

# 'Automation leads to 24 p.c. drop in hiring at five IT firms'

A report by a Mumbai-based brokerage firm says promoting automation has tangible benefits — one of them is reducing the pressure of wage hikes

The Big Five software exporters — TCS, Infosys, Wipro, HCL and Cognizant — together added net 24 per cent fewer employees in 2015 at 77,265, thanks to their automation drive.

The massive plunge in net additions was led by the United States-listed, Chennai-based Cognizant Technologies (down 74.6 per cent from 2014) and HCL Technologies (down 71 per cent) which have been very keenly focusing on improving utilisation rates through automation, says a report by Mumbai-based brokerage Centrum Broking.

"Software vendors across the pack are focusing on automation and we believe that FY16 will be an inflection point.

"We see rapid scope for ven-

dors improving efficiencies through expanding automation across multiple projects and service lines owing to sheer competitive pressure.

"The result is that these five companies have net added 24 per cent fewer employees in 2015," the report notes.

This came at a time when these companies' combined dollar revenue grew 9.8 per cent. The report also notes that the drop would have been much higher had it not been for Infosys, which made a whopping 111.4 per cent net addition at 23,745 in the year.

But this is understandable due to the massive attrition the company was facing in the past many years.

Against the hiring spree by Infosys, market leader TCS saw its net additions dip by 6.6 per cent at 26,066.

While Cognizant saw a massive 74.6 per cent plunge in net employee additions at 10,200, HCL saw the same dipping by 71 per cent to 3,456 in 2015.

At the end of December 2015, these five companies had a headcount of 1.34 million. These companies are vocal about improving delivery efficiency and revenue productivity using automation as their revenue per reported employee stands at \$45,000 to \$52,000 per year, which is lower than their global peers.



According to the report, great developments on the automation front can be expected in the coming financial year.

Riding on automation, Infosys has given a guidance to take this to \$80,000 per annum by 2020, says the report.

Even though each of these companies have their own automation platforms — Infosys has Infosys Automation Platform, Wipro has Holmes, HCL Tech operates Dry Ice, and TCS has Ignio — their focus on this line of business has seen emergence of many independent players offering automation services or virtual engineers.

Companies offering such services include IPSoft, Blue Prism, Genfour and Automation Anywhere. The report notes that though Infosys and Wipro are the most vocal on "freeing up resources" across their IMS/BPO service lines,

they have shown relatively higher net employee addition in 2015.

The report also notes that FY16 could be a year of transition in the sector on the automation front and tangible benefits can flow down from FY17 as vendors are focusing on retraining the resources freed up from the traditional service lines.

On the revenue side, the report predicts that the focus on automation will ease pressure on wage hikes.

"With automation enabling improved delivery efficiency and productivity, the IT sector could be facing a scenario of lower net additions in FY17/FY18," it said.

- PTI