



EMPLOYEE ATTRITION OF IT INDUSTRY IN INDIA- EXTERNALLY VOLATILE INTERNALLY DARK TIMES: A FOCUSED STUDY

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Abstract

IT industry is a fast growing industry in India. But this industry is facing a lot of challenges. The major challenges being faced by the IT industry in India can be classified into internal and external challenges. The internal challenges include shortage of competent managers for the middle and senior management and the high attrition rates. One of the most significant internal challenges is high attrition rates. Attrition refers to a gradual, natural reduction in membership or personnel, as through retirement, resignation, or death. It means not only loss of talent, but also includes the cost of training the new recruits. This study focused on the attrition rates of top IT companies in India.

Keywords: *Attrition, IT Industry, Information Technology, Retention.*

INTRODUCTION

There are many different ways for a company to lose employees, most of which are typically taken into account to ensure that the organization is able to operate efficiently. Attrition refers to the loss of employees due to reasons other than firing and other employer-initiated events. Employee attrition refers to the loss of employees through a number of circumstances, such as resignation and retirement. Attrition can be encouraged when it is part of a strategic business maneuver to reduce costs. It can also manifest itself when employees voluntarily leave their jobs. This can happen for a variety of reasons: employees may move or retire, take another job, be ill-suited to the position they were hired to fill, or want employment that offers a more equitable work-life balance. Others may experience a lack of the freedom or autonomy they require to perform at expected levels. Human resources professionals inadvertently encourage attrition when they condone or ignore maltreatment of employees by management.

When attrition occurs, the remaining duties and job responsibilities can burden employees and managers with additional duties with no increase in pay. Even if HR staff members distribute the extra workload throughout other departments, they may witness managers moving on to other companies. The potential for employment promotion may no longer exist when positions are retired due to attrition.

ATTRITION RATE

The attrition percentage rate is determined by dividing the number of employees who left their jobs during a specific period by the average number of employees during the same period. Results can be computed for monthly, quarterly, biannual or annual periods. Consistent rates of attrition are viewed as the norm for a specific business. If high attrition rates remain outside the parameters of an accepted strategic business plan, human resources staff members may be required to evaluate the causes and find solutions.

Many Indian companies are facing challenges in attracting and retaining talent with a high attrition rate of 14 percent. One in four employees in the organised sector in India is set to switch jobs, the highest attrition rate globally, according to a Hay Group study. The series of fresh investments planned across sectors could raise demand for talent even as economic conditions remain tepid, raising concerns on employee engagement and retention.

EMPLOYEE ATTRITION AND INFORMATION TECHNOLOGY INDUSTRY

Information technology companies are faced with the challenge of rising attrition levels as employees look to tap new opportunities that are now available in the marketplace. Most of the attrition is happening among lower-level

software engineers, who have been taking advantage of opportunities elsewhere, including with US- and Europe-centric vendors building delivery centers in India.

It brings in new blood, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. Attrition in a limited measure can thus bring gains to the organization. However if attrition increases beyond a certain level, the gains are transformed into pains. Recruiters explain that high attrition rates significantly increase the investment made on employees. Significant investments in time and money need to be made for acquiring employees in any organization. These can never be translated into profit when attrition is high.

Attrition in the IT industry is twofold. One part of the attrition is where the employee leaves the industry entirely. The other section of attrition is where the employee joins another firm in the industry. Both the sections have separate reasons which need to be identified. The primary reason for people leaving the industry is due to the cause that the industry is viewed as a gap filler occupation. There seems to be a flaw in the way the industry is structured. The industry has been mainly dependent on youth who take out time to work, make money in the process while thinking of career alternatives. Hence for this group IT is never a long term career but only as a part time job. The easy availability of IT jobs is only a source of easy money till the time there is no other source of funding. Also the unfriendly working conditions, late night work shifts, high tension jobs acts as a deterrent for people to stick to this industry for long time. In addition, the IT jobs are not being taken with a positive spirit by the society on a large. Research says that nearly 50 per cent of those who quit leave the industry.

STATEMENT OF THE PROBLEM

Attrition is a burning problem for the promising industry of Information Technology, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources due to this. Employee attrition continues to be a burning issue for top Indian software companies. Where on one hand the sector is growing with leaps and bounds, on the other hand employee turnover has been alarmingly high, thus costing a loss to the company. The middle level and low level employees are victims of lack of motivation and employee satisfaction also seems to be flourishing.

OBJECTIVES OF THE STUDY

The main objective of this article is to analyze the attrition rates of top IT firms in India. It also aims to suggest some strategies to minimize the attrition level of employees at work.

NEED OF THE STUDY

Attrition may reduce if the negative characteristics of the job are taken care of. However, that does not mean employees increase their willingness to stay in the same organization. Thus different set of factors emerged for attrition and retention respectively. Looking at the big picture of the much realized potential of the IT industry in India and the impending curse of attrition in this sector, it can be confidently said that the problem cannot be overlooked. There is a dire need of tackling the problem of attrition in the IT industry of India and for this employee motivation has been chosen as an effective tool. There is need to develop a concurrent strategic method, an innovative development paradigm that can be utilized to curb the ever-increasing attrition rate in the IT industry. Thus the need for this study can be clearly defined. Attrition is a burning problem for the promising industry of IT, especially because it fails to tap the full utilization of the human resources and wastes much of its time, money and resources due to this. And lack of motivation among the IT employees is one of the bitter truths that is responsible for the attrition in this sector, and it is time we enhanced it in the IT sector.

REVIEW OF LITERATURE

Ahmed Imran Hunjra, Muhammad Asghar Ali Muhammad Irfan Chani Hashim Khan and Kashif-Ur-Rehman, (2010) Employee looking for better prospects for the career is common in the universe. At the Organisational level the employer show interest and retains the high skill people for the Organisational benefit. The study explores the percentage of male and female field employee perception regarding their intention to leave the

organization and finds that male staff is comparatively more intended than the female staff. This study is examined in the banking sector. Moreover the research further shows that higher qualified employees are more conscious about voice mechanism and are more ready to leave the organization.

Keith Denton (1992), contends that the problem of turnover should be addressed pro-actively. One of the most effective ways of both recruiting and retaining employees is to be the employer of choice. Denton adds that employees can be attracted and retained by offering them career opportunities, job variety, responsibility, training and giving them a sense of ownership.

RESEARCH METHODOLOGY

This study is descriptive in nature and based on only secondary data. Various books, journals and websites were referred for this study.

ANALYSIS

Worldwide, attrition is predicted at 21.2% in 2013 on an employee base of Rs 71.6 crore compared with 20.3% in 2010 on an employee base of Rs 64.4 crore. The number of workers expected to take flight will reach Rs 161.7 million in 2014 - a 12.9% increase compared with 2012 - as growth builds and employment opportunities increase, according to the study. Comparatively, turnover was minimal between 2010 and 2012. In the next five years, 49 million employees will leave their employers globally.

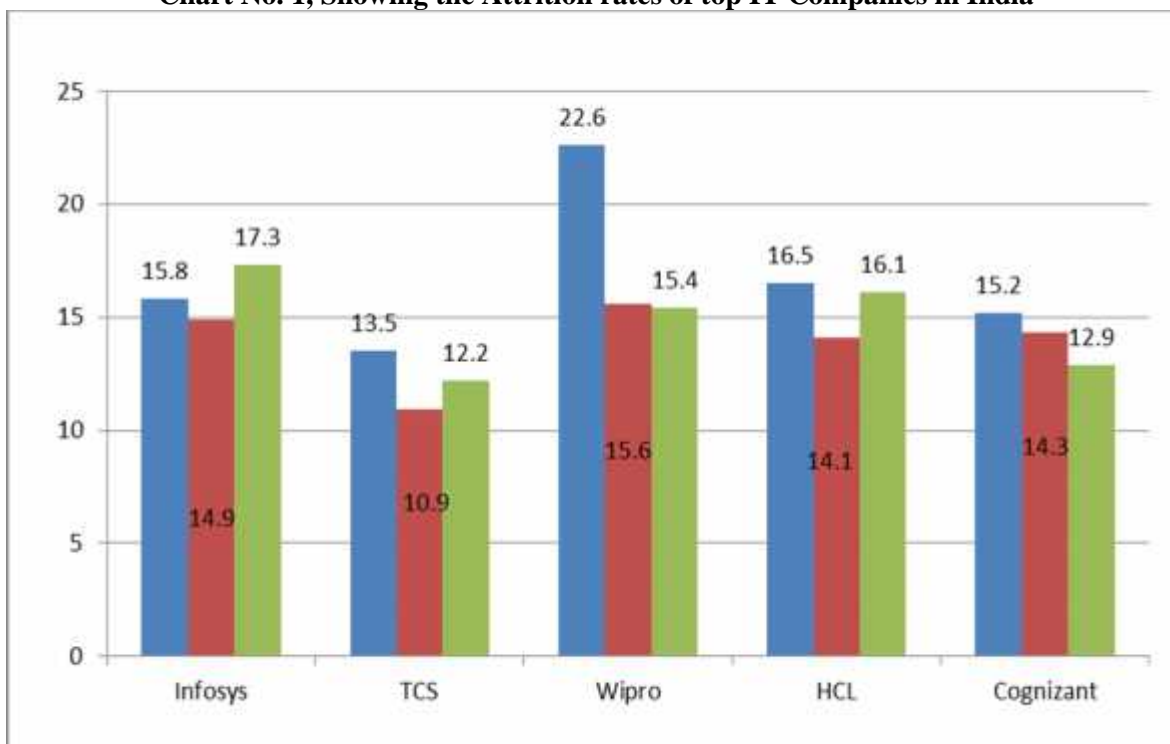
Table No.1, showing the attrition rates of top IT companies in India

Company name	Attrition rates in percentage		
	2011	2012	2013
Infosys	15.8	14.9	17.3
TCS	13.5	10.9	12.2
Wipro	22.6	15.6	15.4
HCL	16.5	14.1	16.1
Cognizant	15.2	14.3	12.9

Source: Business Line & Business Standard.

From the above table it's clear that all the major IT companies are having high levels of attrition. Infosys is ranking first with 17.3 percent in the last financial year. Also Infosys is having increased attrition rates. Next to Infosys, HCL occupies the second place. HCL is also having a steady growth of attrition rates. But Wipro, TCS and Cognizant have decreased amount of attrition rates. Even though the attrition rates are increasing and stable, there are large amount of people who wish to join these firms. Also employment opportunities are increasing, attrition rates also increasing year by year.

Chart No. 1, Showing the Attrition rates of top IT Companies in India



In the above graph, the first bar represents the year 2011 followed by 2012 and 2013. In 2011, Wipro occupied the first place in attrition rate. And in 2013 Infosys occupies the first place. There was a minimum level of attrition in 2012.

According to human resources solutions firm TeamLease Services Pvt Ltd. Ahmedabad has the lowest attrition rate, while Hyderabad and Bangalore have the highest. In the last 12 months, Hyderabad's attrition rate was 16.89 per cent, while in the last three months it was 11.1 per cent. Hyderabad was followed by Bangalore (with corresponding figures being 16.8 per cent/9.2 per cent), Delhi (15.91/11.38), Chennai (14.05/10.1), Pune (13.04/9.76) and Kolkata (12.01/9.23). India's financial capital Mumbai (9.43/6.71) and Gujarat's financial capital Ahmedabad (8.9/7.9) have the lowest attrition rates, she said.

In most sectors, the quarterly attrition rates stayed below 11 per cent. ITeS (16.1/10.89) and infrastructure (15.45/11.21) have had the highest attrition rates and contributed the most to both annual and quarterly attrition.

FINDINGS AND SUGGESTIONS

The high attrition costs increases the costs to the organization considerably. They have to combat the amount of disruption due to unplanned exits. The more the people leave an organization, the more it is a drain on the company's resources like recruitment expenses, training and orientation resources and the time. The high attrition rate also affects the productivity of the organization. Therefore, it is extremely important to curb attrition not only for an individual firm but also for the industry as a whole.

Thus based on the findings, it can be said if the employees are motivated and involved in the work they can be retained. The ease of retention would depend on their degree of motivation and involvement. It is desirable to plan employee retention strategy by an organization.

The study can be replicated in other sectors where attrition has become a common problem. IT industry has close similarities with that of a BPO industry with an equally alarming rate of attrition.

CONCLUSION

Employee retention does matter. The concept of employee retention should be very distinctly understood and realized by organizations. The retention strategies designed should be such that the retentive forces are maximized and the debilitating forces minimized. It should also be noted here that retention policies should be highlighted at 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, it shall be easy to incorporate retention strategies. The organization should inculcate the value of people asset and the duty of retention across all levels.

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