



EDITORIAL

Why Most Pakistani Software Houses Are Still Stuck in Body-Shop Mode

Scroll through any ranking of Pakistan's top software houses and the same phrase keeps appearing: staff augmentation. Seventeen thousand-plus IT companies later, most of Pakistan's software industry is still selling engineering hours at a discount rather than building anything it owns — and the incentives keeping it there are stronger than most founders, myself included, like to admit.

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Introduction

Look at almost any list of Pakistan's top software houses published this year and a pattern jumps out immediately. Devsinc: "operates primarily on a staff augmentation model." CodeMiners: "specializing in staff augmentation," pitching engineering talent at a fraction of US and UK agency rates. Clutch.co's own rankings of Pakistani IT services are dominated by firms whose core pitch is dedicated engineering teams rented out by the month. Pakistan now has more than 17,000 active IT and IT-enabled services companies, according to the Pakistan Software Export Board, and 300,000-plus software professionals feeding them. The overwhelming majority of that capacity is doing exactly what it did a decade ago: providing vetted developers to extend someone else's engineering team, for someone else's product, under someone else's brand.

I run one of these companies, and I want to be honest about something the industry doesn't say out loud often enough: staff augmentation isn't a failure of ambition. It's a rational, defensible business model that pays salaries, keeps offices open, and has genuinely built Pakistan's IT export sector into a multi-billion-dollar industry. The problem isn't that body-shop work exists. It's that almost nothing in the incentive structure surrounding it — government policy, client relationships, or founder economics — currently rewards the harder, riskier work of building something a company actually owns.

"Staff augmentation isn't a failure of ambition. It's what happens when every incentive in the system rewards renting out engineers by the month and none of them reward the harder work of owning something."

The Economics That Keep Everyone Renting

Staff augmentation is, from a founder's chair, almost irresistibly rational. A US client pays a Pakistani engineer's monthly rate roughly a third to two-thirds of what they'd pay domestically, and that margin lands in your account whether the underlying product succeeds or fails — because it isn't your product. There is no multi-year R&D runway to fund, no unproven market to validate, and no risk of building something nobody wants.



Government incentives reinforce this rather than counteracting it: tax credits and export promotion have historically been structured around export revenue volume, which counts a dollar earned from renting out a developer exactly the same as a dollar earned from licensing owned software, even though only one of those dollars scales the same way twice.

This magazine's own reporting on the AI shift already flagged where this leaves the industry exposed: as AI coding tools let a single senior developer do what used to take a team of five, the value proposition has to move from selling hours to selling expertise — architects who can integrate systems, not interchangeable headcount. A staff-augmentation firm has no natural incentive to make that shift on its own timeline, because the entire model depends on billing more hours, not fewer, smarter ones. The pressure to change is coming from outside the industry, from the technology eroding the model's foundations, rather than from inside it.

What Staying in Body-Shop Mode Costs

The talent effect compounds the problem. A software house's best engineers — the ones capable of architecting a real product rather than executing someone else's specification — are also the ones most employable abroad, and this magazine has already documented roughly 11,000 engineers leaving Pakistan annually for exactly that reason. A staff-augmentation firm that trains a genuinely excellent architect has, in effect, trained someone else's next senior hire in Dubai or Toronto, because there is no equity, no product ownership, and often no compelling reason for that engineer to stay and build something risky when a stable, well-paid staff-aug role — locally or abroad — is sitting right there.

The exceptions prove the point rather than undercutting it. Systems Limited, Pakistan's largest publicly listed IT company, built a genuine enterprise software and consulting practice over decades precisely because it invested early in owned intellectual property rather than staying purely staff-augmentation. A handful of homegrown product companies — in fintech, logistics, and B2B commerce — have shown Pakistani teams can build things the market actually buys outright. These are still the minority against 17,000-plus companies competing primarily on hourly rate, but they demonstrate the ceiling on this industry was never talent. It was always which model founders and policy chose to reward.

What's Next?

Changing the incentives is more tractable than changing 17,000 companies' business models by persuasion alone. Export incentives could be restructured to weight owned-IP and licensing revenue more favourably than pure labour-hour billing, rather than treating every export dollar identically regardless of how it was earned. Risk capital remains the harder gap: Pakistan's venture ecosystem is still too thin to fund the multi-year runway a genuine product bet requires, which is exactly why so many capable founders default to staff augmentation's guaranteed monthly margin instead — it is often the only financing a bootstrapped team can actually access.

My own company still does staff augmentation, and will keep doing it, because it pays for the product bets we're slowly, carefully trying to make on the side — a hybrid path more of the industry could take if the economics around it made that transition less punishing. Pakistan doesn't need to shut down its body shops. It needs enough of them to start reinvesting their staff-aug margins into the harder, slower work of owning something, before the AI tools eroding the model's foundations decide the timeline for us.