# Tech freshers' pay caught in 4-yr time warp

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INDIA'S $108-billion IT industry is among the country's largest organised private sector employers, but the bottom of the sector's pyramid appears to have little to cheer about. While the overall



## SPIKING HIKES

- A software services fresher's salary is in the range of ₹2.75-3.5 L/year
- Pay packages at the entry level has not seen an upward swing in 4 yrs
- Prices in India have grown by more than 8% in each of these years

wage hike in the IT sector has dropped to single digits of late, the salaries of freshers, who are typically engineering graduates and form the largest chunk of recruits, has remained stagnant in the past three to four years. Experts say this trend is likely to prolong as

firms navigate a difficult business environment.

Staffing companies point out that in the current market, on average, a fresher in the software services industry draws a salary in the range of ₹2.75-3.5 lakh per annum when compared to ₹2.75-3.3 lakh offered during 2008-09. Thanks to increasing margin pressure, demand-supply imbalance, declining business volumes and rising training costs, pay packages at the entry level have not seen an upward swing in the recent past. This is at a time when prices in the country have grown by more than 8% in each of these years.

TV Mohandas Pai, chairman, Manipal Global Education and former director at Infosys, opined that the freshers' salary is likely to remain at the same level for some more years due to the demand-supply mismatch. "The hiring numbers by IT companies has come down due to their slowing growth but the number of graduating engineers has been increasing," he said.

The IT industry absorbs around 250,000 engineering graduates every year but the annual output is around 600,000 students, giving them lesser bargaining power in a market-driven economy.

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urea, ₹19,000 crore for indigenous urea and ₹28,576 crore for the sale of decontrolled fertilisers (DAP, MOP and complexes).

The fertiliser industry has sought an additional subsidy payments of ₹40,000 crore for this fiscal.

The Rangarajan committee's proposal to double the domestic price of natural gas, if implemented, could adversely affect the government's subsidy reduction plan and make the new urea investment policy "redundant".

The proposed new urea investment policy aims at facilitating investments to the tune of ₹35,000 crore in fresh urea capacities.

The proposed new urea investment policy aims to reduce the country's dependence on imported urea, which is far costlier (the current import price of urea is around $380 per tonne).

## IT freshers...

The sector employs around three million people with close to 60% in the fresher category or well below two years of experience.

"Since the economic downturn in 2008, business cycles globally have been volatile and IT companies are still unable to get a clear visibility into to the future trend. There is

pressure on their top and bottom line growth. Hence, IT organisations are taking a cautious approach on salary hikes across levels. Also, entry-level talent is much commoditised and is mostly a volume-based approach. Hence, people from this segment have not been able to negotiate a premium," said E Balaji,

MD and CEO at HR consultancy Randstad India, adding that companies are looking at utilising their bench strength and just-in-time hiring, which is likely to keep freshers' salaries at current levels.

A 27-year-old employee, who did not want to be named, said, "I joined Infosys in 2007 with a cost to company (CTC) of ₹2.7 lakh per annum and it has hardly gone up in the last four years. After the completion of my training at Mysore, I moved to the Bangalore campus and got my first hike only after six months on the job post my training."

Indian IT companies follow the classical pyramid model of employee structure with the largest number consisting of employees having 0-2 years' experience and this is reflected in their annual intake.

India's largest IT services exporter Tata Consultancy Service in FY13 hired 69,728 people in total, of which

35,769 were freshers, while in the case of Infosys there were 20,255 freshers out of the total number of 37,036 hires.

Wipro Technologies looks at an employee ratio of two-thirds freshers and one-third experienced professionals.

However, it has not been smooth sailing for some companies while hiring campus graduates.

Infosys had delayed the joining date of around 8,000 engineers selected for FY13 to FY14 owing to business conditions.

Delhi-headquartered HCL Technologies delayed the joining date of engineering graduates who received offer letters from the company in 2011 and were to join between August and December 2012. Despite an agitation and protests by students, the company said it would only hire as per business needs.

"The overall demand for freshers has reduced and companies don't want to open their wallets to pay them," said Ronesh Puri, managing director, Executive Access, a headhunting firm, adding that this fiscal the industry will see mostly single-digit hikes across levels averaging about 8-10% depending on the company and employee performance.

For FY14, TCS made about 25,000 fresh offers on engineering campuses for

trainees who will join the company from the second quarter of the current fiscal. Last fiscal, it had made 43,600 campus offers.

Infosys CEO SD Shibulal had earlier said that the company would hire around 10,000 people in FY14, with the bulk of them being a backlog of campus recruits.

According to IT-BPO trade body Nasscom, the sector had a net hiring of 1,88,300 jobs in FY13.

However, for the current fiscal the industry is expected to recruit on a wider base of 130,000-150,000 people as some IT companies are still fighting backlogs from its last year's recruitment.

HR firms feel that bulk hiring in itself is an expensive process and for software services firms, whose model is focused on low-cost, volume-driven manpower at the base level, higher entry-level salary will be damaging for margins.

"One of the concerns from IT companies is the lag in time to deploy fresh engineers in live projects. Most of them have to go through an in-house training module to ensure that the skill gap is bridged. This delay in making them a billable resource is proving to be expensive and prevents companies from increasing the salary range," notes Balaji of Randstad.