

Global fears shackle India's outsourcing job-hoppers

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The employee turnover rate in India's notoriously job-hopping outsourcing sector has fallen sharply as a weak global economy hits the flagship industry, a study on Monday showed.

While still elevated by other Indian industry standards, the outsourcing turnover rate tumbled to 15-20 percent in the last six months of 2011, according to the study by business lobby ASSOCHAM, down from 55-60 percent in the same year-earlier period.

"Employees are wary of switching jobs due to apprehensions about the economic slowdown," said Associated Chambers of Commerce and Industry of India (ASSOCHAM) secretary general D.S. Rawat said.

"A high employee retention rate can be seen almost across all levels of management in the information technology and back-office outsourcing industry sector," Rawat said, as employees adopt "a wait-and-watch policy".

US and other foreign firms, drawn by India's English-speaking workforce and lower costs than in the West, have farmed out a wide range of jobs from answering bank client calls to processing insurance claims and equity analysis.

But the \$69 billion industry now is under severe pressure.

US and European firms are spending around 40 percent less on new

projects than in the past as clients hold back in the face of the uncertain global climate, according to industry heavyweight HCL Technologies.

The outsourcing sector earns about three-quarters of its revenues from the US and Europe. India's IT and back-office outsourcing sector is also facing stronger competition from rivals in Southeast Asia, Eastern Europe and Latin America.

Industry body NASSCOM projects the sector will grow by 11-14 percent this year -- still robust expansion -- but only half the clip the industry posted in the past decade.

The attrition fall, while highlighting the problems facing the sector, "is a blessing in disguise", Rawat said, easing the "talent crunch due to a shortage of competent managers" with which the industry has been grappling for years.

Also expenses involved in recruitment and training have "come down drastically", easing pressure on the bottom lines of outsourcers, Rawat said.

India's outsourcing sector recently reported mixed quarterly results with market leader Tata Consultancy Services and HCL Technologies, which is fourth-largest by sales, posting strong earnings.

Infosys and Wipro, India's second- and third-largest outsourcing companies respectively, posted disappointing numbers.

The survey did not break down attrition levels by company but said the slowdown was across the sector.

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