

Recruit me!

Big names in the global human resources industry have stepped into India, and this market is ready to grow. A team **India Now** report



ZEROING IN ON INDIA: Ajit Isaac of Peopleone

Dhirendra Shantilal is not travelling to India too often these days; till early 2005, he was flying in "almost once a week". But that's not because the country is less important on his radar screen. A fourth generation Indian living in Singapore, Shantilal heads the Asia-Pacific operations for the \$5-billion staffing company Kelly Services. While Kelly has been in India since 1996, the show began only around 2000, he says. "Today travelling is no longer an option. We had to finally hire a country manager."

Shantilal, however, has let Kelly grow through the organic route. Almost every other multinational in HR in India has

expanded through acquisitions. The \$6-billion Vedior set a trend in early 2004 when it purchased a 76 per cent controlling stake in the Chennai-based HR (human resources) services firm Ma Foi, for about \$6 million. At that time, contenders like Manpower and Adecco were vying for that stake. "But we finally decided to go it with Vedior," says K. Pandia Rajan, managing director, Ma Foi.

By September, Adecco zeroed in on its target. The world's largest staffing services company announced the purchase of a controlling share in the Bangalore-based Peopleone Consulting. For the initial 67 per cent, it paid an undisclosed amount in cash, helping it get a "footprint in the fast-

growing Indian market". Today, Adecco-Peopleone managing director Ajit Isaac gladly gives away performance figures. He says Adecco played an important role in this growth - by bringing in referrals, capabilities and training methodologies. "Before the merger we were recruiting 5,000 a year. Within two years it's up to 26,000," he adds.

Then in October 2005, recruitment firm Manpower joined hands with ABC Consultants. The company acquired 74 per cent of the latter's IT, ITeS and retail services recruitment business for an amount in excess of \$33 million. The venture is now aiming for a \$11-million turnover by 2006-07, and plans to multiply this to \$67 mil-

India is today an economic juggernaut with a massive population. It is emerging a leader in the new global labour market.

lion over the next three years. Says Tarun Bali the erstwhile CEO of ABC Consultants and now executive director at Manpower India: "The two companies complemented each other."

By end-2005 came another announcement. The world's second-largest staffing services company, Randstad, had purchased 51 per cent equity in the Mumbai-based recruitment firm EmmayHR. A few months later, it acquired another 57 per cent in a Delhi-based staffing services firm Team4U. By 2008, Randstad can exercise its option to purchase the remaining equity in both companies. Says Emmay HR CEO Monisha Advani: "Randstad has brought in the global reach and expertise." After all



GLOBAL REACH: Monisha Advani of EmmayHR



HOMEGROWN MAJOR: Nirupama VG of Teamlease

this acquisition frenzy, Japan's \$3-billion executive search firm, Staff Services, entered the market with a 54 per cent stake in Net Technologies in early 2006.

What has prompted the world's largest HR companies to come to India? According to a Staffing Industry report Adecco, Vedior, Manpower, Kelly Services, Staff Services, and Randstad are only six of the top 10 in India. R. Suresh, managing director of Stanton Chase - also a founder of Peopleone - says the industry has tremendous growth potential, since HR in India is still in its nascent stage, and thus largely unorganised. "In a country of a billion people, this is an opportunity ripe for the picking," he adds.

Consider the opportunity size. A billion people, of which an estimated 350 million go to work everyday (including the self-employed). Add to this an economy surging at a robust 8 per cent. A Manpower Employment Outlook survey in the first quarter of 2006 reports that Indian employers have "the most optimistic hiring expectations in Asia Pacific among 22 countries". This includes Australia, China and Hong Kong. "India is today an economic juggernaut with a massive population. It is emerging a leader in the new emerging global labour market," says Nirupama V.G., associate director, Teamlease Services.

Going by reported revenue figures of the largest companies, the recruitment

industry is a little more than \$100 million in size, the staffing industry another \$66 million and executive search makes up the final \$44 million. But if you include the larger unorganised part, then the size instantly doubles to \$400 million. There are 20,000 registered HR firms in India today that cover a fraction of the population, says Advani. And in the unorganised market, recruitment in tier-II cities takes place in cash deals that are still not registered on accounts.

The organised industry is still on a small base, but for players it is the growth rate that counts. As opposed to recruiting, "temps" are temporary workers who work with an organisation but are on a third party, the staffing company's payroll. In India, both recruitment and staffing industries grew about 50 per cent in 2005-06. Indian headhunters expect job growth in financial year 2005-06 to be about 23 per cent, higher than 21.5 per cent last year. Staffing services is growing at approximately 80 per cent annually. The margins players make varies from 20-50 per cent. Executive search firms demand 30-50 per cent. For recruitment companies, it goes down to 10-25 per cent. And in the staffing business, it is 5 per cent on a sunny day.

Amidst all this is the growing consulting industry. The biggest players here are Hewitt Associates, Watson Wyatt and Mercer HR. Says Suresh of Stanton Chase, "Strategic consultants bring in leadership



INTERNATIONAL TIE-UP: K Pandia Rajan of Ma Foi



TREMENDOUS POTENTIAL: R Suresh of Stanton Chase

Demand is emerging across various industry segments; good talent is becoming scarce and the demand supply gap is widening.

consulting, assistance in structuring the board of a company and offer advice on corporate governance." Others help with HR systems, structuring rewards, compensation and career planning. Still lower, companies outsource payroll, taxes, medical, leave and other such administrative functions.

Internationally, the HR industry has been a developed formal service line for over 60 years. In India, it is domestic companies going global - and an increasing number of multinationals making a beeline to it - that has had a direct impact on the industry. Globalisation alone has brought in players, who carry audit responsibilities similar to those in more developed sectors like information technology or accounting. That apart, "many of the big companies are here because their customers are here," says Suresh. And when the companies shift to smaller cities, so do the recruiters.

In India, the recruitment market is maturing further. Today players like Adecco-Peopleone and Manpower have stretched their network to upto 30 cities across India. Many such offices still tend to

be one-man shows, but it helps clients who are national players. And the merger and acquisition route has delivered the financial muscle to support such operations. "Demand is emerging across various industry segments; good talent is becoming scarce and the demand supply gap is widening," says Nirupama.

The staffing industry, on the other hand, is the flavour of the day. In 2005, the eight largest players had between them shared 50,000 contract workers. Today the homegrown Teamlease alone has 46,000 employees, Ma Foi (35,000) followed by Adecco Peopleone (30,000) and Manpower (12,000). "Any company must have a 10-20 per cent temporary workforce that can be sized in a downturn," says Kelly's Shantilal.

Staffing demand has been increasing from sectors like banking, insurance and the financial services industry; but more has started to emerge from sectors like telecom, retail, ITeS and manufacturing. While this industry is globally a \$200-billion industry, in India it has the potential to be a \$2 billion industry within three years. The current 140,000 temporary staff in the country will rise to one million by then.

For the *temp industry* to take off, it will need to mature fur-

ther. Less than 1 per cent of the workforce is engaged in temporary work, compared to 2-3 per cent in Western developed countries. In its current form, staffing headcount is achieved largely through payroll processing - the transfer of existing full-time employee headcount. Its function of helping a job be better served through a contractual employment rather than full-time engagement has yet to take place.

Industry players are rooting for an amendment in India's Contract Labour Act. If that comes through, the recruitment industry could well be dwarfed in sheer volumes when compared to the staffing industry. As a player puts it, the potential today is the difference between farming and hunting. Which will take off is anybody's guess.

But take off it will, surely. With a United Nations projection of the Indian average age at 29 by 2020 (compared to 37 with China and the US, 45 in West Europe and 48 in Japan) the industry is gearing up to tap its potential. "This abundant availability has been taken for granted in the past," says Suresh of Stanton Chase. "This has clearly changed and companies now invest strategic thought, initiative and money in designing strategies to attract and retain workforces." Agrees Teamlease's Nirupama. "As we build our economic strength and societal wealth, India is being regarded as a potential 'productivity pool' for companies seeking competitive advantage."

Attractive Destination

Country	Workforce	Cosmopolitan	Cost Base
New Zealand	2	3	2
Malaysia	1	2	2
Japan	1	1	3
Hong Kong	1	2	2
India	3	3	1

1 denotes low, 2 average and 3 high.

Source: Mckinsey & Co