Why the war for tech talent is unlikely to end anytime soon

VENKATESHA BABU
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The quarterly results are in for several leading Indian software and services companies — including behemoths like TCS, Infosys, Wipro and HCL Technologies — which power India's nearly $150 billion in exports and employ nearly 4.5 million.

The sentiment is upbeat with almost all players witnessing significant growth and the sector is likely to see double-digit growth after several years now.

The growth is powered by demand from clients across the globe for digital transformation in a post-Covid world. However, almost without exception, most companies have seen a sharp spike in attrition. Infosys COO Pravin Rao admitted to analysts, after the latest quarter results, that in the past year voluntary attrition had increased to 20.1 per cent — that works out to more than 56,000 exits from the company in just one year.

TCS saw its attrition spike to 11.3 per cent during the same period. Wipro, HCL Tech and other companies — big and small — are similarly affected. Industry and HR experts cite five key reasons why the trend is unlikely to tamp down for the next few quarters at least, with some suggesting it might even be a long-term structural shift.


The demand for tech employees in India is high

Follow the money

Stagnant salaries, especially at entry and mid levels, well-funded start-ups and the global captive centre's (GCC) ability and willingness to pay better, acceleration in outsourcing leading to more opportunities, pandemic-induced changes in the nature of work delivery, and reorientation among employees are being cited as key reasons.

First, the elephant in the room has been the stagnating entry- and junior-level salaries. For instance, a campus recruit engineer at any of the top Indian IT services companies would earn ₹3.5-4 lakh per annum, and this figure has remained unchanged for nearly a decade. Factoring in inflation, this would mean an entry-level engineer earns less than what her predecessor did a decade ago.

Also, it is raining money from well-funded start-ups and GCCs, as they lure away talent. Vikram Ahuja, CEO and co-founder of Talent500, who has worked with global marquee names like Target, Nike and Lowe's in setting up their GCCs, says, "This year India has seen more unicorns than China. In fact, demand for tech employees in India has been so high that, for some clients, we have even looked at other locations like Vietnam, the Philippines and Ukraine. Both of them pay better and thus are able to attract talent."

'Remote' possibilities

Employees who would earlier opt for a lower-paying job to avoid longer commutes are re-examining options as they can work and deliver remotely. Some have made lifestyle choices to take a break or enhance their skills with further studies, thereby exacerbating the supply crunch. Srikanth Karra, Chief Human Resources Officer of Mphasis, a leading mid-sized player, says, "The massive shortage in relevant skills, partially exacerbated by pandemic-induced digital transformation, has been severely impacting industries."

Rao of Infosys said during the analyst call, "I think, at this stage, maybe in the next 2-3 quarters, perhaps the attrition will stabilise given such influx of talent. The demand is far outstripping the talent supply that is available even globally, and that is why we are seeing this phenomenon not only with us but across the industry."

For the present, though, the talent shortage is likely to persist for at least a few quarters, with some like Ahuja arguing that it is a structural shift and companies need to do more to both attract and retain talent.