

A Study on Employee Retention in Information Technology Sector

Vikram Valmikam

Assistant Professor

SVS Group of Institutions,
Hanamkonda, Telangana.

Abstract

The employee retention is one of the biggest issues for information technology industry. The purpose of this research study is to identify some of the factors which lead to turnover intention among employees in information technology. The result of this study states that employees in information technology need competitive compensation packages and role clarity for reducing turnover intention in among the employees. A structured questionnaire had been used for primary data collection. The independent factors in the research model are role clarity, participatory management, pay & rewards satisfaction and training & development. The dependent factor is turnover intention.

Keywords: *employee retention, turnover intention, training & development, compensation, participatory management, information technology sector.*

Introduction

Employee retention had been a core competency in information technology sector. It is costly for an organization to find new employee than retaining an existing employee. Organizations implement various employee retention strategies to retain their employees for sustainability in every industry. The present study is to investigate the impact of selected factors on employee retention with special regard to information technology sector. Information technology (IT) is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data (Tech Target, n.d.). India is the world's largest sourcing destination for the information technology (IT) industry and it employs about 10 million workforces. More

importantly, the industry has led the economic transformation of the country and altered the perception of India in the global economy (IBEF, n.d.).

Employee retention

Employee retention is the percentage of employees remaining in the organization. Employee retention simply refers to how many of your current employees stick around over a given period of time (Carsen, n.d.). 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 (Giri, 2008). Employee retention refers to policies and practices implemented by organizations to prevent valuable employees from leaving their jobs. From all these definitions of employee retention it is understood that employee retention means providing environment to keep the employees stay with the organization. The turnover intention (TI) among the employees helps to know about employee retention rates in an industry. The construct turnover intention (TI) had been measured to study about employee retention in this study.

Review of literature

Yiu and Saner (2014) had stated that many leading industries in India are facing high attrition rates. It is essential for Indian organizations to enhance job satisfaction and organizational commitment among the employees instead of giving higher compensation for attaining employee retention. The core competency of Indian information technology sector is availability of skilled and knowledgeable employees at low cost. The ten factors which are financial compensation, training and development, promotion, recognition, challenging work, innovation and creativity, leadership style,

autonomy, work-life balance, and job satisfaction have been used for studying employee retention in software industry by Tseng and Wallace (2009).

Mak and Sockel (2001) had conducted a study on information systems (IS) employees motivation and stated that hidden motivation has an impact on hidden retention, with job satisfaction and perceptions of management on career development as indicator variables for the former, and burnout, loyalty, and turnover intent as indicator variables for the latter. The factors like supervisor leadership style, longer period of stay in organization and compensation have an influence on employee retention (Chan & Morrison, 2000). The employees retention is positively influenced by age and learning opportunities provided by the organization. The working conditions should be maintained properly for retention of talented employees (Govaerts, Kyndt, Dochy, & Baert, 2011).

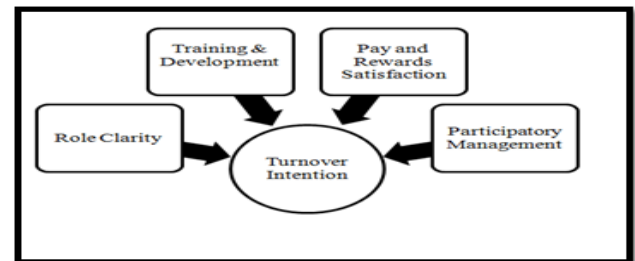
Kim (2004) had explained how job characteristics, work environment, and human resource management practices influence state IT employee turnover intentions. According to Mosen and Boss (2009) role ambiguity leads employee to quit the job. To attain employee retention in IT sector, the managers need to identify the employees who are passionate about continuous learning and challenges, triggered through a continuous positive employee relationship (Bhatnagar, 2007).

Research Methodology

The primary data was collected from employees working in information technology sector by using a structured questionnaire. The questionnaire has 14 items under four constructs. The five constructs in this study are role clarity (RC), participatory management (PM), pay & rewards satisfaction (PR), training & development (TD) and turnover intention (TI). All the items under each construct were adopted from the previous research paper (Kim, 2005). The items in the measurement scale have been displayed in appendix section of this research paper. The dependent variables is TI and independent variables are RC, PM, PR and TD and PR. All the items

were measured with Likert-type five point rating scale ranging with '5' for strongly agree and '1' for strongly disagree. The secondary data for this study was gathered from journals, magazines and electronic sources. Simple random sampling methodology was used for selecting the respondents. SPSS version 20.0 had been used for data analysis. The statistical techniques like frequency, correlation and regression analysis were used for data analysis. The hypotheses in Table 4 were formulated by using the literature review. The research of this study is shown as Figure 1.

Figure 1: Research Model



(Source: Developed by the researcher)

Data Analysis

The three demographic variables considered for this study are gender, experience and age group. The frequency of each characteristic under the three variables is displayed in Table 1. It is observed that 65 percent of the respondents are male and 35 percent are female. More number of respondents participated in this survey are having more than 1 year experience in information technology sector. Further majority of the respondents are belong 30 years and only 4 percent of the respondents are above 40 years.

Table 1: Demographic Variables

Variable	Characteristic	Percent
Gender	Male	65
	Female	35
Experience	Less than 1 Year	30
	1 to 3 Years	29
	3 to 5 Years	11
	Above 5 Years	30
Age Group	Less than 24 Years	20
	23 to 30 Years	36
	31 to 40 Years	40
	Above 40 Years	4

(Source: Compiled by researcher using primary data)

Table 2: Correlations between variables

	RC	PM	PR	TD	TI
RC	1				
PM	0.639**	1			
PR	0.070	0.128	1		
TD	0.416**	0.251**	0.290	1	
TI	0.149*	0.81	0.744**	0.479**	1

** Correlation is significant at the 0.01 level (1-tailed).

*Correlation is significant at the 0.05 level (1-tailed)

(Source: Output from SPSS)

Table 3: Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.507	.430		-5.826	.000
1 RC	.067	.093	.052	.722	.472
PM	-.139	.085	-.111	-1.635	.104
PR	1.121	.091	.670	12.261	.000
TD	.465	.095	.291	4.885	.000

Table 4: Hypothesis Testing

Hypothesis	Statement	Result	Reference
H1	There is positive correlation between role clarity (RC) and participatory management (PM).	Accepted	Table 2
H2	There is positive correlation between role clarity (RC) and payment & rewards satisfaction (PR)	Rejected	Table 2
H3	There is positive correlation between role clarity (RC) and training and development (TD)	Accepted	Table 2
H4	The role clarity (RC) has an association with turnover intention (TI)	Rejected	Table 3
H5	The participatory management (PM) has an association turnover intention (TI)	Rejected	Table 3
H6	The pay & rewards satisfaction (PR) has an association with turnover intention (TI)	Accepted	Table 3
H7	The role clarity (RC) has an association on turnover intention (TI)	Accepted	Table 3

Discussion and Conclusion

The role clarity of employees does not have an impact on turnover intention. The employees who have having role clarity are being involved in management decisions. The employees with role clarity in information technology sector are not having payment and rewards satisfaction. The employees with better pay and rewards leads to employee retention. Many employees in information technology sector are neutral for their opinion towards turnover intention. It means employee retention is an issue in information technology sector. Overall from this study it is evident that employees in IT can be retained giving perfect role clarity and by giving competitive pay & rewards.

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Appendix

Table 5: Items in measurement scale

Construct	Items	Source
Role Clarity (RC)	1. I know what my responsibilities are 2. I know exactly what is expected of me 3. Clear objectives exists for my job	(Kim, 2005)
Participatory Management (PM)	4. I feel involved in important decisions in my work unit 5. I feel free to suggest changes in my assignments or projects 6. In my organization employees who will be affected by decisions are asked for inputs	(Kim, 2005)
Pay and Rewards Satisfaction (PR)	7. I think my level of pay is fair 8. Overall, the rewards I receive here are quite fair 9. I am generally satisfied with the amount of pay and fringe benefits I receive	(Kim, 2005)
Training and Development (TD)	10. I have received the training necessary to stay up to date 11. My organization takes an interest in my career development and advancement 12. My development needs are being addressed in this organization	(Kim, 2005)
Turnover intention (TI)	13. I often think about quitting this job* 14. I will probably look for a job during the next year*	(Kim, 2005)

*Reverse coded

(Source: Compiled by researcher for this study)