

AN EMPIRICAL STUDY OF EMPLOYEE RETENTION STRATEGY IN THE IT SECTOR AT CHENNAI

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ABSTRACT:

Employee retention refers to the ability of an organization to retain its employees. Each research investigation is expected to make a definitive contribution to the existing literature. Management has always had a hard time with employees who quit on their own. In recent years, the high demand for skilled employees and the growth of service industries have led to a huge turnover rate, which affects the employer, and in the end the organization's productivity and profitability. Present study was the employees of the IT sector; especially software engineers of various IT companies in Chennai city. Respondents were selected randomly. Employees were mainly from TCS, TechMahindra, Honeywell, Caterpillar, IBM. The information of this research will be useful to service industry in their HR practices and add new information to literature. It will help the management of the IT Sector to develop their new strategies of retention. The study found the influence of HR policies, compensation and benefits, work pressure and relationship with the superiors on employee retention.

Key Words: Employee Turnover, Employee Retention Strategies, Organizational Efficiency, Organizational Effectiveness

BACKGROUND OF THE STUDY

IT industry was started in Mumbai in 1967 with TCS. The contribution of Indian IT industry to world's information technology sector is of highest reputation. Metro cities like Mumbai, Delhi, Chennai and Hyderabad have become favorite destination all the Indian multinational companies like Infosys, TCS, Wipro, Tech mahendra, etc (Indian Mirror Report 2020). Indian IT industry contributes 5.8% of the country's GDP. Annual revenues from out sourcing operation in India were up to US \$ 220 billion by the year 2021. As a result, the industry's workforce consists of a much larger proportion of engineers

and other highly-skilled technical workers, relative to other industries, especially since product creation requires creativity, expertise, and precision (Global edge report 2020). IT industry is facing many challenges due to lack of expertise, knowledge, experience and longterm sustainability etc. This can be overcome by various precautions taken by human resource management. For the purpose of retaining employees, the employers must use those practices which are in favor of the both of them and that will lead towards organization standards (Khan, F.,Yusoff, R.M.,Khan,A.2014).

INTRODUCTION

Employee retention is a business- management term referring to efforts by employers to retain current employees in their workforce. 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 diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs and productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers and business and damaged morale.

Employee retention refers to policies and practices that companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees, is one of the biggest problems that plague companies in the competitive marketplace. Not too long ago, companies accepted the “revolving door policy” as part of doing. There are different human resources practices employed by software companies to increase the retention level (Khan et al.,2014). In employee retention one more aspect is training and development and this is the most important parameter in the human resource management (Maqsood Haider 2015 and Rasli, A.M.,Norhalim, N.,Kowang, T.O.,Qureshi,M.I. 2014).

Cost is defined as “recruiting expense, orientation and training cost, decreased productivity until the new employees gain knowledge and expertise in their domain and also the loss of clients who were dedicated and loyal to the leaving employees” (Kay, 2000). Now a day’s human capital is gaining

importance because organizations can have a competitive advantage through their distinctiveness and role of human resource productivity increased due to development of various ERP's (Hollandetal.2007,Roberts,N.,Outley,C.(2002).

EMPLOYEE TURNOVER IN IT SECTOR

As India has a big number of IT sectors, it's necessary to analyse wide-scale attrition. Since this sector is service-oriented, HR managers must understand turnover factors to retain good performance. If employee turnover in this area isn't controlled, service quality will suffer from a shortage of trained replacements. This will dissatisfy customers and hurt the company's sales and reputation. According to ASSOCHAM, the average attrition rate in the Indian IT, ITeS, and BPO sector is 25-30%.

NEED FOR THE STUDY

The study was conducted in an ITes Company that supports Decision Platforms for Global banks and financial institutions. This study will shed light on factors that drive high employee turnover and recommend employee retention strategies to improve employee morale, Reduces turnover costs, and prevent knowledge loss by boosting organizational efficiency and effectiveness.

REVIEW OF LITERATURE

It is defined to be employee retention is great asset for the company. Employee retention is generally the level of commitment involved an employee has towards their company and its core values and beliefs. Hunt(2019) research on marketing channel, which shows that organizations often look beyond the concept of satisfaction to developing trust and ensure long term relationships with their employees.

Rousseau (2017) argues that, for retention strategies to be effective, it is important to manage employee's expectations. The psychological contract focuses on employee subjective interpretations and evaluation of inducements and how they affect their intentions to stay. Fostering and nurturing employee commitment is a strategy employed by organizations in retaining their valued human capital.

Schneider and Bowen(1999) suggested that, in some cases, service suppliers may be unable to retain even those employees who are satisfied. Thus,

satisfaction itself may not be sufficient enough to ensure long-term workers commitment to an organization.

Shanley (1990) there is no dearth of opportunities for a talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. There as on may be personal or professional

Samganakkan, (2010) In his article he identified how the human resource management practices such as training, appraisal etc effect the employee, their intention to stay and their motivation. According to his research training is an important determinant of employee motivation and retention. He identified that compensation should be such which force the employees to stay in the organization as retention is an important matter for the organizations effectiveness.

According to Bashiretal.,(2009) Indus journal of management and social science, after doing the survey from the telecom industry of Pakistan, the results have showed that salary, working environment and the benefits (rewards) are three factors which affect the employee turnover and correlated with each other.

This study also faces some limitations, which includes time constraints and there source constraints. This study also found support for the independent variable with employee turnover. The negative correlation has been found for the salary, benefits and work environment. So organizations need to focus on how to reduce strains in the workplace and salary plans.

RESEARCH METHODOLOGY

Subjects of the present study were the employees of the IT sector; especially software engineers of various IT companies in Chennai city. Respondents were selected randomly. Employees were mainly from TCS, TechMahindra, Honeywell, Caterpillar, IBM. Overall 200 questionnaires were distributed. Finally, 125 (62.5%) questionnaires were analysed. 75 (37.5%) questionnaires were rejected as they were not properly filled.

Various dimensions associated with employees "retention like HR policies, compensation & benefits, work pressure, and relations with superiors were

explored. There were overall 24 statements; each statement was in the form of a dichotomous question, i.e., it had to be answered in either „Yes“ or „No“. There were two parts of the questionnaire. First part had 18 statements distributed amongst the above- mentioned four dimensions, while 6 statements pointedly explored the causes for high attrition.

Table1: Data Analysis and Interpretation

Demographic profile of the respondents		
Total no.of respondents	125	%
Males	110	88
Females	15	12
Age of the respondent		
20 -25	32	25.6
26-30	53	42.4
31-35	18	14.4
36-40	13	10.4
41andabove	9	7.2
Educational qualifications		
Graduation	59	47.2
Post-graduation(Academic)	26	20.8
Post-graduation (Professional)	40	32
Years of experience		
0to2	86	68.8
2to4	23	18.4
4to6	11	8.8
6to8	5	4
8andabove	0	0
Monthly income(Rs.)		
5000–15000	14	11.2

15000-25000	24	19.2
25000-35000	53	42.4
35000-45000	23	18.4
Above45000	11	8.8

Table2: Issues in employee retention in IT Sector

HR Policies		Yes	No	Yes (%)	No(%)
1	Employee-centred HR policies	110	15	88	12
2	Efforts to keep the work force motivated	87	38	69.6	30.4
3	Satisfaction with working hours	14	111	11.2	88.8
4	Security of job	50	75	40	60
5	Resolution of grievances	91	34	72.8	27.2
Compensation &benefits		Yes	No	Yes (%)	No(%)
1	Salaries are at par with others at the same level doing Similar job	102	23	81.6	18.4
2	Adequate perks	108	17	86.4	13.6
3	Post-retirement benefits	33	92	26.4	73.6
4	Link in go performance with adequate Rewards	117	8	93.6	6.4
5	Foreign trips	78	47	62.4	37.6
Work Pressure		Yes	No	Yes (%)	No(%)
1	Stress of target completion	73	52	58.4	41.6
2	Fluctuating targets	110	15	88	12
3	Unnecessary paper work	31	94	24.8	75.2
4	Excessive competition in the ITindustry	98	27	78.4	21.6
Relations with superior		Yes	No	Yes (%)	No(%)
1	Meeting the superior's expectations	89	36	71.2	28.8

2	Recognition of efforts by the superiors	61	64	48.8	51.2
3	Accessibility of superiors	105	20	84	16
4	Compatibility with immediate superior	97	28	77.6	22.4

The above shows that 88% of respondents believe that HR policies are employee-centred while 22% believe that they are not. It is found that 76% of respondents are getting the right amount of accurate information at the right time and 24% of respondents are not getting right amount of accurate information at right time. 71.2% of respondents are able to meet their superior’s expectations and 28.8% respondents are not able to meet their superior’s expectations and 81.6% of respondents feel that their pay is at par with employees handling similar responsibilities, and 18.4% of respondents feels that their pay is less in comparison with the employees of other companies handling similar responsibilities or doing same jobs. 93.6% employees believe that performance is nicely linked with their rewards, 86.4 believe they get enough perks, and 62.4% respondent seven get to go on foreign trips as part of their performance bonus.

Table3: Major causes of attrition of employees

1	Working hours	88.8% employees are not happy
2	Job security	60% employees feel they are not secure about their jobs
3	Fluctuating targets	88% feel their targets keep fluctuating and they are Not very sure about what would be expected from Them next time.
4	Lack of post-retirement benefits	73.6% employees feel they do not get post retirement benefits.They are also apprehensive about their social Security.
5	Overall work stress	More than 91% (114) employees feel that though their compensation, incentives and perquisites are attractive but there is a lot of work stress especially in them on the of March and September.

6	Better opportunities	About 76% (95) employees switch job because Of better opportunities in other rival companies
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The above table shows that overall stress from the work (91%) , working hours (88.8%),fluctuating targets (88%), better opportunities with other companies (76%) and lack of post-retirement benefits and other social- security norms(73.6%) have emerged as the main causes of high attrition in the pharmaceuticals sector. The overall results from the research show that high proportion of male employees are willing to go under training, more preferably “on job training”. Both male and female employees consider that duration defines the effectiveness of training programs. Rewards, especially financial rewards have received highly positive feedback from the females. Supervisory support has also a crucial role to play in employee retention according to the research findings. Female employees consider supervisory support and financial rewards more important for them as compared to me.

SUGGESTIONS

A thorough analysis of the study clearly shows that the following are the key areas to be focused as part of developing and maintaining an organization culture that supports and retains employees together with supporting strategies that need to be done to achieve the required results. Provision is to be made in the recruitment and selection process for a review to ensure competitiveness.

- An effective performance management system must be made transparent.
- There is a need for a specific framework within which people clearly know what is expected from them.
- Organisation structure and reporting mechanism be made known to all.
- The quality of supervision an employee receives is critical to employee retention.
- Managers need to hold regular scheduled meetings to discuss workload and agreed outcomes.
- It is critical to develop a culture where employees offer ideas and are able to offer critical feedback without fear of retribution and commit to continuous improvement
- Value based code of conduct need to be developed which includes an agreed communication and feedback mechanics.

- Talent retention and skill utilisation is another critical that area needs to be concentrated for which, proper developmental training should be imparted.
- Develop a structured training program as part of the performance management system to provide opportunities and growth for the existing staff. Managers must take the time to engage all the staff on a regular basis both on a personal and professional basis. Ensure that discipline and grievance procedures are in place to provide a clear framework for managers to effectively control their subordinates.
- Employees must be rewarded, recognized and appreciated.

CONCLUSION

Employee retention is vital to long term health and success of any business organization, especially in the case of ITeS where the organizations spend so much in the recruitment and their initial and ongoing training of the employees. So, employee retention does matter. The retention strategies designed should be such that the retentive forces are maximized and the debilitating forces are minimized. Attempt should be made not to orchestrate the retention strategies in isolation but ensure that it forms a part of the overall strategies for fortifying the pull on the human talent, which includes sourcing, staffing and development strategies in addition. It should also be noted here that retention policies should be highlighted on par with other policies so as to ascertain that the employees feel they are highly valued. Once the employees working in the organization are made to feel that the organization holds high degree of attachment towards them, the employee morale will improve and reduces turnover cost and knowledge loss will reduce thereby increasing the organizational efficiency and effectiveness.

DIRECTIONS FOR FUTURE RESEARCH

This research is concentrated on crucial factors that are responsible for the job turnover in ITeS sector and the respective strategies that can be followed in order to reduce the retention rate. Further research can be conducted by adding a couple of facts to it. The study can be replicated in other sectors where attrition has become a common problem. IT industry has close similarities with that of an ITeS industry with an equally a larmingrate of attrition. Similar study can also be done in sectors like hospitality, infrastructure, retail, education etc. as intrinsic motivation becomes a pillar for performance, loyalty and eventual sustenance

almost everywhere.

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