HUMAN CAPITAL ATTRITION IN INDUSTRIES WITH SPECIAL REFERENCE TO SOFTWARE INDUSTRIES

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Introduction and Motivation

The turnover of IT workers within MIS organizations of firms has long attracted research

Attention as replacing IS workers is costly. The focus of the extant research has been on explaining the turnover intentions of IS a professional with a variety of factors playing a significant role. These include job satisfaction, work exhaustion, fairness of rewards, and more recently life-career goal frustration. This study examines IT worker attrition in the context of offshore outsourcing. IS a professional working within business firms primarily seek to contribute to their firm's effective leverage of IT. They are motivated to make strong internal contributions, but do not typically contribute directly to revenue and are often considered to be cost centers. In contrast IS professionals working in an offshore outsourcing context, such as in the Indian IT/ITeS industry, are evaluated primarily on their ability to generate revenue.

The Impact

High attrition levels have a negative influence on firms' ability to service overseas clients effectively. When an employee leaves, an offshore IT firm must incur several kinds of costs to make up for her move. To begin with the firm must incur a cost of hiring to find a suitable replacement. Once the new employee is hired, she cannot be expected to be as productive as her predecessor since she has not yet learnt the nuances of the job, nor is she informed about the offshore client specific relationships. Thus, there is an opportunity cost of losing an employee. Finally, in order to make the new hire more productive the firm may have to provide some combination of technical, domain and process oriented training, all of which are an expensive proposition. Continuous and high levels of employee churn results in low levels of firm specific knowledge and constrain sustainable organic growth for the firm.

The Need and Necessity

It is important to point out the sharp increases in training investments by Indian IT firms. For instance, the bellwether company, Infosys, has been increasing training expenditure by close to 16% per annum per employee1 over the last five years. More broadly, survey studies by Price Water House Coopers2 and the Center for IT and the Networked Economy at the Indian School of Business3 show that IT firms are increasing investments in training and they believe that controlling attrition is one of the most important reasons to spend on training. Yet, there has been precious little academic focus on rigorously measuring the effectiveness of such training on factors such as attrition and employee productivity. In this study we limit our attention to the analysis of attrition. Part of the challenge in making an identifying link between practices

Given this environment and given the importance of training as a lever to mitigate attrition our specific research questions, set in the context of offshore outsourcing are:

a) Can we identify the impact of training investments made by IT firms on managing?

b) Are there significant differences in attrition across locations and by seniority of employees?

c) Does the organizational structure play a role in influencing IT worker attrition?

Background and Conceptual Model

This study falls under the literature on developing appropriate human resource practices for IT.

One stream of papers in this literature focuses on compensation schemes. Levina and Xin 2007

study the factors effecting differences in IT worker compensation across countries. Others like

Mithas and Krishnan 2008 and Ang et. al. 2002 study the impact of education and skills and also

find that there is moderating effect of institutional differences like IT intensive industries.

Slaughter et. al. 2007 find that compensation has a temporal dimension and increases at an

Increasing rate for professionals in higher firm specific human capital IT jobs. This effect is

Reversed in lower firm specific human capital IT job<u>s</u>

<u>Human Capital Management contingent factors</u>

Location of the firm, numbers of employees at junior, middle and senior levels, training expense

Incurred for each level of the employees, the revenues earned by the firms and the percentage

Of employees who left the firm at each seniority level. In addition, we also have information

About the cost incurred to hire new employees at each seniority level. In our regression models,

we use the percentage of employees leaving the firm as the dependent variable. The

Independent variables include training per employee at each level and the degree of flatness of

The organization which is captured though the ratio of the senior employees to the sum of the

Middle and junior level employees.

Studies have established that middle and Junior level employees are more prone to stress levels than others owing to several reasons. As the task of directly executing falls with middle and junior level functionaries ,they always look up to the immediate superiors for assent. It causes heartburns sometimes as the higher level functionaries are ever occupied with works they perceive to be more worthy of pursuing.

After being repeatedly either ignored of or slighted by the higher level functionaries it makes the middle and junior level employees to discharge their emotional pent up in the form of resignation, seeking transfer on flimsy grounds ,change of work contrary to work and all.

CONCLUSION:

As the human capital is precious, it assumes greater importance to accord a place of primacy in all respects. Effective human capital management means putting the human resource to a use where it can be better utilized.

With reference to software industries, this aspect is ignored in most part of their work schedule or scheme owing to client pressure and peer pressure. Hence, the employees are being viewed as a commodity, it causes severe mental and psychological strain on the work force. In the long run, they are forced to think of either resigning or moving to a job which is less rewarding.

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