

Staffing firms like TeamLease, manpower aim higher for growth

The Economic Times | January 20, 2012

BANGALORE: The big players in the Indian staffing industry have veered from the volume business and are looking at niche areas to drive growth as margin pressures beat down on them in a difficult market. Search and staffing agency Kelly Services has decided to exit 30% of its contract staffing business that looked into volume hires like sales, engineering and secretarial posts.

"In the regular volume business, there is a fight for margins and it is challenging. We will look at niche skill areas, middle and senior management staffing from now on," says Kamal Karanth, MD, staffing in India. Till mid-2011, nearly half the company's business comprised staffing, of which 80% constituted volume, while 20% came from middle- and senior-level hiring.

Now, though, the plan is to concentrate more on senior hiring. However, their staffing strength in the past six months has dropped from 15,000 to 10,000, which the company says, is a result of the conscious effort to move out of the low-end margin hires. Staffing strength indicates the number of people who are on the recruitment agency's payrolls and are deployed to work at the client's for a stipulated period of time.

"In volume hires, our margin is 3% to 4% while for middle, senior and special skills it is 15% to 20%," says Karanth. The exit, however, is seen to be at least 50% for Kelly and not the modest 30% that is projected.

"Staffing in India is about volumes and low margins, which are mainly for banking, financial services and insurance (BFSI), telecom, manufacturing sectors. Temporary staffing for niche and highly-skilled posts is yet to become a practice in India; companies do not prefer it," says an ex-Team Lease executive who does not wish to be named.

The temporary staffing industry has, over the past two years, been struggling with competition and lower recruitment fees at 5% to 7% per candidate and a similar range for service fees which started since last couple of years. Recruitment firms have to take care of documentation, provident funds and all the hygiene factors, which is difficult to do at these rates as costs go up.

The price war is impacting these companies, and those with global parents or partners are under tremendous pressure to perform, says an ex-Manpower executive, who too does not wish to be named. Ma Foi's global partner is Randstad while Manpower, Kelly and Adecco have their parent firms to answer. Some have even been forced to look at new business models that go beyond plain vanilla hiring for their clients.

Manpower is now providing business solutions to clients. "We do not do just payrolling anymore; we started business consulting, which has added substantially to our numbers last year," says Namr Kishore, head - organisational learning and marketing for the firm. Under the new model, Manpower studies clients' business and then trains those on their payrolls in the same to work on softwares that their candidates will be required to work with. This model has now been accepted by 25% of their clients.

"Any report of us losing numbers is false. Our business has grown by 25% in 2011 as compared with 2010. We were around 24,000 in March 2011 and as of December, our numbers are at 30,000," says Kishore. The firm earlier used to charge a 5% to 7% fee, but with the consulting fee included, charges have shot up to 12% to 18%. Another staffing company that is looking at other businesses is TeamLease.

The Bangalore-based company claims there are 65,000 people on its payrolls and started a regulatory compliance service two years ago. "We had only five clients in 2010 for compliance, but added 45 in 2011. Plans are to make this bigger," says Ashok Reddy, MD. The new business solutions will have TeamLease look after all regulatory compliance work for clients, says Reddy.

Its revenues stand at Rs 900 crore. MaFoi Randstad is looking at increasing service fees from 8% to 10% per candidate, to 19%, says a senior executive who does not wish to be named. The firm has added 5,000 to its payrolls since June and stands at 65,000.

Its new business model to increase margins is to offer a dedicated team in the client's workplace to look after performance of the employees provided by the staffing company, do their appraisals and provide cost management consultancy. This was started in June 2011, and Mafoi Randstad has five clients on board, says president, staffing, Aditya Mishra.

The newly-created lobbying body Staffing Federation of India, says it had no records of the number of employees on payrolls of the top five players. It simply maintained that the industry is growing at 15% to 20% per annum and that this trend would continue.

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