



A Study on Impact of HR Polices on Employee Retention Rate in IT Sector

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ABSTRACT

Kerala is quickly becoming a significant participant in the Indian digital economy. Kerala, one of India's most well-known IT hubs, was placed eighth in exports by STPI-registered IT and ITES businesses. This research paper investigates the impact of HR policies on employee retention rates in the IT sector. The study explores the demographic characteristics of the respondents, including age group, gender, level of education, and occupation. The study examines the effectiveness of HR policies by measuring employee retention rates, conducting employee satisfaction surveys, exit interviews, and performance evaluations. The sample population were IT employee across the state of Kerala. The Statistical technique used include Chi-square tests and Regression analysis generated through Statistical Software IBM SPSS. The results of this study aims to contribute further insights into the improvement of HR policies of IT companies.

Keywords: IT Employees, HR Policies, Chi-Square Tests, Regression, Retention

1. Introduction

The success of an organisation is significantly influenced by its human resources (HR) policy. Retaining top people is essential to maintaining a competitive edge in the fiercely competitive and quick-paced IT market. Since it directly affects the bottom line of the company, employee retention is a crucial component of human resource management. An organization's ability to grow might be hampered by high personnel turnover and considerable financial losses. This study's goal is to examine how HR practises affect employee retention in the IT industry. The study will concentrate on several HR practices, including work-life balance, performance management, and employee benefits. The goal of the research is to investigate how these rules affect employees' choices to remain at or leave a company. Employees in the IT sector will be surveyed to gather information for the study. Their impression of HR policies and how it affects their choice to remain or leave an organisation will be covered in the survey. The results of this study will give important information about how HR practises affect employee retention in the IT industry. The study's findings can be applied by HR managers and executives to create and put into practice HR practises that will assist retain top talent and lower employee turnover rates. The study's ultimate objective is to assist IT organisations in strengthening their HR practices in order to foster a healthy work environment and boost employee retention.

1.1 Statement of The Problem

The IT sector is notorious for having a high staff turnover rate, which is sometimes linked to a number of causes, including the industry's intense competition, the high demand for qualified labourers, and shifting workplace cultures. The effect of HR policies on employee retention rates in the IT sector is the issue that this study seeks to examine.

1.2 Purpose of The Study

This study aims to investigate the impact of HR practises on the IT industry's employee retention rate. The project's goal is to pinpoint the HR practises that have the greatest impact on employee retention and to provide best practises that businesses in the IT sector may use to increase employee retention.

1.3 Objectives Of The Study

- To understand the various HR policies that are implemented to retain employees.
- To identify the factors that influence employee retention in an organization
- To investigate if Offering benefits, HR policies creating a positive work environment, and policies are regularly reviewed and updated has a significant impact on current HR policies which motivates to stay with the company.

1.4 Significance Of The Study

The study will add to the body of knowledge on how HR practises affect employee retention rates in the IT industry. The results of this study will assist HR professionals, executives from IT companies, and legislators in creating efficient HR practises that can increase employee retention rates. The study will also help to clarify the significance of HR policies in fostering a favourable workplace and raising employee job satisfaction, both of which are crucial for raising the productivity and competitiveness of IT companies.

2. Review of Literature

Previous studies sighted that job satisfaction and employee retention are correlated (Sanjeet et al,2010). According to the previous study, employee turnover intentions are significantly harmed by employee retention practices (Vaneet et al, 2014). Literature also suggests that in order to decrease employee turnover intentions and enhance staff retention, organisations should concentrate on implementing effective employee retention practices (Vaneet et al, 2014). Some literature show that incentives and recognition, a pleasant workplace, supervisor assistance, and career prospects all significantly improve employee retention in the IT industry (Mahesh & Narmadha,2020). Related literature also mentions that the companies should ensure optimal efficiency and organisations should match their retention tactics with their corporate goals industry (Mahesh & Narmadha,2020). Some studies have stresses in literature that the essential components of staff retention include aspects that encouraged individuals' job happiness, organisational commitment, and appropriate working circumstances (Naalu, 2021). IT employee retention rates have an impact on people's lives, families, communities, workplaces, and the economy (Kuume & Angula, 2020).

3. Methodology:

Research Design: In this study, a descriptive and qualitative research design was employed to elucidate the characteristics of an understudied group or issue.

Population Of the Study: All those individuals who works in IT Industry are the target population of the study. Data was collected from employees working in IT Industry from districts of Kerala.

Sampling Method: The Convenience Sampling technique is used to accumulate records using a questionnaire. The sample size of the study is 100 IT professionals working in Kerala.

Data Collection: Data was collected through survey method using a structured questionnaire via google forms, various articles, magazines, reports, and journals from the internet. Period of Data collection was 8 weeks over a period from March to April 2023.

Statistical Techniques And Tools Used For Analysis : The software used for research is statistical package for The Social Sciences (SPSS) which is used in the research for effective statistical analysis. This research used statistical techniques of proportionate analysis and regression to arrive at results.

4. Results and Discussion

The survey data was collected through structured questionnaire from IT employee working in the state of Kerala. The questionnaire included LIKERT scale for measuring certain variables of the study.

4.1 Demographic Characteristics

The data presents the demographic characteristics of the respondents in terms of age group, gender, level of education, and occupation. Regarding the age group, the majority of respondents fell within the 20-30 age range, accounting for 51% of the sample. The 31-40 age group comprised 36% of the respondents, while individuals in the 41-50 age range represented 10% of the sample. Only a small percentage of respondents, 3%, were above 50 years old. In terms of gender, 59% of the respondents identified as male, while 41% identified as female. Regarding the level of education, 10% of the respondents held a diploma, 21% had a B.Tech degree, 20% had a B.S.C./B.COM/B.A. degree, and the majority, 49%, had a master's degree. In terms of occupation, the data indicates that 2.4% of the respondents were employed, 5.6% were unemployed, 6.5% were self-employed, 2.4% were retired, and the majority, 83.1%, were students

Table 1: Demographics

Demographic characteristic	Percentage of Respondents (%)
Age Group	
20-30	51
31-40	36
41-50	10
Above 50	3
Gender	

Male	59
Female	41
Level of Education	
Diploma	10
B.Tech	21
B.S.C/ B.Com /B. A	20
Masters	49
Occupation	
Employed	2.4%
Unemployed	5.6%
Self Employed	6.5%
Retired	2.4%
Students	83.1%

4.2 Period Of Work In Current Organization

Period Of Work	Frequency	Percent	Cumulative Percent
Less Than 1 Year	28	28	28
1 - 2 Years	34	34	62
5 - 10 Years	32	32	94
More Than 10 Years	6	6	100
Total	100	100	

Table 2: Period of Work in Current Organization

According to the findings, the period of work in the current organization varied among the respondents. Specifically, 34% of the participants reported having worked in their current organization for 1-2 years. A slightly lower percentage of 32% indicated that they have held their current position for 5-10 years. Additionally, 28% of the respondents had been working in their current organization for less than 1 year. On the other hand, a minority of 6% represented employees who had been with their current organization for over 10 years. These results provide insights into the duration of employment among IT sector employees and will contribute to the examination of the impact of HR policies on employee retention rates.

4.3 Current Position In Company

Current Position	Frequency	Percent	Cumulative Percent
Entry – Level	36	36	36
Executive- Level	44	44	80
Senior - Level	20	20	100
Total	100	100	

Table 3: Current Position In Company

The data illustrates the distribution of employees across different levels of positions in the company. Among the respondents, 36% were in entry-level positions, indicating a significant proportion of employees at the beginning stages of their careers. On the other hand, 44% held executive-level positions, representing a considerable portion of individuals with higher-level responsibilities and authority within the organization. Furthermore, 20% of the respondents occupied senior-level positions, signifying a smaller but notable percentage of employees in more advanced roles. The cumulative percent column indicates that 36% of the respondents held entry-level positions, while the combined total of entry-level and executive-level positions accounted for 80% of the sample.

4.4 Measuring The Effectiveness Of HR Policies

	Frequency	Percent	Cumulative Percent
Employee Retention Rate	24	24	24
Employee Satisfaction Surveys	21	21	45
Exit Interviews	39	39	84
Performance Evaluations	16	16	100
TOTAL	100	100	

Table 4: Effectiveness of HR policies

Among the respondents, 24% indicated that the employee retention rate was used as a metric to assess the effectiveness of HR policies. Additionally, 21% mentioned the utilization of employee satisfaction surveys as a means of measuring policy effectiveness. Furthermore, 39% reported conducting exit interviews as a method to evaluate the impact of HR policies on employee outcomes. Finally, 16% stated that performance evaluations were employed to assess the effectiveness of HR policies. The cumulative percentages indicate that the employee retention rate accounted for 24% of the responses, while the combined total of retention rate, employee satisfaction surveys, and exit interviews represented 84% of the sample. These findings provide valuable insights into the methods used by organizations to measure the effectiveness of HR policies and highlight the importance of considering multiple evaluation strategies to comprehensively assess policy outcomes.

4.5 HR Policies Influenced The Decision To Stay

	Frequency	Percent	Cumulative Percent
Compensation And Benefits	41	41	41
Work – Life Balance	27	27	68
Employee Recognition And Rewards	9	9	77
Employee Engagement Initiatives	6	6	83
Career Growth And Development Opportunities	17	17	100
Total	100	100	

Table 5: HR Policies that influenced the respondents

Among the respondents, 41% identified compensation and benefits as the most significant HR policy influencing their decision to remain with the company. Additionally, 27% indicated that work-life balance played a crucial role in their decision to stay. Furthermore, 17% of the participants considered career growth and development opportunities as the most important policy influencing their decision to remain with the organization. In contrast, 9% were motivated by employee recognition and rewards. Lastly, 6% of the respondents identified employee engagement initiatives as the most influential HR policy in their decision to stay. These findings provide valuable insights into the factors that influence employee retention rates and highlight the importance of considering different HR policies to foster employee satisfaction and commitment within the organization.

CHI-SQUARE TEST

4.6 Hypothesis: Gender * Most Important HR Policies That Influenced The Employees To Stay With The Organization.

H0: There is no significant relation between gender of the employee and the HR Policies of the company that influenced their decision to stay with the organization.

H1: There is a significant relationship between gender of the employee and the HR Policies of the company that influenced their decision to stay with the organization.

		What do you think are the most important HR policies that have influenced your decision to stay with the organization?					Total
		Career growth and development opportunities	Compensation and benefits	Employee engagement initiatives	Employee recognition and rewards	Work-life balance	
Gender	Female	9	15	3	2	12	41
	Male	8	26	3	7	15	59
Total		17	41	6	9	27	100

Table 6: Gender Vs Most Important HR Policy

Table 7: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.978 ^a	4	.562
Likelihood Ratio	3.065	4	.547
N of Valid Cases	100		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 2.46.

A chi-square test was conducted to determine if there was a significant relationship between gender and the most important HR policies that influenced employees' decision to stay with the organization. The null hypothesis stated that there was no significant relationship between gender and HR policies, while the alternative hypothesis stated that there was a significant relationship between gender and HR policies. The data showed that the Pearson chi-square value was 2.978 with 4 degrees of freedom, and the p-value was .562, which was greater than the alpha level of .05. Therefore, the null hypothesis was not rejected, indicating that there was no significant relationship between gender and the most important HR policies that influenced employees' decision to stay with the organization.

4.7 Regression:

To investigate if Offering benefits, HR policies creating a positive work environment, and policies are regularly reviewed and updated has a significant impact on current HR policies which motivates to stay with the company.

4.7.1 Hypothesis

H₁: There is a significant impact of offering benefits on current HR policies which motivates to stay with the company.

H₂: There is a significant impact of HR policies creating a positive work environment on current HR policies that motivates to stay with the company.

H₃: There is a significant impact of HR policies are regularly reviewed and updated on current HR policies motivates to stay with the company.

Hypothesis	Regression Weights	Beta Coefficient	R Square	F	t-value	p-value	Hypothesis Supported
H1	OB => HRP	.452	.392	20.659	4.575	.000	YES
H2	PWE => HRP	.551	.392	20.659	5.965	.000	YES
H3	RU => HRP	-.294	.392	20.659	-2.581	.000	YES

Table 8: Regression Results

- OB = Offering Benefits
- PWE = HR Policies creating a positive Work Environment

- RU = HR Policies are regularly Reviewed and Updated
- HRP = HR Policies motivate to stay with company

Previous literature s imply that employers may be able to achieve positive organisational results in their enterprises when they use policymakers' positive workplace policies(Boznai et al, 2019). Some literature have stresses that In order to improve employees' perceptions of job satisfaction, workplace systems and environments, and favourable organisational policies and supports, Human Resource (HR) departments should endeavour to implement complete HR practises. They should also undertake targeted interventions for the subgroups who are most at risk(Kang,Croft & Bichelmeyer,2020). Published literature have shown that policies and procedures have benefits for human resources (HR), but if they are written clearly and are simple to follow, they can also be a valuable training tool for new hires to use and a handy resource for current employees to refer (Dongilli, 2020). Related research highlights a favourable and significant association between compensation, employee empowerment, fair job evaluation, employee recognition, and job satisfaction and lead to the conclusion that these aspects of HR policies inspire employees (Umer,Khalili & Shirwani, 2016).

4.6.2 Discussion of Regression Results

H₁

The hypothesis tests if OB carries a significant impact on HRP. The dependent variable HRP was regressed on predicting variable OB to test the hypothesis H1. OB significantly predicted HRP $F(3,96) = 20.659, p < 0.05$, which indicates that Offering benefits such as flexible work hours, health insurance, and other benefits can play a significant role in shaping current HR policies that motivate employees to stay in the company ($b = .452, p < 0.05$). These results clearly show a positive effect of Offering benefits such as flexible work hours, health insurance, and other benefits. Moreover, the $R^2 = .392$ depicts that the model explains 39.2% of the variance in current HR policies that motivate employees to stay in the company.

H₂

The hypothesis tests if PWE carries a significant impact on HRP. The dependent variable HRP was regressed on predicting variable PWE to test the hypothesis H2. WE significantly predicted HRP, $F(3,96) = 20.659, p < 0.05$, which indicates that HR policies helped in creating a positive work environment in the organisation can play a significant role in shaping current HR policies that motivate employees to stay in the company ($b = .551, p < 0.05$). These results clearly show a positive effect of the HR policies helped in creating a positive work environment in the organisation. Moreover, the $R^2 = .392$ depicts that the model explains 39.2% of the variance in current HR policies that motivate employees to stay in the company.

H₃

The hypothesis tests if RU carries a significant impact on HRP. The dependent variable HRP was regressed on predicting variable RU to test the hypothesis H3. RU significantly predicted HRP, $F(3,96) = 20.659, p < 0.05$, which indicates that HR policies in the organisation are regularly reviewed and updated that contributes to employee retention can play a significant role in shaping current HR policies that motivate employees to stay in the company ($b = -.294, p < 0.05$). These results clearly show a positive effect of the that HR policies in the organisation are regularly reviewed and updated that contributes to employee retention. Moreover, the $R^2 = .392$ depicts that the model explains 39.2% of the variance in in current HR policies that motivate employees to stay in the company.

The regression model derived is:

$$HRP = 0.999 + 0.452*(OB) + 0.551*(PWE) - 0.294*(RU)$$

Where,

- OB = Offering Benefits
- PWE = HR Policies creating a positive Work Environment
- RU = HR Policies are regularly Reviewed and Updated
- HRP = HR Policies motivate to stay with company

5. Conclusion

The research paper tried to study the HR policies and employee retention rate the demographic characteristics of the respondents revealed that the majority were in the 20-30 age group, with a higher representation of males. The data also indicated a significant proportion of employees at executive-level positions within the company. Measuring the effectiveness of HR policies, the study found that employee retention rate, employee satisfaction surveys, exit interviews, and performance evaluations were commonly used method. The chi-square test results showed no significant relationship between gender and the most important HR policies that influenced employees' decision to stay with the organization. Regression analysis indicated that offering benefits, HR policies creating a positive work environment, and regularly reviewing and updating HR policies had a significant impact on employees' decision to stay with the company. Future research could delve deeper into specific HR policies and explore their individual contributions to employee retention in different sectors or organizations.

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