

Employee Retention: A Study Of Employee Retention In Indian It Industry During Time Of Covid

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Abstract

The aim of this paper is to understand the need of employee retention in IT industry in India during the time of covid. Employee retention has ever been termed as complex phenomenon and always intrigued HR managers. IT industry in India is sunrise industry. Post-liberalization, the IT industry in India has recorded significant growth which could not have been possible without efforts of human resources involved in it. The factors which make employees to stay in organization are known as retention factors. An attempt has been made to study the influencing factors like effect of compensation & rewards, Job security, working environment & work life balance, on the employees of IT companies which they feel are more relevant & realistic to stay in the organization. A study of employees working in various general IT companies in Telangana, Andhra Pradesh and Karnataka region has been carried out to measure the influence of retention factors on employees' retention.

Keywords: Information technology, Employee retention, retention factors, compensation, job security, work life balance, Work from home.

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1. INTRODUCTION

Information Technology in India is an industry consisting of two major components: IT services and business process outsourcing (BPO). The sector has increased its contribution to India's GDP from 1.2% in 1998 to 7.7% in 2017. According to NASSCOM, the sector aggregated revenues US\$180 billion in 2019, with export revenue of standing at US\$99 billion and domestic revenue at US\$48 billion, growing by over 13%. As of 2020, India's IT workforce accounts for 4.36 million employees. The United States accounts for two-thirds of India's IT services exports. India's IT Services industry was born in Mumbai in 1967 with the creation of Tata Consultancy Services who in 1977 partnered with Burroughs which began India's export of IT services. The first software export zone, SEEPZ – the precursor to the modern-day IT park – was established in Mumbai in 1973. More than 80 percent of the country's software exports were from SEEPZ in the 1980s. ^[1]

2. Employee retention:

A study of Indian IT Industry 3 The turmoil in worldwide economy due to pandemic of Covid-19 has forced to change the old models of delivering IT solutions. Customers in the present situation wants Services to be delivered in their mail boxes and employees have been testing new vistas of working & servicing their clients through online meetings and working from home (WFH). Thus, innovation is the new keyword which shall keep reinventing itself from the perspective of customers as well as employees of IT industry. Organizations

put lot of investment of efforts and resources in their employees. Right from the recruitment, further training & development, their maintenance & retention in the organization. Therefore, all efforts to retain them into the organization is the key challenge before HR managers of IT companies. The minimization of employee's turnover can be achieved through the effective implementation of employee retention techniques in the organizations. Employee turnover is very expensive from HR perspective which shall not only be seen merely fulfilling of vacancy. Any form of turnover be it voluntary or involuntary negatively affects productivity and profitability of organization. ^[2]

3. Need for study

Indian IT companies have accelerated the digitization of their customer and supply-chain interactions and of their internal operations by Two years. And the share of digital or digitally enabled products in their portfolios has accelerated. Thus, the industry poised to grow many folds in the coming years. The domestic revenue of the IT industry is estimated at US\$ 45 billion and export revenue is estimated at US\$ 150 billion in FY21. According to Gartner estimates, IT spending in India is estimated to reach US\$ 93 billion in 2021 (7.3% YoY growth) and further increase to US\$ 98.5 billion in 2022. Over few years, poaching of efficient manpower and lack of succession planning have cost IT companies dearly. IT industry worldwide has been marred with issue of Covid and work from home in the digital world

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employee retention has been the persistent issue HR managers have been facing. Therefore, it is imperative to understand the factors which lead to turnover & counter measures adopted by organizations which contribute towards employees' retention in IT Industry in India. [3]

4. Need of Employee retention:

The competition to retain key employees is intense. Top-level executives and HR departments spend large amount of time, effort, and money to figure out how to keep their people from leaving. Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time. Employee retention is beneficial for the organization as well as the employee. Employee retention is one of the primary measures of the health of the organization. Losing critical staff members means other people in the departments are looking as well. Exit interviews with departing employees provide valuable information that can be used to retain remaining staff. Main three reasons why employees quit are Dissatisfaction with superiors, Inadequate compensation and benefits, Lack of career development opportunities. But during the covid situation the major reason has become to work life balance, work load for the employees and also the terms related to the pay. [4]

5. Review of literature

This paper shall remain incomplete unless we review the various studies conducted in the field of employee retention. A sincere approach to evaluate and analyse the past studies on the topic has been adopted. Keeping the workforce motivated and retaining them in the organization has always been an intriguing task for HR managers. In the time of pandemic most of the IT Organizations have suffered loss which has got pressured on the employees and created a bad impact on the employer or the organisation. Phillip & Connel (2003) describes employee retention & low turnout rate has been the most challenging issue before organizations. The first step towards employee retention starts with better recruitment followed by adequate training and development. Adopting measures and strategies with which employees can be encouraged to remain in the organization is termed as employee retention. (Casico, 2006) opined that open & free working environment, fair & equal treatment to all employees, proper grievance handling mechanism, respect and trust to everyone are the most essential factors to retain the employees in the organization. Various studies show that turnover rates in IT institutions are worldwide phenomena and are not country specific Employee retention is not a single factor but combination of various factors (Fitzenz, 1990). The term "turnover" means movement of employee from one organization to another which opens up vacancies within an organizational unit (Beach, Brereton, and Cliff 2003, 62). Researchers like Feldman (1982) & Brodie (1995) opined that factors like job satisfaction, organizational commitment, nature of job etc. are related to turnover intent and actual turnover of the employees from organization. Johnson etc. (2000) argued that hiring, training of new worker as a replacement of lost employee costs 50% of worker's annual salary. It is also presumed that productivity is dropped along with loss of intellectual capital. Heneman & Schwab (1985) termed compensation as benefits & rewards provided to the employee for performance of work by the employer. Trevor et al (1997) recognized that pay has

a negative impact on turnover. Monczka, Zheo & Kay (2009) proved that compensation is one of the important & crucial factors in reduction of turnover and enhancing organizational commitment. [5,6,7,8,9,10]

Most of the studies favour that salary & compensation has negative correlation with employees' turnover and have positive correlation with employees' retention. Davies, Taylor & Savey (2000) are of the view that although salary & compensation can reduce the actual turnover but very few organizations use it strategically. Turnover intent of an employee can be evidenced by an employee's withdrawal behaviour with indications of negative attitudes, tardiness, frequent absenteeism (Firth, Mellor, Moore, & Loquet, 2004). Every individual aspires to grow professionally. Abraham Maslow's hierarchy of needs theory favours that as soon as the basic needs of human being are completed, next layer is strived for till it reaches to self-actualization level. Pergamit & Veum (1989) found positive relationship between career promotions and employees' retention. Eyster (2008) opined that job flexibility, lucrative career is a critical factor for employee retention. Many studies found work life balance correlate positively with employee retention. Deery (2008) & Swanepoel (2000) recommended actions like flexible work arrangements, appropriate staffing, adequate breaks, provisions of various types of leaves, child & parent care facilities, recreational & fitness related activities shall boost morale of employees and reduce the actual turnover. Hyman et al (2003) found interventions of work demands into personal life leads to higher stress levels & emotional exhaustion amongst employees. Wells & Thelen (2002) have stated that generous HR policies always enhance motivation of employees. [11,12,13,14,15,16]

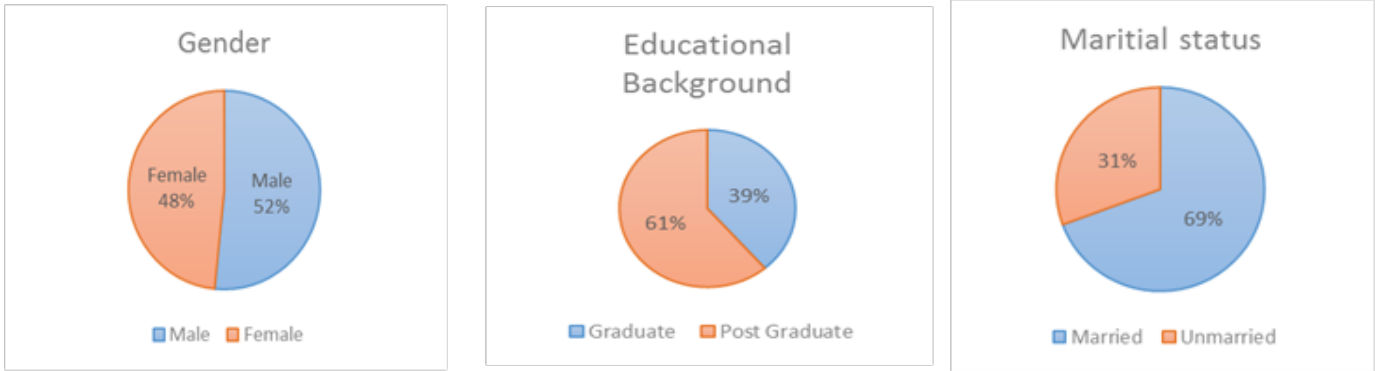
6. Research methodology

This paper is based on primary data. Primary data for pilot study was collected through structured questionnaire which is very simple and easy to understand & comprehend. The target population for this paper is employees of Indian IT industry. Questions pertaining to employee's retention intentions were asked. The questionnaire was developed using the Likert scale 1 to 5. 1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree & 5= Strongly agree. A study on pilot basis have been carried out and around 90 employees working in different IT companies across the Andhra Pradesh, Telangana and Karnataka primarily in public sector IT companies have been approached with questionnaire. Questionnaire was distributed through electronic media. We have received response of 50 employees. A descriptive analysis has been used to test the hypotheses. Multiple regression analysis has been carried out to examine the factors influencing the employees' retention in IT Industry.

7. Results

Out of 50 responses, it is observed that most of the participants are young between the age group of 26-35 years. Out of which 48% are female participants which shows that gender wise almost equal distribution. 61% respondents are well educated and have completed their Post-Graduation. 69% respondents are married as compared to 31% who are still in their bachelorhood.

Demographic profile.



Since the Likert scale 1 to 5 has been used indicating 1 for strongly disagree to 5 indicating “Strongly agree”. All the information has been converted in to numerical values. Values greater than mean value shows positive response towards the employee retention factor. Following table depicts the relationship between retention intention and retention factors. Pearson correlation test has been employed to find the correlation between employee retention with retention factors as to be tested as per hypotheses.

Variable	Retention Indention	Compensation (Salary & perks)	Job Security	Career progression	Work Life balance
Values	1	0.316	0.6053	0.7270	0.4038

Above table indicates the correlations between retention intention of the IT companies and their individual relationship with retention factors viz. compensation, job security, career progression and work life balance. As we find co-relational values of, Job Security, Career progression are greater than 0.50 value, it indicates that there has been positive relationship between employee’s retention with respect to individual retention factor taken.it means that each retention actor individually contributes positively for retention of employees in the organization.Compensationand work life balance are less than 0.50 value it shows negative because of the covid situation in the IT Sector.

8.PERCENTAGE ANALYSIS

1.Employee retention helps the development of organization



Interpretation:

From the above it is clearly evident that 64% of the respondents feel that employee retention strategies are important in an organization and they help in organizational development.

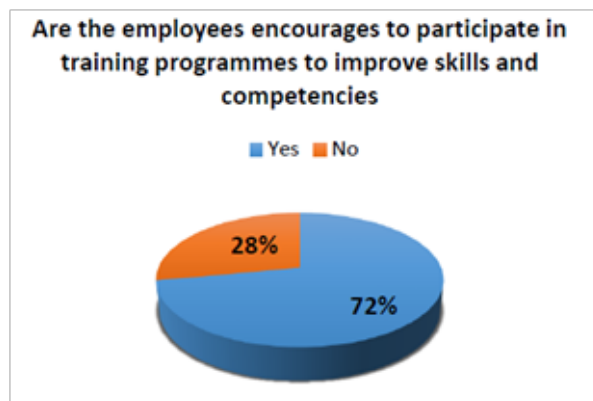
2.Does the company pay more attention to incentives and perks offered to employee?



Interpretation:

The above chart stated that there was not a very strong opinion about the attention paid by the company on incentives and perk. An open-ended questionnaire in the study revealed that most of the companies had a fixed and defined incentive plan which was followed.

These plans were not altered or modified that frequently. Though most of the organizations provided with incentives and perks, many employees felt that some attention should be paid to the plans and a few modifications need to be made in them

3.Are the employees encouraging to participate in training programmes to improve skills and competencies?**Interpretation:**

According to the above chart 72% of the respondents agreed that their employers encouraged them to participate in training programmes. With the Global economy changing at a rapid pace, the organizations are aware of the fact that their employees need to be trained with the latest technologies to sustain in the market.

9.Research gap

Owing to large number of studies on employees" retention along with many innovative HR strategies practiced across the world. There are always scope to apply different strategies at different times. IT industry has always been grappling with issue of high attrition not amongst with its employees but also with its intermediaries during the time of the Covid Pandemic.

10.Limitations & future scope of study

This small study has beenrevealed many interesting facts and opens scope for further studies especially in devising strategies for better working environment, job security coupled with better compensation and rewards specially in the time of this covid pandemic. Study has been carried out in limited geographical area. Further study on pan India with larger population shall be undertaken. This study mainly focuses on the respondents from IT companies in three regions. Further study may include participation from other regions and different types of the companies.Also, comparative study between public vs. private companies may also be taken up. This study is conducted with in limited area and short duration of time and data collected by way of questionnaire. The results may vary individually and with time. Owing to small sample size, the results seem indicative and general results are discernible

11.Conclusion

Through the above analysis, we found some meaningful observations. Better working environment has been the most contributing factor which most of the participants have marked as most influential while considering staying in the organization. Allowing flexible working options along with work from home options with the same work load when they

are working in the physical organization, ample breaks in working, providing child care facilities & better health care options not only improves the morale of the employees but also enhances the performance.

Job security is the other major concern that needs to be reemphasized by HR managers while devising strategies to reduce the turnover. Employee retention is complex phenomenon and need proper strategy and periodical review of the approach right from the recruitment. In the presentturbulent scenario, when world is striving to bounce back after fighting Covid-19, job security will be a challenge as organizations worldwide laying off manpower. Compensation & rewards has always been an influencing factor in retention of employees. During this pandemic the compensation also plays as important role for the retention. There is neither perfect compensation system nor permanent one. But it needs to be adequate, flexible and adaptive as per the changes in business environment. Factors which affect business environment can be internal issues specific to organization like growth, succession planning, cost management, training and development, technological advancements etc. while external factors such as regulatory concerns, dynamic market conditions, changing demographics and prevailing situation of pandemic due to Covid-19 seriously affects the compensation & reward structure. Therefore, organization Better career opportunities are win-win situation for employees as well as organizations. Better opportunities not only unleash the potential of the employee but also help the organizations to achieve its goals. Not only workers need good opportunities for bright career but organization's need better workers to lead them on the path of success. Better career progression plays a very important role in motivating and pushing the employees to deliver their best to the organization. Employees"

are the backbone of the organization and every step must be taken to retain their experienced manpower. In order to deliver best services, face global competition and to maintain its profitability, sustaining business in globally competitive terms it is mandatory to keep employees retention factors to be reviewed periodically by organizations. Organization's capability to engage, retain & optimize the values of its employees hinges how the jobs have been redefined, motivated the employees and their commitment towards organizational goals truly lies behind the effectiveness of employees' retention factors. This paper concludes that there has been positive influence of work life balance, job security, compensation and career progression on employees' retention. It also shows that it will be inappropriate to conclude single factor influencing retention of employee in organization but to keep solving the puzzle like Rubik's cube in which various permutations and combinations need to be applied as the business circumstances permits.

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