

Employee Attrition in Information Technology Industry – An Overview

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ABSTRACT

Indian IT sector is regarded as one of the rapidly growing industry in the country. The industry has marked worthful brand equity in the global IT markets. According to the report published by Indian Brand Equity Foundation in July 2019, Indian IT sector contributes 7.7 per cent to the country's GDP and expected to contribute 10 per cent to the country's GDP by 2025. One of the major issues faced by the IT sector in India is increasing level of employee attrition. Hence in this theoretical study, reasons for attrition in Indian IT sector, its effects on organisations and strategies to reduce employee attrition are emphasised. The major reasons for employee attrition are better payments in other organisations, lack of opportunity for growth, inadequate training and motivation, lack of proper rewarding system etc. The major negative impacts of attrition are disruption of routine activities, high costs of recruitment, low workplace morale etc. The study suggested various measures to retain the employees such as fair remuneration, opportunities for career development, proper motivation and training, performance appraisal and rewarding systems etc.

Keywords: IT industries, Employee attrition, Employee retention, Organisation loyalty and Work environment.

INTRODUCTION:

Information technology is defined as the design, development, implementation and management of computer-based information systems, particularly software application and computer hardware. It is a business sector gained momentum in 1990^s due to major economic reforms in India. At present the sector has set up over 1,000 global delivery centers in about 80 countries across the world¹. India's IT industries are contributing around 7.7 per cent to the country's GDP (Gross Domestic Product) and is expected to contribute 10 per cent of India's GDP by 2025. The government of India has identified information technology as one of 12 champion service sectors for which an action plan is being developed. National Policy on Software Products – 2019 was passed by the Union Cabinet to develop India as a software product nation.²

In the dynamic information technology industry, human capital becomes increasingly important that allows business to accomplish its goals. The role of human resources continues to be critical with ever increasing competition in the Indian IT sector. So human resource departments need to adapt to new changes and carry out the work up to the satisfaction of the organisation.

REVIEW OF LITERATURE:

In this article the authors have collected and reviewed the studies conducted in the area of employee attrition and retention.

¹ India Brand Equity Foundation – July 2019

² India Brand Equity Foundation – July 2019

Goswami et al., (2012) in their study provided an insight into the problems of attrition and challenges regarding retainment of the employees. The study confirmed that attrition of knowledgeable and trained employees adversely affects the organisations' growth and its market share. The study concluded that in order to create organisational loyalty among the employees, the management should arrange for a work environment with growth opportunities, recognition and rewards for the works completed, healthy relationship between superiors and subordinates etc.

Saini et al., (2014) in their study focused how the selected four industries namely ITES, Banking, Insurance and Telecommunication in Delhi and NCR differ on factors of attrition. Telecommunication industry employees feel that they are having high job targets and unsupportive organisation culture. The factors of attrition in insurance sector are low perceived value and insecurity in their job. The attrition factors in IT and ITES industries include issues regarding compensation and high targets. Banking industry employees feel that the main issues are role stagnation, stress and office politics.

Patnaik et al., (2016) in their study attempted to analyse the factors affecting employee attrition and retention in IT industry in context of Herzberg's hygiene and motivational factors. In their study they reported that the hygiene factors namely role clarity, working conditions, fixed salary, peer support and recognition and rewards require more attention for reducing employees' attrition.

Sharma (2016) in her study covered the factors affecting employee retention, employee retention strategies and effectiveness of those strategies in Indian IT sector. Findings of the study revealed that salary increment and promotion are the major factors adopted by organisations to retain their employees. The study concluded that there is difference between organisational efforts for retaining employees and employees' perception towards factors to seek an alternative employment as well as their reasons to quit an organisation.

Dhillon (2016) endeavoured to analyse the reasons behind the higher attrition rate in Indian IT sector. The researcher stated that organisations' competitive advantages are subject not only to capital and physical resources but also to their human resources. The study concluded that the major factors of attrition are organisational culture, social support, work – life balance, job stress, management policies etc. The study suggested that various measures such as rewards and recognitions, favourable working environment, training and development opportunities, fair remuneration structure etc. may be undertaken to reduce the turnover rate.

OBJECTIVES OF THE STUDY:

- To examine the reasons for employee attrition in IT sector in India.
- To analyse the effects of employee attrition.
- To offer suitable measures to retain the employees.

Human Resource Practices Adopted in the IT Sector:

Human resource department plays an integral role in the success of any organisation overall, by recruiting and selecting the best candidates to fill job vacancies. Furthermore, human resource department continues to work closely with management teams to ensure workforce efficiency. The key functions of human resource department includes:

- a. Human resource planning
- b. Recruitment and selection
- c. Career planning
- d. Learning and development
- e. Performance appraisal
- f. Incentives and rewards
- g. Grievance redressal
- h. Employee participation and communication

In spite of the systematic human resource practices adopted in the information technology sector, the attrition rate of employees seems to be higher. Attrition can be defined as the number of employees leaving the organisation which includes both the voluntary and involuntary separation. The results of the India's Annual Compensation Trends Survey 2018 -19 conducted by KPMG (Klynveld Peat Marwick Goerdeler) denotes that the attrition rate is 14.6 per cent in IT industries and 15.1 per cent in ITES (Information Technology Enabled Services) industries. It is higher than the attrition rates prevailing in other sectors like automobile, automotive components, engineering and manufacturing etc.

Reasons for Attrition in Information Technology Industries:

Due to the entry of multinational companies and privatisation policy of the Government of India abundant job opportunities are available in various companies of IT sector. It creates positive situations for employees to attrit from one organisation to another organisation. There are several following reasons that can contribute for attrition in the organisations.

Better Payments in Other Organisations: Employees need to be paid well for the job they do, both for their self esteem and as a practical means for living. With increased availability of job search engines employees have easy access to databases containing a competitor's job listings. When employees find attracting financial rewards and compensations they may tend to join in that organisation.

Lack of Opportunity for Growth: Opportunities for employees' career development is very important factor to create organisation loyalty in the minds of employees. Employees working at various levels strive to build their career. If the organisation does not create such opportunity employees may lead to move to another organisation.

Inadequate Training and Motivation: To expand the knowledge base of an employee training sessions are essential. Training and development provide both the organisation and employee with the benefits that make the cost and time a worthwhile investment. Without proper training the employees may lose their confidence which in turn results in unproductive performance which may affect their rewards and recognitions. This would definitely discourage employees from continuing to work in the same company leading to their resignation.

Lack of Recognition and Reward: An effective recognition and reward system is very essential to motivate the employees. People want to be acknowledged and valued by the superiors for their contribution. If there is no such a rewarding system, the employees will not have loyalty with their company.

Personal Reasons: The desire for being with family members after marriage may push to leave from their jobs. Personal or family illness are also legitimate reasons to quit a job.

Unfavourable Work Environment: Ineffective workplace technology, lack of workplace flexibility, uncomfortable working conditions and toxic company culture are some of the reasons for unfavourable work environment. It may induce the employees to decide to move on.

Stress and Over Workload: Any kind of a job has targets and an employee become stressed when he or she is allotted in the unachievable targets and are unable to manage the given situation. They may be stressed physically, mentally and emotionally. If the employees face the stress of workload they may frustrated and likely to quit their jobs.

Effects of Employee Attrition:

Employee attrition has many serious impacts which adversely affect not only the organisation but the customers also. Therefore, these adverse effects should be given special attention and rectified by reducing the attrition rate of employees. Following are the major negative impacts of employee attrition.

Disruption of Routine Activities: If the employees of an organisation go out suddenly, the management may find it difficult to replace another employee immediately. Hence it may adversely affect the routine work of an organisation. Even if the employee is replaced by some other persons, it will reduce the rate of performance due to lack of experience.

Expensive and High Costs: When an employee leaves the organisation, his or her place should be filled by another person immediately. In this regard, the organisation has to take all the steps included in the staffing process. These steps include search of new employees, selection, induction, training etc. Therefore, the organisation has to spend a good amount of money in each of these steps to make the new employee a well performer.

Low Workplace Morale: If the attrition rate is high in an organisation, it leads to low workplace morale among the employees. If attrition rate is high, the relationship between the employees in the hierarchy may become poor. If the colleagues and co-workers leave, remaining employees constantly have to cycle through the process of getting to know about new employees.

Adverse Effect on Profitability and Return on Investment: Employee attrition causes the reduction of profitability of an organisation. The productivity of newly appointed employees may be lesser than the employees who quit. Decreased productivity results in proportionate decrease in sales and revenue. Moreover, the cost of recruitment and training of new employees may also lead to the reduction in profit. Reduced profitability leads to the reduction of return on investment of the shareholders.

Adverse Effect on Product or Service Quality and Organisation Image: Employee attrition leads to the less quality products or services since the experienced employees leave the organisation and less experienced employees may be appointed. When the quality of product or services is reduced which in turn results in unsatisfied customers. Dissatisfaction of customers creates adverse effects on organisational image at all.

Strategies to Reduce Employee Attrition:

In order to save an organisation's resources and to utilise in other productive purposes, an organisation should take up adequate strategies to retain the employees and to reduce the attrition rate. Following strategies can be applied to reduce employee attrition.

Offer Fair Remuneration: Since remuneration is an important reason for employee attrition, each organisation should offer fair and competitive remuneration for their employees. In order to retain the employees, review of salaries of employees at all levels should be conducted in regular intervals. The salary scales should be compared with the salary scales prevailing in the companies in the same industry. Increments in salary should be offered in regular intervals.

Offer Opportunities for Career Development: In order to create organisation loyalty among employees, each organisation should offer their employees all the possible opportunities for their development. The management should conduct performance reviews regularly among employees in order to identify their strong points and weaknesses. Superiors should assist the subordinates to improve the areas of strength that help them to achieve advancements in their job. Organisation should have a systematic promotion policy for their employees based on performance and experience.

Proper Motivation and Training: Proper motivation and trainings should be provided to employees in order to retain them. When new employees are appointed, Employee Assistant Program (EAP), educational assistance, seminars and conferences should be undertaken to make them fit for their designations and to create organisational loyalty. In order to retain the existing employees, motivational sessions should be given to them in regular intervals. Personality development and intellectual skills development sessions can also be provided to have a healthy environment within the organisation.

Performance Appraisal & Rewards and Recognition: Performance appraisal is required for evaluating the performance of an employee and communicating the results of the evaluation to him for the purpose of rewarding or developing the employee. In regular intervals, employees' performances should be evaluated and rewards should be provided either in cash or kind. The rewards may be in the form of earned vacation, gift declaration etc. If an employee is recognised by his superiors for his performances, it creates organisation loyalty in his mind.

Employee Welfare Policies: In order to create organisation loyalty among employees, the organisation should declare various employee welfare policies. Welfare policies include anything that is done for the comfort and improvement of employees and is provided over and above the wages. It includes company transport, health insurance schemes, car allowance, food coupons, holiday homes, house rental allowance, recreation etc.

Grievance Handling Mechanism: Each organisation should have a systematic grievance redressal cell or committee to rectify employees' complaints. When employees' grievances are properly addressed, they would have loyalty towards the organisation.

CONCLUSION:

One of the major factors which has helped Indian economy to make its mark on the world map is its rapidly developing IT sector. The contribution by IT sector to India's GDP has resulted a substantial growth of Indian economy. The major issue faced by Indian IT sector is higher rate of employee attrition. In the present study major factors behind employee attrition, its effect on organisation and strategies to reduce rate of attrition are discussed. The study reveals that the major reasons for attrition in IT industry are better payments in other organisations, lack of opportunity for growth, inadequate training and motivation, lack of recognition and rewards, personal factors, unfavourable work environment and stress and over workload. The study also points out various negative impacts of employee attrition such as disruption of routine activities, expensive and high costs, low workplace morale, adverse effect on profitability and return on investment and adverse effect on product or service quality and organisational image. The strategies suggested in the study to reduce employee attrition are to offer fair remuneration, to offer opportunities for career development, proper motivation and training, performance appraisal and rewards and recognition, employee welfare policies and grievance handling mechanism. By ensuring the above mentioned HR strategies the retention rate could be much better.

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