



# Causes and Consequences of Attrition in I.T Industry: An Empirical Study in Chennai

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## ABSTRACT

The higher productivity and performance of the organizations in I.T. Sector rests on the support of employees' support. Employee attrition is the crucial problem faced by IT companies because of various issues. The highly essential aspect is to retain the employees through employee motivation. Hence, the study on this title is not only significant for academic purpose but also for practical purpose. This study has been undertaken to examine the causes and consequences of employee attrition in selected IT companies at Chennai only. A descriptive research carried among 200 samples reveal that the negative consequences of attrition are highly viewed by the respondents compared with its positive consequences

**Key words:** Attrition, Causes, Consequences, I.T, Uncongenial organizational culture

## INTRODUCTION

The IT industry plays a very important role in the Indian Economy since it provides higher job opportunities and provides more foreign exchange resources to the Government (Manjunatha and Nanjegowda, 2016). The IT industries provide both direct and indirect employment through the IT enabled sector (Mathi and Malathi, 2017). The employment provided by these two IT and ITES segment reached a total of 3.96 million in 2017-18 and doubled in 2023-24 (Deepthi and Sambiah, 2023). The higher productivity and performance of the organizations in I.T. Sector rests on the support of employees' support (Priya, et al., 2019). The IT companies are facing attrition problems across the board, notably in the past decade (Suresh, et al., 2020). Employee attrition is the crucial problem faced by IT companies because of ever growing inflation, job switching behaviour among the employees and competition of IT companies to place talented and experienced employees (Tandon, et al., 2020). Unless the companies reduce the attribution, they are losing by two ways namely cost of new recruitments and cost of training to new employees. (Kumar and Thirulogasundaram, 2012). Hence, it is essential to examine the causes and consequences of attrition in the industry for future policy implications.

## Concept of Employee Attrition

The 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 (Louis, 1980). It refers to voluntary resignation or exit of employees from the organization. It also covers the decrease in the number of employees caused by leaving the organization and are not replaced. The employee attribution may be voluntary, involuntary, compulsion or natural (Griffeth et al., 2000). Today's employees don't stay with one company for long period since they try to meet out their career developments and also achieve their personal goals (Firth et al., 2007). It is measured by how many employees left the organization compared to the average number of employees employed in that year (Abassi and Hollman, 2000).

## Causes of Employees Attrition

The causes of employee attrition are classified into three major causes namely internal, external and personal (Hom and Griffeth, 1995). The internal causes are the causes raised within the organization whereas the external are raised by non-organizational factors and the environment (Mobley, 1982). The personal causes are the employees' personal reasons (Ongori, 2007). Apart from the above causes, the employee stock option plan

(ESOP), employers and employees' perceptions on growth opportunities in the organization (Mobley, 1977). The present study focuses on the first three major causes.

### **Consequences of Employee Attrition**

The employees' attrition creates both negative and positive impacts on organization (Meaghan and Nick, 2002). The negative impacts are very high than its positive impacts (Denvir and McMahn, 1992). The negative impacts are loss of productivity, loss of quality, increase in cost, loss of good will, lack of competitiveness, loss of skill among employees, higher job stress and emotional loss (Ranjitham, 2013) whereas the positive impacts are innovation, optimum human resources, talents retention, strength to face competition and higher creativity (Wadhwa and Koul, 2012).

### **Review of Previous Studies**

Deepthi and Sambarah (2023) mentioned the higher attrition rate in IT industry because of seeking higher pay, career advancement and personal reasons. Hemalatha and Swathi (2002) revealed the impact of attrition on higher cost in IT companies. Sonal and Singh (2021) stated the important causes for attrition in IT companies. Ganesan (2020) found the negative impact of attrition on organization. Singh and Singh (2019) mentioned the role of leadership in controlling attritions. James and Faisal (2013) stated the seeking of higher salary is the most important cause of attrition in IT industries. Choi et al., (2012) revealed the HRM practices have a significant positive impact on reduction of attrition.

### **Statement of the Problem**

The IT companies are facing human resource challenges especially high attrition since it is not only affecting the productivity of the companies but also create pressure to replace the vacancies generated by attrition. It incurs higher cost on recruitment and selection, training and development and retaining the workforces for long run for the benefit of the organization. Only satisfied and engaged employees are likely to stay in their companies. It is essential to identify the satisfying and engaging factors among the employees to continue in the present job. In order to minimize the employee attrition, it is essential to develop a fuller understanding of the attrition especially its causes and consequences.

### **Significance of the Study**

In recent years, the number of software companies is mounting up but almost more than seventy percent of the companies are affected by the problem of employee's attrition. Only the reputed IT companies are managing the problems of employees' attrition in a scientific way i.e, analyzing the causes and consequences of employees' attrition and manage these causes efficiently and convert the negative consequences into positive consequences. The highly essential aspect is to retain the employees through employee motivation. Hence, the study on this title is not only significant for academic purpose but also for practical purpose. Only by a fuller understanding on causes and consequences of employees' attrition, it can be reduced by the introduction of appropriate measures. Hence, for such policy implications, the findings of the study may be useful to the policy makers in IT industry.

### **Objectives of the Study**

The objectives of the study are confined

- i) To study the causes for employees attrition in IT companies;
- ii) To examine the consequences of employee's attrition in it; and
- iii) To offer valuable suggestions to manage the problem of employees' attrition.

### **Scope and Limitations of the Study**

This study has been undertaken to examine the causes and consequences of employee attrition in selected IT companies at Chennai only. In total, fifty software companies (Private, Public and Multi National) are included for the study. The companies are confined as per the permission given by the HR authority of the concerned company. The study limits its scope to study only the causes and consequences of employee's attribution among the employees in IT companies.

### **Research Methodology**

The present study is based on descriptive research design since its research objectives and methodology are predetermined and it also depends on the view of the sampled respondents included for the study. The study is completely based on primary data to be collected from sampled respondents. The fifty IT companies in Chennai have been purposively selected for the study. From each IT company, four employees (two staffs and two managers) are selected for the study. Hence, the sample size came to 200 respondents. The required data for the study are collected through the pre structured interview schedule. Appropriate statistical analysis is used to fulfill the objectives of the study.

### Concepts Included for the Study

Three major concepts included for the study are level of attrition, causes for attrition and consequences of attrition. The causes are confined to six major causes namely uncongenial organizational culture, insufficient compensation, lack of job satisfaction, poor organizational practice, personal causes and attractive opportunities which are measured with the help of 5 variables in each (Kahu, 1990). The level of attrition is measured by total number of resigned / removed employees per month and total number of employees working (Architu, et al., 2017). The consequences of attrition are confined to both positive and negative consequences which are based on 6 and 8 variables in it (Kumar and Nayak, 2013). The reliability test is conducted to test the reliability and validity of variables included in each concept. The respondents are asked to rate these variables at five point scale as per their view on the existence in the industry.

### Data analysis and Discussion

The six causes and two consequences of attrition rate among the respondents are measured along with its reliability and validity with the help of reliability tests. The results are given in Table.1

**TABLE 1 Results of Validity Tests**

Sl. No.	Constructs	No. of variance in	Range of standardized factor loading	Composite reliability	Average variance extracted in %	Cronbach alpha
1.	Uncongenial organizational culture	5	0.8971*-0.6545*	0.7808	55.59	0.7646
2.	Insufficient compensation	5	0.8449*-0.6676*	0.7434	52.41	0.7217
3.	Lack of job satisfaction	5	0.8782*-0.6303*	0.7674	53.32	0.7402
4.	Poor organizational practice	5	0.9044*-0.6041*	0.7911	56.03	0.7742
5.	Personal causes	5	0.9144*-0.6277*	0.8142	56.94	0.7961
6.	Attractive opportunities	5	0.8733*-0.6504*	0.7733	54.11	0.7502
7.	Positive consequences	6	0.8842*-0.6411	0.7762	54.24	0.7517
8.	Negative consequences	8	0.9173*-0.6606*	0.8246	57.33	0.8011

The above table shows that the standardized factor loading of variables in all eight constructs are greater than 0.60 which reveals the content validity (Segars and Grover, 1993). The convergent validity in all constructs have been proved since the standardized factor loading of variables in all 8 constructs are significant at five per cent level and the composite reliability and average variance extracted of all constructs are greater than its minimum threshold of 0.50 and 50.00 per cent respectively (Kline, 2011). The Cronbach alphas of all constructs are greater than 0.60 which justifies the internal consistency in all constructs developed for the study (Nunnally, and Bernstein, 1994).

### Measurement of the Constructs

The respondents view on all eight constructs has been examined by the mean, standard deviation, co-efficient of variation, 't' statistics and its level of significance. The results are illustrated in Table.2

**TABLE 2 Measurement of the Constructs**

Sl. No.	Constructs	Mean	Standard deviation	Co-efficient of variation	't' value	'p' value
1.	Uncongenial organizational culture	3.1646	0.5841	18.45	2.4042	0.0396
2.	Insufficient compensation	3.3667	0.4245	12.61	3.2494	0.0000
3.	Lack of job satisfaction	3.2749	0.4739	14.47	3.0073	0.0000
4.	Poor organizational practice	2.9117	0.5047	17.33	2.5188	0.0244
5.	Personal causes	3.0144	0.5842	19.38	2.3896	0.0418
6.	Attractive opportunities	3.2788	0.4768	14.54	2.9798	0.0173
7.	Positive consequences	2.4088	0.6103	25.33	2.0647	0.0507
8.	Negative consequences	3.6145	0.4768	13.19	3.0141	0.0000

The highly viewed causes for attrition by the respondents are insufficient compensation and attractive opportunities with the mean of 3.3667 and 3.2788. The negative consequences of attrition are highly viewed by the respondents compared with its positive consequences since its mean scores are 3.6145 and 2.4088 respectively. The 't' value of all eight means are statistically significant since its 'p' values are less than 0.05. The higher consistency is noticed in the case of view on insufficient compensation and lack of job satisfaction since its co-efficient of variations are 12.61 and 14.47 per cent respectively.

### Discriminant Validity among the causes for attrition

The degree of mutual exclusiveness among the causes for attrition is measured by the estimation of discriminant validity. It is estimated by the mean of average variance extracted and the respective square of correlation co-efficient between all possible pairs in causes for attrition. The computed figures are presented in Table.3

**TABLE 3 Discriminant Validity among the Causes for Attrition**

Sl. No.	Mean of AVEs Square of co-efficeint	Correlation	1	2	3	4	5	6
1.	Uncongenial organizational culture			0.5400	.5445	.5581	.5627	.5485
2.	Insufficient compensation	.5214			.5286	.5422	.5468	.5326
3.	Lack of job satisfaction	.4886	.5049			.5468	.5513	.5372
4.	Poor organizational practice	.5011	.4547	.5302			.5649	.5567
5.	Personal causes	.4814	.4882	.4803	.5496			.5553
6.	Attractive opportunities	.4977	.4899	.4949	.5021	.5411		

The above Table shows that the mean of AVEs between all possible pairs of causes for attrition are greater than its respective square of correlation co-efficient between them. For example, the mean of AVEs in between uncongenial organizational culture and insufficient compensation (0.9400) is greater than its square of correlation co-efficient (0.5214). The mean of AVEs between personal causes and attractive opportunities (0.5553) is greater than its square of correlation co-efficient (0.3411). The same trend is identified in all pairs which indicate the discriminant validity among the causes for attrition (Fornell and Larcker, 1981).

### Influence of Causes on the attrition rate

The impact of all six causes for attrition on the attrition rate in the organization is examined with the help of multiple regression analysis. The ordinary least square method is followed to estimate the regression functions. The included independent variables are the score of all six causes for attrition whereas the included dependent variable is the level of attrition in percent. The results of regression analysis are summarized in Table.4

**TABLE 4 Influence of Causes on the attrition rate**

Sl. No.	Causes for Attrition	Unstandardized regression co-efficient	Standard error	t' value	p' value	β' value
	<b>Construct</b>	11.0845	2.1456	5.1662	.0000	—
1.	Uncongenial organizational culture	0.2049	0.1643	1.2471	0.2089	0.1738
2.	Insufficient compensation	0.2938	0.0549	5.3515	0.0000	0.2731
3.	Lack of job satisfaction	0.1906	0.0842	2.2636	0.0501	0.1632
4.	Poor organizational practice	0.1541	0.1149	1.3412	0.1949	0.1208
5.	Personal causes	0.2048	0.1399	1.4639	0.1504	0.1667
6.	Attractive opportunities	0.2739	0.0347	3.7316	0.0000	0.0000
	R <sup>2</sup>	0.8149				
	F-Statistics	29.0849			0.0000	—

The significantly influencing causes for attrition on the level of attrition at the organization as per the view of the respondents are insufficient compensation, lack of job satisfaction and attractive opportunities since its regression co-efficient are significant at five per cent level. A unit increase in the above said causes for attrition results in an increase in the attrition rate by 0.2731, 0.1632 and 0.1667 units respectively. The changes in the causes for attrition explain the changes in the attrition rate in the organization to an extent of 81.49 per cent since its R<sup>2</sup> is 0.8149. The significant 'F' statistics reveals the validity of fitted regression model.

### CONCLUDING REMARKS

The present study concluded that the important causes for attrition in the organization are insufficient compensation, lack of job satisfaction and attractive opportunities. The negative consequences of attrition are highly perceived than the perception on positive consequences of attrition in IT industry. The significantly influencing causes for attrition on the level of attrition in IT industry are insufficient compensation, lack of satisfaction and attractive opportunities. The HR of IT companies are advised to concentrate more on compensation management practices and the job satisfaction aspects among their employees. The attractive opportunities available to the employees in IT market have to be carefully considered to design appropriate HR policies to retain their workforces in order to increase the productivity of their companies.



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