



Employee Attrition in IT Industry, Puducherry – A Diagnostic study

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ABSTRACT

Now a days IT industry in India is facing a serious problem i.e., employee attrition. Attrition is defined as reduction in the number of employees through resignation, retirement or death. Attrition takes place due to non fulfillment of employee expectation from the organization in return of services provided to them. It is a great challenge for the IT industry to find out the reasons of employee attrition and retaining the employees in the same organization so that the cost incurred for planning, advertisement, recruitment, training and development of new employees can be reduced. This study attempts to find out the causes of employee attrition, attrition rate and the ways to reduce attrition in IT industry, Puducherry. Interview schedule is used to collect the information from 300 employees of IT Industry in Puducherry. From the results it is concluded that major reasons for employee attrition were dissatisfaction with job, dissatisfaction with wages, marriage, accident or illness, the attrition rate is between 30% to 40% and some of the ways to reduce attrition were hiring right people, providing better compensation and benefits, provide growth opportunity, flexibility work arrangements, etc.

KEYWORDS : Employee Attrition, Avoidable causes, Unavoidable causes, IT industry.

Introduction

Employee Attrition means the ratio of number of employees that leave a firm through attrition, dismissal or resignation during a period to the number of employees on payroll during the same period. In other words it means the inflow and outflow of labor employed by an enterprise.

Employee Attrition rate may be derived by taking the number of employees left an organization during a period as numerator and average number of employees in the same period in the denominator multiplied by 100.

IT industry is playing an important role in India today and has transformed India's image from slow moving bureaucratic economy to a land of innovation. The sector has increased its contribution to India's GDP from 1.2% in 1998 to 7.5% in 2012. The sector has aggregated revenue US\$147 billion in 2015. The sector has also led to massive employment generation, thus providing direct employment to about 2.8 million and indirectly employing 8.9 million people (NASSCOM), making it a dominant player in the global outsourcing sector.

Though the picture seems to be bright, people-related issues continue to be the most critical in almost all technology-driven organizations in the country. The rate of turnover of IT professionals has been historically high (Cannoly, 1988), which is about twice the average of business managers and professionals (Ludhlum, 1988). From the observation and personal interview with the officials of Directorate of Industries and Commerce and Department of Labor Welfare, it is noticed that employee attrition is increasing in IT firms, Puducherry. No comprehensive study has been under taken so far to look into this issue and redress it. Hence an attempt is made to study the issue.

Literature Review

Manju Dhillon (2016), explains why Indian IT sector is facing highest attrition rate and some remedial steps to avoid or reduce the turnover rate. The author explores the causes of attrition were ambitions or career aspirations, personality factors, inadequate training and effective management, parent and family mobility, lack of motivation etc. The ways to retain were providing good working condition, job enlargement, flexible working hours, rewarding manager, strengthening the team, etc.

Dr. Manisha Purohit (2016), aims to find out the causes for

employee turnover and ways to reduce employee turnover. The author found that the causes of attrition were dissatisfaction with superiors, work pressure and exhaustion, organizational climate, emotional turmoil, personal reasons etc. The ways to reduce employee turnover were hiring the right kind of people, effective training techniques, keeps employees happy and productive, pay attention to develop management skill, etc.

G. Ramanaiah and L. Lavanya (2011), explores that IT companies should identify the difference between avoidable and unavoidable departure and take measures to retain their key talent. They should treat their employees as an asset and not as cost. Employee-centric work culture and performance-linked salary and bonus are the factors to be improved in Non-IT segment. Finally they find that there is definite commitment towards retention practices but there is a difference in commitment levels in IT and Non - IT companies.

Saket Jeswani and Souren Sarkar (2009), discussed the relationship between the psychological empowerment and organizational citizenship behavior and the impact on employee decision to quit or stay. Extends the theoretical framework and draws implication for those employees enjoying psychological empowerment and exhibiting organizational citizen behavior having intention to quit or stay.

Abraham Vinoj(2007), discussed the patterns of employee attrition and its determinants. The result shows that skill up gradation and informal learning are the important factors that affect their decision to stay or quit, their educational background will not influence them and higher salary in general prevents the worker from moving to another firm, but only up to a certain level.

Anamika Sahu and Meenakshi Gupta(1999), stated that the objective is to find out the reasons of employees intention to stay in the organization and employee turnover. They concluded, expectations - reality match, length of service, turnover perception and outside career opportunity were found to be instrumental in causing intentions to stay/quit.

Objective of the study

The Specific Objective of the study was to identify the causes of employee attrition, attrition rate and ways to reduce attrition in IT Industry, Puducherry.

Hypothesis

There is no association between causes of employee attrition and age, gender, marital status, education and experience of the employees.

Methodology

The study is based on empirical analysis, primary data is collected from 300 IT employees, interview schedule is used for data collection. Non probability convenient method is used for selecting employees of IT firms for data collection and area under study is Puducherry.

Demographic profile of the respondents

To understand more about the respondents, demographic profile of the IT employees were collected from the study area Puducherry. The Table 1 shows the demographic profile of the respondents with regard to their age, gender, marital status, education and experience.

Table 1 Demographic profile of the respondents

S.No.	Personal Profile	Attributes	No. of Respondents	Percentage
1.	Age	18-25 years	142	47.3
		26-35 years	112	37.3
		36 years & above	46	15.4
2.	Gender	Male	185	61.7
		Female	115	38.3
3.	Marital status	Married	130	43.3
		Unmarried	170	56.7
4.	Education	Under graduate	154	51.3
		Post graduate	113	37.7
		Technical education	33	11.0
5.	Experience	Up to 2 years	92	30.7
		2-5 years	138	46.0
		6-10 years	48	16.0
		Above 10 years	22	7.3

Source: Primary Data

Out of the sample size 300, majority (47.3%) of the respondents fell in the age category 18 to 25 years; it was not surprising as the industry was characterized by young lot as their primary work force. That among the total respondents majority (61.7%) are male respondents. Since majority of the respondents fell in the age group 18- 25 years, 170 (56.7%) respondents were unmarried. Classification based on the educational qualification shows that 154 (51.3%) respondents were having under graduation, regarding experience majority i.e., 138(46%) respondents are having 2 to 5 years of experience.

Causes for employee attrition

Employee attrition is very expensive, obviously it is important for organization to reduce attrition rate. However in order to reduce these rates organization must first understood the causes of employee attrition. The causes of employee attrition may be divided into two categories, they are avoidable causes and unavoidable causes.

Avoidable causes

The causes which can be avoided if the firm takes necessary steps is referred as avoidable causes, these causes are within the control of the firm and it is usually related to job, management and the organization. Table 2 shows the descriptive statistics, mean and standard deviation along with rank related to causes of employee attrition with regard to the avoidable causes.

Table 2 Descriptive Statistics relating to avoidable causes of employee attrition

Avoidable causes of employee attrition	Mean	Standard Deviation	Rank
Dissatisfaction with job	3.70	1.027	I
Dissatisfaction with wages	3.63	0.958	II
Poor working conditions	3.35	1.012	VI

Unsuitable working hours	3.39	1.007	IV
Non-co-operative attitude	3.45	1.054	III
Better prospects is not available	3.35	1.034	VI
Unethical attitude of management	3.38	1.023	V
Overall average	3.46	0.738	-

Source: Primary Data

It is clear from the Table 2 that the variables dissatisfaction with job and wages are the main avoidable reasons for the employees to leave the organization as mean scores are 3.70 and 3.63 respectively.

Unavoidable causes

The causes which are beyond the control of management and it is purely of personal nature are termed as unavoidable causes. The causes such as marriage, death or illness come under this category. Table 3 shows the descriptive statistics, mean and standard deviation along with rank related to reasons for leaving the organization with regard to the unavoidable causes.

Table 3 Descriptive Statistics relating to unavoidable causes of employee attrition

Unavoidable causes of employee attrition	Mean	Standard Deviation	Rank
Marriage	3.69	0.998	II
Accident or illness	3.72	0.927	I
Retirement or death	3.65	0.918	III
Personal betterment	3.53	0.923	IV
Employee's roving nature	3.42	1.010	V
Overall average	3.60	0.728	-

Source: Primary Data

It is inferred from the Table 3 that the variables accident or illness and marriage are the main unavoidable reasons for the employees to leave the organization as mean scores are 3.72 and 3.69 respectively. From the table 2 and 3 it is interpreted that the unavoidable causes (overall average mean value = 3.60) such as marriage, death or retirement, accident or illness, personal betterment and employee's roving nature were the main reasons for employees to leave the organization compared to avoidable causes (overall average mean value = 3.46) such as dissatisfaction with job, dissatisfaction with wages, poor working conditions, unsuitable working hours, non co-operative attitude, better prospects is not available and unethical attitude of management.

Association between demographic profile of employees and causes for employee attrition

The demographic profile of the respondents such as age, gender, marital status, experience and education can be associated with the reasons for leaving the organization by the IT employees. For finding out the association between demographic profile and reasons for leaving the organization chi-square test is applied. The following table 4 shows the results of chi-square test.

Table 4 Association between demographic profiles of employees and causes for employee attrition

Demographic profile	Attributes	Causes for employee attrition		Total 300	Chi-square value	P value
		Avoidable Causes	Unavoidable Causes			
Age	18-25 years	84(59.2)	58(40.8)	142	5.590	0.061
	26-35 years	69(61.6)	43(38.4)	112		
	36 & above	36(78.3)	10(21.7)	46		
Gender	Male	106(57.3)	79(42.7)	185	6.733	0.009*

	Female	83(72.2)	32(27.8)	115		
Marital Status	Married	85(65.4)	45(34.6)	130	0.560	0.454
	Unmarried	104(61.2)	66(38.8)	170		
Experience	Up to 2 years	61(66.3)	31(33.7)	92	5.785	0.123
	2-5 years	79(57.2)	59(42.9)	138		
	6-10 years	31(64.6)	17(35.4)	48		
	Above 10 years	18(18.8)	04(18.2)	22		
Education	UG	89(57.8)	65(42.2)	154	8.954	0.011 *
	PG	83(73.5)	30(26.5)	113		
	Technical Education	17(51.5)	16(48.5)	33		

Source: Primary Data Level of significance at 5% * p value is significant

Figures within brackets represent percentage

By taking confidence level at 95% and level of significance at 5%, P value is significant for the gender and education as the p value is less than 0.05, the null hypothesis is rejected and hence it is interpreted that among the demographic profile of the respondents the gender and education of the respondent influence the employees to leave the organization, female category of employees are influenced mostly by avoidable causes (72.2%) and male category of employees are influenced mostly by unavoidable causes (42.7%), in case of education employees completed PG degree are closely associated with attrition.

Attrition Rate in IT Industry, Puducherry

Employees' size of the firms was collected during the data collection process based upon the information the attrition rate was calculated by using crude wastage method for five years from the year 2011 to 2015. The following table shows the attrition rate in IT industry, Puducherry.

Table 5 Attrition rate in IT Industry, Puducherry

Year	2011	2012	2013	2014	2015
Attrition Rate	37	33	36	38	40

It is interpreted from the table 5 that attrition rate in IT industry Puducherry is ranging between 30% to 40% and it is increasing from one year to another year. The attrition rate is high in the year 2015 and in the year 2011. It shows that IT industry in Puducherry is facing the serious problem of employee attrition.

Ways to reduce employee attrition

Employee retention is one of the most intense challenges faced by human resource departments of IT industry. There are some ways or tips for the IT industry to reduce the employee attrition

- Hiring right person for the right job at the right time.
- Provide better compensation and benefits as per the current trend.
- Recognize and reward the employees at the correct time as per their efficiency.
- Offer flexibility work arrangements as employees can have better life/work balance.
- Build a culture of engagement in the firm for a long period.
- Provide opportunity for growth and development for the employees to avoid boredom or fatigue in working environment.
- Provide employees with good working environment so that they feel motivated in doing the work with utmost satisfaction.

Major Findings of the study

As regards to avoidable causes of attrition, dissatisfaction with job and wage were the major causes of employee attrition. As regards to unavoidable causes of attrition, accident or illness and marriage were the major causes of employee attrition. Among the both causes for attrition, unavoidable causes induce more employee attrition. Among the demographic profile of the employees gender and

education plays a major role in employee attrition. female category of employees are influenced mostly by avoidable causes and male category of employees are influenced mostly by unavoidable causes and employees completed PG degree were closely associated with attrition.

Conclusion

The analysis reveals that most of the IT firms functioning in Puducherry have faced the problem of employee attrition because of dissatisfaction with job and wages, accident or illness, marriage etc. because plenty of opportunities are there in the market for experienced, well qualified employees if they switch over to other companies and they will get better prospects. 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. The IT firms should understand it the employees who is to taken care of first only then they can satisfy their customers.

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