

## A study on employees attrition and retention in Indian it sector

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### Abstract

Global outsourcing and the astounding amount of foreign direct investment pouring into China, Russia, and India have created tremendous opportunities and competition for talented IT professionals in those countries. The downside of this increased competition is a rising rate of attrition, particularly in India.

It is not easy to find out as to who contributes and who has the control on the attrition of employees. Various studies/survey conducted indicates that everyone is contributing to the prevailing attrition. Attrition does not happen for one or two reasons. The way the industry is projected and speed at which the companies are expanding has a major part in attrition.

The specific reasons for attrition are varied in nature and it is interesting to know why the people change jobs so quickly. Even today, the main reason for changing jobs is for higher salary and better benefits.

**Keywords:** back biting, embrace, job hop, aggravate

### Introduction

Attrition may refer to the gradual reduction of the size of a workforce by not replacing personnel lost through retirement or resignation. "The rate of shrinkage in size or number" Attrition is beginning to significantly affect offshore ROI. Just as businesses faced a scarcity of talented IT resources during the dotcom era, organizations in offshore countries such as India are experiencing similar pains. Skilled employees are hopping from job to job and taking with them the customer knowledge and technical expertise that any company needs. Their salaries are increasing, along with their perks, benefits, and bonuses.

### Types of attrition

There are three types as follows:

**Market Driven** – based on the demand for a particular skill or ability in temporarily low supply (self-correcting in normal markets). The typical initial reaction by employers to market driven attrition is to increase wages, offer better benefits, escape the market by relocation or site migration or relax hiring standards.

**Workload or Stress Driven** – on the actual capacity to perform the work required. This is when there are not enough of the right people.

**Process Driven** – variables associated with job design and/or the organization. In some industries and organizations there is a belief that attrition has always been there and always will be there. Addressing this scenario produces the most lasting results.

### It Sector In India

India's IT Services industry was born in Mumbai in 1967 with the establishment of the Tata Group in partnership with Burroughs<sup>[3]</sup>. The first software export zone, SEEPZ – the precursor to the modern-day IT park – was established in Mumbai in 1973. More than 80 percent of the country's software exports were from SEEPZ in the 1980s<sup>[4]</sup>.

The Indian economy underwent major economic reforms in

1991, leading to a new era of globalization and international economic integration, and annual economic growth of over 6% from 1993–2002. The new administration under Atal Bihari Vajpayee (who was Prime Minister from 1998–2004) placed the development of Information Technology among its top five priorities and formed the Indian National Task Force on Information Technology and Software Development.

Wolcott & Goodman (2003) report on the role of the Indian National Task Force on Information Technology and Software Development:

Within 90 days of its establishment, the Task Force produced an extensive background report on the state of technology in India and an IT Action Plan with 108 recommendations. The Task Force could act quickly because it built upon the experience and frustrations of state governments, central government agencies, universities, and the software industry. Much of what it proposed was also consistent with the thinking and recommend notions of international bodies like the World Trade Organization (WTO), International Telecommunications Union (ITU), and World Bank. In addition, the Task Force incorporated the experiences of Singapore and other nations, which implemented similar programs. It was less a task of invention than of sparking action on a consensus that had already evolved within the networking community and government.

Regulated VSAT links became visible in 1994<sup>[5]</sup>. Desai (2006) describes the steps taken to relax regulations on linking in 1991:

In 1991 the Department of Electronics broke this impasse, creating a corporation called Software Technology Parks of India (STPI) that, being owned by the government, could provide VSAT communications without breaching its monopoly. STPI set up software technology parks in different cities, each of which provided satellite links to be used by firms; the local link was a wireless radio link. In 1993 the government began to allow individual companies their own dedicated links, which allowed work done in India to be transmitted abroad directly. Indian firms soon convinced their

American customers that a satellite link was as reliable as a team of programmers working in the clients' office.

Videsh Sanchar Nigam Limited (VSNL) introduced Gateway Electronic Mail Service in 1991, the 64 kbit/s leased line service in 1992, and commercial Internet access on a visible scale in 1992. Election results were displayed via National Informatics Centre's NICNET.

"The New Telecommunications Policy, 1999" (NTP 1999) helped further liberalise India's telecommunications sector. The Information Technology Act, 2000 created legal procedures for electronic transactions and e-commerce.

A joint EU-India group of scholars was formed on 23 November 2001 to further promote joint research and development. On 25 June 2002, India and the European Union agreed to bilateral cooperation in the field of science and technology. India holds observer status at CERN, while a joint India-EU Software Education and Development Center will be located in Bangalore.

### Review of literature

Hannay and Northam (2000) <sup>[1]</sup> mentioned that it become very important for employer to retain its employees. For retaining its employees organization has to make retention strategies like expanding the benefits package as one of the method to build loyalty and commitment. Individualizing jobs to satisfy employees needs for autonomy, challenge and growth, investigating alternate labor market by hiring older workers, providing realistic job previews to applicants during recruitment process and providing a tuition reimbursement program me to employees are retention strategies that contribute to improve employee retention.

Kyndt *et al* (2009) <sup>[2]</sup> 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) <sup>[3]</sup> 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

### Objectives of the Study

1. To Know about the reasons of attrition in IT sector
2. To suggest that retaining the talented people in IT industry

### Reasons of Leaving Organizations

1. **Rude behavior:** Studies have shown that everyday indignities have an adverse effect on productivity and result in good employees quitting. Rudeness, assigning blame, back-biting, playing favorites and retaliations are among reasons that aggravate employee turnover. Feeling resentful and mistreated is not an enticement for a good work environment.
2. **Work-life imbalance:** Increasing with economic pressures, organizations continue to demand that one person do the work of two or more people. This is especially true when an organization downsizes or restructures, resulting in longer hours and weekend work. Employees are forced to choose between a personal life and a work life. This does not sit well with the current, younger workforce, and this is compounded when both spouses or significant others work.

3. **The job did not meet expectations:** It has become all too common for a job to significantly vary from the initial description and what was promised during the interviewing stage. When this happens it can lead to mistrust. The employee starts to think, "What else are they not being truthful about?" When trust is missing, there can be no real employee ownership.
4. **Employee misalignment:** Organizations should never hire employees (internal or external) unless they are qualified for the job and in sync with the culture and goals of the organization. Managers should not try to force a fit when there is none. This is like trying to force a size-nine foot into a size-eight shoe. Neither management nor employee will be happy, and it usually ends badly.
5. **Feeling undervalued:** Everyone wants to be recognized and rewarded for a job well done. It's part of our nature. Recognition does not have to be monetary. The most effective recognition is sincere appreciation. Recognizing employees is not simply a nice thing to do but an effective way to communicate appreciation for positive effort, while also reinforcing those actions and behaviors.
6. **Coaching and feedback are lacking:** Effective managers know how to help employees improve their performance and consistently give coaching and feedback to all employees. Ineffective managers put off giving feedback to employees even though they instinctively know that giving and getting honest feedback is essential for growth and building successful teams and organizations.
7. **Decision-making ability is lacking:** Far too many managers micromanage to the level of minutia. Micromanagers appear insecure regarding their employees' ability to perform their jobs without the manager directing every move. Organizations need employees to have ownership and be empowered! Empowered employees have the freedom to make suggestions and decisions. Today "empowerment" seems to be a catch-all term for many ideas about employee authority and responsibility. However, as a broad definition, it means an organization gives employees latitude to do their jobs by placing trust in them. Employees, in turn, accept that responsibility and embrace that trust with enthusiasm and pride of ownership.
8. **People skills are inadequate:** Many managers were promoted because they did their jobs very well and got results. However, that doesn't mean they know how to lead. Leaders aren't born—they are made. People skills can be learned and developed, but it really helps if a manager has a natural ability to get along with people and motivate them. Managers should lead by example, reward by deed.
9. **Organizational instability:** Management's constant reorganization, changing direction and shuffling people around disconnects employees from the organization's purpose. Employees don't know what's going on, what the priorities are or what they should be doing. This causes frustration leading to confusion and inefficiencies.
10. **Raises and promotions frozen:** Over the years, studies have shown that money isn't usually the primary reason people leave an organization, but it does rank high when an employee can find a job earning 20 to 25 percent more elsewhere. Raises and promotions are often frozen for economic reasons but are slow to be resumed after the crisis has passed. Organizations may not have a goal to offer the best compensation in their area, but if they don't, they

better pay competitive wages and benefits while making their employees feel valued! This is a critical combination.

**11. Faith and confidence shaken:** When employees are asked to do more and more, they see less evidence that they will ultimately share in the fruits of their labor. When revenues and profits increase along with workload, organizations should take another look at their overall compensation packages. Employees know when a company is doing well, and they expect to be considered as critical enablers of that success. Organizations need to stop talking about employees being their most important asset while treating them as consumables or something less than valuable. If an organization wants empowered employees putting out

quality products at a pace that meets customer demand, they need to demonstrate appreciation through actions.

**12. Growth opportunities not available:** A lot of good talent can be lost if the employees feel trapped in dead-end positions. Often talented individuals are forced to job-hop from one company to another in order to grow in status and compensation. The most successful organizations find ways to help employees develop new skills and responsibilities in their current positions and position them for future advancement within the enterprise. Employees who can see a potential for growth and comparable compensation are more inclined to stay with an organization

**Data Analysis  
Attrition**

**Table 1:** Attrition rates have eased across companies understandably so in view of soft hiring trends.

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
TCS (a)	10.9	11.3	12.0	12.8	13.4	13.8	15.1	15.5	15.3	14.7	13.6	12.9	12.2
TCS (e)	12.8	11.9	14.3	15.5	14.8	16.7	18.6	17.6	15.3	15.4	10.7	14.4	12.1
Infosys (b)	18.1	18.7	19.5	20.1	20.4	18.9	14.2	14.1	13.4	12.6	15.8	15.7	14.9
Infosys (e)	21.4	22.6	26.4	24.8	21.3	18.3	19.2	19.9	18.1	17.3	21.0	20.0	18.4
Wipro (c)	16.3	15.7	17.0	16.9	16.4	16.5	16.4	16.8	16.3	14.9	17.9	17.2	15.4
Mindtree (a)	11.6	12.7	14.2	15.7	18.1	18.2	18.4	17.1	16.0	15.7	16.5	16.4	16.1
Mindtree (e)	10.7	14.3	18.5	19.7	21.6	18.5	18.9	17.2	16.2	15.6	17.7	15.7	14.6
HCL Tech (d)	16.6	16.9	16.9	16.6	16.4	16.2	16.5	16.3	16.7	17.3	17.8	18.6	17.9
HCL Tech (e)	29.4	28.8	30.5	33.3	28.7	27.8	28.6	31.8	31.0	31.0	28.0	26.7	26.0

Notes:  
 (a) LTM attrition for IT services.  
 (b) Standalone attrition numbers for last twelve months, ex BPO/subsidiaries.  
 (c) Wipro Technologies only, quarterly annualized attrition, excludes involuntary attrition.  
 (d) For IT services only, excludes involuntary attrition.  
 (e) Quarterly annualized attrition computed (includes BPO).

Source: Company, Kotak Institutional Equities

**Findings**

1. The attrition rate TCS 15.5 % in March 16 qtr.
2. The attrition rate of Cognizant increased 2.5.% ( March 16 to June 16 qtr)
3. The attrition rate of Infosys increased 3.7% ( March 2016 to June 16 qtr)
4. The attrition rate of Wipro increased 3% (March 16 to June 16 qtr)

**Suggestions**

1. To create self-awareness and self confidence level among the employees. It helps to improve employees take pave way to decision making in difficult situation.
2. Organization should motivate and give awards and rewards once in year. It improves employees involve in job and also increase concern productivity.
3. The concerns employees at the time of entry level give proper training program which will improve employee’s skills and knowledge to do work efficiently.

**Conclusion**

IT sector one of the growing sector in our country. Organization is aware of the attrition employees. The particular

concern concentrate employees mind set and provides proper training, motivate, all amenities, learn to newer techs domain, offer better hike, fails to decide the right persons due to internal affairs of the concern. Which organization provides these facilities at the needy movement of present employees and future plan for forthcoming workers the plan of the organization would consider both personal life as well as organization life of employees. The successions plans are incorporated when they need implement with any hesitation it will improves retaining employees and accelerate growth of the organization.

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