



A Theoretical Research Paper On Employee Attrition In Indian IT Industry: Causes And Measures

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ABSTRACT

India is a fastest growing in IT industry. Employee Attrition has become a well-known challenge since last 2 decades in Indian IT Companies. This trend has clutched India as well; the top IT companies are witnessing bunch employee migration over last few years. This situation is affecting the efficiency, output, and competitiveness of IT companies in India. Factors behind this high attrition rate include a lack of growth opportunities, low salaries, poor work-life balance, and a sky-scraping demand for skilled human capital. The main objective of this research paper is to outline the growth of IT industry in India, study the concept of attrition and types of attrition and also to identify the causes and rate of employee attrition in Indian IT industry. We have reviewed the relevant literature on attrition and retention in the IT sector. Our findings suggest that IT companies need to re-evaluate their job design and working culture to ensure that they can retain their employees in the long run.

Keywords: Employee Attrition, efficiency, output, and competitiveness, retention strategies,

INTRODUCTION

Attrition known as employee churn, employee turnover, or employee defection, is an industrial term used to describe loss of employees or Man power. Employee Attrition is nothing but employees' goodbye the organization all off a sudden due to some personal reasons or due to the unhappiness with the job or maybe getting better opportunities from new companies. Attrition is a common fact and no industry is devoid of it, but the grade fluctuates from industry to industry. Attrition is a serious issue in the industries because the industry is knowledge-based and hence employees are its "assets".

Employee attrition is a usual process of gradual reduction of employees through various reasons like resignation, retirement, and other reasons like lack of professional growth, career improvement, holistic work environment, declining confidence in company's market value, weak leadership and some personal issues. If employees go away the organization in a slight span of time all the efforts put by the organization will be ineffective. Attrition is an inevitable part of any business which comes in a time when employee wants to leave the organisation for either personal or professional reasons. This is happening majorly in the Information Technology industry nowadays.

There are different factors which affect the employee attrition

- ✓ Personal motivation.
- ✓ Professional motivation.
- ✓ Workplace challenges.
- ✓ Poor employee to job fit.

EMPLOYEE ATTRITION RATE

An attrition rate, also known as a churn rate, can be a measure of two things. It can be a measure of how many customers leave over a certain period of time or how many employees leave over a certain period of time. Whether it is a magazine, cell phone or Internet provider, all depend on stable relationships with current customers in order to protect and grow the bottom line. However, the term can be applied to other types of companies as well. An attrition rate is a high-quality way to measure growth for contribution services. If the growth rate is more than the attrition rate, then the company has a net increase in growth. The opposite, of course, is also true and a negative rate of growth could signal some type of change is needed.

$$\text{Employee Attrition} = \frac{\text{Number of employee separations in the year}}{\text{Average number of employees in the year}} \times 100$$

LITERATURE REVIEW

Dr. G. Hemalatha, Rashimalalu Swati Vinod (2022) in their article titled on "A study on employee attrition in IT sector, Hyderabad" highlighted impact of high attrition rate on organisation in increasing cost of recruitment and training and also some initiatives taken by IT companies in recent years to control employee attrition.

Sonal Gupta and Sukhvir Singh (2021) in their study titled on "Employee attrition and retention strategies: a comparative study of leading IT companies examined various trends of attrition and present human resource strategies and initiatives in leading IT companies and also underlined the causes of attrition.

Dr. M Ganeshan (2020) in his study titled "Impact of Human resource management practices on employees' intention to leave organisation" described the affect of employee attrition on financial status, and various factors influencing employees to take decisions.

Dr. K. Malar Mathi & Mrs. G. Malathi (2019) in their study titled "Analyzing the causes of attrition in IT industries-Opinion of employee and employer" described that attrition can be reduced by simply gaining commitment and dedication from employees and also suggested that companies can decide on the proper solutions based on analyses and attainment of employee loyalty.

OBJECTIVES OF THE STUDY

1. To outline the growth of IT industry in India.
2. To revise the concept of attrition and various types of attrition.
3. To identify the causes and rate of employee attrition in Indian IT industry.

RESEARCH METHODOLOGY

The present study focuses on broad study of secondary data collected from various books, websites, Seminars, National & International Journals publications, and National & Internal conferences are available on various websites and in libraries focusing on various aspects of Employee Attrition in Indian IT Industry.

Growth of IT Industry in India

Indian IT industry was initiated in Mumbai in the year 1967 with the establishment of Tata Consultancy Services who was taken partnership with US clients Burroughs corporation which began India's export of IT industries. The first software expert zone, SEEPZ- The precursor to the modern IT Park was established in the year 1973 in Mumbai. More than 80 percent of country's software exports were from SEEPZ in 1980s. Within 90 days of establishment, the Task Force produced an extensive background report on the state of technology in India and the IT action plan with 108 recommendations. The Task Force could act quickly because of built upon the experience and frustrations of state governments, central government agencies, universities, and the software industry. Much of what is proposed was also consistent with the thinking and recommendations of international bodies like World Trade Organisation (WTO), International Telecommunication Union (ITU), and World Bank. The growth of IT companies like Wipro and Infosys in 966 and 98made revolution in IT industry in India with abundance of trained manpower and by attracting talented and competitive businesses by cashing in Y2K and the dot.com boom to be recognized globally for delivering software services. The IT industry in India comprises of Information Technology Services, Consulting and Outsourcing. IT industry is defined as the design, development and management of computer based information systems. The Information Technology Industry in India has become the most popular industries in the world economic growth and competitiveness characterized by Economies of scale and limitless demand.

CONCEPT OF ATTRITION

A fresh wave of changes in employee and employer attitudes has been brought about by the rapid globalization and rise of the IT sector, fundamentally changing their relationship. The stability of tenure, which was formerly a highly valued quality among employees and steadfastly recognized by enterprises, is now a thing of the past. Today's workers don't stay with companies for very long; instead, they move fast up the corporate ladder in quest of the fulfilment and progress they desire. workforce at the present time is resolute enough to leave jobs, creating a new attrition culture, in contrast to the past when they were reluctant to resign even a frustrating job regardless of an unfulfilling career for fear of the consequences. Today's employees don't stay with one company for very long; instead, they actively hunt for other employment opportunities to further their careers and meet their personal goals.

Employee attrition is defined as the natural process by which employees leave the workforce through resignation for personal reasons or retirement and are not immediately replaced.

The term attrition refers to the phenomenon of voluntary resignation or exit of employees from the organisation.

TYPES OF ATTRITION

Voluntary attrition: - Voluntary attrition takes place when the employees leave the organization by their own will. This factor like higher emoluments, better opportunities of growth and promotion etc are accountable for this kind of attrition.

Involuntary attrition: - This attrition is taking position when the employees leave the organizations due to some unconstructive forces like faulty promotion guiding principle, biased performance evaluation etc.

Compulsory attrition: - This attrition takes place due to the rules and regulations of the government and that of the organization as well. Compulsory attrition includes attrition captivating place due to attaining the age of retirement, completion of tenure etc.

Natural attrition: - It takes position due to the cause and factors that are beyond the control of the entity and organization as well. These factors may include end of life, madness etc.

CAUSES OF EMPLOYEE ATTRITION

There are three different types which cause the increase in employee attrition they are:

1. Internal Causes: These causes are pertaining to the internal environment of an organisation. Therefore, they are controllable.

a) Salary: Insufficient salary, delay in payment, no or delayed increment, wage compression.

b) Promotion: Biased promotion or delayed promotion.

c) Transfer: Forceful promotion, transfer to a placed employee is not willing to go.

d) Workplace Infrastructure and amenities: lack of hygiene, lack of basic facilities like water, canteen, etc.

e) Task: Monotony of task, labour mismatch, team issues, lesser job autonomy.

f) Instability in leadership: Leading to confusion related to direction and commands which generate frustration among the workforce.

g) Lack of flexibility: lack of flexibility in timing, choice of task and introduction of new technology and employee's incompetency to learn and understanding.

h) Lack of job security: Fear of being expelled, retrenched or terminated, faulty performance appraisal, underestimation of performance, power distance and politics, communication gap between management and workforce.

2. External Causes: There are various external causes which are beyond the control of an organisation as they belong to the external environment. These causes may be related to better pay, chances of promotion, better perks and more fringe benefits in other organisations.

3. Individual/ Personal Causes: Personal causes like end of life, marriage, pregnancy, shift of family, mental imbalance, over sensitivity, wish to go abroad, attrition of the group members, education.

MEASUREMENT OF ATTRITION

Attrition is measured based on how many employees left the organisation compared to the average number of employees employed in that year. The rate of attrition is calculated as the ratio of the number of employees who have left during the year to the average number of employees in the organisation during the same year. Several researchers viewed employee attrition by calculating the number of employees left during the year divided by the total number of employees and multiplying it with 100 values. Attrition rate for employees for external bench marks is calculated by the following formula.

$$\text{Employee Attrition} = \frac{\text{Number of employee separations in the year}}{\text{Average number of employees in the year}} \times 100$$

CONCLUSIONS

The Indian IT sector is facing confront of a sky-scraping attrition rate, which affects the productivity, profitability, and competitiveness of the industry. Attrition is inevitable, it will always prevail, and it can only be minimized. In this research paper contributed, Intrinsic factors are equally and sometimes additional important than extrinsic factors while controlling attrition, successful leadership to a great extent may be helpful to control attrition, attrition doesn't always have a negative impact on the organisation. If there are growth opportunities employers will themselves convey the same and their silence means there is no scope of growth in the organisation. The main causes of attrition are a lack of escalation opportunities, stumpy salaries, work-life imbalance, and high demand for skilled talent in the market. To retain employees and reduce turnover, IT companies need to implement effective strategies such as providing career enlargement, competitive compensation, bendy work arrangements, employee engagement, and recognition programs. By

doing so, IT companies can improve employee satisfaction, loyalty, and commitment, and create a positive work culture that fosters innovation and excellence.

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