



The Indian Software Industry & Relationships with Europe



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तेजस्य नावधीतमस्तु




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India: some background info

- ☞ 2nd most populous country (1.02 bn)
- ☞ GDP – 12th largest (4th in terms of PPP)
 - ✓ Growing at 6%
- ☞ Under British rule till 1947
- ☞ Closed economy till early eighties
- ☞ Predominantly agricultural, but services sector growing (7.8)



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The Indian Economy

- ☞ “job-less” growth since the 1980s
 - ✓ Employment grew at 1.5% (1987-1997)
 - ✓ Compounded by burgeoning supply of educated youth seeking employment in formal sector
- ☞ Weakened trade unions’ bargaining power
- ☞ Labour absorption potential of IT industry therefore quite significant.
 - ✓ Lots of projections for IT & ITES



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The IT Industry

- ☞ Software Services
 - ✓ Customised appn devpt & maintenance
 - ✓ IT consulting – low
 - ✓ Systems integration - low
 - ✓ not in products
 - ✓ Plus now growing in ITES



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☞ Mechanisms

- ✓ Body Shopping (initial entry)
 - ◆ Less investment, less risky
 - ◆ Considered demeaning (poor working conditions) – modern version of slavery
- ✓ Onsite Development
- ✓ Offshore Development
 - ◆ Infrastructure development initiatives by govt.
 - ◆ Salary levels further lower
 - ◆ Time difference advantage



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Labor distribution

Location	'88	'95	97/8	98/9	99/00
On-site (abroad)	90	66	43.8	54.4	49.5
Offshore (India)	10	33	55.5	44.4	49.5



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Size distribution (employees)

Employees	Percent
501+	6.39
201-500	13.7
101-200	10.5
51-100	15.07
11-50	41.55
<10	12.79

8 out of top 20 firms are non-Indian Corporates



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- ☞ Primarily export driven (72%)
 - ✓ Size still < 5% of the global industry
 - ✓ Share in customised software that is sourced from other nations is 18.5%
- ☞ Most of the exports to the US (62%)



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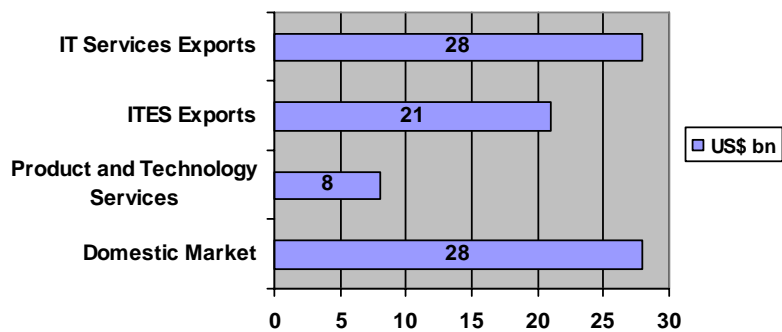
IT Exports Country wise

Country / Region	Percentage
Australia & New Zealand	1.10
Japan	3.60
South East Asia	4.30
West Asia	1.47
North America	62.65
Europe	23.82
-- UK	11.84
-- Germany	3.20
-- Belgium	1.41
-- Netherlands	1.27
-- Switzerland	1.20
Rest of the World	3.06



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Projections for the industry: 2008



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Industry Image: Made in India

☞ Major image factors

- ✓ Low cost
- ✓ Good quality work
 - ◆ (>50% of CMM 5 orgs)
- ✓ Qualified personnel
- ✓ English speaking (60% of graduates)
- ✓ Process oriented
- ✓ Natural time advantage (?? Always ??)



Employment & working conditions

☞ Rate of unemployment increasing

- ✓ Low rate of growth of jobs + high rate of growth of literacy

☞ IT sector

- ✓ Working conditions radically different
 - ◆ Promote fun in the workplace
 - ◆ Encourage informal dress codes
 - ◆ Campuses comparable to the best in the world



Wages

- ☛ Per Capita Income \$460 in 2001
- ☛ Wide disparity in salaries
 - ✓ \$150 for secretary; \$350 for field service engineer
 - ✓ Entry level software developer - \$ 650
- ☛ But still
 - ✓ Indian s/w engineer cost 0.5 to 0.25 that of an American counterpart
- ☛ Difference much more significant in ITES
 - ✓ Customer service agent in India \$2000 - \$3000 PA
 - ✓ In the US \$23000 - \$35000 per annum



Position by gender

Position	Male	Female
Call Services	40.00	60.00
Software engineer	54.69	45.31
Consultant	75.00	25.00
Project Manager	94.44	5.56



Some observations

- ☞ Dominated by men & women in their twenties with little work experience
- ☞ Strong gender bias is visible
- ☞ Wide disparities exist in wage levels across firm types and sizes
- ☞ Wage setting is highly individualised with no standard systems



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More observations

- ☞ High degree of insecurity (need for continuous requirement of learning)
- ☞ No trade unions in this industry and conflicts are normally solved directly between the supervisor and the employee
- ☞ Employees lack time and space for development of long-term relationships and collective mobilisations of any kind
- ☞ Management's control over the workplace appears to be reinforced in the new economy sectors like software
- ☞ Women are still a minority with a clear trend towards clustering at the lower ends of the job hierarchy leading to feminisation of certain service activities.



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Education & Skills

- ☞ Literacy levels still low
 - ✓ 64% (women 54%) but improving
 - ✓ Some states have very high literacy levels:
Kerala
- ☞ But, sheer size of population ensures availability of cheap, good quality labour.

IT Enabled Services which may be considered to be undesirable, low income jobs in the west have become attractive and relatively prestigious avenues for employment in India



Higher Education

- ☞ 1,60,000 Engineers every year
- ☞ Quality of education: matter of concern
 - ✓ Some world class institutes in engineering and management
 - ✓ 7 IIT's and 6 IIMs and 1 IISc
 - ✓ But several weak institutes



European Relations

- ☞ Some major names
 - ✓ Siemens
 - ✓ British Telecom
 - ✓ Bosch
 - ✓ Phillips
 - ✓ HSBC
 - ✓ Standard Chartered



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European Relations

- ☞ Current Focus
- ☞ Encouragement from European Governments
 - ✓ German Green cards
- ☞ Language Issue
- ☞ Cultural Issues



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Some specific issues

- ☞ I-flex in Netherlands (visas)
- ☞ British Telecom (low wage indians)
- ☞ In one case:
 - ✓ Indian firm perceives the european client to be very disorganized, but still accommodates
 - ✓ European client sees the issue very differently



- ☞ Cultural Dissonances in another case:
 - ✓ Authority came from technical knowledge rather than position, but in the Indian office the opposite prevailed
 - ✓ Project leakage: 2-3% in UK; 25-30% OK in India; issue of definition and measurement
 - ◆ Time spent important in UK, while deadlines important



Some other issues

- ☞ Uniquely indian issues:
 - ✓ Infrastructural issues (not necessarily IT related)
 - ✓ Bandhs (city shuts down)
- ☞ Indian Holidays
 - ✓ Not necessarily trivial
- ☞ E-mail communications won't do
 - ✓ Shared project database
 - ✓ Video conferences
- ☞ Knowledge Transfer issues



Finally

- ☞ Location still matters
- ☞ Distance still matters

