

JOBS - A LAYOFF STORY

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Abstract

Job Layoff is a buzz word across the world as almost all the companies are going for Cost Cutting measures & Job Layoffs because of economic downturn, pandemic, Inflation, Russia-Ukraine war.... so on and so forth. Economic Times revealed that over 32000 employees were given pink slips in US alone and in India some 11000 employees were fired (July 2022). In this context an attempt is made to study and analyze the Job Layoff story in IT sector. The issue is of Topical interest and goes well to find out the actual facts of Layoffs with special reference to IT companies.



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Introduction

Job Layoff is a type of affliction or Dolefulness where no jobholder likes it, but this is happening all way round. Job layoff depends on two significant aspects, one being the Performance of an organization and the other being the economic conditions. If the performance of an organization is not good then it leads to Layoffs and at the same time, if the economic conditions is worse then also it leads to job layoffs. Recently (12th July, 2022), due to economic meltdown Microsoft laid off employees as part of a realignment. The layoffs were 1% of its strong 180000 workforce.

Even Google (Alphabet) CEO, Mr.Sundar Pichai sent a memo to Google employees to let them know that the company would slow its hiring for the balance of the year and take other cost cutting measures due to worsening economic situations. Google already hired about 10000 people so far in 2022, but now they are about to freeze or slow hiring. Few other Tech companies who announced layoffs or slow hiring process are Twitter and Netflix.

Southwest monsoon and renewed planting raised expectations that rural folk would consume more as rural demand for goods and services is increasing day by day. Economic Times revealed that Over 32,000 tech workers fired in US and more than 11000 in India till July 2022. According to RBI knock-On-effects of geopolitical spillovers are visible in several sectors, tapering the face of recovery. Recovery may lead to good Job prospects. The main objective of the article is to study the Job Layoffs in India in IT arena and to know the main cause/reason for their Job layoff. The select IT firms for the study are Infosys, Tata Consultancy Services, Hindustan Computers Limited & Wipro Limited

Table1: Brief profile of Select IT Companies

IT Company	Founder	Head Quarters	Revenue (INR)
Infosys	NR Narayana Murthy	Pune	1 Lakh Cr
TCS	Faquir Chand Kohli	Mumbai	1.96 Lakh Cr
HCL	Shiv Nadar	Noida	89160 Cr
Wipro	Wipro	Bangaluru	75000 Cr

Source – Annual Reports of Sample Size, 2021-22

Review of Literature (RoL)

The situation all around the world is not so rosy and India is not an exception. In the light of global economic downturn almost all giant companies are sacking its workforce and some companies slowed its hiring process. An attempt is made to cover all the episodes of Job Layoff story past and present for thorough understanding and examining the scenario.

According to the news agencies of Deccan Chronicle (November 2008) by its correspondent in a news item on “ IT Sector on a Cost Cutting Spree”, the IT sector was passing through a weak season due to the financial crisis. Several employees have lost their jobs and even those who have managed to keep them were suffering from the effects of cost cutting spree, during that bad phase even top companies such as Infosys, Microsoft, Satyam (Now, Tech Mahindra), Delloitte and TCS were on belt tightening mode. Here are some reasons for Job Layoffs during that period.

Table-2: Cost Cutting Measures by IT Giants

Company	Measures
Delloite	No pick-up Cabs
Satyam Computers	Reduction in Business Tours
Infosys	Switching off ACs
TCS	No Canteen Services & cut in bonuses by 30%
Accenture	Increased work hours

Source: Deccan Chronicle, 16 November, 2008

In Yet another note by Economic Times (2009), General motors’ of Canada laid off 500 workers at its Oshawa, Ontario, car plant during the period 2008-09 as the US economic slowdown slashed sales of cars and truck. The then, GM Canada Spokesman Slew Low told

that, they ship 95% of what they build to the United States. He clearly expressed that they were impacted by the poor health of US economy.

Claire Zillman (2015) on his work on “The 10 biggest Corporate Layoffs of the past 2 decades”, Zillman revealed that in the early 1990s, IBM’s core mainframe business was about to become obsolete and cut 60000 positions. He further revealed the layoffs in aerospace and Defense Company’s workforce in September 2001 hit Boeing’s commercial division.

Another study by Assocham on India Inc (2016), warned of huge job losses. Thousands of employees in Automobile steel and leather industries were in a state of panic as production was cut and workers were idled. Almost all temporary workers in Tata motors were axed. Moreover, declining demand from user industries has forced steel makers in India to go in for production cuts and a rationalization of their work force. SAIL, had also reduced capacity use, as the infrastructure, manufacture, construction and automobile and other user sectors had cut off take. The then official at SAIL cited that the firm orders received were mere 40000 tones as against 140000 tons in normal times.

According to Business Standard (2022), Alphabet & Google CEO, Sundar Pichai told his employees that they must improve their productivity else will be sacked. Workforce at Google is quite fearful of Layoffs. He also held meeting with his employees on how to get good and better results faster. Google put a freeze on employment to review requirements and take a decision on future course of action. Companies such as LinkedIn, Oracle, Twitter, and Snap had already laid off its workforce.

India Today (2022) revealed that Twitter has finally started laying down its employees. Twitter sacked 30 % of its workforce. It had already announced a hiring freeze to cut the expenditure and to get healthy financially as its costs are exceeding revenues. There are people losing their jobs that have been there over a decade.

Hypothesis

The basic assumption of the study is that there is no association between economic downturn and Job layoffs in IT firms. An attempt is made to know the association between two variables i.e., economic downturn and Job Layoffs. Hypotheses testing will be done to find out the association between economic downturn and Job Layoffs. The Null Hypotheses of no association between given variables are tested with Chi-square values and found either significant or not significant. The opposite of Null Hypotheses is alternative hypotheses. Chi-square (X^2) is employed for hypotheses testing as well as association.

Research Methodology

To study the job Layoff story, a sample size of 80 employees was randomly selected. 20 employees from each firm were randomly selected from the select sample size of 4 IT companies ($4*20=80$). The study is exploratory and both primary and secondary data are obtained. Primary data is obtained and collected by administering schedules and questionnaires to the respondents and secondary data is obtained from various published sources such as

Journals, News Papers, Annual Reports, etc., Chi-Square (X^2) test is applied to know the association between the two variables.

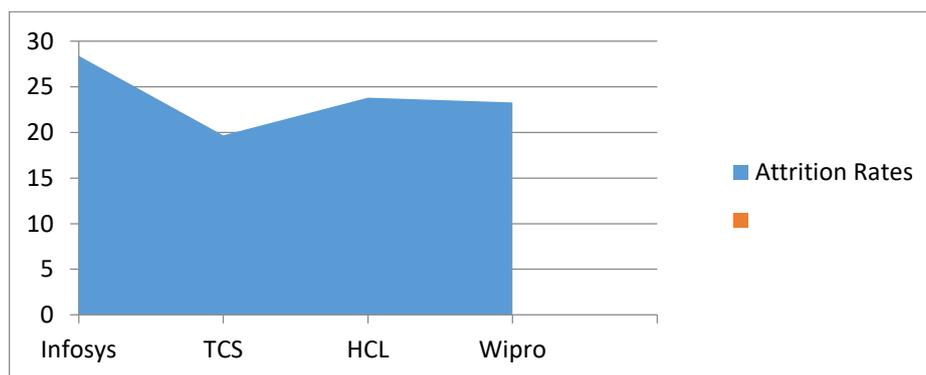
Analysis & Interpretation

The layoffs in India are dominated by IT Companies. So far, around 150 US-based companies have laid off over 37000 people in 2022. More than 12,000 employees working at tech startups in India have lost their jobs in 2022. Apart from layoffs, IT companies have also witnessed high attrition rates.

Table -3: Attrition Rates in Indian Tech Companies

S. No	IT companies	Attrition
1	Infosys	28.4%
2	TCS	19.7%
3	HCL	23.8%
4	Wipro	23.3%

Source: Times of India, August 2022 August 2022



The market capitalization of top 30 technology companies dropped \$4.3 trillion in the 6 months period from January 1, 2022. The overall market loss of globally listed tech market amounted to at least \$5-6 trillion. All layoffs were attributed to funds drying up followed by monetary policy tightening by global central banks and correction in equity markets.

Table -4: Reasons for Layoffs

S. No	IT Companies	Reasons for Layoff	Sample Size	%
1	Infosys	Funds Drying up	20	30
2	TCS	Monetary Policy Tightening	20	25
3	HCL	Correction in Equity Markets	20	25
4	Wipro	Cost Cutting Spree due to Economic Downturn	20	20
Total			80	100

Source: Primary Data Calculated X^2 value = 49.12 , $\alpha = 0.050$, sig@ 5%

Result - As the calculated value of Chi-square (X^2) is 49.12 is more than the tabulated value @5% significance level the hypothesis is rejected. Hence we can conclude that there is an

association between economic downturn and IT job layoffs. Further, It is very interesting to note that the select IT employees cited different reasons for their layoffs. Most of the employees i.e. 30% in Infosys cited that the main reason for their layoff is a decrease in profits (Funds Drying Up). Employees in TCS & HCL cited that the Tightening of Monetary policy and correction in Equity was the reason for their Job Layoff and finally Employees from Wipro cited that the main reason for their layoff was cost cutting spree and economic downturn.

Conclusion

The present unrest is due to an ostensibly endless pandemic, fear of recession, the Russian & Ukraine war, worse economic conditions, high inflation, and of course political reasons as well. So, the present situation is found to be more conducive for job Layoffs in IT Companies mostly owing to the economic downturn. Hiring and recruiting have come to a complete halt in most companies and concerning the Indian context, things are going to be a little bit different as India is set to become the World's fastest-growing economy. So, let's wait and watch what is going to happen shortly.

Implications of the Study

At the end of the study, it is to be noted that it is not the end of the study of the problem. In the future also, the problem being dynamic, is to be further pursued by further research. On various issues of the problems of IT workforce, Job Layoffs, and Economic Downturn individually and collectively. Job Layoffs are a continuous phenomenon on which the need is for extensive future research.

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