Attrition biggest threat to retention for IT industry in Pune.

1) Dr. C.N. Rawal- Research Guide, Brihan Maharashtra College of Commerce Research Centre, Savitribai Phule Pune University, Pune – 411004 India, Email: cnr812@gmail.com

2) Archana Bahulikar PhD Student , Brihan Maharashtra College of Commerce Research Center , Savitribai Phule Pune University , Pune – 411004 India, Email: archanabahulikar@gmail.com.

Abstract:

The Problem.

IT companies are major resource for economic growth of India. IT companies are facing high turnover challenge in current job market. There are various reasons for employees to look for another job in short period of time. Various companies are taking measures to control attrition.

Pune ranks second in India in software exports and IT hub after Bangalore. There are many multinational IT companies located in Pune. Similarly various IT career options available in this city. Currently employer is facing biggest problem of attrition and employee retention. The purpose of study is to understand employer challenges to control attrition and retaining employees .

The Solution.

This study follows the descriptive research design, data were collected with the help of indirect questionnaire from 100 IT employees working in Pune city. To study the objective statistical Chi Square test is used. The results highlighted solution on controlling attrition of employees. The limitation of this study is data were collected only from Pune city.

The Stakeholders.

Stakeholders of this study include employees working in IT industry from Pune with various designation and hierarchical levels. Industrial expert's opinion, research papers are considered for literature review.

Key words: Attrition, Retention, Information technology, Employees, HR

Introduction:

Indian IT industry today faces a massive challenge. The challenge is not about attracting the right talent or productive employees, it is to retain talented employees as people hop jobs frequently. High employee turnover is a grave concern for organizations nowadays.

We have to accept and acknowledge that employees form a major part of an organization, who help build an organization but, one has to recognize employees are also the most dynamic resource. Employee retention is an imperative target for an organization because, hiring and maintaining qualified candidate is essential for an organization. But, retaining a team of talented employees is more important than just hiring, as a large amount of resources are spent on training, and orientation of new employees.

Attrition:

A few years back it was common for employees to spend their entire career working for a single organization. But, today employees have no qualms about frequently changing jobs. Job hopping has become a common phenomenon and no one questions the credibility of a candidate who has frequently hopped jobs. Research shows that it isn't just money but, the availability of choices in the job market, which leads to job hopping amongst employees who are well qualified and work in companies that pride on good environment.

A satisfied employee may also be prone to switching a job as much as a dissatisfied one. There might be various reasons like an employee might be on a contractual roll and he /she would want to shift to a permanent job/ assignment. In such a case the former assignment may be satisfying but, he/she has to quit it considering his/her priority for a permanent position. Allen, 2004 says risk taking propensity and attitudes impact considerably the turnover intentions- turnover translations relationship.

Attrition is witnessed by a company when there is reduction in the number of employees. The reason can be resignation, retirement or death. The rate at which number of employees shrinks is attrition.

Attrition can take place when employee expectations from an organization in return of the services they extend, are not fulfilled. Attrition means loss of employees, which can happen

due to reasons other than firing and employer- initiated events.[1] Employers don't have a direct control over how personnel are lost by the company due to employee attrition.

But, Information Technology is a unique industry and faces high attrition rates. The causes of attrition in the Indian IT industry can be voluntary or involuntary.

Literature Review:

The most common way of defining attrition is employee or staff turnover. But, in the broader sense attrition rate is calculated as the number of individuals who get vacated or move out of a larger, collective group over a specific period of time. Attrition is also referred to as churn rate. This term is used by Human Resource Personnel to determine the ability of an organization to retain employees.

1990s was a significant period for the IT and ITeS industries and for the country as well. With liberalization we moved away from regulated growth to open economy. In 1991 India's super computing programme was launched.

The global delivery model was introduced and this changed the way work was delivered. But, achievement was not made possible with the Software Technology Park scheme, which was created by IAS officer N. Vittal.

Now many Indians joined the IT industry. The IT industry also incorporated the quality movement – with the first ISO 9001 and later with SEI-CMM. By the year 1990, around 50% of the SEI-CMM Level 5 companies around the globe hailed from India.

The major Indian IT companies were flourishing in India and abroad. All this was made possible by the encouragement of the Indian government, which came up with liberal policies. Now, India experienced the historic come back of IBM and the benefits/opportunities expanded in the IT industry. Next opportunity was from Y2K, which was led by vast pool of technical talent and industry friendly policies.

There after Indian IT industry hasn't looked back. By the year 2000, the Indian IT industry had seen a growth of over $5 billion in terms of revenue and this was five times from 1990.

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[1] http://www.ijarcsms.com/docs/paper/volume1/issue7/V1I7-0002.pdf

In 2016, the revenue stood to an estimated $ 160 billion and it employed 35 million people. Now India is set to ride the next revolution in technology as the third biggest start up hub globally

Research Gap:

After doing literature review it is observed that various authors have given their views and options on attrition control. Today's corporate world is dynamic.Employees can easily get new jobs All the study is based on professional loss of company or career loss. No one has studied what is the final impact on personal life when it comes to high turnover.. Fear attrition is that if it will continue employer will hire or retain senior employee for short time. Fresher employee will face the problem of getting right job or highly qualified employee will be paid less. There will be more contractual jobs rather than permanent jobs.

Research methodology:

The study uses qualitative research methodology. Qualitative research gives in-depth understanding of human behaviour and the reasons behind such behaviour. Qualitative research is a naturalistic way of inquiry that aims at seeking in-depth understanding of social phenomenon in natural setting. It relies on direct experiences of human beings.

This study uses secondary sources for research like newspapers, books, research papers and online references.

Importance of Employee Retention:

When an organization hires good people, and gets them trained, builds their abilities to form a high performing team, it would surely not want to lose them. Listed below are the reasons that describe the importance of retaining an employee:

1. A pool of highly productive employees is available whenever required

2. These employees could be future leaders

3. A talented and productive team is a strong indicator of organizational success.

Organizations make utmost efforts to attract and retain their employees. Today we live in a competitive world and its not enough to maintain a high salary or designation to retain an employee. But, some other factors too play an important role in retaining employees. Organizations can retain employees by developing their career, improving work environment, giving rewards and recognition, working on the leadership style, and improving compensation and performance appraisals.

Causes of attrition:

There are many reasons behind employee attrition like the employee could be dissatisfied with the company, or quitting due to higher positions acquired / offered in any other company or may be due to death. Attrition can lead to losses in a company. Thus, job attrition is a costly affair because, it takes lot of time to train, develop employees so that they are productive and work efficiently, effectively for an organization.

In case these trained employees leave, it causes loss to the company because, then the organization has to train employee all over again. This is why attrition is considered as harmful for an organization.

Common reasons for high attrition:

1. **Skills and the job:**

One of the most important reasons for employees quitting their jobs is their qualifications and knowledge. Employees get placed in jobs that are not too challenging or maybe, they are too demanding and this may discourage them. Thus, they prefer to quit the present company and look out for a suitable option. The reason behind this discouragement and disappointment is that job descriptions are not communicated clearly to the applicants when they visit companies for an interview. Thus, candidates accept the job offer without a clear idea about what is in store them. When they join and begin working, they face a culture shock. They realize the job isn't challenging enough or they may be over-qualified.

Reverse can happen too. When companies do not follow proper procedures while hiring and interviewing, they end up hiring someone who is under-qualified for the position. The employee may feel extremely pressurized while handling the new job and just quit to join another company.

2. Lack of Opportunities:

Many a times the main reason for employees deciding to leave the company is lack of progress. The company cannot provide with opportunities to progress. It is referred to as career plateauing in Organizational Behaviour (Robert Kreitner and Angelo Kinicki). It generally occurs when the job is at a dead-end position. Employees begin to feel there is no possibility of promotion. They begin to lose interest in their work and quit soon.

Job attrition is thread to any organization so, the hiring managers should explain the future prospects in the job clearly to avoid conflicts.

3. Inadequate training:

Employees need training and guidance when they do their jobs. These trainings and guidelines should be given by the company and the management. Lack of training and guidance makes employees feel lost and they have no clue about how to go about their jobs. This leads to lesser productivity, which in turn adversely affects the confidence and self-esteem of the employee. Low morale isn't a good sign for the employee nor the company. This mismanagement and lack of motivation leads to high attrition.

In most cases, workers expect to get involved in decision making process and appreciate when the manager delegates work to them. They need involvement and engagement. Employees also need reward and recognition for their performance. Also, when managers don't posses 21st century skills, employees don't feel motivated enough to work for those managers as they overlook the performance of talented employees. This discourages employees from continuing to work for that manager. Consequently, they lose interest in the work and the company, leading to departure.

Attrition in Information Technology industry:

Information technology is the one of the fastest growing industry in the Indian economy. It plays a major role in driving and contributing to the economy. It has pushed ahead and helped in changing India's image as a developing economy, which is slow in progressing to becoming a global leader in technology. Countries around the world rely on Indian technological solutions.

IT industry is highly competitive and has huge requirement of IT professionals. In such a scenario it vital that organizations retain their best talent. This helps to grow, maintain sustainability and keeps the organization's productivity high. Attrition rate in Indian IT industry is high.

Information Technology services companies face a new challenge in retaining employees. They are training their employees in digital skills for the future. But, these companies face a new challenge. There are more trained employees than available digital projects. This has caused imbalance and these newly skilled workers then start leaving the present company to find new jobs where their knowledge is put to use.

These companies spend crores in reskilling and the challenge is to retain these trained employees, so they can recoup the investment made in these employees. Saurabh Govil, chief human resources officer at Wipro says that when a person gets trained but, doesn't get deployed on a digital project, they are in high demand in the IT industry. So, the focus is not only to train but, provide right deployment. Because the company is seeing high attrition in the case of digitally trained people.

Other reason for attrition in IT industry is excessive stress because, of increasing work pressure. Work load leads people to quit jobs and is one of the most agreed reason for attrition. Work pressure can be reduced by arranging various management games, cultural or hobby related activities and create a friendly environment.

Another factor that leads to attrition is lack of trust among employees about their leaders leading to no motivation and fall in retention. As a solution to this challenge, motivational seminars could be arranged at regular intervals.

Many people would agree that an important factor leading to attrition may be lack of recognition for the work that employees do and lack of growth within the organization.

Sometimes employees aren't treated fairly and not respected. Thus, employees don't contribute to the organization.

Gender discrimination is also seen as one of the reasons, which contributes to attrition. Unsupportive policies towards employees also leads to attrition as getting work done as expected becomes a challenge.

One last reason can be that the present generation don't find routine desk jobs challenging. They lead to boredom and stagnancy in development of skills. So, they can't explore or challenge themselves thus, leads to quitting the job and finding something that interests them.

Hypothesis

1) Ho: There is no positive relationship between job satisfaction of male and female employees and attrition.

H1: There is positive relationship of job satisfaction between male and female employees and attrition.

2) Ho: There is no positive relationship of monetary benefits between male and female employees and attrition.

H1: There is positive relationship of monetary benefits between male and female employees and attrition.

Statistical Analysis

Primary data is collected with help of indirect questionnaire. After collection of data researcher have classified the data as below and for statistical analysis. Since it is a numerical data and various parameters to test, therefore the statistical test used is Chi square test which is justified for comparison of two independent variables. In order to measure the hypothesis Likert's scale is used in which score 2 is given for strongly agree, score 1 is given to agree, 0 is given to neither agree nor disagree, -1 is given to disagree, -2 is given to strongly disagree.

Testing of Hypothesis

The respondents from this study are working in IT companies in Pune. The total sample comprised of 100 professionals working in as Technical professionals who includes senior

software developers, Project Managers, Team Leaders with academic qualification of computer engineering, computer science.

Indirect questionnaires were distributed among 350 employees working in 30 IT companies located in Pune with help of Human Resource department among 100 employees has given complete feedback and opinion. The sample of 100 comprised of 60 % male and 40 % female employees in which majority of respondents were in age between 25 – 35 years

Statistical Analysis

II) Job Satisfaction between male and female employees.

Gender	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Chi-square test value (p value)
Male	28	28	76	90	55	1.14(0.88)
	10.1%	10.1%	27.4%	32.5%	19.9%	
Female	25	27	55	75	41	
	11.2%	12.1%	24.7%	33.6%	18.4%	

<u>Interpretation</u>

In Total sample of 100 which includes both male –female employees who had given response to the researcher's question.

- Data has interpreted between group of male and female employees.
- Result of Chi Square Test Value is 1.14 and P value is 0.88
- It was noted that in total population male employees are not satisfied with their current Jobs but Female employees are satisfied with their current jobs.

II) Monetary benefits between male and female employees.

Gender	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Chi-square test value (p value)
Male	24	21	67	75	33	3.51(2.47)
	10.9%	9.5%	30.5%	34.1%	15.0%	

Female	27	35	75	88	55	
	9.6%	12.5%	26.8%	31.4%	19.6%	

Interpretation

In Total sample of 100 which includes both male –female employees who had given response to the researcher's question.

- Data has interpreted between group of male and female employees.
- Result of Chi Square Test Value is 3.51 and P value is 2.47
- It was noted that both Male and Female employees are not satisfied with present monetary benefits given by organization.

Limitation and Direction for future Research

This study has been limited to two independent variables: Male employees and Female employees. Study has measured only the relationship between Male employees and Female employees but there are other factors like business environment, career options of employees which can be possibly related to attrition. Considering only two factors is the biggest limitation of this study. This is study is limited to Pune city.

In future more factors responsible for employee retention of employees can be taken such as work and family balance, organizational culture, health issues and many more. Similar studies can be conducted in industries like Teaching, Engineering, Telecom, BPO, RPO etc. Future research model should develop for employee job satisfaction and job hopping.

Findings:

Attrition is a true challenge to any company because, when an employee joins a company, considerable amount of resources are spent on training the employee. When an employee leaves a company, hiring another candidate leads to investing again in resources right from screening candidates to interviewing and then training.

There are many reasons why an employee quits an organization. It can be because, the employee doesn't get enough opportunities to grow in the organization. Or the managers aren't motivating enough. Their talent and knowledge might not be appreciated or used. It also happens that the job is not up to their expectations as mentioned during the interview process.

There are many ways by which companies can avoid attrition. Managers should engage their employees and build trust within their team. Employees should be motivated, recognized and rewarded. The company should stress on developing great leadership team, which provides proper guidance and motivation to the employees. Each leader should be aware of how his/her team members' talent can be used to the best. Gender discrimination should be avoided.

In the IT industry, which is dynamic and changing fast, employees might not get deployed after getting trained on a particular skill. Excessive stress and work load are also dominant reasons behind attrition in the IT sector. In such a case, employees should be engaged in cultural activities and hobby activities to provide a stress-free environment.

Conclusion:

Attrition / employee turnover is not only an issue to be handled by the Human Resource Department. The entire company is responsible for high levels of attrition-especially the leadership and management team. If proper environment is provided to the employees, they will not leave or quit the company.

Along with an attractive salary, employees also expect growth, engagement, reward and recognition. Only a progressive and insightful leader can understand what the team needs. Thus, attrition is not only a challenge for the human resource department in a company but, also the biggest challenge posed to the leadership in a company.

Suggestions to retain employees:

1. Stress relieving activities should be arranged and hobbies should be promoted.

2. Leaders should build trust among employees.

3. Deserving employees should be provided recognition.

4. Employees should be treated with due respect.

5. Gender discrimination should be avoided.

6. Scope for career growth and opportunities for skill development should be provided. [2]

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[2] http://ijcem.in/wp-content/uploads/2015/05/Attrition_in_IT_Sector.pdf

7. Relevant training should be provided – companies should approach training as career development.

8. Companies should help employees towards full development of their talent and potential.

9. Companies need to clearly identify people they wish to continue working with.

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Authors Biographies

Archana Bahulikar is research scholar at BMCC, Savitribai Phule Pune University. She is working as Senior – HR in Virstra I technology Services Ltd. She has total 10 years of experience in IT industry. She has experience in handling recruitment, HR Business Partner and HR Generalist in IT industry.