



A STUDY ON FACTORS CONTRIBUTING TO EMPLOYEE ATTRITION IN INFORMATION TECHNOLOGY SECTOR IN CHENNAI CITY

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ABSTRACT

Employees are the life blood of any company. A company cannot run without employees. For a company employees are real assets. In the words of Henry Ford, "take away my factory, take away my machinery, money and all that I have, but leave me my men. I will rebuild my industrial empire stronger and better". If a company has qualified and talented employees it can become an empire in this business world. So it becomes necessary for a company to have a right quantity and quality of personnel's. But in today's situation Employee Attrition is one of the major problem faced by companies. The Employee Attrition rate is increasing. The Employee Attrition's are due to various reasons like better pay, growth opportunities, employee recognition etc... The primary objective of this study is to identify the major factor contributing towards Employee Attrition in Information Technology companies in Chennai city. This study is empirical in nature and the primary data is collected through structured questionnaires from the employees of the Information Technology companies in Chennai city by convenience sampling technique. The outcome of this research work could be helpful for the employers of the Information Technology companies to know the major factor contributing towards Employee Attrition and to adopt necessary retention strategy to prevent Employee Attrition in Information Technology companies.

Key Words: Employee Attrition, Growth Opportunities, Employee Recognition, Better Pay, Talented Employees.

INTRODUCTION

Human resources are the major resources of a company. A great businessman Henry Ford, says that, "take away my factory, take away my machinery, money and all that I have, but leave me my men. I will rebuild my industrial empire stronger and better".ⁱ Employees are the real assets of a company and they are considered to be life blood of a company. For a company to be an empire in this business world it must have effective and efficient number of employees to work. A company without adequate employees amounts to a vehicle without fuel. Company will be there but it could not able to run profitably. A company should have right number of personnel's. A company with excess employees or a company with inadequate employees leads to unproductively.

Terry Continuo of Reliance BPO in an article states that high Attrition rates in the Indian Information technology – BPO segments is a major concern for companies. The major challenges faced by Information technology – BPO segments is raising rate of Attrition. He also says that, Attrition rate ranges from 25-40 percent and it's a big challenge to the companies. It has been observed that an average Indian call centre employee works with a company for 11 months, whereas an average UK call centre employee stays in a company for three years. Apart from a loss of skill sets, the cost of recruitment and training represent an additional expenditure for Indian IT-BPO firms".ⁱⁱ

Employee Attrition is not only a problem of losing a qualified employee alone. It has various other problems. It affects the company's regular flow of work. It increases the cost of operation in hiring new employees to the company. It also lowers the morale of existing employees working in the company. Employee Attrition is not only a problem to companies; it is also a problem to employees. Frequent change of job brings a black mark to employee profile. It affects employee's benefit such as PF, pension, etc... It also affects the employee's dependents.

The Employee Attrition can be of many reasons. It can be of employee related factors or organizational factors. Employee related factors are such as dislike of job, better pay, inconvenience job location, work life imbalance and so on and organizational related factors are such as employee recognition, employee motivation, growth opportunities and so on. Information Technology companies undertake many retention strategies to retain employees in their organization. They follow strategies like higher pay, bonus, rewards, etc., to retain the talented employees in their organization. Even then there is attrition of employees taking place in the companies. Hence, an empirical study was undertaken with employees working in Information Technology companies in Chennai to know the factors contributing to employee attrition of employees in their companies.

OBJECTIVES OF THE STUDY

The objective of the study is to identify the major factors contributing to Employee Attrition in Information Technology sector in Chennai city.



REVIEW OF LITERATURE

In order to conduct the research the study on factors contributing to employee attrition in Information technology sector in Chennai, the prior research articles done by various researchers in this area are reviewed by the researcher to identify the various variables involved in employee attrition.

RM Ingersoll in his study titled “*Teacher Turnover and Teacher Shortages: An Organizational Analysis*” Investigates the possibility of factors that are tied to the organizational characteristics and conditions of schools that are driving teacher turnover and in turn school staffing problems. The results of this analysis indicate that school staffing problems are due insufficient supply of qualified teachers and the school staffing problems are primarily due to excess demand resulting from a “revolving door”—where large numbers of qualified teachers depart their jobs for reasons other than retirement.ⁱⁱⁱ

Mobley, William H. Griffeth, Rodger W. Hand, Herbert H. Meglino, B. M. in their research titled “*Review and conceptual analysis of the employee turnover process*” presents a conceptual model that suggests a need to distinguish between satisfaction (present oriented) and attraction/expected utility (future oriented) for both the present role and alternative roles, a need to consider non work values and non work consequences of turnover behavior as well as contractual constraints.^{iv}

JL Cotton and JM Tuttle in their analysis “*Employee Turnover: A Meta-Analysis and Review with Implications for Research*” found that all the 26 variables studied relate to turnover and the findings also indicate that study variables including population, nationality, and industry has moderate relationships between many of the variables and turnover.^v JD Shaw, JE Delery and GD Jenkins had made a study on titled “*An organization-level analysis of voluntary and involuntary turnover*”- in this study the researchers has used organization level data from 227 organizations in the trucking industry to explore this issue and the results of this study shows that human resource management practices predict quit rates and discharge rates but that the determinants of each are quite different.^{vi}

DJ Koys in is research titled “*The effects of employee satisfaction, organizational citizenship behavior, and turnover on organizational effectiveness: a unit-level, longitudinal study*” the author addresses the issue of whether positive employee attitudes and behaviors influence business outcomes or whether positive business outcomes influence positive employee attitudes and behaviors. The hypothesis was that, the employee satisfaction, organizational citizenship behavior, and employee turnover influence profitability and customer satisfaction. Cross-lagged regression analyses show that employee attitudes and behaviors at Time 1 are related to organizational effectiveness at Time 2. Additional cross-lagged regression analyses show no significant relationship between organizational effectiveness at Time 1 and the employee attitudes and behaviors at Time 2.^{vii}

As stated above to carry out this research various prior research articles are reviewed by the researcher and found that various research has been done in the topic effects of turnover on organizational effectiveness, analysis on voluntary and involuntary turnover, employee turnover process. But no research has been made in this topic factors contributing to Employee Attrition in Information Technology sector. Hence, this research was undertaken to study the factors contributing to Employee Attrition in Information Technology sector in Chennai city.

HYPOTHESIS: Since the statistical tool used for analysis is factor analysis. Hence the hypothesis is not formulated

RESEARCH METHODOLOGY

The research work is empirical in nature. A survey questionnaire was designed and distributed to find out the major factor that contributes employees working in Information Technology companies in Chennai city towards attrition. Questions were framed on Likert 5 point rating scales.

Sample Size: The size of the sample in the study is 100 respondents working in Information Technology companies in Chennai city like TCS, Accenture, Infosys, HCL and so on.

Sampling Technique: In this study non- probability sampling was employed. The type of non- probability sampling used is “convenience sampling” where the samples are drawn at the convenience of the individual, who take up the study.

Source of the data: The primary data is collected through structured questionnaire. The secondary data for the study constitute books, journals and websites.

ANALYSIS AND FINDINGS

The data analysis is completely done with the help of SPSS (20th version). The statistical tools used for analysis is factor analysis. In order to identify the various factors contributing towards Employee Attrition in Information Technology companies in Chennai city, thirty four factors were identified and listed using likert’s 5 point scale. Multivariate factor



analysis was conducted on these factors in order to reduce them into prominent factors. The principal component method is used to group the variables. The following tables show the results of the factor analysis conducted on the data that was collected.

The Kaiser-Meyer-Olkin (KMO) and Bartlett's Test measures strength of the relationship among variables. KMO is used for assessing sampling adequacy and evaluates the correlations and partial correlations to determine if the data are likely to correlate or not on factors. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. The Bartlett's test evaluates whether or not the correlation matrix is an identity matrix that is 1 on the diagonal & 0 on the off-diagonal.

Table 1 KMO and Bartlett's Test showing factors contributing towards Employee Attrition		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.802
	Approx. Chi-Square	1575.699
Bartlett's Test of Sphericity	Df	561
	Sig.	.000*

Source: primary data * level of significance at 5%

From Table 1, it can be noted that Kaiser-Meyer- Olkin measure of sampling adequacy is 0.802 and Bartlett's Test of Sphericity and approximate Chi- Square value is 1575.699 which are statistically significant at 5% level. Therefore, it can be concluded that the sample size is adequate to derive the predominant factors that contribute towards Employee Attrition in Information Technology companies in Chennai city.

Communalities is the sum of the squared factor loadings and represents the amount of variance in that variable accounted for by all the factors.

	Initial	Extraction
Higher pay offered by other companies	1.000	.314
Work life imbalance	1.000	.379
Employees are undervalued in the organization	1.000	.548
Job did not meet their expectations	1.000	.447
Lack of growth opportunities in the organization	1.000	.498
Rude behavior of higher officials with employees	1.000	.617
Organizational instability	1.000	.695
Employee misalignment.	1.000	.571
Employee harassment in the organization	1.000	.441
Non - flexible working hours	1.000	.433
Boredom in that job	1.000	.454
Inconvenient job location	1.000	.565
Lack of cordial relationship among co-worker's in the organization	1.000	.641
Undesirable working ambience in organization	1.000	.564
Lack of training facilities in the organization	1.000	.643
Lack of employee motivation in the organization	1.000	.617
Non availability of decision making opportunities in the organization	1.000	.697
Undesirable company policies	1.000	.456
Poor management of employees	1.000	.523
Improper communication among employees and higher authority in the organization	1.000	.499
Lack of employee engagement in the organization	1.000	.469
Performance appraisal dissatisfaction to the employee	1.000	.371
Work pressure/ work load	1.000	.426
Leadership ineffectiveness in the organization	1.000	.551
Conflicts in the work place	1.000	.520
Lack of welfare measures in the organization	1.000	.603
Tenure period of the job	1.000	.477
Individual are respected based on Personality	1.000	.555
Discrimination like gender, caste, creed in the organization	1.000	.600
Work experience is judged	1.000	.513
Health issues of a person	1.000	.385
Personal problems of a person	1.000	.356
Skills or talents of the employee are not recognized	1.000	.447
Undesirable job culture	1.000	.405

Source: Computed data



Table 2 shows the communalities of the 34 factors ranging from 31.4% - 69.7%. This shows that the variance for the factors contributing Employee Attrition to Information Technology companies in Chennai city contributes significantly in explaining the factors. The next table displays the amount of variance accounted for in the items' variance-covariance matrix by each of the factors and cumulatively by all the factors.

Table 3 showing Total Variance Explained for factor contributing Employee Attrition in Information Technology sector									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.871	29.032	29.032	9.871	29.032	29.032	5.192	15.271	15.271
2	2.172	6.388	35.419	2.172	6.388	35.419	4.230	12.441	27.711
3	1.889	5.556	40.976	1.889	5.556	40.976	3.320	9.764	37.475
4	1.704	5.013	45.989	1.704	5.013	45.989	2.536	7.459	44.934
5	1.645	4.839	50.828	1.645	4.839	50.828	2.004	5.893	50.828
6	1.480	4.353	55.181						
7	1.291	3.797	58.978						
8	1.268	3.729	62.708						
9	1.105	3.249	65.956						
10	1.042	3.065	69.021						
11	.977	2.873	71.895						
12	.853	2.509	74.404						
13	.809	2.379	76.783						
14	.763	2.244	79.028						
15	.714	2.100	81.127						
16	.654	1.924	83.051						
17	.648	1.905	84.957						
18	.542	1.594	86.550						
19	.476	1.401	87.951						
20	.453	1.332	89.284						
21	.441	1.297	90.581						
22	.401	1.178	91.759						
23	.352	1.036	92.795						
24	.348	1.025	93.819						
25	.312	.918	94.737						
26	.289	.849	95.586						
27	.269	.790	96.376						
28	.228	.670	97.046						
29	.221	.651	97.697						
30	.199	.585	98.282						
31	.167	.492	98.773						
32	.165	.485	99.259						
33	.137	.404	99.663						
34	.115	.337	100.000						

Source: computed data

From table 3 we see that all 5 fixed number of factors extracted. It can be noted that the 34 variables are reduced to 5 predominant factors with cumulative values percentage of 15.271, 27.711, 37.475, 44.934, and 50.828.

The rotated factor matrix table shows which items load on which factors after rotation. The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings.



Table 4 showing Rotated Component Matrix^a for factor contributing Employee Attrition in Information Technology sector

	Component				
	1	2	3	4	5
Lack of employee motivation in the organization	.716				
Non availability of decision making opportunities to the employees	.683				
Lack of training facilities	.639				
Leadership ineffectiveness	.639				
Poor management of employees	.620				
Individual are respected based on Personality	.608				
Undesirable company policies in the organization	.560				
Undesirable working ambience in organization	.526				
Improper communication	.520				
Lack of cordial relationship	.495				
Tenure period of the job	.474				
Lack of employee engagement	.440				
Rude behavior of higher officials with them		.716			
Inadequate welfare measures provided		.667			
Discrimination like gender, caste, creed in the organization		.633			
Employee harassment in the organization		.564			
Conflicts in the work place makes an employee to change the job		.557			
Undesirable job culture		.523			
Work experience is judged		.520			
Boredom in that job		.491			
Skills or talents of the employee are not recognized		.422			
Work pressure/ work burden		.406			
In - convenient job location			.704		
Organizational instability			.684		
Non - flexible working hours			.571		
Work life imbalance			.530		
Health issues of a person			.525		
Higher pay offered by other companies			.401		
Employee misalignment				.658	
Job did not meet their expectations				.647	
Lack of growth opportunities in the organization				.643	
Employee feels undervalued in the organization					.727
Performance appraisal dissatisfaction					.412
Personal problems of the employee					.411

Source: computed data

From Table 4 it can be noted that, 12 variables form the first factor which can be suitably named as “Organizational factors”. The second factor is formed with the grouping of 10 variables which can be named “Inter personal factors”. The third factor is formed with the group of 6 variables which is suitably named as “Individual discomfort factors”. The fourth factor is formed with a group of 3 variables which is named as “Employee Expectations factors” and the fifth factor is formed with



group 3 variables which is given the name as "Psychological factors". Thus, the results of factor analysis that was conducted on the data collected results in 5 predominant factors. The organizational factors indicate that the undesirable organizational policies, unfriendly organizational rules and regulation, lack of organizational facilities to the employees creates a feeling of dissatisfaction to the employee and makes him quit the organization. The Inter personal factor communicate that, rude behavior of the superiors, employee harassment, work burden, discrimination, talent not recognized makes an employee frustrated and hence he leaves the organization.

The Individual discomfort factor refers to inconvenient job location, non – flexible working hours, health issues, work life imbalance, organizational instability. This causes the employee to change the work place.

The Employee Expectation factors include lack of growth opportunity, employee misalignment, and employee expectations not met makes an employee to quit the organization.

The psychological factors include undervaluing employees in the organization, personal issues of the employees, performance dissatisfaction to the employee, which makes him to leave the organization.

CONCLUSION

From this research the researcher has identified some factors that contribute to Employee Attrition in Information Technology sector in Chennai city. The factors that contribute to Employee Attrition are Organizational factor, Inter personal factor, Individual discomfort factor, Employee Expectations factors, and psychological factor. From these factors it is identified that organizational factor and Inter personal factor are the two major factors that contribute to Employee Attrition in Information Technology sector in Chennai city. Hence, the organizations can concentrate more on these two factors to retain employees in their organization. The organizations can liberate their organizational policies employee friendly; they can also adopt an employee friendly environment to the employees, they can also improve the facilities provided by them to the employees, they can identify employee talents and recognize them. And they can also improve their Inter personal relationship with employees.

Employer can provide facilities like accommodation, medical support, flexible working shifts, recreation facilities like yoga, gym etc..., can be provided to the employees to relax and feel comfortable during working hours.

ⁱ Essentials of human resource management by K. Sundar and J. Srinivasan. Human resources as asset pg.3

ⁱⁱ http://www.nasscom.in/custom_search/node/employee%20attrition%20rate?page=1, combating the challenges

ⁱⁱⁱ RM Ingersoll, "Teacher Turnover and Teacher Shortages: An Organizational Analysis"-American educational research journal, 2001 - aer.sagepub.com... pp. 4-9.

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^v JD Shaw, JE Delery and GD Jenkins, "An organization-level analysis of voluntary and involuntary turnover"- Academy of management ..., 1998 - amj.aom.org.

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