

# Mass layoffs shake India's IT industry

**Jai Sharma****27 February 2015**

Major Information Technology (IT) firms have laid off thousands of workers in India in recent months, throwing them onto the streets with meagre or no severance pay and giving a serious jolt to the notion, long-promoted by the Indian ruling class, that a job in this sector was a ticket to a secure and comfortable middle-class life.

The mass firings have been most widespread in the southern city of Bangalore, the so-called Silicon Valley of India. Both Indian and foreign-based IT companies, including Infosys, IBM, TCS (Tata Consultancy Services), Citrix, Yahoo, and Samsung, have slashed their workforces.

In the middle of last month the *Times of India* published an article titled “15,000 pink slips in the tech corridor and still counting.” It quoted an industry analyst as saying: “The frequency of layoffs has increased. From IBM, Dell, Cisco to HP, almost all the big companies have cut jobs. The latest being the TCS layoffs, which have culminated in techies hitting the streets to protest.”

The analyst was referring to massive job cuts at TCS, India’s largest IT company. TCS was initially said to have fired as many as 30,000 Indian employees—about 10 percent of its worldwide workforce.

This was quickly denied by company management who insisted that “only” 3,000 to 5,000 persons have been fired for “under-performance,” a term the company cynically uses to cover up its cost-cutting to boost profits. It is highly likely these three to five thousand are only a first volley, TCS management having decided that staggered layoffs will reduce the risk of opposition.

The wave of job cuts has prompted Indian IT workers to form support organizations with a view to discussing ways to fight back. Until recently there was little support among IT employees for anything that could be seen as a worker- or class-based organization, the employers having spared no small effort in promoting the conception that the IT workers should view themselves as middle-class professionals.

Two such organizations that have recently sprung up are the IT/ITES Employee Center (ITEC) in Bangalore and

the Forum for IT Employees (FITE) in Chennai (formerly Madras).

In Chennai, Bangalore, Hyderabad, and New Delhi, affected TCS employees and some of their colleagues who were also apprehensive about their own jobs have held demonstrations and meetings to discuss their next course of action.

In Chennai, police prevented a scheduled protest outside the local TCS headquarters from taking place. In New Delhi, a couple of workers whose jobs were targeted for elimination refused to “resign” and have instead filed court cases against their employer challenging their termination. In Bangalore, laid-off employees and several of their colleagues wore masks of the TCS CEO when they staged a demonstration near city government offices.

The sacked TCS workers have also held meetings with the labor commissioner and with the representatives of the major Stalinist-led union federations, the Centre of Indian Trade Unions (CITU) and the All India Trades Unions Congress (AITUC).

The Stalinist unions have issued hollow statements of support, urged the IT workers to join their ranks, and advised them to lobby ministers in India’s Union and state governments. All of these ministers are at the beck and call of big business and implacable enemies of the working class.

In addition to the aforementioned layoffs, the US transnational IBM last year fired thousands of its Indian employees and has recently announced more mass layoffs.

Samsung is said to have fired around 1,500 Indian employees due to falling profits in its mobile phone division. eBay is reportedly planning on laying off 2,400 employees worldwide out of which 1,000 would be in India.

In 2014 Yahoo fired a majority of its Bangalore employees and moved others back to its US headquarters.

Another large Indian IT company, HCL Technologies, has been systematically reducing its workforce under the guise that employees’ skills are obsolete or no longer fit

the company's needs. In 2013 HCL refused to issue formal "joining-letters" to many of the fresh graduates it had recruited through campus interviews.

A young IT employee recently laid off from his job commented: "Even in my wildest dreams, I had not imagined I would be thrown out of my job. ... My world turned topsy-turvy in just 20 minutes when I was summoned in the afternoon and given the marching orders. I did not know how to react. I could see some of my sacked colleagues crying aloud, some begging with the HR personnel to give them time and some reacting angrily."

Since the 1990s the rapid growth of India's software development and Business Process Outsourcing (call center and back office) industries has been hailed by the Indian elite as a means of propelling India into the club of developed countries.

Successive Indian governments, both at state and national level, have lavished support on the IT and IT-enabled sector, including providing innumerable tax breaks and cheap and easy land acquisition, and setting up Special Economic Zones (SEZ) with tax holidays and exemptions from standard labor and workplace laws.

India's IT and BPO (Business Process Outsourcing) sector reportedly employs up to 3.1 million persons directly and generates some \$120 billion in revenue annually, including more than \$70 billion in foreign revenue. In 2012, the IT services and BPO sectors constituted, according to some estimates, as much as 7.5 percent of India's total GDP.

However, India's IT sector is increasingly being hammered by the world capitalist crisis, by anemic growth in the US and Europe and increasing competition from other countries with abundant cheap labour. Like many of India's other industries, its IT sector is also being undermined by the deplorable state of public infrastructure, everything from the speed of transport and reliability of utilities to the low quality of the education provided by all but India's premier universities and technical institutes.

India's IT and BPO sector has steadily lost business to other Asian countries, especially the Philippines, where salaries are even lower, as well as to Eastern Europe.

According to a recent study by the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and the global financial services company KPMG, India is losing about 70 percent of all "incremental" (new, not-Previously contracted) voice and call center business to Asia and Eastern Europe.

ASSOCHAM's principal recommendation to India's BPO firms is that they slash their costs still further by relocating their facilities to smaller Indian cities and towns.

India's giant IT companies such as Infosys, TCS and Wipro have long operated as what are termed "body shops," sending cheaply paid Indian engineers to work on IT projects in the West while pocketing huge profits. This "model" is also now increasingly unravelling due to a drop in investment and the imposition of new restrictions on temporary work visas by countries such as the US and UK.

Indian IT companies have responded to their loss of projects in the West by putting the squeeze on their employees. One oft-used tactic is to lay off experienced, better-paid workers and replace them with newer ones earning far smaller salaries. So abysmal are Indian pay scales that software engineers making \$16,500 per year are considered "high-earners."

India's IT workers are increasingly realizing that they are not much different from assembly line workers in manufacturing who have long faced brutal working conditions and arbitrary firings. And like other workers, the problems of IT workers can only be addressed through the development of *class struggle*, that is, through the building of an independent political movement of the working class that systematically challenges the diktats of big business and fights for a workers government, which will radically reorganize socioeconomic life so production is organized to meet social need, not enrich a tiny minority of capitalists.



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