

Attrition and Its Attributes in IT and ITES Sector in Karnataka

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“People are your most important asset” is wrong. The right people are your most important asset. **-Jim Collins.**

Abstract

Global outsourcing and the huge opportunities for skilled software professionals has resulted in excessive movement of employees. Affordable and talented employees are becoming harder to find. Hence, the competitors are gaining advantage by poaching the skilled employees through referral schemes. This has created tremendous opportunities and competition for talented IT professionals. The downside of this increased competition is a rising rate of attrition, particularly in India. As a result, the costs incurred in recruitment, training and cost of productivity are lost when the employee decides to quit. This research paper mainly focuses on the main attributes of attrition. Apart from the general reasons from the employee's side, there are other broad areas to be concentrated. It is based on the survey conducted in the IT and ITES sector in Karnataka. The statistics from the survey includes Descriptive statistics, Correlation Analysis and Multiple Regression Analysis. This paper has skimmed down the main attributes of attrition based on the questionnaire which will help the IT and ITES sector to priorities those areas and satisfy the employee's needs to control the attrition rate.

Keywords: Attrition, Information Technology (IT), Information Technology Enabled Services (ITES).

1. Introduction

IT and ITES sectors are experiencing a global issue of rising attrition. This key risk has an impact on the growth of the industry. Widely employee engagement programs are conducted through strenuous employees training in new technologies and job rotation are assigned to mitigate this problem. Usually, experienced employees leaving the company cost 1.5 times more than his annual salary for the replacement. Employee's resigns for many reasons like new offer, increase in pay scale, monetary and other non-monetary benefits etc. If a poorly performing employee chooses to leave on their own accord, it solves a company considerable time, effort and administrative costs it also helps to infuse fresh blood and new ideas. Moreover, HR practices need to be fine-tuned according to individual employee's career growth. This paper intends to explore the reason behind attrition and tries to figure out the measures to be taken to retain the valuable resource of the company.

The word “Attrition” refers to scaling down of employees in an organisation. It occurs because of retirement, resignation or death of the employee. There can be many reasons for an employees to leave an organisation like he may be getting higher job position in some other company or he may want to change his profession or he may leave an organisation for higher studies, etc. Attrition is different from the labor turnover. It shows the overall reduction of workforce and will not take into account the positions vacated and later filled by the new employees. Employees hop from one job to another due to the perquisites offered and its environment.

Attrition rate is the rate at which employees voluntarily leave the firm. The attrition rate is also referred to as the employee turnover rate or the “churn” rate. If the company has a high attrition rate, it may cost a significant amount of money to continually replace employees for their recruitment cost, training cost, new hire cost, lost productivity cost etc. Furthermore, customers may sense drop in the quality of service due to a diminished work force or lack of morale or motivation in remaining employees.

Attrition rate can be calculated with the following formula:

Attrition: (Number of employees left in the year/ Average employees in the year) x 100

2. Literature Review

According to Dess et al. (2001), voluntary turnover incurs significant cost, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product/service quality, organisational memory) and the loss of social capital. According to Dr. Shine David(2015), organisational culture, working conditions, career growth opportunities, work pressure and mutual trust are the causes of attrition in fast growing industry like IT. The researcher suggests that organisation should have employee friendly organisational culture with positive working conditions, low pressure and higher opportunities for career growth which will reduce the attrition rate at a great extent and increase employee attitude in order to sustain in the organisation. Dr K. Malar Mathi and G. Malathi(2015) says that escaping the issue of attrition is not a concept that is unattainable. Attrition can be reduced when employees are truly committed and dedicated to their work. To reduce employee turnover, in depth hiring or exit interviews helps to sustain employees.

Dr. Sneha Mankikar (2013) negates the existence of infant attrition in IT industry and with so many influencing factors like job description discrepancy, stress, organisation culture, employee discrimination etc. Savneet Kaur (2013) says that there is no universal attrition management solution. For every organisation there exists a particular kind of motivation technique that has to be followed keeping in mind the type of employees and the set goals of the organisation. Attrition should be kept a check on a regular basis along with the calculation of cost attached to it. V.P Thirulogasundaram and S A Senthil Kumar (2012) divided all factors into two main factors: individual and propel factors. Individual factor is most significant which contributes 17.5% in attrition whereas propel factors contribute only 1.3% in attrition. Individual factors such as health problems and work stress, children's education, unrealistic expectation for organisation and fun. In propel factor no significant reasons were found because of which employees quit.

According to Subhash Khare(2015), Vice President, HR,Wipro Ltd., there is a higher percentage of attrition at the junior levels, as compared to middle or senior management. The reasons would range from higher studies to or relocation to another city or better opportunities which usually come with more compensation. Top IT firms like TCS, INFOSYS, Wipro turn to algorithmic tools and programs to check attrition rate. The socio-economic data are collected from incoming engineers and based on this HR department predicts and takes decisions along with the use of algorithms and analytics in recruitment. In an interview to Economic Times Prithvi Shergill,(2015) acknowledges that there exist 75% positive correlation between a prediction using analytics and what actually happens.

3. Scope of the Study

The study was conducted in various IT and ITES firms in Karnataka, the employees were asked to give the opinion about their expectation in order to prolong their services with the current organisation. This study will explore the causes of attrition and leads the HR managers to change their retention strategies accordingly to control the attrition level.

4. Objectives of the Study

1. To understand the existing human resources practices followed to resist the attrition level.
2. To identify the major causes of change in the attrition level of IT and ITES sector in Karnataka.
3. To analyse and suggest the possible ways to control the attrition rate and retain the employees.

5. Methodology of the Study

The study is conducted in the IT and ITES firms. The data has been collected through primary source. The primary data was collected with the help of structured questionnaire in the IT firms located in Karnataka.

5.1 Sampling Technique

A structured closed ended questionnaire was constructed with the attributes of attrition of employees. 5-point scaling technique is used for determining the factors influencing attrition of employees in the company. This questionnaire was floated among 800 IT employees belonging to different IT firms, in Karnataka.

5.2 Statistical Analysis and Interpretation

5.2.1. Descriptive statistics showing the attributes of attrition:

The Attributes of Attrition have been analysed by descriptive statistics at Mean, with their scores and standard deviation.

Table:1 Descriptive Analysis

Attributes of Attrition	N	Mean	Std. Deviation
Learning	800	3.0075	1.16475
Induction	800	2.2925	1.07861
Selection	800	2.4800	1.34140
Cost reduction	800	3.8475	1.21700
Valid N (list wise)	800		

The above table depicts the distribution of the sample respondents classified according to the main attributes which contributes to the increased level of attrition. It is inferred that the one of the area to be concentrated is cost reduction which has the mean score of 3.84 and the standard deviation of 1.21, Learning & Development follows closely with a mean value of 3.0 and standard deviation of 1.16. Selection procedures need to be improvised has scored a mean value of 2.48 with a standard deviation of 1.34. Induction procedures was considered least among the other areas with a mean value of 2.29 and a standard deviation of 1.07.

Hence cost reduction to be given importance to improve the attrition status of the company. Employees are not motivated only by hygienic factors like salaries alone (Bhatnagar, 2007), they look for other softer rewards like challenging job, clarity of work, training and career advancement opportunities etc. According to the article published in Business Standard (2015), Some IT companies have initiated training programmes to arrest attrition. TCS, for example, has already announced it would train 100,000 employees, about a third of its total workforce, in digital services. Earlier, Infosys had announced an initiative to train 40 per cent of its workforce, 70,000 employees, in design.

6. Correlation Analysis

Correlation describes the strength of the relationship. It is not concerned with ‘cause’ and ‘effect’. A correlation coefficient is calculated as the measure of the strength of this relationship. Its symbol is 'r' and its value lies between -1 and +1. Correlation analysis is used for analysing the employees’ level of attrition and its attributes.

Correlation Analysis attempts to study the relationship that exists between two variables. The correlation co-efficient of the selected independent variables with the determinants of the employees’ level of attrition and its attributes have been worked out in order to identify the most important variable that has relationship with the dependent variable. Also, the correlation co-efficient among the different variables has been worked out so as to arrive at a correlation matrix which incorporates correlation co-efficient of attitude of employees with the independent variable.

The table given below reveals the level of attrition and its attributes. The details are presented as under with the following description.

Y₁ = Attrition

X₁ = Learning, X₂ = Induction, X₃ = Selection, X₄ = Cost Reduction.

Table 2. Correlation Analysis

Variable	Y1	X1	X2	X3	X4
Y1	1				
X1	.694**	1			
X2	.117**	.056	1		
X3	-.174**	-.221**	.091*	1	
X4	-.021	.008	-.212**	-.062	1

***. Correlation is significant at the 0.01 level (2-tailed).*

**. Correlation is significant at the 0.05 level (2-tailed).*

Table.2 reveals the level of attrition and its attributes. It is understood from the table that there is a significant negative correlation between Attrition and Selection. Attrition is positively correlated at 1% level with Learning and Induction. There is a negative correlation between Learning and Selection at 1% level. There exist negative correlation between Induction and Cost reduction at 1% level. Induction and selection are positively correlated at 5% level. It is clear from the above table that the selection procedures doesn’t influence the attrition of employees and learning opportunities. In the same way the induction doesn’t show any impact on cost reduction. Hence, it can be concluded that the attrition has correlated effectively with Learning and induction. In the same way, selection has correlated well with induction procedures. From the above table it can be concluded that the attrition level of employees can be reduced by concentrating on increasing learning opportunities and improving induction procedures based on the selection of employees.

There is a negative correlation between high attrition and the quality of service. That’s why the replacement of existing employee is costly as well as destructive (Noe, Hollenbeck, Gerhart, & Wright, 2006).

7. MULTIPLE REGRESSION ANALYSIS

In order to estimate the degree and the extent of interrelationship between a dependent variable and the number of independent variables, multiple regression techniques was generally used. To identify predictors of attrition, the regression technique has been applied to compute the R² from the following model.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \dots + \beta_nX_n + \mu$$

Where X_{1,2,3,..n} – Independent Variables, Y – Dependent Variables, B–Regression Co-efficient value, μ–Error term.

The regression co-efficient and overall variations are tested respectively by computing ‘t’ value and F ratios. The goodness of fit of the estimated equation is worked out with the help of R-squared and R-Adjusted square values. The following variables have been selected for Regression analysis.

Employee Attrition (Y₁) = Dependent variable

The Independent variables chosen for the analysis are given below:

Y₁ = Attrition

X₁ = Learning, X₂ = Induction, X₃ = Selection, X₄ = Cost Reduction

7.1 Employee Attrition and its Attributes

The model used for the analyses is described below:

$$\text{Employees' Attrition}_{i,t} = \beta_0 + \beta_1 \text{ Learning}_{i,t} + \beta_2 \text{ Induction}_{i,t} + \beta_3 \text{ Selection}_{i,t} + \beta_4 \text{ Cost Reduction}_{i,t}$$

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699a	.488	.486	1.26439

a. Attributes of Attrition: (Constant), cost reduction, learning, induction, selection

Table 4. Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	T value	Sig.
	Beta	Std. Error	Beta		
Attrition (Intercept)	-.018	.248		-.074	.941
Learning (X ₁)	1.033	.040	.682	26.145	.000
Induction(X ₂)	.129	.043	.079	3.028	.003
Selection(X ₃)	-.040	.034	-.031	-1.172	.241
Cost reduction(X ₄)	-.017	.038	-.012	-.450	.653

Source: Compiled from Collected Data

The fitted regression is given below:

$$Y = -.018 + 1.033(X_1) + .129(X_2) - .040(X_3) - .017(X_4)$$

The analysis of variance of multiple regression model for attrition and its attributes - learning, induction, selection and cost reduction indicates that the overall significance of the model was fitted. The co-efficient of determination R^2 value showed that these variables put together explained the influence of these attributes on attrition to the extent of 3.5%. Hence, it is concluded that the attributes of attrition employee may be varied from time to time. It is not a constant one. The HR managers should take into account the attributes of attrition and implement the best possible solution. So that they can protect and retain their valuable human assets from the competitors and enhance their competitiveness in the IT field.

Retention strategies are compensation, employee recognition, healthy management practices, building brand name, developing a sustainable culture, recruit the right people, provide career advancement opportunities, part time employees have to be treated with due diligence, make work fun for the employees, balance between work life and personal life, employee safety should be on the priority list and employee engagement (Kodikal, Pakkeerappa, & Ahmed, 2012).

8. Summary of Findings

Descriptive Analysis infers that 'cost reduction' with the mean score of 3.84 has to be prioritised in order to reduce the attrition rate, the next attribute to be concentrated is 'learning and development' with the mean score of 3.0. Then Selection procedures follows with a mean value of 2.48 and Induction procedures was considered least among the other areas with a mean value of 2.29.

Correlation Analysis has been used to study the relationship that exists between employee attrition which is constant and the variables, attributes of attrition. The calculated results show that the selection procedures don't correlate with the attrition of employees and learning opportunities. In the same way the induction procedure doesn't show any impact on cost reduction. Hence, it can be concluded that the attrition has correlated effectively with Learning and induction. In the same way, selection has correlated well with induction procedures. Correlation analysis indicates that the attrition level of employees can be reduced by concentrating on increasing the learning opportunities and improving induction procedures based on the selection of employees.

The Analysis of Variance of Multiple Regression model was used for finding the Attrition and its attributes. It infers that the overall significance of the model was fitted into the present study. Also, the co-efficient of determination R^2 value showed that these variables put together explained their significance towards Attrition to the extent of 3.5%.

9. Conclusions and Recommendations

IT and ITES sectors in Karnataka are witnessing higher attrition rates among talented employees and it becomes the priority to retain them. In order to attract and retain the talented employees, it becomes necessity to redesign the reward and recognition packages accordingly. The learning from this research paper with a sample of 800 IT and ITES sector employees has taken the four major attributes of attrition viz., cost reduction, learning, induction and selection. Based on the analysis, it is recommended that the management has to encourage, facilitate and enable the employees to make use of learning and development opportunities. Cost reduction should not come in the way of Learning and Development. So that they won't switch over to another companies for their self-development. Next attribute of attrition need to be concentrated is induction procedures.

It is understood that instead of framing various retention strategies, the management need to select the right candidate and design the induction procedure to fetch their requirements. Future is unpredictable, so the IT and ITES sectors have to expect the unexpected and prepare for the unforeseen expectations of future generation. The management have to support the employees through continuous career guidance and incorporating new technologies/software to enhance their skills and knowledge. It is better to invest on developing existing human resources rather than losing them to the competitors. As a preventive measure, it is recommended to use psychometric test and algormic tools to predict the employees' status of mind. It is understood that instead of framing various retention strategies, companies need to identify the right candidate at the time of recruitment.

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