



DAILY EDITORIAL ANALYSIS

TOPIC

**INDIA'S IT DREAM IS AT A
CROSSROADS**

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Context

- The **ongoing wave of layoffs** in India's IT sector, often described as 'silent exits', reflects deeper structural changes, as IT giants like TCS, Infosys, and Wipro are aligning their workforces with a **new digital reality driven by AI and automation**.

About India's IT Sector

- India's Information Technology (IT) sector has long been synonymous to India's economic growth, global competitiveness, and digital transformation for nearly three decades.
- It contributes **nearly 7% of India's GDP** in 2024–25 (FY25) while employing about 1% of the workforce, and is likely to **contribute 10% by 2026 and 20% of GDP by 2030**.
 - ♦ It has driven 25% of India's total exports to countries like the US, European countries, Asia, Australia & New Zealand, and Canada.

Structural Challenges: Global Pressures and Local Realities

- **Skill Mismatch:** India's IT workforce, especially mid-career professionals, faces a mismatch between available skills and market demands.
 - ♦ Legacy competencies such as **mainframe management**, or **non-cloud systems** are becoming redundant.
 - ♦ The new demand is for expertise in **AI integration**, **cloud-native systems**, and **generative technologies**.
- **End of the Digital Assembly Line:** India's IT miracle was built on a scalable model: recruit engineers, train them quickly, and deploy them globally.
 - ♦ That model, while once efficient, is now obsolete. Clients prefer agile teams with cross-functional capabilities in **cloud computing**, **data analytics**, and **cybersecurity**, rather than large armies of developers.
- **Automation, AI, and Global Headwinds:**
 - ♦ **Mass layoffs:** Major firms like TCS and Amazon have cut tens of thousands of jobs.
 - ♦ **Shrinking foreign demand:** Global economic uncertainty has led to reduced outsourcing budgets.
 - ♦ **AI disruption:** Generative AI and automation are replacing routine coding and support roles.
- **Tightening Global Policies:** Stricter US immigration rules, particularly higher **H-1B visa fees** and localization mandates, have forced Indian firms to hire more locally abroad.

Related Support and Policy Push

- **Digital India Mission:** A flagship initiative to empower citizens through digital infrastructure and services.
- **Software Technology Parks of India (STPI):** 67 centers across the country to promote software exports and innovation.
- **100% FDI:** Allowed in the IT sector under the automatic route, encouraging global investment.
- **National Policy on Software Products (2019):** Aimed at developing India as a software product nation.

Way Forward: From Retrenchment to Reinvention

- **Large-Scale AI Upskilling:** TCS has already upskilled **550,000 employees** in foundational AI and **100,000 in advanced AI applications**, a benchmark other firms must emulate.
 - ♦ Government initiatives like **FutureSkills Prime**, launched by **NASSCOM and MeitY**, aim to reskill over **1 million professionals** in data, AI, and cybersecurity.
- **Curriculum Overhaul:** Engineering education must pivot from rote programming to innovation-driven learning.
 - ♦ The new **National Curriculum Framework for Higher Education (2023)** recommends integrating **AI, machine learning, and design thinking** across all technology streams.

- **Supporting Startups and Deep-Tech:** India's future IT growth lies in **product innovation** and **deep-tech entrepreneurship**.
 - ♦ The **Startup India Seed Fund** and **Digital India Innovation Fund** are nurturing AI and cybersecurity startups to diversify the sector's base and create new employment pathways.
- **Strategic Focus Areas:** Deep tech (AI, blockchain, quantum computing) is identified as a key growth driver.
 - ♦ Government initiatives like Digital India 2.0 and BharatNet aim to expand digital infrastructure and rural connectivity.
- **Building a Human-Centric Transition:** Displaced workers need access to **career transition support**, **mental health counselling**, and **reskilling grants**.
 - ♦ Policymakers could consider a **6–9 months' salary compensation mandate** for mass layoffs, ensuring workers have a buffer to re-skill and re-enter the market.

Source: TH

Daily Mains Practice Question

[Q] Discuss the factors contributing to the current challenges faced by India's IT sector and suggest strategic measures that could help sustain its global competitiveness in the coming decade.

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