Employee Turnover : Present Scenario of Indian IT Industry

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ABSTRACT *The biggest challenge faced by Indian IT Industry is not attracting the prospective employee but retaining the talent as high turnover is back to a serious concern. Indian IT Industry is in the eye of an employee turnover storm. Organizations in India must give serious thought to what drives employee commitment. Employee turnover has been a never ending problem faced in Indian organizations due to no fairness compensation, less opportunity in career growth, dissatisfaction with superiors and so on. Hence it becomes very necessary for human resource managers to understand the factors that prompt employees to quit an organization .In this regard, this paper examines the factors influencing employee turnover according to statistics and how to control employee turnover in Indian IT industry.*

Introduction

Employee Turnover is the Percentage of a company's employees who leave during a specified period. Although it is most often expressed at annual turnover rate, the calculation can be done for shorter or longer periods.

Employees quit for many reasons but, in general, there are five important areas that motivate people to leave their jobs.

1. Poor match between the person and the job
2. Poor fit with the organizational climate and culture
3. Poor alignment between pay and performance
4. Poor connections between the individual, their coworkers, and the supervisor
5. Poor opportunities for growth and advancement

Measuring employee turnover

Employee turnover rate is calculated by using the formula,

Employee Turnover rate = (No. of separations/Total number of employees)*100
Experienced workforce (Stability Index) is being retained and is calculated as follows,

(Number of employees with one or more years service now / Number employed one year ago) * 100

Types of turnover

- Voluntary : Voluntary turnover consists of employees exercising their free choice to leave
- Involuntary : Involuntary turnover consists of separations where an employee unwilling leaves.
- Functional : Functional turnover is when low performing employees leave
- Dysfunctional : Dysfunctional turnover is when high performing employees leave

The cost(s) of Turnover

1. Turnover is expensive;

➢ Costs associated with turnover include time, money, and other resources, such as:
- Manager's time (retention attempts, exit interviews, etc.);
- Delays in production and customer service;
- Hiring inducements (signing bonus, relocation expenses, etc.);
- On-the-job training (supervisor time, employee time);

➢ Direct replacement costs can reach as high as 50 – 60% of an employee's annual salary;

➢ Total replacement costs can range from 90 – 200% of an employee's annual salary;

➢ Study found that turnover costs represent >12% of pre-tax income for the average company;

➢ For companies with >75% turnover, the costs associated with turnover are nearly 40% of pre-tax income.

2. Turnover impacts business performance
- Link between high turnover and organizational performance shortfalls;
- Reducing turnover improves sales growth;
- Reducing turnover improves workforce morale.

3. Finding qualified employees is becoming more difficult
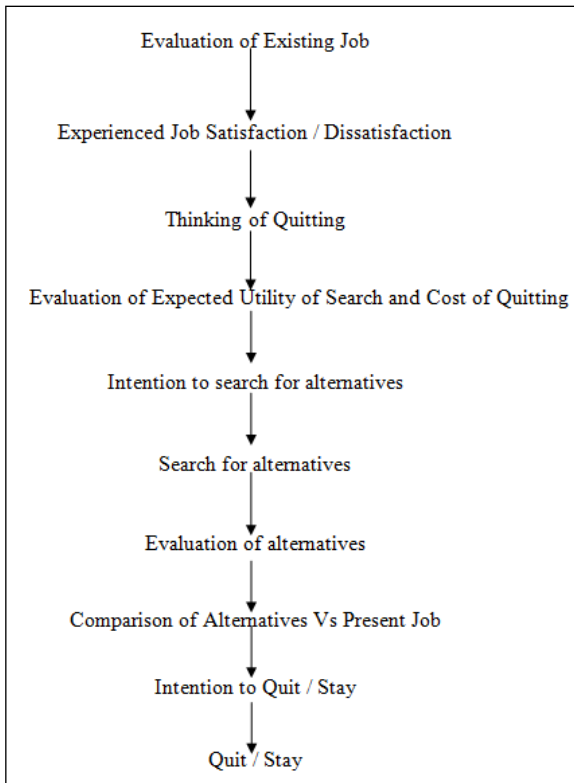Labor shortages caused by factors such as:
- Aging population;
- Globalization;
- Inadequate educational programs;

Right people with the right skills are becoming increasingly hard to find.

Model in employee turnover
Mobley's Model
A schematic representation of the turnover decision process is illustrated in the figure. The turnover decision process can be described as a sequence of cognitive stages starting with the process of evaluating the existent job followed by the emotional state of satisfaction or dissatisfaction. One consequence of dissatisfaction is to initiate thought of quitting. The next step is the evaluation of the expected utility of search (e.g. desirability of possible alternatives travel or lost work time) and of the cost of quitting (e.g. loss of vested benefits). If perceived possibility of finding an alternative is available and if the costs are not that high, the next step would be behavioral intention to search for alternatives followed by an actual search. If alternatives are existent, then an evaluation of alternatives will proceed. Afterwards a comparison of the present job to alternatives will follow. If the comparison favors the alternative, then behavioral intention to quit will be stimulated, followed by the final decision to quit. (Mobley, 1977: p. 237-239).

Factors affecting Employee Turnover in Indian IT Industry

Push Factors / Controlled Factors:
Push factors are aspects that push the employee towards the exit door. In the literature it is also called controlled factors because these factors are internal and can be controlled by organizations. Organizational Factor: There are many factors which are attached with an organization and work as push factors for employees to quit. Among them which are derived from various studies are: salary, benefits and facilities; size of organization (the number of staff in the organization); location of the organization (small or big city); nature and kind of organization; stability of organization; communication system in organization; management practice and polices; employees' empowerment. There is another push variable called organizational justice. Attitude factors are further classified into job satisfaction and job stress. Extrinsic factors include variables such as job security, physical conditions/working environment, fringe benefits, and pay. Intrinsic factors include variables such as recognition, freedom, position advancement, learning opportunities, nature, and kind of job and social status
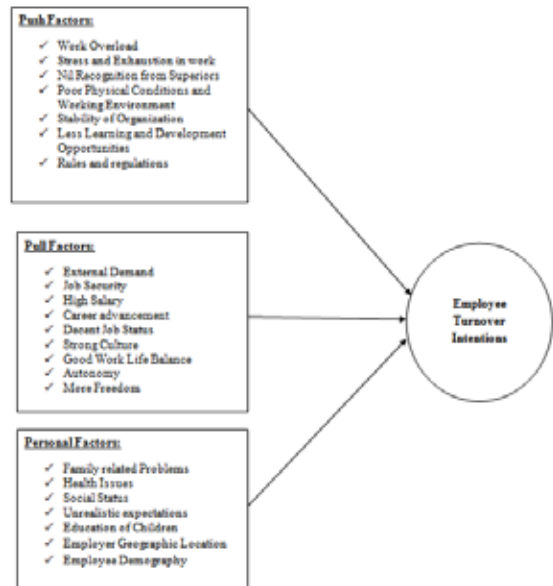
Pull Factors (Uncontrolled Factors):
Pull factors are those reasons that attract the employee to a new place of work. In some papers pull factors are named as uncontrolled factors because it is out of the control of organizations. Various pull factors derived from literature are: high salary, career advancement, new challenge and interesting work, job security, good location of company, better culture, life-work balance, more freedom/autonomy, well reputation of organization, vales, more benefits, good boss.

Personal Factors:
Demographic Factors: Various studies focus on the demographic factors to see turnover across the age, marital status, gender, number of children, education, experience, employment tenure. Personal factors such as health problem, family related issues, children education and social status contributes in turnover intentions. However, very little amount of empirical research work is available on personal related factors. There is another important variable "Job-Hoping"

also contributes in turnover intentions. When there is a labor shortage, employees have plenty of jobs available. Consequently, they can afford to switch jobs for a few extra dollars. Many employees are believed to job-hop for no reason or even for fun. For example, an employee changes his or her job because some of his or her friends or relatives have done so.

Turnover in India
Most large size IT companies reported a rise in employee attrition rate during July-September 2013, and experts believe that the trend may continue going forward.

According to the survey conducted by Global management consultancy, Hay Group, in association with the Centre for Economics and Business Research (Cebr), found that 49 million more employees are likely to leave their employers worldwide over the next five years compared to 2012, owing to improvement in economic and labour market conditions.

➤ India is expected to lead the region in turnover rates at 26.9 per cent (in the organized sector) in 2013 — the highest attrition rate globally; this figure is expected to go up further in 2014 to stand at 27.5 per cent.
➤ Indian employees expressed concerns about the fairness of their compensation (55 per cent) and the extent to which benefits meet their needs (48 per cent).
➤ One in every three employees expressed concern over lack of confidence in being able to achieve their career objectives with their current employers (37 per cent).
➤ As a result, they are concerned about opportunities for learning and development (39 per cent) and supervisory coaching for their development (36 per cent), the report added.
➤ Globally, the number of workers taking flight is expected to reach 161.7 million in 2014 - 12.9 per cent increase in people leaving compared to 2012.

Attrition rate of top IT companies for the year 2013
➤ **Tata Consultancy Services**
TCS is the first largest IT company and it adds 7,664 employees, attrition rate steady at 10.9%.

➤ **Infosys**
India's second-largest technology outsourcer Infosys attrition rate is at 17.3%.

➤ **Wipro :** Attrition rate is 21.1%

➤ **Tech Mahindra** : Attrition rate is 17%

➢ **Cognizant Technology Solutions** : 12 – 14 % range

➢ **Accenture** : 12%

➢ **Polaris** : 18.2%

➢ **Oracle** : 17%

Reasons for switching over to other companies
According to various surveys conducted among IT employees, the following are the reasons for attrition.
➢ Fairness of their compensation
➢ No proper career objectives
➢ Career level growth – Opportunity for learning and development
➢ Dissatisfaction with superiors
➢ Work pressure and exhaustion
➢ Organization climate
➢ Work Recognition
➢ Emotional turmoil
➢ Personal reasons

Ways to reduce attrition
➢ Pay attention to develop people management skills of Managers because employees are leaving their managers instead of Organization.
➢ Keep employees happy and productive.
➢ Setting the right compensation and benefits is important too. Work with human resources to get current data on industry pay packages, and get creative when necessary with benefits, flexible work schedules and bonus structures.
➢ Focus on Capability and creating an eco system where people development is at the fore – front of leadership mindset.
➢ Engage employees over and beyond their day to day job and ensure that their insecurities and vulnerabilities are addressed appropriately.
➢ Provide growth opportunities and communicate it to the employees.
➢ Managing expectation of employees is a key. It is essential to align employees and emphasize on the inevitability of building competencies / capabilities rather than having a single minded focus on vertical growth.
➢ Provide opportunities for skill up-gradation through training intervention or internal job assignment / movement.
Career Pathing plays a key role. It would serve the purpose if all employees who have spent > 18-24 months in the system are pro-actively spoken and asked for their career preferences to bring about a spark and end Monotony of work.
➢ Effectiveness of Reward & Recognition - work hard and party harder is the mantra in IT/ITES industry. Celebrating success is a key. Strong reward & recognition framework keeping in view the context and levels also plays a critical role in employee retention.
➢ Hiring the right kinds of people can reduce attrition.
➢ Effective training techniques can help reduce attrition rates.
➢ Provide some hike for employees who are working in Onsite.

Conclusion

From this study "Employee Turnover: Present scenario of Indian IT Industry" reveals that most of the IT companies even the top most companies are facing turnover due to many factors. The most important of all is Compensation, because plenty of opportunities are there in the market for experienced, well qualified employees if they switch over to other companies and they will pay more. There are many push, pull and personal factors are involved and initiating the thought of turnover among employees. IT companies should be alert and frame some necessary strategies to reduce attrition so that they can reduce the expenditure of employees for recruitment, training and development.

APPENDIX

Employee Turnover – Q1 2012 vs. Q1 2013

100 Best Companies Voluntary Turnover by Industry

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