

The ~~Challenging~~ Faces of Recruitment

Causal factors | **Duration of the shift** |
Mechanics of transformation | **Implications**

Navigating the Exponential Rise
in Requirement of Technology
Roles beyond IT Companies

A TeamLease Staffing Report



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Executive



Summary

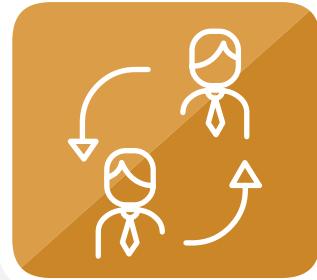
Executive Summary



Unprecedented **churn** in the IT Services sector

With a **21%** average churn rate in the last 12 months, and 11-18% churn across **70%** of all IT Services firms surveyed, the sector is going through a crisis of talent.

The highest churn is at the junior levels (**46%** of all employers surveyed), and with the Software development /Architecture (**74%**) and Testing/QA (**54%**) job profiles.



Much talent **transitions** to the software products sector

A majority (**51%**) of the employees surveyed claim to have moved to the software products sector.

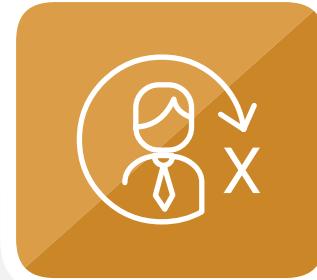
44% of the employers surveyed also believe the talent flight to have benefited the software products sector, while **20%** believe the attrited talent has joined other IT Services companies.



Compensation and career **reasons** urge the shift

66% of the employees and **40%** of the employers attribute the shift to compensation, and **58%** employees and **54%** employers attribute it to career advancement.

The main attractions for employees to their new jobs were “a new career alternative” (**78%**), “better compensation” (**64%**) and “challenging roles” (**60%**).



Employees' **unwilling to return** add to the woes

46% believe that the IT services sector did not anticipate the churn and **34%** could not prevent the churn despite anticipating it .

57% of IT Professionals would not consider returning to the IT Services sector in the future.

Executive Summary



Most employers and employees believe this is a **long term shift**

48% of IT Professionals believe this shift would last 'long term' and 37% believe it to last 'medium term'.

As much as 30% of the IT Services employers consider the shift to be permanent, while 24% believe it would take up to a year for the shift to subside.

63% of the startups and 47% of the software product companies believe that the shift is here to stay.



Employers concerned over **talent leaving** to other sectors

64% of the IT Services employers believe conventional sectors are attracting tech talent to their workforce.

10% are unsure over the possibility of this pool of talent moving to other sectors.



A ripple effect to **other sectors** a stark reality

60% of those who got employed in Apps - educational/ lifestyle / productivity sector and almost 48% of those who joined either the software products or conventional non-tech sectors believe this shift is 'long term'.

65% rate the experience in their new job as good and 27% rate it as excellent, suggest a related shift to be less likely.



Services firms take measures to deal with **talent deficit**

Majority of all Service firms (54%) have been able to recoup the talent lost to a great extent and 20% to a moderate extent, as companies focus on upgrading technologies / up-skilling talent (44%) and rejigging career pathways (34%) to counter the loss.



Attrition trends

in the Tech Industry

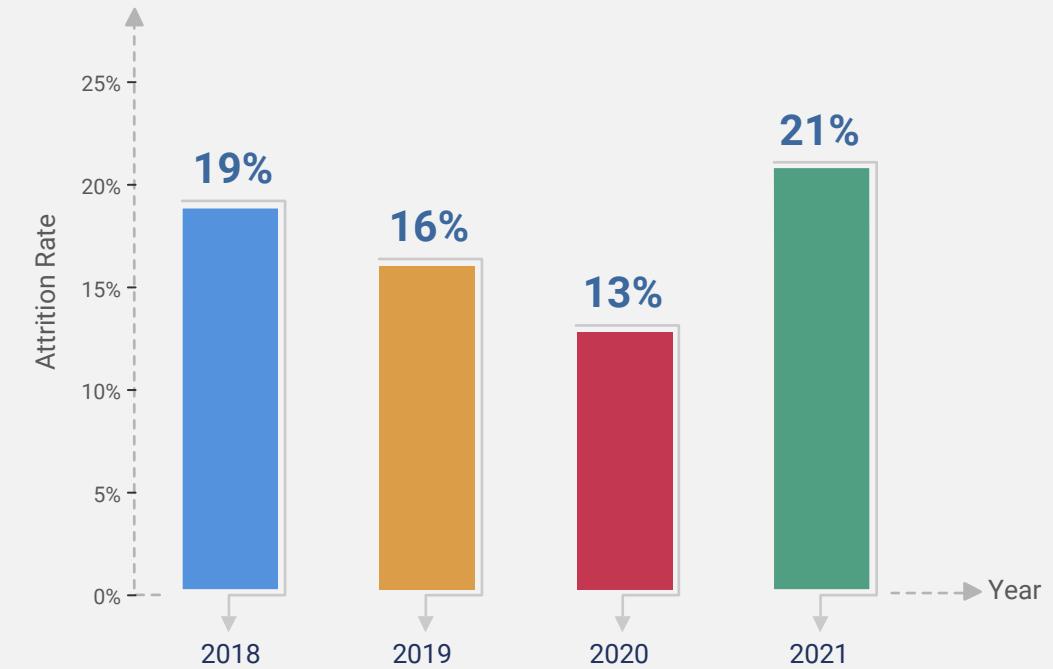
4-year trend:

Sudden escalation in attrition following a slump

The attrition rate in the IT Services sector shot up to **21%** after steadily declining from **19%** in 2018 for two subsequent years.

Rapid digital transformation of businesses, in the wake of the pandemic, has driven the demand for tech talent. A substantial churn has ensued with businesses from the IT Services, tech product and startup domains vying for a limited pool of tech talent.

Attrition in the IT Services sector over the last 4 years

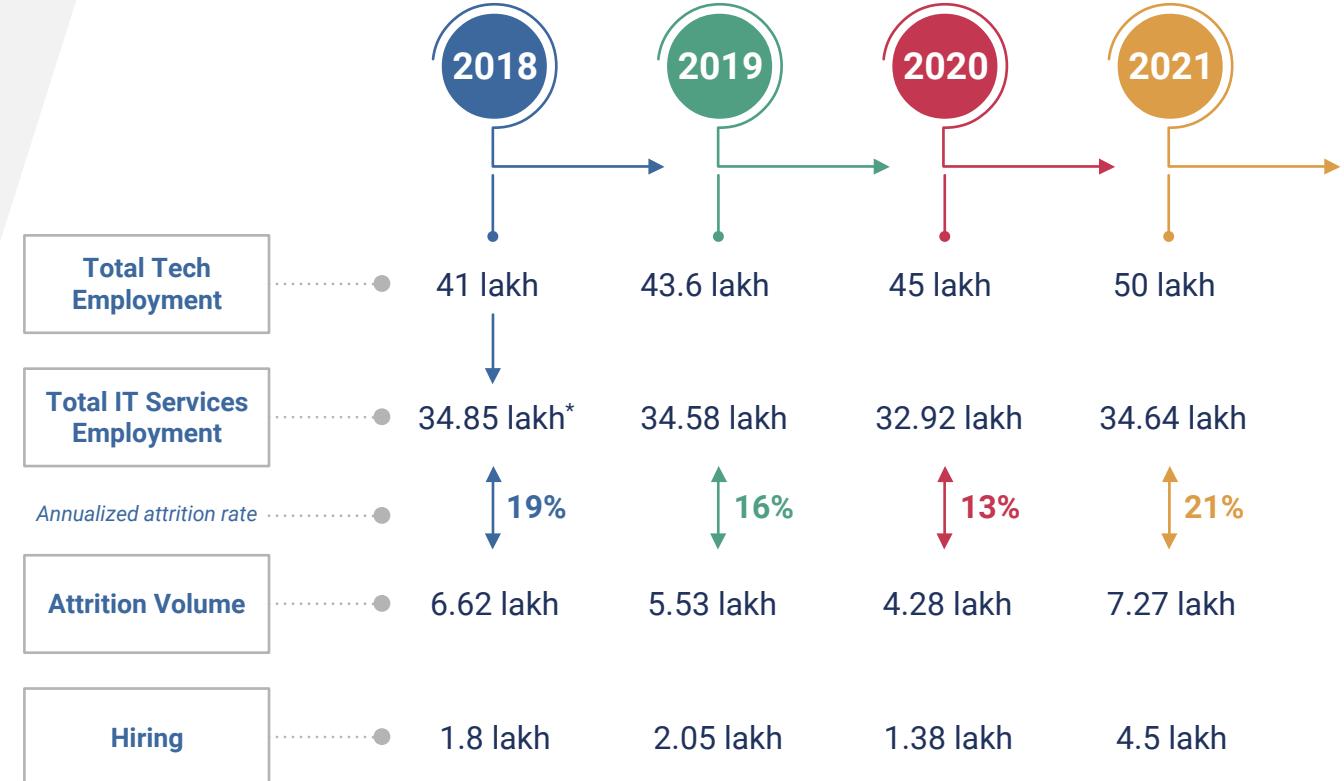


Data Source: *Winning The War For Talent*, Businessworld, Dec 2019 | 2022 salary hikes to hit 6-yr high amidst the 'Great Resignation', Fortune India, Feb 2022 | IT Companies To Hire More Freshers As Attrition Rate Highest In 20 Years, India.com, Feb 2022 | Indian IT sector's attrition rate on the rise, no sign of respite, Analytics India Mag, Mar 2022

Hiring vs Attrition Trends-

Timeline

- A spurt of hiring from startups and software product companies with the onset of Covid translated into a spike in attrition during 2021, although this trend may have begun well before – during 2020.
- A fair proportion of the attrition volume in 2020 and a substantial proportion of the increased attrition volume in 2021 could be attributed to these new-age firms ramping up their workforce at the cost of the IT Services sector.
- The services sector itself ramped up hiring during 2021 as business prospects improved.



*Assumption: 85% of total IT sector employment in IT Services as of 2018

Data Source: India's IT sector added 2,05,000 jobs in FY20: Nasscom, Feb 2020 | Job creation and Hiring in Indian IT-BPM industry, Nasscom, 2021 | India set for the rising techade as industry revenues soars past \$200 billion, Nasscom, Feb 2022 | Employment of the IT-BPM industry in India from financial year 2009 to 2021(in millions), Statista, Aug 2021 | IT industry on the road to becoming \$350 bn in revenue terms by 2026, Nasscom, Feb 2022

Where is the
churn occurring?

IT Services companies face vulnerability

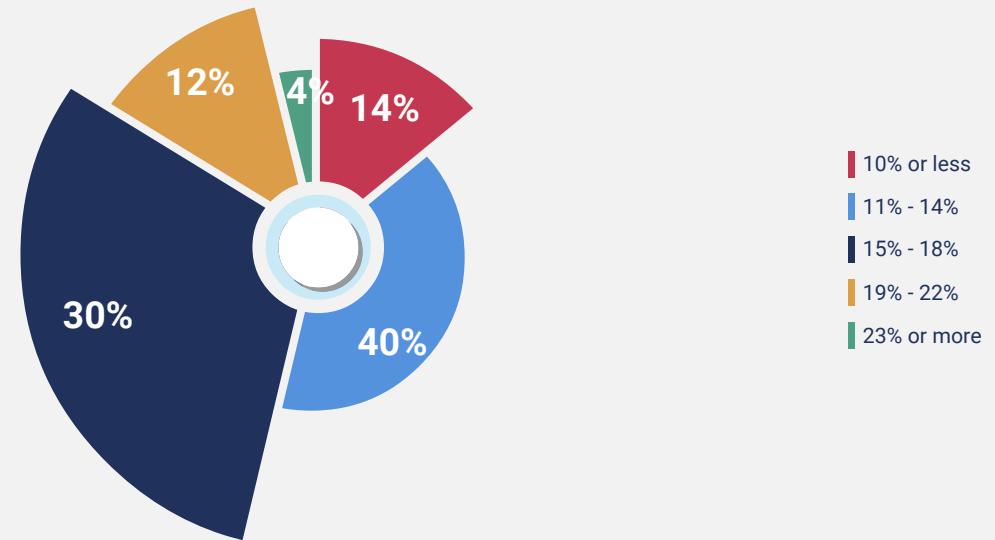
at the junior levels

The pattern of churn

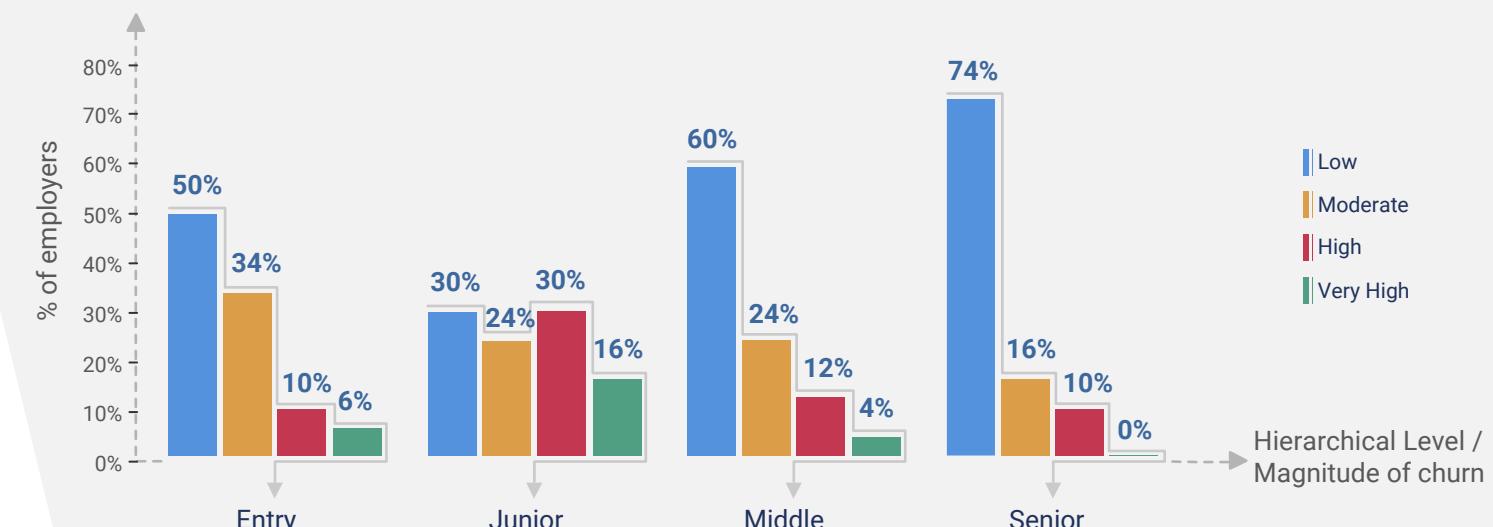
- A good **70%** of the IT Services firms surveyed went through churn in the **11-18%** range, **in the last 12 months**. Talent loss intensified to greater than **19%** in case of **16%** of the firms.
- Junior levels of hierarchy is where the churn seems to be concentrated – **46%** of the employers state that there is high – very high churn at this level. Across all other levels in the hierarchy, high – very high churn has occurred in case of **10%** to **16%** of the employers.



IT Services Employer responses : Churn rate last 12 months



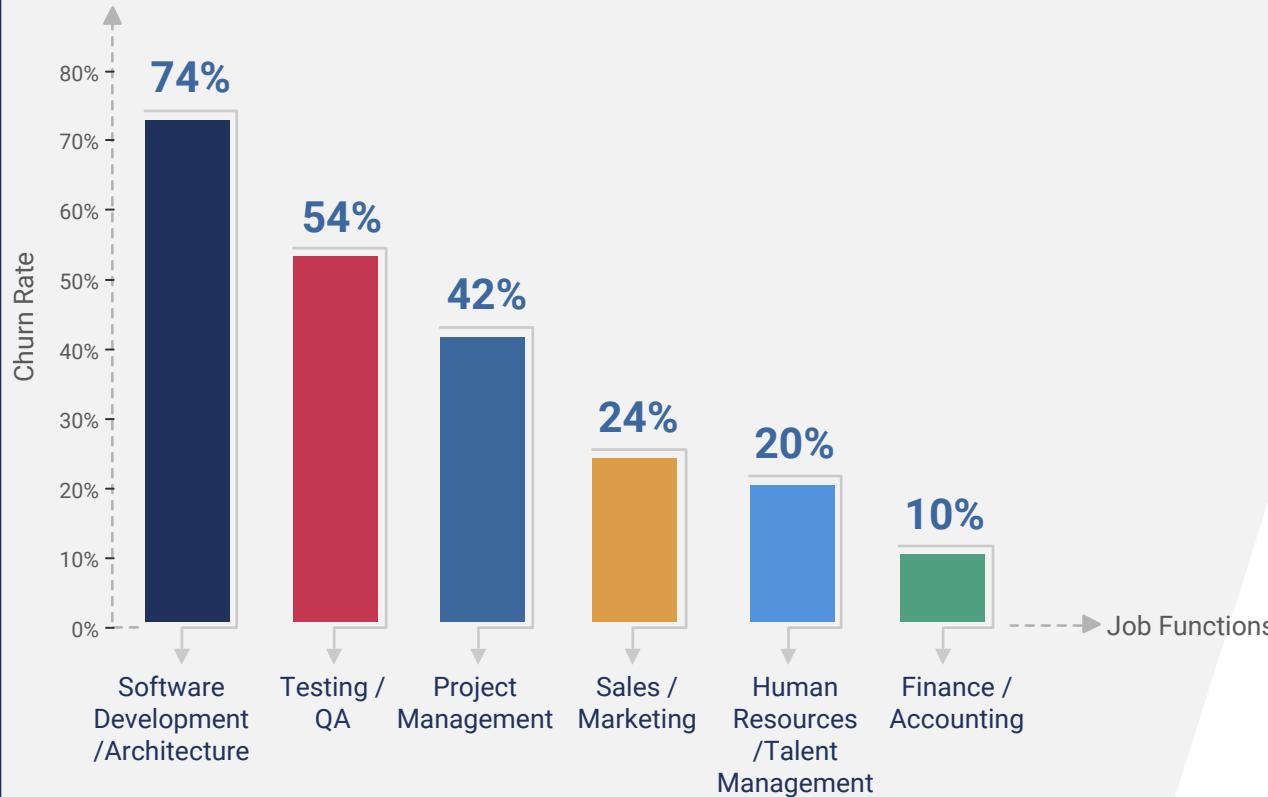
IT Services Employer responses : Magnitude of churn at different hierarchy levels



Developers, QA Engineers, Project Managers

on the move

IT Services Employer responses : Job functions with highest churn



Services losing its foot soldiers

- Nearly three-fourths of all employers surveyed (74%) lost talent in the software development / architecture function, and more than half of all employers saw churn in the Testing/QA function (54%).
- About two out of five employers (42%) experienced churn in the Project Management function.

IT Professional who switched to a start-up

Big IT companies want you to believe that you'll get an opportunity to go abroad. The actual number who get this opportunity might be about 5%. With Covid and remote work, the number has further diminished.

Where is the

existing talent headed?



Software products and apps sectors

draw in IT professionals

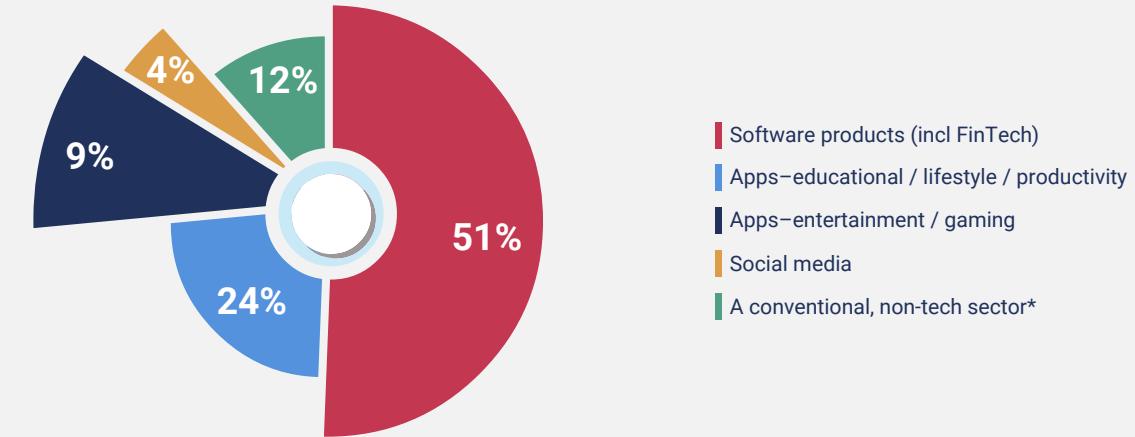
These sectors are increasingly obtaining a cult status

- The software products sector which includes FinTech companies seems to be where most talent is headed, with **51%** employees claiming to have moved there.
- A sizeable **24%** have joined App (Educational /Lifestyle/productivity) companies. **44%** of the employers, on the other hand, too believe their attrited employees have migrated to the software products sector.
- 20%** employers believe their exiting employees have gone on to join their direct competitors (other IT Services companies).

IT Professional who switched to a start-up

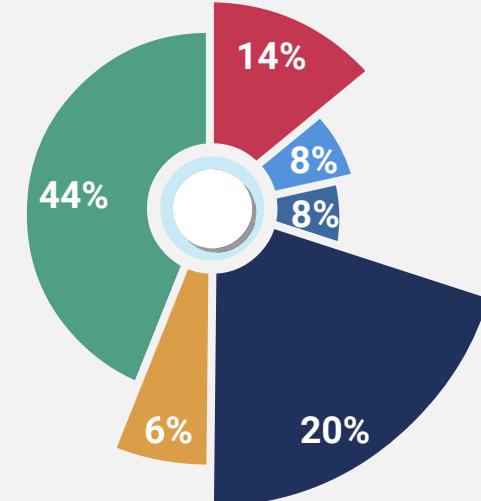
In most IITs and NITs, students look down on IT Service jobs. They aspire to join tech product and startup companies. Someone like me, who studied in a tier-3 college, gets influenced by how they think. I now know that these are viable career opportunities.

Employee responses : IT Sector professionals have moved to



Employer responses

- Apps –educational / lifestyle / productivity
- Apps –entertainment / gaming
- Conventional, non-tech sectors*
- Other IT Services companies
- Social media
- Software products (incl FinTech)



Note: *Such as Agriculture, Automobile, BFSI, FMCG, Retail, etc.

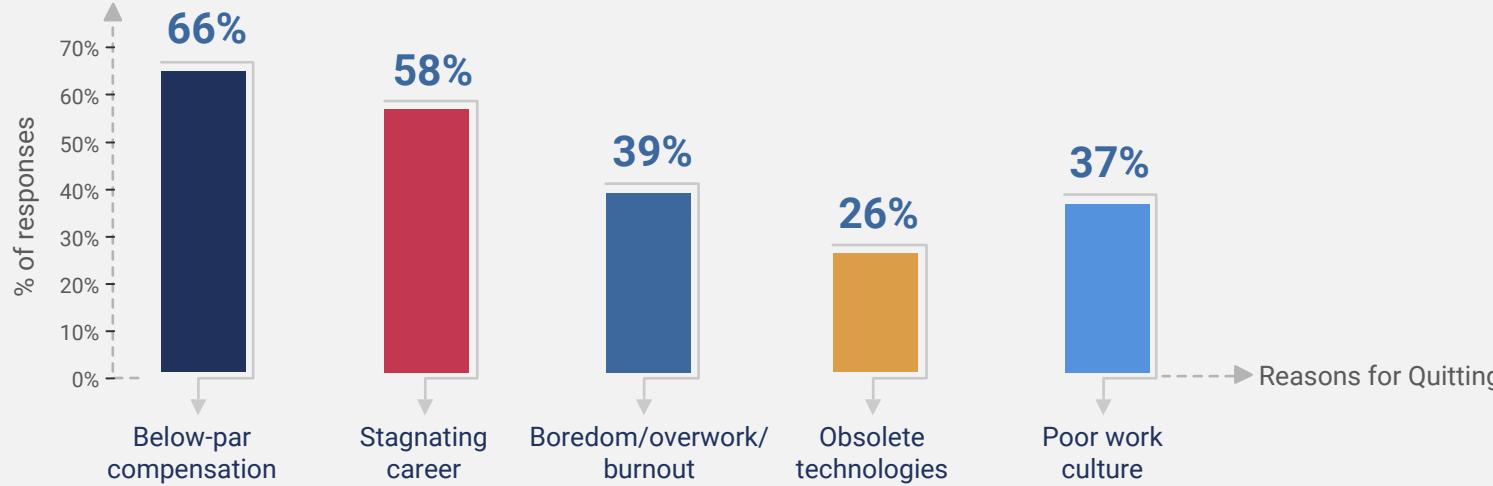


Why the
exodus?

What is driving this shift

to new-age sectors?

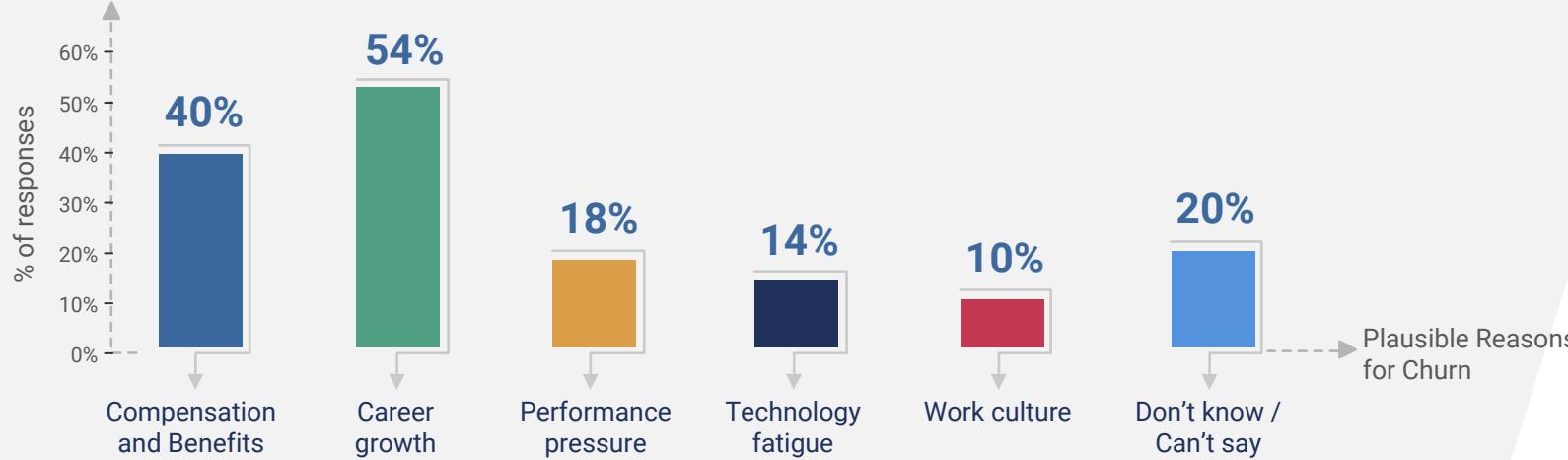
Employee perception : Why did IT Professionals quit their jobs?



Compensation and career changes cited as top reasons

- Employee and Employer perceptions appear to be aligned with each other. **66%** of the employees state below-par compensation and **58%** state stagnating career as reasons for quitting. Employers cite the main reasons for churn to be career growth (**54%**) and compensation & benefits (**40%**).

IT Services Employer perception : Most plausible reasons for churn



IT Professional who switched to a software product company

The hikes received in service based organizations are not as per the expectations even after giving your 100% at the end of the day. The hikes are comparably great at products based companies – up to 3 times those in services based company. The recent splash made by some product companies with super-expensive gifts raises aspirations!

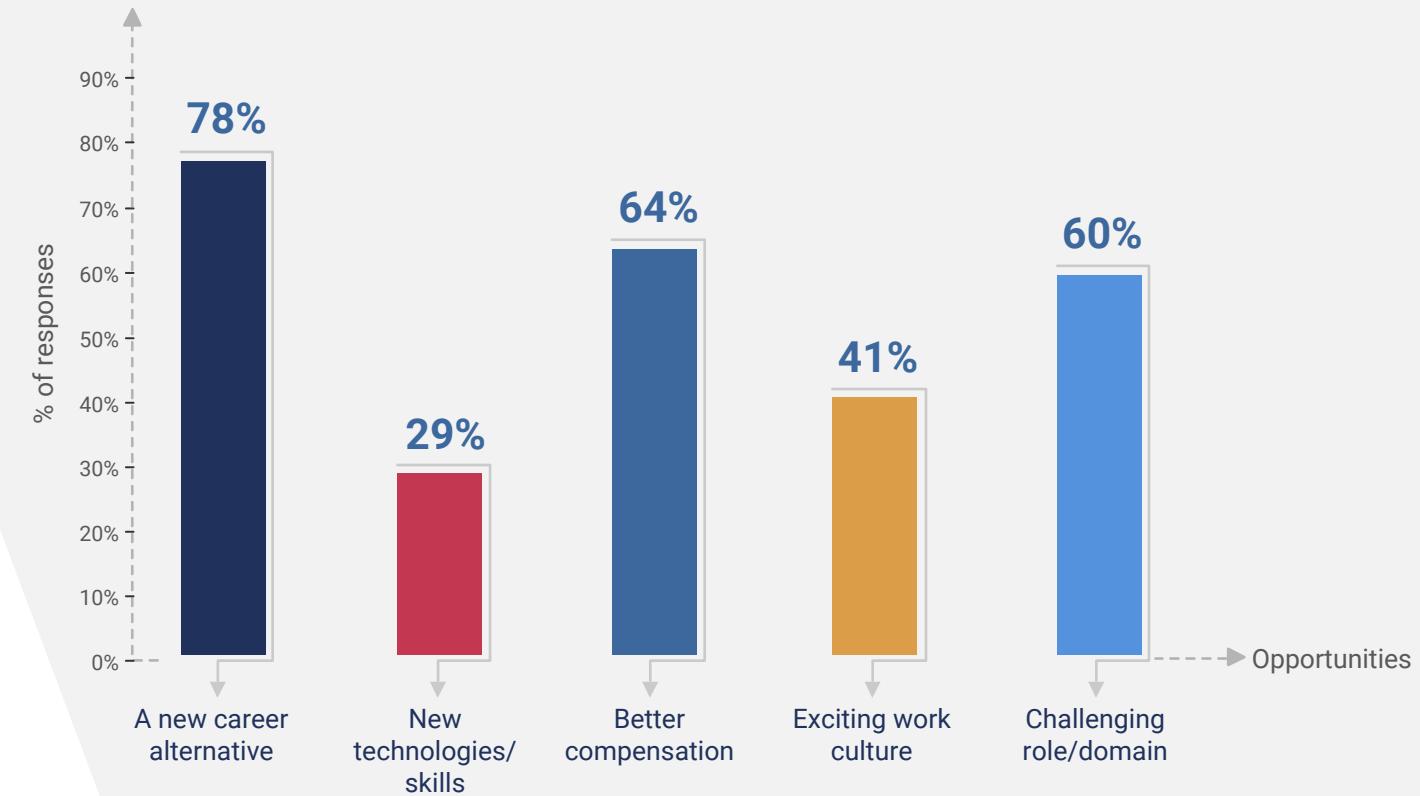
What attracts talent

to new-age sectors?

These sectors are increasingly obtaining a cult status

- While the main reason for IT Professionals quitting their IT Services jobs is “stagnating careers”, the main attraction to their new jobs seems to be “a new career alternative” (78%).
- On the other hand, 64% of the employees surveyed were attracted to their new jobs because of “better compensation” and 60% because of “challenging roles”, since job seekers are looking for new challenges due to exhaustion and stagnancy as a result of following a similar working pattern on a daily basis, especially in a work from home setup.
- New technologies and exciting work cultures appears to be the attractive prospects by considerably fewer employees, with 29% and 41%, respectively, citing them as the attractions leading to their new jobs.

Employee perception : What opportunities attracted IT Professionals to their new job?



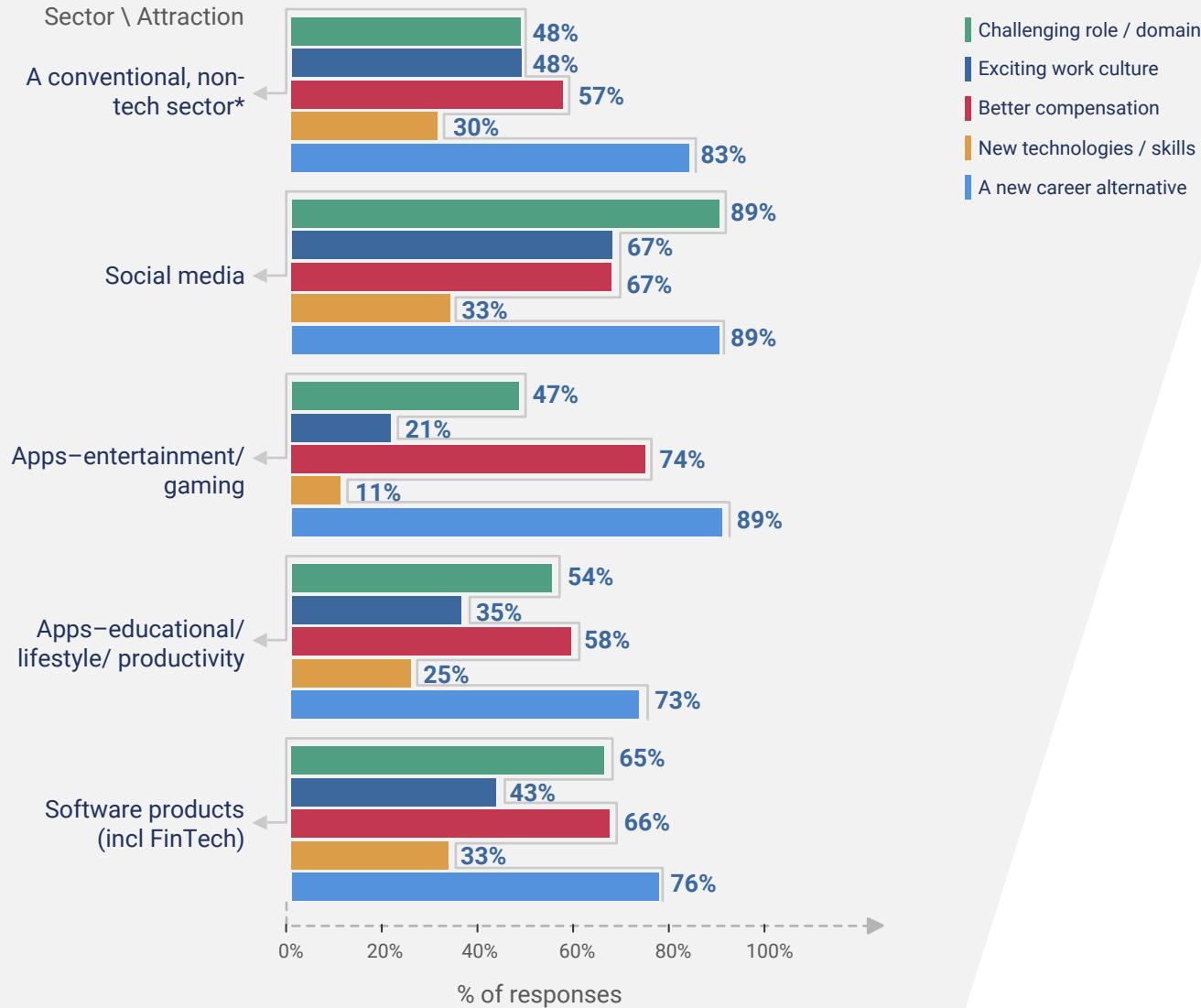
Data Source: The Great Resignation, India Today, Jan 2022
TeamLease dip-stick survey findings (April, 2022)

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What attracts talent

to other sectors?

Employee perception : Sector moved to vs opportunities that attracted the move



TeamLease dip-stick survey findings (April, 2022)

Note: *Such as Agriculture, Automobile, BFSI, FMCG, Retail, etc.

Professionals with lesser experience quit

due to inadequate compensation

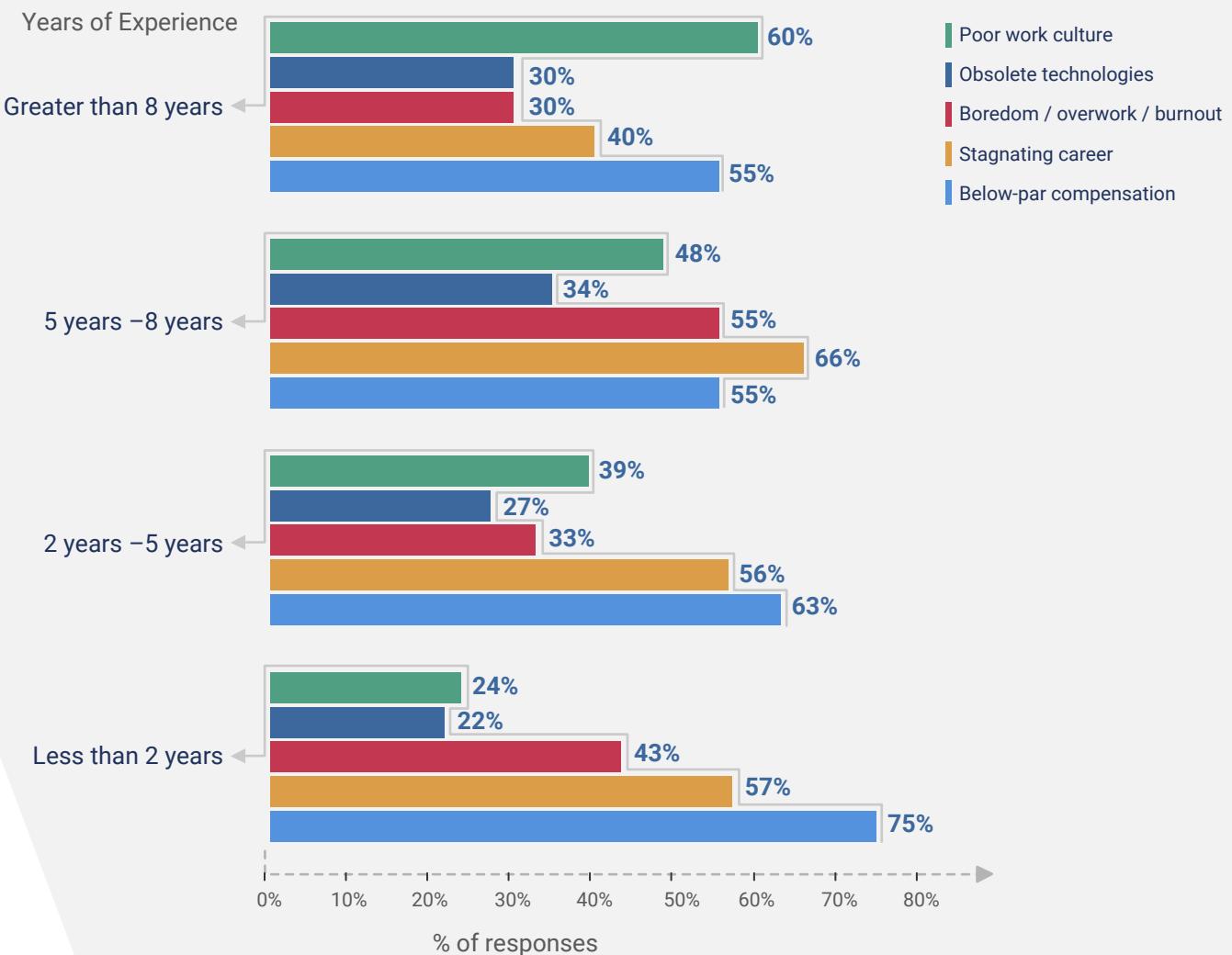
And career stagnation drives better experienced talent to quit

- At the lower end of experience levels – 75% of the IT Professionals with less than 2 years experience and 63% with 2 – 5 years experience – “below par compensation” is cited as the reason for quitting jobs.
- On the other hand, “stagnating careers” is the reason for 66% of the IT professionals with 5-8 years of experience and “Poor work culture” is the reason for 60% with greater than 8 years of experience category.
- Also, between 52% and 80% employers who have lost talent across functions believe “compensation and benefits” to be the main reason.

IT Professional who switched to a software product company

I was not growing as an individual, and opportunities to go abroad not there, thirdly expenses in metros are more, and salary hikes are very low. In product based companies hikes and perks are good. My work is recognized since the team is relatively smaller.

Employee opinion : Years of experience in IT sector vs reason for quitting job in it



How substantial is this shift?

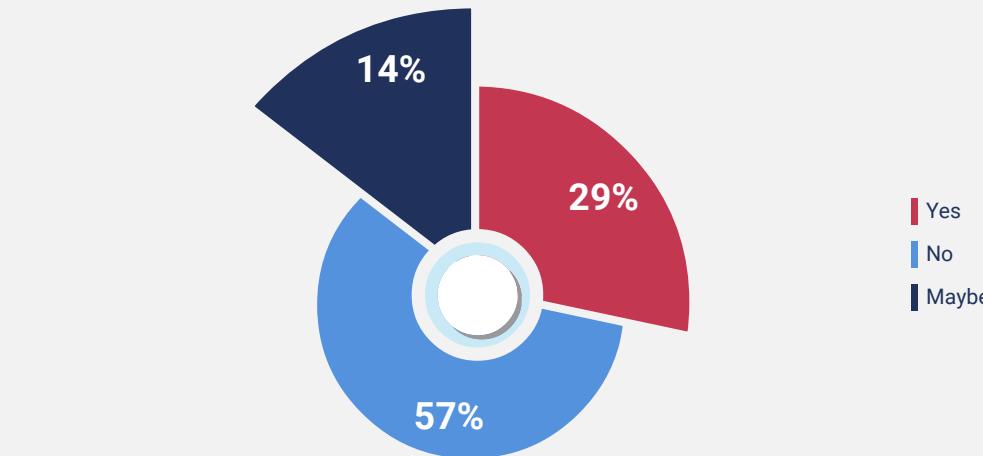


The icon features a yellow clipboard with a white grid. A green circular clock with black hands is positioned above the clipboard, with its hands pointing to approximately 10:10. The entire icon is set against a dark blue background.

IT Professionals are disenchanted

with the services sector

Employee perception : Would you consider returning to the IT Services sector at any time in the future?

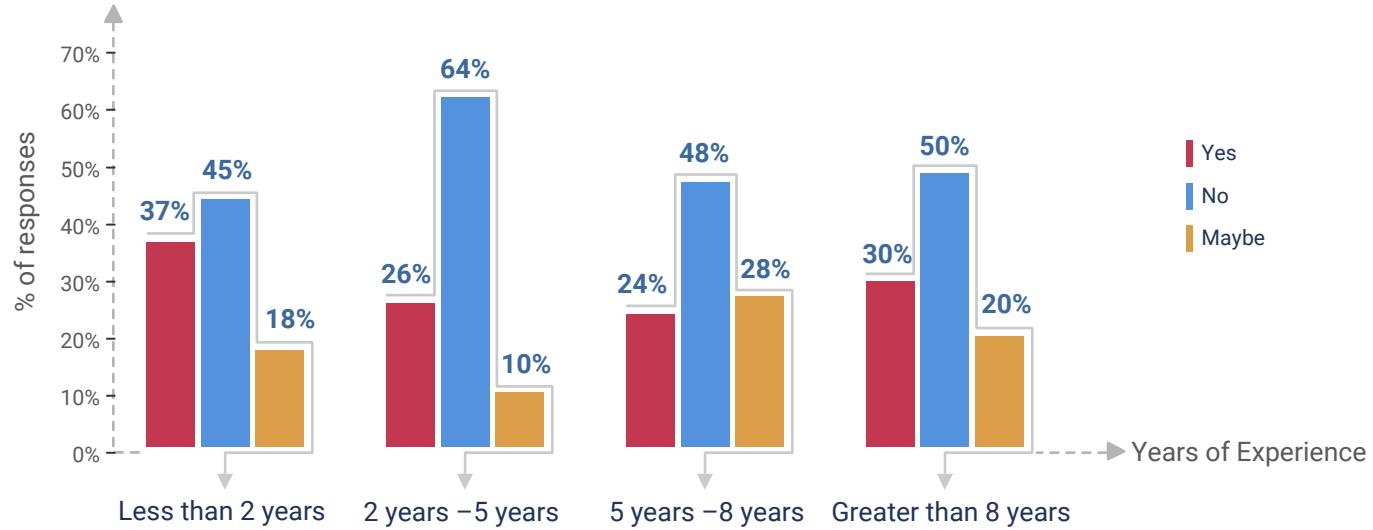


IT Professional who switched to a start-up
Rarely, some professionals use the product / startup stint as a springboard opportunity to get back to services companies at higher levels of hierarchy.

Many IT Professionals do not fancy going back to the services sector

- While nearly three out of five IT Professionals (57%) would not consider going back to the services sector in the future, three in ten (29%) would.
- Nearly two-thirds of the IT Professionals with 2 – 5 years of experience (64%) and almost half of those with 5-8 years experience (48%) are adverse to returning to the IT sector.

Employee perception : Years of experience in IT sector vs Opinion on returning back



More companies either startled by the shift

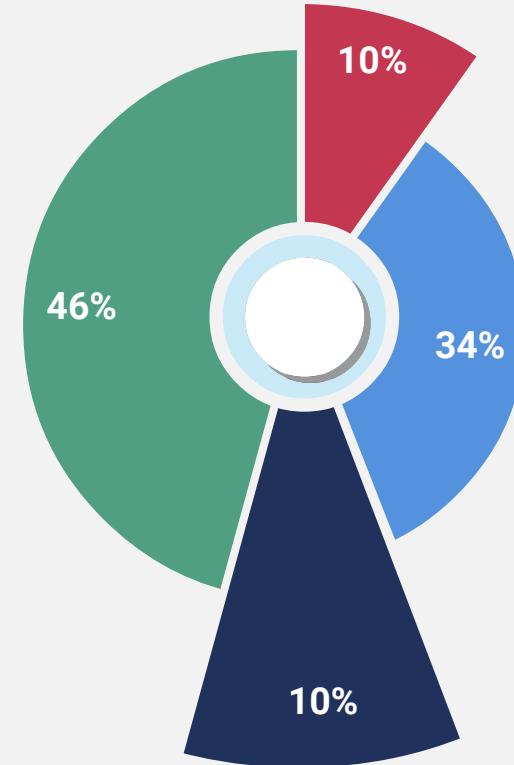
or helpless to change it

Nearly half of all employers (46%) believe that the IT services sector did not anticipate this shift. But, a close 34% do think that they had anticipated it but admit that they could not have prevented the churn. On the flip side, only 10% believe the companies were prepared for it, and the same proportion does not consider it a big shift.

IT Services HR Manager

This is indeed a wake up call for the IT Services sector. Talent psychographics have transformed – products and startups are now on an even playing field with IT Services firms, or perhaps are one up on us on many factors that matter to today's talent.

IT Services Employers' perception of this shift



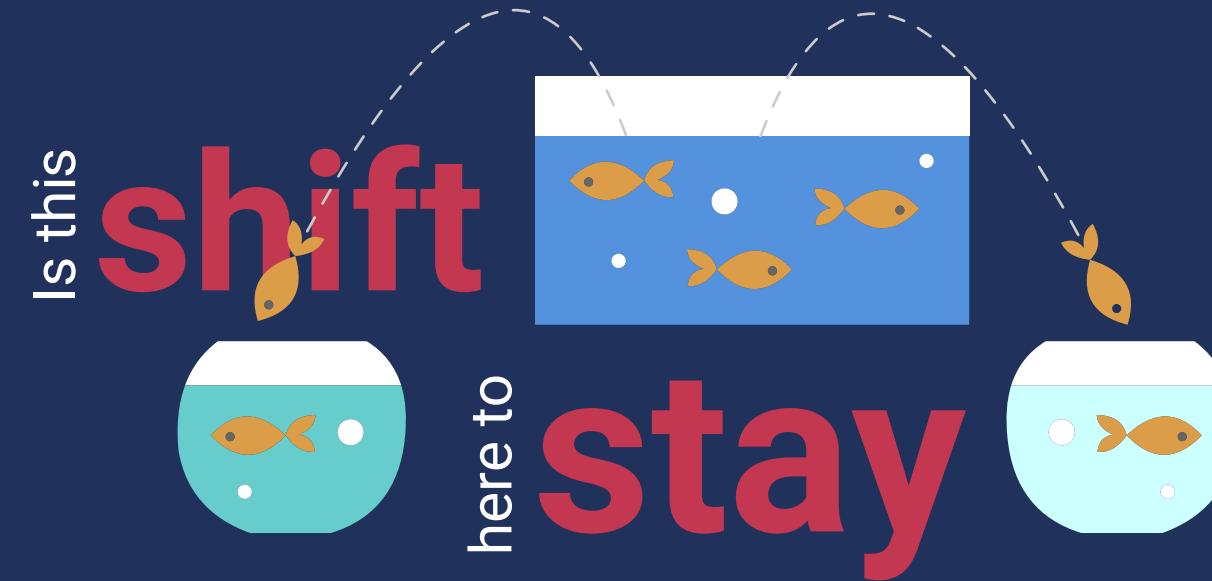
■ Anticipated by the companies and prepared for

■ Not a big shift and we will tide over this

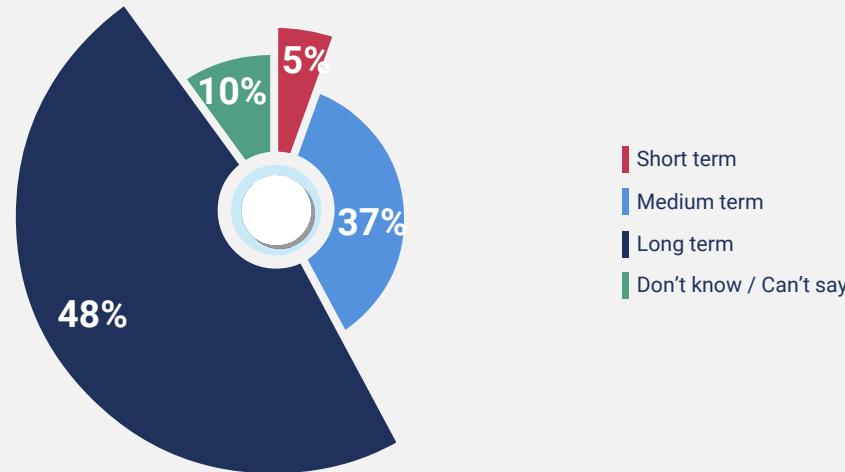
■ Anticipated by the companies but helpless against change

■ Unanticipated by companies in the IT Services sector

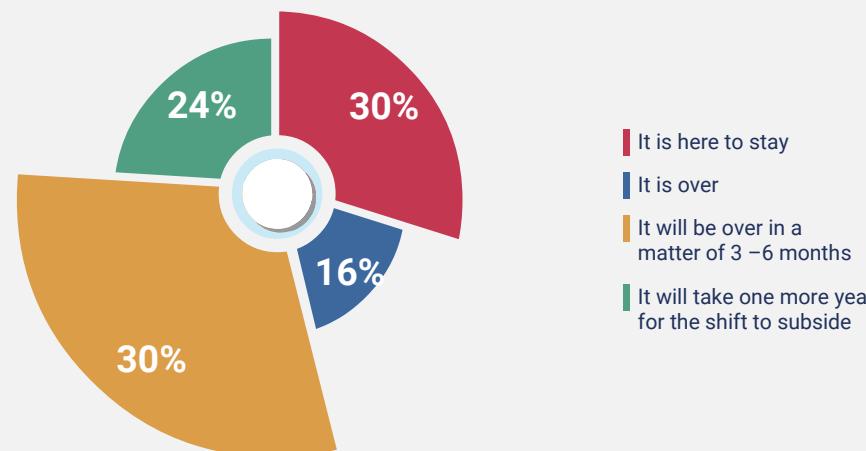
Is this
shift
here to
stay



Employee perception : How long according to you would this shift last?



Employer perception : How long do you employers see this trend continuing?



Data Source: From Navigating the Great Resignation to Facing the Talent Crunch to Hybrid Work Model, All Things Talent, Jan 2022
 TeamLease dip-stick survey findings (April, 2022)

The shift appears to be settling in, at least in the clear and present

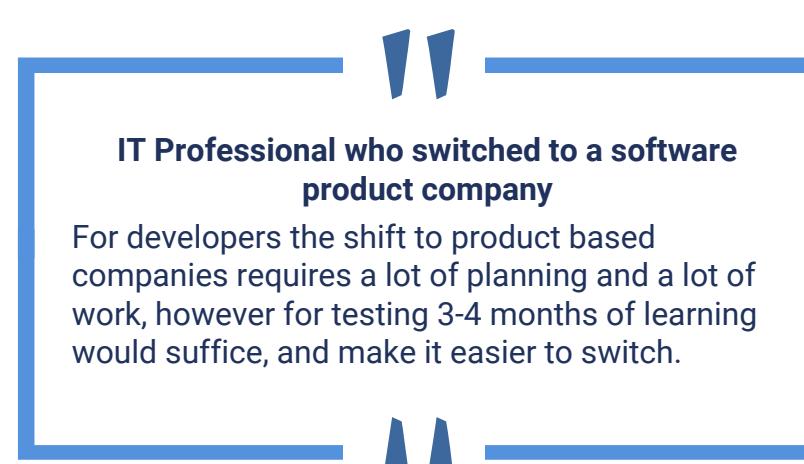
- Both IT Professionals and employers feel this trend could sustain for a considerable period from now. However, experts feel that this demand and talent crunch is short-term in nature and is likely to stabilize by mid-2022.
- Almost half of the IT professionals (48%) believe this shift would last 'long term' and 37% consider this shift to be 'medium term'.
- As much as 30% of the employers consider the shift to be permanent, while another 30% believe the trend would relent in 3-6 months. 24% believe it would take up to year for the shift to subside while 16% believe this shift has run its course.

The young are becoming the restless

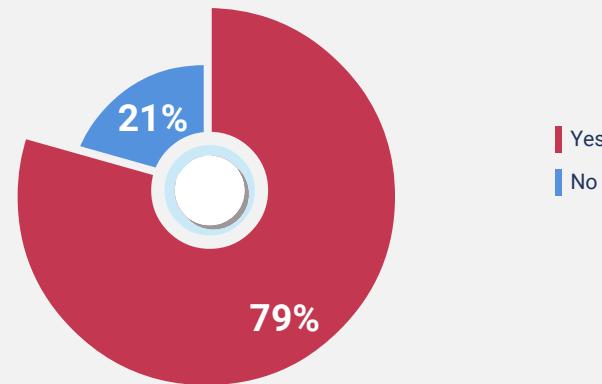
- 51% of the IT Professionals with less than 2 years experience consider this shift as long term, and 33% consider it to be 'medium term'. IT professionals with 2-5 years experience share almost the same perception.
- Meanwhile, 50% of those with greater than 8 years experience, and 34% of the ones with 5-8 years experience, are not sure how the trend is panning out.

Is the shift an easy road for the employees?

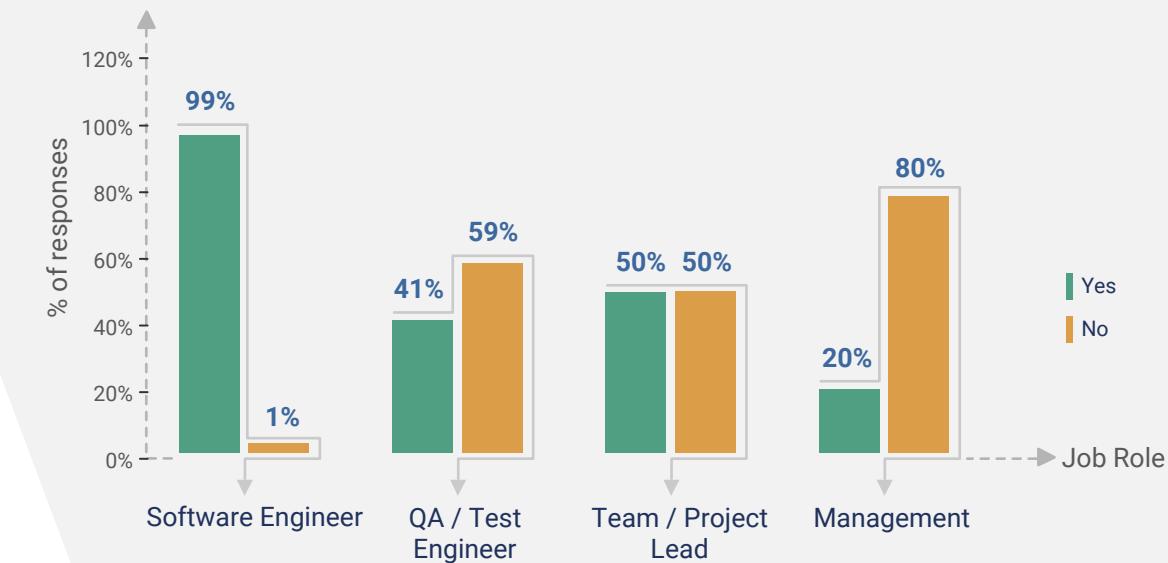
- Almost four out of five IT Professionals (79%), say their new job requires them to learn new skills, and this could possibly influence how long this shift lasts.
- Nearly all software engineers (99%) say their new job required them to learn new skills. Meanwhile, 59% of the QA/Test Engineers, and 80% of the Managers say their jobs didn't place such demands on them.



Employee responses : Did / Does your new job require you to learn new skills?



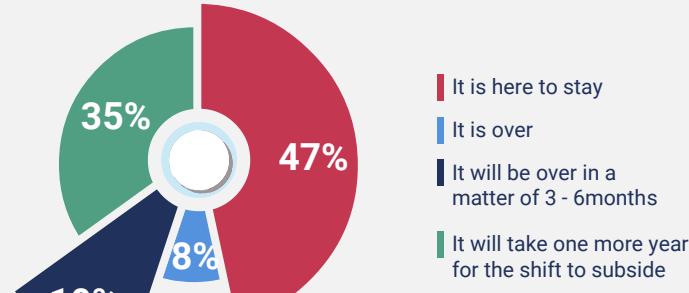
Employee responses : Job role vs new skills required



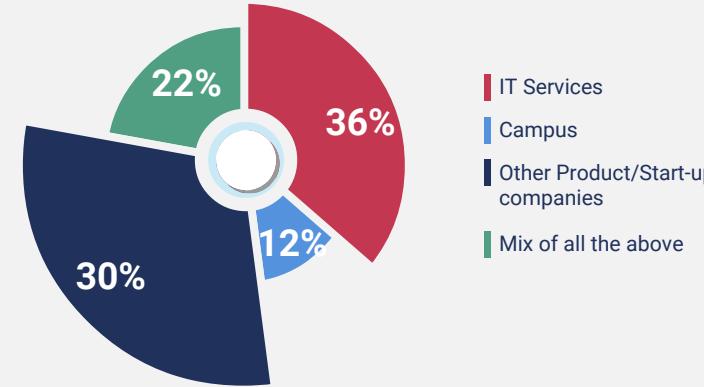
Software products and Startups think

the shift is here to stay

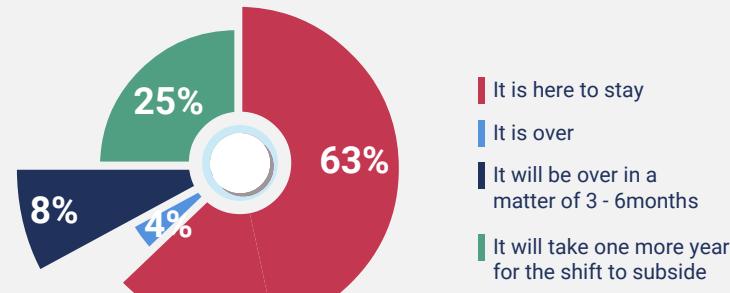
Software Product companies take on the shift



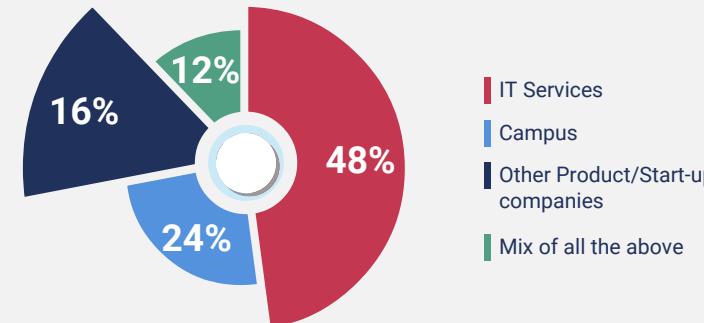
Software Product companies current talent pool



Start-up companies take on the shift



Start-up companies current talent pool



and increasingly depend on the IT Services talent pool

- An overwhelming majority of all software product company employers and startups (82% - 88%) think that the technology talent shift is a medium-to-long term phenomenon.
- As much as 47% of the software product companies and 63% of the startups believe that the shift is here to stay. Add to this, 25% - 35% more of these companies believe that the shift will last another 12 months.
- Also, sizeable proportions of both software product companies (35%) and startups (48%) leverage the IT Services talent pool for their hiring needs.

The coming **vertical** to **horizontal** transformation



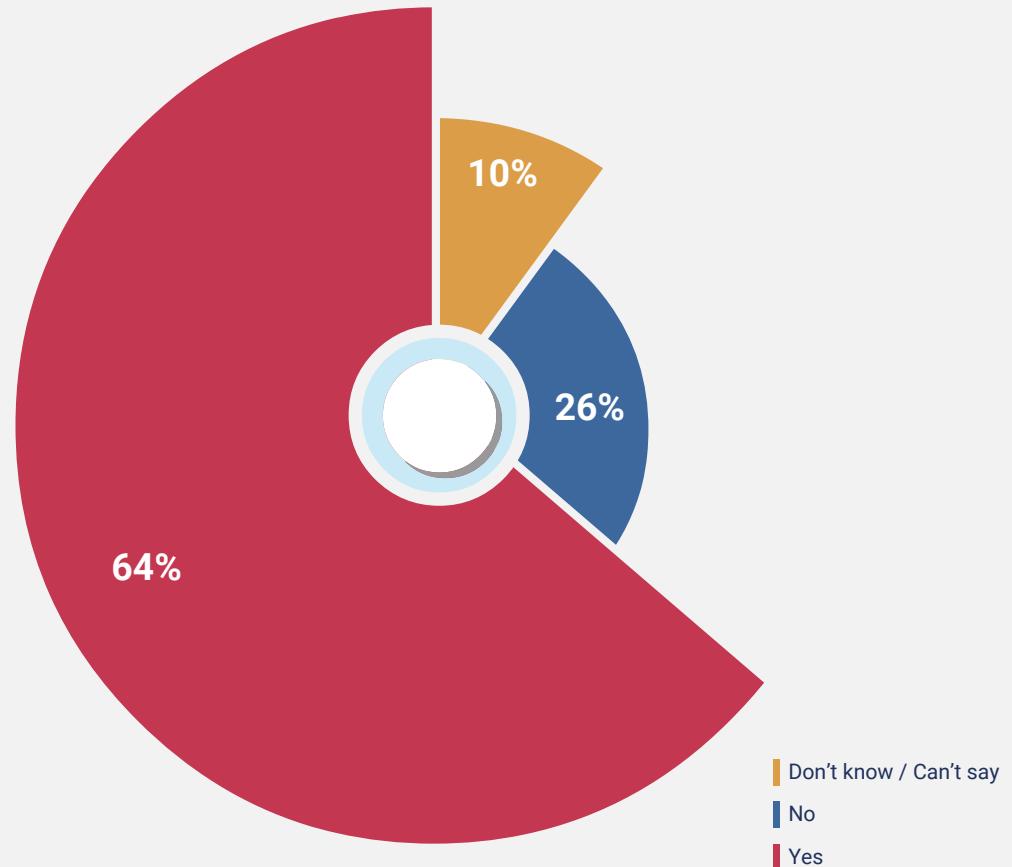
Sectors other than services could be looking to hire

available tech talent

How a vertical to horizontal transformation is underway

- As the tech talent pool in India is limited it is also leading to IT companies losing tech talent to other non-IT companies.
- Non-technology sectors are not behind – a big part of the demand for tech products is coming from these companies as they want to digitize their operations. Companies are seeing large scale digitization, across sectors – old and new.
- Two-thirds of the employers (**64%**) think other, conventional, sectors would be looking to attract their tech talent, while over a quarter (**26%**) do not think so.

Employer perception : Will other sectors look to add these tech talent to their workforce?



Data Source: The Best and Worst of the Times for India's Tech Talent, All Things Talent, Dec 2021 | Hiring trends 2021, News Nine, Sep 2021 | Significant percentage of India's workforce considering changing jobs in 2022, Deccan Herald, Jan 2022
TeamLease dip-stick survey findings (April, 2022)

Vertical to horizontal transformation:
Possibility of

ripple effect



Utility Apps, Conventional sectors and Tech products

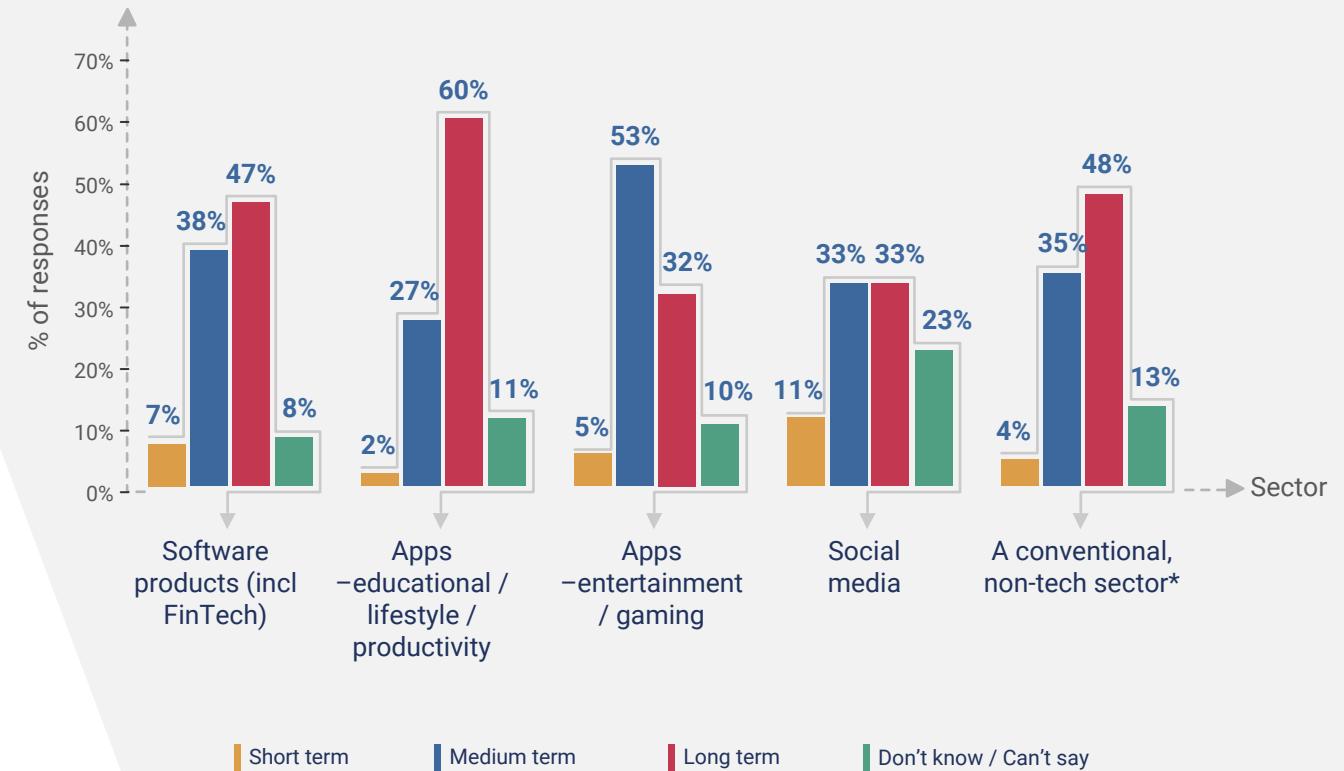
are long term bets

■ 60% of those who bagged jobs in the Apps - educational/ lifestyle / productivity sector and nearly half of those who have gone on to join the software products (47%) and conventional, non-tech, sectors (48%) believe this shift to be long term.

More respondents consider Apps – entertainment / gaming sector to be a 'medium term' (53%) prospect, compared to ones who believe it to be 'long term' (32%).

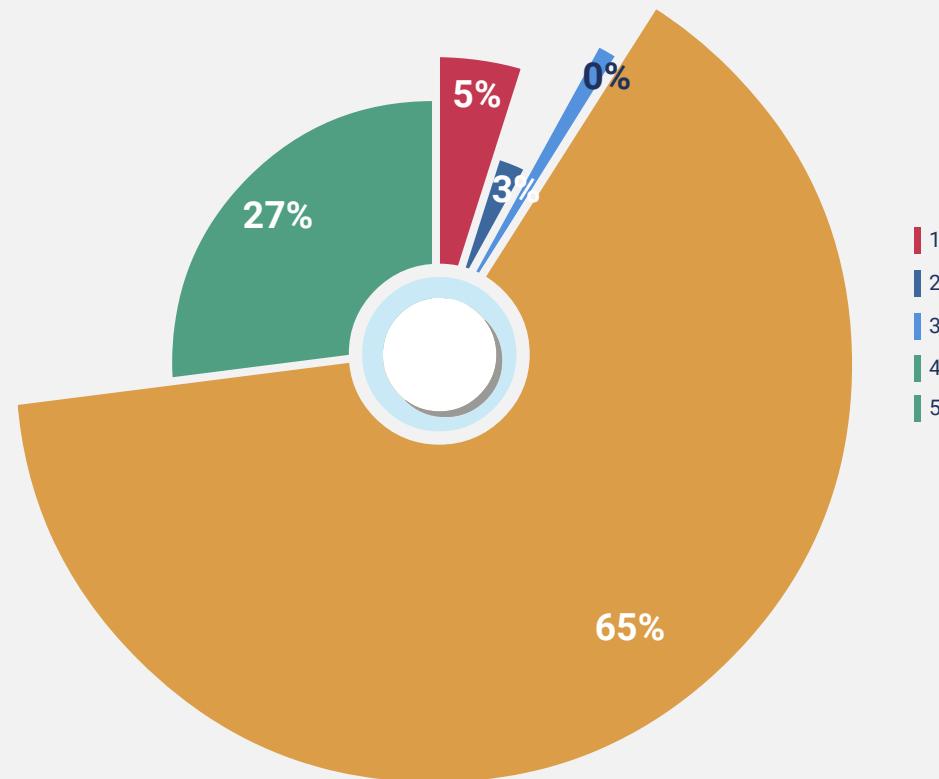
■ On the other hand, the verdict is split in case of those who joined social media firms – with 33% each considering it to be either long term or medium term.

Employee perception : Sector moved to versus perception of shift duration



For talent, the shift has worked so far

Employee perception : Would you consider returning to the IT Services sector
at any time in the future?



The new job experience has delighted joinees

- About one in four employees (27%) rating their new job experience 'excellent' and two-thirds (65%) rating it 'good'.

IT Professional who switched to a software product company

People seem to be looking to move from service based organizations to the product based ones and during the initial phases of one's career, they would like to steepen their learning curve, and that makes them favour product based companies for future opportunities.



Hiring vs Attrition:

deficit management



Having recouped talent loss,

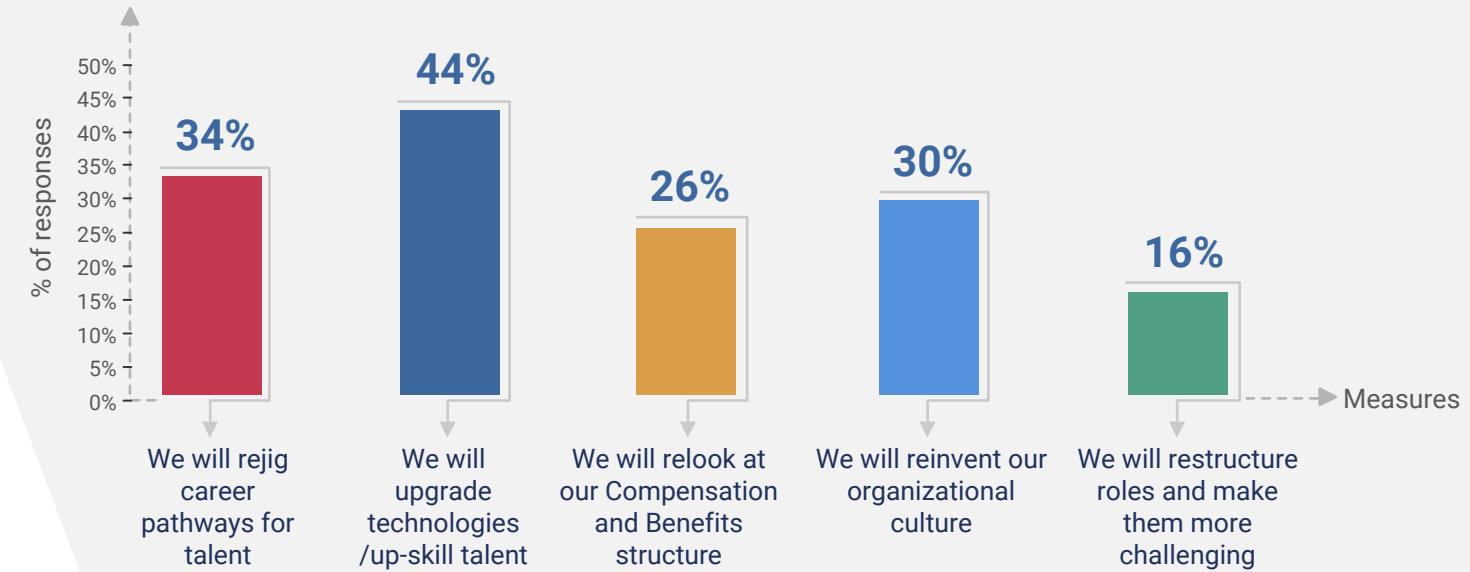
Services firms are countering churn

- IT Services employers have aimed their focus at upgrading technologies / up-skilling talent (44%) and rejigging career pathways for talent (34%) in countering churn.
- On the other hand, relatively smaller proportions of Service firms are relooking at compensation and benefits structures (26%) or at restructuring roles to make them more challenging (16%).
- More than half of all Service firms (54%) have been able to recoup the loss of talent to a great extent and a slender 6% have fully recouped the loss by now.

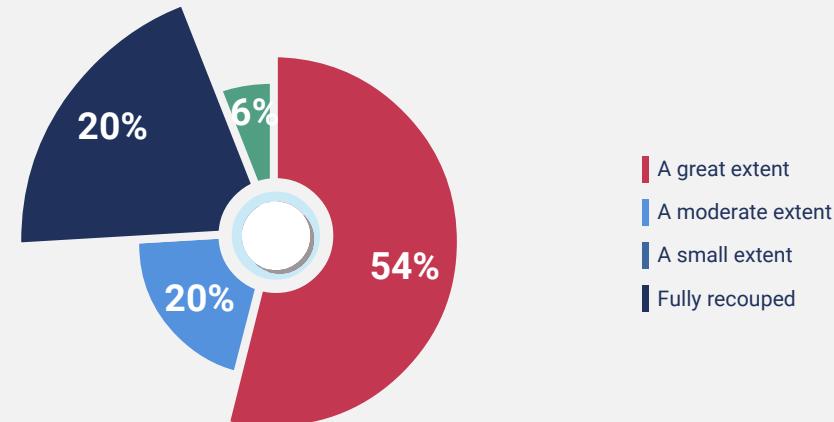
IT Services HR Manager

No doubt, urgent measures need to be implemented. However, there is a need to be level-headed, to recognize and play to our strengths rather than aping talent attraction practices of new-age sectors.

Employer opinion : What measure have companies taken to stem this loss?



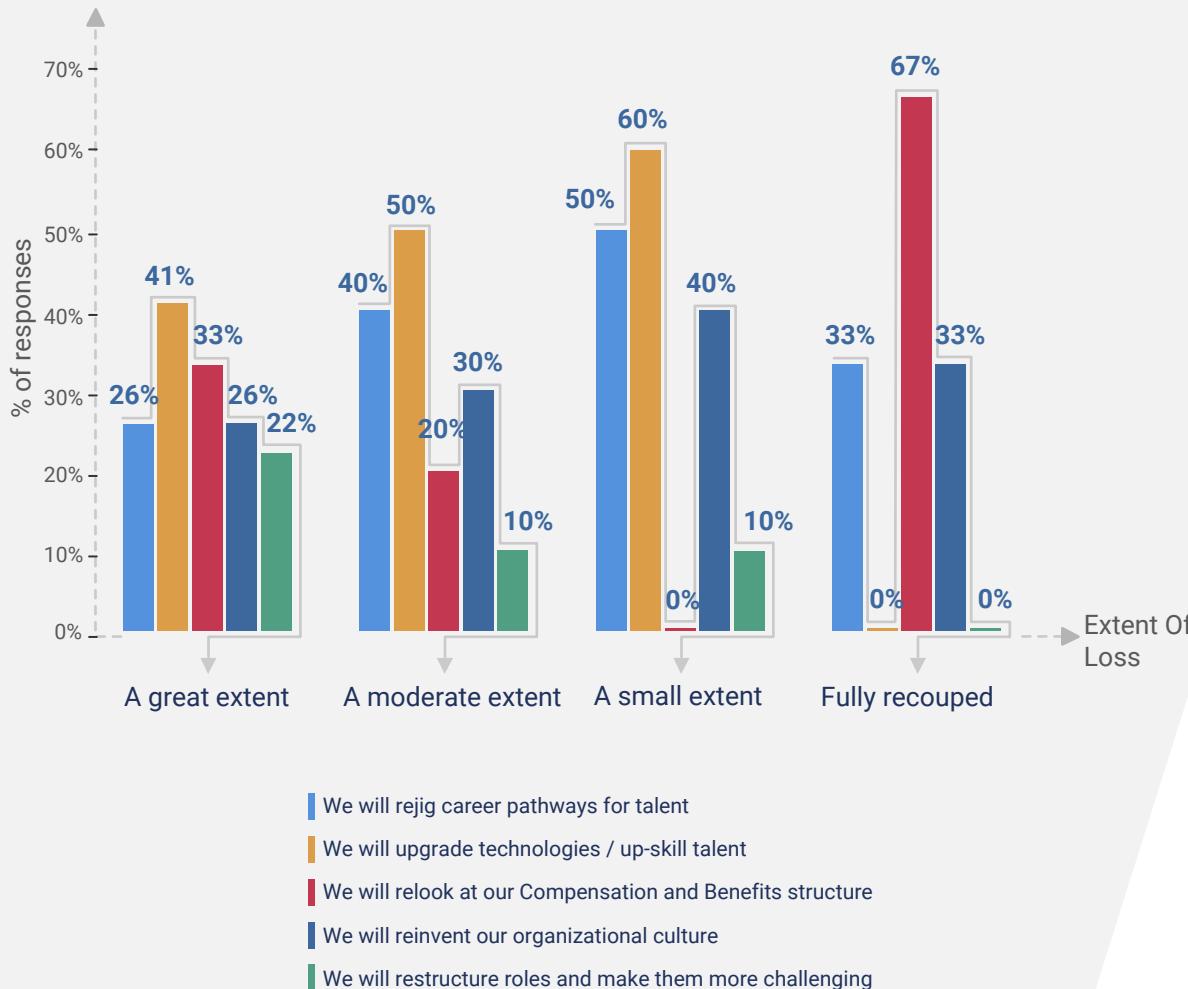
Employer opinion : Extent to which employers have recouped loss of talent



Measures taken by IT Services firms

to recoup churn

IT Services Employer responses : Extent of loss recouped vs measure taken for it



- Across churn levels – small (60%), moderate (50%) and great (41%) extent – will upgrade technologies / up-skill talent to counter the churn.
- On the other hand, 33% of the employers who have lost talent to a great extent, and 20% of those who have lost talent to a moderate extent, would relook at their compensation and benefits structure.
- Significantly fewer employers who have lost their talents to small (10%), moderate(10%), and great extent(22%) say they will restructure their roles and make them more challenging.

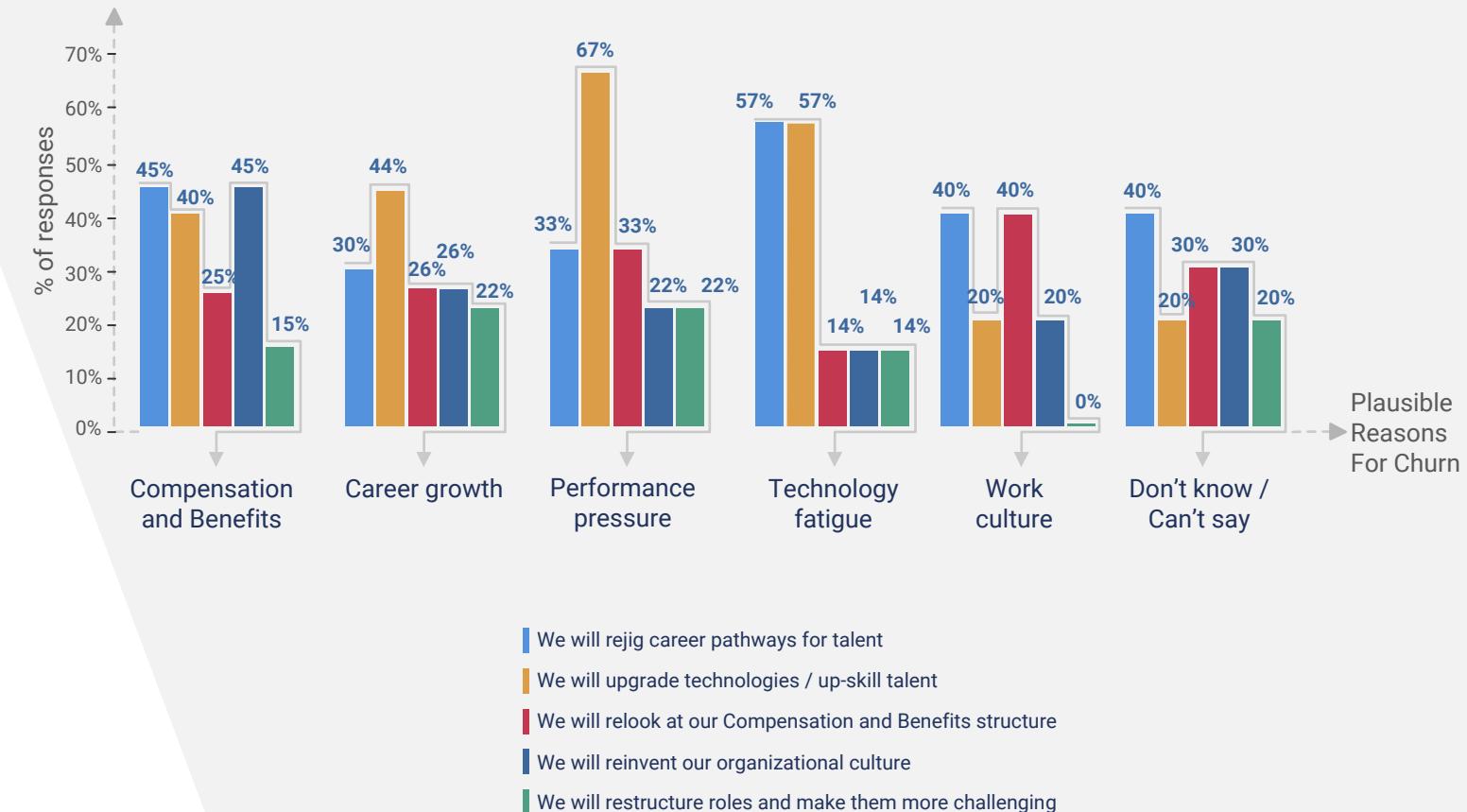
IT Services HR Manager

A twin-focus – quantitative, C&B oriented and qualitative, organizational lived experience oriented – is the order of the day in our organization. Our mission is to ensure that our people have fulfilling project experiences complemented by market-competitive salary structures.

Are the measures directed at causes of churn?

- 57% of those employers who believe technology fatigue, and 67% of those who believe performance pressure, to be the plausible causes for churn will redress churn through upgrading technologies / up-skilling talent.
- On the other hand however, actionability on other causes for churn seems poor: only 20% of those who consider work culture to be a reason for churn, will reinvent organizational culture; 25% of those who consider compensation and benefits as a possible reason, would relook at their compensation and benefits structure; and 30% of those who consider career growth to be a reason for the same, would rejig career pathways for talent.

IT Services Employer responses : Plausible reasons for churn vs measures taken to stem the loss



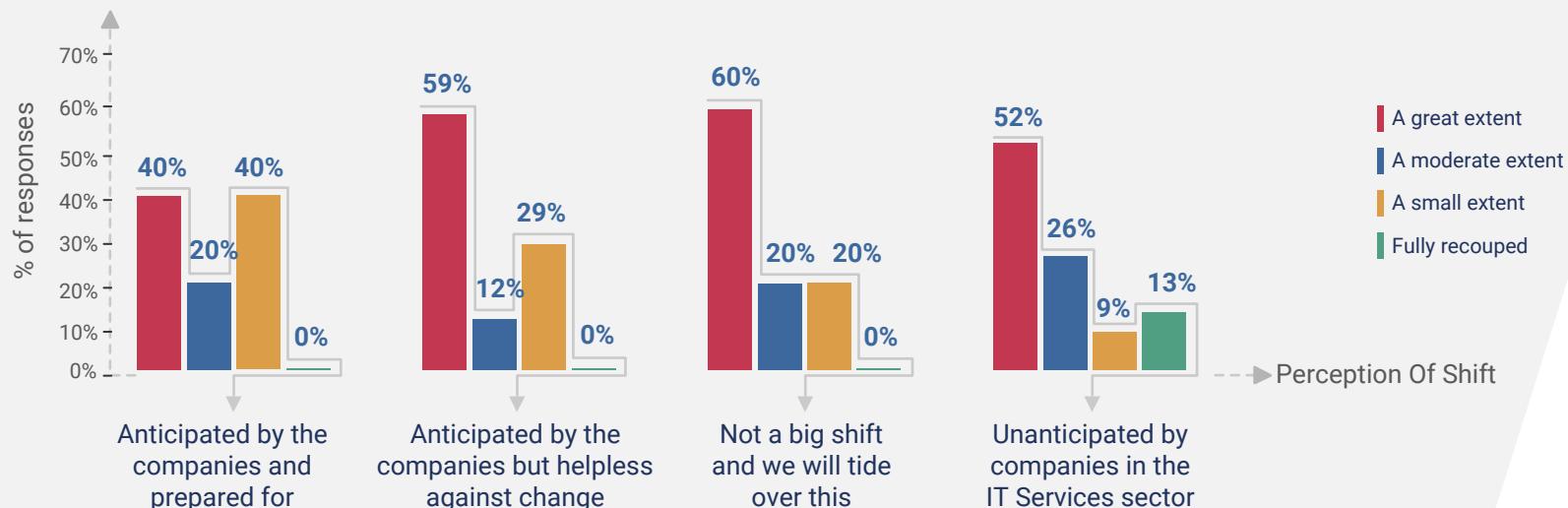
Higher churns witness

lesser talent recoup

IT Services Employer responses : Churn rate vs extent the loss has been recouped



IT Services Employer responses : Companies anticipating this trend vs loss of talent recouped



TeamLease dip-stick survey findings (April, 2022)

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**Companies astonished by the trend
faired better in recouping the talent**

Of those employers who have had 10% or less churn, 71% were able to recoup the loss of talent to a great extent.

Similarly, 55% of those who had 11%-14% churn, were able to recoup the loss to the same extent.

However, of the employers who had 15-18% churn, 33% each were able to recoup it to a great extent and to a small extent. 27% were able to recoup the loss of talent to a moderate extent.

Companies who did not anticipate this trend (52%), were able to recoup their loss of talent to a better extent than those who did.

Implications
and
managing
**the
transformation**



Implications of this transition,

How can companies tackle it?



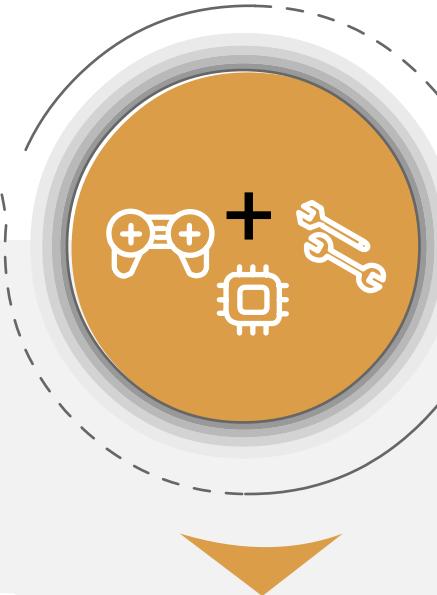
Given the constraints on yearly additions to the tech talent pool in the country, and the widening demand-supply gap, the tech industry as a whole needs to take a consolidated view of planning for its workforce. There is a need for the **various sectors to collaborate** on this account.



On its part, the IT Services sector needs to position itself vis-à-vis talent, based on its **unique service-based skill requirements, better work-life balance** and a relatively **steadier nature of work** as compared to the product and startup sectors. It needs to avoid a head-to-head fight for a common talent pool.



The software product and startup ecosystem demands not just highly specialized tech skills, but also an **aptitude for innovation and an ability to handle ambiguity and abrupt change**. These sectors must, therefore, nurture and groom **young talent** on these attributes.



With the increasing trend of overlapping business models and complementary skill inventories between the sectors, active collaborations in the form of **incubators and spin-off vehicles** could propel joint creation of talent pools that cater to varied requirements of the sectors.



Tapping into **lower tier geographies** is an imperative for all the tech sectors. Again, collaborative efforts in profiling and assessing talent in order to prepare distinct talent cohorts from these regions helps map a trajectory for the long run.

Implications of this transition,

How can companies tackle it?



Targeting marginalized sections of the society – **women, the disabled and the LGBTQ+ communities**, and leveraging the remote and **flexible work modes** most employers have by now finely honed, would help greatly augment the workforce besides adding diversity and equity value to organizations.



IT Services firms seem to be beset with under utilization of skill sets and routine nature of work. **Minimizing work monotony**, and aligning projects with employee aptitude/skillsets and interest could go a long way in enhancing employee engagement and longevity.



New career alternatives is a leading factor attracting employees to software products and apps sectors, something the services sector denied them owing to its inherent structure. IT Services firms need to innovate in this direction and create **diverse career pathways** that engage the multitudes of their workforce.



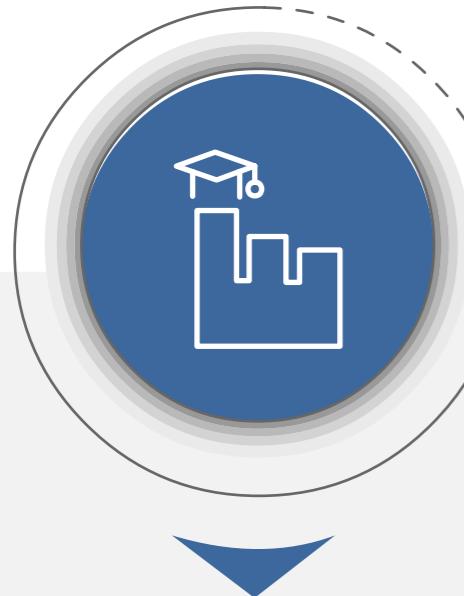
With layoffs being quite common in startups and fledgling product companies, with the fluctuating market, and unforeseen circumstances such as the pandemic, **ensuring job security** that matches service based companies seems to be an attribute product companies need to build on.



Lack of avenues for superior learning growth in services sector makes employees feel their careers could stagnate. Companies need to work on **career progression strategies** that counter technology obsolescence and make learning opportunities more efficient and end to end.

Implications of this transition,

How can companies tackle it?



At entry levels, employees may like to evaluate their career trajectories via internships and apprenticeships. Service firms need to consider hiring **more interns/apprentices** to familiarize them with their work culture, with a near-future opportunity to be employed full-time.



At junior and entry levels, service firm salaries have remained stagnant over the years with inadequate increments. On the other hand, product based companies offer better salary and compensation. Service firms could look to benchmark salaries against market standards, and devise **better payout strategies**.



Sectors endowed with advanced technology and cutting-edge practices demand highly skilled engineers. Product and service based companies from such sectors need to focus on **up-skilling** and preparing a specialized talent pool for their tomorrow.



As a result of greater hierarchical levels in service based companies, employees find it hard to get **recognition for their work**, which makes them feel unvalued. Companies could aim at giving recognition to their employees efforts and ensure better work culture.

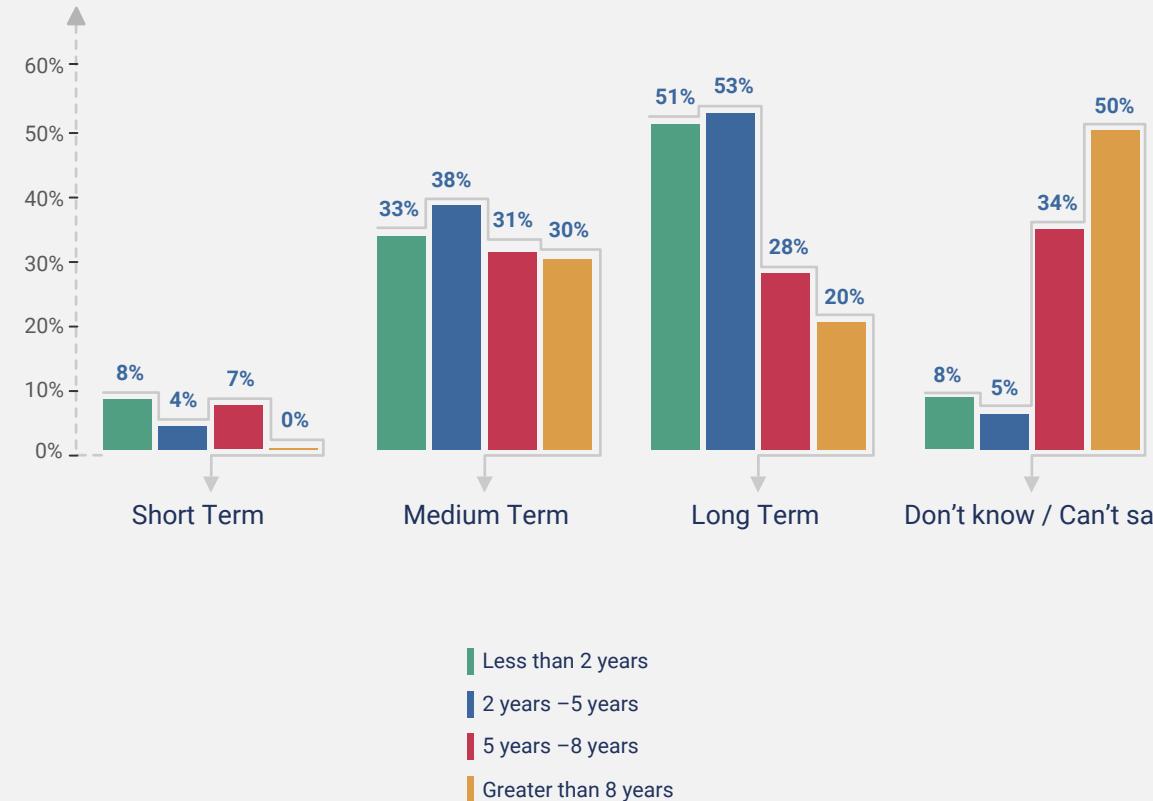


Startups are characterized by inherent uncertainty and ambiguity, coupled with fast paced work. While this environment attracts talent with the appropriate temperament, the ones that cannot cope might face undue stress and mental health issues. **People wellness policies** that do not take away from the challenging nature of roles could help in employee engagement and longevity.

Additional
charts



Employee perception : Years of experience in IT sector vs perception of this shift

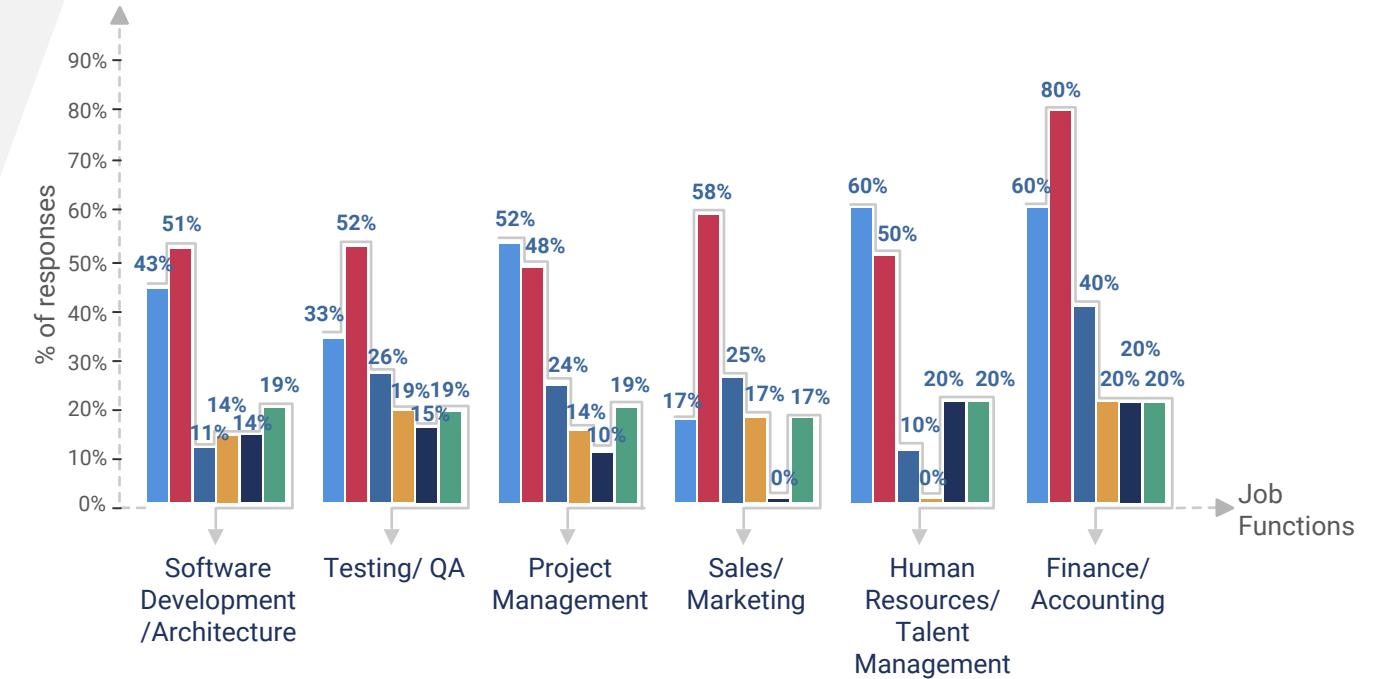


TeamLease dip-stick survey findings (April, 2022)

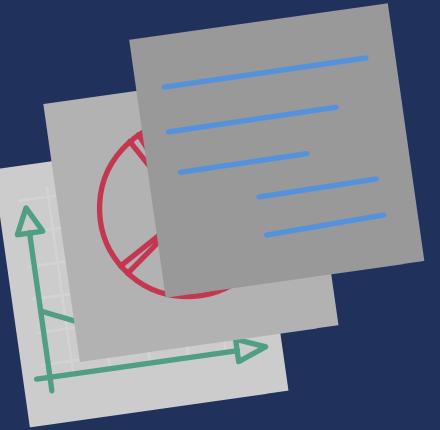
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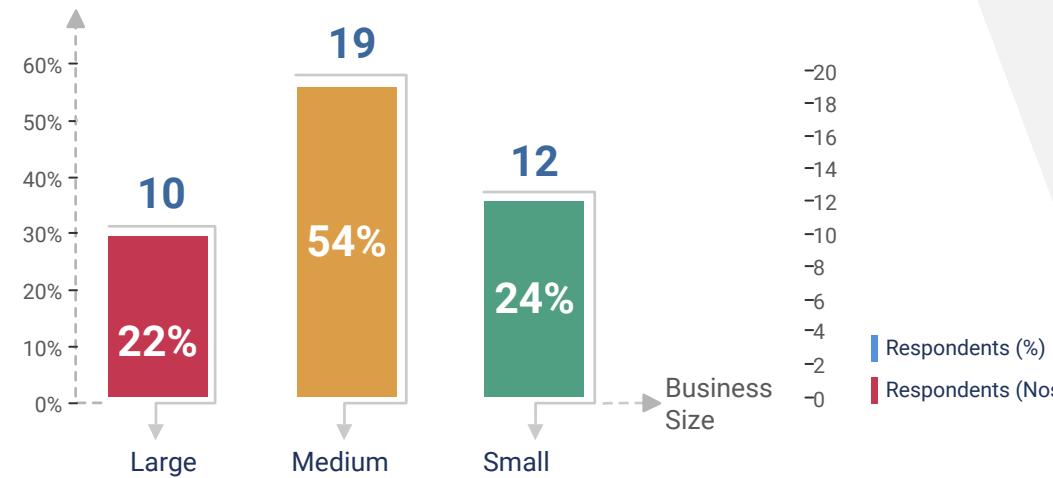
Employer opinion : Talent lost in functions vs reasons for churn



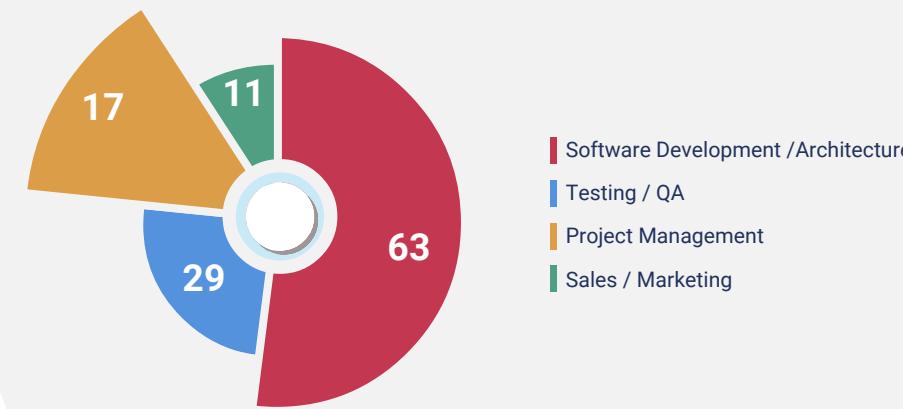
Sample
design



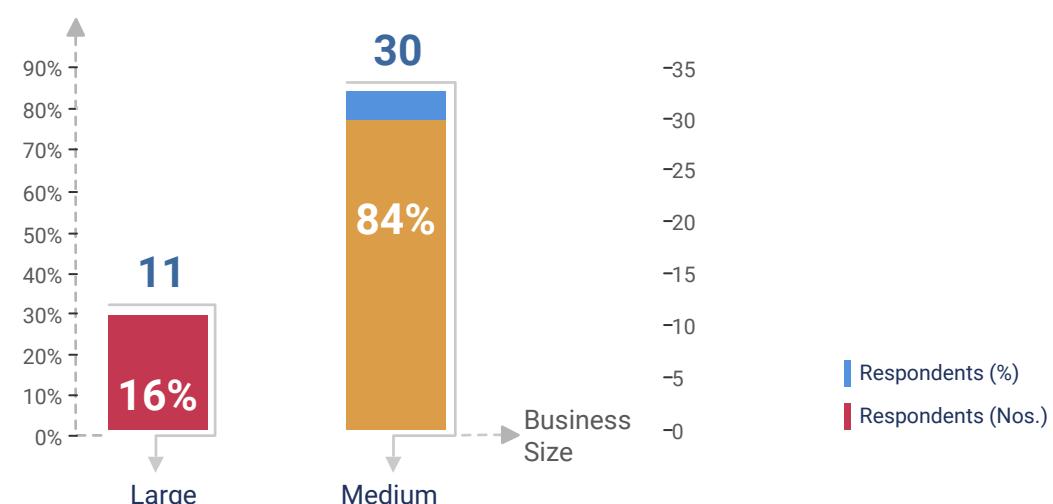
Respondent profile of IT Services employers



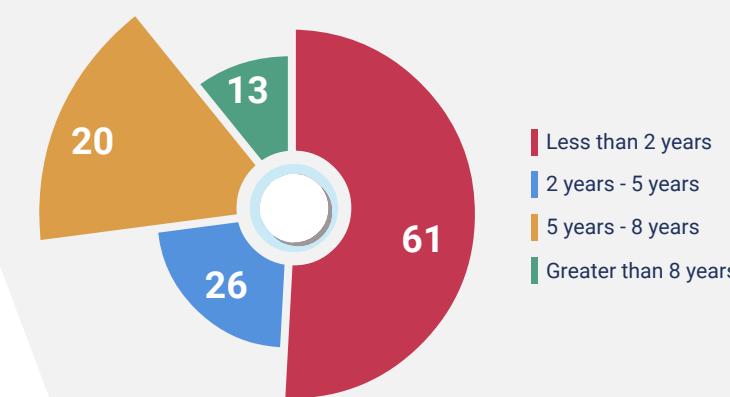
Employee respondent profile: Job Role



Respondent profile of Software product employers



Employee respondent profile: Years of experience in the IT Services sector



Cities Covered

Bangalore
Chennai
Delhi
Hyderabad
Mumbai
Pune

Total Respondents

Employees - 120
Employers - 41



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