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The hunter is hunted down in HR's slowdown twist

Priyanka Golikeri / DNA

The situation is getting worse for people with jobs. Pay cuts and lay-offs have long been the order in sectors such as IT and IT enabled services, banking and real estate.

And now, even the human resources (HR) industry is taking a knock, with consolidation and cost-cutting gaining importance. It is no small irony that many HR consultants, long given to finding jobs for others, are today in search of jobs themselves.

Those in the lower rungs are the most affected. A recruitment consultant this reporter talked to had just been asked to find another job. The Mumbai-based recruitment consultant she works for has seen its business shrink by over 30% in the last few months.

Indeed, with cost-cutting becoming the buzz, several companies are cutting down on the portion of business outsourced to HR firms.

Elango R, chief HR officer of Mphasis, says recruitments through referrals, sites and portals is 20% cheaper than through consultants and HR firms.

When recruiting through consultants, the hiring costs per employee range from 12% to 16% of the cost to company (CTC) and even as much as 20% of the CTC in case of people at top levels. Companies have cut down on almost 40-50% of the work outsourced to HR firms, say sources.

"This is making HR firms lay off junior level employees," says an official from a search firm based in Mumbai.

In sharp contrast, some old hands seem to have the going pretty good. Anish Laikar, for one, is joining Bangalore-based Ikya Human Capital Solutions. Laikar, who has earlier worked with ABC Consultants as executive director, will be the CEO — search and recruiting business at Ikya, which recently got private equity funding from India Equity Partners.

Several other top people are also on the move, say industry sources. Ronesh Puri, managing director of executive search firm Executive Access, concedes as much. "Movement of talent is happening in the HR industry."

Yogesh Saigal, a New Delhi-based HR consultant who has earlier worked for ABC Consultants, says, while on the one hand the economic situation has squeezed the profits of HR firms, on the other, consolidation is happening and huge associations are being formed.

"So top HR consultants are moving to firms, which they feel would continue performing." The stage is set for consolidation in the industry, estimated at around Rs 5,000-6,000 crore, say experts.

Chennai-based HR firm Ma Foi Consultants acquired Team4U, a New Delhi-headquartered staffing company, sometime back. Ma Foi, which was acquired by Vedior Group in 2005, last year became a part of Netherlands-based Randstad Holdings, the world's largest HR services company, which acquired Vedior.

Going by Laikar, restructuring is gaining currency in the HR industry and the mom-and-pop HR firms will either get acquired or get phased out.

E Balaji, CEO of Ma Foi, can't agree more. According to him, competition would only increase with the coming together of big firms, and small HR firms, particularly those focused on a single line of business such as temping or consulting, may go out of circulation.

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