

Dalberg

# Apprenticeship in India: value, learnings, and way forward

WEBINAR

28 MAY 2020



Department  
for International  
Development



UK Government

Supported under 'Skills for Jobs'

# Uptake of apprenticeship has more than doubled due to recent government initiatives, but significant untapped potential

Supported under 'Skills for Jobs'

**Formal apprenticeship in India is six decades old**

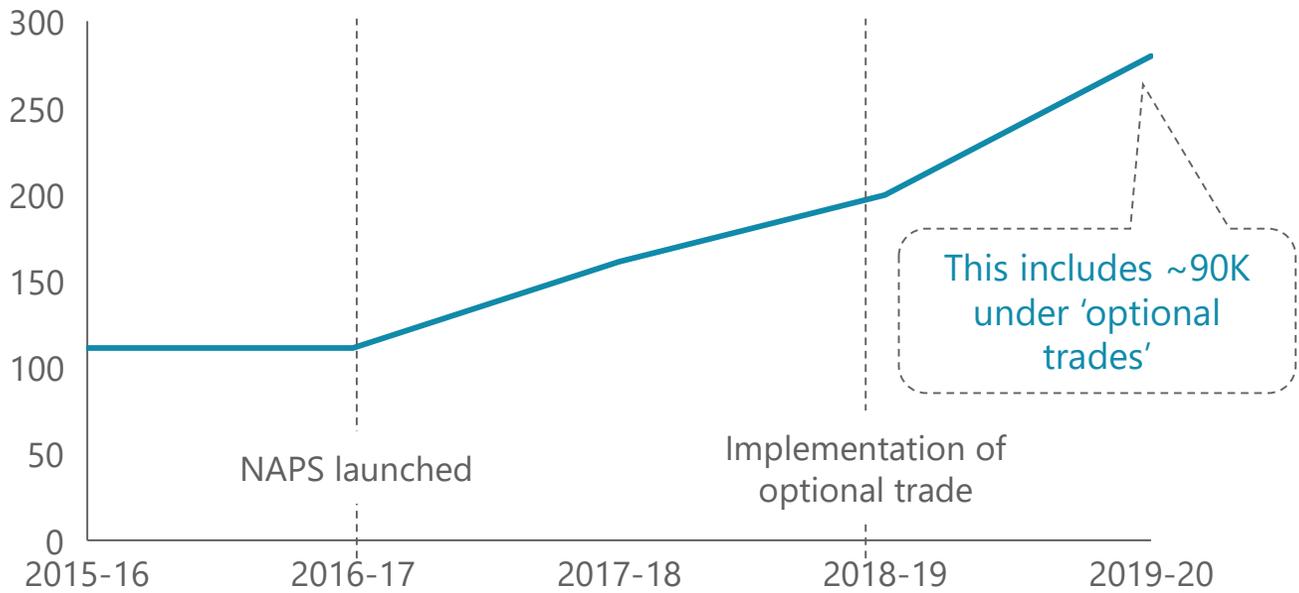
**2014 Act amendment (and 2019 rules amendment) expanded scope** (e.g., increase in upper limit, introduction of optional trades) and made apprenticeship more industry-friendly

**NAPS launched in 2016 to incentivize employers**

## Uptake of trade apprenticeship up from 1.1L to 2.8L in last 5 years

Total apprentices engaged (DT and OT)

(In 000s)



**Significant headroom for growth – 3-8x current scale**

Sources: Dalberg research, Dalberg analysis, DT and OT data received from NSDC

# In this context, we answer 4 questions through the study

1



**Value:** What are the key benefits to employers and what is the quantum?

2



**Best practices:** What practices do leading employers adopt to extract maximum value from apprenticeship?

3



**Challenges:** What key barriers do employers face in operating and scaling apprenticeship programmes?

4



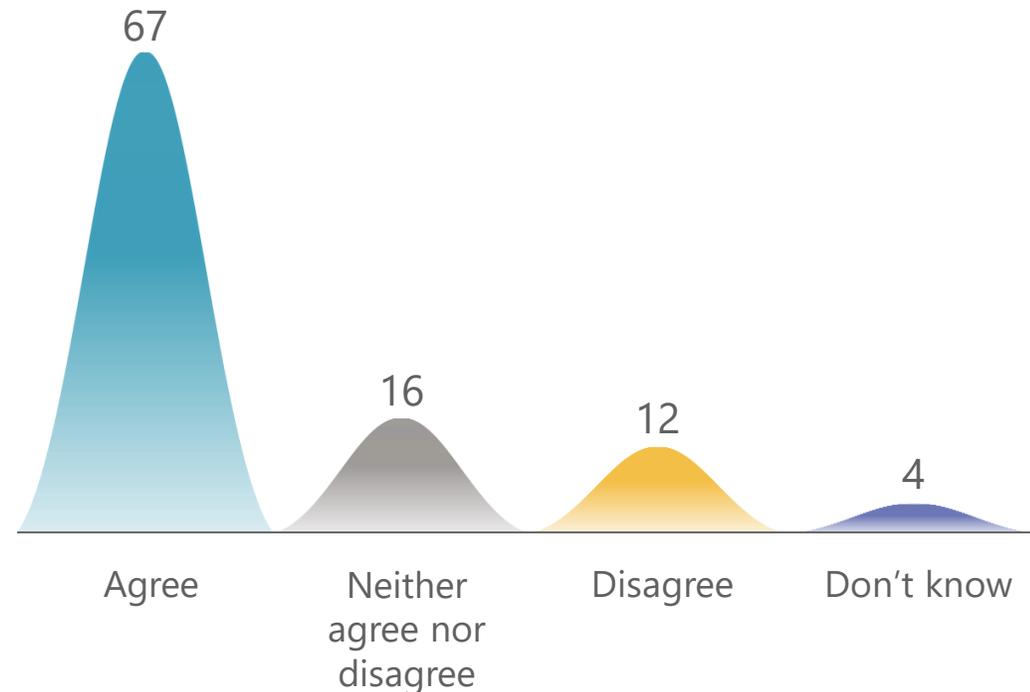
**Recommendations:** What can government and other ecosystem actors do to further unlock value for employers and scale apprenticeship?

# Two-thirds of companies surveyed believe there is net positive value in apprenticeship; 57% see long-term gains

## 67% employers surveyed see net value in apprenticeship; only 12% do not see value

### Net value in apprenticeship

n=89

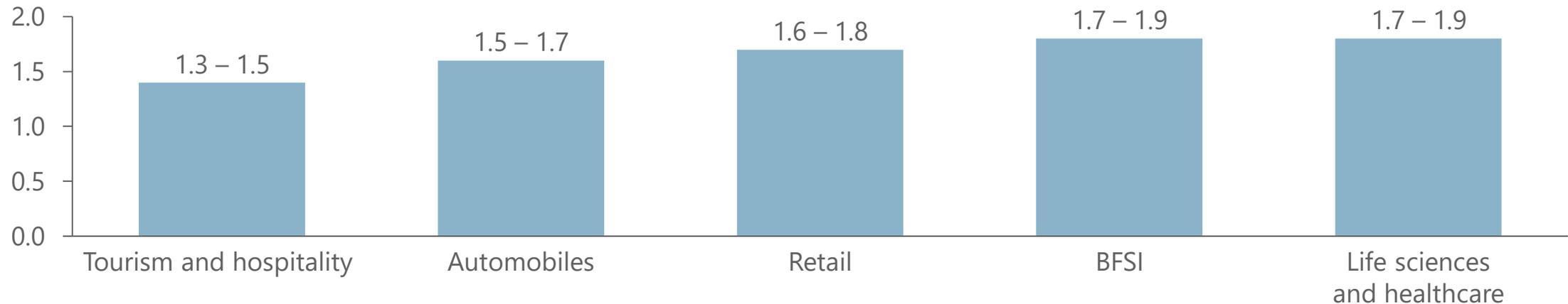


- Lower recruitment costs, better long-term performance, and significant productivity gains were rated as the top 3 benefits by employers
- 57% of enterprises see long-term gains, including better performance and/or higher retention
- Large companies ranked better long-term performance and higher retention rates as their top two benefits

# Employers reap gains within the apprenticeship period itself, with benefit-cost ratios of 1.3-1.9x driven by 5 factors

## The healthy benefit-cost ratios ...

### Benefit-to-cost ratio during the apprenticeship period



### ... are driven primarily by five factors



Quick productivity  
ramp up



**60-80%**  
completion rates



**20-50%**  
absorption rates



Stipends **30-50%**  
lower than FTE salaries



Lower recruitment  
cost viz regular hires

Notes: We modelled the following drivers of benefit and cost: Benefits: Productive contribution of apprentices, completion rates, saved recruitment cost, Costs: Sourcing, stipends, training (classroom and on the job), compliance and overheads; Assumptions are based on survey results, employer interviews, analysis of annual reports  
Sources: Dalberg cost-benefit model, Dalberg employer survey, enterprise interviews, secondary research on FTE salaries

# Even internationally, studies indicate healthy returns on apprenticeship for employers



Studies in the UK found apprenticeships to be sound investments to businesses, with **returns ranging from 5% to 25%** across different sectors.

- *Measuring the costs and benefits of apprenticeship training, ILO (2019)*

Assessing the enterprise's economic and social  
benefits of apprenticeships:  
an exploratory approach for India

Dr. Sandra Rothboeck,  
ILO Consultant

Improved working conditions, safety and health, training  
and performance in SMEs: in search of a win-win scenario in  
developing and transition economies  
9-10 May 2013, Geneva, Switzerland

In Canada, **CAD 1 invested** in apprenticeship gave a **benefit of CAD 1.38 (2006)**  
**and CAD 1.46 (2009)**

- *Assessing the enterprise's economic and social benefits of apprenticeships: an exploratory approach for India, ILO (2013)*



The average Swiss firm generates a net benefit of **EUR 2,300** per year per apprentice. **70%**  
of Swiss firms already **generate a net benefit** from training apprentices

- *The cost and benefits of work-based learning, OECD (2016)*

## Leading enterprises take a longer term, strategic view to apprenticeship and are deeply invested in career building



### Long-term view

Leading employers take strategic long-term view and consider apprenticeship as a means of talent pipeline development



### Ecosystem lens

Some enterprises support apprentices in finding jobs within the ecosystem



### Context-specific sourcing

Selection processes in line with their unique contexts/roles; make aspirational but relatable pitches



### High-quality training

Trainings go beyond mandated curriculum; refreshers and online modules; training on soft skills



### Inclusive culture

Non-discriminatory culture helps motivate apprentices



### “Line of sight”

Visibility to apprentices in terms of their professional growth; pre-completion offers; support participation in international competitions

## Policies lack clarity and regulations are slightly restrictive; there is scope to simplify processes and improve user experience



1

Multiple schemes, bodies, portals, and types of trades leave employers, especially MSMEs, confused



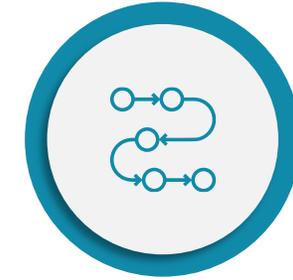
2

Limited flexibility to engage apprentices as per needs (e.g., no provision for part-time apprenticeship)



3

There is scope to improve the UI/UX of the old portal – but portals now being integrated



4

Stipend reimbursement processes are tedious, and reimbursements uncertain

## Quality and quantity of applications is not satisfactory; potential employers are unaware and perceive low value



5

Employers are not receiving enough applications from the government portal for the roles on offer



6

Employers dissatisfied with the quality of incoming apprentices; non-completion rates are high for some



7

Lack of awareness and low perceived value impede uptake amongst potential employers

**The government can take eight key actions to improve the employer experience and scale apprenticeship**

## Prioritise: The government can use a targeted scale-up approach, focusing on larger enterprises and untapped geographies

1



### Tap larger enterprises for growth in the near to mid term

- Only 40% registered large enterprises currently engage; low 'density' @ 2.5% of workforce
- They can be 'champions' for their industry and ecosystems

2



### Target under-represented geographies for scale-up

- Support and incentivize TPAs to engage industry in under-represented states

## Reposition: The government should move from an 'incentive driven' to a 'value-based approach' and rebrand apprenticeship

3



### Take and communicate a value-based approach V/s an incentive-driven one

- Use reimbursements selectively e.g., to promote equity and excellence

4



### "Rebrand" and reposition apprenticeship amongst apprentices and employers

- Apprentices: aspirational, promising
- Employers: value adding

## Streamline and simplify: Alleviate operational pain points of employers; simplify and consolidate apprenticeship policy

5



**Improve the UI/UX of portals and consolidate them (in progress)**

6



**Improve employer-candidate match-making through smarter algorithms**

7



**Rationalise and simplify regulation (consolidate schemes, simplify classification of trades, single window for employers)**

8



**Expand eligibility to include those in the formal workforce and part-timers**

# **Annexure: Methodology**

# Project context, objectives, and methodology



## Context

- Formal apprenticeship in India is six decades old
- Recent efforts have helped scale 'trade apprenticeship' from 1.1L in 2015-16 to ~2L in 2018-19 and ~2.8L in 2019-20 (including ~90K under 'optional trades')
- However, uptake remains low and significantly below NAPS targets, a key reason being **lack of awareness around the value apprentices** can create for employers. There is limited evidence in India



## The study looks to answer 4 questions

- **Value:** What are the key benefits to employers and what is the quantum?
- **Best practices:** What practices do leading employers adopt to extract maximum value from apprenticeship?
- **Challenges:** What key barriers do employers face in operating and scaling apprenticeship programmes?
- **Recommendations:** What can government and other ecosystem actors do to further unlock value for employers and scale apprenticeship?



## Approach and methodology

- Analysed **5 key sectors:** Automobiles, Lifesciences & Healthcare, Tourism & Hospitality, BFSI, Retail
- **Mixed methods approach:** employer survey, case studies, expert interviews, secondary research
- Conducted from **December 2019 to March 2020**

# We conducted an employer survey and interviews with employers, as well as expert interviews and literature review



**BFSI**



**Automobile**



**Life sciences & healthcare**



**Retail**



**Tourism & hospitality**



**Online survey**



**Case studies**



- **89 enterprises** across the 5 sectors, listed on the DGT and NSDC databases
- Included questions on (1) **scale and motivations of engagement**, (2) **value derived from apprenticeship**, and (3) **challenges faced**

- In-depth interviews with HR teams of **11 enterprises**
- Areas of enquiry included (1) **programme structure**, (2) **benefits and costs of apprenticeship**, (3) **drivers of success**, and (4) **challenges faced**

In addition, we reviewed literature on apprenticeship, and conducted interviews with key stakeholders and experts

# We studied the apprenticeship programmes of 11 leading organisations across sectors to unpack their “secret sauce”

We conducted in-depth interviews with 11 enterprises ...



... to understand:

Programme design

Key benefits from apprenticeship

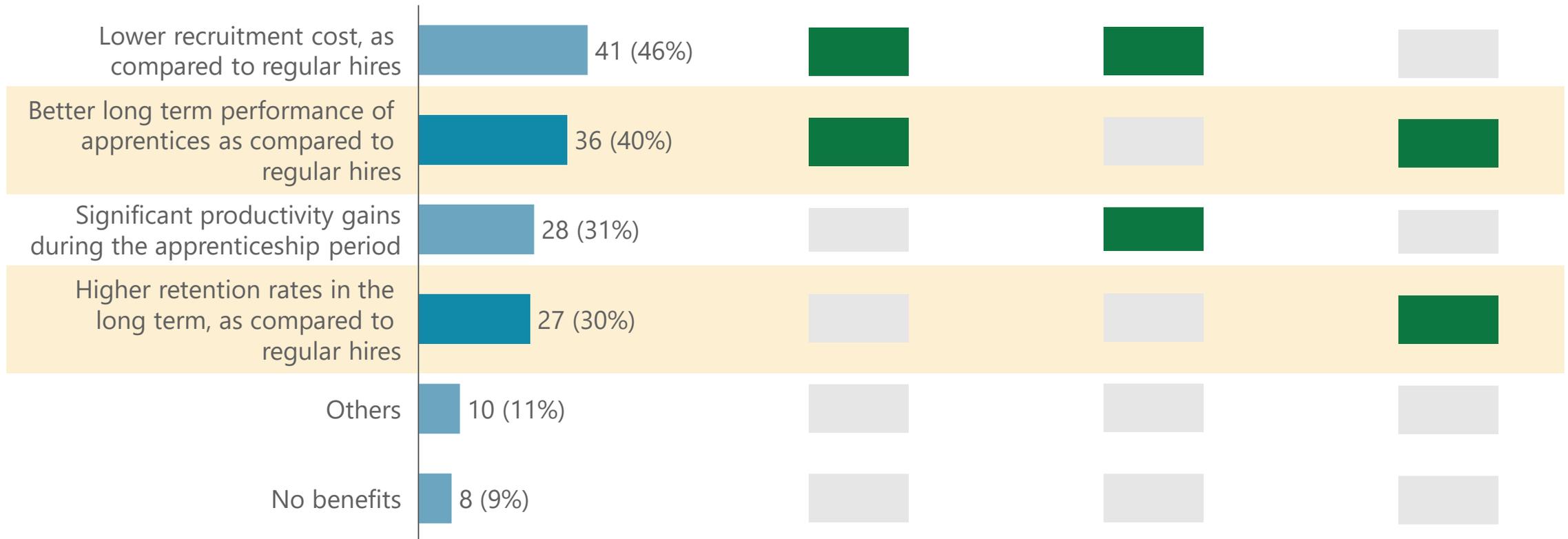
Success enablers

# Large companies ranked better long term performance and higher retention rates as their top two benefits

## Top two benefits by size

### Main benefits from apprenticeship

Number of enterprises rating the benefit amongst top 3, n = 89

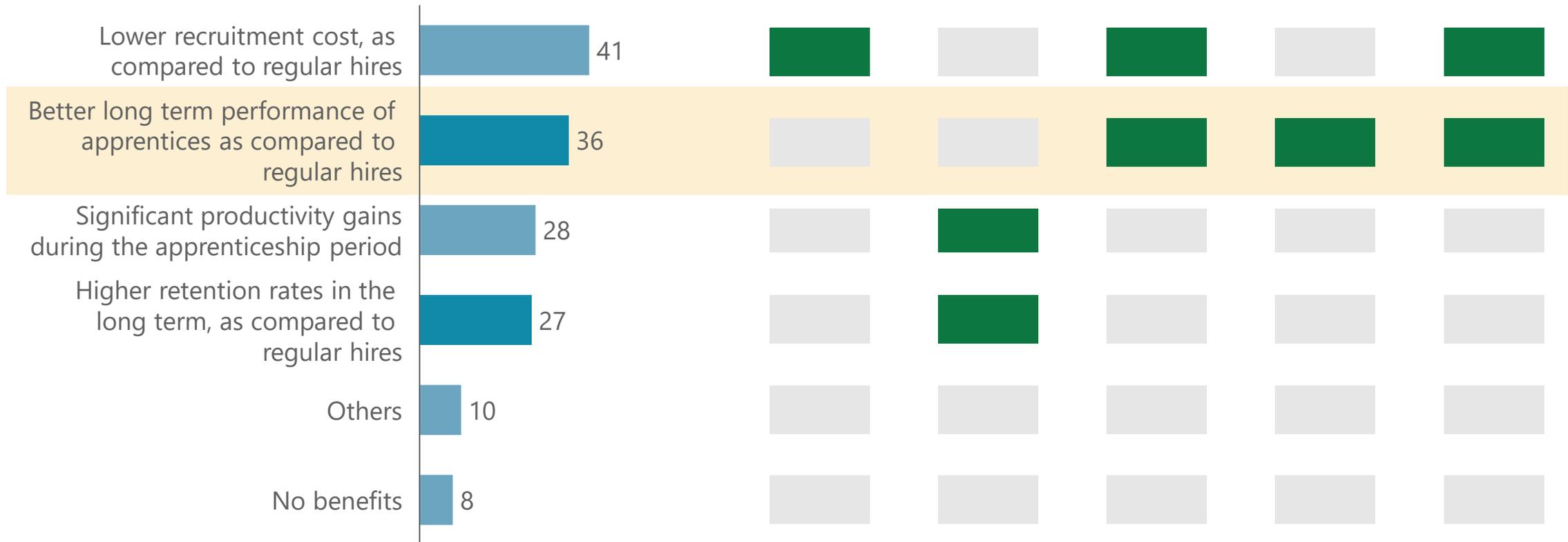


# Enterprises in life sciences & healthcare, tourism & hospitality and retail sectors ranked better long-term performance as a key benefit

## Top two benefits by sector

### Main benefits from apprenticeship

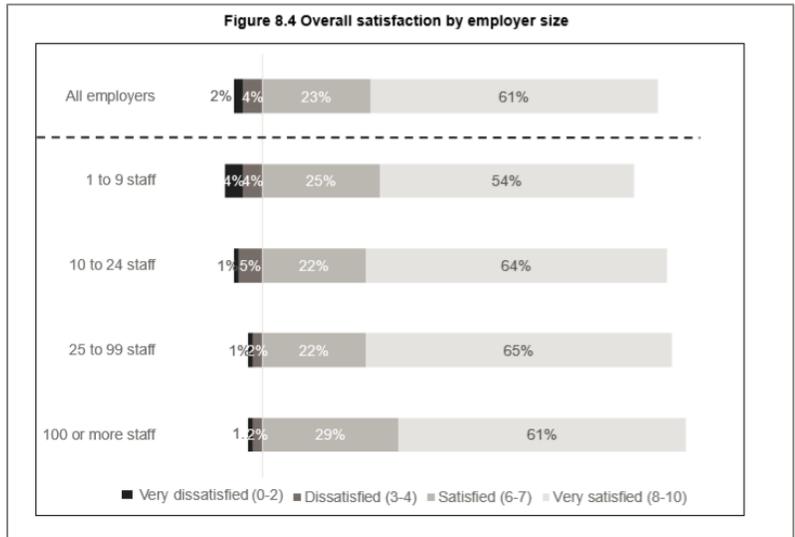
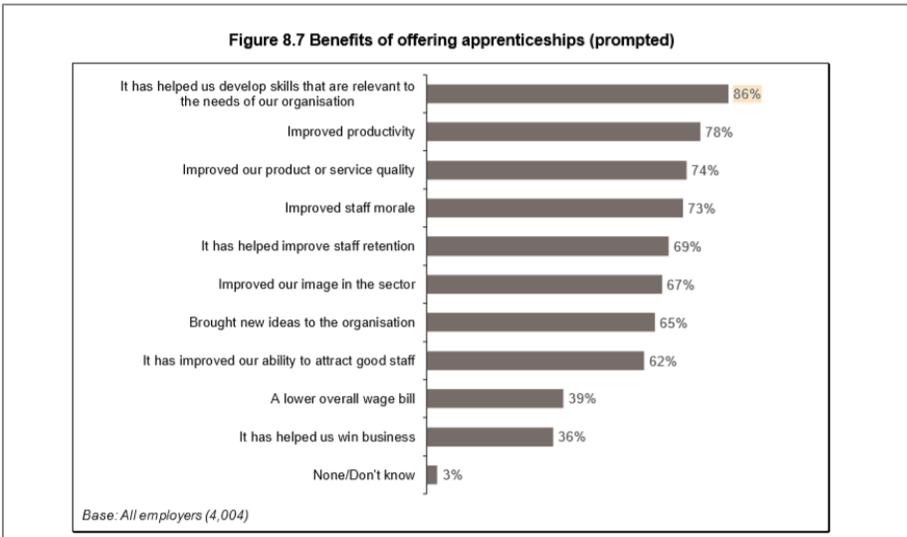
Number of enterprises rating the benefit amongst top 3, n = 89



# In the UK, a larger share of companies see value in apprenticeship, indicating scope for improvement in India

**86%** of employers said apprenticeships developed skills relevant to their organisation and **78%** reported improved productivity

**84%** employers were satisfied with their apprenticeship programme **85%** were either 'likely' or 'extremely likely' to recommend their training provider to another employer



Source: Apprenticeship Evaluation Research Report, 2017, Department of Education, UK  
 Note: Number of employers surveyed: 4004