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Early Retirement as a Strategic Risk: Evidence from IT and ITES Organizations

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Abstract

Early retirement in the IT and IT-enabled services (ITES) sector has significant implications for organizational productivity, yet it remains insufficiently theorized within strategic human resource management. This study adopts a theoretical lens integrating Human Capital Theory, Role Strain Theory, and the Job Demands–Resources (JD–R) Model to conceptualize early retirement as a strategic risk rather than an individual career choice. From a human capital perspective, early retirement accelerates the loss of accumulated tacit knowledge, cognitive expertise, and technology-specific skills that are central to productivity in knowledge-intensive industries. Role strain theory further explains how prolonged exposure to competing job demands—such as rapid technological advancements, long working hours, and continuous performance pressure—can lead to burnout and withdrawal intentions among senior IT professionals. The JD–R model supports this by positing that high job demands coupled with inadequate resources heighten strain, driving early exit decisions. The theoretical model developed in this study proposes that early retirement disrupts organizational learning cycles, weakens knowledge transfer mechanisms, and increases operational vulnerabilities in project-based environments. Additionally, the absence of age-inclusive HR policies, insufficient re-skilling opportunities for older employees, and weak succession planning amplify the strategic risks associated with early retirement. The study argues that mitigating these risks requires reframing early retirement through a strategic HRM perspective, emphasizing capability retention, balanced job design, and resource-enhancing interventions. By positioning early retirement within established theoretical frameworks, this research advances scholarly understanding of workforce ageing and highlights the need for proactive interventions to sustain productivity in the IT and ITES sectors.

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Early Retirement, Strategic Human Resource Management, Human Capital Theory, Job Demands–Resources Model, IT and ITES Productivity

Introduction

Early retirement is becoming increasingly common in the IT and IT-enabled services (ITES) sector, where employees face long hours, rapid technological changes, and high performance expectations. In these industries, knowledge and expertise accumulate over years of experience. When senior employees retire earlier than the expected age, organizations lose critical resources

and face disruptions in productivity. For example, in a global IT services company in Bengaluru, three senior Java architects retired two years earlier than planned, causing delays in multiple client projects due to the difficulty of replacing their deep system knowledge.

Situations like this show that early retirement is no longer only an individual decision—it is a strategic concern (Topa *et al.*, 2018).

This article explores early retirement through theoretical perspectives and examines how it affects productivity, workforce continuity, and organizational performance in IT and ITES industries. It includes a literature review, challenges, opportunities, and strategies for managing early retirement effectively.

Core Concepts of the Study

Early Retirement

Early retirement occurs when employees exit the workforce before the traditional retirement age. For instance, many IT professionals in Tier-1 Indian companies retire early due to work stress, declining work-life balance, or outdated skills (Khan & Yusoff, 2021). This results in a loss of technical expertise.

Strategic Human Resource Management (SHRM)

SHRM refers to aligning HR policies with long-term organizational goals (Wright & McMahan, 2011). In IT firms, SHRM includes succession planning, knowledge retention, and talent development. For example, companies like Infosys and IBM use internal talent-mapping systems to identify experts at risk of early exit.

Human Capital Theory

Human Capital Theory highlights that employee knowledge and skills are assets that add value (Becker, 1993). Losing a senior cybersecurity analyst with 20 years of experience reduces organizational capital and increases security risks.

Job Demands-Resources (JD-R) Model

The JD-R model states that high job demands combined with low job resources lead to strain and burnout (Demerouti *et al.*, 2001).

In IT, unrealistic project deadlines, night shifts, and continuous client pressure heighten early retirement intention.

IT and ITES Productivity

Productivity in these sectors depends on innovation, quick decision-making, and domain expertise. When senior employees retire early, the productivity of teams and projects declines because new workers need time to reach full proficiency.

Early retirement has been widely studied in organizational behavior, human resource management, and labor economics. Most researchers treat early retirement as a complex decision influenced by personal, job-related, and organizational factors. Early retirement is particularly relevant for knowledge-intensive industries like IT, where employees face unique challenges (Topa *et al.*, 2018).

Several studies emphasize that job stress and burnout are major predictors of early retirement intentions. Demerouti *et al.*, (2001) argue that high demands combined with inadequate resources create exhaustion and disengagement. In many IT firms, employees report long working hours, demanding client schedules, and rapidly changing technology. These conditions generate chronic strain and reduce motivation to continue working until the traditional retirement age (Singla *et al.*, 2020).

Research also highlights the role of technological change. Older employees often experience difficulty adapting to new systems or coding languages. Singla *et al.*, (2020) found that employees in fast-changing domains such as cloud computing and AI had higher early retirement intentions because they felt less confident in keeping pace with technology. This is particularly true in ITES environments such as BPOs, where workflow automation reduces the need for certain roles, making older employees feel displaced (Casas *et al.*, 2023).

The literature also emphasizes health factors. Many studies note that physical and mental health challenges significantly increase early retirement likelihood (Shiri *et al.*, 2025). IT roles involving long sitting hours and screen exposure can lead to fatigue and burnout. For example, sustained exposure to night-shift schedules in ITES companies has been linked to chronic sleep disorders, which may drive early retirement decisions.

Another important theme is the loss of human capital. According to Becker's (1993) Human Capital Theory, organizations depend on employees' accumulated skills.

When an experienced systems architect retires early, knowledge related to legacy systems may be lost permanently. Seuadas *et al.*, (2020) reported that early retirement leads to lower organizational learning capacity and increased dependency on new recruits who lack historical context.

Studies also focus on organizational consequences. Early retirement increases recruitment costs, reduces project

stability, disrupts teamwork, and weakens client relationships (Brussig & Leber, 2019). In agile IT environments, even a small delay caused by staff turnover can affect product delivery timelines.

However, some literature highlights opportunities arising from early retirement. Workforce renewal, hiring younger tech-savvy employees, and moving away from outdated systems are some benefits associated with early retirement trends (Nordlinder *et al.*, 2024).

Overall, the literature suggests that early retirement is a multifaceted issue influenced by stress, technological change, health, and organizational culture. For IT and ITES industries, it represents both a challenge and a chance to redesign HR practices.

Challenges Faced by the IT and ITES Industry

1. **Loss of Knowledge and Expertise:** Many IT companies rely on legacy systems developed 10–20 years ago. When senior employees familiar with these systems retire early, organizations struggle to maintain them (Stattin *et al.*, 2022). A leading IT firm in Chennai experienced system downtime when its senior Oracle expert retired early with minimal knowledge transfer.
2. **Increased Workload on Remaining Employees:** Teams often face double pressure after early exits. Junior employees may feel overwhelmed. This leads to stress and further turnover (Neupane *et al.*, 2022).
3. **Rising Hiring and Training Costs:** Hiring a skilled cloud engineer in India often costs 20–30% more than retaining a senior one. Training programs extend project timelines (Kuhn *et al.*, 2021).
4. **Gaps in Leadership and Mentorship:** Senior IT staff guide juniors in solving complex problems. Their absence weakens team capabilities.
5. **Difficulty Managing Legacy Systems:** IT companies supporting telecom, banking, or logistics depend heavily on legacy code. Early retirement leaves no experts who understand these systems.
6. **Reduced Innovation Capacity:** Older employees contribute strategic insights. Losing them lowers creativity and disrupts innovation cycles (Toczek *et al.*, 2022).

7. **Disrupted Client Relationships:** Clients accustomed to dealing with senior staff may distrust replacements, impacting satisfaction.

Opportunities for IT and ITES Firms

1. **Workforce Renewal:** Younger employees entering through early retirement gaps bring new ideas, energy, and knowledge of modern technologies.
2. **Faster Digital Transformation:** A company in Pune used early retirements as a trigger to move from on-premise systems to cloud-based solutions.
3. **Flexible Work Models:** Senior employees may continue as part-time consultants, reducing full-time costs.
4. **Knowledge Management Development:** Companies create digital knowledge libraries to preserve learnings.
5. **Reskilling Programs:** Many IT firms now sponsor senior employees to learn AI, cloud, or analytics.

Strategies to Manage Early Retirement

1. **Workload Balancing-** Reducing overtime and improving staffing reduces burnout (JD–R model).
2. **Age-Inclusive HR Policies -** Flexible hours for older employees improve retention.
3. **Strong Knowledge Transfer -** Shadowing, mentoring, and wiki-style documentation ensure continuity.
4. **Upskilling Senior Employees -** Training reduces resistance to new technology.
5. **Retention Incentives -** Organizations like TCS use long-term incentive programs for senior employees.
6. **Wellness Support -** Counseling and ergonomic programs reduce health-related exits.
7. **Succession Planning -** Preparing successors avoids sudden disruptions.
8. **Hiring Retired Employees as Consultants -** This helps maintain expertise while reducing workload.

In conclusion, early retirement is both a challenge and a strategic risk for IT and ITES organizations, mainly

because these industries depend heavily on specialized knowledge, technical expertise, and years of hands-on experience. When senior professionals choose to leave early, companies face productivity disruptions, leadership gaps, and a loss of deep domain understanding that cannot be easily replaced. This makes early retirement not just a human resource concern but a long-term strategic threat.

However, organizations that recognize this risk can also view early retirement as an important opportunity for transformation. With strong HR planning—such as better succession management, employee wellbeing initiatives, and flexible retention policies—firms can slow down premature exits. By building robust knowledge-retention systems that include documentation, mentoring, and digital knowledge libraries, companies ensure that expertise remains within the organization even when individuals leave. Workload management practices, including balanced project assignments and flexible scheduling, reduce burnout and extend employee tenure.

Training and continuous reskilling further empower older employees to adapt confidently to new technologies, reducing their desire to retire early. At the same time, early retirement openings can accelerate workforce renewal and attract young, tech-savvy professionals who bring fresh perspectives.

Ultimately, organizations that proactively manage early retirement can convert a potential threat into an opportunity for innovation, agility, and long-term resilience in the rapidly evolving IT and ITES landscape.

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