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## **JOB LOSSES IN ITES: HOW BIG A CONCERN IS IT?**

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It is a known fact that the Indian ITeS industry is undergoing a major transformation (refer to the article of May 2017 “Indian ITeS sector now at a crossroads”). Such transformation is stemming from the client’s changing requirement.

Today, clients expect IT services to continue to offer the traditional “human resources arbitrage” model, but add to it additional services that integrate cutting edge technologies like high end analytics using data housed on the cloud, providing enterprise solutions using mobility and emerging digital technologies for tracking social media.

### **Changing needs and redundancies**

This transformation entails a paradigm shift in the skill sets required by the Indian ITeS companies and for them to successfully compete in the ITeS business globally. They need to acquire a workforce that has a much higher level of skill sets. Over and above coding, programming, testing, project management, etc, the workforce and the managers need to bring to the table deep capabilities in terms of automation, artificial intelligence, business analytics, business intelligence, cloud computing, virtual reality and associated emerging digital technologies.

With large job losses being reported in the Indian ITeS industry over the last few weeks, there seems to be a perception that the roof is coming down. Especially with all large players, including TCS, Infosys, Wipro and HCL, indicating in some form or the other that large scale job losses may happen, the situation is perceived to have become grave in the ITeS space.

This situation is linked with the overall belief that the market is experiencing shifts. There is also an emerging perception that Indian ITeS companies might have misjudged the timing and the emergency of acquiring such skills sets on a timely manner. And this leads to the speculation that companies are issuing pink slips to cut costs, and that the traditional human resources arbitrage model will no longer work. Considering such a perspective and its apparent doom-worthy nature, it is hardly surprising that people are expecting the redundancies and job losses to continue in the coming months!

To put it differently, there seems to be a perception that a downward spiral in the ITeS sector has already commenced, and we are expecting to see more and more job losses in coming days. So the burning questions in everyone’s mind are these: Is there a need to panic? How grave is the situation? And what is likely to happen next?

### **What is driving the current sentiment?**

While every stakeholder is aware that the industry is experiencing winds of change and Indian ITeS companies need to re-skill themselves, this is undoubtedly an absolute fact. However, what seems to have triggered off the current negative sentiments and the doom theory is the change in the visa regulations in developed markets like the United States, Europe, Australia and Japan, and the fact that such a change comes as jolt to the sector.

These global developments require Indian ITeS companies to recruit skill sets onsite. Since such a skilled workforce will potentially come at a higher cost, it can certainly dent the profit margins of these companies. Now, it is obvious that there are numerous such external developments that will impact profitability in various industries. But in the case of the Indian ITeS industry, social media had a large role to play.

It is a fact that the young Indian IT workforce is quite social media savvy, and hence, the announcements of US President Donald Trump's administration and the events that followed were rather sensationalised, and gave birth to a rising panic. So the question boils down to whether there is really a concern over the medium to long term. Or is this a just temporary blip, a mere correction that is taking place and which should settle down in the coming months?

### **The harsh truth**

First of all, there are facts that support the view that Indian ITeS companies have been complacent and have deployed very little resources in new technology areas. As a consequence, these companies are seriously lagging in the fast-changing innovation landscape. The quality of the skill sets possessed by the Indian ITeS companies are also not well geared towards cracking the desired levels of innovation.

We all agree that over the medium to long term, India needs an industry ready ITeS workforce that has such emerging high-end skill sets. Engineering colleges and business schools in the country too need to be aligned with these requirements. These are long term and fundamental shifts required through changes at the grassroots level in the secondary and tertiary education system of the country. While this shift has already started happening, it will take some years to mature and supply such skill sets to ITeS companies. In that case, what happens in the short term of say, 2 to 4 years? Does the prediction of a doom scenario still stand?

### **More perception than reality**

Although there are news items in abundance that show that redundancies are taking place, which is true of course, the Indian ITeS companies are reported to have hired more employees than they fired during 2016-17! This is an interesting statistic!

In fact, the industry is reported to have sliced off jobs that account for as less as 3% of the total workforce. The reasons behind this are said to be linked to performance and, to a certain extent, due to aligning of skill sets to the developing market requirements.

For instance, technology relating to 'robotic process automation' is quite mature and ubiquitously available in the market for an affordable price, and hence, on sensitivity of the ITeS industry in the Indian context, and this has resulted in almost every other media house painting a doom scenario for this sector.

### **Is the perception a reality?**

To a certain extent, if this perception is a reality, it will definitely carry serious long term implications. On the one hand, the industry will continue to align the skill sets to the changing environment, which more job losses are to be expected. But on the other hand, ITeS companies need to recruit, in large scale, a medium to highly skilled workforce that can deliver digitalisation and technology intensive service to global clients. This in turn means that Indian ITeS companies and the workforce need to look at it as a huge opportunity, rather than a threat!

However, the message to the Indian ITeS workforce — be it entry level, mid-level or senior managers — re-skill or perish! This message has to be taken very seriously and every initiative needs to be taken for the workforce at all levels to re-skill themselves.

The closing note will hence read as follows: the skill sets that take this workforce to the next level within the organisation will be very different from what brought them to the current level. In essence, the skilled employee must look very different from what they do in the coming years!

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