How Tech Inc. is managing Talent War 2.1

Synopsis

Startups, IT companies and MNC captives are grappling with talent shortage and rising attrition rates as the need for people with digital skills goes through the roof a year into the Covid-19 pandemic. The situation is expected to only get worse.

Pune | Bengaluru | Chennai: In March last year, most technology firms stopped hiring, while some retrenched staff anticipating tough times as the Covid-19 pandemic started impacting businesses worldwide.

One year on, the situation has completely reversed. **Startups**, IT companies and MNC captives are facing off in an outright talent war as candidates juggle four-five job offers, compared to two years ago when they were grabbing anything that came their way.

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Tata Consultancy Services (TCS), India's largest IT services, **plans to hire over 40,000 freshers** from Indian campuses this year, adding to its **over half-a-million workforce**.

"The shortage of digital skills in the current marketplace is unprecedented. The market will continue to see a rise in demand for IT and tech-based roles," says Siva Prasad Nanduri, vice president and business

head - IT staffing at TeamLease Digital. "With ever-increasing demand for digital skills, the talent gap has widened."

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Mobile advertisement services platform **InMobi**, which is recruiting people with data science mobile development skills, says there has been an uptick in demand for such skills in the last 12-18 months.

"Hence, there has been an increase in demand as well as compensation packages for people having these skills. We are seeing that candidates having these skills are witnessing salary jumps in the range of 25% to 70% while changing jobs," says Sahil Mathur, senior vice president (Global HR & Culture), InMobi. The salary increases also depend on where a company chooses to place itself in the **Pune | Bengaluru | Chennai:** In March last year, most technology firms stopped hiring, while some retrenched staff anticipating tough times as the Covid-19 pandemic started impacting businesses worldwide.

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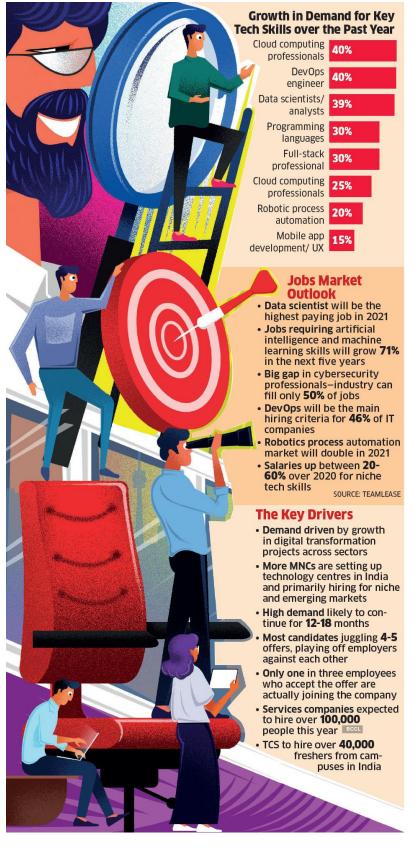
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compensation bands of the market, he adds.

Growth in Demand for Key Tech Skills over the Past Year

Skill	Growth
Cloud computing professionals	40%
DevOps engineer	40%
Data scientists/ analysts	39%
Programming languages	30%
Full-stack professional	30%
Cloud computing professionals	25%
Robotic process automation	20%
Mobile app development/ UX	15%

Jobs Market Outlook

- **Data scientist** will be the highest paying job in 2021
- **Jobs requiring** artificial intelligence and machine learning skills will grow **71%** in the next five years
- **Big gap** in cybersecurity professionals—industry can fill only **50%** of jobs
- **DevOps** will be the main hiring criteria for **46%** of IT companies
- **Robotics process** automation market will double in 2021
- **Salaries up** between **20-60%** over 2020 for niche tech skills

SOURCE: TEAMLEASE

The Key Drivers

- **Demand driven** by growth in digital transformation projects across sectors
- **More MNCs** are setting up technology centres in India and primarily hiring for niche and emerging markets
- **High demand** likely to continue for **12-18** months
- **Most candidates** juggling **4-5** offers, playing off employers against each other
- **Only one** in three employees who accept the offer are actually joining the company
- **Services companies** expected to hire over **100,000** people this year
- **TCS** to hire over **40,000** freshers from campuses in India

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Widening Gap

The gap is being made worse because the demand for tech skills is no longer restricted to technology companies. Every business is now digital. Retailers who were primarily selling offline have realised that going online is the only way they can continue selling. This has meant either putting in place a tech team or outsourcing this to small firms who have suddenly had to ramp up their headcount to meet demand.

GoFrugal Technologies, which provides point-of-sale solutions for retail companies, knew by July last year that it needed to start hiring as it saw signs of revival in the market. It has increased headcount by about 40% in the past year.

"In the technology space, there is a talent war, and everyone has started hiring because everything has become digital… We are also hiring more in the IT sector and even across the different functions working on sales, customer service every month," said Amudha Harisekar, vice president - human resources at GoFrugal Technologies.

As companies fret about a lack of skilled talent, several candidates are using the opportunity to net higher paying jobs, often playing prospective employers against each other.

For instance, on social Q&A platform Quora, a (former) TCS employee asks whether he should move to HCL Technologies at a 43% pay hike. Meanwhile, the head of a Pune-based software company says only one in three people accepting a job offer is actually joining.

IT services companies have warned that attrition numbers and employee expenses would jump in the coming quarters as they roll out another round of salary hikes.

[**Accenture**](#) recently reported that attrition rates had gone back to pre-pandemic levels at 17% in the previous quarter, as the push for digitisation led to a demand for tech talent.

Losing existing talent has been its biggest problem, [**Cognizant**](#) India's Managing Director Rajesh Nambiar told ET in May. The Teaneck, New Jersey-based IT services provider's total attrition rate (quarterly annualised) in the January-March quarter stood at 21% compared to 19% in the previous quarter. Voluntary attrition stood at 18% in the first quarter, the company said in a statement. It has made over 28,000 campus offers from across the country to meet growing demand. This is significant as the IT services company, which follows the model of Indian outsourcers with a huge offshore talent base, had to reject a large deal after it was unable to find people to implement the contracts it won in Europe.

"It has become a candidate-driven market with the overall demand being at least 50% higher compared to last year," says Sanjay Shetty, head- strategic account management, Randstad India. The staffing services provider is witnessing demand for full-stack, back-end and front-end developers, apart from Cloud and security experts and data scientists. For all these roles, salary hikes are 30-50% higher depending on the exact function.

"This state of hiring will go on for the next 12-18 months as people still need to digitise their business

and invest in security," Shetty says.

Most technology companies are looking to hire business leaders and people with specific engineering skills. Several startups, especially in the food, edtech and healthtech segments, have seen business boom and are expected to continue hiring, going forward.

"For 2021, our investments in hiring would be primarily across engineering and product functions as we grow our new businesses…hence we look out for talent in core product engineering, data science and ML functions," **Swiggy**'s HR head Girish Menon says.

India Talent Hub

TCS says there is no dearth of supply of talent in India and the competitive salaries is the reason why global firms were eyeing the country's talent.

"There's nowhere else in the world that you will get such phenomenal talent and the scale as in India," Chief Operating Officer NG Subramanian said last week. "If somebody says that Indian talent is becoming more expensive and salaries are higher than Poland and Eastern Europe because that's available at lower cost, I will be very surprised because we are into this globally."

The pandemic has dispelled any misgivings companies may have had about employees' effectiveness while working remotely. This has resulted in several American and European firms setting up their tech centres remotely in India, and existing ones ramping up their presence.

"New-age companies and mid-market firms are now starting to set up centres here and it is industry-agnostic," says Lalit Ahuja of ANSR, which helps global firms set up their global capability centres (GCCs). Ahuja says a shift is underway, with companies in sectors like aerospace, travel and hospitality setting up their tech centres in India now.

Most of the existing GCCs are believed to be adding more than a thousand people to their India centres.

Amdocs is hiring 'aggressively' in India after having won large Cloud and digital deals in North America, says its division president Samit Banerjee. "Finding people is a challenge because the talent pool is not fully mature yet," Banerjee says.

The new jobs being created here are more high-end and focused on new tech like data science, artificial intelligence and machine learning, says Vinu Nair, managing partner at Antal India, which helps in recruiting people for GCCs. Another factor fuelling the demand for talent in India is that a lot of tech workers from Eastern Europe, who used to work in the UK and continental Europe, have moved back home and are unlikely to return, causing a supply gap in those countries, Nair says.

British retailer Tesco Plc, which does key product and tech development in India, has deployed about 300 bots in India for transactional work. "This has freed up about 900 people, and they are now being upskilled for more value-added work," says Sumit Mitra, CEO at Tesco Business Services & Tesco

Bengaluru.

Skills Gap

The talent crunch is leading companies to tap smaller towns. Companies are also upskilling their staff on their own or in collaboration with industry bodies like Nasscom to ensure that the workforce remains relevant.

The industry is in the process of upskilling more than 250,000 employees in digital skills and has hired more than 40,000 fresh digitally trained talent, Nasscom says.

Staffing firms like TeamLease have put in place a model where they hire and train people according to the requirements of clients, so that they are effectively deployed as soon as they join. Over 70% of tech employers are experiencing skills shortages this year and the gap persists partly because technology change is exceeding skill development programmes, says TeamLease's Nanduri. Additionally, there is difficulty in attracting candidates with the right skills and a lack of investment in training, leading to the skills gap, he says.

The demand for niche technology skills has gone up in the last few years and **Amazon** is continuously looking at alternative ways of creating a pipeline, Amazon India HR director Deepti Varma says.

"While externally we are focused on attracting niche skills, we are making significant investments in our internal talent by diversifying their skill sets. We are developing engineers into scientist roles and adding product thinking capability as a development area," she says.

In the last few years, the company has had software development engineers transitioning into scientist roles and operation associates take up engineering roles.

Small IT and product firms are now replicating the training models that services companies have put in place over decades. Indium Software has created an academy model where freshers go through a proper training programme. "A lot of upskilling has happened and with every hire we plan to do a rookie model which means that if there is a senior software engineer who is moving to the next level, " says Pradeepa Ravindran, vice president of human resources at Indium Software.

Enterprise software provider Kovai.co has set up a university on campus. "We have really good senior people and now at the bottom of the funnel we are adding more resources," Kovai.co CEO Saravana Kumar says.

The demand for talent is unlikely to wane any time soon, industry insiders say.