

Impact of Human Resource Practices on Employee Retention in the Indian IT Sector

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Abstract

Employee plays a very important role in the success of any organization because it is the only factor of production, which manages all the other factors of production, such as material, machine, money et al. The success of any organization depends on the quality of skilled workforce it has. The importance of employees is higher in IT sector where the ultimate product of the company is service provided to the customer. When we talk about Indian IT sector, which is growing day by day due to the emergence of new players, rapid change in technology, and global explosion, India has become a destination for digital service providers in global IT market. The turnover rate of employees are very high in this sector due to ample opportunities for the new skilled employees in national and global market, lack of talented skilled employees in this field. So, it very important to retain talented employees in Indian IT sector because the cost of providing recruitment, induction and training in very high and if the employee leaves then companies need to bear that cost again. There is emergence of new technology in Indian IT sector as IA, data analytics and machine learning, and IT firms are upskilling their employees and losing those employees will be very expensive for them. So the present paper studies the human resource practices, and retention strategies that promote employee retention in Indian IT sector.

Keywords

Employee Retention, Human Resource Practices, IT sector, Effective Retention Strategies.

1. Introduction

An employee is the only factor of production that has the ability to think, reacts and control the other factor of production such as machine, money and material et al. Employee plays the most important role in the service sector where the ultimate product of the company is service provided to the customer. That's why employee has a premium position in any organization. To retain the best employees became very important these days because of the cut-throat competition among the competitors and ample opportunity available for talented employees in the global market. (Mohan and Muthuswamy, 2015).

Employee Retention is a process in which employees are encouraged to remain in the organization for longer period or until the project get completed. It is very important for the organization to retain their best employees for the fulfillment of the individual and organizational goals. The Employee is the most important resource for the organization because they can; only make or break the organizational goodwill and success (Haider et al. 2015).

Information technology in India consists of two major components: IT services and business process outsourcing (BPO). India has become one the destinations for the delivery of digital services in global IT market by contributing to 75% of deliveries for companies which are based out of India. The Indian IT industry earnings are \$11Billion during the year 2017 consistently growing year by year with earnings of \$60 Billion in last 5 years. According to NASSCOM Indian IT Industry is set to grow at the rate between 7-9 % during the 2018-19 and 7.8% being in the 2017-18. The expected growth of IT to \$310 billion by 2020 (NASSCOM, 2018). According to NASSCOM, Indian IT Industry provides direct employment to 2.8 million employees and indirectly to 8.9 million employees in 2012 and now IT industry employ 10 million workforce in 2014-2015. According to Gartner, the "Top Five Indian IT services Providers" are Tata Consultancy Services, Infosys, Cognizant, Wipro and HCL Technologies. The IT/ ITeS industry in India is expected to grow by 9 % in 2019, Indian IT companies need to transform themselves due to the change in technology, rapid digitization in this field, change in the demand of customers, and increasing challenges in the market place. The major focus of HR manager in IT firms should on reskilling and

upskilling the work force that they master the new technology such as artificial intelligence, data analytics, machine learning which will be ruling the sector in coming years. An Intel report suggests that over the next few months, there will be a rise in AI spending by the Indian IT companies. Taking that into consideration IT firms need a workforce that cannot be replaced by the machine. And upskilling is required to meet the demand of skilled talent in the Indian IT sector (Yourstory.com).

Employee retention became a serious issue in the Indian IT sector these days because of the shortage of skilled labor and economic growth in this sector. It is not only important to hire a talented employee but it is equally important for the organization to retain them for longer periods. The opportunities for the talented employees have increased immensely due to the global explosion in business which made them highly mobile and progressive. Now a day's talented employee seeks new possibilities, promotion, growth and development. Many organizations have become technology driven but the importance of employees is not reduced because they are only required to run that technology.

The IT sector of India is facing a high rate of attrition of talented employees and retention of these talented employees has become a challenge for the organization. As failing to retain is very costly for the organization because they have incurred a large amount of money from hiring to induction, providing training and other facilities. Hence, employee retention is a technique adopted by the organization to retain the best employees.

2. Review of Literature

Mehta, et al. (2014), the purpose of their paper was to review the findings of various past research papers of various writers to get to the factors that impact employee commitment and retention in a work environment. They scrutinize the various factors such as recruitment, onboarding and orientation, investment in training and development, career development opportunities, compensation and benefits, communication autonomy and empowerment, culture of the organization, Gallup audits, personal causes, work-life balance, image of the company, role of HR head and supervisors, leadership work-related policies and flexi-time, effective talent management strategies, performance appraisals and career growth and development opportunities. And they come to the conclusion that

there are no one fixed practices which show the importance and significance of the influence of all this above broad points because different organizations provide emphasis on these factors depending upon their need for retention.

David (2015), the study was conducted to analyze the problem of high attrition in IT sector India. They suggested the causes of high attrition in IT sector, such as working conditions, career growth opportunities, organizational culture, work pressure and mutual trust. They concluded that, to retain the employee it is important to have an employee friendly environment with low work pressure and higher opportunities for career growth which ultimately reduce the attrition rate and encourage them to perform better.

Agarwal and Munish, (2015), in their study, they explained and analyzed the employee retention strategies followed by IT companies of Delhi NCR region. They analyzed that Organisational culture, Compensation structure, lack of rewards & recognition, development opportunities, and management support had played a vital role in employee attrition. While the factors that influenced the retention of employees are concluded as Career Advancement opportunities, Organisational culture, Job autonomy, fair and equal treatment, working conditions Adequate compensation structure, optimum use of skills and abilities, support from management, Policies of rewards, recognition, Quality of work life, Work Stress.

Saptal and Dhillion, (2016), the study focuses on employee retention and various factors that affect employee retention and different employee retention strategies adopted by the IT industry. This study brings out that work environment, family problems, compensation, relation with superiors are the important factors that should be considered while planning a job change by an IT professional. The Company provides training to the employees and incurred lots of expenses in the process, but after getting training employees move to another organization for better prospects. They concluded that companies feel the importance of retention strategies and accepted that without it they won't be able to survive in a competitive market. So some benefits like exciting salary, flexible timing, better work environment and better career growth helps in the employee retention.

Purphit (2016), this paper explains the cause of high employee turnover, and suggests the ways that companies can use to decrease the level of employee turnover to decrease the undisclosed cost. It was found through her analysis that most of the industries have faced the problem of turnover because are dissatisfied with work or working conditions, working hours, workload and work schedules, incentives, salaries and the facility which are provided to them is not up to their acceptance level. It was disclosed from her study that most of the IT companies even the top most companies are facing a turnover problem due to many factors. The most important of all is Compensation, because if experienced employees switch over to other companies, and they will get more payment. She stated that there are various pull, push and personal factors which are reasons of the high level of turnover among the employees. She also suggested that the IT companies should adopt necessary employee retention strategies to reduce the attrition of employee that they decrease the expenditure employee recruitment, selection, training and development.

Dillon (2017), in her paper she reviewed the findings of various research papers relating to employee retention to get to the factors that affect the employee retention and different employee retention strategies that are adopted by organizations to retain their employees. These factors are organizational culture, social support, work-life balance, job stress, management policies, career opportunities and relationship with friends. In the literature review she found out that compensation, rewards and recognition plays a role in employee motivation which ultimately leads to retention of employees. Similarly, training and career development was found a motivator which leads to retention. The work environment also plays a very important role; it was found out that employees leave their job due to bad work environment. Employee career and promotion opportunities have an important relation with employee retention. She concluded that companies felt the importance of employee retention strategies and accepted that without it they will not be able to survive in the competitive market.

Munish and Agarwal, (2017), they examined the various studies that have been done in the area of employee retention and engagement. After examining the various studies on employee retention they suggested some factors such as the level of training & development facilities, leadership quality, culture of the organization, compensation structures and feedback, which determine the tenure of the talented employees in the organization. And they concluded that in this era of tough competition HR managers should apply a mix of employee retention & engagement strategies to retain and engage talented workforce for a long period that they can achieve their goals.

Kaur (2017), this study explains the three important models of employee retention, Zinger Model, ERC's Retention Model and Integrated System for Retaining Employees. And give the various factors which affects the employee retention which are Skill recognition, Learning & Working Climate, Cost Effectiveness, Job Flexibility, Benefits, Career Development, Training, Superior-Subordinate Relationship, Compensation and Organizational Commitment. This study identifies that the lack of growth opportunities and salary are the major factors which force employees to switch their jobs. And found out that different organizations have different strategies such as awards and rewards, family involvement, employee engagement activities, regular and frequent meetings between the employees and the top management executive's et al. to retain their best employees.

Rungta and Rao, (2018), this paper explores the challenges that are faced by the employers and HR managers in the attrition of the employees in Indian IT sector. The results indicated that the reasons of attrition level among the IT employees are dynamic in nature. They stated there is a change in the opinions among the employees about the reasons for attrition with a change in their age, gender, education, marital status, qualification and designation.

Raj & Brindha, (2018), this paper studies the Employee Retention strategies in IT industry situated in Chennai. They describe seven strategies that help different organizations to reduce the rate of employee attrition, retain their employees and achieve success. These strategies are organizational strategies, orientation and on boarding strategies, communication, and connection strategies, career and development strategies, reward, and recognition strategies employee benefit strategies

employee ideas and suggestions. They concluded that all of these employee retention strategies are helpful to the employer to retain their talented employees and thus reduce their turnover cost.

3. Objectives of the Study

The objectives of this study are:

1. To study the prevailing Human Resource practices on Employee Retention in Indian IT Sector.
2. To Study the impact of Human Resource practices on Employee Retention in Indian IT Sector.

4. Research Methodology

This current study analysis the previous studies took place in past on retention of employee in Indian IT sector to know the impact of various HR practices on Employee Retention. The study is fully descriptive in nature and only secondary data have been used in it to know the various important factors that help in retention of talent employees. The secondary data used in this paper are various research journals related to retention of employees in Indian IT sector and online sources.

5. Human Resource Management Practices

HRM practices are a set of planned strategies and policies implemented by an organization to ensure organization's human capital efficiently and effectively contribute to the achievement of organizational objectives. During our research several Human Resources practices have been found out from the review of past studies which have an impact on employee retention and enhance employee commitment in an organization which is discussed as follows:

Compensation Benefits

The relation between pay and retention has been the subject of many studies. It is found from various papers that the major reasons for switching jobs in IT sector is salary hike. It is believed that if the employees are paid according to their performance then they get motivated to perform better and hence results in retaining their great potential. So to increase the retention of talented employees IT organizations should improve compensation and benefits of their employees. A talented employee should be provided salary at par or more

than existing industry average to encourage them to stay in the organization for longer periods (Shazia et al. 2018). Infosys is making changes in their compensation model and Cognizant are expecting to increase their regular annual pay to retain their higher performers (peplematters.in).

Career Development Opportunities

Employees want to understand how working in the organization can facilitate their growth. They try to join that organization which provides them with better career development and challenging work. So organization who knows the importance of career path and career development need to understand the value of training and development and should give importance to employee skill enhancement, encourages employees to talk, converse, share their knowledge and experience among themselves at all places and their free time. Managers need to demonstrate their commitment to training (Raj et al. 2018). The younger workforce is keen to have early experience of doing a variety of jobs. So companies should have a well- defined career path that factor in a ‘variety of work’ that encourages their employees to stick to the firm. According to peplematter.in IT companies are adopting better promotions and salary hikes to avoid attrition and attract talented employees (peplematters.in).

Training & Development

Proper training and development programs can help in retaining employees. But most of the employees feel that the focus of training and development is not only for the benefit of employees, but has become need of today’s rapidly changing market. TCS has invested in training 2,10,000 employees in various skills and emerging technology like Digital skills. Infosys has trained 1,35,000 employees in different departments to focus towards Artificial intelligence. Cognizant has reskilled 1,00,000 employees with strong initiatives towards Machine learning (edgenetworks.in).

Work Life Balance Work Load and Employee Retention

Work-life balance is becoming important these days, and also started affecting the decision of employees for staying in the organization. Now people want flexible working schedule so that they can take care of both their personal and professional life. The balance between personal and professional life can be determined by the sacrifice individual is ready to

give in place of another. Flexible working schedule also helps to retain talented women employees in IT sector at the rate of attrition of women employees is high in IT sector. So organization need to implement flexible working hours and work from home facilities while also respecting their core office culture for retention their employees. Workload force employees to leave their jobs and now becoming an agreed reason for employee attrition. This can be reduced by proper distribution of work, organizing various cultural activities related to the hobbies of employees, management games, and creating friendly environment in the organization so that the employee can perform their job without any pressure and load (David 2015).

Leadership

Many studies clearly reveal that the organizations were the employees do not get along well with their seniors had a high rate of attrition even after getting a good salary, benefits, and training and development. The leadership style is a very effective factor in employee retention. The supervisors are the “human face” of the organization. If the employees are getting supervisory support, have open communication and have a good relationship with supervisor, then employee retention is more. Employees don’t trust their leader is also one of the reasons for low motivation and low level of retention. To resolve these problem leaders should listen their employees and should also conduct motivational seminars so that the employee should get motivated to perform better and fully satisfied with the organizational leaders (David 2015).

Employee Engagement

Employee Engagement shows how loyal and dedicated employees are towards their work and how much they contribute towards their organizational goals. Engaged employees are more dynamic and loyal to an organization. This will be possible if organizations provide their employees passion to work, interesting work environment which maximizes their performance and give them a continuous work experience which is difficult for competitors to replicate. Consequently, employee engagement has a substantial impact on employee productivity and talent retention People feel more committed and engaged when they can contribute their ideas and suggestions for the success of organizational goals or any project. This provides them with a sense of ownership towards the organization. Employee engagement leads to

higher customer satisfaction and loyalty, especially in the services sector. Finally, reasons that lead to employee engagement which not only consist of pay/compensation and benefits, but also factors like good working condition, flexible work timings, cooperative teams, good bosses, culture and values of the organization.

Employee Relations and Communications.

If an organization wants to improve employee commitment, satisfaction, and employee retention, then it needs to check how it communicates with their employees. An effective communication can help in resolving various issues of an organization. Effective communications improve employee identification with their organization and build openness, trust and good organizational culture. If organization provides information to the employee regarding organizations values, mission, strategies, competitive performance and changes that are taking place then, that may affect the employee's decision of leaving the organization, and also enhance their, relation and commitment towards the organization (Dhillon, 2017).

Recognition and Employee Retention

Recognition plays a powerful tool in improving morale, retention, and energizing the workforce. Recognizing programs not only meet the needs of employee, but also helps in creating alignment between business goals and improves the employee behaviour needed for organizational success (Raj, 2018). Employees like to feel appreciated so with the help of employee recognition, an employer can show their employees, that their presence is important for the organization, and that they appreciate the work performed by them. Hence, employee recognition plays a very important role in retaining employees and in turn leading to a sustainable organization.

Reskilling

With the change in technology, innovation and digitalization companies need to reskill their employees so to upgrade them with the change in the business environment. Reskilling is that major element which is necessary for the proper understanding of digitalisation (Richa Verma et al. 2018). As to meet the demand for new services into automation, digital domain, spanning artificial intelligence, block chain, cloud computing, data analytics, internet of things, robotics and machine learning IT firms need to be data driven for efficient and competitive

advantage and has to adopt new technologies and re-skilling their employees to gain sustainable growth and competitive edge. Times Jobs conducted a survey where they got to know that most of the HR managers and leaders agree that ongoing digitalization will help in creating more job in 2019 (outlookindia.com). And the new jobs will require higher skills and training, and therefore reskilling has become very important these days. So reskilling and upskilling has become a very for retaining employee in Indian IT sector, and every employee knows that if they don't upskill sooner or later they are going to be redundant. Reskilling add the required change which ultimately provides profits the employer and also results in stopping newly-skilled workers looking for jobs in other organization (economictimes.com).

Employment Security

Employee security means absence of fear and uncertainty of losing jobs. It is important to understand that employees want to feel safe and secure in their jobs and, if an individual is constantly worried and stressed about the future of their job, it will become very hard for them to do their best work. If employers want their employees to work to the highest of their abilities, they need to communicate them that, they are valuable for the organization, and their job is safe and sure, both in present and future. Employees who settle for longer period in their position are likely to achieve their career goals personal lives and financial situation. When employers have a pool of employees working in the organization for a longer period then they are likely to work on a dynamic new projects. Employee security act as a shield against unfair dismissals of employees from their present job thus help in retention (Akhter et al. 2018).

6. Conclusion

This research study identifies and analysis the impact of Human Resource Practices on Employee Retention in Indian IT sector. The retention of the IT employees is becoming difficult day by day due to the complex nature their work, rapid digitalization in this field and inability of management to understand the need of employees which force them to change their jobs. It was found through the analysis of various papers that most of the IT industries have faced the problem of employee attrition because of dissatisfaction among the employees regarding their improper work or working conditions, long working hours, heavy

workload and work schedules, low level of salaries and incentives, and the other facilities which are provided to the employees are not up to the marks. Compensation is also a reason because plenty of opportunities are there in the market for experienced and well qualified employees if they switch over to other companies in the expectation of more salary. This paper concludes that companies felt the importance of retention strategies and accepted that without it they won't be able to survive in the competitive market. Some HR practices such as exciting salary, better career growth, better work environment, flexible timing, good leadership and proper communication with subordinate, job security helps in retention. If any employee is leaving organization then HR department should intervene and know the exact reason of their leaving the job. The organization should aim to develop effective retention practices and policies which increase employee retention. The HR practices discussed in the study are recommended to gain better competitive edge for the organizations. So Indian IT organizations should try to apply effective retention policies and strategies according to their organizational need that they decrease their cost of recruitment, training and development and retain their best employees.

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