Experts see no major impact on hiring

PIYALI MANDAL
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WHEN credit ratings agency Standard & Poor's downgraded the United States' prized long-term sovereign AAA rating to AA+ on Friday, the first thing Rajesh Mukherjee, working on a project for a leading Indian information technology firm in Los Angeles, did was to ring his manager in India.

He was concerned whether his company was planning a salary cut or he would be called back to India before the scheduled time. "We (my family and I) are definitely worried about the developments here in the US. In 2009, I had to take a cut in my variable pay. I am not really prepared to take another hit on my salary, as I have a home loan and a car loan running," he said.

Mukherjee is not alone. There are thousands others in the US who were worried about the downgrading. The development invokes a sense of déjà vu among the Indian workforce in the US, when they recollect the pink slips and salary cuts of 2008-09.

Though a section of these employees is worried about job cuts and reduction in the variable pay, human resources (HR) consultants and experts feel there won't be any major impact on the overall hiring.

But industry veterans agree there is a slowdown in hiring, compared to the last year, and this will continue in the second half of the year. "We should not talk ourselves into a pessimistic situation," said Ambarish Raghuvanshi, chief financial officer of Info Edge that runs hiring firm Naukri.com.

"Hiring is a function of demand and supply. It's more related to the gross domestic product (GDP) growth and business confidence than the stock market. The ratings may create negative sentiments, but the overall hiring will depend on which way the GDP is headed. If GDP slows down for a couple of months, it'll adversely affect hiring," he said.

Ronesh Puri, managing director of hiring firm Executive Access, agreed there won't be any drastic effect on hiring. He said there could be a slowdown, but that would be temporary.

Citing reasons for being so optimistic, he said, "The fundamentals of our economy are strong. Some sectors like infra, healthcare, FMCG (fast moving consumer goods) to certain extent, real estate and others are relatively insulated. Only sectors whose exposure are high to the US market may face a rough time."

According to Raghuvanshi, there were four to five years of boom preceding the last recession. "So, there were issues of extra hiring and unrealistic pay packages. This time around, it's only 15 to 18 months that we have started coming out of blues, so there is less scope of any excess in terms of hiring and the resulting job loss."

Sangeeta Lala, co-founder and vice-president of HR consultancy Team Lease Services, said it would be better for employees to hold onto their current job and watch how the situation unfolds before making a decision.