



## Indian Ites Industry and Employee Attrition –An Overview

### KEYWORDS

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#### Introduction:

IT Enabled services are those services that have been transformed by information and communications technology, enabling them to be digitized, codified and fragmented and therefore able to be undertaken at any distance from the core business and the final customer. These services include those often associated with offshoring, including accounting, financial analysis, call center services, architectural drafting and health record transcription among other services activities. (Catherine L. Mann, Offshore outsourcing and the Globalisation of U.S. Services, and C.Fred Bergsten and the Institute for International Economics eds Institute for International Economics, Jan 2005).

#### Indian ITES Industry:

Between 2007 and 2012 the ITES Industry witnessed tremendous growth in India directly impacting the GDP of the country. The industry has grown manifold with the inclusion of newer verticals such as knowledge process outsourcing (KPO) and legal process outsourcing (LPO). Presently, even third-party and relatively smaller captive service providers are considering expanding operations to previously unexplored regions

Several companies emerged with varied services across multiple sectors of services. Out of a total of 198 major companies in the ITES and BPO space, they had employed about 3.9 Lakh employees in their payroll. Among these companies, the top 10 alone contributed to more than 40% .

Company	Employee count
Genpact	22,144
IBM Daksh Business Process Services Private Limited	20,000
Intelenet Global Services Limited	17,776
Wipro BPO Solutions Limited	17,464
WNS Global Services Private Limited	15,084
Convergys India Services Private Limited	13,000
HCL Technologies BPO Services Limited	12,354
Firstsource Solutions Limited	12,140
HTMT Global Solutions Limited	11,500
Infosys BPO Limited	11,226
Total	152,688

From an overall economy perspective IT and ITES sectors in India have become crucial growth catalysts for the Indian economy. The India IT-BPO sector is expected to grow upto USD 100Billion during 2012. IT-BPO sectors revenue as a proportion of India's GDP has expanded from 1.2% in 1998 to an estimated 7.5% in 2012. As per NASSCOM within the Global sourcing Industry the country has been able to augment its market share from 51% in 2009 to 58% in 2011. (NASSCOM, 2011)

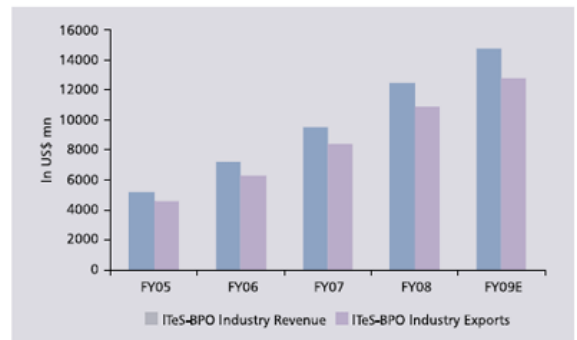
Today India with its English speaking skilled power, high quality of services, high productivity and a conducive policy environment with strong government support is the most

preferred destination for ITES. India is a popular choice for customers seeking outsourced services because it is able to offer 24X7 services and reduction in turnaround times by leveraging timezone differences. While customers are initially attracted by lowcost, they stay on and expand because of the quality and productivity that India offers. India will remain a popular offshore country.

#### Indian ITeS-BPO industry and economic growth:

The Indian ITeS-BPO industry has revolutionised global sourcing and has emerged as one of the sunrise sectors for the country. The success of the outsourcing of IT services was followed by global sourcing of business processes which in turn has increasingly become an absolute value addition for the global companies, and India with its large skilled manpower and favourable government policy initiatives has grabbed the opportunities by both hands.

#### Indian ITeS-BPO industry size



Source: NASSCOM

Apart from aiding the socioeconomic development of the country, the ITeS-BPO sector has also driven the rapid growth of other sectors such as organised retail, automobile, aviation, real estate, banking and financial sector. According to NASSCOM data, the Indian ITeS-BPO sector revenue notably recorded a CAGR growth of 42.8% during FY00-FY09 and outpaced the growth of the IT services sector during this period, which grew by an average of 25.4%. In FY09, the ITeS-BPO export is estimated to have contributed over 86.8% to the total IT-BPO revenue, though this contribution was lower than that made in FY02 at 93.8%. The decrease in exports could be attributed to the growth of the domestic BPO over the last couple of years; during FY05-FY09, the domestic BPO grew at a CAGR of 34.1%, ably supported by the BFSI and telecom vertical.

The Indian ITeS-BPO industry has been consistently growing over the past few years, in spite of rising competition from countries such as Philippines, China, Brazil, Mexico and Ireland. Its contribution to the service sector and to the country's GDP has also been increasing over these years. The industry has come a long way from just offering traditional outsourced data entry work to providing high-end knowledge services to global clients. Yet there is a vast untapped universe in the In-

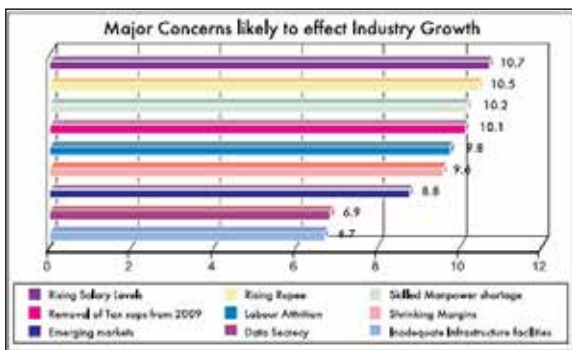
dian ITeS-BPO industry, which represents tremendous growth opportunities for the industry players.

The impressive growth of the Indian IT and BPO industry has contributed significantly towards the socioeconomic development by generating employment opportunities, foreign exchange reserves et al. Besides, the sector has facilitated other industries such as real estate, transportation, catering services, and has thus generated many employment opportunities in the country. The revenue of the sector (IT-BPO) has manifolded during the last decade from merely US\$8.3 bn in FY00 to around US\$71 bn in FY09 at a CAGR growth of 27%<sup>1</sup>.

The ITeS/BPO notably is the fastest-growing segment within the IT-BPO sector, and during the last decade it grew at a CAGR of 42.8%; the IT services and software revenue grew at a CAGR of 26.8%. The small and medium-sized enterprises have recently had ample avenues to explore in terms of IT services and business process solutions. Due to the boom in the banking, telecom, retail, logistics sector and several initiatives taken by the Central government and other state governments, the IT spending in the domestic market has increased impressively. In the last 10 years, the domestic IT services and software products and engineering services market grew by 21% annually and reached US\$10.5 bn in FY09.

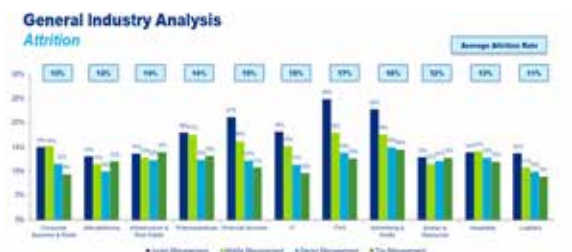
**Major Concerns of the ITES Industry:**

According to the D&B Statistics, Labour attrition is one of the major concerns that affects the Indian IT/ITES Industry



**ITES Attrition Vs Other Industries:**

As the growth trends firm up in job market, India is set to witness highest attrition rate globally with possibility of one in four employees switching jobs in the country, a Zee News survey recently.



According to the recent survey, The attrition rate in the ITES is the highest at 17% compared to that of the other industries like Financial services, advertising media, IT etc.

Out of the of which the attrition rate amongst the junior management is the highest with 25% followed by the middle management at 18%.The attrition rates in Senior and Top management were 14% and 13% respectively.

**Major Reasons of attrition in ITES:**

According to Raj Gupta, Head HR KPO & Life Science & Healthcare at TCS BPO

3 key stated reasons for attrition: -

- Career Opportunity
- Compensation
- Personal Reason

**Other Major Causes of attrition:**

1. Lack of opportunity for capability building.
2. Emotional turmoil
3. Lack of job satisfaction, respect at work
4. Dis-satisfaction with Manager
5. Socio-Economic problems

**Costs of Attrition:**

Examining the average rate of attrition also involves quantifying the costs. Negative employee attrition impacts the morale of remaining employees and their productivity. Additionally, costs associated with excessive attrition pertain to recruiting replacements, handling administrative hiring costs, handling increased time to proficiency rates and training new personnel. New employees typically require orientation classes, formal training on policies and procedures and often need specialized coaching and mentoring using equipment and tools. This takes time and money. The loss of intellectual capital, such as proprietary trade secrets, also costs a company. According to Raj Gupta, Head HR KPO & Life Science & Healthcare at TCS BPO, there is a very high cost of attrition as lot of time, effort and energy is invested in bringing the employee on board, assimilation and integration with company culture, values and nuances. Simply put, it could be minimum 3 time cost of their annual compensation

**Effect of attrition rate on the ITES industry:**

India's Business Process Outsourcing (BPO) sector is facing stiff competition from the likes of Mexico, Philippines, Malaysia, China, Canada and Ireland that are posing a grave threat to the growth of India's BPO sector reports ASSOCHAM press release. The BPO industry is facing serious challenges vis-a-vis shortage of skilled and educated workers as the attrition rate in India's BPO sector has risen phenomenally at the rate of 55 percent with a significant visible movement in mid and senior management levels, according to an industry specific analysis of the Associated Chamber of Commerce and Industry of India (ASSOCHAM). "Although, the BPO sector in India has been very popular since the beginning, as it has opened up plenty of job opportunities and has totted up huge revenue, but the awfully high attrition rate coupled with talent crisis has plagued the sector since the very beginning", said ASSOCHAM Secretary General, D.S. Rawat.

**Employee Retention:**

Taking into to note the high attrition rate in the ITES industry and its direct impact on the growth of the Industry and the economic growth of the company, many ITES companies have come up with various employee retention strategies. According to Get Les Mckeown's employee retention is defined as " effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their divers needs. Employee retention must be rethought in a free-agent market. Compensation can shape who leaves and stays. Job design and customization can tailor jobs to employee needs. Encouraging social ties among colleagues and selecting appealing locations for workplaces are other ways to retain talented workers. Detailed analysis is needed to understand the dynamics of attrition and corresponding retention strategies.

**Conclusion:**

In summary this article highlights the significance of the ITES/ BPO industry in India and its impact on the Indian economy. It also provides statistics of various dimensions of ITES industry and attrition which poses to be a major concern for its growth. It also highlights the key causes of attrition and

touches upon the significance of employee retention.

In this context, attrition management has become the strategic focus and compelling necessity of businesses today. Thus, ignoring the problem of mounting attrition level can have devastating consequences for the business, Industry and thus the economy of the country.

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