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Software engineers get that sinking feeling

Automation may be one reason why openings for traditional jobs see a contraction, but the jury is still out on this

Online technology job postings in the U.S. have seen a slowdown over the last six months, according to a report. Significantly, the demand for skills in the areas of cloud computing and big data analytics is growing despite the slump in start-up funding in that country, while traditional roles such as program managers are showing a decline.

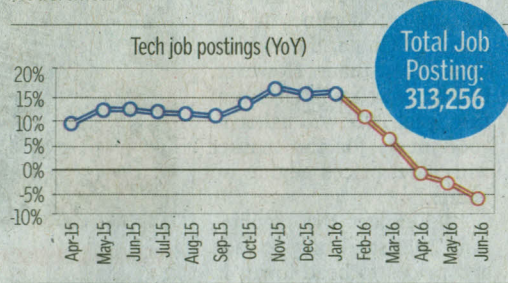
"We have noticed a sharp moderation in technology job postings in the U.S. at job aggregators and analytics firms like Indeed and Burning Glass," said Sandeep Muthangi, VP-Research, IIFL Institutional Equities and author of the report titled "Tech hiring is slowing in the U.S."

Job postings, or advertisements seeking applications to help fill open positions, are of consequence as the Indian IT services industry is typically impacted by a change in job trends in the U.S., the sector's largest mar-

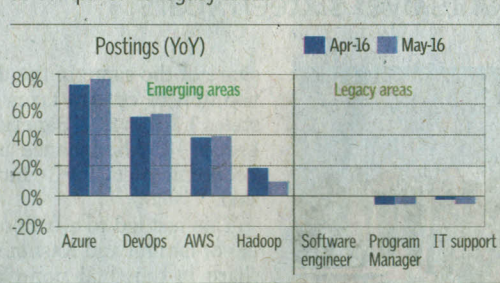
THE OLD ORDER CHANGETH

Skills in cloud and big data analytics are in demand, while that for Program Managers and IT Support roles have seen a slump. Overall, online job postings have slowed in the first half of 2016.

Tech job postings in the U.S. showing significant moderation



Emerging areas have witnessed strong growth as compared to legacy areas



Source: Indeed.com, IIFL Research



For the past three months, there has been a YoY decline in technology related job postings. The decline intensified in June. — IIFL RESEARCH REPORT

those gains, Tim Herbert, Senior Vice-President - research and market analysis at CompTIA, said in a statement.

Meanwhile, IT occupations in the U.S. (that is IT jobs across all other industries) rose by 74,000 jobs after declining by 96,000 in June. In a mailed response to a query on the job gains in the first six months of the year, Mr. Herbert said, "The net on the year is a gain of +42,000 IT occupation jobs. January, February and June were positive while March, April and May were negative."

India-U.S. correlation?

If there is any correlation between hiring in the U.S. and offshoring of jobs, direct or inverse, it is not yet visible.

According to Mr. Herbert at CompTIA, "Our research shows that IT is now strategically important to sales, marketing, operations, finance and even HR, beyond being

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K. BHARAT KUMAR

job trends in the U.S., the sector's largest market. Depending on the kind of new position that is filled at a company in the U.S., it could mean more business, or less, to the Indian IT services industry. For example, if a software architect is recruited by an IT vendor's client, there is a good chance that the work done by software programmers, who may interact with the architect from remote locations, are off-shored to destinations such as India. But, if a client company decides to add all the requisite expertise 'in-house', it would mean that jobs don't move out of the company including to India. On the other hand, if a client company freezes IT budgets for some reason, it could mean that the company is not open to recruitment, wherever in the world.

It is easy to cite the slowdown in the start-up ecosystem in the U.S. for the downtrend in job postings. But that is not necessarily the case. "It does not seem entirely start-up related. Many enterprise segments such as project managers and IT

support are large segments of job postings and are showing a sharp moderation," said Mr. Muthangi. He said that even though jobs in a start-up-heavy state such as California have shown a slowdown, it was still too small to impact national metrics materially. California contributes about 3 per cent to the total U.S. technology job postings.

IIFL's analysis of monthly data at Indeed.com showed that tech job openings posted online had started showing slower year-on-year growth starting January, and have actually begun contracting from April through June 2016. Indeed.com, with about 300,000 job postings in the month of June, is considered a representative of the overall tech hiring market in the U.S. It not only advertises posts from employers, but also crawls the websites of companies for jobs-related information.

Automation driving trend?

There is no consensus yet among analysts and industry observers alike as to whether IT automation is solely driving this trend of lower hiring.

Mr. Muthangi said that the trend of lower job postings is an early sign of automation affecting IT jobs. "Many Indian IT vendors have mentioned investments in automation in

While jobs data from the BLS is for all categories, outsourcing plays out largely in the Fortune 500-1000 cohort

a range of areas. However, we believe they are yet to gain material scale." He added that aggressive investments and deployment of automation are "the only way for Indian IT to deal with the current issues of legacy commoditisation and stricter service-level agreements."

Others in the industry said that it may be too early to cite automation as the reason for declining job postings.

"Software in the U.S. is now driven by a rise in artificial intelligence, the move to the cloud and other digital technologies such as Internet of Things (IoT)," said Siddharth Pai, who has spent more than a decade consulting for IT clients in choosing vendors and is now a management and technology consultant at Tekinroads LLP. "I am not sure if automation alone can explain any change in job hiring trends. We also need to look at the types of jobs, especially at tech support companies both Indian and non-Indian before we can draw that conclusion." Tech support jobs may lend themselves to more

automation than other kinds of IT jobs.

However, Mr. Pai agreed that what sticks out as a trend is that "Hiring seems to have shifted into new technology areas such as Hadoop and Azure."

According to Somak Roy, Senior Analyst, Forrester Research, "We are still in the early stages of automation. Tech service providers are conducting pilots. This will take years to play out."

The cloud according to him, "is another matter". As cloud computing helps IT clients outsource their server management and storage requirements to cloud service providers, this technology could be driving the need for lesser manpower, with time.

U.S. jobs

Interestingly, actual tech job hires in the U.S., as opposed to job postings, returned to growth in June, after declining in May 2016, according to U.S. IT industry body CompTIA, which sources its numbers from the Bureau of Labor Statistics (BLS). The month of May saw the IT sector lose about 28,800 jobs while June saw it rebound with a net addition of 32,100 jobs. For the first six months of 2016, the IT sector in the U.S. saw a net addition of 43,900 jobs, with the IT sector driving 90 per cent of

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