Indian IT Industry: High Attrition Rates And Employee Retention Strategies

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Abstract

Information Technology (IT) industry is one of the most significant, rapidly growing, and large foreign exchange earning industries of India. The IT industry has been successful in building valuable brand equity for itself in the global market. The industry comprises of software industry and information technology enabled services which further involves business process outsourcing (BPO) industry. India is considered as a

pioneer in software development and a favourite destination for IT-enabled services globally.

IT companies have been facing challenges of high turnover and very high attrition rates in the recent years. The young talent doesn't stick to one organization for more than one year. There are various reasons for employees to look for another job in a short period of time. The companies are also taking rigorous measures to control the attrition rate.

The word "Attrition" refers to scaling down of employees in an organization. It occurs because of resignation, retirement or due to death of the employee. Attrition, in an organisation refers to reduction or decrease within the size or strength of the team, or a gradual reduction occurring through numerous reasons apart from layoffs and firing of workers. The employees may leave the organization due to many reasons such as high salary, higher job positions in some other company or change of profession itself. The job opportunities in Indian IT sector are more than the available employees i.e. demand is more than supply.

The amount of people leaving an organization critically affects the business success of an organisation. Higher employee turnover could be a serious problem as they are an essential part of every business. The loss of key people would have significant impacts on organizational and financial progress of a company.

The employers must make sincere and systematic efforts to retain employees. Such a policy would encourage the existing employees to remain employed to fulfil their needs within the organisation. To retain the employees in the company and in the current job, especially in the IT sector, employers need to build trust among employees and give due respect to them. avoid gender discrimination, provide scope for career growth and opportunities for skill development and encourage stress relieving activities for the employees.

This paper aims to study and explain the causes of very high attrition rate in Indian IT Industry and some of the remedial measures to improve employee retention rates.

Keywords: Indian IT industry, Attrition, Retention Strategies

Introduction

Attrition rate refers to the metric used to measure the loss of employees over time. In the lifetime of any firm employee turnover or attrition may take place at some or other point of time. An employee may leave the company for personal or professional reasons, or if the company office gets relocated and some employees are not able to shift- they may resign.

Attrition may take place if some employees feel that they lack professional growth, the work environment does not suit their aspirations. Some senior position employees leave the firm for better opportunities and so on.

The Indian IT industry recorded 20 to 25 per cent employee-attrition rate in last two years and it is likely to continue for some time. The IT indusrty has been losing talent to other industries. The main causes making the talent move are company policies, payment, work flexibility along with the non-technology firms step up demand.

Kyndt (2009) and Govaerts (2011) have mentioned that if an organization wants to retain its employees, then it has to pay special attention towards learning of employees.

James and Mathew (2012) have analysed the impact of retention strategies on employee turnover in the IT sector in Bangalore, India. The study suggested some important retention strategies of rewards and recognition, training, and development opportunities, mentoring and coaching sessions, career planning, flexi work timing, annual performance appraisal, on site and day care facilities. Some more variables investigated by them were the Welfare Benefits, Personal Satisfaction and Organizational Culture, which are said to be associated with the Employee Turnover.

Best way to enhance employee retention is to understand what the employees require from organization and provide it to them. It is not feasible to satisfy every employee's demands. But organization should make the employees feel that employees are most valuable for the organization. By enforcing appropriate HR practices and policies, organization can instigate this feeling amid their employees. It has been observed that proper communication is necessary to generate a conducive environment in the organization.

Causes of Attrition

Some common factors leading to employee attrition are shown in the following figure.
1. Personal Motivation- At times there is some change in an employee's personal life due to marriage, childbirth, job of spouse etc. that can compel an employee to switch jobs. The firm can keep a record of such good employees who may return to the firm in future.

Figure 1: Factors Causing Employee-Attrition.
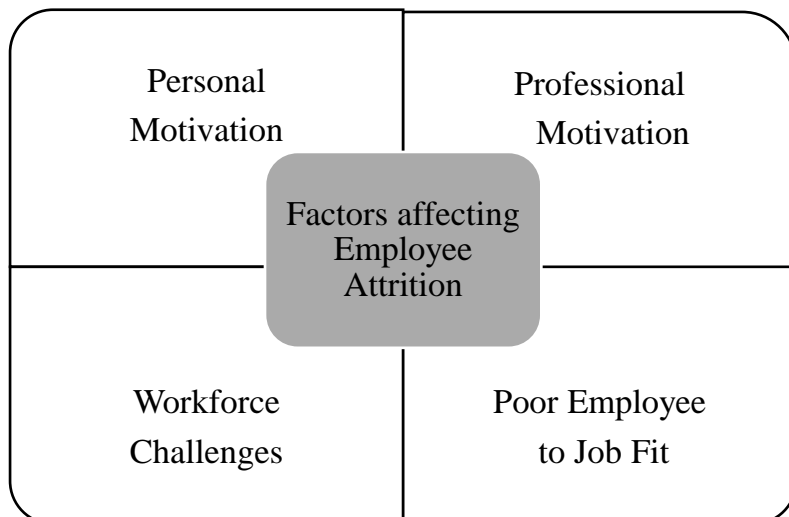
2. Professional Motivation- An employee might leave due to lack of opportunities for career progression in the present organization. This is the case in several technology companies, where technical talent is forced to fight for managerial positions as they move up the ladder. This is where HR could play a massive role in controlling attrition.

3. Challenges with the Workplace- The Challenges in the workplace can range from uncollaborative leadership to the lack of requisite tools for work.
If regular feedback is taken and the HR team listen to the voice of the employee, and addresses the gaps in their employee-experience, this type of attrition can be easily resolved. Typically, someone who is happy with their current job won't quit if most of their workplace requirements are met.

4. Poor Employee-to-Job Fitment- The employees who join a company, full of enthusiasm and leave in a month or two, this could be an indicator that the job was not right for that candidate, to begin with. If the job descriptions are properly laid down the employees will know exactly what to expect, and you are less likely to witness new-hire attrition.

Indian IT industry Scenario
The chart shown in figure 2 depicts the Attrition rate of IT industry from year 2017 to 2021.

Figure 2: Attrition rate in top Indian IT firms
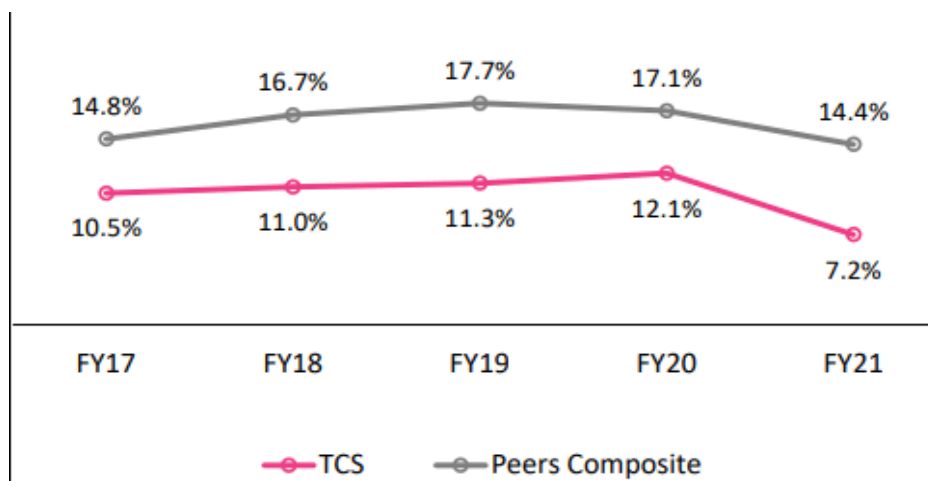
Source: Annual Reports of companies

Figure 3 Attrition Rate in Top IT Companies

	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
TCS	7.60%	7.20%	8.60%	11.90%
Infosys	10%	15.20%	13.90%	20.10%
Wipro	11%	12%	15.50%	20.50%
HCL tech	10.20%	9.90%	11.80%	15.70%
Tech Mahindra	12%	13%	17%	21%

The attrition rate in Infosys, TCS, Wipro, HCL Technologies and Tech Mahindra for four consecutive quarters is shown in Figure 3.

The IT industry is expected to grow from 5 million employees to 10 million in five years, resulting in opportunities for job seekers. The employers may have to offer a lot more than just good compensation as the employees look for company (work) culture, leadership, flexible working hours, quality of life and work environment.

Best Practices to Reduce Employee Attrition Rate

Due to attrition the workforce shrinks in size, the firm loses out on valuable product/domain damaging the employer brand as a firm. Hence the companies should firstly assess for job and culture fitment right at the time of hiring; secondly, offer learning and employee development opportunities to accelerate career growth; thirdly, regularly solicit feedback on employee-

satisfaction; also, ensure a competitive pay package compared to other companies and conduct detailed interviews after an employee has exited, in order to spot the attrition trends. (Figure 3) Employee retention defined as an organization's ability to hold on to its employees also refers to the strategies an organization develops to mitigate employee turnover risks and the processes it puts in place to increase retention of top talent.

There are deliberate actions that can help boost employees' job satisfaction and increase the ability of a firm to hold onto valued workers. For Example, the **onboarding process should teach and orient the new employees** not only about the job but also about the company culture and how they can contribute to and thrive in it.

Fig 3. Some Best Practices to Reduce Employee-Attrition

Assess Culture fit while hiring	Offer Learning Opportunities	Offer a competitive pay package
Regularly monitor employee satisfaction	Conduct thorough exit interviews	

Apart from this, pairing a new employee with a mentor, paying **competitive compensation, perks, wellness offerings**, effective organisational communication, continuous feedback on performance, training and development, **work life balance and flexible work arrangements**, emphasis on team work can improve the retention rate of employees. Thus, some good practices can make employees who would look forward to **a great resignation** turn into **a great retention**.

The Attrition Scenario in Indian IT Industry and the Employer Response
During the FY22-23 Q1, that is, the first three months of the calendar year 2022, the IT giant Infosys saw an attrition rate of 27.7 per cent. Tata Consultancy Services (TCS), India's largest IT firm by revenue, witnessed an attrition rate of 17.4 per cent, while HCL Technologies' attrition rate was 21.9 per cent and for Wipro and Tech Mahindra, the attrition rates stood at 23.8 per cent and 24 per cent, respectively.

High employee turnover, because of quick career advancement and multiple job opportunities, has come to be known as a negative "spill-over effect" of industrial growth (Sahu and Gupta, 1999).

Faced with an alarming turnover rate, the IT industry has been emphasising reskilling and retaining people through various monetary and non-monetary incentives. Infosys has reportedly raised internal promotions by 3.5 times and doubled its employee stock ownership plan (ESOP) coverage in order to retain talent.

According to top officials of Infosys' HR development group, most employees were departing owing to external market demand, personal factors like as location preference, and post-pandemic flexibility (at work). The IT firm's "Bridge" programme, which allows a mid-career software engineer to become a consultant, power programmer, or digital specialist after three months of training, has also been strengthened recently. At Infosys, candidates might shift across streams after reskilling since they obtain better pay.

Infosys is also providing premium compensation for specialised talents and aligning pay to market trends in cloud-related domains, big data analytics, and specialisations such as SAP and Salesforce fields, which have had a higher turnover. The IT firm will also open offices in tier-II locations such as Coimbatore, Vizag, Kolkata, and Noida, to attract employees who are leaving metro cities to stay closer to home, ET reported.

Even earlier in 2016 and 2017 the Infosys had experienced high attrition rates of around 20 per cent. The company has rolled out two major initiatives aimed at employee engagement and retention. One, restricted stock offerings to employees across various levels. And secondly, a robust 'rewards for performance' plan.

Significant **strategies adopted by IT major TCS to retain employees** amid high attrition rate:

TCS is following the company's annual compensation review, employees received salary increases of 5 to 8%, with top performers getting even bigger hikes, TCS is offering the hybrid model of working, coupled with the existing location-independent agile methodology. TCS has introduced a 25X25 policy which says that not more than 25% of the company's associates work from the office at any given point in time. Five major reasons why TCS has low attrition among its peers,

1. Salary: TCS follows a standard increment process. 62% of employees gain less than 10% of increment, 22% gain 10-15%, and 6% obtain 15-20% based on their performance and experience.

2. Working Hours: 40 % of employees work for 8-10 hours a day which is normal working hours for

the professionals. However, 35% work for 5-6 hours with 23% giving 10+ hours a day to their work. However, TCS follows a flexible working model as represented by 62% of professionals.

3. Promotion: In TCS a promotion to the employees is given according to their experience and years that they have worked in the organisation. 39% of employees that have worked at TCS for 3+ years, 28% employees working for 2-3 years, 26% professionals for 1-2 years, and 6% working for less than a year were promoted.

4. Training: TCS is very keen when it comes to training employees and offers courses to the employees to level up. On attending the training sessions, 22% of professionals attend training more than 6 times in a year. 29% have done training 3-5 times in a year whereas 33% have done 1-2 times in a year.

5. Parties: TCS believes that "only work and no play" can be a bit boring. Hence, they ensure

to have off-site parties to keep employees entertained and motivated. 23% of the professionals attend the parties annually**.**

 The other two majot IT companies, **Wipro** and **HCL Technologies** have been recruiting the largest numbat of employess in last 2.3 quarters.

Conclusion

As there are many IT companies, employees have an option of switching over their jobs very frequently. Employees are considering good working condition, challenging projects, perks and a decent salary package and also expecting support for their higher studies from their employees. The Indian IT companies are geared up and using effective strategies and methods to retain talent for higher growth prospects of the industry.

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