CHAPTER 1

INTRODUCTION AND DESIGN OF THE STUDY

1.1 Introduction
1.2 IT industry
1.3 Concept of Employee turnover
1.4 Statement of the problem
1.5 Review of previous studies
1.6 Methodology
1.7 Significance of the study
1.8 Construction of tools
1.9 Scheme of the research report
1.10 Conceptual definitions
1.11 Bibliography
1.1 INTRODUCTION
India has become a lucrative place for information technology companies to spread their business due to advantage of skilled and cheap workforce. Many Indian companies are also trying to expand in globe, thus making this field more attractive for new recruits. The companies are focusing on quality service and long term association with the clients. IT companies have facilitated the fast growth of Pune city and provided large scale employment with good standard of living. In this whole process, the expectation of workforce has increased unrealistically and has led to high employee turnover. Employee turnover is the term which has become nightmare for the management of IT industries. Increased employee turnover leads to the dissatisfaction amongst employees which affects the quality of work life resulting in the increased cost of recruitment and training. Moreover, today’s workforce has acquired knowledge, skill-sets, education which helps in enhancing the output of the firm. Primary literature survey shows the impact of employee turnover on present employees rather than on the particular industry.

It is observed that the talent of information technology professionals shifting from one company to another because of high employee turnover currently faced by the information technology industry and can be attributed to the rapidly advancing technological markets, which have resulted in a widened gap between the availability and demand of information technology professionals. There are a number of factors that contribute to employee turnover namely low salary, sick organization, culture of the organization, nature of the job, poor leadership, low motivation and high expectations from the job.

1.2 IT INDUSTRY
Information Technology (IT) industry is fast growing from last few years and has made a brand in the world market. India is a pioneer in software development and a destination for IT-enabled services. IT industry has seen its first days in India in year 1974 with Tata Consultancy Services (TCS) that sent programmers for installing system software for U.S. client through Burroughs. During that period the conditions were not good for IT industry and government support was also missing. Bombay-based conglomerates initiated the business supplying programmers to overseas located firms. Year 2004-2005 was golden period for the IT industry in India with
income from software and services revenues noticing record high of $22 billion. Despite of the growth the companies were struggling to retain their existing employees. Researcher observed that managing employee turnover in the industry was important task because experienced employee plays crucial role with required knowledge. The cost of recruitment and training was a high and a matter of worry for most IT firms.

IT firms play significant role in providing employment to Indian youth. IT business is crucial to the country’s economy and can be seen by following data, annual revenues from IT-BPO sector is estimated to have grown over from U.S. $4.8 billion in 1997-98 to U.S. $47.8 billion in 2006-07 and from US $76 billion in 2010-11 it’s expected to increase to US $225 billion by 2020. Bangalore, Chennai, Hyderabad, Pune, Mumbai, Kochi and Gujarat are main IT hub in India. Indian economy has taken boost after advancement of IT sector due to liberalization policy of the government and reduced cost of required infrastructure. The Indian IT companies are hiring manpower and the growth has reached to 15%. As there is a huge investment on employee training and development, high employee turnover adds cost to the companies. HR departments in the IT industry are attempting to address the critical issue of employee retention. Paying higher salaries to retain employees can be self-defeating, as it threatens the longer-term viability of the industry. As salary growth rates of 15-20% a year over the last few years has resulted in the shifting of IT jobs from India to China and other locations.

The study has emphasized on the employee retention strategies in IT firms. This study is based on interviews and observation of the IT firms in Pune city. Many firms are employing variety of strategies to curb the turnover problem. Some of these strategies are traditional and focus on giving incentives to promote employee retention, while others are new, particularly the articulation of an organizational and work culture tailor-made for the particular IT employees.

In 2006 IT contributes to 5.4% of India’s GDP, this figure has increased to 12.3% by 2012 (NASSCOM, 2013). The IT industry can be considered as key driver of India’s economic development through its contribution to GDP growth, employment growth and high standard of living. IT industry can be segmented in three parts viz. IT enabled services (ITES), business process outsourcing (BPO) and hardware.
Although low costs and endless supply of skilled human resource has been the key to India’s leadership role in software and business process outsourcing, the continued growth of the IT sector is reason for biggest human resource problem that is high turnover, which is a serious threat to growth and profitability. Average turnover rates in the industry range from 25-38%, imposing a significant cost on firms. Thus, despite possessing one of the world’s largest supplies of skilled manpower, there is a desperate shortage of employee in the industry.

1.3 CONCEPT OF EMPLOYEE TURNOVER

The human resource is also known as assets of the organization. It controls, manipulates or uses the other resources such as money, raw materials and machine to achieve overall firm’s objectives. If this human asset leaves the organization for some reason, then there exists high employee turnover. The concept of employee turnover is therefore the rate at which employees join and leave an organization. Cascio (1992) described employee turnover as any permanent departure beyond organizational boundaries. Cascio (1992) continues that employee turnover in a human resource context therefore refers to the characteristic of a given company or industry, relative to the rate at which an employer gains and loses staff. This situation can be compared as people migrating from one place to another in search of favourable living conditions, so do employees shift for better jobs in other firms.

High employee turnover also means that employees of such firms have less tenure in the same firm as compared to similar firm in that industry.

Lewis (1983) classified employee turnover as voluntary or involuntary. This is further classified into four sub categories.
The first category is voluntary but uncontrollable where employee decides to leave because of long distance of the work place. The second is voluntary and controllable in which employee is told to quit for his poor performance or behavior. The third is involuntary but uncontrollable, employee either retires or he is dead. The fourth category is involuntary and controllable, in this category employee resigns for some reason. The rate of employee turnover is above 25% and is uncontrollable problem. High employee turnover is a challenge faced by all IT companies. Identifying the reasons and the remedies for high employee turnover is therefore of great importance. Here employees leave a job because they are dissatisfied with the job and have pressure of job. Thus it is essential to know the reason of employee turnover where firm has some control and should take necessary steps.

Marthis and Jackson (2000) argued that job satisfaction is a major factor of employee turnover. It is therefore seen that frequency of employee movement indicates problem with firm’s HR policy. It is therefore imperative that every growth-oriented organization must strive to control its employee turnover. According to Yoder and Straudohar (1982) employee turnover can be correlated to span of service. It is observed that young and temporary employees show high rate of turnover whereas older and permanent employees show low rate of employee turnover.
1.4 STATEMENT OF THE PROBLEM

Indian IT industry is one of the quickest growing industries and plays a very vital role in the economy. IT industry has tremendous potential and has become as engine of growth and development for Indian economy. The employment opportunities in IT industry are ever increasing and salaries at the entry level highest in industry. Now the success of IT industry depends on employees support and contribution. This support and contribution can be achieved if the management of the organization is able to keep up motivation and team spirit of the employees, non-compliance of this will lead to high employee turnover and heavy losses.

Employee turnover has always been a sensitive topic with IT industry even if salaries are highest among all industry. Inflation and competition has placed extra pressures otherwise IT industry riding high on outsourcing wave, featured with the constant threat of losing the employees. Employee turnover is a crucial problem the industry is facing. The rate of Employee turnover is above 25% and is uncontrollable problem. High employee turnover is a challenge faced by all IT companies. Identifying the reasons and the remedies for high employee turnover is therefore of great importance. IT firms invest huge amount on recruitment, induction, training and retention of their workforce, thus it is utmost, urgent and important for the firm to reduce such unwanted costs. Thus, it calls for the systematic research in this field and the resultant findings can be applicable to whole Information Technology industry and other industries as well in India.

1.5 REVIEW OF PREVIOUS STUDIES

The current topic “A study of employee turnover in information technology industry in Pune city” is undertaken by the researcher after detailed study of available literature. “Employee turnover in community mental health organization: A developmental stages study”. a paper by Blankertz (1996) observed that recruitment and retention of direct service employee can be a major problem for management. According to Blankertz (1996), work force is motivated by the work environment and stays with the organization. Money was a major motivating factor for the workforce to choose this field and the external environment is also a challenging situation to retain employees in the organization. Thus, management must understand need of employees, so that quality work can be provided to the customers.
The research paper by Allen & Meyer (1990) “The measurement and antecedents of affective, continuance and normative commitment on the organization” has indicated three components namely affective commitment, continuance commitment and normative commitment & these components were a negative indicator of turnover. In this paper, it is also shown the nature of the link between employee turnover and the three components. Affective commitment refers to emotional attachment with the organization, Continuance commitment refers to the cost which the employee associate with commitment while leaving the organization and normative commitment refers to work force feelings of obligation to remain with the organization. Employees with strong affective commitment stay with an organization of their own, employees with strong continuance commitment stay because they need to, and employees with strong normative commitment stay because they feel they should. “Employee turnover in the retail industry: Predicting the role of individual, organizational and environmental factors” a paper by Booth in year 2007 aims to identify key variables that influence the variability of Employee turnover. Case study method was used and the key data sources were an index for local competitive and Employee market factors; the statistical tool for analysis was stepwise regression to identify the key relationships that predict employee turnover. The finding includes environmental factors such as local employee markets have a major influence on employee turnover. Organizational factors such as culture of the firm and values have significant influence.

Boxallet. al. (2003) in the study “Employee turnover and retention in New Zealand; the causes and consequences of leaving and staying with employers” has presented the view that, motivation for job changes is multidimensional and reason for employee leaving job was more interesting job elsewhere. Campbell & Campbell (1997) in their paper “Informal theories on employee turnover” put forward two problems. One-employee turnover is experimental as a result level to errors. Two-most of the employee turnover in the organization is because to external factors: shortage of labour and negative attitude of employee. Thus turnover becomes a serious but intractable issue. According to their research finding, management of the organization knows the employee turnover problem but has not planned any steps to overcome it.
1.6 METHODOLOGY

Present study is quantitative in nature and involves the use of numerical measurements and statistical analyses of measurements to examine turnover phenomena. In this research, descriptive type of research design is used in which primary and secondary data was used to collect the information based on set objectives. Primary data is collected by circulating structured questionnaire to randomly selected IT professionals and their team leaders. A total of 510 respondents were chosen which includes 450 IT professionals and 60 team leaders representing one million IT work force in and around Pune city on the basis of random sampling method. Thus the sample design has been developed conducting survey of 15 employees and two team leaders each from 30 IT firms. Slovin’s formula is used to calculate the sample size and proper care has been taken to cover non respondents. The questionnaire is structured in a 5 point Likert scale format. A detailed analysis of the filled questionnaire is done by applying statistical tools. It has helped the researcher to explore the concept of employee turnover, its reasons and the motivations required to reduce the employee turnover in IT industry.

In addition to the information through questionnaire, interviews of all the respondents were also conducted through interview guide. Interview is the most effective and direct way of collecting the data. It is the form of oral-verbal stimuli and response. The HR managers in these firms were also interviewed for their opinions related to the motivation, cooperation from the top management, organizational climate, policies, human resource practices, financial incentives, relationship of the team leaders with the employee etc. Moreover, the researcher has used various types of observation methods like – participative and non-participative observations. The information regarding the facilities provided by the organization to these employees are collected. Professional groups and experts, trade associations, specialized agencies such as consultants etc. are contacted for internal sources such as records, reports, register etc.

Secondary data was collected from various books; relevant official literature survey in various libraries, newspapers, magazines, exit interview reports, published weekly, fortnightly or monthly journals were considered for giving recommendations. Various websites were surfed for the different aspects like employee turnover, reasons of employee turnover and management efforts to reduce the same.
1.7 SIGNIFICANCE OF THE STUDY
This research is important to understand employee turnover in IT industry and is a major challenge before the IT firms which is adding a huge cost to these firms. This study is an attempt to assess the causes of employee turnover from the point of view of the employer and the employees and also find the rate of employee turnover. This study has also helped to understand the implications of employee turnover on various managerial aspects of IT industry and further suggesting appropriate measures to reduce the prevailing rate of employee turnover in IT industry. The present study will be beneficial to the IT industry to retain their employees resulting in enhancing productivity.

1.8 CONSTRUCTION OF TOOLS
The collected data was processed with the help of excel and SPSS and is presented in the form of tables, charts, graphs, bar charts, pie charts. For the analysis of data, standard statistical tools like percentage analysis, correlation, chi-square test, T test and similar relevant tests were used. Finally inferences, conclusions and suggestions were drawn.

1.9 SCHEME OF RESEARCH REPORT
The present study on employee turnover in information technology industry in Pune city has been classified into seven different chapters.

- The first Chapter presents the introduction and design of the study in which statement of the problem to be studied is given, review of the similar studies, objectives of the study undertaken, scope and limitations of the study, definitions of related concepts, research methodology, tools used for analysis, sample designing, coverage of the study, period covered in the study, field work and data collection, its processing, frame work of analysis and scheme of the report is discussed.
- The second chapter deals with the literature review available on the research objective in the form of national and international publications on employee turnover, reasons of turnover, factors affecting employee turnover and implications of Employee Turnover.
- The third chapter deals with the methods used for the research study and its flow called as research methodology. The chapter is well designed to answer the objectives
stated for the current study, explaining all the details required by research thesis.

- The **fourth chapter** gives the data analysis and interpretation of collected data using tables and graphs. The chapter is divided into two parts viz. descriptive and inferential statistics. Appropriate use of statistical tools is applied taking care of limitations of the data collection from information technology firms.

- The **fifth chapter** pertains to conclusion and findings which are based on the data collected, observations made, interviews conducted and discussions carried during the research with the respondents i.e. employees and team leaders of IT firms from Pune city.

- The **sixth chapter** includes overall recommendations and suggestions made by the researcher, which is important part of the research thesis. The researcher has tried to contribute valuable and applicable recommendations for IT firms.

- The **annexure** includes bibliography with APA style of referencing. The detailed references were given at the end of every chapter and combined references are given in this section.

### 1.10 CONCEPTUAL DEFINITIONS OF THE STUDY

- **Information technology** (IT) is the use of computers and telecommunications equipment to store, retrieve, transmit and manipulate data, often in the context of a business or other purpose.

- **Employee turnover** refers to the number or percentage of workers leaving an organization and are replaced by new recruits. Measuring employee turnover is helpful to employers that want to examine reasons for turnover and to estimate the cost-to-hire for analysis and budget purposes.

- **Motivation** can be defined as one's direction to behavior or what causes a person to want to repeat a behavior and vice versa.

- The **employee turnover rate** is the ratio of total employees left the organization to the average number of employees. The separations may be voluntary and involuntary which may include employee terminations, including retirements, resignations, dismissals and layoffs.

- **Workforce** may be defined as people engaged in or available for work, either in a country or area or in a particular firm or industry.
Employee engagement is a measure of the relationship between an organization and its employees. An ‘engaged employee’ is one who is fully involved and motivated for work and so always help the organization to improve reputation and achieve the set goal.

Retrenchment is an act of cutting down or reduction, particularly of public expenditure.

Separation is the action or state of moving or being moved apart.

Remuneration is money paid for work or a service.

Work–life balance is a concept including proper prioritizing between ‘work’ (career and ambition) and ‘lifestyle’ (health, pleasure, leisure, family and spiritual development/meditation). Related, though broader, terms include ‘lifestyle calm balance’ and ‘lifestyle choices’.

Reward is a thing given in recognition of service, effort or achievement.

Flexitime a system of working a set number of hours with the starting and finishing times chosen within agreed limits by the employee.

Performance appraisal is a systematic and periodic check of an employee’s job performance and productivity in relation to certain pre-stated criteria and set objectives.

Recreation is an activity done for enjoyment when one is not working.

Employee welfare is a facilities extended to employees includes benefits and facilities by the employers. The welfare need not be monetary but in the form of items such as housing, transportation, medical insurance and canteen. Employee welfare also includes good working conditions, creation of harmony through providing required infrastructure for health, good industrial relations and insurance against uncertainties for the employees and their families.

Compensation something, typically money, awarded to someone in recognition of loss, suffering or injury.

Recruitment refers to the overall process of attracting, selecting and appointing suitable candidates for jobs within an organization, either permanent or temporary. Recruitment can also refer to processes involved in choosing individuals for unpaid positions, such as voluntary roles or training programs.

Quality of work life (QWL) refers to the environment available for the employee to improve the productivity and increase loyalty through motivating them.

Attrition may refer to the gradual reduction of the size of a workforce by not
replacing personnel lost through retirement or resignation.

- **Outsourcing** is an effective cost-saving method if used properly and is more affordable to purchase a good from other firms at low cost than it is to produce the good internally.

- **Induction** the action or process of inducting employee to an organization. It’s an introductory stage for new employee and is a part of their continuous socialization process in an organization. Through induction employee gain commitment towards organization, reduce anxiety, help to understand organization's expectations, and convey what employee can expect from the job and the organization.

- **Layoff** a temporary or permanent discharge of a worker or workers.

- **Pay roll** a list of a company's employees and the amount of money they are to be paid.

- **Job Analysis**- In simple terms, job analysis may be understood as a process of collecting information about a job. The process of job analysis results in two sets of data:
  
  i)    Job description
  ii)   Job specification

These data are recorded separately for references.

- **Job design** is the contents and methods of jobs required in order to satisfy technological and organizational requirements.

- **Job description**- A broad written statement of a specific job, based on the findings of a job analysis. It is list of duties, purpose, scope, and working conditions of a job along with the job's title, and the designation of the person to whom the employee will report. Job description helps in forming the basis of job specification.

- **Job classification** is a scheme of classifying a job according to the current responsibilities and duties associated with the job. It is different than job design in that the person assigned to the job is not taken into consideration. Jobs are classified with the purpose of studying jobs in a holistic perspective.
1.11 BIBLIOGRAPHY


****