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Impact Of Key Reforms On Job Formalization

and Indian Flexi Staffing Industry

2019

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Foreword



One of my favourite quotes by Victor Hugo is "No power on earth can stop an idea whose time has come". Staffing in India is certainly that idea whose time has come and numbers speak that. Flexi staffing in India has grown by 16.3% in 2015-18 which stands at 3.3mn and is poised to grow by 22.7% in 2018-21 to 6.1mn. As of 2018, India is the 5th largest staffing market globally.

According to the Keynesian Theory of Employment, an increase in the aggregate effective demand would increase the level of employment. For India, this demand can be increased by Formalization, Urbanization, Industrialization, Financialization, and Skilling.

We have seen that more than 7 Mn jobs have been formalized in 2015-2018 due to structural reforms and policy amendments such as EPF Benefits, ESIC Benefits, GST, Skill India, Demonetization, Maternity leave to 26 weeks and Fixed term contract to all the sectors. The study highlights that because of the policies and reforms around 11.03Mn jobs will be formalized between 2018-21.

The flexi staffing industry in India needs to take pride in giving the job of dignity to millions who would have left unemployed due to sludge that existed in the Indian job market. At the same time, they need to be responsible for making the most of once in a lifetime economic transition India is going through.

Rituparna Chakraborty
President, Indian Staffing Federation

Thought Notes

Indian Staffing Federation (ISF) comes to be in its 8th year of existence with a strong representation of over 110 members employing over 1 million flexi-workers. We have successfully created an eco-system which provides flexibility, administrative efficiencies and flawless compliance for Corporate India to enable them to expand and grow their business. Through this report the aim is to highlight the scale, impetus and status of the organised staffing industry in India. The report has been made analytical to bring forth the growth of formal jobs with the impact of reforms in flexi staffing.

Most of the contribution to the overall flexi-staff size has come from GST and Demonetisation with 1.2 Mn jobs formalised in last 2 years. The growth will be contributed from sectors including – Logistics, Ecommerce, BFSI, Retail, IT and Manufacturing. The states that will be driving faster job formalisation and bring ease of business with agility to bring reforms, where some of the leading ones are Andhra Pradesh, Telangana, Haryana and Gujarat in the next 2 years.

R P Yadav
Vice President & Chairperson- Research Committee, Indian Staffing Federation



Flexi staffing in the coming years will be on a fast-paced growth trajectory, as there is a huge opportunity for organizations to use it to meet organizational needs and objectives with the appropriately skilled resources for a given role. Not just that, as flexi staffing moves up the value chain in an organization and the future workplace becomes agile, mobile and flexible, the opportunity for us as staffing organizations to grow and create an impact is immense.

With an increasing emphasis on labor productivity and operational efficiency, where technology will play a key role in driving business efficiencies, we have our work cut out in not just managing the clients but also ensuring that we protect the interest of our flexi workers. While the government is aiding with policies on compliance and enhancing job creation for the ever burgeoning workforce population in the country, we as staffing companies have a long way to go in representing ourselves as the “go-to” industrial body for all staffing needs.

Paul Dupuis
Chairperson- Research Committee, Indian Staffing Federation



Executive Summary

Indian Flexi Workforce reached **3.3Mn** in 2018

Reforms/policies to formalize around **11.03 Mn** jobs between 2018-21

India to employ approximately **6.1 Mn** flexi workforce by end of 2021

Flexi workforce is expected to grow at **22.7% CAGR** in 2018-21

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Recent reforms added impetus and **added 1.2 Mn** flexi workforce in last 3 years

61% of the industry believes agile scalability workforce is the key driver for flexi adoption

19.9 Mn workforce growth in formal sector in 2015-18, includes shift from informal to formal

E-Commerce sector expected to lead the flexi workforce growth with over **54% CAGR**

Executive Summary

IT/ITeS leads flexi adoption with **12.5%** penetration

1.53 Mn jobs will be through Tripartite/Flexi Staffing in next 3 years

Goods & Services Tax & Demonetisation were two key reforms to drive Job formalisations in 2016-18

Andhra Pradesh, Telangana, Haryana, Gujarat and Madhya Pradesh are high growth potential states for Flexi

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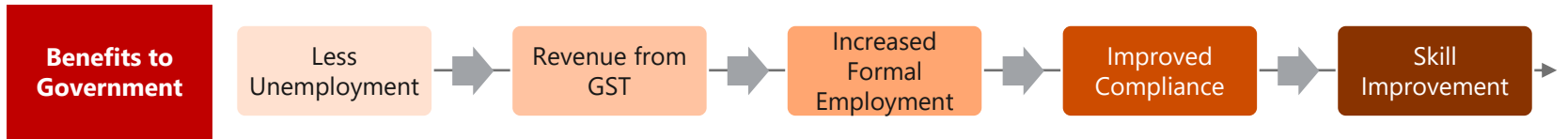
Andhra Pradesh leads among all states in terms of favourable business environment.

2.06 Mn jobs out of 11.03Mn to be contributed by Pradhan Mantri Rojgar Protsahan Yojana(PMRPY) scheme in next 3 years.

Logistics, BFSI, IT/ITeS, Retail and Government will employ more than **55%** of the total flexi workforce by 2021

Government sector is leading the formal workforce with over **12.26 Mn**

Flexi Staffing Industry



Customers

Customers signs agreement with flexi staffing companies where the later supplies flexi workforce.

Flexi Staffing Companies

Staffing companies hire workers and send them as flexi workforce to meet client requirements. Staffing companies take care of the salaries and benefits of these workers

Flexi Workers (Tripartite Workforce)

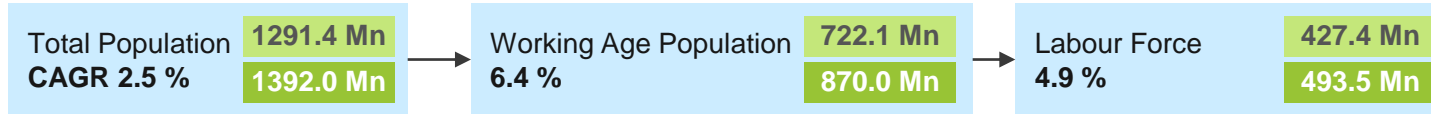
Workers work in client companies on fixed term contractual basis.



Introduction

Flexi Staffing grew at 16.3% to reach 3.3 Mn in 2018

Workforce in India (2015-2018)

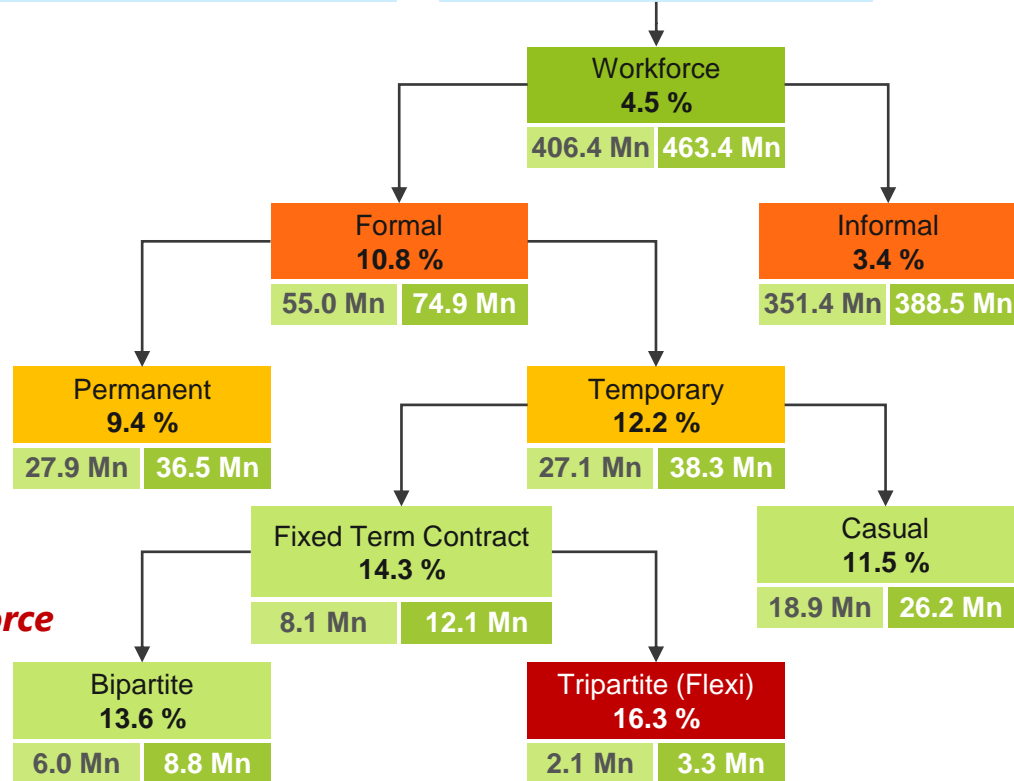


Informal accounts to 83.8% of the total workforce in 2018 from 86.5% in 2015, **a shift of 2.7% from informal to formal workforce**

Formal workforce experienced a CAGR of **10.8%** (2015-18)

An increase of **19.9Mn** workforce in formal sector in 3 years (2015-18) that includes the shift from informal to formal

Out of these increased formal jobs, Permanent and Fixed Term Contract cumulatively account for **12.6 Mn** workforce (2015-18)



 **1.2 Mn flexi workforce**
added between 2015-2018

LEGEND	Workforce Type	
	CAGR %	
	2015	2018

All figures are as on end of calendar year. Analysis based on Survey Data

Source: KANTAR IMRB ICUBE, Census, National Statistical Office, NSSO Data Projection

Definition Of Workforce

Working Age Population

Working Age Population 18-60 years of age has been considered

Labour Force

A subset of working age population who can be engaged in any kind of employment be it in exchange of cash or kind

Workforce

Population in the labour force who are in employment for more than 6 Months.

Formal Workforce

Only those population in the Workforce who are working in some Government, private or public limited companies for more than 6 months referred as "Main workers" in Economic Census.

Informal Workforce

Population working outside the formal establishments in all unincorporated private enterprises owned by an individuals or households engaged in sales and production of goods and services operated on a proprietary or partnership basis.

Permanent Workforce

Permanent Workers holding a contract of 1 year or more in the formal establishment.

Temporary Workforce

Those formal workforce who are holding a contract of less than 1 year or no contract at all.

Casual Workforce

The temporary formal sector workers who do not hold any contract with the employers, have been considered as Casual Workers. The organizations where these casual workers are working in are having all required documents of the formal.

Fixed Term Contract

Temporary formal workforce who hold contract for 1 year or less.

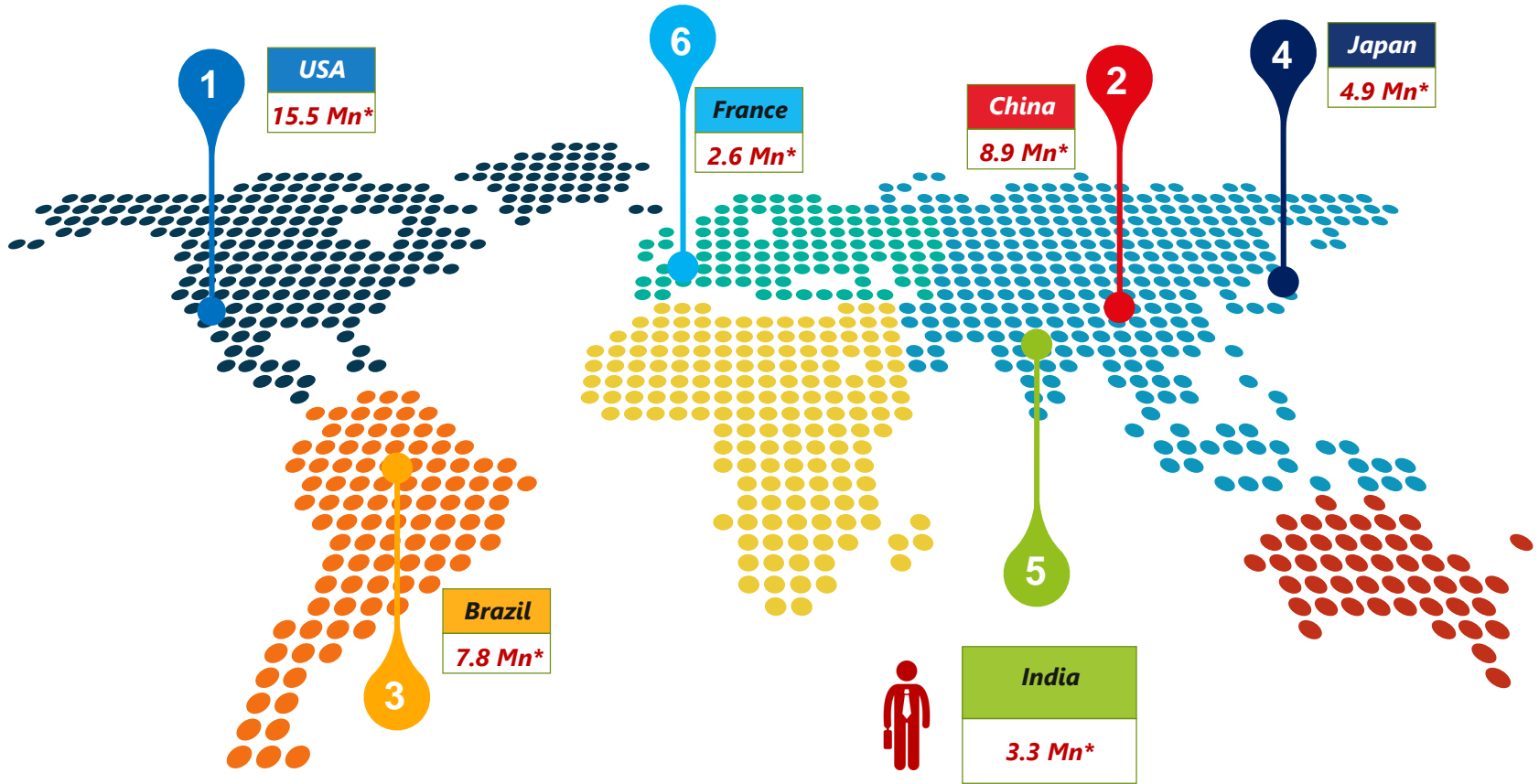
Bipartite Contract Workforce

Temporary formal workers who has a direct short term contract with the employer.

Tripartite Contract Workforce (Flexi Workforce)

Fixed term contract workforce employed by a company through an employment contract with an intermediary and goes to work under direct supervision of the staffing intermediary.

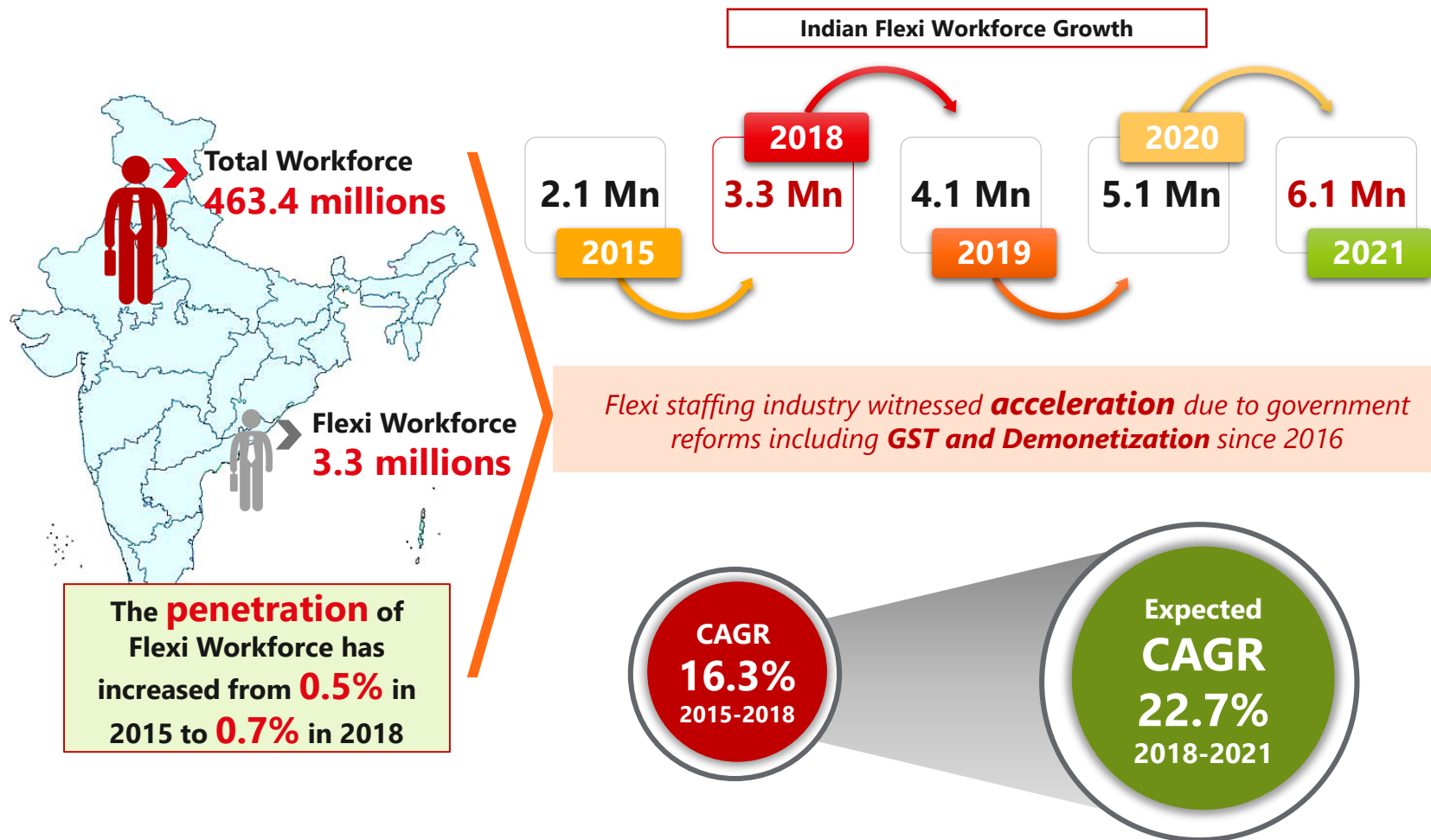
India ranks 5th largest in flexi staffing globally



Source: KANTAR estimates for India. World Employment Confederation for other countries

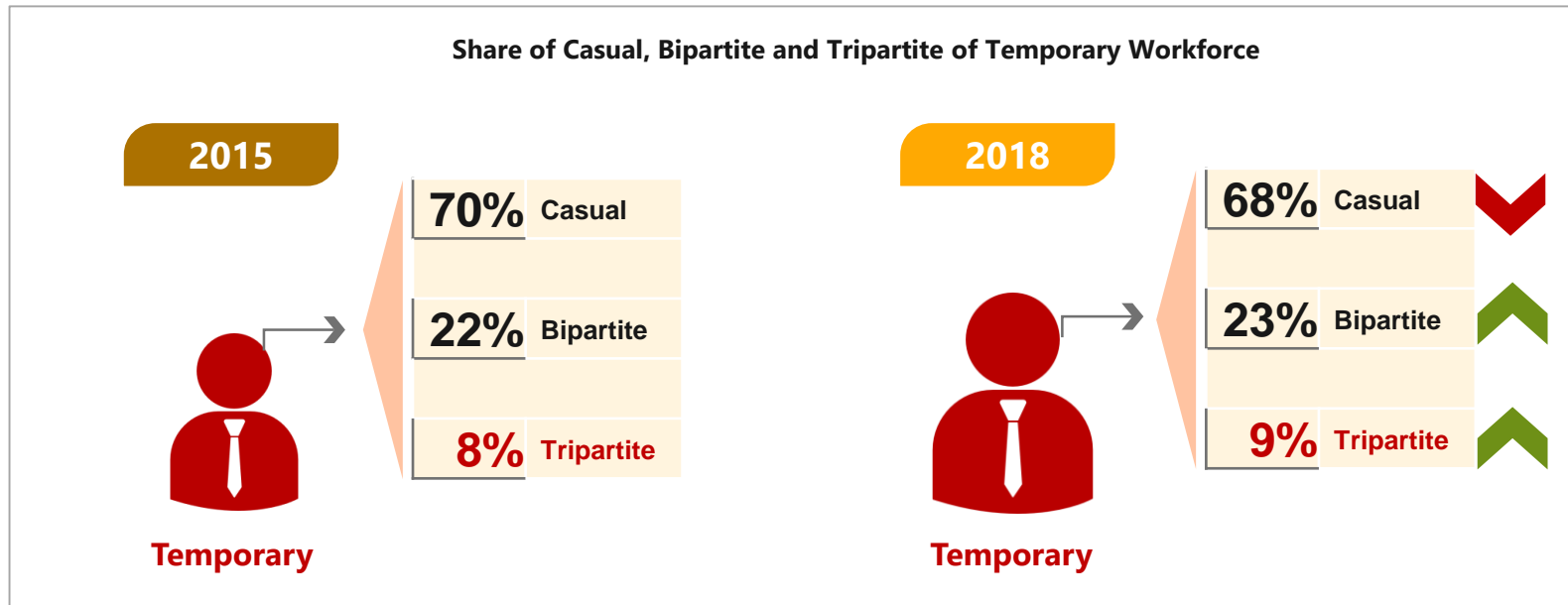
* India Data for 2018. Other countries Data for 2017

Flexi Staffing industry to grow at 22.7% to reach 6.1Mn workforce by 2021



Tripartite (Flexi) workforce has increased by 1.2Mn from 2015 to 2018

Due to positive impact of reforms like GST that facilitated job formalization, Casual workforce moved by 2% towards fixed term contract – Both Tripartite and Bipartite employment gained 1% growth each over last 3 years



"During festive seasons Flexi workforce help our company to meet delivery schedules effortlessly. At least 40% more flexi hiring will happen next year" – **Large Enterprise, E-Commerce**

"Our company adopted flexi hiring to handle varied scope of work on project to project basis that demands skilled workforce." – **Medium Enterprise, IT/ITeS**



Impact Of Key Reforms On Job Formalization

Government focusing on reforms to increase job formalization in India

1

Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme, 2016

Launched: August 2016

2

Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Approved for: 2016-2020

3

Employees' State Insurance (Central) Third Amendment Rules, 2016

Launched: December 2016

4

The Specified Bank Notes (Cessation of Liabilities) Act, 2017

Launched: February 2017

5

The Payment Of Wages (Amendment) Act, 2017

Launched: February 2017

6

Maternity Benefit (Amendment) Act, 2017

Launched: March 2017

7

The Employees Compensation (Amendment) Act, 2017

Announced: April 2017

8

The Constitution (One Hundred and First Amendment) Act, 2016

Launched: July 2017

9

The Code on Wages Bill 2017

Announced: August 2017

10

Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018

Launched: March 2018

11

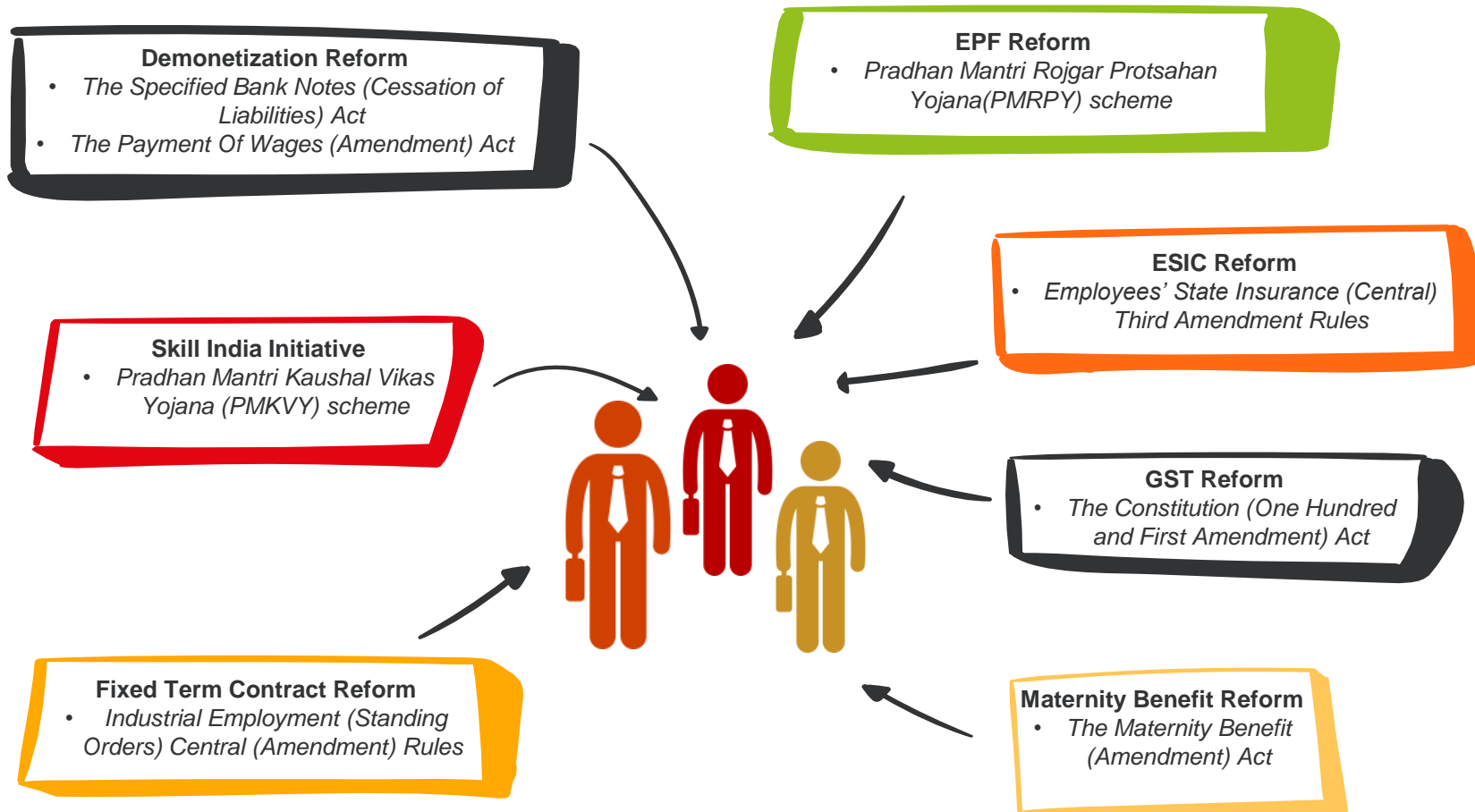
Employees Provident Fund and Miscellaneous Provisions Act, 1952

Proposed Amendment:
February 2018

*Reforms and initiatives selected for further evaluation based on the inputs from industry participants and in consultation with Indian Staffing Federation

*Ranking based on date of launch and announcement of reforms and initiatives

Industry believes six reforms and two initiatives to have significant impact on job formalization



7.06 Mn jobs shifted from informal to formal due to reforms in 2015-2018

2015 - 2018

Informal

Percentage of job formalization due to reforms 2015-18

9.43% of 74.9 Mn Formal Workforce

7.06 Mn workforce

Combined Contribution In Job Formalisation - 7.06 Mn



Jobs accounted to Tripartite (Flexi) from total formalized jobs

0.15 Mn

0.14 Mn

0.18 Mn

0.07 Mn

0.06 Mn

0.06 Mn

0.13 Mn

Total number of jobs accounted to Flexi staffing for the policies/reforms between 2015-2018

0.80 Mn

11.03 Mn more jobs will move from informal to formal in 2018-21

2018 - 2021

Informal

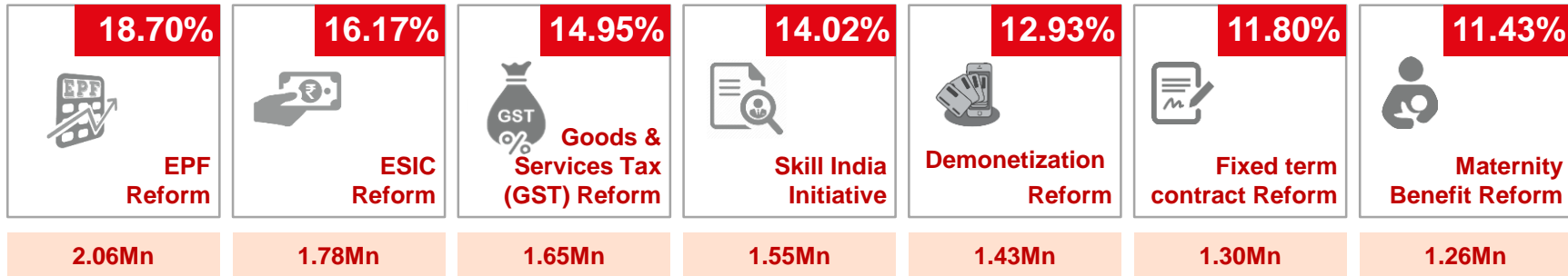
Percentage of Job Formalization due to impact of reforms 2018-21

10.82% of 102 Mn Formal Workforce 2021

(considering 10.8% CAGR growth in formal)

11.03 Mn workforce

Combined Contribution In Job Formalisation 11.03 Mn



Jobs that will be accounted to Tripartite (Flexi) from total formalized jobs

0.30 Mn

0.24 Mn

0.34 Mn

0.15 Mn

0.12 Mn

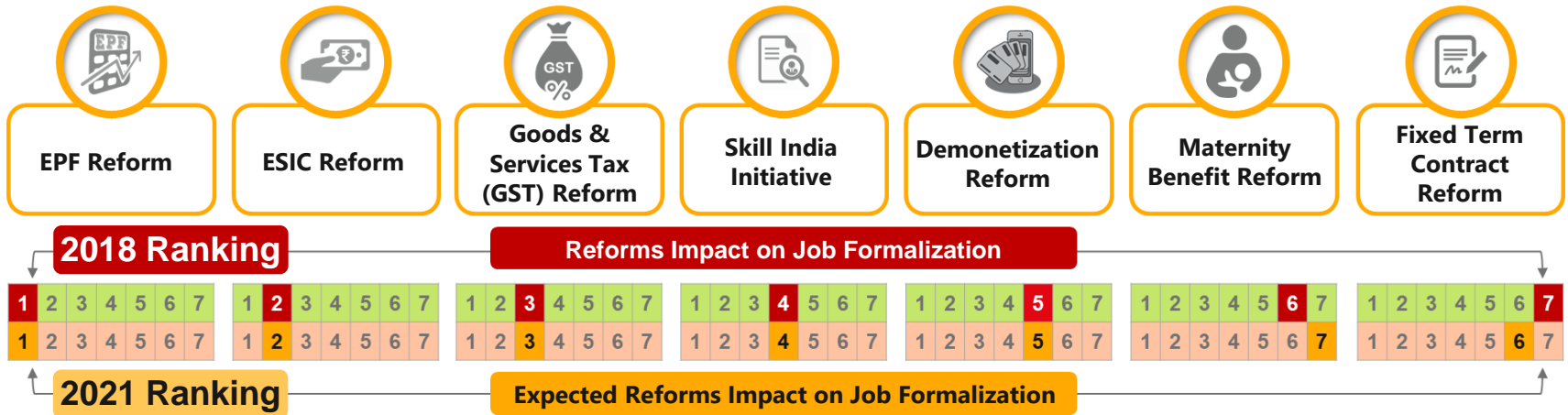
0.26 Mn

0.11 Mn

Total number of jobs that will be accounted to Flexi staffing for the reforms between 2018-2021

1.53 Mn

EPF, ESIC and GST are the top reforms impacting job formalization



EPF and ESIC initiative and reforms like Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme and Employees' State Insurance (Central) Third Amendment Rules, are bringing in social security benefits to a larger mass of people. Through PMRPY scheme, Government is also incentivizing employers to increase employment base.

Demonetization reform mandated informal sector companies to pay their workers through online or bank process which is helping in better tracking of workforce and wages. Further, the **Payment Of Wages (Amendment) Act**, eliminates the need for prior approval from workers to pay through bank account transfer.

GST reform is expected to drive the formalization because of input tax credit.

Removal of multiple taxes will encourage more unorganized participants to get registered under GST.

Extension of Maternity Leave to 26 weeks under the **Maternity Benefit (Amendment) Act**, enabling employers to incentivize through the scheme for hiring women workforce. With government partial contribution, there could be an impetus.

Skill India initiative is helping unskilled workforce of informal sector to be employable as a skilled workforce in formal sector through programs like **PMKVY and Prior Learning**.

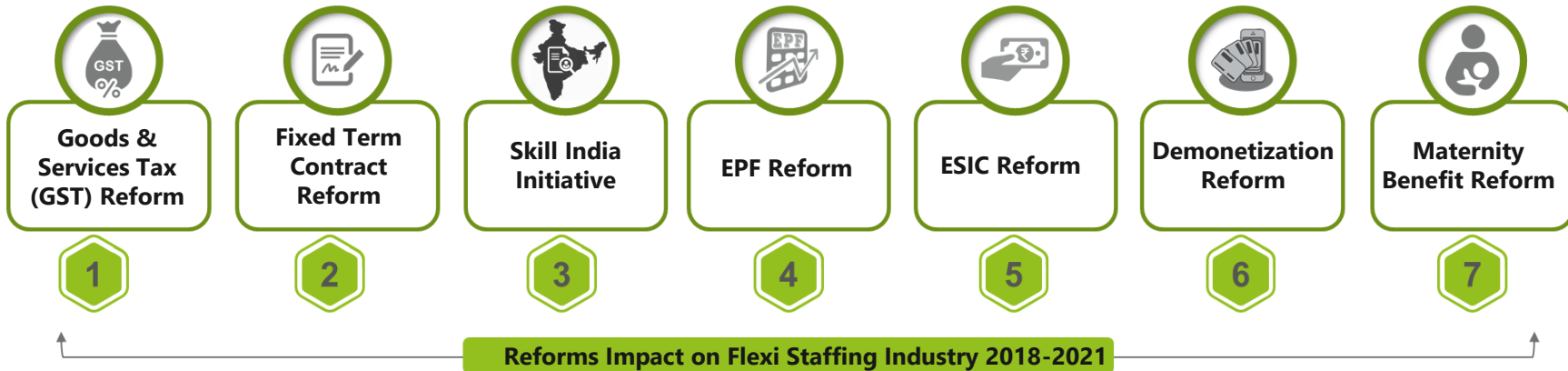
Employers are more open now to formalize their informal workforce due to availability of adequate skill pipeline.

Extension of Fixed Term Contract to all sectors introduced through **Industrial Employment (Standing Orders) Central (Amendment) Rules**, is expected to bring in flexibility in manpower planning and opportunity to save cost for enterprises across sectors

GST was the key reform impacting flexi staffing growth

Reforms Impact on Flexi Staffing Industry: 2018 Ranking

(No difference has been observed in ranking for impact of policies on Flexi Staffing Industry in coming years from now)

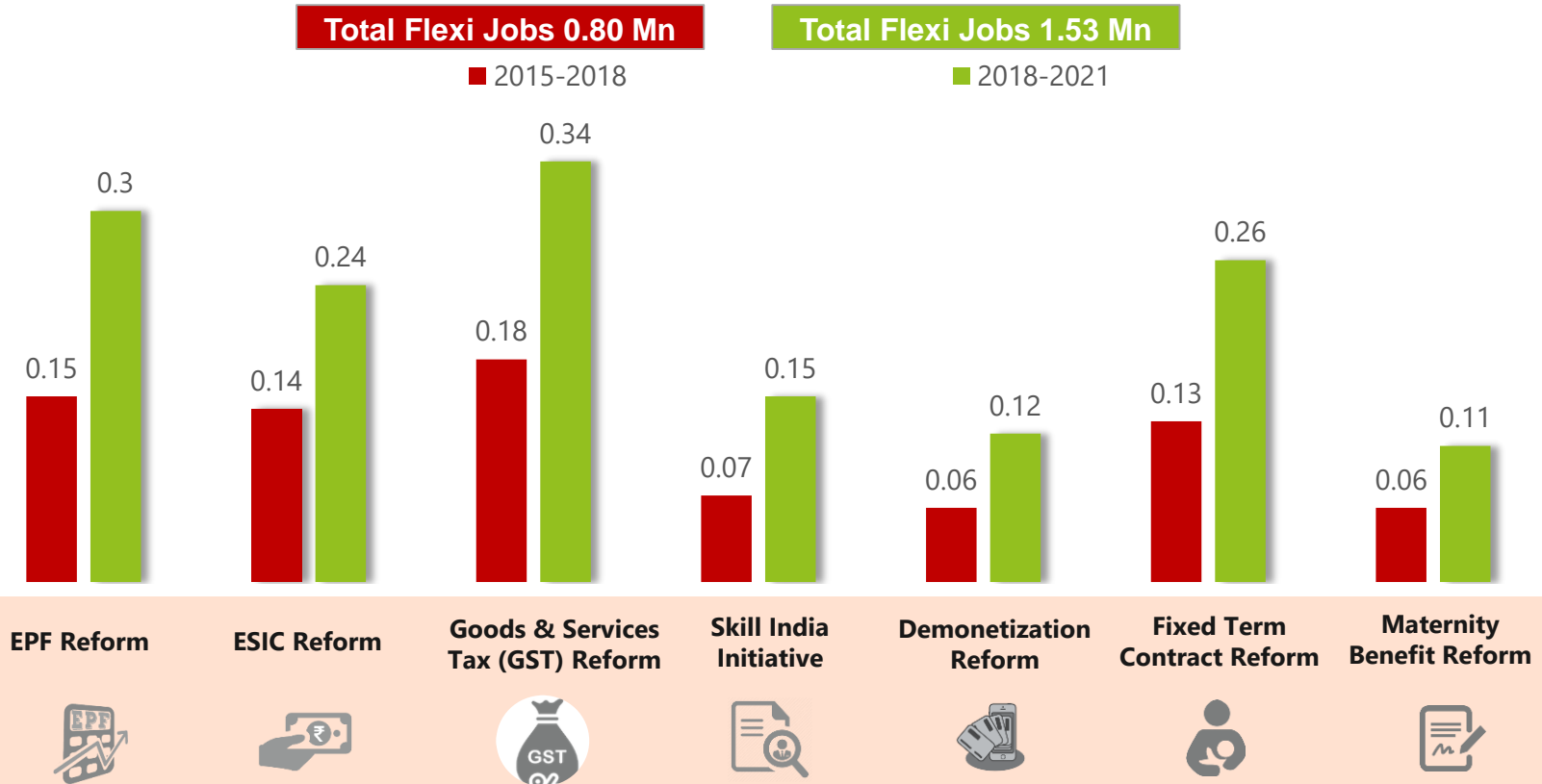


<p>GST continues to be a stronger driver for organized flexi staffing industry as it brings in standardization in tax and eliminates advantage to unorganized staffing companies in terms of price comparability.</p>	<p>With fixed term contract extension to all sectors, there will be more hiring for short term amongst enterprises across sectors. This would broaden the possibilities for contract staffing companies and hence flexi workers</p>	<p>Skill India initiative is helping staffing companies to provide quality resources to enterprises without investing additionally to make them "industry ready". This will further motivate enterprises to opt for staffing company services in future.</p>	<p>EPF and ESIC reforms will ease the business operation for the staffing companies. Contract staffing companies will be able to provide social security benefits to its employees at a lower cost now.</p>	<p>Demonetization helped in the conversion of many unorganized staffing companies into organized companies thereby improving the formal employment scenario.</p>	<p>Extension of Maternity Leave to 26 weeks is expected to have a relatively low impact on flexi staffing industry as it may result in only the smaller companies to hire more flexi women staffs for short term rather than hiring on payroll.</p>
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Reforms facilitating Flexi staffing through Job Formalisation

Flexi Staffing will see 91% growth in formal flexi jobs in next 3 years due to impact of reforms

Number of jobs accounted to Flexi for Reforms



Values are in Millions

Key EPF initiatives to add 2.06 Mn formal jobs

0.3 Mn will be added towards Flexi Staffing

1

Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme

Launch:
August 2016

About the scheme

Government will pay 8.33% towards contribution of employees EPS and will also pay 3.67% towards Employee Provident Fund, for the first 3 years of employment.

Who are eligible under the scheme

- Eligible to workers earning less than Rs 15000 per month, hence the scheme specially targeted towards the low wage earners
- Employee and organization must be registered with EPFO and Employee must not be working regularly with EPFO registered organization prior to April 2016. This ensures more informal sector workers getting registered under formal sector.

How it will influence job formalization

- The scheme is expected to motivate the informal sector to come aboard by formalizing jobs and motivate them to get registered with EPFO. It will not only increase employment and ensure social security for the employees, but encourage formal jobs.
- Organized Staffing industry, which has ready systems to support formal employment will be ready adopters to support the transition for new organizations and mobilize formal tripartite jobs.
- To leverage the benefit, more small and midsize companies are getting registered under EPF Act. It is providing a transparent view of the activities of these companies and their associated contractors that was missing before.

Key ESIC initiatives to add 1.78 Mn formal jobs

0.24 Mn will be added towards Flexi Staffing

2

Employees' State Insurance (Central) Third Amendment Rules

Launch:
December 2016

About the Act

- The wage threshold has been extended from Rs 15000 to Rs 21000.
- With this amendment, all employees who earn Rs 21000 or less per month are to be mandatorily enrolled for employee insurance under ESI Act.

Who are eligible under the Act

- As per the Act, it is applicable on "wages upto Rs 21000"
- ESI Act defines wages as all remuneration payable outside pension, provident fund, travel allowance and gratuity payable. Thus the Act will potentially benefit employees with even higher remuneration whose effective wages are under Rs 21000.

How it will influence job formalization

- A larger pool of unorganized workforce will also get social security benefits like organized sector.
- Informal sector has been added as a beneficiary by the government where the schemes will encourage employers to add social security benefits to their employees by enrolling them to avail benefits, indirectly transitioning to formalization.
- Staffing companies are ensuring the success of implementation through their mechanisms of mobilising employment and ensure fair inclusion through various educational camps and initiatives to enhance job formalisation.

Key GST reform to add 1.65 Mn formal jobs

0.34 Mn will be added towards Flexi Staffing

3

The Constitution (One Hundred and First Amendment) Act

**Launch:
July 2017**

About the Act

- Under the Constitution (One Hundred and First Amendment) Act, Goods and Services Tax (GST) was introduced.
- GST removes 'tax on tax' that was applicable before on indirect taxes and helping in simplifying the process for businesses.

Who are impacted by the Act

- GST replaces all indirect taxes levied on goods and services by the Central and State Government.
- It is a comprehensive tax structure applicable on manufacturing, sales and consumption of goods as well as services across India.

How it will influence job formalization

- Companies are now more inclined towards doing businesses with organized contract staffing companies for claiming input tax credit under GST and avail hassle free business.
- GST is acting as an incentive for companies to be part of the formal tax structure to get the benefits, thereby facilitating job formalization.
- Organized flexi staffing companies are experiencing significant growth due to this inclination of enterprises towards organized staffing companies for hiring, thereby automatically creating more formal jobs.

Key Skill India initiatives to add 1.55 Mn formal jobs

0.15 Mn will be added towards Flexi Staffing

4

**Pradhan Mantri Kaushal Vikas
Yojana (PMKVY) scheme**

**Approved for:
2016-2020**

About the Scheme

- Flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE) with an objective to enable large pool of Indian youth to be industry ready with industry relevant skill training.
- Training and assessment fees are completely paid by the Government under the scheme.

How it will influence job formalization

- “Pradhan Mantri Kaushal Vikas Yojana (PMKVY)” helping in meeting the resource crunch across sectors by training workers with niche expertise. It is helping in employability in the formal sector jobs.
- Basic skills will help organizations to get trained resources to help increase productivity in business and also encourage growth in start-ups ecosystem
- Approximately 110 million additional skilled manpower required by 2022 across sectors in India**. Staffing companies will play a vital role in bridging this gap in workforce by providing skilled resources.

Key programs under the scheme

- “**Skill loan scheme**” from national banks are targeted towards students who secure admission to institutes affiliated to National Skill Development Corporation (NSDC)/Sector Skill Councils, State Skill Mission and State Skill Corporation.
- Recognition of “**Prior Learning program**” is helping workers with certification to help with employability and prepare them for the competitive market of formal jobs. Employers are more open to hire such resources now.

Demonetisation reforms to add 1.78 Mn formal jobs

0.12 Mn will be added towards Flexi Staffing



The Specified Bank Notes (Cessation of Liabilities) Act

**Launch:
February 2017**

About the Act

Under the Act, specific bank notes ceased to be valid which facilitated digital payment and enabled in easy tracking of all transactions.

Other key facilitator

*Ease of doing business through online transaction is encouraging unorganized staffing companies to do payments in a legitimate manner. To boost this practice, the **"The Payment Of Wages (Amendment) Act, 2017"**, has further eliminated the requirement for employers to get approval from workers to pay them through bank account transfer which was required before.*

How it will influence job formalization

- *Organised staffing industry was ready with digital payment systems and tracking systems supporting informal sector and 'cash pay based companies' to transition to formal swiftly, resulting in large scale formalisation of jobs.*
- *Demonetization forced enterprises to be tax compliant and operate in a cashless manner. This helped in formalization of the large percentage of the informal economy.*
- *Employers now credit wages directly to bank accounts of workers. Eliminating cash transaction has ensured receiving minimum wages for workers now and also helping Government to monitor the flow of money.*

Fixed Term Contract to add 1.30 Mn formal jobs

0.26 Mn will be added towards Flexi Staffing

6

Industrial Employment (Standing Orders) Central (Amendment) Rules

**Launch:
March 2018**

About the Act

- The growing demand for resources across sectors will effectively be addressed by **Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018** where fixed term contract has been extended to all sectors.

Key drivers for fixed –term contract

- Work hours, wages, allowances and benefits to be at par with permanent workforce
- Eligible for all statutory benefits available to a permanent employee
- No permanent employment can be converted as a fixed –term employment thereby ensuring fresh recruitment in formal sector

How it will influence job formalization

- The extension will help enterprises to avoid the burden of carrying extra labour force and hire on project basis only, resulting in efficiency and productivity in volatile times for the enterprise.
- This will help in the growth of the overall formal short-term contract workers including flexi and will motivate employers to reduce its informal workforce that was used earlier.
- Seasonal businesses like e-commerce, retail, construction to offer formalized fixed-term hires that will improve the formalization potential for the sectors.

Fixed term contract to all sectors

Key Maternity Benefit reform to add 1.26 Mn formal jobs

0.11 Mn will be added towards Flexi Staffing

Maternity leave to 26 weeks

7

The Maternity Benefit (Amendment) Act

Launch:
March 2017

About the Act

- Under The Maternity Benefit (Amendment) Act, the duration of paid maternity leave for women employees has been extended from 12 weeks to 26 weeks.
- The amendment is expected to reduce the instances of employees dropping out of labour force due to absence of adequate leave.

Other key facilitator

Through a pilot program, Government has decided to pay half of the salary payable for the additional 14 weeks leave out to 26 weeks extension of Maternity Leave benefits under the **Maternity Benefit (Amendment) Act, 2017**.

How it will influence job formalization

- Informal sector may see this government contribution as a motivation to increase job formalisation .
- Several companies are running career comeback programs to attract women employees who are unemployed after maternity leave. Companies are finding women employees to be more productive and helping to make work environment more conducive and maintain female participation in workforce



IT/ITeS



E-Commerce



Manufacturing
(Non-machinery)



Manufacturing
(Machinery)



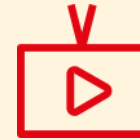
Pharma and
Healthcare



FMCD & FMCG



Education/
Training



Media &
Entertainment



Logistics &
Transport

Sectors showing significant job formalization



Retail



Automotive



Telecom



Government



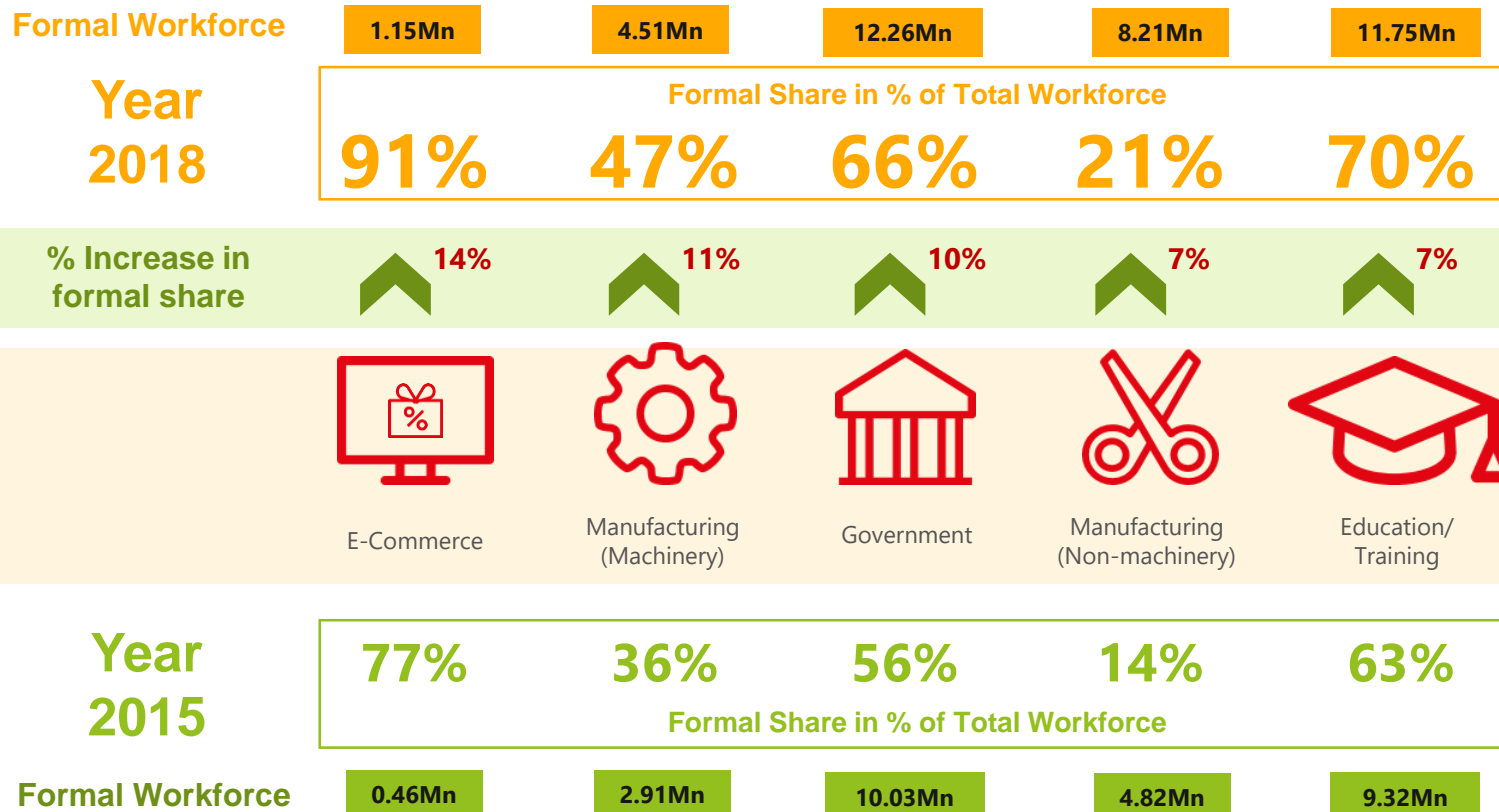
Infrastructure



BFSI

E-Commerce leads with 14% change to formal workforce in 2015-18

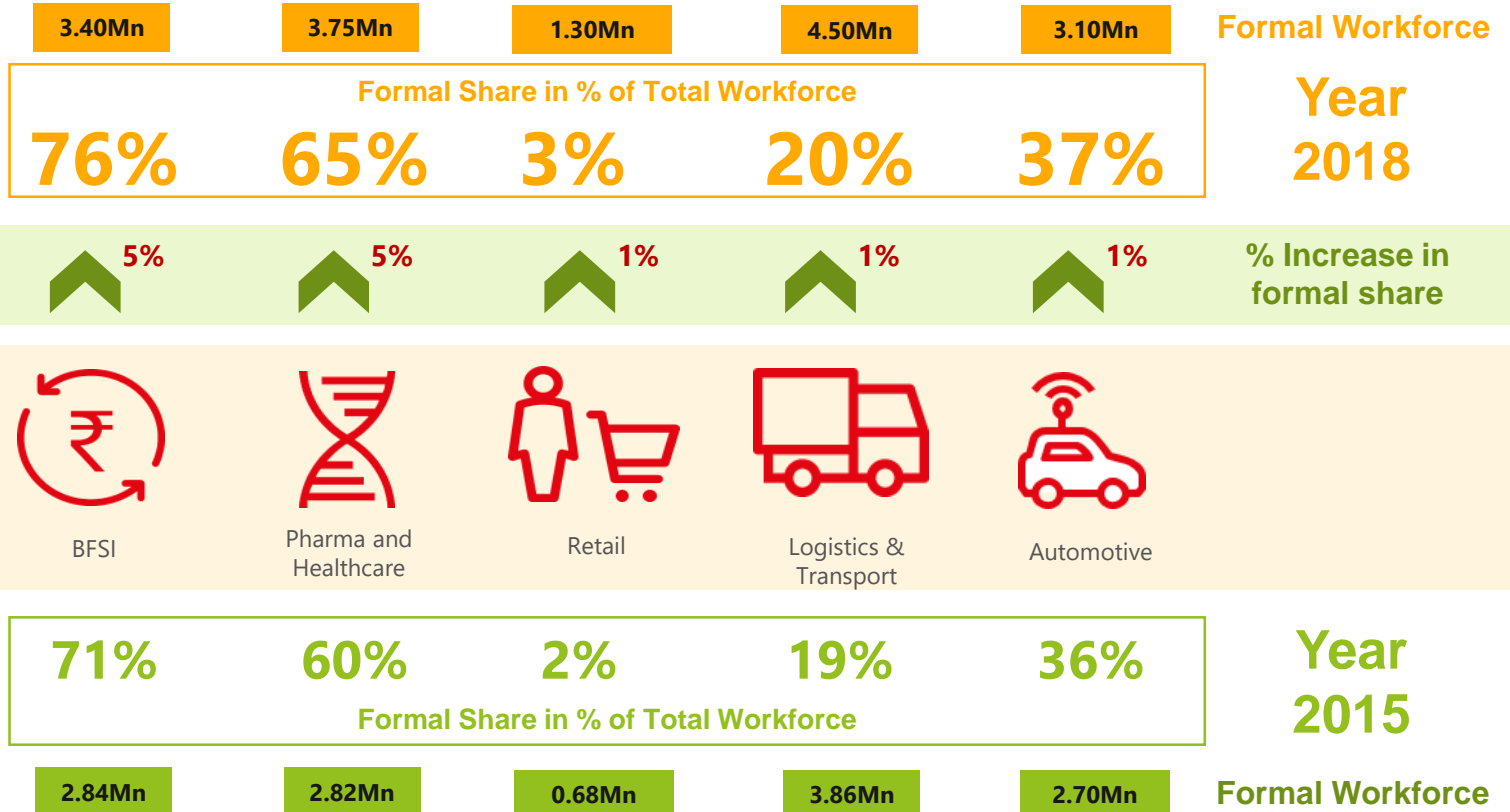
E-Commerce, Manufacturing, Government and Education contributed to formal jobs due to impact from GST and Demonetization



All figures are as on end of calendar year. Analysis based on Survey Data
Source: KANTAR IMRB ICUBE, Census, NSSO Data Projection

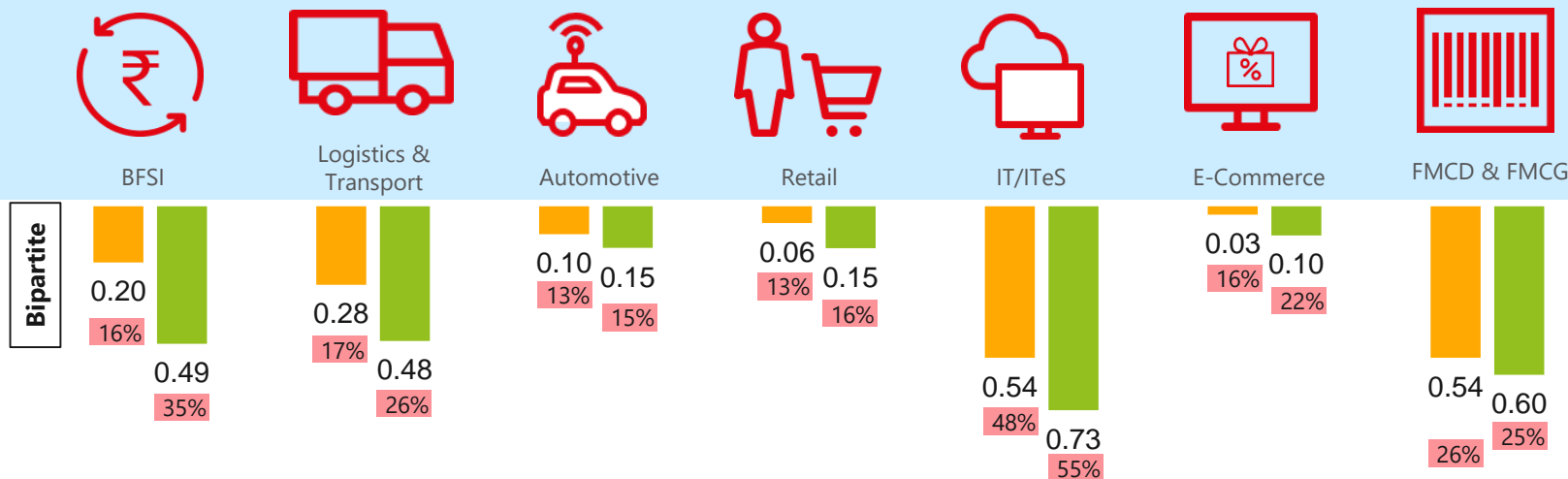
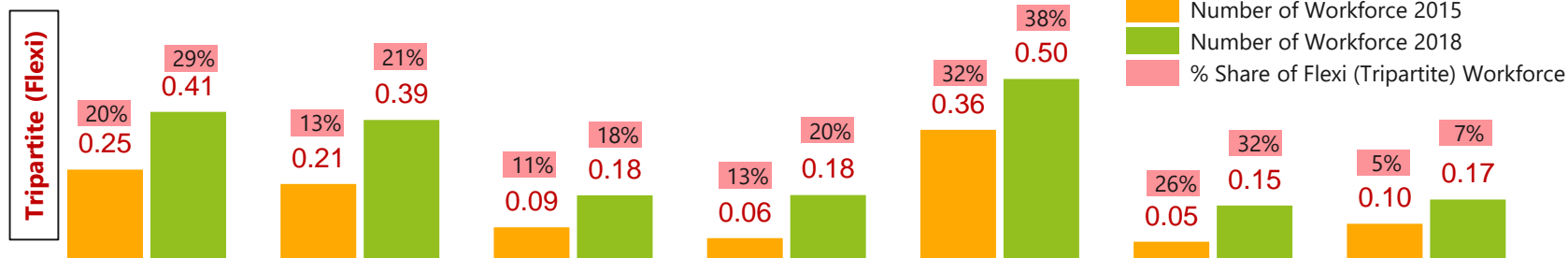
Top 10 sectors contributed to bring 4.6% Informal to Formal workforce within sector in last 3 years

The total formal workforce for top 10 sectors has increased by 13.49 Mn (2015 -2018) driven by policy changes and reforms



Top 6 sectors had more than 6% increase in Flexi workforce share in last 3 years

BFSI and Logistics experienced significant increase in Flexi staffing (Tripartite) workforce driven by reforms like GST and Demonetization



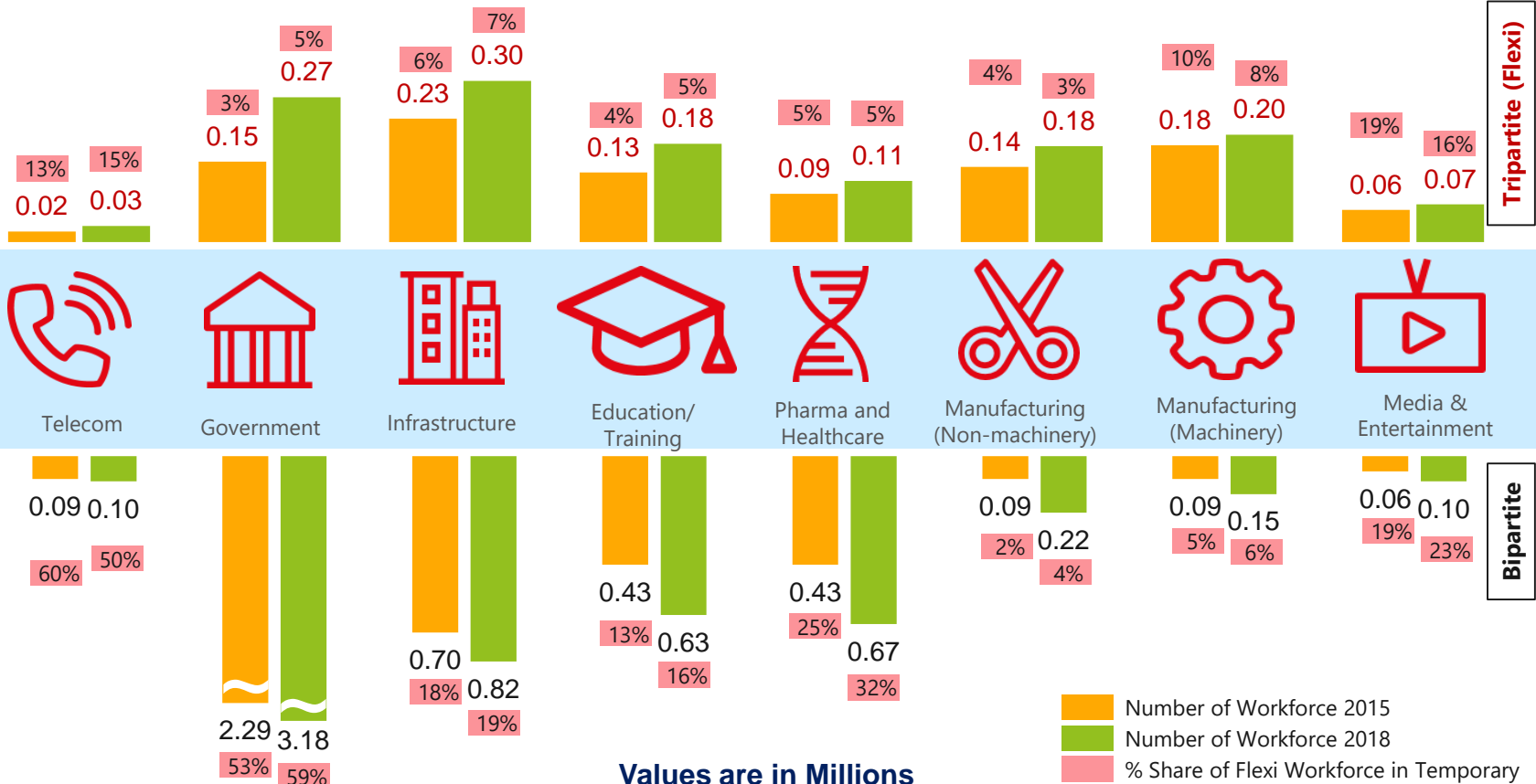
Values are in Millions

*Ranking based on % increase in Flexi (Tripartite) Workforce.

Temporary workforce is represented through combined Fixed term Contract (Tripartite, Bipartite) and Casual workforce

All figures are as on end of calendar year. Analysis based on Survey Data

Top 11 sectors had contributed 1.11 Mn in Flexi workforce increase in last 3 years



Values are in Millions

■ Number of Workforce 2015
■ Number of Workforce 2018
■ % Share of Flexi Workforce in Temporary



*Ranking based on % increase in Flexi (Tripartite) Workforce.
 Temporary workforce is represented through combined Fixed term Contract (Tripartite, Bipartite) and Casual workforce
 All figures are as on end of calendar year. Analysis based on Survey Data

5 sectors to lead flexi workforce growth over industry average of 22.7%

E-Commerce and Retail will be growing over 49% flexi workforce



Flexi Workforce Growth (CAGR) % 2015-18



Flexi Workforce Growth (CAGR) % 2019-21



E-Commerce



Retail



Automotive



Logistics &
Transport



Government



BFSI



FMCD & FMCG



Top 12 sectors to grow more than 10% CAGR

Manufacturing and Media & Entertainment Flexi Workforce are expected to grow at almost same pace for next few years



Flexi Workforce Growth (CAGR) % 2015-18



Flexi Workforce Growth (CAGR) % 2019-21



Telecom



Education/
Training



IT/ITeS



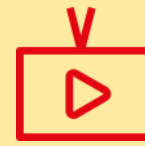
Pharma and
Healthcare



Infrastructure



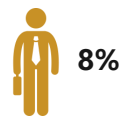
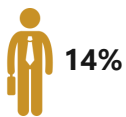
Manufacturing
(Non-machinery)



Media &
Entertainment



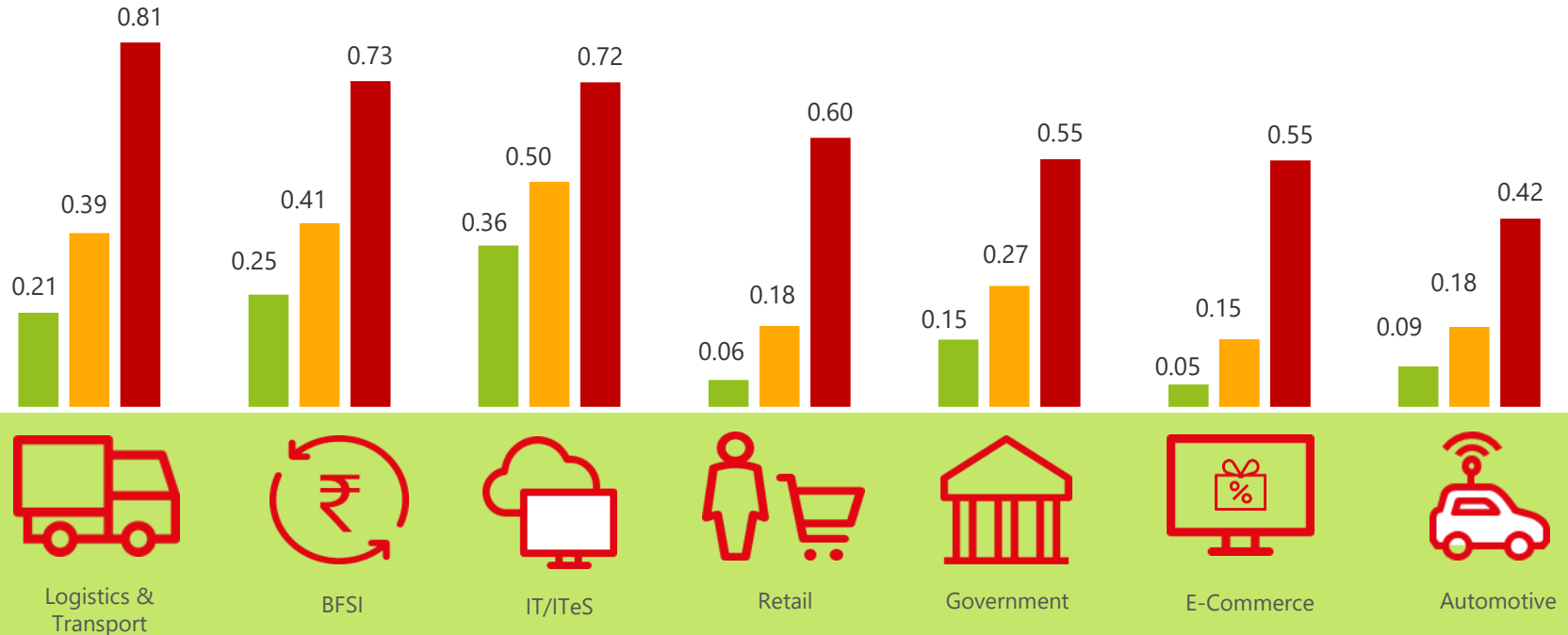
Manufacturing
(Machinery)



Top 5 sectors to employ over 55% of total flexi workforce by 2021

Logistics and Transportation will lead in terms of Flexi Workforce by 2021 with over 0.81Mn workers

Logistics flexi adoption is expected to be driven by demand from verticals like E-Commerce and Manufacturing



Values are in Millions

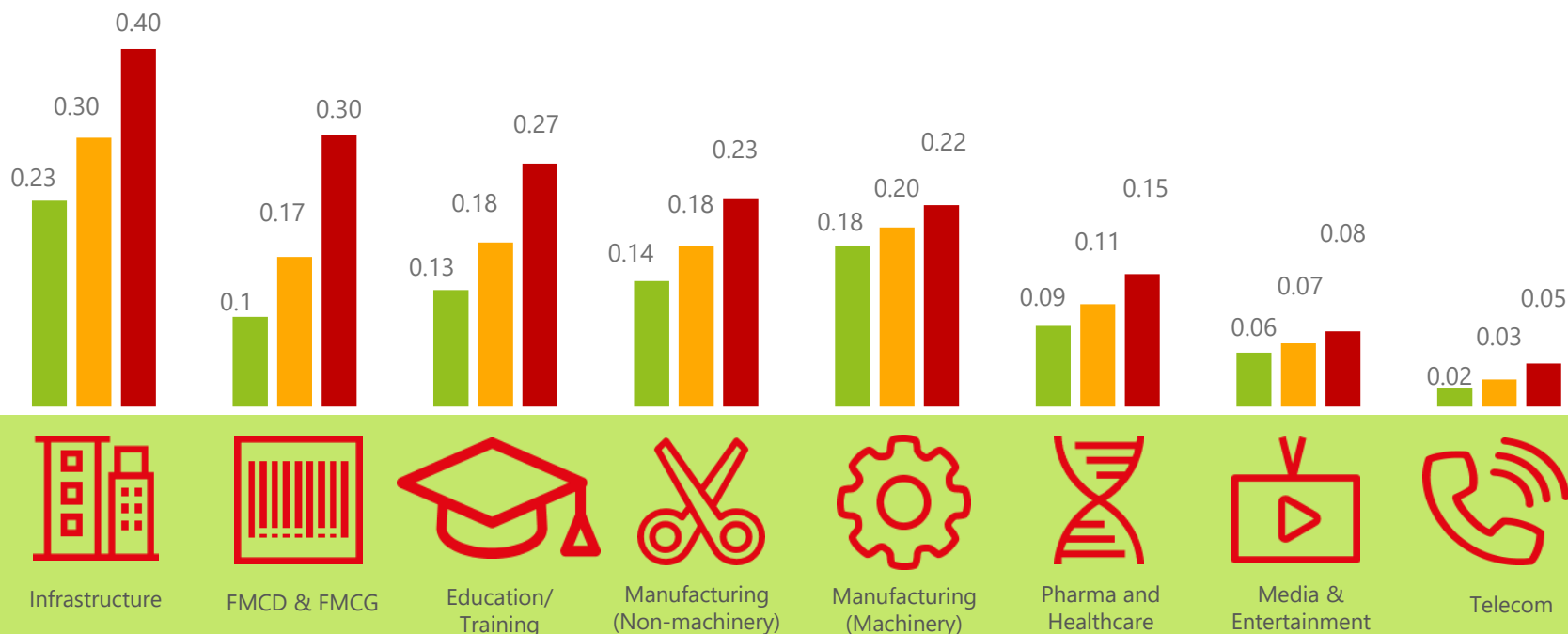
2015 Flexi Workforce

2018 Flexi Workforce

2021 Flexi Workforce

Top 3 sectors to employ over 2.26 Mn of total 6.1 Mn Flexi workforce by 2021

FMCG & FMCD will continue the steady Flexi workforce growth at 21% due to the increase in hiring of supply chain experts and sales and marketing workforce to stay competitive in the market



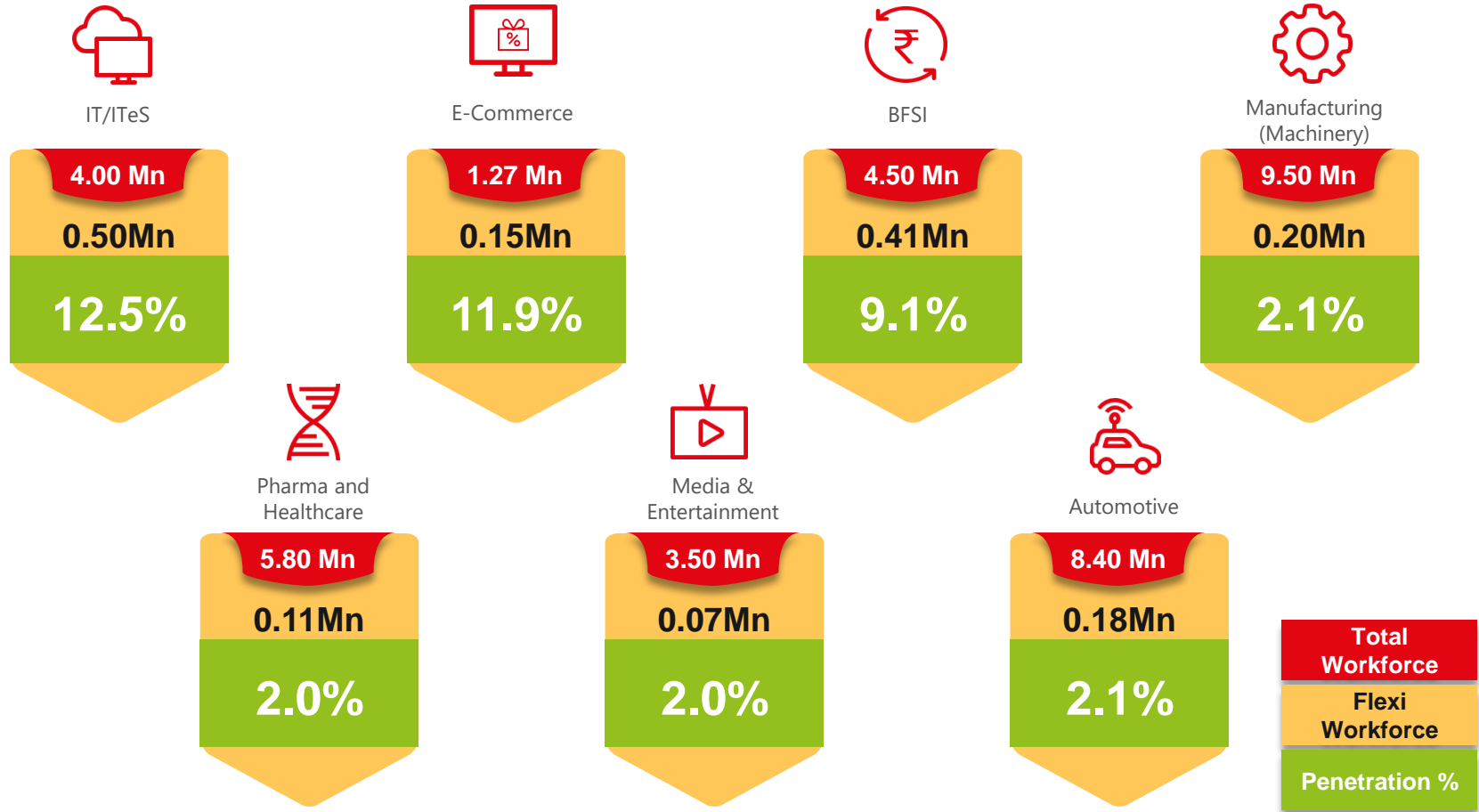
Values are in Millions

2015 Flexi Workforce

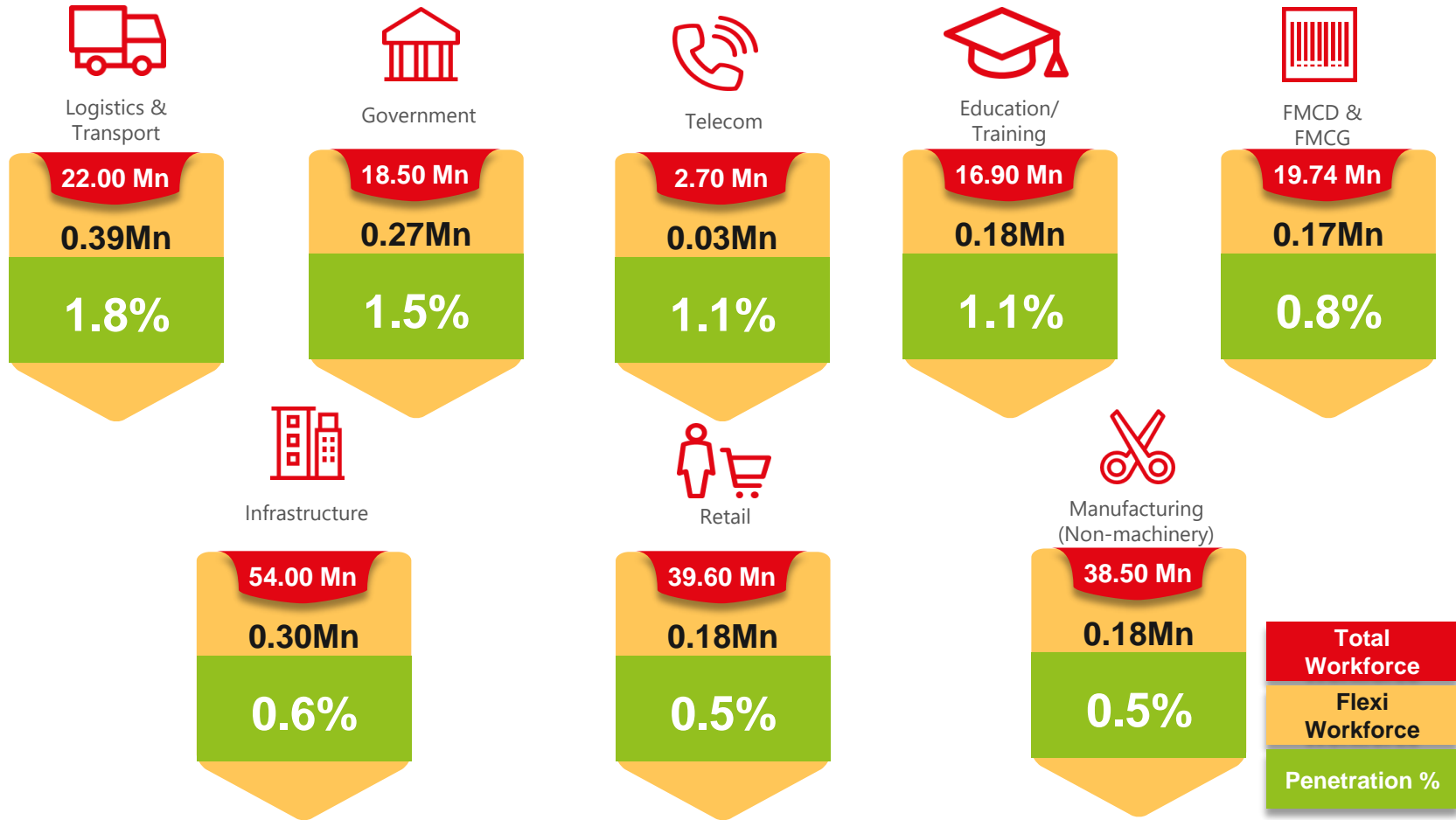
2018 Flexi Workforce

2021 Flexi Workforce

IT/ITeS, E-Commerce, BFSI lead flexi adoption with more than 9% penetration



Top 12 sectors are above National flexi workforce penetration levels of 0.7%



61% of the industry believe scalable workforce as the key drivers for flexi adoption

Top Triggers to adopt flexi workforce



61%

Quickly staff up or down based on workload demands

Manpower Flexibility



53%

Enables to turn fixed personnel costs into variable expenses



44%

Seasonal requirement or sudden demand in volume of employees



Availability of Skilled Workforce

53%

Allows to lower the high costs associated with hiring and training new staff



51%

Can quickly find niche skills when needed



51%

Reduced liability as it lies with the staffing company



28%

Mitigate risk with complex labour laws

Focus on Core Business Functions



56%

Growing trend of outsourcing non-core functions



53%

Uninterrupted Hiring Process



43%

No need to spend time on finding the right talent

Just in Time Availability

"We hire flexi workforce based on project requirements – a lot of emerging and niche skill requirements are coming up"
– **Large Enterprise, IT**

"We are outsourcing work of non-core business functions to employees on 3rd party payroll such as support staffs, data entry operators and HR functions" – **Large Enterprise, BFSI**

41% Corporates have limited awareness about organised flexi staffing hindering adoption

Factors hindering adoption of flexi workforce

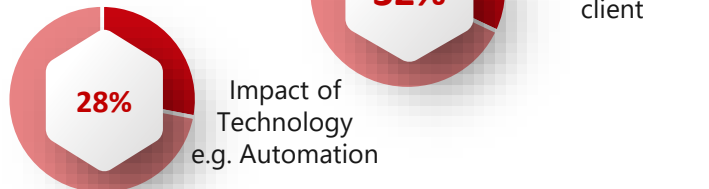
Lack of Availability of Skilled Workforce



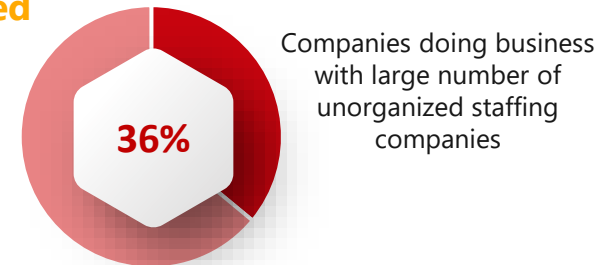
Limited Awareness



Other Factors



Large Number of Unorganized Players



"Lack of awareness of the benefits of flexi model is amongst the top reasons. Government should take initiatives to educate enterprises about the benefits of formal sector jobs and tripartite agreement jobs" – Large Enterprise, Automotive

"not really confident about the skills of resources hired through staffing companies and investing additionally on skills means not getting enough benefit from the model" – Large Enterprise, Manufacturing (Machinery)

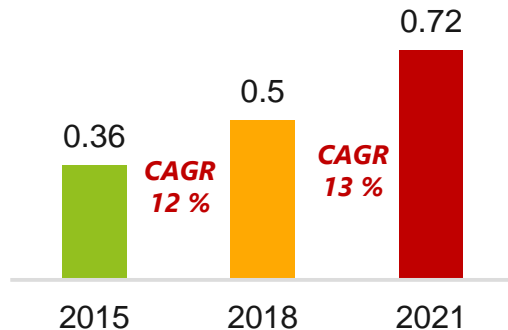
Key Findings- Sector Wise Flexi Workforce

Ranking of sectors based on flexi workforce in 2018

Rank 1

IT/ITES

Expected Flexi Workforce
(In Mn) in 3 years

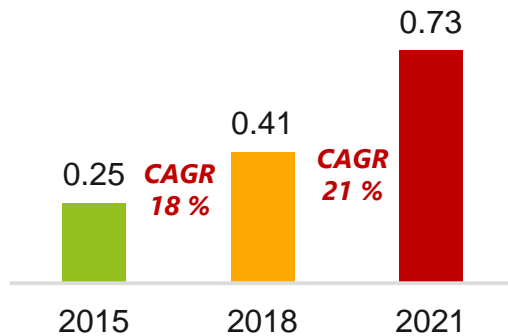


Key drivers for adoption of Flexi Workforce:

- Niche skill requirements on project basis
- Reducing on-bench workforce
- Irregular flow of assignments
- Increasing cost for non-core activities like customer support and administration will be replaced
- Government push in technology adoption in states like Andhra Pradesh, Karnataka and Maharashtra is facilitating
- **With emerging technologies such as AI and Big Data, new skill requirements are in demand. Flexi staffing is a solution to find out the right skill based on project requirement**
- **Flexi workforce is the solution for being more competitive in the market, without investing a lot**

BFSI, Logistics & Transport

Expected Flexi Workforce (In Mn) in 3 years



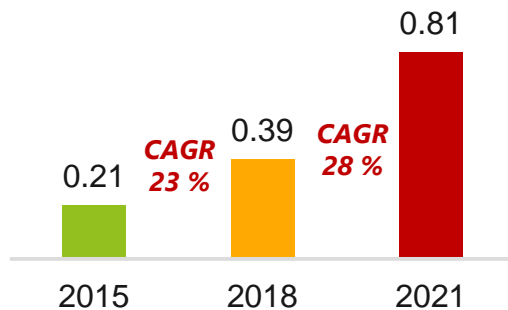
Key drivers for adoption of Flexi Workforce:

- Increasing numbers of Fintech start-ups, new institutions driving flexi hiring
- Increasing focus on improving customer relationship demands for more workforce
- Demonetization and Digital payment has major impact in increasing hiring
- Maharashtra, Delhi and Tamil Nadu helping in higher adoption of Flexi within BFSI due to presence of financial hubs
- **Banks and insurance companies are the major adopters of flexi with roles like IT, customer care and support workforce.**
- **Emerging technology adoption and increased digital transaction demands for more data entry and data management operators**

Rank 2

BFSI

Expected Flexi Workforce (In Mn) in 3 years



Key drivers for adoption of Flexi Workforce:

- Demonetization and cashless transaction is helping to move towards formalization quickly
- Facilitated by other industries like e-commerce
- Flexi requirement in data entry, backend operations and in warehouses
- Haryana facilitating growth due to access to Delhi-Mumbai Industrial Corridor. Karnataka and Maharashtra e-commerce growth also boosting hiring
- **Seasonal requirements of e-commerce, retail and manufacturing industry is helping the logistics industry to grow steadily. With further growth in e-commerce which is booming at present in India, hiring of flexi workforce is also expected to increase in logistics industry**

Rank 3

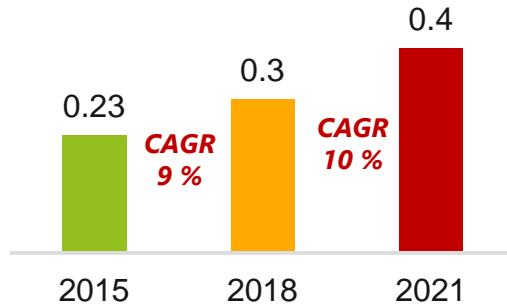
Logistics & Transport

Infrastructure, Government

Rank 4

Infrastructure

Expected Flexi Workforce (In Mn) in 3 years



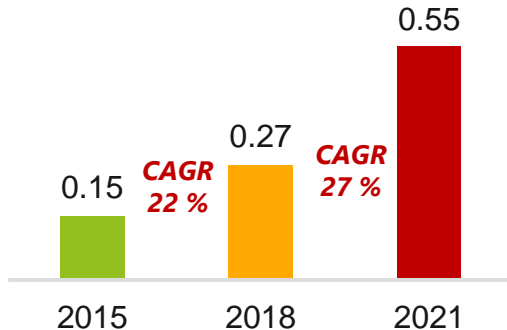
Key drivers for adoption of Flexi Workforce:

- Increasing awareness of social security benefits like EPF and ESIC is helping in shift from informal. Some job loss happened due to demonetization
- Construction sites requiring bulk manpower for short duration. Mainly hiring is done locally on project basis
- Growth of Thermal Power plants in Andhra Pradesh and Telangana increasing adoption
- **Power sector is one of the key areas of hiring flexi. Construction and Infrastructure sector are mostly dependent on Bipartite and Casual workers.**
- **Government initiative to install base for smart grids and renewable energy technologies also demanding for skilled and semi-skilled workforce which could be meet by flexi workforce.**

Rank 5

Government

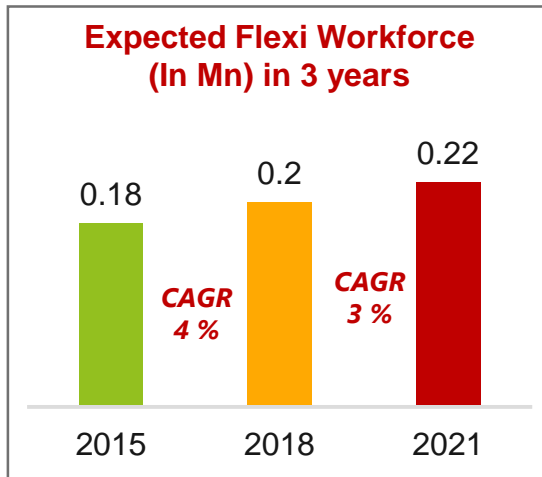
Expected Flexi Workforce (In Mn) in 3 years



Key drivers for adoption of Flexi Workforce:

- Project focus on rural development leading to requirement for local language job-seekers
- IT, Data entry and support workforce are key roles where Government is adopting flexi
- Skill India, Extension of Fixed Term Contract, EPF and ESIC is boosting hiring in Government specially in manufacturing and construction departments
- **With digitization, Government and ministry are mostly shifting their manual work to online that requires adoption of IT technologies and many data entry operators. This is one of the key areas where Government is mostly adopting flexi workforce and with further penetration of technology in the sector this hiring percentage is expected to increase even more in coming years.**

Manufacturing (Machinery), Retail

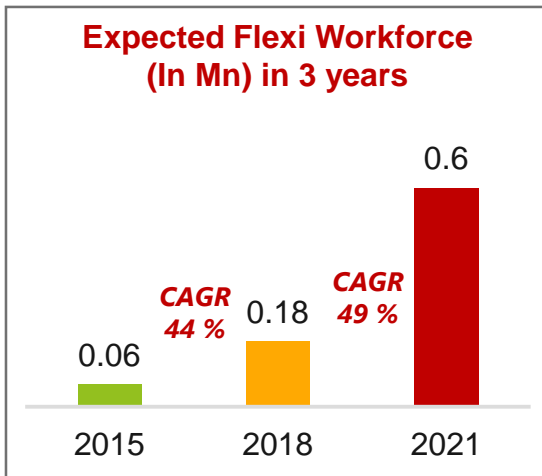


Key drivers for adoption of Flexi Workforce:

- Skilled and semi-skilled worker hiring is on the rise.
- Unskilled workforce hiring is saturating due to introduction of automation in manufacturing
- Government facilitating manufacturing belts in Gujarat, Tamil Nadu and Andhra Pradesh helping adoption
- **In manufacturing- machinery segment, flexi adoption is slowly increasing compared to other sectors. The segment is also highly concentrated with bipartite workforce.**
- **Seasonality nature of the sector will demand for temporary workforce based on needs.**

Rank 6

Manufacturing-
Machinery



Key drivers for adoption of Flexi Workforce:

- GST playing a vital role in formalization
- Huge workforce requirements in inventory management, data entry operator and accounting
- High demand for local-language job seekers
- Increasing demand for flexi-workforce during holiday seasons
- **Indian Retail market is growing significantly which is allowing many participants to establish their base in Tier 2 and Tier 3 cities. This expansion is expected to be supported by flexi workforce in coming years.**

Rank 7

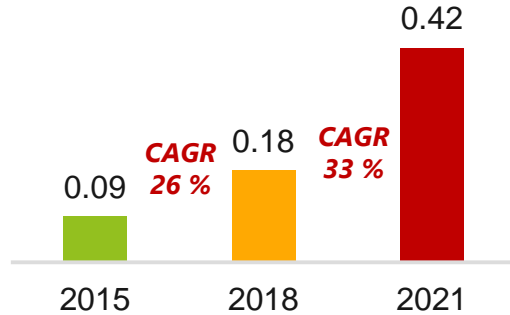
Retail

Automotive, Education & Training

Rank 8

Automotive

Expected Flexi Workforce (In Mn) in 3 years



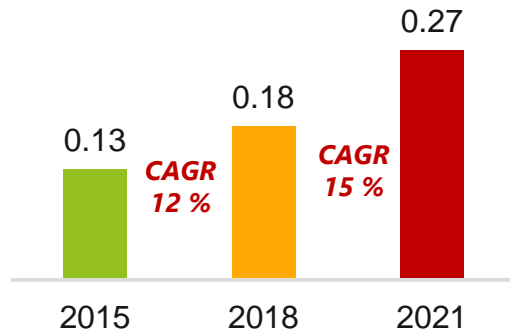
Key drivers for adoption of Flexi Workforce:

- Skill India, Extension of Fixed Term Contract, EPF and ESIC boosting adoption
- Seasonal hike in demand during new vehicle launch and festival seasons requires more assembly plant workers which is achieved by flexi
- Accounting and data entry operators are also seeing increase in flexi hiring
- Maharashtra, Tamil Nadu, Gujarat are some key states increasing adoption
- **Automotive sector is expected to grow significantly over the next 2-3 years in terms of flexi adoption. This is mainly because of the increasing focus of automotive manufacturers towards sale and promotion and also increase in vehicle sales in India over the last few years**

Rank 9

Education & Training

Expected Flexi Workforce (In Mn) in 3 years



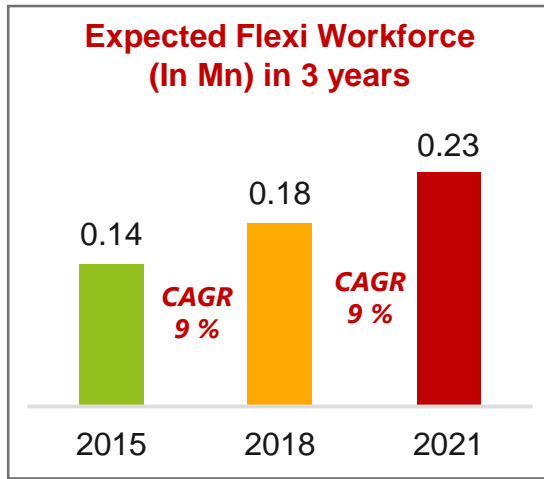
Key drivers for adoption of Flexi Workforce:

- GST helping in formalization
- Demand for niche skillset people for a shorter duration
- Administrative and clerical are the most common job roles in demand for flexi workforce
- Training of employees is also a key area targeted by consultancy firms through flexi workforce
- **Education, training and consultancy firms are expected to grow slowly in terms of flexi adoption.**
- **Online learning app is playing a vital role which is reducing demand for hiring new full time employees in the small and medium enterprises.**

**Sectors with same Flexi Workforce numbers in 2018 have been ranked based on the CAGR for the period on 2018-21

*Analysis based on Survey Data

Manufacturing (Non-Machinery), FMCG and FMCD

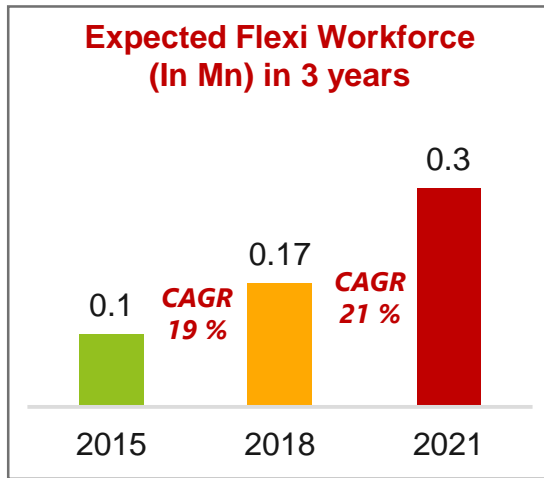


Key drivers for adoption of Flexi Workforce:

- Focus towards hiring skilled workers and reducing unskilled workers due to automation
- Skill India enabling growth of semi-skilled workforce
- Government investment in major cotton producing states like Gujarat, Andhra Pradesh, Maharashtra and Madhya Pradesh will boost hiring
- **Fabric, leather and packaging sector within non-machinery are amongst the key areas of flexi adoption in India.**
- **Irregular order flow based on market needs facilitating adoption of skilled and semi-skilled flexi workforce**

Rank 10

Manufacturing-
Non-Machinery



Key drivers for adoption of Flexi Workforce:

- EPF, ESIC, GST and Extension of Fixed Term Contract having an impact on formalization
- Continuous competition in the market and shorter life-cycle of consumer durable products demands high skilled manpower
- Huge investment from Government in setting up food park in Maharashtra, Madhya Pradesh, Andhra Pradesh and Uttar Pradesh
- **Demand for efficient labour force to manage fast moving consumer goods is met through flexi workforce in the sector**
- **Major demand for sales persons, and marketing persons in this sector is driving the demand for flexi workforce**

Rank 11

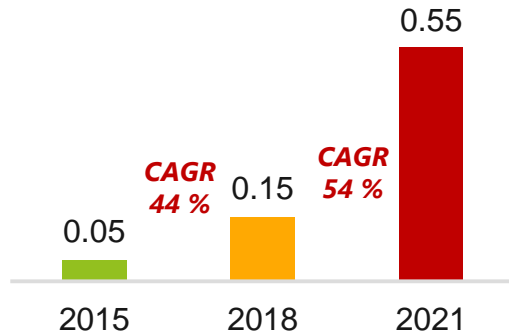
FMCG and
FMCD

E-Commerce, Pharma & Healthcare

Rank 12

E-Commerce

Expected Flexi Workforce (In Mn) in 3 years



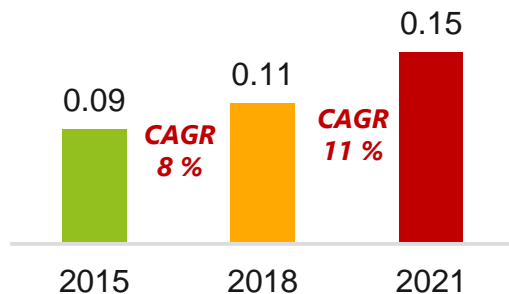
Key drivers for adoption of Flexi Workforce:

- High demand for workers in customer service centers, and delivery stations - especially during festivals and sale period.
- High attrition rate in 24X7 ecommerce business could be solved with flexi model
- GST, Social Security benefits facilitating formalization and adoption of flexi
- Andhra Pradesh, Gujarat and Madhya Pradesh are some emerging states
- **E-commerce is one of the highest growing verticals in terms of flexi adoption.**
- **Seasonality of business is one of the key reasons for which this segment is experiencing such high growth.**
- **Majorly tech support and delivery roles experiencing increased adoption**

Rank 13

Pharma & Healthcare

Expected Flexi Workforce (In Mn) in 3 years

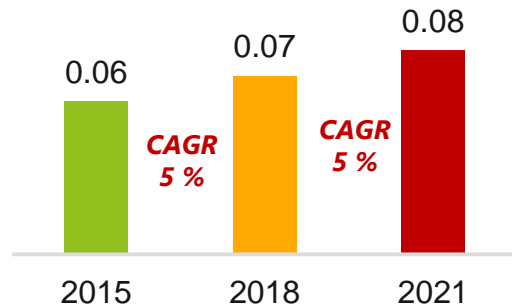


Key drivers for adoption of Flexi Workforce:

- Mainly marketing and business development of pharmaceutical and medical instrument companies are handled by flexi workforce
- All major metros experiencing growth in Healthcare. Andhra Pradesh is one major state where adoption is increasing in Pharma
- **Though the overall growth of flexi workforce is not that high at present in the sector, however it is expected that few non-core activities of the pharmaceutical companies will continue to hire flexi workforce in coming years**

Media & Entertainment, Telecom

Expected Flexi Workforce (In Mn) in 3 years



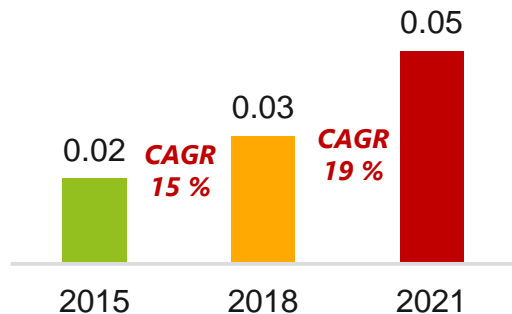
Key drivers for adoption of Flexi Workforce:

- Semi-skilled staff like camera man in media and dish tv installation and maintenance in entertainment is met with flexi
- VFX Animation and Gaming are experiencing rise in flexi hire for on-demand projects
- Demand for local language job seekers is another prime factor driving the flexi workforce demand in different regions
- The vertical is highly dominated with casual and bipartite workers due to the adhoc requirements of the enterprises and involvement of lot of travelling.

Rank 14

Media & Entertainment

Expected Flexi Workforce (In Mn) in 3 years

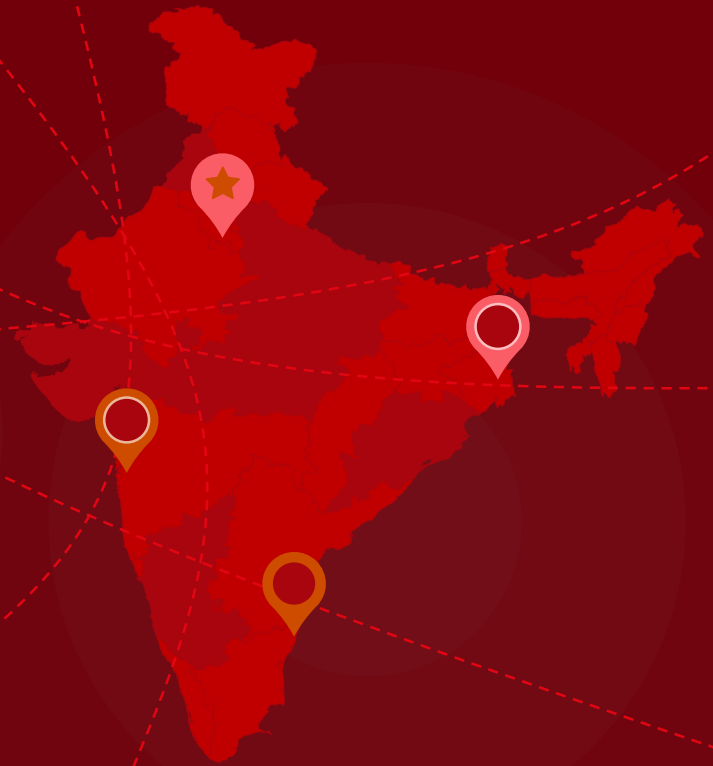


Key drivers for adoption of Flexi Workforce:

- With emerging service providers adopting wireless technologies like VoLTE, LTE, 4G/5G., there's a growing demand for specific skillset that flexi workforce could address
- Technicians and sales executives are the major flexi staffing roles in demand in Telecom
- GST, Demonetization and Skill India are the major facilitator for formalization
- With growing competition among telecom giants to get competitive edge in the industry, companies are hiring desperately to expand its customer base.
- However, this trend is more prevalent to some of the big participants only.

Rank 15

Telecom



**States with high growth potential for Flexi
Industry and have favourable business
environment**

Top 5 States with high growth potential for Flexi

Haryana

- Gurgaon is driving flexi-staffing owing to its superior IT infrastructure
- Minimum wages for unskilled and skilled labor has been recently increased which will attract workers
- Haryana experiencing high growth of over 10% in terms of Gross Value Added (GVA) in transportation and logistics segment.

Gujarat

- Major contribution towards construction and manufacturing
- Directorate of Employment & Training (DET) has initiated programs to provide training to unskilled labours and bring the workers into mainstream
- Tax relaxation helping in more manufacturing hub setup

Karnataka

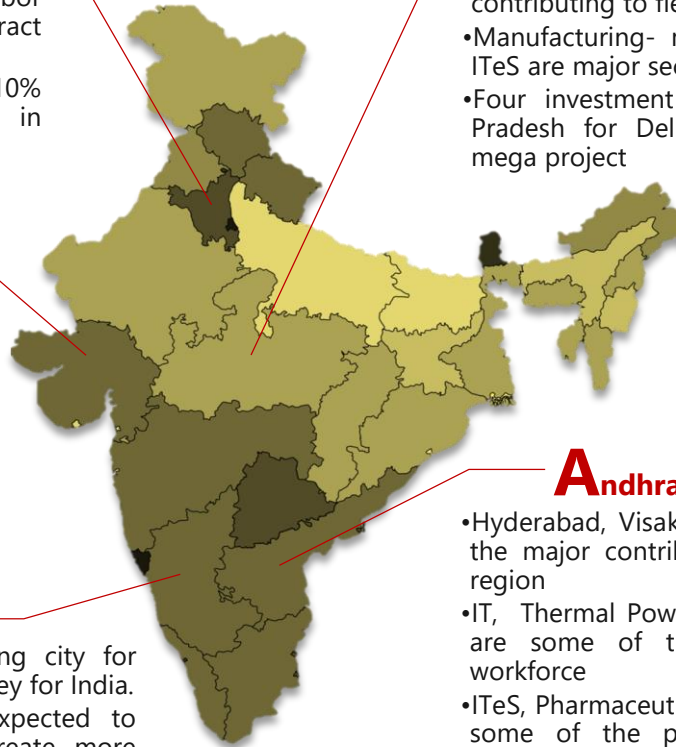
- Bangalore is a major contributing city for flexi-staffing, as it is the silicon valley for India.
- Start-up policy 2015-2020 is expected to boost startup ecosystem and create more jobs
- IT/ITeS, Retail and Logistics are key sectors driving flexi adoption in the region

Madhya Pradesh

- Indore, Bhopal and Gwalior are the key cities contributing to flexi
- Manufacturing- machinery, automotive and IT, ITeS are major sectors that are picking up
- Four investment nodes identified in Madhya Pradesh for Delhi-Mumbai Industrial Corridor mega project

Andhra Pradesh and Telangana

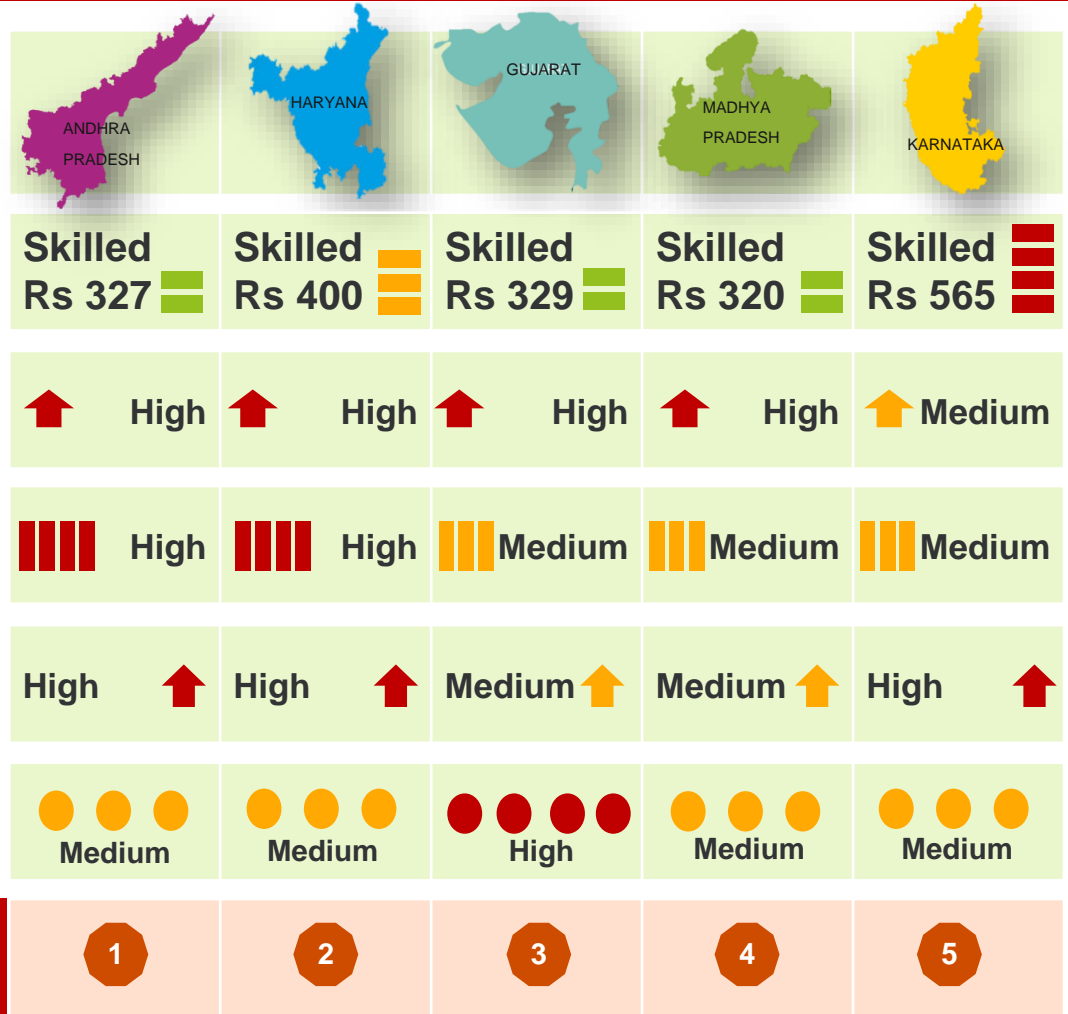
- Hyderabad, Visakhapatnam and Vijayawada are the major contributors for flexi staffing in the region
- IT, Thermal Power Energy, Steel Manufacturing are some of the key verticals hiring flexi workforce
- ITeS, Pharmaceutical, Retail and E-commerce are some of the prominent verticals witnessing growth in flexi hiring



Andhra Pradesh tops the list in terms of favourable business environment

Driving Factors In States

Key Driving Factors In States Facilitating Business



*Source: Kantar Analysis, Department of Industrial Policy and Promotion
 *States with significant potential to grow Flexi Staffing Industry has been considered



States with medium to low growth potential for Flexi

Uttar Pradesh

- Noida, Ghaziabad, Lucknow, Kanpur and Allahabad are major contributors towards flexi
- Flexi penetration is low due to high percentage of bipartite and casual workers in major sectors like manufacturing-machinery, construction and infrastructure
- Government's "One District, One Product' is expected to create more than 2 lakhs jobs in semi skilled and skill area. This is expected to increase the formal employment

Delhi

- Government keen on developing strong IT/ITeS ecosystem in the region by 2021 through "Centre of Excellence" program
- Retail, Telecommunication, Banking and Media are some of the booming segments that will hire flexi workforce
- Slow growth due to higher cost of hiring

Maharashtra

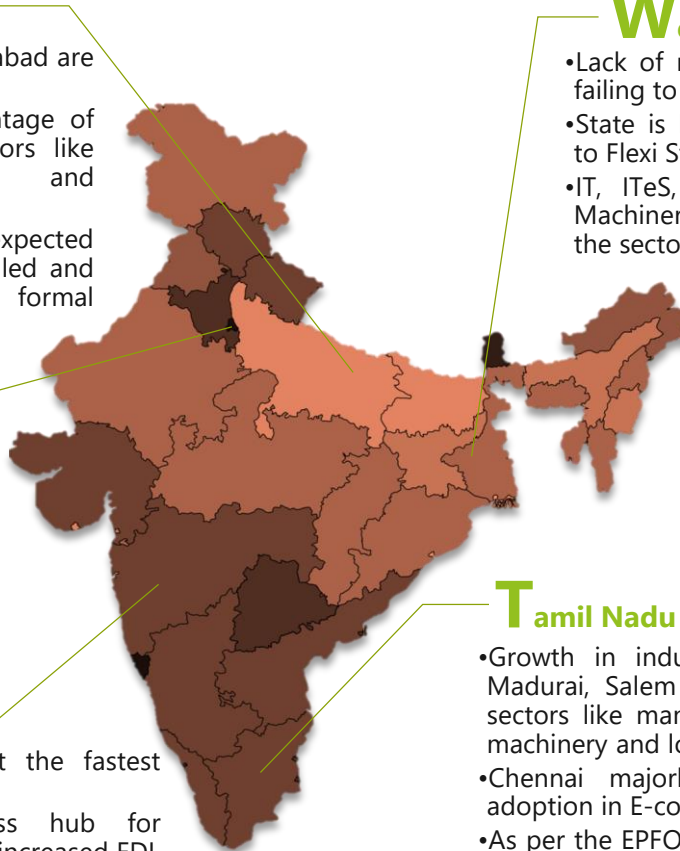
- Pune, Mumbai and Nagpur are amongst the fastest growing cities creating opportunities
- Pune is rapidly becoming a business hub for Manufacturing, IT/ITeS and Automotive with increased FDI. Logistics and BFSI are key sectors of growth in Mumbai region
- Investment on MSME growth helping in job creation

West Bengal

- Lack of major cities other than Kolkata failing to generate enough employment
- State is lacking initiatives to contribute to Flexi Staffing growth
- IT, ITeS, Telecom, Manufacturing-Non Machinery, BFSI and Retail are some of the sectors slowly picking up

Tamil Nadu

- Growth in industrial corridors like Tuticorin, Madurai, Salem and Perambalur and growing sectors like manufacturing-non machinery and machinery and logistics
- Chennai majorly contributing towards flexi adoption in E-commerce, IT and ITeS and BFSI
- As per the EPFO data, Tamil Nadu has reported second highest enrollment in EPFO database in March 2018 which indicates higher formalized jobs



High minimum wage primarily hindering business setup in Delhi

Key Driving Factors In States Facilitating Business

	WEST BENGAL	UTTAR PRADESH	MAHARASHTRA	TAMIL NADU	DELHI
MINIMUM WAGES OF LABOURS	Skilled Rs 314	Skilled Rs 315	Skilled Rs 364	Skilled Rs 250	Skilled Rs 549
STATE INITIATIVES PUSHING MSME SEGMENT	↑ Medium	↑ Medium	↑ Medium	↑ Medium	↑ Medium
ADOPTION OF TECHNOLOGY (Single Window Access To Information)	High	Medium	Medium	Low	Low
AVAILABILITY OF RESOURCES	Low ↑	Low ↑	Medium ↑	Medium ↑	High ↑
LIBERATION OF TAXES BY STATE	Low	Low	Low	Medium	Low
Favourable Business Environment Ranking	6	7	8	9	10

*Source: Kantar Analysis, Department of Industrial Policy and Promotion
 *States with significant potential to grow Flexi Staffing Industry has been considered



Appendix

Vertical Definition

IT/ITeS	Computer programming and consultancy related activities. Both Hardware and software workers have been considered in IT and non-IT companies.
Telecom	Network and telecom vendors, Infrastructure providers and service providers and telecom equipment manufacturers accounts to the total workforce in the vertical. Telecom Retail and Telecom Manufacturing has not been considered under the vertical but under Retail and Manufacturing.
BFSI	Private and public sector banks, insurance companies, mutual fund companies and other financial companies like Fintech Start-ups and intermediaries such as fund management service providers are part of BFSI
Retail	Retail sales of household items, apparel, grocery, specialized and non specialized stores has been considered.
E-Commerce	E-retail of goods and services are part of e-commerce vertical
FMCD & FMCG	Manufacturing, processing, and preservation of food items and personal care products used in daily life.
Automotive	Manufacturing and repairing of all types of vehicles consumer and commercial.
Manufacturing- Machinery	Product and machines like Mobile, Laptop, Embroidery machine, blender machine from which component parts can be obtained by applying reverse engineering.
Manufacturing- Non-machinery	Steel, Rubber, Glass, Cement and textile manufacturing related companies are part of Manufacturing Non-machinery.
Pharma & Healthcare	Enterprises involved in manufacturing of Pharmaceuticals, medical equipment and botanical products. Also workers in hospitals, medical laboratories are part of Pharma and Healthcare Vertical.
Infrastructure & Construction- Core sectors	Construction of buildings, roads, public infrastructure, mining, petroleum and Electricity grid work are part of Infrastructure and Construction Vertical.
Logistics transport	companies involved in transportation and storage and delivery services.
Education/Training/ Consultancy	Educational institutes, management consultancies, private training institutes
Government/Ministry	Public sector or state owned enterprises
Media & Entertainment	Enterprises involved in broadcasting, advertising, photographic activities are considered under this vertical

Methodology Note

The workforce for industries has been projected based on various sources such as:

- Economic Census Data
 - India Brand Equity Foundation, Ministry of Commerce & Industry
 - Ministry of Skill Development and Entrepreneurship
 - National Statistical Office
 - And KANTAR ICUBE Data
- Survey has been conducted with HR Heads with at least 6 years of experience. These surveys have been carried out in Small Enterprises (<250 employees), Medium Enterprises (250-500 employees), Large Enterprises (501-1000 employees) and Very Large Enterprises (More than 1000 employees). Both Qualitative Unstructured Business Interviews and Quantitative research process have been used to understand the impact of policies and reforms on job formalization and the present and expected adoption rate of flexi staffing in their respective industries and company.
 - The sample was distributed amongst the 15 verticals namely IT/ITeS, Telecom, BFSI, Retail, E-Commerce, FMCG & FMCD, Automotive, Manufacturing (Machinery), Manufacturing (Non-Machinery), Pharma and Healthcare, Infrastructure & Construction, Logistics Transport, Education/Training/Consultancy, Government/Ministry and Media and Entertainment to get an holistic view of the flexi staffing industry from individual segments and get a clear understanding from the demand side.
 - Staffing industry participants have also been surveyed to understand the impact of policies on flexi staffing industry and growth potential for each verticals and understand the market from the supply side.
- **Field work start date: 25th September 2018** **Field work end date: 19th November 2018**

About Indian Staffing Federation

Indian Staffing Federation (ISF), founded in 2011 is the apex body of the staffing industry with one goal - Staffing India's Growth.

Staffing, an established form of outsourcing globally, is yet to be recognized and adopted as an effective means of running businesses in India. The Staffing Industry provides a platform for recognized employment, work choice, even compensation, annual benefits and health benefits for the temporary workforce that constitutes around 40% of India's total workforce. The purpose of ISF is to enhance long-term growth of the staffing industry and to ensure its continued ability to make positive contributions to the economy and society. The principal focus of the Federation's activities is to strengthen triangular employment relationships, in which the staffing company is the employer of the temporary worker, who works under the supervision of the user company.

ISF today comprises of over 110 member companies who collectively provide employment to over 1 million people throughout the country.

About

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