



IMPACT OF GLOBALISATION ON EMPLOYEE ATTRITION AND RETENTION IN INDIAN IT INDUSTRY

Priti Prajapati¹, Swapnil Prajapati², Dr. Bijalben Shah³

¹Student, MBA-HRM (4th Semester), Faculty of Management Studies, Parul University

²Student, MBA-HRM (4th Semester), Faculty of Management Studies, Parul University

³(Asst. Prof) Parul Institute of Management & Research, Parul University
Parul University, AT & P.O. Limda, Waghodia, Vadodara – 391760 Gujarat, India

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ABSTRACT

The cues of globalization have been impacting the management decisions and various management disciplines over the years of every industry around the globe. Employee retention and attrition are the two major activities within the HR domain of I.T. industry and since the beginning of global integration; the spontaneity in those activities has been a key indicator for employee engagement and have driven firms towards sustainability of the workforce. This research focuses on the outcomes globalization have had on the attrition rate and retention policies of top five Indian I.T. industry in last 4 years; which paves the path for developing better employee engagement activities and policies. There is also a comparison made between the top engagement practices, I.T. firms in India, indulges in order to effectively endure their human resources amidst the increasing challenges of future of the I.T. sector, towards better workforce sustainability. The analysis and the results determine the negative impact of global expansion of the firm while improving the employee engagement helps curb these unconstructive effects. The article also drives future researchers to enhance the crucial spheres of employee management.

KEYWORDS: Globalization, Employee Retention, Employee Attrition, Employee Engagement, Workforce Sustainability.

INTRODUCTION

Information technology has always been the center of research and evolution since the upcoming of the modern age and the management practices developed so far is the result of the far-fetched human behaviour for controlling the workforce to achieve the best outcomes. Human Resource Management deals with one of the biggest asset and resource of any organization, that is Humans and it is to be noted that every other disciplines are to excel only if the human resource management is proper. Thus, this makes HRM a superior discipline then others in the paradigm of management, yet equally stated one. The global integration trend has taken over almost all the sectors of modern economy, with every other organization striving to be internationally sustainable and well established. Globalization can thus be explained as expansion of the organization or a company or may be a sector as whole beyond the boundaries of their home nation and integrating the business and management internationally. Most of the experts refer globalization in monetary terms but to our opinion, it is way beyond something fiscal and it is encompassing all the functions of management.

To narrow down the focus of study, we have tried to understand effect globalization have had on major functions of the HRM discipline, which are engagement of employees, workforce attrition and workforce retention. Ideology behind

studying this function is the hidden fact for the HR professionals that these three functions in themselves are interconnected and have their relevance when optimizing the other function. To have a sustainable workforce is utmost important for any IT industry as there are major challenges in today's IT market that can only be catered by such strength. Engaging and retaining the experienced and valuable employees is the key towards sustainability in IT sector, which is proved in this research article. It has been speculated that globalization has many negative effects, especially on HR domains, and increase in the rate of attrition and actual increase in the number of employees laid-off within the IT sector, have to be studied and evaluated. With the help of secondary data collected, we have tried to quantify the effect of globalization on employee attrition among the top five IT players in India, in terms of size of the employee base. Simple formulations of trend within the last five years for the top five players have indicated a relation between globalization and the worker's attrition rate. On the parallel lines, the relations between the level of employee engagement and the retention rate of the employees have been established as well. A simple single-factor ANOVA analysis method to test the hypothesis has been adopted to support the outcomes. The results have confirmed the ill-impact of globalization on attrition rate and that higher order of employee engagement is required by the I.T. firms as they expand. The doors to further research the



types of engagement practices and interpolate future attrition rate on lines of steady global integration and challenges have also been opened through this research.

OBJECTIVES OF STUDY

The volatility and dynamics of the market has been spontaneous ever since the liberalization of the economy has started and this research paper focuses on the same. Enlisted below are the major objectives, we have tried to achieve through our work.

1. To evaluate the percentage change in the attrition rate and the retention rate of the top five I.T. companies in India, in terms of employee-base, due to globalization.
2. To study the effect of the level of engagement activity on the employee retention and sustainability and establish the relation in terms of mathematical equation.
3. To establish a clear relation between employee attrition/retention rate and globalization

MAJOR DEFINITIONS

Indian I.T. sector is currently reeling under the pressure as the wave of 'The great resignation' has kicked in and the segment is seeing it's highest ever attrition rate, also owing to the global cues of recession, pandemic and wars. The major location where they are designated as I.T. hubs, are metro cities of India like Bangalore, Hyderabad, Chennai, Mumbai, Kolkata, Delhi NCR and Ahmedabad. The mass lay-off that started with likes Twitter Inc. and Amazon Inc. in month of November 2022, has forced major I.T. players globally to attrition of employees, with shadows in Indian I.T. sector as well. (Mukhopadhyay, 2022). Rafiq Dossani, in his paper on Origins and Growth of Software Industry in India, (2005), focuses on the factors which lead to the seed of a complex industry like Information Technology can not only come to India but excel in a weird yet phenomenal way. The paper also compares the scenario or other nations to India, in dealing with the sustainability of the I.T. business. (Dossani, 2005). The definitions of the major keywords being focused in the research does not vary much according to various experts but can be put together in a simpler terms.

Samuel O. Idowu and Rene Schmidpeter in their book of 2014 on "Sustainability and Human Resource Management", defines sustainability as the art of procreation and self-reliance, so that the organization is viable for a long period of time. (Ina Ehnert, 2014). Aditya Pratama of Lampung University, states in his research article that globalization can be defined as freedom to move anywhere across the globe. (Pratama, 2018) While Mana Akter Lina in her paper describes globalization in terms of reductions of hurdles and barrier for international mobility of the firm and its business and that the world has become more incumbent to integrate itself. (Lina, 2018). In I.T. sector context, globalization can be noted as the expansion and inclusion of the I.T. companies beyond the national periphery and then operation of the firm on international level. Mr. Khanka in his article about Employee attrition defines attrition in terms of warfare,

sampling describing it as the destruction of the talent or just leaving of employees from the organization. While the amount of people not leaving the job from the organization, excluding the new hires is termed as employees retention. The percentage of the total employee base is termed as the attrition/ retention rate of any organization. (Khanka, 2008). Employee engagement is a qualitative term and is more measured on qualitative basis in most of the sectors of the economy. It can be termed as the involvement of the workforce in the organizations management and operation, which is not just limited to decision making, but will expand up to values, activities and objectives.

Globalization, although being a qualitative term, it can be measured in terms of globalization index, derived from various quantitative parameters within the organization. Generally, the globalization Index is a degree from 0-100, 0 being the least globalized and 100 being the highest globalization. This index varies from nation to nation and also through sector to sector, but we have considered the overall globalization index (KOF Globalization Index), as defined by the Axel Dreher of Konjunkturforschungsstelle of ETH Zurich, Switzerland.

LITERATURE REVIEW

The research paper by Somesh K. Mathur, 2006 with title Indian Information Technology Industry: Past, Present & Future and A tool for National Development, argues strongly on hiring technically sound workforce and to develop them for a longer term roles in the I.T. industry, which will have positive impact on their development. (Mathur, 2006) The research paper published by Niyaz in 2014, on case study on Managing Diversity in MNC, purely highlights the trend of companies going global and how this can be dealt with by H.R.M. practice. This research shows how it was done by Infosys Ltd. and why it needs to be adopted by other firms as well. The paper also highlights a model used for HRM by I.T. giant. (Niyaz, 2014) The paper by Peggy De Prins, Lou Van Beirendonck, Ans De Vos, and Jesse Segers, 2014, briefs about the importance of Sustainable HRM, and pitches in a model named ROC- model for H.R.M practice, which could be adopted by any I.T. firm if they deal with Globalization. (Peggy De Prins, 2014) Professor S.S. Khanka in his article pitches the importance of the study and control of the attrition rate within the organization and also the inescapable reality to develop more employee engagement practices to attract and retain talented and crucial workforce, to cater the challenges, globalization put forward in future. (Khanka, 2008) The study conducted by Professor Vivekanand Gaikwad, Professor Aparna Shastri and Professor Vijaykumar Dhole of MMIMERT, Pune dwells the importance of effective employee engagement for tackling the emerging trends and challenges in the business and how it can be a boost for the I.T. companies to comprehensively manage the attrition and retention rate of the employees. (Vivekanand Gaikwad, 2021) While employee engagement being a qualitative matter, have formulated the Employee Engagement; modeling it through the factors of self-evaluation, Fairness in treatment of workforce on individual scale and the environment pertaining



to the organization. This research enlightens the further research to understand the effect and impact of engagement required within a company. (H.A. Hassan, 2018)

RESEARCH DESIGN AND DATA COLLECTION METHOD

This is a qualitative research aimed at exploration of relationship between the two major emerging trends in the information technology sector in India. The exploratory design of the research enables us to focus on the top five information technology organization, operating in India with a research timeline of latest four year. The major focus of the design is to collect quantitative data of amount of employees leaving the company with respect to the engagement cues and the global expansion of the firms. The data collected is entirely secondary, which was obtained from internet, quantitative research papers, journals, company’s official websites and blogs. The evaluation of the data is done to formulate a relationship and develop a model, which can estimate the future trends in attrition rate with globalization; which can also be applied to other I.T. firms in the market.

HYPOTHESIS FORMULATION

The main focus was to observe the change in overall globalization index in the I.T. domain of India and then to evaluate its impact by collecting the number of employees being relieved from the organization at the end of the year alternatively from March, 2018 to March, 2022. Two hypotheses were formulated for testing through ANOVA single factor method for each of the five I.T. companies, which were Tata Consultancy Services (TCS), Infosys Ltd., HCL Technologies, Wipro Ltd., and Tech Mahindra.

Null Hypothesis H₀: The attrition rate of the employees does not change with the change in globalization, within the Indian I.T. companies.

Alternative Hypothesis H_a: There is a proportional change in the attrition rate of the employees with the change in globalization, within the Indian I.T. companies.

RESULTS

The table below represents the data collected from the secondary source, which is tabled according to the requirement of the analysis.

Table A: Data of number of employees in top five I.T. firms of India with percentage change in overall globalization index

Top Five Indian I.T. Firms	Year	Total No. of Employees	Attrition Rate	% Change in Attrition Rate	% Change in Retention	% Change in Globalization Index
TCS	2017-2018	394,998	11.80%	9.70%	-8.12%	5.94%
	2019-2020	488,649	17.40%			
	2021-2022	592,195	21.50%			
INFOSYS	2017-2018	204,107	19.50%	8.20%	15.15%	5.94%
	2019-2020	259,619	28.40%			
	2021-2022	314,015	27.70%			
HCL	2017-2018	110,000	15.50%	8.30%	84.13%	5.94%
	2019-2020	210,966	11.80%			
	2021-2022	219,325	23.80%			
WIPRO	2017-2018	160,000	17.70%	5.60%	-7.80%	5.94%
	2019-2020	200,000	20.50%			
	2021-2022	240,000	23.30%			
TECH MAHINDRA	2017-2018	112,807	18.80%	2.20%	9.39%	5.94%
	2019-2020	125,236	19.10%			
	2021-2022	151,173	21%			

(Source: Company’s official website)

It is evident from the data that there was a significant increase in the number of employees but it was more astonishing to note that the rate of attrition also increased simultaneously. This can be justified by the decrease in retention rate in all the companies except Tech Mahindra. The increase in overall globalization index was at 5.94%; with index rating of 62.48 in year 2017-2018 and 68.42 in year 2021-2022. Thus, this clearly indicates the variation in retention as well as attrition rate with respect to the globalization. To prove this based on the statistical analysis method, the hypothesis formulated were tested and the result of the Single Factor ANOVA is shown in the table below.



Table B: Result of Single Factor ANOVA performed for the data in Table A and Test results

Company	Year	Attrition rate	Globalization Index	F-Value	F-Crit Value	P-Values
TCS	2017-2018	11.80%	62.48	1116.269571	7.708647422	4.78656E-06
	2019-2020	17.40%	62.81			
	2021-2022	21.50%	68.42			
INFOSYS	2017-2018	19.50%	62.48	1113.386	7.7082	4.81131E-06
	2019-2020	28.40%	62.81			
	2021-2022	27.70%	68.42			
HCL	2017-2018	15.50%	62.48	1113.386338	7.708647422	4.81131E-06
	2019-2020	11.80%	62.81			
	2021-2022	23.80%	68.42			
WIPRO	2017-2018	17.70%	62.48	1113.386338	7.708647422	4.81131E-06
	2019-2020	20.50%	62.81			
	2021-2022	23.30%	68.42			
TECH MAHINDRA	2017-2018	18.80%	62.48	1113.386338	7.708647422	4.81131E-06
	2019-2020	19.10%	62.81			
	2021-2022	21%	68.42			

The graphs plotted below shows the relationship between the employee engagement and percentage change in attrition and retention of the employees within the I.T. companies.

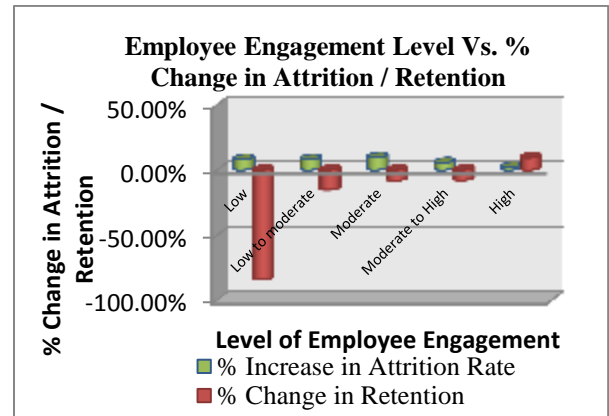


Figure A: Bar graph of employee engagement level versus the percentage of attrition and retention of the employees

The graph delineates that the level of employee engagement activities is directly proportional to change in the employee attrition rate and inversely related to retention rate. To represent it in numbers, the following charts below were prepared using the data collected, which generates a trend-line fit to relate employee engagement with attrition rate as well as retention rate.

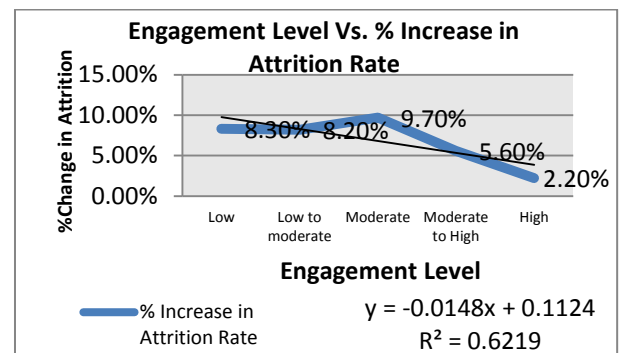


Figure B: Curve graph of employee engagement versus % change in attrition within the I.T. industry of India

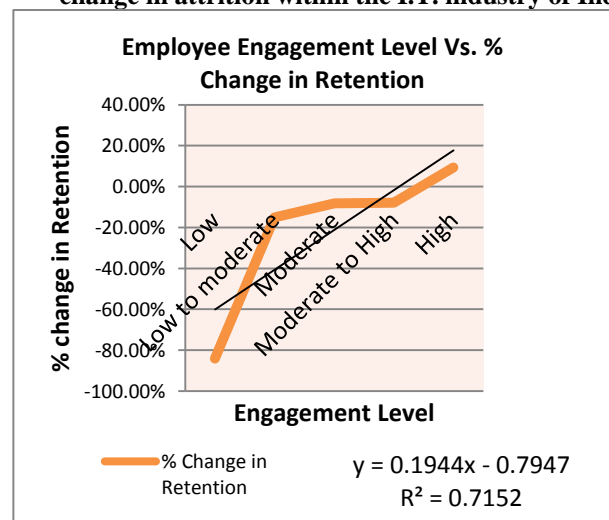


Figure C: Curve graph of level of employee engagement versus the %change of retention within the I.T. industry of India



FINDINGS

All the ANOVA test results suggest that the null hypothesis H_0 is rejected and the alternative hypothesis H_a is selected and it suggests that with increase in globalization, the attrition rate of the organization increases simultaneously. This can be derived by understanding the F-Value, F-Crit Value and the P-Value. For null hypothesis to be true the F-Crit value must be less than F-Value and in our case, it's exactly the opposite. This can also be verified by p-value which is near to zero, as for the case of null hypothesis to be wrong. Thus, the alternative hypothesis is resulted to be true by the statistics. By fitting the curve of percentage change in attrition versus employee engagement activity, we have derived on the below equation.

$$y = -0.0148x + 0.1124$$

Where, y is the % change of employee attrition, and x representing the level of employee engagement, with each level at 20% level. This empirical equation deduced can be useful for any I.T. firms, having an employee base of average 200,000 or more and the % change in the globalization index remaining between 5.5% and 6.5%. The similar equation derived from chart C suggest the empirical relation between % change in retention and level of employee engagement within the I.T. firm, considering the above basis of employee base and overall globalization index. The equation is below.

$$y = 0.1944x - 0.7947$$

Where, y is the % change in retention rate and x is the level of employee engagement with each level at 20% level. To conclude, the research assures us about the relation between globalization of I.T. firms and the increase in attrition rate due to it. There are multiple factors more which can be explored to find out more accurate effects.

LIMITATIONS IN RESEARCH AND FUTURE SCOPE

There are limitations pertaining to the data collected, as although they are from reliable secondary source, they are limited in it and the parameters focused in this study are more general, as they are the only ones which are quantifiable. The change in attrition rate of the organization depends on many factors like external emergencies (pandemic, political crisis, change in market economy, etc.) or internal factors like (expansion, lay-offs, change in management, etc.); which may hinder the formulation of model. While we focus on one factor, which is globalization of the economy, other factors are thus required to build a solid model, giving us the future scope and agenda to work after this research. Researchers can thus work on parallel line to develop more clear understanding about the attrition and retention in the I.T. firms in India and thus produce a ground theory common to apply to all the companies in I.T. sector of India. One of the other major limitations is for quantifying the level of employee engagement practices within any firm. There is no standard for rationalising the engagement level and thus research needs to be undertaken to build a ground for that as well. Thus, not only this paper opens a way for understanding impact of globalization on H.R. domains but also gives future scope to

strengthen the qualitative functions of Human Resource Management.

CONCLUSION

This evaluation proves to be a corner stone to suggest and prove that, global integration has a negative impact on the Human Resource Management within the I.T. industry of India, and that it has to be controlled. The top finding from the research enlightens us about the scenarios of employee attrition and retention within the last five year of the top five I.T. organization of India. We evaluated the ratio change in the number of employees mobilising themselves out of the firm and also the ones who choose to stay against the globalization process and the results obtained were on proper lines. The organization having low employee engagement suffers highest attrition and lowest retention while the company with high level of employee engagement leads to lowest attrition and highest retention. While increase in employee engagement practices may help to retain the best talent for future growth and edge, globalization provided enough opportunity to the experienced workforce, to get themselves mobilised from one firm to another; and that it should be inculcated in the engagement practices adopted by any organization.

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