
A STUDY ON THE FACTORS AFFECTING EMPLOYEE RETENTION IN INFORMATION TECHNOLOGY SECTOR

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Abstract:

Employee retention is one of the biggest challenges for HR in IT industry. It involves taking appropriate actions to motivate employees to stay in the company for long duration. The main focus of this study is to understand the factors which impact employee retention in software companies. For the study purpose sample of 7 software companies selected in Bangalore and structure questionnaire was prepared based various aspects of the software industry. An effort is made to discover the effectiveness of the retention of the employees in IT industry and how practical they are to retain employees for long duration. The results of this research study have shown that there is significance relationship between age, gender, years of experience with compensation & benefits.

Key words: Employee retention, Software industry, compensation & benefits

Introduction:

In present scenario most of the organizations are competing with each other to increase share in market. Potential employees always lead the organization next level (Dr Pallavi 2020). This paper focuses on the factor affecting employee retention in IT companies. Every employee needs personal growth and professional life and these impacts on compensation and benefits (Roberts, N., Outley, C. 2002). Normally employees move from one organization to another organization for better career development. Today's human resource managers need to focus on the goals of the employee and organization and align them to satisfy the need of the employee retention for long duration (Musser, L.R. 2001 & Patgar S 2015, Yeswa L 2016).

There are different human resources practices employed by software companies to increase the retention level (Khan et al., 2014). In employee retention one more aspect is training and development and this is the most important parameter in the human resource management (Maqsood Haider 2015 and Rasli, A.M., Norhalim, N., Kowang, T.O., Qureshi, M.I. 2014). It is known that hiring of perfect employee is critical for any software company but the retention of

the same is big challenging and this is huge investment spending by companies on recruitment, selection, training and development etc for new joiners in organization (Yamamoto, H. 2011& Anis M.A et al 2011). Cost is defined as “recruiting expense, orientation and training cost, decreased productivity until the new employees gain knowledge and expertise in their domain and also the loss of clients who were dedicated and loyal to the leaving employees” (Kay, 2000). Nowadays human capital is gaining importance because organizations can have a competitive advantage through their distinctiveness and role of human resource productivity increased due to development of various ERP’s (Holland et al. 2007, Roberts, N., Outley, C. (2002).

Background of the study:

IT industry started was in Mumbai in 1967 with TCS. Indian IT industry development and contribution to worlds information technology sector is of highest reputation like metro cities Mumbai, Delhi, Chennai, Hyderabad and Bangalore have become favorite destination all the Indian multinational companies like Infosys, TCS, Wipro, Tech mahendra, etc (Indian Mirror Report 2020)

Indian IT industry contributes 5.8% of the country’s GDP while providing employment to with significant workforce. Annual revenues from outsourcing operation in India were up to US \$ 220 billion by the year 2021. The composition of this industry is very different than that of most others; due to the brisk pace of innovation there is an unusually extensive investment in research and development required. As a result, the industry’s workforce consists of a much larger proportion of engineers and other highly-skilled technical workers, relative to other industries, especially since product creation requires creativity, expertise, and precision (Global edge report 2020).

IT industry facing many challenges facing due to lack of expertise, knowledge, experience and long term sustainability etc. This can be overcome by various precautions taken by human resource management. For the purpose of retaining employees, the employers must use those practices which are in favor of the both of them and that will lead towards organization standards (Khan, F., Yusoff, R.M., Khan, A. 2014).

Literature Review:

It is defined to be employee retention is great asset for the company. Employee retention is generally the level of commitment involved an employee has towards their company and its core values and beliefs.

Poonam Jindal et al 2016, researcher studied factors influence employee engagement in Pharma Company at Hyderabad. Study found that whose level of engagement is higher in pharma companies will be less attrition in other companies. its found that gender & flexible polices,

experienced employee and interaction have same level attrition among employees in organization. Study concluded that, to improve the engagement among the employees, based on feedback on manager, acknowledge employee contribution on real time basis and suggested paternity leave policy for male employees in Pharma Company.

Shuana & Nasir Mahmood 2016, Analyzed factors affecting employee engagement in Pakistan and a quality improvement and prosperity of any organization required higher level of commitment and dedication from its employees. Study analyzed the factors that have an impact on employee retention in Pakistan organizations not only benefits human resource management but it helps employees in planning their future career and they concluded that the all the factors that influence employee retention were correlated and not only single factor promotes an employee to leave the current organization but it's a blend of many reasons.

Pallavi Badre 2020. analyzed in IT firms most of the employees in the age group of 20 – 40 years and focus on high salaries and better career development. Study concluded that IT organizations should focus on maintaining sound organization policies to keep employee retention and organizations should focus on employee satisfaction.

Researchers such as Barwl al kurdi et al (2020), Mohammed ali Yousef (2020) and Maryam Tijjani (2018) established in their studies that, employee surely stay and work for the organization goals if suitable strategies adopted and applied by companies. In addition, Keller S.B et al (2020) state that employee retention is not only important but retention of high valued skills, long term sustainability and efficient delivery of goods and services by employee is important.

Objective of the study:

- The objective of the study is to examine the factors affecting employee retention in IT industry at Bangalore city.

Research Methodology:

To achieve the objective of the study, a structured questionnaire (Poonam Jindal 2016) was prepared and each question is prepared on a factor of employee retention. Primary data collected using the questionnaire which includes demographical information, qualification, experience and income. The questionnaire also consists study related questions which were designed with the objective of understand employee retention factors like HR policies, compensation benefits and relationship with manager.

Sample of seven software companies selected for the study purpose. All the items in the questionnaire were rated on a five point Likert scale, a total of 300 questionnaires were

distributed to IT employees, and 212 completely filled questionnaires were received for data analysis.

The sample data analyzed using IBM SPSS Version 28.0 software. Following methods used for analyzing the data obtained through questionnaire.

- Graphical analysis
- Exploratory Factor Analysis
- Chi-square test for association

Hypothesis:

H₀: There is no significant relation between Experience and Compensation & benefits:

H₁: There is no significant relation Gender and Compensation & benefits:

H₂: There is no significant relation Qualification and Compensation & benefits:

DATA ANALYSIS & INTERPRETATION

Organizations and Their Respondents

Organization of the respondents.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1.Infosys Pvt Ltd	32	15.1	15.1	15.1
2.Accenture India Pvt Ltd	40	18.9	18.9	34.0
3.Wipro Ltd	19	9.0	9.0	42.9
4.Sonata Software Services Ltd	22	10.4	10.4	53.3
5.Tata Consulting Services	43	20.3	20.3	73.6
6.Tech Mahindra Software	29	13.7	13.7	87.3

7.Cap Gemini India Pvt Ltd	27	12.7	12.7	100.0
Total	212	100.0	100.0	

Table 1 (Source: Own Calculation)

Table 1 shown, We have randomly selected 7 software companies for employee retention analysis. Overall 212 employees took this questionnaire for employee retention in IT sector in Bangalore city.

Demographic profile of the respondents

Gender of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18	7.8	7.8	7.8
Male	150	65.2	65.2	73.0
Female	62	27.0	27.0	100.0
Total	230	100.0	100.0	

Table 2 (Source: Own Calculation)

Table 2 we can see that, present study includes 212 employees. 150 (71%) respondents were male employees and 62 (29%) respondents are female employees from seven software companies.

Age of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-30	45	19.6	21.2	21.2
31-40	69	30.0	32.5	53.8
41-50	63	27.4	29.7	83.5

51 and above	35	15.2	16.5	100.0
Total	212	92.2	100.0	

Table3: Age is the most important variable in assessing factors influencing employee’s retention in IT organizations. Large number of employee belongs to two groups 31-40 years and 41-50 years. Every organization has maximum employees belonging to these groups.

Educational qualifications

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Graduation	175	76.1	82.5	82.5
Post-graduation	37	16.1	17.5	100.0
Total	212	92.2	100.0	

Table 4: Education brings the aspiration in life as well as increases the career opportunities for the employees. In above study we found that graduation employees 175 (82.5%) than the post-graduation 37 (17.4%)

Years of Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0 to 2	45	19.6	21.2	21.2
2 to 5	98	42.6	46.2	67.5
6 to 8	43	18.7	20.3	87.7

8 and above	26	11.3	12.3	100.0
Total	212	92.2	100.0	

Table 5: Experience is important criterions which indicate employee commitment towards the organization. In this study found that, 2 to 5 years of experience respondents 98 (80.3%) followed by 0-2 years of experience 45 (21.2).

Monthly income

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 15000-25000	75	32.6	35.4	35.4
25000 – 40000	84	36.5	39.6	75.0
40000 - 60000	23	10.0	10.8	85.8
Above 60000	30	13.0	14.2	100.0
Total	212	92.2	100.0	

Table 6: Income is important criteria for any employee in organization. In this study found that, Rs 25000 to 40000 respondents 88 (41.5%) highest ratio represented in study and followed by Rs. **15000-25000** respondents 71 (33.4).

Factors associated with employee retention

Factor analysis helps to find out the three main factors that have to be considered while studying the employee engagement in IT companies in Bangalore city (Poonam Jindal. Et al 2016)

Table 7: Factor-1: **HR Policies**

Factors	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Total employees
Employee-centered HR policies	10	36	55	63	48	212
Efforts to keep the workforce motivated	8	25	49	71	59	212
Satisfaction with working hours	0	22	37	91	62	212
Security of the job	11	19	67	60	55	212
Resolution of grievances	11	39	25	77	60	212

From the table 7, HR policies, “Efforts to keep the workforce motivated” is given more importance followed by Satisfaction with working hours. Security of the job variable and Employee-centered HR policies both are played key role to retain the employee in companies (N Khalid et al, MO Samuel et al). From this we conclude that, an employee gets motivated to work for company with satisfaction working hours.

Table 8: Factor-2: **Compensation & benefits**

Factors	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Total employees
Salaries are at par with others at the same level doing similar job	0	13	23	102	74	212
Adequate perks	9	12	32	99	60	212
Post-retirement benefits	0	0	30	122	60	212
Linking of performance with adequate rewards	7	9	22	83	91	212
Foreign trips	0	11	33	90	78	212

From figure 8, one can observe that Compensation & benefits (agree + strongly agree) makes an employee more engaged in companies. A company with a Compensation & benefits policy gives employee expectation will meet the requirements (Martin L). When there is a need for an employee, at times of crises or any other need, it is very important for the HR manager to interact and sort out the issues (Asrar-ul-Haq.et al) this study found that, these two are key factors in “Compensation & benefits” factor for better employee retention in IT companies.

Table 9: Factor-3: Relations with Manager

Factors	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Total employees
Meeting the superior's expectations	33	19	9	88	63	212
Recognition of efforts by the superiors	41	81	13	44	33	212
Accessibility of superiors	12	34	19	90	57	212
Compatibility with immediate superior	9	39	18	67	79	212

From the above table 9, Relationship with manager plays vital role in every organization. In this study found that, “Recognition of efforts by the superiors” given more importance and followed by “Meeting the superior's expectations”. Same way “Accessibility of superiors” also importance factor to analyzing the employee retention in IT companies in Bangalore.

Studying the association of between Experience and C&Benefits:

Years of Experience * Compensation & benefits Crosstabulation

			Compensation & benefits					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Years of Experience 0 to 2	Count		9	13	23	0	0	45
	% within Years of Experience		20.0%	28.9%	51.1%	0.0%	0.0%	100.0%
	% within Compensation & benefits		100.0%	100.0%	100.0%	0.0%	0.0%	21.2%
2 to 5	Count		0	0	0	91	7	98
	% within Years of Experience		0.0%	0.0%	0.0%	92.9%	7.1%	100.0%
	% within Compensation & benefits		0.0%	0.0%	0.0%	100.0%	9.2%	46.2%
6 to 8	Count		0	0	0	0	43	43
	% within Years of Experience		0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
	% within Compensation & benefits		0.0%	0.0%	0.0%	0.0%	56.6%	20.3%
8 and above	Count		0	0	0	0	26	26
	% within Years of Experience		0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
	% within Compensation & benefits		0.0%	0.0%	0.0%	0.0%	34.2%	12.3%
Total	Count		9	13	23	91	76	212
	% within Years of Experience		4.2%	6.1%	10.8%	42.9%	35.8%	100.0%
	% within Compensation & benefits		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	390.726 ^a	12	.000
Likelihood Ratio	398.911	12	.000
Linear-by-Linear Association	147.575	1	.000
N of Valid Cases	212		

a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is 1.10.

Table 13 gives the results of association between Experience of the respondents and compensation & benefits. Since P value is less than .05, we rejected the null hypothesis. There are 42.9% agreed that software employee are happy with their salaries and benefits and 2 to 5 years of experience employees are agreed 92.9%. We can conclude that, there is significance relationship between experience and compensation and benefits of IT companies in Bangalore city.

Association of between Gender and C&Benefits

Gender of the respondents * Compensation & benefits Crosstabulation

			Compensation & benefits					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Gender of the respondents	Male	Count	9	13	23	91	14	150
		% within Gender of the respondents	6.0%	8.7%	15.3%	60.7%	9.3%	100.0%
		% within Compensation & benefits	100.0%	100.0%	100.0%	100.0%	18.4%	70.8%
	Female	Count	0	0	0	0	62	62
		% within Gender of the respondents	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
		% within Compensation & benefits	0.0%	0.0%	0.0%	0.0%	81.6%	29.2%
Total	Count	9	13	23	91	76	212	
	% within Gender of the respondents	4.2%	6.1%	10.8%	42.9%	35.8%	100.0%	
	% within Compensation & benefits	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	156.806 ^a	4	.000
Likelihood Ratio	183.624	4	.000
N of Valid Cases	212		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.63.

Table 14 explains that p value is less than .05, the null hypothesis is rejected. Here 60.7% of male IT employees agreed that they are happy with compensation and benefits. We conclude that, there is significance between Gender and Compensation benefits.

Association of between Qualification and C& Benefits

Educational qualifications * Compensation & benefits Crosstabulation

			Compensation & benefits					Total
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Educational qualifications	Graduation	Count	9	13	23	91	39	175
		% within Educational qualifications	5.1%	7.4%	13.1%	52.0%	22.3%	100.0%
		% within Compensation & benefits	100.0%	100.0%	100.0%	100.0%	51.3%	82.5%
	Post-graduation	Count	0	0	0	0	37	37
		% within Educational qualifications	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
		% within Compensation & benefits	0.0%	0.0%	0.0%	0.0%	48.7%	17.5%
Total		Count	9	13	23	91	76	212
		% within Educational qualifications	4.2%	6.1%	10.8%	42.9%	35.8%	100.0%
		% within Compensation & benefits	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	80.209 ^a	4	.000
Likelihood Ratio	91.004	4	.000
Linear-by-Linear Association	40.766	1	.000
N of Valid Cases	212		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 1.57.

Table 15 explains that p value is less than .05, the null hypothesis is rejected. Here 52% of Graduation IT employees agreed that they are happy with compensation and benefits. We conclude that, there is significance relationship between employee qualification and Compensation benefits.

Conclusion:

Employee retention is big challenge for IT companies, but it has become more difficult due to the right skills employee findings in the market. Study findings that the employee feels that effective of HR policies have direct and positive relationship with employee retention for long term and the software companies that successfully attract and retain most of the key employees to offer high compensation, positions and dynamic environment in the company. Employee

retention is the most important aspect for the IT companies. The results of employee retention have significant relationship between age, experience, qualification with compensation & benefits. There is the scope of further study in the same area by increasing different industries, increasing the sample size or number of companies.

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