

The India Talent Crunch: Why Massive Tech Hiring is Expected to Pick Up Further Steam

Bruhadeeswaran R

Senior Manager, Editorial and Content, Naukri

Bruhadeeswaran R has close to 12 years of journalism experience, primarily catering to the investor community. In his current role, he leads the content strategy and thought leadership initiatives



SPECIAL STORY

Two things remained insular to India's virus disaster this year – the stock market and the tech hirings. The benchmark's antithetical reaction of reaching new highs every other week even as Covid led economic woes affect companies' bottom line is baffling, and economists continue to forecast an equity bubble to burst sooner or later.

Unlike the puzzling benchmark, the massive tech hirings, on the contrary, can be explained through green shoots of significant new contracts won by TCS, Infosys, Wipro, and HCL Tech - top four software exporters of the country. In fact, the IT giants' quarterly highlight was mostly about big deals which mandated a need for more than 1.1 lakh fresh tech talents this year. This is a 30% yearly increase in out of college hirings in FY22. The hiring for IT roles is also broad-based as companies, not just IT giants, across segments are beefing up tech profiles.

The requirements pushed up the demand for such profiles to more than double as tech hirings' registered a yearly growth of

163% in the month ending June, after a setback in April and May 2021, according to a monthly index published by Naukri, the country's largest job site, which calculates and records hiring activity based on newly added job listings. In July, the annual growth rate for IT software rose by 212%, followed by ITes with annual growth of 46%.

The Naukri JobSpeak index shows that tech is not alone and the trend is wide-ranging across the industries. There seems to be a substantial recovery of hiring activity in hotels/restaurants/airlines/travel and retail industries as well. Other sectors like healthcare, FMCG, retail, and education also saw a positive upswing both sequentially and annually, shows the index. This also indicates that the economy is steadily adding new or replacement jobs with several industries showing recovery to pre-pandemic levels.

While the hirings have come as a silver lining for freshers, the massive demand has also upset the applecart for every other company, which are ramping up IT hirings to beef up work from home solutions for the long haul.

As the Covid-19 drives economies into recession, organizations are facing higher turnover risks. However, this is not the case for tech hiring in India. The hiring activity for tech roles has rapidly increased this year and is even more than the pre-Covid times. The article delves deeper into this phenomenon and tries to make sense of such abrupt tech talent demand in the IT industry.

Like the benchmark, which lacks fundamentals and possibly is marching towards a correction; the tech hirings, growing at a breakneck speed, expects a correction too.

Making Sense of Tech Talent Demand

How do we explain the sudden talent crunch, rocketing salary expectation?

There was a recession in the US in the last pandemic. Every time, a recession hits the US, offshoring increases. While many lost jobs there, the companies still needed to do a lot of work and their roadmap didn't stop. Everyone was facing that, from an industry perspective.

The difference between now and the recession of 2008 was the remote or virtual working setup that encouraged the change in the hiring trend. In general, this

created a lot of work for both larger and smaller companies. To be sure, the massive tech talent demand is not confined to freshers alone. The 0-3 years band saw a growth of 22% as against the negative growth in May '21. Similarly, the movement of senior professionals was also robust, as the 13-16 years (+11%), 8-12 years (+8%), and 16+ years (+10%) categories witnessed double-digit growth, shows the index.

The entire gamut of industries across sectors and sizes are hiring a range of skill sets. "The recovery period has created a hot demand for each and every tech skill. There is nothing niche right now. For example, even age-old Java-based back-end or full-stack developers are scarce in the market. Or finding talent for two-decade-old frameworks like .NET has also become challenging", said Amol Gupta, CHRO, India & Philippines at FIS, a leading provider of technology solutions

As the demand for the jobs rose, the wages also rocketed. For instance, an ed-tech firm hiring a performance marketing head saw a 32-year-old executive expecting to earn about Rs 1.5-2 crore, with Rs 50 lakh of stock options, compared to a previous salary of Rs 75 lakhs at a consumer conglomerate, according to a June Moneycontrol report.

for merchants, banks and capital market firms globally. FIS also onboarded 4,000 people virtually last year.

Infosys too announced that it will hire professionals with 1-4 years of work experience in Java or .NET. Gupta explains that the talent crunch is due to the revival in the business sentiments and around solutions that are built for work from home offerings and the entire remote security segment. "Mobile

developers, network roles like firewall are also challenging to hire with demand driving a shortage of talent", he added.

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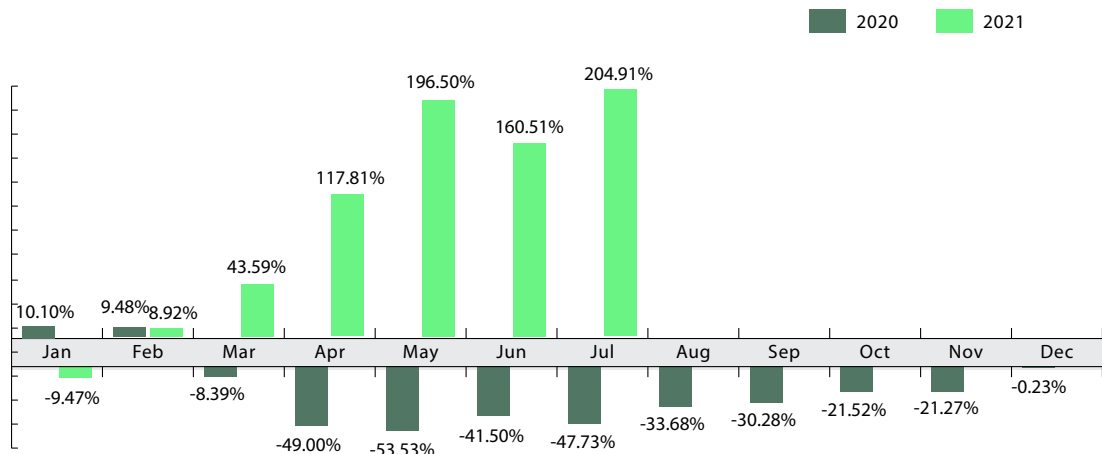
conglomerate, according to a June Moneycontrol report.

Gupta concurs, "A candidate with 3-5 years, costing Rs 5-12.5 lakh per annum last year, has seen an increase to Rs 20-25 lakh with the same experience now".

Technology is one space which is evolving at a rapid speed. Hence, it is more important now than ever to keep learning and upskilling oneself, continuously. "The pandemic has encouraged

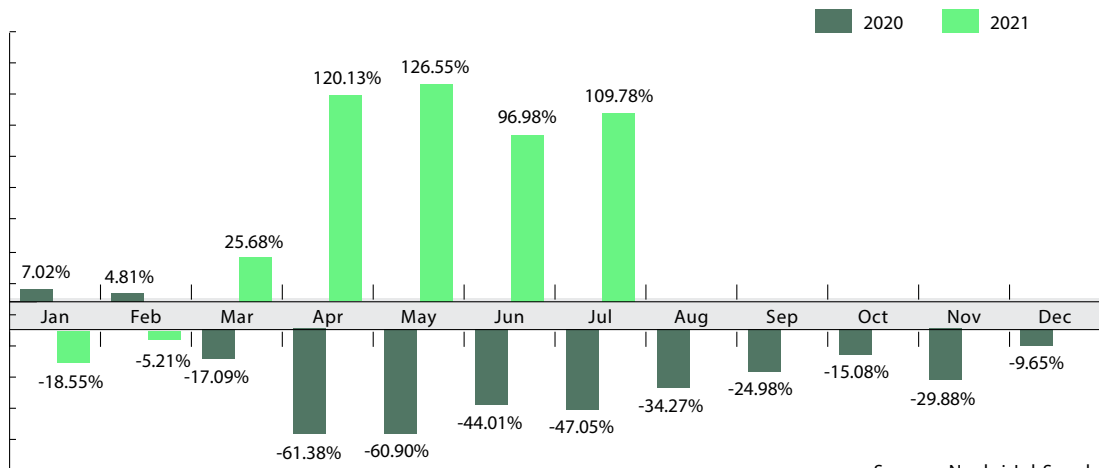
IT JOB SEEKERS TAKING UP THE DRIVER SEAT

Growth in New Job Postings by Recruiters for IT Roles (in % YoY)



Source: Naukri JobSpeak

Growth in New Job Postings by Recruiters Across All Roles (in % YoY)



Source: Naukri JobSpeak

Every company is facing a higher attrition rate than they had a year ago. In fact, this level of attrition has not been seen in the last 10 or 12 years, especially in IT and digital companies. Experts agree that a part of the reason is startup

organizations globally to focus on technology at the core of their business or to strengthen technology that forms their operational backbone”, said Chetan Yadav, Chief People Officer, Tally Solutions.

Unicorn Hirings

Every company is facing a higher attrition rate than it had a year ago. In fact, this level of attrition has not been seen in the last 10 or 12 years, especially in IT and digital companies. Experts agree that a part of the reason is startup hiring, which is on fire looking to employ high quality that is in short supply. Indian tech startups have raised record capital at break-neck speed. In the first six months of 2021, 16 companies joined the unicorn club compared to 9 in 2020. Most of these unicorns belonged to industries such as fintech, SaaS, logistics, and marketplace. These Indian startups raised \$12.1 billion from venture capitalists and private equity firms in the first six months this year, beating the last calendar year's overall funding by \$1 billion, data compiled by Venture Intelligence show.

Several media reports say that startups like Zomato, Swiggy, Amazon - are seeking to hire

mostly in the tech profiles - and others like Nykaa, Mamaearth, Flipkart, Upstox, and Cars24 are among the companies scouting for CXOs and leadership roles across various teams, a July Times Now report said.

Potentially, all the unicorns and potential unicorns hired close to 65,000 executives over the last 15 months period, the article said citing a survey.

Employee Retention

As the demand for digital talent explodes, retaining existing talent in the industry poses a near-term challenge. Addressing this situation, Infosys CEO Salil Parekh said, announcing his company results, that there is a significant focus on retention, employee engagement initiatives, career growth, career opportunities for people, and so on.

Adding to it, Infosys COO Pravin Rao concurred, “We also have a couple of specialist teams, one we call power programmer and the other one is called digital specialist. We hire people into these teams that have significantly higher compensation than what we do for normal college graduates. So, that is one way for us to attract

the right talent and we deploy these people on some of the most challenging projects which are very attractive for these people as well. So that is another way we try to compete and get the best of the candidates out there”.

Others like FIS are using long-term incentives, ESOPs, retention bonuses, and joining bonuses for talent with niche and hot skills. Additionally, companies are also investing in upskilling and reskilling existing employees in order to meet the demand for talent in emerging technologies.

IT services firms are not just hiring to meet growing demand but to also plug gaps created by the sharp increase in attrition within these companies, particularly in the last quarter. Employees with 2-10 years of experience have been the ones that are signing out in large numbers.

Speaking about how MSME addresses the retention and talent challenges, Amita Mirajkar, co-founder & CEO of Clairvoyant India, a nine-year data analytics and data engineering company, speaks about different employee



benefits programs that were introduced by her company during the pandemic period to attract talent.

The company faces competition from other good and large innovative companies. So a general sweetening of the pot benefits like joining bonus, relocation bonus, long-term (four years and above) and short-term incentive program is a given.

In addition "We also created a special window to bring back women to engineering who took a break. This improves our diversity and we help them with training to get back on the live projects. We recently scrapped the probation period, thereby giving all the benefits that the company offers to new joinee from day one. Rationally, this helps the company and the employee part ways sooner if there was a mistake in the decision by either of the parties".

She further adds that a new joinee fresh out of college has better decision-making ability today than earlier so, in a way, scrapping probation shows a big gesture of trust assuring the incumbent that he/she has made a better decision to join them.

The junior hiring suffered last year as people were not available to train the newcomers. People with experience within large-scale enterprise systems have a huge demand. "We have been hiring for eight years and have been in growth mode. Earlier, a data engineer would know only data engineering with a single expertise area. Now, the focus is on full-stack and a data engineer would know data science, cloud

- they have a better perspective to solve business problems.

There is a requirement for soft skills and leadership skills - conflict management, emotional intelligence, and collaboration. All important skills now to become productive".

Among other trends pertaining to the retention issue, Amita says that industry-wide notice periods have gone up from 1-2 months to 3 months on average while a few large companies have moved from three months to six months. The industry average for the front-end developers, a prominent requirement for Clairvoyant, has gone up by 4-5 times for a good engineer.

"We also give interest-free loans and salary advances. Many employees who faced personal difficulty last year, took advantage of this. This has been around but we made the eligibility open for everybody. Earlier, the eligibility was team leaders and above. The removal of probation made it possible that even new joinee can avail interest-free loans. We have increased benefits baskets every quarter, albeit incremental", says Amita.

Short Term Bubble

Most of the executives feel this demand and talent crunch is short-term in nature. Gupta expects the talent availability to improve in the three to six months time frame. That is, incidentally how much time it takes for the IT giants to train the freshers and create talent availability in troves.

The mass hiring and training by the larger firms are expected to ease the supply constraint. There will be a lead time because the hiring and training by the IT giants could be four to five months before they can be deployed on the project. Once the supply catches up, the whole situation will ease and companies will be able to meet with demand in a much more comfortable way.

Experts feel that it might take a year for things to settle down from the talent availability. They foresee, in a few quarters, the movement will settle down. The high attrition that we see in the market has a cost, it affects the work and the growth of the individual. This trend is likely to stabilize by mid-2022.

