

Huge job losses loom in India's IT sector

Joy Bose, Kranti Kumara
3 June 2017

A recent spate of reports reveals that a major crisis is looming in India's IT sector, with hundreds of thousands of jobs threatened with elimination. Given the IT sector's importance in providing relatively better-paid jobs to university graduates in a country with a rapidly expanding youth population, this crisis is likely to have explosive social consequences.

Seven major Indian and foreign IT companies with major operations in India, including Wipro, Infosys and US-based Cognizant, will reportedly lay off about 56,000 employees this year. This amounts to about 4.5 percent of the 1.2 million persons they collectively employ worldwide. But numerous business publications and corporate media are reporting a more ominous projection of 600,000 Indian IT workers losing their jobs over the next three years.

India's IT companies are experiencing intense cost pressures from their clients, who themselves are facing profit and revenue squeezes due to the global crisis of capitalism. They have also been roiled by the election of Donald Trump, who has vowed to clamp down upon the H1-B visas that Indian-based IT companies depend on to send some of their highly-skilled, but low-compensated, employees to the US.

The market for IT services is characterized by cut-throat competition, pitting India's IT companies against each other both domestically and internationally.

India's IT companies are using the most underhanded methods to rid themselves of loyal, long-term, highly-skilled employees whom they deem a drain on their bottom line.

Some have gone so far as to deny that they are laying off workers and portray their job cuts as the "normal" process of weeding out "low performers." For example, a Cognizant spokesperson told the *Hindustan Times* that "Cognizant has not conducted any layoffs" despite the fact that there were widespread reports that the

company has targeted 6,000 to 10,000 employees for pink slips just this year.

By classifying targeted employees as low performers during an annual or biannual performance review, IT companies can circumvent even the measly compensation accorded laid-off workers under Indian labor laws.

Under these laws, which the authorities in any event routinely fail to enforce, an employee sacked in a mass layoff is entitled to a minimum 30-day termination notice and a half month's wages for every year worked. The latter stipulation applies, however, only to workers with a minimum of five years of continuous employment.

Having classified workers as "low performers," companies often pressure and outright bully them into resigning, including by making threats regarding the work references they will need to gain future employment.

Recently the Forum for IT Employees (FITE), an organization created by workers at various IT companies and call centers, complained on behalf of numerous workers to Labor Ministry officials in Chennai, the capital of Tamil Nadu, and Hyderabad, the capital of Andhra Pradesh, that Cognizant is illegally terminating employees.

It charged that this was a deliberate tactic, aimed at replacing relatively well paid and experienced professionals with younger, lesser experienced workers and at lower pay.

In a statement to the *Hindu Business Line*, a Cognizant representative claimed that the "company's performance review process [is] consistent with the standard practice that has been followed by the IT industry for many years."

Indeed, there is evidence that Cognizant's practices are similar to those of many other IT companies and are part of a system designed to exert relentless pressure on

workers.

Companies systematically target so-called low performers for sacking, using this as a means to intimidate workers into meeting productivity goals and to shed better-paid, longer-term staff.

In addition to the pressure of meeting deadlines and costs on projects, workers have to constantly worry about whether they are next in line for sacking. Moreover, the deadlines and costs are frequently determined by management with little or no input from the workforce.

The means the companies employ to identify “low performers” are arbitrary, even capricious.

Frequently, they employ a Bell Curve “model” to classify employees, with the ones who fall at the bottom either sacked or placed on notice of possible termination. Workers who may have been classified “high performers” in one year, or even several years in a row, can be deemed low performers any time in the future, since companies routinely expect workers to increase their output year after year so as to swell company profits.

Many of the affected employees are managers and consultants with at least seven to 15 years of experience, who are deemed expendable because they are “easily replaceable” with junior IT employees at a vastly reduced pay package.

In addition, automation and artificial-intelligence software are increasingly resulting in job cuts, with even managers and other experienced workers under threat. Decisions previously made by team leaders and middle management, such as determining which workers should be deployed to most speedily and profitably complete a project, are now being made largely or wholly by artificial intelligence software, threatening the career progression and livelihoods of professionals who till recently were among the most upwardly mobile sections of India’s urban middle class.

India’s IT sector, which in 2015 earned \$147 billion in revenue with \$99 billion of this coming from the export of IT services, faces major economic and political headwinds.

US President Donald Trump has issued threats against the “abuse” of H1-B visas, which are the central facility Indian IT companies use to send their lower-paid Indian employees to work onsite with US

clients. The US, it should be added, is far and away the largest overseas market for India’s IT companies.

According to NASSCOM, the Indian IT industry association, Indian IT companies command 55 percent of the \$175 billion global IT and Business Process outsourcing market. However, growth in outsourcing is reportedly reaching a plateau and India’s IT companies do not have the expertise in developing software products to compete with the likes of Google and Microsoft.

Consequently, they are adopting savage cost-cutting strategies to try to grow profits.

The threat of a hollowing out of this industry, which has been pivotal to the rise of Indian capitalism, threatens to have major social and political consequences.

Up until now, India’s political leaders depended upon the relatively well-paid IT industry to absorb a portion of the vast number of engineering graduates coming out of Indian universities. If this avenue for advancement contracts, the future facing India’s educated youth will become even darker, with explosive political consequences. As it is, India has one of the world’s most rapidly growing labor forces. Close to half of India’s 1.2 billion people are under the age of 25 and some two-thirds are 35 years old or under.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact