CHANGES IN THE HUMAN RESOURCE MANAGEMENT AND COMPENSATION STRATEGIES ADOPTED ACROSS IT AND ITES INDUSTRIES DUE TO COVID-19 IN INDIA

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Abstract

Purpose: The purpose of this study is to highlight the changes incorporated in the Human Resource Management and Compensation strategies owing to the COVID-19 pandemic across the IT and ITeS firms operating in India.

Design/Methodology/Approach: This study intends to conduct exploratory research through secondary data and thereby purposive sampling of HR professionals to gather data through primary sources and secondary sources to try to understand the changes that their firms have incorporated. The study was carried out basis the four most widely used strategies across all industries i.e., Layoffs, Salary Cuts, Hiring Freezes, and Pay Hikes.

Findings: We see that diverse strategies were incorporated by the firms in their efforts to combat the economic repercussions caused by the pandemic, keeping in mind the financial strength of the company, employee morale, future business outlook, and employer branding.

Practical implications: The results of this study help us understand the current industry practices, significant trends, and also help us benchmark these practices against standard industry practices.

Originality/value: The study specifically highlights the changes incorporated in the IT & ITeS sectors and creates a distinction between the incorporation of these practices based on the firm size, classified on the parameters of the employee count, and the number of businesses they operate in.

Key words: Human Resource Management, Compensation, COVID-19, purposive sampling

Introduction

Coronavirus disease 2019 (COVID-19) pandemic is an ongoing pandemic of a highly infectious disease which was first identified during late December in Wuhan, a city in China's Hubei province and has since spread rapidly across the world leading to mass economic and healthcare disruption across the globe. (WHO, 2020) Subsequently, the World Health Organization (WHO) initially declared the outbreak as a "Public Health Emergency of International Concern" on 30 January 2020 and later as a pandemic on 11 March 2020. (WHO, 2020)

The international monetary fund (IMF) predicted that the contraction of the world economy in 2020 would be a mammoth 3% as compared to the approximate 2.3% GDP growth in the preceding year 2019 which is much worse than the figure during the global financial crisis of 2008-09. India is one of the most severely affected countries in the world with 332,424 confirmed cases as of 15 June 2020 according to the official statement of the Ministry of Health and Family Welfare of the Government of India making it the 4th most badly effected country in the world. The Coronavirus outbreak has caused significant disruption in the economic activity of the country fuelled by three consecutive nationwide lockdowns in varying scales marking it the first of its kind for a population of 1.3 billion people. (Karan Deep Singh, Vindu Goel, Hari Kumar, Jeffrey Gettleman, 2020)

During the first lockdown of 21 days, nearly all services and factories were suspended, and only the sale of essential goods was made available through e-commerce websites and vendors. (Karan Deep Singh, Vindu Goel, Hari Kumar, Jeffrey Gettleman, 2020) The subsequent lockdown was also implemented with similar
rigour exempting a few more essential services such as postal services, banking services, courier services, in house services etc. in non-containment zones. A significant relaxation was later observed in the third phase of the lockdown where the country was demarcated into Red, Orange and Green zones and the exemptions were determined based on the 'risk of spread of infection'.

A survey seeking responses from about 380 companies across sectors was conducted jointly by an industry body FICCI and a tax consultancy named Druha advisors said that there remains a "tremendous uncertainty" with regards to their future prospects. As per the Economic Times, 2020. A substantial majority of the respondents said that they do not foresee a positive demand outlook for the fiscal year 2020. Seventy per cent of the surveyed firms are expecting negative growth in sales for the year 2020. Another set of 'Layoff' surveys conducted during March 2020, on 1124 companies across 11 industry sectors by MyHiringClub.com and Sarkari-Naukri.info revealed that 73 per cent of the employers decided to decrease the salary of their employees, further 57 per cent have laid off their employees temporarily while 21 per cent companies have resorted to permanent layoffs.

Over the last decade, India has emerged as one of the leading hubs of innovation in the world. The IT industry, in particular, has been India's leading propeller of economic growth. It has played an imperative role in fulfilling the career aspirations of millions of India's workforce by providing them with aspirational careers. (Rishikesha T Krishnan, A Gupta, V Matta, 2003) However, due to the COVID crisis, industry experts foresee a significant impact on growth. The National Association of Software and Service companies said that the IT service companies might have to resort to significant job cuts to cover for the company costs if the global economy does not improve in the next three quarters. The ICRA, which is an Indian independent credit rating agency, also foresees a drop in the growth of the IT sector by 3 to 5 per cent in the year 2020. This is due to higher operating costs due to inflation and lower demand in the businesses of the dependant sectors as stated in a report of the Economic Times. The main intention of the study hereafter would be to create an understanding of the various changes in the Compensation and Human Resource Management strategies that have been incorporated specifically by the IT & ITES industries to weather through this situation. This is done by defining the various strategies that corporates have adopted through primary and secondary research and then analysing the percentage distribution of the most frequently observed strategies through convenience sampling of IT and ITES companies. The paper also intends to create a distinction between large scale and small scale firms in the strategies they have incorporated and attempts to determine the rationale behind any significant differences in their strategies.

**Literature Review**

The Human Resource function has undergone a massive transformation since its inception in the 1920s. The initial efforts in managing Human Resources were largely to deal with the legality aspects when the labour offices were first set up, and the Factories act of 1948 was passed. Since then, the focus has gradually shifted, enhancing organisational efficiencies and thereby to the current Human Resource Management. Still, there are several laws that deal with Human Resource Management. (Guest, 1997) Today, there exists tremendous importance to the strategic Human Resource Management initiatives adopted by firms (Lee Dyer, 2006) since such practices profoundly impact the organisational effectiveness and employee attitudes and behaviours. (Kossek E. E., 1989) This is in turn attributed to the institutional framework, culture, current incentive structure, leadership and the role of the HR department. (Som, 2006) Additionally, previous researches indicate that the nature of the relationship between various levels of the management and also the organisational strategy (Ulrich, 1998) play a crucial role in the adoption of these initiatives. (Kossek E. , 1987) Companies with successful HRM initiatives are those companies that ensure maximum employee commitment and contribution (Sully Taylor, 2008)

Compensation is one of the most integral parts of Human Resource Management. According to Robert L. Mathis and John H. Jackson (2000), the compensation system must adhere to the objectives and the business strategies of any organisation. It is therefore vital for the organisation to balance the costs of compensatory budgets of the employees and at the same time, ensure a competitive advantage in all aspects. Therefore, any compensation structure should ensure that three primary objectives are met adequately. 1. Compliance with the

One of the main challenges for an HR Manager would be to ensure minimal effect of any downward economic trend. This may involve deciding on the correct mix of fixed to variable pay, deciding whether to freeze or cut salaries with a risk of losing valuable employees or pay too much and risk damaging the financial health of the organisation to thrive and sustain in adverse market conditions. However, one needs to note that there exists no ‘magic formula’ when it comes to determining the right compensation structure. Every firm must determine the strategy that is ideal for it basis various parameters. (Pankaj M. Madhani, 2010)

One of the most widely incorporated passive plans in addressing the COVID-19 crisis by firms is to increase the variable pay of the employees. In an article published by The Economic Times, multiple experts claim that organisations are looking to restructure the fixed to variable pay ratio particularly in the middle and senior management levels in order to link performance more with the compensation thereby creating room for employees to show higher commitment. According to a study by Deloitte, one of the big four consulting firms, companies are considering to have a fixed to variable pay mix of about 85:15 going up to about 50:75. The director of rewards and risk management advisory of Wills Towers Watson, the third-largest insurance broker in the world said that companies are evaluating to also include greater long term incentives in addition to the existing short term incentives especially for the mid and senior level category employees in order to link the variable pay to the company performance for a longer duration than just immediate results thereby offsetting financial risks. This would also mean preserving cash for immediate business requirements to weather through the COVID crisis. Further, another Principal-career of the HR consulting firm, Mercer, stated that while there may not be much change at the entry-level or junior levels, the change may be more significant for higher-level employees.

However, Pay cuts remained to be the most popular go-to strategy for employers in their efforts to address the COVID-19 induced financial crisis as it is one of the most direct forms of cost-cutting measures. Companies operating in badly-hit sectors such as aviation and hospitality have announced immediate pay cuts for their employees. According to the Mint, which is one of the most popular business newspapers in India, India's most popular airline Indigo announced pay cuts of 25% for its senior management. Similar strategies were incorporated by their rivals such as Go Air and Spice Jet. Go Air also went on to introduce leave without pay for its employees. In the hospitality sector, Oyo which has seen a huge growth in its business recently has not only cut the salaries of its employees by 25% but also sent some of its employees on leave with limited benefits such as medical insurance, school fee reimbursement etc. in such a way that post the proposed pay cut, the employees' compensation is not less than Rs.500,000 a year for any employee. These practices are extended, however, along with significant layoffs in certain firms. Cognizant, which is one the biggest IT services company operating in India planned to lay off 400 of its high ranked executives in its efforts to grapple with the impact of the COVID-19 pandemic. The company in its statement said that in a people-incentive business such as theirs, effectively managing workforce is key to their cost structure as per a report in the Times of India.

In the case of firms reeling with a larger hit, layoffs have also been seen. As stated in a report of the Indian daily, The NewsMinute, firms operating in sectors such as hospitality, retail and other startups have majorly had to face the brunt of this economic downturn. Swiggy, Zomato, Uber, Ola, Raymond, India Bulls etc. ranging from mobility, foods to financial services have laid off thousands of employees each owing to huge drops in revenues. While some have laid off by paying out their employees three month notice period salaries, others chose to do so along with facilities such as health insurance and outplacement support. If a firm sees itself in difficulties during an economic downturn, most widely adopted corporate panacea has always been to layoff employees. However, there have been studies that such measures, when carried out abruptly rarely result in the anticipated results. (Wayne S Cascio, 1997) Since, there has been an increased understanding that there are a few after-effects that downsized companies have to deal with, such as human and societal after effects, also known as secondary effects. (Gandolfi, 2008) Researches have shown that the human consequences of layoffs are costly and cause significant mental trauma and devastation for the individuals and their families. (Macky, 2004) While in situations like economic downturns, layoffs cannot be avoided entirely, using this as a last resort
managerial tool rather than a first resort is advisable. (Gandolfi, 2012) That said, a company needs to factor in the cost reductions appropriately as per the current business positions and environment. Ideally, it would be best if the company is in a position to determine the expected severity and downturn caused due to any crisis as accurately as possible.

In the midst of such measures, there were a few firms across industries which sought the ongoing crisis as an opportunity to stand with their employees and bolster their employee goodwill. According to the Economic Times, firms such as Hindustan Unilever, Asian Paints, Johnson and Johnson etc. are among those companies that have chosen to hike salaries, make variable payouts and also promote their employees. Due to the ever-changing dynamics of the organisational requirements, there exists a need for companies to retain high potential and worthy candidates. (Abrudan Maria-Madela, 2009) The intersection of good Human Resource Management along with good employer branding goes a long way making a firm stand out and desirable for good talent. This, in turn, differentiates companies to create a competitive advantage. (Christopher J. Collins, 2002) This trend, when observed, however, does highlight that such aggressive steps were taken largely in firms with very strong balance sheets or those among industries such as FMCG and Pharma where the effect of COVID has been low to none.

Research shows that it is best if steps such as these are taken in a stage-wise manner with increasing intensity. The stage refers to the time required by the organisation to reduce its operational expenses. (George, 2004) In reality, accurately forecasting an economic downturn is quite a difficult task as there is a tendency for firms to react rather than anticipate the economic impact. (Gandolfi, 2012) According to the adaptation of previous works by (Gandolfi, 2008) the cost reduction strategy should contain three stages. The first stage consists of preliminary short-range adjustments wherein it involves hiring freeze, mandatory vacation, cut in overtime etc. This stage should be ideally adopted if the expected economic downturn is expected for up to 6 months. The second stage consists of medium-range adjustments such as salary reductions, exit incentives, employee lending etc. The third stage consists of extended or long-range changes if the expected economic downturn continues for greater than 12 months. In this stage, layoffs and other downsizing activities could be incorporated given that they ensure smooth layoff incorporating activities such as exit incentives, maintaining communication with the laid-off candidates, outplacement activities, rehiring talent when the economy is back. Such steps ensure much greater morale of the laid-off employees and go a long way in the employer branding post such economic downturns. However, there should be an understanding that the ability to stick to such strategies is also dependent on the size of the organisation and its ability to absorb such economic downturns (Gandolfi, 2012).

Thus, there have been various methodologies adopted by different firms owing to factors such as scale, industry, and HRM strategies. In this paper, the objective is to take a cue from the model suggested by Gandolfi and understand the trends in the IT (Information Technology) and ITeS (Information Technology Enabled Services) sectors by analysing the companies that have incorporated each stage of cost reduction strategies in their attempts to fight the economic effects of COVID 19. The three most emerging strategies upon research incorporated by the firms from each stage have been 1. Hiring Freeze, 2. Salary Cuts and 3. Layoffs. The aim of this research would be to understand the percentage of firms that have incorporated each of these strategies on the parameter of their scale in the IT and ITES industries. For this, the intention would be to understand the percentages of each strategy incorporated and also analyse the incorporation of the three strategies together to find commonalities in the approach by the firms using k-means clustering. The paper also intends to understand what changes have been incorporated to the compensation and suggest what rationale could have been used by the management of these firms for incorporating such strategies.

Methodology

Sample

The research has been conducted via purposive and convenience sampling of 40 companies in the IT and ITeS sectors operating in India. The data was collected via a mix of primary and secondary sources. The primary sources involved connecting with the Human Resource managers through various mediums such as telephones,
emails and social media websites such as LinkedIn. While, the secondary sources were the communications made by the top level managements via various media outlets. Given the wide variations in the definition of small and large scale firms according to the country and its geographical area (Susan Mayson, 2006) and owing to varied interpretations in publications and researches in the classification of a firm as a large scale company, for the purpose of this research, any firm having an employee count of more than 1000 and operating in more than one business operation has been classified as a ‘large scale’ firm and the remaining firms have been classified as ‘small scale’ for the sake of nomenclature. This classification has been made basis the fact that largely there is a significant gap in the employee count between companies having an employee strength below the 1000 mark and those having an employee count of greater than 1000 specifically in the IT industry. The 40 companies chosen for the survey contained an equal number of large scale and small scale firms since the research intends not only to create a distinction in the practices incorporated as per the scale of the company. The data comes from a mix of primary and secondary research. Initially, a list of the companies was prepared based on the classification. Then, all the companies which had released a public statement through various platforms regarding their incorporation of these particular HRM strategies were recorded. For the remaining firms, the HR Managers were contacted through references and social networking sites such as LinkedIn.

**Measures**

The main three measures that were taken into consideration as the basis for the analysis of the HR strategy were in line with the model proposed by (Gandolfi, 2008) which are 1. Layoffs, 2. Salary Cuts, 3. Hiring Freeze. This was done, also basis the fact that majority of the firms resorted to changing one of these three Human Resource Management practices in their due to the COVID-19 economic effect as seen upon the exploratory research conducted earlier. Additionally, the count of the number of firms that offered hikes to its employees as a part of their normal appraisal process were also recorded. The data retrieved on this parameter, however, was only limited to those firms that had already completed their appraisal process or had taken a decision with regards to pay hikes for the financial year 2020. The measures were taken in binary terms as a ‘Yes’ or ‘No’ for the following four questions:

1. ‘Have Layoffs been incorporated in the firm, specifically owing to the Covid-19 economic effect?’
2. ‘Have there been any salary cuts incorporated in the firm specifically owing to the Covid-19 economic effect?’
3. ‘Has there been any Hiring Freeze incorporated in the firm specifically owing to the COVID-19 economic effect?’
4. ‘Have there been any hikes given by the firm as a part of the appraisal process in the year 2020?’

As discussed earlier, since many firms have different appraisal cycles, there was no information or communication available yet in a certain number of companies regarding hikes. This was hence treated as a separate variable and not used in the analysis and was only noted with an intent to gain an insight specifically into the compensation aspect in the IT industry and understand whether any change was made to the regular compensation procedures.

**Analysis And Results**

The analysis of the results generated from the research carried out is divided into two parts. The first part contains the overall analysis of the industry-wide trend based on the three parameters discussed earlier and the analysis of the industry-wide trend on the basis these parameters classified into two groups; large scale and small scale firms. The second part of the analysis is based on the results of the cluster analysis done using k-means to create a distinct classification in the strategies of the firms based on analysed commonalities attempting to highlight the common rationale behind each such classification.

**Part 1:**
Upon analysing the data, we see that 30% of the companies have resorted to some form of layoffs due to the COVID-19 effect. Further, another 30% of the companies have used a salary cut as a strategy. Finally, a mammoth 75% of the companies have adopted a hiring freeze in some form due to the crisis.

We see that, in the large scale firms, the percentages of the adoption of 1. Layoffs, 2. Salary Cut, 3. Hiring Freeze is 5%, 15% and 70% respectively while, for the small scale they are 55%, 45% and 80%.

Also, out of the 23 companies that had their appraisal, only 20% have given salary hikes as a part of the usual appraisal process for the year 2020. This, in most companies, was done in conjunction with a salary cut in some form on a change in the overall compensation such as cutting down or completely removing the variable pay for the year 2020.

Upon research through both primary and secondary sources, the most frequently emerging rationale for the strategy incorporated in the large scale firms was an emphasis on not having layoffs as much as possible. The companies stated that they looked at layoffs as a last resort option trying to leverage other mediums of cost-cutting and looked at this economic period with the aim of consolidation as opposed to new growth. This was firstly due to the availability of the huge cash reserves with them due to which they do not feel the immediate need to carry out such layoffs. Secondly, they also looked at this situation as an opportunity to stand with their employees during difficult times and improve their morale and employer branding.

However, while interacting with the representatives of the small scale companies, the most frequently emerging rationale was of implementing immediate cost-cutting measures due to the significant derailing of the companies from their set business objectives and due to low productivity. They felt that given the uncertainty of the nature of the situation, the strategy was to ensure minimization of costs. A few managers, also spoke about the usage of Zero-based budgeting as a strategy during these times. They, however, also looked to look at layoffs as a last resort option but were mostly compelled to do so in certain levels of their business.

Part 2:

Clustering is one of the most widely used statistical methods of classifying the raw data in order to find hidden patterns that might exist in the data. It involves grouping each data point into several disjointed clusters wherein each data point in the cluster adhere to a common theme across the cluster. (Huang, 1998) The k-means clustering is one of the most widely used methods of clustering as it is known to produce excellent clustering results and can be scaled up to large data sets. (A.M, Fahim, 2006) The k-means algorithm uses iterative refinement to produce the results. In this, the algorithm inputs several clusters' k’ predefined and starts with the initial estimates of the k centroids. The algorithm then iterates between two steps: 1. Assignment of Data wherein each data point is assigned to its nearest centroid and based on the squared Euclidean distance; 2. Recomputation of the centroid by taking the mean of all data points that are assigned to the cluster of the centroid. The algorithm proceeds to iterate between the above two steps until the stopping criteria are met, which is, no data points should change their clusters upon the last iteration, the sum of the distances in minimal or the maximum number of set iterations are reached. The value of k is pre-chosen before the test is performed. There is no method, in general, for accurately estimating the ideal value of ‘k’. Hence, multiple iterations are performed for a range of k values, and the results can be compared.

For our analysis, the value of k is chosen to be 3; this is because, upon analysis with the k value=2, the analysis would be highly generalised and would hinder the process of assimilation of all the prevalent insights in our study, while for a value of 4, two of the four clusters formed had only 7 data points which do not enable us to establish relevant commonality between all the data points.

<table>
<thead>
<tr>
<th>Number of Cases in each Cluster</th>
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<tbody>
<tr>
<td>Cluster 1</td>
</tr>
</tbody>
</table>

1477
Table 1: The number of data points in each cluster retrieved upon k-means cluster analysis

<table>
<thead>
<tr>
<th></th>
<th>2</th>
<th>12,000</th>
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<tbody>
<tr>
<td></td>
<td>3</td>
<td>10,000</td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td>40,000</td>
</tr>
<tr>
<td>Missing</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own

Upon performing the cluster analysis, out of the 40 companies analysed, 18 companies fell into Cluster 1, 12 companies fell into cluster 2 while 10 companies fell into cluster 3.

This, when verified with the data present upon qualitatively analysing, the following patterns were found:

Cluster 1: In the first cluster of 18 companies, the common strategy observed was not to lay off employees or cut salaries but instead to resort to hiring freezes. They are looking to cut down addition expenditure such as pay hikes and promotional expenses to whether through the crisis. The emerging rationale is to hold on to their employees, and the talent pipeline whom they trust would deliver the results in the future. They also looked at the crisis as passing by the incident and were optimistic of the upsurge demand for IT industry post the crisis. Many of the HR managers felt that the impact could be largely offset 1. Due to the practice of shifting to a new work from home culture, which would enable them to save significantly in their regular fixed costs in the future and 2. Due to the appreciating dollar currency in an industry that has a significant chunk of its earning from international clients whereby they gain from foreign exchange.

Cluster 2: The second cluster consisted of 12 companies most of which were small scale firms, these companies have gone all out in their efforts to survive, they have carried out some forms of layoffs, hiring freezes and compensation cuts. Further, they have resorted to different cost-saving measures such as variable pay deferment, salary cuts etc. The emerging rationale in these companies is to resort to immediate cost-cutting measures to provide themselves with enough cash reserves to weather through this situation.

Cluster 3: The third cluster consisted of 10 companies, most of which were large scale firms, these companies have not resorted to any layoffs, salary cuts or hiring freezes. A few have announced compensation cuts in various direct or indirect ways such as fixed to variable pay ratio changes, leave policy changes etc. while the others have remained committed to paying full salaries and subsequent benefits while looking at other avenues to curb expenses such as promotional expenses, additional investments etc.

<table>
<thead>
<tr>
<th>Distances between Final Cluster Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

Source: Own
Table 2: This table depicts the Euclidian distance between each cluster with the other two clusters.

The distance between the final cluster centres are fairly equidistant with a distance of 1.067 between Cluster 1 and 2 and 1.072 between Cluster 3, and 4. This signifies that each cluster formed is equally different from the other in its pattern.

### Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.728</td>
<td>0.728</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Own

Table 3: This table shows the Cronbach’s alpha value of the data containing the 3 items.

The data is found to be reliable after measuring the Cronbach’s alpha to find the adequacy of the internal consistency in the data. The value of 0.728 signifies good reliability in the data procured for the given 3 items i.e., Layoffs, Salary cuts and HiringFreezes.

### ANOVA

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Mean Square</th>
<th>df</th>
<th>Error</th>
<th>Mean Square</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layoff</td>
<td>3.138</td>
<td>2</td>
<td>0.063</td>
<td>2.800</td>
<td>2</td>
<td>46.435</td>
<td>0.000</td>
</tr>
<tr>
<td>Salary Cuts</td>
<td>2.800</td>
<td>2</td>
<td>0.108</td>
<td>3.938</td>
<td>2</td>
<td>25.900</td>
<td>0.000</td>
</tr>
<tr>
<td>Hiring Freeze</td>
<td>3.938</td>
<td>2</td>
<td>0.024</td>
<td>3.938</td>
<td>2</td>
<td>161.875</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Own (group means are diff)

Table 4: This table shows the significance values for each of the variable and their corresponding F score.

The ANOVA table is used to check the significance of the variables for the classification of the clusters. Since the significance of each variable in the group is 0.00 which is less than 0.05 for the 95% confidence interval, the null hypothesis that the mean is the same for all variables is rejected and the alternative hypothesis that the mean of the variables is different is accepted.

Further, the F value indicates the variable that contributes the most to the cluster solution. The highest F value corresponding to the variable ‘Hiring Freeze’ indicates that the Hiring Freeze is the biggest decision-maker in the classification of the data points in a particular cluster.

This shows that the maximum variability in the strategies incorporated by the companies is on the parameter is on the decision of implementation of a Hiring Freeze.

### Discussions

The purpose of this study was to understand the HRM trends incorporated in the IT and ITeS sectors of India. It has been seen that across industries, companies are faced with an unprecedented jolt to their economic structure due to the COVID-19 pandemic. There are many apprehensions as to the effect that this pandemic would have towards the consumer behaviour and their purchasing power given the uncertainty in its longevity. This would inturn affect many industries that the IT and ITeS sectors are in turn dependent upon. The recent reports and surveys conducted by organisations of repute up until May, 2020 signify a pessimistic outlook seen by firms...
largely. This, when further analysed showed that companies across the country had adopted one among Layoffs, Salary Cuts, Hiring Freeze and Compensation restructuring as they go-to strategy. This research aimed at understanding the current trends, specifically in the IT industry and check if the magnitude of incorporation of these practices in this industry were in line with the average corporate numbers across industries. Upon analysis, we find that the IT industry on the whole fares far better for the employees compared to the average industry in terms of not negatively impacting their career or earnings. They see that the impact of this crisis could be weathered through given the ever increasing need of newer technologies such as Big Data, Machine Learning and the subsequent technological services. Further, many firms noted that the impact of the pandemic in part, has been offsetted owing to the strengthening of the US dollar value given a major part of their revenues come from off shore clients. Upon the analysis, it was seen that the large scale companies, when compared to the small scale companies, fared significantly better in their ability to hold on to their employees during the crisis and minimise the impact on their salary. This gives an important insight about strategy generally incorporated by large firms and would play a vital role in the employer branding of these company in the future. Further, it was also seen that the large scale companies majorly followed the model proposed by (Gandolfi, 2008) wherein the sequence of steps to be taken for cost reduction during an economic downturn are Hiring Freezes, Salary Cuts and Layoffs based on the times period of the impact. This shows the large scale companies, on the whole, do, as proposed by (Gandolfi, 2008) do believe that reduction in force does not translate into anticipating economic or organisational gains. The small scale firms however, did not adhere to the same strategy. This is largely owing to the increased uncertainty faced by them basis the fact that most of them may not have the necessary liquidity to weather through a situation such as this and they felt the need to resort to cost cutting measures preemptively.

Therefore, the steps taken by the managers in this scenario are of immense significance in terms of the futuristic outlook of the firms as discussed earlier. Compensation changes such as Salary cuts may result in poor employee morale and may risk increase in unhealthy attrition. While, layoffs and salary cuts may have long term effects on the employer branding of the company and may cause reluctance of high potential candidates in joining the firm. It is therefore imperative for the employers and the managers to take informed decisions owing to the possibility of these potential ill effects.

**Conclusion And Recommendations**

The occurrence of a pandemic may conventionally be categorised as a black swan event with extreme rarity. Various economic downturns have occurred in the past, but an occurrence of an economic disruption of this magnitude has been unprecedented. Hence, given the unpredictability in various scenarios seen due to the COVID-19 pandemic, many researchers have warned us to be well equipped, predict and factor in the possible costs of future economic downturns induced by pandemics and epidemics. (Peckham, 2013) Some of the works that have highlighted this need are (Lewis, 2001), (Nita Madhav, 2017), (Tam CC, 2016), among many others. This paper intended to understand the economic implications of the COVID-19 pandemic in the IT and ITeS sectors through the various changes in their conventional organisational strategies. Upon research, it was seen that many companies had had a challenge of significantly changing their HRM strategies to effectively pursue cost-cutting measures that may ease out the burden on their balance sheets. In this research, the changes incorporated specifically in the IT industry were seen. The paper showed that overall, the IT and ITeS industries did not take as many aggressive steps as compared to the other industries in their compensation and HRM practices. The paper also showed that when compared with small scale industries with lower employee count, large scale industries were more employee-friendly in their approaches and had both, the resources and the will to stand with their employees and largely followed a stepwise approach in reacting to the economic impact. Upon benchmarking the primary with the secondary data, it is advisable if the small scale companies look at additional avenues of cost-cutting as a strategy to weather through this situation instead of directly resorting to job cuts given that they have decent cash reserves as doing so would have long-lasting future impacts on their business both in terms of the current employee morale and the employer branding. Even though there is no ideal compensation structure that could be generalised across all firms, (Pankaj M. Madhani, 2010). It could be useful if the companies consider compensation restructuring strategies involving fixed to variable ratios, long term incentives and benefits and ESOPs in their strategies more efficiently. Finally, an analysis of the business units
which are underperforming should be aptly carried out to optimise the decision making of any changes that are intended to be carried out.

**Limitations**

This study was aimed at specifically analysing the HRM and Compensation strategies incorporated in the IT and ITeS sectors based on only three main parameters which are Layoffs, Salary Cuts and Hiring Freeze and Salary Hikes. The study does not factor in any other parameters of HRM strategies that may have been incorporated in the firms. This was due to the higher variability of incorporation of those practices in firms which would not enable us to gain pan industry insights. Further, the compensation changes highlighted in the study are only limited to the details of the presence of any salary cuts or hikes incorporated in the companies. The study does not analyse the incorporation of any other changes and new age strategies such as the percentage of companies that have changed their leave policies, pay ratios and other employee benefits. The study also does not give a categorical view about the changes incorporated as per the levels of the employees and only gives the overall human resource strategy that the companies adhered to. Finally, the results of this survey were as on May 2020 when the economy in India began to open up, and the lockdowns announced earlier the country was lifted to corporate employees. The pandemic remains an ongoing uncertainty even post the completion of this research, and the strategies that the companies may have taken may be subject to revisions based on the longevity of the crisis, changes in top level and mid level managements and other national and international factors, hence, this research study only aims at defining and gaining insights of the immediate consequential step taken by firms at the aftermath of this crisis.

**References**


