

Employee Retention Challenges and Strategies: With Special Reference to IT Sector in India.

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Abstract

Human Resource management is nothing but managing people at work and plays a key role in organization. HRM includes employment, development, utilization and maintenance of people working in organization. Every organization invests time and money to groom new employees, with the existing employees. Managing and maintaining a stable workforce is a key element in effective talent management strategy.

The organization is completely at loss when the employees leave their job once they are fully trained. Finding and keeping good employees with organization becomes the greatest challenge before employers today. As far as IT industries are concerned Employee Retention is one of the key challenges faced by IT Organizations in India. It has been observed that there is a great demand for skilled IT professionals within India and abroad also, which has resulted in skillful and knowledgeable professionals leaving the Organization in search of handsome job with great hike in salary and position also.

Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time. It is beneficial for the organization as well as the employee. A good employer should know how to attract and retain good employees. The outcome of this article is expected to help the HR Managers of the IT Organizations to minimize the attrition rate by developing effective retention strategies specific to their Organization.

Keywords: Attrition Rate, Employee Retention, Retention Strategies, HRM, IT.

INTRODUCTION:

1.1 Retention of Employees:

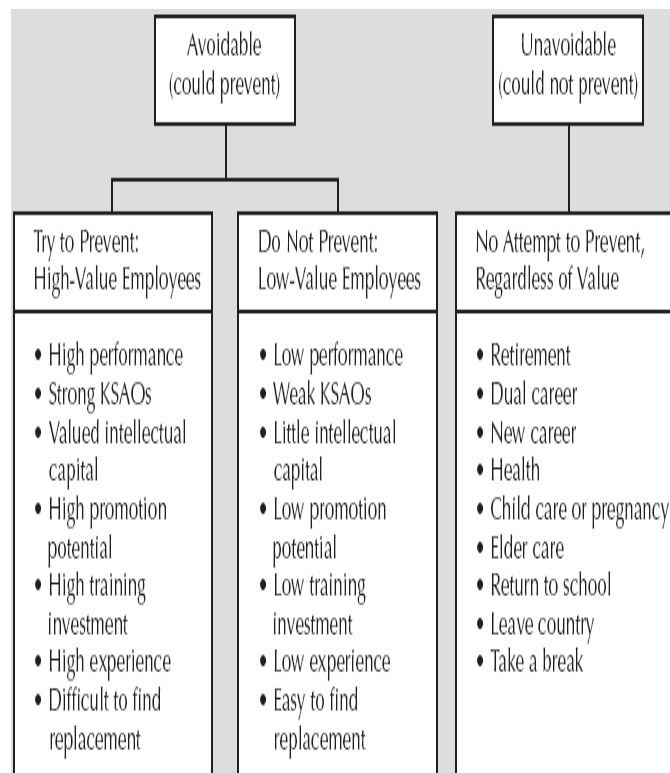
Employee retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project. Retention of skillful workforce is beneficial for organizations. Now a day's every organization try to improve retention rate and decrease the associated cost of high turnover by implementing various HR strategies and policies.

1.2 Employee Turnover:

Employee turnover is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. Employees today are different they are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current job or the employer, they switch over to the next job & it will increase employee turnover.

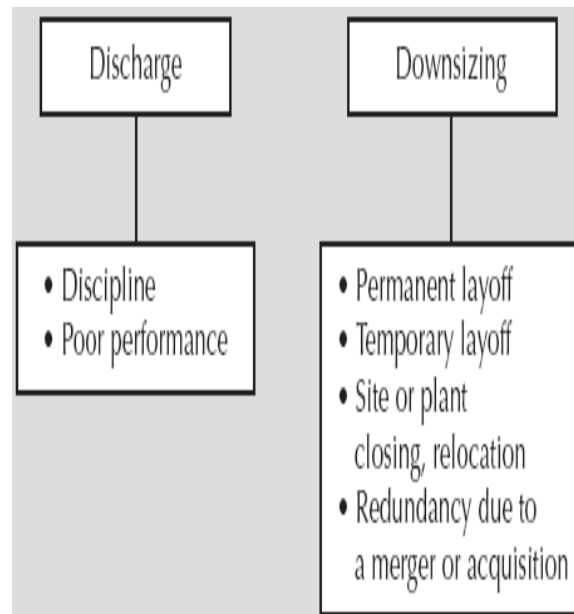
1.3 Types of Employee Turnover - Voluntary -- Employee Initiated

Following chart shows various types of employee turnover which initiated by employee



1.4 Types of Employee Turnover - Involuntary--Organization Initiated

Following chart shows various types of employee turnover which initiated by organization



1.5 The Indian IT Industry:

The IT sector is playing prime role in generating revenue as well as in providing direct employment to 2.3 million people in India approximately. In current scenario The IT Organizations in India cannot afford to lose their skillful and stable workforce due to uncertainty of changing economy, increasing competition and non availability of skilled workforce as this would in turn affect their businesses.

India's human capital advantage i.e. skilled IT professional has been one of the prime reasons for the rapid growth of the IT sector. Before recession, the IT sector has seen tremendous growth and today the market has become extremely competitive. Talent attraction and talent retention has become a major challenge for the employers. IT sector has been the most attractive sector to work which provides a luxurious work environment, attractive compensation and rewards along with good career growth opportunities within less time as compared to other sectors.

The present condition of IT sector is quite different where employers or organizations are facing the difficulty of attracting and retaining talent due to availability of more job opportunities, high recruitment costs, loss of expertise, decrease in productivity and lower quality so it results into employee turnover. And due to that there is need for designing effective retention strategies.

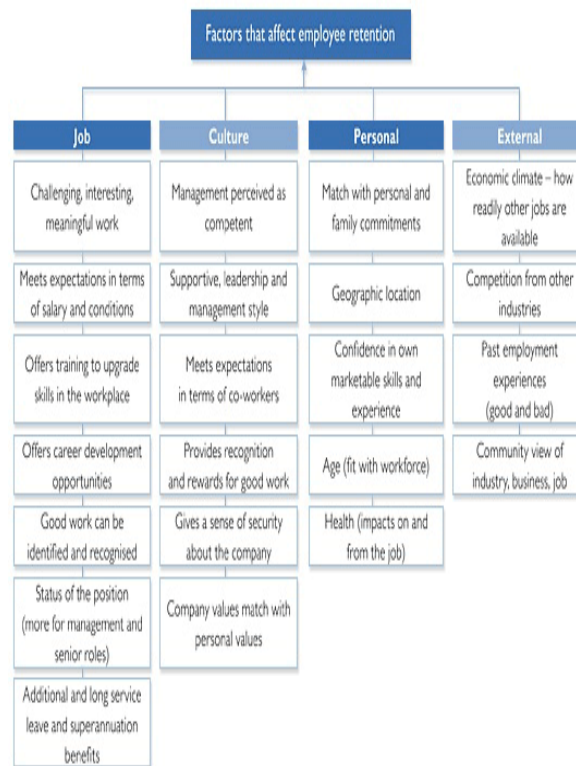
1.6 Objectives of the study:

1. To analyze the reasons of high attrition rate in IT industry in India.
2. To know the job satisfaction level of the employee working in the IT industry in India.
3. To suggest measures to reduce the employee turnover and retain the employees.

1.7 Problems Faced By It Companies In Employee Retention:

Managing and maintaining a stable workforce is a key element in effective talent management strategy. Research says that most of the employees switch organization out of frustration and constant friction with their superiors or coworkers. In some cases low compensation, lack of growth opportunity, dreams and motivation, lack of training and development programs, work profile, work culture etc that compel an employee to look for a change. The management must try its level best to retain those employees who are really important for the system and are known to be effective contributors.

Some of the common problems for employee retention in IT industry are as follows:



1. Compensation

Compensation constitutes the largest part of the employee retention process. It includes salary and wages, pre-requisites, bonuses, benefits, stock options, vacations etc. The employees in IT companies always have high expectations regarding their compensation packages. So, an attractive package plays a critical role in retaining the employees.

2. Work Profile

The work profile or role on which the employee is working should be in sync with his/her capabilities. IT companies facing problems with not only Recruiting and placing right candidate at right position but also maintaining good employee with organization for long period due to greater expectations of IT professionals.

3. Career Growth and Development

Growth and development are the integral part of every individual's career. If an employee cannot foresee his path of career development in his current organization, there are chances that he will leave the organization as soon as he gets an opportunity.

4. Training And Development

Employees should be trained & given chance to improve and enhance their skills. Due to globalization there are quick changes in working processes and IT professionals must be updated regarding that changes in their work area. Many IT companies fear that if the employees are well trained, they will leave the organization for better jobs.

5. HR Policies

The various HR policies are implemented in organization for managing people at work. Some HR policies like Promotion, probation, performance appraisals, organizational culture, etc affecting the career of employee so a good employer or HR manager should know about the results of their HR policies.

6. Work Related Issues

It is a common problem that IT industry faced from 1991. An IT industry mostly deals with foreign countries so companies do their work with shifts. So many employees leave their job due to that shift pattern because they don't want to work in night shift. Industry also faced the problem with respect to overtime and project facilities due to high workload. It also includes relationship with the immediate manager, colleagues etc.

7. Personal Issues

Employees leave their current organization due to their personal reasons like personal growth and dreams, family commitments, geographical location, confidence in own marketable skills and experience, age, health etc.

8. Work Environment

Where a poor work environment leads to unhappy employees and makes other job opportunities attractive to them. Examples of poor work environment are: Low morale amongst employees and line managers, Little or no motivation of employees, Lack of or limited strategic direction, Lack of leadership or communication, Poor work challenges and Lack of empowerment opportunities for employees.

9. Resistance to Change

IT professional must be aware or updated about change in technology, software's, working process etc. In current scenario Employees leave IT companies in very short period because they do not agree or cannot adapt to the changes in their work style.

10. Leadership and Management Style

Where employees leave the companies as they believe the management style is stifling growth or where managers are not people-focused. In some situations employee's growth are stifled due to inaccurate performance assessments and the failure to identify appropriate development opportunities. Lack of effective communication and grievance procedures, also result in employees becoming disillusioned and frustrated resulting in employees leaving the Department.

1.8 Strategies for Employee Retention

1. Improve Working Environment For Employees

The primary employee retention strategies have to do with creating and maintaining a workplace that attracts, retains and nourishes good people. This covers a host of issues, ranging from developing a corporate mission, culture and value system to insisting on a safe working environment and creating clear, logical and consistent operating policies and procedures. Work environmental employee retention strategies include the following:

- Clarify organization vision and mission.
- Communicate positive feelings.
- Stay focused on the customer.
- Be fair and honest with internal as well as external customers.
- Cultivate a feeling of family.
- Promote integrity within organization.
- Provide workplace safety.
- Make work fun.

These employee retention strategies all relate in one way or another to corporate culture. However, one environmental issue tends to stand out above the rest.

2. Develop Employee Relationship Strategies within Organization

Employee relationship strategies have to do with how you treat your people and how they treat each other. Give your managers and supervisors plenty of relationship training, Ask employees why they work for you. Once you have the information about why people work for you, ask: "What can we do to make things even better around here?" Some top employee relationship strategies:

- Write a letter of commendation and send a copy to the family.
- Have an open house and Invite the families for a tour
- Hold social activities such as family picnics, holiday parties, and special events.
- Celebrate birthdays.
- Take people out to dinner to celebrate an achievement.
- Hold public celebrations when the company hits major milestones.
- Focus on building individual self-esteem.
- Give recognition strategically and deliberately.

Ultimately, employee relationship strategies help to build a sense of family. In families, people have conflict and disagreements but they learn how to work them out.

3. Employee Support Strategies

Employee support strategies start with you and your manager's attitudes. Other employee support strategies include:

- Give people freedom to do work creatively and innovatively
- Provide challenges.
- Remove obstacles and barriers to getting the job done.
- Adjust jobs to fit strengths, abilities and talents.
- Keep the promises you make.
- Establish effective communication systems.
- Clearly define job responsibilities and accountabilities to employees.
- Encourage people to take initiative.
- Encourage, recognize and reward creativity and innovation.

4. Employee Growth Strategies

Employee growth strategies deal with personal and professional growth. Good employees want to develop new knowledge and skills in order to improve their value in the marketplace and enhance their own self-esteem. Training and development can include:

- Seminars and workshops
- Paying for college and continuing education
- CD/DVD, and online learning
- Cross- Cultural training
- Train employees in their areas of expertise
- Training through Case study, role playing
- Establish a learning organizational culture.
- Encourage employees to join professional and trade associations.
- Proper career planning.
- Take advantage of internet learning.

5. Effective Employee Compensation Strategies

In the old days, companies essentially paid people for their time. Today, more and more companies pay for performance – in every position, not just sales. To retain employees, your compensation plan needs to incorporate this trend. Pay-for-performance plans come in a variety of shapes and sizes, but they all involve two basic activities: defining the job and checking performance against expectations. Compensation Strategies include:

- Discuss total employee compensation (i.e. salary, benefits, bonuses, training, etc.).
- Design reward systems to stimulate employee involvement.
- Use flexible employee benefits to respond to a changing workforce.
- Offer stock options.
- Arrange for discounts on purchases.
- Arrange for professional services.

Conclusion:

Organizations should aim at developing effective employee retention policies and practices which increases employee commitment level, loyalty and engagement. Organizational culture and compensation have a significant impact on employee retention. Organization has aim to design integrated approach to employee retention which includes best retention strategies like conducive organizational culture, adequate competitive pay package, non-monetary motivation and effective employee development programs for attaining competitive advantage in business environment. This research will help the organization to make the necessary measures to retain

the employees. This will certainly bring down the causes for employee turnover and helps the management to reduce the employee turnover level. So it leads the organization to retain their employees.

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