



RESEARCH ARTICLE
Vol.6.Issue.3.2019
July-Sept



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA
2 3 4 9 - 4 6 3 8

INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)

A Peer Reviewed and refereed Journal

IMPACT OF HUMAN RESOURCE PRACTICES ON EMPLOYEE RETENTION IN THE IT INDUSTRY

D.SWAROOPA¹, Prof. B. SUDHIR²

¹ Research scholar of Department of Management Studies, Asst. Professor in Geethanjali Institute of Science and Technology, Nellore, Andhra Pradesh, India, Email: Swaroopadubisetty@gmail.com.

² Department of Management Studies, S.V. University, Tirupati, Andhra Pradesh, India, Email: drbsudhir@gmail.com.

doi.org/10.33329/ijbmas.63.101



ABSTRACT

Human Resources are the most valuable assets of an enterprise. Their significance to organizations calls for not only the need to attract the competent employees but also the necessity to retain them for a long time. Competent employees are the instrument for overall growth and development of an organization. This study focuses on Information Technology sector in India. The most important Human Resource practices have been identified with the help of literature. This study analyzes the human resource (HR) practices that promote employee retention rate in the organization. Effective Human Resource practices can reduce employee turnover and increase retention rate within an organization. These practices are health and safety measures, Working environment, Welfare programmes, Training and Development, Compensation management, Reward management, Industrial relations, Work life balance, and Fringe benefits. The analysis identified the significance of employee retention practices to improve retention rate of IT organizations. The study targeted a sample of 615 respondents. A questionnaire was developed in this analysis with the help of previous studies or literature to measure the identified HR practices and related with employee retention. Correlation and ANOVA test was performed to analyze the data by using SPSS_v20 software package. The results of tests revealed a significant impact of HR practices on employee retention rate of company. Training and development, compensation and work life balance have a positive relationship with employee retention rate industry. This study guides the management to devise the effective employee retention practices to increase the employee retention.

Keywords: Welfare programmes, turnover, retention rate, reward management, fringe benefits, correlation.

Introduction:

Employee Retention is a significant process in the present scenario of high economic growth and development and rapid globalization, the fight for talent is becoming increasingly intense. Talent or human resource is a major asset for any organization. The organization invest high amount of money for their Human Resource Practices recruitment, selection & training programmes and what happens to firm if these talents or employees leave the organization in short while pursuing new opportunities. Employee Retention is major to the long-term health and success of any organization; however, it is becoming increasingly difficult for company across the globe to attract, motivate and retain significant talent. Employee Turnover is a major challenge faced by the companies globally. Retention rates are still on the increase and as the war for talent becomes more intense each year it is becoming increasingly significant for organizations to ensure they have the right in which the human resources are encouraged to remain with the company for the maximum period of time or until the completion of the project. Employee Retention is beneficial for the company as well as the workforce.

Retaining good employees is critical to the software industry. Literature and best practices identify that if employers treat their human resource as valued contributors, the employees will stay till the end. Organizations train their managers, offer competitive compensation plans, and increase benefits to secure their employee loyalty. Despite these efforts, many organizations experience a shortage of employees and high turnover rates. To attract the effective talent a company needs to be viewed as the "best place to work." A high employee-retention rate provides that the company is the employer of choice. Hiring skilled employees for the job is need for an employer. Employee recruitment and retention are one of the major issues facing the IT industry. But retention is even more important than hiring. There is no end of opportunities for a talented person. There is a many number of choices around employees. In olden day's salary was all that matters, but today it's just one of the components. Some of the other elements are like work environment, relationship, freedom to work etc.

Raub and Streit, (2006) argued that retention of competent employees has been a challenge to most organization worldwide due to the increase of labour turnover. Now days the business environment has changed due to globalization effects and hence industries are highly warned to sustain their competitive advantage by adopting differencing factor which would help them in slaying out in the international market, hence priority should be given to employees because they are valuable assets in organization. However, retention of competent employees has become a challenging task due to multiplicity of organisations which attract employees through different forms of incentives.

Review of Literature

Sorasak Tangthong, Jirasek Trimetsoontorn, and Nutthawut Rojniruntikul stated that the effects of Human Resource Management practices on employee retention in Thailand's FDI manufacturing industry. Human Resource Management practices that will be covered in this research consist of compensation & benefits management and reward system, and training & development. Human Resource Involving, which acts as the mediating factor, will be employee engagement. This study revealed that Human Resource Management practices are essential for organization performance. The impact that human resource practices have on company performance are apparent, Human resource management practices consist of many policies and procedures that are used by top managers to recruit, select, train, develop, utilize, reward, and maximize the potential of employees in organizations. They have been studied extensively by researchers, but the ones that have an important effect on firm performance are compensation management & benefits management and reward system, and training & development. And also, studies that have managed to identify other factors that could have an impact on the relationship between HRM practices and organizational performance. This study concluded that the relationship between HRM practices and organization performance, it would serve as a platform for managers in organizations by supporting them to achieve better performance.

Dr. Sanjeevni Gangwani and Ms. Khushbu Dubey, in their study found that to examine the impact of working environment on employee retention in IT sector. This analysis investigated that good working environment has positive relationship with employee retention. The study also found that if employee finds that the culture, norms and working environment is up-to their expectations or not. Irrespective of tenure of services every employee considers the organizational culture for their long survival in the organizations. This analysis indicates that over a period of time increased utilization of information, communication technology, changing structure of the workforce and increasing flexibility of work are also adding to the mental work. These practices are in relation to the organization and there by developed a unique corporate strong work culture. Working environment plays a very significant role in employee retention. Effective working environment develops a long-term relationship between an employee and organization.

Mariyam Imna and Zubair Hassan (2016) in this study found that three human resource practices such as career development, reward and recognition, and health and safety have a positive relationship and significant impact on employee retention. This analysis seeks to establish the impact of human resource management practices on employee retention. They considered the following independent variables to measure human resource management practices include career and development, training and development, performance appraisal system, reward management and compensation management, and health & safety. The dependent variable used in this analysis is employee retention. This analysis did not find any significant effect of training and development nor performance appraisal on employee retention. However, when training and development is linked with career development, there is a positive close and significant effect on employee retention. Also, when performance appraisal is linked with reward management and compensation management there is a positive and significant effect on employee retention. Organizational commitment, mission attachment, and employee engagement were found to be important predictors of employee retention. Although all factors are significant, mission attachment is a major predictor for not-for-profit organization whereas organizational commitment is a best predictor for for-profit organizations. Finally concluded, employee engagement was an important predictor when compared with the other two factors i.e. organizational commitment, mission attachment.

Human Resource Practices Affecting Employees Retention

Human Resource practices are the most significant factors for any organization and helpful for achieving competitive advantage and improving organization performance. Managing work force is very challenging as compared to managing technology or capital and for its effective management, company requires effective Human Resource Management system. HRM system should be effective by strong HRM practices. HRM practices refer to organizational tasks directed at managing the group of human resources and ensuring that the resources are employed towards the fulfilment of organizational targets. The purpose of this study is to analyse contribution of Human Resource Management (HRM) practices including compensation, working environment, training, career planning, welfare, industrial relations and employee participation on perceived employee performance.

There are various means to minimize employee turnover. Management is strongly required to point out the factors why human resource quit organization so that the proper treatment can be adopted by the management because of increase in direct and indirect expenses incurred on the employees' turnover (Ongori,2007). Failing to pay attention to retain committed employees could prove significant as far as survival of the organizations is concerned. A number of companies are conducting research to find out the influence of different Human Resource practices on employee retention. This research helps the organizations to create a positive climate promoting employee retention rate. Some of these practices include providing equitable effective compensation package to employees that reflect organisation performance, recognizing and appreciating efforts and contributions made by the

employees, making the work of employees sufficiently challenging and interesting, and providing opportunities for training and career development. These HR practices can help the employee in deciding the intentions of an employee whether to stay in the organization long time or not (Chew and Chan, 2008).

Training and Development

Training programme is a systematic approach that empower resources to attain knowledge and skills in order to accomplish their targets effectively with the resultant improvement in the behaviour (Armstrong, 2006). Training and development contribute positively towards organizational growth and employee retention rate. Most organisations considered training and development as a crucial factor of the human resource activity. Training can be used as a tool to increase employee's performance by developing knowledge and skills. Training can be described as an endeavour to develop additional skills required today or in future in order to improve the level of employee's and organisational performance (Jackson and Schuler, 2000).

Training and development programs can increase retention rate when they meet the requirements of the employees (Montgomery, 2006). Meeting employee requirements through training programs appear when the information provided is perceived as useful, applicable and desirable by them. The keys to employee retention are skills development, competence of management, and rewards both psychological and financial. Companies need to pay serious attention for their investment in training and development if they want to retain their talent employees. Training helps to formulate an urge among the employee to stay in the company for a longer period. Professional training and career development programs should be a major element of the organization policies. The organizations should encourage employees to participate in training programs to develop their skills and knowledge.

Compensation Mangement:

Compensation is a process of providing monetary benefit to human resources for the work they performed. Compensation can be used to recruit skilled and knowledgeable employees, reward the performance, encourage organization loyalty by reduce turnover. Compensation may include basic pay, overtime benefits, bonuses, travel/accommodation allowances, stock options, medical allowance, and profit sharing.

According to Willis (2002), compensation is one of the crucial aspects of attracting the competent pool of the candidates and keeping talent in the organization. The basic hypothesis is that money has significance influence on employee and wages influence the attraction and workforce retention

Allen, Shore and Griffeth (2003) reported that there is comparison in term of compensation of each employee to differentiate themselves from another employee for the sake of attracting and retaining the talented workforce and quality workforce. Therefore, organization should adopt the strategy to attract the capable pool of employees, retain the competent employee and maintain the equity among the employee in the organization. Mercer (2003) finds in his study that employee will stay longer in the organization if they rewarded justly and equitably and they may leave if they do not reward or rewarded poorly. According to Teseema and Soeters (2006) there is a positive correlation between compensation practice and employee's retention. One way to retain talented employees in the organization is; the better compensation package, which should be internally equitable and externally competitive. An organization can only be successful through their compensation policies, it should include competitiveness, market-related pay and benefits because this motivates employee and plays a role of positive reinforcement to retain employees in the organization and greater organization commitment (Lockwood and Walton, 2008).

Work-life balance

Work-life balance is becoming gradually major requirement for human resources and tends to affect employees' decision to stay in company. Nowadays human resources satisfying for flexible working hours which facilitate them to take care of both their personal and professional life. The balance between personal and professional lives is determined by the amount of sacrifice the individual is ready to make at the expense of other fields of life. Some employees first concentrate on the professional career and subsequently devote more time to other areas of their lives which was named the phenomenon of "downshifting".

Work-Life Balance and Employee retention several researchers have found that there is a positive relationship between Work Life Balance and favourable work climate with employee growth and retention. Aryee (1998) identified a positive and strong relation among work flexibility, job satisfaction and intention to stay in the company. Helen (2005) has found a positive link between organization's commitment with Work Life Balance policies and employee's commitment to the organization.

Most of the newly firms have more focused towards this issue that they can gain better and quality reputation in the market and world. Many organizations are trying to lower this factor and trying to better manage the work-life imbalance. Most of the organizations have working to redesign their practice of human recourse management system and with better and improve incentives for the employee to reduce this impact of absenteeism and turnover which creates due to imbalance work-life. It will become the significant impact on Work Life Balance and minimizes employee turnover with better performance of the organization.

Statement of the Research Problem:

Information technology has evolved as significant player in the industrial space in terms of creating employment and revenue. To increase the survival rate of IT organizations it is important to focus on human assets, since employees are considered to be the most valuable asset in any company. In IT industry the nature of labour inputs is highly flexible and mobile. For promoting an effective organizational environment, it is necessary that there should exist high-quality human resource management practices together with a positive response from the employees towards these practices.

Objectives of the study

- To Study the Human Resource Practices in It Industry.
- To Analyze the relationship between and Human Resource Practices and Employee Retention rate in It Industry.

Research Methodology:

Research methodology involves procedure of describing, explaining and estimating phenomenon so as to solve a problem. A methodology does not provide solutions but offers theoretical basis for understanding procedure. Research methodology includes such as research designs, target population, sources of data, sample size and sample procedure, data collection instrument and data analysis procedure.

Research Design

Thyer (1993) defines the research design as a blueprint or a detailed plan of how a research study is to be conducted. The research design used in this study is the descriptive cross-sectional survey. Creswell (2009) maintains that the descriptive cross-sectional survey is used to collect data to make inferences about the population of interest. Descriptive research design is adopted where in the objectives are clearly framed followed by design of questionnaire and analysis. This descriptive study identifies the problem and gives solution to the considered problem. Its analysis the impact of 3R's related factors on retention of employees in IT industry.

Data Collection Methods:

Data collection for the research was done from two sources viz: primary sources and secondary sources.

Hypothesis:

Hypothesis1: There is no significant difference between the perceptions of employees of IT companies with regard to employee retention practices.

Hypothesis2: There is no significant relationship between the Human Resource Practices and the satisfaction level of the employee retention rate of IT organizations.

Statistical tools used for Data Analysis

After the field work the data collected from the primary and secondary sources is consolidated, tabulated, analysed and interpreted. For the purpose of analysing the data, statistical methods and samples are used. The total analysis was carried out by using SPSS_v20 software package. Various other statistical tools and tests used for analysis included reliability analysis, reliability testing, Cronbach's Alpha, Mean and Standard deviation, Analysis of Variance, Correlation analysis etc.

Analysis results and Discussions

ANOVA Test: The employee's opinion on a 5-point Likert scale (1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree) is obtained and mean value along with standard deviations are calculated. The table shows that the mean values of employee retention factors are Training and Development 4.1203, Compensation Management 3.7008, Work Life Balance 3.6846. Hence it can be interpreted that the company employees have good opinion about with training and developmental practices provided by the organization and less satisfied about work life balance provided by the company

Table 1: Satisfaction level of employees on Human Resource practices of Employee Retention

Human Resource Practices	Company (N=615)		F-Value	Significant Value
	Mean	SD		
Training and Development	4.1203	0.99926	3.174	0.075
Compensation Management	3.7008	1.20189	5.857	0.016
Work Life Balance	3.6846	1.17021	1.192	0.275

From the table 1 it has been inferred that One-way ANOVA test is done across organisations to know the significant difference. The table shows that the calculated F values are 3.174, 5.857, 1.192 and significant values are 0.075, 0.016, 0.275. Since F Calculated values are less than the Tabulated values, we accept the null hypothesis. And calculated significance value is greater than 0.05 for all provisions of employee retention, it can be interpreted that there is no significant difference between the opinion the perceptions of employees of IT companies with regard to "Employee Retention Practices".

Correlation: The correlation indicates compensation management, training and development, work life balance is positively correlated with the satisfaction level of retention rate of the industry by positive relation.

However, the values of correlation coefficient if nearer to +1 or -1 are considered to have significant relationship. Here, training and development is having 0.647 correlation coefficient with employee satisfaction level of retention rate, compensation management is having 0.557, work life balance is having 0.857.

Further the significance levels are tested with two tailed significance tests. All the resulted significant values of human resource practices are 0.001, 0.002, 0.001, if all the values are less than 0.05 the relationship is statistically significant.

Table 2 - Correlation analysis Training and Development and Satisfaction level of retention rate

Particulars		Training and Development	Satisfaction level of retention rate
Training and Development	Pearson Correlation	1	0.647
	Sig. (2- tailed)		0.001
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.647	1
	Sig. (2- tailed)	0.001	
	N	615	615

Table 3 - Correlation analysis Compensation Management and Satisfaction level of retention rate

Particulars		Compensation management	Satisfaction level of retention rate
Compensation management	Pearson Correlation	1	0.557
	Sig. (2- tailed)		0.002
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.557	1
	Sig. (2- tailed)	0.002	
	N	615	615

Table 4 - Correlation analysis Work Life Balance and Satisfaction level of retention rate

Particulars		Work Life Balance	Satisfaction level of retention rate
Work Life Balance	Pearson Correlation	1	0.857
	Sig. (2- tailed)		0.001
	N	615	615
Satisfaction level of retention rate	Pearson Correlation	0.857	1
	Sig. (2- tailed)	0.001	
	N	615	615

Hence all the human resource practices have a positive correlation with satisfaction level of employee retention rate of industry. So, it can be said that human resource practices are having positive correlation with overall satisfaction level of employee retention rate of the IT sector, therefore the hypothesis can be rejected.

RESULTS AND DISCUSSION: This section explains the results of the statistical tests performed on the collected data and discussion on the basis of obtained results.

Results:

Before the model testing through ANOVA test and Coefficient of correlation matrix was obtained. The correlation matrix reveals that the correlation among all the variables is significant at 0.05 levels and employee retention is highly correlated with the rest of the three variables i.e., training and development, compensation management and training and development. The dependent variable, employee retention, is correlated with all three HR practices. This shows that employee retention in the organization can be increased through better Human Resource practices.

The hypothesized model, constructed in this study, was tested through ANOVA test. Table 1 is showing results. It tells us about the satisfaction level of employees regarding HR practices of the company.

Hypothesis1: There is no significant difference between the perceptions of employees of IT companies with regard to employee retention practices. (**Accepted**)

Hypothesis2: There is no significant relationship between the Human Resource Practices and the satisfaction level of the employee retention rate of IT organizations. (**Rejected**)

Discussions

In the analysis, it is found that there are HR practices positively linked with employee retention. Based on a comprehensive literature review, the researchers hypothesized that the following HR practices are related to employee retention: Training and development, Compensation management and Work life balance. All three HR practices contributed to perceived employee retention.

Training programs enhance the employee skills and knowledge, which ultimately reduce turnover and result in employee retention (Huselid, 1995). The failure to retain employees in many organizations is due to the lack of adequate training at the entry level. It concludes that training and development is positively related to employee retention.

Compensation management was positively correlated with employee retention, being the strongest predictor of employee retention. This finding may provide some justification of the claim that employee retention is vital to sustain organizational growth as it's a competitive task in today's scenario and to attract and retain competent employees, compensation plays a key role.

Work life balance was related to employee retention, being the strongest predictor of retention. Organizations manage the employees' personal and professional life effectively; it leads to improve employees' satisfaction. So, employees are very committed to the company and stay long time in the organization.

CONCLUSION

In the present competitive, dynamic business environment, retaining human resources has become a major requirement. Thus, this paper is helpful to identify and analyse the human resource practices affecting employee retention, three commonly identified practices; training and development, compensation management, work-life-balance were considered in this context. Future researchers can carry it on broader aspects by considering the impact of other HR practices on employee retention. The employees feel that effective HR practices have a direct and positive relationship with employee retention. The organizations that successfully attract and retain key employees offer high compensation packages and dynamic environment. The compensation and benefits given by IT sector to its employees is a vital policy that helps organizational nourishment. The employees hold the opinion that compensation/rewards contribute to improving an employee's loyalty and retention toward company. The results indicate that Information Technology sector is very capable and successful in employee retention. It is also providing a culture that is helping in retaining the employees at all levels. Training

and development are a process of developing expertise in employees for the purpose of better performance. Referring to work/life balance, it was noted as a major requirement of today's employees, if to stay loyal and committed at work, mainly followed by the fact that even countries like Japan, where people are usually said to be working-to-death with no concern about their personal lives, recently reported that they valued work/life balance. Training and development, compensation management and work life balance also very important in improving the effectiveness and in retaining the key employees in the organization.

Bibliography:

- [1] Abbasi, S.M. and Hollman, K.W. (2000). Turnover: the real bottom line. *Public Personnel Management*. 2 (3). p. 333-342.
- [2] Andrews, D.R., Wan, T.T. (2009) The importance of mental health to the experience of job strain: an evidence-guided approach to improve retention. *Journal of Nursing Management*. 17 (3) .p. 340-351.
- [3] Bidisha, L. D., Mukulesh, B. (2013) Employee retention: A review of literature. *Journal of Business and Management*. 14(1). p.8-16.
- [4] Chew, J., Chan, C.C. (2008), Human resource practices, organizational commitment and intention to stay. *International Journal of Manpower*, 29(6), 503-522.
- [5] Chipunza, C., Samuel, M.O. (2009), Employee retention and turnover: using motivational variables as a panacea. *African Journal of Business Management*, 3(8), 410-415.
- [6] Christeen, G. (2015) Retaining Professional Workers: What Makes Them Stay? *Employee Relations*, 37, 102-121. <http://dx.doi.org/10.1108/ER-10-2013-0151>
- [7] Ghapanchi, A.H. and Aurum, A. (2011) Antecedents to IT Personnel's Intentions to Leave: A Systematic Literature Review. *Journal of Systems and Software*, 84, 238-249. <http://dx.doi.org/10.1016/j.jss.2010.09.022>
- [8] Huselid, M.A. (1995), The impact of human resource management practices on turnover, productivity, and corporate financial performance. *The Academy of Management Journal*, 38(3), 635-672
- [9] Kyndt, E., Dochy, F., Michielsen, M. and Moeyaert, B. (2009) Employee Retention: Organizational and Personal Perspectives. *Vocations and Learning*, 2, 195-215. <http://dx.doi.org/10.1007/s12186-009-9024-7>
- [10] Karatepe, O.M. (2013) High-Performance Work Practices, Work Social Support and Their Effects on Job Embeddedness and Turnover Intentions. *International Journal of Contemporary Hospitality Management*, 25, 903-921. <http://dx.doi.org/10.1108/IJCHM-06-2012-0097> [57]
- [11] Kumar, J. (2012) Hrm Practice on the Retention of Employees of the Information Technology Sector. *International Journal of Scientific Research*. [Online] 1(4). Pg. 108-110.
- [12] Spence Laschinger, H.K., Leiter, M., Day, A. and Gilin, D. (2009) Workplace Empowerment, Incivility, and Burnout: Impact on Staff Nurse Recruitment and Retention Outcomes. *Journal of Nursing Management*, 17, 302-311. <http://dx.doi.org/10.1111/j.1365-2834.2009.00999.x>
- [13] Kumar, J. (2012) Hrm Practice on the Retention of Employees of the Information Technology Sector. *International Journal of Scientific Research*. [Online] 1(4). Pg. 108-110.
- [14] Vlachos, I.P. (2009), The effects of human resource practices on firm growth. *International Journal of Business Science and Applied Management*, 4(2), 17-34.
- [15] Zingheim, P.K., Schuster, J.R., Dertien, M.G. (2009), Compensation, reward and retention practices in fast-growth companies. *World at Work Journal*, 18(2), 22-39.