Chapter 14

Employee Retention: Important Factors to Be Considered by Human Resource Professionals While Creating Retention

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ABSTRACT

Attrition is a major problem in many Indian IT firms. On an average, attrition stands at around 14.5% in many major IT firms, making it a major problem. Attrition is not only a result of poor HR policies; it is also because of the many aspirations and need for career development for many young professionals. This gap between fulfilling the aspirations of the new entrants and the scope of development at any organization is the result of attrition. From the study, it has also been concluded that recognition, valuing one's individual opinion, and also the aspect of broadening and the scope of an organization to provide enough career development prospects in terms of training, executive education, and salary, etc. are also factors because of which many young professionals leave their respective organizations. Therefore, there is a need to amend the existing employee practices in order to meet the ever-changing momentum across the organizations and reduce the cost that happens due to attrition.

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INTRODUCTION

India has seen a precipitous shift from a manufacturing economy to a service based economy and internationally this has been the same scenario. With the growth of Indian service industry the growth of human capital has also grown exponentially because of the need of many technical and non-technical skills on which the industry generally relies on. One of the most critical factors for the growth of this industry is because of the strong HR practices these service organizations have enforced. Two key areas of the HR policies adopted by these companies are recruiting and retaining the workforce. The major chunk of these recruitments happen on university campuses across India. Companies generally take in fresh graduates, train them according to the requirements and set them up on different projects. But, this system is now being threatened by high rates of attrition and job hopping. For the year 2014-15 the service’s sector has contributed to 57.9% of the total GDP in India (Planning Commission, 2015). It is estimated that the service sector would now contribute more to the Indian GDP in the coming years.

The Indian services industry is not only the big in terms of contribution to the GDP of the nation but also really huge when it comes to employing skilled workforce about 28% of the total workforce was employed by the services sector in the year 2012 (Singh, 2015) the success of this sector goes to the proper recruitment, capacity development, skill development and opportunities this sector has been providing for the employees of the sector. But, with the sprouting of many service sector companies especially IT companies, many of these companies have been facing a shortage of talent. India has one of the biggest youth populations, yet this gap between what the industry needs and the availability has become a looming problem for these companies and the opportunities for the experts in this sector has been increasing in an ever growing proportion. The biggest challenge now is to attract the right talent, train them and motivate them to stay with the organization for a longer time in an organization to reduce the cost of recruitment and training (Jessica Sze-Yin Ho, 2010)

On a general context, attrition can be attributed to push and pull factors (Jessica Sze-Yin Ho, 2010). Push factors are factors because of which employees would like to leave the organization. These factors are from the employee’s side. Some of them involve switching jobs due to situational constraints or high levels of dissatisfaction. These factors can be identified through proper appraisal systems and analytics. These push factors can be addressed by talking to the employees and getting their feedback on various policies existing in the organization. Pull factors are factors which drive the individual to look for jobs outside the current organization. These factors are generally the behind the scene factors and are generally the driving factors that make the employee choose an alternative job. Addressing these factors
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