

An emerging force

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The domestic flexi-staffing industry is poised for exponential growth

As the dynamics of businesses are changing, organisations need to be more flexible to accommodate market changes. This is where the flexi or temporary staffing sector is playing a major role. The concept, where organisations don't hire employees on their roll, but source their manpower requirements from staffing companies, is fast catching up in India. Though the concept, in its unorganised form, has been in existence for several years, the organised structure where the workforce being on the rolls of flexi-staffing companies (FSCs), enjoys most of the statutory benefits of employment (such as EPF, ESI, medical insurance), is gaining ground.

However, the level of penetration (of organised structure) in India is quite low at 0.51 per cent (in 2015) as against the global average of 1.6 per cent, even as the concept has been quite prevalent in developed economies. At 3.9 per cent, the UK leads the charge, followed by China (3.6 per cent), the US (2.2 per cent), Germany (2.1 per cent), and Japan (2 per cent).

According to a recent study by the Indian Staffing Federation (ISF), the

apex industry body that came into being in 2011 with the objective to create a more suitable environment for the growth of an organised flexi or temporary staffing sector in the country, the penetration level in India will go up to as high as 2.9 per cent by 2018. With this, India will move one notch up to the third largest employer of flexi-staff from the present fourth largest (2.4 million) in the world. The US (14.4 million), China (8.1 million) and Japan (2.5 million) are the three largest staffing countries in the world. The domestic staffing sector (organised or formal), which currently employs around 2.1 million people, is expected to employ around 2.9 million people by 2018. In fact, the sector is likely to swell to 9 million workers in the next 7-8 years.

With growing economic indicators and an increasing adoption of flexi-staffing in the formal sector, the industry will continue to gain momentum. In the last four years, the sector has grown at a CAGR of 10.3 per cent. However the pace will accelerate in coming years. In the next three-four years, the flexi-staffing industry is likely to grow at a higher CAGR of 12.3 per cent, even as concerted efforts

are now being put in place by various stakeholders to bridge the gaps and eliminate all the impediments. This includes the reform process being initiated by the government in the case of labour laws.

The ISF study also interestingly highlights that 87 per cent of India's contract workforce is working in the informal (unorganised) sector without proper work benefits. With every 1 per cent conversion of informal workers to flexi-staffing, 1.5 million people gain access to social security. Currently, there are around 158 million people working as casual and salaried workers in the informal sector without availing basic employment benefits. According to experts, most of the traction is coming from conversion of the unorganised sector into organised flexi-staffing space. Going forward, this will further get impetus as policy makers attempt to put in place a regulatory framework for the industry. And this will expedite the conversion process, leading to a much bigger pie for the formal sector.

"Staffing, an established form of outsourcing globally, is yet to be fully recognised and adopted as an effective means of running a business in India. The traction that we as a sector have generated so far is without much of support or system in place. In other words, all this is despite the fact that the industry lacks official recognition, and the rigid laws are ill-suited to its unique industrial structure. In the last few years, under the aegis of ISF, the industry has been able to draw the attentions of policy makers and hopefully things will be much better for the industry in future," says Rituparna Chakraborty, president, ISF. She is of the view that by 2025, around 10 per cent of the overall workforce in India is likely to be working in a flexible capacity through staffing companies. "Considering the pace at which the industry is growing in India, it can easily outpace all countries in the next 10-12 years with the sheer size of flexi-staff deployed in the formal sector, given the opportunity," adds Chakraborty.

"The staffing industry provides a platform for recognised employment,

work choice, even compensation, annual benefits and health benefits for the temporary workforce that constitutes a sizeable segment of India's total workforce. While India knows flexi-staffing is one tool that can formalise employment models leading to rapid economic growth, the real big battle it needs to win is fighting the unorganised sector which has set its roots deep into the system in the absence of adequate regulations and laws. It is high time that policy makers regularised this space with adequate laws and legislation," states Raja Sekhar Reddy, vice-president and trustee, ISF, which currently has a member base of over 50 companies, employing about 500,000 workers.



Chakraborty: future is bright



Reddy: benefit of temporary workforce

Advantages of flexi-staffing

In FY15, these companies under the federation, contributed around ₹1,200 crore to Provident Fund (employers' contribution) and ₹450 crore to ESIC (employers' contribution). At an average monthly salary of ₹15,000, they have paid service tax of ₹1,400 crore to the exchequer. "Being part of the formal sector under the purview of the staffing industry, we can also contribute to the government's kitty. Hence, it is also for the benefit of the government to create a suitable atmosphere for the growth of the flexi-staffing sector," adds Reddy.

A well-accepted norm in global companies, many large Indian organisations are also now hiring a part of their workforce from employee staffing firms. As organisations focus on their core business strengths, the non-core functions are outsourced. Contracts can range from three to six months, and there are no hassles normally associated with recruiting and retaining people. In fact, there are several advantages to a flexible workforce: the ability to scale up quickly to meet volatile market demands; enhanced flexibility and ease of resource allocation; freedom from administrative tasks around employment; reduced costs of hiring and onboarding of new personnel and access to a wider pool of skilled talent.

According to an ISF study, 63 per cent of Indian companies use flexi-staff for flexibility in manpower

planning, while 49 per cent do this to achieve better compliance efficiency wherein the costs associated with payroll, processing and administration, payments of benefits can be transferred to flexi-staffing agencies. 39 per cent of companies resort to flexi-staffing in order to focus on their core activities, while outsourcing support services. There are also 20 per cent of companies for whom it is the complex labour laws that force them to look for flexi-staffing as they grow in size amidst business uncertainties.

"The demand for temporary workers has been fuelled by companies looking for greater workforce flexibility, faced with fast paced market changes, including changes in consumer demands and shorter product life cycles. Staffing companies offer a plethora of solutions to their clients. Temporary staffing enables the client to respond to short-term temporary and/or flexible manpower needs with specific skill set requirements or for supplementing the workforce. These services could be of a part-time, full-time or job sharing nature," says Sucheta Dutta, executive director, ISF.

Though temp staffing started with jobs mostly at lower levels, namely data entry, accounting, sales, backend operations, and routine administrative tasks, today it spans the hierarchy in sectors such as IT and engineering to include mid- and senior-level roles with experts or managerial profiles, up to the board.

From being confined to only a few sectors, the phenomenon of flexi or contract staffing is spreading. With over 10.5 per cent penetration, the ITes sector leads the table, followed by IT (8.65 per cent), e-commerce (8.01 per cent) and BFSI (5.65 per cent). Pharmaceuticals, manufacturing/machinery and education, training & consultancy are the other sectors that enjoy higher levels of penetration.

IT and ITes are the two sectors where over 80 per cent out of the total flexi-staffing (formal and informal) are formal, whereas in e-commerce and pharma over 70 per cent of the contractual manpower enjoys stipulated employment benefits under the formal structure of flexi-staffing. In case of BFSI and education, training & consultancy, the formal element is over 60 per cent. Manufacturing/machinery workforce engages the largest contract work force (out of the eight sectors under the review by an ISF study) of 2.9 million (out of the total workforce of 8.1 million), and around 36 per cent comes under the purview of formal flexi-staffing. IT and ITes together employ around 3.2 million people, followed by BFSI (2.8 million), pharma (0.6 million) and e-comm (0.5 million).

Experts are of the view that all these sectors will continue to drive growth in the coming years. However, the retail sector, particularly e-commerce, IT & ITes will be the key drivers. In both these sectors, the penetration



Dutta: a broadening concept

of contract staff will witness a significant growth. "In coming years, with growing market needs, Indian companies will increasingly resort to hiring talent on a contract basis across levels. And the concept is broadening its base from being restricted to IT and white-collared businesses, to now being quite prevalent in blue-collared industries as well," points out Dutta.

Liberalisation of the Indian economy and the entry of MNCs in the last couple of decades have provided the much-needed thrust to this segment. This followed with several foreign (global) flexi-staffing companies setting up their base in India in the last couple of decades or so to explore the growing opportunities across various sectors. The Adecco group from Zurich, Switzerland, the largest staffing firm in the world and a Fortune Global 500 company already has its presence in India. Besides, there are other global players like the Gi group from Italy; Randstad Holding NV, Kelly Services Inc and Manpower group, who have been expanding their footprint in India.

Role of MNCs

"Apart from other favourable factors, MNCs have played a big role in popularising flexi-staffing in India. They have been aware of the benefits in their experiences in other countries. The opportunity to concentrate on core areas as non-core areas are taken care of by experts, benefits of scale, long-term cost benefits and a responsible employer image. There is also a



Handa: huge opportunity

flexibility of employment and ease of recruitment and replacements. In addition to this, statutory complexities are also taken care of by the staffing company," says Dutta.

"The Indian economy has undergone a transformation. The concept of flexi-staffing has taken shape in India as well. However, the potential is huge keeping in mind the demand-supply dynamics. Currently, most of the industry is in the informal segment. But the demand for organised supply is forcing the industry to organise itself in a big way and that will help the entire industry to acquire a much better shape in coming years," says Asim Handa, CEO, Gi group (India).

The €1.6 billion Italian company, one of the largest staffing firms in the world, entered the Indian flexi-staffing market in 2009, by forming a JV firm, Gi Staffing Services Pvt Ltd (GiSS) with Elixir Web Solutions Pvt Ltd, a leading RPO (Recruitment Process Outsourcing) and executive search firm. The Gi group has in excess of 280,000 employees in over 400 branches, servicing around 14,200 clients across the globe, operating in the fields of temporary and permanent employment, in the recruitment and selection of personnel, in outsourcing, training, outplacement and executive search.

GiSS, with its focus on compliance and accountability, established a robust base in India with offices in Delhi, Gurgaon, Mumbai, Pune, Bengaluru, Chandigarh, Hyderabad, and Dehradun. The ₹200 crore Indian

entity, which currently has a manpower offering of around 15,000 people, serves the domestic industry across sectors with a focus on telecom, manufacturing, IT and FMCG (90 per cent placement). The company, which has grown at a CAGR of around 20 per cent in the last five years, is looking at opening up more offices in India.

"The Indian market is evolving and this presents a huge opportunity for players in the staffing industry. In the next couple of years, we are looking to more than double our capacity as the market is on the verge of a major traction. We are seriously evaluating inorganic expansion venues since the market is consolidating itself in order to achieve a greater degree of stability and maturity," adds Handa.

The €22 billion Adecco group, the world's largest staffing company, has also ramped up its operations in India. In 2004 the Swiss company, which has around 5,100 branches in over 60 countries, acquired a 67 per cent stake (for around ₹60 crore) in Bengaluru-based PeopleOne Consulting India. PeopleOne Consulting was started in 2000 by Ajit Isaac with an equity investment from JPMorgan Partners and another financial investor. Adecco's acquisition had included the 20 per cent stake that JPMorgan held in PeopleOne, and the rest from promoters and individual investors.

Pursuing its expansion spree, Adecco India acquired Ajinkya, India's leading blue-collar temping company. The first of its kind organised acquisition in this space allows Adecco a significant footprint in the burgeoning market for blue collar temping in India and further consolidates its local market leadership. Incidentally, globally Adecco is the market leader in the blue collar temping market with a majority of its revenues coming from it. The Mumbai-based Ajinkya was a niche staffing company focussed on blue collar temping with over 150 reputed clients and 4,500-plus outsourced manpower.

Currently, the ₹1,500 crore Adecco India, headquartered in Bengaluru, boasts around 100,000 associates with a distinguished list of over 3,700 clients across segments including retail, FMCG, telecom, pharma, IT,

media & entertainment, agriculture, dairy, engineering & manufacturing, automobiles, aviation, logistics, garment & fashion, healthcare and education. The company, with end-to-end HR solutions, has a branch network across over 55 cities.

Helping employers

Randstad, the world's second-largest HR service provider, is a Dutch multinational HR consulting firm headquartered in Diemen, Netherlands. Randstad India is a division of Randstad Holding NV. Its inception was in 1992 as Ma Foi Management Consultants Ltd, a Chennai-based HR service provider, which merged with the Dutch HR provider – Vedior NV in 2004. In 2005/2006, with two back-to-back acquisitions of Indian recruitment companies – EmmayHR and Teams4U, Randstad stamped its entry in India. Randstad Holding NV acquired the operations of Ma Foi, through its 2007 acquisition of Vedio; and named its Indian operations Ma Foi Randstad in 2010. Eventually in April 2012, it was rebranded as Randstad India which currently boasts a revenue of around ₹1,400 crore and over 60,000 associates.

"Flexi-staffing enables organisations to face economic cycles in a more effective manner. With government initiatives like 'Make in India' and 'Digital India', more jobs will be created in the lower and mid-sections, adding further impetus to contract staffing and formalising the workforce. India can very well beat other countries with the sheer size of temporary staff employed in the organised sector within the next decade," says Moorthy K. Uppaluri, CEO, Randstad India.

"The flexi-staffing industry helps an employer to adjust manpower according to demand dynamics. It enables a company to promptly adjust its workforce with seasonal or unforeseen changes in demand. For companies that are growing rapidly and which need quick augmentation of workforce, flexi-staffing presents a very efficient model," states A.G. Rao, trustee, Indian Staffing Federation, and group managing director, ManpowerGroup India, which has over



Uppaluri: being more effective

45,000 staffing associates (revenue: ₹800 crore, 2015).

ManpowerGroup (formerly known as ManPower Inc) is an American multinational human resource consulting firm headquartered in Milwaukee, Wisconsin. The world's largest IT staffing company entered India and expanded its presence by acquiring three divisions of Indian HR consulting and recruitment firm ABC Consultants to form a local joint venture Manpower India in 2005. In 2012, it acquired Kolkata-based Web Development Company (WDC). An IT services and professional resourcing company, WDC would offer consulting, development and application support services to several large clients in India and across the Asia-Pacific region.

"For the Indian staffing sector, there are pretty exciting years ahead. The kind of skilled manpower pool that it has got, makes India a very favourable destination for all of us. Most of the companies in this sector are looking to expand their businesses in the coming years," says Shiv Nath Ghosh, country director and senior vice-president of US-based Artech Infosystems. Present in India for over 20 years, Artech, with over 2,300 associates, is among the top five IT staffing companies in India.

While major foreign HR and staffing companies have set up their base in India, domestic staffing companies have also seen phenomenal growth. Currently, the top ranked home grown staffing company is TeamLease Services with a revenue of



Rao: helping employers

around ₹2,200 crore. Established in 2002, the company currently employs around 115,000 associates across over 1,200 companies (5,500 locations) in India. Backed by private equity funds Gaja Capital and ICICI Venture's India Advantage Fund (IAF), TeamLease went public (IPO) early this year to raise ₹500 crore. Despite subdued market conditions, the IPO generated an encouraging response having been subscribed a little over 66 times.

Indian companies

"Our performance has been well reflected in our recent IPO. It also indicates that investors are quite bullish on this space and India is well poised for exponential growth in the coming years. As a company, we have grown at a CAGR of over 20 per cent in the last five years," says Rituparna Chakraborty, co-founder and senior vice-president, TeamLease Services.

In fact, the second ranked company in the domestic market is also Indian – Quess Corp. Its ₹400 crore IPO in July this year got an overwhelming response from investors, with the issue getting subscribed 144 times, the highest for an Indian IPO in nine years. Quess Corp is a business services provider in which 69.55 per cent stake is owned by Thomas Cook (India) Ltd, which, in turn, is owned by Canadian billionaire Prem Watsa's Fairfax Financial Holdings Ltd (FFHL). FFHL owns a 67.82 per cent stake in Thomas Cook.

Quess, India's leading integrated



Azmi: huge potential for growth

business services provider was established in 2007. Headquartered in Bengaluru, the company has a pan-India presence with 52 offices across 27 cities, as well as operations in North America, the Middle East and South-east Asia. Powered by around 120,000 associates, it serves over 1,300 customers across four segments – global technology solutions, people & services, integrated facility management and industrial asset management. The company, which completed nine successful acquisitions in the last eight years, reported a revenue of around ₹3,442 crore in fiscal year 2016.

“No doubt, the Indian staffing industry is at an influx point with huge potential for growth going ahead. All the micro and macro indicators are in the favourable zone and hence it has been able to attract huge investments and efforts. The process will only gain further momentum in the coming years as the industry gets more organised,” says Farhan Azmi, chairman and managing director, FuturZ Staffing Solutions. Mumbai-based, ₹250 crore FuturZ Staffing Solutions, has been in existence since 2008 and is among the top ten staffing firms in India with an associate size of over 15,000 people with a focus on blue collar jobs across various sectors like IT, ITeS, manufacturing and e-commerce. Apart from major Indian cities, the company also operates in overseas destinations including the UK and Philippines.

“In developed countries like the



Ghosh: exciting years ahead

US, UK and Japan, flexi-staffing is an enabler for initial employment. The Indian market has now accepted flexi-staffing and I am sure it will continue as an enabler to create huge employment for the young,” says R.P. Yadav, CMD of Kolkata-based Genius Consultants (revenue: ₹550 crore), which in the last couple of decades has emerged as one of the major players (ranking 7th) in the domestic market with 45,000 associates and 16 offices across India.

Changes needed

“Corporate India now needs to respond quicker to transient/seasonal/structural volatility in fast-paced business dynamics. A mechanism needs to evolve to address transitory manpower needs and minimise the search cost and time in recruiting activities. Increased competitive pressure also makes it imperative to focus on core activities and optimal utilisation of resources. This is where staffing sector will play its role,” states Mehul Shah, MD, Collabera India, which is a part of the \$550 million Collabera Inc, and one of the major IT staffing firms in India. The company has proactively been engaged in creating a pool of technology manpower through various training programmes.

“Labour laws have to be calibrated to address the service sector dominated economy (currently accounting for more than 60 per cent of India’s GDP), new technology intensive manufacturing sector and transient



Yadav: creating employmen for youth

demand for high skill manpower. It is high time that we brought about the much-needed changes in our labour laws and facilitate the growth of the staffing sector in a meaningful manner,” says Narayan Bhargava, chairman, NSB group.

“The labour laws should reflect the needs, aspirations and realities of the current economic and business environment. Keeping this in mind we have to carry out the required modifications. There should be consolidation and simplification of laws governing terms and conditions of employment,” adds Vikram Wadhawan, founder and CEO, Maven Workforce.

Experts are of the view that a conducive atmosphere against a backdrop of suitable changes in the existing laws, will pave the way for a more developed market for flexi-staffing. It is high time that the sector, which has been contributing significantly to the economy, is given due recognition by according it an industry status. The globalisation of the Indian economy has brought to the fore the need for flexibility and adoptability in our organisational set-up and that is where flexi-staffing is going to play a crucial role. The concept, in its formal structure, is fast catching up in India and the country is emerging as a major force in the global business. Our favourable demographics, where 50 per cent of our population is below the age of 25, will be a driving factor.

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