



EMPLOYEE ATTRITION IN INDIAN IT INDUSTRY

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Abstract

Brand value of any organization to the large extent depends on the quality of human resource it possess. In deed these are people without whom an organization cannot achieve its predetermined goals. Therefore it is requisite to maintain and keep up the morale of the employees and make them stay loyal to the company. As the Indian Software Industry has grown dramatically compared to the other industries present in the economy, has created a large market for the talented and skilled workforce to job hop. Due to the availability of numerous jobs in the IT sector employees have become highly demanding and are ready to switch their job at their slightest discomfort. As a result there is high employee turnover in IT industry. However Employee attrition has proven to be one of the most expensive and apparently intractable human resource challenges confronting by several industries and typically in IT industry in India. Hence it has become essential for the companies to retain the employees by understanding their needs and demands.

This paper focuses on studying : types of employee attrition, different methods of measuring employee attrition, factors causing employee attrition, positive and negative impact of employee attrition on organization and on employee and delivers the conclusion.

Key Words: Employee Attrition, Measures of Attrition, Types, Causes and Effects.

INTRODUCTION

The IT sector in India is growing so rapidly that it has acquired India a brand name in the IT and ITES (Information Technology Enabled Services) sector in the global scenario. According to NASSCOM, “The IT-BPO sector in India aggregated revenue of US\$ 100 billion in FY 2012, where export and domestic revenue stood at US\$ 69.1 billion and US \$31.7 billion respectively. The industry is also an employment intensive sector. The employment generation in the FY 2012 was 230,000 thus providing direct employment to 2.8 million and indirect employment 88.9 million people all over the country. In 2014, Industry exports were at USD 86 billion - growth of 13 percent, Domestic revenues were INR 1910 billion - growth of 9.7 percent Industry added 160,000 employees - direct employment – 3.1 million; indirect employment- 10 million. According to a report prepared by Gartner, the top five outsourcing companies of India are TCS, Cognizant, Infosys, Wipro and HCL Technologies. The global IT players are aggressively ascending up their operations in India, due to the benefits that the Indian industry offers; the Indian IT companies are also preparing to tap massive global market.

The companies are witnessing significant change with regard to their service offerings and geographical concentration. Today, companies are not just expanding their service offerings from application development and maintenance to high end services like testing, consulting and engineering designing, but also are becoming the leaders in innovation and R and D. The global delivery model has not only assisted the companies in delivering quality of work but also helped them to control costs. The Indian IT companies are also striving for inorganic growth, with a pursuit for newer geographical areas, service offerings, domain expertise, customers and markets IT industries are mostly concentrated in Bangalore, Chennai, Hyderabad, Delhi, Mumbai and Kolkata.

Bangalore has received the label, ‘The Silicon Valley of India’ as it houses many domestic and multinational companies and owing to the maximum IT export generating 77% of the net IT export revenue of India. The IT Companies though are developing competitive employee friendly policies and practices aiming at attracting and retaining potential workforce are experiencing acute shortage of skilled workforce due to frequent Employee Attrition. This is because of the highly demanding and egoistic workforce who leaves or threatens to leave the organization even at a slightest discomfort as the industry offers numerous higher paying jobs.

MEANING OF EMPLOYEE ATTRITION

Employee attrition may be defined as a phase where the organization experiences reduction in the number of employees, leaving the job either voluntarily or involuntarily. According to the business dictionary attrition is The ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period.



OBJECTIVES OF THE STUDY

1. To study the different types of employee attrition.
2. To know the different methods of measuring employee attrition.
3. To identify and study the factors influencing employee attrition.
4. To understand the positive and negative impact of employee attrition on the organisation and on the employees.

TYPES OF EMPLOYEE ATTRITION

Employee turnover can be categorized into five types:

1. Internal Vs External turnover
2. Skilled vs. Unskilled Employee' Turnover
3. Functional and Dysfunctional
4. Voluntary vs. Involuntary and
5. Drag and Drive type or "Pull" and "Push" form of turnover.

(1) Internal vs. External Turnover

In case of internal turnover employees leave their current positions and take new positions within the same organization. Internal turnover can be reduced and controlled by typical HR mechanisms, such as an internal recruitment policy or formal succession planning. On the other hand, external turnover refers to employees leaving the organization and joining another organization. It may be due to any reason such as offer for higher pay, challenging job, or for other better terms of employment or preferring non-employment status. It is usually difficult to control external attrition.

(2) Skilled vs. Unskilled Employee Turnover

As the very name itself suggests that unskilled employee turnover happens when the unskilled employees leave the job. Unskilled positions often have high turnover, and here employees can generally be replaced without the organization incurring much loss of performance. However, such type of employee turnover usually creates hindrance in smooth flow of work if not replaced at the earliest.

On the other hand skilled employee turnover occurs when the talented, skilled workforce leave the organization. High turnover rates of skilled professionals may pose a risk to organization, due to the human capital lost - skills, training, and knowledge lost, risk of these employees likely to be re-employed within the same industry by a competitor. Therefore, turnover of these individuals incurs both replacement costs to the organization, as well as a competitive disadvantage to the business.

(3) Voluntary vs. Involuntary Turnover

Turnover is most often classified as voluntary or involuntary turnover. Voluntary turnover occurs when an employee initiates to leave the job by his choice and is governed by many factors. It may include lack of challenging job, better opportunity elsewhere, pay, supervision, pressure, etc. Voluntary turnover is very hard to control. On the other hand, the involuntary turnover occurs at the initiative of the employer, employee has no choice. It is caused by factors such as long term sickness, death, and moving overseas or employer-initiated termination. Involuntary turnover is inevitable. It even happens due to retirement or superannuation, premature death while in employment, or migration to another country or another geographical region.

(4) Functional vs. Dysfunctional Turnover

Wayne F. Cascio views turnover from the organizational perspective, it may be functional where the employee's departure produces a benefit for the organization especially when he is less productive and less committed to the job and the organization, or it could be dysfunctional where the departing employee is highly productive and committed and the management is very much interested in retaining him/her

(5) Drag and Drive forms of Employee Turnover

The employee turnover is also inferred in terms of causes arising from either the employee side or the employer side? When an employee leaves his job/employment in an organization for his own reasons it is labelled as the Drag or Pull form of Turnover – the reasons for leaving drag the employee out of his job and the organization. On the other hand, the turnover is considered as Drive or Push form of Turnover when the employer takes the initiative to ask the employee to quit the job and the organization. This classification of employee turnover does not make any distinction between the employees – anyone can be affected by the drag or drive factors.

MEASURES OF EMPLOYEE ATTRITION

Is measuring employee attrition really necessary? The answer could be yes. Calculating and measuring employee turnover has become absolutely necessary to keep up and maintain the required level of manpower to survive in the present



Competitive scenario of business world. Measuring employee attrition is much more beneficial to the organization. It helps an organization to keep the track and record of employee turnover. It acts as a tool of control of employee attrition if the attrition rate is beyond the standards of the organization. It helps the organization for better decision making and better framing of employee retaining policies and strategies.

Calculating employee turnover is not an easy game. It needs to take into account the root of the problem, by going back to the hiring stage. There are various techniques and formulas to calculate attrition rate. The organizations cannot blindly apply any formula for calculating attrition rate of employee. On the contrary the organizations need to design taking into account various factors such as nature of business, its function, etc. The attrition rate remains a debatable area, as there is no standard formula to calculate it. The attrition rate that is generally disclosed by most organizations does not always show the correct picture as Nerurkar acknowledges: "I agree that the figure has direct impact on stock markets, employee morale and customer confidence. There is too much at stake and neither US GAAP nor SEBI require that this be calculated in a particular way".

As employee turnover means withdrawal of the membership of employee once for all from the organization, the organizations require replacing the employees sooner or later to keep the organization moving. Hence, it is essential to measure the rate of turnover and turnover cost. To measure the rate of turnover various mathematical formulae are available. The following are some:

1) US Department of Labor (Bohlander: et. Al: 2001:171: Robert L. Mathis and John H. Jackson:2000:93

[(Number of separations during the month / Total number of employees at midmonth) X 100]

This formula is widely used. In this formula separation means leaving the organization. Mathis and Jackson suggest that the turnover rate needs to be calculated for the work units rather than for the organization as a whole (93).

2) Wayne F. Cascio (2006. P. 54) recommends the following formula:

[(Number of Turnover incidents per period / Average Workforce Size) X 100%]

3) Michael Armstrong (2009:498). Armstrong writes that the formula he is producing is the traditional one for measuring turnover. It is as follows:

[(Number of leavers in a specified period (usually 1 year) / Average number of employees during the same period) X 100]

SOME OTHER METHODS USED TO CALCULATE LABOUR TURNOVER

4) Separation Method

Separations mean employees leaving the job. It may be due to voluntary resigning, discharges, retirements and deaths. Under this method, labour turnover for any given period is calculated by dividing the total number of separations by the average number of workers during that period and multiplying by 100:

[(Number of separations in a period / Average number of workers in a period) X 100]

5. Replacement Method

This method takes into account only the actual replace of workers during a given period irrespective of the number of workers leaving. Turnover is found out by dividing the number of replacements during a given period the average number of workers during the period and multiplying it by 100:

[(Number of replacements in a period / Average number of workers in the period) X 100]

6. Flux Method

Flux method is the combination of the two methods separation and replacement. Labour turnover is calculated by adding all separations and replacements and dividing by the average number of workers during a given period. Multiplying the result by 100:

[(Number of separations + No. of replacements / Average number of workers in the period) X 100]

CAUSES OF EMPLOYEE ATTRITION

In fact it is really tough to judge why an employee quits the job. There are plenty of factors influencing and inducing the employee behaviour to quit the organisation. The cause behind every employee quitting is different, as each individual is different from one another in terms of his needs and demands. The cause may be due to job dissatisfaction or work environmental dissatisfaction or the feeling of job insecurity, etc. However, the broad factor in the IT industry which is attracting and tempting the employees to quit their jobs is the dearth of job opportunities existing in the Economy, notably in the IT and ITES sector. As stated above there are variety of reasons for which employees decide to quit the job. Some of them are stated below:



- **Work-life imbalance**
In this fast phased technological world the organisations expect the employee to be highly productive, hence they continue to demand that one employee to do the work of two or more people. And this is acceptable as well when the organisations go for downsizing or restructuring. This huge work pressure induce the employee to work long hours and weekends. As a result the employees get very less time for their personal life and are forced to choose between a work and personal life. And this creates work life imbalance and becomes the cause for employee turnover.
- **Inadequate compensation**
This could be termed as the most common cause for employee turnover. With The growing economy and rising standard of living, the employee expectation with regard to compensation too is increasing. On the other hand the fast growing economy is offering various higher paying jobs especially in the IT sector. And this is tempting the employee to quit the job even at their slightest discomfort. This is why there is increase in the employee turnover.
- **Lack of Growth opportunities**
Most of the organisations loose the talented workforce due to the lack of employee career and development opportunities, but on the contrary the successful organisations find ways to provide the employees with new skills, knowledge and talent for their current jobs and positions for future advancement in the organisation. Often it happens with the talented workforce to quit the organisation in the absence of growth opportunities.
- **Lack of Rewards and Recognitions**
Best form of motivating an employee could be non-other than providing them Rewards and Recognition. It is the general human tendency that an individual expects a part of appreciation for the work done by him, and same is with the employees working in the organisation. In the absence of such sort of motivational tools employee gets demotivated and decides to quit the job.
- **Lack of good working environment**
It could be said that there is a direct relationship between work environment and employee loyalty. The more favourable working environment the higher is the employee loyalty towards the organisation and vice versa. A good working environment includes an employee friendly and decentralised environment where an employee feels motivated to work and gives the best of his productivity. It also includes healthy employer employee relationship, mutual respect and trust towards each other. Most of the employees quit their job due to unsatisfactory work environment.
- **Lack of good Training**
Training programs act as an influential tool for the organisations to mould the skills and knowledge of the employees in the manner a job demands. Lack of good training acts a major reason for employee attrition, especially the infant employee attrition where the newly appointed employees/fresher's quit their job before the completion of their probationary period. It is because the fresher's appointed may possess high quality of theoretical knowledge but mostly lacks in practical knowledge and experience. Here comes the need to provide proper training. And when it is not satisfactory employee attrition takes place.

EFFECTS OF EMPLOYEE ATTRITION

Employee attrition is not always harmful. Employee attrition sometimes is beneficial to the organization. Now the question arises when employee attrition is positive to the organization? The answer could be when unproductive/less efficient employees quit the job voluntarily or when unproductive employees are forced to leave their jobs through downsizing or lay off. It is beneficial as it reduces the cost of remuneration of inefficient employees. Other benefits could be the organizations get the new knowledge and new ideas from newer employees. Attrition is said to be positive to the employees who quit the job, if they find a suitable job elsewhere.

However employee attrition is most of the times harmful and cost increasing factor to the organizations. And have severe negative effects on the organization and on the employees. It is harmful when the skilled and talented workforce quit their job. Some of the negative effects are stated below:



Negative effects of employee attrition on the organization

- It increases the cost of Exit interview.
- Additional cost of recruitment and selection.
- Additional cost of induction and orientation.
- Additional cost of training and development.
- Risk of loss of confidential data.
- Loss of productivity.
- Decreased morale of the other employee.
- Cost of administrative work.
- Loss of consumer confidence.

Negative effects of employee attrition on the employees

- New job stress.
- Change in management.
- Change in work culture.

CONCLUSION

After studying the concept of employee attrition from different dimensions, it can be concluded that employee attrition is a challenging issue in all most all the industries but mostly in the IT industry. And has serious impact on the organizations. However to reduce employee attrition it is necessary to understand the different causes, calculate the attrition rate by adopting the suitable method and formulate the sustainable employee retaining strategies. Employee counselling would prove to be a best retaining measure, through which an organization can recognise the true reason for an employee to quit. Selecting the right employee and assigning him the right job in the first instance will be profitable to the company. And this most importantly helps to reduce infant attrition and this may also act as a prevention tool for employee attrition. Employee attrition is inevitable yet manageable.

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