

# Indian IT industry undergoes major reset: Collaboration key amid digital disruption and mass layoffs

Higher Education Institutions must realign their curriculum and teaching methods to focus on industry-relevant skills, ensuring graduates are job-ready in an era of rapid technological change.

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O.R.S. RAO



TCS, a part of the Tata Group known for its employee-friendly HR policies, reporting job cuts has come as a shocker signalling a significant reset in the IT industry. | File photo credit: Reuters/Francis Mascarenhas

The IT sector has been hit by big job cuts across the world, India included. For instance, the Tata Consultancy Services (TCS) has announced plans to lay off 12,000 employees. The news sent shock waves across all the sections of the country, ringing warning bells on

the shape of things to come.

This article makes an analysis of the root causes of these job cuts and the lessons they hold for IT companies, employees, students and higher education institutions so they are prepared to address the challenges that lie ahead. It also offers suggestions to avoid such a situation in future.

## Massive layoffs by IT MNCs in the last two years

In the last two years, there have been a large number of layoffs across the global technology sector, with the same trend continuing into 2025. In the first half of 2025 alone, over one lakh jobs were reported to have been eliminated, which exceeds the corresponding numbers in both 2023 and 2024.

Intel has announced plans for over 25,000 job cuts in 2025, constituting about 25% of its total workforce, which comes after the wave of 15,000 layoffs in 2024. After declaring a record profit in the quarter ending March 2025, Microsoft announced its plans to cut about 9,000 jobs, about 4% of its global work force, after cutting 1% of its headcount in January 2025 based on performance. Other large MNCs that joined this league include Amazon, Google, and Meta.

## Situation in India

TCS, a part of the Tata Group known for its employee-friendly HR policies, reporting job cuts has come as a shocker signalling a “significant reset” in the IT industry. The top five Indian IT companies together added only 4,787 employees in the first quarter of 2025-26, a sharp decline from previous years, with some of them even reporting net reductions in their workforce during this period. Besides, there have been reported delays in onboarding of new employees by large companies.

Nasscom, the apex industry body of the IT sector in India, has cautioned on more workforce rationalisation, leading to job cuts in the coming months. The Indian IT services industry employed over 54 lakh people in 2024 with over \$280 billion revenues during 2024-25. It has traditionally offered the most sought-after career path for India’s legions of engineering graduates. The drastic reduction in fresher recruitments coupled with the job losses anticipated in the next one year amounting to over a lakh people is likely to have a significant ripple effect on India’s economy.

## Layoff trends in the last three years

An analysis of the layoffs in the last few years highlights an evolving trend in the nature of tech job cuts globally. Large job cuts during 2022-23 were attributed to the mid-course corrections for post-pandemic over hiring, whereas the workforce reductions in 2025 are primarily driven by the imperative to restructure and refocus on building deep skills in contemporary technologies such as AI. This indicates that the current wave of layoffs is not simply a cyclical response to the economic downturns, but a proactive, long-term strategic move to re-engineer the workforce and the business model, driven by the digital transformation.

The traditional bench system, which allowed companies to maintain a pool of readily available employees, is becoming unsustainable, as companies prioritize ready allocation of resources on billable projects, leading to layoffs of non-deployable talent.

## Profiles of employees affected and implications

In the past, job cuts were influenced by sub-par performance of individual employees, whereas the recent wave of layoffs has significantly impacted specific segments of the IT workforce. While the younger and less experienced employees have the relevant skills and are often able to be more easily placed on projects, senior resources face distinct challenges. So, the people most affected by the job cuts are middle-level executives whose roles are deemed redundant due to reasons such as automation, non-deployability on billable projects, skill mismatch, cost considerations and structural changes by way of reduction of layers in the organisation. This creates a paradox wherein years of accumulated experience, traditionally considered to be a valuable asset, becomes a weakness due to non-alignment with evolving project demands.

This trend poses a significant challenge for a large segment of the established IT workforce, signalling a shift in the traditional career progression model, where career mobility and growth solely depend on skill relevance on a continuous basis rather than tenure. Experienced professionals face the challenge of upgrading their skills quickly or seek opportunities in other industries or geographies.

In some companies, entry-level employees, including trainees who did not meet the new, tougher assessment norms were affected. In some cases, the job roles cut relate to technical support functions due to automation. Non-customer-facing and administrative non-revenue generating roles have been affected.

## How companies have been affected

While the job cuts will result in short-term gains to the companies in terms of cost savings and improved operational efficiencies, they dent the image and result in loss of goodwill built over time. They will affect the ability of the companies to attract good talent in future. The departure of experienced employees will result in loss of valuable insights and institutional knowledge essential for fostering creativity and innovation. These pervasive psychological impacts on both the laid-off and surviving employees reveal significant hidden costs, which may be termed the “invisible cost” of layoffs.

## Impact on morale

The recent layoff wave has caused immense financial hardship and damaged the morale of the affected employees who have a lot of family obligations. Unlike in the West, the affected employees in India do not have access to social security benefits nor adequate job opportunities, thereby making the situation more stressful. The retained employees will face enormous stress due to fears of job insecurity and possibility of additional workload due to reduced staff, which may also lead to burnout and poor mental health.

## Lessons for IT companies

Historically, Indian IT firms competed in the global market, by leveraging their large, cost-effective workforce, wherein the growth was driven by headcount additions and utilization rates. Over the last decade (2014-2024), the top four Indian IT players collectively saw a 187% increase in revenue, followed by 206% increase in employee cost, which as a percentage of revenue has increased from 48% in 2014 to 57% in 2024, implying that manpower productivity has been relatively stagnant. This model is susceptible to global macroeconomic uncertainties, with the clients pushing for significant price reductions (20-30%) and cutting down on discretionary IT spending, impacting revenue growth.

A fundamental shift in the IT services business model seems to be imminent by decoupling headcount growth from corresponding revenue contributions. The new driver of the future growth of the industry will be increased manpower productivity, enabled by automation and AI.

While it is imperative for the IT companies to adopt multifaceted strategies to remain competitive and capitalize on the opportunities presented by AI and related technologies, companies that invested in strategic workforce planning and effective upskilling programs saw better alignment between talent supply and demand and faster redeployment of at-risk staff in emerging roles. Companies should proactively rotate and redeploy the resources across functions/projects so as to provide contemporary hands-on project skills to all employees. They may also consider flexi-resourcing models, which may include part-time, gig and consulting options, to the affected employees before resorting to job cuts.

## Impact of reskilling initiatives

As per the recent annual reports of the large IT companies, over 90% of the employees went through upskilling programs in the last three years. In this context, concerns are expressed with regard to the level of effectiveness of the current practice of self-learning based upskilling programs and their impact on internal redeployment of the trained persons so that job cuts could have been avoided. Experts are of the opinion that unless the training programs are designed combining role-specific learning pathways with project-based hands-on skilling, they will not be effective.

Companies that integrated classroom training with mentorship, project shadowing, career coaching, and internal job support enabled the employees to successfully transition to the new roles rather than face redundancy. Industry analysts also point out the need for more effective and universally adopted reskilling frameworks tailored to the profiles of individual employees, leveraging the power of AI.

## HEIs should focus on skills

The industry's pivot from volume-based to value-based services and the explicit demand for niche, high-value AI and data analysis skills suggest the imperative to focus on skills, as the traditional academic degrees alone are no longer sufficient for career success. This is

especially important, as the industry now expects fresh graduates to be 'ready-to-deploy' resources, with traditional structured training for freshers largely discontinued

In view of the large shortage of industry experienced teachers, Higher Educational Institutions can leverage the availability of displaced industry professionals to engage them as Professors of Practice to impart students with the industry-ready skills.

## Lessons for students, employees

In an environment of increased job insecurity, employees need to take ownership of their careers, which includes actively seeking internal mobility opportunities, exploring new roles within the company, and being prepared for new role transition and relocation if necessary. The concept of lifelong learning has transitioned from a desirable attribute to an absolute necessity to stay employed. Continuous upskilling and reskilling in contemporary technologies is now a "must" and is no longer an option.

Micro-credentials, which are compact, skill-focused courses, are emerging as a vital bridge between academia and industry. A recent study reveals that 93% of Indian employers have hired candidates with micro-credentials and found them to be more job-ready, significantly reducing ramp-up time for new hires.

## Role of industry associations and government

Addressing the current challenges and preventing similar situations in the future requires a collaborative and multi-pronged approach, involving industry associations, academia and the Government of India. Industry associations like Nasscom can play a crucial role in tracking industry trends globally and provide foresight so as to enable the companies to put together strategic resourcing and reskilling plans. The government may collaborate with industry and academia for launching nationwide reskilling drives, especially targeting mid-career professionals and fresh graduates.

The Ministry of Education and Ministry of Information Technology may collaborate with industry and HEIs to offer teacher training programs for displaced people interested in teaching so that they can transition smoothly into their second careers.

## Way ahead

The Indian IT industry is going through a massive reset due to the unprecedented disruption driven by digital transformation, which is bound to cause a lot of stress all around. The path forward requires concerted and co-ordinated efforts from the industry and academia, duly supported by the government, so as to navigate the current turbulence deftly, mitigate the adverse impacts of workforce transformation, and position themselves for sustainable growth in the challenging future ahead.

*(Prof O. R. S. Rao is the Chancellor of the ICFAI University, Sikkim. Views are personal)*

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