RESEARCH ARTICLE

A Study of Attrition in IT Industries In Pune

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Manuscript Info

Abstract

The most immediate concern facing the industry is the increasing levels of attrition. High attrition is big HR challenge faced by software industry. It gives sleepless nights to human resource manager. Most software companies suffer high attrition. It reflects a company's internal strength and weaknesses and Company's ability. Organization also faces difficulties in retaining the existing employees as well as attracting potential employees. Managing attrition is becoming increasingly important, not only because knowledge professionals, but also staffing costs are one of the largest expenses regularly charged to the budget of a company in the software companies. When one counts salaries, benefits, bonuses, training and other personnel costs, companies invest a great deal of resources in their employees. Thus, attrition becomes a two-fold issue, one that's cost related and the second, retaining much needed and often, experienced talent. This study is conducted to find out the main causes behind the increase in employee attrition in software Industries and to find out the ways to control attrition. The study was carried out in software companies in Pune. In this study opinion of 100 employees was taken for the analysis. The survey of 100 employees reveal that those having average age of 24-28 years and the experience between 2to4 years are having higher percentage of attrition. Findings of the studies are attrition rate was increased because of dissatisfaction with pay, lack of career advancement, compensation& boss relation.

Introduction

The software company being one among the quickest growing industries within the country plays a very vital role in the Indian economy. A software company has tremendous potential to become as engine of growth & productivity for the economy of the country. Software is a wealth and job making industry. With the improved information technology & booming of the economy, the employment opportunities in the business environment are on the increase as well. The rapid growth & entry of recent players have resulted in the preparation of employees in high numbers. Salaries at the entry level have up 10-15% whereas 25-30% at the highest level. High productivity and performance of most organizations couldn't be realized without employee's support and contribution. This is because employees are partially responsible for the achievement of organization's goals and strategy. So managers should concern on problems and issues encountered by employee in organizations.

Attrition has always been a sensitive topic with software companies. Though giving among the very best salaries across all business segments, the companies have been facing attrition across the board, notably within the past few years. The ever-growing wage inflation and attrition rates have place margin pressures on software companies. Otherwise riding high on outsourcing wave, featured with the constant threat of losing the most effective employees to the competition. Employee attrition is a crucial problem that the software company faces these days. Attrition could be a reality of organization life. Most the industry sectors got to battle increasing employee attrition rates globally and also the Indian industries, too.

India is that the third largest in the world in the software companies with technically competent workforce. India graduates about 155,000 engineers of varied types & another 2, 00,000 diploma holders each year. About 60,000 of those enter in the IT sector. The high labour market conditions are reflected in the 20% increase in wages & in attrition rates that are to be nearly 20-25% for the companies. Indian software companies are the most employment generated industry. It is going to employ around seven million employees in the coming years.

Statement of the Problem:

High attrition is big human resource challenge faced by software companies. Most companies suffer high attrition problem. Engaged & satisfied employees are more likely to stay with their companies. Identifying motivation & satisfaction factors for software professionals and high attrition, is therefore of great importance in increase employee retention. Organizations invest lots on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs should minimize employee's attrition. Therefore, there is need to develop a fuller understanding of the attrition

Objectives

The management of various software firms encounter challenge of employee attrition, which is beyond control & influence growth of an organization. Therefore the present research has been undertaken-

1. To study the Attrition problem in software Industries.
2. To identify the main reasons (both organizational & personal) which resulted in   the resignation of the employees.
3. To propose remedial measures to control the attrition.

Hypotheses

1. The compensation package including cash benefits such as health   insurance & pension always affect the employee's decisions to stay in firms.
2. The age is negatively associated with employee attrition.

Significance of the Study:

The significance of the study lies in the discharge of the software companies in the recent years. Where on one side the software companies are growing fast, on the other side the employee attrition has become a big problem, costing a lot to the company. The study is an attempt to assess the causes of attrition, retrenchment & lay-off in software companies and analyze the relationship among employee motivations, job satisfaction and employee retention, so as to use employee motivation to retain employees in an organization. So, it is not only significant for academicians but also for professionals who can use it to control the employee attrition.

The present study will be beneficial to the software companies which are currently working on attrition & retention. The study measures consequences of employee attrition, retrenchment & lay-off, profound effects of Employee attrition on individuals,effects of retrenchment & lay-off of software companies; this study is also useful to those software companies which are concentrated on attrition, retrenchment & lay-off problem & trying to retain their workforce.

Scope and Limitations of the study:

This study has been undertaken to examine the attrition problem related to Software companies in Pune. So, the study of attrition, retrenchment & lay-off of Software companies is limited to ten software companies in Pune.
The scope and limitation of the study are highlighted as follows –

1. The geographical area for the study is the Pune. The selected Software companies are spread over the different areas of Pune.

2. For the study ten software companies are considered. In that private, public & multinational software companies are considered.

Research Methodology

This research is undertaken to assess the causes of attrition and its remedies. The main aim is to ensure that the required data are collected objectively and accurately.

Primary data: Data regarding the causes of attrition and its remedies was collected directly by interacting with the employees of the organization by a structured questionnaire.

Secondary data: The secondary data wascollected from the magazines, journals and the internet.

Sample Size: Data regarding perception towards employee attrition had been collected from 100 employees working in different software Industries. Researcher has used purposive sampling method and collected quantitative data, the data collected from primary source were analyzed by using simple statistical tools viz. tabulation, percentage chi square test & correlation coefficient etc.

Review of Literature

Allen & Meyer (1990) in the study of 'The measurement and antecedents of affective, continuance and normative commitment on the organization' indicated three components of commitment & these components were a negative indicator of turnover. They also investigated the nature of the link between turnover and the three components .These commitment were affective commitment, continuance commitment and normative commitment . Affective commitment refers to employees' emotional attachment to, identification with and involvement in the organization; continuance commitment refers to commitment base on costs that employees associate with leaving the organization; and normative commitment refers to employees' feelings of obligation to remain with the organization., employees with strong affective commitment stay with an organization because they want, those with strong continuance commitment stay because they need to, and those with strong normative commitment stay because they feel they should.

Blankertz (1996) in his research paper, 'Employee turnover in community mental health organization: A developmental stages study,' observed that recruitment and retention of direct service workers can be a major problem for administrators of community mental health organizations. This paper, based on a nationwide study of psychosocial rehabilitation of workers and administrators, examines the congruity of worker and administrator perceptions of worker motivation for entering and leaving the field. Workers are motivated by the intrinsic nature of the work to enter into and stay in the field. Job burnout is as important as low pay in forcing workers out of the field. Money was a major motivating factor for workers to enter the field and perceive external opportunities as forces that pull them away. Thus, administrators must address their workers' needs if their agencies are to offer quality services.

Booth (2007) published his paper in International journal, entitled 'Labour turnover in the retail industry: Predicting the role of individual, organizational and environmental factors'. This paper aims to identify key variables that influence the variability of labour turnover. The method used in this research was, a case study of a major retailer. The key data sources are an index for local competitive and labour market factors; the method used for analysis was stepwise regression which identifies the key relationships that predict labour turnover. The finding shows that, environmental factors such as local labour markets have a major influence on labour turnover. Organizational factors such as company culture and values are a significant influence. Management behavior as seen through operational and control variables is also of importance. Individual employee variables are also important in decisions concerning turnover. This research uses a statistical approach to provide new findings concerning the attitudes of individuals to their work and good explanations of the factors involved in labour turnover.

Boxallet. al. (2003) in his study 'Labour turnover and retention in New Zealand; the causes and consequences of leaving and staying with employers' confirmed the view that, motivation for job change is multidimensional and that no factor will explain it. However, over time factors those appear to be consistently linked to turnover. He found that the main reason behind people leaving their job was, they got more interesting work elsewhere. It was generally accepted that the effect of job satisfaction on turnover is less than the organizational commitment.

Campbell & Campbell (1997) identified two major problems with 'informal theories 'on employee turnover. First, they are experimental and as a result level to errors. Second, according to the widely-held "informal theories" by practitioners in Singapore, most of the employee turnover in their companies is attributable to two external factors: labor shortage and bad employee attitudes. Thus, to the degree that, managers hold these 'informal theories', turnover becomes a serious but intractable issue. The authors noted that while human resource managers were acutely aware of the problem and its associated ramifications, they typically have developed no real strategies for combating turnover.

Findings and Analysis

Specific findings

1. Software companies have a young & dynamic workforce because more than 93% of the employees have not crossed 35 years. Naturally their efficiency & physical fitness is an asset for the companies

2. Employees are given different posts as considering their education level and knowledge. 75 % employees are graduates engineers and 25% employees are post graduates. That is all the employees are well qualified and skilled.

3. Software companies are facing attrition problem. Reasons behind the attrition are different. Majority of employees (42%) left the job due to dissatisfaction with pay, 23% employees left the job due to lack of career advancement, 2% employees left the job due to relocation to another area while 8% employees left the job due to nature of job. Dissatisfaction with pay, lack of career advancement, Relationship with other colleagues, Working hours, working conditions, Job related Stress these are organizational reasons. Higher education, Personal problem, Problemswith management, Location of the organization, Maternity these are the personal reasons.

4. Reduction in number happens in bulk among junior executives. Majority (91%) employees said that junior executive attrition rate is high

5. It is found that the chi-square value is 14.742 with degree of freedom 16 which is not statistically significant at 0.05 level of significance (p > 0.05), so the null hypothesis is accepted. There is no significant relation between the no. of years served in the job and medical insurance package allotted.

6. It is observed that the chi-square value is 34.340 with degree of freedom 16 which is statistically significant at 0.05 level of significance (p < 0.05), so null hypothesis is rejected and alternative hypothesis is accepted. Therefore, the no. of years served in the job is dependent on dental coverage allotted

7. It is found that the chi-square value is 37.159 with degree of freedom 16 which is statistically significant at 0.05 level of significance (p < 0.05), so null hypothesis is rejected and alternative hypothesis is accepted. Therefore, the no. of years served in the job is dependent on prescription drug coverage.

8. It is observed that the chi-square value is 8.236 with degree of freedom 12 which is not statistically significant at 0.05 level of significance (p > 0.05), so the null hypothesis accepted and alternative hypothesis is rejected. Therefore,it is found that there is no association between age of employee and attrition rate.

Specific Recommendations

By referring above findings few recommendations have been given that may assist software industries to retain intellectual, knowledgeable and educated manpower, which consequently helps organization to prosper.

1. **Offer fair and competitive salaries** commensurate with industry. Fair compensation alone does not guarantee employee loyalty, but offering below market wages makes it much more likely that employee will look for work elsewhere. To retain workers, conduct regular reviews of the salaries offer for all job titles like entry level, experienced staff and supervisorylevel. These salaries need to be compared with department's salaries with statistically reliable averages. If there are significant discrepancies, then management needs to take steps to ensure that organization is in line with the marketplace.

2. **Developing a Good Training Program**. Training is a vital function of every organization which helps employees in performing effectively. Providing proper training is essential to both employer and employee in increasing their skills and managing their job more easily. It is essential for both professional performance and organizational development. It helps employees perform effectively and efficiently.

3. **Reward and Recognition of employees:** In the changing business environment the employers should be aware that they have should recognize and reward an employee. With the change in the information technology and work culture, employers should be aware of providing innovative recognition and reward programs, and should be reviewed from time to time. Traditionally, employees used to be rewarded once in a year but with the change in the business environment, the way the rewards and recognition is provided to the employees has also changed. Recognition and rewards are considered to be powerful tools for employee motivation, satisfaction and performance management. Rewards can be in monetary and non- monetary terms. Monetary rewards are important for a company that recognizes and rewards its employees. One way of rewarding employees is by recognizing their performance for a particular period of time and rewarding them accordingly. Recognizing and rewarding the employee's performance will help the organization celebrate its success. It is often found that rewarding employees through nonmonetary rewards is relatively easier than rewarding them monetarily, as other benefits are readily available. The different reward system available are variable pay, lump sum merit awards, meeting expectations awards and so on.

4. **Stock Options:** Various compensation policies have been evolved at corporate level, as companies started looking for innovative ways of retaining their employees. One of the ways is to use stock options. Stock options are generally the right but not obligation, to buy the company's stock at some point in the future at a predetermined price. Granting stock options to employees has a positive effect on the overall performance of the organization. They are offered by both public and privately held companies. They have found their way to India in 1990s and have begun to be used by them as one of the retention tools. Infosys was the first who

provided stock option schemes (ESOS). These options were also effectively used by companies in retaining their talented workforce.

5. **Strengthen the Recruitment Process:** Employee retention invariably depends upon effective recruitment. When an organization hires an employee who has the right mix of skill set and personality, he is pretty much likely to stick to his job. It is quite necessary for an organization to have cleared, accurate and a very transparent recruitment process. It is equally important to be frank and realistic with potential hires.

6. **Career opportunities:** World class training, development and career management are effective tools that will help an organization to retain its talent. It makes sense to find out employees expectations vis-à-vis the company and ensure that it is delivered. Companies should provide an opportunity to put the employee's career on high growth trajectory mode. Employee should be encouraged to attend meetings and seminars at regular intervals. Companies should have a constant dialog with employees about their professional aspirations. Companies can financially sponsor and support the employees to pursue higher qualifications without losing their gainful employment.

7. **Exit Interviews:** Exit interviews stand out as one of the best option to get into the roots of the attrition problem. Exit interviews provide the HR managers a chance to understand what an employee needs and also to discover workplace issues. Many organizations often find it difficult to unearth the areas where the problem is most severe, pr to expose the specific causes of employee attrition. In such cases exit interviews stand as an ideal platform, where the HR managers gain a clear picture about their employees' demands and take initiatives before they lose their star performers to their competitors. Exit interviews, if conducted properly, can be very effective tools in retaining the employees. The HR managers should know how to diagnose the results obtained from the exit interviews. They also feel that outsourcing exit interviews often reduces the costs. Exit Interviews as a tool for talent retention. Exit interviews are conducted to find out why people leave the organization? It also conducted for people who you would really have liked to retain. Then the data is used to find out how to retain the most productive associate, the one you would really have like to stay on. These exit interviews are valuable tools that help managers in developing ways to retain the most productive associates of the organization. Exit interviews are the major players in retaining the employees.

8. **Work Life Balance-** In today's competitive world, work life balance has become a buzzword and often people are realizing that they are in need of balancing their work and home life. In efforts to earn more money and to have a good quality of work life, they have been trying hard, there by missing the point of balance between work and home. With the shift of the economy towards knowledge economy, employees have started working for 12-14 hours instead of 8-9 hours per day, and even the meaning and importance of the quality of work life has also changed. There is a need to restructure their work schedule and bring about a balance between the employees work life.

Data Analysis

Table No.1 Impact of Age on Attrition

Age (yrs)	No. of respondents	Percentage
20-25	13	13
26-30	61	61
31-35	19	19
36-40	7	7
40-50	0	0
Total	**100**	**100.0**

Table No.2 Table showing Educational Qualification of respondents

Qualification	No. of respondents	Percentage
Graduate	75	75
PG	25	25
Total	**100**	**100.0**

Table no.3 Impact of Experience on Attrition

S.N.	Experience in Years	No. Of Respondents	Percentage (%)
1	1-2	19	19
2	2-4	64	64
3	5 & above	17	17
	Total	100	100

Tableno.4. Causes of Attrition

S.N.	Causes of Attrition	No. Of Respondents	Percentage (%)
1	dissatisfaction with pay,	42	42
2	Career advancement	23	23
3	Relocation to another area	2	2
4	Nature of job	8	8
5	Boss Relation problem	12	12
6	Working hours	2	2
7	Problemswith management, ,	5	5
8	Location of the organization	2	2
9	Maternity&Family problem	4	4
	Total	**100**	**100.0**

Table no 5 showingRespondents opinion aboutExecutive level Attrition Rate

Responses	Frequency	Percentage
Junior executive	91	91
Senior executive	9	9
Total	**100**	**100.0**

Hypothesis-1

Sr. no.	Cross tables	Chi-square	p-value	Sig.
1	No. of years in present job and medical insurance	14.742	0.544	×
2	No. of years in present job and dental coverage	34.340	0.005	√
3	No. of years in present job and prescription drug coverage	37.159	0.002	√
4	**No. of years in present job and vision coverage**	**35.709**	**0.003**	√
5	No. of years in present job and 401 (k) saving plan	15.738	0.471	×
6.	No. of years in present job and Retirement program	24.353	0.082	×
7.	**No. of years in present job and paid time off**	**26.467**	**0.048**	√

Hypothesis-2

Sr. no.	Cross tables	Chi-square	p-value	Sig.
1	Attrition rate and age of employee	8.236	0.766	×
2	*No. of years service in previous organization and age of employee*	*254.201*	*0.000*	√
3	**Salary per month and age of employee**	**328.623**	**0.001**	√

Conclusion

Attrition is becoming a serious problem in today's corporate environment. As employee attrition has been the silent killer for improving the organizational productivity. Attrition cost for many organizations are very high and can significantly affect the financial performance of an organization. From results it can be concluded that there are various reasons behind employee attrition. These reasons are best offer next door, overseas opportunities, Boss relation problem, higher package, further overseas studies, shifting of cities due to marriage, family and personal

problem, improper time schedule and parent's health requires moving to other cities. Voluntary attrition rate is high between the ages of 24-28 years. After getting the 2-4 years experience IT professionals got higher opportunity so the growth opportunity is the main reason of the voluntary attrition. This research paper proposed a remedial measure if implemented and executed properly would help concern organization to understand their employees' needs with regard to their career, job, and family and follow the above mentioned remedies and retained their talented workforce, thereby meeting their expectations and requirements, and thus reducing employee attrition.

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