Employee Attrition and Software Industry

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ABSTRACT
Employee attrition is a situation faced by an organization or employer when new employees joined leaves the organization to join other organization when he gets offers. Generally employee attrition will be very high when there is a pressing need of employees in a particular industry due to mass retirements or expansion of organization. Normally company faces higher attrition rate when there are more employment opportunities in the market by employers. At one point of time software industry has faced high attrition rate by employers due to large openings globally in the software industry due to the demand for software products by all industries.

Keywords--- HR, Software, Geographical

I. INTRODUCTION
Employee attrition is one of the critical problem which is faced by an HR manager during these days. In an ideal situation an employee consider multiple comfort level while working in an office for e.g. employer's goodwill in the market, remuneration, future growth, working condition, co-workers, current role's scope in the market & most important future stability with the organization. In a survey, approximate 70% of the working population in India is not happy at all due to one of the aspect (as mentioned aforesaid) which is not fulfilled while working in a organization which caused higher attrition rate. In broad term, attrition is a situation which employer face when employee left the organization due to job dissatisfaction, new opportunity in the market, retirement & natural cause (death/illness).

Now a days this is one of the most important question which is asked by higher authority to HR people…."Why our attrition rate is higher than other company". Earlier it wasn't important for the organization, whether their employees are committed or not, but now the time has been changed. The company cannot afford to lose its best employee to competitors. Therefore, HR team conducts EXIT interview when an employee left the job to get the information about one's decision to leave an organization. It is a paramount consideration for a HR team to think, why people are vacating their positions. Still Human Resource team face the challenge due to wrong information provided during EXIT interview.

The rationale for this study relates to the fact that employee attrition is normal process in any type of organization. For example, people may retire from their jobs, move to other geographical locations, succumb to devastating illnesses or die, or accept a more lucrative position with another company. In other cases, employees may become sufficiently dissatisfied with the positions for various reasons, including the types of leadership and managerial methods that are used, the working conditions that are in place, or even interpersonal issues that ultimately result in their leaving a company. Typically, this process follows a rational comparative analysis concerning what benefits and advantages are available in their current position versus what may be possible elsewhere. For example, Brett and Drasgow (2002) report that, “Employees who are dissatisfied with their jobs or companies are assumed first to identify specific benefits and costs brought on by quitting, and second to calculate the relative values of staying versus leaving” (p. 193).

The high costs that are associated with unplanned and undesired employee attrition, though, are well documented and have important implications for companies of all types and sizes. Because employee attrition has been recognized as a serious problem for many companies, this particular concern has received an increasing amount of attention in recent years (Droege & Hoobler, 2003). In almost all cases, there are significant costs involved in recruiting, training and allowing time for new employees to “learn the ropes.” Indeed, these costs have been shown to average around one-third of a new hires entire annual salary (Camp, Simonetti & Veilhaber, 2001).

In some industries that are characterized by lower wages, such as the fast food industry, a high attrition rate is
deemed acceptable and this rate is even factored into budgets (Grossberg & Sicilian, 2004). In other industries, however, such as the software industry, an inordinately high attrition rate can result in reduced profitability and a loss of irreplaceable tacit knowledge and talent (Whitaker & Wilson, 2007; Drooge & Hoobler, 2003). Moreover, inordinately high employee attrition rates can have an adverse effect on the morale of employees who remain with the enterprises, creating the potential for even more employees to leave the firm in an ever-increasing downward spiral (Schneider & Smith, 2004). Further, such diminished employee morale can have an adverse effect on productivity and result in higher levels of absenteeism and mistakes for employees who remain (Clarke & Cooper, 2004).

The significance of this study relates to the economic impact of the global software industry and the fact that in many countries such as India, Israel and China, the software industry represents an important component of the overall national economy (Reed & Kelly, 2002). According to McManus and Floyd (2005), “The world software industry and associated markets are estimated to be worth US$1300 billion and 90 percent of the world’s exports in software is from the US and Europe. Evidence also suggests that outside the US, UK, Germany and Japan, the new and emerging countries within the software industry are India and China, and to a lesser extent Singapore and Malaysia” (p. 26). While estimates differ, the emerging software industries in these countries represent approximately 6 percent of all global exports (McManus & Floyd, 2005).

Given the enormous amounts of money that are involved, it is not surprising that competition for top talent in the global software industry is fierce, and many countries continue to experience a shortage of qualified software engineers with world-class skills (Reed & Kelly, 2002). Indeed, Chakraborty and Jayachandran (2007) emphasize that the competition for qualified software engineers is especially pronounced in India due in large part to the extremely rapid growth of the Indian software industry in recent years. Fueled by increasing demand from abroad, the Indian software industry is projected to continue this exponential growth well into the foreseeable future (Chakraborty & Jayachandran, 2007).

An unfortunate concomitant of this rapid growth is significantly higher employee attrition rates within the Indian software industry. Not only are there more start-ups being created every day, established software companies continue to experience phenomenal growth in response to increasing global demand. In this regard, Chakraborty and Jayachandran report that, “While the growth of software services export has caused increased opportunities for employment growth in the export sector, this growth masks a major problem for the aggregate industry -- that of worker turnover; especially, the loss of workers to overseas market facilitated by increased number of onsite contracts” (2007, p. 74). Certainly, it would be disingenuous to suggest that the software industry was any different from any other type of industry when it comes to what motivates employees to stay with a given company or search for better opportunities elsewhere, but there are some unique characteristics that are involved in the global software industry that require further investigation to determine how these recent growth trends have affected employee attrition.

Although there remains a lack of timely and relevant studies concerning precise employee attrition rates in the Indian software industry, the results of a survey conducted by Chakraborty and Jayachandran determined that Indian software companies are losing between 10-15 percent of their employees each year; however, in some companies, these attrition levels have ranged as high as 30 percent in just one year. According to Chakraborty and Jayachandran, “Such high attrition rate has translated itself into slower growth, poor transfer of skills, reduced incentives for training investments and reinforced dependence on programming services” (2007, p. 74).

Annual salary increases of 10 percent or more are now the norm in India's outsourcing industry, which supplies workers who write software code, answer customer service calls, conduct legal and equity research and do engineering design for overseas corporate customers. But despite rising pay, outsourcing companies are facing annual attrition rates of 15 percent to 30 percent in their Indian labor force, compared with 10 percent attrition at outsourcing companies in Eastern Europe and between 7.5 and 15 percent in China, according to industry experts.

Labor shortages and employee turnover are affecting other high-growth sectors in India, like financial services, retail and airline industries, but nowhere is it as pronounced as in the outsourcing area, valued at $17.2 billion a year. (The New York Times-Business)

II. CONCLUSION

Clearly, these inordinately high employee attrition rates are not conducive to creating a sustainable software industry that is capable of competing in an increasingly competitive and globalized marketplace. Taken together, unplanned and undesired employee attrition in the burgeoning software industry in general and in India in particular is an area worthy of further study and search.

REFERENCES