

## ATLMRI DISCUSSION PAPER

### **A social enterprise for employability enhancement: *A business plan***

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## **Executive Summary**

Unemployment and inadequacies in vocational training have been important issues which is prevalent in the Indian labour market since independence, when the growth rate of the nation was sluggish. India had an agrarian based economy in the initial decades. With the changing times, as of today the rate of job growth is higher than increase in population, however due to a large backlog in the unemployed workforce; the rate of unemployment is still on a rise. The Indian economy has now shifted to a predominantly services based economy contributing to around 55% of the GDP with agriculture taking a back seat especially in last five years. In spite of the slant towards the services sector the majority of the workforce in India is still employed in agricultural activities.

The industry is facing a crunch for finding 'employable' work force. The term employability is now doing rounds in policy and industry circles more than ever. There are plenty of people in the job market but their skills are not meeting the requirements of the market. There are two problems in labour market, the percentage of people registering in government employment exchanges are low and possibly a mismatch in the vocational training imparted and the skills required for in the industry. Also a large percentage of job seekers have no information regarding vocational training institutes and the potential of these institutes to improve their employability and only miniscule percentage of people register with employment exchanges.

On the analysis of the existing labour market in India, the 3 main stakeholders namely the job seekers, job providers and the training institutions are affected by lack of reliable and up to date information in the local labour market. Given the right information about job market individuals can take informed decisions about the vocational courses they would like to undertake and the employment opportunities available to them. The training institutes would have reasons to revamp their existing courses or introduce new courses. The firms will be able to obtain employable workforce more efficiently and by greater participation make effective interventions in terms of course design and support to the

training institutes. The proposed Employment Information Cell (EIC) can act the common platform for the stakeholders to interact using IT infrastructure.

The EIC will be present at a district level where in job seekers can register themselves with the cell and they will be guided about the employment opportunities and as well as vocational training to increase their employability. The industry can publish their vacancies and as also get information regarding the trained personnel at the district level. The Training institutes can benefit by observing the trends in the requirements of local industry and update their training programs. This can also serve as a platform to get the ITI/Training institutes trained employment opportunities in the same district or near by districts. The SMEs will also benefit from this Web portal as their aggregate demand can also influence training courses perhaps standalone would not have been able to influence changes in vocational training. The job seekers who are computer illiterate will be given guidance by the EIC members at the district level.

The objective of EIC is to reduce the information gaps for all the stakeholders and ensure that employment opportunities in district level are identified by the job seekers and make them employable by getting timely information regarding vocational training programs. The job seekers and training institutes will not be charged by the EIC where as the industry will be charged nominal fees to make the social enterprise viable and sustainable. In order to study the viability of the business plan, the EIC will be introduced in 4 districts of Maharashtra namely Pune, Kolhapur, Sangli and Satara. There are around 5000 industries in the organized sector in these districts. The initial investment required for the business will be Rs. 1350000 in which loan will be seek from a bank for Rs. 600000 while the remaining amount will be contributed by the promoters. The promoters will share the income and expenditure of the business equally. The break even of the business is achieved in the third year.

In order for the EIC to be operational the support from the government and training institutes is essential. The industry participation is central to the success of the EIC and by effective information dissemination regarding the labour market can add great social value apart from being a viable business proposition.

## **Current Labour Market Analysis**

In this section, the current situation of lack of employment opportunities is discussed from the national level and a closer look is taken at the state of Maharashtra to understand the factors surrounding this important issue of employability.

### **The Issue of Employability**

The lack of employment opportunities and education in vocational training had been important issues in the Indian labour market for several years as national's growth rate was sluggish. However in the contemporary times the tide has reversing and industry registering rapid growth and hence increased job opportunities. The industry is facing a crunch for finding 'employable' work force. The term employability is now doing rounds in policy and industry circles more than ever. The problem is there are people in the job market but their skill sets are not meeting the requirements of the industry. As per the findings of the unemployment scenario in India study conducted by the Directorate General of Employment and Training (DGET) 80% of the total job seekers registered in employment exchanges are without any form of vocational skills. Secondly in the existing work force, only 5% have actually received formal training from institutes unlike in the developed nations like Europe, US where the proportion of formally trained persons in vocational streams ranges from 60-80%.

### **India Economy Trends**

As the Indian economy has been growing there have been significant structural changes in the economy as well. The economy has moved away from the agrarian and industrial sectors towards services sector. The table 1 below depicts the structural change in the contribution of various sectors to the GDP.

| Sno. | Year                  | Primary | Secondary | Tertiary |
|------|-----------------------|---------|-----------|----------|
| 1    | 1950-51<br>to 1959-60 | 55.53%  | 16%       | 28.09%   |
| 2    | 1990-91<br>to 1999-00 | 28.66%  | 27.12%    | 44.22%   |
| 3    | 2000-01<br>to 2004-05 | 22.34%  | 21.82%    | 55.84%   |

**Table 1: Structural Change in GDP Composition of India**

Source: ATLMRI Discussion paper: Indian Labour Market in Transition: Setting Tone for employability

As per the National Sample Survey conducted in the year 1999-2000 the total employment was in order of 39.7 crore considering both organized and unorganized sector. Out of this, about 2.8 crore were in the organized sector and the rest 36.9 crore in the unorganized sector. Out of 36.9 crore workers in the unorganised sector, 23.7 crore workers were employed in agriculture sector, 1.7 crore in construction, 4.1 crore in manufacturing activities and 3.7 crore each in trade and transport, communication & services.

The recently concluded 61<sup>st</sup> round of NSS survey (2004-05) showed that while jobs are growing at faster rate than population, unemployment is also growing. The population is growing at the rate of 1.7% whereas the jobs are growing at the rate of 2.7%<sup>1</sup> however due to backlog of earlier unemployed workforce there is a growth in unemployment. This employment statistic has led to the concept of jobless growth. Moreover the firms now are adopting less labour intensive strategies i.e. more capital intensive strategy.

## **Employment Scenario in Maharashtra**

In order to better understand the issue of employability and related factors data from the 61st National Sample Survey (2004-2005) is been analysed in detail below. The data

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<sup>1</sup> ATLMRI Discussion paper: Indian Labour Market in Transition: Setting Tone for employability

analysed considers Maharashtra figures and study revolves around individuals in the age group of 15-35 years and have qualification like 10<sup>th</sup> pass, 12<sup>th</sup> pass and ITI graduates.

| Sno. | Year    | Agriculture | Industry | Services |
|------|---------|-------------|----------|----------|
| 1    | 1993-94 | 19.50%      | 33.43%   | 47.07%   |
| 2    | 2000-01 | 12.64%      | 35.55%   | 51.81%   |
| 3    | 2003-04 | 12.55%      | 30.22%   | 57.23%   |

**Table 2: Structural Change in GDP Composition of Maharashtra**

Source: Study on “Livelihood, Employment & Sustainable Development: Initiative towards improving skills and employability, CII-TISS study.

The most intriguing find of this situation is in spite of growth changes to the structural change in the GDP, the majority of households are still inclined towards agrarian activities as per 61<sup>st</sup> round NSS data. (Refer table 3 below) It is surprising to notice that though agriculture contributes about to only 12-13% of the GDP, the majority of the work force is inclined towards agrarian activities. Despite high economic growth and fillip to the services sector, the economy on the whole is experiencing shortage of employable workforce.

This issue of unemployable workforce could one of the factors which could perhaps explain the presence of high agrarian workforce. Employability stems from the fact that labour force does not have the skills that commensurate the market needs. The human capital is not responsive to changes in product, technological changes in production

process, and labour organization in the production. The traces of employability issues can also be seen in the reasons for break in the employment of an individual which came out in Maharashtra as per the latest NSS data.

| Sno. | Reason                     | Percentage |
|------|----------------------------|------------|
| 1    | Loss of earlier job        | 8.0%       |
| 2    | Quit earlier job           | 9.0%       |
| 3    | Lay-off without pay        | 1.2%       |
| 4    | Unit closed down           | 6.8%       |
| 5    | Lack of work in enterprise | 11.3%      |
| 6    | Lack of work in the area   | 46.2%      |
| 7    | Others                     | 17.5%      |

***Table 3: Reasons for Break in Employment for individuals in Maharashtra***

The option 6 of 'lack of work in the area' stands out as the main reason for the break in the job. Lack of work could be attributed to non availability of skills to perform the jobs or the sector in which the individuals are working in may not have any growth. The direct effect of skill and demand mismatch is seen on the remuneration individuals receive from the employer as given in the table 5 below. The work not being remunerative was quoted as one of the main reason for quitting the job.

| Sno. | Reason                 | Percentage |
|------|------------------------|------------|
| 1    | Work not Remunerative  | 42.30%     |
| 2    | Unpleasant Environment | 11.50%     |
| 3    | Employer Harsh         | 5.80%      |
| 4    | Health Hazard          | 11.50%     |
| 5    | To avail VRS benefits  | 1.90%      |
| 6    | Others                 | 26.90%     |

***Table 4: Reasons for Quitting Job by individuals in Maharashtra***

Skill development is a supply side issue hence there needs to be a greater co-ordination between the supply side and the demand side of labour. The interaction between the institutions involved in labour supply such training institutes and the industry. It is the lack of this co-ordination that brings forth the issue of lack of employability. The completion of training with few growth opportunities does not give the trainees any advantage in the local market. The construction business is becoming more specialised and require newer skills from the labor. The ITI Kolhapur runs courses on foundry; however there are few people who take up this course leading to a shortage in trained foundry specialists. The mismatch between the skill development and up coming sectors of the economy can be clearly seen below. As per the CII-TISS study the following sectors were identified as the emerging growth areas.

1. Floriculture
2. Sugar
3. Textile
4. Foundry
5. Metal Work
6. Silver
7. Leather work
8. Construction
9. Dairy
10. Hospitality
11. Retail
12. BPO
13. Poultry
14. Fruit
15. Automobile/Auto component

However the kind of vocational training received by individuals in the Industrial Training Institutes (ITI) and other institutes are given in table 6 below which highlights the mismatch in training.

| Sno. | Field of Training                     | Percentage |
|------|---------------------------------------|------------|
| 1    | Mechanical Engineering                | 7.30%      |
| 2    | Electrical an Electronics Engineering | 8.14%      |
| 3    | Computer Trade                        | 40.18%     |
| 4    | Civil/Construction Trade              | 1.76%      |
| 5    | Chemical Trade                        | 0.17%      |
| 6    | Leather                               | 0.08%      |
| 7    | Textile                               | 10.49%     |
| 8    | Catering/Nutrition/Hotel              | 0.92%      |
| 9    | Artisan/Craftsmen/Cottage             | 1.68%      |
| 10   | Creative artist                       | 1.17%      |
| 11   | Agriculture/Food                      | 0.76%      |
| 12   | Non-crop Agricultural                 | 0.34%      |
| 13   | Health/Paramedic                      | 4.61%      |
| 14   | Office/Business                       | 3.86%      |
| 15   | Driving/Mechanic                      | 3.94%      |
| 16   | Beautician/Hairdressing               | 2.60%      |
| 17   | Tour operators/Travel                 | 0.08%      |
| 18   | Photography                           | 0.08%      |
| 19   | Child/Pre-school                      | 1.34%      |
| 20   | Journalism/Communication              | 0.76%      |
| 21   | Other                                 | 9.73%      |

**Table 5: Field in which individuals undertake vocational training**

The data above indicates that the majority of the training is received in trades which are not amongst the growing sectors of the economy. It is not just the demand and supply mismatch in training, the number of individuals who receive formal vocational training is also an issue as exhibited by the following piece of data table 6. A huge chunk of 84.40% does not receive any kind of vocational training and number of individuals

receiving/received formal vocational training is less than 10%. This low percentage of vocational training could be attributed to the archaic course structure of the vocational institutes and lack of information dissemination across masses regarding the opportunities. The structural change in the economy demands multi skilled workers and hence the percentage of individuals getting vocational training needs to improve.

| Sno. | Vocational Training             | Percentage |
|------|---------------------------------|------------|
| 1    | Receiving. Formal Voc. Training | 2.50%      |
| 2    | Received. Formal Voc. Training  | 6.70%      |
| 3    | Hereditary                      | 2.80%      |
| 4    | Others                          | 3.60%      |
| 5    | No Vocational Training          | 84.40%     |

**Table 6: Vocational Training in Maharashtra**

One of the main reasons for this mismatch is the lack of information flow between the stakeholders i.e. the individuals, the businesses, the institutes and the government. The lack of proper employability options is clearly exhibited in the data which shows the places where individuals look for a job table 8 below.

| Sno. | Method Used                     | Percentage |
|------|---------------------------------|------------|
| 1    | Reg. Employment Exchange        | 1.90%      |
| 2    | Other Efforts (Social contacts) | 71.80%     |
| 3    | No Efforts                      | 26.30%     |

**Table 7: Methods used obtain work/labour**

71.8% people try for jobs through social contacts or places other than employment exchange. The registration at employment exchange is less than 2%. The rest of individuals do not make any effort for finding employment.

| Sno. | Educational Level      | Registration with EE | Not Reg. with EE |
|------|------------------------|----------------------|------------------|
| 1    | Not Literate           | 0%                   | 100%             |
| 2    | EGS/NFEC/AEC           | 0%                   | 100%             |
| 3    | TLC                    | 0%                   | 100%             |
| 4    | Others                 | 0%                   | 100%             |
| 5    | Literate below primary | 0.10%                | 100%             |
| 6    | Primary                | 0.20%                | 100%             |
| 7    | Middle                 | 1.70%                | 98%              |
| 8    | Secondary              | 7.20%                | 93%              |
| 9    | Higher Secondary       | 17.70%               | 82%              |
| 10   | Diploma/Certificate    | 20.30%               | 80%              |
| 11   | Graduate               | 15.10%               | 85%              |
| 12   | Post Graduate          | 16.90%               | 83%              |

**Table 8: General Education Level and Registration with Employment Exchange**

The lack of information regarding training institutes and formal training impacts the registrations with employment exchange which is clearly seen from table 9.

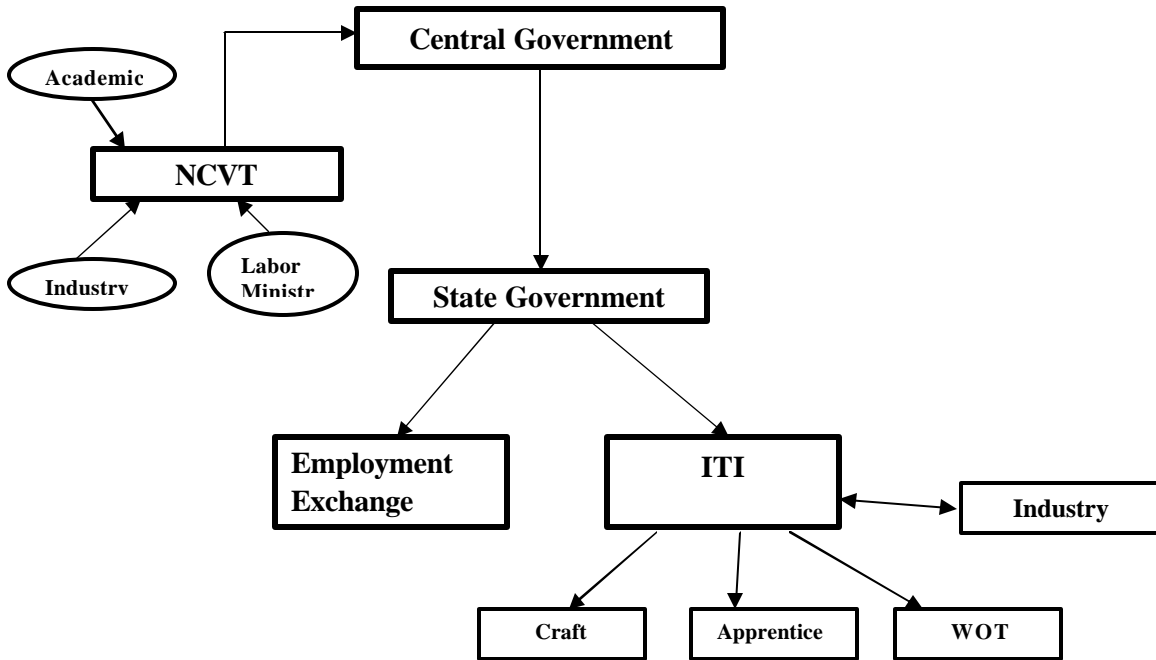
| Sno. | Vocational Training            | Registered | Not Registered |
|------|--------------------------------|------------|----------------|
| 1    | Receiving Formal Voc. Training | 28.80%     | 71.20%         |
| 2    | Received Formal Voc. Training  | 35.10%     | 64.90%         |
| 3    | Hereditary                     | 6.70%      | 93.30%         |
| 4    | Others                         | 7.80%      | 92.20%         |
| 5    | No Vocational Training         | 10.30%     | 89.70%         |

**Table 9: Type of Vocational Training and Registration with Employment Exchange**

### **The Vocational Training Structure in India**

The vocational training in India by the constitution of India is responsibility of both the central and state government. The development of training schemes at National level, evolution of policy, laying of training standards, norms, conducting of examinations, certification are the responsibilities of the Central Government, whereas the

implementation of the training schemes largely rests with the State Governments or UT Administrations.



**Figure 1: DGET Structure and interaction with stakeholders**

The curriculum for the vocational training is formalized at the central level by the central government is advised by the National Council of Vocational Training (NCVT) is a council having representatives from employers, workers, Central/State Governments and academicians. As per figures in year 2005 from the DGET website, currently 947 employment exchanges and 4971 ITI are run. Out of the 4971 ITIs, the majority are privately run 3102 while the government runs the rest 1869 ITIs. The total seating capacity is around 7.18 lakhs.

At the state level, the employment exchanges and training institutes operate independently. The ITIs offer different kind of courses which serve as entry level courses, engineering and non engineering trades and some serve as skill up gradation.

## **ITI Curriculum**

The Industrial Training Institutes (ITIs) are envisaged to provide a variety of courses for vocational training from short term to long term courses. The various courses include:-

### **Craftsmanship**

These include engineering and non engineering trades for technology and industrial sectors predominately. Considering the boom in retail etc some retail courses also have been introduced. The training programs last from 1 year to around 3 years depending on the skills required.

### **Apprenticeship**

According the labour laws, trainees who can opt for on the job training with organizations and attend apprentice ship courses. The minimum age for trainees is 14 years. The industry time duration is 6 months to max 4 years. Organization pays stipend which is fixed by govt regulation to the trainees. There are around 94 different courses for technical apprentices which span various skills set across industries.

### **Woman Oriented Training**

In order to ensure women are not left behind in vocational training, there are 11 woman occupational institutes across India which provide courses in various fields like testing, repair of electronic goods, architectural assistant, beauty and hair dressing, computer skills DTP, dress making, training skills. These programs can range from short to long term course even spanning 2-4 weeks to even 1-2 years depending on the extent of training.

### **Other Courses**

Apart from the 3 main types of training, DGET also conducts advanced vocational training in 5 centres, advanced technical training in 18 centres across the country

spanning from CAD/CAM to foundry and electrical maintenance. There are also 2 foreman training institutes in Bangalore and Jameshedpur to provide training on supervisory skills.

### **Source of Industry Information for ITI**

In order to gain the perspective of industry trends, the ITI conducts annual industry surveys and has access to labour ministry reports. The labour ministry reports are furnished by the establishments through ER-I and ER-II returns. The return ER-I is used for the collection of information from the establishments at quarterly intervals (i.e. as on 31st March, 30th June, 30 September and 31st December of each year) relating to Employment, Vacancies, Manpower shortages, The return ER-II is used for collection of information relating to Occupational and Educational details of the employees. This is collected once in two years and as on 30th September.

### **Centres of Excellence Scheme**

The central government recognized the need to produce multi skilled workforce, hence 100 ITI were upgraded to Centres of Excellence (COE). These ITIs were those located close to some cluster of industry like automobile, IT, electronics. There is greater autonomy in case of COE, as more industry and institute interaction is proposed. The institute information council has representatives from central and state government and the industry.

### **Issues with the Existing Structure**

These are following issues which are hindering the current state of vocational training which must be looked into in order to resolve the situation.

### **Lack of Information for Job Seekers**

The job seekers are unaware of job opportunities and the trades which are in demand especially in the local district and nearby districts. There is lack of proper counselling and guidance assistance.

### **Lack of information for ITI/training centers**

The industry trends and the new trades information is hard to come by to the ITIs as the ER I and ER II forms are submitted by organized sector companies only and not by the unorganized sector. Also the compliance of companies of these forms is poor. Secondly there are no linkages between the ITIs and the employment exchanges so job seekers are not directed to vocational training needs. The curriculum is often outdated as the course changes are directed from the NVCT which is operating at the central level.

### **Industry Related issues**

The industry participation has been fairly limited in the vocational training scenario. The industry seems to have a poor perception of the several ITI as well. In case of some ITIs the large enterprises are able to ensure their training needs are met, the there is inadequate representation of the SMEs and companies in the unorganized sector

### **Business Opportunity**

The lack of proper information across individuals/job seekers, firms/job market, educational institutes/ITI surfaces as main reason for the current state of affairs. More importantly the individuals do not have the information about the local job market before they opt to undergo some vocational training or otherwise. This lack of information regarding the demands of job market and supply are not restricted to the individuals. The educational institutes do not have their course updated to meet the business demand. The businesses too do not have a formal channel to communicate the job availability.

Given the right information about job market individuals can take informed decisions about the course they would like to undertake and the opportunities available to them. The institutes would have reasons to reconsider their existing courses or introduce new courses. The firms could communicate their requirement on a more regular basis. In short, there needs to be a system which brings all the stakeholders on the same platform. This platform is the Employment Information Cell (EIC). The cell would function as

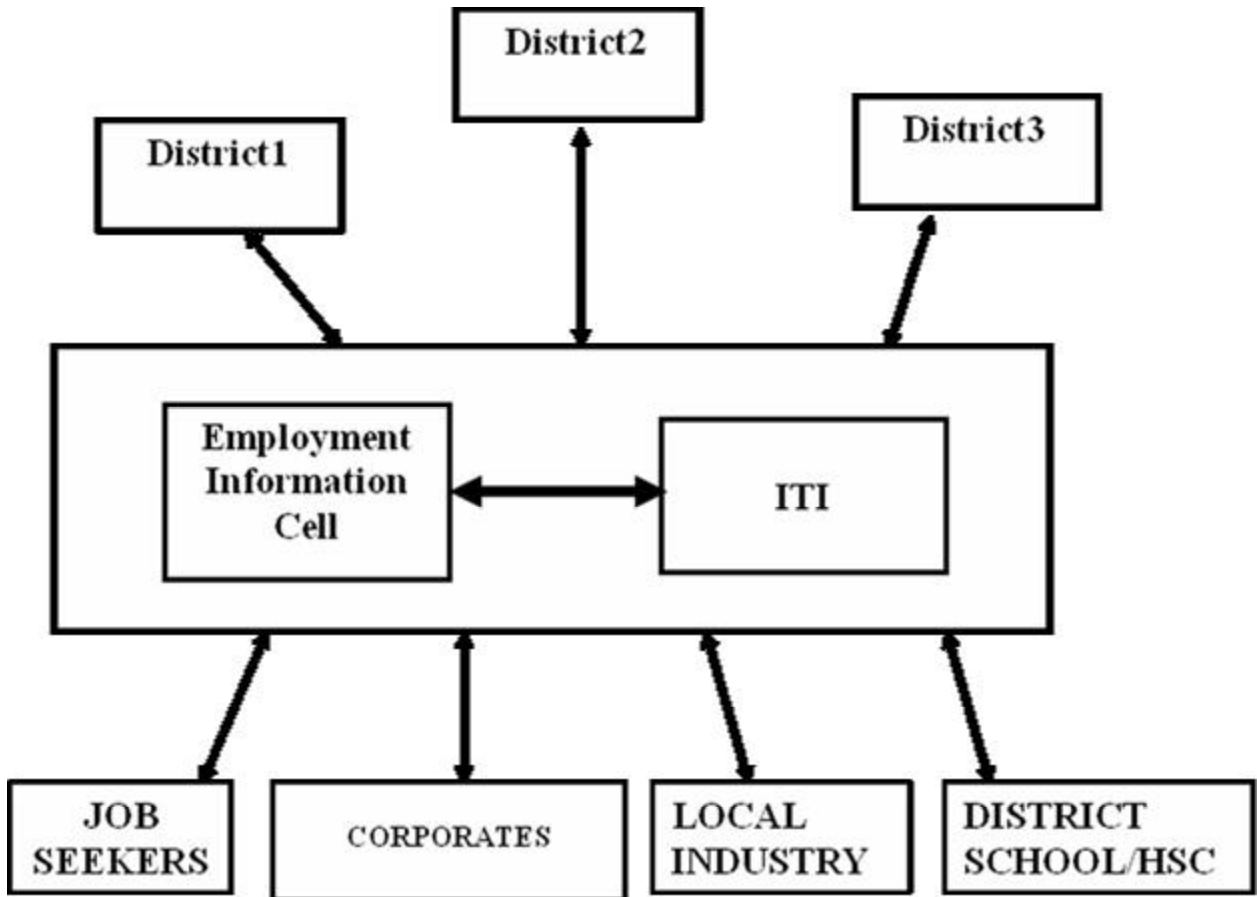
extensive information dissemination centre for the all the three stakeholders. The functioning and operations of the cell would be described in the following sections

## **Operations Plan**

The operations of the employment information cell (EIC) are explained in the following section. The structure of the EIC is outlined at the district level. The various stake holders are identified and the role of each stakeholder must play in the system is outlined.

## **Structure of Employment Information Cell**

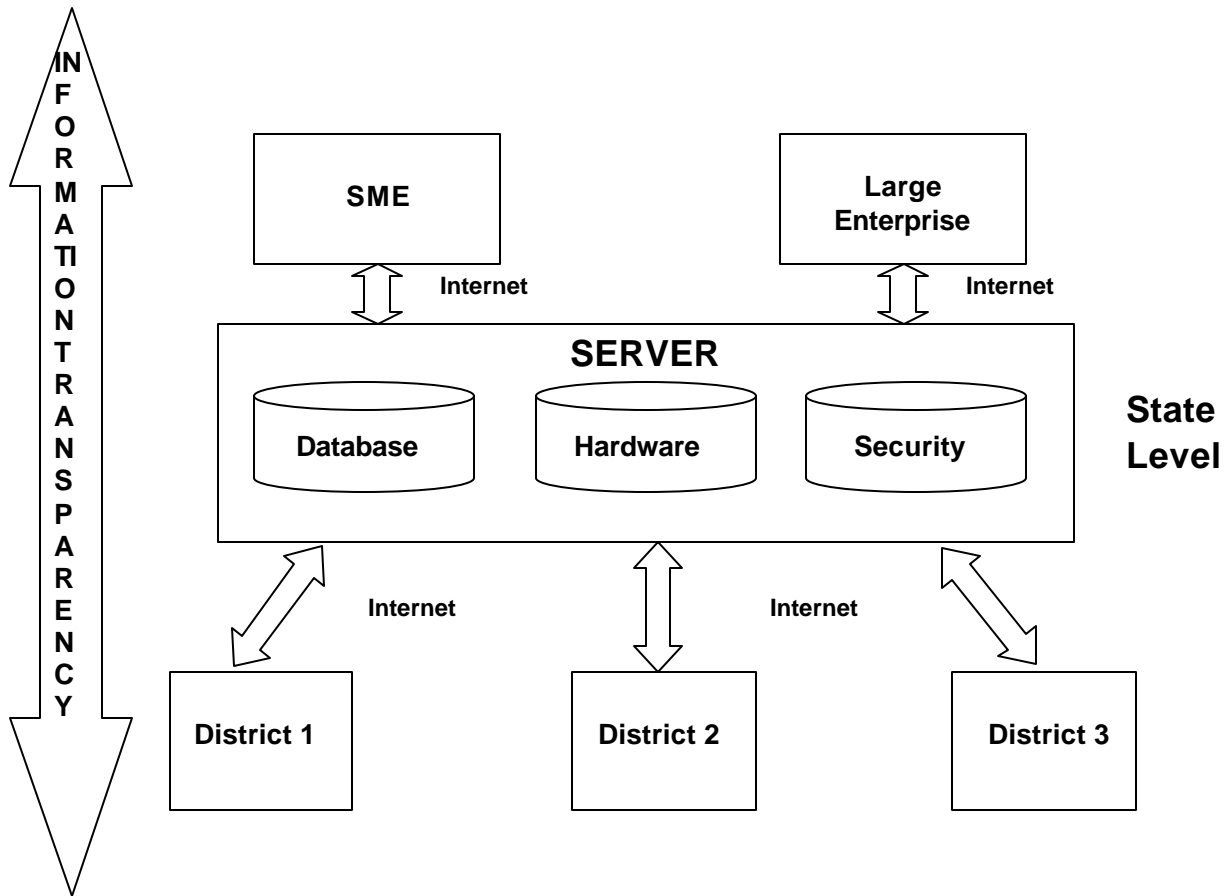
The employment information cell will act as interface between job seekers, industry both large and SME and the training institutes like ITIs/private training institutes. The focus of the operations of EIC is provide access to latest job openings from the industries and the dissemination of this information to the people who are not computer literate and are in need of employment and require related information. The schools can be involved in order to track the drop out students and provide information to the EIC.



*Figure 2: Employment Information Cell at District Level*

## **IT Infrastructure**

The IT infrastructure is central to the success of the EIC operations. The data available to the industry, EIC and eventually to the job seekers must be real time and secured information. By use of Website and internet, the connectivity costs are lowered. In addition the access to information can be easily made available across the country to all the stake holders.



**Figure 3: Proposed IT Infrastructure connecting all districts and stakeholders**

## **EIC Website**

The central to the EIC is the proposed EIC website. The website will serve as the medium of communication between the EIC, industry and training institutes. The website will provide different views to the various users such as industry, training institutes, job seekers or for EIC staff.

## **Location of Server**

The server which will be hosting the EIC website and the real time data regarding courses, vacancies and job seekers will be physically located at the central head quarters premises.

### **Server Functions**

There will be servers to host the website and having back up of data coming from industry, job seekers and training institutes. The security protocols must be in place as the data should not be misused. The server must be able to handle the transactions with minimum down time. In future if and when the project scales up to other states then there will be servers at state level to handle the high volumes of information flow.

### **EIC Hardware Requirements**

At each district level there will be a single computer with internet connection at each EIC. In the head office there are 3 computers for the top management to monitor the EIC website as well as the day to day work functions. There will be servers to host the website and the databases. The number of computers required at the head office is currently 3. The infrastructure is kept to a minimum in order to keep the costs low, as the time progresses more investments will be made to scale up operations.

### **Role of Job Seeker**

The job seeker is to register at the EIC directly at the district level with his/her details. The job seeker can avail of the forms in the postal department as well. As the service is free of cost the only expectation from the job seeker is come to the centre and provide accurate information regarding personal details and skill set and gain related information. The website will give information regarding the vacancies and more importantly give information regarding trades in demand in the district and courses in the ITI near by. In case of the job seekers who may not be computer literate, the district officers can provide appropriate counselling to the individual.

## **Role of Job provider**

The SME and large enterprises once registered will have a login and password to access the information about the relevant candidate profiles. The job providers will be able to place classified advertisements regarding vacancies. The mode of payment can be made via online payment or even sending demand drafts to the district EIC office as well. The industry will be able to access the ITI courses information and contact details. The site is expected to act as interface between industry and the training institutes. The industry can also influence and provide information to training institutes regarding new trades.

## **Role of ITI/Private Training Institutes**

The ITI and the private training institutes need provide information regarding the students registered and the courses on offer to the EIC through the website. The ITI can benefit from sharing this information by getting more corporate interaction. The ITI can get information regarding the needs and trends in the local industry and design courses which are more effective. The applicants to training institutes are better informed regarding the centre training facilities as well. The access to EIC is enabled through a login and password. The training institutes need to upload their course content and also details when the students are completing courses and profiles of the IIT pass out and existing trainees.

## **Role of the EIC Staff**

The EIC staff at the district level has to play two distinct roles as the advisor for the job seekers and secondly to interact with the industry. The first role of job advisor has to interact with job applicants to The second role of industry interaction is a sales force which interacts with the industry to increase awareness of the concept of the employment cell and increase registrations in the district level.

## **Role of Postal Department**

The postal department has an extensive presence in the country, so in order to drive the registrations advertisements and the forms can be made available at these locations. The role of the postal department is merely to act as intermediaries to carrying forms and act as source of information to the potential job seekers.

## **Feedback from Job seekers/ Work Force**

The job seekers who have undergone vocational training can also rate the courses and share their views on the industry. The newly employed workforce can also share their views and rate the employers. This will serve as a strong feedback mechanism to bring awareness about the working conditions in various industries.

## **Benefits of the EIC**

The new system utilizing the web based approach the following benefits to the various stakeholders mentioned above.

### **Job Seekers**

By the use of internet, the information search cost for jobs in the nearby district is reduced as real time information is available to the district office and hence effective counselling can be provided to the job seekers. The existing employment exchanges can also play a role of giving information regarding the candidates registered; these candidates if suitable can be absorbed for employment directly or send for training after discussions.

### **Job Providers**

The search cost for local industries for vacancies is reduced and recruitment is made easier as they will have access to real time information regarding candidates and the ITI courses which are running based on heightened industry interaction.

### **ITI/ Training Institutes**

The ITI and other training institutes can benefit from the higher industry information. The job trades in demand and the vacancies give them greater visibility regarding the courses to design etc. The placement process of the ITI trained students can avail of the new opportunities due to greater linkages between job seekers, providers and the trainers.

### **Business Model**

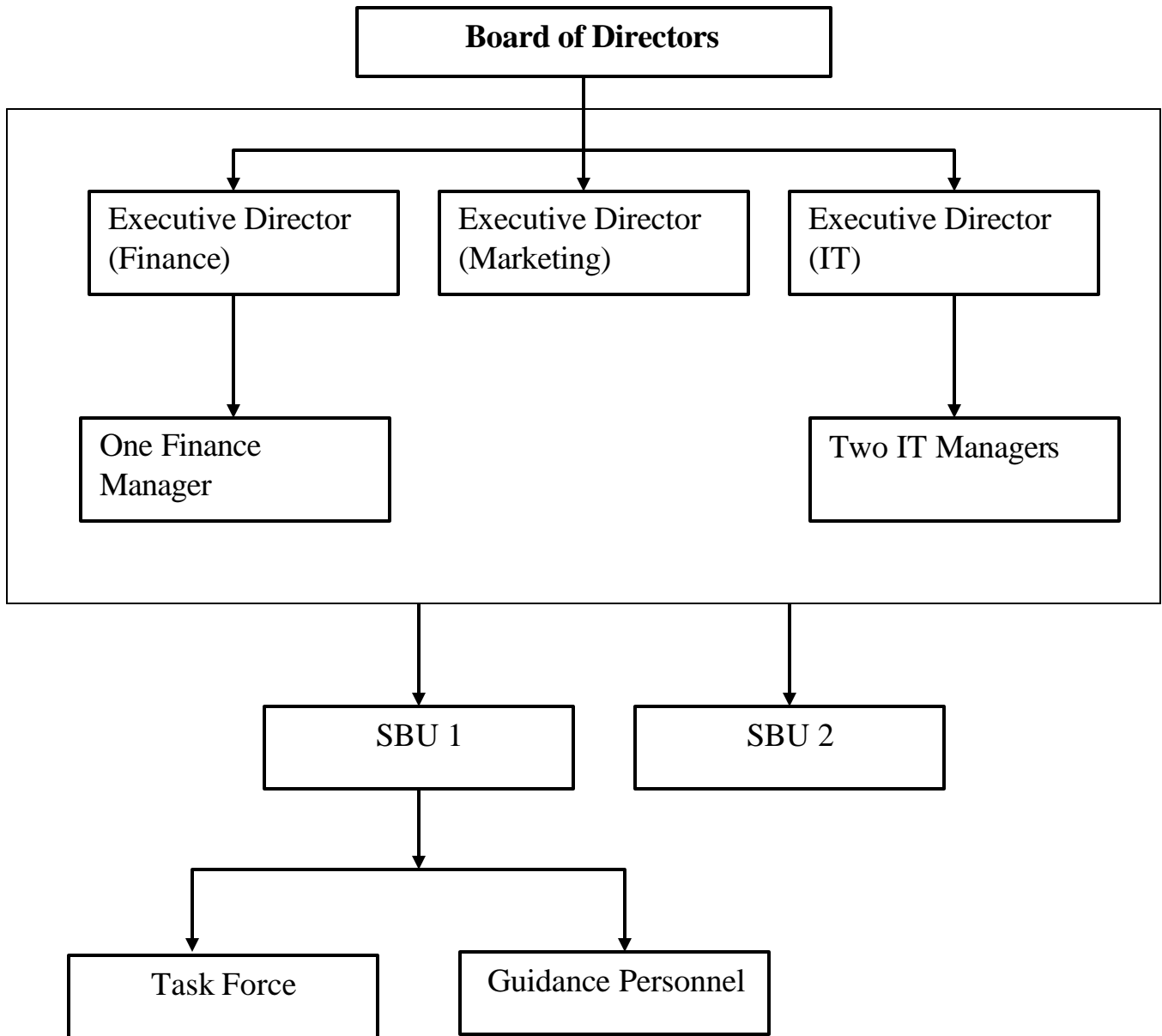
The entire business model focuses on narrowing the gap between the skill demand and supply in the industry through effectively utilizing information technology.

- The company will not charge any amount from the job seeker who will visit the EIC at the district level.
- The company will not charge ITI any amount for guiding the job seeker to enhance his/her skill in ITI.
- The charges for SMEs and Large industries are designed differently as the demand of both varies drastically.
- The same policy has been followed in case of candidates hire.

### **Management Plan**

#### **Structure**

The company will start its operations with one central office in Mumbai and one EIC each at four districts of Maharashtra. The management team of the company will be driven by the three founding members each having expertise in finance, marketing and information technology domain respectively. The organisational chart depicting the hierarchy that will be followed in the company is shown below:



*Figure 4: Organizational Chart of EIC*

**Board of Directors**

The Board of Directors of the company will be comprised of five members. Apart from one Executive Director of the company on the board, four eminent personalities from Government of India, Industry and Academia will form part of the Board of Directors.

The names of the representatives from government and industry are yet to be finalized.

The functions of the Board of Directors will be as follows:

- To make policies and guidelines in the best interest of the society and company.
- To decide the various subscription fees, which will be charged from the industry as and when the need arises.
- To take decisions of expansion of EIC to different districts of the state, as and when the need arises.
- To meet on regular basis as per the requirements of the Companies Act, 1956.

## **Staffing**

The major chunk of company staff will be working in the district EIC's which includes the task force personnel's and the guidance officers. The profiles and roles of different staff personnel's are as follows:

- **Executive Manager (Finance):** He will be in charge of all the finance related issues of the company which includes managing the bank and cash account of the company, making sure that adequate working capital is available all the time in the central office, disbursement of salaries and other expenses like rent, training charges at appropriate time.
- **Executive Manager (Marketing):** He will be directly supervising the task force of the company at the district levels. His scope of activities will include giving directions to the task personnel on daily basis, taking account of their activities and making sure that the task force meets their target on continuous basis.
- **Executive Manager (IT):** Since IT forms the backbone of the company, he will be entrusted with the most vital task of maintaining and updating the server on regularly basis. He will be also looking after all the affairs with related to development of the website for the company. The company will outsource the website development work to a reputed third party.

- **Finance Manager:** He will be directly working under the Executive Manager, Finance and will act as a supporting arm. He will handle day to day routine finance activities like data entry, reconciling the bank and cash account, making the final accounts at the end of the year etc.
- **IT Managers :** They will be responsible to supervise and maintain the server under the close vigilance of Executive Director, IT on continuous basis. There will make sure that the server has minimum downtime. In case of a break down he should take immediate actions to restore the systems.
- **Task Force:** The task force shall meet the SME's and large industry on continuous basis and get their registration for the company. Each district will be allocated two task personnel. The number of personnel will be increased for each district depending upon the response and demand from the industry. All the task personnel's will be directing working under the Executive Manager, Marketing.
- **Guidance Officers:** They will be entrusted with the critical task of taking the information down in the database from the job seeker and properly guiding him/her in case of guidance seeking. Each EIC will be having two guidance officers who will be present in the cell during the business hours of the company.

### **Initial Foray**

The EIC will be first launched in the four districts of Pune, Kolhapur, Sangli and Satara. The reasons for selecting these four districts which have close proximity to industry clusters and secondly the districts are adjacent to each other.

### **Staffing and Compensation**

All the three executives will be offering their services without charging any salaries from the company. But at the same time, they will be entitled and liable to share the profits and losses of the company. The compensation chart for other staff will be as follows:

|                  | <i>Number</i> | <i>Basic</i> | <i>Total</i> |
|------------------|---------------|--------------|--------------|
| <b>Managers</b>  |               |              |              |
| Finance          | 1             | 15000        | 180000       |
| IT               | 2             | 15000        | 360000       |
| Task Personnel's | 8             | 6000         | 576000       |
| Guidance         | 8             | 6000         | 576000       |
| Officers         |               |              |              |
| Secretary        | 1             | 4000         | 48000        |
| <b>TOTAL</b>     |               |              | 1740000      |

**Table 10: Annual Salary Expenses of the Organization**

## **Recruitment and Training**

The company will conduct training for all the staffs for the first two weeks of their recruitment. The recruitment will be done by giving advertisements in the vernacular newspaper and the employment newspapers about the requirements. On the successful recruitment, each category of staff will be trained separately depending upon their needs.

The task force has to interact with the industry, so soft skills will be focused more in their training programme. The role and functions of the company will also be highlighted in detail as they will be communicating with the industry about that. The guidance officers will be given basic training of how to deal with the people and more importantly they will be made fully aware of the industry scenario in the district as they will act as a guiding office for the job seeker. The IT managers will be given formal training in maintaining and updating the server wherein they will be going through the nitty-gritty of server maintenance. They will be going through the hypothetical scenarios like server failure and than training will be given on restoring the condition back to the normal.

## **Marketing Plan**

### **Mission Statement**

“The EIC is a social enterprise that will strive to provide a common platform for job seekers, job providers and training institutes by efficient information dissemination.”

### **Positioning**

The predominant focus of the EIC is to provide guidance for job aspirants regarding employment opportunities and also to provide information regarding vocational training courses to enhance employability. The other stakeholders like training institutes and industry can benefit from this information.

### **Marketing Objective**

To increase the number of job seekers registration at the district level by ensuring greater awareness of the EIC by the local people. Secondly, to ensure that minimum 40% of the local industries in the district levels are registering their details with the EIC at the end of the first year. To ensure that 30% of job seekers are put into appropriate training programs and 15% get placed into organizations.

### **Marketing, Communication and Sales**

For the success of the EIC, the awareness about the purpose and process of registration should be made aware to the job seekers in the local communities at the district level. This communication is possible using the following media/channels

#### **Advertisement in Print**

The information regarding the EIC objectives and location can be published in the local employment newspapers.

#### **Advertising in Government run institutions**

The advertising can be done through the post offices and employment exchanges. Post office is an institute which has the maximum outreach in the country. This reach can be effectively utilized by the company in making aware the unemployed people of the villages. The company advertisement banner containing the purposes of the company will be put up in the post offices. The costs for this have not been considered as the expectation is that government institutions will support this social enterprise.

## **Online promotion for the EIC website**

In order to increase the online traffic to the website and allowing both industry and job seekers to register themselves at the site, the link to this site can be provided on government run websites like employment exchange sites, DGET sites and also ensure that the EIC website has high page ranking in Web search engines by proper indexing of keywords or through payment to the search engines companies.

To attract maximum job providers, EIC will employ a task force. The task force will be entrusted with the task of spreading awareness about the EIC among the SME's and large enterprises. The objective of these task personnel's will be to bring registrations of these industry participants for the company. Every district cell will be having two task personnel's for performing the above task. As per the industry penetration in the district and the response of the industry, more task personnel can be employed in the EIC.

## **Pricing**

The company will not be charging any amount from the job seekers as already mentioned earlier. The main source of revenue for the company comes from the industry from which the company will charge an annual subscription on registration. Considering the demands placed by large enterprises and SMEs will be different in volume as well as the ability to pay the annual subscriptions from the SMEs will be half of the amount charged from the large enterprises.

In this case, Classifieds are placed by the industries stating their requirements on the website. There will be a charge for each classified placed on the website. Once the candidates are hired by the company through the EIC references, the organization has to pay a candidate hire fees to the EIC. The amount from the SME and large enterprises are also differentiated on basis of scale.

The source of income for the EIC is that the companies will be able to place advertisements on the Website as well in order to promote their companies in form of

banner and pop up advertisements. The rate of the advertisement will be decided on negotiable basis and it is an additional source of income over the annual subscription and job placements.

| <i>Particulars</i>  | <i>SME/Pvt. ITIs</i> | <i>Large Industry</i> |
|---------------------|----------------------|-----------------------|
| Annual Subscription | INR                  | INR                   |
| One year            | 1000                 | 2000                  |
| Two year            | 1800                 | 3600                  |
| Three year          | 2700                 | 5400                  |
| Per Classified      | 100                  | 200                   |
| Per Candidate Hire  | 250                  | 500                   |

*Table 11: Fee Subscribed from the Industry*

## **Financials**

### **Projected Income Statement**

The company will incur losses in the first two years of its incorporation while the break even of the business will be achieved in the third year. The description of each item in the revenue and expenditure category is given in the appendix for reference. The projected Income Statement for the company will be as follows:

All figures are in INR

| <b>Income Statement</b> |                     |                     |                     |                     |                     |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <i>Particulars</i>      | <i>Year 1</i>       | <i>Year 2</i>       | <i>Year 3</i>       | <i>Year 4</i>       | <i>Year 5</i>       |
| <i>Revenues</i>         |                     |                     |                     |                     |                     |
| Annual                  | 750,000.00          | 825,000.00          | 907,500.00          | 998,250.00          | 1,098,075.00        |
| Subscription            |                     |                     |                     |                     |                     |
| Classifieds             | 150,000.00          | 165,000.00          | 181,500.00          | 199,650.00          | 219,615.00          |
| Candidates Hire         | 1,935,000.00        | 2,128,500.00        | 2,341,350.00        | 2,575,485.00        | 2,833,033.50        |
| <b>Total Revenues</b>   | <b>2,835,000.00</b> | <b>3,118,500.00</b> | <b>3,430,350.00</b> | <b>3,773,385.00</b> | <b>4,150,723.50</b> |
| <i>Expenses</i>         |                     |                     |                     |                     |                     |
| Personnel:              |                     |                     |                     |                     |                     |
| Salaries                | 1,740,000.00        | 1,827,000.00        | 1,918,350.00        | 2,014,267.50        | 2,114,980.88        |
| Rent                    | 480,000.00          | 480,000.00          | 480,000.00          | 480,000.00          | 480,000.00          |
| Stationery              | 60,000.00           | 66,000.00           | 72,600.00           | 79,860.00           | 87,846.00           |
| Advertisement           | 567,000.00          | 467,775.00          | 343,035.00          | 377,338.50          | 415,072.35          |
| Training                | 20,000.00           | 0.00                | 0.00                | 0.00                | 0.00                |
| Travel                  | 96,000.00           | 105,600.00          | 116,160.00          | 127,776.00          | 140,553.60          |
| Printing                | 40,000.00           | 44,000.00           | 48,400.00           | 53,240.00           | 58,564.00           |
| Internet                | 50,400.00           | 50,400.00           | 50,400.00           | 50,400.00           | 50,400.00           |
| Charges                 |                     |                     |                     |                     |                     |
| Telephone               | 60,000.00           | 66,000.00           | 72,600.00           | 79,860.00           | 87,846.00           |
| Electricity             | 48,000.00           | 50,400.00           | 52,920.00           | 55,566.00           | 58,344.30           |
| Interest Charge         | 78,000.00           | 78,000.00           | 78,000.00           | 78,000.00           | 78,000.00           |
| Depreciation            | 50,000.00           | 50,000.00           | 50,000.00           | 50,000.00           | 50,000.00           |
| Miscellaneous           | 60,000.00           | 66,000.00           | 72,600.00           | 79,860.00           | 87,846.00           |
| <b>Total Expenses</b>   | <b>3,349,400.00</b> | <b>3,351,175.00</b> | <b>3,355,065.00</b> | <b>3,526,168.00</b> | <b>3,709,453.13</b> |
| <b>Net Income</b>       | <b>-514,400.00</b>  | <b>-232,675.00</b>  | <b>75,285.00</b>    | <b>247,217.00</b>   | <b>441,270.38</b>   |

**Table 12: Projected Income Statement**

## Cash Flow Timing

The major portion of the revenues will come when the industry will hire candidates through our company. The cash flow will happen within one week of the candidate accepting the joining letter of the company. The other major source will be the annual subscription from SMEs and large industry which will be charged after every one year and the company will send a subscription alert two weeks prior to the due date.

| <b>Cash Flow</b>       |               |               |               |               |                  |
|------------------------|---------------|---------------|---------------|---------------|------------------|
| <i>Cash Flow</i>       | <i>Year 1</i> | <i>Year 2</i> | <i>Year 3</i> | <i>Year4</i>  | <i>Year 5</i>    |
| <i>Operating Cash</i>  |               |               |               |               |                  |
| <i>Flow</i>            |               |               |               |               |                  |
| Net income             | -514400       | -232675       | 75285         | 247217        | 441270.38        |
| Depreciation           | 50,000.00     | 50,000.00     | 50,000.00     | 50,000.00     | 50,000.00        |
| <i>Investment Cash</i> |               |               |               |               |                  |
| <i>Flow</i>            |               |               |               |               |                  |
| Hardware               | -210000       |               |               |               |                  |
| Furniture              | -80000        |               |               |               |                  |
| Software               | -300000       |               |               |               |                  |
| Development            |               |               |               |               |                  |
| <i>Financing Cash</i>  |               |               |               |               |                  |
| <i>Flow</i>            |               |               |               |               |                  |
| Owners Capital         | 750000        |               |               |               |                  |
| Loan                   | 600000        |               |               |               |                  |
| Net Cash Flow          | 295600        | -182675       | 125285        | 297217        | 491270.38        |
| Opening Cash           | 0             | 295600        | 112925        | 238210        | 535427           |
| <b>Closing Cash</b>    | <b>295600</b> | <b>112925</b> | <b>238210</b> | <b>535427</b> | <b>1026697.4</b> |

*Table 13: Projected Cash Flow Statement*

### **Investment Requirements**

Investment requirement of Rs.500000 apart from the promoter's contribution will be required to sustain initial cash losses and to purchase the fixed assets of the company.

### **Investment Sources and Uses**

Loan will be taken from a bank to fund the initial capital requirements of the company. The interest rate that will be charged by the bank for the loan is assumed as 13% which is the current PLR for the banks. In case, some venture capitalists turned up to finance the company's initial capital requirement; preference will be given to him/her. The sources and uses of the fund are briefly given below:

#### **Sources of Capital**

|                           |               |
|---------------------------|---------------|
| Bank Credit               | 600000        |
| Contribution by Promoters | 750000        |
| <b>Total</b>              | <b>135000</b> |

#### **Uses of Capital**

|                        |               |
|------------------------|---------------|
| Excess Working Capital | 464400        |
| Assets Purchased       | 590000        |
| Cash Reserve           | 295600        |
| <b>Total</b>           | <b>135000</b> |

*Table 14: Sources and Uses*

### **Break Even**

The break even of the company will be achieved in the third year of its working as shown in the income and loss statement. The growth rate for the business is assumed as 10% which is based on the growth rate of 10% in the registrations for ER1 and ER2 in the employment and self-employment cell of the Maharashtra government.

### **Risk Assessment and Contingency**

The benefits which the different stakeholders like the various job seekers, Government and private ITIs and the industry will derive from this project will be immense and

therefore the benefits will far outweigh the risk associated with the business. Some of the risk which can be perceived as of now and their remedial measures are given in the table below:

| <b>Risk</b>  | <b>Prevention Strategy</b>   | <b>Contingency</b>   |
|--|--|--|
| Government's inability to allot place for EIC in their educational institutions. | Suitable place in the private ITIs will be looked in.  | The company will build its independent cell at some suitable location in each district and additional loan will be taken to fund the investment. |
| The company's website may go down at the non-business hours.                     | Arrangements will be made that the two server maintainers will have 24 hours knowledge about the workings of the server. | Company may outsource the maintenance work to a third party vendor.  |
| Weak Sales   | Strong Sales Plan and significant advertisement expenditure.   | Advertisement expenditure will be increased from the current 20% of the revenue level.   |
| Unexpected Demand  | Shifting of the task force from low demand district to high district.  | Recruitment of more number of task personnel and guidance managers to cater the increased demand.  |
| Cash Flow Problems   | Promoters will bring in adequate capital that will take care of the deficit for the first two years.                     | In case of shortage of funds, government grants will be looked for and Social Entrepreneurship funding will be solicited.                        |

**Table 15: Risk Assessment and Risk Mitigation plan**

## **References**

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- Employment and Self Employment Division, Government of Maharashtra 2007-2008

## Appendix A: EIC comparison with other Employment Providing Institutions

| <b>Institutions Versus Factors</b>  | EIC | Employment Exchange | Private Placement Agencies | Temp staffing agencies | Campus Placement Cell |
|---|-----|---------------------|----------------------------|------------------------|-----------------------|
| Collect information from employers  | v   | v                   | v                          | v                      | v                     |
| Collect information from jobseekers   | v   | v                   | v                          | v                      | v                     |
| College information from education institute                                | v   |                     |                            |                        |                       |
| Supply information to education institute for appropriate training          | v   |                     |                            |                        |                       |
| Training for facing interview   |     |                     |                            | v                      |                       |
| Placement of jobseekers   | v   | v                   | v                          | v                      | v                     |
| Facilitating job seekers for appropriate skill acquisition through training | v   |                     |                            |                        |                       |
| Policy change proposals   | v   |                     |                            |                        |                       |
| Curriculum upgrading  | v   |                     |                            |                        |                       |
| State-Market-Education collegiality   | v   |                     |                            |                        |                       |
| Advertising to disseminate information                                      | v   | v                   | v                          | v                      |                       |
| Charge user fee from employer   | v   |                     | v                          | v                      | v                     |
| Charge user fee from job seeker   |     |                     |                            |                        | v                     |

## APPENDIX B: Projected EIC Financials for next 5 years

### Balance Sheet

|                              | <i>Year 1</i> | <i>Year 2</i>  | <i>Year 3</i>  | <i>Year 4</i>  | <i>Year 5</i>      |
|------------------------------|---------------|----------------|----------------|----------------|--------------------|
| <b>Assets</b>                |               |                |                |                |                    |
| Hardware                     | 210000        | 210000         | 210000         | 210000         | 210000             |
| Accumulated<br>Depreciation  | -42000        | -84000         | -126000        | -168000        | -210000            |
| Furniture                    | 80000         | 80000          | 80000          | 80000          | 80000              |
| Accumulated<br>Depreciation  | -8000         | -16000         | -24000         | -32000         | -40000             |
| Software Development         | 300000        | 300000         | 300000         | 300000         | 300000             |
| Closing Cash Balance         | 295600        | 112925         | 238210         | 535427         | 1026697.375        |
| <b>Total Assets</b>          | <b>835600</b> | <b>602925</b>  | <b>678210</b>  | <b>925427</b>  | <b>1366697.375</b> |
| <b>Liabilities</b>           |               |                |                |                |                    |
| Loan                         | 600000        | 600000         | 600000         | 600000         | 600000             |
| Contribution by<br>Promoters | 750000        | 750000         | 750000         | 750000         | 750000             |
| Profit/Loss                  | -514,400      | -232,675       | 75,285         | 247,217        | 441,270            |
| <b>Total Liabilities</b>     | <b>835600</b> | <b>1117325</b> | <b>1425285</b> | <b>1597217</b> | <b>1791270.375</b> |
| <b>Total Deficit</b>         |               | 514400         | 747075         | 671790         | 424573             |

## Revenues Sheet

| <i>Revenues</i>                 | SME's  | Large<br>Industry | Total Ist<br>Year |
|---------------------------------|--------|-------------------|-------------------|
| <b>Annual Subscription</b>      |        |                   |                   |
| Annual Charge                   | 750    | 3000              |                   |
| Expected No. of<br>registration | 600    | 100               |                   |
| Revenues                        | 450000 | 300000            | <b>750000</b>     |
| <b>Classifieds</b>              |        |                   |                   |
| Per Job Category                | 100    | 400               |                   |
| Expected No. of<br>applications | 900    | 150               |                   |
| Revenues                        | 90000  | 60000             | <b>150000</b>     |
| <b>Candidates Hire</b>          |        |                   |                   |
| Per Candidate                   | 150    | 600               |                   |
| Expected No. of<br>Demand       | 900    | 3000              |                   |
| Revenues                        | 135000 | 1800000           | <b>1935000</b>    |

## Expenses

### 1. Staffing

|              | <i>Number</i> | <i>Basic</i> | <i>Total</i> |
|--------------|---------------|--------------|--------------|
| Managers:    |               |              |              |
| Finance      | 1             | 15000        | 180000       |
| IT           | 2             | 15000        | 360000       |
| Task         | 8             | 6000         | 576000       |
| Personnel    |               |              |              |
| Guidance     | 8             | 6000         | 576000       |
| Officers     |               |              |              |
| Secretary    | 1             | 4000         | 48000        |
| <b>TOTAL</b> |               |              | 1740000      |

### 2. Advertisement

For the first year, the advertisement expenses have been taken as 20% of the total revenues of the company. In the second year, 15% of the revenues will be taken for advertisement expenses. While from the third year the company will have a constant policy of spending 10% of the revenues on the advertisement.

### 3. Training

The company at the beginning will spend on training of guidance officers and the task personnel. The training will be for a period of two weeks for which the company has allocated a sum of Rs. 20000.

### 4. Rent, Internet Charges

It has been assumed that the company will enter into contracts for rent and interest charges and will be same over the years.

In case of rent, for central office which will be located in Mumbai will cost Rs. 20000 while for the SBU's the rent will be Rs. 5000.

The internet charges for all the seven computers of the company will be assumed to be Rs.600.

**5. Stationery, Travel, Printing, Telephone, Sundry**

After arriving at the individual figures for the first year, increase at the rate of 10%, which is the assumed growth rate of the business, has been taken for the remaining years.

**6. Depreciation**

For charging depreciation on hardware and furniture, rate of 10% at Straight line method has been taken for calculation purposes. The depreciation will be on accumulation basis which will be utilized at the end of the assets replacement period.

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