Factors Affecting Employee Retention in Indian IT Sector

ABSTRACT
Employee Retention is a very serious issue that Indian IT Sector facing today due to the shortage of skilled labor, economic growth and factors that affect retention of employees. Employee Retention is emerging as the most crucial workforce management challenges of the future. According to the research in the future, successful organizations will be those which adapt their organizational behavior to the realities of the current work environment where success of an organization depends upon the innovation, creativity and flexibility. This paper explains some of the factors that affect the retention of employees in Indian IT Sector in India. Organizations in India should give serious thoughts to what is necessary for the employee commitment towards an organization. Employee turnover is a never-ending problem that Indian IT Sector faces today due to compensation, career growth opportunities and problems with the superiors.

1. Statement of the Problem
Information technology (IT) industry is not just one of the fastest growing industries in India but also world’s largest sourcing destination, accounting for approximately 67 per cent of the US$ 124-130 billion market. Indian IT sector plays significant role in India’s economic growth. Indian information technology (IT) sector is estimated to have generated US$ 146 billion in revenue during FY15 compared to US$ 118 billion in FY14, implying a growth rate of 23.72 per cent. The Indian IT sector is major contributor to India’s GDP but now it is facing the problem of employee retention. The attrition rate is quite high in Indian IT sector around 15-21 per cent. Due to ample of job opportunities available to IT employees they will switch their job whenever they feel the need. It will lead to loss of skill set, the cost of recruitment and training is huge investment for most IT firms, and if employee are not retained in the organization then it will also affect the quality of services, leading to greater expenditure on training and development, therefore affecting the overall performance of the company and it will affect growth of company and nation as whole. Indian IT sector attract foreign direct investment (FDI) but if employees are not retained by the organizations then it will negatively affect employment relationship with foreign countries and it will affect the economic growth of country. The Indian IT sector will provide employment to 10 million workforce in 2014-2015 but if employees are not retained by organizations then it will lose the expertise knowledge that can contribute in the development and growth of the country. For this reason, the present study will be conducted to explore the factors affecting employee retention in Indian IT sector, intentions of employee when planning for job change, employee retention strategies adopted by IT sector, impact of these retention strategies on attrition rate and develop comprehensive model that will help in retaining quality people in Indian IT sector.

2. Introduction
Information Technology (IT) is defined as the design, development, implementation and management of computer-based information systems. Today, the IT industry has grown to cover most aspects of computing and technology. The Indian IT industry plays a very important role in India’s economic growth. IT Industry in India is viewed as growth engine of Indian economy, contributing in increase of Gross Domestic Product (GDP), urban employment and exports. India’s IT Industry contributed major share to GDP. Over last 10 years the IT Industry has grown at an annual rate of 30 percent. In India IT companies are situated in certain places like Bangalore, Cochin, Chandigarh, Chennai, Delhi, Gurgaon, Hyderabad, Calcutta, Mysore, Mumbai, Noida and Pune. Bangalore is also called as Silicon Valley of India because it has many domestic as well as Multinational companies and some of the companies have its headquarters there. In India 70% of IT companies are small companies and remaining 30% are big companies they include companies like TCS, Wipro, Infosys, Orange and HCL. According to NASSCOM’s (National Association of Software and Services Companies) Indian IT Industry provide direct employment to 2.8 million and indirect employment to 8.9 million workers in 2012 and now IT industry employ 10 million workforce in 2014-2015. The Indian IT sector currently valued at US$ 143 billion and expected to grow at a Compound Annual Growth Rate (CAGR) of 8.3% year on year to US$ 143 for 2015-2016 billion. But with increasing market size attrition in IT industry in India is also continuously increasing. According to FY report the major Indian IT companies are currently witnessing high attrition rate. TCS reported an attrition rate of 15.5% in 2015; the attrition rate at Infosys was 21.1%, the attrition rate at Wipro was 16.4% whereas attrition rate at HCL technology was 16.3%.
Employee Retention

Long term health and success of an industry depends upon retention of its employees. The competition to retain key employees is intense. Top level executives and HR departments spend large amount of time, effort and money to figure out how to retain their employees. Employee retention refers to various policies and practices that are used by an organization for retaining its employees for maximum period of time. According to Get Les McKeon, employee retention is defined as “A Systematic effort by employer to create and foster an environment that encourages current employees to remain employed by having policies and practices in places that address their diverse needs”. The costs associated with employee turnover may include:

a) Lost customers
b) Business and damaged morale.

c) Time spent in screening, verifying credentials, interviewing and hiring and training of new employees.

d) Replacement costs usually are 2.5 times the salary of the individual.

Therefore, employee retention is effort by organization to maintain a working environment which supports current staff in remaining with the company. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. If a person is not satisfied by the job he’s doing, he may switch over to some more suitable job. In today’s environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached.

Researchers have shown that in future, successful organizations will be those which adapt their organizational behavior with the realities of current working behavior. Retaining employees is beneficial for both employees and for employer. Critical analysis of workforce trends shows that there is shortage of highly skilled employees who possess the requisite knowledge and skills to perform, if the organization is not able to retain these high performer employees then it will leave with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappport, Bancroft & Okum, 2003).

3. Literature Review

The review of the literature is the basis of the research. It gives research work and investigator an understanding of the previous works that has been done and develop his insight. It serves as a foundation upon which all future work will be built. The following are some of the results and viewpoints of other scholars related to this study.

Fitz-enz (1990) recognized that not only one factor is responsible for employee retention, but there are several factors that affect the retention of employees like compensation, rewards, job security, training and development, supervisor support system, work environment and organizational justice. Ganesh (1997) in his research find out two types of factors that affect the retention of employees one is pull factor and the second is push factor. Push factors are dissatisfaction with the work environment, compensation, low employee benefits, lack of challenge, HR policies and lack of career development opportunities. Pull factors are those that attract an employee like higher compensation packages and more challenging work environment. Osteraker (1999) said that employee retention is the key factor for the success of the organization. He divides retention factors into three broad categories, i.e., social, mental and physical. The mental dimension of retention consists of work characteristics, flexible work tasks. The social dimension consists of contacts that employee has with others, both internal and external. The physical dimension consists of working conditions and pay. Hay (2001) said that there are strategic ways for retaining top talent in the organization. By helping high potential employees have cross functional job for job- and work-related satisfaction, involvement in decision making, encouraging their ideas and helping them implement them, help in career development.
moves, skill building through effective and relevant training helps in retaining employees. Walker (2001) identified seven factors that can enhance retention of employee, compensation and appreciation of the performed work, provision of challenging work, chances to be promoted, good working environment, positive relations with colleagues, balance between personal and professional life and good communication system. Dockel (2003) suggested set of specific factors that affect retention of employees. These factors include compensation in the monetary and non-monetary form, job characteristics, training and development opportunities, and support from supervisor, career opportunities, work-life balance and organizational commitment. Kehr (2004) divided retention factors into three variables; power, achievement and affiliation. Power refers to dominance and social control. Achievement is when personal standards of excellence are met or exceeded and affiliation refers to social relationships which are established. Glen (2006), describes a framework that manager can use when communicating with its employees to know that cause of retention consists of nine different predicates; organizational processes, role challenge, values, work life balance, information, recognition, management, work environment and product or services. Gentry et al (2007) find out that most important factor that affect retention of employees is supervisory support, if they will get that support then they will return that favor through retention. Hytter (2007) found that factors such as personal premises of loyalty, trust, commitment, identification and attachment with organization have direct effect on employee retention. She also explained that workplace factors such as leadership style, rewards, career opportunities, training and development skills, physical working conditions and balance between personal and professional life has an indirect effect on employee retention. Meganck (2007) in his research recommended ways for reducing attrition. According to him career development considered to be the most important factor. Providing great career development opportunities makes the employees to stay in company for long period of time and enhances their loyalty to the firm. Also creating positive work environment enhances employee satisfaction and retention. Ans De Vos et al (2008) in his research identified HR manager’s views and employees view on retention. According to HR managers factor that causes employee retention are career opportunities and financial rewards but for employees’ social atmosphere, job-content and work-life balance are the factors that cause employee retention. There is one factor that is supported by both is career opportunities. Punia and Sharma (2008) realized that in current economic scenario key factors that affect the employee retention are induction program me, scientific job analysis and fair & skill-based distribution of work assignments. Study highlighted the influence of age on employee’s position as important factor in employee retention. Kyndt et al (2009) through his work identified that an organization should give special emphasis to learning of employees. Leadership style and age has positive relationship with employee retention. Govaerts et al (2011) find that if an organization wants to retain its employees then it has to pay special attention towards learning of employees. If organization encouraged learning then it will help in employee retention. The age is very important factor of employee retention. Boyar et al (2012) suggested six reasons that help in explain why individuals leaving their jobs. These factors are family situations, travel distance, job-content, work related stress, relationship with friends and managerial support. It was found that employees who have fewer financial obligations are more likely to leave the organization. Zachariah and T.N (2012) indicated that there are personal reasons for leaving the organization; Organizational factors that influence employee to stay back in the current organization, personal factors that influence employees to stay back in the current organization, attitude of employees towards work and work relationship and expectation of IT professional from organization. Sree Rekha and Kamalanabhan (2012) identified that turnover intentions have two dimensions one at individual level and other at organizational level. At organization level organizational support and organizational justice affect the turnover intentions of an employee and at individual level job satisfaction, alternative job opportunity and organizational commitment are important factors. Subhashini and Naresh Babu (2013) through his work suggested that employee leave the organization due to dissatisfaction with organizational culture, compensation, lack of motivation and challenging work environment but if the employees are provided with better career development opportunities, environment of openness and trust, effective utilization of employee’s skills and management policies regarding rewards and recognition then employee retention can be encouraged. Nazia and Begum (2013) studied that workload is a reason of employee turnover so the strategies that can reduce work load should be adopted. It can reduce by job rotation, change in work location or by some other recreational activities. Strategies that can provide respect, rewards and recognition should implement in the organization. Welfare measures and grievance handling should be improved. The companies should provide recreational activities and yoga/meditation to its employees. Frequent reviews should be conducted in the organization. Joseph and Shastri (2013) find out that relocation is very important factor for the turnover intentions of an employee. Peers influence also affects the turnover intentions of an employee. Work-life balance, better job content, management policies and salary norms influenced the intentions to quit the job. Hassan (2014) studied that there are various factors that affect the turnover intentions of employees. These factors include organizational commitment, job stress, job characteristics, promotion opportunities, pay level and rewards, quality of work-life and job satisfaction. Job stress is the most significant factor influencing turnover intentions. Janani (2014) identified two factors one is push factors and other is pull factors that affect employee turnover intentions. Push factors include benefits and facilities, size of organization, location of organization, nature and kind of organization, communication system in organization and pull factors are high salary, career advancement, new challenges and interesting job. There are some personal factors also that affect employee turnover intentions are age, marital status, health problems and family related issues. George (2015) find out two types of retention factors one at organization level and at job level. Organizational factors are management, pleasant environment, social support and developmental opportunities. Factors at job level are compensation, autonomy, work-load and work life balance. It was found that organizational level factors are more important for employee retention then job
level factors. Purohit (2016) in her research find out that problem of turnover in the organization is due to the dissatisfaction with the working conditions, workload, incentives, salaries and the facilities provided to the employees are not up to the marks. The most important factor that leads to employee turnover is the compensation. Raminder (2017) find out lack of growth opportunities and salaries are the major factors that force employees to change their job. This study suggested that to reduce attrition rate in the organization there should be more growth opportunities for the employees by adopting new innovating technologies and effective training programmes. Rungta and Rao (2018) suggested that the reason for attrition is varying with the change in the designation held by them in the organization. Depending upon the designation of the employee their priorities about the reason that influence their decision about leaving the organization varies, the study shows that there is change in opinion about leaving the organization among the career beginners and employees with higher designations and experience.

4. Conclusions

Employee retention has become a major concern for corporate nowadays. Now organizations are recognizing that their competitive advantage lies not with capital or physical resources but rather with their human resources. When an employee is planning to quit then there are some factors that are responsible for his job change. These factors are organizational culture, social support, work -life balance, job stress, relationship with friends, management policies and career opportunities. In the literature review it was found out that the organizational factors are more important than job factors for retaining employees. To retain its employee’s organization has to make retention strategies like rewards and recognition, pleasant working environment, skill recognition, support learning, training and development opportunities, mentoring and coaching sessions, good compensation structure, providing flexi-timing facilities and annual performance appraisal are very helpful in retaining the employees. The review of literature suggests that good retention is about more than what a company does once an employee has been hired and established within an organization.

References

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