19 pandemic, MSMEs with digitally literate employees were able to transition more smoothly to e-commerce and remote working models than those that lacked such skills (UNIDO, 2021).

Up skilling in digital tools, customer relationship management, logistics, and basic data management can make a significant difference in an MSME's ability to pivot its business model or diversify its product offerings. Furthermore, training in soft skills like communication, critical thinking, and teamwork helps employees function effectively in new or uncertain environments. Thus, workforce up skilling enhances the strategic flexibility of MSMEs, enabling them to respond proactively to both risks and opportunities.

**Improved Customer Satisfaction and Loyalty:** In the service-driven and quality-conscious economy of the 21st century, customer satisfaction is a crucial determinant of business success. MSMEs, especially those operating in B2C markets, must ensure that their customer interactions are positive, reliable, and efficient. Trained employees can significantly contribute to this goal. Workers who are equipped with customer service training, emotional intelligence, and technical know-how are more likely to handle queries, complaints, and sales interactions professionally and effectively.

Moreover, skilled production staff can maintain higher standards of product quality, leading to fewer returns, fewer warranty claims, and greater brand reliability. A study conducted by the Harvard Business Review found that small businesses that invested in customer-facing training reported an average 20% increase in repeat business and customer retention (HBR, 2018). In this way, up skilling becomes a customer retention strategy, helping MSMEs build long-term relationships and reputational capital in their markets.

**Increased Employee Retention and Job Satisfaction:** Another often-overlooked benefit of up skilling is its impact on employee morale and retention. Employees are more likely to remain loyal to organizations that invest in their personal and professional growth. This is particularly important for MSMEs, which may not be able to compete with larger firms in terms of salaries and benefits. Up skilling can serve as a non-monetary incentive that adds to job satisfaction and employee engagement.

According to a report by LinkedIn (2021), 94% of employees said they would stay at a company longer if it invested in their learning and development. For MSMEs, where talent acquisition and retention are continuous challenges, creating a learning culture can mitigate high turnover rates and the costs associated with recruitment and onboarding. Furthermore, training programs can help identify and groom internal talent for leadership roles, thereby reducing dependency on external hiring and ensuring organizational continuity.

### **Effectiveness of Workforce Upskilling in MSMEs:**

The effectiveness of up skilling in MSMEs can be analyzed through multiple lenses, including individual performance, organizational outcomes, and long-term sustainability. Research and case studies from various countries suggest the following:

**Skill Relevance and Performance Improvement:** The success of any upskilling initiative largely depends on the relevance of the training content to employees' day-to-day responsibilities and the strategic direction of the business. When training programs are tailored to meet the specific needs of the enterprise—whether in production techniques, digital literacy, or customer interaction—employees exhibit marked improvements in task execution and problem-solving.

According to a study conducted by the International Labor Organization (ILO, 2021), MSMEs that align training with business functions report up to a 30% increase in individual worker productivity. The customization of training ensures that workers are not learning generic concepts but acquiring skills that have immediate applicability in their roles. For example, a textile MSME that trains its machine operators in advanced sewing techniques or quality control measures sees faster production cycles and reduced product defects. This targeted approach to skill development reinforces the idea that effective up skilling is not about more training—but about the right training.

**Job Satisfaction and Workforce Engagement:** Another important indicator of up skilling effectiveness is the psychological and emotional impact it has on employees. Training programs not only enhance technical capabilities but also instill a sense of value and belonging among workers. Employees feel more confident in their roles and more optimistic about career advancement, resulting in higher job satisfaction and stronger engagement.

Research by LinkedIn Learning (2021) reveals that 94% of employees would stay longer in a company that invests in their professional development. This statistic is particularly important for MSMEs, which often face high employee turnover due to wage competition from larger firms. By fostering a learning culture, MSMEs can build loyalty and create an environment where workers are intrinsically motivated to contribute their best efforts.

Engaged workers also demonstrate greater accountability and creativity. They are more likely to take ownership of their work and collaborate effectively with team members, leading to a more cohesive and productive workplace culture. This shift from transactional to relational work attitudes is a clear sign of the intangible, yet powerful, impact of effective up skilling programs.

**Productivity Gains and Operational Efficiency:** Perhaps the most measurable outcome of workforce up skilling is the improvement in operational productivity. MSMEs that invest in structured training programs frequently report positive changes in key performance metrics such as production time, output volume, and error rates.

For instance, a study by the OECD (2020) noted that small manufacturing enterprises that implemented technical training programs observed a 15–25% reduction in production errors and a similar increase in output. Trained employees are more adept at using machinery, minimizing waste, and maintaining safety standards, all of which contribute to smoother operations and cost savings.

Moreover, up skilled workers can multitask and assume a wider range of responsibilities, allowing MSMEs to operate more efficiently with fewer staff. This is particularly advantageous in environments where labor shortages or absenteeism can disrupt business continuity. Up skilling also helps MSMEs adopt lean management practices and quality control systems, thereby enhancing both speed and precision in their operations.

**Business Growth and Strategic Impact:** The ultimate test of up skilling effectiveness lies in its impact on broader business outcomes such as revenue growth, market expansion, and customer retention. Enterprises that prioritize up skilling often find themselves better equipped to innovate, enter new markets, and respond

to customer demands more effectively.

A case study by the National Skill Development Corporation (NSDC, 2022) found that MSMEs engaged in continuous employee development saw an average annual revenue increase of 12–18% compared to those that did not. Up skilled employees contribute not just to the operational side of the business but also to strategic initiatives—suggesting new product ideas, improving customer service protocols, and even participating in sales or branding efforts.

Furthermore, businesses with a skilled and responsive workforce enjoy stronger relationships with clients. The ability to meet deadlines, deliver quality consistently, and offer customized solutions leads to increased customer satisfaction and repeat business. In competitive industries, these factors translate directly into business growth and sustainability.

### **Challenges in Implementing Upskilling Initiatives:**

Despite the clear advantages, MSMEs face several obstacles that limit the success of upskilling efforts:

- a) **Financial Constraints:** Most MSMEs operate on tight budgets. Training is often seen as an expense rather than an investment, especially when immediate returns are not evident. The cost of training materials, expert instructors, and employee time away from work deters many businesses from engaging in up skilling.
- b) **Lack of Institutional Support:** Access to training programs and partnerships with educational institutions or government bodies is often limited for smaller enterprises, especially in rural and semi-urban areas.
- c) **Time Constraints:** Given the lean staffing structures of MSMEs, releasing workers for training without disrupting operations is a significant challenge.
- d) **Low Awareness and Motivation:** Both employers and employees may lack awareness of the benefits of up skilling or may not see the need for change. In some cases, there is a cultural resistance to adopting new methods or technologies.
- e) **Skill Mismatch:** Training programs are sometimes too generic or theoretical, failing to meet the specific needs of MSMEs in particular sectors.

### **Outcomes of Upskilling in MSMES:**

When implemented effectively, up skilling produces multiple outcomes:

- a) **Improved Employee Performance:** Employees become more confident, efficient, and innovative. They are better equipped to handle new tools, systems, and processes.
- b) **Organizational Competitiveness:** Up skilled workers contribute to improved product quality, cost savings, and faster time-to-market, all of which enhance competitiveness.
- c) **Innovation and Technological Adoption:** With trained staff, MSMEs are more likely to adopt and integrate new technologies, leading to digital transformation and modernized operations.
- d) **Better Work Culture** Continuous learning fosters a culture of growth, accountability, and collaboration, which in turn improves morale and reduces turnover.
- e) **Economic and Social Impact:** On a broader scale, effective upskilling enhances the employability of

the local workforce, contributes to economic development, and supports inclusive growth.

### **Government and Institutional Role:**

Recognizing the importance of MSMEs and workforce development, governments and organizations have introduced several initiatives:

- **Skill Development Missions:** National-level programs offering subsidized or free training for workers in MSMEs.
- **Public-Private Partnerships (PPPs):** Collaborations between governments, training institutions, and industries to design sector-specific training.
- **Incubation and Mentorship Programs:** Encouraging MSMEs to innovate while providing support for skill development.
- **Digital Platforms:** E-learning platforms provide affordable access to training for remote and resource-constrained MSMEs.

These efforts, however, need to be more widespread, better integrated, and customized to sectorial and regional needs.

### **Recommendations:**

Based on this descriptive analysis, the following recommendations are proposed:

1. **Policy Support and Incentives:** Governments should offer tax incentives, grants, or co-funding schemes for MSMEs investing in up skilling.
2. **Tailored Training Modules:** Training programs should be designed based on industry-specific needs and delivered through flexible modes.
3. **Awareness Campaigns:** Highlighting the benefits of up skilling through success stories, case studies, and data-driven communication.
4. **Leveraging Technology:** MSMEs should adopt digital learning platforms to reduce costs and reach geographically dispersed employees.
5. **Monitoring and Evaluation:** Regular assessment of training outcomes to ensure relevance, effectiveness, and continuous improvement.

### **Conclusion:**

Workforce up skilling in MSMEs is both a challenge and an opportunity. While these enterprises face numerous constraints in implementing effective training programs, the potential rewards—in terms of improved performance, competitiveness, and innovation—are immense. Up skilling is not merely about acquiring new knowledge or technical abilities; it is about transforming mindsets, creating adaptive organizations, and fostering long-term resilience.

For MSMEs to continue driving inclusive economic growth, concerted efforts must be made by all stakeholders—business owners, employees, governments, and educational institutions—to prioritize and invest in human capital development. The success of MSMEs, and by extension the national economy, hinges on how effectively we equip the workforce of today to meet the demands of tomorrow.



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