



# **A comprehensive study on the high attrition rate in the Indian IT sector and measures to reduce it**

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ABSTRACT :

The IT sector is a rapidly growing industry in India, which is facing a significant challenge of high employee turnover. This situation is affecting the productivity, profitability, and competitiveness of IT companies. Factors behind this high attrition rate include a lack of growth opportunities, low salaries, poor work-life balance, and a high demand for skilled talent. In this paper, we aim to investigate and explain the causes and consequences of high turnover rates in the Indian IT sector. We will also propose some effective strategies for employee retention and reducing turnover. We have reviewed the relevant literature on attrition and retention in the IT sector and analyzed data from annual reports of major IT firms in India. Our findings suggest that IT companies need to re-evaluate their job design and working culture to ensure that they can retain their employees in the long run.

Keywords: Indian IT sector, employees, attrition rate, Retention strategies,

## **1. Introduction :**

According to market experts, the Indian IT industry is currently experiencing a high attrition rate of 25% due to the Covid-19 pandemic. To address this issue, companies are investing in various measures such as salary corrections, attractive benefits, stock options, employee engagement activities, and talent management practices. However, industry experts believe that this is a temporary problem that may be contained over the next few quarters. Studies have shown that the average tenure of an employee in an IT company is between three to four years. (*The Week 2022*).

With the evolving digital ecosystem ramping up the demand for IT service companies, most companies face a major issue. i.e., several employees are leaving the Indian IT firms. According to a report by Team Lease, an HR solutions firm, the average attrition rate in the IT industry was 8.67% in the September quarter of 2022. However, with the demand for IT talent rife, Wipro, Infosys, and Tata Consultancy Services recorded a much higher attrition rate in the same quarter with 20.5%, 20.1%, and 11.9% respectively (*India Today 2022*). The COVID-19 pandemic has resulted in a surge in demand for jobs in the IT industry, leading to its expansion. To meet the requirements of the industry, companies are willing to offer higher remunerations than the standard rates, leading to intensified competition for salary hikes and added benefits such as perks. Consequently, there has been a considerable rise in the number of employees leaving their jobs, with an average increase in cost to companies (CTC) of three to four times compared to pre-pandemic levels. Additionally, organizations are changing their HR policies and procedures to address new challenges after the retirement of employees.

**Purpose of the study:** To identify why there is high attrition rate in the Indian IT sector and methods to reduce it.

## **2. Methodology :**

The content used in the paper is articles, existing research papers, and data from web sources. The selection of articles and research papers was done

manually. Some existing research paper findings were also used in the research paper. The paper is purely based on secondary research i.e. the data collected is from secondary data sources.

### 3. Literature review:

In this section, the existing literature available on the high attrition rate in the Indian IT sector has been discussed. The meaning of attrition rate, the causes of high attrition in the Indian IT sector, and the consequences due to high attrition rate have been discussed. Also, attrition rate data of top IT has been taken to show the attrition rates in different quarters.

#### 3.1 Attrition Rate

The attrition rate is a metric used to measure the rate at which employees or customers voluntarily leave a company. It is a useful tool for businesses to understand the causes of attrition, plan hiring, and cost-cutting strategies, and improve customer loyalty. To calculate the attrition rate, divide the number of left employees or customers by the average number of employees or customers in each period, then multiply the result by 100 to get the percentage. You can calculate attrition rates monthly, quarterly, or annually based on your requirements. A high attrition rate can indicate problems with employee satisfaction, customer service, product quality, or market competition. On the other hand, a low attrition rate can indicate a loyal and engaged workforce and customer base (*indeed.com*).

#### 3.2 Reasons behind the high attrition rate in the IT sector :

The IT sector in India is facing the challenge of high attrition rates, which means the loss of employees over time. Some of the reasons for this:

1. There is currently a high demand for IT professionals both domestically and globally, especially in emerging technologies like cloud computing, data analytics, artificial intelligence, and cybersecurity. This means that there are more opportunities available for IT professionals to switch jobs for better pay, roles, and projects.
2. Many IT employees feel that growth prospects within their own company are limited and that they are not receiving enough recognition, learning opportunities, or career development. The pandemic has further impacted their performance appraisals, promotions, and incentives.
3. Remote work has disrupted the work-life balance of IT employees, leading to increased workload, stress, and burnout. Many IT employees are also struggling with isolation, lack of social interaction and collaboration, and poor infrastructure at home.
4. The employee engagement and retention strategies of IT companies are not effectively meeting the needs and expectations of the new generation of IT workers, who value flexibility, autonomy, diversity, and purpose. Furthermore, IT companies are facing a skill gap and a talent crunch, making it difficult to hire and retain quality talent.
5. The emergence of startup culture has contributed to the high attrition rate in the IT industry. Many people prefer to work for startups due to the high-value packages and recognition they receive in the startup sector.

	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
<b>TCS</b>	7.60%	7.20%	8.60%	11.90%
<b>Infosys</b>	10%	15.20%	13.90%	20.10%
<b>Wipro</b>	11%	12%	15.50%	20.50%
<b>HCL tech</b>	10.20%	9.90%	11.80%	15.70%
<b>Tech Mahindra</b>	12%	13%	17%	21%

Attrition rate in top IT firms

Source: Company Reports

### 3.3 Problems due to high attrition rate for IT companies

High employee turnover rates can have a significant impact on an IT company's operations, as it can lead to the loss of valuable institutional knowledge, skills, and experience that are difficult to replace. This can result in communication issues and knowledge gaps among the remaining staff, potentially affecting the company's ability to offer creative solutions, maintain quality standards, and satisfy clients. Moreover, high attrition rates can disrupt IT projects, resulting in delays, errors, and rework. This can lead to reduced productivity and quality of service, causing dissatisfaction and complaints from clients. Additionally, it can lower employee motivation and performance due to increased workload, stress, and uncertainty. Furthermore, the IT company may need to invest more in recruiting and training new workers to fill vacancies caused by high attrition rates. They may also need to pay more and offer incentives to retain talent in a competitive market, resulting in increased expenses. High employee turnover rates can also lead to a negative work environment, causing employees to feel unhappy, dissatisfied, and insecure, affecting their commitment, loyalty, and engagement with the company. This can create a vicious cycle of attrition, leading to further turnover and increasing the risk of losing clients and market share. In conclusion, high attrition rates can harm an IT company's reputation and credibility, signaling instability, unreliability, and unprofessionalism to clients and competitors. This can lead to clients losing trust and confidence, potentially switching to better providers, resulting in revenue loss, market share loss, and a competitive disadvantage for the company.

## 4. Results and Findings :

In performing the review of the existing literature available on high attrition rates in the IT sector, some measures have been found to reduce the attrition rate they are:

1. Offer a hybrid mode of work to employees: This means providing employees with the option to work from home, the office, or both. This can help improve employees' work-life balance, reduce commute stress, and increase productivity and satisfaction.
2. Properly recognize employees: This involves acknowledging and appreciating employees' contributions and achievements, both individually and as a team. This can make employees feel valued, motivated, and engaged.
3. Provide growth opportunities: This means giving employees opportunities to learn new skills, face new challenges, and advance their careers within the organization. This can make employees feel like they have a clear and meaningful career path and that the organization values their professional development.
4. Cultivate good relationships between employees and management: This means building a culture of trust, respect, and communication between employees and their managers. This can help employees feel heard, valued, and supported in their well-being and success.
5. Create better job design: This means creating positions that align with workers' abilities, interests, and preferences and that are engaging, challenging, and rewarding. This can give workers a sense of purpose in their work, autonomy, and ownership over their assignments, and a positive impact on the company and its clients.
6. Use succession planning: This is the implementation of career development opportunities that can enhance employee engagement and retention, ensure business continuity, reduce the risk of losing key employees, prepare the organization for future challenges, and enhance its reputation as an employer of choice for IT professionals. This approach also helps develop a diverse pool of qualified candidates for leadership positions.

## 5. Conclusion :

The Indian IT sector is facing the challenge of a high attrition rate, which affects the productivity, profitability, and competitiveness of the industry. Many new businesses, startups, and MNCs are forming and refocusing their attention on India due to the country's booming economy. However, this also means that workers are moving to other companies in search of higher pay and benefits, posing a challenge for India's large IT corporations. The main causes of attrition are a lack of growth opportunities, low salaries, work-life imbalance, and high demand for skilled talent in the market. To retain employees and reduce turnover, IT companies need to implement effective strategies such as providing career development, competitive compensation, flexible work arrangements, employee engagement, and recognition programs. By doing so, IT companies can enhance employee satisfaction, loyalty, and commitment, and create a positive work culture that fosters innovation and excellence.

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