

WHICH CITY NEXT?

2022

FACTORS DETERMINING TECH TALENT'S MIGRATION IN INDIA



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Foreword

Organisations have grappled with yet another year in 2021, where their workforces were forced to operate remotely. Digital transformation has become the lifeline for all organisations to sustain, collaborate and innovate. The pandemic has taught many lessons which will endure for years to come in how organisations formulate their workforce plans.

India, has seen a full mix of decisions regarding working models in 2022 which include:

(A) Hybrid - a mix of workforce working from both office locations and remotely. This has a few variants:

- Remote first - Working remotely is the primary option for the employees
- All teams hybrid - Office space is shared between various teams with specific days for each team to work from office
- Team-wise distribution - Some teams work full remote and some work from office based on the degree of collaboration and criticality of function

(B) Back to office - A traditional work from office model

(C) Remote only - A full remote working model enabling the workforce to be practically anywhere

It is evident that a mix of working from office and remote working is here to stay. It is hence imperative for firms of all sizes from small startups to large global MNCs to understand the locational characteristics and employee preferences. Our report comprises of insights collected through an extensive survey of 1200+ tech professionals. Apart from dissecting migration willingness, we also look deeply at the associated factors impacting this decision for techies today.

We hope our report provides insights to senior leadership to understand the current tech talent landscape from a locational lens and enable them to decide on an ideal destination for their operations.

Gaurav Chattur
Managing Director (Asia-Pacific)
Catenon





How Can This Report Help You?

01

Factors affecting talent migration by seniority level

02

Relative cost of talent

03

Relative city preference rankings

04

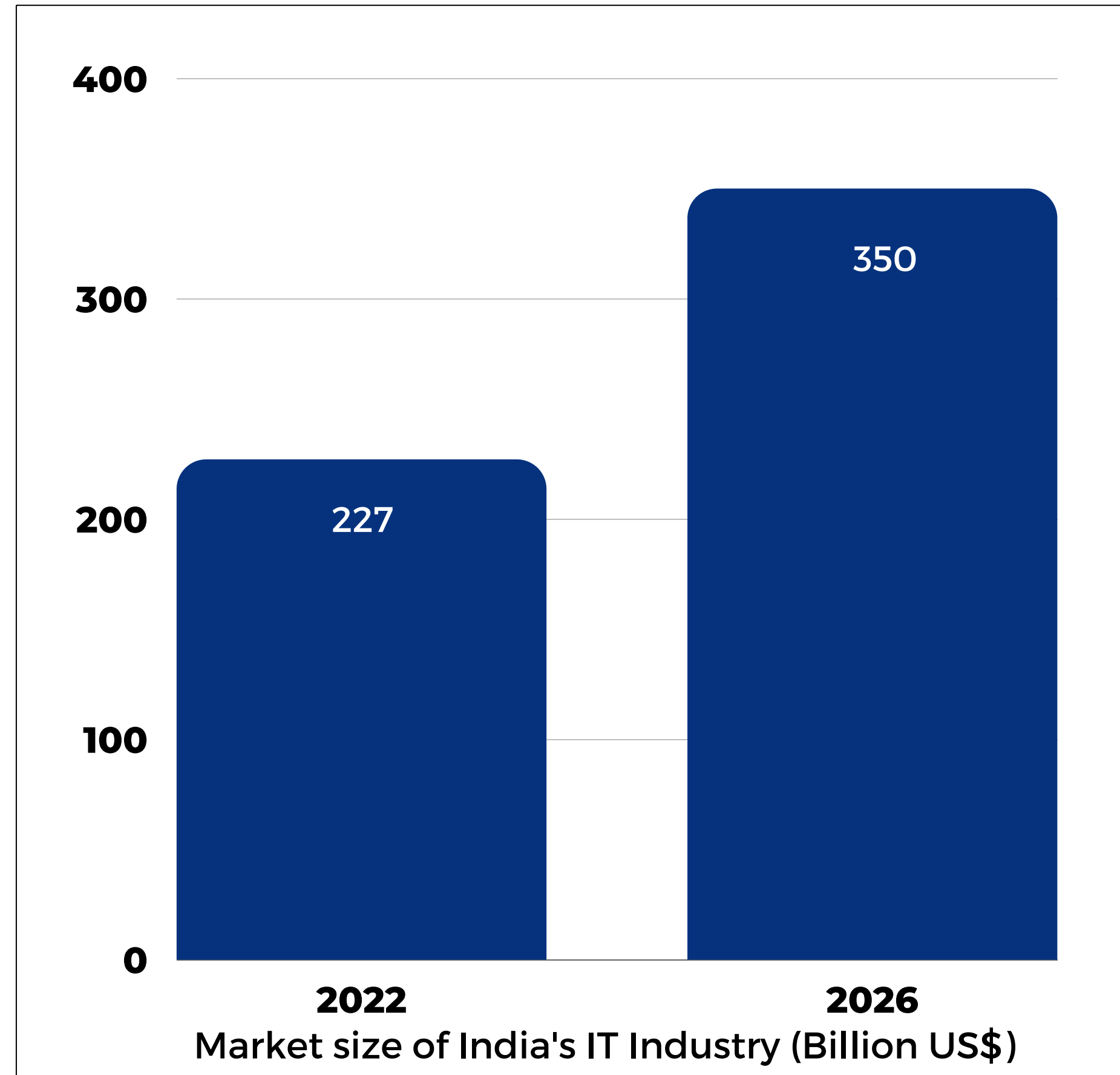
Top tech skills in demand

This report equips business leaders with insights into how locations are playing a crucial role in the job selection process.

The Indian Tech Industry Is Growing

- The revenue of the IT & business service industry increased by 15.5% and crossed ~US\$227 billion in revenue in 2022, and is estimated to reach US\$350 billion by 2026.
- The IT industry alone added around half a million new jobs, in FY22, the highest addition in a single year.
- Exports from the Indian IT industry were estimated at US\$149 billion in FY21.
- By 2025, India's overall digital sector is estimated to cross 1 trillion US dollars in value.

Source: NASSCOM, Gartner



Demand, Policy, Infrastructure, GCC Driving Growth

1

Talent Demand

- The hiring activity in India increased by 45% in 2021, driven by strong demand for tech talent.
- The IT industry alone added 4,50,000 new jobs in FY22.

2

Policy Support

- A strong push by the Indian Government to support the IT industry's growth including initiatives like Digital India.
- The US \$11.58 billion was allocated in Union Budget 2022-23.

3

Tech Infrastructure

- Expected to grow 30% YoY on the back of a massive surge in Cloud & Cyber security.

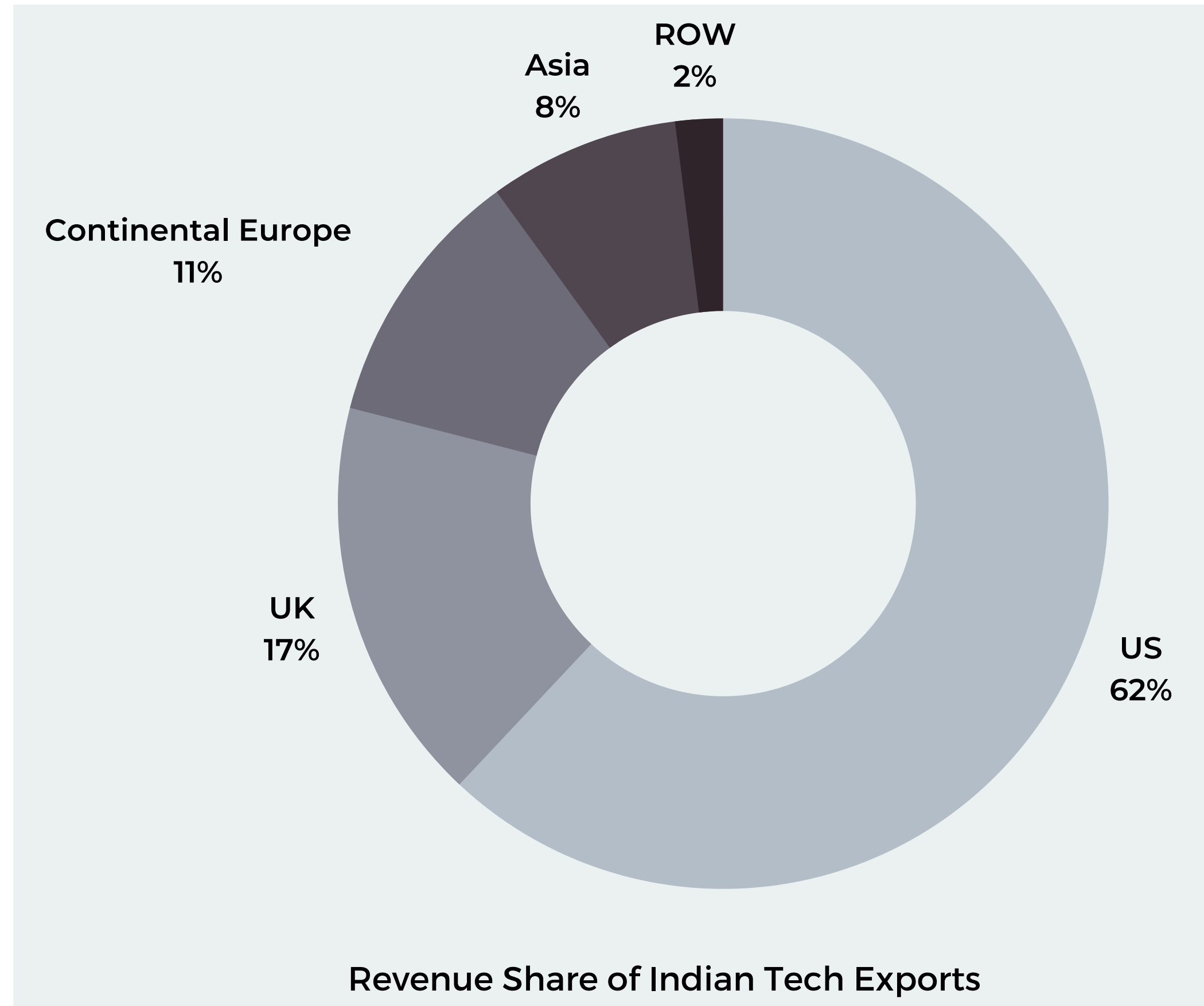
4

GIC & GCC

- More than 1430 GCCs already in India as of FY2021, 140 new GCS setup in the last two years only.
- India offers a clear value proposition in the form of talent availability, cost & innovation.

US and UK Leveraging Indian GCC Ecosystem

- US continues to be the biggest importer of Indian tech services, absorbing over 62% of Indian tech & BPM exports.
- UK ranks a distant second with most BSFI giants having their GCC, GIC, Shared Services, and GBS based in India,
- There is a growing demand in APAC, Latin America, and Middle East Asia to set up and expand their Shared Services operations in India.
- India continues to be the country of choice for these companies given the dual advantage of talent availability and cost arbitrage.



Tailwinds for the Indian Tech Industry



Pandemic

India's Tech sector witnessed 74% growth in hiring during September 2021 to February 2022 as compared to the same period last year.



Russia-Ukraine Crisis

Exit of tech giants from Russia and disruptions in the operations of their delivery centers in Ukraine has led to more than 100,000 jobs moving out of these two regions. Large percentage of these jobs are expected to be moved to India.



Appreciating US Dollar

With the US Dollar at approx. 80 Indian Rupees, Indian tech companies have been gainers as the US contributes more than 50% of their revenue. This also makes a stronger case for global MNCs to have their GCCs in India.

What's Keeping Talent from Joining Companies?

The Answer Goes Beyond Job Role & Salary!



Traffic & Commute To Work



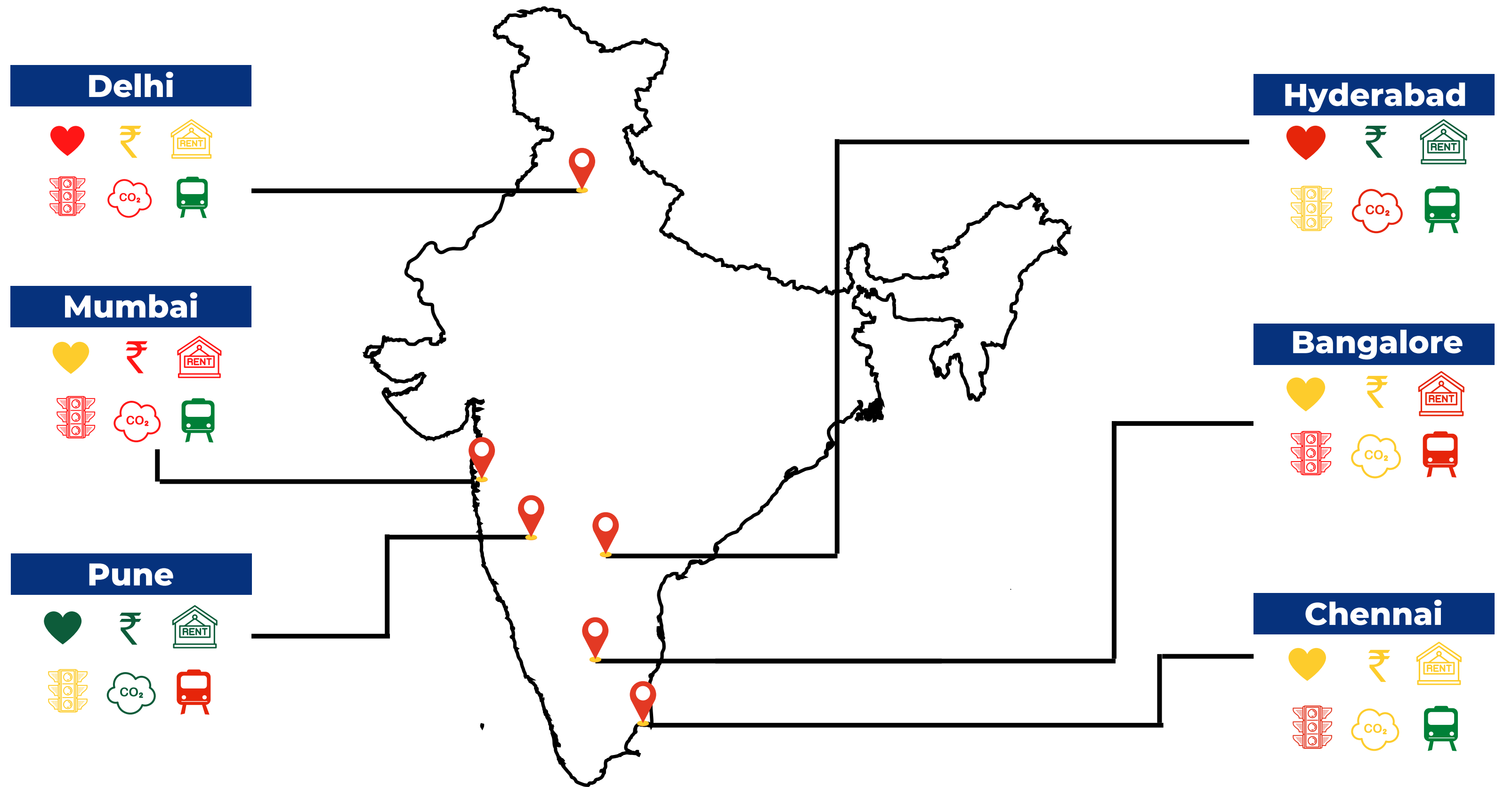
Family & Culture



Air & Health Quality

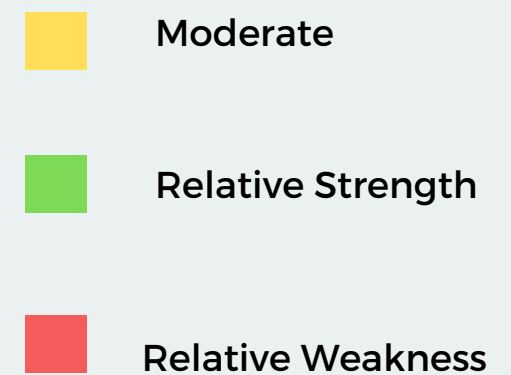
Tech talent today is seeking more out of a job than just a great remuneration or role. They are seeking to achieve an improved quality of life and work-life balance. Thus, the city of work plays a crucial role while deciding if a job offer is accepted.

Urban Living Parameters By City



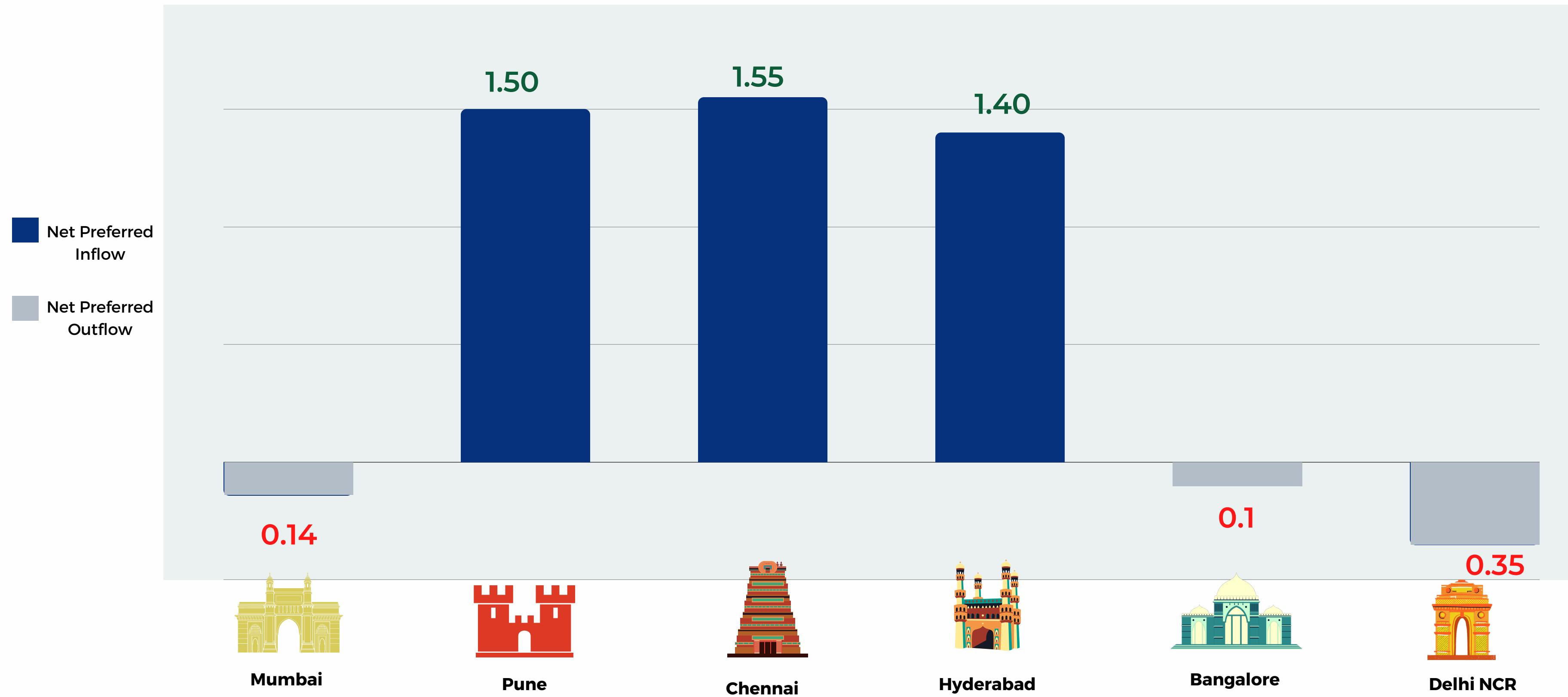
Urban Living Parameters By City

Lifestyle Index	Delhi NCR	Mumbai	Pune	Bangalore	Hyderabad	Chennai
Quality of Life Index	78.62	98	149	140.31	109	120
Cost of Living Index	26	32	23	26	25	26
Purchasing Power Index	53	58	96	131	47	60
Property Price to Income Ratio	17.23	25	6.41	3	9	11
Public Transport	Metro, Bus	Metro, Bus, Suburban rail, Auto	Metro, Bus, Auto	Metro, Bus	Metro, Bus, Auto	Metro, Bus, Auto, Suburban rail
Traffic Commute Time Index	57	54	43	52	42	47
Air Pollution Index	90	83	50	68	76	65
Direct Connectivity To Top 10 Global Cities	7	3	0	3	2	2



Detailed explanation for each parameter available on page 29

People Show Less Affinity for Already Crowded Cities



The ratio indicates the preferred talent inflow and outflow for a city, wherein a ratio greater than 1 denotes net preferred inflow and a ratio less than 1 denotes net preferred outflow. (Catenon Analysis)

Highest Demand for Full Stack & Frontend Developers

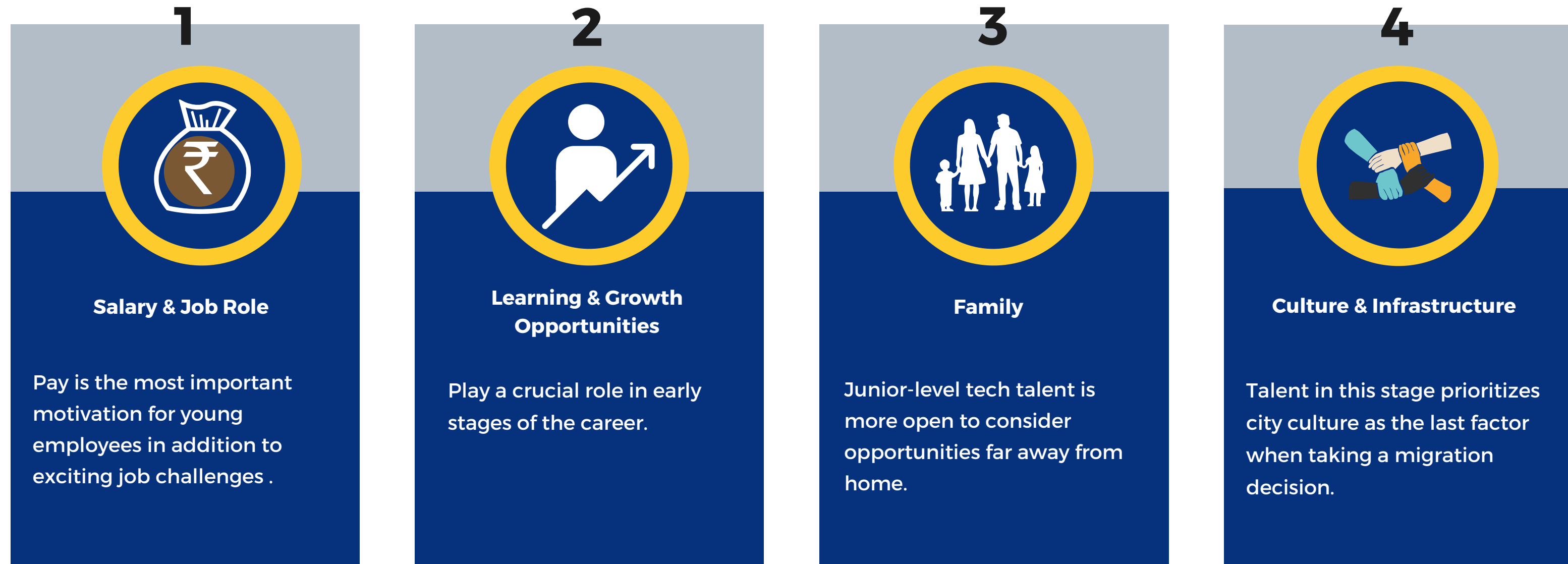
Salary Hikes for Top Tech Skills in Various Indian Cities

	Bangalore	Chennai	Delhi (NCR)	Hyderabad	Mumbai	Pune
Mobile Developer	39%	31%	43%	32%	33%	30%
UI/UX Designer	44%	31%	47%	33%	39%	32%
Machine Learning	39%	30%	40%	29%	31%	30%
Data Science	37%	30%	44%	29%	31%	30%
Full Stack Developer	45%	40%	52%	38%	41%	33%
Cloud Computing	34%	41%	35%	27%	28%	29%
Artificial Intelligence	38%	29%	40%	29%	33%	30%
Frontend Developer	43%	34%	52%	39%	39%	33%
Backend Developer	39%	30%	43%	30%	35%	31%
Cyber Security	40%	28%	35%	30%	29%	28%

The Salary Hike Rate is a function of the Demand Intensity Coefficient, the Inflation Rate, and the Attrition Rate (Tech Sector) of the respective cities associated with market trends of the said skills. The trend clearly indicates that the highest hike rates are in Bengaluru and Delhi. Mumbai offers lucrative hikes as well, followed by Chennai.

Job Role & Salary most important at start of career

Years of experience: 0-5



Factors ranked by priority while making a career move

Family important for mid-level talent

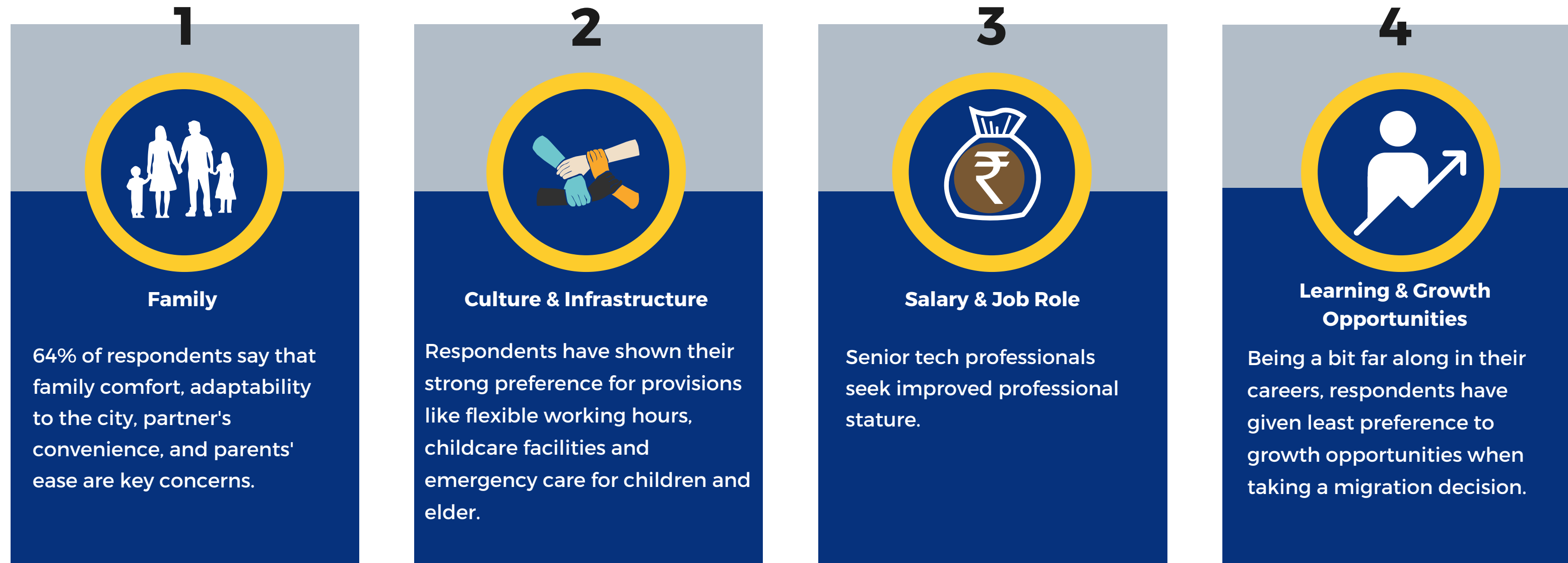
Years of experience: 6-15



Factors ranked by priority while making a career move

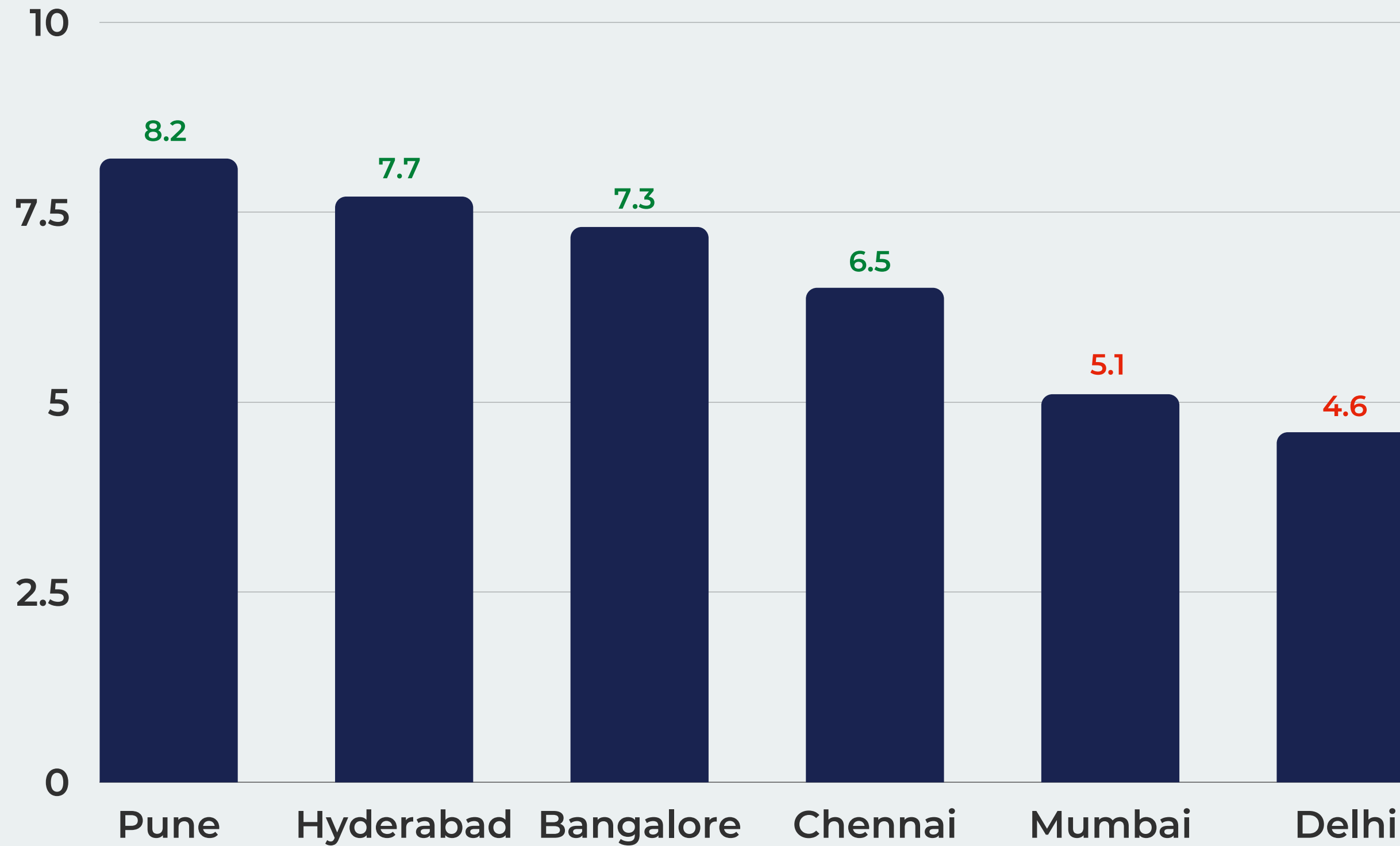
Family & Culture plays a crucial role at senior level

Years of experience: 16 & above



Factors ranked by priority while making a career move

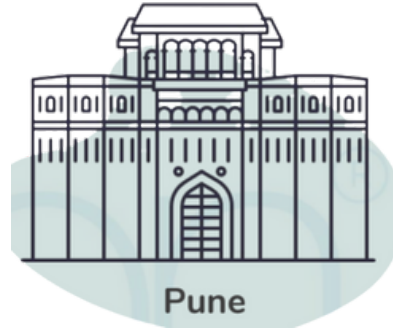
Pune & Hyderabad are Most Preferred by Techies



■ Average city preference

*Average preference indicates the likeability of a city, wherein 10 denotes the most preferred and 1 denotes the least preferred.
Average of 1200+ respondents' preferences - Catenon's Analysis

City Preference Ranking - Summary



Pune

Parameters like IT infrastructure, lesser traffic congestion & better quality of life make it the city of choice for tech talent.

Average preference: 8.4*



Hyderabad

Big IT companies moving their offices here and cheaper cost of living allowed Hyderabad to claim the second position in cities preferred by tech professionals.

Average preference: 7.7



Bengaluru

Being the IT hub of the nation, tech professionals here command the highest salaries.

Average preference: 7.3



Chennai

The city houses leading tech firms and is slated to be the SaaS hub of the country. But professionals from different parts find it difficult to adjust to the local food palate.

Average preference: 6.1



Mumbai

The commercial capital of the country might not be a leader in the IT industry but does have a share in the market. It offers the best salaries to mid-level and senior-level professionals after Bengaluru.

Average preference: 5.2



Delhi NCR

Despite offering the best salaries after Bengaluru, tech professionals prefer Delhi the least due to pollution and safety concerns.

Average preference: 4.6

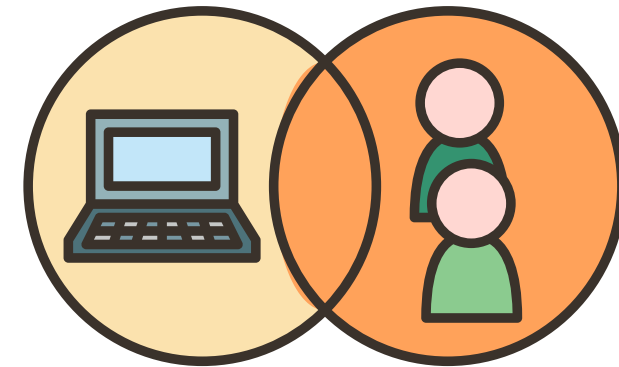
*Average preference indicates the likeability of a city, wherein 10 denotes the most preferred and 1 denotes the least preferred. Average of 1200+ respondents' preferences. Based on Catenon's Analysis.

Key Takeaways: The City of Work Matters



COMMUTE TIME

About 60% of tech professionals spend an average of 3 hours commuting to work.



WORKING MODELS

Increased preference amongst tech professionals for hybrid and remote working models. 55% feel Hybrid working is the most efficient.



READY TO CEDE HIKE FOR CITY OF CHOICE

70% of respondents say they are willing to trade a hike in salary for their city of preference.



IMMINENT EMERGENCE OF TIER-2 CITIES

Government-led initiatives, Improved quality of life, Increasing GCoE footprint and Growing talent availability are the key factors people are preferring Tier 2 cities

Key Takeaways: **The City of Work Matters**



FAMILY CORE TO DECISION MAKING

60% of respondents prefer staying close to the family over choosing a city far from home.

Senior-level tech professionals seek opportunities in cities closer to their parents. They are inclined towards cities that would allow them to easily sync in with their family values and culture.



PUNE AND HYDERABAD CITIES OF CHOICE

These are the most preferred cities for tech professionals, because of growing job opportunities, less pollution, and improved quality of life.



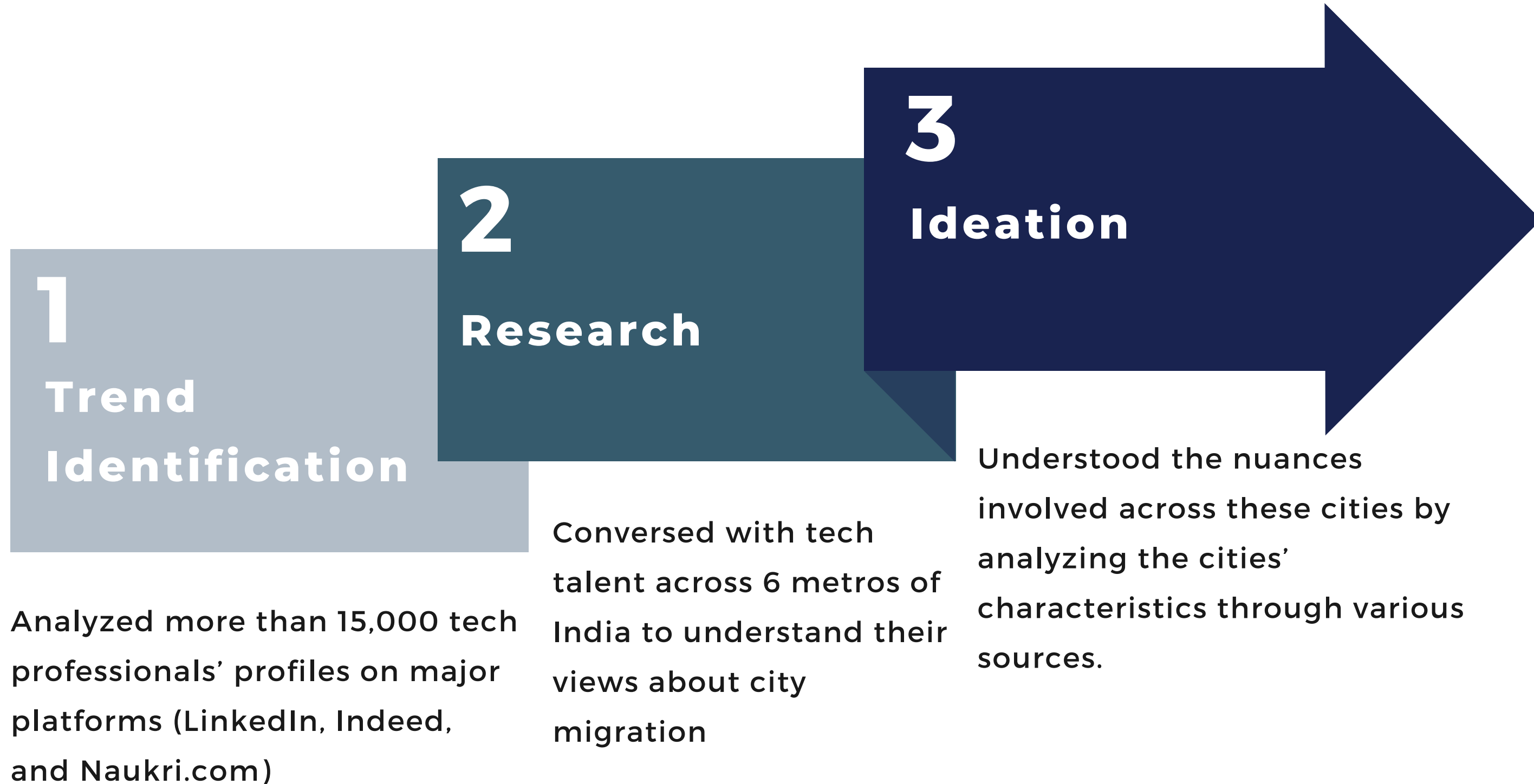
DELHI LEAST PREFERRED

About 80% of tech professionals prefer cities other than Delhi NCR to live and work in.



Annexures & Data Points

Insights Methodology



BANGALORE

KEY TAKEAWAYS

- Fierce competition for tech talent.
- Good quality of living, but very high commute times.
- Highest drawn salaries and increment levels .

Bengaluru, the world-renowned IT hub of India pays the highest to its tech professionals.

Its status as the 'Silicon Valley of India,' great climate, high salary, and abundant job opportunities attract talent to the city, mainly those from Delhi for its better job opportunities and comfortable work culture.

The presence of large tech giants and being a hotbed for tech startups mean the compensation levels for tech jobs are the highest in Bangalore. The fierce competition for tech talent also means retention becomes a challenge in the long run.

In Bangalore, there is a different kind of vibrancy because a lot of people migrate there. The culture is different and people are more professional in their approach.

-Devika



CHENNAI

KEY TAKEAWAYS

- Techies from the North do not prefer the city due to cultural differences and contrasting food choices.
- Newer lookout for deep tech and SaaS startups.
- City adapts to vertical formats to cater to talent inflow.

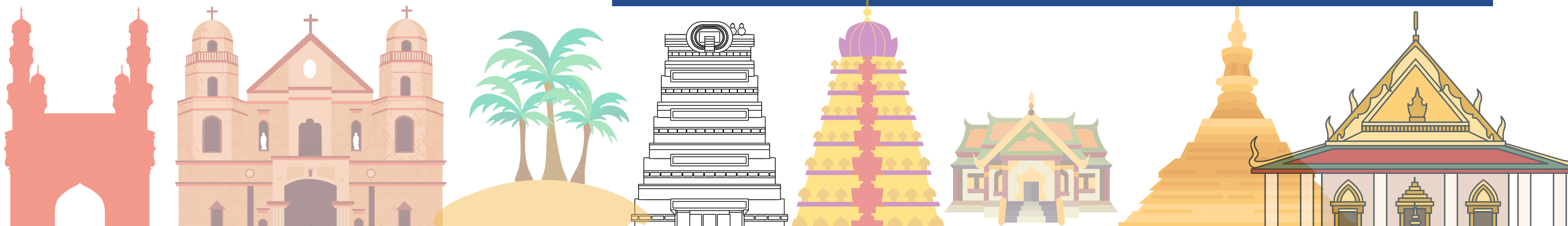
Many deep techs and SaaS unicorn startups have strengthened the city's IT infrastructure.

There are almost 650 SaaS startups in Chennai and the city is spearheading the 'product wave' currently underway in the Indian IT sector. Recording more than \$1 billion in revenue, and employing more than 15,000, Chennai is already home to two SaaS unicorns – Zoho and Freshworks – and several others.

Property rates are most affordable in Chennai when compared to other cities, however cultural dissimilarities are more prominent too.

Chennai has a lot of untapped potential. With new SaaS unicorns, it is on the preference list. Good work culture and cheaper cost of living makes it an attractive choice.

-Neha



DELHI NCR

KEY TAKEAWAYS

- Delhi NCR constantly records a 100-150 AQI, which is considered hazardous for most populations.
- High traffic congestion makes commuting tough.
- One of the highest salaries in the country after Bangalore & Mumbai.

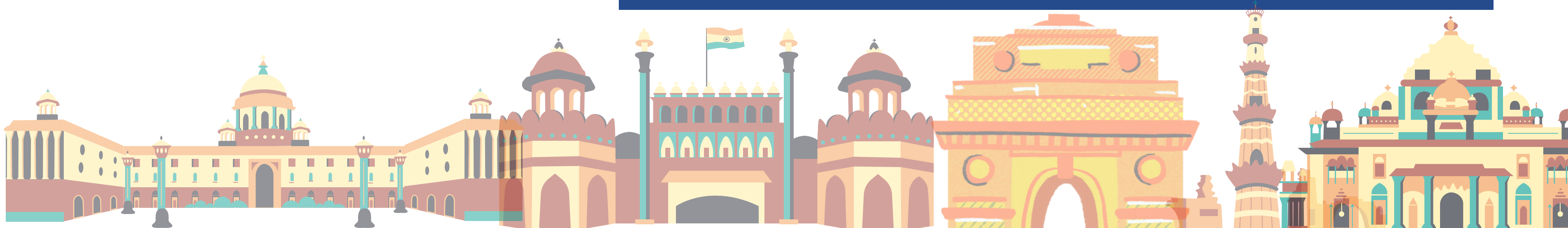
Being a metropolitan with an advanced IT infrastructure in North India, Delhi has been one of the top job creators in the country. With 10 unicorns and more than 7000 startups being set up since 2009, it has emerged as the new capital of startups in India.

Its new supply of office space jumped more than twice in 2019 bringing 13.39 million sq. ft. against 5.43 million sq. ft. in 2018. As a result, net leasing of office spaces surged two-fold, now recording 10.82 million sq. ft.

While the city might be very well connected with metros and aggregators at its disposal, the capital city still struggles with congestion and poorest air quality among major Indian cities.

I have to travel quite frequently to Gurugram (Delhi NCR). The weather and the pollution doesn't suit me. It has good infra, but the pollution makes it a big no-no for me.

-Dev



HYDERABAD

KEY TAKEAWAYS

- Balanced availability and demand for tech talent.
- Decent quality of life and average cost of living.
- Good and evolving infrastructure.

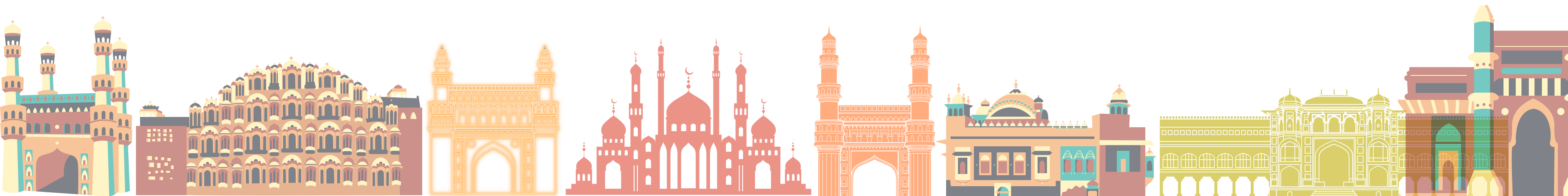
The entry of renowned IT companies like Amazon, Google, and Facebook in Hyderabad has opened the scope for more businesses and put it at the top spot as the city of choice for many.

The demand for office spaces has also risen significantly. 2021 ended with such demand rising to 10.50 million sq.ft. from an earlier high of 5.8 million sq.ft. in 2019. Hyderabad looks on track to match Bengaluru's level of IT infrastructure given the state government's strong push to technology companies.

53% of respondents chose Hyderabad as their first or second city of preference for its growth opportunities and better quality of life. The inflow of talent within the city is highest and has been attracting most of the Bengaluru crowd.

I feel quite comfortable with Hyderabad and its people. Also, this city is much more affordable than Mumbai plus provides similar infrastructure facilities.

-Rushabh



MUMBAI

KEY TAKEAWAYS

- Highest cost of living in India.
- Increased traffic congestion and bad air have led to a below-par quality of life.
- Low purchasing power despite higher drawn salaries.

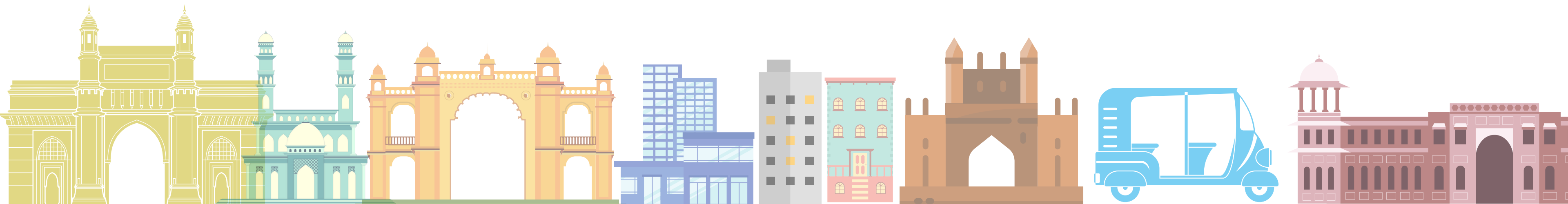
Mumbai, the biggest cosmopolitan city in the country might not be the leader in the IT industry, but it has a significant share of it.

It has managed to pull much talent till now. Though the talent inflow has decreased as people are willing to move out and relocate to Pune, which is in close proximity to someone who is looking for a better quality of life. Mumbai's real estate and rents are the costliest compared to other cities making it quite unaffordable.

Recently, a property Consultant from Anarock confirmed that Mumbai topped the sky high-rise category with G+20 floors and is closing in on other mega cities like New York, Hong Kong, and Tokyo, which are G+50 floor tall buildings.

Living in a sprawling metropolis like Mumbai can be tough – battling traffic jams, choking pollution and sultry weather is an environment ripe for health disorders.

-Joel



PUNE

KEY TAKEAWAYS

- Good quality of living.
- Host to leading tech companies and GICs along with multiple engineering colleges.
- Reasonable cost of living.

Pune is the eighth largest city in India and one of its most important IT hubs. It has the ability to catch the limelight as a tech hub with great quality of life despite sometimes being overshadowed by Mumbai in its vicinity.

Pune's proximity to Mumbai, coupled with its temperate climate, makes it an ideal choice for living/business. It also has the largest green coverage among any Indian city which amounts to about 40%.

Pune topped Mercer's Quality of Life rankings in India along with Hyderabad. Better safety index, lesser pollution, and better traffic conditions than most of the other metro cities coupled with cheaper real estate than Delhi NCR and Mumbai make Pune habitable and affordable.

Traffic is a cakewalk if you compare it with Delhi, Bangalore or Mumbai. Weather stays pleasant all year round.

- Akhil



Explanations To Urban Living Parameters

1. **Quality of Life Index:** The quality of Life Index (**higher is better**) is an estimation of overall quality of life by using an empirical formula that takes into account purchasing power index, pollution index, house price to income ratio, cost of living index, safety index, health care index, traffic commute time index and climate index.
2. **Cost of living Index:** This can help a person determine whether the income or salary being earned is enough to cover basic expenses. From there, a person can assess whether there's enough extra income left over to save for retirement or pay off debt. (**lower is better**)
3. **Purchasing Power Index:** This shows the relative value of the average wage in a given location. (**higher is better**)
4. **Property Price to Income Ratio:** It is the basic measure for apartment purchase affordability (**lower is better**). It is generally calculated as the ratio of median apartment prices to median familial disposable income
5. **Traffic Commute Time Index:** Traffic Index is a composite index of time consumed in traffic. (**lower is better**)
6. **Air Pollution Index:** The pollution Index is an estimation of the overall pollution in the city due to water, air, and other factors. (**lower is better**)
7. **Global City:** A city that is a primary node in the global economic network. The concept comes from geography and urban studies, and from the idea that globalization is created and furthered in strategic geographic locales according to a hierarchy of their importance to the operation of the global system of finance and trade. Below are the global cities:

- New York City
- London
- Paris
- Tokyo
- Dubai
- Los Angeles
- Amsterdam
- San Francisco
- Chicago
- Singapore
- Frankfurt

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5. Rupee at 80 to the dollar: IT services and tech industry to get a leg up
6. The Jobs and Skills sets in demand
7. Urban living parameters by city