Tech Inc spares the axe to ready staff for future as benches fill up

Debojyoti Ghosh & PP Thimmaya
Bangalore, Jan 6

THE $100-billion Indian information technology industry has seen a drop in business volume and there may even be some missed growth targets this fiscal, but the country's top-tier IT firms are still wary of any kind of mass retrenchment. Recruitment consultants say organisations are now more discreet in letting go of their non-performing staff in bulk, preferring to restrict pink slips as the negative publicity can linger for years.

Having been caught off-guard by the severe economic downturn in 2008 and 2009, many Indian IT companies ended up with large bench strengths and resorted to layoffs with no back-up strategy. But this time, organisations are engaging much more in reskilling many of their employees to be in line with market requirements.

"Bulk layoff is a rarity and the last resort for any company. Currently layoffs are definitely happening across companies, but more selective than last year. Companies do not admit when they let people go. They try to keep it under wraps," says Ronesh Puri, managing director, Executive Access, a head-hunting firm.

Sangeeta Lala, senior vice-president, sourcing, TeamLease Services, points out that there is no mass layoff happening yet. "We have not seen IT companies taking steps to lay off employees in large numbers. However, it is a difficult time as the visibility on future business is very low. During tough times companies become much stricter and far less patient. Difficult decisions are taken sooner. If earlier a quarter was allotted to employees who were not performing, now it is just a month," she says.

UNLIKE 2008 & 2009 WHEN COMPANIES PANICKED & LAID OFF IN BULK, THIS TIME THEY ARE FOCUSING ON RESKILLING STAFF TO BE IN LINE WITH MARKET NEEDS

The top four Indian IT firms — Tata Consultancy Services, Infosys, Wipro and HCL Technologies—together account for a combined workforce of close to 600,000. With business appearing thin over the last one year, the IT services sector has seen an increase in the number of non-billable employees warming their chairs.

Continued on Page 2

FROM THE FRONT PAGE

Tech Inc...

People on the bench, who remain unproductive, are a pointer to the volume of work coming into a company. During the quarter ended September, the average utilisation level of the leading players in the sector stood at around75%, with the rest largely being on the bench.

However, this is also the time when large Indian IT companies are engaged in keeping their employees future ready. Suparna Rao, co-founder and CEO, Excellence4u, an employee assessment firm, says many of the IT biggies are now focused on reskilling and retooling their employees in line with current business requirements and future demands.

Rao says many companies are now identifying the gaps in their competencies and are working on how they can reskill the non-billable employees to fit into these new areas. "There could be some pruning of people when they do not meet the competency requirements," she adds.

Staffing companies say the hiring scene in the IT sector is expected to be flat or could see a further dip during the January-March period. Amitabh Das, CEO, Vati Consulting, a recruitment firm, says that in the last 18 months Indian IT firms have been very cautious in their hiring and there is unlikely to be any kind of change.

"We expect hiring in the current quarter (January-March) to be 10-15% lower than Q2 and Q3. Mostly, the hiring during this period will be at the mid levels," says Lala of TeamLease.

This tepid hiring has also witnessed attrition rates at top-tier IT companies dropping to their lowest levels during the quarter ended September as many employees have become risk averse and opportunities having dried up to an extent over the past couple of quarters.

During the July-September stretch, attrition at TCS, the country's largest IT firm, was at 10.2%, its lowest in several quarters. For Wipro, there has been an improvement in attrition, which was down to 14.6% from 15.6% in the preceding June quarter. On a last twelve-months' trailing (LTM) basis, Infosys' attrition fell to15% from 15.6%, year-on-year, while for HCL Technologies it stood at 13.6% from 14% sequentially.

Industry observers feel that the lower level of attrition is likely to continue for some more time and any pick-up in demand would happen only after two quarters.

Drive well...

GIC officials added that to address concerns relating to invasion of privacy, insurers will specify to policyholders that if one wants their premium to be better priced, then one has to provide more details. The insurers have also approached the ministries of finance and road transport and highways to take measures to ensure that all vehicles are compulsorily insured.

Industry estimates on the basis of the overall number of issued policies and the vehicles registered suggest that around 70% of the two-wheelers and around a third of the cars in the country do not even possess third-party insurance, which is compulsory. Then there are also findings of many fake insurance policies. "Average premium prices will come down if more people are insured," one of the GIC official added, as the insurance business is usually profitable only on a higher scale.

Tapan Singhel, managing director and CEO, Bajaj Allianz General Insurance Company, said: "Pricing in India is still at a nascent stage. It will evolve to international standards as we progress. Companies are looking at different models and combinations based on the customer and vehicle profile." While there is already a common claims and fraud management platform for the industry, the pricing of the products is being done independently as it is a strategic decision. These insurers are feeding greater details into their 'rating engine' regarding customer and vehicle profile to accurately price their products.

Meanwhile, international models on pricing of premiums are also being studied actively. In Germany, insurance premium is determined by the region, the type of car or the personal way of driving.

But the US, with different rules across states, takes the cake in terms of complexity, especially because of a large auto market and huge highways that require a very developed insurance industry.

Among the many aspects used to calculate premium, details like the choice of colour (red and black indicate a driver who has a penchant for racing), gender and credit rating may just mean a significantly more expensive insurance deal. Insurers have also been working on tie-ups with car telematics providers like General Motor's OnStar and Ford SYNC to provide real-time data on drivers.

These telematic systems are connected to the internet through mediums such as a GSM network, making the car always traceable and reducing insurance companies' losses in cases of theft. Though privacy concerns remain, insurers are always be able to track your whereabouts and driving style, coming up with tailor-made insurance policies for each person. Some countries have also experimented with a 'pay-as-you-drive' system, under which insurance is collected every time you tank up as a fuel tax/cess. The benefit of such a system is that no vehicle owner can avoid being insured.

Agencies such as the US-based Insurance Institute for Highway Safety have been set up by insurers to collect data in terms of a vehicle's safety rating and research on insurance history, helping insurers come up with more efficiently-designed policies.

These also assume significance with the road transport and highways ministry finding that "there were around 4.98 lakh road accidents in 2011, which killed 1.42 lakh people and injured more than 5 lakh persons, many of whom are disabled for rest of their lives. These numbers translate into one road accident every minute, and one road accident death in less than four minutes."

Full export...

Since nearly 80% of the oil consumed/processed in the country is imported, global crude prices (which remained at a somewhat elevated level of $110 a barrel even though lower than last year's) and a weak rupee are contributing to the spike in the oil subsidy bill.

A stagnation in domestic oil production is aggravating the scenario.

Among other things, the Kelkar panel, which laid down a new three-year fiscal consolidation road map, had also recommended removal of LPG subsidies in three phases by 2014-15 and reduction of kerosene subsidy to a third of current levels.