

# An analytical study of correlation between Selected Factors and Employee Retention with special reference to IT Sector

Dr. Rashmi Gupta\*

## Abstract

Employees are the most important factor of production for an organisation as it utilises all the other factors in a proper way. The serious challenge IT industry facing today is the recruitment and retention of the best talent. Employee Retention is the most authoritative target for the organization because the hiring of qualified candidates is essential for an organization but their retention is more important because a huge amount is spent on the orientation and training of the new employees. Employee Retention is affected by number of factors and it is also important to understand employees expectations, so that they stay back in the organisation for a long period and perform well. The objective of this paper is to study different factors that affects the retention of employees in IT sector. The present study adopts the descriptive research design. Regarding the population, 40 employees were considered as sample from IT sector. Structured Questionnaires are designed to collect the data from employees. To test for the significance of relationships between two individual parameters of job satisfaction and the total job satisfaction, Pearson's correlation test is used.

**Keywords:** Employee Retention, IT Industry, Talented employees

## Introduction

The biggest challenge faced by Indian IT Industry is retaining the talented employees as the attrition rate is increasing at an alarming rate in this sector. Employees are the most important factor of production for an organisation as it utilises all the other factors of production in a proper way. The serious challenge IT industry facing today is the recruitment and retention of the best talent. Employee Retention is the most authoritative target for the organization because the hiring of qualified candidates is essential for an organization but their retention is more important because a huge amount is spent on the orientation and training of the new employees. When employees leave the job, organization not only lose employees, but also lose the customers and clients who are loyal with the employees, knowledge of production, current projects, competitors and past history of the organization. Organizations make enormous efforts to attract talented employees and retain them in the organization. Employee Retention is affected by number of factors and it is also important to understand employees expectations, so that they stay back in the organisation for a long period and perform well. The objective of this paper is to study different factors that affects the retention of employees in IT sector.

## Employee Retention

Employee retention refers to the various steps which the organisation takes to form the policies and practices which makes the employees stick to an organization for a longer period of time. Every organization devotes time and money to prepare a new joiner, make him a corporate ready material and bring him at par with the existing employees. The organization suffers a lot when the employees leave their job when they are fully trained.

## Job Satisfaction

Job satisfaction refers to a person's feeling of contentment on the job which motivates him to work in the organisation for a long period. It is not the self-satisfaction, happiness or self-contentment but the satisfaction on the job. The current study includes only five parameters of Job Satisfaction. They are-

---

\* Asstt. Professor, Dr. Ambedkar Institute of Management Studies and Research, Deekshabhoomi, Nagpur

|   |
|---|
| Compensation                                      |
| Reward and recognition                            |
| Organizational working environment and facilities |
| Carrer advancement and opportunities              |
| Superior support                                  |

### Employee Retention in IT Sector of India

The Indian IT industry plays a very important role in India's economic growth as it is the major contributor to the GDP of India. IT Industry in India is viewed as growth engine of Indian economy, contributing in increase of Gross Domestic Product (GDP), urban employment and exports. Over last 10 years the IT Industry has grown at an annual rate of 30 percent. According to NASSCOM's report (National Association of Software and Services Companies) Indian IT Industry provide direct employment to 2.8 million and indirect employment to 10 million workers in 2016 and now IT industry employ 25 million workforce in 2018-2019. But with increasing market size, attrition in IT industry in India is also continuously increasing. Nowadays talent attraction and talent retention has become major concern for the IT sector in India. Long term health and success of an organization depends upon retention of its employees.

Employee turnover in IT sector is likely driven by increasing demand and compensation. The computer game (15.5%), Internet (14.9%), and computer software industries (13.3%) had the highest turnover in tech —.Experienced Graphic Designers had extremely high turnover at 23.3 percent (they're also extremely in demand), with both data analysts and embedded software engineers at 21.7 percent. There's strong evidence to suggest that the trouble with retaining tech talent is high-demand and rising compensation within the industry, top talent is more eager to jump on new opportunities. The numbers support this theory — according to LinkedIn data, almost half (49%) of departing tech employees take another job within the tech sector.

### Literature Review

| Sr No. | Topic   | Author  | Conclusion  |
|--------|---|---|---|
| 1      | Employee retention practices in indian corporate – a study of select mncs(2013)           | 1 Sultana Nazia<br>Department of Commerce,<br>Osmania University, Hyderabad-500095<br><br>2 Bushra Begum<br>Department of Commerce,<br>University College for Women,<br>Koti, Hyderabad-500095                      | The study concludes that steps must be taken by the organisations to relieve the employees from the workload through job rotation, change in work location and other recreational activities. It is also observed that implementation of three R's will increase retention.   |
| 2      | Employee Retention Models and Factors Affecting Employees Retention in IT Companies(2017) | Raminder Kaur<br>Ph.D Scholar (Management)<br>Kalinga University, Raipur, C.G.  | From the study it is identified that lack of growth opportunities and salary are the major factors which force employees to change their jobs. This study concludes that to reduce attrition industries should create some oppo rtunities for the growth of their employees within the organization by adopting new Innovative Technologies and<br><br>Effective training programs. The company should also think of recruiting people who are in the vicinity of the industry, so that the family related problems will not lead to attrition. |
| 3      | A study on employee retention strategies in leading it companies at trichy(2016)          | 1.Dr G.BALAMURUGAN<br>Assistant Professor, Department of Management Studies, Anna University (BIT Campus),Tiruchirappalli, Tamil Nadu, India<br><br>2. R.ABINAYA<br>Final year PG student, Department of Management | The exponential growth of IT sector has prompted the Organization to focus on employee centred employment relationship to hold back the employees. The employee retention has been quite challenge for IT -units and HRD should focus on Work pressure, Rewards and recognition retention strategies. Organizations have to provide their employees with the best career advancement and opportunities.   |

## **Research Methodology**

### **Statement of the problem**

The Indian IT sector play a significant role in the economic growth of the country. IT sector in India is the major contributor to the GDP but nowadays India's IT sector is facing the problem of employee retention. The attrition rate is very high. Due to numerous job opportunities available to the employees they switch their job whenever they feel the need. The Indian IT sector attracts foreign direct investment (FDP) but if employees are not retained then it will affect the employment relationship with the foreign countries and it will affect the economic growth of the country. For this reason present study is conducted to find the factors that affects the retention of employees.

### **Type of research**

The present study is Descriptive type of research. Data is collected by using Convenience Sampling method. The data collected is qualitative data. Both primary and secondary data is used for data collection.

### **Objectives**

1. To measure job satisfaction among employees of organizations in IT sector.
2. To study various HR practices and its effects on employee retention in IT sector.
3. To identify important HR practices leading to employee retention among employees in the IT sector.

### **Hypothesis**

H0- There is no significant relationship between the selected factors and total Job satisfaction of employees in IT sector.

H1- There is significant relationship between the selected factors and total Job satisfaction of employees in IT sector.

### **Research design**

The present study adopts the descriptive research design. Regarding the population, 40 employees were considered as sample from IT sector. Data regarding employee perceptions on employee retention practices were collected by using Convenience Sampling method. Structured Questionnaires are designed to collect the data from employees One questionnaire is designed to collect the data about job satisfaction of employees within companies .Another questionnaire is designed to collect the employee opinion about the importance of various HR practices in term of employee retention.

### **Limitations of the study**

- Due to time constraint, the samples size is small .
- The respondents might not have given their actual opinions on certain issues related to the organization which could be confidential in nature.

### **Data analysis**

#### **The Reliability Of The Questionnaire**

An important item that should be considered in research works is the reliability of the measurement instrument. The reliability of a measurement tool means that if such a questionnaire is measured in another place and in similar conditions, the achieved results will be similar, accurate and reliable. The measurement reliability of an instrument is conducted with the aim that instrument can be applied in different times and places, and if the research is done by another individual or researcher in other time and places, the same results can be achieved. To determine and calculate the final coefficient, different methods are being used, including test repeating method, equivalent-making method, Tensief method and Coder- Richardson method, of which the best known is the alpha Cronbach's method .Therefore, in this research, the questionnaire consistancy or reliability was calculated using the alpha Cronbach's measurement method, which is used to measure the internal consistency of a questionnaire or tests that measure various features. In this study, the mentioned alpha value calculated by SPSS software is equivalent to 800/0, which is statistically considered as an optimal value.

### Scale measurement of the research

One of the most common scales of measuring views about a subject is the Likert scale. In this study, to measure the respondents' views about the constituting indicators of retention in IT sector is measured in a Likert ranking scale. The questionnaire response spectra consist of very high, high, moderate, low and very low, for which the codes including 1, 2, 3, 4 and 5 have been considered to analyze them.

### Demographic profile of the respondents

|                               |                      |           |
|-------------------------------|----------------------|-----------|
| <b>Age</b>                    | <b>21-25</b>         | <b>23</b> |
|                               | <b>26-30</b>         | <b>10</b> |
|                               | <b>31-35</b>         | <b>7</b>  |
|                               | <b>36-40</b>         | <b>0</b>  |
|                               | <b>41 and above</b>  | <b>0</b>  |
| <b>Gender</b>                 | <b>MALE</b>          | <b>21</b> |
|                               | <b>FEMALE</b>        | <b>19</b> |
| <b>Marital status</b>         | <b>Married</b>       | <b>11</b> |
|                               | <b>Unmarried</b>     | <b>29</b> |
| <b>Educational background</b> | <b>SSS/HSC</b>       | <b>2</b>  |
|                               | <b>Graduate</b>      | <b>26</b> |
|                               | <b>Post Graduate</b> | <b>12</b> |
| <b>Monthly salary</b>         | <b>7k-15k</b>        | <b>16</b> |
|                               | <b>16k-25k</b>       | <b>12</b> |
|                               | <b>26k-40k</b>       | <b>9</b>  |
|                               | <b>41k and above</b> | <b>3</b>  |

### Job satisfaction in IT Sector

The responses of the various respondents about job satisfaction with respect to various HR practices in IT sector have been given below:

| <b>Sr. No.</b> | <b>HR practices</b>                               | <b>Highly Satisfied</b> | <b>Satisfied</b> | <b>Neutral</b> | <b>Dissatisfied</b> | <b>Highly Dissatisfied</b> |
|----------------|---|-------------------------|------------------|----------------|---------------------|----------------------------|
| 1              | Compensation                                      | 6                       | 16               | 10             | 6                   | 2                          |
| 2              | Rewards and Recognition                           | 5                       | 22               | 10             | 3                   | 0                          |
| 3              | Organizational Working Environment and facilities | 9                       | 20               | 8              | 2                   | 1                          |
| 4              | Career Advancement and Opportunities              | 7                       | 20               | 6              | 4                   | 3                          |
| 5              | Superior support                                  | 6                       | 21               | 6              | 3                   | 5                          |
|                | <b>TOTAL</b>                                      | <b>33</b>               | <b>99</b>        | <b>40</b>      | <b>18</b>           | <b>11</b>                  |

### Ratings of various HR practices in IT Companies

Following are the average ratings score out of 5 given by respondents for importance of various HRM practices for employee retention:

| Sr. No. | HRM practices                                     | Average ratings score |
|---------|---|-----------------------|
| 1       | Compensation                                      | 2.42                  |
| 2       | Reward and recognition                            | 2.24                  |
| 3       | Organizational working environment and facilities | 2.56                  |
| 4       | Carrier advancement and opportunities             | 3.32                  |
| 5       | Superior support                                  | 2.68                  |

According to the responses given by 40 respondents, we can say that carrier advancements and opportunities HR practice is most important for employee retention, then superior support, then organizational working environment and facilities, then compensation and reward and recognition HR practice is least important for employee retention.

### Pearson's Correlation Significance Test

To test for the significance of relationships between two individual parameters of job satisfaction and the total job satisfaction, we introduced Pearson's correlation as a measure of the STRENGTH of a relationship between two variables. But any relationship should be assessed for its SIGNIFICANCE as well as its strength.

### Factors in relationships between two variables

The strength of the relationship is indicated by the correlation coefficient 'r' but is actually measured by the coefficient of determination 'r<sup>2</sup>'

| STRENGTH OF CORRELATION BETWEEN INDIVIDUAL PARAMETERS AND TOTAL JOB SATISFACTION |                             |  |
|--|-----------------------------|--|
| PARAMETERS   | Correlation Coefficient "r" | Coefficient of Determination "r <sup>2</sup> " |
| Compensation   | 0.561                       | 0.315  |
| Reward and recognition   | 0.304                       | 0.092  |
| Organisational Working environment and facilities                                | 0.590                       | 0.348  |
| Carrier advancement and opportunities  | 0.364                       | 0.132  |
| Superior's support   | 0.441                       | 0.194  |

The significance of the relationship is expressed in probability levels: p (e.g., significant at p =0.05). This tells how unlikely a given correlation coefficient, r, will occur given no relationship in the population. The smaller the p-level, the more significant will be the relationship. The larger the correlation, the stronger the relationship.

| SIGNIFICANCE OF CORRELATION BETWEEN INDIVIDUAL PARAMETERS AND TOTAL JOB SATISFACTION |                             |  |           |
|--|-----------------------------|--|-----------|
| PARAMETERS   | Correlation Coefficient "r" | Coefficient of Determination "r <sup>2</sup> " | "t" VALUE |
| Compensation   | 0.561                       | 0.315  | 4.178     |
| Reward and recognition   | 0.304                       | 0.092  | 1.967     |
| Organisational Working environment and facilities                                    | 0.590                       | 0.348  | 4.505     |
| Career advancement and opportunities   | 0.364                       | 0.132  | 2.409     |
| Superior's support   | 0.441                       | 0.194  | 3.029     |

The critical value of t for 38 degrees of freedom and level of significance 0.05 is 1.686. Our calculated value of "t" for all the parameter is above this critical value.

Therefore, we reject the null hypothesis that r is not significant. This means that there is a statistically significant relationship between these parameters and Job satisfaction. The strength of the relationship is given by the value of "r". The order of strength is"

1. Organizational Working Environment & Facilities.
2. Compensation.
3. Superior's support.
4. Career Advancement & Opportunities
5. Reward & Recognition

Secondly, the relationship is positive. Therefore, we can say that if we improve the satisfaction of employees on these five parameters, the total job satisfaction will increase and thereby the chances of their retention.

## Conclusion

The Indian IT sector should give more emphasis on Organisational Working Environment & Facilities for improving the retention rates. The other factors in order of their importance are Compensation, Superior's support, Career Advancement & Opportunities and Reward & Recognition. The attention to these factors will lead to Job satisfaction which in turn lead to Employee Retention.

## References

1. Employee Retention: Tips and Tools for Employee Retention (2010) viewed on 16 June 2010
2. Gentry, A. William., Kuhnert, W. Karl., Mondore, P. Scott. (2007), The influence of supervisory-support climate and unemployment rate on part-time employee retention A multilevel analysis, Journal of Management Development, Vol.26, No.10, pp. 1005-1022
3. Lawler III E. Edward. (2005), Creating high performance organizations, Asia Pacific Journal of Human Resources
4. N Srivastava, Vinay K. and Shailesh Rastogi(2008) " Employee Retention: By way of management control systems", ACM.
5. Punia, B.K. and Priyanka Sharma(2008), "Employees perspective on human resource procurement practices as a retention tool in Indian IT sector", Vision – The Journal of Business Perspective
6. Vos, D. Ans., & Meganck, A.(2009), What HR managers do versus what employees value Exploring both parties' views on retention management from a psychological contract perspective, Personnel Review, Vol.38, No.1, pp. 45-60.