

GROWING PAINS

56,000 layoffs and counting: India's IT bloodbath this year may just be the start

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Emptying out. (Reuters/Adnan Abidi)

For Indian techies, 2017 was the stuff of nightmares.

One of the [top employment generators](#) until a few years ago, India's \$160 billion IT industry laid off more than [56,000 employees](#) this year. Some analysts believe this spree was worse [than the one during the 2008 financial crisis](#). Meanwhile, hiring plummeted, with entry-level openings having more than halved in 2017, according to experts.

Tata Consultancy Services (TCS) and Infosys, two of India's largest IT companies and once leaders in job creation, [reduced their headcounts for the first time ever](#). Even mid-sized players like Tech Mahindra retrenched several employees. (However, TCS's staff addition recovered after a fall during April-June 2017 and rose 0.8% in the following quarter).

“Digitisation and automation brought about disruption in traditional roles, which means that most of the IT firms found themselves reassessing the capability of the talent pool to stay market relevant,” Arun Paul, vice-president of human resources at Inedo, an IT service management company, told Quartz.

When hell broke loose

Compared to the normal rate of forced attrition (i.e. asking non-performers to leave) of around 1% in earlier years, 2017 saw Indian IT companies letting go of between 2% and 6% of their employees, said Alka Dhingra, general manager of IT staffing at TeamLease Services.

Infosys [cut 9,000 jobs](#) in January. “Instead of 10 people, what if we have three people to work on (a project). If we don’t have the software, then some others will take the advantage (away from us),” Vishal Sikka, the former CEO of the Bengaluru-based company, [said in February](#).

Meanwhile, around 6,000 Indian employees at Cognizant [reportedly lost their jobs](#) to automation. Mumbai-based Tech Mahindra implemented a [cost optimisation plan](#) of increasing automation and reducing manpower. It turned ugly in July when the firm made headlines over a controversial audio clip that featured an HR personnel purportedly coercing an employee [into quitting by 10am](#) the next day, or risk being fired.

Moreover, it wasn’t just about those at the bottom of the IT pyramid. Pink slips were doled out to even senior employees with outdated skills.

“There is a change in the trend where automation has taken the driver’s seat to propel cost efficiency and utilisation of human resources for less mundane and routine work,” N Shivakumar, business head of recruitment process outsourcing at TeamLease, said.

Slamming the brakes on hiring

On the hiring front, too, bad news abounded. In 2017, campus hiring by IT companies fell by a massive 50-70%, Santanu Paul, CEO and managing director at skills training firm TalentSprint, told Quartz.

This was mainly because companies changed their hiring practice: While earlier they’d hire freshers in bulk in anticipation of future contracts, the strategy has now shifted to just-in-time contract hiring.

With revenue growth under stress, companies [did not want to hold a bench](#)—an employee

pool on a company's payroll, awaiting projects. "The focus shifted to increase in hiring of specialised talent or up-skilling existing (talent)," Incedo's Paul said.

For several years now, Indian IT firms have anyway been moving [away from labour-intensive projects](#) towards more remote and technology-based solutions such as video conferencing, cloud computing, and artificial intelligence (AI). This has resulted in hundreds of entry-level roles like data entry and server maintenance becoming obsolete.

"The IT job market is not as lucrative as it used to be and the dream run is over for the next few years," DD Mishra, a research director at Gartner, said. "With IT service providers feeling the heat, the job market will remain under pressure for some more time."

In the long run, automation [may increase the number of jobs available](#) for workers with niche skill sets. But lower-level workers will continue to suffer. Nearly one-third (700,000) of the low-skilled workers in India's IT sector stand to lose their jobs by 2022, a [recent report](#) (paywall) by market analysis firm HfS Research says. [Less than 5% of Indian techies](#) are equipped to handle high-skilled jobs.

This dearth of trained talent is especially worrying as, within the next few years, roughly 40% of the less sophisticated tech jobs will be replaced by high-paying ones like data scientist and data analyst, estimates Kris Lakshmikanth, founder of recruitment firm Head Hunters India.

In the meantime, the layoffs and lack of bankable employment prospects [wreaked mental and emotional havoc](#) on employees as they battled a cash-crunch, anxiety, depression, low self-esteem, and lack of motivation. "Most IT sector employees are migrants, with little social support in their adoptive cities," Dr BN Gangadhar of the National Institute of Mental Health and Neuro Sciences, Bengaluru, [told Time magazine](#). "Being young, they're often single and lonely. If married, they have little time for their families. And when things go wrong, whether at work or at home, they have no one to turn to for help."

Side effects of "America First"

Donald Trump's arrival at the White House earlier this year hasn't helped.

Since Trump took office, the fate of the H-1B, a six-year temporary work visa that Indian IT companies heavily depend on, has been hanging fire.

In March 2017, the US government [stalled the premium processing](#) of this visa category.

The criteria for computer programmers to apply for the H-1B visa [became tougher](#). In April,

Trump signed the “[Buy American, Hire American](#)” executive order, promising to bring jobs back to the country, putting migrant workers in jeopardy. In November, the judicial committee of the US House of Representatives gave its nod to the Protect and Grow American Jobs Act (titled HR 170) which classifies any company that has more 15% of its workforce working on-site as “visa-dependent.” With this, the pressure is mounting on Indian outsourcing giants which sometimes have over 50% of their manpower working on-site.

Even the current workers have cause for concern—to clamp down on visa fraud, the United States Customs and Immigration Services (USCIS) [plans to double the number of visits](#) to workplaces. “Indian IT companies, thus far champions of IT-based outsourcing, have been forced to go back to the drawing board in order to reposition themselves higher up in the value chain,” Anshul Prakash, a partner at Mumbai-based legal services firm Khaitan & Co, told Quartz.

In the trenches

IT companies have [tried to make fixes as doors shut on Indian techies](#). “...there were concerted efforts on the part of larger IT companies to hire locally, and set up near-shore delivery centres,” said Sandeep Sharma, associate research manager of software and IT services at International Data Corporation (IDC) India. Other have [spent on acquisitions](#). These efforts may help stay afloat but job opportunities for Indians are still shrinking.

The trepidation is unlikely to end anytime soon. By next year, automation will [put nearly 70%](#) of the roles in the Indian IT workforce at risk, according to analysts.

“After years of job creation in developing economies, the shoe is now on the other foot. Developed economies will be creating jobs for their own citizens in the foreseeable future,” TalentSprint’s Paul said. “India, on the other hand, will see high-value jobs being created, but not in high volume.”

In the choice between skill versus scale, companies will continue to lean on the former.

“Much of the creative destruction will continue for a while and disruptions are inevitable over the next two to three years,” Mishra of Gartner said. “A positive shift will be visible from 2020 onwards and we expect to see new opportunities getting created out of the current disruptions.”

Note: The post has been updated to reflect that TCS’s headcount rose after the April-June quarter.

UNDER THE LENS

India's taxman is after your bitcoin gains—and more

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© Closer look. (Reuters/Dado Ruvic)

Soaring bitcoin prices have now caught the attention of India's taxman.

The income tax department has been surveying cryptocurrency exchanges across the country to zero in on those who profited from the recent boom but skipped paying taxes on the money they made. Tax officials may also use this opportunity to take a closer look at the overall wealth accumulated by certain individuals, alongside the gains made in virtual currencies.

“So apart from bitcoin or other currencies, all the mobile and immobile properties of an individual who has made significant gains in cryptocurrencies will be under scrutiny,” Sathvik Vishwanath, co-founder and CEO of Unocoin, a cryptocurrency exchange, told Quartz.

Another official of a virtual currency exchange, requesting anonymity, said income tax authorities have mentioned that they are also likely to assess if the gains from the cryptocurrency boom have been used to buy other assets. In some cases, all wealth

accumulated in the last few years may be scrutinised.

Repeated attempts to contact officials at the income tax department were unsuccessful.

“The top people who have made maximum gains are the ones who are going to be under the scanner. That’s because the number of people showing gains on these virtual currencies is minuscule. And even now, there is no clarity on how the tax treatment of these gains should be,” a lawyer who works with a few Indian bitcoin exchanges told Quartz.

The spike

A single bitcoin, which on Nov. 01 was worth around Rs4.55lakh (\$7,070), was valued at [Rs13.80 lakh](#) by Dec. 14. However, the price has corrected since then and stood at around Rs12.05 lakh on Dec. 28. This spike, and volatility, have fuelled concerns within the government and at India’s central bank. Earlier this month, an income tax team visited and investigated [several bitcoin exchanges](#) in Mumbai, Bengaluru, Pune, Hyderabad, and New Delhi. Based on these officials’ surveys, the department is [reportedly set to](#) serve notices to as many as 500,000 investors.

On Dec. 13, [tax officials told Reuters](#) that they are looking to collect information on the modus operandi of these exchanges, investors, and their source of investment. “The officials had requested data to try and analyse taxability of bitcoin,” Coinsecure, another virtual currency exchange, said [in a blog post](#) on Dec. 14.

In any case, this isn’t the first time cryptocurrencies have come under scrutiny in India. Besides the Reserve Bank of India keeping a close eye, the government has also constituted a committee to take stock of their current status and examine existing global regulatory and legal structures, P Radhakrishnan, India’s minister of state for finance, informed the [Lok Sabha on Dec. 15](#). He said the panel has been asked to suggest a framework for their regulation.

Yet, in spite of these concerns, [virtual currencies](#) still haven’t been declared illegal in India.