

CHAPTER I

INTRODUCTION

1.1 Context: The temping industry

Temporary staffing, one of the leading HR trends today, is expected to increase its penetration significantly, given the current uncertain economic conditions. Companies and captive units are likely to increasingly depend on staffing agencies to lease them with the required manpower in time. The temporary recruitment market is estimated to be INR 172 billion (Ernst & Young Analysis, 2012). Temporary recruitment takes place when a temporary work agency finds and retains staff, while other companies in need of short-term workers enter a contract with the agency to send temporary staff on assignment.

Flexi staffing refers to a model in which people are hired by a staffing agency, and then hired out to perform work in User Company. There is no direct employment relationship between the staffing agency employee and the user company. The employment is often called “temporary work”, “temping” or “temporary staffing”. The hiring firm pays fees to the staffing agency, and the staffing agency pays the wages. Flexibility for both employee and employer is a key feature of agency work. The Indian staffing industry is a nascent one, which came into existence in the post-liberalization period.

Staffing agencies play an important role in the functioning of contemporary labour markets. For the past three decades, the increasing need to provide workers and services to a rapidly growing and flexible labour market has led to the spectacular development of these agencies. There are 72,000 private employment agencies and 169,000 branches worldwide, employing 741,000 internal staff. Global total annual

sales revenues for the agency work amounted to €203 billion in 2009. In 2009, Japan is the world leader with 24% of global annual sales. The USA represents 22% of the global agency work market. The UK remains the third largest market worldwide with 12% of global total annual sales revenues. Europe accounts for 40% of global total annual sales revenues, Asia/Pacific for 35%, and North America for 22%. Thus Japan, the USA, and the UK are the three largest agency work markets in 2009 and together account for 52% of PrEAs worldwide, 72% of branches, 54% of internal staff, 61% of total annual sales revenues, and 47% of agency workers in full-time equivalents. Adecco, with \$21.3 billion in total annual sales revenues, remains the market leader. Randstad is the second largest PrEA with \$17.3 billion, followed by Manpower with \$16.7 billion. In 2009 nearly 9 million agency workers in full-time equivalents were employed by private employment agencies across the globe. (CIETT Economic Report, 2011)

Over the past few years, the Indian temporary staffing industry has grown significantly. This is largely attributed to the change in the mindset of large Indian companies in two ways: One, companies have started increasingly engaging recruitment agencies to meet their HR requirements on account of the growing complexity of doing business and talent challenges, two, they are opting for a temporary staff model to have smaller bench strength to withstand the global economic crisis. Given this transformation in customer segments, the temporary staffing industry is emerging as more than just a vendor in clients' growth plans. The present HR marketplace in India has some individual freelancers, start-ups, small and medium players, as well as large Indian companies and MNCs. The staffing industry can be broadly divided into permanent recruitment with a market size of INR 23–25 billion, temporary recruitment with a market size of INR 167-170 billion and other

segments with a market size of INR 33-38 billion (Ernst & Young Analysis, 2012). The strong growth witnessed by the sector has brought a combination of opportunities as well as challenges.

Temporary staffing industry is being increasingly viewed as a distinct industry with the role of HR consultants evolving with changing market dynamics. Large Indian companies are diversifying into new sectors and prefer candidates with relevant experience. However, since their HR function find it difficult at times to source candidates from the large and geographically dispersed talent pool, companies are increasingly looking at external help. This change in approach and mindset has made sourcing a relatively complex activity, resulting in companies increasingly partnering with recruitment agencies with a global footprint or access to global databases to source the right candidates.

The benefits of the temporary staffing industry are manifold. It creates jobs that would not otherwise exist, enhancing companies' competitiveness and workers' employability, thereby promoting a labour market that corresponds better to peoples' - and companies' - needs and aspirations. In global markets emerging from crisis, the agency work industry's capacity to anticipate and match labour market needs with the required skills is even more crucial, as agencies serve as impresarios for workers, immediately identifying job vacancies, providing training, and facilitating the transition from unemployment to work, from one assignment to the next. In addition, agency work prepared the ground for a job-creating economic upturn, helping companies face the ongoing global competitive pressure, increasing labour market participation, and furthermore, accelerating and increasing the number of jobs created as the economy recovers. Now more than ever, the flexi staffing industry plays a key role in improving the functioning of the labour market, by facilitating the match

between supply and demand of labour, by securing upwards transitions for agency workers, and by providing more work opportunities for more people.

The temping (Truncated expression for ‘temporary’ denoting temporary job.) industry is a nascent one, which came into existence in the post liberalization period. This chapter delves into the growth of the temporary staffing agencies and its role in labour market intermediation. An attempt is made to understand the various aspects of the temporary staffing industry in India – its size, sectoral spread, the profile of the flexi workers and key players in the industry. Another aspect analyzed is that the staffing industry in India has grown within a constraining labour law system which has not yet accorded any recognition to the industry. In the light of this, the legal environment of the temporary staffing industry in India is explored. International scenario of temporary staffing is also presented. The issues and challenges facing the industry are highlighted.

1.2 Growth of temporary staffing agencies

Temporary Staffing Agencies have been involved in actively fostering a growing market for flexible staffing arrangements, signifying that this industry acts as a powerful shaper of the contingent labour market rather than simply being intermediaries between temporary workers and employers. The actions of agencies thus help change the structural conditions of the labour market which may increase workers’ vulnerability to insecure employment.

Temporary Staffing Agencies originated in the American city of Chicago during the 1920s with the early employment agencies supplying calculating machine operators to companies on a temporary basis (Moore, 1965). By 1945, the hiring out of workers

had spread to providing a wide range of clerical and administrative support staff who were mainly women.

By the 1950s, temporary clerical workers were increasingly in demand and successful temporary staffing agencies such as Office Overload were quickly spreading throughout Britain, Canada, the Netherlands and America (Vosko, 2000). These agencies provided clerical workers who were usually white, middle-class, married women. By the early 1960s it was estimated that 90% of temporary staff worked in the clerical sector, and it was around this time that agencies began to expand into industrial operations (Peck & Theodore, 2004).

Between 1982 and 1990, the temporary employment industry expanded 10 times as fast as overall employment in Europe, America and Australasia (Appelbaum, 1992), with agency temporary work being the fastest growing segment of all contingent employment arrangements (Kalleberg et al., 2000; Segal, 1996). Figures from America show evidence of spectacular growth in the use of agency temporary workers, increasing by 278% from 1991 to 1999 (Peck & Theodore, 2004). In the UK, temporary agency workers increased from 7% of the entire contingent workforce in 1992 to 17% by 1999, with the largest proportion of temporary workers being in office work, information technology and manual labour (Druker & Stanworth, 2001). The rapid growth in agencies is not surprising as many countries have few barriers for anybody setting up in business as a temporary employment agency (Gottfried, 1991).

1.3 Agency work and the economic recovery

The use of agency work echoes the behaviour of the general economy. Agency work is a valued route into employment and plays a vital role in enabling employers to

respond flexibly to changing business needs - and are likely to be particularly important in enabling employers and employees to take full advantage of the upturn. The agency work industry not only creates jobs that would not otherwise exist, but it also accelerates the number of jobs created once the economy recovers. PrEAs are among the first to create jobs in economic upswings, enjoying double-digit growth rates when the economy emerges from a recession. The following points highlight the importance of agency work:

- *Agency work is a bellwether of the economic situation.*

Various studies have confirmed that there is a direct correlation between variations in GDP and the level of use of agency work (CIETT Economic Report, 2011). In years of growth, the supply and demand of agency workers increase proportionally, and diminish when the economy falters. As a precise indicator of the economic situation, the evolution of the agency work industry is therefore monitored as such, as private employment agencies are the first impacted by the crisis.

- *As a cyclical business - and a forecasting indicator - agency work has suffered from the economic crisis, but agency workers have been first to be hired when the economy recovers.*

The agency work industry can quickly call upon a large pool of workers, and provide organizations with appropriate workers to better manage competitive pressures. As a result, the agency work industry is among the first to create jobs as soon as the economy recovers, as companies first hire agency workers to meet an increase in orders, before recruiting permanent staff when the situation stabilizes.

- *Agency work limits the risk and duration of unemployment.*

The agency work industry reduces the impact of unemployment as number of jobs gets accelerated with the recovery of the economy. With recovery businesses first hire temporary help before recruiting permanent staff.

- *Agency work typically rebounds sharply after recessions.*

The agency work industry not only creates jobs that would not otherwise exist, but it also accelerates the number of jobs created once the economy recovers. Historically, PrEAs are among the first to create jobs in economic upswings, enjoying double-digit growth rates when the economy emerges from a recession. As business picks up, companies first hire temporary help.

1.4 Role of temporary staffing agencies in labour market intermediation

The wave of globalization has been marked by surge in capital flows among developed countries and between developed and developing countries. A number of countries have experienced episodic collapses in growth rates and significant financial crisis and resultant volatility is generating a great deal of uncertainty about long term planning at all levels. The role that staffing intermediaries can play in such a challenging business environment and how the different services provided by this sector are addressing the business requirements in a world of volatile economic cycles is worth exploring. The following points highlight the active role of temporary staffing agencies in the labour market:

- *Agency work contributes to reducing unemployment especially by serving as a stepping-stone into the labour market.*

By serving as labour market intermediaries, and improving the matching of workers with jobs, PrEAs contribute to reducing unemployment - both frictional and long-

term - and help people enter, and re-enter, the labour market. By rapidly placing agency workers on assignments, PrEAs reduce the frictional rate of unemployment - i.e. the period of inactivity between jobs - allowing people to remain active, thereby enhancing their skills and experience, and helping them to quickly find a new job. Working via an agency allows the long-term unemployed to regain self-confidence, acquire new skills, and demonstrate their capacities to potential employers.

- *Create new jobs and skills and ensure a better match between supply and demand*

Flexi Staffing intermediaries create new jobs and help to boost employment. The sector creates jobs that otherwise would not exist and is particularly effective in placing disadvantaged and under-represented groups in society, thereby providing a way for them to access job markets and join the world of work.

In addition to job creation, the flexi staffing industry also enables matching of skills to market requirements and structural changes. The training provided by flexi staffing agencies helps re-skilling workers, allowing them to move from declining sectors to the ones where demand is high. It also has the potential for upgrading skills of workers and bridging the skill gap.

- *Staffing intermediaries help firms in adapting to volatile situations*

The shock of the recent economic downturn has called for a fundamental change in the dynamics of the recruitment process and exposed weaknesses in existing talent management strategies that are often dependent on reliable medium term planning. Traditionally, employers have increased their use of temporary and contingent staffing during a recession. As the economy recovered, employers scaled back their use of contingent talent and increased their permanent head count. However, the prospect of long term economic uncertainty appears to be changing employer behaviour. With the global economy entering into a period of long term uncertainty,

any form of planning has become increasingly challenging. In such a scenario, flexibility has emerged as the need of the hour. The ability to quickly respond to volatility has acquired immense importance. The option to deploy flexi staff enables companies to better absorb cyclical fluctuations through easy workforce adjustment and assures them of on time access to a pool of workers with required skills.

- *Allows companies to focus on their core business*

These agencies reduce the burden by managing and coordinating all hiring and screening processes of companies, adhering to various legal compliance requirements and eliminating issues with multiple billing processes. The agencies with their large networks of offices have the expertise to provide customized solutions to companies' staffing needs and to work with them in managing human resource planning and risks. They hold the potential to deliver results across all forms of staffing related issues, which allows organizations to explore growth and attain a competitive edge over others.

- *Agency work improves companies' competitiveness*

To remain competitive, organizations must improve their response to output fluctuations, by adapting their workforce and skills to changes in a competitive environment, and focusing on their core business. The range of services proposed by private employment agencies answers these challenges.

- *Agency work is not a substitute for permanent employment.*

Agency work is not a substitute for permanent employment, notably because it does not meet the same needs, as it is generally used for specific flexibility requirements that cannot be covered by permanent contracts. The fact that long-term assignments are rare - and the persistently high turnover of agency workers - further supports this assumption. Any limited substitution effect must be assessed in a long-term

perspective, as part of companies' overall HR strategy to integrate a flexible component into their workforce.

- *Facilitates transitions and labour market mobility*

Staffing agencies are likely to be 'transition agencies' in the sense that they do not only facilitate an individual's transition from unemployment to employment, from education to work, but also provide a worker with the skills (and experience) that are relevant for future, permanent jobs. The industry also helps people move from part time to full time jobs (or vice versa), between sectors, across locations guided by aspirations, preferences, needs or suitable opportunities. The industry's ability to identify new work opportunities also ensures that workers remain gainfully employed and that the provision of the skills training necessary for available jobs serves to smoothen the process for both employers and workers. Flexi work often provides the first opportunity to the youth to acquire work experience and enhance their skill set, and in the process plays an important role in their transition from education to work.

Staffing intermediaries play a fundamental role in extending support to companies and augmenting the efficiency of the labour market. Given the increased incidence of cyclical fluctuations, the sector provides necessary innovative and reliable solutions that enable organizations to manage demand volatility by adapt their workforce needs accordingly. From the workers' perspective, flexi staffing intermediaries' help in identifying suitable opportunities, provide opportunities to develop and update skills, and thereby increase the range of work options.

Employment agencies can be involved in the permanent recruitment and selection sector of the job market as well as the temporary staffing sector, often combining both services within the one agency. The core business of employment agencies in the

temporary staffing sector is supplying client organizations with suitable temporary staff on request.

The client pays a fee to the agency for hiring a worker and has little responsibility for the worker as the agency is the legal employer of temporary staff. The agency is responsible for the benefits due to the temp. This three-way relationship can be complicated in many ways, but involves minimal responsibility for the client organization because the temp staff can be returned to the agency once the assignment is completed (or if it is prematurely terminated). If a temp is deemed unsuitable by the client at any time, he or she is replaced free of charge by the agency.

A speedy response to client requests is an important part of the service offered by staffing agencies. In an American study by Peck & Theodore (1998), temporary staffing agencies were interviewed and results indicate that a major concern for them is meeting their client's request for a suitable temporary worker within the fastest time possible. Satisfying "clients' needs, preferences and prejudices" in a timely manner was found to be of paramount importance because for the agencies, "profit is derived from giving the clients what they want". A more recent American study by Smith & Neuwirth (2009) reported similar findings. Temporary staffing agencies offer clients a range of human resources functions ranging from control of payroll to the provision of training activities (Burgess & Connell, 2004; Forde, 2008; Ward, 2004). Some larger agencies offer on-site arrangements for clients in which the agency manages a complete job assignment, providing supervision of the temporary staff and performance monitoring (Campbell, Watson & Buchanan, 2004). The advantage of this for employers is they can outsource an entire operation with no staff management required on their part. Only larger agencies are capable of organizing

this type of service, with the majority of agencies engaging in the more traditional three-way operation in which they act as intermediary between client and individual temporary workers.

In order to develop a long-term commercial relationship with their clients, a key aim of an agency is to become the 'sole supplier' for client organizations (Rasmussen, 2004). 'Sole supplier' agencies tend to be the larger agencies as they are in a better position to offer more customized services such as the on-site management of projects (Forde, 2001). Although this is beneficial for the agencies because they have no competition for their clients' requests, it may be less satisfactory for clients as one agency may not always be able to fulfill their requests in a timely manner. Because of this risk, many employers prefer to use multiple suppliers (usually between two and four agencies) to avoid dependency on a single agency and to create opportunities for negotiating prices. This is obviously not what agencies prefer, as it means they have to share their client requests with other agencies and may have to lower clients' fees in order to remain in the 'supplier loop'.

According to Peck & Theodore (2004) agencies are in the business of selling "flexibility packages" to employers. These 'packages' include different types of flexibility, for example 'temporal flexibility' which provides numerical cover for daily, seasonal or cyclical fluctuations; 'functional flexibility' provides employers with specifically skilled workers, and 'regulatory flexibility' allows employers to deregulate and liberalize the traditional employment relationship as temporary staff are not the legal responsibility of the organization. In view of these available services, employers have come to regard this 'staff on demand' industry as a valuable way of gaining staffing flexibility. These different types of flexibility allow employers "access to labour without obligation"(Gonos, 1997, p.90), making the use of agency

temporary workers more appealing than other forms of contingent labour as the agency is the official employer of the temporary worker rather than the client organization. Hiring agency temporary workers involves little administrative responsibility for an organization, as it basically assumes an ancillary role involving supervision and some health and safety responsibility.

Some researchers claim that agencies have been involved in actively fostering a growing market for flexible staffing arrangements, a trend which some researchers have not viewed in a positive light. For example, Peck & Theodore (2004) describe the agency temporary staffing industry as being “a conspicuous beneficiary of growing economic instability” which has been “remarkably inventive in its efforts to extend the market for contingent labour”. This view is supported by later research claiming that agencies deliberately cultivate precariousness for temporary workers in their pursuit of profit (Elcioglu, 2010). These perspectives portray temporary staffing agencies as active and powerful shapers of the contingent market rather than as passive purveyors of staffing services to client organizations. Whilst agencies may try to shape the labour market to further their own interests, it is important to keep in mind that agencies also provide opportunities for people to gain employment by matching potential employers and employees.

1.5 The temporary staffing industry in India

The temporary recruitment market is estimated to be INR 172 billion. Temporary recruitment takes place when a temporary work agency finds and retains workers, while other companies in need of short-term workers enter a contract with the agency to send temporary workers on assignment. Temporary employees are generally used

in industries that are cyclical in nature and require frequent adjustment of staffing levels.

The temporary recruitment market can be broadly classified on the basis of the skill set of temporary workers. The temporary recruitment market is estimated at INR 172 billion, with professional staffing accounting for INR 53 billion and general staffing INR 119 billion (Ernst & Young Analysis, 2012). The study focuses on white collar workers hired through agencies and hence understanding professional staffing and General Staffing becomes important.

- *Professional staffing:*

Under this type of staffing, a staffing agency provides temporary skilled professionals on their payrolls to large companies that typically operate in the IT and engineering sectors. These are technically proficient workers such as web developers, planners, etc. The professional staffing market was estimated at INR 49- INR 53 billion in FY11, with 110 thousand staffed through consultants (Ernst & Young Analysis, 2012). Professional staffing companies have higher margins than general staffing ones, since the employees they source have higher specialized skill sets. Their margins typically range from 30–35% (of the salary paid by the client organization to the staffing company for the resource). The key players in the professional staffing market include: Teamlease, Manpower, Adecco, Ma Foi, Ikya, Kelly, Allegis, WDC and Future Focus.

- *General Staffing - White collar:*

Under this a staffing agency provides temporary skilled labor on their payrolls to large companies operating in the ITeS, retail and telecom sectors. These may be people with basic training or generic training, e.g., front -ending a retail store, BPO employees, etc. General staff salaries typically range between ~INR 10,000 and

13,000 per month. The general staffing market is estimated at INR 88–INR 92 billion, with 590 thousand employees staffed through consultants in FY11 (Ernst& Young Analysis, 2012). General White collar staffing has low margins of 7–10%, since it requires entry or junior-level personnel with skill sets at the lower end of the spectrum. This sector is dominated by regional players that are able to source local workforce for odd jobs in the retail, telecom and hospitality sectors. Key players include Teamlease, Manpower, Ma Foi , Adecco and Futurz.

The following table (Table 1.5) gives information on the current trends in growth in the Temporary recruitment market for FY11-FY16 (Ernst& Young Analysis, 2012):

TABLE 1.5: TEMPORARY RECRUITMENT MARKET GROWTH (FY11-FY16) (INR BILLION)

Classification	FY11	FY12	FY13	FY14	FY15	FY16
Professional Staffing	52	65	80	99	122	151
General Staffing	89	104	122	143	167	196
Blue Collar Staffing	25	29	34	40	47	55
Total	167	199	237	282	336	400

Source: Ernst& Young Analysis, 'Human Resource Solutions Industry', January 2012. Available at:

[http://www.ey.com/Publication/vwLUAssets/Human-resource-solution-industry/\\$FILE/Human-resource-solution-industry.pdf](http://www.ey.com/Publication/vwLUAssets/Human-resource-solution-industry/$FILE/Human-resource-solution-industry.pdf)

The temporary recruitment market is expected to grow from INR 141 billion in FY11 to INR 347 billion in FY16 at a CAGR of 19%. Companies across sectors such as IT, ITES, retail, telecom, hospitality and manufacturing are increasingly shifting to the temporary staffing model. During a downturn, companies avoid subscribing to fixed costs and prefer opting for temporary staff to bring in efficiency in their operations.

Companies in the retail and hospitality industry generally hire temporary staff since demand varies with economic activity, In the case of a slowdown, they avoid fixed costs and prefer to replace these with variables.

1.5.1 Sectoral spread

The services of temporary staffing agencies are availed by corporate transcending industry, size, location and skill segments. There is only one common feature running through their diversity namely ‘uncertain duration’ of their manpower needs. The following industry verticals have active temporary staffing practices: Agriculture & Agrochemicals, Automobile & Allied Industries, Consumer Durables, Power & Energy, FMCG, Manufacturing & Allied Industries, BFSI, Telecommunication, Hospitality, Healthcare & Allied Industries, Information Technology, ITeS and Retail. (Teamlease Report, 2011). Flexi staffing gives companies a good safety cushion against high attrition, as all of these industries have high numbers in this regard. On the Indian corporate horizon the ones appointing temps (‘temp’ is a temporary worker with an organization who is on a third-party pay-roll) in large numbers include LG, Alcatel, Bharti Televentures, Pfizer, Dr. Reddy’s Laboratories, Ford and Titan, Cadbury’s, Nestle, Gillette, Colgate Palmolive, TCS, HDFC Bank, ICICI One Source, Kotak Mahindra Bank Reliance Infocomm, LG, Philips, amongst others..

‘The ability to respond quicker to volatile demands’, ‘greater flexibility’, reduced costs have been encouraging players in these sectors to utilize the pool of temporary staff made available to them by various agencies. It is expected that in the next few years temporary staffing will be more prevalent in almost all sectors not touched by it. Temping has become a popular mode of employment in the retail sector. With the recent relaxation of FDI norms and the trend of weekend shopping the retail sector

has got a major boost and this has also created the need for more staff especially in weekends. Until now, retailers were directly hiring temps, but now an increasing number of companies, such as Vivek Ltd, Shoppers' Stop, ITC Ltd (for the Wills Lifestyle stores) and Timex Watches Ltd, are using the services of staffing agencies. Even firms engaged in energy, metallurgy and infrastructure sectors are hiring temp staff through agencies in large numbers. Energy, metallurgy and infrastructure sector companies shut down their plants for maintenance for around two to four weeks. Hence they prefer to use temps rather than keeping specialists in maintenance on their rolls.

1.5.2 Work & worker profile

Temps are white collar workers on the rolls of the temporary staffing agency. Temping being a nascent Industry in India 80% of the workforce constitutes persons with 0 to 2 years of experience. We have the fresh graduate on one hand trying to test the waters of the employment market before deciding on a career – launch and on the other we have professionals in certain field who are having proven abilities in their respective fields. There has been a shift in the way temp staff is being used by contemporary firms. They are no longer used just as 'fill-in' labour or as a stop-gap measure related to changes in the business cycle. Instead, temporary staff nowadays fills positions of greater responsibility and are often placed in roles that are critical to business success.

The work profile spread from low – end mundane jobs like secretaries, office staff, customer services, data entry, logistics and sales to high – end jobs like Network Engineering, IT and Process Control. This is a clear manifestation of the fact that temps are not only hired for unimportant tasks but also to fill up project specific

skilled jobs. Based on the acquired skill set of the temporary worker, the temporary staffing market can be divided into three categories in the table 1.5.2 given below:

TABLE 1.5.2: CATEGORIES IN THE TEMPORARY STAFFING MARKET

Professional staffing:	Highly skilled and technically proficient workers	Margins: 15-20%
General Staffing - White collar:	Workers with basic or generic training	Margins: 7-10%
General Staffing - blue collar	Minimum wage workers, work in factories or plants	Margins: 3-5%

Source: Indian Staffing Industry Research, ‘Turning available work into jobs’, October 2012.

Available at: http://www.flexworkresearch.org/uploaded_files/publications/ISFReportv8.pdf

The present study focuses on white collar staffing. Professional staffing typically entails jobs requiring highly specialized skill sets and includes professionals such as auditor, accountants, web planners, designer, analysts, hardware and software engineers. General Staffing White collar roles on the other hand involve workers with moderate skill sets and generally work as secretarial staff, customer service representatives, data entry operators, telemarketers, helpdesk/product support, customer relationship officers, market surveyors.

1.5.3 Key Players in the temporary staffing industry in India

Temporary staffing agencies offer a plethora of staffing solutions to their clients. The major players in case of India are Adecco, Allegis, GI Group, Global Innov, Kelly, Ma Foi Randstad, Manpower and Teamlease, which together represent close to 50% of the Indian organised staffing market. (Indian Staffing Industry Research, 2012).

The staffing agency has on its rolls employees who are placed with various organizations whose requirements of personnel are of a temporary nature and can virtually meet their requirements overnight through temping. A staffing agency may offer a variety of services, including temporary help, permanent placement, temporary-to-permanent placement, long-term and contract help, managed services (often called outsourcing), training, human resources consulting, and PEO arrangements (Professional Employer Organization), in which a staffing firm assumes responsibility for payroll, benefits, and other human resource functions.

The organized staffing firms mandatorily ensure that all the statutory provisions in place to protect the interest of the workers are adhered to. They are all members of the Indian Staffing Federation, apex body for staffing agencies, and pay temps at par with the prevalent market rates, subject to compliance with the Minimum Wages Act. Benefits like Provident Fund, medical and insurance coverage under ESIC are also provided to employees. Staffing companies are required to adhere to all applicable labour laws like: Minimum wage Act, Provident Fund Act, CLR Act, ESIC Act, Industrial Dispute Act and Gratuity Act. In addition, the organized players are also expected to follow the mandatory practices such as: Not charging flexible employees for placement, generating salary slips/wage receipts for every flexible employee , running an accurate pay roll system and issuing appointment letters giving all the terms and conditions of employment.

Temporary staffing agencies are recruiting on a large scale as there is an increased demand for temp staff across industries. Currently organizations are cutting the number of permanent employees on their rolls and running multiple checks before they hire. Table 1.5.3A gives information on the number of temp staff on the rolls of the agencies and their growth rates.

**TABLE 1.5.3 A: TEMPORARY STRENGTH AND GROWTH OF MAJOR
STAFFING AGENCIES IN INDIA**

Staffing Agency	Temporary Strength	Net Addition Feb- April	Growth (v/s same period in 2011)
Teamlease	65,000	5,200	15%-20%
Randstad India	60,000	3000	20%
Manpower Services	30,000	700	15%
Adecco India	100,500	1500	Down 6.94%
Kelly Services	5000	-4000	Down 55%

Source: Sengupta, Devina, 'IT, ITeS and retail companies hiring more temporary employees', The Economic Times, 25 May, 2012.

Available at: <http://economictimes.indiatimes.com/news/news-by-industry/jobs/it-ites-and-retail-companies-hiring-more-temporary-employees/articleshow/13465053.cms>

Companies across the information technology (IT), IT-enabled services and retail sectors are hiring more temporary staffers. Even for temporary hires, companies are opting for multiple rounds of interviews, psychometric and other assessments tests. Manpower Services has seen temporary staffing grow by 15 per cent in the March-May period compared with the same time last year, while fixed hiring has dropped. On the other hand, Kelly Services has seen a 15 per cent dip in permanent hires, mainly in the IT industry. Adecco has let go of unprofitable business in the past 8 months due to wage-inflation resulting in lower margins. Kelly has decided to shift to high-margin, low-volume clients. Both Adecco and Kelly have decided on this shift to drive profitability. Table 1.5.3B gives information on the revenues of the key players in the staffing industry.

TABLE 1.5.3 B: KEY PLAYERS AND THEIR REVENUES

Players	Sales¹ (INR million)
Mafoi	8434
Adecco	7050
Manpower	2863
Kelly Services Recruitment	2045
Ikya (including Magna)	2043
Global Innov	1861
Genius Consultants	1412
WDC	715
Egon Zehnder	570
Allegis	542
ABC Consultants	493
Heidrick & Struggles	480
Teamlease	421 ²
Future Focus	336
Korn Ferry	314
T&M Service	272
Spencer Stuart	266
Transearch	156
Amprop Intl.	143

Source: Available at Ministry of Corporate Affairs, Government of India website, ROC financials.

Note: 1. FY 10 Sales figures

2. Revenue provided in ROC at net level, i.e., excluding pass through costs of salary in staffing

Currently the staffing industry is dominated by large global search companies like Ma Foi, Adecco, Manpower, Kelly Services, Ikya, Global Innov and Genius Consultants etc., that have sales ranging from INR 1500-8500 million. Smaller agencies companies have revenues below INR1000 million.

In the early 90s smaller staffing agencies dotted the landscape and were primarily into database recruiting. The transformation was noticed after the economy opened up with multinationals setting up shop in the country. Business for the Indian search industry largely emanated from global MNCs. The space was dominated by HR consultants such as ABC consultants and Mafoi. The end of the 90s and the early 2000s saw the entry of some global search companies such as Amrop, Egon Zehnder, Korn Ferry, Transearch and Heidrick & Struggles into India. The mid 2000s saw the emergencies of new industries and the need for local talent led multinationals to demand a more scientific approach to top-rung hiring. Large search companies began importing their knowledge base, global best practices and proprietary tools to their Indian subsidiaries. There were also new entrants such as Russel Reynolds and Spencer Stuart. Thus there were major changes in the landscape of the staffing industry.

1.6 Legal environment for the temporary staffing industry in India*

Indian Staffing Federation (ISF) is working towards getting the temporary staffing industry in India more organized and establish quality standards for the staffing industry at large. For this, ISF has formulated a Code of Conduct for its members to follow so that customers and workforce are provided with quality services. ISF is interacting with the government at the centre and the states to create an enabling environment for this industry to grow. It is also working towards sensitizing its stakeholders about the role the industry is playing in terms of the socio-economic

*Note: * This section draws heavily on Indian Staffing Industry's Research, 'Turning available work into jobs' (2012).*

growth of the country.

In 2011, eight leading HR firms formed an industry body ISF, to make the country's fast growing staffing sector more organized. The members of the apex body -- the Indian Staffing Federation (ISF) -- includes eight HR majors: Adecco, Allegis, GI Group, Global Innov, Kelly, Ma Foi Randstad, Manpower and Teamlease, which together represent close to 50% of the Indian organized staffing market. The association works with the government(s) to facilitate a suitable, legal and regulatory environment that is positive and supportive for the development of employment (in India) at large and the staffing industry specifically. As of now the ISF is the only body catering specifically to the flexi staffing industry. The federation works towards bringing more people to the organized sector and empowering them with social securities and other job-related benefits.

Labour laws of India have failed to keep pace with the fast expansion of this particular segment of the workforce, which is creating a number of problems for the employment service providers in this industry. There is an urgent need for reforms in current labour laws to remove the following flaws:

- *A complex web of too many labour laws*

Article 246 of the Constitution of India puts labour in the concurrent list⁴ where both the Central and State Governments are competent to enact legislations. As a result, a large number of labour laws have been enacted by both the Central and State governments, catering to different aspects of labour such as minimum wages, contract labour, industrial disputes, and provident fund, and with different levels of Central/State jurisdiction. This plethora of labour laws has created situations like an item being covered under multiple statutes, lack of uniformity in definitions of same/similar terms across different Acts. This has created a lot of confusion. There is

an immediate need to reduce the clutter by unifying different labour laws into limited number of cognate groups.

- *Complexity is leading to labour market rigidity*

The complex web of laws has led to labour market rigidity. The main rigidities in the labour laws include a very wide scope for initiating industrial disputes (which can be initiated on the basis of "interests" rather than "rights"), lengthy procedures for settlement of industrial disputes, inflexible provisions relating to change in conditions of service (instead of being part of the collective bargaining process), and provisions enabling government interventions in areas such as lay offs, retrenchment and closures (World Bank Report, 2012).

- *Labour laws have lost touch with current business reality*

Our current labour laws are more of a legacy of our colonial inheritance, than an original piece of work reflecting the aspirations and realities of an independent India. In spite of many periodic amendments and additions, the superstructure of the labour laws has remained rooted in British colonial times. A high number of labour laws are currently quite out of touch with the changed socio-economic reality and the needs of the employers, employees and society at large.

- *Labour laws have failed to adjust to recent labour market developments*

Some of the important changes that have taken place in the Indian labour market as a result of the changes in the economic and business scenario are: need to quickly adjust workforce to transient, seasonal or structural demand volatility, both in terms of numbers and composition, mechanism to address such transitory needs as in the case of temporary unavailability of internal staff without any loss in productivity, need to focus on core activities and need for skilled labour. However, identification of skilled manpower, ensuring a match with company needs and retention of staff is

never an easy job, and this is further compounded by the short supply of such skilled labour and high attrition rates experienced recently. These features of the emerging business scenario have played a pivotal role in the development of a new segment in the labour market – the flexi staffing industry.

- *The limitations of the laws are hurting growth of the organized flexi staffing industry*

The organized players, many of whom are Indian affiliates of multinational employment services agencies, are desirous of following international best practices. However, the limitations of the Indian labour laws in addressing the peculiarities of the flexi staffing industry are creating hindrances. Firstly, a large share of the flexi job market is currently with small, unorganized players. Secondly, as the law does not explicitly outline the responsibilities of the user company in such a tripartite labour arrangement, it leaves open a deal of scope for bottom fishing by such end users. They may easily end up compromising the interests of workers in the quest for best prices by user companies.

The sufferers in such a complex and archaic legal environment are the organized players who are committed to follow international best practices and ethical standards. The unequal competition with unorganized players not always following the law, along with unethical practices at times by user companies is limiting the growth potential of the responsible organized players. Reform is imperative to push the ‘undeclared work’ taking place currently outside the purview of the legal system towards a formal setup.

- *Reform is also necessary to protect the interests of the workers*

In the absence of clear regulations and for reasons discussed above, a large part of the flexi staffing activity is taking place in the unorganized sector. The organized players

under the aegis of the Indian Staffing Federation are committed to protect the interests of the workers and have already adopted a set of best practice guideline for members. However, the same cannot be said about the business practices of the unorganized players.

The flexi staffing industry is unique in its structure in comparison to other employment services. With its tripartite employment relationship between the worker, User Company and flexi staffing intermediary, it creates some challenges for a legal system which is essentially designed for a bipartite direct employer-employee relationship. There is an urgent need for reforms in current labour laws.

1.7 International experience with flexi staffing*

The previous sections attempted to provide a broad understanding of the fledgling flexi staffing industry in India and the legal problems being faced. In this section, we take a comparative glance at the Indian scenario from an international perspective. Internationally the staffing industry has been growing quite significantly over the last few years.

The international flexi staffing industry has more than doubled over the last decade and a half, and this expansion is not a phenomenon limited to the developed countries. Over recent times, developing countries like Brazil and South Africa have experienced significant expansion of the flexi staffing business (in terms of number of workers employed in the sector) alongside many developed economies like Italy, Germany, UK, Spain, Poland, and Japan. The penetration ratio shows an interesting

*Note: * This section draws heavily on Indian Staffing Industry's Research, 'Turning available work into jobs' (2012).*

trend. High penetration ratio is observed in a few countries with the most stringent protections for regular employees (China, Germany, Sweden, Italy) alongside some countries with the least protected employment market (South Africa, USA, UK). Among the BRICS group of nations, Russia has the lowest number of flexi workers and penetration ratio. The level of penetration is also low for India (0.32%).

1.7.1 Flexi staffing industry size across select countries

Internationally the staffing industry has been growing quite significantly over the last few years. According to the CIETT (International Confederation for Private Employment Agencies) Economic Report 2012, the global size (measured in Full Time Equivalents) had reached 10.4 million by the end of 2010. Thus, despite the slump in the aftermath of the financial crisis and resultant global economic slowdown, the industry still showed a 5% growth rate over the last decade. Here it needs to be noted that many countries where flexi staffing is not legally recognized do not report the size of the industry, and for many others data is unavailable. The figure reported by CIETT above is based on data from 43 countries for which data was available. Two large countries omitted are China and India. Table 1.7.1A gives information on the staffing industry size across select countries.

**TABLE 1.7.1A: STAFFING INDUSTRY SIZE ACROSS SELECT
COUNTRIES**

Year	World Flexi Staffing Industry Size (in '000 workers in full time equivalent)
1996	4376
1997	4974
1998	5217
1999	5627
2000	6402
2001	6015
2002	5882
2003	6281
2004	6973
2005	7819
2006	9202
2007	9722
2008	9655
2009	9127
2010	10400

Source: CIETT Agency Work Key Indicators 2010, CIETT Economic Report 2012.

Available at: <http://www.ciett.org/index.php?id=162>

Note: 1. China and India, among the major economies, are not covered in the CIETT studies.

The American Staffing Association estimated the US staffing industry at 2.6 million at the end of 2010. It was closely followed by South Africa and Japan at slightly below the 1 million mark. The paths followed by these two countries in recent times have been quite opposite. Whereas the number of flexi staff in Japan declined from 1.4 million in 2008 just before the start of the economic turmoil to 0.96 million in 2010, the numbers in South Africa almost doubled over the same period from 0.50 million to 0.97 million. UK, Germany, France, Netherlands and Italy were the top five countries in Europe in terms of number of flexi staff. All these countries except South Africa and Brazil showed an immediate decline in the aftermath of the 2008

economic crisis. However, the fortune turned for the better soon for most of them (except UK, Netherlands and Japan) as flexi staff hiring showed an increase in 2010 over the previous year. Table 1.7.1B gives information on the countries with largest flexi staffing industry.

TABLE 1.7.1B: COUNTRIES WITH LARGEST FLEXI STAFFING INDUSTRY

(FIGURES IN '000 WORKERS IN FULL TIME EQUIVALENT, AS ON 2010)

Country	(figures in '000 workers in full time equivalent, as on 2010)
China**	27000
U.S.A.	2584
India*	1300
South Africa	967
Brazil	965
Japan	960
U.K.	880
Germany	793
France	520
Columbia	514
Australia	308
Netherlands	208
Italy	197
Mexico	132
Poland	114

Source: Indicus Analytics Estimate for India; Ministry of Human Resources and Social Security estimates for China; CIETT Agency Work Key Indicators 2010 and CIETT Economic Report 2012 for the rest.

Note: * In numbers, for the year 2011. ** In numbers, for the year 2008.

As mentioned earlier, CIETT Reports do not give figures for China and India. The Ministry of Human Resources and Social Security of the Government of China

estimated the flexi staffing market there at 27 million in 2008. The trade union body All China Federation of Trade Unions, however, disputed this figure and put up its own estimate at 60 million for 2010 (China Labour News, 2011). Even the ‘conservative’ official estimate puts China at the top globally. With an estimated 1.3 million workers, India is also one of the largest markets.

As international experience shows, the flexi staffing industry has been on the rise worldwide, not only in developed countries but in developing countries as well. In fact, four of the BRICS nations - China, India, South Africa and Brazil come in the top 5 positions in flexi staffing market size in terms of number of workers. It is pertinent to note that among this group, India stands out as the only one where the flexi staffing industry does not have a regulatory recognition as yet.

1.7.2 Legislative initiatives in select countries

As the International Confederation of Private Employment Agencies, CIETT is the authoritative voice representing the interests of agency work businesses. Founded in 1967, CIETT consists of 48 national federations of private employment agencies and nine of the largest staffing companies worldwide : Adecco, Allegis Group, Gi Group, Kelly Group Limited, Kelly Services, Manpower, Randstad, Recruit Co., LTD. and USG People. Its main objectives are twofold: to help its members conduct their businesses in a legal and regulatory environment that is positive and supportive; to gain recognition for the positive contribution the industry brings to better functioning labour markets. CIETT is divided into five regional organizations: Africa, Asia [AsiaCiett], North America, South America [CLETT&A], and Europe [Eurociett].

India does not have any flexi staffing industry specific laws. The industry currently follows the Indian labour laws which are applicable to all. As seen in the earlier chapter, the current legal system suffers from a number of shortcomings, more specifically when looked at from the point of view of the flexi staffing sector. As the current legal provisions are not geared towards addressing the tripartite relationship peculiar to the industry, there is a lack of clarity on many of the relevant issues like the respective responsibilities of flexi staffing agency and the user company. Keeping in mind the major legal issues facing the industry, this section presents a brief review of legislative initiatives in a few select countries that have legally recognized flexi staffing.

China

Flexi Staffing companies were treated as a normal private business, sharing the same registration system with other private corporations subject to the minimal capital requirement of RMB 500,000. There was no requirement of personal and professional qualifications and no license was required to set up a flexi agency. Neither was there any sectoral restriction under national law. The Chinese law puts the following obligations on the flexi staffing agencies:

- No fees can be charged from the flexi workers.
- Flexi workers cannot be employed on a part-time work basis.
- An employment contract must be concluded with flexi staff.
- Such a contract, in addition to the regular items, must specify information such as the name of the user company, the length of assignment, the posted job position, and so on.
- The contract period should be fixed with duration of no less than 2 years.

- Wages have to be paid monthly for flexi staff. In periods when there is no assignment, the agency shall pay the minimum monthly wages according to the standard set by the government in the local place.
- The flexi staffing agencies have to enter into an agreement with the user company which shall explicitly mention the job positions, the number of workers, the length of assignments, amount and the means of payments of remuneration, social insurance and the corresponding default liability.
- The terms and conditions of such agreements between staffing agencies and user company have to be fully disclosed to the workers.
- Remuneration paid by the user company can neither be withheld nor any deduction made.

The Chinese legislation also spelled obligations for the User Company which are as follows:

Under the Chinese legal system, a user company has to undertake the following obligations:

- No fees can be charged from flexi workers.
- Cannot dispatch flexi workers to another enterprise.
- Clearly communicate the job requirements and remuneration and other benefits payable/available.
- Provide necessary position related training for agency workers
- Ensure working conditions and labour protection as per the national labour standards
- Pay overtime, performance bonuses, welfare benefits appropriate for the job positions.

- Develop and implement a system of wage adjustment in case of continued employment of flexi workers

Italy

Legislation introducing flexi staffing was introduced in Italy in 1997 (Law 1996 of 1997). Since then the industry has grown from just 10,000 in 1998 to 197,000 in 2010. Under the law, flexi staffing agencies needed to obtain licenses to operate. The licensing required formation of a joint stock company or a co-operative with a paid up capital of at least one billion lire and a security deposit of 700 million lire in the first two years of operation to cover for payment obligations to employees. The agencies were also required to provide hiring out of labour as a standalone business activity. The presence of an office in at least four regions of Italy was also legally mandated. The law imposed the following obligations on the staffing agencies:

- Ensure parity in remuneration between flexi staff and comparable employees of the principal employer
- Provide required insurance and social security contributions
- Provide paid annual holidays
- Provide cover for occupational health and safety hazards
- In case of flexi staff with open ended contracts, agencies were required to continue payment even when such staffs were not working. On termination, such open ended contract holders were also entitled to end-of-service allowance.
- The law also imposed a few obligations on the user company:
 - Share information and provide training in occupational health and safety measures
 - Allow flexi staff access to all social and welfare facilities

Netherlands

The flexi staffing industry in Netherlands was governed by two laws: WAADI (Law on allocation of labour force through intermediaries) and Flexicurity Act. Important provisions of these two laws are discussed below:

WAADI

The objective of this law was to set industry norms. Some salient features were as follows:

- Agencies no longer needed to obtain a license.
- Flexi staffing agencies needed to meet all social security and tax obligations.
- There could be no discrimination between flexi workers and workers at the user company in same/similar position in terms of employment
- Agencies needed to provide information to prospective employees on safety regulations in the user company. Both the agency and the client had to bear joint responsibility in case of a shop floor accident.

Flexicurity Act

It came into force in Netherlands in 1999. The objective of this act was to ‘adequately match employers’ demand for flexibility and employees’ demand for working life security and income.’ Some of the salient features of the act were:

- It brought the flexi workers under the cover of the regular labour laws ensuring parity in rights between flexi workers and regular contract employees.
- It recognized the agreement between the flexi worker agency and the flexi worker as an employment contract. All regulations of an employment contract became fully applicable to such flexi contracts after six months from the date of signing.
- Trial period in contracts with less than two years duration was limited to one month, extendable to maximum two months in case of a collective agreement.

- In case of termination of contract, an employer needed to serve a notice of one month in case of contract duration of less than 5 years. For contract durations of 5 years or longer, the notice period could extend up to 4 months. In case of employees, the notice period was always one month.
- In case of dismissal, such cases needed to be referred to the Public Employment Service for permission.

Therefore, considering the international experience, India needs to evolve a comprehensive legal ecosystem mindful of the interests of the workers, the flexi staffing agencies and the user company. In short, a legal recognition to the flexi staffing business is the need of the hour. A step in this regard has been already taken with the formation of ISF. ISF as the industry body of flexi staffing agencies in India considers itself responsible for developing an ecosystem to ensure that all member agencies adhere to their responsibilities and obligations – towards laws of the land, the flexi staff members and the clients. The need for specific laws catering to the needs of this growing industry needs to be recognized.

1.8 Critical issues concerning Temping

In the past decade, a number of analysts have raised concerns over the outcomes of the increased use of temp staff. These concerns relate both to the material conditions associated with this form of employment and the social and psychological implications of being ‘a temp’. Most authors report that temping is typically an employment arrangement involuntarily entered into and that the majority of temps are seeking fulltime, permanent employment (Gottfried, 1992; Smith, 1993; Rogers, 1995; Henson, 1996; Vosko, 2000; Hardy, 2000). Concerns have been raised over the way temps are marginalized, isolated and exploited in their dealing with

recruitment agencies and client organizations. Much commentary on temporary workers raises concern that temporary workers are economically disadvantaged and marginalized within the labour market. Because social and labour legislation continues to be premised on the assumption of 'the worker' as full-time, permanent and with a single employer, temps are often subject to reduced protection (Appelbaum, 1992; Carre, 1992). It is often reported that temporary workers are typically paid less than regular core employees and receive fewer benefits (Segal and Sullivan, 1997, Nollen, 1996). In the United States especially entitlement to benefits such as health insurance and pension plans is often tied to length of service eligibility requirements (Garsten, 1999; Henson, 1996; Nollen, 1996). Because turnover in the temping industry is very fast (Henson, 1996; Nollen, 1996; Peck and Theodore, 1998), temps often fail to qualify for benefits. Moreover, many temps are often unaware of their eligibility with regard to certain benefits and lack access to accurate, independent advice on their rights as temporary employees (Carre, 1992; Gottfried, 1992). In addition to the concerns raised over the material conditions of temping, commentators have drawn attention to social and psychological costs attributed to temping. In particular, critics are concerned over the impact on an individual temp's sense of self worth when continually identified and interacted with as 'the temp'.

Concerns are raised that pejorative notions of the temp as a form of sub-worker, may become internalized by those working as temps exacerbating experiences of alienation from self and others at work (Rogers, 1995). Observer's report that negative attitudes to temps are still apparent in contemporary organizations and that this contributes to a climate of suspicion and distrust between permanent staff and temps (Smith, 1993; Rogers and Henson, 1997). Commentators argue that temps on assignment are often socially isolated and marginally positioned within client

organizations. They note that temps are often spatially separated from permanent workers (Smith, 1998) or rendered “interactionally invisible” (Rogers, 1995) by permanent workers who “actively create barriers of silence, space or regulation”.

Concern is also raised over the way temps are required to function in a relationship of extreme dependency on their agency. Temps are constantly monitored by their agency, usually via regular phone calls from supervising consultant to client, and through end-of-assignment feedback reports. Temps are seldom privy to this feedback and a ‘good’ report is typically inferred by continued offers of work. Observers argue that temps are marginalized in the placement process because they are not consulted over how placement decisions are made and that their preferences are seldom taken into account (Rogers, 1995; Gottfried, 1992; Henson, 1996).

1.9 Major challenges for the temporary staffing industry

The Indian staffing industry operates in an exceedingly dynamic business environment and its performance and growth is often obstructed by both internal and external challenges. This state of affairs in the same industry which relentlessly works towards addressing one of the fundamental structural challenges of the economy, viz the unemployment, only highlights the unfavourable environment under which the industry operates. Certain features of the temporary staffing industry that make the environment challenging are as follows:

- *Regulation*

Legal non-recognition of the flexi staffing industry itself poses a big challenge in many countries, including India. This creates an immediate confusion over the interpretation of existing laws and delineating the responsibilities of all parties involved.

- *Triangular Employment Relationship*

In many countries, especially if this form of labour is not explicitly recognized by law, the responsibilities of the primary employer and staffing agencies are not clearly delineated. This gives rise to disputes and at times denial or delay in payment of benefits to the workers. The fuzziness of the triangular relationship also at times makes deliberate non-compliance and circumvention of legal provisions much easier to perpetrate.

- *Skill Shortage, External Talent Attraction and Retention*

Skill shortage is a perennial problem, and the staffing industry is no exception. To be successful, staffing firms need to attract and retain external talent who possess the skills and the experience to meet clients' staffing needs. Arranging for a suitably qualified candidate in the face of a talent crunch and intensive competition over limited talent poses significant challenges and risks to its business model.

- *Attrition*

Staffing companies tend to lose a significant part of their lease employees to client organizations. Therefore, they need to keep recruiting trained manpower to sustain their business.

- *Contract Labor Regulation and Abolition Act*

The Act applies to every establishment or contractor in which 202 or more workmen are employed. Every contractor is required to obtain a licence and undertake or execute work in accordance with the licence issued by the licensing officer.

- *Working capital*

Staffing companies have to pay salaries on a monthly basis to their associates, whereas they offer a 30- to 60- day credit period to their clients and require working capital.

- *Local presence increases cost of operations*

A local presence is one of the critical success factors for a general staffing company. However, having multiple offices results in increased operating expense and it may not always be possible to pass this on to clients.

- *Lack of Openness in Public Companies*

In many of the countries, the public sector accounts for a large part of the economy and workforce. However, this sector is not fully open to the flexi staffing industry. Consequently, a large part of the employment market remains outside the purview of the flexi staffing players. Interestingly in India the public sector has a high intake of flexi workers.

- *Collective bargaining and representation*

Flexi staffs normally do not continue with the same primary employer for long. At the same time, they also do not work at the premises of the staffing agency. This creates a unique problem in the sense that most of the flexi staff cannot access the benefits of collective bargaining and representation.

- *Economic Environment*

The demand for HR services moves in tandem with the level of economic activity. In an upturn, demand for temporary employees generally increases, often ahead of the economic recovery. In a downturn, however, companies tend to reduce their temporary staff before they started laying off their permanent staff. While, the staffing industry might gain from an upturn, the industry gets affected early in the case of a downturn.

- *Market Fragmentation*

The biggest markets are highly fragmented. Japan has as many as 20,000 private employment agencies, followed by USA and UK at a distance. The impact of this

fragmentation is in two ways - on the one hand it raises the competitive pressure, and at the same time opens up the opportunity to grow by strategic acquisitions.

1.10 Objectives of the study

1. To study the role of temporary recruiting agencies in labour market integration.
2. To identify the reasons for the client organization, with special reference to the retail industry, to use temp staff, through recruiting agencies.
3. To understand the profile of the temp staff and to examine the factors that motivates them to take up this profession.
4. To study the working conditions of temp staff with focus on aspects such as remuneration, hours of work, shift system, promotional avenues, grievance redressal mechanism, support systems and right to unionize.
5. To suggest measures for improving their working conditions, which have an important bearing on the quality of service they render.

1.11 Methodology of the study

Two stage sampling method was used in the study. List of staffing agencies was obtained from the Indian Staffing Federation (Apex body of recruiting agencies) and the list of client organizations was sourced from them. List of the temp staff was obtained from the client organizations. Given the nature of work done by the temp staff, which requires them to work with different clients and in shifts, it was difficult to adopt the pure random sampling for interviewing temp staff. Hence, the method of convenience sampling was adopted.

Interviews were taken of temp staffs, who were on duty, on the days of the researchers visit. Interviews of agency representatives were conducted at the agency

with prior appointment. Interviews of the representatives of the client organization was at the company with prior appointment

The research design of the study uses a mix of both quantitative and qualitative methodologies. As one of the main objectives was to document and understand the triangular employment relationship, in depth interviews were conducted with the temporary recruiting agency, the client organizations and the temp staff in the selected area. Questionnaires were designed to collect information on both quantitative and qualitative characteristics to understand the staffing industry in depth.

Primary data was obtained using a structured interview schedule, with some open-ended questions. A pilot study was undertaken at the preliminary stage before administering the questionnaire in the selected area. This exercise helped to include questions that were not considered earlier as also to delete those where respondents were ambiguous or where no answers were forthcoming. Analysis of the data gathered by the interview schedule was done with the help of the SPSS package.

All the respondent agency representatives, temps and representatives of client organizations were interviewed on a one to one basis by the researcher. Further, all interviews of temps were conducted at the workplace, where the subjects worked, both for the convenience of the temps and to put them at ease by being interviewed in a familiar setting. A wide spectrum of questions was asked, while taking care not to compel the temp staff into giving information against their will.

In order to background the temping 'industry', one representative from each of eight staffing agencies were interviewed. Representatives of client organizations were interviewed to understand what aspects companies consider when they make the

decision to hire temp staff from staffing agencies and difficulties faced by them in using services of temp staff through agencies.

The interviews carried out with the temps were with questions designed to draw the participants into discussion about their experience of work. The ordering of the questions varied over time to accommodate participant preferences and to allow participants to pursue the topics of most salient to them. Broadly speaking, the questions asked to the participants were about their reasons for temping, relationship/s with temping agencies and the experience of being a temp. Additionally they were asked for background information, specifically age and marital status. The temp participants represented a broad range of temping experiences and life stories. Some temp staff hoped that some good would come out of their interviews if not for themselves, then atleast for the fresh recruits or those planning to join the profession future.

Permission was sought from the client organizations of the retail sector to interview the temp staff. A large number of temp staff were eager to know if this study would help improve their working conditions or benefit them in anyway. Most of the companies were visited a number of times due to the ‘shift’ nature of duty.

1.12 Chapter scheme

The chapter scheme of the study is as follows:

Chapter I: Introduction

Chapter II: Review of literature

Chapter III: Overview of the retail industry in India

Chapter IV: Role of temporary staffing agencies in labour market integration

Chapter V: Motives for client organizations to opt for temping

Chapter VI: Profile and working conditions of temp staff

Chapter VII: Summary, findings & recommendations

1.13 Scope of the study

The study focuses on the role of staffing agencies in labour market intermediation and working conditions of the temp staff in the selected area of Mumbai. The selected staffing agencies, temp staff and client organizations have a fairly good representation of the temporary staffing industry. The lists of temporary staffing agencies was obtained from Indian Staffing Federation (apex body of staffing agencies) and letters were then sent to them to obtain permission for interviewing them. The list of client organizations was obtained from the agency and list of temp staff from the client organizations.

In all eight temporary staffing agency representatives, which together represent close to 50% of the Indian organized staffing market and with national presence (Temporary Staffing In India: Issues and Recommendations, ISF Discussion Paper, December 2011), representatives of ten client organizations from the retail sector, sourced through staffing agencies, and four hundred temp staff ,of which 201 were males and 199 females, from a range of background , sourced through the client organizations, were interviewed. Of the total 400 temps all were on the rolls of the different temporary staffing agencies. There Care has been taken to include temps working in the retail sector only. The selected recruitment agencies, temps and client organizations have a fairly good representation of the temporary staffing industry.

The study includes temp staffs who are on the payroll of the staffing agencies and does not include temp staff who are directly hired by the company. Temps in the study are on the rolls of the staffing firm and not the company that deploys them. This

study focuses only on white collar temps, though agencies may hire even the blue collar workers.

1.14 Contribution of this study to the existing body of knowledge on temping

One familiar group of non-standard workers are the so-called “temps”. These are the invariably people with clerical, secretarial, and administrative experience who are hired by employers to ‘take up the slack’ of employers whose permanent workforce needs support because of temporary circumstances such as illness of permanent staff, delays in appointing permanent staff, or sudden ‘peaks’ of business. Temps are familiar figures in many organizations, yet because they are not mainstream, not part of the ‘regular’ workforce, little is known about them, beyond perhaps a public stereotype that they are in some way ‘marginal’ people struggling to cope in a world where permanent employment is denied them. (Alach, & Inkson, 2003)

In this research an attempt is made to understand the triangular relationship that exists in the temporary staffing industry and its impact on the working conditions of the temp staff – the benefits and difficulties of temping, relationships with agencies and employers, and its implications for employment practices and legislative regulation.

The research highlights that the benefits of the staffing industry are manifold – from enhancing companies’ competitiveness to flexibility and work security in the labour market, acting as a buffer for the labour market and creating positive conditions for economic sustainability. The staffing intermediaries’ role in extending support to companies and augmenting the efficiency of the labour market is recognized. Given the increased incidence of cyclical fluctuations, the sector provides necessary innovative and reliable solutions that enable organizations to manage demand volatility by adapt their workforce needs accordingly.

An important set of policy measures needs to be adopted to regulate this sunrise industry which will help to improve the working conditions of temps. By examining the conditions of work of temps and the obstacles they face in the efficient discharge of their duties, efforts should be made to mitigate the factors that cause de-motivation and adversely affect their desire to continue work in the profession and/or in the country. Hence, this study on the conditions of work and life of temp staff gains importance. It is hoped that this work will help to illuminate the contributions and lifestyles of an important group, and foster a better appreciation of them in society.

This research has demonstrated that labour market conditions and the structural conditions of temporary work strongly influenced the activities of each group in the triangular working relationship. The aims, expectations and behaviours of the three sets of participants were often mutually incompatible which limited the maneuverability of each group. This created outcomes which were often unintended, and frequently suboptimal, for all three parties.

1.15 Difficulties faced during the study

While most authorities in the staffing agencies agreed to let the researcher interview their representatives, permission was not so easily forthcoming in some of the agencies and they had to be given a letter to assure them that it was an academic exercise. In some cases the client organizations refused to permit the researcher to talk to their temp staff or agreed to the same, only in their presence. They appeared apprehensive about the kind of information their staff would reveal and did not want to risk 'being pulled up' or 'enquiries being conducted by labour officials' in this regard later. Some agencies and client organizations representatives wanted to go through the questionnaire, before letting their temp staffs interact with the researcher.

It was difficult to find client organizations that could be included in the study. It is difficult to know if companies are using temp staffs as there is no authentic database that says if they do so. Some of the agencies and their clients that turned our interview request down were companies that we have heard used temp staff to get around Indian labor laws. This is a reason for companies to use temporary employment that has been much debated in media and made temporary employment considered a sensitive issue. It would have been interesting to hear these companies perspective. Frequent debates in media may have had an effect on these companies decision not to participate in the study. We think that companies that do not treat the temporary employees as their own employees but instead as workforce do not reveal facts and therefore decided not to participate in the interview. Additionally this could be one of the reasons why some of the companies interviewed wanted their identity to be anonymous in this study. Authorities of one retail company refused permission to the researcher to interview their temp staff inspite of been given a written assurance of confidentiality and the academic nature of the study. The present study is constrained to the extent that permission was denied by authorities in various companies in examining the working conditions of their temp staff.