



## Meeting the skills gap: ITC's vocational training program

### Summary

ITC's agribusiness operations in India are based mostly in poor rural areas, where a high proportion of the youth population lacks skills and are mostly engaged in the informal sector. In order to improve livelihood opportunities of the local communities, and create a skilled resource base, ITC launched its Vocational Training Program in 2013. The Program aims at improving the skill sets of people, especially those belonging to the marginalized sections of society, thereby making them better suited for the job market.

*Location: India*

*Sector: Agribusiness*

*Category: Community Development*

### Key figure

- 2,500 youth trained for the manufacturing and services sectors since end of 2013.
- Targeting 10,000 per year.

### Company background

ITC is a leading Indian multi-business conglomerate, established in 1910. Its portfolio of businesses spans fast moving consumer goods, hotels, paperboards and packaging, agribusiness and information technology. The Company employs about 30,000 people in the country and its value chains provide livelihoods to around 6 million people, mainly amongst the poorest in rural India.

### The skills gap

*Providing skills and improving livelihood opportunities for millions living in rural areas*

It is estimated that about 12 million people join the working age group in India every year. However, the formal economy is able to provide employment to only 2 million. It is a matter of concern that this growing population of unemployed youth has high aspirations but lacks the right skills to enter the job market. This is despite the fact that there is demand for more resources in the formal sector. It is imperative, therefore, to train such unemployed youth and provide them with relevant skills. A baseline survey, carried out by ITC in 10 locations where it has large operations, revealed that out of a total number of 470,000 youth in the age group of 18 to 35 years, the majority did not possess skills relevant to the job market and were hence unemployed. Only around 145,000 youths were employed in the formal sector, with 10% being ITC employees (about 14,000). The remaining 320,000 youths were either unemployed or operated in the informal economy with jobs that did not provide any security.<sup>1</sup>

<sup>1</sup> The data in section is based on figures provided by ITC.

For ITC, empowering the youth with relevant skills is important in order to improve production and increase benefits. ITC supports a number of initiatives for providing vocational training to youth so as to equip them with relevant skills and increase their employability in the market. ITC's training programs, however, have a larger purpose.

It is the Company's driving aspiration to empower rural communities by creating sustainable livelihood opportunities through various initiatives including vocational training, employment and entrepreneurship.

In almost every location where it operates, ITC sees itself among the foremost companies in terms of excellence in production and residential facilities. In such areas, the Company sees virtually two different worlds coexisting – one is the world of ITC with its factories and residential areas, and the other is the surrounding areas where communities are confronted with various challenges, especially at the level of social infrastructure. In this context, one of the challenges faced by the Company is the unemployed youth who have high aspirations but not the opportunity to secure jobs to fulfil those desires.

### **ITC's solution**

#### *A vocational training program for the rural youth*

In December 2013, ITC developed a vocational training program for the communities which aims at training about 10,000 people every year. The program focuses on building relevant skills that the market demands and for which there are job opportunities. The objective is to impart the relevant job skills to job seekers and make them industry-ready and employable in the manufacturing or service sectors. The program is also part of the Company's affirmative action plan that focuses on the Scheduled Castes and the Scheduled Tribes (SC/ST), which are considered to be among the most socially and economically marginalized in India.

The program offers training in trades including tailoring, beautician, hospitality, automotive, electrical, construction, garments, computer skills, security skills, nursing, driving, retail, marketing and technician. The duration of the courses ranges from 1 to 3 months depending on the trade. As the Company requires a very large front line sales force, ITC also accords special focus on providing skills for the fast moving consumer goods sector.

ITC trains a large number of youth, far beyond what it can absorb within the Company itself. Other companies also benefit from the availability of a trained and skilled resource base.

The residential training incurs a cost of approximately US\$ 275 per student, depending on the trade. While a major part of this cost is borne by ITC, the program requires that every youth contributes 5% to 10% to the up-front fees, depending on the trade to ensure that there is commitment to the purpose. In total, ITC plans to spend about US\$ 1.7 million for the financial year 2014-2015 to set up infrastructure and run the program in all regions.

ITC has divided its operations into four zones: North, West, South, and East. In each zone, the Company has identified a large organization specialized in providing vocational

training. The key partners identified are Pratham Foundation in the West; Don Bosco Technology Institution in the East; LabourNet in the South; and Edulever in the North.

The program is first launched in ITC's factory areas, within a radius of 20 km, and then expanded as it is scaled up. ITC's partner NGO conducts a Needs Assessment Survey with the organizations operating in and around the area. Awareness camps are then held for the youth in the 18-25 age bracket to provide them with details of the training, which may be residential or non-residential. The youth then opt for the trade they are interested in. However, they have to clear an aptitude test using assessment methods developed with the NGOs. Once the assessment is completed, a match making exercise is carried out. Depending on the results and their background, the youth may be advised to change trades.

On the completion of the classroom training, depending on the trades the youth may be placed with various organizations for apprenticeship for a couple of weeks. Once the course is over, the partner organization (NGO) organizes placement camps and invites all industries in the vicinity. The intent is to establish relationships with various industries in the region, so that the skills needs can be assessed and training provided in relevant trade.

### The result

Six months after the program was launched, ITC trained nearly 2,500 youth, one fourth of them being girls. This is considered encouraging as there was no surety as to whether parents would allow their daughters to work outside their hometown. ITC has been very successful in enabling services and job linkages, as 75% of people who were trained by ITC, have entered the formal job market.

### Challenges

- **Willingness to relocate for training** – Anecdotal data reveal that in the more prosperous parts of India (West, South), the youth are not willing to move out of their hometowns, even if there is an appropriate job opportunity. As a consequence, ITC has to arrange to train these youth in their areas of origin. In other areas such as the East, the youth (including girls) are keen to move to the more prosperous states, which was a matter of surprise for ITC.
- **Raising awareness** – When ITC launched the program in December 2013, it witnessed a significant drop out after the first week of training. That was a major learning for ITC, as it realized that its awareness programs were not intensive enough. The Company has therefore increased its program awareness drive from half a day to three to four days in every village. ITC also telephonically connects prospective candidates and their parents to people who have already attended the program and have secured jobs.
- **Trade orientation** – Trade orientation – Most of the youth prefer hospitality as a trade, as it is associated with higher status jobs. However, India requires skilled labor in the construction sector, which might be associated with difficult labor conditions. ITC puts

in extra efforts to convince youth that sectors like automotive or construction offer good career opportunities.

### Key success factor

- **Meeting the job market needs** – As the training provided by ITC is in alignment with job market requirements, most of the trained youths secure jobs in the formal sector. In addition, the partners selected by the Company have a strong network of industries and businesses, which can be leveraged for placement services.

*This case study is part of a booklet issued in early 2015 titled Meeting the skills gap: Lessons from the private sector. The publication was produced in collaboration with the Let's Work Global Partnership, and provides insights into solutions put in place by ITC, SABMiller, and Vale, three WBCSD member companies with a significant presence in emerging markets. They have taken proactive steps and initiated training programs that empower not only their workforce, but also their suppliers, retailers, and the surrounding communities.*

