

## Firms still come to India for cost advantage

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*The present slowdown across much of the world seems to be having a sobering effect on the firms that had seen growth at a break-neck speed when the economy was growing around 9 per cent.*

*In a free-wheeling discussion, CEO (India and Middle East) of Adecco, the world's largest staffing firm and India's second largest staffing solutions firm, **Sudhakar Balakrishnan** tells Praveen Bose the present situation is one only of consolidation.*

### **What has been the effect of the slowdown on hiring scene?**

Clients are still hiring. Their hiring plans remain the same. We see economic growth going on for the next four years to five years. The surpluses created by the good growth over the previous years will ensure that the growth can go on.

The cost-advantage story of India remains just as it had been. Firms still look at India as a place where they can leverage their costs and hence outsourcing continues.

### **How is slowdown affecting you?**

We see no slowdown. Whatever is happening is only a correction, and a healthy one. Economic growth will go on, but at a slower pace. The growth is now more realistic. Inflation could be a dampener though.

Most of our customers have their plans in place and don't seem to have any plans to change their staffing plans. It is a 'consolidation-led realistic growth'.

### **What are the sectors still seeing good growth and who have not been impacted much?**

The engineering sector continues to hire. IT sector too is hiring, but at a slower pace. The other sectors that are hiring are telecom and consumer product firms. Hiring happening today is realistic hiring. Some industries hiring in their hundreds anticipating business is no longer happening. Today, what we are seeing is a consolidation. Earlier firms that hired are now consolidating. It's hire, then consolidate. Hiring continues to be the highest in IT and telecom. But, all hiring is realistic in terms of numbers.

**How is the HR services taking it during the slowdown?**

Economics of doing business has changed today. There have been dramatic changes. The inputs costs of all industries have gone up and so has been the case with the staffing firms. Now, the HR services sector is emerging as an organised sector.

**How are your expansion plans going?**

We have opened our offices in Pitampur, Goa, Guwahati, and we have strengthened our position in the tier II cities. The acquisition of Ajinkya, the Pune-based staffing firm that catered exclusively to the manufacturing sector, has helped us foray into the towns that are dominated by manufacturing units.

We need about 100 offices across the country to cater to the manufacturing sector which has a greater spread. We are also looking at tapping into other markets that we may be able to cater to.

**How big is the staffing sector today?**

It is estimated to be between Rs 2,000 crore and Rs 3,000 crore.

**How do temps affect the efficiencies of firms?**

Most of the hiring happens in the non-strategic and just-in-time workforce, and most of these are for short periods and hence their influence is negligible. The temps add value.

**How are the salary increases today as compared to the last two years and how are they expected to be over the next two years?**

The salary increases are expected to be reasonable. There will be no exotic increase in the salaries. The increases could be in the range of 7 per cent to 10 per cent.

Over the last two years, all have had it good and the increases were much higher. The situation is expected to improve over the next two years.

**How are the salary differentials between India and the developed markets?**

The gap has narrowed. But, for the top management the difference is not too wide when compared to the US and Europe.

**Are expatriates now more ready to return?**

The opportunities in such a vast country are far too many to ignore. Hence there are many more expats wanting to return. In sectors like infrastructure and telecom challenges are much more hence people in these sectors are more ready to return. With so many opportunities there are more people willing to return and start a business here.