

With utilisation rate at a high, IT firms may face staff burnout

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The Covid-19 pandemic has put top IT companies in a Catch-22 situation. It has pushed up their employee utilisation rate. While this means higher margins due to better efficiency, it has left their bench strength rather low, and employees strained.

In Q3, both Infosys and Wipro reported utilisation of 86.3 per cent—an all-time high level for the former. Tata Consultancy Services and HCL Technologies do not report this number, but experts confirmed that both operated at the same level as their peers. Three years ago, IT companies used to perform with around 70 per cent utilisation, but that has gradually increased to over 80 per cent now.

The high utilisation — leading to a bid to improve the bench strength — was one reason why companies saw record net hiring in Q3.

Record hiring

Infosys COO Pravin Rao told analysts: “Utilisation is at a record high. This is not where we want to be. Over the past few quarters, we had comfort in operating between 83 per cent and 85 per cent, and that is where we want to be. We will look at much more aggressive

Why the bench matters



- IT firms need the cushion of the bench to take up and service new projects
- A strong bench has a positive impact on client confidence
- When the bench strength is low, it places employees under strain

hiring over the next few quarters and try to bring the utilisation down to manageable levels.”

Wipro CFO Jatinder Dalal told analysts: “We have been able to manage our utilisation in a very tight range, especially in Q3.”

Higher utilisation burns out employees. When the bench strength is diminished, IT service providers struggle to serve newer engagements. This also impacts client confidence in their ability to deliver services, said Yugal Joshi, Vice-President, Everest Group, a research firm.

Onshore utilisation is typically very high given most

people there are billable and ‘high-cost’, and so cannot be put on the bench. It is not uncommon to have 90-95 per cent onshore utilisation as most of these resources are dedicated to one client project, said Joshi.

Imminent breakdown

“An industry running perennially on a high utilisation rate is like an engine operating on high RPM for a long distance,” said Kamal Karanth, co-founder, Xpheno, a specialist staffing solutions company. “Burnout potential is high, and breakdowns are imminent. High utilisation rates translate into operating under stress, resulting in reduced efficacy.”

The bench is a reserve that companies use to ramp up resources on running projects and undertake new projects. In the absence of sufficient reserves, the load on the active resources is higher, said Karanth.

IT companies’ ability to afford lower utilisation rates is a key factor in attracting global business. Lower utilisation means higher agility to handle surges and ensure continuity on delivery, but higher utilisation hurts the industry’s long-term competitive edge. With an optimal bench strength, new project delivery gets a meaningful start, he said.