

# Hiring and wage outlook improves for Indian IT sector after 10-year lull

Harsha Jethmalani  
harsha.j@livemint.com

**T**he covid-19 has given a boost to the trend of offshoring. The management of leading IT services companies indicate a higher share of offshore work in newly-bagged deals.

At a recent IT forum, the Tata Consultancy Services (TCS) management said there has been an uptick in offshoring delivery. The work-from-anywhere model has led to higher offshoring, besides lowering the dependence on subcontractors. Analysts say this bodes well for the sector's hiring outlook.

"In the past few quarters, the share of offshoring as a percentage of revenues has gone up by nearly 500 basis points. We expect net headcount additions of over 150,000 by the top five IT firms over FY22-23. This is a material

improvement considering the historical trend of net annual hiring of 60,000," said Apurva Prasad, institutional research analyst at HDFC Securities. One basis point is one-hundredth of a percentage point.

JM Financial Institutional Equities has pointed out that net hiring by the top five offshoring technology firms in India had peaked in fiscal year 2012

or technical services to another country. Companies offshore their business processes to Indian IT firms mainly because of the model's cost effectiveness. Compared to an onsite process, the billing rate for offshoring is far lower. While this could translate into lower revenues, profitability for firms is higher when more work is done offshore. Analysts also point out that bonuses and pay hikes by top players are an indication of the sector's bright prospects.

Sector bellwether TCS recently announced a one-time bonus for its employees. HCL Technologies too

gave its employees who have served at least one year a one-time bonus equivalent to 10 days' salary in February. Expectations are that other IT peers will follow suit and implement deferred wage hikes of FY21 by Q2FY22. Nasdaq-listed Accenture, whose performance is often seen as an indicator for IT demand, has also

## Change in fortunes

After peaking in FY12, net hiring by top Indian firms has been declining. However, this may change in FY22.

Total increase in headcount for top 5 offshore IT companies



Top 5 offshore companies are Infosys, Tata Consultancy Services, Wipro, HCL Technologies and Cognizant

Source: Company, JM Financial Institutional Equities

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## RECRUITMENT BOOM

**THE** work-from-anywhere model has led to lower dependence on subcontractors

**NET HIRING** by India's top five offshoring IT firms had peaked in the financial year 2012

**SOME** analysts expect net hiring in FY22 and FY23 to rise far above the previous peak

and, since then, average annual hiring figures have been much lower. On an aggregate basis, in FY12, TCS, Infosys Ltd, Cognizant Technology Solutions Corp., Wipro Ltd and HCL Technologies Ltd reported net hiring of 110,000 staff, it said in a 22 March report.

Offshoring in IT services refers to relocation of a company's administra-

announced a one-time bonus for its employees. Besides giving a bonus, Cognizant has moved to quarterly promotion cycles for employees below senior associate level starting Q2CY21.

"Indian IT services sector is seeing improvement in demand as businesses globally have accelerated their digital transformation journey against

the backdrop of covid-19. We reckon that given the increased shift towards offshore delivery along with the improving revenue growth trajectory, we could see FY22 net hiring exceeding FY12 levels. We expect most industry players to implement wage hikes by Q2FY21," analysts at JM Financial said in the note.