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India: Desperately Seeking Talent

As the economy booms, companies are scrambling to find, and keep, skilled Indian workers

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With India's economy on a tear, these are heady times for Bombay-based Larsen & Toubro Ltd. The company, India's top construction and engineering outfit, has seen its sales jump by 35% in the past year as Delhi boosts spending on roads and ports and India Inc. invests in more factories and office parks. But L&T Chairman Anil Manibhai Naik isn't celebrating. That's because he can't hire enough mechanical engineers to keep up with all the work. Despite boosting wages for rookie engineers by 25% -- to roughly \$5,700 per year -- Naik is still losing potential recruits to the software industry, multinational competitors in India, or rivals in the Persian Gulf that pay twice his current rate. Says Naik: "Everyone is growing fast, and India is facing a talent shortage."

A shortage of talent in India? That's right. Companies worldwide are rushing to take advantage of the country's cheap and abundant labor force. But now India's domestic growth is taking off, creating unprecedented demand for workers with the right leadership and technical skills. "The engines of the services and manufacturing sectors are going simultaneously, and that's creating the shortages," says Shirish Sankhe, a partner with consultancy McKinsey & Co. in Bombay.

Multinationals -- from Pepsico ([PEP](#)) and General Electric ([GE](#)) to Citibank ([C](#)) and Accenture ([ACN](#)) -- are a part of the problem. As they seek to tap into India's growth, they have helped fuel an explosion in wages, especially in the tech and outsourcing sectors. For years they have offered Indians top salaries, opportunities to work abroad, and prestigious credentials, but as both domestic and foreign companies push deeper into new areas such as retail and industrial engineering, the bidding for qualified labor is heating up. Today, salaries for senior managers at some Indian companies nearly equal those at multinationals.

NOT JUST TECH

India's talent shortages started appearing last year in technology and outsourcing, and attrition rates in those businesses today top 25% annually. Pay for qualified managers in tech has shot up as much as 30%, and now everyone, including big foreign companies, is scrambling. Even Genpact, India's largest outsourcing shop and 40% owned by GE, has had to be innovative. It has set up a half-dozen storefronts in six cities to recruit workers for entry-level outsourcing jobs. The skill shortage "is the biggest challenge for our industry," says Pramod Bhasin, chief executive of Genpact. So far, Genpact has hired 650 new staffers from the centers, but its turnover is still 30% a year.

As India's domestic economy expands, the shortfalls are spreading beyond tech. Wages for semi-skilled workers in the textile factories of Coimbatore, for example, are up 10% this year, while supervisors' salaries have risen by 20%. Pay in the banking industry is up 25% in the past year and has more than doubled in hot areas such as private equity. Airline pilots have seen wages rise 25%. Overall, Indian salaries will rise by 12.8%, compared with inflation of 5.5%, according to human resources consultancy Mercer, which warns that continued increases could hurt India's economic revival.

While many industries are having trouble finding the right workers, they have so far muddled through by hiring less-skilled employees and training them. Private firms are starting to offer courses for everyone from flight attendants to engineers. More private colleges are springing up, and some 450,000 new students are enrolled in engineering schools this year, up from just 250,000 last year. "India has a huge educated workforce," says Dominic Price, JPMorgan Chase & Co.'s ([JPM](#)) chief in India. "As it gets equipped with new specialized skills, it will temper the current level of wage inflation."

Yet the needs are vast. With more Indians able to afford cars, tractors, and refrigerators, the country's factories are expected to need 73 million workers by 2015, 50% more than today, according to McKinsey. India's airlines will add 440 new planes by 2010, which means 3,200 additional jobs for pilots, according to the Center for Asia Pacific Aviation in New Delhi. And as India's traditional village kiosks and mom-and-pop shops are supplanted by supermarkets and some 250 new malls over the next three years, the retail sector will add 2.5 million jobs by 2010, human resources adviser Ma Foi Management Consultants Ltd. estimates.

Right now there aren't enough trained people for those positions. Never mind all the jobs flying those new planes -- India is already 100 pilots short. In retail, there's a virtual crisis in sales staff. These shortages will crimp the plans of the likes of WalMart that aim to sell to increasingly affluent Indians. When Amar Raj Singh, managing director of New Delhi consultancy Gamma Brand Management Services, signed up for cell-phone service from Hong Kong-based Hutch, India's No. 2 cellular operator, the salesman was unkempt and spoke little English. "There's a huge space between the promise of a product and its delivery," says Singh. "It's going to be a constraint for multinationals that want to come to India."

The shortfalls have led to an epidemic of poaching. State-owned Indian Airlines and Air-India, as well as major private players Jet Airways and Sahara Airlines, have lost some 200 pilots to new discount carriers in the past year. In July a senior telecom executive with Bharti Tele-Ventures Ltd. defected to rival Reliance, only to head back to Bharti a month later. In retail, the demand for workers is so intense that rookie sales clerks sometimes don't show up on the first day of work. They get better opportunities between the time they interview and the job-start date. "If you don't like a job, you can change it tomorrow and get three others," says Gita Jaisinghani, who trains recruits for companies in retail and outsourcing.

That has many managers crafting strategies to find -- and hang on to -- good workers. Outsourcing consultancy neIT keeps junior execs happy by offering them the opportunity to work with customers who are top global players. And power-equipment maker ABB Ltd. ([ABB](#)) was having trouble locating enough qualified engineers for its fast-growing Indian operations. So in July it introduced Web-based recruiting drives wherein students nationwide take a simultaneous written test online, with the best candidates offered jobs instantly. That has helped the company double the number of engineers it has hired this year, to 100. "India [has] a vast and young talent pool," says Ravi Uppal, ABB's India chief. "The main challenge is to develop and shape this talent."

Some companies are looking abroad for solutions. Many industries are luring Indian expats from the West, especially those with skills in areas just taking off in India, such as retail and pharmaceutical research. And when textile maker Welspun couldn't find locals to teach workers to run the machines in a new factory in Gujarat state, it turned to a North Carolina consultancy to do the training. The \$2 million price was about twice what locals might have charged, but Welspun says the results were better.

Other corporations are stepping in to provide training in areas where India's state-run vocational schools and universities fall short. Pantaloon Retail, India's largest discount retailer, funds two-year retail-management courses at two colleges in Bombay and will soon set up its own retail school. "Someone has to fill the gap if government doesn't do it," says Pantaloon Chief Operating Officer Ved Prakash. This fall the Center for Asia Pacific Aviation plans to begin short courses for aviation execs on running airlines and airports. And human resources consultancy Ma Foi runs what it calls "bridge" training courses in Madras for companies whose potential recruits fall just short of hiring. For \$250, candidates spend six weeks honing their skills in retail, software, or outsourcing.

Some say that's not enough and are calling on Delhi to make curricula more relevant to today's India. While the country's elite universities rival schools anywhere, they graduate fewer than 100,000 students annually. The rest of the 14 million people who finish high school each year must choose between lower-level universities and vocational training schools, which haven't adapted to the requirements of India's changing economy. Unless the education system can fulfill the aspirations of India's youth, the current boom could turn into a disaster, warns Rama Bijapurkar, a Bombay marketing consultant who advocates expansion of what she calls India's "boutique scale" elite schools. Without some changes, the aspirations of India's employers -- who need more and better-trained workers than ever -- will remain unfulfilled as well.

By Manjeet Kripalani in Bombay

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