

Serving Three Months Notice Period in the Indian IT Industry -Insights and Contradictions

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Abstract— *In this paper, we discuss the notice period trends in Indian IT industry and study its positive and negative consequences for the employer and employees. We collected details of various factors related to the three-month notice period from multiple angles. Since Indian IT organisations follow no standard notice period, it is important to understand what could be an acceptable notice period for both employees and employer. We analyse inputs received from 52 respondents and interpret them to understand the contemporary scenario in the IT industry. Finally, we suggest possible ways to come up with a standard notice period across IT industry.*

Keywords: *Resignation, Notice period, Hiring, Standardization, Global practice.*

OVERVIEW OF THE INDIAN IT INDUSTRY

Indian IT industry has been an outstanding success story, exporting software services to more than 60 countries around the globe. India is a developing economy power-driven by techno-savvy workforces developing an excellent IT industry. Indian IT sector has gone through various developmental stages. We can classify them into four different phases. Every phase has helped to take the IT industry to the next level with tremendous development and has created a mark in the global IT market. These four stages are Phase I: Before 1980, Phase II: 1980–1990, Phase III: 1990–2000 and Phase IV: Post 2000.¹

Some of the well-known and notable performers in the IT industry are HP, Tech Mahindra, IBM, Dell, DXC, Accenture, CGI India, Atos, Tata Consultancy Services, Wipro, Atos, HCL and Infosys Limited. Many of these are based in India whereas a few of them are MNCs operating from India. Therefore, in a way, we can call the latter Indian IT organisations as they follow the Indian labour and industry laws. IT industry has grown in India tremendously because of technically skilled

professionals, English speaking population, robust telecom infrastructure, lower costs of offshore outsourcing, favourable government policies and quality orientation. Indian software organisations strengthened with various value chains, providing from low-cost to comprehensive software services to meet the demands from multiple clients around the globe. A huge pool of talented technical human resources is available in India because of the well-formed professional education. Government of India has set up various educational institutions such as IITs, IIMs and NITs to meet the demands of IT and ITES support across the globe¹.

NOTICE PERIOD IN INDIA AND GLOBAL PRACTICE

Notice period is the period that an employee has to serve in the organisation from the day of tendering their resignation until they are allowed to leave the employment. In other words, notice period is the period employers require the employee to serve before their employment is considered terminated. The duration of this period varies across countries as well as across industries. However, the expected formalities from the outgoing employee is almost the same: knowledge transfer (KT) to the new employee and settlement of accounts, which includes entitlements, transfer of benefits, payment of gratuity and getting relieving documents.

Three-month notice period is unique to the Indian job market, and it is more specific to the Indian IT industry. The USA follows an ‘employment at will’ policy for jobs. In this policy, both parties, the employer and the employee, can end the employment at any time without any advance notice or giving specific reasons.

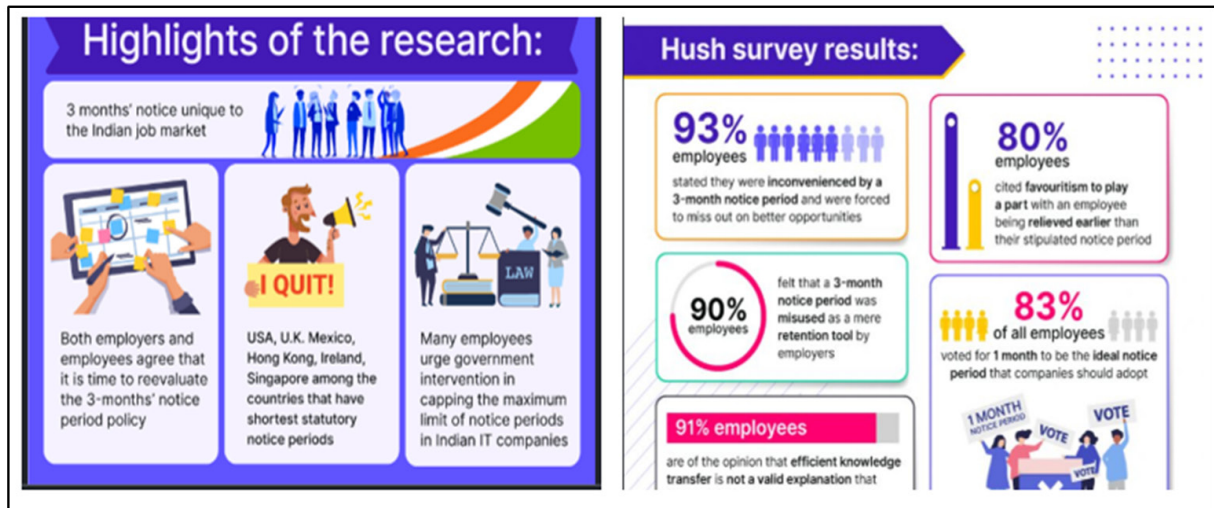


Figure 1. Various facts about the three-month notice period²

Based on mutual agreement and goodwill, they can agree for two weeks' notice. Various sources indicate that employees resigning in countries such as the USA, Mexico, Hong Kong, Ireland, Singapore, and the UK have the lowest statutory notice period, that is, one week whereas countries like Switzerland, Slovakia and the Czech Republic have two months' notice period². In most European countries, notice period increases depending on the employment duration in that particular organisation for the particular employee and it varies with certain high-ranking leadership roles³. Job changing is not very frequent in China and Japan. However, East Asian economies oblige a month's notice.

NOTICE PERIOD TREND IN INDIAN IT INDUSTRY

Tata Consultancy Services, Oracle, Accenture, Syntel, Wipro, Cognizant, Infosys, WNS, HCL ITC Infotech, Tech Mahindra, Wells Fargo, Capgemini, Mavenir systems, IBM and Genpact are some of the known companies which follow three-month notice period policy in India. The reason for three-month notice period small IT companies mention is the replacement cost and the turnaround time in filling in a new resource, including knowledge transfer, might be huge for small companies as they cannot afford benching resources⁴.

Some Indian states have exempted IT companies from adhering to the Indian labour laws and permitted them to run the business as per the nature of their business. Karnataka and Tamil Nadu have extended exemptions for IT organisations from provisions under The Industrial Employment (Standing Orders) Act 1946. This act

mandates one month's notice period for 'workmen'. A number of companies in India refuse to discuss or negotiate the notice period. In the IT sector, it is challenging to find replacements for the niche roles and related skillsets. When it comes to the IT industry in Western countries, they can manage with the short notice period, because the majority of their offshore delivery happens from India due to low cost. Many companies in India believe that a two- or three-month notice period is a useful tool to retain the employees. However, employees feel that the organisation uses it as a weapon against them. Some employers will not consider extending their offer to a candidate whose notice period is over 30 days. That is one opportunity lost for the employee. Job movement is unavoidable, and we need to understand the needs of the modern workforce. A long notice period will not be able to control the high attrition rates and/or help retaining employees. A 30-day notice period should be considered as enough irrespective of the position or seniority of the employee⁵.

INDUSTRY EXPERTS ON THREE-MONTH NOTICE PERIOD

An HR said, 'Employment in India, depending on the legal nature of the workplace, is governed by various labour laws such as the Indian Contract Act, Factories Act and Industrial Disputes Act. The most important thing to note in the notice period is that their employment contract and the terms and conditions, which employees usually sign, accept and acknowledge at the time of employee joining the organisation. The notice period as per the terms of the employment contract will apply to the employee of that particular organisation. In most of the Indian IT

organisations, 30 days is the notice period for employees on probation and 90 days for confirmed employees. The concept of the notice period is incorporated in the job offer letter to ensure business and operational continuity and to ensure a proper handover of duties between exiting and new employee. A few employers misuse the three-month notice period and unnecessarily delay relieving the resigning employee⁶.

A legal expert said, 'Notice period can be anything. However, there is no way that the company can force you to serve the full notice period. The clause in the employment agreement usually states, "ninety days' written notice or three (3) months' gross salary in lieu thereof.' Therefore, if an employee is willing to pay, the company should not raise any objections. If the company refuses to accept the resignation in person or in writing, the employee can send it to the company via email. The company should be ready to adjust the leave against the notice period if the employee has accumulated earned leaves. Employees can reach out to the high court if required as per Article 226 (which empowers High Courts to deal with any issue, to any person or authority, including the government) read in conjunction with Article 14 (which upholds the concept of equality before the law)⁷

An employment contract usually mentions some notice period or payment in lieu thereof for the termination of an employee. In the case of senior management, this is likely to be three months because the handover process may take time; in the case of other employees, this would be one month, as the impact of relieving the outgoing employee would be less. Generally, at the time of termination, the employer would check whether the compensation payable under the law is more or less than what was prescribed under the contract. If it is so, the employer will go with the lesser payment, which is a benefit for them⁸. Before 1947, industrial disputes and employee issues were handled through Trade Disputes Act, 1929. However, based on the experience of using the 1929 Act to settle industrial disputes and employee issues revealed various defects, which showed the need for a new policy. On the recommendations of the committee appointed by the Ministry of Labours, amendments were made in

the original Bill. The Industrial Disputes Act, 1947 came into force on April 1947. As an outcome of the amendment, IDA 1947 gives an option for investigation and settlement of industrial disputes. It also provided certain safeguards to the employees and the notice period issues in India can be resolved by using this Act.^{9,10,11,12}

Notice period ranges from 1 day to 4 weeks, and it is further flexible in countries such as USA, UK, Australia, Singapore, Sri Lanka, China, Europe, Canada. In contrast, in India, it is 90 days, and non-negotiable most of the times. The employee who has resigned do not want to continue for 90 days, but he or she has no choice as they may be blacklisted in the current company and also it is challenging to get the experience letter. Any complex tasks can be transitioned to another person within a month, and however regular knowledge transfer can be done from 3 days to 2 weeks usually. Three months' notice period is not justifiable one and employee may be mistreated after resignation. IT is one of the growing sectors, to ensure further growth, the notice period needs to be fixed by the Indian Ministry of Labor and Employment³.

Y. Narasimha Raja discussed various points on "What are the Major difficult phases the resigned employee will be having?". Any employee leaving the organization has multiple reasons; it could happen due to a bad boss or more cash. Most of the cases, the resigned employee misbehaves with the peers & teammates misbehave with the resigned employee. Due to various challenges, many of the employees are not willing to serve complete notice, and they wanted to be relieved by paying the money for early release. If the resigned employee does not have money to pay in the notice period, they may attempt to flee and hence employer to treat the employees properly¹³.

The international notice period policy helps to relive the resigned employee quickly and hire the replacement in a short period. Whereas in India, it leads to contradicting outcome due to 3 months' notice period. Below picture helps to understand the scenario, and it does not talk about all factors associated to three months. However, it gives various essential details to understand¹⁴.



Figure 2. Visual presentation of notice period in India and foreign nations¹⁴

“When we have got an offer letter, we need to join them in 15 days. But the notice period mentioned in the offer letter of 90 days due to that not able to join. Due to this unfair rule, we are letting the offers to go” TCS employee. “Three months’ notice period is much needed so that the KT is possible for our replacement. This seems to be an unethical practice which only curbs opportunities of an employee to shift their job,” by an employee from Infosys. “The manager allowed an employee to leave the organisation in 15 days as the employees have to go for higher studies, however, that employees were with an organisation for last three months” he adds.

Chennai-based experienced HR professional shared his thoughts which are different from the employees. “The three-month notice period can also favour the employees too. In a situation of downsizing, the employee gets economic security. However, this is an economic burden for the company,” Another experienced Bengaluru-based HR professional mentioned that working in the IT industry, the three months’ notice period and insisted as it is needed. Currently, organisations have very few buffer resources. By considering that fact, organisations need to hire the resources and ensure proper knowledge transfer. It is not that easy to get new talent within a month, and there is a colossal time to be spent on hiring and onboarding new talent, this is not something like a plug and play model.”¹⁵

Recruitment professionals across the Indian IT industry are irritated much today due to various reasons. They

are: Unanswered emails and calls by candidates, unkept promises to turn up for interviews, numerous of excuses for not joining on the agreed day, chasing multiple offers for money and position, fake resumes, getting others to attend telephonic/Skype interviews on their behalf are so common. There are genuine candidates. However, we can’t deny that we have candidates with the above qualities too. An expert started discussing the root cause of the 3-month notice period issues. Indian IT companies started adopting 2-3 months notice period, to retain people and also to refrain employees from leaving the organization. The typical justification given is that “projects are critical, finding a replacement and do the knowledge transfer takes times” are the known reasons given by the organizations. But we need to understand that there are so many large and medium-sized IT organizations in US/Canada/UK are managing well with 15-day notice period. Indian IT companies are unwilling to send their employees in less than three-month notice period. However, when they hire, they need candidates to join immediately.

When a candidate decides to change the job, usually they get the offer as a safety net. Then the 90-day notice period gives room for them to find the job with good money, better brand, position and location. When their day of availability comes lesser, then their demand will be high as an immediate joiner. Even organizations wanted to issue an offer and get them joined. Employees use this 90 days’ notice period to find a better position, instead of accepting the first offer. Finally, employees force his organization

to find out some candidates who are available to join in 15-30 days. This pattern brings multiple questions such as 1) In Indian IT industry, are we harming ourselves by adopting this unhealthy practice of 60-90-day notice period? 2) so many employers globally able to manager the notice period with two weeks. Why cannot Indian employers do so? 3) Is this something Indian IT industry need to look critically at the Talent Acquisition and Talent Management function so that the right solutions can be identified? 4) Are we not doing any research on this topic even after adopting this practice for a decade?¹⁶

In India, several banks and IT companies have notice periods of 2-3 months, says the survey of 2,800 employees. 80% of employees want the duration of the notice period reduced to a month from three months. HR expert agrees that the three-month notice period is not necessary and should be considered only for exceptional circumstances and very senior levels. According to HR head for online grocery, three month notice period is a kind of cynical approach to retain employees and bad for employee morale. Based on the anonymous response from 93% of the respondents, the three-month notice period was not convenience, and that leads to missing out on better opportunities. Founder of the talent organization mentioned that some bigger companies increased the notice period to three months to reduce attrition, which created a ripple effect, and other companies followed suit. "It can be detrimental because non-performing employees too, will benefit due to the long period"¹⁷.

The Indian IT industry is going through a significant transition in its workforce. The top IT companies, like Tata consultancy services, Infosys and HCL, have been facing high attrition rates for the past couple of years now. TCS was facing an attrition rate that has risen to 15.9% in 2016, significantly higher than the 12-13% it had been operating at two years ago. To control the attrition, TCS has extended the notice period to three months for India based employees until 2007. From 2007 till February 2016, they change the notice period to one month. Keeping a resource on the bench is an expensive proposition. So, IT companies, to reduce the costs, prefer to maintain low bench resources. When there are not enough people available, then it is not very easy to find a replacement. So, employees are now being asked to serve a 90-day notice period, explained by the chairperson of Head Hunters. However, changing the notice period from the current 30 days period might be a counter-productive move. This move may hamper the talent that comes in TCS, and it may also impact productivity. Many job seekers may not join as they see the notice period as three months, because the employers may not wait for that long when they wanted to change

the job in the future. It may impact the firm's reputation adversely. The notice period approach is something like applying a Band-Aid on a wound, whereas the medicine will solve the problem. Instead of doing this type of short-term plan, organizations must focus on investing key resources' development plan so that they can be retained as the long-term strategic plan¹³.

Over 28,000 IT employees have signed and submitted an online petition to the Labour Ministry to stop IT companies from holding the employees for the three-month non-negotiable notice period, The Economic Times reported on 2nd March 2017. "It is unrealistic for anyone to plan their future actions and resign in advance without knowing the state of the issue in next three months," the petition said. Employees at IT organizations such as Tata consultancy services, Infosys Limited, Tech Mahindra, HCL Technologies, IBM, Capgemini and Accenture have to serve three-month-long notice period after they submit their resignations. Industry experts view three-month notice period as a measure to fight attrition and employee-retention tool. Long notice period also can dissuade IT, employers, to wait for prospective employees. Additionally, the IT industry considers their employees as billable resources and hence, companies may lose revenue if a suitable replacement is not found in time. This situation forces employers to resort to various measures to retain employees¹⁸.

PROBLEM STATEMENT

There is no standard notice period in IT organisations. Some companies keep three months as the notice period, and a few require two months' notice while some organisations follow one-month notice period. Organisations following three-month notice period expect the new employee to join in one month. However, they do not relieve their outgoing employees before the notice period ends. Also, employees try to offer fake reasons and misuse the buyout option (for instance, paying back one month's salary) so that they can be relieved early. Although there are some genuine reasons to request the organisations to release the outgoing employee sooner, it often happens that the organisation does not relieve them. This situation creates uncertainty. Since employer is the decision maker, the resigning employee may not be able to predict the next action plan. Keeping a standard notice period across multiple industries may not be possible but it is important to find out an appropriate notice period, at least for the IT sector. We carried out this research to hear the diversified feedback from employees working in different positions so that we can understand their thought process and an appropriate notice period can be arrived at.

OBJECTIVES OF THE STUDY

1. To examine the current notice period practice in the Indian IT industry.
2. To examine the merits and demerits of the three-month notice period to the employer and employees.
3. To find possible solutions to identify an appropriate notice period for the Indian IT industry.

Research methodology

- ✓ **Data collection:** A Google-based questionnaire was sent to the respondents through email. The survey had three parts. The first part sought demographic details of the respondent; the second included quantitative questions with multiple answers; and the third part was qualitative, with one open-ended question.
- ✓ **Sample:** we used simple random technique for our study. We created a list of respondents that was collated from LinkedIn website and selected participants from this list.
- ✓ **Participants:** Respondents were from 11 IT organisations: Atos, Capgemini, CGI India, CTS,

Dell EMC, DXC Technology, HCL, IBM, TCS, Tech Mahindra and Wipro. We attempted to cover the respondents from different experience group (0–5 years, 5–10 years, 10–15 years, 15 years and above). We made all possible efforts to cover a range of employees such as professionals, managers, PMP, senior management and leadership professionals.

- ✓ **Approach :** We have distributed the quantitative-based questions to the respondents regarding the facts & opinions around the three-month notice period, merits and demerits to the employer and employees as well. Also, we have asked them to share their opinion about the three-month notice period, which is an open-ended question to share their voice without any restriction. Since there is no formal research in (Thesis and research article) the subject of three-month notice in Indian IT industry, we use all those inputs to discuss and arrive at a conclusion about the facts and figures around the three-month notice period issues in the Indian IT industry. We strongly believe that the outcome of this research paper should lead to other significant and useful research in the academic area in the coming days.

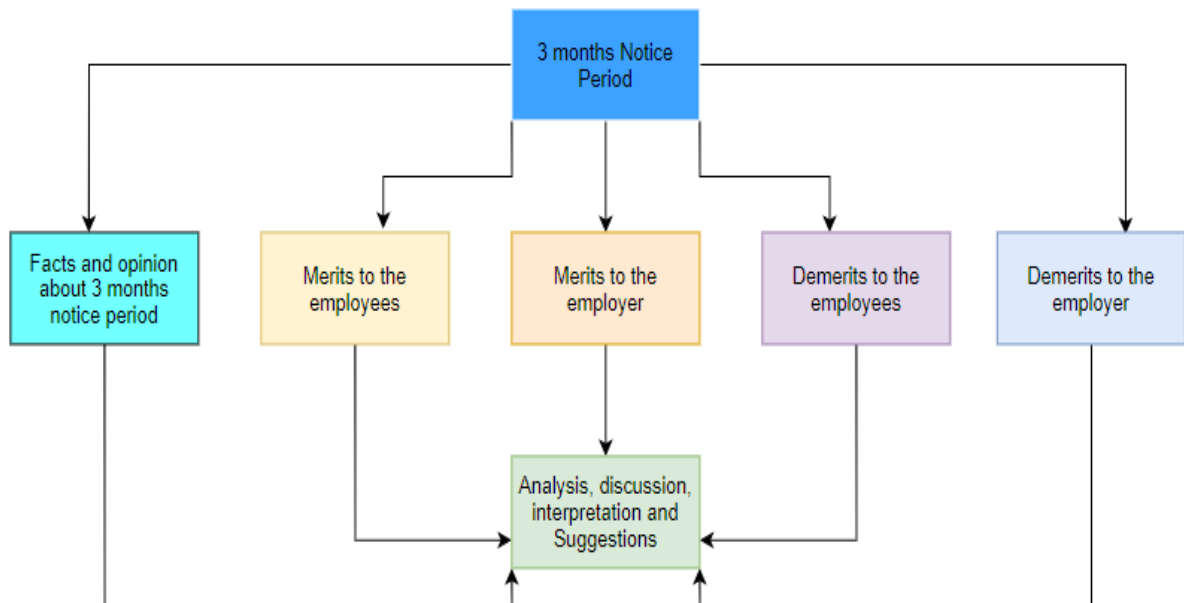


Figure 3. Theoretical approach of the article for three-month notice period.

DATA ANALYSIS

Out of the 52 respondents from the IT industry who responded to the survey, two had work experience of 0–5 years; nine respondents had work experience of 5–10 years; 19 respondents had work experience of 10–15

years; and 22 respondents had work experience of 15 years and above (Figure 4). As such, the data obtained, and the feedback received can be trusted and considered as the reflection of the contemporary status of the notice period in IT industry.

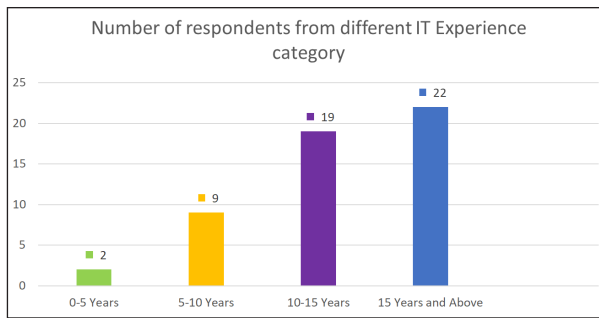


Figure 4. Experience breakup of the respondents.

To cover the opinion from a diverse range of employees, we included different employment categories. This helped to understand the perspective of the employees working at different levels. Employees, middle management and leadership people think and take decisions based on their experience and the role they play in the organisation. Out of the 52 respondents, two are from leadership category, fourteen from manager category, four from project management category, 24 from professional category and eight from senior management category. The employment categories are given below. Their distribution is presented in Figure 5.

- *Professional* (engineers, analysts, consultants, architects, tech leads, team leads)
- *Manager* (functional manager, people manager, service delivery manager, account delivery manager, operations manager)
- *Project management professional*
- *Senior management* (directors, AGMs, DGMs, tower heads, vertical leads, business leads, assistant/associate VPs)
- *Leadership professional* (president, CEO, CFO, CIO, CTO, EVP, SVP, VP, country head, regional head, managing director, director, general manager)

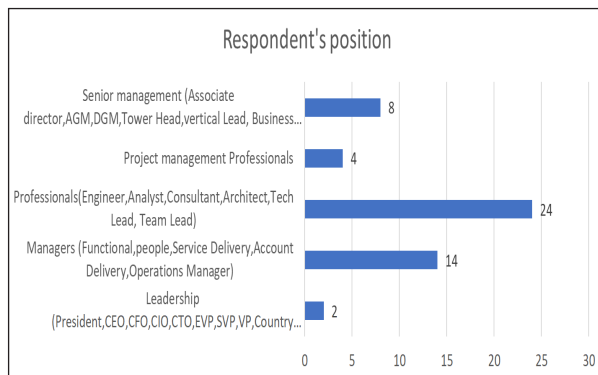


Figure 5. Respondents from different professional groups.

Majority of the organisations we received responses from the employees of are MNCs operating in India and a few are Indian organisations (Figure 6). The hybrid response pattern was necessary to have different organisations represented in the study.

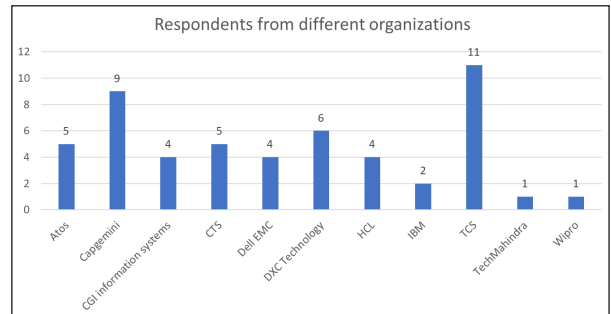


Figure 6. Respondents from different organisations.

We tried to find out the respondents' opinion about keeping three-month notice period in Indian IT organisations. Forty-three respondents (82.6%) mentioned that three-month notice period in Indian IT organisations was not fair, whereas nine respondents (17.5%) said that it was a reasonable period. The response pattern indicates that three-month notice period is not acceptable to a majority of employees (Figure 4).

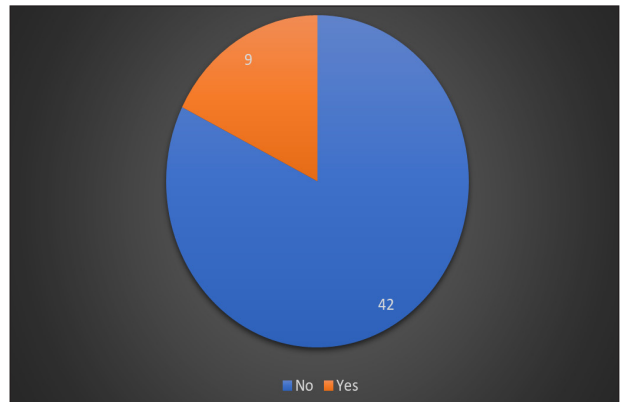


Figure 7. If the three-month notice period is fair or not.

We attempted to find out what was the percentage of IT organisations that follow a three-month notice period. Seventy-three percent respondents indicated that their organisation followed a three-month notice period; 27% respondents mentioned that the organisations they belong to does not follow three-month notice period. The response pattern indicates that most of the IT organisations operating from India follow three-month notice period. We did not want to do this analysis purposefully, as it may be considered as a breach of non-disclosure agreement. So, the statistics does not mention any specific organisation (Figure 8).

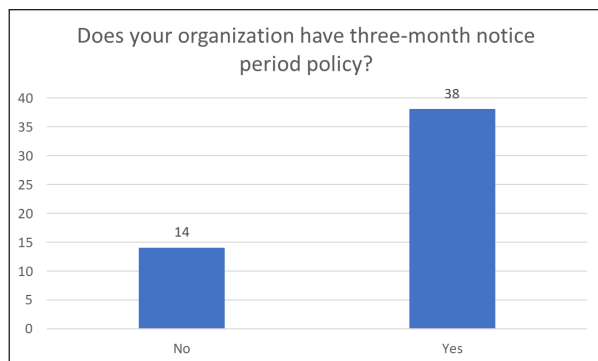


Figure 8. Present status of the notice period in different organisations.

We asked the respondents to mention the notice period they preferred. In response, 44% indicated that they preferred one month's notice period; 15% preferred 45 days; 21% said two months were fair; 11.5% respondents preferred three months; and 2% respondents preferred 15 days' notice period.

Also, there were three different opinions respondents can additionally choose from:

1. It should be mutually agreed with riders
2. As soon as employee preferred to leave
3. Depends on the job performed by the employee and the time it will take to transition the knowledge, based on which the notice period should be seven days to three months.

The responses show that 79% respondents wanted the notice period to be two months or less (Figure 9).

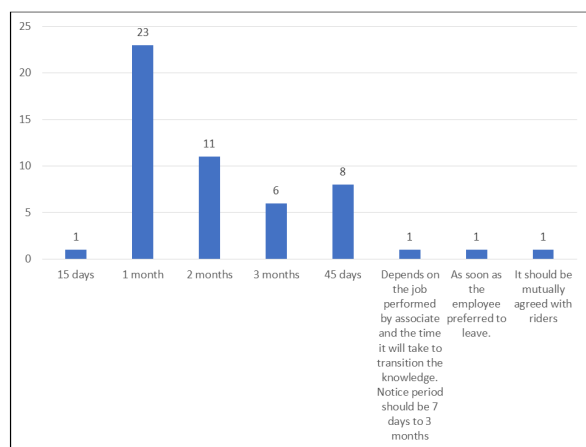


Figure 9. Preferred notice period.

We received different answers for the question 'Three-month notice period should be uniform across all IT companies so that the negative impact will be less for the outgoing and incoming employees in an organisation

(located in India, either India based or MNC). Do you agree?'

Twenty-one respondents said 'Yes'; 21 said 'No' to the question; 10 respondents were not sure (Figure 10). The number of responses for 'Yes' and 'No' is equal. This response pattern poses a question whether they think that keeping standard notice period across all IT organizations is not feasible or they prefer to have non-uniform notice period so that they can make use of it when situation demands.

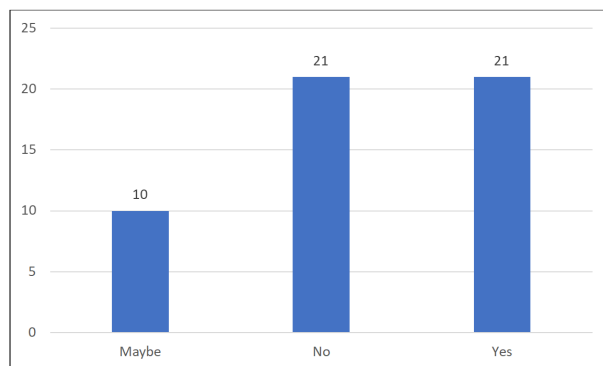


Figure 10. If three-month notice period should be there across all IT companies.

Every country follows different labour laws and it is evident, but we still attempted to find out whether the respondents wanted to keep a standard notice period across the globe. Forty-six respondents (88.5%) were positive that implementing a three-month notice period concept around the world is not feasible due to varying labour laws in different countries; three respondents (11.5%) felt that it was possible; and three respondents said that they are not sure (Figure 11). From the response pattern, it is clear that according to most of the respondents a standard notice period across the globe is not possible.

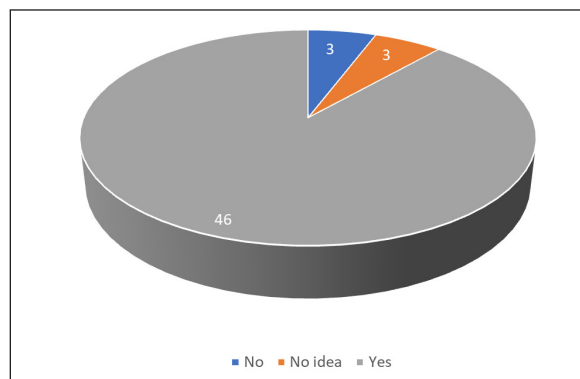


Figure 11. Whether implementing three-month notice period across the globe is possible.

For the question 'Three-month notice period policy implemented by a few of the IT organisations (located in

India) is due to various requirements – Do you agree?’, 32 respondents (61.5%) responded ‘Yes’, 13 respondents said ‘No’ and 7 responded ‘No idea’. The response pattern indicates that the employees felt that three-month notice period is there for some reason (Figure 12).

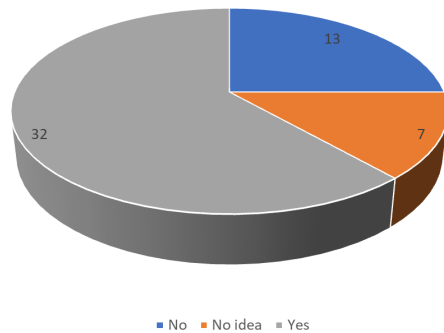


Figure 12. Are there genuine reasons to implement three-month notice period.

Five choices were given to the respondents to choose from in response to ‘Please choose the benefits to the employees due to three-month notice period’. In addition, an ‘others’ option was also provided if the respondents wanted to say something other than the choices offered. They could also select multiple answers if applicable (Figure 10).

1. *Employees can find out better opportunities during the three-month notice period* - Thirty-one respondents selected this, which is the topmost choice. Many organisations look for candidates who can join in 1–2 months. Thus, employees can utilize this opportunity during the three-month notice period.
2. *Three-month notice period helps employees when the organisation wants to fire someone* (either they work for three months or pay the organisation amount worth their three months’ salary) -Twenty-six responses were received for this, which is the second topmost choice. Downsizing and layoff are prevalent nowadays. Three-month notice period or salary for three month is the employment security for the employees.
3. *It helps the employee in case of layoff and gives the employee a certain amount of financial security* - Twenty-six responses received for this. In Western countries, there is social security but not in India. Work for three months and get paid three months’ salary helps the employee to ensure his survival.
4. *It allows employees to negotiate and continue with the same employer in a different position* - Twenty-two responses received for this. Three-month

notice period helps an employee to discuss with the employer and gauge all possibilities so that the employee can grow within the same organisation. These benefits both parties.

5. *It gives sufficient time for employees to think and stay back in the same organisation* - Nineteen responses were received for this, which is the least received response among all choices. Employees can get some opportunities accidentally; however, changing job involves many risks. Three months’ duration helps employees to think and correlate various factors, which may force an employee to stay back in the current organisation. Some of the respondents offered their response under the choice ‘Other’ as ‘It never helps employees’ or ‘Waste of time’, or ‘No benefits as such’ or ‘Handover & transition will be smooth’.

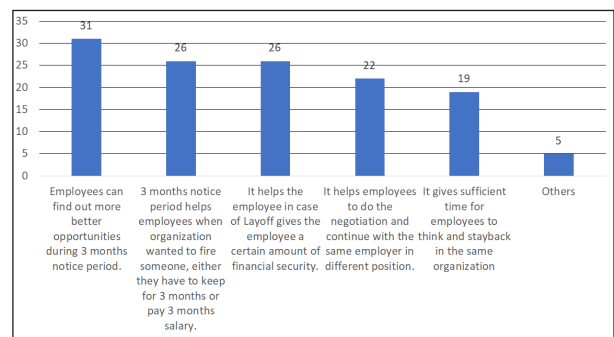


Figure 13. Benefits of three-month notice period to the employees.

Six choices were given to the respondents to choose from in response to ‘Please choose the disadvantages to the employees due to the three-month notice period’. In addition, an ‘others’ option was also provided if the respondents wanted to say something other than the choices offered. They could also select multiple answers if applicable (Figure 14).

1. *Chances are high that employees would not get job easily outside for three-month notice* - Forty-one responses were received for this choice (which was the topmost choice). Most of the employers wanted to hire techies in a short period. If the employees say that they need to serve the notice period for three months, then the chance of their getting hired are comparatively less.
2. *Three-month notice period may lead the employees to miss out better opportunities* - Thirty-six responses were received for this choice (second topmost choice). If the position is demanding with the excellent package with short joining date, then the three-month notice period becomes a barrier for employees to pick that opportunity.

3. *During the three-month notice period is usually 'unbearable' for the employee and is often 'mistreated'* - Thirty responses were received for this choice (third topmost choice). The reaction towards the resigning employee from the peers, managers and other stakeholders may not be right. They may try to push works that are more complicated to him/her.
4. *If the employee-manager relationship is not right, it is tough for the employee to work for three months as he may get a target that may not be possible to achieve, which leads to stress* - Twenty-nine responses were received for this choice. The manager-employee relationship is critical in an organisation. It worsens when an employee resigns. The manager may try to increase the stress of the resigning employee by giving an unachievable target. If the employee opposes this approach, the relieving certificate may come with the adverse remarks
5. *Creates anxiety for the employee on notice period (90 days)* - Twenty-eight responses were received for this choice. If the approach towards a resigning employee is different from earlier, then it may create an uncomfortable situation and may lead to nervousness.
6. *If an employee fails to serve the notice period, they are often blacklisted in the existing company and are not given experience certificates* - Twenty-three responses were received for this choice (least responses). This is obvious as the organisations have a common forum where they blacklist an employee, so the resigning employee misses an opportunity.

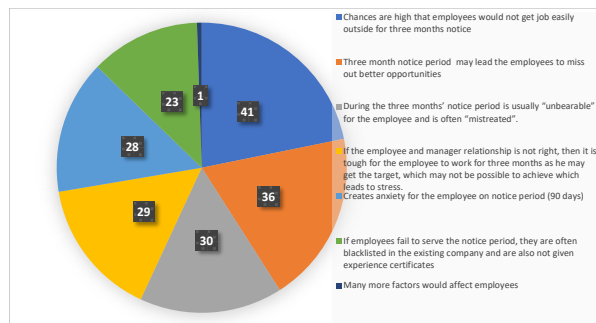


Figure 14. Disadvantages of three-month notice period to the employees.

To see if three-month notice period is beneficial to the employer, we asked the respondents, 'Please choose the benefits to the employer (organisation) due to the three-month notice period.' Seven choices were given to the respondents to choose from. They could also select multiple answers if applicable (Figure 15).

1. *Three-month notice period helps an organisation to find a suitable candidate* - We received thirty-six responses for this, which is the topmost response among all choices. Since most of the customer contracts are based on full-time employment (FTE), it helps service providers to supply necessary workforce to the customer within three months.
2. *Billing and revenue will not be affected, as an organisation would be able to fill that position in three months* - Twenty-nine responses received for this. When an organisation can fill a position in three months, it helps them to ensure continuous billing, revenue and profit margin.
3. *Employers get enough time for efficient knowledge transfer to the new joiner* - Twenty-nine responses received for this. To continue with the support to the customer as expected, it is critical to transfer the technical and process knowledge to the replacement, and the three-month tenure helps the employer to ensure a smooth transition.
4. *Three-month notice enables the organisation to get enough time to create any newer opportunities such as onsite, salary hike, better projects, work-from-home for the quitting employee. This might help retain the employee* - Twenty-six responses received for this. The three-month notice enables an employer to retain the employee through retention management by giving multiple benefits.
5. *The chances are high that employee may change the mind and stay back* - Twenty responses were received for this. Indian IT industry is going through many challenges, there are multiple consequences of changing job in the current scenario, and that may force an employee to think anytime in three-month notice period and possibly, an employee may take back the resignation.
6. *If a contract is based on full-time employment, the number of resources would not be questioned* - Fifteen responses were received for this. In fixed FTE contracts, the customer is more concerned about maintaining a fixed number of employees. Three months helps them to recruit a suitable replacement.
7. *Nowadays, the concept of benching is not practised. When there are not enough resources available, it is difficult to find a replacement, so three-month notice period helps to hire a new candidate* - Fifteen responses received for this. Due to the unavailability of internal resources in the bench pool, it is unavoidable for the employer to hire resources from

external market, so a three-month notice period helps the employer to search and hire new candidates.

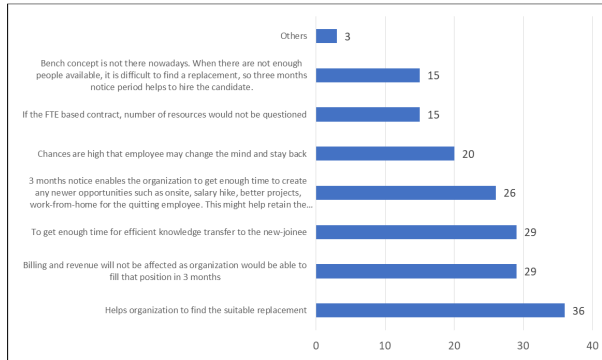


Figure 15. Benefits of three-month notice period to the employers.

To find out the demerits of three-month notice period to the employer, we posed this question to the respondents, ‘Please choose the demerits to the employer (organisation) due to the three-month notice period.’ Six choices were given to choose from to respond and they could also select multiple answers if applicable (Figure 16).

1. *After resignation, the employee works with less motivation and hence there is lower productivity* - Forty-five participants responded with this choice. This is the maximum response and the first most demerit to the employer because of the three-month notice period concept. After resigning, salary hike and performance rating are not applicable to the outgoing employee who is not likely to be motivated to offer better productivity.
2. *Poor performance by the resigned employee may damage the organisation's reputation* - Thirty-three respondents responded with this, which is the second most option chosen by the respondents. Continuous focus and better productivity are needed to satisfy the customer. The resigning employee may not worry about the performance and its negative consequences.
3. *There is no guarantee employee will give proper KT to the replacement* - Thirty-two responses (almost close to the second most response) were received for this. Which means, though the notice period tenure is three months, does not mean that the resigning employee transfers all the knowledge to the replacement.
4. *Organisation who is hiring candidates may suffer due to three-month notice period, as new employees might not join immediately* - Thirty-two responses (almost close to the second most response) were received for this. New employees may not join at

the expected time as they get multiple offers, which leads to waste of efforts and money for the hiring organisation. As a result, every organisation has to invest much time, effort and money to conduct interviews, complete many internal process and issue offer letters. During the three-month notice period, the resigning employee may get multiple offers and end up joining one of the organisations. The employee has to reject the proposals issued by other employers, which is an injustice to the organizations who have already issued the offer letter to that particular candidate.

5. *It may lead to escalation if the resigning employee is performing badly during the three months* - Twenty-six participants opted for this choice. If the resigning employee does not complete the work in time or complete with the problems or does not respond to the customer's query, then the customer may try to elevate the issues through the account management team and raise their concern. This situation may lead to dissatisfaction which will affect the business with the customer in future and sometimes may lead to terminate the contract.
6. *Misbehaviour from the employees* - Twenty-one respondents indicated this in their response, which is the bottom-most demerit to the employer. Since performance appraisal and salary increment are not applicable once the resignation is tendered, the resigning employee may behave differently with colleagues, managers and customers, which will affect the organization's reputation and customer satisfaction.

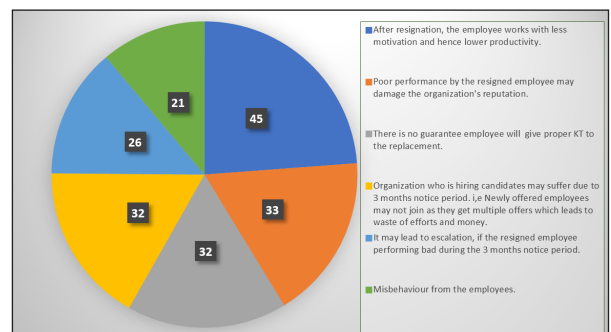


Figure 16. Disadvantages of three-month notice period to the employers.

QUALITATIVE DATA

We received diverse responses for the open-ended question. One of the respondents said, ‘Three-month notice period is unnecessary, and it reduces the good opportunity an employee has.’ A respondent from DXC

said, 'Three-month notice period is the best option. However, it should be a win-win situation for both parties if the resource is very critical and cannot be filled with an alternative resource from the market. By keeping three-month notice period in place, it might be possible to retain the employee. Also, if the current employer is not able to satisfy employee benefits provided by another company, which is going to hire the employee, it is not worth staying the employees for three months; it is better to release him/her if there is no dependency on him/her in the organisation.' An experienced manager expressed his view as, 'There should be a law that forces all jobs with a notice period of 15 days to one month, irrespective of their being government or private, temporary or permanent. Social security and pensions should be a parallel track to reduce the dependency of the current organisation.'

A respondent mentioned the drawback to the employees as, 'A resigning employee will be a bad element in the team. In the three months of notice period, the resigning employee's teammates are likely to be motivated to try to get a job outside of the current organisation. Also, the colleagues may attempt to use the resigned employee as a reference or recommendation to get the job in the new company.'

A senior management professional said, 'As we are moving to centralised structures, I think implementing three-month notice period is very unfair. Employees will lose interest, and they may not be working as effectively during the notice period and KT sessions will not be effective, as the resigning employee would want to maintain the employer's dependence on him until his last working day. So, if an employee wants to leave, companies should be relieving him immediately, within a period of one month or 15 days as most of the companies in the USA and Europe do. If not, the recruiters should start considering the people for a three-month notice period so that there is no opportunity for the employees who wanted to join immediately as they are about to complete their notice period based on the offer from another organization. The company needs someone who can join immediately from the open market. In most of the cases, employees are unsecure because while searching for a job they will not be considered as potential candidates due to the three-month notice period. In some cases, the employee must resign from the current position before he/she can qualify for another job, which is injustice for the current employer as most of the Indian IT organization do not prefer to hire employees coming from another organization because of the three-month notice period; they want someone who can join them immediately. Thus, the employee is forced

to resign from the current job so they can join other companies within 15–30 days. However, if they do not get an offer, then they need to take back the resignation.

'The three months' duration helps an employee to search and find another job. In this practice, companies cannot find a useful resource, which can fit for the position. Because when an organisation focuses on people who are available to join immediately, it would hire people, not a skilled employee. To avoid this issue, either the organisation has to reduce the notice period from three months to 30–45 days or stop recruiting people who can join immediately, that is, in 15–30 days (especially the candidates who are not employed or have already resigned and are serving the notice period). In this case, we can streamline this notice period, which benefits both employees and employers. In my opinion, doing the right thing at the right time is most important.'

A respondent talked about the merits of three-month notice period to the employer and its demerits to the employees, 'It is beneficial for the employers and affects the employees badly. Hence, companies must rethink and change the period to 45 days instead of three months.' Another employee mentioned the KT process and the psychological impact on the employee, 'Three months are too long a period nowadays given the kind of mind-set of the employees and also the methods available for transition.'

'I think two months should be enough for knowledge transition and finding a suitable replacement. Moreover, sometimes if the employee is highly demotivated, it is a waste of money for the organisation to pay' was view of a professional. A manager from an MNC said, 'It is good to standardise and reduce the notice period to make it more employee-friendly. But longer notice periods help in reducing job-hopping intended only for a salary hike.' For the benefits of the employees, another responded said, 'For resignation, companies can fix the notice period at one month and for a layoff it should be three months.' An experienced manager from another MNC mentioned the demerits of the three-month notice period to both the employer and the employee as 'It is not required, and employers get no benefit out of it. Additionally, employers won't get suitable resources when they have immediate requirements as the three-month notice period of other organizations may not permit to hire immediately. It may lead employers to force them to bench resources.'

An HR manager from an IT company said, 'Three-month notice period is in place to get a new resource with a proper skillset. An employer may find it difficult to find skilled resources in less than three months.' A project manager from an MNC mentioned the need and nature

of the three-month notice period: ‘Three-month notice period has come into the picture especially due to higher attrition. The pros and cons of the three-month notice period depend on the relationship between the resigning employee and the manager, and this can make the deal or break it.’

A few more responses:

‘Three months’ notice period benefits both employer and employee as the employee will get a better opportunity, and the current employer gets an opportunity to retain the employees through retention management process.’

‘It should be a standard across the country and common for all IT organisations.’ There should not be any “immediately can join” option unless someone is not employed. This will help to reduce a lot of negative consequences such as employer hiring someone who is not adequately skilled, and three months’ notice period enables employees to resign from the current job and try to find another job. In case they do not get a better opportunity outside, then they take back their resignation.

‘I think two months is a reasonable period that would benefit both parties. This policy would also force organisations to be proactive in identifying a backup plan for any future resignations. Also, the resignee could spend quality time and provide KT without any stress. Only poorly governed organisations think that three months long handover is needed to get a replacement. Also, they should accept the fact that this encourages the inefficient practice of maintaining personal dependence of the employer on the employee in delivering services, which is one of the most significant risks in business. Not many organisations prefer to wait for three months to hire someone, as they expect the new employee to join in 30–45 days maximum. So, your current company also needs to respect the same, because they will not face a similar challenge to get an employee if the notice period is three months.’

HYPOTHESIS AND TESTING

Hypothesis : There is a need to reduce the three-month notice period in the Indian IT industry.

Table 1. Mean and standard deviation of the responses

Questions	Mean	Std Deviation
Three-month notice period in Indian IT organisations is fair	2.18	0.05
If three-month notice period should be there across all IT companies.	2.25	0.11
Three-month notice period policy implemented by a few of the IT organisations (located in India) is due to various requirements	2.53	0.10
Preferred notice period	0.71	0.09

Based on the outcome of all the four questions that belong to the hypothesis “There is a need to reduce the

three-month notice period in the Indian IT industry” it can be evidenced that Three-month notice period is not fair to keep in the Indian IT industry. Majority of the respondents said that it is not fair to keep three-month as the notice period. If organizations prefer to keep, then it should be followed by all Indian IT organizations. The three-month notice period is implemented in organizations without genuine reasons or requirements. Most of the respondents prefer to have one month as the notice period. This is also evidenced by the mean value, which is above average value and closure to the maximum value. The value of the standard deviation is within the acceptable statistical value. By considering all the above facts, it can be concluded that the null hypothesis “There is no need to reduce the three-month notice period in the Indian IT industry” is rejected and the alternate hypothesis “There is a need to reduce the three-month notice period in the Indian IT industry” is accepted.

DISCUSSION AND INTERPRETATION

This section has two sub-sections. One for quantitative data and another for the data received as qualitative data. Fifty-two respondents from 11 IT organisations participated in the survey. Most of the respondents had more than five years’ experience in the industry.

A vast majority of respondents (82.6%) felt that three-month notice period is not fair. It may benefit the employer but not the employee. From the responses received, it can be assumed that more than 70% of the Indian IT organisations follow three-month notice period. In an attempt to understand employees’ preference for a notice period, they indicated that they do not want to have a notice period of more than two months. Most of them preferred 30–45 days. Keeping the same notice period across the globe is the best practice. However, it may not be feasible due to different labour laws in different countries. We attempted to find out the opinion of respondents in this regard: 88.5% of the respondents thought that keeping three-month notice period across the globe as a standard is not possible. We wanted to find out valid requirements for three-month notice period. Sixty percent of the respondents felt that three-month notice period is followed with a few valid requirements whereas 40% of respondents had different thoughts. Sixty percent of the respondents felt that the three-month notice period is followed because of a few valid requirements for the employer and employees, whereas 40% of respondents felt that the three-month notice period had been applied without any valid requirements for the employer and employees. There were four questions related to the merits and demerits due to the implementation of three-

month notice period. Respondents could select multiple options if they felt that there are multiple advantages and disadvantages. From the response pattern, it can be concluded that there are a few benefits to the employer and the employees. However, it is also evident that three-month notice period has some demerits for both.

From the qualitative response, it is understood that the three-month notice period is unnecessary as it reduces the excellent opportunity for the employees. However, the three-month notice period may help the employer to retain the employee through retention management. A resigning employee will be treated badly and also, and the resigned employee may motivate others to find a job in other companies. The resigned employee may not be effective during the notice period, and KT sessions will be non-productive most of the times, and hence three-month notice period will not help. One side, the company wanted employees to join in 15 days when they hire. Another side, they ask the existing employees to leave after three months. This approach will create issues to employees and employer as well. It is a tough job for organizations to hire skilled people in 15-30 days. If they can find someone, they are not adequately qualified. To mitigate this issue, all the Indian IT organizations have to reduce the notice period to 30–45 days or stop hiring people 15–30 days. By doing this, the IT industry can streamline this notice period, which benefits both employees and employers. 45–60 days should be enough for knowledge transition and finding a suitable replacement. For resignation, companies can set the notice period at one month, and for a layoff from the organization side, it should be three months. This approach employees job security and avoid financial risks. The trigger for the three-month notice period is the higher attrition rate. The pros and cons of the three-month notice period depend on the relationship between the resigning employee and the manager and based on that the deal can happen.

Notice period should be a standard across the country and common for all IT organizations. “Immediately can join” concept should go away unless someone is not employed. This will help to reduce a lot of negative consequences such as employer hiring someone who is not adequately skilled and available to join. Standard and the low number of a notice period would benefit both parties. This policy would force organizations to come up with a backup plan for any future attritions. The resignee could spend quality time with full mind and provide KT without any stress. Only poorly governed organizations think that three months long handover is needed to get a replacement. The overall feedback from most of the respondents indicates that the notice period to be 30-45 days.

RECOMMENDATIONS

- Most of the respondents voided that the notice period should be standard across the nation for IT organizations. An association should be formed (like NASSCOM) so that representation from most of the organizations from different functions (HR and business) can be ensured. Even NASSCOM can lead this effort for the benefit of the Indian IT industry.
- An association that adequately represents multiple companies should conduct a conference to hear open feedback from different stakeholders.
- Experts have mentioned that the talent management process to be revised as per the contemporary challenges. Research should be carried out by the association (organization) by involving employees from various organizations and employers.
- Based on the study, the maximum notice period should be defined and agreed upon by all employers, irrespective of their being an MNC or Indian.
- Based on the responses received in this study, it is advisable to keep the notice period as one month. Maximally, it can be 45 days, if required.
- Strictly, all IT organizations should follow the agreed standard notice period, and it should be mentioned clearly in the offer letter issued to the incumbent.
- Most of the respondents felt that the standard notice period process is not followed by the IT organizations because the current labour is not supporting such requirements. Indian labour law should be modified to support this notice period for IT industry so that it becomes legal and to force organizations to follow without deviations. Organizations in violation of the defined and mutually agreed notice period (30–45 days) should be penalized heavily.
- In case of an individual resignation, the notice period can be 30–45 days; however, in case of downsizing or bulk termination of jobs, it should be three months or with three months’ severance pay. This is much needed, as we do not have a social security system in India as in the USA.
- As expressed by the experts, it is critical that Indian IT organizations to invest their efforts to come up with the alternate strategy for enhanced talent acquisition and talent management so that the recruitment for would be possible in a month time.

CONCLUSION

Notice period is one of the crucial factors that play a vital role between the employer and employee in an organisation. The employer always thinks about filling the

position and ensuring the service goes good without any negative impact when someone leaves the organisation. An employee still feels the need to be released smoothly from the company and receive all due settlements when they leave the organisation. The tenure of the notice period should be convenient and appropriate for both the employer and employee. Based on our research, we suggest that a preferable notice period is 30 days, which can go up to maximum of 45 days if required. However, it is essential to form an association or use an existing organisation such as NASSCOM to call a conference involving both parties and come to a decision. The revised notice period can be then finalised and agreed upon and it should be followed by all IT organisations in India.

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