

India Talent Shortage Reaches Tipping Point

Posted by [Mary Hayes Weier](#), Jun 12, 2007 02:05 PM



For any business that doesn't already have its foot in the door in India, it may be too late. The IT talent shortage there has hit a tipping point, and I predict that before long, only the in-crowd will be assured good access to top talent. That means big companies with strong ties to established service providers.

Look around; there's plenty of anecdotal evidence that shows India on the verge of a talent crisis. In a bizarre twist, consulting firm [Gartner issued a recommendation to India CIOs](#) on June 11 that they start looking offshore, to Hong Kong and Singapore, for IT workers rather than fight for talent within their own country. The growing economy in India has created big IT budgets, yet India CIOs often can't beat the big service companies like Tata and IBM at the recruiting game.

Forrester Research, meanwhile, recently issued a report predicting that within three years about half of all "captives" in India will have embarked on an exit strategy due to spiraling costs, high worker attrition rates, and lack of integration and support. Captives are the offshore operations established and run by mostly U.S. and European companies.

Apple's decision to abandon plans to open a 3,000-person development center in Bangalore one year ago marked the beginning of a reversal in the race to establish captives in India. Forrester predicts that many of these captives will close shop and turn to IT service providers to pick up the work. But there's a scramble going on there, too. I added up the numbers [in a story a few months ago](#), and four companies alone -- Accenture, IBM, Infosys, and Tata -- had plans to hire 35,000 tech workers in India in the first six months of this year. Obviously, each one is trying to meet demand and keep new business coming in with the promise of plenty of available resources. It'll be difficult for any one of those established four to meet their hiring goals, and that doesn't even take into account dozens more service firms looking to substantially ramp up staff.

Also, I find that most every conversation I have with an IT service firm doing business in India ends up back at the problem of the talent shortage. They send me charts and documents that detail what they're doing about the problem, such as in-house concierge services to keep existing staff happy and ongoing donations and recruitment efforts to attract students coming out of the best universities. Tata and Infosys in April cautioned investors that they'll need to give staffers pay raises in the range of 15% this year.

This wasn't the focus of my conversations with IT service firms in India a few years ago; at that point most were talking about how they were moving up the value chain from maintenance and support to include such things as core application development. Yet

when I recently sat down with **Vikas Sehgal, CEO** of outsourced software development provider **Nagarro**, he showed me a chart indicating that core application development is the most difficult type of talent to find in India right now. The majority of trained IT professionals in India are generalists in IT services and support.

Macroeconomic conditions are having an impact, too. Reports are coming out of India this week that IT service firms are up in arms over the rising rupee and are taking those concerns to the Commerce and Finance Ministries. As the rupee rises against the dollar, it eats away at the margins gained in exports to the U.S., which includes services performed in India.

All of these things show that shifts are under way in India's powerful outsourcing business, and although they may not be seismic, they'll be noticeable. First, you're going to see more U.S. companies looking to set up captives elsewhere. My colleague Nick Hoover recently talked with an IT exec from Energizer (the battery people) that bypassed India for Malaysia, which has a good English-speaking population but not India's talent war. Second, there's going to be a shakeout in the India's IT services market, including consolidation and some reports of lower growth in revenue and profits in coming quarters. The boom won't continue for everyone.

Third, I think not as much of that core application development work will go to India as IT service firms once predicted, and what those U.S. professionals who oppose offshore outsourcing have feared. Other regions like Mexico, Brazil, Eastern Europe, and China are rising to meet demand for high-level, low-cost IT work, but it won't happen quickly or easily. None have yet been able to offer that magic troika of good English/good training/good political environment found in India. If you're a well-trained and educated professional in the U.S. who has stayed current on the latest technologies, the danger of your job moving to India won't increase in the next few years. If anything, it will diminish.

There's no question workforce globalization will continue, but it's a moving target. India may not be the bull's-eye much longer.