

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

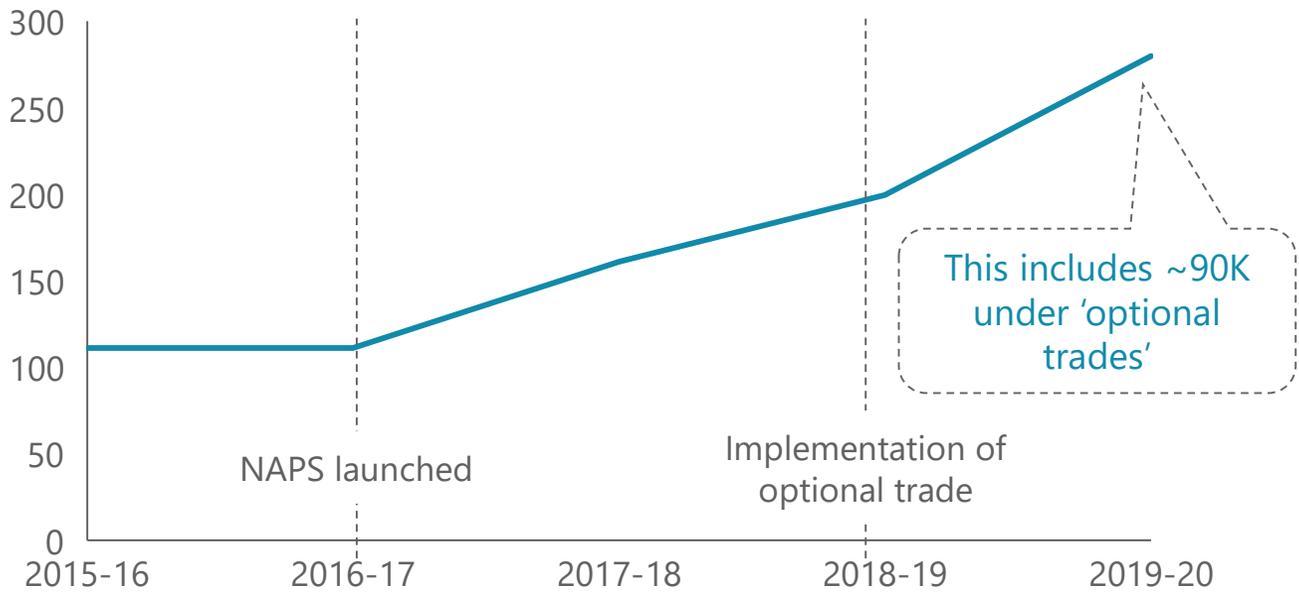
2014 Act amendment (and 2019 rules amendment) expanded scope (e.g., increase in upper limit, introduction of optional trades) and made apprenticeship more industry-friendly

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



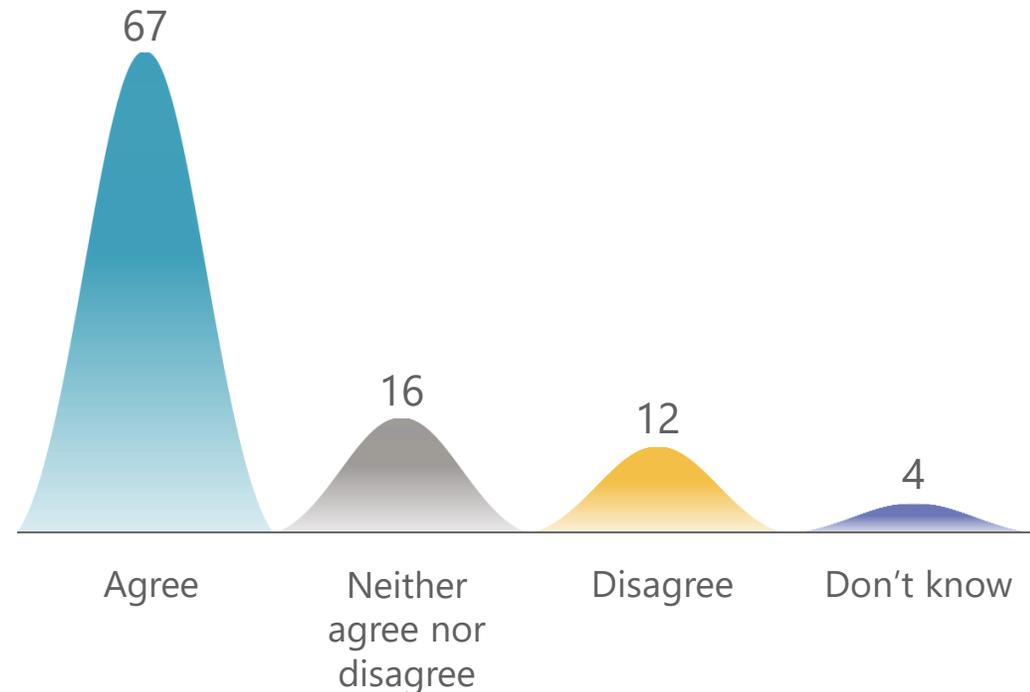
Recommendations: What can government and other ecosystem actors do to further unlock value for employers and scale apprenticeship?

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

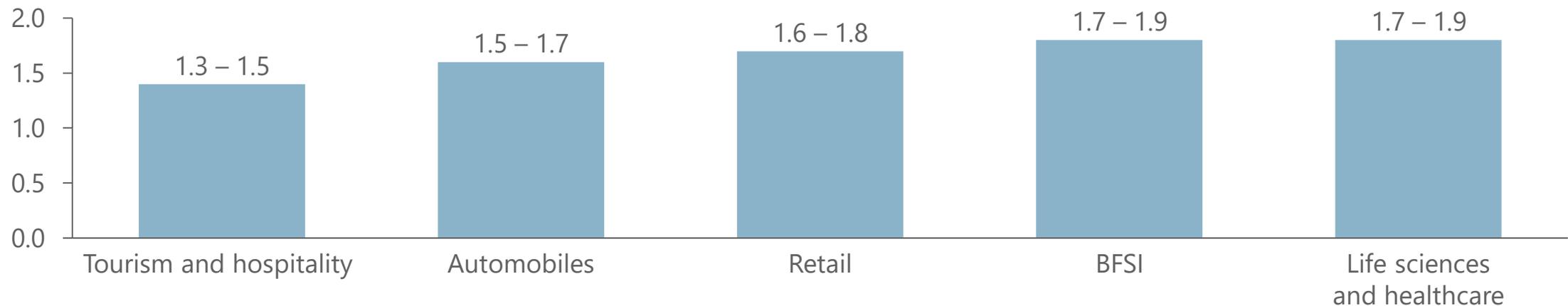


- Lower recruitment costs, better long-term performance, and significant productivity gains were rated as the top 3 benefits by employers
- 57% of enterprises see long-term gains, including better performance and/or higher retention
- Large companies ranked better long-term performance and higher retention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

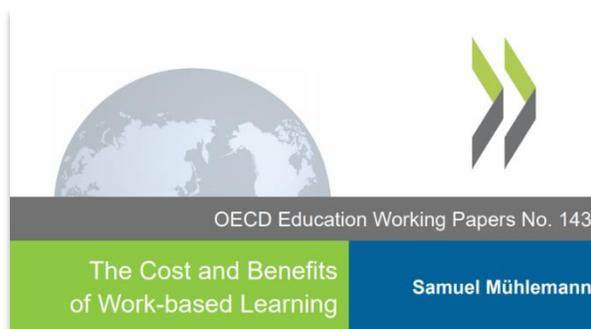
Assessing the enterprise's economic and social
benefits of apprenticeships:
an exploratory approach for India

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



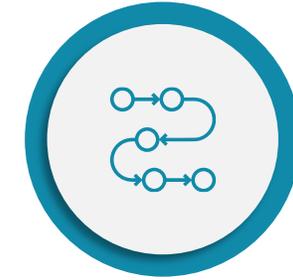
2

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

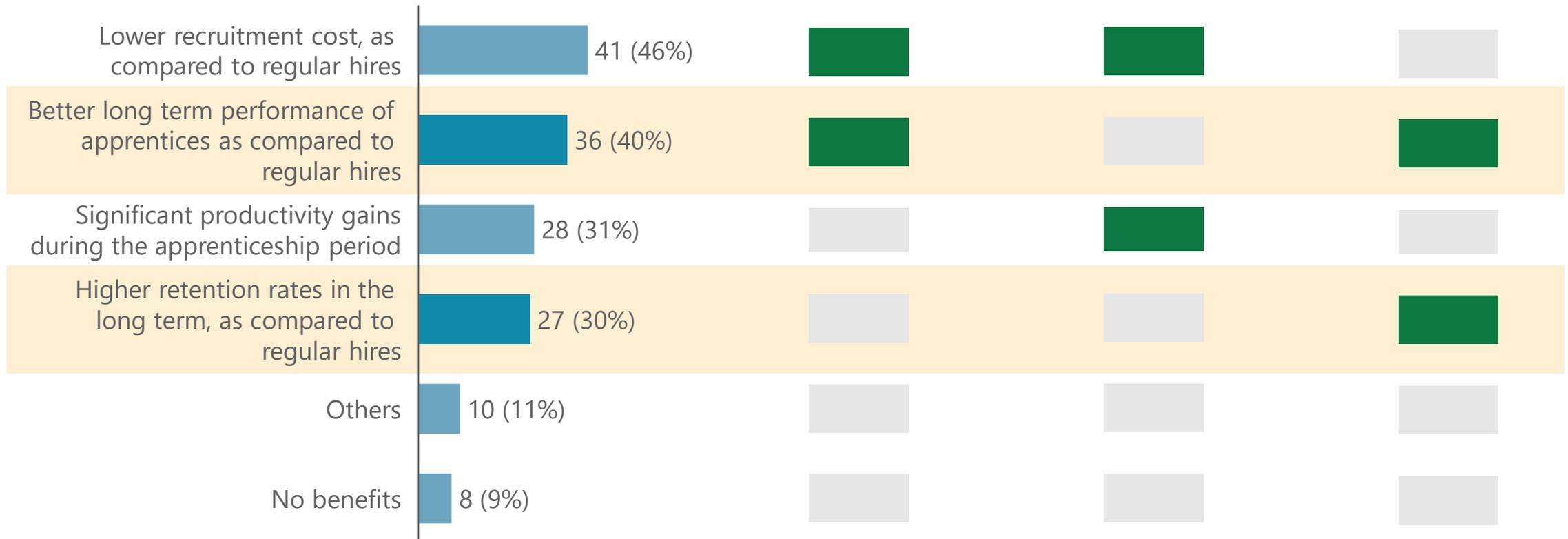
Success enablers

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

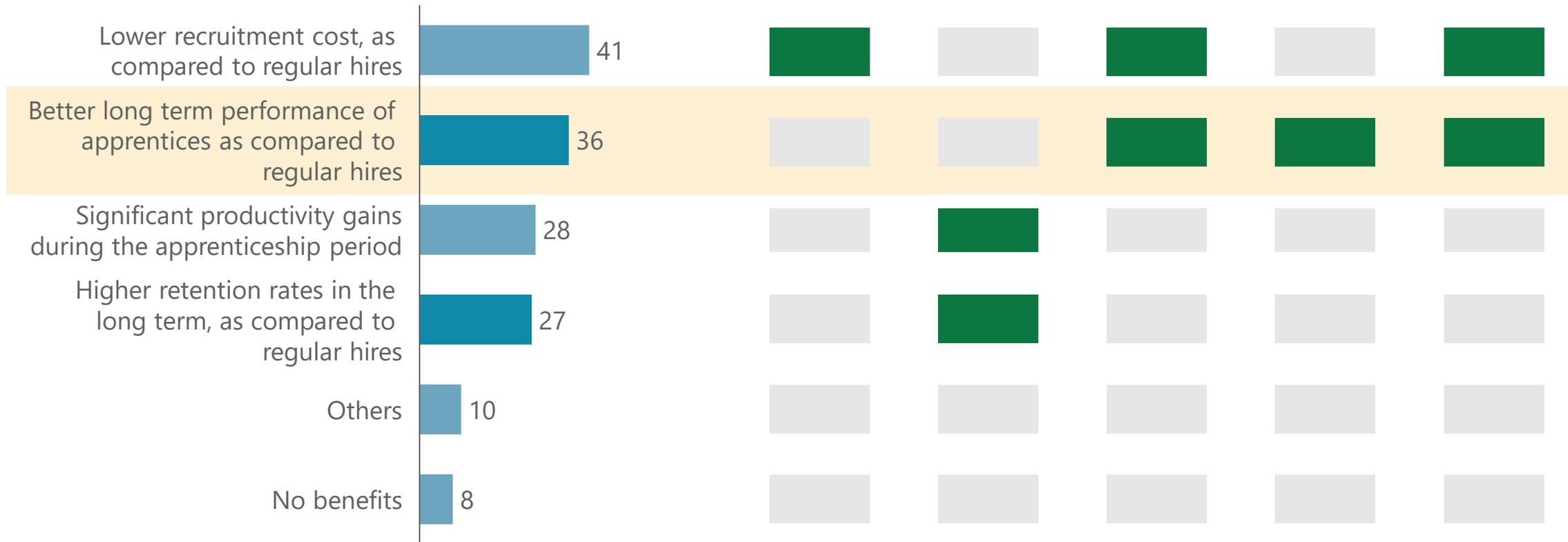


Enterprises in life sciences & healthcare, tourism & hospitality and retail sectors ranked better long-term performance as a key benefit

Top two benefits by sector

Main benefits from apprenticeship

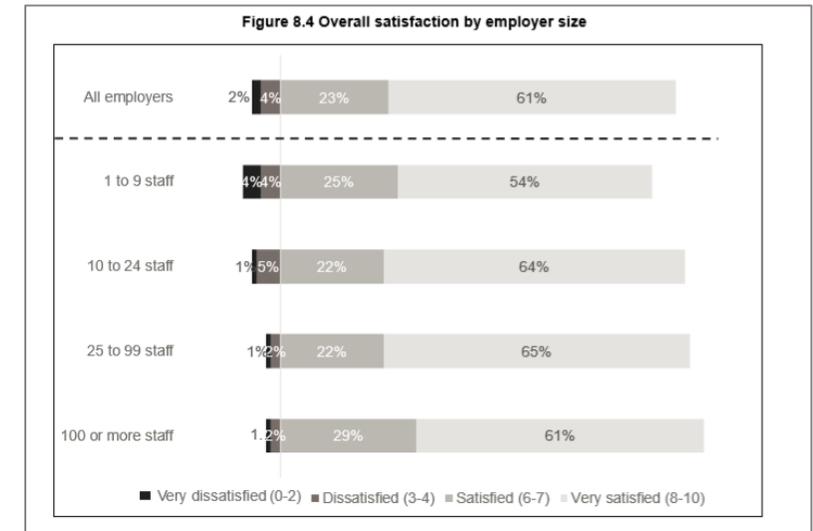
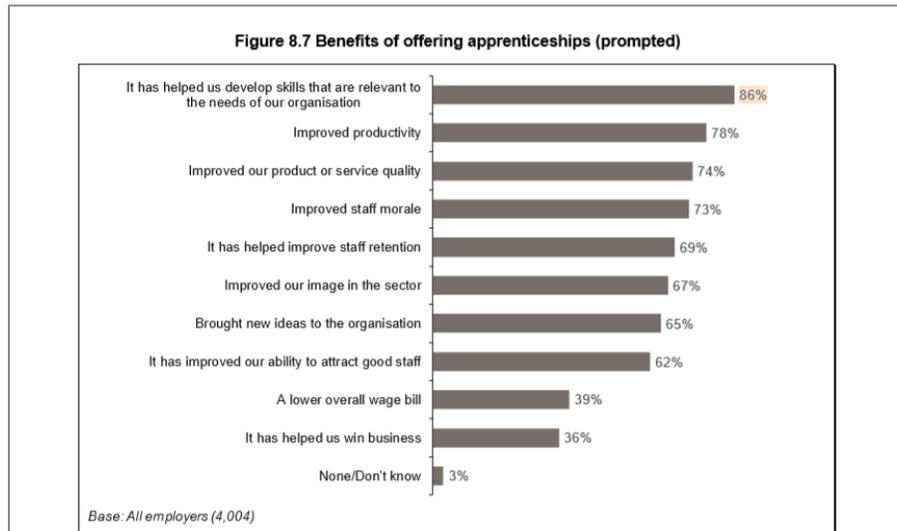
Number of enterprises rating the benefit amongst top 3, n = 89



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