

Effect of human resource management practices on employee retention of IT sector employees in Coimbatore District

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Abstract

Human Resource is one of the most valuable assets for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. The retention of human resources has been shown to be momentous to the development and the accomplishment of the organization's goals and objectives. The main determinants for employee retention such as Job security, Incentives and compensation, Health, safety and welfare, Selection and Recruitment, Communication and information sharing, Training and Development have a great paradigm to retain the employees for longer period of time. In this paper, an attempt has been made to study the effect of Human resource management practices on Employee Retention of IT sector employees in Coimbatore district. Multiple Correlation and Multiple Regression are the tools used, for the purpose of analysis of collected data.

Keywords: Career Development, Recognition, Retention, Rewards and Working Environment

1. Introduction

Ever since its inception, the IT industry has been in news for various reasons, largely because of the revenues it has been generating and the employment it has created for millions of people. Because of huge profits and lucrative market size, lot of small and big players have entered into this market, and therefore a major chunk of youngsters are taking their careers into IT sector. Along with the major players in IT sector like Infosys, TCS, Wipro, there is a colossal number of medium and small scale IT industries in India. When there are so many IT Industries, employees have an option of switching over their jobs very frequently. Employees are considering good working condition, challenging projects, perks and a decent salary package and also expecting support for their higher studies from their employees. The moment they feel they are being underutilized, they start searching for a new job, and most often they get the job of their choice. In such a scenario, organizations face a lot of trouble, as a high turnover rate may lead to under productivity. To avoid such situations, organization have to adapt retention strategies to make employees stay for sufficient period in which the employee is able to contribute and perform. An important concern here is which strategy or strategies should be adapted, which works well with all the employees. This is an ambiguous question, as every individual is different and is motivated by different job and personal factors. In this scenario, this research paper follows a line of investigation on the key retention strategies which can work well for all employees of IT Sector.

The Information technology industry in India has gained a huge acknowledgement and has become a brand identity as a knowledge economy due to its IT and ITES sector. The IT-ITES industry has two major components: IT Services and business process outsourcing (BPO). The growth in the service sector in India has been led by the IT-ITES sector,

contributing substantially to increase in GDP, employment, and exports. The sector has increased its contribution to India's GDP from 1.2% in FY1998 to 7.5% in FY2012. According to NASSCOM, the IT-BPO sector in India aggregated revenues of US\$100 billion in FY2012, where export and domestic revenue stood at US\$69.1 billion and US\$31.7 billion respectively, growing by over 9%. (nass.com).

2. Review of Literature

MacLean, (2001) ^[4], says firstly we have to consider the idea that best people, who we wished working for us, are working somewhere else. Secondly we need to rethink 'qualified' as 'Quality'. We can train for skill but not for talent or for attitude. Perhaps our Practices must shift to hiring people who have talents, values and qualities that meet our organizational needs. Then, we must train, orient and supervise so that they gain competence and confidence in their Job Tasks. Arthur, (2001) also commented that in open environment employees are hired more for Attitude than Aptitude. Retention begins long before an employee's first day at job, it starts when we take a decision to fill a position and start finding someone to fill it. (Dibble, 1999).

Pabla M.S (2010) ^[5] in his study entitled on 'employee retention' and investigated retention means compensation, organisation environment, growth, and career, importance of relationship in employees, retention programmes and support from management, superiors and colleagues.

Sheikh, Muhammad (2011) ^[6] in his study, "Impact of HRM practices on Employee Retention: A case study in education and banking sector in Bahawalpur" examined the impact of HRM practices on career development opportunities, supervisor support, working environment, rewards, and work-life policies and found that working environment, career development opportunities and rewards are more important factors that

affect the retention of employees.

Akila R. (2012) [1], in his study on “Employee retention among executives at BGR Energy systems ltd, Chennai” revealed that the Employees have given highest weighting to comfortableness in working hours and are not satisfied with annual increments provided. Gender has significant relationship with work life balance. Correlation between job satisfaction and working condition leads to employee retention. The departments also have influence on it. The factors that had a greater influence on employee retention were career opportunities, work life balance and recognition at BGR Energy.

3. Objectives of the study

To study the effect of Human resource management practices on Employee Retention of IT sector employees in Coimbatore

district.

4. Research Methodology

The type of Research method adopted was descriptive in nature. Both primary and secondary data were used for the completion of the study. Primary data were collected by using questionnaires and direct interview. Questionnaires were circulated among the IT sector employees in Coimbatore district. The sample size of the survey is 150 and simple random sampling technique was used for the selection of IT sector employees.

5. Analysis and Discussion

H₀: There is no significant relationship between the variables of Human resource management practices and Employee Retention.

Table 1: Correlation between Variables of Human Resource Management Practices and Employee Retention

Variables		Selection and recruitment	Training and development	Communication and information sharing	Health, safety and welfare	Incentives and compensation	Job security	Employee retention
Selection and recruitment	PC	1						
	Sig.							
	N	150						
Training and development	PC	.890**	1					
	Sig.	.000						
	N	150	150					
Communication and information sharing	PC	.144*	.118	1				
	Sig.	.018	.054					
	N	150	150	150				
Health, safety and welfare	PC	.450**	.544**	.101	1			
	Sig.	.000	.000	.098				
	N	150	150	150	150			
Incentives and compensation	PC	.465**	.300**	.081	-.021	1		
	Sig.	.000	.000	.187	.730			
	N	150	150	150	150	150		
Job security	PC	.566**	.659**	.157*	.685**	.398**	1	
	Sig.	.000	.000	.010	.000	.000		
	N	150	150	150	150	150	150	
Employee retention	PC	.743**	.739**	.148*	.456**	.554**	.695**	1
	Sig.	.000	.000	.016	.000	.000	.000	
	N	150	150	150	150	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data

The Table 1 shows that there is relationship between the most of the factors in Human Resource Management practices scale as expressed by the employees. Selection and recruitment has significant relationship with all other factors. Training and development is significantly related to all the other factors except Communication and information sharing. Communication and information sharing has significant relationship with all other factors, except Health, safety and welfare and Incentives and compensation. Health, safety and welfare have significant relationship with all other factors, except Incentives and compensation. Incentives and compensation have significant relationship with all other factors. Job security has significant relationship with all other factors.

5.1 Positive Correlation at 1% level of significance

It was found that the variables which show positive correlation at 1% level of significance between Selection and recruitment-

Training and Development (.890), Health, safety and welfare(.450), Incentives and compensation (.465), Job security(.566) and Employee retention(.743); then between Training and Development - Health, safety and welfare(.544), Incentives and compensation(.300), Job security (.659) and Employee retention(.739); then between Health, safety and welfare - Job security (.685) and Employee retention(.456); then between Incentives and compensation - Job security(.398) and Employee retention(.554) and finally between Job security - Employee retention(.695).

5.2 Positive Correlation at 5% level of significance

It was found that the variables show positive correlation at 5% level of significance between Selection and recruitment - Communication and information sharing (.144) and finally between Communication and information sharing - Job security (.157) and Employee retention (.148).

Table 2: Influence of Human Resource Management Practices on Employee Retention (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Influence of Human Resource Management Practices on Employee Retention	.892	.609	.601	.235

Predictors: (Constant), Job security, Incentives and compensation, Health, safety and welfare, Selection and Recruitment, Communication and information sharing, Training and Development

The multiple regressions are shown in the table 2. The model summary table shows R-Square for this model is .609. This means that 60.9 percent of the variation in Employee

Retention (dependent variable) can be explained by the 6 independent variables. The table also shows the adjusted R-square for the model as .601.

Table 3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
Influence of Human Resource Management Practices on Employee Retention	Regression	62.889	6	15.321	114.749	.001
	Residual	25.770	143	.085		
	Total	88.659	149			

Dependent Variable: Employee Retention

Predictors: (Constant), Job security, Incentives and compensation, Health, safety and welfare, Selection and Recruitment, Communication and information sharing, Training and Development

The larger the F ratio, the more will be the variance in the dependent variable that is associated with the independent variable. The F ratio = 114.749. The statistical significance is .001, so the null hypothesis that no relationship exists between the two variables can be rejected. There is a significant

influence of Human Resource Management Practices on Employee Retention.

H₀: There is no significant influence of Human Resource Management Practices on Employee Retention.

Table 4: Coefficients

Model	Variables	UC		SC	t	Sig.
		B	SE	Beta		
Influence of variables of Human Resource Management Practices on Employee Retention	(Constant)	-.232	.160		-1.446	.149
	Selection and Recruitment	.147	.075	.170	1.954	.052
	Training and Development	.273	.077	.316	3.570	.003*
	Communication and information sharing	.031	.053	.020	.589	.112
	Health, safety and welfare	.036	.044	.044	.816	.015*
	Incentives and compensation	.357	.061	.283	5.881	.000*
	Job security	.193	.049	.245	3.936	.005*

Dependent Variable: Employee Retention

The coefficient table explains the influence of independent variables on dependent variable called Employee Retention. The standardized coefficient beta column reveals that Selection and Recruitment has a beta coefficient .170, which is not significant (.052). Training and Development has a beta coefficient .316, which is significant (.003). Communication and information sharing has a beta coefficient .020, which is not significant (.112). Health, safety and welfare have a beta coefficient .044, which is significant (.015). Incentives and compensation has a beta coefficient .283, which is significant (.000). Job security has a beta coefficient .245, which is significant (.005). Thus out of the six independent variables of HRM practices, four variables have significant effect on Employee Retention.

6. Suggestions

- The organization should be paying a fair Health, safety and welfare to the employees according to their ability and talent. Before determination of the salary, the management should also consider the inflation rate and the areas where an employee has to survive.
- Employees should be free to their work at workplace according to their own mind. There should be no

interruption again and again through their supervisor.

- There should a proper Communication and information sharing programme and no space for any type biasness. All the Health, safety and welfare have been provided on the basis of performance of the employees.
- An organization should organize training and development programme according to the requirement of the employees.

7. Conclusion

From the above review it can be concluded that Employee retention is a very important for the organization. It helps the organization in reducing the cost of turnover, loss of company knowledge, interruption of work, regaining the efficiency and increases the productivity of the organization..The important reason for leaving the organization by the employees is money & their working environment. It means the employees are not satisfied with their salary and other monetary benefits which are provide by the organization to them. It is very important for organization to make an effective compensation policy which is able to satisfy the employees. By using different HR practices like Communication and information sharing, training and development programme, feedback and assigning competitive work has been increased.

8. References

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