"Temping: The Growing Strategic HRM Trend"

G. Maya, Assistant Professor,  
Department of Management Studies, Madha Engineering College, Chennai

Dr. R. Senapathi, Director,  
Department of Management Studies, Adhiparasakthi Engineering College, Melmaruvathur

Abstract

When organizations focus on their core business strengths in a highly competitive and global environment, the non-core functions are outsourced. One such function is ‘temping’ which is hiring workers for a specified duration rather than recruiting them on a permanent basis. The size and potential of temping market in India is huge. As Indian companies get increasingly connected with global economy, they are coming under immense pressure to push the cost down rigorously and improve their productivity and operational efficiency. Buffeted by the competitive pressure, companies are taking recourse to the temping phenomenon.

This conceptual research paper traces the importance of temping and its growing trend as a strategic HRM initiative adopted by the Indian companies. The issues relating to challenges and future directions of temping were addressed using the wide range of literature analysis. Finally, the authors concludes that though temping as a hiring mode is emerging as a powerful SHRM tool, it should be integrated sooner rather than later with the existing modes of hiring employees.

Keywords: Strategic HRM; temping; hiring; recruiting cost; temp workers; temping companies; leasing organisations.

I. INTRODUCTION

The HR fraternity in India is undergoing sea changes with upcoming trends like e-recruitments, outsourcing HR functions, and the like. Now the next big thing – Temporary Staffing is gaining acceptance across industries. Few years back the job market was overflowed with people who were labeled as leftover who could not find a permanent job for themselves. But that is passé now. Companies are recruiting employees on temporary basis mainly for a particular project, paying them off and then letting them go as soon as the project is over (naukrihub.com).

II. MEANING AND SCOPE OF TEMPING

Temping is the process of hiring temporary workers or, as they are called – Temps, for a shorter duration of time for a particular project and remain in the company till the project lasts. The temps work for one Client Company while being on rolls of a third party. A temp is a contract worker who is being hired for a short time, typically till a project lasts. The contract ranges from a period of 2 months to 15 months. These temps are made available by the employee leasing firms like TeamLease (naukrihub.com). Such companies provide a wide range of temporary staffing solutions including temporary-to-permanent services where in the company hires an employee for trial basis and absorbs him within the company on the basis on his performance; and long-term contracts where temps are hired for a longer period of time which may last up to two years.

The non core functions like sales, front office, customer support, finance, back end operations and administration demand more temps. The reason seems to be quite obvious – companies focus on their core functions to sustain the cut throat competition, while they outsource their non core functions.

In India, almost 80 million people are working on temporary basis; however a meager 0.5 per cent of them are employed in the organized sector. Currently there are about 1, 20,000 to 1,30,000 temps working with over 500 companies, including ICICI Lombard, Bharti, Reliance Infocomm, HP, Wipro BPO, Transworks and so on (naukrihub.com). If we go by sector basis, studies show that temps are predominant in IT sector. However, others sectors like banking, FMCG, retail and consumer durables sector are also showing their interest in hiring temps. So how often do these temporary workers turn into permanent employees? Though, earlier, the chance of being absorbed by the company was almost negligible, the trend is gaining pace as the demand for skilled workforce is increasing. The conversion rate has grown up to 20 to 30 percent from four percent (Arindam Ghosh, 2011).

III. ADVANTAGE TEMPING

Temping started off with MNC’s hiring contract workers. It comes with a packet of benefits for the organizations as well as for the employees. Through temping organizations can gain the benefits of opportunity to focus on core area, workforce flexibility, cost advantage and benefit of scale in the long run, ease of recruitments and quick replacements. Temping also saves training costs as leasing companies direct skilled and experienced workers to the companies. Moreover, non productive employees can be chucked out without many complications. By outsourcing non core functions, the company deeply focuses on its core functions only. The companies also get more work done from temporary workers and also escape for paying those perks and incentives (freeonlineresearchpapers.com).
From employee's point of view, temping helps an employee to acquire different skills and upgrade basic skills by working in different setups. Employees acquire multiple skills to remain employable in competitive job markets. The Temping even offers tempting career opportunities to housewives, retired personnel, and people with defense backgrounds, freelancers and freshers. Temps who work for big brands also boast about the same in their resumes, thus, giving them an advantage.

IV. LIMITATIONS OF TEMPING
Job insecurity is the major demotivator for the temps. The temps hardly get any perks and incentives like the permanent employees. The chances of becoming permanent with the client company are also less and hence possibility of achieving a stable career is limited. The underperformers are always at risk as they can be sacked anytime and that too without a notice.

V. THE FASTEST HR TREND
These days, anyone with the habit of reading about HR outsourcing practices in India will know that 'India temporary staffing' is becoming the fastest HR trend in the recent years. Various human resource researchers claim that the phenomenon of temporary staffing is catching up in popularity in India. Sources say that in the near future 2.5 to 3 percent of the workforce in the country will be hired on a temporary basis, which is emerging as a major industry in the country. The workforce is over 400 million strong and the market potential for temps is estimated to be 10-12 million in the next five years.

Currently, there are about 70,000 temps who are on the payrolls of recruitment firms, but work for different firms across multiple industries, including Information Technology, IT-enabled services, Retail and Telecom (Raja Simhan, 2005)

VI. TIME FOR THE TEMPS
When an ERP implementation happens in an organisation, it needs people skilled in the domain to perform the work. In an absence of required skills in the existing employees, it becomes necessary to hire domain-skilled people for a short duration. In another instance, when a product development company starts a new venture in embedded space, it initiates a pilot project (Vinutha, 2005). The company is not keen to hire people for a long term, as it is unsure of the future outcome. In such scenarios, organisations can rely on temporary (commonly known as temp) workforce. In the IT industry, temp staff has been fulfilling a company’s specific initiatives, short-term needs and trial-oriented jobs.

VII. WHY PEOPLE OPT FOR TEMP WORK?
The pertinent question is: why does a highly qualified skilled individual opt for a temporary job? Both flexibility and financial factors drive people to take up temporary employment opportunities. Alternately, people who have been downsized and cannot find permanent work take up such work (Vinutha, 2005). Many choose interim positions in early or mid-career to balance lifestyle and professional goals. Some entry-level people use temping as a way to check out employment options. At this time, people taking temporary employment option in India is not beyond five years. Individuals planning to pursue education simultaneously and those looking for consulting positions may consider this option seriously.

VIII. CURRENT STATUS
Currently in India, temp staffing in the IT industry has been happening at the engineering and senior engineering levels. It has not yet penetrated the executive and senior management levels. Three years ago, the concept of temping was “unorganised”. Internationally, the temp market is a $200-billion business. About 5 percent of the labour workforce moves to a temp model of employment as the market matures (economictimes.com).

In the Indian context, of the total 400-million workforce, there are about 12 million temp employees. The leading industries that today look at temping in a large way include BFSI, FMCG, retail, BPO, telecom and manufacturing (in the support and sales areas).

In the IT sector, the concept of temping has happened through MNCs and their exposure to temping employment abroad. However, now with a proven model in the temping space, corporate from all industry segments are working with the temp concept (Vinutha, 2005).

IX. THE NEED FOR MOTIVATION
The IT industry has learned that ‘motivation’ is the key factor in bringing out the best among employees and reducing the attrition rate. Hence, large sums of time, money and strategies have been churned out in companies to keep their employees happy. Most of these are confined to permanent employees. Companies cannot offer their temporary staff the job security that permanent employees enjoy.

Furthermore, training or taking care of employees is usually not on the high agenda for client organisations. As temp employees are based on certain requirements, they are not part of live teams. In fact temp staff is not given the same attention that is given to contract employees. The employer might not feel the cost of ownership, and there will not be any commitment after the completion of the project.

While most companies understand the flexibility and cost savings by hiring temps, not many have thought about motivating their temporary workers. The only way for temp staff to get motivated is through enhancing their domain knowledge in the hope of becoming permanent staff. Normally, training by employers is exclusively devoted to permanent employees. When a company notices the absence of certain skill sets in the temp staff, it informs the staffing company to get a replacement. Consequently, temp staff has little job insecurity as they can be put on another assignment.

When companies rethink their strategies for cutting overhead costs and the benefits of flexibility (to compete in the global marketplace), they have to take initiatives for motivating their temporary workers. Most companies are
coming forward with schemes that result in higher productivity and lower attrition rates. “There is no doubt that employee satisfaction has a direct correlation to employee productivity, and this is crucial for any organization (Tim Dwelly and Andy Lake, 2008).

There is a ray of hope for these temp staff. The salary structure offered is marginally higher as they are deprived of gratuity, internal training and so on. Temp staff may get about 15 percent higher at the entry-level, while at the mid-level; they may get about 20 percent more. Employee-friendly companies that are driven by value and respect intellect do not differentiate between temporary and permanent employees and this minimizes motivational issues (Vinutha, 2005).

X. INITIATIVES FOR TEMPING MODEL

Initiatives for Companies and Staffing firms

- Temp staff can be enriched by working in different areas.
- Temp staff should be helped to increase academic excellence.
- Employers should step in and restructure schemes in line with those for permanent employees.
- Employers should put in place proper reward and recognition schemes.
- There should be communication between the employer and temporary staff about their performance, appreciation letters and feedback on improvement.
- Staffing firms should devote time and money to train associates or temp staff. By doing this, the firm can have a good business model.

Source: Recruitment and Industry Expert

XI. FUTURE SCOPE

Recruiting and industry experts believe that unless serious efforts are made to motivate temporary staffers, temping model may not work well in the future. The demand and growth is exponential and to get a good crop of workers, it is necessary to keep them happy. One of the significant motivation factors is that the temp employees have a path to permanency and get absorbed by the client on a permanent basis. At times for short assignments, the salary for a temp could be higher. This would be because of the skill set and the duration involved. According to industry experts and staffing firms, over a period, the lifestyle choice to temping happening from the employees’ end would fuel the growth of the industry in a large way.

Already, about 2 percent of the world’s fortune organisations have hired temp employees for top executive levels. In India, once value additions such as domain skills and technical know-how are seen in temp staff, opportune-unities would open in higher levels of employment also.

XII. ISSUES TO BE ADDRESSED AND RECOMMENDATIONS

In a recent report on temporary staffing, the report had recommended a few changes in Contract Labor Regulation Act, 1970, to help the industry (India’s Labor Report by TeamLease, 2005).

- Designate the temporary staffing company as the “Principal employer” under Section 2(g)
- Insert a new clause in Section 2 (g) which lays out responsibilities of workplace safety for clients of temporary staffing companies
- Delete Section 7 which currently requires “Principal Employers” i.e. clients of temporary staffing companies to get registered under the Contract Labor Regulation Act.
- Amend Chapter V (sections 16-20) laying out responsibilities of workplace safety and health as only responsibilities for clients of temporary staffing companies.
- Delete Section 21 which lays out certain responsibilities on disbursement wages to temp staff on the Principal employer.

Further there are five main issues to be addressed on Temp workers, they are:

- Concept of principal employer,
- Core and perennial work,
- Industry restrictions,
- Timing and location restriction,
- And high mandatory payroll deductions - that need immediate attention of the Government.

Due to these issues, there is blurred accountability with dual employer responsibility, lower usage of temps, higher outsourcing to the unorganised sector, higher out-locations to the unorganised sector, sham consulting agreements (Sham contracting is where an employer tries to disguise an employment relationship as an independent contracting relationship) and barriers to first-time job seekers and labour market outsiders, the report said (India’s Labor Report by TeamLease, 2005). The Government should recognise contract-staffing companies as the principal employers. It should allow contract/temporary staffing in all functions and industries and abolish restrictions on timing and location.

The Government should create a national licensing for contract staffing and move away from contract-by-contract. The Government should make PF and ESI applicable for temps only after six months of employment with a temporary staffing firm, and exempt all temps who have a salary of more than Rs 6,500 a month from PF/ESI, the report said (India’s Labor Report by TeamLease, 2005).

The employment under a temp mode is by choice and is a transparent relationship between the candidate/associate, the temping company and the corporate. The salary (as in the cost to company) is in line with the market and gets structured to cover all benefits (PF, ESI and gratuity). The CTC (cost to company) gets determined based on the industry, function, experience and other criteria also.

Temporary workers have a lot of instability in their lives. The feeling of insecurity constantly dominates their life. This is leading to a major emotional problem which should be addressed by the concerned stakeholders.
XIII. CONCLUSION

Considering the advantages of temping as a powerful SHRM tool, it should be encouraged nationally since it allows companies to cut down on costs so as to become competitive and it should be integrated sooner rather than later with the existing modes of hiring employees. Advanced economies such as US flourished since it switched to temping. India definitely needs to encourage temping so that it can emerge as a global economic power.

REFERENCES


***