A CONCEPTUAL FRAMEWORK ON EMPLOYEE TURNOVER AND THE RETENTION STRATEGIES IN IT INDUSTRY WITH SPECIAL REFERENCE TO TECHNO PARK, TRIVANDRUM, KERALA

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ABSTRACT

This article entitled a conceptual framework on “Employee Turnover in IT Industry and the retention strategies with special reference to Techno Park Trivandrum, Kerala. Labour turnover is a Universal problem and it brings up a vital issue in IT business. The aim is to understand the job satisfaction level, working conditions, workloads and work schedules, various safety measures, the reasons for employee turnover and the measures and strategies for retaining the employees in IT industries. In order to carry out an organization’s business in a superior manner and to attain competitive advantage, it needs to identify, develop and retain its employees over a long period of time. The industry is characterized by high attrition rate, low employee commitment and stressful nature of job.

KEYWORDS

Job satisfaction, Working conditions, Workloads and work schedules, Reasons for turnover, Retention strategies.
INTRODUCTION

Employee turnover is the rate of change in the working staff of a concern during a definite period. It brings change in the composition of labour force in an industrial unit which is caused by accessions and separations. High labour turnover is a warning to management. It indicates that it is the peak time for them to correct and control labour turnover. High labour turnover affects both the employers and employees adversely.

Retention relates to the extent to which an employer retains its employees and may be measured as the proportion of employees with a specified length of service expressed as a percentage of overall workforce numbers. Retention has a direct and casual relationship with employee needs and motivations. In order to retain employees and reduce turnover, managers must meet the goals of employees without losing sight of the organization’s goals, thereby creating a win-win situation.

ABOUT TECHNO PARK

Techno Park is situated in a sprawling eco-friendly campus painted green by flora of a wide variety. The park was set up by the Government of Kerala way back in 1990 in the picture square capital city of Trivandrum, located in the Southern tip of the State. Techno Park, Trivandrum is managed by an autonomous society, Electronics Technology Parks – Kerala (ETPK), under the administrative control of the Department of Information Technology of the Government of Kerala. The park is the home to over 1000 companies, employing more than 1.5 lakhs young and vibrant professionals. These companies contribute more than 80% of the software from the State.

Techno Park is the IT hub of the state of Kerala, which can rightfully claim to be the knowledge capital of the region. Techno Park provides world class, robust and failsafe physical, power and datacom infrastructure, offering a no compromise yet low cost enabling environment for IT Industry that is leveraged by its occupant companies for a competitive advantage.

Techno Park being the first and greenest IT Park in India proved to have the most conducive working environment for a Technology Business Incubator in generating the in-house entrepreneurs with their innovation through incubation. It houses Techno Park is the only IT park in India having ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and CMMI Level 4 Certifications. Apart from this Techno Park has got the SEZ status for its phase 3, and also started Techno city and Kollam parks. With the ongoing expansion activities getting partially completed in 3 years it is expected that more than one lakh professionals will be working out of Techno Park in few years’ time.
Techno Park has the best of nature infrastructure complemented by the modern man made facilities. Enhancing environs, international standard infrastructure, a comprehensive umbrella of support service, a significant cost advantage, easy access to excellent human resources and remarkable ease of starting up make Techno park, Trivandrum India’s most promising and most harmonious IT destination.

THE INDIAN IT INDUSTRY

The Information Technology (IT) sector in India holds the distinction of advancing the country into the new-age economy. The growth momentum attained by the overall economy since the late 1990s to a great extent can be owed to the IT sector, well supported by a liberalized policy regime with reduction in telecommunication cost and import duties on hardware and software. Perceptible is the transformation since liberalization – India today is the world leader in information technology and business outsourcing. Correspondingly, the industry’s contribution to India’s GDP has grown significantly from 1.2% in 1999-2000 to around 4.8% in FY06, and has been estimated to cross 5% in FY07. The sector has been growing at an annual rate of 28% per annum since FY01.

SIGNIFICANCE OF THE STUDY

IT market is fast growing day by day in the world. Due to this scenario IT employees demand ratio increasing and it will create new jobs in market. Many organizations are developing and expanding their business on national and international level. Therefore new job openings are awaiting and job opportunity ratio increase for IT professionals. Now a days IT people got high package jobs very easily. After getting their job how many IT professionals could do this same job for a long time. No one knows the answer.

Today employee turnover has been a major issue in Indian IT industry. It has been noted that IT professionals frequently change their job in compare to other industries employee. Because of the turnover of highly skilled employees firms may incur substantial cost connected with planning, advertising, recruiting, reskilling and trained a new employee. These hidden costs are associated with difficulties in completing the projects and disruptions in team based work environment. So all employees who are working in IT or any other company are important for their organization. This study examines the various factors behind employee turnover and the measures for retaining the employees.

OBJECTIVES OF THE STUDY
A study on employee turnover in IT industry and the retention strategies with special reference to Techno Park, Trivandrum, Kerala has been carried out with the following objectives:

- To identify the factors that causes employee turnover.
- To identify the policies, practices and programs offered by IT companies with reference to employee turnover.
- To identify the role of organization’s commitment in employee turnover.
- To examine the working conditions prevailing in Techno Park.
- To measure the overall satisfaction of the employees towards the organization.
- To identify the cost associated with employee turnover.
- To identify the strategies adopted by the company to retain their employees.
- To identify the employee turnover at various IT companies with special focus on Techno Park, Trivandrum, Kerala.
- To provide some recommendations to reduce employee turnover.

RESEARCH METHODOLOGY

In this research study, a Descriptive Research design was adopted. The Primary data were collected from 250 respondents through structured Questionnaires and it from Executive and Non-Executive Employees of Techno Park, Trivandrum, Kerala. The secondary data were used from Books, Journals and Newspapers.

The questions include items pertaining to the respondent’s personal information; respondent’s employee tenure in the company, respondent’s opinion about employee loyalty and employee satisfaction. Other questions asked the respondents to evaluate their level of importance of employee characteristics and their perceived manifestation of these characteristics. To predict retention, respondents were also asked to indicate their level of satisfaction with their current organization, the effectiveness of company to remain good employee, their likelihood to find another job and their confidence. The last set of questions asked respondents to assess employment features that would cause dissatisfaction.

REVIEW OF LITERATURE

Price and Muller (1981) observed that job satisfaction influenced actual turnover indirectly through its direct effect or turnover intention. The variables that affect job satisfaction are pay, promotion, opportunities immediate supervisor, fringe benefits, contingent rewards, rules and procedures, relation with co-workers, type of work done and communication within the organization.
In Wallace’s (2003) work about managing shift work, he indicated that long working hours, unpredictable shifts, limited breaks and heavy mental, emotional and physical demands are the concerns that lead to occupational stress.

Costly et al. (1987) points out that a high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit.

Maxwell and Steele (2003) found that workload and interpersonal relationships, recognition and pay expectations have impact to the level of commitment. The more conflicts and the worse interpersonal relationships exists, the lower organizational commitment the employees possess.

Armstrong, M (2003) identified several reasons to quit from job such as more pay from other company, better career prospects more job security, opportunity to develop skills, better working conditions, poor relationship with manager or supervisor, bullying or harassment in workplace and personal reasons like pregnancy, illness, moving away from area etc. Bevan (1991) cited on Bratton & GOLD (2007) indicates several causes for high staff turnover. He identified that pay in not only the reason for staff turnover and there are some other factors works on that issue. They are follows:

- **Employee expectation**: The employee’s expectations are not matching with the job such as bonus, benefits, holidays and etc. (Torrington et al 2002). That factors causes dissatisfaction of job. It is more likely happened with the new employees of the organization.
- **Lack of attention**: Employees are found that managers are not giving attention to them and they are not providing supporting training to develop themselves. For that reason they are not well perform in the job. (Torrington et al., 2002).
- **Work environment**: Work environment is not friendly with the employee such as lack of freedom in work, limited responsibility, no challenging environment and there are no innovative works within the organization. (Torrington et al., 2002).
- **Appraisal system**: Some organization doesn’t have the proper evaluation systems. So employees are disappointing with the unfair promotion and worried about the development opportunities system. (Torrington et al., 2002).
- **Management system**: Due to unskilled management and their unfair treatment with the employees and lack of knowledge of how to motivate employee. Gregg and Wadsworth (1999) cited in Torrington et al. (2002) demonstrate in their
study of 870,000 workers starting new jobs in 1992 out of that 17 per cent had left within three months and 42 per cent within 12 months.

Linda Maund (2001) states that recruitment and selection procedures are some of the internal causes for increasing labour turnover. Head hunting, lack of transportation system and poor increment facilities are also some external causes.

Bevan (1991) cited on Bratton and Gold (2007) indicates some causes for high labour turnover as employee expectation, lack of attention, work environment, appraisal system, management system etc.

Armstrong, M. (2003) derive some action plan for low employee turnover for example better employee remuneration packages for employees’, give more opportunity for professional development, training and careers, enhanced future employability because of the position of the organization as one that occupies and build ups high quality people, as well as the learning chances it provides, employment conditions which deal with work-life balance issues by, such as flexible working hours and planning to give more over time and leave policies, and as long as child care facilities or vouchers to meet the personal needs with family responsibilities, organization need to arrange better amenities and opportunity for skill workers, for example transportation, provident fund, production bonus etc. facilities.

CAUSES OF TURNOVER

Every separation of an employee from an organization, whether voluntary or involuntary, is serious for the organization. Therefore it is very important to study the various causes of labour turnover.

According to the 2006 Bureau of Labour statistics more and more employers today are finding that employees remain for approximately 23 to 24 months. The Employment Policy foundation states it costs a company an average of $15,000 per employee, including separation costs, paper work, unemployment, vacancy costs, including overtime or temporary employees and replacement costs including advertisement, interview time, relocation, training and decreased productivity when colleagues depart.

The causes may be either avoidable or unavoidable.

- Avoidable causes are seasonal character of the trade or business, shortage of materials, inadequate planning, lack of management foresight and determination etc. The other avoidable causes are employees dissatisfaction with job, low remuneration, long hours of work and poor working conditions and bad relations with supervisors and fellow workers etc.

- Unavoidable causes are not due to the fault of management but due to other factors which are not under their control. Employees may leave because of the
following unavoidable reasons such as personal betterment, Domestic affairs like marriage, pregnancy in case of female employees etc., and departure from the locality, unsuitable for job or misconduct on his part, housing or transportation problem, retirement, death etc.

We explore some other factors in more detail below.

**The economy**: Some minimum wage workers report leaving one job for another that pays only 50 cents an hour more. Obviously, in a better economy the availability of alternative jobs plays a role in turnover.

**The performance of the organization**: An organization perceived to be in economic difficulty will also raise the specter of impending layoffs. Workers believe that it is rational to seek other employment.

**The organizational culture**: Reward system, the strength of leadership, the ability of the organizations to elicit a sense of commitment on the part of workers, and its development of a sense of shared goals, will influence such indices of job satisfaction as turnover intentions and turnover rate.

**The characteristics of the job**: A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment.

**Demographics**: Empirical studies state that turnover is associated in particular situations with demographic and biographical characteristics of workers.

**The person**: Personal factors include changes in family situation, a desire to learn a new skill or trade, or an unsolicited job offer. These traits are some of the same characteristics that predict job performance and counterproductive behaviors such as loafing, absenteeism, theft, substance abuse on the job, and sabotage of employer's equipment or production.

**Remedial Measures to Control Labour Turnover**

Remedial measures should be taken after ascertaining the exact reasons for leaving. It includes:

- Improvement in recruitment policies and procedures.
- Use of proper tests and interviews while employing the personnel.
- Provision of adequate training to the new as well as the existing employees.
- Introduction of security of services.
- Impartial promotion and transfer policies.
- Introduction of proper incentive plans.
Provision of reasonable amenities and welfare measures.

Setting up machinery for ascertaining the causes of grievances and redressing such grievances.

Provision of retirement benefits.

Provision of proper channels of communication to improve the morale of employees.

Maintaining better human relations in the enterprises.

**Retention Strategies**

Employee retention refers to various policies and practices which let the employees stick to an organization for a longer period of time.

**Valence and Expectancy** theories provided some of the earlier guidance for retaining employees. Valence is the degree to which the rewards offered by an organization align with the needs employees seeks to fulfill. Expectancy theory has several factors that can lead to high job satisfaction and high retention rates for organizations.

**Retention and Motivation Theory** – Applying a motivation theory model, such as Maslow’s Hierarchy of Needs, is an effective way of identifying retention protocol.

**Equity Theory** – realizes the humanitarian concern with fairness and equality. While one party may be given motivational rewards and opportunities, the individual will assess the work-reward ratio based on similar, external positions. If the individual feels the rewards and motivators do not meet the standard, the employee will either lose motivation, request more compensation or leave their current position in search of more favorable benefits. Because of this, firms must not only recognize internal obligations, but also attempt to equalize or outperform competition in meeting employee needs.

The five major factors of employee retention include compensation, work environment, growth, relations and support.

**SUGGESTIONS**

High employee turnover leads to high turnover cost which may include recruitment cost, training cost, lost productivity cost and lost sales cost. So develop a mechanism to calculate the turnover cost associated with the leaving of each employee which may ultimately help to cut costs.

Firms try to satisfy the employees to a maximum possible extent after each appraisal. This may helps to reduce the turnover that usually happens after each appraisal period.

Initiate a highly effective, high energy and motivating suggestion program.
Don't look attrition merely as a statistic. Read the story behind the numbers.

Attrition is not only an HR issue. Sensitize the managers towards the people issue.

CONCLUSION

This article has attempted to examine some of the factors which may be the possible reasons for an employee to leave the organization. It will help the organization to make the necessary measures to retain the employees. Therefore, if the above strategies are taken into account the business would be able to survive in a dynamic environment by treating their employees as one of their assets which need a lot of attention. Employees are the backbone of any business success and therefore, they need to be motivated and maintained in organisation at all cost to aid the organisation to be globally competitive in terms of providing quality products and services to the society.

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