

REACH
OUT

Building Blocks

Pipal Tree Ventures' efforts are helping unemployed youth find work and bridging the acute shortage of skilled manpower in the construction industry.

ARUNDHATI RAMANATHAN

SAHADEV PRADHAN, 27, had a dream. He wanted to build a home, get married, and help his younger brother finish his education. But with a monthly salary of just ₹3,500—which he earned as a draftsman in Rourkela, Orissa—his dreams remained unfulfilled. All that changed when he got in touch with Pipal Tree Ventures in 2009. The organisation got him a job as a steel fixer and bar bender. Today, Pradhan trains others in this construction process and earns a monthly salary of ₹11,000. He has a guaranteed job in an industry where one usually has to scout for work at the end of every project.

Pipal Tree Ventures trains economically weaker sections from the hinterland in construction functions and helps them find jobs in the industry. The training curriculum covers areas like steel fixing, bar bending, surveying, toll collection and so on.

The venture was born when Santosh Parulekar, 42, a software engineer, visited Andhra Pradesh in 2006 to understand the microfinance system—his employer provided SKS Finance operational solu-



tions. During his tour, Parulekar came across many out of work, uneducated young men. He and his classmate from college, Shailendra Ghaste, MD of IDFC Capital, realised they could transform the lives of these disadvantaged folks. They got together with another friend,

Vikram Reddy, Director of KMC Construction, to convert this unskilled labour pool into a skilled workforce. The founders invested ₹50 lakh each of their own money. Andhra Pradesh-based BSCPL Infrastructure and KMC Construction poured in another ₹7 crore.





PIPAL TREE VENTURES

STARTED
2007

REVENUE
₹6.5 crore
(March 2011)

EMPLOYEES
110

INVESTMENT
₹11 crore

SOCIAL IMPACT

Has tapped the pool of unemployed rural youth and provided a sustainable livelihood while meeting growing demands for skilled labour.

With their agricultural background, it was clear the underemployed youth could take on the strenuous physical work involved in construction—an industry that is short of skilled workers even on a good day. And, one that will need more workers in the years to come as the number of infrastructure projects increase.

FOR PROFIT

When they started out in 2007, the founders initially thought of setting up a trust but ultimately decided to operate as a private limited company, despite facing certain losses. But why call it Pipal Tree? The company's website explains that just as the Pipal tree is the tree of life, the organisation aims to provide its students with a means of livelihood, "thereby becoming a tree of life for them".

After nearly a year of surveys, evaluations, meetings with construction companies and fundraising, a sprawling 40,000 sq ft training campus spread over 25 acres was set up in Andhra Pradesh's Ranga Reddy district. Technical & Further Education (Tafe), an Australian training institute, was roped in for its teaching processes and material. By 2008, the first batch of 45 workers was ready to hit

SALT OF THE EARTH: Pipal Tree competes with MGNREGS when it comes to attracting unskilled labour.

construction sites.

However, in the early days, Pipal faced a number of challenges, particularly in getting companies to hire its workers. "Because of the unorganised nature of the sector, we had trouble convincing companies about the accountability of the workers," recalls Reddy of KMC. They solved the problem by putting in standards and processes. "We had to be accountable for the quality of people we provided."

On the other side, it was equally hard to attract workers, particularly because of the MGNREGS. "When they can earn ₹120 per day in their own backyard, why would they want to go elsewhere?" says a rueful Reddy.

Nevertheless, they stuck to the task and eventually began to taste some success. Parulekar says the emphasis on training has today made Pipal Tree a reliable and reputed name among construction companies and potential trainees. The organisation has nine such centres now, in AP, UP, Bihar, Maharashtra and Rajas-

than. It plans to open four more this year.

Pipal trains people between the ages of 18 and 30 in the classroom and on site. Once employed, the cost of training (₹25,000) is recovered from them over 18 months. "We deduct anywhere between ₹750 and ₹2,000 a month, depending on how much they earn," explains Parulekar, who is also Pipal's Chief Operating Officer. Often, a worker gains enough experience to earn more. For instance, Anil Kumar from Rae Bareilly saw his salary double to ₹10,000 after two years of bar bending and steel fixing. "I have

locations and separation from family.

The company has brought down the attrition rate from its initial high level by improving conditions on site. Pipal provides food and accommodation and has tweaked its business model such that the workers are on its payroll. This gives a worker job security and assures him of steady pay despite working for different construction companies (the construction companies pay Pipal a lump sum). These measures have helped Pipal Tree recover its training costs to some extent.

In its efforts to improve retention, the

company is also working to improve workers' lifestyle by providing semi-permanent accommodation, school facilities for children, medical facilities and so on. Parulekar believes this will also bring profits. "Even if the cost per person increases, the dropout rate will reduce and cover those costs. Besides, the cost for all this is not too high," he reveals.

Last year, Pipal Tree trained 3,500 people, of whom 2,500 are working now. This year, the plan is to train another 6,000 and achieve 90% retention. The company is also looking to increase the number of training centres to 13. These efforts got a shot in the arm last year when IDFC Foundation made an investment of ₹2.25 crore in Pipal Tree, taking the total investment in the company to about ₹11 crore.

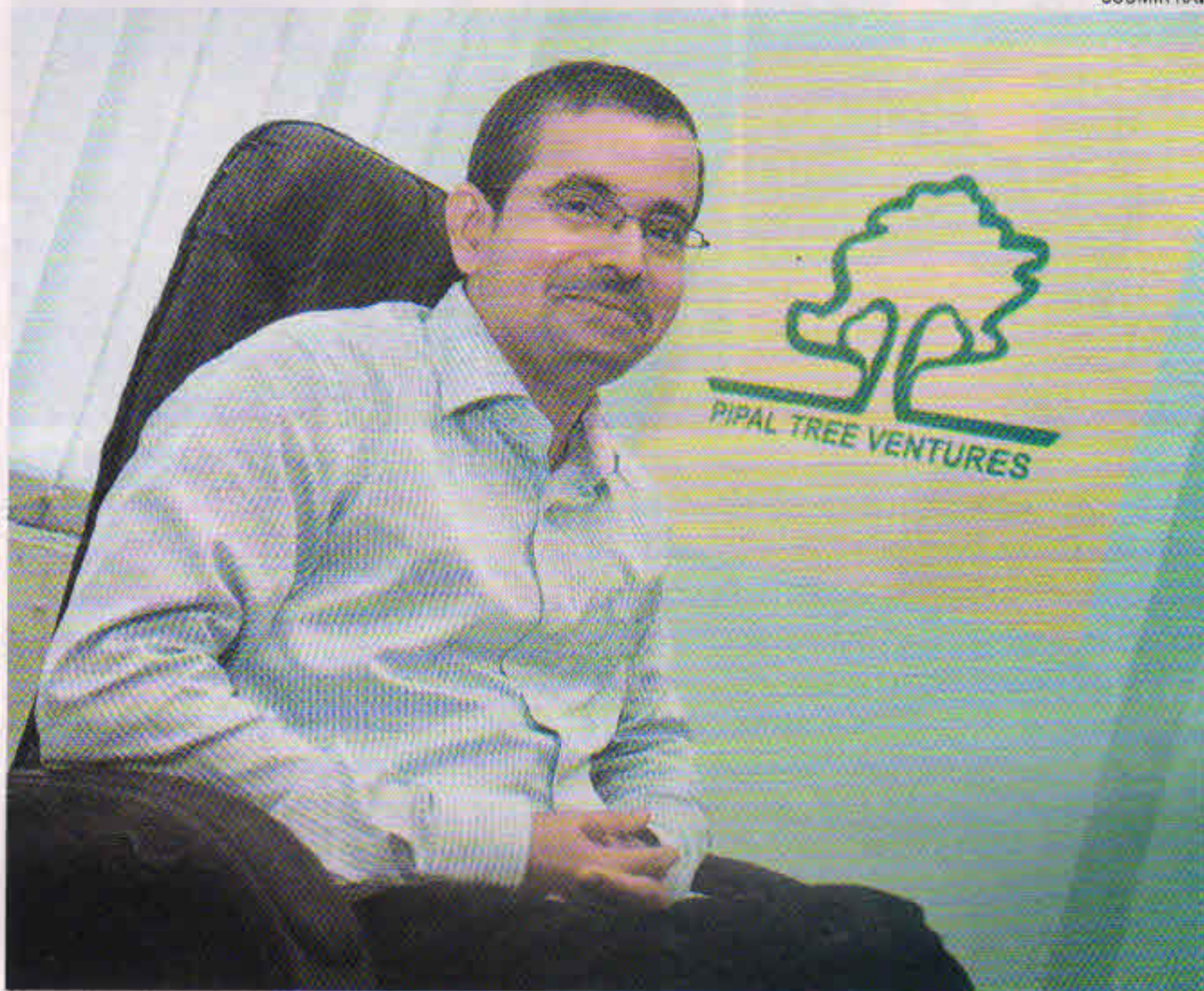
With 10 large construction companies, including HCC, Ashoka Buildcon and KMC as customers, the venture can assure its trainees of jobs because of surplus orders. But the high level of demand for these skilled workers has meant that no project can get a large workforce from Pipal Tree.

For instance, only 5% of Ashoka Buildcon's workforce is made up of Pipal's students. Nevertheless, Satish Parakh, the company's MD, says these workers have helped his company maintain project timelines. The company has donated space for Pipal Tree's training centre in Nashik. Londhe explains that it isn't a good idea to hire unskilled workers as they could compromise the quality of construction. "That is why we were enthusiastic to support a venture like Pipal Tree," he declares.

It's been four years and Pipal Tree is some way away from breaking even. However, the founders are bullish on its future prospects, given that India's construction sector is estimated to require at least 33 million more skilled workers over the next 10 years, according to a projection by IDFC Foundation. "Pipal Tree aims to train and employ 100,000 rural youth over the next five years," declares Reddy of KMC. Judging from the good work it has done so far, the company looks like it may well achieve that target.

Email us at business@outlookindia.com or SMS OLB<feedback> at 575758 ■

SOUMIK KAR



become so good at this job that I have time to supervise a team of 40," he explains proudly. Thanks to the training, these workers earn about 30% more than their unskilled counterparts, says Sanjay Londhe, Director, Ashoka Buildcon. The standard wage for steel fixing and bar bending is ₹3,000 whereas a Pipal Tree worker earns ₹5,200.

HIGH ATTRITION RATE

Despite the promise of better wages, Pipal Tree's biggest problem is its dropout rate. Initially, it was as high as 80% but has since tapered to 30%, which is still a worry. The main causes for workers quitting are poor site conditions, remote

“The cost of training is recovered by deducting between ₹750 and ₹2,000 per month, depending on how much they earn.

—Santosh Parulekar
Co-Founder and COO, Pipal Tree