

# IT cos set to slash 3 mn jobs by '22

'The automation-driven job losses will help firms save \$100 bn in cost'

PTI

feedback@livemint.com

MUMBAI

**W**ith automation taking place at a much faster pace across industries especially in the techspace, domestic software firms that employ over 16 million are set to slash headcounts by a massive 3 million by 2022, which will help them save a whopping \$100 billion mostly in salaries annually, says a report.

The domestic IT sector employs around 16 million, of them around 9 million are employed in low-skilled services and BPO roles, according to Nasscom.

Of these 9 million low-skilled services and BPO roles, 30% or around 3 million will be lost by 2022, principally driven by the impact of robot process automation or RPA. Roughly 0.7 million roles are expected to be replaced by RPA alone and the rest due to other technological upgrades and upskilling by the domestic IT players, while RPA will have the worst impact in the US with a loss of almost 1 million jobs, according to a Bank of America (BoFA) report on Wednesday.

Based on average fully-loaded employee costs of \$25,000 per annum for India-based resources and \$50,000 for US resources, this will release around \$100 billion in annual salaries and associated expenses for corporates, the report says.

"TCS, Infosys, Wipro, HCL, Tech Mahindra and Cognizant and others appear to be planning for a 3 million reduction in low-skilled roles by 2022 because of RPA up-skilling.

"This is a \$100-billion in reduced salary and other costs, but on the flipside, it offers a likely a \$10 billion boon for IT companies that successfully implement RPA, and another a \$5 billion opportunity from a vibrant new software niche by 2022. Given that robots can function for 24 hours a day,



Roughly 0.7 million low-skilled roles are expected to be replaced by robot process automation alone, the BoFA report said.

MINT

this represents a significant saving of up to 10:1 versus the human labour," says the report.

RPA is application of software, not physical robots, to perform routine, high-volume tasks, allowing employees to focus on more differentiated work. It differs from ordinary software applications as it mimics how the employee has worked instead of building a workflow into technology from ground up and thus minimising time to market and greatly reducing cost over the more traditional software-led approaches.

Offshoring helped domestic IT sector to grow from around 1% of GDP in 1998 to 7% today, a highly strategic sector for its economy and has also significantly outgrown their Western peers (mainly Accenture, Capgemini and Atos) with an annual revenue growth of 18% between 2005 and 2019.

Another key reason for the RPA-driven job losses is that many countries that had offshored their work in the past are likely to bring the jobs back to their own home markets.

Developed countries will also look to increasingly bring back offshored IT jobs and either use native IT workers or domestic software robots like RPA to secure their digital supply chain and ensure future resiliency of their national technology infrastructure, reasons the report.