

TeamLease's Manish Sabharwal on Taking Training -- and Jobs -- to the People

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Manish Sabharwal, co-founder and chairman of India's largest temporary staffing company, TeamLease Services of Bangalore, recently entered into an agreement with the Gujarat state government to set up a vocational education university with 22 community colleges across the state. This will be India's first university focused on vocational education and will offer two-year associate's degree programs in collaboration with employers. In March last year, TeamLease acquired a controlling stake in the Indian Institute of Job Training, a vocational training services provider, and Sabharwal sees the university venture as the logical next step. In a discussion with India Knowledge@Wharton, Sabharwal (who sits on the advisory board of India Knowledge@Wharton) talks about the rationale behind his new venture, the business model and how it creates incentives for all participants.

Below is an edited transcript of the conversation.

India Knowledge@Wharton: What brought about your plan to set up TeamLease University and its 22 community colleges in Gujarat?

Manish Sabharwal: We've hired somebody every five minutes for the past five years, but we've only hired 5% of the people who came to us for a job. And it became clear [to us] that unemployability was a bigger problem than unemployment. That's when I started spending 25% of my time on public policy reforms. But it also became clear that it is going to take time for the state system to change. It became obvious that we would have to do something ourselves, and that is when we bought IJIT [Indian Institute of Job Training]. Now we have 200 centers with blended classrooms and satellite training [where teaching is imparted with two-way video networks beamed from satellites]. But many of the students who came to us needed more than three to six months of [instruction]. They were so badly served by 12 years of school; we can't fix that in three to six months. So we decided that we would have to offer longer-duration courses. But whenever we started longer-duration courses, parents would ask for degrees [for their children].

Then we recognized there is a mezzanine layer missing in the Indian ecosystem, which are community colleges and associate's degree programs. Fifty percent of college enrollment in the U.S. is in community colleges. Most people don't recognize that they are not really normal degrees on a diet; they are vocational training programs on steroids. The important part of that is the vertical mobility [and the option] to be able to get back into the [mainstream] system. Today the dead-end view of vocational training -- certificates and diploma -- [in India] is that if you want to go back to the college system, you don't get any credit for that.

The obvious rationale for us to get into community colleges is: One, we get [the students for] a longer duration. Second, the dead-end view of vocational training was hanging over our head. So you create a corridor from a three-month certificate totaling up to a one-year diploma totaling up to a two-year associate's degree totaling up to a college degree.

India Knowledge@Wharton: What is the business model for the community college venture?

Sabharwal: If you [educate students] as most traditional universities do with 100 or 200-acre campuses, then you increase the cost of training. But if you [use] the distributed model of community colleges, then people can learn while earning, and they can learn where they live. Those are two important elements of costs in India.

Costs are very important because cost, quality and scale are thought of as an impossible trinity in the education business. We have to deliver this training at Rs. 75 to Rs. 125 an hour (US\$1.60 to \$2.70). Wharton is probably around Rs. 13,000 an hour (US\$290), the Indian School of Business is probably Rs. 8,000 to Rs. 9,000 an hour (US\$175-\$200); the Indian Institutes of Management would be about Rs. 6,000 (US\$133) and the Indian Institutes of Technology about Rs. 4,000 (US\$90). So it's a different calibration to use a combination of satellites and para-skilled trainers.

The TeamLease University is really a synthesis of many things we have been trying to work on. It's a next-

generation university; technology will be at the heart of operations and employers will be at the heart of everything. Employers will be involved in admissions, in the curriculum, in the certifications. For every associate's degree [that we offer], we have a curriculum review panel populated by three to four employers who will meet every quarter, and every six months we will update the curriculum to reflect what the employers really want.

The challenge in the system has been that demand and supply have been getting out of sync for a long time. For example, the curriculum of the National Council of Vocational Training still insists on automobile engineering being taught with a carburetor, although Indian cars made today don't use carburetors. The Ayatollahs of vocational training -- education policy makers and bureaucrats -- sitting in Delhi have not kept up their curriculums with what the employers want.

India Knowledge@Wharton: What is your total investment outlay for TeamLease University?

Sabharwal: It is Rs. 30 crore (US\$6.6 million) in Phase 1, Rs. 30 crore in Phase 2 and Rs. 40 crore (US\$9 million) in Phase 3 to take it national.

India Knowledge@Wharton: As you take your plans into the next step -- getting university transfer credits for your associate's degrees throughout the country -- what specific public policy measures would you want?

Sabharwal: This current project is a child of discussions with Gujarat over many years. When we studied the global model, we said we'd set up 22 community colleges across the state. We got in-principle approval. Every university in India needs a bill, so a bill will go through the [state] assembly by March or April and we hope to be functional later this year.

By having our own university within the state of Gujarat we will be able to get the credit transfer framework going [where students get credits for their TeamLease University courses at other educational institutions in the state]. But even though India is one country, a university licensed in one state can't operate across the country. This makes no sense. As soon as I get TeamLease University [in operation], I will go to the Union human resources development ministry to get their approval to either take this university national or give me approval to operate a national university. Right now, the UGC [University Grants Commission] or the AICTE [All India Council for Technical Education] or the entire alphabet soup that has prevented India's education entrepreneurship, does not accept that concept. They are very rigid about what can be a university, about the infrastructure, about the curriculum, about the certification. I am not against standards but I think we've tried to control quality by controlling quantity, and we've ended up with neither.

India Knowledge@Wharton: Isn't there a third option where you could strike similar deals in other states?

Sabharwal: Yes, we could go state-wise, but that retail would be very, very inefficient. With that option, the next state we've just had discussions with, and will be putting in our applications, is Karnataka. Karnataka is also considering a network of community colleges. But if I have to have a bill in every assembly in this country, the transparency of that, the challenges that go with the retail negotiation, I will do it if I have to, but I'd like to move it through the union HRD ministry on a national basis.

We have to shift our thought focus in education from input to output. Let's focus on quantity, because quantity leads to quality. Let's have biodiversity. Let the private sector coexist with the public sector, which can coexist with the not-for-profit sector, which can coexist with the not-for-loss sector, which can coexist with the less-for-profit sector. Today the biodiversity of only not-for-profit or the public sector sabotages education entrepreneurs in this country.

India Knowledge@Wharton: What is your case for allowing for-profit educational institutions?

Sabharwal: It's our ability to invest. As an entrepreneur, there are two kinds of companies you can start -- a baby and a dwarf. The baby is going to grow and the dwarf is going to stay there. The difference between a baby and a dwarf is not about money; it is in the DNA. For-profit [educational institutions are] not allowed here. I don't think banning anything is the solution.

Across school, vocational and university, our thought world is still rooted in a regulatory framework that creates an adverse selection among our education entrepreneurs. Most education entrepreneurs in this country are

criminals or politicians because the key skill is regulatory arbitrage -- taking care of the system.

India Knowledge@Wharton: How exactly will employers benefit from your university venture?

Sabharwal: This university is a child of employers' frustration with the education system. The challenge for employers today is that the education system is not consulting them or involving them in the process of what they want. That for sure is going to be different in this university.

We have 1,400 employers. We pray to one God -- jobs. We align everything we do with the needs of the employers. I don't think there is a business model for employers to "manufacture" their own employees. If you pay for training, there are three holes in the bucket -- the candidate doesn't qualify for the job; the candidate gets a job, but he is not productive so you have to let him go; or the candidate gets a job and is productive but he leaves.... By the time the three holes in the bucket are done, employers are at a loss. But in our case, where the employers are paying for training but are actively involved in the training, apprenticeship, certification, admission and curriculum, it creates "skin in the game" [a Warren Buffet coinage referring to a meaningful stake in an enterprise] for everybody -- the incentives are aligned.

There is a market failure in the university system today. Employers are not willing to pay for training all candidates; candidates are not willing to pay for training, they are willing [only] to pay for jobs; third party financiers are not willing to lend to candidates unless a job is guaranteed. The innovation lies at the inflexion of employment and employability.

India Knowledge@Wharton: What can we learn from other countries, say from China?

Sabharwal: India and China's geography of work have evolved very differently. China is a child of the miracle, which said the only way to reduce poverty was exports. China has 174 cities with more than a million people each; we have 34 cities with a million people. Their geography of skills is also very concentrated, which is great. But India's domestic consumption and investment means [TeamLease] already have employees in 800 cities and towns; we probably will [next] have them in 1,400 cities and towns.

A consumer durable executive called me recently saying, "I want 30 people in 30 cities, 15 people in 100 cities, five people in 200 cities and two people in 700 cities." This long tail of India's geography of work doesn't have critical mass in terms of risk, but you still have to service it.

We have to bring learning to people. I would have been very happy if our geography of work was as clustered as China's because then I could bring people to jobs, bring people to training. But because our geography of work in India is evolving to be so diverse, because of the domestic consumption and services story, it means I have to figure out how to take training or learning to people. That is where satellite delivery and the community college [model] of distributed delivery come in. Rather than having one campus of 300 acres, I will have 300 or 600 campuses of half an acre.

China has recognized that the good is not the enemy of the great. They have recognized that everybody doesn't need to be an engineer. There is a lot of para-skilling going on; there is a lot of quantity expansion, while quality catches up with quantity. And we don't have to learn from China; we can learn from the engineering colleges of India. Many of the [lower-rung] engineering colleges set up in the 1990s became the supply chain for Infosys and Wipro.

You have to take a time view of quality, and quality is a child of quantity. As with everything in China, we have to learn scale; we have to learn that we are a big country. Quality will come; quality arises from an expansion of quantity. This notion of getting to quality by controlling quantity has not worked for the last 60 years. It is time to question that assumption from an education public policy perspective.

India Knowledge@Wharton: What are the top two or three specific public policy challenges you would face as you move to the next level?

Sabharwal: In all three buckets it would be different. In employment, it would be the Contract Labour Act, which makes temporary staffing very difficult, and the Industrial Disputes Act, the labor legislation of this country which recognizes that any contract is immortal -- it's like marriage without divorce. I can't fire somebody, which to me represents silliness because you get fewer people hired.

Take child mortality, GDP growth, taxation, direct taxes, school enrollment -- all of them have moved in the right direction. The only economic metric in India that hasn't moved since 1991 is that 93% of employment is in the unorganized or informal sector.

On the skills development front, we need to create a skills voucher. We need to get public money available for private delivery. If the government spends Rs. 30,000 (US\$666) a year on a student in an [industrial training institute or ITI], why not give that money to me and then measure me against the ITI? You should fund students, not institutions; it could be a grant or a loan or a voucher. Today I work with an ITI in Chandigarh which has 90% unemployment. Why bother funding that guy? Give it to me; hold me accountable for how many people get jobs. Don't pay for training, pay me for people who get jobs -- outcome-based funding.

In education, it would just be moving this current alphabet soup of the Medical Council of India, AICTE, UGC ... into one body called the Higher Education Regulatory Authority of India, but we have to make sure that the new regulator doesn't become the old regulator.