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Human capital development for SMEs in Pakistan: is the “one-size-fits-all” policy adequate?

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Abstract
Purpose – Pakistan adopted “one-size-fits-all” policy for human capital (HC) development with the assumption that the level of HC is equal across industry and firm size. The purpose of this paper is to test this major assumption on which this policy is based, by comparing the differences in the levels of HC, overall and by dimensions of HC, by industry and firm size.

Design/methodology/approach – The study is based on new data set of a sample of 750 manufacturing SME firms in Pakistan, compiled through a survey. Applying the independent sample t-test, one way analysis of variance and multivariate analysis of variance, the hypotheses of differences in levels of overall and dimensions of HC were tested.

Findings – The results indicate significant differences in the levels of HC by industry and firm size. The levels of HC were found to be higher in textiles, food, metal and leather industries, and for medium-sized firms.

Practical implications – The findings provide supporting evidence on the inadequacy of the current human capital development (HCD) policy in Pakistan. The study therefore recommends customized HCD policies, accounting for differences across industry and firm size.

Originality/value – By taking the data on nine major dimensions of HC from 750 manufacturing sector SMEs, the study tests the level of overall HC and its nine dimensions by industry and size. The study also challenges the “one-size-fits-all” policy of the government of Pakistan for developing HC in SMEs.

Keywords Manufacturing, SMEs, Industry, Pakistan, MANOVA, ANOVA, Human capital

1. Introduction
A numbers of studies (Delery and Shaw, 2001; Kinnie et al., 2005; Wizarat, 2002) refute the “one-size-fits-all” policy for human capital development (HCD), on grounds that the latter should account for inter-industry differences. These studies advocate for policies to take into account the size and ownership of firms, and nature of industry. Conversely, some researchers argue that one comprehensive policy is more appropriate to tackle HCD than a number of specific policies. Identifying the levels of human capital (HC) across industries can therefore serve as an important guide for devising an appropriate HCD policy. In Pakistan, HCD policies have been based on “one-size-fits-all” approach for small and medium enterprises (SMEs) since 2004. It has not brought any difference to the development state of the SMEs. Approximately 95 percent of SMEs in Pakistan cannot survive in first year of their inception, due to deficiency in HC (Khalique et al., 2011; Khan et al., 2013; Khan and Khan, 2012). The approach also seems