

# Offshored IT Jobs may not Return Home

India's labour arbitrage advantage could remain for another 3 decades, says Everest

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**Bengaluru:** India's standing as a labour arbitrage market could survive for the next three decades, IT consultancy Everest Group said, and that it was unlikely that previously offshored work would return to its home market.

In the early 2000s, industry analysts had said the labour arbitrage advantage would end by 2020. Analysts have also suggested that as wages rise in offshore centres, it might be feasible for the jobs to move back onshore. "There is no doubt that India is still a highly attractive and viable option for low-cost labour, albeit not quite as good as it was 15 years ago, but still very compelling, and it will likely remain so for another three decades," Michel Janssen, Chief Researcher at Everest, said. "We move out our estimate for the end of the India labour arbitrage to beyond the 2040-50 time horizon."

Indian IT companies have said that they have moved away from a model based purely on labour arbitrage and have been hiring in large amounts onshore. But the changes to the business model have slowed growth and hurt margins. "The services jobs that moved to offshore locations will not be coming back in any large quantities because labour arbitrage economies will continue to be attractive," Everest said in its report.

India's large talent base will also provide a buffer to rising labour costs. About 1-million engineers enter the job market every year and wages for fresh engineers with no specialised skills have remained flat for nearly a decade. "Fifteen years ago, we thought that wages in Bangalore would grow to reach those wages in Dallas.

But we didn't take into account the growing talent pool. That really keeps a lid on costs," Janssen told ET.

He added that while robotic process automation (RPA) would change some of the ways companies do business, it would likely not be a drastic shift. "RPA is important, but if the costs of labour remain low and you can get access to talent at low prices it might limit the amount of process automation a company might put in place. They may not need to invest as much in RPA."

## A BRIGHT SPOT



While tech like automation will create pressure on headcount, India's talent base will be at an advantage: Everest

Janssen also said that political threats to outsourcing have reared their heads before but that in the past companies had found ways to deal with them. "If the economics are favourable, then I think businesses will find a way to make it work."

Everest said that while technologies such as automation will create a pressure on headcount, the country's talent base will be an advantage as the industry moves to more digital technologies.

"The current limited availability of niche/emerging skills in India puts them at a premium; however, as more people learn these skills, they may lose their premium status," the report said. This will further limit labour rate increases.

## On Safer Grounds

**CURRENT PREDICTION** • As wages rise, experts say jobs might move back to onshore centres

📌 We move out our estimate for the end of the India labour arbitrage to beyond the 2040-50 time horizon

**Michel Janssen**, Chief Researcher, Everest Group

## PREDICTION IN EARLY 2000

• Labour arbitrage advantage would end by 2020

