

STUDY OF EMPLOYEE ATTRITION IN BUSINESS PROCESS OUTSOURCING COMPANIES IN INDIA

Dr. Shreya Bhargav*

Neha Mehra**

Abstract

The term “Attrition” highlights the reduction of the employees in the organization. It generally occurs due to retirement, resignation or death of the employee. There are various factors behind leaving the job for an employee. Stable and secured employees are the organization’s assets. They create a significant environment in the organization. This study reviews the relevant published literatures to identify the influencing factors of employee attrition, suggests some feasible retention strategies which can be applied by the leaders to reduce the attrition rate in BPO. And associated costs with high attrition rate which are borne by the employers.

Keywords: attrition, retention, employers, BPO.

* Assistant Professor, University, Jaipur

** Ph.D. Research Scholar, Jaipur National University, Jaipur

Introduction

Attrition is when employees leave their current job due to various reasons. It is the reduction of employees from the organization due to retirement, resignation or death. Many factors play vital role in the employee attrition of any company. The common concern for the employee is the difference between the company's thinking and his expectation in related to compensation. If this difference becomes too big then another opportunity occurs and employee doesn't think even once before leaving the organization.

IT service industry has been maintaining its good position in India's global market since 1967 and now it has become successful and valued brand equity for itself. It comprises IT enabled services which involves the business process outsourcing (BPO) industry. India is intensely good in providing IT enabled services. Alpesh B. Patel et al (2005) defines BPO as the delegation of one or more IT – intensive business processes to an external provider, which in turn owns, administers and manages the selected process based on defined and measurable performance criteria. BPO sector is one of the most significant, fast growing, and developing sector in India. Numbers of employees are increasing day by day along with the BPO companies. According to NASSCOM report 2015-16, more than 500 companies in India are offering outsourcing services in 35 languages. About 200 MNCs operate out of India in this industry. Large companies such as Infosys, TCS, Genpact, Deloitte, Facebook, Bank of America, Thomson Reuters, Amazon, Google, Cognizant, Franklin Templeton among others, are growing their presence in the country. According to Andhra Pradesh Government's estimates, the total IT/ITES sector hiring for 2012-13 could be at about 50000 professionals (Government of India, 2014).

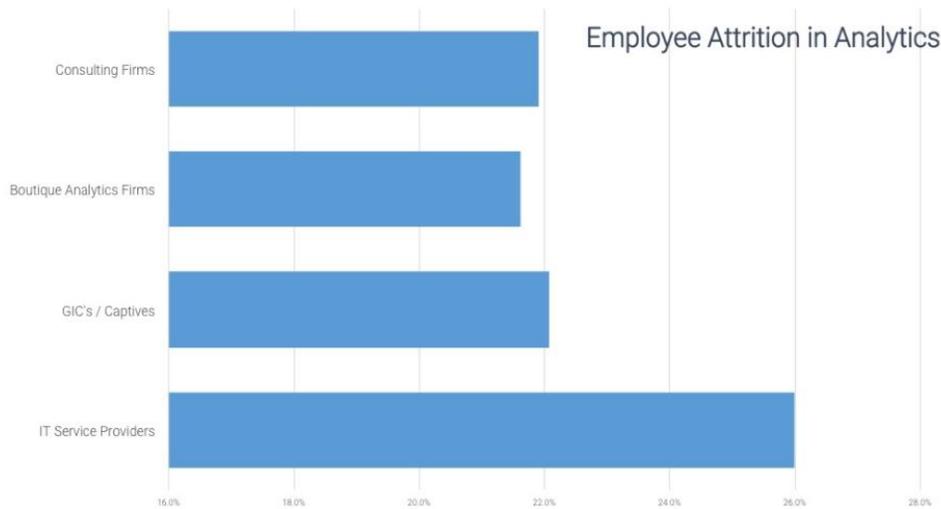
In today's scenario, attrition rate drastically affects to the working of the BPO Companies. The high attrition costs increases the costs to the organization considerably. The turnover of desirable employees is generally considered detrimental to the organization both in replacement costs and work disruption (Addae et al., 2006). According to NASSCOM, at least 60,000 of the 171,000 workforce change their jobs every year and about 80% of them look for better opportunities.

Comparative position of attrition in BPOs across the globe

Attrition Rates (%)

US	42%
India	18%

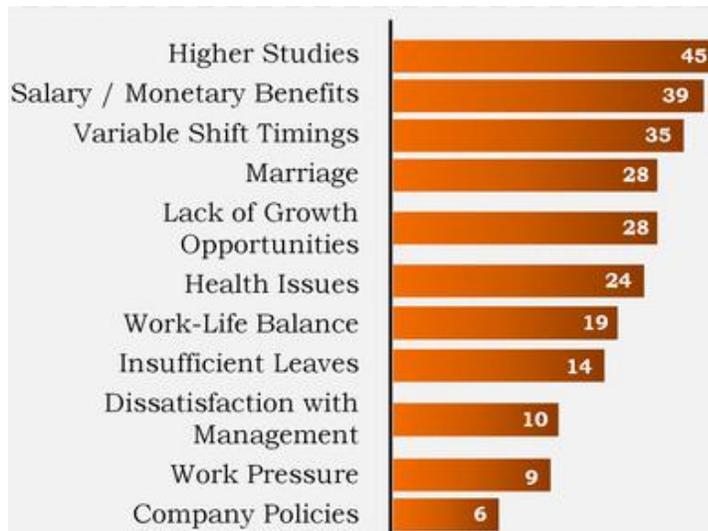
Australia	29%
Europe	24%
Global Average	24%



Source: Analytics India Employee Attrition Study - 2017

Impact of high attrition rate of BPO

Impact of higher rate of attrition indicates employee unrest and lack of stability in the labor force which is not good for competitiveness, growth and development of an organization. It destabilized the industry as a whole. The organization faces uncertain cost, disturbance in production and work atmosphere, cost of recruitment, selection, training and development and so on. NASSCOM maintains \$50 billion target for business process management sector. It was also added by NASSCOM report 2015 that attrition rate in BPO sector would continue to remain high around 18-20%, as employees are opting for bundled offering from other another companies. It has increased to 55% in last four months mainly due to erratic working hours and lack of long-term carrier growth in the sector. Besides it industry faces the serious challenges like shortage of skilled employees, educated employees.



Some reasons for attrition listed

Need for the study

In today's competitive environment, attrition is bringing the big loss in the organization as a whole because to retain the talented employees becomes a big challenge for the employers for the long term. The study undertaken will directly contribute to the existing knowledge and will highlight the important factors of employee attrition. The suitable solutions for the existing problem will be suggested through this paper. The employees are the key factors of any organization, they are considered as the backbones of the company. But there are various factors which affect the number of employees who are working within the organization very badly. This study will focus on the factors that for employees prefer to change their jobs.

Literature Review

C. Abdullah and Hasan Md. Nazmul (2017) identified that job dissatisfaction was the leading factor to increase the employee attrition rate in any organization. On the other hand, various sound retention strategies such as recruiting suitable employees, retaining valuable employees, effective leadership, effective training and development program, identifying the economic problem, unionization, organizational culture, solutions for balancing the work and family life were highlighted to overcome the employee turnover.

According to K. Avinash and G. Neha (2017), there is no universal attrition management solution. But there is a motivation technique which should be followed by the leaders for their employees to achieve the company's goals.

V. Antony Joe & R. Anbu Ranjith (2016), revealed the weak retention practices in education sectors which leads the higher attrition rate in the organization. Job dissatisfaction, low compensation, slow career growth and promotion were the important factors among the employees that highly affected the academic retention process.

C. Ajaya & G. Ravindra (2016), studied all the parameters associated with employee retention that were importance of motivating factors, focus on providing hygiene factors, improvement of quality of work life and focus on benefits and multi-cultural organizations and suggested some aspects to organizations to improve their strategic features to control the employee turnover which were identification and prioritization of the key employees, clarification of the reasons for wanting to retain the employees, and timely meeting with employees.

N. Amaresh (2015), coined that employee attrition affects the organization's strengths, weakness, and its morale. The major findings of his study were that the odd shifts and timings of jobs in BPO Company as it operates 24x7 hours so it doesn't match with the foreign clients and become the cause of difficulties to the employees.

Employee's progression leads the long term success of the organization. N. Silpa (2015) in her research, observed the lacking of recreational facilities such as accommodation, and transportation facilities for the team which make the employees dissatisfied.

The attrition is the crucial challenge for HR managers to deal with. K. Sakshiet al. (2015) referred the term "attrition" as to scaling down of employees in an organization. Employee friendly organizational culture with positive working situations and high opportunities for career growth can reduce the attrition rate and enhance the employee attitude in order to sustain for long term in the company.

T. Justin (2015) stated that pay dissatisfaction and lack of other monetary benefits were the causes of attrition which move the employees towards alternative opportunities.

James and Faisal (2013) observed that an effective and unique human resource system is very necessary to become an organization successful. They identified 13 factors affecting high employee attrition in 6 BPO companies among 400 employees in Karnataka and Kerala states out of which the highest employee attrition was shown in entry level group due to their salary factor.

According to VP Thirulogasundaram et al. (2012), various factors have explained such as demographic, individual, attitude, organizational, and propel factor among the 100 employees of 10 software industries. The individual factor was found the most significant in all factors, due to

heavy workload, health related problems, children's education, and unrealistic expectation for organization.

Research Methodology

This study is descriptive in nature which is based on published research papers covering wide collection of articles on attrition rate in the organizations. Secondary data was extensively reviewed for this study with strong availability.

Objectives of the study:

1. The first objective is to highlight the factors responsible for employee attrition in BPO companies.
2. The second objective is to describe the strategies applied by the leaders while practicing employee retention.

Factors which are responsible for employee attrition in BPO companies:

The factors causing employee attrition reviewed by relevant literatures classified into different groups:

- 1. Compensation Factor:** Good administrated compensation structure plays a vital role in retaining the employees. Employees leave due to unmanaged compensation. This factor includes insufficient incentives, salary, perks, housing, quality of living, fringe benefits, little recognition, and slow advancements.
- 2. Organizational Culture:** There are set of rules and values which fully affects by organizational culture. It includes the skill development opportunities, promotions and fair treatments, regular staff meetings, and scope for career growth. The organizational culture is a vital factor which can retain the employees and reduces the attrition rate gradually.
- 3. Managerial Factor:** It includes the low balanced communication system between managers and employees that leads the employee attrition in the organization. Its positive aspect develops the employee concentrated towards their goal and result oriented in the company. If it is not maintained then various factors occurs such as poor job performance, low motivation, low job satisfaction, work overload, stress, dislike the job itself, and moving towards better opportunities.

4. Working Environment: Healthy working environment keeps the employees on for a long term in an organization. It decreases due to lack of the basic facilities like air conditioning system, open space, restroom, drinking water, lunch break, lavatory, privacy. Employees don't face these problems for a long time, and they start seeing another good opportunities.

5. Parental and Family Mobility Factor: In spite of the fact that we have moved on from the joint family concept but still strong affections exist. So sometimes the desire to be with them pushes the employees to move along with their family from one city to another.

6. Personality Factors: Some employees get bored and fatigued easily with their daily routine and have high need for variety so they start searching and seeking the new work. Even in boredom situation sometimes they involve in the organizational politics and start polluting the work environment.

7. Lateral poaching of qualified and skilled employees: Generally the companies which face the low production and productivity desire to hire new and skilled talents therefore they try to attract those talents with mutually agreed remuneration and other benefits. Sometimes such employees move on with them and these companies harm to the well-established industries.

Associated cost with high attrition rate:

1. Recruitment Cost: The cost of advertisement, agency cost, employee referral cost, internet posting cost, develop and implement a sourcing strategy, screening of candidate, prepare for interviews, conduct interviews, over all the cost of internal recruitment's time.

2. Training and development Cost: The cost of the induction program, materials for the new employees, and the cost of the departmental training which is equivalent to the development and delivery cost. It also requires the manager's valuable time to create believes and building confidence among new employees for the organization.

3. Talent Cost: It includes the cost of lost knowledge, experience and skills that the person who is leaving and taking with them out of company's door.

4. Lost Productivity Cost: As the new entrants join the company, they need to learn adjust with new work, responsibilities, and policies of the company, but when they are not entirely productive towards their company and they commit mistakes during this elongated indoctrination period, for which company has to bear all the losses.

5. Motivational Cost: This cost arises due to motivational part which is given to employees to retain them in terms of salary and time.

Employee Retention Strategies to Control Attrition Rate:

Employee retention strategies are very necessary for rectifying the issues related to leaving the organization by employees because they are the valuable assets for an organization; No organization can succeed without efficient employees. Following strategies can be applied to retain the employees for long term association:

- 1. Recruitment Strategies:** The recruitment manager keeps on innovating new techniques to hire the best people and the strategies are continuously renewed as per the changing scenario. Considering the high attrition rates the organization plans a very effective policy at the entry level (recruitment) which ultimately helps in sustaining human resource for the benefit of the organization (Joshi, 2004).
- 2. Performance Incentives:** Bonuses and incentives are paid after every quarter if the employee sustains in the organization and he gets extra rewards if his performance exceeds the target assigned to him.
- 3. Giving employees a choice of rewards:** Rewards are as different as the people who receive them and it doesn't make sense to give rewards that recipients do not find rewarding. Some people are excited about sports events, others about movies.
- 4. Personal Health Care:** Some of the BPOs provide the facility for extensive health check-up. For employees with above 40 years of age, the medical check-up are given once in a year.
- 5. Group Medi-claim and Personal Accident Insurance Scheme:** This scheme is to provide adequate insurance coverage for hospitalization expenses arising out of injuries sustained in an accident. This covers total / partial disablement / death due to accident and due to accidents.
- 6. Subsidized Food and Transportation:** BPOs provide transportation facility to all the employees from home till office at subsidized rates or even at zero cost. Lunch is also provided free of cost.
- 7. Company Leased Accommodation:** Some of the companies provide shared accommodation for all the outstation employees.
- 8. Recreation, Cafeteria, ATM and Gym facilities:** The recreation facilities include pool tables, chess tables and coffee bars. BPO companies also have well equipped gyms, personal trainers and showers at facilities.

9. Loans: BPO companies provide loan facility on different occasions like medical emergency, wedding, also new recruits are provided with interest free loans to assist them in their initial settlement at the work location.

Conclusion

This research paper highlights the growth of BPO in global market which also increases the employees' quantity. Management should give the close attention on attrition in the organizations so talented and skilled employees can remain for long term with the organization. Compensation is not only the reason behind employee attrition as explained, but employees also like to work there, where they can maintain the balance of their interest and growth, with their work and organizational goals. The associated costs with high employee attrition rate are also described which imbalance the economy of the organization. Hence, if the explained retention strategies are applied, then there is a possibility that employee attrition rate as well as associated costs in BPO will reduce. To retain the existing and skilled employees is less expensive than to recruit and train the new ones. So it is suggested that employers should come up with required steps to eliminate the unnecessary cost and employee attrition in the BPO.

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