



EMPLOYEE RETENTION PRACTICES IN IT SECTOR

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ABSTRACT

Employee retention has become a significant concern for organisations globally. Any organisation cannot afford to lose its key performers since human capital is one of its most valuable assets. When an employee exits the organisation, it causes a loss of investments in terms of time and money. Therefore, it becomes important for the employer to recognize the factors that influence employees' decision-making to stay in the organisation. This paper is focused on IT sector and makes an attempt to identify the factors that contribute to an effective retention practice. For this purpose, primary data collection method was used. The data was gathered by distributing a questionnaire, to 30 employees randomly selected from different IT companies and conclusions were drawn. From the results of the study, it can be concluded that fair compensation plays a significant role in the retention of key employees. Furthermore, factors like employer and employee relationships, career advancement, adequate training and development, and organisational support all contribute to the retention of the key performers.

Keywords: Employee retention and employee retention practices.

1.Introduction

The IT sector has attracted a lot of attention since globalization. In 2025, India's IT sector will contribute approximately 15% to the country's GDP growth. The IT industry has transformed itself into a knowledge-driven industry over the years. As its pervasiveness is increasing day by day, many young individuals are opting for their careers in the IT sector. Large number of small, medium and major entrepreneurs are successively entering because of high earnings and profitable market size.

The IT sector is the third most important contributor to the Indian economy only after the agriculture and manufacturing sectors. It attracts a large number of individuals, mainly youth who chose to pursue jobs in the IT industry, regardless of their area of expertise, because working in IT firms is different from any conventional corporate system. IT sector offers to its employees a practical and flexible organisational culture which is free to a great extent from hierarchical bossism system and gives a pleasant workplace. The example

of work from home during COVID period and continuing it post COVID by IT companies of India is exemplary and lauded world over.

The success of any industry is supported by physical capital, human resources, and organizational resources. Human resources, as widely accepted, are the true asset for any organization's growth. Proficiency in human resource management leads to the most efficient use of other resources, resulting in increased profitability. Therefore, the primary goal of an organization is to retain its key employees as long as they can, which helps them to gain a competitive advantage. As per the future estimates of the Indian IT sector, organizations need to retain their top performers.

However, the industry cannot retain employees indefinitely since they have the option to switch to another organisation. Employers, on the other hand, cannot afford to lose vital human workforce as they have invested their resources, time and money in hiring and developing them. As a result, they aim to keep the personnel until the cost of keeping them is covered. In order to achieve this, the company must adopt and implement effective strategies, which gives them the opportunity to retain its top performers along with maintaining its stability and profitability.

1.1. EMPLOYEE RETENTION

Employee retention means that the employees stay long in the organization and they have no plan to change over to another organization in near future. Every organization invests significantly towards the recruitment, training and retainment of employees. Therefore, the organization expects from its employees that they should stay in the organization to contribute towards the attainment of organizational goal and also as a way to repay the organization what it had invested towards the growth of human resource.

Employee retention is defined in a variety of ways, it primarily refers to the different measures taken by companies to motivate their employees to stay with them for a longer period of time (Singh, 2019). Employee retention is primarily concerned with avoiding the parting away of efficient employees, which would negatively affect firm's productivity (Bansal, 2014).

According to studies, job enrichment, skill development, appraisal system and reward and recognition are the most important aspects in determining retention policies. In addition, employee retention is a strategy used by organizations to keep their employees productive while also meeting operational needs (Mita, 2014). Therefore, it is suggested that, organizations must limit employee turnover because it places a financial and human resource strain on the organisation (Samuel and Chipunza, 2009).

1. LITERATURE REVIEW

Philpott (2007), performed a survey on "Recruitment, Retention, and Turnover" to discover new trends in the practice of finding competent workers and found that 73% of businesses hire employees through outsourcing agencies. He also investigated the link between employee turnover and the agency. In his survey, he concluded that new employees are more interested in professional growth and future endeavours than in the compensation provided by the company to them. The survey also concluded that the top reason for employees leaving their current jobs is the temptation of future promotional opportunities offered by other organisations.

Hausknecht *et al.* (2009), in their survey titled, "Targeted Employee Retention: Performance-Based and Job-Related Differences in Reported Reasons for Staying" they concluded that the top three reason for staying in the organisation were organisational commitment, job satisfaction and constituent attachment.

Ghapanchi & Aurum (2011), in their study entitled, "Antecedents to IT Personnel's Intentions to Leave: A Systematic Literature Review" described that the variables affecting employee retention are compensation and perks, training opportunities, fair and equitable treatment, and organisational culture.

James & Mathew (2012), in their research paper titled, "Employee Retention Strategies: IT Industry" stated that every organization's primary objective is to retain talented employees in order to maintain its productivity and competitive advantage. As a result, the employer should enact HR policies that are tailored

to the requirements of the employees, as this will help them create a feeling of commitment and encourage them to stay with the company for a longer time.

Shanmugam & Anbu (2012), in their study entitled, “An empirical study on retention of employees in IT industries with special reference to WIPRO technologies”, concluded that pay and benefits, career growth, work environment, training and development are important factor for employee retention.

Mathur et al. (2013), In their study, "A Study on Impact of Employee Retention in Private Sector Sugar Mill", they investigated the elements that contribute to employee turnover and found that workplace and compensation are the most common reasons for quitting the organization. They also concluded that the assignment of competitive work, effective compensation rules, a proper performance rating system, advancement opportunities, and an effective evaluation framework can help the organization retain its employees.

Shukla et al. (2013), in their study entitled, “A Study of Employee Retention in the Pharmaceuticals Sector in Dehradun,” examined the factors that affect employee retention and found that HR policies, salary and benefits, job pressure, and relationships with superior’s influence employee retention. They also found that employees nowadays want to have an improved quality of work-life thus, organisations need to act accordingly.

Objectives

1. To understand the employee retention policies in the IT sector.
2. To highlight the reasons for employee turnover and various retention strategies followed in the IT sector.

Research Methodology

This study is Descriptive in nature and based upon primary data. The main purpose of the paper is to present the situation as it is prevailing in the selected units. The data was collected primarily by administering a questionnaire as a three-point rating scale. The respondents were the employees of Accenture, Infosys, and Tech Mahindra. They were approached randomly and the purpose and nature of enquiry were not revealed to them. On the whole the size of the sample was limited to only 30 respondents. The idea behind using descriptive research study is to define an opinion, attitude or behaviour held by a group of people on a given subject in a better way.

Data Analysis

Demographic variables

- From the total response of 30 respondents 21(70%) were male and 9(30%) were female.
- 16 respondents (53%) were below 25 years, 11(37%) were from 26-35 years age, 2(7%) were from 36-45 age and 1(3%) was above 46 years.
- Out of 30 respondents, 26 respondents have 0-5 years of experience in the organization, 3 respondents have 6-10 years of experience, 2 respondents have 11-15 years of experience and only one respondent has experience of above 15 years.

Table

Employee retention practices				Yes	No	Can't say
1. Is the salary offered to employees better than that offered by competing companies?				60%	26.70%	13.30%
2. Bonuses and incentives are being provided to deserving employees?				83.40%	13.30%	3.30%

3. Pay hike for employees are based on performance evaluation?				73.40%	13.30%	13.30%
4. Is the organization providing a mentor or counsellor to employees?				56.70%	40%	3.30%
5. Are employees being treated with dignity and respect?				83.40%	13.30%	3.30%
6. Is organization offering good opportunities for promotion?				83.40%	13.30%	3.30%
7. Is it giving independence and autonomy to employees in performing tasks?				66.70%	26.70%	6.70%
8. Employees are allowed in the decision-making process?				53.30%	40%	6.70%
9. Is organization putting effort towards increasing the morale of employees?				83.40%	13.30%	3.30%
10. Is there adequate training and development for skill growth?				76.66%	16.66%	6.70%
11. Do you have any plans to change companies?				26.70%	63.33%	10%

Findings

- The majority of the employees (60%) did believe that the salary offered to them was better than the salary offered in competitive firms, while 26.70% felt that they were paid less for doing similar jobs in competitive firms, and 13.30% were unsure.
- The majority of the respondents, i.e., 83.40%, agreed that bonuses and incentives were being provided to deserving ones, while 13.30% of respondents disagreed with it, and the remaining respondents, i.e., 3.30%, couldn't say anything about it.
- 73.40% of respondents said that pay hikes were based on performance evaluation, while 13.30% did not feel this way and 13.30% of respondents did not want to reveal.
- 56.70% of employees were getting a mentor or counsellor while 40% did not feel of getting such type of privilege and very few employees, i.e., 3.30%, could not say anything about it.
- The majority of the respondents (83.40%) believed that they were respected and recognised by the organisation, whereas a lesser number (13.30%) of the respondents felt the opposite and 3.30% of the respondents did not want to share.
- On being asked about the promotional or career advancement opportunities, 83.40% of respondents stated that their organisations were providing fair growth opportunities, while 13.30% of respondents stated that they were not getting opportunities in this regard and the remaining respondents, i.e., 3.30%, were silent.
- 66.70% of respondents stated that they were getting independence and autonomy in performing their assigned tasks, while 26.70% of respondents stated that they were not getting enough autonomy to perform tasks. Only a small percentage of responders (6.70%) were reluctant to disclose it.
- 53.30% of the respondents agreed that they were admitted in the decision-making process while, 40% of the respondents said that their efforts and opinions did not valued by the organization and 6.70% of respondents, did not disclose anything regarding this question.
- The majority of the respondents were of the opinion that efforts were made by their respective organisation for enhancement of their motivation, whereas, 13.30% of the respondents felt that their organisation was unconcerned about this aspect and 3.30% of the respondents were unsure.
- When asked about the organisation's training and development programme, the majority of respondents (76.66%) said they were getting sufficient training and that the company regularly conducted programmes for skill development, while 16.66% of the respondents stated that they did not get training and 6.70% of the respondents did not say anything about it.
- According to responses, 23.70% of respondents, stated that they did not want to stay longer in the company and had plans to switch over soon, whereas, 63.33% of respondents were quite satisfied with retention strategies and they did not have plans to switch over in the near future and 10% of respondents did not reveal their plans in this regard.

Conclusion

The rapid expansion and entry of new firms into the IT industry have resulted in a high hiring rate, and the IT industry is planning career opportunities and significant pay hikes to reduce turnover rates.

Respondents indicated that fair compensation was the primary reason for staying in the organisation. Furthermore, other factors, like harmonious relationship between employer and employee, better career opportunities, and organisational support, were also given weightage by the employees for staying in the organisation for sufficient span of time. On the basis of the above discussion, it can be said that the organisations which invest large amount of money and efforts for training and development of employees must get sufficient returns in form of better productivity, profitability and retainment of human capital.

Employees are company's most valuable asset. An organisation cannot afford to lose its essential employees. To retain their top performers, employers should understand their employees' demands and continuously make efforts to adopt such practices which effectively makes the employees to prolong their stay in the organisation. Anticipating in advance about the needs and demands of the workers which may arise in future and fulfilling them even before such needs or demands are made is the greatest strategy to enhance employee retention.

Each worker's demands are unique. Employers should make them themselves capable enough to handle the situation in such a way that the overall impact of which is so wide that employees should have feeling of satisfaction at individual level. Sometimes it appears difficult, but adoption of worker oriented human resource practices may help to a great extent in this regard. The IT industry of India, is the one of the most efficient and competitive at the world level. The IT industry contributed 8% to India's GDP in 2020. The IT industry along with BPM industry employed about 4.5 million people as of march 2021. The attrition rate is also the highest in IT industry in India. IT companies in India competes with each other in hiring best of the talents and retaining them. Therefore, it is suggested organizations must implement suitable HR practices and set organisational goals keeping in mind the available human resource capital, investments made on building up unique human resource and retainment of such human resource in the organisation.

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