# Inevitable Lay Offs in IT Sector

**M.M.K. Sardana**[*]

[**Abstract**: *Despite the soothing voice of IT Industry body NASSCOM and the government, layoffs in Indian IT industry to the tune of 10–12 lakhs over the next three to four years will be inevitable, which will add to the already dismal scenario on the employment front.*]

The $150 billion Indian IT sector has been an important contributor to the country's GDP and its global exports. It has also been at the forefront of white collar job creation in an otherwise jobless growth of the past two decades[1]. It has directly created 3.7 million IT jobs and another 10 million indirectly. Some project, in the midst of massive lay off, reports that direct jobs in the sector would swell to seven million and indirect jobs to 20 million by 2025. Such projections do not include the increasing need for IT technology-led skills in other industries in the years ahead.[2]

Industry insiders and independent studies by McKinsey reveal that about 50 per cent to 60 per cent of the existing workforce of 3.7 million has to be retrained to cope with the digital tsunami that has hit the IT industry, which has necessitated the requirement of new skills like cloud social media, data analytics, big data, and artificial intelligence. It has been felt that the skills of about 60 per cent to 70 per cent of the existing workforce cannot be upgraded. Taking into consideration the findings of the McKinsey report as well as the views of industry insiders, it may transpire that about 30 per cent to 40 per cent of the existing workforce lacks new skills in spite of being exposed to the same by their employers. Thus, 12–16 lakh

---

1   Pathak, A. (2017), "5 Reasons Why Indian IT Giants are Laying Off Employees: The Bad News Though is that the Worst is Yet to Come," *Daily O*, May 05.

2   Chandrasekaran, N. (2017), "IT Industry to Have 7 Million Direct and 10 Million Indirect Jobs by 2025," *The Economic Times*, May 29.

people from the existing workforce would become unemployable in the next three to four years.[3]

Besides, companies would be required to include automation/robotisation, thereby replacing human labour. Further, the Indian software services industry is dependent upon USA and Europe for 80 per cent of the turnover. The current political climate in the US and also in countries like the UK, Australia and Singapore would reduce jobs for Indian professionals in these countries. The IT companies have already indicated that they will be increasingly hiring the local people of these countries.[4]

Therefore, reports that IT layoffs may run into a few lakhs in the next three to four years cannot be taken as without any basis, though the IT industry body NASSCOM and the government deny such fears. Rather, it is being claimed by NASSCOM that the industry continues to be a net hirer, with over 1.5 lakh people being employed on a net basis each year and admits that the focus was shifting from scale to skill.[5] Echoing NASSCOM, the government has stated that there is nothing unusual this year and the decision to not renew some of the contracts was part of the annual appraisal process. Accordingly, it would be incorrect to assume that a large number of IT jobs are being shed.[6]

While the statements of NASSCOM and the government are soothing, it is admitted that the hiring rates have been falling in relation to revenues since 2008 Wall Street crises. Besides, margins of the companies will fall if US Visa norms are tightened. Wipro has already committed to set up four technology centres in the US and hire 10,000 American workers in the field of Artificial Intelligence.[7] Despite IT industry claiming that it is making efforts to retrain its workforce to suit the requirements of emerging technologies, the substantial workforce may not be capable of retraining so as to equip itself to respond to such requirements. Therefore, it is not surprising that the IT sector will be shedding 1.75 to 2 lakh jobs

---

[3]   Lakshmikanth, K. (2017), "Why I believe There will be Tsunami of IT Lay-offs," NDTV, May 16.
[4]   *Ibid*.
[5]   Indian Express (2017), "No Mass Layoffs by Indian IT Companies: NASSCOM," May 13.
[6]   Deccan Chronicle (2017), "IT Sector 'Robust', Layoffs Part of Appraisal Process: Govt," May 17.
[7]   The Indian Express (2017), "Future Shock," May 20.

annually over the next three years. Such lay-off would be necessitated because of the failure of IT companies to reskill the workforce in a rapidly changing marketplace. Traditionally, IT was focused on personal computers or PCs. Then the mobile phone took the driving seat, services migrated to cloud and software to app ecosystems, thus fundamentally changing the industry. Now, embedded systems, nanotechnology, robotics, 3D printing, the Internet of Things, big data analytics, artificial intelligence and cognitive computing are driving it towards new frontiers, and those who are unable to retrain themselves will be left behind.[8]

The decline of IT industry has been on the anvil for some time now and the US policies, driven by xenophobia, have only accelerated the inevitable. Riding on the Y2K[9] wave, Indian IT companies became the favoured alternative for doing work that other people did not want to do, providing a cost advantage at the same time. There was money to be made everywhere and companies became behemoths before they realised it. Given the exponential growth, companies relaxed induction norms and focused on immediate gains without paying attention to future resilience. Companies were aware of the dangers that lay ahead yet no serious attempt was made to do anything. All of the big IT firms could have taken initiatives in the field of technology to prepare for the future by moving up the value chain but attempts, if any, were at best feeble. Investing in technology with long payback periods was not prudent as present investments could have made the stock markets happier in the short term.

Top performers usually stayed away from technology initiatives as the limelight was on cracking million dollar deals and dominating large teams. This conveniently was in consonance with the Indian mindset of placing thinking and supervising over doing. Managers got busy with creating large fiefdoms for themselves and no thought went into creating teams for nurturing cutting-edge technology. This technology—the cornerstone of the IT industry—was ignored, which was a sure recipe for inviting the storm. While technology-driven innovation was given no room in the Indian IT industry, the US companies who were the earliest

---

[8]  *Ibid.*
[9]  Y2K is an abbreviation for the "year 2000."

clients of the Indian IT were becoming smarter—they started setting up their own development centres in India, using Indian talent to handle important projects. Further, these firms developed auto processes for the jobs they were outsourcing to the Indian companies; however, these jobs required more in-depth technical knowledge. Thus, the Indian IT companies would need employees who are good at doing jobs requiring in-depth technical knowledge and skills. The managers in these companies along with the freshers will have to constantly upgrade their skills to ultimately gain technical expertise in multiple areas.[10]

The fact of the matter, despite soothing voices by the industry body NASSCOM and the government, is that major IT companies are planning larger than usual layoffs this year, following a decline in business and the industry's shift to newer technologies like cloud, mobile and machine learning that have made older skills less relevant. Industry leaders would be required to identify new areas of opportunity, initiate training programmes in those areas (technologies) for youngsters and give them enough opportunity to pick up those technologies. In turn, these set of employees will have to work harder to qualify to a position where they can add value, otherwise, inevitably, there will be no place for them.[11]

The Indian IT Industry is not all about giants like Infosys, TCS, HCL, etc., as there exist a number of smaller companies with an employee strength ranging from twenty to one thousand. These companies are in constant search for projects and clients through online portals. Many such companies spend nearly $1,000 daily on marketing through ads on Google and Facebook alone; their projects are handled and completed by a team of 3–5 people or even by a single person. Thus, many freelancers also make careers out of such portals. As layoffs take place in IT giants, there will be shock waves among the smaller companies which may result in their business being paralysed while some will be driven out, putting further pressure on an already dismal employment market.[12]

---

[10]   Padmapati, P. (2017), "I was Part of Indian IT's Dream Run. It Changed," NDTV, May 18.
[11]   Times of India (2017), "NRN to Executives: Take Pay Cut, Avoid Layoffs," June 02.
[12]   Lakshmikanth (2017), *op cit*.