

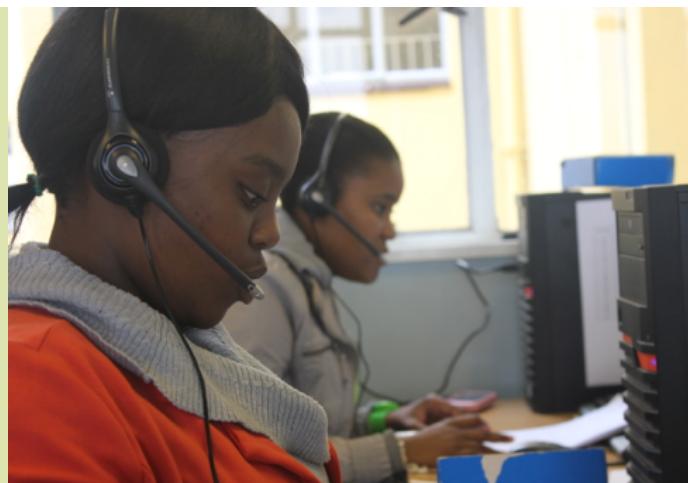
INCLUSIVE INNOVATIONS

Expanding Access to Employment and Higher Education Opportunities through Rapid IT Skilling

Socially responsible providers of business process outsourcing services improve post-secondary education opportunities for disadvantaged youth in remote areas through vocational training

HIGHLIGHTS

- The growing digitization of business outsourcing processes and virtualization of the workplace expand remote service range.
- Companies use the profits generated from their outsourcing activities to cross-finance pre- and in-service vocational training, education scholarships, or student loans.
- They leverage their ICT-based models to increase education and employment opportunities in rural areas and provide low-cost access to education to youth and others, such as women and the disabled.



Summary

Education-oriented providers of outsourcing services support disadvantaged youth by offering them employment in the business process outsourcing (BPO) sector and providing them with vocational training. Going beyond mere up-skilling of in-house personnel, these providers holistically support youth in transitioning to employment outside the company by offering work/study programs that combine part-time employment with university studies, career guidance and job interview training. Education-oriented outsourcing service providers are generally funded through the income generated from the outsourcing services they provide. However, some additionally use external funding such as donations or subsidies to fund their education activities.

Development Challenge

Youth unemployment has increasingly become a global concern. In 2013, the global youth unemployment rate reached 13 percent—almost three times as high as the overall unemployment rate (ILO 2014). About 90 percent of the global youth population lives in low-income regions (ILO 2013). Of those in employment, many work in the informal sector, under unstable and poorly-paid conditions. They often lack access to training and job opportunities that could help them transition into better-paid, formal employment.

Business Model

Impact Sourcing Service Providers (ISSPs) run companies that provide business process outsourcing (BPO) services with the objective of creating social impact. Similar to traditional BPO service providers, ISSPs base their model on taking responsibility for specific business processes or operations from other companies. Services range from simple tasks such as transcriptions or data entry to more complex tasks such as programming. In Kenya, for example, Daproim Africa offers software development and e-learning services. ISSPs offer the same value proposition as traditional BPO providers by enabling operational savings and efficient expansion strategies.

Unlike traditional providers, ISSPs add further social value to their propositions. They specifically recruit low-income youth and some favor disadvantaged women (iMerit) or persons with disabilities (Digital Divide Data). They provide them with employment in the formal sector, above average wages, and often social

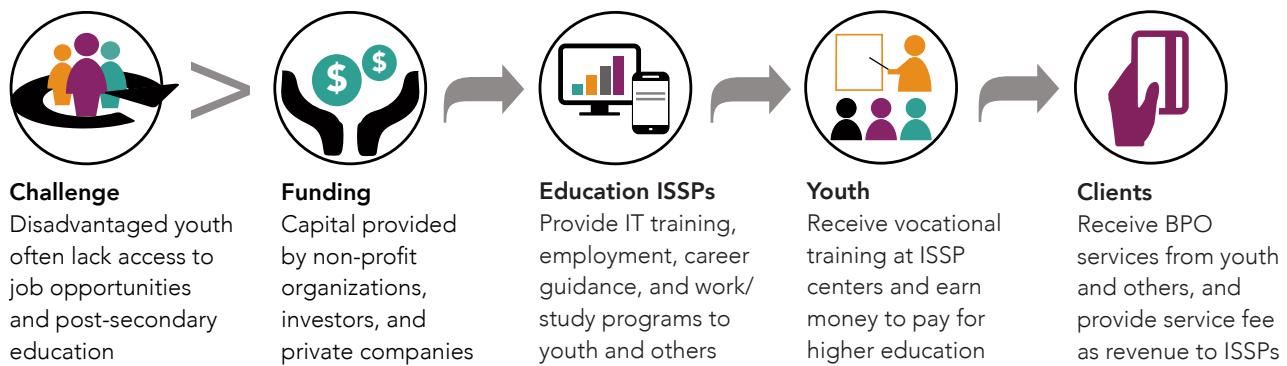
security or health benefits. At Digital Divide Data (DDD), for example, all employees are provided with healthcare.

Education ISSPs design their business models to expand access to post-secondary education for their target group. They provide comprehensive vocational training before and on the job, either provided in-house, through a sister company or partner organizations. Some education ISSPs provide additional opportunities to pursue higher education. Daproim, Digital Divide Data and Invincible Outsourcing have developed work/study programs by which employees can study at university while working part-time at the ISSP.

Education ISSPs are typically for-profit companies, generating revenues from BPO service fees charged to clients (private companies, public institutions, or non-profit organizations). Some education ISSPs are based on a hybrid financial model. Digital Divide Data receives additional financing and in-kind donations. Rural Shores receives subsidies from the Indian government.

Components of the Model

Figure 1. Features of the outsourcing services model for employment and education opportunities



Cost Factors

Data on cost-coverage is not available for all of the education ISSPs analyzed. However, examples suggest that ISSPs in the education sector can reach breakeven. Digital Divide Data's Asian centers broke even in 2013 and Daproim in 2010. Overall, rural BPOs are estimated to break even when reaching turnovers of about USD 225,000 (India Brand Equity Foundation 2015).

For an initial investment, for example, Rural Shores invests about USD 95,000 in establishing a rural BPO center (India Now Business and Economy 2015). In Nairobi, Daproim started off with a two-computer office at about USD 1,000, and invested about USD 5,100 when moving into a 10-seat office.

Digital Divide Data recorded global operating costs of approximately USD 7.9 million in 2014. According to its CEO, Daproim's annual operating costs typically range from USD 200,000 to 300,000. Operating costs tend to be lower for rural ISSPs than for urban ISSPs. While rural areas may have additional costs related to last-mile connectivity, they also enjoy savings on other costs such as rent and labor. In India, for example, rent for a rural BPO office can be less than a third of a similar office in an urban area (LiveMint 2007).

Revenue Streams

ISSPs generate revenues from the BPO services they provide (see Table 1).

Table 1. Comparison of outsourcing services and educational offers provided by ISSPs

	Example	Outsourcing services	Educational offer
URBAN	Daproim Africa (Kenya)	Content moderation, data entry, online research, records management,	<ul style="list-style-type: none"> • <i>Pre-service:</i> As part of the recruitment process, students undergo a two-week online training

		transcription, IT services, e-learning services, etc.	<ul style="list-style-type: none"> <i>In-service:</i> Employees pursue higher education at various universities. During their first month of employment they undergo online training tailored for task-specific skills. After three months, they receive additional soft-skills training.
	Invincible Outsourcing (South Africa)	In-bound and outbound customer services, market research, surveys, data capturing, etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> Youths undergo one-year foundation training at the Maharishi Institute. <i>In-service:</i> Invincible Outsourcing employees pursue a university degree through distance courses offered at the Maharishi Institute. Depending on funds, selected youths additionally undergo four-months accredited call center training.
URBAN & RURAL	Digital Divide Data (Cambodia, Lao PDR, Kenya, U.S.)	Records management, archive digitization, online research, image editing, etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> Several months of vocational training provided by partner organizations. <i>In-service:</i> Employees can pursue higher education in a subject and at a university of their choice.
	Rural Shores (India)	Digitization services, transaction processing services, testing and technical services, local language customer service, marketing campaigns, field surveys etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> Four months of training (two months of foundation training in English, computer skills and soft skills, plus two months of client process training), provided by subsidiary Rural Shores Skill Academy. <i>In-service:</i> Continued training for specific task-related skills.
RURAL	iMerit (India)	Cloud and mobile IT support, virtual service desk, application testing, machine learning services, digital publishing services, online marketing, digital content management, etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> Three months of Market Aligned Skill Training provided by sister organization Anudip Foundation. <i>In-service:</i> In-house data entry and on-the-job training on tasks that clients are not billed on. After that, continued project-aligned training, tailored to project requirements and team member skills.
	IndiVillage (India)	Image editing and processing, image and document tagging, web content moderation, data entry and verification, digitization, transcription, etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> Basic IT and soft skills training. <i>In-service:</i> Continued professional development. <i>Other:</i> IndiVillage invests its profits in community development, and sponsors local children's basic education.
	V Village BPO (India)	Human resources, data processing, insurance claims processes, etc.	<ul style="list-style-type: none"> <i>Pre-service:</i> 4-6 months of training in English, Computer skills, logic, business skills, and personal development. Provided by sister organization Head Held High Foundation.

Financial Viability

Digital Divide Data generated a USD 7.8 million annual turnover in Fiscal Year 2014. Daproim's revenues were at approximately USD 270,000 in 2014. Rural Shores' revenue grew from over USD 78,000 in its first year of operation in 2008 to over USD 5.7 million in Fiscal Year 2013 (VCircle 2014). Rural Shores' investor generated a 4.5 times return on investment when it exited its investment after four years.

Partnerships

Provision of capital: Social and private investors provide initial funding to establish the education ISSPs and BPO centers. Omidyar Network provided funding for iMerit. HDFC Ltd and Lok Capital LLC invested a total of USD 3.5 million in Rural Shores between 2009 and 2011 (Business Today 2015).

Provision of in-kind support: Non-profit organizations, technology companies and telecommunication companies support education ISSPs with IT hardware, software, and connectivity. The Datatec Educational and Technology Trust donated the technology infrastructure for the Invincible Outsourcing call center.

Assignment of work: Private companies, governments, non-profit organizations, and universities contract the education ISSPs, either directly or through other BPO service providers who sub-contract the ISSPs. Samasource, for example acts as a broker for iMerit and other ISSPs to market their services to international companies.

Outreach to social target group: Schools, universities, and non-profit organizations support the education ISSPs by marketing their programs to youth and identifying potential employees. Rural Shores, for example, asks local schools and colleges to identify suitable candidates.

Training of employees: Non-profit organizations and educational institutions develop and provide pre-service as well as in-service training to the education ISSPs employees. In Cambodia, the non-profit *Passerelles Numériques* trained youth for several months before they started work at Digital Divide Data.

Implementation: Delivering Value to the Poor

Awareness

Education ISSPs typically reach out to their target groups through their partner organizations. Digital Divide Data partners with non-profit organizations to market its program and identify eligible candidates while iMerit and V Village BPO go through their sister organizations, Anudip Foundation and Head Held High Foundation. Daproim has advertised its work/study program directly through universities and student organizations, and currently focuses on word-of-mouth and social media marketing.

Acceptance

Education ISSPs design their employees' work schedule to match their study schedule. Digital Divide Data, Daproim, and Invincible Outsourcing offer their employees part-time employment. Daproim further adjusts employees' work schedules to be compatible with their university exam periods. Some companies, such as Digital Divide Data, provide career guidance and interview skills training to support their employees to find employment outside the ISSP after graduation.

While some education ISSPs, such as Invincible Outsourcing, are directly linked to a specific education institution, others offer their employees the freedom to choose the university and course they want. Digital Divide Data's employees, for example, often enroll in a course that is unrelated to the IT or BPO sector. Those ISSPs directly linked to an education institution or training academy ensure the accreditation of their educational programs. Invincible Outsourcing's employees enroll in an accredited university degree at the ISSP's sister company Maharishi Institute. In India, Rural Shore's Skill Academy aligns the training contents with the National Occupancy Standard of each job role. iMerit's sister company Anudip Foundation provides a "Market-Aligned Skill Training" that is aligned with the framework of the National Skills Development Corporation, an Indian public-private partnership organization.

Availability

Many education ISSPs establish their BPO centers in rural areas to make their programs available even in remote areas. V Village BPO, for example, uses a hub and spoke model where a BPO center in an urban area passes tasks on to a cluster of rural BPO centers. Daproim makes its program available to remote youths by deploying a virtual work model through which they can work from their personal computers or university computer labs.

Daproim and Invincible Outsourcing use a virtual model to provide training and higher education to their employees. Invincible Outsourcing's sister company Maharishi Institute has installed computer labs where employees can access the distance education programs of its partner universities in the United States and United Kingdom.

Affordability

Education ISSPs make vocational training affordable at low or no cost by cross-financing it through the revenues they generate from BPO services. Some ISSPs in India create subsidiary training centers to benefit from government subsidies (see "The role of government and policy" section).

Employees are further enabled to finance university studies through the salaries they earn in the work/study programs (Digital Divide Data, Invincible Outsourcing, Daproim). At Digital Divide Data, employees are given partial scholarships to cover university fees. In Kenya, Digital Divide Data employees also receive student loans from the government. At Invincible Outsourcing, the costs of higher education degrees are additionally reduced by relying on distance courses provided by international partner universities.

Results and Cost-Effectiveness

Scale and Reach

Most education ISSPs are about five to ten years old and constitute a relatively new sector. For the time being, they operate at low scale running between one (e.g., V Village BPO) and five BPO centers (e.g., iMerit). However, older examples underline the sector's potential for growth, reaching significant scale and operating in more than one country. Rural Shores, for example, has established 18 BPO centers in India since its inception in 2008, and currently employs about 2,600 youth. Digital Divide Data established its first three BPO centers within the first three years of operation and now runs four centers in four countries.

All the education ISSPs analyzed target marginalized groups. At Digital Divide Data, all employees undergoing the work/study program are from low-income families. Half of them are women and about five percent have some kind of disability. Some education ISSPs put special emphasis on employing women: at IndiVillage and iMerit about 70 percent of employees are women.

Improving Outcomes

Benefit for end users: Some education ISSPs partner with external organizations to conduct impact assessments, but the majority rely on internally collected, quantitative data to measure performance. Results suggest that youth are more likely to complete higher education, are more successful in finding employment in the formal sector, and find themselves less forced to leave their communities.

Higher education: Of Digital Divide Data's employees, about 90 percent graduate with a post-secondary degree. Rural Shores reports that 21 percent of its employees have taken up higher education through distance learning after joining the company (India Now Business and Economy 2015). The Maharishi Institute's attrition levels dropped 23 percent to a 10 percent rate within three months when Invincible Outsourcing started to provide students with employment and salaries.

Employment: After completing the Digital Divide Data program, 97 percent of its alumni are employed full-time. At the Rural Shores Skill Academy, over 78 percent of the 7,000 trained youth have been placed in formal sector companies, within and outside of Rural Shores (Rural Shores 2015).

Economic results: Data indicates positive impacts on the employees' income during and after their training and employment with an education ISSP. At Rural Shores, the annual household income has increased by 50 percent for about 75 percent of its employees (India Now Business and Economy 2015). After completing the Digital Divide Data program, alumni earn an average of USD 368 per month, typically three to four times the regional average. Digital Divide Data further estimates that the lifetime earnings of each program graduate increases by USD 175,000.

Rural Shores also measures the economic impact on its communities using the Local Multiplier 3 (LM3) metric developed by New Economics Foundation. This metric measures how money is spent and re-spent and the effect it has on the local economy. Rural Shores' LM3 score is 2.85, which means that for every dollar spent, an additional USD 1.85 is generated for the community (Everest Group 2014).

Migration: As several education ISSPs operate in rural areas, rural youth are not forced to leave their communities and move to the cities for training and employment. Rural Shores report that 75 percent of its employees would have migrated to cities if they had not been employed by Rural Shores.

Scaling Up

Challenges

ISSPs face three key challenges:

- **Insufficient infrastructure:** ISSPs operating in rural areas tend to have unstable power supply and low connectivity. Some ISSPs try to lower the risks by contracting two different Internet providers and installing power backup through generators. This, however, increases operative costs.
- **Resistance to sub-contract ISSPs:** Many ISSPs, notably smaller ones, try to partner with larger BPO providers to secure large contracts. However, most BPO providers are rather risk-averse when considering ISSPs with short track records and limited personnel.
- **Lack of managerial capacity:** There is an overall increasing demand for skilled managers, particularly in countries like Cambodia and Kenya where the IT sector is rapidly growing. This makes it harder for some ISSPs to recruit and retain skilled managers.

Furthermore, education ISSPs struggle at two levels:

- **Attrition after pre-service training:** Some education ISSPs have experienced high attrition of trainees after they receive their pre-service training. IndiVillage initially created an 8-month training program, but lost the majority of employees as they took their new skills to look for other jobs in the city. IndiVillage has now changed its model and provides basic pre-service training that is then complemented by comprehensive on-the-job training (William James Foundation 2015).
- **Difficulties in combining work and study:** Education ISSPs offering study/work formats can face problems related to employees' exam periods. For Daproim it has initially been difficult to ensure the quality of work in phases where employees are preparing for university exams.

Key Drivers

Increased demand for socially responsible outsourcing: Both the overall BPO and the Impact Sourcing Service market have grown considerably over the past years, and are predicted to continue expanding. Based on research in eight BPO service providing countries in Africa and Asia, the Everest Group estimates that the BPO market grew by nine percent between 2013 and 2014 (Everest Group 2014). The same research indicates that the Impact Sourcing Service market increased by 11 percent, comprising about 12 percent of the overall BPO industry. Further, research projects that this share will grow to 25 percent before 2023 (William Davidson Institute 2013).

Digitization and technological innovation: The growing digitization of business processes and the virtualization of the workplace is helping to expand the range of remote services that ISSPs can provide to clients. At the same time, new IT-solutions are emerging that continually improve and expand the ISSPs' modes of delivering BPO services. Technologies such as cloud computing further reduce set-up costs.

Government support: Increasing government support in the form of BPO- and ISSP-targeted policies and subsidies is lowering the ISSPs' costs for establishing centers and training personnel.

Further factors for successful scaling include partnerships with ISSP brokers to secure larger projects; lower attrition rates among ISSP employees than traditional BPO providers, resulting in lower operating costs; and obtaining quality certification for their BPO services, which enhances the acquisition of international work assignments.

Role of Government and Public Policy

Governments play a role in supporting education ISSPs in their business activities.

- **Assignment of work.** By outsourcing processes to ISSPs, governments can provide a stable source of income for the ISSPs' business and social activities. The Indian government has contracted Rural Shores for several projects, related to cattle census, land records, or e-governance.
- **Provision of IT network infrastructure.** Governments have indirectly supported ISSPs by expanding and improving the IT infrastructure, thus improving the quality and efficiency of the services provided digitally. The Indian government launched the National Optical Fiber Network project in 2013, aiming to connect over 200,000 villages with optical fiber by 2016. The Kenyan government launched the terrestrial National Optic Fiber Backbone Infrastructure Program in 2012. This program aims to provide last-mile connectivity in major towns and districts. Further, the government has developed a National ICT Master Plan 2017, according to which every citizen should be connected "through countrywide robust, accessible and affordable ICT infrastructure".
- **Promotion of BPO market development.** Governments support ISSPs by marketing their countries as BPO hubs and by creating policies that incentivize investments in the BPO industry. In its 2008 "Kenya Vision 2030," the government of Kenya declared its intention to make the country one of the top three BPO destinations in Africa. In India, the government of Tamil Nadu created the Enhanced Rural BPO Policy in 2012, by which the Information Technology Department helps rural BPOs establish units notably within educational institutions. The South African government introduced the "Business Process Outsourcing and Offshoring Investment Incentive" in 2007, through which BPOs can receive an investment grant of about USD 3,000–4,900 per seat.
- **Incentivizing youth employment.** To enhance the recruitment of notably unemployed youth, governments have created tax incentives for employers. The South African government, for example, introduced the "Employment Tax Incentive" in 2013. Under this incentive, private sector employers are granted a tax reduction if they hire workers aged 18–29 from designated special economic zones. The reduction constitutes 50 percent (up to USD 80) of the employees' monthly salary and is available for two years per employee.

Governments play a role in supporting education ISSPs in their educational activities

- **Developing and subsidizing pre-service vocational training.** To assist ISSPs in the up-skilling of their employees, some governments create support programs for pre-service training. The South African government, for example, launched the "Monyetla Work Readiness Programme" in 2007. As part of this program, the Services Sector Education and Training Authority developed a four-month vocational training schedule by which unemployed youth can earn credits for Contact Centre qualification before entering a BPO job. The BPOs select the group of participants and commit to employ at least 70 percent of these. At the Maharishi Institute, Invincible Outsourcing's employees undergo initial training under the "Monyetla Work Readiness Programme".
- **Subsidizing in-service vocational training.** Governments have further created subsidies that support ISSPs in continually training their employees. As part of its "Business Process Outsourcing and Offshoring Investment Incentive", the South African government supports company-specific training through grants of up to USD 980 per call center agent. In India, the Ministry of Labor and Employment has created the National Skill Development Corporation through which it funds non-governmental institutions that provide vocational training. As part of this program, Rural Shores' subsidiary, the Rural Shores Skill Academy, received about USD 470,000.

- **Provision of student loans:** Governments have supported ISSPs in the higher education sector by providing selected employees with university funding. Kenya's state corporation the Higher Education Loan Board offers Digital Divide Data's employees student loans to finance part of their university fees.

Table 2. Selected education ISSPs

Company/Country	Countries	Description
Daproim Africa	Kenya	Daproim ("Data Processing and Information Management") provides disadvantaged university students with employment in the BPO sector to help them fund their studies. As part of its Digital Campus Connect (DCC) program, students can work part-time through a virtual work model, either in Daproim's office, from their universities' computer labs or from their personal computers. Additionally, Daproim provides pre-service and in-service IT training plus life-skills training on interpersonal skills, time management, career development, and personal finance. It generates revenue from BPO services (Content Moderation, Data Entry, Online Research, Records Management, and Transcription).
Digital Divide	Cambodia, Lao PDR, Kenya, United States	DDD runs socially responsible business process outsourcing centers that offer low-income youth a work/study program to pursue higher education. In this program, youth are enrolled at university while working as DDD's data management operators (36 hours/week) and receiving partial scholarships to cover study fees. As operators they earn above minimum wages and receive social services such as health care. DDD covers operating costs through the BPO services it provides to national and international customers.
iMerit	India	iMerit is a BPO service provider running IT training centers in rural India with the objective of providing employment to low-income youth and women. iMerit recruits employees who are graduates of Market Aligned Skill Training, provided by iMerit's sister organization the Anudip Foundation. Once hired, iMerit employees undergo additional on-the-job-training before being deployed full-time on a project.
IndiVillage Tech Solutions	India	IndiVillage is an Impact Sourcing Service Provider that trains and employs people from disadvantaged rural communities. Employees receive pre-service IT and soft skills training as well as continued professional development. IndiVillage further aims to contribute to the holistic development of disadvantaged these communities by reinvesting 100 percent of its profits into community improvement through education, agricultural support and craft preservation (e.g. education sponsorship for local children).
Invisible Outsourcing	South Africa	Invincible Outsourcing is a Business Process Outsourcing unit, providing primarily call center work. It offers low-income students a "Learn and Earn" program by which they work part-time as call center agents (about 4 hours per day) while pursuing higher education through the company's sister organization, the Maharishi Institute. The partnership with the Maharishi Institute allows students to benefit from a one-year university preparation course, access to international university degrees through distance education, and a zero-interest student paid back through the salary students earn at Invincible Outsourcing. Further, students receive vocational training at Invincible Outsourcing and, depending on funds, the opportunity to obtain accredited call center agent training and certification through the Maharishi Institute's Impact Sourcing Academy program.
Rural Shores	India	Rural Shores employs rural youth in its Impact Sourcing centers and provides them with comprehensive vocational training through the centers of its subsidiary, the Rural Shores Skill Academy Pvt Ltd. Youth receive a four-months structured pre-service training in basic English, computer skills and soft skills, followed by process-specific training on-the-job.

Samasource	Kenya, Uganda, India and Haiti	Samasource provides unemployed youth with digital skills and a direct connection to employers.
Tunapanda	Kenya	Tunapanda operates in the Kibera slums to provide 3 months intensive training in tech, design and business. The business projects Tunapanda takes on, such as multimedia editing, software and web development, helps pay for the training of new students.
V Village BPO	India	V Village BPO and its sister company Head Held High aim to provide rural youth with vocational training and employment. Head Held High provides disadvantaged youth with a 4-6-months training in English, Computer skills, logic, business skills, and personal development. They are then placed with V Village BPO where they work as BPO agents providing data processing, insurance claim processing, and human resources services.

References

- Business Today. 2015. *Rural Shores Business Services. The Small-town BPO.* http://ruralshores.com/assets/media/RS_Business_Today.pdf.
- Carol Wanjiku Kamanja ,Chief Operating Officer, Daproim, Phone interview with author, June 6, 2015.
- Everest Group. 2014. *Solving Problems, Locally and Globally*. Dallas, TX: Everest Group. https://research.everestgrp.com/wp-content/uploads/2014/09/RF-RuralShores-Case-Study-on-Impact-Sourcing-Final-approved_vf.pdf.
- Everest Group. 2014. *The Case for Impact Sourcing*. Dallas, TX: Everest Group. http://www.everestgrp.com/wp-content/uploads/2014/09/RF-The-Case-for-Impact-Sourcing-Final-approved_vf.pdf.
- India Brand Equity Foundation. 2015. *Breaking the Glass Ceiling*. New Delhi: India Brand Equity Foundation http://www.ibef.org/download/Trends_150710.pdf.
- India Now Business and Economy. 2015. *Rural Update. Creating Waves*. New Delhi: India Brand Equity Foundation. http://ruralshores.com/assets/media/RS_India_Now.pdf.
- International Labour Organisation. 2013. *Global Employment Trends For Youth 2013. Executive Summary*. Geneva: International Labour Organisation http://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/publication/wcms_212899.pdf.
- International Labour Organisation. 2013. *Informal, poorly paid and unemployed. The reality of work for most youth in developing countries*. Geneva: International Labour Organisation http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_212917/lang--en/index.htm.
- International Labour Organisation. 2014. *Global Employment Trends 2014: The risk of a jobless recovery*. Geneva: International Labour Organisation http://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/-/publ/documents/publication/wcms_234107.pdf.
- LiveMint. 2007. *Rural twist to BPO story*. <http://www.livemint.com/Home-Page/U3k8ILgkvJ9bdglg7AiKBL/Rural-twist-to-BPO-story.html>.
- VCCircle. 2014. *Lok Capital part exits investment in rural BPO firm RuralShores with 6x returns*. <http://www.vccircle.com/news/technology/2014/04/29/lok-capital-part-exits-investment-rural-bpo-firm-ruralshores-6x-returns>.
- William Davidson Institute. 2013. *Impact Sourcing. Assessing the Opportunity for Building a Thriving Industry*. Ann Arbor, MI: William Davidson Institute. <https://www.rockefellerfoundation.org/app/uploads/Assessing-the-Opportunity-for-Building-a-Thriving-Industry.pdf>.
- William James Foundation. 2015. *IndiVillage Profile*. Washington, DC: Mentor Capital Network. <http://www.williamjamesfoundation.org/index.cfm?fuseaction=page.viewPage&pageID=1722&nodeID=17>



This series on Inclusive Innovations explores business models that improve the lives of those living in extreme poverty. Editors are Elaine Tinsley and Natalia Agapitova. Researched and developed by Endeavor.

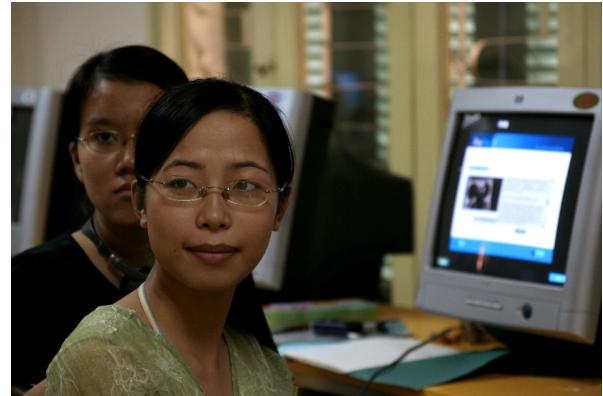
PROFILE: Digital Divide Data (DDD)

Training business process outsourcing workers and giving them the opportunity to pursue higher education



Challenge

Youth in Southeast Asia and the Pacific are more than five times more likely to be unemployed than adults (ILO 2013a), and youth who are employed often perform irregular work in the informal sector. Cambodians with higher education earn more than twice as much as Cambodians with a high school degree. Most high school graduates do not go on to university because they lack the financial means or they need to work to support their families (ILO 2008).



Innovation

Digital Divide Data (DDD) (www.digitaldividedata.com) provides business process outsourcing (BPO) services that aim to have a social impact. It combines employment with vocational training and financial support to offer low-income youth an affordable way to pursue higher education. The program involves three steps:

- 1) **Pre-service training:** Potential participants complete several months of technical and vocational training before being hired as operators.
- 2) **Work during probation year:** Program participants are hired for one year to work full-time as data management operators. They earn more than the minimum wages and receive benefits. They also receive in-service training to develop specific work skills and improve their English.
- 3) **Work/study program:** DDD's model enables work/study operators to enroll at university while continuing to work part time and complete a tertiary degree in four to five years. Financial support covers approximately 60–70 percent of university fees. Students cover the remaining 30–40 percent.

Impact

Since its launch in 2001, DDD has established four BPO centres in Cambodia, Lao PDR, Kenya, and the United States. Including its own staff of more than 1,300 people, the company has trained and employed more than 2,000 youth, including more than 800 who have received higher education degrees. All participants in the work/study program are from low-income families. Half of them are women, and about 5 percent have some kind of disability. About 90 percent of youth entering the program graduate with a post-secondary degree. After completing the program, 97 percent of participants find full-time employment.

Scaling Up

DDD reached breakeven in its Asian centers in 2013 and aims to reach global breakeven by 2020. The company recorded constant revenue growth: Between 2011 and 2014 annual earned revenue grew 17–47 percent a year. Both the overall BPO and impact sourcing service market are projected to continue to expand. Constraints for expansion include: difficulty in finding skilled IT managers; tough competition with much larger BPO service providers to win international contracts; and the need for longer-term and recurring projects to ensure workers remain employed over the full duration of the work/study scheme.

References

- ILO (International Labour Organization). 2008. *Youth and Employment: Bridging the Gap*. Geneva: ILO. http://www.ilo.org/public/english/dialogue/actemp/downloads/projects/youth/cambodia_surveyreport2008_en.pdf.
- . 2013a. *Global Employment Trends For Youth 2013. Executive Summary*. Geneva: ILO. http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212899.pdf.

PROFILE: Invincible Outsourcing/Maharishi Institute

Providing disadvantaged students in South Africa with employment that allows them to pay for distance learning at universities

Challenge

For an upper-middle income country, South Africa has one of the lowest tertiary enrollment ratios in the world: Only about 20 percent of South Africans enroll in tertiary education, and only 15 percent of those students complete their studies, largely because they cannot afford to continue. The challenge is to increase students' ability to pay for higher education, in order to increase enrolment and graduation rates.



Innovation

For-profit Invincible Outsourcing (<http://invincibleoutsourcing.com>) is a BPO service unit that offers low-income students part-time jobs as call center agents and higher education through the company's sister organization, the Maharishi Institute. The "Learn and Earn" program features four innovations:

- 1) **Pre-service training:** Before starting their employment with Invincible Outsourcing and their studies, all students undergo a one-year foundation program at the Maharishi Institute.
- 2) **Distance education:** After the foundation program, students enroll in a two-year program that leads first to a higher diploma in business management and then to a degree in business management. The Maharishi Institute is not a higher education institution; it partners with international universities and local organizations to provide students with access to distance and contact courses.
- 3) **Sustainable education loan fund:** Students entering the Maharishi Institute are given a zero-interest loan of approximately USD 10,000 to cover their tuition. Through employment at Invincible Outsourcing, they are typically able to repay 40–65 percent of their loans by the time they graduate. The remaining 35–60 percent is paid after graduation in monthly installments.
- 4) **Accredited call center training:** The Maharishi Institute occasionally offers an additional training program that provides students with 80 days of face-to-face training, of which 160 hours are workplace experience at Invincible Outsourcing or one of the Maharishi Institute's business partners.

Impact

Invincible Outsourcing employs about 300 Maharishi Institute students. Since its launch in 2009, about 600 students have participated in the program. All students have found employment after graduation. About 80 percent are employed by the time of their graduation; the remaining 20 percent are employed within six months of graduation, according to the company. Ninety percent of students find employment through the Maharishi Institute's career support and business partnerships.

Scaling Up

The South African government has adopted several policies and initiated several programs to facilitate the BPO market, particularly the call center segment. The Institute is considering creating a "university in a box" franchise model, but doing so has proven difficult because the Institute does not have the legal rights to share the educational contents provided by its partner universities.

Invincible Outsourcing broke even in 2013. Almost all of its revenue comes from its business activities. It relies heavily on relationships with the Maharishi Institute's business partners, however, which often fail to provide enough candidates. Additional marketing is needed to ensure that Invincible Outsourcing operates at its full capacity. Invincible Outsourcing's sustainability is limited by the Maharishi Institute's financial model. The Institute operates as a non-profit organization and depends almost entirely on donor funding and subsidies. The Institute is exploring options for becoming less donor-reliant, such as building long-term partnerships with corporations that could move their call centers to Invincible Outsourcing.