Apprenticeship in India: value, learnings, and way forward
Uptake of apprenticeship has more than doubled due to recent government initiatives, but significant untapped potential

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

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

- 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

Sources: Dalberg employer survey, enterprise interviews
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)

*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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
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<tbody>
<tr>
<td>Long-term view</td>
<td>Leading employers take strategic long-term view and consider apprenticeship as a means of talent pipeline development</td>
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<tr>
<td>Ecosystem lens</td>
<td>Some enterprises support apprentices in finding jobs within the ecosystem</td>
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<td>Context-specific sourcing</td>
<td>Selection processes in line with their unique contexts/roles; make aspirational but relatable pitches</td>
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<td>High-quality training</td>
<td>Trainings go beyond mandated curriculum; refreshers and online modules; training on soft skills</td>
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<tr>
<td>Inclusive culture</td>
<td>Non-discriminatory culture helps motivate apprentices</td>
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<tr>
<td>“Line of sight”</td>
<td>Visibility to apprentices in terms of their professional growth; pre-completion offers; support participation in international competitions</td>
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</tbody>
</table>

Source: Dalberg interviews, Dalberg analysis
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.

Source: Secondary research on the Apprentices Act and rules and international apprenticeship systems, stakeholder interviews, Dalberg analysis of the website, Dalberg employer survey, enterprise interviews.
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

Source: Dalberg employer survey, enterprise interviews, Review of existing literature on apprenticeship in India
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

Source: Data from Apprenticeship Portal, MSDE accessed on December 2, 2019, Enterprise interviews
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

Source: Data from Apprenticeship Portal, MSDE accessed on December 2, 2019, Enterprise interviews
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

Source: Data from Apprenticeship Portal, MSDE accessed on December 2, 2019, Enterprise interviews
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.

**Sectors**
- BFSI
- Automobile
- Life sciences & healthcare
- Retail
- Tourism & hospitality

**Methods**
- Online survey
- Case studies

**Activities**
- 89 enterprises across the 5 sectors, listed on the DGT and NSDC databases
- In-depth interviews with HR teams of 11 enterprises
- Included questions on (1) scale and motivations of engagement, (2) value derived from apprenticeship, and (3) challenges faced
- 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.

*Note: Refer for sector selection criteria and list of stakeholders and enterprises interviewed.*
We studied the apprenticeship programmes of 11 leading organisations across sectors to unpack their “secret sauce”

We conducted in-depth interviews with 11 enterprises ...
Large companies ranked better long term performance and higher retention rates as their top two benefits

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<th>Main benefits from apprenticeship</th>
<th>Top two benefits by size</th>
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<td>Micro, small and others</td>
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<tr>
<td></td>
<td>Medium</td>
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<td>Large</td>
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<td>Number of enterprises rating the</td>
<td>n = 33</td>
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<td>benefit amongst top 3, n = 89</td>
<td>n = 29</td>
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<td>n = 27</td>
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<td>Lower recruitment cost, as</td>
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<td>compared to regular hires</td>
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<td></td>
<td>41 (46%)</td>
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<td>Better long term performance of</td>
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<td>apprentices as compared to regular</td>
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<td>hires</td>
<td>36 (40%)</td>
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<td>Significant productivity gains</td>
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<td>during the apprenticeship period</td>
<td>28 (31%)</td>
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<td>Higher retention rates in the</td>
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<td>long term, as compared to regular</td>
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<td>hires</td>
<td>27 (30%)</td>
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<td>Others</td>
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<td>10 (11%)</td>
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<td>No benefits</td>
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<td>8 (9%)</td>
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Sources: Dalberg employer survey
Enterprises in life sciences & healthcare, tourism & hospitality and retail sectors ranked better long-term performance as a key benefit

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<th>BFSI n = 12</th>
<th>Automobile n = 14</th>
<th>Life sciences &amp; healthcare n = 28</th>
<th>Tourism &amp; hospitality n = 19</th>
<th>Retail n = 16</th>
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Sources: Dalberg employer survey
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

Note: Number of employers surveyed: 4004