

# Changing the rules

SORAB MEHTA



**Sabharwal:** "we are the 'nano' of education"

## Staffing company TeamLease Services is setting up a vocational education university. Can this be a game changer?

**F**or the past five years, Bangalore-based staffing company TeamLease Services has been hiring one person every five minutes. While the number is impressive, it accounts for only 5 per cent of the people who came to the company looking for a job; most others were simply not employable. Last year, TeamLease, which pioneered temporary staffing in India in 2002 and is amongst the

largest players in this space, decided to tackle this problem of 'interview rejects' head on. It acquired a vocational training company, the Indian Institute of Job Training (IIJT), which has a wide network of training centres. And with this, it moved from providing just employment to also providing skills that would make people employable.

TeamLease has now made another

game changing move; it is getting into the education space. It has recently signed an agreement with the Gujarat state government to set up a university for vocational education. The bill is expected to be passed by the Gujarat state assembly by April and over the next 36 months the TeamLease University (TLU), positioned as India's 'first vocational education university', will set up 22 community colleges across Gujarat. Ten of these are expected to be operational next year.

The TeamLease community colleges, each of which will have a capacity to teach 400-800 students, will offer two-year associate degree programmes (ADP) in three subjects – accounting, IT infrastructure management and mechatronics (mechanical and electronics). Two key aspects of the TLU is that all programmes will be designed and conducted in collaboration with industry players and employers; and they can also be used for lateral entry into the traditional degree colleges in Gujarat.

### A ready solution

"Youth unemployability is a bigger problem than youth unemployment ....we believe that community colleges offering programmes with strong employment linkages are an important part of the solution," says Hasmukh Adhia, principal secretary, education, government of Gujarat. Describing the community colleges as "vocational training on steroids," Manish Sabharwal, co-founder and chairman TeamLease Services says, "Cost, quality and scale are an impossible trinity. I like to think of the TeamLease University as the 'nano' of education – at the bottom of the pyramid and yet supplying quality with employable outcomes." Over time, once the model is proven, Sabharwal hopes to take it national.

TeamLease, which expects to close the current year with a topline of ₹650 crore, will be investing ₹35 crore to set up the 22 community colleges in Gujarat. According to Sabharwal 50 per cent of this investment will come from internal accruals while the rest will come from new private equity placement later this year. Currently,



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Sabharwal and the other two co-founders of the company – Ashok Reddy, managing director, and Mohit Gupta, director – are the majority shareholders of the company, while private equity firm Gaja Capital took a minority stake in 2009.

Gopal Jain, founder and managing director at Gaja Capital, who has had a long association with the TeamLease founders (he was also an investor in HR outsourcing firm India Life, an earlier venture of the trio, which they later sold to Hewitt Associates) is upbeat about this new initiative. “The TeamLease University is at the intersection of education and employability and provides a natural corridor between the two,” he says.

But TeamLease has its share of sceptics too. Xavier Alphonse, founder director of the Indian Centre for Research and Development of Community Education (ICRDCE) and a member of the University Grants Commission (he was also principal of Loyola College in Chennai) is emphatic that the TLU’s proposed annual fee – between ₹ 35,000 and ₹65,000 – is too high for a ‘community college’. “The whole concept of community colleges is to respond to

social, economic and educational exclusion. High fees defeats the very purpose of a community college,” he says.

Alphonse, who many credit with having spearheaded the community college movement in India since 1999, heads a network of 302 community colleges across 20 states. Alphonse says that the ICRDCE has trained around 90,000 students, of which 90 per cent have got job placements across its employer network of over around 2,500 firms. The ICRDCE community colleges offer one year diploma programmes spanning around 50 courses at a fee of ₹3,000-9,000. Most of the fees, Alphonse adds, are subsidised.

#### Affiliation process

Of the 302 ICRDCE community colleges, 141 are affiliated to the Tamil Nadu Open University and another 50 are currently going through the affiliation process. Some others are now looking at being registered with the community college initiative of the Indira Gandhi Open University (IGNOU). This scheme was launched by IGNOU in July 2009 and currently has a network of around 517

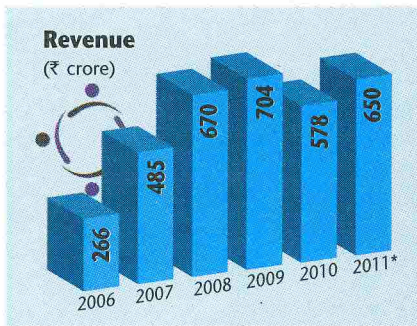
colleges. “From the coming academic year, we expect most of our community colleges to offer the option of vertical mobility to degree courses of either the Tamil Nadu Open University or IGNOU,” says Alphonse.

Revathi Kasturi, founder and CEO of Bangalore-headquartered Laqsh Job Skills Academy, believes that long-term courses are not the answer to the problem of unemployability. “For people coming from educationally and economically disadvantaged backgrounds the need is to get a job quickly and start earning. The two- and three-year programmes are far too long. This is, in fact, one of the key problems with the IIRIs at present,” she says. Kasturi, who has earlier held senior management positions at Wipro Technologies and Novell and also co-founded IT services firm, Tarang Software, adds that given the scale of unemployability in the country, “this model is not very exciting and the revenue model too is also not convincing.”

Sabharwal though is convinced that TLU is a potential game changer. He points out that community college is “not a terminology, but a thought-world” – a thought-world of being employer driven. “The sustainability of the model is linked to employment,” he says. “The fees will largely be linked to exit gate salaries. It’s purely an IRR (internal rate of return) calculation and we believe that students will be willing to pay if we can get them a commensurate job at the end of the course.” Sabharwal adds however: “While there is a lot of innovation in skill delivery the next wave of innovation lies in skill financing.”

But why is the TeamLease, which currently has around 65,000 employees, placed in 1,200 companies across 700 cities getting into education at all? There are two reasons: one, it provides the company with an alternate revenue stream and, two, it provides skilled candidates for its core staffing business.

“We are a people supply chain company. We have no choice but to enter this space,” says Sabharwal and goes on to explain his stance. TeamLease moved beyond staffing and got into training last year by acquiring IJT



\*Expected

because those candidates who came to TeamLease for employment, but could not be placed because of a lack of requisite skills, simply moved out of its database. TeamLease had thought that, by providing them with the short duration courses of skill building through the IJT training centres, the company could absorb these candidates back for placement.

But it was not as simple. The first problem was with IJT itself. It required a fair bit of overhauling. To begin with, TeamLease stopped all marketing activities for IJT, shut down 30 per cent of the centres and sacked the equal amount of faculty. It then started focussing on the training, the trainers and getting the course content and delivery in place. Most importantly, it switched IJT's metrics, going from being inputs- to outcome-based. That is: 'could a student get a job at the end of the training?'

Even as it was putting IJT in order, TeamLease realised that there was another, bigger, problem. As a result of substandard school education most

of the students who came to IJT needed more than the three to six months vocational training courses that it offered. But thanks to the Indian social and cultural milieu, the same students were unwilling to take more or longer courses without it resulting in a 'degree'.

"We realised that what was missing in the Indian ecosystem is the mezzanine layer that combines the signalling value of a degree that colleges give and the job skills that vocational training provides. And this is what we hope to provide with our community colleges," says Sabharwal. "We can now provide a corridor from a three months' certificate course to a one-year diploma to a two-year associate degree to a full college degree. And a job at the end of any of these," adds co-founder and managing director Ashok Reddy.

#### New forays

Even as TeamLease's new forays provide more options for its candidates, for TeamLease itself the TLU and IJT, both of which are wholly owned subsidiaries, are key components of its business model and derisking strategy. "As an organisation, we now cover the entire spectrum of education, employability and employment," explains Reddy. "In TeamLease (staffing & permanent placement), the revenue comes only from the corporates, whereas in IJT (training) there are three revenue streams: individuals, corporates and the government business. The univer-



**Prasad: focus is on para-skilling**

sity is all about the retail customers."

TeamLease has also made a couple of other interesting moves in recent years. In a bid to expand its reach in both employment and employability it has entered into a public private partnership with the Karnataka government to upgrade and run the government employment exchanges at Mangalore, Bangalore and Bijapur. It is looking to expand this model to more exchanges within Karnataka and also in other states. Under this model, TeamLease garners revenues from charging the candidates for any training or assessment that may be required and the corporates for the placements. There are over 1,400 government employment exchanges in India. With most of them defunct, there is a clear growth opportunity for TeamLease here.

A second initiative by TeamLease has been to offer consulting services to its corporate clients. It is leveraging its expertise in the country's labour laws and offering it as HR regulatory compliance audits and assessment services. Launched in September

